

OVERVIEW:

FISCAL AND BUDGETARY ACTIONS NORTH CAROLINA GENERAL ASSEMBLY

1997 SESSION

**PREPARED BY
THE FISCAL RESEARCH DIVISION
OF THE NORTH CAROLINA GENERAL ASSEMBLY**

RALEIGH, NORTH CAROLINA

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INTRODUCTION

This volume is intended to create a "picture" of what the North Carolina General Assembly enacted within the broad area of appropriations and revenues for the 1995-97 biennium. We believe it will serve both as a technical record of legislative fiscal action and as an invaluable reference tool for Members of the General Assembly, legislative staff members, State agencies, and the general public.

This document is divided into sections as follows: **"Total Budget"**; **"The Economy, and Revenues"**; **"Federal Block Grants"**; **"Legislative Actions: General Fund Appropriations"**; **"Legislative Actions: Highway Fund Appropriations"**; **"Capital Improvements"**; **"Salaries and Benefits"**; **"Revenue Bills"**; and, **"Appendix"**.

Section B, "Total Budget" summarizes the fiscal actions authorized by the General Assembly for the 1995-97 biennium.

Section C, "The Economy and Revenues" describes the economic and financial backdrop against which the actions detailed in subsequent sections are conducted.

Section D, "Federal Block Grants" gives a brief history of programs and identifies how these funds are allocated.

Section E, "Legislative Actions: General Fund Appropriations" identifies in summary changes made to the Governor's proposals for continuation support for each department. Special provisions which are pertinent to that department are included.

Sections F through J identifies actions taken by the General Assembly in the areas of education, general government, human resources, justice and public safety, and natural and economic resources.

Section K, "Legislative Actions: Highway Fund Appropriations" identifies actions for the Highway Fund in the same manner as addressed in Sections F through J.

Section L, "Statewide Reserves/Debt Service" identifies actions that are not identified to a specific department, i.e., salary increases. Funds will be journalized from reserve accounts to affected departments when each agency's share has been identified.

Section M, "Capital Improvements" provides a departmental listing of capital projects approved during the 1995 Session. It also includes a list of the general obligation bonds which will be allocated accordingly if favored by a majority of the voters in November, 1995.

Section N, "Salaries and Benefits" identifies salary increases, as approved, together with changes in retirement and pension plans, health insurance programs, and other benefit programs.

Section O, "Revenue Bills" provides a listing of bills authorizing various tax changes. Five-year fee increases are included in this section, as well.

The **"Appendix"** includes data relating to revenues and expenditures of the General Fund and Highway Fund, including salary increases, reversions, aid to local governments, Critical School Facilities funds, and number of permanent positions.

It is hoped that this volume will be useful in making legislative information relating to the budget of the State of North Carolina more accessible and provide a complete understanding of the General Assembly's fiscal actions.

GLOSSARY

Adjusted Appropriation: Contains the total of the certified appropriation, reserve allocations, and other transfers (i.e., as authorized by legislative authority) including Contingency and Emergency.

Anti-Recession Funds: Program instituted by the Federal government.

Beginning/Ending Balance or Credit Balance: The funds available at the beginning or end of the fiscal year based upon revenue collections and expenditures.

Capital Improvements: One-time appropriations for specific capital projects (new construction, renovations, repairs and land purchases).

Carry Forward: Funds appropriated, but unspent in the first fiscal year of a biennium - which by authorized budget revision - are brought forward for expenditure in the second fiscal year of the same biennium. Starting with the 1985-86 fiscal year, the practice of journalizing these entries between fiscal years of a biennium were discontinued. Funds have since been carried forward between years and biennia by check.

Certified Appropriation: Total state monies appropriated by the General Assembly.

Contingency and Emergency (C&E) Funds: The appropriation to provide for any purpose authorized by law for which no specific appropriation is made or for which inadvertently an insufficient appropriation has been made. Allocations from this Fund must be approved by the Council of State upon recommendation by the Director of the Budget (Governor).

Continuation Budget: The part of the State budget necessary to continue the current level of services when adjusted for inflation, mandated rate increases such as Social Security, annualization of programs and operation of new facilities.

Current Operations: Cost associated with the daily activity of programs supported by the State, such as salaries, utilities, and travel.

Disproportionate Share Funds: Share (DSH) funds are Medicaid payments made to health care providers who deliver services to large numbers of uninsured patients.

Entitlements: Payment or benefit granted by law to individuals or political subdivisions (i.e., cities, counties, local districts).

Expansion Budget: The part of the budget which provides for new programs, expansion of existing programs, and salary and benefit increases.

Federal Funds: Funds appropriated by the U.S. Congress and administered by Federal agencies for support of programs at the State or local level. Federal funds are received through block grants, entitlement programs and specific ("categorical") grants.

GLOSSARY (Continued)

Federal Revenue Sharing: Program instituted by the Federal government in 1972-73 and discontinued in 1982-83 to assist state/local governments.

General Fund: The tax and non-tax revenue collected by the State of North Carolina and deposited with the State Treasurer for appropriation by the General Assembly to support the operations and capital construction needs of State departments and institutions. General Fund tax revenue includes sales and use tax, individual income tax, corporate income tax and franchise tax. General Fund non-tax revenue includes court fees and income from the State Treasurer's investment of excess General Fund dollars belonging to the State.

Highway Fund: The tax and non-tax revenue collected by the State of North Carolina and deposited with the State Treasurer for appropriation by the General Assembly to support the operations and capital construction needs of the Department of Transportation, including the Division of Motor Vehicles and the Highway Patrol Division of the Department of Crime Control and Public Safety. Highway Fund tax revenue includes licenses and fees relating to the operation of motor vehicles and the motor fuel tax. Highway Fund non-tax revenue includes income from the State Treasurer's investments of Highway Fund dollars.

Local Government Transfers: Reimbursements for "holding harmless" local governments due to the Tax Reduction Act of 1985; and, Shared-Revenues resulting from changes in accounting methodology for state-local shared revenues from intangibles, franchise, and beverage taxes.

Negative Reserve: An authorized reduction to the total program needs for a specific purpose, i.e., management flexibility or inflationary cost adjustments, without identifying the specific line-items affected. The agency/department must identify savings or excess in budgeted line-items needs and transfer this excess to offset the negative reserve appropriation.

Non-Recurring: Term used to denote one-time revenues (windfalls reversions) or one-time expenditures (grant-in-aid, capital).

Other Receipts: The funds received by State departments and institutions for services performed, such as patient receipts in hospitals; tuition fees in the universities and community colleges, or as fines for violations of State regulations.

Rainy Day Fund: One-time appropriation of \$141 million for the 1990-91 fiscal year. Appropriation equaled the funds deposited to the credit of the General Fund due to an accounting methodology change approved by the 1990 Session to improve the financial reports of the State.

Recurring: Term used to denote revenues and expenditures that will be continuing.

Reversions (Net): Unspent appropriations returned to the General Fund adjusted for carry forward from the first to the second fiscal year of a biennium. Practice of carry forwards by journalizing has been discontinued.

Special Funds: Accounts which have no State monies directly appropriated to them and whose cash balances do not revert at the end of each fiscal period (Wildlife Resources).

GLOSSARY (Continued)

Tax Reimbursements: State revenues disbursed to local governments as reimbursements due to State mandated tax relief measures which has a financial impact on locals. These measures include (1) property tax on business inventories; (2) property tax homestead exemption; (3) sales tax on food stamp purchases; and, (4) intangibles tax on money on deposit and certain accounts receivables.

Tax Sharing: Revenues collected by the State and shared with local governments - intangibles, beverages, and franchise taxes.

Total Availability: Sum of beginning credit balance and revenue collections for a fiscal period.

Total State Budget: Total dollar requirements for North Carolina State government departments and institutions, excluding inter-intra agency departmental transfers and expenditures.

Transfers Among Codes: Allocations from reserve accounts (university, institutional programs, salary increase, hospitalization - medical insurance, etc.) or program transfers from one department to another based upon enabling legislation.

THE TOTAL BUDGET

SUMMARY OF THE BUDGET 1997-99 BIENNIUM

	In Millions 1997 Session	
	1997-98	1998-99
TOTAL BUDGET		
Includes Operating and Capital Appropriations, General Fund, Highway Fund, Federal Funds, Fees, Departmental Receipts	\$20,424.8	\$20,476.5
GENERAL FUND		
Operating	11,238.1	11,532.0
Capital Improvements	153.0	—
Capital Improvements Repairs/Renovations	174.3	—
HIGHWAY/HIGHWAY TRUST FUNDS^a	1,775.5	1,793.9
FEDERAL FUNDS	5,220.4	5,444.9
DEPARTMENTAL RECEIPTS		
(Tuition Fees of Community Colleges, University; patient fees, licenses, fines and other dedicated receipts)	1,863.6	1,705.6

- ^a Reduced to reflect transfers to the General Fund and transfers between the Highway Fund and Highway Trust Fund

<p>COMPARISON OF GENERAL FUND TAX REVENUE COLLECTIONS</p> <p>% OF INCREASE OVER PREVIOUS YEAR</p>

	Actual	Economic Base
1986-87	10.4%	9.0%
1987-88	7.2%	10.2%
1988-89	6.8%	8.8%
1989-90	13.8%	5.6%
1990-91	4.9%	-1.3%
1991-92	9.7%	5.3%
1992-93	6.1%	7.0%
1993-94	8.0%	9.1%
1994-95	10.0%	9.9%
1995-96	1.0%	6.8%
1996-97 Projected	9.0%	9.2%
1997-98 Projected	3.1%	4.3%
1998-99 Projected	5.3%	6.4%

*Actual collections adjusted for tax law changes and other special factors

Earmarking of the Year End General Fund Credit Balance

Savings Reserve

Budget Reform legislation enacted the 1991 Session of the General Assembly required, beginning with the 1992-93 fiscal year, that one-fourth of the year end General Fund credit balance be reserved to a Savings Reserve Account until that account reached five percent of the preceding year's General Fund operating budget. This legislation was amended by the 1992 Session to allow the State Controller to earmark one-fourth of this sum to the Savings Reserve Account beginning with the 1991-92 year end credit balance.

The General Assembly has also made direct appropriations to this Account. During 1993-94, \$121 million of these funds were transferred to the General Fund non-tax revenue accounts for the purpose of restoring the June 30th, 1994 payroll for state, university, and community college employees back to the fiscal year of encumbrance.

History of Savings Reserve Account is as shown (in millions):

	<u>Direct Appropriation</u>	<u>Earmarked Credit Balance</u>	<u>Use of Funds</u>	<u>Cumulative Balance</u>
1991-92	\$.4	\$41.2	—	\$41.6
1992-93	—	134.3	—	175.9
1993-94	—	155.7	-121.0	210.6
1994-95	66.7	146.3	—	423.6
1995-96	—	77.3	—	501.0
1996-97	—	—	—	501.0

No additional funds were earmarked for the Savings Reserve at the end of the 1996-97 fiscal year since the appropriations for 1995-96 were less than those for 1994-95.

Permanent Funding Source for Repairs/Renovations

Budget Reform legislation required the Office of State Budget and Management to recommend to the 1993 General Assembly a method to establish a permanent reserve for repairs and renovations of state-owned buildings supported by the General Fund. As recommended, the General Assembly adopted the proposal that the lower of one-fourth of the year end unreserved credit balance or 1.5% of the replacement value of General Fund facilities be reserved to the Repair/Renovation Account by the State Controller. The 1995 Session of the General Assembly changed the earmarking to the greater of one-fourth of the year end balance or 3.0% of the replacement value. The 1996 Session directed that three percent (3%) of the replacement value be earmarked to the Repair/Renovation Account at the year end regardless of the total amount of the unreserved credit balance.

The 1996 Session appropriated the R/R balance of \$21.3 million, reserved but not appropriated at the end of the 1994-95 fiscal year, to the Office of State Budget and Management authorizing the allocation of these funds for land acquisition, matching federal funds, State grants, and grants-in-aid (Sec. 5.3 (b) of HB 53).

EARMARKING OF THE YEAR END GENERAL FUND CREDIT BALANCE (Continued)

Beginning with the 1992-93 fiscal year, the earmarking for repairs and renovations has been as shown (in millions):

	Credit Balance Prior to Reserves	Total Earmarked	University	Repairs/Renovations		
				Other	Total	Unappropriated
1992-93	\$537.3	\$57.0	\$31.4	\$25.6	\$57.0	\$--
% of Total			55%	45%		
1993-94	\$622.7	\$60.0	\$33.0	\$27.0	\$60.0	\$--
% of Total			55%	45%		
1994-95	\$585.2	\$146.3	\$57.5	\$67.5	\$125.0	\$21.3 ^(a)
% of Total			46%	54%		
1995-96	\$726.5	\$130.0	\$59.8	\$70.2	\$130.0	\$--
			46%	54%		
1996-97	\$759.3	\$174.3 ^(b)	\$94.8	\$79.5	\$174.3	\$--
% of Total			54.4%	45.6%		

^(a) Appropriated by 1996 Session as noted above but not for repairs and renovations.

^(b) Includes \$39.3 million in Supplemental Appropriations to the \$135.0 million earmarked through replacement value formula; the per cent of total reflects the allocations including the supplemental appropriations.

With certification of the 1996-97 budget, appropriations from the Repair and Renovations Reserve Account were made directly from that Account thereby not reflected as a direct appropriation as had been the practice in previous years. With the 1997-98 budget, these earmarked funds were again considered as direct appropriations. The Joint Legislative Commission on Governmental Operations will review all recommendations made by the Office of State Budget and the University System prior to any funds being allocated from these reserves.

Clean Water Management Trust Fund

The 1996 Session of the General Assembly established the Clean Water Management Trust Fund to finance projects to clean up or prevent surface water pollution (G. S. 113-145.3). The funding for this Trust Account was 6.5% of the unreserved credit balance. At the end of 1995-96, a total of \$47.1 million was earmarked for this purpose (\$9.2 million of this total was transferred to the Wetland Restoration Fund). The 1997 Session of the General Assembly authorized 6.5% of any unreserved credit balance or \$30.0 million, whichever is greater, be earmarked for this Trust Account, effective with the fiscal year ending June 30, 1997. The sum earmarked was \$49.4 million.

EARMARKING OF THE YEAR END GENERAL FUND CREDIT BALANCE (Continued)

Tax Refunds

The 1996 Session of the General Assembly earmarked \$26.2 million of the unreserved credit balance of 1996-97 to a Federal Retirees Refund Reserve (\$25.0 million) and a Federal Retirees Refund Administrative Cost Reserve (\$1.2 million). These one-time refunds must be mailed out by January 1, 1998 to taxpayers who do not normally file a state income tax return. For 1997-98 and 1998-99, tax revenue estimates reflect a \$35.5 million per year reduction for the cost of a three-year tax credit for taxpayers who normally have an income tax liability.

The 1997 Session earmarked \$156 million to pay refunds plus interest to taxpayers who protested the intangible tax for the years 1991 through 1994. Tax estimates could have been reduced to reflect this obligation, but the General Assembly chose to earmark a portion of the existing credit balance for this purpose.

Other Earmarking

The 1996 Session of the General Assembly granted authority to the Director of the State Budget to transfer lapsed salary funds for the 1995-97 fiscal biennium to match federal funds for disaster relief. During 1996-97, the Director of the Budget identified \$115,510,195 of 1995-96 reversions to be transferred to this Federal Disaster Relief Reserve. During 1996-97, an additional \$25,095,403 was transferred to this Reserve Account. The Department of Crime Control and Public Safety is to report to the 1998 Session regarding the status of this account. Any funds that are designated for this account, but are not needed, are to revert to the General Fund. (Ten million of the 1996-97 Repair/Renovation Reserve Account was also allocated to this Federal Disaster Relief Reserve.)

The 1997 Session of the General Assembly authorized the State Treasurer to invest \$61 million in the NC Railroad. Since this investment was mandated, the credit balance that can be used for expenditures has been reduced in an offsetting amount.

**Condition of the General Fund
1997 Session**

	1997-98			1998-99		
	Reserved	Unreserved	Total	Reserved	Unreserved	Total
Beginning Credit Balance						
Unreserved balance, prior fiscal year	--	318.9	318.9	--	--	--
Savings Reserve	500.9	--	500.9	522.3	--	522.3 A
Intangible Tax Refunds	156.0	--	156.0	--	--	--
Clean Water Management Trust Fund	49.4	--	49.4	30.0	--	30.0 B
Railroad Investment Authorization	61.0	--	61.0	61.0	--	61.0
Repairs/Renovations Supplement	39.3	--	39.3	--	--	--
Repairs/Renovations Reserve	135.0	--	135.0	70.1	--	70.1 C
Subtotal Beginning Balance	941.6	318.9	1,260.5	683.4	--	683.4
Revenues						
Tax Revenues	--	10,561.3	10,561.3	--	11,119.0	11,119.0
Non-Tax Revenues	--	449.7	449.7	--	473.4	473.4
Transfers Highway Fund/Trust Fund	--	182.6	182.6	--	183.4	183.4
Disproportionate Share Receipts	--	--	--	--	83.0	83.0
Subtotal Revenues	0.0	11,193.6	11,193.6	0.0	11,858.8	11,858.8
Total General Fund Availability	941.6	11,512.5	12,454.1	683.4	11,858.8	12,542.2
Expenditure Authorization						
Current Operations	--	11,238.0	11,238.0	--	11,532.0	11,532.0
Clean Water Management Trust Fund	49.4	--	49.4	30.0	--	30.0 B
Intangible Tax Refunds	156.0	--	156.0	--	--	--
Capital Improvements	--	153.0	153.0	--	--	--
Repair/Renovation Reserve Supplement	39.3	--	39.3	--	--	--
Repair/Renovation Reserve	135.0	--	135.0	70.1	--	70.1 C
Subtotal Expenditure Authorizations	379.7	11,391.0	11,770.7	100.1	11,532.0	11,632.1
Ending Fund Balance	561.9	121.5	683.4	583.3	326.8	910.1
Budget Reform/Other Earmarking	121.5	(121.5)	0.0	(D)	(D)	(D)
Adjusted Reserved/Unreserved Balance	683.4	0.0	683.4			

A: Savings Reserve increased to 5% cap

B: Clean Water Management Trust earmarking is \$30 million minimum; will be adjusted with 1998 Session authorizations

C: Balance of 1997-98 unreserved credit balance earmarked for Repairs/Renovation Reserve; will be adjusted with 1998 Session authorizations

D: Allocations will be updated for 1998 Session

ECONOMY AND REVENUES

ECONOMIC OUTLOOK AND GENERAL FUND REVENUES

1996-97 EXPERIENCE

For the fifth year in a row General Fund revenue collections exceeded the budget estimate by a healthy margin. This trend conforms to a major objective of the 1991 budget reform package: to move back to the conservative estimating philosophy in place prior to the 1991 budget crisis. One result is that the state's unencumbered General Fund cash balance has risen from a negative \$200 million during 1990-91 to \$1.7 billion during the peak month of 1996-97. In addition, the state's rainy-day fund capped out at \$501.0 million on June 30, 1996 (5% of prior year's operating budget), just five years after the fund was created.

A comparison of actual General Fund revenues with the budgeted amount for 1996-97 is shown on Page C-2.

Collections for the two tax sources closely related to the economy - withholding and sales tax payments - came in slightly above the target. The primary reason is the fact that Federal Reserve monetary policy was essentially unchanged during the year. The Fed has been very successful in achieving a policy of moderate growth with little inflation. In fact, the overall economy has not been this stable since the 1960's.

Withholding taxes reflected higher-than-expected job growth, the impact of tight labor markets on wage rates, and employee bonuses. Sales tax receipts continued to exceed the increase in consumer disposable income, suggesting a "wealth effect" stemming from the rise in stock and bond prices.

On the corporate front, analysts on Wall Street and budget forecasters around the country have consistently underestimated the continued surge in corporate profits downsizing activities. The uptick in corporate net income combined with low interest rates, is why the nation's equity markets continue to soar. The increase in profitability has continued even though downsizing activities have leveled off.

A fourth category where collections exceeded the forecast is estimated and final payments under the personal income tax. These non-withholding collections were \$210 million (or 18%) above the target. In addition, tax refunds were \$91 million lower than the target. This trend has been a hot topic for revenue estimators around the country since the April and June surge in income tax collections. The primary reason is that many investors unloaded their pent-up capital gains in late 1996 after prospects for federal relief evaporated once again. Interestingly enough, in the year after many investors sold their stock and bonds, the Congress cut the capital gains rate.

In addition, the entry into the financial market by first-time investors has led to large increases in interest and dividend income. Finally, surging corporate profits have led to more employee bonuses and the rise in stock prices has caused many employees to cash in their stock options.

OUTLOOK FOR 1997-98

The economic outlook supporting the revised 1996-97 General Fund revenue forecast continues to reflect slow economic growth and stable inflation, as shown on the table on Page C-5.

GENERAL FUND REVENUE COLLECTIONS FOR 1996-97 FISCAL YEAR BUDGET VERSUS ACTUAL				
REVENUE CATEGORY	(Mill.) Budget	(Mill.) Actual	(Mill.) Diff.	Percent Diff.
Tax Revenue:				
Personal Income Tax:				
Withholding Payments	\$4,857.5	\$4,921.7	\$64.2	1.3%
Estimated and Final Tax Payments	1,196.9	1,407.0	210.1	17.6%
Less: Withholding Refunds	-960.2	-869.7	90.5	-9.4%
Less: Local Tax Reimbursements	-129.0	-129.0	-0.0	
Total-Personal Income Tax	\$4,965.2	\$5,330.0	\$364.8	7.3%
Sales & Use Tax:				
Regular	\$2,751.7	\$2,789.0	\$37.3	1.4%
Utility Receipts	338.3	338.7	\$0.4	0.1%
Total-Sales & Use Tax	\$3,090.0	\$3,127.7	\$37.7	1.2%
Corporate Income Tax:				
Net Payments Before Earmarking	\$925.0	\$981.1	\$56.1	6.1%
Less: School Facilities Earmarking	-56.9	-58.8	-1.9	
Less: Local Tax Reimbursements	-204.5	-204.5		
Total-Corporate Income Tax	\$663.6	\$717.8	\$54.2	8.2%
Franchise Tax:				
Net Collections Prior to Earmarking	\$510.6	\$536.7	\$26.1	5.1%
Less: Local Tax Sharing	-144.4	-148.9	-4.5	
Total-Franchise Tax	\$366.2	\$387.8	\$21.6	5.9%
Insurance Tax	248.0	258.5	10.5	4.2%
Alcoholic Beverage Tax:				
Net Collections Prior to Earmarking	\$171.1	\$173.5	\$2.4	1.4%
Less: Local Tax Sharing	-22.5	-23.3	-0.8	
Total-Alcoholic Beverage Tax	\$148.6	\$150.2	\$1.6	1.1%
Other Taxes:				
Inheritance Tax	\$116.2	\$132.1	\$15.9	13.7%
Tobacco Products Tax	45.8	46.7	0.9	1.9%
Privilege License Tax	43.8	43.4	-0.4	-0.9%
Soft Drink Tax	29.8	31.3	1.5	5.0%
Intangibles Tax	0.6	0.0	-0.6	
Gift Tax	10.0	12.6	2.6	
Miscellaneous Taxes	1.2	1.2		
Total-Other Taxes	\$247.4	\$267.3	\$19.9	8.0%
Total Tax Revenue	\$9,729.0	\$10,239.0	\$510.0	5.2%
Nontax Revenue:				
Investment Income	\$195.0	\$224.1	\$29.1	14.9%
Judicial Fees	97.8	99.1	1.3	1.3%
Disproportionate Share	102.0	100.8	-1.2	-1.2%
Insurance Fees	20.1	18.7	-1.4	-7.1%
Other Nontax Revenue	70.0	70.2	0.2	0.3%
Total Nontax Revenue	\$484.9	\$512.9	\$28.0	5.8%
Total Tax and Nontax Revenue	\$10,213.9	\$10,751.9	\$538.0	5.3%

ECONOMIC OUTLOOK AND GENERAL FUND REVENUES (Continued)**ECONOMIC INDICATORS (STATE FISCAL YEAR BASIS)
ANNUAL RATES OF CHANGE**

	1996-97 Actual	1997-98 Projected	1998-99 Projected
U.S. INDICATORS			
Real Economic Growth	3.4%	3.2%	1.9%
Nonfarm Employment	2.2%	2.2%	1.6%
Industrial Production	3.9%	3.4%	2.3%
Inflation (CPI)	2.6%	2.5%	2.6%
Corporate Profits (Pre-Tax)	8.7%	5.1%	3.1%
Short-Term Interest Rates (Actual Rate)	5.3%	5.7%	5.2%
Long-Term Interest Rates (Actual Rate)	6.8%	6.7%	6.5%
NORTH CAROLINA INDICATORS			
Personal Income	7.0%	6.0%	6.2%
Nonfarm Employment	3.0%	2.6%	2.0%
Unemployment Rate (Actual Rate)	3.5%	3.9%	4.2%
Average Hourly Earnings (Manufacturing)	4.1%	3.6%	3.8%
Retail Sales	8.0%	5.9%	6.1%
Housing Starts (Actual Number)	67,400	66,500	65,400
Auto Sales (Actual Number)	484,602	503,987	509,530

ECONOMIC OUTLOOK AND GENERAL FUND REVENUES (Continued)

1996-97 Revenue Forecast

The revision to the projection of General Fund revenues 1997-98 involved a four-step process. First, the economic factors listed above are used to forecast baseline revenues based on long-term historical relationships.

Next, the baseline numbers are adjusted for any special economic factors. For example, sales tax receipts in recent years have exceeded the growth in state personal income as consumers have run up their credit card burden and spent a portion of their stock market profits. Since the baseline forecast does not envision a downturn, the rate of growth of the regular sales tax was adjusted up slightly to reflect continued spending in excess of income growth (but not as much as in prior years).

At the same time, concern over the historical volatility of corporate profits and the fact that the gains from downsizing are beginning to decline led to the use of a very conservative approach to project the corporate income tax.

The third step in the process was to adjust the baseline estimates to take into account the impact of 1995-97 session tax cuts. These technical adjustments are included in the detailed numbers on the adjoining page.

Finally, the discussion of 1996-97 revenues indicated that one of the major reasons for surplus revenues from estimated and final tax payments for individuals included the increased "realization" of capital gains, bonuses, and the cashing in of stock options. It is impossible to put a number on each of these factors. However, discussions with revenue estimators in other states and the favorable historical experience in North Carolina from taking a cautious approach for the year after a large income tax surplus provided support for a conservative forecast of 1997-98 income tax revenue.

GENERAL FUND REVENUE FORECAST (\$MILL.)

TABLE 1: BASELINE FORECAST PRIOR TO TAX LAW CHANGES*

	Actual 95-96	Actual 96-97	% Change	Budgeted 97-98	% Change	Budgeted 98-99	% Change
TAX REVENUE:							
PERSONAL INCOME**	\$5,035.0	\$5,597.2	11.2%	\$5,832.9	4.2%	\$6,270.1	7.5%
SALES & USE	2,960.2	3,179.5	7.4%	3,354.4	5.5%	3,545.6	5.7%
CORPORATE INCOME:	674.9	718.3	6.4%	731.7	1.9%	759.5	3.8%
FRANCHISE	355.9	387.8	9.0%	409.9	5.7%	434.1	5.9%
INSURANCE	244.5	260.3	6.5%	270.1	3.8%	291.8	8.0%
ALCOHOLIC BEVERAGES	145.5	150.2		152.6		155.0	
INTANGIBLES TAX	124.4	124.5		124.6		124.7	
INHERITANCE	112.9	132.1		141.3		151.6	
SOFT DRINK	39.8	41.2		42.6		44.2	
PRIVILEGE LICENSE	42.0	43.4		44.2		45.1	
TOBACCO PRODUCTS	46.7	46.7		46.7		45.3	
GIFT	11.0	12.6		12.7		12.9	
OTHER	1.2	1.2		1.2		1.2	
TOTAL-TAX REVENUE	\$9,794.0	\$10,694.9	9.2%	\$11,164.8	4.4%	\$11,881.0	6.4%
NONTAX REVENUE							
INVESTMENT INCOME	\$197.3	\$222.1		\$235.4		\$249.5	
JUDICIAL FEES	90.2	94.9		99.6		104.6	
DISPROPORTIONATE SHARE RECEIPTS	76.0	100.8		0.0		83.0	
OTHER	65.3	68.0		70.0		72.1	
INSURANCE DEPT.	14.9	14.0		20.6		20.6	
TOTAL-NONTAX REVENUE	\$443.7	\$499.8	12.6%	\$425.6	-14.8%	\$529.8	24.5%
TOTAL - TAX & NONTAX REVENUE	\$10,237.7	\$11,194.7	9.3%	\$11,590.4	3.5%	\$12,410.8	7.1%
TRANSFERS:							
HIGHWAY TRUST FUND	\$170.0	\$170.0		\$170.0		\$170.0	
HIGHWAY FUND	11.1	11.9		12.6		13.4	
TOTAL-TRANSFERS	\$181.1	181.9		182.6		183.4	
TOTAL - GENERAL FUND REVENUE	\$10,418.8	\$11,376.5	9.2%	\$11,773.0	3.5%	\$12,594.2	7.0%

* Adjusted for tax law changes in order to show economy-based collection pattern.

**The high rate of growth for 1996-97 and low growth for 1997-98 is due to unexpected large surplus in April-June final payments. The 1997-98 budget assumption counts only 1/3 of the unexpected surplus as recurring.

GENERAL FUND REVENUE FORECAST (\$MILL.)
TABLE 2: IMPACT OF 1995-97 TAX LAW CHANGES

	Actual 95-96	Actual 96-97	% Change	Budgeted 97-98	% Change	Budgeted 98-99	% Change
TAX REVENUE:							
PERSONAL INCOME	(\$235.0)	(\$267.2)		(\$286.4)		(\$301.1)	
SALES & USE	-2.1	(51.9)		(105.3)		(193.9)	
CORPORATE INCOME	-1.1	(0.6)		(52.0)		(95.9)	
FRANCHISE							
INSURANCE	-1.8	(1.8)		(0.4)			
ALCOHOLIC BEVERAGES				0.1		0.1	
INTANGIBLES	-124.4	(124.5)		(124.6)		(124.7)	
INHERITANCE				(3.5)		(3.8)	
SOFT DRINK		(9.8)		(20.3)		(31.5)	
PRIVILEGE LICENSE				(11.1)		(11.3)	
TOBACCO PRODUCTS							
GIFT							
OTHER							
TOTAL-TAX REVENUE	(\$364.3)	(\$455.7)	25.1%	(\$603.5)	32.4%	(\$762.1)	26.3%
NONTAX REVENUE:							
INVESTMENT INCOME	\$2.0	\$2.0		\$2.0		\$2.0	
JUDICIAL FEES		4.2		17.2		19.9	
DISPROPORTIONATE SHARE RECEIPTS							
OTHER		2.2		4.9		4.7	
INSURANCE DEPT.	4.7	4.7		5.0		5.3	
TOTAL-NONTAX REVENUE	\$6.7	\$13.1		\$29.0		\$31.9	
TOTAL - TAX & NONTAX REVENUE	(\$357.6)	(\$442.6)	23.8%	(\$574.5)	29.8%	(\$730.2)	27.1%
TRANSFERS:							
HIGHWAY TRUST FUND							
HIGHWAY FUND							
TOTAL-TRANSFERS							
TOTAL-GENERAL FUND REVENUE	(\$357.6)	(\$442.6)	23.8%	(\$574.5)	29.8%	(\$730.2)	27.1%

GENERAL FUND REVENUE FORECAST (\$MILL.)

TABLE 3: ACTUAL FORECAST INCLUDING IMPACT OF TAX LAW CHANGES

	Actual 95-96	Actual 96-97	% Change	Budgeted 97-98	% Change	Budgeted 98-99	% Change
TAX REVENUE:							
PERSONAL INCOME	\$4,800.0	\$5,330.0	11.0%	\$5,546.5	4.1%	\$5,969.0	7.6%
SALES & USE	2,958.2	3,127.7	5.7%	3,249.1	3.9%	3,351.7	3.2%
CORPORATE INCOME:	673.9	717.8	6.5%	679.6	-5.3%	663.6	-2.4%
FRANCHISE	355.9	387.8	9.0%	409.9	5.7%	434.1	5.9%
INSURANCE	242.7	258.5	6.5%	269.7	4.3%	291.8	8.2%
ALCOHOLIC BEVERAGES	145.5	150.2		152.7		155.1	
INTANGIBLES							
INHERITANCE	112.9	132.1		137.8		147.8	
SOFT DRINK	39.8	31.4		22.3		12.7	
PRIVILEGE LICENSE	42.0	43.4		33.1		33.8	
TOBACCO PRODUCTS	46.7	46.7		46.7		45.3	
GIFT	11.0	12.6		12.7		12.9	
OTHER	1.2	1.2		1.2		1.2	
TOTAL-TAX REVENUE	\$9,429.7	\$10,239.2	8.6%	\$10,561.4	3.1%	\$11,118.9	5.3%
NONTAX REVENUE:							
INVESTMENT INCOME	\$199.3	\$224.1		\$237.4		\$251.5	
JUDICIAL FEES	90.2	99.1		116.8		124.5	
DISPROPORTIONATE SHARE RECEIPTS	76.0	100.8		0.0		83.0	
OTHER	65.3	70.2		74.9		76.8	
INSURANCE DEPT.	19.6	18.7		20.6		20.6	
TOTAL-NONTAX REVENUE	\$450.4	\$512.9	13.9%	\$449.7	-12.3%	\$556.4	23.7%
TOTAL - TAX & NONTAX REVENUE	\$9,880.1	\$10,752.1	8.8%	\$11,011.0	2.4%	\$11,675.3	6.0%
TRANSFERS:							
HIGHWAY TRUST FUND	\$170.0	\$170.0		\$170.0		\$170.0	
HIGHWAY FUND	11.1	11.9		12.6		13.4	
TOTAL-TRANSFERS	\$181.1	181.9		182.6		183.4	
TOTAL-GENERAL FUND REVENUE	\$10,061.2	\$10,933.9	8.7%	\$11,193.6	2.4%	\$11,858.7	5.9%

1995 -1997 Major General Fund Tax Changes

(\$Millions)

FY 96-97 FY97-98 FY98-99 FY99-00 FY00-01

1995 Session

Income Tax Cut: (Personal Exemp., Kids' Credit)	\$ (244.1)	\$ (251.4)	\$ (259.0)	\$ (266.7)	\$ (274.0)
Intangibles Tax Repeal (1)	(124.5)	(124.6)	(124.7)	(124.8)	(124.9)
25% Soft Drink Tax Rate Cut	(9.8)	(10.1)	(10.5)	(11.2)	(11.6)
Other Revenue Changes (Net Impact)	1.5	2.8	3.7	3.6	3.6
Total - 1995 Tax Changes	\$ (376.9)	\$ (383.3)	\$ (390.5)	\$ (399.1)	\$ (406.9)

1996 Session

Food Tax Reduction from 4% to 3%	\$ (36.7)	\$ (87.0)	\$ (89.6)	\$ (92.2)	\$ (95.1)
Corporate Rate Reduction from 7.75% to 6.9% over 4 years	(14.2)	(46.2)	(79.0)	(103.2)	(110.2)
Federal Retiree Income Tax Credit and Partial Refunds	(35.5)	(46.8)	(35.5)		
Incentive Credits:					
General Investment Tax Credit (4.5%, \$100,00 cap)	(2.2)	(6.8)	(11.7)	(16.9)	(22.3)
Targeted Investment Tax Credit (7%, threshold)		(3.1)	(9.2)	(18.4)	(30.7)
Jobs Credit Expansion (range \$12,500 to \$500)		(0.7)	(2.3)	(4.5)	(7.5)
Research & Development Tax Credit		(8.1)	(8.6)	(9.1)	(9.6)
Worker Training Tax Credit		(0.5)	(1.2)	(1.7)	(2.2)
Soft Drink Tax Phase-out Over 3 Years		(9.9)	(20.4)	(31.8)	(32.8)
Sales Tax on Bundled Transactions	(6.7)	(6.7)	(6.7)	(6.7)	(6.7)
Inheritance Tax Reform (Class A, QTIP, Installment Pay)		(3.5)	(3.8)	(4.1)	(4.4)
2.75% Nonitemizer Credit above 2% AGI		(4.9)	(5.0)	(5.0)	(5.1)
Severance Pay Exemption (\$35,000 cap)	(3.6)	(3.8)	(4.0)	(4.3)	(4.5)
Manufacturing Energy Tax Reduction From 3% to 2.83%	(5.0)	(5.3)	(5.6)	(6.0)	(6.3)
Other Revenue Changes (Net Impact)	24.0	2.8	1.4	3.7	4.2
Total - 1996 Tax Changes	\$ (79.9)	\$ (230.5)	\$ (281.2)	\$ (300.2)	\$ (333.2)

(1) Represents the cost to the General Fund. The actual amount of relief to taxpayers is \$162 million.

1995 -1997 Major General Fund Tax Changes

	<u>FY 96-97</u>	<u>FY97-98</u>	<u>FY98-99</u>	<u>FY99-00</u>	<u>FY00-01</u>
<u>1997 Session</u>					
Withholding for Nonresidents	\$ 8.5	\$ 10.0	\$ 10.0	\$ 10.0	
Internal Revenue Code Update	(8.5)	(16.8)	(11.5)	(13.0)	
Intangibles Tax Refunds & Interest	(156.0)				
Conservation Easement/Tax Credit	(3.2)	(3.2)	(3.2)	(3.2)	
Relief for Federal Retirees (2)			(2.5)	(1.7)	
Audiovisual Master Tapes Exempt	(1.4)	(1.6)	(1.7)	(1.8)	
Bill Lee Act Amendments		(0.3)	(2.2)	(4.7)	
Historic Rehabilitation Tax Credits	(0.5)	(0.3)	(1.8)	(2.4)	
Fees to Implement State Budget					
Court Fees Increase	12.6	15.1	15.1	15.1	
Secretary of State Fees Increase	1.5	1.8	1.8	1.8	
Corporate Annual Report Fee Increase	0.3	1.2	1.2	1.2	
Food Tax Reduction From 3% to 2%.		(83.8)	(92.2)	(95.0)	
Custom Computer Software Definition Revised	0.7	0.7	0.8	0.9	
Ports Tax Credit Modified	(1.1)	(1.5)	(2.0)	(2.8)	
Severance Pay Exemption Expanded		(2.1)	(2.2)	(2.4)	
Total - General Fund	\$ (147.1)	\$ (80.8)	\$ (90.4)	\$ (98.0)	
 TOTAL 1995 to 1997 TAX CHANGES	 \$ (456.8)	 \$ (760.9)	 \$ (752.5)	 \$ (789.7)	 \$ (838.1)

(2) The \$ 8 million needed to fund the tax credits in FY 97-98 and FY 98-99 will come from funds available in the Federal Retiree Refund Account.

HIGHWAY FUND FORECAST

The Highway Fund is supported from three primary revenue sources: three-fourths of the motor fuels tax; license and fee revenues collected by the Division of Motor Vehicles; and interest earned from investment of highway funds by the State Treasurer.

FY 1996-97 REVENUE COLLECTIONS

Highway Fund collections totaled \$1.076 billion in FY 1996-97, a 6.6% increase over FY 1995-96 collections of \$1.049 billion, and \$12.8 million (1.2%) above the certified budget level. Motor fuels tax collections exceeded the certified budget by just under \$5 million (0.7%). The difference was due largely to a higher than forecasted tax rate as a result of increased gas prices. Although overall revenue was above the certified budget level, not all revenues performed ahead of projections. Investment income was significantly below , \$6 million (31.6%), the certified budget level. This difference was due to a reduction to Highway Fund cash balances that occurred when those balances were use to fund the cost incurred by DOT as part of Hurricane Fran clean-up efforts. The cash balances were to be replenished by reimbursements from the Federal Emergency Management Agency, but the reimbursements did not occur during the fiscal year.

1997-99 FORECAST

Compared to actual collections in FY 1996-97, Highway Fund revenues are projected to grow 42.5 million (4.0%) in FY 1997-98, and an additional \$26 million (2.3%) in 1998-99. Motor fuel tax revenue represents the largest portion of this increase, and is projected to grow by \$29.8 million (4.0%) into 1997-98. Statewide fuel consumption is expected to grow by 2.5% into 1997-98, and the variable component of the State motor fuel tax is expected to remain at an average of 22.6 cents. Driver license fees are projected to decrease by \$5.3 million (7.6%) from 1997-98 to 1998-99. This decrease is projected because the revenue windfall that was gained from the change to a five-year license renewal period will begin to subside in 1998-99.

HIGHWAY FUND REVENUE (Millions)			
	1996-97 <u>Actual</u>	1997-98 <u>Projected</u>	1998-99 <u>Projected</u>
Fuels Taxes:			
Motor Fuels Tax	\$730.9	\$760.3	\$779.7
Gasoline Inspection Fee	11.7	12.4	12.7
Highway Use Registration Fee	<u>0.2</u>	<u>0.3</u>	<u>0.5</u>
Total Fuels Taxes	\$742.8	\$773.0	\$792.9
Licenses, Fees, and Penalties:			
Staggered Vehicle Registration	\$131.5	134.8	\$136.2
Truck Licenses	54.0	55.2	54.8
International Registration Plan	41.5	43.0	47.4
Drivers Licenses	68.1	70.2	64.9
Other	<u>25.1</u>	<u>25.5</u>	<u>26.2</u>
Total Licenses, Fees, and Penalties	\$321.2	\$328.7	\$330.5
Investment Income	13.1	17.0	21.2
TOTAL HIGHWAY FUND REVENUE	\$1,076.1	\$1,118.7	\$1,144.6

HIGHWAY TRUST FUND FORECAST

The 1989 Session of the General Assembly established the Highway Trust Fund, whose revenues are used almost exclusively for highway construction. This fund was created with new State revenues in addition to highway taxes and fees traditionally deposited into the State Highway Fund. The primary revenue sources are: one-fourth of the motor fuel taxes; a 3% use tax levied whenever a motor vehicle title is transferred (unless specifically exempt by general statute); title fees and various registration fees collected by the Division of Motor Vehicles; interest earned from investment of the Trust Fund cash balance; and, an annual transfer from the Highway Fund equal to the reduction in highway bond debt service relative to the level of debt service in 1989.

FY 1996-97 REVENUE COLLECTIONS

Highway Trust Fund revenues for FY 1996-97 totaled \$772.8 million, representing a 4.4% increase over FY 1995-96 revenues of \$739.6 million. Highway use tax revenues exceeded the certified budget by \$41.8 million (11.4%), and Treasurer's investments exceeded projections by \$8.2 million (29.7%) due to higher than expected cash balances being available for investment.

1997-99 BIENNIUM FORECAST

Highway Trust Fund revenues are expected to increase in FY 1997-98 by 4.3% to \$805.8 million, and in FY 1998-99 by 3.3% to \$832.7 million.. Continued growth at current rates is expected for revenues from taxes and fees, but investment income is expected to decrease into 1997-98 as cash balances are spent down.

HIGHWAY TRUST FUND REVENUE (Millions)

	<u>1996-97 Actual</u>	<u>1997-98 Projected</u>	<u>1998-99 Projected</u>
Revenues			
Motor Fuels Revenue	\$243.7	\$253.4	\$259.9
Motor Vehicle Use Tax	407.6	437.4	455.5
Title Fees:			
Certificates of Title	73.0	73.3	74.7
Miscellaneous Title Fees	12.7	13.3	13.6
Treasurer's Investments	<u>35.7</u>	<u>28.4</u>	<u>29.0</u>
Total Revenue	\$772.7	\$805.8	\$832.7
 Amount Required to be Transferred to the General Fund	 (170.0)	 (170.0)	 (170.0)
 Amount Required to be Transferred from the Highway Fund	 32.3	 38.0	 38.0
 BALANCE AVAILABLE	 \$635.0	 \$673.8	 \$700.7

FEDERAL BLOCK GRANTS

FEDERAL BLOCK GRANT PROGRAMS

HISTORY

In 1981, the Reagan Administration recommended and Congress adopted the Omnibus Budget Reconciliation Act which created a number of new "block grants" to be distributed to State governments in lieu of numerous traditional "categorical" funds. This approach to State aid reflected the President's philosophy of shifting more fiscal decision-making to the States. In addition, it allowed the Administration to significantly cut the federal budget.

In previous years, Congress had appropriated money to the States for smaller, narrow-purpose programs, such as those for crippled children, migrant health, family planning, and immunization. These funds were accompanied by numerous "strings" and substantial paperwork requirements. The new block grants consolidated appropriations for many of these programs into large, general purpose grants which had fewer "strings" and allowed more flexibility in the use of the funds.

BRIEF DESCRIPTION OF THE BLOCK GRANTS

SOCIAL SERVICES BLOCK GRANT

The Social Services Block Grant is intended to provide federal funds to help people achieve or maintain a greater degree of economic self-support or self-sufficiency, to prevent abuse or exploitation of children and adults who are unable to protect their own interests, and to prevent inappropriate institutional care or to secure appropriate institutional care when other forms of care are not appropriate. The primary providers of these services are the one hundred county departments of social services, and examples of services funded include child and adult day care and in-home services for the elderly.

SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT

The ADAMHA Reorganization Act of 1992 (P.L. 102-321) split the Alcohol, Drug, and Mental Health Services Block Grant (ADMBG) creating the new Substance Abuse Prevention and Treatment Block Grant. The SAPTBG provides federal financial assistance to states for the provision of prevention and treatment of alcohol and drug abuse.

MENTAL HEALTH SERVICES BLOCK GRANT

The MHBG provides federal financial assistance to states for the provision of community based services for the mentally ill. Services provided through the use of the block grant must be those described in the State's Plan in accordance with Federal P.L. 102-321. These services include outpatient, day treatment, psychosocial rehabilitation, emergency services, residential services, etc.

MATERNAL AND CHILD HEALTH BLOCK GRANT

This block grant funds health services for mothers and children to reduce infant mortality and the incidence of preventable diseases and handicapping conditions among children. It also provides for rehabilitative services for blind and disabled individuals under the age of 16 and for treatment and care of children with developmental disabilities.

FEDERAL BLOCK GRANT PROGRAMS (Continued)

PREVENTIVE HEALTH SERVICES BLOCK GRANT

This block grant provides health services to low-income persons in order to reduce the risk of preventable illness and early death and to improve the quality of life through better health.

LOW-INCOME ENERGY ASSISTANCE BLOCK GRANT

The purpose of this block grant is to provide funds to assist low-income families with their heating fuel costs, to provide some emergency assistance and home weatherization or energy-related home repairs.

COMMUNITY SERVICES BLOCK GRANT

This is a federally funded program that provides a range of services and activities designed to eliminate the causes of poverty among the elderly, poor, and handicapped.

COMMUNITY DEVELOPMENT BLOCK GRANT

This block grant provides funds to assist local governments with community and economic development projects that primarily benefit low and moderate income persons.

CHILD CARE AND DEVELOPMENT BLOCK GRANT

In 1990, Congress passed a comprehensive child care package which was passed as part of the Omnibus Budget Reconciliation Act (OBRA), P.L. 101-508. A major piece of the child care package included a Child Care and Development Block Grant. The block grant has been authorized by Congress for three years, and provides federal funds for child care services to low-income families and for activities to improve the availability and quality of child care.

TEMPORARY ASSISTANCE FOR NEEDY FAMILIES

In August 1996, Congress passed and the Clinton Administration enacted the Personal Responsibility and Work Opportunities Reconciliation Act of 1996 (PRWORA). Better known as federal Welfare Reform, passage of PRWORA ended 50? years of the Aid to Families of Dependent Children (AFDC) entitlement program and replaced it with the Temporary Assistance for Needy Families (TANF) Block Grant. This action gave states unprecedented flexibility to create their own welfare programs which emphasize self-sufficiency and work.

FEDERAL BLOCK GRANT PROGRAM: HOW THE MONEY WILL BE SPENT IN NORTH CAROLINA

1997-98

DEPARTMENT OF COMMERCE

Community Development Block Grant - 1998 Program Year	\$45,000,000
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DEPARTMENT OF ENVIRONMENT, HEALTH, AND NATURAL RESOURCES

Preventive Health Services Block Grant	\$5,520,876
Maternal and Child Health Block Grant	16,515,634

DEPARTMENT OF HUMAN RESOURCES

Division of Mental Health, Developmental Disabilities and Substance Abuse Services

Social Services Block Grant	\$5,524,186
Mental Health Services Block Grant	6,238,341
Substance Abuse Prevention and Treatment Block Grant	30,955,825
Temporary Assistance for Needy Families Block Grant	5,300,000

Division of Social Services

Low Income Energy Block Grant	\$18,234,581
Social Services Block Grant	39,799,083
Temporary Assistance for Needy Families	302,929,076

Division of Facility Services

Social Services Block Grant	\$343,341
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Division of Child Development

Child Care and Development Block Grant	\$25,037,977
Social Services Block Grant	13,853,152
Child Care and Development Fund Block Grant	115,819,906

Division of Youth Services

Social Services Block Grant	\$950,674
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**FEDERAL BLOCK GRANT PROGRAM: HOW THE MONEY WILL BE SPENT
IN NORTH CAROLINA (Continued)**

	1997-98
Division of Vocational Rehabilitation	
Social Services Block Grant	\$188,263
Division of Services for the Blind	
Social Services Block Grant	\$3,205,711
Office of the Secretary (Office of Economic Opportunity)	
Social Services Block Grant	\$41,302
Community Services Block Grant	12,828,926
Division of Aging	
Social Services Block Grant	\$1,985,234

CHANGES TO THE MEDICAID PROGRAM

STATE

Expenditures for the Medicaid Program totaled \$4.64 billion in FY 1996-97, a 13% increase from FY 95-96. The growth in Medicaid expenditures over this time period was due primarily to inflation and increases in long-term care services.

During its 1997 Regular Session, the N.C. General Assembly enacted \$4.3 billion in total requirements for the Medicaid Program (this includes \$1.2 billion in state funds) for FY 97-98, reflecting an actual decrease of 7% from the previous fiscal year. This decrease was the result of a reduction in the number of clients eligible for coverage and adjustments in budgetary projections. While the total requirements for the Medicaid Program decreased, state appropriations actually increased by approximately 4% due to a reduction in the federal financial participation rate.

During its deliberations on the proposed budget, the General Assembly adopted \$135 million in reductions for FY 97-98 and \$52.8 million in FY 98-99. The reductions for the first year of the biennium represent cuts in inflationary increases for medical care providers, anticipated reductions in the number of eligible clients and the budgeting of Disproportionate Share Funds. Reductions for FY 98-99 represent the state's anticipated results of planned reductions in the Medicaid Program. The Governor proposed, and the General Assembly approved, the concept of a Medicaid growth reduction plan intended to reduce the rate of growth in the program to 8% by the year 2001.

FEDERAL

In August 1997, Congress and the Clinton Administration signed into law The Balanced Budget Act of 1997. Included in this legislation were several Medicaid reforms:

1. Repeal of the Boren amendment (which required states to reimburse hospitals and nursing homes at "reasonable and adequate rates" for Medicaid services). States will now be able to exercise more control on spending for institutional care;
2. Elimination of the waiver process for the use of managed care. States will now be able to require most beneficiaries to enroll in managed care without applying for federal waivers;
3. Elimination of rate restrictions for Qualified Medicare Beneficiaries (QMB's) and dual eligibles. States can now use Medicaid payment rates (rather than Medicare) to pay providers that care for these beneficiaries;
4. Continuation of Medicaid coverage for disabled children. States are now required to cover children who were receiving SSI when federal welfare reform passed (August 1996) but lost their SSI due to a new definition of childhood disability; and
5. Reforms Disproportionate Share hospital (DSH) payments by using a formula to determine each state's allocation. State-by-state allocations are set forth in federal law.

CHANGES TO THE MEDICAID PROGRAM (Continued)

DISPROPORTIONATE SHARE FUNDS

Disproportionate Share (DSH) Funds are Medicaid payments made to health care providers who deliver services to large numbers of uninsured patients. DSH payments to health care providers are made in addition to reimbursements for services provided to Medicaid eligible patients. Congress originally authorized the payments as a funding mechanism to offset the cost of uncompensated care for health care providers, particularly hospitals, in an effort to improve access to health care for the uninsured.

Prior to the enactment of The Balanced Budget Act of 1997, federal law permitted states to draw federal funds up to a maximum allotment established by the federal Health Care Financing Agency (HCFA). The law allowed states to match federal funds for DSH payments with direct appropriations or with funds appropriated to a governmental unit for the delivery of health care to the uninsured. States were required to obtain approval of their State Medicaid Plan for drawing DSH payments from HCFA.

Under the amended federal law (effective October 1997), DSH allocations are set forth in law on a state-by-state basis. The law provides for gradual reductions in DSH allocations to states beginning 1999 through the year 2002.

North Carolina uses state appropriations to the four psychiatric hospitals (Dorothea Dix, Broughton, Cherry and John Umstead) as the non-federal match with which the State draws disproportionate share payments. The FY 1997-98 state budget anticipates \$83 million in DSH payments to the Department of Human Resources. Section 11 of the 1997 Session Laws stipulates that appropriations to the Medicaid program which become available due to federal Disproportionate Share receipts will be deposited as DHR departmental receipts.

LEGISLATIVE ACTIONS:
GENERAL FUND APPROPRIATIONS

GENERAL FUND APPROPRIATIONS BY DEPARTMENTS FOR 1997-98

	Continuation Recommendations	Transfers	Reductions	Increases	Net Change	Revised Appropriation
General Government						
Administration	59,567,213	(235,648)	(3,377,971)	1,380,550	(2,233,069)	57,334,144
Administrative Hearings	2,217,486	0	(10,690)	150,593	139,903	2,357,389
State Auditor	9,495,886	0		688,978	688,978	10,184,864
State Controller	16,053,306	0	(5,498,357)	5,337,824	(160,533)	15,892,773
Cultural Resources	52,608,363	792,227	(710,262)	12,589,344	12,671,309	65,279,672
General Assembly	31,226,277	0			0	31,226,277
Governor's Office:						
Governor's Office	5,286,620	0	(151,996)	98,310	(53,686)	5,232,934
Office of State Budget	3,855,400	1,450,000	(37,382)	8,655,202	10,067,820	13,923,220
Office of State Planning	1,820,279	0	(17,829)		(17,829)	1,802,450
Insurance	19,880,965	(1,450,000)		5,753,898	4,303,898	24,184,863
Lt. Governor	612,176	0	(2,946)		(2,946)	609,230
Revenue	68,045,123	235,648	(1,156,046)	593,270	(327,128)	67,717,995
Rules Review	281,892	0	0	240,000	240,000	521,892
Secretary of State	5,243,012	0	0	1,310,000	1,310,000	6,553,012
State Board of Elections	1,052,787	0		500,000	500,000	1,552,787
State Treasurer Operations	6,506,847	0	0	458,277	458,277	6,965,124
State Treasurer Pensions	11,925,187	0	0	0	0	11,925,187
Subtotal General Government	295,678,819	792,227	(10,963,479)	37,756,246	27,584,994	323,263,813
Transportation	10,609,854	0	0	0	0	10,609,854
Education						
Public Education	4,400,046,882	0	(58,306,887)	168,578,746	110,271,859	4,510,318,741
Community Colleges	489,218,944	0	(517,506)	28,989,051	28,471,545	517,690,489
University	1,418,358,030	0	(21,461,115) A	46,271,253	24,810,138	1,443,168,168
Subtotal Education	6,307,623,856	0	(80,285,508)	243,839,050	163,553,542	6,471,177,398
Natural and Economic Resources						
Agriculture	49,480,730	(792,227)	(25,000)	2,426,157	1,608,930	51,089,660
Housing Finance Agency	2,300,000	0	0	5,000,000	5,000,000	7,300,000
Commerce	37,221,648	0	(1,735,485)	11,688,331	9,952,846	47,174,494
Commerce State Aid	1,475,000	1,800,000	(1,475,000)	10,575,000	10,900,000	12,375,000
MCNC	4,500,000	0	0	0	0	4,500,000
Biotechnology Center	7,664,396	0	0	8,500,000	8,500,000	16,164,396
Rural Economic Development Center	5,870,000	(1,800,000)	(150,000)	3,350,000	1,400,000	7,270,000
Environment, Health, & Natural Resources	253,269,888	0	(4,628,433)	38,904,673 B	34,276,240	287,546,128
Labor	16,068,855	0	(192,546)	40,825	(151,721)	15,917,134
Subtotal Natural and Economic Resources	377,850,517	(792,227)	(8,206,464)	80,484,986	71,486,295	449,336,812
Justice and Public Safety						
Judicial	310,944,929	0	(4,056,589)	20,926,163	16,869,574	327,814,503

GENERAL FUND APPROPRIATIONS BY DEPARTMENTS FOR 1997-98

	Continuation Recommendations	Transfers	Reductions	Increases	Net Change	Revised Appropriation
Justice	61,166,247	0	(1,523,504)	9,199,429	7,675,925	68,842,172
Correction	889,010,472	0	(67,210,795)	1,326,390	(65,884,405)	823,126,067
Crime Control & Public Safety	33,548,678	0	(342,930)	462,794	119,864	33,668,542
Subtotal Justice and Public Safety	1,294,670,326	0	(73,133,818)	31,914,776	(41,219,042)	1,253,451,284
Human Resources						
Secretary's Office	34,353,290	0	(1,096,966)	4,000,000	2,903,034	37,256,324
Aging	18,441,843	0	(2,927)	6,175,000	6,172,073	24,613,916
Medical Assistance	1,305,682,010	0	(135,023,966)	0	(135,023,966)	1,170,658,044
Social Services	178,519,348	0	(5,199,512)	5,903,752	704,240	179,223,588
Vocational Rehabilitation	31,396,194	0	(61,439)	1,700,000	1,638,561	33,034,755
Mental Health	534,598,078	0	(22,263,498)	16,178,371	(6,085,127)	528,512,951
Child Development	145,668,821	0	(25,442)	22,928,878	22,903,436	168,572,257
Facility Services	9,008,903	0	(128,692)	200,000	71,308	9,080,211
Services for Deaf/HH	28,000,344	0	(156,350)	0	(156,350)	27,843,994
Blind Services	15,462,793	0	(144,820)	0	(144,820)	15,317,973
Youth Services	85,731,787	0	(1,353,216)	3,577,850	2,224,634	87,956,421
Subtotal Human Resources	2,386,863,411	0	(165,456,828)	60,663,851	(104,792,977)	2,282,070,434
Reserves and Debt Service						
Contingency and Emergency Fund	1,125,000	0	0	0	0	1,125,000
Compensation Increase	0	0	0	344,716,757	344,716,757	344,716,757
Retirement Contribution Rate Adjustments	0	0	(20,331,500)	0	(20,331,500)	(20,331,500)
Salary Adjustment Fund	9,073,829	0	0	0	0	9,073,829
Postage Reduction	(300,000)	0	0	0	0	(300,000)
CJIS Reserve	400,000	0	0	0	0	400,000
Debt-Reimbursement to Federal Government	1,155,948	0	0	0	0	1,155,948
Debt Service	180,096,073	0	(62,769,521)	0	(62,769,521)	117,326,552
Subtotal Reserves and Debt Service	191,550,850	0	(83,101,021)	344,716,757	261,615,736	453,166,586
Grand Total for Current Operations	10,864,847,633	0	(421,147,118)	799,375,666	378,228,548	11,243,076,181
Capital Improvements	0	0	0	147,991,120 B, C	147,991,120	147,991,120
Grand Total for Current Operations and Capital	10,864,847,633	0	(421,147,118)	947,366,786	526,219,668	11,391,067,301

A Includes Tuition Increase

B \$5,000,000 for purchase of South Mountain Gamelands was shifted from operating budget to capital improvements with certifications by State Budget Office

C Does not include funds earmarked from unreserved credit balance for repairs and renovations

Earmarking of the Unreserved Credit Balance by Fiscal Year

Fiscal Year	June 30 Unreserved Credit Balance	Savings Reserve Earmarking	Repairs/ Renovations (Replacement Value)	Repairs/ Renovations Supplement	Clean Water Management Trust Fund	Tax Relief/ Tax Refunds	Other Earmarking	Total Earmarking	Remaining Credit Balance
1991-92	164,773,001	41,193,253	0	0	0	0	0	41,193,253	123,579,748
1992-93	537,330,259	134,332,565	57,000,000	0	0	0	0	191,332,565	345,997,694
1993-94	622,712,983	155,678,246	60,000,000	0	0	0	0	215,678,246	407,034,737
1994-95	680,022,275	146,305,569	146,305,569 A	0	0	28,100,000 B	66,700,000 **	387,411,138	292,611,137
1995-96	726,581,754	77,342,026	130,000,000	0	47,100,000	26,200,000 C	39,803,567 D	320,445,593	406,136,161
1996-97	759,306,050	0	135,000,000	39,260,955	49,354,893	156,000,000 E	61,000,000 F	440,615,848	318,690,202

A: Only \$125,000,000 was appropriated by the General Assembly for Repairs/Renovations; the balance of \$21,305,569 was appropriated by the 1996 Session of the General Assembly for Special Projects.

B: Reserve for Future Tax Relief

** Direct Transfer to the Savings Reserve Account

C: Reserve for Federal Retirees Refund (\$25 million) and Federal Retiree Administration (\$1.2 million)

D: Appropriation of additional 1996-97 Capital Improvements of \$39,519,567 made by re-appropriating 1995-96 unexpended appropriations and the appropriation of 1995-96 reversion of \$284,000 for library grants

E: Reserve for Intangible Tax Remedy/Refunds

F: Investment in NC Railroad stock

GENERAL FUND APPROPRIATIONS BY DEPARTMENTS FOR 1998-99

	Continuation Recommendations	Transfers	Reductions	Increases	Net Change	Revised Appropriation
General Government						
Administration	60,961,819	(235,648)	(3,177,709)	265,550	(3,147,807)	57,814,012 ✓
Administrative Hearings	2,217,486	0	(10,690)	150,593	139,903	2,357,389 ✓
State Auditor	9,504,085	0		512,528	512,528	10,016,613
State Controller	16,056,630	0	(5,350,924)	0	(5,350,924)	10,705,706
Cultural Resources	52,922,221	786,713	(710,262)	3,054,344	3,130,795	56,053,016 ✓
General Assembly	34,642,598	0	0	0	0	34,642,598
Governor's Office:						
Governor's Office	5,302,348	0	(151,996)	0	(151,996)	5,150,352
Office of State Budget	3,938,220	1,450,000	(37,382)	5,580,000	6,992,618	10,930,838
Office of State Planning	1,833,679	0	(17,829)		(17,829)	1,815,850
Insurance	19,909,612	(1,450,000)		5,626,578	4,176,578	24,086,190
Lt. Governor	612,336	0	(2,946)		(2,946)	609,390
Revenue	68,862,535	235,648	(1,156,046)	804,730	(115,668)	68,746,867
Rules Review	273,441	0	0	0	0	273,441
Secretary of State	5,230,680	0	0	80,000	80,000	5,310,680
State Board of Elections	1,046,381	0	0	1,089,000	1,089,000	2,135,381
State Treasurer Operations	6,509,006	0	0	438,575	438,575	6,947,581
State Treasurer Pensions	11,925,187	0	0	0	0	11,925,187
Subtotal General Government	301,748,264	786,713	(10,615,784)	17,601,898	7,772,827	309,521,091
Transportation	11,246,445	0	0	0	0	11,246,445
Education						
Public Education	4,480,110,794	0	(35,703,836)	48,787,460	13,083,624	4,493,194,418
Community Colleges	489,576,870	0	(835,012)	15,459,051	14,624,039	504,200,909
University	1,425,342,510	0	(22,859,850) A	52,777,824	29,917,974	1,455,260,484
Subtotal Education	6,395,030,174	0	(59,398,698)	117,024,335	57,625,637	6,452,655,811
Natural and Economic Resources						
Agriculture	49,688,983	(786,713)	(50,000)	970,362	133,649	49,822,632
Housing Finance Agency	2,300,000	0	0	0	0	2,300,000
Commerce	37,240,885	0	(1,735,485)	3,071,939	1,336,454	38,577,339
Commerce State Aid	1,475,000	1,800,000	(1,475,000)	200,000	525,000	2,000,000
MCNC	2,500,000	0	0	0	0	2,500,000
Biotechnology Center	7,664,396	0	0	0	0	7,664,396
Rural Economic Development Center	5,870,000	(1,800,000)	(150,000)	0	(1,950,000)	3,920,000
Environment, Health, & Natural Resources	252,502,338	0	(4,328,433)	6,459,666	2,131,233	254,633,571
Labor	15,986,184	0	(192,546)	34,825	(157,721)	15,828,463
Subtotal Natural and Economic Resources	375,227,786	(786,713)	(7,931,464)	10,736,792	2,018,615	377,246,401

GENERAL FUND APPROPRIATIONS BY DEPARTMENTS FOR 1998-99

	Continuation Recommendations	Transfers	Reductions	Increases	Net Change	Revised Appropriation
Justice and Public Safety						
Judicial	316,264,917	0	(4,918,187)	15,755,578	10,837,391	327,102,308
Justice	63,233,877	0	(1,284,004)	4,815,979	3,531,975	66,765,852
Correction	925,266,138	0	(60,661,496)	3,212,830	(57,448,666)	867,817,472
Crime Control & Public Safety	33,530,244	0	(342,930)	533,516	190,586	33,720,830
Subtotal Justice and Public Safety	1,338,295,176	0	(67,206,617)	24,317,903	(42,888,714)	1,295,406,462
Human Resources						
Secretary's Office	34,119,030	0	(1,096,966)	0	(1,096,966)	33,022,064
Aging	18,442,124	0	(2,927)	5,170,930	5,168,003	23,610,127
Medical Assistance	1,440,363,295	0	(52,824,782)	0	(52,824,782)	1,387,538,513
Social Services	184,614,383	0	(5,199,512)	4,998,752	(200,760)	184,413,623
Vocational Rehabilitation	31,696,315	0	(61,439)	1,200,000	1,138,561	32,834,876
Mental Health	548,269,826	0	(13,749,003)	16,099,063	2,350,060	550,619,886
Child Development	145,674,488	0	(25,442)	25,989,030	25,963,588	171,638,076
Facility Services	9,110,235	0	(128,692)	0	(128,692)	8,981,543
Services for Deaf/HH	27,954,173	0	(156,350)	0	(156,350)	27,797,823
Blind Services	15,480,775	0	(144,820)	0	(144,820)	15,335,955
Youth Services	86,394,651	0	(679,278)	3,700,000	3,020,722	89,415,373
Subtotal Human Resources	2,542,119,295	0	(74,069,211)	57,157,775	(16,911,436)	2,525,207,859
Reserves and Debt Service						
Contingency and Emergency Fund	1,125,000	0	0	0	0	1,125,000 ✓
Compensation Increase	0	0	0	343,409,871	343,409,871	343,409,871 ✓
Retirement Rate Adjustment	0	0	0	0	0	0
Salary Adjustment Fund	9,573,829	0	0	0	0	9,573,829
Postage Reduction	(300,000)	0	0	0	0	(300,000)
CJIS Reserve	400,000	0	0	0	0	400,000
Debt-Reimbursement to Federal Government	1,155,948	0	0	0	0	1,155,948
Debt Service	224,048,883	0	(18,675,184)	0	(18,675,184)	205,373,699
Subtotal Reserves and Debt Service	236,003,660	0	(18,675,184)	343,409,871	324,734,687	560,738,347
Grand Total for Current Operations	11,199,670,800	0	(237,896,958)	570,248,574	332,351,616	11,532,022,416

EDUCATION

Community Colleges

Statutory Authority: General Statutes, Chapter 115D

The Department of Community Colleges provides state-level administration over a system of 58 comprehensive community colleges under the direction of the State Board of Community Colleges. The board is a 20-member body; 2 are ex-officio, 8 are appointed by the General Assembly, and 10 are appointed by the Governor. Serving at the pleasure of the board is a President who is responsible for administering all policies, regulations and standards adopted by the board to operate the department and the institutions.

Each of the Community Colleges in the system is administered by a local board of trustees and a president who is chosen by the local board and approved by the State Board. The local boards of trustees have 13 members; 4 elected by the local board of education, 4 elected by the local board of county commissioners, 4 appointed by the Governor, and the president of the student government as an ex-officio non-voting member.

Programs and services offered by each institution reflect the needs and concerns of the citizens and industries in the community. Instruction is provided through curriculum and continuing education (extension programs) to more than 750,000 different individuals each year.

GENERAL FUND				
		FY 97-98		FY 98-99
Recommended Budget		\$489,218,944		\$489,576,870
Legislative Changes				
1 Occupational Extension		\$9,993,517	R	\$9,993,517 R
Increases funds available for occupational extension programs as requested by the State Board of Community Colleges. These are short-term job training programs that do not lead to a degree.				
2 Equipment and Books		\$4,000,000	R	\$4,000,000 R
Funds \$10.55 million for additional equipment, \$1.95 million for library books, and \$500,000 for the State Board of Community Colleges to participate in the NC-LIVE project with UNC and the State Library which reduces the duplication of expenditures for library resources.				
3 New and Expanding Industry Funds		\$4,000,000	NR	
These funds will provide money for customized training projects to attract new industry and to support training needs of existing industries that expand their workforce.				
4 Enrollment Increase		\$1,215,534	R	\$1,215,534 R
Funds the enrollment increases for the community college system.				
5 State Board Reserve Fund- Program Start-Up Funds		\$250,000	R	\$250,000 R
Funds to increase the State Board Reserve in order to provide additional money to start new community college programs.				
		\$130,000	NR	

6 Hosiery Technology Center				
Funds for the operation of the Hosiery Technology Center.	\$100,000	NR		
7 New Industry Equipment for Regional Coordinators				
Reduce the funds available to buy equipment for the Department of Community Colleges' regional coordinators.	(\$300,000)	R	(\$300,000)	R
8 Community Services Block Grant				
Reduce funds in the Community Services Block Grant that offers hobby and leisure classes to the community.	(\$86,581)	R	(\$86,581)	R
9 JTPA Administrative Funds				
Reduce the administrative funds allocated to colleges that offer JTPA class size projects from federal funds.	(\$17,216)	R	(\$17,216)	R
10 Curriculum Improvement Projects				
Reduce the State funds in this program by the amount reverted due to the availability of federal funds for this purpose.	(\$113,709)	R	(\$113,709)	R
11 Maintenance of Plant				
Elimination of the operation and maintenance of plant funds in FY 1998-99 for Central Carolina and Southwestern Community Colleges.			(\$317,506)	R
12 Fayetteville Tech. Comm. College Capital Planning				
Capital planning funds for Fayetteville Technical Community College to establish a model early childhood education center for Cumberland County.	\$300,000	NR		
<hr/>				
Total Legislative Changes	\$14,941,545	R	\$14,624,039	R
	\$13,530,000	NR		
Total Position Changes				
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Revised Budget	\$517,690,489		\$504,200,909	
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Special Provisions:

1997 Session: Senate Bill 352

Department: Community Colleges

Section: 9

Title: Community College Funding Flexibility

Summary: Allows community colleges flexibility in establishing their budgets in accordance with local college missions and institutional effectiveness plans. Only literacy and New and Expanding Industry Funds are restricted.

Section: 9.1

Title: Community College Tuition and Fee Payments

Summary: Urges local community colleges to allow students to pay their tuition on an installment basis to reduce the hardship of converting from the quarter to the semester system.

Section: 9.2

Title: Assessment of Occupational Extension Formula

Summary: Directs the State Board of Community Colleges to continue its study of the occupational extension formula to determine the proper funding level and whether the faculty-student ratio should vary by college size.

Section: 9.3

Title: Modifications in the FTE Funding Formula to Reflect Fluctuations in Enrollment

Summary: Asks the State Board of Community Colleges to study alternative methods of providing budget stability to colleges during periods of enrollment decline.

Section: 9.4

Title: Student Census Date

Summary: Changes the date for calculating the number of full-time equivalent students (FTE) from the 30% to the 10% point of the class. This more closely equates to the drop/add period under the semester system.

Section: 9.5

Title: New and Expanding Industry Report Date Modified

Summary: Changes the date of the New and Expanding Industry Report to the Joint Legislative Education Oversight Committee from September 1 to October 1.

Section: 9.6

Title: **New and Expanding Industry Guidelines**

Summary: Requires the State Board of Community Colleges to apply its recently adopted guidelines to all funds appropriated for the New and Expanding Industry program after June 30, 1997 and restricts any exceptions to these guidelines to one year only. Also authorizes the Department of Community Colleges to use up to \$125,000 a year from these program funds to monitor compliance with the Board's guidelines.

Section: 9.7

Title: **Establishment of a New Multicampus Community College to Serve Anson and Union Counties Authorized**

Summary: Directs Anson and Union counties to jointly propose and submit to the State Board of Community Colleges a contract for the establishment of a new institution to serve Anson and Union counties. Gives the State Board the responsibility for approving the contract and providing oversight during the transition as Anson Community College is abolished and a new community college serving both Anson and Union counties is established.

Section: 9.8

Title: **Community College Program Efficiency**

Summary: Asks the State Board of Community Colleges to ensure that all local colleges provide ongoing review of their programs with low enrollment to determine if some can be eliminated or consolidated to provide more efficiency.

Section: 9.9

Title: **Hospital-Based Nursing Programs**

Summary: Requires that funds appropriated for hospital-based nursing programs be available to both associate degree and diploma nursing programs.

Section: 9.10

Title: **HRD Multi-Entry/Multi-Exit Classes**

Summary: Allows community colleges to offer Human Resources Development (HRD) programs on a multi-entry/multi-exit basis. This does not change the funding basis.

Section: 9.11

Title: **Operations and Maintenance of Plant Funds**

Summary: Allows Central Carolina Community College and Southwestern Community College to use other state funds equal to the amount they received for FY 97-98 in maintenance of plant funds to help pay for maintenance of plant costs in FY 98-99. Also directs these two colleges to develop a plan in their service delivery areas to share these costs equitably among the counties.

Section: 9.12

Title: **Hosiery Technology Center Funds**

Summary: Expresses legislative intent that the \$100,000 appropriated for FY 97-98 to the Hosiery Technology Center is for one year only and that no additional special appropriation will be made in future years.

Section: 9.13

Title: **State Board Reserve Fund**

Summary: Directs that the additional \$380,000 in FY 97-98 and \$250,000 in FY 98-99 appropriated for the State Board Reserve Fund be used to start new programs, including the Beaufort Community College program for prisoners at the Hyde County Correctional Institution.

Public Education

Statutory Authority: General Statutes, Chapter 115C

The State Board of Education consists of 13-members (11 members appointed by the Governor, plus the Lieutenant Governor and the State Treasurer); the Superintendent serves as the secretary and chief administrative officer of the State Board of Education.

The major duties of the board are to communicate the needs of public elementary and secondary education, to provide leadership and support services to public schools, to assure standards of quality for programs and personnel, and to equitably provide all pupils an opportunity to achieve their full potential.

GENERAL FUND				
	FY 97-98		FY 98-99	
Recommended Budget	\$4,400,046,882		\$4,480,110,794	
Legislative Changes				
A. Excellent Schools Funds				
13 ABC Incentive Funds				
ABC Incentive funds for schools that achieve standards established by the State Board of Education.	\$72,400,000	NR		
14 Vacation Days Used as Teacher Workdays				
Pay teachers for vacation days that are used as required teacher workdays.	\$8,500,000	R	\$8,500,000	R
15 Staff Development Reading and Math/ABC Assistance				
Provide funds to the State Board of Education to for staff development in reading as required under the ABC program and math education. Funds are also used for the ABC assistance teams in low performing school systems.	\$6,800,000	R	\$6,800,000	R
16 Additional Pay for Mentor Teachers				
Provide additional funds to the State Board of Education to pay for mentor teachers.	\$3,500,000	NR		
17 Extra Pay for New Teacher Development				
Provide additional funds to the State Board of Education to pay for additional days for new teachers for training and staff development.	\$800,000	NR		
B. School Safety Initiatives				
18 School Safety Funds				
Improve school safety by providing additional funds to expand alternative schools and other programs for at-risk students. Local school systems may also use these funds to hire school safety officers.	\$10,000,000	R	\$10,000,000	R
19 Reduction in Middle School Class Size Grade				
Reduce class size for middle school students below grade level in achievement.	\$3,200,000	R	\$3,200,000	R

20 Safety Assistance Teams	\$500,000	R	\$500,000	R
Provides funds for school assistance teams to local schools. The goal of these teams is to assist local schools in establishing a safe orderly learning environment.				

C. School Technology

21 School Technology Funds	\$20,000,000	NR		
Provides additional funds for the School Technology Trust Fund.				
22 Expand Technology in Schools	\$500,000	R	\$500,000	R
Provides funds for a pilot project on the expansion of technology in the public schools.				

D. Special Education

23 Increase Funds for Handicapped Children	\$2,950,512	R	\$2,950,512	R
Additional funding for children with special needs to reflect the April 1997 head count. These funds are in addition to the increases in the Continuation Budget.				
24 Special Education Funds	\$500,000	NR		
To provide funds to the State Board of Education for children with special needs assigned to group homes within a school system after the state headcount that was the basis for funding during the 1997-98 fiscal year.				

E. Supplemental Funding

25 Low Wealth Supplemental Funding	\$4,000,000	R	\$4,000,000	R
Increase supplemental funding for low wealth school systems.				
26 Small School Supplemental Funding	\$2,000,000	R	\$2,000,000	R
Increase supplemental funding for small school systems.				

F. Adjustments in ADM and Average Salary

27 Adjustment in Average Salary	(\$20,415,665)	R	(\$20,779,145)	R
Adjust projected average salary for school employees in FY1997-98 and FY1998-99 to September 1996 actual salaries.				
28 Adjustment in Average Salary	(\$7,704,040)	R	(\$7,825,991)	R
Adjust projected average salary for school employees in FY1997-98 and FY1998-99 to December 1996 actual salaries.				
29 Revise Average Daily Membership and Average Salary	\$4,818,618	R	\$2,622,174	R
Revise average daily membership projections to reflect changes in the expected number of students in various grade levels in FY1997-98 and FY1998-99. Also reflects an increase of 400 private school students entering charter schools in FY1997-98.				

30 Career Development Hold Harmless	(\$2,551,197)	R	(\$2,551,197)	R
Eliminate hold harmless funding for former career development pilot units. Due to projected salary increase these funds will no longer be needed.				

31 School Bus Purchases	(\$26,835,985)	R	(\$3,747,503)	R
Purchase school buses with nonrecurring funds during FY1997-98.	\$19,194,842	NR		

G. Program Support

32 Total Quality Education				
Provides fund to continue the Total Quality Education initiative. Other funds to support this program come from the North Carolina Business Committee on Education.	\$450,000	NR		

33 National Board for Professional Teaching Standards	\$567,330	R	\$567,330	R
Continue to support North Carolina teachers in the process of attempting to achieve certification by the National Board for Professional Teaching Standards.				

34 Governor's School	\$100,000	R	\$100,000	R
Provide additional funds to support operations of the Governor's School.				

35 Communities in Schools	\$250,000	R	\$250,000	R
Provide funds for the expansion of the Communities in Schools Program.				

36 A+ Schools				
Appropriate nonrecurring funds for FY1997-98 to continue the A+ schools pilot project.	\$500,000	NR		

37 Avid Program Pilots	\$150,000	R	\$150,000	R
Provide funds for the AVID Program pilot project. This pilot project in three school systems is designed to increase enrollment of low income students in post secondary education.				

38 Global Curriculum Program				
Funds to improve students knowledge and understanding of middle and high school students in the areas of international and cultural studies.	\$150,000	NR		

39 Communities in Schools Funds				
To provide funds to the Rocky Mount Communities in Schools program.	\$100,000	NR		

40 Cued Speech Funds	\$50,000	R	\$50,000	R
Appropriate funds to Cued Speech for preschool and transitional and resource services.				

H. Charter Schools

41 Support Charter Schools

\$103,147 R \$103,147 R

Appropriate funds to the State Board of Education to provide assistance and oversight of the charter school program.

Public Schools

42 Liability Insurance

(\$800,000) R (\$800,000) R

Eliminate funding for teacher liability insurance.

43 Model Teacher Consortium

\$600,000 R \$600,000 R

Provide funds to expand the Model Teacher Consortium into additional counties.

44 Positions to Assist Local School Construction

\$200,000 R \$200,000 R

Provide funds to the Department of Public Instruction to contract for architectural services, mechanical engineering services, and accounting services to assist in the review of school construction projects that result from the recent statewide school bond referendum.

45 Instructional Supplies, Materials, and Equipment

\$2,500,000 R \$2,500,000 R

Provide funds for additional instructional supplies, materials, and equipment in local school systems.

46 Uniform Education Reporting System Funds

\$2,551,197 R \$2,551,197 R

Provide funds to the State Board of Education to support the Uniform Education Reporting System and the accountability efforts of the board.

47 Schools Attuned Program

\$643,100 R \$643,100 R

Appropriates funds to the State Board of Education for the Schools Attuned Program. The program is designed to assist elementary and middle school teachers to recognize and be responsive to the learning styles and learning strengths of all children, regardless of whether they have potential or diagnosed learning dysfunctions.

Total Legislative Changes

(\$7,322,983) R \$13,083,624 R

\$117,594,842 NR

Total Position Changes

Revised Budget

\$4,510,318,741 \$4,493,194,418

Special Provisions:

1997 Session: Senate Bill 352

Department: Public Education

Section: 8.1

Title: Career Development

Summary: Allows the State Board of Education to use funds available to hold harmless any employees in the former Career Development Pilot Projects so that individual would make less in FY 1997-98 than in FY 1994-95.

Section: 8.2

Title: Supplemental Funding In Low-Wealth Counties

Summary: Special provision establishing the language governing the allocation of low-wealth supplemental funding for the FY 1997-98 fiscal year.

Section: 8.3

Title: Small School System Supplemental Funding

Summary: Special provision establishing the language governing the allocation of small school system supplemental funding for the FY 1997-98 fiscal year.

Section: 8.4

Title: Litigation Reserve

Summary: Allows the State Board of Education to expend up to \$500,000 in unexpended funds in FY1997-98 for expenses relating to pending litigation. Also allows the carryover of unexpended funds in the Litigation Reserve for FY 1996-97.

Section: 8.5

Title: Exceptional Children Funds

Summary: Establishes the funding level for handicapped and academically gifted children for FY 1997-98. Handicapped students are funded at \$2,131.87 per identified child up to the lesser of identified or 12.5% of average daily membership. Funding ceiling of 142,956 identified students.

Academically gifted students are funded at \$710.61 per child at 4% of average daily membership. Funding ceiling of 49,045 students.

Both categories are also adjusted by the Office of State Budget and Management to reflect salary adjustments adopted by the General Assembly.

Allows American Sign Language to be offered in public schools and State colleges and universities as a modern foreign language.

Section: 8.6

Title: **Minimum Vacation Leave for Bus Drivers**

Summary: Provides one day of paid vacation for all bus drivers including part-time employees. An employee who resigns or is terminated before taking the leave day is not entitled to compensation for that day.

Section: 8.7

Title: **Loss of Budget Flexibility Under Certain Circumstances/Prohibition on Uses of State Funds to Buy Out Superintendents Contracts**

Summary: Gives the State Board of Education the authority to suspend the flexibility given to local boards of education under GS115C-1.S. 115C-105.21A Prohibits the use of state funds; local textbook and supply funds; and local funds raised through donations to buy out the contract of the local school superintendent. Also requires public notification on any funds that are transferred to be used for this purpose.

Section: 8.8

Title: **Delete Report on Guaranteed Energy Savings Contracts**

Summary: Eliminates an obsolete report to the General Assembly on lease purchase contracts for energy savings devices.

Section: 8.9

Title: **School Pay Date Flexibility Pilot Project**

Summary: Extends the pilot project to four boards of education to allow flexibility in setting pay dates for 10 month employees. Provision is made obsolete in FY 1998-99 by Section 8.38 modifying the school calendar.

Section: 8.10

Title: **Alternative Schools/At Risk Students**

Summary: Provides that local school boards may use Alternative Schools/At Risk Student Funds for Communities in Schools Programs.
Provides that local school boards cannot use Alternative Schools/At Risk Student Funds to supplant local funds.
Provides that the State Board of Education may use up to \$200,000 of Alternative Schools/At Risk Student Funds to evaluate the program.

Section: 8.11

Title: **Advanced Placement Tests**

Summary: Encourages the Board of Governors of the UNC system to develop a standardized system of course credit for advanced placement test scores. Also establishes the conditions under which a community college may earn FTE's for teaching high school students.

Section: 8.12

Title: **Data on Teacher Assistants' Years of Experience, Credentials, and Placement on Locally Adopted Salary Schedules/Review Teacher Assistant Education Programs and Standards**

Summary: Requires the State Board of Education to collect data on teacher assistants' years of experience and degrees. The SBE must also collect data on locally adopted salary schedules.

Requires the SBE in coordination with Community Colleges and the Board of Governors to collect information on the training programs for teacher assistants. The SBE must also recommend whether there should be training standards for teacher assistants.

Section: 8.13

Title: **Class-Size Computation for K-2**

Summary: Establishes the rules for computing class-size in grades K-2. Maximum class-size for the grade span and for an individual class is 26.

Section: 8.14

Title: **ABC's Performance Recognition for Personnel Serving Prekindergarten Through Twelfth Grade**

Summary: Allows teachers in a preK program to receive ABC incentive awards if the program prepares students for kindergarten in that school.

Section: 8.15

Title: **School Law Revision Subcommittee Extended**

Summary: Allows the cochairmen of the Education Oversight Committee to appoint a School Laws Revision Subcommittee. Provisions sets out terms of appointments.

Section: 8.16

Title: **AVID Program**

Summary: Appropriates \$150,000 for each year of the biennium for the AVID Program. This pilot project in three school systems is designed to improve the academic performance of underachieving students so that they become eligible to attend postsecondary education institutions.

Section: 8.17

Title: **Distance Learning program**

Summary: Gives the State Board of Education great authority over funds used to contract for distance learning services.

Section: 8.18

Title: **Crime Control Grants for the N.C. Center for the Prevention of School Violence**

Summary: Requires the Secretary of the Department of Crime Control and Public Safety to continue to fund the Center with federal funds, if permitted by federal law. Also authorizes the Board of Governors of the UNC system to use funds available to continue the Center.

Section: 8.19

Title: **Charter School Requirements**

Summary: Allows the State Board of Education to include as a part of the Charter Schools audit requirements, the requirements of the School Budget and Fiscal Control Act.

Section: 8.20

Title: **Civil Penalty and Forfeiture Fund Established**

Summary: Creates a Civil Penalty and Forfeiture Fund for civil fines and forfeitures collected by a state agency and payable to the County School Fund pursuant to Article IX, Section 7 of the Constitution. The fund is administered by the Office of State Budget and Management. These funds are then transferred to the School Technology Fund, and distributed to the school systems on the basis of average daily membership.

Section: 8.21

Title: **Availability of Funds for Staff Development**

Summary: Allows staff development funds allocated to local school systems to remain available to December 31 of each subsequent fiscal year.

Section: 8.22

Title: **Teacher Certification**

Summary: Requires the State Board of Education to study lateral entry for teachers and certification of out-of-state teachers.

Clarifies the in-state tuition status of full-time teachers for courses relevant to certification or professional development as a teacher.

Section: 8.23

Title: **Funds for National Board for Professional Teaching Standards**

Summary: Provides for payment of the fee for teachers seeking certification by the National Board for Professional Teaching Standards, leave days, and repayment if the teacher does not complete the certification process.

Section: 8.24

Title: **Public-Private Partnership to Expand Technology in Public Schools**

Summary: Provides for \$500,000 for each year of the biennium to ExplorNet, through a contract with the State Board of Education. ExplorNet is to enlist public, private, and volunteer efforts to assist in wiring classrooms; increasing the number of computers in schools; and establishing a computer recycling program in conjunction with vocational education.

Section: 8.25

Title: **Uniform Education Reporting/Building Level Reports on School Funding**

Summary: Allows use of UERS funds in 1997-99 for upgrading various components of the system.

Requires the State Board of Education to modify UERS to provide information on the use of funds at the school building level.

Section: 8.26

Title: **Legislators May Serve on School Technology Commission**

Summary: Amends the statutory language establishing the School Technology Commission to allow legislators to serve on the commission. Makes the Commission advisory to the State Board of Education in compliance with N.C. Supreme Court decisions on separation of powers.

Section: 8.27

Title: **Rigorous Academic Content Standards/Proficiency Benchmarks**

Summary: Requires the State Board of Education to develop a comprehensive plan to revise content standards and the content standards in the core academic areas. Requires the State Board of Education to develop and implement an ongoing process to align academic content standards every five years. The first alignment must be completed by 2002. Repeals the Standards and Accountability Board, and replaces it with an advisory committee. Requires the State Board to develop exit exams and proficiency benchmarks for all academic courses required for admission to the UNC system.

Requires exit exams by 1999-2000 if the State Board of Education determines that they are practically feasible.

Section: 8.28

Title: **Special Needs children Funds**

Summary: Appropriates \$500,000 for FY 1997-98 to be allocated to local school boards for children with special needs who are in group homes not included in the head count of children with special needs.

Section: 8.29

Title: **Safe Schools**

Summary: Makes extensive revisions to various statutes dealing with management and placement of disruptive students. Requires the development of safe school plans for each school system and for every school building.

Appropriates \$10,000,000 for each year of the FY 1997-99 biennium for Alternative Schools/At Risk Students Allotment to local school systems.

Section: 8.30

Title: **School-Based Administrator Salaries**

Summary: Establishes monthly salary schedule for school based administrators, principals and assistant principals for FY 1997-98. The salary schedule provides for increases based on years of experience, plus additional increases for performance under the ABC Plan and meeting goals under the safe schools program.

Section: 8.31

Title: **School Central Office Salaries**

Summary: Establishes the salary ranges for central office administrators for FY 1997-98. Salary increase funds equivalent to 4% are allocated to local school boards in a lump sum, and the board makes decisions on increases for various individuals.

Section: 8.32

Title: **Noncertified Public School Employees Salary Increases**

Summary: Provides for a 4% increase for all state funded noncertified employees in the public schools.

Section: 8.34

Title: **Extra Pay for Mentor Teachers**

Summary: Provides funds for mentors for newly certified teachers. Mentors are for a maximum of 10 months at a rate of \$100 per month.

Section: 8.36

Title: **Extra Pay for New Teacher Development**

Summary: Provides funds in FY 1997-98 for extra days of employment for newly certified and hired teachers.

Section: 8.38

Title: **Public School Calendar Changes/Extra Pay for Extra Days**

Summary: Delegates authority to local school boards for management of the public calendar. Requires a minimum of 180 instructional days, 1000 instructional hours, covering nine calendar months. Provides an extensive rewrite of statutory provisions relating to teacher payroll.

Allows the scheduling of required workdays in lieu of optional teacher workdays. Teachers who are required to work on those additional days may be paid for those days at the end of the year, provided that they have already accumulated 30 days of vacation.

Provides funding for up to four days of lost vacation in FY 1997-98, and fully funded in FY 1998-99.

Section: 8.39

Title: **Global Curriculum Program**

Summary: Appropriates funds for the Global Curriculum Program. Designed to improve the knowledge of high school and middle grade students of international and cultural studies. \$150,000 in nonrecurring funds is appropriated in FY 1997-98 for this purpose.

Section: 8.40

Title: **Pilot Program for Computer Network Administration**

Summary: Appropriates \$500,000 for FY 1997-98 for a pilot program in computer network administration. The State Board of Education selects the schools to participate in the pilot projects.

Section: 8.41

Title: **Funds to Grade Standardized Tests**

Summary: Provides authority to the State Board of Education to expend up to \$850,000 for FY 1997-98 to grade short essay tests at grade levels designated by the board.

Section: 9.42

Title: **Prototype School Design Clearinghouse**

Summary: Appropriates \$170,440 in FY 1997-98 and \$77,900 in FY 1998-99 to establish a prototype school design clearing house per G.S. 115C-521(e).

Section: 8.43

Title: **Study of Teacher and School Administrator Supply and Demand**

Summary: Provides for a study of teacher supply and demand by the State Board of Education and the Board of Governors of the UNC System. Provides up to \$75,000 for the supply and demand studies.

Also provides that the State Board of Education may use up to \$50,00 to study principals salaries, and the relationship to other certified personnel.

Section: 8.44

Title: **Allocation of Investment Earning on School Bonds to Small County School Systems**

Summary: Allocated investment earnings from the \$1.8 billion school bond issue to provide additional capital construction funds to Avery, Alleghany, Polk, and Currituck Counties.

Section: 8.45

Title: **Clarification of Law on Identification of Low-Performing Schools**

Summary: Clarifies misconception of local school systems on the application of the ABC accountability provisions, and the identification of low-performing schools. Low performance is when the majority of students in the school are tested in accordance with G.S. 115C-174.11(c).

Section: 8.46

Title: **Report on Pilot and Model Programs**

Summary: Local boards of education and nonprofit corporations implementing pilot or model programs must report to the state Board of Education on how these programs are improving student performance by December 15, 1998.

UNC System

Statutory Authority: Statutory Authority: General Statutes, Chapter 116

The Board of Governors is composed of thirty-two members elected for four-year terms by the General Assembly. The Board is required to plan and develop a coordinated system of higher education in North Carolina.

The President of the University of North Carolina is the chief administrative officer of the University. He establishes administrative organizations to carry out the policies of the University. In carrying out his duties and responsibilities, the president is assisted by his staff officers and by the chancellors of the 16 constituent institutions.

GENERAL FUND				
Recommended Budget		FY 97-98		FY 98-99
		\$1,418,358,030		\$1,425,342,510
Legislative Changes				
A.Academic Campuses				
48 Overhead Receipts		(\$381,521)	R	(\$381,521) R
Revise overhead receipts estimates up to levels anticipated during 1996-97				
49 UNC-Charlotte				
Reduction in Reserve for New Buildings:				
The library addition will be completed later than planned, and will be occupied in late 1997-98.				
		(\$349,631)	NR	
B.Schedule of Priorities				
50 Enrollment Changes				\$3,744,391 R
Projected enrollment for 1997-98 is lower than the number of students budgeted for 1996-97 by 969 full-time equivalents (FTE); provides for an additional 925 fulltime equivalent students in second year of biennium, and to account for a shift to more in-state students.				
		(\$1,895,403)	NR	
		-59.20		61.00
51 Funding Equity		\$21,000,000	R	\$21,000,000 R
Provides funding for 5 campuses (ASU, ECU, UNC-C, UNC-G, UNC-W) found to be relatively under funded compared to other campuses in a study conducted at the direction of the General Assembly [SB352, Sec.10.1, p.88]				
52 Libraries		\$2,000,000	R	\$2,000,000 R
Improvements in library collections, services, and staffing; initial development of NC Virtual Library with community colleges and State Library [SB 352, Sec. 10.11, p.93]				

53 University Outreach to the Public Schools

\$1,785,000 R \$1,185,000 R

Funding to:

- a. Increase clinical experience for prospective teachers and involvement of classroom teachers;
 - b. Increase number of Principal Fellows;
 - c. Improve coordination of professional development programs for school professionals with priorities of State Board of Education;
 - d. Implement Early Math Placement Program in high schools to improve math preparation.
 - e. Support for "Reading Together", a tutorial program for second graders.
- [SB 352, Sec. 10.9, p.92]

54 New Degree Programs

\$2,325,000 R \$2,325,000 R

Funds to complete expansion of allied health initiatives in speech and language pathology and occupational and physical therapy, new doctoral programs at UNC-Charlotte, and other programs previously authorized for planning by the UNC Board of Governors.

55 Graduate Education and Research

\$7,700,659 R

Eliminate the requirement that 10% of overhead receipts received from research grants are budgeted to support General Fund operations on campuses. [SB 352, Sec. 10.18, p.95]

56 Area Health Education Centers

\$2,750,000 R \$2,750,000 R

Funds will increase family medicine residencies and provide more community based training experiences for mid-level practitioners and pharmacy students [SB 352, Sec.10.10, p. 92]

57 Administrative Support for New Processes

\$300,000 R \$481,521 R

Improvements in data collection and analysis for assessment, evaluation, and budgeting purposes.

58 Distinguished Professorships

\$1,000,000 R \$1,000,000 R
\$1,000,000 NR

Additional State matching funds for the establishment of endowed chairs for outstanding faculty. State funds are matched 2 for 1 by private dollars. [SB 352, Sec. 10.6, p.91]

59 Interinstitutional Programs

\$794,000 R \$794,000 R

Funding for NC School of the Arts Summer Institute, Institute on Aging, computer support for the State Education Assistance Authority, and NC Scholastic Media Association Project.

2.00

2.00

C.Related Educational Programs**60 Scholarship Fund Balances**

(\$1,850,790) NR

Reduce appropriations and use accumulated cash balances in non-reverting trust funds due to cash repayments; revert balance in old scholarship fund [SB 352, Sec.10.13, p.94]

61 Aid to Private Medical Schools	(\$329,000)	R	(\$365,000)	R
Continue assistance for same level of enrollments as actual numbers for 1996-97 [SB352, Sec.10, p.87]				

62 Board of Governors Dental Scholars	(\$9,968)	R	(\$24,704)	R
Hold inflationary increases below projected levels				

63 Board of Governors Medical Scholars	(\$38,735)	R	(\$20,700)	R
Hold inflationary increases to 3% annually				

64 Aid to Students Attending Private Colleges	\$7,864,668	R	\$7,864,668	R
Increase Legislative Tuition Grant from \$1,300 to \$1,450 per year for each fulltime NC undergraduate; increase need-based scholarship funding from \$600 per fulltime equivalent (FTE) NC student to \$750 per NC FTE student. [SB 352, Sec. 10.4,10.5, pp.90-91]				

D.Agricultural Programs

65 Cunningham Farm Research Center	\$250,000	NR		
Non-recurring funds for development of Cunningham Farm site near Kinston as a specialty crops research and market development center for NC State				

66 Agricultural Research	\$500,000	R	\$500,000	R
Additional funding for enhancement of agricultural production and life sciences industries while sustaining and improving environmental quality				

E.UNC Hospitals

67 UNC Hospitals Reduction	(\$10,000,000)	R	(\$10,000,000)	R
Reduce UNC Hospitals General Fund operating support.[SB 352, Sec. 10.23, p.97]				

F.Studies

68 Pfiesteria Research	\$400,000	NR		
Funds to provide enhanced facilities and resources for pfisteria research at NC State.				

69 Isotope Study of Neuse and Cape Fear River Basins	\$400,000	NR		
Funding to complete isotope study to identify sources of nitrogen in each river basin.				

G.Other

70 Cancer Research Funds	\$1,000,000	R	\$1,000,000	R
Additional funds for cancer research at Lineberger Cancer Research Center at UNC-Chapel Hill [SB 352, Sec. 10.20, p.96]				

71 Autism Services	\$232,585	R	\$232,585	R
Additional funding for Division TEACCH at UNC-Chapel Hill School of Medicine for operating support of field offices and for Carolina Living and Learning Center				

72 Fish Hatchery Research				
Funds to continue fish hatchery research for the red drum and flounder species	\$200,000	NR		
73 Piedmont Triad Center for Applied Manufacturing				
Funds to supplement the operating costs of the PT-CAM facility through NC A & T State University while it develops the capacity to be self-supporting	\$400,000	NR		
74 East Carolina Performance Center				
Start up costs and initial operating expenses for the L. T. Walker International Human Performance Center	\$350,000	NR		
75 Manufacturing Extension Partnership				
Funds to match increase in federal grant to expand services to manufacturers through NC State [SB 352, Sec.10.7, p.92]	\$900,000	NR		
76 Botanical Gardens	\$200,000	R	\$200,000	R
Additional operating support for Botanical Gardens at UNC-Chapel Hill	5.00		5.00	
77 Arbitration Settlement Payment				
Funds to assist NC Central with payment of arbitrated contract settlement for fiber optic network	\$270,000	NR		
78 International Program				
Funding for NC School of the Arts students Arts Abroad program	\$200,000	NR		
79 Law Enforcement Officers Training				
Funding to educate law enforcement managers at NC State	\$150,000	NR		
H.Tuition				
80 Tuition Increase	(\$6,606,067)	R	(\$12,067,925)	R
1997-98: Increases of 3% (\$22-42 per year) in-state ; non-residents at NC State and UNC-CH 5%, NC School of the Arts 3% to more fully fund cost of education for non-residents				
1998-99: 2% across the board				
Total Legislative Changes	\$24,385,962	R	\$29,917,974	R
	\$424,176	NR		
Total Position Changes	-52.20		68.00	
Revised Budget	\$1,443,168,168		\$1,455,260,484	

Special Provisions:

1997 Session: Senate Bill 352

Department: UNC System

Section: 10

Title: Wake Forest and Duke Medical School Assistance/Funding Formula

Summary: Guidelines for funding amounts provided to Duke and Bowman Gray Medical Schools for each NC resident enrolled in each class.

Section: 10.1

Title: UNC Equity Funds/Capital Facilities Study

Summary: The provision states that funds for equity appropriated this Session do not indicate a judgment that any campus is adequately funded. The Board of Governors is directed to study the physical facilities on each campus to determine the adequacy and relative comparability of physical plant, based on the various missions of the campuses. The report is due in January, 1999.

Section: 10.2

Title: Military Residency/UNC Tuition

Summary: Clarifies law that military personnel only pay up to the in-state tuition rates.

Section: 10.3

Title: Funding for Off-Campus and Distance Learning Degree-Credit Extension Instruction

Summary: Directs the UNC Board of Governors to provide cost estimates to the 1998 Session of funding off-campus instruction in a manner comparable to funding for on-campus instruction. This is a continuation of efforts by the General Assembly to make higher education more accessible and to provide for greater numbers of students in the most cost-effective manner.

Section: 10.4

Title: Aid to Students Attending Private Colleges Procedure

Summary: Increases amounts for full-time undergraduates to \$1,450 per year and grants to colleges for need-based financial aid to \$750 per full-time equivalent student. Continues prohibitions on use of funds for certain prison inmates.

Section: 10.5

Title: Aid to Students Attending Private Colleges/Legislative Tuition Grant Limitations

Summary: Continues language providing eligibility of military personnel for Legislative Tuition Grants and requiring coordination of new off-campus programs among colleges.

Section: 10.6

Title: **Distinguished Professors Endowment Trust Fund**

Summary: Changes law to allow endowed professorships partially funded by State funds to be for limited periods of time if they are originally established for that purpose.

Section: 10.7

Title: **Manufacturing Extension Partnership**

Summary: Directs allocation of \$900,000 in appropriations for 1997-98 to this program at NC State University.

Section: 10.8

Title: **UNC Overhead Receipts Flexibility**

Summary: Allows UNC campuses designated as Special Responsibility Constituent Institutions (SRCI's) to have the same budget flexibility with overhead receipts budget codes as they do with General Fund budget codes.

Section: 10.9

Title: **UNC Assistance to Public Schools**

Summary: Directs UNC Board of Governors to shift funding for educational consortia on 8 campuses into other program initiatives to assist the public schools. The transfer is to occur over two fiscal years.

Section: 10.10

Title: **Area Health Education Centers Funding**

Summary: Allocates \$2,750,000 in funding for expansion of AHEC programs. Directs that \$240,000 of these funds go to pay for 16 family medicine residencies in Cabarrus County.

Section: 10.11

Title: **UNC Libraries Funding**

Summary: Directs UNC Board of Governors to allocate \$2 million in expansion funds for library improvements, including some amount for the interactive statewide library project.

Section: 10.12

Title: **Cooperative Extension Services**

Summary: Directs the Joint Education Oversight Committee to study the role, funding, and programs of the Cooperative Extension Services.

Section: 10.13

Title: **Scholarship Fund Balances**

Summary: Moves balances from an old scholarship program into another active program to effectuate a one-time budget reduction.

Section: 10.14

Title: **University Fire Safety Costs Limited**

Summary: Changes law enacted in 1996 to limit charges for water service for college-related residences with fire sprinkler systems to "marginal" (additional) costs rather than "actual" costs.

Section: 10.15

Title: **Academic Enhancement Funds Clarification**

Summary: Makes it clear that \$17.8 million appropriated in 1996-97 for NC State and UNC-Chapel Hill can be used by those campuses in any of its budget codes.

Section: 10.16

Title: **ASU Centennial Celebration**

Summary: Directs allocation of \$200,000 for this purpose from the Board of Governors' reserve funds.

Section: 10.17

Title: **Agricultural Enhancement**

Summary: Allows NC State to allocate \$500,000 from overhead receipts for non-salary line items in agricultural programs for 1997-98. Also provides for a reduction of required reversions from agricultural programs by \$500,000 for one year, and directs the Board of Governors to review its policies on salary increases that cannot be funded from funds appropriated for that purpose.

Section: 10.18

Title: **UNC Overhead Receipts**

Summary: Allocates \$7.7 million in 1998-99 to UNC Board to eliminate the 10% of overhead receipts from grants that currently help support General Fund budget code costs.

Section: 10.19

Title: **UNC Management Flexibility**

Summary: Reduces the required reversion of General Fund appropriations from UNC campuses designated as Special Responsibility Constituent Institutions (SRCI's) from 2% to 1%, and directs that these funds be used for nonrecurring costs of technology or libraries.

Section: 10.20

Title: **John Kernodle Fund**

Summary: Directs allocation of \$1 million for cancer research at UNC-Chapel Hill.

Section: 10.21

Title: **Tuition Policy**

Summary: Allows UNC Board of Governors to increase tuition for graduate programs at UNC-Chapel Hill School of Business by up to \$5,000 over 3 years, and establishes conditions for that action to be taken. Directs Board to study tuition levels for graduate education and to report back by January, 1999.

Section: 10.22

Title: **Institute of Government/Knapp Building**

Summary: Allows construction and renovation of this facility in phases if that approach is fiscally prudent.

Section: 10.23

Title: **Study Impact of Budget Cuts on UNC Hospitals at UNC-Chapel Hill**

Summary: Directs UNC Board of Governors to review reductions in General Fund support for UNC Hospitals for impacts on indigent care and long-term viability.

Section: 10.24

Title: **Natural Resources Leadership Institute**

Summary: Allows use of \$150,000 in required reversions for this program for 1997-98.

Section: 33.17

Title: **University of North Carolina System-EPA Salary Increases**

Summary: Directs that UNC Board of Governors and Board of NC School of Science and Mathematics have authority to set rules for allocation of salary increase funds averaging 4%. Funds shall be allocated for teachers at NC School of Science and Mathematics to provide raises comparable to those received by public school teachers.

Section: 34.12

Title: **UNC-A Highsmith Center**

Summary: Allows reallocation of capital funds appropriated for completion of Graduate Center for planning for Highsmith Student Center expansion if private funds are available to complete the Graduate Center.

GENERAL GOVERNMENT

Administration

Statutory Authority: General Statutes, Chapter 143-B

The Department of Administration is set up to assist in the management of State government. It has become a central source of services that all agencies need, such as motor fleet management, courier mail, purchasing and contracting for all goods and services, and utilities coordination.

The Department of Administration also has its public services side. It coordinates State and local programs and research designed to concentrate on certain contemporary community problems. The department also houses advocacy programs to promote the development and growth of various ethnic and minority groups as well as programs for persons with disabilities.

GENERAL FUND				
Recommended Budget		FY 97-98		FY 98-99
		\$59,567,213		\$60,961,819
Legislative Changes				
(0000) All Divisions				
1 Personnel Reductions		(\$527,405)	R	(\$527,405) R
Reductions recommended by the Governor, including one painter supervisor, nine painters, one vacant office assistant position in Facilities Management, a vacant position in the Council for Person's with Disabilities, and an office assistant position in the Board of Science and Technology. Reduction also includes \$105,014 in salary reserve money.		-13.00		-13.00
(1121) Fiscal Management				
2 Reduced Data Processing Services		(\$7,000)	R	(\$7,000) R
(1225) State Health Plan Purchasing Alliance Board				
3 Reversions From Previous Operating Budgets		\$0	R	\$0 R
Under the statutory language creating the State Health Plan Purchasing Alliance Fund, left over balances from the Board's operating budget have not been reverting to the General Fund. These past balances and the interest earned on them should be transferred from the State Health Plan Purchasing Alliance Fund to the General Fund at the end of 1996-97. This transfer will increase funds available for 1997-98 by \$648,718.				

4 Miscellaneous Line Item Reductions

(\$47,000) R (\$47,000) R

Reductions in operating budget:

Rent/Lease: (\$10,000)
Transportation: (\$5,000)
Data Processing: (\$10,000)
Printing, binding, duplicating: (\$17,000)
Registration Fees: (\$1,000)
Office Equipment: (\$4,000)

(1241) Management Information Systems**5 Reductions in Operating Expenses**

(\$3,463) R (\$3,463) R

Reductions in data processing maintenance and office furniture and equipment

(1264) Agency for Public Telecommunications**6 Reductions in contractual services and travel**

(\$8,920) R (\$8,920) R

(1311) Office of State Personnel**7 Staff for Personnel Mgmt Information System (PMIS)**

\$137,934 R \$137,934 R

The Governor recommends funding to provide two (2) computer analyst programmers and a support position to enable the Office to respond to increased mainframe data collection and analytical needs, and to continue to efficiently respond to PMIS users.

\$15,000 NR 3.00 3.00

8 Operating Budget Reductions

Reduce funds in the following line items in FY 97-98:

(\$70,406) NR

(531572) Unemp Comp Payments to ES (\$ 7,016)
(531625) St Disability Payment (15,000)
(532199) Misc Contractual Svs (26,000)
(532850) Printing (2,390)
(532942) Other Emp Educational Ex (10,000)
(536905) Employer OJT Incentive (5,000)
(537102) Res Emp Survey (5,000)

(1421) Facility Management**9 Delays in Operating New Buildings**

Reductions recommended by the Governor due to delays in the opening of the new SBI Laboratory, the Old Revenue Building and the Natural Science Museum.

(\$678,000) NR (\$370,000) NR

10 Additional Delays in Operating New Buildings

Additional reductions beyond those recommended by the Governor due to additional delays in the opening of the new SBI Laboratory, the Old Revenue Building and the Natural Science Museum.

(\$215,773) NR (\$371,920) NR

11 Increase Rental Receipts	(\$1,156,250)	R	(\$1,156,250)	R
Increases receipts to the Department of Administration by charging rent to the State Treasurer and to the Department of Insurance. The rent paid by these agencies is offset by increases in the receipts they collect and in the non-tax revenues their operations generate. The Treasurer will be charged \$645,025. Insurance will be charged \$511,225.				
12 Reduce Operating Budget for New Buildings	(\$496,440)	R	(\$518,437)	R
Reduces amount budgeted for indirect costs in operating new buildings.				
(1623) State Capitol Police				
13 Eliminate Two Vacant Property Guard Positions	(\$42,524)	R	(\$42,524)	R
	-2.00		-2.00	
14 Transfer Positions to Revenue	(\$235,648)	R	(\$235,648)	R
Transfers 10 property guards from Capitol Police to Department of Revenue. Includes salaries, benefits, uniforms and equipment.				
	-10.00		-10.00	
(1741) Human Relations Council				
15 Reduction in Miscellaneous Line Items	(\$11,938)	R	(\$11,938)	R
(1761) Youth Involvement Office				
16 Increase Wages for Interns	\$77,616	R	\$77,616	R
Increases hourly wage for interns from \$5.00 to \$6.75 per hour. Increase is recommended by the Governor.				
(1771) Veteran Affairs				
17 Reductions in Expenses	(\$65,124)	R	(\$65,124)	R
Two veterans cemetery maintenance positions will be converted to receipts-supported positions, and motor vehicle replacements will be reduced.				
(1781) Domestic Violence Program				
18 Additional Position	\$50,000	R	\$50,000	R
Administrative assistant position to monitor batterers treatment programs. Recommended by Governor.				
	1.00		1.00	
19 Funds for Local Domestic Violence Programs	\$1,100,000	NR	\$0	NR
Provides additional one-time funding to local domestic violence programs.				
(1811) Advocacy for Disabled				
20 Reduced Operating Expenses	(\$8,600)	R	(\$8,600)	R
Reductions in contractual services, and board member travel and subsistence				

(1861) Commission of Indian Affairs

21 Delete Match for Title XX

(\$15,000) R (\$15,000) R

Title XX federal funds for Indian Day Care have been discontinued. Therefore, matching funds are no longer needed.

(1862) Low-Level Radioactive Waste

22 Reductions in Communication Expense and Travel

(\$11,018) R (\$11,018) R

(1871) Board of Science and Technology

23 Reduction in Communications Expense

(\$13,110) R (\$13,110) R

Total Legislative Changes

(\$2,383,890) R (\$2,405,887) R

\$150,821 NR (\$741,920) NR

Total Position Changes

-21.00 -21.00

Revised Budget

\$57,334,144 \$57,814,012

Special Provisions:

1997 Session: Senate Bill 352

Department: Administration

Section: 27

Title: Combine Programs to Help Women and Children

Summary: Directs Budget Office to study feasibility of consolidating the budget, salaries, and administration of federal and state grants for domestic violence programs and rape crisis programs. The study shall include an analysis of ways to promote coordination of resources at the State and local levels.

Section: 27.1

Title: Procurement Card Pilot Program

Summary: Restricts the use of procurement cards by State agencies. The only agencies authorized to use procurement cards are those that were using them prior to March 31, 1997, and up to an additional 15 agencies that could participate in a pilot program.

Section: 27.2

Title: State Health Plan Purchasing Alliance Board Operating Funds Revert

Summary: Changes statutes so that operating monies for the State Health Plan Purchasing Alliance Board will revert if not used. Transfers balances that should have reverted in previous years to the General Fund.

Section: 27.3

Title: Governor's Advocacy Council for People with Disabilities

Summary: Requires that the Department of Human Resources continue to provide office space to the Governor's Advocacy Council for People with Disabilities.

Section: 27.4

Title: Fees for State-Owned Office Space

Summary: Allows the State to collect rent on State-owned office space from the State Treasurer and the Department of Insurance.

Section: 27.5

Title: Parking Revenues

Summary: Allows excess parking revenues to be used to subsidize van pools and transit passes.

Section: 27.6

Title: Transfer Capitol Police To Revenue

Summary: Transfers 10 property guard positions from the Capitol Police to the Department of Revenue.

Section: 27.7

Title: Indian Cultural Center

Summary: Allows Department of Administration to allocate \$100,000 to operate the non-profit organization, North Carolina Indian Cultural Center, Inc., from funds appropriated to purchase land for the North Carolina Indian Cultural Center. All unused funds from this appropriation would revert.

Auditor

Statutory Authority: General Statutes, Chapter 143A, Article 3

The State Auditor directs a staff in Raleigh and 7 regional offices in the performance of financial and compliance audits of State agencies. The staff also performs quality control reviews of CPA firm work papers of local government and local non-profit agency audits. The State Auditor also operates a "hotline" for citizens to report fraud, waste or abuse of State funds.

GENERAL FUND				
Recommended Budget		FY 97-98		FY 98-99
		\$9,495,886		\$9,504,085
Legislative Changes				
(1120) Support Services				
24 Maintenance on Printing Equipment		\$38,600	R	\$38,600 R
Provides funds to maintain printing and duplicating equipment. Recommended by the Governor.				
(1210) Field Audit Division				
25 Equipment Replacement Reserve		\$175,000	R	\$175,000 R
Recurring funds would allow the Auditor to replace computers every three years. Recommended by the Governor.				
26 Audit Software		\$0	R	\$15,000 R
		\$159,000	NR	\$0 NR
27 EDP Audit Positions		\$123,606	R	\$123,606 R
Additional electronic data processing auditors.				
		\$12,980	NR	\$0 NR
		2.00		2.00
28 Additional Audit Positions		\$160,322	R	\$160,322 R
Additional performance and financial auditors				
		\$19,470	NR	\$0 NR
		3.00		3.00
Total Legislative Changes		\$497,528	R	\$512,528 R
		\$191,450	NR	\$0 NR
Total Position Changes		5.00		5.00
Revised Budget		\$10,184,864		\$10,016,613

Special Provisions:

1997 Session: Senate Bill 352

Department: Auditor

Section: 25

Title: Advice Of Governmental Operations On Prioritizing Requests For Assistance

Summary: Allows Auditor to request advice of the Joint Legislative Commission on Governmental Operations in prioritizing requests for assistance.

Section: 25.1

Title: Performance Audit of SIPS

Summary: Directs the State Auditor to conduct a performance audit of SIPS, which should include a review of the business plan and SIPS rate making process. Report to the Governmental Operations Commission is required by April 15, 1998.

Cultural Resources

Statutory Authority:

The head of the Department is the Secretary who is appointed by and serves at the pleasure of the Governor. The Department is responsible for providing the necessary management, policy development and the establishment and enforcement of standards for the furtherance of resources, services and programs for historical records, sites and property, including museum, art resources, and libraries. An important function of the Department is the administration and awarding of funds appropriated for grants-in-aid.

GENERAL FUND

	FY 97-98	FY 98-99
Recommended Budget	\$52,608,363	\$52,922,221

Legislative Changes

(0000) Departmentwide

29 Salary Reductions/Span of Control

Reduce positions in the department as a result of the study authorized per Section 10.1, Chapter 324, 1995 Session Laws. The Department will eliminate 20 positions, including three (3) supervisory positions; reduce Reserve Funds for the Museum of History, Home Creek Farm, Historic Sites, and Museum of Art; and reduce budgets of Archives and Records, Historic Sites, and the State Library.

(\$610,262)	R	(\$610,262)	R
-20.00		-20.00	

(1110) Office of the Secretary

30 Grants to Local Organizations

Provide funds to local arts, cultural, and historical organizations; and local museums as grants-in-aid. [SB 352, Sec 30.4, p. 419]

\$8,000,000	NR
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(1210) Archives and History - Admin

31 Blackbeard's Flagship

Appropriate funds for the surveillance, preservation, and protection of the shipwreck of Blackbeard's flagship, Queen Anne's Revenge. [SB 352, Sec 30.6, p.421]

\$200,000	NR
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32 Maritime Museum

Transfer positions, operating support, equipment, property, and other assets of the North Carolina Maritime Museum from the Department of Agriculture to the Department of Cultural Resources, Division of Archives and History (Fund 1210).

\$792,227	R	\$786,713	R
17.25		17.25	

	FY 1997-98	FY 1998-99
Requirements	\$ 792,527	\$ 787,013
Receipts	(\$ 300)	(\$ 300)
Appropriation	\$ 792,227	\$ 786,713

(1230) Archives and Records

33 North Carolina Postal History Commission

Appropriates funds to establish the NC Postal History Commission to advise the department on the collection, preservation, cataloging, publication, and exhibition of material associated with North Carolina's postal history. [SB 352, Sec 30.5, pp. 419-421]

\$35,000 NR

(1241) State Historic Sites

34 Somerset Place

Provide funds for construction and contracted personal services.

\$250,000 NR

35 Town Creek Indian Mound

Appropriate funds for an archaeological curation and education facility at the site.

\$50,000 NR

36 State Civil War Sites

Funding is authorized to preserve, improve, and promote the State's Civil War era sites.

\$1,000,000 NR

37 Reductions in Travel and Equipment

(\$30,000) R

Reduce the following line items in FY 98-99:

FY 98-99:

(532714) In-State transportation (\$15,000)

(534549) Other Motorized Vehicles (\$15,000)

(1250) Archaeology and Historic Preservation

38 Historic Rehabilitation Tax Credit Program

\$54,344 R

\$54,344 R

Appropriates funds to allow the department to implement the program.

1.00

1.00

(1410) State Library Services

39 Library and Learning Resources

(\$6,000) R

Reduce funds in line item 534630 in FY 98-99.

(1480) Statewide Programs & Grants

40 6960 Aid to Counties

\$2,000,000 R

\$2,000,000 R

Increase funds for grants to public libraries in accordance with the formula for State-Aid to libraries.

41 NC LIVE - Statewide Electronic Library

\$1,000,000 R

\$1,000,000 R

Funding to support NC-Live (North Carolina Libraries and Virtual Education), a collaborative effort among the State Library and public libraries statewide in partnership with libraries in the University of North Carolina system and the Community College system recommended by the Governor to expand access to library and information resources. Initial funds will support statewide licensing of on-line reference and research materials.

(1500) Museum of History

42 Equipment

(\$30,000) R

Reduce funds in line item 534522 in FY 98-99.

(1992) Continuation Reserves

43 Reduce Funds in Operating Reserves

(\$100,000) R

(\$34,000) R

Reduce funds in the reserves both years of the biennium as follows:

FY 97-98

(537102) Museum of History

2 Hist Mus Specs, Gr. 65, eff. 9/97	(\$39,720)
1 Pub Info Asst III, Gr. 57, eff 9/97	(14,490)
Social Security	(4,022)
Retirement	(5,694)
Med Ins	(1,560)
In-State Trans	(3,000)
In-State Subsistence	(2,200)
Training and Registration	(1,000)
Printing, Binding, etc.	(1,000)
Other Mat & Supplies	(483)
Office Furniture	(1,000)

(537110) Tryon Palace

1 Painter	(\$20,336)
Social Security	(1,556)
Retirement	(2,203)
Med Ins	(1,736)

FY 98-99

(537103) Historic Sites

Hist Halifax Tap Room	
Misc Contractual Services	(\$ 5,000)
Enrg Ser - Electrical	(3,000)
Enrg - Water & Sewer	(200)
Repairs - Other	(3,500)
In-State Trans	(200)
In-State Lodging	(100)
In-State Subsistence	(100)
Telephone Service	(550)
Postage, etc.	(200)
Print, Binding, etc.	(6,250)
Other Emp Educ Exp	(100)
Other Mat & Supplies	(800)
Equip - Other	(9,000)
Art & Artifacts	(5,000)

Total Legislative Changes

\$3,136,309 R

\$3,130,795 R

\$9,535,000 NR

Total Position Changes

-1.75

-1.75

Revised Budget

\$65,279,672

\$56,053,016

Special Provisions:

1997 Session: Senate Bill 352

Department: Cultural Resources

Section: 30

Title: **Department of Cultural Resources May Retain Historical Publications Receipts**

Summary: Allows the Historical Publications Section to retain receipts, including over-realized receipts, from the sale of publications for reprinting these documents.

Section: 30.1

Title: **Modify the Areas of Responsibility of the Roanoke Island Commission**

Summary: Rewrites G.S. 143B-131.2 to change the name of U.S. Highway 64/264 to the U.S. 64/264 Bypass, and to change the name of Ice Plant Island to Roanoke Island Festival Park.

Section: 30.2

Title: **Museum of History Restaurant**

Summary: Directs the department to designate the North Carolina Museum of History Associates, Inc. as the contracting agent for restaurant services per G.S. 121-4 (17). The Associates shall negotiate a contract based upon monthly rent and a percentage of gross receipts. The Associates shall submit a report to the Governmental Operations Commission and the Joint Appropriations Subcommittee on General Government by June 30 of each fiscal year that includes 1) an operations report, 2) a profit and loss statement, and 3) an analysis of how profits have been expended or reserved to support programs and projects of the Museum of History.

Section: 30.3

Title: **Funds for Museum of the Albemarle**

Summary: Transfers \$47,887 from Fund 1110 (Code 536930) to Fund 1500 (Code 534160) to replace funds that were reallocated in FY 96-97 to support Newbold-White House.

Section: 30.4

Title: **Procedure for Award of Cultural Resources Grants**

Summary: Appropriates \$8 million to the Department for FY 97-98 to use for grants to nonprofit organizations or local governmental entities statewide for cultural, historical, or artistic organizations, for cultural, historical, or artistic projects, and for museums. The Secretary shall establish a process for the review, evaluation, and consideration of the grants. The Secretary shall consider the merits, significance, and benefits of projects to the State and local communities; and the cost of the projects. Prior to awarding grants, the Secretary shall consult with the Governmental Operations Commission. These grants are not subject to review by the Historical Commission.

Section: 30.5

Title: **North Carolina Postal History Commission**

Summary: Establishes the commission to advise the department on the collection, preservation, cataloging, publication, and exhibition of NC postal history. The Commission will be in operation for three (3) years - July 1, 1997 through June 30, 2000. The first annual report will be submitted to the General Assembly before July 1, 1998, with subsequent annual reports due within thirty (30) days of the convening of the General Assembly and a final report due no later than June 30, 2000.

Section: 30.6

Title: **Preservation of Blackbeard's Flagship**

Summary: Directs use of funding for the surveillance, preservation, and protection of the shipwreck of Blackbeard's flagship, Queen Anne's Revenge, and the recovery of the cargo and artifacts.

Section: 30.7

Title: **Princeville Cemetery Oversight**

Summary: Directs the department to provide oversight and guidance to the Town of Princeville and the Princeville Cemetery Commission in regards to the restoration and the preparation of documents for the cemetery to be placed on the National Register.

Section: 34.6

Title: **Historic Sites Repairs and Renovations Funds**

Summary: Allows the Office of State Budget and Management (OSBM) to allocate money from the Repair and Renovation Fund specifically to make needed repairs at State historic sites. Establishes a Historic Sites Repairs and Renovations Review Committee comprised of Senate and House Appropriations Committees chairs. Directs OSBM to submit a proposal for use of the funds for historic sites to the Committee prior to submission to the Governmental Operations Commission.

General Assembly

Statutory Authority: Article II, Section 1, North Carolina Constitution, General Statutes, Chapter 120

The General Assembly is the lawmaking body for the State of North Carolina. Its 170 members are elected for two-year terms beginning in odd-numbered years. The Speaker of the North Carolina House of Representatives and the President Pro Tempore of the North Carolina Senate jointly chair the fourteen-member Legislative Services Commission that oversees the operations of the General Assembly and its permanent staff.

GENERAL FUND

	FY 97-98	FY 98-99
Recommended Budget	\$31,226,277	\$34,642,598
Legislative Changes		
44 (No continuation budget adjustments)		
Total Legislative Changes		
Total Position Changes		
Revised Budget	\$31,226,277	\$34,642,598

Special Provisions:

1997 Session: Senate Bill 352

Department: General Assembly

Section: 22

Title: **Analysis of State Budget During the Interim**

Summary: Authorizes the Appropriations Committees and Subcommittees of each House to meet in the 1997-98 interim to "review matters related to the State budget, the organization of State government, or any other matter as they deem appropriate." Authorizes oversight committees in each House to oversee interim work of Appropriations Committees and Subcommittees.

Section: 22.1

Title: **Health Care Oversight Committee**

Summary: Establishes the Joint Legislative Health Care Oversight Committee, consisting of seven members from each House of the General Assembly. Sets forth membership and organization rules for the Committee, and establishes its purpose and powers.

Section: 22.2

Title: **State Employees' Communications with Legislators**

Summary: Prohibits any department, agency, or institution of the State from limiting State employees' right to speak with a member of the General Assembly at the member's request.

Governor

Statutory Authority: Article III, Section 5, North Carolina Constitution

Staff assists the Governor in his deliberations on legal, policy, and administrative matters. Staff are assigned to offices in Washington, D.C., Asheville, New Bern, and to the Executive Residence in Raleigh. Each month, the Office of Citizen's Affairs handles thousands of calls, letters and visits intended for the Governor.

GENERAL FUND				
		FY 97-98		FY 98-99
Recommended Budget		\$5,286,620		\$5,302,348
Legislative Changes				
(0000) Departmentwide				
45 Purchased Contractual Services		(\$22,367)	R	(\$22,367) R
(1110) Administration				
46 Assistant Chief of Staff Position		(\$98,310)	R	(\$98,310) R
Remove recurring funding for the position and associated benefits of Assistant Chief of Staff. Provide nonrecurring funds for first year only.		\$98,310	NR	
		0.00		-1.00
(1130) Office of Intergovernmental Relations				
47 Eliminate Military Liaison Position		(\$25,220)	R	(\$25,220) R
Eliminate the position and associated benefits for Military Liaison. This position has been vacant since 10-01-94.		-1.00		-1.00
(1631) Raleigh Executive Residence				
48 Transfer to CC & PS		(\$6,099)	R	(\$6,099) R
This transfer repays Crime Control & Public Safety (CC & PS) the costs of supplying the Governor's guards. \$6,099 was the amount of the requested increase from last year. The money will be saved by using guards with the same salaries as the current guards are earning.				
Total Legislative Changes		(\$151,996)	R	(\$151,996) R
		\$98,310	NR	
Total Position Changes		-1.00		-2.00
Revised Budget		\$5,232,934		\$5,150,352

Special Provisions:

1997 Session: Senate Bill 352

Department: Governor

Section: 23

Title: **Fire Protection Grant Fund**

Summary: Creates the State Fire Protection Grant Fund in the Office of State Budget and Management. The purpose of the fund is to compensate local fire districts and political subdivisions for providing fire protection to State-owned buildings and their contents. Requires the Office of State Budget and Management to develop a statewide method for distributing these funds. Identifies amounts to be paid into fund from General Fund, Highway Fund, and University of North Carolina.

Insurance

Statutory Authority: General Statutes, Chapter 58

The Department of Insurance is authorized to regulate insurance rates, to license companies and agents, and to check on their operations in the public interest. It also helps the insurance industry by weeding out dishonest operators, and by investigating cases of fraud by policyholders or embezzlement and fraud by company agents. The Department serves as the fire and casualty insurance company for State government, enforces the State's building codes, helps set up community fire departments and rescue squads, and helps train emergency workers.

The Department is under the administration of the Insurance Commissioner who is elected to serve a four-year term. As an elected State official, the Commissioner is a member of the Council of State.

GENERAL FUND				
		FY 97-98		FY 98-99
Recommended Budget		\$19,880,965		\$19,909,612
Legislative Changes				
(0000) Departmentwide				
49 Rent for State-Owned Space		\$511,225	R	\$511,225 R
The Insurance Department occupies 40,898 square feet of space in the Dobbs Building. Rent paid to the Department of Administration, at \$12.50 per square foot, would amount to \$511,225 annually. This money would be used to reduce Administration's General Fund appropriation.				
(1200) Company Services				
50 Additional Financial Analysts		\$51,778	R	\$55,552 R
Hire additional financial analysts with HMO expertise to handle mergers and acquisitions.				
		1.00		1.00
(1300) Technical Services				
51 Seniors' Health Insurance Information Program		\$32,311	R	\$31,357 R
Hire additional employee to handle phone calls.				
		1.00		1.00
52 Additional Market Practices Examiners		\$313,314	R	\$333,174 R
Adds two three-person teams to monitor market practices. At least one of the teams will monitor the practices of Health Maintenance Organizations (HMOs).				
		6.00		6.00
(1500) Safety Services				
53 Upgrade and Increase Fire and Rescue Services		\$96,000	R	\$96,000 R
Computer software for counties to submit Fire Incident Reports and implement Rescue Reporting Program.				

54 Additional Employees for Manufactured Housing

\$0 R \$0 R

Hire additional inspectors for manufactured housing and buildings. These positions are 100% receipt-supported.

3.00 3.00

FY 97-98

Expenditures: \$237,622

Receipts: 237,622

Appropriations: 0

FY 98-99

Expenditures: \$217,972

Receipts: 217,972

Appropriations: 0

(1900) Reserves and Transfers**55 Consumer Protection Fund**

Additional funds to hire outside contractual services for legal proceedings in ratesetting cases.

\$150,000 NR

56 Pay for Revenue Workers

\$99,270 R \$99,270 R

Transfers \$99,270 in FY 1997-98 and \$99,270 in FY 1998-99 to pay the Department of Revenue for collecting the gross premiums tax and the Regulatory Charge which supports the Department of Insurance [SB 352, Sec 26.1, p. 414].

57 Transfer Fire Protection Grant Program

(\$1,450,000) R (\$1,450,000) R

The Fire Protection Grant Program is transferred to the Office of State Budget and Management. The Department of Insurance will not need an appropriation to fund this program.

58 Fire and Rescue Workers' Comp

\$4,500,000 R \$4,500,000 R

Provides a recurring grant to the Fire and Rescue Workers' Comp Fund. Intent is for the State to contribute to the Fund until its reserves (projected time: about 8 years) are sufficient to enable it to be self-supporting.

Total Legislative Changes

\$4,153,898 R \$4,176,578 R

\$150,000 NR

Total Position Changes

11.00 11.00

Revised Budget

\$24,184,863 \$24,086,190

Special Provisions:

1997 Session: Senate Bill 352

Department: Insurance

Section: 26

Title: **Construction Code Receipts**

Summary: Authorizes the Department of Insurance to use proceeds from sale of copies of the State construction code to buy additional copies of the code for sale. Proceeds not needed to buy additional sale copies revert to the General Fund.

Section: 26.1

Title: **Expand Use of Insurance Regulatory Fund**

Summary: Establishes that payments to the Department of Revenue for collecting the premium tax and regulatory charge may be made from the Insurance Regulatory Fund, rather than from departmental operating funds.

Lieutenant Governor

Statutory Authority: North Carolina Constitution, Articles II and III:

Under the provisions of the Constitution, the Lieutenant Governor is an elected officer of the State. He is President of the Senate and presides over that body, but has no vote unless the Senate is equally divided. The authority and duties of the Lieutenant Governor and his capacity as President of the Senate are prescribed by the Senate Rules.

In accordance with the General Statutes, the Lieutenant Governor serves on the Council of State, the Commission on Interstate Cooperation, the Commission of Indian Affairs, the North Carolina Capital Planning Commission, the North Carolina Land Policy Council, the State Board of Education, and the Economic Development Board.

The salary for the Lieutenant Governor is set in the Budget Appropriations Act and his annual expense allowance in the General Statutes.

GENERAL FUND				
	FY 97-98		FY 98-99	
Recommended Budget	\$612,176		\$612,336	
Legislative Changes				
(1110) Administration				
59 Miscellaneous Expenses, Equipment, and Services	(\$2,946)	R	(\$2,946)	R
Reductions in Registration Fees, Other Employee Educational Expenses, Maintenance Agreement-Equipment, DP Equipment, Repairs-Computer Equipment, General Office Expenses, Cellular Phone Service, Postage, and Telephone Service.				
Total Legislative Changes	(\$2,946)	R	(\$2,946)	R
Total Position Changes				
Revised Budget	\$609,230		\$609,390	

Special Provisions:

1997 Session: Senate Bill 352

Department: Lieutenant Governor

Section:

Title: (No special provisions reported)

Summary:

Office of Administrative Hearings

Statutory Authority: G.S. 150B

This office provides Administrative Law Judges to conduct hearings on issues covered by administrative law; receives, compiles, edits and codifies all rules, public notices and related documents; and, publishes the N.C. Register and Administrative Code. The office also investigates charges of alleged discrimination filed by State and local government employees covered under the State Personnel Act.

GENERAL FUND

	FY 97-98		FY 98-99	
Recommended Budget	\$2,217,486		\$2,217,486	
<hr/>				
Legislative Changes				
(1100) Administration and Operations				
60 Administrative Law Judge Salaries	\$103,206	R	\$103,206	R
Sets salary for the Chief Administrative Law Judge equal to that fixed for District Court Judges. Sets the salaries of Administrative Law Judges at 90% of the salary of the Chief Administrative Law Judge. Establishes that the Chief Administrative Law Judge and Administrative Law Judges shall receive longevity pay.				
61 Reduce Services and Equipment	(\$10,690)	R	(\$10,690)	R
Reductions in Maintenance Agreements, Data Processing Services, Furniture & Equipment, and Printing.				
62 LAN Administrator	\$47,387	R	\$47,387	R
Provides funds to hire one person to administer local-area-network (LAN) system.				
	1.00		1.00	
<hr/>				
Total Legislative Changes	\$139,903	R	\$139,903	R
Total Position Changes	1.00		1.00	
Revised Budget	\$2,357,389		\$2,357,389	

Special Provisions:

1997 Session: Senate Bill 352

Department: Office of Administrative Hearings

Section:

Title: (No special provisions reported)

Summary:

Office of State Planning

Statutory Authority: G.S. 143-3.5

This office oversees and facilitates State government strategic program/performance planning and evaluation, and provides analytical demographic, and geographic information.

	GENERAL FUND			
	FY 97-98		FY 98-99	
Recommended Budget	\$1,820,279		\$1,833,679	
Legislative Changes				
(1412) Geodetic Survey				
63 Make One-Half Position Receipt-Supported	(\$17,829)	R	(\$17,829)	R
Office of State Planning has one position which receives one-half of its funding from the General Fund. This position will become entirely receipt-supported.	-0.50		-0.50	
Total Legislative Changes	(\$17,829)	R	(\$17,829)	R
Total Position Changes	-0.50		-0.50	
Revised Budget	\$1,802,450		\$1,815,850	

Special Provisions:

1997 Session: Senate Bill 352

Department: Office of State Planning

Section:

Title: (No special provisions reported)

Summary:

Revenue

Statutory Authority: General Statutes, Chapter 143B

The Secretary of Revenue is appointed by the Governor. It is the Secretary's duty to make a continuing study of economic conditions and to evaluate the effect of these conditions on the tax bases and prospective collections. The Secretary is required to make and publish copies of biennial factual statistics of State and local taxation.

Under the Secretary's supervision, the Department spends much time auditing tax returns and collecting taxes that support a majority of State expenditures.

The Department also serves as a consultant and advisor on State tax preparation. Local governments are also assisted in appraising and taxing property.

GENERAL FUND			
	FY 97-98		FY 98-99
Recommended Budget	\$68,045,123		\$68,862,535
Legislative Changes			
(0000) Departmentwide			
64 Salary Reductions/Span of Control	(\$592,976)	R	(\$592,976) R
Reduce positions in the department as a result of the study authorized per Section 10.1, Chapter 324, 1995 Session Laws. The approach for the Department is three-fold with the elimination of nine (9) positions; reduction of salary reserve created by lowering the budgeted level of fifteen (15) revenue officer and revenue tax auditor trainee positions to the first step; and reduction of operating line items.	-9.00		-9.00
(1600) Administration			
65 Administrative Program Reductions	(\$200,000)	R	(\$200,000) R
Reduce funds for data processing equipment and for repairs to buildings each year of the biennium:			
FY 97-98			
(532310) Repairs - Buildings	(\$100,000)		
(534522) Equipment - Computers	(\$100,000)		
FY 98-99			
(532310) Repairs - Buildings	(\$100,000)		
(534522) Equipment - Computers	(\$100,000)		
(1620) Tax Administration			
66 Capitol Police	\$235,648	R	\$235,648 R
Transfer ten (10) Property Guards with salaries, benefits, uniforms, and equipment from Capitol Police in the Department of Administration to the Department of Revenue.	10.00		10.00

67 Assist New Audit Positions	\$31,305	R	\$62,609	R
Add an Administrative Officer III, as recommended by the Governor, to offset increased workload resulting from the new audit positions, effective January 1, 1998.	\$8,500	NR		
	1.00		1.00	
68 Annual Corporate Reports	\$87,073	R	\$112,144	R
Provide funds for personnel and operating costs as department assumes responsibility for collection of annual corporate reports, resulting from the passage of SB 727.	\$74,200	NR		
	2.00		2.00	
(1640) Tax Compliance				
69 Premiums Tax Positions	(\$99,270)	R	(\$99,270)	R
Funds transferred from the Department of Insurance regulatory charge to provide continued support for the two (2) positions that are responsible for collection of the gross premiums tax. For the Department of Revenue the transfer of funds increases receipts, reducing the General Fund appropriation.	-2.00		-2.00	
(1660) Field Operations				
70 Additional Interstate Audit Personnel	\$298,192	R	\$629,977	R
Appropriate funds for seven (7) new auditor positions and two (2) Tax Technicians in the Interstate Audit Division per the recommendation of the Governor. Positions are effective January 1, 1998.	\$94,000	NR		
	9.00		9.00	
(1680) Legal and Administrative Services				
71 Reductions to Postage and Printing	(\$263,800)	R	(\$263,800)	R
Adjust appropriations for the following line items each fiscal year:				
(532840) Postage	(\$251,800)			
(532850) Printing	(\$ 12,000)			
Total Legislative Changes	(\$503,828)	R	(\$115,668)	R
	\$176,700	NR		
Total Position Changes	11.00		11.00	
Revised Budget	\$67,717,995		\$68,746,867	

Special Provisions:

1997 Session: Senate Bill 352

Department: Revenue

Section: 29

Title: **Study Revenue's Staff Requirements**

Summary: Requests the State Budget Office to complete work on the study of the Department of Revenue 's staff requirements, and to make a final report to the House and Senate Appropriations Subcommittees on General Government and Fiscal Research Division by March 31, 1998. Prior to March 31, 1998 the Department must report to Governmental Operations Commission before creating any new positions.

Section: 29.1

Title: **Extend and Modify Ports Tax Credit**

Summary: Extends the sunset effective February 28, 1998 to February 28, 2001; and the maximum cumulative credit a taxpayer may claim is changed from \$1 million to \$2 million effective January 1, 1998.

Rules Review Commission

Statutory Authority:

GENERAL FUND		
	FY 97-98	FY 98-99
Recommended Budget	\$281,892	\$273,441
Legislative Changes		
(1100) Administration		
72 Other Expenses		
Appropriate funds to support legal expenses resulting from the lawsuit.	\$240,000	NR
Total Legislative Changes	\$240,000	NR
Total Position Changes		
Revised Budget	\$521,892	\$273,441

Special Provisions:

1997 Session: Senate Bill 352

Department: Rules Review Commission

Section:

Title: (No special provisions reported)

Summary:

Secretary of State

Statutory Authority: General Statutes, Chapter 147

The Secretary of State is elected to a four-year term, and is a member of the Council of State, and the Local Government Commission.

The duties of the office are delineated in the North Carolina Constitution and the General Statutes. These responsibilities fall into the broad categories of maintaining public records and State documents, including publication of the North Carolina Manual; services to commerce and industry (corporate filings, securities registration, and administration of commercial law); and, appointing notaries public.

GENERAL FUND				
	FY 97-98		FY 98-99	
Recommended Budget	\$5,243,012		\$5,230,680	
Legislative Changes				
(0000) Departmentwide				
73 New Computer System	\$80,000	R	\$80,000	R
Replaces old computer equipment with new local area network, new imaging system, new relational database software. Funds include money for a project manager and for computer consultants.	\$1,230,000	NR	\$0	NR
	1.00		1.00	
Total Legislative Changes	\$80,000	R	\$80,000	R
	\$1,230,000	NR	\$0	NR
Total Position Changes	1.00		1.00	
Revised Budget	\$6,553,012		\$5,310,680	

Special Provisions:

1997 Session: Senate Bill 352

Department: Secretary of State

Section: 24

Title: Information Resources Management Commission

Summary: Adds the Secretary of State and Controller to the membership of the Information Resources Management Commission until June 30, 2001.

State Board of Elections

Statutory Authority: G.S. 163, Article 3

The State Board of Elections supervises primary and general elections held in North Carolina. The Board also compiles, reviews, and audits campaign finance reports.

GENERAL FUND				
	FY 97-98		FY 98-99	
Recommended Budget	\$1,052,787		\$1,046,381	
Legislative Changes				
(0000) Departmentwide				
74 Computerized Voter Registration System	\$500,000	R	\$1,089,000	R
Funding to supplement the \$5.0 million computer reserves appropriated to design and implement the statewide voter registration system. Additional funds may be required to maintain the voter registration system in later years.				
Total Legislative Changes	\$500,000	R	\$1,089,000	R
Total Position Changes				
Revised Budget	\$1,552,787		\$2,135,381	

Special Provisions:

1997 Session: Senate Bill 352

Department: State Board of Elections

Section: 31

Title: **Statewide Data Elections Management System**

Summary: This provision governs the development of rules and standards for the Computerized Voter Registration System, governs the funding of the system, and requires reporting on the implementation of the system to the Joint Legislative Commission on Governmental Operations. Allows the State Board of Elections to promulgate temporary rules to have the system established in time to meet the August 31, 1998 deadline.

Section: 31.1

Title: **Flexibility in Voting Equipment Allocation**

Summary: Eliminates current statute that prevents Mecklenburg County from using any criteria other than voter registration in determining how to allocate voting machines among precincts. This statute would allow Mecklenburg County to be treated the same way other North Carolina counties are.

State Budget and Management

Statutory Authority: G.S. 143.1

This office authors the biennial budget, monitors federal funds, makes revenue and expenditure projections, and evaluates agency operations for cost effectiveness.

GENERAL FUND			
	FY 97-98		FY 98-99
Recommended Budget	\$3,855,400		\$3,938,220
Legislative Changes			
(1022) 1997 Special Appropriations			
75 Women's Memorial Funds			
This is a State Donation to the Women in Military Service for America Memorial Foundation, Inc., for the purpose of creating a memorial to women veterans of the armed services.	\$50,000	NR	
76 St. Mark's Capital Funds			
Appropriates to St. Mark's, Incorporated, a nonprofit corporation, a grant for building a new preschool facility to serve children with developmental disabilities.	\$1,700,000	NR	
77 NC Humanities Council			
Provides a grant to the North Carolina Humanities Council, a not-for-profit organization.	\$100,000	NR	
78 Fire Protection Grant Fund			
Creates the State Fire Protection Grant Fund in the Office of State Budget and Management. States the intention of the General Assembly to make annual appropriations to this fund of at least \$3,080,000 from the General Fund, \$150,000 from the Highway Fund, and \$970,000 from University of North Carolina receipts. Requires the Office of State Budget and Management to develop a statewide method for distributing the monies in the fund to local fire districts and political subdivisions to compensate them for providing fire protection to State-owned buildings and their contents [SB 352, Sec 23, p.411].	\$3,080,000	R	\$3,080,000 R
79 Reserve for Purchase of State Flags			
	\$50,000	NR	
(1310) Office of State Budget and Management			
80 Property, Plant & Equipment			
Department will save money by deferring purchase of new items of equipment.	(\$32,372)	R	(\$32,372) R

81 Reduce Employee Costs	(\$5,010)	R	(\$5,010)	R
Reduce objects Employee Benefit Cost and Supplement to Regular Wage. Department plans that this money will not be needed due to savings accrued while vacancies exist.				
82 New Position	\$50,000	R	\$50,000	R
Creates a new analyst position to assist in analytical/administrative duties associated with increasing workload in the Capital Improvements Section.				
	1.00		1.00	
83 Reserve for Welfare Reform	\$1,189,127	R	\$3,900,000	R
Funds to be transferred to responsible agencies to meet additional costs associated with welfare reform.				
[SB 352, Sec 12.36, pp. 286-287]	\$3,886,075	NR		
<hr/>				
Total Legislative Changes	\$4,281,745	R	\$6,992,618	R
	\$5,786,075	NR		
Total Position Changes	1.00		1.00	
Revised Budget	\$13,923,220		\$10,930,838	
<hr/>				

Special Provisions:

1997 Session: Senate Bill 352

Department: State Budget and Management

Section: 7

Title: Special Funds, Federal Funds, and Departmental Receipts/Authorization for Expenditures

Summary: Specifies certain conditions affecting expenditures out of cash balances, federal receipts, and departmental receipts. Requires reporting of all projects or purposes for which non-state funds are to be spent and which may impose a future obligation upon the State.

Section: 7.2

Title: Contingency and Emergency Fund Allocations

Summary: Allocates appropriated funds to Contingency and Emergency accounts. Modifies conditions affecting compensation to persons receiving a pardon of innocence.

Section: 7.8

Title: Modifications to the Executive Budget Act

Summary: Amends G.S. 143-16.3 to allow expenditures for a purpose the General Assembly has considered but not approved in cases where the expenditure does not involve a new or expanded purpose; permits deviation after consultation with the Joint Legislation on Governmental Operations.

Set forth conditions under which over expenditures require prior consultation with the Joint Legislative Commission on Governmental Operations; permits transfers among line items in Governor and Lieutenant Governor offices.

Section: 7.13

Title: Analysis of State Administrative Span of Government Control

Summary: Directs that span of control study authorized in 1995 Session be continued.

Section: 34.5

Title: Expenditure of Funds from Reserve for Repairs and Renovations

Summary: Allocates formula funds from the Repair and Renovations Reserve; designates projects to be funded from supplemental appropriation to the Repairs and Renovations Reserve.

Section: 34.9

Title: Capital Improvement Planning and Budgeting

Summary: Sets forth framework for new capital planning process, including comprehensive facilities inventory, criteria for capital needs evaluation, six year needs inventory, and six year capital improvement plan. Requires that plan be submitted to the General Assembly.

State Controller

Statutory Authority: General Statutes, Chapter 143B, Article 9, Part 28

The State Controller is responsible for maintaining the State Accounting and Disbursing Systems, operating a central payroll system, implementing cash management policies, and administering the State Information Processing Services (SIPS). SIPS runs the State Computer Center and the State's telephone service.

GENERAL FUND			
	FY 97-98		FY 98-99
Recommended Budget	\$16,053,306		\$16,056,630
Legislative Changes			
(1000) Divisionwide			
84 North Carolina Information Highway	(\$5,337,824)	R	(\$5,337,824) R
Provide non-recurring support in FY 97-98 for 101 existing sites - 52 high schools; 30 Community Colleges, including 1 data only site; two (2) campuses in the University System; 17 State and local agencies; and new sites. Additionally, appropriates to the Office of State Controller funds for long distance services. Funding for FY 98-99 to be considered in the 1998 Session.[SB 352, Sec 28, pp.416-417]	\$5,337,824	NR	
85 Additional Operating Budget Reductions			
Reduce the following line items in FY 97-98:	(\$147,433)	NR	
(532821) Data Processing Services (\$94,055)			
(5369AA) NCIH (53,378)			
86 532700 Travel/Subsistence	(\$13,100)	R	(\$13,100) R
Reduce the following line items each fiscal year:			
(532714) In-State transportation (\$10,000)			
(532724) In-State meals (\$ 3,100)			
Total Legislative Changes	(\$5,350,924)	R	(\$5,350,924) R
	\$5,190,391	NR	
Total Position Changes			
Revised Budget	\$15,892,773		\$10,705,706

Special Provisions:

1997 Session: Senate Bill 352

Department: State Controller

Section: 7.9

Title: **Clean Water Trust Fund/Prioritize between Savings Reserve Account and Clean Water Management Trust Fund**

Summary: Establishes minimum allocation from year-end balance to Clean Water Management Trust Fund; clarifies allocations to Savings Reserve Account and Repairs and Renovations Reserve Account.

Section: 28

Title: **North Carolina Information Highway**

Summary: Continues boiler plate language related to minimum monthly charges. Additionally, allows OSC to use the \$224,000 in savings that accrued in FY 96-97 to fund new sites. In the interim OSC is directed to consider new technologies and capabilities as a means of serving NCIH users on the existing or upgraded ATM-SONET network, and to report findings to the General Assembly in the 1998 Session. Language continues quarterly reports to Governmental Operations Commission on the costs related to operation of the NCIH. Additionally, directs the appropriations subcommittee in interim meetings to adopt an alternative approach to State funding for FY 98-99, and does not limit information the subcommittee may consider. [The NCIH is administered by State Information Processing Services (SIPS) which was transferred from the Office of State Controller to the Department of Commerce per Chapter 148, 1997 Session Laws.]

Section: 28.1

Title: **Funds for Year 2000 Conversion of the State's Computer System**

Summary: Directs OSC to include in its charges for data processing costs for conversion, and to develop procedures for managing the conversion. OSC shall analyze the needs of state agencies and determine the most cost effective means of achieving the conversion. Office of State Budget and Management may use up to \$25 million of projected FY 97-98 General Fund reversions to cover costs in General Fund agencies. OSC shall report quarterly beginning October 1, 1997 to the Governmental Operations Commission on the status of conversion and costs. [Conversion of the State's Computer System is the responsibility of State Information Processing Services (SIPS) which was transferred from the Office of State Controller to the Department of Commerce per Chapter 148, 1997 Session Laws.]

Treasurer

Statutory Authority: General Statutes, Chapter 143

The State Treasurer is elected to a four-year term. As an elected official, the Treasurer is a member of the Council of State.

The Treasurer is responsible for investing all State funds. The Treasurer also manages debt incurred through bond issues, receives and disburses all State funds, manages the trust funds responsible for providing State and local employees their retirement benefits and pensions, and helps local governments improve their accounting systems and supervises their issuance of bonds.

GENERAL FUND				
	FY 97-98		FY 98-99	
Recommended Budget	\$18,432,034		\$18,434,193	
Legislative Changes				
(0000) All Divisions				
87 Rent for State-Owned Office Space	\$281,487	R	\$281,487	R
This appropriation will enable the Treasurer to pay rent to the Department of Administration for State-owned office space.				
Expenditures:	\$836,230			
Receipts:	\$554,743			
Appropriations:	\$281,487			
Non-Tax Revenue:	\$281,487			
(1110) General Administration				
88 Strengthen Personnel Function	\$0	R	\$0	R
Funds a Personnel Officer I position in the department. Recommended by the Governor. Expenditures of \$44,558 in 1997-98 and \$42,127 in 1998-99 would be covered by increased receipts.				
	1.00		1.00	
(1150) Information Systems				
89 Maintenance of Automated Programs	\$0	R	\$0	R
Increased staffing to maintain automation in the department. Recommended by the Governor. Expenditures of \$240,968 in 1997-98 and \$230,264 in 1998-99 will be covered by increased receipts.				
	5.00		5.00	
(1210) Investment Management				
90 Strengthen Investment Administration	\$74,889	R	\$56,065	R
Additional Portfolio Manager to handle increased volumes of investments. Recommended by the Governor. These appropriations from the General Fund would be offset by increases in non-tax revenues.				
	1.00		1.00	

(1310) Local Government Operations

91 Improve Ability to Manage Debt Approval

Additional staff to respond to increased demands for technical assistance. Recommended by the Governor. These appropriations from the General Fund would be offset by increases in non-tax revenues.

\$101,901 R \$101,023 R

2.00 2.00

Total Legislative Changes

\$458,277 R \$438,575 R

Total Position Changes

9.00 9.00

Revised Budget

\$18,890,311 \$18,872,768

Special Provisions:

1997 Session: Senate Bill 352

Department: Treasurer

Section: 33.24

Title: Retirement System Administrative Expenses To Comply With Supreme Court Decisions

Summary: Allows Retirement Operations to spend up to \$500,000 in FY 1997-98 and \$200,000 in 1998-99 to comply with Supreme Court decisions on the Faulkenberry, Woodard, and Peel cases.

HUMAN RESOURCES

Human Resources

Statutory Authority: Chapter 122A

The Department of Human Resources, established by the Reorganization Act of 1971, consolidated several formerly independent departments and commissions into a single agency. These included Health Services, Mental Health Services, Social Services, Services for the Deaf and the Blind, Vocational Rehabilitation Services and Facility Services. In 1975, the Division of Youth Services was transferred from the Department of Correction to Human Resources and, in 1978, the Division of Medical Assistance was created by an Executive Order and given operational responsibility for the Medicaid program. In 1989, the General Assembly consolidated environmental programs in various departments by creating a new Department of Environment, Health, and Natural Resources. Environmental health and personal health programs in the Department of Human Resources were transferred to this new department. The Department of Human Resources is the second largest department in State government and the largest under the Governor's direct control.

Part XIA of Senate Bill 352 (1997 Appropriations Act) authorized the creation of a Department of Health and Human Services. The new department will be established by renaming the Department of Human Resources and transferring virtually all of the public health divisions from the Department of Environment, Health, and Natural Resources to the Department of Health and Human Services. The functions and responsibilities of the Division of Environmental Health, including on-site wastewater, public water supply and food, lodging and institutional sanitation, will remain in the Department of Environment and Natural Resources (formerly the Department of Environment, Health, and Natural Resources) pending a study by the Environmental Review Commission.

	GENERAL FUND	
	FY 97-98	FY 98-99
Recommended Budget	\$2,386,863,411	\$2,542,119,295

Legislative Changes

(1.00) Division of Medical Assistance

1 State Match for Alzheimer's Unit

Eliminates the state Medicaid match for the FY97/98 operating reserve due to construction delays.

(\$324,790) NR \$0 NR

2 Nursing Home Bed Adjustments

Adjusts the forecast for nursing home beds to reflect lag time for the construction of new nursing home beds.

(\$1,058,611) R (\$3,726,846) R

3 Drug Rebate Increase

Increases Drug Rebates because more revenue is anticipated due to increased drug prices and increased effort by Division of Medical Assistance to claim rebates.

(\$5,040,690) R (\$5,811,868) R

4 DME Rent and Supply Rate Adjustment

Adjusts methodology used to establish durable medical equipment rental rates by basing rates on useful life of equipment and return on investment.

(\$620,387) R (\$629,024) R

5 Third Party Liability Cost Avoidance	(\$1,892,180)	R	(\$1,918,522)	R
Adjusts methodology for ensuring that payment by all other responsible parties for services consumed by Medicaid eligibles occurs before any payments are made by Medicaid.				
6 Personal Care Services Criteria	(\$1,364,851)	R	(\$1,383,852)	R
Establishes more specific criteria for Personal Care Services to ensure the appropriateness of care for Medicaid eligibles who receive Personal Care Services.				
7 Home Health Care Cost Avoidance	(\$651,406)	R	(\$660,475)	R
Ensures that Home Health Care services covered by Medicare are paid by Medicare instead of Medicaid.				
8 Reduce Inflationary Increases	(\$3,472,560)	R	(\$3,875,407)	R
Reduces Inflationary increases for providers by .30%.				
9 Adjust 1996-97 Base Year for Actual Performance	(\$37,546,969)	R	(\$14,424,443)	R
Adjusts the 1996-97 base year to reflect actual expenditures through 12/96 which indicates that the budget is higher than projected expenditures. This adjustment allows the projected budget for the 1997-99 biennium to be reduced.				
10 Medicaid Reduction Initiative	\$0	R	(\$20,342,823)	R
Reduces the growth in the Medicaid budget from 10.5% to 9% by making additional reductions to program costs.				
11 Eliminate Positions	(\$46,747)	R	(\$46,747)	R
Eliminates three positions: DMA Nurse I, DMA Service Consultant, and Administrative Secretary III.				
	-3.00		-3.00	
12 Salary Reserve Reduction	(\$4,775)	R	(\$4,775)	R
13 Medicaid Disproportionate Share Revenue				
Budget Disproportionate Share revenue as a departmental receipt.	(\$83,000,000)	NR		
(2.00) Office of the Secretary				
14 Reduce SIPS Payments	(\$500,000)	R	(\$500,000)	R
Reduces SIPS payments due to the centralization of data processing.				
15 Salary Reserve Reduction	(\$13,144)	R	(\$13,144)	R
Division of Personnel.				
16 Eliminate Positions	(\$170,000)	R	(\$170,000)	R
Eliminates funding which is being transferred to the Governor's Office for the Senior Advisor for Children and Families and one additional staff person.				
	-2.00		-2.00	

17 Reduce State Aid to Community Action Agencies	(\$413,822)	R	(\$413,822)	R
Reduces State Aid to Community Action Agencies due to a \$2.6 million increase in federal funds.				
(3.00) Division of Mental Health				
18 Reduce Utilities at State Facilities	(\$1,099,373)	R	(\$1,119,662)	R
Reduces the cost of utilities at state facilities to reflect actual 1995-96 expenditures.				
19 Reduce Willie M. Community Services	(\$500,000)	R	(\$500,000)	R
Reduces continuation budget increases for Willie M. Community Services.				
20 Reduce Overtime Expenditures at State Facilities	(\$3,547,533)	R	(\$3,547,533)	R
Reduces overtime and related fringes at the following state facilities: Butner Adolescent Treatment Center, Cherry Hospital, Dix Hospital, Umstead Hospital, Caswell Center, Murdoch Center, O'Berry Center, and Western Carolina Center.				
21 Salary Reserve Reduction	(\$49,692)	R	(\$49,692)	R
22 Reduce Thomas S Funds	(\$1,690,926)	R	(\$932,116)	R
Reduces excess Thomas S funding based on current spending patterns.				
23 Thomas S Reduction	\$0	R	(\$7,600,000)	R
Reduces funding for Thomas S by allowing the Department to use existing departmental funds to meet court-mandated caseload needs for FY97/98.				
	(\$15,200,000)	NR	\$0	NR
Reduces funding in FY98/99 in anticipation of decreases in direct services due to implementation of cost containment strategies.				
24 Reduce Operating Reserve				
Reduces the operating reserve for the Alzheimer's Unit in Wilson due to construction delays; leaves \$388,272 needed to fund non-recurring start-up cost for FY97/98.				
	(\$175,974)	NR	\$0	NR
Deletes Medicaid receipts of \$1,040,878.				
(4.00) Division of Social Services				
25 Adolescent Parenting Program	(\$23,886)	R	(\$23,886)	R
Reduces state appropriations in anticipation of additional Medicaid receipts for program administration.				
26 Reduce Excess Appropriation in Reserve	(\$295,717)	R	(\$295,717)	R
Reduces excess state appropriations in reserve for data processing.				

27 Increase State Return on Child Support Collections	(\$3,000,000)	R	(\$3,000,000)	R
Reduces appropriations by budgeting increased State return on Child Support Collections.				
28 Interest Earned on Child Support Collections	(\$300,000)	R	(\$300,000)	R
Reduces appropriations by budgeting interest on child support collections.				
29 Eliminate Positions	(\$58,952)	R	(\$58,952)	R
Eliminates three positions: Social Services Program Administrator II, Social Services Program Consultant II, and Income Maintenance Quality Assurance Analyst.	-3.00		-3.00	
30 Salary Reserve Reduction	(\$20,957)	R	(\$20,957)	R
31 Reduce Case Management Funding	(\$500,000)	R	(\$500,000)	R
Reduces funding for Enhanced Adult Care Home case management services due to under-utilization of services.				
32 Reduce State/County Special Assistance	(\$1,000,000)	R	(\$1,000,000)	R
Reduces funding for State/County Special Assistance to reflect more accurate estimate of expenditures.				
(5.00) Division of Youth Services				
33 No Rate Increase in Eckerd Camp Rates	(\$501,215)	R	(\$501,215)	R
Maintains Eckerd Wilderness Camp payment rate of \$74.89 per day.				
34 Increased Receipts in Detention Centers	(\$178,063)	R	(\$178,063)	R
Reduces state appropriations to reflect increased receipts.				
35 Reduce Operating Reserves	(\$673,938)	NR	\$0	NR
Reduces operating reserves for two detention centers due to construction delays.				
(6.00) Division of Blind Services				
36 Reduce Medical Eye Care Program	(\$47,538)	R	(\$47,538)	R
Reduces appropriations for the Medical Eye Care Program to reflect more accurate estimate of program requirements.				
37 Utility Adjustments for Governor Morehead School	(\$72,483)	R	(\$72,483)	R
Reduces state appropriations for utilities to reflect projected expenditures.				
38 Adjustment to Budgeted Salaries	(\$7,568)	R	(\$7,568)	R
Adjusts budgeted salaries to reflect actual expenditures.				
39 Salary Reserve Reduction	(\$6,208)	R	(\$6,208)	R

40 Eliminate State Funds for Position	(\$11,023)	R	(\$11,023)	R
Replaces state appropriations with Business Enterprise funds to support one position.				
(7.00) Division of Facility Services				
41 Eliminate Positions	(\$48,692)	R	(\$48,692)	R
Eliminates two positions and related support: Applications Programmer II and Processing Assistant V.				
	-2.00		-2.00	
42 Reduce Health Care Personnel Registry	(\$80,000)	R	(\$80,000)	R
Reduces funding for the Health Care Personnel Registry due to increased Medicaid receipts.				
(8.00) Division of Aging				
43 Salary Reserve Reduction	(\$2,927)	R	(\$2,927)	R
(9.00) Div. Services for Deaf/Hard of Hearing				
44 Reduce Overtime Expenditures	(\$73,984)	R	(\$73,984)	R
Reduces overtime expenditures at the residential schools for the deaf.				
45 Salary Reserve and Longevity Reduction	(\$82,366)	R	(\$82,366)	R
(10.00) Division of Vocational Rehabilitation				
46 Salary Reserve Reduction	(\$61,439)	R	(\$61,439)	R
(11.00) Division of Child Development				
47 Reduce Excess Postage and Printing Costs	(\$25,442)	R	(\$25,442)	R
Eliminates excess funds for postage and printing resulting from increased use of automation in the criminal records check program.				
(12.00) Division of Mental Health				
48 Reserve for Grants-In-Aid for Substance Abuse				
Provides grants-in-aid to be held in reserve for substance abuse treatment programs. Allocation of the funds is contingent upon the Secretary of DHR's evaluation of the efficiency and effectiveness of various substance abuse treatment programs.	\$1,250,000	NR	\$0	NR

49 Community Mental Health Expansion Funds

\$5,000,000 R \$5,000,000 R

Provides additional funds as follows:

5.10

5.10

(1) Mental Health Services

Residential Services \$610,000
Deaf Mentally Ill 125,000
Supportive Housing/Ind. Living 631,667
Vocational Services 300,000
\$1,666,667

(2) Developmental Disabilities

Vocational Services 500,000
Residential Subsidies 62,000
Traumatic Brain Injury 283,000
Supported Living Projects 273,000
Children's Services 245,000
Family Support Regional Prog. 170,000
Respite Services 64,000
Assistive Technology 36,666
Guardianship Services 33,000
\$1,666,666

(3) Substance Abuse Services

Maternal SA Services 583,334
Services for Deaf/HH 250,000
Child & Adolescent Services 683,333
Family Program Services at
Black Mtn ADATC (5.1 FTE's) 150,000
\$1,666,667

50 Broughton Hospital Funds

Provides \$130,000 to complete installation of a CAT Scan Machine.

\$130,000 NR

\$0 NR

51 Mental Health Services for County Jail Inmates

\$0 R

\$250,000 R

Provides funds to facilitate the provision of mental health services to county jail inmates in their local communities rather than state psychiatric hospitals.

52 Autism Operating Funds

\$504,000 R

\$504,000 R

Provides funds for the following:

- (1) Autism Society of N.C., Inc; \$ 89,000
(2) Vocational Training Program -
Job Placement for Adults Model in
Wake County; 325,000
(3) Vocational Training Program, an
international teacher's exchange
program; and 50,000
(4) One training position to serve
the Raleigh, Research Triangle
Park and Chapel Hill areas 40,000

53 Additional Staff and Equipment/Facility Funds

\$157,088 R

\$157,088 R

Adds the following staff: 1.0 Electrician II, 1.0 Maintenance Mechanic IV, 2.0 Painter, and 2.0 Health Care Technician Supervisor positions, and provides funds for critical equipment and facility improvement needs for the Western Carolina Center.

\$250,000 NR
6.00

6.00

54 Autism Foundation Capital Funds					
Provides funds for the Autism Society's of N.C., Inc. Camp Royall capital project.		\$2,165,000	NR	\$0	NR
55 Tri-County Area Mental Health Realignment		\$1,450,000	R	\$1,200,000	R
Provides \$1.2M in incentive funds and \$250,000 in one-time infrastructure funds for existing area mental health programs/authorities to facilitate the realignment of the three counties which currently comprise the Tri-County Area Authority with existing area authorities.					
56 Secure Forensic Treatment Program		\$1,072,283	R	\$2,487,975	R
Provides funds to create a secure, 72-bed forensic program at Dorothea Dix Hospital to provide treatment to individuals found mentally incompetent to stand trial or found guilty by reason of insanity and considered at-risk of escape and/or violent behavior.		45.00		83.00	
57 Crisis Services Expansion		\$1,000,000	R	\$1,000,000	R
Provides additional funding to continue development of local crisis services.					
58 DHR Early Intervention Funds		\$2,700,000	R	\$5,000,000	R
Provides additional funds for the Early Intervention Program for deaf and hard of hearing, visually-impaired, and developmentally delayed children.					
59 Atypical & Antipsychotic Medications		\$500,000	R	\$500,000	R
Provides additional funds for the purchase of atypical and antipsychotic medications for schizophrenic clients served by area mental health programs.					
(13.00) Division of Social Services					
60 Child Welfare System Improvements		\$2,269,752	R	\$2,269,752	R
Provides funds for new foster care and adoptions workers in local departments of social services.					
61 Child Caring Institutions		\$2,000,000	R	\$2,000,000	R
Provides additional funds to increase reimbursement rates for certain foster care facilities.					
62 Adult Day Care Funds		\$0	R	\$516,000	R
Provides funding for the expansion of the State Adult Day Care Program. These funds are combined with a \$1,655,750 allocation in Social Services Block Grant funds to provide start-up grants for new adult day care programs; conversion of adult day care to adult day health programs; and to provide slots for new programs and in counties with adult day care programs not currently receiving funding.					
63 State Child Fatality Review Team		\$159,000	R	\$163,000	R
Provides for the creation of a new State Child Fatality Review Team to conduct in-depth reviews of child deaths involving children and families which have previously been involved with local departments of social services child protective services.		2.00		2.00	

64 Adult Day Care Grant-in-Aid

Provides grant-in-aid to the L.I.F.E. Center, Inc. for an adult day care center.

\$75,000 NR

65 Adolescent Parenting Program

Provides funds for an evaluation of the program and adds one additional position in 1998-99 for technical assistance to local programs.

\$50,000 R

\$50,000 R

1.00

66 Additional Funds for Food Banks

Provides grants-in-aid to support the following:

\$1,350,000 NR

\$0 NR

- A. (1) Albemarle Food Bank/Food Pantry, Inc. \$175,000
 (2) MANNA Food Bank, Inc. \$175,000;
 (3) Food Bank of Northwest NC, Inc. \$175,000;
 (4) Cumberland Community Action/Cape Fear Community Food Bank \$175,000;
 (5) Metrolina Food Bank, Inc. \$175,000; and
 (6) Food Bank, Inc. \$175,000

Funds are allocated as follows: 90% to purchase nutritious staple food items not received in sufficient quantities and 10% to offset the costs of transportation, handling, and distribution.

- B. Albemarle Food Bank/Food Pantry, Inc. - provides \$300,000 for capital improvements to food storage facilities.

(14.00) Division of Facility Services**67 Poison Control Center**

Provides operating funds for the Poison Control Center at the Carolinas Medical Center.

\$200,000 NR

\$0 NR

(14.00) Office of the Secretary**68 Human Services Grants-in-Aid**

Reserve for Grants-in-Aid to public and non-profit human services organizations for programs that provide services to older adults, adults with disabilities, at-risk children and youth and families.

\$4,000,000 NR

\$0 NR

(15.00) Division of Aging**69 Grant-In-Aid to Floyd McKissick Center**

Provides a grant-in-aid to the Floyd McKissick Center located in Manson, N.C., to expand independent living services for older adults.

\$75,000 NR

\$0 NR

70 Home and Community Based Services Expansion

Provides additional funding to reduce waiting lists for in-home aid and caregiver support services to individuals over 60 years old.

\$5,000,000 R

\$5,000,000 R

71 Additional Positions	\$100,000	R	\$170,930	R
Provides funds for two additional positions and replacement of lost federal funds. One position will provide program development, training, and information referral related to serving Alzheimer's patients and their families. The second position will be responsible for quality improvement, training, and technical assistance for local in-home aid and caregiver support service providers.	2.00		2.00	
72 Senior Centers				
Provides funding to support existing senior centers and to assist in the development of new senior centers.	\$1,000,000	NR		
(16.00) Division of Child Development				
73 TEACH Program Expansion	\$422,000	R	\$422,000	R
Provides funding for the expansion of the Teacher Education and Compensation Helps (TEACH) Program which provides education and compensation incentives for child care teachers.				
74 Child Care Regulatory Services	\$248,253	R	\$268,192	R
Provides additional regulatory staff positions to reduce caseloads and accommodate growth in number of regulated child care programs.	6.50		6.50	
75 Smart Start Expansion	\$21,408,625	R	\$25,298,838	R
Provides direct services funds for local partnerships, including the 12 "Year 4" partnerships, and planning funds for the remaining unfunded counties.	\$850,000	NR	\$0	NR
(17.00) Division of Vocational Rehabilitation				
76 Independent Living Rehab. Program Expansion	\$1,200,000	R	\$1,200,000	R
Provides additional funding and staff to alleviate the backlog of client needs at program offices statewide. Any funds for the purpose of new positions, not expended in 1997-98 for these positions, may be used for one-time service purchases for clients waiting for services.	\$500,000	NR	\$0	NR
	10.00		10.00	
(18.00) Division of Youth Services				
77 Training School Positions	\$200,000	R	\$200,000	R
Funds two teacher positions, two staff psychologist positions, and one recreational worker position to meet priority needs at the Juvenile Evaluation Center.	5.00		5.00	
78 Community-Based Alternatives Expansion	\$1,250,000	R	\$2,500,000	R
Provides funding to expand restitution programs statewide and to strengthen existing restitution and community services programs.				
79 Support Our Students Expansion	\$1,000,000	R	\$1,000,000	R
Provides funding to expand the program to 12 new counties and for limited expansion of existing programs.				

80 Gatling Detention Center Expansion

Provides funding for construction and improvement to the Gatling Juvenile Detention Center to house female juveniles.

\$1,127,850 NR

Total Legislative Changes

(\$18,391,125) R (\$16,911,436) R

(\$86,401,852) NR \$0 NR

Total Position Changes

71.60 110.60

Revised Budget

\$2,282,070,434 \$2,525,207,859

Special Provisions:

1997 Session: Senate Bill 352

Department: Human Resources

Section: 11.0

Title: Disposition of Disproportionate Share Receipt Clarification

Summary: Directs the Division of Medical Assistance to deposit federal funds it receives during FY1997-98, known as Disproportionate Share Payments, as departmental receipts.

Section: 11.2

Title: Development of Reorganization Plan

Summary: Directs the Department of Health and Human Services to develop and implement a reorganization plan, in consultation with the Joint Appropriations Subcommittee on Human Resources, using the KPMG Peat Marwick LLP report to the General Assembly dated March 20, 1997.

Section: 11.3

Title: Medical Records Copy Fees/Social Security Disability Claims

Summary: Re-writes G.S. 90-411 to set a graduated medical records copy fee including an increase in the maximum medical records copy fee from fifty cents (\$.50) to seventy-five cents (\$.75) for the first 25 pages. The provision further amends the section to include claims for social security disability and excludes requests made to the department's Disability Determination Services Section for copies made on behalf of applicants for Social Security or Supplemental Security Income.

Section: 11.4

Title: Receipts of Federal Funds for Emergency Assistance

Summary: Allows the Department to use up to 25% of Title IV-A Emergency Assistance funds, received as reimbursement for retroactive claims, for critical needs. The remaining funds will be reserved for appropriation by the General Assembly.

Section: 11.5

Title: Standards of Health Care Quality and Access/State Children's Health Insurance Program

Summary: Directs the Secretary of DHR to develop standards for health care and a plan to implement the new federal Children's Health Insurance. Both the standards and plan require the approval of the General Assembly.

Section: 11.6

Title: Procedure for Award of Human Services Grants

Summary: Directs the Secretary of DHR to develop a grant application process for the \$4,000,000 available in Human Services Grants for programs that provide services to older adults, adults with disabilities, at-risk children, and youth and families.

Section: 11.7

Title: **DHR Study of Provider Reimbursement Rates/Report**

Summary: Requires the Department to conduct a study of its processes used to set reimbursements to outside providers. An interim report is due to the joint Appropriations Subcommittee on Human Resources February 1, 1998 and a final report is due February 1, 1999.

Section: 11.8

Title: **Transfer of Certain Funds Authorized**

Summary: Authorizes the Director of the Budget to transfer funds for local services from one program to another program, within the same agency or division, where they may be needed.

Section: 11.9

Title: **Medicaid Trust Fund/Shortfall**

Summary: Allows DHR, upon certification by the Director of the Budget that all medical assistance funds have been expended, to use up to \$20,000,000 during FY97/98 to support Medicaid program expenditures.

Section: 11.10

Title: **Medicaid Growth Reduction**

Summary: Requires DHR to develop and implement a plan, within certain parameters, to reduce the growth in the Medicaid Program to 8% by the year 2001. Further specifies that categories of recipients and categories of services shall not be eliminated without General Assembly approval. Requires the Department to provide periodic progress reports; reports to the Chairs of the Appropriations Subcommittee on Human Resources on any intended action to reduce costs prior to implementation; and a final report due April 1, 1998.

Section: 11.11

Title: **Medicaid**

Summary: Establishes eligibility requirements for recipients of Medicaid and AFDC. In addition, the provision establishes allowable services payment rates to providers under the State's Medicaid program.

Section: 11.12

Title: **Non-Medicaid Reimbursement Changes**

Summary: Provides for two exceptions to the requirement that providers of medical services under various State programs be reimbursed at the Medicaid rates:

1. Contracts or agreements for medical services for non-Medicaid patients and the purchases of medical equipment and other medical supplies for non-Medicaid eligible patients.
2. Medical services provided to residents of State facilities.

In these two cases, reimbursement rates are at or as close as possible to Medicaid rates. The provision also sets income eligibility standards for the Medical Eye Care Program, the Atypical Antipsychotic Medication Program, and other non-Medicaid funded rehabilitation programs.

Section: 11.13

Title: **DHR Employees as In-Kind Match**

Summary: Allows the Office of Rural Health and Resource Development to serve as the State's match requirement for establishing the State's health care cost containment strategies.

Section: 11.14

Title: **Fire Protection Revolving Loan Fund**

Summary: Allows DHR and the Housing Finance Agency to use the proceeds from the Fund to provide staff support in the administration of the Fire Protection Revolving Loan Fund.

Section: 11.15

Title: **Medical Data Processing Funds**

Summary: Transfers \$150,000 from the Insurance Regulatory Fund to the Department of Human Resources to certify statewide data processors to purchase, process and analyze data.

Section: 11.16

Title: **Senior Center Outreach**

Summary: Specifies how Senior Center Outreach funding may be used to enhance senior citizen center programs, especially in underserved areas. When funds are used to start a new senior center, the provision requires certain commitments from county commissioners.

Section: 11.17

Title: **Senior Center Funds**

Summary: Requires the Department to allocate the \$1 million appropriated for FY97/98 equally as determined by the Division of Aging to support existing senior centers and to develop new centers. Sets a limit of state funds not to exceed 90% of all funds expended for this purpose.

Section: 11.18

Title: **In-Home And Caregiver Support Funds**

Summary: Designates that the \$5,000,000 allocated to the Home and Community Care Block Grant be used for home and community care services for older persons who are not eligible for Medicaid and who are on the waiting list for services. Recipients are required to pay fees based on income in accordance with G.S. 143B-181.1(a)(10).

Section: 11.19

Title: **Surrogate Consent for Health Care/Study**

Summary: Directs the N.C. Study Commission on Aging to study and recommend a procedure for determining which person(s) may make health care decisions for adults residing in health care facilities and unable to make or communicate these decisions for themselves and for whom no guardian, attorney or authorized health care agent exists. Requires the Commission to report to the General Assembly, Regular Session 1998.

Section: 11.20

Title: **Commission on Aging Study of Adult Care Home Monitoring**

Summary: Requires the N.C. Commission on Aging to study the effectiveness and efficiency of state and county monitoring and regulation of adult care homes and report its findings to the General Assembly, Regular Session 1998.

Section: 11.21

Title: **Adult Care Homes Report**

Summary: Requires the Department to report annually, beginning October 1, 1997, on the previous fiscal year's activities with adult care homes including rate setting and financing, quality assurance and enhancement of services, and evaluation of the financing of adult care homes and the Quality Assurance Program.

Section: 11.22

Title: **Foster Care Assistance Payments**

Summary: Maintains the monthly foster care assistance payments as established by the 1994 Session.

Section: 11.23

Title: **Authorized Additional Use of HIV Foster Care and Adoptive Family Funds**

Summary: Established during the 1994 Session to set criteria for the additional subsidy for foster care and adoptive children identified as HIV positive.

Section: 11.24

Title: **Adoption Assistance Payments**

Summary: Maintains the graduated rate schedule implemented FY 1994/95 for adoptions assistance payments.

Section: 11.25

Title: **Child Protective Services**

Summary: Directs the Department to allocate funding for CPS on the basis of a formula which takes into consideration the number of CPS cases and social workers.

Section: 11.26

Title: **Food Stamp Electronic Benefits Transfer Funds Specification**

Summary: Mandates that funding for the Electronic Benefits Transfer (EBT) Program remain in the Controller's Office and authorizes the statewide implementation of the Food Stamp EBT Program.

Section: 11.27

Title: **Annual Report on Caring Program for Children, Inc.**

Summary: Requires the Caring Program for Children, Inc. to report annually by May 1 to the General Assembly on its program for providing health care insurance for children, including the number of children served and the cost per child.

Section: 11.28

Title: **Review of Automated Collection and Tracking System**

Summary: Provides for quarterly reviews of the Automated Collection and Tracking System (ACTS) Project by the Information Resource Management Commission.

Section: 11.29

Title: **Mixed Beverage Tax for Area Mental Health Programs**

Summary: Directs DHR to allocate all funds received as a result of the mixed beverage tax (spirituous liquor sold in ABC stores) to Area Mental Health Programs on a per capita basis for substance abuse services.

Section: 11.30

Title: **Physician Services**

Summary: Allows DHR, if funds are available and with State Budget approval, to pass along across-the-board salary increases to physicians on contract to provide services to State institutions.

Section: 11.31

Title: **Clinical Social Worker Exemption**

Summary: Extends the exemption of certain clinical social workers and repeals G.S. 90B-10(b)(3)a, effective January 1, 1999.

Section: 11.32

Title: **Liability Insurance**

Summary: Allows the Department (as well as the Department of Correction and the Department of Environment, Health, and Natural Resources) to provide liability insurance for State employees including physicians, dentists, and medical residents in training.

Section: 11.33

Title: **Private Agency Uniform Cost Finding Requirement**

Summary: Allows DHR to ensure that a private agency or provider is not reimbursed twice for the same service when contracting with two or more Area Mental Health Programs.

Section: 11.34

Title: **Carolina Alternatives**

Summary: Allows the Department to proceed with expansion of Carolina Alternatives during FY 1997/98 and requires the Office of State Budget and Management to report to the 1997 General Assembly by May 1, 1998.

Section: 11.35

Title: **Willie M**

Summary: Prohibits using any other source of funding for Willie M services (other than those for which class members would be otherwise eligible, such as DPI services, State psychiatric hospital services, etc.) and requires an annual report on the program.

Section: 11.36

Title: **Thomas S**

Summary: Prohibits using any other source of funding for Thomas S services (other than those for which class members would be otherwise eligible, such as State psychiatric hospitals) and prescribes certain reporting requirements.

Section: 11.37

Title: **Thomas S. Funds/Cost Containment**

Summary: Allows the Department of Human Resources to use up to \$15.2 million from departmental funds to pay for mental health services provided to class members. Requires DHR to work with Area Mental Health Programs to develop and implement cost containment measures and to provide progress reports on December 1, 1997 and May 1, 1998.

Section: 11.38

Title: **Thomas S. Lawsuit Compliance**

Summary: Requires the Department of Justice and DHR to pursue all administrative and legal options to resolve the lawsuit.

Section: 11.39

Title: **Tri-County Realignment Incentive Funds**

Summary: Specifies how the \$1.25 million (FY 97/98) and \$1.2 million (FY 98/99) in incentive funds will be allocated to Area Mental Health Authorities to facilitate the realignment of the three counties which previously constituted the Tri-County Mental Health Authority.

Section: 11.40

Title: **Special Alzheimer's Units**

Summary: Restricts usage of the new Alzheimer's Unit in Wilson and the existing unit at Black Mountain to clients who cannot be served by private facilities.

Section: 11.41

Title: **Allocation of Mental Health, Developmental Disabilities, and Substance Abuse Services Expansion Funds**

Summary: Requires the Department of Human Resources to continue use of the Incentive Method of allocating "catch-up" expansion funds to Area Mental Health Programs/Authorities.

Section: 11.42

Title: **Substance Abuse Program Grants**

Summary: Establishes a reserve for Substance Abuse Treatment Programs; requires the Secretary of DHR to conduct a study of certain substance abuse treatment programs and allows the allocation of these funds based upon the findings of the study; and, requires the Secretary to study the efficacy of whether the state should subsidize the treatment of individuals covered by the Teachers' and State Employees' Comprehensive Major Medical Plan.

Section: 11.43

Title: **Early Intervention Funding/Referral**

Summary: Directs the Department, in consultation with the NC Interagency Coordinating Council, to develop a plan to allocate the 1997-99 appropriation to best meet the needs of children waiting for early intervention services. Also, directs development of procedures to ensure that Beginnings for Parents of Hearing-Impaired Children, Inc. is notified of children newly identified with hearing loss.

Section: 11.44

Title: **Efficiency Study of State Psychiatric Hospitals**

Summary: Requires the Department to contract with an independent consulting firm to conduct a study of the management and operation of the state's four psychiatric hospitals. Requires the report to be presented to the cochairs of the House and Senate Appropriations Subcommittees on Human Resources by April 1, 1998.

Section: 11.45

Title: **Butner Community Land Reservation**

Summary: Requires the Department to reserve specified land, located in the community of Butner, for community purposes. Requires the Department to transfer the specified land in the event of incorporation of the Butner community.

Section: 11.46

Title: **Legislative Study Commission on Mental Health, Developmental Disabilities, and Substance Abuse Services**

Summary: Amends G.S. 120-205 to increase the membership of the legislative study commission on mental health related issues from 21 to 22 by adding a representative of the N.C. Hospital Association.

Section: 11.47

Title: **Whitaker School Replacement Facility**

Summary: Directs the Department to pursue replacement of the Whitaker School Facility located in Butner. Directs the Department to report by May 1, 1998 on its findings regarding the cost effectiveness of renovation of the current facility, new construction or renovation of an existing state building.

Section: 11.48

Title: **Forensic Treatment Program**

Summary: Directs the Commission for Mental Health, Developmental Disabilities, and Substance Abuse Services, the regulatory body for the state, to adopt temporary rules to allow state mental health facilities operating forensic units to lock patient rooms during normal rest and sleeping periods.

Section: 11.49

Title: **Study Downsizing of Mental Retardation Centers**

Summary: Directs the Department to assess the impact of the state's policy of downsizing its five mental retardation centers in various areas such as patient census, staffing, and community placements. The results of the study are due to the House and Senate Appropriations Subcommittees on Human Resources by March 2, 1998.

Section: 11.50

Title: **Mental Health Funds for Crisis Services**

Summary: Allows the use of a portion of the \$1 million in additional funds for crisis services to be used to meet the short-term crisis needs for mentally retarded children as determined by the Division of Mental Health. Requires the division to pursue the use of existing state resources, including the state mental retardation centers to serve these children.

Section: 11.51

Title: **Annual Evaluation of Wilderness Camp, Coach Mentor Training, and Governor's One-on-One Programs**

Summary: Requires the Department to conduct annual evaluations of the Eckerd Wilderness Camp, Coach Mentor Training, and Governor's One-on-One programs.

Section: 11.52

Title: **DYS Training Schools/Student Evaluations**

Summary: Directs the Department to take immediate steps to identify, and provide appropriate educational services for, children with special needs in the training schools.

Section: 11.53

Title: **Community-Based Alternatives Participation**

Summary: Requires counties to certify annually to the Department that Community-Based Alternatives funding is not being used to duplicate or supplant other county programs.

Section: 11.54

Title: **S.O.S. and Family Resource Center Grant Programs Administrative Cost Limits**

Summary: Limits the administrative costs for the Support Our Students (S.O.S.) Program to \$350,000 and the Family Resource Center Program to \$250,000 during 1997-99.

Section: 11.55

Title: **Early Childhood Education and Development Initiatives Program**

Summary: Directs the Department and the NC Partnership for Children, Inc. to continue to implement the performance audit recommendations. Requires the NC Partnership to use 70% of all direct services funds on child care-related activities. Also, authorizes the NC Partnership to increase a local partnership's spending on child care subsidies from 30% to 50%, as needed.

Section: 11.56

Title: **Child Caring Institutions**

Summary: Requires the Department to use the additional \$2 million in state appropriations to increase the reimbursement rate for certain child caring institutions. Prohibits counties from reducing contributions as a result of the new appropriation.

Section: 11.57

Title: **Child Welfare System Improvements**

Summary: Makes the following improvements in the child welfare system:

1. Directs that the \$2,269,752 in state appropriations be allocated to county departments of social services for additional foster care and adoptions social worker positions.
2. Creates a State Child Fatality Review Team to conduct in-depth reviews of child deaths involving children and families in the local child protective services system. Mandates membership on the state team and delineates authority of the team. Requires the Division of Social Services to provide quarterly reports on the activities of the team and a final report including recommendations within one week of the convening of the General Assembly, Regular Session 1998.
3. Amends G.S. 131D-10.6A to establish mandated pre- and post-service training for child welfare social workers hired on or after January 1, 1998 by local departments of social services.

Section: 11.58

Title: **Limitations on State Abortion Fund**

Summary: Maintains the same restrictions in the 1995 Session Laws which restricts the use of this fund and limits expenditures to \$50,000 for each year of the biennium.

Section: 11.59

Title: **Family Support/Deaf and Hard of Hearing Services Contract**

Summary: Directs the Division of Services for the Deaf and Hard of Hearing to continue to contract with a private, non-profit organization for Family Support services.

Section: 11.60

Title: **Implement ABC's Plan for Residential Schools**

Summary: Directs the State Board of Education to assist the Department in the implementation of the ABC's plan in the Department's residential schools. Requires an interim report to the Legislative Education Oversight Committee in October 1997 and a final report in April 1998.

Section: 11.61

Title: **Division of Services for the Blind/Performance Audit**

Summary: Directs the State Auditor to conduct a performance audit on the Division of Services for the Blind.

Section: 11.62

Title: **Services for the Blind/Extended Service Provider Positions**

Summary: Directs the Division of Services for the Blind to continue to use \$250,000 to maintain existing extended service provider positions at local, nonprofit supported employment programs.

Section: 11.63

Title: **Governor Morehead School/Textbook Funds**

Summary: Directs the Department to transfer \$12,408, no longer needed in the Special Assistance for the Blind program, to fund textbooks and adaptive technology at the Governor Morehead School.

Section: 11.64

Title: **Reimbursement and Compensation of Members of the North Carolina Vocational Rehabilitation Advisory Council, the Statewide Independent Living Council, and the Commission for the Blind**

Summary: Allows the Department to compensate Council or Commission members, who are unemployed or who must forfeit wages to attend meetings, to receive the federally-authorized reimbursement rate, which is higher than the state's allowance.

Section: 11.65

Title: **Child Care Subsidies**

Summary: Establishes the income eligibility criteria, parent fee schedule, and payment policies for providers for the child care subsidy program.

Section: 11.66

Title: **Child Care Allocation Formula**

Summary: Establishes the formula for distributing child care subsidy funds to counties.

Section: 11.67

Title: **Child Care Funds Matching Requirement**

Summary: Provides that counties are not required to match child care funds allocated by the State unless federal law requires a match.

Section: 11.68

Title: **Child Day Care Revolving Loan Fund**

Summary: Enables the Division of Child Development to transfer federal funds to a financial institution to operate a revolving loan fund for child care providers.

Section: 11.69

Title: **Adult Care Home Bed Vacancies**

Summary: Prohibits the Department from approving the addition of any adult care home bed for any facility in the State for twelve months, with some exemptions. Requires the Department to study the issue of high vacancy rates, including the impact on cost effectiveness and quality of care, and make recommendations to the Joint Appropriations Subcommittee on Human Resources by February 1, 1998.

Section: 11.70

Title: **Adult Care Home Reimbursement Rate/Adult Care Homes Allocation of Nonfederal Cost of Medicaid Payments**

Summary: Modifies Section 23.10, Chapter 507 of the 1996 Session Laws to increase the maximum monthly rate for State County Special Assistance from \$874 per month per resident to \$893 per month per resident (effective 7/1/97) and from \$893 to \$915 per month per resident (effective 7/1/98).

Section: 11.71

Title: **Adult Day Health Care Medicaid Waiver/Study and Comparison of Eligibility Requirements**

Summary: Directs the Department to consider alternatives for providing adult day health care services to Medicaid recipients who are not participating in a community alternative program. Requires the Divisions of Medical Assistance and Aging to study and compare the eligibility requirements for Medicaid coverage for institutional and in-home care services and report their findings and recommendations to the General Assembly by March 1, 1998.

Section: 11.72

Title: **Adult Care Home Staffing for Personal Care Services**

Summary: Requires adult care homes with 13 or more beds to provide adequate staff to meet their residents' personal care needs. Authorizes the Department to withhold payment for personal care services from homes if staffing is inadequate.

Section: 11.73

Title: **Study of Alternate Living Arrangements**

Summary: Directs the Department to study ways to provide assistance to low income elderly or disabled adults, who are eligible for Medicaid or Special Assistance, for the purpose of supporting a range of living arrangements. The Department shall report its findings and recommendations to the General Assembly by May 1, 1998.

Section: 11.75

Title: **Special Advisor for Children, Family, and Volunteerism**

Summary: Authorizes the Department to transfer funds to the Office of the Governor to fund the position of Special Advisor for Children, Family, and Volunteerism.

Section: Part XIA.

Title: **Health From DEHNR to DHR/Name Changes**

Summary: Transfers the public health-related functions (excluding environmental health) from the Department of Environment, Health, and Natural Resources to the Department of Human Resources. Also, changes the names of these agencies to the Department of Environment and Natural Resources and the Department of Health and Human Services, respectively.

Section: Part XII

Title: **Welfare Reform Initiatives and Conforming Changes**

Summary: Amends current law to replace the AFDC entitlement program with the Work First Program.

Creates two categories of county participation in the Work First Program, effective FY 1998/99: "Electing" or pilot counties will design and administer their own Work First Program. Limits county participation in the electing category to 15.5% of the total statewide caseload for cash assistance. Requires a 90% maintenance-of-effort (in county funds) based on FY 1996/97 budgeted county funds for the first year of the pilot and 80% for FY 1999/00 contingent upon attainment of local goals.

"Standard" counties will participate in the statewide Work First Program with guidelines and requirements set by the state. Maintains a core set of services including cash assistance, diversion assistance and services. Standard eligibility criteria and benefit levels continue. Provides local discretion in expenditures of federal, state and local block grant funds used for services (eg., transportation and job readiness). Requires both the state and standard counties to continue funding the program at FY 1996/97 budgeted levels.

Other components include:

1. Creation of a First Stop Assistance Program in the Department of Commerce;
2. Establishment of the Office of Inspector General in the Department of Justice;
3. Provides for increased incentives and funds for local program integrity activities aimed at detecting and preventing fraud and abuse;
4. Provides for the creation of a statewide recipient identification system;
5. Requires General Assembly approval of the Work First State Plan prior to implementation, including selection of electing counties;
6. Creates a Work First Reserve of \$16 million for FY 1997/98 and \$20 million for FY 1998/99; and,
7. Creates a Joint Legislative Public Assistance Commission to oversee implementation of the initiative.

JUSTICE AND PUBLIC SAFETY

Correction

Statutory Authority: Statutory Authority: General Statutes, Chapter 143B-260

The head of the Department is the Secretary who is appointed by the Governor and who sits on the Governor's Cabinet. The Department's responsibilities are to punish criminal offenders by incarceration or by imposing probation or parole and to provide humane treatment by classifying offenders within appropriate levels of security and by providing opportunities for self-improvement.

	GENERAL FUND	
	FY 97-98	FY 98-99
Recommended Budget	\$889,010,472	\$925,266,138

Legislative Changes

1 Out of State Housing of Inmates

(\$16,557,256) R (\$20,819,756) R

The Governor recommended eliminating all funds in the continuation budget for housing inmates out of state on the premise that the inmates would be returned to North Carolina prisons at the end of 1996-97. However, upon further review, it was determined that inmates will not be returned until December, 1997 due to lack of State prison bedspace. The net result is that an additional \$4,262,500 is needed to fund out of state contracts so only \$16.557 million can be reduced the first year of the biennium.(SB 352, Sec. 19.1, p. 366)

2 County Jail Contracts

(\$5,818,800) R

The Governor recommended eliminating continuation funding for contracting with county jails to house State inmates on the premise that adequate bedspace would be available in State prisons in 1997-98. However, upon further review it was noted that adequate bedspace will not be available until the end of 1997-98. Therefore, the \$5,818,800 in the continuation budget is needed in 1997-98 for county jail contracts. (SB 352, Sec. 19.1, p. 366)

3 Reserve for Private Beds

(\$2,900,000) NR

One-time reduction in the operating reserves for the two 500 bed private prisons. Delays in signing the final contracts have pushed back prison completion dates and delayed the need for a portion of the 1997-98 funding. Full funding is authorized in the 1998-99 budget.

4 Reserve for Operating New Prisons

(\$9,500,000) NR

One-time reduction in 1997-98 operating reserves due to delays in completion of the Avery/Mitchell prison and the Albemarle Prison.

5 Reduction in Inmate Food Budget	(\$5,000,000)	R	(\$5,000,000)	R
The Governor recommended a \$5,000,000 reduction in the inmate food budget due to system efficiencies that have lowered the cost per meal. (SB 352, Sec. 19.20, p.373)				
6 Reserve for Repeal of Prison Cap	(\$500,000)	R	(\$500,000)	R
In 1995, in anticipation of inmates staying in prison longer due to repeal of the prison cap, the General Assembly authorized funding for DOC to add prison beds -- both inside and outside of the State prison system. The funds remaining in the reserve, approximately \$2.1 million dollars, are for operating additional beds at Pasquotank, Central Prison and Marion. The reduction is based on over-estimating the total amount of funds needed when the budget was originally projected in 1995.				
7 Adjust Operating Budget for Probation and Parole	(\$3,700,000)	R	(\$3,700,000)	R
The operating budget was adjusted to a more realistic level of need. Line items affected include employee travel and per-diem, postage and printing, supplies, repairs, misc. contracts and materials.				
8 Title VII Program	(\$150,000)	R	(\$150,000)	R
In response to a federal lawsuit, the 1995 General Assembly funded 17 positions to implement and monitor improved recruitment, hiring, and promotional practices for females in the Department of Correction. The program has been fully implemented and reductions in positions and support are possible based on documented improvements in personnel practices.				
	-2.00		-2.00	
9 Further Reduction in Inmate Food Cost	(\$3,124,828)	R	(\$5,358,432)	R
Further reduction in the inmate food budget due to a more realistic projection of inmate average daily population during the 1997-99 biennium and to anticipated system efficiencies (e.g. statewide automation of food inventory system; newly standardized menus) that have lowered the cost per meal to 83 cents. (SB 352, Sec. 19.20, p. 373)				
10 Reduce Staff at Parole Commission	(\$166,995)	R	(\$183,820)	R
Eliminate 6 positions at the Post-Release Supervision and Parole Commission due to declining numbers of inmates eligible for parole. These positions include 4 vacancies (2 clerical, 1 analyst and a special projects manager), 1 additional analyst and 1 additional clerical position. The elimination of nonvacant positions is effective October 1, 1997. (SB 352, Sec 19.9, p. 370)				
	-6.00		-6.00	
11 Reserve -- Repeal Prison Cap -- Further Reduction	(\$79,568)	R	(\$79,568)	R
Additional funds that should have been deleted from the Prison Cap reserve were identified. Total reduction will be \$579,568.				

12 Title VII Program -- Further Reduction	(276,797)	R	(276,797)	R
The Governor reduced this program by \$150,000, including two positions. An additional reduction of 7 positions is possible because the department has made significant progress in hiring, recruitment and promotion of females. The program will retain eight positions to monitor department wide progress. (Span of Control Study)	-7.00		-7.00	
13 Modular Housing -- Reduce Reserve	(543,132)	NR		
One-time reduction in reserve in 1997-98 due to delays in purchasing and siting modular housing units.				
14 Operating Cost for Inmate Work Crews	(70,000)	NR		
Fourteen inmate work crews are to be established at prison units where modular housing will be placed. Delays in siting modular units will delay starting the work crews so a one-time reduction in operating costs can be taken.				
15 Custody and Classification Unit	(219,935)	R	(519,935)	R
Reduce staffing from 17 positions to 10 since this unit will no longer be handling classification and movement of inmates housed out of state after inmates are returned to State prisons in December, 1997. The 1998-99 reduction includes elimination of \$300,000 for airfare for returning inmates from out of state prisons since they will be returned in 1997-98. (Span of Control Study)	-7.00		-7.00	
16 Private Prisons -- Substance Abuse	(2,200,000)	R	(2,200,000)	R
The General Assembly authorized funding in 1994 to contract for 500 private prison treatment beds. To date, only contracts for 350 of the beds have been awarded. DOC indicates that with the impact of Structured Sentencing it will be difficult to keep 500 minimum security pre-release treatment beds full. It is recommended that a major portion of the funding for the additional 150 beds be eliminated, with a portion of the funds to be reallocated to a Reserve for Substance Abuse -- \$527,806 in 1997-98 to support DART-DWI (Cherry Hospital) aftercare programs and to conduct an evaluation study of DOC substance abuse programs and \$454,715 in 1998-99 for Dart - DWI aftercare programs (Cherry Hospital).(SB 352, Sec. 19.23, p.374)				
17 Prison Operating Reserve -- 87.5 Million Bond	(1,326,927)	R	(1,326,927)	R
Reduce positions and operating support for prisons constructed with funds from 1993 Bond. Reductions are based on reducing management levels and increasing employee to supervisor ratios as recommended in the Span of Control Study.	(1,288,633) -14.00	NR		-14.00
18 Prison Operating Reserves	(1,436,110)	R	(1,436,110)	R
Two actions were taken to reduce this reserve - recurring reductions based on the Span of Control Study and non-recurring reductions based on delays in prison completion for Impact East (Female) and Albemarle and Avery/Mitchell.	(962,897) -30.00	NR		-30.00

19 Span of Control Study – Department-wide	(\$1,059,349)	R	(\$1,059,992)	R
Eliminate 18 positions department-wide. These positions were identified as part of the Span Of Control Study.	-18.00		-18.00	
20 Polk Youth Institution	(\$1,320,181)	R	(\$1,320,181)	R
Reduce inmate operating costs for old prison (food, clothing, medical).				
21 Private Prisons Reserve – Further Reduction	(\$1,646,952)	NR	(\$641,824)	NR
The Governor reduced this reserve by (\$2,900,000) due to delays in signing private prison contracts which changed construction completion dates. An additional one-time reduction was taken based on a revised completion date for the two 500 bed facilities. Dates were changed from 2/98 to 5/98 for Pamlico and 5/98 to 8/98 for Avery/Mitchell. The construction/lease contract has now been signed.				
22 Reimbursement for Housing Aliens	(\$670,000)	R	(\$670,000)	R
Correction receives funding from the federal government for housing inmates who are illegal aliens. The DOC anticipates additional federal funds so the General Fund can be reduced to reflect increased receipts.				
23 Salary Reserve	(\$628,000)	R	(\$628,000)	R
Reduce salary reserve (funds generated by filling positons at salaries lower than budgeted).				
24 Health Services Budget	(\$2,357,972)	R	(\$3,088,686)	R
Based on revised projections of the average daily prison population, the Correction Health Services budget can be reduced. (SB 352, Sec. 19.20, p. 373)				
25 Close GPAC Prison Units	(\$1,345,894)	R	(\$1,935,355)	R
The General Assembly has closed or converted 16 of the 30 prison units originally identified in the GPAC study as being costly and inefficient to operate. It is recommended that Davie Correctional Center, which cost \$89.40 per day to operate in 1995-96 compared to the statewide average of \$62 for medium security units, should be closed effective November 1, 1997. (SB 352, Sec. 19.4, p. 367)	-58.00		-58.00	
26 Guilford Diagnostic Center	(\$112,510)	R	(\$133,275)	R
Due to declining prison admissions, the General Assembly closed one inmate intake and diagnostic center in 1996-97 -- Southern Reception Center. The decline in admissions has continued and one additional diagnostic center is recommended for closing.	-5.00		-5.00	
27 Title VII Program -- Reserve Fund	(\$5,500,000)	NR		
The General Assembly authorized a \$5.5 million dollar reserve for payment to claimants as part of the settlement of the Title VII lawsuit. Since the settlement is not yet final, it now appears that it will be 1998-99 before all claims are received and paid. Therefore the amount needed to pay claims cannot be determined at this time. (SB 352, Sec. 19.18, p. 372)				

28 Salary Reserve -- Further Reduction	(\$872,000)	R	(\$872,000)	R
This additional reduction would still leave Correction with approximately 25% of their salary reserve.				
29 Reduce Reserves for Structured Sentencing	(\$1,483,406)	R	(\$2,728,420)	R
Reduction of amount in reserves for new probation parole staff due to structured sentencing. The Governor recommended \$9,549,573 in 1997-98 and \$12,931,298 in 1998-99 to expand staff. The cost is reduced because of changes in the projected supervised population and to reflect a phase-in of the intermediate punishment officer reduced caseloads. Target statewide caseloads for intermediate officers will fall to 80 in 1997-8 and 70 in 1998-9. Funding will allow addition of 25 intensive teams, 145 officers, 21 clerks and 17 chief probation parole officers. Positions will be phased in between October 1, 1997 and January 1, 1998.	(\$211,453)	NR	(\$213,618)	NR
	-15.00		-47.00	
30 ECO, Inc. Aftercare Program	\$100,000	NR		
Funds to establish a transitional residential program in Mecklenburg County for women leaving prison. The program will be run by Energy Committed to Offenders, Inc.				
31 Additional Road Squads	\$515,915	R	\$781,689	R
Funding to add additional medium security inmate road squads at prisons recently completed or opening in 1997-98 -- Hyde and Warren -- as well as Wayne Correctional Center. These road squads will be assigned to work with the Department of Transportation to help maintain the state's highways. The recurring funds are for correctional officers to supervise these medium security inmates (Ratio of 1 officer for every four inmates). Positions are effective 11/1/97. (SB 352, Sec.19.16, p. 371)	\$400,000	NR		
	27.00		27.00	
32 Women at Risk Program	\$125,000	R	\$125,000	R
Funds for the Women at Risk Program based in Buncombe County to provide non-residential treatment and supervision for female probationers. The program has been supported with nonrecurring funds since 1994-5. (SB 352, Sec. 19.12, p. 370)				
33 Additional Supervision for Sex Offenders	\$150,843	R	\$258,588	R
Funds for 6 additional probation parole officers to allow closer supervision of sex offenders. Additional staff will allow some officers to carry lower caseloads. Positions begin December 1, 1997.	\$34,632	NR		
	6.00		6.00	
34 County Jail Reimbursement -- State Misdemeanants			\$1,912,553	R
County jails are required by statute to house state misdemeanants with sentences of 30 to 90 days. County jails are reimbursed at the rate of \$14.50 a day for each inmate. Funds provided would enable the State to increase the payment from \$14.50 to \$18.00 a day, effective September 1, 1997. First year payments will be from funds available to the Department, with amount needed estimated at \$1,587,419. (SB 352, Sec. 19.21, p. 373)				

35 Reserve for Enhanced Criminal Penalties

Reserve for funding additional prison beds, if needed, due to criminal penalty bills included in this budget. Bill effective dates are 12/1/97; any potential fiscal or bed impact would be in 1998-99. (SB 352, Sec. 19.25, p. 375)

\$135,000 NR

Total Legislative Changes	(\$43,795,970)	R	(\$56,728,224)	R
	(\$22,088,435)	NR	(\$720,442)	NR
Total Position Changes	-129.00		-161.00	
Revised Budget	\$823,126,067		\$867,817,472	

Special Provisions:

1997 Session: Senate Bill 352

Department: Correction

Section: 19

Title: **Reimburse Counties for Housing and Extraordinary Medical Costs for Inmates, Parolees, and Post-Release Supervisees Awaiting Transfer to State Prison System**

Summary: Continues 1996 provision authorizing payment to counties from DOC available funds for the cost of housing state inmates who are backlogged in county jails. Changes in 1997: (1) authorizes payment for offenders whose parole or post release supervision is revoked; and (2) requires DOC to report to Governmental Operations prior to exceeding expenditure of \$6.5 million in 1997-98 and \$4 million in 1998-99.

Section: 19.1

Title: **Inmate Housing Funds**

Summary: Authorizes DOC to use available funds to pay for contracts to house state inmates out-of-state or in county jails if money appropriated in continuation budget for 1997-98 is insufficient. DOC cannot exceed total expenditure of \$1 million in available funds without first reporting to Governmental Operations. First source of available funds is to be any prison reserves not needed due to delays in opening new prisons. DOC is also required to report quarterly to various legislative oversight committees on the status of these contracts.

Section: 19.2

Title: **Exemption from Licensure and Certificate of Need**

Summary: Continues 1996 provision that exempts DOC private substance abuse facilities from DHR licensure and certificate of need requirements since these facilities operate as minimum security prisons.

Section: 19.3

Title: **Limit Use of Operational Funds**

Summary: Continues provision from previous years that specifies that funds appropriated for operating prisons must be used for purposes set forth in budget by General Assembly. Also specifies that personnel for these facilities shall not be hired until 90 days before completion, except for certain management, security, and support positions.

Section: 19.4

Title: **Use of Facilities Closed Under GPAC/Plan for Efficient Operation of Division of Prisons**

Summary: Directs DOC to consult with the appropriate county or municipality or any involved private or non-profit firm about the potential of converting a prison unit due to be closed to other uses. Allows DOC, under existing law, to transfer or lease these units to any of these entities. Also exempts prison unit under lease as a county jail from DHR jail standards if standard exceeds those required of a state prison unit. Provision also requires various reports on lease, transfer, and conversion activities and requires DOC to prepare and present a long range plan for the closing, conversion or consolidation of prison units or diagnostic centers by April 1, 1998.

Section: 19.5

Title: **Federal Grant Reporting**

Summary: Continues provision that requires state Justice and Public Safety agencies to report to the appropriate committees on any federal grant funds received or pre-approved. Added language in 1997 that requires these agencies to identify agency or local programs that will be requesting state funding when federal grant expires.

Section: 19.6

Title: **Harriet's House Funds/Funds Shall Not Revert**

Summary: Specifies that funds appropriated to Harriet's House may be used for program operating costs, equipment purchase and rental of real property. Also specifies that funds appropriated for Harriet's House in FY 1996-97 shall not revert. Requires the program to report to Governmental Operations by December 1, 1997 and May 1, 1998 on the expenditure of state funds and the effectiveness of the program.

Section: 19.7

Title: **Report on Summit House/Funds Shall Not Revert**

Summary: Specifies that funds appropriated for Summit House in FY 1996-97 shall not revert. Requires the program to report to Governmental Operations by December 1, 1997 and May 1, 1998 on the expenditure of state funds and the effectiveness of the program. Also requires Summit House to report by December 1, 1998 to Governmental Operations on possible expansion of the programs in Guilford and Mecklenburg Counties, on expansion to other communities, and on the status of the Wake County program.

Section: 19.8

Title: **Modification of Funding Formula for the North Carolina State-County Criminal Justice Partnership Act**

Summary: Allows funds carried over from the 1996-97 fiscal year to be used for implementation as well as discretionary grants. Also redefines eligible offenders to include parolees as well as probationers and offenders on post release supervision.

Section: 19.9

Title: **Post-Release Supervision and Parole Commission/Report on Staffing Reorganization and Reduction**

Summary: Requires the Post Release Supervision and Parole Commission to report by March 1, 1998 to various legislative oversight committees on a staffing reorganization and reduction plan that includes a transition plan for a minimum 10% reduction in staff from 1997-98 to 1998-99.

Section: 19.10

Title: **Federal Matching Funds**

Summary: Allows funds appropriated for prison construction in the 1997-99 biennium to be used to match federal funds. Also authorizes use of these funds for prison-related construction if not needed or used as a federal match.

Section: 19.11

Title: **IMPACT Defendants in DOC Facilities/Continue Bootcamp Aftercare Program**

Summary: Authorizes the DOC to use up to \$350,000 in funds available for 1997-98 to continue the pilot program providing treatment in the community for offenders completing the IMPACT Boot Camp program. Also removes the statutory language that specified that the Boot Camp Program was operated as a program for youthful offenders and updates the language to reflect that special conditions of probation may include a period of Post Boot Camp Supervision.

Section: 19.12

Title: **Report on Women at Risk**

Summary: Requires the Women at Risk program to report to Governmental Operations by December 1, 1997 and May 1, 1998 on the effectiveness of the program and the expenditure of state funds.

Section: 19.13

Title: **Performance Audit of Division of Adult Probation and Parole**

Summary: Requires the Office of the State Auditor to conduct a performance audit of the Division of Adult Probation and Parole and to report the results of the audit by June 1, 1998, to various legislative oversight committees.

Section: 19.14

Title: **Working Hours of Employees of State Institutions**

Summary: Technical change to repeal outdated G.S. 95-28 which set maximum work hours of institutional employees (DHR and DOC) and made it a criminal misdemeanor for a supervisor to authorize exceeding these limits.

Section: 19.15

Title: **Transfer Rockingham Correctional Center**

Summary: Directs the Department of Administration to initiate negotiations between Rockingham County and the Departments of Correction and Transportation. These negotiations are to result in an agreement on the lease or transfer and use of specified state property in the County, or other acceptable property, that meets the needs of all parties.

Section: 19.16

Title: **Funding of Prison Road Squads**

Summary: Requires that DOT reimburse DOC on a total cost basis, as specified in the General Statutes, for DOC's cost of providing inmate labor for Transportation road projects.

Section: 19.17

Title: **Private Prison Expansion/Moratorium on Private Prisons for Out-of-State Inmates**

Summary: Requires DOC to report to various legislative oversight committees by December 1, 1997 on the feasibility of expanding the two 500 bed private prisons currently under construction in North Carolina to 1,000 beds each. Also requires DOC and appropriate State departments to develop standards for housing out-of-state or local inmates by private prisons and restricts such housing practices until the General Assembly has acted upon the standards.

Section: 19.18

Title: **Title VII Funds/Report**

Summary: If the Title VII lawsuit is settled and claimants must be paid in 1997-98, DOC is authorized to use available funds for this purpose. Prior to final settlement, DOC must report on the proposed settlement to various legislative oversight committees.

Section: 19.19

Title: **New Positions/Modular Units**

Summary: Allows DOC to use available funds to purchase and install a new modular unit at Martin Correctional Center and to fund four temporary positions needed at Haywood and Henderson after new modulars are installed. DOC is to report to various legislative oversight committees on its progress in installing all modular units by March 1, 1998.

Section: 19.20

Title: **Inmate Costs**

Summary: DOC may use available funds for inmate food and medical costs if costs are anticipated to exceed the 1997-98 continuation budget and if actual inmate population exceeds projections. Prior to using available funds, DOC must report to various legislative oversight committees.

Section: 19.21

Title: **Increase Reimbursement to Counties for State Inmates Housed in Local Confinement Facilities**

Summary: Raises daily per diem reimbursement paid to counties for housing state inmates from \$14.50 to \$18.00, and authorizes DOC to use available funds to pay for the additional \$3.50 a day.

Section: 19.22

Title: **Use of Federal Prison Construction Grant Funds**

Summary: Authorizes DOC to use federal prison construction grant funds for planning, design, and construction of specified facilities in North Carolina. Restricts amount of federal funds that can be used for certain projects until these funds have been used to complete the working drawings phase of planning and design of the Alexander and Scotland close custody prisons.

Section: 19.23

Title: **Substance Abuse Funds**

Summary: Authorizes the use of \$527,806 in 1997-98 and \$454,715 in 1998-99 from funds appropriated to DOC for private prison substance abuse beds to create a Reserve for Substance Abuse. In FY 1997-98, \$60,000 of these funds will be used for an evaluation of the Department's substance abuse programs with the balance of funds each year to be used to continue the aftercare program for offenders completing the residential treatment program at DART-Cherry. The Secretary of DOC shall report by May 1, 1998 to various legislative oversight committees, on the use of funds from the reserve, the costs and benefits of the aftercare program, and the results of the evaluation of substance abuse programs.

Section: 19.24

Title: **Report on DART / DWI Program at Cherry Hospital**

Summary: Requires DOC to report to various legislative oversight committees by December 1, 1997 and May 1, 1998 on the DART-Cherry residential treatment program for DWI offenders. The report shall include details on the population served and on expenditures, proposed strategies for increasing utilization, and details of any planned revisions or expansions of the program.

Section: 19.25

Title: **Increase Criminal Penalties**

Summary: This provision makes the following modifications to the General Statutes on Criminal Penalties and appropriates \$135,000 in 1998-99 for a reserve to fund additional prison costs associated with these modifications:

1. Increases the penalty for the sale of certain controlled substances.
2. Increases the penalty for certain embezzlement offenses.
3. Reclassifies the offense of accessory after the fact.
4. Increases the penalty for voluntary manslaughter to a Class D Felony.
5. Increases the penalty for certain offenses committed while incarcerated.
6. Adds to the list of aggravating factors injury to certain officials that was proximately caused by the offense.
7. Increases the penalty for establishment or operation of pyramid schemes to a Class H Felony.
8. Establishes the offenses of trespass to remove pine straw (Class 1 Misdemeanor) and theft of pine straw (Class H Felony).
9. Increases the penalty for falsely reporting a bomb to Class H Felony.
10. Adds to the list of aggravating factors that the offense was committed in association with a criminal gang.
11. Establishes the offense of using lead or aluminum lined objects to thwart anti-shoplifting devices as a Class H Felony.
12. Increases the penalties for certain assaults on correctional personnel.
13. Lowers the threshold for definition of marijuana trafficking from 50 pounds to 10 pounds and increases the penalty for amounts between 50-100 pounds to a Class G Felony.

Section: 19.26

Title: **Limit, Modify, and Enhance Attempting to Elude Arrest Statutes**

Summary: This provision amends the General Statutes regarding Speeding to Elude Arrest, making it a Class H Felony if at least two aggravating factors are present (Class 1 Misdemeanor otherwise) and requiring license suspension or revocation, depending on the aggravating factors.

Section: 19.27

Title: **Intimidation to Influence Legislator**

Summary: This provision modifies the General Statutes to make it a Class F felony to threaten economically another person in order to attempt to influence a legislator.

Section: 19.28

Title: **Direct Criminal Justice Education and Training Standards Commission to Revise Hiring and Record-Keeping Procedures for Employees of Department of Correction**

Summary: Requires Criminal Justice Training and Standards Commission to reestablish hiring and record keeping procedures for certified Correction positions (correctional officers and probation and parole officers) by June 30, 1998.

Crime Control and Public Safety

Statutory Authority: Statutory Authority: General Statutes, Chapter 143B-475

The head of the Department is the Secretary who is appointed by the Governor and who sits on the Governor's Cabinet. The responsibility of the Department is to implement a statewide crime control program, to assist local law enforcement, and to prepare for and respond to natural and man-made disasters. The Highway Patrol which enforces the State's traffic laws is also part of this Department.

GENERAL FUND				
Recommended Budget		FY 97-98		FY 98-99
		\$33,548,678		\$33,530,244
Legislative Changes				
36 Administration -- SOC-Expanded Definition		(\$68,510)	R	(\$68,510) R
Reduces funds for internships by \$34,124 (Student Temporary Wages). Reduces salary reserves by \$12,804. Eliminates \$21,582 for Indirect Cost Receipts. All of these reductions were based on recommendations by the Span of Control Study.				
37 Emergency Management -- SOC-Expanded Definition		(\$17,202)	R	(\$17,202) R
Reduce funding of Hazardous Materials Response Teams to local governments by \$17,202 to amount actually needed (\$382,798 remains in continuation budget).				
38 Victim & Justice Services -- Span of Control		(\$46,604)	R	(\$46,604) R
Eliminate 1 supervisory position based on recommendations of the Span of Control Study.				
		-1.00		-1.00
39 Gov's Crime Commission -- SOC-Expanded Definition		(\$43,797)	R	(\$43,797) R
Reduce state agency matching funds for use by the Department of Crime Control and Public Safety or other state agencies to match Governor's Crime Commission Grants (\$150,398 remains in continuation budget).				
40 Crime Prevention -- Span of Control		(\$96,419)	R	(\$96,419) R
Eliminate 2 Community Development Specialists positions as recommended by the Span of Control Study.				
		-2.00		-2.00
41 Drug Enforcement Grants- State Agency Match		(\$70,398)	R	(\$70,398) R
Reduces funds by \$70,398 for grant matching monies that other State departments and agencies use for Governor's Crime Commission grants relating to drug enforcement. (\$80,000 remains in the continuation budget for the Department of Crime Control and Public Safety to use as their matching funds for grants.)				

42 Additional Community Service Coordinators	\$92,549	R	\$158,665	R
Fund 5 additional community service work program coordinators to be allocated according to workload. All positions are effective 12/1/97.	\$15,830	NR		
	5.00		5.00	
43 CJIN Hardware/Software	\$0	R	\$0	R
Provide \$156,600 of recurring funds to lease equipment space and telephone lines at 30 new tower sites along the interstate highway system. Provide \$2,250,000 of nonrecurring funds to establish Data Ready Base Stations, Base Station Antennas, and RF Transmission Facilities for 30 new tower sites along the interstate highway system. Also provide \$1,700,000 in nonrecurring funds for the purchase of 200 Mobile Data Computers for Highway Patrol vehicles. These computers will be added to patrol vehicles that are stationed along the interstate highway system. (All funds for these portions of the Criminal Justice Information Network project are provided by the Highway Fund.)	\$0	NR	\$0	NR
44 Emergency Management Personnel	\$87,415	R	\$149,851	R
Provides funding for 3 new positions within the Division of Emergency Management. These positions include one Planner I position, a Budget/Finance Officer position, and a Disaster Recovery Manager. Positions are effective December 1, 1997.	\$27,000	NR		
	3.00		3.00	
45 Highway Patrol Helicopters	\$0	R	\$0	R
Provide funds from the Highway Fund to move two State Highway Patrol Helicopters to Asheville and Kinston. Recurring funds for operation, maintenance, and flight time total \$103,660.				
46 National Guard Maintenance Funds	\$125,000	R	\$125,000	R
Provide funds for repairs and maintenance of National Guard Armories. These funds will be used to address the National Guard's backlog of requests for repairs and maintenance of armories.				
47 National Guard Tuition Assistance	\$100,000	R	\$100,000	R
Funds to increase the amount and number of educational assistance benefits for members of the National Guard.				
48 Crimestoppers Program	\$15,000	NR		
Non-recurring funds in the amount of \$15,000 to fund Crimestoppers of Cumberland County, a local, non-profit organization.				
Total Legislative Changes	\$62,034	R	\$190,586	R
	\$57,830	NR	\$0	NR
Total Position Changes	5.00		5.00	
Revised Budget	\$33,668,542		\$33,720,830	

Special Provisions:

1997 Session: Senate Bill 352

Department: Crime Control and Public Safety

Section: 21

Title: Legislative Review of Drug Law Enforcement and Other Grants

Summary: Provides that State applications for drug law enforcement grants are subject to review by Governmental Operations when the General Assembly is not in session. Also designates Governmental Operations as the review agent for all State applications for grants when the General Assembly is not in session, unless a State statute provides a different forum for review.

Section: 21.1

Title: Victims Assistance Network funds

Summary: Authorizes the use of \$150,000 each year of the biennium to support the Victims Assistance Network . The provision also specifies requirements on the use of these funds.

Section: 21.2

Title: Report on Community Service Workers

Summary: Requires the Department of Crime Control and Public Safety to report to Governmental Operations by March 1 and September 1 of each year on the number of community service workers who were available each month to perform repairs and maintenance at State parks.

Section: 21.3

Title: Report on Crime Victims Compensation Fund

Summary: Requires the Department of Crime Control & Public Safety to report to the Appropriations Committees and the Fiscal Research Division by March 15th each year on the status of the Crime Victims Compensation Fund. This report shall include details on receipts to the fund, administrative expenses, the amount of funds carried over each year and claims paid to victims in the prior fiscal year.

Section: 21.4

Title: Corrections and Crime Control Oversight Committee

Summary: This provision combines the current Crime Control Study Commission and Corrections Oversight Committee into the Joint Legislative Corrections and Crime Control Oversight Committee. The Committee is charged, on a continuing basis, to examine and make ongoing recommendations to the General Assembly on ways to improve the correctional and law enforcement systems of the State.

Judicial

Statutory Authority: General Statutes, Chapter 7A

The North Carolina Constitution establishes three branches of government to provide a system of checks and balances. The Judicial Department is the branch which operates the State's system of courts, consisting of District and Superior Courts at the trial level and the Court of Appeals and Supreme Court at the appeals level. The Administrative Officer of the Courts, who serves at the pleasure of the Chief Justice of the Supreme Court, manages the operations of the entire system.

		GENERAL FUND	
		FY 97-98	FY 98-99
Recommended Budget		\$310,944,929	\$316,264,917
Legislative Changes			
49 Salary Reserve Funds			
Reduce Department's available salary reserve funds - these funds are generated by filling positions at a salary less than the budgeted salary authorized by the General Assembly.	(\$1,800,000) R		(\$1,800,000) R
50 Wayne Dispute Settlement Center Funds			
Eliminate state funds for the Wayne Dispute Settlement Center since the Center discontinued operations on July 1, 1995.	(\$5,000) R		(\$5,000) R
51 Indigent Defense Funds			
Based on projections completed in September 1996, the Judicial Department anticipated needing an additional \$6,073,533 in FY 1997-98 and \$8,750,380 in FY 1998-99 for legal counsel of indigent defendants. These projections were updated in July 1997 and the Department determined expenditures in capital cases were lower than originally anticipated and that receipts from indigents were being collected at a higher rate. It is estimated that increases of \$3,835,338 in FY 1997-98 and \$5,703,138 in FY 1998-99 are more likely which allow for a reduction of \$2,238,195 and \$3,047,242 respectively.	(\$2,238,195) R		(\$3,047,242) R
52 Mecklenburg Drug Court Program			
Reduce the net State appropriation for this program by increasing receipts received from Mecklenburg County to reflect the 25% local match.	(\$13,394) R		(\$13,394) R
53 Drug Treatment Court Pilot Program			
Eliminate funding for the Program Administrator position in FY 1998-99 since the program sunsets on June 30, 1998.			(\$52,551) R
			-1.00
54 Equipment Replacement			
Statewide funding to replace worn and outdated office equipment, computer equipment, and other related areas.	\$319,236 R \$3,600,000 NR		\$319,236 R

55 Access to Civil Justice

Provide additional funds to the North Carolina Bar for representation of indigents in civil cases. (SB 352, Sec. 18.1, p. 346)

\$1,000,000 NR

56 Center for Death Penalty Litigation

Provide additional funds to the Center for Death Penalty Litigation who provides training, consultation, brief banking, and other assistance to attorneys representing indigent capital defendants. (SB 352, Sec. 18.1, p. 346)

\$250,000 NR

57 Reserve for Technology

Funds to establish a reserve for technology that includes funding for new automated systems (e.g. magistrate criminal information system); expansion of existing systems (e.g. district attorney/public defender automated case management system), new hardware/software, and new technology support personnel. Funds for personnel include funding for 5 Analyst Programmers, 5 LAN Support Specialists, 2 PC Support Specialists, 1 System Accountant, 1 Voice Data Specialist, and 1 Help Desk Specialist. All positions are effective 12/1/97. (SB 352, Sec. 18.10, p. 352)

\$983,161 R \$1,437,176 R
\$4,306,470 NR
15.00 15.00

58 Data Center Upgrades

Funds for additional frame relay lines which allow data to be transmitted more efficiently between the central criminal information system and offices statewide.

\$125,000 R \$125,000 R

59 LAN Connectivity Funds

Provide funds to connect existing local area networks in Mecklenberg County to allow for sharing of information between court officials.

\$50,000 NR

60 District Attorney Support Staff

Provide funds for 105 Assistants for Administrative and Victim and Witness Services for District Attorneys Offices statewide. Funding for 45 of these positions is placed in a reserve and shall be expended if the Crime Victims' Right Act is enacted during the 1997 Regular Session. Also provides funds for 3 investigator positions to be assigned to Districts 24, 27B, and 6B. All positions are effective 12/1/97. (SB 352, Sec. 18.7, p. 350 and Sec. 18.16, p.359)

\$2,221,415 R \$3,551,439 R
\$558,729 NR
108.00 108.00

61 Assistant District Attorneys

Provide funding for 54 additional Assistant District Attorney positions effective 12/1/97. (SB 352, Sec. 18.11, p. 352)

\$2,069,172 R \$3,543,696 R
\$53,460 NR
54.00 54.00

62 Clerks of Superior Court

Provide funding for 100 additional deputy clerk positions effective 12/1/97. The Department shall distribute deputy clerk positions equitably, with no county receiving more than two additional positions.

\$1,482,300 R \$2,543,200 R
\$110,900 NR
100.00 100.00

63 Magistrate Positions

Provide funds for 8 additional magistrate positions to be located in the following counties -- Edgecombe, Wayne, Wilson, Franklin, Durham, Columbus, Gaston, and Cumberland. All positions are effective 12/1/97. (SB 352, Sec. 18.13, p. 356)

\$156,888	R	\$261,064	R
\$41,816	NR		
8.00		8.00	

64 Guardian Ad Litem Attorney and Training Manual

Provide funds to add one attorney who would serve as a central resource for Guardian Ad Litem contract attorneys. Most of the nonrecurring funds would be used to develop, publish, and distribute a Guardian Ad Litem abuse and neglect litigation manual for attorneys throughout the state and to conduct follow-up training. The attorney position is effective 12/1/97. This item was recommended by the Guardian Ad Litem Study Commission.

\$39,703	R	\$67,027	R
\$19,924	NR	\$11,725	NR
1.00		1.00	

65 District Court Judges

Provide funds for 6 additional District Court Judges to be located in Districts 15B, 20, 22, 3B, 24, and 13. All positions are effective 12/1/97. (SB 352, Sec. 18.12, p. 353)

\$392,628	R	\$658,014	R
\$55,350	NR		
6.00		6.00	

66 Criminal Case Docket Management

The District Attorney criminal case docket management program was funded as a pilot project in 2 districts in FY 1995-97. This program is designed to help reduce case backlog and to move cases more quickly through the court system. The FY 1997-99 funding makes the 2 pilot programs permanent (Cumberland -- District 12 and Bladen/Brunswick/Columbus -- District 13) and expands the program into eight additional districts. (SB 352, Sec. 18.9, p. 351)

\$322,774	R	\$401,310	R
\$46,672	NR		
10.00		10.00	

67 Court Reporters in Superior Court

Provide funds to reestablish 8 vacant positions eliminated in 1995 to meet court reporting needs in superior court. All positions are effective 12/1/97.

\$206,216	R	\$353,104	R
8.00		8.00	

68 District Court Civil Case Management Pilot

Provide funds to continue pilot programs in Districts 13, 18, and 30, which assist district court judges with case management and setting of court calendars in civil cases. (SB 352, Sec. 18.23, p. 364)

\$118,500	NR
3.00	

69 Custody Mediation Program

Provide funds to expand the custody mediation program to additional district court districts. The program would be operational in 25 of 39 districts.

\$225,000	R	\$225,000	R
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70 Transfer Indigent Defense Funds for Assistant PD's

Allows the Department to transfer up to \$314,240 in FY 1997-98 and \$524,384 in FY 1998-99 from the Indigent Persons' Attorney Fee Fund to fund 8 additional Assistant Public Defender positions. All positions are effective 12/1/97. (SB 352, Sec. 18.14, p. 358)

\$0	R	\$0	R
8.00		8.00	

71 Juvenile Court Counselors	\$701,025	R	\$1,200,100	R
Provide funds for additional intake, probation / aftercare, and intensive juvenile court counselors to assist in getting caseloads to a more manageable level. All positions are effective 12/1/97.	\$32,875	NR		
	25.00		25.00	
72 Community Penalties	\$450,000	R	\$450,000	R
Provide funds to expand the Community Penalties Program to 4 additional districts. This allows the program to extend statewide by the end of the biennium. Funds are also included to allow expansion of several existing programs based on workload. (SB 352, Sec. 18.4, p. 348)				
73 Arbitration Program	\$99,232	R	\$164,329	R
Provide funds to expand the superior court arbitration program to 5 additional districts. The program would be operational in 30 of 45 superior court districts.	\$10,710	NR		
	2.00		2.00	
74 Additional Supply Funds	\$100,000	R	\$100,000	R
Provide additional funds for general office supplies which would be distributed statewide based on need.				
75 Annual Recidivism Study	\$4,000	R	\$4,000	R
Provide funds for the Sentencing and Policy Advisory Commission to cover the operating expenses of researching and publishing an annual report on offender recidivism.				
76 Dispute Settlement Center Funds	\$55,000	R	\$55,000	R
Provides additional funds to the Mediation Center of the Southern Piedmont (\$25,000) to allow for expansion to Lincoln and Cleveland Counties, as well as additional funds for the Rockingham Mediation Center (\$5,000). Also provides \$25,000 for a new center in Catawba County.				
77 Court of Appeals Staff / Business Court Assistant	\$77,028	R	\$130,119	R
Provide funds for one additional staff attorney and appellate clerk for the Court of Appeals. Also provides funds for a legal assistant to assist the Business Court Program. All positions are effective 12/1/97.	\$17,620	NR		
	3.00		3.00	
78 Judicial Assistant Position	\$23,618	R	\$39,500	R
Provide funds for one judicial assistant to assist judges located in Davidson County in District 22. The position is effective 12/1/97.	\$6,296	NR		
	1.00		1.00	
79 Project Challenge Funds	\$100,000	NR		
Provide funds for Project Challenge Inc., a nonprofit organization which provides alternative dispositions and services to juveniles in Districts 24 who have been adjudicated delinquent or undisciplined. These funds will also allow for expansion into District 30. (SB 352, Sec. 18.20, p. 361)				
80 District Court Legal Assistant	\$24,126	R	\$31,879	R
Provide funds for a legal assistant position to be assigned to the Chief District Court Judge in District 9A. The position is effective 10/1/97.	\$5,659	NR		
	1.00		1.00	

81 Teen Court Funds

Provide recurring funds to establish teen court programs in Orange (\$15,000), Columbus (\$20,000), Brunswick (\$20,000), Forsyth (\$14,330), and Cabarrus (\$14,330) Counties. Also provides \$15,000 in nonrecurring funds in FY 1997-98 for programs in Wake and Durham Counties. Teen courts provide a peer review of juveniles who have committed non-violent misdemeanors and recommend different types of punishment, including community service and restitution. (SB 352, Sec. 18.24, p. 364)

\$83,660	R	\$83,660	R
\$30,000	NR		

82 Bad Check Pilot Programs

Provide funds for five positions to establish a bad check pilot program in Rockingham, Durham and Columbus Counties. These programs are designed to reduce the amount of time spent prosecuting these cases, and to assist worthless check victims in recovering restitution. (SB 352, Sec. 18.22, p. 363)

\$150,000	NR
5.00	

83 Juvenile Assessment Project

Provide funds to establish a juvenile assessment advisory board and center in District 12. The funds would be used to establish an advisory board who would make recommendations to the AOC on how to facilitate prevention and intervention services to at-risk juveniles. (SB 352, Sec. 18.21, p. 362)

\$150,000	NR
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84 Adult / Juvenile Violent Offender Task Force

Provide funds for the Adult / Juvenile Violent Offender Task Force located in District 10. These funds are used to prosecute serious violent offenders more quickly through the court system.

\$50,000	NR
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Total Legislative Changes

\$6,104,593	R	\$10,825,666	R
\$10,764,981	NR	\$11,725	NR

Total Position Changes

358.00	349.00
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Revised Budget

\$327,814,503	\$327,102,308
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Special Provisions:

1997 Session: Senate Bill 352

Department: Judicial

Section: 18

Title: Transfer of Equipment and Supplies

Summary: Continues language which allows the Department to allocate supply and equipment funds from a reserve account to individual programs based on need.

Section: 18.1

Title: N.C. State Bar Funds

Summary: This provision allows the State Bar to use up to \$250,000 of their \$1,250,000 continuation budget appropriation for the 1997-99 biennium, to contract with the Center for Death Penalty Litigation, which provides training and assistance to attorneys representing indigent capital defendants. Also allows the State Bar to use up to \$250,000 in expansion funds for FY 1997-98 for same purpose.

Section: 18.2

Title: Indigent Persons' Attorney Fee Fund

Summary: Establishes method of allocation of indigent defense funds to judicial districts.

Section: 18.3

Title: Report on Dispute Settlement Centers

Summary: Continues annual reporting requirement for all Dispute Settlement Centers receiving State funds. This provision also implements a more graduated match requirement for centers in their first several years of operation. Specifically, it requires that 50% of the centers funding should come from non-state sources by the sixth year, rather than the second year of operation.

Section: 18.4

Title: Community Penalties Program

Summary: Authorizes that \$4,355,382 be used each year to support community penalties programs. Continues language requiring the Judicial Department to report annually to the Appropriations Committees and to the Fiscal Research Division on the administrative expenditures of the program. Also continues language requiring quarterly reports to Governmental Operations on the elimination or reduction of funding for any programs.

Section: 18.5

Title: Drug Treatment Court Funds

Summary: Specifies that funds for the Drug Treatment Court pilot shall be used primarily for substance abuse treatment with \$52,551 available to fund the program administrator's position. Also allows \$100,000 in funds that were not expended in 1996-97 to be used for nonrecurring program items in 1997-98.

Section: 18.6

Title: **Make Sentencing Commission Permanent**

Summary: Provides language which makes the Sentencing and Policy Advisory Commission a permanent entity in the Administrative Office of the Courts.

Section: 18.7

Title: **Victims' Rights Amendment/Assistants for Administrative and Victim and Witness Services**

Summary: This provision makes several modifications to existing law concerning the delivery of victim and witness services. The most significant changes are: (1) Combines legal assistant positions and victim/witness assistant positions into one position titled 'assistants for administrative and victim and witness services'; (2) Requires the AOC and Conference of District Attorneys to cross train existing legal assistants and victim/ witness assistants by July 1, 1998; and, (3) Specifies that new assistants for administrative and victim and witness services positions shall be allocated based on district population and workload.

Section: 18.8

Title: **Computer Training**

Summary: Requires superior and district court judges to complete a computer training program before receiving a laptop computer.

Section: 18.9

Title: **Criminal Case Management Funds**

Summary: This provision requires that the new criminal case management programs shall be distributed in all areas throughout the State. Also requires the AOC to report to the Appropriations Committees by April 1, 1998 on the implementation and effectiveness of the programs.

Section: 18.10

Title: **AOC Technology Task Force**

Summary: Requires the AOC to establish a technology task force which would outline the most efficient and effective use of funds provided in the Reserve for Technology. The AOC is to report the task force's findings to various legislative oversight committees by November 1, 1997.

Section: 18.11

Title: **Additional Assistant District Attorneys/Reestablish Assistant District Attorney Positions in Districts 19B and 20**

Summary: Specifies the districts where the 54 new assistant district attorney positions will be assigned. This provision adds one additional position in districts 3A, 8, 9, 9A, 13, 15B, 16A, 16B, 28, and 29; adds two positions in districts 3B, 4, 5, 14, 19B, 20, 21, 25, 27A, and 27B; adds three positions in districts 7, 11, 12, 22, and 26; adds four positions in district 18; and adds five positions in district 10.

Section: 18.12

Title: **Additional District Court Judges**

Summary: Specifies that the 6 additional district court judge positions shall be located in districts 3B, 13, 15B, 20, 22, and 24.

Section: 18.13

Title: **Authorize Additional Magistrates**

Summary: Authorizes a statutory increase in the maximum number of magistrate positions allowed in 8 counties. The maximum number is increased by one in the following counties: Edgecombe, Wilson, Wayne, Franklin, Cumberland, Durham, Alamance, and Gaston.

Section: 18.14

Title: **Assistant Public Defenders**

Summary: Allows AOC to allocate funds from the Indigent Persons' Attorney Fee Fund to establish eight additional assistant public defender positions effective December 1, 1997.

Section: 18.15

Title: **Juvenile Recidivism Rates**

Summary: Requires the AOC to report to Governmental Operations annually by December 31, on the recidivism rates of juveniles who would be adjudicated delinquent for Class A, B1, B2, C, D, or E felonies if committed by an adult.

Section: 18.16

Title: **Additional Investigatorial Assistants**

Summary: Specifies the districts where district attorney investigator positions are assigned. Also establishes an investigatorial assistant position in districts 6B, 24, and 27B.

Section: 18.17

Title: **IRMC Review of Information Technology Plans of the AOC**

Summary: Allows the Information Resource Management Commission to review and comment biennially on the technology plans of the Administrative Office of the Courts.

Section: 18.18

Title: **Study Commission on the Allocation of Judicial Resources**

Summary: Establishes a study commission to review workload and staffing formulas for judicial personnel. A final written report of the Commission's findings and recommendations shall be made to the 1999 Session of the General Assembly, with an interim report due to the 1998 Session.

Section: 18.19

Title: **Guardian Ad Litem Attorney Billings**

Summary: Requires attorneys providing services for the Guardian Ad Litem program to bill the AOC within 60 days of the end of each quarter in order to be reimbursed for those services.

Section: 18.20

Title: **Project Challenge Report**

Summary: Authorizes use of \$100,000 in FY 1997-98 to support the operation of Project Challenge, a nonprofit organization which provides services to juveniles adjudicated delinquent or undisciplined in District 24. The AOC is to report quarterly to the JPS Appropriations Subcommittees on the operations and effectiveness of the program.

Section: 18.21

Title: **Cumberland Juvenile Assessment Center**

Summary: Authorizes use of \$150,000 in FY 1997-98 to establish a Juvenile Assessment Center in Cumberland County. The funds are to be used to: (1) Establish an advisory board that would make recommendations to AOC and DHR on how to facilitate prevention and intervention services, and (2) To provide services to at-risk juveniles. The AOC and DHR are to report to the Appropriations Committees and Fiscal Research by May 1, 1998, on the implementation and effectiveness of the program.

Section: 18.22

Title: **Bad Check Pilot Program Funds/Report**

Summary: This provision authorizes the use of \$150,000 in FY 1997-98 to establish bad check pilot programs in Columbus, Durham, and Rockingham Counties. Also requires individuals participating in the program to pay a fee of \$50 to the clerk of court, which would be placed in a special revenue fund subject to appropriation by the General Assembly. The AOC is to report to the JPS Appropriations Subcommittees by May 1, 1998, on the implementation and effectiveness of the programs.

Section: 18.23

Title: **District Court Civil Case Management**

Summary: Requires AOC to report to the JPS Appropriations Subcommittees by May 1, 1998, on the effectiveness of the civil case management programs established in districts 13, 18, and 30.

Section: 18.24

Title: **Establish Teen Courts in Orange, Columbus, Brunswick, Forsyth, and Cabarrus Counties and to Provide Additional Funding for the Teen Courts in Wake and Durham Counties**

Summary: Authorizes the use of \$113,660 in FY 1997-98 and \$83,660 in FY 1998-99, to establish or provide additional funds for teen court programs in Orange, Columbus, Brunswick, Forsyth, Cabarrus, Wake, and Durham Counties. Requires the programs to report quarterly to the AOC on their operations and expenditures. Also requires the AOC to report to various legislative oversight committees by April 15, 1998, on the effectiveness of teen court programs.

Justice

Statutory Authority: General Statutes, Chapter 114

The head of the Department is the Attorney General who is elected for a four-year term and who, as an elected official, serves on the Council of State. The Department provides legal and law enforcement services to State agencies, local government, and the citizens of North Carolina.

GENERAL FUND			
	FY 97-98		FY 98-99
Recommended Budget	\$61,166,247		\$63,233,877
Legislative Changes			
85 SBI - Vehicle Replacement	(\$317,500)	R	(\$78,000) R
Replace vehicles for the State Bureau of Investigation on a schedule of 80,000 miles for automobiles and 90,000 miles for trucks. 25 fewer vehicles will be replaced in FY 1997-98 and 11 fewer vehicles in FY 1998-99. The net reduction includes increasing maintenance expenses by \$2,000 per automobile and \$3,000 per truck, as well decreasing expected receipts due to the sale of fewer vehicles.			
86 SBI Overtime Pay Adjustment	(\$606,004)	R	(\$606,004) R
Reduce funds used to pay overtime to State Bureau of Investigation sworn law enforcement officers. Priority for overtime pay will be given to field agents before supervisory agents. (\$606,004 will remain in the continuation budget for overtime pay.) [SB 352, Sec 20.1, p.396]			
87 Adjustment for Increased DCI Receipts - SBI	(\$200,000)	R	(\$200,000) R
Adjustment in the continuation budget of the State Bureau of Investigation due to an increase in the amount of receipts collected by the Division of Criminal Information. Since there has been an increase in the amount of Criminal Records Checks performed by the Division of Criminal Information, more receipts will be realized than anticipated. (SB 352, Sec 20.15, p.404)			
88 Structured Sentencing Statewide Reserve	(\$400,000)	R	(\$400,000) R
Reduce funds in the statewide reserve entitled Structured Sentencing. This reserve was intended to be labeled/named Criminal Justice Information Network Reserve. These funds were intended to initiate the operation of the Criminal Justice Information Network board and to begin the development of data sharing standards. Over \$300,000 remains in the continuation budget for use by the Criminal Justice Information Network board for board expenses and the development of data sharing standards.			

89 Criminal Justice Information Network				
Continue funding of the Criminal Justice Information Network. These funds will be used to continue developing data sharing standards and to upgrade the Automatic Fingerprinting Identification System. (SB 352, Sec 20.13, p.403)	\$1,000,000	NR		
90 General Administration Positions	\$63,567	R	\$84,756	R
Fund one Paralegal II as a research technician for the Legal Services Division and one Accounting Technician III in the Administrative Services Division. Both positions are effective 10/1/97.	\$9,240	NR		
	2.00		2.00	
91 SBI--DCI Technology Improvements and Staff	\$107,152	R	\$183,688	R
Provide funds to establish five new positions, effective December 1, 1997, within the Division of Criminal Information of the State Bureau of Investigation. Positions funded will include two computer consultants, two fingerprint technicians, and one processing assistant. Provide \$77,500 in nonrecurring funds to procure an uninterrupted power supply unit, and \$50,000 to begin development of a disaster recovery plan for the Division's computer system.	\$158,000	NR		
	5.00		5.00	
92 Reserve for Sex Offender Registry	\$12,253	R	\$24,506	R
Provide funds to develop various changes to the current Sex Offender Registration Program and associated automated files. Funds will allow for the hiring of consultants to develop the program as well as to provide for the purchase of computer hardware and software. This will allow the registry, including photographs of sex offenders, to be placed on the Internet. One clerical position is effective January 1, 1998.	\$164,810	NR		
	1.00		1.00	
93 Sheriff's Standards Division Support Staff	\$22,076	R	\$37,843	R
Funds for an administrative assistant for the Sheriffs' Standards Division and Law Enforcement Liason Section to meet the statutory responsibilities of the Sheriffs' Education and Training Standards Division. Position begins December 1, 1997. Appropriation includes funds for computer equipment to allow automation of field testing in their training programs.	\$23,500	NR		
	1.00		1.00	
94 DARE Expansion Funds				
Provide funds to the State Bureau of Investigation to train additional local law enforcement officers to bring the Drug Abuse Resistance Education Program (DARE) into 7th and 9th grade classrooms.	\$113,300	NR		
95 Training and Standards Attorney	\$58,116	R	\$58,116	R
Fund an Attorney II position effective July 1, 1997 to represent the Department of Correction on correctional officer certification issues before the Training and Standards Commission. Position has previously been funded by a contractual arrangement with the Department of Correction.				
	1.00		1.00	

96 Consumer Protection Attorney	\$51,637	R	\$68,850	R
Fund an Attorney III position to handle antitrust cases in the Citizens' Rights Division, effective 10/1/97.	\$6,000	NR		
	1.00		1.00	
97 Legal Services --Information Systems				
Provide funds to complete the Department's transition to a local area network (LAN).Currently only 3 of the 5 Legal Services Divisions are connected.	\$150,000	NR		
98 Capital Litigation Unit	\$198,218	R	\$264,290	R
Fund 2 Attorney IV positions and 1 Processing Assistant position in the Capital Litigation Unit of the Criminal Division, effective 10/1/97.	\$15,060	NR		
	3.00		3.00	
99 SBI Field Agents	\$453,376	R	\$777,072	R
Provide funds to hire 16 new field agents for the State Bureau of Investigation. Recurring funds in the first year are based on 12/1/97 hiring date.	\$277,424	NR		
	16.00		16.00	
100 SBI - Pay Equity	\$2,700,000	R	\$2,700,000	R
Funds to provide salary equity adjustments for sworn law enforcement officers in the State Bureau of Investigation. (SB 352, Sec 20.9, p.398)				
101 Western Justice Academy	\$491,155	R		
Funds for personnel, operations, and start-up costs for the Western Justice Academy. These funds will allow the Western Justice Academy to begin operations in January 1998. Funds are already provided in the continuation budget for FY 1998-99. Classes will begin in July 1998.	\$2,492,482	NR		
	26.00			
102 Standards for Telecommunicators	\$77,135	R	\$132,231	R
Funds for the Sheriffs' Education and Training Standards Commission to establish minimum employment, training and retention standards for telecommunicators. Three positions are created effective December 1, 1997; a processing assistant, a criminal justice instructor-coordinator, and a criminal justice research associate. [SB 352, Sec 20.11, p.399]	\$24,500	NR		
	3.00		3.00	
103 Accident Victim Identification Training				
Funds for the Justice Academy and the Criminal Justice Education and Standards Commission to develop a training curriculum for local law enforcement on the timely identification of accident victims and the facilitation of identification of potential organ donors. (SB 352, Sec 20.12, p.401)	\$25,000	NR		
104 Safe Neighborhoods Initiative	\$200,000	R	\$218,180	R
Funds to continue the Safe Neighborhoods Initiative that assists communities with community policing, child ID projects and other crime prevention programs. The program is supported with federal funds through July 1997. These funds continue 4.5 of the 6 current positions at the discretion of the department.	4.50		4.50	

105 NC LEAF Funds

Provide funding to the NC Legal Education Assistance Foundation to assist with loan repayment for public service attorneys. Funds flow through the Department of Justice to NC LEAF, a nonprofit organization.

\$100,000 NR

106 Training & Standards - Justice Academy (Salemberg)

Provide recurring funds to establish a program for the Certification and Training Section of the Criminal Justice Standards Division. This program will enable the Division to locate and interview applicants, certified officers, and witnesses involved in investigations of violations of training delivery and certification rules. Five positions are created effective December 1, 1997.

\$205,428 R \$266,447 R

5.00 5.00

Total Legislative Changes

\$3,116,609 R \$3,531,975 R

\$4,559,316 NR

Total Position Changes

68.50 42.50

Revised Budget

\$68,842,172 \$66,765,852

Special Provisions:

1997 Session: Senate Bill 352

Department: Justice

Section: 20

Title: Department of Justice Salary Adjustments

Summary: Authorizes the Department to use \$93,453 for salary adjustments for attorneys based upon outstanding job performance.

Section: 20.1

Title: SBI Funds/Spending Priorities

Summary: Directs first priority for overtime payments to SBI agents in the Field Investigations Division, and second, to continue overtime payments to supervisory personnel receiving overtime payments as of June 30, 1997. Limits payments to a maximum of \$5,200 annually per individual.

Section: 20.2

Title: SBI Use of Court-Ordered Reimbursement Funds

Summary: Allows the State Bureau of Investigation (SBI) to use funds available from court ordered reimbursements in undercover drug operations.

Section: 20.3

Title: Private Protective Services and Alarm Systems Licensing Board Pay for Use of State Facilities and Services

Summary: Clarifies that boards pay for use of physical facilities and services provided by the State Bureau of Investigation (Department of Justice).

Section: 20.4

Title: Limits on jComputer Service Upgrade

Summary: Requires that any proposed upgrade in mainframe computer systems that are funded from the continuation budget for JPS agencies must be reported to various legislative oversight committees before the Department enters into any contractual agreement.

Section: 20.5

Title: Certain Litigation Expenses to be Paid By Clients

Summary: Continues provision which authorizes the Department to seek reimbursement for litigation and other costs attributed to work completed for client departments, agencies, or boards.

Section: 20.6

Title: **Reimbursement for UNC Board of Governors Legal Representation**

Summary: Continues provision which requires the Board of Governors to reimburse the Justice Department for two Attorney III positions for legal representation provided to the UNC System.

Section: 20.7

Title: **Use of Seized and Forfeited Property Transferred to State Law Enforcement Agencies by the Federal Government**

Summary: Specifies that Governmental Operations shall review and approve the use of federal funds received by the Department of Justice and the Department of Crime Control and Public Safety as a result of assisting in the enforcement of drug trafficking laws. The provision also allows the Department of Justice to use up to \$25,000 to lease space for SBI training and up to \$50,000 to lease space for storage of equipment and vehicles from available forfeiture funds in the 1997-98 fiscal year.

Section: 20.8

Title: **Department of Justice Record Checks Funds and Reports**

Summary: Allows the Division of Criminal Information to use the sum of up to \$210,563 to create up to five positions to facilitate record checks for concealed weapons permits. The provision requires the SBI to reduce positions if the number of checks being completed are not equal to the formula of 1.5 positions for every 10,000 checks. The provision also requires the Department of Justice to report on the amount of receipts and the number of checks performed each year to the General Assembly.

Section: 20.9

Title: **Salary Equity for SBI Law Enforcement**

Summary: Provides \$2,700,000 for salary adjustments for sworn law enforcement officers of the State Bureau of Investigation. Adjustments shall be based on factors, such as employee salary, position class title, position grade, and credible years of sworn service. No salary adjustment can be made that would result in an increase beyond the maximum salary set for an officer's pay grade. The SBI Director and Assistant Directors are not eligible for the salary adjustments. The provision also requires the Department to report to the House and Senate Appropriations Committees on any salary adjustments made within 30 days by the Director.

Section: 20.10

Title: **Increase the Number of Fictitious Licenses and Registration Plates Authorized for Publicly Owned Motor Vehicles and Remove the Sunset on Prior Increase on Number of Plates**

Summary: Increases maximum number of plates allowable under this section from 100 to 125. Also states that Governmental Operations shall study the use of private, confidential, and fictitious license plates on State-owned vehicles and report their findings to the General Assembly.

Section: 20.11

Title: **Sheriff Education and Training Standards Commission to Establish Minimum Employment, Training, and Retention Standards for Telecommunicators**

Summary: This provision requires the Sherriffs' Education and Training Standards Commission to establish minimum employment, training, and retention standards for telecommunicators. Funds in the amount of \$101,635 in the 1997-98 fiscal year and \$132,231 in the 1998-99 fiscal year are provided to create three new positions to develop and teach the curriculum. The provision also outlines the requirements for justice officers that may become telecommunicators.

Section: 20.12

Title: **Department of Justice to Provide Training to State and Local Law Enforcement Officers in the Identification of Accident-Trauma Victims in Order to Facilitate Timely Identification of Potential Organ and Tissue Donors and to Provide for the Identification of Accident-Trauma Victims**

Summary: Requires the Justice Academy and the Criminal Justice Education and Standards Commission to develop a training curriculum for local law enforcement on the timely identification of accident victims and the facilitation of identification of potential organ donors. The provision also outlines standards and procedures for identification and notification of next of kin for accident victims. \$25,000 in non-recurring funds are provided for the development of this curriculum.

Section: 20.13

Title: **Criminal Justice Information Network Report**

Summary: Requires the Criminal Justice Information Network (CJIN) Board to report on the operations and budget of the Board. The Board is also to establish a long-term strategic plan and cost analysis for statewide implementation of CJIN. These reports and plans are to be presented to various legislative oversight committees and the Fiscal Research Division by November 1, 1997.

Section: 20.14

Title: **Attorney General Opinion Required for All State Settlements**

Summary: The Attorney General or a delegated subordinate shall review and prepare a written opinion on the terms and advisability of certain proposed agreements entered into by the State or a State department, agency, institution or officer. The provision affects agreements to settle or resolve litigation or potential litigation involving payment of at least \$75,000 in public monies. The Attorney General shall report to Governmental Operations on all such agreements.

Section: 20.15

Title: **Study Fee Adjustment for Criminal Records Checks**

Summary: Requires the Office of State Budget and Management, in consultation with the Department of Justice, to study the feasibility of adjusting the fees charged for criminal records checks conducted by the Division of Criminal Information. The report shall be presented to the Appropriations Committees and the Fiscal Research Division by May 1, 1998.

NATURAL & ECONOMIC RESOURCES

Housing Finance Agency

Statutory Authority: General Statutes, Chapter 122A

Created in 1973 by the General Assembly, the Housing Finance Agency operates a variety of programs to finance home ownership for first-time home buyers with low- or moderate-incomes, provide affordable rental housing for low- and moderate-income renters, and rehabilitate substandard owner-occupied and rental housing.

Funding for agency programs and operations comes from program fees, earnings from tax-exempted bond sales, federal funds, and the North Carolina Housing Trust Fund.

GENERAL FUND		
	FY 97-98	FY 98-99
Recommended Budget	\$2,300,000	\$2,300,000
Legislative Changes		
Housing Finance Agency		
1 Housing Trust Fund		
Support for the Housing Trust Fund.	\$5,000,000	NR
Total Legislative Changes	\$5,000,000	NR
Total Position Changes		
Revised Budget	\$7,300,000	\$2,300,000

Special Provisions:

1997 Session: Senate Bill 352

Department: Housing Finance Agency

Section: 13

Title: **HOME Program Matching Funds**

Summary: Sets priority for allocating appropriated funds to match the HOME federal housing program. Also:
1) requires an annual report on the HOME program, 2) prohibits the use of state funds for a match if a match is not required by Congress, and 3) allows carry forward of match funds due to federal program years.

Agriculture and Consumer Services

Statutory Authority: General Statutes, Chapter 106

The head of this Department is the Commissioner of Agriculture and Consumer Services who is elected for a four-year term and who, as an elected official, serves on the Council of State.

The primary responsibility of the Department of Agriculture and Consumer Services is to enhance the production and quality of food marketed in North Carolina. In addition, the Department places a major emphasis on the protection of the consumer, the farmer, and the wholesaler from unfair and deceptive marketing practices. The Department's research and inspection activities are expected to contribute to healthier products, as well as promote more efficient and profitable farming methods. The Department has four major programs to carry out its responsibilities; Agriculture Services and Development, Consumer Protection, Natural and Agricultural Education, and Research. Included in these programs are the State Fair, agriculture research stations, and many inspection and regulatory activities.

GENERAL FUND				
		FY 97-98		FY 98-99
Recommended Budget		\$49,480,730		\$49,688,983
Legislative Changes				
Agricultural Finance Authority				
2 Reduce General Fund Appropriation		(\$25,000)	R	(\$50,000) R
Reduce the General Fund appropriation to the Authority by utilizing the interest income earned by the Farm Reserve Loan Fund for the Authority's operating expenses [SB 352, Section 14.5, p. 290].				
Agronomic Services				
3 Agronomic Advisory Services		\$314,767	R	\$445,117 R
Funds to increase waste disposal and water management services provided by the Agronomics Division to meet the demand for increased technical assistance from regional agronomists and section chiefs.				
		\$217,151	NR	
		7.00		8.00
Commissioner's Office				
4 Small Farms Assistance		\$50,000	NR	
Funds to provide assistance to small, family farms [SB 352, Section 14.8, p. 292].				
Food and Drug Protection				
5 Food Related Facilities Funds		\$113,994	R	\$113,994 R
Funds to continue support for inspection of food processing facilities, food storage warehouses, retail stores, and medicated livestock-feed manufacturing facilities.				
		4.00		4.00
6 Environmental Protection in Pesticide Applications		\$179,039	R	\$179,039 R
Funds to increase compliance assistance to pesticide applicators and farmers.				
		\$23,100	NR	
		3.00		3.00

Grants-in-Aid**7 Stanly County Agri-Center**

Funds for the Stanly County Agri-Center.

\$50,000 NR

8 Fair and Exhibition Center

Funds for a fair and exhibition center.

\$1,000,000 NR

9 Haywood County Agri-Center

Funds for the Haywood County Agri-Center.

\$200,000 NR

Maritime Museum**10 Transfer Maritime Museum to Cultural Resources**

(\$792,227) R (\$786,713) R

Transfer positions, operating support, equipment, property, and other assets of the North Carolina Maritime Museum to the Department of Cultural Resources.

-17.25

-17.25

	FY 1997-98	FY 1998-99
Requirements	\$ 792,527	\$ 787,013
Receipts	(\$ 300)	(\$ 300)
Appropriation	\$ 792,227	\$ 786,713

[SB 352, Section 14.2, p. 288].

Marketing**11 Grant-in-Aid**

\$37,000 R \$37,000 R

Increase grant-in-aid to the Western North Carolina Development Association [SB 352, Section 14.3, pp. 288-289].

Plant Industry - Plant Protection**12 Bee Regulatory Support**

\$170,212 R \$170,212 R

Funds for expanded regulatory support to protect the North Carolina bee and honey industry from parasitic mites, bee disorders and the Africanized bee.

\$45,894 NR

2.00

2.00

Reserves**13 Southern Dairy Compact**

\$25,000 R \$25,000 R

Funds to support the Southern Dairy Compact Commission. Funds are contingent upon the passage of HB 998, SB 977, or similar legislation [SB 352, Section 14.9, p. 292].

Total Legislative Changes

\$22,785 R \$133,649 R

\$1,586,145 NR

Total Position Changes

-1.25

-0.25

Revised Budget

\$51,089,660

\$49,822,632

Special Provisions:

1997 Session: Senate Bill 352

Department: Agriculture and Consumer Services

Section: 14

Title: Mountain State Fair To Become Enterprise Fund

Summary: Directs that the activities of the Western North Carolina Agricultural Center and the Mountain State Fair be combined and operated in an enterprise fund. It is anticipated that general fund support will be necessary until the combined operation develops sufficient revenue and operating reserves to become self-supporting.

Section: 14.1

Title: Timber Sales For Maintenance of State Farms Forestland

Summary: Authorizes the department to expend up to \$100,000 each year of the biennium for forestry management purposes from the funds received from the sale of timber grown on state farms.

Section: 14.2

Title: Transfer Maritime Museum to Cultural Resources

Summary: Transfers funds, resources, and personnel provided for the North Carolina Maritime Museum by the Department of Agriculture and Consumer Services to the Department of Cultural Resources.

Section: 14.3

Title: Western North Carolina Development Association

Summary: Requires the Western North Carolina Development Association to report budgetary and program activities annually by January 15 to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division.

Section: 14.4

Title: Increase Grape Growers Funds

Summary: Amends G.S. 105-113.81A to reflect the departmental name change to the Department of Agriculture and Consumer Services and increases the cap on the amount of funds credited to the department from the tax on unfortified and fortified wine from \$90,000 to \$150,000.

Section: 14.5

Title: Authorize the Agricultural Finance Authority to use the Interest from the Reserve for Farm Loans for Administrative Expenses

Summary: Codifies language which permits the North Carolina Agricultural Finance Authority to use interest earnings from its loan fund for operating support.

Section: 14.6

Title: **Departments of Agriculture and Consumer Services/Commerce/Labor/Environment, Health, and Natural Resources/Receipt Supported Positions**

Summary: Requires the Departments of Agriculture and Consumer Services, Commerce, Labor, and Environment, Health, and Natural Resources to report by October 15, 1997 and semiannually thereafter to the Joint Legislative Commission on Governmental Operations, the House and Senate Appropriations Subcommittees on Natural and Economic Resources, and the Fiscal Research Division regarding the creation of new receipt-supported positions created within each department. Directs departments to abolish, with approval of the Office of State Budget and Management, any receipt supported position if : 1) the position has been vacant for more than one calendar year, and 2) receipts are insufficient to adequately fund position.

Section: 14.7

Title: **Eastern North Carolina Livestock Arena Funds**

Summary: Reallocates funds appropriated in 1985 to the Rocky Mount Business Development Authority for the following purposes:

- 1) \$225,000 to the Rocky Mount Business Development Authority
- 2) The remaining funds plus all accrued interest for the construction of a facility to replace the Eastern North Carolina Livestock Arena.

Section: 14.8

Title: **Assistance for Small, Family Farms**

Summary: Allocates \$50,000 for assistance to farmers who operate small, family farms. Requires the department to report by March 1, 1998 to the Joint Legislative Commission on Governmental Operations, the House and Senate Appropriations Subcommittees on Natural and Economic Resources, and the Fiscal Research Division on the use of these funds.

Section: 14.9

Title: **Southern Dairy Compact Commission Funds**

Summary: Appropriates funds to support the Southern Dairy Compact Commission. Makes funds contingent upon the enactment of legislation that creates the Southern Dairy Compact Commission (enacted as Chapter 494 of the 1997 Session Laws).

Labor

Statutory Authority: General Statutes, Chapter 95

The head of the Department is the Commissioner of Labor who is elected to a four-year term and who, as an elected official, serves on the Council of State.

This Department's responsibilities include administering and enforcing State laws that affect people at work, including administering the OSHA program, enforcing safety and health conditions in mines and quarries, and enforcing safety regulations for elevators, amusement rides, and boilers. Other responsibilities include promoting and supervising apprenticeship and on-the-job training programs, and establishing license requirements for private employment agencies.

GENERAL FUND

Recommended Budget

FY 97-98**\$16,068,855****FY 98-99****\$15,986,184**

Legislative Changes

Boiler and Pressure Vessel Bureau

14 Expand Inspection Staff with Receipt Support

Adds four boiler and pressure vessel inspection staff to conduct safety inspections in accordance with inspection intervals set by the Commissioner. Funding support will be provided with increased receipts generated by inspections conducted with these additional positions.

	FY 1997-98	FY 1998-99
Requirements	\$ 211,316	\$ 196,316
Receipts	(211,316)	(196,316)
Appropriation	0	0

Elevator and Amusement Device Bureau

15 Expand Inspection Staff with Receipt Support

Adds four elevator inspection staff and one administrative support position to conduct safety inspections -- at six month intervals -- of all elevators in the state. Funding support will be provided with increased receipts generated by these positions assisting in the increased frequency of elevator inspections from an average of every 10 months to every 6 months.

	FY 1997-98	FY 1998-99
Requirements	\$ 248,061	\$ 228,361
Receipts	(248,061)	(228,361)
Appropriation	0	0

Information Office**16 1-800-LABOR-NC Operating Support**

Provides an additional position and operating support to answer incoming calls on the Department's toll-free telephone number.

\$34,825	R	\$34,825	R
\$6,000	NR		
1.00		1.00	

OSHNC Division**17 Transfer Enforcement Positions to Federal Support**

Shifts six OSH Enforcement positions (3 full-time equivalents) and operating support from 100% state funding to 50% federal and 50% state funded support.

(\$192,546)	R	(\$192,546)	R
-3.00		-3.00	

Total Legislative Changes

(\$157,721)	R	(\$157,721)	R
\$6,000	NR		

Total Position Changes

-2.00	-2.00
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Revised Budget

\$15,917,134	\$15,828,463
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Special Provisions:

1997 Session: Senate Bill 352

Department: Labor

Section: 17

Title: **OSHA Technical Assistance**

Summary: Requires, in statute, the Department of Labor to provide technical assistance to employers who have an experience rate modifier of 1.5 or greater for workers' compensation claims. Repeals an existing statutory section that mandates the department to conduct a compliance inspection, under the special emphasis inspection program, of employers who possess an experience rate modifier of 1.5 or greater. Also authorizes the department to use up to \$450,000 in expected additional federal OSHA 23g grant funds to provide technical assistance to employers with an experience rate modifier of 1.5 or greater.

Environment, Health, and Natural Resources

Statutory Authority: General Statutes, Chapter 113

The head of the Department is the Secretary of Environment, Health, and Natural Resources (EHNR) who is appointed by the Governor. The Department's primary responsibilities include protection of the environment, improvement of the health of North Carolinians and conservation and development of the State's natural resources. The Department administers a wide variety of assistance, regulatory, promotion and education programs.

Part XIA of Senate Bill 352 (1997 Appropriations Act) authorized the creation of a Department of Health and Human Services. The new department will be established by renaming the Department of Human Resources and transferring virtually all of the public health divisions from the Department of Environment, Health, and Natural Resources to the Department of Health and Human Services. The functions and responsibilities of the Division of Environmental Health, will remain in the Department of Environment and Natural Resources (formerly the Department of Environment, Health, and Natural Resources) pending a study by the Environmental Review Commission.

GENERAL FUND

Recommended Budget

FY 97-98

\$253,269,888

FY 98-99

\$252,502,338

Legislative Changes

(2.00) Environmental Education

18 Environmental Education Grant Fund

\$200,000 NR

Funds to provide grants to schools, community organizations and environmental education centers to develop environmental education libraries and to promote environmental education activities [SB 352, Section 15, p. 293].

(2.00) Forest Resources

19 Increase Receipts

(\$120,000) R (\$120,000) R

Increase receipts collected from counties. Counties share in the cost of forestry operations with a match based on the tax base of the county.

20 Assistant County Ranger

\$19,028 R \$19,028 R

\$21,900 NR

Funds for an Assistant County Ranger in District 10.

1.00

1.00

21 Operation of Amphibious Water Scooping Tanker

\$706,950 R \$706,950 R

\$81,750 NR

4.00

4.00

Operating funds for personnel, equipment, maintenance, and parts associated with the purchase of an amphibious water scooping tanker aircraft for fire control statewide [SB 352, Section 15.37, p. 319].

22 District 12 Helicopter Funds	\$282,560	NR		
Funds to cover the costs associated with preparing a federal surplus helicopter for fire control in District 12.				
23 Equipment Funds	(\$500,000)	R	(\$500,000)	R
	\$500,000	NR		
Reduce recurring appropriation for forestry field operations equipment and provide nonrecurring funds for FY 1997-98.				
24 Communications Equipment	(\$200,000)	R	(\$200,000)	R
	\$150,000	NR		
Reduce recurring appropriation for communications equipment and provide nonrecurring funds for FY 1997-98.				
25 Rural Community Fire Protection Program	\$100,000	R	\$100,000	R
Funds to provide both fire training and assistance with the purchase/loan of fire equipment and supplies for rural fire departments.	1.00		1.00	
26 Museum of Forestry	\$1,000,000	NR		
Grant-in-aid to Columbus County for planning and developing a Museum of Forestry.				
(2.00) Marine Fisheries				
27 Moratorium Steering Committee	(\$25,000)	R	(\$25,000)	R
Eliminate funding for the Fisheries Moratorium Steering Committee, which submitted its final report to the Joint Legislative Commission on Seafood and Aquaculture in October 1996.				
28 Reduce Marine Fisheries Patrol Equipment	(\$187,321)	R	(\$187,321)	R
Reduce equipment budget to reflect reduced equipment needs associated with the Marine Fisheries law enforcement expansion request funded in 1995, in accordance with the five year fiscal estimate submitted by the division.				
29 Operating Reserve for Patrol Vessel			\$97,436	R
Fund vessel operating reserve for the 1998-99 fiscal year. The reserve is for a patrol vessel funded with a 1996-97 capital improvement appropriation and was omitted from the continuation budget by error.				
30 Marine Fisheries Commission	\$230,475	R	\$230,475	R
	\$17,000	NR		
	2.00		2.00	
Funds to establish standing advisory committees and permanent staff for the Marine Fisheries Commission. The Department shall transfer \$25,000 of these funds to the Office of the State Auditor for a performance audit of the Division. Funds contingent upon passage of HB 1097 [SB 352, Section 15.39, pp. 319-320].				

31 Information Technology and Data Management Funds	\$155,000	R	\$155,000	R
Funds to establish advanced computer based technologies to modernize and consolidate existing computerized information management, and expand computer based data management and analysis capabilities [SB 352, Section 15.40, p. 320].	\$500,000	NR		
	2.00		2.00	

(2.00) Museum of Natural Sciences

32 Grassroots Science Museums	\$100,000	R	\$100,000	R
Additional funds for Grassroots Science Museums and to add two new museums to the program: Museum of Coastal Carolina Iredell County Children's Museum	\$2,650,000	NR		
[SB 352, Section 15.1, pp. 293-294].				

(2.00) Parks and Recreation

33 Environmental Education Learning Experience				
Funds to provide supplies and materials for Environmental Education Learning Experience (EELE) programs at state parks.	\$30,000	NR		

34 Reduce Operating Reserve

Reduce operating reserve for State Parks System.	(\$300,000)	NR		
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35 Adopt-a-Trails Program

Nonrecurring funds to expand the Adopt-a-Trails grant program.	\$50,000	NR		
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36 Law Enforcement Salary Adjustment

Funds to adjust the average salary of law enforcement officers in Parks and Recreation based on the average salary of law enforcement officers in the Division of Marine Fisheries and the Wildlife Resources Commission. [SB 352, Section 15.38, p. 319].	\$677,599	R	\$677,599	R
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(2.00) Soil and Water Conservation

37 Area 3 Coordinator	\$43,600	R	\$43,600	R
Funds to support a new position and equipment needs of a regional coordinator for Area 3 of the State Soil and Water Conservation districts [SB 352, Section 15.45, p. 322].	\$3,000	NR		
	1.00		1.00	

38 Agriculture Cost Share for Animal Waste Management

Additional funds for the Agriculture Cost Share Program for Nonpoint Source Pollution Control to assist existing farming operations in obtaining approved animal waste management plans.	\$2,000,000	NR		
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39 Agriculture Cost Share County Technical Assistance

Additional funds to reimburse counties up to 50% of the costs of providing technical assistance in the planning, design and installation of agricultural BMPs to improve water quality.	\$300,000	R	\$300,000	R
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40 Soil and Water District Travel Funds

Funds for local Soil and Water Conservation Districts for travel and per diem expenses of district supervisors.

\$50,000 NR

(3.00) Air Quality**41 Increase Receipts**

(\$200,000) R (\$200,000) R

Increase the budgeted amount of program receipts and reduce the General Fund appropriation by an equal amount.

(3.00) Land Resources**42 Dam Safety Inspection and Assistance**

\$255,336 R \$255,336 R

Funds to establish additional positions to increase the number of dam inspections and to provide technical assistance to owners in the areas of design and construction planning, maintenance, repairs, and emergency action plans.

\$19,000 NR
5.00

5.00

(3.00) Water Quality**43 Wastewater Treatment System Operator Training**

Funds to provide training, certification and continuing education courses for wastewater treatment system operators for one year.

\$474,795 NR
5.00

44 Regional Wastewater Management

Funds economic development along with a regional wastewater collection, treatment and disposal system that uses innovative technology to reduce nutrient and organic loadings to surface waters [SB 352, Section 15.15, p. 300].

\$1,000,000 NR

45 Federal Wastewater Assistance Matching Funds

Funds to provide the 20% state match required to receive federal wastewater assistance through US EPA's Water Pollution Control Program. Funds will be used to provide low interest loans to local units of government for wastewater construction and improvement projects.

\$4,001,775 NR

46 Basinwide Data Management System Development

\$260,846 R \$375,153 R

Funds for a program delivery initiative to focus on consolidating all existing databases and facilitating access to environmental programs and data. Support staff and equipment needed to maintain the system will be phased in.

1.00

3.00

(3.00) Water Resources**47 Regional Groundwater Management**

\$150,000 R \$150,000 R

Funds for monitoring in the Black Creek and Upper Cape Fear aquifers and for maintenance of monitoring wells in the area. The effective date for these positions is October 1, 1997.

3.00

3.00

(4.00) Environmental Health

48 Childhood Lead Exposure Control

Funds to expand the state's Childhood Lead Poisoning Prevention Program to emphasize compliance with maintenance standards to minimize lead hazards. Funds contingent upon the passage of HB 1007, SB 806, or identical legislation [SB 352, Section 15.30, pp. 307-313].

\$210,879	R	\$210,879	R
\$26,200	NR		
3.00		3.00	

49 Assistance to Local On-Site Wastewater Programs

Funds to provide additional training, technical assistance and regulatory oversight to local programs in the areas of plan review, septic tank design, manufacture, installation and performance. Funds also to provide additional staff to identify and eliminate straight pipe sewage and wastewater discharges and failing septic systems throughout the state.

\$226,212	R	\$226,212	R
\$23,800	NR		
4.00		4.00	

50 Evaluation of Septic Problems

Funds to evaluate the condition of septic tanks in the Neuse River Basin [SB 352, Section 15.16, pp. 300-301].

\$150,000	NR		
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51 Support for Local Environmental Health Programs

Funds to provide training, continuing education and technical assistance to local environmental health specialists performing food, lodging and institution inspections, and other regulatory activities to ensure the sanitation and safety of swimming pools, spas and tattoo artists [SB 352, Section 15.24, p. 304].

\$355,402	R	\$355,402	R
6.00		6.00	

52 Food Sanitation Training Funds

Funds to provide training and continuing education to persons who conduct food and lodging inspections for county health departments [SB 352, Section 15.24, p. 304].

\$100,000	NR		
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53 Federal Water Supply Assistance Matching Funds

Funds to provide the 20% state match required to receive a federal capitalization grant through US EPA's Drinking Water State Revolving Fund Program. Funds will be used to provide low interest loans to public water systems for capital expenditures associated with drinking water regulations and compliance.

\$9,222,820	NR		
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54 Coastal Water Quality Monitoring

Funds to develop and implement a program to monitor coastal area waters, rivers and sounds for contaminants to protect the public health of swimmers and other recreational users of the state's coastal waters [SB 352, Section 15.17, p. 301].

\$337,566	R	\$337,566	R
\$59,500	NR		
6.00		6.00	

(4.00) Epidemiology

55 Alcohol Chemical Testing Certification Program

Reduce General Fund support for the alcohol chemical testing training and certification program to more accurately reflect actual expenditures.

(\$200,000)	R	(\$200,000)	R
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56 Rabies Detection and Prevention Program	\$50,000	R	\$50,000	R
Funds to provide additional professional consultation and education services to help prevent the spread of rabies.	1.00		1.00	
(4.00) Health Promotion				
57 Heart Disease & Stroke Prevention Awareness	\$170,500	R	\$170,500	R
	\$29,500	NR		
Funds to develop and maintain a database of existing cardiovascular disease related services and to conduct a statewide media campaign to raise awareness about cardiovascular disease, as recommended by the Heart Disease and Stroke Prevention Task Force established in 1995 [SB 352, Section 15.25, pp. 304-305].				
58 Heart Disease Data Funds	\$100,000	NR		
Funds to begin the identification, coordination and assessment of existing cardiovascular databases within the state.				
59 Cancer Control Plan Implementation Funds	\$250,000	R	\$250,000	R
Funds to begin implementation of the North Carolina Cancer Control Plan prepared by the Advisory Committee on Cancer Coordination and Control [SB 352, Section 15.31, p. 313].				
60 Osteoporosis Task Force	\$200,000	NR		
Funds to establish and support the Osteoporosis Task Force [SB 352, Section 15.32, pp. 313-315].				
61 Arthritis Program	\$15,000	NR		
Continue grant-in-aid for private local project providing services to arthritis patients in Mecklenburg County.				
62 State Games of North Carolina	\$150,000	NR		
Funds for the Governor's Council on Physical Fitness to support the State Games.				
(4.00) Laboratory Services				
63 Rabies Laboratory Analysis Funds	\$79,630	R	\$79,630	R
	\$29,150	NR		
Funds for additional personnel, supplies and equipment to enhance rabies testing performed by the State public health lab.	2.00		2.00	
(4.00) Maternal and Child Health				
64 Maternal Outreach Worker Program	\$825,000	R	\$825,000	R
Funds to expand the maternal outreach worker program by providing funding for 31 additional home visitors employed by local service providers.	1.00		1.00	
65 Children's Vision Screening Program	\$419,000	NR		
Funds to support a statewide training and certification program for school-based vision screeners. The department will contract with Prevent Blindness, Inc. to implement the program [SB 352, Section 15.33, pp. 315-316].				

66 Cochlear Implants	\$230,000	R	\$230,000	R
Funds for grant to UNC Board of Governors for the Carolina Communicative Disorders Program at the School of Medicine at UNC-Chapel Hill to provide cochlear implants and other communication devices for hearing impaired children.				
67 UNC Craniofacial Center	\$343,000	R	\$343,000	R
Funds for grant to UNC Board of Governors for the UNC Craniofacial Center at the School of Dentistry at UNC-Chapel Hill to provide diagnostic and treatment services for children with craniofacial anomalies.				
68 Non-Medicaid Maternity Care Coordination	\$170,900	R	\$170,900	R
Funds to provide case management services to women who do not meet Medicaid eligibility requirements. This item restores a reduction taken in 1996.				
(5.00) Reserves and Special Funds				
69 Water Conservation and Infrastructure District	(\$500,000)	R	(\$500,000)	R
Nonrecurring funds appropriated for the District by the 1995 General Assembly were not eliminated from the 1997-99 continuation budget in error.				
70 Cape Fear River Assembly, Inc.	\$1,500,000	NR		
Funds for programs to monitor and improve the water quality of the Cape Fear River [SB 352, Section 15.14, pp. 299-300].				
71 Roanoke-Pamlico Estuary System Water Quality	\$400,000	NR		
Funds to establish a water quality monitoring program for the Roanoke-Pamlico Estuary System [SB 352, Section 15.13, p. 299].				
72 Maintenance of Existing Water Quality Programs	\$1,000,000	NR		
Reserve to maintain the existing level of staff in the Water Quality Section to continue water quality programs and activities at the current level of service for one year [SB 352, Section 15.19, pp. 302-303 and Section 15.20, p. 303].				
73 Healthy Start Foundation	\$650,000	NR		
Funds to provide statewide planning, promotion, and coordination for the First Step Campaign and to support other programs and activities aimed at reducing infant mortality [SB 352, Section 15.29, p. 307].				
74 Core Sound Use Mapping	\$100,000	NR		
Funds to develop a human use map and user coordination plan for Core Sound.				

(6.00) Department Wide**75 Salary/Span of Control/ Operating Reductions**

(\$2,396,112) R (\$2,396,112) R

Represents the Department's allocated share of this overall reduction:

-36.85

-36.85

Office of Controller

Salary and fringes for 1.00 FTE (\$27,541)

General Services Office

Salary and fringes for 1.00 FTE (\$25,561)

Dept. Purchasing Officer III (\$45,371)

(#55009, 1.00 FTE, Vacant)

Information Technology Services

Salary and fringes for 1.00 FTE (\$39,669)

Applications Analyst Prog. Specialist (\$10,782)

(#56011, 1.00 FTE, Vacant)

Personnel/Human Resources

Salary and fringes for 1.00 FTE (\$47,026)

Personnel Supervisor I (\$61,857)

(#52014, 1.00 FTE, Vacant)

Public Health Communication

Salary and fringes for 1.00 FTE (\$45,380)

Local Health Services

Salary and fringes for 1.00 FTE (\$31,602)

Environmental Health

Salary and fringes for 1.00 FTE (\$24,286)

Dental Health

Salary and fringes for 1.00 FTE (\$97,175)

State Center for Health Statistics

Salary and fringes for 1.00 FTE (\$26,682)

Maternal and Child Health

Salary and fringes for 7.00 FTEs (\$364,633)

Cystic Fibrosis Purchase of Care funds (\$148,699)

Nutrition Program Supervisor (\$ 21,183)

(#21087, 0.30 FTE)

Health Promotion

Salary and fringes for 3.00 FTEs (\$138,092)

Marine Fisheries

Salary Reserve (\$13,861)

Oyster Rehabilitation operating funds (\$133,655)

Soil and Water Conservation

Equipment, supplies & travel funds (\$56,875)

Forest Resources

Communications Equipment (\$140,000)

Office of Environmental Education	
Project Tomorrow grants and contracts	(\$25,000)
Aquariums	
Supplies and materials	(\$41,777)
Museum of Natural Science	
Temporary Wages	(\$50,000)
Natural Science Education Curator	(\$56,524)
(#28100, 1.00 FTE, Vacant)	
Parks and Recreation	
Increase receipts	(\$140,000)
North Carolina Zoo	
Salary and fringes for 3.55 FTEs	(\$85,000)
Air Quality	
Salary and fringes for 1.00 FTE	(\$19,105)
Water Quality	
Salary and fringes for 3.00 FTEs	(\$105,995)
Salary Reserve	(\$69,625)
Wetlands Restoration operating funds	(\$14,449)
Coastal Management	
Salary and fringes for 1.00 FTE	(\$25,068)
Land Resources	
Salary and fringes for 1.00 FTE	(\$43,279)
Operating support	(\$12,124)
Water Resources	
Salary and fringes for 1.00 FTE	(\$29,971)
Pollution Prevention & Environmental Assistance	
Salary and fringes for 1.00 FTE	(\$19,800)
Operating support	(\$ 2,332)
Radiation Protection	
Environmental Supervisor I	(\$59,477)
(#17009, 1.00 FTE)	
Contracts	(\$25,094)
Waste Management	
Salary and fringes for 1.00 FTE	(\$58,566)
Operating support	(\$12,996)
TOTAL REDUCTIONS	(\$2,396,112)

(7.00) Wildlife Resources Commission

76 Beaver Control Program

\$450,000 NR

Continues Beaver Control program with nonrecurring funds.
Expands coverage from 36 to 40 counties [SB 352, Section 15.44, pp. 321-322].

77 South Mountains Gamelands Funds

\$5,000,000 NR

Funds to assist in the acquisition of gamelands for hunting, fishing, outdoor recreation, and conservation in the South Mountains. [SB 352, Section 15.5, p. 297].

Total Legislative Changes	\$1,919,490	R	\$2,131,233	R
	\$32,356,750	NR		
Total Position Changes	11.15		8.15	
Revised Budget	\$287,546,128		\$254,633,571	

Special Provisions:

1997 Session: Senate Bill 352

Department: Environment, Health, and Natural Resources

Section: 7.10

Title: **Clean Water Management Trust Fund Reports**

Summary: Codifies the annual November 1st reporting requirement on implementation of the trust fund. Adds the Joint Legislative Commission on Governmental Operations and the House and Senate Appropriations Subcommittees on Natural and Economic Resources to the entities designated to receive the report (previously the report was to the Environmental Review Commission and the Fiscal Research Division).

Adds a new quarterly reporting requirement beginning November 1, 1997 to the Joint Legislative Commission on Governmental Operations, the House and Senate Appropriations Subcommittees on Natural and Economic Resources, the Environmental Review Commission and the Fiscal Research Division. Quarterly reports are to include a list of projects receiving grants, a description of the projects, and the grant amount and total cost of each project.

Section: 15

Title: **Environmental Education Grants**

Summary: Allocates \$200,000 to provide grants to promote environmental education. Grants may be awarded to develop environmental education libraries and to fund field trips by school groups to environmental education centers. Requires the department to report on the allocation of grant funds by January 1 and July 1, 1998 to the Joint Legislative Commission on Governmental Operations, the Environmental Review Commission and the Fiscal Research Division.

Section: 15.1

Title: **Grassroots Science Program**

Summary: Allocates \$3,250,000 for FY 1997-98 and \$600,000 for FY 1998-99 as grants-in-aid to 13 regional science museums (adds Museum of Coastal Carolina in Brunswick County and Iredell County Children's Museum). Allows Discovery Place to use up to \$100,000 appropriated for FY 1997-98 to study the feasibility of an expansion of Discovery Place.

Section: 15.2

Title: **Animal Waste Compliance Program Report**

Summary: Specifies a quarterly reporting requirement on the department's animal waste operations permitting and compliance activities to the Environmental Review Commission and the Fiscal Research Division.

Section: 15.3/15.4

Title: **Animal Waste Management System General Permit Revisions/Pilot Program for Animal Operations Annual Inspections**

Summary: 15.3 – Animal Waste Management System General Permit Revisions:

Directs the interagency workgroup established in Section 18 of Chapter 626, 1995 Session Laws (Senate Bill 1217, Animal Waste Recommendations) to revise both the general permits for animal waste management systems and the time schedule for issuance of the permits. The revisions are to make permit requirements more flexible and practical for farmers to implement. Allows the interagency group to refer to House Bill 357 (General Animal Waste Permits) of the 1997 Regular Session for guidance. Requires the group to report the revisions by October 1, 1997 to the Environmental Review Commission.

Extends the date by which dry litter animal waste management systems involving at least 30,000 birds must comply with waste management plan testing and record-keeping requirements until January 1, 2000 (previously January 1, 1998).

Provides that animal waste systems at dairy facilities in operation prior to January 1, 1998 will continue to operate on a "deemed" permitted basis, if the facility has a certified animal waste management plan or a special agreement with the Environmental Management Commission and remains compliant with the plan or special agreement. Directs DEHNR to phase in the permitting of these dairy facilities over a five year period, beginning January 1, 1999 (previously, the permitting of waste management systems at dairies was to be phased in along with other livestock facilities over a five year period beginning January 1, 1997). Dairy facilities that are newly constructed or expanded on or after January 1, 1998 are required to obtain an animal waste management system permit in accordance with G.S. 143-215.10C, rather than operate as deemed permitted.

15.4 – Pilot Program for Animal Operations Annual Inspections:

Requires DEHNR to establish a one year pilot program beginning November 1, 1997 in which annual compliance inspections of animal waste management operations are performed by the Division of Soil and Water Conservation, rather than the Division of Water Quality in accordance with G.S. 143-215.10F. Directs the department to select two counties with a high concentration of swine farms to participate in the pilot. Requires Division of Soil and Water Conservation employees performing the inspections to be located in the pilot counties. Directs the department to submit an interim report by April 15, 1998 and a final report by December 1, 1998 to the Environmental Review Commission and the Fiscal Research Division on the effectiveness of the pilot program.

Section: 15.5

Title: **South Mountains Gamelands Funds**

Summary: Allocates \$5,000,000 to acquire gamelands in the South Mountains. Also allows the Wildlife Resources Commission to use and seek additional funds for this purpose. Requires the Commission to work with citizens and local governments to develop and execute both a wildlife management plan and a forest development plan for its gamelands in the South Mountains.

Section: 15.6

Title: Odor Control Study Funds

Summary: Authorizes \$600,000 appropriated in 1996 to study odor control technologies and management alternatives at swine production operations to be carried forward for use during the 1997-98 fiscal year. Allows these funds to be used for capital expenditures associated with the research without a match requirement. (The appropriation originally required a dollar-for-dollar match from private sources).

Section: 15.7

Title: Funds for Voluntary Remedial Actions

Summary: Authorizes DEHNR to contribute funds from the Inactive Hazardous Sites Cleanup Fund each fiscal year to cleanup three high priority sites under the voluntary remedial action program. Contributions from the fund are limited to 10% of the cleanup costs, not to exceed \$50,000 per site. Requires the department to report to the General Assembly by April 1st of each year on the sites selected and the use of funds.

Section: 15.8

Title: Pollution Prevention and Environmental Assistance to Small Businesses with Need

Summary: Directs the Division of Pollution Prevention and Environmental Assistance to give priority to small businesses with financial need when awarding grants and providing technical assistance.

Section: 15.9

Title: Permit Information Center

Summary: Allows DEHNR to use available funds to operate a permit information center.

Section: 15.10

Title: Agriculture Waste Research Reports

Summary: Requires semi-annual progress reports and a final report upon completion of the study from the primary researcher receiving funds from the UNC Board of Governors to conduct the following studies authorized by the General Assembly during the 1996 Second Extraordinary Session:

- 1) Odor Control Technology
- 2) Sources of Nitrogen through Isotope Markers
- 3) Groundwater Impacts of Lagoons
- 4) Atmospheric Deposition of Nitrogen in the Neuse Estuary
- 5) Alternative Animal Waste Technologies

Reports are to be submitted to the Environmental Review Commission, the Joint Legislative Commission on Governmental Operations, the Scientific Advisory Council on Water Resources and Coastal Fisheries Management, and the Fiscal Research Division by January 1st and July 1st of each year.

Section: 15.11

Title: **Town Fork Creek Soil Conservation Project**

Summary: Extends reversion date for funds placed in a reserve account in DEHNR pursuant to Section 26.3(c) of Chapter 507 of the 1995 Session Laws until June 30, 1999. Reallocates those funds to the following projects:

- 1) \$930,680 for the Madison Connection Project
- 2) \$ 80,000 for the Dan River Project
- 3) \$ 30,000 for the Limestone Creek small watershed project in Duplin County
- 4) \$340,640 for the Deep Creek small watershed project in Yadkin County

Requires DEHNR and the Stokes County Water and Sewer Authority to report by October 1st and March 1st of each fiscal year to the Joint Legislative Commission on Governmental Operations, the Fiscal Research Division, and the Office of State Budget and Management on the use of these funds.

Section: 15.12

Title: **Superfund Program/Inactive Hazardous Sites Funds**

Summary: Authorizes DEHNR, upon approval of the Office of State Budget and Management, to use available funds to: 1) provide the 10% cost share required for federal Superfund cleanups, 2) pay the operating and maintenance costs associated with these Superfund site cleanups, and 3) cleanup priority state inactive hazardous waste disposal sites. Requires a report to the Environmental Review Commission and the Joint Legislative Commission on Governmental Operations within 30 days of expenditure.

Section: 15.13

Title: **Roanoke/Pamlico Water Quality Funds**

Summary: Allocates \$400,000 to establish a water quality monitoring program in the Roanoke-Pamlico estuary system. Allows DEHNR to contract for these monitoring services.

Section: 15.14

Title: **Reserve for Cape Fear River Funds**

Summary: Allocates \$1,500,000 to the Cape Fear River Assembly, Inc. for water quality programs. Requires the Cape Fear River Assembly, Inc. to report by October 1, 1997 on the proposed use of funds prior to expenditure, and quarterly thereafter on actual expenditures. Reports are to be submitted to the Environmental Review Commission and the Joint Legislative Commission on Governmental Operations.

Section: 15.15

Title: **Regional Wastewater Management**

Summary: Allocates \$850,000 for the development of an innovative regional wastewater collection, treatment and disposal system and \$150,000 for a wastewater infrastructure project in Union County. Requires DEHNR to report on the use of these funds by April 1, 1998 to the Joint Legislative Commission on Governmental Operations, the Environmental Review Commission and the Fiscal Research Division.

Section: 15.16

Title: **Evaluate Septic Tanks in the Neuse River Basin/Environmental Review Commission Study Best Management Practices for Septic Tank Systems**

Summary: Subsections (a) and (b) – Evaluate Septic Tanks in the Neuse River Basin:

Allocates \$150,000 to evaluate the condition of septic tanks in the Neuse River Basin. Requires DEHNR to report their findings by October 1, 1998 to the Environmental Review Commission, the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division. The evaluation should include information on the number and operational status of septic tanks in the basin, the environmental impacts of malfunctioning systems, an assessment of damages caused by hurricanes and floods, an estimate of repair costs and viable alternatives.

Subsection (c) – Environmental Review Commission Study Best Management Practices for Septic Tank Systems:

Directs the Environmental Review Commission to study the development of guidelines for best management practices related to the installation, operation, maintenance and repair of new and existing septic tank systems, and to consider the use of incentives to encourage implementation of septic tank best management practices. Requires the commission to report its findings and recommendations to the 1998 session of the General Assembly, including specific recommendations with respect to the use of filters, risers and other devices to improve system efficiency.

Section: 15.17

Title: **Monitor Coastal Water Quality**

Summary: Establishes a program to monitor coastal area waters, rivers and sounds for contaminants. The program is to protect the public health of swimmers, fishermen and other recreational users of the state's coastal waters. Allocates \$397,066 for FY 1997-98 and \$337,566 for 1998-99 to the Shellfish Sanitation Branch to implement the monitoring program.

Section: 15.18

Title: **Reissue Certain Wastewater Permits**

Summary: Requires expired wastewater improvement permits issued between July 1, 1982 and September 30, 1995 to be reissued by DEHNR or the local health department if certain conditions related to the site, soil condition, facility design, installation, intended use and system performance are met.

Section: 15.19

Title: **Water Quality Permit Programs/Reserve Funds**

Summary: Establishes a \$1,000,000 reserve to maintain the existing level of staff in the Water Quality Section to continue water quality programs and activities at the current level of service for FY 1997-98. Provides that \$150,000 shall be used to replace lost federal construction grant funds and \$850,000 may be used throughout the year to offset a possible shortfall in water quality permit fee receipts. Requires all state, federal funds and other receipts budgeted for the Water Quality Section to be used only for programs and activities administered by that section.

Section: 15.20

Title: **Federal Funds for Water Quality Indirect Costs Used for Water Quality**

Summary: Allows DEHNR to use federal indirect cost receipts from a federal EPA water quality grant for the activities of the water quality permit program.

Section: 15.21

Title: **Partnership for the Sounds**

Summary: Requires the Partnership for the Sounds to report budgetary and program activities annually by January 15th to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division.

Section: 15.22

Title: **Communicable Disease Control Aid to Counties Flexibility**

Summary: Allows DEHNR to allocate funds appropriated for tuberculosis, sexually transmitted and other communicable diseases to local health departments using a block grant approach. Funds are to be allocated based on a general communicable disease formula developed by the department. Requires the department to report annually by October 1st to the Joint Legislative Commission on Governmental Operations on the use of funds, including actual county expenditures by disease group, and the effectiveness of using the block grant approach.

Section: 15.23

Title: **DWI Test Changes**

Summary: Allows excess receipts collected from the drivers license revocation fee and designated for the chemical alcohol testing training and certification program of the Injury Control Section to be transferred to the Governor's Highway Safety Program to make grants to local law enforcement agencies.

Section: 15.24

Title: **State Training/Environmental Health Specialists**

Summary: Directs DEHNR to use modern technology and training techniques to improve training provided to environmental health specialists. Requires a progress report by July 1, 1998 to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division.

Section: 15.25

Title: **Extend Heart Disease and Stroke Prevention Task Force**

Summary: Extends the date by which the Heart Disease and Stroke Prevention Task Force must make a final report until June 30, 1999 (previously October 1, 1997). Also requires second and third interim reports to the General Assembly, upon convening of the 1998 and 1999 Regular Sessions, respectively.

Section: 15.26

Title: **Immunization Program Funding**

Summary: Authorizes the use of up to \$1,000,000 each fiscal year of the funds appropriated for the statewide childhood immunization program for related outreach and monitoring activities.

Section: 15.27

Title: **WIC Program Funds**

Summary: Authorizes the use of up to \$1,280,000 each fiscal year of the funds appropriated for the Special Supplemental Food Program for Women, Infants and Children (WIC) to be used as follows:

- 1) up to \$500,000 to establish new WIC Programs in Head Start or nonprofit agencies
- 2) up to \$250,000 to renovate existing program facilities
- 3) up to \$300,000 to purchase physician-prescribed special formulas
- 4) up to \$60,000 to provide state matching funds for the WIC farmers' market project
- 5) up to \$170,000 to establish a public health nutritionist internship program

State funds may be used for these activities only if federal food supplement funds are sufficient.

Section: 15.28

Title: **Adolescent Pregnancy Prevention Coalition of NC/Reporting**

Summary: Requires the Adolescent Pregnancy Prevention Coalition of North Carolina to report budgetary and program activities annually by January 15th to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division.

Section: 15.29

Title: **North Carolina Healthy Start Foundation/Reporting**

Summary: Requires the North Carolina Healthy Start Foundation to report budgetary and program activities by January 15, 1998 to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division.

Section: 15.30

Title: **Childhood Lead Exposure Control**

Summary: Codifies existing regulations (North Carolina Administrative Code, 15A NCAC 18A.3101-.3106) governing the state's childhood lead poisoning prevention program administered by the Division of Environmental Health. Establishes a voluntary preventive maintenance program to minimize and abate lead hazards in residential dwellings and provides limited liability relief for participating owners. Prohibits discrimination in financing by lending institutions if the owner of the unit is in compliance with the maintenance standards established or can demonstrate that the dwelling is lead-safe. Allocates \$237,079 for FY 1997-98 and \$210,879 for FY 1998-99 to expand the state's lead poisoning prevention program.

Section: 15.31

Title: **Cancer Control Funds**

Summary: Allocates \$250,000 each fiscal year to promote prevention, early detection, data collection, coordination and optimal care in the control of cancer. Directs DEHNR to seek the advice of the Advisory Committee on Cancer Coordination and Control in allocating the funds. Requires a report on the use of funds by February 1, 1998 to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division.

Section: 15.32

Title: **Osteoporosis Task Force**

Summary: Establishes a 25 member Osteoporosis Task Force. Duties of the task force include establishing a profile of North Carolina's osteoporosis burden; raising public awareness about the disease; identifying strategies for prevention, risk control and treatment; examining existing laws, programs, services and policies; improving coordination and communication among state and local agencies; and recommending a comprehensive statewide prevention plan. Requires the task force to submit a progress report by April 1, 1998 to the Joint Legislative Commission on Governmental Operations, the Governor and the Fiscal Research Division. Allocates \$200,000 for the expenses of the task force and authorizes the creation of one time-limited position.

Section: 15.33

Title: **Prevent Blindness, Inc./Reporting**

Summary: Requires Prevent Blindness, Inc. to report budgetary and program activities by January 15, 1998 to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division.

Section: 15.34

Title: **Federal Abstinence Education Funds**

Summary: Requires any federal abstinence education funds received under the federal Maternal and Child Health Block Grant to be transferred to the State Board of Education to be administered by the Department of Public Instruction. Directs the funds to be used to establish an Abstinence Until Marriage Education Program.

Section: 15.35/15.36

Title: **Study Desirability of Reorganizing Department of Environment, Health, and Natural Resources/Transfer of North Carolina National Park, Parkway and Forests Development Council**

Summary: 15.35 -- Study Desirability of Reorganizing Department of Environment, Health, and Natural Resources:

Directs the Office of State Budget and Management to conduct a study to determine the desirability of reorganizing the department into two separate departments. Requires report to the Joint Legislative Commission on Governmental Operations, the Environmental Review Commission, and the Fiscal Research Division by March 18, 1998.

15.36 -- Transfer of North Carolina National Park, Parkway and Forests Development Council:

Transfers the North Carolina Park, Parkway and Forests Development Council from the Department of Commerce to the Department of Environment, Health, and Natural Resources.

Section: 15.37

Title: **Forestry Aircraft Lease Receipts**

Summary: Requires the department to use receipts received from the leasing of an amphibious water-scooping tanker aircraft to offset the operating costs associated with the aircraft.

Section: 15.38

Title: **Department of Environment, Health, and Natural Resources Law Enforcement Salaries Equalized**

Summary: Requires the department to adjust the average salaries of law enforcement officers in Parks and Recreation to the average salary of law enforcement officers in Marine Fisheries and the Wildlife Resources Commission.

Section: 15.39

Title: **Marine Fisheries Commission Reform Funds**

Summary: Allocates \$247,475 for FY 1997-98 and \$230,475 for FY 1998-99 to establish standing advisory committees and permanent staff for the Marine Fisheries Commission. Directs DEHNR to transfer \$25,000 of these funds to the Office of the State Auditor for a performance audit of the Division of Marine Fisheries. Funds are contingent upon the passage of House Bill 1097 (enacted as Chapter 400 of the 1997 Session Laws).

Section: 15.40

Title: **Marine Fisheries Information Technology Report**

Summary: Requires the Division of Marine Fisheries to provide a progress report on efforts to consolidate and modernize the division's information technology systems by March 15, 1998 to the Joint Legislative Commission on Seafood and Aquaculture, the House and Senate Appropriations Subcommittees on Natural and Economic Resources, the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division.

Section: 15.41

Title: **Marine Patrol Vessel**

Summary: Authorizes the department to use up to \$200,000 of available funds to complete the purchase of a marine fisheries patrol vessel (The 1995 General Assembly appropriated \$300,000 for the 1996-97 fiscal year for this purpose; however, the department is currently seeking a more specialized vessel requiring additional funds). Directs the department to attempt to obtain the vessel from excess federal property prior to expending available funds.

Section: 15.42

Title: **Shellfish Rehabilitation Program**

Summary: Expands the scope and purpose of the Oyster Rehabilitation program to include activities to improve clam and scallop resources by renaming the program the Shellfish Rehabilitation program. Requires the Division of Marine Fisheries to report on the use of funds annually by January 1st to the Joint Legislative Commission on Seafood and Aquaculture.

Section: 15.43

Title: **Soil Survey Supervisor Assignment**

Summary: Directs the department to assign a soil survey supervisor position to complete soil surveys for Buncombe and Madison Counties.

Section: 15.44

Title: **Beaver Damage Control Funds**

Summary: Extends program to June 30, 1998, and expands program to the following counties: Bertie, Gates, Hoke, and Northampton. Requires a report by March 15, 1998 to the House and Senate Appropriations Subcommittees on Natural and Economic Resources, and the Fiscal Research Division on a plan to implement a program statewide. Requires participating counties to provide a \$4,000 match and commit the local match to the Wildlife Resources Commission no later than September 30, 1997.

Section: 15.45

Title: **Area Three Soil and Water Regional Coordinator**

Summary: Allocates \$46,600 for FY 1997-98 and \$43,600 for FY 1998-99 to establish a position to serve as the regional coordinator for Area 3 of the state Soil and Water Conservation Districts.

Section: 15.46

Title: **Meadow Branch Water Project and Deep Creek Project Funds Do Not Revert**

Summary: Extends the reversion date for the Meadow Branch and Deep Creek small watershed projects until June 30, 1999.

Section: 15.47

Title: **Randleman Dam Funds and Lower Neuse River Basin Association Funds Do Not Revert**

Summary: Extends the reversion date for the \$1,000,000 appropriated in Chapter 769 of the 1993 Session Laws for the Randleman Dam project. If construction has not begun by October 1, 1999 these funds shall revert. Also extends the reversion date for the funds appropriated in Chapter 18 of the 1995 Session Laws to the Lower Neuse River Basin Association until August 1, 1998. Funds are contingent upon the adoption of the Neuse River Nutrient Sensitive Waters Management Strategy by the Environmental Management Commission by that date.

Section: 15.48

Title: **Multi-County Water Conservation and Infrastructure District**

Summary: Amends G.S. 158-15.1(f) allowing all members of the Multi-County Water Conservation and Infrastructure District to be eligible to receive any monies derived from the sale of water under the Roanoke River Basin Compact, if enacted. Funds shall be distributed according to population and land area located in the Roanoke River Basin. Defines the term "river basin" in G.S. 143-215.22G to include any part of a river basin that extends into another state. Amends G.S. 143-215.22I to provide that North Carolina's interbasin transfer laws may be applied to transfers authorized by federal law.

Section: 15.49

Title: **Solid Waste Operator Course Exempt/DEHNR Position for Scrap Tire Program**

Summary: Subsections (a) and (c) -- Solid Waste Operator Course Exempt:

Exempts operators of solid waste management facilities from the requirement to complete an operator training course, provided the person has five years of continuous experience as a facility operator immediately preceeding January 1, 1998 (the effective date of the operator training course requirement) and completes continuing education requirements approved by DEHNR.

Subsection (b) -- DEHNR Position for Scrap Tire Program:

Authorizes the department to create a regulatory assistance position for local scrap tire managment programs with funds in the Scrap Tire Management Account designated for the cleanup of nuisance tire sites. Emphasis of the assistance program is to be on reducing the number of scrap tires illegally brought into the state for free disposal.

Section: 15.50

Title: **Aquarium Expansion**

Summary: Appropriates funds to expand one of the three North Carolina Aquariums. Allows the General Assembly to appropriate funds for the 1998-99 fiscal year to implement expansion plans at the aquariums not funded in the 1997-98 fiscal year.

Section: 34.7

Title: **Water Resources Development Projects**

Summary: Allocates \$7,030,600 for FY 1997-98 and identifies water resources development projects as follows: (1) Wilmington Harbor Maintenance Dredging, \$455,000; (2) Wilmington Harbor Channel Widening, \$1,030,000; (3) Manteo Shallowbag Bay Maintenance Dredging, \$150,000; (4) Aquatic Plant Control Statewide and Lake Gaston, \$150,000; (5) Wilmington Harbor Long-Term Disposal, \$545,000; (6) Carolina Beach Renourishment, \$1,148,000; (7) Wrightsville Beach Renourishment, \$500,000; (8) State-Local Projects, \$828,600 (projects listed out in Senate Bill 352); (9) Wanchese Marsh Creation and Protection, \$100,000; (10) Long Beach Sea Turtle Habitat Restoration, \$500,000; (11) Clinton Wastewater Treatment Plant Flood Protection, \$84,000; (12) North and Manteo Channel Maintenance Dredging, \$500,000; (13) Dare County Beaches Feasibility Study, \$40,000; (14) AIWW Easement Acquisition, \$100,000; (15) Planning Assistance to Communities, \$100,000; (16) Corps of Engineers Feasibility Studies, \$200,000; (17) Emergency Flood Control Projects (Section 14), \$100,000.

Allocates and identifies small watershed projects for FY 1997-98 as follows: (1) Deep Creek (Yadkin County), \$500,000.

Project funds not expended or encumbered will revert at the end of FY 1998-99.

Commerce

Statutory Authority: General Statutes, Chapter 143B-429

The head of the Department is the Secretary of Commerce who is appointed by the Governor. The Department's primary responsibilities include promotion of economic development to enhance job creation by providing business assistance, and the development of the State's communities through employment and training, housing and other programs. In addition, the Department oversees many regulatory commissions.

		GENERAL FUND	
		FY 97-98	FY 98-99
Recommended Budget		\$37,221,648	\$37,240,885
Legislative Changes			
Administrative Services			
78 Budget Indirect Cost Receipts		(\$52,000) R	(\$52,000) R
Increase the budgeted amount of indirect costs receipts and reduce General Fund appropriation by an equal amount.			
Business and Industry Division			
79 Fund Industrial Recruitment Competitive Fund			
Provides nonrecurring funding support for the Industrial Recruitment Competitive Fund [SB 352, Section 16.4, pp.328-329].			
		\$1,000,000 NR	
80 Regional Office Staff Support		\$22,100 R	\$26,000 R
Provides an administrative support position for the Piedmont Triad Regional Office. The effective date of the position is September 1, 1997.			
		\$5,900 NR	
		1.00	1.00
81 Marketing Missions and Trade Shows		\$80,000 R	\$100,000 R
Increases funding support for the Division's participation at industry trade shows and for conducting national marketing missions.			

Department Wide

82 Salary Reductions/Span of Control	(\$672,485)	R	(\$672,485)	R
Represents the Department's allocated share of this overall reduction:	-17.00		-17.00	
Administrative Services				
Salary and fringes for 1.00 FTE	(\$99,038)			
Economic Development Program				
Salary and fringes for 2.00 FTEs	(\$71,904)			
Business and Industry Division				
Salary and fringes for 1.00 FTE	(\$76,023)			
International Trade Division				
Salary and fringes for 2.00 FTEs	(\$77,862)			
Division of Energy				
Salary and fringes for 1.00 FTE	(\$42,029)			
Division of Community Assistance				
Salary and fringes for 1.00 FTE	(\$54,264)			
Division of Travel and Tourism				
Salary and fringes for 1.00 FTE	(\$24,065)			
Industrial Commission				
Salary and fringes for 8.00 FTEs	(\$227,300)			
TOTAL REDUCTIONS	(\$672,485)			

Economic Development Program

83 Reduce Support for Data Processing & Subscriptions	(\$29,000)	R	(\$29,000)	R
Reduce funding support for data processing services, subscriptions, and membership dues.				
84 Enhance EDIN System				
Funds to enhance the Economic Development Information Network System.	\$50,000	NR		
85 New and Emerging Industry Planning	\$300,000	R	\$300,000	R
Provides recurring funding for contracts and operating support to target high growth and emerging technology industries for recruitment to the state, promote technology transfer and entrepreneurship and to develop business support networks within the state.				

Executive Aircraft

86 Reduce Repair Funds	(\$188,000)	R	(\$188,000)	R
Reduce funding support for aircraft repair.				
87 Additional Funds for Lease	\$350,000	R	\$350,000	R
Additional funds for aircraft lease.				

Film Office

88 Reduce Travel	(\$25,000)	R	(\$25,000)	R
Reduce budget for board and nonemployee transportation.				

Global TransPark Marketing

89 Reduce Support for Global TransPark Marketing	(\$150,000)	R	(\$150,000)	R
Reduce General Fund transfer from the Department of Commerce to the Global TransPark Authority in the Department of Transportation for marketing the Global TransPark.				

Industrial Commission

90 Increase Industrial Commissioners Salaries	\$113,730	R	\$113,730	R
Increases the salaries of the Industrial Commission's six Commissioners to the same amount as that for District Attorneys. Increases the salary of the Chairman of the Industrial Commission to the same amount as District Attorneys plus an additional \$1,500 per annum.				
91 Budget Hearing Cost Receipts	(\$202,000)	R	(\$202,000)	R
Increase the budgeted amount of the Commission's Hearing Cost receipts and reduce General Fund appropriations by an equal amount.				
92 Case Management System	\$638,571	R	\$638,571	R
Provides funds for operating and maintenance costs, staff support to maintain hardware and software, and to develop system applications.	\$17,700	NR		
	3.00		3.00	
93 Temporary Positions	\$100,000	NR		
Provides nonrecurring funds to support temporary positions to assist with the Commission's backlog of claims, hearings, and appeals.				

Industrial Finance Center

94 Increase Industrial Development Fund	\$1,000,000	NR		
Provides a \$1 million nonrecurring expansion for the Industrial Development Fund [SB 352, Section 16.9, p.331].				
95 Fund Utility Account (Industrial Development Fund)	\$2,000,000	NR		
Provides nonrecurring funding support for economic development related water and sewer infrastructure projects in tier one enterprise counties [SB 352, Section 16.9, p.331].				
96 Increase Operating Support	\$50,000	R	\$50,000	R
Provides additional operating support for the Industrial Finance Center.				
	\$20,000	NR		

International Trade

97 Foreign Trade Shows	\$200,000	R	\$200,000	R
Increase recurring funding for trade shows and missions to expose small and medium sized companies to the international marketplace.				
98 Global Offices	\$300,000	R	\$300,000	R
Funds to contract with representatives to expand the division's foreign offices into 4 new and emerging markets in and around South Africa, the United Kingdom, South America, and the Middle East.				
99 International Trade Specialists	\$180,736	R	\$196,044	R
Increase the number of international trade specialists to enhance the state's marketability to potential customers in "Big Emerging Markets" (BEM). The effective date of these positions is September 1, 1997.	\$12,000	NR		
	2.00		2.00	

NC Alliance for Competitive Technologies

100 Recurring Funding Support to Continue Operations	\$375,000	R	\$375,000	R
Provides recurring state funding support to replace three-year federal grant and matching nonrecurring state funding support that will expire at the end of fiscal year 1996-97. Funding will allow the North Carolina Alliance for Competitive Technologies to continue operation as a state agency [SB 352, Section 16.14, p. 334].				
	3.00		3.00	

Reserves and Transfers

101 Reduce Support for the Regional Commissions	(\$405,000)	R	(\$405,000)	R
Reduces grant-in-aid support for the seven Regional Economic Development Commissions from \$4.68 million to \$4.275 million [SB 352, Section 16.10, p.331, and Section 16.11, p. 332-333].				
102 Year of the Mountain				
Reserve for planning initiatives.	\$300,000	NR		
103 Special Olympics 1999 World Summer Games				
	\$600,000	NR		
Nonrecurring funds to support the Special Olympics 1999 World Summer Games.				
104 Institute for Aeronautical Technology				
Provides \$1 million in nonrecurring funding for the Institute for Aeronautical Technology. Funds are to be used for planning, design, and land acquisition.	\$1,000,000	NR		

Travel and Tourism

105 Budget Additional Receipts	(\$12,000)	R	(\$12,000)	R
Increase the amount of budgeted receipts and reduce General Fund appropriation by an equal amount.				

106 Advertising Funds

Expand current promotional advertising funds and associated expenses to promote North Carolina as a travel destination.

\$1,000,000 NR

107 International Marketing

Funds to continue and expand the promotion of North Carolina as a travel destination in the international arena.

\$1,000,000 NR

108 1-800-VISIT-NC

Additional funds for the tourism hotline operated at Women's Prison.

\$250,000 NR

109 Rural Tourism Development Funds

Funds to support the Rural Tourism Development Grants program [SB 352, Section 16.13, pp. 333-334].

\$300,000 NR

110 Heritage Tourism

Funds to operate small scenic attractions of historic value to the state.

\$300,000	R	\$300,000	R
6.00		6.00	

Wanchese Seafood Industrial Park**111 Restore Governor's Reduction**

Restore Governor's recommended continuation budget reduction in funding and positions [SB 352, Section 16.16, p. 335].

\$122,594	R	\$122,594	R
3.00		3.00	

Total Legislative Changes

\$1,297,246	R	\$1,336,454	R
\$8,655,600	NR		

Total Position Changes

1.00	1.00
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Revised Budget

\$47,174,494	\$38,577,339
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Special Provisions:

1997 Session: Senate Bill 352

Department: Commerce

Section: 16

Title: **Worker Training Trust Fund**

Summary: Appropriates special funds from the Worker Training Trust Fund to the following state agencies for workforce related activities:

FY 97-98	FY 98-99	
\$6,689,964	\$6,689,964	ESC – Local Office Operations
225,000	225,000	ESC – Common Follow-up System
50,000	50,000	OSBM – Common Follow-up Evaluation
2,400,000	2,400,000	Commerce – Employment & Training Div.
1,746,000	1,746,000	Community Colleges – FIT Program
400,000	400,000	Community Colleges – REAL Program
500,000	1,000,000	Labor – Apprenticeship Program
1,000,000	1,000,000	Labor – Training Initiatives Bureau
100,000	100,000	St. Bd. of Education – Teacher Apprentice

Section: 16.1

Title: **Job Training Study Commission**

Summary: Creates a Legislative Study Commission on Job Training Programs to review existing state and federally funded job training programs in state government. The Commission is required to issue a final report by May 1, 1998, to the 1998 session of the General Assembly, the Joint Legislative Education Oversight Committee, and the Joint Legislative Commission on Governmental Operations. Expenses up to \$50,000 are funded from the Worker Training Trust Fund.

Section: 16.2

Title: **NC REAL Enterprises Reporting**

Summary: Requires the N.C. Rural Entrepreneurs through Action Learning (NC REAL) to report budgetary and program activities annually by January 15th to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division.

Section: 16.3

Title: **Special Employment Security Administration Fund**

Summary: Appropriates up to \$2,000,000 in penalty and interest receipts from the Special Employment Security Administration Fund for administering the Unemployment Insurance and Employment Service Programs.

Section: 16.4

Title: **Industrial Recruitment Competitive Fund**

Summary: Requires a quarterly report to the Joint Legislative Commission on Governmental Operations on the commitment, allocation, and use of funds from the Industrial Recruitment Competitive Fund.

Section: 16.5

Title: **Council of Government Funds**

Summary: Outlines the process to be used in allocating funds to Councils of Government.

Section: 16.6

Title: **Petroleum Overcharge Attorneys' Fees**

Summary: Extends for the next biennium the authorization for paying attorneys fees related to the litigation and collection of petroleum overcharge funds.

Section: 16.7

Title: **Petroleum Overcharge Funds Allocation**

Summary: Allocates \$2,200,000 for FY 1997-98 and \$3,000,000 for FY 1998-99 in petroleum overcharge funds. Appropriation is allocated between projects under the State Energy Efficiency Programs and the Residential Energy Conservation Assistance Programs (RECAP). Requires the department to report to the General Assembly by May 15, 1998 and January 31, 1999 detailing the use of all Petroleum Overcharge Funds.

Section: 16.8

Title: **Industrial Development Fund/Local Match**

Summary: Requires local governments seeking exemption from the Fund's local match requirement to demonstrate that providing a match is an economic hardship. Also requires the Department of Commerce to develop guidelines for hardship exemptions.

Section: 16.9

Title: **Industrial Development Fund**

Summary: Specifies that of the \$3,000,000 appropriated to the Industrial Development Fund;

1) \$2,000,000 is allocated to the Fund's "Utility Account," which is designated to serve economic development related water and sewer needs in tier one enterprise areas, and

2) \$1,000,000 is provided as a grant-in-aid to Martin County for a water and sewer project.

Also requires the Department of Commerce to report quarterly on Utility Account expenditures to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division.

Section: 16.10

Title: **Regional Commission Reports**

Summary: Requires each of the seven regional economic development commissions to report budgetary and program activities annually by January 15th to the Joint Legislative Commission on Governmental Operations, the Fiscal Research Division, and the Department of Commerce. The provision also requires each of the commissions to report certain performance activities and measures quarterly to the Department of Commerce.

Section: 16.11

Title: **Regional Economic Development Commission Allocations**

Summary: Specifies funding formula for allocating the \$4,275,000 general fund appropriation for the seven regional economic development commissions.

Section: 16.12

Title: **Tourism Promotion Funds**

Summary: Specifies the selection criteria and maximum grant amounts for tourism promotion grants.

Section: 16.13

Title: **Rural Tourism Development Funds**

Summary: Allocates \$300,000 for the Rural Tourism Development Grant Program and sets out guidelines for distributing funds.

Section: 16.14

Title: **North Carolina Alliance for Competitive Technologies**

Summary: Requires the North Carolina Alliance for Competitive Technologies to report budgetary and program activities annually by January 15th to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division.

Section: 16.15

Title: **Division of Employment and Training and Commission on Workforce Preparedness Consolidated**

Summary: Requires the Department of Commerce to consolidate the functions, staff, and budget of the Commission on Workforce Preparedness into the Division of Employment and Training. The department is directed to complete the consolidation by October 1, 1997, and to report on the results of the consolidation to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division by November 1, 1997.

Section: 16.16

Title: **Wanchese Seafood Industrial Park**

Summary: Authorizes Wanchese Seafood Industrial Park to use appropriated general fund resources for operations, maintenance, repair and capital improvements in addition to other funds available for these purposes.

Section: 16.27

Title: **Recreation District and Entertainment Establishment ABC Permits**

Summary: Subsection (a) modifies the definition of "Recreation District" under G.S. 18B-1006(j) for the purposes of issuing alcohol beverage control permits to businesses in a county that meets the following conditions: 1) borders another county that has held township elections pursuant to G.S. 18B-600(f) for the sale of malt beverages; 2) borders another state; and 3) contains a facility of at least 225 acres where four or more public auto racing events are held each year or contains a facility of at least 140 acres where 80 or more motor sports events are held each year. [Richmond County is the prospective county affected by this subsection].

Subsection (b) rewrites one of two requirements for a hotel or restaurant facility to qualify as a "Tourism ABC establishment" under G.S. 18B-101(14a). The special provision language clarifies that in determining the distance between the physical location of a restaurant or hotel facility in relation to an entrance or exit ramp of a junction to a national scenic parkway, the measurement is conducted from a facility's property line versus the physical location of the facility within the property. [Avery, Burke, Haywood, Henderson, Jackson, McDowell, and Transylvania are the prospective counties affected by this subsection].

Section: 16.28

Title: **Guest Room Cabinets For Certain Private Clubs**

Summary: Expands the definition of "Guest Room Cabinet Permit" under G.S. 18B-1001(13) to include "private clubs having a mixed beverages permit and management contracts for the rental of living units" for the purpose of providing alcohol beverage cabinets in a private club's guest rooms. The scope of this change applies only to private club's located in a county as defined in G.S. 18B-101(13a)b.2. [Chatham County is the prospective county affected by this special provision.]

State Aid to Non-State Entities

Statutory Authority: None

The Department of Commerce serves as administrator of funds appropriated by the General Assembly to various non-state recipients.

GENERAL FUND			
	FY 97-98		FY 98-99
Recommended Budget	\$1,475,000		\$1,475,000
Legislative Changes			
Grants-in-Aid			
112 Land Loss Prevention Project	(\$275,000) R		(\$275,000) R
Eliminate Governor's recommended recurring appropriation and provide nonrecurring funds for FY 1997-98. Funds provide free legal representation to low-income, financially distressed farmers [SB 352, Section 16.17, pp. 335-336].	\$350,000 NR		
113 Coalition of Farm and Rural Families	(\$145,000) R		(\$145,000) R
Eliminate Governor's recommended recurring appropriation and provide nonrecurring funds for FY 1997-98. Funds foster economic development within the state's rural farm communities by offering marketing and technical assistance to small and limited resource farmers [SB 352, Section 16.17, pp. 335-336]	\$250,000 NR		
114 North Carolina Minority Support Center	(\$275,000) R		(\$275,000) R
Eliminate Governor's recommended recurring appropriation and provide nonrecurring funds for FY 1997-98. Funds provide technical assistance to community-based minority credit unions [SB 352, Section 16.17, pp. 335-336].	\$375,000 NR		
115 Institute of Minority Economic Development	(\$780,000) R		(\$780,000) R
Eliminate recurring appropriation and provide nonrecurring funds for FY 1997-98. Funds foster economic development within the state through policy analysis, information and technical assistance, resource expansion, and support of community-based initiatives [SB 352, Section 16.17, pp. 335-336].	\$1,000,000 NR		
116 Technological Development Authority			
Grant-in-aid to the N.C. Technological Development Authority, Inc. for entrepreneurial support and infrastructure including creating new incubators, enhancing existing incubators, developing capital formation initiatives, supporting research commercialization programs and matching federal grant and loan funds [SB 352, Section 16.18, p. 336].	\$3,000,000 NR		

117 World Trade Center North Carolina

Grant-in-Aid to the World Trade Center North Carolina to support international trade education programs to small and medium sized businesses [SB 352, Section 16.19, pp. 336-337].

\$300,000 NR

118 Center for Community Self-Help

Provide funds to further a statewide program of lending for home ownership [SB 352, Section 16.20, p. 337].

\$5,000,000 NR

119 Yadkin/Pee Dee Lakes Project

Funds to the Yadkin/Pee Dee Lakes Project, Inc. to promote tourism and economic development in the area.

\$100,000 NR

120 Transfer N.C. Community Development Initiative

Transfer funding for the North Carolina Community Development Initiative, Inc. from the Rural Economic Development Center to the Department of Commerce [SB 352, Section 16.26, pp. 343-344].

\$1,800,000 R \$1,800,000 R

121 N.C. Community Development Initiative

Additional funds for the North Carolina Community Development Initiative, Inc. to support operating and program activity grants to mature community development corporations [SB 352, Section 16.26, pp. 343-344].

\$200,000 R \$200,000 R

Total Legislative Changes

\$525,000 R \$525,000 R

Total Position Changes

\$10,375,000 NR

Revised Budget

\$12,375,000 \$2,000,000

Special Provisions:

1997 Session: Senate Bill 352

Department: State Aid to Non-State Entities

Section: 16.17

Title: **Funds for Economic Development**

Summary: Allocates \$1,975,000 for minority economic development as follows:

- 1) \$350,000 to the Land Loss Prevention Project, Inc
- 2) \$250,000 to the North Carolina Coalition of Farm and Rural Families
- 3) \$1,000,000 to the North Carolina Institute of Minority Economic Development
- 4) \$375,000 to the North Carolina Minority Support Center

Requires each nonprofit organization to report budgetary and program activities by January 15, 1998 to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division.

Section: 16.18

Title: **Technological Development Authority**

Summary: Requires the North Carolina Technological Development Authority to report budgetary and program activities annually by January 15th to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division.

Section: 16.19

Title: **World Trade Center Funds**

Summary: Requires the World Trade Center North Carolina (WTCNC) to report budgetary and program activities by January 15, 1998 to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division.

Section: 16.20

Title: **Center for Community Self-Help Funds**

Summary: Allocates \$5,000,000 for FY 1997-98 to expand a statewide program of lending for home ownership. Requires quarterly reports to the Joint Legislative Commission on Governmental Operations, the House and Senate Appropriations Subcommittees on Natural and Economic Resources, and the Department of Commerce. Also requires the Center to submit annual audited financial statements to the State Auditor.

Section: 16.26

Title: **Community Development Initiative**

Summary: Allocates \$2,000,000 each year of the biennium to the North Carolina Community Development Initiative, Inc. Requires the Initiative to report budgetary and program activities annually by January 15th to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division

MCNC

Statutory Authority: Statutory Authority:

The purpose of MCNC is to support the State's efforts to foster science-based economic development and to encourage the use and application of advanced computer and micro-electronic technology by the business and educational communities.

GENERAL FUND		
	FY 97-98	FY 98-99
Recommended Budget	\$4,500,000	\$2,500,000
Legislative Changes		
122 (No budget adjustments)		
Total Legislative Changes		
Total Position Changes		
Revised Budget	\$4,500,000	\$2,500,000

Special Provisions:

1997 Session: Senate Bill 352

Department: MCNC

Section: 16.21

Title: MCNC

Summary: Requires MCNC to report budgetary and program activities annually by January 15th to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division. Allocates funding to the Electronic and Information Technologies Programs and requires funds to be matched on a dollar-for-dollar basis with non-state funds.

NC Biotechnology Center

Statutory Authority: None

The North Carolina Biotechnology Center is primarily a state funded not-for-profit organization specializing in biotechnology development. The Center provides grants to academic researchers for developing potential biotechnology applications, loans to biotech based companies that are either creating a start-up venture or relocating to the state, and educational resources and support to community colleges, high schools, and the state's historically minority universities.

GENERAL FUND		
	FY 97-98	FY 98-99
Recommended Budget	\$7,664,396	\$7,664,396
Legislative Changes		
NC Biotechnology Center		
123 Economic Development Investment Fund		
Nonrecurring funding increase for the N.C. Biotechnology Center's Economic Development Investment Fund. Funds provided are to be used for loans or equity investment to biotechnology companies and to biomedical and other bioscience related companies [SB 352, Section 16.22, pp. 338-339].	\$7,500,000	NR
124 Historically Minority Universities		
Additional nonrecurring funding to support biotechnology programs at the State's six Historically Minority Universities (Elizabeth City State University, Fayetteville State University, NC A&T State University, NC Central University, University of North Carolina-Pembroke, and Winston-Salem State University) [SB 352, Section 16.23, pp.339-340].	\$1,000,000	NR
Total Legislative Changes	\$8,500,000	NR
Total Position Changes		
Revised Budget	\$16,164,396	\$7,664,396

Special Provisions:

1997 Session: Senate Bill 352

Department: NC Biotechnology Center

Section: 16.22

Title: **Biotechnology Center**

Summary: Requires the N.C Biotechnology Center to report budgetary and program activities annually by January 15th to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division. Also requires the agency to recapture funds spent in support of successful research and development efforts in the for-profit sector.

Section: 16.23

Title: **Biotechnology Funds For Minority Universities**

Summary: Allocates funding for the special biotechnology program initiative for North Carolina's Public Historically Black Colleges and Universities and the University of North Carolina at Pembroke. Also requires the Biotechnology Center to report annually by March 1st to the Joint Legislative Commission on Governmental Operations on various aspects of its grants to these schools.

Rural Economic Development Center

Statutory Authority: None

The purpose of the Rural Economic Development Center is to improve economic conditions, support increased entrepreneurial development, and facilitate the creation of more and better jobs available in rural areas with a special focus on low-income residents.

GENERAL FUND				
	FY 97-98		FY 98-99	
Recommended Budget	\$5,870,000		\$5,870,000	
Legislative Changes				
N.C. Association of CDCs				
125 N.C. Association of CDCs	(\$150,000)	R	(\$150,000)	R
Eliminate recurring appropriation for the North Carolina Association of Community Development Corporations, Inc. and provide nonrecurring funds for FY 1997-98. Funds provide training and technical assistance to community development corporations statewide [SB 352, Section 16.24, pp. 340-342].	\$200,000	NR		
N.C. Community Development Initiative				
126 Transfer N.C. Community Development Initiative	(\$1,800,000)	R	(\$1,800,000)	R
Transfer funding for the North Carolina Community Development Initiative, Inc. from the Rural Economic Development Center to the Department of Commerce.				
Rural Economic Development Center				
127 Supplemental Funding Program				
Additional funds to support the Supplemental Funding Program for economic development in rural communities [SB 352, Section 16.24, pp. 340-342].	\$3,150,000	NR		
Total Legislative Changes	(\$1,950,000)	R	(\$1,950,000)	R
	\$3,350,000	NR		
Total Position Changes				
Revised Budget	\$7,270,000		\$3,920,000	

Special Provisions:

1997 Session: Senate Bill 352

Department: Rural Economic Development Center

Section: 16.24

Title: Rural Economic Development Center

Summary: Appropriates \$1,270,000 each year to the Center and allocates the funding among Center programs. Requires the Center to provide information to the Office of State Budget and Management for preparation of the budget. Limits the Center's use of interest earned on appropriated state funds for administration. Allocates \$5,750,000 for FY 1997-98 and \$2,400,000 for FY 1998-99 as follows:

FY 1997-98	FY 1998-99	
\$900,000	\$900,000	CDCs previously receiving state funds
250,000	250,000	New and Emerging CDCs
200,000	—	North Carolina Association of CDCs
50,000	50,000	Rural Center for administration
250,000	250,000	Microenterprise Loan Program
4,100,000	950,000	Supplemental Funding Program

Requires the Center to report budgetary and program activities annually by January 15th to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division.

Section: 16.25

Title: Opportunities Industrialization Centers

Summary: Allocates \$50,000 each to the following five Opportunities Industrialization Centers:

- 1) Opportunities Industrialization Centers of Wilson
- 2) Opportunities Industrialization Center of Rocky Mount
- 3) Pitt-Greenville Opportunities Industrialization Center
- 4) Opportunities Industrialization Center of Lenoir, Greene, and Jones Counties
- 5) Opportunities Industrialization Center of Elizabeth City

Requires the Rural Center to report budgetary and program activities of the OICs annually by January 15th to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division.

LEGISLATIVE ACTIONS:
HIGHWAY FUND APPROPRIATIONS

TRANSPORTATION

Transportation

Statutory Authority:

The Department of Transportation is responsible for all modes of travel in North Carolina except for the State Ports. The two largest divisions in the Department are the Division of Highways and the Division of Motor Vehicles. In 1993, the Governor created a Deputy Secretary for Transit, Rail and Aviation to stress the importance of transportation modes other than highways. This new Deputy also oversees the Ferry Division, the Aviation Division, the Bicycle Program, and the Public Transportation and Rail Division.

HIGHWAY FUND

	FY 97-98	FY 98-99
Recommended Budget	\$1,082,397,705	\$1,087,670,091

Legislative Changes

Administration

(0000) All Divisions

1 Position Reductions	(\$135,000)	R	(\$135,000)	R
Eliminate 3 vacant positions:				
	-3.00		-3.00	
Asst. Sec. for Government Affairs				
Deputy Secretary				
Personnel Tech III				
2 Reduce Operating Expenses	(\$130,000)	R	(\$130,000)	R
Travel/Other Employee Expenses (22XX)	(\$10,000)			
Payments for Services (22XX)	(\$100,000)			
Materials and Supplies (24XX)	(\$10,000)			
Equipment (25XX)	(\$10,000)			
Total	(\$130,000)			

(0110) Board of Transportation

3 Reduce Operating Expenses	(\$26,000)	R	(\$26,000)	R
Per Diem (2231)	(\$16,000)			
Board-Council Expenses (2235)	(\$10,000)			
Net	(\$26,000)			

(0210) Fiscal

4 Reduce Operating Expenses	(\$10,000)	R	(\$10,000)	R
Travel and Subsistence (2236-40)	(\$18,000)			
Hwy Trust Fund Trans. (0914)	\$ 8,000			
Net	(\$10,000)			

(0220) MIS**5 Support for Year 2000 Conversion**

Contract personnel to provide technical support for the Year 2000 conversion.	\$4,835,000	NR	\$5,575,000	NR
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6 Support for Vehicle Registration System (STARS)

Contract personnel to provide programming support for the Vehicle Registration System (STARS).	\$600,457	R	\$600,457	R
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7 Support for Driver License System

Contract personnel to provide programming support for the Driver License System.	\$421,852	R	\$421,852	R
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(0250) Internal Audit**8 Reduce Operating Expenses**

	(\$1,350)	R	(\$1,350)	R
Educational Expenses (2233)	(\$3,000)			
Hwy Trust Fund Trans. (0914)	\$1,650			
Net	(\$1,350)			

(0290) Director of Administration**9 Reduce Operating Expenses**

	\$0	R	\$0	R
Professional Fees (2310)	(\$50,000)			
Hwy Trust Fund Trans. (0914)	\$50,000			
Net	(\$ 0)			

10 Increase Receipts

Employee Commuting Fees (0994) \$185,000	(\$185,000)	R	(\$185,000)	R
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(0660) Ferry Division**11 Increase Receipts**

Charges to Work Orders (0910) \$10,000	(\$10,000)	NR		
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Operations**(0000) All Divisions****12 Reduce Operating Expenses**

	(\$85,000)	R	(\$85,000)	R
Travel/Other Employee Expenses (22XX)	(\$30,000)			
Payments for Services (22XX)	(\$30,000)			
Materials and Supplies (24XX)	(\$10,000)			
Equipment (25XX)	(\$15,000)			
Total	(\$85,000)			

(1030) Chief Engr of Operations**13 Reduce Operating Expenses**

	(\$8,600)	R	(\$8,600)	R
Educational Expenses (2233)	(\$20,000)			
Hwy Trust Fund Trans (0914)	11,400			
Net	(8,600)			

Transportation

(2050) Division Five**14 Reduce Operating Expenses**

(\$18,510)	R	(\$18,705)	R
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	97/98	98/99
Telephone (2322)	(\$7,000)	(7,210)
Data Processing Equip (2510)	(15,000)	(15,000)
Hwy Trust Fund Trans. (0914)	3,490	3,505
Net	(18,510)	(18,705)

(2140) Division Fourteen**15 Reduce Operating Expenses**

(\$2,250)	R	(\$2,250)	R
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Repairs (2342)	(\$3,000)
Hwy Trust Fund Trans. (0914)	750
Net	(\$2,250)

(2210) Highway Design**16 Reduce Operating Expenses**

(\$51,710)	R	(\$51,710)	R
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Subsistence & Travel (2236;7)	(\$20,000)
Repairs (2347)	(5,000)
Photographic Supplies (2410)	(12,000)
Engr & Drafting Equip (2512)	(20,000)
Services by Other Hwy Div. (2640)	(30,000)
Hwy Trust Fund Trans. (0914)	35,290
Net	(51,710)

17 Increase Estimated Receipts

(\$75,000)	R	(\$75,000)	R
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Direct Charges to Job Orders (0910)	(\$50,000)
Other Receipts (0990)	(25,000)
Net	(75,000)

(2230) Maintenance**18 Reduce Operating Expenses**

(\$33,350)	R	(\$33,350)	R
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Subsistence & Travel (2236;7)	(\$35,000)
Rent of Equip (2522)	(5,000)
Hwy Trust Fund Trans. (0914)	6,650
Net	(33,350)

(2240) Construction**19 Reduce Operating Expenses**

(\$7,000)	R	(\$7,000)	R
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Laboratory Equipment (2514)	(\$7,000)
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(2260) Safety & Loss Control**20 Reduce Operating Expenses**

(\$24,000)	R	(\$24,000)	R
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Educational Expenses (2233)	(\$9,000)
Subsistence and Travel (2236;7;8;9;40)	(15,000)
Net	(24,000)

(2320) Traffic Engineering

21 Reduce Operating Expenses	(\$6,300)	R	(\$6,300)	R
Subsistence and Travel (2236;7;8;9;40) (\$7,500)				
Hwy Trust Fund Trans. (0914) 1,200				
Net (6,300)				

(2330) Right of Way

22 Reduce Operating Expenses	(\$5,000)	R	(\$5,000)	R
Subsistence and Travel (2236;7;8;9;40) (\$5,000)				

(2420) Highway Engineering Assoc. Prog.

23 Increase Receipts	(\$250,000)	R	(\$250,000)	R
Direct Charges-Work Orders (0910) \$250,000				

Construction and Maintenance**(5120) Secondary Roads**

24 Technical Adjustment Based on Actual Revenues	(\$2,035,976)	R		
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The continuation budget amount for Secondary Roads is equal to 1-3/4 cents of total FY 96/97 gas tax revenues. Based on actual FY 96/97 revenues this amount should be reduced below the amount in the Governor's continuation budget.

(5180) Construction - Discretionary

25 Increase Small Urban Programs	\$4,000,000	R	\$4,000,000	R
Provides additional funding for rural and small urban highway improvements, industrial access and spot safety. [SB 352, Sec. 32.5, p. 423]				

(5240) Contract Resurfacing

26 Additional Resurfacing Funds	\$7,408,965	R	\$7,408,965	R
To provide additional funds for contract resurfacing.	\$11,767,799	NR		

(5400) Capital Improvements

27 Capital Facilities Improvements

To provide funds for capital facilities improvements.

\$12,100,000 NR

- 1.R.E.U. Office/Assembly & Storage Facility
Newton - \$434,000
- 2.Equipment Shop, Const.
Marion - \$1,103,000
- 3.Transportation Bldg. Upgrade - Chiller
Raleigh - \$469,000
- 4.Site Planning & Utilities Const.
Asheboro - \$128,000
- 5.Equipment Shop, Const.
Asheboro - \$1,024,000
- 6.Century Center Renovation - Electrical
Raleigh - \$439,000
- 7.Maint. Office/Assembly
Franklin - \$405,000
- 8.DMV - Bldg. Renovation & Addition
Morganton - \$198,000
- 9.Resident Engr's. Office, Const.
Lumberton - \$294,000
- 10.DMV - Bldg. Renovation & Addition
Charlotte - \$262,000
- 11.R.E.U./Road Oil Building
North Wilkesboro - \$1,127,000
- 12.Land Purchase, 1.5 Acres
Currituck - \$84,000
- 13.DMV - HVAC Replacements
Statewide - \$300,000
- 14.DOH - Water and Sewage Systems
Statewide - \$132,000
- 15.Transportation Bldg. Upgrade - Plumbing
Raleigh - \$303,000
- 16.DOH - Misc. (Small) Office Additions
Statewide - \$120,000
- 17.DMV - Life Safety Upgrades
Raleigh - \$142,000
- 18.DMV - Water and Sewage Systems
Statewide - \$100,000
- 19.Weigh Stations - Electrical Renovations
Statewide - \$100,000
- 20.Weigh Stations - HVAC Renovations
Statewide - \$84,000
- 21.DMV - Pkg. Lot Renovations
Statewide - \$185,000
- 22.Div. Traffic Serv. Office/Shop/Whse.,Const.
Carthage - \$1,355,000
- 23.Pesticide Storage Bldg., Const.
Carthage - \$75,000
- 24.Salt Storage Facilities
Statewide - \$532,000
- 25.Repair/Supply Facility, Const.
Hatteras North Dock - \$721,000
- 26.DMV - Bldg. Renovation & Addition
North Wilkesboro - \$198,000
- 27.DMV - Roof Replacements

Transportation

Statewide - \$263,000
 28.DMV- Exterior Renovations
 Statewide - \$238,000
 29.DMV - Interior Renovations
 Statewide - \$182,000
 30.DMV - Bldg. Renovations & Addition
 Sanford - \$378,000
 31.DMV - Renovation & Addition
 Graham - \$60,000
 32.DMV - Computer Room Renovation
 Raleigh - \$99,000
 33.Land Purchase, 0.75 Acre
 Hayesville - \$100,000
 34.New Division Office, Land Purchase & Des.
 North Wilkesboro - \$366,000
 35.Renovate Maintenance Facility
 Onslow County - \$100,000

(5600) Federal Construction

28 Reduce Federal Aid Match

Reduce Highway Fund appropriations used to match Federal Aid. (\$23,954,740) NR

(5910) State Aid to Municipalities (Powell Bill)

29 Technical Adjustment Based on Actual Revenues

(\$2,035,976) R

The continuation budget amount for Powell Bill Funds is equal to 1-3/4 cents of total FY 96/97 gas tax revenues. Based on actual FY 96/97 revenues this amount should be reduced below the amount in the Governor's continuation budget.

(5940 & 5970) State Aid - Rail & Public Transit

30 Public Transportation Improvements

\$12,600,000	R	\$12,600,000	R
\$13,400,000	NR		

Additional funds for the improvement of passenger rail service and support of local public transportation systems. [SB 352, Sec. 32.17, p. 429]

Division of Motor Vehicles

(0000) All Divisions

31 Federal Driver License Privacy Act Implementation

\$124,600	R	\$124,600	R
\$13,000	NR		
2.00		2.00	

Federal law requires restricted access to motor vehicle records after September 13, 1997. DMV requires additional positions to implement new information request procedures. [SB 352, Sec. 32.25, p. 432]

(0520) Vehicle Registration

32 Adjust Operating Expenses	\$300,000	R	\$300,000	R
Professional Fees (2310)	(\$ 40,000)			
Insurance and Bond Premium (2351)	(\$ 30,000)			
Uniforms, Arms, Etc (2412)	(\$ 1,409)			
Branch Agent Commissions (2314)	\$268,909			
Data Processing Equipment (2510)	\$ 40,000			
Hwy Trust Fund Trans. (0914)	\$ 62,500			
Net	\$300,000			
33 Increase Receipts	(\$260,000)	R	(\$260,000)	R
Registration Info. Receipts (0985)	\$225,000			
Acknowledgment Fees (0986)	\$ 35,000			
Net	\$260,000			
34 Service and Maintenance of Equipment	\$150,000	R	\$165,000	R
Increased service and maintenance costs for data processing equipment.				
35 Branch Agent Transaction Volume	\$2,027,695	R	\$3,052,783	R
Increased costs related to larger number of transactions performed by Branch Agents, based on current transaction rates.				
36 Increase Highway Trust Fund Receipts	(\$889,760)	R	(\$1,073,146)	R
Highway Trust Fund receipts increase due to growth in Highway Use Tax transactions.				
37 Branch Agent Rate Increase	\$1,028,619	R	\$1,110,909	R
Branch Agent rate increases from \$1.20 per transaction to \$1.35 for non-Highway Use Tax transactions. [SB 352, Sec. 32.7, p. 425]				
38 License Plates and Stickers	\$226,291	R	\$392,763	R
Increased costs related to larger number of license plates.				

(0530) Driver Licensing

39 Adjust Operating Expenses	\$0	R	\$0	R
Repairs and Services to Equip. (2342)	(\$ 8,000)			
Repairs and Services to DP Equip.(2347)	(\$ 9,000)			
Office supplies (2410)	(\$70,000)			
Photographic Supplies (2473)	(\$ 5,000)			
Printing and Binding (2411)	\$75,000			
Driver License Photo Equipment (2524)	\$17,000			
Net	\$ 0			
40 Automated Testing System			\$30,000	R
Install automated testing equipment in 10 offices.	\$270,000	NR	\$230,000	NR
41 Renovate 11 Driver License Offices				
The following offices are scheduled for renovation:				
	\$494,722	NR		
East Greensboro, Asheboro, Clyde, Concord, Greenville,				

Transportation

Monroe, Morehead City, Morganton, Rocky Mount, Taylorsville
and Whiteville

42 Automated Customer Queuing System	\$9,500	R	\$39,500	R
Install Queuing Systems in 20 Driver License offices.	\$360,000	NR		
43 Photo Equipment	\$191,444	R	\$399,598	R
Increased costs of leasing digitized photo equipment due to increases in number of transactions performed.				
44 Graduated Driver License Implementation	\$101,789	R	\$255,607	R
Expenditures to implement graduated driver license legislation. Additional funding and positions will be required in FY 99-00.	\$20,865 3.00	NR	\$28,595 7.00	NR
45 Driver License Office Staffing	\$904,940	R	\$1,138,735	R
Additional staffing necessary to meet customer demands.	\$95,060 28.00	NR	\$23,765 35.00	NR
(0540) School Bus and Traffic Safety				
46 Adjust Operating Expenses	\$0	R	\$0	R
Dues, Subscriptions, Promo.(2352)	(\$5,000)			
Repairs and Services to Equip.(2342)	(\$2,000)			
In-State Transportation (2237)	\$7,000			
Net	\$ 0			
47 Driver Improvement Clinics	\$18,500	R	\$18,500	R
To enable drivers to complete clinic in one day.	\$35,100	NR		
(0550) Traffic Records				
48 Increase Receipts	(\$7,400)	R	(\$7,400)	R
Reimbursement NHSTA (0959) \$7,400				
(0560) International Registration Plan				
49 Adjust Operating Expenses	(\$4,700)	R	(\$4,700)	R
Travel and Subsistence (2238-9)	(\$5,000)			
Telephone and Telegraph (2322)	(\$2,000)			
In-State Transportation (2237)	\$2,000			
Hwy Trust Fund Trans. (0914)	\$ 300			
Net	(\$4,700)			

(0570) Enforcement**50 Adjust Operating Expenses**

Educational Expenses (2233)	(\$ 2,186)
Repairs and Service DP Equip. (2347)	(\$ 36,000)
Motor Vehicle Operations (2469)	(\$ 2,331)
In-State Subsistence (2236)	(\$213,184)
Rent of Other Equipment (2523)	(\$ 10,000)
In-State Transportation (2237)	\$189,184
Out of State Subsistence (2238)	\$ 12,000
Out of State Transportation (2239)	\$ 6,000
Other Travel Expenses (2240)	\$ 6,000
Training Data Processing (2250)	\$ 2,186
Professional Fees (2310)	\$ 10,000
Shop Supplies and Small Tools (2474)	\$ 2,331
Data Processing Equipment (2510)	\$ 57,500
Safety Inspection Invest. (2637)	(\$ 21,500)
Net	\$ 0

\$0 R

\$0 R

51 Equipment

To provide funds to purchase portable scales, scale racks, and 800 MHZ radios.

\$591,830 NR

(0590) Motor Vehicle Exhaust Emission Inspec.**52 Adjust Expenditures and Receipts**

To budget additional receipts and expenditures for this fee supported program, based on program requirements

\$0 R

\$0 R

	97/98	98/99
Expenditures	\$3,959,086	\$1,478,941
Receipts	(\$3,959,086)	(\$1,478,941)
Net	0	0

Reserves**(0000) Reserves****53 Minority Contractor Development**

To provide funds to the Department of Transportation for the development of minority contractors.

\$150,000 R

\$150,000 R

54 State Fire Protection Grant Fund

Highway Fund portion of grants to local fire units for protection of State facilities.

\$150,000 R

\$150,000 R

(6270) Crime Control and Public Safety**55 Criminal Justice Information Network (CJIN)**

Provide funds for installation of 18 data transmitters and purchase of 200 mobile data units.

\$4,106,600 NR

\$156,600 NR

56 Highway Patrol Helicopters

Provides funds to move two State Highway Patrol helicopters to Asheville and Kinston. Funds for operations, maintenance

\$103,660 R

\$103,660 R

Transportation

and flight time.

(6310) Dept. of Public Instruction

57 Increased Driver Education Cost

\$922,607 R \$939,955 R

Increased Driver Education Cost due to revised 9th grade Average Daily Membership (ADM) estimates. [SB 352, Sec. 32.6, p. 425]

(6610) Employer Retirement Cont

58 Reduce Retirement Contribution

(\$1,650,200) R

Savings realized by a reduction in retirement rate contribution. Contribution rate is reduced from 10.83% to 10.46% for FY 97/98 only. [SB 352, Sec. 33.23, p. 453]

(6810) Compensation Increases

59 Reduction of Reserve for Compensation Increases

(\$250,000) R (\$250,000) R

The reserve amount provided in 1996 for the 4.5% FY 96/97 compensation increase was more than was needed to pay for the annualized cost of the increase. As a result, compensation funds can be reduced by \$250,000.

60 Legislative Salary Increase

\$15,679,786 R \$15,679,786 R
\$1,079,570 NR

Provides funds for a 2% cost of living adjustment and a 2% career growth salary increase for employees paid from Highway Fund appropriations. Employees at the top of their pay scale receive a one-time bonus instead of a 2% career growth increase. [SB 352, Sec. 33.18, p. 443]

(6820) New DMV Building

61 New DMV Building

Provides design funds for new DMV Building. \$1,000,000 NR

(6825) Computer Replacement

62 Computer Replacement Reserve

Provides funds to allow for ongoing replacement of obsolete personal computers. \$1,000,000 NR \$1,000,000 NR

(6826) New DMV Systems

63 Collisions Reports Re-engineering

Provide funds for the re-engineering of the way data is collected relating to automobile accidents. \$1,774,500 NR \$1,742,527 NR

64 International Registration Plan (IRP)

Provide funds for enhancements to outdated IRP software. \$1,270,600 NR \$1,766,000 NR

Total Legislative Changes	\$38,932,623	R	\$46,433,159	R
	\$30,990,971	NR	\$10,522,487	NR
Total Position Changes	30.00		41.00	
Revised Budget	\$1,152,321,299		\$1,144,625,737	

Special Provisions:

1997 Session: Senate Bill 352

Department: Transportation

Section: 32

Title: Global Transpark Authority to Reimburse Highway Fund From Federal Sources

Summary: Extends for two years a reimbursement provision for \$1.8 million appropriated to the Global Transpark for an environmental impact statement (EIS). If the Federal Aviation Administration (FAA) reimburses the State for the EIS, the Federal Funds would be deposited into the Highway Fund.

Section: 32.1

Title: Aircraft and Ferry Acquisitions

Summary: Establishes in G.S. a requirement for the Board of Transportation to estimate the operating and capital costs of adding an aircraft or ferry to the fleet and report such costs to the Joint Legislative Commission on Governmental Operations.

Section: 32.2

Title: Department of Transportation to Pay Department of Correction only for Actual Medium Custody Inmate Labor

Summary: The Department of Transportation shall pay the Department of Correction only for the actual labor performed by medium custody inmates.

Section: 32.3

Title: Highway Fund Allocations by Controller

Summary: Establishes in G.S. that the DOT Controller shall allocate funds to eliminate all overdrafts on State maintenance and construction projects.

Section: 32.4

Title: Small Urban Construction Program Discretionary Funds

Summary: Appropriates \$14 million for small urban construction projects located within one mile of municipal corporate limits and \$10 million for rural or small urban highway improvements, industrial access roads, and spot-safety projects.

Section: 32.5

Title: Use of Annual Unreserved Highway Fund Credit Balance

Summary: Allows the excess credit balance at year end to be used to create reserves for access and public roads, unforeseen events, and other needs of the department. After the reserves are established, any remaining credit balance goes to maintenance.

Section: 32.6

Title: **Drivers Education Funding**

Summary: States that funding for increase in Driver Education costs will be covered by funds appropriated to DOT. In allocating funds to driver training, the State Board of Education shall consider the needs of small and low-wealth local school administrative units.

Section: 32.7

Title: **Branch Agent Transaction Rate**

Summary: Raises branch agents transaction rate from \$1.20 to \$1.35 per transaction for all transactions except collection of Use Tax. The transaction rate for Use Tax remains at \$1.20 per transaction. Also requires DOT to develop performance measures for branch agents. The performance measures are to be reported to Transportation Oversight for review by Dec. 1, 1997.

Section: 32.8

Title: **Merger of International Registration Plan and Vehicle Registration**

Summary: Merges budget fund codes for International Registration Plan and Vehicle Registration.

Section: 32.9

Title: **Plan for Privatization of School Bus Driver Training**

Summary: DOT shall prepare a plan for the privatization of school bus driver training as recommended by MGT performance audit.

Section: 32.10

Title: **Highway Fund Limitations on Overexpenditures**

Summary: Allows overexpenditures of certain fund codes within the Construction and Maintenance budget code, as long as there are offsetting underexpenditures of those funds.

Section: 32.11

Title: **Department of Transportation Exemption from General Statutes for Experimental Project – Congestion Management**

Summary: Exempts from bidding and contracting laws a project on I-77 in Mecklenburg County designed to reduce congestion, improve safety and improve air quality on major traffic arteries. The project involves the installation of an advanced traffic control system and an advanced traveler communication and information system to allow motorists to avoid congestion and accidents.

(Note - this contract has been awarded. DOT feels that this SP should be continued to address any contract amendments should they arise.)

Section: 32.12

Title: **Resurfaced Roads may be Widened**

Summary: Establishes in G.S., permission for DOT to use 15% of the contract resurfacing funds to widen existing roads scheduled for resurfacing.

Section: 32.13

Title: **Cash Flow Highway Fund and Highway Trust Fund Appropriations**

Summary: This provision sets out certified revenue estimates for the Highway Fund and Highway Trust Fund for the four years following the current biennium. Estimates will be used by the Department of Transportation to determine the amount of funding that can be used for projects funded on a cash flow basis.

Section: 32.14

Title: **F.E.M.A. Receivables**

Summary: DOT is required to report to the Joint Legislative Transportation Oversight Committee by March 1, 1998 on the status of Federal Emergency Management Agency receivables for past natural disasters.

Section: 32.15

Title: **Feasibility Study of Drivers Education Testing**

Summary: DOT and the Department of Public Instruction shall conduct a feasibility study of having the drivers education instructors, rather than DMV examiners, administer the required written and road tests before a student is issued a permit or license. DOT is required to report the results of the study to the Joint Legislative Transportation Oversight Committee by March 1, 1998.

Section: 32.16

Title: **Global Transpark Authority Business Plan for Disadvantaged Business Participation**

Summary: Requires the Global Transpark Authority to develop a business plan for meeting its ten percent goal for disadvantaged business participation in contracting. The Global Transpark Authority is required to submit a copy of the plan to the Joint Legislative Transportation Oversight Committee by March 1, 1998.

Section: 32.17

Title: **Use of Public Transportation and Passenger Rail Funding**

Summary: Requires the DOT to prepare a plan for the use of the expansion funds provided in the budget for the improvement of public transportation and passenger rail service. DOT is required to present the plan to the Joint Legislative Transportation Oversight Committee by October 1, 1997.

Section: 32.18

Title: **Federal Funds for Public Transportation Improvements**

Summary: To the extent allowable by federal law, the DOT shall use ten million dollars (\$10,000,000) of federal highway funds for improvements to public transportation.

Section: 32.19

Title: **Biennial Report on Maintenance Requirements**

Summary: In each even numbered year, the DOT shall survey the conditions of the State highway system and shall prepare a report of the findings of the survey. On the basis of the report, the DOT shall develop a state-wide annual maintenance program for the State highway system. The report shall be presented to the Joint Legislative Transportation Oversight Committee by November 30 of each even numbered year.

Section: 32.20

Title: **Graduated Drivers License Program**

Summary: Eliminates the language from the recently passed "Graduated Drivers License" bill that says the bill only becomes effective if the General Assembly appropriates the "necessary" funds from the Highway Fund to the DOT to administer the provisional license program.

Section: 32.21

Title: **Highway Patrol – Underground Fuel Tank Removal and Remediation Funds**

Summary: Requires that \$650,000 from the unreserved credit balance of the Highway Fund as of June 30, 1997 be used to pay for the removal and replacement of underground fuel storage tanks located at various State Highway Patrol installations.

Section: 32.22

Title: **Oregon Inlet Stabilization Project Study**

Summary: Requires the Legislative Research Commission to study the cost and benefits of the stabilization of the Oregon Inlet, and to report to the 1998 session of the General Assembly.

Section: 32.23

Title: **Department of Transportation Minority and Women Owned Business Participation Plan**

Summary: Requires DOT to develop a plan for meeting its goals for minority and women owned business participation in construction and supply contracts. DOT shall submit the plan to Joint Legislative Transportation Oversight Committee by December 1, 1997.

Section: 32.24

Title: **Contaminated Property Remediation**

Summary: If available, allows any funds previously set aside for a battery dump cleanup site to be used for other contaminated sites. Original appropriation was \$115,000, it now appears that some amount less than \$115,000 will be needed for the battery site cleanup.

Section: 32.25

Title: **Federal Drivers Privacy Protection Act Compliance**

Summary: Amends General Statutes to comply with the Federal Drivers Privacy Protection Act. The Federal Law becomes effective Sep. 13, 1997. The Federal act allows less public access to driver and motor vehicle records than does current law. The provision allows mass marketers access to certain vehicle records, but only if the vehicle owner signs a form permitting access.

Section: 32.26

Title: **Salvage Vehicle Inspections**

Summary: Amends General Statutes to require vehicle inspection, by the Enforcement Division, of any motor vehicle up to six model years old damaged by collision or other occurrence which is to be retitled in NC.

Section: 32.27

Title: **Western Passenger Rail Service Route Major Investment Study**

Summary: Provides that from funds appropriated to the DOT, \$750,000 shall be used to conduct a major investment study of passenger rail service that will include: 1) a passenger rail proposal providing service between Raleigh and Asheville through Winston-Salem, and 2) commuter rail services between Winston-Salem, Greensboro, High Point and outlying communities.

The study will be conducted by the Triad Regional Transportation Authority in consultation with DOT and MPO's in Forsyth County, Greensboro and High Point. The DOT shall approve funding requests for the study and make progress reports to Transportation Oversight.

Section: 32.29

Title: **Contract Agent Transaction Analysis and On-line Registration Feasibility Study**

Summary: Requires the Office of Productivity Management in DOT to study the current cost of transactions performed by tag agents. The study shall be reported to Joint Legislative Transportation Oversight Committee by March 1, 1998.

The DMV shall study the feasibility of a system that would allow motor vehicle dealers to enter information onto the STARS system for issuance of certificates of title, registration plates, or both for new vehicles sold by them.

Section: 32.30

Title: **North Carolina Railroad Acquisition**

Summary: Instructs the State Treasurer to invest up to \$61 million of the General Fund in a loan for the purpose of the State acquiring 100% ownership of the voting stock of the North Carolina Railroad Company. The loan is not subject to repayment of principal or interest prior to action of the 1999 Session of the General Assembly. The Governor shall recommend to the 1999 Session of the General Assembly, by Feb. 1, 1999, a plan of repayment of the loan.

The provision also provides that the Governor, Speaker of the House, and the President Pro Tempore of the Senate will appoint the directors of the NCRR board. The Governor shall appoint 5 members of the board, and the Speaker and President Pro Tempore shall each appoint 2. The board shall elect a chairman from its membership.

STATEWIDE RESERVES/ DEBT SERVICE

Statewide Reserves

		GENERAL FUND	
		FY 97-98	FY 98-99
Legislative Changes			
1 Reduction in Debt Service		(\$18,171,611) R	(\$18,675,184) R
Debt Service FY 97-98:		(\$44,597,910) NR	
Adjusted Governor's Rec.	\$181,252,021		
Revision per State Treasurer	(14,061,500)		
Receipts:			
Interest on proceeds of prior bond sales	(44,597,910)		
Local Government repayments	(4,110,111)		
Net FY 97-98 Requirement	118,482,500		
Debt Service FY 98-99:			
Adjusted Governor's Rec.	\$225,204,831		
Revision per State Treasurer	(14,677,000)		
Receipts:			
Local Government Repayments	(3,998,184)		
Net FY 98-99 Requirement	206,529,647		
2 Reserve for Compensation Increases		\$343,409,871 R	\$343,409,871 R
Effective 7-1-97:		\$1,306,886 NR	
Teachers and Instructional Support (4%-9%)	\$170,664,866		
Principal and Asst.Principals (6%)	12,442,374		
Other Public School Employees	30,475,856		
University EPA	33,511,290		
Community College EPA	18,281,736		
Other State Employees (4%)	78,633,749		
Bonus for SPA Employees at Maximum	1,306,886		

3 Teachers and State Employees Retirement System

Net actuarial savings after retirement benefit increase of 6.2% and increase in accrual rate from 1.75% to 1.80%. (\$20,331,500) NR
Reflects employer's contribution rate reduction of 0.37%.

Total Legislative Changes

\$325,238,260 R \$324,734,687 R
(\$63,622,524) NR

Total Position Changes

Revised Budget

\$261,615,736 \$324,734,687

CAPITAL IMPROVEMENTS

Capital

GENERAL FUND		
	FY 97-98	FY 98-99
Legislative Changes		
Administration		
1 State Government Visitor Center		
Funds to support continued planning through working drawings for a center to be located in Raleigh.	\$1,000,000	NR
Agriculture		
2 Rollins Lab Addition		
	\$135,000	NR
3 State Fair-Multi Purpose Events Building		
Funds for planning and site development.	\$1,000,000	NR
4 Piedmont Triad Farmer's Market		
Planning and construction funds for the Wholesale/Retail Building.	\$3,444,400	NR
5 Eastern Agricultural Center		
Funding for continued development of the center.	\$3,500,000	NR
6 Southeastern Farmer's Mkt. & Agriculture Center		
Funding for continued development of the center.	\$1,000,000	NR
7 Cattle and Livestock Exposition Center		
Funds to support planning of a livestock facility to be located in Iredell County.	\$600,000	NR
BOARD OF GOVERNORS		
8 NCSA - School of Film making		
Construction of 14,769 square foot facility to support the School of Film making with classrooms and offices.	\$1,700,000	NR
9 NCSU - CMAST Building		
Funding for the expansion of the CMAST Building.	\$2,363,000	NR

10 NCSU - Environmental Education		
Funding to complete the Eastern 4-H Environmental Education Center.	\$5,545,300	NR
11 NCSU - Arboretum		
Funding to finalize the construction drawings for the J.C. Raulston Arboretum.	\$87,000	NR
12 NCSU - Toxicology Building		
Planning Funds for 55,000 square foot facility for classrooms, research laboratories, and offices.	\$760,600	NR
13 NCSU - Research & Teaching Feed Mill		
Funds for the construction of a 10,000 square foot building to serve as a research and demonstration facility for feed manufacturing processes.	\$2,604,400	NR
14 UNC Chapel Hill - Knapp Building		
Funding for an addition to the Institute of Government Knapp building.	\$4,000,000	NR
15 UNC Chapel Hill - Pharmacy		
Funding for an addition to Beard Hall - School of Pharmacy	\$8,824,600	NR
16 UNC Chapel Hill - Botanical Gardens		
Planning funds for the NC Botanical Gardens	\$350,000	NR
17 UNC Chapel Hill - Living and Learning Center		
Funding for the expansion of the Carolina Living and Learning Center.	\$1,274,275	NR
18 UNC Chapel Hill - Paul J. Rizzo Conference Center		
Supplement to help fund self-liquidating executive residential conference center with total cost of \$15.5 million.	\$2,800,000	NR
19 UNC Greensboro - Lab and Classroom		
Additional funding for the Science Lab and Classroom building.	\$3,500,000	NR
20 UNC Greensboro - Music Building Supplement		
Supplement to support additional project costs related to inflation and resiting of building.	\$2,300,000	NR
21 UNC Pembroke - Residence Hall		
Funding for the construction of a new residence hall.	\$5,979,500	NR
22 UNC Asheville - Kellogg Center		
Additional funding for the Kellogg Center.	\$500,000	NR

23 UNC Asheville - Graduate Center. Phase II		
Funds to support the completion of space on the third floor of Karpen Hall to house the Department of Mass Communications.	\$792,700	NR
24 ECU - Stadium		
Funding to complete expansion of the Dowdy-Ficklen Stadium.	\$7,000,000	NR
25 ECU - Labs/Technology Building Design		
Continued funding for design of 259,000 square foot building for Chemistry and Industrial Technology Departments.	\$2,000,000	NR
26 ECU - Nursing/Home Economics Building		
Funds to support planning for an addition to existing facility.	\$500,000	NR
27 UNC Charlotte - Polymer Extension		
Construction of a new building and relocation of equipment for the Polymer's Extension Program.	\$1,450,000	NR
28 UNC Charlotte - Academic Facilities		
Additional funds for design and site preparation for 120,000 square foot classroom building.	\$780,000	NR
29 ASU - Convocation Center		
Additional costs based on final design estimates, primarily due to infrastructure and site preparation.	\$5,000,000	NR
30 Elizabeth City State - Computing Center		
Fund to construct 25,000 square feet addition. Advance planning was provided by 1995 Session.	\$3,557,600	NR
31 Elizabeth City State - Fine Arts		
Funding for the completion of the Fine Arts building.	\$3,000,000	NR
32 A&T State - Classroom and Lab		
Additional funding for the General Classroom and Lab building.	\$4,000,000	NR
33 NCCU - B. N. Duke Auditorium Addition		
Addition to existing facility.	\$840,000	NR
34 UNC Wilmington - General Classroom Building		
Construction of a 51,600 square foot general classroom building.	\$8,465,500	NR
35 WSSU - FL Atkins Nurse Bldg.		
Planning for renovation and construction of a 19,000 square foot addition for Nursing and Allied Health programs.	\$5,198,500	NR

36 UNC - Public Television

Funding to replace and upgrade the Columbia Transmitter,
Tower and ancillary equipment. \$7,144,500 NR

COMMUNITY COLLEGES**37 Center for Applied Textile Technology**

Maintenance & Storage facility \$62,800 \$500,000 NR
Planning, design, site development
for the Lab and Administration bldg. \$437,200

Correction**38 Alexander County**

Planning funds for the development of a single cell
facility. \$300,000 NR

39 Carteret County

Department of Correction: Funding for a multi-purpose
modular building. \$400,000 NR

Crime Control and Public Safety**40 Charlotte National Guard Armory**

Funding for the State share of the construction costs. \$1,260,300 NR

Cultural Resources**41 Maritime Museum**

Funding for land acquisition and development of the museum. \$1,500,000 NR

42 Museum of Cape Fear

Funding for continued development of the museum. \$1,100,000 NR

43 Museum of the Albemarle

Funding for planning and site development. \$1,000,000 NR

44 Roanoke Island Commission

Funding for exhibits at the Festival Park. \$1,400,000 NR

45 Reserve for Exhibits

Reserve to be allocated for projects as identified by the
Department as their most urgent needs: Museum of History,
State Capitol, and Visitor Center. \$1,300,000 NR

46 Museum of History Restaurant

Funds to equip restaurant facility. \$608,945 NR

Environment, Health and Natural Resources**47 Water Resources Development Projects**

Funds state share of federal civil works projects. Project
list is found in special provision. \$7,030,600 NR

Capital

48 Natural Science Museum

Funding for exhibits for the museum.	\$7,600,000	NR
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49 N.C. Aquariums

Funding for the expansion of one aquarium.	\$11,500,000	NR
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50 Forest Resources

Funding for an addition to the equipment building at Wayne County Forestry Headquarters.	\$100,000	NR
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Environment, Health, and Natural Resources**51 Amphibious Water Scooping Tanker Aircraft**

Purchase of CL-215 Aircraft to meet increased wildfire risk related to hurricane damage and other factors.	\$4,035,100	NR
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Human Resources**52 Eastern School for the Deaf & Hard of Hearing**

Planning funds for an additional dormitory.	\$500,000	NR
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State Ports Authority**53 Wilmington Facility**

Funds to improve facility as follows:	\$4,859,300	NR
Acquire Additional Wilmington City Property	\$ 780,000	
Purchase New Gantry	4,079,300	

Total Legislative Changes

\$147,991,120	NR
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Total Position Changes**Revised Budget**

\$147,991,120	\$0
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Special Provisions:

1997 Session: Senate Bill 352

Department: Capital

Section: 34.5

Title: **Expenditure of Funds from Reserve for Repairs and Renovations**

Summary: Allocates supplemental funding for repairs and renovations as follows:

\$ 402,000	Agriculture and Consumer Services - Rollins Lab
1,383,400	State Ports - Wilmington Pier Replacement
1,191,055	Cultural Resources - Museum of History Restaurant
3,614,200	Human Resources - Western Carolina Center
5,000,000	Bd. of Governors - Residence Hall Fire Safety
6,914,900	Bd. of Governors - NCSU Nelson Hall
4,552,100	Bd. of Governors - UNC Knapp Building
1,359,200	Bd. of Governors - NCCU Lee Biology
10,515,000	Bd. of Governors - NCCU Five Academic Buildings
2,122,500	Bd. of Governors - NCCU Duke Auditorium
2,226,000	Bd. of Governors - WCU Camp Lab School

39,260,955 TOTAL

Section: 34.6

Title: **Water Resources Development Project Funds**

Summary: Allocates funds for water resource development projects. Detailed list is shown under Department of Environment, Health, and Natural Resources.

Section: 34.9

Title: **Capital Improvement Planning and Budgeting**

Summary: Referenced as the Capital Improvement Planning Act. Amends Chapter 143 to establish a comprehensive process for capital improvements planning. The process includes four major elements: 1) an inventory of facilities owned by State agencies (2) criteria used to evaluate capital improvement needs (3) a six-year capital improvement needs inventory, and (4) a six-year capital improvement plan. A six-year capital improvement plan must be submitted to the General Assembly by the Director of the Budget on or before December 31 of each even-numbered year.

Section: 34.10

Title: **State Capital and Visitor's Center Site**

Summary: Designates property bounded by Blount Street, Edenton Street, Person Street, and Jones Street as the site of the new State Capital and Visitor Center.

Section: 34.11

Title: **Uniform Financial Accountability**

Summary: Amends G.S. 143-6.1 by revising the monetary thresholds governing reporting requirements imposed upon recipients of state grants.

Section: 34.12

Title: **UNC-A Highsmith Center Funds**

Summary: Allows UNC Asheville to reallocate capital funds from the Graduate Center to the Highsmith Center to the extent that private funds are raised to supplant the appropriation to the Graduate Center.

SALARIES AND BENEFITS

SALARY CHANGES FOR EMPLOYEES SUPPORTED BY THE STATE

A. SALARY INCREASES

General Salary Increase -- The 1997 Session of the General Assembly enacted the following General Fund and Highway Fund appropriations to provide salary increases effective July 1, 1997 for employees paid from State funds:

	1997-98	1998-99
General Fund (Recurring)	\$343,409,871	\$343,409,871
General Fund (Non-recurring)	1,306,886	--
Highway Fund (Recurring)	15,679,786	15,679,786
Highway Fund (Non-recurring)	1,079,570	--
	<hr/>	<hr/>
TOTAL	\$361,476,113	\$359,089,657

B. SPECIFIED SALARY INCREASES

GOVERNOR

- (1) The 1997 Session of the General Assembly authorized a 4% salary increase for the Governor from \$103,012 to \$107,132, effective July 1, 1997.

COUNCIL OF STATE

- (2) The 1997 Session of the General Assembly authorized a 4% salary increase for members of the Council of State, effective July 1, 1997.

Council of State	1997-98
Lieutenant Governor	\$94,552
Attorney General	94,552
Secretary of State	94,552
State Treasurer	94,552
State Auditor	94,552
Superintendent of Public Instruction	94,552
Agriculture Commissioner	94,552
Insurance Commissioner	94,552
Labor Commissioner	94,552

SALARY CHANGES FOR EMPLOYEES SUPPORTED BY THE STATE (Continued)

GOVERNOR'S CABINET

- (3) The 1997 Session of the General Assembly authorized a 4% salary increase for members of the Governor's cabinet, effective July 1, 1997.

Cabinet	1997-98
Secretary of Administration	\$92,378
Secretary of Correction	92,378
Secretary of Cultural Resources	92,378
Secretary of Commerce	92,378
Secretary of Environment, Health and Natural Resources	92,378
Secretary of Human Resources	92,378
Secretary of Revenue	92,378
Secretary of Transportation	92,378
Secretary of Crime Control & Public Safety	92,378

CERTAIN EXECUTIVE OFFICERS

- (4) The 1997 Session of the General Assembly authorized a 4% salary increase for certain executive officers effective, July 1, 1997. The 1997 Session of the General Assembly stipulated that the General Assembly shall set the salary of the chairman of the Employment Security Commission in the Current Operations Act. This action reversed the action by the 1996 Second Extra Session of the General Assembly which delegated the authority to set the salary of the chairman of the Employment Security Commission to the Governor. The 1997 Session of the General Assembly also equalized Industrial Commissioner's salaries to the level of District Attorneys. Further, the salary for the Commissioner of Banks was set at the same level as the salary for Superior Court Judges.

Officials	1997-98
Chairman, Alcoholic Beverage Control	\$84,080
State Controller	117,669
Commissioner of Motor Vehicles	84,080
Commissioner of Banks	94,552
Chairman, Employment Security Commission	117,520
State Personnel Director	92,378
Chairman, Parole Commission	76,775
Members of the Parole Commission	70,881
Chairman of the Utilities Commission	95,592
Commissioners of the Utilities Commission	94,552
Executive Director, Agency for Public Telecommunication	70,881
General Manager, Ports Railway Commission	64,005
Director, Museum of Art	86,155
Executive Director, Wildlife Resources Commission	72,569
Executive Director, North Carolina Housing Finance Authority	104,057
Executive Director, North Carolina Agricultural Finance Authority	81,839

SALARY CHANGES FOR EMPLOYEES SUPPORTED BY THE STATE (Continued)

Officials (Continued)

1997-98

Director, Office of Administrative Hearings \$83,141

JUDICIAL PERSONNEL

- (5) The 1997 Session of the General Assembly authorized a 4% salary increase for officials of the Judicial system, effective July 1, 1997.

1997-98

Chief Justice, Supreme Court	\$107,132
Associate Justice, Supreme Court	104,333
Chief Judge, Court of Appeals	101,724
Judge, Court of Appeals	99,986
Judge, Senior Regular Resident Superior Court	97,269
Judge, Superior Court	94,552
Chief Judge, District Court	85,857
Judge, District Court	83,141
District Attorney	87,596
Administrative Officer of the Courts	97,269
Assistant Administrative Officer of the Courts	81,684
Public Defender	87,596

Superior Court Clerks

1997-98

Less than 100,000	\$62,676
100,000 to 149,999	70,403
150,000 to 249,999	78,130
250,000 and above	85,857

- (6) The 1996 Second Extra Session of the General Assembly authorized a 4% increase in the average salaries of assistant district attorneys and assistant public defenders. The General Assembly authorizes District Attorneys and Public Defenders (with the approval of the Administrative Officer of the Courts) to set the average salaries of assistant district attorneys or assistant public defenders within their judicial districts such that the maximum salary does not exceed \$53,833 nor the minimum salary fall below \$27,509.

- (7) The 1997 Regular Session of the General Assembly froze the pay plans for Assistant and Deputy Clerks of Court and granted Assistant and Deputy Clerks a 4% across-the-board increase in lieu of the step increases associated with their respective pay plans.

1997-98

Assistant Superior Court Clerks and Head Bookkeeper

Minimum	\$23,420
Maximum	41,466

Deputy Superior Court Clerks

Minimum	\$18,724
Maximum	31,940

SALARY CHANGES FOR EMPLOYEES SUPPORTED BY THE STATE (Continued)

- (8) The 1997 Regular Session of the General Assembly authorized Clerks of Superior Court to pay Assistant Clerks of Court who hold a masters degree in business administration, public administration, accounting, or other similar discipline from an accredited college or university from three-fourths (of the maximum) to the maximum annual salary for Assistant Clerks of Court. This change is consistent with the extant practice for compensating Assistant Clerks who are licensed to practice law in the State of North Carolina.

MAGISTRATES

- (9) The salary schedule for full-time magistrates is as follows:

	1997-98
Entry Rate	\$24,471
Step 1	26,927
Step 2	29,600
Step 3	32,516
Step 4	35,711
Step 5	39,222
Step 6	43,083

Magistrates who were serving on June 30, 1994, but whose salaries were below the Entry Rate as of that date, will continue to move up the salary schedule according to the following schedule:

3 or more but less than 5 years of service	\$22,273
--	----------

Magistrates not scheduled to receive a step increase in 1997-98 will receive a 4% across-the-board salary increase.

LEGISLATORS

- (10) The 1997 Regular Session of the General Assembly provided that no salary increase be granted to members of the General Assembly upon the convening of the 1999 Regular Session of the General Assembly.

SALARY INCREASES FOR LEGISLATIVE PRINCIPAL CLERKS, SERGEANTS-AT-ARMS, AND READING CLERKS

- (11) The annual salaries of the Principal Clerks in the House of Representatives and Senate were increased by 4% from \$57,559 to \$59,861 effective July 1, 1997. The salaries of the Sergeants-At-Arms and the Reading Clerks in the House of Representatives and the Senate were increased by 4% from \$248 per week \$258 per week effective July 1, 1997.

C. GENERAL SALARY INCREASES

- (1) **Employees Whose Salaries are Set in Accordance with the State Personnel Act** – The 1997 Regular Session of the General Assembly funded the Comprehensive Compensation System (State Employee's Pay Plan) that was adopted during the 1994

SALARY CHANGES FOR EMPLOYEES SUPPORTED BY THE STATE (Continued)

Session of the General Assembly. The 1997 General Assembly funded the Cost-of-Living Adjustment at 2% and the Career Growth Development component at 2% effective July 1, 1997. Employees at the top of their pay range who would otherwise be ineligible for career development money will receive a 2% bonus effective July 1, 1997.

- (2) **Employees Whose Salaries are Not Set in Accordance with the State Personnel Act** -- The 1997 Regular Session of the General Assembly increased the salaries of the Judicial Department, the General Assembly, and employees of the Executive Branch of State Government whose salaries are not set in accordance with the State Personnel Act by 4%, effective July 1, 1997.
- (3) **Employees of the University System Exempt from the State Personnel Act** -- The 1997 Regular Session of the General Assembly authorized funds for an average annual salary increase of 4%, effective July 1, 1997, for employees of the University of North Carolina system whose salaries are not set in accordance with the State Personnel Act.
- (4) **Community College Institutional Personnel** -- The 1997 Regular Session of the General Assembly authorized funds for an average annual salary increase of 4%, effective July 1, 1997, for community college institutional personnel whose salaries are not set in accordance with the State Personnel Act.
- (5) **Salary Adjustment Fund** -- The 1997 Regular Session of the General Assembly authorized the use of funds appropriated for legislative increases, but not required for that purpose to supplement the Salary Adjustment Fund.
- (6) **Employees of the Public Schools --**
 - (a) **Superintendents, Assistant Superintendents, Associate Superintendents, Supervisors, Directors, Coordinators, Evaluators and Program Administrators** -- The 1997 Regular Session of the General Assembly appropriated funds for an average annual salary increase of 4%, effective July 1, 1997, for Superintendents, Assistant Superintendents, Associate Superintendents, Directors/Coordinators, Supervisors and Finance Officers.

The following monthly salary ranges apply to public school superintendents for the 1997-98 fiscal year:

Superintendent I (Up to 2,500 ADM):	\$4,025 - \$6,738
Superintendent II (2,501 - 5,000 ADM):	4,272 - 7,149
Superintendent III (5,001 - 10,000 ADM):	4,533 - 7,587
Superintendent IV (10,001 - 25,000 ADM):	4,811 - 8,051
Superintendent V (Over 25,000 ADM):	5,106 - 8,544

The salary ranges for central office administrators follows:

School Administrator I	\$2,818 - \$4,714
School Administrator II	2,991 - 5,004
School Administrator III	3,174 - 5,311
School Administrator IV	3,302 - 5,526
School Administrator V	3,435 - 5,750

SALARY CHANGES FOR EMPLOYEES SUPPORTED BY THE STATE (Continued)

School Administrator VI	\$3,645 - \$6,102
School Administrator VII	3,792 - 6,349

- (b) **Principals and Assistant Principals** -- The 1997 Regular Session of the General Assembly appropriated funds for a 6% salary increase for Principals and Assistant Principals, effective July 1, 1997. In addition, the 1997 General Assembly approved an additional 1% increase for Principals and Assistant Principals whose schools meet or exceed the projected levels of improvement in student performance in accordance with the ABC's of Public Education Program. The 1997 General Assembly approved an additional 1% increase for Principals and Assistant Principals whose schools meet the objectively measurable goals (set by local boards) for maintaining a safe and orderly school. Principals and Assistant Principals whose schools meet both criteria will receive the base pay plus 2% for 1997-98.

The following schedule outlines the base pay and additional 1% and 2% pay for Principals and Assistant Principals for the 1997-98 fiscal year:

ASST. PRIN.				PRINCIPAL I		
Step	Base	+1%	+2%	Base	+1%	+2%
0	--	--	--	--	--	--
1	--	--	--	--	--	--
2	--	--	--	--	--	--
3	--	--	--	--	--	--
4	\$2,713	\$2,740	\$2,767	--	--	--
5	2,763	2,791	2,818	--	--	--
6	2,815	2,843	2,871	--	--	--
7	2,867	2,896	2,924	--	--	--
8	2,920	2,949	2,978	\$2,920	\$2,949	\$2,978
9	2,972	3,002	3,031	2,972	3,002	3,031
10	3,026	3,056	3,087	3,026	3,056	3,087
11	3,08	3,114	3,145	3,083	3,114	3,145
12	3,139	3,170	3,202	3,139	3,170	3,202
13	3,197	3,229	3,261	3,197	3,229	3,261
14	3,256	3,289	3,321	3,256	3,289	3,321
15	3,316	3,349	3,382	3,316	3,349	3,382
16	3,377	3,411	3,445	3,377	3,411	3,445
17	3,439	3,473	3,508	3,439	3,473	3,508
18	3,504	3,539	3,574	3,504	3,539	3,574
19	3,569	3,605	3,640	3,569	3,605	3,640
20	3,637	3,673	3,710	3,637	3,673	3,710
21	3,705	3,742	3,779	3,705	3,742	3,779
22	3,773	3,811	3,848	3,773	3,811	3,848
23	3,843	3,881	3,920	3,843	3,881	3,920
24	3,915	3,954	3,993	3,915	3,954	3,993
25	3,988	4,028	4,068	3,988	4,028	4,068
26	4,064	4,105	4,145	4,064	4,105	4,145
27	4,140	4,181	4,223	4,140	4,181	4,223

SALARY CHANGES FOR EMPLOYEES SUPPORTED BY THE STATE (Continued)

ASST. PRIN.				PRINCIPAL I		
Step	Base	+1%	+2%	Base	+1%	+2%
28	\$4,219	\$4,261	\$4,303	\$4,219	\$4,261	\$4,303
29	4,303	4,346	4,389	4,303	4,346	4,389
30	4,389	4,433	4,477	4,389	4,433	4,477
31	4,477	4,522	4,567	4,477	4,522	4,567
32	--	--	--	4,567	4,613	4,658

PRIN. II				PRIN. III		
Step	Base	+1%	+2%	Base	+1%	+2%
10	\$3,083	\$3,114	\$3,145	--	--	--
11	3,139	3,170	3,202	--	--	--
12	3,197	3,229	3,261	\$3,256	\$3,289	\$3,321
13	3,256	3,289	3,321	3,316	3,349	3,382
14	3,316	3,349	3,382	3,377	3,411	3,445
15	3,377	3,411	3,445	3,439	3,473	3,508
16	3,439	3,473	3,508	3,504	3,539	3,574
17	3,504	3,539	3,574	3,569	3,605	3,640
18	3,569	3,605	3,640	3,637	3,673	3,710
19	3,637	3,673	3,710	3,705	3,742	3,779
20	3,705	3,742	3,779	3,773	3,811	3,848
21	3,773	3,811	3,848	3,843	3,881	3,920
22	3,843	3,881	3,920	3,915	3,954	3,993
23	3,915	3,954	3,993	3,988	4,028	4,068
24	3,988	4,028	4,068	4,064	4,105	4,145
25	4,064	4,105	4,145	4,140	4,181	4,223
26	4,140	4,181	4,223	4,219	4,261	4,303
27	4,219	4,261	4,303	4,303	4,346	4,389
28	4,303	4,346	4,389	4,389	4,433	4,477
29	4,389	4,433	4,477	4,477	4,522	4,567
30	4,477	4,522	4,567	4,567	4,613	4,658
31	4,567	4,613	4,658	4,658	4,705	4,751
32	4,658	4,705	4,751	4,751	4,799	4,846
33	4,751	4,799	4,846	4,846	4,894	4,943
34	4,846	4,894	4,943	4,943	4,992	5,042
35	--	--	--	5,042	5,092	5,143
36	--	--	--	5,143	5,194	5,246

PRIN. IV				PRIN. V		
Step	Base	+1%	+2%	Base	+1%	+2%
13	\$3,377	\$3,411	\$3,445	\$3,439	\$3,473	\$3,508
14	3,439	3,473	3,508	3,504	3,539	3,574
15	3,504	3,539	3,574	3,569	3,605	3,640

SALARY CHANGES FOR EMPLOYEES SUPPORTED BY THE STATE (Continued)

PRIN. IV				PRIN. V		
Step	Base	+1%	+2%	Base	+1%	+2%
16	\$3,569	\$3,605	\$3,640	\$3,637	\$3,673	\$3,710
17	3,637	3,673	3,710	3,705	3,742	3,779
18	3,705	3,742	3,779	3,773	3,811	3,848
19	3,773	3,811	3,848	3,843	3,881	3,920
20	3,843	3,881	3,920	3,915	3,954	3,993
21	3,915	3,954	3,993	3,988	4,028	4,068
22	3,988	4,028	4,068	4,064	4,105	4,145
23	4,064	4,105	4,145	4,140	4,181	4,223
24	4,140	4,181	4,223	4,219	4,261	4,303
25	4,219	4,261	4,303	4,303	4,346	4,389
26	4,303	4,346	4,389	4,389	4,433	4,477
27	4,389	4,433	4,477	4,477	4,522	4,567
28	4,477	4,522	4,567	4,567	4,613	4,658
29	4,567	4,613	4,658	4,658	4,705	4,751
30	4,658	4,705	4,751	4,751	4,799	4,846
31	4,751	4,799	4,846	4,846	4,894	4,943
32	4,846	4,894	4,943	4,943	4,992	5,042
33	4,943	4,992	5,042	5,042	5,092	5,143
34	5,042	5,092	5,143	5,143	5,194	5,246
35	5,143	5,194	5,246	5,246	5,298	5,351
36	5,246	5,298	5,351	5,351	5,405	5,458
37	5,351	5,405	5,458	5,458	5,513	5,567
38	--	--	--	5,567	5,623	5,678

PRIN. VI				PRIN. VII		
Step	Base	+1%	+2%	Base	+1%	+2%
16	\$3,705	\$3,742	\$3,779	\$3,773	\$3,811	\$3,848
17	3,773	3,811	3,848	3,843	3,881	3,920
18	3,843	3,881	3,920	3,915	3,954	3,993
19	3,915	3,954	3,993	3,988	4,028	4,068
20	3,988	4,028	4,068	4,064	4,105	4,145
21	4,064	4,105	4,145	4,140	4,181	4,223
22	4,140	4,181	4,223	4,219	4,261	4,303
23	4,219	4,261	4,303	4,303	4,346	4,389
24	4,303	4,346	4,389	4,389	4,433	4,477
25	4,389	4,433	4,477	4,477	4,522	4,567
26	4,477	4,522	4,567	4,567	4,613	4,658
27	4,567	4,613	4,658	4,658	4,705	4,751
28	4,658	4,705	4,751	4,751	4,799	4,846
29	4,751	4,799	4,846	4,846	4,894	4,943
30	4,846	4,894	4,943	4,943	4,992	5,042
31	4,943	4,992	5,042	5,042	5,092	5,143
32	5,042	5,092	5,143	5,143	5,194	5,246
33	5,143	5,194	5,246	5,246	5,298	5,351

SALARY CHANGES FOR EMPLOYEES SUPPORTED BY THE STATE (Continued)

PRIN. VI				PRIN. VII		
Step	Base	+1%	+2%	Base	+1%	+2%
34	\$5,246	\$5,298	\$5,351	\$5,351	\$5,405	\$5,458
35	5,351	5,405	5,458	5,458	5,513	5,567
36	5,458	5,513	5,567	5,567	5,623	5,678
37	5,567	5,623	5,678	5,678	5,735	5,792
38	5,678	5,735	5,792	5,792	5,850	5,908
39	5,792	5,850	5,908	5,908	5,967	6,026
40	5,908	5,967	6,026	6,026	6,086	6,147
41	--	--	--	6,147	6,208	6,270

SCHEDULE FOR PLACEMENT (PRINCIPALS)

Classification	Number of Teachers Supervised
Assistant Principal	Less than 11 Teachers
Principal I	11 - 21 Teachers
Principal II	22 - 32 Teachers
Principal III	33 - 43 Teachers
Principal IV	44 - 54 Teachers
Principal V	55 - 65 Teachers
Principal VI	More than 65 Teachers

Principals and Assistant Principals will continue to receive \$126 per month for a six-year degree and \$253 per month for a doctoral degree.

- (c) **Teachers** -- The 1997 Regular Session of the General Assembly funded the Excellent Schools Act designed to take teacher pay to the national average by the year 2000. The 1997 General Assembly appropriated funds which provided average annual salary increases ranging from between 4% to 9% for most teachers, effective July 1, 1997. The revised teacher salary schedules involve roughly 2% increases between steps, with greater increments between steps 2 and 3, between steps 3 and 4, and between steps 7 and 8. The greater increments in these years reflect milestones in the teaching career. Teachers receive continuing certification after 3 years of experience. The career status decision is made after 4 years of experience. The continuing certification is renewed every five years. In addition, teachers receiving national certification through the National Board of Professional Teaching Standards (NBPTS) received extra pay for the 1997-98 fiscal year. Payments for advanced degrees are \$126 per month for a six-year degree, and \$256 per month for a doctoral degree. The 1997 General Assembly increased longevity payments for teachers with 25 or more years of service from 2.5% to 4.5% of base pay. The teacher salary schedule (including NBPTS pay) follows:

SALARY CHANGES FOR EMPLOYEES SUPPORTED BY THE STATE (Continued)

**TEACHER SALARY SCHEDULE
(Effective July 1, 1997)**

<u>"A" TEACHERS</u>			<u>"G" TEACHERS</u>	
YEARS OF EXPERIENCE	MONTHLY SALARY	NBPTS CERT.	MONTHLY SALARY	NBPTS CERT.
0	\$2,215	N/A	\$2,353	N/A
1	2,257	N/A	2,398	N/A
2	2,300	N/A	2,444	N/A
3	2,427	2,718	2,579	2,888
4	2,528	2,831	2,686	3,008
5	2,575	2,884	2,736	3,064
6	2,623	2,937	2,787	3,121
7	2,672	2,992	2,839	3,179
8	2,721	3,047	2,891	3,237
9	2,770	3,102	2,943	3,296
10	2,820	3,158	2,996	3,355
11	2,872	3,216	3,052	3,418
12	2,925	3,276	3,108	3,480
13	2,979	3,336	3,165	3,544
14	3,034	3,398	3,224	3,610
15	3,090	3,460	3,283	3,676
16	3,147	3,524	3,344	3,745
17	3,205	3,589	3,405	3,818
18	3,265	3,656	3,469	3,885
19	3,326	3,725	3,534	3,958
20	3,389	3,795	3,601	4,033
21	3,452	3,866	3,668	4,108
22	3,516	3,937	3,736	4,184
23	3,581	4,010	3,805	4,261
24	3,648	4,085	3,876	4,341
25	3,717	4,163	3,949	4,422
26	3,787	4,241	4,024	4,506
27	3,858	4,320	4,099	4,590
28	3,931	4,402	4,177	4,678
29+	4,005	4,485	4,255	4,765

- (d) **Noncertified Public School Employees** - The 1997 Regular Session of the General Assembly authorized funds for a 4% across-the-board salary increase, effective July 1, 1997, for non-certified employees of the public schools.

RETIREMENT AND PENSION CHANGES FOR STATE AND LOCAL PERSONNEL

1997 LEGISLATIVE ACTIONS

A. CURRENTLY-EMPLOYED EMPLOYEES

- (1) **Benefit Accrual Rate Increased:** Effective July 1, 1997, the benefit accrual rate, or retirement formula, was increased in the Teachers' and State Employees' Retirement System from 1.75% to 1.80% of average final compensation per year of creditable service. The net effect of this increase will be to increase the annual retirement allowance of all employees who retire on and after July 1, 1997 by 2.8%. The General Assembly funded the increase with unencumbered actuarial gains within the System, as of December 31, 1995, which is the equivalent cost of \$64.6 million annually from the General Fund and \$5.2 million from the Highway Fund.

Also, effective July 1, 1997, the benefit accrual rate, or retirement formula, was increased in the Local Governmental Employees' Retirement System from 1.72% to 1.76% of average final compensation per year of creditable service. The net effect of this increase will be to increase the annual retirement allowance of all employees who retire on and after July 1, 1997 by 2.3%. The General Assembly funded the increase with unencumbered actuarial gains within the Local System, as of December 31, 1995, which is the equivalent cost of \$16.2 million annually from local funds.

- (2) **Additional Employer Contributions to the University Employee Optional Retirement Program:** The 1997 Session of the General Assembly increased the State's employer contribution rate for University faculty and administrators participating in the Optional Retirement Program's fixed and variable life annuities from 6.66% to 6.84% of an employee's compensation, effective July 1, 1997. Such a change was made at an annual cost of \$666,000 from the General Fund but was to be financed out of existing appropriations to the University System for 1997-98.
- (3) **Retirement Contributions Reduced:** The 1997 Session of the General Assembly reduced the employer contribution rate to the Teachers' and State Employees' Retirement System effective July 1, 1997 by .37% of covered salary for the 1997-98 year only. The rate reduction reduced the General Fund appropriation by \$20.3 million and the Highway Fund appropriation by \$1.7 million for 1997-98. Effective July 1, 1998, the employer contribution rate will increase by .37% to the same rate as 1996-97.
- (4) **Firemen's and Rescue Squad Workers' Pension Fund:** The 1997 General Assembly enacted, effective July 1, 1997, an increase in the pension for members of the Firemen's and Rescue Squad Workers' Pension Fund from \$135 to \$141 per month. The General Assembly funded the increase with unencumbered actuarial gains within the System which is the equivalent cost of \$1.7 million annually. This increase applies to current pensioners and to those entitled to receive a pension in the future at age 55 with 20 years of service.

RETIREMENT AND PENSION CHANGES FOR STATE AND LOCAL PERSONNEL
(CONTINUED)

- (5) **Charter Schools:** The 1997 General Assembly enacted legislation that requires the Board of Trustees of the Teachers' and State Employees' Retirement System, through the Office of the Attorney General, to obtain a private letter ruling from the Internal Revenue Service on whether charter school employees can participate in the System without jeopardizing its status as a qualified governmental plan. If the Internal Revenue Service rules that charter school employees are public employees, then all employees of the charter schools will become members of the Retirement System the first day of the month following the State's receipt of the ruling. In the meantime, public school teachers who leave a public school to work in a charter school will be able to make contributions for up to six years to the Retirement System as if they are on an approved educational leave of absence from their former employer. The local board will not be required to approve the leave.
- (6) **Payment of Salary for Annual Leave:** The 1997 General Assembly allowed a retiring teacher, with annual leave in excess of 30 days, to convert all or part of the leave over 30 days to sick leave and receive salary for up to a maximum of 4 days in addition to receiving salary for the 30 days of annual leave. This will allow any retiring teacher to increase their Average Final Compensation resulting in an increase of retirement benefits. This benefit was funded out of expected future actuarial gains in the System, which is the equivalent cost of \$11 million annually from the General Fund and \$0.9 million from the Highway Fund.
- (7) **Law Enforcement Officer Definition:** The 1997 General Assembly changed the definition of a law enforcement officer in the Local Governmental Employees' Retirement System by omitting the requirement that the employee is serving in a position with assigned primary duties and responsibilities for prevention and detection of crime and the general enforcement of the criminal laws of the State. The new definition of a law enforcement officer would be any employees who possesses the power of arrest, takes an oath, is certified as a law enforcement officer under G. S. 17C or as a deputy sheriff under G. S. 17E. Law enforcement officer shall also mean the sheriff and also provides that the number of law enforcement officers can not exceed the number authorized by the local governing board.

B. RETIRED EMPLOYEES

- (1) **Cost-of-living Adjustment in Retirement Allowances for Retired Teachers, State Employees, Judges, District Attorneys, and Superior Court Clerks:** Effective July 1, 1997, the General Assembly provided a 4% increase in the retirement allowances paid to beneficiaries of the Teachers' and State Employees' Retirement System and the Consolidated Judicial Retirement System whose retirement began on or before July 1, 1996. In addition, beneficiaries who retired after July 1, 1996, and before June 30, 1997, were authorized an increase in their retirement allowances on July 1, 1997 equal to a pro-rated amount of the 4% increase provided to those who retired on or before July 1, 1996. The pro-rated amount will be determined by the Retirement Systems' Board of Trustees

RETIREMENT AND PENSION CHANGES FOR STATE AND LOCAL PERSONNEL
(Continued)

based upon the number of months that a retirement allowance was paid during 1996-97.

This increase in retirement allowances was funded out of unencumbered actuarial gains in the following Retirement Systems as of December 31, 1995, which is the equivalent cost as follows: Teachers' and State Employees' - \$50.3 million annually from the General Fund and \$4.1 million annually from the Highway Fund; Consolidated Judicial - \$516,000 annually from the General Fund.

- (2) **Cost-of-Living Adjustment in Retirement Allowances for Retired Local Government Employees:** Effective July 1, 1997, the General Assembly provided a 4% increase in the retirement allowances paid to beneficiaries of the Local Governmental Employees' Retirement System whose retirement began on or before July 1, 1996. In addition, beneficiaries who retired after July 1, 1996 and before June 30, 1997 were authorized an increase in their retirement allowances on July 1, 1997 equal to a pro-rated amount of the 4% increase provided to those who retired on or before July 1, 1996. The pro-rated amount will be determined by the Retirement Systems' Board of Trustees based upon the number of months that a retirement allowance was paid during 1996-97.

The General Assembly funded the increase with unencumbered actuarial gains within the Local System, as of December 31, 1995, which is the equivalent cost of \$9.2 million annually from local funds.

- (3) **Cost-of-Living Adjustment in Retirement Allowances for Retired Legislators:** Effective July 1, 1997, the General Assembly provided a 4% increase in the retirement allowances paid to beneficiaries of the Legislative Retirement System retired on or before January 1, 1997, comparable to the same type of increases granted to retired beneficiaries of the Teachers' and State Employees' Retirement System. In addition, beneficiaries who retired after January 1, 1997 and before June 30, 1997 were authorized an increase in their retirement allowances on July 1, 1997, equal to a pro-rated amount of the 4% increase provided to those who retired on or before January 1, 1997. The General Assembly funded the increase with unencumbered actuarial gains within the Legislative System, as of December 31, 1995, which is the equivalent cost of \$59,000 from the General Fund.

- (4) **Additional Increase in Retirement Allowances for Retired Teachers and State Employees Corresponding to an Increase in the Benefit Accrual Rate:** Effective July 1, 1997, retired beneficiaries of the Teachers' and State Employees' Retirement System whose allowances were computed on a benefit accrual rate of less than 1.80% of average final compensation per year of service will have their retirement allowances increased by 2.2% to reflect the increase in the benefit accrual rate for currently-employed employees. This additional retirement allowance increase was funded out of unencumbered actuarial gains available to the Retirement System as of December 31, 1995, which is the equivalent cost of \$30.2 million annually from the General Fund and \$2.4 million annually from the Highway Fund.

RETIREMENT AND PENSION CHANGES FOR STATE AND LOCAL PERSONNEL
(Continued)

- (5) **Additional Increase in Retirement Allowances for Retired Local Employees Corresponding to an Increase in the Benefit Accrual Rate:** Effective July 1, 1997, retired beneficiaries of the Local Governmental Employees' Retirement System whose allowances were computed on a benefit accrual rate of less than 1.76% of average final compensation per year of service, will have their retirement allowances increased by 2.3% to reflect the increase in the benefit accrual rate for currently-employed employees to 1.76% which was authorized by the 1997 General Assembly, also effective July 1, 1997. This additional retirement allowance increase was funded out of unencumbered actuarial gains available to the Retirement System as of December 31, 1995, which is the equivalent cost of \$5.6 million annually from local funds.

STATE EMPLOYEE HEALTH BENEFIT CHANGES

A. PLAN FINANCING:

Since the 1991 Session of the General Assembly, the self-insured indemnity program of the Teachers' and State Employees' Comprehensive Major Medical Plan (i.e., \$250 annual deductible, 20% coinsurance up to \$1,000 annually, etc. paid by Plan members) has not had to have a premium increase, either for employees, retirees or their dependents, and has not had any reduction in benefits. In fact, benefits were substantially increased by the 1995 Session of the General Assembly. The maintenance of premium rates without an erosion of benefits over this period has been the direct result of excellent claims experience, especially on behalf of employees. Beginning reserves for the Plan's self-insured indemnity program for the past few years have been \$42.7 million for 1991-92, \$95.7 million for 1992-93, \$193.2 million for 1993-94, \$287.1 million for 1994-95, \$349 million for 1995-96, and \$368.3 million for 1996-97. The Plan's current claims experience indicates that the program's financial integrity can be sustained throughout the 1997-99 biennium. Beginning reserves for the indemnity program are currently expected to be \$385 million for 1997-98 and \$330 million for 1998-99. However, for some of the 23% of the Plan's participants who have alternative prepaid HMO health benefit coverage, premium amounts paid by employees and retired employees are expected to increase, effective October 1, 1997. These increases are expected to be 15-85% for those enrolled by Blue Cross and Blue Shield's Personal Care Plan, 8-27% for those enrolled by Healthsource, 6-26% for those enrolled by Prudential, 14-52% for those enrolled in Partners National Health Plan, 10-27% for those enrolled by United Healthcare, 12-52% for those enrolled in Optimum Choice of the Carolinas, and 1-5% for those enrolled in Wellpath Select. For employees enrolled in Kaiser Permanente and QualChoice of North Carolina, no change in premiums is expected October 1, 1997. For employees enrolled in Maxicare, premium amounts paid by them are expected to be reduced 2-6% effective October 1, 1997. In addition, premium amounts paid by employees enrolled in Doctors Health Plan are expected to be reduced 3-11% and premium amounts paid by employees enrolled in CIGNA HealthCare are expected to be reduced by less than 1%, both effective October 1, 1997.

B. BASIC PLAN CHANGES:

- (1) Reconstructive Breast Surgery Covered Following Mastectomies: The 1997 Session of the General Assembly and the Governor provided coverage for reconstructive breast surgery following a mastectomy under the Teachers' and State Employees' Comprehensive Major Medical Plan, effective January 1, 1998. The surgery includes reconstruction of a non-diseased breast to establish symmetry when reconstructive surgery is performed on a diseased breast. The additional cost to the Plan's indemnity program for this benefit expansion is expected to be \$1,030,000 for 1997-98 and \$2,580,000 for 1998-99, which is to be borne from the indemnity program's operating reserves.
- (2) Substance Abuse Benefit Parity: Effective October 1, 1997, the 1997 General Assembly and the Governor removed the maximum benefit limitations for coverage of chemical dependency under the Plan's indemnity program. These limits for each covered individual were \$8,000 per fiscal year, \$25,000 for a lifetime, and \$200 per

STATE EMPLOYEE HEALTH BENEFIT CHANGES (Continued)

day except for medical detoxification treatment. Removal of these limits for substance abuse will result in its coverage being limited only to the same deductibles, coinsurance factors, and durational and other limitations as generally affect physical illnesses and injuries. Similar limitations on mental health coverage under the program were removed by the 1991 Session of the General Assembly effective in 1992. At the same time, a managed, individualized plan of treatment was implemented to contain the expected cost increases from removing the mental health limits. Since these benefit limits were removed and case management was implemented for mental health benefits, mental health claims have dropped from an average of 6.5% of total gross claims to an average of about 4% of total gross claims. In addition, average per capita mental health claims have dropped 14% since 1992. Based upon this experience, the increased costs for the removal of substance abuse claim limits are expected to be offset from claim cost savings resulting from case management of the claims by the end of the 1997-99 biennium.

- (3) Optional Long-Term Care Benefits: The 1997 Session of the General Assembly and the Governor have provided employees of state agencies, public school boards, community colleges, and universities the opportunity to buy long-term care benefits for themselves and their eligible dependents through the Teachers' and State Employees' Comprehensive Major Medical Plan. Retired employees of the same employers and retired members of the Local Governmental Employees' Retirement System will have the same opportunity. Long-term care benefits provide treatment and therapeutic, rehabilitative, maintenance, and personal care help to those who are unable to care for themselves because of a prolonged chronic illness, injury, or disability. Inability to care for ones self is determined by a physical inability to perform the activities of daily living or upon mental disorientation. Participation in the benefits will be entirely voluntary and each employee and retiree can tailor the amount of benefits to their own individual needs. Benefits can be provided in nursing homes, assisted living facilities, adult day care facilities and by home care agencies. Additional benefits can also be available for such things as caregiver training, rehabilitation equipment, respite services, in-home meals, in-home safety devices, homemaker services, and chore services upon approval of the Plan. All benefits under the Plan will be federally qualified for income tax deductions of age-based premiums and other out-of-pocket expenses and for other benefit features such as guaranteed renewability. The Health Plan can self-insure the benefits or secure the benefits through an insurance carrier. Because of reserve considerations, the Plan will probably use an insurance carrier at least initially. An insurance carrier could provide coverage on a guaranteed-issue basis, in which case exclusions for preexisting health conditions would be required, or could provide the coverage based upon medical underwriting criteria and selective enrollments. Since those electing to purchase long-term care benefits will pay for the full cost of the benefits, including administrative costs incurred by the Health Plan, the additional benefits are not expected to adversely affect the current fiscal operations of the State Employee Health Benefit Plan.
- (4) Non-Certified Inpatient Hospital Admissions Excluded from Coverage: Since January, 1987, the Plan's indemnity program has required that inpatient hospital admissions be certified, or approved, including length-of-stay, before inpatient hospital benefits are paid. Failure to obtain such a certification or denial of certification has resulted in a benefit payment penalty assessed against the program's beneficiaries of 50% of the admission's allowed expenses up to \$500 per admission. The program's experience has been that, on occasion, some of the program's members have been glad to pay a

State Employee Health Benefit Changes (Continued)

penalty of only \$500 for an uncertified admission in order to have the balance of their inpatient claims paid. Consequently, the Executive Administrator and Board of Trustees of the Plan recommended to the 1997 Session of the General Assembly that the entire expense of an uncertified inpatient hospital admission be excluded from coverage to the extent that the expenses were not certified as medically necessary or appropriate. The 1997 Session and the Governor approved this recommendation, effective October 1, 1997. The estimated claim cost savings to the Plan's indemnity program from enactment of this recommendation is estimated to be \$2,813,000 for the 1997-99 biennium.

- (5) Exemption from Rule-Making Provisions of the Administrative Procedures Act: Effective July 9, 1997, the 1997 Session of the General Assembly and the Governor exempted the Teachers' and State Employees' Comprehensive Major Medical Plan from the rule-making provisions of the State's Administrative Procedures Act. The Administrative Procedures Act's contested case provisions will however continue to apply to the Plan. Since the Plan has maintained that it was already exempt from the Administrative Procedures Act's rule-making provisions because of the Plan's separate statutory rule-making authority, the 1997 change merely conformed the Administrative Procedures Act's applicable provisions to the Plan's existing statutory authority. In making this change to the Administrative Procedures Act, the 1997 Session also required the Legislative Committee on Employee Hospital and Medical Benefits to meet at least quarterly to review the Plan's adopted administrative and medical policy rules and regulations and any benefit denials resulting from such rules and regulations that were appealed to the Plan's Board of Trustees. All of these changes to the Plan's rule-making authority and the Legislative Committee's oversight of the Plan resulted from hearings of the Joint Legislative Administrative Procedures Oversight Committee.

C. HMO CHANGES:

For 1997-98, the Plan will continue to offer the twelve HMO options that were available to Plan members during 1996-97. However, employees and retired employees residing or working in four counties of the State will have an HMO option for the first time. The counties with new HMO options are Currituck, Dare, Hertford, and Montgomery. With the addition of these four new counties to those already with HMO options, there remains only twelve counties (Avery, Bertie, Cherokee, Clay, Graham, Halifax, Hyde, Mitchell, Northampton, Rutherford, Tyrrell, and Washington) without such an option under the Plan.

REVENUE/FEE BILLS

General Fund Revenue Bills

House Bill 14, Chapter 370 Update Custom Computer Software

Summary: Redefines custom computer software for sales tax purposes as software written according to the specifications of a specific customer. Custom software is not "prewritten software that can be installed and executed with no changes to the software's source code other than changes made to configure hardware or software or to select personal preferences".

Effective Date: October 1, 1997

Fiscal Effect: The Software Publishers Association reported retail software sales of \$10.6 billion in the U.S. and Canada in 1996 and a sales growth rate of 8.2% in 1995 and 1996. It is assumed that North Carolina's share of the software sales equals its population share of the U.S. and Canada or 2.5%. It is estimated that the state lost sales tax on 3% to 8% of retail software sales because of the ambiguous custom software language in the statutes. By clarifying the definition of custom software, the annual revenue gain to the state and local governments is projected to be 5.5% of sales or the midpoint of the Department of Revenue's estimate. The revenue gain is shown below.

	<u>State</u>	<u>Local</u>
FY 1997-98	\$683,000	\$341,000
FY 1998-99	\$738,000	\$369,000
FY 1999-00	\$799,000	\$400,000
FY 2000-01	\$865,000	\$432,000
FY 2001-02	\$935,000	\$468,000

House Bill 15, Chapter 213 Conform Tax on Restored Income

Summary: Conforms North Carolina's income tax law to the Internal Revenue Code (IRC 1341(a)(5)) with respect to the tax treatment of "restored income" of \$3,000 or more that a taxpayer receives in one tax year but then pays back or returns in a later tax year. Current state law allows the taxpayer to deduct the restored income from taxable income in the year that the funds were returned. However, this deduction is of no benefit to the taxpayer if the restored income greatly exceeds the taxable income. This bill permits the Department of Revenue to refund the state tax paid on the restored income.

Effective Date: Effective for taxable years beginning on or after January 1, 1995.

Fiscal Effect: Few taxpayers will qualify for this tax refund. The estimated revenue loss is \$50,000 or less each fiscal year.

GENERAL FUND REVENUE BILLS (Continued)

House Bill 35, Chapter 423 Conform Sales and Use Tax Refund Period

Summary: Extends the time non-profit organizations and government entities have to file for sales and use tax refunds from six months to three years. (Makes conforming changes to the motor fuel and alternative fuel refund statutes.) Operators of certain motor vehicles are allowed an annual refund of the highway use tax on fuel consumed by the vehicle when the vehicle is in use but not in use on the highways of the State. Under this legislation when a refund is made for off-highway use the sales tax applies.

Effective Date: July 1, 1998

Fiscal Effect: The annual amount anticipated to be refunded to non-profits and government entities is approximately \$200,000. The gain in sales tax revenue from changing the way the highway use tax is paid when a refund is made is approximately \$800,000 a year. (NOTE: The Highway Fund will gain \$200,000 each year by eliminating a 1 cent holdback of gas taxes that was previously used to liquidate highway bonds.)

House Bill 36, Chapter 77 Consumer Use Tax Returns

Summary: Allows individuals to file an annual use tax return for the use tax owed on goods purchased out-of-state for a non-business purpose. Prior to House Bill 36, if the amount of use tax owed was greater than \$50, it was remitted monthly and if less than \$50, it was remitted quarterly.

Effective Date: The act is effective when it becomes law (May 26, 1997) and applies to purchases made on or after January 1, 1997.

Fiscal Effect: No estimate available.

House Bill 57, Chapter 109 Withholding for Nonresidents

Summary: Imposes a withholding requirement on income earned by non-residents working in the state as recommended by the Revenue Laws Study Committee. Persons or entities who pay non-residents more than \$600 for personal services are required to withhold 4% of the payment and deposit the withheld tax with the Department of Revenue. If the entity is registered as a corporation with the Secretary of State, or maintains a permanent office in this state, it is not subject to this withholding.

Effective Date: Withholding from nonresident individuals and from compensation paid to nonresident partnerships, corporations or limited liability companies for athletic, entertainment, agricultural and construction services becomes effective January 1, 1998. Withholding from all other compensation paid to non-residents for personal services becomes effective January 1, 1999.

GENERAL FUND REVENUE BILLS (Continued)

House Bill 57, Chapter 109

Withholding for Nonresidents (Continued)

Fiscal Effect: \$8.5 million increase in the General Fund in FY 1997-98 and \$10 million increase each year thereafter.

HOUSE BILL 59 , Chapter 55 Update Internal Revenue Code

Summary: Conforms the state tax statutes with changes in the federal internal revenue code. An up-date to the Internal Revenue Code is brought to the General Assembly annually as both a policy decision and as a response to a legal restraint. The policy reason for specifying a particular date is that, in light of continuous changes made to the federal tax law, the State may not want to automatically adopt federal changes, particularly when they result in large revenue losses. The legal restraint involves Article V, Section 2(1) of the North Carolina State Constitution which states in part that the "power of taxation shall never be surrendered, suspended, or contracted away". A 1977 memorandum from the State Attorney General's Office to the Tax Research Division of the Department of Revenue concluded that a "statute which adopts by reference future amendments to the Internal Revenue code would be invalidated as an unconstitutional delegation of legislative powers".

Effective Date: Effective for tax years beginning after December 31, 1996.

Fiscal Effect:

Estimates (\$ in Millions)

	Tax Year 1997	Tax Year 1998	Tax Year 1999	Tax Year 2000	Tax Year 2001
1. Small Business Expensing	(\$0.43)	(\$1.17)	(\$1.69)	(\$2.15)	(\$4.96)
2. Employer Educational Assistance	(\$6.00)	(\$6.70)			
3. S Corporation Simplification	(\$0.11)	(\$0.33)	(\$0.33)	(\$0.44)	(\$0.44)
4. Lump-Sum Distributions	\$0.33	\$0.66	\$0.77	\$0.66	\$0.55
5. Employer Provided Death Benefits	\$0.15	\$0.45	\$0.45	\$0.56	\$0.74
6. Simplify Annuity Recovery	(\$0.11)	(\$0.22)	(\$0.22)	(\$0.22)	(\$0.22)
7. Simplify Retirement Plans	(\$0.32)	(\$0.49)	(\$0.51)	(\$0.52)	(\$0.55)
8. Spousal IRAs	(\$0.37)	(\$1.10)	(\$1.20)	(\$1.26)	(\$1.34)
9. Personal Injury, Limit Exclusion	\$0.33	\$0.36	\$0.40	\$0.40	\$0.42
10. Medical Savings Accounts	(\$0.77)	(\$1.62)	(\$1.72)	(\$1.85)	(\$2.00)
11. Increase Insurance Deduction; Self-Employed	(\$0.42)	(\$1.55)	(\$2.20)	(\$2.45)	(\$2.70)
12. Long Term Medical Care Expense Deduction	(\$0.70)	(\$4.34)	(\$4.20)	(\$4.30)	(\$4.83)
13. Accelerated Death Benefits	(\$0.06)	(\$0.70)	(\$1.07)	(\$1.40)	(\$1.70)
TOTAL	(\$8.48)	(\$16.75)	(\$11.52)	(\$12.97)	(\$17.03)

GENERAL FUND REVENUE BILLS (Continued)

House Bill 96, Chapter 318 Intangibles Tax Remedy

Summary: Provides refund of intangibles tax and interest. The 1997 General Assembly enacted House Bill 388 prohibiting the Secretary of Revenue from assessing intangibles tax for years 1990-94 on the exempt portion of shares of stock of corporations operating in North Carolina. Under the guidelines of the recent North Carolina Supreme Court case, this requires refunds and interest for the 1990-94 tax years for taxpayers who protested the tax in a timely fashion. In addition, the bill directs the Secretary of Revenue, as soon as possible, to mail a copy of the Wake County Superior Court's notice in the **Smith** class action case to all intangibles taxpayers affected and to notify tax professionals. The Department of Revenue estimates the one-time expenses of administering the refunds and mailing the **Smith** notice at \$674,000.

Effective Date: The act was effective when it became law (July 23, 1997).

Fiscal Effect: \$156 million in FY 1997-98.

House Bill 260 , Chapter 226 Conservation Easement/Tax Credit

Summary: Increases the income tax credit for donations of real property made to the State, a unit of local government, or to a body organized to receive land for conservation purposes. The corporate credit under G. S. 105-130.34 is increased from \$25,000 to \$250,000. The individual credit under G. S. 105-151.12 is increased from \$25,000 to \$100,000.

Effective Date: Effective for tax years beginning on or after January 1, 1998.

Fiscal Effect: The cost in General Fund revenues from both individual and corporate income tax credits is \$3.2 million annually.

House Bill 537, Chapter 499 Federal Retiree Relief

Summary: Allows tax credits that cannot be used during the 1996-98 period to be carried forward to the 1999 and 2000 tax years. The 1996 General Assembly allowed a 3-year non-refundable income tax credit to federal retirees that normally file income tax returns. The credit was equal to the tax paid on 1985-88 pensions. In addition, in the case of a retiree's death, the surviving spouse will be allowed to take the credit. The current provision allowing the estate to take the credit will be limited to the 1996-98 tax years (applies in situations where there is no surviving spouse).

Effective Date: Effective for taxable years beginning on or after January 1, 1996.

GENERAL FUND REVENUE BILLS (Continued)

House Bill 537, Chapter 499

Federal Retiree Relief (Continued)

Fiscal Effect: The \$8 million needed to fund the bill in FY 1997-98 and FY 1998-99 will come from funds available in the Federal Retiree Refund Account. The remaining \$4.1 million cost of the bill will be paid by the General Fund from 1999 to 2002.

House Bill 754, Chapter 292

Illicit Liquor Tax

Summary: Adds illegal spirituous liquor, mash, and illegally mixed beverages to the list of controlled substances subject to excise taxes under the Unauthorized Substance Taxes (Article 2D of General Statutes Chapter 105). The excise tax on a dealer possessing illegal spirituous liquor for sale by the drink is set at \$31.70 per gallon. If the controlled substance is not sold by the drink the tax is \$12.80 per gallon. The excise tax on mash is \$1.28 per gallon. Liquor purchased legally but sold by the drink illegally is taxed the same as beverages sold by the drink legally. The mixed beverage surcharge is \$20.00 on a four liter bottle and a proportional sum on lesser quantities.

Effective Date: October 1, 1997

Fiscal Effect: The revenue is distributed by the Secretary of Revenue in the following manner: seventy five percent goes to the law enforcement agency that conducted the investigation and the remaining twenty five percent goes to the State General Fund. The state anticipates receiving \$125,000 per year, while local governments will receive \$375,000 annually.

House Bill 1057, Chapter 521

Exempt Audiovisual Masters

Summary: Exempts from the state and local sales tax, master tapes utilized by the motion picture, television, and audio production industries in making visual and aural first-generation images for reproduction.

Effective Date: October 1, 1997

Fiscal Effect: The fiscal impact is a revenue loss of \$1 million in FY 1997-98. The full year loss in FY 1998-99 is \$1.6 million.

Senate Bill 316, Chapter 277

Amend Bill Lee Act

Summary: Fine-tunes the business incentives tax package approved by the 1996 General Assembly by making the following major changes:

- 1) Extends the targeted and general investment tax credits to leased machinery and equipment that is depreciated for federal tax purposes.

GENERAL FUND REVENUE BILLS (Continued)

Senate Bill 316, Chapter 277 Amend Bill Lee Act (Continued)

- 2) "Smooths out" the formula for determining the economic well-being of a county for tax credit purposes by using a 3-year average of two factors (per capita income, unemployment rate) instead of the most recent year. These two factors are then combined with population growth.
- 3) Expands the list of eligible industries for tax credit purposes to a central administrative office employing at least 40 new people and allows an investment tax credit of up to \$500,000 for expenses in constructing or leasing a central administrative office.
- 4) Expands the list of eligible industries to air courier services.
- 5) Modifies the wage test to account for situations in which a county's relative wage levels do not track per capita income.

Effective Date: 1997 tax year for Item 5 above; July 10, 1997 for Item 2; October 1, 1997 for Items 1 and 3; and, January 1, 1998 for Item 4.

Fiscal Effect: The estimated cost of this act ranges from \$300,000 in FY 1998-99 to \$7.9 million in FY 2001-02.

Senate Bill 323, Chapter 139 Historic Rehabilitation Tax Credits

Summary: Increases the individual and corporate income tax credits from 5% to 20% for income producing historic properties and creates a new 30% credit for non-income producing historic structures. The 1993 General Assembly provided investors with a 5% corporate and individual income tax credit for rehabilitating historic structures (GS 105-130.42 and GS 105-151.23). The state credit piggybacks on the 20% Federal Rehabilitation Investment Tax Credit. To be eligible for the credit, the building must be income-producing, the rehabilitation must be substantial, and the rehab costs must be incurred within 24 months. To earn non-income producing credit, the expenditures on a non-income producing project must exceed \$25,000 over a 24 month period.

Effective Date: The act is effective for taxable years beginning on or after January 1, 1998.

Fiscal Effect: The cost of this program rises from \$54,344 in FY 1997-98 to \$3.8 million in FY 2001-02.

GENERAL FUND REVENUE BILLS (Continued)

Senate Bill 352 - Chapter 443, Section 29.1 Extend and Modify Ports Tax Credit

- Summary:** Increases the maximum cumulative credit a taxpayer may claim under General Statutes 105-130.14 to \$2 million. The current maximum cumulative credit allowed a qualified taxpayer is \$1 million.
- Effective Date:** The expiration date for the credit is extended from February 28, 1998 to February 28, 2001.
- Fiscal Effect:** The additional loss in General Fund revenue for FY 1997/98 is \$1 million and the loss increases to \$3.6 million by FY 2001/02.

Senate Bill 727, Chapter 475 Fees to Implement State Budget

- Summary:**
- A. Food Tax Reduction:**

Reduces the state sales tax on food items intended for home consumption (defined as those items eligible for purchase with Food Stamps) from 3% to 2% on July 1, 1998. The revenue loss to the General Fund is \$83.8 million in 1998-99 and increases to \$97.9 million in FY 2001-02.
 - B. Insurance Regulatory Fund:**

Sets the insurance regulatory charge at 8.75% of the gross premiums tax and is effective for the 1997 tax year. This is an increase of 1.5% from the 7.25% rate in tax year 1996. The revenue from this charge is used to reimburse the General Fund for money appropriated to State agencies to pay the expenses incurred in regulating the insurance industry, in certifying statewide data processors for medical data collection and purchasing reports of patient data from statewide data processors. The 1.5% increase in the insurance regulatory charge will earn \$3.03 million more in FY 1997-98 than was earned in FY 1996-97.
 - C. Utilities Commission and Public Staff Fund:**

Reduces the utilities regulatory fee from .10% to 0.09% of each public utilities' North Carolina jurisdictional revenues earned during each quarter that begins on or after July 1, 1997. The revenue generated from this fee supports the operations of the North Carolina Utilities Commission and Public Staff. Revenues generated by the utilities regulatory fee will amount to \$7,830,000.
 - D. General Court of Justice Fees:**

Raises the General Court of Justice fees on all criminal cases in the superior or district court where the defendant is convicted, or enters a plea of guilty or nolo contendere, or when costs are assessed against the

GENERAL FUND REVENUE BILLS (Continued)

Senate Bill 727, Chapter 475 Fees to Implement State Budget (Continued)

prosecuting witness. The fee in the Superior Court Criminal Division is raised from \$53 to \$68 and the fee in the District Court Criminal Division is raised from \$46 to \$61. Each dollar increase in these Criminal Division fees raises \$1,007,521 in revenue. On an annual basis, the

E. Secretary of State Fees:

Raises the filing fees charged by the Secretary of State for articles of incorporation, certificate of authority, and application of reinstatement for corporations (general business, nonprofit, LLC). The bill also increases the Uniform Commercial Code (UCC) fee. The annual estimated revenue from the fee increase is \$1,830,000.

F. Corporate Annual Report:

The filing fee for a corporation's annual report is increased from \$10.00 to \$20.00 beginning with tax year 1998. The expected annual revenue from this \$10.00 increase is \$1,250,000. The 125,000 corporations subject to this fee will file their annual reports with the Department of Revenue beginning in January, 1998.

Senate Bill 1065, Chapter 525 Expand Severance Pay Exemption

Summary: Extends an income tax exemption on severance pay to all industries, clarifies that the exemption applies to severance pay for the loss of employment that is not the fault of the employee, and tightens law to ensure that \$35,000 cannot be taken more than one time. The 1996 General Assembly allowed an income tax exemption of up to \$35,000 for severance pay granted as a result of the permanent closure of a manufacturing or processing plant.

Effective Date Effective for taxable years beginning on or after January 1, 1998.

Fiscal Effect: The fiscal impact ranges from \$2.1 million in FY 1998-99 to \$2.5 million in FY 2001-02.

HIGHWAY FUND REVENUE BILLS

House Bill 248, Chapter 16 Graduated Drivers Licenses

Summary: Establishes a graduated license process by which minors acquire a driver's license. New process adds phases to the current licensing procedure. The additional phase will generate both additional expenditures for processing of applications and additional revenues from fees paid for the additional applications.

Effective Date: December 1, 1997

Fiscal Effect:

Highway Fund

	<u>Expenditures</u>	<u>Revenues</u>
FY 97-98	\$206,654	\$166,730
FY 98-99	\$284,202	\$372,280
FY 99-00	\$928,524	\$1,308,470
FY 00-01	\$841,248	\$1,308,470
FY 01-02	\$865,116	\$1,308,470

House Bill 1096, Chapter 466 Trucking Adjustment Act of 1997

Summary: Makes the following changes to current law: 1) requires DMV to issue permanent truck and truck-tractor plates, rather than annual plates; 2) exempts from light traffic road restrictions certain vehicles carrying forest products from farm or forest to first market (was only unprocessed forest products); 3) increases the civil penalty for failure to comply with registration or insurance verification requirements from \$75 to \$1,000. In addition, the proposed act requires studies of trucking issues by DMV and the Joint Legislative Transportation Oversight and Revenue Laws Study Committees.

Effective Date: January 1, 1999 for permanent plate provisions. October 1, 1997 for the light traffic road and civil penalty provisions. Upon becoming law for all other provisions.

Fiscal Effect: The known fiscal effects of the act are shown below:

Highway Fund

	<u>Expenditures</u>	<u>Revenues</u>
FY 97-98	\$50,000	\$100,825
FY 98-99	\$41,668	\$100,825
FY 99-00	-\$42,174	100,825

HIGHWAY FUND REVENUE BILLS (Continued)

House Bill 1096, Chapter 466

Trucking Adjustment Act of 1997 (Continued)

Highway Fund

	<u>Expenditures</u>	<u>Revenues</u>
FY 00-01	-\$42,174	\$100,825
FY 01-02	-\$41,174	\$100,825

In addition, the light road traffic provision of the act will result in damage to some highways, increasing highway maintenance funding requirements by an undetermined amount. Also, potential noncompliance with registration renewal by permanent truck plate holders may result in registration revenue loss.

Senate Bill 260, Chapter 29 Modify Emissions Inspection Laws

- Summary:** Makes numerous changes to emission inspection laws.
- Effective Date:** Felony changes are effective for offenses committed on or after November 1, 1997. All other changes effective July 1, 1997.
- Fiscal Effect:** The act creates two types of felony emissions sticker-related offenses, but the Administrative Office of the Courts (AOC) is unable to estimate the impact on the Judicial Branch and, consequently, on the Department of Corrections. The act also prohibits DMV from levying both a infraction penalty and a civil penalty for a violation of emissions law. Under State law, penalties imposed for infractions are allocated to the public school system of the county in which the case was adjudicated. DMV estimates that less than \$10,000 in revenue will be lost by public schools as a result of this provision. In addition, the act allows persons accused of emissions inspection violations to require that a hearing by DMV concerning the charges be conducted within 3 days of the request. DMV estimates that approximately \$20,000 in travel and subsistence expenditures will occur as a result of this provision.

Senate Bill 884, Chapter 428 State Infrastructure Bank

- Summary:** Permits the Department of Transportation (DOT) to establish a transportation infrastructure banking program as allowed by Federal law. Authorizes the use of Federal and State funds to provide loans through the infrastructure bank to governmental units, including toll authorities, to finance eligible transportation projects
- Effective Date:** Upon becoming law.

HIGHWAY FUND REVENUE BILLS (Continued)

Senate Bill 884, Chapter 428

State Infrastructure Bank (Continued)

Fiscal Effect: The Federal government has allocated \$1.5 million for North Carolina to use for an infrastructure bank over the next four years. The State is required to match these funds at the rate of \$1 in State funds for every \$4 in Federal funds, but the State may contribute more than is required to match the Federal funds.

House Bill 178, Chapter 33 Two Year Driver Instructor License

Summary: Changes the license renewal cycle for commercial driving schools and instructors from one year to every two years. The act does not increase the license fees. It adjusts the fees accordingly by doubling the current annual renewal fees. The commercial school license is \$80.00 payable every two years instead of \$40.00 annually. The instructor's license is \$16.00 payable every two years instead of \$8.00 annually.

Effective Date: July 1, 1997

Fiscal Effect: The Highway Fund will receive an extra \$2,840 in the first year from commercial school licenses. This amount would have been received in the second fiscal year rather than the first fiscal year had the licensing requirement remained annual. Because these fees are received in the first year, they are not received in the second year and represent a loss in that year. In addition, the Highway Fund will receive an extra \$4,288 in the first year from instructors renewing their license for two years instead of annually. Currently, there are 536 certified instructors. The act does not allow schools or instructors the option of renewing the licenses annually. The estimate does not consider any additional schools or instructors for the five year period.

Revenues

FY 97-98	\$7,128
FY 98-99	-\$7,128
FY 99-00	\$7,128
FY 00-01	-\$7,128
FY 01-02	\$7,128

VARIOUS BILLS

Special License Plates

Summary: Creates the following special license plates:

82 nd Airborne Division Plates	Chapter 156
Vietnam Veterans Plates	Chapter 339
Sheriffs' Registration Plates	Chapter 158

HIGHWAY FUND REVENUE BILLS (Continued)

VARIOUS BILLS (Continued)

Soil and Water Conservation Plates	Chapter 477
March of Dimes/ School Tech Plates	Chapter 484
Magistrates' Special License Plates	Chapter 461
Smoky Mountains Special Plate	Chapter 427

FINANCE BILLS AFFECTING ALL LOCAL GOVERNMENTS

House Bill 295, Chapter 23 No Tax on Intangible Property

Summary: Exempts intangible property such as patents, copyrights, secret processes, formulae, goodwill, trademarks, trade brands, and franchises from the property tax when such property is separately listed. The act does not prevent intrinsic intangible variables from being considered when determining the value of taxable property under one of the accepted valuation techniques recognized by the International Association of Assessing Officers.

Effective Date: Effective July 1, 1997.

Fiscal Effect: The impact on local government revenues is not expected to be significant.

House Bill 1231, Chapter 417 Local Transit Revenue Options

Summary: Allows the use of several revenue sources for funding public transportation services in qualified counties and cities of the State. Each local funding option authorized by this act is subject to the approval of the county board of commissioners or the city council except for the local option sales tax which is subject to a vote of the qualified voters of the county.

Funding Option: ½ Cent Sales Tax - Mecklenburg County is authorized to levy a one-half cent sales and use tax. The proceeds are to be used for financing the construction and maintenance of a public transportation system as defined in G.S. 105-506(2) of the act.

Funding Option: Municipal Vehicle Tax - The act authorizes any municipality in the State, that has a public transportation system, to levy a \$5.00 municipal vehicle tax for public transportation. The tax is levied on motor vehicles sited in the municipality for property tax purposes. This tax is in addition to the general municipal vehicle tax authorized under G.S. 20-97.

Funding Option: Gross Receipts - Counties that form a transportation authority under Article 26 or 27 of Chapter 160A of the General Statutes are authorized to impose a 5% vehicle rental tax on the short term lease of motor vehicles leased in the region. The Triangle Transit Authority and the Triad Transit Authorities will be eligible to levy this tax. The revenue from the tax is to be used by an authority for any authorized purpose.

Funding Option: Vehicle Registration - Transit authorities organized under Article 25, Article 26, and Article 27 of Chapter 160A of the General Statutes, are allowed to charge a \$5.00 registration fee on motor vehicles sited in each

FINANCE BILLS AFFECTING ALL LOCAL GOVERNMENTS (Continued)

House Bill 1231, Chapter 417

Local Transit Revenue Options (Continued)

member county for property taxation. This is the same authorization given to the Triangle Transit Authority.

Effective Date: Effective upon ratification.

Fiscal Effect: Public Transportation Revenues (\$ Millions)

	FY 97-98	FY 98-99	FY 99-00	FY 00-01	FY 01-02
½ Sales Tax	\$21.8	\$46.2	\$48.9	\$52.8	\$54.9
\$5.00 Registration	3.1	6.3	6.5	6.6	6.7
\$5.00 License	2.8	5.9	6.1	6.2	6.4
5% Gross Receipts	4.6	9.2	9.4	9.6	9.9

Senate Bill 441, Chapter 470

Handgun Fee Reallocation

Summary: Reallocates the \$80.00 application fee and the renewal fee authorized under G.S. 14-415.19(a) in the following manner: The Department of Justice is to receive \$45.00 instead of the authorized \$60.00 and the remaining \$35.00 of the application fee is received by the county sheriff. Under the current allocation, the county sheriff receives \$20.00 of the application and renewal fee.

Effective Date: July 1, 1997

Fiscal Effect: The revenue distribution is based on an estimated 14,114 permits issued for fiscal years 1996-97 through fiscal year 2001-02. The expected revenue from an estimated 14,114 permits issued in fiscal year 1997-98 is \$1.13 million. The Judicial portion of the revenue, under the new distribution is estimated to be \$635,130 and the revenue retained by county sheriffs statewide is \$493,990. Based on a 12 month fiscal year, under the allocation established in this act, the Department of Justice will receive (\$211,710) less revenue and the county sheriffs will gain \$211,710 in revenue.

The reallocation also applies to the renewal of permits. The 19,323 permits issued in fiscal year 1995-96, will be renewed in fiscal year 1999-00. The decrease in revenue for the Department of Justice in fiscal year 1999-00 is expected to be \$289,845 and the gain to the county sheriff departments is \$289,845. The 14,114 estimated permits issued in fiscal year 1996-97 will renew in fiscal year 2000-01 and the 14,114 permits issued in fiscal year 1997-98 will be renewed in fiscal year 2001-02.

FINANCE BILLS AFFECTING ALL LOCAL GOVERNMENTS (Continued)

SENATE BILL 441, Chapter 470 Handgun Fee Reallocation (Continued)

The gain to local governments and the loss to the state is as follows:

Revenues

FY 97-98	\$211,710
FY 98-99	\$211,710
FY 99-00	\$501,555
FY 00-01	\$423,420
FY 01-02	\$423,420

House Bill 1158, Chapter 355 Reduce Property Tax for Antique Airplanes

Summary: Defines antique aircraft and establishes a maximum property value on aircraft that meet the definition. The maximum assessed value that can be placed on this type of property for property taxation is \$5,000.

Effective Date: Taxable years beginning on or after July 1, 1998.

Fiscal Effect: The annual loss to local governments in the state is \$61,800 to \$80,000 each year. In North Carolina there are approximately 600 aircraft that meet the definition of antique aircraft outlined in the bill. The estimated value of this property is \$12.8 million. Using an average tax rate of 64 cents per \$100.00 in value, the property tax due in fiscal year 1997-98 is approximately \$81,000. If the maximum value that can be placed on these 600 aircraft is \$5,000, then the tax due for fiscal year 1997-98 is \$19,200. The difference is \$61,800.

The estimate is given in a range because some of the aircraft registered in the State could be valued greater than, as well as less than, the actual listing on the property tax rolls. The values, used in determining the aircraft registered in the State, are derived from aviation trade publications used nationwide to value aircraft property wherever located.

APPENDIX

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TOTAL STATE BUDGET BY SOURCE OF FUNDS
(In Millions)

Fiscal Year	General Fund*	Federal Revenue Sharing	Highway Fund/Trust	Federal Receipts	Other Receipts	Total
1963-64	534.0	-	158.3	152.4	127.4	972.1
1964-65	468.7	-	161.8	153.3	91.3	875.1
1965-66	608.8	-	181.7	188.8	185.2	1,164.5
1966-67	580.6	-	188.8	175.8	107.7	1,052.8
1967-68	791.7	-	219.6	236.4	180.3	1,428.0
1968-69	735.1	-	226.9	221.3	135.3	1,318.6
1969-70	969.6	-	303.7	349.9	193.4	1,816.6
1970-71	961.4	-	304.7	335.1	171.2	1,772.3
1971-72	1,198.0	-	344.8	476.7	218.6	2,238.2
1972-73	1,173.6	-	352.4	491.7	199.5	2,217.2
1973-74	1,607.3	105.2	381.7	519.3	264.4	2,877.9
1974-75	1,734.6	57.2	392.7	648.6	247.8	3,080.9
1975-76	1,733.2	51.7	422.8	747.6	292.3	3,247.6
1976-77	1,922.4	67.1	414.6	776.8	282.9	3,463.8
1977-78	2,158.0	66.9	433.1	967.9	351.4	3,977.3
1978-79	2,515.4	62.5	461.8	1,042.7	328.5	4,410.9
1979-80	2,787.7	57.0	497.6	1,240.5	448.8	5,031.7
1980-81	3,216.4	28.4	506.1	1,296.5	395.7	5,443.1
1981-82	3,435.0	-	535.0	1,312.7	470.0	5,752.8
1982-83	3,623.6	-	555.6	1,322.3	485.9	5,987.4
1983-84	3,857.6	-	664.0	1,597.4	584.9	6,703.9
1984-85	4,516.6	-	713.6	1,655.8	551.7	7,437.7
1985-86	5,130.5	-	735.5	1,838.1	696.4	8,400.5
1986-87	5,516.0	-	839.4	1,887.4	698.3	8,941.0
1987-88	5,977.9	-	882.4	2,026.8	837.1	9,724.2
1988-89	6,586.1	-	918.7	2,117.4	788.2	10,410.4
1989-90	7,360.0	-	1,236.6	2,366.8	1,033.0	11,996.4
1990-91	8,149.0	-	1,223.8	2,617.0	949.4	12,939.2
1991-92	7,983.0	-	1,323.3	3,127.8	1,176.3	13,610.4
1992-93	8,209.5	-	1,318.4	3,617.5	1,363.2	14,508.6
1993-94	9,317.9	-	1,363.3	4,516.4	1,544.0	16,741.6
1994-95	10,268.4	-	1,480.9	4,639.9	1,580.7	17,969.9
1995-96	10,031.6	-	1,553.4	4,664.4	1,783.3	18,032.7
1996-97	10,603.0	-	1,622.5	4,870.3	1,962.7	19,058.6
1997-98	11,565.3	-	1,775.5	5,220.4	1,863.6	20,424.9
1998-99	11,532.0	-	1,793.9	5,444.9	1,705.6	20,476.5

* General Fund as shown reflect amounts as originally authorized by the General Assembly; they do not reflect changes related to supplemental appropriations made by subsequent Session nor do they reflect transfers between the fiscal years of the biennium or any actions taken by the Governor during recessions to balance the budget.

Source: Office of State Budget

Total General Fund Authorizations as Adjusted to Determine Total Current Operations

Fiscal Year	Total Authorizations*	% of Increase Over Prior Year	Capital Improvements** Direct Appropriations	Earmarking of Unreserved Credit Balance	Rainy Day/ Savings Reserve Direct Appropriations	Local Government Shared Revenue	Transfer To Highway Fund	Total Current Operations	% of Increase Over Prior Year
1965-66	579,953,934		41,651,578	--	--	--	--	538,302,356	
1966-67	591,139,328	1.93%	0	--	--	--	--	591,139,328	9.82%
1967-68	783,036,006	32.46%	112,356,788	--	--	--	--	670,679,218	13.46%
1968-69	744,733,486	-4.89%		--	--	--	--	744,733,486	11.04%
1969-70	951,757,962	27.80%	75,588,603	--	--	--	--	876,169,359	17.65%
1970-71	981,127,808	3.09%		--	--	--	--	981,127,808	11.98%
1971-72	1,138,180,763	16.01%	64,891,192	--	--	--	--	1,073,289,571	9.39%
1972-73	1,187,443,130	4.33%		--	--	--	--	1,187,443,130	10.64%
1973-74	1,712,516,853	44.22%	191,822,446	--	--	--	--	1,520,694,407	28.06%
1974-75	1,791,783,009	4.63%	93,365,337	--	--	--	--	1,698,417,672	11.69%
1975-76	1,766,321,933	-1.42%	28,662,437	--	--	--	--	1,737,659,496	2.31%
1976-77	2,008,072,901	13.69%	45,096,295	--	--	--	--	1,962,976,606	12.97%
1977-78	2,224,738,340	10.79%	31,332,626	--	--	--	--	2,193,405,714	11.74%
1978-79	2,578,019,913	15.88%	126,008,818	--	--	--	--	2,452,011,095	11.79%
1979-80	2,835,367,553	9.98%	84,378,719	--	--	--	--	2,750,988,834	12.19%
1980-81	3,255,104,769	14.80%	104,141,290	--	--	--	--	3,150,963,479	14.54%
1981-82	3,432,556,046	5.45%	30,861,142	--	--	--	--	3,401,694,904	7.96%
1982-83	3,626,915,248	5.66%	65,772,358	--	--	--	--	3,561,142,890	4.69%
1983-84	3,857,564,088	6.36%	59,782,244	--	--	--	25,800,000	3,771,981,844	5.92%
1984-85	4,532,103,411	17.49%	212,535,238	--	--	--	--	4,319,568,173	14.52%
1985-86	5,130,563,978	13.20%	253,503,234	--	--	--	--	4,877,060,744	12.91%
1986-87	5,531,345,878	7.81%	297,667,245	--	--	--	--	5,233,678,633	7.31%
1987-88	5,978,265,764	8.08%	173,020,035	--	--	--	--	5,805,245,729	10.92%
1988-89	6,561,392,895	9.75%	258,659,030	--	--	--	--	6,302,733,865	8.57%
1989-90	7,266,680,455	10.75%	150,092,738	--	--	233,569,324	--	6,883,018,393	9.21%
1990-91	7,973,824,802	9.73%	106,400,195	--	141,000,000	476,793,897	--	7,249,630,710	5.33%
1991-92	7,825,732,308	-1.86%	0	--	400,000	468,231,174 A	--	7,357,101,134	1.48%
1992-93	8,209,537,916	4.90%	95,205,570	--	--	232,424,154 B	--	7,881,908,192	7.13%
1993-94	9,317,906,610	13.50%	135,371,704	57,000,000	--	236,824,154	--	8,888,710,752	12.77%
1994-95	10,268,424,627	10.20%	189,391,450	60,000,000	66,700,000	236,824,154	--	9,715,509,023	9.30%
1995-96	10,031,584,878	-2.31%	113,522,500	125,000,000	--	--	--	9,793,062,378	0.80%
1996-97	10,607,678,229 D	5.74%	157,267,000	C	--	--	--	10,450,411,229	6.71%
1997-98	11,565,328,256	9.03%	152,991,120	174,260,955	--	--	--	11,238,076,181	7.54%
1998-99	11,532,022,416	-0.29%	--	--	--	--	--	11,532,022,416	2.62%

** Total Authorizations have been adjusted for appropriations carried forward between fiscal years

** Capital Improvements include Federal-Revenue Sharing appropriations

A: Amount shown is net after transfer of \$6.6 million to EHNH operating budget

B: Amount shown is net after transfer of \$4.4 million to EHNH operating budget

C: Repairs/Renovations of \$130 Million were funded directly from earmarked reserve as was \$39,519,567 additional items by transferring funds appropriated from the General Fund for the Fiscal Year 1995-96 to a capital improvement reserve

D: Adjusted to reflect supplemental appropriation for Community Colleges for 1996-97 as appropriated by the 1997 Session

SAVINGS RESERVE AT YEAR ENDING JUNE 30

(Budget Reform Legislation enacted with year end balances beginning June 30, 1992)

Fiscal Year	Prior Year Current Appropriations Total* (Base for Calculations)	5% of Prior Year Appropriation Cap	June 30 Unreserved Credit Balance	Current Year Earmarking	Direct Appropriations To Savings Reserve	Accumulative Total in Savings Reserve
1990-91				0	141,000,000 A	0
1991-92	7,726,343,007	386,317,150	164,773,001	41,193,253	400,000	41,593,253
1992-93	7,825,507,308	391,275,365	537,330,259	134,332,565	0	175,925,818
1993-94	8,114,332,336	405,716,617	622,712,983	155,678,246	(121,000,000) A	210,604,064
1994-95	9,125,084,906	456,254,245	586,422,276 B	146,305,569	66,700,000	423,609,633
1995-96	10,019,033,177	500,951,659	726,581,754	77,342,029	0	500,951,662
1996-97	9,793,062,378	489,653,119	759,306,050	0	0	500,951,662
1997-98	10,445,711,229	522,285,561				
1998-99	10,716,660,065	535,833,003				

*Includes Local Government Shared Revenues/Reimbursements Directly Appropriated

A: The General Assembly appropriated \$141 million; this reserve was used to offset a shortfall in revenue for 1990-91

B: The General Assembly authorized the transfer of \$121 Million to be used for the purpose of restoring the June 30 paydate.

ANALYSIS OF STATE PORTION OF FEDERAL REVENUE SHARING FUNDS

Fiscal year	Fund Balance	Entitlements	Interest Earned	Reversions	Total Funds	Transfers to Capital	Transfers To Non-tax Revenues	Ending Fund Balance
1972-73	0	56,739,830	1,567,114	0	58,306,944	0	0	58,306,944
1973-74	58,306,944	52,075,149	652,071	0	111,034,164	105,200,000	0	5,834,164
1974-75	5,834,164	52,330,322	12,713	706,720	58,883,919	57,200,000	0	1,683,919
1975-76	1,683,919	51,889,900	134,671	10,429,736	64,138,226	4,713,789	48,779,830	10,644,607
1976-77	10,644,607	54,464,467	122,639	5,748,073	70,979,786	16,126,358	50,764,604	4,088,824
1977-78	4,088,824	55,653,827	101,559	60,227	59,904,437	26,583,626	29,610,118	3,710,693
1978-79	3,710,693	56,225,748	133,996	303,263	60,373,700	32,230,000	28,024,132	119,568
1979-80	119,568	56,543,286	17,125	221,268	56,901,247	0	56,901,247	0
1980-81	0	28,092,475	7,714	291,709	28,391,898	0	28,391,898	0
1981-82	0	0	0	262,398	262,398	0	262,398	0
1982-83	0	1,233,888	1,371	38,464	1,273,723	0	0	1,273,723
1983-84	1,273,723	0	169,360	0	1,443,083	0	39,433	1,403,650
1984-85	1,403,650	0	52,894	0	1,456,544	0	1,456,544	0

ANALYSIS OF ANTI-RECESSION FUNDS

Fiscal year	Fund Balance	Entitlements	Interest Earned	Total Fund	Transfer to Non-tax Revenue	Ending Fund Balance
1976-77	0	5,340,632	99,754	5,440,386	190,000	5,250,386
1977-78	5,250,386	5,842,753	73,393	11,166,532	8,906,613	2,259,919
1978-79	2,259,919	0	9,886	2,269,805	2,259,919	9,886
1979-80	9,886	0	14	9,900	9,800	100
1980-81	100	0	11	111	0	111
1981-82	111	0	5	116	116	0

Condition of General Fund including Federal Revenues (Actual)

Fund	Fiscal Year	Balance July 1	Reserve	Adjustment	Revenue Collections	Total Availability	Current Op. Expenditures	Capital Expenditure	Total Expenditures	Reserve &/Or Earmarking	Balance June 30 Unreserved
Note: The 1965-66 adjustment is the addition of a reserve for personal withholding of income taxes.											
	1965-66	87,672,031		12,007,219	573,249,459	672,928,709	517,110,881	41,651,578	558,762,459	0	114,166,250
	1966-67	114,166,250	0	0	623,709,479	737,875,729	565,195,417	0	565,195,417	0	172,680,312
	1967-68	172,680,312	0	0	679,198,928	851,879,240	643,992,638	112,356,788	756,349,426	0	95,529,814
	1968-69	95,529,814	0	0	776,065,736	871,595,550	718,259,774	0	718,259,774	0	153,335,776
	1969-70	153,335,776	0	0	878,550,034	1,031,885,810	837,404,905	75,588,603	912,993,508	0	118,892,302
	1970-71	118,892,302	0	0	967,636,156	1,086,528,458	939,311,030	0	939,311,030	0	147,217,428
	1971-72	147,217,428	0	0	1,093,909,181	1,241,126,609	1,031,353,080	64,891,192	1,096,244,272	0	144,882,337
NOTE: FR-Sharing is Federal Revenue Sharing.											
Gen Fund	1972-73	144,882,337	0	0	1,259,415,819	1,404,298,156	1,139,500,643	0	1,139,500,643	0	264,797,513
FR-Sharing	1972-73	0	0	0	58,306,944	58,306,944	0	0	0	0	58,306,944
Total	1972-73	144,882,337	0	0	1,317,722,763	1,462,605,100	1,139,500,643	0	1,139,500,643	0	323,104,457
Gen Fund	1973-74	264,797,513	0	0	1,429,764,463	1,694,561,976	1,433,241,642	86,622,446	1,519,864,088	0	174,697,888
FR-Sharing	1973-74	58,306,944	0	0	52,727,220	111,034,164	0	105,200,000	105,200,000	0	5,834,164
Total	1973-74	323,104,457	0	0	1,482,491,683	1,805,596,140	1,433,241,642	191,822,446	1,625,064,088	0	180,532,052
Gen Fund	1974-75	174,697,888	0	0	1,544,097,052	1,718,794,940	1,627,703,631	36,165,337	1,663,868,968	0	54,925,972
FR-Sharing	1974-75	5,834,164	0	0	53,049,755	58,883,919	0	57,200,000	57,200,000	0	1,683,919
Total	1974-75	180,532,052	0	0	1,597,146,807	1,777,678,859	1,627,703,631	93,365,337	1,721,068,968	0	56,609,891
Gen Fund	1975-76	54,925,972	0	0	1,648,077,900	1,703,003,872	1,621,231,432	23,948,648	1,645,180,080	0	57,823,792
FR-Sharing	1975-76	1,683,919	0	0	62,454,307	64,138,226	48,779,830	4,713,789	53,493,619	0	10,644,607
Total	1975-76	56,609,891	0	0	1,710,532,207	1,767,142,098	1,670,011,262	28,662,437	1,698,673,699	0	68,468,399
NOTE: Anti-Rec is Anti-Recession Federal Funding											
Gen Fund	1976-77	57,823,792	0	0	1,952,574,033	2,010,397,825	1,839,885,093	28,969,937	1,868,855,030	0	141,542,795
FR-Sharing	1976-77	10,644,607	0	0	60,335,179	70,979,786	50,764,604	16,126,358	66,890,962	0	4,088,824
Anti-Rec	1976-77	0	0	0	5,440,386	5,440,386	190,000	0	190,000	0	5,250,386
Total	1976-77	68,468,399	0	0	2,018,349,598	2,086,817,997	1,890,839,697	45,096,295	1,935,935,992	0	150,882,005
Gen Fund	1977-78	141,542,795	0	0	2,134,821,184	2,276,363,979	2,092,634,019	4,749,000	2,097,383,019	0	178,980,960
FR-Sharing	1977-78	4,088,825	0	0	55,815,613	59,904,438	29,610,118	26,583,626	56,193,744	0	3,710,694
Anti-Rec	1977-78	5,250,386	0	0	5,916,146	11,166,532	8,906,613	0	8,906,613	0	2,259,919
Total	1977-78	150,882,006	0	0	2,196,552,943	2,347,434,949	2,131,150,750	31,332,626	2,162,483,376	0	184,951,573
Gen Fund	1978-79	178,980,960	0	0	2,430,295,403	2,609,276,363	2,328,048,791	93,778,818	2,421,827,609	0	187,448,754
FR-Sharing	1978-79	3,710,694	0	0	56,663,007	60,373,701	28,024,132	32,230,000	60,254,132	0	119,569
Anti-Rec	1978-79	2,259,919	0	0	9,886	2,269,805	2,259,919	0	2,259,919	0	9,886
Total	1978-79	184,951,573	0	0	2,486,968,296	2,671,919,869	2,358,332,842	126,008,818	2,484,341,660	0	187,578,209
Gen Fund	1979-80	187,448,754	0	0	2,785,259,764	2,972,708,518	2,603,361,242	84,378,719	2,687,739,961	0	284,968,557
FR-Sharing	1979-80	119,568	0	0	56,781,679	56,901,247	56,901,247	0	56,901,247	0	0
Anti-Rec	1979-80	9,886	0	0	14	9,900	9,800	0	9,800	0	100
Total	1979-80	187,578,208	0	0	2,842,041,457	3,029,619,665	2,660,272,289	84,378,719	2,744,651,008	0	284,968,657

Condition of General Fund Including Federal Revenues (Actual)

Fund	Fiscal Year	Balance July 1	Reserve	Adjustment	Revenue Collections	Total Availability	Current Op. Expenditures	Capital Expenditure	Total Expenditures	Reserve &/Or Earmarking	Balance June 30 Unreserved
Gen Fund	1980-81	284,968,557	0	0	2,995,420,535	3,280,389,092	3,021,621,011	104,141,290	3,125,762,301	0	154,626,791
FR-Sharing	1980-81	0	0	0	28,391,898	28,391,898	28,391,897	0	28,391,897	0	1
Anti-Rec	1980-81	100	0	0	11	111	0	0	0	0	111
Total	1980-81	284,968,657	0	0	3,023,812,444	3,308,781,101	3,050,012,908	104,141,290	3,154,154,198	0	154,626,903
Gen Fund	1981-82	154,626,792	0	0	3,229,278,338	3,383,905,130	3,244,496,219	30,861,142	3,275,357,361	0	108,547,769
FR-Sharing	1981-82	0	0	0	262,398	262,398	262,398	0	262,398	0	0
Anti-Rec	1981-82	111	0	0	5	116	116	0	116	0	0
Total	1981-82	154,626,903	0	0	3,229,540,741	3,384,167,644	3,244,758,733	30,861,142	3,275,619,875	0	108,547,769
Gen Fund	1982-83	108,547,769	0	0	3,403,842,753	3,512,390,522	3,374,921,984	65,772,358	3,440,694,342	0	71,696,180
FR-Sharing	1982-83	0	0	0	1,273,723	1,273,723	0	0	0	0	1,273,723
Total	1982-83	108,547,769	0	0	3,405,116,476	3,513,664,245	3,374,921,984	65,772,358	3,440,694,342	0	72,969,903
Gen Fund	1983-84	71,696,180	0	0	3,957,278,079	4,028,974,259	3,715,665,403	59,782,244	3,775,447,647	0	253,526,612
FR-Sharing	1983-84	1,273,723	0	0	169,360	1,443,083	39,433	0	39,433	0	1,403,650
Total	1983-84	72,969,903	0	0	3,957,447,439	4,030,417,342	3,715,704,836	59,782,244	3,775,487,080	0	254,930,262
Gen Fund	1984-85	253,526,612	0	0	4,525,638,127	4,779,164,739	4,186,531,747	212,535,238	4,399,066,985	0	380,097,754
FR-Sharing	1984-85	1,403,650	0	0	52,894	1,456,544	1,456,544	0	1,456,544	0	0
Total	1984-85	254,930,262	0	0	4,525,691,021	4,780,621,283	4,187,988,291	212,535,238	4,400,523,529	0	380,097,754
	1985-86	380,097,754	0	0	4,910,870,016	5,290,967,770	4,718,355,241	253,503,234	4,971,858,475	0	319,109,295
	1986-87	319,109,295	0	0	5,392,076,697	5,711,185,992	5,051,335,794	297,667,245	5,349,003,039	0	362,182,953
	1987-88	362,182,953	0	0	5,804,527,342	6,166,710,295	5,600,754,852	173,020,035	5,773,774,887	0	392,935,408
	1988-89	392,935,408	0	0	6,154,529,607	6,547,465,015	6,131,757,409	258,659,030	6,390,416,439	0	157,048,576

NOTE: Beginning with 1989-90, Revenue Collections include transfers from the Highway Trust Fund.

1989-90	157,048,576	0	0	6,988,406,674	7,145,455,250	6,773,120,129	150,092,738	6,923,212,867	0	222,242,383
1990-91	222,242,383	0	0	7,207,815,194	7,430,057,577	7,323,216,884	106,400,195	7,429,617,079	0	440,498

NOTE: 1991-92 Expenditures include a \$400,000 transfer to the Savings Reserve Account.

NOTE: Reserves starting in the 1991-92 are for the Savings Reserve Account and Earmarking of Repairs/Renovations as mandated by Budget Reform legislation.

1991-92	440,498	0	0	7,817,050,946	7,817,491,444	7,652,718,443	0	7,652,718,443	41,193,253	123,579,748
1992-93	123,579,748		0	8,292,796,568	8,416,376,316	7,783,840,487	95,205,570	7,879,046,057	191,332,565	345,997,694

NOTE: DSS Funds are Disproportionate Share Federal Funds; they were budgeted as departmental receipts during 1992-93.

The 1993-94 adjustment is a transfer from the Savings Reserve Account which was used to restore June pay date

Gen Fund	1993-94	345,997,694	57,000,000	121,000,000	9,009,134,828	9,533,132,522	8,718,047,835	192,371,704	8,910,419,539	215,678,246	407,034,737
DSS Funds	1993-94	0	0	0	303,132,954	303,132,954	93,200,000	0	93,200,000		209,932,954
Total	1993-94	345,997,694	57,000,000	121,000,000	9,312,267,782	9,836,265,476	8,811,247,835	192,371,704	9,003,619,539	215,678,246	616,967,691

NOTE: 1994-85 Expenditures include an appropriation of \$68,700,000 to the Savings Reserve Account.

1994-95 Reserve &/Or Earmarking includes \$28.1 Million of 1994-95 Revenues earmarked for future tax relief.

Condition of General Fund including Federal Revenues (Actual)

Fund	Fiscal Year	Balance July 1	Reserve	Adjustment	Revenue Collections	Total Availability	Current Op. Expenditures	Capital Expenditure	Total Expenditures	Reserve &/Or Earmarking	Balance June 30 Unreserved
Gen Fund	1994-95	407,034,737	60,000,000	0	9,876,738,715	10,343,773,452	9,481,059,729	249,391,450	9,730,451,179	320,711,136	292,611,137
DSS Funds	1994-95	209,932,954			95,595,394	305,528,348	303,932,954		303,932,954		1,595,394
Total	1994-95	616,967,691	60,000,000	0	9,972,334,109	10,649,301,800	9,784,992,683	249,391,450	10,034,384,133	320,711,136	294,206,531

NOTE: 1995-96 Reserve transfer of \$153.1 million includes \$125.0 million from Earmarked R/R Reserve and \$28.1 million earmarked for future tax relief measures by the 1994 Session of the General Assembly.

1995-96 Reserve &/Or Earmarking includes \$47.1 million for the Clean Water Management Trust Fund; \$39.5 million for Capital Improvement Reserve; \$130 million for R/R; \$26.2 million for Federal Retirees; \$.3 million for library grants; and \$77.3 million for Savings Reserve Account.

Gen Fund	1995-96	292,611,137	153,100,000	0	10,014,211,926	10,459,923,063	9,494,818,810	238,522,500	9,733,341,310	320,445,593	406,136,160
DSS Funds	1995-96	1,595,394	0	0	76,013,459	77,608,853	76,013,459	0	76,013,459	0	1,595,394
Total	1995-96	294,206,531	153,100,000	0	10,090,225,385	10,537,531,916	9,570,832,269	238,522,500	9,809,354,769	320,445,593	407,731,554

NOTE: 1996-97 Reserve transfer is the sum transferred as authorized by Section 7.9, Chapter 18 of the 1996 Session Laws. This section authorized the Director of the Budget to use lapsed salaries for the 1995-97 biennium to match federal funds for disaster relief.

Repair/Renovations Allocations were made directly from the Earmarked Reserve for that purpose for 1996-97

Gen Fund	1996-97	406,136,160	(115,510,195)	0	10,833,017,006	11,123,642,971	10,207,069,921	157,267,000	10,364,336,921	440,615,848	318,690,202
DSS Funds	1996-97	1,595,394	0	0	100,843,546	102,438,940	102,438,940	0	102,438,940	0	0
Total	1996-97	407,731,554	(115,510,195)	0	10,933,860,552	11,226,081,911	10,309,508,861	157,267,000	10,466,775,861	440,615,848	318,690,202

Earmarking of the Unreserved Credit Balance by Fiscal Year

Fiscal Year	June 30 Unreserved Credit Balance	Savings Reserve Earmarking	Repairs/ Renovations (Replacement Value)	Repairs/ Renovations Supplement	Clean Water Management Trust Fund	Tax Relief/ Tax Refunds	Other Earmarking	Total Earmarking	Remaining Credit Balance
1991-92	164,773,001	41,193,253	0	0	0	0	0	41,193,253	123,579,748
1992-93	537,330,259	134,332,565	57,000,000	0	0	0	0	191,332,565	345,997,694
1993-94	622,712,983	155,678,246	60,000,000	0	0	0	0	215,678,246	407,034,737
1994-95	680,022,275	146,305,569	146,305,569 A	0	0	28,100,000 B	66,700,000 **	387,411,138	292,611,137
1995-96	726,581,754	77,342,026	130,000,000	0	47,100,000	26,200,000 C	39,803,567 D	320,445,593	406,136,161
1996-97	759,306,050	0	135,000,000	39,260,955	49,354,893	156,000,000 E	61,000,000 F	440,615,848	318,690,202

A: Only \$125,000,000 was appropriated by the General Assembly for Repairs/Renovations; the balance of \$21,305,569 was appropriated by the 1996 Session of the General Assembly for Special Projects.

B: Reserve for Future Tax Relief

** Direct Transfer to the Savings Reserve Account

C: Reserve for Federal Retirees Refund (\$25 million) and Federal Retiree Administration (\$1.2 million)

D: Appropriation of additional 1996-97 Capital Improvements of \$39,519,567 made by re-appropriating 1995-96 unexpended appropriations and the appropriation of 1995-96 reversion of \$284,000 for library grants

E: Reserve for Intangible Tax Remedy/Refunds

F: Investment in NC Railroad stock

TAX REVENUES BY MAJOR SCHEDULES (ACTUAL)

Net Collections after Refunds, Reimbursements, and Earmarking

	Individual	Income Tax Corporate	Total Income	Sales & Use	Franchise	Inheritance	Beverage	Insurance	Cigarette/ Tobacco	Soft Drinks	Other	Total Tax Revenue
1965-66	165,070,174	87,666,287	252,736,461	188,246,243	41,383,066	11,443,686	22,514,652	20,118,948	-----	-----	18,972,340	555,415,396
1966-67	188,561,766	96,245,781	284,807,547	201,641,570	45,725,033	12,144,523	25,677,593	22,076,520	-----	-----	13,132,174	605,204,960
1967-68	216,546,972	94,645,849	311,192,821	216,173,811	51,674,292	14,165,345	22,666,347	23,928,805	-----	-----	12,681,171	652,482,592
1968-69	239,644,468	110,500,839	350,145,307	239,525,769	56,927,222	21,328,167	29,864,691	26,744,842	-----	-----	14,974,530	739,510,528
1969-70	270,945,492	109,117,961	380,063,453	264,350,605	60,596,686	17,825,615	48,540,468	29,605,303	11,738,015	12,923,125	16,070,798	841,714,068
1970-71	301,755,720	111,841,025	413,596,745	285,893,056	61,924,665	18,808,807	56,382,987	32,368,226	16,361,491	18,550,517	17,558,198	921,444,692
1971-72	361,816,480	122,034,298	483,850,778	324,824,018	71,073,722	22,164,706	60,583,412	35,927,677	18,891,365	19,192,153	15,391,871	1,051,899,702
1972-73	431,222,164	135,086,285	566,308,449	368,746,184	80,622,288	34,030,814	63,957,863	40,802,936	20,228,597	19,724,564	19,575,349	1,213,997,044
1973-74	504,319,052	148,748,753	653,067,805	409,393,909	91,658,623	29,196,269	67,751,142	44,764,328	20,531,733	20,200,510	21,621,149	1,358,185,468
1974-75	549,927,432	165,473,944	715,401,376	423,006,813	111,742,188	26,202,077	70,042,026	47,999,930	20,753,314	18,110,432	17,925,944	1,451,184,100
1975-76	604,792,720	155,685,814	760,478,534	464,756,311	130,193,042	28,280,942	73,323,247	54,809,184	21,473,062	19,765,341	18,765,791	1,571,845,454
1976-77	782,092,041	203,397,684	985,489,725	510,295,335	146,139,025	31,038,176	75,216,249	56,609,311	20,307,632	20,119,909	24,751,396	1,869,966,758
1977-78	848,247,311	228,693,809	1,076,941,120	578,960,737	162,348,177	35,122,343	79,809,085	63,957,032	19,415,339	22,071,726	21,856,189	2,060,481,748
1978-79	996,226,723	252,704,464	1,248,931,187	646,729,888	181,454,337	37,709,225	85,115,511	71,109,177	18,826,236	23,047,831	24,294,753	2,337,218,145
1979-80	1,180,507,067	290,632,136	1,471,139,203	691,902,227	200,814,972	40,077,397	90,461,024	80,258,938	18,031,230	21,970,740	24,558,259	2,639,213,990
1980-81	1,303,517,221	279,803,897	1,583,321,118	737,098,123	235,280,325	43,433,565	95,389,760	86,188,075	18,247,220	22,278,966	24,716,296	2,845,953,448
1981-82	1,449,370,198	277,447,978	1,726,818,176	777,449,131	269,764,189	43,480,619	99,640,685	92,817,199	18,277,757	21,882,630	27,582,451	3,077,712,837
1982-83	1,550,107,336	306,517,039	1,856,624,375	823,400,004	298,560,505	44,071,761	100,343,420	98,116,843	15,618,474	21,829,242	20,460,219	3,279,024,843
1983-84	1,784,986,813	367,823,717	2,152,810,530	998,987,392	326,787,458	66,412,027	101,192,377	106,523,346	14,970,694	23,667,499	23,026,280	3,814,377,603
1984-85	2,023,463,495	489,955,619	2,513,419,114	1,155,845,141	310,142,987	71,203,186	105,075,395	116,107,705	14,907,150	24,607,217	25,414,359	4,336,722,254
1985-86	2,206,749,074	510,675,054	2,717,424,128	1,380,409,070	197,594,803	82,020,611	108,981,903	134,814,850	14,895,376	25,712,882	32,667,227	4,694,520,850
1986-87	2,565,878,217	563,528,678	3,129,406,895	1,451,612,941	206,523,263	73,540,356	112,514,998	139,229,389	11,616,044	24,828,396	31,289,835	5,180,562,117
1987-88	2,686,832,223	625,972,626	3,312,804,849	1,555,266,971	234,779,520	60,728,032	122,479,873	186,461,390	8,484,073	27,365,786	42,918,379	5,551,288,873
1988-89	3,002,323,870	549,432,007	3,551,755,877	1,681,724,768	236,296,779	67,154,138	127,614,668	187,071,844	7,952,400	27,912,071	41,059,561	5,928,542,106
1989-90	3,390,389,817	557,763,530	3,948,153,347	1,762,717,987	262,760,974	72,871,272	145,690,616	176,714,976	15,315,186	28,987,047	148,211,757	6,561,423,162
1990-91	3,534,474,150	493,213,262	4,027,687,412	1,682,340,881	372,888,415	76,790,835	153,753,340	193,240,504	15,190,478	29,752,060	140,861,252	6,692,505,177
1991-92	3,583,017,675	606,195,418	4,189,213,093	2,161,362,545	406,952,650	87,676,257	158,075,821	203,829,955	40,362,907	32,417,808	158,554,573	7,438,445,609
1992-93	3,992,016,392	429,848,526	4,421,864,918	2,344,073,330	419,986,494	89,618,065	159,142,463	198,811,590	42,880,901	34,461,373	172,177,426	7,883,016,560
1993-94	4,254,506,549	487,796,660	4,742,303,209	2,578,846,239	439,287,031	106,533,229	161,133,617	219,439,488	37,925,056	36,538,688	194,749,199	8,516,755,756
1994-95	4,665,474,733	649,389,838	5,314,864,571	2,781,683,390	458,058,989	109,865,448	163,188,783	236,215,989	44,635,750	37,958,080	219,345,056	9,365,816,056
1995-96	4,800,034,948	673,837,774	5,473,872,722	2,958,132,813	355,918,036	112,912,290	145,517,853	242,652,553	46,697,736	39,805,998	83,245,228	9,458,755,229
1996-97	5,329,990,261	717,750,574	6,047,740,835	3,127,673,443	387,811,674	132,068,325	150,208,567	258,503,720	46,677,349	31,347,645	57,115,919	10,239,147,477

Authorized & Actual Revenue Collections by Fiscal Year (In Thousands)

Fiscal Year	Authorized		Other	Actual Collections			Other	Federal Revenue	HTF Transfer	Overcollections			Other	Federal Revenues	HTF Transfer	Total
	Tax Revenues	Non-tax Revenues		Federal Revenues	HTF Transfer	Total				Tax Revenues	Non-tax Revenues	Total				
1961-62	338,347	9,230		0	0	347,577		0	0	0	374,837	24,544	2,716	0	0	27,260
1962-63	351,119	8,865		0	0	359,984		0	0	0	415,328	51,706	3,638	0	0	55,344
1963-64	417,043	7,875		0	0	424,918		0	0	0	437,849	11,127	1,804	0	0	12,931
1964-65	435,518	7,900		0	0	443,418		0	0	0	491,701	44,932	3,351	0	0	48,283
1965-66	511,032	14,382		0	0	525,414		0	0	0	573,250	44,384	3,452	0	0	47,836
1966-67	532,885	13,795		0	0	546,680		0	0	0	623,710	72,320	4,710	0	0	77,030
1967-68	640,850	18,200		0	0	659,050		0	0	0	679,199	11,633	8,516	0	0	20,149
1968-69	677,038	18,200		0	0	695,238		0	0	0	776,066	62,473	18,355	0	0	80,828
1969-70	815,385	27,515		0	0	842,900		0	0	0	878,550	26,329	9,321	0	0	35,650
1970-71	909,630	27,570		0	0	937,200		0	0	0	967,636	11,815	18,621	0	0	30,436
1971-72	998,165	46,500		0	0	1,044,665		0	0	0	1,093,909	53,735	(4,491)	0	0	49,244
1972-73	1,080,490	53,330		0	0	1,133,820		0	58,307	0	1,317,723	133,507	(7,911)	0	58,307	183,903
1973-74	1,312,051	41,700		48,700	0	1,402,451		0	52,727	0	1,482,491	46,134	29,879	0	4,027	80,040
1974-75	1,507,270	68,350		52,400	0	1,628,020		0	53,050	0	1,597,147	(56,086)	24,563	0	650	(30,873)
1975-76	1,595,120	84,400		51,753	0	1,731,273		0	62,454	0	1,710,531	(23,275)	(8,168)	0	10,701	(20,742)
1976-77	1,824,000	80,617		53,613	0	1,958,230		0	65,775	0	2,018,349	45,967	1,990	0	12,162	60,119
1977-78	1,978,600	63,104		62,000	0	2,103,704		0	61,732	0	2,196,553	81,882	11,235	0	(268)	92,849
1978-79	2,262,000	74,500		56,588	0	2,393,088		0	56,673	0	2,486,968	75,218	18,577	0	85	93,880
1979-80	2,534,763	94,132		56,889	0	2,685,784		0	56,782	0	2,842,042	104,451	51,914	0	(107)	156,258
1980-81	2,839,500	98,700		28,381	0	2,966,581		0	28,392	0	3,023,812	6,453	50,767	0	11	57,231
1981-82	3,138,800	141,600		0	0	3,280,400		0	262	0	3,229,541	(61,087)	9,966	0	262	(50,859)
1982-83	3,370,300	144,800		0	0	3,515,100		0	1,274	0	3,405,117	(91,275)	(19,982)	0	1,274	(109,983)
1983-84	3,663,900	151,950		0	0	3,815,850		0	169	0	3,957,447	150,478	(9,050)	0	169	141,597
1984-85	4,129,722	146,840		1,500	0	4,278,062		0	53	0	4,525,691	207,000	42,076	0	(1,447)	247,629
1985-86	4,607,924	186,500		0	0	4,794,424		0	0	0	4,910,868	86,597	29,847	0	0	116,444
1986-87	4,997,866	218,000		0	0	5,215,866		0	0	0	5,392,077	182,696	(6,485)	0	0	176,211
1987-88	5,380,831	234,900		0	0	5,615,731		0	0	0	5,804,527	170,458	18,338	0	0	188,796
1988-89	5,902,201	266,490		0	0	6,168,691		0	0	0	6,154,529	26,341	(40,503)	0	0	(14,162)
1989-90	6,746,614	244,600		0	279,400	7,270,614		0	164,693	6,988,406	(185,191)	17,690	0	0	(114,707)	(282,208)
1990-91	7,357,400	214,000	17,000	0	264,000	7,852,400		0	231,081	7,207,815	(664,895)	53,229	0	0	(32,919)	(644,585)
1991-92	7,433,125	213,900	8,700	0	170,000	7,825,725		0	170,000	7,817,051	5,321	(13,995)	0	0	0	(8,674)
1992-93	7,692,500	217,700	9,400	0	170,000	8,089,600		0	170,000	8,292,797	190,517	12,680	0	0	0	203,197
1993-94	8,360,900	293,760	9,900	93,200	170,000	8,927,760		0	93,200	9,102,335	155,857	18,718	0	0	0	174,575
1994-95	9,090,550	288,174	10,300	94,000	170,000	9,653,024		0	94,000	9,970,739	275,266	42,249	200	0	0	317,715
1995-96	9,164,500	317,200	11,100	106,900	170,000	9,769,700		0	76,013	10,090,225	294,255	57,127	30	(30,887)	0	320,525
1996-97	9,729,000	382,900	11,900	102,000	170,000	10,395,800		0	100,844	10,930,569	509,591	26,381	(47)	(1,156)	0	534,769

North Carolina General Fund Operating Appropriations
Excludes Local Government Shared Revenues/Reimbursements

Fiscal Year	Total Current Operations			Public Schools		Education		University	as a % of Total	Human Resources		All Other	
				Amount	Percent	Amount	Percent			Amount	Percent	Amount	Percent
1965-66	Authorization	538,302,356	315,924,120	58.7%	11,626,558	2.2%	70,177,054	13.0%	73.9%	71,398,734	13.3%	69,175,890	12.9%
	Expenditure	517,110,881	305,140,902	59.0%	11,411,657	2.2%	66,241,100	12.8%	74.0%	68,773,133	13.3%	65,544,089	12.7%
	Reversion	21,191,475	10,783,218	50.9%	214,901	1.0%	3,935,954	18.6%	70.5%	2,625,601	12.4%	3,631,801	17.1%
	% Unexpended	3.94%	3.41%		1.85%		5.61%			3.68%		5.25%	
1966-67	Authorization	591,139,328	335,127,904	56.7%	20,078,492	3.4%	78,559,545	13.3%	73.4%	77,450,320	13.1%	79,923,067	13.5%
	Expenditure	565,195,417	324,216,229	57.4%	18,697,812	3.3%	73,013,092	12.9%	73.6%	74,427,423	13.2%	74,840,861	13.2%
	Reversion	25,943,911	10,911,675	42.1%	1,380,680	5.3%	5,546,453	21.4%	68.8%	3,022,897	11.7%	5,082,206	19.6%
	% Unexpended	4.39%	3.26%		6.88%		7.06%			3.90%		6.36%	
1967-68	Authorization	670,679,218	371,207,691	55.3%	19,625,725	2.9%	95,037,544	14.2%	72.4%	91,087,760	13.6%	93,720,498	14.0%
	Expenditure	634,992,638	366,024,522	57.6%	18,310,803	2.9%	88,272,493	13.9%	74.4%	82,250,834	13.0%	80,133,986	12.6%
	Reversion	26,686,580	5,183,169	19.4%	1,314,922	4.9%	6,765,051	25.4%	49.7%	8,836,926	33.1%	4,586,512	17.2%
	% Unexpended	3.98%	1.40%		6.70%		7.12%			9.70%		4.89%	
1968-69	Authorization	744,733,486	406,208,538	54.5%	32,436,358	4.4%	104,894,567	14.1%	73.0%	96,766,951	13.0%	104,427,072	14.0%
	Expenditure	718,259,774	400,822,976	55.8%	31,282,412	4.4%	98,430,271	13.7%	73.9%	89,041,553	12.4%	98,682,562	13.7%
	Reversion	26,473,712	5,385,562	20.3%	1,153,946	4.4%	6,464,296	24.4%	49.1%	7,725,398	29.2%	5,744,510	21.7%
	% Unexpended	3.55%	1.33%		3.56%		6.16%			7.98%		5.50%	
1969-70	Authorization	876,169,359	459,814,709	52.5%	41,431,965	4.7%	130,344,741	14.9%	72.1%	115,284,282	13.2%	129,293,662	14.8%
	Expenditure	837,404,905	450,688,435	53.8%	39,689,410	4.7%	122,252,656	14.6%	73.2%	106,672,807	12.7%	118,101,597	14.1%
	Reversion	38,764,454	9,126,274	23.5%	1,742,555	4.5%	8,092,085	20.9%	48.9%	8,611,475	22.2%	11,192,065	28.9%
	% Unexpended	4.42%	1.98%		4.21%		6.21%			7.47%		8.66%	
1970-71	Authorization	981,127,808	510,055,771	52.0%	44,935,256	4.6%	147,326,678	15.0%	71.6%	131,483,760	13.4%	147,326,343	15.0%
	Expenditure	939,311,030	496,905,842	52.9%	43,642,139	4.6%	138,608,501	14.8%	72.3%	122,069,070	13.0%	138,085,478	14.7%
	Reversion	41,816,778	13,149,929	31.4%	1,293,117	3.1%	8,718,177	20.8%	55.4%	9,414,690	22.5%	9,240,865	22.1%
	% Unexpended	4.26%	2.58%		2.88%		5.92%			7.16%		6.27%	
1971-72	Authorization	1,073,289,571	533,536,652	49.7%	55,958,450	5.2%	163,331,175	15.2%	70.1%	160,607,710	15.0%	159,855,584	14.9%
	Expenditure	1,031,353,080	527,938,182	51.2%	55,954,999	5.4%	148,864,864	14.4%	71.0%	148,919,439	14.4%	149,675,596	14.5%
	Reversion	41,936,491	5,598,470	13.3%	3,451	0.0%	14,466,311	34.5%	47.9%	11,688,271	27.9%	10,179,988	24.3%
	% Unexpended	3.91%	1.05%		0.01%		8.86%			7.28%		6.37%	
1972-73	Authorization	1,187,443,130	575,012,350	48.4%	63,193,535	5.3%	179,910,706	15.2%	68.9%	180,762,164	15.2%	188,564,375	15.9%
	Expenditure	1,139,500,642	569,792,945	50.0%	60,636,067	5.3%	166,208,535	14.6%	69.9%	168,819,831	14.8%	174,043,264	15.3%
	Reversion	47,942,488	5,219,405	10.9%	2,557,468	5.3%	13,702,171	28.6%	44.8%	11,942,333	24.9%	14,521,111	30.3%
	% Unexpended	4.04%	0.91%		4.05%		7.62%			6.61%		7.70%	
1973-74	Authorization	1,520,694,407	718,947,864	47.3%	99,582,404	6.5%	222,838,796	14.7%	68.5%	224,614,625	14.8%	254,710,718	16.7%
	Expenditure	1,433,241,642	702,789,400	49.0%	92,458,946	6.5%	207,225,420	14.5%	69.9%	198,201,121	13.8%	232,566,755	16.2%
	Reversion	87,452,765	16,158,464	18.5%	7,123,458	8.1%	15,613,376	17.9%	44.5%	26,413,504	30.2%	22,143,963	25.3%
	% Unexpended	5.75%	2.25%		7.15%		7.01%			11.76%		8.69%	
1974-75	Authorization	1,698,417,672	789,391,908	46.5%	109,218,752	6.4%	280,638,400	16.5%	69.4%	270,434,740	15.9%	248,733,872	14.6%
	Expenditure	1,627,703,631	772,145,444	47.4%	106,413,517	6.5%	267,090,160	16.4%	70.4%	246,757,184	15.2%	235,297,326	14.5%
	Reversion	70,714,041	17,246,464	24.4%	2,805,235	4.0%	13,548,240	19.2%	47.5%	23,677,556	33.5%	13,436,546	19.0%
	% Unexpended	4.16%	2.18%		2.57%		4.83%			8.76%		5.40%	

North Carolina General Fund Operating Appropriations
Excludes Local Government Shared Revenues/Reimbursements

Fiscal Year	Total Current Operations		Public Schools		Education Community Colleges		University		as a % of Total	Human Resources		All Other	
			Amount	Percent	Amount	Percent	Amount	Percent		Amount	Percent	Amount	Percent
1975-76	Authorization	1,737,659,496	800,937,335	46.1%	105,465,494	6.1%	270,526,549	15.6%	67.7%	282,548,220	16.3%	278,181,898	16.0%
	Expenditure	1,670,011,262	792,213,250	47.4%	99,816,634	6.0%	249,604,282	14.9%	68.4%	274,169,121	16.4%	254,207,975	15.2%
	Reversion	67,648,234	8,724,085	12.9%	5,648,859	8.4%	20,922,767	30.9%	52.2%	8,379,099	12.4%	23,973,424	35.4%
	% Unexpended	3.89%	1.09%		5.36%		7.73%			2.97%		8.62%	
1976-77	Authorization	1,962,976,606	899,151,043	45.8%	116,481,854	5.9%	307,123,340	15.6%	67.4%	335,842,343	17.1%	304,378,026	15.5%
	Expenditure	1,890,839,697	888,449,745	47.0%	110,824,929	5.9%	289,972,146	15.3%	68.2%	313,022,287	16.6%	288,570,590	15.3%
	Reversion	72,136,909	10,701,298	14.8%	5,656,925	7.8%	17,151,194	23.8%	46.5%	22,820,056	31.6%	15,807,436	21.9%
	% Unexpended	3.67%	1.19%		4.86%		5.58%			6.79%		5.19%	
1977-78	Authorization	2,193,405,714	997,654,527	45.5%	114,065,103	5.2%	357,790,592	16.3%	67.0%	368,169,434	16.8%	355,726,058	16.2%
	Expenditure	2,131,150,750	988,189,540	46.4%	113,168,528	5.3%	337,633,079	15.8%	67.5%	351,655,302	16.5%	340,504,301	16.0%
	Reversion	62,254,964	9,464,987	15.2%	896,575	1.4%	20,157,513	32.4%	49.0%	16,514,132	26.5%	15,221,757	24.5%
	% Unexpended	2.84%	0.95%		0.79%		5.63%			4.49%		4.28%	
1978-79	Authorization	2,452,011,095	1,098,173,958	44.8%	139,794,869	5.7%	394,767,166	16.1%	66.6%	412,559,917	16.8%	406,715,185	16.6%
	Expenditure	2,358,332,842	1,092,015,308	46.3%	133,975,021	5.7%	379,305,638	16.1%	68.1%	372,632,422	15.8%	380,404,453	16.1%
	Reversion	93,678,253	6,158,650	6.6%	5,819,848	6.2%	15,461,528	16.5%	29.3%	39,927,495	42.6%	26,310,732	28.1%
	% Unexpended	3.82%	0.56%		4.16%		3.92%			9.68%		6.47%	
1979-80	Authorization	2,750,988,834	1,230,099,474	44.7%	145,243,264	5.3%	436,949,552	15.9%	65.9%	473,705,994	17.2%	464,990,550	16.9%
	Expenditure	2,660,272,288	1,230,099,473	46.2%	145,243,264	5.5%	414,751,963	15.6%	67.3%	429,814,253	16.2%	440,363,335	16.6%
	Reversion	90,716,546	1	0.0%	0	0.0%	22,197,589	24.5%	24.5%	43,891,741	48.4%	24,627,215	27.1%
	% Unexpended	3.30%	0.00%		0.00%		5.08%			9.27%		5.30%	
1980-81	Authorization	3,150,963,479	1,390,907,313	44.1%	174,996,965	5.6%	515,255,082	16.4%	66.0%	532,775,202	16.9%	537,028,917	17.0%
	Expenditure	3,050,012,908	1,390,907,313	45.6%	169,011,630	5.5%	487,919,423	16.0%	67.1%	488,201,903	16.0%	513,972,639	16.9%
	Reversion	100,950,571	0	0.0%	5,985,335	5.9%	27,335,659	27.1%	33.0%	44,573,299	44.2%	23,056,278	22.8%
	% Unexpended	3.20%	0.00%		3.42%		5.31%			8.37%		4.29%	
1981-82	Authorization	3,401,694,904	1,495,263,953	44.0%	194,452,082	5.7%	567,573,821	16.7%	66.4%	562,503,966	16.5%	581,901,082	17.1%
	Expenditure	3,244,758,733	1,477,036,604	45.5%	185,809,489	5.7%	534,143,560	16.5%	67.7%	501,927,937	15.5%	545,841,143	16.8%
	Reversion	156,936,171	18,227,349	11.6%	8,642,593	5.5%	33,430,261	21.3%	38.4%	60,576,029	38.6%	36,059,939	23.0%
	% Unexpended	4.61%	1.22%		4.44%		5.89%			10.77%		6.20%	
1982-83	Authorization	3,561,142,890	1,515,742,033	42.6%	205,585,837	5.8%	599,235,054	16.8%	65.2%	589,530,327	16.6%	651,049,639	18.3%
	Expenditure	3,374,921,984	1,455,408,320	43.1%	191,749,633	5.7%	560,438,959	16.6%	65.4%	547,208,474	16.2%	620,116,598	18.4%
	Reversion	186,220,906	60,333,713	32.4%	13,836,204	7.4%	38,796,095	20.8%	60.7%	42,321,853	22.7%	30,933,041	16.6%
	% Unexpended	5.23%	3.98%		6.73%		6.47%			7.18%		4.75%	
1983-84	Authorization	3,771,981,844	1,619,049,694	42.9%	232,195,091	6.2%	641,511,441	17.0%	66.1%	615,625,461	16.3%	663,600,157	17.6%
	Expenditure	3,689,904,837	1,615,216,290	43.8%	226,494,819	6.1%	615,765,535	16.7%	66.6%	584,128,657	15.8%	648,299,536	17.6%
	Reversion	82,077,007	3,833,404	4.7%	5,700,272	6.9%	25,745,906	31.4%	43.0%	31,496,804	38.4%	15,300,621	18.6%
	% Unexpended	2.18%	0.24%		2.45%		4.01%			5.12%		2.31%	
1984-85	Authorization	4,319,568,173	1,886,700,077	43.7%	259,101,105	6.0%	746,998,910	17.3%	67.0%	676,582,049	15.7%	750,186,032	17.4%
	Expenditure	4,187,988,292	1,854,957,593	44.3%	257,230,807	6.1%	714,513,120	17.1%	67.5%	629,977,924	15.0%	731,308,848	17.5%
	Reversion	131,579,881	31,742,484	24.1%	1,870,298	1.4%	32,485,790	24.7%	50.2%	46,604,125	35.4%	18,877,184	14.3%

**North Carolina General Fund Operating Appropriations
Excludes Local Government Shared Revenues/Reimbursements**

Fiscal Year	Total Current Operations		Public Schools		Education		University		as a % of Total	Human Resources		All Other	
	% Unexpended	3.05%	Amount	Percent	Amount	Percent	Amount	Percent		Amount	Percent	Amount	Percent
			1.68%		0.72%		4.35%			6.89%		2.52%	
1985-86	Authorization	4,877,060,744	2,185,803,123	44.8%	281,875,727	5.8%	840,311,094	17.2%	67.8%	747,615,271	15.3%	821,455,529	16.8%
	Expenditure	4,718,355,240	2,156,921,328	45.7%	277,815,320	5.9%	793,114,439	16.8%	68.4%	707,151,818	15.0%	783,352,335	16.6%
	Reversion	158,705,504	28,881,795	18.2%	4,060,407	2.6%	47,196,655	29.7%	50.5%	40,463,453	25.5%	38,103,194	24.0%
	% Unexpended	3.25%	1.32%		1.44%		5.62%			5.41%		4.64%	
1986-87	Authorization	5,233,678,633	2,346,139,866	44.8%	307,102,490	5.9%	909,134,150	17.4%	68.1%	804,932,884	15.4%	866,369,243	16.6%
	Expenditure	5,051,335,794	2,293,921,501	45.4%	299,359,220	5.9%	853,232,567	16.9%	68.2%	771,114,680	15.3%	833,707,826	16.5%
	Reversion	182,342,839	52,218,365	28.6%	7,743,270	4.2%	55,901,583	30.7%	63.5%	33,818,204	18.5%	32,661,417	17.9%
	% Unexpended	3.48%	2.23%		2.52%		6.15%			4.20%		3.77%	
1987-88	Authorization	5,805,245,729	2,639,237,658	45.5%	326,296,294	5.6%	980,746,492	16.9%	68.0%	874,393,715	15.1%	984,571,570	17.0%
	Expenditure	5,600,754,849	2,571,179,747	45.9%	317,666,441	5.7%	936,874,299	16.7%	68.3%	824,077,048	14.7%	950,957,314	17.0%
	Reversion	204,490,880	68,057,911	33.3%	8,629,853	4.2%	43,872,193	21.5%	59.0%	50,316,667	24.6%	33,614,256	16.4%
	% Unexpended	3.52%	2.58%		2.64%		4.47%			5.75%		3.41%	
1988-89	Authorization	6,302,733,865	2,930,643,866	46.5%	332,064,381	5.3%	1,039,510,499	16.5%	68.3%	961,204,892	15.3%	1,039,310,227	16.5%
	Expenditure	6,131,757,410	2,857,740,313	46.6%	324,207,283	5.3%	996,187,476	16.2%	68.1%	939,216,000	15.3%	1,014,406,338	16.5%
	Reversion	170,976,455	72,903,553	42.6%	7,857,098	4.6%	43,323,023	25.3%	72.6%	21,988,892	12.9%	24,903,889	14.6%
	% Unexpended	2.71%	2.49%		2.37%		4.17%			2.29%		2.40%	
1989-90	Authorization	6,883,018,393	3,134,428,215	45.5%	365,537,274	5.3%	1,109,917,895	16.1%	67.0%	1,010,637,670	14.7%	1,262,497,339	18.3%
	Expenditure	6,539,691,898	3,111,034,727	47.6%	346,856,268	5.3%	989,230,466	15.1%	68.0%	943,279,717	14.4%	1,149,290,720	17.6%
	Reversion	343,326,495	23,393,488	6.8%	18,681,006	5.4%	120,687,429	35.2%	47.4%	67,357,953	19.6%	113,206,619	33.0%
	% Unexpended	4.99%	0.75%		5.11%		10.87%			6.66%		8.97%	
1990-91	Authorization	7,249,630,710	3,329,171,720	45.9%	387,611,956	5.3%	1,143,216,957	15.8%	67.0%	1,098,228,128	15.1%	1,291,401,949	17.8%
	Expenditure	6,877,865,221	3,176,190,223	46.2%	374,186,097	5.4%	1,089,669,672	15.8%	67.5%	1,071,202,135	15.6%	1,166,617,094	17.0%
	Reversion	371,765,491	152,981,497	41.1%	13,425,859	3.6%	53,547,285	14.4%	59.2%	27,025,993	7.3%	124,784,857	33.6%
	% Unexpended	5.13%	4.60%		3.46%		4.68%			2.46%		9.66%	
1991-92	Authorization	7,357,101,134	3,293,699,663	44.8%	344,131,858	4.7%	1,121,976,740	15.3%	64.7%	1,237,322,428	16.8%	1,359,970,445	18.5%
	Expenditure	7,184,089,741	3,235,476,119	45.0%	338,050,542	4.7%	1,092,166,393	15.2%	64.9%	1,223,468,038	17.0%	1,294,928,649	18.0%
	Reversion	173,011,390	58,223,544	33.7%	6,081,316	3.5%	29,810,346	17.2%	54.4%	13,854,390	8.0%	65,041,794	37.6%
	% Unexpended	2.35%	1.77%		1.77%		2.66%			1.12%		4.78%	
1992-93	Authorization	7,881,908,182	3,435,634,234	43.6%	398,689,471	5.1%	1,170,947,533	14.9%	63.5%	1,410,255,601	17.9%	1,466,381,343	18.6%
	Expenditure	7,552,787,565	3,399,653,728	45.0%	391,402,904	5.2%	1,140,308,136	15.1%	65.3%	1,222,683,543	16.2%	1,398,739,254	18.5%
	Reversion	329,120,617	35,980,506	10.9%	7,286,567	2.2%	30,639,398	9.3%	22.5%	187,572,058	57.0%	67,642,088	20.6%
	% Unexpended	4.18%	1.05%		1.83%		2.62%			13.30%		4.61%	
1993-94	Authorization	8,888,710,752	3,634,055,711	40.9%	450,882,941	5.1%	1,299,865,905	14.6%	60.6%	1,759,286,096	19.8%	1,744,620,099	19.6%
	Expenditure	8,575,733,017	3,587,786,193	41.8%	447,100,088	5.2%	1,266,772,749	14.8%	61.8%	1,647,826,530	19.2%	1,626,247,457	19.0%
	Reversion	312,977,735	46,269,518	14.8%	3,782,403	1.2%	33,093,156	10.6%	26.6%	111,459,566	35.6%	118,373,092	37.8%
	% Unexpended	3.52%	1.27%		0.84%		2.55%			6.34%		6.79%	
1994-95	Authorization	9,715,509,023	4,082,959,317	42.0%	455,651,184	4.7%	1,296,558,991	13.3%	60.1%	1,948,639,177	20.1%	1,931,700,354	19.9%
	Expenditure	9,482,528,320	4,048,929,070	42.7%	453,927,375	4.8%	1,265,809,673	13.3%	60.8%	1,902,007,678	20.1%	1,811,854,524	19.1%

**North Carolina General Fund Operating Appropriations
Excludes Local Government Shared Revenues/Reimbursements**

Fiscal Year	Total Current Operations		Public Schools		Education Community Colleges		University		as a % of Total	Human Resources		All Other	
			Amount	Percent	Amount	Percent	Amount	Percent		Amount	Percent	Amount	Percent
	Reversion	232,980,703	34,030,247	14.6%	1,723,809	0.7%	30,749,318	13.2%	28.5%	46,631,499	20.0%	119,845,830	51.4%
	% Unexpended	2.40%	0.83%		0.38%		2.37%			2.39%		6.20%	
1995-96	Authorization	9,793,062,378	3,998,978,216	40.8%	470,880,697	4.8%	1,301,040,079	13.3%	58.9%	2,049,069,520	20.9%	1,973,093,866	20.1%
	Expenditure	9,570,832,269	3,951,497,059	41.3%	467,105,237	4.9%	1,275,618,898	13.3%	59.5%	1,991,088,366	20.8%	1,885,522,709	19.7%
	Reversion	222,230,109	47,481,157	21.4%	3,775,460	1.7%	25,421,181	11.4%	34.5%	57,981,154	26.1%	87,571,157	39.4%
	% Unexpended	2.27%	1.19%		0.80%		1.95%			2.83%		4.44%	
1996-97	Authorization	10,450,411,229	4,301,626,282	41.2%	501,802,184	4.8%	1,385,611,961	13.3%	59.2%	2,189,874,842	21.0%	2,071,495,960	19.8%
	Expenditure	10,309,508,861	4,267,252,095	41.4%	495,543,157	4.8%	1,382,794,052	13.4%	59.6%	2,153,564,048	20.9%	2,010,355,509	19.5%
	Reversion	140,902,368	34,374,187	24.4%	6,259,027	4.4%	2,817,909	2.0%	30.8%	36,310,794	25.8%	61,140,451	43.4%
	% Unexpended	1.35%	0.80%		1.25%		0.20%			1.66%		2.95%	
1997-98	Authorization	11,238,076,181	4,709,303,825 A	41.9%	536,226,447	4.8%	1,489,736,482	13.3%	59.9%	2,403,210,950 B	21.4%	2,099,598,477	18.7%

Notes:

A: Adjusted for \$14 million transferred to Year 2000 Reserve

B: Adjusted for Reorganization reflecting transfer of Health Services to Department of Health and Human Services

CAPITAL IMPROVEMENT AUTHORIZATIONS

Year	Direct Appropriation	GENERAL FUND Credit Balance Earmarked	Repair/Renov Earmarking	Federal Revenue Sharing	Legislative Bonds	Total
1961-62	1,860,200	0	0	0	6,216,000	8,076,200
1963-64	60,574,018	0	0	0	21,985,000	82,559,018
1964-65	3,000,000	0	0	0	0	3,000,000
1965-66	41,639,578	0	0	0	17,982,000	59,621,578
1967-68	112,356,788	0	0	0	0	112,356,788
1969-70	75,588,603	0	0	0	0	75,588,603
1971-72	64,891,192	0	0	0	45,996,500	110,887,692
1973-74	86,622,446	0	0	105,200,000	0	191,822,446
1974-75	36,165,337 a	0	0	57,200,000	0	93,365,337
1975-76	23,948,648	0	0	4,713,789	0	28,662,437
1976-77	28,969,937 b	0	0	16,126,358	0	45,096,295
1977-78	4,749,000	0	0	26,583,626	0	31,332,626
1978-79	93,778,818	0	0	32,230,000	0	126,008,818
1979-80	84,378,719	0	0	0	0	84,378,719
1980-81	104,141,290 c	0	0	0	0	104,141,290
1981-82	30,861,142 d	0	0	0	0	30,861,142
1982-83	65,772,358	0	0	0	0	65,772,358
1983-84	59,782,244	0	0	0	0	59,782,244
1984-85	212,535,238	0	0	0	0	212,535,238
1985-86	253,503,234	0	0	0	0	253,503,234
1986-87	297,667,245 e	0	0	0	0	297,667,245
1987-88	173,020,035 f	0	0	0	0	173,020,035
1988-89	258,659,030	0	0	0	20,498,803 g	279,157,833
1989-90	150,092,738 h	0	0	0	0	150,092,738
1990-91	106,400,195 i	0	0	0	75,000,000	181,400,195
1991-92	0	0	0	0	45,000,000	45,000,000
1992-93	95,205,570	0	0	0	0	95,205,570
1993-94	135,371,704	0	57,000,000	0	0	192,371,704
1994-95	189,391,450	0	60,000,000	0	0	249,391,450
1995-96	113,522,500	0	125,000,000	0	0	238,522,500
1996-97	157,267,000	39,519,567	130,000,000	0	0	326,786,567
1997-98	152,991,120 j	39,260,955	135,000,000	0	0	327,252,075

a-Includes contingent appropriation of \$1,789,000

b-Includes appropriation adjustment of \$1,000,000

c-Includes increase of .3M above level in original authorization

d-Includes increase of .7M above level in original authorization

e-Includes Emergency Prison Bill enacted by 1987 Session

f- Reflects transfer of Sematech (Industrial Development) to R/R Reserve
in accordance with Section 73, Chapter 1515

g-Reflects reduction of \$4,501,097 of authorization not issued at June 30, 1989

h-Reflects reduction of \$95,171,855 made by Governor due to economic downturn

i-Reflects reduction of \$100,897,000 made by Governor due to economic downturn

j-Includes \$5.0 million for South Mountain Gamelands Acquisition

ANALYSIS OF HIGHWAY FUND CREDIT BALANCE

Fiscal Year Ending June 30	Total Credit Balance	Unallotted Federal Apportionment	Reserve for General Fund Supported Activities	Reserve for Grants/ General Participation	Subtotal Credit Balance Excluding Non-Highway Fund Sources	State Funds to Match Unallotted Federal Apportionment	Debt Service Reserve	State Aid to Municipalities	Reserve for Appropriation in Excess of Estimated Revenue	Total of All Other Reserves	Unobligated State Funds
1951	26,417,278	2,993,547	0	0	23,423,731	2,427,550	4,435,061	4,588,998	0	0	11,972,122
1952	28,370,895	6,452,528	0	0	21,918,367	5,149,864	4,890,048	4,952,148	0	6,806,470	119,837
1953	31,914,472	6,255,342	0	0	25,659,130	4,481,514	6,779,482	5,243,713	0	4,098,423	5,055,998
1954	35,536,991	6,161,295	0	0	29,375,696	4,344,258	5,252,711	5,390,897		4,996,634	9,391,196
1955	32,904,375	4,038,146	0	0	28,866,229	4,144,847	4,523,640	5,716,217	0	0	14,481,525
1956	39,069,673	1,429,736	0	0	37,639,937	2,138,774	4,980,666	6,224,238	3,642,226	4,677,631	15,976,402
1957	41,229,644	12,528,883	0	0	28,700,761	2,250,931	6,111,818	6,479,586	10,163,956	1,697,207	1,997,263
1958	137,101,187	109,069,671	0	0	28,031,516	4,632,136	7,364,666	6,477,436	5,378,765	4,178,513	0
1959	141,566,152	100,164,458	0	0	41,401,694	17,829,056	9,330,664	6,769,008	5,178,948	521,570	1,772,448
1960	125,577,803	80,533,915	0	0	45,043,888	21,155,819	11,862,607	7,019,892	1,704,670	1,228,775	2,072,125
1961	106,679,405	61,447,415	0	0	45,231,990	20,078,409	15,134,568	146,360	584,410	8,756	9,279,487
1962	105,925,467	71,632,170	0	0	34,293,297	11,918,568	18,924,231	126,275	0	621,720	2,702,503
1963	122,161,176	73,528,094	0	0	48,633,082	19,365,018	23,412,272	142,835	1,430,594	661,650	3,620,713
1964	109,872,364	62,371,378	0	0	47,500,986	12,061,713	28,591,988	70,968	0	2,038,308	4,738,009
1965	90,503,159	39,172,615	0	0	51,330,544	6,292,352	34,689,728	17,742	6,450,125	1,253,414	2,627,183
1966	70,695,831	17,914,950	0	0	52,780,881	1,789,693	41,927,990	70,194	2,940,678	1,852,943	4,199,383
1967	95,801,359	32,348,864	0	0	63,452,495	963,629	49,245,138	103,622	6,004,782	3,498,849	3,636,475
1968	94,551,559	31,000,014	0	0	63,551,545	5,776,421	39,733,769	172,474	2,438,934	4,102,140	11,327,807
1969	117,925,614	56,619,942	0	0	61,305,672	11,031,289	29,022,623	233,715	10,997,104	2,710,174	7,310,767
1970	135,774,602	71,644,811	0	0	64,129,791	23,864,481	14,716,636	382,103	7,164,187	10,492,815	7,509,569
1971	195,536,055	109,057,442	0	0	86,478,613	39,271,756	17,686,910	0	19,254,251	3,124,604	7,141,092
1972	188,779,104	109,189,994	0	0	79,589,110	22,021,556	13,280,191	0	9,543,864	14,738,141	20,005,358
1973	114,913,151	34,618,955	0	0	80,294,196	29,349,512	17,830,354	872,975	15,918,675	16,322,680	0
1974	110,948,079	42,201,530	0	0	68,746,549	24,232,936	23,534,039	1,815,189	0	19,164,385	0
1975	154,354,274	109,374,447	0	0	44,979,827	9,456,768	29,592,945	0	1,980,000	3,950,114	0
1976	97,630,990	54,685,918	0	0	42,945,072	18,393,818	10,259,592	1,407,039	0	12,884,623	0
1977	165,871,313	116,902,003	0	0	48,969,310	28,343,025	9,308,299	0	0	11,317,986	0
1978	102,572,111	49,531,115	0	0	53,040,996	22,623,866	8,535,047	748,597	16,913,424	4,220,062	0
1979	119,413,440	68,005,045	0	0	51,408,395	15,697,657	8,654,661	915,817	25,783,667	356,593	0
1980	111,931,935	86,281,048	0	0	25,650,887	4,077,341	13,330,965	0	6,058,868	2,183,713	0
1981	166,831,612	121,092,037	0	0	45,739,575	5,755,803	15,666,478	715,049	6,000,000	17,602,245	0
1982	222,765,690	151,882,562	0	0	70,883,128	10,444,620	29,097,610	1,734,995	6,290,825	23,315,078	0
1983	322,775,260	243,897,778	0	0	78,877,482	2,530,585	23,229,018	0	33,295,074	19,822,805	0
1984	294,791,859	169,351,310	0	0	125,440,549	9,259,446	19,571,638	201,754	60,378,892	36,028,819	0
1985	307,217,183	220,073,681	0	0	87,143,502	7,492,222	17,081,936	607,441	44,524,472	17,437,431	0
1986	292,276,876	232,873,457	0	0	59,403,419	10,145,410	15,594,116	0	9,372,657	24,291,236	0
1987	313,210,073	258,360,001	0	0	54,850,072	11,725,420	0	964,260	18,672,299	23,488,093	0
1988	322,860,858	243,319,773	0	0	79,541,085	11,092,758	0	0	17,817,925	50,630,402	0
1989	416,852,599	344,421,884	0	0	72,430,715	16,012,178	0	0	29,229,484	27,189,053	0
1990	304,016,605	248,509,096	0	0	55,507,509	8,630,175	0	0	481,682	46,395,652	0
1991	352,439,887	306,745,586	0	0	45,694,301	8,172,073	0	0	0	37,522,228	0
1992	430,215,860	380,319,901	476,373	5,952,808	43,466,778	10,898,917	0	0	0	32,567,861	0
1993	357,107,571	277,684,667	141,950	2,218,815	77,062,139	11,942,854	0	2,115,939	21,030,194	41,973,152	0
1994	361,754,358	267,994,316	535,333	2,834,321	90,390,388	11,316,371	0	737,081	40,500,000	37,836,936	0
1995	233,685,289	146,566,889	1,190,893	7,271,570	78,655,937	11,497,676	0	119,712	24,994,266	42,044,283	0
1996	311,925,879	230,163,141	230,455	9,280,291	72,251,992	8,493,245	0	0	20,829,000	42,929,747	0

REVENUES ON CONDITION OF HIGHWAY FUND STATEMENT BY SOURCE

Fiscal Year Ending June 30	Total Revenue All Sources	Federal Fund Revenues	Change in Unrealized Participation Revenue	Contract Authorizations & Equipment Fund Transfers Revenues	Highway Fund Revenues	Highway Trust Fund Revenues in Highway Fund	Property Owners Cities/Towns General Participatio Revenues
1951	98,267,452	10,562,429			87,705,023		0
1952	106,079,177	11,852,170			94,227,007		0
1953	111,575,730	11,873,332			99,702,398		0
1954	116,094,953	13,810,617			102,284,336		0
1955	122,674,672	14,126,043			108,548,629		0
1956	139,378,567	21,868,489			117,510,078		0
1957	171,938,131	49,992,474			121,945,657		0
1958	275,264,098	153,350,628			121,913,470		0
1959	164,344,012	35,326,417			128,516,899		500,696
1960	164,216,483	29,596,158			133,933,078		687,247
1961	177,334,512	32,345,525			139,434,197		5,554,790
1962	190,691,887	41,046,518			146,679,198		2,966,171
1963	201,361,546	43,955,048			155,206,694		2,199,804
1964	214,917,493	45,877,706			165,612,119		3,427,668
1965	221,439,621	45,093,191			175,589,447		756,983
1966	251,640,794	62,397,557			187,614,039		1,629,198
1967	263,609,901	60,380,359			201,554,715		1,674,827
1968	276,601,662	60,242,608			214,430,414		1,928,640
1969	328,468,181	92,454,194			230,927,965		5,086,022
1970	399,123,097	91,268,874			305,052,202		2,802,021
1971	444,696,420	114,796,766			326,932,059		2,967,595
1972	464,733,432	112,244,978			348,488,062		4,000,392
1973	389,676,320	14,775,521			372,415,211		2,485,588
1974	492,860,342	106,195,392			384,405,901		2,259,049
1975	672,255,228	277,879,207			384,936,223		9,439,798
1976	493,536,624	51,670,805			432,961,503		8,904,316
1977	692,175,363	254,355,185			427,748,573		10,071,605
1978	613,161,176	159,672,361			444,217,574		9,271,241
1979	698,424,160	218,736,265			471,357,338		8,330,557
1980	688,864,174	231,581,748			447,627,111		9,655,315
1981	666,935,613	209,129,349		12,700,000 A	435,104,778		10,001,486
1982	729,968,258	175,017,292		(11,200,000) A	554,758,641		11,392,325
1983	862,394,389	275,540,777		(1,500,000) A	578,213,154		10,140,458
1984	918,012,956	228,195,420		25,800,000 B	641,944,740		22,072,796
1985	1,053,678,404	365,474,355		4,600,000 C	667,773,774		15,830,275
1986	1,016,891,045	316,143,239			684,864,331		15,883,475
1987	1,190,806,504	333,769,591			829,843,515		27,193,398
1988	1,232,282,636	304,394,739			896,607,906		31,279,991
1989	1,409,839,386	467,173,336			913,628,806		29,037,244
1990	1,232,848,473	233,513,842			904,240,017 D	58,360,109 E	36,734,505
1991	1,399,958,822	340,117,341			903,411,913 D	123,941,196 E	32,488,372
1992	1,605,877,793	445,877,432		5,000,000 C	943,798,467 D	161,828,226 E	49,373,668
1993	1,697,651,523	387,335,631	156,461,283	13,899,254 C	942,345,168 D	142,166,251 E	55,443,936
1994	1,752,701,589	480,280,710	24,812,895	10,000,000 C	982,420,776 D	200,345,227 E	54,841,981
1995	1,620,090,006	504,751,214	(161,280,992)	0	997,014,129 D	229,891,074 E	49,714,581
1996	1,851,464,317	383,931,633	127,071,997	0	1,049,542,401 D	232,036,312 E	58,881,974

A Contract Authorization

B Transfer from the General Fund

C Transfer from the Equipment Fund

D excludes Highway Trust Fund Transfers including administrative cost transfer

E Includes Administrative Cost transfer

LOCAL GOVERNMENT TAX AID - HISTORICAL DATA
(\$ in Millions)

Fiscal Year	Local Sales Tax	Tax Sharing¹	Tax Reimbursements²	Powell Bill	Total Tax Aid	Property Tax³
1973-74	\$98.4	\$57.3	--	\$29.3	\$185.0	\$548.4
1978-79	175.8	89.3	--	33.5	298.6	867.4
1983-84	296.5	158.3	--	43.2	498.0	1,468.5
1988-89	831.7	206.7	226.9	66.7	1,332.0	2,016.1
1993-94	1,047.2	236.8	237.8	92.7	1,607.9	3,019.0
1998-99⁴	1,489.3	189.5	331.0	125.0	2,134.8	4,222.4
% Increase Since 1973-74	1,414%	231%	--	327%	1,054%	670%

¹ Fiscal Years 1973-74 through 1994-95 - Includes intangibles tax (stocks and bonds), beer wine excise tax, utility gross receipts tax (cities only).

² Includes State reimbursement for the elimination of property tax on business inventories and repeal of the intangibles tax, sales tax exemption on food stamp purchases, and homestead exemption relief since 1981.

³ Shown for comparison purposes.

⁴ Estimated.

PERMANENT STATE POSITIONS

GENERAL FUND

	PUBLIC SCHOOLS	OTHER	TOTAL	TOTAL HIGHWAY FUND	RECEIPTS SUPPORTED	GRAND TOTAL
1972-73	66,655	46,478	113,133	14,142	--	
1973-74	69,114	50,136	119,250	14,880	--	
1974-75	72,433	52,659	125,092	15,475	--	
1975-76	75,939	54,566	130,505	15,375	--	
1976-77	75,680	55,541	131,221	15,484	13,082	159,787
1977-78	81,968	56,368	138,336	15,406	14,344	168,086
1978-79	85,892	58,741	144,633	15,542	15,011	175,186
1979-80	86,726	59,826	146,552	15,562	14,384	176,498
1980-81	89,886	61,616	151,502	15,258	14,181	180,941
1981-82	88,978	61,795	150,773	14,818	14,042	179,633
1982-83	88,241	63,210	151,451	14,246	13,443	179,140
1983-84	88,366	63,795	152,161	14,201	13,658	180,020
1984-85	90,123	65,001	155,124	14,627	13,839	183,590
1985-86	93,459	65,915	159,374	14,984	13,980	188,338
1986-87	94,973	68,079	163,052	14,744	13,887	191,683
1987-88	98,333	70,246	168,579	14,819	13,703	197,101
1988-89	101,559	70,843	172,402	14,234	14,420	201,056
1989-90	105,244	74,011	179,255	14,488	13,938	207,681
1990-91	107,077	75,152	182,229	15,044	12,890	210,163
1991-92	106,847	75,580	182,427	15,020	13,197	210,644
1992-93	108,539	78,491	187,030	15,486	14,408	216,924
1993-94	108,649	78,674	187,323	15,364	14,484	217,171
1994-95	116,507	80,860	197,367	16,506	14,609	228,482
1995-96	123,027	86,201	209,228	16,296	14,618	240,142
1996-97	126,453	85,626	212,079	16,450	15,341	243,870

<p align="center">SUMMARY OF PERMANENT POSITIONS BY DEPARTMENT JULY 1, 1997</p>
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DEPARTMENT/OFFICE	GENERAL FUND	HIGHWAY FUND	RECEIPTS- SUPPORTED	TOTAL POSITIONS
Administration	741.0	--	250.3	991.3
Agriculture	1,100.4	72.0	289.5	1,461.9
Board of Governors	25,638.8	--	5,640.7	31,279.5
Economic and Community Development	391.2	--	2,273.9	2,665.1
Community Colleges	153.9	--	20.5	174.4
Correction	18,681.2	--	418.0	19,099.2
Crime Control and Public Safety	534.4	1,764.0	127.5	2,425.9
Cultural Resources	719.1	--	55.6	774.7
General Assembly	186.0	--	--	186.0
Governor's Office	70.1	--	10.9	81.0
Housing Finance Agency	--	--	77.0	77.0
Human Resources	15,300.4	--	2,949.4	18,249.8
Insurance	311.8	--	74.2	386.0
Judicial	4,991.6	--	132.5	5,124.1
Justice	1,005.8	--	117.9	1,123.7
Labor	387.8	--	64.1	451.9
Lieutenant Governor's Office	10.0	--	--	10.0
Miscellaneous Boards and Commissions	--	--	41.5	41.5
Environment, Health, & Natural Resources	3,179.1	15.8	1,942.6	5,137.5
Office of Administrative Hearings	40.0	--	--	40.0
Administrative Rules Review	4.0	--	--	4.0
Office of State Budget & Management	53.0	--	--	53.0
Office of State Planning	37.9	--	38.1	76.0
Public Instruction	352.3	--	143.8	496.1
Revenue	1,146.0	45.0	33.0	1,224.0
Secretary of State	118.8	--	--	118.8
State Auditor	157.0	--	22.0	179.0
State Board of Elections	11.0	--	--	11.0
State Controller	110.0	--	353.5	463.5
State Treasurer	59.0	--	178.5	237.5
Transportation	--	14,278.6	86.0	14,364.6
Subtotal	75,491.6	16,175.4	15,341.0	107,008
Community Colleges	10,135.0	--	--	10,135
Public School System	126,453.0	274.6	--	126,727.6
GRAND TOTAL	212,079.6	16,450.0	15,341.0	243,870.6

**ACROSS-THE-BOARD SALARY COST
FOR EACH 1% INCREASE
(MILLIONS)**

YEAR	GENERAL FUND	HIGHWAY FUND
1971-72	\$8.40	\$1.17
1972-73	8.43	1.17
1973-74	10.13	1.35
1974-75	12.27	1.51
1975-76	No Increase Granted	
1976-77	13.91	1.73
1977-78	15.79	1.84
1978-79	17.44	2.01
1979-80	18.86	2.13
1980-81	21.29	2.26
1981-82	25.14 ^a	2.51 ^a
1982-83	No Increase Granted	
1983-84	25.97	2.57
1984-85	27.60	2.70
1985-86	32.10	2.50
1986-87	36.45	2.66
1987-88	40.84 ^b	2.72
1988-89	45.40	2.93
1989-90	47.75	2.93
1990-91	55.90	3.35
1991-92	No Increase Granted	
1992-93	54.11	3.39
1993-94	55.75	3.48
1994-95	58.28	3.64
1995-96	63.56	3.96
1996-97	66.77	3.98
1997-98	70.22	4.19

^a Figure reflects annual cost, even though the increase was not effective until January 1, 1982.

^b Figure does not reflect adjustment to offset anticipated savings from the tax sheltering of employee Health Benefits from Social Security tax.

LEGISLATIVE INCREASES

YEAR	STATE EMPLOYEES	TEACHERS
1965-67	10%	10%
1967-69	6%	20%
1969-70	Average 10% (7.5% to 13.9%)	10%
1970-71	2%	10%
1971-72	5%	5%
1972-73	5%	5% (employment extended 185 to 187 days = 1% salary increase)
1973-74	5% + (5% for those under \$2.75/hour)	5% + (employment extended 187 to 200 days = 7% salary increase and 1 step added to schedule)
1974-75	7.5%	7.5%
1975-76	-0-	-0-
1976-77	4% + \$300 (average 7.2%)	4% + \$300 (average 6.8%)
1977-78	6.5%	6.5%
1978-79	6%	6%
1979-80	5% + (\$200 one-time bonus payment)	5% + (\$200 one-time bonus payment)
1980-81	10%	10% + (Salary schedule changed = 2% to 10% added to each step of salary range)
1981-82	5% (effective 1-1-82)	5% (effective 1-1-82)
1982-83 ^a	-0-	-0-
1983-84 ^a	5%	5%
1984-85 ^a	10%	10% + 4.8% salary classification adjustment
1985-86 ^b	5% + 1 step increase (9.6%)	1 step increase (4.8% - second year teacher - 2-step increase or more teacher

LEGISLATIVE INCREASES (Continued)

YEAR	STATE EMPLOYEES	TEACHERS
1986-87	\$75 month (average 6%)	6.5%
1987-88	5%	5%
1988-89	4.5%	4.5%
1989-90	4% + 2% merit funds	6.65% average
1990-91	4% + 2% merit funds	6.15% average
1991-92	-0-	-0-
1992-93	\$522	2% average
1993-94	2% + 1% one-time bonus payment	3% average
1994-95	4% + 1% one-time bonus payment	5% - 1-3 years 7% - 4-29 years
1995-96	2%	2%
1996-97	2.50% COLA + 2% career growth	5.50%
1997-98 ^c	2% COLA + 2% career growth	4% - 9%

^a Salary increment program frozen

^b Conditional upon continuous employment for one year

^c Most teachers received between 4%-9%. Teachers receiving National Board of Professional Teaching Standards (NBPTS) certification were eligible for larger increases.

<p style="text-align: center;">AVERAGE SALARY OF EMPLOYEES SUBJECT TO THE PERSONNEL ACT</p>
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YEAR	AVERAGE SALARY
1966-67	\$4,995
1968-69	5,707
1970-71	6,748
1972-73	7,680
1973-74	8,249
1974-75	9,013
1975-76	9,092
1976-77	9,431
1977-78	11,060
1978-79	11,756
1979-80	12,677
1980-81	14,233
1981-82	15,329
1982-83	15,329
1983-84	16,026
1984-85	17,587
1985-86	18,742
1986-87	20,290
1987-88	21,305
1988-89	22,272
1989-90	23,105
1990-91	23,397
1991-92	24,665
1992-93	25,152
1993-94	25,645
1994-95	26,605
1995-96	27,087
1996-97	27,473
1997-98	28,166

NOTE: (1) Prior to 1972, computations were made every two years.

- (2) The average salary figures show all permanent SPA employees at a particular point in time. During these years, new programs were added and SPA coverage was extended to positions previously exempt. When new positions were added at salaries above the average or at salaries below the average, this resulted in an increase or decrease in average salary levels. **Therefore, changes in average salaries are not measures of salary increases or decreases.**

