

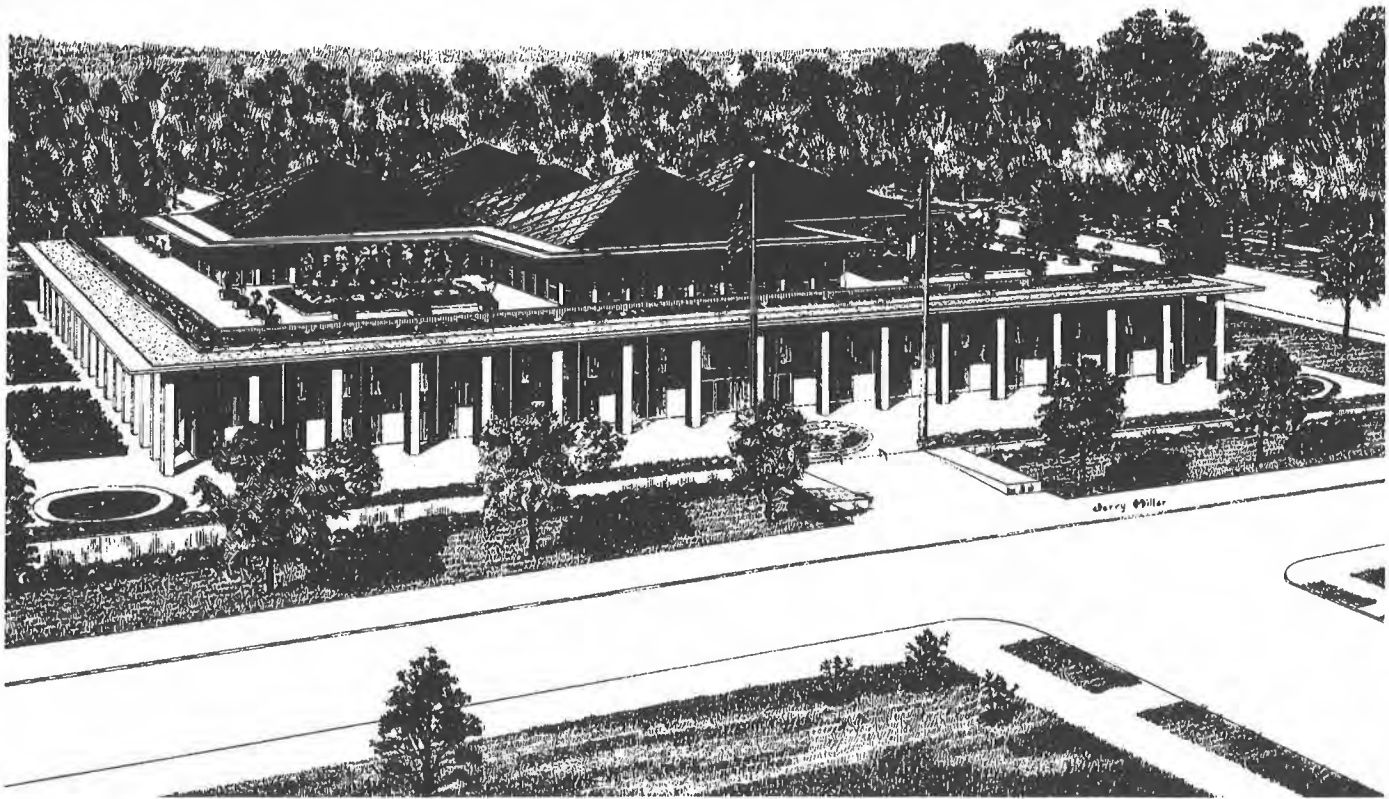
OVERVIEW:

FISCAL AND BUDGETARY ACTIONS NORTH CAROLINA GENERAL ASSEMBLY

2001 SESSION

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

RALEIGH, NORTH CAROLINA



OVERVIEW:

FISCAL AND BUDGETARY ACTIONS NORTH CAROLINA GENERAL ASSEMBLY

2001 SESSION

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

RALEIGH, NORTH CAROLINA

FISCAL RESEARCH DIVISION

JAMES D. JOHNSON, DIRECTOR
Rm. 619, Legislative Office Building
Raleigh, North Carolina 27603-5925
Telephone: (919) 733-4910
Fax: (919) 715-3589

Departments/Coverage

Budget Development

Appropriations Bill Coordination
Governmental Operations
Capital Budgeting/Planning
State Lands/Building

Salaries and Benefits

General Government

Administration
Administrative Rules Review Commission
Board of Elections
Cultural Resources
General Assembly
Governor's Office
Insurance
Licensing Boards
Lieutenant Governor
Office of Administrative Hearings
Revenue
Secretary of State
State Auditor
State Budget and Management
State Treasurer

Justice and Public Safety

Correction
Crime Control & Public Safety
Judicial
Justice

Analysts

Andy Willis - Senate
Mona Moon - Senate
Lynn Muchmore - House

Sam Byrd
Stanley Moore
Mark Trogon

Marilyn Chism
Michele Nelson

Jim Mills
Elisa Wolper
Denise Thomas

Departments/Coverage

Health and Human Services

Department of Health and Human Services

Natural and Economic Resources/Information

Technology

Department of Agriculture

Department of Commerce

Department of Environment, Health,
and Natural Resources

Department of Labor

Office of Information Technology Services

Transportation

Education

Department of Public Instruction

UNC-Board of Governors

Community Colleges

Economy and Taxation

Revenue Estimates

Finance Committees

Revenue Laws Study Committee

Economic Issues

State Bond Proposals

Fiscal Trends Commission

Support Staff

Word Processing

Graphics, Databases,
Spread Sheet Preparation

Analysts

Karen Hammonds-Blanks

Carol Shaw

Lisa Hollowell

Susan Morgan

Jennifer Hoffmann

Adam Levinson

Kelly Huffstetler

Dwayne Pinkney

Evan Rodewald

Bob Weiss

Jim Newlin

Philip Price

Charlotte Todd

Kristine Leggett

Richard Bostic

David Crotts

Linda Millsaps

Martha Walston

Agnes Perry

Faydean Robinson

Bonnie Trivette

Debora Bridgers

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	i
GLOSSARY	A-1
TOTAL STATE BUDGET	
Budget Reform Statement (General Fund Availability)	B-1
Summary Total State Budget	B-2
Total State Budget by Agency	B-3
ECONOMY AND REVENUES	
Economic Outlook and General Fund Revenues	C-1
Economic Indicators (State Fiscal Year Basis) Annual Rates of Change	C-6
General Fund Revenue Forecast	C-7
Highway Fund Revenue	C-12
Highway Trust Fund Revenue	C-13
FEDERAL BLOCK GRANTS & SUMMARY OF MEDICAID CHANGES	
Federal Block Grant Programs	D-1
Changes to the Medicaid Program	D-4
SUMMARY: GENERAL FUND APPROPRIATIONS	
General Fund Appropriations 2001-2003 Fiscal Biennium, 2001 Session	E-1
EDUCATION	
Community Colleges	F-1
Public Education	F-7
University of North Carolina System	F-23
HEALTH & HUMAN SERVICES	G-1
NATURAL AND ECONOMIC RESOURCES	
Agriculture and Consumer Services	H-1
Commerce	H-6
Commerce – State Aid	H-12
Environment and Natural Resources	H-14
Environment and Natural Resources – Clean Water Management Trust Fund	H-24
Housing Finance Agency	H-26
Labor	H-28
N.C. Biotechnology Center	H-31
Rural Economic Development Center	H-33
JUSTICE AND PUBLIC SAFETY	
Correction	I-1
Crime Control and Public Safety	I-12
Judicial	I-17
Judicial – Indigent Defense	I-24
Justice	I-27
Juvenile Justice and Delinquency Prevention	I-32

GENERAL GOVERNMENT

Administration.....	J-1
Auditor	J-8
Cultural Resources.....	J-10
Cultural Resources – Roanoke Island Commission.....	J-16
General Assembly	J-18
Governor	J-20
Insurance.....	J-24
Insurance – Volunteer Safety Workers' Compensation Fund	J-28
Lieutenant Governor.....	J-30
Office of Administrative Hearings.....	J-32
Revenue	J-34
Rules Review Commission	J-41
Secretary of State.....	J-43
State Board of Elections.....	J-47
State Budget, Planning and Management.....	J-49
State Budget, Planning and Management – Flood Mapping & Surveying.....	J-53
State Budget, Planning and Management – Special Appropriations.....	J-56
State Controller	J-58
Treasurer	J-60
Treasurer – Retirement for Fire and Rescue Squad Workers	J-62

LEGISLATIVE ACTIONS: HIGHWAY FUND APPROPRIATIONS

Transportation	K-1
----------------------	-----

INFORMATION TECHNOLOGY: INTERNAL SERVICE FUND

Office of Information Technology Services	L-1
---	-----

RESERVES, DEBT SERVICE AND ADJUSTMENTS M-1

CAPITAL.....N-1

ADDITIONAL LEGISLATION CONTAINING APPROPRIATIONS..... O-1

SALARIES AND BENEFITS

Salary Changes for Employees Supported by the State	P-1
Retirement and Pension Changes for State and Local Personnel	P-9
Benefit Changes for State and Local Personnel	P-13
State Employee Health Benefit Changes	P-14

REVENUE/FEE BILLS

Bills Affecting General Fund Revenue	Q-1
Bills Affecting Highway Fund Revenue.....	Q-23
Bills Affecting Special Revenue Funds.....	Q-27
Bills Affecting All Local Governments	Q-28
Local Government Tax Aid – Historical Data	Q-40

APPENDIX

Total State Budget by Source of Funds	R-1
Total General Fund Authorizations as Adjusted to Determine Total Current Operations	R-2
Savings Reserve at Year Ending June 30.....	R-4
Earmarking of the Credit Balance by Fiscal Year.....	R-5
Tax Revenues by Major Schedules (Actual)	R-6

APPENDIX (CONTINUED)

Authorized and Actual Revenue Collections by Fiscal Year (\$ in Thousands)	R-7
North Carolina General Fund Operating Appropriations	R-8
Capital Improvement Authorizations	R-12
General Obligation Bond Acts Since 1971	R-13
Total North Carolina Budget for Debt Service	R-14
North Carolina Bond Indebtedness	R-16
Across-The-Board Salary Cost for Each 1% Increase (Millions).....	R-18
Legislative Increases	R-19
Average Salary of Employees Subject to the Personnel Act.....	R-21

INTRODUCTION

This document is divided into sections as follows:

Section A - **Glossary**

Section B - **Total State Budget** summarizes the composition of General Fund Availability (i.e. Budget Reform Statement) and the total state budget including federal funds and receipts.

Section C – **Economy and Revenues** describes the economic and financial backdrop against which the actions detailed in subsequent sections are conducted. Includes information on General Fund, Highway Fund and Highway Trust Fund revenues.

Section D – **Federal Block Grants and Summary of Medicaid Changes** gives a brief history of federal block grant programs and allocations for the fiscal year. Also provides a summary of recent Medicaid funding and program changes.

Section E – **Summary: General Fund Appropriations** summarizes actions taken by the General Assembly to adjust the continuation or base budget recommended by the Governor (applies to the Overview of budgetary actions taken in the long session) or to adjust the budget previously approved for the second year of the biennium (applies to the Overview of budgetary actions taken in the short session).

Sections F through L – Budget adjustments (i.e. reductions and expansion) by state agency are outlined in detail and organized by appropriations subcommittee. Also summarizes special provisions in the Appropriations Act governing state agencies.

Section M –**Reserves, Debt Service and Adjustments** lists actions with statewide impact (i.e. affecting all state agencies). Also includes a summary of general provisions included in the Appropriations Act.

Section N – **Capital** provides a list of agencies receiving appropriations for capital improvement projects. Also includes a summary of capital related special provisions.

Section O – **Additional Legislation Containing Appropriations** summarizes several bills enacted after the passage of the Appropriations Act that include additional General Fund appropriations and govern other budgetary matters.

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

Section Q – **Revenue/Fee Bills** provides a summary of bills authorizing various tax changes and fee increases.

Section R – **Appendix** provides historical data relating to state revenues and expenditures, capital improvements, reversions, indebtedness, debt service and salaries.

GLOSSARY

Adjusted Appropriation: An appropriation altered to reflect the distribution of reserves or other transfers authorized by the General Assembly.

Appropriation: An action by the General Assembly authorizing withdrawal of funds from the state treasury pursuant to Article V, Section 7 of the North Carolina Constitution.

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 new construction, renovations, repairs and land purchases.

Carryforward: Funds appropriated, but unspent in the first fiscal year of a biennium that are brought forward for expenditure in the second fiscal year of the same biennium.

Certified Appropriation: An appropriation as officially recorded by the Office of State Budget, Planning, and Management.

Contingency and Emergency Fund: A special reserve required by G.S. 143-12 which the Director of the Budget may expend for emergencies or other unanticipated needs with approval by the Council of State.

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.

Departmental Receipts: Monies received by State agencies and institutions as federal grants, charges for services performed, transfers from other governmental units, license fees, gifts and donations, or similar sources.

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

GLOSSARY (Continued)

Entitlements: Payment or benefit granted by law to individuals or political subdivisions.

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

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 fund to which revenues are deposited that are not designated for special purposes and are therefore available to support the general operations of State government.

Highway Fund: The special fund to which revenues are deposited that are designated for transportation-related operations and capital improvements.

Highway Trust Fund: A fund established in 1989 for the completion of certain specified highway construction projects.

Lapsed Salaries: Unexpended appropriations that accrue because funds have been budgeted for positions that are temporarily vacant.

Negative Reserve: A method by which a budget reduction is imposed without detailing the specific lines of expenditure to be decreased.

Nonrecurring: A term applied to revenues or expenditures that are not repeated in future years.

Reversion: The portion of an appropriation that is not expended and is returned to the fund from which the appropriation is made when the appropriation either expires or is cancelled.

Savings Reserve: An account established in G.S. 143-15.3 to reserve General Fund monies as a safeguard against economic fluctuations or major fiscal exigencies. Commonly referred to as the "Rainy Day Fund."

Special Funds: Accounts to which revenues are deposited that are designated for a specific purpose and remain in the account until expended for that purpose.

Tax Reimbursements: State revenues disbursed to local governments as reimbursements due to State-mandated tax relief measures which have a local financial impact on locals.

Total General Fund Availability: The sum of the beginning General Fund credit balance and General Fund revenues for a fiscal period.

Total State Budget

BUDGET REFORM STATEMENT

	<u>FY 2001-02</u> <u>(\$ million)</u>	<u>FY 2002-03</u> <u>(\$ million)</u>
1. Composition of the FY 2001-02 beginning availability:		
a. Unappropriated balance	0.0	
b. Revenue collections in FY 2000-01 in excess of authorized estimates	0.0	
c. Unexpended appropriations during 2000-01 (Reversions)	0.0	
Beginning Unreserved Credit Balance	0.0	
2. Revenues Based on Existing Tax Structure	13,303.4	13,979.0
3. Non Tax Revenues:		
Investment Income	164.0	171.0
Judicial Fees	112.8	115.9
Disproportionate Share	107.0	107.0
Insurance	45.5	47.4
Other Non-Tax Revenues	96.5	97.3
Highway Trust Fund Transfer	170.0	170.0
Highway Fund Transfer	14.5	15.3
Subtotal	<u>14,013.7</u>	<u>14,702.9</u>
4. Other Adjustments		
IRC Conformity Adjustment (included in House Bill 232)	(3.4)	(3.8)
North Carolina Railroad General Fund Repayment	19.0	
Senate Bill 353 Enhance Department of Revenue Collections	50.0	50.0
Education/Human Services/Mental Health/Revenue Initiatives	435.3	614.4
House Bill 1157 Implementation – Closure of Tax Loopholes	61.3	64.3
House Bill 232 Implementation – Budget Revenue Provisions (Accelerations)	112.1	6.0
Increase in Nontax Revenues – Patients' Bill of Rights (Senate Bill 199)	0.4	0.9
Transfer/Adjustment of Cash from Special, Trust, Internal Service, and Reserve F	23.4	0.5
Court Fee Funds to State Bar	(0.8)	(1.7)
Credit to the Savings Reserve Account	(181.0)	
Subtotal	<u>516.3</u>	<u>730.6</u>
TOTAL GENERAL FUND AVAILABILITY	14,530.0	15,433.5

Legislation Enacted Affecting Availability After the Passage of the Appropriations Act of 2001

	<u>FY 2001-02</u> <u>(\$ million)</u>	<u>FY 2002-03</u> <u>(\$ million)</u>
5. Additional Adjustments		
Senate Bill 823 Promote Grape & Wine Industry (ABC Permits)	0.4	0.4
House Bill 571 Simplify Sales Tax on Communications	0.3	1.2
House Bill 1388 Remove Sunset on Ports Tax Credit	(0.7)	(0.7)
Senate Bill 748 - Bill Lee Act Changes		(0.3)
House Bill 338, Section 122 Technical Corrections - Amend Bill Lee Act	(0.3)	(0.8)
House Bill 688 Turfgrass Research	2.3	6.3
Credit to the Savings Reserve Account	(0.8)	
Subtotal	<u>1.2</u>	<u>6.1</u>
REVISED TOTAL GENERAL FUND AVAILABILITY	14,531.2	15,439.6

**Summary of Total State Budget
by Source of Funds
2001-2003 Fiscal Biennium**

	FY 2001-02 (\$ millions)	FY 2002-03 (\$ millions)
General Fund		
Current Operations	\$14,372.4	\$14,782.6
Capital Improvements/Repairs & Renovations	157.9	
Subtotal General Fund Budget	14,530.3	14,782.6
 Highway Fund/Highway Trust Fund	 2,121.1	 2,133.6
 Federal Funds	 7,066.3	 7,404.0
 Departmental Receipts	 2,243.2	 2,264.5
 Total State Budget -- All Sources	 \$25,960.9	 \$26,584.7

Source: Office of State Budget and Management

Summary of Total State Budget by Agency and Appropriations Subcommittee					
(includes all funding sources)					
2001-02 Fiscal Year					
	General	Highway Trust/			
	Fund	Highway Fund	Other	Federal	Total
<u>Education:</u>					
Public Education (<i>see footnotes</i>)	5,996,982,529	29,101,069	2,886,501	606,524,524	6,635,494,623
Community Colleges	643,695,459	0	115,589,384	12,818,209	772,103,052
UNC System	1,789,935,775	0	963,608,871	27,490,660	2,781,035,306
Subtotal – Education	8,430,613,763	29,101,069	1,082,084,756	646,833,393	10,188,632,981
<u>Health and Human Services:</u>					
DHHS - Office of Secretary	48,108,705	0	702,139	45,791,814	94,602,658
DHHS - Aging	29,531,910	0	8,325,087	27,184,040	65,041,037
DHHS - Child Development	289,058,396	0	56,000	265,983,079	555,097,475
DHHS - Education Services	69,581,525	0	722,102	2,084,639	72,388,266
DHHS - Public Health	108,919,083	437,623	6,309,304	245,109,551	360,775,561
DHHS - Social Services	188,690,237	0	458,456,225	613,662,392	1,260,808,854
DHHS - Medical Assistance	1,981,484,290	0	353,034,891	3,834,235,114	6,168,754,295
DHHS - NC Health Choice	32,987,142	0	0	92,341,899	125,329,041
DHHS - Blind & Deaf/HH	10,168,115	0	1,412,781	13,635,814	25,216,710
DHHS - Mental Health	581,394,627	0	40,125,152	83,390,079	704,909,858
DHHS - Facility Services	15,246,969	0	506,774	11,631,660	27,385,403
DHHS - Vocational Rehabilitation	42,768,956	0	2,226,176	62,199,726	107,194,858
Subtotal – DHHS	3,397,939,955	437,623	871,876,631	5,297,249,807	9,567,504,016
<u>Natural and Economic Resources</u>					
Agriculture & Consumer Services	55,468,040	3,659,405	18,904,748	6,316,584	84,348,777
Commerce	59,280,374	0	31,981,069	193,991,235	285,252,678
Commerce - State Aid	16,486,523	0	0	0	16,486,523
Environment and Natural Resources	159,072,700	846,102	69,945,279	40,802,151	270,666,232
DENR - Clean Water Management Trust Fund	40,000,000	0	0	0	40,000,000
Housing Finance Agency	5,300,000	0	100,000	37,242,359	42,642,359
Labor	15,517,906	0	3,651,953	5,736,496	24,906,355
Subtotal – NER	351,125,543	4,505,507	124,583,049	284,088,825	764,302,924
<u>Justice and Public Safety</u>					
Correction	923,995,281	0	9,280,008	0	933,275,289
Crime Control & Public Safety	33,649,131	131,697,852	6,222,675	13,402,334	184,971,992
Judicial	305,491,140	0	252,519	0	305,743,659
Judicial - Indigent Defense	70,181,601	0	6,875,555	0	77,057,156
Justice	73,142,775	0	6,884,637	1,167,825	81,195,237
Juvenile Justice & Delinquency Prevention	140,800,030	0	6,595,544	0	147,395,574
Subtotal – JPS	1,547,259,958	131,697,852	36,110,938	14,570,159	1,729,638,907

Summary of Total State Budget by Agency and Appropriations Subcommittee					
(includes all funding sources)					
2001-02 Fiscal Year					
	General	Highway Trust/			
	Fund	Highway Fund	Other	Federal	Total
<u>General Government:</u>					
Administration	61,856,313	0	5,372,541	8,480,877	75,709,731
Auditor	11,864,673	0	50	0	11,864,723
Cultural Resources	60,227,419	0	2,250,726	4,788,585	67,266,730
Cultural Resources - Roanoke Island Commission	1,859,463	0	0	0	1,859,463
General Assembly	39,383,848	0	403,000	0	39,786,848
Governor	5,442,905	0	215,482	0	5,658,387
Insurance	23,750,037	0	26,187,625	338,858	50,276,520
Insurance - Volunteer Safety Workers' Compensation	1,050,000	0	0	0	1,050,000
Lieutenant Governor	669,545	0	0	0	669,545
Office of Administrative Hearings	2,795,155	0	83,514	0	2,878,669
Revenue	77,100,467	4,038,525	1,000	0	81,139,992
Rules Review Commission	325,795	0	0	0	325,795
Secretary of State	8,556,776	0	384,577	0	8,941,353
State Board of Elections	3,186,269	0	2,500	0	3,188,769
Special Boards & Commissions	0	0	3,450,648	0	3,450,648
State Budget and Management	5,458,547	0	26,020	0	5,484,567
OSBM - Flood Mapping & Surveying	0	0	0	0	0
OSBM - Special Appropriations (<i>see footnotes</i>)	39,635,000	0	0	0	39,635,000
State Controller	11,523,868	0	30,945	0	11,554,813
Treasurer	7,216,817	0	648,053	0	7,864,870
Treasurer - Retirement for Fire & Rescue Squad Workers	10,301,897	0	0	0	10,301,897
Subtotal -- General Government	372,204,794	4,038,525	39,056,681	13,608,320	428,908,320
<u>Information Technology Services</u>	<i>Operates as an internal service fund</i>				
<u>Transportation</u>	10,030,000	1,949,380,510	38,917,668	809,950,673	2,808,278,851
<u>Debt Service:</u>					
General Debt Service	250,822,092	0	50,606,598	0	301,428,690
Federal Reimbursement	1,155,948	0	0	0	1,155,948
Subtotal -- Debt Service	251,978,040	0	50,606,598	0	302,584,638

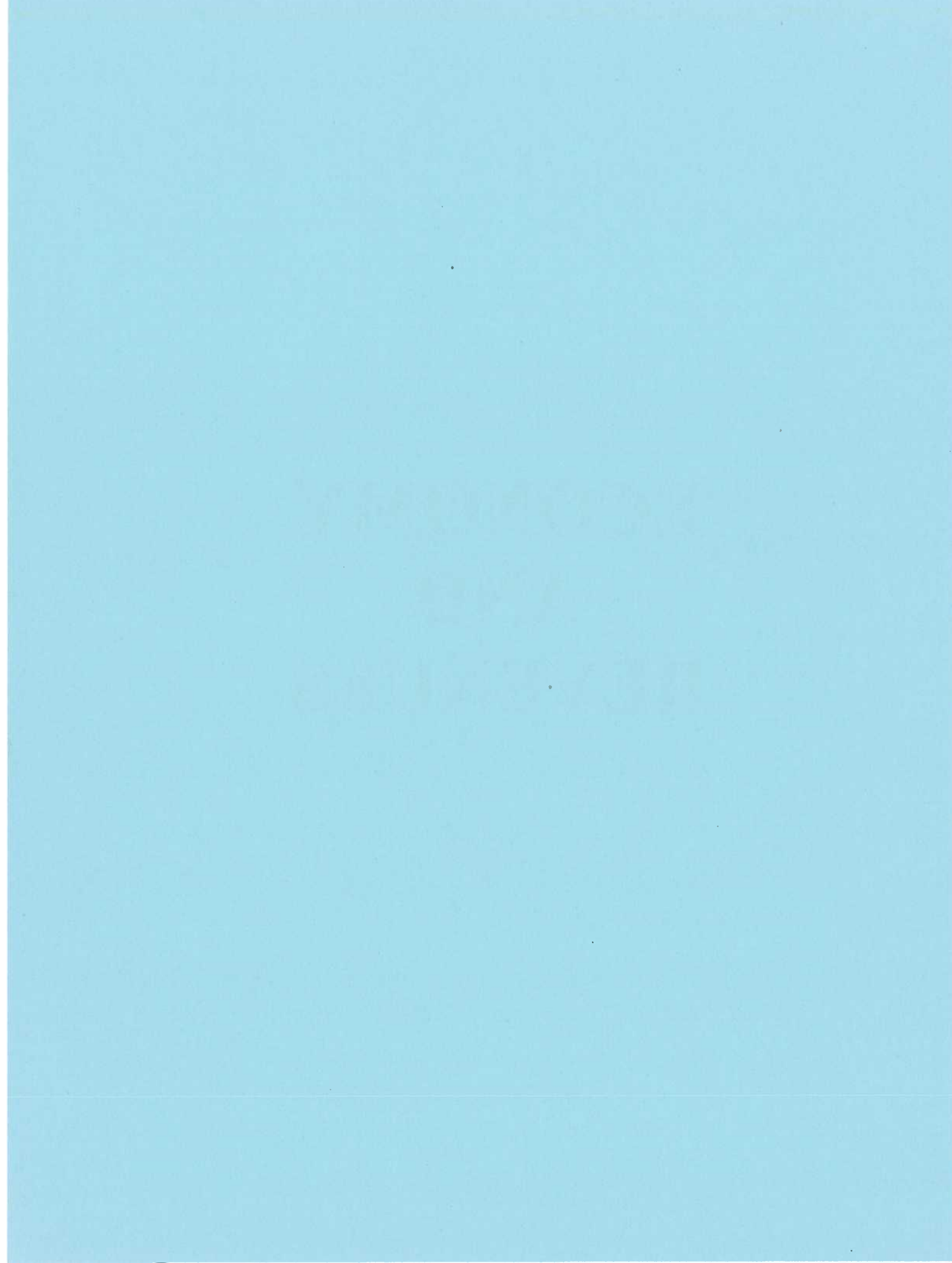
Summary of Total State Budget by Agency and Appropriations Subcommittee					
(includes all funding sources)					
2001-02 Fiscal Year					
	General	Highway Trust/			
	Fund	Highway Fund	Other	Federal	Total
<u>Reserves & Adjustments</u>					
Contingency & Emergency	5,000,000	0	0	0	5,000,000
Compensation Increases (<i>see footnotes</i>)	76,499,835	7,200,000	0	0	83,699,835
Salary Adjustments	500,000	0	0	0	500,000
State Health Plan	114,000,000	7,000,000	0	0	121,000,000
Retirement Rate Adjustment	(243,267,720)	(12,304,320)	0	0	(255,572,040)
Mental Health Reform	47,525,675	0	0	0	47,525,675
Implementation of HIPPA Requirements	15,000,000	0	0	0	15,000,000
Information Technology Rate Adjustment	(4,000,000)	0	0	0	(4,000,000)
Subtotal – Reserves & Adjustments	11,257,790	1,895,680	0	0	13,153,470
<u>Capital</u>					
Capital Improvements	32,936,000	0	0	0	32,936,000
Repair & Renovation	125,000,000	0	0	0	125,000,000
Subtotal – Capital	157,936,000	0	0	0	157,936,000
Total State Budget	14,530,345,843	2,121,056,766	2,243,236,321	7,066,301,177	25,960,940,107
Note: The Highway Fund and Highway Trust Fund is exclusive of transfers to the General Fund of \$184,500,000. (G.S. 105-187.9 provides information relative to this transfer)					
Note: The legislative increase related to the Department of Public Instruction (\$117,342,165 for FY 2002) is included in the appropriation amount.					
Note: OSBM - Special Appropriations includes a \$36 million appropriation for the State Health Plan.					
Source: Office of State Budget and Management					

Summary of Total State Budget by Agency and Appropriations Subcommittee					
(includes all funding sources)					
2002-03 Fiscal Year					
	General	Highway Trust/			
	Fund	Highway Fund	Other	Federal	Total
<u>Education:</u>					
Public Education (<i>see footnotes</i>)	6,039,530,711	30,353,964	2,886,501	606,524,524	6,679,295,700
Community Colleges	643,195,459	0	115,589,384	12,818,209	771,603,052
UNC System	1,798,320,830	0	978,956,903	27,490,660	2,804,768,393
Subtotal -- Education	8,481,047,000	30,353,964	1,097,432,788	646,833,393	10,255,667,145
<u>Health and Human Services:</u>					
DHHS - Office of Secretary	48,008,705	0	702,139	45,791,814	94,502,658
DHHS - Aging	29,531,910	0	8,325,087	27,184,040	65,041,037
DHHS - Child Development	289,058,396	0	56,000	265,983,079	555,097,475
DHHS - Education Services	69,581,525	0	722,102	2,084,639	72,388,266
DHHS - Public Health	107,434,083	437,623	6,309,304	245,109,551	359,290,561
DHHS - Social Services	194,763,531	0	463,434,387	618,968,783	1,277,166,701
DHHS - Medical Assistance	2,219,446,892	0	395,589,948	4,140,380,415	6,755,417,255
DHHS - NC Health Choice	37,487,142	0	0	104,093,498	141,580,640
DHHS - Blind & Deaf/HH	10,168,115	0	1,412,781	13,635,814	25,216,710
DHHS - Mental Health	581,068,627	0	40,125,152	83,390,079	704,583,858
DHHS - Facility Services	15,442,236	0	506,774	11,631,660	27,580,670
DHHS - Vocational Rehabilitation	42,088,956	0	2,226,176	62,199,726	106,514,858
Subtotal -- DHHS	3,644,080,118	437,623	919,409,850	5,620,453,098	10,184,380,689
<u>Natural and Economic Resources</u>					
Agriculture & Consumer Services	55,268,040	3,586,465	18,895,298	6,312,784	84,062,587
Commerce	44,280,374	0	31,981,069	192,960,018	269,221,461
Commerce - State Aid	16,561,217	0	0	0	16,561,217
Environment and Natural Resources	158,722,700	846,102	69,945,279	40,802,151	270,316,232
DENR - Clean Water Management Trust Fund	70,000,000	0	0	0	70,000,000
Housing Finance Agency	5,300,000	0	100,000	37,242,359	42,642,359
Labor	15,117,906	0	4,051,953	5,736,496	24,906,355
Subtotal -- NER	365,250,237	4,432,567	124,973,599	283,053,808	777,710,211
<u>Justice and Public Safety</u>					
Correction	930,964,916	0	9,300,008	0	940,264,924
Crime Control & Public Safety	28,493,506	133,098,294	6,349,175	13,402,334	181,343,309
Judicial	305,465,135	0	252,519	0	305,717,654
Judicial - Indigent Defense	68,867,771	0	6,875,555	0	75,743,326
Justice	73,785,584	0	6,800,637	1,167,825	81,754,046
Juvenile Justice & Delinquency Prevention	142,554,017	0	6,595,544	0	149,149,561
Subtotal -- JPS	1,550,130,929	133,098,294	36,173,438	14,570,159	1,733,972,820

Summary of Total State Budget by Agency and Appropriations Subcommittee					
(includes all funding sources)					
2002-03 Fiscal Year					
	General	Highway Trust/			
	Fund	Highway Fund	Other	Federal	Total
<u>General Government:</u>					
Administration	61,563,497	0	5,372,541	8,480,877	75,416,915
Auditor	11,864,673	0	50	0	11,864,723
Cultural Resources	59,427,419	0	2,250,726	4,788,585	66,466,730
Cultural Resources - Roanoke Island Commission	1,859,463	0	0	0	1,859,463
General Assembly	39,553,848	0	403,000	0	39,956,848
Governor	5,442,905	0	215,482	0	5,658,387
Insurance	23,527,552	0	26,188,256	338,858	50,054,666
Insurance - Volunteer Safety Workers' Compensation	4,500,000	0	0	0	4,500,000
Lieutenant Governor	669,545	0	0	0	669,545
Office of Administrative Hearings	2,795,155	0	83,514	0	2,878,669
Revenue	77,955,704	4,038,525	1,000	0	81,995,229
Rules Review Commission	325,795	0	0	0	325,795
Secretary of State	8,286,850	0	384,577	0	8,671,427
State Board of Elections	3,186,269	0	2,500	0	3,188,769
Special Boards & Commissions	0	0	3,569,720	0	3,569,720
State Budget and Management	5,354,938	0	26,020	0	5,380,958
OSBM - Flood Mapping & Surveying	0	0	0	0	0
OSBM - Special Appropriations	3,080,000	0	0	0	3,080,000
State Controller	11,523,868	0	30,945	0	11,554,813
Treasurer	7,216,817	0	648,053	0	7,864,870
Treasurer - Retirement for Fire & Rescue Squad Workers	12,379,780	0	0	0	12,379,780
Subtotal -- General Government	340,514,078	4,038,525	39,176,384	13,608,320	397,337,307
<u>Information Technology Services</u>	<i>Operates as an internal service fund</i>				
<u>Transportation</u>	13,393,341	1,957,325,461	38,617,668	825,448,590	2,834,785,060
<u>Debt Service:</u>					
General Debt Service	352,266,860	0	8,750,000	0	361,016,860
Federal Reimbursement	1,155,948	0	0	0	1,155,948
Subtotal -- Debt Service	353,422,808	0	8,750,000	0	362,172,808
<u>Reserves & Adjustments</u>					
Contingency & Emergency	5,000,000	0	0	0	5,000,000
Compensation Increases <i>(see footnotes)</i>	76,499,835	7,200,000	0	0	83,699,835
Salary Adjustment	500,000	0	0	0	500,000
State Health Plan	200,000,000	9,000,000	0	0	209,000,000
Retirement Rate Adjustment	(243,267,720)	(12,304,320)	0	0	(255,572,040)
Information Technology Rate Adjustment	(4,000,000)	0	0	0	(4,000,000)
Subtotal -- Reserves & Adjustments	34,732,115	3,895,680	0	0	38,627,795

Summary of Total State Budget by Agency and Appropriations Subcommittee					
(includes all funding sources)					
2002-03 Fiscal Year					
	General Fund	Highway Trust/ Highway Fund	Other	Federal	Total
<u>Capital</u>					
Capital Improvement	0	0	0	0	0
Repair & Renovation	0	0	0	0	0
Subtotal – Capital	0	0	0	0	0
Total State Budget	14,782,570,626	2,133,582,114	2,264,533,727	7,403,967,368	26,584,653,835
Note: The Highway Fund and Highway Trust Fund is exclusive of transfers to the General Fund of \$185,300,000. (G.S. 105-187.9 provides information relative to this transfer)					
Note: The legislative increase related to the Department of Public Instruction (\$117,342,165 for FY 2002) is included in the appropriation amount.					
<i>Source: Office of State Budget and Management</i>					

ECONOMY AND REVENUES



ECONOMIC OUTLOOK AND GENERAL FUND REVENUES

2000-01 EXPERIENCE

Last fiscal year was marked by the largest revenue shortfall since the 1990-91 recession. The shortfall of \$702.1 million, or 4.8% of the budgeted forecast, can be broken down into two parts:

One-Time Special Factors (\$206.5 million – 29.4% of Total)

(1) Tax Refund Carryover (\$121.8 million)

The Department of Revenue has indicated that \$101.8 million of personal income tax refunds and \$20.0 million of corporate refunds were carried forward from the 1999-2000 fiscal year to July and August of 2000. The refunds are considered as part of the nonrecurring shortfall because they were not known at the time the 2000-01 budget was adopted during the last couple of days of June 2000.

In most years, a reasonably accurate forecast of income tax refunds can be made in early May based on the known withholding tax collections for the prior year and refunds through April 30. However, during the Spring of 2000, major processing delays and technology problems at the Department of Revenue made it impossible to develop a reliable estimate of the "inventory" of remaining refunds. These issues were highlighted in the State Auditor's performance audit of the Department.

In addition, the impact of the court ruling ("Bailey Case") that allowed an income tax exclusion for state and local pensions rendered the 1998 and 1999 refund experience useless for projecting Spring, 2001 refunds as it was impossible to determine how much of the relief came through refunds (versus lower tax payments)

(2) Litigation Payouts (\$63.2 million)

In September 2000 the N.C. Supreme Court ruled against the state in a license tax case involving the financing arm of Ford and Chrysler. This meant that the State was required to pay out \$58.5 million of refunds plus interest going back a number of years. In addition, the State was required to pay \$6.0 million of refunds and interest in a case involving the intangibles tax on beneficial interests in foreign trusts, with \$4.7 million of the payments being paid out of General Fund revenues.

NOTE: The analysis and outlook contained on these pages was developed prior to the events of September 11th.

(3) Corporate Refund Acceleration (\$21 million)

One of the responses of the Department of Revenue to the adverse publicity surrounding the carryover refunds from June 2000 was an initiative to accelerate the working down of a backlog of corporate tax refunds. It is estimated that \$21 million of these refunds sent out during 2000-01 would not have been sent out until a later year. This had a negative cash-flow impact on 2000-01.

Factors Related to Economy and Financial Markets (\$ 495.6 million – 70.6% of total)

(1) Rise in Energy Prices

The production quotas adopted by OPEC began showing up in higher fuel prices during the summer of 1999. This was one factor that led to the downward shift in state and local sales tax receipts at about the same time as Hurricanes Floyd and Dennis. In fact, the storms masked the effect of higher pump prices until it became clear that the impact of the natural disasters was limited to counties with only 18% of the retail sales base.

The U.S. economy has been hammered by many oil price spikes in the past. The unique feature of this cycle was that OPEC members were able to hold the line against potential price cuts.

(2) Monetary Policy

The Federal Reserve began pushing up interest rates in June 1999 to slow an overheating economy and speculative stock market. During the next year, short-term interest rates rose from 4 $\frac{3}{4}$ % to 6 $\frac{1}{2}$ %. Monetary policy always works with a time lag of at least nine months and sometimes takes a year or more to have an impact. This meant that the real effect on the overall economy did not begin until around the Spring of 2001. The problem is that once the economy began to change directions, the downward slide became very steep, particularly in the manufacturing sector.

(3) Tech Stock Crash

A unique feature of the current slowdown is the role of the technology sector. Capital investment in technology was one of the driving forces that led to the unusually strong economic performance of the 1990's. This investment in computers, telecommunications equipment, and technology was fueled by the explosive rise in tech stock prices. This created an environment in which it was felt that the demand of new products was unlimited. This led businesses to believe that

NOTE: The analysis and outlook contained on these pages was developed prior to the events of September 11th.

a high return from additional capital investments was guaranteed. Just like speculative real estate "bubbles" in prior recessions, this unbridled optimism sowed the seeds for a crash once consumer demand dried up and producers were caught with excess capacity on their hands. The market collapse finally came in March 2000. As tech stocks crashed, companies scaled back their capital plans. A few months later they began to shed jobs. For a while severance pay packages and the cashing in of stock options kept the economy afloat. Eventually, though, the damage spread to the overall economy.

(4) Strong Auto Sales

This seemingly favorable trend has actually had a negative impact on sales tax receipts in North Carolina because taxes on vehicles are earmarked for highway programs in lieu of the General Fund. As consumers continued to buy new cars, spending on items subject to the sales tax was "crowded out".

ECONOMIC OUTLOOK FOR 2001-02 FISCAL YEAR

The outlook among economists for the current calendar year and the first part of 2002 has been worsening since last Fall. For example, in August 2000 a leading bank in North Carolina was forecasting that the real (inflation-adjusted) growth for the nation's economy for 2001 would be a healthy 4.2%. The expectation had fallen to 3.1% in the December 2000 update and by April the projection had dropped to 1.7%.

This pattern is very typical of what goes on during a normal recession: the bad news snowballs and expectations decline as if there is no end in sight. However, just as the seeds of the recession are always sowed well in advance, so is the stimulus for the recovery.

Once the economic indicators began imploding around the holidays, the Federal Reserve undertook a stimulus package that was unprecedented in terms of timing and magnitude. From January to August of 2001, short-term interest rates fell from 6½% to 3½%. The expectation in late August was that the Fed would cut rates a quarter point one more time. In addition, the Congress had adopted a major tax cut package that began with an immediate \$600 tax rebate.

The combination of lower borrowing rates and the tax cut stimulus is a major factor behind the mainstream forecast that the economy will begin to recover during the Fall of 2001 and real growth rates will be over 3% by the first quarter of 2002. In addition, in past recoveries the State's economy has grown much faster than the U.S. experience as the key-manufacturing sector turns around.

NOTE: The analysis and outlook contained on these pages was developed prior to the events of September 11th.

There are a number of problems with this "mainstream" view of the typical business cycle recovery. First, excess capacity in the computer and telecommunications areas may require a couple of years to be worked down due to the magnitude of the inventory overhang.

Another issue facing North Carolina is the loss of manufacturing jobs to Mexico and overseas locations. This trend, beginning during the 1995-96 economic slowdown, has accelerated in recent years. For example, the annual drop in textile and apparel employment has accelerated from the 7-10% range to 12-14% during the last 12 months. These impacts have been devastating to small towns in rural areas and the I-85 corridor. A concern is that it is not reasonable to expect all of the shuttered plants to be reopened when the national economy eventually improves.

Manufacturing is not the only sector of the State's economy undergoing change in recent years. Starting in mid-1999, job growth in the financial services area (finance, insurance, real estate) and in healthcare began slowing dramatically. The most likely explanation has to do with merger/acquisition activity. When these consolidations take place, jobs are eliminated to enhance the benefits of the combination. It may take a while for this pattern to change.

Energy prices represent a continued strain on the economy, even though costs have declined in recent months. The danger is that there are signs that OPEC is concerned enough about the decline to consider further production cuts to maintain prices. If this occurs, consumers will not receive the hoped for relief.

A final risk has to do with the fact that many Wall Street analysts feel that stocks are still richly valued. If this is the case, the rise in asset prices resulting from lower interest rates and improved corporate profits could be limited. This would have a dampening effect on consumer confidence and retail sales.

ECONOMIC OUTLOOK FOR 2001-2002 FISCAL YEAR

The economic outlook for the 2001-03 biennium is based on a review of a number of different forecasts and analyses available to the Fiscal Research Division:

- (1) DRI/WEFA national and state outlook (subscribed to by State Budget Office).
- (2) First Union/Wachovia national forecast.
- (3) Specific estimates on state personal income growth by a panel of economists representing First Union/Wachovia, N.C. State University, and Wake Forest University.

NOTE: The analysis and outlook contained on these pages was developed prior to the events of September 11th.

(4) National and state-level economic forecasts of other states (posted on Internet).

The concerns over the uncertain economic outlook led to the use of official estimates for 2001-02 that were more conservative than the outlook of most economists. The specifics of the forecast are shown on page C-6.

2000-01 REVENUE ESTIMATE METHODOLOGY

The projection of General Fund revenues for the budget year involved a three-step process. First, the economic factors shown on page C-6 were used to forecast baseline revenues based on long-term historical relationships. These estimates are shown on page C-7. Some of the key revenue growth rates are on page C-10.

The next step was to adjust the baseline estimates to take into account the impact of 1995-2001 session tax law changes, lawsuit payouts, delayed tax collections and refunds, and other technical factors. These adjustments, shown on page C-8, are included in the detailed numbers on the adjoining pages.

Finally, a judgment had to be made about the financial markets and capital gains tax reporting. In recent years a substantial portion of the General Fund revenue surpluses has been due to the impact of the financial markets. The additional receipts come in primarily through increased quarterly estimated tax payments by high-income individuals and "final" income tax payments due April 15. For this analysis, it was assumed that 2001 tax year capital gains would drop 23.2% and that the wage and salary portion of the income tax would rise only 4.2% (compared to 7-9% growth in recent years).

The actual General Fund forecast numbers by source are shown on page C-9. These numbers reflect the actual experience for prior years and the official budget estimates for 2001-02 and 2002-03, as stated earlier, the baseline estimates in Table C-7 tie closely to the economic outlook because they are adjusted for tax law changes and other special factors.

NOTE: The analysis and outlook contained on these pages was developed prior to the events of September 11th.

<p>ECONOMIC INDICATORS (STATE FISCAL YEAR BASIS) ANNUAL RATES OF CHANGE</p>
--

	1999-00 <u>Actual</u>	2000-01 <u>Actual</u>	2001-02 <u>Projected</u>	2002-03 <u>Projected</u>
U.S. INDICATORS				
Real Economic Growth*	5.7%	2.7%	1.7%	3.4%
Nonfarm Employment	2.3%	1.3%	.5%	1.2%
Personal Income	6.0%	6.6%	4.6%	5.8%
Industrial Production	4.8%	2.0%	-1.9%	5.7%
Corporate Profits (Pre-Tax)	7.7%	8.9%	-16.2%	.1%
Short-Term Interest Rates (Actual Rate)	5.2%	5.1%	3.5%	4.1%
Mortgage Rates (Actual Rate)	8.1%	7.5%	7.4%	7.7%
Inflation (CPI)	2.9%	3.4%	2.6%	2.5%
NORTH CAROLINA INDICATORS				
Personal Income	5.2%	5.4%	4.3%	5.5%
Nonfarm Employment	2.1%	1.7%	.5%	2.2%
Unemployment Rate (Actual Rate)	3.2%	4.3%	5.5%	5.4%
Average Hourly Earnings (Manufacturing)	4.0%	3.8%	3.3%	3.6%
Retail Sales	5.8%	2.6%	3.6%	4.7%
Housing Starts	-3.0%	-8.0%	-1.7%	2.2%
Auto Sales	7.5%	5.5%	-3.6%	4.6%

*Adjusted for inflation.

NOTE: The analysis and outlook contained on these pages was developed prior to the events of September 11th.

GENERAL FUND REVENUE FORECAST (\$MILL.)
TABLE 1: BASELINE FORECAST PRIOR TO REVENUE LAW CHANGES/OTHER SPECIAL FACTORS*

	Actual 95-96	Actual 96-97	Actual 97-98	Actual 98-99	Actual 99-00	Actual 00-01	Estimated 01-02	Estimated 02-03
Tax Revenue								
Personal Income	\$5,035.0	\$5,597.2	\$6,344.7	\$7,076.3	\$7,443.5	\$8,004.0	\$8,438.2	\$8,952.9
Sales & Use	2,959.4	3,178.0	3,356.8	3,584.4	3,740.9	3,830.2	3,964.3	4,137.3
Corporate Income**	674.2	718.3	789.1	904.5	886.2	780.7	757.1	780.6
Franchise	355.9	387.8	411.3	405.6	399.0	488.4	508.9	532.3
Insurance	244.5	260.3	284.3	291.1	273.4	305.7	321.6	334.5
Alcoholic Beverage	145.5	150.2	153.8	157.8	166.3	172.7	177.0	181.3
Intangibles Tax	124.4	124.5	124.6	124.7	124.8	124.9	125.0	125.1
Inheritance	112.9	132.1	148.2	167.1	229.8	209.9	227.1	224.9
Soft Drink	39.8	41.2	43.4	43.9	46.2	47.8	49.4	50.9
Privilege License	42.0	43.4	49.7	37.4	53.4	53.2	54.3	55.8
Tobacco Products	46.7	46.7	47.2	44.9	43.7	42.0	40.7	39.4
Piped Natural Gas					27.7	37.2	37.9	38.7
Gift	11.0	12.6	20.7	19.3	25.1	20.3	23.2	24.4
Other	1.2	1.2	1.1	1.1	1.1	1.2	1.1	1.1
Total-Tax Revenue	\$9,792.5	\$10,693.3	\$11,774.9	\$12,858.1	\$13,461.1	\$14,118.2	\$14,725.8	\$15,479.1
		9.2%	10.1%	9.2%	4.7%	4.9%	4.3%	5.1%
Nontax Revenue								
Investment Income	\$197.3	\$222.1	\$246.1	\$247.2	\$206.1	\$165.9	\$161.7	\$168.7
Judicial Fees	90.3	94.9	95.7	101.1	80.5	81.6	83.2	84.9
Disproportionate Share	76.0	100.8	0.0	85.0	105.0	109.1	107.0	107.0
Other	65.3	68.0	66.1	80.5	93.2	83.4	85.9	88.5
Insurance Dept.	14.9	14.0	15.3	34.9	36.6	37.3	38.8	40.3
Total-Nontax Revenue	\$443.8	\$499.8	\$423.2	\$548.7	\$521.4	\$477.3	\$476.6	\$489.4
Total: Tax & Nontax Revenue	\$10,236.3	\$11,193.1	\$12,198.0	\$13,406.8	\$13,982.5	\$14,595.5	\$15,202.4	\$15,968.5
		9.3%	9.0%	9.9%	4.3%	4.4%	4.2%	5.0%
Transfers:								
Highway Trust Fund	\$170.0	\$170.0	\$170.0	\$170.0	\$170.0	\$170.0	\$170.0	\$170.0
Highway Fund	11.1	11.9	12.6	13.4	13.6	13.8	14.5	15.3
Total-Transfers	\$181.1	181.9	182.6	183.4	\$183.6	\$183.8	\$184.5	\$185.3
Total-General Fund Revenue	\$10,417.4	\$11,375.0	\$12,380.6	\$13,590.2	\$14,166.1	\$14,779.3	\$15,386.9	\$16,153.8
		9.2%	8.8%	9.8%	4.2%	4.3%	4.1%	5.0%

*Actual collections have been adjusted for tax law changes, litigation payouts, processing delays, and other special factors

GENERAL FUND REVENUE FORECAST (\$MILL.)

TABLE 2: IMPACT OF 1995-2001 REVENUE LAW CHANGES/OTHER SPECIAL FACTORS (\$MILL.)

	Actual 95-96	Actual 96-97	Actual 97-98	Actual 98-99	Actual 99-00	Actual 00-01	Estimated 01-02	Estimated 02-03
Tax Revenue								
Personal Income	(\$235.0)	(\$267.2)	(\$286.4)	(\$499.2)	(\$360.8)	(\$612.6)	(\$258.9)	(\$437.3)
Sales & Use	(1.3)	(50.3)	(101.4)	(208.2)	(385.9)	(394.6)	(168.0)	(138.2)
Corporate Income	(1.1)	(0.6)	(53.9)	(95.1)	47.2	(320.5)	(170.8)	(197.2)
Franchise					-92.0	92.0	130.1	277.8
Insurance	-1.8	(1.8)	-0.4					28.2
Alcoholic Beverage			0.1	0.1	0.1	0.1	-3.0	-10.4
Intangibles Tax	-124.4	(124.5)	-124.6	(124.7)	-124.8	-124.9	-125.0	-125.1
Inheritance			-3.5	(3.8)	(66.5)	(86.7)	(96.9)	(108.2)
Soft Drink		(9.8)	-20.3	(31.5)	-44.9	-46.5	-48.2	-50.0
Privilege License			-11.1	(9.8)	(9.6)	(50.2)	(27.9)	(10.0)
Tobacco Products								
Piped Natural Gas					30.0			
Gift								
Other								
Total-Tax Revenue	(\$363.6)	(\$454.2)	(\$601.5)	(\$972.2)	(\$1,007.3)	(\$1,543.9)	(\$768.5)	(\$770.4)
Nontax Revenue								
Investment Income	\$2.0	\$2.0	\$2.0	\$2.0	\$2.2	\$2.3	\$5.1	\$8.3
Judicial Fees		4.2	17.2	19.9	21.0	27.7	28.8	29.3
Disproportionate Share								
Other		2.2	4.9	9.1	10.2	10.3	53.5	10.4
Insurance Dept.	4.7	4.7	5.0	5.3	5.6	6.3	6.7	7.1
Total-Nontax Revenue	\$6.7	\$13.1	\$29.0	\$36.3	\$38.9	\$46.6	\$94.2	\$55.1
Total: Tax & Nontax Revenue	(\$356.9)	(\$441.1)	(\$572.5)	(\$935.9)	(\$968.4)	(\$1,497.3)	(\$674.3)	(\$715.4)
Transfers:								
Highway Trust Fund							1.7	2.4
Highway Fund								
Total-Transfers							\$1.7	\$2.4
Total-General Fund Revenue	(\$356.9)	(\$441.1)	(\$572.5)	(\$935.9)	(\$968.4)	(\$1,497.3)	(\$672.6)	(\$713.0)

TABLE 3: ACTUAL FORECAST INCLUDING IMPACT OF REVENUE LAW CHANGES/OTHER SPECIAL FACTORS (\$MILL.)

	Actual 95-96	Actual 96-97	Actual 97-98	Actual 98-99	Actual 99-00	Actual 00-01	Estimated 01-02	Estimated 02-03
Tax Revenue:								
Personal Income	\$4,800.0	\$5,330.0	\$6,028.9	\$6,606.5	\$7,082.7	\$7,391.4	\$8,179.3	\$8,515.7
Sales & Use	2,958.1	3,127.7	3,255.4	3,376.2	3,355.0	3,435.6	3,796.3	3,999.1
Corporate Income	673.1	717.7	696.3	848.5	933.4	460.2	586.3	583.3
Franchise	355.9	387.8	407.3	409.6	307.0	580.4	639.0	810.1
Insurance	242.7	258.5	283.8	291.2	273.4	305.7	321.6	362.7
Alcoholic Beverage	145.5	150.2	153.7	158.1	166.4	172.8	174.0	170.9
Intangibles Tax								
Inheritance	112.9	132.1	138.1	169.9	163.3	123.2	130.2	116.7
Soft Drink	39.8	31.4	23.1	12.4	1.3			
Privilege License	42.0	43.4	36.6	27.6	43.8	3.0	26.4	45.8
Tobacco Products	46.7	46.7	47.2	44.9	43.7	42.0	40.7	39.4
Gift	11.0	12.6	20.7	19.3	25.1	20.3	23.2	24.4
Piped Natural Gas					27.7	37.2	37.9	38.7
Other	1.2	1.2	1.1	1.1	1.1	1.2	1.1	1.1
Total-Tax Revenue	\$9,428.9	\$10,239.1	\$11,092.2	\$11,965.3	\$12,423.8	\$12,572.9	\$13,956.1	\$14,707.8
					3.8%	1.2%	11.0%	5.4%
Nontax Revenue								
Investment Income	\$199.3	\$224.1	\$248.1	\$249.2	\$208.3	\$168.2	\$166.8	\$177.0
Judicial Fees	90.3	99.1	112.8	121.0	101.5	109.3	112.0	114.2
Disproportionate Share	76.0	100.8	0.0	85.0	105.0	109.1	107.0	107.0
Other	65.3	70.2	71.0	89.6	103.4	93.7	139.4	98.8
Insurance Dept.	19.6	18.7	20.3	40.2	42.2	43.6	45.5	47.4
Total-Nontax Revenue	\$450.5	\$512.9	\$452.2	\$585.0	\$560.3	\$523.9	\$570.8	\$544.5
Total: Tax & Nontax Revenue	\$9,879.4	\$10,752.0	\$11,544.4	\$12,550.3	\$12,984.1	\$13,096.9	\$14,526.9	\$15,252.3
Transfers:								
Highway Trust Fund	\$170.0	\$170.0	\$170.0	\$170.0	\$170.0	\$170.0	\$171.7	\$172.4
Highway Fund	11.1	11.9	12.6	13.4	13.6	13.8	14.5	15.3
Total-Transfers	\$181.1	\$181.9	\$182.6	\$183.4	\$183.6	\$183.8	\$186.2	\$187.7
Total-General Fund Revenue	\$10,060.5	\$10,933.9	\$11,727.0	\$12,733.7	\$13,167.7	\$13,280.7	\$14,713.1	\$15,440.0
		8.7%	7.3%	8.6%	3.4%	0.9%	10.8%	4.9%

BASELINE GROWTH RATES FOR MAJOR REVENUE SOURCES - GENERAL FUND*

	<u>92-93</u>	<u>93-94</u>	<u>94-95</u>	<u>95-96</u>	<u>96-97</u>	<u>97-98</u>	<u>98-99</u>	<u>99-00</u>	<u>00-01</u>	<u>Est.</u> <u>01-02</u>	<u>Est.</u> <u>02-03</u>
Personal Income Tax	8.6%	7.4%	9.9%	11.0%	10.2%	13.9%	10.5%	6.2%	7.4%	5.3%	6.0%
Sales Tax:											
Regular	8.3%	10.7%	8.9%	6.2%	8.1%	6.1%	7.5%	5.5%	1.9%	3.3%	4.2%
Utility Gross Receipts	3.7%	8.6%	-0.9%	7.9%	4.2%	4.7%	4.4%	6.5%	6.4%	5.4%	5.7%
TOTAL TAX											
Corporate Income Tax	13.5%	5.8%	21.2%	3.5%	10.0%	3.5%	7.8%	-2.6%	-11.5%	-5.3%	2.3%
Franchise Tax:											
Corporations	2.8%	3.2%	4.1%	8.9%	6.6%	23.6%	5.7%	-4.7%	22.6%	3.7%	3.8%
Utility Gross Receipts	1.8%	11.8%	-1.5%	7.0%	2.9%	3.8%	-3.1%	-3.8%	9.2%	5.4%	5.8%
Inheritance Tax**	2.2%	18.9%	3.2%	2.7%	17.0%	12.2%	12.8%	12.0%	-2.1%	8.2%	11.3%
Insurance Tax	2.8%	16.3%	4.8%	4.6%	6.0%	3.4%	6.9%	-6.1%	5.2%	3.9%	4.0%
Alcoholic Beverage Tax	0.1%	1.2%	1.4%	2.9%	3.3%	2.3%	2.8%	5.4%	3.7%	2.5%	2.6%
Tobacco Products Tax	6.2%	-11.7%	17.6%	4.7%	0.0%	1.1%	-4.9%	-2.7%	-6.0%	-3.1%	-3.2%
TOTAL GENERAL FUND***	7.0%	9.1%	9.9%	6.8%	9.2%	9.7%	9.2%	5.0%	4.2%	4.0%	4.9%

*Adjusted for tax law changes, tax collection or refund delays, litigation payouts, and other special one-time factors.

**Tax has been repealed. Budgeted rate applies to remaining "pick-up" tax that will be levied to use up federal credit for state death taxes.

***Includes minor tax sources not shown in table.

SOURCES OF INCOME ON FEDERAL TAX RETURNS FOR NORTH CAROLINA RESIDENTS (\$ BILLION)*

	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000(e)</u>	<u>2001(e)</u>	<u>2002(e)</u>	<u>2003(e)</u>
Wages & Salaries	64.60	69.20	73.00	77.46	82.76	87.50	94.08	100.85	107.19	114.26	119.17	125.37	131.26
% Change		7.1%	5.5%	6.1%	6.8%	5.7%	7.5%	7.2%	6.3%	6.6%	4.3%	5.2%	4.7%
Interest	3.99	3.08	2.53	2.43	3.05	3.30	3.52	3.69	3.62	3.89	3.84	3.74	3.91
% Change		-22.8%	-17.9%	-4.0%	25.5%	8.2%	6.7%	4.8%	-1.9%	50.0%	-1.3%	-2.7%	4.7%
Dividends	1.54	1.58	1.72	1.79	2.07	2.29	2.62	2.61	2.95	3.16	3.37	3.51	3.65
% Change		2.6%	8.9%	4.1%	15.6%	10.6%	14.4%	-0.4%	13.0%	7.1%	6.8%	4.0%	4.1%
Business Income	3.22	3.53	3.69	3.87	3.98	4.30	4.44	4.75	4.89	5.00	5.23	5.63	6.04
% Change		9.6%	4.5%	4.9%	2.8%	8.0%	3.3%	7.0%	2.9%	2.2%	4.5%	7.8%	7.2%
Capital Gains	2.01	2.38	2.73	2.91	3.41	5.11	7.06	8.45	9.38	9.50	7.30	7.95	6.68
% Change		18.4%	14.7%	6.6%	17.2%	49.9%	38.2%	19.7%	11.0%	1.3%	-23.2%	9.0%	-16.0%
% Change Stock Value		10.5%	8.6%	2.0%	17.7%	23.9%	30.1%	24.2%	22.1%	7.6%	-11.7%	10.9%	12.2%
IRA Distributions	0.50	0.64	0.65	0.80	0.91	1.13	1.37	1.90	2.27	2.61	3.13	3.76	4.51
% Change		28.0%	1.6%	23.1%	13.8%	24.2%	21.2%	38.7%	19.5%	15.0%	20.0%	20.0%	20.0%
Unemployment Benefits	0.44	0.48	0.42	0.30	0.31	0.30	0.25	0.25	0.31	0.33	0.40	0.38	0.36
% Change		9.1%	-12.5%	-28.6%	3.3%	-3.2%	16.7%	0.0%	24.0%	6.5%	21.2%	-5.0%	-5.3%
Pensions	4.11	4.38	4.63	5.03	5.52	6.05	6.69	7.4	8.1	8.83	9.67	10.59	11.59
% Change		6.6%	5.7%	8.6%	9.7%	9.6%	10.6%	10.6%	9.5%	9.0%	9.5%	9.5%	9.5%
Partnership Income	1.9	2.63	2.79	3.43	3.8	4.4	5.0	5.45	5.94	6.48	6.73	7.17	7.82
% Change		38.4%	6.1%	22.9%	10.8%	15.8%	13.6%	9.0%	9.0%	9.0%	4.0%	6.5%	9.0%
Approximate Taxable Income	82.31	87.90	92.16	98.02	105.81	114.38	125.03	135.35	144.65	154.06	158.84	168.10	175.82
% Change		6.8%	4.8%	6.4%	7.9%	8.1%	9.3%	8.3%	6.9%	6.5%	3.1%	5.8%	4.6%
Estimated Tax Liability Increase		9.8%	6.8%	9.2%	10.2%	11.9%	13.5%	10.3%	6.9%	7.8%	3.8%	7.3%	5.5%

*Tabulation excludes social security income since it is not subject to North Carolina tax. Thus, the tabulation shown is a close approximation of taxable income for state tax purposes.

(e) = Estimated by Fiscal Research Division.

HIGHWAY FUND REVENUE

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 fund balances by the State Treasurer.

FY 2000-01 REVENUES

Highway Fund collections totaled \$1.259 billion in FY 2000-01, a 6.6% increase over FY 1999-00. Motor fuels tax collections increased by 9.4% as a result of higher fuel prices.

FY 2001-02 FORECAST

Highway Fund revenues are projected to grow by \$44.2 million, or 3.5%, in FY 2001-02.

HIGHWAY FUND REVENUE (MILLIONS)

	FY2000-01	FY2001-02
	<u>Actual</u>	<u>Projected</u>
Motor Fuels Taxes	\$867.7	\$911.1
Licenses, Fees, and Penalties		
Staggered Vehicle Registration	\$144.9	\$151.8
Truck Licenses	\$60.6	\$61.9
Driver Licenses	\$66.2	\$68.6
International Registration Plan	\$47.9	\$52.8
Other	\$56.2	\$40.9
Sub Total	\$375.8	\$376.0
Investment Income	\$15.6	\$16.2
Total Highway Fund Revenue	\$1259.1	\$1303.3

HIGHWAY TRUST FUND REVENUE

The 1989 Session of the General Assembly established the Highway Trust Fund for the purpose of funding highway construction. The 2001 General Assembly permitted the use of \$680 million of Trust Fund cash balances over the next three fiscal years for additional purposes: primary route pavement preservation, certain preliminary engineering costs, computerized traffic signal systems and signal optimization projects, and public transportation. The Trust Fund's primary revenue sources are one-fourth of the motor fuel tax; a 3% Highway Use Tax levied when a motor vehicle title is transferred; title fees and various registration fees collected by the Division of Motor Vehicles; and interest earned from investment by the State Treasurer of the Trust Fund's cash balance. In addition, the law has required that \$170 million be transferred each year from the Highway Trust Fund to the General Fund. As a result of a change in the law the transfer in FY 2001-02 will be \$171.7 million and will grow over time.

FY 2000-01 REVENUES

Highway Trust Fund revenues for FY 2000-01 (net of the transfer to the General Fund) totaled \$794.8, an increase of 4.4% over the previous year. Highway Use Tax collections were flat, but motor fuel tax collections were up as a result of higher fuel prices.

FY 2001-02 FORECAST

Highway Trust Fund revenues (net of the transfer to the General Fund) are expected to increase by 2.8% in FY 2001-02, reflecting the slower economy.

HIGHWAY TRUST FUND REVENUE (MILLIONS)

	FY2000-01	FY2001-02
	<u>Actual</u>	<u>Projected</u>
Motor Fuels Taxes	\$289.5	\$299.3
Highway Use Tax	\$543.1	\$570.3
Title Fees	\$90.3	\$94.2
<u>Investment Income</u>	<u>\$41.9</u>	<u>\$24.9</u>
Sub Total	\$964.8	\$988.7
Transfer to General Fund	(\$170.0)	(\$171.7)
Total Highway Trust Fund Availability	\$794.8	\$817.0

**FEDERAL BLOCK
GRANTS
AND
SUMMARY
OF
MEDICAID CHANGES**

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 disabled children, migrant health, family planning, and immunizations. 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 100 county departments of social services. 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), thereby creating the new Substance Abuse Prevention and Treatment Block Grant (SAPTBG). 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.

FEDERAL BLOCK GRANT PROGRAMS (Continued)

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.

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 FUND (CCDF) BLOCK GRANT

The Personal Responsibility and Work Opportunities Reconciliation Act of 1996 eliminated any entitlement to child care subsidies and consolidated all federal child care programs into the CCDF block grant. The purpose of the CCDF block grant is to improve the affordability, availability, and quality of child care for families. Most of the block grant funding must be used to provide child care subsidies to families receiving public assistance, making the transition off of public assistance, or at risk of becoming dependent on public assistance. In addition, 4% of the total allocation must be spent on quality and availability initiatives. CCDF requires all providers caring for children who receive subsidies to meet minimum health and safety standards.

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 decades 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 that emphasize self-sufficiency and work.

2001-2002

DEPARTMENT OF COMMERCE

Community Development Block Grant – 2002 Program Year	\$45,000,000
---	--------------

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Division of Mental Health, Developmental Disabilities and Substance Abuse Services

Social Services Block Grant	\$8,984,601
Mental Health Services Block Grant	9,855,277
Substance Abuse Prevention and Treatment Block Grant	36,455,601
Temporary Assistance for Needy Families Block Grant	9,182,280

Division of Social Services

Low Income Energy Block Grant	\$19,849,342
Social Services Block Grant	27,176,385
Temporary Assistance for Needy Families	254,701,515

Division of Facility Services

Social Services Block Grant	\$426,836
-----------------------------	-----------

Division of Child Development

Social Services Block Grant	\$3,000,000
Child Care and Development Fund Block Grant	142,532,259
Temporary Assistance for Needy Families	103,296,241

Division of Vocational Rehabilitation

Social Services Block Grant	\$188,263
-----------------------------	-----------

Division of Services for the Blind

Social Services Block Grant	\$3,105,711
-----------------------------	-------------

Office of the Secretary (Office of Economic Opportunity)

Social Services Block Grant	\$41,302
Community Services Block Grant	15,639,392

Division of Aging

Social Services Block Grant	\$3,995,535
-----------------------------	-------------

Division of Public Health

Social Services Block Grant	\$766,467
Temporary Assistance for Needy Families	3,455,335
Preventive Health Services Block Grant	4,759,990
Maternal and Child Health Block Grant	16,928,823

Note: The figures listed above for the Department of Health and Human Services do not reflect the total amount of the Block Grants, due to various transfers to other Departments.

CHANGES TO THE MEDICAID PROGRAM

STATE

During its 2001 Regular Session, the N.C. General Assembly enacted a \$6.3 Billion budget for the Medicaid Program for SFY 2001-02 and a \$6.9 Billion budget for SFY 2002-03. State funding for the Medicaid Program totals \$1.98 Billion for SFY 2001-02 and \$2.22 Billion for SFY 2002-03.

During its deliberations on the proposed budget, the 2001 General Assembly reduced the General Fund appropriations for the Medicaid Program by \$44.4 million for SFY 2001-02 and \$99 million for SFY 2002-03. The reductions include implementation of a prescription drug utilization management program, reduction of the dispensing fee for brand name prescription drugs, increasing recipient co-payment for brand name drugs to \$3, limiting personal care services to 3.5 hours per day, reducing physician rates to 95% of Medicare rates, limiting Medicare crossover claim payments to 95% of Medicare rates, and modifying the asset policy for receiving Medicaid.

The 2001 General Assembly also made the following policy changes to the Medicaid Program and increased the budget for the program to support these changes:

- Increased General Fund appropriations by \$35 million for SFY 2001-02 and \$79 million for SFY 2002-03 to cover the decrease in the federal financial participation rate.
- Provided Medicaid coverage for uninsured women under age 65 with breast or cervical cancer.
- Increased funding for the Community Alternatives Programs for Children
- Increased funding for the Community Alternatives Program for the Mentally Retarded/Developmentally Disabled.
- Provided funding to increase access to dental services for children and adults.

The 2001 General Assembly also enacted other Medicaid policy changes:

- Exempted medical coverage policy from APA rule-making and adopted a separate and quicker process for the implementation of medical coverage policy under Medicaid.
- Required the Department of Health and Human Services to develop and implement a plan to reduce growth in the Medicaid program for SFY 2002-03 to 8% or less of the total expenditures for SFY 2001-02.

- Required the Division of Medical Assistance to prepare a five-year fiscal analysis documenting the increased costs on implementing any change in medical policy and submit it for Departmental review.
- Required the Department of Health and Human Services to consider implementation of the findings and recommendations in the "North Carolina Medicaid Benefits Study."

FEDERAL

No significant federal changes occurred in 2001.

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 five state hospitals (UNC Memorial, Dorothea Dix, Broughton, Cherry and John Umstead) as the non-federal match with which the State draws disproportionate share payments. The 2001-03 biennial state budgets anticipate \$107 million each fiscal year in DSH payments to the State Treasurer. Section 21.23 of Chapter 424 of the 2001 Session Laws stipulates that appropriations to the Medicaid program that become available due to federal Disproportionate Share receipts will be deposited as nontax revenues. The State Treasurer will reserve any DSH payments in excess of \$107 million for future appropriation.

SUMMARY:

**GENERAL FUND
APPROPRIATIONS**

**2001-2003
FISCAL BIENNIUM**

General Fund Appropriations

Fiscal Year 2001-02

2001 Session

	<u>2001-02</u>		<u>Recurring</u>	<u>Nonrecurring</u>	<u>Net</u>	<u>Position</u>	<u>Revised</u>
	<u>Base Budget</u>	<u>Transfers</u>	<u>Changes</u>	<u>Changes</u>	<u>Changes</u>	<u>Changes</u>	<u>Appropriation</u>
Education:							
Public Education	5,923,802,924		(117,333,543)	73,170,983	(44,162,560)	287.5	5,879,640,364
Community Colleges	648,021,974		(4,826,515)	500,000	(4,326,515)	(7.0)	643,695,459
University System	1,804,923,800		(14,488,025)	(1,100,000)	(15,588,025)	(142.1)	1,789,335,775
Total Education	8,376,748,698	0	(136,648,083)	72,570,983	(64,077,100)	138.4	8,312,671,598
General Government:							
General Assembly	40,567,848		(1,014,000)	(170,000)	(1,184,000)	0.0	39,383,848
Governor's Office	5,633,739		(190,834)	0	(190,834)	0.0	5,442,905
State Budget, Planning and Management	5,789,900	(93,941)	(264,912)	27,500	(331,353)	(8.0)	5,458,547
OSBPM - Special Appropriations	3,080,000		0	555,000	555,000	0.0	3,635,000
OSBPM - Flood Mapping and Surveying	1,232,845	(1,187,845)	(45,000)	0	(1,232,845)	(31.0)	0
The Lieutenant Governor	686,308		(16,763)	0	(16,763)	0.0	669,545
Administration	61,078,651	(371,302)	107,670	270,000	6,368	(21.0)	61,085,019
Office of State Controller	11,817,271		(293,403)	0	(293,403)	(2.0)	11,523,868
Office of Administrative Hearings	2,908,088		(112,933)	0	(112,933)	(2.0)	2,795,155
Rules Review Commission	334,085		(8,290)	0	(8,290)	0.0	325,795
Cultural Resources	60,840,696		(1,413,277)	800,000	(613,277)	(9.0)	60,227,419
Cultural Resources - Roanoke Island	1,907,245		(47,782)	0	(47,782)	0.0	1,859,463
Insurance	23,392,288		(126,551)	484,300	357,749	4.0	23,750,037
Insurance - Worker's Compensation Fund	4,500,000		0	(3,450,000)	(3,450,000)	0.0	1,050,000
Secretary of State	8,760,901		(429,125)	150,000	(279,125)	(16.0)	8,481,776
State Auditor	12,166,518		(301,845)	0	(301,845)	0.0	11,864,673
State Treasurer - Operations	7,837,007		(620,190)	0	(620,190)	0.0	7,216,817
State Treasurer - Retirement / Benefits	12,294,780		85,000	(2,077,883)	(1,992,883)	0.0	10,301,897
Revenue	76,967,284		(326,017)	459,200	133,183	40.0	77,100,467
State Board of Elections	3,271,453		(85,184)	0	(85,184)	0.0	3,186,269
Total General Government	345,066,907	(1,653,088)	(5,103,436)	(2,951,883)	(9,708,407)	(45.0)	335,358,500
Health and Human Services:							
Office of the Secretary	45,649,860		2,358,845	100,000	2,458,845	(45.0)	48,108,705
Aging Division	29,825,449		(293,539)		(293,539)	(1.0)	29,531,910
Child Development	349,713,681		(60,655,285)	0	(60,655,285)	(16.0)	289,058,396
Education Services	77,290,419		(7,708,894)	0	(7,708,894)	(56.0)	69,581,525
Public Health	112,142,547		(4,708,464)	1,025,000	(3,683,464)	(12.6)	108,459,083
Blind and Deaf / Hard of Hearing Services	10,334,149		(166,034)	0	(166,034)	(2.0)	10,168,115

General Fund Appropriations

Fiscal Year 2001-02

2001 Session

	2001-02 Base Budget	Transfers	Recurring Changes	Nonrecurring Changes	Net Changes	Position Changes	Revised Appropriation
Vocational Rehabilitation	41,827,726		261,230	680,000	941,230	(3.0)	42,768,956
Mental Health	582,879,191	248,435	(2,058,999)	326,000	(1,484,564)	(83.5)	581,394,627
NC Health Choice	24,987,142		8,000,000	0	8,000,000	0.0	32,987,142
Facility Services	16,584,502		(1,142,266)	(195,267)	(1,337,533)	(6.0)	15,246,969
Social Services	192,948,114		(5,257,877)	1,000,000	(4,257,877)	(27.0)	188,690,237
Medical Assistance	1,987,547,863		(6,310,335)	0	(6,310,335)	(11.0)	1,981,237,528
Total Health and Human Services	3,471,730,643	248,435	(77,681,618)	2,935,733	(74,497,450)	(263.1)	3,397,233,193
Justice and Public Safety:							
Correction	931,350,075	2,913,282	(5,195,781)	(5,072,295)	(7,354,794)	177.0	923,995,281
Crime Control & Public Safety	37,554,148	(2,819,341)	(2,480,988)	(504,688)	(5,805,017)	(226.0)	31,749,131
Judicial Department	308,769,898		(3,794,411)	515,653	(3,278,758)	3.5	305,491,140
Judicial - Indigent Defense	66,660,467		3,521,134	0	3,521,134	11.0	70,181,601
Juvenile Justice	147,706,045	(248,435)	(6,251,300)	(406,280)	(6,906,015)	(92.5)	140,800,030
Justice	76,471,632		(2,406,839)	(922,018)	(3,328,857)	(24.0)	73,142,775
Total Justice and Public Safety	1,568,512,265	(154,494)	(16,608,185)	(6,389,628)	(23,152,307)	(151.0)	1,545,359,958
Natural And Economic Resources:							
Agriculture and Consumer Services	56,695,276		(1,527,236)	200,000	(1,327,236)	(31.5)	55,368,040
Commerce	45,027,007	371,302	(1,117,935)	15,000,000	14,253,367	(6.8)	59,280,374
Commerce - State Aid	5,200,000		0	1,925,000	1,925,000	0.0	7,125,000
Office of Information Technology Services					0		0
Environment and Natural Resources	164,902,678	1,187,845	(7,367,823)	350,000	(5,829,978)	(32.5)	159,072,700
DENR - Clean Water Mgmt. Trust Fund	30,000,000		10,000,000	0	10,000,000	0.0	40,000,000
Labor	16,617,178		(1,099,272)	0	(1,099,272)	(9.0)	15,517,906
NC Housing Finance Agency	5,300,000		0	0	0	0.0	5,300,000
NC Biotechnology Center	6,738,913		(468,445)	(1,000,000)	(1,468,445)	0.0	5,270,468
Rural Economic Development Center	4,257,338		833,411	(999,694)	(166,283)	0.0	4,091,055
Total Natural and Economic Resources	334,738,390	1,559,147	(747,300)	15,475,306	16,287,153	(79.8)	351,025,543
Transportation:	17,753,426	0	(1,062,717)	(6,660,709)	(7,723,426)		10,030,000
Statewide Reserves / Debt Service:							
Debt Service:							
Interest / Redemption	238,509,550		12,312,542	0	12,312,542		250,822,092
Federal Reimbursement	1,155,948		0	0	0		1,155,948

General Fund Appropriations							
Fiscal Year 2001-02							
2001 Session							
	2001-02 <u>Base Budget</u>	<u>Transfers</u>	<u>Recurring Changes</u>	<u>Nonrecurring Changes</u>	<u>Net Changes</u>	<u>Position Changes</u>	<u>Revised Appropriation</u>
Subtotal Debt Service	239,665,498	0	12,312,542	0	12,312,542		251,978,040
Statewide Reserves:							
Compensation Increases			193,842,000	0	193,842,000		193,842,000
State Health Plan			150,000,000	0	150,000,000		150,000,000
Contingency and Emergency	1,125,000		3,875,000	0	3,875,000		5,000,000
Salary Adjustment Fund	500,000		0	0	0		500,000
Reserve for Hurricane Floyd Recovery			0	0	0		0
Reserve for HIPAA Implementation			0	15,000,000	15,000,000		15,000,000
Mental Health Trust Fund				47,525,675	47,525,675		47,525,675
ITS Rate Reduction			(4,000,000)	0	(4,000,000)		(4,000,000)
Judicial Retirement Rate Adjustment			(2,265,000)	0	(2,265,000)		(2,265,000)
Retirement Rate Adjustment			(241,002,720)	0	(241,002,720)		(241,002,720)
Subtotal Statewide Reserves	1,625,000	0	100,449,280	62,525,675	162,974,955		164,599,955
Total Reserves and Debt Service	241,290,498	0	112,761,822	62,525,675	175,287,497		416,577,995
Total General Fund for Operations	14,355,840,827	0	(125,089,517)	137,505,477	12,415,960	(400.5)	14,368,256,787
Other General Fund Expenditures:							
Capital Improvements				32,936,000	32,936,000		32,936,000
Repairs and Renovations				125,000,000	125,000,000		125,000,000
Total Other General Fund Expenditures	0	0	0	157,936,000	157,936,000		157,936,000
Total General Fund Budget	14,355,840,827	0	(125,089,517)	295,441,477	170,351,960	(400.5)	14,526,192,787
Additional Appropriations:							
HB 231 - Appropriations Modifications			246,762	535,000	781,762		781,762
HB 688 - Turfgrass Research			700,000		700,000		700,000
SB 914 Public Construction Law Changes			247,240	524,054	771,294		771,294
HB 1471 Terrorism Defense Funds				1,900,000	1,900,000		1,900,000
Subtotal Additional Appropriations			1,194,002	2,959,054	4,153,056		4,153,056
Revised Total General Fund Budget							14,530,345,843

General Fund Appropriations

Fiscal Year 2002-03

2001 Session

	2002-03		Recurring	Nonrecurring	Net	Position	Revised
	<u>Base Budget</u>	<u>Transfers</u>	<u>Changes</u>	<u>Changes</u>	<u>Changes</u>	<u>Changes</u>	<u>Appropriation</u>
Education:							
Public Education	6,021,031,149		(98,842,603)	0	(98,842,603)	660.0	5,922,188,546
Community Colleges	648,021,974		(4,826,515)	0	(4,826,515)	(7.0)	643,195,459
University System	1,812,208,855		(14,488,025)	0	(14,488,025)	(142.1)	1,797,720,830
Total Education	8,481,261,978	0	(118,157,143)	0	(118,157,143)	510.9	8,363,104,835
General Government:							
General Assembly	40,567,848		(1,014,000)	0	(1,014,000)	0.0	39,553,848
Governor's Office	5,633,739		(190,834)	0	(190,834)	0.0	5,442,905
State Budget, Planning and Management	5,789,900	(93,941)	(371,021)	30,000	(434,962)	(7.0)	5,354,938
OSBPM - Special Appropriations	3,080,000		0	0	0	0.0	3,080,000
OSBPM - Flood Mapping and Surveying	1,232,845	(1,187,845)	(45,000)	0	(1,232,845)	(31.0)	0
The Lieutenant Governor	686,308		(16,763)	0	(16,763)	0.0	669,545
Administration	61,078,651	(371,302)	107,670	0	(263,632)	(21.0)	60,815,019
Office of State Controller	11,817,271		(293,403)	0	(293,403)	(2.0)	11,523,868
Office of Administrative Hearings	2,908,088		(112,933)	0	(112,933)	(2.0)	2,795,155
Rules Review Commission	334,085		(8,290)	0	(8,290)	0.0	325,795
Cultural Resources	60,840,696		(1,413,277)	0	(1,413,277)	(9.0)	59,427,419
Cultural Resources - Roanoke Island	1,907,245		(47,782)	0	(47,782)	0.0	1,859,463
Insurance	23,392,288		135,264	0	135,264	4.0	23,527,552
Insurance - Worker's Compensation Fund	4,500,000		0	0	0	0.0	4,500,000
Secretary of State	8,760,901		(474,051)	0	(474,051)	(16.0)	8,286,850
State Auditor	12,166,518		(301,845)	0	(301,845)	0.0	11,864,673
State Treasurer - Operations	7,837,007		(620,190)	0	(620,190)	0.0	7,216,817
State Treasurer - Retirement / Benefits	12,294,780		85,000	0	85,000	0.0	12,379,780
Revenue	76,967,284		988,420	0	988,420	40.0	77,955,704
State Board of Elections	3,271,453		(85,184)	0	(85,184)	0.0	3,186,269
Total General Government	345,066,907	(1,653,088)	(3,678,219)	30,000	(5,301,307)	(44.0)	339,765,600
Health and Human Services:							
Office of the Secretary	45,649,860		2,358,845	0	2,358,845	(45.0)	48,008,705
Aging Division	29,825,449		(293,539)	0	(293,539)	(1.0)	29,531,910
Child Development	349,713,681		(60,655,285)	0	(60,655,285)	(16.0)	289,058,396
Education Services	77,290,419		(7,708,894)	0	(7,708,894)	(56.0)	69,581,525
Public Health	112,142,547		(4,708,464)	0	(4,708,464)	(12.6)	107,434,083

General Fund Appropriations

Fiscal Year 2002-03

2001 Session

	2002-03		Recurring	Nonrecurring	Net	Position	Revised
	<u>Base Budget</u>	<u>Transfers</u>	<u>Changes</u>	<u>Changes</u>	<u>Changes</u>	<u>Changes</u>	<u>Appropriation</u>
Blind and Deaf / Hard of Hearing Services	10,334,149		(166,034)	0	(166,034)	(2.0)	10,168,115
Vocational Rehabilitation	41,827,726		261,230	0	261,230	(3.0)	42,088,956
Mental Health	582,879,191	248,435	(2,058,999)	0	(1,810,564)	(83.5)	581,068,627
NC Health Choice	24,987,142		12,500,000	0	12,500,000	0.0	37,487,142
Facility Services	16,584,502		(1,142,266)	0	(1,142,266)	(6.0)	15,442,236
Social Services	200,021,408		(5,257,877)	0	(5,257,877)	(27.0)	194,763,531
Medical Assistance	2,234,048,385		(15,001,493)	0	(15,001,493)	(11.0)	2,219,046,892
Total Health and Human Services	3,725,304,459	248,435	(81,872,776)	0	(81,624,341)	(263.1)	3,643,680,118
Justice and Public Safety:							
Correction	931,350,075	5,826,564	(5,211,723)	(1,000,000)	(385,159)	177.0	930,964,916
Crime Control & Public Safety	37,554,148	(5,732,623)	(3,328,019)	0	(9,060,642)	(229.0)	28,493,506
Judicial Department	308,769,898		(3,429,763)	125,000	(3,304,763)	3.5	305,465,135
Judicial - Indigent Defense	66,660,467		2,207,304	0	2,207,304	11.0	68,867,771
Juvenile Justice	149,456,045	(248,435)	(6,653,593)	0	(6,902,028)	(92.5)	142,554,017
Justice	76,471,632		(2,750,839)	0	(2,750,839)	(24.0)	73,720,793
Total Justice and Public Safety	1,570,262,265	(154,494)	(19,166,633)	(875,000)	(20,196,127)	(154.0)	1,550,066,138
Natural And Economic Resources:							
Agriculture and Consumer Services	56,695,276		(1,527,236)	0	(1,527,236)	(31.5)	55,168,040
Commerce	45,027,007	371,302	(1,117,935)		(746,633)	(6.8)	44,280,374
Commerce - State Aid	5,200,000		0	0	0	0.0	5,200,000
Office of Information Technology Services					0		0
Environment and Natural Resources	164,902,678	1,187,845	(7,367,823)	0	(6,179,978)	(32.5)	158,722,700
DENR - Clean Water Mgmt. Trust Fund	30,000,000		40,000,000	0	40,000,000	0.0	70,000,000
Labor	16,617,178		(1,499,272)	0	(1,499,272)	(9.0)	15,117,906
NC Housing Finance Agency	5,300,000		0	0	0	0.0	5,300,000
NC Biotechnology Center	6,738,913		(468,445)	0	(468,445)	0.0	6,270,468
Rural Economic Development Center	4,257,338		833,411	0	833,411	0.0	5,090,749
Total Natural and Economic Resources	334,738,390	1,559,147	28,852,700	0	30,411,847	(79.8)	365,150,237
Transportation	14,486,443		(1,093,102)	0	(1,093,102)		13,393,341

General Fund Appropriations

Fiscal Year 2002-03

2001 Session

	<u>2002-03</u>		<u>Recurring</u>	<u>Nonrecurring</u>	<u>Net</u>	<u>Position</u>	<u>Revised</u>
	<u>Base Budget</u>	<u>Transfers</u>	<u>Changes</u>	<u>Changes</u>	<u>Changes</u>	<u>Changes</u>	<u>Appropriation</u>
Statewide Reserves and Debt Service:							
Debt Service:							
Interest / Redemption	238,509,550		113,757,310	0	113,757,310		352,266,860
Federal Reimbursement	1,155,948		0	0	0		1,155,948
Subtotal Debt Service	239,665,498	0	113,757,310	0	113,757,310		353,422,808
Statewide Reserves:							
Compensation Increases			193,842,000	0	193,842,000		193,842,000
State Health Plan			200,000,000	0	200,000,000		200,000,000
Contingency and Emergency	1,125,000		3,875,000	0	3,875,000		5,000,000
Salary Adjustment Fund	500,000		0	0	0		500,000
ITS Rate Reduction			(4,000,000)	0	(4,000,000)		(4,000,000)
Judicial Retirement Rate Adjustment			(2,265,000)	0	(2,265,000)		(2,265,000)
Retirement Rate Adjustment			(241,002,720)	0	(241,002,720)		(241,002,720)
Subtotal Statewide Reserves	1,625,000	0	150,449,280	0	150,449,280		152,074,280
							0
Total Reserves and Debt Service	241,290,498	0	264,206,590	0	264,206,590		505,497,088
Total General Fund for Operations	14,712,410,940	0	69,091,417	(845,000)	68,246,417	(30.0)	14,780,657,357
Other General Fund Expenditures:							
Capital Improvements			0		0		0
Repairs and Renovations			0		0		0
Total Other General Fund Expenditures	0	0	0	0	0		0
Total General Fund Budget	14,712,410,940	0	69,091,417	(845,000)	68,246,417	(30.0)	14,780,657,357
Additional Appropriations:							
HB 231 - Appropriations Modifications			400,000		400,000		400,000
HB 688 - Turfgrass Research			700,000		700,000		700,000
SB 914 Public Construction Law Changes			613,269	200,000	813,269		813,269
Subtotal Additional Appropriations			1,713,269	200,000	1,913,269		1,913,269
Revised Total General Fund Budget							14,782,570,626

EDUCATION

Community Colleges

		GENERAL FUND	
		FY 2001-02	FY 2002-03
Recommended Budget		\$648,021,974	\$648,021,974
Legislative Changes			
A. Community College System Office			
1 Operating Efficiencies	(\$197,923) R	(\$197,923) R	
Eliminate the library ordering and receiving services and two library clerk positions totaling \$59,543. Colleges will be responsible for ordering and receiving library materials. Eliminate a vacant educational consultant position and operating funds totaling \$64,432. Eliminate a vacant position in the Office of the President totaling \$23,396.	-4.00	-4.00	
B. State Aid - Community College Institutions			
2 Compensatory Education	(\$150,537) R	(\$150,537) R	
Reduce the appropriation for Compensatory Education from \$1,150,537 to \$1,000,000.			
3 Worker's Compensation	(\$272,927) R	(\$272,927) R	
Reduce the appropriation for Worker's Compensation from \$976,629 to \$703,702 to reflect actual expenditures.			
4 Unemployment Compensation	(\$81,015) R	(\$81,015) R	
Reduce the appropriation for Unemployment Compensation from \$521,766 to \$440,751 to reflect actual expenditures.			
5 Reduce Liability Insurance	(\$20,000) R	(\$20,000) R	
Reduce the appropriation for Liability Insurance from \$53,000 to \$33,000 to match actual expenditures.			
6 Eliminate Priority Programs	(\$43,812) R	(\$43,812) R	
Eliminate Priority Programs since this item was intended to support federal funds that are no longer available.			
7 Reduce Human Resource Development Funds	(\$2,951,895) R	(\$2,951,895) R	
Reduce the appropriation for Human Resource Development from \$6,951,895 to \$4,000,000. The program will be reorganized and the classes will be offered as Occupational Continuing Education classes. (SB 1005, Section 30.3).			
8 Reduce Special Allotments	(\$561,083) R	(\$561,083) R	
Reduce the Special Allotment line item from \$2,244,332 to \$1,683,249.			

Overview: 2001 Session Fiscal and Budgetary Actions

	FY 2001-02		FY 2002-03	
9 Community Service Block Grant Adjustment	(\$317,738)	R	(\$317,738)	R
Reduce the funds allocated for hobby/leisure courses from \$1,817,738 to \$1,500,000. Colleges will make every effort to ensure that this reduction does not result in a lessening of senior services.				
10 Eliminate the State Subsidy to Private Diploma Nursing Programs	(\$200,000)	R	(\$200,000)	R
Eliminate the recurring State subsidy to private diploma nursing programs. Provide non-recurring funds for the program in the first year of the biennium.				
	\$200,000	NR		
11 Adjustment for Over-realized Receipts	(\$1,000,000)	R	(\$1,000,000)	R
Increase the budgeted amount of tuition and registration fees to more accurately reflect anticipated receipts.				
12 Eliminate Trustees Association Education Fund	(\$25,000)	R	(\$25,000)	R
Eliminate the appropriation for educational materials for the Trustees Association.				
13 Enrollment Adjustment	\$10,000,000	R	\$10,000,000	R
Provide funds for community college enrollment growth in accordance with the enrollment funding formula.				
14 Faculty and Professional Staff Salary Enhancements				
Provide the Community College System with an additional 1.25% for faculty and professional staff salary increases. This increase of \$6.9 million in recurring funds is located in the Compensation Reserves section of the budget.				
15 Other Cost Adjustment	\$521,206	R	\$521,206	R
Provide a 2% inflationary increase to the "Other Cost" part of the funding formula. Increase amount allocated per FTE for "Other Cost" from \$175 to \$178.50.				
16 Maintenance of Plant	\$274,209	R	\$274,209	R
Increase the Maintenance of Plant appropriation from \$513,668 to \$787,877. The purpose of this increase is to hold harmless those colleges that had been receiving Maintenance of Plant funds when additional schools became eligible. (SB 1005, Section 30.13).				
17 Fayetteville Tech Botanical Lab Funds				
A nonrecurring grant-in-aid to Fayetteville Tech to develop a regional botanical laboratory in partnership with the Cape Fear Botanical Gardens.				
	\$300,000	NR		

Overview: 2001 Session Fiscal and Budgetary Actions

FY 2001-02

FY 2002-03

C. Specialized Technology Centers

18 Criminal Justice Reorganization

Reorganize the Criminal Justice Regional Planning and Training Program into three regions to be determined by the System Office. Reduce the appropriation for the Criminal Justice program from \$689,896 to \$339,896.

(\$350,000) R

(\$350,000) R

-3.00

-3.00

D. Reserves and Other Funds

19 Reduce State Board Reserve

Reduce the appropriation for the State Board Reserve from \$1,150,000 to \$800,000.

(\$350,000) R

(\$350,000) R

20 Increase Need-Based Financial Aid

Increase the Need-Based Financial Aid fund from \$5,000,000 to \$6,062,806.

\$1,062,806 R

\$1,062,806 R

D. Tuition and Fees

21 Increase Curriculum Tuition Charge

Increase the in-state tuition charge per semester hour by \$3.50 from \$27.50 to \$31.00. Increase the out-of-state tuition charge per semester hour by \$3.50 from \$169.75 to \$173.25. It is anticipated that for most students, this increase will be off-set by federal and state financial assistance programs.

(\$10,162,806) R

(\$10,162,806) R

Total Legislative Changes

(\$4,826,515) R

(\$4,826,515) R

\$500,000 NR

Total Position Changes

-7.00

-7.00

Revised Budget

\$643,695,459

\$643,195,459

Special Provisions

2001 Session: SB 1005

Department: Community Colleges

Section 30.1

Title: Community College Funding Flexibility

Summary Boilerplate language allowing community colleges to establish their budgets according to their local missions. Limits the transfer of funds from faculty salaries to 2% systemwide.

Section 30.2

Title: Permit Transfers of Funds to the New and Expanding Industry Training Program

Summary Allows the Governor to transfer funds to New and Expanding Industry Training from other agencies or programs funded from the General Fund.

Section 30.3

Title: Reorganization of the Human Resources Development Program

Summary Allows the colleges to offer Human Resources Development Courses as Occupational Continuing Education Courses and earn budgeted FTE for those courses. Provides for fee waivers for certain eligible populations and requires the State Board of Community Colleges to report to Education Oversight on the reorganization by January 1, 2003.

Section 30.4

Title: Management Information System Funds

Summary Prevents unexpended MIS funds from reverting so that they may be paid out in accordance with the contract period for the development of the system.

Section 30.5

Title: **Employment Security Commission Funds**

Summary Appropriates \$28,054,298 from the Employment Security Commission Training and Employment Account for:

Equipment - \$19,154,298
Regional and Cooperative Initiatives - \$400,000
Focused Industrial Training - \$1,500,000
New and Expanding Industry - \$7,000,000

Of the \$1.5 million appropriated for FIT, \$250,000 shall be allocated to Catawba Valley CC for the operation of the Hosiery Center and \$250,000 shall be allocated to Guilford Technical CC for the operation of the Piedmont Triad Center for Advanced Manufacturing.

Appropriates \$7,013,574 from the T&E Account to ESC for administrative costs for the account and for other reemployment services.

Directs that any additional funds will be split between the community colleges and ESC 80/20.

Changes the Training and Employment Account triggers. If the Unemployment Insurance Fund balance is below \$900,000,000 on August 1, or if at any time in the twelve months preceding August 1 the state unemployment rate rises above 4.3%, the Training and Employment Account does not apply in the following calendar year.

Changes the Training and Employment Account sunset to January 1, 2006.

Keeps the unemployment tax rate revenue neutral for employers. For example, if the T&E Account applies, then the base rate will be 1.0% plus a 0.2% surcharge. The employer pays 1.2%. If the T&E Account does not apply, the base rate will be 1.2%. The employer pays 1.2%.

Section 30.6

Title: **Modify Term of Community College Faculty Contracts**

Summary Directs the State Board to require that all full-time community college faculty contracts be converted to nine-month contracts for the fall and spring semesters. Faculty who are hired to teach in the summer term shall have supplemental contracts for the summer. No changes in the salary of any faculty member shall result from these modifications. The purpose of this provision is to provide the General Assembly with the data necessary to make informed decisions regarding faculty salaries and funding for the summer term.

Section 30.7

Title: **Realignment of Accounts for Institutional and Administrative Support**

Summary Combines four state-aid accounts in the community college budget to better reflect actual practice.

Section 30.8

Title: **Study of Discrepancies in Faculty Salaries**

Summary Authorizes the Joint Legislative Education Oversight Committee to study faculty salaries at various colleges to determine why so much variance exists among the colleges' average faculty salaries.

Section 30.9

Title: **State Board Reserve Allocations**

Summary Directs the State Board of Community Colleges to use \$100,000 from the State Board Reserve for the 2000-01 fiscal year to assist small, rural, low-wealth community colleges with operation and maintenance of plant costs if they need to assist new or expanding industries in their service delivery areas.

Section 30.10

Title: **Consolidate and Coordinate Workforce Development Programs**

Summary Transfers the Bureau of Training Initiatives and the Apprenticeship Program from the Department of Labor to the Community College System. Requires the State Board of Community Colleges to report to Education Oversight 30 days prior to making any changes to the programs. No changes to the programs, other than the initial transfer, may be made before January 1, 2002. Transfer of the Bureau of Training Initiatives is effective July 1, 2001. Transfer of the Apprenticeship program becomes effective when the U.S. Department of Labor approves the transfer.

Section 30.11

Title: **Transfer of Cash Balances**

Summary Transfers the remaining cash balance from a now defunct community college scholarship fund into the Need-Based Financial Aid fund.

Section 30.12

Title: **Asheville-Buncombe Technical Community College Funds Do Not Revert**

Summary Extends the reversion date for funds appropriated for the Small Business Center at Asheville-Buncombe Technical Community College until the end of the 2002-2003 fiscal year. Allows the funds to be used for capital and operating expenses.

Section 30.13

Title: **Maintenance of Plant Operations**

Summary Changes G.S. 115D-31.2 to allow colleges which qualify to receive a pro rata share of funds appropriated by the General Assembly for maintenance of plant.

Section 30.15

Title: **Focused Industrial Training Program**

Summary Allows the State Board to use up to \$100,000 of the funds appropriated for FIT to pay registration fees and material costs for safety courses.

Section 30.15A

Title: **Community College Trustees/Travel Reimbursement**

Summary Limits the use of state funds for Local Boards of Trustees' travel to in-state travel. Local Boards must use local funds for out-of-state travel.

Section 6 of House Bill 231, Appropriations Modifications and Other Changes, SL 2001-513, repeals this provision.

Public Education

		GENERAL FUND	
		FY 2001-02	FY 2002-03
Recommended Budget		\$5,923,802,924	\$6,021,031,149
Legislative Changes			
A. More Accurate Projection of Budget Requirements			
22 Additional Adjustments in Average Salary Projections	(\$8,497,668) R		(\$8,497,668) R
In addition to the annual Continuation Budget adjustment for average budgeted salary of certified personnel, a more recent review of certified personnel salaries from updated salary data, identified an additional reduction in projected salary needs for FY 2001-02.			
23 School Bus Purchases	(\$23,915,892) NR		
Reduce funding for FY 2001-02 based on a revised school bus replacement schedule.			
24 Payments for Teacher Unused Vacation Days	(\$4,000,000) R		(\$4,000,000) R
Adjust funding to reflect recent expenditure experience.			
25 Mentor Pay	(\$3,000,000) R		(\$3,000,000) R
Reduce funding to reflect recent expenditure experience.			
26 Transportation Adjustment: Bus Driver Physicals	(\$535,000) R		(\$535,000) R
The Division of Motor Vehicles is delaying the implementation of the requirement that bus drivers must have a physical examination every two years. Twenty-five thousand (\$25,000) will remain in the budget for pilot projects.			
27 Transportation Adjustment: Diesel Fuel Cost	(\$2,990,000) R		(\$3,048,890) R
The economic forecast models project a 10.5% decline in diesel fuel cost from the current year's average. The current average cost is \$0.92 per gallon and the Continuation Budget was based on an estimated cost of \$1.05 per gallon. This adjustment budgets diesel fuel at \$0.92 which is the current level. All school buses utilize diesel fuel.			
28 Transportation Adjustment: Inventory Adjustment	(\$4,000,000) NR		
June 30, 2000 inventory levels (oil, tires, and parts) were approximately 62% of annual needs. This one-time reduction is to reduce current inventory levels to a more optimum level.			

Overview: 2001 Session Fiscal and Budgetary Actions

	FY 2001-02		FY 2002-03	
29 Revised Projection of Average Daily Membership	(\$20,199,068)	R	(\$16,227,221)	R
To eliminate the possibility of duplicating the inclusion of some students in projecting a local school administrative units average daily membership and to project a more realistic estimate of future student populations.	-235.00		-175.00	
30 Classroom Materials/Instruction Supplies/Equipment	(\$1,140,499)	R	(\$1,140,499)	R
Adjust the increase for inflation to a 3% growth (in line with the Consumer Price Index) from the 5% growth used in the Continuation Budget.				
31 School Building Administration	(\$2,338,140)	R	(\$2,338,140)	R
Estimated new public schools opening in FY 2001-02 has been revised to 35 (from 70).				
32 At-Risk Student Services/Alternative Schools	(\$529,732)	R	(\$529,732)	R
Each high school receives funding to employ a school safety officer. The estimate of new high schools scheduled to open in FY 2001-02 has been reduced to 10 (from 20).				
33 Charter School Reserve	(\$2,404,513)	R	(\$3,404,513)	R
Funds in the category are used to distribute the applicable State funding to charter schools for students attending a charter school who were not previously in a public school (private or home schooled). Since the number of charter schools has reached the maximum legislated number of 100, the reserve can be reduced to \$2 million in FY 2001-02 and \$1 million in FY 2002-03.				
34 Driver Education	\$0	R	\$0	R
To reflect reductions to the Highway Fund for revised Average Daily Membership Projections and an adjustment based on average annual reversions. Reduction to Receipts: (\$1,830,739)				
B. Reduction of Administration Cost				
35 Safety Assistance Teams	(\$500,000)	R	(\$500,000)	R
Eliminates funding used for Statewide consultants.				
36 Regional Education Service Alliances	(\$3,732,100)	R	(\$3,732,100)	R
Reduce State funding distributed to local school administrative units that could be used to support the Regional Education Service Alliances to \$3 million (a 55.4% reduction).				
37 Central Office Administration	(\$3,300,000)	R	(\$3,300,000)	R
A 1.97% reduction from FY 2000-01 allocations for each local school administrative unit. The State Board is directed to develop a revised formula for FY 2002-03 that eliminates any permanent hold harmless in the formula.				

Overview: 2001 Session Fiscal and Budgetary Actions

FY 2001-02

FY 2002-03

38 Uniform Education and Reporting System (UERS)

Based on the current NC WISE implementation schedule, a one-year reduction in funding is possible. FY 2001-02 funding level will be \$12,518,927.

(\$2,500,000) NR

\$0 NR

39 Department of Public Instruction

The Department of Public Instruction will eliminate at least 25 positions and will reduce other costs. \$533,730 can be transferred from the UERS budget in FY 2001-02 and additional \$466,270 in FY 2002-03 to DPI to reduce contractual costs by internalizing work to support the Uniform Education and Reporting Systems (UERS). This transfer is to allow currently contracted services to be converted to positions.

(\$3,200,000) R

(\$3,200,000) R

25 Identified Positions	(\$ 942,344)
Contracted Services	(\$1,502,269)
Cellular Phones	(\$11,505)
Equipment	(\$194,251)
Elimination of Stds Board	(\$175,041)
Contracted Personal Services	(\$41,775)
Travel	(\$195,503)
Other Aid	(\$73,000)
Printing	(\$24,506)
Postage	(\$23,876)
Dues and Subs	(\$15,930)

C. Other Budget Adjustments

40 Vocational Education - Tech Prep

Eliminates State funding for Tech Prep. Federal funds in excess of \$3 million support this program.

(\$100,000) R

(\$100,000) R

41 Appropriations to Non-Public School Agencies

Eliminate funding for AVID pilot program. Reduce funding to the following Agencies by 50% and make non-recurring: A+ Schools, ExplorNet, TQE, Geographic Alliance, Cued Speech Center, Global Curriculum. Reduce funding to Schools Attuned, Public School Forum, Cities/Communities in Schools, NC Network, and Teacher Cadet programs by 10%.

(\$3,955,116) R

(\$3,955,116) R

\$1,786,875 NR

D. Improving Student Performance

42 Targeted Class Size Reduction and Instruction

a. In schools with 80% or more of the students eligible for free or reduced lunch and with 45% or more of students performing below grade level, lower class size in grades K-3 to 1:15. Require teachers allotted for these grades to be assigned to teach in these grades.

\$8,062,603 R

\$8,062,603 R

179.60

179.60

Overview: 2001 Session Fiscal and Budgetary Actions

	FY 2001-02		FY 2002-03	
43 Targeted Class Size Reduction and Instruction	\$973,455	R	\$2,334,930	F
b. Extend the contract for all teachers in these targeted schools for five days (5) in 2001-02 and ten days (10) in 2002-03. The first year days will be for staff development in methods to individualize instruction in smaller classes. The second year will add 5 instructional days.				
44 Targeted Class Size Reduction and Instruction	\$1,840,380	R	\$1,840,380	F
c. Provide one additional instructional support position for each of these targeted schools.	37.00		37.00	
45 Targeted Class Size Reduction and Instruction	(\$8,068,580)	R	(\$8,068,580)	F
d. Eliminate regular dollar allotment for teacher assistants in grades K-3 in these targeted schools due to significantly lower class size.				
46 Targeted Class Size Reduction and Instruction	\$500,000	R	\$500,000	F
e. Provide funding for outside evaluation of targeted class size reduction initiatives.				
47 Targeted Class Size Reduction and Instruction: Kindergarten	\$12,045,179	R	\$26,082,252	F
Lower class size ratio in kindergarten to one teacher for every 19 students in 2001-02 and to one teacher for every 18 students in 2002-03.	268.50		581.00	
48 Class Size Reduction/ Instruction: Continually Low-Performing Schools	\$471,366	R	\$471,366	F
a. Reduce class-size in schools identified by the State Board of Education as continually low-performing in grades K-3 to 1:15 and in grades 4-5 to 1:17.	10.50		10.50	
49 Class Size Reduction/ Instruction: Continually Low-Performing Schools	\$1,207,595	R	\$1,207,595	F
b. Reduce class-size allotment in middle schools (Grades 6-8) to 1:17 and in high schools to 1:20 for continually low-performing schools.	26.90		26.90	
50 Class Size Reduction/ Instruction: Continually Low-Performing Schools	\$128,295	R	\$307,730	F
c. Extend the contracts for additional teachers in elementary schools and for all teachers in middle and high schools by 5 days in 2001-02 for staff development and add an additional 5 days of instruction for middle and high schools in 2002-03. These apply for schools identified as continually low-performing.				
51 Teacher Recruitment Initiatives				
a. Have the Education Oversight Committee study methods to provide benefits to part-time teachers to attract more certified teachers back into the classroom.				

Overview: 2001 Session Fiscal and Budgetary Actions

	FY 2001-02		FY 2002-03	
52 Teacher Recruitment Initiatives	\$1,000,000	R	\$1,000,000	R
b. Teacher Assistant Scholarships Additional scholarship funds for teacher assistants taking courses at community colleges that are prerequisites for teacher certification programs. (Major initiatives in the UNC budget will improve availability of teacher education programs for teacher assistants).				
53 Teacher Recruitment Initiatives	\$1,500,000	R	\$1,500,000	R
c. To attract teachers in the shortage fields of mathematics, science and special education and to entice teachers in these specialties to teach in schools with large numbers of at-risk students. In middle schools and high schools with 80% or more of the students eligible for free or reduced lunch or with 50% or more of students performing below grade level, provide an annual bonus of \$1,800 (paid monthly with matching benefits). Teachers must be certified in and teaching in these fields and will remain eligible for the bonus as long as they continue to teach in eligible schools.				
54 ABC Bonuses	(\$93,100,000)	R	(\$93,100,000)	R
Provide funding for ABC bonuses for schools meeting or exceeding expected growth in 2000-01.	\$93,100,000	NR		
55 ABC Bonuses: Pilot Districts	\$4,600,000	NR		
Provide funding for school personnel in five (5) pilot school districts for additional bonuses earned under the disaggregated performance pilot project directed by the General Assembly in 1999 (Sec. 8.36, SL 1999-237: HB 168). If a school achieves the pilot program goals, all certified personnel assigned to the school will receive up to \$750 and teacher assistants up to \$325 (these awards are in addition to standard ABC bonuses). LEAs not eligible for low wealth or small county supplemental funding must contribute 25% of the total cost of the bonuses.				
56 Character Education	\$200,000	R	\$200,000	R
Funding for expansion of character education program.				
57 Children with Special Needs	\$3,000,000	R	\$3,000,000	R
Increase funding per student for children with special needs. The appropriation per funded headcount increases \$37.98 to \$2,650.28 (before increases for salary increases).				
58 Improving Student Accountability	\$5,000,000	R	\$5,000,000	R
Increase funding for additional instruction for students performing below grade level.				

Overview: 2001 Session Fiscal and Budgetary Actions

	FY 2001-02		FY 2002-03	
59 Limited English Proficiency	\$1,000,000	R	\$1,000,000	F
Appropriate additional funds to serve students with limited proficiency in English. This brings the total funding for this purpose to \$23,037,655 for FY 2001-02 (prior to adjustments for any legislated salary increase).				
60 Low-Wealth Funding	\$4,000,000	R	\$4,000,000	F
Increase funding for school districts in counties with less ability to generate local resources for public schools.				
61 Small County Funding	\$2,000,000	R	\$2,000,000	F
Increase formula funding to counties with fewer than 3,239 students (or 4,080 if property tax base per student is lower than state average). This will increase base allotment to each eligible LEA by \$74,074.				
E. Other Increases				
62 Instructional Supplies	\$0	R	\$0	F
Expand funding for instructional supplies. Language will direct that each LEA to allocate a minimum of \$100 to each teacher for purchase of supplies.				
	\$4,100,000	NR		
63 School Accountability Report Cards	\$200,000	R	\$200,000	F
Funds for the Education Cabinet to develop, publish, and distribute school accountability report cards. The cards should be designed to supply parents information on school characteristics and performance.				
64 Average Daily Membership Contingency Reserve	\$500,000	R	\$500,000	F
Provides additional funds to the State Board of Education to address transitional year funding for local school administrative units with new charter schools and for first month allotment adjustments to local school administrative units with higher than expected enrollment growth.				
65 NCWISE OWL's On-Line Subscriptions	\$628,000	R	\$628,000	F
NCWISE OWL is operated by the North Carolina Department of Public Instruction and offers on-line resources (periodicals, encyclopedia, etc.) for K-12 teachers and students. Federal resources that have been discontinued have covered the subscription cost. The Department of Public Instruction will work collaboratively with the Department of Cultural Resources and report to the Joint Information Technology Appropriations Subcommittee by March 15, 2002 as to the feasibility of merging NCWISE OWL with NCLIVE (which also offers on-line subscription services).				

Total Legislative Changes	(\$117,333,543)	R	(\$98,842,603)	R
	\$73,170,983	NR	\$0	NR
Total Position Changes	287.50		660.00	
Revised Budget	\$5,879,640,364		\$5,922,188,546	

Special Provisions

2001 Session: SB 1005

Department: Public Education

Section 28.1

Title: Litigation Reserve Funds Do Not Revert

Summary Allows funds set aside for lawsuits to carryover and allows up to \$500,000, from funds appropriated to the State Board, to be added to the reserve.

Section 28.2

Title: Children With Disabilities

Summary Specifies the number of students funded (158,825) and the appropriation per funded student (\$2,650.28), which will be adjusted for legislated salary/benefit changes. The funding per student is an increase of \$37.98 from FY 2000-01 (before adjustment for salary/benefit changes).

Section 28.3

Title: Funds For Academically Gifted Students

Summary Specifies that 4% of average daily membership (ADM) shall receive funding (52,042) and the appropriation amount (\$879.10) per funded ADM, which will be adjusted for legislated salary/benefit changes

Section 28.4

Title: At-Risk Student Services/Alternative Schools

Summary Allows the North Carolina Department of Public Instruction to use \$200,000 from funds appropriated to study/report on alternative schools as outlined in (115C-12(24)).

Section 28.5

Title: Uniform Education and Reporting System (UERS)

Summary Allows unexpended funds as of June 30, 2001 and June 30, 2002 to carryover for use in the next fiscal year. Funding is used to develop/implement the new student information system NC WISE.

Section 28.6

Title: Supplemental Funding in Low-Wealth Counties

Summary Restates the description of the formula used to distribute funding to eligible school systems (no change from previous years).
Adds a report from local school administrative units on how the funds were used for teacher recruitment, closing the achievement gap, improving student accountability, at-risk students, and keeping schools safe.
Allows local school systems to use these funds to pay for contractual services (not to exceed \$10,000) from the Department of Public Instruction for help with plant operations as an additional use of these resources.

Section 28.7

Title: **Small School System Supplemental Funding**

Summary Restates the description of the formula used to distribute funding to eligible county school systems. Minimum average daily membership was increased from 3,150 to 3,175. Increases the base funding for instructional supplies and equipment to \$540,074 (the amount was \$466,000). This is a funding increase of \$74,074 per eligible school system.
Adds a report from local school administrative units on how the funds were used for teacher recruitment, closing the achievement gap, improving student accountability, at-risk students, and keeping schools safe.

Section 28.8

Title: **Funds To Implement The ABCs Of Public Education Program**

Summary Authorizes the State Board of Education to utilize funds appropriated for FY 2001-02 to assure that incentive awards earned in FY 2000-01 are paid.

Section 28.9

Title: **Students With Limited English Proficiency**

Summary Restates the formula which includes an expansion of \$1 million. Section 28.9(b) requires a headcount by December 1 and clarifies when students are removed from the headcount.

Section 28.10

Title: **Expenditures for Driver Education Certificates**

Summary Allows the use of funds already appropriated for Driver Education to be used for driving eligible certificates (normally around \$35,000).

Section 28.11

Title: **Teacher Salary Schedules**

Summary Outlines teacher salary schedules for FY 2001-02. Average teacher salary increase is 2.86%. Range of raises is from 1% for teachers with 29+ years of experience to 6.92% for fourth-year teachers.

Section 28.13

Title: **School Administrator Salary Schedules**

Summary Outlines salary schedules for principals and assistant principals. The average salary increase for principals and assistant principals is the same as for teachers and instructional support personnel.
The 1% salary increase for safe schools and the 1% salary increase for meeting/exceeding ABCs expectations are discontinued; however, any additional percentage increase awarded since 1997-98 shall continue. The 1% bonus for safe schools and the 1% bonus for meeting/exceeding ABCs expectations are discontinued after bonuses are paid for FY 2000-01 performance.

Section 28.14

Title: **Central Office Salaries**

Summary Directs the transfer of funds for a \$625 annual salary increase for central office administrators. Local Boards can determine the amount of raises to give employees in this category.

Section 28.15

Title: **Noncertified Personnel Salaries**

Summary Directs the transfer of funds for a \$625 annual salary increase for noncertified personnel (includes: teacher assistants, clerical, custodians, and bus drivers). A full-time employee that works for the employment term of the local school administrative unit for that employee (10, 11, or 12 months) will receive the \$625 salary increase. Employees employed less than 100% will receive a portion of the \$625 based on their percent of employment.

Section 28.16

Title: **High School Exit Exams**

Summary Allows the State Board of Education to use up to \$3 million for the continued development of the High School Exit Exam. Funds can also be used to purchase test scoring equipment and revisions to the reading and writing assessments.

Section 28.17

Title: **Fairness in Testing Program**

Summary A Principal's decision on promotion will not be solely based on test scores; test scores used in such a decision must be validated.

Local board policies must include opportunities for parents to discuss decisions to retain a child in the same grade.

State Board of Education must study costs and benefits of providing parents with a copy of standardized tests.

A personal education plan for focused intervention must be in place for all students performing below grade level on end of grade tests. Students must be identified as at-risk for academic failure as early as possible.

Limits the number of field tests at a school to a maximum of two per grade level. NOTE: Section 116 of House Bill 338, 2001 Technical Corrections, SL 2001-487 modified this language to allow the State Board of Education to waive this limit if it is determined that without the waiver the reliability and validity of a specific test is compromised

Outlines policies that must be in place for testing children with disabilities.

A complete review of the State's testing program is also required before the next legislative session.

Section 28.18

Title: **Pilot Program Authorizing The Use Of Mentor Funds For Full-Time Mentors**

Summary Pilot program in Mecklenburg, Wake and Forsyth Counties. These three school systems are authorized to employ full-time mentors who can serve up to a total of 15 first and/or second year teachers. The State mentor funds of \$100 per month (maximum of \$1,100 per year per teacher mentored) can be used to help pay for these full-time mentors.

Requires annual report on effectiveness on retention of teachers.

Section 28.19

Title: **Study of programs for Initially Certified Teachers**

Summary Requires State Board of Education to study performance-based licensure, use of mentors and other strategies to improve retention of newly certified teachers. Report due February 1, 2002 to Education Oversight Committee

Allows initially certified teachers to take up to 3 days of paid leave during second year of employment to work on performance based licensure requirements. Allows similar leave in third year if licensure requirements have not been completed. Leave is allowable only with supervisor's approval.

Section 28.20

Title: **Phase in ADM Reductions Due to Charter Schools**

Summary Limits fiscal impact on local school administrative units to a maximum loss of 5% of their average daily membership (ADM) a year due to opening of new charter school in a local district. Phases out hold-harmless funding for counties previously covered beginning in 2002-03.

Section 28.21

Title: **Medicaid Outreach**

Summary Spells out methods of repayment in case of audit exceptions in reimbursement of federal funds to local school administrative units for Medicaid outreach.

Section 28.22

Title: **Funds for Noninstructional Support Personnel May be Used for Staff Development**

Summary Allows transfer of up to 3% of this allotment for staff development purposes.

Section 28.24

Title: **Study Textbook Distribution System**

Summary Requires the State Board of Education to contract with a private consultant to determine the most effective and efficient method for providing textbooks to local schools. Report due to Education Oversight Committee by April 1, 2002.

Section 28.25

Title: **Abolish the North Carolina Standards Board for Public School Administration**

Summary Eliminates this Board and transfers essential functions to the State Board of Education. This reduction is a part of the \$3.2 million reduction to the Department of Public Instruction.

Section 28.26

Title: **Guidelines for Charter School, Enrollment**

Summary Clarifies language related to when the State Board of Education is required to approve the growth in a charter school's enrollment by more than 10% in one year. No requirement for review if increase is no more than 10% of previous year's enrollment or is in accord with growth plan in charter application.

Section 28.27

Title: **Charter School Advisory Committee/Charter School Evaluation**

Summary Continues authority for State Board of Education to use up to \$50,000 annually for a charter school advisory committee and evaluation of charter schools.

Section 28.28

Title: **Teacher Academy**

Summary Requires NC Teacher Academy to include staff development programs focused on teaching in at-risk schools. Requires that 10% of Teacher academy budget for 2001-02 be used to provide training for elementary teachers assigned to smaller class sizes.

Section 28.29

Title: **Modify Law Regarding Children with Disabilities**

Summary Restructures the advisory group Council on Educational Services for Exceptional Children to comply with federal requirements in the Individuals with Disabilities Education Act (IDEA). Requires Joint Legislative Education Oversight Committee to review any changes needed to bring State laws dealing with special education and services to children with disabilities into compliance with IDEA.
Adds requirement for State Board of Education to adopt rules on educational programs for pregnant students to enable them to successfully complete public school.

Section 28.30

Title: **Closing the Achievement Gap**

Summary Subsections a. & b. require State Board of Education to include a "closing the gap" component in its school level measurement of student performance and to report to the Joint Education Oversight Committee data by subgroups of students.

Subsection c. requires school improvement plans to include plan to prepare all students to read by the time they enter the second grade. Teachers must notify parents if children are not reading at grade level.

Subsection d. encourages State Board of Education to consider if standards or other criteria from grades K-2 should be included in a school's performance assessment.

e. Requires State Board of Education to adopt model guidelines for establishment of local task forces on closing the achievement gap. Local boards of education have discretion over establishment of such a local task force.

f. Requires State Board of Education to report to the Joint Education Oversight Committee and to the Study Commission disaggregated data on dropouts, suspensions, expulsions and placement in alternative programs, and to make the data available to the public.

Subsections g., h. and i. reauthorize the Commission on Improving the Academic Achievement of Minority and At-Risk Students for two years. Requires Commission to study need for additional resources to close the achievement gap.

Section 28.31

Title: **Clarify Law Regarding Mentors for Second-Year Teachers**

Summary Provides mentors to second-year teachers whose first year of teaching was in a private school, charter school, or another state.

Section 28.32

Title: **Funds for the Testing and Implementation of the New Student Information System**

Summary Allows use of up to \$1 million from appropriations for the new student information system to be used for purchase or lease of equipment by the Department of Public Instruction for implementation of system.

Section 28.33

Title: **Expenditure of Funds to Improve Student Accountability**

Summary Directs allocation of funds based on students below grade level in grades 3-8.

Requires funds to be used to improve academic performance of students performing below grade level.

Requires allotment of funds to local school administrative units within 30 days of passage of appropriations bill, and allows funds to be available through August 31 of subsequent years for summer programs.

Section 28.34

Title: **Study the Salaries of School Food Service Workers and Custodians**

Summary Requires Joint Legislative Education Oversight Committee to study the salaries of these persons employed by NC public schools, and to report to the 2002 Session.

Section 28.36

Title: **Character Education**

Summary Directs State Board of Education to develop a model character education curriculum; allows Board to contract for assistance.

Section 28.37

Title: **Study of Salary Differentials for Instructional Support Personnel**

Summary Directs Joint Education Oversight Committee to study salary differentials of instructional support personnel based on degrees and credentialing.

A study of the impact on student performance of teacher salary differentials based on degrees and credentialing.

Section 28.38

Title: **Flexibility to Implement Base Budget Reduction**

Summary Allows Department of Public Instruction to shift personnel in carrying out staff reductions required in this budget. Requires conversion of contractual services to state employees within existing number of state-funded personnel.

Section 28.39

Title: **Funds for Instructional Supplies**

Summary Directs that school teachers be able to purchase up to \$100 in classroom supplies. Local school administrative units must report on implementation by February 15, 2002, with a summary report to legislative committees by April 1, 2002.

Section 28.40

Title: **NC WISEOWL Web Site**

Summary Directs Department of Public Instruction to continue subscriptions on this Web site for 2001-02 fiscal year (previously funded with federal resources). DPI and Cultural Resources shall collaborate on most efficient use of funds to access the NC WISEOWL subscriptions through the NC LIVE program by 2002-03.
Report due to Information Technology Appropriations Subcommittee by 3/15/02.

Section 29.7

Title: **Allocation of Federal Funds for Priority Schools**

Summary Requires State Board of Education to coordinate use of federal and State funds to avoid overlap of efforts and to expand availability of smaller class sizes to as many at-risk students as possible.

Section 28.42

Title: **Overtime for School Employees**

Summary Clarifies wage and hour law requirements on overtime pay for employees working as both a teacher assistant and a bus driver.

Section 28.43

Title: **Funds for Teacher Recruitment Initiatives**

Summary Allows State Board of education to use up to \$200,000 in public schools funds to allow NBPTS certified teachers or other teachers who have received special recognition to advise the State Board on teacher recruitment.

Section 28.44

Title: **Limitation on Use of kindergarten Funds**

Summary Requires local school districts to use class-size reduction positions for kindergarten only for kindergarten teachers. Requires maximum class size limits set by State Board of Education to be reduced by one student in 2001-02 and by two students in 2002-03. Allotments are based on one teacher for every 19 students in 2001-02 and one teacher for every 18 students in 2002-03.

Section 28.45

Title: **ExplorNet Audit**

Summary Requires State Auditor to audit ExplorNet, a non-profit receiving state funds. Prohibits distribution of funds to ExplorNet until certification of financial controls and procedures by Auditor and Office of State Budget. NOTE: Section 114.6. of House Bill 338, 2001 Technical Corrections, SL 2001-487 modified this language to allow the State Board of Education to distribute grants to local school administrative units if the State Auditor has not completed the audit on ExplorNet by March 15, 2002.

Requires 80% of State funds appropriated to be distributed in the form of grants to local school administrative units.

Section 28.46

Title: **Low-Wealth Transition Funds**

Summary Provides one year supplemental funding to low-wealth counties losing more than \$1 million in low-wealth funds in 2001-02. Allows State Board to hold these counties harmless for up to 60% of funding lost, using funds from the Average Daily Membership Contingency Reserve Fund or other sources.

Section 28.47

Title: **Substitute School Personnel/Unemployment Definition**

Summary Clarifies that substitute teachers who are not fulltime employees are not eligible for unemployment compensation when not called to work.

Section 28.48

Title: **School Bus Replacement**

Summary States that if State funds replace a school bus in one of two smallest school systems that school system may retain the replaced bus for use as an activity bus.

Section 29.1

Title: **Immediate Assistance to the Highest Priority Elementary Schools**

Summary Lowers class size in grades K-3 to 1 to 15 in 37 schools with 80% of children eligible for free or reduced price lunch and 45% or more of students are performing below grade level.

Allocates funds for additional teachers, additional days of staff development and instruction, and additional instructional support personnel for high priority schools. Eliminates allotment of teacher assistant dollars for these schools, but does not prohibit use of teacher assistants at these schools.

If the local school system applies for and receives a waiver from implementation for FY 2001-02 from the State Board of Education, the teacher assistant allocation is restated and the teacher allocation removed.

Section 29.2

Title: **Immediate Actions to Address Teacher Shortage**

Summary Provides \$1 million for teacher assistant scholarships to take prerequisite courses (at Community Colleges or Universities) needed for entry into teacher preparation programs.

Provide \$1,800 bonuses to teachers certified in and teaching in the fields of mathematics, science, or special education, if they are teaching in middle schools or high schools with 80% of children eligible for free or reduced price lunch or 50% or more of students are performing below grade level in Algebra I and Biology. Bonuses are to be paid monthly. Teachers remain eligible as long as they continue to teach at a school that was eligible for the bonus program when the teacher first received the bonus.

Joint Education Oversight Committee shall study the effectiveness of attracting certified teachers back into teaching by providing benefits to part-time teachers.

Joint Education Oversight Committee shall study the effectiveness of attracting students into teaching by expanding the Teaching Fellows Program.

Section 29.3

Title: **Comprehensive Assistance to Continually Low-Performing Schools**

Summary Defines Continually Low-Performing Schools as those identified as low-performing in 2 of 3 consecutive years. Requires State Board of Education to adopt a series of progressive intervention strategies for such schools. Requires State Board to adopt and implement actions for school identified as low-performing for three or more years.

Section 29.4

Title: **Additions to the Local Superintendent's Plan to Improve a Low-Performing**

Summary Requires local superintendent to specify how central office administrators will work with and monitor progress of low-performing schools.

Section 29.5

Title: **Appropriations for Continually Low-Performing Schools**

Summary Funds to reduce class size in grades 4-5 in continually low-performing schools to 1 to 17. This is in addition to the 1 to 15 class size funding in grades K-3.

Provides funds to extend teachers' contracts in these schools by 5 days for staff development in 2001-02 and 10 days, including 5 additional days of instruction, in 2002-03.

The State Board of Education has discretion on which strategies to implement and which schools to target for the 2001-02 school year.

Section 29.6

Title: **Evaluation of Initiatives to Assist High Priority Schools**

Summary Requires high priority schools identified in Sec. 29.1 to meet growth expectations and reach high growth in two of three years to remain eligible for additional resources. All resources remain available until 2004-05 as a minimum.

Requires teaching positions allotted for high priority schools and continually low-performing schools to be assigned to and teaching in those schools and those grades. Department of Public Instruction required to monitor class sizes in these schools each month of school year (starting in January 2002). Allows schools until January 2002 to implement class size restrictions. Allows local boards to seek waivers from the State Board of Education for 2001-02 school year only if the local board cannot implement high-priority schools class size changes during 2001-02 school year.

Provides \$500,000 per year for evaluation of class size initiatives, use of bonuses, and other efforts to assist high priority schools.

UNC System

		GENERAL FUND	
		FY 2001-02	FY 2002-03
Recommended Budget		\$1,804,923,800	\$1,812,208,855
Legislative Changes			
Campus Reductions			
66 Temporary Wages and Membership Dues	(\$2,500,000) R	(\$2,500,000) R	
Reduce the funding for temporary wages and membership dues at the 16 UNC constituent institutions.			
67 Community Services/General Academic Support	(\$1,500,000) R	(\$1,500,000) R	
Reduce amount appropriated for Community Services/General Academic Support for the 16 constituent institutions.			
68 Reduction in SPA Positions	(\$10,694,131) R	(\$10,694,131) R	
Reduce SPA positions at the 16 constituent institutions by 2.8%.			
	-359.60	-359.60	
69 Reductions in EPA Non-Teaching Staff Positions	(\$5,902,497) R	(\$5,902,497) R	
Reduce EPA non-teaching positions at the 16 constituent institutions by 2.8%. The position reductions in Cooperative Extension and Agricultural Research shall be made only in non-teaching positions.			
	-95.20	-95.20	
70 Reductions in Various Modified Zero-Based Budget Items	(\$5,726,311) R	(\$5,726,311) R	
An average 5% reduction is made in the budgets of the 16 constituent institutions for the following modified zero based budget items: miscellaneous contractual services, rental/lease of equipment, travel, cellular phones, furniture and equipment, and other aids and grants.			
71 Private Funding for Selected Summer Research in Lieu of State Appropriation	(\$1,000,000) R	(\$1,000,000) R	
Substitute some private funding for a portion of state appropriations for select faculty to do summer research. This will be selected at the campus level.			
72 Continuing Education Receipts	(\$378,775) R	(\$378,775) R	
Increase by 10% the receipts generated through continuing education programs at UNC-CH Health Affairs.			
73 Center for Alcohol Studies Endowment	(\$250,000) NR		
Reduces the appropriation to the Center for Alcohol Studies Endowment for one year.			

Overview: 2001 Session Fiscal and Budgetary Actions

	FY 2001-02		FY 2002-03	
74 Institute of Southern Politics, Media & Public Life	(\$225,000)	R	(\$225,000)	R
Eliminates the specific funding for this program, but allows UNC-CH to use other state or other sources of funds to continue this program.	-2.00		-2.00	
75 Institute for Outdoor Drama	(\$60,000)	R	(\$60,000)	R
Eliminates funds for the newly-established position of Director of Communications at the Institute for Outdoor Drama at UNC-CH.	-1.00		-1.00	
76 Additional Administrative Efficiencies	(\$5,000,000)	R	(\$5,000,000)	R
The University System shall find additional administrative efficiencies.				
77 Reduction in Travel	(\$1,000,000)	R	(\$1,000,000)	R
The University System shall make additional reductions in its travel expenses.				
UNC General Administration				
78 Reductions in Modified Zero Based Budget Items for UNC-GA	(\$750,125)	R	(\$750,125)	R
A 10% reduction is made in the budget of UNC-General Administration for the following modified zero based budget items: miscellaneous contractual services, rental/lease of equipment, travel, cellular phones, furniture and equipment, and other aids and grants.				
79 Reduce EDP Equipment	(\$80,000)	R	(\$80,000)	R
Reduce Electronic Data Processing equipment infrastructure replacement efforts at UNC-GA.				
80 Board of Governors' Meetings	(\$30,800)	R	(\$30,800)	R
The Board of Governors recently voted to reduce the number of times it will meet during the year to eight. This is the corresponding budget reduction for meeting costs.				
81 MCNC Contract	(\$5,000,000)	R	(\$5,000,000)	R
Reduce the state funds paid to MCNC by UNC-General Administration for the use of the MCNC Supercomputing Center and move to a fee for service.				
82 Litigation Contract	(\$200,000)	R	(\$200,000)	F
Eliminate funding for the litigation contract with the Department of Justice. UNC-GA is still required to maintain the contract and reimburse the Department of Justice for legal services.				
83 UNC General Administration SPA Position Reductions	(\$422,345)	R	(\$422,345)	F
Reduces the SPA positions in UNC General Administration by 5%.	-11.50		-11.50	

Overview: 2001 Session Fiscal and Budgetary Actions

	FY 2001-02		FY 2002-03	
84 UNC General Administration EPA Non-Teaching Staff Position Reductions	(\$541,925)	R	(\$541,925)	R
Reduces the EPA non-teaching staff positions in UNC General Administration by 5%.	-5.25		-5.25	
85 Administrative Overhead Reduction	(\$166,791)	R	(\$166,791)	R
Eliminate the administrative overhead from General Fund appropriations in the Center for School Leadership Development's central office.	-1.60		-1.60	
86 Reduce Teacher Academy	(\$533,396)	R	(\$533,396)	R
Reduces the funding for the Teacher Academy.				
87 Reallocate Funds from the Model Teacher Education Consortium	(\$822,082)	R	(\$822,082)	R
Reallocate a portion of the Model Teacher Education Consortium funds to a more comprehensive method of delivering program goals.	-2.50		-2.50	
88 Office Consolidation Savings	(\$100,000)	R	(\$100,000)	R
Savings from the consolidation of offices for the programs under the Center for School Leadership Development.				
89 Reduction in All Center for School Leadership Development Programs	(\$833,315)	R	(\$833,315)	R
Reduces all programs under the Center for School Leadership Development. These programs shall not be subject to the across-the-board personnel reductions taken for UNC-GA or the campuses. The Joint Legislative Commission on Education Oversight will study these programs for recommended savings. (SB 1005, Section 31.4)				
90 Matching Incentive Funds	(\$350,000)	R	(\$350,000)	R
Reduce Matching Incentive Funds for staff development in K-16 programs.				
91 Lighthouse Schools	(\$260,000)	R	(\$260,000)	R
Eliminate funding for Lighthouse Schools under the Center for School Leadership Development.				
92 Strategic Initiative Reserve	(\$1,000,000)	NR		
Reduce the UNC System President's Strategic Initiative Reserve that is used to fund special projects. The current reserve is funded at \$3,000,000 per year. UNC-GA shall provide a detailed report to the Joint Legislative Commission on Education Oversight prior to March 1 annually on how these funds are spent. \$1 million of the remaining funds shall be used to provide transition funding to temporarily offset the effects of permanent position cuts at the historically black and minority and smaller campuses.				

Overview: 2001 Session Fiscal and Budgetary Actions

University Expansion Funds

93 Regular Term Enrollment Increase

Fully funds the UNC Board of Governors' regular term enrollment increase, including the "hold-harmless" for those campuses losing enrollment. This funds an additional 2,435 full-time equivalent students.

FY 2001-02		FY 2002-03	
\$28,358,828	R	\$28,358,828	F
238.30		238.30	

94 Distance Education Enrollment Increase

Fully funds the UNC Board of Governors' distance education enrollment increase requests. This funds 1,085 additional FTE students.

FY 2001-02		FY 2002-03	
\$12,178,135	R	\$12,178,135	F
96.30		96.30	

95 Faculty Productivity

Increase faculty productivity by using existing tenure-stream faculty who teach an average of fewer than 15 credit hours a year to help with the projected enrollment growth. This reduction is for faculty paid from the code "1310 EPA Teaching Faculty" line.

FY 2001-02		FY 2002-03	
(\$3,000,000)	R	(\$3,000,000)	F

96 Tuition Increase

There is a 9% across-the-board tuition increase for all students for the 2001-02 academic year. In addition, the Board of Governors' differentials for graduate and professional schools shall remain in effect. Also, the campus-initiated increases shall remain in effect.

FY 2001-02		FY 2002-03	
(\$30,864,857)	R	(\$30,864,857)	F

97 Need-Based Student Financial Aid

Adds additional funds to the existing need-based student financial aid program. The current direct appropriation for this program is \$6.3 million.

FY 2001-02		FY 2002-03	
\$8,928,000	R	\$8,928,000	F

98 Aid to Students Attending Private Colleges

Provides funds to cover the projected enrollment increases in the funds for students attending private colleges. \$2,346,210 is to cover the 1,192 additional students anticipated to receive the Legislative Tuition Grant (LTG). The State Contractual Scholarship (SCSF) program will increase by \$880,000 to cover an additional 800 FTE students. The current appropriation for the LTG program and the SCSF is \$75.7 million. (SB 1005, Section 31.1)

FY 2001-02		FY 2002-03	
\$3,226,210	R	\$3,226,210	F

99 Education Cabinet/Research Council Funds

This restores half of the non-recurring appropriation made during the last fiscal year for the Education Cabinet and the Education Research Council.

FY 2001-02		FY 2002-03	
\$250,000	R	\$250,000	I
2.00		2.00	

100 Scholarships for Teacher Assistants Pursuing Teaching Degrees

Funds are appropriated to provide scholarships for teacher assistants. (SB 1005, Section 31.5)

FY 2001-02		FY 2002-03	
\$1,000,000	R	\$1,000,000	I

Overview: 2001 Session Fiscal and Budgetary Actions

	FY 2001-02		FY 2002-03	
101 Institute of Government-Center for Technology Support				
To support Center's efforts to provide technical assistance to local governments.	\$150,000	NR		
102 Teacher Preparation Programs through Distance Education	\$2,000,000	R	\$2,000,000	R
Provides additional funds for all UNC teacher education programs across the state provided through distance education that do not have an on-campus residency requirement. Funds shall be allocated based on their student credit hour enrollment. (SB 1005, Section 31.7)				
103 Genomics, Bioinformatics, Optoelectronics, and Photonics Research	\$1,375,000	R	\$1,375,000	R
Provides funds for the new genomics, bioinformatics, optoelectronics, and photonics research programs.				
104 Eliminate Room and Board Charges at the North Carolina School of the Arts	\$1,069,802	R	\$1,069,802	R
Eliminate room and board charges for in-state high school students at the North Carolina School of the Arts.				
105 NC A&T State University Matching Funds	\$530,000	R	\$530,000	R
Provides funds to match federal funds for NC A&T State University's agricultural programs.				
106 ECU Doctoral Status Funds	\$1,500,000	R	\$1,500,000	R
Funds the last phase of the transition of ECU to Doctoral I status.				
107 Progress Board	\$250,000	R	\$250,000	R
Provides recurring funds for the Progress Board which is funded through the university system. (SB 1005, Section 31.12)				
108 Closing the Achievement Gap	\$250,000	R	\$250,000	R
Provides funds to support the Historically Minority College and University Consortium initiative to close the achievement gap. Funds shall be allocated to UNC-General Administration for distribution to the consortium.				
109 Focused Growth Institutions-Special Needs	\$2,247,850	R	\$2,247,850	R
To provide funds as requested by the UNC Board of Governors to fund the special needs for the Focused Growth Institutions in the UNC system.				
110 TEACCH Program Funds	\$290,500	R	\$290,500	R
Additional funds for the TEACCH program to enable them to apply for a National Institute of Health grant and other grant funds.				

Overview: 2001 Session Fiscal and Budgetary Actions

FY 2001-02

FY 2002-03

Total Legislative Changes

(\$14,488,025) R

(\$14,488,025) R

(\$1,100,000) NR

Total Position Changes

-142.05

-142.05

Revised Budget

\$1,789,335,775

\$1,797,720,830

Special Provisions

2001 Session: SB 1005

Department: UNC System

Section 31.1

Title: **Aid to Private Colleges**

Summary Codifies the standard language for distributing the money to students attending private colleges. In addition, adds a section that reduces the Legislative Tuition Grant by 25% for those students who have completed 140 semester credit hours.

Section 31.2

Title: **Academic Common Market Pilot Program**

Summary Allows the UNC Board of Governors to select certain graduate programs to be a part of a pilot program for tuition reciprocity with other SREB states in its "Academic Common Market".

Section 31.3

Title: **Aid to Private Medical Schools/Funding Formula**

Summary Codifies the standard language for the procedures distributing the aid to private medical school money.

Section 31.4

Title: **Study Professional Development Programs for Public School Professionals**

Summary Clarifies the General Assembly's intent for information to be included in professional development reports. In addition, directs Education Oversight to study these programs and develop recommendations for efficiencies and improvements.

Section 31.5

Title: **Teacher Assistant Scholarship Fund**

Summary Provision follows the money decision to establish a new scholarship program for teacher assistants pursuing teaching degrees.

Section 31.6

Title: **UNC Budget Flexibility/Must Honor Budget Reductions**

Summary Directs the university system to follow the General Assembly's decisions with regard to budget reductions. Otherwise, UNC's budget flexibility remains.

Section 31.7

Title: **Offer Teacher Education Programs Through Distance Education**

Summary Expresses the intent of the General Assembly to make teacher education programs available through distance education statewide. Funds are distributed to all teacher education programs that offer these programs through distance education and do not have an on-campus residency requirement.

Section 31.8

Title: **UNC Surplus Property Guidelines**

Summary Directs UNC Board of Governors and the Department of Administration to jointly develop guidelines for the disposal of university surplus property and to report to the General Assembly.

Section 31.9

Title: **Substitution of UNC-CH Bond Projects**

Summary Allows UNC-CH to make a change in one of its bond projects.

Section 31.10

Title: **Master Ed. Administration at A&T State, NCCU, UNC-P/Study Possible Pharmacy School at ECSU**

Summary Authorizes three additional Masters of School Administration programs and directs the Board of Governors to establish them at A&T State, NCCU and UNC-P. Also asks the Board of Governors to study the feasibility of creating a Pharmacy School at ECSU, a school of Engineering at ECU, UNC-A, and WCU and a School of Dentistry at ECU.

Section 31.11

Title: **UNC Board of Governors May Authorize Certain Management Flexibility for Special Responsibility Constituent Institutions**

Summary Allows the Board of Governors to grant the campuses of the UNC system the authority to have flexibility in the area of setting tuition and fees for campus-initiated tuition, fixing compensation of senior personnel and tenured faculty and information technology decisions. Directed Education Oversight to study the issue of expanding flexibility to the areas of personnel, purchasing and property.

Section 31.12

Title: **Progress Board**

Summary Makes statutory changes to the Progress Board which is funded in the UNC system. Increases the size of the Board, increases areas of study and changes the appointment of the Executive Director and budgetary location of the Board. (Note: Section 6 of House Bill 231, Appropriations Modifications and Other Changes, SL 2001-513 repealed subsection (d) of this provision which had earmarked money from the Strategic Initiative Reserve for the Progress Board.)

Section 31.13

Title: **Transfer Chinqua-Penn Plantation Funds**

Summary Transfers all Endowment funds raised to support Chinqua-Penn and gift shop funds from NCSU to Chinqua-Penn Foundation.

Section 31.14

Title: **UNC Board of Governors Report on Overhead Receipts**

Summary Requires the UNC Board of Governors to report annually to the Joint Legislative Education Oversight Committee on the amount and expenditures of overhead receipts.

**HEALTH
&
HUMAN SERVICES**

FY 2001-02

FY 2002-03

\$3,725,304,459

(\$1,500,000) R

(\$1,020,345) R

(\$2,900,000) R

(\$134,695) R

(\$1,326,036) R

-22.00

(\$571,526) R

-51.00

Overview: 2001 Session Fiscal and Budgetary Actions

		FY 2001-02		FY 2002-03	
7 Improved Efficiencies for Hospital Operations		(\$1,079,242)	R	(\$1,079,242)	F
Transfers responsibility for Cherry Hospital laundry operations to the Department of Corrections Enterprise Industries.					
8 Medical/Surgical Unit at Dix Hospital		(\$420,982)	R	(\$420,982)	F
Reduces appropriations for a medical/surgical unit located at Dix Hospital which was closed in October 2000. Medical/surgical services will be provided via contract.					
9 Oakview Program		(\$600,055)	R	(\$600,055)	F
Eliminates state appropriations for an apartment program for adolescents which is no longer in use.					
		-16.50		-16.50	
10 Medicaid Receipts on Child/Adolescent Beds		(\$1,343,780)	R	(\$1,343,780)	F
Reduces state appropriations in anticipation of receipts for the child and adolescent beds in state psychiatric hospitals.					
11 Medicaid Receipts for EATP at Wilson		(\$465,338)	R	(\$465,338)	F
Reduces state appropriations in anticipation of Medicaid receipts for the adolescent beds in the state's Eastern Adolescent Treatment Program located in Wilson.					
(2.0) Division of Social Services					
12 Various Contracts		(\$567,743)	R	(\$567,743)	F
Eliminates the following:					
Work Central Call Support Ctr	\$155,850				
Reduces the following:					
Appalachian State University	60,000				
Tier, Inc.	301,893				
NC DSS Director's Association	50,000				
13 Position Eliminations		(\$756,108)	R	(\$756,108)	F
(SB 1005, Section 21.49)					
		-20.00		-20.00	
14 Families for Kids Funding		(\$500,000)	R	(\$500,000)	F
Reduces State funds for Families for Kids initiative.					
15 Family Resource Centers		(\$250,000)	R	(\$250,000)	F
Reduces state funds for Family Resource Centers and directs DHHS to allocate the remaining funds based on program performance. (SB 1005, Section 21.48)					

Overview: 2001 Session Fiscal and Budgetary Actions

	FY 2001-02		FY 2002-03	
16 Excess State/County Special Assistance	(\$2,751,750)	R	(\$2,751,750)	R
Reduces excess state appropriations in the State/County Special Assistance program.				
17 County Program Integrity Worker Funding	(\$2,500,000)	R	(\$2,500,000)	R
Eliminates a grant-in-aid to all counties for program integrity activities.				
18 Carolina ACCESS County Positions	(\$1,236,492)	R	(\$1,236,492)	R
Eliminates Carolina ACCESS county positions located in county departments of social services.				
19 Regional Office Positions	(\$155,784)	R	(\$155,784)	R
Eliminates 7 regional office clerical positions. Other personnel will absorb associated job duties.				
	-7.00		-7.00	
20 Work First Transfer to General Assembly	(\$40,000)	R	(\$40,000)	R
Eliminates the transfer of funds to offset the cost of the Joint Legislative Public Assistance Commission which is being repealed. (SB 1005, Section 21.13)				
(3.0) Division of Medical Assistance				
21 ICF/MR Rate Adjustment	(\$2,631,380)	R	(\$2,723,225)	R
Adjusts rates for private Intermediate Care Facilities for the Mentally Retarded to reflect actual costs and eliminate profit.				
22 New Inflationary Increases	\$0	R	(\$20,000,000)	R
Eliminates new inflationary increases for SFY 2002-2003.				
23 Drug Utilization Management	(\$16,700,000)	R	(\$33,600,000)	R
Implements various drug utilization measures to contain the cost of prescription drugs as recommended by the "North Carolina Medicaid Benefit Study". (SB 1005, Section 21.26(b))				
24 ACCESS Medical Director Contract	(\$87,500)	R	(\$87,500)	R
Eliminates the contract for the medical director for the Carolina ACCESS program as recommended by the "North Carolina Benefit Study".				
25 Dispensing Fee for Drugs	(\$3,450,000)	R	(\$4,500,000)	R
Reduces the dispensing fee for prescription drugs from \$5.60 to \$4.00 per brand name prescription. The dispensing fee for generic drugs is \$5.60. (SB 1005, Section 21.19(a)(5))				
26 Generic Drugs	(\$1,000,000)	R	(\$1,000,000)	R
Implements increased utilization of generic drugs. (SB 1005, Section 21.19(h))				

Overview: 2001 Session Fiscal and Budgetary Actions

	FY 2001-02		FY 2002-03	
27 Daily Personal Care Services Limit	(\$2,500,000)	R	(\$5,900,000)	R
Limits Personal Care Services to 3.5 hours per day while maintaining the 80 hour per month limit.				
28 Asset Policy Changes	(\$2,000,000)	R	(\$3,800,000)	R
Apply federal transfer of asset polices to real property excluded as "income producing" under Title XIX. (SB 1005, Section 21.19(y))				
29 Medicare Crossover Claims Payments	(\$6,500,000)	R	(\$11,400,000)	R
Limit Medicare Crossover claims payments to 95% of Medicare rates.				
30 Position Eliminations	(\$256,693)	R	(\$256,693)	R
	-12.00		-12.00	
31 Optional Services	(\$246,762)	R	(\$400,000)	R
Eliminates optional circumcision procedures except in cases of medical necessity.				
(Note: Section 19 of House Bill 231, Appropriations Modifications and Other Changes, SL 2001-513 reinstated this reduction.)				
32 Physician Rates to 95% of Medicare Rates	(\$5,900,000)	R	(\$11,500,000)	R
Reduces rates paid to physicians to 95% of the physician rates paid by Medicare as recommended by the "North Carolina Medicaid Benefit Study".				
33 Co-payments for Prescription Drugs	(\$3,160,000)	R	(\$3,550,000)	R
Increases co-payments for brand name prescription drugs from \$1 to \$3 per prescription. Co-payments for generic prescriptions remain at \$1 per prescription.				
(4.0) Office of the Secretary				
34 Welfare Automation Fund	(\$1,500,000)	R	(\$1,500,000)	R
Reduces state appropriations to the fund which supports automation enhancement in the Work First Program.				
35 Community Action Agency Funds	(\$300,000)	R	(\$300,000)	F
Eliminates state appropriations to Community Action Agencies in lieu of increased federal grant funds.				
36 Position Eliminations	(\$2,526,311)	R	(\$2,526,311)	F
(Note: Section 1.(h) of House Bill 231, Appropriations Modifications and Other Changes, SL 2001-513 amended this item to reflect a final position elimination of 44 FTE's.)	-45.00		-45.00	

Overview: 2001 Session Fiscal and Budgetary Actions

FY 2001-02

FY 2002-03

37 Contract

(\$21,344) R

(\$21,344) R

Eliminates a contract for personal services in support of a Medicaid waiver proposal, activities will be absorbed by existing staff.

(5.0) Division of Child Development

38 Smart Start Evaluation

(\$500,000) R

(\$500,000) R

Reduces state funds for evaluation activities for Smart Start and directs DHHS to contract for a more focused review of Smart Start activities directly related to kindergarten readiness.

39 Early Head Start

(\$549,478) R

(\$549,478) R

Eliminates state appropriations in lieu of increased federal Early Head Start funds.

40 Position Eliminations

(\$565,807) R

(\$565,807) R

(SB 1005, Section 21.74)

-16.00

-16.00

41 Various Contracts

(\$40,000) R

(\$40,000) R

Eliminates contracts for the following:

Personal Services contract for child abuse

curriculum development

\$15,000

Child Care Services Association, Inc.

25,000

42 Smart Start

(\$59,000,000) R

(\$59,000,000) R

(\$48,500,000)

Reduces the Governor's proposed increase in Smart Start continuation funding - funds not yet received by local partnerships.

(\$10,500,000)

Reduces state appropriations to the North Carolina Partnership for Children, state administration and local partnership operations. This reduction is minimized by policy changes in how funds are utilized for quality improvements and a prohibition on the use of funds for capital/equipment projects. (SB 1005, Section 21.75)

(6.0) Division of Vocational Rehabilitation

43 Position Eliminations

(\$58,770) R

(\$58,770) R

-3.00

-3.00

(7.0) Division of Public Health

44 Position Reductions

(\$237,995) R

(\$237,995) R

-7.59

-7.59

Overview: 2001 Session Fiscal and Budgetary Actions

	FY 2001-02		FY 2002-03	
45 Various Contracts	(\$985,554)	R	(\$985,554)	R
Reduces the Healthy Start Foundation contract by \$150,000. Eliminates the following contracts: Association of NC Boards of Health - \$100,000, Mecklenburg County Mental Health Authority - \$86,144, NC Fair Share - \$10,000, Pennsylvania State University - \$53,355, UNC (Hypertension Data Analysis) - \$10,000, UNC Family Services Network - \$223,561, UNC School of Public Health - \$225,000, and UNC School of Public Health - \$127,494				
46 Vital Record Receipts	(\$60,000)	R	(\$60,000)	R
Adjusts the budget to accurately reflect the amount of receipts to be collected for the sale of vital records.				
47 Newborn Screening Program	(\$2,050,000)	R	(\$2,050,000)	R
Reduces state appropriations in anticipation of increased Medicaid Receipts.				
48 Health Promotion Activities	(\$1,000,000)	R	(\$1,000,000)	R
Reduces state appropriations for Health Promotion activities.				
49 Sickle Cell Prog. Ed. Counselors	(\$54,633)	R	(\$54,633)	R
Reduces state appropriations in anticipation of increased Medicaid receipts.				
50 Position Eliminations	(\$551,043)	R	(\$551,043)	R
	-8.00		-8.00	
51 AIDS Drug Assistance Program	\$0	R	\$0	R
Reduces state appropriations on a non-recurring basis due to excess ADAP funds. (SB 1005, Section 21.90)				
	(\$1,500,000)	NR	\$0	NR
52 Nurse Midwifery Program	(\$340,000)	R	(\$340,000)	F
Eliminates funding for the Nurse Midwifery Program which funds start-up midwifery practices.				
53 Position Transfers				
Transfers the following positions from Division of Early Intervention and Education into Division of Public Health, Women's and Children's Health Section: Audiologists: 4425-1231-1211-921, 4429-1536-1211-020; Speech and Language Pathologist: 4429-1526-1211-027; Language/Communication Specialist: 4429-1516-1251-004; Social Workers: 4425-1231-1211-920, 4429-1526-1211-026, and 4429-1536-1211-019 (SB 1005, Section 21.80)				
	0.00		0.00	

Overview: 2001 Session Fiscal and Budgetary Actions

	FY 2001-02		FY 2002-03	
54 Rural Obstetrics Incentive Program	(\$1,255,000)	R	(\$1,255,000)	R
Eliminates Rural Obstetrics Incentive Program which pays a portion of the mal-practice insurance for doctors in rural areas to encourage them to treat Medicaid patients.				
(8.0) Division of Education Services				
55 Contracts to LEAs	(\$984,000)	R	(\$984,000)	R
Eliminates the contracts with Local Education Agencies that were set-up to supplement educating hearing-impaired children transitioning out of the Central North Carolina School for the Deaf.				
56 Various Contracts	(\$287,240)	R	(\$287,240)	R
Reduces the contract to Beginnings by \$200,000, and personal services for audiological management by \$87,240.				
57 State-Operated Deaf Preschools	(\$384,997)	R	(\$384,997)	R
Reduces appropriations to the state-operated preschool centers and transitions the children from these centers to other preschool sites and services. (SB 1005, Section 21.83)				
58 Position Eliminations	(\$778,495)	R	(\$778,495)	R
Eliminates 23 teacher and teacher assistant positions in the state-operated deaf preschools, as a result of transitioning children to other preschool sites and services. (SB 1005, Section 21.83)				
	-23.00		-23.00	
59 Position Eliminations	(\$1,616,891)	R	(\$1,616,891)	R
	-33.00		-33.00	
60 Developmental Eval. Centers	(\$457,271)	R	(\$457,271)	R
Reduces state appropriations in anticipation of increased Medicaid receipts.				
61 Reorganization/Changes	(\$2,000,000)	R	(\$2,000,000)	R
Eliminates state appropriations in the areas of administration and other recent budget revisions that reduced the budget of the Central North Carolina School for the Deaf to enhance the Division's central office. (SB 1005, Section 21.80)				
62 Central School for the Deaf	(\$1,200,000)	R	(\$1,200,000)	R
Savings from the Department of Health and Human Service's closure of the Central North Carolina School for the Deaf. (SB 1005, Section 21.81)				

Overview: 2001 Session Fiscal and Budgetary Actions

FY 2001-02

FY 2002-03

(9.0) Division of Aging

63 Position Eliminations

Eliminates 1 position.

(\$43,539) R

(\$43,539) R

-1.00

-1.00

64 Area Agency on Aging (AAA) Administration Funds

Reduces \$200,000 in administrative funding for 17 Area Agencies on Aging. The Division will implement strategies to reduce overall administrative costs.
(SB 1005, Section 21.32)

(\$200,000) R

(\$200,000) R

65 UNC CARES Contract

Eliminates State funding for a contract with UNC-Chapel Hill for planning and evaluation services. The Division will assume the duties of the contract.

(\$50,000) R

(\$50,000) R

(10.0) Division of Blind Services/Deaf

66 Medical Eye Care Program

Reduces excess funding in the Medical Eye Care Program.

(\$100,000) R

(\$100,000) R

67 Position Eliminations

(\$66,034) R

(\$66,034) R

-2.00

-2.00

(11.0) Division of Facility Services

68 Fire Protection Revolving Loan Fund

Eliminates appropriations in the Fire Protection Revolving Loan Fund.

(\$195,267) NR

\$0 NR

69 EMS Regional Grants

Eliminates Emergency Medical Services Regional Grants.

(\$544,397) R

(\$544,397) R

70 Position Eliminations

(\$322,870) R

(\$322,870) R

-6.00

-6.00

71 Receipts for Mental Health Licensure

Increases receipts from Medicaid to support Mental Health Licensure.

(\$250,000) R

(\$250,000) R

72 Grant for Association of Rescue and EMS

Eliminates the grant-in-aid for the NC Association of Rescue and EMS

(\$24,999) R

(\$24,999) R

Overview: 2001 Session Fiscal and Budgetary Actions

FY 2001-02

FY 2002-03

(12.0) Division of Mental Health

73 Security Staff

\$248,435 R

\$248,435 R

Increases appropriations and staff due to a transfer of security responsibilities from the Juvenile Evaluation Center to the Julian F. Keith ADATC and the Black Mountain Center. (SB 1005, Section 24.10)

6.00

6.00

74 Housing Support for the Mentally Ill

\$1,000,000 R

\$1,000,000 R

Provides funds to support the expansion of housing support and placements for the mentally ill.

75 Autism Funds

\$450,000 R

\$450,000 R

Provides \$450,000 for administrative, operational, and direct services funds to the Autism Society of North Carolina. Also provides \$326,000 to continue operational support to the Residential Services, Inc. during FY01/02 in order allow the program to develop and implement the necessary processes to draw down Medicaid funds to continue residential services to autistic children.

\$326,000 NR

\$0 NR

76 Community Programs

\$3,500,000 R

\$3,500,000 R

Provides funds for area mental health programs as follows:

Assertive Community Treatment Teams for non-Medicaid clients	200,000
Family Support Activities	300,000
Substance Abuse Services to Special Populations	1,000,000
Expand Capacity for Detoxification, Residential and Outpatient Services	2,000,000

77 Funds for At-Risk Children

\$4,353,000 R

\$4,353,000 R

Provides recurring funds for direct services to seriously disturbed children (funds were appropriated as non-recurring since FY98/99). (SB 1005, Section 21.60)

(13.0) Division of Social Services

78 Child Support Backlog

\$1,500,000 R

\$1,500,000 R

Provides funding for child support caseload backlogs in urban counties. (SB 1005, Section 21.54A)

79 Food Banks

\$1,000,000 NR

\$0 NR

Provides funds to be equally distributed to the regional network of food banks in North Carolina.

80 Child Support Receipt Shortfall

\$2,000,000 R

\$2,000,000 R

Increases state appropriations in child support operations due to an ongoing receipt shortfall.

Overview: 2001 Session Fiscal and Budgetary Actions

FY 2001-02

FY 2002-03

(14.0) Division of Medical Assistance

81 Community Alternatives Program for Children

Provides additional slots for the Community Alternatives Program for Children.

\$500,000

R

\$500,000

82 CAP-MR/DD Program

Provides funding for the Community Alternative Program for the Mentally Retarded/Developmentally Disabled.

\$1,000,000

R

\$1,000,000

83 Federal Financial Participation Rate

Provides increased funding for the Medicaid Program due to a decrease in the federal financial participation rate.

\$35,000,000

R

\$79,000,000

84 Breast and Cervical Cancer Coverage

Provides funding for Medicaid coverage for uninsured women under age 65 with breast or cervical cancer. Includes state costs for administration.

\$622,000

R

\$1,215,925

1.00

1.00

85 Health Choice

Provides funding for increasing the enrollment for NC Health Choice to 82,000 children. (SB 1005, Section 21.22)

\$8,000,000

R

\$12,500,000

86 Access to Dental Services

Provides funding to increase access to dental services for children and adults. (SB 1005, Section 21.98)

\$1,000,000

R

\$2,000,000

(15.0) Division of Public Health

87 Healthy Start Foundation

Provides funds for Healthy Start Foundation to improve access to prenatal care and reduce poor birth outcomes for families in North Carolina.

\$400,000

NR

\$0 NI

88 Varicella Vaccine

Provides funding for varicella vaccinations for approximately 20,000 children.

\$700,761

R

\$700,761

89 Asthma Education Program

Provides funding to support asthma management, control, surveillance, and education.

\$250,000

NR

\$0 NI

90 Alice Aycock Poe Center for Health Education

Provides grant-in-aid to the Alice Aycock Poe Center for health education.

\$200,000

R

\$200,000

91 Osteoporosis Task Force

Provides funding to continue activities of the Osteoporosis Task Force.

\$150,000

NR

\$0 NI

Overview: 2001 Session Fiscal and Budgetary Actions

	FY 2001-02		FY 2002-03	
92 Birth Defects Monitoring Program	\$125,000	R	\$125,000	R
Provides funding for the continuation of the birth defects registry.	3.00		3.00	
93 Healthy Carolinians				
Provides funding for Healthy Carolinians task forces throughout the state.	\$1,000,000	NR	\$0	NR
94 Office of Minority Health				
Funds Office of Minority Health activities to reduce health disparities.	\$200,000	NR	\$0	NR
95 Prevention of Birth Defects				
Provides funding for education and awareness activities on the importance of folic acid consumption preceding pregnancy, to effectively prevent neural tube birth defects.	\$400,000	NR	\$0	NR
96 Heart Disease and Stroke Prevention				
Funds Heart Disease and Stroke Prevention Task Force activities. (SB 1005, Section 21.95)	\$100,000	NR	\$0	NR
97 Arthritis Prevention Project				
Provides grant-in-aid for a private, local project in Mecklenburg County.	\$25,000	NR	\$0	NR
98 Medical Day Care Pilot Project				
Provides funding for a start-up medical daycare center. (SB 1005, Section 5.1 (j))	\$100,000	R	\$100,000	R
99 Prescription Drug Access Project				
Provides funding to support a centralized system for accessing free and low cost drugs through pharmaceutical companies. (SB 1005, Section 21.6)	\$200,000	R	\$200,000	R
100 AIDS Drug Assistance Program				
Increases funding for the AIDS Drug Assistance Program that pays for prescription drugs for qualified HIV and AIDS patients. (SB 1005, Section 21.90)	\$500,000	R	\$500,000	R
(16.0) Office of the Secretary				
101 North Carolina Council on the Holocaust				
Provides funds for the Holocaust education in the public schools.	\$50,000	NR	\$0	NR
102 Adult Care Home Rate Methodology				
Transfer to the General Assembly to hire a consultant to establish a methodology for rate setting for Adult Care Homes. (SB 1005, Section 21.7)	\$50,000	NR	\$0	NR

Overview: 2001 Session Fiscal and Budgetary Actions

FY 2001-02

FY 2002-03

103 Child Advocacy Institute

\$250,000 R

\$250,000

Provides funding to support the activities of the Child Advocacy Institute.

104 "More At Four" Prekindergarten Pilot

\$6,456,500 R

\$6,456,500

Establishes the "More At Four" prekindergarten pilot program for at-risk four year olds. (SB 1005, Section 21.76B)

(17.0) Division of Vocational Rehabilitation

105 Independent Living

\$320,000 R

\$320,000

Provides additional funding for statewide case services needs.

\$680,000 NR

\$0

Overview: 2001 Session Fiscal and Budgetary Actions

	FY 2001-02		FY 2002-03	
Total Legislative Changes	(\$77,433,183)	R	(\$81,624,341)	R
	\$2,935,733	NR	\$0	NR
Total Position Changes	-263.09		-263.09	
Revised Budget	\$508,381,741		\$501,254,850	

**Department of Health and Human Services
Position Reductions**

<u>Division</u>	<u>Position</u>	<u>Position Numbers</u>
<u>Central Administration</u>		
	(2.0) Assistant Secretaries	4410-0105-0700-004 4410-0105-0800-054 4410-0105-2060-030
	(1.0) Assistant Health Officer	4410-0104-0003-501
	(1.0) Asst. Director for Planning & Analysis	4410-0105-0700-003
	(1.0) Policy & Program Analyst	4410-0105-3300-999
	(1.0) Work Force Policy Analyst (Vacant)	4410-0105-0700-005
	(1.0) Administrative Assistant	
	(4.0) Intergovernmental Relations (1 Vacant)	4410-0105-3401-012 4410-0105-0900-045 4410-0105-0900-702 4410-0105-0900-085
	(12.0) HR - Support for Local Governments	
	(1.0) Personnel Supervisor II	4410-2121-0000-328
	(1.0) Personnel Supervisor I	4410-2122-0300-313
	(1.0) Personnel Supervisor I	4410-2122-0200-312
	(1.0) Personnel Analyst III	4410-2122-0200-327
	(1.0) Personnel Technician III	4410-2122-0200-338
	(1.0) Personnel Assistant IV	4410-2122-0200-376
	(1.0) Personnel Supervisor I	4410-2122-0100-315
	(1.0) Personnel Analyst III	4410-2122-0100-326
	(1.0) Personnel Technician III	4410-2122-0100-346
	(1.0) Personnel Assistant IV	4410-2122-0100-349
	(1.0) Personnel Supervisor I	4410-2122-0000-314
	(1.0) Personnel Technician III	4410-1420-1103-122
	(6.0) Strategic Planning Unit	
	(1.0) DHR Planning Officer II	4410-0104-0203-515
	(1.0) Administrative Assistant II	4410-0104-0000-517
	(1.0) Human Services Planner Evaluator IV	4410-0104-0203-520
	(3.0) Program Development Coordinator	4410-0104-0203-061 4410-0104-0203-526 4410-0104-0203-600
	(1.0) Administrative Support (Vacant)	4410-0105-3601-545
	(3.0) Property and Construction Office	
	(1.0) Business Officer I	4410-0104-0303-518
	(1.0) Fac. Architect II	4410-0104-0303-519
	(1.0) Building Syst. Eng. II	4410-0104-0303-520
	(8.0) Office of Communications	
	(1.0) Artist Illustrator II	4410-0106-0200-517
	(3.0) Processing Assistant II	4410-0106-0300-521 4410-0106-0300-521 4410-0106-0300-522
	(1.0) Printing Equipment Operator II	4410-0106-0155-031
	(1.0) Printing Equipment Operator II	4410-0106-0155-032
	(1.0) TV Media Svc. Coord 1	4410-0106-0300-518
	(1.0) Office Assistant III	4410-0106-0300-520
	(3.0) Human Resources	
	(1.0) Information & Comm. Specialist III	4410-2121-0000-305
	(1.0) Personnel Officer III	4463-0000-0028-000
	(1.0) Social Research Associate	4410-2121-0452-017
	(1.0) Information Sys. Liaison /Controller's Office	4410-0102-3503-339
Subtotal	45.0 Positions	

**Department of Health and Human Services
Position Reductions**

<u>Division</u>	<u>Position</u>	<u>Position Numbers</u>
<u>Division of Aging</u>		
	(1.0) Aging Program Specialist II	4411-1151-2101-030
Subtotal	1.0 Position	
<u>Division of Child Development</u>		
	(1.0) Deputy Director (Vacant)	4420-1123-0001-161
	(1.0) Policy Program Manager	4420-1172-0001-302
	(1.0) Planner/Evaluator II	4420-1172-0001-109
	(2.0) Policy/Planning Con. (One Vacant)	4420-1117-0001-251
		4420-1117-0001-108
	(1.0) Community Development Specialist	4420-1172-0001-376
	(1.0) Policy Unit Office Assistant III	4420-1172-0001-172
	(1.0) Consumer Outreach Sup. (Vacant)	4420-1162-0001-326
	(1.0) Administrative Officer	4420-1162-0001-422
	(1.0) Workforce Office Assistant	4420-1163-0001-532
	(1.0) Accounting Tech.	4420-1127-0000-233
	(1.0) Program Integrity Supervisor	4420-1140-0001-151
	(2.0) SS Program Coordinator (Vacant)	4420-1141-0001-153
		4420-1141-0001-1322
	(1.0) CDC Program Specialist (Vacant)	4420-1141-0001-1598
	(1.0) Chief, Workforce Section	4420-1160-0001-294
Subtotal	16.0 Positions	
<u>Division of Mental Health, Developmental Disabilities, & Substance Abuse Services</u>		
	(1.0) Assistant Division Director (Vacant)	4460-6000-0000-600
	(1.0) Hospital Services Section Chief	4460-7020-0000-712
	(1.0) Director Child Research/Grants	4460-1300-0001-300
	(1.0) Chief Pharmacy Services	4460-0020-0000-104
	(1.0) Clinical Director Child/Family Services	4460-6000-0000-604
	(1.0) Special Assistant to Director at Dix Hospital	4462-1000-0000-003
	(6.0) MR/MI Transition Unit	
		4460-4020-0000-420
		4460-1000-0001-005
		4460-1000-0001-009
		4460-7050-0000-721
		4460-4000-0000-435
		4460-7050-0000-717
	(16.5) Oakview Program (All Vacant)	
	(51.0) TBI Unit - Black Mountain (All Vacant)	
	Primary Care Systems Associate	4460-0000-2000-814
	Processing Asst. III	4460-0010-0000-124
	Staff Development Spec. III	4460-6010-2000-611
	Office Assistant III	4460-6010-3000-619
	Social Worker II	4460-6020-2000-614
	Mental Health Program Consultant	4460-8010-3000-809
	Lead Barber/Beautician	4462-2620-0003-924
	Willie M. Reg. Service Director	4460-6010-3000-618
	Mental Health Program Coordinator	4460-7040-0000-728
	Mental Health Program Manager II	4460-8010-0000-805
Subtotal	89.5 Positions	

GL3b

**Department of Health and Human Services
Position Reductions**

<u>Division</u>	<u>Position</u>	<u>Position Numbers</u>
<u>Division of Medical Assistance</u>		
	(1.0) Administrative Officer III (Vacant)	4445-0000-0001-002
	(1.0) DMA Services Consultant	4445-0000-0006-410
	(1.0) DMA Nurse I	4445-0000-0009-180
	(2.0) Human Services Planner III	4445-0000-0009-312
		4445-0000-0009-252
	(2.0) DMA Services Consultant	4445-0000-0009-170
		4445-0000-0006-530
	(2.0) Human Services Planner II (All Vacant)	4445-0000-0001-115
		4445-0000-0009-195
	(1.0) Processing Assistant V (Vacant)	445-0000-0009-177
	(1.0) SS Program Administrator	4445-0000-006-420
	(1.0) Comp. Consult. II	4445-0000-009-145
Subtotal	12.0 Positions	
<u>Division of Facility Services</u>		
	(1.0) Assistant Director	4470-0000-0000-244
	(1.0) Facility Architectural Supervisor II (vacant)	4470-0000-0000-800
	(1.0) Business Officer II	4470-0000-0000-628
	(1.0) Assistant Policy Coordinator	4470-0000-0001-400
	(1.0) Health Systems Analyst	4470-0000-0000-245
	(1.0) Facility Survey Consultant	4470-0000-0001-475
Subtotal	6.0 Positions	
<u>Division of Services for the Blind</u>		
	(1.0) Office Assistant IV	4450-0115-7100-583
Subtotal	1.0 Position	
<u>Division of Deaf and Hard-of-Hearing</u>		
	(1.0) Community Development Specialist I	4451-2018-2500-065
Subtotal	1.0 Position	
<u>Division of Vocational Rehabilitative Services</u>		
	(1.0) VR Program Planning Director	4480-0121-0100-421
	(1.0) Rehab. Program Coordinator	4480-0221-0200-477
	(1.0) Assistant Director	4480-0221-0200-181
Subtotal	3.0 Positions	
<u>Division of Early Intervention and Education</u>		
	(1.0) Assistant Superintendent	4422-1811-1211-102
	(1.0) Early Intervention/Preschool Director	4429-1501-1211-001
	(1.0) Research & Professional Dev. Coord.	4422-1811-1251-139
	(1.0) Office Assistant IV	4422-1811-1211-113
	(1.0) Staff Development Coordinator	4422-1811-1211-107
	(1.0) Administrative Specialist	4422-1811-1211-118
	(1.0) HR Assistant Manager	4422-1822-1211-116

**Department of Health and Human Services
Position Reductions**

<u>Division</u>	<u>Position</u>	<u>Position Numbers</u>
	(1.0) Office Assistant	4422-1811-1211-132
	(1.0) Employee Relations Specialist	4422-1811-1211-121
	(14.0) Audiologists (8 Vacant)	4432-5254-0032-448
		4432-5258-0032-452
		4432-5259-0032-453
		4432-5260-0032-455
		4432-5261-0032-456
		4432-5262-0032-458
		4432-5263-0032-459
		4432-5264-0032-460
		4432-5252-0032-445
		4432-5252-0032-446
		4432-5254-0032-447
		4432-5257-0032-450
		4432-5257-0032-451
		1132-5255-0032-449
	(23.0) Preschool Positions (4 vacant)	
	Lead Teacher	4429-1516-1251-017
	Teacher	4429-1516-1251-011
	EDA II	4429-1516-1211-020
	Teacher	4429-1516-1251-014
	EDA II	4429-1516-1211-023
	EDA II	4429-1516-1211-024
	Teacher	4429-1526-1251-006
	Teacher	4429-1526-1251-007
	EDA II	4429-1526-1211-038
	Teacher	4429-1526-1251-014
	EDA II	4425-1231-1211-914
	Teacher	4429-1526-1251-022
	EDA II	4429-1523-1211-024
	Teacher	4429-1526-1251-021
	EDA II	4429-1526-1211-031
	Teacher	4429-1526-1251-020
	EDA II	4425-1231-1210-919
	Teacher	4429-1526-1251-016
	EDA II	4429-1526-1211-025
	Teacher	4429-1536-1251-010
	EDA II	4429-1536-1211-016
	EDA II	4429-1526-1211-029
	EDA II	4429-1526-1211-039
	EDA II	4429-1536-1211-017
	Staff Dev. Spec. II	4424-1111-1210-320
	School Psychologist	4425-1221-1290-883
	Teacher	4424-1121-1290-532
		4424-1126-1290-481
		4425-1221-1290-814
		4425-1221-1290-823
		4425-1221-1290-837
	Lead Teacher	4425-1221-1290-928
	Residential Life Attendant	4427-1408-0027-581
	Residential Life Trainer	4427-1408-0027-588
Subtotal	56.0 Positions	

Division of Public Health

(1.0) Deputy Director	4431-0000-0019-551
(1.0) Assistant Section Chief for Human Ecology and Epidemiology	
(1.0) Special Assistant to Health Director	4431-0000-0022-600

G13d

**Department of Health and Human Services
Position Reductions**

<u>Division</u>	<u>Position</u>	<u>Position Numbers</u>
	(1.0) Scientific Advisor Health Director	4431-0000-0019-853
	(1.0) Physician Epidemiologist - Mental Health	4431-0000-0019-854
	(1.0) Architect/Local Health Services	4431-0000-0050-403
	(7.59) Public Health Administration (all Vacant)	
	(1.0) Processing Assistant IV	4431-0000-0022-609
	(1.0) Processing Assistant III	4431-0000-0019-578
	(1.0) Office Assistant III	4431-0000-0018-004
	(1.0) Office Assistant III	4431-0000-0022-009
	(1.0) Stock Clerk	4431-0000-0021-113
	(.59) Human Services Planner/Evaluator IV	4431-0000-0021-228
	(1.0) Statistician I	4431-0000-0025-068
	(1.0) Statistical Research Assistant III	4431-0000-0025-049
	(1.0) PH Program Consultant I	4431-0000-0022-028
	(1.0) PH Educator II	4431-0000-0018-041
Subtotal	15.59 Positions	
<u>Division of Social Services</u>		
	(1.0) Program Integrity Branch Head	4440-0000-0042-300
	(1.0) Local Support Branch Head	4440-0000-0043-002
	(1.0) Economic Independence Serv. Branch Head	4440-0000-0042-000
	(1.0) Program Development Coord. (Vacant)	4440-0000-0010-008
	(1.0) Program Development Branch Head	4440-0000-0042-002
	(1.0) Child Support Consultant	4440-0000-0080-125
	(1.0) Regional Program Representative	4440-0000-0080-157
	(1.0) Local Support Section Chief (Vacant)	4440-0000-0040-000
	(1.0) Administrative Secretary III (Vacant)	4440-0000-0050-004
	(10.0) Local Support Managers	4440-0000-0051-002
		4440-0000-0051-057
		4440-0000-0052-002
		4440-0000-0052-030
		4440-0000-0052-036
		4440-0000-0053-002
		4440-0000-0054-041
		4440-0000-0054-042
		4440-0000-0053-030
		4440-0000-0054-002
	(7.0) Regional Administrative Support	
	(3.0) Office Assistant III	4440-0000-0051-007
		4440-0000-0053-009
		4440-0000-0054-005
	(4.0) Administrative Secretary III	4440-0000-0051-009
		4440-0000-0052-004
		4440-0000-0053-005
		4440-0000-0054-009
	(1.0) Resource & Information Management Section	
	Chief	4440-0000-0050-002
	SS Program Cons. II	4440-0000-0040-208
Subtotal	28.0 positions	
Grand Total	273.09	

Note: Section 6.21 of House Bill 231, Appropriations Modifications and Other Changes, SL 2001, makes changes to these position reductions. The changes are as follows

Central Administration

Delete	Personnel Technician III	4410-1420-1103-122
Substitute	Personnel Technician III	4401-1420-1103-122

**Department of Health and Human Services
Position Reductions**

<u>Division</u>	<u>Position</u>	<u>Position Numbers</u>
-----------------	-----------------	-------------------------

Central Administration (continued)

Delete	Artist Illustrator II	4410-0106-0200-517
Substitute	Artist Illustrator III	4410-0106-0200-515
Delete	Printing Equipment Operator II	4410-0106-0155-032
Substitute	Printing Equipment Operator III	4410-0106-0155-029
Delete	Duplicate Position Number	4410-0106-0300-521
Change	Position Subtotal from 45.0 to 44.0	

Child Development

Delete	Deputy Director	4420-1123-0001-161
Substitute	Deputy Director	4420-1110-0001-161
Delete	Policy/Planning Con.	4420-1117-0001-108
Substitute	Policy/Planning Con.	4420-1172-0001-108
Delete	SS Program Coordinator	4420-1141-0001-153
Substitute	SS Program Coordinator	4420-1146-0001-153
Delete	SS Program Coordinator	4420-1141-0001-1322
Substitute	SS Program Coordinator	4420-1146-0001-322
Delete	CDC Program Specialist	4420-1141-0001-1598
Substitute	CDC Program Specialist	4420-1154-0001-598

Division of Mental Health, Developmental Disabilities, & Substance Abuse Services

Delete	Primary Care Systems Associate	4460-0000-2000-814
Substitute	Primary Care Systems Associate	4460-8010-2000-814
Delete	Social Worker II	4460-6020-2000-614
Substitute	Social Worker II	4460-6020-0000-614

Division of Medical Assistance

Delete	Processing Assistant V	445-0000-009-177
Substitute	Processing Assistant V	4445-0000-009-177
Delete	SS Program Administrator	4445-0000-006-420
Substitute	SS Program Administrator	4445-0000-0006-420
Delete	Comp. Consult. II	4445-0000-009-145
Substitute	App. Analyst Prog. I	4445-0000-0009-145

Division of Early Intervention and Education

Delete	Audiologist	1132-5255-0032-449
Substitute	Audiologist	4432-5255-0032-449

Division of Public Health

Insert	Deputy Director	4431-0000-0055-221
--------	-----------------	--------------------

Special Provisions

2001 Session: SB 1005

Department: Health and Human Services

Section 5.1

Title: **DHHS Block Grants**

Summary Appropriates federal block grant funds for the 9 grants administered by DHHS. Maintains many programs and allocations for the various programs at FY00/01 levels. Highlights of the changes follow:

Social Services Block Grant:

1. \$750,000 for increased funding of the Comprehensive Treatment Services Program
2. \$395,789 to support a department-wide HIV/AIDS Prevention Initiative
3. \$90,611 to support the continuation of the newborn screening program

Temporary Assistance for Needy Families:

1. \$11,676,624 for establishment of a Cash Assistance Reserve
2. \$2,700,000 for increased funding of After-School Services for Children
3. \$180,000 for establishment of Individual Development Accounts for Work First Participants

(Note: Section 33 of House Bill 231, Appropriations Modifications and Other Changes, SL 2001-513 amends Section 5.1 to add a new subsection which authorizes the Secretary of DHHS to reduce allocations in the TANF Block Grant if funds are not sufficient to ensure cash assistance payments to eligible families.)

Section 21.1

Title: **DHHS Regional Offices**

Summary Directs DHHS to consolidate its regional, district, field and satellite offices across the state. Also directs DHHS to inventory its Wake County-based offices to determine the feasibility of co-locating offices or moving state offices to other locations in the state. Reports due January 1 and July 1, 2002.

Section 21.2

Title: **Centralize Criminal Record Check Functions**

Summary Directs DHHS to centralize all criminal records check functions within DHHS. Report due January 1, 2002.

Section 21.3

Title: **Prescription Drug Assistance Program Management**

Summary Directs DHHS to improve management of all prescription drug assistance programs operated by the Department including requiring increased use of generic drugs and limiting the dispensing of drugs to a 34-day supply. Report due January 1, 2002.

Section 21.5

Title: Toll-Free Phone Line Inventory and Consolidation

Summary Directs DHHS to determine the feasibility of combining all Department-operated and contracted toll-free phone lines to create efficiencies. DHHS shall project a budget for this consolidation and prepare a cost-benefit analysis on the new plan. Reports due December 1, 2001 and April 1, 2002.

Section 21.6

Title: Coordination of Access to Pharmaceutical Company Prescription Drug Programs

Summary Directs DHHS to utilize \$200,000 each year of the biennium to assist eligible individuals in obtaining prescription drugs at no cost or for a nominal fee through pharmaceutical company programs or initiatives. Reports due December 1, 2001, April 1, and October 1, 2002.

(Note: Section 20 of House Bill 231, Appropriations Modifications and Other Changes, SL 2001-513 changes this proposed pharmaceutical access program to a decentralized effort.)

Section 21.7

Title: Adult Care Home Reimbursement Rates Implementation Plan

Summary Directs DHHS to implement selected recommendations in the March 1, 2001 performance audit report, "Adult Care Home Reimbursement Rates". Report due April 1, 2002.

Directs the Fiscal Research Division to issue a Request For Proposals for an independent consultant to develop a new rate methodology for establishing reimbursements for adult care homes. Report due June 1, 2002.

Section 21.9

Title: Long-Term Care Continuum of Care

Summary Directs DHHS to cooperate with other State and local agencies to continue the development of a system that provides a continuum of long-term care for elderly and disabled individuals and their families. Report due April 15, 2002.

Section 21.10

Title: Recodification of Administrative Rules

Summary Authorizes the Codifier of Rules to continue the process of reorganizing rules to reflect the reorganization of the DHHS and the Department of Environment and Natural Resources (if necessary).

Section 21.11

Title: Transfer of Certain Funds Authorized

Summary Codifies language which allows the Director of the Budget to transfer certain funds to local departments of social services, public health, and area mental health authorities in order to assure maximum utilization of the funds.

Section 21.12

Title: Physician Services

Summary Allows DHHS, if funds are available and with the Office of State Budget and Management approval, to implement legislative salary increases to contract physicians who provide services in state institutions.

Section 21.13

Title: **Eliminate Joint Legislative Public Assistance Commission**

Summary Repeals G.S. 120-225 which established the Joint Legislative Public Assistance Commission to oversee the reform of the state's welfare system.

Section 21.14

Title: **Establish Office of Policy and Planning**

Summary Directs DHHS to establish an Office of Policy and Planning from within existing resources and staff. The office will coordinate the development of policies, plans and rules across DHHS. Report due January 1, 2002.

(Note: Section 110 of House Bill 338, Technical Corrections, SL 2001-487 amends this section to clarify that positions in the Office of Policy and Planning are exempt from the State Personnel Act including the cap on exempt positions.)

Section 21.16

Title: **County Health and Human Services Budget Guidance**

Summary Requires DHHS to include public health budget estimates in its annual budget guidance to counties and to include the local county commissioners and county managers in the distribution.

Section 21.17

Title: **Information Technology Project Contracts**

Summary Authorizes DHHS to establish special time-limited positions, not subject to the State Personnel Act, to facilitate in the compliance with the federal Health Insurance Portability and Accountability Act (HIPPA) of 1996.

Section 21.18

Title: **Use of Savings Realized from Position Eliminations**

Summary Requires DHHS to re-direct non-State funds saved from position eliminations into direct services for clients.

Section 21.18A

Title: **Intervention Services Unit**

Summary Directs DHHS to create an Intervention Services Unit in the Office of the Secretary. The purpose of this unit shall be to enhance coordination among programs and activities related to intervention services across divisions.

Section 21.18B

Title: **Centralized Contracts System**

Summary Directs DHHS to implement a centralized contracts system including the development of consistent policies and procedures for the development and execution of contracts across DHHS.

Section 21.18C

Title: **Family Support Services**

Summary Directs DHHS to coordinate all family support contracts and activities across divisions and programs.

Section 21.18D

Title: **HIV/AIDS Prevention Initiative**

Summary Directs DHHS to incorporate developmentally appropriate education and awareness, and outreach campaigns to strengthen and enhance prevention and intervention programs directed at the reduction of HIV/AIDS. The objective is to include information in current prevention and intervention activities, as defined in this section. Directs other state agencies to incorporate appropriate HIV/AIDS education and awareness into their programs.

Section 21.19

Title: **Medicaid Program**

Summary Establishes eligibility requirements for the Medicaid Program. Establishes the services provided and the allowable payment levels for providers under the Medicaid Program.

Sets the dispensing fee for prescription drugs at \$5.60 for generic drugs and \$4.00 for brand name drugs. Generic drugs must be dispensed unless a physician prescribes that a brand name drug is "medically necessary".

Directs DMA to use the latest audited cost reporting data available when establishing provider rates or changing reimbursement methodologies.

Requires DMA to apply federal transfer of assets policies to real property excluded as income producing.

Section 21.20

Title: **Adoption of Medical Coverage Policy Under State Medicaid Program; Medical Coverage Policy Exempt From Rule Making Under the APA**

Summary Exempts medical coverage policy for the Medicaid Program from rulemaking under the APA, and establishes procedures for the development and adoption of medical coverage policy by DHHS.

Section 21.21

Title: **County Medicaid Cost Share**

Summary Authorizes DHHS to incrementally increase the county share of Medicaid mental health services until the county share reaches 15% of the nonfederal share in SFY 2009-10.

Authorizes DHHS to incrementally decrease the county share of Medicaid personal care services in adult care homes until the county share reaches 15% of the nonfederal share in SFY 2009-10.

Section 21.22

Title: **NC Health Choice**

Summary Eliminates the two-month waiting period for all children eligible for the NC Health Choice Program. Funding for the Program is limited to the state appropriations provided in each year of the biennium.

Section 21.23

Title: **Disposition of Disproportionate Share Receipt Change**

Summary Directs DHHS to deposit Disproportionate Share Hospital receipts with the State Treasurer as nontax revenue.

Section 21.24

Title: **Medicaid Cost-Containment and Growth Reduction**

Summary Requires DHHS to reduce the rate of growth of the Medicaid Program during the SFY 2002-03 to 8% or less of the total expenditures for SFY 2001-02 excluding the rate of growth associated with eligibles. Requires DHHS to prepare a five-year fiscal analysis on all proposed changes in medical policy. Report due December 1, 2001.

Section 21.25

Title: **Medicaid Cost-Containment Activities**

Summary Authorizes DHHS to use up to \$3,000,000 of Medicaid funds budgeted for program services to support the cost of administrative activities that will help contain the cost of the Medicaid Program.

Section 21.26

Title: **Medicaid Program Management**

Summary Directs DHHS to improve the management of the Medicaid Program and consider the findings and recommendations in the "NC Medicaid Benefit Study". Requires DHHS to implement a pharmacy management plan to achieve anticipated savings and specifies activities for the Department to consider in the development of this plan. Report due January 1, 2002.

Section 21.27

Title: **Carolina ACCESS Program Improvements**

Summary Directs DHHS to improve the effectiveness and efficiency of the Carolina ACCESS Program -- Medicaid's primary care case management program.

Section 21.28

Title: **Study Optional Services Under Medicaid Program**

Summary Directs DHHS to study all optional Medicaid services to consider how cost-containment can be achieved by reducing or eliminating the service. Report due April 1, 2002 .

Section 21.28A

Title: **TBI Medicaid Waiver**

Summary Directs DHHS to develop and seek a waiver for a Community Alternatives Program for individuals with traumatic brain injury. Implementation of the waiver must be approved by the NC General Assembly and funds appropriated. Reports due December 1, 2001 and March 1, 2002.

Section 21.29

Title: **Special Assistance Demonstration Project**

Summary Continues a pilot project allowing participants to remain in their homes and receive Special Assistance payments. Establishes that the standard payment to participants in the project will be 50% of the monthly payment they would have received had they entered an Adult Care Home Facility. Report due January 1, 2003.

(Note: Section 1.(m) of House Bill 231, Appropriations Modifications and Other Changes, SL 2001-513 amends this section to add a June 30, 2002 reporting date.

Requires the Department to pursue a Medicaid Waiver to provide medical assistance to participants in the pilot project. Report on Medicaid Waiver due December 1, 2001 and March 1, 2002.

Section 21.30

Title: **Senior Center Outreach**

Summary Specifies how Senior Center Outreach funding may be used to enhance senior citizen center programs.

Section 21.31

Title: **Funds for Alzheimer's Association Chapters in North Carolina**

Summary Provides funds for the two Alzheimer's Association Chapters in North Carolina.

Section 21.32

Title: **Area Agencies on Aging Cost Savings Study; Reduction in Number of Agencies; Funds**

Summary Directs DHHS to conduct a study to determine potential cost savings and increased efficiencies to be gained by a reduction in the number of Area Agencies on Aging (AAA's). Report due March 1, 2002.

Directs the appropriation of \$700,000 be divided equally among the AAA's for various administrative and operational purposes.

Section 21.33

Title: **Division of Aging Consolidation of Sections**

Summary Directs the Division of Aging to reduce layers of management and streamline operations by consolidating the Planning and Information Section with the Budget and Information Section. Stipulates that associated savings be redirected into services for clients.

Section 21.35

Title: **Adult Care Home Resident Assessment Services**

Summary Directs that funds appropriated for State and local positions for assessing prospective adult care home clients be used for personnel trained in the specific needs of older adults and the disabled. These positions are directed to develop and collect relevant data, provide technical assistance to adult care home staff on how to conduct functional assessments, develop care plans, and to assist in monitoring the Special Assistance Demonstration Project.

Section 21.36

Title: **Quality Criteria for Long-Term Care**

Summary Authorizes DHHS and the Institute of Medicine to continue a work group to develop criterion-based indicators for the monitoring of quality of care in long-term care facilities in North Carolina.

Section 21.38

Title: **Limitations on State Abortion Fund**

Summary Maintains restrictions, enacted during the 1995 Legislative Session, for the State Abortion Fund.

Section 21.40

Title: **Special Children Adoption Fund**

Summary Authorizes the use of \$1.1 M for the Special Children Adoption Fund to facilitate adoptions and to enhance adoption-related services.

Section 21.41

Title: **Foster Care and Adoption Assistance Payments**

Summary Maintains the monthly graduated payment schedule for foster care and adoption assistance payments established during the 1994 Legislative Session. Maintains the additional assistance payments for families in which foster care and adoptive children are at risk of HIV/AIDS or have been determined to have HIV/AIDS.

Section 21.42

Title: **Special Needs Adoptions Incentive Fund**

Summary Continues an incentive fund to facilitate the adoption of special needs children by their foster care families by removing the financial barriers to the adoption of these children. Report due April 1, 2002.

Section 21.44

Title: **State/County Special Assistance**

Summary Increases the State/County Special Assistance rate from \$1,062 per month to \$1,091 per month effective 10/1/01. Increases the State/County Special Assistance rate from \$1,091 per month to \$1,120 per month effective October 1, 2002.

Section 21.45

Title: **State Maternity Home Fund**

Summary Directs DHHS to assess alternative resources for clients receiving services through the State Maternity Home Fund. Requires a report on the cost comparison of services. Report due April 1, 2002.

Section 21.46

Title: **Child Welfare System Pilots**

Summary Requires DHHS to plan for the implementation of dual tract child welfare system pilots. Allows the Department to proceed with implementation of the pilot program if non-State funds are identified for that purpose.

Section 21.47

Title: **State Adult Day Care Fund**

Summary Directs the Division of Aging to implement changes to the methodology currently used for allocating adult day care slots paid for with the State Adult Day Care Fund. Report due January 1, 2002.

Section 21.48

Title: **Family Resource Centers**

Summary Directs DHHS to evaluate the use of all State and federal funds allocated to Family Resource Centers. Also directs DHHS to develop performance measurement protocol based on National Standards. Funds for Family Resource Centers are to be re-directed to focus on core services that have a direct impact on strengthening family support. Report due May 1, 2002.

Section 21.49

Title: **Reorganization of Division of Social Services**

Summary Directs the DHHS, Division of Social Services to reduce layers of management and streamline operations including the consolidation of the Resource and Information Management and Budget Operations Sections and the consolidation of several program branches within the Economic Independence Section. Further directs the elimination of certain sections and branches in accordance with specific position eliminations.

Section 21.50

Title: **Intensive Family Preservation Services Funding and Performance Enhancements**

Summary Requires DHHS to implement strategies that will improve the sustainability and effectiveness of the Intensive Family Preservation Services Program. Requires the DHHS to establish performance-based funding protocol. DHHS is required to collect additional data in order to directly track the success of specific interventions. Reports due April 1, 2002 and December 1 annually.

Section 21.51

Title: **TANF State Plan**

Summary Enacts the 2001-2003 State Temporary Assistance for Needy Families (TANF) Plan and approves 13 counties to participate as "electing" counties in the Work First Program. Also allows, for budget purposes only, the 13 counties to continue to operate under their prior designation/status until September 30, 2001.

Section 21.52

Title: **Repeal Recipient Identification System**

Summary Repeals G.S. 108A-24(1a) and 108A-25.1 which mandated the development and implementation of an automated recipient identification system for the state's welfare program.

Section 21.53

Title: **Child Support Program/Enhanced Standards**

Summary Directs DHHS to develop and implement performance standards for each state and county child support enforcement office across the state. Also directs the department to develop and implement a program to reward exemplary performance. Reports due January 15, and May 1, 2002.

Section 21.54

Title: **Adult Care Home Model of Community-Based Services**

Summary Directs DHHS to develop a model project for delivering community-based mental health, developmental disabilities, and substance abuse housing and services through adult care homes that have excess capacity. The model will be designed for the implementation of a pilot project. The pilot project specifications are to be consistent with the DHHS Olmstead Plan. Reports due January 1, and March 1, 2002.

Section 21.54A

Title: **Funds for Child Support Services**

Summary Directs the use of \$1,500,000 appropriated to address the needs of urban counties with child support caseload backlogs.

Section 21.55

Title: **Liability Insurance**

Summary Allows DHHS and other affected state agencies to provide medical liability insurance for certain State employees who practice medicine and dentistry and certain contract employees of The University of North Carolina providing services to Division of Mental Health, Developmental Disabilities and Substance Abuse Services clients.

Section 21.56

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

Summary Allows DHHS to ensure that a private agency or provider is not reimbursed more than one time for the same service when contracting with two or more area mental health authorities.

Section 21.57

Title: **Butner Community Land Reservation**

Summary Requires DHHS to reserve specified land, located in the Butner community, for a community building and related purposes. The project is to be funded with cablevision franchise rebate funds, contributions from residents and the county funds.

Section 21.58

Title: **Mental Health, Developmental Disabilities, and Substance Abuse Services Trust Fund for System Reform Bridge and Capital Funding Needs and Olmstead**

Summary Establishes a trust fund to facilitate the reform of the state's mental health, developmental disabilities and substance abuse services system including: (1) funds to enhance community based services and facilitate compliance with the federal Supreme Court decision in Olmstead; (2) bridge funding to provide services to clients during transitional periods such as the closing of state facilities; and (3) capital funds for the construction, repair and renovation of state facilities.

Section 21.59

Title: **Non-Medicaid Reimbursement**

Summary Maintains FY1999-2001 eligibility levels for participation in the Atypical Antipsychotic Medications Program, Medical Eye Care Program and other medical services for non-Medicaid eligible clients; and directs DHHS to set these reimbursement rates as close as possible to Medicaid rates.

Section 21.60

Title: **Comprehensive Treatment Services Program**

Summary Directs DHHS to continue the Comprehensive Treatment Services Program which includes a full range of services for children requiring mental health services. Clarifies that the Program includes both residential and non-residential services for children and youth at risk for out-of-home placement. Also, requires a Memorandum of Agreement between DHHS, the Department of Public Instruction and other affected state and local agencies prior to the allocation of any funds for the Program. Reports due December 1, 2001 and April 1, 2002.

Updates the title and clarifies the focus of the Program formerly known as the Residential Treatment Services Program (established during the 2000 Session in House Bill 1840, Section 11.19).

Section 21.61

Title: **Whitaker School**

Summary Directs DHHS to develop a transition plan for children residing and receiving services in Whitaker School, one of the state's adolescent treatment facilities. The plan would include an assessment of children's needs after discharge from the facility including the identification of further residential services if appropriate. Reports due April 1, and October 1, 2002.

Section 21.62

Title: **Mental Retardation Center Transition Plan**

Summary Directs DHHS to develop and implement a plan for the transfer of residents in the state's five mental retardation centers to alternate settings such as their homes and other community programs and services. Authorizes DHHS to use funds from the newly created Mental Health/Developmental Disabilities/Substance Abuse Services Trust Fund for System Reform Bridge and Capital Funding Needs and Olmstead (originally established as the "MH/DD/SAS Reserve for System Reform and Olmstead Decision" during the 2000 Session; and authorized in Section 21. 58) to comply with this section and further authorizes DHHS to place any nonrecurring savings resulting from implementation of the plan into the Reserve. Reports due January 1 and May 1, 2002 and May 1, 2003.

Section 21.63

Title: **Dorothea Dix Hospital**

Summary Directs DHHS to develop and implement a plan for the construction of a replacement facility for Dorothea Dix Hospital. Directs the Secretary, in consultation with the Department of Administration and the Department of the State Treasurer to develop financing options for the construction. Reports due December 1, 2001 and April 1, 2002.

Also directs the department to develop a plan to transition patients to the new facility or other settings such as their homes or community programs and services.
Prohibits admission to the Hospital except when non-state facilities are not available and only for acute psychiatric care.

Authorizes DHHS to place any nonrecurring savings resulting from implementation of this Section into the newly created MH/DD/SAS Trust Fund for System Reform Bridge and Capital Funding Needs and Olmstead (originally established as a reserve during the 2000 Session; and authorized in Section 21. 58). Further authorizes DHHS to retain and use any recurring savings resulting from implementation of this Section in accordance with the Olmstead Decision. Reports due February 1 and May 1, 2002.

Section 21.64

Title: **Reorganization of Division of Mental Health, Developmental Disabilities and Substance Abuse Services**

Summary Directs DHHS, Division of Mental Health, Developmental Disabilities and Substance Abuse Services to reduce layers of management and streamline operations including elimination of the Hospital Services Section and MR/MI Transition Branch; consolidation of certain administrative support functions across the division; and to review the feasibility of organizing around functional needs such as housing and employment rather than disability-specific areas. Reports due November 1 and December 1, 2001 and April 15, 2002.

Section 21.65

Title: **Reduce Administrative Costs of Area Mental Health, Developmental Disabilities, and Substance Abuse Authorities**

Summary Directs area mental health authorities or counties administering local mental health services to develop and implement plans to reduce local administrative costs. The plans are to be developed in accordance with guidelines adopted by the Secretary of DHHS. Reports due January 1 and April 15, 2002.

Section 21.66

Title: **Services to Multiply-Diagnosed Adults**

Summary Directs DHHS to implement various strategies to reduce costs and provide medically necessary services to adults with more than one mental health, developmental disability or substance abuse diagnoses. Requires DHHS to review each individual service plan for former Thomas S. class members and others whose plans exceed \$100,000. Reports due February 1 and May 1, 2002.

Section 21.67

Title: **Downsizing of Mental Retardation Centers**

Summary Directs DHHS to develop and implement cost containment and reduction strategies to ensure financial and staff downsizing of the state's five mental retardation centers in accordance with the long-standing policy of downsizing the centers; restricts admissions to the state centers only as a last resort and only with approval of DHHS.

Authorizes DHHS to place any nonrecurring savings resulting from implementation of this Section into the Trust Fund established in Section 21.58. Further authorizes DHHS to retain any recurring savings over and above the \$2.9M reduction resulting from implementation of activities in compliance with the Olmstead Decision.

Reports due January 15 and May 1, 2002.

Section 21.68A

Title: **State Psychiatric Hospitals Bed Allocation Plan**

Summary Directs DHHS to develop and implement a plan that provides for the allocation of state psychiatric hospital beds to counties. Report due March 1, 2002.

Section 21.69

Title: **Child Care Allocation Formula**

Summary Revises the Child Care Allocation Formula to include the mandatory 30% of Smart Start funds as the base of each county's allocation of child care subsidy funds and a review of the current formula. Report due April 1, 2002.

Section 21.70

Title: **Child Care Matching Requirement**

Summary Prohibits DHHS from requiring counties to provide local matching funds as a condition of receiving state child care subsidy funds.

Section 21.71

Title: **Child Care Revolving Loan**

Summary Permits DHHS to contract with a financial institution to operate the Child Care Revolving Loan Fund.

Section 21.72

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

Summary Specifies certain administrative requirements for the Smart Start Initiative: (1) an 8% statewide expenditure cap on administration for local partnerships; (2) mandatory competitive bidding practices; and (3) a 20% statewide cash and in-kind match.

Section 21.73

Title: **Child Care Subsidy Rates**

Summary Provides for various changes in the administration of the State's child care subsidy program: (1) Repeals the automatic rate increases enacted into law during the 2000 Short Session (G.S. 110-109 and Subsection (d) of Section 11.27 of S.L. 2000-67; (2) Increases the fees participating families pay for child care; (3) Authorizes the State to establish and implement various types of payment rates for providers as appropriate; and (4) Allows the continuation of child care subsidy for eligible children of noncitizen families.

Section 21.74

Title: **Division of Child Development Reorganization**

Summary Directs the Division of Child Development to reduce layers of management and streamline operations by eliminating two sections and other certain organizational changes resulting from various position eliminations.

Section 21.75

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

Summary Directs DHHS and the North Carolina Partnership for Children (NCPC) to develop and implement the following: (1) Policies to ensure Smart Start funds are allocated to providers who serve low-income children, with priority given from providers with the lowest star rating to the highest; (2) Policies to ensure that providers receiving Smart Start funds serve adequate numbers of low-income children; (3) Policies to address duplication in the administration of child care subsidy voucher funds; (4) Policies to ensure timely and accurate child care subsidy utilization data; and (5) Prohibits the allocation of one-time improvement grants to 4-and 5-star child care facilities except for projects to serve additional low-income children.

Also does the following: (A) Directs DHHS, NCPC and the Department of Public Instruction to develop and implement policies and procedures to facilitate local planning and coordination of programs and services serving children transitioning to kindergarten ; (B) Eliminates the statutory carryforward of Smart Start funds and directs the development of a separate fund code within DHHS which clearly delineates all Smart Start budgetary activities; (C) Directs DHHS and NCPC in the allocation of the \$10.5M reduction in Smart Start appropriations and prohibits the use of Smart Start funds for capital expenditures and playground equipment for FY01/02; (D) Requires DHHS and NCPC to evaluate the feasibility of developing a revised Smart Start funding formula which takes into account all funding available for services to children under 5; and (E) Directs NCPC to report annually and quarterly on the Initiative.

Section 21.76

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

Summary Directs the DHHS, Division of Child Development to focus the use of the \$500,000 appropriated to evaluate the Smart Start Initiative to assess the State's progress in preparing children for kindergarten. Also allows the use of the funds to continue technical assistance to local partnerships.

Section 21.76B

Title: **Development of More At Four Pilot Program**

Summary Directs the use of \$6,456,500 appropriated to develop and implement the "More At Four" preschool pilot for at-risk 4-year olds. Establishes the foundation for the pilot as follows: (1) Establishment of a "More At Four" Pre-K Task Force to oversee development and implementation; (2) Identification of children appropriate for participation in the pilot; (3) Utilization of established pre-K curriculum; (4) Measurement of child-specific outcomes; (5) Establishment of a system, built upon the existing child care reimbursement system, which reimburses participating programs; and (6) Collaboration with other state and local agencies and consideration of reallocation of existing funds for pre-K and related services. Reports due January 1, and May 1, 2002 and a final report to the 2003 General Assembly.

(Note: Section 112 of House Bill 338, Technical Corrections, SL 2001-487 amends this section to add a representative of the North Carolina Partnership for Children, Inc. to the "More At Four" Pre-K Task Force.)

Section 21.77

Title: **Consolidation and Transfer of Program Funds in the Division of Services for the Blind**

Summary Allows the Division of Services for the Blind to consolidate the operating budgets for the Medical Eye Care Program and the Independent Living Services Program.

Section 21.78

Title: **Eligibility for Vocational Rehabilitation and Independent Living Services**

Summary Directs DHHS to compare the eligibility standards for Vocational Rehabilitation and Independent Living Services to standards used in other states. Directs DHHS to develop a plan maximize the resources of the Vocational Rehabilitation and Independent Living Services Programs and target the resources appropriately. Report due March 1, 2002.

Section 21.79

Title: **Maximization of Receipts for Early Intervention Programs**

Summary Directs DHHS to maximize receipts for evaluations and services provided by the Developmental Evaluation Centers and the Early Intervention Program.

Section 21.80

Title: **Create Office of Education Services**

Summary Directs DHHS to create an Office of Educational Services. Requires DHHS to dissolve the current Division of Early Intervention and Education and transfer the entire Early Intervention Program into the Division of Public Health, Women's and Children's Health Section.

Section 21.81

Title: **Closure of Central North Carolina School for the Deaf at Greensboro**

Summary Amends the General Statute to reflect DHHS's closure of the Central North Carolina School for the Deaf in Greensboro.

Section 21.82

Title: **Residential Schools for the Deaf**

Summary Directs DHHS to assess the educational needs of the students currently at the residential schools for the deaf. Requires DHHS shall identify resources necessary to educate these students in the public school system. Directs DHHS to develop a plan for the students are seriously emotionally disturbed and prepare plans to place them in appropriate settings. Report due March 15, 2002.

Section 21.83

Title: **Preschool Programs for the Deaf**

Summary Directs DHHS to transition the children at the State-operated preschool programs for the deaf to other preschool services. Requires DHHS to develop transition plans for the appropriate placement of the children located at these sites.

Section 21.84

Title: **Early Intervention Pilots**

Summary Prohibits the Division of Public Health from expanding the interagency database pilot program statewide. The Division shall maintain, evaluate and improve the three pilot projects already in operation. Report due October 1, 2001.

(Note: Section 113 of House Bill 338, 2001 Technical Corrections, SL 2001-487 corrects the name of the Division of Public Health's interagency database system.)

Section 21.85

Title: **Evaluation of Early Intervention System**

Summary Directs the Department of Health and Human Services to assess the early intervention system and determine why children are waiting for services outside of the allowed evaluation and services time period. The Department shall develop a plan that identifies resources necessary to improve the system. Reports due December 1, 2001 and April 1, 2002.

Section 21.86

Title: **Immunization Program Restitution Policy**

Summary Codifies the Immunization Restitution Policy that requires program providers to pay for replacement vaccines when inventory has become spoiled or unstable due to the provider's negligence.

Section 21.87

Title: **Immunization Program Funding**

Summary Allows DHHS to utilize \$2M during the biennium for child immunization outreach activities, to maintain service delivery of vaccines, and in the continual development of the immunization registry.

Section 21.88

Title: **Prescription Drug Assistance Program**

Summary Directs DHHS to maintain the Elderly Drug Assistance Program at the current funding level and maintain the same eligibility requirements.

Section 21.89

Title: **Adolescent Pregnancy Prevention Initiatives**

Summary Amends general statute language to provide guidance for the adolescent pregnancy prevention programs and directs the Health Services Commission to adopt rules for the administration of the program, within the guidelines set forth in the special provision.

Section 21.90

Title: **AIDS Drug Assistance Program (ADAP)**

Summary Directs DHHS to raise eligibility for the AIDS Drug Assistance Program to 150% of the federal poverty level (FPL) upon completion of the comprehensive management program, and to 175% FPL after six months of the initial increase. Reports due January 1, and April 1, 2002.

Directs DHHS to develop a plan for promoting patient adherence to physician treatment. Report due May 1, 2002.

Section 21.91

Title: **Division of Public Health Reorganization**

Summary Directs DHHS to create a Section of Financial Management and Support within the Division of Public Health. This new section shall consolidate all budgeting, purchasing, contract oversight and computer networking functions. Directs DHHS to establish a permanent full-time position for Local Health Services Section Chief and discontinue contracting for this service. Report due December 1, 2001.

Section 21.91A

Title: **Division of Public Health Nurse Consultant and Public Health Educator Consolidation**

Summary Directs DHHS, Division of Public Health to conduct an evaluation of all nurse consultant positions to determine the feasibility of consolidating any functions, in order maximize services for local health departments. Directs DHHS to evaluate the duties of health educators to determine the feasibility of combining any duties, in order to create efficiencies and save resources. Report due March 1, 2002.

Section 21.92

Title: **State Laboratory**

Summary Directs DHHS to create a five-year equipment replacement schedule for the State Laboratory. DHHS shall assess the current fee structure and various laboratory services to determine adequacy and examine the feasibility of contracting for additional services. Report due March 1, 2002.

Section 21.93

Title: **Centralization of Statistical Management and Analysis Functions**

Summary Directs DHHS to create a statistical analysis and data management unit within the Office of the Secretary, for the purpose of enhancing and consolidating statistical analyses functions and information management across all divisions. Reports due December 1, 2001, June 1, and December 1, 2002.

Section 21.94

Title: **Public Health Prevention Activities Report**

Summary Directs DHHS to conduct an inventory of all activities in the prevention of infant mortality and birth defects. Report due March 1, 2002.

Section 21.95

Title: **Heart Disease and Stroke Prevention Task Force**

Summary Directs the Heart Disease and Stroke Prevention Task Force to report on activities during the first week of convening General Assembly 2002 and June 30, 2003.

Section 21.96

Title: **Newborn Hearing Screening Program Report**

Summary Directs DHHS to report data on the Newborn Hearing Screening Program. Report due May 1, 2002.

Section 21.97

Title: **Intensive Home Visiting**

Summary Prevents DHHS from using state funds to contract for an evaluation or technical assistance for the Intensive Home Visiting Program. Report due April 1, 2002.

Section 21.98

Title: **Access to Oral Health Care**

Summary Directs the appropriation of funding to improve access to dental health services for Medicaid eligible children and adults. Funding allocated in this section may not be used to pay attorneys' fees in the settlement of the case of Andrican et al. v. Buell et al.

Section 21.99

Title: **Contractual Services Limitation**

Summary Limits the amount of funding for contracts used in the management of the teen pregnancy prevention programs. Report due March 1, 2002.

Section 21.100

Title: **Prescription Drug Initiatives Grant Funds**

Summary Directs the Health and Wellness Trust Fund Commission to develop criteria for awarding grants that will enable programs and initiatives addressing access to prescription drugs to seniors and disabled citizens, to receive grants from the fund.

**NATURAL
&
ECONOMIC
RESOURCES**

Agriculture and Consumer Services

		GENERAL FUND	
		FY 2001-02	FY 2002-03
Recommended Budget		\$56,695,276	\$56,695,276
Legislative Changes			
Administration/Public Affairs			
1 Eliminate Vacant Positions		(\$89,329) R	(\$89,329) R
Eliminate positions and reduce operating support.			
		-2.00	-2.00
Administrative Secretary III	(\$40,351)		
Information and Communication Specialist II	(\$41,978)		
Operating Support	(\$ 7,000)		
2 Reduce Line Items		(\$15,097) R	(\$15,097) R
Reduce various operating line items within Administration and Public Affairs.			
3 Reduce Ag in the Classroom		(\$6,250) R	(\$6,250) R
Reduce grant-in-aid to the NC Farm Bureau for the Ag in the Classroom program.			
4 Create Gasoline/Natural Gas Reserve		\$100,000 R	\$100,000 R
Provides funds to be placed in a reserve and allocated to divisions for gasoline and natural gas needs.			
5 Create Laboratory Reserve		\$150,000 R	\$150,000 R
Establish reserve for laboratory equipment to be allocated to divisions on a priority needs basis.			
Agricultural Finance Authority			
6 Reduce Line Items		(\$28,566) R	(\$28,566) R
Reduce operating support to the Agricultural Finance Authority.			
Agricultural Statistics			
7 Eliminate Vacant Positions		(\$61,704) R	(\$61,704) R
Eliminate positions and reduce operating support.			
		-2.00	-2.00
Data Entry Supervisor I	(\$25,331)		
Statistical Assistant IV	(\$29,373)		
Operating Support	(\$ 7,000)		
Agronomic Services			
8 Increase Receipts		(\$41,800) R	(\$41,800) R
Budget increased receipts and reduce the General Fund appropriation by an equal amount.			

Overview: 2001 Session Fiscal and Budgetary Actions

FY 2001-02

FY 2002-03

9 Eliminate Vacant Position

Eliminate Data Entry Operator II position and reduce \$3,500 in operating support.

(\$37,911) R

(\$37,911)

-1.00

-1.00

10 Reduce Scientific Supplies

Reduce scientific supplies line item.

(\$6,850) R

(\$6,850)

Aquaculture and Natural Resources

11 Reduce Line Items

Reduce various operating line items within Aquaculture and Natural Resources.

(\$5,550) R

(\$5,550)

Commissioner's Office

12 Farmland Preservation Trust Fund

Provides funds for the Farmland Preservation Trust Fund (SB 1005, Section 17.3).

\$200,000 NR

Food and Drug Protection

13 Reduce Line Items

Reduce various operating line items within the Division.

(\$101,066) R

(\$101,066)

14 Increase Receipts

Budget increased receipts and reduce the General Fund appropriation by an equal amount.

(\$22,000) R

(\$22,000)

15 Eliminate Vacant Positions

Eliminate vacant positions and reduce operating support.

(\$152,969) R

(\$152,969)

-4.00

-4.00

Technical Trainer II (\$37,688)
Pesticide Specialist I (\$36,904)
Processing Assistant III (\$30,855)
Chemistry Technician I (\$33,522)
Operating Support (\$14,000)

Food Distribution

16 Reduce Line Item

Reduce trailers line item.

(\$29,000) R

(\$29,000)

Marketing

17 Eliminate Positions

Eliminate positions and reduce operating support.

(\$114,753) R

(\$114,753)

-3.00

-3.00

Maintenance Mechanic I (\$27,857)
Int'l. Marketing Specialist II (\$53,861)
General Utility Worker (\$22,535)
Operating Support (\$10,500)

Agriculture and Consumer Services

Overview: 2001 Session Fiscal and Budgetary Actions

		FY 2001-02		FY 2002-03	
18 Increase Receipts		(\$124,300)	R	(\$124,300)	R
Budget increased receipts and reduce the General Fund appropriation by an equal amount.					
19 Eliminate Vacant Positions		(\$109,061)	R	(\$109,061)	R
Eliminate vacant positions and reduce operating support.					
		-2.00		-2.00	
Facility Agric. Engineer II	(\$77,140)				
Office Assistant III	(\$24,921)				
Operating Support	(\$ 7,000)				
20 Reduce Raleigh Farmers' Market Transfer		(\$80,000)	R	(\$80,000)	R
Reduce General Fund transfer to the Raleigh Farmers' Market.					
21 Reduce Western NC Ag Center/Mountain State Fair		(\$20,000)	R	(\$20,000)	R
Reduce General Fund transfer to the Western NC Agricultural Center/Mountain State Fair Enterprise Fund.					
22 Reduce Western NC Development Association		(\$5,000)	R	(\$5,000)	R
Reduce grant-in-aid to the Western North Carolina Development Association.					
Plant Industry					
23 Eliminate Vacant Positions		(\$114,188)	R	(\$114,188)	R
Eliminate positions and reduce operating support.					
		-3.50		-3.50	
Ag Research Technician I (0.50 FTE)	(\$13,340)				
Chemistry Technician II	(\$31,567)				
Processing Assistant II	(\$29,462)				
Office Assistant III	(\$27,569)				
Operating Support	(\$12,250)				
24 Reduce Line Items		(\$64,485)	R	(\$64,485)	R
Reduce various line items in the Division.					
25 Increase Gypsy Moth Control Funds		\$50,000	R	\$50,000	R
Provides funds to supplement federal funds for the department's program to control the spread of the gypsy moth.					
Research Stations/State Farms					
26 Reduce Vehicles		(\$122,500)	R	(\$122,500)	R
Reduce other motorized vehicles line item.					
27 Eliminate Vacant Positions		(\$126,016)	R	(\$126,016)	R
Eliminate vacant positions and reduce operating support.					
		-4.00		-4.00	
Agricultural Research Assistant I	(\$30,425)				
Agricultural Research Assistant I	(\$23,387)				
Agricultural Research Assistant	(\$22,980)				
Maintenance Mechanic IV	(\$35,224)				
Operating Support	(\$14,000)				

Overview: 2001 Session Fiscal and Budgetary Actions

FY 2001-02

FY 2002-03

Standards**28 Eliminate Vacant Positions**

(\$79,754) R

(\$79,754)

Eliminate vacant positions and reduce operating support.

-2.00

-2.00

Standards Inspector II (\$32,403)

Standards Inspector I (\$40,351)

Operating Support (\$ 7,000)

29 Reduce Line Items

(\$18,000) R

(\$18,000)

Reduce various operating line items within the Division.

Structural Pest**30 Increase Receipts**

(\$7,160) R

(\$7,160)

Budget increased receipts and reduce the General Fund appropriation by an equal amount.

31 Reduce Line Items

(\$2,140) R

(\$2,140)

Reduce various line items within the Division.

Veterinary Services**32 Eliminate Positions**

(\$141,863) R

(\$141,863)

Eliminate positions and reduce operating support.

-3.00

-3.00

Veterinarian (\$84,442)

Vet Laboratory Assistant I (\$23,851)

Vet Laboratory Assistant I (\$23,070)

Operating Support (\$10,500)

33 Reduce Scientific Supplies

(\$3,460) R

(\$3,460)

Reduce scientific supplies line item.

34 Meat and Poultry Inspection

(\$96,464) R

(\$96,464)

Eliminate vacant Meat and Poultry Inspector positions, associated receipts, and operating support.

-5.00

-5.00

Meat and Poultry Inspectors (5.00 FTE) (\$78,964)

and Associated Receipts

Operating Support (\$17,500)

Total Legislative Changes

(\$1,527,236) R

(\$1,527,236)

\$200,000 NR

Total Position Changes

-31.50

-31.50

Revised Budget

\$55,368,040

\$55,168,040

Special Provisions

2001 Session: SB 1005

Department: Agriculture and Consumer Services

Section 2.2

Title: **General Fund Availability Statement**

Summary Section 2.2 (d) transfers cash balances remaining in special funds in various state departments. For the Department of Agriculture and Consumer Services, the following special fund was reduced:

Warehouse Investment Fund - \$500,000

Section 17.1

Title: **Authorize Promotion of NC Farm Products at Rest Areas and Welcome Centers**

Summary Amends Article 6D of Chapter 136 of the General Statutes to allow for the distribution of promotional materials and free samples of North Carolina farm products at rest areas and welcome centers.

Section 17.2

Title: **Transfer Rural Rehabilitation Corporation to Agricultural Finance Authority**

Summary As title indicates, transfers the operations of the Rural Rehabilitation Corporation to the Agricultural Finance Authority (Type I transfer). Repeals Article 2 of Chapter 137 of the General Statutes. Requires the Agricultural Finance Authority to report to the Joint Legislative Commission on Governmental Operations, the House and Senate Appropriations Subcommittees on Natural and Economic Resources, and Fiscal Research by January 15, 2002 on the status of the transfer and any statutory changes that are needed to implement the transfer.

Section 17.3

Title: **Farmland Preservation Funds**

Summary Directs that the \$200,000 appropriated in this act for the Farmland Preservation Trust Fund be used to continue the purposes for which the Fund was established.

Section 17.4

Title: **Farmers Markets and Agricultural Centers/Vending Facility Exemption**

Summary Adds farmers markets and agricultural centers to the definitions of state property and state buildings in G.S. 111-42(c), exempting them from preferential treatment to blind persons in the operation of vending facilities on state property.

Commerce

		GENERAL FUND	
		FY 2001-02	FY 2002-03
Recommended Budget		\$45,027,007	\$45,027,007
Legislative Changes			
Business & Industry			
35 Eliminate Vacant Position	(\$52,772) R	(\$52,772) R	
Eliminate vacant Industrial Development Representative II position and reduce \$3,500 in operating support.	-1.00	-1.00	
36 Create Developer Positions	\$120,000 R	\$120,000 R	
Provides funds for new Economic Developer positions and operating support.	2.00	2.00	
Center for Entrepreneurship & Technology			
37 Abolish Center for Entrepreneurship & Technology	(\$624,856) R	(\$624,856) R	
Abolish Center for Entrepreneurship & Technology by eliminating positions, operating support, and Reserve for New and Emerging Industries (SB 1005, Section 20.4).	-4.00	-4.00	
Executive Director	(\$101,562)		
Economic Developer	(\$77,451)		
Economic Developer	(\$80,372)		
Administrative Assistant III	(\$45,954)		
Operating Support	(\$119,517)		
Reserve for New & Emerging Ind	(\$200,000)		
Commerce Finance Center			
38 Industrial Recruitment Competitive Fund (One NC)			
Continues support for the Industrial Recruitment Competitive Fund (SB 1005, Section 20.3).	\$15,000,000 NR		
Community Assistance			
39 Reduce Funding for Councils of Government	(\$55,000) R	(\$55,000) R	
Reduce funding for the Councils of Government (COGs) due to the closing of the Region H COG (SB 1005, Section 20.12).			
Department Wide			
40 Transfer Board of Science and Technology	\$371,302 R	\$371,302 R	
Transfers the Board of Science and Technology, including 3 positions (Executive Director, Administrative Secretary III, and Education Consultant), to the Department of Commerce. Special provision recodifies the statutory authority of the Board as established in Part 27 of Article 9 of Chapter 143B of the General Statutes to Part 18 of Article 10 of Chapter 143B of the General Statutes (SB 1005, Section 7.6).	3.00	3.00	

Overview: 2001 Session Fiscal and Budgetary Actions

FY 2001-02

FY 2002-03

41 Transfer from OSBPM - State Data Center

\$0 R \$0 R

Transfers a Statistician II position currently housed in the State Data Center within the State Planning Section of OSBPM to the Employment Security Commission. This position is responsible for analyzing the employment activity data captured in the common follow-up information management system. The salary (\$45,077) and benefits (\$9,315) for this position are currently funded by a transfer from the Worker Training Trust Fund in the Department of Commerce (SB 1005, Section 20.17).

Industrial Commission

42 Eliminate Vacant Positions

(\$88,895) R (\$88,895) R

Eliminate vacant positions and reduce operating support.

-2.75 -2.75

Processing Assistant III (\$27,672)
Data Control Clerk III (\$26,360)
Processing Assistant III (.50 FTE) (\$18,211)
Computer Support Tech (.25 FTE) (\$7,027)
Operating Support (\$9,625)

43 Reduce Operating Support

(\$44,061) R (\$44,061) R

Reduce operating line items.

44 Eliminate Position

(\$40,435) R (\$40,435) R

Eliminate Processing Assistant IV position and reduce \$3,500 in operating support.

-1.00 -1.00

45 Reduce Salary Reserve

(\$2,698) R (\$2,698) R

Reduce salary reserve for Applications Analyst Programmer position.

International Trade

46 Research Triangle International Visitors Center

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

Reduce general operating budget by 5%.

Marketing

47 Reduce Advertising

(\$200,000) R (\$200,000) R

Reduce advertising line item.

Tourism, Film and Sports Development

48 Eliminate Vacant Position

(\$47,354) R (\$47,354) R

Eliminate Information & Communication Specialist II position and reduce \$3,500 in operating support.

-1.00 -1.00

Overview: 2001 Session Fiscal and Budgetary Actions

		FY 2001-02		FY 2002-03	
49 Reduce Welcome Center Positions		(\$50,415)	R	(\$50,415)	F
Reduce selected positions in Welcome Centers from 40 to 30 hours per week and reduce operating support.		-2.00		-2.00	
General Utility Worker (0.25 FTE)	(\$5,031)				
General Utility Worker (0.25 FTE)	(\$5,322)				
General Utility Worker (0.25 FTE)	(\$5,656)				
General Utility Worker (0.25 FTE)	(\$5,031)				
General Utility Worker (0.25 FTE)	(\$5,734)				
General Utility Worker (0.25 FTE)	(\$5,663)				
General Utility Worker (0.25 FTE)	(\$5,656)				
General Utility Worker (0.25 FTE)	(\$5,322)				
Operating Support	(\$7,000)				
50 Reduce Printing		(\$150,000)	R	(\$150,000)	F
Reduce printing line-item.					
51 Eliminate Advertising Reserve		(\$75,000)	R	(\$75,000)	F
Eliminate advertising reserve.					
52 Operating Support		\$180,000	R	\$180,000	F
Additional funds for operating support.					
53 Expand Heritage Tourism		\$50,000	R	\$50,000	F
Funds for a position and operating support at one new heritage tourism site in Winston-Salem.		1.00		1.00	
Wanchese Seafood Industrial Park					
54 Eliminate Vacant Position		(\$35,449)	R	(\$35,449)	F
Eliminate vacant Processing Assistant position and reduce \$3,500 in operating support.		-1.00		-1.00	
Total Legislative Changes		(\$746,633)	R	(\$746,633)	I
		\$15,000,000	NR		
Total Position Changes		-6.75		-6.75	
Revised Budget		\$59,280,374		\$44,280,374	

Special Provisions

2001 Session: SB 1005

Department: Commerce

Section 2.2

Title: General Fund Availability Statement

Summary Section 2.2 (d) transfers cash balances remaining in special funds in various state departments. For the Department of Commerce, the following special fund was reduced:

International Trade Show Fund - \$77,338

Section 5.2

Title: NER Block Grant Funds

Summary Allocates \$45 million in federal Community Development Block Grant (CDBG) funds for the 2002 program year. Provides for subsequent increases or decreases in federal fund availability. Places limitations on CDBG funds. Allows capacity building grants to be made for non-profit organizations from funds available within program categories, program income, or unobligated funds. Directs Commerce to study the feasibility of developing a training program for CDBG administrators and to report to the House and Senate Appropriations Subcommittees on Natural and Economic Resources and Fiscal Research by February 1, 2002.

Section 20.1

Title: Tourism Promotion Funds

Summary Specifies the selection criteria and maximum grant amounts for the tourism promotion grants.

Section 20.2

Title: Wanchese Seafood Industrial Park/Oregon Inlet Funds

Summary Section (a) authorizes Wanchese Seafood Industrial Park to use appropriated general fund resources for operation, maintenance, repairs and capital improvements in addition to other funds available for these purposes. Section (b) prevents funds appropriated in FY2000-01 for the Oregon Inlet Project from reverting on June 30, 2001. Allows these funds to be used for legal costs associated with the project.

Section 20.3

Title: Industrial Recruitment Competitive Fund

Summary Specifies the purposes for which the funds shall be used. Authorizes the Governor to adopt guidelines and procedures for the commitment of the moneys from the Fund. Requires the Department to report quarterly to the Joint Legislative Commission on Governmental Operations and Fiscal Research regarding commitment, allocation, and use of funds.

Section 20.4

Title: **Abolish Center for Entrepreneurship and Technology**

Summary Abolishes Center for Entrepreneurship and Technology. Directs that the Department shall not carry forward any unencumbered State funds for the Center.

Section 20.5

Title: **Commerce Study/ Consolidate Business and Industry Division Regional Offices and Regional Economic Development Commissions**

Summary Directs the Department to study the feasibility of consolidating Business and Industry Division regional offices with Regional Economic Development Commissions. Specifies elements to be included in the study. Requires that the Department report on findings and recommendations to the House and Senate Appropriations Subcommittees on Natural and Economic Resources by January 15, 2002.

Section 20.6

Title: **Worker Training Trust Fund Appropriations**

Summary Specifies appropriations from the Worker Training Trust Fund for FY 2001-02. Total appropriation from the Fund equals \$12,269,000.

ESC Local Offices	\$ 5,930,016
Commerce DET	\$ 2,166,047
Labor - Training Initiatives	\$ 941,760
Community Colleges - FIT	\$ 1,644,312
ESC - Common Follow-up	\$ 211,896
NCREAL	\$ 376,704
ESC - Eval Position	\$ 56,506
Labor - Apprenticeship	\$ 941,760

Section 20.10

Title: **Regional Economic Development Commission Allocations**

Summary Specifies the funding formula for allocating the \$6,425,000 General Fund appropriation to the seven regional economic development commissions.

Section 20.11

Title: **Regional Commission Reports**

Summary Requires each of the seven regional economic development commissions to report budgetary and program activities annually by January 15 to the Joint Legislative Commission on Governmental Operations, the Fiscal Research Division, and the Department of Commerce. Also requires each of the commissions to report specified performance activities and measures annually to the Department of Commerce. Requires each of the commissions to submit their annual audited financial statements to Fiscal Research within 30 days of issuance.

Section 20.12

Title: **Council of Government Funds**

Summary Outlines the process for allocating funds to the 17 councils of government/lead regional organizations. Requires each organization to report budgetary and program activities by January 15 of each fiscal year to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division. Requires each organization to submit their annual audited financial statements to the Fiscal Research Division within 30 days of issuance.

Section 20.13

Title: **Global TransPark Development Commission Membership Changes**

Summary Amends the statutes governing the membership of the Global TransPark Development Commission as follows: (1) Directs that the Commission (was the Global TransPark Authority) have the power of appointment to the Commission, and (2) Allows the Commission, by majority vote, to remove a member of the Commission if that member does not attend at least three-quarters of the regularly scheduled meetings of the Commission during any 12-month period of service to the Commission.

Section 20.17

Title: **Transfer Common Follow-Up Evaluation From OSBPM to ESC**

Summary Conforms statutes (G.S. 96-32, 35) to reflect removal of OSBPM from involvement in implementation of the Common Follow-Up System, and from the use of the System to evaluate and report on the effectiveness of job training, education, and placement programs. Places sole responsibility for these activities with ESC.

Section 20.18

Title: **ESC To Expend Reed Act Funds**

Summary Authorizes the Employment Security Commission to expend up to \$2,136,746 in surplus federal unemployment insurance funds for unemployment insurance administration. In order to draw down these funds, ESC must have authorization to expend them.

Section 20.20

Title: **Restore Name of ABC Complex**

Summary Directs the ABC Commission to change the sign on its central Office & Warehouse Complex to read, "The Marvin L. Speight North Carolina ABC Commission Office & Warehouse Complex."

Commerce - State Aid

GENERAL FUND		
	FY 2001-02	FY 2002-03
Recommended Budget	\$5,200,000	\$5,200,000
Legislative Changes		
Grants-in-Aid		
55 NC Minority Support Center		
Provides \$75,000 to expand the Latino Community Credit Union to Wake County and \$50,000 for a new credit union in Sampson County (SB 1005, Section 20.14).	\$125,000	NR
56 Yadkin Pee Dee Lakes		
Provides funds for the Yadkin Pee Dee Lakes Project (SB 1005, Section 20.9).	\$100,000	NR
57 Technological Development Authority		
Provides funds to the N.C. Technological Development Authority for entrepreneurial support and infrastructure, including creating new business incubators, enhancing existing incubators, developing capital formation initiatives, and supporting research commercialization programs (SB 1005, Sections 20.8 and 20.9).	\$1,600,000	NR
58 World Trade Center North Carolina		
Provides funds to the World Trade Center North Carolina to support international trade education programs for small and medium-sized businesses (SB 1005, Section 20.9).	\$100,000	NR
Total Legislative Changes	\$1,925,000	NR
Total Position Changes		
Revised Budget	\$7,125,000	\$5,200,000

Special Provisions

2001 Session: SB 1005

Department: Commerce - State Aid

Section 20.9

Title: TDA/Yadkin Pee Dee Lakes/NCREAL/WTC Reporting Requirement

Summary Requires that TDA, Yadkin/Pee Dee Lakes Project, NC REAL Enterprises, and World Trade Center North Carolina report on their operations to the Joint Legislative Commission on Governmental Operations and Fiscal Research by January 15, 2002. Requires that each entity provide Fiscal Research with a copy of its annual audited financial statement within 30 days of its issuance. Specifies that TDA, NC REAL, and WTC shall not receive their fourth quarter allotments until they have satisfied their January 15, 2002 reporting requirements.

Section 20.14

Title: Non-Profit Reporting Requirements

Summary Requires the NC Institute for Minority Economic Development, Land Loss Prevention Project, Inc., North Carolina Coalition of Farm and Rural Families, Inc., North Carolina Minority Support Center, North Carolina Community Development Initiative, Inc., North Carolina Association of Community Development Corporations, Inc., and Partnership for the Sounds, Inc. to report budgetary and program activities by January 15 of each fiscal year to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division. Requires each organization to submit their annual audited financial statements to the Fiscal Research Division within 30 days of issuance. Requires that no funds shall be appropriated to the above listed organizations unless they have fulfilled their January 15, 2001 reporting requirement. Stipulates the fourth quarter allotments shall not be released to any above listed organization if they fail to satisfy the reporting requirements for January 15, 2002 or January 15, 2003.

Section 20.19

Title: North Carolina Global Center Funds

Summary Authorizes the NC Global Center, formerly the NC Center for World Language and Cultures, Inc., to use up to \$300,000 of previously appropriated funds for planning the Center for general operating purposes.

Environment & Natural Resources

GENERAL FUND

Recommended Budget	FY 2001-02 \$164,902,678	FY 2002-03 \$164,902,678
Legislative Changes		
(1.00) Administration		
59 Abolish Deputy Secretary of Operations Position Abolish Deputy Secretary of Operations position.	(\$46,324) R	(\$46,324) R
	-1.00	-1.00
60 Eliminate Vacant Positions Eliminate vacant positions within Administration.	(\$172,156) R	(\$172,156) R
	-4.00	-4.00
Safety Director II (\$58,212)		
EHNHR Personnel Officer (0.50 FTE) (\$41,609)		
Accounting Clerk IV (\$14,714)		
Office Assistant III (\$24,921)		
Applications Analyst Prog. I (0.50 FTE) (\$32,700)		
61 Eliminate Position in Regional Office	(\$26,122) R	(\$26,122) R
Eliminate Office Assistant III position.		
	-1.00	-1.00
62 Eliminate Positions	(\$45,000) R	(\$45,000) R
Eliminate 2 Administrative Assistant positions.		
	-2.00	-2.00
(2.00) Aquariums		
63 Increase Receipts Budget increased receipts and reduce General Fund appropriation by an equal amount.	(\$500,000) R	(\$500,000) R
64 Eliminate Positions Eliminate two vacant positions and one filled position and reduce operating support.	(\$81,037) R	(\$81,037) R
	-3.00	-3.00
General Utility Worker (\$22,145)		
General Utility Worker (\$22,145)		
Office Assistant III (\$26,247)		
Operating Support (\$10,500)		
(2.00) Forest Resources		
65 Eliminate Vacant Positions Eliminate vacant positions and reduce operating support.	(\$153,887) R	(\$153,887) R
	-3.00	-3.00
Forestry Pilot II (\$51,896)		
Exten.Education and Training Specialist I (\$47,803)		
Administrative Assistant I (\$43,688)		
Operating Support (\$10,500)		

Overview: 2001 Session Fiscal and Budgetary Actions

		FY 2001-02		FY 2002-03	
66 Reduce Forest Development Program		(\$100,000)	R	(\$100,000)	R
Reduce General Fund appropriation to the Forest Development Program.					
67 Increase Aircraft Lease Line Item		\$150,000	R	\$150,000	R
Provides additional funds to lease a CL-215 during fire season.					
(2.00) Marine Fisheries					
68 Eliminate Vacant Positions		(\$206,928)	R	(\$206,928)	R
Eliminate vacant positions and reduce operating support (SB 1005, Section 19.9).		-6.00		-6.00	
Marine Fisheries Officers III(2 FTEs)	(\$70,968)				
Medical Lab Technician I	(\$28,260)				
Information & Communications Specialist	(\$27,056)				
Data Entry Operator	(\$20,819)				
Submerged Lands Program Director	(\$38,825)				
Operating Support	(\$21,000)				
(2.00) Museum of Natural Sciences					
69 Eliminate Vacant Position		(\$40,655)	R	(\$40,655)	R
Eliminate vacant Accounting Clerk IV position and reduce \$3,500 in operating support.		-1.00		-1.00	
70 Reduce Grassroots Science Museums		(\$300,000)	R	(\$300,000)	R
Reduce funding for the Grassroots Science Museums (SB 1005, Section 19.2).					
71 Increase Funds for Temporary Staff		\$40,000	R	\$40,000	R
Provides funds for the Museum to contract for temporary services.					
(2.00) NC Zoological Park					
72 Eliminate Vacant Positions		(\$190,722)	R	(\$190,722)	R
Eliminate vacant positions and reduce operating support.		-5.50		-5.50	
Maintenance Mechanic II	(\$28,768)				
Housekeeper	(\$12,126)				
Info & Communications Specialist	(\$39,307)				
Grounds Worker	(\$23,238)				
Administrative Assistant II	(\$37,898)				
Cashier I	(\$28,385)				
Operating Support	(\$21,000)				
73 Increase Receipts		(\$600,000)	R	(\$600,000)	R
Budget increased receipts due to recent fee increase at the Zoo and reduce General Fund appropriations by an equal amount (SB 1005, Section 19.4).					

Overview: 2001 Session Fiscal and Budgetary Actions

FY 2001-02

FY 2002-03

(2.00) Office of Environmental Education

74 Eliminate Vacant Position

Eliminate vacant Educational Development Consultant position and reduce \$3,500 in operating support.

(\$51,952) R

(\$51,952) F

-1.00

-1.00

(2.00) Parks and Recreation

75 Eliminate Vacant Positions

Eliminate vacant positions and reduce operating support.

(\$180,628) R

(\$180,628) F

-5.00

-5.00

Accounting Clerk III (\$25,590)
Volunteer Services Coordinator (\$39,634)
Park Ranger II (\$35,582)
Park Ranger II (\$31,702)
Park Ranger II (\$30,620)
Operating Support (\$17,500)

(2.00) Soil and Water Conservation

76 Eliminate Vacant Position

Eliminate vacant Processing Assistant IV position and reduce \$3,500 in operating support.

(\$33,297) R

(\$33,297) F

-1.00

-1.00

77 Shift Position to Receipt Support

Shift funding for a Computer Consultant III position (0.19 FTE) and reduce \$665 in operating support.

(\$13,499) R

(\$13,499) F

-0.19

-0.19

78 Decrease Agriculture Cost Share Financial Asst.

Reduce funds for the Agriculture Cost Share Program for Nonpoint Source Pollution Control to reimburse farmers up to 75% of the costs of installing best management practices (BMPs) to improve and protect water quality (SB 1005, Section 19.2A).

(\$1,000,000) R

(\$1,000,000) F

(3.00) Air Quality

79 Shift Position to Receipt Support

Shift funding for an Environmental Technician II to receipt support and reduce \$3,500 in operating support.

(\$33,031) R

(\$33,031) F

-1.00

-1.00

(3.00) Coastal Management

80 Eliminate Position

Eliminate Personnel Assistant V position and reduce \$3,500 in operating support.

(\$34,671) R

(\$34,671) F

-1.00

-1.00

81 Shift Position to Receipt Support

Shift funding for an Office Assistant III position to receipt support and reduce \$3,500 in operating support.

(\$32,158) R

(\$32,158) F

-1.00

-1.00

Overview: 2001 Session Fiscal and Budgetary Actions

FY 2001-02

FY 2002-03

(3.00) Environmental Health

82 Eliminate Vacant Positions

(\$88,675) R (\$88,675) R

Eliminate vacant positions and reduce operating support.

-2.00 -2.00

Environmental Engineer II (\$55,445)

Word Processor III (\$26,230)

Operating Support (\$ 7,000)

83 Shift Position to Receipt Support

(\$11,351) R (\$11,351) R

Shift funding for a Processing Assistant IV to receipt support and reduce \$1,225 in operating support.

-0.35 -0.35

84 West Nile Virus Monitoring

Funds for monitoring of sentinel flock for indication of West Nile Virus.

\$100,000 NR

85 Environmental Health Specialist Training

\$75,000 R \$75,000 R

Additional funds for training and continued education to local environmental health specialists to improve the consistency of implementation and enforcement of rules.

(3.00) Land Resources

86 Eliminate Vacant Positions

(\$81,707) R (\$81,707) R

Eliminate vacant positions and reduce operating support.

-2.00 -2.00

Environmental Engineer I (\$40,709)

Environmental Technician V (\$33,998)

Operating Support (\$ 7,000)

87 Shift Position to Receipt Support

(\$67,610) R (\$67,610) R

Shift funding for a Geologist III position to receipt support and reduce \$3,500 in operating support. [Historical Note: This is one of the last two remaining low level radioactive waste positions.]

-1.00 -1.00

88 Transfer Geodetic Survey from OSBPM

\$1,035,096 R \$1,035,096 R

Transfers from OSBPM the responsibilities and staff of the Geodetic Survey section within the Surveying and Mapping Section to Land Resources. Two of the 22 positions being transferred are receipt supported. This transfer has all the elements of a Type I transfer as defined in G.S. 143A-6 (SB 1005, Section 12.3).

22.00 22.00

89 Transfer County Boundaries from OSBPM

\$152,749 R \$152,749 R

Transfers from OSBPM the responsibilities and staff of the County Boundaries unit within the Surveying and Mapping Section to Land Resources. This transfer has all the elements of a Type I transfer as defined in G.S. 143A-6.

1.00 1.00

Overview: 2001 Session Fiscal and Budgetary Actions

	FY 2001-02		FY 2002-03
90 Transfer CGIA from OSBPM	\$0	R	\$0
Transfers from OSBPM the Center for Geographic Information and Analysis (CGIA) to Land Resources. CGIA is a receipt-supported agency with a budget of \$1,758,906 and 25 positions, which is in budget code 23006, fund 2510. This transfer has all the elements of a Type I transfer as defined in G.S. 143A-6 (SB 1005, Section 12.3).	0.00		0.00
(3.00) Pollution Prevention/Environmental Asst.			
91 Eliminate Vacant Position	(\$31,981)	R	(\$31,981)
Eliminate Office Assistant IV and reduce \$3,500 in operating support.	-1.00		-1.00
(3.00) Radiation Protection			
92 Eliminate Position	(\$40,190)	R	(\$40,190)
Eliminate Radiological Health Specialist position and reduce \$3,500 in operating support. [Historical Note: This reduction eliminates the last remaining low level radioactive waste position.]	-1.00		-1.00
93 Eliminate Vacant Position	(\$40,454)	R	(\$40,454)
Eliminate Administrative Assistant I position and reduce \$3,500 in operating support.	-1.00		-1.00
(3.00) Waste Management			
94 Eliminate Vacant Positions	(\$102,359)	R	(\$102,359)
Eliminate vacant positions and reduce operating support.	-3.00		-3.00
Administrative Secretary I (\$35,135)			
Environmental Technician II (\$27,056)			
Environmental Technician III (\$29,668)			
Operating Support (\$10,500)			
(3.00) Water Quality			
95 Eliminate Vacant Positions	(\$329,859)	R	(\$329,859)
Eliminate vacant positions and reduce operating support.	-7.00		-7.00
Chemistry Technician II (\$38,770)			
Community Development Planner (\$55,936)			
Personnel Assistant III (\$25,556)			
Environmental Modeler II (\$47,956)			
Environmental Engineer I (\$43,934)			
Environmental Engineer I (\$43,934)			
Applications Analyst Programmer II (\$49,273)			
Operating Support (\$24,500)			
96 River Basin Modeling	\$75,000	NR	
Additional funds for modeling activities related to river basin planning.			

Overview: 2001 Session Fiscal and Budgetary Actions

FY 2001-02

FY 2002-03

(3.00) Water Resources**97 Eliminate Vacant Position**

(\$53,692) R (\$53,692) R

Eliminate Environmental Engineer II position and reduce \$3,500 in operating support.

-1.00

-1.00

98 Central Coastal Plain Capacity Use Area Planning

\$20,000 R \$20,000 R

Funds for planning for alternative water sources in the Central Coastal Plain Capacity Use Area.

(4.00) Department Wide**99 Implement Lease-Purchase Arrangement**

(\$2,873,500) R (\$2,873,500) R

Implement lease-purchase arrangement for the purchase of major equipment for the following divisions:

Forest Resources - Aircraft (\$1,793,096)

Forest Resources - Autos, Trucks & Buses (\$431,151)

Parks & Recreation - Autos, Trucks & Buses (\$574,925)

Water Quality - Scientific Equipment (\$ 74,328)

100 Reduce Salary Reserve

(\$61,378) R (\$61,378) R

Reduce salary reserve throughout the Department.

101 Reduce Operating Support

(\$28,000) R (\$28,000) R

Reduce operating support throughout the Department.

102 Create Reserve for Information Technology

Places funds in a reserve to support information technology needs throughout the Department.

\$40,000 NR

(5.00) Reserves and Special Funds**103 Rivernet Water Quality Monitoring & Research Funds**

(\$35,000) R (\$35,000) R

Reduce funds for the Rivernet Water Quality Monitoring project by \$15,000 and for the Water Quality Workgroup by \$20,000 (SB 1005, Section 19.5).

104 Resource Conservation and Development Councils

Provides each of the state's nine Resource Conservation and Development Councils with a \$15,000 grant.

\$135,000 NR

105 Reserve for Position - Environmental Health

\$35,000 R \$35,000 R

Places funds in a reserve for salary and operating support for a part-time Regional Environmental Health Specialist in the Division of Environmental Health. Funding is contingent upon the passage of HB635, Regulate Body Piercing.

0.50

0.50

Total Legislative Changes

(\$6,179,978) R (\$6,179,978) R

\$350,000 NR

Total Position Changes

-32.54

-32.54

Revised Budget

\$159,072,700

\$158,722,700

Special Provisions

2001 Session: SB 1005

Department: Environment & Natural Resources

Section 2.2

Title: General Fund Availability Statement

Summary Section 2.2(d) transfers cash balances remaining in special funds in various state departments. For the Department of Environment and Natural Resources, the following special funds were reduced:

Division of Environmental Health, Sleep Products - \$46,437; Division of Air Quality, Air Permits - \$77,889; Division of Land Resources, Sedimentation Fees - \$148,562; Division of Land Resources, Land Env. Controls - \$111,261; Division of Land Resources, Dam Safety Account - \$18,522; Division of Waste Management, Inactive Hazardous Sites Cleanup - \$499,263; Division of Waste Management, Emergency Response Fund - \$49,771; Division of Water Quality, Water Permits - \$371,682; Division of Water Quality, WW Treatment Maintenance & Repair - \$43,256; Division of Water Quality, Lab Certification Fees - \$16,371; Division of Water Quality, Well Construction Fund - \$18,134; Division of Water Quality, Oil Pollution Control - \$8,170; Division of Water Quality, Wetlands Restoration - \$3,400,000.

Section 2.2 (j) directs the Secretary of Revenue to credit to the General Fund the net tax proceeds credited to the Scrap Tire Disposal Account and the White Goods Management Account for FY 2001-2002.

Section 19.1

Title: Statewide Beaver Damage Control Program Funds

Summary Allocates \$500,000 in each year of the biennium for the Beaver Damage Control Program. Requires a minimum federal match of \$25,000 in each year of the biennium for the program.

Section 19.2

Title: Grassroots Science Program

Summary Allocates \$3,120,000 in each year of the biennium as grants-in-aid to 16 regional science museums.

Section 19.2A

Title: Agriculture Cost Share Technical Assistance Program Funds

Summary Directs the Department of Environment and Natural Resources to make a permanent transfer of \$240,000 from the financial assistance funds of the Agricultural Cost Share Program to the technical assistance funds of the Agricultural Cost Share Program.

Section 19.3

Title: **Terms for Members of the North Carolina Parks and Recreation Authority**

Summary Amends the statutes governing the terms of members of the Parks and Recreation Authority by increasing the terms to three years and permits members to serve for two consecutive three-year terms. Allows members to be reappointed to the Authority one year after the expiration of their most recent term.

Section 19.4

Title: **Receipts from NC Zoological Park Admission Fee Increase to be Used for Marketing Purposes**

Summary Allows the Department of Environment and Natural Resources to use up to \$400,000 in admission fee receipts for marketing purposes related to promoting the NC Zoological Park.

Section 19.5

Title: **North Carolina Water Quality Workgroup Initiative/ Rivernet Monitoring System Pilot Project/ Research Funds**

Summary Codifies the North Carolina Water Quality Workgroup and Rivernet Monitoring System.

Section 19.6

Title: **Continue One-Stop Permit Assistance Pilot Project**

Summary Directs the Department of Environment and Natural Resources (DENR) to continue the one-stop environmental permit application assistance and tracking system pilot project during the 2001-03 biennium. Also, directs DENR to expand the project statewide if funds are available. Requires a report to the House and Senate Appropriations Subcommittees on Natural and Economic Resources, Fiscal Research, and the Environmental Review Commission by April 1, 2002 and again in 2003.

Section 19.7

Title: **Division of Radiation Protection Self-Sufficiency Plan**

Summary Directs the Department of Environment and Natural Resources (DENR) to develop a plan to make the Division of Radiation Protection self-supporting within two years. Requires DENR to report the details of this plan to the House and Senate Appropriations Subcommittees on Natural and Economic Resources by January 15, 2002.

Section 19.8

Title: **DENR to Study Feasibility of Transferring Sedimentation Program to Local Governments**

Summary Directs the Department of Environment and Natural Resources to study the feasibility of transferring the Sedimentation and Erosion Control Program to local governments. Requires a report to the House and Senate Appropriations Subcommittees on Natural and Economic Resources by April 1, 2002.

Section 19.9

Title: **Submerged Lands Program/Secretary Designate Program Manager**

Summary Directs the Secretary of the Department of Environment and Natural Resources to designate from existing staff, a staff member to be responsible for managing the Submerged Lands Program. Requires the Secretary to report to the Co-Chairs of the House and Senate Appropriations Subcommittees on Natural and Economic Resources by November 1, 2001 what position will manage the program.

Section 19.10

Title: **DENR Reclassification of Senior Field Officer Positions Report**

Summary Directs the Department of Environment and Natural Resources to report to the Co-Chairs of the House and Senate full Appropriations Committee and the Co-Chairs of the House and Senate Appropriations Subcommittees on Natural and Economic Resources by January 1, 2002 on the Department's reclassification of its regional office managers as directed by Section 26.12 of SL 1995-324. Specifies elements that must be included in the report.

Section 19.11

Title: **DENR Study of Environmental Permitting Process**

Summary Directs the Department of Environment and Natural Resources to study the permitting process in the Division of Water Quality, the Division of Coastal Management as it relates to CAMA permits, and the Division of Land Resources as it relates to the sedimentation and erosion control plans. Requires a report to the House and Senate Co-Chairs of the full Appropriations Committee and the House and Senate Co-Chairs of the Appropriations Subcommittees on Natural and Economic Resources by March 10, 2002. Specifies elements that must be included in the study.

Section 19.12

Title: **Reallocate Town Fork Creek Funds**

Summary Extends the reversion date until June 30, 2003 for funds previously appropriated for water projects in Stokes County. Reallocates \$37,120 from the Walnut Cove/Industrial Site Connection Project to the Germanton Water Project. Also allows the Stokes County Water and Sewer Authority to reallocate funds not needed for the Walnut Cove/Industrial Site Connection Project to the Dan River Project upon written finding that there is need.

Section 19.13

Title: **Fair Geographic Representation in Appointments to the Environmental Management Commission**

Summary Directs the Environmental Management Commission to make an effort to ensure fair geographic representation when making appointments.

Section 19.14

Title: **DENR Position for Scrap Tire Program**

Summary Authorizes the Department of Environment and Natural Resources to support a regulatory assistance position for local scrap tire management programs with funds from the Scrap Tire Management Account designated for the cleanup of nuisance tire sites.

Section 33.3

Title: **Water Resources Development Project Funds**

Summary Allocates \$32,936,000 for various water resources development projects as follows:

(1) Wilmington Harbor Deepening, \$22,000,000; (2) Morehead City Harbor Maintenance, \$500,000; (3) Wilmington Harbor Maintenance, \$200,000; (4) Manteo (Shallowbag) Bay Channel Maintenance, \$2,500,000; (5) B. Everett Jordan Lake Water Supply, \$100,000; (6) John H. Kerr Reservoir Operations Evaluation, \$400,000; (7) Brunswick County Beaches Nourishment Supplement, \$927,000; (8) Wrightsville Beach Nourishment, \$518,000; (9) Dare County Beaches Design, \$338,000; (10) Indian Beach - Salter Path Nourishment, \$900,000; (11) Bogue Banks Beach Protection Study, \$350,000; (12) Surf City/North Topsail Beach Protection Study, \$150,000; (13) West Onslow Beach Protection Re-analysis (Topsail Beach), \$116,000; (14) Currituck Sound Water Management Study, \$200,000; (15) Deep Creek Yadkin County, \$500,000; (16) Aquatic Weed Control Lake Gaston and Statewide, \$200,000; (17) Adkin Branch Flood Control, \$120,000; (18) Neuse River Basin Flood Control Feasibility Study, \$100,000; (19) Little Sugar Creek Restoration Projects, \$360,000; (20) Emergency Flood Control Projects, \$187,000; (21) Projected Feasibility Studies, \$120,000; (22) Planning Assistance to Communities, \$150,000; (23) State-Local Projects: (a) Town of Washington Park Maple Branch Water Management, Beaufort County, \$3,000; (b) Pungo River Snagging, Hyde County, \$22,000; (c) Muddy Creek Stream Restoration, McDowell County, \$50,000; (d) Town of Chadbourn Water Management, Columbus County, \$38,000; (e) Perquimans River and Mill Creek Drainage, Perquimans County, \$38,000; (f) Mitchell River Restoration, Surry County, \$111,875; (g) Town of Candor Park Drainage, Montgomery County, \$18,000; (h) Chowan River Restoration and Pembroke and Rocky Hock Creeks Drainage, Chowan County, \$67,000; (i) Town of Pine Knoll Shores Westport Marina Maintenance Dredging, Carteret County, \$25,000; (j) Town of Kenly Flood Control, Wilson and Johnston Counties, \$268,100; (k) Southern Pines Drainage Improvements, Moore County, \$118,575; (l) Other State-Local Projects, \$1,240,450.

Allows adjustment of the allocations among projects if actual costs vary from estimated costs. Provides for the use of available funds resulting from delayed projects. Requires reversion of funds allocated for state and local projects that remain unexpended or unencumbered at the end of the 2002-03 fiscal year.

Requires quarterly reports on the use of funds to the Joint Legislative Commission on Governmental Operations, the Fiscal Research Division and the Office of State Budget and Management.

Allows the Director of the Budget to use available funds to pay the required state match for any additional federal funds that become available during the 2001-2002 fiscal year for water resources or beach renourishment projects.

Environment & Natural Resources - Clean Water Management Trust Fund

GENERAL FUND

	FY 2001-02		FY 2002-03	
Recommended Budget	\$30,000,000		\$30,000,000	
Legislative Changes				
Clean Water Management Trust Fund				
106 Clean Water Management Trust Fund	\$10,000,000	R	\$40,000,000	R
Increase funds for the Clean Water Management Trust Fund in accordance with G.S. 143-15.3B(a) (SB 1005, Sections 32.16 and 32.17).				
Total Legislative Changes	\$10,000,000	R	\$40,000,000	R
Total Position Changes				
Revised Budget	\$40,000,000		\$70,000,000	

Special Provisions

2001 Session: SB 1005

Department: Environment & Natural Resources - Clean Water Management Trust Fund

Section 32.16

Title: Clean Water Management Trust Fund Personnel

Summary Amends G.S. 126-5(c1) by adding a new subdivision that exempts employees of the Clean Water Management Trust Fund from the State Personnel Act.

Section 32.17

Title: Limit Clean Water Management Trust Fund Administrative Expenses

Summary Amends G.S. 113-145.3(d) by increasing the Clean Water Management Trust Fund's operating and administrative expenses to no more than two percent of the annual balance of the Fund on July 1 or \$1,250,000, whichever is greater.

Housing Finance Agency

GENERAL FUND		
	FY 2001-02	FY 2002-03
Recommended Budget	\$5,300,000	\$5,300,000
Legislative Changes		
Housing Finance Agency		
107 No Continuation Budget Adjustments		
Total Legislative Changes		
Total Position Changes		
Revised Budget	\$5,300,000	\$5,300,000

Special Provisions

2001 Session: SB 1005

Department: Housing Finance Agency

Section 16.1

Title: HOME Program Matching Funds

Summary Sets priority for allocating appropriated funds to match the HOME federal housing program. Requires that an annual report on the HOME program be submitted to the Joint Legislative Commission on Governmental Operations by April 1 of each year. Prohibits the use of state funds for a match if one is not required by Congress. Prevents match from reverting on June 30, 2002 or June 30, 2003.

Labor

		GENERAL FUND	
		FY 2001-02	FY 2002-03
Recommended Budget		\$16,617,178	\$16,617,178
Legislative Changes			
Administrative Programs			
108 Eliminate Vacant Position	(\$86,766) R	(\$86,766)	R
Eliminate vacant positions and reduce operating support.			
	-2.00	-2.00	
Labor Conciliator (\$53,110)			
Data Entry Operator II (\$26,656)			
Operating Support (\$7,000)			
109 Reduce Operating Support	(\$50,563) R	(\$50,563)	R
Reduce funding for furniture, equipment, software, library resources, and overtime pay.			
110 Budget Indirect Cost Receipts	(\$93,961) R	(\$93,961)	R
Budget over-realized indirect cost receipts and reduce General Fund appropriation by an equal amount.			
Apprenticeship & Training			
111 Eliminate Vacant Position	(\$40,404) R	(\$40,404)	R
Eliminate vacant Apprenticeship Representative position and reduce \$3,500 in operating support.			
	-1.00	-1.00	
112 Reduce Operating Support	(\$15,310) R	(\$15,310)	R
Reduce funding for furniture, equipment, computer services, and library resources.			
Department Wide			
113 Reduce Operating Support	(\$75,000) R	(\$75,000)	R
Reduce operating support throughout the Department.			
Elevator & Amusement Inspections			
114 Reduce Operating Support	(\$21,203) R	(\$21,203)	F
Reduce funding for furniture, equipment, software, and library resources.			
115 Budget Increased Receipts	(\$400,000) R	(\$800,000)	F
Budget increased elevator & amusement device inspection and certification fee receipts and reduce General Fund appropriations by an equal amount (SB 1005, Section 18.1).			

Overview: 2001 Session Fiscal and Budgetary Actions

FY 2001-02

FY 2002-03

Labor Standards

116 Reduce Operating Support	(\$18,990)	R	(\$18,990)	R
Reduce funding for furniture, equipment, software, and library resources.				

Mine/Quarry Inspection

117 Eliminate Vacant Position	(\$34,018)	R	(\$34,018)	R
Eliminate vacant Processing Assistant III position and reduce \$3,500 in operating support.				
	-1.00		-1.00	

118 Reduce Operating Support	(\$13,086)	R	(\$13,086)	R
Reduce funding for furniture, equipment, software, and library resources.				

OSHA

119 Reduce Operating Support	(\$35,887)	R	(\$35,887)	R
Reduce funding for furniture, equipment, and library resources.				

120 Eliminate Vacant Positions	(\$71,632)	R	(\$71,632)	R
Eliminate vacant positions and reduce operating support.				
	-1.50		-1.50	

Safety Officer	(\$41,942)
Safety Officer (0.50 FTE)	(\$24,440)
Operating Support	(\$5,250)

121 Shift Positions to Federal Funding	(\$167,452)	R	(\$167,452)	R
Shift funding source for positions from General Fund to federal funds and reduce operating support.				
	-4.00		-4.00	

Office Assistant III	(\$26,339)
Processing Assistant III	(\$26,794)
Industrial Health Inspector	(\$49,909)
Industrial Health Inspector	(\$50,410)
Operating Support	(\$14,000)

122 Restore Safety Officer Position	\$25,000	R	\$25,000	R
Restore funding for General Fund half of Safety Officer position. Other half of position is federally funded.				
	0.50		0.50	

Total Legislative Changes	(\$1,099,272)	R	(\$1,499,272)	R
----------------------------------	----------------------	----------	----------------------	----------

Total Position Changes	-9.00		-9.00	
-------------------------------	--------------	--	--------------	--

Revised Budget	\$15,517,906		\$15,117,906	
-----------------------	---------------------	--	---------------------	--

Special Provisions

2001 Session: SB 1005

Department: Labor

Section 18.1

Title: Labor Department/Elevator Inspection Fee Receipts

Summary In the event that House Bill 232 becomes law, directs the Department of Labor to budget increased elevator & amusement device inspection fee receipts to support the Elevator & Amusement Device Bureau. Requires that the Director of the Budget reduce Labor's General Fund appropriation by a corresponding amount, as provided in G.S. 143-25.

N.C. Biotechnology Center

		GENERAL FUND	
		FY 2001-02	FY 2002-03
Recommended Budget		\$6,738,913	\$6,738,913
Legislative Changes			
NC Biotechnology Center			
123 Reduce Administrative Support/HMU Transfer		(\$100,000) R	(\$100,000) R
The Biotechnology Initiative for Historically Minority Universities (HMU) has been transferred at the Governor's direction to the UNC Board of Governors effective FY 2001-02. Administrative support that had been provided to the Biotechnology Center will not be required by the UNC Board of Governors and is therefore reduced.			
124 Reduce General Operating Budget		(\$368,445) R	(\$368,445) R
Reduce general operating budget (SB 1005, Sections 20.7 and 20.8).			
125 Reduce Cash Balance		(\$1,000,000) NR	
Reduce the N.C. Biotechnology Center's General Fund appropriation for FY 2001-02 and replace the funds with a one-time transfer from the Center's cash balance.			
Total Legislative Changes		(\$468,445) R (\$1,000,000) NR	(\$468,445) R
Total Position Changes			
Revised Budget		\$5,270,468	\$6,270,468

Special Provisions

2001 Session: SB 1005

Department: N.C. Biotechnology Center

Section 20.7

Title: **Biotechnology Center**

Summary Requires that the Biotechnology Center report its budgetary and program activities by January 15 of each fiscal year to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division. Requires the Center to submit its annual audited financial statements to the Fiscal Research Division within thirty days of issuance. Also requires the Center to report detailed budget, personnel, and salary information to the Office of State Budget and Management and the Fiscal Research Division for the preparation of biennial budget requests.

Section 20.8

Title: **Biotechnology Center/ TDA Profit Sharing with State**

Summary Directs the Biotechnology Center and TDA to enter into a memorandum of understanding with the Attorney General's Office in which each non-profit agrees to work with the Office and Fiscal Research to craft a legal agreement specifying how profits from investments with State money will be shared with the State. Requires each non-profit to enter into this memorandum prior to receiving any State funds for the 2001-03 biennium. Requires the non-profits to submit the proposed legal agreement to the Joint Legislative Commission on Governmental Operations (Gov Ops) and Fiscal Research by January 15, 2002, and execute the agreement no later than 30 days after presenting it to Gov Ops. If either non-profit has not executed its agreement by such time, disbursements to that entity will be suspended until the agreement has been executed.

Rural Economic Development Center

GENERAL FUND

Recommended Budget	FY 2001-02	\$4,257,338	FY 2002-03	\$4,257,338
Legislative Changes				
Administration				
126 General Administration	\$100,000	R	\$100,000	R
Provides additional funds for general oversight and management of Rural Center programs [SB 1005, Section 20.15(a)].				
Cash Balances				
127 Reduce Cash Balances	(\$999,694)	NR		
Reduce the Rural Center's General Fund appropriation for FY 2001-02 and replace the funds with one-time transfers from the Child Care Loan Program (\$499,694) and from the Center's other cash reserves (\$500,000), thereby reducing the Center's overall cash balances [SB 1005, Section 20.15(f)].				
Center-Wide				
128 Reduce Operating Support	(\$186,867)	R	(\$186,867)	R
Reduce operating support for the Center's various programs and administrative activities (SB 1005, Section 20.15)				
Grant Programs				
129 Supplemental Funding Program	\$595,278	R	\$595,278	R
Provides additional funds for the Supplemental Funding Program and for two staff positions [SB 1005, Section 20.15(a) and 20.15(e)(3)].				
Water and Sewer Grants	\$207,000			
Staff	\$138,278			
Water, Sewer, and Business Development Grants	\$250,000			
130 Capacity Building Assistance Program	\$125,000	R	\$125,000	R
Provides funds to support staffing for the Capacity Building Assistance Program [SB 1005, Section 20.15(a)].				
Reserves				
131 Agricultural Advancement Consortium	\$200,000	R	\$200,000	R
Places funds in a reserve for the operating expenses associated with the Agricultural Advancement Consortium and for research initiatives funded by the Consortium [SB 1005, Section 20.15(e)(4)].				
Administrative Expenses	\$75,000			
Research Initiatives	\$125,000			

Overview: 2001 Session Fiscal and Budgetary Actions

FY 2001-02

FY 2002-03

Total Legislative Changes

\$833,411 R

\$833,411 F

(\$999,694) NR

Total Position Changes

Revised Budget

\$4,091,055

\$5,090,749

Special Provisions

2001 Session: SB 1005

Department: Rural Economic Development Center

Section 20.15

Title: Rural Economic Development Center

Summary Appropriates \$1,788,749 in each fiscal year to the Rural Economic Development Center (REDC) and allocates funding among various programs and administrative responsibilities. Requires REDC to provide information to the Office of State Budget and Management for preparation of the budget. Limits REDC's use of interest earned on appropriated funds for administration. Allocates \$2,902,000 in each fiscal year of the biennium as follows:

\$ 837,720	CDCs previously receiving state funds
\$ 236,280	New and emerging CDCs
\$ 50,000	REDC for CDC administration
\$ 234,000	Microenterprise Loan Program
\$1,344,000	Supplemental Funding Program
\$ 200,000	Agricultural Advancement Consortium

#128 detail:

- 76,000

0

- 16,000

- 63,000

0

Also:

CW Bonds - 278

Admin - 60

31,529

\$186,867

Reduces REDC's overall appropriation for FY 2001-02 by \$999,694 and directs that REDC compensate for this reduction by transferring \$499,694 from the Child Care Loan Fund and \$500,000 from other cash reserves on hand.

Requires REDC to report budgetary and program activities by January 15 of each fiscal year to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division. Requires REDC to submit their annual audited financial statements to the Fiscal Research Division within 30 days of issuance.

Also - RID - 31,864

Section 20.16

Title: Opportunities Industrialization Center Funds

Summary Allocates \$100,000 to each of the following Opportunities Industrialization Centers:

- 1) Opportunities Industrialization Center of Wilson, Inc.
- 2) Opportunities Industrialization Center, Inc., in Rocky Mount
- 3) Opportunities Industrialization Centers Kinston and Lenoir County, North Carolina, Inc.
- 4) Opportunities Industrialization Center of Elizabeth City, Inc.

Requires REDC to report budgetary and program activities of the OICs by January 15 of each fiscal year to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division. Notwithstanding G.S. 143-6.1(d) to require REDC to have each OIC file annual audited financial statements with the State Auditor and to provide a copy of those audits to the Fiscal Research Division within 30 days of issuance. Requires that no funds be released to an OIC unless the Centers can demonstrate that no outstanding or proposed assessments or other collection actions exist against them.

**JUSTICE
&
PUBLIC SAFETY**

Correction

		GENERAL FUND	
		FY 2001-02	FY 2002-03
Recommended Budget		\$931,350,075	\$931,350,075
Legislative Changes			
1 Reentry Program			
Continue funding for one more year for program designed to provide inmates with skills needed to function in the community upon release. Training is part of program operated by UNC Chapel Hill.		\$75,000	NR
2 ECO Family Counseling Program			
Continue funding for program funded in 2000-01 to provide counseling and services for families of inmates. Program is operated by a non-profit organization, Energy for Committed Offenders, Inc.		\$50,000	NR
Alcoholism and Chemical Dependency Programs			
3 Community Substance Abuse			
The General Assembly appropriated \$100,000 NR for FY 2001 to fund a community program in Northhampton County that works with substance abuse offenders. This item continues part of that funding on a non-recurring basis.		\$75,000	NR
4 Terminate Substance Abuse Contracts			
Eliminate State contracts with Cornell(\$1,185,700) and Right Turn (\$1,820,477. These substance abuse services can be delivered using existing services and resources now available in the department. This is a Governor's recommendation.		(\$3,006,177)	R (\$3,006,177) R
5 Reduce Substance Abuse Aftercare			
The department provides in-house, substance abuse residential services to inmates. Aftercare services are provided through contracts with private providers to inmates who return to the general population. This would eliminate aftercare service contracts with private providers. This is a Governor's recommendation.		(\$105,000)	R (\$105,000) R
6 Reduce Personal Services Contract			
The department provides seed money to contract with community service providers of substance abuse services for DART-Cherry community aftercare. The State provides substance abuse services through 39 Area Mental Health Programs. To avoid duplication of services, this cut would eliminate personal services contracts. This is a Governor's recommendation.		(\$225,000)	R (\$225,000) R

Community Corrections**7 Criminal Justice Partnership Program**

(\$270,000) R
(\$1,000,000) NR

(\$270,000) R
(\$1,000,000) NR

The Criminal Justice Partnership program awards grants to participating counties to fund local community correction programs. The Department of Correction will limit CJPP implementation funding to the counties currently participating in the program, allowing for a reduction of \$270,000. As a non-reverting fund, the Department has been allowed to keep unexpended funds in the CJPP budget, which have exceeded \$1 million each year since the program's inception. This item requires the Department to revert \$1 million of the unexpended balance each year of the biennium. The Governor recommended a reduction of the CJPP budget of \$1.27 million. (SB 1005, Section 25.16) (NOTE: Section 11 of HB 231, Appropriations Modifications and Other Changes, S.L. 2001-513, requires the \$1 million reduction to be taken up front rather than as a reversion)

8 Reallocate Positions in Probation/Parole

(\$938,043) R

(\$938,043) R

Reallocate 27 of the 43 Administrative Probation/Parole Officers into vacant Probation/Parole positions and eliminate the APP0 classified positions.

-27.00

-27.00

9 Eliminate Administrative Support Positions

(\$111,383) R

(\$111,383) R

Eliminate 3 administrative support positions in the Division of Community Corrections.

-3.00

-3.00

10 Eliminate Vacant Positions

(\$153,561) R

(\$153,561) R

Eliminate 2 vacant Intensive Probation Parole Officer and 2 vacant Surveillance Officer positions.

-4.00

-4.00

11 Reduce Funding for Drug Testing

(\$102,118) R

(\$102,118) R

Reduce the Division of Community Corrections annual appropriation for drug testing.

12 Reduce Various DCC Budget Line Items

(\$107,750) R

(\$107,750) R

Reduce Division of Community Corrections Administration travel budget by \$6,000; Reduce office and data processing equipment by \$60,000; reduce cell phone expenditures by \$41,750.

13 CSWP Program Transfer

\$2,913,282 R

\$5,826,564 R

The Community Service Work Program will be transferred to the Department of Corrections to be merged with the Division of Community Corrections. The merger will be complete by January 1, 2002. (SB 1005, Section 26.11)

162.00

162.00

Overview: 2001 Session Fiscal and Budgetary Actions

FY 2001-02

FY 2002-03

14 Reduce Appropriation to Summit House Inc.

(\$139,650) R

(\$139,650) R

The General Assembly will reduce the annual appropriation to Summit House Inc. by 10%. This reduction shall not result in a reduction to individual sites, but to the Summit House Inc. State Office. (SB 1005, Section 25.14)

15 Reduce Appropriation to John Hyman Foundation

(\$25,000) R

(\$25,000) R

The John Hyman program has leased the former Warren County Correctional Facility for \$1 per year and therefore will no longer have to pay for facility rental at its current location. It was determined that John Hyman's budget could be reduced by 10%, slightly less than the amount currently being spent on rent. The reduction should not result in a decrease in services but in the program's administration/operating budget.

Post Release Supervision and Parole Commission

16 Abolish Vacant Parole Commission Positions

(\$78,000) R

(\$78,000) R

With the passage of the Structured Sentencing Act, the number of parolees has declined. Therefore, the Parole Commission staff will be reduced by eliminating two vacant positions. This is a Governor's recommendation.

-2.00

-2.00

Prisons

17 Close Alamance Correctional Center

(\$745,546) R

(\$960,220) R

Alamance currently operates as a minimum custody work release unit. The Governor recommended closing this prison consistent with the GPAC recommendations. Cost per day and the declining need for minimum custody beds was also considered. Alamance's cost per day in 1999-2000 was \$66.89 compared to \$52.52 for the average minimum custody unit. The budget reduction includes a 50% reduction in the inmate budget. The prison would close October 1, 2001.

-27.00

-27.00

18 Increase Funding for Inmate Medical Costs

\$5,183,835 R

\$5,183,835 R

The continuation budget does not reflect the actual expenditures for inmate medical costs. The amount appropriated will provide partial funding of increased medical costs. (SB 1005, Section 25.6)

19 Medical Transportation Officers

(\$263,249) R

(\$315,843) R

This reduction in the number of correctional officers that transport inmates is possible because DOC has reduced medical contracts and hired more in-house doctors, thus reducing travel for medical purposes.

-11.00

-11.00

20 Increase Work Release Transportation Fee

(\$33,500) R

(\$33,500) R

Work release inmates pay a fee to DOC for transportation to their jobs. Increase this fee from \$2 to \$2.50 to allow for a General Fund reduction.

Overview: 2001 Session Fiscal and Budgetary Actions

	FY 2001-02		FY 2002-03	
21 Increase Work Release Fee	(\$307,000)	R	(\$307,000)	R
Increase the fee charged to inmates for work release by \$1, from \$15 a day to \$16. This allows a reduction in the General Fund.				
22 Close Scotland Correctional Center	(\$929,980)	R	(\$1,394,966)	R
Scotland Correctional Center will be closed November 1, 2001. Scotland is a small GPAC unit with 48 minimum custody inmates and 24 segregation beds. The cost per day in 99-2000 was \$102. The Governor also recommended closing Scotland. The reduction amount includes a 50% reduction in the inmate budget.				
	-41.00		-41.00	
23 Inmate Disciplinary Fees	(\$220,000)	R	(\$220,000)	R
Adjust inmate disciplinary fees to reflect projected collections and reduce General Fund. The Governor's Budget recommended a \$120,000 reduction in the General Fund. The reduction shall be \$220,000, based on the latest collection figures.				
24 Funding to Operate two Former Private Prisons	\$2,750,000	R	\$2,750,000	R
DOC is now operating Pamlico and Mt. View as State prisons. The prisons were formerly run by a private contractor for DOC. The amount funded is to cover increased DOC operating costs. DOC is already operating these prisons.				
25 Inmate Food Budget Reduction	(\$4,625,000)	R	(\$4,500,000)	R
The Governor recommended a reduction of \$2,197,549 each year based on the improved efficiency of inmate food service and a resulting decrease in expenditures. It is anticipated DOC will be able to decrease expenditures further compared to the Governor's final recommended budget for each year. The food budget shall be reduced by an additional \$2,427,451 for a total of \$4,625,000 in FY01-02. The reduction in FY02-03 shall be an additional \$2,302,451 for a total of \$4,500,000. (SB 1005, Section 25.6)				
26 Reduce Program Staffing in Prisons	(\$214,260)	R	(\$285,681)	R
The current program staffing ratio is one staff person for every 52 inmates. This reduction would increase the ratio to approximately one person for every 55 inmates by 2002-03. The reduction of 10 positions is to be carried out system wide from among the 606 program positions and is effective October 1, 2001. Positions should be eliminated from among the following job classes with at least one position from a program supervisor class:				
Program Assistant Supervisor				
Program Assistant II				
Program Assistant I				
	-10.00		-10.00	

Overview: 2001 Session Fiscal and Budgetary Actions

	FY 2001-02		FY 2002-03	
27 Reception and Diagnostic Centers	(\$127,900)	R	(\$156,026)	R
Based on overstaffing compared to workload guidelines, six positions shall be eliminated, effective October 1, 2001. The positions to be eliminated can be from any of the following position classifications:	-6.00		-6.00	
Case Analyst				
Senior Case Analyst				
Processing Assts.				
Admissions Tech.				
Behavioral Specialists I and II				
28 Prison Chaplain Program	(\$186,244)	R	(\$247,178)	R
DOC obtains chaplain and religious services for inmates through a combination of permanent DOC chaplain positions, contract chaplains, and volunteer chaplains and religious groups. DOC's General Fund budget is over \$2.9 million dollars for the DOC chaplain program; additional funding for contract chaplains is provided from the Inmate Canteen/Welfare Fund. It is recommended that seven of the 73 DOC chaplain positions be eliminated system wide. The reductions should be taken at prisons where there is more than one DOC chaplain position. DOC should increase efforts to obtain more community volunteers to provide religious services. The reduction is effective October 1, 2001	-7.00		-7.00	
29 Inmate Road Squad Payments	(\$3,000,000)	R	(\$3,000,000)	R
DOT uses DOC inmate road squads to perform highway-related labor. Currently, General fund costs are funded by reimbursements from the Highway Fund. For the 2001-03 biennium, \$2.5 million shall be transferred quarterly from DOT to DOC for the cost of operating inmate road squads. The amount of \$3 million in this report is the difference between the current projected amount of \$7 million dollars, which did not fully fund the actual cost of the road squads, and the anticipated cost of \$10 million in each year of the biennium. DOT is also directed to appropriate \$2,842,233 from the Highway Fund to the General Fund as a one-time appropriation in 2001-02. DOT has not reimbursed DOC for the full \$7 million dollar amount directed for payment in HB 168 for the 1999-2001 biennium so it is directed that this payment be made in 2001-02. (SB 1005, Section 25.11)	(\$2,842,233)	NR		
30 Annualize Medical Positions	\$949,977	R	\$949,977	R
The Governor's 1999 budget inadvertently left out annualization of DOC medical positions funded in 1997. This amount annualizes those positions, which are already established.				
31 Open New Dorm and Kitchen at Women's Prison	\$1,036,418	R	\$1,381,252	R
A new 208 bed dorm and kitchen are due to open fall of 2001. The Governor's Recommended Budget did not provide funding to operate these buildings	41.00		41.00	

Overview: 2001 Session Fiscal and Budgetary Actions

	FY 2001-02		FY 2002-03	
32 Open New Central Prison Diagnostic Unit	\$1,775,760	R	\$2,685,545	R
A new 192 bed prison diagnostic center is due to open fall of 2001. The funding, which was not included in the Governor's Recommended Budget, is to operate the new building. The funding is reduced by \$100,000 below the DOC request by reducing the non-salary operating budget.	79.00		79.00	
33 Staffing Warrenton Segregation Building	\$700,000	R	\$700,000	R
This unit was converted from medium custody to high level segregation but funds for additional staff were not recommended in the Governor's budget. This budget partially funds the amount requested by DOC.	24.00		24.00	
34 Operating Funds for Fountain Correctional Center	\$477,631	R	\$477,631	R
DOC constructed a new segregation unit at Fountain and a new Central Control room, both due to open in May, 2001. This item funds operating costs for these buildings, which were not included in the Governor's budget, effective July 1, 2001.	16.00		16.00	
35 Contract with Prisoner Legal Services	\$265,787	R	\$265,787	R
Funding is provided for an increase in the contract between DOC and PLS for PLS to provide legal services to inmates. The increase was previously negotiated and agreed upon by both parties.				

Residential Programs

36 Reduction in IMPACT programs	(\$1,005,652)	R	(\$1,508,478)	R
Funding and staffing for the IMPACT boot camp programs located in Hoffman and Morganton is reduced by 25%, effective November 1, 2001. The department shall maintain programs for male probationers in both locations but at reduced capacity and with possible modifications to the program. The IMPACT program will be abolished June 30, 2003 and the Department of Correction shall develop recommendations for alternative programs by May 2002. (SB 1005, Section 25.22)	-37.00		-37.00	

Systemwide

37 Reduce funding for MIS contractual Services	(\$200,000)	R	(\$200,000)	R
DOC has reorganized MIS staff to improve efficiency and re-prioritize projects to allow this reduction, as recommended in the Governor's Budget.				
38 Reduce Travel Budget	(\$260,000)	R	(\$260,000)	R
Reductions will be taken in the travel, meals and lodging line items for the Division of Prisons and the Division of Community Corrections, as recommended in the Governor's budget. The Subcommittee makes the cut recurring.				

Overview: 2001 Session Fiscal and Budgetary Actions

	FY 2001-02		FY 2002-03	
39 DOC Management Budget	(\$300,000)	R	(\$300,000)	R
The non-salary line item budget for DOC management was reduced on a non-recurring basis in 1999-2000 and restored in the Governor's Recommended Budget. This budget makes the reduction recurring.				
40 Reduce Office and Data Processing Equipment	(\$400,000)	R	(\$400,000)	R
Reduce funding in the office equipment (\$200,000) and data processing equipment (\$200,000) line items as recommended in the Governor's Budget.				
41 Victims Services	\$140,824	R	\$140,824	R
Provide funding for three positions and operating costs in the DOC Central Office to provide services to victims. Positions were grant funded but grant has ended.				
	3.00		3.00	
42 Reduce Funding for Vehicle Replacement	(\$396,000)	R	(\$396,000)	R
The Governor's Recommended Budget reduced this item by \$396,000 on a recurring basis. The total non-recurring reduction shall be \$1,430,062. This reduction basically limits vehicle replacement to only the highest priority purchases in FY 2001-02.				
	(\$1,430,062)	NR		
<hr/>				
Total Legislative Changes	(\$2,282,499)	R	\$614,841	R
	(\$5,072,295)	NR	(\$1,000,000)	NR
Total Position Changes	150.00		150.00	
Revised Budget	\$923,995,281		\$930,964,916	
<hr/>				

Special Provisions

2001 Session: SB 1005

Department: Correction

Section 2.2

Title: General Fund Availability Statement: Inmate Canteen Fund and Inmate Welfare Fund

Summary Section 2.2 (d) authorizes a one-time transfer of \$380,000 from the Inmate Canteen/Welfare Fund to the General Fund.

Section 2.2 (g) authorizes a recurring transfer of \$500,000 from the Prison Enterprises Fund to the General Fund in each year of the biennium. An additional \$500,000 is transferred for FY 2001-02 only.

Section 25.1

Title: Earned Time Credit for Medically and Physically Unfit Inmates

Summary Allows inmates to earn credit off their maximum sentence for good behavior, or other criteria determined by DOC, if they have medical conditions or physical disabilities that prevent them from earning credit for work or other allowable activities

Section 25.2

Title: Federal Grant Reporting

Summary Continuing provision requiring JPS agencies to report on federal grant funds received. Changes reporting requirements from twice a year to once a year.

Section 25.3

Title: Limit Use of Operational Funds

Summary Repeats provision that requires DOC to use funds appropriated for operating costs of new facilities for that purpose. Allows DOC to hire prison personnel 120 days prior to completion. Hiring was restricted to 90 days, but additional time is needed to train staff for new close custody prisons.

Section 25.4

Title: Reimburse Counties for Inmates Awaiting Transfer to State Prison System

Summary Repeat provision authorizing DOC to use available funds to pay county jails for State inmates awaiting transfer to DOC. Provision changes reports from quarterly to twice a year

Section 25.5

Title: Use of Closed Prison Facilities

Summary Continues language requiring DOC to consult with various officials on the future use of sites formerly used for prisons. First priority use remains criminal justice purposes

Section 25.6

Title: **Inmate Cost/Medical Budget for Prescription Drugs**

Summary Continuing provision that allows DOC to use available funds to cover food and health care cost overages, after reporting to Gov Ops, the Chairs of Full and JPS Appropriations. New section adds prescription drug costs and directs the Dept. of Administration, Purchase and Contract Division and DOC to review the current statewide contract for purchases of prescription drugs as it applies to DOC purchases for inmates.

Section 25.7

Title: **Federal Grant Matching Funds**

Summary Continues the provision allowing DOC to match federal grants with available department funds and increases the maximum allowable from \$650,000 to \$900,000.

Section 25.8

Title: **Structured Sentencing Study**

Summary Requires the Sentencing and Policy Advisory Commission to study the State's sentencing laws in view of the projected growth in the prison population. The Commission is directed to develop alternatives for changes in sentencing laws for consideration by the General Assembly in the 2002 Short Session.

Section 25.9

Title: **Extend Limits of Confinement for Terminally Ill and Permanently Disabled Inmates**

Summary New provision which authorizes the Secretary of the Department of Correction to allow inmates who are terminally ill or permanently and totally disabled to receive palliative care outside the prison system. Only inmates who no longer pose a threat to society would be eligible for this care. An inmate's condition must be certified by a licensed physician. Also, the inmate's victim, or the victim's family, must be consulted.

Section 25.10

Title: **Energy for Committed Offenders Contract and Report**

Summary New provision allowing the Department of Correction to continue to contract with ECO for female minimum security beds. Also adds annual reporting requirement.

Section 25.11

Title: **Medium Custody Road Crew Compensation**

Summary Directs DOT to transfer \$10 million to DOC each year of the biennium to compensate DOC for the actual cost of inmate road squads. The transfer is to be made quarterly in the amount of \$2.5 million. DOT is also directed to appropriate \$2,842,233 in one-time funds in FY 2002 to fully reimburse DOC for the cost of roads squads in the 1999-2001 biennium. This amount is the difference between the amount to be paid to DOC, as directed in 1999 Session Laws, and the amount actually paid. The provision also requires a report by both Departments by March 1, 2002 on actual inmate road squad activity as well as a quarterly report to the Full Appropriations Committees on the status of the transfer of \$10 million dollars in 2001-02 and 03.

Section 25.12

Title: **Compensation to Persons Erroneously Convicted**

Summary Clarifies the law that provides for compensation to those erroneously convicted. Also increases the amount of compensation from \$10,000 per year to \$20,000 per year for each year of imprisonment actually served. Compensation shall not exceed \$500,000.

Section 25.14

Title: **Reduce Summit House Appropriation**

Summary Reduces State appropriation to Summit House Inc. Directs that the reduction shall be taken from the State Office, not individual sites. Also directs Corrections and Juvenile Justice Oversight Committee and Fiscal Research Division to review the organizational structure and expenditures of Summit House.

Section 25.16

Title: **Modification of Funding Formula for the Criminal Justice Partnership Act**

Summary Continuing provision with some amendments: 1) removes language on allocation of discretionary funding from statute 2) requires \$1 million reversion of unexpended balances in each year 3) requires additional information to be included in the annual report.

(Note: Section 11 of House Bill 231, Appropriations Modifications and Other Changes, S.L. 2001-513, amends the provision by removing the reversion requirement because the reduction was taken from front end and adds language to allow DOC to reallocate unspent funds in order to maintain service levels.)

Section 25.17

Title: **Post Release Supervision and Parole Commission Report**

Summary Continuing provision that requires Post Release Supervision and Parole Commission to report on staffing reorganization and reduction.

Section 25.18

Title: **Reports on Non-profits**

Summary Changes reporting requirements for non-profits receiving direct appropriation from twice a year to once a year. Also adds a fourth non-profit, John Hyman, to the list of those required to report.

Section 25.19

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

Summary Codifies a repeating provision to exempt private substance abuse facilities that provide services exclusively to inmates from licensure by DHHS.

Section 25.20

Title: **Report on Probation and Parole Caseloads**

Summary Continuing provision, which requires a report on caseload averages for probation and parole officers.

Section 25.21

Title: **Report on Inmates Eligible for Parole**

Summary Directs the Post Release Supervision and Parole Commission to report quarterly on inmates eligible for parole and the number paroled in the previous quarter.

Section 25.22

Title: **IMPACT Program**

Summary Reflects reduction in funding for IMPACT program and directs the Department of Correction to report by Nov 1 on implementation of the funding cut. Provision states the legislative intent to eliminate the IMPACT program by June 30, 2003. The Departments of Correction and Juvenile Justice & Delinquency Prevention are to report to Appropriations by May 1, 2002 on alternative programs to be located at the IMPACT sites.

Section 25.23

Title: **Contracting for Inmate Health Care**

Summary Directs DOC to expand contracting for inmate medical care to the level necessary to determine the quality of services and potential cost savings if services were contracted statewide. Also directs the Department to issue a Request for Information (RFI) to determine the level of vendor interest, vendor qualifications, and potential savings of contracting for inmate medical care. DOC is directed to report to the Senate and House Appropriations Chairs on the results of the RFI and on their analysis of the cost/benefit of DOC's current contracts by February 15, 2002.

Section 25.24

Title: **Authorize Prison Construction**

Summary Authorizes the Departments of Correction and Administration to contract for the construction of three close custody prisons and designates the prison sites as Alexander, Anson, and Scotland. The final contract proposal is subject to the review and approval of the Council of State. This action was also authorized in SB 34, the July 30, 2001 Continuing Resolution.

Crime Control and Public Safety

GENERAL FUND

Recommended Budget	FY 2001-02	FY 2002-03
	\$37,554,148	\$37,554,148
Legislative Changes		
43 Reduce Travel Budget	(\$82,000) R	(\$82,000) R
Reduce travel budgets by the following amounts in the following divisions:		
Administration \$ 6,500		
National Guard \$ 5,450		
ALE \$15,000		
Emergency Management \$12,000		
V&J Services \$21,050		
GCC \$22,000		
Administration		
44 Eliminate Vacant Position in CCPS Administration	(\$42,554) R	(\$42,554) R
Eliminate one (1) vacant Information and Communication Specialist position in Crime Control and Public Safety's Administration Division.	-1.00	-1.00
Alcohol Law Enforcement		
45 Eliminate Vacant ALE Positions	(\$78,210) R	(\$78,210) R
ALE's budget will be reduced by eliminating one vacant office assistant position and one district supervisor position.	-2.00	-2.00
46 Reduce Vehicle Replacement Line Item		
There will be a non-recurring cut to the vehicle replacement line item.	(\$433,188) NR	
47 Eliminate District Supervisor Positions		(\$266,928) R
ALE shall eliminate 3 additional district supervisor positions by June 30, 2002. This reduction will come from salary and operating expenses. (SB 1005, Section 26.10)		-3.00
Butner Public Safety		
48 Reduce Vehicle Replacement		
There will be a one time reduction in the vehicle replacement line item for Butner Public Safety.	(\$71,500) NR	

Overview: 2001 Session Fiscal and Budgetary Actions

FY 2001-02

FY 2002-03

Emergency Management

49 Transfer Mapping Division to Emerg. Mgt.

\$93,941 R \$93,941 R

The Administrator for Surveying and Mapping will transfer to the Division of Emergency Management. The responsibilities and staff of the Flood Plan Mapping Unit within Surveying and Mapping will also transfer to Emergency Management. The receipt supported budget is \$18,473,555 and the General Fund Budget, which pays the administrator's salary, is \$93,941.

9.00 9.00

50 Reduce Matching Funds

(\$125,000) R (\$125,000) R

Funds have been over budgeted for the State match for federal grants. This item reduced the funding to the actual required amount.

51 Eliminate Vacant Emergency Management Positions

(\$67,171) R (\$67,171) R

Eliminate two (2) vacant positions in Emergency Management on June 30, 2001.

-2.00 -2.00

52 Decrease General Fund Appropriation

(\$50,000) R (\$50,000) R

The General Fund appropriation is decreased to offset increased revenue/receipts.

53 Reduce Misc. Contractual Services

(\$105,000) R (\$105,000) R

This item removes money from the Continuation Budget that was intended to fund a study on flood mapping. That study has been completed and the funds no longer need to be budgeted.

54 Decrease Funding for Regional Response Teams

(\$52,112) R (\$52,112) R

This item decreases the funding for HAZMAT regional response teams.

General

55 Reduce Various Operating Line Items

(\$53,500) R (\$53,500) R

Reduce the following operating line items by specified amount:

Administration Division

Computer Software \$15,500

Employee Education \$3,000

Butner Public Safety

Office Furniture \$5,000

V&J Services

Office Supplies \$15,000

Gov. Crime Comm.

Postage \$5,000

Printing \$10,000

Governor's Crime Commission

56 Eliminate Vacant GCC Position

(\$25,897) R (\$25,897) R

Vacant Processing Assistant III position will be eliminated in the Governor's Crime Commission.

-1.00 -1.00

Overview: 2001 Session Fiscal and Budgetary Actions

	FY 2001-02		FY 2002-03	
57 Reduce Operating Expenses	(\$20,000)	R	(\$20,000)	
Reduce Crime Prevention operating expenses.				
National Guard				
58 Increase State Match Tarheel Challenge	\$140,000	R	\$140,000	
The federal match requirement for Tarheel Challenge Program, administered by the NC National Guard, will increase by 5% in FY 2002. The program will be funded on a 60% federal to 40% state match basis beginning FY 2002.				
59 Reduce National Guard Pension Fund Payments	(\$1,002,776)	R	(\$1,002,776)	
The budget will be reduced by \$1,002,776 to adjust pension payments to reflect actuarial recommendations.				
\$470,635 of this total was in the Governor's recommendations.				
60 Reduce Tuition Assistance Funding	(\$100,000)	R	(\$100,000)	
The National Guard Tuition Assistance program has traditionally had unexpended balances each fiscal year. This item reduces the appropriation by \$100,000.				
Victim & Justice Services				
61 Eliminate Vacant CSWP Supervisors	(\$82,776)	R	(\$82,776)	
The Community Service Work Program budget will be reduced by eliminating two vacant District Supervisor positions.	-2.00		-2.00	
62 Eliminate Vacant CSWP Positions	(\$353,889)	R	(\$353,889)	
Eliminate 3 office assistant vacancies and 8 coordinator vacancies in Community Service Work Program.	-11.00		-11.00	
63 CSWP Transfer	(\$2,913,282)	R	(\$5,826,564)	
The Community Service Work Program will be transferred to the Department of Corrections to be merged with the Division of Community Corrections. The merger will be complete by January 1, 2002. (SB 1005, Section 26.11)	-162.00		-162.00	
64 CSWP Budget Reduction	(\$580,103)	R	(\$1,160,206)	
Through efficiency measures taken with the Community Service Work Program transfer from the Department of Crime Control to the Department of Corrections, twenty-seven positions will be eliminated by January 1, 2002. (SB 1005, Section 26.11)	-27.00		-27.00	
65 Increase Appropriation for Rape Victims Assistance	\$100,000	R	\$100,000	
In 1999, the General Assembly doubled the maximum award amount for Rape Victims Assistance but did not increase the appropriation. As a result, the fund has experienced shortfalls each year. This item increases the appropriation amount by \$100,000.				

Overview: 2001 Session Fiscal and Budgetary Actions

FY 2001-02

FY 2002-03

66 Increase Appropriation for Crime Victims

\$100,000 R

\$100,000 R

Due to a large unexpended balance, the General Assembly reduced the appropriation to the Crime Victims Compensation fund by \$500,000 in 2000. With the implementation of several efficiency measures, the staff has increased the number of claims processed and awards made. This item restores part of the previous budget reduction of \$500,000 in order to cover the increase in awards made.

Total Legislative Changes

(\$5,300,329) R

(\$9,060,642) R

(\$504,688) NR

Total Position Changes

-199.00

-202.00

Revised Budget

\$31,749,131

\$28,493,506

Special Provisions

2001 Session: SB 1005

Department: Crime Control and Public Safety

Section 26.2

Title: Annual Evaluation of Tarheel Challenge Program

Summary Continuing provision, which requires an annual report on the operations and effectiveness of the National Guard's Tarheel Challenge Program.

Section 26.3

Title: Legislative Review of Drug Law Enforcement and Other Grants

Summary Continuing provision, which requires the Governor's Crime Commission to report to Full and JPS Appropriations on the State application for grants under the State and Local Law Enforcement Assistance Act.

Section 26.4

Title: Victims Assistance Network Report

Summary Continuing provision that requires NCVAN, a non-profit that receives direct funding from the General Assembly, to submit annual report.

Section 26.5

Title: Revise Report on Crime Victims Compensation Fund

Summary Continuing provision that requires an annual report on the Crime Victims Compensation Fund. Adds new requirement that report must include the number of pending cases categorized by the year the cases were submitted .

Section 26.10

Title: Termination of Certain ALE Positions

Summary Directs the Alcohol Law Enforcement Division to terminate 3 district supervisors and/or assistant supervisors by June 30, 2002.

Section 26.11

Title: Transfer Community Service Work Program

Summary Effective January 1, 2002, the Community Service Work Program shall be merged with the Department of Correction's Division of Community Corrections. The following positions will be eliminated in the transfer: 4 regional supervisors, 21 district supervisors, the division director and one administrative assistant.

Judicial

GENERAL FUND

Recommended Budget

FY 2001-02
\$308,769,898FY 2002-03
\$308,769,898

Legislative Changes

67 Reduction in Operating Expenses

(\$189,254) R (\$217,705) R

Operating expenses for the Judicial Branch are reduced as follows:

	2001-2	2002-3
Maintenance Agreements	\$98,500	\$107,250
Printing & Binding	\$ 8,900	\$ 9,900
Registration Fees	\$34,700	\$ 37,250
Other Expenses	\$12,500	\$ 14,750
Telephone/Telecomm	\$ 2,000	\$ 3,000
Equipment Lease	\$ 5,000	\$ 5,500
Supplies	\$27,654	\$ 40,055

68 Reduce Funding for Jury Fees

(\$370,000) R (\$370,000) R

Funding is reduced to reflect recent years' experience. This reduction was part of the Governor's recommended budget and leaves \$3.8 Million available for 2001-2.

69 Eliminate Funds for Unemployment/Workers Comp

(\$370,066) R (\$370,066) R

Funding for unemployment and workers compensation payments is eliminated. Since payments are unpredictable, most departments do not budget a specific amount. This reduction was included in the Governor's recommended budget.

70 Reduce Budgeted Funds for Temporary Services

(\$223,767) R (\$223,767) R

Budgeted funds for temporary personnel are eliminated. This reduction was included in the Governor's recommended budget.

71 Reduce Budgeted Funds for Administrative Contracts

(\$1,752,652) R (\$1,752,652) R

Budgeted funds for administrative contracts are reduced. This reduction was included in the Governor's recommended budget. This includes an \$102,000 reduction in contractual funds for the Mecklenburg Speedy Drug Court as more of the operations of this program are now done with employees rather than by contract. Contractual funds are also reduced in administration, Superior Court, District Court, Clerks, District Attorneys, Custody Mediation, Arbitration, Sentencing Services and Drug Treatment Court.

Overview: 2001 Session Fiscal and Budgetary Actions

	FY 2001-02		FY 2002-03	
72 Reduce Funding for Fringe Benefits	(\$880,751)	R	(\$880,751)	F
Budgeted funds for FICA and Retirement are reduced based on reductions in other personnel items and projections for 2001-2002. This reduction was included in the Governor's recommended budget.				
73 Budgeted Overtime	(\$62,664)	R	(\$62,664)	F
Funding for budgeted overtime is eliminated, since the amount is unpredictable and usually covered with available funds. The Governor recommended a reduction of \$42,236 and the subcommittee eliminated the remaining \$20,428.				
74 Reduced Facility Lease Expense	(\$182,951)	R	(\$181,701)	F
Because of delays in renovating existing state offices, the projected increase in lease expenses for the Judicial Branch in the Governor's budget can be reduced. An increase of \$314,082 remains to cover projected increases in existing leases, the cost of rent for the Business Court, and the annualized cost of new office space leased for Court of Appeals staff.				
75 Reduction in Superior Court Judge Travel	(\$103,000)	R	(\$103,000)	F
Funding is reduced for lodging and meal expenses for Superior Court Judge travel to conferences. Judge's may use their subsistence allowance to cover these expenses.				
76 Judicial Branch Travel	(\$200,000)	R	(\$200,000)	F
Reduction in the total travel budget for the Judicial Branch based on actual expenditures in prior years.				
77 Recalculated Longevity	(\$500,000)	R	(\$500,000)	F
Funding is reduced for longevity payments to court officials and staff based on a recalculation in April 2001.				
78 Eliminate Funding for Blood Borne Pathogens	(\$16,068)	R	(\$16,068)	F
Funding for blood borne pathogens (immunizations) is no longer required.				
79 Redirect Superior Court Judge Position	\$0	R	\$0	F
The vacant Superior Court Judge position in District #4B (Onslow) shall be redirected to District #24 (Avery, Mitchell, Watauga, Yancey, Madison), effective October 1, 2001. (SB 1005, Section 22.4)				
	0.00		0.00	
80 Eliminate Vacant DA Investigator	(\$47,525)	R	(\$47,525)	I
A vacant District Attorney Investigator position in District #29 is eliminated. Not all District Attorneys have investigators and this position has been vacant since March 2000.				
	-1.00		-1.00	

Overview: 2001 Session Fiscal and Budgetary Actions

	FY 2001-02		FY 2002-03	
81 Eliminate Vacant District Court Judgeship	(\$125,102)	R	(\$123,504)	R
The vacant District Court Judge position in District #17A (Rockingham) shall be eliminated. The position in Rockingham County was authorized in the 2000 Budget but no appointment has been made. (SB 1005, Section 22.17)	-1.00		-1.00	
82 Increase Budgeted Receipts for Dispute Resolution	(\$70,251)	R	(\$70,251)	R
The General Fund contribution to the Mediated Settlement Conference in Superior Court and the District Court Mediated Settlement programs are reduced to reflect increased fee collections and operating expenses that have been less than originally anticipated. Receipts will increase in part due to HB 668 which has been ratified.				
83 Budget Fees for Worthless Check Program	(\$500,000)	R	(\$500,000)	R
Participants in the worthless check program pay a \$50 fee which is collected in a non-reverting fund. These funds will be used to offset the expenses of the program, allowing a reduction in the General Fund contribution.				
84 Reduce Funds for Court of Appeals Mediation	(\$20,000)	R	(\$20,000)	R
This program, authorized in the 2000 budget, has not been implemented as of May 2001. Funding is reduced to reflect expectation of limited activity in the first years.				
85 Reduction in Funding Sentencing Services Program	(\$100,000)	R	(\$100,000)	R
Funding for the Sentencing Services program is reduced by \$100,000 based on the amount left unspent in prior years. This reduction may be taken in the costs of the state-run or nonprofit programs.				
86 Annualization of New Positions	\$1,602,574	R	\$1,902,574	R
The recommended continuation budget did not cover the full-year costs of 42 new positions added during 2000-2001. This item provides funds to annualize all the personnel costs and half the operating costs.				
87 New Courthouses' Telephone Systems/ Network Cable	\$475,000	NR	\$125,000	NR
Funds are added to provide telephone systems and network cable for new courthouses expected to be completed during the biennium; five courthouses in 2001-2 and one in 2002-3. While county governments are responsible for the construction and furnishing of new courthouses and the installation of telecommunication lines in court facilities, the Judicial Branch is responsible for providing the cabling and phone systems.				
88 Membership in National DA's Association	\$15,000	R	\$15,000	R
Funding is continued to allow all 39 District Attorneys to join the National District Attorney's Association. Nonrecurring funding was provided for this purpose in 2000-2001.				

Overview: 2001 Session Fiscal and Budgetary Actions

	FY 2001-02		FY 2002-03	
89 District Court Judge	\$64,463	R	\$123,504	F
Provide funding for a new District Court Judge to be located in District #10, Wake County. New position is effective January 1, 2002. (SB 1005, Section 22.17)	\$12,209	NR		
	1.00		1.00	
90 Redirect Vacant Clerk Position	\$66,536	R	\$66,536	F
A part-time Deputy Clerk position in Caswell County, vacant since August 1999, is redirected to upgrade two .75 fte positions to fulltime in Madison and Swain Counties. Funds are provided for a new deputy clerk position in Brunswick County and a new Assistant Clerk position in New Hanover, effective July 1, 2001.	\$7,865	NR		
	2.00		2.00	
91 New Special Superior Court Judge	\$116,491	R	\$147,701	F
Funds are provided for a new Special Superior Court Judge, effective October 1, 2001. This brings the total number of Special Judges to 13. (SB 1005, Section 22.4)	\$9,153	NR		
	1.00		1.00	
92 New Magistrates	\$54,576	R	\$54,576	R
Funds are provided to add a half-time magistrate in Columbus County and a fulltime magistrate in Chowan counties. In addition, a vacant part-time magistrate position in Johnston County shall be moved to Swain County. (SB 1005, Section 22.16)	\$11,426	NR		
	1.50		1.50	
Total Legislative Changes	(\$3,794,411)	R	(\$3,429,763)	F
	\$515,653	NR	\$125,000	NR
Total Position Changes	3.50		3.50	
Revised Budget	\$305,491,140		\$305,465,135	

Special Provisions

2001 Session: SB 1005

Department: Judicial

Section 22.1

Title: **Transfer of Equipment & Supply Funds**

Summary Repeats provision that authorizes the Judicial Branch to budget equipment and supplies as a statewide reserve to be allocated by fund code throughout the year.

Section 22.2

Title: **Report on Community Mediation Centers**

Summary Continues requirement for an annual report to Appropriation Chairs by the Mediation Network of North Carolina and details the requirement for the portion of funding for mediation centers to come from sources other than the state appropriation. Adds new requirement that mediation centers receiving state funds (1) function as a government entity or nonprofit; (2) have community representation; and, (3) do not use state funds to pay indirect costs for management related services.

Section 22.3

Title: **Sentencing Services Report**

Summary Requires report by April 1, 2002 to Appropriation Chairs on the effectiveness of the Sentencing Services program.

Section 22.4

Title: **Move Vacant Superior Court Judge in #4B to #24**

Summary Reflects elimination, subject to approval under the votings right act, of a vacant Superior Court Judge position in District #4B (Onslow County) and creation of new judgeship in District #24, effective October 1, 2001. Also creates new Special Superior Court Judge position effective Oct. 1

Section 22.5

Title: **Business Court Report**

Summary Continues requirement for an annual report to Appropriation Chairs (April 1st) on the Business Court program.

Section 22.6

Title: **Eliminate Unnecessary or Obsolete Reports**

Summary Eliminates statutory requirements for (1) annual report by the Conference of DA's on the implementation of the Victims Rights Act; (2) reports on revisions to the AOC publications procedures manual; (3) annual report on judicial branch safety and health programs.

Section 22.7

Title: **Collection of Worthless Checks Fund**

Summary Allows the Judicial Branch to use any balance remaining in this non reverting fund as of June 30, 2001 for equipment purchase or repair. They must report to Governmental Operations prior to any purchase.

Section 22.8

Title: **Authorize Family and Juvenile Drug Treatment Court**

Summary Broadens authorization for Drug Treatment Court to include programs for parents of abused and neglected children and for juveniles. Adds representation to the local and state Drug Treatment Court Advisory Committees. Does not obligate any additional funds. Also authorizes the Judicial Department to seek nonstate funds and provide technical assistance to the local advisory committee in District 28 (Note: Section 114 of HB 338, Technical Corrections Bill, S.L. 2001-487, amends Section 22.8 (h) of SB1005 to also authorize District 3B to seek non-state funds).

Section 22.9

Title: **Transfer of Funds to Indigent Defense**

Summary Directs the Judicial Branch to transfer up to \$2.4 Million in available funds to cover shortfalls in the Indigent Defense Fund. Requires report to Governmental Operations prior to any transfer. This is to cover the \$2.4 M in 2000-2001 obligations that were held over to 2001-2.

Section 22.10

Title: **NC State Bar Funds**

Summary Continues authorization for the NC State Bar to transfer up to \$590,000 of their appropriation to the Center for Death Penalty Litigation for assistance to individual attorneys representing indigents in capital cases.

Section 22.11

Title: **Indigent Defense Technical Corrections**

Summary Clarifies that the change in definition of years of service for purposes of longevity included in SL 2000-144 (Indigent Defense Bill) was effective July 1, 2000. Also includes technical correction to GS 7A-498.7 that referenced statutes that were repealed by SL 2000-144. Clarifies that certain appointments to the Indigent Defense Commission shall be attorneys.

Section 22.12

Title: **OIDS Report**

Summary Requires the new Office of Indigent Defense Services to report to Appropriation Chairs annually (in March) on progress in improving management and cost-effectiveness of programs for indigent defense.

Section 22.13

Title: **Additional Public Defender Personnel**

Summary Authorizes the Office of Indigent Defense Services to create with available funds up to 6 assistant public defenders and 5 support positions in existing Public Defender offices. Requires report to Governmental Operations prior to establishing any position.

Section 22.14

Title: **Dedicate Court Costs to Access to Civil Justice**

Summary Directs that \$1.05 of each fee collected as General Court of Justice Fees shall go to Legal Services of North Carolina and Pisgah Legal Services. This dedicated fee replaces the \$1.66 Million in annualized General Fund appropriation that would have otherwise gone to these programs. This provision will be effective January 1, 2002. The AOC shall report in April of each year on the amounts remitted.

Section 22.16

Title: **Authorize Additional Magistrates**

Summary Increases the statutory maximum number of magistrates in Columbus County to reflect new positions funded in this budget.

Section 22.17

Title: **District Court Judgeships**

Summary Adds a District Court Judge in District #10 and eliminates a vacant District Court Judge in #17B, subject to approval under the Voting Rights Act. New judgeship is effective January 1, 2002.

Judicial - Indigent Defense

		GENERAL FUND	
		FY 2001-02	FY 2002-03
Recommended Budget		\$66,660,467	\$66,660,467
Legislative Changes			
93 Increase Budgeted Receipts	(\$750,000) R		(\$750,000) R
General Fund budget is reduced to reflect a substantial increase in the amount collected through counselor fee judgments and set-off debt collection .			
94 Reduce Funding to NC State Bar	(\$830,000) R		(\$1,660,000) R
Annualized funding to the NC State Bar is reduced by \$1.66 Million. This is the portion that has gone to Legal Services of North Carolina. As of January 1, 2002, Legal Services will receive a portion of court fee collections instead (SB 1005, Section 22.14).			
95 Authorize New Assistant Public Defender Positions	\$0 R		\$0 R
The Office of Indigent Defense Services may establish up to 6 assistant public defender positions in lieu of using assigned counsel in statewide programs or areas with established Public Defenders. OIDS may use up to \$477,768 in 2001-2 and \$446,820 in 2002-3 from the indigent fund to establish these positions, at no additional cost to the General Fund. (SB 1005, Section 22.13)			
	6.00		6.00
96 Authorize PD Support Staff Positions	\$0 R		\$0 R
The Office of Indigent Defense Services may establish up to 5 support positions (legal assistants, investigators, administrative assistants) in statewide programs or areas with established Public Defenders. OIDS may use up to \$283,575 in 2001-2 and \$256,310 in 2002-3 from the indigent fund to establish these positions at no additional cost to the General Fund. (SB 1005, Section 22.13)			
	5.00		5.00
97 Annualization of New Positions	\$191,643 R		\$191,643 R
The continuation budget did not cover the full-year costs of 5 new positions added during 2000-2001. This item provides funds to annualize the personnel costs and the operating costs.			
98 Increase Funding for Indigent Defense	\$4,909,491 R		\$4,425,661 R
Funding is increased to cover the growing costs of indigent defense and shortfalls in the current biennium. This brings the General Fund appropriation for assigned counsel to \$44.78 Million			

Overview: 2001 Session Fiscal and Budgetary Actions

	FY 2001-02	FY 2002-03
Total Legislative Changes	\$3,521,134 R	\$2,207,304 R
Total Position Changes	11.00	11.00
Revised Budget	\$70,181,601	\$68,867,771

Special Provisions

2001 Session: SB 1005

Department: Judicial - Indigent Defense

Section

Title: Office of Indigent Defense Provisions

Summary For purposes of this report, provisions relevant to the Office of Indigent Defense are included with the Judicial Department provisions

Justice

GENERAL FUND

	FY 2001-02		FY 2002-03	
Recommended Budget	\$76,471,632		\$76,471,632	
Legislative Changes				
99 Funding for Traffic Law Enforcement	\$260,000	R	\$260,000	R
Funds to implement the collection and analysis of racial, ethnicity, and other data about traffic stops made by county and certain municipality local law enforcement officers. (SB 1005, Section 23.7) (Note: Section 9 of HB 231, Appropriations Modifications and Other Changes, SL 2001-513 authorizes 3.0 full-time positions for this purpose.)				
100 Decrease General Fund Appropriation	(\$1,500,000)	R	(\$1,500,000)	R
The general fund appropriation is decreased to offset increased revenue/receipts.				
101 Vehicle Replacement				
Reduce vehicle replacement funds by \$922,018. This is the net amount after adjusting for decreased receipts from the sale/trade-in value of existing vehicles.	(\$922,018)	NR		
102 Annualization of Position Costs	\$155,424	R	\$155,424	R
Annualization costs of 8 Tort Claims and SBI Laboratory positions established during FY00-01. These costs were omitted from the Governor's Recommended Budget.				
103 Eliminate Vacant Positions	(\$386,338)	R	(\$386,338)	R
The Governor's Budget recommends the elimination of 8 vacant positions. The Department of Justice submitted the following 9 positions:				
Media Technician I (3615-0000-0004-815)				
CJ Training Coordinator I (3615-0000-0004-603)				
Paralegal II (3612-0000-0000-185)				
Attorney I (3612-0000-0000-207)				
Attorney I (3612-0000-0000-254)				
Social Research Assoc II (3612-0000-0000-080)				
Office Asst IV (3613-0000-0003-115)				
Office Asst IV (3613-0000-0003-013)				
CJ Spec/Investigator III (3613-0000-0003-012)				
	-9.00		-9.00	

Overview: 2001 Session Fiscal and Budgetary Actions

FY 2001-02

FY 2002-03

104 Reduce Various Contracts and Expense Items

(\$529,925) R

(\$529,925) R

The Governor's budget recommends reduced funding for various administrative line items related to personal and purchased services:

53 1311: \$38,044 (Temp Wages)
 53 1351: \$1,000 (Stu Temp Wages)
 53 1411: \$155,325 (Overtime)
 53 1511: \$15,611 (Soc Security)
 53 1521: \$18,343 (Reg Retirement)
 53 1531: \$24,588 (LEO Retirement)
 53 1561: \$10,054 (Med Insurance)
 53 1572: \$9,563 (Unemploy comp to ES)
 53 1625: \$41,329 (State Disability Payment)
 53 1631: \$20,123 (Work. Comp. Medical Payment)
 53 1660: \$17,580 (Taxable Emp. Expense Reim)
 53 2110: \$3,445 (Legal Services)
 53 2120: \$4,000 (Financial/audit Services)
 53 2132: \$1,292 (Other Provided Medical Services)
 53 2140: \$80,575 (Sys Imple/integ Services)
 53 2170: \$8,020 (Admin Services)
 53 2192: \$3,200 (Honorariums)
 53 2199: \$77,281 (Misc Contractual Services)

105 Eliminate the Office of the Inspector General

(\$250,000) R

(\$500,000) R

Effective January 1, 2002, eliminate the Office of the Inspector General. The functions performed by this office duplicates those responsibilities carried out by the Department of Health and Human Services and county social services offices. (SB 1005, Section 23.10)

-9.00

-9.00

106 Redirect DARE Program

(\$231,000) R

(\$325,000) R

Approximately 60 percent of the NC DARE workload is in support of its role as the U.S. Southeast Regional Training Center. As of August 31, 2001, NC DARE will no longer perform this SE regional training function and will stop receiving federal funds from DARE America. NC DARE uses all of the federal funds for SE regional training and none of these funds are passed through to local law enforcement agencies. With the termination of NC DARE as SE Regional Trainers, state funding and resources are redirected to provide training to NC local law enforcement officers only, 40% of the current workload. This redirection and changes in the methods of providing State training make it possible to reduce six state positions, effective October 1, 2001. The SBI would retain three positions and shall continue to administer the program, but shall provide the training in a more cost-efficient manner by collaborating with the Criminal Justice Standards Division so as to utilize the resources of the Justice Training Academies. In support of the DARE program, DARE America indicates that it will make available, at no cost, technical assistance and training resources to state and local law enforcement agencies. (SB 1005, Section 23.9)

-6.00

-6.00

Overview: 2001 Session Fiscal and Budgetary Actions

FY 2001-02

FY 2002-03

107 NC LEAF

\$75,000 R

\$75,000 R

Provide funding to the NC Legal Education Assistance
Foundation to assist with loan repayment for public service
attorneys.

Total Legislative Changes

(\$2,406,839) R

(\$2,750,839) R

(\$922,018) NR

Total Position Changes

-24.00

-24.00

Revised Budget

\$73,142,775

\$73,720,793

Special Provisions

2001 Session: SB 1005

Department: Justice

Section 23.1

Title: Use of Seized and Forfeited Property Transferred to State Law Enforcement Agencies by the Federal Government

Summary Repeats requirement for Departments of Justice, Crime Control, and Corrections to report to Governmental Operations prior to using these assets transferred from the federal government. Prohibits the use of these assets for certain purposes that result in recurring obligations.

Section 23.2

Title: Private Protective Services and Alarm Systems Licensing Boards Pay for Use of State Facilities and Services

Summary Repeats the requirement that these fee-supported agencies reimburse Department of Justice for use of facilities or support services.

Section 23.3

Title: Certain Litigation Expenses to be Paid by Clients

Summary Repeats requirement that client agencies shall reimburse the Department of Justice for expenses related to litigation on their behalf.

Section 23.4

Title: Reimbursement for UNC Board of Governors Legal Representation

Summary Repeats requirement that the UNC Board of Governors shall reimburse the Department of Justice for the cost of two Attorney III positions.

Section 23.5

Title: Report on Criminal Records Checks Conducted for Concealed Handgun Permits/Study Fee Adjustment for Criminal Records Checks

Summary Repeats the requirement that the Department of Justice report on the receipts, cost of, and number of concealed handgun permits issued. Repeats provision directing the Office of State Budget and Management to update the study of the feasibility of adjusting the fees charged for Criminal Record Checks and to report to Appropriations Chairs by March 1, 2002.

Section 23.6

Title: Criminal Justice Information Network Report/Add DJJDP Representative to Board

Summary Repeats requirement for annual report by April 1 on the operations and long range plans of the CJIN Board. Adds a representative of the Department of Juvenile Justice and Delinquency Prevention to the CJIN Board. The annual report is to be submitted to the Appropriation Chairs and Fiscal Research Division. (Note: Section 90 of HB 338, Technical Corrections Bill, S.L. 2001-487, adds a Division of Motor Vehicle (DMV) member to the CJIN Board.)

Section 23.7

Title: **Traffic Stop Statistics**

Summary Extends collection and reporting of traffic law enforcement statistics to all county and select municipal law enforcement agencies.

Section 23.9

Title: **Drug Education Program Training/Review**

Summary Directs the SBI to collaborate with the Criminal Justice Standards Division to administer the DARE Program (Drug Abuse Resistance Education). Requires the Juvenile Justice Institute to review DARE and other drug education efforts and submit a report by April 1, 2002.

Section 23.10

Title: **Abolish Office of Inspector General**

Summary Abolishes the Office of Inspector General effective January 1, 2002

Section 23.11

Title: **AG Reporting of Pending Lawsuits**

Summary Requires the AG to biannually report on any lawsuit which challenges the constitutionality of NC law or seeks damages in excess of \$1 million. The first report is due April 1, 2002. In addition, the AG must report within 30 days of a final judgment that orders the State to pay the sum of \$1 million or more.

Juvenile Justice & Delinquency Prevention

GENERAL FUND

	FY 2001-02		FY 2002-03	
Recommended Budget	\$147,706,045		\$149,456,045	

Legislative Changes

Administrative Services

108 Management Information System Support	\$852,545	R	\$852,545	R
Annualization of costs related to M.I.S. positions and recurring J-NET communications cost established during Fiscal Year 2000-01. These costs were omitted from the Governor's Recommended Budget.				
109 Eliminate Vacant Position	(\$48,031)	R	(\$48,031)	R
Effective July 1, 2001, eliminate vacant central office Program Coordinator position (#00119), which has been vacant since January 1, 2000.				
	-1.00		-1.00	
110 Reduce Vehicle Replacement Funds	(\$251,280)	NR		
Funding for vehicle replacement is reduced by \$251,280. This is the net amount after adjusting for decreased receipts from the sale/trade-in value of existing vehicles.				

Intervention/Prevention

111 Juvenile Crime Prevention Council (JCPC) Funds	(\$1,300,000)	R	(\$1,300,000)	R
Reduce the amount of JCPC discretionary funds by \$1,300,000. The remaining \$500,000 shall not be set aside for discretionary purposes. These funds shall be included in the formula grant allocation so as to increase the amount of formula grant funding available to county JCPCs.				
112 Eliminate Vacant Positions	(\$66,000)	R	(\$66,000)	R
Effective July 1, 2001, eliminate vacant administrative secretary and processing assistant positions.				
	-2.00		-2.00	

Special Initiatives

113 Boys and Girls Clubs	(\$100,000)	R	(\$100,000)	R
Reduce budget by the amount of funds targeted for the 3 eligible but non-participating counties originally specified for this initiative (Chowan, Columbus, & Martin).				
114 Eliminate G.R.A.S.P. Contract	(\$253,000)	R	(\$338,000)	R
Effective October 1, 2001, eliminate contract funds budgeted for the Guard Response Alternative Sentencing Program. Program referrals and enrollments are significantly below capacity.				

Overview: 2001 Session Fiscal and Budgetary Actions		FY 2001-02	FY 2002-03
115 Multipurpose Group Home	Eliminate operating funds budgeted for the multipurpose group home which has not been constructed.	(\$500,000) R	(\$500,000) R
116 Camp Woodson East	Reduce the operating funds for Camp Woodson East due to delayed opening date of October 1, 2001.	(\$155,000) NR	
Youth Development			
117 Pilot Multifunctional Facility	The Governor's Budget recommends elimination of funds to contract for a privately constructed and operated residential facility for juvenile offenders. Only one bid was received. The bid was over the amount budgeted and the proposed budget was not cost-effective according to DJJDP.	(\$2,500,000) R	(\$2,500,000) R
118 Increase Detention Center Receipts	Reduce the General Fund appropriation to offset increased Detention Center receipts.	(\$350,000) R	(\$350,000) R
119 Eliminate Vacant Teaching Positions	Effective July 1, 2001, eliminate 2 vacant teacher positions: one at Samarkand (vacant since Dec. 99) and one at Dillon (vacant since January 2000).	(\$88,467) R -2.00	(\$88,467) R -2.00
120 Cottage Parent Position Reductions	DJJDP shall eliminate 57 of 90 cottage parent positions -- 18 vacant and 39 filled -- in the Youth Development Centers (Training Schools). The 39 filled positions shall be eliminated October 1 and November 1, 2001. The cottage parent position is a low level custody position (Grade 60) that is difficult to recruit; further, the cottage parent can only be assigned to the night shift when juvenile offenders are locked in their rooms. DJJDP plans to allow qualified Cottage Parents to apply for vacant Counselor Tech. positions; vacancies for this Grade 62 custody position remain high so the reduction could improve staffing coverage in the Centers. DJJDP recommended this reduction in lieu of proposed reductions in Counselor Techs. and Behavioral Specialists.	(\$1,260,866) R -57.00	(\$1,578,159) R -57.00
121 Close Wilkes Detention Facility	The Governor's Recommended Budget would close the Wilkes Detention Center because it is not cost-effective to operate. Staff and juveniles will be relocated to the new Alexander Detention Center.	(\$413,465) R -18.00	(\$413,465) R -18.00

Overview: 2001 Session Fiscal and Budgetary Actions

	FY 2001-02		FY 2002-03	
122 Eliminate Vacant Counselor Technician Positions	(\$224,016)	R	(\$224,016)	F
Eliminate 5.5 Counselor Technician positions and one Secretary position from the Youth Development Centers. The reduction is to take the place of a Governor's recommended budget reduction to eliminate the DJJDP portion of the police force at the Juvenile Evaluation Center. The DJJDP police force will remain in place to serve JEC; DJJDP will also transfer funds and positions to DHHS to provide security at two surrounding DHHS facilities rather than operate a joint police force.	-6.50		-6.50	
123 Transfer Police Force Positions to DHHS	(\$248,435)	R	(\$248,435)	R
DJJDP operates a joint police force serving the Juvenile Evaluation Center and two adjacent DHHS facilities. It is recommended that 6 police positions be transferred so that DHHS can operate a separate police force for the Black Mountain Center and the Alcohol and Drug Abuse Treatment Center. DJJDP will continue to operate a 5 person police force at JEC and the two forces will collaborate during emergencies. (SB 1005, Section 24.10)	-6.00		-6.00	
Total Legislative Changes	(\$6,499,735)	R	(\$6,902,028)	F
	(\$406,280)	NR		
Total Position Changes	-92.50		-92.50	
Revised Budget	\$140,800,030		\$142,554,017	

Special Provisions

2001 Session: SB 1005

Department: Juvenile Justice & Delinquency Prevention

Section 24.1

Title: **S.O.S. Administrative Cost Limits/Repeal Conference Requirement**

Summary Repeats provision to maintain the cap on S.O.S. administrative support expenditures at \$550,000. New section amends the statute to repeal the requirement for an annual S.O.S. conference.

Section 24.2

Title: **Juvenile Crime Prevention Council Grant Reporting, Certification, and Funding of Research-Based Programs**

Summary Continues requirement that DJJDP report to legislative committees on JCPC grants awarded for local juvenile programs/services. Continues requirement that counties certify annually that JCPC funds do not duplicate or supplant other programs. Adds new section requiring DJJDP to implement a system to report on the extent to which JCPC funded programs are compatible with research that indicates proven effective interventions for juvenile offenders.

Section 24.3

Title: **Reports on Certain Programs**

Summary Continues the annual evaluation reports for Project Challenge and the Juvenile Assessment Center. Adds new section to require an annual report for the "Communities in Schools" program.

Section 24.4

Title: **State Funds May be Used as Matching Funds.**

Summary Continues the provision that allows state funds appropriated to DJJDP for the 2001-03 biennium to be used as matching funds for the federal Juvenile Accountability Incentive Block Grants (JAIBG).

Section 24.5

Title: **Annual Evaluation of Community Programs**

Summary Continues the requirement that DJJDP report to the Appropriation Chairs on the evaluation of Eckerd Camp, Camp Woodson, teen court programs, Boys and Girls Club Program, S.O.S., Governor's One-on-One Program and multipurpose group homes. The report is due annually by March 1.

Section 24.7

Title: **Continue Cumberland Juvenile Assessment Center**

Summary Eliminates the sunset date of the program and also eliminates the expiration date of the terms of the advisory board members.

Section 24.8

Title: **Teen Court Guidelines Codified**

Summary New provision codifies the Teen Court Program.

Section 24.9

Title: **Youth Development Center Plans**

Summary Requires the Department of Juvenile Justice and Delinquency Prevention to develop a long-range operating plan prior to closing a center or permanently closing a housing unit at any center.

Section 24.10

Title: **Transfer Funds and Positions to the Department of Health and Human Services**

Summary Transfers funds and six police officer positions from DJJDP to DHHS. DHHS shall use the funds and positions to provide security at the Black Mountain Center and at the Julian F. Keith Alcohol and Drug Abuse Treatment Center.

Section 24.11

Title: **Expand Number of Juveniles Served by Eckerd Camp**

Summary Allows the Department of Juvenile Justice and Delinquency Prevention to use up to \$351,233 of available funds in each year of the biennium to increase the number of juveniles served by the Eckerd Camp contract. (Note: Section 5 of HB 231, Appropriations Modifications and Other Changes, S.L. 2001-513, clarifies that \$351,233 may be used in each of the fiscal years of the biennium.)

Section 33.12

Title: **Samarkand Timber Sale**

Summary Directs the Department of Juvenile Justice and Delinquency Prevention to harvest and sell timber from the Samarkand Youth Development Center site (formerly titled Youth Academy). Allows up to \$250,000 from the sale to be used to repair streets and parking lots and provide additional street lighting at the Center. Requires any excess funds to revert to the General Fund.

GENERAL GOVERNMENT

Administration

		GENERAL FUND	
		FY 2001-02	FY 2002-03
Recommended Budget		\$61,078,651	\$61,078,651
Legislative Changes			
1111 Office of the Secretary			
1 Reduce Personnel		(\$41,757) R	(\$41,757) R
Abolishes vacant Administrative Assistant position as recommended by the Governor.		-1.00	-1.00
2 Appalachian Regional Commission		(\$190,080) R	(\$190,080) R
Replaces appropriated funds with Highway Funds for the Highway's portion of the Appalachian Regional Commission assessment dues.			
1111-1116 HUB Office			
3 Office of Historically Underutilized Businesses		\$270,000 NR	
Provides funding for the operations of the Office of Historically Underutilized Businesses (HUB). Funding will also be used for outreach efforts on the contracting opportunities available to HUB vendors resulting from the 2000 Higher Education Bond Program. (SB 1005, Section 7.9).			
1121 Office of Fiscal Management			
4 Reduce Personnel		(\$27,670) R	(\$27,670) R
Abolishes one Processing Assistant III position in the Departmental Supply Store. The employee has been reassigned.		-1.00	-1.00
1122 Human Resources Management			
5 State Employee Incentive Bonus Program		(\$114,997) R	(\$114,997) R
Changes the funding for the two positions responsible for administering the State Employee Incentive Bonus Program from appropriation support to receipt-support. A Special Provision directs that ten percent of the savings from employee suggestions are to go the Department for administration of the program. (SB 1005, Section 7.2).		0.00	0.00

Overview: 2001 Session Fiscal and Budgetary Actions

FY 2001-02

FY 2002-03

1311 Office of State Personnel

6 Personnel Reductions

(\$451,566) R

(\$451,566) R

Abolishes nine (9) vacant positions and related benefits:

-9.00

-9.00

5 Human Resource Consultants-

#4000-0100-0004-619 - (\$71,762)

#4000-0301-0004-330 - (\$36,664)

#4000-1200-0004-997 - (\$54,072)

#4000-0100-0004-422 - (\$58,899)

#4000-0100-0004-990 - (\$52,915)

Human Resources Manager-#4000-0201-0004-030 - (\$72,092)

Processing Assistant-#4000-0202-0004-124 - (\$32,328)

Office Assistant IV-#4000-0100-0004-755 - (\$30,663)

Office Assistant V-#4000-0600-0004-166 - (\$33,207)

(Eliminates the PREPARE Program)

Eliminate management layers for the following positions:

#4000-0301-0004-302, HR Executive - (\$5,565)

#4000-0301-0004-262, HR Manager - (\$3,399)

(SB 1005, Section 13.1)

7 Operating Budget Adjustments

\$172,540 R

\$172,540 R

Adjusts funds in the following accounts each fiscal year:

532170 Administrative Services - (\$10,000)

532199 Misc. Contracts - (\$1,950)

532400 Maintenance Agreements - (\$625)

532700 Travel - (\$4,668)

532800 Comm & Data Processing - \$200,000

532850 Printing - (\$5,000)

532860 Advertising - (\$1,000)

532930 Registration Fees - (\$727)

534500 Equipment - (\$3,490)

8 Program Personnel

(\$27,817) R

(\$27,817) R

Combines an Applications Analyst Programmer II- #4000-0202-

0004-051 (\$45,478) and Applications Analyst Programmer I-

#4000-0202-0004-948 (\$52,873) positions and creates a new

Applications Analyst Programmer II at pay grade 74 with

salary and benefits of \$70,533. Adjustment in salary and

benefits provides a reduction of (\$27,817).

-1.00

-1.00

1623 State Capitol Police

9 Reduce Personnel

(\$30,210) R

(\$30,210) R

Abolishes vacant Police Officer II position currently responsible for providing safety awareness to State agencies.

-1.00

-1.00

Overview: 2001 Session Fiscal and Budgetary Actions

FY 2001-02

FY 2002-03

1731 North Carolina Council for Women

10 Reduce Operating Budget

(\$7,000) R (\$7,000) R

Reduces miscellaneous contractual services.

11 Domestic Violence Prevention Funds

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

Provides funding for grants to domestic violence programs as recommended by the Governor.

12 Sexual Assault Funds

\$225,000 R \$225,000 R

Provides funding, as recommended by the Governor, for the continuation of sexual assault programs and the prevention of sexual assault within the state

1783 Governor's Domestic Violence Commission

13 Reduce Personnel

(\$110,349) R (\$110,349) R

Eliminates the positions of Executive Director and Administrative Secretary in the Domestic Violence Commission as recommended by the Governor. The responsibilities of the Commission will be consolidated with those of the NC Council for Women. The employee in the Executive Director's position will be transferred to the Council. The Administrative Secretary's position is vacant. (SB 1005, Section 7.7).

-2.00 -2.00

1810 Ethics Board

14 Reduce Operating Budget

(\$12,000) R (\$12,000) R

Reduces miscellaneous contractual services (\$10,000) and travel (\$2,000).

1871 Board of Science and Technology

15 Transfer Board of Science and Technology

(\$371,302) R (\$371,302) R

Transfers the Board of Science and Technology, including 3 positions (Executive Director, Administrative Secretary III, and Education Consultant), to the Department of Commerce. Special provision recodifies the statutory authority of the Board as established in Part 27 of Article 9 of Chapter 143B of the General Statutes to Part 18 of Article 10 of Chapter 143B of the General Statutes. (SB 1005, Section 7.6).

-3.00 -3.00

16 Abolish Positions

(\$111,014) R (\$111,014) R

Abolishes vacant Deputy Director position and the Administrative Officer I position as recommended by the Governor.

-2.00 -2.00

17 Reduce Personnel and Grant Funding

(\$155,410) R (\$155,410) R

Eliminates a Social Research Assistant II position and all research grant funding.

-1.00 -1.00

Overview: 2001 Session Fiscal and Budgetary Actions

FY 2001-02

FY 2002-03

Department Wide

18 Reduce Printing

(\$10,000) R

(\$10,000) F

Reduces the printing budget throughout the Department. The Department will implement electronic forms and communication were possible.

Total Legislative Changes

(\$263,632) R

(\$263,632) F

\$270,000 NR

Total Position Changes

-21.00

-21.00

Revised Budget

\$61,085,019

\$60,815,019

Special Provisions

2001 Session: **SB 1005**

Department: Administration

Section 7.1

Title: **Veteran's Scholarship Program**

Summary Adds the requirement that an applicant for a State veteran's scholarship be a resident of and domiciled in the state at the time of application. Also provides that an eligible child is one who is a senior in high school and will graduate at the end of the academic year. It provides that any award made to a child who is a senior in high school shall be pending the child's graduation.

Section 7.2

Title: **Modifications to the State Employee Incentive Bonus Program**

Summary Requires the Department of Administration to establish a reserve fund into which each agency is to transfer all savings realized from employee suggestions. The Department of Administration will distribute the funds with 20% going to the suggester up to a maximum of \$20,000, 10% to the implementing agency, 10% to the Department of Administration for management and administration of the fund, 10% to the employee education and training fund administered by the Office of State Personnel, and the remaining 50% to the General Fund. The amended statute will apply to all suggestion approved or awarded on or after the effective date.

Section 7.3

Title: **Study of Motor Fleet Management**

Summary Requires State Budget to study the operations of the State motor fleet, including consideration of privatizing the function.

Section 7.4

Title: **Motor Pool Operations and Assignment of Vehicles**

Summary Increases the mileage at which Motor Fleet Management can replace vehicles from 90,000 miles to 110,000. Also requires Motor Fleet to assign vehicles that are economically suitable. Finally, allows Motor Fleet to provide law enforcement vehicles only to those agencies which have statutory pursuit authority.

Section 7.6

Title: **Transfer Board of Science and Technology**

Summary Transfers the Board of Science and Technology along with all of its statutory authority, powers, duties, functions, records, personnel, property, and unexpended balances from the Department of Administration to the Department of Commerce.

Section 7.7

Title: **Domestic Violence Commission Staffing**

Summary Requires the Secretary of the Department of Administration to provide the staffing for the Commission, including the assignment of a person to serve as Deputy Director within the Council for Women whose primary responsibilities will be to staff the Commission.

Section 7.8

Title: **Petroleum Overcharge Funds Allocation**

Summary Appropriates \$1,300,000 from the funds received from the case of U.S. v. Exxon that remain in the Special Reserve for Oil Overcharge Funds to the Department of Health and Human Services to be allocated to the Weatherization Assistance Program.

Section 7.9

Title: **Historically Underutilized Businesses**

Summary Directs the Secretary of the Department of Administration to maintain the Office for Historically Underutilized Businesses with the same duties, responsibilities and functions as under Executive Order 150 until further action is taken by the General Assembly concerning the HUB. Directs state agencies to report quarterly on its use of historically underutilized business and directs HUB to report annually by May 1st to the Chairs of the Appropriation Subcommittee on General Government.

Section 13.1

Title: **Abolish Office of State Personnel Prepare Program**

Summary Language abolishes the Prepare Program, and encourages the Department of the State Treasurer to include the model of the program in its retirement services.

Section 15.4

Title: **Computer Networking Costs/Telecommunications Service Billing for State Agencies**

Summary Directs the Office of the State Controller, the Office of Information Technology Services, and the Office of State Budget and Management to adopt a common definition of computer networking costs and to define a process for capturing those costs without redundancy. Directs the Office of State Personnel, in conjunction with the Office of Information Technology Services, to devise a mechanism for identifying information technology workers in State Government by industry-relevant classifications. Directs the Office of State Personnel to identify the results of market analyses comparing State Information Technology workers with private-sector information technology workers. Directs the Office of Information Technology Services to present State agencies with clear and detailed information on the costs of ITS services for telecommunications data and video services in a bill for those services.

Section 15.5

Title: **Study State Agency Use of Contractors for Information Technology/Pilot Project Feasibility Study**

Summary Directs the Office of State Personnel, the Office of Information Technology Services, the Office of State Budget and Management, and the Office of the State Controller to study the issue of State agency use of information technology contractors and recommend the most appropriate use of contractors. The study should compare the costs of outsourcing functions versus maintaining those functions in-house. Directs the Joint Select Committee on Information Technology to conduct a feasibility study of a pilot program to allow budget flexibility for converting information technology contractors to State employees.

Section 15.6

Title: **E-Procurement/Procurement Card Program**

Summary Authorizes the Department of Administration to establish and maintain a procurement card program for State agencies. Directs the Board of Governors of the University of North Carolina to exempt the University of North Carolina at Chapel Hill and North Carolina State University from the requirement to use the E-Procurement system when it becomes available until May 1, 2003. Also exempts any State agencies or other entity of the State from the mandatory use of the system where the agency or entity of State government had an existing E-procurement system prior to September 1, 2001. Restricts the use of procurement cards at UNC-CH and NCSU to a \$250 per month limit.

Auditor

GENERAL FUND			
	FY 2001-02		FY 2002-03
Recommended Budget	\$12,166,518		\$12,166,518
Legislative Changes			
1210 Field Audit Division			
19 Over-realized Receipts	(\$301,845)	R	(\$301,845) R
Reduces the General Fund appropriation for field audits. The Department has over-realized its budgeted receipts for audit work related to single audit and CAFR. Increasing budgeted receipts to more accurately reflect receipts will result in a reduction in the required General Fund appropriation.			
Total Legislative Changes	(\$301,845)	R	(\$301,845) R
Total Position Changes			
Revised Budget	\$11,864,673		\$11,864,673

Special Provisions

2001 Session: SB 1005

Department: Auditor

Section 9.1

Title: **Electronic Distribution of Auditor's Reports**

Summary Requires the Office of the State Auditor to provide notification that an audit report has been published, its subject and title, and the locations at which the report is available. Requires the distribution of copies of the report only to those who request a report. Allows reports to be in written or electronic form.

Section 15.2

Title: **Security Standards for State Information Technology**

Summary Directs the State Chief Information Officer to establish security standards that maximize the functionality, security, and interoperability of the State's distributed information technology assets. Directs the State Auditor (in consultation with the State CIO) to assess, confirm, and report on the security practices of information technology systems. Further, directs the State Auditor to issue general reports on security practices in State agencies and to provide detailed information to agencies regarding the specifics of their security practices.

Cultural Resources

		GENERAL FUND	
		FY 2001-02	FY 2002-03
Recommended Budget		\$60,840,696	\$60,840,696
Legislative Changes			
1110 Office of the Secretary			
20 Budget Adjustment	(\$10,860) R		(\$10,860) R
Reduces funds for miscellaneous contractual services (532199).			
1120 Administrative Services			
21 Adjust Operating Budget	(\$9,842) R		(\$9,842) R
Reduces funds for computers equipment (534522).			
1210 Archives & History/Director's Office			
22 Operating Budget Adjustments	(\$14,942) R		(\$14,942) R
Reduces the following accounts each fiscal year:			
531311 Temp Wages - (\$1,500)			
531511 Social Security - (\$115)			
532199 Misc. Contractual Services - (\$4,759)			
532731 BD/Non-employee Trans - (\$500)			
532732 BD/Non-employee Subsistence - (\$500)			
535830 Membership Dues - (\$500)			
536901 First Flight Commission - (\$7,068)			
23 Queen Anne's Revenge	\$250,000 NR		
Provides funding only for continued work on the recovery and conservation of the artifacts from the shipwreck believed to be Blackbeard's flagship, Queen Anne's Revenge.			
1220 Historical Publications			
24 Budget Adjustment	(\$6,461) R		(\$6,461) R
Reduces funding for printing, binding and duplication (532850).			

1230 Archives and Records**25 Operating Budget Adjustments**

(\$28,077) R

(\$28,077) R

Reduces the following accounts each fiscal year:

- 532199 Misc. Contractual Services - (\$3,000)
- 532210 Electricity - (\$2,577)
- 532731 BD/Non-employee Trans. - (\$2,000)
- 532732 BD/Non-employee Subsistence - (\$1,000)
- 532850 Printing, Binding & Duplication - (\$6,000)
- 532850 Advertising - (\$5,500)
- 533900 Other Materials/Supplies - (\$5,000)
- 534539 Other Equipment - (\$3,000)

26 Digitization of Public Records

Provides funds to complete Information Technology project planning and for IRMC Project Certification related to digitization of public records (532140).

\$50,000 NR

(SB 1005, Section 11.1)

Section 27 of House Bill 231, Appropriations Modifications and Other Changes, SL 2001-513 changes the intended use of the funds to allow the department to use the \$50,000 appropriation to complete planning for the IT expansion project and to aid in computerizing certain State archival records for access via the Internet.

1241 State Historic Sites**27 Operating Budget Adjustment**

(\$360,315) R

(\$360,315) R

Reduces the following accounts each fiscal year:

- 532199 Misc. Contractual Services - (\$130,000)
- 532512 Rent/Lease-Buildings or Offices - (\$7,000)
- 532721 Lodging/In State - (\$20,000)
- 532724 Meals/In State - (\$10,000)
- 532942 Other Emp. Ed Expense - (\$8,000)
- 533900 Other Materials & Supplies - (\$4,315)
- 534511 Office Furniture - (\$10,000)
- 534541 Motor Vehicles - (\$71,000)
- 534549 Art & Artifacts - (\$100,000)

1242 Tryon Palace**28 Adjust Operating Budget**

(\$15,273) R

(\$15,273) R

Reduces the following accounts:

- 532310 Building Repairs - (\$2,684)
- 532390 Other Repairs - (\$1,056)
- 532490 Maintenance/Service Contracts - (\$1,386)
- 532919 Other Insurance - (\$1,656)
- 533900 Other Supplies & Materials - (\$4,999)
- 534511 Office Furniture - (\$1,000)
- 534539 Other Equipment - (\$2,492)

Overview: 2001 Session Fiscal and Budgetary Actions

FY 2001-02

FY 2002-03

1243 State Capitol

29 Budget Adjustment

(\$4,161) R

(\$4,161) F

Reduces the following accounts:

531311 Temporary Wages - (\$3,900)

531321 Social Security - (\$261)

1245 NC Maritime Museum

30 Operating Budget Adjustment

(\$32,155) R

(\$32,155) F

Reduces funds in the following accounts each fiscal year:

532182 Laundry Service Agreement - (\$100)

532320 Repairs/Other Structures - (\$2,000)

532512 Office Rent/Lease - (\$22,791)

532521 Rent/Lease-Motor Vehicles - (\$400)

532524 Rent/Lease Gen. Office Equip. - (\$100)

532850 Printing, Binding, & Dup - (\$1,000)

532912 Motor Vehicle Insurance - (\$1,500)

532913 Liability Insurance - (\$2,000)

533900 Other Materials & Supplies - (\$2,000)

534539 Other Equipment (\$264)

1250 Historic Preservation

31 Operating Budget Adjustments

(\$12,893) R

(\$12,893) F

Reduces the following accounts each fiscal year:

532199 Misc. Contractual Services - (\$1,858)

532390 Repairs - (\$650)

532714 Trans/In State - (\$1,946)

532715 Trans/Out of State - (\$100)

532721 Lodging/In State - (\$247)

532724 Meals/In State - (\$600)

532725 Meals/Out of State - (\$235)

532727 Misc./In State - (\$795)

532728 Misc/Out of State - (\$1,150)

532731 BD/Non-employee Trans. - (\$431)

532732 BD/Non-employee Subs. - (\$200)

532850 Printing, Binding, & Dup. - (\$900)

532942 Other Employee Ed Exp. - (\$326)

533110 General Office Supplies - (\$50)

533900 Other Materials & Supplies - (\$1,435)

534511 Office Furniture - (\$1,822)

534539 Other Equipment - (\$148)

1290 Western Office

32 Budget Adjustment

(\$2,956) R

(\$2,956) F

Reduces funding for In-state transportation (532714).

1320 Museum of Art**33 Operating Budget Adjustments**

(\$49,923) R

(\$49,923) R

Reduces funds in the following accounts:

532199 Misc. Contractual - (\$16,560)
 532512 Rent/Lease Building - (\$5,345)
 532590 Rent/Lease Other - (\$800)
 532711 Tran Air/In State - (\$100)
 532712 Tran Air/Out of State - (\$125)
 532714 Trans Ground/In State - (\$2,000)
 532715 Trans Ground/Out of State - (\$294)
 532716 Trans Ground/Out of Country - (\$200)
 532722 Lodging/Out of State - (\$1,000)
 532723 Lodging/Out of Country - (\$739)
 532725 Meals Out of State - (\$500)
 532726 Meals Out of Country - (\$300)
 532728 Misc/Out of State - (\$2,000)
 532729 Misc/Out of Country - (\$500)
 532811 Telephone Service - (\$1,440)
 532850 Printing, Binding, & Dup - (\$1,020)
 533990 Other Supplies & Materials - (\$17,000)

34 Art Exhibit

Appropriates funds for an exhibit scheduled May 18 - July 28,
 2002 -- Empire of the Sultans: Ottoman Art from the Khalili
 Collection.

\$250,000 NR

1330 NC Arts Council**35 Operating Budget Adjustments**

(\$156,487) R

(\$156,487) R

Reduces funds in the following grant programs:

536948 Lost Colony - (\$6,097)
 536971 Shakespeare Festival - (\$6,097)
 536990 Basic Grants - (\$90,926)
 536996 Grassroots Arts - (\$53,367)

36 Grassroots Arts Program

Provides funds for one-time increase in continuation budget
 for grants to local arts councils (536996).

\$250,000 NR

1340 NC Symphony**37 Budget Adjustment**

(\$2,962) R

(\$2,962) R

Reduces funds for postage (532840).

Overview: 2001 Session Fiscal and Budgetary Actions

FY 2001-02

FY 2002-03

1360 Grants in Aid to Arts**38 Operating Budget Adjustments**

(\$35,946) R

(\$35,946) F

Reduces budgets each year for:

536932 Vagabond School of Drama - (\$1,134)

536935 NC State Art Society - (\$182)

536936 NC Symphony Society - (\$34,630)

1410 State Library Services**39 Budget Reductions**

(\$13,792) R

(\$13,792) F

Reduces funds in the following accounts:

532850 Printing, Binding, & Duplication - (\$3,250)

534630 Library Learning Resources - (\$10,542)

1480 State Library Statewide Programs**40 Budget Adjustments**

(\$170,091) R

(\$170,091) F

Reduces the following accounts:

532812 Telecommunication Services - (\$26,078)

536960 Aid to Counties - (\$144,013)

1500 Museum of History**41 Operating Budget Adjustments**

(\$486,141) R

(\$486,141) F

Eliminates funds for nine vacant positions and reduces funding in the following accounts each fiscal year:

-9.00

-9.00

531211 Salaries - (\$107,714)

531511 Social Security - (\$8,240)

531521 Retirement - (\$8,628)

531561 Medical Insurance - (\$9,024)

532310 Building Repairs - (\$127,478)

534511 Office Equipment - (\$12,357)

534539 Other Equipment - (\$212,700)

Total Legislative Changes

(\$1,413,277) R

(\$1,413,277) F

\$800,000 NR

Total Position Changes

-9.00

-9.00

Revised Budget

\$60,227,419

\$59,427,419

Special Provisions

2001 Session: SB 1005

Department: Cultural Resources

Section 11.1

Title: **Completion of the Information Technology Expansion Project and the Information Resource Management Commission Project Certification**

Summary Indicates that funds will be used to complete planning for the Information Technology Expansion Project and the Information Resource Management Commission (IRMC) Project Certification. Directs Department not to spend any additional funds for technology expansion prior to the review of the IRMC Project Certification and the Joint Select Committee on Information Technology. The results of the IRMC Project Certification shall be presented to the Joint Select Committee on Information Technology no later than December 31, 2001.

(Note: Section 27 of House Bill 231, Appropriations Modifications and Other Changes, SL 2001-513 amends the section to allow the department to use the \$50,000 appropriation to complete planning for the IT expansion project and to aid in computerizing certain State archival records for access via the Internet.)

Section 11.2

Title: **Civil War Sites Tourism**

Summary Directs the Departments of Cultural Resources and Commerce with the assistance of other public and private organizations to study the feasibility of creating tourism programs that highlight the State's Civil War history. The departments will report findings and recommendations to the General Government and NER Appropriations Subcommittees by April 15, 2002.

Section

Title: **Artwork Conservation Fees**

Summary Session Law 2001-127 allows the North Carolina Museum of Art's Regional Conservation Service Program to perform conservation treatments on privately owned works of art. There is no fiscal impact on the General Fund. If the Museum of Art Foundation does not expand the staff of the Regional Conservation Services Program, then there will be no fiscal impact to the Foundation. The act became effective on July 1, 2001.

Cultural Resources - Roanoke Island Commission

GENERAL FUND

	FY 2001-02		FY 2002-03	
Recommended Budget	\$1,907,245		\$1,907,245	
Legislative Changes				
Roanoke Island Commission				
42 Operating Budget Adjustment	(\$47,782)	R	(\$47,782)	R
Reduces amount of funding transferred to Special Fund.				
Total Legislative Changes	(\$47,782)	R	(\$47,782)	R
Total Position Changes				
Revised Budget	\$1,859,463		\$1,859,463	

Special Provisions

2001 Session: SB 1005

Department: Cultural Resources - Roanoke Island Commission

Section

Title: **(No Special Provisions reported)**

Summary

General Assembly

		GENERAL FUND	
		FY 2001-02	FY 2002-03
Recommended Budget		\$40,567,848	\$40,567,848
Legislative Changes			
1900 Reserves and Transfers			
43 Reserves and Transfers		(\$1,014,000) R	(\$1,014,000) R
Reduces contingency reserve funds in the following accounts each fiscal year on a recurring basis with the exception of an additional \$170,000 that is reduced in Agency Reserves (537195) in FY 01-02, only:		(\$170,000) NR	
531521 Retirement - (\$613,857)			
531561 Medical Insurance - (\$65,125)			
537195 Agency Reserves - (\$504,875)			
Total Legislative Changes		(\$1,014,000) R (\$170,000) NR	(\$1,014,000) R
Total Position Changes			
Revised Budget		\$39,383,848	\$39,553,848

Special Provisions

2001 Session: SB 1005

Department: General Assembly

Section 14.1

Title: Study Use of Internet for Agency Publications

Summary Directs the departments, subject to the oversight of the Joint Appropriations Subcommittee on General Government, to review printing and publications requirements and schedules, and to develop a plan to reduce the cost of printing, publishing, and distributing agency information and materials. These should include documents, reports, and other publications by using computer technology and, in particular, the Internet as a means to distribute information and materials to the public. Each department shall submit a written report by April 1, 2001 to the Fiscal Research Division, that includes a review of statutory and regulatory requirements and recommendations on statutory revisions that may be required and the recurring adjustments in the agency budget.

Governor

		GENERAL FUND	
		FY 2001-02	FY 2002-03
Recommended Budget		\$5,633,739	\$5,633,739
Legislative Changes			
1110 Administration			
44 Reduce Operating Expenses		(\$60,649) R	(\$60,649) R
Reduces the operating budgets in the following line items:			
Office Furniture and Equipment	(\$7,066)		
Computer Equipment	(\$13,000)		
Computer Software	(\$6,591)		
Maintenance Agreement	(\$7,492)		
Travel	(\$10,000)		
Cellular Phone	(\$6,500)		
Telephone	(\$10,000)		
45 Clean NC		(\$50,834) R	(\$50,834) R
Changes funding for director position from appropriation to receipts as recommended by the Governor. The source of receipts will be federal and private grants.			
		0.00	0.00
1120 Dues to National Associations			
46 Reduce Membership Dues		(\$9,741) R	(\$9,741) R
Reduces the budget for dues paid to national associations.			
1130 Intergovernmental Relations			
47 Reduce Operating Budgets		(\$11,902) R	(\$11,902) R
Reduces the operating budgets in the following line items			
Compensation to Board Members	(\$600)		
Miscellaneous Contractual Services	(\$990)		
Repairs	(\$242)		
Maintenance Agreements	(\$878)		
Postage	(\$1,505)		
Printing	(\$1,567)		
Property Insurance	(\$50)		
Data Processing Supplies	(\$70)		
Membership Dues	(\$1,000)		
Travel	(\$5,000)		

1210 Citizen's Affairs**48 Reduce Operating Budget**

(\$9,550) R

(\$9,550) R

Reduces the operating budgets in the following line items:

In-state transportation	(\$10)
Data Processing Services	(\$739)
Registration Fees	(\$71)
General Office Supplies	(\$1,000)
Membership Dues	(\$70)
Administrative Services	(\$4,600)
Miscellaneous Contractual Services	(\$1,025)
Maintenance Agreements	(\$2,035)

1230 Education**49 Reduce Operating Budget**

(\$1,000) R

(\$1,000) R

Reduces the operating budget for in-state transportation.

1631 Raleigh Executive Residence**50 Reduce Operating Budget**

(\$36,904) R

(\$36,904) R

Reduces the operating budgets in the following line items:

Laundry Services	(\$400)
Pest Control Services	(\$250)
Misc. Contractual Services	(\$475)
Electric Services	(\$5,491)
Natural Gas	(\$1,237)
Water/Sewer	(\$1,471)
In-state Transportation	(\$2,090)
Printing	(\$1,500)
Registration Fees	(\$300)
Emp. Education Assistance Program	(\$600)
Data Processing Supplies	(\$300)
Food Supplies	(\$7,232)
Clothing and Uniforms	(\$581)
Office Furniture	(\$420)
Residential Furniture	(\$3,257)
Membership Dues	(\$300)
Transfer to other agencies	(\$4,000)
Repairs	(\$3,000)
Computer Equipment	(\$4,000)

Overview: 2001 Session Fiscal and Budgetary Actions

FY 2001-02

FY 2002-03

1632 Western Executive Residence

51 Reduce Operating Budget

(\$10,254) R

(\$10,254) R

Reduces the operating budgets in the following line items:

Laundry Services	(\$50)
Security Services	(\$165)
Pest Control Services	(\$150)
Misc. Contractual Services	(\$630)
Natural Gas	(\$1,000)
Water/Sewer	(\$1,000)
Residential Furniture	(\$1,625)
Repairs	(\$1,934)
Communication Equipment	(\$75)
Lease Other Property	(\$50)
Telephone Service	(\$200)
Janitorial Supplies	(\$2,375)
Other Materials and Supplies	(\$1,000)

Total Legislative Changes

(\$190,834) R

(\$190,834) R

Total Position Changes

0.00

0.00

Revised Budget

\$5,442,905

\$5,442,905

Special Provisions

2001 Session: SB 1005

Department: Governor

Section 12.1

Title: **Advisory Commission on Military Affairs**

Summary Establishes a 30 member commission in the Office of the Governor to advise the Governor and the Secretary of the Department of Commerce on military matters. The commission will have 21 voting members appointed by the Speaker of the House (3) , the President Pro Tempore of the Senate (3), and by the Governor (15). There will be nine ex-officio members. The Governor's Military Advisor will serve as the administrative head of the commission.

Section 15.3

Title: **Executive Budget Act Information Technology Provisions**

Summary Amends the Executive Budget Act by requiring State agencies and all other entities of the State to submit statements of need regarding State funds for information technology to the State Chief Information Officer prior to submitting a request for State funds to the Office of State Budget and Management. Directs the CIO to make recommendations to the Governor regarding the merits of requests for funds for information technology.

Insurance

GENERAL FUND

		FY 2001-02		FY 2002-03	
Recommended Budget		\$23,392,288		\$23,392,288	
Legislative Changes					
1100 Administration					
52 Operating Budget Adjustments		(\$4,000)	R	(\$4,000)	R
Reduces the operating budgets in the following line items:					
Repairs - Buildings	(\$312)				
Repairs - Computers	(\$500)				
Travel	(\$2,580)				
Office Furniture	(\$214)				
Office Equipment	(\$118)				
Computer Equipment	(\$276)				
1200 Company Services					
53 Reduce Operating Budget		(\$96,414)	R	(\$96,414)	R
Reduces operating budgets in the following line items:					
Information Technology Services	(\$500)				
Maintenance Agreement-Equipment	(\$7,590)				
Maintenance Agreement-Software	(\$6,715)				
Travel	(\$24,841)				
Telephone Service	(\$1,000)				
Printing, Binding, Duplicating	(\$2,904)				
Registration Fees	(\$6,675)				
Other Employee Educational Expense	(\$14,247)				
Office Furniture	(\$13,182)				
Office Equipment	(\$610)				
Computer Equipment	(\$14,150)				
Computer Software	(\$4,000)				
1300 Technical Services Group					
54 Operating Budget Reductions		(\$62,533)	R	(\$62,533)	R
Reduces the operating budgets in the following line items:					
Repairs - Buildings	(\$470)				
Travel	(\$27,074)				
Telephone Service	(\$2,396)				
Postage, Freight, Delivery	(\$1,037)				
Printing, Binding, Duplicating	(\$9,604)				
Advertising	(\$1,320)				
Office Furniture	(\$12,250)				
Computer Equipment	(\$8,132)				
Computer Software	(\$250)				

1400 Public Service Group**55 Operating Budget Reduction**

(\$48,708) R

(\$48,708) R

Reduces operating budgets in the following line items:

Maintenance Agreement	(\$500)
Travel	(\$33,890)
Telecommunication Data Charge	(\$5,000)
Computer/Data Processing Service	(\$2,845)
Printing, Binding, Duplicating	(\$4,028)
Registration Fees	(\$400)
Office Furniture	(\$1,433)
Office Equipment	(\$612)

56 Provides Funding to Implement External Review

\$136,449 R

\$398,264 R

Provides funding to implement the external review provisions of SB 199, Managed Care Patients' Bill of Rights. The funding will cover start-up and operating cost as well as the salaries and benefits for a director (effective January 1, 2002), an Insurance Regulatory Analyst II and a Grade 59 support position (both effective February 1, 2002), and an Insurance Regulatory Analyst I (effective April 1, 2002). The funding is appropriated only if SB 199 becomes law. (SB 1005, Section 14E.1)

\$34,300 NR
4.00

4.00

1500 Office of State Fire Marshall**57 Operating Budget Reductions**

(\$51,345) R

(\$51,345) R

Reduces operating budgets in the following line items:

Administrative Services	(\$9,845)
Travel	(\$2,500)
Postage, Freight, Delivery	(\$12,500)
Printing, Binding, Duplicating	(\$2,500)
Educational Supplies	(\$1,500)
Computer Software	(\$22,500)

1900 Reserves and Transfers**58 Increase Transfer to the Consumer Protection Fund**

\$450,000 NR

Increases the transfer to the Consumer Protection Fund (23900-2001) to cover the increase in cost of hiring external consultants and experts to testify in rate hearings when the insurance industry requests rate increases. The increase in cost is attributable to the increase in the number of filings which are expected to result in hearings in fiscal year 2001-2002.

Total Legislative Changes	(\$126,551)	R	\$135,264
	\$484,300	NR	
Total Position Changes	4.00		4.00
Revised Budget	\$23,750,037		\$23,527,552

Special Provisions

2001 Session: SB 1005

Department: Insurance

Section 14E.1

Title: Authorization of Reimbursement from the Insurance Regulatory Fund

Summary Amends G.S. 58-6-25(d) to authorize reimbursement from the Regulatory Fund for monies appropriated for the Office of Managed Care Patient's Assistance and for monies appropriated for the implementation and administration of independent external review. The change is only effective if SB 199, Managed Care Patients' Bill of Rights, 2001 General Assembly, becomes law.

Insurance - Volunteer Safety Workers' Compensation Fund

GENERAL FUND

	FY 2001-02	FY 2002-03
Recommended Budget	\$4,500,000	\$4,500,000
Legislative Changes		
1900 Reserves and Transfers		
59 Volunteer Safety Workers' Compensation Fund		
Reduces the General Fund appropriation to the Volunteer Safety Workers' Compensation Fund for fiscal year 2001-2002.	(\$3,450,000) NR	
Total Legislative Changes	(\$3,450,000) NR	
Total Position Changes		
Revised Budget	\$1,050,000	\$4,500,000

Special Provisions

2001 Session: SB 1005

Department: Insurance - Volunteer Safety Workers' Compensation Fund

Section

Title: (No Special Provisions reported)

Summary

Lieutenant Governor

GENERAL FUND			
	FY 2001-02		FY 2002-03
Recommended Budget	\$686,308		\$686,308
Legislative Changes			
1110 Administration			
60 Salaries and Wages	(\$16,763)	R	(\$16,763) R
Reduces salary reserve and related benefits each fiscal year.			
Total Legislative Changes	(\$16,763)	R	(\$16,763) R
Total Position Changes			
Revised Budget	\$669,545		\$669,545

Special Provisions

2001 Session: SB 1005

Department: Lieutenant Governor

Section

Title: (No Special Provisions reported)

Summary

Office of Administrative Hearings

GENERAL FUND

	FY 2001-02		FY 2002-03	
Recommended Budget	\$2,908,088		\$2,908,088	
Legislative Changes				
1100 Administration & Operations				
61 1211 Salaries and Wages	(\$70,067)	R	(\$70,067)	R
Abolishes vacant positions - Clerk-Typist position in the Civil Rights Division - # 8210-1100-0000-061 (\$29,775) and Accounting Technician V in the Administration Division - # 8210-1100-0000-007 (\$40,292) and related benefits.	-2.00		-2.00	
62 Operating Budget Adjustments	(\$29,000)	R	(\$29,000)	R
Reduces funding in the following line items each year of the biennium:				
532110 Legal Service - (\$4,000)				
532140 System Implement/Integration Services - (\$11,506)				
532440 Maintenance Agreement-DP Equipment - (\$640)				
532441 Maintenance Agreement/Software - (\$11,854)				
535830 Membership/Subscription - (\$1,000)				
63 432101 Receipts - Federal Reimbursement	(\$13,866)	R	(\$13,866)	R
Increases federal receipts.				
Total Legislative Changes	(\$112,933)	R	(\$112,933)	R
Total Position Changes	-2.00		-2.00	
Revised Budget	\$2,795,155		\$2,795,155	

Special Provisions

2001 Session: SB 1005

Department: Office of Administrative Hearings

Section 8.1

Title: Office of Administrative Hearings Reclassification of Positions

Summary Adopts recommendations of the study and directs the agency to reclassify positions.

Revenue

		GENERAL FUND	
		FY 2001-02	FY 2002-03
Recommended Budget		\$76,967,284	\$76,967,284
Legislative Changes			
1600 Administration			
64 Adjust Personnel		(\$67,420) R	(\$67,420) R
Abolishes vacant Staff Development Coordinator position, #4771-0000-0020-410 and related benefits.		-1.00	-1.00
1602 Security			
65 Adjust Personnel		(\$23,630) R	(\$23,630) R
Abolishes vacant Processing Assistant III position, # 4791-0000-0024-010 and related benefits.		-1.00	-1.00
1605 Planning, Development, and Technology			
66 Operating Budget Adjustments		(\$809,714) R	(\$809,714) R
Reduces the following accounts each fiscal year:			
531311 Temporary Wages - (\$60,000)			
531411 OT Pay - (\$20,000)			
531431 Shift Premium Pay - (\$10,000)			
531511 Social Security - (\$6,885)			
531521 Retirement - (\$2,403)			
532140 System Implementation - (\$250,000)			
532310 Repairs - (\$9,092)			
532512 Rent/Lease Buildings/Offices - (\$5,000)			
532712 Trans. Air/Out of State - (\$10,000)			
532715 Trans. Ground/Out of State - (\$5,000)			
532722 Lodging/Out of State - (\$5,000)			
532821 Computer/Data Processing Svs - (\$250,000)			
532860 Advertising - (\$10,000)			
533110 Gen Office Supplies - (\$6,334)			
533120 Data Processing Supplies - (5,000)			
534511 Office Furniture - (\$30,000)			
534521 Office Equipment - (\$25,000)			
534522 Equipment/Computers - (\$75,000)			
534710 Computer Software - (\$25,000)			

Overview: 2001 Session Fiscal and Budgetary Actions

FY 2001-02

FY 2002-03

67 Project Collect Tax

Provides funds for an Applications Programmer II and Applications Analyst Programmer Specialist, effective November 1, 2001, equipment, and operating expense:

\$97,232	R	\$755,262	R
\$193,600	NR		
2.00		2.00	

	FY 01-02	FY 02-03
--	----------	----------

531211 Salaries	\$ 81,279	\$121,919
531511 Social Security	6,218	9,327
531521 Retirement	6,511	9,766
531561 Med Ins	3,008	4,512
532140 Contractual Svs	-0-	600,000
532821 Computer/Data Proc	216	9,738
532440 Maint Agree/DP Equip	7,800	
532441 Maint Agree/Software	7,800	
534521 Office Equipment	18,000	
534522 Computer Equipment	156,000	
534528 Communications Equip	4,000	

(SB 1005, Section 14D.1)

1607 Tax Research

68 Personnel and Operating Budget Adjustments

Eliminates salary and benefits for a vacant Statistical Assistant V position, #4774-0000-0040-312 (\$28,263, and reduce funds in the following accounts each fiscal year:

(\$58,126)	R	(\$58,126)	R
-1.00		-1.00	

531311 Temporary Wages - (\$27,740)
531511 Social Security - (\$2,123)

1621 Corporate, Excise & Insurance

69 Adjust Operating Budget

Reduces funds in the following accounts each year:

(\$10,765)	R	(\$10,765)	R
------------	---	------------	---

531311 Temporary Wages - (\$10,000)
531511 Social Security - (\$765)

1627 Sales & Use

70 Adjust Operating Budget

Reduces funds in the following accounts each year:

(\$6,459)	R	(\$6,459)	R
-----------	---	-----------	---

531311 Temporary Wages - (\$6,000)
531511 Social Security - (\$459)

1629 Property Tax**71 Additional Personnel**

Appropriates funds for salary, benefits, operating expense, office furniture and equipment to support a Property Tax Valuation Specialist I position, effective November 1, 2001. The cost associated with the position will be reimbursed through the allowance for administrative cost available per G.S.105-501 in the year subsequent to the year the cost is incurred.

\$42,624	R	\$63,936	F
\$9,600	NR		
1.00		1.00	

1641 Office Examination**72 Personnel and Budget Adjustments**

Makes the following adjustments in the division's budget each fiscal year:

(\$237,744)	R	(\$237,744)	F
-4.00		-4.00	

Eliminate four (4) vacant positions - (\$85,117)
 3 Processing Assistant III - #4782-0000-0065-729,
 #4782-0000-0065-733, and #4782-0000-0065-829
 1 Processing Assistant V - #4784-0000-0076-551

531311 Temporary Wages - (\$100,000)
 531511 Social Security - (\$15,769)
 531521 Retirement - (\$6,818)
 531561 Med Insurance - (\$9,024)
 531625 State Disability Payments - (\$21,016)

1643 Office Services (Taxpayer Assistance)**73 Personnel and Operating Adjustments**

Abolishes two (2) vacant Processing Assistant III positions - #4782-0000-0065-415 (\$25,794) and #4782-0000-0065-768 (\$23,630), reduce temporary wages (531311) and adjust related benefits.

(\$70,954)	R	(\$70,954)	F
-2.00		-2.00	

74 Project Collect Tax

Appropriates funds to add 6 Tax Technician positions, effective November 1, 2001 with related benefits:

\$126,271	R	\$189,406	F
6.00		6.00	

FY 01-02

FY 02-03

531211 Salaries	\$101,372	\$152,058
531511 Social Security	7,755	11,632
531521 Retirement	8,120	12,180
531561 Med Ins	9,024	13,536

(SB 1005, Section 14D.1)

1660 Field Operations (Examination & Collection)**75 Personnel and Operating Budget Adjustments**

Reduces temporary wages (531311) and social security (531511).

(\$19,882)	R	(\$19,882)	F
------------	---	------------	---

Overview: 2001 Session Fiscal and Budgetary Actions

FY 2001-02

FY 2002-03

76 Project Collect Tax

In the Central Collections Unit provides funding to support an Officer Manager II and 2 Revenue Officer II positions effective November 1, 2001, and 13 Tax Technicians effective December 1, 2001, with related benefits and operating expense:

\$354,538	R	\$584,605	R
\$5,000	NR		
16.00		16.00	

	FY 02-01	FY 02-03
--	----------	----------

531211 Salaries	\$285,248	\$469,055
531511 Social Security	21,822	35,883
531521 Retirement	22,848	37,571
531561 Med Ins	21,620	36,096
532714 Transportation	3,000	6,000
532950 Emp Moving Expense	5,000	

(SB 1005, Section 14D.1)

77 Project Collect Tax

Appropriates funds to support 20 Revenue Officer I and 8 Information Processing Technician positions effective November 1, 2001 with related benefits and operating expense; and employs under contract 12 retirees, effective October 1, 2001:

\$783,206	R	\$1,181,059	R
\$145,800	NR		
28.00		28.00	

	FY 01-02	FY 02-03
--	----------	----------

531211 Salaries	\$621,299	\$931,948
531511 Social Security	47,529	71,294
531521 Retirement	49,766	74,649
531561 Med Ins	42,112	63,168
532199 Misc Cont Svs	145,800	-0-
532714 Transportation	22,500	40,000

(SB 1005, Section 14D.1)

1670 Unauthorized Substance Tax

78 Operating Budget Adjustment

(\$26,530)	R	(\$26,530)	R
------------	---	------------	---

Reduces the following accounts each fiscal year:

531311 Temporary Wages - (\$20,000)
 531511 Social Security - (\$1,530)
 535890 Other Administrative Services - (\$5,000)

Overview: 2001 Session Fiscal and Budgetary Actions

FY 2001-02

FY 2002-03

1681 Administrative Services

79 Operating Budget Adjustments

(\$461,514) R

(\$461,514) R

Reduces the following accounts each fiscal year:

532199 Misc. Contractual Services - (\$65,985)
 532430 Maintenance Agreements/Equipment - (\$34,411)
 532821 Computer/Data Process Service - (\$20,000)
 532840003 Post, Freight & Del/Postage Meter - (\$58,547)
 532850001 Print Official Statements - (\$23,625)
 532930 Registration Fees - (\$15,000)
 532942 Other Employee Ed Exp - (\$126,833)
 533120 Data Processing Supplies - (\$50,000)
 533900 Other Materials \$ Supplies - (\$20,000)
 534521 Office Equipment - (\$22,113)
 535830 Membership Dues & Subscriptions - (\$25,000)

80 Project Collect Tax

\$194,285 R

\$138,325 R

Increases funds to support positions employed for the project:

\$105,200 NR

	FY 01-02	FY 02-03
532811 Telephone Service (\$ 11,754		\$ 18,200
(@ \$350 per position,		
39 eff.11/1/01 and 13 eff.		
12/1/01)		
Long Distance Svs 50,000		60,000
532840003 Postage/Fr/Del 109,220		32,280
533110 Supplies 16,792		26,000
(@ \$500 per position,		
39 eff.11/1/01 and 13 eff.		
12/1/01)		
Envelopes and Paper		
for Notices 6,519		1,845
534511 Office Furniture 100,000		
534521 Office Equipment 5,200		
(SB 1005, Section 14D.1)		

1683 Financial Services

81 Operating Budget Adjustments

(\$20,454) R

(\$20,454) R

Adjusts the following accounts each fiscal year:

531311 Temporary Wages - (\$10,000)
 531511 Social Security - (\$1,454)
 531625 Eliminate State Disability Payments - (\$9,000)

Overview: 2001 Session Fiscal and Budgetary Actions

FY 2001-02

FY 2002-03

1685 Documents & Payments Processing

82 Personnel and Operating Budget Adjustments

(\$110,981) R

(\$110,981) R

Makes the following adjustments in the division's budget:

-4.00

-4.00

Eliminate four (4) vacant positions - (\$86,388)
 3 Data Entry Specialists - #4787-0000-0090-883,
 #4787-0000-0090-882, and #4787-0000-0090-889
 1 Processing Assistant III - #4787-0000-009-109

531511 Social Security (\$6,754)

531521 Retirement (\$6,920)

531561 Med Insurance (\$9,024)

531625 Eliminate State Disability Payments - (\$1,895)

Total Legislative Changes

(\$326,017) R

\$988,420 R

\$459,200 NR

Total Position Changes

40.00

40.00

Revised Budget

\$77,100,467

\$77,955,704

Special Provisions

2001 Session: SB 1005

Department: Revenue

Section 14D.1

Title: **Project Collect Tax**

Summary Directs that funds appropriated to the Department of Revenue for Project Collect Tax shall be transferred to a separate Fund Code in the department's budget.

Section 14D.2

Title: **Request for Proposal for Performance-based Contract for Overdue Tax Collections**

Summary Directs the department to report to Gov Ops and the Fiscal Research Division by October 1, 2001 and monthly thereafter on the progress of developing the RFP for a performance-based contract to collect overdue tax debts. Additionally, prior to issuing the RFP the department shall consult with the Joint Legislative Commission on Governmental Operations.

Section 14D.3

Title: **Sales Tax Rate Administrative Costs**

Summary Authorizes the department to use up to \$230,160 in lapsed salary funds for temporary personnel and up to \$230,000 from collections under Chapter 105 for printing, and postage cost related to implementation of the ½ -cent State sales tax effective October 16, 2001. Section 34.13 enacts the ½ -cent State sales tax.

(Note: Section 4 of House Bill 231, SL 2001-513 amends the language to change the word used to use.)

Section

Title: **DOR Debt Collection Changes**

Summary Session Law 2001-380 expands the current program for outsourcing the collection of out-of-state tax debts to include in-state tax debts. The bill also provides that a 20% collection assistance fee will be added to all tax debts that remain unpaid 90 days after they became final. The Department of Revenue must report periodically on its debt collection activities to Governmental Operations and to the Revenue Laws Study Committee. The Department of Revenue is allowed to spend up to \$500,000 from the collection assistance fee account in FY 2002-03 to develop and bid a performance-based contract for centralized collection practices. □ This bill enables the Department of Revenue to launch its Project Collect Tax to reduce its \$370 million backlog in accounts receivables. The Department plans to bring in \$50 million in additional revenue in FY 2001-02 and again FY 02-03. This additional revenue has been included in the biennium budget bill, SB 1005. The act became effective on August 9, 2001, except for section 3 (state debt setoff – November 1, 2001), Section 6 (pay contractors from collected debt – July 1, 2001), and Section 8 (collection from foreign entities – October 1, 2003).

Refer to Section 14D.2 , as it directs the department to begin monthly reporting October 1, 2001 on developing the RFP for a performance-based contract.

Rules Review Commission

		GENERAL FUND	
		FY 2001-02	FY 2002-03
Recommended Budget		\$334,085	\$334,085
Legislative Changes			
1100 Administration			
83 Personal Services		(\$8,290)	(\$8,290)
Reduces funds each year of the biennium in the following accounts:		R	R
531651 Board Member Compensation - (\$2,000)			
532512 Rent/Lease - (\$250)			
532712 Transportation/Out of State - (\$500)			
532722 Lodging/Out of State - (\$500)			
532725 Meal/Out of State - (\$200)			
532811 Telephone Service - (\$1,600)			
532850 Printing, Binding, Duplicate - (\$500)			
532930 Registration Fees - (\$250)			
534511 Office Furniture - (\$700)			
534521 Office Equipment - (\$200)			
534522 Computer Equipment - (\$1,000)			
534630 Library and Learning - (\$500)			
534710 Computer Software - (\$90)			
Total Legislative Changes		(\$8,290)	(\$8,290)
Total Position Changes			
Revised Budget		\$325,795	\$325,795

Special Provisions

2001 Session: SB 1005

Department: Rules Review Commission

Section

Title: (No Special Provisions reported)

Summary

Secretary of State

GENERAL FUND

	FY 2001-02		FY 2002-03
Recommended Budget	\$8,760,901		\$8,760,901
Legislative Changes			
1100 Administration			
84 Reduce Operating Budget	(\$34,918)	R	(\$34,918) R
Reduces operating budgets in the following line items:			
Travel	(\$12,200)		
Miscellaneous Contracted Service	(\$3,159)		
System Implementation	(\$18,309)		
Employee Education Expenses	(\$500)		
Data Processing Supplies	(\$300)		
Photographic Supplies	(\$150)		
Office Furniture	(\$300)		
1120 Publications			
85 Reduce Operating Budget	(\$3,441)	R	(\$3,441) R
Reduces operating budgets in the following line-items:			
Computer Data Processing Services	(\$1,000)		
Travel	(\$1,200)		
Time-Limited Salaries	(\$1,241)		
86 North Carolina Manual			
Provides funding for the bi-annual printing of the North Carolina Manual. (SB 1005, Section 14F.1).	\$50,000	NR	
1210 Corporations			
87 Reduce Operating Budget	(\$45,580)	R	(\$45,580) R
Reduces operating budgets in the following line items:			
Maintenance Agreements	(\$15,000)		
Employee Education Expense	(\$10,080)		
Data Processing Supplies	(\$1,500)		
Travel	(\$3,200)		
Over-time Pay	(\$8,000)		
Miscellaneous Contractual Services	(\$2,000)		
Office Furniture	(\$2,000)		
Office Equipment	(\$1,800)		
Other Administrative Expenses	(\$2,000)		

Overview: 2001 Session Fiscal and Budgetary Actions

FY 2001-02

FY 2002-03

88 LLC Annual Report Notification

Provides funding for temporary personnel, supplies, and postage needed to send notifications to Limited Liability Companies of their annual report due date and to enhance the Department's collection efforts.

\$100,000 NR

1220 Uniform Commercial Code

89 Reduce Staffing

Eliminates 10 Processing Assistant positions in the UCC Division effective September 1, 2001. These positions were among the 41 positions that were added during the 2000 Session to handle the increased workload anticipated from the implementation of Revised Article 9 of the UCC.

(\$222,731) R

(\$267,657) F

-10.00

-10.00

90 Reduce Operating Budget

Reduces the operating budgets for travel(\$11,200) and miscellaneous contractual services (\$10,00).

(\$21,200) R

(\$21,200) F

91 Additional Rent Funding

Provides the additional funding needed to cover the annual lease payments for the property which houses the Uniform Commercial Code Section.

\$127,142 R

\$127,142 F

1230 Securities Division

92 Reduce Operating Budget

Reduces operating budgets in the following line items:

Travel	(\$1,270)
Employee Education	(\$1,200)
Postage	(\$1,200)
Office Furniture	(\$1,500)
Other Administrative Expense	(\$1,100)

(\$6,270) R

(\$6,270) F

1240 Business License Information Office

93 Reduce Operating Budget

Reduces the operating budgets in the following line-items:

Travel	(\$2,300)
Miscellaneous Contractual Services	(\$150)
Cellular Phone	(\$100)
Data Processing Supplies	(\$100)
Office Furniture	(\$500)
Other Administrative Expense	(\$100)

(\$3,250) R

(\$3,250) F

94 Reduce Staffing

Eliminates 5 Business License Consulting positions (including 2 vacant positions) and 1 Processing Assistant III position, effective July 1, 2001.

(\$215,927) R

(\$215,927) F

-6.00

-6.00

Overview: 2001 Session Fiscal and Budgetary Actions

FY 2001-02

FY 2002-03

1300 Notary Public

95 Reduce Operating Budget

Reduces operating budget for miscellaneous contractual services.

(\$2,000) R

(\$2,000) R

1400 Land Records

96 Reduce Operating Budget

Reduces the operating budget for office furniture.

(\$950) R

(\$950) R

Total Legislative Changes

(\$429,125) R

(\$474,051) R

\$150,000 NR

Total Position Changes

-16.00

-16.00

Revised Budget

\$8,481,776

\$8,286,850

Special Provisions

2001 Session: SB 1005

Department: Secretary of State

Section 14F.1

Title: **Printing and Distribution of North Carolina Manual**

Summary Reduces the number of copies of the North Carolina Manual that the Secretary of State is required to print and distribute biennially from 5,000 to 2,350.

State Board of Elections

GENERAL FUND

	FY 2001-02		FY 2002-03	
Recommended Budget	\$3,271,453		\$3,271,453	
Legislative Changes				
1100 Administration				
97 Reduce Operating Budget	(\$85,184)	R	(\$85,184)	R
Reduces the operating budget in the printing line items				
Total Legislative Changes	(\$85,184)	R	(\$85,184)	R
Total Position Changes				
Revised Budget	\$3,186,269		\$3,186,269	

Special Provisions

2001 Session: SB 1005

Department: State Board of Elections

Section 14B.1

Title: Early Voting Funds/Grants

Summary Directs the State Board of Elections to make grants to Buncombe, Chatham, Durham, Edgecombe, Lenior, Orange, and Wake counties for operating additional one-stop absentee voting sites during the 2000 elections. The grants will be paid from funds appropriated for that purpose for the 2000-2001 fiscal year.

State Budget, Planning & Management

GENERAL FUND

	FY 2001-02		FY 2002-03
Recommended Budget	\$5,789,900		\$5,789,900
Legislative Changes			
1310 State Budget, Planning & Management			
98 Eliminate Planning and Analysis Unit	(\$352,719)	R	(\$690,418) R
Eliminates the Administrator for State Planning and the seven Planning Analyst positions responsible for strategic planning analysis. Also abolishes an Applications Analyst Programmer Specialist position and an Office Assistant III position which support the strategic planning analysis function. All ten positions are eliminated effective September 1, 2001. The statutory requirements for performing strategic planning analysis will be repealed. (SB 1005, Section 12.2).	-10.00		-10.00
99 Reduce Operating Budget	(\$93,567)	R	(\$93,567) R
Reduces the operating budgets in the following items:	(\$40,000)	NR	
Contracted Employees	(\$45,000)		
Printing	(\$22,000)		
Salary Reserve	(\$9,267)		
Temporary Salaries	(\$5,000)		
Staff Travel	(\$1,000)		
ABC Travel (fee 2001-02 only)	(\$20,000)		
ABC Subsistence (fy 2001-02 only)	(\$20,000)		
Cellular Phones	(\$300)		
Printing	(\$5,000)		
Office Supplies	(\$1,000)		
Office Furniture	(\$500)		
Office Equipment	(\$500)		
Computers	(\$2,000)		
Membership/Subscriptions	(\$1,000)		
Other Expenses	(\$1,000)		
100 Personnel Adjustments	(\$20,018)	R	(\$72,849) R
Transfers a receipt-supported Statistician II position currently housed in the State Data Center within the State Planning Section to the Employment Security Commission. Eliminates an appropriation-supported State Management Analyst position (#3003-0405-0000-804) also housed in the State Data Center, effective September 1, 2001. These positions are responsible for analyzing the employment activity data captured in the common follow-up information management system. The salary (\$45,077) and benefits (\$9,315) for the Statistician II position are currently funded by a transfer from the Worker Training Trust Fund.	-1.00		-1.00

1310 State Budget, Planning and Management**101 Transfer Personnel**

(\$93,941) R

(\$93,941) F

Transfers the Administrator for Surveying and Mapping to the Division of Emergency Management within the Department of Crime Control and Public Safety. Flood Plain Mapping will be transferred to CCPS as a Type I transfer. Geodetic Survey, County Boundaries, and the Center for Geographic Information Analysis will be transferred to the Division of Land Resources within the Department of Environment and Natural Resources as a Type I transfer as defined by G.S. 143A-6. (SB 1005, Section 12.3).

-1.00

-1.00

1900 Reserves and Transfers**102 Managed Care Patients' Assistance Program**

\$201,392 R

\$485,813 F

\$67,500 NR

\$30,000 NF

4.00

5.00

Provides funding to implement the Patients' Assistance Program which would be established upon the passage of SB 199, Managed Care Patients' Bill of Rights. The funding will cover the start-up and operating cost as well as the salaries and benefits for a director (effective November 1, 2001), an Insurance Regulatory Analyst II and a grade 61 support position (both effective December 1, 2001), and two Insurance Regulatory Analyst I positions (one effective January 1, 2002 and the other effective July 1, 2002). The funding is appropriated only if SB 199 becomes law. If SB 199 becomes law, the funding will be transferred to the state agency designated by the Governor to administer the program. The Insurance Regulatory Fund will reimburse any amounts appropriated from the General Fund. (SB 1005, Section 14E.1).

Total Legislative Changes

(\$358,853) R

(\$464,962) F

\$27,500 NR

\$30,000 NF

Total Position Changes

-8.00

-7.00

Revised Budget

\$5,458,547

\$5,354,938

Special Provisions

2001 Session: SB 1005

Department: State Budget, Planning & Management

Section 12.2

Title: Eliminate State Planning Unit and Rename Budget Office Section

Summary Repeals the statutory requirement for the performance of strategic analysis planning. Changes the name of the State Budget Office to the Office of State Budget and Management.

Section 12.3

Title: Transfer the Center for Geographic Information Analysis/Geodetic Survey and the Statewide Floodplain Mapping Unit

Summary Transfers the Center for Geographic Information Analysis and Geodetic Survey to the Department of Environment and Natural Resources, Division of Land Resources. Transfers Statewide Floodplain Mapping to the Department of Crime Control and Public Safety, Division of Emergency Management.

Section 14E.1

Title: Authorization of Reimbursement from the Insurance Regulatory Fund

Summary Amends G.S. 58-6-25(d) to authorize reimbursement from the Regulatory Fund for monies appropriated for the Office of Managed Care Patient's Assistance and for monies appropriated for the implementation and administration of independent external review. The change is only effective if SB 199, Managed Care Patients' Bill of Rights, 2001 General Assembly, becomes law.

Section 15.3

Title: Executive Budget Act Information Technology Provisions

Summary Amends the Executive Budget Act by requiring State agencies and all other entities of the State to submit statements of need regarding State funds for information technology to the State Chief Information Officer prior to submitting a request for State funds to the Office of State Budget and Management. Directs the CIO to make recommendations to the Governor regarding the merits of requests for funds for information technology.

Section 15.4

Title: Computer Networking Costs/Telecommunications Service Billing for State Agencies

Summary Directs the Office of the State Controller, the Office of Information Technology Services, and the Office of State Budget and Management to adopt a common definition of computer networking costs and to define a process for capturing those costs without redundancy. Directs the Office of State Personnel, in conjunction with the Office of Information Technology Services, to devise a mechanism for identifying information technology workers in State Government by industry-relevant classifications. Directs the Office of State Personnel to identify the results of market analyses comparing State Information Technology workers with private-sector information technology workers. Directs the Office of Information Technology Services to present State agencies with clear and detailed information on the costs of ITS services for telecommunications data and video services in a bill for those services.

Section 15.5

Title: **Study State Agency Use of Contractors for Information Technology/Pilot Project Feasibility Study**

Summary Directs the Office of State Personnel, the Office of Information Technology Services, the Office of State Budget and Management, and the Office of the State Controller to study the issue of State agency use of information technology contractors and recommend the most appropriate use of contractors. The study should compare the costs of outsourcing functions versus maintaining those functions in-house. Directs the Joint Select Committee on Information Technology to conduct a feasibility study of a pilot program to allow budget flexibility for converting information technology contractors to State employees.

Section 15.8

Title: **Reduction in Expenditures Based on ITS Rate Reductions/No Rate Increases to Offset Reductions**

Summary Directs the Office of Information Technology Services to provide rate reductions amounting to \$4 million (in General Fund dollars) in its Telephones, Telecommunications Data, and Computer Data Processing services. Directs the Office of State Budget and Management to administer the reductions through the allotment system established in G.S. 143-17. Directs that the Office of Information Technology services shall not increase rates to offset any reductions required by this act.

State Budget, Planning & Management - Flood Mapping and Surveying

GENERAL FUND

	FY 2001-02		FY 2002-03	
Recommended Budget	\$1,232,845		\$1,232,845	
Legislative Changes				
1412 Geodetic Survey				
103 Transfer Geodetic Survey	(\$1,035,096)	R	(\$1,035,096)	R
Transfers the responsibilities and staff of the Geodetic Survey section within Surveying and Mapping to the Division of Land Resources within the Department of Environment and Natural Resources. The transfer has all the elements of a Type I transfer as defined in G.S. 143A-6. County Boundaries and the Center for Geographic Information Analysis will be transferred to DENR also and Flood Plain Mapping will be transferred to Division of Emergency Management within the Department of Crime Control and Public Safety. (SB 1005, Section 12.3).	-22.00		-22.00	
104 Operating Budget Adjustments	(\$45,000)	R	(\$45,000)	R
Reduces the operating budget in the miscellaneous contractual services line item.				
1413 County Boundaries				
105 Transfer County Boundaries	(\$152,749)	R	(\$152,749)	R
Transfers the responsibilities and staff of the County Boundaries unit within Surveying and Mapping to the Division of Land Resources within the Department of Environment and Natural Resources. The transfer has all of the elements of a Type I transfer as defined in G.S. 143A-6. Geodetic Survey and the Center for Geographic Information Analysis will also be transferred to DENR. Flood Plain Mapping will be transferred to the Division of Emergency Management within the Department of Crime Control and Public Safety. (SB 1005, Section 12.3).	-1.00		-1.00	

1415 Flood Plain Mapping**106 Transfer Flood Plain Mapping**

\$0 R

\$0 F

Transfers the responsibility and staff of the Flood Plain Mapping unit within Surveying and Mapping to the Division of Emergency Management within the Department of Crime Control and Public Safety. The transfer has all of the elements of a Type I transfer as defined in G.S. 143A-6. The receipt-supported General Fund budget is \$18,473,555. Geodetic Survey, County Boundaries and the Center for Geographic Information Analysis will be transferred to the Division of Land Resources within the Department of Environment and Natural Resources. (SB 1005, Section 12.3).

-8.00

-8.00

Center for Geographic Information & Analysis**107 Transfer Ctr for Geographic Information & Analysis**

\$0 R

\$0 F

Transfers the Center for Geographic Information and Analysis to the Division of Land Resources within the Department of Environment and Natural Resources. The program has a receipt-supported budget of \$1,758,906 which is in budget code 23006, fund 2510 and 25 positions. The transfer has all of the elements of a Type I transfer as defined in G.S. 143A-6. Geodetic Survey and County Boundaries will also be transferred. Flood Plain Mapping will be transferred to the Division of Emergency Management within the Department of Crime Control and Public Safety. (SB 1005, Section 12.3).

0.00

0.00

Total Legislative Changes

(\$1,232,845) R

(\$1,232,845) F

Total Position Changes

-31.00

-31.00

Revised Budget

\$0

\$0

Special Provisions

2001 Session: SB 1005

Department: State Budget, Planning & Management - Flood Mapping and Surveying

Section 12.3

Title: **Transfer the Center for Geographic Information Analysis/Geodetic Survey and the Statewide Floodplain Mapping Unit**

Summary Transfers the Center for Geographic Information Analysis and Geodetic Survey to the Department of Environment and Natural Resources, Division of Land Resources. Transfers Statewide Floodplain Mapping to the Department of Crime Control and Public Safety, Division of Emergency Management.

State Budget, Planning & Management - Special Appropriations

GENERAL FUND

	FY 2001-02	FY 2002-03
Recommended Budget	\$3,080,000	\$3,080,000
Legislative Changes		
1022 2001 Special Appropriations		
108 Federal Matching Funds		
Provides matching funds for the Save America's Treasures initiative to preserve significant historic properties.	\$200,000	NR
109 Advisory Commission on Military Affairs		
Provides funds to support the Commission as established by special provision. (SB 1005, Section 12.1).	\$100,000	NR
110 Kids Voting NC Funds		
Provides funding to Kids Voting of North Carolina, Inc., a nonprofit corporation. Of the total \$155,000 appropriated, \$50,000 shall be used to implement new Kids Voting programs in nonparticipating counties across the State. The remaining \$105,000 shall be divided equally among the nine participating counties of Buncombe, Cabarrus, Catawba, Cumberland, Durham, Guilford, Haywood, Mecklenburg, and Wake to assist those counties with the Kids Voting programs.	\$155,000	NR
111 NC Humanities Council		
Provides funds to the North Carolina Humanities Council, a nonprofit corporation, for the programs of the Council.	\$100,000	NR
Total Legislative Changes		
	\$555,000	NR
Total Position Changes		
Revised Budget	\$3,635,000	\$3,080,000

Special Provisions

2001 Session: SB 1005

Department: State Budget, Planning & Management - Special Appropriations

Section

Title: (No Special Provisions reported)

Summary

State Controller

GENERAL FUND			
	FY 2001-02		FY 2002-03
Recommended Budget	\$11,817,271		\$11,817,271
Legislative Changes			
1000 Departmentwide			
112 1211 Salaries and Wages	(\$97,437)	R	(\$97,437)
Abolishes vacant Accounting Clerk III # 5009-0000-0000-110 and Data Base Analyst # 5008-0000-0000-065 positions with a reduction in salary and related benefits.	-2.00		-2.00
113 Operating Budget Adjustments	(\$195,966)	R	(\$195,966)
Reduces the following line items each year of the biennium:			
5327XX Travel - (\$6,000)			
532821 Data Processing Services - (\$179,966)			
532850 Printing, Binding, Duplicating - (\$5,000)			
534521 Office Equipment - (\$5,000)			
Total Legislative Changes	(\$293,403)	R	(\$293,403)
Total Position Changes	-2.00		-2.00
Revised Budget	\$11,523,868		\$11,523,868

Special Provisions

2001 Session: SB 1005

Department: State Controller

Section 10.1

Title: Overpayments Audit

Summary Provided language to continue audit for another year, and allows the Office of the State Controller to use \$200,000 of the proceeds for data processing, debt collection, or e-commerce costs.

Section 15.4

Title: Computer Networking Costs/Telecommunications Service Billing for State Agencies

Summary Directs the Office of the State Controller, the Office of Information Technology Services, and the Office of State Budget and Management to adopt a common definition of computer networking costs and to define a process for capturing those costs without redundancy. Directs of the Office of State Personnel, in conjunction with the Office of Information Technology Services, to devise a mechanism for identifying information technology workers in State Government by industry-relevant classifications. Directs the Office of State Personnel to identify the results of market analyses comparing State Information Technology workers with private-sector information technology workers. Directs the Office of Information Technology Services to present State agencies with clear and detailed information on the costs of ITS services for telecommunications data and video services in a bill for those services.

Treasurer

GENERAL FUND		
	FY 2001-02	FY 2002-03
Recommended Budget	\$7,837,007	\$7,837,007
Legislative Changes		
1210 Investment Management		
114 Reduce Operating Budget	(\$620,190) R	(\$620,190) F
Reduces the operating budget for financial and audit services.		
1410 Retirement System		
115 Replace Retirement Imaging System	\$0 NR	\$0 NR
Provides funding to convert to a different imaging system. The vendor of the existing system will not provide for the maintenance beyond the end of the calendar year. Conversion of the system will require a nonrecurring expenditure of \$2,465,000 and a recurring expenditure of \$136,000 for maintenance cost. All expenditures will be funded with receipts.		
73410-7310 Computer Operations		
116 Provide Backup Hot-Site for Disaster Recovery	\$0 R	\$0 F
Allows the implementation of a backup hot-site for mission critical applications for disaster recovery purposes. The one-time expenditures are for computer services (\$100,000) and computer equipment (\$170,000) and the recurring expenditures are for system implementation/integration services (\$180,000) and travel (\$30,000) to the out-of-state site for periodic testing of the backup system. All funding will be from the internal service fund.		
Total Legislative Changes	(\$620,190) R \$0 NR	(\$620,190) F \$0 NR
Total Position Changes		
Revised Budget	\$7,216,817	\$7,216,817

Special Provisions

2001 Session: SB 1005

Department: Treasurer

Section

Title: (No Special Provisions reported)

Summary

Treasurer - Retirement for Fire and Rescue Squad Workers

GENERAL FUND

	FY 2001-02		FY 2002-03	
Recommended Budget	\$12,294,780		\$12,294,780	
Legislative Changes				
1412 Gen Fund Contribution to Fire Pension Fund				
117 Reduce Contribution to Fire Pension				
Reduces the General Fund contribution to the Firemen's Pension Fund.	(\$2,077,883)	NR		
1432 Line of Duty Death Benefit				
118 Increase Death Benefit Funding	\$85,000	R	\$85,000	R
Increases the funding for Line of Duty Death Benefits paid, pursuant to G.S. 143-12A, to survivors of eligible persons killed in the line of duty. The increased funding is due to the increases in the number of line of duty deaths.				
Total Legislative Changes	\$85,000	R	\$85,000	R
	(\$2,077,883)	NR		
Total Position Changes				
Revised Budget	\$10,301,897		\$12,379,780	

Special Provisions

2001 Session: SB 1005

Department: Treasurer - Retirement for Fire and Rescue Squad Workers

Section

Title: **(No Special Provisions reported)**

Summary

**LEGISLATIVE
ACTIONS:**

**HIGHWAY FUND
APPROPRIATIONS**

TRANSPORTATION

Transportation

		GENERAL FUND	
		FY 2001-02	FY 2002-03
Recommended Budget		\$17,753,426	\$14,486,443
Legislative Changes			
Aeronautics and Global TransPark			
(1200) Airport Grants			
1 Reduce General Fund Support			
Reduces General Fund Airport Grant Program by \$5 million, to be offset by increase in funding from Highway Fund, as recommended by Governor. (SB 1005, Section 27.15)		(\$5,000,000)	NR
Global TransPark			
2 Global TransPark Reduction			
Reduction recommended by the Governor.		(\$1,660,709)	NR
3 Global TransPark Operating Reduction			
	2001-2002	2002-2003	
GTP Administration	\$424,451	\$433,641	
State Match/Runway	(\$1,116,742)	(\$1,094,350)	
Airport Operations	(\$124,795)	(\$157,987)	
Education and Training			
Center Operations	(\$115,247)	(\$134,807)	
Marketing	(\$54,749)	(\$56,939)	
Land Use Planning	(\$75,635)	(\$82,660)	
Total Legislative Changes		(\$1,062,717)	R
		(\$6,660,709)	NR
Total Position Changes			
Revised Budget		\$10,030,000	\$13,393,341

Transportation

HIGHWAY FUND

	FY 2001-02		FY 2002-03	
Recommended Budget	\$1,204,477,503		\$1,211,720,525	
Legislative Changes				
Construction and Maintenance				
(5180) Construction - Contingency				
4 Small Urban and Rural Projects				
Provides additional funding for small urban and rural highway construction. (SB 1005, Section 27.3)	\$5,000,000	NR		
(5240) Maintenance - Contract Resurfacing				
5 Restore Contract Resurfacing Funds				
Restores funding to FY 2001 levels. FY 2001 budget contained \$7,000,000 in nonrecurring funding.	\$7,000,000	R	\$7,000,000	R
6 Increase Contract Resurfacing Funds				
Increases contract resurfacing funding over funding from previous years.	\$18,434,582	R	\$18,434,582	R
(5400) Capital Improvements				
7 Repair and Renovation				
Provides funds for repair and renovation of the Department's facilities.	\$1,634,000	NR		
(5940) Rail Program				
8 Partially Restore Rail Funding				
Partially restores funding to FY 2001 levels. FY 2001 budget contained \$12,932,088 in nonrecurring funding. (SB 1005, Section 27.5)	\$2,000,000	R	\$2,000,000	R
	\$5,550,000	NR		
	2001-2002	2002-2003		
Western NC Service (NR)	\$ 550,000			
Raleigh-Charlotte	\$2,000,000	\$2,000,000		
Raleigh-Charlotte (NR)	\$5,000,000			
9 Charlotte Station				
Funds remaining land acquisition for new multi-modal station in Charlotte.	\$15,000,000	NR		
(5950) Airport Program				
10 Airport Grants				
Replaces General Fund support for airport grants with Highway Fund appropriation.	\$5,000,000	NR		

Overview: 2001 Session Fiscal and Budgetary Actions

FY 2001-02

FY 2002-03

(5970) Public Transportation Program

11 Restore Public Transportation Funding

\$15,621,993 R \$15,621,993 R

Restores funding to FY 2001 levels. FY 2001 budget contained \$15,621,993 in nonrecurring funding.

	2001-2002	2002-2003
Rural Capital	\$1,150,000	\$1,150,000
Rural Operating	\$2,650,000	\$2,650,000
Elderly & Disabled	\$900,000	\$900,000
Urban & Regional Maint.	\$1,921,993	\$1,921,993
New Starts	\$9,000,000	\$9,000,000

12 Replace Federal Funds

\$10,000,000 R \$10,000,000 R

Replaces federal funds with State Highway Fund money. \$10,000,000 of federal Congestion, Mitigation and Air Quality Funding that is being replaced will be redirected to the Transportation Improvement Program (TIP).

	2001-2002	2002-2003
Rural Operating	\$600,000	\$600,000
Human Service	\$400,000	\$400,000
New Starts	\$8,000,000	\$8,000,000
Urban & Reg. Tech.	\$1,000,000	\$1,000,000

13 Increase Public Transportation Funding

\$13,713,913 R \$13,713,913 R

Increases public transportation funding over funding from previous years.

	2001-2002	2002-2003
Rural Capital	\$1,400,000	\$1,400,000
Rural Operating	\$1,400,000	\$1,400,000
Elderly & Disabled	\$500,000	\$500,000
Urban & Regional Maint.	\$4,007,259	\$4,007,259
New Starts	\$6,406,654	\$6,406,654

Governor's Highway Safety Program

(0410) Governor's Highway Safety

14 Transfer Program

(\$90,584) R (\$90,584) R

Transfers program to DOT Secretary's Office. Eliminates 1 vacant position currently funded under Governor's Highway Safety Program and funds 3 positions wholly out of federal funds. (SB 1005, Section 27.11)

-1.00 -1.00

Division of Motor Vehicles

(0510) Commissioner's Office

15 Eliminate 54 Positions within DMV

(\$2,062,747) R (\$2,062,747) R

-54.00 -54.00

Overview: 2001 Session Fiscal and Budgetary Actions

FY 2001-02

FY 2002-03

(0520) Vehicle Registration

16 Increase payment to contract agents

\$840,000 R

\$840,000 R

Provides a 6% increase in the fees paid to contract agents.
(SB 1005, Section 27.21)

Reserves

(6270) Crime Control and Public Safety

17 Adjust Equipment Budget

(\$875,000) R

(\$875,000) R

Eliminates funds for upgrade of communications consoles and bay station equipment. Highway Patrol would be permitted to fund this equipment from other sources.

18 Adjustment for Vehicle Inflationary Factors

(\$710,875) R

(\$1,701,282) R

Would reduce continuation budget increases in the new vehicle line item consistent with cost increases in previous years.

19 Adjustment for Gasoline Inflationary Factors

(\$403,340) R

(\$201,279) R

Would reduce continuation budget increases in the gasoline line item.

(6310) Department of Public Instruction

20 Adjustment to Driver Education

(\$1,966,232) R

(\$1,966,232) R

Reduces funding due to fewer projected students and underspending in previous years.

(6360) Global TransPark Authority

21 GTP Administration

(\$605,549) R

(\$640,882) R

Adjust budget

(6370) Transfer to Highway Trust Fund

22 Discontinue Transfer to Highway Trust Fund

(\$38,000,000) R

(\$38,000,000) R

Ends transfer to Highway Trust Fund of money required by statute. These funds were originally made available from the retirement of Highway Fund bonds. As these bonds were paid off, money equal to the debt service on the bonds was paid to the Highway Trust Fund. (SB 1005, Section 27.1)

(6611) Retirement Rate Adjustment

23 Retirement Rate Adjustment

(\$12,304,320) R

(\$12,304,320) F

Reduces the State contribution rate from 5.33% to 1.97% of payroll for members of the Teacher's and State Employees' Retirement System.

Overview: 2001 Session Fiscal and Budgetary Actions

FY 2001-02

FY 2002-03

(6801) Compensation Increase

24 State Funded Compensation Increase

\$7,200,000 R \$7,200,000 R

Provides funding for a permanent \$625 annual salary increase to State employees whose salaries and wages are supported out of the Highway Fund.

(6828) Reserve for Maintenance

25 Restore Maintenance Expenditures

\$31,000,000 R \$31,000,000 R

Restores funding to FY 2001 levels. FY 2001 budget contained \$31,000,000 in nonrecurring funding.

26 Increase Maintenance Expenditures

\$19,213,685 R \$19,213,685 R
\$7,022,971 NR

Increases maintenance funding over funding from previous years.

(6836) State Employee Reserve

27 State Employee Health Benefit Plan

\$7,000,000 R \$9,000,000 R

Provides a 30% premium increase to the Plan for Teachers, State Employees, and Retired Employees effective October 1, 2001. The remaining financial support to keep the plan solvent through the 2001-03 biennium will come from increased premiums paid by employees for their families, cuts in payments to hospitals and physicians, and a reduction in the Plan's benefits.

Total Legislative Changes

\$75,005,526 R \$76,181,847 R
\$39,206,971 NR

Total Position Changes

-55.00 -55.00

Revised Budget

\$1,318,690,000 \$1,287,902,372

Special Provisions

2001 Session: SB 1005

Department: Transportation

Section 27.1

Title: **Repeal Bond Retirement Transfer from Highway Fund to Highway Trust Fund**

Summary Repeals a \$38 million annual transfer from the Highway Fund to the Highway Trust Fund.

Section 27.2

Title: **Design-build Transportation Construction Contracts Authorized**

Summary Allows DOT to award three contracts annually on a design-build basis. Requires reports to the Joint Legislative Transportation Oversight Committee three times per year.

Section 27.3

Title: **Small Urban and Contingency Funds**

Summary Allocates \$14 million in each year for small urban construction projects and \$15 million in fiscal year 2001-2002 and \$10 million in fiscal year 2002-2003 for rural or small urban highway improvements and related transportation enhancements.

Section 27.4

Title: **Cash-Flow Highway Fund and Highway Trust Fund Appropriations**

Summary Updates boilerplate special provision from 2000 to reflect revised revenue forecasts. This language allows DOT to anticipate revenue in future years for the purpose of budgeting multiyear road construction projects.

Section 27.5

Title: **Western North Carolina Rail Operations and Station Right-of-Way Acquisition Funds**

Summary Provides up to \$250,000 in FY2001-2002 for an engineering study of necessary infrastructure improvements and costs of passenger rail service to Western North Carolina. Provides up to \$300,000 in FY2001-2002 for acquisition of right-of-way for a station in Asheville. Requires DOT to negotiate with Norfolk Southern on the use of tracks to provide Western North Carolina passenger rail service. Establishes reporting requirements.

Section 27.6

Title: **Highway Trust Fund Study Committee**

Summary Establishes a committee of sixteen members to study the status, projected costs, and other issues related to the Highway Trust Fund. Reports to the Joint Legislative Transportation Oversight Committee by April 1, 2002.

Section 27.7

Title: **Charlotte Downtown Intermodal Station**

Summary Requires DOT to report to the Joint Legislative Transportation Oversight Committee by February 15, 2002 on the status of the development of this project.

Section 27.8

Title: **Division 3 Headquarters Complex Funds**

Summary Rescinds requirement that the Highway Fund reimburse the Highway Trust Fund by June 30, 2004 for the capital costs required to relocate the Division 3 headquarters complex in Wilmington.

Section 27.9

Title: **Department of Transportation Authorized to Accept Electronic Bids**

Summary DOT may accept bids under G.S. 136-28.1 by electronic means and may issue rules governing acceptance of these bids.

Section 27.10

Title: **Department of Transportation Authorized to Establish an Escort Driver Certification Program**

Summary Requires DOT to issue rules establishing an escort driver training and certification program for escort vehicles accompanying oversize/overweight loads.

Section 27.10A

Title: **DMV/Proof of Residency/Social Security #/ITIN**

Summary Requires that applicants for an identification card, learners permit, or drivers license from DMV present at least one form of identification that indicates the applicant's address. Requires that applicants have either a valid social security number or Individual Taxpayer Identification Number issued by the Internal Revenue Service. Requires DMV to adopt rules implementing the provisions that pertain to proof of residency in the State.

Section 27.11

Title: **Transfer Responsibilities of Governor's Highway Safety Program to the Office of the Secretary of Transportation**

Summary Effective July 1, 2001.

Section 27.14

Title: **Drivers License/Motor Vehicle Registration Section Consolidation Study**

Summary Requires DOT to study consolidation of these functions and report to the Joint Legislative Transportation Oversight Committee by March 1, 2002.

Section 27.15

Title: **Appropriation to the Department of Transportation to Fund Aviation Grants**

Summary Reduces by \$5 million the appropriation statutorily required from the General Fund for aviation grants. The provision requires, for FY 2001-02, an appropriation of \$7,250,000, rather than the \$12,250,000 specified in the statutes.

Section 27.17

Title: **DOT Regulation of the Transit of Modular Homes**

Summary Clarifies that modular homes are not included in the definition of "house" in G.S. 20-356. Permits the Secretary of Transportation to adopt temporary rules concerning the permitted height of mobile and modular homes.

Section 27.18

Title: **Asphalt Pavement Recycling**

Summary DOT shall recycle, where feasible, pavement surfaces as part of its resurfacing programs.

Section 27.19

Title: **Aviation Division Study the Transfer of the Global Transpark Airport**

Summary Requires the Aviation Division to study the transfer of the Global TransPark's airport assets and operations to another entity and report to the Joint Legislative Transportation Oversight Committee and to the Chairs of the Senate and House of Representatives Appropriations Committees by February 15, 2002.

Section 27.20

Title: **State Board of Community Colleges to Study Transfer of Global Transpark Education and Training Center**

Summary Requires the State Board of Community Colleges to study the transfer of the Center to an appropriate entity and report to the Joint Legislative Transportation Oversight Committee and to the Chairs of the Senate and House of Representatives Appropriations Committees by February 15, 2002.

Section 27.21

Title: **Contract Agent Rate Increase**

Summary Raises the fees paid to contract agents by DMV by 6 percent, from \$1.20 to \$1.27 for collecting the Highway Use Tax and from \$1.35 to \$1.43 for any combination of other transactions.

Section 27.22

Title: **Issuance of Temporary Rules Governing Minimum Criteria Transportation Projects**

Summary Allows the Secretary of Transportation to issue temporary rules to establish a class of projects having minimal environmental impact.

Section 27.22A

Title: **Department of Transportation Productivity Pilot Programs**

Summary DOT may establish two pilot programs to test incentive pay for employees as a means for increasing efficiency and productivity. One of the pilot programs shall involve the highway resurfacing program using road oil. The other pilot program may be selected by DOT. DOT shall report on the programs before implementation to the Joint Legislative Transportation Oversight Committee.

Section 27.23

Title: **Department of Transportation Cash Flow Management**

Summary Directs DOT to reorganize its cash management procedures. These new procedures include more active use of cash flow financing for highway construction, establishing proper financial management controls, and strengthening project delivery by reorganization of DOT preconstruction functions. Permits the State Treasurer to combine the balances of the Highway Fund and the Highway Trust Fund for cash management purposes. DOT may use \$680 million of Highway Trust Fund cash balances for primary route pavement preservation (\$470 million), preliminary engineering on projects not included in the 2002-08 Transportation Improvement Program (\$45 million), computerized traffic signals and signal optimization projects (\$45 million), and public transportation (\$120 million) over the fiscal years 2001-2002 through 2003-2004. Requires DOT to certify to the Joint Legislative Transportation Oversight Committee that uses of Trust Fund cash balances will not adversely affect 2002-08 TIP projects.

Section 27.24

Title: **State Tire Retreading Contract**

Summary The Purchase and Contract Division of the Department of Administration shall take steps to insure that the bid process for the State contract for tire retreading is fair and open and that it complies with State purchasing laws. The Division shall research tire retreading technologies, circulate proposed specifications, solicit comments, and provide the final specifications for the retread tire contract to the Joint Legislative Transportation Oversight Committee before soliciting bids.

Section 27.25

Title: **State Highway Patrol to Report to Legislative Oversight Committees on Budgetary Matters**

Summary Requires the State Highway Patrol to report quarterly on budgetary matters to the Joint Legislative Transportation Oversight Committee and to the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee.

Section 27.26

Title: **Legislative Research Commission to Study Nonbetterment Utility Relocation Costs in Highway Construction**

Summary The Legislative Research Commission may study the issue of nonbetterment utility relocation costs.

Section 27.27

Title: **Department of Transportation to Evaluate the Locations of Proposed Public and Private Schools to Enhance Traffic Operations and Safety**

Summary Requires public and private entities planning schools to request from DOT a written evaluation and recommendations. Requires DOT to provide these evaluations and recommendations within 60 days. The entities planning schools are not required to meet the recommendations made by DOT.

Section 27.28

Title: **Regional Public Transportation Authority Capital Reserve Fund Accumulation**

Summary Permits the Board of Directors of a Regional Public Transportation Authority to withdraw moneys accumulated in a capital reserve fund for noncapital purposes if the capital outlay purpose for which the fund was created is no longer viable, as determined by the Board of Trustees.

Section 27.29

Title: **Rail Division Funds for Railroad Bridge Replacement Project Planning and Preliminary Engineering**

Summary Provides that up to \$800,000 of funds appropriated to the Department of Transportation Rail Division shall be used for planning and preliminary engineering of the Neuse Railroad Bridge east of Kinston replacement project and the Highway 54 Railroad bridge in Research Triangle Park replacement project.

(Note: Section 115.(a) of House Bill 338, 2001 Technical Corrections, SL 2001-487 amended the title to: Rail Division Funds For Maintenance of Railroad Track and Signal Improvement. Section 115.(b) amended the bill to provide that the funds shall be used for maintenance of tracks, signals, and equipment.)

**INFORMATION
TECHNOLOGY**

**INTERNAL
SERVICE FUND**

Information Technology Services

		INTERNAL SERVICE FUND	
		FY 2001-02	FY 2002-03
Recommended Budget Adjustments		\$0	\$0
Legislative Changes			
Services Division			
1 ITS Rate Reductions		(\$4,000,000) R	(\$4,000,000) R
The Office of Information Technology Services shall reduce rates charged to agencies from among the telephone/telecommunications and computer data processing services.			
2 ITS Reductions			
The Office of Information Technology Services Internal Service Fund is reduced by ten million dollars (\$10,000,000). The ten million dollar reduction (\$10,000,000) is transferred from the Internal Service Fund to the General Fund based upon the following installments:		(\$10,000,000) NR	
(\$3,000,000)	November 3, 2001		
(\$4,000,000)	February 4, 2002		
(\$3,000,000)	June 15, 2002		
Total Legislative Changes		(\$4,000,000) R (\$10,000,000) NR	(\$4,000,000) R
Total Position Changes			
Total Budget Adjustments		(\$14,000,000)	(\$4,000,000)

Special Provisions

2001 Session: **SB 1005**

Department: Information Technology Services

Section 15.1

Title: **State Agencies to Report on Intellectual Property/Study State Intellectual Property Assets and Technology Transfers**

Summary Prior to the release or transfer of any patentable intellectual property or any State grants or loans for the development of patentable intellectual property State agencies and all other entities of the State are required to prepare and submit to the Governor, the Joint Legislative Commission on Governmental Operations, and the Chairs of the House of Representatives Science and Technology Committee and the Senate Information Technology Committee a written evaluation that outlines the State's interest in the potential release or transfer of patentable intellectual property. The Board of Science and Technology is directed to study the issue of intellectual property and make recommendations to the Governor and the General Assembly on mechanisms to regulate the transfer and use of intellectual property assets developed with State resources.

Section 15.2

Title: **Security Standards for State Information Technology**

Summary Directs the State Chief Information Officer to establish security standards that maximize the functionality, security, and interoperability of the State's distributed information technology assets. Directs the State Auditor (in consultation with the State CIO) to assess, confirm, and report on the security practices of information technology systems. Further, directs the State Auditor to issue general reports on security practices in State agencies and to provide detailed information to agencies regarding the specifics of their security practices.

Section 15.3

Title: **Executive Budget Act Information Technology Provisions**

Summary Amends the Executive Budget Act by requiring State agencies and all other entities of the State to submit statements of need regarding State funds for information technology to the State Chief Information Officer prior to submitting a request for State funds to the Office of State Budget and Management. Directs the CIO to make recommendations to the Governor regarding the merits of requests for funds for information technology.

Section 15.4

Title: **Computer Networking Costs/Telecommunications Service Billing for State Agencies**

Summary Directs the Office of the State Controller, the Office of Information Technology Services, and the Office of State Budget and Management to adopt a common definition of computer networking costs and to define a process for capturing those costs without redundancy. Directs the Office of State Personnel, in conjunction with the Office of Information Technology Services, to devise a mechanism for identifying information technology workers in State Government by industry-relevant classifications. Directs the Office of State Personnel to identify the results of market analyses comparing State Information Technology workers with private-sector information technology workers. Directs the Office of Information Technology Services to present State agencies with clear and detailed information on the costs of ITS services for telecommunications data and video services in a bill for those services.

Section 15.5

Title: **Study State Agency Use of Contractors for Information Technology/Pilot Project Feasibility Study**

Summary Directs the Office of State Personnel, the Office of Information Technology Services, the Office of State Budget and Management, and the Office of the State Controller to study the issue of State agency use of information technology contractors and recommend the most appropriate use of contractors. The study should compare the costs of outsourcing functions versus maintaining those functions in-house. Directs the Joint Select Committee on Information Technology to conduct a feasibility study of a pilot program to allow budget flexibility for converting information technology contractors to State employees.

Section 15.6

Title: **E-Procurement/Procurement Card Program**

Summary Authorizes the Department of Administration to establish and maintain a procurement card program for State agencies and directs that procurement cards be used through the Statewide E-Procurement service. Authorizes the Board of Governors of the University of North Carolina to exempt the University of North Carolina at Chapel Hill and North Carolina State University from the requirement to use the E-Procurement system when it becomes available until May 1, 2003. Also exempts any State agencies or other entity of the State from the mandatory use of the system where the agency or entity of State government had an existing E-procurement system prior to September 1, 2001. Restricts the use of procurement cards at UNC-CH and NCSU to a \$250 per month limit.

(Note: Section 28.(a), subsection (e) of House Bill 231, Appropriations Modifications and Other Changes, SL 2001-513 amends SL 2001-424, Section 15.6.(b), subsection (e) by directing the Board of Governors of the University of North Carolina to exempt the University of North Carolina at Chapel Hill and North Carolina State University from the electronic procurement system authorized in that section until May 1, 2003.)

(Note: Section 28.(b) of House Bill 231, Appropriations Modifications and Other Changes, SL 2001-513 changes Section 15.6.(d) of SL 2000-424, by striking references to the University of North Carolina at Chapel Hill and North Carolina State University. The effect of the change is to exempt those two institutions from the procurement card program including the authority of the Secretary of Administration to implement rules restricting the use of procurement cards on those two campuses to a \$250 per month limit. Section 28.(b) of House Bill 231 also removes the requirement in S.L. 2000-424, Section 15.6.(d) to use procurement cards only through the electronic procurement system.)

Section 15.7

Title: **North Carolina Information Highway Sites**

Summary Directs that NCIH sites that received funding for the 1999-00 fiscal year from ITS reserves will receive funding by the same mechanism for the 2000-01 fiscal year. Directs the Joint Appropriations Subcommittee on Education to address the issue of NCIH funding for the 2001-02 fiscal year and beyond. Authorizes the Department of Public Instruction and the Community Colleges System Office (in consultation with ITS) to move funds among the sites based on actual usage of the site's resources to maximize funding and operating efficiency.

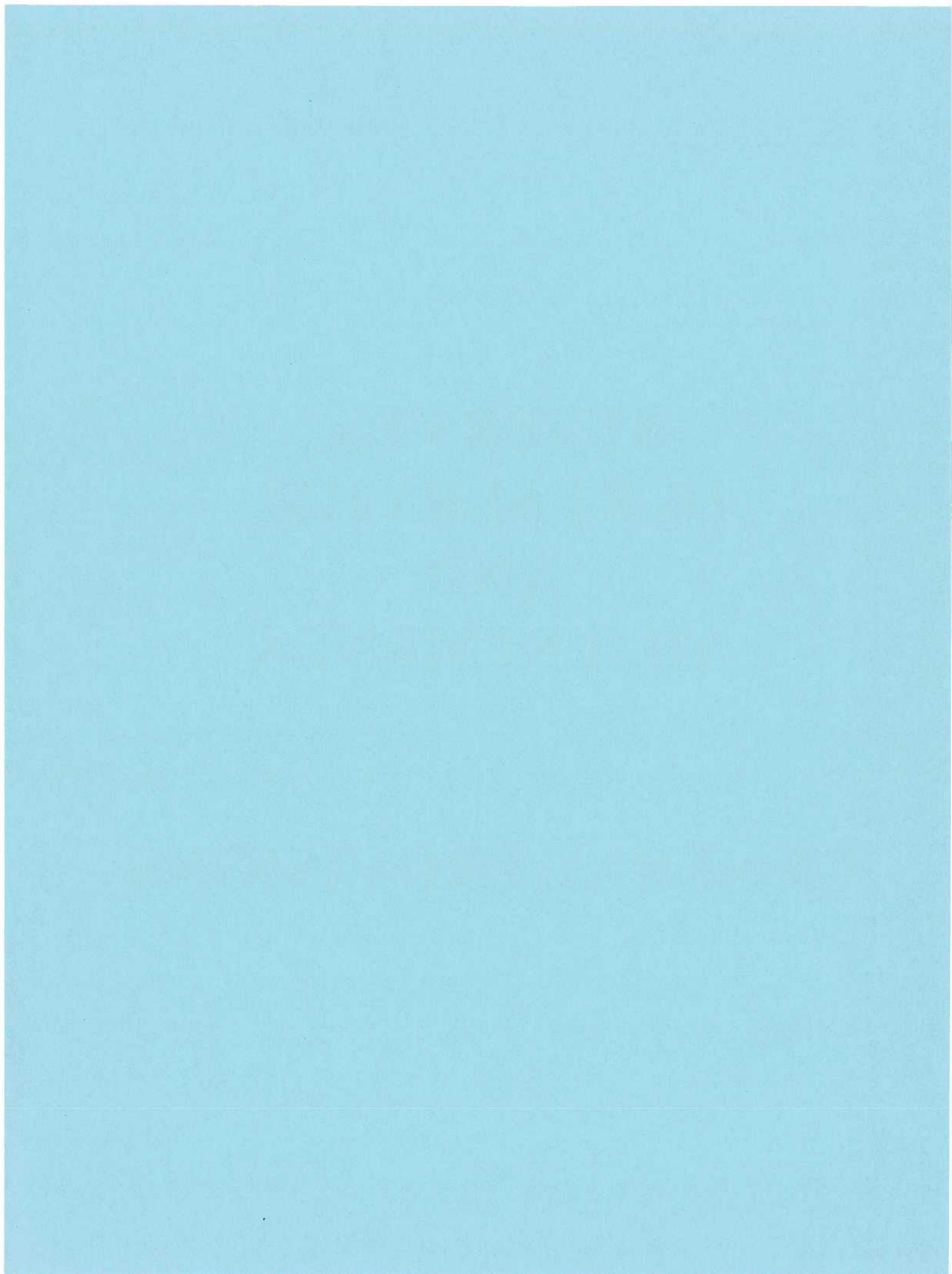
Section 15.8

Title: **Reduction in Expenditures Based on ITS Rate Reductions/No Rate Increases to Offset Reductions**

Summary Directs the Office of Information Technology Services to provide rate reductions amounting to \$4 million (in General Fund dollars) in its Telephones, Telecommunications Data, and Computer Data Processing services. Directs the Office of State Budget and Management to administer the reductions through the allotment system established in G.S. 143-17. Directs that the Office of Information Technology services shall not increase rates to offset any reductions required by this act.

**RESERVES,
DEBT SERVICE
AND
ADJUSTMENTS**

GENERAL PROVISIONS



Reserves, Debt Service and Adjustments

	GENERAL FUND	
	FY 2001-02	FY 2002-03
Recommended Budget	\$241,290,498	\$241,290,498

Legislative Changes

A. Employee Benefits

1 State Funded Compensation Increases

\$193,842,000 R \$193,842,000 R

Provide recurring funds to increase salaries of State funded Public School System employees, Community College System employees, University System employees, and State Agency employees.

Also provide \$5.15 million in recurring funds to continue established statutory salary plans for Magistrates, Assistant Clerks, and Deputy Clerks. Funding provided is for scheduled increases in the 2001-2002 fiscal year for the Magistrates, Assistant Clerks and Deputy Clerks salary plans plus funding required to cover a shortfall in current budgeted funding levels in the Assistant and Deputy Clerks' salary plan.

Public Schools:

Teachers -- 2.86% average increase
Principal and Assistant Principals -- 2.93% average increase
Other Public School Employees -- \$625 increase

Community College System Employees -- \$625 increase

Also allocates \$6.9 million to the Community College System to provide an additional 1.25% salary increase for faculty and professional staff.

State Employees:

SPA (State Agency and University System) -- \$625 increase
EPA (State Agency) -- \$625 increase
EPA (UNC System) -- \$625 increase
State Agency Teachers -- 2.86% average increase
School of Science and Math Faculty -- 2.86% average increase

Overview: 2001 Session Fiscal and Budgetary Actions

	FY 2001-02		FY 2002-03	
2 State Employee Health Benefit Plan	\$150,000,000	R	\$200,000,000	R
Provide a 30% premium increase to the Plan for Teachers, State Employees and Retired Employees effective October 1, 2001. The appropriation for 2001-02 is split between an appropriation to the Office of State Budget and Management (\$36,000,000) to maintain the Plan's liquidity through September 30, 2001, and a Statewide Reserve (\$114,000,000) for distribution to state agencies. The remaining financial support to keep the Plan solvent through the 2001-03 biennium will come from increased premiums paid by employees for their families, cuts in payments to hospitals and physicians, and a reduction in the Plan's benefits.				
3 TSERS Retirement Rate Adjustment	(\$241,002,720)	R	(\$241,002,720)	R
Reduce the State contribution rate from 5.33% to 1.97% of payroll for members of the Teachers' and State Employees' Retirement system as a result of removing the cap of 77% for the recognition of assets.				
4 CJRS Retirement Rate Adjustment	(\$2,265,000)	R	(\$2,265,000)	R
Reduce the State contribution rate from 18.58% to 14.05% of payroll for members of the Consolidated Judicial Retirement System.				
B. Trust Fund for MH/DD/SAS				
5 Trust Fund for MH/DD/SAS and Bridge Funding Needs	\$47,525,675	NR		
Provide funds to facilitate the reform of the state's mental health, developmental disabilities and substance abuse services system including (1) funds to enhance community based services and facilitate compliance with the federal Supreme Court decision in Olmstead; (2) bridge funding to provide services to clients during transitional periods such as the closing of state facilities; and (3) capital funds for the construction, repair and renovation of state facilities. (SB 1005, Section 21.58).				
C. Reserve to Implement HIPAA				
6 HIPAA Compliance Funds	\$15,000,000	NR		
Provide funds for statewide planning and implementation of the federal Health Insurance Portability and Accountability Act (HIPAA). The act establishes national standards and requirements for the transmission, storage and handling of certain electronic health care data. HIPAA requires significant changes in information technology systems, administrative policies and regulations, operational processes, education and training. Agencies providing health care services or using patient or health care data are subject to the requirements. This includes the Department of Health and Human Services and the Teachers' and State Employees' Comprehensive Major Medical Plan. (SB 1005, Section 6.11).				

D. Information Technology Rate Adjustment**7 Information Technology Services (ITS) Rate Reduction**

(\$4,000,000)	R	(\$4,000,000)	R
---------------	---	---------------	---

Reduce telecommunication rates paid by State agencies to the Office of Information Technology Services. The rate change shall reduce agency General Fund expenditures by \$4 million annually. The Office of Information Technology and the Office of State Budget and Management shall have flexibility in implementing this reduction. (SB 1005, Section 15.8).

E. Other Reserves**8 Debt Service Requirements**

\$12,312,542	R	\$113,757,310	R
--------------	---	---------------	---

Provide funds for debt service due to revised requirements for principal and interest payments, including the issuance of the Higher Education Improvement Bonds authorized in 2000. Total requirements in FY 2001-02 were reduced by \$24,298,298 from the Governor's recommendations due to budgeting additional receipts (\$15,529,548) and delaying the sale of Natural Gas Bonds until January 1, 2002 (\$8,768,750). The total debt service requirement, including federal reimbursements is \$251,978,040 for FY 2001-02 and \$353,422,808 for FY 2002-03.

9 Contingency and Emergency Fund

\$3,875,000	R	\$3,875,000	R
-------------	---	-------------	---

Provide additional funds to address unanticipated disasters, emergency situations and contingencies. The total annual appropriation to the C&E Fund is \$5,000,000. (SB 1005, Section 6.3).

Total Legislative Changes

\$112,761,822	R	\$264,206,590	R
\$62,525,675	NR		

Total Position Changes**Revised Budget**

\$416,577,995		\$505,497,088	
---------------	--	---------------	--

Special Provisions

2001 Session: SB 1005

Department: General and Miscellaneous Provisions

Section 2.1

Title: **Current Operations and Expansion/General Fund**

Summary Specifies appropriations from the General Fund to fund the operation of state agencies for the 2001-2003 fiscal biennium.

Section 2.2

Title: **General Fund Availability Statement**

Summary Sets out financial information to satisfy Budget Reform requirements and specifies various transfers and adjustments underlying General Fund availability for the 2001-2003 fiscal biennium. Also directs \$181 million in General Fund availability to be credited to the Savings Reserve Account.

Section 3.1

Title: **Current Operations and Expansion/Highway Fund**

Summary Specifies appropriations from the Highway Fund to the Department of Transportation for the 2001-2003 fiscal biennium.

Section 3.2

Title: **Highway Fund Availability Statement**

Summary Sets out availability estimates for the Highway Fund for the 2001-2003 fiscal biennium.

Section 4.1

Title: **Highway Trust Fund Appropriations**

Summary Specifies appropriations from the Highway Trust Fund to the Department of Transportation for the 2001-2003 fiscal biennium.

Section 6.1

Title: **Special Funds, Federal Funds, Departmental Receipts, and Cash Balances/Authorization**

Summary Authorizes the expenditure of funds from cash balances, federal receipts and departmental receipts, and requires such expenditures to be made in accordance with the Executive Budget Act. Allows the use of over-realized General Fund and Highway Fund receipts to establish new positions and/or increase employee salaries with certain limitations. Also appropriates funds for reimbursements to local governments as required by law.

Section 6.2

Title: **Insurance and Fidelity Bonds**

Summary Requires all insurance and fidelity and surety bonds to be effected by the Department of Insurance. Also requires the associated costs to be paid by the affected department or agency.

Section 6.3

Title: **Contingency and Emergency Fund Allocations**

Summary Allocates \$5 million to the Contingency and Emergency Fund and sets out the allowed uses of the funds.

Section 6.4

Title: **Authorized Transfers From Salary Adjustment Reserve**

Summary Allows the use of funds in the Salary Adjustment Reserve, when funds are not available in an agency's operating budget, to provide necessary increases to recruit or retain qualified employees. Requires the Director of the Budget to report to the Fiscal Research Division prior to approving the use of reserve funds.

Section 6.5

Title: **Expenditures of Funds in Reserves Limited**

Summary Requires funds appropriated to reserves to be used only for the stated purposes of the reserve.

Section 6.6

Title: **State Money Recipients/Conflict of Interest Policy**

Summary Requires recipients of state appropriations, grant awards and loans to file a copy of the entity's conflict of interest policy covering board members and management employees prior to receiving funds.

Section 6.7

Title: **Disbursements to Nonprofits**

Summary Governs the timing of disbursement of state funds to nonprofit organizations. Provides that nonprofits receiving an annual appropriation of \$100,000 or less be paid in a single payment. Requires nonprofits receiving an annual appropriation greater than \$100,000 be paid quarterly or monthly.

(Note: Section 1(b) of House Bill 231, Appropriations Modifications & Other Changes, SL 2001-513 clarifies that this disbursement schedule shall not conflict with federal requirements or other state law.)

Section 6.8

Title: **Budgeting of Pilot Programs**

Summary Requires each experimental, model or pilot program to be shown as a separate budget item. Also requires such programs to be considered expansion budget items (as opposed to being included in the continuation budget) until a succeeding General Assembly reapproves the program or item.

Section 6.9

Title: **Appropriations Efficiency Review**

Summary Allows the House and Senate Appropriations Committees to meet during the interim to study the structure, duties and functions of various state programs with an emphasis on efficiency and cost-effectiveness. Requires the application of zero-based budgeting principles in evaluating programs and agencies.

Section 6.10

Title: **Limitations on Agency Legislative Liaison**

Summary Prohibits principal state departments from using state funds to hire contract lobbyists. Limits to two, the number of persons each principal state department and UNC institution may register to lobby the General Assembly or designate as a legislative liaison. Also defines "legislative liaison personnel."

Section 6.11

Title: Reserve to Implement the Health Insurance Portability and Accountability Act (HIPAA)

Summary Allocates \$15 million to be used to implement the requirements of the Health Insurance Portability and Accountability Act (HIPAA), which requires a variety of administrative changes for health care programs.

Requires the Office of State Budget and Management (OSBM), in consultation with the Chief Information Officer and the Secretary of Health and Human Services, to develop a strategic plan to implement the requirements of this federal act. Sets out the required elements of the plan. Requires OSBM to report on the strategic plan by October 1, 2001.

(Note: Section 8 of House Bill 231, Appropriations Modifications & Other Changes, SL 2001-513 changes this reporting date to January 1, 2002.)

Also requires a report on proposed/actual expenditures and projected/actual monthly cash requirements to the Chairs of the House and Senate Appropriations Committees, the Chairs of the House and Senate Appropriations Subcommittees on Information Technology, the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division. Allows up to \$1.5 million to be expended on implementation prior to submitting this report. Quarterly progress reports are required following the initial report on expenditures and cash requirements.

Section 6.12

Title: Limitations on use of State Aircraft

Summary Provides for and limits the use of state operated and maintained aircraft with respect to the transportation of members of boards or commissions to and from meetings. Allows the State Budget Director to authorize exceptions to the provisions governing the use of state aircraft. Requires an annual report to the Chairs of the House and Senate Appropriations Committees by December 31st on exceptions approved.

Section 6.14

Title: Private License Plates on Publicly Owned Motor Vehicles

Summary Codifies provisions authorizing the use of private license plates and requiring identification marks on publicly owned vehicles.

Requires state and local government agencies and institutions to include an identifying mark on all motor vehicles owned by the state, county or government agency. Also specifies acceptable means of compliance. Provides an exception for vehicles used in law enforcement, and authorizes the Commissioner of Motor Vehicles to provide private license plates to state, local and federal law enforcement agencies on an annual basis. Also provides an exception for county vehicles used to transport clients of mental health and related facilities, and authorizes the Commissioner of Motor Vehicles to provide private license plates to county mental health agencies on an annual basis.

Defines private, confidential and fictitious license plates. Sets out requirements and limitations governing the issuance of confidential license plates to law enforcement agencies and revenue agents. Sets out requirements and limitations governing the issuance of fictitious license plates and driver's licenses to state, local and federal law enforcement agencies. The issuance of both confidential and fictitious license plates for these purposes must be upon the request and approval of the SBI Director. Also authorizes the Commissioner of Motor Vehicles to issue fictitious operator's licenses and vehicle license plates for use in special undercover law enforcement assignments by DMV officers.

(Note: Section 53 of House Bill 338, 2001 Technical Corrections, SL 2001-487 amends GS 20-39(e) to include the Department of Crime Control and Public Safety as one of the agencies eligible for the issuance of confidential license plates.)

Requires semi-annual reports to the Joint Legislative Commission on Governmental Operations on the number of private, confidential and fictitious license plates issued.

Sunsetts the exception granted to state law enforcement vehicles from the requirement that publicly owned vehicles have an identifying mark. Effective October 1, 2003, state law enforcement vehicles will no longer be issued private license plates under the provisions of GS 20-39.1 in lieu of identifying marks.

Addresses information placed in confidential vehicle registration files prior to enactment of this section. Requires conversion of all confidential plates to private plates effective January 1, 2002, unless otherwise approved by the SBI Director. Makes various conforming and technical changes to related statutes.

Section 6.16

Title: Extend the Commission to Address Smart Growth, Growth Management & Development Issues

Summary Extends the deadline by which the commission is to submit its final report until November 1, 2001.

Section 6.17

Title: **Master Level Internships in State Agencies**

Summary Reinstates the Governor's Public Management Fellowship Program (GPMFP). Requires the Office of State Personnel to provide central program coordination, and allows state agencies to resume paid internships if funds are available.

Section 6.18

Title: **Application of Tort Claims Act to Bus Drivers**

Summary Allows the Attorney General, at the request of a current or former employee and under certain circumstances, to defend a civil action brought against a bus driver, mechanic or other person employed in a transportation services related position. Sets out conditions under which the Attorney General shall not defend such persons in a civil action.

Section 6.19

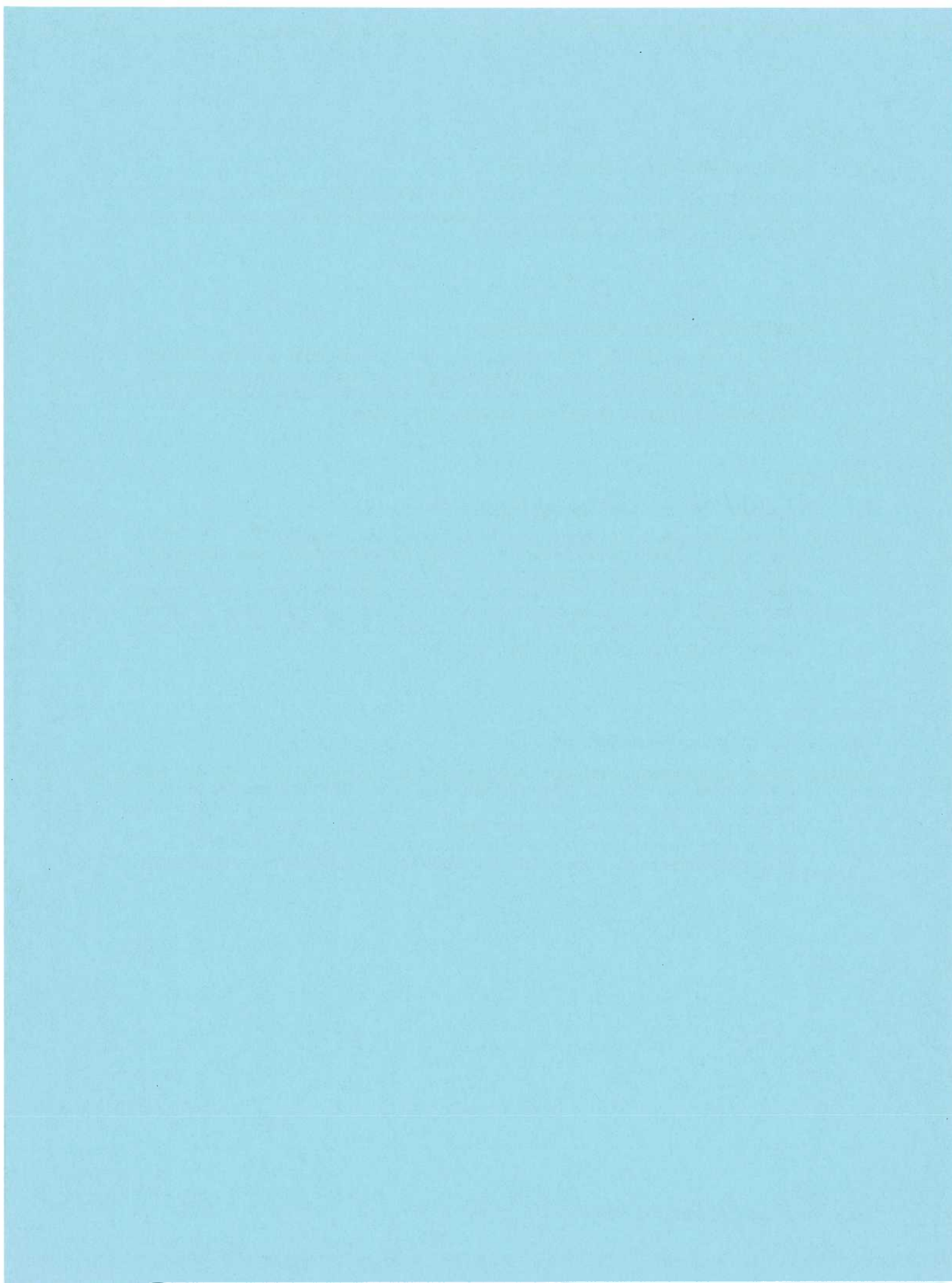
Title: **Personal Services Contracts/Reporting Requirements**

Summary Requires state agencies to provide quarterly reports beginning January 1, 2002 to the Office of State Budget and Management on the use of personal services contracts. Also requires the Office of State Budget and Management and the Office of State Personnel to analyze information collected from state agencies in the quarterly reports and submit semi-annual reports beginning March 15, 2002 to the Joint Legislative Commission on Governmental Operations. The semi-annual reports should address the type, number, duration, cost and effectiveness of personal services contracts throughout state government.

Section 6.20

Title: **Include Continuing Resolution Items**

Summary Repeals all appropriations and certain specified sections of four budget continuation bills enacted by the General Assembly prior to the enactment of the Current Operations and Capital Improvement Appropriations Act of 2001 (SB 1005). Directs that allocations in common among the appropriations act and the budget continuation bills be adjusted to give effect to the appropriations act from July 1, 2001. Provides that in the event of conflict between the appropriations act and any of the budget continuation bills, the appropriations act shall prevail.



CAPITAL

Capital

GENERAL FUND		
	FY 2001-02	FY 2002-03
Department of Environment and Natural Resources		
1 Water Resources Development Projects		
Provide state funds to match federal and local funds for water resources development projects as outlined in the state's Water Resources Development Plan. (SB 1005, Section 33.3).	\$32,936,000	NR
Statewide Capital Reserves		
2 Repairs and Renovations Reserve Account		
Provide funds for repairs and renovations of the UNC System and State facilities throughout North Carolina. (SB 1005, Section 33.6).	\$125,000,000	NR
Total Capital Appropriation	\$157,936,000	NR

Special Provisions

2001 Session: SB 1005

Department: Capital

Section 33.2

Title: Capital Appropriations/General Fund

Summary Specifies appropriations from the General Fund to provide capital improvements for the 2001-2002 fiscal year.

Section 33.3

Title: Water Resources Development Project Funds

Summary Allocates \$32,936,000 for various water resources development projects as follows:

(1) Wilmington Harbor Deepening, \$22,000,000; (2) Morehead City Harbor Maintenance, \$500,000; (3) Wilmington Harbor Maintenance, \$200,000; (4) Manteo (Shallowbag) Bay Channel Maintenance, \$2,500,000; (5) B. Everett Jordan Lake Water Supply, \$100,000; (6) John H. Kerr Reservoir Operations Evaluation, \$400,000; (7) Brunswick County Beaches Nourishment Supplement, \$927,000; (8) Wrightsville Beach Nourishment, \$518,000; (9) Dare County Beaches Design, \$338,000; (10) Indian Beach - Salter Path Nourishment, \$900,000; (11) Bogue Banks Beach Protection Study, \$350,000; (12) Surf City/North Topsail Beach Protection Study, \$150,000; (13) West Onslow Beach Protection Re-analysis (Topsail Beach), \$116,000; (14) Currituck Sound Water Management Study, \$200,000; (15) Deep Creek Yadkin County, \$500,000; (16) Aquatic Weed Control Lake Gaston and Statewide, \$200,000; (17) Adkin Branch Flood Control, \$120,000; (18) Neuse River Basin Flood Control Feasibility Study, \$100,000; (19) Little Sugar Creek Restoration Projects, \$360,000; (20) Emergency Flood Control Projects, \$187,000; (21) Projected Feasibility Studies, \$120,000; (22) Planning Assistance to Communities, \$150,000; (23) State-Local Projects: (a) Town of Washington Park Maple Branch Water Management, Beaufort County, \$3,000; (b) Pungo River Snagging, Hyde County, \$22,000; (c) Muddy Creek Stream Restoration, McDowell County, \$50,000; (d) Town of Chadbourn Water Management, Columbus County, \$38,000; (e) Perquimans River and Mill Creek Drainage, Perquimans County, \$38,000; (f) Mitchell River Restoration, Surry County, \$111,875; (g) Town of Candor Park Drainage, Montgomery County, \$18,000; (h) Chowan River Restoration and Pembroke and Rocky Hock Creeks Drainage, Chowan County, \$67,000; (i) Town of Pine Knoll Shores Westport Marina Maintenance Dredging, Carteret County, \$25,000; (j) Town of Kenly Flood Control, Wilson and Johnston Counties, \$268,100; (k) Southern Pines Drainage Improvements, Moore County, \$118,575; (l) Other State-Local Projects, \$1,240,450.

Allows adjustment of the allocations among projects if actual costs vary from estimated costs. Provides for the use of available funds resulting from delayed projects. Requires reversion of funds allocated for state and local projects that remain unexpended or unencumbered at the end of the 2002-03 fiscal year.

Requires quarterly reports on the use of funds to the Joint Legislative Commission on Governmental Operations, the Fiscal Research Division and the Office of State Budget and Management.

Allows the Director of the Budget to use available funds to pay the required state match for any additional federal funds that become available during the 2001-2002 fiscal year for water resources or beach renourishment projects.

Section 33.4

Title: **Procedures for Disbursement of Capital Funds**

Summary Governs the expenditure of funds for capital improvements authorized by the 2001 General Assembly.

Section 33.5

Title: **Encumbered Appropriations and Project Reserve Funds**

Summary Requires the encumbrance of funds sufficient to pay all costs of construction, design, investigation, administration, movable equipment and a reasonable contingency at the time a capital improvement project is placed under contract. The requirement applies to all projects for which the General Assembly provides a direct appropriation, except for projects under the Board of Governors of the University of North Carolina.

Requires remaining unencumbered funds to be placed in a project reserve in the Office of State Budget and Management. Funds in the project reserve may be used for emergency repair and renovation projects and to award contracts for projects where the bids exceed the appropriation.

Section 33.6

Title: **Expenditures of Funds From the Reserve for Repairs and Renovations**

Summary Specifies the allocation of \$125 million appropriated for repairs and renovations. Allocates 46% of funds appropriated for Repairs and Renovations to the Board of Governors of the University of North Carolina. Allocates the remaining 54% to the Office of State Budget and Management for other statewide repair and renovation needs. Requires a report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division on the proposed use of funds.

Section 33.7

Title: **Capital Improvement Projects/Supplemental Funding Approval/Reporting Requirement**

Summary Requires state agencies receiving capital improvement appropriations from the Highway Fund to provide quarterly progress reports to the Director of the Budget. Also authorizes supplemental funding for projects not under contract due to insufficient funds if certain conditions are met.

Section 33.8

Title: **Project Cost Increase**

Summary Authorizes increases in the costs of capital improvement projects upon the request of state agencies and institutions. Requires a report to the Joint Legislative Commission on Governmental Operations on such increases at its next meeting. Provides for such cost increases to be paid from gifts, federal funds, private grants, special fund receipts, over-realized UNC Hospital patient receipts and direct appropriations for capital improvements.

Section 33.9

Title: **New Project Authorization**

Summary Authorizes the use of gifts, federal funds, private grants, special fund receipts, over-realized UNC Hospital patient receipts, and self-liquidating indebtedness for capital improvement projects requested by state agencies and institutions, but not specifically authorized by the General Assembly. Requires consultation with the Joint Legislative Commission on Governmental Operations prior to authorization.

Section 33.10

Title: **Advance Planning of Capital Improvements Projects**

Summary Authorizes the use of gifts, over-realized UNC Hospital patient receipts, federal funds, private grants, special fund receipts and other available funds for advanced planning of capital improvement projects. The authorization covers capital planning through the working drawing phase of a project. Also prohibits the use of the Advance Planning Fund, a revolving fund, by the Board of Governors of the University of North Carolina or the State Board of Community Colleges.

Section 33.11

Title: **Appropriations Limits/Reversion or Lapse**

Summary Requires that appropriations for capital improvements be expended only for specific projects set out by the 2001 General Assembly. If construction contracts have not been awarded by the end of the 2001-02 fiscal year, then the direct appropriation for those projects shall revert to the fund from which the appropriation was made. Allows for an extension of the deadline if conditions warrant and the Director of the Budget approves the extension.

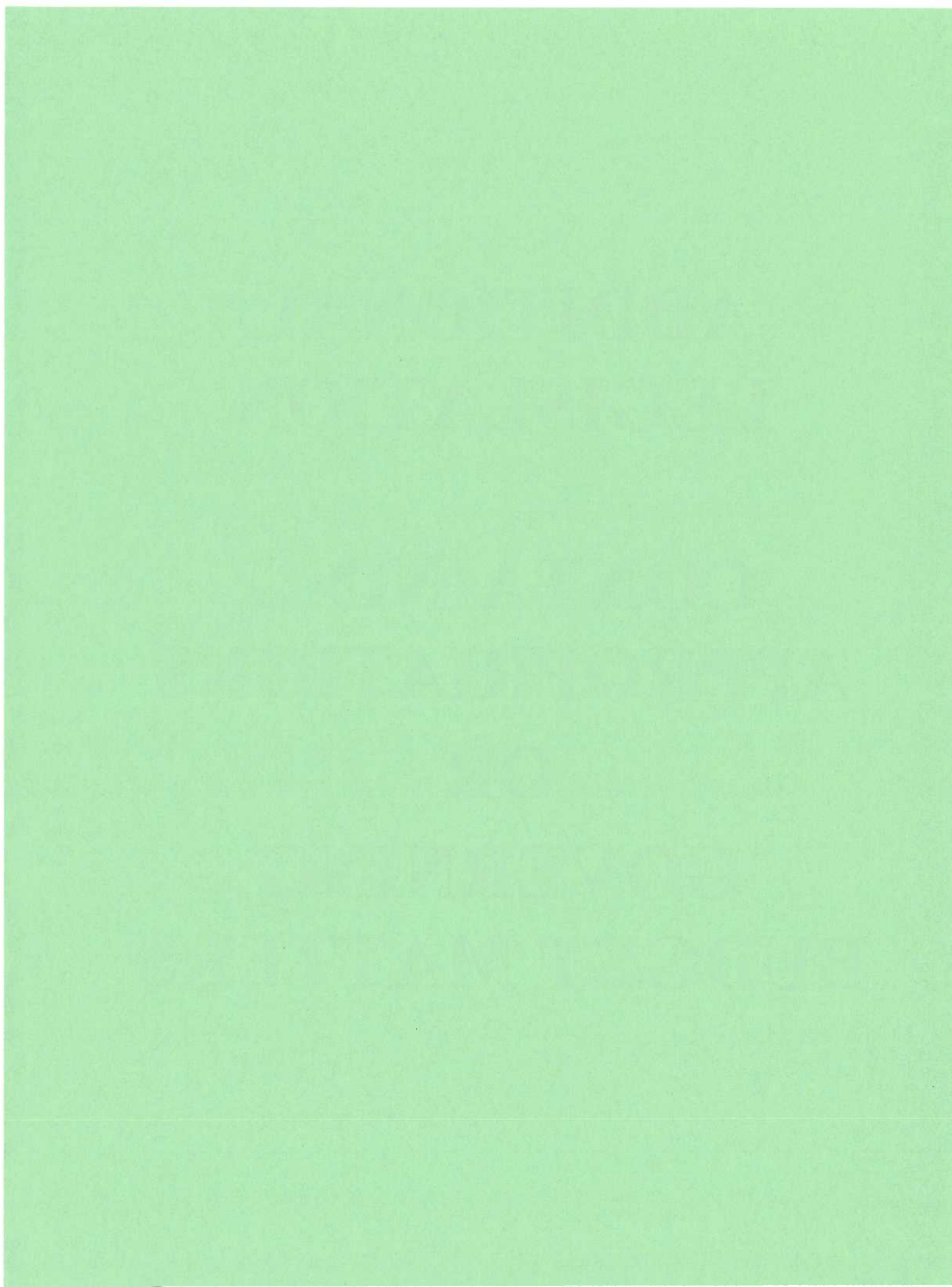
Section 33.12

Title: **Samarkand Timber Sale**

Summary Directs the Department of Juvenile Justice and Delinquency Prevention to harvest and sell timber from the Samarkand Youth Academy site. Allows up to \$250,000 from the sale to be used at the academy to repair streets and parking lots and to provide additional street lighting. Requires excess funds from the sale to revert to the General Fund.

**ADDITIONAL
LEGISLATION**

**CONTAINING
APPROPRIATIONS
OR
GOVERNING
BUDGET MATTERS**



Other Bills Containing Appropriations or Governing Budget Matters

For a summary of all General Fund appropriations enacted after the 2001 Appropriations Act, see page O-9.

House Bill 1471 – Terrorism Defense Funds (SL 2001-457)

House Bill 1471 appropriates funds and authorizes the use of the Savings Reserve Account (i.e. the Rainy Day Fund) to improve the State's terrorism response capabilities and to implement terrorism defense programs and initiatives

Section 1 Appropriates \$1.9 million from the General Fund to the Department of Crime Control and Public Safety to implement terrorism defense measures.

Section 2 Approves the use and access by the Governor of up to \$30 million from the Savings Reserve Account for the 2001-2002 fiscal year to implement defense measures against all forms of terrorism, including biological, nuclear, incendiary, chemical and explosive terrorism. Directs the Governor to take steps to repay any funds diverted from the Savings Reserve Account. Requires a report to the Joint Legislative Commission on Governmental Operations within 30 days of accessing funds.

Note: Per a November 20, 2001 letter to Department Heads and Chief Fiscal Officers, agencies wishing to access terrorism defense funds must submit proposals and budget worksheets to the Secretary of Crime Control and Public Safety and to the State Budget Officer. Proposals will be reviewed by a Terrorism Committee composed of staff from the Governor's Office, the Office of State Budget and Management and the Secretary of Crime Control and Public Safety. Funds may not be transferred to agencies for any proposal until approved by the committee. Agencies may not use the funds to create permanent, full-time positions.

House Bill 688 – Tax Revenue for Turfgrass Research (SL 2001-514)

House Bill 688 levies a tax on the sale of fertilizers and seed to non-farmers and appropriates a portion of the proceeds for turf grass research and education programs.

Section 2 Appropriates \$600,000 in each year of the biennium to the UNC Board of Governors to be allocated to the Center for Turfgrass Environmental Research and Education at North Carolina State University. Also appropriates \$100,000 in each year of the biennium to the Department of Agriculture and Consumer Services to be used to educate the public on the results of research conducted at the Center for Turfgrass Environmental Research and Education at NCSU.

Section 3 Directs the State Controller to credit \$750,000 to the Savings Reserve Account no later than June 30, 2001.

House Bill 231 – Appropriations Modifications & Other Changes (SL 2001-513)

House Bill 231 makes various technical corrections and conforming changes to the 2001 Appropriations Act (Senate Bill 1005, SL 2001-424). The bill also enacts a number of new provisions governing budget and other policy matters.

Section 1

Title: Technical Corrections to the Health and Human Services Provisions

- Summary:**
- 1(a) HHS Block Grants – Amends Section 5.1 of the budget bill to direct block grant funds be spent in accordance with the current program.
 - 1(b) Disbursement of Appropriations – Clarifies Section 6.7 of the budget bill governing the timing of disbursements to non-state entities to avoid conflict with state and federal law.
 - 1(c) & 1(d) Amend Sponsors – Corrects the sponsor names for Sections 5.1 and 21.58 in the budget bill by adding all House subcommittee conferees to the HHS Block Grant provision and Representatives Insko and Alexander to the Mental Health Trust Fund provision.
 - 1(e) & 1(f) Amend Program Names – Corrects the names of mental health programs specified in the HHS block grant provision of the budget bill.
 - 1(g) Amend Sponsor – Deletes Representative Esposito as a sponsor of the More at Four special provision in the budget bill.
 - 1(h) Position Numbers – Corrects 13 position numbers/titles for certain positions being eliminated in DHHS and substitutes 2 new positions for elimination.
 - 1(i) Mental Health Conforming Change – Corrects a provision in the budget bill to conform to the provisions of House Bill 381, Mental Health System Reform (SL 2001-437).
 - 1(j), 1(k), & 1(l) Provision Titles – Corrects the section headings of three provisions in the budget bill found in Sections 21.24, 21.53, and 21.59.
 - 1(m) Reporting Date – Changes a reporting date for the Special Assistance Demonstration Project from June 30, 2001 to June 30, 2002.

Sections 2 & 3

Title: Revisions to Sponsor Names

- Summary:** Corrects the sponsor names for various provisions in the Education section of the budget bill to add Senate members and to correct a typographical error.

Sections 4 through 9

Title: **Other Technical Corrections**

- Summary:**
- 4 Implementation of Sales Tax Rate Change – Corrects a grammatical error in Section 14D.3 of the budget bill dealing with administrative costs of the sales tax rate change.
 - 5 Eckerd Wilderness Camp Provision – Clarifies that available funds may be used in both fiscal years of the biennium to increase the number of juveniles served.
 - 6 Progress Board & Community College Trustee Travel – Repeals Sections 31.12(d) and 30.15A in the Education section of the budget bill. Section 31.12(d) authorizes the use of funds from the Strategic Initiative Reserve to fund the Progress Board (The budget bill also includes a direct appropriation for this purpose). Section 30.15A limits travel reimbursement for community college trustees.
 - 7 ESC Funds – Corrects a typographical error in the subsection heading.
 - 8 HIPAA Report – Extends the reporting date for the Health Insurance Portability and Accountability Act implementation plan from October 1, 2001 to January 1, 2002.
 - 9 Authorize Department of Justice Positions – Authorizes new positions in the Department of Justice to collect traffic law enforcement information. Expansion funds are provided in the budget bill, but the positions were not authorized.

Section 10

Title: **Dobbs Center Funds**

- Summary:** Allows the Department of Juvenile Justice and Delinquency Prevention to use \$172,050 of the proceeds from the sale of a right-of-way to replace the maintenance shops, offices, and storage facilities at the Dobbs Youth Development Center. The Department of Transportation is acquiring the parcel of land from the Dobbs Youth Development Center for a highway right-of-way. DOT usually repays the General Fund for the lost value of property acquired in this manner.

Section 11

Title: **Criminal Justice Partnership**

- Summary:** Amends Section 25.16 of the budget bill to allow the Department of Correction to reallocate unspent or unclaimed funds distributed to counties participating in the Criminal Justice Partnership Programs in an effort to maintain prior year service levels.

Section 12

Title: **Community College Generic Fee**

Summary: Authorizes the State Board of Community Colleges to adopt temporary rules in accordance with the temporary rule process outlined in G.S.150B. The SBCC wants to clarify the definitions of certain types of fees without completing the permanent rule making process, which takes up to 18 months. The provision does not alter the board's statutory authority to implement fees and expires within six months of the effective date.

Section 13

Title: **Economic Development Board Membership**

Summary Adds the Secretary of Revenue as an ex officio, nonvoting member to the Economic Development Board.

Section 14

Title: **Delinquent Tax Enforcement**

Summary: Adds several counties to a provision in House Bill 108 (SL 2001-464) authorizing local boards of county commissioners to require the Register of Deeds not to accept any deed for registration unless the county tax collector has certified that no delinquent ad valorem taxes are owed on the property. The requirement includes county and municipal taxes, as well as taxes that are a lien against the property on the deed.

Section 15

Title: **Disposition of Tax Proceeds**

Summary: Clarifies that the statutory transfer from the Highway Trust Fund to the General Fund includes both the original \$170 million and additional funds expected from closing the vehicle tax loophole. This was always assumed in the fiscal analysis, but the Department requested it be clarified in statute.

Section 16

Title: **Journal Publication Change**

Summary: Amends and simplifies the requirements governing the printing and delivery of publications provided to agencies and institutions throughout State government. The requirement covers publication of the North Carolina Session Laws and the House and Senate Journals.

Section 17

Title: **Comprehensive Services/Foster Care**

Summary: Corrects an omission in Section 21.60(g) of the budget bill to require agencies to report data on the number of children diverted from foster care as well as training schools and psychiatric hospitals as part of the comprehensive treatment services program.

Section 18

Title: **DHHS Date Change**

Summary: Changes the progress report date on implementation of services for multiply diagnosed adults from February 1, 2001 to February 1, 2002.

Section 19

Title: **Circumcision Funds**

Summary: Appropriates \$246,762 for the 2001-02 fiscal year and \$400,000 for the 2002-03 fiscal year to restore funding for elective circumcisions paid for by Medicaid.

Section 20

Title: **Coordination of Access to Pharmaceutical Company Prescription Drug Programs**

Summary: Clarifies that funds will be used to set up local "programs" to assist in the completion of company applications, check eligibility, and ensure the proper signatures are appropriately placed on the applications. Funds may also be used to purchase software and/or computer equipment. These programs will be located in free health clinics, local health departments, and medical centers, and the funds will augment foundation money secured by the Department of Health and Human Services.

Section 21

Title: **Retirement Payment**

Summary: States the General Assembly's intent to appropriate funds to the Teachers' and State Employees' Retirement System to replace contributions that were withheld to balance the budget for 2000-01 fiscal year. Also states the intention that the appropriations will be made over a five-year period beginning July 1, 2003.

Section 22

Title: **Health Plan Co-Payment**

Summary: Repeals the \$15 co-payment paid by members of the State Employee Health Benefit Plan for home intravenous therapy retroactive to July 1, 2001. The co-payment was first suggested by Blue Cross & Blue Shield of North Carolina, the

Plan's claims processor, and was subsequently enacted by the General Assembly in Session Law 2001-253. Blue Cross & Blue Shield now suggests that the co-payment be eliminated for home IV therapy since some cancer patients are being unduly penalized by the recurring nature of the co-payment. The elimination of the co-payment is expected to cost the Plan \$50,000 annually. The Plan's funded financial projections for the 2001-2003 biennium are sufficient to cover the loss of savings.

Also repeals the co-payment against cardiac rehabilitation visits implemented by the Health Plan's Executive Director. These visits can occur daily for up to 6-8 weeks. There is no additional fiscal impact to the Plan since cardiac rehabilitation visits were not included in the episode of care counts used to estimate the Plan savings from the \$15 co-payments.

Section 23

Title: **Military Leave**

Summary: Modifies G.S. 127A-116, "Leaves of absence for State Officers and employees," to include federal military duty and special emergency management service duty as authorized leaves of absence for which the Governor shall promulgate appropriate leave policies for State employees and public educational facilities employees.

Section 24

Title: **Optional Retirement System**

Summary: Extends the effective date of the Optional Retirement System for Community College Presidents from January 1, 2002 to January 1, 2003 to allow more time to implement the program.

Section 25

Title: **Floodplain Mapping**

Summary: Authorizes the Department of Crime Control and Public Safety to use up to \$6,000,000 from the Reserve for Disaster Relief to complete mapping for the Cape Fear River Basin if federal funds are insufficient to complete the project. Also authorizes the Department to use up to \$3 million from the Reserve for Disaster Relief to begin mapping for the Catawba and Yadkin River Basins.

Section 26

Title: **Sickle Cell Syndrome Purchase of Medical Care Funds**

Summary: Appropriates \$460,000 to the Sickle Cell Program to maintain existing services.

Section 27

Title: **Cultural Resources / Digital Archives**

Summary: Clarifies that the Department of Cultural Resources shall use a \$50,000 appropriation to aid in computerizing certain State archival records for access via the Internet, in addition to completing planning for the IT expansion project.

Section 28

Title: **E Procurement**

Summary: Directs the Board of Governors to exempt NC State University and UNC-Chapel Hill from the electronic procurement system. Clarifies that procurement cards do not have to be utilized exclusively through the North Carolina E Procurement Service. Also eliminates the \$250 purchase limit set on cards used by NC State University and UNC-Chapel Hill.

Section 29

Title: **Cherokee Compact**

Summary: Clarifies the Governor's authority to negotiate and enter into tribal-state gaming compacts effective August 1, 1994.

Section 30

Title: **Advance Health Care Directive Registry Funds**

Summary: Provides start-up funding for the design, construction, and implementation of a web-based central registry established under Article 21 of Chapter 130A. Also extends the effective date for implementation of the registry from January 1, 2002 to May 1, 2002.

Section 31

Title: **DMV Advertising**

Summary: Requires the Legislative Research Commission to study the sale of advertising to be placed in official mailings of the Division of Motor Vehicles. Also prohibits the Commissioner from contracting for the sale of advertising until authorized by the General Assembly.

Section 32

Title: **DMV May Issue Licenses of Limited Duration**

Summary: Allows the Division of Motor Vehicles to issue licenses for a limited duration to individuals who hold a visa of limited duration.

Section 33

Title: **Cash Assistance Funds**

Summary: Provides for the reallocation of TANF Block Grant funds to provide cash assistance payments to all eligible families if sufficient funds are not available within the Work First Cash Assistance Program.

Senate Bill 914 – Public Construction Law Changes (SL 2001-496)

Senate Bill 914 makes changes to the public construction laws to permit greater flexibility and efficiencies in public building design, construction and plan review.

Section 13.3 Appropriates from the General Fund \$771,294 for the 2001-2002 fiscal year and \$813,269 for the 2002-2003 fiscal year to implement the provisions and requirements.

Funds will be allocated as follows:

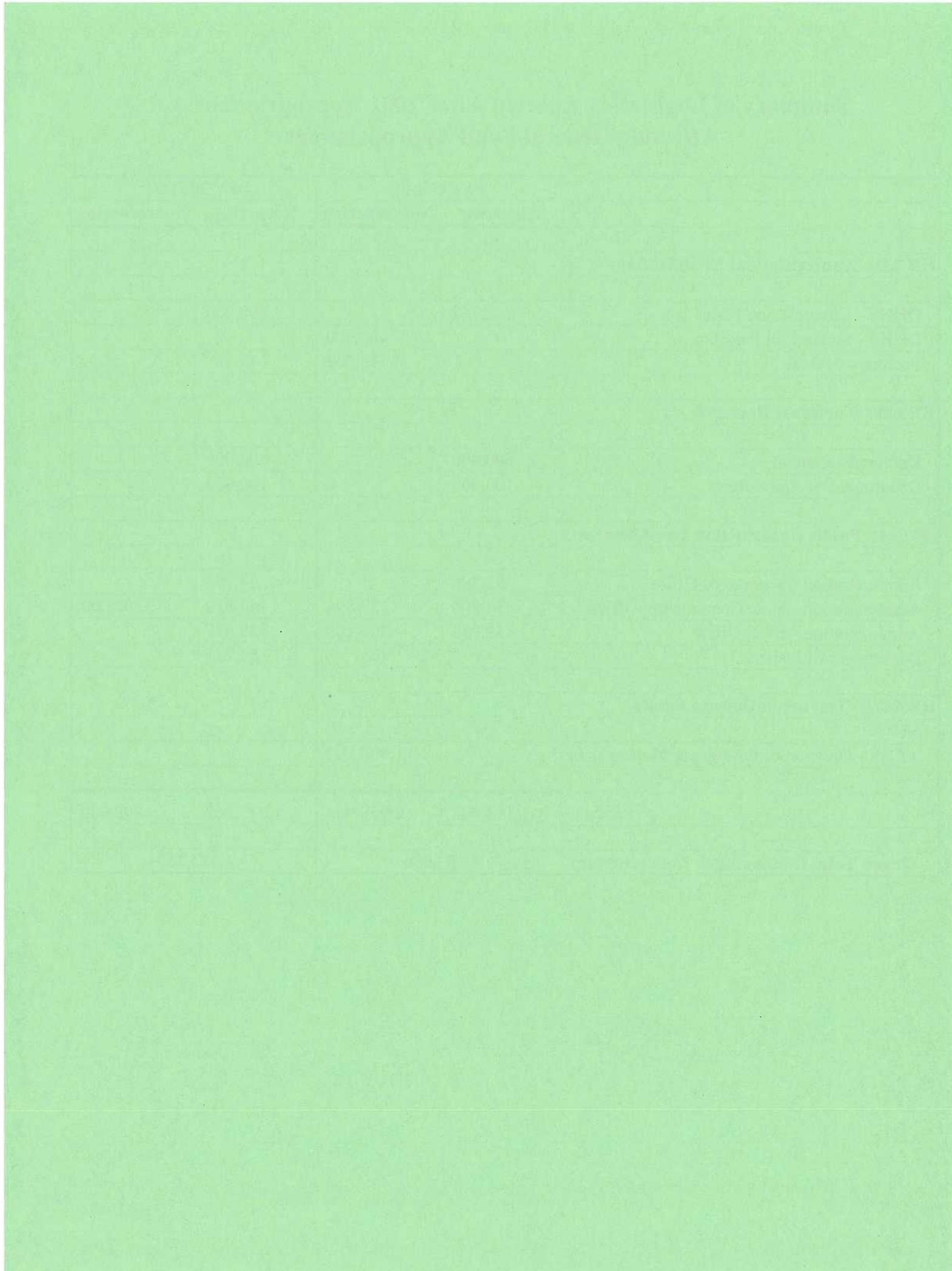
<u>Agency</u>	<u>FY 2001-02</u>	<u>FY 2002-03</u>
Department of Administration		
Office of Secretary	\$32,396	\$64,791
State Construction Office	\$232,800	\$349,810
Office of Historically		
Underutilized Business	\$506,098	\$333,877
Department of Justice	\$0	\$64,791

House Bill 338 – 2001 Technical Corrections (SL 2001-487)

House Bill 338 makes technical corrections, conforming and other changes to various statutes and session laws. The bill contains several provisions indirectly related to the State budget in the areas of Health and Human Services, Education, Justice and Public Safety, General Government, Transportation, Finance and the General Budget Provisions, all of which are summarized elsewhere in this document.

Summary of Legislation Enacted After 2001 Appropriations Act Affecting General Fund Appropriations

	FY 2001-02		FY 2002-03	
	Recurring	Nonrecurring	Recurring	Nonrecurring
HB 231: Appropriations Modifications				
DHHS - Circumcision Funds	246,762		400,000	
DHHS - Sickle Cell Program		460,000		
Secretary of State		75,000		
HB 688: Turfgrass Research				
University System	600,000		600,000	
Department of Agriculture	100,000		100,000	
SB 914: Public Construction Law Changes				
Administration - Secretary's Office	32,396		64,791	
Administration - State Construction Office	74,906	157,894	149,810	200,000
Administration - HUB Office	139,938	366,160	333,877	
Department of Justice			64,791	
HB 1471: Terrorism Defense Funds				
CCPS - Division of Emergency Management		1,900,000		
Subtotal	1,194,002	2,959,054	1,713,269	200,000
Grand Total (Recurring & Nonrecurring)	4,153,056		1,913,269	



SALARIES AND BENEFITS

SALARY CHANGES FOR EMPLOYEES SUPPORTED BY THE STATE

A. SALARY INCREASES

General Salary Increase -- The General Assembly enacted the following General Fund and Highway Fund appropriations to provide salary increases effective July 1, 2000, for employees paid from State funds:

	2001-2002
General Fund (Recurring)	\$193.84 million
Highway Fund (Recurring)	\$7.20 million

B. SPECIFIED SALARY INCREASES

GOVERNOR

- (1) The General Assembly did not authorize a salary increase for the Governor whose salary remains at the authorized 2000-2001 fiscal year level of \$118,430 annually for the 2001-2002 fiscal year.

COUNCIL OF STATE

- (2) The General Assembly did not authorize a salary increase for members of the Council of State whose salaries remain at 2000-2001 fiscal year levels for the 2001-2002 fiscal year.

Council of State	2001-2002
Lieutenant Governor	\$104,523
Attorney General	104,523
Secretary of State	104,523
State Treasurer	104,523
State Auditor	104,523
Superintendent of Public Instruction	104,523
Commissioner of Agriculture	104,523
Commissioner of Insurance	104,523
Commissioner of Labor	104,523

GOVERNOR'S CABINET

- (3) The General Assembly did not authorize a salary increase for members of the Governor's Cabinet whose salaries remain at 2000-2001 fiscal year levels for the 2001-2002 fiscal year.

Cabinet Officers	2001-2002
Secretary of Administration	\$102,119
Secretary of Commerce	102,119
Secretary of Correction	102,119

Secretary of Crime Control & Public Safety	102,119
Secretary of Cultural Resources	102,119
Secretary of Environment and Natural Resources	102,119
Secretary of Health and Human Services	102,119
Secretary of Juvenile Justice and Delinquency Prevention	102,119
Secretary of Revenue	102,119
Secretary of Transportation	102,119

CERTAIN EXECUTIVE OFFICIALS

- (4) The General Assembly did not authorize a salary increase for the below list of executive officials whose salaries remain at 2000-2001 fiscal year levels for the 2001-2002 fiscal year.

Executive Officials	2001-2002
Chairman, Alcoholic Beverage Control	\$ 92,946
State Controller	130,078
Commissioner of Motor Vehicles	92,946
Commissioner of Banks	104,523
Chairman, Employment Security Commission	129,913
State Personnel Director	102,119
Chairman, Parole Commission	84,871
Members of the Parole Commission	78,356
Chairman of the Utilities Commission	116,405
Commissioners of the Utilities Commission	104,523
Executive Director, Agency for Public Telecommunication	78,356
General Manager, Ports Railway Commission	70,755
Director, Museum of Art	95,240
Executive Director, North Carolina Housing Finance Authority	115,031
Executive Director, North Carolina Agricultural Finance Authority	90,470
State Chief Information Officer	130,000

Related Salary Positions (N.C. Industrial Commission): The salaries for the positions of Industrial Commissioner, Administrator and Executive Secretary in the N.C. Industrial Commission remain at 2000-2001 fiscal year levels per G.S. 97-78.

CERTAIN JUDICIAL PERSONNEL

- (5) The General Assembly did not authorize a salary increase for the following list of Judicial officials whose salaries remain at 2000-2001 fiscal year levels for the 2001-2002 fiscal year.

	2001-2002
Chief Justice, Supreme Court	\$118,430
Associate Justice, Supreme Court	115,336
Chief Judge, Court of Appeals	112,452
Judge, Court of Appeals	110,530
Judge, Senior Regular Resident Superior Court	107,527
Judge, Superior Court	104,523
Chief Judge, District Court	94,912
Judge, District Court	91,909
Administrative Officer of the Courts	107,527
Assistant Administrative Officer of the Courts	98,216

Related Salaried Positions (Office of Administrative Hearings and the Administrative Office of the Courts): The salaries of Administrative Law Judges in the Office of Administrative Hearings remain at 2000-2001 fiscal year levels per G.S. 7A-751. Under the Administrative Office of the Courts the salaries of District Attorneys remain at 2000-2001 fiscal year levels per G.S. 7A-65(a) and the salaries of Public Defenders remain at 2000-2001 fiscal year levels per G.S. 7A-465(b).

Clerks of Court

2001-2002

Less than 100,000 County Population	\$69,911
100,000 to 149,999 County Population	78,452
150,000 to 249,999 County Population	86,994
250,000 and above County Population	95,537

The salaries for Clerks of Court listed above were increased by \$625 annually.

- (6) The General Assembly authorized a \$625 annual increase in the average salaries of Assistant District Attorneys and Assistant Public Defenders effective July 1, 2001. The General Assembly authorized District Attorneys and Public Defenders (with the approval of the Administrative Officer of the Courts or the Commission on Indigent Services, respectively) to set the average salaries of Assistant District Attorneys or Assistant Public Defenders within their judicial districts such that the average salary does not exceed \$60,191 nor the minimum salary fall below \$31,035.
- (7) The General Assembly authorized a \$625 annual salary increase, effective July 1, 2001, for Assistant and Deputy Clerks of Court in addition to the step increases associated with their respective pay plans.

2001-2002

Assistant Clerks and Head Bookkeeper

Minimum	\$26,515
Maximum	46,464

Deputy Clerks

Minimum	\$22,565
Maximum	35,934

MAGISTRATES

- (8) The salary schedule for full-time magistrates is as follows:

2001-2002

Entry Rate	\$26,889
Step 1	29,525
Step 2	32,393
Step 3	35,523
Step 4	38,952
Step 5	42,721
Step 6	46,864

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:

Less than 1 year of service	\$21,325
1 or more but less than 3 years of service	22,389
3 or more but less than 5 years of service	24,530

LEGISLATORS

- (9) The General Assembly did not authorize any salary increases for the elected members of the General Assembly.

SALARY INCREASES FOR LEGISLATIVE PRINCIPAL CLERKS, SERGEANTS-AT-ARMS, AND READING CLERKS

- (10) The annual salaries of the Principal Clerks in the House of Representatives and Senate were increased by \$625 annually to \$88,306, effective July 1, 2001. The salaries of the Sergeants-at-Arms and the Reading Clerks in the House of Representatives and the Senate were increased by 2.0% to \$292 per week, effective July 1, 2001.

C. GENERAL SALARY INCREASES

- (1) **State Employees subject to the State Personnel Act (SPA Employees)** -- The General Assembly authorized a \$625 annual salary increase effective July 1, 2001 for state employees subject to the State Personnel Act.
- (2) **Employees who are exempt from the State Personnel Act (EPA Employees)** -- The General Assembly authorized a \$625 annual salary increase effective July 1, 2001 for state employees who are exempt from the State Personnel Act.
- (3) **Employees of the University System Exempt from the State Personnel Act** -- The General Assembly authorized a \$625 annual salary increase effective July 1, 2001 for University system employees who are exempt from the State Personnel Act.
- (4) **Community College Institutional Personnel** -- The General Assembly authorize a \$625 annual salary increase effective July 1, 2001 for local Community College system employees funded by the State.
- (5) **Severance Pay/Salary Adjustment Fund** -- The General Assembly authorized the use of funds appropriated for legislative increases, but not required for that purpose, to first be used to pay severance wages to eligible separated employees, and then second to supplement the Salary Adjustment Fund by an aggregate amount up to \$5.0 million. Any excess funds in excess of \$5.0 million shall revert to the General Fund.

EMPLOYEES OF THE PUBLIC SCHOOLS

- (a) **Superintendents, Assistant Superintendents, Associate Superintendents, Supervisors, Directors, Coordinators, Evaluators and Program Administrators** -- In the 2001 Session, the General Assembly appropriated funds for an annual salary increase of \$625.00, effective July 1, 2001, for Superintendents, Assistant Superintendents, Associate Superintendents, Directors/Coordinators, Supervisors and Finance Officers.

The following monthly ranges apply to assistant superintendents, associate superintendents, directors/coordinators, supervisors, and finance officers for the 2001-2002 fiscal year, beginning July 1, 2001:

	Salary Ranges
School Administrator I	\$2,932 - \$5,266
School Administrator II	\$3,112 - \$5,586
School Administrator III	\$3,303 - \$5,925
School Administrator IV	\$3,436 - \$6,162
School Administrator V	\$3,574 - \$6,410
School Administrator VI	\$3,792 - \$6,799
School Administrator VII	\$3,945 - \$7,072

The following monthly salary ranges apply to public school superintendents for the 2001-2002 fiscal year, beginning July 1, 2001:

	Salary Ranges
Superintendent I (Up to 2,500 ADM)	\$4,187 - \$7,503
Superintendent II (2,501 - 5,000 ADM)	\$4,445 - \$7,956
Superintendent III (5,001 - 10,000 ADM)	\$4,716 - \$8,441
Superintendent IV (10,001 - 25,000 ADM)	\$5,005 - \$8,953
Superintendent V (Over 25,000 ADM)	\$5,312 - \$9,499

(b) **Principals and Assistant Principals** – In the 2001 Session, the General Assembly appropriated funds which provided average annual salary increases ranging from 1% to 6.92% for Principals and Assistant Principals, effective July 1, 2001. The 1% salary increase for safe schools and the 1% salary increase for meeting/exceeding ABCs expectations are discontinued; however, any additional percentage increase awarded since 1997-98 shall continue. The 1% bonus for safe schools and the 1% bonus for meeting/exceeding ABCs expectations are discontinued after bonuses are paid for FY 2000-01 performance. Assistant Principals and Principals will continue to receive all 1% salary increases earned through FY 1999-2000 (maximum of an additional 6%).

The following schedule outlines the base pay for Principals and Assistant Principals for the 2001-2002 fiscal year:

2001-02

Principal and Assistant Principal Salary Schedules
Base Salary Schedule. No ABC or Safe School Incentives

	Classification								
	1	1	2	3	4	5	6	7	8
Yrs of Exp	Assistant Principal	Principal I (0-10)	Principal II (11-21)	Principal III (22-32)	Principal IV (33-43)	Principal V (44-54)	Principal VI (55-65)	Principal VII (66-100)	Principal VIII (101+)
0-4	\$3,226								
5	\$3,373								
6	\$3,515								
7	\$3,629								
8	\$3,681	\$3,681							
9	\$3,735	\$3,735							
10	\$3,791	\$3,791	\$3,845						
11	\$3,845	\$3,845	\$3,901						
12	\$3,901	\$3,901	\$3,956	\$4,015					
13	\$3,956	\$3,956	\$4,015	\$4,074	\$4,135				
14	\$4,015	\$4,015	\$4,074	\$4,135	\$4,197	\$4,259			
15	\$4,074	\$4,074	\$4,135	\$4,197	\$4,259	\$4,324			
16	\$4,135	\$4,135	\$4,197	\$4,259	\$4,324	\$4,388	\$4,456		
17	\$4,197	\$4,197	\$4,259	\$4,324	\$4,388	\$4,456	\$4,524	\$4,666	
18	\$4,259	\$4,259	\$4,324	\$4,388	\$4,456	\$4,524	\$4,596	\$4,737	\$4,811
19	\$4,324	\$4,324	\$4,388	\$4,456	\$4,524	\$4,596	\$4,666	\$4,811	\$4,886
20	\$4,388	\$4,388	\$4,456	\$4,524	\$4,596	\$4,666	\$4,737	\$4,886	\$4,963
21	\$4,456	\$4,456	\$4,524	\$4,596	\$4,666	\$4,737	\$4,811	\$4,963	\$5,042
22	\$4,524	\$4,524	\$4,596	\$4,666	\$4,737	\$4,811	\$4,886	\$5,042	\$5,143
23	\$4,596	\$4,596	\$4,666	\$4,737	\$4,811	\$4,886	\$4,963	\$5,143	\$5,246
24	\$4,666	\$4,666	\$4,737	\$4,811	\$4,886	\$4,963	\$5,042	\$5,246	\$5,351
25	\$4,737	\$4,737	\$4,811	\$4,886	\$4,963	\$5,042	\$5,143	\$5,351	\$5,458
26	\$4,811	\$4,811	\$4,886	\$4,963	\$5,042	\$5,143	\$5,246	\$5,458	\$5,567
27	\$4,886	\$4,886	\$4,963	\$5,042	\$5,143	\$5,246	\$5,351	\$5,567	\$5,678
28	\$4,963	\$4,963	\$5,042	\$5,143	\$5,246	\$5,351	\$5,458	\$5,678	\$5,792
29	\$5,042	\$5,042	\$5,143	\$5,246	\$5,351	\$5,458	\$5,567	\$5,792	\$5,908
30	\$5,143	\$5,143	\$5,246	\$5,351	\$5,458	\$5,567	\$5,678	\$5,908	\$6,026
31	\$5,246	\$5,246	\$5,351	\$5,458	\$5,567	\$5,678	\$5,792	\$6,026	\$6,147
32		\$5,351	\$5,458	\$5,567	\$5,678	\$5,792	\$5,908	\$6,147	\$6,270
33			\$5,567	\$5,678	\$5,792	\$5,908	\$6,026	\$6,270	\$6,395
34			\$5,678	\$5,792	\$5,908	\$6,026	\$6,147	\$6,395	\$6,523
35				\$5,908	\$6,026	\$6,147	\$6,270	\$6,523	\$6,653
36				\$6,026	\$6,147	\$6,270	\$6,395	\$6,653	\$6,786
37					\$6,270	\$6,395	\$6,523	\$6,786	\$6,922
38						\$6,523	\$6,653	\$6,922	\$7,060
39							\$6,786	\$7,060	\$7,201
40							\$6,922	\$7,201	\$7,345
41								\$7,345	\$7,492

Classification	Number of Teachers Supervised
Assistant Principal	
Principal I	Less than 11 Teachers
Principal II	11 - 21 Teachers
Principal III	22 - 32 Teachers
Principal IV	33 - 43 Teachers
Principal V	44 - 54 Teachers
Principal VI	55 - 65 Teachers
Principal VII	66 - 100 Teachers
Principal VIII	More than 100 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 2001 General Assembly appropriated funds, which provided average annual salary increases ranging from 1.0% to 6.92% for teachers (average of 2.86%), effective July 1, 2001. Teachers move up the salary schedule based on years-of-experience and the schedule increases 1%.

Teacher Salary Schedule
For the 2000-2001 School Year
NBPTS Bonus = 12%, Master's 10.00% Higher Than Bachelor's)
Annual Salary

Years of Experience	"A" Teachers	NBPTS Certification	Years of Experience	"M" Teachers	NBPTS Certification
0	\$2,525	N/A	0	\$2,778	N/A
1	\$2,567	N/A	1	\$2,824	N/A
2	\$2,611	N/A	2	\$2,872	N/A
3	\$2,764	\$3,096	3	\$3,040	\$3,405
4	\$2,904	\$3,252	4	\$3,194	\$3,577
5	\$3,036	\$3,400	5	\$3,340	\$3,741
6	\$3,164	\$3,544	6	\$3,480	\$3,898
7	\$3,266	\$3,658	7	\$3,593	\$4,024
8	\$3,314	\$3,712	8	\$3,645	\$4,082
9	\$3,362	\$3,765	9	\$3,698	\$4,142
10	\$3,412	\$3,821	10	\$3,753	\$4,203
11	\$3,461	\$3,876	11	\$3,807	\$4,264
12	\$3,511	\$3,932	12	\$3,862	\$4,325
13	\$3,561	\$3,988	13	\$3,917	\$4,387
14	\$3,614	\$4,048	14	\$3,975	\$4,452
15	\$3,667	\$4,107	15	\$4,034	\$4,518
16	\$3,722	\$4,169	16	\$4,094	\$4,585
17	\$3,777	\$4,230	17	\$4,155	\$4,654
18	\$3,834	\$4,294	18	\$4,217	\$4,723
19	\$3,892	\$4,359	19	\$4,281	\$4,795
20	\$3,950	\$4,424	20	\$4,345	\$4,866
21	\$4,011	\$4,492	21	\$4,412	\$4,941
22	\$4,072	\$4,561	22	\$4,479	\$5,016
23	\$4,136	\$4,632	23	\$4,550	\$5,096
24	\$4,200	\$4,704	24	\$4,620	\$5,174
25	\$4,264	\$4,776	25	\$4,690	\$5,253
26	\$4,330	\$4,850	26	\$4,763	\$5,335
27	\$4,398	\$4,926	27	\$4,838	\$5,419
28	\$4,467	\$5,003	28	\$4,914	\$5,504
29	\$4,538	\$5,083	29	\$4,992	\$5,591
30+	\$4,538	\$5,083	30+	\$4,992	\$5,591

- (d) **Non-certified Public School Employees** – In the 2001 Session, the General Assembly appropriated funds for an annual salary increase of \$625.00, effective July 1, 2001, for non-certified employees of the public schools.

RETIREMENT AND PENSION CHANGES FOR STATE AND LOCAL PERSONNEL 2001 LEGISLATIVE ACTIONS

A. CURRENTLY EMPLOYED EMPLOYEES

- (1) **Retirement Contributions Reduced:** The 2001 General Assembly directed the Board of Trustees of the Teachers' and State Employees' Retirement System to adopt assumptions to remove the asset cap of seventy-seven percent (77%) of market value. As a result of removing the cap of 77%, the State contribution rate was reduced by 4.01% of payroll, which reduced the appropriation by \$287.6 million from the General Fund and \$14.7 million from the Highway Fund.

The 2001 Session of the General Assembly reduced the employer contribution rate to Consolidated Judicial Retirement System, effective July 1, 2001, from 18.58% to 14.05% of covered payroll. The rate reduction reduced the General Fund appropriation by \$2.3 million.

- (2) **Firemen and Rescue Squad Worker's Pension Fund:** The 2001 Session of the General Assembly reduced the contributions to the Firemen's and Rescue Squad Worker's Pension Fund by \$2,077,883 for the 2001-02 year only. The budgeted contribution for 2002-03 is \$12,104,780.
- (3) **National Guard Pension Fund:** The 2001 Session of the General Assembly authorized the Board of Trustees of the National Guard Pension Fund to adopt a fixed amortization period of nine years for purposes of the unfunded accrued liability. By adopting a nine-year liquidation period, the contributions to the pension fund for the 2001-02 year could be reduced by \$1 million annually from the General Fund.
- (4) **Sick Leave Cap Removed:** The 2001 Session of the General Assembly removed the cap of 12 days of sick leave for each year of membership service cap that can be used for additional retirement credit. This was done in both the Teachers' and State Employees' Retirement System and the Local Governmental Employees' Retirement System.
- (5) **Judicial Sick Leave:** The 2001 Session of the General Assembly enacted legislation that will allow any member of the Judicial Retirement System who had been a State employee at one time to use any accumulated sick leave that the member had as a State employee for retirement purposes.
- (6) **Legislative System Changes:** The 2001 Session of the General Assembly removes the prohibition of a former member of the General Assembly from receiving a retirement allowance from the Legislative Retirement benefit while they are a contributing member of the State, Judicial or Local retirement Systems or from being a member of Legislative System if they are eligible to be a member of either the State, Judicial or Local Systems.
- (7) **Purchase of Withdrawn Service:** The 2001 Session of the General Assembly repealed all the past service purchase laws and enacted legislation which makes the purchase of withdrawn service simpler. The new legislation allows any member who has a withdrawn account to be eligible to purchase the withdrawn service once they have returned to service and have completed five years of membership service. The amount they have to repay is the amount they withdrew plus 6½% interest compounded annually. Retirees will also be eligible to purchase withdrawn service.

- (8) **Benefit Accrual Rate Increased:** Effective July 1, 2001, the benefit accrual rate, or retirement formula, was increased in the Local Governmental Employees' Retirement System from 1.78% to 1.81% 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, 2001 by approximately 1.7%. The General Assembly funded the increase with unencumbered actuarial gains within the Local System, as of December 31, 1999, which is the equivalent cost of \$22.7 million annually from local funds.
- (9) **Community College Optional Retirement Program:** The 2001 General Assembly enacted legislation that establishes an optional retirement program for the presidents of the community college who are hired on or after January 1, 2003.
- (10) **Optional Retirement Program Study:** The 2001 General Assembly recommended a study to focus on (1) expansion of eligibility of Optional Retirement Program to all employees of the university who are exempt from the State Personnel and (2) establishing an optional retirement program for employees of the Community Colleges other than the presidents.
- (11) **University Optional Retirement Program:** The 2001 General Assembly expanded the eligibility of employees of the universities who are eligible to participate in the optional retirement plan, as opposed to participating in the Teachers' and State Employees' Retirement System. These are senior administrative positions and agriculture extension.
- (12) **Retirement Benefits for Visa Holder:** The 2001 General Assembly amended the definition of "Employee" and "Teacher" in the Teachers' and State Employees' Retirement System and the definition of "Employee" in the Local Governmental Employees' Retirement System to require membership in the retirement system if any nonimmigrant alien is working in a position that is eligible for membership in the retirement system. This is to comply with United State Department of Labor regulations relating to visa holders.
- (13) **Local Discontinued Service Retirement:** The 2001 General Assembly allowed any a member of the Local Governmental Employees' Retirement System whose employment is involuntarily terminated to receive an unreduced retirement benefit if the member is age 55 with 20 or more years of service and a reduced retirement benefit if the member is age 50 with 20 or more years of service. The reduced is 3% per year for each year the member is short of age 55. The terminated member's employer will pay the additional liabilities imposed upon the retirement system.

B. RETIRED EMPLOYEES

- (1) **Cost-of-Living Adjustment in Retirement Allowances for Retired Teachers and State Employees:** Effective July 1, 2001, the General Assembly provided a 2% increase in the retirement allowances paid to beneficiaries of the Teachers' and State Employees' Retirement System whose retirement began on or before July 1, 2000. In addition, beneficiaries who retired after July 1, 2000, and before June 30, 2001, were authorized an increase in their retirement allowances on July 1, 2001, equal to a prorated amount of the 2% increase provided to those who retired on or before July 1, 2000. The prorated amount will be determined by the Retirement Systems' Board of Trustees based upon the number of months that a retirement allowance was paid during 2000-01.

This increase in retirement allowances was funded out of unencumbered actuarial gains in the Teachers' and State Employees' Retirement System as of December 31, 1999, which is the equivalent cost of \$39.4 million annually from the General Fund and \$2 million annually from the Highway Fund.

- (2) **Cost-of-Living Adjustment in Retirement Allowances for Retired Judges, District Attorneys, and Superior Court Clerks:** Effective July 1, 2001, the General Assembly provided a 2% increase in the retirement allowances paid to beneficiaries of the Consolidated Judicial Retirement System whose retirement began on or before July 1, 2000. In addition, beneficiaries who retired after July 1, 2000, and before June 30, 2001, were authorized an increase in their retirement allowances on July 1, 2001, equal to a prorated amount of the 2% increase provided to those who retired on or before July 1, 2000. The prorated amount will be determined by the Retirement Systems' Board of Trustees based upon the number of months that a retirement allowance was paid during 2000-01.

This increase in retirement allowances was funded out of unencumbered actuarial gains in the Consolidated Judicial Retirement System as of December 31, 1999, which is the equivalent cost of \$395,000 annually from the General Fund.

- (3) **Cost-of-Living Adjustment in Retirement Allowances for Retired Local Government Employees:** Effective July 1, 2001, the General Assembly provided a 2% increase in the retirement allowances paid to beneficiaries of the Local Governmental Employees' Retirement System whose retirement began on or before July 1, 2000. In addition, beneficiaries who retired after July 1, 2000, and before June 30, 2001, were authorized an increase in their retirement allowances on July 1, 2001, equal to a prorated amount of the 2% increase provided to those who retired on or before July 1, 2000. The prorated amount will be determined by the Retirement Systems' Board of Trustees based upon the number of months that a retirement allowance was paid during 2000-01.

The General Assembly funded the increase with unencumbered actuarial gains within the Local System as of December 31, 1999, which is the equivalent cost of \$6.9 million annually from local funds.

- (4) **Cost-of-Living Adjustment in Retirement Allowances for Retired Legislators:** Effective July 1, 2001, the General Assembly provided a 2% increase in the retirement allowances paid to beneficiaries of the Legislative Retirement System who retired on or before January 1, 2001, 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, 2001, but before June 30, 2001, were authorized an increase in their retirement allowances on July 1, 2001, equal to a prorated amount of the 2% increase provided to those who retired on or before January 1, 2001. The General Assembly funded the increase with unencumbered actuarial gains within the Legislative System as of December 31, 2000, which is the equivalent cost of \$35,300 from the General Fund.

- (5) **Additional Increase in Retirement Allowances for Retired Local Employees Corresponding to an Increase in the Benefit Accrual Rate:** Effective July 1, 2001, retired beneficiaries of the Local Governmental Employees' Retirement System whose allowances were computed on a benefit accrual rate of less than 1.81% of average final compensation per year of service, will have their retirement allowances increased by 1.7% to reflect the increase in the benefit accrual rate for currently-employed employees to 1.81% which was authorized by the 2001 General Assembly, also effective July 1, 2001. 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.

- (6) **Shorten the Time Before a Retired Teachers Can Return To Work:** The 2001 General Assembly enacted legislation, effective July 1, 2001, which removes any restrictions on the amount of post-retirement earnings for any retiree of the Teachers' and State Employees' Retirement System, who is employed to teach on a

substitute, interim or permanent basis in a public school. To qualify, a teacher must have been retired for 6 months and not have been employed in any capacity with a public school, except as a substitute teacher or part-time tutor, for at least 6 months immediately preceding the return to teaching. This was funded out of unencumbered actuarial gains available to the Retirement System as of December 31, 1999, which is the equivalent cost of \$4.3 million from the General Fund and \$220,000 from the Highway Fund.

- (7) **General Assembly Temporary Employees:** The 2001 General Assembly removed any earning limitations for any retiree who is employed as a temporary employee of the General Assembly. This was done as a result of the length of the Session.

BENEFIT CHANGES FOR STATE AND LOCAL PERSONNEL

MILITARY LEAVE BENEFITS

The General Assembly modified G.S. 127A-116, "Leaves of absence for State Officers and employees," to include federal military duty and special emergency management service duty as authorized leaves of absence for which the Governor shall promulgate appropriate leave policies for State employees and public educational facilities employees (Section 23 of House Bill 231, Appropriations Modifications and Other Changes, S.L. 2001-513).

STATE EMPLOYEE HEALTH BENEFIT CHANGES

A. CHANGES IN PLAN FINANCING AND BASIC BENEFITS: Upon the convening of the 2001 Session, the General Assembly was faced with having to provide additional financial support for the Teachers' and State Employees' Comprehensive Major Medical Plan. According to available information from the Executive Administrator of the Teachers' and State Employees' Comprehensive Major Medical Plan, the Plan's self-insured indemnity program needed over \$927 million in additional financial support to remain solvent and maintain minimum claim stabilization reserves for the 2001-2003 biennium. This amount of additional financial support is a net requirement for the biennium after realizing \$192.708 million in reduced outpatient prescription drug claim costs from the program's pharmacy benefit manager according to the Plan (\$86.876 million in 2001-2002 and \$105.832 million in 2002-2003). This additional financial support is a total requirement for the biennium since the Plan is not expected to have a health maintenance organization (HMO) option after September 30, 2001. This additional financial support could have come from additional premium income, additional sources of income, reductions in payments to health care providers, a reduction in benefits provided to members of the program, a reduction in the number of members covered by the program, or from a combination of these avenues. A breakdown of this required additional financial support is:

		(\$Million)	
	<u>2001-2002</u>	<u>2002-2003</u>	<u>Biennium</u>
<u>Additional Financial Support</u>	\$382.258	\$545.032	\$927.290

From these requirements is deducted the additional funding recommended by the Governor and provided by the 2001 Session of the General Assembly for the 2001-2003 biennium in the way of premiums paid on behalf of teachers, state employees, and retired employees by employing agencies and the State Retirement Systems:

		(\$Million)	
	<u>2001-2002</u>	<u>2002-2003</u>	<u>Biennium</u>
<u>Employer Financing</u>			
General Fund	\$150.000	\$200.000	\$350.000
Highway Fund	7.000	9.000	16.000
Other Employer Funds	30.945	41.176	72.121
Total	\$187.945	\$250.176	\$438.121

Additional Highway Fund support does not include funding from increased highway work order charges. This additional premium financing is equivalent to a 30% across-the-board premium rate increase effective October 1, 2001. The Plan's Executive Administrator

has the statutory authority to set the premium rates for the spouses and dependent children of teachers, state employees, and retired employees who elect to pay for parent and child and family coverage. If the Executive Administrator increases the premium amounts paid by employees and retired employees for their family members by 30% across-the-board effective October 1, 2001, as expected, he says that the additional premium income to the program will be:

		(\$Million)	
	<u>2001-2002</u>	<u>2002-2003</u>	<u>Biennium</u>
<u>Employee Financing</u>	\$49.960	\$66.477	\$116.437

After realizing the additional premium income recommended by the Governor and provided by the General Assembly for the 2001-2003 biennium and the anticipated premium income to be provided by the Plan's Executive Administrator, the program's financial condition was still be in a deficit position. However, the Plan's Executive Administrator reported that he could reduce payments to the providers of health care by the following amounts during the 2001-2003 biennium:

		(\$Million)	
	<u>2001-2002</u>	<u>2002-2003</u>	<u>Biennium</u>
<u>Reduced Provider Payments</u>			
Additional 20% Discount on Hospital Outpatient Charges	\$19.174	\$26.985	\$ 46.159
Additional 3.45% Discount on Hospital Inpatient Charges	5.725	7.554	13.279
Additional 13% Discount on Charges for Non-Primary Care Physician Services	23.683	46.766	70.449
Total	\$48.582	\$81.305	\$129.887

Assuming that the Plan's Executive Administrator is able to realize the full amount of claim cost savings that he maintains from cuts in payments to hospitals and physicians, the Plan's self-insured indemnity program still continued to be in a deficit situation. Consequently, the Plan's Executive Administrator has recommended cuts in the benefits to members of the Plan's self-insured indemnity program. The net amount of these recommended benefit reductions for the 2001-2003 biennium is:

		(\$Million)	
	<u>2001-2002</u>	<u>2002-2003</u>	<u>Biennium</u>
<u>Recommended Benefit Reductions</u>	\$95.771	\$147.074	\$242.845

In response to the benefit changes recommended by the Plan's Executive Administrator, the 2001 Session of the General Assembly made the following changes in the Plan's self-insured indemnity program for the 2001-2003 biennium.

(1) An increase in the Plan's annual deductible paid by individuals from \$250 to \$350 and from \$750 to \$1,050 per contract (employee & children or employee and family) effective July 1, 2001. Not since July 1, 1991, had the Plan's deductibles been increased when they were raised from \$150 per person and \$450 per contract. Beginning July 1, 2002, the Plan's Executive Administrator was also authorized to increase deductibles for individuals and contracts by increases in the medical consumer price index.

(2) An increase in the Plan's annual 20% out-of-pocket coinsurance expense limit paid by individuals from \$1,000 to \$1,500, effective July 1, 2001. Not since July 1, 1991, had the Plan's coinsurance out-of-pocket expense limit been increased when it was increased from \$300. An annual maximum amount of out-of-pocket coinsurance expense per contract was set for the first time at \$4,500 per contract (employee & children or employee and family), effective July 1, 2001.

(3) For outpatient prescription drugs, copayments paid by Plan members increase from \$15 to \$25 for brands, from \$20 to \$35 for brands with generic equivalents, and from \$25 to \$40 for non-formulary drugs, effective July 1, 2001. No change was made in the \$10 copayment for generic drugs. A maximum amount of copayments paid by Plan members was set for the first time at \$2,500 per individual per year, effective July 1, 2001. Prior approval was also required for growth hormone, weight loss, and anti-fungal drugs.

(4) Maximum lifetime benefits were increased from \$2 million to \$5 million effective July 1, 2001. Not since January 1, 1994, had the Plan's maximum lifetime benefit been increased when it was increased from \$1 million.

(5) For skilled nursing facility benefits, a 100-day limit per person per year for each medical condition warranting an admission was set similar to Medicare's skilled nursing facility benefit, effective July 1, 2001. The Plan's 30 days of skilled nursing facility care following a hospitalization was eliminated at the same time.

(6) For cardiac rehabilitation, the Plan's \$650 annual limit was replaced by a limit of the lesser of \$1,800 or allowed charges for 90 days, effective July 1, 2001, when rehabilitation occurs within 6 months after a hospital discharge or other qualifying event for cardiac conditions.

(7) Coverage for therapeutic shoes for diabetics and those with other high-risk conditions up to \$350 was implemented effective July 1, 2001.

(8) An increase from \$10 to \$15 in physician office visit copayments paid by Plan members effective July 1, 2001. Not since July 1, 1991, had physician office visit copayments been increased.

(9) Implemented a \$15 copayment paid by Plan members to visits to other professional providers of medical care effective July 1, 2001. Copayments are to be assessed only once per person per provider per day, and do not apply to laboratory, pathology, and radiology services, nor to injected medications, home intravenous therapy, or cardiac rehabilitation services.

(10) An increase from \$75 to \$100 in hospital inpatient copayments paid by Plan members, effective July 1, 2001. Not since July 1, 1991, had the hospital inpatient copayment been changed.

(11) An increase from \$50 to \$100 in hospital emergency room copayments paid by Plan members when an inpatient admission doesn't follow. Not since July 1, 1991, had the hospital emergency room copayment been changed.

(12) A \$50 copayment paid by Plan members for hospital outpatient services and services of ambulatory surgical facilities was implemented, effective July 1, 2001, when allowable charges exceed \$500 per episode of care in hospital outpatient departments and ambulatory surgical facilities. Readmission within 30 days after discharge for the same reason will be considered the same episode of care.

(13) A maximum amount of annual out-of-pocket coinsurance penalty for use of non-network health care services was implemented, effective July 1, 2001, at \$15,000 per contract (employee & children or employee and family).

(14) Required second surgical opinions were eliminated effective July 1, 2001.

(15) Effective October 1, 2001, licensed marriage and family therapists were authorized to be paid directly for their services in the treatment of mental illness and chemical dependency.

(16) The 2001 General Assembly ratified the November, 2000, decision of the Plan's Executive Administrator to limit private duty nursing coverage to the lesser of the Plan's usual, customary and reasonable allowances or 90% of the daily semi-private rates at skilled nursing facilities. This decision was ratified December 16, 2001.

B. HMO CHANGES: Due to ever increasing uncertainties in the State's HMO market, the Teachers' and State Employees' Comprehensive Major Medical Plan was forced to enter into one-year contracts with ten HMOs for fiscal year 1999-2000. These HMOs covered employees and retired employees residing or working in 66 of the State's 100 counties. Of the ten HMOs available for fiscal year 1999-2000, only three (Coventry Health Care of the Carolinas, Prudential Healthcare, and Wellpath Select) showed any interest in participating in the Plan for fiscal year 2000-2001. Only 24 counties were covered in this regard (Alamance, Cabarrus, Catawba, Durham, Franklin, Gaston,

Granville, Guilford, Harnett, Iredell, Johnston, Lincoln, Mecklenburg, Nash, Orange, Person, Randolph, Rockingham, Rowan, Stanly, Union, Vance, Wake, and Warren) for the year beginning October 1, 2000. These three HMO options were available for only one year. For 2001-2002, none of the state's HMOs offered the Plan any insured alternatives to the Plan's self-insured indemnity program. Teachers, state employees, and retired teachers and state employees having an HMO option for 2000-2001 that will no longer be available for 2001-2002 can enroll in the Plan's self-insured indemnity program beginning October 1, 2001.

C. RETIREE HEALTH BENEFIT PREMIUM FINANCING: Since the beginning of fiscal year 1983-84, the General Assembly has required employing state agencies, public schools, community colleges, and universities to pay a surcharge on their employer retirement contributions to the State Retirement Systems for the purpose of providing funds for the payment of health benefit premiums to the Teachers' and State Employees' Comprehensive Major Medical Plan, including its optional HMOs, for coverage of retired teachers and state employees. Except for a one-time transfer of \$47 million to the State's General Fund in 1990-91, accumulated surcharge funds have been used to pay retired employee health benefit premiums to the Plan and an administrative charge to the Department of State Treasurer for receiving surcharge funds and investment earnings and for disbursing premium payments. From 1990-91 through 1998-99, the surcharge had been a 2% add-on to employer retirement contributions. The 1999 Session of the General Assembly suspended the 2% surcharge on employer retirement contributions for retiree health benefit premium payments for fiscal year 1999-2000 only. The 2000 Session of the General Assembly followed the same strategy of the 1999 Session by reducing the 2% payroll contribution for retired employee health benefit premiums to 1.28%, relying on a balance of \$122.9 million in accumulated surcharge funds as of June 30, 2000, to help pay the required premiums. As of June 30, 2001, accumulated surcharge funds had a balance of only \$53.9 million. Consequently, the 2001 Session of the General Assembly resumed the State's payroll contribution for the payment of retired employees' health benefit premiums at 2.35% of payroll beginning July 1, 2001. Even with the payroll contribution set at 2.35% of payroll, accumulated surcharge funds are expected to have a balance of only \$50-\$55 million on June 30, 2002. In contrast, as of June 30, 1999, the State had an actuarially-determined unfunded liability of \$8,120,741,261 for retired employee health benefits. If this liability had been amortized over 30 years, employer payroll contributions would have been 9.66% for the 1998-99 fiscal year. Although prefunding of post-retirement health benefits is not yet required by the Governmental Accounting Standards Board (GASB), GASB is due to issue an exposure draft in the fourth quarter of 2001 specifying requirements on state and local governments for recognizing and funding their post-retirement employee liabilities. GASB's final standards in this respect are due to be released during the fourth quarter of 2002. A primary purpose of Governmental Accounting Standards Board requirements is to permit those who finance government or who participate in the financing process - taxpayers, other governments, investors, creditors, underwriters, and analysts - a fully disclosed, consistent, and accurate picture of a state and local government's financial condition.

D. CHANGES IN PLAN ADMINISTRATION:

(1) The 2001 Session of the General Assembly required the Plan's compliance with state law for prompt claim payments under health benefit plans effective January 1, 2002. Under the state's prompt claim payment law, the Plan will be required, within 30 calendar days after receipt of a claim, provide a claimant payment of the claim, notice of denial of the claim, notice that the proof of loss is inadequate or incomplete, notice that the claim has been incorrectly filed, notice that coordination of benefits information is needed in order to pay the claim, or that the claim is pending based upon nonpayment of fees or premiums. Claims not adjudicated within the 30 calendar day time limit will bear interest at 18% annually.

(2) Effective July 1, 2001, the General Assembly required the Plan's Executive Administrator and Board of Trustees to give employing agencies, health benefit representatives, affected health care providers, and any others approved by the Plan 30 days written notice and an opportunity comment prior to adopting, amending, or rescinding a rule or regulation unless immediate adoption of a rule or regulation without notice is necessary.

(3) As soon as practicable, the 2001 Session of the General Assembly required the Plan to develop a prospective payment system for the payment of hospital outpatient services and services to ambulatory surgical facilities. The Plan was also directed to develop as soon as practicable a medical fee schedule for the payment of professional health care services. The Plan is to include the expertise of the North Carolina Hospital Association, including any advisory committees of member hospitals, ambulatory surgical facilities, the North Carolina Medical Society, including any other groups of professional medical service providers designated by the Society, and the North Carolina Academy of Family Physicians in the development of these payment systems and fee schedules. Any payment systems and fee schedules developed are not to be implemented prior to July 1, 2003.

(4) The 2001 Session of the General Assembly, effective January 4, 2002, excluded the reimbursement rates and other terms of consideration of any contract between the Plan and hospitals, hospital authorities, doctors or other providers of medical services, or a pharmacy benefit manager, from the State's Public Records Act. Such contracts are excluded from the public records laws for 30 months following the expiration date of the contracts. Although these contract terms are not included in the public records laws, they are not to be withheld from the State Auditor, the Attorney General, the Director of the Budget, the Plan's Executive Administrator, or to the Legislative Committee on Employee Hospital and Medical Benefits in the furtherance of their duties and responsibilities. The Plan's Executive Administrator can also release the excluded contract terms to others who are approved by the Plan to receive them.

(5) Effective June 12, 2001, all contract disputes between the Plan and any of its contractors were exempted by the 2001 Session of the General Assembly from the contested case provisions of the State's Administrative Procedures Act. Consequently, all such disputes will be settled by the courts.

(6) The managed care components of the Plan's self-insured indemnity program and any self-insured health maintenance organization (HMO) implemented by the Plan become subject to North Carolina's Managed Care Patients' Bill of Rights Act enacted by the 2001 Session of the General Assembly. Any fully insured HMO alternatives offered by the Plan will also be subject to the Act, but in their own right as insurers. The managed care components of the Plan's self-insured indemnity program include mental health case management, pharmacy benefit management, case management for high risk maternity, organ transplants, extended home health, private duty nursing, extended skilled nursing facility stays, extended hospital stays, HIV, metastatic cancer, spinal cord injuries, traumatic brain injuries, and conditions with death expected within 6 months, disease management for diabetes and cardio-vascular disease, pre-admission and length-of-stay certification for hospital inpatient admissions, and prior approval of certain durable medical equipment, extended ambulance services, outpatient physical, occupational, and speech therapies, private duty nursing, skilled nursing facility stays, home care aide services, hospice care, and certain other surgical procedures.

Under the Act, effective July 1, 2002, the Plan's managed care efforts will become subject to independent, external reviews of coverage decisions made by the Plan. Independent reviews will be conducted by the North Carolina Department of Insurance, which will assign a request for external review to a qualified independent review organization. The Plan will be required to pay the Department of Insurance for the costs incurred by the Department in conducting the review. Requests can be made for an external review of a noncertification decision within 60 days after exhausting internal grievance opportunities, unless the internal appeals are waived by the Plan. "Noncertification" means a determination that an admission, availability of care, continued stay, or other health care services have been reviewed, and based upon the information provided, does not meet the requirements for medical necessity, appropriateness, health care setting, level of care or effectiveness, or does not meet the prudent layperson standard of coverage in emergency situations, and the requested service is denied, reduced, or terminated. Noncertification does not however apply to decisions rendered solely on the basis that a service is not a covered service. After reviewing a case, a review organization would either uphold or reverse a noncertification decision within 45 days after receipt of a request for a standard review or within a period set by the Department of Insurance for an expedited review when the life or health or ability to regain maximum function of a Plan member is jeopardized. The review decision will be binding upon the Plan. An external review can be made after a Plan member has exhausted second level internal appeal and review opportunities, which are performed by the Plan's claims processing contractors or case/benefit managers. An appeal must be submitted within 60 days of receiving a benefit decision or claim denial unless the 60-day

time limit is waived by the Plan for extenuating circumstances. The first and second levels of internal appeal may be combined when an appeal is denied because of specific statutory limitations. Second level appeals normally involve new information that was not available during a first level review and may involve the use of independent medical consultants. When a Plan member has a short or tenuous life expectancy and is not likely to survive the time that it takes to complete the internal appeals process, the process may be expedited at the discretion of the Plan and the claims processing contractor or case/benefit manager. The Plan's Executive Administrator and Board of Trustees provide an additional third level of appeal or review. Effective March 1, 2002, the 2001 Session of the General Assembly required the Plan to make a determination following the second level of appeal whether the coverage decision is subject to external review or not. This decision is subject to the contested case provisions of the State's Administrative Procedures Act. If the decision is not subject to external review, the Plan's Executive Administrator and Board of Trustees can continue with its third level of appeal. Following the Plan's internal appeals process, a Plan member who is still aggrieved may file an informal contested case petition with the State's Office of Administrative Hearings where an administrative law judge may issue a recommended decision or order. A recommended decision or order is returned to the Plan for concurrence. The Plan's Executive Administrator can concur with the recommended decision or order or not concur. The decision of the Plan's Executive Administrator is final and may be further appealed by a Plan member to superior court for judicial review. The 2001 General Assembly however exempted the Plan's managed care efforts, effective March 1, 2002, from the State's Administrative Procedures Act provisions on contested cases subject to external review when an admission, availability of care, continued stay, or other health care service has been reviewed and denied, reduced, or terminated for not meeting the Plan's requirements for medical necessity, appropriateness, health care setting, or level of care or effectiveness.

Also under the Act, effective July 1, 2002, the 2001 Session of the General Assembly required that the Plan's managed care efforts become subject to liability for damages for harm to a Plan member caused by the Plan's failure to exercise ordinary care. Efforts include systems or techniques to control or influence the quality, accessibility, utilization, or costs and prices of health care services delivered to Plan members. Ordinary care is the degree of care that, under the same or similar circumstances, the Plan would have used under ordinary prudence at the time a health care decision is made. The Plan will be liable for the decisions of its employees, agents, and other representatives over which they have sufficient influence or control. Before an action can be brought against the Plan, a Plan member must have exhausted all administrative remedies and appeals, including external review procedures. A Plan member who has been found to have been harmed by the Plan is entitled to recover actual or nominal damages plus allowable punitive damages equal to the greater of three times the amount of compensatory damages or \$250,000. The Plan's maximum liability for each tort claim occurrence under the Act is \$500,000.

A final requirement of North Carolina's Managed Care Patients' Bill of Rights Act upon the Plan is to subject the Plan's managed care practices used for cost management programs to most of the State's other statutory managed care requirements upon commercial insurers, hospital and medical services corporations, and HMOs, effective March 1, 2002. These other statutory requirements include:

(a) G.S. 58-3-191: Disclosure of Managed Care Requirements. Insurers are required to give insured an explanation of utilization review criteria used, reasons for denial of recommended treatments, formularies and prior approvals required for prescription drugs, and criteria used for determining experimental treatments, procedures, or tests.

(b) G.S. 58-3-221: Access to Restricted Access Prescription Drugs. Coverage is provided for restricted access drugs and devices when an insured's physician certifies that an alternative non-restricted access drug on a closed formulary is ineffective in treating the insured's medical condition or is detrimental to the insured's health

(c) G.S. 58-3-223: Access to Medical Specialists. When an insured has a serious or chronic degenerative, disabling, or life-threatening disease or condition, coverage for an extended or standing referral to contracting specialists and sub-specialists, or non-contracting specialists and sub-specialists when contracting professional are not reasonably available, for up to 12 months is provided with consultation of a primary care physician. An insured is not penalized financially for use of non-contracting specialists and sub-specialists when contracting specialists and sub-specialists are not reasonably available.

(d) G.S. 58-3-235: Medical Specialists as Primary Care Physicians. When an insured has a serious or chronic degenerative, disabling, or life-threatening disease or condition, a specialist may be designated by the insured as a primary care physician.

(e) G.S. 58-3-240: Pediatricians as Primary Care Physicians for Children. Contracting pediatricians may be chosen by insurers as primary care providers for children.

(f) G.S. 58-3-245: Provider Directory Disclosure. Printed or electronic directories of health care providers available to insured are required of insurers at least annually.

(g) G.S. 58-3-250: Benefit Payment Obligation Disclosure. An insurer must disclose how benefits are calculated and the financial obligations of all parties involved in a medical service, including which party is responsible for filing claims and how much of health care provider's charge is above an insurer's allowance and how much is required to be paid by an insured.

(h) G.S. 58-3-265: Prohibition on Medical Care Provider Incentives. An insurer is prohibited from providing any financial or other incentive to contracting health care providers for denying, reducing, withholding, limiting, or delaying medically necessary and appropriate individual health care services.

(i) G.S. 58-50-30: Discrimination on Selection of Medical Care Providers Prohibited. An insured may select duly-licensed and contracting optometrists, podiatrists, certified clinical social workers, certified substance abuse professionals, licensed professional counselors, dentists, chiropractors, psychologists, pharmacists, certified fee-based practicing pastoral counselors, advanced practice nurses, and physician assistants to provide covered services within their scopes of practice. These medical professionals cannot be denied a provider contract solely on the basis of license or certification, or on the basis that medical professionals lack hospital privileges unless hospital privileges could be reasonably expected.

(j) G.S. 58-67-88: Continuity of Care. When a provider contract is terminated with an HMO, coverage can be continued for treatment by the terminated provider for special ongoing medical conditions. For a terminal illness in which an insured has a life expectancy of 6 months or less, coverage can be continued for life. For pregnancy, coverage can be continued through 60 days of postpartum care. For scheduled surgery, organ transplantation, and other inpatient care, coverage can be continued through 90 days of follow-up care following discharge. For other medical conditions, coverage can be continued for 90 days.

In addition to these requirements, the Plan is to adopt and implement utilization review and internal grievance procedures that are substantially equivalent to those required by statute for commercial insurers, hospital and medical service corporations, and HMOs.

(7) Effective December 16, 2001, the 2001 Session of the General Assembly required former employees who had 12 months of non-contributory coverage under the Plan after separation from service because of a job elimination to elect fully contributory coverage within 90 days following the non-contributory coverage.

(8) The 2001 General Assembly allowed the Plan's Executive Administrator to conduct a pilot program in any county to measure the potential cost savings and patient care improvements from medical management by local providers of health care services. The medical management components of the Plan's self-insured indemnity program include mental health case management, pharmacy benefit management, case management for high risk maternity, organ transplants, extended home health, private duty nursing, extended skilled nursing facility stays, extended hospital stays, HIV, metastatic cancer, spinal cord injuries, traumatic brain injuries, and conditions with death expected within 6 months, disease management for diabetes and cardio-vascular disease, pre-admission and length-of-stay certification for hospital inpatient admissions, and prior approval of certain durable medical equipment, extended ambulance services, outpatient physical, occupational, and speech therapies, private duty nursing, skilled nursing facility stays, home care aide services, hospice care, and certain other surgical procedures. The General Assembly authorized this pilot project effective December 16, 2001.

REVENUE/FEE BILLS

BILLS AFFECTING GENERAL FUND REVENUES

House Bill 150, Chapter 87 Extend Tax Deadline

- Summary:** Waives the penalties for failure to file returns, reports, and payments in a timely manner due to a presidentially declared disaster.
- Effective Date:** The act became effective on May 17, 2001.
- Fiscal Effect:** There is no fiscal impact because the bill conforms state law to the actual administrative practice of the Department of Revenue.

Senate Bill 302, Chapter 127 Artwork Conservation Fees

- Summary:** Allows the North Carolina Museum of Art's Regional Conservation Service Program to perform conservation treatments on privately owned works of art.
- Effective Date:** The act became effective on July 1, 2001.
- Fiscal Effect:** No fiscal impact on the General Fund. If the Museum of Art Foundation does not expand the staff of the Regional Conservation Services Program, then there will be no fiscal impact to the Foundation.

Senate Bill 829, Chapter 218 Government Security Interests Clarified

- Summary:** Exempts from Article 9 of the Uniform Commercial Code (UCC), the creation, perfection, priority, or enforcement of any lien or other security in revenues or other assets granted by the State or by a governmental unit in connection with bonds, notes, installment or lease purchase financings, or other evidence of indebtedness.
- Effective Date:** The act became effective on July 1, 2001.

Fiscal Effect: No fiscal impact to state or local government. It exempts state and local governments from changes in security interest filings in Article 9 of the UCC. The change is recommended by the National Association of Bond Lawyers and the National Conference of Commissioners on Uniform State Laws.

**Senate Bill 275, Chapter 225
Canadian Dealers/Salesmen Registration**

Summary: Permits Canadian securities dealers and salespersons to do business with Canadian citizens in North Carolina for certain limited transactions. The bill conforms North Carolina to the model act recommended by the North American Securities Administrators Association (NASAA).

Effective Date: The act became effective on June 18, 2001.

Fiscal Effect: There is no fiscal impact because Canadian firms handling securities transactions in North Carolina already pay the Secretary of State a \$200 annual securities dealer fee and a \$55 annual securities salesman fee.

**Senate Bill 823, Chapter 262
Promoting NC Grape and Wine Industry**

Summary: Allows the issuance of a special wine tasting permit for wineries and retail establishments. The bill also allows the issuance of wine grower permits to farms of at least 5 acres committed to the production of grapes for the manufacture of unfortified wine. The bill expands the current winery special event permit to allow a winery to sell wine by the glass at special events. The bill makes changes to the uses of unfortified wine permits.

Effective Date: The act became effective when it was enacted on July 9, 2001.

Fiscal Effect: The \$100 wine tasting permit is expected to generate \$387,200 each year because it is anticipated that each of the State's 3,872 off premise fortified wine permit holders will apply for this permit. As for the wine grower permit, the Department of Agriculture and Consumer Services believes only 20 growers would qualify for the permit. If all 20 growers purchase the \$300 permit, then \$6,000 in revenue will be produced.

Senate Bill 817, Chapter 324
Building Code Revisions

Summary: Exempts any business that is federally licensed to sell automatic weapons from the door lock requirements of the N.C. State Building Code if the entity has been issued a permit from the Department of Insurance. The permit fee is \$500.

Effective Date: The bill became effective on July 31, 2001.

Fiscal Effect: There are an estimated 14 dealers authorized by the Bureau of Alcohol, Tobacco and Firearms (ATF) to import and sell automatic weapons in the State. It is assumed that these dealers will apply for the permit and pay \$7,000 in total to the Department of Insurance. No additional permit sales are anticipated in the next four years.

House Bill 1157, Chapter 327
Enforce Tax Compliance & Equality/ No Fraud

Summary: Clarifies that royalty payments received for the use of trademarks in North Carolina are income derived from doing business in this State. To accomplish this objective, the bill allows related corporations an option: (a) the payer deducts the N.C. royalty payments on its N.C. return and the recipient includes the royalty income on its N.C. return; or (b) the payer adds the payments to its N.C. income and the recipient deducts them on its N.C. return. Requires a corporation to include a Limited Liability Company's (LLC) assets in its franchise tax base if the corporation is entitled to receive 70% or more of the assets of the LLC upon dissolution of the LLC. Piggybacks the federal dividends received deduction for State corporate income tax purposes and conforms the state's subsidiary dividend deduction to the treatment used in most states.

Effective Date: The LLC provision is effective for taxes due on or after January 1, 2002. The other two changes are effective for tax years beginning on or after January 1, 2001.

Fiscal Effect:

	(\$millions)				
	<u>FY 01-02</u>	<u>FY 02-03</u>	<u>FY 03-04</u>	<u>FY 04-05</u>	<u>FY 05-06</u>
LLC's	\$10.5	\$11.0	\$11.4	\$11.7	\$12.2
Royalty Provision	20.0	21.0	21.8	22.4	23.3
Subsidiary Dividends	30.8	32.3	33.6	34.5	35.9
Total	\$61.3	\$64.3	\$66.8	\$68.6	\$71.4

House Bill 146, Chapter 335
Modify Partnership Tax Credit

Summary: Conforms State partnership law to the federal law. Generally, partnerships are treated for State tax purposes in the same fashion as under Federal law. In the case of tax credits, this means that when the partnership is eligible for a tax credit, the credit is allocated to the partners. Under North Carolina law, certain credits are limited to a specific dollar amount. However, there is an exemption from the cap for partnerships. Thus, the statutory limit applies to each of the partners. This application is inconsistent with federal rules on partnerships and the State treatment of S corporations, neither of which have such an exemption. The practical effect of the State exemption is to substantially expand the total amount of credit taken. The bill eliminates this inconsistency by removing the partnership exemption from the specific dollar amount limitation. Thus, the dollar cap would apply to the partnership instead of individual partners.

Effective Date: Effective for tax years beginning on or after January 1, 2002, except for the credit for conservation land donations (January 1, 2005).

Fiscal Effect: There is no available data at this time to assist in the determination of the General Fund revenue gain that would result from the enactment of this bill. For most tax credits affected, the credit usage is small and the Department of Revenue does not routinely tabulate credits from actual tax returns.

The most likely credit to be affected is the credit for conservation land donations. Though the Department of Environment and Natural Resources has a wealth of data on the usage of the credit since its inception in 1983, little data is available since the credit limits were increased substantially on January 1, 1999.

To the extent that large donations are made by partnerships with large numbers of partners, the revenue gain from the proposal could be significant. However, **the enactment of this bill will likely limit these types of donations in the future.**

Finally, the act would not affect the conservation land donations credit until January 1, 2005.

Senate Bill 144, Chapter 347
Streamlined Sales and Use Tax Agreement

Summary: Enacts the second part of a multi-phased effort to streamline North Carolina's Sales and Use Tax laws and aligns these laws with model legislation designed to substantially reduce the cost of sales tax collection nationwide.

To substantially conform North Carolina's sales tax law to some of the provisions in the national Streamlined Sales Tax Project, the legislation does the following: 1) alters and adds definitions of food, food ingredients, prepared food, candy, dietary supplements, soft drinks, installation charges, and delivery charges (see HB 748 for change in prepared food definition); 2) changes the State definition of "use" for sales and use tax purposes to include distribution; 3) changes the current rules on sourcing sales and changes some tax filing deadlines; and 4) excludes mill machinery and mill machinery parts and accessories that are currently subject to a 1% sales tax with a maximum tax of \$80 per item from the sales tax and instead shifts them to a privilege tax of the same rate that is paid directly to the Department.

Effective Date: Changes related to use tax and distribution became effective July 1, 2001. The mill machinery tax change becomes effective July 1, 2006. All remaining definitional changes are effective January 1, 2002. The balance of the legislation became effective on August 8, 2001, when signed by the Governor.

Fiscal Effect:

- Each of the numerous changes to the definitions used in sales tax law could have a small fiscal impact, but the overall revenue change is expected to be minimal.
- The change in delivery charges is expected to create a small revenue increase, but no data is available to create an accurate fiscal estimate. Under previous law, most delivery charges were subject to tax. Items sold in-state, but delivered by a third party carrier are exempt. The bill makes all delivery charges subject to tax.
- No fiscal impact is expected from shifting mill machinery from a sales tax to a use tax, with the same rates and caps.
- A small revenue increase could be gained from taxing items printed out of state for in-state companies. These purchases are currently exempt from sales tax if the items are mailed directly from the printer to North Carolina customers.
- Overall these changes are expected to create a small but unquantifiable revenue increase.

House Bill 385, Chapter 358
Consolidate Business Provisions

- Summary:** Consolidates all business association provisions in one place in the General Statutes as recommended by the General Statutes Commission. It allows registered limited liability partnerships, foreign limited liability partnerships, and foreign limited partnerships to reserve a name. A \$5 filing fee for registered offices and agents is added.
- Effective Date:** The act became effective October 1, 2001, and applies to documents submitted for filing on or after that date.
- Fiscal Effect:** The Secretary of State expects no significant increase or decrease in fee revenue.

Senate Bill 353, Chapter 380
DOR Debt Collection Changes

- Summary:** Expands the current program for outsourcing the collection of out-of-state tax debts to include in-state tax debts. The bill also provides that a 20% collection assistance fee will be added to all tax debts that remain unpaid 90 days after they became final. The Department of Revenue must report periodically on its debt collection activities to the Joint Legislative Commission on Governmental Operations and to the Revenue Laws Study Committee. The Department of Revenue is allowed to spend up to \$500,000 from the collection assistance fee account in FY 2002-03 to develop and bid a performance-based contract for centralized collection practices.
- Effective Date:** The act became effective on August 9, 2001, except for section 3 (state debt setoff – November 1, 2001), Section 6 (pay contractors from collected debt – July 1, 2001), and Section 8 (collection from foreign entities – October 1, 2003).
- Fiscal Effect:** This bill enables the Department of Revenue to launch its Project Collect Tax to reduce its \$370 million backlog in accounts receivables. The Department plans to bring in \$50 million in additional revenue in FY 2001-02 and again in FY 2002-03. This additional revenue has been included in the biennium budget bill, SB 1005.

Senate Bill 165, Chapter 414
Revenue Laws Technical Changes

Summary: Makes technical and clarifying changes to the revenue laws and related statutes. The initial draft of the bill was recommended by the Revenue Laws Study Committee. The sections to note are as follows:

- Sections 3, 4, and 5 conform the discount statutes on the timely filing and timely reporting for the excise tax on tobacco products and the excise tax on beer, wine, and liquor.
- Section 7 clarifies legislative intent for the wage standard in the Bill Lee Act.
- Section 13 clarifies in the statute the Department of Revenue's current practice of basing corporate estimated payments on net tax due minus allowable credits.
- Sections 14 through 19, 21, 22, 29, and 30 conform the statutes to changes made in the 2001 session with the Streamlined Sales Tax legislation (S.L. 2001-347).
- Section 31 reinserts language from S.L. 89-830 that was enacted but never engrossed into the statute. The Motorcycle Safety Instruction Program has received the proceeds of the \$3 motorcycle fee since its inception. Originally the motorcycle fee was scheduled to sunset in 1993, but when S.L. 93-320 removed the sunset the change was not codified. SB 165 will not change the \$3 fee and its use by the Motorcycle Safety Instruction Program at Lenoir Community College. The Program is 100% receipts supported with a current budget of \$320,000.
- Section 52 repeals the Forsyth-Guilford Metropolitan Baseball Park District that was defeated in a referendum.

Effective Date: Streamlined sales tax changes are effective January 1, 2002. All other bill sections became effective on September 18, 2001.

Fiscal Effect: No state or local fiscal impact.

Senate Bill 1005, Chapter 424
The Appropriations Act of 2001

- A. Increases the state sales tax by ½ cent for the period October 16, 2001 to July 1, 2003. The General Fund revenue gain is as follows

FY 2001-02	\$246.3 million
FY 2002-03	\$398.7 million
FY 2003-04	\$ 27.8 million

- B. Repeals the state reimbursement to local governments for property tax losses related to the repeal of taxes on inventories and intangibles, as well as some of the tax loss associated with the homestead exemption. Also repealed is the reimbursement for sales taxes that are no longer paid on items purchased with food stamps. These reimbursements will be repealed effective July 1, 2003 and will produce a General Fund revenue gain of \$333.4 million per year beginning in FY 2003-04.

- C. Provides hold harmless payments to those local governments whose gain from a half cent local sales tax increase is less than 100% of their loss from the repealed state tax reimbursements. Hold harmless payments begin in FY 2003-04 and have the following General Fund impact:

FY 2003-04	-\$23.3 million
FY 2004-05	-\$19.1 million
FY 2005-06	-\$15.6 million

- D. Creates a Sales Tax Holiday or temporary, three day sales tax exemption each August for clothing, clothing accessories, school supplies, computers, printers, and educational software. There is a cap of \$100 per clothing item and \$3,500 per computer. The act is effective beginning in FY 02-03 and will produce the following General Fund revenue loss:

FY 2002-03	-\$8.4 million
FY 2003-04	-\$7.7 million
FY 2004-05	-\$8.1 million
FY 2005-06	-\$8.4 million

- E. Imposes a 5% state tax on the gross receipts derived from providing direct-to-home satellite TV service to subscribers effective January 1, 2002. The tax will generate the following General Fund revenue gain.

FY 2001-02	\$9.8 million
FY 2002-03	\$21.7 million
FY 2003-04	\$22.9 million
FY 2004-05	\$24.1 million
FY 2005-06	\$25.3 million

- F. Creates new 8.25% tax bracket for taxable incomes over the following amounts:

\$200,000	Married filing jointly
\$160,000	Head of household
\$120,000	Single
\$100,000	Married filing separately

The tax rate is effective for tax year 2001, but sunsets after tax year 2003. The new rate is estimated to affect 9,848 single filers, 52,463 married couples, and 1,148 heads of households. The General Fund revenue gain is as follows:

FY 2001-02	\$125.5 million
FY 2002-03	\$102.9 million
FY 2003-04	\$61.6 million

- G. Changes standard deduction for married filing jointly taxpayers from \$5,000 to \$5,500 in tax year 2002 and then to \$6,000 in tax year 2003. When the marriage filing jointly standard deduction equals \$6,000, it will be double the deduction for single filers. This is an attempt to reduce the "marriage penalty" situation where married individuals filing jointly pay more in tax than if the two individuals were unmarried filing as single persons. It is estimated that this change will benefit 762,340 couples in tax year 2002. The General Fund revenue loss is as follows:

FY 2001-02	-\$9.7 million
FY 2002-03	-\$32.0 million
FY 2003-04	-\$45.0 million
FY 2004-05	-\$45.8 million
FY 2005-06	-\$46.5 million

- H. Increases the tax credit for children from \$60 to \$75 per child in tax year 2002 and then to \$100 in tax year 2003. It is estimated that this change will benefit 18,354 single tax filers, 496,286 married couples, and 411,648 heads of households. The General Fund revenue loss is as follows:

FY 2002-03	-\$19.8 million
FY 2003-04	-\$54.8 million
FY 2004-05	-\$55.0 million
FY 2005-06	-\$55.3 million

- I. Repeals the Children's Health Insurance Credit effective for tax year 2001. In 1999, 117,972 taxpayers filed for \$18.9 million in Child Health Insurance credits. \$18.9 million is used as the General Fund revenue gain each year from repeal of the credit.

- J. Taxes the gross premiums of HMOs and Medical Service Companies (Blue Cross/Blue Shield and Delta Dental) at .833% in 2002 and 1% in 2003. HMOs are currently exempt from the gross premiums tax but do pay corporate income and franchise taxes. Medical Service Companies currently pay a .5% gross premiums tax and no corporate income or franchise tax. (HB 748 revised these tax rates, but the short term revenue impact is unchanged.) The General Fund revenue gain is as follows:

FY 2002-03	\$28.2 million
FY 2003-04	\$16.2 million
FY 2004-05	\$26.8 million
FY 2005-06	\$29.1 million

- K. Imposes a 6% state sales tax on spirituous liquor effective December 1, 2001. The tax will be collected on retail sales at 392 Alcoholic Beverage Control (ABC) Commission stores in the State. Actual liquor sales in FY 1999-00 were \$367.7 million and are anticipated to increase 3.82% per year. The following General Fund revenue gain is expected:

FY 2001-02	\$11.9 million
FY 2002-03	\$24.7 million
FY 2003-04	\$25.6 million
FY 2004-05	\$26.6 million
FY 2005-06	\$27.6 million

- L. Reduces the excise tax on spirituous liquor sold in ABC stores from 28% to 25% effective February 1, 2002. The General Fund revenue loss is as follows:

FY 2001-02	-\$3.5 million
FY 2002-03	-\$10.9 million
FY 2003-04	-\$11.4 million
FY 2004-05	-\$12.0 million
FY 2005-06	-\$12.6 million

- M. Deletes the \$1,500 cap on the 3% Highway Use Tax for non-commercial vehicles effective October 1, 2001. It also exempts from the Highway Use Tax all fire trucks and rescue vehicles purchased by volunteer fire departments and rescue squads. HB 748 (Chapter 489) clarified that the law change does not apply to vehicle titles issued pursuant to a sale or a contract entered into before October 1, 2001. (HB 72, section 2 restored the \$1,500 cap on recreational vehicles weighing less than 26,000 pounds.) The net revenue gained from these changes will be transferred from the Highway Trust Fund to the General Fund in the following amounts:

FY 2001-02	\$1.7 million
FY 2002-03	\$2.4 million
FY 2003-04	\$2.6 million
FY 2004-05	\$2.7 million
FY 2005-06	\$2.9 million

HB 231, section 15 clarified the transfer to the General Fund in FY 2001-02 and FY 2002-03.

- N. Taxes all telecommunications at 6% (see HB 571, Chapter 430)

**House Bill 232, Chapter 427
Budget Revenue Provisions**

- A. Allows the Department of Cultural Resources to increase the fee charged nonresidents for searches of archived public records from a maximum of \$10 to a maximum of \$25, effective January 1, 2002. The increased fee will generate approximately \$50,000 to \$60,000 each year.
- B. Updates state statutory references to the Internal Revenue Code from January 1, 2000 to January 1, 2001. Four Congressional bills were enacted in calendar year 2000 that have an impact on state individual and corporate income tax law. Public Law 106-230 requires organizations to disclose political activities. Public Law 106-554 makes changes in low-income housing tax credits, U.S. Department of Housing and Urban Development (HUD) renewal communities, HUD empowerment zones, brownfield remediation, corporate computer donations, and medical savings accounts. Public Law 106-573 reverses a prohibition of using the accrual method in reporting income. Public Law 106-591 repeals foreign sales corporations. The estimated General Fund impact is as follows:

FY 2001-02	- \$3.37 million
FY 2002-03	- \$3.82 million
FY 2003-04	- \$3.40 million
FY 2004-05	- \$3.59 million
FY 2005-06	- \$5.13 million

- C. Requires employers who withhold \$250 to \$500 in state income taxes each month to remit the withheld taxes monthly instead of quarterly. The current threshold for monthly filing is \$500.

FY 2001-02	\$57.12 million (nonrecurr.) \$.88 million (recurring)
FY 2002-03	\$1.85 million
FY 2003-04	\$2.00 million
FY 2004-05	\$2.16 million
FY 2005-06	\$2.33 million

- D. Requires retail merchants whose monthly state and local sales tax collections amount to \$10,000 or more to remit taxes on a semi-monthly basis. The current threshold is \$20,000.

FY 2001-02	\$9.72 million (nonrecurr.) \$.21 million (recurring)
FY 2002-03	\$.45 million
FY 2003-04	\$.48 million
FY 2004-05	\$.50 million
FY 2005-06	\$.52 million

- E. Requires some of the State's largest utilities to shift from monthly to semi-monthly payments of sales taxes owed on electricity and telephone by moving these taxpayers to the same tax payment schedule as regular merchants.

FY 2001-02	\$15.3 million (nonrecurr.) \$.85 million (recurring)
FY 2002-03	\$1.77 million
FY 2003-04	\$1.84 million
FY 2004-05	\$1.91 million
FY 2005-06	\$1.99 million

- F. Requires that the utilities franchise and excise taxes be paid on a semi-monthly basis. These taxes are now generally paid monthly.

FY 2001-02	\$14.5 million (nonrecurr.) \$.9 million (recurring)
FY 2002-03	\$1.87 million
FY 2003-04	\$1.95 million
FY 2004-05	\$2.02 million
FY 2005-06	\$2.11 million

- G. Enforces requirement for employers to remit withheld state income taxes on an accelerated basis (within 3 days after the payroll date).

FY 2001-02	\$12.6 million
------------	----------------

- H. Allows Bertie, Clay, Chatham, Rutherford, Transylvania, and Yadkin to join 81 other counties in issuing certificates of participation. No General Fund impact.

- I. Clarifies that only the General Assembly has the power to authorize an agency to establish or increase fees or charges for service.

J. Transfers authority for setting fees for inspection and certification of elevators, amusement devices, and other similar equipment and devices from the General Assembly to the Commissioner of Labor. Repeals statutory fees but caps future fees imposed by the Commissioner. The fees proposed by the Commissioner of Labor will yield an additional \$1 million in FY 2001-02 and \$1.6 million in FY 2002-03.

K. Shifts taxes distributed to local government from a quarterly to a monthly basis beginning on July 1, 2003. The state loss of interest on these funds is as follows:

FY 2003-04	- \$9.6 million
FY 2004-05	- \$10.1 million
FY 2005-06	- \$10.6 million

L. Exempts the State or vendor from paying property tax on three privately built prisons during the period of construction. The State will save the following tax payments:

FY 2001-02	\$700,000
FY 2002-03	\$1,680,000
FY 2003-04	\$980,000

House Bill 571, Chapter 430
Simplify Taxes on Telecommunications
(As Amended by SB 1005)

Summary: Attempts to simplify the collection of telecommunications taxes, by (1) combining multiple tax rates into one uniform rate equal to 6.0%*, (2) broadening the tax base by eliminating exemptions for interstate calls and telephone membership corporations, (3) taxing prepaid phone cards at the point of sale instead of at the point of use, (4) adjusting the tax on the gross receipts from pay phones, (5) setting a call center tax cap of \$50,000 a year, and (6) eliminating the current 3.09% franchise tax distribution to municipalities and replacing it with a distribution of 18.26% of the new revenue total (less the previous freeze amount).

* HB 571 includes the reforms but set the uniform rate at 4.5%. Section 34.25(a) of SB 1005, changed the uniform rate to 6.0%. HB 338, section 119 clarifies that the Utilities Commission has some flexibility in lowering rates, rather than being limited to lowering only basic local line rates by the exact amount of the reduced tax burden.

Effective Date: The bill is effective January 1, 2002, and applies to taxable services reflected on bills dated on or after January 1, 2002.

Fiscal Impact: As the chart below indicates, telecommunication is taxed in a variety of ways, depending on the type of call.

Type of Call	State Sales Tax	State Franchise Tax
Most Local	3.00%	3.22%
Local Coin Pay Phone	0%	0%
Toll	6.50%	0%
Intrastate	6.50%	0%
Interstate	0%	0%

The bill makes all of these calls subject to a 6% State tax.

New tax rate and interstate calls: Historic data from the Department of Revenue suggests that for FY 1999-00, North Carolina had a telecommunications tax base of \$3.74 billion. No tax is levied on interstate calls. However, data from New York and Mississippi combined with data on current collections and the potential interstate base suggests a total telecommunications tax base of approximately \$5.83 billion (4.25 + 1.58) in FY 2001-02. A 6.0% gross receipts tax on that base would yield \$349.8 million (\$5.83 billion X 6.0%). Once the payment to municipalities is deducted (\$63.9 million) approximately \$286.04 million remains for the State in 2001-02. When compared to the current estimated existing tax revenue, this portion of the bill creates an \$82.5 million revenue gain. This number is adjusted for the effective date and grown by 8%. No growth is included in the last three fiscal year estimates as the future of telecommunications rates and structure is very unclear.

Prepaid Phone Cards: Currently, North Carolina taxes the phone cards when used. The bill shifts the taxable event from use to sale. No data is available on current tax revenue. Based on data from Atlantic-ACM, Fiscal Research estimates that \$89.6 million in calling cards were sold in North Carolina in 1998. At a minimum, tax at the point of sale should be a break-even or a positive gain for the state. If the 1998 sales had been taxed at the point of sale, the state would have earned \$4,032,000 from a 4.5% sales tax and local governments would have earned \$1,792,000 from the 2% local sales tax.

Coin Operated Phones: The bill includes in taxable gross receipts the customer access line charges billed to pay phone companies. The North Carolina Utilities Commission estimates that there are approximately 44,000 pay phones in the State, with an average access line charge between \$45 and \$50 a month. Assuming \$50 a month per phone line, taxable receipts are \$26.4 million. If a 6.0% tax rate is imposed on \$26.4 million in receipts, then the General Fund will earn \$1,584,000 from the line charges.

Call Centers: The legislation caps the telecommunications tax liability of call centers at \$50,000 annually. The cap applies to a user that purchases interstate telecommunications services that originate outside North Carolina but terminate in the State, and has a direct pay certificate issued by the Department of Revenue. According to the Telecommunications Industry Association, these centers at the national level are most often associated with financial institutions, followed by telecommunications companies, manufacturers, and transportation. However, no reliable information is available to Fiscal Research on the amount of calls made by these centers or the tax loss associated with a cap.

The overall fiscal impact of the bill is as follows:

\$millions					
	FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05	FY 2005-06
New Rate (6.0%) & Interstate	34.4	87.9	87.9	87.9	87.9
Coin Telephones	0.4	1.6	1.6	1.6	1.6
Prepaid Phone Cards	* See Assumptions and Methodology *				
Call Centers	* See Assumptions and Methodology *				
TOTAL	34.8	89.5	89.5	89.5	89.5

Senate Bill 181, Chapter 431 Pass Through Entity/Housing Tax Credit

Summary:

Authorizes a pass-through entity (limited partnership, general partnership, joint venture, Subchapter S corporation, or limited liability company) to allocate a low-income housing credit to any of its owners at its discretion. In effect, this legislation allows developers of low-income housing to sell federal and state low-income housing tax credits to separate investors. This legislation is similar to the bifurcation or separate sale of federal and state historic rehabilitation tax credits that was approved in the 1999 Session of the General Assembly (S.L. 1999, Chapter 381).

The credit amount allocated must not exceed the owner's adjusted basis in the pass-through entity. If the credit is ever forfeited, the forfeiture applies to the owners in the same proportion as the credit was allocated. The credit was expanded to be taken against the gross premiums tax on insurance companies.

Effective Date: Effective for taxable years beginning on or after January 1, 2001 and applies to buildings that are placed in service on or after January 1, 2001.

Fiscal Effect: No fiscal impact is anticipated because not all credits are used in Tiers 3 through 5 counties due to 1) State requirements for the number of rental units reserved and 2) percentage of gross median income for renters that is higher than the rate required by the federal government. The amount of State credits is a percentage of the federal credit.

House Bill 359, Chapter 436 Viatical Settlement Rewrite

Summary: Expands North Carolina's current viatical settlement law to include the regulation of the purchase of a life insurance policy by a third party without regard to the insured's health. Current law only regulates the purchase of a life insurance policy by a third party from an insured who has a life threatening or terminal illness. The bill requires the Department of Insurance to license viatical settlement providers and viatical settlement brokers (\$100 license application fee and \$100 annual renewal). It also provides that any person who commits a fraudulent viatical settlement act is guilty of a Class H felony.

Effective Date: Effective April 1, 2002.

Fiscal Effect: There are currently 13 viatical settlement providers and 63 registered viatical settlement brokers in the State. Over the past six years, an additional 2 new providers and 10 new brokers were registered each year. The fiscal estimate for this bill is as follows:

FY 2002-03	\$5,850
FY 2003-04	\$6,550
FY 2004-05	\$7,250
FY 2005-06	\$7,950

Senate Bill 748, Chapter 476
Bill Lee Act Changes

Summary:

A. Makes numerous clarifications and changes to the definitions regarding eligible businesses under the Bill Lee Act. Expands the law to allow a taxpayer to qualify for credits if:

- it has an establishment whose primary activity is in computer services.
- it has an establishment whose primary activity is an electronic shopping and mail order house.
- it has an establishment whose primary activity is warehousing and is located in a tier 1, 2, or 3 county, serves at least 5 counties, and is located in a separate site.
- the primary business is manufacturing, warehousing or wholesale trade and the jobs, investment, or activity with respect to which a credit is claimed are used in any of those types of businesses.

FY 2003-04 -\$.2 million

FY 2004-05 -\$1.1 million

FY 2005-06 -\$2.5 million

(maximum impact of -\$4.5 million in 2006-07)

B. Increases the population thresholds used in determining county tier designations. Gives low population counties more favorable tier designations.

FY 2003-04 -\$.2 million

FY 2004-05 -\$.4 million

FY 2005-06 -\$.6 million

(maximum impact of -\$.9 million in 2006-07)

C. Extends tax credits to customer service centers and electronic mail order houses located in tier 3 areas.

FY 2002-03 -\$.3 million

FY 2003-04 -\$.6 million

FY 2004-05 -\$.9 million

FY 2005-06 -\$1.2 million

(maximum impact of -\$1.2 million in 2005-06)

D. Extends the carryforward for research and development credits from 5 years to 15 years.

No impact until FY 2008-09.

- E. Creates a new 30% tax credit for the purchase or lease of real property. The tax credit must be taken over 7 years and has a 20 year carryforward. The taxpayer must invest at least \$10 million within 3 years and create 200 jobs within 2 years.

FY 2003-04	-\$ 4.7 million
FY 2004-05	-\$ 9.4 million
FY 2005-06	-\$14.3 million
(maximum impact of -\$18.7 million in 2006-07)	

- F. Reduces the sales tax on electricity sold to manufacturers from 2.83% to the following:

- over 5,000 and up to 250,000 megawatts = 2.25% beginning July 1, 2005.
- over 250,000 and up to 900,000 megawatts = 2% beginning July 1, 2005.
- over 900,000 megawatts = .17% beginning January 1, 2002. *

FY 2001-02	-\$.3 million
FY 2002-03	-\$.8 million
FY 2003-04	-\$.8 million
FY 2004-05	-\$.8 million
FY 2005-06	-\$7.0 million

* HB 338, section 122 lowered the threshold for the .17% rate from 1,200,000 megawatts to 900,000 megawatts and moved the effective date from July 1, 2002 to January 1, 2002.

- G. Eliminates the requirement that a taxpayer must get the certification of the Secretary of Commerce in order to claim a Bill Lee Act credit. Commerce will continue to establish enterprise tier and development zone designations and will make written determinations regarding the requirements for development zone projects, large investments, the investment amount for enhanced carryforwards, and the investment amount for the new credit for substantial investment in other property. This change becomes effective beginning with the 2002 taxable year.

Taxpayers will still pay the fee that is currently paid with the application, but under this bill it must be paid to the Department of Revenue with the tax return filed for the year in which the eligible activity was engaged. The fee may be paid late, however, as long as it is paid before the credit is claimed. This change becomes effective beginning with the 2002 taxable year.

HB 338, section 123 eliminates the Department of Commerce's role in certifying applications for credits as soon as possible, but maintains a mechanism for the collection of fees paid in connection with the credits until the Department of Revenue can take over.

House Bill 748, Chapter 489
Vehicle Transition/Premiums Tax/Prepared Food

- Summary:** Re-writes the insurance premiums tax increase passed in SB 1005 (Section 2 of bill). Specifically it applies a 1.1% tax to the premiums of Blue Cross/Blue Shield and HMOs for 2003 and 1.0% for all later years (SB 1005 set the rate at 0.83% for January 1, 2002 and 1% for all later years), changes the effective date to January 1, 2003, converts the existing installment payment system (3 payments during the tax year, each payment equal to 1/3 of the prior year's tax liability) to an estimated tax payment system for 2003, and repeals the corporate income and franchise taxes paid by HMOs beginning with the 2003 tax year (the repeal was a part of the original package in SB 1005). Section 3 makes changes to the sales tax definitions ratified in SB 144, Streamlined Sales Tax. The definition of prepared food used in SB 144 inadvertently exempted a portion of that category from sales tax. This legislation closes that loophole by returning to a reference to food stamp eligibility and clarifying that dietary supplements and food sold through a vending machine are subject to tax. Section 4 makes technical changes to the alcoholic beverage sales tax laws. (Section 1 of the bill is summarized in the Highway Fund section below.)
- Effective Date:** Subsections f and g of Section 2 (premiums tax) are effective for taxable years beginning on or after January 1, 2004. The remainder of Section 2 is effective for taxable years beginning on or after January 1, 2003. Section 3 (prepared food) becomes effective January 1, 2002, and applies to sales made on or after that date.
- Fiscal Impact:** No fiscal impact is expected in FY 2001-02 as a result of Section 2 (premiums tax). The specifics of the new plan were designed in such a way that the new revenue produced for 2002-03 would be equal to the amount captured for that year under SB 1005. Thus this section would be revenue neutral for 2002-03 with regard to the provisions adopted in the budget act. For future years it is difficult to determine the exact impact of either the prior change or

the new provisions due to the uncertainty in the health insurance marketplace. For FY 2003-04 there might be a revenue loss (compared to the budget act) due to the acceleration of estimated tax payments into FY 2002-03 to ensure revenue neutrality for that year.

Enactment of Section 3 in and of itself has no fiscal impact as it returns the definition of prepared food to that anticipated in the original fiscal note for SB 144. However, failure to enact this change would have resulted in a substantial revenue loss to the State by eliminating the state sales tax on all take-out, drive-thru, and delivery foodstuffs. Based on the 1997 Economic Census, Fiscal Research believes the minimum loss from not enacting this section of the bill would be as follows:

FY 2001-02	- \$30.26 million
FY 2002-03	- \$62.84 million
FY 2003-04	- \$63.34 million
FY 2004-05	- \$65.72 million
FY 2005-06	- \$70.26 million

This is only a minimum estimate as it does not include take out from a full service restaurant or any other restaurant that is not primarily drive-thru, take out, or delivery.

House Bill 168, Chapter 508 Corporate Asset Transfer/Relief

Summary: Permits a corporation to transfer assets to a wholly owned unincorporated entity as recommended by the General Statutes Commission. Waives deadlines, fees, and penalties for deployed military personnel in Operation Enduring Freedom and Noble Eagle. Allows Community College and University refunds for students who are deployed and cannot complete their course requirements. Provides that students who received legislative tuition grants and are unable to complete the semester because they are deployed do not have to repay the grant.

Effective Date: Effective when it becomes law.

Fiscal Effect: No estimate available

Senate Bill 400, Chapter 509
Treat Newspaper Vending Machines as Street Vendors

Summary: Exempts all sales of newspapers through vending machines from sales and use tax.

Effective Date: The act becomes effective January 1, 2002.

Fiscal Effect: In the past few years, confusion has arisen about the tax status of newspapers sold through vending machines at convenience stores, shopping areas, and malls. The Department of Revenue's interpretation of the law is that newspapers sold through vending machines in public areas are a form of "street vendor" and are exempt. The Department has indicated that it considers newspaper vending sales in commercial areas to be taxable. The Department of Revenue agreed to not pursue any of these taxes before April 1, 2001, and to not attempt to collect back taxes previous to this date. The Department planned to include these taxes in audit considerations after the April 1, 2001 date.

Since this item is not recorded separately on the sales tax returns and since this item has not been considered in most recent audits, no estimate of newspaper vending sales is available from the Department. The Press Association believes that most independent carriers are not currently collecting or remitting the tax. With no data available, no fiscal estimate is possible. However, it is expected the impact of this bill will be relatively small given the limited number of papers sold through stand alone machines and the fact that all vending machine sales that are taxable are only subject to 50% of the current sales tax rate.

House Bill 688, Chapter 514
Tax Revenue for Turfgrass Research

Summary: Imposes a 6.5% State and local sales tax on fertilizers and seeds sold to consumers other than farmers, effective February 1, 2002. Currently, fertilizers and seeds used for agricultural purposes are not subject to State or local sales tax. The General Assembly enacted this exemption when these items were primarily used in agricultural production. Today, an increasing volume of these items is purchased for non-agricultural uses. The act appropriates \$700,000 for fiscal years 2001-02 and 2002-03 for turfgrass research and allocates \$750,000 to the Savings Reserve Account for fiscal year 2001-02.

Effective Date: The act becomes effective February 1, 2002, and applies to purchases made on or after that date.

Fiscal Effect: The fiscal impact of the bill is as follows:

	2001-02	2002-03	2003-04	2004-05	2005-06
General Fund	\$2,305,937	\$6,271,702	\$5,745,039	\$5,867,577	\$5,990,116
NCSU	(600,000)	(600,000)			
Dept. of Ag.	(100,000)	(100,000)			
Savings Reserve	(750,000)	-	-	-	-
Net General Fund	\$855,937	\$5,571,702	\$5,745,039	\$5,867,577	\$5,990,116

House Bill 1388, Chapter 517
Extend Sunset on State Ports Tax Credit

Summary: Extends the February 28, 2001 sunset on the credit for North Carolina State Ports Authority wharfage, handling, and through port charges to January 1, 2003.

Effective Date: The bill is effective retroactive to March 2, 2000.

Fiscal Effect: The average annual amount of ports tax credit taken for the seven years 1994 through 2000 is \$677,078 and the median annual tax credit for the same period is \$656,143. Extending the State Ports Authority tax credit is estimated to reduce General Fund revenue by \$657,000 per year in FY 2001-02 and FY 2002-03.

BILLS AFFECTING HIGHWAY FUND REVENUES

Senate Bill 967, Chapter 205 Various Motor Fuel Tax Changes

- Summary:** Allows the Department of Revenue to provide to the administrator of a national criminal justice system database the name and identifying information of motor carriers whose licenses have been revoked. The bill also allows the Department of Revenue to refund motor fuels tax directly to a credit card company that pays the tax to a supplier for a sale that is exempt from the motor fuels tax. Furthermore, the bill changes the motor fuel tax refund from annually to monthly for those using kerosene in drying crops and manufacturing.
- Effective Date:** The effective date is October 1, 2001 except for section allowing the sharing of information (June 18, 2001).
- Fiscal Effect:** No estimate available. The acceleration of refunds will produce a loss of interest revenue to the Highway Fund/Highway Trust Fund, but a gain of interest for the General Fund because of sales tax paid on exempt motor fuels.

House Bill 170, Chapter 408 Mulch Blower Fuel Tax Refund

- Summary:** Allows a fuel tax refund for off-road fuel use by a commercial vehicle that delivers and spreads mulch, soils, and similar materials and that uses a power takeoff to unload and spread the materials. The refund is equal to the motor fuel tax paid on 33 1/3% of the motor fuel consumed by the vehicle. Motor fuel not taxed by the motor fuels tax is subject to the State and local sales tax. The motor fuels tax refund to the commercial vehicle owner is net of the sales tax payment.
- Effective Date:** Applies to motor fuel consumed on or after January 1, 2001.
- Fiscal Effect:** With only three companies and eight trucks that qualify for this refund, the cost to the Highway Fund and Highway Trust Fund is approximately \$2,000 per year. There is a \$200 to \$300 gain to the General Fund from sales tax.

Senate Bill 1005, Chapter 424
The Appropriations Act of 2001

Summary: Deletes the \$1,500 cap on the 3% Highway Use Tax for non-commercial vehicles effective October 1, 2001. It also exempts from the Highway Use Tax all fire trucks and rescue vehicles purchased by volunteer fire departments and rescue squads. HB 748 (Chapter 489) clarified that the law change does not apply to vehicle titles issued pursuant to a sale or a contract entered into before October 1, 2001. The net revenue gained from these changes will be transferred from the Highway Trust Fund to the General Fund. (HB 72 restored tax cap on recreational vehicles.)

House Bill 232, Chapter 427
Budget Revenue Provisions

Summary: Allows community colleges to buy non-tax paid fuel directly from suppliers.

Effective Date: This section (Section 9) becomes effective January 1, 2002.

Fiscal Effect: The estimated annual loss to the Highway Fund and Highway Trust Fund is approximately \$50,000.

House Bill 72, Chapter 497
Modify Vehicle Tax Refund & Tax Cap

Summary: Restores the \$1,500 Highway Use Tax cap for recreational vehicles weighing less than 26,000 pounds. Recreational vehicles weighing more than 26,000 pounds are subject to a \$1,000 tax cap.

Effective Date: The effective date is retroactive to October 1, 2001.

Fiscal Effect: Based on sales data from the years 2000 and 2001 from three high volume RV dealerships, the total revenue gained from removing the \$1,500 highway use tax cap on recreational vehicles is \$842,811 in a full year. Passage of this bill for the nine months in FY 2001-02 will result in the loss of \$632,000 to the Highway Trust Fund. The loss occurs because the anticipated gain from removing the cap in SB 1005 was transferred to the General Fund. While the cap was restored for recreational vehicles, the General Fund transfer has not been reduced.

Applying the growth rates projected by the Office of State Budget and Management for the highway use tax, the future revenue loss is as follows:

<u>Fiscal Year</u>	<u>Revenue</u>
FY 2001-02	\$632,000
FY 2002-03	\$908,550
FY 2003-04	\$961,246
FY 2004-05	\$1,016,037
FY 2005-06	\$1,068,871

**House Bill 110, Chapter 498
Various New Special License Plates**

Summary: Requires the Division of Motor Vehicles to notify the U.S. Department of State of traffic citations issued to foreign diplomats. Creates the following special plates with additional fees:

Audubon North Carolina	\$20
First in Forestry	\$20
Military Veteran	\$10
Military Wartime Veteran	\$10
Save the Sea Turtles	\$20
Special Forces Association	\$20
U.S. Navy Specialty	\$10
The V Foundation for Cancer Research	\$25
Harley Owners' Group	\$20
Rocky Mountain Elk Foundation	\$25

Effective Date: The provision concerning foreign diplomats becomes effective at the earliest practical date, but no later than January 1, 2003. The remainder of the act is effective when it becomes law.

Fiscal Impact: Each special plate costs \$20 (regular vehicle registration fee) plus the fee shown above. The additional fee includes \$10 that is credited to the Special Registration Plate Account for the cost of making the plate and for program administration. Any fee greater than \$10 is for fundraising for the group sponsoring the plate.

House Bill 969, Chapter 504
Air Quality/Motor Vehicle Inspection Fees

Summary: Raises and restructures the fees for vehicle emissions and safety inspections to fund the expansion of the emissions inspection program from nine to forty-eight counties. Provides for the creation of a Telecommunications Account within the Highway Fund to provide equipment and telecommunications services associated with the vehicle emissions inspection program. Also provides increased funding for the Volunteer Rescue/EMS Fund and the Rescue Squad Workers' Relief Fund.

Effective Date: The act is effective January 1, 2002.

Fiscal Year	Division of Air Quality	Division of Motor Vehicles	Telecommunications Fund	Volunteer Rescue/EMS Fund	Rescue Squad Workers' Relief Fund
2001-02	\$ 314,471	\$1,288,507	\$1,834,412	\$ 97,821	\$ 65,214
2002-03	\$ 639,530	\$3,269,579	\$3,730,589	\$214,294	\$142,863
2003-04	\$ 858,534	\$5,614,469	\$5,008,115	\$203,747	\$135,831
2004-05	\$1,091,319	\$7,286,170	\$6,366,026	\$208,036	\$139,224
2005-06	\$1,355,089	\$8,611,524	\$7,904,684	\$212,436	\$141,624

BILLS AFFECTING SPECIAL REVENUE FUNDS

House Bill 232, Chapter 427 Budget Revenue Provisions

Summary:

- A. Sets the insurance regulatory charge for calendar year 2001 at 6.5% (a reduction from the 2000 rate of 7%). This fee is assessed on the premiums tax paid by insurers and is anticipated to generate \$23.82 million in FY 2001-02.
- B. Increases the utilities regulatory fee from .09% to .1% for FY 2001-02 to fund the operations of the Utilities Commission and the Public Staff. This fee will produce \$10.5 million in FY 2001-02.
- C. Sets the public utility regulatory fee to be paid by the North Carolina Electric Membership Corporation for FY 2001-02 at \$200,000.

BILLS AFFECTING LOCAL GOVERNMENT REVENUE

House Bill 193, Chapter 17 Retirement Home Tax Change

Summary:

Provides a property tax exemption for certain non-profit continuing care retirement communities (CCRC). To qualify for a full exemption, the CCRC must meet the following criteria:

- 1). Be a 501(C)3 organization,
- 2). Be designed for elderly residents,
- 3). Include independent living units for the elderly,
- 4). Provide a skilled nursing or adult care facility,
- 5). Be licensed by the Department of Insurance as a CCRC, and
- 6). Either:
 - A). Have unreimbursed costs (charity care, Medicare and Medicaid gap) of providing health care, housing, or other services for residents unable to pay, and unreimbursed costs of providing "community benefits" that exceed 5% of the total resident revenue, **OR**
 - B). Serve all residents without regard to their ability to pay.

CCRCs can also receive a partial exemption if they meet the requirements of 1 – 5 above but have a lower charity care and community benefit to resident revenue ratio between 1% and 5%.

Effective Date: Effective for taxes imposed for taxable years beginning on or after July 1, 2001. In addition, an application for the benefit provided in this act for the 2001-2002 tax year is timely if it is filed on or before September 1, 2001.

Fiscal Impact: As of October 1999, the Department of Insurance reported 48 Continuing Care Retirement Communities (CCRC) in North Carolina. Forty-two (42) of these facilities are non-profit institutions.

A 2000 North Carolina Association of Non-profit Homes for the Aging (NCANPHA) survey indicates that thirty-two (32) of the non-profit facilities or 76% provided at least some charity data. Twelve (12) of the 32 non-profit facilities (38%) reported a charity

care cost gap to annual resident revenue ratio of 5% or more. With the legislation these facilities will qualify for a total exemption from property taxes for their facility. This will result in a total estimated property tax loss of \$1.2 million in seven (7) counties.

The bill also grants a partial exemption from property tax for CCRCs that provide between 1% and 5% of their annual resident revenue in charity care and community benefits. According to the NCANPHA survey, ten of the thirty-three responding facilities (30%) will qualify for a partial exemption. The total property tax loss associated with these facilities is \$427,536 over ten (10) counties.

The North Carolina Department of Insurance reports that five (5) additional CCRCs are expected to be in operation in the next five years. Three (3) of these facilities are non-profit that could qualify for the exemption if they provide enough charity care and community benefit. These facilities will be located in Alamance, Cabarrus, and Guilford Counties.

Given the losses and potential losses listed above, the county loss ranges are as follows:

County	Tax Loss	County	Tax Loss
Alamance	\$61,851 - \$397,851	Guilford	\$141,241 - \$466,213
Buncombe	89,680	Henderson	55,658
Cabarrus	0 - 140,000	Mecklenburg	703,394
Catawba	24,488	Moore	5,758
Chatham	20,368	Robeson	37,092
Durham	10,972	Scotland	141,638
Forsyth	376,113	Wake	45,607
Gaston	27,008	Total	1,696,028 - 2,497,000

While this estimate is based on the best data available, Fiscal Research believes the actual cost of the exemptions could be higher. As a result of these factors, the range listed above is actually a minimum estimate.

Note: While most local governments will see a revenue increase from FY 1999-00 to FY 2001-02 as a result of this bill, the change is actually shown as a loss to local governments. This is because the temporary exemption that sheltered non-profit CCRCs from

property tax was scheduled to expire July 1, 2001. The annual cost to counties of the temporary exemption was estimated in 1998 to be approximately \$5.1 million. Thus the counties overall should see a revenue gain from 2000 of approximately \$2.6 - \$3.4 million. The exact impact will vary by county.

Senate Bill 162, Chapter 139 Property Tax Amendments

Summary:

Makes several technical changes to the State's property tax laws that were suggested by the Department of Revenue, the Institute of Government, and the North Carolina Association of Assessing Officers.

Under current law, applications for exemption or exclusion from property taxes can be required annually, on a one time only basis, or not at all. The bill clarifies that property owners, in general, must file for a property tax exemption or exclusion. It also shifts the following groups of property from a one-time application requirement to a category that does not require any application: vehicles subject to the gross receipts tax on short-term rentals, buildings with solar energy systems, real property in a transportation corridor, and poultry, livestock, and feed for poultry and livestock. The bill shifts the following groups of property from an annual application to a one-time application requirement: property owned by a non-profit community group listed in 105-275(20), severable development rights, real and personal property belonging to the N.C. Low-Level Radioactive Waste Management Authority or the N.C. Hazardous Waste Management Commission, objects of art held by the N.C. Art Society, property of private water companies, brownfields property, and health care facilities.

The legislation also authorizes assessors to change a property valuation in a non-revaluation year if there has been a physical change to the land or an improvement, such as the addition of a structure, or a change in the legally permitted use of the property. Assessors are also given the power to remove the preferential tax status afforded properties under the Machinery Act if the property owner does not provide the information necessary to determine if the parcel qualifies once the information is requested. The bill clarifies that property may lose its use value classification and associated preferential tax treatment if the owner does not provide the assessor with the information needed to determine eligibility within 30 days of the request, and directs assessors to review transportation corridor maps annually.

The bill also authorizes local Equalization and Review boards to meet after their official adjournment to hear appeals of motor vehicle property taxes, discoveries, and property reviewed annually to determine its continued qualification for exemption or exclusion. It conforms the interest rate on unpaid motor vehicle taxes to the interest rate on other unpaid property taxes (2% for the first month and $\frac{3}{4}\%$ each month thereafter), and shortens the waiting period in rem foreclosures from six months to three months.

Fiscal Impact:

The bill's fiscal impact is expected to be minimal. Most provisions will have no impact. The use value, interest rate, and preferential tax treatment removal provisions could create a small revenue gain for local governments. However, because the primary effect of these sections of the bill will be to prod taxpayers to act, no noticeable revenue increase is expected. The ability to change valuations in a non-revaluation year could result in a positive or negative revenue impact, depending on the changes made to the property and its use.

**House Bill 1056, Chapter 206
Financial Oversight for Housing Authorities**

Summary:

Amends the applicability of the Local Government Budget and Fiscal Control Act to public housing authorities under Chapter 157 of the General Statutes.

Effective Date:

The bill became effective on June 18, 2001.

Fiscal Effect:

No fiscal impact. North Carolina's 99 Public Housing Authorities are primarily funded with federal funds from the U.S. Department of Housing and Urban Development (HUD) and with rent from their housing units. While public housing authorities now use GAAP accounting methods, there are many HUD accounting regulations that they must follow that do not conform to Local Government Commission (LGC) standards. The bill is a compromise between the LGC and the public housing authorities to simplify financial compliance and to ensure the fiscal integrity of the housing agencies.

House Bill 1448, Chapter 264
Make Meals Tax Penalties Uniform

Summary: Repeals all existing local meals tax penalty provisions and applies the existing State sales and use tax penalty charges to meals taxes. The governing board of the taxing authority is also given the authority to waive those penalties. Currently counties and cities that collect a meals tax levy penalties based on those outlined in a variety of session laws.

Effective Date: The bill became effective on October 1, 2001.

Fiscal Impact: Four counties and one town are currently collecting a meals tax. Those localities are Cumberland County, Dare County, Mecklenburg County, Wake County, and the City of Hillsborough. The bill makes the penalty provision uniform by applying the State sales and use tax penalties to meals taxes.

Under current law, Mecklenburg County collected \$177,000 in penalties in the previous fiscal year. Because 98% of that revenue was from the \$10 per day penalty, which is not in the sales tax law, they could see a revenue decrease. Wake County will not be impacted as they already adhere to the sales tax law on penalties. Dare County collected \$8,090.50 in meals tax penalties in FY 1997-98 and \$7,060.66 in the previous year. No estimate is available on how the bill will change this revenue stream. No data is available from Cumberland County or Hillsborough.

Senate Bill 365, Chapter 279
Electronic Listing for Property Taxes

Summary: Authorizes county commissioners to allow businesses to list their personal property electronically and define the associated procedures (Section 1). Under current law taxable personal property must be listed with the county assessor between January 1 and January 31. An extension can be granted until April 15th. Section 2 gives the county commissioners the authority to extend the listing period for electronic filings up to June 1. Section 3 allows the use of electronic signatures on electronic business personal property listings.

Effective Date: The bill became effective on July 16, 2001.

Fiscal Impact: At present, Fiscal Research has determined that only Wake County is prepared to implement an electronic listing system for business personal property. Other large counties may use this process in the next few years. No information is available about counties interested in moving the filing deadline to June 1.

House Bill 42, Chapter 308
Property Tax Homestead Exclusion

Summary: Makes several changes to the existing homestead exclusion from property tax. The homestead exclusion is a partial exemption from property taxes for the residence of a person who is aged 65 or older, or totally disabled, and who has a limited income. The legislation adjusts the income eligibility limit. The bill maintains the \$15,000 income threshold for FY 2001-02, but increases this limit to \$18,000 in FY 2002-03. In FY 2003-04 and subsequent years the income limit is adjusted by the Cost of Living Adjustment (COLA) multiplier used to increase SSI benefits. The bill maintains \$20,000 as the minimum homestead exclusion, but allows for an exclusion of 50% of the tax value if the property value is greater than \$20,000. The bill extends the deadline for requesting a homestead exclusion from April 15 to June 1. Finally, the bill gives local governments one-time authority to lower their property tax rates as a result of unexpected revenues until October 1, 2001.

Effective Date: Effective for taxes imposed for taxable years beginning on or after July 1, 2002.

Fiscal Effect: The bill makes four changes to the existing homestead exclusion.

Increase income limit to \$18,000: History indicates that approximately 80% of the total cost of the Homestead program (\$21.6 million) is related to the property exemption and 20% (\$5.4 million) is related to the income requirement. The proposal increases the income threshold by 20%. If 20% of the cost of the program (\$5.4 million) is devoted to the income threshold, then a 20% increase in the threshold equals \$1.1 million in cost. This cost begins in FY 2002-03.

Index income limit: The annual average COLA for the last five years has been approximately 3.2%. Assuming the adjustment remains at 3.2%, indexing will cost \$210,000 in FY 2003-04 (3.2% of \$6.5 million), and will increase by similar amounts in future years.

Alter exemption amount: This estimate is generated using a North Carolina Association of Assessing Officers survey of 40 counties. Those 40 counties projected a combined loss of \$2.8 million. This represents approximately 30% of both the number and value of current homestead exclusions. Using this number as a proxy suggests that the total statewide loss is \$9.33 million. The preliminary estimate has been increased by 15% to reflect the unusual number of elderly in this income range, to suggest an annual revenue loss of \$10.73 million.

Application date: This extension is not expected to have a fiscal impact as most assessors already allow late homestead applications.

Property Tax Rate Reductions: The final section of the bill grants local governments the authority to reduce property tax rates until October 1, 2001. Because the language is permissive, Fiscal Research cannot estimate the impact of this item. The only fiscal impact would occur in FY 2001-02.

The overall impact on local governments is as follows:

(\$million)				
FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05	FY 2005-06
0	(11.8)	(12.0)	(12.2)	(12.5)

Senate Bill 144, Chapter 347 Streamlined Sales and Use Tax Agreement

Summary:

Enacts the second part of a multi-phased effort to streamline North Carolina's Sales and Use Tax laws and to align these laws with model legislation designed to substantially reduce the cost of sales tax collection nationwide.

To substantially conform North Carolina's sales tax law to some of the provisions in the national Streamlined Sales Tax Project, the legislation does the following: 1) alters and adds definitions of food, food ingredients, prepared food, candy, dietary supplements, soft drinks, installation charges, and delivery charges; 2) changes the State definition of "use" for sales and use tax purposes to include distribution; 3) changes the current rules on sourcing sales and changes some tax filing deadlines; and 4) excludes mill machinery and mill machinery parts and accessories that are currently subject to a 1% sales tax with a maximum tax of \$80 per item from the sales tax and instead shifts them to a privilege tax of the same rate that is paid directly to the Department.

Effective Date: Changes related to use tax and distribution become effective July 1, 2002. The mill machinery tax change becomes effective January 1, 2006. All remaining definitional changes are effective January 1, 2002. The balance of the legislation becomes effective when law.

Fiscal Effect: The primary fiscal impact for local governments relates to sourcing. Currently a sale is assumed to take place at the retailer's place of business, regardless of delivery. The bill shifts the state from this sourcing rule to a multi-tier rule that addresses many areas where the appropriate source could be unclear. This change will likely result in a small revenue shift between counties and cities. However, the overall amount of revenue available to local governments will not change.

House Bill 1073, Chapter 390 Register of Deeds/Business Reinstatement

Summary: Increases many of the fees charged by Registers of Deeds. The impacted fees include those for instruments in general, deeds of trust and mortgages, marriage licenses, plats, registration of birth certificates, amendments to birth or death records, legitimations, certified copies of birth and death certificates, certified copies of marriage licenses, certified copies of other instruments, comparing copies for certification, qualification of a notary public, the fee for filing a non-standard document, and the fee for a written certificate when a grave is moved. It also applies this same fee for filing instruments in general to filing a blank or master form of mortgage.

The legislation clarifies that the Register of Deeds must determine that all statutory and locally adopted prerequisites for recording have been met before the instrument is registered, and sets the format guidelines for documents and authorizes the Registers of Deeds to charge the non-standard document fee. Finally, the legislation clarifies that the Registers of Deeds should not charge the Department of Transportation for right-of-way plans. The bill also changes the laws related to the administrative dissolution and reinstatement of a corporation, LLC, or LLP by the Secretary of State.

Effective Date: The fee provisions become effective January 1, 2002. The format guidelines, non-standard document fees, and the new Register of Deeds recording requirements become effective for instruments executed on or after July 1, 2002. The administrative dissolution elements apply retroactively to applications for reinstatement made on or after December 1, 1999. The balance of the bill becomes effective when law.

Fiscal Impact:

The legislation makes several changes to the Register of Deeds statewide fee structure.

Action	Previous Fee	New Fee
Instruments in General		
First Page	\$6.00	\$12.00
Subsequent Pages	\$2.00	\$3.00
Deeds of Trust, Mortgages		
First Page	\$10.00	\$12.00
Subsequent Pages	\$2.00	\$3.00
Marriage Licenses		
Issuing License	\$40.00	\$50.00
Delayed Certificate w/copy	\$5.00	\$20.00
Corrections	\$5.00	\$10.00
Plats		
Certified Copies	\$3.00	\$5.00
Register Birth Certificate		
Birth to reg. in another county	\$5.00	\$10.00
Papers prepared in another county	\$5.00	\$10.00
Same county	\$10.00	\$20.00
Amend Birth or Death Record	\$2.00	\$10.00
Legitimations	\$7.00	\$10.00
Cert. Copies, birth, death, marriage	\$3.00	\$10.00
Cert. Copies - Other		
First Page	\$3.00	\$5.00
Subsequent Pages	\$1.00	\$2.00
Comparing for Certification	\$2.00	\$5.00
Qualification of Notary Public	\$5.00	\$10.00
Nonstandard Document	\$ -	\$25.00
Certificate when grave moved		
First Page	\$1.00	\$12.00
Subsequent Pages	\$1.00	\$3.00
Filing Blank or Master Mortgages		
First Page	\$5.00	\$12.00
Subsequent Pages	\$ -	\$3.00

The Register of Deeds Association recently surveyed its members to determine the potential revenue impact of this bill. The responses of the 70 counties who answered the survey indicate that their counties will earn an additional \$10.7 million in revenues annually. Applying the average revenue increase from the reporting counties to the non-reporting counties creates a total estimate of \$14.7 million (\$10.7 + \$4.0). However, because the non-reporting counties are generally smaller, less populous counties, a lower combined estimate of \$13.5 million is used.

Because it is unclear how many non-standard documents will be filed, no fiscal estimate is available on the revenue impact of that provision. The legislation also clarifies that the county Register of Deeds should not charge a fee to the Department of Transportation for right-of-way plans. This is already set out in the Roads and Highway statutes (G.S. 136-19.4) and took effect January 1, 2001. As such, this section has no fiscal impact.

The overall fiscal impact for local governments is as follows:

\$ Millions				
FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05	FY 2005-06
6.8	13.5	13.5	13.5	13.5

The FY 2001-02 estimate is adjusted to account for the delayed effective date.

Senate Bill 1005, Chapter 424 The Appropriations Act of 2001

- A.** Authorizes an additional ½ cent local sales tax effective July 1, 2003. This local option tax can be enacted by a special election or by a vote of the county commissioners. If all 100 counties approve the ½ sales tax, the local revenue gain is as follows:

FY 2003-04	\$419.8 million
FY 2004-05	\$441.2 million
FY 2005-06	\$462.8 million

- B.** Repeals the state reimbursement to local governments for property tax losses related to the repeal of taxes on inventories and intangibles, as well as some of the tax loss associated with the homestead exemption. Also repealed is the reimbursement for sales taxes that are no longer paid on items purchased with food stamps. These reimbursements will be repealed effective July 1, 2003, and will produce a local revenue loss of \$333.4 million per year beginning in FY 2003-04.

- C. Provides hold harmless payments to the those local governments whose gain from a half cent local sales tax increase is less than 100% of their loss from the repealed State reimbursements. Hold harmless payments begin in FY 2003-04 and have the following local revenue impact:

FY 2003-04	\$23.3 million
FY 2004-05	\$19.1 million
FY 2005-06	\$15.6 million

- D. Creates a Sales Tax Holiday or temporary, three day sales tax exemption each August for clothing, clothing accessories, school supplies, computers, printers, and educational software. There is a cap of \$100 per clothing item and \$3,500 per computer. The act is effective beginning in FY 2002-03 and will produce the following local government revenue loss:

FY 2002-03	-\$3.7 million
FY 2004-05	-\$4.9 million
FY 2005-06	-\$5.1 million
FY 2005-06	-\$5.3 million

House Bill 232, Chapter 427 Budget Revenue Provisions

Summary:

- A. Shifts taxes distributed to local governments from a quarterly to a monthly basis beginning on July 1, 2003. The income gained from interest on these funds could be similar to the amount lost by the State (see General Fund section).
- B. Exempts the State or vendor from paying property tax on three privately built prisons during the period of construction. The local governments will not receive the following tax payments:

FY 2001-02	-\$700,000
FY 2002-03	-\$1,680,000
FY 2003-04	-\$980,000

House Bill 72, Chapter 497 Modify Vehicle Tax Refund & Tax Cap

Summary:

Extends from 120 days to one year the time a taxpayer has to request a refund for property taxes paid on a motor vehicle for which the taxpayer has surrendered the vehicle's registration plate.

Effective Date: When it becomes law.

Fiscal Impact: Due to a lack of data, the General Assembly's Fiscal Research Division cannot determine how many taxpayers do not file for the refund and/or release once the plates are surrendered or what proportion of those taxpayers who did not apply would apply under the extended timeline. As such, no formal estimate is possible. However, both DMV and Fiscal Research believe the number of taxpayers that would actually take advantage of the deadline extension would be insignificant.

House Bill 1427, Chapter 499
Amend Use Value Statutes

Summary: Provides that a farmer can transfer property classified as use value property to another farmer, regardless of whether the new owner already has property in the classification, without losing the property's use value classification (Section 1). This change not only means the property qualifies in the hands of the new owner, regardless of whether the new owner meets the ownership requirements, but also means the previous owner does not owe the deferred taxes on the property. Section 2 specifies that a taxpayer may prepay any deferred taxes that are a lien on the property. Section 3 creates a Property Tax Study Commission and directs that they study farm use value and the taxability of nonprofit charitable hospitals.

Effective Date: The tax provisions are effective for taxes imposed for taxable years beginning on or after January 1, 2002. The remainder becomes effective when law.

Fiscal Impact: Section 1 changes the ownership requirement to effectively eliminate the 3-year wait to return to the use value program when the land is transferred, if it is purchased and continues to be used for agricultural, horticultural, or forestland purposes. Therefore, the only fiscal impact of this section is the loss of three years of taxes on the increased value of the property (market vs. use value) while the new owner is waiting to return to the use value program. While this will result in what the assessors believe will be a small revenue loss, Fiscal Research cannot determine the exact fiscal impact. Section 2 has the potential to offset some of the fiscal impact of deferred taxes. However, because Fiscal Research cannot estimate how many farmers will take advantage of this change, no fiscal estimate is possible on this portion of the bill. Section 3 only requires a study and therefore has no significant fiscal impact.

Local Government Tax Aid - Historical Data
(\$ in Millions)

Fiscal Year	Local Sales Tax	Tax Sharing	Tax Reimbursements	Powell Bill	Total Tax Aid	Property Tax
1980-81	196.4	108.5	-	32.6	337.5	695.2
1985-86	485.6	187.7	-	47.2	720.5	1,066.2
1990-91	896.5	237.1	239.7	81.3	1,454.6	1,860.1
1995-96	1,197.3	151.5	331.0	104.9	1,784.7	3,171.8
2000-01	1,669.0	220.0	333.4	133.2	2,355.6	4,695.7

% Increase Since						
1980-81	750%	103%	-	309%	598%	575%

Tax Sharing includes intangibles tax (in appropriate years), beer and wine excise tax, and the utility gross receipts tax (municipal only).

Tax Reimbursements include payments for the elimination of property taxes on inventories, the repeal of the intangibles tax, sales tax exemption for food stamp purchases, and homestead exemption relief.

APPENDIX

TOTAL STATE BUDGET BY SOURCE OF FUNDS

(\$ In Millions - Excludes General Obligation Bonds)

Fiscal Year	General Fund*	Federal Revenue Sharing	Highway Fund/Trust	Federal Receipts	Other Receipts	Total
1970-71	961.4		304.7	335.1	171.2	1,772.4
1971-72	1,198.0		344.8	476.7	218.6	2,238.1
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	5,031.6
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	5,752.7
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	8,941.1
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	19,058.5
1997-98	11,565.3		1,775.5	5,220.4	1,863.6	20,424.8
1998-99	13,111.6		1,807.6	5,465.3	1,797.1	22,181.6
1999-00	14,237.7		1,878.8	5,951.1	1,898.8	23,966.4
2000-01	14,050.1		2,058.8	6,134.4	1,958.4	24,201.7
2001-02	14,530.3		2,121.1	7,066.3	2,243.2	25,960.9
2002-03	14,782.6		2,133.6	7,404.0	2,264.5	26,584.7

*General Fund totals reflect amounts originally authorized by the General Assembly.

Source: Office of State Budget and Management

Total General Fund Authorizations as Adjusted to Determine Total Current Operations

Fiscal Year	Total Authorizations	% Increase Over Prior Year	<u>Capital Improvements</u>		Rainy Day/ Savings Reserve Direct Appropriations	Local Govern- ment Shared Revenue	Transfer To Highway Fund	Other	Total Current Operations	% Increase Over Prior Year
			Direct Appropriations Includes FRS	Earmarking of Unreserved Credit Balance						
1970-1971	981,127,808			0	0	0	0	0	981,127,808	
1971-1972	1,138,180,763	16.01%	64,891,192	0	0	0	0	0	1,073,289,571	9.39%
1972-1973	1,187,443,130	4.33%		0	0	0	0	0	1,187,443,130	10.64%
1973-1974	1,712,516,853	44.22%	191,822,446	0	0	0	0	0	1,520,694,407	28.06%
1974-1975	1,791,783,009	4.63%	93,365,337	0	0	0	0	0	1,698,417,672	11.69%
1975-1976	1,766,321,933	-1.42%	28,662,437	0	0	0	0	0	1,737,659,496	2.31%
1976-1977	2,008,072,901	13.69%	45,096,295	0	0	0	0	0	1,962,976,606	12.97%
1977-1978	2,224,738,340	10.79%	31,332,626	0	0	0	0	0	2,193,405,714	11.74%
1978-1979	2,578,019,913	15.88%	126,008,818	0	0	0	0	0	2,452,011,095	11.79%
1979-1980	2,835,367,553	9.98%	84,378,719	0	0	0	0	0	2,750,988,834	12.19%
1980-1981	3,255,104,769	14.80%	104,141,290	0	0	0	0	0	3,150,963,479	14.54%
1981-1982	3,432,556,046	5.45%	30,861,142	0	0	0	0	0	3,401,694,904	7.96%
1982-1983	3,626,915,248	5.66%	65,772,358	0	0	0	0	0	3,561,142,890	4.69%
1983-1984	3,857,564,088	6.36%	59,782,244	0	0	0	25,800,000	0	3,771,981,844	5.92%
1984-1985	4,532,103,411	17.49%	212,535,238	0	0	0	0	0	4,319,568,173	14.52%
1985-1986	5,130,563,978	13.20%	253,503,234	0	0	0	0	0	4,877,060,744	12.91%
1986-1987	5,531,345,878	7.81%	297,667,245	0	0	0	0	0	5,233,678,633	7.31%
1987-1988	5,978,265,764	8.08%	173,020,035	0	0	0	0	0	5,805,245,729	10.92%
1988-1989	6,561,392,895	9.75%	258,659,030	0	0	0	0	0	6,302,733,865	8.57%
1989-1990	7,266,680,455	10.75%	150,092,738	0	0	233,569,324	0	0	6,883,018,393	9.21%
1990-1991	7,973,824,802	9.73%	106,400,195	0	141,000,000	476,793,897	0	0	7,249,630,710	5.33%
1991-1992	7,825,732,308	-1.86%	0	0	400,000	468,231,174	A	0	7,357,101,134	1.48%
1992-1993	8,209,537,916	4.90%	95,205,570	0	0	232,424,154	B	0	7,881,908,192	7.13%
1993-1994	9,317,906,610	13.50%	135,371,704	57,000,000	0	236,824,154	0	0	8,888,710,752	12.77%
1994-1995	10,268,424,627	10.20%	189,391,450	60,000,000	66,700,000	236,824,154	0	0	9,715,509,023	9.30%

Total General Fund Authorizations as Adjusted to Determine Total Current Operations

Fiscal Year	Total Authorizations	% Increase Over Prior Year	<u>Capital Improvements</u>		Rainy Day/ Savings Reserve Direct Appropriations	Local Govern- ment Shared Revenue	Transfer To Highway Fund	Other	Total Current Operations	% Increase Over Prior Year
			Direct Appropriations Includes FRS	Earmarking of Unreserved Credit Balance						
1995-1996	10,031,584,878	-2.31%	113,522,500	125,000,000	0	0	0	0	9,793,062,378	0.80%
1996-1997	10,607,678,229 D	5.74%	157,267,000	0	0	0	0	0	10,450,411,229	6.71%
1997-1998	11,585,834,623 E	9.22%	152,991,120	174,260,955	0	0	0	0	11,258,582,548	7.73%
1998-1999	13,111,623,293	13.17%	192,199,500	145,000,000	0	0	0	447,397,819 F	12,327,025,974	9.49%
1999-2000	14,237,669,453	8.59%	77,059,168	90,000,000 H	0	0	0	629,000,000 G	13,441,610,285	9.04%
2000-2001	14,050,116,932	-1.32%	114,974,172 J	0	120,000,000	0	0	30,000,000 K	13,785,142,760 I	2.56%
2001-2002	14,530,345,843	3.42%	157,936,000	0	0	0	0	0	14,372,409,843	4.26%

Notes:

- A: Amount shown is net after transfer of \$6.6 million to EHNR operating budget
- B: Amount shown is net after transfer of \$4.4 million to EHNR 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
- E: Adjusted to reflect Year 2000 Conversion appropriation made for 1997-98 by 1998 Session
- F: Other includes \$400 million for Bailey/Emory/Patton Reserve and \$47.4 million for Clean Water Management Trust Fund
- G: Sum includes \$399mn for Bailey/Emory/Patton Reserve; \$200m for Intangibles Settlement Reserve; and \$30m Clean Water Management Trust Fund
- H: Original sum was \$150m but \$60m was transferred to the Hurricane Floyd Disaster Relief Fund
- I: Includes \$240m transfer to the Reserve for Intangibles Tax Settlement effective June 30, 2000
- J: Includes \$100m direct appropriation to R & R
- K: \$30m direct appropriation to Clean Water Trust Fund

Savings Reserve at Year Ending June 30

(Earmarking limited to 25% of the Credit Balance or the amount required to reach cap if less than 25%)

Fiscal Year	Prior Year Current Appropriations Total* (Base for Calculations)	5% of Prior Year Appropriation (Cap)	June 30 Unreserved Credit Balance	Current Year Earmarking / Appropriation to Savings Reserve	Withdrawal from Savings Reserve	Total in Savings Reserve
1990-1991				141,000,000 A		0
1991-1992	7,726,343,007	386,317,150	164,773,001	41,593,253	0	41,593,253
1992-1993	7,825,507,308	391,275,365	537,330,259	134,332,565	0	175,925,818
1993-1994	8,114,332,336	405,716,617	622,712,983	155,678,246	(121,000,000) B	210,604,064
1994-1995	9,125,084,906	456,254,245	586,422,276 B	213,005,569		423,609,633
1995-1996	10,019,033,177 C	500,951,659	726,581,754	77,342,029	0	500,951,662
1996-1997	9,793,062,378	489,653,119	759,306,050	0	0	500,951,662
1997-1998	10,450,411,229 D	522,520,561	784,224,890	21,568,903	0	522,520,565
1998-1999	11,258,582,548 E	562,929,127	515,077,350	0 F	(200,000,000) G	322,520,565
1999-2000	12,327,025,974 H	616,351,299	3,869,243	967,311	(285,965,824) I	37,522,052
2000-2001	13,441,610,285	672,080,514		120,000,000		157,522,052
2001-2002	13,785,142,760	689,257,138		181,750,000 J		339,272,052

*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.

C: Includes direct appropriation to Savings Reserve Account (\$66.7 million) and Local Government Shared Revenue (\$236.8 million)

D: Adjusted to reflect Emergency Appropriation made to the Dept. of Community Colleges for 1996-97 by the 1997 Session.

E: Adjusted to reflect Emergency Appropriation for Year 2000 Conversion for 1997-98 (\$20,506,367) as approved by 1998 Session

F: The 1999 General Assembly directed that no funds be transferred to the Savings Reserve Account for the fiscal year ending June 30, 1999

G: Funds were appropriated from the Savings Reserve Account for the purpose of complying with the lawsuit settlement on the Intangible Tax Refunds

H: Adjusted for \$6.5 million in Juvenile Justice Reserve transferred to Capital Improvements

I: Funds were appropriated from the Savings Reserve Account to the Hurricane Floyd Reserve Fund (Office of State Budget Disaster Relief Fund)

J: Includes funds credited in SB 1005 - Budget Bill (\$181,000,000) and HB 688 - Turgrass Research (\$750,000)

Earmarking of the Credit Balance by Fiscal Year

(Includes Earmarkings / Transfers / Appropriations Directly from Year End Balance)

Fiscal Year	June 30 Credit Balance (Actual)	Transfer to Savings Reserve	Repairs & Renovations	Clean Water Management Trust Fund	Tax Relief/ Tax Refunds	Other Earmarking	Appropriation of Reversions	Total	Unreserved Credit Balance Beginning July 1
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	213,005,569 *	146,305,569 A	0	28,100,000 B		0	387,411,138	292,611,137
1995-96	726,581,754	77,342,026	130,000,000	47,100,000	26,200,000 C	0	39,803,567 D	320,445,593	406,136,161
1996-97	759,306,050	0	174,260,955	49,354,893	156,000,000 E	61,000,000 F	0	440,615,848	318,690,202
1997-98	784,224,890	21,568,903	145,000,000	47,397,819	0	400,000,000 H	55,027,680 G	668,994,402	115,230,488
1998-99	514,756,178	0	150,000,000	31,054,152	0	0	37,000,000 I	218,054,152	296,702,026
1999-00	3,869,243	967,311	2,901,932	0	0	0	0	3,869,243	0
2000-01	6,350,587	0	0	0		6,350,587 J	0	6,350,587	

* Includes Direct Transfer to the Savings Reserve Account of \$66,700,000

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

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 (Library grant was not re-appropriated but held in reserve)

E: Reserve for Intangible Tax Remedy/Refunds

F: Investment in NC Railroad stock

G: Appropriation of 1997-98 reversions for FY 1997-98 in accordance with Section 9, SL 1998-212

H: Bailey/Emory/Patton Reserve

I: Appropriation of 1998-99 reversions for Aquariums CI, \$30m; Warren County Landfill, \$7m.

J: Transferred to the Reserve for Disaster Relief

Tax Revenues By Major Schedules (Actual)

Fiscal Year	Individual	Income Tax Corporate	Total Income	Sales & Use	Franchise	Inheritance	Beverage	Insurance	Cigarette/ Tobacco	Soft Drinks	Other	Total Tax Revenue
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
1997-98	6,028,870,217	696,338,557	6,725,208,774	3,255,372,048	407,256,555	138,124,663	153,723,510	283,763,234	47,177,218	23,078,645	58,741,873	11,092,446,520
1998-99	6,606,500,278	848,509,669	7,455,009,947	3,376,206,664	409,558,340	169,935,220	158,026,529	291,230,879	44,852,542	12,349,253	48,094,529	11,965,263,904
1999-00	7,080,106,177	903,241,974	7,983,348,151	3,354,897,708	306,979,197	163,327,319	166,372,353	273,367,118	43,663,205	1,285,949	97,737,509	12,390,978,509
2000-01	7,391,342,524	460,315,086	7,851,657,610	3,435,558,577	580,431,850	123,165,443	172,698,910	305,791,331	42,025,877	51,202	61,678,611	12,573,059,411

Authorized and Actual Revenue Collections by Fiscal Year (\$ in Thousands)

Fiscal Year	Authorized						Actual Collections								Overcollections					
	Tax Revenue	Non-tax Revenue	Other	Federal Revenues	Hwy Trust Transfer	Total	% of Change	Tax Revenue	Non-tax Revenue	Other	Federal Revenues	Hwy Trust Transfer	Total	% of Change	Tax Revenue	Non-tax Revenue	Other	Federal Revenues	Hwy Trust Transfer	Total
1970-1971	909,630	27,570	0	0	0	937,200		921,445	46,191	0	0	0	967,636		11,815	18,621	0	0	0	30,436
1971-1972	998,165	46,500	0	0	0	1,044,665	11.47%	1,051,900	42,009	0	0	0	1,093,909	13.05%	53,735	(4,491)	0	0	0	49,244
1972-1973	1,080,490	53,330	0	0	0	1,133,820	8.53%	1,213,997	45,419	0	58,307	0	1,317,723	20.46%	133,507	(7,911)	0	58,307	0	183,903
1973-1974	1,312,051	41,700	0	48,700	0	1,402,451	23.69%	1,358,185	71,579	0	52,727	0	1,482,491	12.50%	46,134	29,879	0	4,027	0	80,040
1974-1975	1,507,270	68,350	0	52,400	0	1,628,020	16.08%	1,451,184	92,913	0	53,050	0	1,597,147	7.73%	(56,086)	24,563	0	650	0	(30,873)
1975-1976	1,595,120	84,400	0	51,753	0	1,731,273	6.34%	1,571,845	76,232	0	62,454	0	1,710,531	7.10%	(23,275)	(8,168)	0	10,701	0	(20,742)
1976-1977	1,824,000	80,617	0	53,613	0	1,958,230	13.11%	1,869,967	82,607	0	65,775	0	2,018,349	18.00%	45,967	1,990	0	12,162	0	60,119
1977-1978	1,978,600	53,104	0	62,000	0	2,103,704	7.43%	2,060,482	74,339	0	61,732	0	2,196,553	8.83%	81,882	11,235	0	(268)	0	92,849
1978-1979	2,262,000	74,500	0	56,588	0	2,393,088	13.76%	2,337,218	93,077	0	56,673	0	2,486,968	13.22%	75,218	18,577	0	85	0	93,880
1979-1980	2,534,763	94,132	0	56,889	0	2,685,784	12.23%	2,639,214	146,046	0	56,782	0	2,842,042	14.28%	104,451	51,914	0	(107)	0	156,258
1980-1981	2,839,500	98,700	0	28,381	0	2,966,581	10.45%	2,845,953	149,467	0	28,392	0	3,023,812	6.40%	6,453	50,767	0	11	0	57,231
1981-1982	3,138,800	141,600	0	0	0	3,280,400	10.58%	3,077,713	151,566	0	262	0	3,229,541	6.80%	(61,087)	9,966	0	262	0	(50,859)
1982-1983	3,370,300	144,800	0	0	0	3,515,100	7.15%	3,279,025	124,818	0	1,274	0	3,405,117	5.44%	(91,275)	(19,982)	0	1,274	0	(109,983)
1983-1984	3,663,900	151,950	0	0	0	3,815,850	8.56%	3,814,378	142,900	0	169	0	3,957,447	16.22%	150,478	(9,050)	0	169	0	141,597
1984-1985	4,129,722	146,840	0	1,500	0	4,278,062	12.11%	4,336,722	188,916	0	53	0	4,525,691	14.36%	207,000	42,076	0	(1,447)	0	247,629
1985-1986	4,607,924	186,500	0	0	0	4,794,424	12.07%	4,694,521	216,347	0	0	0	4,910,868	8.51%	86,597	29,847	0	0	0	116,444
1986-1987	4,997,866	218,000	0	0	0	5,215,866	8.79%	5,180,562	211,515	0	0	0	5,392,077	9.80%	182,696	(6,485)	0	0	0	176,211
1987-1988	5,380,831	234,900	0	0	0	5,615,731	7.67%	5,551,289	253,238	0	0	0	5,804,527	7.65%	170,458	18,338	0	0	0	188,796
1988-1989	5,902,201	266,490	0	0	0	6,168,691	9.85%	5,928,542	225,987	0	0	0	6,154,529	6.03%	26,341	(40,503)	0	0	0	(14,162)
1989-1990	6,746,614	244,600	0	0	279,400	7,270,614	17.86%	6,561,423	262,290	0	0	164,693	6,988,406	13.55%	(185,191)	17,690	0	0	(114,707)	(282,208)
1990-1991	7,357,400	214,700	17,000	0	264,000	7,852,400	8.00%	6,692,505	267,229	17,000	0	231,081	7,207,815	3.14%	(664,895)	53,229	0	0	(32,919)	(644,585)
1991-1992	7,433,125	213,900	8,700	0	170,000	7,825,725	-0.34%	7,438,446	199,905	8,700	0	170,000	7,817,051	8.45%	5,321	(13,995)	0	0	0	(8,674)
1992-1993	7,692,500	217,700	9,400	0	170,000	8,089,600	3.37%	7,883,017	230,380	9,400	0	170,000	8,292,797	6.09%	190,517	12,680	0	0	0	203,197
1993-1994	8,360,900	293,760	9,900	93,200	170,000	8,927,760	10.36%	8,516,757	312,478	9,900	93,200	170,000	9,102,335	9.76%	155,857	18,718	0	0	0	174,575
1994-1995	9,090,550	288,174	10,300	94,000	170,000	9,653,024	8.12%	9,365,818	330,423	10,500	94,000	170,000	9,970,739	9.54%	275,266	42,249	200	0	0	317,715
1995-1996	9,164,500	317,200	11,100	106,900	170,000	9,769,700	1.21%	9,458,755	374,327	11,130	76,013	170,000	10,090,225	1.20%	294,255	57,127	30	(30,887)	0	320,525
1996-1997	9,729,000	382,900	11,900	102,000	170,000	10,395,800	6.41%	10,238,591	409,281	11,853	100,844	170,000	10,930,569	8.33%	509,591	26,381	(47)	(1,156)	0	534,769
1997-1998	10,561,300	449,700	12,600	0	170,000	11,193,600	7.67%	11,092,447	452,082	12,600	0	170,000	11,727,129	7.29%	531,147	2,382	0	0	0	533,529
1998-1999	11,589,500	510,900	13,400	85,000	170,000	12,368,000	10.49%	11,965,264	500,057	13,400	85,000	170,000	12,733,721	8.58%	375,764	(10,843)	0	0	0	365,721
1999-2000	12,468,000	519,300	13,600	105,000	170,000	13,275,900	7.34%	12,390,979	456,501	13,600	105,000	170,000	13,136,080	3.16%	(77,021)	(62,799)	0	0	0	(139,820)
2000-2001	13,214,300	476,700	13,800	106,000	170,000	13,980,800	5.31%	12,573,059	413,100	186,600 A	109,143	170,000	13,451,902	2.40%	(641,241)	(63,600)	172,800	3,143	0	(528,898)

Notes:

A: This figure includes monies that were transferred from various budget codes in order to help balance the budget. Transfers to Non-tax include: 1) \$2.7m from interest on tobacco, 2) \$22.2m from capital reversions, and 3) \$147.9m from Gov. Easley escrow.

North Carolina General Fund Operating Appropriations
(Excludes Local Government Shared Revenues/Reimbursements)

Fiscal Year	Total Current Operations		Education							Health & Human Services		All Other	
			Public Schools		Community Colleges		University		as a				
			Amount	Percent	Amount	Percent	Amount	Percent	% of Total	Amount	Percent	Amount	Percent
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%	
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%	

North Carolina General Fund Operating Appropriations

(Excludes Local Government Shared Revenues/Reimbursements)

Fiscal Year	Total Current Operations		Education							Health & Human Services		All Other	
			Public Schools		Community Colleges		University		as a				
			Amount	Percent	Amount	Percent	Amount	Percent	% of Total	Amount	Percent	Amount	Percent
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 A	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%
	% Unexpended	3.05%	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%	

North Carolina General Fund Operating Appropriations
(Excludes Local Government Shared Revenues/Reimbursements)

Fiscal Year	Total Current Operations		Education							Health & Human Services		All Other	
			Public Schools		Community Colleges		University		as a				
			Amount	Percent	Amount	Percent	Amount	Percent	% of Total	Amount	Percent	Amount	Percent
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 A	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 A	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 A	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 A	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 A	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 A	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%
	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%	

North Carolina General Fund Operating Appropriations

(Excludes Local Government Shared Revenues/Reimbursements)

Fiscal Year	Total Current Operations		Education							Health & Human Services		All Other	
			Public Schools		Community Colleges		University		as a % of Total				
			Amount	Percent	Amount	Percent	Amount	Percent					
1997-98	Authorization	11,258,582,548 B	4,697,892,305	41.7%	534,873,175	4.8%	1,489,866,397	13.2%	59.7%	2,422,884,666 C	21.5%	2,113,066,005	18.8%
	Expenditure	11,108,886,722	4,693,184,126	42.2%	528,107,909	4.8%	1,475,180,196	13.3%	60.3%	2,359,194,346	21.2%	2,053,220,145	18.5%
	Reversion	149,695,826 D	4,708,179	3.1%	6,765,266	4.5%	14,686,201	9.8%	17.5%	63,690,320	42.5%	59,845,860	40.0%
	% Unexpended	1.33%	0.10%		1.26%		0.99%			2.63%		2.83%	
1998-99	Authorization	12,327,025,974	5,068,634,951	41.1%	587,542,475	4.8%	1,628,888,154	13.2%	59.1%	2,663,571,595	21.6%	2,378,388,799	19.3%
	Expenditure	12,177,442,547	5,038,223,817	41.4%	582,222,727	4.8%	1,626,641,628	13.4%	59.5%	2,598,933,047	21.3%	2,331,421,328	19.1%
	Reversion	149,583,427 E	30,411,134	20.3%	5,319,748	3.6%	2,246,526	1.5%	25.4%	64,638,548	43.2%	46,967,471	31.4%
	% Unexpended	1.21%	0.60%		0.91%		0.14%			2.43%		1.97%	
1999-00	Authorization	13,441,610,285	5,497,075,780 F	40.9%	589,634,008	4.4%	1,682,143,914	12.5%	57.8%	2,797,755,988	20.8%	2,875,000,595	21.4%
	Expenditure	13,297,649,285 G	5,450,607,364	41.0%	582,151,546	4.4%	1,679,203,122	12.6%	58.0%	2,776,740,143	20.9%	2,808,947,110	21.1%
	Reversion	143,961,000	46,468,416	32.3%	7,482,462	5.2%	2,940,792	2.0%	39.5%	21,015,845	14.6%	66,053,485	45.9%
	% Unexpended	1.07%	0.85%		1.27%		0.17%			0.75%		2.30%	
2000-01	Authorization	13,785,142,760	5,792,274,120	42.0%	644,032,372	4.7%	1,802,069,274	13.1%	59.8%	2,954,057,035	21.4%	2,592,709,959	18.8%
	Expenditure	13,220,036,214	5,671,631,385	42.9%	624,550,046	4.7%	1,767,873,649	13.4%	61.0%	2,884,925,899	21.8%	2,271,055,235	17.2%
	Reversion	565,106,546 H	120,642,735	21.3%	19,482,326	3.4%	34,195,625	6.1%	30.8%	69,131,136	12.2%	321,654,724	56.9%
	% Unexpended	4.10%	2.08%		3.03%		1.90%			2.34%		12.41%	

Notes:

A: Amounts Adjusted; see Total General Fund Authorizations as Adjusted to Determine Total Current Operations

B: Adjusted to include Year 2000 Appropriation for 1997-98 made by 1998 Session

C: Adjusted for Reorganization reflecting transfer of Health Services to Department of Health and Human Services

D: Reversions for 1997-98 of \$55,027,680 were earmarked for expenditure in Section 9 of SB 1366 (SL1998-212), reducing net reversions to \$94,668,146

E: Reversions of \$37 million were earmarked: \$30 million for Aquariums Capital and \$7 million for Warren County

F: Total includes \$240 million transfer from 11th/12th month payroll funds to Intangibles Reserve and additional \$11 million transfer to General Fund

G: Total includes \$225.7 million in "targeted reversions" transferred from state agencies to the Reserve for Hurricane Floyd Disaster Relief.

(Amounts transferred to the Floyd Reserve by: Public Schools = \$45,545,171; Community Colleges = \$5,797,721; UNC System = \$13,607,225; DHHS = \$96,758,305)

H: Reversion total higher for FY 2000-01 due to budget balancing measures directed by the Governor.

Capital Improvement Authorizations

Fiscal Year	Direct Appropriation	Repairs and Renovations	Federal Revenue Sharing	Legislative Bonds	Grand Total
1969-70	75,588,603	0	0	0	75,588,603
1971-72	64,891,192	0	0	45,996,500	110,887,692
1973-74	86,622,446	0	105,200,000	0	191,822,446
1974-75	36,165,337 A	0	57,200,000	0	93,365,337
1975-76	23,948,648	0	4,713,789	0	28,662,437
1976-77	28,969,937 B	0	16,126,358	0	45,096,295
1977-78	4,749,000	0	26,583,626	0	31,332,626
1978-79	93,778,818	0	32,230,000	0	126,008,818
1979-80	84,378,719	0	0	0	84,378,719
1980-81	104,141,290	0	0	0	104,141,290
1981-82	30,861,142	0	0	0	30,861,142
1982-83	65,772,358	0	0	0	65,772,358
1983-84	59,782,244	0	0	0	59,782,244
1984-85	212,535,238	0	0	0	212,535,238
1985-86	253,503,234	0	0	0	253,503,234
1986-87	297,667,245 C	0	0	0	297,667,245
1987-88	173,020,035 D	0	0	0	173,020,035
1988-89	258,659,030	0	0	20,498,803 E	279,157,833
1989-90	150,092,738 F	0	0	0	150,092,738
1990-91	106,400,195 G	0	0	75,000,000	181,400,195
1991-92	0	0	0	45,000,000	45,000,000
1992-93	95,205,570	0	0	0	95,205,570
1993-94	135,371,704	57,000,000	0	0	192,371,704
1994-95	189,391,450	60,000,000	0	0	249,391,450
1995-96	113,522,500	125,000,000	0	0	238,522,500
1996-97	196,786,567 H	130,000,000	0	0	326,786,567
1997-98	197,252,975 I	135,000,000	0	0	332,252,975
1998-99	222,199,500 J	145,000,000	0	0	367,199,500
1999-00	L 77,059,168	90,000,000 K	0	0	167,059,168
2000-01	N 14,974,172	60,500,000 M	0	0	75,474,172
2001-02	32,936,000	125,000,000	0	0	157,936,000

Notes:

- A Includes contingent appropriation of \$1,789,000
- B Includes appropriation adjustment of \$1,000,000
- C Includes Emergency Prison Bill enacted by 1987 Session
- D Reflects transfer of Sematech to R/R Reserve in accordance with Section 73, Chapter 1515
- E Reflects reduction of \$4,501,097 of authorization not issued at June 30, 1989
- F Reflects reduction of \$95,171,855 made by Governor due to economic downturn
- G Reflects reduction of \$100,897,000 made by Governor due to economic downturn
- H Includes \$39,519,567 earmarked from credit balance
- I Includes \$39,260,955 earmarked from credit balance and \$5m for South Mtn gameland acquisition
- J Direct appropriation of \$185,699,500, transfer of \$6,500,000 from the Reserve for Juvenile Justice, and \$30m earmarked for Aquariums from year-end reversions
- K Original authorization was \$150,000,000; \$60,000,000 was transferred to Hurricane Floyd Disaster Reserve
- L Does not reflect the transfer of \$147 million in prior year capital appropriations to the Hurricane Floyd Disaster Reserve
- M Original authorization was \$100,000,000; \$39,500,000 was used to offset revenue/budgetary shortfall
- N Does not reflect the reversion of \$21.2 million in prior year capital appropriations to offset the revenue/budgetary shortfall

General Obligation Bond Acts Since 1971
(Voted on by the Public)

Year	Authorization	Description	State Projects	Local Projects
1971	Chapter 909	Clean Water Bonds		150,000,000
1971	Chapter 953	NC Zoological Park Facilities	2,000,000	
1973	Chapter 657	Public School Facilities		300,000,000
1975	Chapter 854	UNC System	43,250,000	
1977	Chapter 677	Clean Water Bonds		230,000,000
1990	Chapter 935	Prison and Youth Services Facilities		
		Authorized for use in 1991	112,500,000	
		Authorized for use in 1993	87,500,000	
1993	Chapter 542	Education, Clean Water and Parks		
		UNC System	310,000,000	
		State Parks	35,000,000	
		Community Colleges*		250,000,000
		Clean Water		145,000,000
1996	Chapter 631	Public School Facilities		1,800,000,000
1998	SL 1998-132	Clean Water and Natural Gas		
		Clean Water	800,000,000	
		Extension of Natural Gas Service	200,000,000	
2000	SL 2000-3	Higher Education Bonds		
		UNC System	2,500,000,000	
		Community Colleges		600,000,000
Grand Total			4,090,250,000	3,475,000,000

* \$23.9 million was part of 1993 Issue but reserved to be addressed by 1994 Session.

Total North Carolina Budget for Debt Service
(Principal and Interest)

Fiscal Year	General Fund	Highway Fund	Total	Per Capita	G.F. Debt as a % of G.F. Revenue
1970-71	17,757,503	25,599,500	43,357,003	8.32	1.8%
1971-72	18,631,260	32,617,500	51,248,760	9.67	1.7%
1972-73	21,466,030	25,749,000	47,215,030	8.77	1.6%
1973-74	48,147,042	25,083,000	73,230,042	13.40	3.2%
1974-75	0	24,415,500	24,415,500	4.41	0.0%
1975-76	34,870,615	23,776,500	58,647,115	10.48	2.0%
1976-77	40,024,500	23,156,000	63,180,500	11.14	2.0%
1977-78	49,202,210	27,522,500	76,724,710	13.35	2.2%
1978-79	53,000,000	29,596,000	82,596,000	14.22	2.1%
1979-80	55,341,050	29,292,661	84,633,711	14.36	1.9%
1980-81	62,173,700	30,329,757	92,503,457	15.53	2.1%
1981-82	65,062,550	30,062,040	95,124,590	15.81	2.0%
1982-83	75,020,500	38,772,567	113,793,067	18.73	2.2%
1983-84	79,525,500	38,288,000	117,813,500	19.11	2.0%
1984-85	76,077,250	38,401,500	114,478,750	18.30	1.7%
1985-86	75,781,250	38,445,500	114,226,750	18.06	1.5%
1986-87	64,506,250	38,445,500	102,951,750	16.07	1.2%
1987-88	73,929,627	32,453,812	106,383,439	16.41	1.3%
1988-89	71,636,370	37,295,105	108,931,475	16.58	1.2%
1989-90	69,083,445	38,491,163	107,574,608	16.16	1.0%
1990-91	71,259,383	37,392,600	108,651,983	16.10	1.0%
1991-92	79,683,770	38,227,230	117,911,000	17.26	1.0%
1992-93	89,020,478	38,018,250	127,038,728	18.29	1.1%
1993-94	86,368,214	37,359,875	123,728,089	17.52	0.9%
1994-95	113,399,264	27,631,295	141,030,559	19.63	1.1%
1995-96	120,176,561	25,133,780	145,310,341	19.88	1.2%
1996-97	119,601,436	4,978,215	124,579,651	16.77	1.1%
1997-98	111,742,579	0	111,742,579	14.81	1.0%
1998-99	192,350,072	28,357,925	220,707,997	28.85	1.5%
1999-00	182,507,249	27,607,550	210,114,799	27.09	1.4%
2000-01	254,819,455	26,857,175	281,676,630	34.99	1.9%

Total North Carolina Budget for Debt Service
(Principal and Interest)

<u>Fiscal</u> <u>Year</u>	<u>General</u> <u>Fund</u>	<u>Highway</u> <u>Fund</u>	<u>Total</u>	<u>Per</u> <u>Capita</u>	<u>G.F. Debt</u> <u>as a % of</u> <u>G.F. Revenue</u>
------------------------------	-------------------------------	-------------------------------	--------------	-----------------------------	---

Projected as of January 2002

2001-02	301,428,690	26,106,800	327,535,490	39.85	2.0%
2002-03	357,366,860	25,356,425	382,723,285	45.80	2.3%

North Carolina Bond Indebtedness
(Includes General Obligation Bonds Only)

Fiscal Year	General Fund	Highway Fund	Total	Per Capita	G.F Debt as a % of G.F. Revenue	As a % of Personal Income
1970-71	174,780,000	240,000,000	414,780,000	79.58	18.1%	2.4%
1971-72	208,360,000	217,000,000	425,360,000	80.30	19.0%	2.2%
1972-73	194,995,000	199,000,000	393,995,000	73.17	14.8%	1.8%
1973-74	215,370,000	181,000,000	396,370,000	72.54	14.5%	1.6%
1974-75	305,870,000	163,000,000	468,870,000	84.66	19.2%	1.8%
1975-76	418,900,000	145,000,000	563,900,000	100.73	24.5%	1.9%
1976-77	530,600,000	127,000,000	657,600,000	115.90	26.3%	2.0%
1977-78	507,200,000	164,000,000	671,200,000	116.82	23.1%	1.8%
1978-79	533,300,000	201,000,000	734,300,000	126.43	21.4%	1.8%
1979-80	574,750,000	179,000,000	753,750,000	127.86	20.2%	1.6%
1980-81	544,200,000	219,000,000	763,200,000	128.15	18.0%	1.5%
1981-82	582,700,000	323,000,000	905,700,000	150.48	18.0%	1.6%
1982-83	630,900,000	306,500,000	937,400,000	154.25	18.5%	1.6%
1983-84	589,200,000	290,000,000	879,200,000	142.62	14.9%	1.3%
1984-85	548,500,000	272,500,000	821,000,000	131.26	12.1%	1.1%
1985-86	508,000,000	254,000,000	762,000,000	120.51	10.3%	0.9%
1986-87	525,500,000	250,000,000	775,500,000	121.06	9.7%	0.9%
1987-88	481,410,000	226,750,000	708,160,000	109.23	8.3%	0.7%
1988-89	457,698,902	202,730,000	660,428,902	100.54	7.4%	0.6%
1989-90	412,038,903	175,965,000	588,003,903	88.33	5.9%	0.5%
1990-91	441,378,903	148,635,000	590,013,903	87.44	6.1%	0.5%
1991-92	548,678,902	118,695,000	667,373,902	97.69	7.0%	0.5%
1992-93	493,678,902	87,055,000	580,733,902	83.59	6.0%	0.4%
1993-94	936,191,005	55,285,000	991,476,005	140.42	10.3%	0.7%
1994-95	990,245,681	29,445,000	1,019,690,681	141.91	9.9%	0.7%
1995-96	940,252,373	4,895,000	945,147,373	129.34	9.4%	0.6%
1996-97	1,508,215,259	0	1,508,215,259	203.03	13.8%	0.9%
1997-98	1,867,480,343	250,000,000	2,117,480,343	280.62	15.9%	1.1%
1998-99	2,212,108,040	233,325,000	2,445,433,040	319.64	17.4%	1.2%
1999-00	2,286,848,925	216,650,000	2,503,498,925	322.76	17.4%	1.2%
2000-01	2,832,409,153	199,975,000	3,032,384,153	376.73	21.3%	1.4%

North Carolina Bond Indebtedness
(Includes General Obligation Bonds Only)

Fiscal Year	General Fund	Highway Fund	Total	Per Capita	G.F Debt as a % of G.F. Revenue	As a % of Personal Income
<u>Projected as of January 2002</u>						
2001-02	3,274,944,986	183,300,000	3,458,244,986	420.74	22.3%	1.5%
2002-03	3,937,497,828	166,625,000	4,104,122,828	491.09	25.5%	1.7%

**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
1998-99	75.33	4.64
1999-00	80.69	4.00
2000-01	86.45	4.33
2001-02	89.73	4.32

^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%
1998-99	1% COLA + 2% career growth + 1% one-time bonus	4% - 9%
1999-00	1% COLA + 2% career growth + \$125 Compensation Bonus	4%-11%
2000-01	2.2% COLA + 2% career growth + \$500 Compensation Bonus	2.5%-13.8%
2001-02	\$625	1.0% to 6.92% (2.86% average)

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>
--

YEAR	AVERAGE SALARY ^{1,2}
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
1998-99	30,332
1999-00	31,385
2000-01	32,803

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.**

