

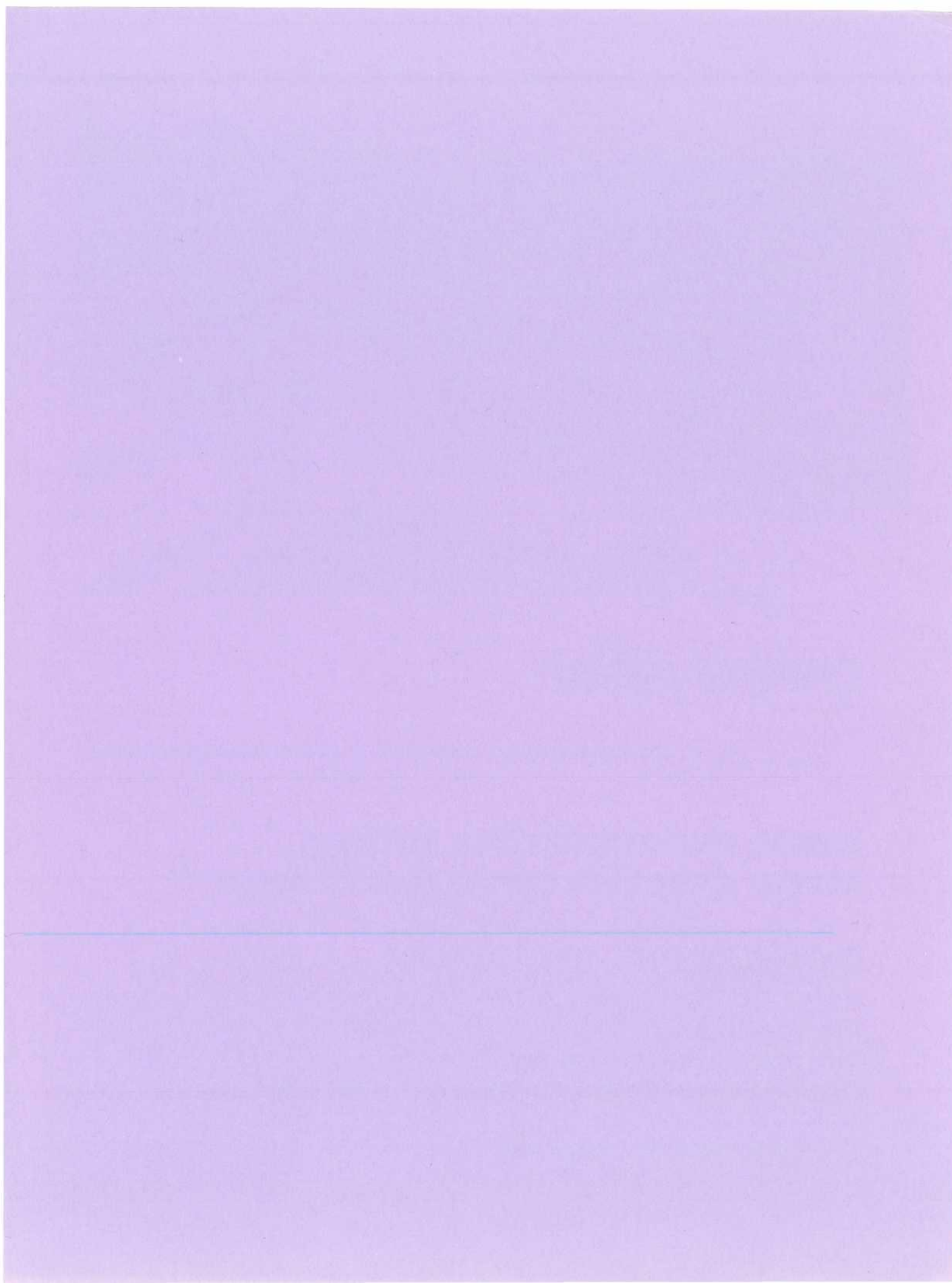
OVERVIEW:

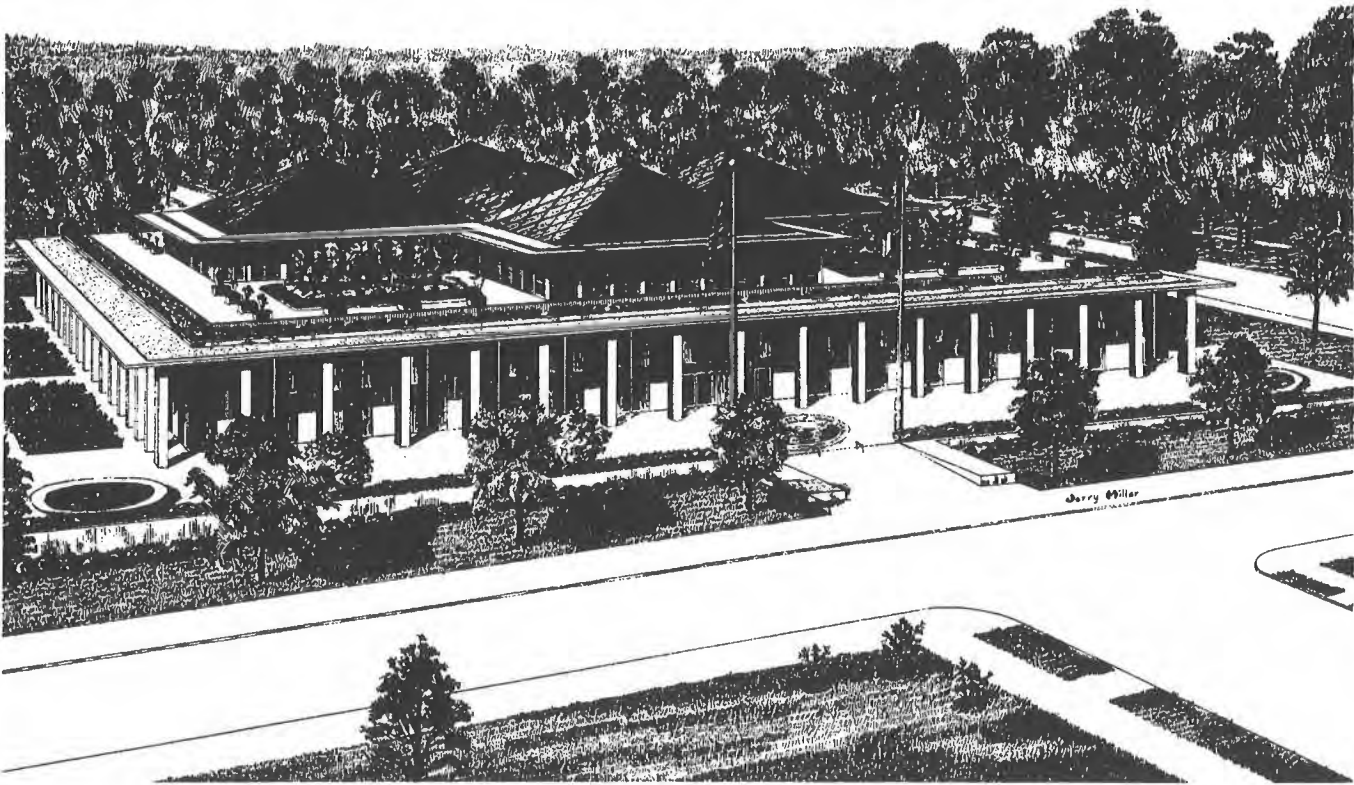
FISCAL AND BUDGETARY ACTIONS NORTH CAROLINA GENERAL ASSEMBLY

2003 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

2003 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
Office of Information Technology Services

Justice and Public Safety

Correction
Crime Control & Public Safety
Judicial
Justice

Analysts

Mona Moon - Senate
Jennifer Hoffmann - Senate
Lynn Muchmore - House
Karen Hammonds-Blanks -
House

Sam Byrd
Stanley Moore
Mark Trogon

Michele Nelson
Marilyn Chism
Kathie Austin

Jim Mills
Denise Thomas
Doug Holbrook
Chloe Gossage

Departments/Coverage

Analysts

Health and Human Services

Department of Health and Human Services

Carol Shaw
Lisa Hollowell
Susan Morgan
Jim Klingler

Natural and Economic Resources

Department of Environment,
and Natural Resources
Department of Agriculture
Department of Commerce
Department of Labor

Kelly Huffstetler
Jennifer Haygood
Stephanie Schmitt

Transportation

Evan Rodewald
Bob Weiss

Education

Department of Public Instruction

UNC-Board of Governors
Community Colleges
Higher Ed Bond Oversight

Jim Newlin
Adam Levinson
Charlotte Todd
Kristine Leggett

Economy and Taxation

Revenue Estimates
Finance Committees
Revenue Laws Study Committee
Economic Issues
State Bond Proposals
Fiscal Trends Commission

David Crotts
Richard Bostic
Linda Millsaps
Martha Walston

Support Staff

Word Processing
Graphics, Databases,
Spreadsheet Preparation

Agnes Perry
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
Budgeted Position Summary	B-9
ECONOMY AND REVENUES	
Economic Outlook and General Fund Revenues	C-1
Economic Indicators	C-8
Growth Rates for Major Revenue Sources	C-9
General Fund Revenue Forecast	C-11
Highway Fund Revenue	C-13
Highway Trust Fund Revenue	C-14
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 2003-2005 Biennium, 2003 Session	E-1
EDUCATION	
Public Education	F-1
University of North Carolina System	F-13
Community Colleges	F-18
HEALTH & HUMAN SERVICES	G-1
NATURAL AND ECONOMIC RESOURCES	
Agriculture and Consumer Services	H-1
Commerce	H-8
Commerce – State Aid	H-13
Environment and Natural Resources	H-15
Environment and Natural Resources – Clean Water Management Trust Fund	H-25
Labor	H-27
N.C. Biotechnology Center	H-30
Rural Economic Development Center	H-32
JUSTICE AND PUBLIC SAFETY	
Correction	I-1
Crime Control and Public Safety	I-8
Judicial	I-11
Judicial – Indigent Defense	I-15
Justice	I-17
Juvenile Justice and Delinquency Prevention	I-21

GENERAL GOVERNMENT

Administration.....	J-1
Auditor	J-5
Cultural Resources.....	J-8
Cultural Resources – Roanoke Island Commission.....	J-17
General Assembly	J-19
Governor	J-21
Housing Finance Agency.....	J-24
Information Technology.....	J-26
Insurance.....	J-30
Insurance – Volunteer Safety Workers' Compensation Fund	J-33
Lieutenant Governor.....	J-35
Office of Administrative Hearings.....	J-37
Revenue	J-39
Rules Review Commission	J-49
Secretary of State.....	J-51
State Board of Elections.....	J-54
State Budget and Management.....	J-57
State Budget and Management – Special Appropriations.....	J-59
State Controller	J-61
Treasurer	J-63
Treasurer – Retirement for Fire and Rescue Squad Workers	J-66

TRANSPORTATION

Transportation – General Fund	K-1
Transportation – Highway Fund	K-2

RESERVES, DEBT SERVICE AND ADJUSTMENTS/GENERAL PROVISIONS L-1

CAPITAL..... M-1

SALARIES AND BENEFITS

Salary Changes for Employees Supported by the State	N-1
Retirement and Pension Changes for State and Local Personnel	N-6
Benefit Changes for State and Local Personnel	N-10
State Employee Health Benefit Changes	N-11

REVENUE/FEE BILLS

Bills Affecting General Fund Revenue	O-1
Bills Affecting Highway Fund Revenue.....	O-21
Bills Affecting Special Revenue Funds.....	O-25
Bills Affecting All Local Governments	O-29

APPENDIX

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

APPENDIX (CONTINUED)

Authorized and Actual Revenue Collections by Fiscal Year (\$ in Thousands)	P-7
North Carolina General Fund Operating Appropriations	P-8
Capital Improvement Authorizations	P-12
General Obligation Bond Acts Since 1971	P-13
North Carolina Annual Debt Service	P-14
North Carolina Bond Indebtedness	P-16
Across-The-Board Salary Cost for Each 1% Increase (Millions).....	P-18
Legislative Increases	P-19
Average Salary of Employees Subject to the Personnel Act.....	P-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 by the General Assembly for the second year of the biennium (applies to the Overview of budgetary actions taken in the short session).

Sections F through K – 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 and other related legislation governing state agencies.

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

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

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

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

Section P – **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.

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

GLOSSARY (Continued)

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
General Fund Availability**

	FY 2003-2004	FY 2004-2005
Unappropriated Balance Remaining from FY 2002-03	103,885	163,383,597
Beginning Credit Balance	409,159,298	0
Credit to Savings Reserve Account	(150,000,000)	0
Credit to Repairs & Renovations Reserve Account	(15,000,000)	0
Beginning Unreserved Credit Balance	244,159,298	0
Revenues Based on Existing Tax Structure	13,028,600,000	13,766,160,000
Non-tax Revenues		
Investment Income	113,900,000	119,690,000
Judicial Fees	137,520,000	144,430,000
Disproportionate Share	100,000,000	100,000,000
Insurance	51,900,000	53,900,000
Other Non-Tax Revenues	116,050,000	120,100,000
Highway Trust Fund/Use Tax Reimbursement Transfer	252,422,125	242,586,830
Highway Fund Transfer	16,379,000	16,166,400
Subtotal Non-tax Revenues	788,171,125	796,873,230
Total General Fund Availability	14,061,034,308	14,726,416,827
Adjustments to Availability: 2003 Session		
Maintain Sales Tax Rate at 4.5%	341,750,000	388,200,000
Maintain Top Income Tax Bracket at 8.25%	37,500,000	92,700,000
Conform to Federal Definition of Child for State Child Tax Credit	16,800,000	17,000,000
Equalize Insurance Tax Rate on Article 65 Corporations	18,600,000	13,900,000
Conform to Streamline Sales Tax Provision (Soft Drinks, Prepared Food & Modified Software)	44,050,000	47,600,000
Tax Soft Drinks in Vending Machines at 50% of General Rate	(4,050,000)	(8,600,000)
Restore Use Tax Line on Individual Returns	3,100,000	3,100,000
Revenue: Project Tax Collect	50,000,000	50,000,000
Revenue: Project Compliance	40,204,537	76,116,865
Divert MSA Settlement Proceeds from Tobacco Trust Fund	40,000,000	40,000,000
Divert MSA Settlement Proceeds from Health & Wellness Trust Fund	25,000,000	25,000,000
Divert Additional Proceeds from MSA	1,800,000	0
Discontinue Tobacco Discounts	1,741,667	1,900,000
Discontinue Alcohol Discounts	3,666,667	4,000,000
Fee Increases	5,710,281	5,778,569
Attorney General Settlement Funds	10,000,000	0
Transfer Special Funds	20,000,000	20,000,000
Divert Proceeds from 911 Fund	33,000,000	25,000,000
Sale of Surplus Real Property	10,000,000	30,000,000
Federal Relief Package (Grants to States)	136,859,298	0
Hurricane Floyd Disaster Relief Funds	108,796,845	0
Adjust Transfer from Insurance Regulatory Fund	2,942,777	(207,827)
Tax Reductions for Federal Conformity	(70,000,000)	0
Subtotal Adjustments to Availability: 2003 Session	877,472,072	831,487,607
Revised General Fund Availability	14,938,506,380	15,557,904,434
Less: Total General Fund Appropriations	(14,775,122,783)	(15,505,328,288)
Unappropriated Balance Remaining	163,383,597	52,576,146

Summary of Total State Budget
by Source of Funds
2003-2005 Biennium

	FY 2003-04		FY 2004-05	
	(\$ millions)	percentage	(\$ millions)	percentage
General Fund				
Current Operations	\$14,747.5	52.87%	\$15,505.3	52.63%
Capital Improvements/Repairs & Renovations	27.6	0.10%	0.0	0.00%
Subtotal General Fund Budget	14,775.1	52.97%	15,505.3	52.63%
Highway Fund/Highway Trust Fund	2,127.7	7.63%	2,451.7	8.32%
Federal Funds	8,465.8	30.35%	8,903.3	30.22%
Departmental Receipts	2,522.7	9.04%	2,599.7	8.82%
Total State Budget -- All Sources	\$27,891.3	100.00%	\$29,460.0	100.00%

Summary of Total State Budget by Agency and Appropriations Subcommittee
(includes all funding sources)
2003-04 Fiscal Year

Subcommittee/Agency	General Fund	Highway Trust/ Highway Fund *	Other	Federal	Total
<u>Education:</u>					
Community Colleges	660,927,719	0	154,573,797	17,391,969	832,893,485
Public Instruction	6,035,050,302	31,623,338	14,702,397	913,941,236	6,995,317,273
UNC System	1,792,141,661	0	1,199,398,544	25,296,658	3,016,836,863
Subtotal Education	8,488,119,682	31,623,338	1,368,674,738	956,629,863	10,845,047,621
<u>Health and Human Services:</u>					
DHHS - Office of the Secretary	82,168,433	0	1,150,780	45,215,100	128,534,313
DHHS - Aging	27,685,838	0	8,444,600	32,542,154	68,672,592
DHHS - Blind & Deaf/Hard of Hearing	9,302,670	0	1,373,965	13,511,085	24,187,720
DHHS - Child Development	259,017,167	0	806,000	274,210,325	534,033,492
DHHS - Education Services	31,806,862	0	230,913	127,364	32,165,139
DHHS - Facility Services	12,256,792	0	2,413,569	12,020,302	26,690,663
DHHS - Medical Assistance	1,987,409,086	0	351,657,263	4,691,657,615	7,030,723,964
DHHS - MH/DD/SAS	577,290,247	0	36,820,030	82,204,786	696,315,063
DHHS - NC Health Choice	49,484,279	0	0	138,146,403	187,630,682
DHHS - Public Health	124,177,475	529,303	60,891,171	311,224,821	496,822,770
DHHS - Social Services	179,178,674	0	453,708,557	615,176,087	1,248,063,318
DHHS - Vocational Rehabilitation	40,042,124	0	2,066,055	65,281,063	107,389,242
Subtotal Health & Human Services	3,379,819,647	529,303	919,562,903	6,281,317,105	10,581,228,958
<u>Natural and Economic Resources:</u>					
Agriculture & Consumer Services	48,495,356	3,748,138	21,442,034	6,004,071	79,689,599
Commerce	33,396,542	0	33,027,440	242,627,428	309,051,410
Commerce-State Aid	21,814,087	0	0	0	21,814,087
Environment and Natural Resources	147,176,308	0	70,088,883	42,179,827	259,445,018
Environment and Natural Resources - Clean Water Management Trust Fund	62,000,000	0	0	0	62,000,000
Labor	13,265,454	0	4,176,819	6,097,436	23,539,709
Subtotal - NER	326,147,747	3,748,138	128,735,176	296,908,762	755,539,823
<u>Justice and Public Safety:</u>					
Correction	940,246,590	0	10,429,555	0	950,676,145
Crime Control & Public Safety	28,744,326	137,378,475	6,360,826	13,755,803	186,239,430
Judicial	304,340,731	0	611,613	0	304,952,344
Judicial - Indigent Defense	73,264,829	0	8,159,340	0	81,424,169
Justice	71,041,310	0	5,695,637	1,217,234	77,954,181
Juvenile Justice & Delinquency Prevention	130,313,473	0	8,250,803	0	138,564,276
Subtotal - JPS	1,547,951,259	137,378,475	39,507,774	14,973,037	1,739,810,545

Summary of Total State Budget by Agency and Appropriations Subcommittee (includes all funding sources) 2003-04 Fiscal Year					
Subcommittee/Agency	General Fund	Highway Trust/ Highway Fund *	Other	Federal	Total
General Government:					
Administration	52,055,520	0	6,528,980	6,884,154	65,468,654
Auditor	10,293,801	0	50	0	10,293,851
Controller	9,694,464	0	34,445	0	9,728,909
Cultural Resources	55,227,767	0	1,892,826	4,917,627	62,038,220
Cultural Resources-Roanoke Island Commission	1,634,905	0	0	0	1,634,905
General Assembly	41,561,463	0	928,000	0	42,489,463
Governor	4,976,503	0	175,065	0	5,151,568
NC Housing Finance Agency	4,750,945	0	100,000	37,242,359	42,093,304
Insurance	26,307,054	0	29,451,813	343,608	56,102,475
Insurance - Volunteer Safety Workers' Comp	4,500,000	0	846,401	448,713	5,795,114
Lieutenant Governor	601,722	0	0	0	601,722
Office of Administrative Hearings	2,409,683	0	120,014	0	2,529,697
Revenue	74,930,766	4,222,813	1,000	0	79,154,579
Rules Review Commission	310,454	0	0	0	310,454
Secretary of State	8,057,198	0	387,162	0	8,444,360
State Board of Elections	6,837,797	0	39,500	0	6,877,297
Special Boards & Commissions	0	0	2,903,050	0	2,903,050
State Budget and Management (OSBM)	4,211,805	0	500	0	4,212,305
OSBM Special Appropriations	3,380,000	0	0	0	3,380,000
Treasurer	7,575,029	0	644,958	0	8,219,987
Treasurer-Retirement for Fire & Rescue Squad Workers	7,481,179	0	0	0	7,481,179
Subtotal General Government	326,798,055	4,222,813	44,053,764	49,836,461	424,911,093
Transportation:	11,429,525	1,916,520,482	6,703,890	866,112,666	2,800,766,563
Debt Service:					
General Debt Service	387,785,920	33,706,050	15,500,000	0	436,991,970
Federal Reimbursement	1,155,948	0	0	0	1,155,948
Subtotal Debt Service	388,941,868	33,706,050	15,500,000	0	438,147,918

Summary of Total State Budget by Agency and Appropriations Subcommittee
(includes all funding sources)
2003-04 Fiscal Year

Subcommittee/Agency	General Fund	Highway Trust/ Highway Fund *	Other	Federal	Total
Reserves and Adjustments:					
State Health Plan Reserve	113,418,000	0	0	0	113,418,000
Retiree Health Benefits Reserve	36,800,000	0			36,800,000
Retirement System Contribution Reserve	16,546,000	0			16,546,000
Retirement Payback Reserve	10,000,000	0	0	0	10,000,000
Compensation Increases -- Includes Teachers/Principals and Assistant/Deputy Clerks/Magistrates 2003-04 Step Increases	132,050,000	0	0	0	132,050,000
Death Benefit/Disability Transfer Reserve	(55,000,000)	0			(55,000,000)
Contingency & Emergency Fund	5,000,000	0	0	0	5,000,000
Salary Adjustment Fund	4,500,000	0	0	0	4,500,000
Mental Health/DD/SAS Trust Fund	12,500,000				12,500,000
HIPPA Implementation Reserve	2,000,000				2,000,000
Surplus Real Property System Reserve	250,000				250,000
Blue Ribbon Commission on Medicaid Reform	250,000				250,000
Subtotal Reserves	278,314,000	0	0	0	278,314,000
Capital Improvements:					
Water Resources Development Projects	27,601,000	0	0	0	27,601,000
Total State Budget (all sources)	14,775,122,783	2,127,728,599	2,522,738,245	8,465,777,894	27,891,367,521
<p>* Note: The Highway Trust/Highway Fund column does not reflect transfers to the General Fund in the amount of \$268.8 million for the 2003-04 fiscal year. See G.S. 105-187.9 and Section 2.2(j) of HB 397, SL 2003-284 (Appropriations Act) for information relative to this transfer.</p>					
Source: Office of State Budget and Management					

Summary of Total State Budget by Agency and Appropriations Subcommittee (includes all funding sources) 2004-05 Fiscal Year					
Subcommittee/Agency	General Fund	Highway Trust/ Highway Fund *	Other	Federal	Total
Education:					
Community Colleges	660,199,222	0	151,573,797	17,391,969	829,164,988
Public Instruction	6,034,995,183	32,336,509	14,702,397	913,941,236	6,995,975,325
UNC System	1,822,426,657	0	1,199,420,585	25,300,993	3,047,148,235
Subtotal Education	8,517,621,062	32,336,509	1,365,696,779	956,634,198	10,872,288,548
Health and Human Services:					
DHHS - Office of the Secretary	80,968,433	0	1,150,780	45,215,100	127,334,313
DHHS - Aging	27,685,838	0	8,444,600	32,542,154	68,672,592
DHHS - Blind & Deaf/Hard of Hearing	9,387,008	0	1,373,965	13,597,900	24,358,873
DHHS - Child Development	259,210,693	0	806,000	274,210,325	534,227,018
DHHS - Education Services	31,670,076	0	233,213	127,364	32,030,653
DHHS - Facility Services	12,256,792	0	2,413,569	12,020,302	26,690,663
DHHS - Medical Assistance	2,449,169,963	0	437,871,412	5,089,198,648	7,976,240,023
DHHS - MH/DD/SAS	580,423,098	0	36,810,030	82,204,786	699,437,914
DHHS - NC Health Choice	55,432,822	0	0	155,163,597	210,596,419
DHHS - Public Health	123,448,895	529,303	60,891,171	311,226,562	496,095,931
DHHS - Social Services	189,029,268		457,512,033	613,397,593	1,259,938,894
DHHS - Vocational Rehabilitation	40,834,858	0	2,066,055	65,946,979	108,847,892
Subtotal Health & Human Services	3,859,517,744	529,303	1,009,572,828	6,694,851,310	11,564,471,185
Natural and Economic Resources:					
Agriculture & Consumer Services	48,616,369	3,824,260	21,454,034	5,999,471	79,894,134
Commerce	34,336,301	0	33,032,879	242,630,626	309,999,806
Commerce-State Aid	21,764,087	0	0	0	21,764,087
Environment and Natural Resources	152,798,010	0	70,193,814	42,179,827	265,171,651
Environment and Natural Resources - Clean Water Management Trust Fund	62,000,000	0	0	0	62,000,000
Labor	13,274,104	0	4,181,449	6,102,859	23,558,412
Subtotal - NER	332,788,871	3,824,260	128,862,176	296,912,783	762,388,090
Justice and Public Safety:					
Correction	959,947,282	0	10,415,355	0	970,362,637
Crime Control & Public Safety	28,139,010	136,526,134	4,878,326	13,755,803	183,299,273
Judicial	311,499,694	0	611,848	0	312,111,542
Judicial - Indigent Defense	71,019,451	0	8,159,340	0	79,178,791
Justice	71,459,312	0	5,695,637	1,217,234	78,372,183
Juvenile Justice & Delinquency Prevention	130,585,498	0	8,443,903	0	139,029,401
Subtotal - JPS	1,572,650,247	136,526,134	38,204,409	14,973,037	1,762,353,827

Summary of Total State Budget by Agency and Appropriations Subcommittee					
(includes all funding sources)					
2004-05 Fiscal Year					
Subcommittee/Agency	General Fund	Highway Trust/ Highway Fund *	Other	Federal	Total
General Government:					
Administration	52,583,907	0	6,532,180	6,884,154	66,000,241
Auditor	10,293,801	0	50	0	10,293,851
Controller	9,719,451	0	34,445	0	9,753,896
Cultural Resources	54,088,598	0	1,937,826	4,917,627	60,944,051
Cultural Resources-Roanoke Island Commission	1,636,559	0	0	0	1,636,559
General Assembly	44,971,305	0	978,000	0	45,949,305
Governor	4,826,503	0	175,065	0	5,001,568
NC Housing Finance Agency	4,750,945	0	100,000	37,242,359	42,093,304
Insurance	23,187,587	0	26,301,209	343,608	49,832,404
Insurance - Volunteer Safety Workers' Comp	2,600,000	0	2,307,449	449,339	5,356,788
Lieutenant Governor	601,722	0	0	0	601,722
Office of Administrative Hearings	2,411,797	0	120,014	0	2,531,811
Revenue	75,174,094	4,226,491	1,000	0	79,401,585
Rules Review Commission	310,454	0	0	0	310,454
Secretary of State	7,756,198	0	387,162	0	8,143,360
State Board of Elections	4,915,939	0	39,500	0	4,955,439
Special Boards & Commissions	0	0	3,592,250	0	3,592,250
State Budget and Management (OSBM)	4,216,110	0	500	0	4,216,610
OSBM Special Appropriations	3,130,000	0	0	0	3,130,000
Treasurer	7,577,784	0	644,958	0	8,222,742
Treasurer-Retirement for Fire & Rescue Squad Workers	7,481,179	0	0	0	7,481,179
Subtotal General Government	322,233,933	4,226,491	43,151,608	49,837,087	419,449,119
Transportation:					
	11,402,800	2,217,451,756	6,708,387	890,114,395	3,125,677,338
Debt Service:					
General Debt Service	503,682,683	56,805,675	7,500,000	0	567,988,358
Federal Reimbursement	1,155,948	0	0	0	1,155,948
Subtotal Debt Service	504,838,631	56,805,675	7,500,000	0	569,144,306

Summary of Total State Budget by Agency and Appropriations Subcommittee (includes all funding sources) 2004-05 Fiscal Year					
Subcommittee/Agency	General Fund	Highway Trust/ Highway Fund *	Other	Federal	Total
Reserves and Adjustments:					
State Health Plan Reserve	151,225,000	0	0	0	151,225,000
Retiree Health Benefits Reserve	36,800,000	0			36,800,000
Retirement System Contribution Reserve	154,200,000	0			154,200,000
Retirement Payback Reserve	0	0	0	0	0
Compensation Increases -- Includes Teachers/Principals and Assistant/Deputy Clerks/Magistrates 2003-04 Step Increases	45,550,000	0	0	0	45,550,000
Death Benefit/Disability Transfer Reserve	(13,000,000)	0			(13,000,000)
Contingency & Emergency Fund	5,000,000	0	0	0	5,000,000
Salary Adjustment Fund	4,500,000	0	0	0	4,500,000
Mental Health/DD/SAS Trust Fund	0				0
HIPPA Implementation Reserve	0				0
Surplus Real Property System Reserve	0				0
Blue Ribbon Commission on Medicaid Reform	0				0
Subtotal Reserves	384,275,000	0	0	0	384,275,000
Capital Improvements:					
Water Resources Development Projects	0	0	0	0	0
Total State Budget <i>(all sources)</i>	<i>(all</i> 15,505,328,288	2,451,700,128	2,599,696,187	8,903,322,810	29,460,047,413
<p>* Note: The Highway Trust/Highway Fund column does not reflect transfers to the General Fund in the amount of \$258.8 million for the 2004-05 fiscal year. See G.S. 105-187.9 and Section 2.2(j) of HB 397, SL 2003-284 (Appropriations Act) for information</p>					
Source: Office of State Budget and Management					

BUDGETED POSITION SUMMARY

State of North Carolina
Full-time Equivalent Position Counts by GAAP Fund Type
(December 2002)

	General Fund ⁽¹⁾		Highway Fund		Enterprise	Institutional	Internal	Special	Trust	Total by
	Appropriated	Receipt	Appropriated	Receipt ⁽²⁾	Fund	Fund	Service	Fund	Fund	Sector
Government Sector										
State Government										
UNC System ⁽³⁾	29,559	1,410	-	-	5,184	14,635	-	-	-	50,788
Justice and Public Safety	27,580	297	1,858	-	-	-	433	213	-	30,382
Health & Human Services	8,904	8,928	-	-	34	-	12	663	4	18,545
Transportation	-	-	8,210	6,229	-	-	-	-	-	14,438
Natural & Economic Resources	3,876	1,265	86	-	73	-	-	3,076	144	8,520
General Government	4,031	400	68	-	1	-	610	332	-	5,443
Education (State Administration)	449	170	-	-	-	-	-	-	10	628
Sub-total	74,398	12,470	10,222	6,229	5,292	14,635	1,055	4,285	158	128,743
Local Education										
Public Schools ⁽³⁾⁽⁴⁾	142,876	-	100	-	-	-	-	-	-	142,976
Community Colleges ⁽³⁾	14,406	-	-	-	-	-	-	-	-	14,406
Sub-total	157,282	-	100	-	-	-	-	-	-	157,382
Total by GAAP Fund Type	231,680	12,470	10,322	6,229	5,292	14,635	1,055	4,285	158	286,125

Notes:

1) Salary Base includes 1,683 positions in Reserve budget codes.

2) Includes 5,652 work order positions funded out of construction and maintenance line-items in the Highway Fund Budget.

3) Includes FTE growth due to projected enrollment growth for the 2003-2004 fiscal year.

4) The total number contains some non-FTE counts that may slightly overstate the overall total position count.

Source: Survey of State Agencies and Other State-funded Institutions, Fiscal Research Division, NC General Assembly, Office of State Budget and Management, December 2002.

ECONOMY AND REVENUES

FROM THE
DIA
PUBLISHED

ECONOMIC OUTLOOK AND GENERAL FUND REVENUES

2002-03 Experience

During the last fiscal year North Carolina experienced a modest revenue shortfall, relative to the last two fiscal years and the massive shortfalls reported in other states. The primary reason was that the baseline revenue growth target of 1.9% used in adopting the 2002-03 budget was among the lowest in the U.S. For example, for Triple A bond-rated states, the assumed revenue growth ranged from 2.1% to 6.0%. In addition, the forecast was the most cautious in North Carolina since the practice of annual budget sessions began in 1973.

The amount of the shortfall, expressed in dollar terms and as a percentage of the forecast, is summarized below. The numbers are shown on both an "actual" basis (including tax increases) and an "economic" perspective.

<u>Actual Basis</u>	(\$Mil.)
Actual Revenue	14,109.2
Less: Budgeted Revenue	<u>-14,330.2</u>
Revenue Difference	- 221.0
 Actual Growth Rate*	 +7.4%
Budgeted Growth Rate*	<u>+9.0%</u>
Difference	-1.6%
 <u>"Economic" Basis**</u>	
Actual Growth Rate	+ .3%
Budgeted Growth Rate	<u>+1.9%</u>
Difference	-1.6%

* Includes impact of 2001 and 2002 session tax changes

**Adjusted for impact of tax law changes. The revenue forecast used in the budget process begins with this calculation and then adds or deducts the impact of tax changes to get an actual estimate.

There are a number of factors that affected the performance of the forecast. The first was the 2003 military action in Iraq. Just like the 1991 Gulf War experience, much of the impact on job growth and retail sales was related to psychological factors and took place during the build-up to the hostilities.

One example is the measure of consumer confidence published by the Conference Board, based on a survey of households. This indicator dropped from an index value (1985=100) of 108.4 for the second quarter of 2002 to 68.3 for the first quarter of 2003, a fall of 37%. This is close to the 44% decline that occurred during the heated rhetoric and

troop displacements leading up to the Gulf War. In both cases, the confidence level prior to the decline reflected an already-weak economy.

A second factor is the prolonged impact of the economic downturn on manufacturing in the U.S. This impact has been especially severe on states in the Upper Midwest and the Southeast, including North Carolina. Some of the problems in goods production have to do with continued overcapacity in the telecommunications and computer hardware sectors. This issue has had a major impact in during the last couple of years on the Research Triangle and Catawba Valley areas of the State. This experience is in stark contrast to the late-1990s when employers were importing workers to fill production lines. In the Hickory area for example, the unemployment rate for June of the last four years has been as follows:

2000	2.1%
2001	7.0%
2002	10.0%
2003	9.3%

Even the "improvement" between June 2002 and today is due to the fact that the decline in the number of people looking for work is greater than the drop in employment.

Another issue is the continued flight of manufacturing jobs to Mexico and overseas locations. North Carolina is on the front line of this shift, due in part to NAFTA. This impact had begun well before the 2001 recession, as shown by the job growth data shown below:

**N.C. Employment Growth
In Selected Major Sectors**

Year	Manufacturing	Finance	Services
1994	0.5%	1.2%	7.6%
1995	0.5%	1.9%	4.5%
1996	-1.7%	8.2%	4.5%
1997	-1.0%	7.4%	5.7%
1998	-0.5%	5.3%	6.0%
1999	-2.5%	-0.4%	6.0%
2000	-2.4%	0.7%	3.3%
2001	-7.1%	4.6%	1.4%
2002	-8.8%	1.1%	1.1%

This data shows that job growth in the finance and services areas had begun slowing prior to the heart of the recession. This is important because strong growth in these sectors, combined with the positive experience in telecommunications and other non-traditional

North Carolina industries, more than offset NAFTA-related job losses in textiles and apparel. The weakness in finance and services was due primarily to the downsizing that took place in banking and health care in the wake of merger/consolidation activity.

The final matter adversely affecting General Fund revenue during 2002-03 was the bear market in stocks that began in March 2000. Interestingly, this shift did not have an immediate impact on state revenues as capital gains reported on federal tax returns of North Carolinians rose by 9.2% for the 2000 tax year. Part of the reason was the 41.4% increase in taxable mutual fund distributions. This distribution reflected the gains from the boom in equity prices prior to 2000.

For 2001, total capital gains in North Carolina fell by 48.2%, versus a 16.4% decline in stock prices as measured by the S & P 500. A contributing factor was the 84% plunge in mutual fund distributions. In total, the amount of capital gains taxes paid on N.C. tax returns dropped from \$744.5 million for the 2000 tax year to \$393.0 million in 2001 (-47.3%). This means that the 2001 level was essentially the same as in 1996. In short, the sharp run-up in capital gains during the market bubble has completely evaporated.

Based on the 2001 experience, the 2002-03 budgeted revenue estimates took the cautious position: even with prospects for an economic recovery and improving stock prices, April 15 tax payments were expected to be flat compared to April 2002. In fact, these receipts dropped another 9.2% on top of the 25.6% decline in April 2002. Though the 2002 tax return data is not available yet from the IRS, it is likely that reported capital gains are continuing to be affected by losses used to offset gains. In addition, up to \$3,000 of losses can be used or subtracted from "ordinary income" (wages for example) for tax purposes and unused losses can be carried over to future years. A concern of forecasters is that there may still be a backlog of losses to be used in future years.

The breakdown of the shortfall by tax schedule is shown on Page C-7.

National Economic Outlook for 2003-04

The major threats to the economic recovery at the beginning of the budget discussions included the military conflict in Iraq, terrorist threats, and high energy prices. Many economists, including Chairman Greenspan of the Federal Reserve, felt that the elimination or reduction of these pressures would lead to a solid recovery. Part of their reasoning was that the existence of the lowest interest rates in four decades, combined with the three major federal tax cut packages and aggressive federal spending levels, should provide a fifty boost to consumer spending and business investment.

The most important tax stimulus may have occurred this past May when the Congress raised the level of capital purchases that could be written off in the year of acquisition (in lieu of depreciating over many years) from \$25,000 to \$100,000 and increased the first-year bonus depreciation amount adopted in 2002 from 30% to 50%. It is hard to overstate the importance of these new capital expensing rules. These measures, coupled

with the 4% prime lending rate, has lowered the cost of capital acquisitions to a level not seen in modern times and may be a major reason why the Fed no longer feels the need to cut short-term interest rates

The cost of capital argument is important because the 2001 recession was noted for the steep decline in capital investment. The tech stock crash led to a sharp drop in consumer wealth levels, leading to a cutback in spending, especially for major household goods. Suddenly businesses discovered that they were saddled with excess capacity. This was especially true in the telecommunications and computer equipment sectors.

In recent months there has been an improvement in the outlook of consumers and businesses as measured by confidence surveys. Part of this has to do with lower energy prices, the success in Iraq, and the lessening of terrorist threats. Another positive is the turnaround in stock prices. This not only offers investors hope, but provides additional wealth that can be spent. Finally, tax rebate checks sent out this summer should boost consumer spending.

Even with all of these factors, many businesses continue to be reluctant to expand facilities and rehire workers. This means that the level of unemployment claims remains abnormally high for this late in the recovery. Major layoff decisions continue to show up daily in media reports, keeping consumers on edge. Employers who are fortunate enough to see increased demand for their products are extending the hours of workers or using temporary employment services. For these reasons we continue to experience a jobless recovery.

State Prospects

One of the primary characteristics of the 2001 recession was the impact on the manufacturing sector. This is important to North Carolina because 18% of our nonagricultural employment is in manufacturing versus 12% for the U.S. A more important measure is the share of Gross State Product represented by manufacturing: 23% in North Carolina versus 17% for the United States.

The loss of manufacturing jobs did not begin with the 2001 recession. Data compiled by the Employment Security Commission indicate that manufacturing experienced a fairly rapid recovery from the 1990-91 recession, with employment growth of 2.6% in 1993. In fact, the "boom and bust" nature of manufacturing is one reason why the state's economy grew 33% faster than the national experience following the 1981-82 recession and 45% quicker following the Gulf War downturn. Expressed another way, North Carolina was the fifth fastest growing state during the 1992-93 period in terms of personal income, due in part to the recovery in manufacturing.

After a leveling off period, manufacturing employment began a steady decline in mid-1995 as the national economy experienced a mild slowdown following the 1994 Fed rate hikes and the kicking off of NAFTA. The rate of decline began to accelerate in February 2001 and peaked at an 8.8% rate in 2002. Particularly hard hit were the textile and

apparel sectors, with North Carolina jobs dropping over 15% on a year-over-year basis by the spring of 2001. While the rate of decline has slowed due to the start of the economic recovery, the erosion continues to take place.

There are some preliminary signs that the state's economy has begun to recover from the weakness this spring. Gross state and local sales tax receipts, adjusted for the recent tax hikes, grew at a 2.6% rate in June 2003 over last June. This contrasts to the 2.5% decline for the preceding three months. Withholding tax collections from large employers have moved to a slight growth path in recent months after being essentially flat for almost two years. One reason is the uptick in activity by the nonmanufacturing sectors that make up almost 83% of the economy. Finally, record real estate refinancing due to low mortgage rates has put cash in consumers' pockets and zero percent financing by car dealers has propped up vehicle sales.

For the 2003-04 fiscal year, we are budgeting on the basis of a continued subpar economic recovery, both in terms of the absolute level (national outlook) and the usual growth premium specific to North Carolina during the years of a recovery. This experience would be very different from the explosive growth after the last two recessions.

One reason is the continued weakness in the telecommunications and tech sector due to continued overcapacity. As the state has diversified away from the traditional manufacturing industries (textiles, apparel, furniture, and tobacco) to electronics and other technology-oriented companies, we have become more vulnerable to problems in the latter sectors. We are concerned that it may take some time for the nation's telecommunications companies to work down excess inventory.

Another major concern is the continued erosion of traditional manufacturers (textiles, apparel, furniture, tobacco) due to NAFTA or weakening market conditions. Even though these sectors are becoming a much smaller share of the economy, the magnitude of the decline is still a drag on total employment growth.

The continued daily struggles in the Iraq stabilization effort, combined with persistent terrorist threats and stubborn energy prices continue to make consumers feel skittish about the future. Finally, the spending binge of the late 1990s and stable housing and auto sales during the recession means that pent-up demand is not as significant as in prior recoveries.

Forecast Tables

The table on Page C-8 shows the projected change in key state and national economic variables for the 2003-05 biennium.

On Page C-9 the baseline growth rate for major General Fund revenue sources is shown. These numbers have been adjusted for tax law changes and other factors that distort the year-over-year comparison.

The personal income tax represents 52.6% of the revenue base. The yield of this tax is not only affected by economic factors (number of jobs, hours worked, wage rates), but has become sensitive to capital gains. The table on Page C-10 shows the history and forecast of the major items in the tax base. It is interesting to note that the amount of reported capital gains is much more volatile than share prices as measured by the Standard and Poor's 500 index. One reason could be the fact that in recent years, many investors have been purchasing more of the risky technology and telecommunications stocks.

The 4.0% baseline General Fund revenue growth rate for 2003-04 represents a somewhat cautious view when compared to the budgeted rates in surrounding states:

Georgia	6.4%
Maryland	5.3%
Virginia	4.6%

The table on Page C-11 gives the forecast of specific General Fund Revenue sources on a "Baseline" basis. This calculation adjusts for 1995-2002 tax law changes, tax processing delays, and litigation payouts. The "Actual" forecast is contained on Page C-12.

GENERAL FUND REVENUE COLLECTIONS (\$ MILLION)

	July 02 June 03 Target	July 02 June 03 Actual		July 01 June 02 Actual	Target Growth	Actual Growth
TAX REVENUE:			Difference			
PERSONAL INCOME:						
LARGE EMPLOYER WITHHOLDING	\$6,800.7	\$6,604.4	(\$196.3)	\$6,429.3		
SMALL EMPLOYER WITHHOLDING	160.8	256.5	95.7	393.9		
ESTIMATED TAXES	853.9	871.3	17.4	938.7		
NET FINAL PAYMENTS	793.5	747.1	(46.4)	837.7		
WITHHOLDING REFUNDS	(1,337.6)	(1,390.8)	(53.2)	(1,336.0)		
LOCAL TAX REIMBURSEMENTS	0.0	0.0	0.0	0.0		
SUBTOTAL - PERSONAL INCOME	\$7,271.3	\$7,088.5	(\$182.8)	\$7,134.6	1.9%	-0.6%
SALES & USE TAX:						
REGULAR	\$3,456.0	\$3,384.4	(\$80.6)	\$3,243.4	6.8%	4.3%
UTILITY	610.5	593.6	(16.9)	475.7		
LOCAL TAX SHARING	(\$58.7)	(\$55.2)	\$2.3	\$0.0		
SUBTOTAL - SALES & USE	\$4,016.8	\$3,922.8	(\$95.2)	\$3,719.0	8.0%	5.5%
CORPORATE INCOME:						
ESTIMATED PAYMENTS	\$770.5	\$849.9	\$79.4	\$715.9		
FINAL PAYMENTS	333.5	188.5	(145.0)	183.2		
REFUNDS	(237.9)	(142.5)	95.4	(230.9)		
SCHOOL FACILITIES EARMARKING	(43.2)	(55.3)	(12.1)	(54.3)		
LOCAL TAX REIMBURSEMENTS	0.0	0.0	0.0	(204.5)		
SUBTOTAL - CORPORATE INCOME	\$822.9	\$840.5	\$17.6	\$409.4		
FRANCHISE:						
ANNUAL CORPORATION TAX	\$285.6	\$284.3	(\$1.3)	\$261.2		
UTILITY GROSS RECEIPTS	230.6	268.4	37.8	339.2		
LOCAL TAX SHARING	(110.3)	(123.5)	(13.2)	(154.0)		
SUBTOTAL - FRANCHISE	\$405.9	\$429.1	\$23.2	\$446.3		
INSURANCE	379.9	408.9	29.0	340.8		
ALCOHOLIC BEVERAGES						
NET COLLECTIONS	\$197.2	\$198.3	\$1.1	\$201.4		
LOCAL TAX SHARING	(24.9)	(27.4)	(2.5)	(26.7)		
SUBTOTAL - BEVERAGE TAX	\$172.3	\$170.9	(\$1.4)	\$174.7		
INHERITANCE	104.0	112.5	8.5	104.5		
PRIVILEGE LICENSE	45.8	44.7	(1.1)	26.6		
TOBACCO PRODUCTS	45.7	42.0	(3.7)	41.5		
PIPED NATURAL GAS	39.7	36.9	(2.9)	40.9		
GIFT	10.7	19.3	8.6	13.4		
OTHER	1.1	1.1	0.0	1.1		
TOTAL - TAX REVENUE	\$13,316.1	\$13,117.2	(\$199.2)	\$12,453.0	6.9%	5.3%
NONTAX REVENUE						
INVESTMENT INCOME	\$116.0	\$105.1	(\$10.9)	\$132.0		
JUDICIAL FEES	136.5	124.7	(11.8)	109.3		
DISPROPORTIONATE SHARE	107.0	110.4	3.4	109.1		
INSURANCE DEPARTMENT	50.5	47.1	(3.4)	46.0		
OTHER	213.1	215.3	2.2	125.4		
TOTAL: NONTAX REVENUE	\$516.1	\$492.2	(\$23.9)	\$412.7		
TOTAL: TAX AND NONTAX REVENUE	\$13,832.2	\$13,609.4	(\$223.1)	\$12,865.7	7.5%	5.8%
TRANSFERS:						
HIGHWAY TRUST FUND	\$171.7	\$171.7	\$0.0	\$170.0		
HIGHWAY FUND	14.5	14.6	0.1	13.8		
TOTAL: TRANSFERS	\$186.2	\$186.3	\$0.1	\$183.8		
TOTAL GENERAL FUND REVENUE	\$14,712.9	\$13,157.4	(\$1,555.5)	\$13,292.5		

Note: Data has not be adjusted for tax law changes, lawsuit payouts and tax processing delays.

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

	<u>2001-02</u> <u>Actual</u>	<u>2002-03</u> <u>Actual</u>	<u>2003-04</u> <u>Projected</u>	<u>2004-05</u> <u>Projected</u>
U.S. INDICATORS				
Real Economic Growth*	.3%	2.6%	2.6%	3.7%
Nonfarm Employment	-1.0%	-.5%	.2%	1.7%
Personal Income	2.1%	3.2%	3.8%	4.5%
Industrial Production	-3.8%	.6%	1.2%	3.6%
Corporate Profits (Pre-Tax)	-14.3%	-.7%	12.1%	12.4%
Short-Term Interest Rates				
(Actual Rate)	2.3%	1.4%	1.4%	3.5%
Mortgage Rates (Actual Rate)	6.9%	5.9%	6.1%	6.4%
Inflation (CPI)	1.8%	2.2%	1.2%	1.4%
NORTH CAROLINA INDICATORS				
Personal Income	1.9%	3.3%	3.5%	5.5%
Nonfarm Employment	-2.0%	-.5%	.9%	2.4%
Unemployment Rate (Actual Rate)	6.5%	6.4%	6.4%	5.8%
Average Hourly Earnings				
(Manufacturing)	3.3%	2.5%	3.4%	4.3%
Retail Sales	-.3%	.5%	3.6%	6.0%
Housing Sales	4.7%	6.1%	-10.4%	-3.4%
Auto Sales	-5.5%	-3.7%	-2.7%	-2.1%

*Adjusted for inflation.

GROWTH RATES FOR MAJOR GENERAL FUND REVENUE SOURCES

	92-93	93-94	94-95	95-96	96-97	97-98	98-99	99-00	00-01	01-02	02-03	(Est.) 03-04	(Est.) 04-05
Personal Income Tax	8.6%	7.4%	9.9%	11.0%	10.2%	13.9%	10.5%	6.2%	7.4%	-7.5%	-0.7%	4.2%	7.4%
Sales Tax:													
Regular	8.3%	10.7%	8.9%	6.2%	8.1%	6.1%	7.5%	5.5%	1.9%	-2.0%	0.4%	2.9%	4.6%
Utility Gross Receipts	3.7%	8.6%	-0.9%	7.9%	4.2%	4.7%	4.4%	6.5%	6.4%	4.2%	8.0%	5.2%	8.2%
Corporate Income Tax	13.5%	5.8%	21.2%	3.5%	10.0%	3.5%	7.8%	-2.6%	-11.5%	-26.6%	14.6%	8.8%	9.2%
Franchise Tax:													
Corporation Franchise	2.8%	3.2%	4.1%	8.9%	6.6%	23.6%	5.7%	-4.7%	22.6%	-15.7%	8.8%	4.1%	5.3%
Utility Gross Receipts	1.8%	11.8%	-1.5%	7.0%	2.9%	3.8%	-3.1%	-3.8%	9.2%	10.1%	4.8%	2.1%	3.3%
Inheritance Tax*	2.2%	18.9%	3.2%	2.7%	17.0%	12.2%	12.8%	12.0%	-2.1%	-15.2%	7.3%	-4.3%	6.1%
Insurance Tax	2.8%	16.3%	4.8%	4.6%	6.0%	3.4%	6.9%	-6.1%	5.2%	10.2%	11.7%	6.2%	8.1%
Alcoholic Beverage Tax	0.1%	1.2%	1.4%	2.9%	3.3%	2.3%	2.8%	5.4%	3.7%	2.9%	2.0%	1.9%	3.0%
Total Revenue**	7.0%	9.1%	9.9%	6.8%	9.2%	8.8%	9.8%	4.0%	4.6%	-6.2%	0.3%	4.0%	5.9%

NOTE: Data has been adjusted for tax law changes, tax collection and refund delays, litigation payouts, and other special one-time factors.

*Applies to "pick-up" tax that is levied to use up federal credit for state death taxes.

**Includes minor tax sources not shown in table.

FEDERAL TAX RETURN DATA FOR NORTH CAROLINA TAXPAYERS (\$ BILLION)

	<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</u>	<u>2001(e)</u>	<u>2002(e)</u>	<u>2003(e)</u>
Wages & Salaries	69.20	73.00	77.46	82.76	87.50	94.08	100.85	107.19	114.20	115.57	114.65	119.92
% Change	7.1%	5.5%	6.1%	6.8%	5.7%	7.5%	7.2%	6.3%	6.5%	1.2%	-0.8%	4.6%
Interest	3.08	2.53	2.43	3.05	3.30	3.52	3.69	3.62	4.19	4.16	3.95	4.11
% Change	-22.8%	-17.9%	-4.0%	25.5%	8.2%	6.7%	4.8%	-1.9%	15.7%	-0.7%	-5.0%	4.0%
Dividends	1.58	1.72	1.79	2.07	2.29	2.62	2.61	2.95	3.21	3.52	3.74	3.89
% Change	2.6%	8.9%	4.1%	15.6%	10.6%	14.4%	-0.4%	13.0%	8.8%	9.8%	6.0%	4.2%
Business Income	3.53	3.69	3.87	3.98	4.30	4.44	4.75	4.89	4.83	4.64	4.71	5.14
% Change	9.6%	4.5%	4.9%	2.8%	8.0%	3.3%	7.0%	2.9%	-1.2%	-4.0%	1.6%	9.1%
Capital Gains	2.38	2.73	2.91	3.41	5.11	7.06	8.45	9.38	10.24	5.40	3.29	3.64
% Change	18.4%	14.7%	6.6%	17.2%	49.9%	38.2%	19.7%	11.0%	9.2%	-47.3%	-39.1%	10.6%
% Change Stock Value	10.5%	8.6%	2.0%	17.7%	23.9%	30.1%	24.2%	22.1%	7.6%	-16.4%	-1.4%	7.4%
IRA Distributions	0.64	0.65	0.80	0.91	1.13	1.37	1.90	2.27	2.67	2.72	2.83	3.06
% Change	28.0%	1.6%	23.1%	13.8%	24.2%	21.2%	38.7%	19.5%	17.6%	2.0%	4.0%	8.0%
Unemployment Benefits	0.48	0.42	0.30	0.31	0.30	0.25	0.25	0.31	0.41	0.50	0.65	0.55
% Change	9.1%	-12.5%	-28.6%	3.3%	-3.2%	-16.7%	0.0%	24.0%	32.3%	22.0%	30.0%	-15.4%
Pensions	4.38	4.63	5.03	5.52	6.05	6.69	7.40	8.10	8.69	9.21	9.91	10.85
% Change	6.6%	5.7%	8.6%	9.7%	9.6%	10.6%	10.6%	9.5%	7.3%	6.0%	7.6%	9.5%
Partnership	2.63	2.79	3.43	3.80	4.40	5.00	5.45	6.05	6.50	5.85	6.20	6.57
% Change	38.4%	6.1%	22.9%	10.8%	15.8%	13.6%	9.0%	11.0%	7.5%	-10.0%	6.0%	5.9%
Statutory Adjustment	-0.8	-0.8	-0.9	-1.0	-1.0	-1.1	-1.2	-1.3	-1.4	-1.5	-1.6	-1.7
% Change	2.5%	3.7%	7.1%	5.6%	6.3%	7.9%	10.1%	8.3%	8.5%	6.4%	6.7%	6.2%
Total Gross Income	87.09	91.32	97.12	104.86	113.37	123.94	134.15	143.46	153.53	150.08	148.33	156.03
% Change	6.8%	4.9%	6.4%	8.0%	8.1%	9.3%	8.2%	6.9%	7.0%	-2.3%	-1.2%	5.2%

(e) = Estimated by Fiscal Research Division

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	Actual 01-02	Actual 02-03	Estimated 03-04	Estimated 04-05
Tax Revenue										
Personal Income	\$5,035.0	\$5,597.2	\$6,344.7	\$7,076.3	\$7,440.9	\$8,004.0	\$7,425.1	\$7,376.1	\$7,692.4	\$8,252.6
Sales & Use	2,959.4	3,178.0	3,356.8	3,584.4	3,740.8	3,830.2	3,721.0	3,701.0	3,822.8	4,025.4
Corporate Income	674.9	718.3	789.1	904.5	856.0	780.7	580.1	652.0	709.5	774.7
Franchise	355.9	387.8	411.3	405.6	399.0	488.4	488.4	517.9	534.0	555.3
Insurance	244.5	260.3	284.3	291.1	273.4	305.7	340.8	380.7	404.3	437.1
Alcoholic Beverage	145.5	150.2	153.8	157.9	166.3	172.7	177.7	181.3	0.1	0.0
Intangibles Tax	124.4	124.5	124.6	124.7	124.8	124.9	125.0	125.1	125.2	125.3
Inheritance	112.9	132.1	148.2	167.1	229.8	209.9	201.6	217.9	219.0	151.3
Soft Drink	39.8	41.2	43.4	43.9	46.2	47.8	49.4	49.9	51.6	54.7
Privilege License	42.0	43.4	49.7	37.4	53.4	53.2	54.5	54.7	55.4	56.8
Tobacco Products	46.7	46.7	47.2	44.9	43.7	42.0	41.5	39.6	37.4	36.7
Piped Natural Gas					27.7	37.2	40.9	36.9	37.5	38.2
Gift	11.0	12.6	20.7	19.3	25.1	20.3	13.4	19.5	20.7	21.2
Other	19.0	1.2	1.1	1.1	1.1	1.2	1.3	1.1	1.1	1.1
Total-Tax Revenue	\$9,811.0	\$10,693.3	\$11,774.9	\$12,858.2	\$13,428.2	\$14,118.2	\$13,260.8	\$13,353.7	\$13,710.9	\$14,530.4
%Change		9.0%	10.1%	9.2%	4.4%	5.1%	-6.1%	0.7%	2.7%	6.0%
Nontax Revenue										
Investment Income	\$197.3	\$222.1	\$246.1	\$247.2	\$206.1	\$165.9	\$127.5	\$96.8	\$114.9	\$120.9
Judicial Fees	90.3	94.9	95.7	101.1	80.5	81.6	81.6	71.7	76.6	81.9
Disproportionate Share	76.0	100.8	0.0	85.0	105.0	109.1	110.4	107.0	100.0	107.0
Other	65.3	68.0	66.1	80.5	93.2	83.4	91.8	90.2	88.4	92.3
Insurance Dept.	14.9	14.0	15.3	34.9	36.6	37.3	39.7	39.4	44.4	45.3
Total-Nontax Revenue	\$443.8	\$499.8	\$423.2	\$548.7	\$521.4	\$477.3	\$451.0	\$405.1	\$424.2	\$447.4
Total: Tax & Nontax Revenue	\$10,254.8	\$11,193.1	\$12,198.1	\$13,406.9	\$13,949.6	\$14,595.5	\$13,711.8	\$13,758.8	\$14,135.1	\$14,977.8
		9.1%	9.0%	9.9%	4.0%	4.6%	-6.1%	0.3%	2.7%	6.0%
Transfers:										
Highway Trust Fund	\$170.0	\$170.0	\$170.0	\$170.0	\$170.0	\$170.0	\$170.0	\$170.0	\$169.8	\$170.0
Highway Fund	11.1	11.9	12.6	13.4	13.6	13.8	14.5	15.3	16.4	16.2
Total-Transfers	\$181.1	181.9	182.6	183.4	\$183.6	\$183.8	\$184.5	\$185.3	\$186.2	\$186.2
Total-General Fund Revenue	\$10,435.9	\$11,375.0	\$12,380.7	\$13,590.3	\$14,133.2	\$14,779.3	\$13,896.3	\$13,944.1	\$14,321.3	\$15,164.0
		9.0%	8.8%	9.8%	4.0%	4.6%	-6.0%	0.3%	2.7%	5.9%

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

ACTUAL COLLECTIONS 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	Actual 01-02	Actual 02-03	Estimated 03-04	Estimated 04-05
Tax Revenue:										
Personal Income	\$4,800.0	\$5,330.0	\$6,028.9	\$6,606.5	\$7,080.1	\$7,391.4	\$7,134.6	\$7,088.5	\$7,427.0	\$7,965.0
Sales & Use	2,958.1	3,127.7	3,255.4	3,376.2	3,354.9	3,435.6	3,705.8	3,922.8	4,056.9	4,256.9
Corporate Income	673.8	717.7	696.3	848.5	903.2	460.2	409.3	840.5	711.6	817.6
Franchise	355.9	387.8	407.3	409.6	307.0	580.4	446.3	429.1	448.6	472.8
Insurance	242.7	258.5	283.8	291.2	273.4	305.7	340.8	408.9	439.1	477.8
Alcoholic Beverage	145.5	150.2	153.7	158.0	166.4	172.8	174.7	170.9	177.6	182.9
Intangibles Tax	11.0									
Inheritance	112.9	132.1	138.1	169.9	163.3	123.2	104.8	112.5	107.0	107.5
Soft Drink	39.8	31.4	23.1	12.4	1.3	0.0	0.0	0.0	0.0	0.0
Privilege License	42.0	43.4	36.6	27.6	43.8	3.0	26.6	44.7	45.2	46.5
Tobacco Products	46.7	46.7	47.2	44.9	43.7	42.0	41.5	42.0	39.2	38.6
Gift	11.0	12.6	20.7	19.3	25.1	20.3	13.4	19.3	20.4	21.0
Piped Natural Gas					27.7	37.2	40.9	36.9	37.5	38.2
Other	19.0	1.2	1.1	1.1	1.1	1.2	1.3	1.1	1.1	1.1
Total-Tax Revenue	\$9,458.4	\$10,239.3	\$11,092.2	\$11,965.2	\$12,391.0	\$12,573.0	\$12,440.0	\$13,117.2	\$13,511.2	\$14,425.7
Nontax Revenue										
Investment Income	\$199.3	\$224.1	\$248.1	\$249.2	\$208.3	\$168.2	\$132.6	\$105.1	\$113.9	\$119.7
Judicial Fees	90.3	99.1	112.8	121.0	101.5	109.3	110.4	124.7	138.3	145.2
Disproportionate Share	76.0	100.8	0.0	85.0	105.0	109.1	110.4	107.0	100.0	100.0
Other	65.3	70.2	71.0	89.6	103.4	93.7	131.4	215.3	503.5	262.2
Insurance Dept.	19.6	18.7	20.3	40.2	42.2	43.6	46.4	47.1	54.8	53.7
Total-Nontax Revenue	\$450.5	\$512.9	\$452.2	\$585.0	\$560.4	\$523.9	\$531.2	\$599.2	\$910.5	\$680.9
Total: Tax & Nontax Revenue	\$9,908.9	\$10,752.2	\$11,544.4	\$12,550.2	\$12,951.4	\$13,096.9	\$12,971.2	\$13,716.4	\$14,421.7	\$15,106.6
Transfers:										
Highway Trust Fund	\$170.0	\$170.0	\$170.0	\$170.0	\$170.0	\$170.0	\$171.7	\$377.4	\$252.4	\$242.6
Highway Fund	11.1	11.9	12.6	13.4	13.6	13.8	14.5	15.3	16.4	16.2
Total-Transfers	\$181.1	\$181.9	\$182.6	\$183.4	\$183.6	\$183.8	\$186.2	\$392.7	\$268.8	\$258.8
Total-General Fund Revenue	\$10,090.0	\$10,934.1	\$11,727.0	\$12,733.6	\$13,135.0	\$13,280.7	\$13,157.4	\$14,109.1	\$14,690.5	\$15,365.3
%Change		8.4%	7.3%	8.6%	3.2%	1.1%	-0.9%	7.2%	3.4%	5.5%

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.

Approximately one-half of Highway Fund revenues are appropriated for maintenance of the State's highways. Other major Highway Fund supported programs are the State Highway Patrol, the Division of Motor Vehicles, secondary road construction, and transit and rail.

FY 2002-03 REVENUES

Highway Fund collections totaled \$1,262 million in FY 2002-03, a 2.8% decrease from FY 2001-02. Motor fuels tax collections decreased by 4.5%.

FY 2003-04 FORECAST

Highway Fund revenues are projected to increase by \$88.7 million in FY 2003-04, or 7%, primarily due to higher motor fuels tax collections.

HIGHWAY FUND REVENUE (MILLIONS)

	FY 2002-03	FY 2003-04
	<u>Actual</u>	<u>Projected</u>
Motor Fuels Taxes	\$848.6	\$921.8
Licenses, Fees, and Penalties		
Staggered Vehicle Registration	\$150.6	\$157.9
Truck Licenses	\$61.8	\$60.7
Driver Licenses	\$70.5	\$72.9
International Registration Plan	\$45.5	\$49.7
Other	\$67.5	\$66.7
Sub Total	\$395.9	\$407.9
Investment Income	\$17.7	\$21.2
Total Highway Fund Revenue	\$1262.2	\$1350.9

HIGHWAY TRUST FUND REVENUE

The 1989 Session of the General Assembly established the Highway Trust Fund to pay for construction of designated roads. The 2001 General Assembly permitted the use of \$680 million of Trust Fund cash balances over three fiscal years for additional purposes, primarily maintenance. The 2003 General Assembly passed the Governor's Moving Ahead transportation initiative to allow, over two years, the use of \$630 million of Trust Fund cash balances for highway preservation, modernization, and maintenance and \$70 million for public transit, rail, ferry, bicycle, and pedestrian projects. The Trust Fund's primary revenue sources are one-fourth of the motor fuel tax, a 3% Highway Use Tax, title and other fees, and interest earned on cash balances.

FY 2002-03 REVENUES

Highway Trust Fund revenues for FY 2002-03 (net of transfers to the General Fund) totaled \$561.0 million, a decrease of 22% from the previous year. The decrease was primarily due to additional transfers from the Highway Trust Fund to the General Fund.

FY 2003-04 FORECAST

Highway Trust Fund revenues (net of transfers to the General Fund) are expected to increase by 35% in FY 2003-04, reflecting increased revenues and decreased transfers to the General Fund in the FY 2003-04 Budget.

HIGHWAY TRUST FUND REVENUE (MILLIONS)

	FY 2002-03	FY 2003-04
	<u>Actual</u>	<u>Projected</u>
Motor Fuels Taxes	\$283.0	\$307.2
Highway Use Tax	\$552.8	\$598.6
Title Fees	\$79.1	\$82.1
Other Fees	\$12.2	\$12.1
<u>Investment Income</u>	<u>\$11.3</u>	<u>\$10.0</u>
Sub Total	\$938.4	\$1010.0
Transfer to General Fund	(\$377.4)	(\$252.4)
Total Highway Trust Fund Availability	\$561.0	\$757.6

**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.

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. The TANF Block Grant is scheduled for Reauthorization by the United States Congress in 2003.

DEPARTMENT OF COMMERCE

2003-2004

Community Development Block Grant – 2004 Program Year \$45,000,000

DEPARTMENT OF HEALTH AND HUMAN RESOURCES

Division of Mental Health, Developmental Disabilities and Substance Abuse Services

Social Services Block Grant	\$8,656,604
Mental Health Services Block Grant	10,239,850
Substance Abuse Prevention and Treatment Block Grant	42,775,687
Temporary Assistance for Needy Families Block Grant	2,000,000

Division of Social Services

Low Income Energy Block Grant	\$31,159,322
Social Services Block Grant	28,648,911
Temporary Assistance for Needy Families	253,692,123

Division of Facility Services

Social Services Block Grant	\$639,964
-----------------------------	-----------

Division of Child Development

Social Services Block Grant	\$3,000,000
Child Care and Development Fund Block Grant	178,132,264
Temporary Assistance for Needy Families	106,183,430

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	\$191,302
Community Services Block Grant	16,963,303

Division of Aging

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

Division of Public Health

Social Services Block Grant	\$145,819
Substance Abuse Prevention and Treatment Block Grant	631,335
Preventive Health Services Block Grant	3,747,927
Maternal and Child Health Block Grant	17,224,639
Temporary Assistance for Needy Families	2,627,500

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 transfers to other Departments in the amount of \$2,452,840.

CHANGES TO THE MEDICAID PROGRAM

STATE

During the 2003 Regular Session, the N.C. General Assembly enacted a \$7 Billion budget for the Medicaid Program for SFY 2003-04 and an \$8 Billion budget for SFY 2004-05. State funding for the Medicaid Program totals \$2 Billion for SFY 2003-04 and \$2.4 Billion for SFY 2004-04.

During its deliberations on the proposed budget, the 2003 General Assembly reduced the General Fund appropriations for the Medicaid Program by \$302 million for SFY 2003-04 and \$473 million for SFY 2004-05. The most significant reduction resulted from the revision of the Medicaid forecast -- \$219 million for SFY 2003-04 and \$321.6 million for SFY 2004-05. Other reductions include implementation of a cost avoidance model for pharmacy claims, elimination of inflationary increases for all public and private providers, elimination of administrative inflationary increase for the Division of Medical Assistance, further implementation of drug utilization management, and elimination of the State Transitional Medicaid Program

The 2003 General Assembly also made the following policy changes to the Medicaid Program and increased the budget for the program to support these changes:

- Increased funding by \$3 million for each year of the biennium to maximize federal funding for Home Care Personal Care Services.
- Increased funding by \$1 million for each year of the biennium to expand Carolina ACCESS II and III to additional counties.

The 2003 General Assembly also enacted other Medicaid policy changes:

- Eliminated the twelve months of State Transitional Medicaid Coverage for families and children who are working and no longer receiving welfare payments. Effective October 1, 2003.
- Required Medicaid recipients who qualify for Medicare to enroll in Medicare in order to pay for medical expenditures that qualify for payment under Medicare Part B.
- Authorized the Department of Health and Human Services to implement a Medicaid assessment program for skilled nursing facilities licensed under Chapter 131E of the General Statutes.

FEDERAL

The U.S. Congress, in the Jobs and Growth Tax Relief Reconciliation Act of 2003, provided fiscal relief to states by increasing the Federal Medical Assistance Percentage. North Carolina received \$269.7 million under the Act. \$47.7 million was received in

SFY 2002-03 with \$41 million reducing the state cost for Medicaid and \$6.7 million reducing the county share of Medicaid. North Carolina will receive an additional \$222 during SFY 2003-04 with \$191.6 million reducing the state cost for Medicaid and \$30.4 million reducing the county share of Medicaid.

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 2003-05 biennial state budgets anticipate \$100 million each fiscal year in DSH payments to the State Treasurer. Section 10.21 of Chapter 284 of the 2003 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 \$100 million for future appropriation.

SUMMARY:

**GENERAL FUND
APPROPRIATIONS**

**2003-2005
FISCAL BIENNIUM**

SUMMARY

GENERAL FUND
APPROPRIATIONS

2003-2005

FISCAL BIENNIAL

Summary of General Fund Appropriations

Fiscal Year 2003-04

2003 Legislative Session

	Governor's Proposed 2003-04 Base Budget	Recurring Adjustments	Nonrecurring Adjustments	Net Changes	FTE Changes	Fiscal Year 2003-04 Appropriation	Percentage Change
<u>Education:</u>							
Community Colleges	671,476,663	(7,497,944)	(3,051,000)	(10,548,944)		660,927,719	-1.57%
Public Education	6,086,682,250	(128,204,948)	76,573,000	(51,631,948)	(395.68)	6,035,050,302	-0.85%
University System	1,836,352,141	(35,848,528)	(8,361,952)	(44,210,480)	518.00	1,792,141,661	-2.41%
Total Education	8,594,511,054	(171,551,420)	65,160,048	(106,391,372)	122.32	8,488,119,682	-1.24%
<u>Health and Human Services:</u>							
Office of the Secretary	99,449,713	(18,481,280)	1,200,000	(17,281,280)	(0.50)	82,168,433	-17.38%
Aging Division	28,585,838	(900,000)	0	(900,000)		27,685,838	-3.15%
Blind and Deaf / Hard of Hearing Services	9,533,508	(230,838)	0	(230,838)	(4.00)	9,302,670	-2.42%
Child Development	267,002,174	(7,985,007)	0	(7,985,007)	15.00	259,017,167	-2.99%
Education Services	33,168,936	(1,362,074)	0	(1,362,074)	(9.22)	31,806,862	-4.11%
Facility Services	14,442,802	(2,186,010)	0	(2,186,010)		12,256,792	-15.14%
Medical Assistance	2,538,978,314	(297,469,228)	(254,100,000)	(551,569,228)		1,987,409,086	-21.72%
Mental Health	581,275,947	(3,985,700)	0	(3,985,700)		577,290,247	-0.69%
NC Health Choice	37,317,907	12,166,372	0	12,166,372		49,484,279	32.60%
Public Health	130,648,960	(7,196,485)	725,000	(6,471,485)	(4.45)	124,177,475	-4.95%
Social Services	184,886,538	(1,307,864)	(4,400,000)	(5,707,864)		179,178,674	-3.09%
Vocational Rehabilitation	40,645,338	(603,214)	0	(603,214)		40,042,124	-1.48%
Total Health and Human Services	3,965,935,975	(329,541,328)	(256,575,000)	(586,116,328)	(3.17)	3,379,819,647	-14.78%
<u>Justice and Public Safety:</u>							
Correction	985,276,327	(30,578,904)	(14,450,833)	(45,029,737)	(18.00)	940,246,590	-4.57%
Crime Control & Public Safety	28,706,140	(646,814)	685,000	38,186		28,744,326	0.13%
Judicial Department	310,319,781	(2,579,050)	(3,400,000)	(5,979,050)	1.00	304,340,731	-1.93%
Judicial - Indigent Defense	75,049,607	(1,784,778)	0	(1,784,778)		73,264,829	-2.38%
Justice	73,508,002	(1,732,250)	(734,442)	(2,466,692)	(5.00)	71,041,310	-3.36%
Juvenile Justice & Delinquency Prevention	135,679,902	(5,167,157)	(199,272)	(5,366,429)	(21.00)	130,313,473	-3.96%
Total Justice and Public Safety	1,608,539,759	(42,488,953)	(18,099,547)	(60,588,500)	(43.00)	1,547,951,259	-3.77%
<u>Natural And Economic Resources:</u>							
Agriculture and Consumer Services	51,041,728	(2,365,920)	(180,452)	(2,546,372)	(24.00)	48,495,356	-4.99%
Commerce	35,569,253	(1,303,273)	(869,438)	(2,172,711)		33,396,542	-6.11%
Commerce - State Aid	10,266,728	955,357	50,000	1,005,357		11,272,085	9.79%
Environment and Natural Resources	153,070,901	(4,260,882)	(1,633,711)	(5,894,593)	(22.11)	147,176,308	-3.85%
DENR - Clean Water Mgmt. Trust Fund	100,000,000	(38,000,000)	0	(38,000,000)		62,000,000	-38.00%
Labor	13,936,595	(671,141)	0	(671,141)	(4.00)	13,265,454	-4.82%
NC Biotechnology Center	5,883,395	0	0	0		5,883,395	0.00%
Rural Economic Development Center	4,658,607	0	0	0		4,658,607	0.00%
Total Natural and Economic Resources	374,427,207	(45,645,859)	(2,633,601)	(48,279,460)	(50.11)	326,147,747	-12.89%

	Governor's Proposed 2003-04 Base Budget	Recurring Adjustments	Nonrecurring Adjustments	Net Changes	FTE Changes	Fiscal Year 2003-04 Appropriation	Percentage Change
General Government:							
Administration	56,925,133	(4,919,613)	50,000	(4,869,613)	(24.42)	52,055,520	-8.55%
Auditor	10,847,686	(553,885)	0	(553,885)	(2.00)	10,293,801	-5.11%
Cultural Resources	54,627,586	80,181	520,000	600,181	(17.35)	55,227,767	1.10%
Cultural Resources - Roanoke Island	1,720,952	(86,047)	0	(86,047)		1,634,905	-5.00%
General Assembly	42,858,926	(1,297,463)	0	(1,297,463)		41,561,463	-3.03%
Governor	5,112,108	(285,605)	150,000	(135,605)		4,976,503	-2.65%
Housing Finance Agency	4,750,945	0	0	0		4,750,945	0.00%
Insurance	23,364,277	(207,827)	3,150,604	2,942,777	(5.50)	26,307,054	12.60%
Insurance - Worker's Compensation Fund	4,500,000	0	0	0		4,500,000	0.00%
Lieutenant Governor	633,293	(31,571)	0	(31,571)		601,722	-4.99%
Office of Administrative Hearings	2,540,719	(131,036)	0	(131,036)	(2.00)	2,409,683	-5.16%
Revenue	76,720,217	(2,058,066)	268,615	(1,789,451)	17.00	74,930,766	-2.33%
Rules Review Commission	310,454	0	0	0		310,454	0.00%
Secretary of State	8,210,304	(153,106)	0	(153,106)	(3.00)	8,057,198	-1.86%
State Board of Elections	3,123,646	1,791,936	1,922,215	3,714,151		6,837,797	118.90%
State Budget and Management	4,428,558	(216,753)	0	(216,753)	(3.00)	4,211,805	-4.89%
State Budget and Management -- Special	3,080,000	50,000	250,000	300,000		3,380,000	9.74%
State Controller	10,046,077	(351,613)	0	(351,613)		9,694,464	-3.50%
Treasurer - Operations	8,063,750	(488,721)	0	(488,721)		7,575,029	-6.06%
Treasurer - Retirement / Benefits	7,131,179	350,000	0	350,000		7,481,179	4.91%
Total General Government	328,995,810	(8,509,189)	6,311,434	(2,197,755)	(40.27)	326,798,055	-0.67%
Transportation	12,842,163	(1,412,638)	0	(1,412,638)	0.00	11,429,525	-11.00%
Statewide Reserves and Debt Service:							
Debt Service:							
Interest / Redemption	430,130,765	(42,344,845)	0	(42,344,845)		387,785,920	-9.84%
Federal Reimbursement	1,155,948	0	0	0		1,155,948	0.00%
Subtotal Debt Service	431,286,713	(42,344,845)	0	(42,344,845)		388,941,868	-9.82%
Statewide Reserves:							
State Health Plan	0	113,418,000	0	113,418,000		113,418,000	
Retiree Health Benefit	0	36,800,000	0	36,800,000		36,800,000	
Retirement System Contributions	0	16,546,000	10,000,000	26,546,000		26,546,000	
Compensation Increases	0	45,550,000	86,500,000	132,050,000		132,050,000	
Transfer of Various Benefit Plans	0	(1,000,000)	(54,000,000)	(55,000,000)		(55,000,000)	
Contingency and Emergency Fund	5,000,000	0	0	0		5,000,000	
Salary Adjustment Fund	500,000	4,000,000	0	4,000,000		4,500,000	
MH/DD/SAS Trust Fund	0	0	12,500,000	12,500,000		12,500,000	
HIPAA Implementation	0	0	2,000,000	2,000,000		2,000,000	
State Surplus Real Property System	0	0	250,000	250,000		250,000	
Blue Ribbon Commission on Medicaid Reform	0	0	250,000	250,000		250,000	
Subtotal Statewide Reserves	5,500,000	215,314,000	57,500,000	272,814,000		278,314,000	

	Governor's Proposed 2003-04 Base Budget	Recurring Adjustments	Nonrecurring Adjustments	Net Changes	FTE Changes	Fiscal Year 2003-04 Appropriation	Percentage Change
Total Reserves and Debt Service	436,786,713	172,969,155	57,500,000	230,469,155		667,255,868	52.76%
Total General Fund for Operations	15,322,038,681	(426,180,232)	(148,336,666)	(574,516,898)	(14.23)	14,747,521,783	-3.75%
Other General Fund Expenditures:							
Capital Improvements	0	0	27,601,000	27,601,000		27,601,000	
Repairs and Renovations	0	0	0	0		0	
Total Other General Fund Expenditures	0	0	27,601,000	27,601,000		27,601,000	
Total General Fund Budget	15,322,038,681	(426,180,232)	(120,735,666)	(546,915,898)	(14.23)	14,775,122,783	-3.57%

**Summary of General Fund Appropriations
Fiscal Year 2004-05
2003 Legislative Session**

	Governor's Proposed 2004-05 Base Budget	Recurring Adjustments	Nonrecurring Adjustments	Net Changes	FTE Changes	Fiscal Year 2004-05 Appropriation	Percentage Change
<u>Education:</u>							
Community Colleges	671,285,977	(11,086,755)	0	(11,086,755)		660,199,222	-1.65%
Public Education	6,211,172,835	(176,177,652)	0	(176,177,652)	(399.68)	6,034,995,183	-2.84%
University System	1,857,413,185	(34,986,528)	0	(34,986,528)	518.00	1,822,426,657	-1.88%
Total Education	8,739,871,997	(222,250,935)	0	(222,250,935)	118.32	8,517,621,062	-2.54%
<u>Health and Human Services:</u>							
Office of the Secretary	100,272,566	(19,304,133)	0	(19,304,133)	(0.50)	80,968,433	-19.25%
Aging Division	28,585,838	(900,000)	0	(900,000)		27,685,838	-3.15%
Blind and Deaf / Hard of Hearing Services	9,617,846	(230,838)	0	(230,838)	(4.00)	9,387,008	-2.40%
Child Development	267,006,355	(7,795,662)	0	(7,795,662)	15.00	259,210,693	-2.92%
Education Services	32,945,950	(1,275,874)	0	(1,275,874)	(9.22)	31,670,076	-3.87%
Facility Services	14,443,088	(2,186,296)	0	(2,186,296)		12,256,792	-15.14%
Medical Assistance	2,980,706,037	(469,036,074)	(62,500,000)	(531,536,074)		2,449,169,963	-17.83%
Mental Health	584,487,605	(4,064,507)	0	(4,064,507)		580,423,098	-0.70%
NC Health Choice	37,317,907	18,114,915	0	18,114,915		55,432,822	48.54%
Public Health	132,441,289	(8,992,394)	0	(8,992,394)	(4.45)	123,448,895	-6.79%
Social Services	189,939,178	(909,910)	0	(909,910)		189,029,268	-0.48%
Vocational Rehabilitation	41,453,587	(618,729)	0	(618,729)		40,834,858	-1.49%
Total Health and Human Services	4,419,217,246	(497,199,502)	(62,500,000)	(559,699,502)	(3.17)	3,859,517,744	-12.67%
<u>Justice and Public Safety:</u>							
Correction	991,226,311	(31,329,862)	50,833	(31,279,029)	(18.00)	959,947,282	-3.16%
Crime Control & Public Safety	28,785,824	(646,814)	0	(646,814)		28,139,010	-2.25%
Judicial Department	314,116,595	(2,616,901)	0	(2,616,901)	1.00	311,499,694	-0.83%
Judicial - Indigent Defense	73,116,571	(1,784,778)	(312,342)	(2,097,120)		71,019,451	-2.87%
Justice	73,574,376	(2,115,064)	0	(2,115,064)	(5.00)	71,459,312	-2.87%
Juvenile Justice & Delinquency Prevention	138,675,409	(8,089,911)	0	(8,089,911)	(21.00)	130,585,498	-5.83%
Total Justice and Public Safety	1,619,495,086	(46,583,330)	(261,509)	(46,844,839)	(43.00)	1,572,650,247	-2.89%
<u>Natural And Economic Resources:</u>							
Agriculture and Consumer Services	51,093,029	(2,453,660)	(23,000)	(2,476,660)	(24.00)	48,616,369	-4.85%
Commerce	34,639,574	(1,303,273)	1,000,000	(303,273)		34,336,301	-0.88%
Commerce - State Aid	10,266,728	955,357	0	955,357		11,222,085	9.31%
Environment and Natural Resources	157,263,823	(4,465,813)	0	(4,465,813)	(30.11)	152,798,010	-2.84%
DENR - Clean Water Mgmt. Trust Fund	100,000,000	(38,000,000)	0	(38,000,000)		62,000,000	-38.00%
Labor	13,945,245	(671,141)	0	(671,141)	(4.00)	13,274,104	-4.81%
NC Biotechnology Center	5,883,395	0	0	0		5,883,395	0.00%
Rural Economic Development Center	4,658,607	0	0	0		4,658,607	0.00%
Total Natural and Economic Resources	377,750,401	(45,938,530)	977,000	(44,961,530)	(58.11)	332,788,871	-11.90%

	Governor's Proposed 2004-05 Base Budget	Recurring Adjustments	Nonrecurring Adjustments	Net Changes	FTE Changes	Fiscal Year 2004-05 Appropriation	Percentage Change
General Government:							
Administration	57,503,556	(4,919,649)	0	(4,919,649)	(24.42)	52,583,907	-8.56%
Auditor	10,857,642	(563,841)	0	(563,841)	(2.00)	10,293,801	-5.19%
Cultural Resources	54,337,128	(248,530)	0	(248,530)	(17.35)	54,088,598	-0.46%
Cultural Resources - Roanoke Island	1,722,606	(86,047)	0	(86,047)		1,636,559	-5.00%
General Assembly	46,268,768	(1,297,463)	0	(1,297,463)		44,971,305	-2.80%
Governor	5,112,933	(286,430)	0	(286,430)		4,826,503	-5.60%
Housing Finance Agency	4,750,945	0	0	0		4,750,945	0.00%
Insurance	23,395,414	(207,827)	0	(207,827)	(5.50)	23,187,587	-0.89%
Insurance - Worker's Compensation Fund	4,500,000	0	(1,900,000)	(1,900,000)		2,600,000	-42.22%
Lieutenant Governor	633,293	(31,571)	0	(31,571)		601,722	-4.99%
Office of Administrative Hearings	2,542,833	(131,036)	0	(131,036)	(2.00)	2,411,797	-5.15%
Revenue	77,372,834	(2,198,740)	0	(2,198,740)	17.00	75,174,094	-2.84%
Rules Review Commission	310,454	0	0	0		310,454	0.00%
Secretary of State	8,179,923	(163,725)	(260,000)	(423,725)	(3.00)	7,756,198	-5.18%
State Board of Elections	3,124,003	1,791,936	0	1,791,936		4,915,939	57.36%
State Budget and Management	4,432,863	(216,753)	0	(216,753)	(3.00)	4,216,110	-4.89%
State Budget and Management -- Special	3,080,000	50,000	0	50,000		3,130,000	1.62%
State Controller	10,071,064	(351,613)	0	(351,613)		9,719,451	-3.49%
Treasurer - Operations	8,066,505	(488,721)	0	(488,721)		7,577,784	-6.06%
Treasurer - Retirement / Benefits	7,131,179	350,000	0	350,000		7,481,179	4.91%
Total General Government	333,393,943	(9,000,010)	(2,160,000)	(11,160,010)	(40.27)	322,233,933	-3.35%
Transportation	12,872,739	(1,469,939)	0	(1,469,939)	0.00	11,402,800	-11.42%
Statewide Reserves and Debt Service:							
Debt Service:							
Interest / Redemption	498,993,307	4,689,376	0	4,689,376		503,682,683	0.94%
Federal Reimbursement	1,155,948	0	0	0		1,155,948	0.00%
Subtotal Debt Service	500,149,255	4,689,376	0	4,689,376	0.00	504,838,631	0.94%
Statewide Reserves:							
State Health Plan	0	151,225,000	0	151,225,000		151,225,000	
Retiree Health Benefit	0	36,800,000	0	36,800,000		36,800,000	
Retirement System Contributions	0	154,200,000	0	154,200,000		154,200,000	
Compensation Increases	0	45,550,000	0	45,550,000		45,550,000	
Transfer of Various Benefit Plans	0	(1,000,000)	(12,000,000)	(13,000,000)		(13,000,000)	
Contingency and Emergency Fund	5,000,000	0	0	0		5,000,000	
Salary Adjustment Fund	500,000	4,000,000	0	4,000,000		4,500,000	
MH/DD/SAS Trust Fund	0	0	0	0		0	
HIPAA Implementation	0	0	0	0		0	
Subtotal Statewide Reserves	5,500,000	390,775,000	(12,000,000)	378,775,000	0.00	384,275,000	
Total Reserves and Debt Service	505,649,255	395,464,376	(12,000,000)	383,464,376	0.00	889,113,631	75.84%

	Governor's Proposed 2004-05 Base Budget	Recurring Adjustments	Nonrecurring Adjustments	Net Changes	FTE Changes	Fiscal Year 2004-05 Appropriation	Percentage Change
Total General Fund for Operations	16,008,250,667	(426,977,870)	(75,944,509)	(502,922,379)		15,505,328,288	-3.14%
<u>Other General Fund Expenditures:</u>							
Capital Improvements	0	0		0		0	
Repairs and Renovations	0	0	0	0		0	
Total Other General Fund Expenditures	0	0	0	0	0.00	0	
Total General Fund Budget	16,008,250,667	(426,977,870)	(75,944,509)	(502,922,379)	(26.23)	15,505,328,288	-3.14%

EDUCATION

Public Education

		GENERAL FUND	
		FY 2003-04	FY 2004-05
Recommended Budget		\$6,086,682,250	\$6,211,172,835
Legislative Changes			
A. State Public School Fund - Adjustments			
1 Average Daily Membership (ADM)		(\$12,561,172) R	(\$30,753,953) R
Revise projected increase in ADM for FY 2003-04 to reflect (3,210) fewer students than originally projected. Dollar amount of reduction includes decrease to all position, dollar, and categorical allotments.			
Total funded ADM for FY 2003-04 is 1,342,806, an increase over FY 2002-03 of 15,941.			
Due to downward adjustment in ninth grade ADM, reduce receipts from Highway Fund budgeted for Driver's Education by (\$199,298) in FY 2003-04 and (\$170,291) in FY 2004-05.			
2 Budgeted Average Salary		(\$37,352,516) R	(\$68,781,087) R
Revise budgeted funding for certified personnel salaries based on actual salary data from December 2002. Adjustment does not decrease any salary paid to certified personnel.			
3 Exceptional Children		(\$2,934,637) R	(\$2,934,637) R
Revise budgeted funding for children with special needs to reflect actual April 1, 2003 headcount. Continuation budget was based on projected headcount. Adjustment does not reduce funding per child.			
4 Principals		(\$6,269,239) R	(\$6,269,239) R
Revise allotment to LEAs for Principals to reflect projected 2,242 schools for FY 2003-04 and 2,302 schools for FY 2004-05.			
		-83.00	-83.00
5 Assistant Principal Allotment		(\$5,061,578) R	(\$5,061,578) R
Revise allotment to LEAs for Assistant Principals to reflect funding only of certified personnel. Continuation budget included funds for 131 Assistant Principal Intern positions which are eliminated.			
		-131.00	-131.00
6 Teacher Assistants		(\$2,349,271) R	(\$2,349,271) R
Revise dollar allotment for Teacher Assistants to be in accordance with Public Schools allotment formula of \$828.45 per ADM. Continuation budget reflected an increase based on additional funds per student.			

Overview: 2003 Session Fiscal and Budgetary Actions

	FY 2003-04		FY 2004-05	
7 At-Risk Student Services	(\$852,723)	R	(\$852,723)	R
Revise portion of categorical allotment for At-Risk Student Services that is based on number of students in poverty to reflect a 1% decrease in this population, as per most recent estimates.				
8 School Resource Officers	(\$151,352)	R	(\$302,704)	R
Revise funding for School Resource Officers to reflect opening of four fewer new high schools in FY 2003-04 than originally projected. This revision anticipates 16 new high schools per year for FY 2003-04 and FY 2004-05.	-4.00		-8.00	
9 Personnel Services	(\$3,715,895)	R	(\$3,715,895)	R
Revise budgeted reserve for workers compensation/short term disability based on actual expenditures in FY 2001-02 and FY 2002-03 year-to-date expenditures.				
B. State Public School Fund - Reductions				
10 Central Office Administration	(\$1,949,154)	R	(\$1,949,154)	R
Reduce allotment to LEAs for Central Office Administration by 2%.	-26.00		-26.00	
11 Classroom Materials, Supplies, & Equipment	(\$2,497,619)	R	(\$2,497,619)	R
Reduce dollar allotment for Materials, Supplies, & Equipment to reflect funding of FY 2003-04 ADM at dollars-per-ADM ratio budgeted in FY 2002-03. Eliminate inflationary increase in dollars-per-ADM ratio reflected in FY 2003-04 continuation budget.				
12 Formula for PSAT Funding	(\$1,557,910)	R	(\$1,557,910)	R
Reduce funding for PSAT by restoring allotment rate to FY 2001-02 level of \$2.69 per eighth and ninth grade ADM.				
13 Textbooks	(\$3,990,911)	R	(\$3,990,911)	R
Reduce dollar allotment for Textbooks to reflect funding of FY 2003-04 ADM at dollars-per-ADM ratio budgeted in FY 2002-03. Eliminate inflationary increase in dollars-per-ADM ratio reflected in FY 2003-04 continuation budget.				
14 Non-Instructional Support	(\$13,000,000)	R	(\$13,000,000)	R
Reduce the allotment to LEAs for clerical and custodial support by \$13 million. Continue funding for substitute teachers at FY 2002-03 level.	-533.00		-533.00	
15 Technology Fund	(\$2,500,000)	NR		
Reduce appropriation for State School Technology Fund.				

Overview: 2003 Session Fiscal and Budgetary Actions

FY 2003-04

FY 2004-05

16 School Bus Replacement

Revise school bus replacement schedule for FY 2003-04 to reflect replacement of 692 buses with a three-year lease purchase contract.

(\$11,000,000) NR

17 Transportation

Reduce allotment to LEAs for mechanics, garage operations, fuel costs, parts, bus drivers' salaries and benefits, and other operational costs for school bus operations.

(\$5,000,000) NR

18 School Bus Driver Physicals

Eliminate appropriation for bus driver physicals. The Department of Transportation has eliminated the requirement that school bus drivers receive physicals.

(\$560,000) R (\$560,000) R

19 Bonding of Fiscal Officers

Eliminate funds allotted to LEAs for bonding of fiscal officers.

(\$48,944) R (\$48,944) R

20 School Breakfast Program

Reduce funds for no-cost breakfast for kindergarten students who do not qualify for free or reduced lunch to align funding with anticipated pattern of utilization.

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

21 Department of Public Instruction

Reduce appropriation for Department of Public Instruction by 1%. Department has flexibility to determine what budget items are reduced.

(\$311,331) R (\$311,331) R

22 Local Education Agency Discretionary Reduction

Reduce funds allotted by the State Board of Education to local education agencies (LEAs), who will have discretion in determining what budget items are reduced. The State Board shall distribute the reduction based upon average daily membership (ADM) and shall require allotment reductions in this amount within 30 days of budget passage for FY 2003-04 and by September 1, 2004 for FY 2004-05. By August 15, 2004, for FY 2005-06 and subsequent fiscal years, the State Board shall determine changes to the allotment categories that will make the \$44,291,248 reduction permanent. These changes will be subject to the approval of the General Assembly.

(\$44,291,248) R (\$44,291,248) R

LEA flexibility to adjust budgets precludes identification of number of positions that will be affected by this reduction.

23 Vocational Education

Reduce categorical allotment to LEAs for Vocational Education.

(\$8,000,000) R (\$8,000,000) R

-173.18

-173.18

Overview: 2003 Session Fiscal and Budgetary Actions

	FY 2003-04		FY 2004-05	
24 Vocational Education Program Support	(\$448,038)	R	(\$448,038)	R
Reduce categorical allotment to LEAs for Vocational Education Program Support.				
25 Teacher Assistants	(\$8,000,000)	R	(\$8,000,000)	R
Reduce dollar allotment to LEAs for Teacher Assistants.				
26 Teachers and Instructional Support On-Loan	(\$746,384)	R	(\$746,384)	R
Reduce funding for teachers and instructional support on-loan from LEAs to the Department of Public Instruction to align with level of utilization in FY 2002-03.	-16.50		-16.50	
27 At-Risk Student Services	(\$352,819)	R	(\$352,819)	R
Reduce categorical allotment for At-Risk Student Services by 50% of the adjusted continuation budget increase in FY 2003-04.				
28 Testing	(\$1,000,000)	R	(\$1,000,000)	R
Reduce appropriation for testing to reflect increase in federal receipts for that purpose.				
29 ADM & Charter School Contingency Reserves	(\$1,405,501)	R	(\$1,405,501)	R
Combine ADM Contingency Reserve (\$6,000,000) & Charter School Contingency Reserve (\$2,405,501) into one reserve that can be used to address unexpected increases in either Public School or Charter School ADM. Reduce consolidated reserve.				
C. Reductions to Other Funds				
30 Literary Loan Fund				
Utilize cash balance in Literary Loan Fund for public school operations.	(\$1,000,000)	NR		
D. Expansion				
31 ABC Bonuses				
Provide funding for ABC bonuses for schools that in FY 2002-03 meet or exceed expected growth.	\$96,000,000	NR		
32 Second Grade Class Size	\$25,303,294	R	\$25,303,294	R
Provide funds to support reduction of the teacher to student allotment ratio for second grade from 1:20 to 1:18.	571.00		571.00	
33 Low Wealth Supplemental Funding	\$5,000,000	R	\$5,900,000	R
Increase categorical allotment for Low Wealth Supplemental Funding.				

Overview: 2003 Session Fiscal and Budgetary Actions

	FY 2003-04		FY 2004-05	
34 Small County Supplemental Funding	\$1,000,000	R	\$1,900,000	R
Increase categorical allotment for Small County Supplemental Funding.				
35 LEA Assistance Program and Aid to Implement No Child Left Behind	\$500,000	R	\$500,000	R
Provide funds to DPI to establish an assistance program for LEA's that are identified by the State Board of Education as low-performing and to assist in meeting Adequate Yearly Progress requirements of the federal No Child Left Behind legislation.				
36 Financial Literacy Pilot Program	\$73,000	NR		
Provides funds to the State Board of Education to establish a pilot program to assist LEAs in teaching personal financial literacy.				
37 ExplorNet	\$200,000	R	\$200,000	R
Provide increased funds to support ExplorNet, a non-profit organization that promotes effective use of information technology in the public schools.				
Total Legislative Changes	(\$128,204,948)	R	(\$176,177,652)	R
	\$76,573,000	NR		
Total Position Changes	-395.68		-399.68	
Revised Budget	\$6,035,050,302		\$6,034,995,183	

Special Provisions

2003 Session: HB 397

Department: Public Education

Section: 7.1

Title: Teacher Salary Schedules

Summary Sets forth teacher salary schedules for 2003-04 identical to those in effect for 2002-03.

Section: 7.2

Title: School-Based Administrator Salary Schedule

Summary Sets forth salary schedules for principals and assistant principals for 2003-04 identical to those in effect for the 2002-03 fiscal year. Subsection (l) limits the payment to masters degree students serving as interns to an amount paid (including fellowship funds) to a beginning assistant principal, effective with the 2004-05 fiscal year.

Section: 7.3

Title: Central Office Salaries

Summary Sets forth salary ranges for central office personnel that have been in effect since 2001-02. Provides for one-time lump-sum payment of \$550 for these personnel on October 1, 2003.

Section: 7.4

Title: Noncertified Personnel

Summary Provides for one-time lump-sum payment of \$550 for these personnel paid from the General Fund on October 1, 2003. Provides for a pro rata payment to part-time employees based on hours worked.

Section: 7.5

Title: Reserve for Experience Step Increase for Teachers and Principals in Public Schools

Summary Sets out one-time bonuses for teachers, assistant principals, and principals who are at the top of their salary schedule and not eligible for experience step increases.

Section: 7.6

Title: Supplemental Funding in Low-Wealth Counties

Summary Continues formula for determining eligibility for and distribution of funds appropriated for supplemental funding for public schools in low-wealth counties. Technical changes are made to comply with changes in tax laws effective July 1, 2003.

Section: 7.7

Title: **Small School System Supplemental Funding**

Summary Continues formula for determining eligibility for and distribution of funds appropriated for supplemental funding for public schools in small counties (as determined by the number of students in the public schools). Increases are made in the base allotment for supplies and materials to \$614,148 for 2003-04 and to \$647,481 for 2004-05 to reflect the increases in appropriations made to this funding category over the biennium.

Section: 7.8

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

Summary Provides \$1.956 million annually to improve student achievement in the State's chronically low-performing schools. Strategies include lowering class sizes in these schools, extending teachers' contracts in these schools, and providing additional days of instruction. The State Board of Education has discretion on which strategies are most appropriate for implementation in these schools.

Section: 7.9

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

Summary Continues lower class sizes in grades K-3 at 1 to 15 in 37 schools with 80% of children eligible for free or reduced price lunch and 45% or more performed below grade level, as identified in 1999-00.

Funds provide additional teachers, extended calendar for teachers and students, and one additional instructional support position for each school. No State teacher assistant funds are provided to these schools, but there is no prohibition the use of teacher assistants at these schools.

Program for these schools began in 2001-02.

Section: 7.10

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

Summary Sets forth requirements for high-priority schools in Section 7.9 to meet growth expectations in student achievement.

Provides \$500,000 annually to evaluate the use of resources provided to high-priority schools and the effectiveness of the initiatives on student achievement.

Section: 7.11

Title: **At-Risk Student Services/Alternative Schools**

Summary Allows NC Department of Public Instruction to use \$200,000 from appropriated funds to comply with reporting requirements on alternative schools as required is GS 115C-12(24).

Section: 7.12

Title: **Additional Teacher Positions for the Second Grade**

Summary Lowers class size limits for second grade by two students in 2003-04, based on an allotment ratio of one teacher for every 18 second grade students. States that additional teachers provided in this budget must be used in grade 2 for 2003-04.

Section: 7.13

Title: **Children with Disabilities**

Summary Specifies the number of students funded (164,167) and the State appropriation per funded student (\$2,670.28) for 2003-04.

Section: 7.14

Title: **Funds for Academically Gifted Students**

Summary Specifies that 4% (53,712) of allocated average daily membership shall be funded, at an appropriation amount of \$884.55 per funded student.

Section: 7.15

Title: **Students with Limited English Proficiency**

Summary Restates the guidelines for distribution of these funds. Adds a new subsection requiring the State Board of Education to study its distribution formula and to report its review and any recommendations to the Joint Legislative Education Oversight Committee by November 15, 2003.

Section: 7.16

Title: **Funds to Implement the ABCs of Public Education**

Summary Directs State Board of Education to use funds appropriated in 2003-04 to provide incentive bonuses to certified personnel and teacher assistants earning performance pay for 2002-03. Awards are continued at the same levels as previous year.

Allows State Board to use other funds to provide assistance teams to low-performing schools.

Clarifies termination of pilot program on performance of subgroups due to federal requirement of subgroup performance in determining Adequate Yearly Progress. States intent of General Assembly to provide an incentive to close the achievement gap among subgroups of students as measured by Adequate Yearly Progress.

Section: 7.17

Title: **LEA Assistance Program**

Summary Directs the use of \$500,000 in new funds for assistance teams to help low-performing local school systems and to help schools to meet adequate yearly progress goals in each subgroup of students identified by the No Child Left Behind federal legislation of 2001.

Section: 7.18

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

Summary Directs allocation of funds to school systems based on the number of students performing below grade level on end-of-grade tests in grades 3-8. Funds must be used to improve academic performance of students performing below grade level.

Funds must be allocated to the local school systems within 30 days of the budget bill becoming law, and funds are to remain available until August 31 after the end of the fiscal year for which the funds were appropriated.

Section: 7.19

Title: **Funds for Teacher Recruitment Initiatives**

Summary Allows use of up to \$200,000 by State Board of Education to obtain advice from specially recognized teachers on teacher recruitment.

Section: 7.20

Title: **Recruitment and Retention Initiatives to Address Teacher Shortages**

Summary Provides for continued payment of \$1,800 bonuses to teachers certified in mathematics, science or special education teaching in middle or high schools with 80% of students eligible for free or reduced price lunch or with 50% of students performing below grade level on end-of-course tests in Algebra I and Biology.

Changes state certification law to make it easier to recruit and hire teachers from other states.

Requires State Board of Education to review required minimum scores on teacher licensing examinations in North Carolina.

Changes law dealing with lateral entry teachers to align with federal requirements, and requires colleges providing training to these lateral entry teachers to offer a more uniform and consistent curriculum. Requires State Board to report on changes in curriculum requirements for lateral entry teachers to the Joint Legislative Education Oversight Committee by July 1, 2004.

Section: 7.21

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

Summary Allows Department of Public Instruction to use of up to \$1 million in State Public School Fund appropriations to purchase or lease equipment for implementation on new NCWISE student information system. States that funds appropriated for this system do not revert over the biennium.

Section: 7.22

Title: **Litigation Reserve Funds**

Summary Allows expenditure of up to \$500,000 per year from lapsed salaries for legal expenses on pending lawsuits.

Section: 7.23

Title: **Local Education Agency Flexibility**

Summary Directs that the flexible budget reduction be distributed to each local school system based on the number of students.

Requires each local school system to identify the areas to be reduced each year of the biennium by September 1.

Requires the State Board of Education to determine which allotment categories to reduce on a permanent basis for the proposed continuation budget for the 2005-07 biennium. The areas to be reduced are subject to approval by the 2005 General Assembly in the budget process.

Section: 7.24

Title: **Base Budget Reduction to Department of Public Instruction**

Summary Allows budget flexibility to Department to implement base budget reductions for 2003-04.

Section: 7.25

Title: **Replacement School Bus Funds/Safety Rules for School Activity Buses**

Summary Outlines authority for State Board of Education to use funds appropriated for replacement of school buses for lease purchase of buses, to be financed for no more than 3 years.

Requires the State Board of Education to study the adequacy of safety rules and policies of local boards of education regarding the use of school activity buses, and to report the result by March 15, 2004.

Section: 7.26

Title: **Expenditures for Driving Eligibility Certificates**

Summary Allows use of driver education funds for these required certificates.

Section: 7.27

Title: **Discrepancies Between Anticipated and Actual ADM**

Summary Allows State Board of Education to use other appropriated funds should appropriations in the ADM Contingency Reserve be inadequate to meet the needs of the local school systems as allowed under the Board's policies.

Sets policy that a local school system that is under enrolled by 2% or 100 students when compared to the allotted enrollment shall have its allotments reduced, based on the higher of the first or second month's enrollment plus an allowance of 50% of the under enrollment.

Section: 7.28

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

Summary Continues authority to use \$50,000 each year to support a charter school advisory committee and the evaluation of charter schools.

Section: 7.29

Title: **Study of Issues Related to Rapid Growth in Student Population**

Summary Requires the Joint Legislative Education Oversight Committee to research policy and funding issues facing local school systems whose enrollments are growing rapidly.

Section: 7.30

Title: **Mentor Teachers May Be Used for Full-Time Mentors**

Summary Requires the State Board of Education to grant flexibility to local school systems in their use of funds available for mentoring first and second year teachers, upon submission and approval of a local plan for providing the mentoring support services. State Board of Education is to adopt standards for mentor training.

Allows 3 school systems to continue with their current pilot projects.

Sets up reporting requirements and evaluation of various methods used to provide mentoring services.

Section: 7.31

Title: **ExplorNet Audit**

Summary Restricts disbursement of funds provided to ExplorNet, Inc. until a clean audit for 2001-02 is available and approved by the State Auditor.

Section: 7.32

Title: **School Nurse Services**

Summary Requires State Board of Education to study standards for the number of school nurses, and to make recommendations to the Joint Legislative Education Oversight Committee by February, 15, 2004.

Section: 7.33

Title: **Transfer of Public School Capital Fund**

Summary Transfers administration of Public School Building Capital Fund from the Office of State Budget and Management to the Department of Public Instruction.

Section: 7.34

Title: **Funds for Regional Education Services Alliances**

Summary Allows more flexibility to local school systems to contract with regional services allowances for staff development services.

Section: 7.35

Title: **Pilot Programs on Financial Literacy**

Summary Requires State Board of Education to establish curriculum and guidelines for local school systems to use in implementing instruction in personal financial literacy.

State Board must establish a pilot program in up to five local school systems. The Board must report on implementation by January 1, 2004.

Section: 7.36

Title: **Credit for High School Students Taking Community College Courses**

Summary Requires State Board to study weighted credit for high school students taking university and community college courses.

Section: 7.37

Title: **Vocational Education Funding**

Summary Expresses intent of the General Assembly to phase out vocational education in the 7th grade. Budget reductions for this biennium must be taken from 7th grade efforts prior to reducing efforts in grades 8-12.

For 2004-05 and subsequent years allocation of funds will be based on enrollment in grades 8-12.

Section: 7.39

Title: **Review of Teacher Certification Process**

Summary Makes changes in 2002 Session Law to conform with elimination of portfolio requirement for initially licensed teachers during 2003 Session. Shifts responsibility to examine certification process from an outside consultant to the State Board of Education, and changes the date for a final report from January 1, 2004 to March 15, 2004.

Section: 7.40

Title: **Enhancement of Character and Civic Education Program**

Summary Encourages high schools and middle schools to have elected student councils and discussions of current events in class.

Encourages local boards of education to provide anti-violence messages in safe school efforts, and to provide opportunities for community service.

Directs State Board of Education to consider a character and civic education component in the School-Based Management and Accountability Program.

Section: 7.41

Title: **Visiting International Faculty**

Summary Sets out position-to-dollars conversion rate for contract international teachers.

UNC System

		GENERAL FUND	
		FY 2003-04	FY 2004-05
Recommended Budget		\$1,836,352,141	\$1,857,413,185
Legislative Changes			
UNC			
38 Reduction in Continuation Budget Increase	(\$2,000,000) R	(\$2,000,000)	R
Reduce the amount requested by the UNC system for continuation increases. Some of the categories for reduction of inflationary or other types of continuation increases include utilities, building reserves, equipment and vehicle replacements.			
39 One-Time Flexibility Reduction for Campuses	(\$13,889,896) NR		
It is recommended by the Governor that the 2003-04 continuation budget be reduced by approximately .77% for each of the sixteen campuses and UNC General Administration. These are to be management flexibility reductions.			
40 Flexibility Reduction for Campuses	(\$44,768,948) R	(\$44,768,948)	R
The Governor recommends a 3% management flexibility reduction for the sixteen campuses and UNC General Administration.			
41 Flexibility Reduction for Special Campuses	(\$3,094,989) R	(\$3,094,989)	R
The Governor recommends a reduction of 1.5% for the NC School of Science and Math, the Area Health Education Centers (AHEC), and UNC Hospitals. These are management flexibility reductions.			
42 Escheat Fund Offset	(\$13,500,000) R	(\$13,500,000)	R
The Governor recommends reducing a portion of the General Funds used to pay for the UNC need-based scholarship program by using funds from the Escheat Fund. This is not a true cut, but rather a swap of funding sources to pay for scholarships for need-based aid.			
43 Regular Term Enrollment Growth	\$46,590,409 R	\$46,590,409	R
The Governor recommends full funding of the UNC Board of Governors' enrollment growth request. It estimates an increase of 6,123 full-time equivalent (FTE) students or 4.5% to 152,991 FTE in 2003-04. Of this amount \$500,000 shall be used to fund the enrollment increases at the NC School of Science and Math.			
	518.00	518.00	

Overview: 2003 Session Fiscal and Budgetary Actions

	FY 2003-04		FY 2004-05	
44 Tuition Increase	(\$24,000,000)	R	(\$24,000,000)	R
The UNC Board of Governors shall increase resident and nonresident tuition rates by 5% for the next academic year. These receipts shall be used to partially offset the cost of funding the UNC enrollment growth. There is a \$500 limit on the tuition increase for the 2003-04 year for out-of-state students enrolled in professional schools at the graduate level.				
45 Aid to Private College Enrollment Growth	\$2,800,000	R	\$2,800,000	R
Regular Term Enrollment projections from the NC Association of Independent Colleges and Universities indicate an increase in enrollment for 2003-04 over the current budgeted FTE students. Based upon their estimate, enrollment is projected to increase by 1,300 FTE.				
46 Need-Based Financial Aid Growth				
The Governor recommends adding \$10,250,000 to the need-based UNC students financial aid program. This amount shall be funded from the Escheat Fund.				
47 Self-Supporting Supercomputer Services	(\$500,000)	NR		
Reduces funds for one year to purchase supercomputer services from MCNC and moves to fee for service.				
48 Strategic Initiative Reserve	\$1,000,000	R	\$1,000,000	R
Enhance the UNC System President's Strategic Initiative Reserve.				
49 Reduce Inflationary Increases	(\$1,600,000)	R	(\$1,600,000)	R
Eliminates the continuation budget increases included in the Governor's recommended budget for aid to private medical schools, medical and dental scholars programs. This would keep these budgets at the same level of funding available for this year.				
50 UNC-Charlotte Doctoral Transition and Teacher Ed. Funds	\$200,000	R	\$200,000	R
Provides additional funds for UNC-Charlotte to become a Doctoral Intensive campus and for additional teacher education funds.				
51 Special Needs Institutions	\$1,000,000	R	\$1,000,000	R
Funds the Board of Governors' request for two campuses with unique missions and small size to continue those missions. These campuses are UNC-Asheville and NC School of the Arts.				
52 Articulation Agreement Study Funds	\$35,000	NR		
Provides partial funding to pay for an independent study of the UNC and Community College Articulation Agreement.				

Overview: 2003 Session Fiscal and Budgetary Actions

	FY 2003-04		FY 2004-05	
53 World View Funds	\$275,000	R	\$275,000	R
Appropriates \$275,000 for the World View program at UNC-Chapel Hill.				
54 Focused Growth Campus Funds	\$1,000,000	R	\$1,000,000	R
Provides additional funds to be evenly divided among the seven focused growth institutions to prepare for additional student enrollment growth.				
	\$4,000,000	NR		
55 Math Science Education Network	\$250,000	R	\$250,000	R
Provides funds for expansion of MSEN operations at Winston-Salem State University.				
56 School of Science and Math/College Scholarships			\$780,000	R
Provides a full tuition grant to all students who graduate from the NC School of Science and Math and who enroll full-time in a constituent institution of the University of NC. The program funds students graduating in the 2003-04 academic year.				
57 NC A&T State Matching Funds				
Provides funds for NC A&T State University to match federal funds to conduct agricultural research and Cooperative Extension Service work.				
	\$1,092,944	NR		
58 Engineering Start-Up Funds				
The University Board of Governors shall allocate \$300,000 to each of the following engineering programs for start up costs only if the Board of Governors has approved the new engineering degree programs:				
UNC-A (in conjunction with NCSU)				
WCU (in conjunction with UNCC)				
ECU.				
If all these funds are not necessary for these start-up costs, they shall revert to the General Fund by June 30,2004.				
	\$900,000	NR		
59 NCSU Structural Pest Control Training Center Operating Cost			\$82,000	R
Provides funds to NCSU for second year operating costs for a Structural Pest Control Training Center facility.				
Total Legislative Changes	(\$35,848,528)	R	(\$34,986,528)	R
	(\$8,361,952)	NR		
Total Position Changes	518.00		518.00	
Revised Budget	\$1,792,141,661		\$1,822,426,657	

Special Provisions

2003 Session: HB 397

Department: UNC System

Section: 9.1

Title: **UNC Flexibility Guidelines**

Summary Requires a report on the budget reductions taken by the sixteen campuses.

Section: 9.2

Title: **Escheat Funds**

Summary Uses Escheats fund in lieu of general funds for need-based financial aid program and adds an additional \$10.25 million to this program from the Escheats Fund

Section: 9.3

Title: **UNC Bond Project Modifications**

Summary Allowed several campuses to change the use of their bond funds, including the joint pharmacy school at ECSU and mold remediation at NCCU.

Section: 9.4

Title: **School of Science and Math/College Scholarships**

Summary Creates a new tuition scholarship program for graduates of the NC School of Science and Math beginning with the class graduating in the 2003-04 academic year. It only covers the cost of tuition at a NC public university.

Section: 9.5

Title: **Film Industry Feasibility Study**

Summary Directs the UNC Board of Governors to study the opportunities in the arts and entertainment industry for programs in this area in Forsyth county.

Section: 9.7

Title: **Area Health Education Center (AHEC) Funds**

Summary Directs the Board of Governors to allocate from funds appropriated \$24,000 each to the Wilmington and Region L AHEC regions to pay for information highway line charges for the 2003-04 fiscal year.

Section: 9.8

Title: **Funds for the TEACCH Program**

Summary Requires UNC-CH to spend \$187,000 for the TEACCH program each year of the 2003-05 biennium.

Section: 9.9

Title: **NC A&T State University/Allocate State Matching Funds for 2004-05 Fiscal Year**

Summary Requires the Board of Governors to allocate from funds appropriated \$1,092,944 to NC A&T State University in the second year of the biennium to match federal funds for conducting agricultural research and cooperative extension service work.

Section: 46A.3

Title: **Structural Pest Control Training Facility**

Summary Authorizes the issuance of up to \$310,000 of financing contract indebtedness to be used to construct and equip a structural pest control training facility at NC State University.

Community Colleges

		GENERAL FUND	
		FY 2003-04	FY 2004-05
Recommended Budget		\$671,476,663	\$671,285,977
Legislative Changes			
A. Formula Modifications			
60 Administrative Formula Adjustment	(\$9,727,983) R		(\$9,727,983) R
Reduces the enrollment allotment in the administrative formula from \$1,093 per FTE above 750 to \$1,075.50 per FTE above 750 (\$2,192,567). The State Board of Community Colleges may determine how the additional 3% reduction will be managed within the administrative formula (\$7,535,416).			
B. Categorical and Miscellaneous Programs			
61 Community Service Block Grant	(\$170,337) R		(\$170,337) R
Reduces the Community Service Block Grant to the 2001-02 actual expenditure level, from \$1.5 million to \$1,329,663.			
62 Summer Term	(\$3,588,812) R		(\$7,177,623) R
Phases out the Summer Term Block Grant over two years. In FY02-03, the summer term block grant will be reduced by 50%, from \$7,177,623 to \$3,588,812. In FY03-04, the block grant will be eliminated. Colleges can use regular term instructional funding to pay for summer term course offerings.			
63 Human Resource Development (HRD)	(\$1,995,665) R		(\$1,995,665) R
Phases out 50% of the Human Resource Development block grant over one year. HRD courses now earn budgeted continuing education FTE.			
64 Use of Cash Balance to Off-Set General Fund Appropriation	(\$4,095,415) NR		
Directs the State Board of Community Colleges to utilize existing cash balances to off-set a General Fund appropriation for NEIT for one-year.			
65 Academic Support Supplement	(\$3,000,000) R		(\$3,000,000) R
Reduces funding for the Academic Support Supplement from \$8,840,343 to \$5,840,343.			
66 Special Allotments	(\$48,945) R		(\$48,945) R
Eliminates the sawmill funding from the Special Allotments line item.			

67 Multi-Campus College Funding

\$300,000 R

\$300,000 R

Although the appropriation for multi-campus colleges has not changed since FY99-00, the per campus allotment has been reduced due to an increase in the number of campuses eligible for the funding. This appropriation provides additional funding in order to increase the per campus allotment to FY01-02 levels. The State Board shall allocate to each college with multi-campus designation the sum of \$102,591 per campus. Colleges with campuses that will come on-line during the fiscal year shall receive a pro-rata share of the per campus allotment. Funds remaining in the line item at the end of the year shall revert.

68 Hickory Metropolitan Higher Education Center

Provides a non-recurring grant-in-aid to the Hickory Metropolitan Higher Education Center.

\$474,750 NR

69 Public Radio

Provides non-recurring funds to be divided equally among the colleges that currently operate public radio stations.

\$200,000 NR

70 Automotive Training Incentive

Provides a one-time grant to match a donation from the North Carolina Automotive Dealers Association to fund an incentive program.

\$125,000 NR

71 Middle College Start-Up Funds

Provides start-up funds for a Middle College program at Edgecombe Community College provided private funds are not made available for this purpose. If private funds are obtained, these funds shall revert to the General Fund by June 30, 2004.

\$300,000 NR

72 Youth Development Center Scholarships

Provides funding to the NC Community College Foundation for community college scholarships for students who have completed their commitment to a Youth Development Center operated by the NC Department of Juvenile Justice and Delinquency Prevention and who have obtained a high school diploma or its equivalent.

\$100,000 NR

73 Comprehensive Articulation Agreement Study

Provides 50% of the funding for an independent study of the Comprehensive Articulation Agreement.

\$35,000 NR

74 Regional Continuing Education Center

Provides non-recurring funds for the Enka Campus of A-B Tech.

\$814,000 NR

75 Community College Instructional Trust Fund

Provides matching funds from the Escheat Fund for colleges who have raised at least \$25,000 in private donations for their Foundation. The State will provide one dollar for every two dollars raised, up to \$25,000 per college. State matching funds shall only be used for scholarships or financial aid for needy students.

76 Fayetteville Tech Botanical Lab

\$300,000	R	\$300,000	R
-----------	---	-----------	---

Provides a recurring appropriation for the operation of the Botanical Lab.

C. Management Flexibility**77 Management Flexibility Reserve**

(\$11,237,420)	R	(\$11,237,420)	R
----------------	---	----------------	---

Allows the State Board of Community Colleges to distribute discretionary reductions to the colleges and allows individual colleges the flexibility to adjust their budget to implement the reduction.

D. System Office**78 System Office**

(\$102,539)	R	(\$102,539)	R
-------------	---	-------------	---

The Governor recommends a 1% reduction to the System Office. This item reduces the System Office Budget (excluding CIS and Financial Aid) by \$102,539.

E. Tuition, Enrollment, and Financial Aid**79 Need-Based Financial Aid**

(\$7,062,806)	R	(\$7,062,806)	R
---------------	---	---------------	---

The Governor has recommended using interest earned on the Escheat Fund for financial aid in the universities and community colleges. This reduction eliminates the General Fund appropriation for Need-Based Financial Aid. Funding for community college need-based financial aid will be provided at the same level from the Escheat Fund.

80 Tuition Increase

(\$3,200,000)	R	(\$3,200,000)	R
---------------	---	---------------	---

Increases curriculum tuition by 3.2%, from \$34.25 per credit hour to \$35.50 per credit hour. Full-time students will pay \$568 per semester or \$1,136 per year (Fall and Spring).

81 Additional Funds for Need-Based Financial Aid

Provides an additional \$3.2 million for need-based financial aid for FY03-04 and FY04-05 to be funded from the Escheat Fund. A special provision in the university part of the budget appropriates the funds.

82 Enrollment Growth

\$32,036,563	R	\$32,036,563	R
--------------	---	--------------	---

Fully funds the community college enrollment request.

Overview: 2003 Session Fiscal and Budgetary Actions

FY 2003-04

FY 2004-05

83 Over-realized Receipts

Increases the amount budgeted for receipts by \$3,000,000.

(\$3,000,000) NR

Total Legislative Changes

(\$7,497,944) R

(\$11,086,755) R

(\$3,051,000) NR

Total Position Changes

Revised Budget

\$660,927,719

\$660,199,222

Special Provisions

2003 Session: HB 397

Department: Community Colleges

Section: 8.1

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% system wide.

Section: 8.2

Title: Flexibility to Implement Budget Reductions

Summary Allows the State Board to transfer funds within the System Office budget to implement budget reductions.

Section: 8.3

Title: State Board of Community College Management Flexibility

Summary Follows the Management Flexibility Reduction. Requires the State Board to report to the Office of State Budget and Management and the Fiscal Research Division by December 31, 2003, on all reductions made by the colleges to achieve this reduction. Requires the State Board to determine by February 15, 2004, what changes to the allotment categories are necessary to make the reductions permanent.

Section: 8.4

Title: Registration Fees for Occupational Continuing Education or Focused Industrial Training

Summary Allows the State Board of Community Colleges to use up to \$100,000 to pay registration fees and material costs for Continuing Ed or FIT safety courses to companies who cannot afford to offer them.

Section: 8.5

Title: Summer School Funding

Summary Encourages the colleges to use summer school funding to address issues associated with worker shortages in high needs areas such as health care, technology, public service, and child care.

Section: 8.6

Title: Carryforward for Equipment

Summary Allows the State Board of Community Colleges to carry forward up to \$5 million from FY 02-03 to the Equipment Reserve Fund.

Section: 8.7

Title: Hosiery Center Funds

Summary Allows the Hosiery Center to keep fees collected by the Center for product testing; exempts purchases using those fees from State purchasing requirements.

Section: 8.8

Title: **Scholarships for Prospective Teachers**

Summary Allows the State Board to use up to \$1 million for a non-recurring grant to the NC Community College Foundation to match a donation from Glaxo Smith Kline. This provision was originally in the 2002 budget bill; however, funds were not available in FY02-03 for the match.

Section: 8.9

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: 8.10

Title: **Use of Literacy Funds for Literacy Labs**

Summary Allows any local community college to use up to 5% of Literacy Funds allocated to it to purchase computers for literacy labs. (Originally H.B. 294, S.B. 289)

Section: 8.11

Title: **Faculty and Professional Staff Salaries**

Summary Directs the State Board of Community Colleges to adopt rules to ensure that funds appropriated in the Reserve for Compensation Increases in Section 2.1 of S.L. 2003-284 are used only to move faculty and professional staff salaries to the respective national averages. Funds appropriated for this purpose may not be used for any other budget purpose.

Section: 8.12

Title: **Evaluation of the Comprehensive Articulation Agreement**

Summary Directs the Joint Legislative Committee on Education Oversight to hire an outside consultant to study the Comprehensive Articulation Agreement. Funds from the State Board of Community Colleges and from the University System will be used to fund the study.

Section: 8.13

Title: **Automotive Training Incentive**

Summary Follows funds appropriated for a nonrecurring grant to the NC Community College Foundation to match funds from the NC Automotive Dealers Association. Funds shall be used to provide incentive programming at colleges that offer Automotive Systems Technology.

Section: 8.14

Title: **Community Colleges Trust Fund**

Summary Establishes an Instructional Trust Fund to supplement funds raised by community college foundations to enhance the academic missions of community colleges. Every \$2 raised by a Foundation shall be matched by \$1 from the State, up to \$25,000 per college. Because funding for this program is coming from the Escheat Fund, State matching funds can only be used for scholarships or financial aid for needy students. Therefore, the State Board has the authority to audit the use of State matching funds to ensure that they are being used for no other purpose. (Originally S.B. 697)

Section: 8.15

Title: **Focused Industrial Training Funds**

Summary Allows the State Board of Community Colleges to transfer up to \$1.45 million from NEIT funds to FIT to cover the loss of funding normally appropriated from the Worker Training Trust Fund.

Section: 8.16

Title: **Tuition Modifications**

Summary Section 8.16 (a) changes the military tuition rates for the University System so that out-of-state military personnel shall only be charged the maximum tuition assistance available from the Department of Defense. This section does not apply to students attending community colleges. Section 8.16(b) amends G.S. 115D-39 by adding a new section that makes students lawfully admitted to the United States who attended a NC high school and graduated from a NC high school eligible for the in-state tuition rate at a community college.

Section: 8.16A

Title: **Tuition Modifications/Nonprofit Sponsorship of Community College Student**

Summary Allows nonprofit entities to sponsor up to five nonresidents of the United States at a NC community college. The nonprofit entity must assume financial responsibility for the student's tuition and associated fees. Students sponsored under this provision are eligible for the in-state tuition rate.
The State Board of Community Colleges must report on the implementation of the section to the Joint Appropriations Committees in April of 2004.

HEALTH & HUMAN SERVICES

Health and Human Services

		GENERAL FUND	
		FY 2003-04	FY 2004-05
Recommended Budget		\$3,965,935,975	\$4,419,217,246
Legislative Changes			
(1.0) Division of Aging			
1 Home and Community Care Block Grant Services	(\$1,000,000) R	(\$1,000,000) R	
Reduces state funds for the Home and Community Care Block Grant.			
2 Funds for Senior Centers	\$100,000 R	\$100,000 R	
Provides funds for Senior Center Outreach and Development.			
(2.0) Division of Social Services			
3 Contract Reductions/Eliminations	(\$213,180) R	(\$213,180) R	
Reduces contracts in the Children Services Section.			
Children's Home Society of N.C., Inc.	(\$7,000)		
General Baptist State Convention of N.C., Inc.	(\$3,836)		
N.C. Dept. of Justice	(485)		
North Carolina State University	(\$5,925)		
UNC-CH Child Welfare Education Collaborative	(\$58,561)		
UNC- Greensboro	(\$717)		
Resources for Change	(\$5,687)		
Children and Family Services	(\$8,630)		
Family and Children Resource Program	(\$31,608)		
Another Choice for Black Children	(\$8,125)		
Appalachian State University - Social Work Program	(\$6,375)		
UNC-CH Evaluation	(\$17,776)		
UNC-CH Medical Aspects Training	(924)		
Eliminates the following contracts:			
Eight (8) contracts for fingerprinting for criminal records checks	(\$27,775)		
Five (5) personal services contracts	(\$9,756)		
Eliada Homes	(\$20,000)		

Overview: 2003 Session Fiscal and Budgetary Actions

	FY 2003-04		FY 2004-05	
4 Maximize Federal Receipts for State/County SA	(\$5,632,980)	R	(\$5,632,980)	R
Reduces state funds historically used to fund State/County Special rates, that are allowable expenditures covered by Medicaid. Existing state funds will be transferred from the Division of Social Services to the Division of Medical Assistance to match federal funds to increase the Adult Care Home Personal Care Services Rate. This reduction will allow for an equal savings for State/County Special Assistance for counties. (HB 397, Section 10.52)				
5 Inflationary Adjustments	(\$438)	R	(\$884)	R
Reduces funds for inflation for the biennium.				
6 Child Caring Institutions	(\$710,546)	R	(\$710,546)	R
Reduces funds for Child Caring Institutions for uncompensated cost of care.				
7 Work First Electing Counties	(\$1,474,460)	R	(\$1,474,460)	R
Reduces excess funds for electing counties. (HB 397, Section 10.50)				
8 Welfare Automation Fund	(\$5,400,000)	NR		
Reduces funds for automation initiatives.				
9 State Maternity Home Fund	(\$400,000)	R	(\$400,000)	R
Replaces state funds with federal funds in the Temporary Assistance for Needy Families Block Grant. (HB 397, Section 5.1(a))				
10 State/County Special Assist. Rate Adjustment	\$3,000,000	R	\$3,000,000	R
Provides state funds for a rate increase for State/County Special Assistance recipients. Total funds required for the increase are \$6,000,000, with the state funding 50% and counties funding the remaining 50%.				
11 Personal Needs Allowance for SA Program	\$1,123,740	R	\$1,522,140	R
Increases the personal needs allowance for recipients of State/County Special Assistance by \$10 per month increasing the allowance from \$36 to \$46 per month.				
12 Foster Care/Adoption Assistance Rate Adjustment	\$3,000,000	R	\$3,000,000	R
Provides funds to increase rates \$50/month per category for Foster Care and Adoption Assistance payments. (HB 397, Section 10.46)				
13 Food Banks	\$1,000,000	NR		
Provides funding to be equally distributed to the regional network of food banks in North Carolina. (HB 397, Section 10.55)				
(3.0) Division of Facility Services				
14 Licensure and Inspection Fees	(\$2,185,738)	R	(\$2,185,738)	R
Implements fees for health care facilities (excluding Hospice and Emergency Medical Services) to pay for initial licensure and annual renewal. (HB 397, Sections 34.1 - 34.11)				

Overview: 2003 Session Fiscal and Budgetary Actions

	FY 2003-04		FY 2004-05	
15 Inflationary Adjustments	(\$272)	R	(\$558)	R
Reduces inflation for the biennium.				
(4.0) Division of Child Development				
16 Smart Start Local Partnership Funds	(\$7,739,536)	R	(\$7,739,536)	R
Reduces funding for local partnerships' activities. (HB 397, Section 10.38)				
17 Inflationary Adjustments			(\$4,181)	R
Eliminates noncritical inflation for the second year of the biennium.				
18 Professional Development Funds	(\$109,000)	R	(\$109,000)	R
Reduces the funds available for child care employees to improve their educational qualifications.				
19 Child Care Licensure Fees	(\$750,000)	R	(\$750,000)	R
Implements new fees for licensed child care centers and reduces state appropriations. (HB397, Section 34.12)				
20 Abuse and Neglect Teams	\$613,529	R	\$807,055	R
Expands the Division of Child Development's Abuse and Neglect Investigations Section by 15 staff. This expansion adds two teams to investigate licensed and unlicensed child care facilities, develop, monitor and enforce critical correction action plans, and investigate all reports of illegal child care facilities.				
	15.00		15.00	
(5.0) Office of Education Services				
21 Western School for the Deaf	(\$330,157)	R	(\$330,157)	R
Eliminates unnecessary positions at the WNCSD, positions include 3 vacant and .725 filled positions. Positions include one Painter, one Physical Therapist, .725 Administrative Officer I and 1.0 Computer Support Tech II.				
	-3.72		-3.72	
22 Inflationary Adjustments	(\$198,236)	R	(\$112,036)	R
Reduces inflationary adjustments deemed not critical to sustaining agency operations and services within the Office of Educational Services.				
23 Governor Morehead Preschool Program	(\$229,488)	R	(\$229,488)	R
Reduces the operating budget for the Governor Morehead Preschool Program.				
24 Eastern School for the Deaf	(\$341,204)	R	(\$341,204)	R
Eliminates positions at the Eastern School for the Deaf. Includes 5.50 full-time equivalent positions (3.5 vacant and 2 filled). Positions include 2 Residential Life Coordinators, 2.5 Educator II's, and 1 School Administrator I.				
	-5.50		-5.50	
25 Central School for the Deaf Maintenance	(\$202,989)	R	(\$202,989)	R
Reduces the maintenance budget for the closed Central North Carolina School for the Deaf.				

Overview: 2003 Session Fiscal and Budgetary Actions

	FY 2003-04		FY 2004-05	
26 Transportation Budget	(\$60,000)	R	(\$60,000)	R
Reduces the transportation budgets for the residential schools.				
(6.0) Division of Public Health				
27 Scientific and Other Supplies	(\$188,531)	R	(\$341,074)	R
Reduces inflationary increases for noncritical scientific and other supplies.				
28 Inflationary Adjustments	(\$1,759,264)	R	(\$3,402,630)	R
Reduces inflationary adjustments for purchase of medical care, energy, and utilities.				
29 Disease Intervention Specialists - Receipts	(\$112,101)	R	(\$112,101)	R
Reduces state appropriations for 14 positions and maximizes federal receipts to support these positions.				
30 State Center for Health Statistics - Receipts	(\$60,000)	R	(\$60,000)	R
Reduces state appropriations and maximizes federal and other receipts to support administrative costs.				
31 Pediatric Care Clinics - Receipts	(\$170,000)	R	(\$170,000)	R
Reduces state appropriations for pediatric primary care clinics within local health departments and replaces funds with federal and other funds.				
32 Women's and Children's Health Section - Receipts	(\$144,000)	R	(\$144,000)	R
Reduces state appropriations for the Sickle Cell Program, Community Transition Coordination, and Perinatal/Outreach and Education Training Program and maximizes federal receipts.				
33 Immunization Program- Receipts	(\$133,377)	R	(\$133,377)	R
Reduces state appropriations for four immunization program support positions and replaces funding with federal receipts.				
34 Unencumbered Contract Funds	(\$83,995)	R	(\$83,995)	R
Eliminates funds for the Area Health Education Center within the UNC School of Public Health. The funding supports health promotion training and workshop in the Office of Continuing Education.				
35 Closure of the Dusty Trades Program	(\$165,405)	R	(\$165,405)	R
Eliminates 3.25 vacant program positions that support the Dusty Trades Program. Positions include 1 Medical Records Clerk, and 2.25 Industrial Hygienists. (HB 397, Section 10.33)				
	-3.25		-3.25	
36 Home Health	(\$3,001,253)	R	(\$3,001,253)	R
Eliminates state funds for the purchase of home health services.				
37 Pregnancy Prevention Coalition of NC	(\$127,500)	R	(\$127,500)	R
Replaces state funds previously awarded to the North Carolina Pregnancy Prevention Coalition with federal funds from the Temporary Assistance for Needy Families (TANF) Block Grant.				
38 Farmers' Market Program	(\$156,630)	R	(\$156,630)	R
Eliminates the funding for the Farmers' Market Program.				

Overview: 2003 Session Fiscal and Budgetary Actions

	FY 2003-04		FY 2004-05	
39 Intensive Home Visitation Program	(\$500,000)	R	(\$500,000)	R
Eliminates funding for the Intensive Home Visitation Program.				
40 Child Fatality Task Force Staff	(\$64,429)	R	(\$64,429)	R
Eliminates one filled position and .20 FTE vacant position for the Child Fatality Task Force.	-1.20		-1.20	
41 Health Promotion Funding	(\$100,000)	R	(\$100,000)	R
Reduces health promotion funding.				
42 Regional Offices	(\$230,000)	R	(\$230,000)	R
Reduces funding for regional division offices and replaces funding with federal and other receipts.				
43 Pap Smear Fees	(\$1,050,000)	R	(\$1,050,000)	R
Increases the fees charged to local health departments for the processing of pap smear specimens. Local health departments currently pay for the price of the kit which is \$7.44 and the additional \$7.00 charge will partially cover the processing of the specimens. (HB 397, Section 34.13)				
44 Prevent Blindness	\$300,000	R	\$300,000	R
Provides funding for the National Society to Prevent Blindness-NC Affiliate, Inc. for the purpose of maximizing vision screenings of children in child care settings.				
45 Vital Records Improvement	\$500,000	NR		
Funds system upgrades for the automation and management of vital records within the Division of Public Health.				
46 Heart Disease and Stroke Prevention Task Force	\$100,000	NR		
Provides funding for activities performed by the Heart Disease and Stroke Prevention Task Force. (HB 397, Section 10.33B)				
47 Healthy Start Foundation	\$250,000	R	\$250,000	R
Provides funding to the Healthy Start Foundation for activities related to improving birth outcomes for families in North Carolina.				
48 Folic Acid Campaign	\$300,000	R	\$300,000	R
Provides funding for the state-wide folic acid campaign.				
49 Arthritis Prevention Program	\$25,000	NR		
Grant-in-aid for a private local project in in Mecklenburg County.				
50 Health Clinic	\$100,000	NR		
Grant-in-aid to Public Health Authority of Cabarrus County for the start up costs of a health clinic to serve the Latino community.				

(7.0) Division of Mental Health, Developmental Disabilities, and Substance Abuse Services**51 Reduce and Eliminate Contracts**

(\$894,053)

R

(\$894,053)

R

Eliminates State funds in the following contracts:

Eliada Homes, Inc. (\$156,752)

MH Association of NC (\$140,000)

Replaces Contracts with Block Grant Funds:

East Carolina University (\$124,282)

NC SA Professional Cert. Board (\$25,000)

Step One, Inc. (\$98,947)

Reduces State funds in the following contracts:

NC High School Athletics Assoc. (\$122,624)

Brain Injury Assoc. of NC (\$25,000)

Charlotte/Meck Hospital Author. (\$63,000)

UNC-CH Core Indicator Project (\$63,448)

UNC-CH School of Social Work (\$75,000)

None of the listed contracts provide direct services.

52 Inflationary Adjustments

(\$3,102,983)

R

(\$3,181,790)

R

Reduces inflation built into the continuation budget associated with utilities, vehicles, communications, and equipment. This reduction does not include inflation for direct care services in the state institutions.

53 Mental Retardation Center Outreach

(\$268,664)

R

(\$268,664)

R

Reduces expenditures for state-operated mental retardation centers by decreasing outreach expenditures by 15%.

54 Autism Funds

\$280,000

R

\$280,000

R

Provides funds for the operation of Residential Services Inc. to provide residential services to autistic children.

(8.0) Division of Medical Assistance**55 Revised Medicaid Forecast**

(\$219,006,684)

R

(\$321,567,979)

R

Reduces state appropriations for the Medicaid Program based on the revised forecast for SFYs 2003-04 and 2004-05.

56 Cost Avoidance Model for Pharmacy Claims

(\$5,593,400)

R

(\$9,588,686)

R

Establishes a cost avoidance model for pharmacy claims to ensure that claims are billed first to third-party insurers and Medicaid is the payer of last resort.

57 Inflationary Increases for Rate Based Services

(\$16,153,478)

R

(\$27,691,677)

R

Eliminates inflationary increases for the following fee-based services: hospitals, nursing facilities, physicians, other health care providers, dental, home health, ambulance, personal care, chiropractic, podiatry, optical, high risk intervention, durable medical equipment, home infusion therapy, adult care home personal care services, and ambulatory surgical centers.

Overview: 2003 Session Fiscal and Budgetary Actions

	FY 2003-04		FY 2004-05	
58 Inflationary Increases for Public Providers	(\$6,349,976)	R	(\$10,885,672)	R
Eliminates inflationary increases for the following public providers: health departments, area mental health programs, and county transportation services.				
59 Inflationary Increases for Fee Based Services	(\$19,132,403)	R	(\$32,197,738)	R
Eliminates inflationary increases for the following fee based services: outpatient hospital services, freestanding and rural health clinics, federally qualified health clinics, community alternative programs, lab and X-ray services, prescription drugs, case management, hearing aids, emergency room services, Medicare crossover payments, HMO premiums, hospice services, and adult care home transportation.				
60 Inflationary Adjustments	(\$8,583,439)	R	(\$13,231,168)	R
Eliminates the inflationary adjustments for the administrative operations of the Division of Medical Assistance.				
61 Drug Utilization Management	(\$26,238,779)	R	(\$36,738,779)	R
Expands implementation of the various drug implementation measures to contain the cost of prescription drugs.				
62 Medicaid Reserve Funds	(\$62,500,000)	NR	(\$62,500,000)	NR
Transfers funds from the G.S.143-23.2 reserve to support current services and to reduce appropriations. (HB 397, Section 10.20)				
63 State Transitional Medicaid Coverage	(\$412,322)	R	(\$21,135,628)	R
Eliminates twelve month State Transitional Medicaid Coverage for families and children who are working and no longer receiving welfare payment. Effective September 1, 2003. (HB 397, Section 10.19)				
64 Federal Fiscal Relief	(\$191,600,000)	NR		
Reduces state appropriations for the Medicaid Program based on the receipt of increased federal reimbursement under federal fiscal relief.				
65 Home Care Personal Care Services	\$3,001,253	R	\$3,001,253	R
Provides funds to maximize federal Medicaid matching funds for Home Care Personal Care Services.				
66 Carolina ACCESS II and III	\$1,000,000	R	\$1,000,000	R
Expands the Carolina ACCESS II and III programs to additional counties.				
(9.0) NC Health Choice				
67 NC Health Choice	\$12,166,372	R	\$18,114,915	R
Provides increased funding for NC Health Choice Program. (HB 397, Section 10.29)				

(10.0) Divisions of Services for the Blind and Services for Deaf & Hard of Hearing**68 Administrative Efficiencies**

(\$180,838)	R	(\$180,838)	R
-------------	---	-------------	---

Eliminates two filled and two vacant positions at the Division of Services for the Deaf and the Hard of Hearing. Consolidates further administrative functions within the Division and Department. Eliminates funding for the State-Wide Interpreter Classification Program which was made obsolete by G.S. 90D, The Interpreter/Transliterator Licensure Act. The following positions will be eliminated: 1.0 Computing Consultant II, 1.0 Staff Development Specialist II, 1.0 Administrative Officer II, and 1.0 Office Assistant III.

-4.00		-4.00	
-------	--	-------	--

69 State Assistance for the Blind

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

Reduces excess funding for Special Assistance for the Blind program.

(11.0) Division of Vocational Rehabilitation**70 Independent Living Program**

(\$300,000)	R	(\$300,000)	R
-------------	---	-------------	---

Reduces funding for the Independent Living Program to a level consistent with historical expenditures.

71 Inflationary Adjustments

(\$303,214)	R	(\$318,729)	R
-------------	---	-------------	---

Eliminates some of the inflationary adjustments for the Division of Vocational Rehabilitation. Motor vehicles and T1 line are specifically targeted.

(12.0) Office of the Secretary**72 Inflationary Adjustments - Controller's Office**

(\$1,044)	R	(\$2,127)	R
-----------	---	-----------	---

Eliminates inflationary increases for water and sewer, electricity, and natural gas utilities.

73 Division of Information Resource Management

(\$23,014,348)	R	(\$23,836,118)	R
----------------	---	----------------	---

Eliminates operating budget adjustments for the Division of Information Resource Management. Affects the following line items; data processing services, computer software, data processing supplies, maintenance agreements for data processing equipment and software, telecommunication data charges, and information technology services.

74 Vacant Position Elimination

(\$25,488)	R	(\$25,488)	R
------------	---	------------	---

Eliminate one HR Planner Supervisor II position in the Office of Research, Demonstration, and Rural Health. (This position is funded with 50% state funds and 50% federal funds)

-0.50		-0.50	
-------	--	-------	--

75 SIPS Rate Reduction

(\$3,000,000)	R	(\$3,000,000)	R
---------------	---	---------------	---

Requires the Department to renegotiate rates with SIPS for data storage and other data processing services.

Overview: 2003 Session Fiscal and Budgetary Actions

	FY 2003-04		FY 2004-05	
76 Group Home Tracking System	\$159,600	R	\$159,600	R
Funds the operating costs associated with compliance of G.S. 143B-139.1. General statute requires DHHS to track children placed in group homes and therapeutic foster care home settings. The funds will pay for data services and maintenance of a automated tracking system. (HB 397, Section 10.18A)				
77 More at Four	\$7,400,000	R	\$7,400,000	R
Expands the More At Four program by adding 2,400 slots to the program, bringing the total number of available slots to 10,000. The nonrecurring funding of \$1,200,000 will provide \$500 per slot for start-up expenses. (HB 397, Section 10.40)				
	\$1,200,000	NR		
Total Legislative Changes	(\$329,541,328)	R	(\$497,199,502)	R
	(\$256,575,000)	NR	(\$62,500,000)	NR
Total Position Changes	-3.17		-3.17	
Revised Budget	\$3,379,819,647		\$3,859,517,744	

Special Provisions

2003 Session: HB 397

Department: Health and Human Services

Section: 5.1

Title: DHHS Block Grants

Summary Appropriates federal block grant funds for the nine grants administered by DHHS. Maintains most programs and allocations at the FY 02/03 funding levels. Highlights are as follows:

Social Services Block Grant

New Item - Transfer to the Office of the Secretary - N.C. Inter-Agency Council for Coordinating Homeless Programs - \$150,000.

Temporary Assistance for Needy Families Block Grant (TANF)

New Item - Pregnancy Prevention Coalition of North Carolina - \$127,500

Increased funding for the following programs:

Child Welfare Workers and Services for Local Depts. Of Social Services
After-School Programs for At-Risk Children
Support Our Students - Department of Juvenile Justice and Delinquency
Residential Substance Abuse Services for Women With Children
Domestic Violence Services for Work First Families

Eliminated funding for the following:

DSS Evaluation (\$500,000)
SACWIS Payback (\$4,643,454)

Preventive Health Services Block Grant

New Item - Osteoporosis Task Force Activities \$150,000

Section: 10.1

Title: Petroleum Overcharge Funds Allocation

Summary Appropriates, for FY 2003-04, \$1,000,000 from the Special Reserve for Oil Overcharge Funds to DHHS for the Weatherization Program.

Section: 10.2

Title: Office of Policy and Planning

Summary Continues the authority for DHHS's Office of Policy and Planning that was established in SFY 2001-02.

Section: 10.3

Title: **Weatherization Assistance Program**

Summary Continues the authorization for DHHS to administer the Weatherization Assistance Program for Low-Income Families and the Heating/Air Repair and Replacement Program. The authority is codified in G.S 108A-70-30.

Section: 10.4

Title: **NonMedicaid Reimbursement Changes**

Summary Maintains FY 2002-03 eligibility levels for participation in several non Medicaid purchase of medical care programs. Directs DHHS to set reimbursement rates for these programs using Medicaid rates as a basis.

Section: 10.5

Title: **Senior Cares Program Administration**

Summary Allows DHHS to administer the "Senior Cares" prescription drug access program funded from the Health and Wellness Trust Fund.

Section: 10.6

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: 10.7

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. Also authorizes the provision of liability insurance for certain contract employees of the University of North Carolina providing services to Division of Mental Health, Developmental Disabilities, and Substance Abuse Services clients.

Section: 10.8

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 county funds.

Section: 10.8A

Title: **DHHS Centralize Information Technology Operations**

Summary Requires that DHHS conduct a department-wide study its Information Technology infrastructure including IT expenditures and management functions. After study is completed, DHHS is directed to develop a plan for the establishment of a Central IT Operations Unit. Report due January 1, 2004.

Directs Office of State Budget and Management to identify the amount of State appropriations needed to fully fund the current budget for the Division of Information Resources in DHHS. Report due January 1, 2004.

Section: 10.8B

Title: **Education and Awareness of Infant Homicide Prevention Act**

Summary Directs DHHS to incorporate education and awareness of the Infant Homicide Prevention Act into its other programs administered at the local government level. The Department shall report on the activities by April 1, 2004.

Section: 10.8C

Title: **Medical Care Commission Temporary Rule-Making Authority Extended**

Summary Extends temporary rule-making authority through July 1, 2004 for the Medical Care Commission to adopt rules for the licensing of Family Care Homes and Adult Care Homes.

Section: 10.8D

Title: **Unlawful Practice of Pharmacy**

Summary Amends Article 4A of Chapter 90 of the General Statutes to prohibit the unlawful practice of pharmacy by any person, firm, or corporation not licensed or registered by the N.C. Board of Pharmacy.

Section: 10.8E

Title: **Effective Date of Long-Term Care Criminal Record Checks Employment Positions**

Summary Delays the requirement that nursing homes conduct national criminal record checks for nondirect care positions until January 1, 2005. Delays the requirement that adult care homes conduct national criminal record checks for all staff positions until January 1, 2005.

Section: 10.8F

Title: **Implement a Pilot Project for Long-Term Care Community Service Coordination**

Summary Directs DHHS to implement a pilot initiative to support coordination of long-term care services by establishing a local lead agency to streamline the long-term care process at the local or regional level. Report due October 1, 2004.

Section: 10.9

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

Summary Requires DHHS to identify recurring funds to support new activities created from bridge funding from the Mental Health Trust Fund prior to expending the Trust Fund monies.

Section: 10.10

Title: **Extend Mental Health Consumer Advocacy Program Contingent Upon Funds Appropriated by the 2005 General Assembly**

Summary Modifies Section 4 of S.L. 2001-437 to extend the language creating the Consumer Advocacy Program through FY 2004-05. This program would become effective pending the appropriation of funds to the program by the 2005 General Assembly.

Section: 10.11

Title: **Substance Abuse Prevention Services Reporting**

Summary Requires DHHS to report on the activities of the Office for Substance Abuse Services as specified in Section 10.24 of S.L. 2002-126. Report is due December 1, 2003.

Section: 10.12

Title: **Transition Planning for State Psychiatric Hospitals**

Summary Directs DHHS to develop and implement a plan for the construction of a replacement hospital for Dorothea Dix Hospital.

Also directs DHHS to develop a plan to transition patients to the new facility or other settings, such as in the community. Prohibits admission to the hospital except when non-State facilities are unavailable or for acute psychiatric care.

Cost savings associated with the transition to a new hospital are directed in the following manner: (1) Non-recurring savings are deposited in the MH/DD/SA Trust Fund for System Reform Bridge and Capital Funding Needs and Olmstead and (2) Recurring savings are to be retained by the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services for the purpose of carrying out mental health reform.

Section: 10.13

Title: **Comprehensive Treatment Services Program**

Summary Requires DHHS to report on the activities of the Comprehensive Treatment Services Program for Children as specified in Section 21.60 of S.L. 2001-424. Reports are due by December 1, 2003 and April 1, 2004

Section: 10.14

Title: **Mental Retardation Center Downsizing**

Summary Directs DHHS to develop and implement cost containment and reduction strategies to ensure financial and staff downsizing of the State's 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 non-recurring savings in the MH/DD/SA Trust Fund for System Reform Bridge and Capital Funding Needs and Olmstead. Recurring savings are to be retained by the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services for the purpose of carrying out mental health reform.

Section: 10.15

Title: **Mental Retardation Center Transition Plan**

Summary Directs DHHS to design and implement a plan for the reorganization of outreach activities at the State-operated Mental Retardation Centers. The new plan will eliminate all self-referral activities at the MR Centers and transfer any referral activities to the area mental health programs. Persons living in the community who need specialized services from the MR Centers will need to be referred from the area programs.

The new plan will require outreach activities to be centered on providing transition assistance for individuals moving from the MR Centers to the community. Also, the plan will require outreach programs to provide technical assistance to area mental health programs, service providers, and families in order to expand community service capacity for the developmentally disabled.

Any recurring and nonrecurring savings in the MR Centers associated with transferring the referral activities to the area mental health programs will also be transferred to the area programs. Report due February 1, 2004.

Section: 10.16

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, 2004 and May 1, 2004.

Section: 10.17

Title: **Area Mental Health Administrative Costs**

Summary Directs the area mental health programs to implement various strategies to develop and implement plans to reduce local administrative costs. The plans are to be developed in accordance with guidelines from the Secretary of DHHS. Also, administrative costs shall not exceed 13% of area program expenditures. Report due January 1, 2004 and April 15, 2004.

Section: 10.18

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

Summary Allows DHHS to require that private service providers perform a uniform cost finding. The uniform cost finding will help to determine service reimbursement amounts and guarantee some uniformity of reimbursement by the State for similar services statewide. Allows DHHS to stop payment to any service provider who has not satisfied the requirements of this provision.

Section: 10.18A

Title: **Group Home Tracking System**

Summary Allows DHHS to locate funds from within its existing budget for FY 2003-04 to fund a group home tracking system. The group home tracking system is intended to assist DHHS in monitoring the movement of children who are placed in residential facilities and therapeutic foster homes, as required by G.S. 143B-139.1.

The General Assembly also appropriated \$159,600 in recurring funds to operate the tracking system annually.

Section: 10.19

Title: **Medicaid**

Summary Establishes eligibility requirements for the Medicaid Program. Establishes the services provided to recipients and the allowable payment levels for providers under the Medicaid Program. The following changes were made in HB 397:

Requires DHHS to apply Medicaid medical policy to Medicare claims for dual eligibles by October 1, 2005.

Authorizes DHHS to use temporary rule-making to implement rules requiring performance bonds for certain Medicaid providers.

Removes language authorizing a second year of Transitional Medicaid eligibility because this category of eligibility was eliminated from the budget.

Adds emergency rules to the temporary rule-making language that allows DHHS to use temporary rule-making to maximize federal funds and to reduce fraud and abuse.

Requires DHHS to do five-year fiscal analysis on all proposed medical policy changes not required by federal law or regulation.

Requires DHHS to convene a work group to study vision screening standards for Medicaid-eligible children. Report due March 1, 2004.

Continues language establishing procedures for the development and adoption of Medicaid medical policy by the DHHS.

Section: 10.20

Title: **Medicaid Reserve Fund Transfer**

Summary Allocates \$62.5 million for SFY 2003-04 and SFY 2004-05 from the Medicaid Reserve Fund to the Medicaid Program, notwithstanding the provisions of G.S. 143-23.3(b) that these funds shall not be used to reduce General Fund revenue for the Medicaid Program.

Section: 10.21

Title: **Disposition of Disproportionate Share Receipts**

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

Section: 10.22

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: 10.23

Title: **Medicaid Cost Containment Activities**

Summary Authorizes DHHS to use, from Medicaid funds budgeted for program services, \$5,000,000 in SFY 2003-04 and \$3,000,000 in SFY 2004-05 to support administrative activities to help contain the costs of the Medicaid Program.

Section: 10.24

Title: **Increases In Federal Medicaid Funds**

Summary Directs that increases in federal Medicaid reimbursement shall not be used to reduce state appropriations for the Medicaid Program. Authorizes DHHS to reinstate eligibility policy changes enacted by the General Assembly in the budget bill if the receipt of additional federal funds is contingent on maintaining eligibility policies and the increased federal funds are greater than the anticipated savings in State funds from the enacted policy changes.

Section: 10.26

Title: **Transfer of Property to Qualify for Medicaid**

Summary Updates the statutes for property transfers for the purposes of qualifying for Medicaid by referring to the federal law on transfer of assets; eliminating the pre-1988 language on calculating periods of ineligibility because they are inconsistent with the procedures in federal law; and changes the statute that excludes the home from consideration in the transfer of property to make it consistent with federal law.

Section: 10.27

Title: **Medicare Enrollment Required**

Summary Authorizes DHHS to require enrollment in Medicare, as described in Title XIX, 42 CFR 431.625 (d) (3) of the Social Security Act, to pay medical expenditures that could have been paid under Medicare Part B. Failure to enroll in Medicare shall result in non-payment of these expenditures by the DHHS. Providers may seek payment from those persons eligible for Medicare Part B but who have not enrolled.

Section: 10.28

Title: **Medicaid Assessment Program for Skilled Nursing Facilities**

Summary Authorizes DHHS to implement a Medicaid assessment program for skilled nursing facilities that is consistent with federal regulations under 42 C.F.R. Part 433 Subpart B. Funds from the assessment program shall be used to draw down federal funds to implement the new reimbursement plan for nursing homes and for increasing nursing facility rates in accordance with the plan. Assessment will be imposed October 1, 2003.

Section: 10.29

Title: **Health Choice**

Summary Authorizes the following changes to the statutes for the Health Insurance Program for Children (NC Health Choice):

Adds fluoride varnish to the dental services.

Allows DHHS to serve children birth to age 5 under the State Medical Assistance managed care program and authorizes payment.

Changes cost sharing for prescription drugs. Children in families with incomes below 150% of the federal poverty level will pay a \$1 co-payment for a generic drug and a \$3 co-payment for a brand name drug with a generic substitution. Children in families with incomes at or above 150% of the federal poverty level will pay a \$1 co-payment for a generic drug and a \$10 co-payment for a brand name drug with a generic substitution.

Authorizes DHHS to limit services provided for special needs children after consultation with Commission Children with Special Health Care Needs.

Section: 10.29A

Title: **Collaboration Among DHHS, DPI, and LEAs to ensure Medicaid-Related Services for Eligible Public School Students with Disabilities**

Summary Requires DHHS to work with the Department of Public Instruction and local education authorities to develop administrative procedures and guidelines to provide maximum funding for Medicaid-related services for Medicaid eligible students with disabilities.

Section: 10.29B

Title: **Audit of CAP/DA Programs by State Auditor**

Summary Authorizes the State Auditor to audit the Community Alternatives Program for Disabled Adults if the General Assembly appropriates funds for this purpose (The NCGA did not provide funds for this purpose). Requires DHHS to continue to examine the CAP-DA Program including comparing it to other long term care services: nursing facilities, adult care homes, personal care services, and State/County In-Home Program. Report is due January 1, 2004.

Section: 10.29C

Title: **Medicaid Hospital Payments**

Summary Requires DHHS to evaluate all medical payment programs and policies and implement them so that they have the least impact on the future viability and sustainability of financially vulnerable hospitals.

Section: 10.30

Title: **Immunization Program Funding**

Summary Allows DHHS to budget \$2M over the biennium for outreach efforts, improvement of service delivery of vaccines, and the continued development of an automated immunization registry.

Section: 10.31

Title: **AIDS Drug Assistance Program**

Summary Maintains eligibility for the AIDS Drug Assistance Program at 125% of the Federal Poverty Level. Requires the DHHS to report on program activities by January and May 2004.

Section: 10.31A

Title: **ADAP Income Eligibility**

Summary Directs DHHS to pursue alternatives to the current financing of the AIDS Drug Assistance Program (ADAP). Notwithstanding Section 10.31 of this act, DHHS may develop and administer an expanded ADAP that maximizes existing state funds and increase the income eligibility requirements.

Section: 10.32

Title: **Newborn hearing Screening Program Report**

Summary Directs DHHS to report program data on the newborn hearing screening program by May 1, 2004.

Section: 10.33

Title: **Employees Examined for Asbestosis or Silicosis Under Workers' Compensation Statute**

Summary Repeals G.S. 97-60 and amends G.S. 97-61 by eliminating the "Dusty Trades" Program administered by DHHS. This special provision corresponds to the money report that eliminates the funding for the program including staff. The Department shall develop a plan for the future storage or disposal of the numerous X ray files currently maintained by the Division of Public Health.

Section: 10.33B

Title: **Rename North Carolina Heart Disease and Stroke Prevention Task Force**

Summary Renames the Heart Disease and Stroke Prevention Task Force to the Justus-Warren Heart Disease and Stroke Prevention Task Force.

Section: 10.33C

Title: **Local Health Director Pilot**

Summary Amends the G.S. 130A-40.1 by allowing the Secretary of DHHS to approve one hiring request of a local Health Director that allows a nurse with a Bachelor of Science Degree or a Registered Nurse to become a local Health Director.

Section: 10.34

Title: **Child Care Funds Matching Requirement**

Summary No local government matching funds may be required by DHHS as a condition for any locality to receive State-administered child care subsidy funds.

Section: 10.35

Title: **Child Care Subsidy Rates**

Summary Maintains the eligibility for child care subsidy at 75% of the state median income and establishes the co-payment as a percentage of gross family income required by recipients based on family size.

Section: 10.36

Title: **Child Care Allocation Formula**

Summary Sets the new child care subsidy allocation formula based upon a projected cost to serve all families with working parents, with children under 11 years old, earning less than 75% of the state median income by county. The child care subsidy funds will be allocated to counties based upon its percentage to the entire state's target population and cost to serve families.

Section: 10.37

Title: **Child Care Revolving Loan**

Summary Permits DHHS to contract with a financial institution to operate the Child Care Revolving Loan fund and invest the funds.

Section: 10.38

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

Summary Continues the requirements of an 8% statewide expenditure cap on administration for local partnerships, mandatory competitive bidding practices; and a 20% statewide cash and in-kind match.

Requires the partnerships to collectively spend at least \$52M on child care subsidies to assist in satisfying the TANF Maintenance of Effort requirement.

Directs NCPC to develop a plan to focus on quality child care initiatives including subsidies and study any duplication of health services, family support and program support activities.

Directs NCPC to impose a penalty against a local partnership's allocation when audit findings are designated as "needs improvement".

Modifies existing law by providing flexibility for local partnership boards in selecting board members and for the NCPC Advisory Board membership.

Section: 10.39

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

Summary Allows the North Carolina Partnership for Children to continue with the evaluation of the Smart Start Program.

Section: 10.39A

Title: **Department Plan for Family Child Care Home Fees**

Summary Directs DHHS to develop a plan of imposing fees for the licensure and monitoring of family child care homes.

Section: 10.40

Title: **More At Four Program**

Summary Appropriates \$43,121,800 for FY2004 and \$41,921,800 for FY2005 for the continued operation and expansion of the More At Four Program. Directs the Program to use any non-obligated funds for the child care subsidy program to reduce the waiting list for services.

The DHHS shall develop a plan for the expansion of the program that would allow current four and five star-rated centers to become More At Four Programs. DHHS and the Program will analyze all funding sources and devise a future plan for the administration of funds for four year old classrooms.

Section: 10.41

Title: **Residential Schools Reporting**

Summary Directs the Office of Education Services to report on activities, enrollment, and academic status of the residential schools by December 2003.

Section: 10.42

Title: **Senior Center Outreach**

Summary Provides direction for the use of funds designated for Senior Centers. Subsection 10.42(c) stipulates that state funding shall not exceed (75%) of reimbursable costs. This provision changed the maximum percentage from 90% to 75% effective July 1, 2004.

Section: 10.43

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

Summary Changes a reporting date in 21.54(b) of S.L. 2001-424 to March 1, 2004. Directs DHHS to continue to develop a model project for delivering community-based housing and services through adult care homes that have excess capacity.

Section: 10.44

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

Summary Directs DHHS to continue to develop and implement performance standards for child support offices across the state. Report due May 1, 2005.

Section: 10.45

Title: **Special Needs Adoption Incentive Fund**

Summary Codifies language for an incentive fund created to facilitate the adoption of special needs children by their foster families by removing the financial barriers to the adoption of these children.

Section: 10.46

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

Summary Increases the monthly graduated payment schedule for foster care and adoption assistance payments by \$50 per month per category. Maintains the additional payments for families in which foster care and adoptive children are at risk of HIV/AIDS or have been determined to have HIV/AIDS at the payment level established in 1994.

Section: 10.47

Title: **Special Children Adoption Fund**

Summary Authorizes the use of \$1.1 M for a fund to facilitate adoptions and to enhance adoption-related services.

Section: 10.48

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

Summary Requires DHHS to implement strategies to improve the effectiveness of a program providing intensive services for families with children at risk of removal from the home due to abuse, neglect and dependency. Report due April 1, 2004.

Section: 10.49

Title: **TANF State Plan**

Summary Enacts the 2003-2005 Temporary Assistance for Needy Families State Plan, and designates nine (9) counties as "electing" counties in the Work First Program. The effective date for new electing counties is October 1, 2004.

Section: 10.50

Title: **Electing County TANF Funds Revert**

Summary Repeals language in G.S. 108-A-27.11(c) directing DHHS to transmit funds to electing counties and the beginning of each quarter.

Section: 10.51

Title: **Special Assistance In-Home Program**

Summary Authorizes DHHS to continue a program allowing eligible recipients to receive State/County Special Assistance while residing in their home as opposed to an adult care home. This provision increases the maximum number of participants from 400 to 800. Reports due January 1, 2004 and January 1, 2005.

Section: 10.52

Title: **State/County Special Assistance**

Summary Reduces the State/County Special Assistance (SA) rate from \$1,091/month to \$1,066 per month. The reduction in the SA will be offset by an increase in the personal care services Medicaid rate. The Governor's recommended rate was \$1,040 per month. The recommended rate was increased by a \$3,000,000 expansion item in the budget resulting in a \$26/month increase for providers. Historically the General Assembly has established the SA rate through the budget process. Subsection 10.52 (f) allows the Department to adjust the SA rate in order to continue to shift costs to the Medicaid budget.

Section: 10.53

Title: **State/County Special Assistance Transfer of Assets**

Summary Codifies language requiring DHHS to apply the Supplemental Security Income (SSI) policy applicable to the transfer of assets and estate recovery to applicants for State/County Special Assistance. Directs DHHS to continue to review current policies regarding family contribution for the cost of care in adult care homes. Report due March 1, 2004.

Section: 10.54

Title: **Limitation on State Abortion Fund**

Summary Maintains restrictions enacted in 1995 for the State Abortion Fund.

Section: 10.55

Title: **Funds For Food Banks**

Summary Requires food banks receiving state funds to report to DHHS and fiscal research on the activities performed at the local level. Each organization is required to submit a copy of its annual audited financial statement within 30 days of issuance of the statement.

Section: 10.56

Title: **Child Welfare Systems Pilots**

Summary Requires DHHS to implement a dual-track, alternative child welfare system. DHHS is authorized to include a maximum of 33 counties in the pilot project. Report due April 1, 2004.

Section: 10.57

Title: **Eliminate Reporting Requirements for Work First Program**

Summary Amends G.S. 108-A27.2 by removing the monthly reporting requirements by DHHS to the General Assembly; reporting at 6-month intervals to State Budget and the General Assembly; and reporting quarterly to the county board of commissioners and the General Assembly. Federal funding associated with these reporting requirements was eliminated. Reports regarding the Work First Program will be submitted as requested.

Section: 10.58

Title: **Social Services Commission Rules on Rate-Setting for Adult Day Centers and Adult Day Health Centers**

Summary Directs the Social Services Commission to consider adopting rules to increase the rates for adult day centers and adult day health centers.

Section: 34.1 - 34.11

Title: **Division of Facility Services Fees**

Summary Establishes annual license or certification fees for adult care homes; hospitals; nursing homes; home care agencies; ambulatory surgical facilities; cardiac rehabilitation certification programs; hospitals or clinics certified to perform abortions; facilities for the mentally ill, the developmentally disabled, and substance abusers; and nursing beds and adult care home beds in continuing care retirement facilities.

Establishes a one-time fee for review of each health care facility construction project. The fee may not exceed \$25,000 for any single project.

Section: 34.12

Title: **Division of Child Development Fees**

Summary Directs DHHS to establish a fee for the licensing of child care centers which shall not apply to the religious-sponsored child care centers operating pursuant to a letter of compliance. The amount of the fee may not exceed the following: centers with 12 or fewer children \$35; 13-50 children \$125; 51-100 children \$250; 101 or more children \$400.

Section: 34.13

Title: **Division of Public Health Fee**

Summary Directs DHHS to establish a fee not to exceed the cost of analyzing clinical pap smear specimens sent to the State Laboratory by local health departments and State-owned facilities. The fee is in addition to the charge for the pap smear test kit.

NATURAL & ECONOMIC RESOURCES

Agriculture and Consumer Services

		GENERAL FUND	
Recommended Budget		FY 2003-04 \$51,041,728	FY 2004-05 \$51,093,029
Legislative Changes			
Administration			
1 Eliminate Filled Position		(\$13,204) R	(\$26,409) R
Eliminate 1.0 filled position effective December 31, 2003 when the Department starts using the Mail Service Center.		-1.00	-1.00
Mail Clerk #12910 (1.0)			
2 Reduce Southern Dairy Compact		(\$20,000) R	(\$20,000) R
Reduce appropriation to the Southern Dairy Compact.			
3 Reduce Operating Support			
Reduce various operating line items.		(\$1,500) NR	
4 Reduce Budget and Finance Operating Support			
Reduce various operating line items.		(\$8,000) NR	
Agricultural Policy & Development			
5 Reduce Operating Support			
Reduce various operating line items.		(\$4,000) NR	
Agricultural Statistics			
6 Reduce Operating Support			
Reduce various operating line items.		(\$7,500) NR	
Agronomic Services			
7 Eliminate Vacant Position		(\$46,449) R	(\$46,449) R
Eliminate 1.0 vacant position.		-1.00	-1.00
Regional Agronomist (1.0) (\$46,449)			

Aquaculture**8 Reduce Operating Support**

Reduce various operating line items.

(\$2,500) NR

Emergency Programs**9 Eliminate Vacant Position**

Eliminate 1.0 vacant position.

(\$42,966) R

(\$42,966) R

-1.00

-1.00

Animal Health Tech I (1.0) (\$42,966)

Food & Drug**10 Eliminate Vacant Position**

Eliminate 1.0 vacant position.

(\$52,451) R

(\$52,451) R

-1.00

-1.00

Facility Maintenance Supervisor II (1.0) (\$52,451)

11 Eliminate Vacant Position

Eliminate 1.0 vacant Commercial Fertilizer position.

(\$30,338) R

(\$30,338) R

-1.00

-1.00

Chemistry Tech II (1.0) (\$30,338)

12 Eliminate Vacant Position

Eliminate 1.0 vacant position in the Food Protection section.

(\$39,043) R

(\$39,043) R

-1.00

-1.00

Agricultural Microbiologist I (1.0) (\$39,043)

13 Eliminate Filled Position

Eliminate 1.0 filled position in the Food Protection section effective Aug. 1, 2003.

(\$63,214) R

(\$68,963) R

-1.00

-1.00

Chemist II (1.0) (\$68,963)

14 Reduce Pesticide Formulation Lab Support

Reduce various operating line items. Phase out of work performed by this lab through a transfer of personnel to food and drug lab.

(\$58,421) NR

15 Increase Pesticide Fees

Increase 6 fees in the Pesticide division including pesticide registration, aircraft inspection, and applicator, dealer and consultant license fees. (HB 397, Section 35.4)

(\$890,010) R

(\$890,010) R

16 Eliminate Filled Position

Eliminate 1.0 filled position in the Commercial Feed and Pet Food Analysis section effective Aug. 1, 2003.

(\$50,971) R

(\$55,605) R

-1.00

-1.00

Agricultural Microbiologist II (1.0) (\$55,605)

Food Distribution**17 Reduce Operating Support**

Reduce various operating line items.

(\$10,000) NR

18 Eliminate Filled Position

Eliminate 1.0 filled position.

(\$30,297) R

(\$30,297) R

-1.00

-1.00

Stock Clerk (1.0) (\$30,297)

Livestock**19 Eliminate Filled Position**

Eliminate 1.0 filled swine position.

(\$63,180) R

(\$63,180) R

-1.00

-1.00

Agricultural Marketing Specialist - Swine Grading (1.0)
(\$63,180)**Marketing****20 Eliminate Filled Position**

Eliminate 1.0 filled position.

(\$34,395) R

(\$34,395) R

-1.00

-1.00

Office Assistant III (1.0) (\$34,395)

21 Increased Budgeted Receipts

Increase budgeted receipts at the Western and Triad Farmers Markets and the Eastern Agricultural Center.

(\$50,000) R

(\$50,000) R

22 Reduce Travel Expenses

Continue reduction to travel budget.

(\$23,000) NR

(\$23,000) NR

23 Eliminate Vacant Positions

Eliminate 3.0 vacant positions.

(\$92,892) R

(\$92,892) R

-3.00

-3.00

Maintenance Mechanic (1.0) (\$27,979)

Agricultural Commodity Inspector (1.0) (\$30,581)

Statistical Assistant V (1.0) (\$34,332)

24 Reduce Operating Support

Reduce various operating line items.

(\$166,430) R

(\$239,875) R

Plant Industry**25 Shift Position to Receipt Support**

Shift 1.0 filled position to receipt support from the Boll Weevil Foundation.

(\$54,184) R

(\$54,184) R

-1.00

-1.00

Boll Weevil Program Manager (1.0) (\$54,184)

Overview: 2003 Session Fiscal and Budgetary Actions

	FY 2003-04		FY 2004-05	
26 Eliminate Plant Protection Operating Support	(\$66,157)	R	(\$66,157)	R
Eliminate operating support for the fire ant program including temporary wages, travel and supplies.				
27 Reduce Plant Protection Transfer	(\$13,350)	R	(\$13,350)	R
Reduce transfer to NCSU for honey bee control studies.				
28 Eliminate Filled Position	(\$51,062)	R	(\$51,062)	R
Eliminate 1.0 filled position in the Seed Testing section.				
Seed Specialist (1.0) (\$51,062)	-1.00		-1.00	
29 Increase Nursery Dealer License Fee	(\$85,320)	R	(\$85,320)	R
Increase nursery dealer license fee effective July 1, 2003. (HB 397, Section 35.3(b))				
30 Eliminate 2.0 Filled Positions	(\$80,517)	R	(\$80,517)	R
Eliminate 2.0 filled positions.				
Fertilizer Inspector (\$29,693)	-2.00		-2.00	
Entomologist (\$50,824)				
Property & Construction				
31 Shift Position to Receipt Support	(\$43,143)	R	(\$43,143)	R
Fund shift 1.0 position to state fair receipt support.				
Construction & Renovation Design Tech I (1.0) (\$43,143)	-1.00		-1.00	
32 Reduce Operating Support	(\$1,000)	NR		
Reduce operating line item support.				
Public Affairs				
33 Reduce Funds to the NC Farm Bureau	(\$61,000)	R	(\$61,000)	R
Reduce appropriation to the NC Farm Bureau.				
34 Reduce Operating Support	(\$2,500)	NR		
Reduce various operating line items.				
Research Stations				
35 Eliminate Vacant Positions	(\$41,000)	R	(\$41,000)	R
Eliminate 2.0 vacant positions.				
Agricultural Research Assistant I (1.0) (\$20,500)	-2.00		-2.00	
Research Assistant I (1.0) (\$20,500)				

Overview: 2003 Session Fiscal and Budgetary Actions

36 Provide Maintenance and Operating Support

Provide maintenance equipment, personnel, and operating support for Oxford Research Complex.

\$225,065 R
\$25,000 NR
1.00

\$234,358 R
1.00

Reserves and Transfers

37 Reduce Natural Gas/Propane Reserve

Eliminate balance of natural gas/propane reserve.

(\$12,059) R

(\$12,059) R

38 Reduce Capital Improvement Reserve

Reduce capital improvement reserve for Cherry Research Farm swine facility in Goldsboro.

(\$76,642) NR

39 Eliminate Laboratory Equipment Reserve

Eliminate laboratory equipment reserve.

(\$50,000) R

(\$50,000) R

Structural Pest

40 Increase Budgeted Receipts

Increase budgeted receipts.

(\$10,000) R

(\$10,000) R

41 Reduce Operating Support

Reduce various operating line items.

(\$16,573) R

(\$16,573) R

Veterinary Services

42 Reduce Operating Support

Reduce appropriations for the Robbins Diagnostics Lab.

(\$3,685) R

(\$3,685) R

43 Reduce Operating Support

Reduce various operating line items.

(\$24,611) R
(\$10,389) NR

(\$24,611) R

44 Increase Veterinary Fees

Increase veterinary fees effective July 1, 2003. (HB 397, Section 35.3(a))

(\$177,500) R

(\$177,500) R

Weights & Measures

45 Eliminate Vacant Positions

Eliminate 2.0 vacant positions.

(\$71,068) R

(\$71,068) R

-2.00

-2.00

Liquefied Gas Inspector (1.0) (\$33,034)

Long Distance Truck Driver (1.0) (\$38,034)

Overview: 2003 Session Fiscal and Budgetary Actions

	FY 2003-04		FY 2004-05	
46 Shift Position to Receipt Support	(\$37,416)	R	(\$37,416)	R
Shift 1.0 position to Highway Fund receipt support.				
Standards Inspector II (1.0) (\$37,416)	-1.00		-1.00	
47 Reduce Operating Support	(\$6,500)	R	(\$6,500)	R
Reduce various operating line items.				
<hr/>				
Total Legislative Changes	(\$2,365,920)	R	(\$2,453,660)	R
	(\$180,452)	NR	(\$23,000)	NR
Total Position Changes	-23.00		-23.00	
Revised Budget	\$48,495,356		\$48,616,369	

Special Provisions

2003 Session: HB 397

Department: Agriculture and Consumer Services

Section: 10A.1

Title: Study Commercial Production of Turtles

Summary Directs the Department of Agriculture and the North Carolina State Agricultural Research Service to study the potential of turtle production for food and commercial purposes. Findings should be reported by April 1, 2004.

Section: 35.3

Title: Increase Veterinary Service and Nursery Dealer License Fees

Summary Section (a) increases several different Veterinary Service fees associated with animal disease and diagnostic tests and services. Section (b) increases the fee for nursery dealer licenses. Both changes are effective July 1, 2003.

Section: 35.4

Title: Increase Pesticide Fees

Summary Increases the pesticide applicator license, dealer license, dealer license renewal and consultant license fee from \$30 to \$50. The pesticide aircraft license fee will also increase from \$10 to \$25 and the pesticide registration fee will increase from \$30 to \$100. Fee changes become effective July 15, 2003.

Commerce

		GENERAL FUND	
		FY 2003-04	FY 2004-05
Recommended Budget		\$35,569,253	\$34,639,574
Legislative Changes			
Business and Industry			
48 Provide funds for the One NC Fund			
Provide General Fund appropriation to the One NC Fund for Johnson and Wales University. (HB 397, Section 12.4A)			\$1,000,000 NR
Industrial Commission			
49 Budget Over-Realized Receipts			
Budget over-realized receipts from compromised settlement agreement fees, and reduce General Fund appropriation by an equal amount.		(\$519,325) R	(\$519,325) R
Industrial Financing			
50 Reduce Transfer to the Industrial Development Fund			
Reduce appropriation to the Industrial Development Fund.		(\$249,606) R	(\$249,606) R
51 Reduce Industrial Development Fund Cash Balance			
Reduce the cash balance of the Industrial Development Fund. (HB 397, Section 12.5)		(\$1,169,438) NR	
Management Information Services			
52 Reduce Computer Hardware Purchases			
Reduce new and replacement computer hardware purchases.		(\$74,480) R	(\$74,480) R
Marketing and Consumer Services			
53 Reduce Operating Support			
Reduce advertising line item.		(\$300,000) R	(\$300,000) R
Reserves and Transfers			
54 Job Loss Assistance Funds			
Provide funds to the 3 counties with the highest average unemployment rate for the 2002 calendar year. These counties are Yancey, Cleveland, and Richmond.		\$300,000 NR	

Overview: 2003 Session Fiscal and Budgetary Actions

FY 2003-04

FY 2004-05

Science and Technology

55 Reduce Operating Support

Reduce various operating line items.

(\$50,000) R

(\$50,000) R

Travel and Tourism

56 Reduce Advertising

Reduce advertising budget.

(\$109,862) R

(\$109,862) R

Total Legislative Changes

(\$1,303,273) R

(\$1,303,273) R

(\$869,438) NR

\$1,000,000 NR

Total Position Changes

Revised Budget

\$33,396,542

\$34,336,301

Special Provisions

2003 Session: HB 397

Department: Commerce

Section: 5.2

Title: **NER Block Grant Funds**

Summary Allocates \$45 million in federal Community Development Block Grant (CDBG) funds for the 2004 program year. Provides for subsequent increases and 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. In partnership with the Rural Economic Development Center, provides up to \$2.25 million in demonstration grants to local governments in distressed areas. Directs Commerce, in consultation with the UNC School of Government, to design a regional distribution system for making Community Revitalization grants.

Section: 12.1

Title: **Wanchese Seafood Industrial Park/Oregon Inlet Funds**

Summary Subsection (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. Subsection (b) prevents funds appropriated in FY 2002-2003 for the Oregon Inlet Project from reverting on June 30, 2003. Allows these funds to be used for legal costs associated with the project.

Section: 12.2

Title: **Council of Government Funds**

Summary Outlines the process for allocating funds to the 17 regional councils of government (COGs). Explains procedure through which funds flow from the Department of Commerce to the COGs. Requires each organization to submit an annual report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division by January 15 of each fiscal year. Audited financial statements must also be submitted to the Fiscal Research Division within 30 days of issuance.

Section: 12.3

Title: **Tourism Promotion Funds**

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

Section: 12.4

Title: **One North Carolina - Industrial Recruitment Competitive Fund**

Summary Specifies the purposes for which the funds shall be used. Requires the Department of Commerce to report quarterly to the Joint Legislative Commission on Governmental Operations and Fiscal Research regarding the commitment, allocation, and use of funds. Funds that are unexpended and unencumbered as of June 30, 2003, shall not revert to the General Fund.

Section: 12.4A

Title: **North Carolina Educational Development**

Summary Directs the Department of Commerce to allocate \$1,000,000 of the funds appropriated during the 2001-2003 fiscal biennium to the One North Carolina - Industrial Recruitment Competitive Fund to support Johnson and Wales University for the 2003-2004 fiscal year. An additional \$1,000,000 is appropriated to the One North Carolina - Industrial Recruitment Competitive Fund for the 2004-2005 fiscal year to be allocated to Johnson and Wales University.

Section: 12.5

Title: **Industrial Development Fund**

Summary Reduces the cash balance in the Industrial Development Fund by \$1,169,438.

Section: 12.6

Title: **Worker Training Trust Fund**

Summary Specifies appropriations from the Worker Training Trust Fund for FY 2003-04. Total appropriation from the Fund equals \$6,349,419.

ESC Local Offices	\$5,000,000
ESC SOICC	\$ 193,879
ESC Follow-up	\$ 53,856
Labor-Apprenticeship	\$ 861,684
Community Colleges-Hosiery Tech	\$ 120,000
NC REAL Enterprises	\$ 120,000

Section: 12.6A

Title: **Film Industry Development Account**

Summary Repeals G.S. 143B-434.3. Amends Part 2 of Article 10 of Chapter 143B of the General Statutes by creating a Film Industry Development Account within the Department of Commerce with related public purpose language. Grants the Department of Commerce the authority to adopt rules with respect to the Account.

Section: 12.6C

Title: **Industrial Commission Fees / Computer System Replacement**

Summary Allows the North Carolina Industrial Commission to retain the additional revenue generated by raising the fee charged to parties for the filing of compromised settlements from \$200 to no more than \$250 for the purpose of assessing and replacing existing computer hardware and software. Any unexpended and unencumbered fees will not revert to the General Fund at the end of the fiscal year. The additional fees may only be retained in the 2003-2005 fiscal biennium.

Section: 12.6D

Title: **Film Industry Development Funds**

Summary Of the funds in the Film Industry Development Account, \$500,000 is reallocated to the Wilmington Regional Film Commission, Inc. for economic development services to develop and provide financial assistance and support necessary to attract to North Carolina a major television production which meets the specifications laid out in the provision.

Section: 12.6E

Title: **Film Development Account Funds Do Not Revert**

Summary Specifies that the funds appropriated for the 2002-2003 fiscal year for the Film Industry Development Account that are unexpended and unencumbered as of June 30, 2003, shall not revert to the General Fund but remain available to the Department of Commerce.

Commerce - State Aid

		GENERAL FUND	
		FY 2003-04	FY 2004-05
Recommended Budget		\$10,266,728	\$10,266,728
Legislative Changes			
Coalition for Farm and Rural Families			
57 Provide funds Coalition for Farm & Rural Families			
Provide General Fund appropriation to the Coalition for Farm and Rural Families.		\$50,000	NR
Regional Economic Development Commissions			
58 Increase Funding to the Partnerships			
Increase funds to the Partnerships to return to FY 2000-2001 funding level. (HB 397, Section 12.7)		\$955,357	R
			\$955,357 R
Total Legislative Changes		\$955,357	R
		\$50,000	NR
Total Position Changes			
Revised Budget		\$11,272,085	\$11,222,085

Special Provisions

2003 Session: HB 397

Department: Commerce - State Aid

Section: 12.7

Title: **Regional Economic Development Commission Allocations**

Summary Specifies the funding formula for allocating the \$6,775,000 General Fund appropriation to the seven Regional Economic Development Commissions. Each Commission's allocation is calculated by determining the sum of allocations to each county that is a member of that Commission. Each county's allocation shall be determined by dividing the county's enterprise factor by the sum of the enterprise factors for eligible counties and multiplying the resulting percentage by the amount of the appropriation.

Next, the Department shall subtract from funds allocated to the Global TransPark Development Commission the sum of one hundred seventy one thousand nine hundred seventy nine dollars (\$171,979) in each fiscal year, which represents the interest earnings in each fiscal year on the estimated balance of seven million five hundred thousand dollars (\$7,500,000) appropriated to the Global TransPark Development Zone in Section 6 of Chapter 561 of the 1993 Session Laws.

Next, the Department shall redistribute the sum of one hundred seventy-one thousand nine hundred seventy-nine dollars (\$171,979) in each fiscal year to the seven Regional Economic Development Commissions. Each Commission's share of this redistribution shall be determined according to the enterprise factor formula.

Section: 12.8

Title: **Regional Economic Development Commission Reports**

Summary Requires the Commissions to report budgetary and program activities by January 15 of each fiscal year, beginning in 2004, to the Joint Legislative Commission on Government Operations and the Fiscal Research Division. Requires each organization to submit their audited financial statements to the Fiscal Research Division within 30 days of issuance. Explains that the Commissions shall receive quarterly allocations.

Also requires a study of the Board Structure of the Global Transpark Regional Commission. A condition of the study is that none of the eastern region commissions are consolidated.

Section: 12.9

Title: **Nonprofit Reporting Requirements**

Summary Requires the NC Institute for Minority Economic Development, Inc., Land Loss Prevention Project, North Carolina Minority Support Center, North Carolina Community Development Initiative, Inc., North Carolina Association of Community Development Corporations, Inc., Coalition of Farm and Rural Families, and Partnership for the Sounds, Inc. to report budgetary and program activities by January 15 of each fiscal year, beginning in 2004, to the Joint Legislative Commission on Government Operations and the Fiscal Research Division. Requires each organization to submit their 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, 2004 and 2005 reporting requirements.

Environment & Natural Resources

		GENERAL FUND	
		FY 2003-04	FY 2004-05
Recommended Budget		\$153,070,901	\$157,263,823
Legislative Changes			
Administration and Regional Offices			
59 Eliminate Vacant Positions	(\$85,361) R	(\$85,361) R	
Eliminate 1.0 vacant position in the Office of Public Affairs and 1.0 vacant position in the Regional Offices.	-2.00	-2.00	
Office Assistant (\$36,824)			
Information and Communications Specialist (\$48,537)			
60 Reduce Operating Support	(\$69,252) R	(\$69,252) R	
Reduce various operating line items for Wetlands Restoration Program.			
61 Eliminate Position	(\$67,833) R	(\$67,833) R	
Eliminate 1.0 position that will be vacant before June 30, 2003.	-1.00	-1.00	
Field Office Manager (\$67,833)			
62 Reduce Operating Support	(\$200,000) R	(\$200,000) R	
Reduce various operating line items.			
63 Eliminate Bloodborne Pathogen Funding	(\$26,360) R	(\$26,360) R	
Eliminate bloodborne pathogen funding.			
64 Eliminate Filled 1.0 Position	(\$64,498) R	(\$64,498) R	
Eliminate 1.0 filled position.			
Telecommunications System Analyst I (\$64,498)			
Aquariums			
65 Reduce Operating Support	(\$42,138) R	(\$42,138) R	
Reduce various operating line items.			

Overview: 2003 Session Fiscal and Budgetary Actions

FY 2003-04

FY 2004-05

Coastal Management

66 Eliminate Filled Position

(\$30,400) R (\$30,400) R

Eliminate 1.0 filled position.

-1.00 -1.00

Processing Assistant V (\$30,400)

67 Shift Position to Receipt Support

(\$32,741) R (\$32,741) R

Shift 1.0 position to receipt support.

-1.00 -1.00

Program Assistant V (\$32,741)

68 Reduce Board Operating Support

(\$11,920) R (\$11,920) R

Reduce operating support for Coastal Management Board.

Compensation to Board Members (\$2,500)

Board travel and subsistence (\$9,420)

69 Reduce Planning Grant Funds

(\$73,481) R (\$73,481) R

Reduce appropriation for land use planning grants.

70 Reduce Operating Support for Buckridge Reserve

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

Reduce various operating line items for Buckridge Reserve.

71 Fund Shift Position to Federal Grants

(\$64,843) R (\$64,843) R

Fund shift 1.0 position to federal grants.

-1.00 -1.00

Environmental Supervisor III (0.5) (\$37,517)

Environmental Supervisor I (0.5) (\$27,326)

Environmental Health

72 Reduce Aid to Locals

(\$33,304) R (\$33,304) R

Reduce aid to locals for child lead program.

73 Eliminate Filled Position

(\$74,685) R (\$74,685) R

Eliminate 1.0 filled position.

-1.00 -1.00

Regional Supervisor 1 (\$74,685)

Forest Resources

74 Reduce Operating Support

(\$217,449) R (\$217,449) R

Reduce operating line items.

Aerial Photography (\$32,800)

Other (\$184,649)

Overview: 2003 Session Fiscal and Budgetary Actions

FY 2003-04

FY 2004-05

75 Reduce Equipment/Vehicles

Reduce funding for equipment and vehicles.

(\$1,520,287) NR

76 Shift Bladen Lake Operating Support to Receipts

Shift various Bladen Lake operating line items to receipt support.

(\$100,000) NR

77 Reduce Holiday Pay

Reduce holiday pay.

(\$31,544) NR

78 Reduce Funding for Autos and Tractors

Reduce funding for autos and tractors.

(\$40,000) R

(\$40,000) R

Land Resources

79 Reduce Computer/Data Processing

Reduce computer/data processing funds.

(\$34,741) R

(\$34,741) R

80 Reduce Aid to Counties

Reduce aid to counties.

(\$50,000) R

(\$50,000) R

81 Reduce Operating Support

Reduce various operating line items.

(\$100,813) R

(\$100,813) R

82 Shift Positions to Receipt Support

Shift 1.75 Geodetic Survey Technician positions to federal funds.

(\$53,547) R

(\$53,547) R

-1.75

-1.75

Geodetic Survey Technician (1.00) (\$30,611)

Geodetic Survey Technician (0.75) (\$22,936)

83 Reduce Contracted Services

Reduce funds for Geodetic Survey contracted services.

(\$57,710) R

(\$57,710) R

Parks and Recreation

84 Establish Vehicle Access Fee at Ft. Fisher

Establish a vehicle access fee at Ft. Fisher. (HB 397, Section 35.1)

(\$36,857) R

(\$36,857) R

85 Increase State Park Fees

Increase state park fees effective January 1, 2004. (HB 397, Section 35.1A)

(\$233,246) R

(\$438,177) R

Environment & Natural Resources

Overview: 2003 Session Fiscal and Budgetary Actions

	FY 2003-04		FY 2004-05	
86 Eliminate Vacant Position	(\$31,305)	R	(\$31,305)	R
Eliminate 1.0 vacant position.				
Personnel Assistant (\$31,305)	-1.00		-1.00	
87 Reduce Operating Support				
Reduce various line items.	(\$86,462)	NR		
88 Reduce Seasonal Staff	(\$144,000)	R	(\$144,000)	R
Reduce seasonal staff.				
Pollution Prevention				
89 Shift Position to Receipt Support	(\$19,377)	R	(\$19,377)	R
Shift 0.4 position to grant support.	-0.40		-0.40	
90 Shift Positions to Solid Waste Trust Fund	(\$66,980)	R	(\$66,980)	R
Shift 1.46 positions to Solid Waste Trust Fund.	-1.46		-1.46	
Position #29025 (1.00) (\$44,861)				
Position #29028 (0.46) (\$22,119)				
91 Reduce Operating Support	(\$66,747)	R	(\$66,747)	R
Reduce various operating line items.				
Reserves and Transfers				
92 Reduce Water Quality Workgroup	(\$100,000)	R	(\$100,000)	R
Reduce appropriation to Water Quality Workgroup by 53%.				
93 Establish an Express Permitting Program				
Operating support and 8.0 positions for the establishment of a pilot express permitting program. (HB 397, Section 11.4A)	\$500,000	NR		
	8.00			
94 Reduce Air Permit Fund	(\$77,918)	NR		
Reduce department's general fund appropriation for the 2003-2004 fiscal year and replace the funds with a one-time transfer from the Air Permit Funds, thereby reducing the fund's cash balance.				
95 Reduce Sleep Products Fund	(\$200,000)	NR		
Reduce department's general fund appropriation for the 2003-2004 fiscal year and replace the funds with a one-time transfer from the Sleep Products Fund, thereby reducing the fund's cash balance.				

Soil and Water**96 Eliminate Animal Waste Cost Share Program**

Eliminate funding for Animal Waste Cost Share program.

(\$117,500) NR

97 Eliminate Vacant Positions

Eliminate 2.0 vacant positions.

(\$91,371) R

(\$91,371) R

-2.00

-2.00

Soils Survey Supervisor (1.0) (\$49,622)

Soil & Water Cons. Regional Coordinator (1.0) (\$41,749)

98 Reduce Operating Support

Reduce various operating line items.

(\$57,788) R

(\$57,788) R

Waste Management**99 Increase Hazardous Waste Fee**

Increase hazardous waste fees for large and small quantity generators. (HB 397, Section 35.2)

(\$405,000) R

(\$405,000) R

100 Fund Shift Positions to Grants

Fund shift 2.0 positions to grants.

(\$110,537) R

(\$110,537) R

-2.00

-2.00

Waste Management Specialist (1.0) (\$48,943)

Environmental Supervisor (1.0) (\$61,594)

101 Reduce Operating Support

Reduce various operating line items.

(\$45,265) R

(\$45,265) R

Water Quality**102 Shift Position to Receipt Support**

Shift 1.0 position to receipt support.

(\$37,065) R

(\$37,065) R

-1.00

-1.00

Office Assistant IV (\$37,065)

103 Shift Position to Federal Grants

Fund shift 1.0 position to federal grants.

(\$63,887) R

(\$63,887) R

-1.00

-1.00

Environmental Supervisor II (\$63,887)

104 Reduce Funding For Temporary Personnel

Reduce funding for temporary personnel.

(\$33,280) R

(\$33,280) R

Overview: 2003 Session Fiscal and Budgetary Actions

	FY 2003-04		FY 2004-05	
105 Eliminate 1.0 Vacant Position	(\$53,182)	R	(\$53,182)	R
Eliminate 1.0 vacant position.				
Information Communication Specialist III (\$53,182)	-1.00		-1.00	
106 Fund Shift 4.0 Positions	(\$159,700)	R	(\$159,700)	R
Fund shift 4.0 positions.				
Computer Operator (\$34,622)	-4.00		-4.00	
Hydrogeologist (\$47,988)				
Processing Assistant (\$28,280)				
Environmental Biologist II (\$48,810)				
107 Reduce Operating Support	(\$11,721)	R	(\$11,721)	R
Reduce various operating line items.				
Zoo				
108 Eliminate Vacant Position	(\$50,768)	R	(\$50,768)	R
Eliminate Facility Maintenance Manager II.				
	-1.00		-1.00	
109 Shift Positions to Receipt Support	(\$196,730)	R	(\$196,730)	R
Shift 6.50 positions to receipt support.				
	-6.50		-6.50	
Zoo Tram System Supervisor (1.0) (\$30,561)				
Zoo Security Chief (1.0) (\$32,974)				
Housekeeping Supervisor III (1.0) (\$28,971)				
Supply Store Manager I (1.0) (\$39,262)				
Office Assistant IV (1.0) (\$22,607)				
Housekeeping Team Leader (1.0) (\$22,607)				
Housekeeper (0.5) (\$11,442)				
110 Reduce Operating Support	(\$400,000)	R	(\$400,000)	R
Reduce various operating line items.				
111 Reduce Workers' Compensation	(\$400,000)	R	(\$400,000)	R
Reduce workers' compensation.				
Total Legislative Changes	(\$4,260,882)	R	(\$4,465,813)	R
	(\$1,633,711)	NR		
Total Position Changes	-22.11		-30.11	
Revised Budget	\$147,176,308		\$152,798,010	

Special Provisions

2003 Session: HB 397

Department: Environment & Natural Resources

Section: 11.1

Title: Grassroots Science Program

Summary Allocates \$2,551,760 in each year of the biennium as grants-in-aid to 16 regional science museums that have previously received funding. Also allocates \$50,000 each to five new museums: Wilmington Children's Museum, Carolina Raptor Center, Highlands Nature Center, Fascinate-U Children's Museum, and KidSenses, Inc.

Section: 11.2

Title: Statewide Beaver Damage Control Program Fund

Summary Allocates \$449,000 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: 11.3

Title: Funds for Cleanup of Warren County PCB Landfill

Summary Allows the Department of Environment and Natural Resources to use up to \$500,000 from the Water Permits Fund if the following conditions are met: 1) additional funds are necessary to complete the project and 2) all other funds available to the project have been spent or encumbered. Section (b) states that it is the intent of the General Assembly that funds authorized under this section will be sufficient to complete the clean-up.

Section: 11.4

Title: Commercial and Noncommercial Underground Storage Tank Funds

Summary Repeals Section 19 of SL 1989-652, Section 67 of SL 1991-1044, Section 15(a) and 15(b) of SL 1995-377, and Section 1 of SL 2001-454. Effectively repeals \$2,625,000 in previous appropriations from the Commercial Leaking Petroleum Underground Storage Tank Cleanup Fund and \$1,295,000 in previous appropriations from the Noncommercial Leaking Petroleum Underground Storage Tank Cleanup Fund to the Department of Environment and Natural Resources. Then appropriates \$2,625,000 and \$1,295,000 in each year of the biennium from the Commercial and Noncommercial LUST Funds, respectively, to the Department of Environment and Natural Resources for the administration of the underground storage tank program. These appropriated funds are intended to be recurring. Directs the Office of State Budget and Management to certify these appropriations in the budget for the Commercial and Noncommercial LUST Funds and in the General Fund budget code for the Department.

Section: 11.4A

Title: **Express Review Pilot Program**

Summary Allows the Department of Environment and Natural Resources (DENR) to develop a voluntary Express Review Pilot Program focusing on stormwater permits, stream origination certifications, water quality certifications, erosion and sedimentation control permits, and CAMA permits. Allows DENR to establish up to 8 positions to administer the program. Outlines limitations on program fees. Appropriates funds for FY 2003-2004 to establish the pilot program; however, the program is to become receipt supported in future years. Creates the Express Review Fund, a special non-reverting fund. Directs DENR to report its findings on the success of the program to the General Assembly by May 1, 2004.

Section: 11.6

Title: **Cost Share Funds for Limited Resource/New Farmers**

Summary Subdivision (9) limits state cost share funding to 90% of the average cost of each practice for limited-resource and beginning farmers. Farmers assisted under this subdivision must provide at least 10% of the cost, which may include in-kind support of the practice. Limits awards to \$100,000 per year to each applicant. Defines "beginning farmer," "limited-resource farmer," and "materially and substantially participate."

Section: 11.10

Title: **State Match for Federal Safe Drinking Water Act Funds**

Summary In FY 2003-2004, allows the transfer of up to \$1.7 million from the General Water Supply Revolving Loan Account to match federal grant money.

Section: 31.2

Title: **Water Resources Development Project Funds**

Summary Allocates \$27,601,000 for various water resources development projects as follows:

- (1) Wilmington Harbor Deepening - \$6,800,000
- (2) Morehead City Harbor Maintenance - \$100,000
- (3) Morehead City Harbor Section 933 Nourishment - \$4,661,000
- (4) Wilmington Harbor Maintenance - \$2,700,000
- (5) Manteo (Shallowbag) Bay Channel Maintenance - \$3,500,000
- (6) John H. Kerr Reservoir Operations Evaluation - \$200,000
- (7) Beaufort Harbor Maintenance Dredging - \$80,000
- (8) Carolina Beach Renourishment (New Hanover County) - \$1,125,000
- (9) Kure Beach Renourishment (New Hanover County) - \$1,177,000
- (10) Ocean Isle Beach Renourishment (Brunswick County) - \$813,000
- (11) Bogue Banks Shore Protection Study (Carteret County) - \$200,000
- (12) Surf City/North Topsail Beach Protection Study - \$150,000
- (13) Princeville Flood Control Study - \$400,000
- (14) West Onslow Beach (Topsail) - \$75,000
- (15) Deep Creek (Yadkin County) Watershed Management - \$1,500,000
- (16) State Local Projects - \$2,500,000
- (17) Currituck Sound Water Management Study - \$150,000
- (18) Aquatic Weed Control, Lake Gaston and Statewide - \$300,000
- (19) Swan Quarter (Hyde County) Flood Control Dikes - \$100,000
- (20) Little Sugar Creek Restoration (Mecklenburg County) - \$20,000
- (21) Neuse River Basin Feasibility Study - \$100,000
- (22) Environmental Restoration Projects - \$700,000
- (23) Projected Feasibility Studies - \$100,000
- (24) Planning Assistance to Communities - \$150,000

Section 31.2(b) allows adjustments 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 2003-04 fiscal year.

Section 31.2(c) 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.

Section 31.2(d) allows the Director of the Budget to use available funds to pay the required state match for any additional funds that become available during the 2003-04 fiscal year for water resources or beach renourishment projects.

Section: 35.2

Title: **Department of Environment and Natural Resources—Hazardous Waste Fees**

Summary Increases the annual hazardous waste fee for large-waste generators (1000 kg or more in any calendar month) from \$500 to \$1,000. Increases the annual fee for small-waste generators (100-1000 kg in each calendar month) from \$25 to \$125.

Section: 35.1

Title: **Department of Environment and Natural Resource Fees--State Park Fees**

Summary Deletes duplicative language found in G.S. 133-34. Grants authority to the Department of Environment and Natural Resources (DENR) to charge and collect a fee for vehicle access for off-road driving at the beach at Fort Fisher State Recreational Area and for the use of boats and other watercraft maintained by the Department. Allows DENR to adopt rules to increase fees for the use of public service facilities and conveniences located in State forests, State parks, and State lakes.

Environment & Natural Resources - Clean Water Management Trust Fund

GENERAL FUND

	FY 2003-04	FY 2004-05
Recommended Budget	\$100,000,000	\$100,000,000
Legislative Changes		
Clean Water Management Trust Fund		
112 Reduce Appropriation		
Reduce appropriation to the Clean Water Management Trust Fund by 38% in each fiscal year. (HB 397, Section 11.8)	(\$38,000,000) NR	(\$38,000,000) NR
Total Legislative Changes	(\$38,000,000) NR	(\$38,000,000) NR
Total Position Changes		
Revised Budget	\$62,000,000	\$62,000,000

Special Provisions

2003 Session: HB 397

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

Section: 11.7

Title: Study/Impact of Acquisition of Land for Conservation Purposes on Local Government Ad Valorem Tax Revenues

Summary Directs the Property Tax Subcommittee of the Revenue Laws Study Committee to study the impacts of acquisition of land using Clean Water Management Trust Fund and other State funds for conservation purposes on local government ad valorem tax revenues. The Subcommittee shall report its findings by January 15, 2004, to the Joint Legislative Commission on Governmental Operations, the Revenue Laws Study Committee, and the Fiscal Research Division.

Section: 11.8

Title: Clean Water Management Trust Fund Appropriation/Farmland Preservation Projects

Summary Appropriates \$62 million in each fiscal year to the Clean Water Management Trust Fund (CWMTF). Of the funds appropriated, up to \$4.1 million may be used in FY 2003-2004 to match federal, State, and private funds for farmland and forestland preservation projects.

Labor

		GENERAL FUND	
		FY 2003-04	FY 2004-05
Recommended Budget		\$13,936,595	\$13,945,245
Legislative Changes			
Administration			
113 Reduce Operating Support		(\$9,599) R	(\$9,599) R
Reduce funds in general cost categories.			
114 Reduce Operating; Increase Indirect Cost Receipts		(\$74,000) R	(\$74,000) R
Reduce various operating line items and increase budgeted indirect cost receipts.			
Agricultural Safety and Health			
115 Reduce Travel and Office Supplies		(\$10,000) R	(\$10,000) R
Reduce funding for travel and office supplies.			
Apprenticeship			
116 Reduce Operating Support		(\$20,000) R	(\$20,000) R
Reduce various operating line items.			
Bureau of Labor Statistics			
117 Eliminate 1.0 Vacant Position and Reduce Operating		(\$17,389) R	(\$17,389) R
Reduce various operating line items and eliminate 1.0 vacant position.			
		-1.00	-1.00
Data Control Clerk III (1.0)			
Department-Wide			
118 Eliminate Inflationary Increases		(\$35,976) R	(\$35,976) R
Eliminate all allowable inflationary increases.			
Employment Discrimination			
119 Reduce Postage Budget		(\$2,000) R	(\$2,000) R
Reduce postage budget.			

Overview: 2003 Session Fiscal and Budgetary Actions

Information Office

120 Increase Budgeted Indirect Cost Receipts

Increase budgeted indirect cost receipts.

(\$25,000) R

(\$25,000) R

Information Technology

121 Reduce Software Maintenance Costs

Reduce maintenance costs associated with software and increase budgeted indirect cost receipts.

(\$35,000) R

(\$35,000) R

Mine and Quarry

122 Reduce Operating Support

Reduce funds in general cost categories.

(\$11,000) R

(\$11,000) R

Occupational Safety and Health

123 Reduce Operating Support

Reduce travel, rents, general office supplies, and communications funding.

(\$307,208) R

(\$307,208) R

124 Reduce Contractual Obligations

Reduce funding for contractual obligations for hearings examiners.

(\$5,468) R

(\$5,468) R

Wage and Hour

125 Eliminate 3.0 Vacant Positions

Eliminate 3.0 vacant positions.

(\$118,501) R

(\$118,501) R

-3.00

-3.00

Wage and Hour Investigators (2.0)
Public Information Assistant IV (1.0)

Total Legislative Changes

(\$671,141) R

(\$671,141) R

Total Position Changes

-4.00

-4.00

Revised Budget

\$13,265,454

\$13,274,104

Special Provisions

2003 Session: HB 397

Department: Labor

Section:

Title: (No Special Provisions Reported)

Summary

N.C. Biotechnology Center

GENERAL FUND

	FY 2003-04	FY 2004-05
Recommended Budget	\$5,883,395	\$5,883,395
Legislative Changes		
NC. Biotech		
126 No Legislative Changes		
Total Legislative Changes		
Total Position Changes		
Revised Budget	\$5,883,395	\$5,883,395

Special Provisions

2003 Session: HB 397

Department: N.C. Biotechnology Center

Section: 12.10

Title: **Biotechnology Center**

Summary Requires that the Biotechnology Center report its budgetary and program activities 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.

Rural Economic Development Center

GENERAL FUND

	FY 2003-04	FY 2004-05
Recommended Budget	\$4,658,607	\$4,658,607
Legislative Changes		
Rural Economic Development Center		
127 No Legislative Changes		
Total Legislative Changes		
Total Position Changes		
Revised Budget	\$4,658,607	\$4,658,607

Special Provisions

2003 Session: HB 397

Department: Rural Economic Development Center

Section: 12.11

Title: Rural Economic Development Center

Summary Appropriates \$1,881,697 for each fiscal year to the Rural Economic Development Center and allocates the funding among various programs and administrative responsibilities. Also appropriates \$2,415,910 for each fiscal year as follows:

- \$ 800,000 CDCs previously receiving State funds
- \$ 197,410 New and emerging CDCs
- \$ 50,000 REDC for CDC administration
- \$ 195,000 Microenterprise Loan Program
- \$ 983,000 Supplemental Funding Program broken down as:
 - 1) \$883,000 -- Local Government / Nonprofit grants
 - 2) \$100,000 -- Update of statewide water and sewer database
- \$ 190,500 Agricultural Advancement Consortium

Outlines reporting requirements. Requires that no funds shall be appropriated to the above listed organizations unless they have fulfilled their reporting requirements.

Section: 12.12

Title: Opportunities Industrialization Center Funds

Summary Allocates \$90,250 in each fiscal year to each of the following Opportunities Industrialization Centers: Wilson, Rocky Mount, Kinston and Lenoir County, and Elizabeth City. Requires each center to report budgetary and program activities by January 15 of each fiscal year, beginning in 2004, to the Joint Legislative Commission on Government Operations and the Fiscal Research Division. Requires each center to file their audited financial statements annually with the State Auditor and to submit these 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, 2004 and 2005 reporting requirements.

**JUSTICE
&
PUBLIC SAFETY**

Correction

GENERAL FUND			
	FY 2003-04		FY 2004-05
Recommended Budget	\$985,276,327		\$991,226,311
Legislative Changes			
Community Corrections			
1 Reduce Overtime Budget	(\$500,000)	R	(\$610,404) R
DCC has reduced expenditures for overtime well below the authorized budget of \$1.1 million. The overtime budget is reduced to more closely reflect actual expenditures.			
2 Increase CJPP Funding	\$109,866	R	\$106,351 R
Funding for the Criminal Justice Partnership Program grants to counties is increased to maintain funding at FY 2002-03 level or higher.			
Department-wide			
3 Management Flexibility Reserve	(\$10,757,916)	NR	
DOC is authorized to determine the appropriate salary and non-salary line items that can be reduced for one year. (HB 397, Section 13.1 (b))			
4 Personnel Related Expenses	(\$11,976,344)	R	(\$12,683,987) R
Governor's recommendation: reduce the continuation budget for various accounts, including longevity, overtime, holiday, shift, and call back pay, worker's compensation, and unemployment compensation. These reductions may be offset by use of lapsed salaries.			
5 Motor Vehicles--Special Purpose	(\$224,500)	R	(\$119,000) R
Governor's recommendation: reduce the continuation budget for special purpose motor vehicles			
6 Computer/Data Processing Service	(\$1,657,108)	R	(\$1,657,108) R
Governor's recommendation: reduce the continuation budget for ITS services. These reductions may be offset by use of lapsed salaries. (HB 397, Section 16.11)			
7 Salary Related Fringe Benefits	(\$882,395)	R	(\$957,972) R
Governor's recommendation: reduce the continuation budget for social security, retirement, and health benefit increases. These reductions may be offset by use of lapsed salaries.			

Overview: 2003 Session Fiscal and Budgetary Actions

	FY 2003-04		FY 2004-05	
8 Reduce DOC Management Positions	(\$298,973)	R	(\$298,973)	R
Governor's recommendation: eliminate three (3) DOC management positions as a result of departmental reorganization	-3.00		-3.00	
9 Reduce Vehicle Replacement Funds				
A portion of the vehicle replacement budget is reduced for one year. A total of \$4,450,000 remains in the budget	(\$450,000)	NR		
Parole Commission				
10 Eliminate Position	(\$54,581)	R	(\$54,581)	R
One vacant case analyst position in the Parole Commission is eliminated due to decreasing caseloads. (HB 397, Section 16.21)	-1.00		-1.00	
Prisons				
11 Medical Services	(\$5,546,363)	R	(\$5,546,363)	R
Reduce a portion of the continuation budget increase for medical services. The Governor recommended a reduction of (\$7,656,409). (HB 397, Section 16.6)	(\$1,200,000)	NR		
12 Correctional Officer Incentives	(\$5,205,871)	R	(\$5,205,871)	R
Governor's recommendation: reduce the continuation budget for weekend shift-pay incentives. These reductions may be offset by use of lapsed salaries. (HB 397, Section 16.3)				
13 Reduce Contract rate for Mobile Surgery lab	(\$277,500)	R	(\$277,500)	R
DOC contracts with vendor for a mobile surgery lab at Central Prison at a cost of \$967,500 annually. The contract is reduced to reflect actual usage. (HB 397, Section 16.7)				
14 Reserves for New Prisons	(\$372,000)	NR		
Reduce funding by \$372,000 (NR) due to a delay in the schedule for opening a new prison in Scotland County				
15 Prison Reserves	(\$150,000)	R	(\$150,000)	R
The non-salary line item budget is approximately \$6.2 million for each new prison. It is recommended that \$50,000 per prison be reduced in such areas as travel, supplies and equipment.				
16 Reduce Staffing at New Prisons	(\$560,849)	R	(\$611,835)	R
Each new prison is staffed with 260 correctional officers. It is recommended that seven correctional officer positions be eliminated from each prison for a total of 21. These positions are primarily activity and utility posts that are not required on the evening and night shift when activity is lowest.	-21.00		-21.00	

Overview: 2003 Session Fiscal and Budgetary Actions

	FY 2003-04		FY 2004-05	
17 Overtime Pay	(\$3,364,267)	R	(\$3,364,267)	R
The budget for overtime pay for correctional officers is reduced to more closely reflect actual expenditure levels.	(\$1,742,084)	NR		
18 Expand DNA Collection	\$234,981	R	\$326,648	R
The following items are effective December 1, 2003 only if legislation authorizing the expansion of the DNA database to all convicted felons is ratified:	\$71,167	NR	\$50,833	NR
	7.00		7.00	
<p>Seven Correctional Officer positions are added to the Division of Prisons for the purpose of staffing a new post at each felony diagnostic center to maintain chain of custody of DNA samples taken from convicted offenders entering prison. Additional funding is provided to cover overtime costs of Correctional Officers and nurses who will take DNA samples from the existing inmate felon population. (HB 79)</p>				
Substance Abuse				
19 John Hyman Program	(\$225,000)	R	(\$225,000)	R
Eliminate State funding for the John Hyman program, a non-profit organization that provides substance abuse treatment and counseling				
Total Legislative Changes	(\$30,578,904)	R	(\$31,329,862)	R
	(\$14,450,833)	NR	\$50,833	NR
Total Position Changes	-18.00		-18.00	
Revised Budget	\$940,246,590		\$959,947,282	

Special Provisions

2003 Session: HB 397

Department: Correction

Section: 16.1

Title: **Federal Grant Reporting**

Summary Continues annual report for all JPS agencies on grants including: amount of funds received, funding sources, purpose, and whether the agency intends to request permanent funding for any grant-funded item.

Section: 16.2

Title: **Reimburse Counties**

Summary Continues provision authorizing Correction to use available funds to pay counties for housing DOC inmates awaiting transfer to state prisons (jail backlog).

Section: 16.3

Title: **Shift Pay for Security Staff**

Summary Continues authorization for DOC to use available funds to pay for weekend premium shift pay if needed.

Section: 16.4

Title: **Security Staffing Formula**

Summary Revises provision from 2002 to require DOC to implement recommendations of the National Institute of Corrections to improve staffing efficiencies in DOC prisons.

Section: 16.5

Title: **Use of Closed Prison Facilities**

Summary Repeats provision on process for determining use of closed prisons including consultation with localities and elected officials and report to Gov. Ops. prior to property transfer.

Section: 16.6

Title: **Inmate Costs**

Summary Continues provision requiring DOC to report to Governmental Operations if the costs for inmate food and health care exceed the budgeted amount. Also continues authorization to use available funds for inmate prescription drugs if expenditures exceed budget. The 2003 provision expands authorization for use of available funds to include inmate clothing and laundry services if expenditures are projected to exceed the Departments budget. In all cases, DOC must report to Governmental Operations prior to exceeding the budget for each expenditure category.

Section: 16.7

Title: **Mobile Medical Operating Room**

Summary Follows money reducing cost of contract for mobile surgery unit to match actual utilization. Authorizes increased usage under certain conditions. Also requires DOC to conduct a study to determine whether the contract should be continued, expanded, or eliminated.

Section: 16.8

Title: **Conversion of Contracted Medical Positions**

Summary Continues authorization for DOC to convert medical contract positions to permanent positions if DOC can document savings. A report on any conversions is required by April 1, 2004.

Section: 16.9

Title: **Limit Use of Operational Funds**

Summary Continues provision limiting use of funds in prison reserves for any other purpose and limits establishing of new positions to 120 days prior to prison completion except certain management and support positions.

Section: 16.10

Title: **Federal Grant Matching Funds**

Summary Continues authorization to use up to \$900,000 in available funds to match federal grants.

Section: 16.11

Title: **Computer/Data Processing Services Funds**

Summary New provision allowing DOC to use funds available for computer/data processing services if costs are anticipated to exceed the budgeted amount. DOC must report to Governmental Operations prior to exceeding the budget.

Section: 16.12

Title: **Medium Custody Road Crews/Community Work Crews**

Summary Repeat provision transferring \$10 million from DOT for medium custody road squads and \$1.3 million for inmate litter crews.

Section: 16.13

Title: **Energy for Committed Offenders, Inc. Report**

Summary Continues reporting requirement for ECO, Inc., a non-profit that operates a 20 bed minimum custody prison for female offenders under contract to DOC.

Section: 16.14

Title: **Electronic Monitoring Costs**

Summary Continues annual reporting requirement for electronic monitoring program. Directs the Department of Correction to analyze and report on underutilization and the geographical distribution of electronic monitoring use. Also directs the Department to issue a Request for Information to determine the interest and qualifications of private vendors of electronic monitoring services.

Section: 16.15

Title: **Collection of Offender Fees**

Summary Requires the Administrative Office of the Courts and the Department of Correction to report on the results of their efforts to increase the collection of offender fees.

Section: 16.16

Title: **Criminal Justice Partnership Program**

Summary Continues provisions from prior years that: (a) prohibit the use of State funds for case manager positions when those services can be reasonably provided by other personnel; (b) permit the Department of Correction to reallocate unspent funds to participating counties; (c) prohibit the Department from denying funds for two programs in one county if conditions are met; and, (d) require an annual report.

Section: 16.17

Title: **Reports on Nonprofit Programs**

Summary Continues annual reporting requirements for Harriet's House, Women at Risk, and Summit House, Inc.

Section: 16.18

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

Summary Continues annual reporting requirement for probation and parole caseloads. Also requires the Department of Correction to study caseloads and determine whether the caseload goals established in the Structured Sentencing Act are still appropriate.

Section: 16.19

Title: **Community Service Work Program**

Summary Requires the Department of Correction to report on its progress in integrating the Community Service Work Program into the Division of Community Corrections. Establishes annual reporting requirements for the program.

Section: 16.20

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

Summary Continues biannual reporting requirement for the number and characteristics of inmates eligible for parole. Adds language requiring a more specific analysis of parole-eligible inmates assigned to minimum custody classification who were not released on parole.

Section: 16.21

Title: **Post-Release Supervision And Parole Commission/Report On Staffing Reorganization And Reduction**

Summary Requires the Commission to report on a plan for restructuring the organization and operation of the Commission and implementing staff reductions to reflect both declines and changes in workload.

Section: 16.22

Title: **Housing of Inmates**

Summary Directs DOC to develop an operational plan for generating the appropriate mix of close, medium, and minimum custody beds including new construction, expansion of existing prisons, converting facilities from one custody level to another, or housing two inmates per cell where feasible. Plan is due to Correction Oversight and to JPS Appropriation chairs by February 1, 2004

Section: 46A.1

Title: **Acquire Two Private Prisons**

Summary Authorizes issuance of debt to acquire two prisons currently leased by the State from a private vendor. The prisons are Pamlico and Mountain View in Avery County. Also directs Correction to pay funds to the counties for 2003-05 in the same amount currently paid by DOC for county property taxes.

Section: 47.1

Title: **Lease-Purchase New Prisons**

Summary Authorizes the State to negotiate a contract for the construction of three new prisons on terms that are reasonable and desirable as determined by the State Treasurer, Council of State, and Secretary of Administration. If a contract cannot be negotiated, the Secretary of Correction is directed to issue a Request for Proposal for construction of three new prisons. The State will finance construction and the lease of the facilities once completed through issuance of certificates of participation. Section 47.2 allows the two 1,000 bed prisons to be constructed in Greene County and Bertie County to be constructed under previous building codes if construction starts before January 1, 2004.

Crime Control and Public Safety

GENERAL FUND

	FY 2003-04		FY 2004-05
Recommended Budget	\$28,706,140		\$28,785,824
Legislative Changes			
Administration			
20 CJIN Reserve			
The 1996 Extraordinary Session established a statewide reserve to support the operations of the Criminal Justice Information Network (CJIN) Governing Board. \$100,000 in non-recurring, non-reverting funds were appropriated to the reserve. There remains in this reserve less than \$6,000 of the original appropriation. \$100,000 in non-recurring, non-reverting funds is provided to continue operational support for the CJIN Governing Board.	\$100,000	NR	
Alcohol Law Enforcement			
21 ALE Office Leases			
Due to the consolidation and closure of three ALE offices, the continuation budget increase for ALE leases is eliminated.	(\$29,447)	R	(\$29,447) R
Emergency Management			
22 Floodplain Mapping			
Governor's recommendation: Convert one position from appropriation to receipt-supported.	(\$92,367)	R	(\$92,367) R
Governor's Crime Commission			
23 Eliminate Roanoke-Chowan Drug Task Force Funding			
Governor's recommendation: eliminate remaining funds in the continuation budget for the drug task force.	(\$125,000)	R	(\$125,000) R
National Guard			
24 State-wide Armory Maintenance and Repair			
Funds are provided to address high priority state-wide armory maintenance and repair needs such as roof replacements, fire alarm systems, removal of underground storage tanks, asbestos surveys, etc.	\$585,000	NR	

Victim & Justice Services**25 Victims' Compensation Fund**

(\$400,000) R

(\$400,000) R

Governor's recommendation: reduce the continuation budget for victims' compensation by \$400,000. During the 2002 Short Session, an additional \$2,500,000 was appropriated to the Victims' Compensation Program. Because of this increase in state funding, additional federal funds of approximately \$1 million will be available to offset this recommended reduction.

Total Legislative Changes

(\$646,814) R

(\$646,814) R

\$685,000 NR

Total Position Changes**Revised Budget**

\$28,744,326

\$28,139,010

Special Provisions

2003 Session: HB 397

Department: Crime Control and Public Safety

Section: 17.1

Title: **Transfer CJIN to the Department of Crime Control and Public Safety**

Summary Type II transfer of the Criminal Justice Information Network (CJIN) Governing Board from the Department of Justice to the Department of Crime Control and Public Safety.

Section: 17.2

Title: **The Juvenile Justice Information System**

Summary Removes the CJIN Governing Board from direct responsibility for the planning and implementation of a juvenile justice information system within the Department of Juvenile Justice and Delinquency Prevention.

Section: 17.3

Title: **Annual Evaluation of the Tarheel Challenge Program**

Summary Annual reporting requirement on the operations and effectiveness of the Tarheel Challenge Program.

Section: 17.4

Title: **Legislative Review of Drug Law Enforcement and Other Grants**

Summary Requires the Governor's Crime Commission to report on the state's application for certain federal grants

Section: 17.5

Title: **Victims Assistance Network Report**

Summary Annual reporting requirement on the expenditure of pass-through funding provided to the NC Victims' Assistance Network (NCVAN).

Section: 17.6

Title: **ALE Agents Subject to State Personnel Act**

Summary Clarifies that Alcohol Law Enforcement (ALE) Agents are subject to the provisions of the State Personnel Act. Directs the Office of State Personnel to study and report on the salary classifications and ranges for ALE Agents.

Judicial

		GENERAL FUND	
		FY 2003-04	FY 2004-05
Recommended Budget		\$310,319,781	\$314,116,595
Legislative Changes			
Department-wide			
26 Position Reductions		(\$1,000,000) R	(\$1,000,000) R
The AOC will identify \$1 million in personnel and related operational expenses (e.g. travel, training) from eliminating administrative positions throughout the Judicial Department. The Governor recommended \$500,000 from operational savings and a review of internal operations.			
27 Management Flexibility Reserve		(\$3,400,000) NR	
Creates a management flexibility reserve of \$3.4 million non-recurring reductions.			
28 AOC- Reserve for Judicial Staffing/Salary Reserve		\$461,198 R	\$461,198 R
Creates a reserve fund in the AOC. AOC is authorized to draw funds from this reserve should the results of the State Personnel study of AOC staffing indicate a need to offset staffing reductions.			
29 Reduction in Salary Reserve		(\$1,500,000) R	(\$1,500,000) R
The accumulated balance in salary reserve is reduced by \$1.5 million. This replaces a \$1.5 million recurring negative reserve in the Governor's budget.			
Dispute Settlement Centers			
30 Reduction in Dispute Settlement Centers		(\$131,418) R	(\$131,418) R
The budget for dispute settlement centers is reduced by 8.2%. The Governor recommended elimination of this funding (\$1,603,124).			
District Court			
31 Reduce Specialized Court Programs		(\$84,379) R	(\$140,379) R
Reductions reflect priorities set by judicial officials and protects core operations of the Judicial Branch relating to families and children.			
Drug Treatment Court -- \$69,000 R			
Mecklenburg Drug Court -- \$15,379 R			
Guardian ad Litem -- \$56,000 (2nd year R)			

Overview: 2003 Session Fiscal and Budgetary Actions

	FY 2003-04		FY 2004-05	
32 Budget DC Mediated Settlement Receipts	(\$10,000)	R	(\$10,000)	R
Budget \$10,000 in receipts from the District Court Mediated Settlement Program.				
33 Budget Arbitration Program Receipts	(\$350,000)	R	(\$350,000)	R
Budget receipts from a new fee of \$100 assessed to parties in District Court arbitration cases. Based on the most recent year's data, there would be roughly 3,500 such cases arbitrated.				
Superior Court				
34 Create New Superior Court District	\$35,549	R	\$53,698	R
Appropriates funds to establish a new Superior Court district 19D comprising Moore County. The effective date of this new district is December 1, 2003.				
	1.00		1.00	
Total Legislative Changes	(\$2,579,050)	R	(\$2,616,901)	R
	(\$3,400,000)	NR		
Total Position Changes	1.00		1.00	
Revised Budget	\$304,340,731		\$311,499,694	

Special Provisions

2003 Session: HB 397

Department: Judicial

Section: 13.1

Title: **Operational Savings/Funding Reserves**

Summary Section 1.(a) requires AOC to report by September 1 on its plans to achieve its operational efficiency staffing reductions. Section 1.(b) directs all Justice and Public Safety agencies to report to the Appropriations chairs and JPS subcommittee chairs on implementation of management flexibility reserves. Requires agencies to report to Governmental Operations Commission before achieving savings by eliminating positions or abolishing programs.

Section: 13.2

Title: **Collection of Worthless Check Funds**

Summary Authorizes the AOC to use any unexpended funds in the Worthless Checks Fund, a special revenue fund, to purchase office or IT equipment. Requires a report to Commission on Governmental Operations prior to expending any of this fund.

Section: 13.3

Title: **Office of Indigent Defense Services Report**

Summary Directs the Office of Indigent Defense Services to continue producing annual reports detailing the cost of providing indigent counsel by appointment versus public defender, as well as any actions taken to control costs.

Section: 13.4

Title: **Drug Treatment Court Program**

Summary Articulates the legislature's intent that program funds are to be used for treatment, not for case management, and that the Drug Treatment Court program should collaborate with the TASC program in DHHS to reduce duplication of services. Allows for established local differences based on availability of other funding sources, but requires a transition plan for programs currently receiving time-limited federal grants.

Section: 13.5

Title: **Federal Grant Funds**

Summary Authorizes AOC to use up to \$1,250,000 of available funds as matching money for federal grants.

Section: 13.6

Title: **Public Defender Study**

Summary Directs the Office of Indigent Defense Services to study the feasibility and potential cost savings of establishing additional public defender offices. The report should include a list of priority districts for implementation of additional public defender offices.

Section: 13.7

Title: **Transfer of Equipment and Supplies**

Summary Authorizes the AOC to transfer funds within a reserve account for equipment and supplies, and restricts use of those funds only to equipment and supply purchases.

Section: 13.8

Title: **Adjust Magistrate Authorizations**

Summary Modifies magistrate statute to reduce minimum number of magistrates in Martin and Duplin Counties, and to increase the maximum in Swain County to conform to actual FTE positions employed.

Section: 13.10

Title: **NC State Bar Funds**

Summary Authorizes up to \$590,000 in pass-through funds to the State Bar to contract with the Center for Death Penalty Litigation to provide training and technical assistance to attorneys handling capital cases. Requires a report on activities funded through this grant-in-aid.

Section: 13.11

Title: **Clarify Partial Payment of Appointment Fee for Criminal Defendants**

Summary Modifies statute allowing appointment fee for indigent person's counsel to address bookkeeping issues raised by clerks of court, specifically the allowance of partial payments. This provision would not allow partial payment.

Section: 13.12

Title: **Pilot Project on Assignment of Civil Cases**

Summary Authorizes AOC to implement new methods for assigning and processing civil cases on an evaluation basis to identify more efficient ways of handling the civil calendar.

Section: 13.13

Title: **Dispute Resolution Fee Clarification**

Summary Clarifies the dispute resolution fee statute to say the fee is \$60 per mediation. Earlier language was unclear, and resulted in an assumption that the fee might be \$60 per case, of which there may be more than one in any mediation.

Section: 13.14

Title: **Divide Superior Court District 19B**

Summary Creates a new Superior Court district in Moore County, 19D. District 19B now comprises Randolph and Montgomery Counties.

Section: 13.15

Title: **Dispute Settlement Centers Study/Reporting of Cases**

Summary Directs the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee to study the funding formula established for the mediation program operated by not-for-profit Dispute Settlement Centers. Changes the statutory annual reporting requirements to include reporting docket numbers of cases resolved.

Judicial - Indigent Defense

		GENERAL FUND	
		FY 2003-04	FY 2004-05
Recommended Budget		\$75,049,607	\$73,116,571
Legislative Changes			
35 IDS Increase Recoupment Receipts	(\$401,000) R		(\$401,000) R
Governor's recommendation: The Office of Indigent Defense Services will target high-volume counties, and seek to raise recoupments rates to 10%, thereby increasing receipts.			
Indigent Persons Attorney Fee Fund			
36 Reduce Continuation Growth	(\$1,383,778) R		(\$1,383,778) R
Reduces continuation increase in Indigent Persons Attorney Fee Fund by \$1.3 million in the first year and \$1.6 million in the second year.			
			(\$312,342) NR
Total Legislative Changes	(\$1,784,778) R		(\$1,784,778) R
			(\$312,342) NR
Total Position Changes			
Revised Budget	\$73,264,829		\$71,019,451

Special Provisions

2003 Session: HB 397

Department: Judicial - Indigent Defense

Section:

Title: **(Special Provisions reported in Judicial Department)**

Summary

Justice

GENERAL FUND

	FY 2003-04		FY 2004-05	
Recommended Budget	\$73,508,002		\$73,574,376	
Legislative Changes				
Department-Wide				
37 Management Flexibility	(\$210,000)	R	(\$210,000)	R
The Department will identify \$210,00 recurring in salary and non-salary line item reductions and an additional \$1,375,500 in salary and non-salary line item reductions on a nonrecurring basis. (HB 379, Section 13.1(b))	(\$1,375,500)	NR		
38 Eliminate Positions	(\$630,818)	R	(\$630,818)	R
Governor's recommendation: Eliminate 16 vacant positions in Legal Services, the SBI, and Training Academies for a total of \$630,818.	-16.00		-16.00	
Law Enforcement - SBI				
39 SBI Equipment	(\$350,000)	R	(\$500,000)	R
Reduce the continuation budget for SBI equipment. The Department may use federal grant funds for equipment replacement.				
40 SBI Auto Replacement	(\$264,535)	R	(\$264,535)	R
Reduce the SBI budget for vehicle replacement. The Department may identify receipts to purchase replacement vehicles. Governor recommended \$264,535 R.				
41 Mainframe Migration	(\$618,071)	R	(\$1,175,964)	R
The Law Enforcement System Migration Project will be completed in FY 2003-04, providing savings from various information technology accounts. This reduction would leave \$789,929 in 03-04 to be used for remaining migration projects, AFIS software maintenance, and mobile data network telecommunications charges. \$664,983 would be available in 04-05 for AFIS software maintenance and mobile data network telecommunications charges due to migration completion and savings from migration to the new environment. The Governor recommended a reduction of \$326,871 in 03-04 and \$781,100 in 04-05.				

Overview: 2003 Session Fiscal and Budgetary Actions

FY 2003-04

FY 2004-05

42 Expand SBI Lab Molecular Genetics Section

The Department is directed to study and report on options for increasing the efficiency of the available lab space by increasing its hours of operation. Up to \$516,000 (NR) may be used to expand the physical capacity of the Molecular Genetics Section and purchase equipment.

\$341,174 R
\$641,058 NR
11.00

\$666,253 R
11.00

Effective April 1, 2004, six Forensic Molecular Geneticist I positions and related expenditures are authorized to increase the lab's capacity for DNA testing.

Effective December 1, 2003, if legislation authorizing the expansion of the convicted offender DNA database is ratified, an additional 5 positions are appropriated - 2 Forensic Molecular Geneticist Is, 2 Evidence Control Technicians, and 1 Computer Analyst, plus supplies, equipment, and related expenditures.

(HB 397, Sections 14.7 and 14.9; HB 79)

Total Legislative Changes

(\$1,732,250) R
(\$734,442) NR

Total Position Changes

-5.00 -5.00

Revised Budget

\$71,041,310 \$71,459,312

Special Provisions

2003 Session: HB 397

Department: Justice

Section: 14.1

Title: Use Of Seized And Forfeited Property Transferred To State Law Enforcement Agencies By The Federal Government

Summary Requires the Departments of Justice, Correction, and Crime Control and Public Safety to report on the intended use of federal seized and forfeited asset funds. Places certain restrictions on the use of those funds.

Section: 14.2

Title: Private Protective Services And Alarm Systems Licensing Boards Pay For Use Of State Facilities And Services

Summary Directs these Boards to pay for their use of State facilities

Section: 14.3

Title: Certain Litigation Expenses To Be Paid By Clients

Summary The Department of Justice shall be reimbursed by client agencies for the costs of representing those agencies.

Section: 14.4

Title: Reimbursement For Unc Board Of Governors Legal Representation

Summary The UNC Board of Governors shall reimburse the Department of Justice for two Attorney III's.

Section: 14.5

Title: Report On Criminal Records Checks Conducted For Concealed Handgun Permits/Study Fee Adjustment For Criminal Records Checks

Summary Continues the annual reporting requirement for the number of criminal records checks performed for concealed handgun permits. Continues a study by the Office of State Budget and Management and the Department of Justice on the costs and fees associated with criminal records checks.

Section: 14.6

Title: NC Legal Education Assistance Foundation Report on Funds Disbursed

Summary Requires the Foundation to report annually on the use of the State funds it receives to assist attorneys in repaying student loans.

Section: 14.7

Title: Rape Kits A Priority

Summary Directs the Department of Justice to determine the number of untested or unanalyzed rape kits and develop and implement a plan to process those kits as expeditiously as possible.

Section: 14.8

Title: **Computer Crimes Grant Funds**

Summary Allows the Department of Justice to transfer agents in positions funded by federal computer crime grant funds into existing vacant General Fund-supported positions upon termination of the grant funds on or after July 1, 2004. No new General Fund positions are established.

Section: 14.9

Title: **Rape Kit Analyses By Private Vendors**

Summary Directs the Department of Justice to issue a Request for Information to determine the interest and qualifications of private vendors in analyzing forensic DNA samples from backlogged rape kits.

Juvenile Justice & Delinquency Prevention

GENERAL FUND

	FY 2003-04		FY 2004-05
Recommended Budget	\$135,679,902		\$138,675,409

Legislative Changes

Department-wide

43 Personnel Related Expenses and Fringe Benefits (\$884,752) R (\$884,752) R
 Governor's Recommendation: reduce the continuation budget for various accounts including social security, longevity, holiday and shift premium pay, and disability.

44 Motor Vehicles (\$113,991) R (\$113,991) R
 Governor's recommendation: reduce the continuation budget for motor vehicles.

45 Equipment and Maintenance (\$165,000) R (\$115,000) R
 Governor's recommendation: reduce the continuation budget for equipment and software maintenance by \$165,000 in FY 2003-04 and by \$115,000 in FY 2004-05.

46 Medical Services (\$336,223) R (\$336,223) R
 Governor's recommendation: reduce the continuation budget for medical and hospital services and for employee physicals by \$336,223 R.

47 Reduce Population Increases (\$2,145,000) R (\$4,620,000) R
 Governor's recommendation: reduce budgeted increases in the continuation funding for the following programs:

	2003-04	2004-05
Community Beds	(600,000)	(150,000)
Eckerd Camps	(250,000)	(500,000)
Sex Offender Beds	(500,000)	(150,000)
JCPC	(350,000)	(500,000)
Total Appropriation	(1,700,000)	(1,300,000)

Adjust continuation budget increases for the following to maintain program budgets at the FY 2002-03 level and provide \$500,000 additional funding to JCPC formula grants for counties:

	2003-04	2004-05
Community Beds	(700,000)	(1,400,000)
Eckerd Camps	(450,000)	(900,000)
Sex Offender Beds	(670,000)	(1,400,000)
JCPC	(325,000)	(920,000)
Total Appropriation	(2,145,000)	(4,620,000)

48 Budget Prior Year Receipts

Governor's recommendation: budget, on a one-time basis, projected funds to be returned from JCPC's and other sources.

(\$199,272) NR

Detention Center Services**49 Detention Subsidy Payments**

Governor's recommendation: reduce continuation budget for detention subsidy payments to the four county operated detention centers.

(\$375,000) R (\$375,000) R

50 Detention Center Receipts

Governor's recommendation: budget additional receipts to offset general fund appropriations

(\$100,000) R (\$300,000) R

Intervention/Prevention**51 Funding of Nonprofits/Programs**

Governor's recommendation: reduce the continuation budget for pass through funding to the following nonprofits/programs:

	2003-04	2004-05
Governor's One-on-One	(175,402)	(239,132)
Support Our Students	(206,895)	(421,032)
Juvenile Assessment Center	(5,250)	(5,250)
Communities in Schools	(12,162)	(12,162)
Boys and Girls Clubs	(14,000)	(28,490)
Project Challenge	(34,200)	(39,597)
Methodist Group Home	(95,650)	(95,650)
Total Appropriation	(543,559)	(841,313)

(\$543,559) R (\$841,313) R

52 Eliminate Funding for Camp Woodson East/Red Wolf

In 2000, the General Assembly authorized the establishment of Camp Woodson East, effective October 1, 2000, and three additional positions at Camp Woodson West for a total budget of \$590,748 R and 24.0 positions. While the three positions were filled at Camp Woodson West, Camp Woodson East has never opened. Therefore, the funds budgeted for Woodson East are eliminated.

(\$503,632) R (\$503,632) R

-21.00

-21.00

Total Legislative Changes

(\$5,167,157) R (\$8,089,911) R

(\$199,272) NR

Total Position Changes

-21.00

-21.00

Revised Budget

\$130,313,473

\$130,585,498

Special Provisions

2003 Session: HB 397

Department: Juvenile Justice & Delinquency Prevention

Section: 15.1

Title: S.O.S. Administrative Cost Limits

Summary Limits the amount of S.O.S. funds which may be used for administrative purposes to \$450,000 in each year of the biennium.

Section: 15.2

Title: Juvenile Crime Prevention Council Grant Reporting and Certification

Summary Requires the Department to report annually on the recipients of the local grants awarded from funds appropriated for the Juvenile Crime Prevention Councils.

Section: 15.3

Title: Reports on Certain Programs

Summary Annual reporting requirement for the non-profit organizations receiving pass-through funding from the Department of Juvenile Justice and Delinquency Prevention: Project Challenge; Juvenile Assessment Center; and Communities In Schools.

Section: 15.4

Title: State Funds May Be Used as Federal Matching funds

Summary Allows the state appropriation to DJJDP to be counted as the required match for federal block grant funds awarded to localities.

Section: 15.5

Title: Annual Evaluation of Community Programs

Summary Requires an annual report on the expenditures, operations and effectiveness of the programs administered by the Department, Eckerd, S.O.S., Teen Court, etc.

Section: 15.6

Title: Use of Funds for Youth Development Center Beds

Summary Continues authorization for DJJDP to use available funds for new YDC beds and to use Eckerd contract funds to convert an Eckerd camp to a YDC if needed; adds language authorizing DJJDP to use available funds for up to 16 sex offender beds. A report is required prior to any action.

Section: 15.7

Title: **Planning for New Youth Development Centers**

Summary Allows DJJDP to continue planning for new YDC Centers but requires a quarterly status report on the planning and design to the JPS Appropriations Chairs and the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee. The provision also requires a report prior to completing the design phase, but no later than April 15, 2004, in order to assess how effectively the design ensures security and programming needs are met and staffing efficiencies are achieved. The final report shall also include the anticipated total cost of each proposed youth development center and the recommended locations. Requires the Department of Administration to assist with all reports and consultations required by this section. Effective July 1, 2003, DJJDP shall transfer \$1,641,589 in planning and design funds to the Department of Administration, State Construction Office.

Section: 15.8

Title: **Operation of Buncombe Detention Center**

Summary Continues provision requiring DJJDP to operate Buncombe Detention Center at its current site

Section: 15.9

Title: **Juvenile Justice Compliance with Audit Report**

Summary DJJDP shall develop and implement a plan to address the findings and recommendations in the May 2003 performance audit report. The plan shall identify and document any funding needs for consideration by the 2004 Regular Session of the General Assembly. An interim progress report on the plan is due by November 1, 2003 with the final plan due by March 1, 2004.

Section: 15.10

Title: **Samarkand Timber Sale**

Summary The Department shall harvest and sell a portion of the timber on the real property at Samarkand Youth Development Center. Net proceeds derived from the sale, in an amount not to exceed \$250,000, shall be placed in a capital improvement and repair and renovation account to be used for major repair to the streets, parking lots, and buildings and additional lighting at Samarkand. Any funds remaining from the net proceeds from the timber sale shall revert to the General Fund.

Section: 46A.2

Title: **Youth Development Centers**

Summary Authorizes issuance of debt of up to \$6,780,000 for the planning and design of three youth development centers totaling up to 500 beds and for the utility infrastructure and site work for one of the three centers. The State Construction Office is directed to manage the project and administer the funds provided in this section.

GENERAL GOVERNMENT

Administration

GENERAL FUND

	FY 2003-04	FY 2004-05
Recommended Budget	\$56,925,133	\$57,503,556

Legislative Changes

1280 Mail Service Center

1 Transfer to Receipt-Support

(\$455,325)	R	(\$455,325)	R
-------------	---	-------------	---

Eliminates the appropriation for the Mail Service Center, thereby making the operation totally receipt-supported. (HB 397, Section 18.1)

-16.42	-16.42
--------	--------

1311 Office of State Personnel

2 Personnel and Operating Budget Reductions

(\$353,330)	R	(\$353,366)	R
-------------	---	-------------	---

Eliminate eight vacant positions and related fringe benefits, and allowable inflationary items per the Governor's recommended budget adjustments:

-8.00	-8.00
-------	-------

Positions

Office Assistant III-#4000-0300-000-350 - (24,912)
 Personnel Assistant IV-#4000-0300-0004-370 - (25,707)
 HR Partner-#4000-1200-0004-482 - (43,885)
 HR Partner-#4000-0100-0004-600 - (43,885)
 HR Partner-#4000-0600-0004-623 - (43,885)
 HR Partner-#4000-0500-0004-627 - (43,885)
 HR Partner-#4000-0500-0004-982 - (43,885)
 HR Partner-#4000-0500-0004-626 - (43,885)

FY 03-04	FY 04-05
----------	----------

531211 Salaries	(262,434)	(262,434)
531416 Longevity	(30,896)	(30,896)
531511 Social Security	(22,440)	(22,440)
531521 Retirement	(8,889)	(8,889)
531561 Medical Ins Cont.	(23,464)	(23,464)
533600 Supplies	(5,207)	(5,243)

1771 Veterans Affairs Division**3 Veterans' Children Scholarship Program**

(\$3,728,324) R (\$3,728,324) R

Transfers funding for 73% of the scholarships from appropriation-support to receipt-support. That portion will be supported by receipts from the Escheats Fund. The Veterans' Children Scholarship Program provides scholarships for children of veterans who are attending colleges or universities in the State. Historically, approximately 10% of the scholarships has been awarded to students who attended private colleges or universities in the State and 17% has been awards to students who are statutorily entitled to them. The remaining 73% has been awarded competitively based on need. Constitutionally, the Escheats Fund can only be used to aid worthy and needy students who are residents of this State and are enrolled in public institutions in the State. Therefore, the portion of the funding that is being transferred to receipt-support is the 73% that is awarded to students who attend public institutions in the State and who receive a competitive award based on a need determination. (HB 397, Section 18.5)

1861 Commission on Indian Affairs**4 Lumbee Memorial Recognition**

\$50,000 NR

Provides partial funding, as recommended by the Governor, for the activities of the Lumbee Tribe Self-Determination Commission, established to resolve the issue of determining the legitimate government of the Lumbee people as a result of the Lumbee Tribe vs. Lumbee Regional Development Association (LRDA) lawsuit.

Department-wide**5 Reduce Inflationary Increases**

(\$382,634) R (\$382,634) R

Reduces the inflationary increases that were included for the following accounts in the Governor's recommended continuation budget.

531461 EPA & SPA Longevity Pay	(\$59,814)
531511 Social Security Contr.	(\$4,584)
531521 Retirement Contr.	(\$1,820)
532210 Energy Service - Electrical	(\$149,636)
532220 Energy Service - Natural Gas/Propane	(\$36,880)
532230 Energy Service - Water & Sewer	(\$8,604)
532241 Energy Service - Fuel Oil	(\$56,307)
532512 Rent/Lease - Buildings/Offices	(\$21,676)
533310 Gasoline	(\$12,825)
533320 Diesel Fuel	(\$254)
533510 Clothing & Uniforms	(\$14,127)
533690 Other Drugs / Pharmacy Supplies	(\$107)
534541 Autos, Trucks, & Buses	(\$16,000)

Overview: 2003 Session Fiscal and Budgetary Actions

	FY 2003-04		FY 2004-05	
Total Legislative Changes	(\$4,919,613)	R	(\$4,919,649)	R
	\$50,000	NR		
Total Position Changes	-24.42		-24.42	
Revised Budget	\$52,055,520		\$52,583,907	

Special Provisions

2003 Session: HB 397

Department: Administration

Section: 18.1

Title: **Agencies to Use Mail Service Center**

Summary Requires all agencies except the Employment Security Commission to use the Mail Service Center and except to the extent that there is no loss of federal funds. Also requires the Secretary to allocate and charge against the respective departments and agencies their proportionate share. Follows money item #1.

Section: 18.2

Title: **Study of Advocacy Programs in the Department of Administration**

Summary Directs the Department to study its advocacy programs and to determine the appropriate organizational placement within State government or within an appropriate nonprofit organization. The study can be done in collaboration with entities that concentrate on public policy and business management. The report of the findings and recommendations is due by May 1, 2004.

Section: 18.3

Title: **Low-Income Residential Energy Program**

Summary Authorizes the Energy Policy Council to establish a Low-Income Residential Energy Program.

Section: 18.4

Title: **Petroleum Overcharge Funds Allocation**

Summary Appropriates petroleum overcharge funds to DOA for the Low-Income Residential Energy Program that the Energy Policy Council was authorized to establish by section 18.3 of this act.

Section: 18.5

Title: **Veterans Scholarships Partially Funded from Escheat Fund**

Summary Amends the Veterans Scholarship and Escheats Fund statutes to allow use of Escheats Funds for the portion of the scholarships that are awarded competitively based on need to students attending public institutions in NC. Follows money item #3.

Section: 18.6

Title: **Sell Surplus/Confiscated Property Electronically**

Summary Authorizes state agencies as well as counties, municipalities, other public bodies, and local law enforcement agencies to sell or otherwise dispose of surplus/confiscated property through an electronic auction service.

Auditor

		GENERAL FUND	
		FY 2003-04	FY 2004-05
Recommended Budget		\$10,847,686	\$10,857,642
Legislative Changes			
1110 Administration			
6 Continuation Budget Reductions		(\$10,130) R	(\$10,130) R
Eliminates all increases that were included in the 2003-05 continuation budget per the Governor's recommendation.			
	FY 03-04	FY 04-05	
531461 EPA & SPA Longevity	(\$6,919)	(\$6,919)	
531511 Social Security Cont.	(\$3,211)	(\$3,211)	
1210 Field Audit Division			
7 Continuation Budget Reductions		(\$34,911) R	(\$44,867) R
Eliminates all increases that were included in the 2003-05 continuation budget, except those funded with receipts, per the Governor's recommendation.			
	FY 03-04	FY 04-05	
531461 EPA & SPA Longevity	(\$23,410)	(\$33,317)	
532200 Utility/Energy	(\$48)	(\$97)	
532500 Rentals/Leases	(\$11,453)	(\$11,453)	
8 Financial/Audit Services		(\$6,655) R	(\$6,655) R
Reduces the operating requirements for financial/audit services (account 532120) as recommended by the Governor.			
9 Smart Start Audits		(\$326,699) R	(\$326,699) R
Reduces the contractual services funding for Smart Start audits as recommended by the Governor. Currently Smart Start audits are performed annually. It is recommended that this cycle be changed to every two years, except for those underperforming programs, which would still be audited annually. (HB 397, Section 19.1)			
10 Over-realized Receipts		(\$61,831) R	(\$61,831) R
Reduces the General Fund appropriation for field audits. The Department has over-realized its budgeted receipts for audit work related to the Single Audit and CAFR. Increasing budgeted receipts in accounts 538301 and 538302 will result in a reduction in the required General Fund appropriation.			

Overview: 2003 Session Fiscal and Budgetary Actions

	FY 2003-04		FY 2004-05	
11 Vacant Position Elimination	(\$113,659)	R	(\$113,659)	R
Eliminates the salaries and benefits for the following vacant audit positions.	-2.00		-2.00	
Asst. State Auditor III - 3300-0000-0000-212 (\$60,431)				
Asst. State Auditor II - 3300-0000-0000-278 (\$53,228)				
Total Legislative Changes	(\$553,885)	R	(\$563,841)	R
Total Position Changes	-2.00		-2.00	
Revised Budget	\$10,293,801		\$10,293,801	

Special Provisions

2003 Session: HB 397

Department: Auditor

Section: 19.1

Title: Smart Start Audits

Summary Amends the statute to provide for the biennial audits of local partnerships that receive a superior or satisfactory rating in their performance assessments. Local partnerships that receive a needs improvement rating will continue to be audited on an annual basis. Follows money item #9.

Cultural Resources

GENERAL FUND

Recommended Budget

FY 2003-04

\$54,627,586

FY 2004-05

\$54,337,128

Legislative Changes

1110 Office of the Secretary

12 Operating Budget Adjustments

\$160,046

R

\$158,018

R

Eliminate salary and related fringe benefits (11,539) for a vacant .30 FTE Information and Communication Specialist II position (#4801-0100-0001-041), and the following expenditure accounts per the Governor's recommended budget adjustments; and provide funds for local organizations:

	FY 03-04	FY 04-05
531461 Longevity	(80)	(2,049)
531511 Social Security Cont.	(6,162)	(6,162)
531521 Retirement	(3)	(62)
531561 Medical Ins Cont.	(2,170)	(2,170)
536930 Hist., Cult. & Art Orgs	180,000	180,000

1120 Administrative Services

13 Operating Budget Reduction

(\$128)

R

(\$128)

R

Reduce funds for medical insurance contribution (531461) each fiscal year per the Governor's recommended budget adjustments.

1210 Historical Resources Administration

14 Personnel and Operating Budget Reductions

(\$30,327)

R

(\$30,473)

R

Eliminate salary and related fringe benefits of \$30,188 for a vacant Office Assistant IV position (4802-0100-0002-021), and reduce funds for utilities per the Governor's recommended budget adjustments:

	FY 03-04	FY 04-05
532210 Electrical	(132)	(270)
532230 Water & Sewer	(7)	(15)

1220 Scholarly Publications

15 Operating Budget Reductions

(\$1,499)

R

(\$1,499)

R

Reduce funds for medical insurance contribution (531461) and retirement (531521) each fiscal year per the Governor's recommended budget adjustments.

1230 Archives and Records**16 Personnel and Operating Budget Reductions**

(\$109,598) R (\$112,484) R

Eliminate salary and related fringe benefits of three vacant positions and reduce the following expenditure accounts per the Governor's and subcommittee's recommended budget adjustments:

-3.00

-3.00

Positions

Administrative Asst. I-#4802-0302-0002-115 - (\$27,519)

Records Mgmt. Analy II-#4802-0304-0002-202 - (\$31,089)

Processing Asst. III-#4802-0304-0002-224 - (\$20,672)

FY 03-04 FY 04-05

531211 Salaries	(79,280)	(79,280)
531461 Longevity	(12,533)	(15,196)
531511 Social Security Cont.	(6,065)	(6,065)
531521 Retirement	(2,782)	(2,863)
531561 Medical Ins Cont.	(8,799)	(8,799)
532210 Electrical	(29)	(58)
532220 Natural Gas/Propane	(63)	(128)
532230 Water & Sewer	(47)	(95)

1241 State Historic Sites**17 Personnel and Operating Budget Reductions**

(\$430,547)	R	(\$372,198)	R
-------------	---	-------------	---

Eliminate salary and fringe benefits for the following seven (7) vacant positions, and reduce expenditure accounts per the Governor's recommended budget adjustment, and the additional reductions approved by the subcommittee:

-7.00

-7.00

Positions

Hist. Interpreter I-#4802-0419-0002-457 - (\$21,343)
 Hist. Sites Spec. I-#4802-0401-002-305, eff. 9/1/03 - (\$28,857)/(\$34,629)
 Hist. Interpreter I-#4802-0417-0002-437 - (\$20,569)
 Hist. Interpreter I-#4802-0424-0002-476 - (\$19,806)
 Hist. Interpreter III-#4802-0403-0002-341 - (\$25,633)
 Grds. Worker I-#4802-0410-0002-390, eff. 8/1/03 - (\$19,429)/(\$21,196)
 Maint. Mech. V I-#4802-0424-0002-474 - (\$31,212)

	FY 03-04	FY 04-05
531211 Salaries	(166,849)	(174,358)
531311 Temp Wages	(101,961)	(72,263)
531461 Longevity	(13,543)	(20,008)
531511 Social Security Cont.	(20,563)	(18,866)
531521 Retirement	(5,466)	(5,889)
531561 Medical Ins Cont.	(19,797)	(20,531)
532210 Electrical	(3,161)	(10,387)
532220 Natural Gas/Propane	(746)	(1,518)
532230 Water & Sewer	(401)	(816)
533900 Other Mat & Supplies	(20,552)	(21,035)
534534 PC Equipment	(8,373)	(8,263)
534539 Other Equip	(9,135)	(8,264)
534541 Motor Vehicle	(60,000)	0
534549 Other Motorized Veh	0	(10,000)

1242 Tryon Palace**18 Operating Budget Reductions**

(\$62,336) R

(\$68,004) R

Reduce funds for the following expenditure accounts, per the Governor's recommended budget adjustments:

	FY 03-04	FY 04-05
531311 Temporary Wages	(35,577)	(35,577)
531416 Longevity	(3,846)	(6,274)
531511 Social Security Cont.	(5,100)	(5,285)
531521 Retirement	(117)	(191)
532210 Electrical	(1,727)	(3,522)
532220 Natural Gas/Propane	(643)	(1,308)
532230 Water & Sewer	(504)	(1,025)
532333 Repairs - Other Equip.	(2,426)	(2,246)
532390 Repairs - Other	(4,344)	(4,344)
532490 Maint Agreements	(4,114)	(4,114)
532714 Trans. Grd/In State	(2,549)	(2,549)
532912 Motor Vehicle Ins	(450)	(450)
533110 Gen. Office Supplies	(680)	(680)
533350 Motor Vehicle/Repl. Parts	(259)	(259)

1243 State Capitol/Visitor Center**19 Personnel and Operating Budget Reductions**

(\$29,270) R

(\$29,827) R

Eliminate salary and related fringe benefits of a vacant .75 FTE Museum Specialist position (#4802-0600-0002-561), and reduce the following expenditure accounts per the Governor's recommended budget adjustments:

	FY 03-04	FY 04-05
531416 Longevity	(1,083)	(1,624)
531521 Retirement	(33)	(49)
531561 Medical Ins Cont.	(733)	(733)

1245 NC Maritime Museum**20 Operating Budget Reductions**

(\$12,252) R

(\$13,555) R

Reduce funds in the following expenditure accounts per the Governor's recommended budget adjustments:

	FY 03-04	FY 04-05
531416 Longevity	(6,508)	(6,902)
531511 Social security Cont.	(1,024)	(1,055)
531521 Retirement	(198)	(210)
532210 Electrical	(669)	(1,364)
532230 Water & Sewer	(110)	(224)
532512 Rentals/Leases	(3,701)	(3,701)
533410 Food and Dietary	(42)	(99)

21 Operating Budget Reduction

(\$5,000) R

Adjust budget with receipts from increased collection of admission fees in FY 04-05.

1250 Historic Preservation Office**22 Personnel and Operating Budget Reductions**

(\$28,062)	R	(\$28,741)	R
------------	---	------------	---

Eliminate salary and related fringe benefits of \$22,754 for a vacant .60 FTE Research Historian position (#4802-0702-0002-613); and reduce the following expenditure accounts per the Governor's recommended budget adjustments and the alternate reduction approved by the subcommittee:

-0.60	-0.60
-------	-------

	FY 03-04	FY 04-05
--	----------	----------

531416 Longevity	(2,342)	(2,947)
531511 Social security Cont.	(2,895)	(2,950)
531521 Retirement	(71)	(90)

23 New Fee-Supported Positions

\$0	R	\$0	R
-----	---	-----	---

From receipts derived from the 1% application fee, support three new positions and necessary equipment to assist with review and processing of National Register nominations and tax credit applications. (HB 397, Sections 35A.1 - 35A.3)

1260 Office of State Archaeology**24 Personnel Reduction**

(\$51,450)	R	(\$51,450)	R
------------	---	------------	---

Eliminate salary and related fringe benefits of an Archaeologist II position (#4802-0701-0002-608), vacant 7/1/03, per the alternate reduction approved by the subcommittee.

-1.00	-1.00
-------	-------

1290 Western Office**25 Operating Budget Reductions**

(\$11,805)	R	(\$11,818)	R
------------	---	------------	---

Reduce funds for the following expenditure accounts each fiscal year per the Governor's recommended budget adjustments:

	FY 03-04	FY 04-05
--	----------	----------

531416 Longevity	(2,041)	(2,041)
531521 Retirement	(62)	(62)
532210 Electrical	(13)	(26)
532512 Rentals/Leases	(5,566)	(5,566)
532700 Transportation	(4,150)	(4,150)

1320 Museum of Art**26 Personnel and Operating Budget Reductions**

(\$79,824)	R	(\$87,327)	R
------------	---	------------	---

Eliminate two vacant positions - Administrative Sect (#4803-0200-0003-181) and Video Producer II (#4803-0200-0003-119), effective 9/1/03 at a savings of \$66,012 with related fringe benefits; and reduce additional funds for social security contribution (531511) each fiscal year per the Governor's recommended budget adjustments.

-2.00	-2.00
-------	-------

27 Operating Budget Reduction

(\$20,000) R

Adjust budget with receipts from admission fees in FY 04-05.
(HB 397, Section 35A.4)

1330 NC Arts Council**28 Operating Budget Reductions**

(\$63,415) R

(\$325,964) R

Reduce funds in the following expenditure accounts and grant program per the Governor's recommended budget adjustment and the alternate reductions approved by the subcommittee:

	FY 03-04	FY 04-05
531416 Longevity	(6,974)	(9,181)
531511 Social Security Cont.	(380)	(849)
531521 Retirement Cont.	(212)	(279)
532140 Information Tech Service	(2,503)	(2,503)
532192 Honorariums	(2,102)	(2,102)
532199 Contracted Services	(7,292)	(7,292)
532390 Repairs-Other	(226)	(226)
532490 Maint Agreement	(531)	(531)
532513 Rent of Conf Room	(113)	(113)
532590 Rent/Lease Other Property	(79)	(79)
532712 Transp-Air Out of state	(299)	(299)
532714 Trans-Ground In State	(3,153)	(3,153)
532715 Trans Ground Out of State	(154)	(154)
532721 Lodging In State	(961)	(961)
532722 Lodging Out of State	(283)	(283)
532724 Meals In State	(882)	(882)
532725 Meals Out of State	(311)	(311)
532727 Misc Subs In State	(170)	(170)
532728 Misc Subs Out of State	(283)	(283)
532731 Bd/Non-Employee Trans	(1,243)	(1,243)
532732 Bd/Non-Employee Subs	(1,191)	(1,191)
532840 Postage	(6,111)	(6,111)
532850 Printing	(6,036)	(6,036)
532942 Other Emp Educational Exp	(350)	(350)
533110 Office Supplies	(676)	(676)
533120 Data Processing Supplies	(226)	(226)
533900 Other Materials & Supplies	(148)	(148)
534511 Furniture-Office	(226)	(226)
534534 Personal Computer & Printer	(791)	(791)
534713 Personal Computer Software	(791)	(791)
535830 Membership dues & Subscrips	(2,228)	(2,228)
536990 Basic Grants Program -	(16,490)	(276,296)

1340 NC Symphony**29 Operating Budget Adjustment**

Provide additional funds for the operation of the Symphony in FY 03-04.

\$520,000 NR

1410 State Library Services**30 Personnel and Operating Budget Reductions**

(\$78,742)

R

(\$84,315)

R

Eliminate salary and related fringe benefits of \$31,529 for a vacant Library Assistant position (#4804-0200-0004-446), and reduce the following expenditure accounts, as recommended by the Governor and subcommittee:

-1.00

-1.00

FY 03-04

FY 04-05

531416 Longevity	(7,193)	(11,656)
531511 Social Security Cont.	(341)	(682)
531521 Retirement	(219)	(354)
531561 Medical Ins Cont.	(598)	(598)
532210 Electrical	(594)	(1,211)
532230 Water & Sewer	(17)	(34)
532512 Rentals/Leases	(1,986)	(1,986)
534630 Libr./Learning Resources	(36,265)	(36,265)

1480 State Library Statewide Programs**31 Aid to Counties**

\$1,184,453

R

\$1,184,453

R

Provide funds to maintain current level of support for county libraries (536960).

1500 Museum of History**32 Personnel and Operating Budget Reductions**

(\$159,114)

R

(\$163,201)

R

Eliminate salary and related fringe benefits of a vacant General Utility Worker position (#4808-0801-0002-791); and reduce the following expenditure accounts per the Governor's and subcommittee's recommended budget adjustments:

-1.00

-1.00

FY 03-04

FY 04-05

531211 Salaries	(18,962)	(18,962)
531416 Longevity	(23,241)	(25,429)
531511 Social Security Cont.	(9,552)	(9,720)
531521 Retirement	(1,058)	(1,124)
531561 Medical Ins Cont.	(2,933)	(2,933)
532199 Contractual Svs	(48,895)	(48,895)
532210 Electrical	(1,118)	(2,281)
532220 Natural Gas/Propane	(273)	(554)
532230 Water & Sewer	(214)	(435)
532850 Printing	(17,871)	(17,871)
533900 Other Mat & Supplies	(23,083)	(23,083)
534534 PC/Printers	(11,914)	(11,914)

33 Operating Budget Reduction

(\$20,000)

R

Adjust budget from admission fee receipts for the Museum of History, including the regional museums, in FY 04-05. (HB 397, Section 35A.4)

Overview: 2003 Session Fiscal and Budgetary Actions

FY 2003-04

FY 2004-05

1992 Reserves

34 Operating Budget Reduction

(\$115,949) R (\$165,017) R

Eliminate inflationary allowance for reserves per the Governor's recommended budget adjustments, and the alternate reduction approved by the subcommittee.

Total Legislative Changes

\$80,181 R (\$248,530) R

\$520,000 NR

Total Position Changes

-17.35 -17.35

Revised Budget

\$55,227,767 \$54,088,598

Special Provisions

2003 Session: HB 397

Department: Cultural Resources

Section: 35A.1

Title: **Department of Cultural Resources Fees**

Summary Sections 35A.1 through 35A.3 of this part authorize the Historical Commission of the Department of Cultural Resources to charge a fee for certifying whether or not rehabilitation expenditures for an historic structure meet the conditions for qualifying for a tax credit. Section 35A.4 authorizes the Department of Cultural Resources to charge admission fees for museums, with the proceeds to be used to support museum operations. This part is effective July 15, 2003. Follows money item #23, #27, and #33.

Cultural Resources - Roanoke Island Commission

GENERAL FUND

	FY 2003-04		FY 2004-05	
Recommended Budget	\$1,720,952		\$1,722,606	
Legislative Changes				
2584 Roanoke Island Commission				
35 Operating Budget Reductions	(\$86,047)	R	(\$86,047)	R
Reduce operating budget each fiscal year per the Governor's recommendation.				
Total Legislative Changes	(\$86,047)	R	(\$86,047)	R
Total Position Changes				
Revised Budget	\$1,634,905		\$1,636,559	

Special Provisions

2003 Session: HB 397

Department: Cultural Resources - Roanoke Island Commission

Section:

Title: **(No Special Provisions Reported)**

Summary

General Assembly

		GENERAL FUND	
		FY 2003-04	FY 2004-05
Recommended Budget		\$42,858,926	\$46,268,768
Legislative Changes			
1900 Reserves and Transfers			
36 Salary Adjustment Reserve	(\$747,463) R		(\$747,463) R
Reduce salary adjustment reserve funds (537195) each fiscal year per the Governor's recommended budget adjustments.			
37 Reserve for Contingencies	(\$550,000) R		(\$550,000) R
Reduce contingency reserve funds (537195) each fiscal year per the Governor's recommended budget adjustments.			
Total Legislative Changes	(\$1,297,463) R		(\$1,297,463) R
Total Position Changes			
Revised Budget	\$41,561,463		\$44,971,305

Special Provisions

2003 Session: HB 397

Department: General Assembly

Section: 19B.1

Title: Legislative Food Service Donate Food

Summary Directs the General Assembly's Food Service to donate food remaining at the end of the day to a nonprofit organization.

Section: 19B.2

Title: General Assembly/Use and Maintenance of Buildings and Grounds

Summary Allows the General Assembly to designate the section of Salisbury Street near the curbside of the Legislative Office Building for handicapped parking.

Governor

		GENERAL FUND	
		FY 2003-04	FY 2004-05
Recommended Budget		\$5,112,108	\$5,112,933
Legislative Changes			
1110 Administration			
38 Operating Budget Reduction		(\$20,267) R	(\$20,267) R
Reduces the operating budget by eliminating the inflationary increases that were built into the continuation budget. The Governor recommended an unspecified reduction of 5% of the total budget for the Governor's office. This reduction would make up a component of the 5% reduction.			
	FY 03-04	FY 04-05	
531461 EPA & SPA Longevity Pay	(\$18,312)	(\$18,312)	
531511 Social Security Contr.	(\$1,400)	(\$1,400)	
531521 Regular Retirement Contr.	(\$555)	(\$555)	
1120 Dues to National Associations			
39 Reduction in Dues		(\$214,786) R	(\$214,786) R
Reduces the operating budget by eliminating the inflationary increases that were built into the continuation budget. The Governor recommended an unspecified reduction of 5% of the total budget for the Governor's office. This reduction would make up a component of the 5% reduction.			
	FY 03-04	FY 04-05	
535800 Other Administrative Exp.	(\$214,786)	(\$214,786)	
1130 Intergovernmental Relations			
40 Military Commission			
Provides funding for Base Re-alignment and Closure (BRAC) activities.		\$150,000 NR	
1631 Raleigh Executive Residence			
41 Continuation Budget Reduction		(\$15,832) R	(\$16,516) R
Reduces the operating budget by eliminating the inflationary increases that were built into the continuation budget. The Governor recommended an unspecified reduction of 5% of the total budget for the Governor's office. This reduction would make up a component of the 5% reduction.			
	FY 03-04	FY 04-05	
532200 Utility/Energy Services	(\$660)	(\$1,344)	
538166 Transfer to CC&PS	(\$15,172)	(\$15,172)	

Overview: 2003 Session Fiscal and Budgetary Actions

Overview: 2003 Session Fiscal and Budgetary Actions		FY 2003-04		FY 2004-05	
42 Operating Budget Reduction		(\$34,584)	R	(\$34,584)	R
Reduces the operating budget for food supplies and other expenses. The Governor recommended an unspecified reduction of 5% of the total budget for the Governor's office. This reduction would make up a component of the 5% reduction.					
		FY 03-04		FY 04-05	
533400 Food and Dietary Supplies		(\$17,292)		(\$17,292)	
535900 Other Expenses		(\$17,292)		(\$17,292)	
1632 Western Executive Residence					
43 Continuation Budget Reduction		(\$136)	R	(\$277)	R
Reduces the operating budget by eliminating the inflationary increases that were built into the continuation budget. The Governor recommended an unspecified reduction of 5% of the total budget for the Governor's office. This reduction would make up a component of the 5% reduction.					
		FY 03-04		FY 04-05	
532200 Utility/Energy Services		(\$136)		(\$277)	
<hr/>					
Total Legislative Changes		(\$285,605)	R	(\$286,430)	R
		\$150,000	NR		
Total Position Changes					
Revised Budget		\$4,976,503		\$4,826,503	

Special Provisions

2003 Session: HB 397

Department: Governor

Section:

Title: (No Special Provisions Reported)

Summary

Housing Finance Agency

GENERAL FUND

	FY 2003-04	FY 2004-05
Recommended Budget	\$4,750,945	\$4,750,945
Legislative Changes		
44 No Legislative Changes		
Total Legislative Changes		
Total Position Changes		
Revised Budget	\$4,750,945	\$4,750,945

Special Provisions

2003 Session: HB 397

Department: Housing Finance Agency

Section: 20.1

Title: Housing Finance Agency Home Matching Funds

Summary Requires that state funds be used to match federal funds appropriated for the HOME program; that first priority be given to projects located in tier 1, 2, or 3 counties; and that second priority be given to projects that benefit families with incomes less than 50% of local median income. This provision also requires annual reporting of Program status and provides that the appropriated funds to do not revert to the General Fund on June 30, 2004 or on June 30, 2005.

Information Technology Services

	INTERNAL SERVICE FUND	
	FY 2003-04	FY 2004-05
Recommended Budget	\$0	\$0

Legislative Changes

45 Establish IRMC Appropriated Budget

\$610,367 R

NCGS 147-33.78 sets forth the Information Resource Management Commission's (IRMC) purpose, composition, and responsibilities. NCGS 147-33.79 establishes the IRMC Independent Staff and sets the budget mechanism. Fund 7209 IRMC Independent Staff is used to support the Commission in its research and oversight responsibilities; provide for staff support of the Commission's committees (such as the Technical Architecture and Project Certification Committee (TAPCC), the Information Protection and Privacy Committee (IPPC), and the e-Government Committee); and to provide staff support for the Commission's monthly meetings.

5.00

7209 Info. Resource Mgmt. Commission (IRMC) \$610,367

For the 2004-05 fiscal year, the General Assembly will review and make recommendations regarding the state appropriation to the Office of Information Technology Services. Decisions as to how to budget these funds either through an Internal Service Fund or through the General Fund will be based upon the results of the study as provided by Section 21.1 of this Act. (HB 397, Section 21.1)

46 Establish ITS Appropriated Budget

\$174,264,326 R

ITS is currently an internal service budget entity. There are currently seven ITS agency funds representing major areas (operations, security, technology and business strategies, customer relations, statewide technology purchasing, financial services, and personnel services).

424.00

Fund 7100 ITS-Administration is used for the CIO functions, agency management, and administrative support services and used to develop and document statewide information technology (IT) procurement standards and processes.

Fund 7110 Customer Public Relations Management is used to provide Help Desk technical assistance to ITS customers, liaison services to key ITS customers, and information to customers and the public.

Fund 7200 Enterprise Technology Strategies is used for research of new and emerging communications and information technologies; to develop the Statewide Technical Architecture policies, standards, and best practices and recommend such to the IRMC; and monitor project implementation.

Fund 7217 Computing Services is used to provide 24/7 operations in the ITS Computer Center and provides hardware, software, and support in client locations; manages mainframe and microcomputer services; provides customer support including systems selection and implementation; and offers distributed computer services across several platforms.

Fund 7224 State Telecommunications is used to conduct research on emerging telecommunications technologies; design, implement, and manage the infrastructure to support the telephonics, video, data, statewide backbone communications, and other technologies; and provide computer connectivity.

Fund 7228 Enterprise Solutions is used to provide statewide common enterprise services such as email and common payment services, web services and to support mainframe applications.

Fund 7230 Security and Business Recovery is used to research trends and facilitate rapid response to cyber-attacks; identify and address network vulnerabilities; and develop IT security standards and provide IT security services to agencies.

Requirements per fund:

7100	ITS - Administration	\$9,181,892
7110	Customer/Public Relat. Mgmt (CPRM)	\$2,006,867
7200	Enterprise Tech. Strat. (former IRM)	\$1,185,882
7217	Computing Services (CS)	\$60,747,056
7224	Telecommunications Services (TS)	\$90,799,077
7228	Enterprise Solutions	\$4,917,501
7230	Security and Business Recovery	\$5,426,051

For the 2004-05 fiscal year, the General Assembly will review and make recommendations regarding the state appropriation to the Office of Information Technology Services. Decisions as to how to budget these funds either through an Internal Service Fund or through the General Fund will be based upon the results of the study as provided by Section 21.1 of this Act. (HB 397, Section 21.1)

Total Legislative Changes		\$174,874,693	R
Total Position Changes			429.00
Revised Budget	\$0	\$174,874,693	

Special Provisions

2003 Session: HB 397

Department: Information Technology Services

Section: 21.1

Title: ITS Budget Structure Review/Report

Summary Directs the Office of State Budget and Management (OSBM) to conduct two studies. The first study is of information technology (I/T) expenditures government-wide, to identify duplication and efficiencies. In the second study, OSBM is to work with the Office of Information Technology (ITS) and the Information Resource Management Commission (IRMC) to study ITS' and IRMC's budget structures; prepare a minimum of three alternative budget transition plans for ITS and the IRMC that address how these funds would be appropriated and the budgets approved. OSBM's reports are due on April 1, 2004. Follows money items # 45 and #46.

Section: 21.2

Title: ITS Maintenance Agreement Pilot Project

Summary Allows the State Controller to authorize ITS to pay the full purchase price at the beginning of a 2-year maintenance period for up to four infrastructure maintenance agreements and provides authorization conditions. Directs the State Controller to report justifications for any authorization granted to ITS within 60 days of the granted authorization.

Insurance

		GENERAL FUND	
		FY 2003-04	FY 2004-05
Recommended Budget		\$23,364,277	\$23,395,414
Legislative Changes			
1400 Public Services Group			
47 Continuing Education			
Transfers the funding for the Department's continuing education program from receipt-support to appropriation-support. The amount appropriated for the continuing education program will be reimbursed to the General Fund from the Insurance Regulatory Fund. Any receipts collected for the continuing education program will be deposited into the Insurance Regulatory Fund in accordance with statutory changes that were implemented by S.L. 2002-144. This funding mechanism will sunset on June 30, 2004. (HB 397, Section 22.2)		\$786,184	NR
1500 Office of the Fire Marshall			
48 Manufactured Housing			
Transfers the funding for the Department's manufactured housing inspection program from receipt-support to appropriation-support. The amount appropriated for the program will be reimbursed to the General Fund from the Insurance Regulatory Fund. Any receipts collected for the program will be deposited into the Insurance Regulatory Fund in accordance with statutory changes that were implemented by S.L. 2002-144. This funding mechanism will sunset on June 30, 2004. (HB 397, Section 22.2)		\$675,490	NR
49 Building Code Book Sales			
Transfers the funding for the publication of the building codes from receipt-support to appropriation-support. The amount appropriated for the publication will be reimbursed to the General Fund from the Insurance Regulatory Fund. Any receipts collected from the sale of the code books will be deposited into the Insurance Regulatory Fund in accordance with statutory changes that were implemented by S.L. 2002-144. This funding mechanism will sunset on June 30, 2004. (HB 397, Section 22.2)		\$1,688,930	NR

Overview: 2003 Session Fiscal and Budgetary Actions

FY 2003-04

FY 2004-05

Department-wide

50 Personnel Reductions

(\$207,827) R (\$207,827) R

Eliminates the salaries and benefits for the following vacant positions:

-5.50

-5.50

Fund 1200 Company Services

Insurance Co. Examiner I 3905-0000-0000-338 (\$50,118)

Insurance Co. Examiner II 3927-0000-0000-047 (\$58,965)

Fund 1300 Technical Services Group

Processing Asst. IV 3904-0000-0000-246 (\$37,066)

Fund 1400 Public Services Group

Processing Asst. III(.5) 3909-0000-0000-833 (\$13,522)

Processing Asst. III 3908-0000-0008-725 (\$24,078)

Processing Asst. III 3908-0000-0008-782 (\$24,078)

Total Legislative Changes

(\$207,827) R

(\$207,827) R

\$3,150,604 NR

Total Position Changes

-5.50

-5.50

Revised Budget

\$26,307,054

\$23,187,587

Special Provisions

2003 Session: HB 397

Department: Insurance

Section: 22.1

Title: Insurance Fund Transfer to General Fund

Summary Directs the Department to repay the General Fund for funds appropriated to the Department plus accrued interest on a quarterly basis.

Section: 22.2

Title: Extend the Sunset for Funding Certain Operations of the Department of Insurance Through the Insurance Regulatory Fund

Summary Extends to June 30, 2004, the sunset of the statutory changes that allowed the Department to transfer receipts collected for continuing education, manufactured housing, and building code book sales into the Insurance Regulatory Fund and to fund those programs from that Fund. Follows money items #47, #48, and #49.

Insurance - Workers' Compensation for Volunteer Firemen

GENERAL FUND

	FY 2003-04	FY 2004-05
Recommended Budget	\$4,500,000	\$4,500,000
Legislative Changes		
1900 Reserves and Transfers		
51 Volunteer Safety Worker's Compensation Fund		
Reduces the General Fund Appropriation to the Volunteer Safety Workers' Compensation Fund on a nonrecurring basis for the second year only.		(\$1,900,000) NR
Total Legislative Changes		(\$1,900,000) NR
Total Position Changes		
Revised Budget	\$4,500,000	\$2,600,000

Special Provisions

2003 Session: HB 397

Department: Insurance - Workers' Compensation for Volunteer Firemen

Section:

Title: **(No Special Provisions Reported)**

Summary

Lieutenant Governor

GENERAL FUND			
	FY 2003-04		FY 2004-05
Recommended Budget	\$633,293		\$633,293
Legislative Changes			
1110 Administration			
52 Continuation Budget Reductions	(\$31,571)	R	(\$31,571) R
The Governor recommended that all allowable inflationary and continuation items built into the Lt. Governor's budget be removed.			
Total Legislative Changes	(\$31,571)	R	(\$31,571) R
Total Position Changes			
Revised Budget	\$601,722		\$601,722

Special Provisions

2003 Session: HB 397

Department: Lieutenant Governor

Section:

Title: **(No Special Provisions Reported)**

Summary

Office of Administrative Hearings

		GENERAL FUND	
		FY 2003-04	FY 2004-05
Recommended Budget		\$2,540,719	\$2,542,833
Legislative Changes			
1100 Administration and Operations			
53 Position Eliminations		(\$83,707) R	(\$83,707) R
The Governor recommended eliminating two positions (one filled and one vacant). The salary and benefits included in the Governor's recommended budget were erroneous and when recalculated, actually decreased the position dollar amount. Revised position money calculations are inserted in lieu of the Governor's recommendation. To maintain the Governor's budget reduction level, OAH funds were reduced from other operating expenses. Position eliminations are effective 7/1/03.		-2.00	-2.00
Position (vacant) 8210-1100-0000-027 (\$31,600)			
Position (filled) 8210-1100-0000-017 (\$52,107)			
54 Increase Federal Receipts		(\$14,000) R	(\$14,000) R
The Governor recommended increasing federal receipts by \$10,000 and the General Assembly increased federal receipts another \$4,000. The cumulative increase in federal receipts approaches the contract total between the Office of Administrative Hearings (OAH) and the Equal Employment Opportunity Commission (EEOC). This change assumes that OAH will close nearly the maximum number of cases.			
55 Reduce Operating Expenses		(\$33,329) R	(\$33,329) R
OAH substituted the following reductions in operating expenses in lieu of the Governor's budget reduction recommended items. These are the accepted substitutions:			
531631 Workers Compensation (eliminate increase in continuation budget) (\$20,000)			
532110 Legal Services (\$ 1,000)			
532942 Other Employee Education Ex (\$ 2,629)			
5327xx Travel Expense (\$ 5,000)			
534630 Library Resources (\$ 2,000)			
534511 Office Furniture (\$ 2,700)			
Total Legislative Changes		(\$131,036) R	(\$131,036) R
Total Position Changes		-2.00	-2.00
Revised Budget		\$2,409,683	\$2,411,797

Special Provisions

2003 Session: HB 397

Department: Office of Administrative Hearings

Section:

Title: **(No Special Provisions Reported)**

Summary

Revenue

GENERAL FUND

Recommended Budget

FY 2003-04

\$76,720,217

FY 2004-05

\$77,372,834

Legislative Changes

1600 Administration

56 Adjust Operating Budget

(\$32,473) R

(\$34,578) R

Reduce the following expenditure accounts each fiscal year per the Governor's recommended budget adjustments, and the additional reductions approved by the subcommittee:

FY 03-04 FY 04-05

531311 Temporary Salaries	(17,252)	(17,252)
531416 Longevity	(11,240)	(13,141)
531511 Social Security Cont.	(3,640)	(3,786)
531521 Retirement Cont.	(341)	(399)

1602 Security

57 Adjust Operating Budget

(\$40,109) R

(\$41,300) R

Reduce the following expenditure accounts each fiscal year per the Governor's recommended budget adjustments, and the alternate reductions approved by the subcommittee:

FY 03-04 FY 04-05

531411 Overtime Pay	(39,240)	(39,240)
531421 Holiday Premium Pay	(974)	(974)
531431 Shift Prem Pay	2,687	2,687
531416 Longevity	(6,141)	(7,217)
531511 Social Security Cont.	4,370	4,287
531521 Retirement	(1,325)	(1,357)
531561 Medical Ins Cont.	514	514

1603 Personnel

58 Adjust Operating Budget

(\$35,922) R

(\$36,663) R

Reduce the following expenditure accounts each fiscal year per the Governor's recommended budget adjustments, and the alternate/additional reductions approved by the subcommittee:

FY 03-04 FY 04-05

531311 Temporary Salaries	(31,298)	(31,298)
531511 Social Security Cont.	1,886	1,217
531511 Social Security Cont.	(6,568)	(6,619)
531521 Retirement	58	37

1605 Information Technology Services**59 Adjust Call Center and Operating Budget Funds**

(\$1,559,999)

R

(\$2,096,282)

R

To provide operating funds for the Call Center in the 2003-05 Biennium the Governor recommends using the fees collected from Project Collect. The cash balance in the reserve is sufficient to cover the projected operating cost. Funds are to be transferred from the reserve to the General Fund Budget Code as expenditures are incurred. Present projections indicate the center will come on-line on October 1, 2003. Per S.L. 2002-126, Section 22.6(c), the department is to report quarterly to Gov Ops on the status of the Call Center's implementation. The reduction for the Call Center in this Fund is \$1,439,716 in FY 03-04 and \$1,971,413 in FY 04-05. Additionally, the following expenditure accounts will be reduced each fiscal year per the Governor's recommended budget adjustments:

	FY 03-04	FY 04-05
531311 Temporary Salaries	(24,485)	(24,485)
531411 Overtime Pay	(29,654)	(29,654)
531421 Holiday Prem Pay	(1,819)	(1,819)
531431 Shift Prem Pay	(9,531)	(9,531)
531461 Longevity	(30,376)	(34,520)
531511 Social security Cont.	(23,460)	(23,777)
531521 Retirement Cont.	(2,164)	(2,289)
531561 Medical Ins Cont.	1,206	1,206
Call Center Reduction		
532441 Maint-Other Software	(4,200)	(4,200)
532446 Maint-LAN Equip	(9,740)	(9,740)
532447 Maint-PCs & Printer	0	(1,330)
532448 Maint-PC Software	0	(4,800)
532450 Maintenance-Servers	(1,380)	(1,380)
532811 Telephone Services	(904,896)	(1,206,528)
532812 Telecomm Data Charges	(180,000)	(180,000)
532821 Computer/DP Svs	(337,500)	(450,000)
533120 DP Supplies	(2,000)	(2,000)
534534 Computer/Printer Purch	0	(111,435)

(HB 397, Sections 23.1 and 23.3)

60 Personnel Reduction

(\$92,942)

R

(\$92,942)

R

Eliminate salary and related fringe benefits of a vacant Applications System Mgr. I position, #4773-0000-0030-010.

-1.00

-1.00

1607 Tax Research**61 Adjust Operating Budget**

\$4,449 R

\$3,666 R

Adjust funds each fiscal year per the alternate adjustments approved by the subcommittee:

FY 03-04 FY 04-05

531461 Longevity	1,169	462
531511 Social security Cont.	(1,268)	(1,322)
531521 Retirement	36	14
531561 Medical Ins Cont.	4,512	4,512

62 Personnel Reduction

(\$61,865) R

(\$61,865) R

Eliminate salary and related fringe benefits of a vacant Statistician II position, #4774-0000-0040-200.

-1.00

-1.00

1609 Criminal Investigations**63 Adjust Operating Budget**

(\$10,176) R

(\$11,235) R

Reduce the following expenditure accounts each fiscal year per the Governor's recommended budget adjustments:

FY 03-04 FY 04-05

531461 Longevity	(6,787)	(7,744)
531511 Social security Cont.	(3,183)	(3,256)
531521 Retirement	(206)	(235)

64 Personnel Reduction

(\$57,274) R

(\$57,274) R

Eliminate salary and related fringe benefits of a vacant Tax Fraud Investigator position, #4790-0000-0042-013.

-1.00

-1.00

1621 Corporate, Excise & Insurance**65 Adjust Operating Budget**

(\$4,457) R

(\$6,275) R

Reduce funds per the alternate reductions approved by the subcommittee:

FY 03-04 FY 04-05

531311 Temporary Salaries	(10,029)	(10,029)
531511 Social Security Cont.	6,934	5,292
531511 Social Security Cont.	(2,250)	(2,376)
531521 Retirement	211	161
531561 Medical Ins Cont.	677	677

66 Personnel Reduction

(\$44,741) R

(\$44,741) R

Eliminate salary and related fringe benefits of a vacant Revenue Administrative Officer I position, #4788-0000-0050-202.

-1.00

-1.00

1623 Personal Taxes**67 Adjust Operating Budget**

(\$26,140)

R

(\$26,867)

R

Reduce the following expenditure accounts each fiscal year per the Governor's recommended budget adjustments:

	FY 03-04	FY 04-05
531311 Temporary Salaries	(13,699)	(13,699)
531461 Longevity	(5,595)	(6,252)
531511 Social Security Cont.	(4,940)	(4,990)
531521 Retirement	(170)	(190)
531561 Medical Ins Cont.	(1,736)	(1,736)

1627 Sales & Use**68 Adjust Operating Budget**

(\$18,275)

R

(\$20,020)

R

Reduce the following expenditure accounts each fiscal year per the Governor's recommended budget adjustments:

	FY 03-04	FY 04-05
531311 Temporary Salaries	(11,764)	(11,764)
531461 Longevity	(3,675)	(5,252)
531511 Social Security Cont.	(2,724)	(2,844)
531521 Retirement	(112)	(160)

1629 Property Tax**69 Adjust Operating Budget**

(\$14,465)

R

(\$16,649)

R

Reduce the following expenditure accounts each fiscal year per the Governor's recommended budget adjustments, and the additional reductions approved by the subcommittee:

	FY 03-04	FY 04-05
531461 Longevity	(4,458)	(6,432)
531511 Social Security Cont.	(3,571)	(3,722)
531521 Retirement	(136)	(195)
531651 Bd Member Compensation	(4,250)	(4,250)
532712 Transp. Air/Out of State	(300)	(300)
532731 Bd/Non-Emp Transp.	(800)	(800)
532942 Other Emp Educ Exp	(950)	(950)

1643 Taxpayer Assistance**70 Adjust Operating Budget**

(\$23,752) R

(\$34,213) R

Reduce the following expenditure accounts each fiscal year per the Governor's recommended budget adjustments, and the alternate reductions approved by the subcommittee:

	FY 03-04	FY 04-05
531311 Temp Salaries	(48,835)	(48,835)
531461 Longevity	4,538	(4,912)
531511 Social Security Cont.	8,405	7,681
531521 Retirement	138	(149)
531561 Medical Ins Cont.	12,002	12,002

1660 Examination & Collection**71 Adjust Operating Budget**

(\$135,732) R

(\$168,487) R

Reduce the following expenditure accounts each fiscal year per the Governor's recommended budget adjustments:

	FY 03-04	FY 04-05
531311 Temporary Salaries	(84,522)	(84,522)
531461 Longevity	(50,716)	(80,310)
531511 Social Security Cont.	(8,644)	(10,908)
531521 Retirement	(1,537)	(2,434)
531561 Medical Ins Cont.	9,687	9,687

72 Personnel Reduction

(\$74,323) R

(\$74,323) R

Eliminate salary and related fringe benefits of two (2) vacant positions - Revenue Field Auditor II, #4784-0000-0076-555 (\$48,617), and Processing Assistant IV, # 4784-0000-0076-668 (\$25,706).

-2.00

-2.00

1661 Project Collect Tax**73 Adjust Operating Budget**

(\$541,802) R (\$543,804) R

Transfer 13 positions from General Fund to receipt support using funds available from the collection assistance fee; and reduce the following expenditure accounts each fiscal year per the Governor's recommended budget adjustments, and the alternate adjustment approved by the subcommittee:

-13.00 -13.00

Positions

Revenue Officer II-#4784-0000-0076-621 - (39,164)
 Revenue Officer II-#4784-0000-0076-622 - (40,486)
 Revenue Officer I-#4784-0000-0076-636 - (33,284)
 Revenue Officer I-#4784-0000-0076-637 - (33,284)
 Revenue Officer I-#4784-0000-0076-638 - (33,284)
 Revenue Officer I-#4784-0000-0076-639 - (33,284)
 Revenue Officer I-#4784-0000-0076-640 - (33,284)
 Revenue Officer I-#4784-0000-0076-641 - (33,284)
 Revenue Officer I-#4784-0000-0076-642 - (33,284)
 Revenue Officer I-#4784-0000-0076-643 - (33,284)
 Revenue Officer I-#4784-0000-0076-644 - (33,284)
 Revenue Officer I-#4784-0000-0076-645 - (33,284)
 Revenue Officer I-#4784-0000-0076-647 - (33,284)

FY 03-04 FY 04-05

531211 Salaries	(445,774)	(445,774)
531461 Longevity	(9,077)	(10,887)
531511 Social Security Cont.	(35,039)	(35,177)
531521 Retirement	(13,783)	(13,837)
531561 Medical Ins Cont	(38,129)	(38,129)

(HB 397, Section 23.2)

74 Personnel Reductions

(\$79,544) R (\$79,544) R

Eliminate salary and related fringe benefits of \$39,772 for each vacant Revenue Officer I position: #4784-0000-0076-639 and #4784-0000-0076-653.

-2.00 -2.00

1670 Unauthorized Substance Tax**75 Adjust Operating Budget**

(\$28,043) R (\$30,741) R

Reduce the following expenditure accounts each fiscal year per the Governor's recommended budget adjustments, and the alternate/additional adjustments approved by the subcommittee:

FY 03-04 FY 04-05

531311 Temporary Salaries	(14,402)	(14,402)
531461 Longevity	(7,221)	(9,659)
531511 Social Security Cont.	(1,408)	(1,594)
531521 Retirement	(219)	(293)
531561 Medical Ins Cont.	682	682
532714 Transp. Grd/In-State	(4,225)	(4,225)
532811 Telephone services	(1,250)	(1,250)

1681 Administrative Services**76 Adjust Operating Budget**

(\$442,018) R

(\$486,112) R

In conjunction with the adjustment for the Call Center in Fund 1605, there are additional reductions in Administrative Services. For the 2003-05 Biennium the Governor recommends using the fees collected from Project Collect Tax to support operation of the Call Center that is projected to come on-line October 1, 2003. Per the requirements of S.L. 2002-126, Section 22.6 (c) the department will continue to report on the status of the Call Center to the General Assembly. Of the funds reduced, \$183,180 each fiscal year is allocated to the Call Center.

Additionally, the following expenditure accounts will be reduced each fiscal year per the Governor's recommended budget adjustments, and the alternate/additional reductions approved by the subcommittee:

	FY 03-04	FY 04-05
531311 Temporary Salaries	(12,524)	(12,524)
531411 Overtime Pay	(9,622)	(9,622)
531461 Longevity	(6,082)	(6,943)
531511 Social Security Cont.	(5,033)	(5,099)
531521 Retirement	(477)	(503)
531561 Medical Ins Cont.	8	8
532512 Rentals/Leases	(134,942)	(136,596)
532821 Computer/DP Svs	(77,727)	(119,214)
532860 Advertising	(7,139)	(7,139)
533120 DP Supplies	(5,300)	(5,300)

Call Center Reduction		
532512 Rentals/Leases	(183,180)	(183,180)

(HB 397, Sections 23.1 and 23.3)

77 Personnel Reduction

(\$24,479) R

(\$24,479) R

Eliminate salary and related fringe benefits of a vacant Processing Assistant III position, #4790-0000-0042-013.

-1.00

-1.00

1683 Financial Services**78 Adjust Operating Budgets**

(\$10,792) R

(\$11,271) R

Reduce the following expenditure accounts each fiscal year per the Governor's recommended budget adjustments:

	FY 03-04	FY 04-05
531311 Temporary Salaries	(6,884)	(6,884)
531461 Longevity	(3,313)	(3,746)
531511 Social Security Cont.	(494)	(527)
531521 Retirement	(101)	(114)

1685 Documents & Payments Processing**79 Adjust Operating Budget**

(\$298,614)

R

(\$310,106)

R

Reduce the following expenditure accounts each fiscal year per the Governor's recommended budget adjustments:

	FY 03-04	FY 04-05
531311 Temporary Salaries	(239,747)	(239,747)
531461 Longevity	(20,105)	(30,489)
531511 Social Security Cont.	(22,060)	(22,854)
531521 Retirement	(610)	(924)
531561 Medical Ins Cont.	(16,092)	(16,092)

16XX Project Compliance**80 New Program Personnel and Operating Budget**

\$1,595,422

R

\$2,107,365

R

Appropriate funds to add 39 positions and operating expenses to implement Project Compliance, effective October 1, 2003. The expansion affects six divisions - Corporate, Excise & Insurance; Personal Taxes; Taxpayer Assistance; Examination & Collection; Information Technology; and Administrative Services. The thirty-nine positions include 2 Revenue Admin Officer III, 9 Revenue Tax Auditor I, 2 Revenue Tax Auditor II, 1 Revenue Field Auditor Supv, 4 Revenue Field Auditor I, 4 Revenue Field Auditor II, 14 Revenue Tax Technicians, and 3 Processing Assistants V with the following expenses:

\$268,615

NR

39.00

39.00

	FY 03-04	FY 04-05
531211 Salaries	1,213,769	1,618,357
531511 Social Security Cont.	92,854	123,804
531521 Retirement	36,778	49,036
531561 Medical Ins Cont	85,791	114,387
532512 Rentals/Leases	5,400	7,200
532714 Transportation	110,250	147,000
1605 Information Technology		
532447 Maint Agree-PC & Printers	3,276	3,276
532448 Maint Agree-Software	11,154	11,154
534534 PC & Printer Purch	89,215	0
1681 Administrative Services		
532811 Telephone Service	13,650	13,650
533110 Gen Office Supplies	19,500	19,500
534511 Office Furniture	175,500	0
534521 Office Equipment	3,900	0

(HB 397, Section 23.4)

Overview: 2003 Session Fiscal and Budgetary Actions

	FY 2003-04	FY 2004-05
Total Legislative Changes	(\$2,058,066) R	(\$2,198,740) R
	\$268,615 NR	
Total Position Changes	17.00	17.00
Revised Budget	\$74,930,766	\$75,174,094

Special Provisions

2003 Session: HB 397

Department: Revenue

Section: 23.1

Title: **DOR Taxpayer Telecommunications Service**

Summary Appropriates funds from the collection assistance fee account, created in the 2001 Session per G.S. 105-243.1 for deposits related to collections under Project Collect Tax to provide \$3.8 M through June 30, 2005 to support the continuation budget requirements of the Call Center's operation in the 2003-05 biennium. Follows money items #59 and #76.

Section: 23.2

Title: **Certain DOR Positions Fee-Supported**

Summary Appropriates funds from the collection assistance fee account in the amount of \$531,512 each fiscal year to support the 13 positions in the Project Collect Tax Division transferred from General Fund to receipt support. Follows money item #73.

Section: 23.3

Title: **DOR Taxpayer Call Center Fund Code**

Summary Directs the department to transfer funds appropriated for the Call Center to a new Fund Code -- Fund 1662. Follows money items #59 and #76.

Section: 23.4

Title: **DOR Report on Project Compliance**

Summary Directs the department to report quarterly to Gov Ops and the Revenue Laws Study Commission on efforts to address abuse of the voluntary tax compliance system, including fraudulent activity, which has resulted in under collections. Reporting begins February 1, 2004 and continues through June 30, 2006. The report is to include a breakdown of the department's additional initiatives resulting from the Project's funding during the 2003-05 biennium. The report must itemize additional collections by type of tax. Additionally, the report must include a long-term plan, a timeline for implementing each step of the plan, a summary of steps taken since the last report and their results, and other data requested by the Commission or the Committee. Follows money item #80.

Rules Review Commission

GENERAL FUND		
	FY 2003-04	FY 2004-05
Recommended Budget	\$310,454	\$310,454
Legislative Changes		
81 No Legislative Changes		
Total Legislative Changes		
Total Position Changes		
Revised Budget	\$310,454	\$310,454

Special Provisions

2003 Session: HB 397

Department: Rules Review Commission

Section:

Title: **(No Special Provisions Reported)**

Summary

Secretary of State

GENERAL FUND

	FY 2003-04	FY 2004-05
Recommended Budget	\$8,210,304	\$8,179,923

Legislative Changes

1110 Administration

82 Continuation Budget Reductions

(\$7,732)	R	(\$7,732)	R
-----------	---	-----------	---

Eliminates the inflationary increases included in the 2003-05 continuation per the Governor's recommendation.

	FY 03-04	FY 04-05
531461 EPA & SPA Longevity	(\$7,504)	(\$7,504)
531521 Regular Retirement Contr.	(\$228)	(\$228)

1120 Publications

83 Continuation Budget Reductions

(\$84)	R	(\$84)	R
--------	---	--------	---

Eliminates the inflationary increases included in the 2003-05 continuation budget as recommended by the Governor.

	FY 03-04	FY 04-05
531461 EPA & SPA Longevity	(\$81)	(\$81)
531521 Regular Retirement Contr.	(\$3)	(\$3)

1210 Corporations Division

84 Personnel Reduction

(\$27,560)	R	(\$27,560)	R
------------	---	------------	---

Eliminates a vacant Processing Assistant V position (3222-0000-0000-282).

-1.00	-1.00
-------	-------

1220 Uniform Commercial Code

85 Personnel Reduction

(\$57,682)	R	(\$57,682)	R
------------	---	------------	---

Eliminates the salary and benefits for the following 2 vacant Processing Assistant V positions:

-2.00	-2.00
-------	-------

3222-0000-0000-376	(\$30,122)
3222-0000-0000-338	(\$27,560)

86 Continuation Budget Reductions

(\$33,088)	R	(\$43,707)	R
------------	---	------------	---

Eliminates all inflationary increases included in the 2003-05 continuation budget per the Governor's recommendation.

	FY 03-04	FY 04-05
531461 EPA & SPA Longevity	(\$5,314)	(\$5,314)
531521 Reg. Retirement Contr.	(\$162)	(\$162)
532500 Rental/Leases	(\$27,612)	(\$38,231)

1230 Securities Division**87 Continuation Budget Reductions**

(\$6,684)

R

(\$6,684)

R

Eliminates all inflationary increases included in the 2003-05 continuation, with the exception of increases supported through receipts and increases included to annualize three new positions, per the Governor's recommendation.

	FY 03-04	FY 04-05
531461 EPA & SPA Longevity	(\$6,318)	(\$6,318)
531511 Social Security Contr.	(\$175)	(\$175)
531521 Regular Retirement Contr.	(\$191)	(\$191)

1240 Business License Information Office**88 Eliminates the Business License Information Office**

(\$260,000)

R

Eliminates the Business License Information Office effective July 1, 2004, including 6 consultant positions. During fiscal year 2003-2004, the Department along with the Community College System will develop a plan for transferring the consultation function to the Small Business Centers in the Community College System. Funds appropriated in the continuation budget for the Business License Information Office can be used to implement the transfer, including the establishment of a web-based system and training for the Small Business Centers. (HB 397, Section 24.1)

-6.00

1300 Notary Public**89 Continuation Budget Reductions**

(\$1,395)

R

(\$1,395)

R

Eliminates all inflationary increases included in the 2003-05 continuation budget per the Governor's recommendation.

	FY 03-04	FY 04-05
531461 EPA & SPA Longevity	(\$918)	(\$918)
531511 Social Security Contr.	(\$449)	(\$449)
531521 Regular Retirement Contr.	(\$28)	(\$28)

Department-wide**90 Operating Budget Reductions**

(\$18,881)

R

(\$18,881)

R

Reduces the operating budget for travel, department-wide.

Total Legislative Changes

(\$153,106)

R

(\$423,725)

R

Total Position Changes

-3.00

-9.00

Revised Budget

\$8,057,198

\$7,756,198

Special Provisions

2003 Session: HB 397

Department: Secretary of State

Section: 24.1

Title: **Transfer Consultation Requirement Under Business License Information Office to Small Business Centers**

Summary Directs the Department and the NC Community College System Office to develop and implement a plan for transferring the consultation function of the Business License Information Office to the community college small business centers. It allows them to use 2003-2004 funding to implement a web-based master application system and for training. The plan shall be presented to Gov Ops and the Appropriations Committees by October 1, 2003. The plan is to be fully implemented by June 30, 2004. Follows money item #88.

Section: 24.2

Title: **Report on Distribution and Sale of North Carolina Manual**

Summary Directs the Department to report on the distribution and sale of the manual. Also directs the Department to consider the feasibility of providing the manual via the Internet.

Section: 35B.1

Title: **Secretary of State Fees**

Summary Sections 35B.1 through 35B.3 increase three fees. Section 35B.1 increases from \$30.00 to \$38.00 the fee for paper filing of a UCC financing statement or other record that is one or two pages long and the fee for responding to a written request for information. Sections 35B.2 and 35B.3 increase the Rule 506 notice filing fee from \$150 to \$350 and the business opportunity disclosure filing fee from \$10 to \$250, respectively. These fee increases become effective July 15, 2003.

State Board of Elections

		GENERAL FUND	
		FY 2003-04	FY 2004-05
Recommended Budget		\$3,123,646	\$3,124,003
Legislative Changes			
1100 Administration			
91 Transfer SEIMS Approp. from Fund 1100 to Reserve	(\$1,665,650)	R	(\$1,665,650) R
<p>Reduce the State Board of Elections' Fund 1100 Administration by \$1,665,650. This is the amount currently authorized for expenditure for the Statewide Election Information Management System (SEIMS) or computerized voter registration project and is a portion of what is required for the Maintenance of Effort (MOE) condition stipulated in the Help America Vote Act of 2002 (HAVA) federal legislation. This exact amount will be transferred to a Reserve Fund (19xx) in the State Board of Elections budget and be joined with an additional General Fund appropriation to ensure that the State provides its full 1999-00 expense level of \$3,457,586. (HB 397, Section 25.1)</p>			
92 State Match Funds for HAVA requirements	\$1,922,215	NR	
<p>Provides funds to meet the matching requirement of Title II Help America Vote Act, Public Law 107-252. Under HAVA, there is a required 95% federal / 5% state funding mechanism for funding HAVA requirements. North Carolina expects to receive \$22,600,000 in appropriated HAVA Title II federal funds in 2003-04 and an estimated \$13,944,000 in 2004-05. North Carolina's match requirement is \$1,188,760 for FY 2003-04 and an estimated \$733,455 for FY 2004-05. These non-recurring amounts are to be allocated to the State's Election Fund established by S.L. 2003-12.</p> <p>Also, North Carolina expects to receive an estimated \$13,944,000 in federal HAVA funds in 2005-06. An additional \$733,455 of state funds would be needed to match those funds when they are allocated. (HB 397, Section 25.1)</p>			

19xx Reserves**93 State MOE for HAVA in Reserve Fund**

\$3,457,586	R	\$3,457,586	R
-------------	---	-------------	---

Federal law, HAVA, requires that the State not spend any less state money for required qualified HAVA activities than what it expended on such during 1999-00. This Maintenance of Effort or MOE requirement is in addition to the match funds requirement for the State to meet to be eligible to receive federal requirement payments.

In state fiscal year 1999-00, the State Board of Elections (Board) expended \$3,457,585.06 on its computerized voter registration system (SEIMS). HAVA Title III required activities, for which the federal requirements payments can be used and for which the Board expended funds upon in 1999-00, includes the SEIMS project. In 2002-03, the Board was authorized to expend only \$1,665,650 on the SEIMS project.

	1999-00 Actual Expend.	2002-03 Authorized Expend.	Unmet MOE Amount
SEIMS expenditure	\$3,457,586	\$1,665,650	\$1,791,936

To meet its HAVA MOE requirement, the State has to appropriate an additional \$1,791,936 to the State Board of Elections in 2003-04, 2004-05 and on a recurring basis for as long as the HAVA MOE condition is required. This amount, in addition to the currently authorized budgeted amount of \$1,665,650 for SEIMS (to be transferred from the Board's budget Fund 1100 Administration) is to be transferred to the Board's Reserve Fund (Fund 19xx, HAVA Maintenance of Effort Requirement) on a recurring basis. The total recurring dollars to be appropriated from the General Fund to the Board Reserve Fund (19xx) to ensure the 1999-00 expense level, is \$3,457,586 annually. (HB 397, Section 25.1)

Total Legislative Changes

\$1,791,936	R	\$1,791,936	R
\$1,922,215	NR		

Total Position Changes**Revised Budget**

\$6,837,797		\$4,915,939
-------------	--	-------------

Special Provisions

2003 Session: HB 397

Department: State Board of Elections

Section: 25.1

Title: Help America Vote Matching Funds

Summary Explains the 5% State match and Maintenance of Effort (MOE) requirements of the federal Help America Vote Act of 2002 (HAVA). Directs the transfer of the \$1.6 million additional MOE appropriation and \$1.8 million from the agency's continuation budget to a reserve fund. Also transfers the \$1.9 million non-recurring appropriation for the State match to the Election Fund that was established by SL 2003-12. Follows money items #91, #92, and #93.

State Budget and Management

GENERAL FUND

	FY 2003-04		FY 2004-05
Recommended Budget	\$4,428,558		\$4,432,863
Legislative Changes			
1310 Office of State Budget & Management			
94 Operating Budget Reductions	(\$216,753)	R	(\$216,753) R
Reduces the operating budget by eliminating three vacant positions (\$212,372) and by eliminating the \$4,381 inflationary increase for EPA & SPA Longevity (account 531461) that was included in the continuation budget. The Governor recommended an unspecified reduction of 5%. This reduction makes up 5% recommended reduction.	-3.00		-3.00
Statistician II 3004-0000-0000-215 (\$57,538)			
State Mgmt. Admin. 3004-0401-0000-590 (\$100,419)			
State Mgmt. Analyst 3004-0403-0000-663 (\$54,415)			
Total Legislative Changes	(\$216,753)	R	(\$216,753) R
Total Position Changes	-3.00		-3.00
Revised Budget	\$4,211,805		\$4,216,110

Special Provisions

2003 Session: HB 397

Department: State Budget and Management

Section:

Title: **(No Special Provisions Reported)**

Summary

State Budget and Management - Special Appropriations

GENERAL FUND

	FY 2003-04		FY 2004-05	
Recommended Budget	\$3,080,000		\$3,080,000	
Legislative Changes				
1022 2003 Special Appropriation				
95 NC Humanities Council	\$50,000	R	\$50,000	R
Provides funding to the North Carolina Humanities Council, a nonprofit corporation, for the programs of the Council. (HB 397, Section 26.1)				
1022 2003 Special Appropriations				
96 Kids Voting NC Funds	\$250,000	NR		
Provides funding to Kids Voting of North Carolina, Inc., a nonprofit corporation. Of the \$250,000 appropriated, \$50,000 shall be used by the State program. The remaining \$200,000 shall be divided equally among the participating counties of Buncombe, Cabarrus, Catawba, Cumberland, Durham, Guilford, Haywood, Mecklenburg, and Wake and among the four new participating counties of Henderson, Iredell, New Hanover, and Randolph.				
Total Legislative Changes	\$50,000	R	\$50,000	R
	\$250,000	NR		
Total Position Changes				
Revised Budget	\$3,380,000		\$3,130,000	

Special Provisions

2003 Session: HB 397

Department: State Budget and Management - Special Appropriations

Section: 26.1

Title: NC Humanities Council

Summary Directs the Humanities Council to report by January 15, 2004 on its State Fiscal Year 2002-2003 program and financial activities and its planned program and financial activities for the State Fiscal Year 2003-2004. Follows money item #95.

State Controller

		GENERAL FUND	
		FY 2003-04	FY 2004-05
Recommended Budget		\$10,046,077	\$10,071,064
Legislative Changes			
1000 Departmentwide			
97 Operating Budget Reductions		(\$351,613) R	(\$351,613) R
Reduce the following expenditure accounts each fiscal year per the Governor's recommended budget adjustments:			
	FY 03-04	FY 04-05	
532712 Transp. Air/Out of	(500)	(500)	
532715 Transp. Grd/out of State	(100)	(100)	
532717 Transp. Other/In State	(100)	(100)	
532721 Lodging	(100)	(100)	
532724 Meals - In State	(600)	(600)	
532725 Meal - Out of State	(500)	(500)	
532821 Data Processing	(338,939)	(338,939)	
532850 Printing	(2,000)	(2,000)	
534522 Computer Equipment	(8,774)	(8,774)	
Total Legislative Changes		(\$351,613) R	(\$351,613) R
Total Position Changes			
Revised Budget		\$9,694,464	\$9,719,451

Special Provisions

2003 Session: HB 397

Department: State Controller

Section: 27.1

Title: **Overpayments Audit**

Summary Continues language to extend the Overpayments Project another year. The contractor, PRG, will maintain a 31% share of overpayments found; OSC may use \$200,000 for data processing, debt collection or other information technology initiatives; and the balance is available to the General Assembly to appropriate.

Treasurer

		GENERAL FUND	
		FY 2003-04	FY 2004-05
Recommended Budget		\$8,063,750	\$8,066,505
Legislative Changes			
1210 Investment Management			
98 Operating Budget Reduction		(\$45,721) R	(\$45,721) R
Reduces information technology expenditures. Expenditures and receipts in the Computer Technology Internal Service Fund (73410) will be reduced by a corresponding amount.			
1410 Retirement Systems Division			
99 Enhance Technology Infrastructure		\$0 R	\$0 R
Provides partial funding to replace the multitude of information technology systems with an integrated system for all the retirement plans and other programs administered by the Retirement Systems Division. The total enhancements to the infrastructure will be completed in phases over a four-year period beginning with the 2003-2004 fiscal year. The updated technology will enhance customer service by allowing Internet access and prevent the addition of large numbers of staff in the future to manage a rapidly expanding customer base.			
The Department is authorized to draw additional receipts of up to \$2,741,500 for fiscal year 2003-2004 and of \$2,800,000 in fiscal year 2004-2005 from the Retirement Fund's earnings. (HB 397, Sections 28.3, 28.4)			
100 Personnel Adjustments		\$0 R	\$0 R
Extends funding for 10 existing one-year time limited positions that were established as of April 1, 2003 to allow those positions to be retained one additional year through March 31, 2005, thereby making them two-year time limited positions. Two additional one-year time limited positions that were also established as of April 1, 2003 will be converted to permanent status.			
The Department is authorized to draw additional receipts of up to \$101,277 for fiscal year 2003-2004 and up to \$320,120 for fiscal year 2004-2005 from the Retirement Fund's earnings for this purpose. Of the amount authorized for the 2004-2005 fiscal year, \$65,155 is recurring to fund the 2 positions that are being converted to permanent status. (HB 397, Section 28.4)			

Overview: 2003 Session Fiscal and Budgetary Actions

	FY 2003-04		FY 2004-05	
101 Toll-free Telephone Line	\$0	R	\$0	R
Provides funding for the Retirement Systems Division to maintain a toll-free telephone number for members outside the local calling area. Also provides funding for 6 one-year time-limited positions to fully staff the Division's customer service contact center and to handle the expected 40% increase in calls due to the toll-free telephone line.	0.00		0.00	
<p>The Department is authorized to draw additional receipts of up to \$460,958 for fiscal year 2003-2004 and up to \$200,000 for fiscal year 2004-2005 from the Retirement Fund's earnings to support this expansion item. Of the amount authorized for fiscal year 2003-2004, \$221,508 shall be used for the salaries and benefits for the 6 one-year time-limited positions (effective July 1, 2003) and \$39,450 shall be used for office equipment for those positions. The remaining \$200,000 authorized for fiscal year 2003-2004 and the \$200,000 authorized for fiscal year 2004-2005 are recurring funds that shall be used for the toll-free telephone service. (HB 397, Section 28.4)</p>				
Department-wide				
102 Continuation Budget Item	(\$248,000)	R	(\$248,000)	R
Eliminates the inflationary increase that was included in the continuation budget for maintenance agreements as recommended by the Governor.				
103 Operating Budget Reductions	(\$195,000)	R	(\$195,000)	R
Reduces the operating expenses for financial/audit services (\$120,000), computer equipment (\$5,000), administrative services (\$10,000), and communication and data processing (\$60,000) as recommended by the Governor.				
Total Legislative Changes	(\$488,721)	R	(\$488,721)	R
Total Position Changes	0.00		0.00	
Revised Budget	\$7,575,029		\$7,577,784	

Special Provisions

2003 Session: HB 397

Department: Treasurer

Section: 28.2

Title: **State Treasurer Subject to Executive Budget Act**

Summary Amends G.S. 147-68(e) to clarify that the State Treasurer is independent of fiscal controls exercised by the Budget Director in carrying out the responsibilities of that section, but is in all other respects subject to the Executive Budget Act.

Section: 28.3

Title: **Report of the Status of the Technology Infrastructure Enhancements**

Summary Requires the State Treasurer to report semiannually on the technology infrastructure enhancements, that were authorized by this act, by October 1 and April 1. Follows money item #99.

Section: 28.4

Title: **Staffing Analysis Follow-up**

Summary Requires State Budget to conduct semiannual follow-ups to the staffing analysis that was completed in April 2003. Also directs the State Treasurer to maintain monthly workload statistics and productivity data on the Retirement System activities and to report that information to Fiscal Research and State Budget quarterly. Follows money items #99, #100, and #101.

Section: 28.5

Title: **Authorization for Temporary and Contractual Services for Unclaimed Property Program**

Summary Authorizes the Department to use up to \$176,000 in additional receipts from the Escheats Fund for temporary and contractual services to assist with processing claims for reimbursement and with data entry of additions to the published unclaimed property listing. The Department must consult with Gov Ops before spending any of the additional receipts.

Treasurer - Retirement for Fire and Rescue Squad Workers

GENERAL FUND

	FY 2003-04		FY 2004-05	
Recommended Budget	\$7,131,179		\$7,131,179	
Legislative Changes				
1432 Line of Duty Death Benefit				
104 Increase Death Benefit Funding	\$350,000	R	\$350,000	R
Increases the funding for death benefits paid, pursuant to G.S. § 143-12A, to survivors of eligible persons killed in the line of duty. The increase is due to the increase in the number of line of duty deaths.				
Total Legislative Changes	\$350,000	R	\$350,000	R
Total Position Changes				
Revised Budget	\$7,481,179		\$7,481,179	

Special Provisions

2003 Session: HB 397

Department: Treasurer - Retirement for Fire and Rescue Squad Workers

Section:

Title: **(No Special Provisions Reported)**

Summary

TRANSPORTATION

GENERAL FUND

&

**HIGHWAY FUND
APPROPRIATIONS**

Transportation

GENERAL FUND

	FY 2003-04		FY 2004-05
Recommended Budget	\$12,842,163		\$12,872,739
Legislative Changes			
Aeronautics			
(1200) Airport Grants			
1 Reduction in Airport Grants	(\$1,412,638)	R	(\$1,469,939) R
Reduces the amount of the increase in State funding for grants to local airports. Total General Fund support for aviation grants in FY2003-04 will increase from \$10,902,500 to \$11,429,525, or by \$527,025. Federal State Block Grant Program funds were \$23,873,466 in Fiscal Year 2001-02.			
Total Legislative Changes	(\$1,412,638)	R	(\$1,469,939) R
Total Position Changes			
Revised Budget	\$11,429,525		\$11,402,800

Transportation

HIGHWAY FUND

Recommended Budget

FY 2003-04
\$1,284,128,621

FY 2004-05
\$1,290,598,009

Legislative Changes

Administration

(0240) General Services

2 Departmental Recycling Program

\$59,489 R \$56,430 R

Provides an operating budget and staff support to assist the Waste Management Analyst with creating and implementing a web based NCDOT Reuse/Recycle Program. This program will provide a method by which all 14 Highway Divisions, the Ferry Division, DMV Driver License, Aviation and the Rail Division are able to submit and view items electronically with digital photos.

1.00 1.00

The position funded is a Processing Assistant IV (59).

3 Replace Outdated Printing Equipment

\$258,000 R \$258,000 R

Provides funding to lease new scanning and printing equipment in the Division of Motor Vehicles and the Department of Transportation Print Services Units to replace unreliable black and white analog duplicating equipment.

(0530) Driver Licensing

4 New Driver License Examiner Positions

\$1,777,230 R \$2,467,150 R

Adds new driver license examiners.

\$0 NR \$106,400 NR
45.00 70.00

(0610) Bicycle and Pedestrian

5 Planning Grants for Local Governments

\$150,705 R \$250,705 R

G.S.136-66.2 requires each municipality to develop a comprehensive transportation plan, including bicycle and pedestrian, to serve present and future travel demands. Provides funds to establish matching grants for municipalities, and to fund a managerial level position.

(2120) Division 12

6 Establish Third District Office

\$104,659 R \$104,659 R

Provides funding to add a third district office in Division 12. The plans are to remodel an existing building in Conover, NC to house the maintenance operations in Lincoln and Catawba counties. The new office will require the creation of two new positions, an Office Assistant IV and a Transportation Engineering Supervisor II.

\$45,341 NR 2.00 2.00

(5120) Secondary Road Construction**7 Technical Adjustment to Secondary Roads Allocation**

(\$530,000) R

(\$1,970,000) R

The allocation to secondary roads is determined by statute and is a function of gallons of motor fuel sold. Revised estimates of gallons sold are below the original forecasts and this technical adjustment revises the budget for the secondary roads allocation accordingly. This reduces the secondary road budget from \$90,130,000 in FY2003-04 to \$89,600,000.

(5130) Small Urban Construction**8 Increase Funding**

Increases funding for small urban construction from \$14,000,000 to \$28,000,000 for FY 2003-2004. Please note that technically, this budget item should also include \$14,000,000 NR for 2004-05 to conform to a provision in House Bill 397. (HB 397, Section 29.2)

\$14,000,000 NR

(5180) Contingency Construction**9 Increase Funding**

Increases funding from \$10,000,000 to \$15,000,000 for FY 2003-2004. (HB 397, Section 29.2)

\$5,000,000 NR

(5910) Aid to Municipalities**10 Technical Adjustment to Aid for Municipalities**

(\$530,000) R

(\$1,970,000) R

The allocation to municipalities is determined by statute and is a function of gallons of motor fuel sold. Revised estimates of gallons sold are below the original forecasts and this technical adjustment revises the budget for aid to municipalities accordingly. This reduces the municipal aid budget in FY2003-04 from \$90,130,000 to \$89,600,000.

(5940) Railroad Program**11 Maintenance for Rail Infrastructure**

\$1,785,000 R

\$2,100,000 R

Establishes a recurring fund for maintenance of completed rail capital projects, including Sealed Corridor, Inactive Rail Corridors, North Carolina Railroad Improvement, Facilities Maintenance and Passenger Stations.

12 Rail Capital and Safety

\$2,730,919 R

\$2,856,153 R

Supports the Rail Division Capital and Safety Programs. The funds will be used for major track and signal upgrades and capacity expansion, initiatives to grade separate highway and rail traffic on major highway corridors, plan expansion of rail maintenance facilities, and purchase and renovate rolling stock as necessary.

(5970) Public Transportation**13 Regional Transportation (New Starts and Capital)**

Provides 25% state match for planning, environmental impact studies, design, right of way acquisition, rail car purchases and construction costs to initiate major regional guideway projects.

\$2,000,000 NR

14 Replace Nonrecurring Funds from Senate Bill 1005

Senate Bill 1005 provided nonrecurring funds for public transportation. This action provides recurring funding to replace those funds when they expire after FY 2004. This action does not expand the public transportation program.

\$0 R \$10,600,000 R

FY 2004-05

Rural Operating \$1,600,000

Rural Capital \$2,000,000

Human Services \$2,000,000

Urban, Regional Maint. \$5,000,000

15 Rural Operating Assistance

Provides operating assistance funds to the Rural General Public Program (RGP).

\$400,000 R \$400,000 R

16 Human Services Management

Provides administrative assistance to community transportation systems that serve only human service clients.

\$300,000 R \$300,000 R

17 Urban and Regional Maintenance

Provides operating assistance to each of the state's 21 small urban and regional fixed route systems. The allocation formula is based largely on performance, with the systems that provide the most revenue miles of service and passenger trips in the most efficient manner receiving the majority of the funding. Increases funding for this program.

\$1,357,092 R \$1,357,092 R
\$8,002,340 NR

18 Urban Buses Facilities and Technology

Provides a 10% state match to federal grants for vehicle replacement and expansion needs. Provides funding for construction and renovation of maintenance facilities, multimodal facilities, and transfer centers for transit systems operating in urban areas. Provides state funds for the acquisition of advanced technologies for regional and urban transit systems including automatic vehicle locators, regional call centers and other technologies that will provide convenient and complete information to transit customers and increase overall system efficiencies.

\$3,185,000 R \$3,185,000 R

(6220) Leaking Underground Storage Tanks**19 Technical Adjustment**

Adjusts contribution to Leaking Underground Storage Tank Fund based on a revised estimate of motor fuel sales.

(\$50,000) NR

Overview: 2003 Session Fiscal and Budgetary Actions

Overview: 2003 Session Fiscal and Budgetary Actions		FY 2003-04		FY 2004-05	
(6270) Crime Control and Public Safety					
20 State Highway Patrol Troopers		\$1,350,000	R	\$1,350,000	R
Provides Highway Fund appropriations to support the cost of hiring 25 additional State Highway Patrol troopers.		\$1,150,000	NR		
(6310) Department of Public Instruction					
21 Reduce Transfer for Driver Education		(\$199,298)	R	(\$170,291)	R
The amount transferred to the Department of Public Instruction for Driver Education is the forecast of the Average Daily Membership (ADM) of ninth grade students multiplied by \$250.06. The newest forecast of ADM is slightly lower than the previous forecast and the amount budgeted is decreased accordingly.					
(6320) State Treasurer					
22 Revised Payment in Lieu of Sales Tax					
Adjusts the payment as a result of a revision in the projected Sales Tax Revenue for the FY2003-05 Biennium.		\$251,000	NR		
(6330) Global TransPark					
23 Phase Out Highway Fund Support					
Provides nonrecurring Highway Fund appropriations to support the Global TransPark for FY 2003-04. Highway Fund support to the Global TransPark will end on June 30, 2004.		\$1,600,000	NR		
(6611) Retirement System					
24 Retirement System Contributions		\$811,140	R	\$7,558,000	R
Provides State funds for fiscal years 2003-04 and 2004-05 for members of the Teachers' and State Employees' Retirement System to begin increasing the contribution rate due to losses in investments and to provide a cost-of-living adjustment of 1.28% for retirees beginning July 1, 2003.					
25 Suspend State Contributions					
Suspends the State contributions to the Death Benefit Plan and the Disability Income Plan for the 2003-2004 fiscal year, and the Death Benefit plan for the 2004-2005 fiscal year.		(\$2,500,000)	NR	(\$589,000)	NR
(6801) Reserves and Transfers					
26 State Funded Compensation Bonus					
Provide funds to support a one-time compensation bonus to State employees whose salaries and related employer contributions are supported out of the Highway Fund.		\$6,400,000	NR		
(6828) General Maintenance Reserve					
27 Highway Maintenance		\$3,205,108	R	\$3,205,108	R
Provides funding for highway maintenance.		\$9,071,328	NR		

Overview: 2003 Session Fiscal and Budgetary Actions

Overview: 2003 Session Fiscal and Budgetary Actions	FY 2003-04		FY 2004-05	
(6832) Reserve for Visitor Centers				
28 Increase Funding for Visitor Centers	\$200,000	R	\$200,000	R
Provides \$25,000 for each Visitor Center in the following counties: Brunswick, Camden, Carteret, Caswell, Macon, McDowell, Tyrell, and Watauga.				
(6836) Funds				
29 Reserve for Retiree Health Benefits	\$1,600,000	R	\$1,600,000	R
Provides funds to continue to pay FY 2002-03 retiree health benefit premiums beyond June 30, 2003.				
30 State Employee Health Plan Reserve	\$5,671,000	R	\$7,671,000	R
Governor's recommendation to provide funds to increase the State's contribution for active and retired employees' health care benefits by 17% effective October 1, 2003. Employer contribution rate for retiree health benefits increased accordingly.				
<hr/>				
Total Legislative Changes	\$23,686,044	R	\$41,409,006	R
	\$44,970,009	NR	(\$482,600)	NR
Total Position Changes	48.00		73.00	
Revised Budget	\$1,352,784,674		\$1,331,524,415	

Special Provisions

2003 Session: HB 397

Department: Transportation

Section: 29.1

Title: **Cash-Flow Highway Fund and Highway Trust Fund Appropriations**

Summary Boilerplate special provision based on revenue forecasts. This language allows DOT to anticipate revenue in future years for the purpose of budgeting multiyear construction projects.

Section: 29.2

Title: **Small Urban and Contingency Funds**

Summary Provides that \$28 million shall be allocated in each fiscal year for small urban construction projects. Provides \$15 million in fiscal year 2003-2004 and \$10 million in fiscal year 2004-2005 for rural or small urban highway improvements and related transportation enhancements.

Section: 29.3

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.

Section: 29.4

Title: **Reduce Highway Trust Fund Administration Allocation**

Summary Reduces the amount of the Highway Trust Fund allocated to administration from 4.5% to 4% in fiscal year 2003-2004 and 3.8% thereafter.

Section: 29.5

Title: **Use of Excess Overweight/Oversize Funds**

Summary Requires DOT to use funds generated by overweight/oversize permit fees in excess of the cost of administering the program, as determined pursuant to G.S. 20-119(e), for highway and bridge maintenance required as a result of damages caused by overweight/oversize loads.

Section: 29.6

Title: **Environmental Permits on Department of Transportation Construction Projects**

Summary Adds statutory language to provide that once the Department of Environment and Natural Resources has issued a required permit for a transportation construction project in the Transportation Improvement Program the permit shall remain in effect and not expire and not be modified except under specified conditions.

Section: 29.7

Title: **Driver Education Privatization**

Summary Requires the State Board of Education to study statewide privatization of State-funded driver education programs and report to legislative oversight committees on education and transportation by November 30, 2003.

Section: 29.10

Title: **Funds for Unsafe or Obsolete Facilities**

Summary Permits DOT to use up to 0.75% of its construction and maintenance budget for major repair, renovation, and replacement of facilities that fail to meet safety standards or that are obsolete for current or future use.

Section: 29.11

Title: **Amend the Highway Trust Fund Act Descriptions of Urban Loops and Intrastate Improvement Projects**

Summary Amends the Highway Trust Fund Act to change the definition of the Durham Northern Loop, Raleigh Outer Loop, Greensboro Loop, and Wilmington Bypass and add the Fayetteville Western Loop and Greenville Loop. (Note: The correct spelling of the road name in the Greensboro Loop is "Lewiston-Fleming", not "Lewis-Fleming".)

Section: 29.12

Title: **Highway Trust Fund Study Committee**

Summary Creates a 20 member committee that may study all aspects of the Highway Trust Fund and any other issue related to the Highway Trust Fund or transportation funding. The Committee is to make its final report to the Joint Legislative Transportation Oversight Committee no later than November 1, 2004.

Section: 29.14

Title: **MPO/RPO Transportation Planning Funding**

Summary Provides, from Highway Trust Fund administration funds for the 2003-2004 fiscal year, \$750,000 to fund Rural Transportation Funding Organizations, \$2 million in matching funds for Metropolitan Planning Organizations located in nonattainment or maintenance areas, and \$750,000 in matching funds for local transportation planning efforts in areas designated nonattainment areas or maintenance areas.

Section: 29.15

Title: **Ferry Employee Positions**

Summary Provides that the Ferry Division of DOT shall use funds available from increased toll revenues to convert a total of 39 temporary positions to permanent positions.

Section: 29.16

Title: **Incident Management Assistance Patrol Program Personnel**

Summary Provides that up to 26 full-time temporary positions in the Incident Management Assistance Patrol Program shall be designated as permanent positions.

Section: 29.17

Title: **Transportation Services for Trade Shows**

Summary Provides that DOT may use up to \$900,000 in each year of the biennium for transportation services for annual or semiannual trade shows of international significance.

Section: 29.19

Title: **Virginia-North Carolina Interstate High-Speed Rail Commission**

Summary Amends Section 2 of S.L. 2001-266 to add requirement that the Commission study the establishment of an interstate high-speed rail compact between North Carolina, Virginia, and other states. The Commission is to report to the Governor and the General Assembly by November 30, 2004.

Section: 29.20

Title: **Currituck-Corolla Ferry Service Funds**

Summary Provides that DOT may use up to \$834,000 to establish a new ferry service on or before May 1, 2004 from the Currituck terminal of the Currituck-Knotts Island ferry to Corolla.

Section: 29.21

Title: **Department of Transportation Project Delivery Process Study**

Summary Requires the Joint Legislative Transportation oversight Committee to study all aspects of the project delivery process of DOT and endeavor to complete the study by April 1, 2003. (Note: The correct date for desired completion of the study is April 1, 2004, not April 1, 2003.)

Section: 29.22

Title: **Use Highway Trust Fund to Match Federal-Aid Highway Funds**

Summary Amends G.S. 136-176B(b) to permit use of funds in the Highway Trust Fund to meet the State matching funds requirements to receive federal-aid highway funds.

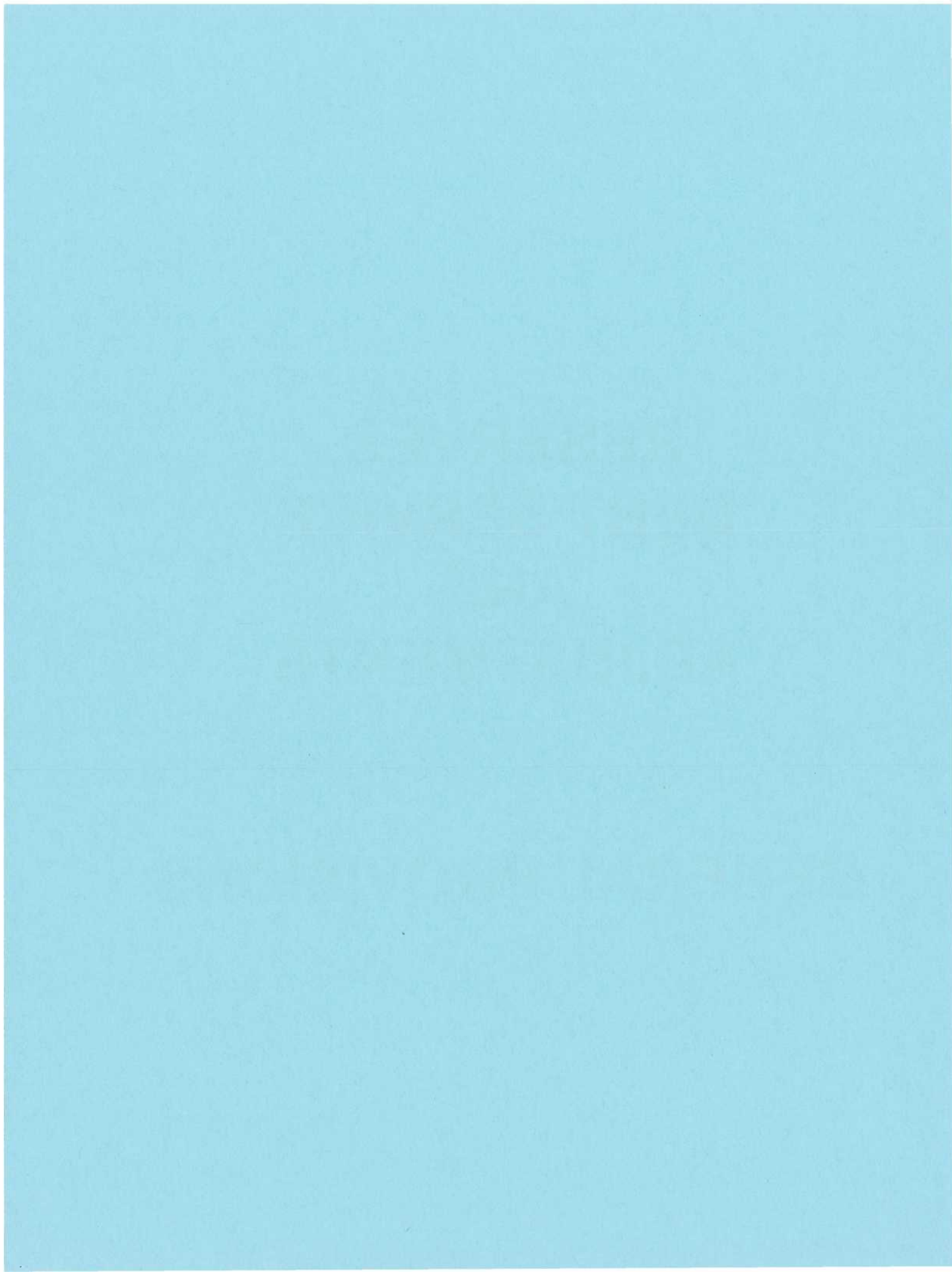
Section: 29.23

Title: **Rail Corridor Subdivisions**

Summary Provides that acquisition of rail corridor rights-of-way have the same exemption as acquisition of street rights-of-way from municipal and county subdivision control regulations.

**RESERVES,
DEBT SERVICE
AND
ADJUSTMENTS**

GENERAL PROVISIONS



Reserves, Debt Service and Adjustments

		GENERAL FUND	
		FY 2003-04	FY 2004-05
Recommended Budget		\$436,786,713	\$505,649,255
Legislative Changes			
A. Employee Benefits			
1 State Funded Compensation Increases		\$45,550,000	R
Provides funds to increase salaries of employees of Public Schools, Community Colleges, State Agencies and Departments and the UNC System.		\$86,500,000	NR
Public Schools			
Teachers and Instructional Support -- 1.81% average			
Principals and Assistant Principals -- 1.86% average			
All Other Public School Employees -- \$550 one-time bonus			
Also provided are \$6.1 million in nonrecurring funds to support one-time bonus compensation to teachers and principals who are at the top of their respective experience step salary schedules and who will not otherwise receive an experience step salary increase.			
Community College Employees -- \$550 one-time bonus			
Also provided are additional recurring funds of \$3.25 million in the 2003-2004 fiscal year to support an additional one-half percent salary increase for Community College System faculty and professional staff.			
State Agencies and Departments			
SPA Employees -- \$550 one-time bonus			
EPA Employees -- \$550 one-time bonus			
State Agency Teachers -- 1.81% average			
UNC System			
SPA Employees -- \$550 one-time bonus			
EPA Employees -- \$550 one-time bonus			
School of Science and Math Faculty -- 1.81% average			
2 Retirement System Contributions		\$16,546,000	R
Increases the contribution rate for fiscal years 2003-04 and 2004-05 to compensate for losses in investments and to provide a cost-of-living adjustment of 1.28% for retirees beginning July 1, 2003.		\$10,000,000	NR

Overview: 2003 Session Fiscal and Budgetary Actions

	FY 2003-04		FY 2004-05	
3 Suspend State Contributions to Death Benefit & Disability Income Plan				
Suspends the State contributions to the Death Benefit Plan and the Disability Income Plan for the 2003-2004 fiscal year and the Death Benefit Plan for the 2004-2005 fiscal year.	(\$54,000,000)	NR	(\$12,000,000)	NR
4 Court Costs	(\$1,000,000)	R	(\$1,000,000)	R
Directs court costs presently going to the Separate Benefit Fund to General Fund.				
5 State Employee Health Plan Reserve	\$113,418,000	R	\$151,225,000	R
Funds to increase the State's contribution for active and retired employees' health care benefits by 17% effective October 1, 2003. Employer contribution rate for retiree health benefits increased accordingly.				
6 Reserve for Retiree Health Benefits	\$36,800,000	R	\$36,800,000	R
Provides funds to continue to pay 2002-03 retiree health benefit premiums beyond June 30, 2003.				
B. Debt Service				
7 General Fund Debt Service	(\$42,344,845)	R	(\$30,305,624)	R
Adjusts debt service requirement to reflect revised cash flow requirements.				
8 Additional Debt Service			\$34,995,000	R
Provide additional funds for debt service due to increased requirements for principal and interest payments associated with the issuance of special indebtedness for repairs and renovations of state facilities authorized by this act.				
C. Other Reserves				
9 Salary Adjustment Fund	\$4,000,000	R	\$4,000,000	R
Increases funds for adjustments to state employees' salaries resulting from OSP recommendations.				
10 General Assembly - Reserve for Blue Ribbon Commission on Medicaid Reform	\$250,000	NR		
Provides funding for a Blue Ribbon Commission on Medicaid Reform. The Commission will recommend long term cost containment measures to the General Assembly.				
11 DOA - State Surplus Real Property System Reserve	\$250,000	NR		
Creates a reserve in the Department of Administration to pay consultants and other operating expenses associated with the development and implementation of a system for identification and disposal of surplus real property.				

Overview: 2003 Session Fiscal and Budgetary Actions

FY 2003-04

FY 2004-05

12 OSBM - Reserve for HIPAA Implementation

Funds activities required to implement the federal Health Insurance and Portability and Accountability Act. This act establishes standards for the transmission, storage and handling of certain electronic health care data.

\$2,000,000 NR

13 Mental Health Trust Fund

Provides funding to continue mental health system reform.

\$12,500,000 NR

Total Legislative Changes

\$172,969,155	R	\$395,464,376	R
\$57,500,000	NR	(\$12,000,000)	NR

Total Position Changes

Revised Budget

\$667,255,868	\$889,113,631
---------------	---------------

Special Provisions

2003 Session: HB 397

Department: Reserves

Section: 2.1

Title: **Current Operations and Expansion/General Fund**

Summary Specifies appropriations from the General Fund to state agencies for the 2003-05 biennium.

Section: 2.2

Title: **General Fund Availability Statement**

Summary Sets out fiscal information in accordance with G.S. 143-15.1 (budget reform) for the 2003-05 biennium. A summary of significant sections follows:

2.2(b) and 2.2(c) Diverts \$40 million to be credited to the Tobacco Trust Fund and \$20 million to be credited to the Health and Wellness Trust Fund from the Master Settlement Agreement to the General Funds in each year of the 2003-05 biennium.

2.2(d) Transfers \$108,796,845 from the Disaster Reserve Fund to the General Fund.

2.2(e) Directs the State Controller to credit \$150 million from the FY 2002-03 unreserved credit balance to the Savings Reserve Account.

2.2(f) Directs the State Controller to credit \$15 million from the FY 2002-03 unreserved credit balance to the Repairs and Renovations Reserve Account.

2.2(h) Directs the State Controller to transfer all incoming revenue for the FY 2003-04 year and \$25 million for FY2004-05 from the Wireless Fund to the General Fund.

2.2(j) Transfers \$250 million for FY 2003-04 and \$240 million for FY 2004-05 from the Highway Trust Fund to the General Fund.

Section 4, Senate Bill 274, a supplement to the 2003 Appropriations Act, S.L. 2003-283 amends this section to allow the Director of the Budget to transfer up to \$50 million from the Savings Reserve Account on or after July 1, 2004, if certain fiscal conditions are met.

Section 29, Senate Bill 97, Revenue Technical Corrections, S.L. 2003-416 amends Section 2.2(h) of HB 397 to limit the transfer from the Wireless Fund for the 2003-04 fiscal year to \$33 million, or the actual fund receipts for 2003-04 less the 1% administrative fee the Wireless 911 Board is authorized to deduct, whichever is less. Subsection (b) of this section amends a provision allowing the Wireless 911 Board to reallocate the 60/40% split between the wireless phone service providers and the 911 centers. Prior law allowed that reallocation by the Board when it adjusts the service charge, with the reallocation affecting the subsequent receipts. The amendment allows the reallocation at any time, and allows the reallocation to affect money already in the Fund balance, as well as subsequent receipts. This change allows the Board greater flexibility to meet the financial needs of the wireless providers and the 911 centers as the wireless 911 system is deployed in accordance with the FCC order and in light of the diversion of Wireless 911 Fund receipts in the 2003-05 biennium.

Section: 3.1

Title: **Current Operations and Expansion/Highway Fund**

Summary Specifies appropriations from the Highway Fund to the Department of Transportation for the 2003-05 fiscal biennium.

Section: 3.2

Title: **Highway Fund Availability Statement**

Summary Sets out the availability estimate for the Highway Fund for the 2003-05 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 2003-05 fiscal biennium.

Section: 6.1

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

Summary Authorizes the expenditure of funds from cash balances, federal and departmental receipts, and requires such expenditures to be made in accordance with the Executive Budget Act. Allows the use of over-realized receipts to establish new positions within certain limitations.

Section: 6.2

Title: **No Expenditure of Unbudgeted Receipts**

Summary Amends G.S. 143-27 to limit the use of unbudgeted receipts except to reduce General Fund allotments to state agencies.

Section: 6.2A

Title: **Budget Director to Review Practices**

Summary Directs the Office of Budget and Management, in consultation with the State Controller, to conduct a review and evaluation of current budgeting practices including the proliferation of nonreverting funds, the designation of "off budget" funds, and the proper classification and management of various funds. Requires a report to the Chairs of the House and Senate Appropriations Committees.

Section: 6.3

Title: **Budget Code Adjustments**

Summary Directs the Office of State Budget and Management to prepare a schedule of expenditure and revenue adjustments that accurately reflects historical patterns for both expenditures and revenues for all General Fund budget codes. Requires the Office of State Budget and Management to report to the General Assembly no later than 10 days after the convening of the 2004 Regular Session of the General Assembly.

Section: 6.4

Title: **Contingency and Emergency Fund Allocations**

Summary Allocates up to \$2 million from the \$5 million Contingency and Emergency Fund for purposes related to the Base Realignment and Closure Act and \$250,000 for discretionary purposes; the remainder of the funds is to be used as per G.S. 143-23(a1)(2).

Section 5, Senate Bill 274, a supplement to the 2003 Appropriations Act, S.L. 2003-283 adds a new section that allows the Director of the Budget to use other funds from within the General Fund to replace the \$2.25 million earmarked in the Contingency and Emergency Fund.

Section: 6.5

Title: **Change Effective Date - Private Plates on Public Vehicles**

Summary Extends through October 1, 2004, the provisions authorizing the use of private license plates and requiring identification marks on public owned vehicles as enacted in Section 6.14 of S.L. 2001-424.

Section: 6.6

Title: **HIPAA Reserve**

Summary Appropriates \$2 million to the Reserve to Implement the Health Insurance Portability and Accountability Act (HIPAA).

Section: 6.7

Title: **HIPAA Implementation**

Summary Directs the Governor or his designee to coordinate the State's implementation of the federal HIPAA requirements.

Section: 6.8

Title: **State-Owned Surplus Real Property System**

Summary Directs the Department of Administration (DOA) in consultation with other state agencies, to develop and implement a system to dispose of state-owned surplus real property. Requires proceeds from the sale of surplus real property to be credited to the General Fund. Establishes a Real Property Management Advisory Council to assist the Secretary of DOA in the identification of unneeded or underutilized property. Requires an interim and final report to the Joint Legislative Commission on Governmental Operations on December 1, 2003 and May 1, 2004.

Section 3, Senate Bill 274, an supplement to the 2003 Appropriations Act, S.L. 2003-283 rewrites this section to require the Joint Legislative Commission on Governmental Operations to identify those properties to be sold under this section. If the funds resulting from the sale of surplus properties in this section are inadequate to pay debt service, this amendment also requires the General Assembly to identify other funding sources in its 2004 Appropriations Act.

Section: 6.10

Title: **Government Agencies to Use Products of Recycled Steel**

Summary Requires any state or local governmental agency to purchase products of recycled steel under certain conditions. Requires the Department of Administration to report on implementation/compliance with this section.

Section: 6.12

Title: **Joint Committee on Executive Budget Act Revisions**

Summary Establishes an 8-member legislative committee to review and make recommendations for changes in the state's current budget practices, including the Executive Budget Act. Directs the committee to consider contemporary financial management practices in order to improve the budget process. Requires a report to the 2003 General Assembly on or before April 1, 2004.

Section: 6.13

Title: **Issue Request for Information/Energy Management**

Summary Directs the Department of Administration (DOA) to issue a Request for Information to identify companies interested in providing energy management services to the State. Requires the DOA to report its findings to the General Assembly by May 1, 2004.

Section: 6.14A

Title: **Blue Ribbon Commission On Medicaid Reform**

Summary Establishes a 12-member commission to examine the State's Medicaid Program and make recommendations for reform. Requires interim and final reports to the General Assembly on April 1, 2004 and February 1, 2005.

Section 1, Senate Bill 274, an supplement to the 2003 Appropriations Act, S.L. 2003-283 adds a new section that requires any savings resulting from the Commission's work be used first to replenish the Medicaid Trust Fund in order to meet federal obligations. This new section further requires the General Assembly to identify, in its 2004 Appropriations Act, funds to replenish the Medicaid Trust Fund in order to meet FY 2004-05 federal obligations.

Section: 6.15

Title: **Competitively Bid Beverages Contracts**

Summary Establishes a statutory requirement that local school administrative units, community colleges, and state universities competitively bid contracts that involve the sale of juice or bottled water.

Section: 6.19

Title: **Expenditures of Funds in Reserves Limited**

Summary Clarifies that all funds appropriated into reserves may be expended only for the purposes for which the reserves were established.

Section: 6.20

Title: **Transfer of Land for the Millennium Campuses of UNC-Greensboro/NC A&T State University**

Summary Reallocates the land previously allocated to the Department of Health and Human Services for the Central School for the Deaf to the Board of Governors of The University of North Carolina to establish millennium campuses for UNC-Greensboro and NC A&T State University.

Section: 6.21

Title: **Revise Law on Non-State Entity Reports on Use of State Funds**

Summary Amends existing statutes to clarify reporting requirements for non-state entities. The changes include a new requirement for the submission of a description of activities and accomplishments undertaken by the grantee with state funds and a formalized process for tracking the receipt of required reports by state agencies and the Office of the State Auditor to ensure that organizations do not receive additional state funds if they fail to comply with the statute.

Section: 6.22

Title: **Transfers Between Line Items**

Summary Allows, upon the approval of the Office of State Budget and Management, the transfer of certain line items during the FY 2003-04 only. Requires reports to the Joint Legislative Commission on Governmental Operations within 30 days on all transfers approved under this section.

Section: 6.23

Title: **Reserve for Special Funds Transfer**

Summary Allows the Office of State Budget and Management to transfer up to 20% of the balance of any special fund to the Reserve for Special Funds Transfer excluding the Clean Water Management, Natural Heritage, and Parks and Recreation Trust Funds. Allows, upon prior consultation with the Joint Legislative Commission on Governmental Operations, the transfer of up to 20% from the excluded funds, if transfers from other special funds are not sufficient to meet budgetary requirements set forth in Section 2.2 of this act.

Section 2, Senate Bill 274, a supplement to the 2003 Appropriations Act, S.L. 2003-283 adds a new section to require the Joint Legislative Commission on Governmental Operations to review special funds balances and make recommendations regarding the FY 2003-04 transfers required under this section. This new section also requires the General Assembly to identify, in its FY2004-05 Appropriations Act, those special funds to be transferred to meet the FY 2004-05 General Fund availability.

CAPITAL

Capital

GENERAL FUND

	FY 2003-04	FY 2004-05
--	------------	------------

Department of Environment and Natural Resources

1 Water Resources Development Projects

Includes funding for state share of Water Resources Development Projects. Project list is included in HB 397 at Section 31.2.

\$27,601,000 NR

Total Capital Appropriation

\$27,601,000 NR

Special Provisions

2003 Session: HB 397

Department: Capital

Section: 31.1

Title: **Capital Appropriations/General Fund**

Summary Specifies appropriations from the General Fund for capital improvements for the 2003-04 fiscal year.

Section: 31.2

Title: **Water Resources Development Project Funds**

Summary Allocates \$27,601,000 in capital improvements as follows:

- (1) Wilmington Harbor Deepening - \$6,800,000
- (2) Morehead City Harbor Maintenance - \$100,000
- (3) Morehead City Harbor Section 933 Nourishment - \$4,661,000
- (4) Wilmington Harbor Maintenance - \$2,700,000
- (5) Manteo (Shallowbag) Bay Channel Maintenance - \$3,500,000
- (6) John H. Kerr Reservoir Operations Evaluation - \$200,000
- (7) Beaufort Harbor Maintenance Dredging - \$80,000
- (8) Carolina Beach Renourishment (New Hanover County) - \$1,125,000
- (9) Kure Beach Renourishment (New Hanover County) - \$1,177,000
- (10) Ocean Isle Beach Renourishment (Brunswick County) - \$813,000
- (11) Bogue Banks Shore Protection Study (Carteret County) - \$200,000
- (12) Surf City/North Topsail Beach Protection Study - \$150,000
- (13) Princeville Flood Control Study - \$400,000
- (14) West Onslow Beach (Topsail) - \$75,000
- (15) Deep Creek (Yadkin County) Watershed Management - \$1,500,000
- (16) State Local Projects - \$2,500,000
- (17) Currituck Sound Water Management Study - \$150,000
- (18) Aquatic Weed Control, Lake Gaston and Statewide - \$300,000
- (19) Swan Quarter (Hyde County) Flood Control Dikes - \$100,000
- (20) Little Sugar Creek Restoration (Mecklenburg County) - \$20,000
- (21) Neuse River Basin Feasibility Study - \$100,000
- (22) Environmental Restoration Projects - \$700,000
- (23) Projected Feasibility Studies - \$100,000
- (24) Planning Assistance to Communities - \$150,000

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 that remain unexpended or unencumbered at the end of the 2004-05 fiscal year.

Requires 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, after consultation with the Joint Legislative Commission on Governmental Operations, to use available funds to pay the required state match for any additional federal funds that become available during the 2003-04 fiscal year for water resources or beach renourishment projects.

Section: 31.3

Title: **Procedure for Disbursement of Capital Funds**

Summary Governs the expenditure of funds for capital improvements as authorized by the General Assembly.

Section: 31.4

Title: **Encumbered Appropriations and Project Reserve Funds**

Summary Requires, excluding projects under the Board of Governors of The University of North Carolina, the encumbrance of funds sufficient to pay all costs of construction, design, investigation, administration, movable equipment, and a reasonable contingency.

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: 31.5

Title: **Expenditures of Fund from the Reserve for Repairs and Renovations**

Summary Specifies the allocation of funds in the Reserve for Repair and Renovations for the 2003-04 fiscal year as follows: 46% to the Board of Governors of The University of North Carolina, and 54% to the Office of State Budget and Management (OSBM) pursuant to G.S. 143-15.3A. Directs OSBM to allocate funds from the Reserve to complete construction of state-owned facilities that are partially completed.

Section: 31.7

Title: **Project Cost Increase**

Summary Authorizes increases in the costs of capital improvement projects upon the request of state agencies and institutions and if the Director of the Budget deems it necessary. Requires a report to the Joint Legislative Commission on Governmental Operations when increases occur. In addition to direct appropriations, provides for the use of other funds such as receipts, gifts and grants.

Section: 31.8

Title: **New Project Authorization**

Summary Authorizes the use of gifts, federal funds, private grants and other sources for new capital improvement projects not specifically authorized by the General Assembly. Consultation with the Joint Legislative Commission on Governmental Operations is required.

Section: 31.9

Title: **Advance Planning of Capital Improvement Projects**

Summary Authorizes the use of gifts, federal funds and other sources for the advance planning of capital improvement projects. Prohibits the Board of Governors of The University of North Carolina and the Board of Community Colleges from use of the Advance Planning Fund revolving loan fund.

Section: 31.10

Title: **Appropriations Limits/Reversion or Lapse**

Summary Requires that appropriations for capital improvements be expended only for the purposes set out by the 2003 General Assembly. Requires funds to revert if contracts are not awarded by the end of the 2003-04 fiscal year except that the Director of the Budget may, at his/her discretion, extend that time for an additional 12-month period.

Section: 31.11

Title: **Intent to Fund Partially Completed Capital Projects**

Summary States the General Assembly's intent to fully fund partially completed capital improvement projects prior to funding new projects.

Section: 46.1

Title: **Repair and Renovations**

Summary Authorizes the issuance of \$300 million in special indebtedness, also known as "certificates of participation", in accordance with G.S. 143-15.3A, which sets forth the purposes and procedures for the Repairs and Renovations Reserve Account.

The proceeds of the obligations would be used to repair and renovate State buildings in the same manner as funds in the Reserve for Repair and Renovations are used. Funds in that Reserve may be used for structural and roof repairs, repairs to heating, air conditioning and related equipment, repairs needed for health and safety or to comply with standards imposed by law, and repairs for energy efficiency and to improve the usage of space. Funds may not be used for new buildings or to increase the footprint of a building unless required to comply with standards imposed by law. Except in the case of an emergency, the Director of the Budget is required to consult with the Joint Legislative Commission on Governmental Operations before incurring debt for specific repair and renovation projects.

Section: 46.2

Title: **State Capital Facilities Finance Act**

Summary Enacts the procedural and regulatory provisions governing the State's issuance of security interest indebtedness, commonly referred to as "certificates of participation", by creating the "State Capital Facilities Financing Act". The Act uses the term "special indebtedness" to cover the three forms that this type of debt can take: installment purchase (with or without certificates of participation), lease-purchase (with or without certificates of participation), and limited obligation bonds. The particular form to be used for a given project will depend on its size, the nature of the property and the improvement, and other circumstances. Based on these circumstances, one form or another of security interest debt may be the least expensive and most practical for the State to utilize.

Section: 46A.1

Title: **Acquire Two Private Prisons**

Summary Authorizes the State to incur security interest indebtedness for the purchase of two private prisons currently being leased and operated by the State. Office of the State Treasurer estimates indicate that annual debt payments will be lower than annual lease payments. Requires the Department of Correction to pay the amount it would otherwise pay for property taxes on the facilities during FY 2004-05 to the counties in the event the purchase is made in a manner that results in no taxes being due for either year of the biennium.

Section: 46A.2

Title: **Youth Development Centers**

Summary Authorizes the State to incur up to \$6,780,000 in security interest indebtedness for design, construction drawings, and solicitation of bids for construction of three youth development centers to be operated by the Department of Juvenile Justice and Delinquency Prevention and for infrastructure and site work at one of the three centers. The Office of State Construction will manage the design process. Section 15.7 of this act allows the Department for Juvenile Justice and Delinquency Prevention to continue planning for the new centers but requires a quarterly status report on the planning and design to the JPS Appropriations Chairs and the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee. The design phase should be completed by April 15, 2004, and a final report should be issued that includes the anticipated total cost of each proposed center and the recommended locations.

Section: 46A.3

Title: **Structural Pest Control Training Facility**

Summary Authorizes the State to incur security interest indebtedness up to \$310,000 for the construction of a structural pest control training facility to be located at North Carolina State University.

Section: 47.1

Title: **Lease-Purchase New Prisons**

Summary Authorizes the State to enter into lease-purchase contracts to build three new prisons. In 2001, the General Assembly authorized lease-purchase financing of three new 1000-cell close security prisons. Section 47.1 would authorize three more substantially identical prisons. Section 47.2 provides that if construction begins before January 1, 2004, and the plans have been approved by the Department of Insurance, the 1996-1999 version of the Building Code applies to the first two of the three prisons.

SALARIES AND BENEFITS

SALARY CHANGES FOR EMPLOYEES SUPPORTED BY THE STATE

A. State Employees

1. Salary Increases: The General Assembly funded a \$550 one-time lump sum compensation bonus for permanent full-time State employees in-service on October 1, 2003. State employees not eligible for the one-time lump sum bonus are as follows: 1) an assistant court clerk, deputy court clerk, magistrate or highway patrol trooper eligible to receive a salary step under their respective statutory pay plan; and 2) the Governor, Council of State Members, Cabinet Officers, Certain Executive Officials, Judges, the Administrative Officer of the Courts, the Assistant Administrative Officer of the Courts, and Legislators.
2. Special Annual Leave Bonus: The General Assembly authorized a one-time award of a 10-day Special Annual Leave Bonus for permanent full-time State employees who are eligible to earn annual leave effective July 1, 2003. Examples of employees not eligible to earn annual leave and who therefore will not receive the 10-day annual leave bonus are nine-month university faculty and elected or appointed officials. Certain employees who earn annual leave but are specifically exempted from receiving the 10-day annual leave bonus are assistant court clerks, deputy court clerks, and highway patrol troopers eligible to receive a salary step under their respective statutory pay plans.

B. State-Funded Local Community College Institution Employees

1. Salary Increases: The General Assembly funded a \$550 one-time lump sum compensation bonus for community college system employees in-service on October 1, 2003. Also, community college faculty and professional staff will receive an additional one-half percent (.5%) average salary increase.
2. Special Annual Leave Bonus: The General Assembly authorized a one-time award of a 10-day Special Annual Leave Bonus for permanent full-time community college employees who are eligible to earn annual leave effective July 1, 2003. Examples of employees not eligible to earn annual leave and who therefore will not receive the 10-day annual leave bonus are nine-month community college faculty.

C. State-Funded Local Public School Employees

Central Office Personnel (Superintendents, Assistant Superintendents, Associate Superintendents, Supervisors, Directors, Coordinators, Evaluators and Program Administrators)

1. Salary Increases: The General Assembly funded a \$550 one-time lump sum compensation bonus for public school central office personnel in-service on October 1, 2003. Also, please see Table 1 in this section for the current Central Office personnel salary schedule.

2. Special Annual Leave Bonus: The General Assembly authorized a one-time award of a 10-day Special Annual Leave Bonus for permanent full-time public school central office personnel who are eligible to earn annual leave effective July 1, 2003.

Principals and Assistant Principals

1. Salary Increases: The General Assembly appropriated funds for the 2003-2004 fiscal year to provide average annual salary increases ranging from 1.42% to 4.54% for Public School Principals and Assistant Principals (average of 1.86%), effective July 1, 2003. The funding increase is based on the employees' natural movement up the salary schedule based on years of experience credit. The actual pay levels on the salary schedule did not increase. Please see Table 2 in this section for the current salary schedule applicable to Principals and Assistant Principals.
2. Special Annual Leave Bonus: Public School Principals and Assistant Principals are not eligible to receive the one-time award of a 10-day Special Annual Leave Bonus under the authorization for this benefit enacted by the General Assembly.

Teachers

1. Salary Increases: The General Assembly appropriated funds for the 2003-2004 fiscal year to provide average annual salary increases ranging from 1.42% to 5.86% for Public School teachers (average of 1.81%), effective July 1, 2003. Teachers move up the salary schedule based on years-of-experience (there was not an increase to step salary levels). Please see Table 3 in this section for the current salary schedule applicable to teachers.
2. Special Annual Leave Bonus: Teachers are not eligible to receive the one-time award of a 10-day Special Annual Leave Bonus under the authorization for this benefit enacted by the General Assembly.

Non-certified Public School Employees

1. Salary Increases: The General Assembly funded a \$550 one-time lump sum compensation bonus for non-certified public school employees in-service on October 1, 2003.
2. Special Annual Leave Bonus: The General Assembly authorized a one-time award of a 10-day Special Annual Leave Bonus for permanent full-time non-certified public school employees who are eligible to earn annual leave effective July 1, 2003.

TABLE 1

Superintendents, Assistant Superintendents, Associate Superintendents, Supervisors, Directors, Coordinators, Evaluators and Program Administrators –

The following monthly ranges apply to assistant superintendents, associate superintendents, directors/coordinators, supervisors, and finance officers for the 2003-2004 fiscal year, beginning July 1, 2003:

	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 2003-2004 fiscal year, beginning July 1, 2003:

	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

TABLE 2
Principal and Assistant Principal Salary Schedules (2003-04)
Base Salary Schedule

	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

Note: Principals and Assistant Principals with 41+ years of experience received a one-time bonus equivalent to 2%.

TABLE 3**Teachers****Teacher Salary Schedule****For the 2003-2004 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

Note: Teachers with 29+ years of experience received a one-time bonus equivalent to the average increase of the 26 to 29 years steps (1.55%).

RETIREMENT AND PENSION CHANGES FOR STATE AND LOCAL PERSONNEL

2003 LEGISLATIVE ACTIONS

A. CURRENTLY EMPLOYED EMPLOYEES

- (1) **Retirement Contributions:** The 2003 Session of the General Assembly increased the State contribution rate to the Teachers' and State Employees' Retirement System to .22% for the 2003-04 fiscal year and to 2.02% for the 2004-05 fiscal year. This increased the appropriation by \$16.5 million for 2003-04 and by \$154.2 million for 2004-05 from the General Fund and \$0.8 million for 2003-04 and by \$7.6 million for 2004-05 from the Highway Fund.

The 2003 General Assembly also made a contribution of \$10 million for 2003-04 to the Teachers' and State Employees' Retirement System to begin the "payback" for the State contributions that had been escrowed by the Governor in 2001 to help balance the budget.

The 2003 Session of the General Assembly reduced the State contribution rate to the Disability Income Plan from .52% of payroll to **zero** for the 2003-04 year. This reduced the contributions by \$42 million from the General Fund and \$1.9 million from the Highway Fund.

The 2003 Session of the General Assembly reduced the State contribution rate to the Death Benefit Plan from .16% of payroll to **zero** for both the 2003-04 and the 2004-05 years. This reduced the contributions by \$12 million from the General Fund and \$1.9 million from the Highway Fund.

- (2) **Optional Retirement Program:** The 2003 Session of the General Assembly expanded the eligibility of employees who are able to choose between participation in the Teachers' and State Employees' Retirement System, a defined benefit plan, or the Optional Retirement Program, a defined contribution plan, to non-faculty instructional and research staff who are exempt from the State Personnel Act. The change will apply only to employees hired into those positions on or after August 1, 2003. This will expand the eligibility to about 2,276 additional positions that now are required to be members of the Teachers' and State Employees' Retirement System.
- (3) **Job Sharing by Public School Employees:** The 2003 Session of the General Assembly, effective January 1, 2004, broadened the job sharing provision to allow all school personnel who are in a job-sharing position of at least 50% of the applicable workweek to become members of the Teachers' and State Employees' Retirement System. Service will be earned on part-time basis as it relates to full-time.
- (4) **Transfer of Service from Legislative Retirement System:** The 2003 Session of the General Assembly effective January 1, 2004, will allow service in the Legislative Retirement System to be transferred to the Teachers' and State Employees' Retirement System or the Consolidated Judicial Retirement System once a member has left the General Assembly and has been a teacher or State employee or as a person eligible to be in Judicial System for at least five years. This will also allow service in the Consolidated Judicial System to be transferred to the Teachers' and State Employees' Retirement System under the same requirements. At retirement, the service transferred is calculated on the accrual rate in the Teachers' and State Employees' Retirement System times an "average final compensation" times the number of years transferred.

The General Assembly authorized the Retirement Systems Division and the Board of Trustees of the Teachers' and State Employees' Retirement System to study the feasibility and cost implications of applying the provisions above to present retirees of the Legislative Retirement System and to present a report of their findings to the General Assembly by April 1, 2004.

- (5) **Changes to the Disability Income Plan:** The 2003 Session of the General Assembly rewrites the definition of "disability" in the Disability Income Plan from "mental or physical incapacity for the further performance of duty of a participant or beneficiary" to "physical or cognitive limitations that prevent working as determined by the Department of State Treasurer and the Board of Trustees". It also changes the definition of short-term disability from "no longer able to perform his usual occupation" to "unable to perform the duties of the participant's job or any other available jobs with the State..." and changes the definition of long-term disability from "the Medical Board shall certify that any beneficiary or participant is "mentally or physically incapacitated for the further performance of duty" to "unable to perform any occupation for which the beneficiary or participant is reasonably qualified for by training or experience". The changes apply only to persons who are not vested in the Disability Income Plan on July 1, 2003.

The 2003 Session of the General Assembly established a Study Commission comprised of seven members to study the plan design, funding, and administration of the Disability Income Plan, the Death Benefit Plan and the Separate Benefits Plan to determine what changes could be made to the plans to enhance the efficiency and reduce the cost of the plans to the State and its employees, and report to the General Assembly by January 1, 2005.

- (6) **Technical Correction:** The 2003 Session of the General Assembly enacted legislation which: (1) amends the definition of "compensation" in the State and local systems and the definition of "creditable service" in the State and local systems; (2) amends the State and local systems, pertaining to benefits in the event of the death of a retiree; (3) amends the conditions stated in the State and local systems to determine whether a beneficiary may elect an alternate benefit; (4) amends the State system, pertaining to military service credit and the local system pertaining to the purchase of creditable service for military service; (5) amends the State and local systems, pertaining to the purchase of creditable service rendered to any state, territory, or other governmental subdivision of the United States; (6) amends the State system (creditable service) and the local system (allowance for service), by adding a new subsection pertaining to retroactive membership service; (7) amends the State and local systems, by adding a new subsection pertaining to retroactive adjustment in compensation or an underreporting of compensation; (8) amends the State and local systems, relating to the reexamination of beneficiaries retired for disability, to provide that the benefit payable to a beneficiary who does not or refuses to provide the information requested within 60 days shall not be paid a benefit until the information is provided. If such a refusal or failure to provide information continues for 240 days, the right of the beneficiary to a benefit may be terminated; (9) amends the State and local systems pertaining to the proof that a member must supply to be allowed omitted membership service; and (10) amends the Disability Income Plan regarding the contents of the statement of earnings that beneficiaries must provide. Also provides that failure to provide such information for 240 days may result in the termination of benefits (current law requires termination if not provided for 180 days).
- (7) **Benefit Accrual Rate Increased:** The 2003 Session of the General Assembly enacted legislation, effective July 1, 2003, to increase the benefit accrual rate, or retirement formula, in the Local Governmental Employees' Retirement System from 1.82% to 1.85% 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, 2003, by approximately 1.5%. The General Assembly funded the increase with unencumbered actuarial gains within the Local System, as of December 31, 2001, which is the equivalent cost of \$26.5 million annually from local funds.

- (8) **Firemen's and Rescue Squad Workers' Pension Fund:** The 2003 Session of the General Assembly enacted, effective July 1, 2003, an increase in the pension for members of the Firemen's and Rescue Squad Workers' Pension Fund from \$156 to \$158 per month, at a cost of \$572,000 annually. This increase applies to current pensioners and to those entitled to receive a pension in the future at age 55 with 20 years of service.

The 2003 Session of the General Assembly enacted legislation which allows the deputy fire marshals, assistant fire marshals and county firefighters of the counties to be eligible for membership in the Firemen's and Rescue Squad Workers' Pension Fund if their sole duty is that of deputy fire marshals, assistant fire marshals or county firefighters. The county commissioners must certify to the Fund annually that they have received their required 36 hours of training.

- (9) **Line of Duty Death Benefit:** The 2003 Session of the General Assembly increased the death benefit from \$25,000 to \$50,000 for law enforcement officers, firemen, rescue squad workers, senior members of the Civil Air Patrol, State forestry workers and Department of Insurance instructors who are killed or die as a result of bodily injuries sustained or of extreme exercise of extreme activity experienced in the line of duty. This also extends coverage to those individuals who die as the direct and proximate result of a myocardial infarction suffered while on duty or within 24 hours after participating in a training exercise or responding to any emergency situation. This was done at a cost of \$300,000 annually.
- (10) **Court Cost for Separate Benefit Fund:** The 2003 Session of the General Assembly eliminates the \$1.00 in court cost that now goes to the Separate Benefit Fund for law enforcement officers and redirects the court cost to the General Fund, which amounts to \$1 million. The present fund balance is adequate to support the Separate Benefit Fund for many years.

B. RETIRED EMPLOYEES

- (1) **Cost-of-Living Adjustment in Retirement Allowances for Retired Teachers and State Employees:** Effective July 1, 2003, the General Assembly provided a 1.28% increase in the retirement allowances paid to beneficiaries of the Teachers' and State Employees' Retirement System whose retirement began on or before July 1, 2002. In addition, beneficiaries who retired after July 1, 2002, and before June 30, 2003, were authorized an increase in their retirement allowances on July 1, 2003, equal to a prorated amount of the 1.28% increase provided to those who retired on or before July 1, 2002. The prorated amount will be determined by the Retirement System's Board of Trustees based upon the number of months that a retirement allowance was paid during 2002-03.

This increase in retirement allowances was funded, in part, with unencumbered actuarial gains in the Teachers' and State Employees' Retirement System as of December 31, 2000, and, in part, by an appropriation of \$16.5 million from the General Fund and \$0.8 million from the Highway Fund. The total cost of the cost-of-living adjustment was \$28.6 million annually from the General Fund and \$1.4 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, 2003, the General Assembly provided a 1.28% increase in the retirement allowances paid to beneficiaries of the Consolidated Judicial Retirement System whose retirement began on or before July 1, 2002. In addition, beneficiaries who retired after July 1, 2002, and before June 30, 2003, were authorized an increase in their retirement allowances on July 1, 2003, equal to a prorated amount of the 1.28% increase provided to those who retired on or before July 1, 2002. The prorated amount will be determined by the Retirement System's Board of Trustees based upon the number of months that a retirement allowance was paid during 2002-03.

This increase in retirement allowances was funded out of unencumbered actuarial gains in the Consolidated Judicial Retirement System as of December 31, 2001, which is the equivalent cost of \$292,000 annually from the General Fund.

- (3) **Cost-of-Living Adjustment in Retirement Allowances for Retired Legislators:** Effective July 1, 2003, the General Assembly provided a 1.28% increase in the retirement allowances paid to beneficiaries of the Legislative Retirement System who retired on or before January 1, 2003, 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, 2003, but before June 30, 2003, were authorized an increase in their retirement allowances on July 1, 2003, equal to a prorated amount of the 1.28% increase provided to those who retired on or before January 1, 2003. The increase was funded within the Legislative System and the annual cost was \$18,000.
- (4) **Cost-of-Living Adjustment in Retirement Allowances for Retired Local Government Employees:** Effective July 1, 2003, 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, 2002. In addition, beneficiaries who retired after July 1, 2002, and before June 30, 2003, were authorized an increase in their retirement allowances on July 1, 2003, equal to a prorated amount of the 2% increase provided to those who retired on or before July 1, 2002. The prorated amount will be determined by the Retirement System's Board of Trustees based upon the number of months that a retirement allowance was paid during 2002-03.

The General Assembly funded the increase with unencumbered actuarial gains within the Local System as of December 31, 2001, which is the equivalent cost of \$8.8 million annually from local funds.

- (5) **Additional Increase in Retirement Allowances for Retired Local Employees:** Effective July 1, 2003, retired beneficiaries of the Local Governmental Employees' Retirement System whose retirement commenced on or before June 1, 1982, will have their retirement allowances increased by 6% and those whose retirement commenced on or after July 1, 1982, but before July 1, 1993, will have their retirement allowances increased by 1.1%. These increases were funded out of unencumbered actuarial gains available to the Retirement System as of December 31, 2001.

The General Assembly funded the increase with unencumbered actuarial gains within the Local System, as of December 31, 2001, which is the equivalent cost of \$2.8 million annually from local funds.

- (6) **Additional Increase in Retirement Allowances for Retired Local Employees Corresponding to an Increase in the Benefit Accrual Rate:** Effective July 1, 2003, retired beneficiaries of the Local Governmental Employees' Retirement System whose allowances were computed on a benefit accrual rate of less than 1.85% of average final compensation per year of service, will have their retirement allowances increased by 1.5% to reflect the increase in the benefit accrual rate for currently-employed employees to 1.85% which was authorized by the 2003 General Assembly, also effective July 1, 2003. This additional retirement allowance increase was funded out of unencumbered actuarial gains available to the Retirement System as of December 31, 2001.

BENEFIT CHANGES FOR STATE AND LOCAL PERSONNEL

10-DAY SPECIAL ANNUAL LEAVE BONUS

The General Assembly authorized a one-time award of a 10-day Special Annual Leave Bonus for permanent full-time employees eligible to earn annual leave. The bonus leave is to be accounted for separately and shall remain available to the employee until used and not converted to sick leave. Teachers, school based administrators, assistant and deputy court clerks eligible for a salary step, highway patrol troopers eligible to earn a salary step, and employees not eligible to earn annual leave do not receive the 10-day special annual leave bonus.

CLERK OF COURT PERSONNEL FLEXIBILITY

The General Assembly authorized Clerks of Superior Court with the flexibility to appoint certain candidates for assistant court clerk, deputy court clerk, or head bookkeeper at an annual salary above the minimum salary for the position provided that (1) the needs of the Clerk's office would be best served by an appointment above the minimum rate; (2) the appointed candidate's skills and experience support a higher salary rate; and (3) the Administrative Office of the Courts certifies that there are sufficient funds available to support a higher salary.

EQUALIZED LONGEVITY SERVICE DEFINITIONS FOR DISTRICT ATTORNEYS, PUBLIC DEFENDERS, ASSISTANT DISTRICT ATTORNEYS, AND ASSISTANT PUBLIC DEFENDERS

The General Assembly made equivalent the eligible types of service that a District Attorney, Public Defender, Assistant District Attorney, or Assistant Public Defender may use to qualify for judicial longevity payments.

EMPLOYEES MAY VOLUNTARILY SHARE LEAVE WITH A COWORKERS IMMEDIATE FAMILY MEMBERS

The General Assembly directed the State Personnel Commission, the State Board of Community Colleges and the State Board of Education to adopt rules and policies to allow any employee at a State agency, school or community college to share leave voluntarily with a co-worker's immediate family member who is an employee of a State agency, community college, or public school.

STUDY COMMISSION ON A STATEWIDE BENEFIT COMMITTEE FOR PORTABLE SUPPLEMENTAL BENEFITS

The General Assembly authorized a Study Commission on Establishment of a Statewide Benefit Committee to provide a menu of portable supplemental benefits for all State employees.

STATE EMPLOYEE HEALTH BENEFIT CHANGES

A. CHANGES IN PLAN FINANCING AND BASIC BENEFITS: Upon the convening of the 2003 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 \$540 million in additional financial support to remain solvent and maintain minimum claim stabilization reserves for the 2003-2005 biennium. 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>2003-2004</u>	<u>2004-2005</u>	<u>Biennium</u>
<u>Additional Financial Support</u>	\$231.655	\$308.874	\$540.529

From these requirements is deducted the additional funding provided by the 2003 Session of the General Assembly for the 2003-2005 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>2003-2004</u>	<u>2004-2005</u>	<u>Biennium</u>
<u>Employer Financing</u>			
General Fund	\$113.418	\$151.225	\$264.643
Highway Fund	5.671	7.561	13.232
Other Employer Funds	<u>22.684</u>	<u>30.245</u>	<u>52.929</u>
Total	\$141.773	\$189.031	\$330.804

Additional Highway Fund support does not include funding from increased highway work order charges. This additional premium financing is equivalent to a 17% across-the-board premium rate increase effective October 1, 2003. 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 17% across-the-board effective October 1, 2003, as expected, he says that the additional premium income to the program will be:

	(\$Million)		
	<u>2003-2004</u>	<u>2004-2005</u>	<u>Biennium</u>
<u>Employee Financing</u>	\$33.255	\$44.340	\$77.595

After realizing the additional premium income provided by the General Assembly for the 2003-2005 biennium and the anticipated premium income to be provided by the Plan's Executive Administrator, the program's financial condition would 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 2003-2005 biennium:

	<u>2003-2004</u>	<u>(\$Million)</u> <u>2004-2005</u>	<u>Biennium</u>
<u>Reduced Provider Payments</u>			
Additional 8%-25% Reduction in Allowed Hospital Outpatient Charges, Effective July 1, 2003, for 88 Hospitals with No Additional Reduction in Allowed Hospital Outpatient Charges for 36 Hospitals	\$24.969	\$34.458	\$59.427
Additional 3%-50% Reduction in Allowed Physician Charges on 584 Selected Procedures, Effective April 1, 2003, with a 5%-30% Increase in Allowed Physician Charges on 26 Other Selected Procedures, Effective April 1, 2003	<u>29.862</u>	<u>39.799</u>	<u>69.661</u>
Total	\$54.831	\$74.257	\$129.088

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 of \$3.042 million for the biennium.

Although the 2003 Session of the General Assembly chose to make no reduction in the Plan's benefits for the 2003-2005 biennium, the Session did provide a benefit enhancement for the Plan's members at an additional cost to the Plan of \$1.1 million for 2003-2004 and \$1.4 million for 2004-2005. This enhancement requires the Plan and the providers of medical services to negotiate any amounts that billed charges are in excess of charges allowed by the Plan for preferred providers of medical care in emergencies when preferred providers of care are not reasonably available. The purpose of the negotiations is for Plan members not to be financially responsible for the amounts in excess of allowed charges in cases of medical emergencies. For emergencies occurring within North Carolina, a Plan member must be incapable of making a decision about use of medical providers and must use emergency medical transportation to obtain care in order to be covered by the section. For calendar years 2000, 2001, and 2002, the Plan reported passing over \$16.5 million in charges by hospitals and physicians to Plan members in emergency situations when charges exceed those allowed by the Plan for preferred providers of health care services. Over \$11.7 million or

71% of these charges that were passed on to Plan members were from out-of-state hospitals and physicians. These emergency situations involved diagnoses such as abdominal aortic aneurysm, acute myocardial infarction, antihemophilic globulin deficiency, arterial embolism & thrombosis, autoimmune disease, brain stem compression, cardiac tachycardia, cardiovascular disease, cervical intervertebral disc displacement, chordae tendineae rupture, colon cancer, coronary occlusion, epilepsy, gallbladder calculus, heat stroke, intestinal obstruction, lung, trachea & bronchus cancer, Meniere's disease, meningococcal meningitis, myasthenia gravis, precerebral occlusion, pulmonary collapse, retinal detachment, sickle-cell anemia, spina bifida, thoracic aortic aneurysm, and ventricular fibrillation. Some of the other diagnoses were acute appendicitis, acute bronchitis, angina pectoris, asthma, atrial fibrillation, cardiac dysrhythmia, cerebral artery occlusion, cerebral ischemia, diabetes, diverticulosis, heart failure, hypertension, kidney & ureter calculus, pneumonia, precerebral artery occlusion, prostate cancer, respiratory failure, stroke, unconsciousness, and urethra & urinary tract obstruction. The additional cost to the Plan of \$2.5 million for the 2003-2005 biennium is a net cost after the use of a contracted network of out-of-state hospitals, physicians, and other health care providers to be implemented by the Plan in September, 2003.

The Plan's remaining deficit of \$5.542 million was financed by (1) a beginning cash balance for 2003-2004 exceeding the \$97.663 million beginning balance projected by the plan by more than \$5.542 million, and (2) actual reductions in payments to physicians exceeding the \$69.661 million reductions projected by the Plan by more than \$5.542 million. (The actual cash balance for the Plan beginning July 1, 2003, was \$123.054 million.)

B. OTHER CHANGES TO EMPLOYEE HEALTH BENEFITS:

(1) Changes in Cervical Cancer Screening Coverage: Effective January 1, 2004, the 2003 Session of the General Assembly replaced the Plan's coverage of one Pap smear per year for routine diagnostic examinations with whatever guidelines are published by the American Cancer Society or the North Carolina Advisory Committee on Cancer Coordination and Control for examinations and laboratory tests for screening for the early detection of cervical cancer. The phrase "examinations and laboratory tests for the screening for the early detection of cervical cancer" is defined as conventional Pap smear screening, liquid-based cytology, and human papilloma virus detection methods for women with equivocal findings on cervical cytologic analysis that have been approved by the U.S. Food and Drug Administration. Current guidelines of the American Cancer Society for the early detection of cervical cancer include:

-Cervical cancer screening should begin about three years after a woman begins having vaginal intercourse, but no later than 21 years of age.

-Cervical screening should be done every year with regular Pap tests or every two years using liquid-based Pap tests. At or after age 30, women who have had three normal test results in a row may get screened every two to three years. A

doctor may suggest getting the test more often if a woman has certain risk factors such as human immunodeficiency virus (HIV) infection or a weakened immune system.

-Women 70 years of age and older who have had three or more normal Pap test results and no abnormal results in the last 10 years may choose to stop cervical cancer screening.

-Screening after a total hysterectomy (with removal of the cervix) is not necessary unless the surgery was done as a treatment for cervical cancer or pre-cancer. Some other special conditions may require continued screening. Women who have had a hysterectomy without removal of the cervix should continue cervical cancer screening at least until age 70. Current guidelines of North Carolina Advisory Committee on Cancer Coordination and Control for cervical cancer screening include those endorsed by the American Cancer Society, the National Cancer Institute, and American College of Obstetrics and Gynecology. These recommendations include an annual Pap smear with a pelvic examination for women who are, or have been, sexually active or who are 18 years or older. After three or more consecutive normal annual examinations, the Pap smear may be performed less frequently at the discretion of the physician.

(2) Coverage of Treatment for Smallpox Infections Clarified for Health Professional Countermeasures under the Federal Homeland Security Act of 2002: The 2003 Session of the General Assembly clarified that coverage under the Teachers' and State Employees' Comprehensive Major Medical Plan is provided for the treatment of smallpox infections, infections from smallpox vaccinia, and any other adverse medical reactions from smallpox vaccinations resulting from smallpox countermeasures. This clarification included provisions to specify that such coverage for health professionals is secondary to any like benefits provided by the federal government in the administration of smallpox countermeasures under the federal Homeland Security Act of 2002. There was no additional cost to the Plan for this clarification since treatment for smallpox infections, infections from smallpox vaccinia, and any other adverse medical reactions from smallpox vaccinia were already covered by the Plan.

(3) Disclosure of Reimbursement Policies and Fee Schedules to Contract Providers of Health Care Services: The 2003 Session of the General Assembly amended the health plan prompt payment provisions of the State's insurance laws to require health benefit insurers to provide advance notice to contracted providers of health care services of the insurer's fee schedules, reimbursement policies, changes to such schedules and policies with effective dates, or a statement of the way in which benefit payments to contracted providers are calculated and paid by an insurer. Advance notice is to be given to contracted providers of health care services only on the policies and schedules for an affected class of provider. Changes are to be disclosed at least 30 days prior to the changes. Disclosure of fee schedules becomes effective January 1, 2004.

The Teachers' and State Employees' Comprehensive Major Medical Plan has been subject to these prompt payment provisions of the State's insurance law since January 1, 2002.

4) Job Sharing Health Benefit Privileges Extended to All Public School Employees: Effective January 1, 2004, the 2003 Session of the General Assembly extended job sharing privileges to all public school employees. These job sharing privileges include partially contributory premiums for coverage by the Teachers' and State Employees' Comprehensive Major Medical Plan. Partially contributory premiums are only authorized at 50% of non-contributory rates paid by public school employers with the remainder of the non-contributory rates paid by job sharing employees. A job sharing job is one in which an employee is employed by a local board of education for 50% of the employee's normal workweek as determined by the board, and one in which the employee shares the job with another job sharing employee. Effective January 1, 2003, the 2002 Session of the General Assembly provided for partially contributory premiums to the Plan only for public school classroom teachers in job sharing appointments.

(5) Mental Health and Chemical Dependency Benefits Provided Directly by Licensed Psychological Associates: The 2003 Session of the General Assembly, effective January 1, 2004, authorized licensed psychological associates to provide mental health and chemical dependency benefits under the Teachers' and State Employees' Comprehensive Major Medical Plan without being under the direct employment and supervision of a licensed physician, psychiatrist or a licensed or certified doctor of psychology. Licensed psychological associates are masters-degree level psychologists.

(6) Health Plan Eligibility Extended for More Charter School Employees and Charter School Penalties for Failure to Make Timely Premium Payments: Effective May 20, 2003, the 2003 Session of the General Assembly and Governor authorized the board of directors of any charter school that receives approval from the State Board of Education on and after January 1, 2002, to elect to become a participating employing unit in the Teachers' and State Employees' Comprehensive Major Medical Plan, provided the election occurs within 30 days after the effective date of the authorization. River Mill Academy in Alamance County was also allowed another 30-day period, effective May 20, 2003, to elect participation in the Plan. Clover Garden Charter School in Alamance County was allowed another 30-day period to elect participation in the Plan effective August 1, 2003. The 2003 Session of the General Assembly and Governor also imposed an interest charge of 1 ½% of delinquent premium payments per month from charter schools. This interest charge is assessed for each month, or fraction thereof, that a premium payment is not made by charter schools when due. The charge begins with the sixteenth day following the due date of the premium payments. Premium payments must be postmarked in the U.S. mail not later than the fifteenth day of the month following the premium due date to avoid the interest charge. Premium payments include both the employer monthly share and the employee's share that is withheld monthly from salaries and wages.

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 were expected to have a balance of only \$50-\$55 million on June 30, 2002, which would be completely depleted by July, 2003. In fact, accumulated surcharge funds, even with July, 2003, receipts, would not be sufficient to pay July's retiree health benefit premiums to the Health Plan. Consequently, the 2003 Session of the General Assembly provided the following funding in order for the State Retirement Systems' accumulated surcharge funds to be sufficient to pay premiums to the State Employee Health Benefit Plan based only upon the cost of the Plan's benefits as of June 30, 2003:

		(\$Million)	
	<u>2003-2004</u>	<u>2004-2005</u>	<u>Biennium</u>
<u>Employer Financing</u>			
General Fund	\$36.800	\$36.800	\$73.600
Highway Fund	1.600	1.600	3.200
Other Employer Funds	<u>11.700</u>	<u>11.700</u>	<u>23.400</u>
Total	\$50.100	\$50.100	\$100.200

The employer contribution rate for retiree health benefits was set at 3.20% for 2003-2004 and 2004-2005, an increase from the 2.35% rate that was in effect for 2002-2003. Approximately 53% of this increased employer contribution rate was financed by this \$100.2 million authorization for the 2003-2005 biennium.

REVENUE/FEE BILLS

REVENUE
BILLS

BILLS AFFECTING GENERAL FUND REVENUES

Senate Bill 235, Chapter 5 One-Time Rental Car Tax Election

Summary: Allows a retailer who has paid the 3% use tax to also pay the 8% gross receipts tax. Under current law retailers who lease motor vehicles can choose to pay either a 3% highway use tax on the purchase of a vehicle at acquisition or an 8% tax on the gross receipts generated from the lease of that vehicle. The retailer must choose which tax they elect to pay when they purchase the vehicle. That election is irrevocable for the life of the vehicle. The decision to also pay the 8% gross receipts tax must be made by July 1, 2003 and does not relieve that retailer of their liability for the tax previously imposed.

Effective Date: Effective on March 28, 2003.

Fiscal Effect: There is no impact on the Highway Trust Fund because the bill will not change the payment of highway use taxes. Since taxes could potentially be paid on more vehicles – those that are currently not paying into the General Fund because they paid the highway use tax – there could be an increase in General Fund revenue. While the exact amount of this increase is unknown, it is expected to be extremely small.

House Bill 320, Chapter 25 IRC Update

Summary: Updates the statutory reference to the Internal Revenue Code used in defining and determining certain state income tax provisions. The referenced date is changed from May 1, 2002 to January 1, 2003.

Effective Date: Effective on April 24, 2003.

Fiscal Effect: The bill conforms state tax law to the Clergy Housing Allowance Act of 2002 (PL 107-181) approved by Congress on May 20, 2002. This law clarified that the clergy housing allowance is excluded from income tax to the extent that it does not exceed the fair market value of the housing unit. For those that had been claiming housing allowances greater than the fair market value for their property, their taxable income will increase in 2003. The Bureau of Labor

Statistics in the US Department of Labor reports 450 clergy in North Carolina making an average salary of \$36,640 and 100 directors of religious activities and education making an average salary of \$27,910. However, there is no data on housing allowances claimed by North Carolina clergy.

The Congressional Joint Committee on Taxation estimated that clergy nationwide would pay an additional \$1million in federal income tax each year beginning in 2004 due to the law change. The amount of additional tax would increase to \$2 million in 2006, \$3 million in 2007, and \$4 million in 2008. Since North Carolina taxable income is based on the federal taxable income, North Carolina will gain a small amount of revenue from this change. State income tax collections divided by national tax collections equals approximately .723%. Using this percentage times the national estimate for the tax change equals the following North Carolina General Fund revenue increase:

FY 2003-04	\$7,230
FY 2004-05	\$7,230
FY 2005-06	\$14,460
FY 2006-07	\$21,690
FY 2007-08	\$28,920

House Bill 397, Chapter 284

Current Operations and Capital Improvements Appropriations Act of 2003

11.7 Requires the Property Tax Subcommittee of the Revenue Laws Study Committee to "study the positive and negative impacts of the acquisition of land by the state and non-profit organizations using money from the Clean Water Management Trust Fund and other state funds for conservation purposes on local government ad valorem tax revenues". A report is due to the Joint Legislative Committee on Governmental Operations by January 15, 2004.

34.1

-34.11 Creates fees in the Division of Facility Services (DFS) to provide revenue to cover a portion of the State cost associated with the regulation and licensure of health and social care facilities and services. The proposed fees will generate \$2,185,738 in revenue from the licensure of adult care homes, general acute hospitals, nursing homes, home care agencies, ambulatory surgical facility, cardiac rehab programs, abortion clinics, facilities for mental health/substance abuse, and continuing care retirement facilities.

- 34.12 Adds a new licensing fee for child care centers. The fee will be annual and will cover a portion of the departmental cost of licensing and monitoring these centers. The annual fee will be based on the number of children in the center. The following fees will apply: Centers with 12 or fewer children - \$35.00; 13-50 children - \$125.00; 51-100 children - \$250.00; 101 or more children - \$400. The \$750,000 in fee revenue will remain with the Division of Child Development. Corresponding reductions have been made to that division's General Fund appropriation in the budget bill.
- 34.13 Adds a \$7 fee for analyzing clinical Pap smear specimens by the Cancer Cytology Program of the NC State Laboratory of Public Health. This processing fee is in addition to the \$7.44 charge for the Pap smear kit already required. This new fee will be charged to the local health departments and other state facilities that utilize the NC State Lab for cytology lab work. This proposal increases receipts by \$1,050,000. This revenue estimate is based on a minimum of 150,000 specimens reviewed each year for the next five years. The estimation for lab utilization for cytology work for FY 2003-04 represents a slight decrease from FY 2000-01 (the latest year of data) and remains unchanged for the following years through FY 2007-08, since behavior is unknown of whether local entities will seek their lab work through private labs. While the new fee in conjunction with the cost of the kit is cheaper in most cases for these state facilities and local health departments than private labs, the response time of the private labs may prompt some locals to consider contracting with a private lab in lieu of continuing to utilize the state lab. All revenue generated will remain with the Division of Public Health. Corresponding reductions have been made to that division's General Fund appropriation in the budget bill.
- 35.1(b) Authorizes the Department of Environment and Natural Resources to levy a fee and establish rules related to the use of off-highway vehicle access to the Fort Fisher State Recreation Area. According to Department officials, the annual fee would be approximately \$40 per year. No information has been provided on offering a daily fee. The fee is expected to generate \$36,857 a year for the benefit of the Department of Environment and Natural Resources.
- 35.1A Allows the Department of Environment and Natural Resources to charge fees at a marina in Carolina Beach and for using department owned watercraft. This section also allows the Department to increase fees for use of state forests, parks, and lakes. With a January 1, 2004 effective date, these fees will generate \$233,246 in FY 2003-04. Revenue for FY 2004-05 is \$438,177.

35.2 Increases the annual fees for generating hazardous waste from \$500 to \$1,000 for generators of acute hazardous waste or more than 1,000 kilograms of hazardous waste and from \$25 to \$125 for generators of less than 1,000 kilograms of hazardous waste. This is the first increase in fees for hazardous waste generation since their inception in 1987. The fee increase will generate \$405,000 each year.

35.3 Increases the fee for animal disease diagnostic tests and services in the Department of Agriculture and Consumer Services. The Rollins Animal Disease Diagnostic Lab conducts the tests. The primary users of the Lab's services are corporate farms, private veterinarians, and individual pet owners or farmers. This section also authorizes the Board of Agriculture to adopt temporary rules to increase the \$10 fee for nursery dealer certification. The fee has not been increased since its inception in 1957. It applies to anyone who sells plants at retail. The budget report shows that the fee will be increased to \$50. These changes become effective July 1, 2003.

35.4 Increases the following pesticide related license fees in the Department of Agriculture and Consumer Services:

Pesticide applicator license from \$30 to \$50

Aircraft inspection from \$10 to \$25

Aircraft second inspection \$10 to \$25

Pesticide dealer license from \$30 to \$50

Pest control consultant from \$30 to \$50

Pesticide registration from \$30 to \$100

These increased fees will bring in \$890,010 each year to the Department.

35A.2 Allows the North Carolina Historical Commission to adopt a schedule of fees for historical certifications needed to qualify for tax credits for rehabilitating income-producing historic structures. An application fee cannot exceed 1% of the completed qualifying rehab expenditures. No estimate is available on the revenue this might produce.

35A.4 Allows the Department of Cultural Resources to charge a reasonable admission fee to any museum it administers. Receipts from the fees are deposited into a nonreverting account to be used by the Department. No estimate is available on the amount of receipts these fees will generate.

- 35B.1 Increases from \$30 to \$38 the Department of Secretary of State fee for paper filing of a UCC financing statement or other record that is one or two pages long and the fee for responding to a written request for information. This fee increase becomes effective July 15, 2003. The fee increase raises \$888,364 for the General Fund.
- 35B.2 Increases the Rule 506 security filing fee from \$150 to \$350 in the Department of the Secretary of State. This fee increase becomes effective July 15, 2003. The fee increase raises \$200,000 for the General Fund.
- 35B.3 Increases the business opportunity disclosure filing fee from \$10 to \$250 in the Department of the Secretary of State. This fee increase becomes effective July 15, 2003. The fee increase raises \$230,400 for the General Fund.
- 36A.1 Assesses a \$100 fee on cases referred to nonbinding arbitration. This new fee will support the court-ordered arbitration program. The State has been paying \$75 to arbitrators in the past. This \$100 fee will be divided among the parties involved in the arbitration. It is estimated that the fee will generate \$350,000 in revenue each year. This change is effective August 1, 2003.
- 36A.2 Increases ten fees charged by the clerk of superior court. These fees are not round dollar amounts but end in fifty cents, requiring clerks to deal in small change. In this provision, the \$22.50 fees are changed to \$25.00, the \$7.50 fees are changed to \$10.00, and the \$1.50 fees are changed to \$2.00. This change will increase fee revenue by \$750,863 in FY 2003-04 (August 1, 2003 effective date) and \$819,151 each year thereafter.
- 37.1 Changes the date that sales tax hold-harmless payments are made to local governments each year, from September 15 to August 15. It also provides that the payments will be made in 2003 and 2004, with intent language for the payments to continue through 2012. This part also provides that the estimates used to calculate the hold-harmless payments must be updated to reflect legislative changes.

37A.1 Changes the state tax law reference to the Internal Revenue Code from January 1, 2003 to June 1, 2003. Since North Carolina individual and corporate income tax law tracks the federal income tax law, it is necessary each year to update state statutory references to the Internal Revenue Code (IRC). In May 2003, Congress enacted the Jobs and Growth Tax Relief Reconciliation Act of 2003. This legislation increased from 30% to 50% the bonus depreciation allowance originally enacted in March 2002 in response to the September 11 terrorist attacks and moved the sunset for bonus depreciation from September 10, 2004 to December 31, 2004. In addition, the package increased the amount of investment in capital equipment that a business can expense during the acquisition year (instead of depreciating over many years) from \$25,000 to \$100,000

The update in the Code reference fully conforms North Carolina law to the federal expensing limit increase at a cost to the General Fund of \$29.2 million in FY 2003-04 and \$18.0 million in FY 2004-05.

37A.2 &

37A.3 Continues for the 2003 Internal Revenue Code update the 2002 session practice of allowing technical conformity to bonus depreciation so that taxpayers do not have to keep a separate depreciation schedule for state tax purposes for each piece of equipment in addition to the federal schedule. To adjust for the fiscal impact of this conformity, the 2002 legislation required taxpayers to "add back" an amount equal to 100% of the financial benefit of bonus depreciation for the 2001 and 2002 tax years, 70% for 2003, and 0% for 2004. Beginning in 2005, a taxpayer could deduct the amount of the add back over a 5 year period. The 2003 conformity legislation continued the 70% add back already in place for 2003 and created a 70% add back for 2004. This partial conformity will reduce state revenues in FY 2003-04 by \$40.8 million (due to the increase in bonus depreciation from 30% to 50%) but increase revenues by \$18.0 million in FY 2004-05.

37A.4 &

37A.5 Extends until July 1, 2005, the partial conformity of the State estate tax to changes in the federal estate tax. In 2001, Congress phased out the state death tax credit over four years by reducing it 25% in 2002, 50% in 2003, and 75% in 2004, and by repealing it entirely for deaths occurring on or after January 1, 2005. This tax credit is the basis of the North Carolina estate tax (sometimes called a pick-up tax). In 2002, the General Assembly enacted legislation to conform the North Carolina estate tax

to the increase in the federal estate tax exemption so that estates would not be required to pay the North Carolina tax when there is no federal liability. However, the 2002 legislation did not conform to the phase-out of the federal credit for state death taxes. This "partial conformity" solution was effective for decedents dying on or after January 1, 2002 but prior to January 1, 2004. The 2003 legislation continues the partial conformity option until July 1, 2005. These provisions have no impact for the 2003-04 fiscal year because estates have 9 months after a death to file a return. For FY 2004-05, the proposal saves \$70.8 million of General Fund revenue that would have disappeared if the 2002 partial conformity had been allowed to sunset on January 1, 2004. The reason is that under the original sunset, the North Carolina estate tax would have reverted to full conformity to the federal phase out of the state death tax credit. That means that for the last three quarters of the 2004-05 fiscal year, 75% of the state tax base would have been eliminated.

- 38.1 Extends sunset on the half cent state sales tax enacted in the 2001 Session from July 1, 2003 to July 1, 2005. Joint estimates provided by Fiscal Research and the Office of State Management and Budget suggest the following revenue stream from this tax extension.

FY 2003-04	\$341.7 million
FY 2004-05	\$388.2 million
FY 2005-06	\$ 26.5 million

Note: While the tax expires June 30, 2005, many retailers will not submit their payments to the Department of Revenue for the month of June until the following fiscal year. Thus, a small amount of revenue increase is shown for FY 2005-06 as well. This timing issue also plays a role in reducing the FY 2003-04 revenue to the amount above.

- 39.1 Extends the 8.25% individual income tax bracket from January 1, 2004 to January 1, 2006 for taxable incomes that are shown in the chart below.

8.25% for taxable incomes over:

\$200,000	Married filing jointly
\$160,000	Head of household
\$120,000	Single
\$100,000	Married filing separately

The additional revenue from this extension is calculated using the North Carolina Individual Income Tax Model. The model estimates that \$83.3 million in individual income tax payments will be generated in tax year 2004 and \$104.2 million in revenue in tax year 2005. This revenue is divided into fiscal years as follows:

FY 2003-04	\$37.5 mil.
FY 2004-05	\$92.7 mil.
FY 2005-06	\$57.3 mil.

FY 2003-04 will receive 45% of tax year 2004 revenue because of withholding from January through June 2004 and two quarterly estimated payments. High-income taxpayers avoid a penalty if estimated payments during the tax year equal at least 90% of actual liability. In FY 2004-05, taxpayers will pay the remaining 55% of the tax due in tax year 2004 and again pay 45% in estimated payments for tax year 2005. FY 2005-06 is equal to the remaining 55% of tax year 2005 payments.

39B.2 Conforms the state definition of a dependent child to the federal definition for purposes of the individual income tax credit for children. The federal child credit is limited to dependent children under age 17 but the current North Carolina child credit applies to children up to age 23 if they are in college. This change limits the credit to children below 17 years of age. This change becomes effective beginning with the 2003 tax year. The change will increase General Fund revenue by \$16.8 million in FY 2003-04 and by \$17 million in FY 2004-05.

43.1-

43.4 Raises the insurance premiums tax rate on Article 65 corporations (Blue Cross) from 1.0% to 1.9%, effective for the 2004 tax year. In addition, for the 2004 and 2005 tax years, the legislation requires the affected companies to make estimated tax payments in April and June of each year equal to 50% of the annual liability for that tax year. Thus, 100% of the actual liability for the tax year would be paid by June 30. The estimated tax payment system is in lieu of the current system of installment payments made in April, June, and October with each payment equaling 33 1/3% of the liability for the preceding tax year. The additional General Fund revenue under the proposal is \$18.6 million for the 2003-04 fiscal year and \$13.9 million for FY 2004-05.

- 44.1 Extends for two years the law that provides that consumer use tax is payable on the individual income tax return. The law would otherwise sunset for the 2003 taxable year. This extension will increase General Fund revenue by \$3.1 million in both FY 2003-04 and FY 2004-05.
- 45 Makes changes to the sales and use tax statutes to bring North Carolina into conformity with the Streamlined Sales Tax Agreement.

Uniform local sales tax base. – To conform to the Agreement, the base must be consistent. This part finesses the non-uniform local base effective October 1, 2003, by stating that the taxes will be administered as if the local tax on food were zero and the State had a 2% tax on food. This complies with Streamline without changing the amount of tax. The State will collect and distribute the 2% local tax on food. The distribution with respect to food tax proceeds will be in proportion to other local sales tax proceeds rather than based on the actual county of collection.

Candy, soft drinks, and prepared food. – The bill removes soft drinks and prepared foods from the exemption for food effective July 15, 2003. It offsets the impact of this change by extending to soft drinks the 50% sales tax reduction currently allowed to other products sold in vending machines, effective January 1, 2004. This part exempts all candy as if it were food, effective January 1, 2004. The tax on soft drinks will increase sales tax revenues by \$41.4 million in FY 2003-04 and by \$45.1 million in FY 2004-05. Conversely, the 50% vending machine exemption will reduce sales tax revenue by \$4.05 million in FY 2003-04 and \$8.6 million in FY 2004-05. The tax on prepared food will increase revenue by \$3.05 million in FY 2003-04 and by \$3.3 million in FY 2004-05. The candy exemption will reduce revenue by \$400,000 in FY 2003-04 and by \$800,000 in FY 2004-05.

Definitions. – To conform to the Agreement, the bill modifies and defines the following terms: computer, computer software, custom computer software, prewritten computer software, delivered electronically, load and leave, direct mail, drug, durable medical equipment, electronic, lease or rental, mobility enhancing equipment, over-the-counter drug, prepared food, prescription, prosthetic device, and tangible personal property.

Modifications to prewritten software. – To conform to the Agreement, the bill will tax the prewritten portion of modified computer software and it will exempt the modifications to it if the charges for the modifications are separately stated. Through the use of defined terms, computer software that is delivered electronically or by "load and leave" will remain exempt from tax.

Mobility enhancing equipment. – To provide consistent treatment of products within a uniform definition, the bill provides that mobility enhancing equipment must be sold on a prescription to be exempt from tax.

Uniform sourcing rules. – North Carolina adopted many of the uniform sourcing principles in 2001. The bill codifies additional sourcing principles for periodic rental payments. The codified principles reflect current practice.

Uniform returns and remittances and notices. – North Carolina adopted many of the uniform provisions governing returns, remittances, and notices in 2001. The bill adds a few more provisions:

- 1) The collection period for a seller that collects less than \$1,000 in State sales tax during a calendar year cannot be more often than annually.
- 2) Monthly returns are due by the 20th day of the month, instead of the 15th day of the month.
- 3) Catalog sellers must be given at least 120 days' notice of tax changes and tax rate changes.

Sales tax holiday. – After December 31, 2003, the Agreement sets forth certain conditions that sales tax holidays must meet. Effective October 1, 2003, printers, printer supplies, and educational computer software will not be subject to the sales tax holiday exemption. However, it extends the sales tax holiday exemption to layaway sales.

- 45A.1 Eliminates tax reductions that are currently allowed to distributors and wholesalers who pay the excise taxes on cigarettes and other tobacco products. These discounts are equal to 4% of the tax due and were intended to cover expenses incurred in preparing tax reports and the expense of furnishing a bond. The change will increase General Fund revenue by \$1.74 million in FY 2003-04 and by \$1.9 million in FY 2004-05.

- 45A. 2 Eliminates tax reductions that are currently allowed to distributors and wholesalers who pay the excise taxes on wine, beer, and spirituous liquor. These discounts are equal to 4% of the tax due and were intended to cover losses due to spoilage or breakage. The change will increase General Fund revenue by \$3.67 million in FY 2003-04 and by \$4.0 million in FY 2004-05.

Senate Bill 936, Chapter 300
Waive Deadline for Troops

Summary:

Waives deadlines, penalties, and fees for military personnel on active duty in support of Operation Iraqi Freedom. Troops will have 90 days from the end of their deployment to renew their driver's license, renew their motor vehicle liability insurance, renew an occupational license, pay current year property taxes, and list property for next year's property tax. The bill also directs the Community College System to refund tuition and fees for military personnel called to active duty and to help those students complete their course work through distance learning and other educational methodologies. The University of North Carolina is asked to consider the full refund of tuition and fees to military personnel on active duty. Active duty personnel will not be asked to repay their Legislative Tuition Grants to the State Education Assistance Authority.

Effective Date:

Effective on July 4, 2003.

Fiscal Effect:

There is no fiscal impact on the General Fund, but the bill may delay revenue collection in FY 2003-04 for driver's licenses (Highway Fund), occupational licenses (Licensing Board Special Accounts), and property tax collections (local governments). However, it is not possible to estimate this temporary fiscal impact. The General Assembly's Fiscal Research Division does not have access to records of military personnel assigned to Operation Iraqi Freedom, nor could it easily match driver records, local tax records, and occupational license records to military personnel if such records were available.

Senate Bill 236, Chapter 349
Revenue Administrative Changes

Summary:

Makes the following administrative changes to the Revenue Laws:

- Modifies the dividend received deduction for regulated investment companies (RIC) and real estate investment trusts (REIT) to ensure that all dividends are treated uniformly.
- Amends the reporting requirements regarding sales of seized property by the Secretary of Revenue to avoid duplicate report filings.
- Extends until October 1, 2005 the Department of Revenue's authority to use outside collection agencies for in-state tax debts.
- Revises the secrecy provision regarding the disclosure of tax information to reflect the transfer of the Division of Motor Vehicles to the State Highway Patrol.
- Ensures that the monthly distribution of local sales and use tax proceeds is based on taxpayer data from filed returns.
- Requires the Department of Revenue to make the projection of estimated tax proceeds for the local hold harmless distribution.
- Clarifies that the filing fee for an annual report is nonrefundable.
- Clarifies the eligibility rules for taxpayers taking the research and development tax credit.
- Makes various changes to the motor fuel tax laws. (See Highway Fund section)
- Codifies municipal practice for bad debt charge off.
- Requires Revenue Laws Study Committee to establish study group to analyze potential revenue impact of modifying the corporate income tax law to require consolidated returns.

Effective Date:

Parts 1 (dividend deduction) and 8 (R&D credit) are effective for taxable years beginning on or after January 1, 2003. Part 5 (sales tax distribution) becomes effective July 1, 2003. Part 9 (study) is effective for taxable years beginning on or after January 1, 2003, and shall expire for taxable years beginning on or after January 1, 2005. Part 10 (motor fuel tax changes) becomes effective January 1, 2004. The remainder of this act became effective July 27, 2003, when it became law.

Fiscal Effect:

No General Fund fiscal impact, but there is increased revenue to Leaking Petroleum Underground Storage Tank Fund (see Highway Fund section).

**Senate Bill 934, Chapter 396
DWI Provider Authorization Fees**

Summary: Requires private service facilities that provide DWI Certificate of Completions to pay a fee to the Department of Health and Human Services (DHHS) to cover the cost associated with monitoring these facilities. The fee will be collected as a departmental receipt and retained by DHHS. The annual fee is divided into three tiers based on the number of DWI offenders treated ("assessed") by the facility per year.

	Assessments per Year:	Annual Fee:
Tier 1	1-24	\$250.00
Tier 2	25-99	\$500.00
Tier 3	100 or more	\$750.00

Effective Date: Effective on October 1, 2003.

Fiscal Effect: Currently, there are 210 Tier 1 providers, 110 Tier 2 providers, and 75 Tier 3 providers. The upper bound on anticipated revenue in FY 2003-04 is \$163,750. The lower bound on anticipated revenue is \$111,250 because it assumes Tier 1 facilities will eliminate services to DWI offenders for the purpose providing Certificates of Completion. Based on trend data from 1999-2002, the expected growth rate for private DWI service providers is 5%.

**House Bill 860, Chapter 398
Detector Dog Trainers**

Summary: Authorizes the Department of Health and Human Services (DHHS) to register dog handlers who train and maintain dogs used to detect the presence of illegal narcotics. The maximum annual registration fee of \$150 allows the dog handler to lawfully obtain and possess specified amounts of controlled substances for the training of dogs. DHHS currently registers dog handlers through administrative rules for an annual fee of \$125. The applicant for the registration required in this proposed bill must pay the Department of Justice for a criminal background check and must keep records and maintain inventories in conformance with federal and state laws.

Effective Date: Effective on August 7, 2003.

Fiscal Effect:

DHHS has no estimate of the number of new dog handlers it will register under the guidelines of this bill. The Division of Mental Health, Developmental Disabilities and Substance Abuse's Regulatory Unit currently has 22 persons registered as researchers who are associated with dogs for narcotics detection. Of these 22, sixteen are with police departments and six are considered agents for law enforcement. Currently, law enforcement agencies and their contracted dog trainers are exempted from paying a fee through administrative rules and would continue to be exempt under this law. Despite qualifying for the fee exemption, the 22 persons currently registered voluntarily pay the existing fee of \$125.00. It is assumed that these 22 law enforcement agents will continue to register and pay the fee under this bill.

**House Bill 1006, Chapter 400
Manufactured Housing**

Summary:

Makes several changes to the laws on manufactured housing. The finance items in the legislation are as follows; Section 1 authorizes the Division of Motor Vehicles to charge \$5.00 for canceling a title to a manufactured home, Section 4 clarifies that manufactured homes with a lease of at least 20 years are real property for tax purposes, and Sections 9 through 13, in total, increase the sales tax on modular homes to 2.5%, earmark 20% of the proceeds of the sales tax for local governments, and eliminate the \$300 cap on the sales tax levied on these homes.

Effective Date:

Sections 5, 6, and 7 become effective October 1, 2003. Sections 8 through 17 become effective January 1, 2004 and apply to sales of modular homes on and after that date. The remainder became effective August 7, 2003, when it became law.

Fiscal Effect:

The legislation authorizes the NC Division of Motor Vehicles (DMV) to charge a five-dollar cancellation fee when the certificate title of a manufactured home is surrendered after the home had been qualified as real property, resulting in a \$17,075 revenue gain for the Division of Motor Vehicles. The legislation also increases the tax on modular homes. Under previous law "on-frame" homes were taxed at the rate of 2%, with a maximum tax of \$300 per section, while "off-frame" modular homes were taxed at the general sales tax rate of 7%, with the tax applying to the materials used to create the home. The bill removes this tax distinction and instead taxes the sales price of both types of modular homes at a 2.5% rate, with no cap. It also requires that 20% of the state proceeds be distributed to local units. Thus, the final five year fiscal impact to the state is as follows:

	<u>FY 2003-04</u>	<u>FY 2004-05</u>	<u>FY 2005-06</u>	<u>FY 2006-07</u>	<u>FY 2007-08</u>
REVENUES					
General Fund	579,425	1,279,488	1,279,488	1,279,488	1,279,488
NC DMV	17,075	17,075	17,075	17,075	17,075

It should be noted that these numbers assume that 70% of current modular homes are sold "on-frame." If the actual "on-frame" percentage is below approximately 50%, the state will see a net loss. In addition, if growth in the "on-frame" home market occurs at a faster rate than the "off-frame" market, the state would also see a revenue loss.

**Senate Bill 668, Chapter 402
Wine Shippers Permits**

Summary:

Establishes a method for out-of-state wineries to ship wine directly to consumers in North Carolina. Under this bill, any winery that holds a federal basic wine manufacturing permit would be able to apply for a wine shipper's permit for a one-time fee of \$100.00. A wine shipper permittee would be allowed to ship up to two cases of wine per month to any person in North Carolina to whom alcoholic beverages may be sold. If the wine shipper permittee ships more than 1,000 cases of wine to addresses in the State during a calendar year, the permittee is required to appoint a wholesaler in the State to sell its products. A wine shipper permit is not required if a customer buys wine on the premises of the winery and ships it to their home address. The bill amends G.S. 105-113.73 to make it a Class 1 misdemeanor to violate a provision of Article 2C (Alcoholic Beverage License) of Chapter 105 (Taxation).

Effective Date: Effective on October 1, 2003.

Fiscal Effect: No estimate can be made on the amount of General Fund revenue the state will receive from the \$100 wine shipper permit. Wine America has a list of 3,189 wineries they received from the U.S. Department Treasury's Alcohol and Tobacco Tax and Trade Bureau, but warns that this list might overstate the number of wineries. The State Relations Manager with the Wine Institute in California thinks there are only 1,500 commercially viable wineries that offer wine for sale to the general public. New Hampshire approved a \$228 wine shipment permit on July 1, 1998, and had issued only 189 permits as of May 23, 2003.

No estimate can be made on the amount of General Fund revenue the state will earn from excise and sales taxes remitted by wineries with a wine shipper permit. The state and local governments should receive a revenue gain from the sales made by wineries that previously did not do business with the state. These wineries will collect the 21 cents per liter excise tax on unfortified wine and the 24 cents per liter on fortified wine. Local governments receive 62% of the excise tax on unfortified wine and 22% of the excise tax on fortified wine. The wine shipper permittees will also collect and remit the state and local sales tax on the wine they sell. No estimate can be done on the volume of wine that will be sold directly to North Carolina customers.

House Bill 1294, Chapter 414 Qualified Business Credit / Ports Credit

Summary: Extends the qualified business tax credit program's sunset from 2004 to 2007, expands the definition of a qualified grantee business, and adds a new type of grantee business. The bill also extends the income tax credit for North Carolina State Ports Authority wharfage, handling and throughput charges from January 1, 2004, to January 1, 2009.

Effective Date: Effective for taxable years beginning on or after January 1, 2004.

Fiscal Effect: Since the General Fund revenue forecast for future fiscal years assumes an end to the Qualified Business tax credit program, extension of the sunset means there will be a General Fund revenue loss from FY 2005-06 until FY 2007-08. The revenue loss from tax year 2004 is delayed because investments are made in 2004, applications for the tax credit on the 2004 investments are made in 2005, the Department of Revenue notifies taxpayers in

November/December of 2005 of the amount of credit they will receive, then the taxpayers file their tax returns in spring 2006. This puts the revenue loss for 2004 into FY 2005-06. The Qualified Business Tax Credit is capped at \$6 million each year and the credit maximum will be reached based on the tax credit history.

Extension of the sunset of the state ports tax credit is a revenue loss to the General Fund because the revenue forecast for future fiscal years assumes an end to the credit. The projected revenue loss can be computed using North Carolina State Ports Authority annual reports to the General Assembly detailing the annual increase in cargo tons, cargo fees, and the amount of tax credit taken in the previous year. The average tax credit for the eight years 1994 through 2002 is \$744,618 and the median tax credit for the same period is approximately \$650,000. Assuming the median, extending the State Ports Authority tax credit will cost the state General Fund \$650,000 each year beginning in tax year 2004 or FY 2004-05. The Ports Authority staff reports that no company has reached the \$2 million maximum cumulative credit and there are no companies close to the maximum amount of credits.

Senate Bill 119, Chapter 415 Expand Historic Preservation Credit

- Summary:** Extends the sunset on the pass-through provision for the tax credit for rehabilitating income-producing historic structures from January 1, 2004, to January 1, 2008. The bill allows a pass-through entity that qualifies for the historic rehab credit to allocate the credit among its owners in its discretion as long as an owner's adjusted basis is at least 40% of the amount of the credit allocated to that owner. The bill also directs the Department of Revenue to modify the income tax forms to provide separate lines for each tax credit claimed by a taxpayer.
- Effective Date:** Section 2 (credit allocation) of this act is effective for taxable years beginning on or after January 1, 2003. The remainder of the bill became effective August 14, 2003, when it became law.
- Fiscal Effect:** No estimate can be made of the actual revenue impact of this bill. In theory, the bill was introduced to increase the likelihood that the historic rehab tax credits will be fully utilized by taxpayers. However, the General Assembly's Fiscal Research Division has assumed since 1997 (the year the credit increased to 20%), that 100% of the tax credits have been used and have built 100% utilization of the historic credit into the General Fund availability forecast. All efforts to determine the actual cost of the credit program failed.

The bill directs the Department of Revenue to change the income tax forms to provide separate lines for each tax credit claimed by a taxpayer. This change will provide valuable information to legislative and executive branch analysts tasked with evaluating and estimating the General Fund revenue loss of each tax credit.

Senate Bill 97, Chapter 416 Revenue Laws Technical Changes

Summary:

Makes numerous technical and administrative changes to G.S. 105 and related statutes. The Revenue Laws Study Committee recommended sections 1 – 12.

Sections 1 & 3 – Clarifies that the 2002 law modifying the estate tax formula for estates with property in more than one state does not apply to the extent that it would create a retroactive increase. It also clarifies the effective date of the Low-Income Housing credit. Both of these changes reflect current Department practices and will have no fiscal impact.

Section 2 – Re-enacts S.L. 2002-172 (H.B. 1734), which did not receive three roll call readings on the adoption of the conference report. This bill was last session's economic incentive bill which included modifications to the Bill Lee Credit, creation of the Job Development Investment Grant program (JDIG), changes in the Film Industry Credit, alteration of the North Carolina Railroad's condemnation authority, a modification of the public hearing requirements financing of industrial and pollution control facilities, and capital planning authority for the State Board of Community Colleges, the Board of Governors of the University of North Carolina system, and the North Carolina Biotechnology Center to develop a new biopharmaceutical/bioprocess manufacturing training center and related regional training centers. It appears to Fiscal Research that all the requirements of this bill are being carried out. Therefore, there is no fiscal impact associated with this portion of the legislation, as it only codifies existing practices.

Section 4 – Moves the location of a definition and makes conforming changes. No fiscal impact is expected.

Section 5 – Substitutes the word "apportionable" for the word "business" in the phrase "business income". This conforms to the language used in recent court decisions and should have no impact on the bill.

Sections 6, 7, 9 11, 14, 21, and 22 – Makes grammatical and punctuation changes, fills in missing statute references, and replaces inaccurate statute references. These sections will have no fiscal impact.

Section 8 – Clarifies that the interest amount, not the interest rate, is factor to use when determining the value of the low income housing tax credit. This change follows the original intent of the bill and will have no fiscal impact.

Section 10 – Gives local tax collectors the ability to reduce or waive the entire penalty imposed on a worthless check. Current law only allows the tax collector to waive the 10% penalty. The Department indicates that this may result in some revenue loss for local units, but that the loss should be minimal.

Section 12 – Clarifies that the General Assembly cannot surrender, suspend, or contract away their taxing power. It also clarifies that no provision of the tax statutes constitutes a contract that the provision will remain in effect in future years. No immediate fiscal impact is expected, although the language change may have some impact in future court decisions.

Section 13 – Makes appropriate wording change to clarify that a set number of states must adopt the Streamline Sales Tax Agreement. Current law says the states must sign, not adopt, the agreement. No fiscal impact is expected.

Effective Date: Section 27 becomes effective October 1, 2003. The remainder became effective August 14, 2003, when it became law.

Fiscal Effect: See specific section notations.

Senate Bill 100, Chapter 431 State Government Sales Tax Exemption

Summary: Exempts all state agencies from state and local sales tax. Under current law purchases by all major state agencies but one are subject to state and local sales taxes, unless the item purchased is exempt from tax for all purchasers. However, the State receives a refund of the local sales taxes paid by its agencies, with the proceeds of this refund going to the general fund. In order to qualify for the exemption a state agency must obtain a sales tax exemption number from the Department of Revenue. If the state

agency does not use the items purchased with its number it is liable for the tax on that item. State agencies will continue to file quarterly for a refund of local sales taxes on indirect purchases. The Office of Management and Budget is charged with reducing FY 2004-05 agency allocations to reflect this change.

Effective Date: The exemption becomes effective July 1, 2004. Associated administrative elements become effective January 1, 2004.

Fiscal Effect: According to the Department of Revenue (DOR), state agency refunds of local taxes (excluding the UNC Hospitals) to the General Fund totaled \$14.2 million FY 1999-00. Based on that refund data, DOR's Tax Research Division estimates that state agencies paid \$42.6 million in state and local sales taxes in FY 1999-00. Refunds have declined or been flat since that time. The chart below assumes agency purchases decline again in FY 2002-03 and FY 2003-04 and then slowly increase in the out years. Estimated potential state agency refunds for sales that occur in a given fiscal year are as follows:

FY	State	Local	Mecklenburg	TOTAL
2004-05	15,735,710	9,834,819	166,938	25,737,467
2005-06	16,050,424	10,031,515	170,277	26,252,216
2006-07	16,371,433	10,232,146	173,682	26,777,261
2007-08	16,698,862	10,436,789	177,156	27,312,806

The amount for FY 2004-05 is the amount anticipated to be backed out of individual agencies by the Office of State Budget and Management in their budget certification process. (Indirect purchases were not considered in the legislation or the analysis.)

The primary impact of the legislation on expenditures is the reduction in agency budgets to reflect the sales tax exemption. This fiscal analysis assumes that the Office of Management and Budget will be able to back out the sales tax numbers and that FY 2004-05 allocations will be reduced to reflect the reduced cost of doing business. Therefore, the net impact of the bill is no change to the General Fund.

The legislation also allows cooperatives formed by a group of public school systems to receive a sales tax refund. This change is expected to affect one cooperative for a total revenue loss of less than \$20,000 annually.

BILLS AFFECTING HIGHWAY FUND REVENUES

House Bill 397, Chapter 284

Current Operations and Capital Improvements Appropriations Act of 2003

- 36.1 Increases the Class A, B, and C drivers license by 50 cents per year or \$2.50 for a five-year license. A motorcycle endorsement is also increased 50 cents per year. The change is effective on November 1, 2003. The additional fee revenue of \$1.85 million in FY 03-04 and \$2.77 million in FY 04-05 is to be used to add 45 driver license examiners in FY 03-04 and another 35 examiners in 04-05.

Senate Bill 236, Chapter 349

Revenue Administrative Changes

Summary:

Makes several changes to the motor fuel tax laws in part 10 of the bill.

- Section 10.1 reduces the number of days a motor carrier could operate in the State using a temporary permit rather than obtaining a license from 20-days to 3-days.
- Section 10.2 clarifies that a tank wagon includes vehicles designed to carry at least 1,000 gallons of motor fuel, regardless of whether they actually carry that amount.
- Section 10.3 requires a distributor that imports motor fuel from an out-of-state terminal into North Carolina to be licensed as a distributor. Sections 10.4 and 10.5 make conforming changes.
- Section 10.6 increases the cap on the bond amount of licensees from \$250,000 to \$500,000.
- Section 10.7 enables the Department of Revenue to deny a motor fuel license to a taxpayer that fails to file a return or pay a tax due in other North Carolina revenue tax laws.
- Section 10.8 conforms the statutes with the legislative change made last session to exempt local governments from the motor fuel tax.
- Section 10.9 removes the requirement that shipping documents must be machine-printed by the operator of a bulk plant.
- Section 10.10 clarifies the Department's authority to investigate violations of using non-tax-paid fuel for highway use. This section specifies that it is not a valid defense to a violation of this Article that the vehicle into which the fuel is dispensed is an exempt vehicle.

- Section 10.11 clarifies that storage facilities for dyed kerosene must be clearly marked for non-tax use only, just like the storage facilities for dyed diesel fuel. It also provides that the dispensing device for this dyed fuel must be clearly marked as non-tax use only.
- Sections 10.12 and 10.14 require kerosene terminal operators to be licensed and to file reports.
- Section 10.15 imposes the inspection tax on dyed diesel.

Effective Date: Effective on January 1, 2004.

Fiscal Effect: The following sections have a potential revenue impact.

- Section 10.1 reduces the number of days for a temporary permit for motor carriers from 20 to 3. This could increase Highway Fund revenues by increasing the number of permits issued or the number of permanent licenses issued. No estimate is available for the permit volume.
- Sections 10.14 and 10.16 require kerosene terminal operators to be licensed and to file reports. Currently jet fuel and kerosene are delivered from the pipeline directly to the state's three major airports. Since this delivery method bypasses the motor fuel terminals, it also bypasses the Department of Revenue's reporting and accountability mechanism. From January 1, 1999 to December 31, 2001, the Department of Revenue found 407 million gallons of jet fuel delivered but not reported to the agency. Over this three-year period, the state lost approximately \$1 million in inspection tax revenue. Passage of these sections should help the state claim the ¼ cent inspection tax on all jet fuel sales in the future and gain roughly \$340,000 a year for the Commercial Leaking Petroleum Underground Storage Tank Cleanup Fund and the Noncommercial Leaking Petroleum Underground Storage Tank Cleanup Fund.
- Section 10.15 imposes the ¼ cent inspection tax on dyed diesel fuel. This tax is collected at the terminal rack and the Department of Revenue estimates it will yield approximately \$1.2 million a year. The net proceeds, after deducting administrative costs, are deposited into the Commercial Leaking Petroleum Underground Storage Tank Cleanup Fund and the Noncommercial Leaking Petroleum Underground Storage Tank Cleanup Fund.

**House Bill 1006, Chapter 400
Manufactured Housing**

- Summary:** Makes several changes to the laws on manufactured housing. Section 2 authorizes the Division of Motor Vehicles to charge \$5.00 for canceling a title to a manufactured home.
- Effective Date:** This section of the bill became law August 7, 2003.
- Fiscal Effect:** The legislation authorizes the NC Division of Motor Vehicles (DMV) to charge a five-dollar cancellation fee when the certificate title of a manufactured home is surrendered after the home had been qualified as real property, resulting in a \$17,075 revenue gain for the Division of Motor Vehicles.

**House Bill 855, Chapter 424
Various Special Registration Plates**

- Summary:** Increases the fee for personalized registration plates by \$10, allows three additional plates to have a different plate background, requires the Joint Legislative Transportation Oversight Committee to study various issues related to special registration plates, and authorizes 16 new plates (see below).
- Effective Date:** The study is effective on August 14, 2003; remainder is effective on January 1, 2004.
- Fiscal Effect:** There were 226,809 personalized (vanity) plates as of March 31, 2003. If the \$10 price increase does not reduce plate consumption, then the additional revenue will be \$2,268,090 each year. The funds will be split equally between the Natural Heritage Trust Fund and the Parks and Recreation Trust Fund. The January 1, 2004 effective date will reduce additional revenue by half in FY 2003-04 if plate renewal is distributed equally throughout the year.

Various Bills Special License Plates

Summary: Create the following special license plates (fee noted for amount above \$10 Special Registration Plate Account fee):

HB 237/ch. 11	Nurses	\$15	
HB 482/ch. 10	Alpha Kappa Alpha Sorority	0	
SB 295/ch. 68	NC Coastal Federation	\$15	
SB 295/ch. 68	Paramedics	0	
HB 855/ch. 424	Alternative Fuel Vehicles	0	
	Be Active NC	\$10	
	Blue Ridge Parkway Foundation	\$20	
	Breast Cancer Awareness	0	
	Buffalo Soldiers	\$15	
	Celebrate Adoption	0	
	Crystal Cost Artificial Reef Association	\$20	
	Delta Sigma Theta Sorority	0	
	Fraternal Order of Police	0	
	Friends of the Appalachian Trail	\$20	
	Mothers Against Drunk Driving	0	
	POW/MIA	0	
	Red Hat Society	0	
	Retired Law Enforcement Officers	0	
	Surveyors	\$15	
	Zeta Phi Beta Sorority	\$10	

Effective Date: Plates authorized in HB 855 become effective January 1, 2004. The plates authorized in HB 237 and HB 482 became effective on April 10, 2003, while the plate authorized by SB 295 became effective on May 20, 2003.

Fiscal Effect: Each special plate costs \$20 (regular vehicle registration fee) plus \$10 (Special Registration Plate Account fee), plus an amount requested by a group for fundraising. Each plate must receive 300 requests before it is issued by the Division of Motor Vehicles.

BILLS AFFECTING SPECIAL REVENUE FUNDS

Senate Bill 326, Chapter 67 Deterring SUTA Dumping

Summary: Attempts to deter the practice of state unemployment insurance tax avoidance (SUTA Dumping) by clarifying two statutes. The law makes it clearer that an employer cannot avoid an unemployment insurance tax rate based on its history in the system by creating a dummy company and shifting employees there. The bill adds a new subsection (b1) to current G.S. 96-18, and extends certain current taxation penalties to unemployment insurance contributions.

SB 326 makes it a Class H felony for anyone who willfully attempts, or aids and abets an attempt to defeat or evade an unemployment insurance tax if the employing unit has more than 10 employees, a tax of more than \$2,000 has not been paid, and an experience rating account balance has been overdrawn by more than \$5,000. The bill also adds graded felony penalties for willful assistance in filing false or fraudulent returns (whether or not the employer or chief financial officers knows it is false). It is a Class C felony if the defendant is a contribution tax return preparer and the amount of the tax evaded is \$100,000 or more. It is a Class F felony if the defendant is a contribution tax return preparer and the amount evaded is less than \$100,000. It is a Class H felony if the defendant is not a contribution tax return preparer.

Effective Date: Definitions became effective on May 20, 2003. Penalties and fines become effective on December 1, 2003.

Fiscal Effect: Since all research and prosecution costs are covered by federal Unemployment Insurance integrity funds, there is no State General Fund impact to implementing this legislation. The State will realize some additional revenues as a result of this legislation. Any recovered tax payments will flow into the Unemployment Insurance State Trust Fund to pay unemployment benefits.

House Bill 397, Chapter 284 Current Operations and Capital Improvements Appropriations Act of 2003

Sect. 32.1 Sets the fees for regulation by the North Carolina Utilities Commission ("Commission") at 0.12%, an increase from the .1% rate in FY 02-03. Revenue from this fee, which is assessed against

regulated public utilities, is used to support the operations of both the Commission and the Public Staff. The Commission estimates the .12% regulatory fee will produce \$12,950,000 in FY 2003-04. For the same period, the Commission estimates that the combined operations of the Commission and Public Staff will require total expenditures of not less than \$12,183,000. The estimated balance in the Commission's Accumulated Fee Margin Reserve Account as of June 30, 2003 is \$4.6 million. The proposed fee would generate a surplus of \$767,000 that will be added to this Reserve Account for a June 2004 balance of \$5.37 million. This represents approximately 4.4 months of operating reserve. The Commission considers this reserve balance "adequate to reasonably ensure our continuing financial integrity". Section 32.1(b) of the bill sets the public utility regulatory fee to be paid by the North Carolina Electric Membership Corporation for the 2003-04 fiscal year at \$200,000. In 1999, the initial fee of \$200,000 was developed as a result of discussions between the industry and the Utilities Commission, based on what the Utilities Commission believed to be the cost associated with regulating the electric membership cooperatives. In 2001 the Utilities Commission provided information to the General Assembly's Fiscal Research illustrating that these fees supported approximately 4000 hours of accounting, engineering, and legal time. This fee amount must be set by the General Assembly each year.

- Sect. 33.1 Sets the insurance regulatory charge at 5% for 2003 (was 6.5% in 2002). This fee is assessed against the 1.9% premiums tax paid by insurers or against the presumed premiums tax that would be paid by HMOs if taxed at 1.9% (they are taxed at 1%). The revenue is used to reimburse the General Fund for appropriations to the Department of Insurance to pay expenses incurred in regulating the insurance industry and other industries and to other departments as specified in G.S. 58-6-25(d). The 5% rate was estimated to generate \$19.23 million in regulatory fee revenue in 2003.

Senate Bill 939, Chapter 341

Extend TRS Surcharge to Wireless Connections

Summary:

Extends the telecommunications relay service (TRS) charge currently levied on landlines to wireless communication devices. Currently wired telephone customers pay a monthly surcharge on their telephone bill to fund a statewide telecommunications relay service (TRS) by which hearing-impaired persons, including those who also have vision impairment, may communicate with others by telephone. The statute caps this charge at 25 cents per month, although they are currently charging a rate of 11 cents per month.

Effective Date: Effective January 1, 2004.

Fiscal Effect: Officials from the NC Wireless Board indicate a 2003-04 estimated number of wireless devices that would be subject to the surcharge at 3.5 million. Levying an 11 cent per unit charge per month on these units, would yield approximately \$4.62 million in new, annual revenues from wireless customers. However, because the charge does not become effective until January 1, 2004 the 2003-04 revenues will be approximately \$1.925 million. Using the 3% growth rate offered by staff of the NC Wireless Board suggests the following revenue stream:

Fiscal Year	Charge	Net to program after provider administrative fee
2003-04	1,925,000	1,905,750
2004-05	4,758,600	4,711,014
2005-06	4,901,358	4,852,344
2006-07	5,048,399	4,997,915
2007-08	5,199,851	5,147,852

As the estimate suggests, the wireless carriers can retain a 1% administrative fee. The estimate also assumes that the fee will remain at 11 cents per month over the course of five years, although the legislation allows a review of the rate after January 1, 2005.

House Bill 1241, Chapter 405 ESC Surtax Delay

Summary: Delays the imposition of the unemployment insurance surtax until the balance in the regular unemployment insurance fund reaches \$500 million. Under current law a 20% unemployment insurance surtax is scheduled to go into effect January 1, 2004 due to the balance in the unemployment reserve fund dropping to under \$163 million. The delay will apply to the 2004 tax year. The bill is sunset for the 2005 and subsequent tax years.

Effective Date: Effective on August 12, 2003.

Fiscal Effect: This bill affects the reserve fund in the unemployment insurance system and has no direct impact on state or local revenues or expenditures.

**Senate Bill 945, Chapter 428
Air Quality Permits**

- Summary:** Specifies activities that may be undertaken prior to securing an air quality permit required under GS 143-215.108. It also requires a permittee to provide published notice of intent to alter or expand physical arrangement or operation of permitted facilities at least 15 days prior to that action and specifies contents of notice. A permittee who submits a notice of intent must pay a \$200 fee. The bill specifies criteria for the Environmental Management Commission to consider in review of such notices of intent and requires the Commission to notify the permittee within 15 days of its determination as to whether the criteria have been met and whether or not the proposed alteration or expansion can commence. This version also deletes provisions of the bill regarding departmental studies regarding permit processing times and Environmental Policy Act implementation.
- Effective Date:** Effective on August 19, 2003.
- Fiscal Effect:** Section 3 of this bill requires the owner/applicant of a permitted facility submitting a "notice of intent" to pay a permit fee of \$200 for each notice. The Division of Air Quality (DAQ) cannot easily estimate the number of notices of intent that will be submitted under Section 3 of the bill. The Division normally makes 300 to 400 air quality permit modification decisions per year. Thus, the maximum number of persons utilizing the notice of intent powers of SB 945 is 400 with resulting revenues of \$80,000. However, the Division believes only a few notices will be issued because the majority of applicants will want to obtain their permits before doing any construction. The Division estimates only a few thousand dollars in fees from this new notice. DAQ is completely receipt-supported. ***Likewise, this fee revenue will go into the Division's Non-Title V Permit Fee Special Fund, not the General Fund.***

BILLS AFFECTING LOCAL GOVERNMENT REVENUE

Senate Bill 511, Chapter 264 Publish Revenue-Neutral Property Tax Rate

- Summary:** Requires a county, in the year in which it conducts a general reappraisal of property, to include in its budget a statement of the revenue-neutral property tax rate for the budget. The revenue-neutral tax rate is the rate that is estimated to produce revenue for the next fiscal year equal to the revenue that would have been produced for the next fiscal year by the current tax rate if no reappraisal had occurred.
- Effective Date:** Effective on June 26, 2003.
- Fiscal Effect:** No fiscal impact.

House Bill 397, Chapter 284 Current Operations and Capital Improvements Appropriations Act of 2003

- Summary:** Three elements of this legislation affect local governments.

37.1 Alters the existing local government hold harmless provisions related to the elimination of the reimbursements and the increase in the local government sales tax rate in 2002. Specifically, the legislation moves forward by one month (September 15 to August 15) the payment date for the 2003 and 2004 hold harmless payments. It also allows the Department and Fiscal Research to update their hold harmless payment estimates between May 1 and the payment date. Finally, it states the General Assembly's intent to offer these payments from 2005 to 2012.

43A.1 Amends the existing property tax exclusion for property exclusively used to reduce or prevent cotton dust in textile plants in accordance with OSHA standards. This provision provides that if parts of a ventilating or air conditioning system are integrated with the cotton dust equipment, the entire system benefits from the tax exclusion, except for the chillers and cooling towers. Because it apparently reflects the current practice in some counties, the provision will be effective when it becomes law. No fiscal estimate is possible, but the impact is expected to be small.

- 45.1 Makes changes to the sales and use tax statutes to bring North Carolina into conformity with the Streamlined Sales Tax Agreement.

Uniform local sales tax base. – To conform to the Agreement, the base must be consistent. This part finesses the non-uniform local base effective October 1, 2003, by stating that the taxes will be administered as if the local tax on food were zero and the State had a 2% tax on food. This complies with Streamline without changing the amount of tax. The State will collect and distribute the 2% local tax on food. The distribution with respect to food tax proceeds will be in proportion to other local sales tax proceeds rather than based on the actual county of collection.

Definitions. – To conform to the Agreement, the bill modifies and defines the following terms: computer, computer software, custom computer software, prewritten computer software, delivered electronically, load and leave, direct mail, drug, durable medical equipment, electronic, lease or rental, mobility enhancing equipment, over-the-counter drug, prepared food, prescription, prosthetic device, and tangible personal property. (The specific definitional changes are outlined in the General Fund portion of this document). No significant fiscal impact is expected, although there could be some small revenue gain related to computer related definition changes.

Uniform sourcing rules. – North Carolina adopted many of the uniform sourcing principles in 2001. The bill codifies additional sourcing principles for periodic rental payments. The codified principles reflect current practice and will result in no fiscal change.

Sales tax holiday. – After December 31, 2003, the Agreement sets forth certain conditions that sales tax holidays must meet. Effective October 1, 2003, printers, printer supplies, and educational computer software will not be subject to the sales tax holiday exemption. However, it extends the sales tax holiday exemption to layaway sales.

House Bill 1030, Chapter 379
Handgun Permit Fee/ Retired Law Officers

- Summary:** Reduces the concealed handgun permit application and renewal fee by \$35 for law enforcement officers who are both retired and left their positions in good standing. The reduced fee paid by the officer would be remitted to the Department of Justice to cover the cost of processing the State and criminal background checks performed in connection with processing applications. The officer would still pay the \$10 fingerprinting fee.
- Effective Date:** Effective September 1, 2003, and would apply to applications and renewals submitted on or after that date.
- Fiscal Effect:** This legislation would waive the \$35 portion of the application and renewal permit fees retained by county governments for qualified retired law enforcement officers. The number of retired law enforcement officers (LEOs) who have applied for new or renewed concealed handgun permits is unknown. In 2002, 499 state and local law enforcement officers and former officers retired. The maximum revenue loss (\$17,500) from new retirees would occur if all 500 officers currently apply, upon or after retirement, for concealed handgun permits. As of April 2003, there were 6,434 retired state and local LEOs in North Carolina. If all retired LEOs have concealed handgun permits, then on average there could be 1,290 renewal applications each year over the next five years. That would equal a loss of \$45,150 each year for local governments.

House Bill 972, Chapter 399
Property Tax Certification Procedures

- Summary:** Authorizes the governing body of a county or a city to adopt an ordinance allowing a person to rely on information as to the amount of taxes due on real property obtained from the taxing unit's internet website to the same extent as a written certification issued by the tax collector.
- Effective Date:** Effective on August 7, 2003.
- Fiscal Effect:** No fiscal impact.

House Bill 1006, Chapter 400
Manufactured Housing

- Summary:** Makes several changes to the laws on manufactured housing that impact local governments. Sections 1 and 3 change a manufactured home owner's options for title surrender if a 20 year or greater lease is involved and file an appropriate declaration with the Register of Deeds. Section 4 clarifies that manufactured homes with a lease of at least 20 years are real property for tax purposes. Sections 9 through 13, in total, increase the sales tax on modular homes to 2.5%, earmark 20% of the proceeds of the sales tax for local governments, and eliminate the \$300 cap on the sales tax levied on these homes.
- Effective Date:** Sections 5, 6, and 7 become effective October 1, 2003. Sections 8 through 17 become effective January 1, 2004 and apply to sales of modular homes on and after that date. The remainder is effective when law.
- Fiscal Effect:** The legislation increases the tax on modular homes. Under previous law "on-frame" homes were taxed at the rate of 2%, with a maximum tax of \$300 per section, while "off-frame" modular homes were taxed at the general sales tax rate of 7%, with the tax applying to the materials used to create the home. The bill removes this tax distinction and instead taxes the sales price of both types of modular homes at a 2.5% rate, with no cap. It also requires that 20% of the state proceeds be distributed to local units. The five year fiscal impact to the state and local governments is as follows:

	<u>FY 2003-04</u>	<u>FY 2004-05</u>	<u>FY 2005-06</u>	<u>FY 2006-07</u>	<u>FY 2007-08</u>
REVENUES					
General Fund	579,425	1,279,488	1,279,488	1,279,488	1,279,488
Local Govts.	59,125	119,712	119,712	119,712	119,712

It should be noted that these numbers assume that 70% of current modular homes are sold "on-frame." If the actual "on-frame" percentage is below approximately 50%, the state will see a net loss. In addition, if growth in the "on-frame" home market occurs at a faster rate than the "off-frame" market, the state would also see a revenue loss.

Senate Bill 725, Chapter 403
Local Option Project Development Financing

- Summary:** The legislation allows the voters of the State to consider a constitutional amendment allowing the General Assembly to authorize counties and cities to borrow money to finance the public portion of economic development projects within a defined area. The vote will be held in November 2004. If the constitutional amendment is approved and action is authorized by the General Assembly, no local vote would be required to authorize specific projects.
- Effective Date:** Effective on August 7, 2003.
- Fiscal Effect:** This approach, traditionally known as "Tax Increment Financing" or TIF, uses the expected growth (or increment) in property tax revenues from a designated geographic area to finance bonds used to pay for developments calculated to spur growth in that district. This financing mechanism cannot be used currently in North Carolina without constitutional amendment, as the constitution requires a vote of the people on all bond issuances secured by property tax revenue. The bill notes that the land area of the TIF district cannot exceed 5% of the land area of the local jurisdiction – county or city – issuing the TIF. The legislation also requires creation of a "development financing plan" for the district, outlining the projects to be financed, how the bond proceeds will be used, the benefit to the community, a commitment to adhere to a wage standard (with some exceptions), and an environmental review. The Local Government Commission must approve the districts and plans. They must also find that the bond issue is necessary to secure significant new development and that the development would not likely occur without the bond. Bond proceeds may be used to financing parking facilities, sewer systems, solid waste disposal systems, storm sewers, flood control, water systems, street improvements, public transportation facilities, land development, and redevelopment. Bonds are secured by a special fund of property taxes paid on the increased valuation in the district. Additional security can be provided by a pledge to sell public property in the development district. Local units can also pledge other revenues as long as it does not constitute a pledge of that jurisdiction's taxing power.

Because the legislation only affects the financing options available to local governments, there is no General Fund revenue impact. The legislation does affect local governments, but only so far as to give them an additional financing tool, should the voters approve the amendment.

The bill has the potential to affect two state agencies, the NC Board of Election and the Local Government Commission. The State Board's reimbursement to the counties for the legal notices for referendum elections is approximately \$100,000 (100 counties x \$1,000 average county cost). The cost to the Local Government Commission relates to the requirement that the LGC approve all TIF applications. neither the Commission nor the Fiscal Research Division can estimate the number of applications for bond issuances that will result from the additional authority granted to local governments to finance development by issuing tax increment financing bonds. Therefore, we cannot estimate the time and effort requirements of the Commission for completing the statutorily required review of the applications.

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	14,355.1		1,900.0	7,676.5	2,371.0	26,302.7
2003-04	14,775.1		2,127.7	8,465.8	2,522.7	27,891.3
2004-05	15,505.3		2,451.7	8,903.3	2,599.7	29,460.0

*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

			Less: Adjustments to Total Authorizations						
Fiscal Year	Total Authorizations *	% Change vs. Prior Year	Capital Improvements		Rainy Day/ Savings Reserve		Total Adjustments	Total Current Operations	% Change vs. Prior Year
			Direct	Earmarking	Direct				
			Appropriations Includes FRS	of Unreserved Credit Balance	Appropriations	Other			
1970-1971	981,127,808			0	0	0	0	981,127,808	
1971-1972	1,138,180,763	16.01%	64,891,192	0	0	0	64,891,192	1,073,289,571	9.39%
1972-1973	1,187,443,130	4.33%		0	0	0	0	1,187,443,130	10.64%
1973-1974	1,712,516,853	44.22%	191,822,446	0	0	0	191,822,446	1,520,694,407	28.06%
1974-1975	1,791,783,009	4.63%	93,365,337	0	0	0	93,365,337	1,698,417,672	11.69%
1975-1976	1,766,321,933	-1.42%	28,662,437	0	0	0	28,662,437	1,737,659,496	2.31%
1976-1977	2,008,072,901	13.69%	45,096,295	0	0	0	45,096,295	1,962,976,606	12.97%
1977-1978	2,224,738,340	10.79%	31,332,626	0	0	0	31,332,626	2,193,405,714	11.74%
1978-1979	2,578,019,913	15.88%	126,008,818	0	0	0	126,008,818	2,452,011,095	11.79%
1979-1980	2,835,367,553	9.98%	84,378,719	0	0	0	84,378,719	2,750,988,834	12.19%
1980-1981	3,255,104,769	14.80%	104,141,290	0	0	0	104,141,290	3,150,963,479	14.54%
1981-1982	3,432,556,046	5.45%	30,861,142	0	0	0	30,861,142	3,401,694,904	7.96%
1982-1983	3,626,915,248	5.66%	65,772,358	0	0	0	65,772,358	3,561,142,890	4.69%
1983-1984	3,857,564,088	6.36%	59,782,244	0	0	25,800,000 A	85,582,244	3,771,981,844	5.92%
1984-1985	4,532,103,411	17.49%	212,535,238	0	0	0	212,535,238	4,319,568,173	14.52%
1985-1986	5,130,563,978	13.20%	253,503,234	0	0	0	253,503,234	4,877,060,744	12.91%
1986-1987	5,531,345,878	7.81%	297,667,245	0	0	0	297,667,245	5,233,678,633	7.31%
1987-1988	5,978,265,764	8.08%	173,020,035	0	0	0	173,020,035	5,805,245,729	10.92%
1988-1989	6,561,392,895	9.75%	258,659,030	0	0	0	258,659,030	6,302,733,865	8.57%
1989-1990	7,266,680,455	10.75%	150,092,738	0	0	0	150,092,738	7,116,587,717	12.91%
1990-1991	7,973,824,802	9.73%	106,400,195	0	141,000,000	0	247,400,195	7,726,424,607	8.57%
1991-1992	7,825,732,308	-1.86%	0	0	400,000	0	400,000	7,825,332,308 B	1.28%
1992-1993	8,209,537,916	4.90%	95,205,570	0	0	0	95,205,570	8,114,332,346 C	3.69%
1993-1994	9,317,906,610	13.50%	135,371,704	57,000,000	0	0	192,371,704	9,125,534,906	12.46%
1994-1995	10,268,424,627	10.20%	189,391,450	60,000,000	66,700,000	0	316,091,450	9,952,333,177	9.06%
1995-1996	10,031,584,878	-2.31%	113,522,500	125,000,000	0	0	238,522,500	9,793,062,378	-1.60%
1996-1997	10,654,778,229 E	6.21%	157,267,000	0 D	0	47,100,000 F	204,367,000	10,450,411,229	6.71%

Total General Fund Authorizations as Adjusted to Determine Total Current Operations

			Less: Adjustments to Total Authorizations							
			Capital Improvements		Rainy Day/ Savings Reserve					
Fiscal	Total	% Change	Direct	Earmarking					Total	% Change
Year	Authorizations *	vs. Prior	Appropriations	of Unreserved	Direct		Total		Current	vs. Prior
		Year	Includes FRS	Credit Balance	Appropriations	Other	Adjustments		Operations	Year
1997-1998	11,635,189,516 G	9.20%	152,991,120	174,260,955	0	49,354,893 H	376,606,968		11,258,582,548	7.73%
1998-1999	13,111,623,293	12.69%	192,199,500	145,000,000	0	447,397,819 I	784,597,319		12,327,025,974	9.49%
1999-2000	14,237,669,453	8.59%	77,059,168	90,000,000 J	0	629,000,000 K	796,059,168		13,441,610,285	9.04%
2000-2001	14,383,516,932	1.02%	114,974,172 L	0	120,000,000	270,000,000 M	504,974,172		13,878,542,760 N	3.25%
2001-2002	14,863,745,843	3.34%	157,936,000	0	0	0 O	157,936,000		14,705,809,843 N	5.96%
2002-2003	14,351,822,876	-3.44%	31,158,000		0	0	31,158,000		14,320,664,876	-2.62%
2003-2004	14,826,122,783	3.30%	27,601,000	15,000,000	0	0	42,601,000		14,783,521,783	3.23%

* Includes Local Government Shared Revenues/Reimbursements

Notes:

- A \$25.8 million transferred to the Highway Fund
- B Amount shown is net after transfer of \$6.6 million to EHNR operating budget
- C Amount shown is net after transfer of \$4.4 million to EHNR operating budget
- D 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
- E Adjusted to reflect supplemental appropriation for Community Colleges for 1996-97 as appropriated by the 1997 Session
- F \$47.1 million for the Clean Water Management Trust Fund and Wetlands Restoration Fund earmarked from year-end credit balance
- G Adjusted to reflect Year 2000 Conversion appropriation made for 1997-98 by 1998 Session
- H \$49.4 million for the Clean Water Management Trust Fund earmarked from year-end credit balance
- I Includes \$400 million for Bailey/Emory/Patton Reserve and \$47.4 million for Clean Water Management Trust Fund earmarked from year-end credit balance
- J Originally \$150 million but \$60 million was transferred to the Hurricane Floyd Disaster Relief Fund; this redirection of funds does not affect current operations amount
- K Includes \$399 million for Bailey/Emory/Patton Reserve; \$200 million for Intangibles Settlement Reserve; and \$30 million for Clean Water Management Trust Fund earmarked from year-end credit balance
- L Includes \$100 million direct appropriation to R & R, due to insufficient year-end credit balance for earmarking
- M Includes \$240 million transfer to the Reserve for Intangibles Tax Settlement effective June 30, 2000 and \$30 million direct appropriation to Clean Water Management Trust Fund, due to insufficient year-end credit balance for earmarking
- N Amounts for the 2000-2001 and 2001-2002 fiscal years differ from amounts published in the Overview document for the 2000 and 2001 Sessions. The amounts shown for "Total Authorizations" and "Total Current Operations" have been revised.
- O Effective July 1, 2001, the General Assembly established an annual General Fund appropriation for the Clean Water Management Trust Fund; as such funding for this program is included in the Total Current Operations amount for the 2001-02 and all subsequent fiscal years.

Earmarking of the Unreserved Credit Balance by Fiscal Year
(Includes Earmarkings / Transfers / Appropriations Directly from Year End Balance)

June 30th		Statutory Earmarkings, Transfers and Appropriations of Year-end Credit Balance							Unreserved
Fiscal Year	Unreserved Credit Balance b/f Earmarking	Savings	Repairs &	Clean Water	Appropriation				Unreserved
		Reserve	Renovations	Management	Tax Relief/	Other	of	Credit Balance	
		Account	Account	Trust Fund	M Tax Refunds	Earmarking	Reversions	Total	for Subsequent FY Beginning July 1st
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 A	146,305,569 B	0	28,100,000 C		0	387,411,138	292,611,137
1995-96	726,581,754	77,342,026	130,000,000	47,100,000 D	26,200,000 E	0	39,803,567 F	320,445,593	406,136,161
1996-97	759,306,050	0	174,260,955	49,354,893	156,000,000 G	61,000,000 H	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 J	55,027,680 I	668,994,402	115,230,488
1998-99	514,756,178	0	150,000,000	31,054,152	0	0	37,000,000 K	218,054,152	296,702,026
1999-00	3,869,243	967,311	2,901,932	0 L	0	0	0	3,869,243	0
2000-01	6,350,587	0	0	0 M		6,350,587 N	0	6,350,587	0
2001-02	3,785,997 O	0	0	0				0	25,000,000 O
2002-03	415,543,840 P	150,000,000	15,000,000	0	0	0	0	165,000,000	250,543,840 P

Notes:

- A Includes direct transfer to the Savings Reserve Account of \$66,700,000
- B 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.
- C Reserve for Future Tax Relief
- D \$9.2 million was transferred to the Wetlands Restoration Fund in accordance with Section 27.6(d) of Chapter 18 of the 1996 Extra Session Laws
- E Reserve for Federal Retirees Refund (\$25 million) and Federal Retiree Administration (\$1.2 million)
- F 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)
- G Reserve for Intangible Tax Remedy/Refunds
- H Investment in NC Railroad stock
- I Appropriation of 1997-98 reversions for FY 1997-98 in accordance with Section 9, SL 1998-212
- J Bailey/Emory/Patton Reserve
- K Appropriation of 1998-99 reversions for Aquariums capital improvement, \$30 million; Warren County Landfill, \$7 million
- L Year-end credit balance insufficient for earmarking; General Assembly appropriated \$30 million directly to the Clean Water Management Trust Fund
- M Effective July 1, 2001, the General Assembly repealed the required earmarking of the year end credit balance for the Clean Water Management Trust Fund and established an annual appropriation for the trust fund.
- N Transferred to the Reserve for Disaster Relief
- O June 30th credit balance per the Office of State Budget and Management. The beginning unreserved credit balance recognized by the General Assembly and included in General Fund availability for the 2002-03 fiscal year is \$25 million, as specified in Section 2.2(a) of SL 2002-126
- P June 30th unreserved credit balances per the Office of State Budget and Management and Office of the State Controller. The unreserved credit balances recognized by the General Assembly prior to and after earmarkings were \$409.2 million and \$244.2 million, respectively.

Savings Reserve Account at Fiscal Year Ending June 30th

(Earmarking Limited to 25% of the Year-end Unreserved Credit Balance or the Amount Required to Reach the Cap if Less than 25%)

Fiscal Year	Prior Fiscal Year Current Operations Appropriation* (Base for Calculations see pages P-2 and P-3)	Statutory Cap	Unreserved Credit Balance at Fiscal Year-end June 30th	Current Year Earmarking / Appropriation to Savings Reserve	Withdrawal from Savings Reserve	Balance Savings Reserve Account
		5% of Prior Fiscal Year Operations Appropriation				
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	21,568,899	0	522,520,561
1998-1999	11,258,582,548 E	562,929,127	515,077,350	0 F	(200,000,000) G	322,520,561
1999-2000	12,327,025,974 H	616,351,299	3,869,243	967,311	(285,965,824) I	37,522,048
2000-2001	13,441,610,285	672,080,514	6,350,587	120,000,000 J		157,522,048
2001-2002	13,878,542,760	693,927,138	3,785,997 M, N	90,000,000 K	(247,522,048) L	0
2002-2003	14,705,809,843	735,290,492	415,543,840 O	150,000,000		150,000,000
2003-2004	14,320,664,876	716,033,244	?			

**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 appropriated from the Savings Reserve Account to comply 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 appropriated from the Savings Reserve Account to the Hurricane Floyd Reserve Fund (Office of State Budget Disaster Relief Fund)
- J Funds appropriated directly to the Savings Reserve Account, due to insufficient year-end credit balance for earmarking
- K Includes funds credited directly to the Savings Reserve Account from anticipated revenues, due to insufficient year-end credit balance for earmarking. Includes \$181 million credited per SL 2001-424, Appropriations Act and \$750,000 per S: 2001-514, Turfgrass Research. Due to a revenue shortfall during the 2001-02 fiscal year, the Director of the Budget credited only \$90 million to the Savings Reserve Account.
- L \$8,180,351 transferred to terrorism defense initiatives and \$239,341,697 transferred to General Fund availability to cover revenue shortfall as authorized by the General Assembly
- M June 30th credit balance per the Office of State Budget and Management. The beginning unreserved credit balance recognized by the General Assembly and included in General Fund availability for the 2002-03 fiscal year is \$25 million, as specified in Section 2.2(a) of SL 2002-126.
- N The General Assembly directed that no funds be credited to the Savings Reserve Account from the FY 2001-02 year-end credit balance.

Actual Tax Revenues Collected by Major Schedules

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
2001-02	7,134,629,832	409,322,539	7,543,952,371	3,705,769,832	446,270,680	104,750,885	174,644,725	340,785,358	41,531,347	1,855	86,953,961	12,444,661,014
2002-03	7,088,526,873	840,499,824	7,929,026,697	3,922,821,877	429,128,005	112,504,407	170,896,551	408,873,354	41,998,713	0	101,981,180	13,117,230,784

Authorized and Actual Revenue Collections by Fiscal Year

Includes Tax and Non-tax Revenues

(Amounts shown in Thousands)

Fiscal Year	Authorized							Actual Collections							Overcollections					
	Tax Revenue	Non-tax Revenue	Hwy Fund & Other	Federal Revenues	Hwy Trust Transfer	Total	% of Change	Tax Revenue	Non-tax Revenue	Hwy Fund & Other	Federal Revenues	Hwy Trust Transfer	Total	% of Change	Tax Revenue	Non-tax Revenue	Other	Federal Revenues	Hwy Trust Transfer	Total
1970-71	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
1971-72	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
1972-73	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
1973-74	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
1974-75	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)
1975-76	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)
1976-77	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
1977-78	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
1978-79	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
1979-80	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
1980-81	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
1981-82	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)
1982-83	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)
1983-84	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
1984-85	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
1985-86	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
1986-87	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
1987-88	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
1988-89	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)
1989-90	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)
1990-91	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)
1991-92	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)
1992-93	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
1993-94	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
1994-95	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
1995-96	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
1996-97	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
1997-98	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
1998-99	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
1999-00	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)
2000-01	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)
2001-02	13,956,100	463,700	14,500	107,000	171,700	14,713,000	5.24%	12,444,661	416,558	366,682 B	110,404	171,700	13,510,005	0.43%	(1,511,439)	(47,142)	352,182	3,404	0	(1,202,995)
2002-03	13,314,920	417,141	113,738 C	107,000	377,400	14,330,199	-2.60%	13,117,231	378,857	265,578 D	107,000	377,400	14,246,066	5.45%	(197,689)	(38,284)	151,840	0	0	(84,133)

Notes:

A: This figure includes monies that were transferred from various budget codes in order to help balance the budget. Transfers to "Other Revenues" include: 1) \$2.7 million from interest on tobacco, 2) \$22.2 million from capital reversions, and 3) \$147.9 million from Gov. Easley escrow. In the absence of these transfers, the General Fund revenue shortfall for this year totals \$701.7 million.

B: This figure includes monies that were transferred from various budget codes in order to help balance the budget. Transfers to "Other Revenues" include: 1) \$4.4 million from capital reversions, and 2) \$347.8 million from Gov. Easley escrow. In the absence of these transfers, the General Fund revenue shortfall for this year totals \$1.555 billion.

C: This figure includes \$40 million in funds diverted from the Tobacco Trust Fund, \$38 million in funds diverted from the Health and Wellness Trust Fund, and \$20.4 million transferred from various special funds.

D: This figure includes \$136.9 million in non-recurring federal Jobs and Growth Tax Relief Reconciliation Act of 2003 funds.

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		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%	
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%	

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		Amount	Percent	Amount	Percent
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%	
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%	

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						
			Amount	Percent	Amount	Percent	Amount	Percent	as a % of Total	Amount	Percent	Amount	Percent
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%	
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%	

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
2001-02	Authorization	14,372,409,843	5,922,450,405	41.2%	650,075,770	4.5%	1,801,953,447	12.5%	58.3%	3,403,041,641	23.7%	2,594,888,580	18.1%
	Expenditure	13,708,199,020	5,815,381,127	42.4%	603,705,902	4.4%	1,647,270,569	12.0%	58.8%	3,273,742,131	23.9%	2,368,099,291	17.3%
	Reversion	664,210,823 H	107,069,278	16.1%	46,369,868	7.0%	154,682,878	23.3%	46.4%	129,299,510	19.5%	226,789,289	34.1%
	% Unexpended	4.62%	1.81%		7.13%		8.58%			3.80%		8.74%	
2002-03	Authorization	14,323,937,462	5,932,964,494	41.42%	667,345,336	4.7%	1,769,913,435	12.4%	58.4%	3,591,717,953	25.1%	2,361,996,244	16.5%
	Expenditure	13,824,364,493	5,872,954,662	42.48%	620,183,204	4.5%	1,686,217,160	12.2%	59.2%	3,346,742,225	24.2%	2,298,267,242	16.6%
	Reversion	499,572,969 H	60,009,832	12.01%	47,162,132	9.4%	83,696,275	16.8%	38.2%	244,975,728	49.0%	63,729,002	12.8%
	% Unexpended	3.49%	1.01%		7.07%		4.73%			6.82%		2.70%	

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 totals higher for FY 2000-01, 2001-02 and 2002-03 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	P 32,936,000	0 O	0	0	32,936,000
2002-03	31,158,000	0	0	0	31,158,000
2003-04	27,601,000	15,000,000	0	541,590,000 Q	584,191,000

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
- O Original appropriation of \$125 million was used by Governor to offset revenue/budgetary shortfall
- P Does **not** reflect the reversion of \$4.4 million in prior year capital appropriations to offset the revenue/budgetary shortfall
- Q Special indebtedness authorized includes \$300 million for Repairs & Renovations, \$234.5 million (estimate) to lease purchase 3 new prisons, \$6.78 million for planning and design costs associated with constructing youth development centers, and \$310,000 for a structural pest training center.

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.

North Carolina Annual Debt Service
(Principal and Interest)

Fiscal Year	General Fund	Highway Fund	Total Debt Service	Total Per Capita	G.F. Debt Service 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%

North Carolina Annual Debt Service
(Principal and Interest)

Fiscal Year	General Fund	Highway Fund	Total Debt Service	Total Per Capita	G.F. Debt Service as a % of G.F. Revenue
2000-01	254,819,455	26,857,175	281,676,630	34.88	1.9%
2001-02	302,612,023	26,106,800	328,718,823	40.06	2.3%
2002-03	249,927,333	25,356,425	275,283,758	33.07	1.8%

Projected as of September 2003

2003-04	400,152,198	24,606,050	424,758,248	50.06	2.7%
2004-05	401,502,606	23,855,675	425,358,281	49.26	2.6%
2005-06	399,971,241	23,105,300	423,076,541	48.17	2.6%
2006-07	389,468,406	22,354,925	411,823,331	46.10	2.3%

North Carolina Bond Indebtedness
(Includes General Obligation Bonds and Certificates of Participation)

Fiscal Year	General Fund	Highway Fund	Total Bond Indebtedness	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%	1.7%
1979-80	574,750,000	179,000,000	753,750,000	127.86	20.2%	1.5%
1980-81	544,200,000	219,000,000	763,200,000	128.15	18.0%	1.4%
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%	1.5%
1983-84	589,200,000	290,000,000	879,200,000	142.62	14.9%	1.2%
1984-85	548,500,000	272,500,000	821,000,000	131.26	12.1%	1.0%
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%	0.8%
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%	0.6%
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%	0.8%
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%

North Carolina Bond Indebtedness
(Includes General Obligation Bonds and Certificates of Participation)

Fiscal Year	General Fund	Highway Fund	Total Bond Indebtedness	Total Per Capita	G.F Debt as a % of G.F. Revenue	As a % of Personal Income
2000-01	2,832,409,153	199,975,000	3,032,384,153	375.47	21.3%	1.4%
2001-02	3,274,944,986	183,300,000	3,458,244,986	421.44	24.9%	1.5%
2002-03	3,892,442,828	166,625,000	4,059,067,828	487.64	27.6%	1.7%

Projected as of September 2003

2003-04	7,122,187,828	866,625,000	7,988,812,828	941.43	44.9%	3.2%
2004-05	6,906,659,379	849,950,000	7,756,609,379	883.06	42.5%	3.0%
2005-06	6,647,071,426	818,525,000	7,465,596,426	849.93	38.2%	2.7%

**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
2002-03	91.05 ^c	4.19
2003-04	91.35 ^d	4.15

^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.

^c No across-the-board salary increases were funded by the General Assembly for employees in the 2002-03 fiscal year except for the salary step increases funded for teachers and school-based administrators.

^d No across-the-board salary increases were funded by the General Assembly for employees in the 2003-2004 fiscal year except for the salary step increases funded for teachers and school-based administrators and a one-half percent (.5%) average salary increase for Community College faculty and professional staff.

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)
2002-03	-0-	0.0% to 5.85% (1.84% average)
2003-04	-0-	1.42% to 5.86% (1.81% 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.

AVERAGE SALARY OF EMPLOYEES SUBJECT TO THE PERSONNEL ACT

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
2001-02	33,474
2002-03	33,556

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.**

