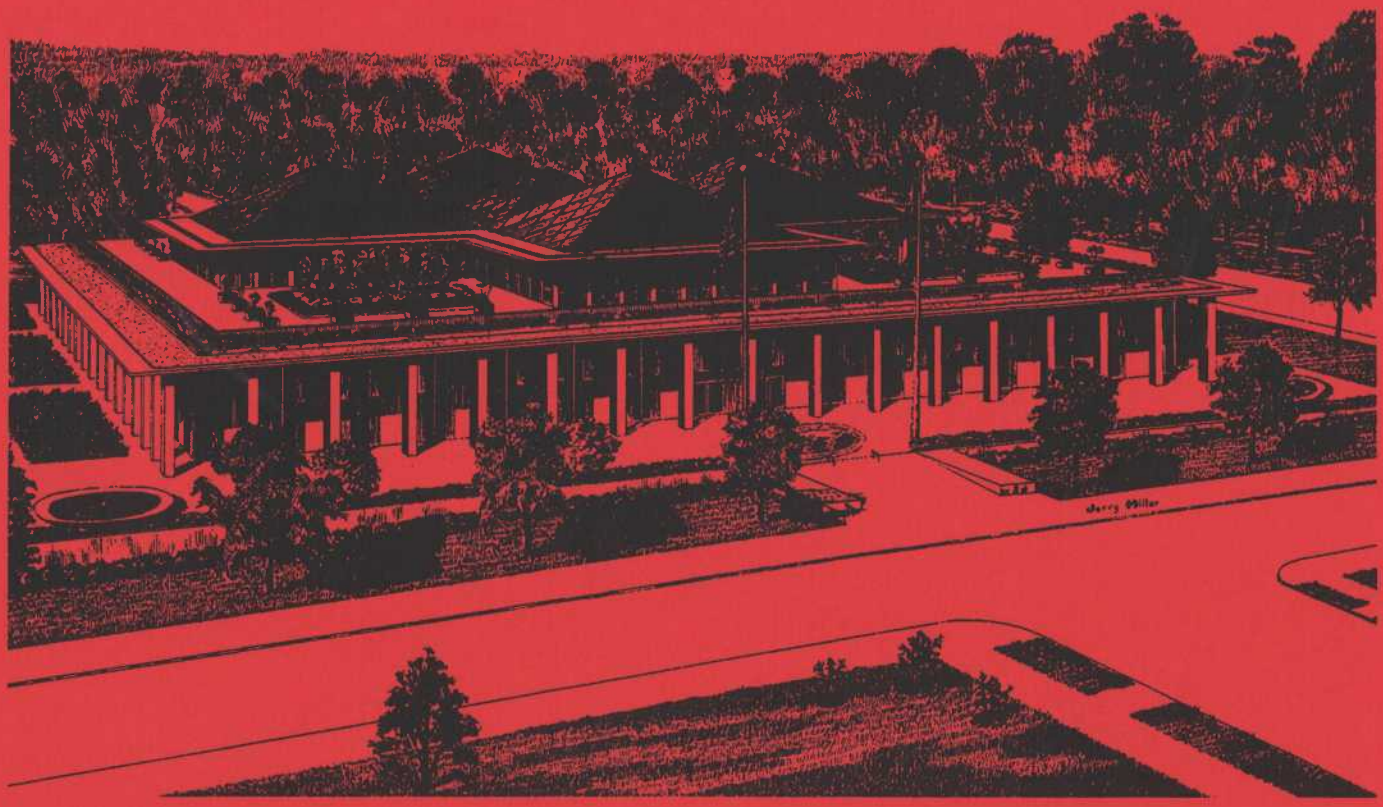
[redacted]



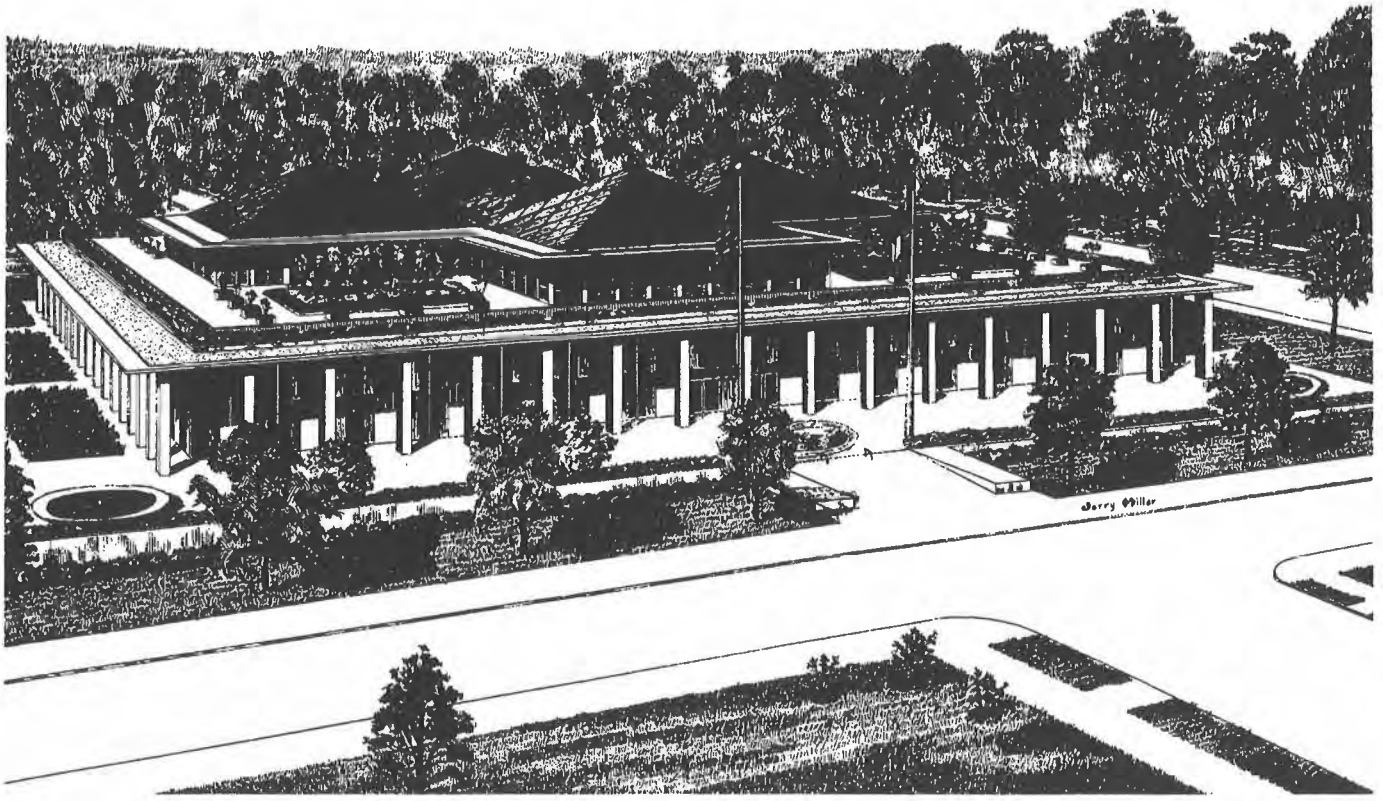
OVERVIEW:

FISCAL AND BUDGETARY ACTIONS NORTH CAROLINA GENERAL ASSEMBLY

2004 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

2004 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	Analysts
Budget Development	
Appropriations Bill Coordination	Mona Moon - Senate
Governmental Operations	Jennifer Hoffmann - Senate
Capital Budgeting/Planning	Lynn Muchmore - House
State Lands/Building	Karen Hammonds-Blanks - House
Salaries and Benefits	Sam Byrd Stanley Moore Mark Trogdon
General Government	
Administration	Michele Nelson
Administrative Rules Review Commission	Marilyn Chism
Board of Elections	Kathie Austin
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	Jim Mills
Crime Control & Public Safety	Denise Thomas
Judicial	Doug Holbrook
Justice	Chloe Gossage

Departments/Coverage	Analysts
Health and Human Services	
Department of Health and Human Services	Carol Shaw Lisa Hollowell Jim Klingler
Natural and Economic Resources	
Department of Environment, and Natural Resources	Kelly Huffstetler
Department of Agriculture	Jennifer Haygood
Department of Commerce	Susan Morgan
Department of Labor	
Transportation	Evan Rodewald Bob Weiss
Education	
Department of Public Instruction	Adam Levinson Richard Bostic
UNC-Board of Governors	Charlotte Todd
Community Colleges	Kristine Leggett
Higher Ed Bond Oversight	
Economy and Taxation	
Revenue Estimates	
Finance Committees	David Crotts
Revenue Laws Study Committee	Linda Millsaps
Economic Issues	Martha Walston
State Bond Proposals	
Fiscal Trends Commission	
Support Staff	
Word Processing	Agnes Perry
Graphics, Databases,	Debora Bridgers
Spreadsheet Preparation	Bonnie Trivette

TABLE OF CONTENTS

Page

JUSTICE AND PUBLIC SAFETY (CONTINUED)

Page

APPENDIX (CONTINUED)

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.

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

		2004-2005
1	Unappropriated Balance Remaining from FY 2003-04	145,664,254
2	Projected Reversions from FY 2003-2004	150,000,000
3	Projected Over Collections from FY 2003-2004	235,100,000
4	Additional FY 2003-2004 Appropriations (HB 1352)	(64,100,000)
6	**Year-End Unreserved Credit Balance**	**466,664,254**
7		
8	Credit to Savings Reserve	(116,666,064)
9	Credit to Repairs and Renovations Reserve Account	(76,797,361)
10	**Beginning Unreserved Credit Balance FY 2004-2005**	**273,200,829**
11		
12	**Revenues Based on Existing Tax Structure**	**14,755,690,500**
13		
14	**Non-tax Revenues**	
15	Investment Income	86,020,000
16	Judicial Fees	136,730,000
17	Disproportionate Share	100,000,000
18	Insurance	53,900,000
19	Other Non-Tax Revenues	261,517,607
20	Highway Trust Fund Transfer	242,586,830
21	Highway Fund Transfer	16,166,400
22	**Subtotal Non-tax Revenues**	**896,920,837**
23		
24	**Total General Fund Availability**	**15,925,812,166**
25		
26	**Adjustments to Availability: 2004 Session**	
27	HB 1430 (Internal Revenue Code Conformity) Conference Report	(2,600,000)
28	HB 1303 (Reduce Privilege and Excise Taxes) Conference Report	(2,950,000)
29	Sales Tax Refunds and Exemptions	(5,200,000)
30	Research and Development Tax Credit	(4,500,000)
31	Qualified Business Investment Tax Credit	0
32	Tobacco Payments Decline - Tobacco Trust Fund	(5,000,000)
33	Transfer from Fire Safety Loan Fund	250,000
34	Transfer from Veteran's Home Trust Fund	500,000
35	Transfer from Office of State Controller, Budget Code 24160	2,180,000
36	HB 1264 (Finance Vital Projects) Conference Report, Reimburse Debt Service	5,380,000
37	Adjust Transfer from Insurance Regulatory Fund	4,062,654
38	Adjust Transfer from Treasurer's Office	424,708
39		
40	**Subtotal Adjustments to Availability: 2004 Session**	**(7,452,638)**
41		
42	**Revised General Fund Availability for 2004-2005 Fiscal Year**	**15,918,359,528**
43		
44	**Less: Total General Fund Appropriations for 2004-2005 Fiscal Year**	**(15,918,359,528)**
45		
46	**Unappropriated Balance**	**0**

Summary of Total State Budget
by Source of Funds
2004-2005 Fiscal Year

	FY 2004-05 ($ millions)	FY 2004-05 percentage
General Fund		
Current Operations	$15,868.7	53.37%
Capital Improvements/Other	49.7	0.17%
Subtotal General Fund Budget	15,918.4	53.54%
Highway Fund/Highway Trust Fund	2,169.6	7.30%
Federal Funds	8,967.1	30.16%
Departmental Receipts	2,677.5	9.01%
Total State Budget -- All Sources	**$29,732.6**	**100.00%**

Source: Office of State Budget and Management

Summary of Total State Budget by Agency and Appropriations Subcommittee
2004-05 Fiscal Year

Subcommittee/Agency	General Fund	Highway Trust/ Highway Fund	Other	Federal	Total
Education:					
Community Colleges	691,811,541	0	171,364,832	17,391,969	880,568,342
Public Schools	6,157,264,907	31,676,998	14,702,397	914,949,634	7,118,593,936
University System					
Appalachian State University	82,023,294	0	37,760,352	77,725	119,861,371
East Carolina University - Academic	123,220,240	0	63,643,708	145,900	187,009,848
East Caroline University - Health Services	43,143,527	0	2,109,800	0	45,253,327
Elizabeth City State University	22,668,410	0	4,202,257	48,400	26,919,067
Fayetteville State University	32,301,383	0	8,205,887	129,202	40,636,472
NC A & T State University	61,229,854	0	26,554,703	58,714	87,843,271
NC Central University	45,354,308	0	14,243,320	108,431	59,706,059
NC School of the Arts	19,040,428	0	7,800,361	14,550	26,855,339
NC School of Science and Math	11,976,912	0	422,786	0	12,399,698
NC State University - Academic	267,504,820	0	124,682,759	156,312	392,343,891
NC State University - Ag Extension Services	34,489,279	0	437,000	14,436,902	49,363,181
NC State University - Ag Research Services	44,071,499	0	2,434,864	7,894,241	54,400,604
UNC - Asheville	23,894,221	0	7,692,951	10,400	31,597,572
UNC - Chapel Hill Academic Affairs	191,134,729	0	128,216,967	246,671	319,598,367
UNC - Chapel Hill Area Health Education	43,931,518	0	0	0	43,931,518
UNC - Chapel Hill Health Affairs	152,119,564	0	31,668,274	0	183,787,838
UNC - Charlotte	99,568,966	0	55,623,126	80,000	155,272,092
UNC - Greensboro	92,814,645	0	38,568,218	111,798	131,494,661
UNC - Pembroke	31,591,778	0	7,609,794	27,968	39,229,540
UNC - Wilmington	57,019,213	0	32,531,106	71,575	89,621,894
Western Carolina University	51,237,108	0	16,039,697	148,874	67,425,679
Winston Salem State University	29,567,905	0	6,108,354	74,805	35,751,064
UNC - General Administration	41,806,335	0	9,000	0	41,815,335
UNC - Institutional Programs	134,020,067	0	24,000,000	0	158,020,067
UNC - Related Education Programs	104,369,563	0	0	1,458,525	105,828,088
UNC Hospitals	38,713,931	0	558,855,301	0	597,569,232
Subtotal UNC System	1,878,813,497	0	1,199,420,585	25,300,993	3,103,535,075
Subtotal Education	**8,727,889,945**	**31,676,998**	**1,385,487,814**	**957,642,596**	**11,102,697,353**
Health and Human Services:					
Aging and Adult Services	30,836,838	0	9,143,823	32,542,154	72,522,815
Blind, Deaf and Hard of Hearing	9,357,008	0	1,343,965	13,597,900	24,298,873
Child Development	267,135,693	0	806,000	292,596,939	560,538,632
Education Services	31,680,949	0	233,213	127,364	32,041,526
Facility Services	11,806,792	0	2,413,569	12,020,302	26,240,663
Medical Assistance	2,360,440,050	0	432,340,070	5,096,187,032	7,888,967,152
Mental Health/DD/SAS	574,460,825	0	39,660,030	87,037,834	701,158,689
NC Health Choice	62,032,822	0	0	174,344,847	236,377,669
Public Health	131,675,476	529,303	60,891,171	318,923,278	512,019,228
Social Services	183,467,320	0	456,196,033	608,742,304	1,248,405,657
Vocational Rehabilitation	39,355,564	0	2,066,055	66,946,879	108,368,498
Office of the Secretary	86,288,235	0	1,150,780	54,585,404	142,024,419
Subtotal Health and Human Services	**3,788,537,572**	**529,303**	**1,006,244,709**	**6,757,652,237**	**11,552,963,821**
Justice and Public Safety:					
Correction	948,637,385	0	10,415,355	0	959,052,740
Crime Control & Public Safety	32,051,637	136,526,134	4,838,326	13,783,733	187,199,830
Judicial	318,241,612	0	611,848	0	318,853,460
Judicial - Indigent Defense	82,019,451	0	8,159,340	0	90,178,791
Justice	72,213,779	0	5,695,637	1,217,234	79,126,650
Juvenile Justice & Delinquency Prevention	132,319,567	0	8,443,903	0	140,763,470
Subtotal Justice and Public Safety	**1,585,483,431**	**136,526,134**	**38,164,409**	**15,000,967**	**1,775,174,941**

Summary of Total State Budget by Agency and Appropriations Subcommittee
2004-05 Fiscal Year

Subcommittee/Agency	General Fund	Highway Trust/ Highway Fund	Other	Federal	Total
Natural and Economic Resources:					
Agriculture & Consumer Services	48,716,907	3,824,260	21,229,034	6,030,576	79,800,777
Commerce	33,884,038	0	33,287,713	242,630,626	309,802,377
Commerce - State Aid	29,858,087	0	0	0	29,858,087
Environment and Natural Resources	153,819,967	0	70,303,814	42,251,083	266,374,864
Clean Water Management Trust Fund	62,000,000	0	0	0	62,000,000
Labor	13,638,320	0	4,181,449	6,187,120	24,006,889
Subtotal Natural and Economic Resources	**341,917,319**	**3,824,260**	**129,002,010**	**297,099,405**	**771,842,994**
General Government:					
Administration	55,060,237	0	9,410,978	6,884,154	71,355,369
Auditor	10,093,801	0	50	0	10,093,851
Board of Elections	7,113,351	0	39,500	0	7,152,851
Controller	9,620,022	0	34,445	0	9,654,467
Cultural Resources	69,032,630	0	1,937,826	4,917,627	75,888,083
Cultural Resources - Roanoke Island Commission	1,636,559	0	0	0	1,636,559
General Assembly	44,049,987	0	978,000	0	45,027,987
Governor	4,869,205	0	175,065	0	5,044,270
Housing Finance Agency	6,475,945	0	100,000	37,242,359	43,818,304
Insurance	27,250,241	0	28,921,722	343,608	56,515,571
Insurance - Volunteer Safety Workers' Comp	866,000	0	1,564,413	170,725	2,601,138
Lieutenant Governor	631,379	0	0	0	631,379
Office of Administrative Hearings	2,502,273	0	120,014	0	2,622,287
Revenue	73,512,300	4,226,491	1,000	0	77,739,791
Rules Review Commission	307,269	0	0	0	307,269
Secretary of State	7,645,809	0	387,062	0	8,032,871
Special Boards & Commissions	0	0	3,592,250	0	3,592,250
State Budget & Management (OSBM)	4,617,537	0	500	0	4,618,037
State Budget & Management - Special Appropriations	5,343,382	0	0	0	5,343,382
Treasurer	8,002,492	0	161,019	0	8,163,511
Treasurer - Retirement for Fire & Rescue Squad Workers	8,146,179	0	0	0	8,146,179
Subtotal General Government	**346,776,598**	**4,226,491**	**47,423,844**	**49,558,473**	**447,985,406**
Transportation:	**11,174,744**	**1,923,272,659**	**6,708,387**	**890,114,395**	**2,831,270,185**
Debt Service:					
General Debt Service	425,414,203	69,589,925	64,500,000	0	559,504,128
Federal Reimbursement	1,616,380	0	0	0	1,616,380
Subtotal Debt Service	**427,030,583**	**69,589,925**	**64,500,000**	**0**	**561,120,508**
Reserves and Adjustments:					
Contingency and Emergency Reserve	5,000,000	0	0	0	5,000,000
Compensation Increases	305,450,000	0	0	0	305,450,000
Salary Adjustments	6,507,385	0	0	0	6,507,385
Retirement Rate Adjustments	163,719,000	0	0	0	163,719,000
Retiree Health Benefits	29,900,000	0	0	0	29,900,000
State Health Plan Reserve	150,325,000	0	0	0	150,325,000
Adjust Contributions to Various Benefit Plans	(19,230,100)	0	0	0	(19,230,100)
Job Development Incentive Grants	4,500,000	0	0	0	4,500,000
Mental Health/DD/SAS Trust Fund	10,000,000	0	0	0	10,000,000
Senate Bill 100 Compliance	(11,813,949)	0	0	0	(11,813,949)
Subtotal Reserves and Adjustments	**644,357,336**	**0**	**0**	**0**	**644,357,336**
Capital Improvements		**0**	**0**	**0**	
Water Resources Development Projects	26,492,000				26,492,000
Other Capital Projects	18,700,000				18,700,000
Subtotal Capital Improvements	**45,192,000**	**0**	**0**	**0**	**45,192,000**
Total State Budget (all sources)	**15,918,359,528**	**2,169,645,770**	**2,677,531,173**	**8,967,068,073**	**29,732,604,544**

BUDGETED POSITION SUMMARY

State of North Carolina
Full-time Equivalent Position Counts by GAAP Fund Type
(December 2003)

	General Fund (1)		Highway Fund		Enterprise	Institutional	Internal Service	Special	Trust	Total by
	Appropriated	Receipt	Appropriated	Receipt (2)	Fund	Fund	Fund	Fund	Fund	Sector
Government Sector										
State Government										
UNC System[3]	30,293.54	1,514.07	-	-	5,521.63	15,092.02	-	-	-	**52,421.26**
Justice and Public Safety	28,134.64	397.36	2,277.00	-	-	-	403.00	278.04	-	**31,490.04**
Health & Human Services	8,772.43	8,949.05	-	-	35.00	-	9.00	660.49	6.00	**18,431.97**
Transportation	-	-	8,001.88	6,215.63	-	-	-	-	-	**14,217.50**
Natural & Economic Resources	3,861.67	1,326.34	110.00	-	74.00	-	-	3,076.39	143.20	**8,591.60**
General Government	3,958.39	418.15	68.00	-	1.00	-	657.25	327.51	1.00	**5,431.30**
Education (State Administration)	445.77	176.93		-	-	-	-	-	10.05	**632.75**
Sub-total	**75,466.44**	**12,781.90**	**10,456.88**	**6,215.63**	**5,631.63**	**15,092.02**	**1,069.25**	**4,342.43**	**160.25**	**131,216.42**
Local Education										
Public Schools[3][4]	147,243.09	-	96.27	-	-	-	-	-		**147,339.36**
Community Colleges[3]	15,102.90	-	-	-	-	-	-	-		**15,102.90**
Sub-total	**162,345.99**	**-**	**96.27**	**-**	**-**	**-**	**-**	**-**	**-**	**162,442.26**
Total by GAAP Fund Type	**237,812.43**	**12,781.90**	**10,553.15**	**6,215.63**	**5,631.63**	**15,092.02**	**1,069.25**	**4,342.43**	**160.25**	**293,658.68**

Notes:

1) Salary Base includes 1,019 positions in Reserve budget codes.

2) Includes 5,690 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 2003.

ECONOMY AND REVENUES

2%
9%

ECONOMIC OUTLOOK AND GENERAL FUND REVENUES

2003-04 Experience

During the last fiscal year North Carolina experienced the first revenue surplus in a number of years. The primary reason had to do with the fact that the baseline revenue growth target used in developing the 2003-04 budget, 4.1%, was among the lowest in the U.S. Another factor was the absence of external shocks to the U.S economy that were experienced during 2001-02 (9/11, Anthrax scare,) and 2002-03 (build-up to Iraq invasion, SARS epidemic, financial scandals). Finally, the massive amount of federal monetary and fiscal assistance since 2001 practically guaranteed a recovery.

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

Actual Basis	**($Mil.)**
Actual Revenue	14,934.4
Less: Budgeted Revenue	-14,694.2
Revenue Difference	+ 240.2
Actual Growth Rate*	+5.9%
Budgeted Growth Rate*	+4.2%
Difference	+1.7%
"Economic" Basis**	
Actual Growth Rate	+ 5.8%
Budgeted Growth Rate	+4.1%
Difference	-1.7%

* Includes impact of 2001-03 session tax changes
**Adjusted for impact of 2001-03 revenue law changes and budget transfers.

The breakdown of the surplus by revenue schedule is shown on page C-7.

National Economic Outlook

After experiencing robust growth during the first half of the 2004 calendar year, the nation's economy in now working through what is commonly referred to as a "soft patch". This weakness is due to a combination of record energy prices (in actual dollars) and periodic warnings of potential terrorist activity. An additional issue has to do with the fact that the stimulus from three federal tax packages enacted in recent years is starting to run out.

It will be interesting to see how the current weakness affects the speed with which the Federal Reserve ratchets up interest rates. As recently as last winter many observers felt that the tenuous nature of the recovery would eliminate any rate hikes during 2004. Fed officials even confirmed this operating strategy in unusually candid public remarks.

However, strong growth during the first few months of the year led to a re-examination of the position last spring. After raising the benchmark federal funds rate from .75% to 1% on June 30 and to 1.25% in August, the Federal Reserve is now signaling additional rate hikes will take place at a "measured" pace. The message to be gleaned from the Fed's language is that future actions will depend on how the economic data falls out. The recent weakness may cause monetary officials to hold off on the anticipated September increase, especially in light of their pronouncements about the impact of high energy prices.

In any case, the die has been cast and rates will rise over the next couple of years. During the 1994 tightening short term borrowing rates rose from 3% to 6% in a 13-month period. Economy.com, the forecasting firm used by Fiscal Research, expects the rates to rise to 2.0% by the first quarter of 2005 and to top out at 5.0% during the first quarter of 2007. The forecasting firm used by the Office of State Budget and Management, Global Insight Inc., is also expecting a 2.0% rate by the end of this year, rising to 3.5% by 2006.

A continuing problem for the economy is the subpar recovery in jobs. This is due to a combination of the movement of jobs overseas and the reticence of employers to ramp up staffing levels in an atmosphere of uncertainty. 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	-8.6%	.7%	1.1%
2003	-6.1%	1.5%	.7%

A second issue has to do with the impact of higher energy prices on consumer spending. During the spring of 1999 gas prices in North Carolina rose from

around 80 cents per gallon in late winter to $1.00 by summer and to $1.25 in early 2000. Once motorists realized that the increase might be more than a temporary spike, they cut back on purchases of other items (except for vehicles).

One way to measure this impact is to look at gross state and local sales tax collections. After rising 8.6% for the second quarter of 1999, the rate of increase fell to 6.3% for the third quarter, 5.4% for the fourth quarter, and to 4.5% by the first quarter of 2000. This problem was compounded by the fact that heavy promotional activity by auto dealers propped up car sales. The net result of these factors meant that the additional dollars going to vehicle purchases and energy costs "crowded out" spending on other items.

So far the impact of higher energy prices in 2004 on the overall economy and retail sales has been muted. For one thing, the recovery in equity prices has enhanced the "paper wealth" of many investors. In addition, the substitution of natural gas and other energy sources for fuel oil has minimized the impact of higher fuel prices on manufacturing production costs and family budgets. A third factor is the cash received by homeowners who have refinanced their mortgages.

A concern is that financing for retail activity may be coming from additional credit card usage and such levels cannot be sustained indefinitely. A measure of this issue is the fact that unlike the 1992-94 recovery, sales tax collections are growing much faster than withholding tax receipts.

Due to this concern and the phase out of the impact of the 2001-03 federal tax cuts, the underlying national economic assumptions used in the budget reflect the expectation that growth will slow during the 2004-05 fiscal years. These assumptions are shown on the top half of the table on Page C-8.

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 15% of our nonagricultural employment is in manufacturing versus 11% for the U.S. A more important measure is the share of Gross State Product represented by manufacturing: 21% in North Carolina versus 16% for the nation.

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 due to the mild national economic slowdown and the kicking in 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 in these sectors 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. The only saving grace is that the loss of traditional jobs has been so great that these sectors exert a much smaller impact on the overall economy than in the past.

For the 2004-05 fiscal year, we are budgeting on the basis of a continued subpar economic recovery in North Carolina, both in terms of the absolute level and the normal growth premium relative to the U.S. This experience would be very different from the explosive growth in the state's economy during the last two recoveries.

The state-specific economic assumptions that support the 2004-05 General Fund revenue forecast are shown in the bottom section of the table on Page C-9.

General Fund Revenues

The most important revenue source for the General Fund is the personal income tax. This tax now amounts to 52% of total revenues. The biggest source of taxable income is wages and salaries, amounting to an estimated 78% of the income tax base in 2004. These payments include bonuses and certain stock options.

Wages and salaries are relatively stable in the short-run, though a modest change in the growth of this item can affect overall revenues due to their sheer magnitude. For the 2004 tax year we expect this income source to grow by 5.5%, compared to .8% in 2002 and an estimated 1.6% in 2003. For 2005 the rate of increase should rise to 6.1%. Even with the improvement, the recovery will not achieve the rates experienced during the peak years of the 1990's (See Page C-10.

The other key variable in predicting income tax flows is net capital gains (gains minus losses) reported on income tax returns. During the last decade federal and state revenue forecasters around the country have spent more research time on this issue than any other research item, all to little avail. What is interesting is that net gains can affect overall revenue growth even though they amount to only 3% of the income base and only 1.6% of total revenues. The reason has to do with their volatility-up 49.9% in 1996 and down 48.2% in 2001. For a particular state fiscal year, the swings can be even greater due to the compressed timing of tax payments by large taxpayers.

About half of the net gains each year come from the stock market with the remainder from bonds, investment real estate, and the sale of assets. The forecast used in the budget process is a composite of the projection made by Economy.com and numbers used by certain other states with large research staffs.

One of the issues driving the sharp drop in net gains is the amount of losses stemming from the 2000 market crash. A taxpayer has three different ways to use losses on an income tax return. First, the losses can be used to any gains from the sales of assets. In addition, up to $3,000 of losses can be offset against other income sources such as wages and salaries. Finally, losses not used in one year can be carried forward to future years.

Tentative national data from the IRS indicates that net capital gains fell another 25% for the 2002 tax year. The budget forecast assumes a 1.4% decline for 2003. For the 2004 tax year it is assumed that essentially all capital losses have been used and that the 2003-04 market recovery will lead to a 25% rise in net gains. For 2005 the expected increase is 12.5%.

The next important revenue source is the sales and use tax, making up 27.9% of the revenue base for 2004-05. This tax provided a pleasant surprise for the 2003-04 fiscal year, growing 7.6% versus the budget forecast of 3.4%. During the last quarter of the fiscal year the rate of increase was 10.3%. These results are something of a mystery to forecasters, given the modest rate of increase in wages and salaries of North Carolina workers (4.8% for 2003-04 fiscal year). One reason may have to do with the stock market recovery. The other has to do with the record level of mortgage refinancing. The final possibility is a little more disturbing: the continue run-up of credit card debt. This factor could negatively affect the tax base the next time economic conditions slow and consumer confidence plummets.

The budget forecast also adjusts for the continued explosion in remote sales (mail-order, internet). The recent update of the University of Tennessee analysis of this issue (Fox and Bruce) indicates that by 2008 state and local units in North Carolina will see a $489-765 million of erosion in their sales tax base due to the inability to collect the tax on these transactions. The General Fund revenue forecast attempt to capture this issue by making a downward adjustment in the growth of sales tax collections, relative to the growth of the economy. During normal times the budget estimate of 5.5% state economic growth (includes inflation) would lead to a 5.2% increase in the sales tax. The budget forecast uses a rate of 4.7% to compensate for the e-commerce transactions.

The baseline corporate income tax growth of 8.2% is lower than the expected increase in nationwide pre-tax corporate profits for 2004 and 2005.

Additional 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 table on Page C-10 shows the history and forecast of the major items in the personal income 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 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 03-June 04 Target	July 03-June 04 Actual	Diff.	July 02-June 03 Actual
TAX REVENUE:				
PERSONAL INCOME:				
WITHHOLDING	$7,203.5	$7,189.8	($13.7)	$6,860.9
ESTIMATED TAXES	895.5	874.9	(20.6)	871.3
NET FINAL PAYMENTS	769.7	865.1	95.4	748.1
WITHHOLDING REFUNDS	(1,441.7)	(1,419.9)	21.8	(1,391.8)
SUBTOTAL - PERSONAL INCOME	$7,427.0	$7,509.9	$82.9	$7,088.5
SALES & USE TAX:				
GROSS COLLECTIONS-STATE AND LOCAL	$6,724.3	$6,906.1	$181.8	$6,265.9
REFUNDS TO LOCAL UNITS, NONPROFITS	(431.7)	(434.8)	(3.1)	(417.9)
DISTRIBUTION TO LOCAL GOVERNMENT	(2,098.7)	(2,103.8)	(5.1)	(1,830.5)
LOCAL HOLD HARMLESS	(38.8)	(38.8)	0.0	0.0
LOCAL SHARE OF TELCO TAX	-59.6	-52.9	6.7	-55.2
OTHER EARMARKING	-38.6	-53.6	(15.0)	-39.5
SUBTOTAL - SALES & USE	$4,056.9	$4,222.2	165.3	$3,922.8
CORPORATE INCOME:				
GROSS COLLECTIONS	$924.2	$1,024.2	$100.0	$1,038.4
REFUNDS	(151.6)	(187.1)	(35.5)	(142.5)
SCHOOL FACILITIES EARMARKING	(61.0)	(60.1)	0.9	(55.3)
SUBTOTAL - CORPORATE INCOME	$711.6	$777.0	$65.4	$840.6
FRANCHISE:				
NET COLLECTIONS PRIOR TO EARMARKING	$574.3	$572.5	($1.3)	$532.7
LOCAL TAX SHARING	(125.7)	(123.5)	(13.2)	(123.4)
SUBTOTAL - FRANCHISE	$448.6	$445.3	($3.3)	$429.3
INSURANCE	439.1	423.4	(15.7)	408.9
ALCOHOLIC BEVERAGES				
NET COLLECTIONS PRIOR TO EARMARKING	$204.8	$210.9	$6.1	$198.4
LOCAL TAX SHARING	(27.2)	(28.5)	(1.3)	(27.4)
SUBTOTAL - BEVERAGE TAX	$177.6	$182.4	$4.8	$171.0
INHERITANCE	107.7	128.5	20.8	112.5
PRIVILEGE LICENSE	45.2	41.6	(3.6)	44.7
TOBACCO PRODUCTS	39.2	43.7	4.5	42.0
PIPED NATURAL GAS	37.5	39.0	1.5	36.8
GIFT	20.4	16.6	(3.8)	19.3
OTHER	1.1	1.1	0.0	0.9
TOTAL - TAX REVENUE	**$13,511.9**	**$13,830.6**	**$319.7**	**$13,117.0**
NONTAX REVENUE				
INVESTMENT INCOME	$113.9	$78.3	($35.6)	$105.1
JUDICIAL FEES	138.3	139.0	0.7	124.7
DISPROPORTIONATE SHARE	100.0	97.1	(2.9)	107.0
INSURANCE DEPARTMENT	54.8	51.2	(3.6)	47.1
OTHER	506.5	471.2	(35.3)	225.2
TOTAL: NONTAX REVENUE	**$913.5**	**$836.8**	**($76.7)**	**$609.1**
TOTAL: TAX AND NONTAX REVENUE	**$14,425.4**	**$14,667.4**	**$242.0**	**$13,726.1**
TRANSFERS:				
HIGHWAY TRUST FUND	$252.4	$252.4	$0.0	$377.4
HIGHWAY FUND	16.4	16.4	0.0	15.3
TOTAL: TRANSFERS	**$268.8**	**$268.8**	**$0.0**	**$372.7**
TOTAL GENERAL FUND REVENUE	**$14,694.2**	**$14,936.2**	**$242.0**	**$14,098.8**

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

ECONOMIC INDICATORS (STATE FISCAL YEAR BASIS)
ANNUAL RATES OF CHANGE

	2001-02 Actual	2002-03 Actual	2003-04 Actual	2004-05 Projected
U.S. INDICATORS				
Real Economic Growth*	0.8%	2.3%	4.4%	3.5%
Nonfarm Employment	-1.0%	-0.6%	0.2%	1.7%
Personal Income	2.0%	2.1%	4.7%	4.9%
Industrial Production	-3.5%	0.5%	2.4%	4.4%
Corporate Profits (Pre-Tax)	-8.6%	17.3%	15.2%	12.1%
Short-Term Interest Rates (Actual Rate)	2.3%	1.4%	1.0%	2.0%
Mortgage Rates (Actual Rate)	6.9%	6.0%	5.7%	6.1%
Inflation (CPI)	1.8%	2.2%	2.2%	2.5%
NORTH CAROLINA INDICATORS				
Personal Income	2.2%	2.3%	5.2%	5.5%
Nonfarm Employment	-2.1%	-1.1%	0.1%	2.1%
Unemployment Rate (Actual Rate)	6.5%	6.5%	6.0%	5.4%
Average Hourly Earnings (Manufacturing)	2.6%	2.6%	4.4%	3.2%
Retail Sales	2.5%	1.1%	6.7%	3.9%
Housing Activity	7.3%	6.1%	17.0%	-14.3%
Auto Sales	-5.5%	-1.4%	8.5%	-48.6%

*Adjusted for inflation.

BASELINE 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	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%	6.0%	7.8%
Sales Tax	7.8%	10.4%	7.8%	6.4%	7.7%	6.0%	7.1%	5.6%	2.4%	-1.1%	1.5%	6.7%	4.7%
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%	10.7%	8.2%
Franchise Tax	0.7%	4.0%	4.3%	5.9%	7.2%	3.7%	1.8%	-0.4%	20.7%	-3.2%	3.2%	4.0%	3.2%
Inheritance Tax*	2.2%	18.9%	3.2%	2.7%	17.0%	12.2%	12.8%	12.0%	-2.1%	-15.2%	7.3%	14.2%	6.0%
Insurance Tax	2.8%	16.3%	4.8%	4.6%	6.0%	3.4%	6.9%	-6.1%	5.2%	10.2%	11.7%	3.7%	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%	5.3%	3.8%
Total Revenue**	7.0%	9.1%	9.9%	6.8%	9.0%	8.8%	9.8%	4.0%	4.6%	-6.0%	0.2%	5.8%	6.1%

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 Income Tax Return Data for North Carolina Taxpayers ($Billion)

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002 (1)	2003 (e)	2004 (e)	2005 (e)
Wages & Salaries	64.60	69.20	73.00	77.46	82.76	87.50	94.08	100.85	107.19	114.20	116.70	117.60	119.48	126.05	133.74
% Change		7.1%	5.5%	6.1%	6.8%	5.7%	7.5%	7.2%	6.3%	6.5%	2.2%	0.8%	1.6%	5.5%	6.1%
Interest	3.99	3.08	2.53	2.43	3.05	3.30	3.52	3.69	3.62	4.19	4.13	3.22	2.83	3.15	3.59
% Change		-22.8%	-17.9%	-4.0%	25.5%	8.2%	6.7%	4.8%	-1.9%	15.7%	-1.4%	-22.0%	-12.0%	11.0%	14.0%
Dividends	1.54	1.58	1.72	1.79	2.07	2.29	2.62	2.61	2.95	3.21	2.66	2.35	2.51	2.69	2.84
% Change		2.6%	8.9%	4.1%	15.6%	10.6%	14.4%	-0.4%	13.0%	8.8%	-17.1%	-11.7%	6.7%	7.4%	5.5%
Business Income	3.22	3.53	3.69	3.87	3.98	4.30	4.44	4.75	4.89	4.83	4.83	5.01	5.33	5.87	6.35
% Change		9.6%	4.5%	4.9%	2.8%	8.0%	3.3%	7.0%	2.9%	-1.2%	0.0%	3.7%	6.5%	10.0%	8.3%
Capital Gains	2.01	2.38	2.73	2.91	3.41	5.11	7.06	8.45	9.38	10.24	5.30	3.96	3.91	4.90	5.51
% Change		18.4%	14.7%	6.6%	17.2%	49.9%	38.2%	19.7%	11.0%	9.2%	-48.2%	-25.2%	-1.4%	25.4%	12.5%
IRA Distributions	0.50	0.64	0.65	0.80	0.91	1.13	1.37	1.90	2.27	2.67	2.61	2.43	2.57	3.25	3.58
% Change		28.0%	1.6%	23.1%	13.8%	24.2%	21.2%	38.7%	19.5%	17.6%	-2.2%	-7.0%	6.0%	26.3%	10.0%
Unemployment Benefits	0.44	0.48	0.42	0.30	0.31	0.30	0.25	0.25	0.31	0.41	0.77	1.50	0.55	0.40	0.36
% Change		9.1%	-12.5%	-28.6%	3.3%	-3.2%	-16.7%	0.0%	24.0%	32.3%	87.8%	94.8%	-63.3%	-27.3%	-10.0%
Pensions	4.11	4.38	4.63	5.03	5.52	6.05	6.69	7.40	8.10	8.69	9.15	9.65	10.39	11.11	12.23
% Change		6.6%	5.7%	8.6%	9.7%	9.6%	10.6%	10.6%	9.5%	7.3%	5.3%	5.5%	7.6%	7.0%	10.0%
Partnership, S Corp	1.45	1.79	2.13	2.63	2.89	3.38	3.87	4.05	4.60	4.56	4.88	5.06	5.39	5.93	6.42
% Change		23.4%	19.0%	23.5%	9.9%	17.0%	14.5%	4.7%	13.5%	-0.7%	6.9%	3.7%	6.5%	10.0%	8.3%
Statutory Adjustment	-0.8	-0.8	-0.8	-0.9	-1.0	-1.0	-1.1	-1.2	-1.3	-1.4	-1.5	-1.6	-1.7	-1.7	-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%	0.0%	0.0%
Total Adj. Gross Income	81.07	86.25	90.66	96.32	103.95	112.35	122.81	132.75	142.01	151.59	149.53	149.19	151.27	161.65	172.92
% Change		6.4%	5.1%	6.2%	7.9%	8.1%	9.3%	8.1%	7.0%	6.8%	-1.4%	-0.2%	1.4%	6.9%	7.0%

Source: Internal Revenue Service

(1) Based on U.S. data (North Carolina data not available)

(e) Estimated by Fiscal Research Division

BASELINE FORECAST PRIOR TO REVENUE LAW CHANGES/OTHER SPECIAL FACTORS*

	Actual 96-97	Actual 97-98	Actual 98-99	Actual 99-00	Actual 00-01	Actual 01-02	Actual 02-03	Actual 03-04	Estimated 04-05
Tax Revenue									
Personal Income	5,597.2	6,346.4	7,079.8	7,440.9	8,004.0	7,425.1	7,376.1	7,815.7	8,426.1
Sales & Use	3,178.0	3,356.8	3,584.4	3,740.8	3,830.2	3,721.0	3,701.0	3,950.2	4,134.5
Corporate Income	718.3	785.4	901.6	856.0	780.7	580.1	619.8	721.8	781.0
Franchise	387.8	414.0	410.1	399.0	488.4	488.4	517.9	541.9	562.5
Insurance	260.3	284.3	291.1	273.4	305.7	340.8	380.7	388.6	407.5
Alcoholic Beverage	150.2	153.8	157.9	166.3	172.7	177.7	181.3	189.6	195.3
Intangibles Tax	124.5	124.6	124.7	124.8	124.9	125.0	125.1	125.2	125.3
Inheritance	132.1	148.2	167.1	229.8	209.9	201.6	217.9	239.8	174.3
Soft Drink	41.2	43.4	43.9	46.2	47.8	49.4	49.9	51.6	54.7
Privilege License	43.4	49.7	37.4	53.4	53.2	54.5	54.7	51.8	53.4
Tobacco Products	46.7	47.2	44.9	43.7	42.0	41.5	39.6	42.0	43.8
Piped Natural Gas				27.7	37.2	40.9	36.9	39.0	38.8
Gift	12.6	20.7	19.3	25.1	20.3	13.4	19.5	16.8	18.4
Other	1.2	1.1	1.1	1.1	1.2	1.3	1.1	1.1	1.1
Total-Tax Revenue	10,693.3	11,775.6	12,863.3	13,428.2	14,118.2	13,260.8	13,321.5	14,175.1	15,016.7
%Change	9.0%	10.1%	9.2%	4.4%	5.1%	-6.1%	0.5%	6.4%	5.9%
Nontax Revenue									
Investment Income	222.1	246.1	247.2	206.1	165.9	127.5	96.8	79.3	87.2
Judicial Fees	94.9	95.7	101.1	80.5	81.6	81.6	71.7	77.3	73.3
Disproportionate Share	100.8	0.0	85.0	105.0	109.1	110.4	107.0	97.1	107.0
Other	68.0	66.1	80.5	93.2	83.4	91.8	90.2	83.5	88.7
Insurance Dept.	14.0	15.3	34.9	36.6	37.3	39.7	39.4	36.7	46.3
Total-Nontax Revenue	499.8	423.2	548.7	521.4	477.3	451.0	390.8	373.9	402.5
Total: Tax & Nontax Revenue	11,193.1	12,198.7	13,412.0	13,949.6	14,595.5	13,711.8	13,712.3	14,549.0	15,419.2
% Change	9.1%	9.0%	9.9%	4.0%	4.6%	-6.1%	0.0%	6.1%	6.0%
Transfers:									
Highway Trust Fund	170.0	170.0	170.0	170.0	170.0	170.0	170.0	169.8	170.0
Highway Fund	11.9	12.6	13.4	13.6	13.8	14.5	15.3	16.4	16.2
Total-Transfers	181.9	182.6	183.4	183.6	183.8	184.5	185.3	186.2	186.2
Total-General Fund Revenue	11,375.0	12,381.3	13,595.4	14,133.2	14,779.3	13,896.3	13,897.6	14,735.2	15,605.4
% Change	9.0%	8.8%	9.8%	4.0%	4.6%	-6.0%	0.0%	6.0%	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 96-97	Actual 97-98	Actual 98-99	Actual 99-00	Actual 00-01	Actual 01-02	Actual 02-03	Actual 03-04	Estimated 04-05
Tax Revenue:									
Personal Income	5,330.0	6,028.9	6,606.5	7,077.1	7,386.6	7,127.2	7,081.6	7,509.9	8,105.9
Sales & Use	3,127.7	3,255.4	3,376.2	3,354.9	3,435.6	3,705.8	3,894.5	4,222.2	4,358.5
Corporate Income	719.9	696.3	848.5	901.1	476.2	451.8	840.5	777.0	881.4
Franchise	387.8	407.3	409.6	301.4	572.0	436.9	417.7	445.3	478.3
Insurance	258.5	283.8	291.2	273.4	305.7	340.8	408.9	423.4	448.2
Alcoholic Beverage	150.2	153.7	158.0	166.4	172.8	174.7	170.9	182.4	185.8
Intangibles Tax									
Inheritance	132.1	138.1	169.9	163.3	123.2	104.8	112.5	128.5	136.2
Soft Drink	31.4	23.1	12.4	1.3	0.0	0.0	0.0	0.0	0.0
Privilege License	43.4	36.6	27.6	43.8	3.0	26.6	44.7	41.6	43.1
Tobacco Products	46.7	47.2	44.9	43.7	42.0	41.5	42.0	43.7	44.9
Gift	12.6	20.7	19.3	25.1	20.3	13.4	19.3	16.6	18.2
Piped Natural Gas				27.7	37.2	40.9	36.9	39.0	38.8
Other	1.2	1.1	1.1	1.1	1.2	1.3	1.1	1.1	1.1
Total-Tax Revenue	10,241.3	11,092.2	11,965.2	12,380.2	12,575.7	12,465.7	13,070.6	13,830.7	14,740.3
	8.3%	8.3%	7.9%	3.5%	1.6%	-0.9%	4.9%	5.8%	6.6%
Nontax Revenue									
Investment Income	224.1	248.1	249.2	208.3	168.2	132.6	105.1	78.3	86.0
Judicial Fees	99.1	112.8	121.0	101.5	109.3	110.4	124.7	139.0	136.7
Disproportionate Share	100.8	0.0	85.0	105.0	109.1	110.4	107.0	97.1	100.0
Other	70.2	71.0	89.6	103.4	93.7	131.4	215.3	471.2	265.2
Insurance Dept.	18.7	20.3	40.2	42.2	43.6	46.4	47.1	51.2	58.0
Total-Nontax Revenue	512.9	452.2	585.0	560.3	523.9	531.3	599.2	836.8	646.0
Total: Tax & Nontax Revenue	10,754.2	11,544.4	12,550.2	12,940.5	13,099.7	12,997.0	13,669.8	14,667.5	15,386.3
	8.5%	7.3%	8.7%	3.1%	1.2%	-0.8%	5.2%	7.3%	4.9%
Transfers:									
Highway Trust Fund	170.0	170.0	170.0	170.0	170.0	171.7	377.4	252.4	242.6
Highway Fund	11.9	12.6	13.4	13.6	13.8	14.5	15.3	16.4	16.2
Total-Transfers	181.9	182.6	183.4	183.6	183.8	186.2	392.7	268.8	258.8
Total-General Fund Revenue	10,936.1	11,727.0	12,733.6	13,124.1	13,283.5	13,183.2	14,062.5	14,936.3	15,645.0
%Change	8.4%	7.2%	8.6%	3.1%	1.2%	-0.8%	6.7%	6.2%	4.7%

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 programs supported by the Highway Fund are the State Highway Patrol, the Division of Motor Vehicles, secondary road construction, and transit and rail.

FY 2003-04 REVENUES

Highway Fund collections totaled $1,361.5 million in FY 2003-04, a 7.9% increase from FY 2002-03. Motor fuels tax collections increased by 10%.

FY 2004-05 FORECAST

Highway Fund revenues are projected to increase by $29.4 million in FY 2004-05, or 2.2%, primarily due to higher motor fuels tax collections.

HIGHWAY FUND REVENUE
(MILLIONS)

	FY 2003-04	FY 2004-05
	Actual	Projected
Motor Fuels Taxes	$935.6	$970.4
Licenses, Fees, and Penalties		
Staggered Vehicle Registration	$157.4	$165.4
Truck Licenses	$66.8	$69.1
Driver Licenses	$74.8	$76.3
International Registration Plan	$47.6	$50.3
Other	$68.1	$53.4
Sub Total	$414.7	$414.5
Investment Income	$11.5	$6.0
Total Highway Fund Revenue	$1361.5	$1390.9

HIGHWAY TRUST FUND REVENUE

The 1989 Session of the General Assembly established the Highway Trust Fund to pay for construction of designated roads. The 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. There is a statutory annual transfer of approximately $173 million from the Highway Trust Fund to the General Fund but in recent years the actual amount of the transfer has varied.

A bond issue of $950 million was authorized in 1996 and $250 million of bonds were sold in 1997 and $400 million in 2003. A sale of $300 million is planned in FY2004-05.

FY 2003-04 REVENUES

Highway Trust Fund availability for FY 2003-04 (not including proceeds from bond sales and net of transfers to the General Fund) totaled $741.3 million, an increase of 32% from the previous year. The sharp increase was primarily due to a reduction in transfers from the Highway Trust Fund to the General Fund; in FY2002-03 the transfer to the General Fund had been $377.4 million to help address General Fund shortfalls.

FY 2004-05 FORECAST

Highway Trust Fund availability is expected to increase by 7.2% in FY 2004-05, reflecting increased tax revenues and a smaller transfer to the General Fund in the FY 2004-05 Budget.

HIGHWAY TRUST FUND REVENUE
(MILLIONS)

	FY 2003-04 Actual	FY 2003-04 Projected
Motor Fuels Taxes	$310.7	$318.7
Highway Use Tax	$578.3	$613.5
Title Fees	$83.7	$86.7
Other Fees	$12.1	$12.6
Investment Income	$8.9	$6.0
Sub Total	$993.7	$1037.5
Transfer to General Fund	($252.4)	($242.6)
Total Highway Trust Fund Availability	$741.3	$794.9

FEDERAL BLOCK GRANTS & 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.

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 2004.

DEPARTMENT OF COMMERCE

	2004-2005
Community Development Block Grant – 2005 Program Year	$45,000,000

DEPARTMENT OF HEALTH AND HUMAN RESOURCES

Social Services Block Grant	$57,894,616
Mental Health Services Block Grant	$12,297,937
Substance Abuse Prevention and Treatment Block Grant	$48,181,983
Temporary Assistance for Needy Families Block Grant	$369,779,414
Low Income Energy Block Grant	$31,159,322
Child Care and Development Fund Block Grant	$264,920,761
Community Services Block Grant	$17,225,775
Preventive Health Services Block Grant	$3,964,317
Maternal and Child Health Block Grant	$25,296,768

CHANGES TO THE MEDICAID PROGRAM

STATE

During the 2004 Regular Session, the N.C. General Assembly enacted a $8.1 Billion budget for SFY 2004-05. State funding for the Medicaid Program totals $2.4 Billion for SFY 2004-04.

During its deliberations on the budget, the 2004 General Assembly reduced General Fund appropriations for the Medicaid Program by $90 million for SFY 2004-05. This reduction was in addition to the $473 million reduction for SFY 2004-05 that was enacted during the 2003 Session. The most significant reduction resulted from an increase in the federal financial participation rate -- $40.2 million. Other reductions include a one percent reduction in the projected Medicaid growth rate, an additional transfer from the Medicaid Reserve Fund, and the elimination of coverage for weight loss and weight gain drugs.

The 2004 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 $1 million to continue the expansion of Community Care of North Carolina (Formerly called Carolina ACCESS II and III) to additional counties.
- Increased funding by $900,000 to expand Medicaid coverage of prosthetics and orthotics to adults over 21.

The 2004 General Assembly also enacted other Medicaid policy changes:

- Clarifies payment policies for hearing aids and optical supplies.
- Authorizes direct enrollment of private mental health service providers to provide basic mental health services for adults and children receiving Medicaid services.
- Expands Medicaid coverage for Prosthetics and Orthotics to Adults over 21.
- Authorizes the Secretary of DHHS to include all types of providers in the development of new medical policies.
- Authorized the Department of Health and Human Services to implement a Medicaid assessment program for state and private Intensive Care Facilities for the Mentally Retarded (ICF-MRs)

- Requires DHHS to establish and implement pilot programs to test new approaches to the management of access and utilization of health care services to Medicaid recipients.

- Directs DHHS to develop a pilot program to implement the Program for All-Inclusive Care for the Elderly (PACE) including one pilot in the southeastern area of the State and one pilot in western are of the State.

- Requires DHHS to contract with an independent entity to study whether the NC Medicaid Program has an institutional bias when providing long-term care services.

FEDERAL

No significant federal changes during 2004.

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

2004-05 FISCAL YEAR

General Fund Appropriations
Fiscal Year 2004-05
2004 Session

	2004-05 Authorized Appropriation	Recurring Adjustments	Nonrecurring Adjustments	Net Changes	Position Changes	2004-05 Revised Appropriation
Education:						
Community Colleges	660,199,222	25,362,319	6,250,000	31,612,319	0.00	691,811,541
Public Education	6,034,995,183	47,269,224	75,000,500	122,269,724	1,133.92	6,157,264,907
University System	1,822,426,657	69,031,635	(12,644,795)	56,386,840	0.00	1,878,813,497
Total Education	**8,517,621,062**	**141,663,178**	**68,605,705**	**210,268,883**	**1,133.92**	**8,727,889,945**
General Government:						
Administration	52,583,907	1,681,330	795,000	2,476,330	4.00	55,060,237
Auditor	10,293,801	0	(200,000)	(200,000)	0.00	10,093,801
Cultural Resources	54,088,598	2,295,614	12,648,418	14,944,032	16.00	69,032,630
Cultural Resources - Roanoke Island	1,636,559	0	0	0	0.00	1,636,559
General Assembly	44,971,305	0	(921,318)	(921,318)	0.00	44,049,987
Governor	4,826,503	42,702	0	42,702	0.00	4,869,205
NC Housing Finance Agency	4,750,945	0	1,725,000	1,725,000	0.00	6,475,945
Insurance	23,187,587	3,572,654	490,000	4,062,654	0.00	27,250,241
Insurance - Worker's Compensation Fund	2,600,000	0	(1,734,000)	(1,734,000)	0.00	866,000
Lieutenant Governor	601,722	29,657	0	29,657	1.15	631,379
Office of Administrative Hearings	2,411,797	78,276	12,200	90,476	2.00	2,502,273
Revenue	75,174,094	1,708,151	(3,369,945)	(1,661,794)	-23.00	73,512,300
Rules Review Commission	310,454	(3,185)	0	(3,185)	0.00	307,269
Secretary of State	7,756,198	(110,389)	0	(110,389)	-1.00	7,645,809
State Board of Elections	4,915,939	(49,506)	2,246,918	2,197,412	0.00	7,113,351
State Budget and Management	4,216,110	391,427	10,000	401,427	1.00	4,617,537
State Budget and Management -- Special	3,130,000	50,000	2,163,382	2,213,382	0.00	5,343,382
State Controller	9,719,451	(99,429)	0	(99,429)	0.00	9,620,022
Treasurer - Operations	7,577,784	424,708	0	424,708	5.00	8,002,492
Treasurer - Retirement / Benefits	7,481,179	665,000	0	665,000	0.00	8,146,179
Total General Government	**322,233,933**	**10,677,010**	**13,865,655**	**24,542,665**	**5.15**	**346,776,598**

	2004-05 Authorized Appropriation	Recurring Adjustments	Nonrecurring Adjustments	Net Changes	Position Changes	2004-05 Revised Appropriation
Health and Human Services:						
Office of the Secretary	80,968,433	5,691,037	(371,235)	5,319,802	8.00	86,288,235
Aging Division	27,685,838	1,601,000	1,550,000	3,151,000	0.00	30,836,838
Blind and Deaf / Hard of Hearing Services	9,387,008	(30,000)	0	(30,000)	0.00	9,357,008
Child Development	259,210,693	7,925,000	0	7,925,000	0.00	267,135,693
Education Services	31,670,076	10,873	0	10,873	-2.00	31,680,949
Facility Services	12,256,792	(100,000)	(350,000)	(450,000)	0.00	11,806,792
Medical Assistance	2,449,169,963	(64,275,662)	(24,454,251)	(88,729,913)	0.00	2,360,440,050
MH/DD/SAS	580,423,098	(912,273)	(5,050,000)	(5,962,273)	0.00	574,460,825
NC Health Choice	55,432,822	6,600,000	0	6,600,000	0.00	62,032,822
Public Health	123,448,895	6,924,581	1,302,000	8,226,581	1.00	131,675,476
Social Services	189,029,268	(1,161,948)	(4,400,000)	(5,561,948)	1.00	183,467,320
Vocational Rehabilitation	40,834,858	(479,294)	(1,000,000)	(1,479,294)	-6.00	39,355,564
Total Health and Human Services	**3,859,517,744**	**(38,206,686)**	**(32,773,486)**	**(70,980,172)**	**2.00**	**3,788,537,572**
Justice and Public Safety:						
Correction	959,947,282	318,453	(11,628,350)	(11,309,897)	194.00	948,637,385
Crime Control & Public Safety	28,139,010	(312,373)	4,225,000	3,912,627	4.00	32,051,637
Judicial Department	311,499,694	4,637,501	2,104,417	6,741,918	72.00	318,241,612
Judicial - Indigent Defense	71,019,451	2,500,000	8,500,000	11,000,000	0.00	82,019,451
Justice	71,459,312	856,459	(101,992)	754,467	16.00	72,213,779
Juvenile Justice & Delinquency Prevention	130,585,498	1,615,058	119,011	1,734,069	37.00	132,319,567
Total Justice and Public Safety	**1,572,650,247**	**9,615,098**	**3,218,086**	**12,833,184**	**323.00**	**1,585,483,431**
Natural And Economic Resources:						
Agriculture and Consumer Services	48,616,369	50,538	50,000	100,538	-2.00	48,716,907
Commerce	34,336,301	525,604	(977,867)	(452,263)	16.00	33,884,038
Commerce - State Aid	11,222,085	0	1,950,000	1,950,000	0.00	13,172,085
Environment and Natural Resources	152,798,010	(1,293,297)	2,315,254	1,021,957	5.00	153,819,967
DENR - Clean Water Mgmt. Trust Fund	62,000,000	0	0	0	0.00	62,000,000
Labor	13,274,104	8,990	355,226	364,216	0.00	13,638,320
NC Biotechnology Center	5,883,395	3,200,000	1,800,000	5,000,000	0.00	10,883,395
Rural Economic Development Center	4,658,607	144,000	1,000,000	1,144,000	0.00	5,802,607
Total Natural and Economic Resources	**332,788,871**	**2,635,835**	**6,492,613**	**9,128,448**	**19.00**	**341,917,319**

	2004-05 Authorized Appropriation	Recurring Adjustments	Nonrecurring Adjustments	Net Changes	Position Changes	2004-05 Revised Appropriation
Transportation	**11,402,800**	**(228,056)**	**0**	**(228,056)**	**0.00**	**11,174,744**
Statewide Reserves and Debt Service:						
Debt Service:						
Interest / Redemption	503,682,683	(21,268,480)	(57,000,000)	(78,268,480)		425,414,203
Federal Reimbursement	1,155,948	460,432	0	460,432		1,616,380
Subtotal Debt Service	**504,838,631**	**(20,808,048)**	**(57,000,000)**	**(77,808,048)**	**0.00**	**427,030,583**
Statewide Reserves:						
Compensation Increases -2003	45,550,000	(900,000)	0	(900,000)		44,650,000
Compensation Increases -2004	0	253,600,000	7,200,000	260,800,000		260,800,000
State Health Plan	151,225,000	(900,000)	0	(900,000)		150,325,000
Retiree Health Benefit	36,800,000	(6,900,000)	0	(6,900,000)		29,900,000
Retirement Rate Adjustment - TSERS	154,200,000	9,180,000	0	9,180,000		163,380,000
Retirement Rate Adjustment - CJRS		339,000	0	339,000		339,000
Adjust Contributions to Benefit Plans	(13,000,000)	0	(6,230,100)	(6,230,100)		(19,230,100)
Contingency and Emergency	5,000,000	0	0	0		5,000,000
Salary Adjustment Fund	4,500,000	0	0	0		4,500,000
LEO Salary Adjustments	0	2,007,385	0	2,007,385		2,007,385
MH/DD/SAS Trust Fund	0	0	10,000,000	10,000,000		10,000,000
Senate Bill 100 Compliance		(11,813,949)	0	(11,813,949)		(11,813,949)
Subtotal Statewide Reserves	**384,275,000**	**244,612,436**	**10,969,900**	**255,582,336**	**0**	**639,857,336**
Total Reserves and Debt Service	**889,113,631**	**223,804,388**	**(46,030,100)**	**177,774,288**	**0.00**	**1,066,887,919**
Total General Fund for Operations	**15,505,328,288**	**349,960,767**	**13,378,473**	**363,339,240**	**1,483.07**	**15,868,667,528**
Other General Fund Expenditures:						
Job Development Incentive Grants Reserve		4,500,000	0	4,500,000		4,500,000
Capital Improvements	0	0	45,192,000	45,192,000		45,192,000
Total Other General Fund Expenditures	**0**	**4,500,000**	**45,192,000**	**49,692,000**	**0**	**49,692,000**
Total General Fund Budget	**15,505,328,288**	**354,460,767**	**58,570,473**	**413,031,240**	**1,483.07**	**15,918,359,528**

EDUCATION

Community Colleges

GENERAL FUND

	FY 04-05
Total Budget Approved 2003 Session	**$660,199,222**

Budget Changes

A. Categorical and Miscellaneous Programs

1 Community Service Block Grant Reduces the Community Service Block Grant to actual expenditure levels, from $1,329,663 to $1,185,114.	($144,549)	R
2 Human Resource Development (HRD) Eliminates the HRD block grant. HRD classes now earn regular budgeted FTE through the continuing education formula. Colleges will continue to operate HRD programs at the FY 2003-04 level using their enrollment allotment.	($2,155,125)	R
3 Center for Applied Textile Technology Reduces the appropriation for the Center for Applied Textile Technology.	($62,500) ($225,000)	R NR
4 Hosiery Technology Center Provides additional funding for the Hosiery Technology Center at Catawba Valley Community College. These funds are restricted to use at the Hosiery Technology Center and may not be used for any other purpose.	$225,000	NR
5 Public Radio - Gaston College Provides funds for the operation of the public radio station at Gaston College.	$125,000	R
6 Additional Public Radio Funds Provides additional funding to be divided equally among the colleges that currently operate public radio stations.	$199,000	R
7 Child Care Grant Adjustment Reduces the child care grant to actual expenditures, from $2 million to $1,923,016.	($76,984)	R
8 Equipment Provides additional funding for equipment in the colleges.	$6,000,000	R

		FY 04-05	
9	**Focused Industrial Training (FIT)** Provides funding for FIT to replace funds previously allotted from the Worker Training Trust Fund ($1.6 million). Also provides additional funds for the establishment of three new FIT consortia for nine colleges currently unserved by a FIT center ($302,439). Two other colleges will be combined with an existing FIT center to ensure that all community colleges have FIT services.	$2,002,439	R
10	**Multi-Campus College Funds** Provides additional funding to the Multi-Campus allotment to fund the State Board multi-campus formula adopted in 2000. Funding will be provided to the 13 colleges with State Board approved multi-campus sites.	$6,900,000	R
11	**Off-Campus Center Funds** Provides funds for the 38 colleges with State Board approved off-campus centers. Funds shall be distributed to the colleges on the basis of the Off-Campus Center funding formula adopted by the State Board of Community Colleges in 2000.	$1,400,000	R
12	**Hickory Metropolitan Higher Education Center** Provides funding for the Higher Education Center located in Hickory.	$474,520	R
13	**Cleveland Community College Funds** Provides additional funds for the Cleveland Community College Allied Health Program.	$400,000	NR
14	**Davidson County Community College - Davie County Campus Funds** Provides funds for the expansion of the allied health, early childhood, and college transfer programs on the Davie County Campus of DCCC.	$200,000	NR
15	**Material Composite Testing Program** Appropriates funds for the Composites Testing Program at Isothermal Community College.	$100,000 $150,000	R NR
16	**Military Business Center** Establishes a Military Business Center at Fayetteville Technical Community College.	$2,000,000	NR
17	**Bosch Training Center** Provides funding for the Bosch Training Center at Craven Community College.	$500,000	NR

B. Faculty and Professional Staff Salaries

18 Faculty and Professional Staff Salaries

Provides $12.8 million for an additional 2% increase for all faculty and professional staff in the Community College System. This increase is in addition to the increase provided to all State employees. Also provides an additional $1.2 million to increase faculty salaries currently paid below the minimum salary for their education level to the minimum salary levels set forth in Section 8.3 of H.B. 1414. Funds for these increases are appropriated in the Compensation Reserve section of the Budget.

C. Tuition, Enrollment, and Financial Aid

19 Enrollment Growth — $23,432,327 — R

Fully funds enrollment growth in the Community College System. Enrollment increased by 7,947 FTE during the FY2003-04, a 4.40% increase over the previous year. Total budgeted FTE for FY2004-05 is 188,642.

20 Contingency Reserve for Increased Enrollment and High Unemployment Areas — $3,000,000 — NR

Creates a contingency reserve fund to assist colleges in periods of excessive enrollment increases. The State Board shall use this fund to provide one-time grants to colleges in areas that are experiencing high unemployment in the manufacturing sector, and to assist colleges that experience a total enrollment growth of 10% or higher in the Fall semester.

21 Overrealized Receipts — ($3,243,860) — R

Increases the amount budgeted for receipts to reflect the actual amount realized from FY03-04 tuition receipts.

22 Tuition Increase — ($9,587,949) — R

Increases curriculum tuition by 7%, from $35.50 per credit hour for in-state tuition to $38 per credit hour, up to 16 hours. Full-time students will pay $608 per semester or $1,216 per year (Fall and Spring). Out-of-state tuition will increase from $197 per credit hour to $211 per credit hour. NC Community College in-state tuition rates will continue to be among the five lowest rates in the nation.

23 Need-Based Financial Aid

Provides an additional $718,396 for need-based financial aid to be funded from the Escheat Fund. A special provision in the university section of the budget appropriates the funds.

D. System Office

24 Receipt Supported Positions

Allows for the creation of the following receipt supported positions in the Community College System Office:
A. Career Start - Federal Funds through DHHS
2 Education Consultant Is - $106,807
1 Office Assistant V - $32,311
The consultants will provide leadership, oversight, and policy guidance for Career Start sites.

B. Project Health - Federal funds through the Dept. of Commerce
1 Education Consultant I - $53,404
This position will provide oversight and policy guidance for Project H.E.A.L.T.H. - Helping Employers and Labor Transition to Healthcare.

C. Homeland Security - Federal Homeland Security funds through the Department of Crime Control and Public Safety
1 Program Assistant V - $41,498
3 Education Program Administrators - $196,795
1 Education Program Specialist - $53,044
These positions will work to incorporate new requirements for Homeland Security and Domestic Preparedness into existing education and training courses and programs provided by NCCCS.

D. Homeland Security - Federal Homeland Security funds through the Governor's Crime Commission
1 Program Assistant V - $34,499
3 Education Consultant Is - $194,657
1 Education Media Specialist - $40,039
These positions are being created to respond to the increased specialized training requirements for law enforcement personnel in Homeland Security and Domestic Preparedness. The positions will enable NCCCS to develop NC-specific training.

All positions listed are time-limited for the duration of the grants supporting them.

Budget Changes	**$25,362,319**	**R**
	$6,250,000	**NR**
Total Position Changes		
Revised Total Budget	**$691,811,541**	

Special Provisions

2004 Session: HB 1414

Department: Community Colleges

Section: 8.3

Title: **Salaries of Community College Faculty and Professional Staff**

Summary Creates a two part salary plan for NCCS that incorporates a minimum salary level based on current faculty salaries and an incentive plan that provides colleges at higher average salaries with additional flexibility. The State Board of Community Colleges is required to report to the General Assembly on the implementation of the plan by December 1 of each year, through 2009. (S.B. 1300; H.B. 1404)

Section: 8.4

Title: **Modify Reporting Requirement for New and Expanding Industry Training**

Summary Changes the semiannual NEIT report to an annual report due on September 1.

Section: 8.6

Title: **Board of Trustees of the Center for Applied Textile Technology**

Summary Removes the president of the NC Community College System from the board of NCCATT.

Section: 8.6

Title: **New and Expanding Industry Training Funds**

Summary States that NEIT funds do not revert.

Section: 8.6A

Title: **Study of the NC Center for Applied Textile Technology**

Summary Directs the State Board of Community Colleges to study the Textile Center, make recommendations regarding future plans for the Center, and implement those recommendations on January 1, 2005.

Section: 8.7

Title: **Funds for the Bureau of Training Initiatives**

Summary Allows the State Board to carryforward funds appropriated from the Worker Training Trust Fund for Training Initiatives.

Section: 8.8

Title: **Funds for the Comprehensive Articulation Agreement Study**

Summary Allows the State Board to carryforward funds appropriated for the Articulation Agreement Study.

Section: 8.9

Title: **Report on the Adequacy of Mulitcampus Funds**

Summary Requires colleges with multi-campus sites and off-campus centers to report annually on all expenditures by line item of funds used to support multi-campuses and off-campus centers. Directs the State Board to use $20,000 from funds appropriated for off-campus centers to assist centers that would otherwise not qualify for funding under the State Board approved formula. Limits the expenditure of multi-campus college funds to the administration on the campus for which the funds were appropriated. (H.B. 1632)

Section: 8.11

Title: **Middle College Start-Up Funds**

Summary Allows the State Board to carryforward funds appropriated for the Middle College at Edgecombe Community College.

Section: 8.12

Title: **Matching Funds for the Career Start Project**

Summary States that community colleges may use the continuing education enrollment allotment for Human Resource Development courses. This provision is necessary to ensure the draw down of Federal money.

Section: 8.13

Title: **Study of the FTE Funding Formula**

Summary Directs the State Board to consider changes to its funding formulas to ensure that there are sufficient funds available when enrollment increases.

Section: 8.14

Title: **Contingency Reserves**

Summary Creates a contingency reserve for colleges whose Fall enrollment growth is greater than 10%, or that are located in areas experiencing high rates of unemployment due to manufacturing job losses. (H.B. 1771)

Section: 8.16

Title: **State Board Reserve Allocation**

Summary Directs the State Board to use up to $100,000 from the State Board Reserve to assist colleges in poor counties that need additional funds to serve new businesses.

Section: 8.17

Title: **Military Business Center**

Summary Creates a Military Business Center at Fayetteville Technical Community College. The purpose of the Center is to assist North Carolina businesses in obtaining and keeping military contracts. Also provides funds to the North Carolina Electronic and Information Technology Alliance to create a homeland security incubator. (S.B. 1350, H.B. 1791)

Public Education

GENERAL FUND

	FY 04-05
Total Budget Approved 2003 Session	**$6,034,995,183**

Budget Changes

A. Adjustments - State Public School Fund

25	**Average Daily Membership (ADM)** Revise projected increase in ADM for FY 2004-05 to reflect 10,130 more students than originally projected. Dollar amount of adjustment includes increase to all position, dollar, and categorical allotments. Total funded ADM for FY 2004-05 is 1,369,062, an increase over FY 2003-04 of 25,256.	$31,404,945	R
26	**Budgeted Average Salary** Revise budgeted funding for certified personnel salaries based on actual salary data from December 2003. Adjustment does not decrease any salary paid to certified personnel.	($11,969,091)	R
27	**Exceptional Children** Revise budgeted funding for children with special needs to reflect actual April 1, 2004 headcount. Continuation budget was based on projected headcount. Adjustment does not reduce funding per child (S.L. 2004-124, Section 7.6).	($3,181,728)	R
28	**Principals** Revise allotment to LEAs for Principals to reflect projected 2,252 schools for FY 2004-05.	($3,865,520) -50.00	R
29	**Improving Student Accountability** Revise funding for improving student accountability to reflect the lower number of students scoring at Levels I and II on end-of-grade tests.	($11,294,221)	R
30	**Continually Low-Performing Schools** Revise funding for continually low-performing schools based on fewer schools being so designated. Revised funding will support the one school currently identified as continually low-performing (S.L. 2004-124, Section 7.5).	($1,413,819)	R

B. Reductions - State Public School Fund

31	**School Bus Replacement** Revise school bus replacement schedule for FY 2004-05 to reflect replacement of 600 buses with a three-year lease purchase contract (S.L. 2004-124, Section 7.10).	($10,512,901)	R

	FY 04-05	
32 Textbooks Reduce dollar allotment for textbooks to reflect an inflationary increase of 3% (rather than 5%).	($1,547,040)	R
33 Classroom Materials, Supplies, & Equipment Reduce dollar allotment for materials, supplies, and equipment to reflect an inflationary increase of 2% (rather than 4%).	($1,273,228)	R
34 Discretionary Teachers Eliminate five of the 10.7 unallotted discretionary teacher positions that have not been utilized in FY 2003-04.	($228,775) -5.00	R
35 Reduce Contract Labor Costs Direct State Board of Education to transfer up to $3,200,000 from the State Public School Fund to the UERS Budget within the Department of Public Instruction as contractual obligations are converted into up to thirty-five positions over two years. The net effect of this action will be a recurring savings of $500,000, $220,000 of which will be realized in FY 2004-05.	($220,000)	R
36 Local Education Agency Discretionary Reduction Reduce funds allotted by the State Board of Education to the local education agencies (LEAs), which will have discretion in determining what budget items are reduced.	($27,660,000)	NR
37 Recruitment & Retention Bonus Discontinue $1,800 bonus, as defined in Section 7.20(a) of S.L. 2003-284, due to lack of evidence supporting its effectiveness as a recruitment and retention incentive (S.L. 2004-124, Section 7.14).	($2,890,000)	R
38 ADM Contingency Reserve Reduce ADM Contingency Reserve.	($1,000,000)	NR
39 Technology Fund Reduce appropriation for School Technology fund in light of anticipated $12 million FY 2003-04 year-end cash balance, $13 million in receipts from fines & forfeitures, $50 million in funds from other allotment categories expended for technology, and $44.6 million in federal e-rate reimbursements to LEAs. Total remaining State and federal funds available to support technology expenditures are anticipated to be at least $120 million.	($5,000,000)	NR

D. Expansion - Department of Public Instruction

40 Receipt Supported Positions

Create the following permanent receipt supported positions in the Department of Public Instruction:

A. Closing the Achievement Gap - Federal ESEA Title I Funds
6 Education Consultants - $472,344
4 Regional Coordinators - $314,896
Consultants will assist schools in identifying achievement gaps in student performance and in designing strategies for addressing them, and in implementing school choice and supplemental services requirements per the No Child Left Behind Act.

B. Exceptional Children - Federal IDEA Funds
Education Consultant II - $81,046
Office Assistant IV - $32,051
Consultant will provide technical assistance to LEA preschool programs as mandated under the Individuals with Disabilities Act (IDEA). Office Assistant position will assist in ensuring that DPI complies with DEA mandate to investigate and resolve complaints filed by parents regarding exceptional children's services.

C. Child Nutrition - Federal Child Nutrition Funds
School Meals Program Consultant - $53,044
Position will assist local education agencies in ensuring that all compliance requirements of federal child nutrition programs are met.

D. Enhancing Education Through Technology - Federal Technology Grant
Regional Telecommunications Specialist - $55,017
Position will assist schools in implementing their technology plans, particularly as NC Windows of Information on Student Education (NCWISE) system is deployed statewide.

E. Expansion - State Public School Fund

41 ABC Bonuses

Provide funding for ABC bonuses for schools that in FY 2003-04 met or exceeded expected growth (S.L. 2004-124, Section 7.13). $108,000,000 **NR**

	FY 04-05	
42 Third Grade Class Size Provide funds to support the reduction of the teacher to student allotment ratio for grade three from 1:22.23 to 1:18 (S.L. 2004-124, Section 7.21).	$50,467,765 1103.00	R
43 Vocational Education Increase categorical allotment to LEAs for Vocational Education (S.L. 2004-124, Section 7.15).	$4,000,000 83.42	R
44 Vocational Education Program Support Increase categorical allotment to LEAs for Vocational Education Program Support (S.L. 2004-124, Section 7.15).	$448,038	R
45 Small County Supplemental Funding Increase categorical allotment for Small County Supplemental Funding (S.L. 2004-124, Section 7.9A).	$2,500,000	R
46 Low Wealth Supplemental Funding Increase categorical allotment for Low Wealth Supplemental Funding.	$5,000,000	R
47 Food Services Pilot Program Provide funding to support a pilot initiative to ensure that school food services serve only healthful, nutritious foods (S.L. 2004-124, Section 7.17).	$25,000	NR
F. Expansion - Other Funds		
48 High School Workforce Development Project Provide funds for five pilot projects in which an LEA, community college or university, and employers work together to ensure that (a) high school and higher education curricula are aligned with the workforce training needs of employers, and (b) students have access to accelerated training opportunities. Also provides for planning grant funds for ten additional projects. Provides funds for administrative and program positions in DPI (2.5 FTE), LEAs, and at participating colleges and universities. This funding is the first installment toward a $10 million State match required to activate a $10 million commitment from the Gates Foundation (S.L. 2004-124, Section 7.22).	$1,744,799 $462,500 2.50	R NR
49 Financial Literacy Pilot Program Provide funds to the State Board of Education to continue the pilot program to assist LEAs in teaching personal financial literacy.	$73,000	NR
50 ExplorNet Provide funds to support ExplorNet, a non-profit organization that promotes effective use of information technology in the public schools.	$100,000 $100,000	R NR

	FY 04-05	
Budget Changes	**$47,269,224**	R
	$75,000,500	NR
Total Position Changes	1133.92	
Revised Total Budget	**$6,157,264,907**	

Special Provisions

2004 Session: HB 1414

Department: Public Education

Section: 7.2

Title: **Teacher Salary Schedules**

Summary Sets forth teacher salary schedules for 2004-05 identical to those in effect for 2003-04 except that each step has been raised by 0.67%.

Section: 7.3

Title: **School-Based Administrator Salary Schedule**

Summary Sets forth salary schedules for principals and assistant principals for 2004-05 identical to those in effect for the 2003-04 school year except that each step has been raised by 0.67%.

Section: 7.2A

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

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

Section: 7.3

Title: **Central Office Salaries**

Summary Sets forth salary ranges for central office personnel for 2004-05 identical to those in effect for the 2003-04 school year except that the tops of the ranges have been raised by 2.5%. Provides that in 2004-05 all full-time permanent central office personnel shall receive annual pay increases of the greater of $1,000 or 2.5%.

Section: 7.4

Title: **Noncertified Personnel Salaries**

Summary Provides for annual salary increases to full-time, permanent noncertified personnel of the greater of $1,000 or 2.5%. Pay increase will be prorata for part-time employees.

Section: 7.5

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

Summary Provides $602,975 for 2004-05 to improve achievement in the State's chronically low-performing schools. Strategies include lowering class sizes, extending teachers' contracts, and providing additional days of instruction. The State Board of Education has discretion regarding which strategies are most appropriate for implementation in these schools.

Section: 7.6

Title: **Children with Disabilities**

Summary Specifies the number of students funded (166,500) and the State appropriation per funded student ($2,773.96) for 2004-05.

Section: 7.7

Title: **Funds for Academically Gifted Children**

Summary Specifies that 4% (54,762) of the 2004-05 allotted average daily membership shall be funded at an appropriation amount of $914.95 per funded student.

Section: 7.8

Title: **LEA Assistance Program**

Summary Directs the use of $500,000 in funds for assistance teams to help low-performing school systems and to help schools to meet adequate yearly progress goals in each subgroup of students identified by the No Child Left Behind Act of 2001. Directs that funds shall not revert at the end of each fiscal year, but shall remain until expended for these purposes.

Section: 7.9

Title: **Local Education Agency Flexibility**

Summary Directs that the flexible budget reduction be distributed to each local education agency (LEA) based on average daily membership.

Requires each LEA to identify the areas to be reduced within 30 days of the passage of the budget bill. Requires State Board to report on these reductions to OSBM and Fiscal Research by December 31, 2004.

Section: 7.9A

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 $740,074 for 2004-05 to reflect the increase in appropriations made to this funding category.

Section: 7.10

Title: **Replacement School Buses Funds**

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 three years.

Section: 7.11

Title: **K-2 Assessment**

Summary Amends G.S. 115C-174.11 to allow LEAs to administer standardized tests "as required as a condition of receiving a federal grant under the Reading First Program."

Section: 7.12

Title: **Evaluate Validity of ABC Accountability System**

Summary Amends G.S. 115C-105.35 by directing that during the 2004-05 school year and at least every five years thereafter, the State Board shall evaluate the accountability system and, if necessary, modify the testing standards to assure that testing standards continue to reasonably reflect the level of performance necessary to be successful at the next grade level or form more advanced study in the content area.

Section: 7.13

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

Summary Directs the State Board to use funds appropriated in 2004-05 to provide incentive bonuses to certified personnel and teacher assistants earning the bonuses based on performance in 2003-04. Awards are continued at the same levels as the previous year.

Section: 7.14

Title: **Discontinue Ineffective Program**

Summary Repeals section 7.20(a) of S.L. 2003-284, which provided for $1,800 bonuses to teachers certified in math, science, and special education teaching in middle or high schools that met certain criteria.

Section: 7.15

Title: **Restore Vocational Education Funding**

Summary Amends section 7.37 of S.L. 2003-284 by removing language regarding the General Assembly's intent to eliminate funding for vocational education in the seventh grade and by directing that priority use of vocational education funds shall be to provide vocational education in grades eight through twelve. Makes conforming changes to statute.

Section: 7.17

Title: **Healthful School Food Choices/Pilot Program**

Summary Directs the State Board, with the assistance of the NC School Food Service Association and the Academy of Family Physicians, to develop and implement a pilot program to support the efforts of LEAs to provide only healthful, nutritious food choices to students. The State Board shall select up to eight LEAs to participate. The LEAs shall be geographically distributed throughout the State.

In 2004-05, pilot units shall implement the program only in elementary schools.

The State Board shall reimburse a pilot LEA for any decreased revenues that result from changes in student food purchasing behavior that is judged to be caused by the program.

Section: 7.18

Title: **Visiting International Faculty**

Summary Continues in 2004-05 the 2003-04 policy for converting teacher positions to dollars for Visiting International Faculty Program teachers. Positions are converted at the allotted average teacher salary and benefits.

Section: 7.19

Title: **State Board of Education Authority to Set Certification Standards for Teachers**

Summary Amends G.S. 115C-296 to allow the State Board discretion in determining whether to require achievement of a prescribed minimum score on a standardized examination as a condition of obtaining teacher certification.

Section: 7.19A

Title: **Study Strategies for Facilitating Student Participation in Teacher Preparation Programs**

Summary Directs the Joint Legislative Education Oversight Committee to study strategies for facilitating student participation in teacher preparation programs and make recommendations to the 2005 General Assembly by January 15, 2005.

Section: 7.20

Title: **Maintain 12-Month Vocational Agriculture Teacher Positions**

Summary Amends G.S. 115C-302.1(b) by prohibiting LEAs from reducing the term of employment for any vocational agriculture teacher personnel position that was twelve calendar months for the 2003-04 school year for any school year thereafter.

Section: 7.20A

Title: **Accountability Assessment for Agricultural Education**

Summary Directs the State Board to submit, during the 2005-06 school year, an amended Career-Technical Education Plan to the US Department of Education. The amended plan shall:

(1) Permit the State Board to field test program standards and collect data on them for two years;

(2) Permit the use of the data collected under the field test as an alternative to the end-of-course test in the Vocational Education Competency Achievement Tracking System (VoCATS) and authorize the use of that data to satisfy the technical attainment requirement for continued federal funding;

(3) Require DPI and NCSU to monitor the program; and

(4) Authorize the State Board to determine after the two years of field testing whether the program standards should be implemented statewide.

Requires DPI and NCSU to report on the field test to the Joint Legislative Education Oversight Committee by October 15, 2006.

Section: 7.21

Title: **Additional Teacher Positions for Third Grade**

Summary Lowers class size limits for third grade by two students in 2004-05, based on an allotment ratio of one teacher for every 18 third grade students. States that additional teacher positions provided in this budget must be used in grade 3 for 2004-05.

Section: 7.22

Title: **High School Workforce Development Project**

Summary Directs the Department of Public Instruction to work closely with the Education Cabinet and the New Schools Project in administering an new High School Workforce Development project designed to offer the non-college bound student accelerated opportunities to earn an Associate Degree. Directs that funds appropriated for this purpose shall be used to establish five pilot projects in which an LEA, two- and four-year colleges and universities, and local employers work together to ensure that high school and community college curricula are streamlined and meet the needs of participating employers.

Directs the State Board to conduct an annual evaluation of this program and report the results to OSBM, the Joint Legislative Education Oversight Committee, and Fiscal Research by September 15 of each year.

Section: 7.22A

Title: **Funds for Education of Students at Eckerd Youth Alternatives Therapeutic Camp**

Summary Establishes that for any child placed in an Eckerd Youth Alternatives Therapeutic Camp, the LEA in which the child resides shall be responsible for the costs of educational services delivered to that child. For each day the child receives services, up to a maximum of 180 days, the LEA shall be responsible for up to 1/180 of the State average per pupil allocation for charter schools and, if the child has an IEP, for the State per pupil allocation for children with special needs.

Directs DPI to reduce the allotment to the unit in which the child resides by this amount and remit the funds to Eckerd Youth Alternatives.

Section: 7.23

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

Summary Directs the Office of State Budget and Management, after consulting with DPI, to modify the budget structure for the funds budgeted for the Uniform Education Reporting System to separate funds for the NC Windows of Information of Student Education (NCWISE) from funds for other reporting systems.

Section: 7.25

Title: **County Funds for Charter School Facility Pilot Program**

Summary Authorizes charter schools to adopt and present to the local board of education in the LEA in which it is located a resolution requesting funds for the construction of charter school facilities. If the local board approves the request, the local board shall submit it to the board of county commissioners along with the budget request for the local board. If the county appropriates funds for the construction of charter school facilities, the local board shall transfer the funds to the charter school.

Applies only to the Mount Airy City School System and Surry County.

Section: 7.27

Title: **Implementation of Alternate Competency Tests**

Summary Directs the State Board to adopt or develop and validate the alternate tests requried under G.S. 115C-174.11(b)(3) no later than April 1, 2005, and implement them beginning with the 2005-06 school year.

Section: 7.28

Title: **Teachers for Geographically Isolated Schools**

Summary Directs State Board to modify its policy to allow for allotment of additional classroom teachers to small schools when consolidation is not feasible due to the geographic isolation of the school to provide for allotment of additional teachers to any such school in which the ADM is less than 110. Guarantees any such school in a county in which the ADM per square mile is less than 1.5 a minimum of one classroom teacher per grade level.

Section: 7.29

Title: **Enhance Nutrition in School Food Program**

Summary Beginning August 1, 2005, prohibits public schools from (i) using cooking oils in their school food program that contain trans-fatty acids or (ii) selling processed foods containing trans-fatty acids.

Section: 7.30

Title: **Encourage LEAs to Apply for E-Rate Reimbursements**

Summary Directs the State Board to encourage any LEA not currently applying for reimbursements under the federal E-rate Program to do so. State Board shall offer technical assistance to any LEA that needs it.

Section: 7.31

Title: **Study the Efficacy of Providing for Staff Development Through Regional Education Service Alliances**

Summary Allows the Joint Legislative Education Oversight Committee to consider the efficacy of providing for staff development in the core curricular areas through teacher-on-loan positions at Regional Education Service Alliances (RESAs). Directs that if the Committee studies this topic, it shall report the results of its study to the 2005 General Assembly.

Section: 7.32

Title: **Local School Construction Financing Study**

Summary Establishes the Local School Construction Financing Study Commission, which shall examine the present system of local financing for school facilities and shall study alternative options for financing local school construction, renovation, repair, and maintenance.

Directs that $100,000 that would have been deposited in the Public School Building Capital Fund shall be credited to the General Assembly for the expenses of the Commission.

Section: 7.33

Title: **Children's Trust Fund**

Summary Directs that DPI, in administering the Trust Fund, collaborate with the Division of Social Services and with statewide child abuse and neglect prevention experts. Directs that DPI report annually to the Joint Legislative Commission on Governmental Operations on expenditures from the Trust Fund.

UNC System

GENERAL FUND

	FY 04-05
Total Budget Approved 2003 Session	**$1,822,426,657**

Budget Changes

A. Reductions

51 Management Flexibility Reduction for UNC Campuses Reduces campus budgets by 1.47% except for UNC-CH AHEC and the School of Science and Math. The reduction does not apply to the Legislative Tuition Grant program or the State Contractual Scholarship program.	($22,572,589)	R
52 Management Flexibility Reduction for Certain Non-Campus Budgets UNC-General Administration, UNC-AHEC, and NC School of Science and Math are reduced by .85%. The reduction excludes the Model Teacher Education Consortium, NC Education Research Council, NC Teach, Teacher Academy, Principal Executive Program, Principal Fellows program, the Mathematics and Science Education Network and the NC Center for the Advancement of Teaching.	($754,174)	R
53 UNC-GA Institutional Programs reduction Reduces UNC General Administration institution program reserves except financial aid.	($70,101)	R
54 Building Reserve Adjustments for Campuses When construction projects run behind schedule and experience a delay in opening, adjustments are made in the operating expenses accordingly. These are technical adjustments based on more current estimates.	($5,734,555)	NR
55 Eliminate Old Distance Education Pilot Project funds This program was established before the General Assembly started providing full funding for distance education programs.	($500,000)	R
56 General Fund Swap for Escheats for Financial Aid Makes a General Fund reduction by using an appropriation from the Escheat Fund for need-based financial aid programs using the principal of the Escheat Fund.	($11,110,240)	NR

B. Expansion Items

57 Enrollment Growth for UNC Campuses Based on the Board of Governors' estimate, enrollment in the university is projected to increase by 7,458 full-time equivalent (FTE) students or 4.5% to a total of 165,564 FTE in 2004-05.	$63,991,225	R

	FY 04-05	
58 NC School of Science and Math Enrollment Growth These funds are to support the enrollment growth of 35 students at the School of Science and Mathematics.	$700,000	R
59 Legislative Tuition Grants for Private College Students These funds will provide money to cover the projected increase of 1,445 FTE or 3% growth in the number of students eligible for the Legislative Tuition Grant program for the 2004-05 year.	$2,600,000	R
60 State Contractual Scholarship Fund for Private College Students This program is the need-based financial aid component of the Aid to Private Colleges program. The number of projected FTE students is increasing by 1445.	$1,600,000	R
61 Need-Based Financial Aid Expansion of the need-based scholarship program by $17,500,000 and the replacement of $11,110,240 in General Funds for Escheat Funds for other need-based financial aid programs are made in a special provision.	$0	R
62 Matching Funds for Distinguished Professor Endowment Provides the state matching portion for the Distinguished Professors Endowment fund.	$6,000,000 $2,000,000	R NR
63 Schools Attuned Program These funds would provide additional operating money for the Schools Attuned program.	$500,000	NR
64 Manufacturing Extension Partnership Additional funds for the Manufacturing Extension Partnership program at NCSU.	$500,000	R
65 Biomanufacturing Training Education Center An appropriation for start up operating expenses and curriculum development for the Biomanufacturing Training Education Center at NCSU.	$500,000	R
66 Bioprocessing Research Institute and Technology Enterprise Start up and operating expenses and staffing for the Bioprocessing Research Institute and Technology Enterprise at NCCU.	$500,000	R
67 UNCC Doctoral Transition Funds Additional funds to aid in the transition to a doctoral institution for UNC Charlotte.	$500,000	R
68 Technology Development Initiative: ECU and NCSU To provide funds for a joint program between ECU and NCSU with $150,000 distributed to each for a technology development initiative to provide advance degrees in engineering and business at off-campus locations.	$300,000	R

	FY 04-05	
69 Tuition Grants for Bible College Students The General Assembly changed the statute during the last session to allow students attending Bible Colleges to receive a tuition grant similar to the Legislative Tuition Grant program. These funds are necessary to provide the money for eligible students.	$420,000	F
70 UNC-CH Kidney Disease Education Program Allocates money to UNC Chapel Hill School of Medicine to establish, implement and oversee a statewide kidney disease education program. The program shall include research, educational interventions and program evaluation.	$400,000	F
71 NC A&T State Matching Funds Provides funds to NC A&T State University in order to match federal funds for the agricultural research and cooperative extension programs.	$2,239,199	R
72 Model Teaching Education Consortium Increases funds for this program.	$1,000,000	R
73 Scholarships for Students in Teaching Provides funds for need-based scholarships for students enrolled in the teacher education programs at the Historically Black Colleges and Universities that do not have any Teaching Fellows. $390,000 will be funded out of the Escheat Fund	$0	R
74 Teacher Academy Increases funds for this program.	$2,000,000	R
75 UNC-W Marine Biology Provides funds for the UNC Wilmington Marine Biology program.	$2,000,000	R
76 Coastal Studies Institute Provides funds to the Coastal Studies Institute.	$650,000 $1,300,000	R NR
77 Focused Growth Pilot Program Funds to allow WCU, UNC-P and ECSU to waive out-of-state tuition for up to 20 prospective teaching scholars. Each campus will receive $50,000. The program will be operated according to the provisions of S.L. 2002-126 section 9.9 which created this pilot program.	$150,000	R
78 Institute of Emerging Issues Provides funds for the Institute of Emerging Issues.	$365,000	R
79 Hunt Institute Provides operating funds for the Hunt Institute.	$500,000	R

	FY 04-05	
80 Additional Focused Growth Funds Provides additional money to the focused growth campuses.	$4,200,000	R
81 ECSU Pharmacy School Operating Funds Provides money to Elizabeth City State University for the operation of its pharmacy school program.	$985,815	R
82 Maintain NC LIVE Series Provides funding to support the continued operation of NC LIVE.	$700,000	R
83 Institute of Government Funds an attorney position for the Institute of Government at UNC-CH to provide assistance for registers of deeds.	$127,260	R
84 Morehead Planetarium Funds Appropriates money for the Morehead Planetarium at UNC-CH.	$200,000	NR
85 Distance Education Project Provides funds to assist seven universities with their distance learning programs.	$200,000	NR
Budget Changes	**$69,031,635**	R
	($12,644,795)	NR
Total Position Changes		
Revised Total Budget	**$1,878,813,497**	

Special Provisions

2004 Session: HB 1414

Department: UNC System

Section: 9.1

Title: **UNC Flexibility Guidelines**

Summary Requires UNC to report on how it accomplished its management flexibility reductions.

Section: 9.2

Title: **Need-Based Financial Aid From Escheat Funds**

Summary Appropriated $28.6 million from Escheats to fund UNC need based financial aid and $718,396 for community colleges. In addition, funded $390,000 for 20 grants for teaching scholarships to those HBU's without Teaching Fellows.

Section: 9.3

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

Summary Directed UNC to fund $24,000 each to the Wilmington and Region L AHEC programs for their distance education line charges on a recurring basis.

Section: 9.4

Title: **UNC Bond Project Modifications**

Summary Modified several campuses' bond project allocations as recommended by the Board of Governors.

Section: 9.5

Title: **Fayetteville State University and North Carolina School of the Arts Retain Real Property Proceeds**

Summary Allows Fayetteville State University and the School of the Arts to retain the proceeds from the sale of their chancellors' residences to purchase new ones.

Section: 9.6

Title: **North Carolina School of Science and Math Carryover/Onetime Expenditures**

Summary Gives the School of Science and Math the authority to carry forward year end balances on the same basis as the UNC campuses under management flexibility.

Section: 9.6A

Title: **Evaluate Science & Math School Tuition Grants**

Summary Directs the UNC Board of Governors to study the new scholarship program for graduates of the School of Science and Math.

Section: 9.7

Title: **UNC-Chapel Hill Continue to Operate Horace Williams Airport**

Summary Requires UNC-Chapel Hill to keep open the Horace Williams airport until a new facility can be found for the AHEC planes and the public.

Section: 9.8

Title: **Restore Bond Funds Used for Mold Remediation**

Summary Allocates up to $8.9 million from the UNC portion of the reserve for Repairs and Renovations to be used to reimburse NCCU for mold remediation costs.

Section: 9.13

Title: **North Carolina School of the Arts Exempt From the Umstead Act**

Summary Exempts the School of the Arts from the Umstead Act.

Section: 9.14

Title: **University System and Community College System Study**

Summary Requires the Board of Governors to use $2 million from funds appropriated to fund the study of the program and facility needs of the university and community college systems as required in HB 1264.

HEALTH
&
HUMAN SERVICES

Health and Human Services

GENERAL FUND

	FY 04-05
Total Budget Approved 2003 Session	**$3,859,517,744**

Budget Changes

(1.0) Division of Aging and Adult Services

1 Senior Centers Provides funding for Senior Center Outreach and Development. Restores a recurring reduction for Senior Centers made in FY 2002-03, and provides additional one-time funds for senior centers for FY 2004-2005.	$281,000 $1,550,000	R NR
2 Increase Rates for Adult Day/Health Care Providers Provides funding to increase the daily rate funded by the State Adult Day Care Fund for Adult Day Care and Adult Day Health Care services by $5.00. Additional funds provided for the Home and Community Care Block Grant will also support this rate increase.	$520,000	R
3 Home and Community Care Block Grant Provides funding to partially restore a reduction to the Home and Community Care Block Grant in FY 2003-2004, and provides $460,000 for a $5.00 daily rate increase for Adult Day Care and Adult Day Health Care funded by this block grant.	$800,000	R

(2.0) Division of Social Services

4 Reduce Excess State Funds for State/County SA Reduces excess state funding in the State/County Special Assistance Program realized by maximizing federal funds in the Medicaid Program for Adult Care Home Personal Care Services.	($5,100,000)	R
5 Work First Electing Counties Reduces excess cash assistance funding for Work First Counties.	($576,380)	R
6 Work First Cash Assistance Payments Reduces state funding for cash assistance based on revised projected payments for FY 2004-05.	($3,990,726)	R
7 Reduce Welfare Automation Fund Reduces funding for new automation activities.	($5,400,000)	NR

		FY 04-05	
8	**State Administration** Reduces funding for state administration in the Division of Social Services.	($250,000)	R
9	**Child Welfare Contracts** Reduces excess funding for contracts based on historical reversions.	($500,000)	R
10	**Maximize Federal Funds for Adoption Program** Replaces state funding in the Special Children's Adoption Fund with federal funds in the Temporary Assistance for Needy Families Block Grant.(HB 1414, Section 10.18)	($1,000,000)	R
11	**Reduce Funds for Training Centers** Reduces state funding for training centers based on historical reversions.	($300,000)	R
12	**Aid to Counties for Child Protective Services** Provides funding for counties to hire additional child protective services staff in order to reduce caseloads. An additional $1,000,000 in Temporary Assistance for Needy Families Block Grant funds is also appropriated for local staff. Combined with the TANF Funds the total amount provided to counties is $5,000,000. (HB 1414, Section 10.19)	$4,000,000	R
13	**Methamphetamine Training for CPS Workers** Provides funding to train Child Protective Services Staff at the local level who are required to respond to reports of abuse and neglect that are linked to methamphetamine drug use. One position will be hired to develop statewide policy to deal with this issue.	$205,158 1.00	R
14	**Program Support/Training for MRS Counties** Provides funding for counties currently participating in the Multiple Response System (MRS) Pilot Program to assist with additional training needs and program support costs associated with the implementation of the new program.	$750,000	R
15	**Increase Foster Care and Adoption Assistance Rates** Provides funding to increase rates $25/month per category for Foster Care and Adoption Assistance Payments. (HB 1414, Section 10.17)	$1,600,000	R
16	**Food Banks** Provides funding to be equally distributed to the regional network of food banks in North Carolina.	$1,000,000 $1,000,000	R NR

17 State/County Special Assistance Rate Adjustment $3,000,000 R

Provides state funds for State/County Special Assistance recipients to increase the monthly rate from $1,066 per month to $1,084 per month. The total requirement for the increase is $6,000,000. Counties will be required to provide a $3,000,000 match.(HB 1414, Section 10.21A)

Total Requirements	$6,000,000
Local Funds	($3,000,000)
State Appropriation	$3,000,000

18 Receipt Supported Position - Refugee Program

Creates one position in the State Refugee Program.

Social Services Consultant II - $48,942

The position is 100% receipt-supported from the Office of Refugee Resettlement, US DHHS. The effective date is July 1, 2004.

(3.0) NC Health Choice

19 N.C. Health Choice $6,600,000 R

Provides increased funding for the Health Choice Program.

(4.0) Division of Child Development

20 General Administration ($75,000) R

Reduces state funding in the administrative budget of program support based on historical reversions.

21 Receipt Supported Positions - ICC

Creates six positions to provide staff support for the Regional Interagency Coordinating Councils.

6 Human Services Planner/Evaluator III's @ $55,276.

These positions are 100% receipt-supported through Part C funds of Individuals with Disabilities Education Act. The effective date is July 1, 2004.

22 Child Care Subsidy $8,000,000 R

Increases state funding for child care subsidy. There is an overall increase in the child care subsidy budget of $25.1M due to increases in the child care subsidy line items for Temporary Assistance to Needy Families, Social Services, and Child Care Development Fund block grants.

(5.0) Office of Education Services

23	**Eastern North Carolina School for the Deaf** Eliminates the position of Recreational Worker and some contracted support services.	($36,995) -1.00	R
24	**Governor Morehead School Position** Eliminates one vacant support staff position and adjusts the salary reserve budget.	($76,770) -1.00	R
25	**Governor Morehead School Preschool Program** Reduces the contracted services budget for the preschool program at the Governor Morehead School.	($29,162)	R
26	**Central School for the Deaf Budget Adjustment** Eliminates the maintenance budget of the Central School for the Deaf that was closed in June 2001.	($10,000)	R
27	**Beginnings** Increases the contract with a nonprofit that provides assistance for families and children who are deaf or hard-of-hearing.	$163,800	R

(6.0) Division of Public Health

28	**Early Intervention Services** Reduces funding for the Early Intervention - Developmental Evaluation Centers (now CDSA's) based on historical reversions.	($250,000)	NR
29	**Health Promotion Funding** Reduces state funding for health promotion activities and replaces these funds with an increase in the Preventive Health Services Block Grant - health promotion line item.	($159,000)	R
30	**Administrative Office** Reduces the administrative budget based on historical reversions.	($10,000)	R
31	**State Center for Health Statistics** Reduces the administrative budget within the office of Health Statistics based on historical reversions.	($10,000)	R
32	**Office of Medical Examiner** Reduces the administrative budget within the Office of Medical Examiner based on historical reversions.	($25,000)	R

33 Receipt Supported Positions - Cancer Control

Creates seven positions within the Chronic Disease and Injury Prevention Section.

Office Assistant V - $34,623,
(2) Nurse Consultant II's @ $65,813 total $131,626,
Statistician I - $43,120,
Public Health Educator III - $54,471,
Office Assistant IV - $32,921; and,
Medical Review Specialist, Mammography - $54,515.

These positions are 100% receipt-supported through the Centers for Disease Control, National Comprehensive Cancer Control Program and National Breast and Cervical Cancer Control Program. Effective July 1, 2004.

34 Receipt Supported Positions - Cardiovascular

Creates two positions within the Heart Disease and Stroke Prevention Branch to support Cardiovascular Health (Tri State Stroke Network, Stroke Registry)

Office Assistant IV - $32,051
Public Health Nurse Consultant II - $60,202

These positions are 100% receipt-supported through the Centers for Disease Control State Heart Disease and Stroke Prevention Program, Paul Coverdell National Acute Stroke Registry. Effective July 1, 2004.

35 Receipt Supported Positions - Nutrition Programs

Creates six positions in the Women's, Infant's and Children's Nutritional Program.

(3) Nutrition Program Consultants @ $57,682,
1 Program Manager 1 - $53,044,
Attorney II - $86,926; and,
Administrative Assistant I - $44,770.

These positions are 100% receipt-supported through the National Women's, Infant, and Children's Program and Child and Adult Care Food Program. Effective October 1, 2004.

36 Receipt Supported Positions - Food Security

Creates fourteen positions within the Epidemiology Section.

(7) Environmental Program Specialists @ $71,096,
Nurse Consultant II - $74,253,
Data Processing Coordinator II - $48,561,
Administrative Assistant I, - $44,770
Program & Training Coordinator II - $77,575; and,
(3) Planning and Training Administrators @ $71,096.

These positions are 90% receipt-supported (10% state-supported) through the NC Department of Agriculture from the Federal Homeland Security Agency. Effective July 1, 2004.

37 Receipt Supported Positions - Health Promotion

Creates seven positions within the Chronic Disease & Injury Prevention Section.

Manager I - $74,253,
Program Assistant V - $39,874,
Nurse Consultant II - $74,253,
Human Service Planner/Evaluator II - $65,171,
(2) Program Supervisor II's @ $65,171; and,
Statistician II - $52,770.

These positions are 100% receipt-supported through the Centers for Disease Control Steps to a Healthier US Program. Effective October 1, 2004.

38 Receipt Supported Positions - Asthma Program

Creates two receipt-supported positions within the North Carolina Asthma Program and Special Needs Children's Program. Effective September 1, 2004.

Statistician II - $59,008, and
Program Consultant II - $54,471.

These positions are 100% receipt-supported through the Centers for Disease Control and Prevention. Effective September 1, 2004.

39 Receipt Supported Positions - Wellness Activities

Creates .5 FTE position for the promotion of health and wellness activities.

.5 FTE Program Supervisor II - $27,638.

This position is 100% receipt-supported through the NC State Health Plan. Effective July 1, 2004.

40 Receipt Supported Positions - Minority Health

Creates one position within the Office of Minority Health.

Human Service Planner Evaluator III - $55,276

This position is 100% receipt-supported through the National Americorps Grant. Effective August 1, 2004.

41 Receipt Supported Positions - Breath Alcohol Test

Creates one position within the Forensic Test for Alcohol Program.

Staff Development Technician II - $39,726.

This position is 100% receipt-supported through the NC Governor's Highway Safety Program Grant. Effective July 1, 2004.

42 Receipt Supported Positions - HIV/AIDS Prevention

Creates 2.5 positions within the Division of Public Health to support in the HIV/AIDS prevention activities.

.5 FTE Public Health Program Supervisor II - $27,638,
Research Associate II - $59,914, and;
Public Health Coordinator - $68,042.

These positions are 100% receipt-supported through the HIV/AIDS Prevention Grant Funds and The HIV Prevention Cooperative Agreement Supplemental Application. Effective date is July 1, 2004.

43 Receipt Supported Positions - Health and Wellness

Creates two positions within Chronic Disease and Injury Prevention Section.

Program Consultant I - $47,666
Program Consultant II - $48,942

These positions are 100% receipt-supported by the Health and Wellness trust Fund Commission and the Center for Disease Control Physical Activity and Nutrition Grant. Effective date is July 1, 2004.

44 Receipt Supported Positions - Immunizations

Creates eight positions within the Division of Public Health - Immunization Branch.

2 Help Desk Assistant II's @ $38,454 each,
Health Educator II - $48,808,
Information Processing Assistant IV - $35,613,
3 Public Health Nurse Consultant II's @ $68,588, and;
Information Processing Assistant III - $33,094.

These positions are 100% receipt-supported through the federal Immunization Grant. The effective date is January 1, 2005.

45 AIDS Drug Assistance Program — $2,765,622 — R

Increases state funding in the ADAP program for the purchase of prescription drugs for patients.

46 Healthy Start — $225,000 — NR

Increases funding for Healthy Start Foundation for the prevention of infant mortality and morbidity.

47 UNC - CCCDP — $177,000 — NR

Increases funding for the UNC Chapel Hill's Carolina Children's Communicative Disorder Program for it's operations.

48 Child Fatality Task Force — $64,429 — R

Restores funding for one position and program support for the Child Fatality Task Force — 1.00

49 School Health Nurse Initiative — $4,000,000 — R

Provides funding for 80 school health nurses around the state. This funding and the funding from Maternal and Child Health Block Grant will fund 145 new school nurses. (HB1414, Section 10.33)

50 Arthritis Prevention Program — $25,000 — NR

Provides a grant-in-aid for a private local project in Mecklenburg County.

51 WIC Farmers Market Program — $156,630 — R

Restores funding for the Farmers Market Program.

52 Public Health Incubators — $1,125,000 — NR

Provides funding that will transferred to UNC-CH for the promotion of regionalism for public health activities. Funding would be given to coalitions to address public health issues in a region.
(HB 1414, Section 10.32)

53 Prevent Blindness — $41,900 — R

Provides funding to restore a reduction from a previous fiscal year.

	FY 04-05	
54 Public Health Improvements Provides funding local health departments that have been accredited through the Public Health Accreditation and funds for the Pilot Accreditation Advisory Board. (HB 1414, Sections 10.28A and 10.28B)	$100,000	R
(7.0) Division of Mental Health, Developmental Disabilities, and Substance Abuse Services		
55 Central Office Reduces funding for the Central Office based on historical reversions in each of the past two fiscal years.	($500,000)	NR
56 Central Office Contracts Reduces funding for technical assistance, training, and service contracts through the Division's Central Office. (HB 1414, Section 10.26B)	($199,273)	R
57 Institutional Receipts Reduces funding to the State institutions by budgeting over-realized receipts.	($2,000,000) ($2,550,000)	R NR
58 Area Mental Health Programs Reduces funding for Area Programs based on historical reversions in each of the past two fiscal years. Area Programs reverted $41.7 M in FY 2001-02 and $21.4 M in FY 2002-03. No impact to current service levels is anticipated. (HB 1414, Section 10.22)	($2,000,000)	NR
59 Autism Society of NC Increases funding to the Autism Society for the following purposes: Director of Development $70,000 Director of Finance $65,000 Communications Assistant $30,000 Human Resources Assistant $30,000 IT Assistant $35,000 Parent Advocate - Fluent in Spanish $45;000 Summer Camp $25,000	$300,000	R
60 Division TEACCH Provides funding to the Board of Governors of the University of North Carolina to fund Division TEACCH in the School of Medicine at UNC-CH.	$237,000	R
61 Housing Support for the Mentally Ill Provides funding for the expansion of housing support and placements for persons with mental illness. A $13 million federal match is anticipated.	$750,000	R

(8.0) Division of Facility Services

62 Central Office ($50,000) R

Reduces funding for the Central Office based on historical reversions in each of the past two fiscal years.

63 Facilities and Health Service Regulation ($50,000) R

Reduces funding to the Facilities and Health Services Regulation Section based on historical reversions in each of the past two fiscal years.

64 NC Medical Care Commission ($350,000) NR

Eliminates the anticipated cash balance of the special fund that funds the operations of the Medical Care Commission. This special fund typically maintains a cash balance equivalent to one year's operation of the Commission.

65 Receipt Supported Position - HRSA Bioterrorism

Creates one position for the Division of Facility Services to provide clerical support to the Bioterrorism Budget Officer in the Office of Emergency Medical Services:

Processing Assistant IV - $32,051

This position is 100% receipt-supported through the federal Bioterrorism Hospital Preparedness Program Grant. Effective September 1, 2004.

(9.0) Divisions of Services for the Blind and Services for Deaf & Hard of Hearing

66 State Assistance for the Blind ($30,000) R

Reduces appropriations for the State Assistance for the Blind Program due to historical reversions in each of the past two years.

67 Electronic Enhancement for the Blind

Requires the Department of Health and Human Services to budget $76,000 of prior year earned revenue to fund the Electronic Enhancement for the Blind contract through the Division of Services for the Blind.

Electronic Enhancement for the Blind	$76,000
Transfer from Prior Year Earned Revenue	($76,000)
State Appropriations	0

68 Receipt Supported Positions - Counseling

Creates two positions to provide specialized vocational services in the Charlotte-Mecklenburg County Public School System:

Community Employment Specialist II - $38,694
Rehabilitation Counselor - $45,908

These positions are 100% receipt-supported through federal Rehab Section 110 Funds and a contribution from the local school system. Effective July 1, 2004.

69 Receipt-Supported Positions

Creates three positions to develop and maintain telecommunications access to emergency alert and warning systems throughout the state for deaf, hard of hearing, and deaf-blind residents:

Research and Applications Consultant - $47,658
Administrative Officer II - $47,658
Office Assistant IV - $28,769

These positions are 100% receipt-supported from Telecommunications Relay System Wireless Revenue. Effective July 1, 2004.

(10.0) Division of Medical Assistance

70 Federal Financial Participation Rate ($40,236,086) R

Reduces funding for the Medicaid program to reflect an increased federal financial participation rate.

71 Medicaid Growth Rate Adjustment ($22,000,000) R

Reduces funding for the Medicaid Program by adjusting the annual growth rate from 12.3% to 11.3% to reflect the national trend for state Medicaid programs.

72 Medicaid Reserve Fund

Transfers funding from the G.S. 143-23.2 reserve to support current services and reduce state appropriations. (HB 1414, Section 10.5) ($24,454,251) NR

73 Bed Assessment for State ICF-MR Facilities ($3,000,000) R

Authorizes the Department of Health and Human Services to implement a bed assessment for State ICF-MR facilities and increase federal funding for these facilities resulting in reduced state appropriations. (HB 1414, Section 10.8)

74 Weight Loss and Weight Gain Drugs ($939,576) R

Eliminates funding for weight loss and weight gain drugs.

75 Community Care of NC — $1,000,000 R

Provides funding to continue the statewide expansion of the Community Care of NC Program (formerly Carolina ACCESS).

76 Prosthetic and Orthotic Coverage For Adults — $900,000 R

Expands Medicaid coverage for medically necessary prosthetics and orthotics for adults over 21. (HB 1414, Section 10.4(a)(23))

(11.0) Division of Vocational Rehabilitation

77 Administrative Efficiencies — ($479,294) R

Reduces funding due to increased efficiencies in administration and support services and more efficient pricing for case services. Includes the elimination of six vacant positions. -6.00

78 Federal Indirect Costs Receipts — ($1,000,000) NR

Requires the Division of Vocational Rehabilitation to budget federal indirect cost receipts and reduce state appropriations.

(12.0) Office of the Secretary

79 Prior Year Earned Revenue — ($11,787,400) NR

Requires the Department of Health and Human Services to budget prior year earned revenue and reduce state appropriations in the programs that receive prior earned revenue.

80 Division of Information Resource Management

Requires the Department of Health and Human Services to permanently budget $14,200,000 of prior year earned revenue to support the ongoing operations of the Division of Information Resource Management.

DIRM Operating Support	$14,200,000
Transfer from Prior Year Earned Revenue	($14,200,000)
State Appropriations	0

81 Position Elimination Reserve — ($800,000) R

Reduces funding by eliminating vacant or filled positions, reducing layers of management, and reducing related state administrative operating expenses throughout the Department of Health and Human Services.

82 Centralize IT Functions — ($2,000,000) R

Requires the Department of Health and Human Services to transfer all IT functions still located in each program division to the Division of Information Resources and reduce state appropriations resulting from the increased efficiencies. (HB 1414, Section 10.2C)

83 Community Health Grants — $7,000,000 NR

Provides funding for a competitive grant-in-aid program for community health services: $5,000,000 for federally qualified community health centers and $2,000,000 for state designated rural health centers and public health departments providing primary health care services.(NB 1414, Section 10.3)

84 MMIS Implementation

Transfers funding from the G.S. 143-23.2 reserve to fund the state share of implementing the new Medicaid Management System (MMIS). (HB 1414, Section 10.5)

Total Requirements	$5,000,000
Transfer from Medicaid Reserve Fund	($5,000,000)
State Appropriations	0

85 Adult Day Services Reimbursement Study — $250,000 NR

Provides funding for a contract with a national adult day services center to provide training and consultation services and to study the current reimbursement methodology for adult day services.

86 N. C. Special Olympics, Inc — $100,000 R

Provides a grant-in-aid to the North Carolina Special Olympics, Inc.

87 ALS Association - Jim "Catfish" Hunter Chapter — $50,000 NR

Provides a grant-in-aid to the ALS Association - Jim "Catfish" Hunter Chapter.

88 Receipt Supported Positions - DD Council

Creates one position for the Council on Developmental Disabilities to provide assistance in the Program Quality Improvement Section:

Office Assistance III - 30,114

This position is 100% receipt-supported from federal developmental disabilities formula funds. Effective July 1, 2004.

89 Receipt Supported Positions - Housing Program

Creates three positions in the Office of the Secretary to work in collaboration with the NC Housing Finance Agency and the DHHS Housing Work Group to expand community housing opportunities for DHHS clients:

(3) Community Development Specialist I	$54,503
Community Development Specialist II	$59,278

These positions are 100% receipt-supported from the Federal Real choice Systems Change Grant. Effective January 1, 2005.

	FY 04-05	
90 Dorothea Dix Campus Master Plan Provides funding for the creation of a master plan of the Dix Campus in accordance with the recommendations of the Dorothea Dix Property Study Commission. The City of Raleigh will provide an equal match. (HB 1414, Section 10.26A)	$100,000	NR
91 Long-Term Care Criminal Record Checks	$200,000	R
Provides funding to DHHS implement a system for conducting criminal records background checks for potential employees in long-term care facilities. Provides for the transfer of non-recurring funds to the Department of Justice to upgrade an existing billing system currently used for criminal records checks. (HB 1414, Section 10.19D)	$250,000 5.00	NR
92 Child Advocacy Centers Provides a $25,000 grant-in-aid to each of the 14 certified child advocacy centers.	$350,000	NR
93 Butner Fire Truck Provides funding to Butner Public Safety in the Department of Crime Control and Public Safety for the purpose of purchasing a pumper/tanker fire truck.	$150,000	R
94 Grants Reserve Provides funds for health and human services grants.	$2,400,000	NR
95 More At Four	$8,041,037	R
Increases funding for the More At Four budget to allow the program to fund approximately 2,000 additional slots. Provides a one time appropriation for the start-up costs of these new slots. (HB 1414, Section 10.38)	$1,016,165 3.00	NR
Budget Changes	**($38,206,686)**	R
	($32,773,486)	NR
Total Position Changes	2.00	
Revised Total Budget	**$3,788,537,572**	

Special Provisions

2004 Session: HB 1414

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. Highlights are as follows:

Maternal and Child Health Block Grant:

School Health Nurse Initiative $3,250,000
School Health Nurse Initiative Reserve $3,250,000

Temporary Assistance for Needy Families (TANF) Block Grant:

Additional funding for Child Protective Services Staff $1,000,000
Additional funding for N.C. Fast - $2,717,298
Funding to expand After-School Programs in Middle Schools - $500,000
Additional funding for Child Care Subsidy - $7,890,997

Section: 10.1

Title: **Centralize Criminal Records Checks**

Summary Requires DHHS to centralize all criminal record check activities by Jan. 1, 2005,

Section: 10.2

Title: **Study issues Related to Mentally Ill Residents of Long-Term Care Facilities**

Summary Requires DHHS to study issues concerning the care of mentally ill residents living in long-term care facilities. DHHS shall report to the NC Commission on Aging by Oct. 1, 2005

Section: 10.2B

Title: **Automatic Enrollment Medicare Prescription Drug Discount Card**

Summary Authorizes DHHS to automatically enroll senior citizens who are participants of the Senior Care Prescription Drug Assistance Program whose income is below 135% of the federal poverty level into the federal Medicare Prescription Drug Discount Program. Participants will be able to opt out of automatic enrollment.

Section: 10.2C

Title: **Consolidation of Management Of IT Operations, Services, and Functions Within DHHS**

Summary Requires DHHS to develop a consolidation plan for the management of IT operations within the department. The consolidation plan and implementation time line is due Oct. 1, 2004. A report on the implementation of the consolidation plan is due on Mar. 1, 2005.

Section: 10.2D

Title: **DHHS Payroll Deduction For Child Care Services**

Summary Authorizes DHHS to allow DHHS employees to request a payroll deduction to pay the cost of child care services provided by the Department.

Section: 10.2E

Title: **Regulation of Physician Assistants Receiving, Prescribing, or Dispensing Free Prescription Drugs**

Summary Authorizes the NC Medical board to regulate Physician Assistants when they are receiving, prescribing, or dispensing free prescription drugs.

Section: 10.2F

Title: **No State Funds for Rebirthing Technique Performed in Another State**

Summary Outlaws the expenditure of state funds on "rebirthing" procedures performed in this and any other state. "Rebirthing," a form of attachment therapy, is currently illegal in North Carolina.

Section: 10.3

Title: **Community Health Grant Funds**

Summary Establishes criteria for grants for federally qualified community health centers, State-designated rural health centers, and public health departments. Provides $5 million for federally qualified community health centers and $2 million for State-designated rural health centers and public health departments.

Section: 10.4

Title: **Medicaid**

Summary Authorizes the following changes to Medicaid policies:

Clarifies payment policies for hearing aids and optical supplies.

Authorizes direct enrollment of private mental health service providers to provide basic mental health services for adults and children receiving Medicaid services.

Expands Medicaid coverage for Prosthetics and Orthotics to Adults over 21.

Authorizes the Secretary of DHHS to include all types of providers in the development of new medical policies.

Section: 10.5

Title: **Medicaid Reserve Fund**

Summary Increases the transfer from the Medicaid Reserve Fund for FY 2004-05 from $62,500,000 to $86,954,251. Authorizes $5,000,000 from the Medicaid Reserve fund to be used to fund the implementation of the Medicaid Management System.

Section: 10.6

Title: **Transfer of Property to Qualify for Medicaid/Technical Correction**

Summary Provides a technical correction with no impact on existing law.

Section: 10.8

Title: **Medicaid Assessment Program for ICF/MR Facilities**

Summary Authorizes DHHS to implement a Medicaid assessment program for state operated and private ICF/MR facilities based on federal regulations for such programs. The funds realized from this program will be used to draw down additional federal funds reduce state appropriations for state operated ICF/MR facilities and to implement a rate increase for private ICF/MR facilities.

Section: 10.9

Title: **Community Alternatives Programs**

Summary Directs DHHS to ensure that expenditures for all CAP Programs do not exceed the budget for these programs while also ensuring that Cap slots are fully allocated and filled with in a timely manner.

Mandates that CAP services for disabled adults be provided to any eligible person residing in a nursing home on or before June 1, 2004 within the existing availability of services.

Section: 10.11

Title: **Pilot Program to Test New Approaches to Managing Access to and Utilization of Health Care Services to Medicaid Recipients**

Summary Requires DHHS to establish and implement pilot programs to test new approaches to the management of access and utilization of health care services to Medicaid recipients.

Section: 10.12

Title: **PACE Pilot Program Funds**

Summary Directs DHHS to develop a pilot program to implement the Program for All-Inclusive Care for the Elderly (PACE) including one pilot in the southeastern area of the State and one pilot in western are of the State. Appropriates $ 123,156 from existing funds within DHHS to support the pilots. Report due on Mar. 1, 2005.

Section: 10.13

Title: **DHHS Study Of Institutional Bias**

Summary Requires DHHS to contract with an independent entity to study whether the NC Medicaid Program has an institutional bias when providing long-term care services. Authorizes up to $150,000 for the study. Report due to the NC Commission on Aging Jan. 2005.

Section: 10.17

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

Summary Increases the monthly graduated payment schedule for foster care and adoption assistance payments by $25 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: 10.18

Title: **Special Children Adoption Fund**

Summary Decreases the state funds for the Special Children Adoption Fund from $1,100,000 to $100,000 due to an increase in the Temporary Assistance For Needy Families Block Grant of $1,000,000 for the adoption fund. Directs DHHS to monitor and redistribute funds in the program to avoid reversions. Reports due December 1, 2004 and June 30, 2005.

Section: 10.19

Title: **Funds for Child Protective Services Staff**

Summary Provides a total of $5,000,000 ($4,000,000 state funds and $1,000,000 TANF) to counties to hire additional staff at the local level for child protective services. Stipulates that the funds are not to be used to supplant other funds that have historically funded local staff. The $5,000,000 is designated to hire additional staff in counties with high caseload per worker ratios. Report due January 1, 2005.

Section: 10.19A

Title: **TANF Benefit Implementation**

Summary Changes the approved for the Temporary Assistance for Needy Families State Plan for 2003-2005. Allows DHHS to maintain current work requirements in the Work First Program unless directed by the federal government to change the existing policy.

Section: 10.19B

Title: **IV-E Child Caring Institutions**

Summary Directs DHHS to assure that child caring institutions are adequately funded for the 2004-2005 fiscal year.

Section: 10.19D

Title: **Long-Term Care Facility Criminal Record Checks**

Summary Direct DHHS to establish a system to conduct national criminal background checks for both direct care and non-direct care employees in long term care facilities who have lived in the state for less than 5 years. DHHS will receive the criminal record from the Department of Justice and inform providers if potential employee has a criminal record. Providers will make a hiring decision based on additional information they obtain from public records. Directs DHHS to have the system in place by January 1, 2005.

The Department of Justice is provided $250,000 to update a billing system and $34,000 for additional space requirements as a result of the additional records checks they will be required to conduct.

Section: 10.21

Title: **Adult Day Services Training and Reimbursement Methodology**

Summary Directs DHHS to contract with a national adult day services resource center to provide training and consultation to adult day/health centers across the state in order to improve business management skills. Also directs the consultant to study the existing reimbursement methodology for adult day/health providers. Report due January 1, 2005.

Section: 10.21A

Title: **State/County Special Assistance**

Summary Increases the State/County Special Assistance Rate from $1,066/month per recipient to $1,084/month per recipient effective October 1, 2004.

Section: 10.22

Title: **Administration of Reduction in Funds to Area Authorities**

Summary Directs DHHS to administer the $2 million reduction to the Area Authorities by targeting the cut to funds that have historically reverted and allocating the reduction proportionally across disability groups.

Section: 10.22A

Title: **DHHS Policies and Procedures in Delivering Community Mental Health, Developmental Disabilities, and Substance Abuse Services**

Summary Requires DHHS to do the following:

Identify and eliminate DHHS and Area Program policies and procedures that prevent the delivery of community MH/DD/SA services.

Implement policy changes that support Mental Health Reform and are based on actual service needs.

Expend all funds authorized for community MH/DD/SAS services.

Transfer one-half of any excess community funds to the Mental Health Trust Fund to be carried forward for community capacity building, and one-half of certain excess Child MH funds would be carried forward for Child MH services.

Section: 10.23

Title: **Funds for PATH Program Residence Purchase**

Summary Authorizes DHHS to spend up to $500,000 from the Mental Health Trust Fund for the purchase of an existing house or residential facility and land. The purpose is to expand the residential component of the PATH Program at Murdoch MR Center.

Section: 10.24

Title: **Use of Mental Health Trust Fund Monies for Capital Improvements and Expansions at ADATC Centers**

Summary Authorizes DHHS to spend up to $3.5 million from the Mental Health Trust Fund for capital improvements and expansions to the state-operated Alcohol and Drug Abuse Treatment Centers.

Section: 10.26

Title: **Area Program and County Program Transition Flexibility**

Summary Allows a county to remain a member of an Area Program while operating as a single County Program or joining a Multi-County Program. The county can function in this dual role until the end of the fiscal year that the transition is initiated.

Section: 10.26A

Title: **Dorothea Dix Master Plan**

Summary Directs the State Property Office to develop a Master Plan for the Dorothea Dix Campus. The State Property Office may consult with the City of Raleigh, and the State Property Office must hire a consultant. The Plan is due April 1, 2005.

Section: 10.26B

Title: **DHHS Central Office Contracts Reduction**

Summary Directs DHHS to preserve a contract with the NC High School Athletics Association as it administers a contract reduction in the Division of Mental Health, Development Disabilities, and Substance Abuse Services.

Section: 10.27

Title: **Mental Health Treatment Courts**

Summary Directs the Administrative Office of the Courts to expand three existing Drug Courts, on a pilot basis, to address offenders with mental illness.

Funds are appropriated from the Mental Health Trust Fund for emergency judges and case management in the three pilot districts. Treatment services will be provided by Area Mental Health Programs for offenders who meet target population criteria.

Requires the Administrative Office of the Courts to evaluate the effectiveness of the pilots.

The pilot districts are in Orange/Chatham Counties, Mecklenburg County, and Buncombe County.

Section: 10.28A

Title: **Public Health Improvements**

Summary Appropriates $50,000 for FY 2005 to be allocated to local public health departments that have been participating in the accreditation process. The funds shall be used to improve quality at these local health departments. A report is due January 1, 2005.

Section: 10.28B

Title: **Pilot Process for Local Health Departments**

Summary Establishes the Pilot Accreditation Advisory Board. The responsibility of board members will be to evaluate the Department's pilot accreditation process for local health departments. This special provision appropriates $50,000 for FY 2005 for administrative costs and activities associated with the pilot board. A report is due April 1, 2005.

Section: 10.29

Title: **Early Intervention Reporting Requirement**

Summary Requires DHHS, Division of Public Health to track the number of children referred to the Early Intervention program through the Division of Social Services abuse and neglect agents. The report shall include the number and types of services provided to these children and the fiscal impact of this requirement on the Early Intervention Program. The report is due January 30, 2005.

Section: 10.30

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

Summary Maintains the eligibility for the ADAP program at 125% of the Federal Poverty Level. Reports on program usage and costs are due January 1, 2005 and May 1, 2005.

Section: 10.31

Title: **Maximize ADAP Program Funding**

Summary Directs the Department to budget the rebate funds received for ADAP pharmaceutical purchases for use in the program. Directs the Department to examine the current eligibility process to determine if a savings could be realized if eligibility determination became a semi-annual process.

Section: 10.32

Title: **North Carolina Public Health Incubators**

Summary Appropriates $1,125,000 for FY 2005 to the North Carolina Institute for Public Health, School of Public Health at the University of North Carolina at Chapel Hill. The funds shall be used to coordinate the development of "public health incubators". The funds shall be used to strengthen capacity for health services at the participating counties. The Division of Public Health shall report on the use of these funds by January 14, 2005.

Section: 10.33

Title: **Funds for School Nurses**

Summary Appropriates $4M to hire 80 school nurses throughout the state. DHHS in conjunction with the Department of Public Instruction shall determine the process for selecting counties and providing funds to communities to hire school nurses. A report is due by December 1, 2004.

Section: 10.34

Title: **Hospital Emergency Department Data Reporting**

Summary Amends the G.S. 130A-22 to require hospitals to report emergency room data to the Division of Public Health. The purpose is to detect any public health threats including potential terrorist incidents involving nuclear, biological, or chemical agents and epidemic or infectious, communicable or other diseases.

Section: 10.35

Title: **Authorize Child Care Commission to Adopt Rules for Child Care Facilities for Medically Fragile Children**

Summary Amends the G.S. 110-88 by allowing the Child Care Commission to adopt rules for medically fragile child care facilities.

Section: 10.36

Title: **Criminal History Record Checks for Local Child Care Centers**

Summary Directs the Division of Child Development to conduct criminal history record checks for local child care centers in an expedient manner by using lapse salary funds to support up to three additional temporary positions during FY 2005.

Section: 10.37

Title: **Increase North Carolina Partnership for Children Board Membership**

Summary Amends G.S. 143B-168.12 (a)(1) by adding one member to the Board of Directors for the North Carolina Partnership for Children. The Director of the More At Four program shall be a member on the Partnership Board.

Section: 10.38

Title: **More At Four Program**

Summary Directs the Department to transfer uncommitted M@F funding to the Division of Child Development for use in child care subsidy after January 30, 2005. Establishes an income eligibility requirement for the program not to exceed 75% of the State Median Income with 20% of children allowed to be from families earning above 75% SMI. Beginning in FY 2005, the M@F program shall not supplant current funding for classrooms serving four-year-olds. Reports are due January 1, 2005 and May 30, 2005.

Section: 10.39

Title: **AGAPE of North Carolina, Inc. On the List of Agencies Eligible to Receive Funding From the State Funds Program**

Summary Directs DHHS to include AGAPE of North Carolina, Inc. as one of the eligible providers to be reimbursed from the state funds provided for uncompensated costs of care.

Section: 10.40

Title: **Child Care Allocation Formula**

Summary Allows the Department to allocate the new funding for child care subsidy to counties based on current needs and expenditures in order to maintain the current level of subsidy services.

NATURAL
&
ECONOMIC RESOURCES

Agriculture and Consumer Services

GENERAL FUND

	FY 04-05
Total Budget Approved 2003 Session	**$48,616,369**

Budget Changes

Aquaculture Development

1 Reduce Operating Support ($10,000) R

Operating support savings realized due to divisional reorganization.

Budget and Finance

2 Shift Position to Receipt Support ($27,251) R

Fund shift 1.0 position to receipts from indirect costs. -1.00

Payroll Clerk IV (1.0) ($27,251)

Emergency Programs

3 Receipt-Supported Positions

Allows for the establishment of the following 28.0 time-limited permanent appointments upon receipt of federal grant funds. No state funds will be expended on these positions. The dollar amounts are estimates only of salary.

A. DHHS/OEMS Contract

Applications Programmer II	(1.0)	$59,658

B. DHHS/Mental Health Contract

Applications Programmer II	(1.0)	$59,658

C. NC Threat Reduction Grant

Applications Analyst Progr II	(1.0)	$51,000

D. Food Security Personnel Support Grant

Food Security Liaison	(1.0)	$59,658
Assessment Section Coordinator	(1.0)	$71,683
Veterinary Surv & Em Response Spec	(7.0)	$501,781
Ag. Vulnerability Assessors	(7.0)	$417,606
GIS Applications Analyst Progr I	(3.0)	$196,110
Accounting Technician IV	(1.0)	$39,789
Processing Assistant V	(1.0)	$33,562

E. Homeland Security & Sandia National Labs Grant

Applications Analyst Prog II	(2.0)	$143,366
Database Administrator	(1.0)	$90,495
Administrative Assistant I	(1.0)	$36,447

	FY 04-05	
Food and Drug - Pesticide Section		
4 Budget Overrealized Receipts Increase budgeted receipts associated with two of the Pesticide fees (Pesticide Ground Applicator License and Pesticide Registration Fee) implemented in FY 03-04.	($100,000)	R
5 Continue Operating Support Reductions Continue part of the non-recurring cuts for operating expenses of the Pesticide Formulation Lab.	($25,000)	NR
Food Distribution		
6 Shift Position to Receipt Support Fund shift 1.0 position to federal funds.	($34,854)	R
Processing Assistant IV (1.0) ($34,854)	-1.00	
General Administration		
7 Eliminate Vacant Position Eliminate 1.0 vacant position.	($100,357)	R
Deputy Secretary/Commissioner (1.0) ($100,357)	-1.00	
8 Reduce Travel Expenditures Department-wide Department-wide reductions in budgeted travel funds.	($75,000)	R
Marketing		
9 Reduce Operating Support Reduce line items for building maintenance, advertising, product promotions, supplies, and travel.	($57,000)	R
10 Receipt-Supported Positions Allows for the establishment of 2.0 permanent, full-time positions supported by Marketing receipts. The positions will assist with maintenance and repair work at the Western NC and Piedmont Triad Farmers Markets, respectively.		
Machine Operator II (1.0) $27,106 Maintenance Mechanic I (1.0) $30,239		
Plant Industry		
11 Receipt-Supported Positions Allows for the establishment of the following 2.0 time-limited permanent appointments upon receipt of a Clean Water Management Trust Fund grant. No additional state funds will be expended on these positions. The positions will support the Plant Conservation Program.		
Environmental Specialist II (2.0) $97,600		

12 Receipt-Supported Positions

Allows for the establishment of the following 13.0 time-limited permanent appointments upon receipt of federal grant funds. No state funds will be expended on these positions. The dollar amounts are estimates only of salary and fringe benefits.

A. USDA/APHIS/PPQ - Imported Fire Ant Cooperative Agreement
Plant Pest Inspector (1.0) $37,100

B. USDA - Agricultural Biotechnology Regulatory Program
Biotechnology Compliance Officer (2.0) $106,088

C. USDA Forest Service - Hemlock Woody Adelgid
Agricultural Research Technician I (1.0) $31,788

D. USDA Forest Service - Weed Biocontrol Host Plant Testing
Agricultural Research Technician I (1.0) $31,788

E. USDA/APHIS - Sudden Oak Death
Program Manager (1.0) $45,115
Agricultural Research Technician I (1.0) $31,788

F. USDA - Regulatory Plant Diagnostic Laboratory
Laboratory Manager (1.0) $45,115
Laboratory Technician (1.0) $30,653

G. USDA - Export Certification
Export Certification Specialist (2.0) $106,088

H. USDA - Gypsy Moth
Trapping Coordinator (1.0) $47,666
Mechanic I (1.0) $35,190

Public Affairs

13 Increase Funds for the Ag in the Classroom Program — $75,000 NR

Increase appropriation to the NC Farm Bureau for Ag in the Classroom Program.

Research Stations

14 Reduce Unrealized Receipts in Research Stations — $325,000 R

The Research Station farms have undergone a transition from production farming to research farming. Under production, all items were marketable as revenue enhancements but that is not the situation with research farming. These receipts have gone under-realized for at least the last five years. The Division's budget will be amended to more correctly budget receipts at a level that can be realized.

Veterinary Services

15 Veterinary Division Program Support $150,000 R

Increased funding is needed to address needs arising from increased responsibilities and unfunded mandates from the United States Department of Agriculture. Funds and additional staff are also needed to address foreign animal diseases, serve the swine and poultry industries in North Carolina as it relates to diagnostic testing, and address the lack of compliance with the animal ID program and the improper disposal of dead animals. 1.00

16 Receipt-Supported Positions

Allows for the establishment of the following 9.0 time-limited permanent appointments upon receipt of federal USDA/APHIS - US Animal Identification System grant funds. No state funds will be expended on these positions. The dollar amounts are estimates only of salary and fringe benefits.

Regional Coordinator	(3.0)	$179,742
Animal Health Technician	(3.0)	$134,310
Administrative Asst. I	(1.0)	$44,770
Processing Assistant IV	(1.0)	$38,409
Applications Programmer	(1.0)	$57,408

Veterinary Services - Meat and Poultry Section

17 Reduce Operating Support ($20,000) R

Cut operating expenditures that are under-utilized.

Budget Changes	**$50,538**	R
	$50,000	NR
Total Position Changes	-2.00	
Revised Total Budget	**$48,716,907**	

Special Provisions

2004 Session: HB 1414

Department: Agriculture and Consumer Services

Section: 11.1

Title: **Sale of Umstead Farm Dairy Herd and Use of Proceeds**

Summary Allows the Department of Agriculture and Consumer Services to sell the dairy herd at Umstead and use the receipts to consolidate equipment and structures at other facilities. Creates a special fund for the receipts to be spent only on the consolidation activities.

Section: 11.2

Title: **Study Operations, Funding, and Efficiencies for DACS Research Stations**

Summary Directs the Department of Agriculture and Consumer Services and the Agricultural Research Service at North Carolina State University to review the research stations, including operations, efficiencies, and funds across the stations. Findings should be reported by December 15, 2004.

Commerce

GENERAL FUND

	FY 04-05
Total Budget Approved 2003 Session	**$34,336,301**

Budget Changes

ABC Commission

18 Receipt-Supported Positions

Allows for the establishment of 4.0 permanent, full-time positions supported by ABC Commission receipts paid by the local ABC Boards. The dollar amounts are estimates of salary only. The trainer positions will be in the Education and Training Division focused on providing alcohol education to students, parents, industry members, civic groups, and the general public.

Administrative Asst. I (4.0) $145,788

Air Transportation

19 Reduce Operating Support ($52,328) R

Reduce line item for rent and lease of facilities and the line item for gasoline.

Business & Industry

20 Expand Business ServiCenter $525,000 R

$8,800 NR

10.00

This item establishes a Business ServiCenter, whose functions include a Small Business Ombudsman and the responsibilities of the Business License Information Office previously housed in the Secretary of State's Office. This item authorizes the establishment of up to 10.0 positions. (HB 1414 Section 13.9A)

Commerce Finance Center

21 Reduce Fund Balance ($2,211,667) NR

Reduce the cash balance of the Industrial Development Fund. (HB 1414 Section 13.5)

22 Reduce Operating Support ($12,924) R

Reduce travel, advertising, and registration fees.

Community Assistance

23 Eliminate Vacant Position ($47,145) R

Eliminate vacant Community Development Planner position.

-1.00

	FY 04-05	
Industrial Commission		
24 Budget Over-realized Receipts Budget over-realized receipts for the Industrial Commission and offset state appropriations for the same amount.	($109,046)	R
International Trade		
25 Reduce Operating Support Reduce various line items within the Division of International Trade.	($25,000)	R
Management Information Systems		
26 Reduce Operating Support Reduce travel, equipment, and data service line items.	($20,660)	R
Policy, Research and Strategic Planning		
27 Economic Development Information System To begin the development of the North Carolina Economic Development Information System (NC EDIS), a comprehensive and customizable automated system that will house the core national, state, regional, county and municipal data necessary to monitor economic trends, identify target sectors and clusters, supply marketing profiles to clients, provide maps and data to planners and workforce analysts, and regularly brief policy officials in the Executive Branch and General Assembly on economic threats and opportunities facing the state.	$375,000	NR
28 Reduce Operating Support Reduce intern, temporary help, and miscellaneous contracts line items.	($10,814)	R
Science and Technology		
29 Reduce Operating Support Reduce the contractual services line item.	($2,527)	R
Travel & Tourism		
30 Funds for Film Commission Provide funds for the Charlotte Regional Film Commission.	$300,000	NR
31 Expand Heritage Tourism Funds for a position and operating support at two new Heritage Tourism sites, in Rutherford and Ashe counties.	$100,000 2.00	R
32 Increase Funds for Marketing Provide additional funds to the Division of Travel & Tourism for marketing efforts.	$850,000	NR

Utilities Commission

33 Receipt-Supported Position

Allows for the establishment of a permanent, full-time position supported by Utilities Commission fee receipts. Duties will include handling security and spam issues on PCs and servers.

Computer Systems Analyst II (1.0) $61,000

Wanchese Seafood Industrial Park

34 Reduce Carry Forward Fund Balance ($300,000) NR

Reduce the cash balance from the Wanchese Seafood Industrial Park Oregon Inlet Project. (HB 1414 Section 13.5A)

Welcome Centers

35 Fund New Welcome Center $181,048 R

A new Welcome Center on I-26 opened in August 2003, but no funds were appropriated for operating expenses. The center's current operating budget is being supported with a one-time grant from the Appalachian Regional Commission. This action will provide the necessary funds to continue operations. 5.00

Budget Changes	**$525,604**	R
	($977,867)	NR
Total Position Changes	16.00	
Revised Total Budget	**$33,884,038**	

Special Provisions

2004 Session: HB 1414

Department: Commerce

Section: 5.2

Title: **NER Block Grants**

Summary Allocates $45 million in federal Community Development Block Grant (CDBG) funds for the 2005 program year. Provides for subsequent increases or decreased in federal fund availability. Places limitations on CDBG funds. Allows capacity building grants to be made for non-profit organizations from funds available within program categories, program income, or unobligated funds. Directs Commerce to partner with the Rural Economic Development Center to award demonstration grants to local governments in distressed rural areas of the state. Directs Commerce to consult with the Joint Legislative Commission on Governmental Operations prior to reallocating funds, except when an emergency arises that poses a threat to public health or safety or if future funding might be adversely affected.

Section: 13.1

Title: **Council of Government Funds**

Summary Technical correction to the 2003-04 provision; corrects date for transfer of payments.

Section: 13.3

Title: **Tourism Promotions Funds Study**

Summary Directs the Department of Commerce to study an alternative method for ranking counties for tourism promotion grants. The Department shall consider the number and quality of tourism attractions in the county as well as the county's financial ability to promote tourism. The Department is to report findings and recommendations to the Chairs of the Appropriations Subcommittee on Natural and Economic Resources by January 16, 2005.

Section: 13.5

Title: **Industrial Development Fund**

Summary Reduces the Industrial Development Fund by $2,211,667.

Section: 13.5A

Title: **Wanchese Seafood Industrial Park**

Summary Prevents funds appropriated in the 2003-04 fiscal year and prior for the Oregon Inlet Project from reverting on June 30, 2004. Allows said funds to be used by the NC Seafood Industrial Park Authority for operations, maintenance, expansion, repair and capital improvements. Reduces the carry-forward amount by $300,000.

Section: 13.7A

Title: **Trade Jobs for Success**

Summary Directs the Employment Security Commission to request a waiver from the U.S. Department of Labor to allow the Trade Jobs for Success initiative to (1) serve persons regardless of their age, (2) use unemployment funds to provide direct monetary incentives to participating employers and direct income to eligible workers in the retraining program, and (3) use funds for in-state re-location assistance.

Directs the Department of Commerce, in cooperation with the ESC and the Community College System to implement the Trade Jobs for Success initiative in the counties hardest hit by trade impact job losses.

Section: 13.7B

Title: **Omnibus Changes to Employment Security Laws / Funds to Support Local ESC Offices**

Summary Makes the following changes to the ESC statutes: allows nonprofits more flexibility in paying their balances, removes a reporting requirement no longer necessary, clarifies the ESC appeals process, and updates the definition of employment for J1 visas so employers do not have to pay SUTA (FUTA already exempt).

Subsection (e) appropriates $6.3 million from the Special Employment Security Administration Fund to ESC.

ESC Local Offices	$6,000,000
ESC SOICC	$ 200,000
ESC Common Follow-Up	$ 100,000

Subsection (f) appropriates $400,000 from the Worker Training Trust Fund.

NC REAL	$150,000
Hosiery Center	$250 000

Section: 13.9A

Title: **Transfer Business License Information Office Functions and Duties to the Department of Commerce**

Summary Transfers the responsibilities of the Business License Information Office from the Secretary of State's Office to the Department of Commerce. Directs Commerce to establish a Small Business Ombudsman position to work with businesses to resolve issues involving state government.

Commerce - State Aid

	GENERAL FUND	
	FY 04-05	
Total Budget Approved 2003 Session	**$11,222,085**	
Budget Changes		
Regional Economic Development Partnerships		
36 Fund Vision Plans Funds will be allocated to each of the seven (7) regional economic development partnerships to develop, implement, or develop and implement strategic economic development plans. (HB 1414 Section 13.6)	$1,750,000	NR
37 Advanced Vehicle Research Center Funds to be appropriated to the Northeast Regional Economic Development Partnership for the Advanced Vehicle Research Center to build a full transportation testing center.	$200,000	NR
Budget Changes	**$1,950,000**	NR
Total Position Changes		
Revised Total Budget	**$13,172,085**	

Special Provisions

2004 Session: HB 1414

Department: Commerce - State Aid

Section: 13.6

Title: **Regional Partnerships Vision Plans**

Summary Appropriates $250,000 to each of the seven Regional Economic Development Partnerships to development and implement a strategic economic development plan.

Section: 13.7

Title: **Regional Economic Development Commission Allocations**

Summary Deducts from funds allocated to the Global Transpark Commission, the interest earnings on the estimated balance of $7,500,000 appropriated to the Global TransPark Development Zone and redistributes that sum of $125,681 to the seven Regional Economic Development Partnerships. Each Partnership's share of this redistribution shall be determined according to the enterprise factor formula.

Environment & Natural Resources

GENERAL FUND

	FY 04-05
Total Budget Approved 2003 Session	**$152,798,010**

Budget Changes

(1.0) Administration

38	**Eliminate Filled Positions** Eliminate 1.5 filled Administrative Services positions. Personnel Officer (0.5) ($42,529) Help Desk Assistant (1.0) ($31,937)	($74,466) -1.50	R
39	**Eliminate Vacant Position** Eliminate 1.0 vacant Administrative Services position. Accounting Clerk IV (1.0) ($28,558)	($28,558) -1.00	R
40	**Eliminate Regional Office Position** Eliminate 1.0 filled Regional Office position. Office Assistant III (1.0) ($30,167)	($30,167) -1.00	R
41	**Reduce Regional Office Rent** Reduce the rent line item for the Winston-Salem Regional Office.	($80,956)	R
42	**Reduce Wetlands Restoration Operating Support** Reduce rent line item for the Wetlands Restoration Program.	($7,689)	R
43	**Reduce Operating Support for OCCA** Reduce various operating line items for the Office of Conservation and Community Affairs.	($20,521)	R
44	**Expand One-Stop Permitting Program** Expand the One-Stop Permitting Program statewide effective January 1, 2005. This program provides a single point of entry where businesses and citizens can seek assistance in identifying state and some federal environmental requirements and receive guidance throughout the permitting process. (HB 1414, Section 12.12)	$100,000 4.00	R
45	**Expand Express Permitting Program** Expand the pilot program to two additional regional offices. Establish 4.0 receipt-support positions that are effective July 1, 2004 and 4.0 General Fund-supported positions effective January 1, 2005. (HB 1414, Section 12.9)	$100,000 4.00	NR

46 EEP Receipt-Supported Positions

Establish 11.0 permanent, full-time positions in the Ecosystem Enhancement Program. These positions will be supported by DOT receipts and will provide additional manpower needed to ensure compliance with mitigation regulations.

Processing Assistant IV	(1.0)	$26,769
Processing Assistant V	(1.0)	$28,669
Environmental Specialist II	(1.0)	$39,658
Environmental Specialist III	(5.0)	$213,780
Applications Programmer I	(1.0)	$50,246
Environmental Supervisor III	(2.0)	$109,208

47 OCCA Receipt-Supported Positions

Establish 2.0 permanent, full-time positions in the Office of Conservation and Community Affairs that will support the implementation of the Nature Preserves Act (G.S. 113A-164).

A. DOT Receipts
Environmental Biologist II (1.0) $39,759
Position will focus on assisting DOT staff with incorporating natural heritage data into DOT's environmental planning.

B. WRC Receipts
Environmental Biologist II (1.0) $39,759
This position will focus on assisting WRC with developing and implementing conservation plans for important wildlife habitats.

(2.0) Air Quality

48 Receipt-Supported Positions

Establish 2.0 permanent, full-time positions supported by Inspection and Maintenance Program receipts. These positions will be located in the Washington and Wilmington Regional Offices. Duties will include auditing the program for compliance and serving as the local liaison with testing and repair industries.

Environmental Tech III (2.0) $60,290

(2.0) Coastal Management

49 Reduce Operating Support ($24,750) R

Reduce various operating line items within Coastal Management administration.

(2.0) Environmental Health

50 Eliminate Vacant Position ($58,804) R

Eliminate 1.0 vacant position in the On-Site Wastewater Section. -1.00

Regional Soil Scientist (1.0) ($58,804)

51 Reduce Operating Support ($72,502) R

Reduce various operating line items within Environmental Health, Public Water Supply, and Radiation Protection Sections.

52 Expand Shellfish Sanitation Program $50,000 R

Provide additional support for the Shellfish Sanitation Section.

53 State Match Funds $0 R

A transfer of $292,696 from the Industrial Development Fund will provide a portion of the 20% match required to draw down federal funds for the Drinking Water State Revolving Fund.(HB 1414, Section 12.8)

54 Receipt-Supported Positions

Establish 1.5 permanent positions in the Radiation Protection Section (RPS).

A. Tanning Receipts
Health Physicist (0.5) $21,378
This position will focus on inspecting radioactive materials, x-ray equipment, and tanning facilities.

B. Mammography Receipts
Environmental Engineer II (1.0) $54,856
Position will provide engineering technical support to RPS.

(2.0) Land Resources

55 Reduce Operating Support ($85,356) R

Reduce various operating and contract line items within Land Resources administration, Geodetic Survey Section, and Land Quality Section.

56 Reduce Education Funds ($15,000) R

Reduce Sediment Education funds.

57 Fund Shift Position ($40,837) R

Fund shift 1.0 position in the Land Quality Section to receipt support. -1.00

Environmental Tech V (1.0) ($40,837)

(2.0) Pollution Prevention

58 Eliminate Filled Position ($26,848) R

Eliminate 1.0 filled position. -1.00

Office Assistant III (1.0) ($26,848)

59 Reduce Equipment ($11,440) R

Reduce computer equipment line item.

(2.0) Waste Management

60 Fund Shift Position ($38,370) R

Fund shift 0.5 position to Brownfields grant support. -0.50

Environmental Program Manager II (0.5) ($38,370)

61 Eliminate Vacant Positions ($71,861) R

Eliminate 1.5 vacant positions in the Solid Waste Section. -1.50

Environmental Chemist II (0.5) ($35,067)
Environmental Technician III (1.0) ($36,794)

62 Reduce Operating Support ($8,856) R

Reduce operating support for travel.

63 State Match Funds $1,000,000 NR

Provides the 10% state match required to draw down federal funds for the NC Superfund Cost Share Fund. This fund provides for the cleanup costs of National Priorities List sites.

(2.0) Water Quality

64 Reduce Operating Support ($261,378) R

Reduce various operating line items and the transfer to Regional Offices.

65 Eliminate Vacant Position ($14,336) R

Eliminate 0.5 vacant position. -0.50

Chemistry Tech I (0.5) ($14,336)

66 Fund Shift Position ($32,886) R

Fund shift 1.0 position to grant support. -1.00

Hydrogeological Tech I (1.0) ($32,886)

67 State Match Funds $0 R

A transfer of $483,984 from the Industrial Development Fund will provide a portion of the 20% match required to draw down federal funds for the Clean Water State Revolving Fund.(HB 1414, Section 12.8)

68 Receipt-Supported Position

Establish 1.0 full-time position supported by federal 319 Grant funds. This position will assist with handling grant invoices, tracking grant budgets, organizing and maintaining files, maintaining MOA paperwork and other duties. DENR has received 319 funding for the past 14 years and expects to continue receiving funds in future years.

Administrative Assistant I (1.0) $27,094

(2.0) Water Resources

69 Reduce USGS Cooperative Agreement Funds ($25,871) R

Reduce funds for the cooperative agreement with USGS for monitors.

70 River Basin Water Supply Initiative $150,000 R

The outcome of this program will be 50-year water supply plans for each of North Carolina's 17 major river basins. $33,254 NR

3.00

71 Establish and Support Position $80,523 R

Establish 1.0 position in the Water Projects Section and provide corresponding operating support. 1.00

Environmental Engineer III (1.0) $80,523

(3.0) Aquariums

72 Reduce Operating Support ($50,000) R

Reduce various operating line items within the Division of Aquariums.

73 Receipt-Supported Positions

Allows for the establishment of the following position. Position will be funded from admission receipts.

Computing Consultant I (1.0) $44,428

(3.0) Environmental Education

74 Reduce Operating Support ($16,882) R

Reduce various operating line items within the Office of Environmental Education.

(3.0) Forest Resources

75 Provide Funds for Equipment

Funds will be provided for the Division of Forest Resources to purchase slip units for fire fighting. $15,000 NR

76 Receipt-Supported Positions

Allows for the establishment of the following 7 time-limited permanent appointments upon receipt of federal grant funds. No state funds will be expended on these positions.

Application Analyst Prog. II	(1.0)	$ 61,426
Computing Consultant III	(2.0)	$103,820
Forester III	(4.0)	$174,428

77 Reduce Operating ($317,492) R

Reduce equipment line items within the Division of Forest Resources.

78 Establish Positions $105,101 R

Funds will provide the State portion of the cost of 4.0 new positions and related operating expenses. 4.00

Assistant County Ranger-Greene	(1.0)	$34,584
Assistant County Ranger-Anson	(1.0)	$31,924
Assistant County Ranger-Camden	(1.0)	$13,136
Forest Fire Equipment Operator-Haywood	(1.0)	$25,457

(3.0) Marine Fisheries

79 Eliminate Vacant Position ($38,193) R

Eliminate a vacant Marine Fisheries Enforcement Officer II position. -1.00

80 Funds for Recreational Fishing License $750,000 NR

Provides $450,000 to the Division for information system upgrades and $300,000 to the Board of Trustees to implement the provisions of the Saltwater Fishing License bill. These funds are contingent upon the passage of House Bill 831. (HB 1414 Section 12.16)

81 Receipt-Supported Positions

Allows for the establishment of the following position. Position will be funded from license receipts.

Data Processing Assistant II	(1.0)	$26,389

82 Eliminate Position ($31,765) R

Eliminate a Marine Fisheries Technician II position. -1.00

83 Reduce Operating Support ($113,661) R

Reduce various operating line items within the Division of Marine Fisheries.

(3.0) Museum of Natural Sciences

84 Receipt-Supported Positions

Allows for the establishment of the following 5 time-limited positions. Positions will be funded from Science of Learning Science Center Grants.

Natural Science Curators	(3.0)	$110,178
Computer Consultant II	(1.0)	$42,756
Nat. Science Museum Prg. Chief	(1.0)	$42,756

85 Increase Grassroots Funding — $296,000 — R

Increase funding to the Grassroots Science Museums.(HB 1414 Section 12.1)

86 Reduce Operating Support — ($134,235) — R

Reduce various operating line items within the Museum of Natural Sciences.

(3.0) Parks and Recreation

87 Center City Park

Funds shall be appropriated to Action Greensboro for the design and construction of Center City Park. — $500,000 — NR

88 Reduce Funding — ($246,203) — R

Reduce operating support to the Division of Parks and Recreation. This cut will reduce funds available for seasonal employees, not including life guards.

(3.0) Soil and Water Conservation

89 Restore Position — $41,749 — R

Restore the District 7 Soil and Water Conservation Regional Coordinator position. — 1.00

90 Reduce Funding — ($100,000) — R

Reduce funding to the Division of Soil and Water Conservation. Reductions will be at the discretion of the Division, with no more than a $25,000 cut to Ag Cost Share, no cut to county matching grants, and no cut to supervisor travel.

(3.0) Zoo

91 Reduce Operating Support — ($86,847) — R

Reduce funds available for tort claims and motorized vehicles.

92 Receipt-Supported Positions

Allows for the establishment of the following 10-month positions. Positions will be funded from admission receipts.

Vehicle Operator II	(1.0)	$19,940
Cashier I	(1.0)	$21,100
Processing Asst. III	(1.0)	$21,100

	FY 04-05	
(4.0) Reserves & Transfers		
93 Restore Funding Increase funds to Partnership for the Sounds to return to 2001-02 funding level.	$52,760	R
94 Reduce Fund Balance Reduce Partnership for the Sounds fund balance for Pamlico County project by 50%. (HB 1414 Section 12.7A)	($83,000)	NR
95 Reduce Water Quality Workgroup Reduce transfer to the Water Quality Workgroup by 3%.	($2,700)	R
(6.0) Wildlife Resources Commission		
96 Receipt-Supported Positions Allows for the establishment of the following 3 positions. Positions will be funded from the Wildlife Fund. Facility Mechanical Engineer I (1.0) $62,441 Safety Officer III (1.0) $49,799 Facility Maintenance Coord. II (1.0) $38,052		
97 Receipt-Supported Positions Allows for the establishment of the following 5 positions. Positions will be funded from Wildlife Commission License & Vessel receipts, U.S. Coast Guard. Wildlife Enforcement Officer (5.0) $207,845		
Budget Changes	**($1,293,297)**	R
	$2,315,254	NR
Total Position Changes	5.00	
Revised Total Budget	**$153,819,967**	

Special Provisions

2004 Session: HB 1414

Department: Environment & Natural Resources

Section: 12.1

Title: **Grassroots Science Program**

Summary Allocates $3,097,762 in the 2004-05 fiscal year as grants-in-aid to 22 regional science museums, Requires the Department of Environment and Natural Resources to report the museums' operating budgets for 2004-05, proposed operating budgets for 2005-06 and total attendance to Fiscal Research by January 15, 2005.

Section: 12.3

Title: **Twenty-Four-Hour Access to Fort Fisher State Recreation Area During the Fall and Winter/Funds for Department Study/Activities at Fort Fisher**

Summary Allows 24-hour access to permit holders at Fort Fisher State Recreation Area from September 15 through May 15 of each year. Directs the Department of Environment and Natural Resources to conduct a study of vehicle use at Fort Fisher and report findings and recommendations to the Environmental Review Commission no later than February 1, 2005. Directs that of the funds appropriated to the Department, $25,000 be used for costs to conduct the study and for education, conservation and enforcement activities by the Department at Fort Fisher.

Section: 12.4

Title: **Accounting for Wildlife Resources Commission Revenue**

Summary Instructs the Director of the State Budget and the State Controller to review the accounts of the Wildlife Resources Commission and to make any changes to existing accounts as needed to segregate revenue affected by requirements or conditions of federal law from revenue not affected.

Section: 12.5

Title: **Wildlife Resources Commission Temporary Exemption of Surplus Property/Recyclable Material Fee**

Summary Makes Wildlife Resources Commission subject to payment of fees for sale of surplus property and recyclable material by the Department of Administration. Allows that the Commission is not subject to payment of fees for sales prior to 2004.

Section: 12.6

Title: **Cost Share Funds for Limited Resources Farmers**

Summary Clarifies the definition of a Limited Resource Farmer for the purpose of determining the percentage of cost share a farmer should pay for the Ag Cost Share Program.

Section: 12.7

Title: **Authorizes the Use of Available Funds for Purchase of Bertie County Forestry Headquarters Building/Construction of McDowell County Forestry Headquarters Building**

Summary Authorizes the Division of Forest Resources to use funds available to the Department of Environment and Natural Resources to purchase a building for the Bertie County Forestry Headquarters. Authorizes same to construct a building to be used for a McDowell County Forestry Headquarters on donated land. Requires the Division to evaluate real property and equipment needs under its charge and report the information to the NER Appropriation Subcommittees no later than January 15, 2005.

Section: 12.7A

Title: **Partnership for the Sounds Funds**

Summary Transfers 50% of the funds remaining in the Partnership for the Sounds account for the Pamilco County education initiative to the Department of Environment and Natural Resources. Transfers the remaining 50% as a State grant-in-aid to Pamilco County for education initiatives.

Section: 12.7B

Title: **Under Dock Oyster Culture Program**

Summary Establishes an under dock oyster culture permit. Authorizes permit holder to attach up to 90 square feet of oyster cultivation containers to a dock or pier owned by the permit holder. Sets out guidelines for the issuance of permits.

Section: 12.7C

Title: **Requirements for Animal Waste Management Systems Technical Specialists**

Summary Does not allow for changes to the requirements or qualifications for animal waste management systems technical specialists prior to July 1, 2006.

Section: 12.8

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

Summary Allows DENR to transfer up to $6.9 million from the General Water Supply Revolving Loan Account and directs Commerce to transfer $776,680 from the Industrial Development Fund to be used as the 20% State match required to receive federal wastewater and water supply funds.

Section: 12.9

Title: **Expand Express Review Pilot Program**

Summary Directs DENR to expand the Express Review Pilot Program to two additional regional offices selected by the Department. This program provides express permit and certification reviews for some environmental programs within DENR in exchange for applicants paying higher permit fees.

Section: 12.11

Title: **Onetime Grant to Swain County**

Summary Directs the Wildlife Resources Commission to grant $37,500 to Swain County as compensation for lost tax revenue associated with the conservation of the Needmore tract.

Section: 12.12

Title: **Expand One-Stop Permit Assistance Program Statewide**

Summary Directs DENR to expand the One-Stop Permit Assistance Program statewide effective January 1, 2005. This program provides a single point of entry where businesses and citizens can seek assistance in identifying state and some federal environmental requirements and receive guidance throughout the permitting process.

Section: 12.14

Title: **Monitoring and Emergency Cleanup Funds for Texfi Site Contamination**

Summary Allows DENR to use up to $50,000 from the Superfund Cost Share Fund for monitoring and emergency cleanup measures needed at the contaminated Texfi site in Fayetteville.

Section: 12.15

Title: **Transfer Six Vacant Positions Within the Department of Environment and Natural Resources to the Museum of Natural Sciences**

Summary Transfers 6 vacant positions department-wide in DENR to the Museum of Natural Sciences.

Section: 12.16

Title: **Modify Appropriation to Saltwater Fishing Fund**

Summary Repeals Section 13 of HB 831, Saltwater Fishing Fund. Appropriates $450,000 to the Division of Marine Fisheries for the implementation of HB 831 and appropriates $300,000 to the Board of Trustees of the North Carolina Saltwater Fishing Fund to implement the provisions of HB 831.

Section: 12.17

Title: **Museum of Natural Sciences Funds**

Summary Allows the Department of Environment and Natural Resources to use available funds up to $500,000 during the 2004-05 fiscal year to match non-State funds on a dollar-for-dollar basis to conduct a feasibility study and to develop a schematic site plan for expansion of the Museum of Natural Sciences and expansion of office space.

Labor

GENERAL FUND

	FY 04-05	
Total Budget Approved 2003 Session	**$13,274,104**	
Budget Changes		
Apprenticeship		
98 Apprenticeship Program Funds		
General Funds will partly restore funding for the Apprenticeship program that is no longer available through the Worker Training Trust Fund.	$355,226	NR
Occupational Safety and Health		
99 Fund Shift 2.0 Positions	($84,261)	R
Fund shift 2.0 positions chosen by the Department to federal grant support.	-2.00	
100 Expand Consultative Services	$93,251	R
Establish 2.0 Consultative Services positions focused on improving assistance to Hispanic employers and workers.	2.00	
Budget Changes	**$8,990**	R
	$355,226	NR
Total Position Changes	0.00	
Revised Total Budget	**$13,638,320**	

Special Provisions

2004 Session: HB 1414

Department: Labor

Section: 11A.1

Title: **Department of Labor/Apprenticeship Program**

Summary Allows Labor to use up to $499,612 of Worker Training Trust Fund indirect cost receipts deposited in the Individual Development Account (IDA) Fund for FY 2004-05 to partly restore funding for the Apprenticeship Program.

N.C. Biotechnology Center

GENERAL FUND

	FY 04-05	
Total Budget Approved 2003 Session	**$5,883,395**	
Budget Changes		
NC Biotechnology Center		
101 Increase Funding for the NC Biotechnology Center	$3,200,000	R
Support New Jobs Across North Carolina: A Strategic Plan for Growing the Economy Statewide through Biotechnology. The four priorities are: - Replenish the Economic Development Venture Capital Investment Fund; - University Research Grants; - Satellite office support, including programmatic, administrative costs and personnel; and - Strengthen K-12 education and workforce training programs.	$1,800,000	NR
Budget Changes	**$3,200,000**	R
	$1,800,000	NR
Total Position Changes		
Revised Total Budget	**$10,883,395**	

Special Provisions

2004 Session: HB 1414

Department: N.C. Biotechnology Center

Section:

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

Summary

Rural Economic Development Center

GENERAL FUND

	FY 04-05	
Total Budget Approved 2003 Session	**$4,658,607**	
Budget Changes		
Rural Economic Development Center		
102 Rural Entrepreneurship Provide funding for the Rural Center's Institute for Rural Entrepreneurship, including personnel and administrative costs. (HB 1414, Section 13.8)	$144,000	R
103 Increase Research and Demonstration Grants Provide additional appropriation for Research and Demonstration Grant Program allocated to the e-NC Authority for Business and Technology Telecenters. (HB 1414, Section 13.8)	$1,000,000	NR
Budget Changes	**$144,000**	R
	$1,000,000	NR
Total Position Changes		
Revised Total Budget	**$5,802,607**	

Special Provisions

2004 Session: HB 1414

Department: Rural Economic Development Center

Section: 13.8

Title: **Rural Economic Development Center**

Summary Subsection (a) changes the Rural Center's authorized budget by appropriating an additional $144,000 for the Institute for Rural Entrepreneurship and $1,000,000 for the Research & Demonstration Grant Program. Subsection (a1) earmarks the additional $1 million appropriation for Business and Technology Telecenters through the e-NC Authority.

Subsection (d) allows the Rural Center greater flexibility in granting funds to local CDCs by removing the restrictions on the amount of funds going towards new and previously funded CDCs.

Section: 13.9

Title: **Opportunities Industrialization Center Funds**

Summary Allows funds to be split equally among certified OICs instead of specifying which OICs are to receive funding.

JUSTICE
&
PUBLIC SAFETY

Correction

GENERAL FUND

	FY 04-05
Total Budget Approved 2003 Session	**$959,947,282**

Budget Changes

Alcohol and Chemical Dependency

1 Reduce Operating Budget Line Items Governor's Recommendation: The line item budget for the Division is reduced to more closely reflect expenditure patterns for various line items. These are Leased Vehicles, Contractual Employees and Hospital Medical Services.	($115,000)	R

Community Corrections

2 Probation/Parole Operating Budget Reduce the following accounts by the indicated amounts: Transportation-Ground-In State, Account 532714, by $20,000; Lodging-In State, Account 532721, by $10,000; Meals-In State, Account 532724, by $10,000; General Office Supplies, Account 533110, by $42,000; Office Equipment, Account 534521, by $100,000; Computer Equipment, Account 534528, by $100,000; and Custody Security Equipment, Account 534529, by $18,000.	($300,000)	R
3 Women At Risk Pass-through funds to Western Carolinians for Criminal Justice for the operation of the Women At Risk program are increased by $25,000.	$25,000	R
4 Criminal Justice Partnership Program Funding is added for a new program in Rutherford County. Program funds of $38,056 will be allocated to Rutherford County to begin a program on January 1, 2005. This amount is consistent with the current distribution of implementation grants under CJPP. The Division of Community Corrections will receive $6,000 in nonrecurring funds to provide technical assistance for program start-up.	$38,056 $6,000	R NR

Departmental Management

5 Reduce Central Management Line Item Budget Governor's Recommendation: The departmental management line item budget is reduced to more closely reflect expenditure patterns. Items reduced include Administrative Services, Motor Vehicle Insurance, Maintenance Agreements, and Data Processing Supplies.	($229,100)	R

6 Central Engineering Line Item Budget ($45,000) R

Governor's Recommendations: The line items budget for Central Engineering is reduced to more closely reflect expenditure patterns. Budget areas to be reduced include Structure-Electrical contracts, Carpentry and Hardware Supplies, Electricity, and Heating and Gas.

Department-Wide

7 Management Flexibility Reserves ($13,239,260) NR

Governor's Recommendation: DOC is authorized to identify additional reductions in salary and non-salary line items during FY 2004-05.

Post-Release Supervision/Parole Commission

8 Parole Commission ($55,136) R

Governor's Recommendation: Eliminate one vacant position (#60223). (HB 1414, Section 17.10) -1.00

Prisons

9 Reduce Division of Prisons Line item Budget ($950,000) R

Governor's Recommendation: The budget for certain line items, such as carpentry and hardware supplies, travel, and telephone service, is reduced to more closely reflect expenditures.

10 Additional Line Item Reductions ($600,000) R

An additional $600,000 can be reduced in the Division of Prisons operating budget in the following areas: Voice Communication Equipment, telephone service, travel and per-diem costs, and other administrative supplies.

11 Jail Misdemeanants ($2,000,000) R

Governor's Recommendation: Reduce continuation budget of $13.2 million by $2 million dollars to reflect actual payments to counties. DOC pays counties $18 a day to house jail misdemeanants sentenced to 30 days or more. Expenditures have been reduced partially due to increased continuation funding authorized by the General Assembly in 2003. (SB 1225, Section 48).

12 Conversion of Contractual MIS Position ($55,000) R

Governor's Recommendation: Converting a contractual MIS position assigned to prisons to a permanent position will save $55,000 in contract costs. 1.00

FY 04-05

13 Warren Correctional Center

$1,596,334 R
$348,661 NR
48.00

DOC will open a new 168 bed maximum security wing at Warren in July and begin transferring inmates August 2004. The recurring funds are to operate the new wing. The non-recurring funds are primarily to restart inmate education at Warren through Vance Community College. The non-recurring amount recommended by the Governor -- $439,661 including $406,500 for community colleges-- is reduced by $91,000 due to delayed start up time for community college programs. The Community College system will pick up costs starting in 2005-06.

14 Maury Correctional Center

$452,160 R
$502,400 NR
56.00

Governor's Recommendation: Maury is one of two 1,000 bed close custody prisons currently under construction. Current projected completion date is November 2005. This assumes a 22 month construction schedule, the same amount of time required for recently completed close custody prisons. The recurring funds are to establish 56 startup positions, a reduction of 50 from the Governor's recommendation. These 56 positions are the key staff needed to prepare the facility for opening. The other 50 positions will be hired in 2005-06 rather than 2004-05. This shift in schedule and hiring reduces the Governor's recurring recommendation by $127,000. The non-recurring cost is primarily to purchase trucks, vans and buses.

15 Bertie Correctional Center

$63,388 R
$132,000 NR
9.00

Startup funds for the new 1,000 bed prison under construction in Bertie County. Recurring funds are to establish nine key positions to prepare for opening of prison in February, 2006; non-recurring funds are primarily to purchase buses. The Governor's recommendation to purchase trucks and vans is not funded since there should be adequate time to order and receive delivery of trucks and vans after the 2005 long session.

16 Convert Temporary Prison Beds to Permanent — $961,438 R

31.00

DOC has increased the expanded operating capacity at a number of prisons to accomodate the growth in inmate population. DOC has been operating these beds as temporary bed capacity since no additional staff has been funded. The following positions are to be funded to allow for increasing the official bed capacity by 754 beds:

Black Mountain CCW: 1 Correctional Case Manager
Bladen CC: 2 Correctional Officers
Buncombe CC: 1 Corr. Officer
Caldwell CC: 1 Corr. Officer; 1 Case Mgr.
Carteret CC: 2 Corr. Officers
Dan River PWF: 2 Corr. Officers
Duplin CC: 2 Corr. Officers
Greene CC: 2 Corr. Officers
Haywood CC: 1 Corr. Case Manager
Lumberton CC: 2 Corr. Case Managers
Neuse CC: 1 Corr. Sgt.; 9 Corr. Officers and 2 Corr. Case Mgrs.
Tyrrell PWF: 2 Corr. Officers

17 Increase Prison Bed Capacity — $1,531,313 R

$255,723 NR

50.00

Funding is authorized to double cell inmates at a prison to be determined by the Secretary of Correction. The anticipated increase in bed operating capacity is 336 beds. The funding assumes hiring and equipment installation would be completed by February, 05. Annualized cost would be $2,721,066. The non-recurring funds are for kitchen expansion, inmate beds and lockers, and startup costs for participation by inmates in new community college courses.

18 Reserve to Increase Bed Capacity at Pamlico CC — $216,126 NR

One-time funding is placed in a reserve. The funding can be used for one-time purchases needed to prepare Pamlico Correctional Center to double cell two of three tiers in the housing units. These changes would increase bed capacity by 336. The reserve funds cannot be spent until an agreement has been reached between DOC, DENR and the Bay River Metro Sewage Authority to provide adequate sewer/wastewater capacity for the additional inmates and staff. If an agreement is reached, DOC is also authorized to establish 50 new positions by reallocating vacant positions, after consultation with Appropriations Committees. (HB 1414, Section 17.6C)

19 Funding for Our Children's Place — $150,000 NR

Pass-through funding shall be provided to "Our Children's Place", a non-profit organization that will develop treatment programs for non-violent incarcerated female offenders and their at-risk children. The funding is one time to allow for completion of a major portion of planning and design.

20 Establish Receipt-Supported Positions

The Department may establish nine time-limited receipt-supported positions to operate the new Security Threat Group (gangs) Unit. The funding is a two year Crime Commission Grant. The position titles and salary and benefit costs are:

Correctional Program Director II	$48,942
Correctional Programs Supervisor	$38,259
Correctional Programs Supervisor	$38,259
Staff Psychologist II	$51,844
Correctional Behavioral Specialist II	$36,620
Correctional Behavioral Specialist II	$36,620
Registered Nurse	$40,594
Registered Nurse	$40,594
Office Assistant III	$22,739

(HB 1414, Section 17.4)

Budget Changes	**$318,453**	**R**
	($11,628,350)	**NR**
Total Position Changes	194.00	
Revised Total Budget	**$948,637,385**	

Special Provisions

2004 Session: HB 1414

Department: Correction

Section: 17.1

Title: **Shift Pay for Security Staff**

Summary Continues authorization for DOC to use lapsed salaries for shift premium pay and directs DOC to coninue reports on conversion of prisons to 12 hour shifts.

Section: 17.2

Title: **Correction Security Staffing Formulas**

Summary Requires DOC to continue to report on implementation of staffing recommendations made by the National Institute of Corrections. Requires 2005 report to include an updated staffing relief formula.

Section: 17.3

Title: **Inmate Costs/Inmate Clothing and Laundry Services**

Summary Continues DOC authority for one more year to use lapsed salaries for inmate clothing and laundry costs if expenses are projected to exceed budget

Section: 17.4

Title: **Federal Grant Matching Funds**

Summary Continues language allowing DOC to use available funds to match grants. Caps amount at $650,000 in 2004-05. Authorizes use of up to $290,000 in lapsed salaries in 2004-05 to match three grants from the Governor's Crime Commission: (1) Create Job Start II to aid offenders with reentry strategies including securing and retaining employment; (2) Establish the Security Threat Group Management Unit by authorizing eight receipt-supported positions to help DOC manage gang threats in prisons and the community; and, (3) create the Enhanced Offender Information for Law Enforcement system to aid local law enforcement in finding inmate escapees.

Section: 17.5

Title: **Energy Committed to Offenders Report**

Summary Authorizes DOC to continue to contract with ECO, Inc. for a 20 bed minimum custody prison for female offenders. Revises reporting language.

Section: 17.6

Title: **Inmate Custody and Classification System**

Summary Requires DOC to evaluate the risk assesment instrument used to determine inmate custody status and to assess policies and practices used to override this instrument. The National Institute of Corrections will assist with this review.

Section: 17.6A

Title: **Confidentiality of Persons Involved with Executions**

Summary Makes statutory changes to protect identidy of employees and others involved with inmate executions unless the courts determine disclosure is necessary for proper administration of justice.

Section: 17.6B

Title: **Provide that Columbus County Shall Be Constructed with Same NC Building Code**

Summary Exempts the new 1,000 bed Columbus Correctional Center from conformance with the new North Carolina International Building Code. This cost saving measure ensures Columbus will be constructed according to same Code requirements as the five previous 1,000 bed prisons.

Section: 17.6C

Title: **Reserve to Increase Bed Capacity at Pamlico Correctional Center**

Summary Authorizes use of one-time funding to cover costs of outfitting Pamlico Correctional Center to house two inmates per cell in a portion of the prison. Also authorizes DOC to use current vacant positions to create up to 50 new positions to manage an additional 336 inmates. Funding authority is contingent on an agreement among various agencies and programs on the methods and funding to provide adequate sewer capacity and on prior consultation with Governmental Operations or with the Appropriations Chairs.

Section: 17.7

Title: **Reports on Nonprofit Programs**

Summary Continues the annual reporting requirements for nonprofit organizations receiving pass-through funds from the Department of Correction. Adds recidivism data to the required report elements (defined as rearrest within three years of program completion).

Section: 17.8

Title: **Electronic Monitoring Request for Proposals**

Summary Directs the Department of Correction to issue a RFP for electronic monitoring equipment and monitoring services and a separate RFP for Global Positioning System monitoring equipment and services. The RFPs shall be structured so that the Department could contract for equipment only, or for equipment and monitoring.

Section: 17.9

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

Summary Continues biannual report by the Parole Commission on parole-eligible inmates. Directs the Commission to project the number of parolees over the next five years.

Section: 17.10

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

Summary Directs the Parole Commission to continue to report on its reorganization and to provide workload figures for case analysts for each of the last five years. Directs the Sentencing Policy and Advisory Commission to study post-release sentencing and recommend whether another division of the Department of Correction or the Judicial Branch, or both, should administer post-release supervision.

Section: 17.11

Title: **Criminal Justice Partnership Program**

Summary Continues provisions from previous years regarding use of funds and reporting requirements. Adds an evaluation component to the annual report and directs the Joint Legislative Corrections, Crime Control and Juvenile Justice Oversight Committee to review the funding formula and recommend changes. Allows DOC to use the same distribution as used in FY 03-04 while the formula is studied.

Section: 17.12

Title: **Collection of Offender Fees**

Summary Continues a joint study and report by AOC and DOC on the collection of offender fees. Directs AOC to make use of new deputy clerk positions funded in this Budget to ensure that offender accounts payable information is entered within a reasonable time after sentencing.

Crime Control and Public Safety

GENERAL FUND

	FY 04-05
Total Budget Approved 2003 Session	**$28,139,010**

Budget Changes

Administration

21 Administrative Costs ($225,000) R

The continuation budget for the Department's administration is adjusted to reflect an increase in the receipts transferred from the State Highway Patrol Division - Budget Code 24960. The increase will offset central administrative costs associated with the 389 Motor Carrier Enforcement positions added to the Division. The Department is directed to identify cost savings within Budget Code 24960 to offset the transfer of these funds to Budget Code 14900. These cost savings represent less than one percent of the State Highway Patrol Division's budget.

Alcohol Law Enforcement

22 Equipment Budget ($77,037) R

Governor's recommendation: Reduce the equipment budget in ALE.

Boxing Commission

23 Eliminate Boxing Commission ($134,449) R

The Boxing Commission is abolished and the continuation budget is eliminated. The duties of the Boxing Commission are transferred to the the Alcohol Law Enforcement Division. (HB 1414 Section 18.2) -2.00

Expenditures	$174,449
Revenue	($40,000)
Net G.F.	$134,449

Butner Public Safety

24 Equipment Budget ($26,977) R

Governor's recommendation: Reduce the budget for Equipment (Autos, Trucks, Buses) in Butner Public Safety.

Criminal Justice Information Network

25 Establish Administrative Assistant Position $43,595 R

Funding is provided to establish the position of CJIN Administrative Assistant III, PG 67, to perform administrative duties in support of the CJIN Board and Executive Director. 1.00

26 VIPER — $500,000 NR

Funding is provided to expand VIPER (Voice Interoperability Project for Emergency Responders), a planned state-wide, voice trunked radio communications system for emergency responders.

Emergency Management

27 Reduce Various Budget Line Items — ($70,058) R

Governor's recommendation: Reduce the operating budget of Emergency Management for the accounts that follow by the following amounts.
Travel -- $6,253
Printing -- $4,900
Other Employee Educational Expenses -- $1,950
Scientific Supplies -- $7,000
Equipment -- $39,955
Library and Learning Resources -- $4,500
Computer Software -- $4,500
Dues and Subscriptions -- $1,000

28 Disaster Recovery Staff — $211,523 R

5.00

Funding is provided to convert five (5) temporary staff positions in the Hazard Mitigation and Public Assistance Sections to permanent positions. This will decrease staff turnover problems and enable the Division to create a cadre of permanent staff with institutional program knowledge and grant management expertise needed for disaster response and recovery efforts:

Community Dev Specialist I; PG 70; (4 positions)
Community Dev Specialist II; PG 74 (1 position)

The Governor requested 6 positions for this purpose for a total cost of $251,577.

Governor's Crime Commission

29 Convert One Position to Receipt Support — ($27,930) R

Governor's recommendation: Convert funding for one position in the Governor's Crime Commission to receipt support.

30 Receipt-supported Position

Establish one receipt-supported position using federal Juvenile Justice Delinquency Prevention block grant funds. The position shall be time-limited, not to exceed 24 months, with total annual salary and benefit costs not to exceed $49,799.

Community Development Specialist I, PG 70

	FY 04-05	
Law Enforcement Support Services		
31 Reduce Various Operating Budget Line Items Governor's recommendation: Reduce the line item budgets in LESS for Purchased Services by $3,020 and Supplies by $3,020.	($6,040)	R
NC National Guard		
32 Caldwell County Armory Pass-through funding is provided to match local and federal funds designated to replace the Caldwell County armory. The total cost to build the new armory is $7.9 million.	$975,000	NR
33 Assistance to NC National Guard Family Members Funding is provided for the The NCNG Soldiers and Airmen's Assistance Fund. This fund is administered by the NC National Guard to provide emergency financial assistance to members and their immediate families who are experiencing financial hardships.	$250,000	NR
Victim and Justice Services		
34 Crime Victims' Compensation Funds One-time funding is provided to eliminate the backlog of approved but unpaid claims for crime victims' compensation. This increase in funding will allow the program to draw down an additional $1.5 million in federal VOCA matching funds. The Governor requested $1.2 million R for this program. (HB 1414 Section 18.1)	$2,500,000	NR
Budget Changes	**($312,373)**	R
	$4,225,000	NR
Total Position Changes	4.00	
Revised Total Budget	**$32,051,637**	

Special Provisions

2004 Session: HB 1414

Department: Crime Control and Public Safety

Section: 18.1

Title: **Victims Compensation/Medical Treatment**

Summary Reduces the payment rate for medical claims submitted to the Crime Victims' Compensation Program from 100 percent to 66 and two-thirds percent of the usual charge.

Section: 18.2

Title: **Transfer Boxing Commission Duties to the Alcohol Law Enforcement Division**

Summary Abolishes the NC Boxing Commission and transfers the authority to regulate boxing to the Division of Alcohol Law Enforcement.

Section: 18.3

Title: **Clarify the Authority of the State Highway Patrol to Operate Weigh Stations.**

Summary Allows the State Highway Patrol Division to civilianize vacant weigh station positions and fill these positions with non-sworn personnel.

Section: 18.4

Title: **Report on VIPER System**

Summary Directs the CJIN Board and the Department to report to the Joint Transportation and Correction, Crime Control, and Juvenile Justice Oversight Committees on the plan and total cost to implement the VIPER System state-wide. The report is due on or before December 1, 2004.

Judicial

GENERAL FUND

	FY 04-05
Total Budget Approved 2003 Session	**$311,499,694**

Budget Changes

35 Interpreters in Courtrooms — $1,000,000 R

Provides $1 million for interpretation services in court proceedings. Allows AOC to use up to $110,000 of this appropriation to establish two full-time interpreter positions for high-volume districts. — 2.00

Custody Mediation

36 Expand Custody Mediation — $50,000 R

Provides $50,000 to expand the Custody Mediation program into districts identified by the AOC as top priority.

Department-Wide

37 Establish Receipt-Supported Positions

The Administrative Office of the Courts has received federal grants from the Governor's Crime Commission to create the following time-limited positions. These positions will expire when their grant funding runs out.

Position		Salary
Supervised Visitation Case Manager	--	$21,600
Latino Victim Witness Assistant	--	$30,000
Victim Witness Legal Assistant	--	$32,000
Investigator	--	$34,000
Victim Witness Legal Ass't (2 pos)	--	$26,000
Youth Team Coordinator	--	$30,000
Deputy Clerk of Court (2 pos)	--	$22,565
Drug Court Coordinator	--	$39,000
Drug Court Case Manager	--	$19,500
Legal Assistant	--	$25,000
Processing Assistant	--	$32,000

38 Response to Domestic Violence

$1,161,406 F
$385,220 NF
20.00

Appropriates $1,546,626 to the Judicial Department to enhance the courts' response to domestic violence problems, to assist with growth in methamphetamine caseload statewide, and to assist the court system to catch up with increasing caseloads due to new criminal penalty legislation over the last three years when no new positions have been authorized. Up to $1,304,626 of these funds shall be used to create the following positions effective December 1, 2004:

- Three Superior Court Judges. $358,900 R and $33,160 NR
  One Special Superior Court Judge
  One Resident Superior Court Judge in District 3B
  One Resident Superior Court Judge in District 15B
  (any additional funds not needed to support these positions may be used to increase capacity of emergency judges)

- Four District Court Judges. $296,088 R and $44,696
  One each in Districts 5, 17B, 21, and 29

- Eleven Assistant District Attorneys. $445,060 R and $55,040 NR
  One each in the following districts: 1, 7, 9, 10, 13, 16B, 18, 25, 27B, 28, and 30

- Two roving Official Court Reporters. $61,358 R and $10,324 NR

These funds shall also be used for necessary enhancements to the Automated Court Information System (ACIS) to track domestic violence offenders ($132,000 NR) and to provide training to judicial officials throughout the State on domestic violence matters ($90,000 NR).

$20,000 NR of these funds is placed in a non-reverting reserve for the Sentencing and Policy Advisory Commission to support the two-year study of misdemeanor offense classifications required under HB 1354. These funds may be used for contractual research and policy development consultation.

These positions are authorized in Section 14.6 of House Bill 1414.

Dispute Settlement Centers

39 Increase Mediation Center Funding — $35,000 R

Appropriates $35,000 to two community mediation programs, Foothills and Blue Ridge, currently experiencing difficulties in operation due to regional expansions. The money is divided equally between the two centers: $17,500 to each. Foothills covers Polk, Rutherford, and McDowell Counties; Blue Ridge provides services in Alleghany, Ashe, Avery, Madison, Mitchell, Watauga, Wilkes, Yadkin, and Yancey Counties.

District Attorney

40 District Attorney Investigator--District 16A — $24,381 R

$4,842 NR

1.00

Establishes a new District Attorney Investigator position in Prosecutorial District 16 A, comprising Scotland and Hoke Counties, effective January 1, 2005. (HB 1414 Section 14.7)

41 Four Assistant District Attorneys — $178,024 R

$22,016 NR

4.00

Adds four new Assistant District Attorney positions to support growing demands on the court system, including the prosecution of methamphetamine cases. One position will be assigned to District 2 (Tyrrell, Hyde, Beaufort, Washington, and Martin Counties) and three in District 26 (Mecklenburg). These positions are effective July 1, 2004.

42 Add 2 DA Legal Assistants in District 4 — $83,600 R

$7,496 NR

2.00

Adds two District Attorney Legal Assistants in District 4, comprising Sampson, Duplin, Jones, and Onslow Counties. These legal assistants have been performing domestic violence related work on a federal grant which is about to expire.

District Court

43 New Magistrates — $55,650 R

$10,254 NR

2.00

Provides funds for new magistrate positions in Davie and Stanly Counties effective October 1, 2004. (HB 1414 Section 14.1)

Drug Treatment Court

44 Sustain Drug Treatment Courts — $279,200 R

Appropriates $279,200 to maintain operations of three drug treatment court programs.

Durham County -- $67,200 for Family Drug Court
Mecklenburg County -- $162,000 for Youth Drug Court
Randolph County -- $50,000 for Adult Drug Treatment Court

	FY 04-05	
Equipment and Supply		
45 Replace Analog Tape Recorders in District Court Replaces outdated tape recording machines in the District Court with digital recording equipment to ensure that all trial court recording requirements are met.	$600,000	NR
46 Courthouse Telephone Systems Funds the installation of telephone systems in new courthouses in Haywood and Union Counties, and replacement of the out-dated, inadequate telephone system in the Craven County courthouse, the AOC's top replacement priority.	$408,000	NR
Family Court		
47 Expand Family Court Appropriates $150,000 to create a new Family Court Program in a judicial district to be determined by the Administrative Office of the Courts, effective January 1, 2005, from the following list: Districts 3A, 10, 19B, 21, 23, 28.	$150,000	R
Guardian ad Litem		
48 Increase Guardian ad Litem Attorney Fees Provides additional funds to raise the average compensation of lawyers representing children from $35 per hour to $45 per hour.	$550,000	R
Office-Clerks of Superior Court		
49 Add 40 New Deputy Clerks Appropriates funds to allow the AOC to hire 40 new deputy clerks of court starting October 1. These positions will be allocated by the Director of AOC.	$980,600 $99,000 40.00	R NR
Sentencing Commission		
50 Juvenile Justice Evaluation Position Creates a research analyst position at the Sentencing and Policy Advisory Commission to produce regular reports on recidivism of juvenile offenders in the Department of Juvenile Justice and Delinquency Prevention, and to assist DJJDP in evaluating juvenile programs. (HB 1414 Section 16.5)	$64,000 1.00	R
Superior Court		
51 AOC/SBI Videoconferencing Pilot Provides resources to equip courthouses in Judicial District 27B, Cleveland and Lincoln Counties, to communicate with the SBI crime lab for cases requiring lab analysts to testify. (HB 1414 Section 14.5)	$25,640 $67,589	R NR

	FY 04-05	
Technology Services		
52 Complete NC AWARE Warrant Repository Provides funds to continue work on the statewide warrant repository system. This system provides access to court information for law enforcement agencies across the state, and has received all previous funding from federal sources.	$500,000	NR
Budget Changes	**$4,637,501**	R
	$2,104,417	NR
Total Position Changes	72.00	
Revised Total Budget	**$318,241,612**	

Special Provisions

2004 Session: HB 1414

Department: Judicial

Section: 14.1

Title: **Increase Maximum Magistrate Authorizations/Study Magistrate Funding**

Summary Changes the statutory maximum allocation for magistrates in Davie and Macon Counties. Directs the Administrative Office of the Courts to re-evaluate its magistrate workload formula

Section: 14.2

Title: **Collection of Worthless Check Funds**

Summary Authorizes the Administrative Office of the Courts to use unexpended funds in the Worthless Check fund on equipment. Authorizes AOC to create up to five new worthless check programs using over-realized receipts during 2004-05, and to report on these new programs by March 1.

Section: 14.2A

Title: **Mediation Funding Study**

Summary Directs the Corrections Oversight Committee to study the issue of a funding formula for the dispute settlement centers funded through the Judicial Branch.

Section: 14.2B

Title: **Plan to Continue Drug Court Services**

Summary Directs the Administrative Office of the Courts to develop a plan for continuous delivery of drug treatment court services in districts where the services are currently funded through non-state sources.

Section: 14.5

Title: **Pilot Program for Provision of Courtroom Testimony of Lab Analysts by Videoconference etc.**

Summary Authorizes the Administrative Office of the Courts to work with the Justice Department to operate a pilot program in District 27B (Cleveland and Lincoln Counties) to provide testimony by SBI lab analysts by videoconference, and to study the feasibility of a statewide implementation of this type of program.

Section: 14.6

Title: **Additional Superior Court Judges, District Court Judges, and Assistant District Attorneys to Enhance Enforcement of Domestic Violence Laws, Prosecution of Methamphetamine Cases, etc.**

Summary Authorizes new judgeships and positions for assistant district attorneys related to HB 1354, Strengthen Domestic Violence Laws. The provision creates one new Special Superior Court Judge; two new resident Superior Court Judges in Districts 3B (Craven, Carteret, and Pamlico) and 15B (Orange and Chatham); four new District Court judgeships in Districts 5 (Pender/New Hanover), 17B (Surry/Stokes), 21 (Forsyth), and 29 (McDowell, Rutherford, Polk, Henderson, and Transylvania); and eleven new ADA positions in Districts 1, 7, 9, 10, 13, 16B, 18, 25, 27B, 28, and 30. All judges are to be appointed by the Governor except the District Court Judge in 17B, which is to be elected.

Section: 14.7

Title: **Additional Investigative Assistant**

Summary Authorizes a District Attorney Investigator in District 16A, Scotland and Hoke Counties.

Judicial - Indigent Defense

GENERAL FUND

	FY 04-05	
Total Budget Approved 2003 Session	**$71,019,451**	
Budget Changes		
Indigent Persons Attorney Fee Fund		
53 Reduce Indigent Defense Backlog	$2,500,000	F
Appropriates $8.5 million non-recurring to pay off the backlog of payments due to attorneys for legal work performed in 2003-04; the backlog is currently projected to be $10 million by the end of the fiscal year. Appropriates $2.5 million recurring to help the Office of Indigent Defense Services keep current for 2004-05. These funds will also be used to address needs identified for increasing numbers of methamphetamine charges, and to assist in the opening of a Public Defender office in District 1, as authorized in Section 14.4 of House Bill 1414.	$8,500,000	NF
Budget Changes	**$2,500,000**	F
	$8,500,000	NF
Total Position Changes		
Revised Total Budget	**$82,019,451**	

Special Provisions

2004 Session: HB 1414

Department: Judicial - Indigent Defense

Section: 14.3

Title: **Office of Indigent Defense Services/Expansion Funds/Juvenile Defender**

Summary Authorizes the Office of Indigent Defense Services to use appropriated funds to create up to 12 new positions to provide legal services to the indigent, where new positions would produce savings. Creates a new Office of Juvenile Defender to coordinate and operate juvenile defense services in the state, funded out of appropriated funds.

Section: 14.4

Title: **Establish Public Defender's Offices in the First and Tenth Defender Districts**

Summary Establishes a new Public Defender's office in District 1 (Camden, Chowan, Currituck, Dare, Gates, Pasquotank, and Perquimans Counties), effective July 1, 2004, and authorizes IDS to use up to $600,000 for this purpose. Establishes a new Public Defender's District in District 10 (Wake County) effective July 1, 2005.

Justice

GENERAL FUND

	FY 04-05
Total Budget Approved 2003 Session	**$71,459,312**

Budget Changes

54 Management Flexibility Reserve Governor's Recommendation: The department will identify $333,333 in nonrecurring salary and nonsalary line item reductions.	($333,333)	NR
55 Reduce Non-Salary Line Items Reduce a total of $100,000 in the budgeted amounts for Communication/Data Pro and Equipment in Legal Services and General Administration.	($100,000)	R
56 NC LEAF Pass-Through Funds The recurring budget for the North Carolina Legal Education Assistance Foundation (NC LEAF) is increased by $71,000, for a total budget of $271,000.	$71,000	R
Criminal Justice Training & Standards		
57 Domestic Violence Training Positions Adds a Criminal Justice Training Coordinator I position to the Criminal Justice Training Division and a Criminal Justice Specialist Investigator II to the Sheriff Standards Division to develop and oversee law enforcement training on domestic violence situations.	$121,756 $10,000 2.00	R NR
Law Enforcement - SBI		
58 Reduce Vehicle Replacement Budget One-time reduction to the line item budget for the purchase of Equipment (Autos, Trucks, Buses), Account 534541. The current SBI budget for the purchase of automobiles is $1,041,518.	($175,000)	NR
59 AOC/SBI Videoconferencing Pilot Provides resources for the SBI to implement a pilot project with the Administrative Office of the Courts to enable SBI lab personnel to testify in court proceedings through a remote, interactive connection. (HB 1414, Section 14.5)	$3,000 $45,500	R NR

	FY 04-05	
60 SBI Methamphetamine Response Team	$510,703	R
Adds 6 sworn laboratory positions, 8 sworn agent positions, and related equipment to the SBI and increases the lease for additional space at the western Crime Laboratory to combat illegal methamphetamine lab operations in North Carolina. Positions are effective Jan. 1.	$350,841 14.00	NR
61 Reduce Backlog of Untested Rape Kits	$250,000	R
$250,000 is provided for the Department to outsource backlogged "no-suspect" rape kits. Funds may be used for the screening and/or DNA analysis of bodily fluids. In addition to the funds appropriated, the Department shall maximize the use of federal grant funds to expedite the elimination of the backlog. (HB 1414, Section 15.2(a))		
62 Establish Receipt-Supported Positions		
The Department may establish up to 11 receipt-supported positions using receipts from background checks for adult care home direct service providers. Positions, salary and benefits are as follows: 7 Processing Assistant IVs: $31,787 3 Processing Assistant Vs: $41,995 1 Fingerprint Tech Supervisor: $47,365 (HB 1414, Section 10.19D)		
Budget Changes	**$856,459**	R
	($101,992)	NR
Total Position Changes	16.00	
Revised Total Budget	**$72,213,779**	

Special Provisions

2004 Session: HB 1414

Department: Justice

Section: 15.1

Title: **Study Cost of the DCI-PIN System**

Summary Directs OSBM to study the cost of the DCI-PIN system, which allows State and local law enforcement agencies to access criminal information from desktop terminals and mobile data laptops installed in vehicles. The study will include a review of the ways other states fund DCI-PIN.

Section: 15.2

Title: **Reduce Backlog of Rape Kits/Admissibility of Forensic Evidence**

Summary Subsection (a) follows a money item. Directs the Department of Justice to use $250,000 appropriated to contract with private vendors to analyze the backlog of no-suspect rape kits. Subsection (b) requires a report to JPS Appropriations Subcommittee on outsourced kits. Subsection (c) allows written reports of lab analyses of forensic evidence to be admissible as evidence in court without the presence of the lab analyst unless the defense objects. Subsection (d) directs the Department to use nonsworn personnel to fill vacant lab positions in the SBI crime lab, unless the regular duties for those positions include certain law enforcement activities. If there is a compelling reason to use sworn personnel in such positions, the SBI must consult with the Joint Legislative Commission on Governmental Operations.

Juvenile Justice & Delinquency Prevention

GENERAL FUND

	FY 04-05
Total Budget Approved 2003 Session	**$130,585,498**

Budget Changes

Administrative Services

63 MIS Staffing Needs for NC-JOIN	$159,376	R
Provide four (4) positions, effective the following dates, and computer equipment to further establish an automated state-wide juvenile information system. The Governor recommended five (5) positions.	$112,011 4.00	NR

Computing Consultant (74), 01/01/2005
Computing Consultant (74), 01/01/2005
Applications Programmer II (74), 10/01/04
IT Project Manager II (81), 10/01/04

Department-Wide

64 Establish Additional Staff Development Positions	$101,899	R
Funds are provided to add 2 new Staff Development Specialist III positions, Pay Grade 71, effective July 2004. These positions will be used to correct deficiencies identified in the 2003 State Auditor report. The specialists will develop and implement a training program for direct care staff in Youth Development Centers. The Governor recommended four trainers.	$7,000 2.00	NR

Intervention/Prevention Services

65 Additional JCPC Funding	$500,000	R

The continuation budget for the Juvenile Crime Prevention Councils (JCPC) is increased by $500,000 R for a competitive grant award process to provide alternative community-based diversion and dispositional programs for juveniles who would otherwise be committed to youth development centers. The Governor's budget requested $662,462 to be divided among all 100 JCPCs for diversion and disposition resources. However, the resulting individual county allocations would have been insufficient for providing alternatives to commitments. (HB 1414 Section 16.7)

Special Initiatives

66 Additional Funding for Multipurpose Group Homes	$133,000	R

Provide funding to offset increases in the operating costs of the six (6) state multipurpose group homes.

	FY 04-05	
67 Communities in Schools Reduce the continuation budget by $75,000. CIS will continue to receive $1,080,000 in pass-through funding from DJJDP, DPI, and the Governor's Office. This reduction is to be taken from the central office administration budget and not from funding provided to local CIS programs. (HB 1414 Section 16.9)	($75,000)	R
68 Project Challenge The continuation budget is increased by $10,000 for additional funding to Project Challenge. Project Challenge serves court-involved juveniles in 8 judicial districts.	$10,000	R
69 Project P.R.I.D.E. Pass-through funds are provided for Project P.R.I.D.E. to continue operating a day reporting center and an extended day reporting center for adjudicated and diverted juveniles in Randolph County.	$140,000	R
70 Juvenile Assessment Center The continuation budget is increased by $10,000 to provide additional funds to the Cumberland County Juvenile Assessment Center to provide diagnostic, referral, and case management services to delinquent, undisciplined, and at-risk juveniles.	$10,000	R
71 Eckerd Youth Alternatives The continuation budget to purchase Eckerd Camp services is reduced by $750,000. This reduction offsets ADM funding to be provided directly to Eckerd from the Department of Public Instruction to cover the costs of educational services provided to juveniles. (HB 1414 Section 7.22A)	($750,000)	R

Youth Development Centers

72 Samarkand HEART and BEST Programs $1,385,783 R

31.00

Samarkand YDC is the only facility in the NC juvenile system designated for female offenders. DJJDP has been operating two intensive therapeutic treatment models at Samarkand using federal grant funds. These federal RSAT funds (Residential Substance Abuse Treatment) will terminate June 30, 2004. This funding is authorized to continue the therapeutic programs. Six positions are reduced from the Governor's recommendation.

Positions funded are:
15 Youth Services Behavioral Specialists
4 Substance Abuse Counselor I's
3 Substance Abuse Counselor II's
1 Office Asst.
1 Processing Asst.
1 Social Worker II
2 Social Worker III's
3 Educational Development Asst's.
1 Human Services Coordinator I

Budget Changes	**$1,615,058**	R
	$119,011	NR
Total Position Changes	37.00	
Revised Total Budget	**$132,319,567**	

Special Provisions

2004 Session: HB 1414

Department: Juvenile Justice & Delinquency Prevention

Section: 16.1

Title: **State Funds May be Used as Federal Matching Funds**

Summary For the 2004-05 fiscal year, allows the state appropriation to DJJDP to be counted as the required match for federal block grant funds awarded to county and local governments.

Section: 16.2

Title: **Operation of Buncombe Youth Detention Center**

Summary Requires the Department to continue operating the detention center located in Buncombe County.

Section: 16.3

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

Summary Requires the department to report to the Joint Oversight Committee on the details of the plan to locate, build, staff and operate new youth development centers and recommendations for reducing the number of committed youth. The report is due by November 1, 2004. Directs the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee to report upon the convening of the 2005 Session, on its recommendations for the new youth development centers.

Section: 16.4

Title: **Youth Development Center Staffing**

Summary Allows DJJDP to (1) reclassify vacant positions to establish up to 18 new positions at Stonewall Jackson and Samarkand Youth Development Centers; and, (2) use internal salary reserve funds to reclassify up to 58 posiitons to new Youth Counselor positions and up to 10 current positions to new Youth Counselor Supervisors. DJJDP must develop and present a long range staffing plan to the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee prior to taking these actions. The plan is due December 1, 2004.

Section: 16.5

Title: **Juvenile Recidivism**

Summary Directs the NC Sentencing Commission, in consultation with DJJDP and Fiscal Research, to prepare biennial reports on juvenile recidivism and to recommend other outcome measures for evaluating the effectiveness of juvenile programs. The proposed recidivism methodology is to be reported to the General Assembly by March 1, 2005

Section: 16.6

Title: **Electronic Monitoring of Juveniles**

Summary Directs DJJDP to study and report on the use of electronic monitoring with juvenile offenders and to recommend ways to expand monitoring, particularly as an alternative to commitment. DJJDP is to consult with Fiscal Research on this study.

Section: 16.7

Title: **Alternatives to Juvenile Commitment/Juvenile Crime Prevention Councils**

Summary Directs that the $500,000 R provided for JCPCs shall be awarded on a competitive basis to provide alternative community programs to serve juveniles who would otherwise be committed to a youth development center. Any funds not awarded by June 30, 2005 shall revert to the General Fund.

Section: 16.8

Title: **Education of Juveniles Committed to the Department of Juvenile Justice and Delinquency Prevention**

Summary Directs the Department, in consultation with the State Board of Education and the Community Colleges System Office, to review and report on the educational assessment of and the curricula, education plans, and alternative education programs for juveniles committed to DJJDP.

Section: 16.9

Title: **Communities in Schools Reduction**

Summary The $75,000 reduction in funding shall be accomplished by reducing expenditures at the State CIS Office and not through reductions in funding to local CIS programs.

GENERAL GOVERNMENT

Administration

GENERAL FUND

	FY 04-05
Total Budget Approved 2003 Session	**$52,583,907**

Budget Changes

1111 Secretary's Office

1 HUB/MWBE

$260,000 R
$40,000 NR
4.00

Provides funding for the statewide implementation of the HUB/MWBE Certification Program, which provides a uniform certification that will be accepted by State agencies and local governments. Also provides funding for two additional positions to support this program as well as two additional positions in the Compliance Section that are needed as a result of SB 914 (S.L. 2001-496), which increased the number of reporting agencies from 230 to over 600. HUB (Historically Underutilized Businesses)/MWBE (Minority, Women, and Disabled Business Enterprises).

The four positions are 2 HUB Outreach Specialists ($66,100); 1 HUB Compliance Specialist ($33,050); and 1 HUB Compliance Specialist I($36,355).

Recurring:

531211	Salaries	$135,505
531511	Social Security	$10,366
531521	Retirement	$7,819
531561	Medical	$13,728
532140	Other IT Services	$2,000
532199	Misc. Contractual Ser	$64,815
532400	Maintenance Agreement	$1,000
532700	Transportation	$12,300
532800	Communication/DP	$7,700
532900	Other Services	$1,500
533100	Supplies	$1,767
535860	Membership Dues/Subs	$1,500
Total Recurring		$260,000

Nonrecurring:

532140	Other IT Services	$8,000
534XXX	Computer Equip./Furn.	$32,000
Total Nonrecurring		$40,000

1264 Agency for Public Telecommunications

2 Increase Receipts

Increases requirements and budgeted receipts by $2,878,798 to reflect the increased number of media purchases and the increase in telecommunication services provided to State agencies.

FY 04-05

1311 Office of State Personnel

3 Personnel and Operating Budget Adjustments ($72,207) R

Eliminates salary and related fringe benefits ($47,913) of a vacant Community Service Consultant (#4000-0300-0004-443), and reduces data processing services (532821) by $24,294. -1.00

1411 Office of State Construction

4 Mold Remediation Services $96,100 R

Provides funding to establish one Engineer III position and to hire a consultant to develop best practice construction guidelines in preventing mold in State-owned facilities. $55,000 NR 1.00

531211	Salaries	$65,000
531511	Social Security	$4,973
531521	Retirement	$3,754
531561	Medical	$3,432
532100	Other	$3,841
532700	Transportation	$8,000
532800	Communication/DP	$1,200
533100	Supplies	$200
534500	Equipment	$5,700
532199	Misc. Cont. Serv	$55,000 NR

1421 Facilities Management

5 Operating Budget Reduction ($465,563) R

Reduces the operating budget for utility/energy services (532200).

1731 Council for Women/DV Commission

6 Domestic Violence Center Fund $2,000,000 R

Provides additional funds for grants to domestic violence programs awarded from the Domestic Violence Center Fund pursuant to G.S. § 50.9.

1761 Youth Involvement Office

7 Increase Internship Wages $38,000 R

Provides funding to increase wages for participants in the summer internship program from $6.75 per hour to $8.25 per hour.

1771 Veterans Affairs Division

8 Veterans' Children Scholarship Program ($175,000) R

Transfers a portion of the funding for the scholarships from appropriation-support to receipt-support. The receipt-supported portion will be funded from the Escheats Fund. This adjustment shifts the funding source for a portion of the scholarships. The total amount of funding that is available for the scholarship program remains the same. (HB 1414, Section 19.4)

	FY 04-05	
9 New Nursing Home for Veterans		
Provides start-up funds for the operation of the 90-bed State veterans' nursing home in Salisbury. The nursing home opened in the Spring of 2004. It is the State's second veterans' nursing home. The first is in Fayetteville, NC.	$500,000	NR
1861 Commission on Indian Affairs		
10 NC Economic Development Initiative/Strategic Plan		
Provides a grant to the North Carolina Economic Development Initiative, a nonprofit organization that was created as an outgrowth of the NC Commission on Indian Affairs Year 2003 Strategic Planning effort. The goal of the Initiative is to develop an infrastructure for securing public and private funding for economic development in Indian communities in the State. The funding of this project will be an essential part of supporting the Governor's goal of creating jobs and economic growth in North Carolina, especially in Indian communities.	$200,000	NR
Budget Changes	**$1,681,330**	R
	$795,000	NR
Total Position Changes	4.00	
Revised Total Budget	**$55,060,237**	

Special Provisions

2004 Session: HB 1414

Department: Administration

Section: 19.1

Title: **Allocation of Petroleum Violation Escrow Funds**

Summary Allocates $5 million to the Department of Administration for projects approved by the State Energy Policy Council and $1 million to the Department of Health and Human Services for the Weatherization Assistance Program.

Section: 19.2

Title: **State Veterans Cemeteries To Provide Burial Services on Weekends**

Summary Amends G.S. 65-44 to require the Coastal Carolina State Veterans Cemetery and the Sandhills State Veterans Cemetery to conduct burials Monday through Sunday. Also authorizes the Department of Administration to use funds in the Veterans Burial Fund to offset the cost incurred as a result of weekend burials.

Section: 19.3

Title: **Study of State-Funded Advertising**

Summary Requires the Office of State Budget and Management and the Department of Administration to conduct a study of the State agencies' requirements for advertising. The study shall consider the extent to which those services can be better provided by the Agency for Public Telecommunications.

Section: 19.4

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

Summary Increases the portion of the scholarships that are funded from the Escheats Fund by $175,000 to $3,903,324.

Section: 19.5

Title: **Relocation and Rent Expenses Associated With the Sale of the Polk Building**

Summary Authorizes the Director of the Budget, upon the sale of the Polk Building, to use up to $890,634 for FY 2004-2005 from any available funds for the related moving expenses and the rent expenses incurred by the nine agencies that are currently housed in the Polk Building.

Section: 19.6

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

Summary Directs the Department of Administration to continue the study of the advocacy programs that was conducted during the 2003-2004 fiscal year. Directs that the study include both the advocacy and service functions of the six advocacy agencies in the Department. The report is due by May 1, 2005.

Section: 19.7

Title: **Design and Advance Planning for State Veterans Cemetery**

Summary Authorizes the Department of Administration to use available funds during the 2004-2005 fiscal year to fund the design and advance planning cost of the Jacksonville cemetery. Directs the Department to deposit any reimbursement of those costs that it receives from the U.S. Department of Veterans Affairs to the General Fund.

Section: 19.8

Title: **Transfer Light Ground Pocosin to Wildlife Resources Commission**

Summary Directs the Department of Administration to transfer this property to the Commission.

Section: 19.9

Title: **Implement Blount Street Property Sale**

Summary Increases the amount of available funds that the Department of Administration is authorized to spend to implement the sale of the Blount Street Property from $300,000 to $500,000.

Section: 19.10

Title: **North Carolina Youth Advocacy and Involvement Fund**

Summary Changes the name of the existing North Carolina Youth Legislative Assembly Fund to the North Carolina Youth Advocacy and Involvement Fund and expands the purpose of the Fund to allow deposits and expenses associated with both the Youth Legislative Assembly and the Student Against Destructive Decisions programs.

Section:

Title: **Refer to SL 2004-161 (SB 1152), Part V, Legislative Study Commission on State Personnel Statutes**

Summary As a result of conferencing HB 1414, SL 2004-124, there was agreement on Section 28A.1 that was included in the Senate version of the budget bill and directed a study of the State Personnel Act. The provision was referred to the Studies Bill, SL 2004-161, and is included as Section 5.1. This section directs the General Assembly through appointments of the Speaker of the House of Representatives and the President Pro Tempore of the Senate to designate an appropriate committee to conduct the study. The Committee may make an interim report to the 2005 General Assembly and shall make a final report to the 2006 Session.

Auditor

GENERAL FUND

	FY 04-05	
Total Budget Approved 2003 Session	**$10,293,801**	
Budget Changes		
1210 Field Audit Division		
11 Over-realized Receipts		
Increases budgeted receipts to more accurately reflect actual receipts realized from audit work related to the single audit and CAFR. Increasing budgeted receipts allows for a reduction in the required General Fund appropriation.	($100,200)	NR
12 Operating Budget Reduction		
Reduces the operating budget in the following line items:	($99,800)	NR
Budget Changes	**($200,000)**	NR
Total Position Changes		
Revised Total Budget	**$10,093,801**	

534500	Computer Equipment	($25,000)
532120	Financial Audit Services	($30,000)
532800	Communication/Data Proc.	($20,000)
534500	Furniture	($24,800)
Total		($99,800)

Special Provisions

2004 Session: HB 1414

Department: Auditor

Section: 20.1

Title: **Auditor to Reduce Span of Control**

Summary Directs the State Auditor to reduce the span of control for the Office by eliminating two senior management positions no later than January 1, 2005. Also authorizes the State Auditor to use funds appropriated for those positions to create additional nongovernmental and investigative audit positions.

Cultural Resources

GENERAL FUND

	FY 04-05	
Total Budget Approved 2003 Session	**$54,088,598**	
Budget Changes		
1110 Office of the Secretary		
13 Operating Budget Adjustment		
Provides funding for a reserve (536930).	$925,000	NR
14 Grants Reserve		
Provides funds for a reserve for grants.	$9,161,618	NR
(HB 1414, Sections 27.2 and 27.3)		
1120 Administrative Services		
15 Operating Budget Reductions	($23,413)	R
Reduces funds for personal computers and printers (534534).		
16 IT Systems Office Expansion	$361,668	R
Provides funding to expand the information systems operation for archiving documents and digital images. This funding will be used to establish an Information Systems Director I ($72,221), Computer Network Coordinator ($52,354), and Applications Analyst Programmer I ($52,354) and $152,199 for operating expenses.	$1,500 3.00	NR
1210 Historic Resources		
17 Operating Budget Reductions	($19,336)	R
Reduces the following expenditure accounts:		
532199 Misc. Contractual Services (5,000)		
532390 Other Repairs (7,000)		
532490 Maintenance Agreement (1,000)		
532724 Meals - In State (1,000)		
532731 BD/Non-Employee Trans (1,000)		
532732 BD/Non-Employee Sub (1,336)		
532860 Advertising (1,000)		
532919 Other Insurance (1,000)		
534534 PC/Printer Equipment (1,000)		
1220 Historic Publications		
18 Operating Budget Reductions	($12,636)	R
Reduces funds for personal computers (534534) and software (534713).		

1230 Archives and Records

19 Personnel Reductions ($59,166) R

Eliminates salary and related fringe benefits of two vacant positions: Processing Assistant IV - #4802-0303-002-176 ($20,576) and a Records Management Analyst - #4802-0304-002-200 ($27,038): -2.00

531211	Salaries	(47,614)
531511	Social security Cont	(1,941)
531521	Retirement	(2,747)
531561	Medical Ins. Cont.	(6,864)

20 Digital Archives and Repository $197,200 R

$2,800 NR

5.00

Provides funding for 5 positions and operating expenses to expand local records and information technology programs, to address the increased volume of state and local government records, and to meet requirement to expand online access to public records. The positions and operating expenses include the following:

Positions	
Archivist II	29,354
Archivist I	25,968
Information Processing Tech	24,036
Processing Assistant IV	20,576
Photo Lab Tech III	22,251

531211	Salaries	122,185	
531511	Social Security Cont.	9,347	
531521	Retirement	7,050	
531561	Medical Ins Cont	17,160	
532490	Maint Agreements	3,000	
532714	Trans-In State Grd	1,500	
532715	Trans-Out of State	550	
532721	Lodging-In State	500	
532715	Lodging-Out of State	750	
532724	Meals-In State	450	
5327225	Meals-Out of State	300	
532821	Data Processing Svs	6,000	
532942	Oth Employee Expense	1,000	
533110	Gen Office Supplies	2,000	
533900	Oth materials-Supplies	25,000	
534511	Office Furniture	1,300	NR
534534	Equipment-Computers	1,500	NR
534713	Computer Software	408	
535830	Membership, Dues, Subs	3,000	

1241 State Historic Sites

21 Operating Budget Reductions ($120,489) R

Reduces the following expenditure accounts:

531311	Temporary Wages	(54,270)
531511	Social Security Cont.	(4,496)
532199	Misc Contractual Ser	(61,723)

	FY 04-05	
22 New Personnel	$49,935	R
Provides funds for a Landscaper position with a salary of $41,000 plus benefits for a total of $49,935 in recurring costs and $10,000 for non-recurring expenses.	$10,000	NR
	1.00	
23 Funds for Civil War Corridor	$100,000	R
Provides funds to establish a Civil War Corridor Information Center. Funding supports two (2) Historic Sites Specialist III positions at a grade 70 and salary of $35,134 with total personnel costs of $86,562 and operating expenses of $13,438.	2.00	
1242 Tryon Palace Historic Site		
24 Operating Budget Reductions	($31,380)	R
Reduces temporary wages (531311) and makes corresponding adjustment in social security (531511).		
25 Increase Operating Budget		
Provides funds for remediation services for Barbour Boat Works.	$560,000	NR
1250 Archives/Historic Preservation		
26 Operating Budget Reductions	($14,375)	R
Reduces the following expenditure accounts:		

532199	Misc. Contractual Services	(6,896)
532715	Ground Transp - Out of State	(649)
532725	Meals - Out of State	(2,254)
532728	Misc Subs - Out of State	(1,091)
532731	BD/Non-Employee Trans	(990)
532732	BD/Non-Employee Subsis	(438)
532850	Print, Bind, Duplicate	(529)
532942	Other Employee Educ Exp	(643)
533900	Other Materials and Supplies	(885)

1260 Office of State Archaeology		
27 Operating Budget Reductions	($12,666)	R
Reduces the following expenditure accounts:		

532714	Ground Transp - In State	(600)
532721	Lodging - In State	(800)
532724	Meals - In State	(600)
532811	Telephone Services	(3,233)
532840	Postage, Freight, & Delivery	(733)
532850	Print, Bind, Duplicate	(500)
533900	Other Materials and Supplies	(2,800)
534534	Computer Equip	(1,500)
534539	Other Equipment	(1,000)
534713	Computer Software Equip	(500)
535830	Membership Dues & Subs	(400)

FY 04-05

1290 Western Office

28 Operating Budget Reductions ($5,518) R

Reduces the following expenditure accounts:

532199	Misc. Contractual Services	(114)
532210	Enrg Ser - Electrical	(80)
532390	Other Repairs	(100)
532715	Ground Transp - Out of State	(40)
532722	Lodging - Out of State	(850)
532725	Meals - Out of State	(307)
532811	Telephone Services	(1,733)
532812	Telecomm Data Chg	(250)
532840	Postage, Freight, & Delivery	(945)
533110	General Office Supplies	(500)
533900	Other Materials and Supplies	(599)

1320 Museum of Art

29 Restore Public Hours and Support Public Services $487,500 R

Provides additional funding to support museum operations. $487,500 NR

1330 NC Arts Council

30 Restore Basic Grants Program and Operating Budget $358,296 R

Restores the reduction in program funding approved in the 2003 Session, restores operating expenses reduced since FY 01-02, and provides a $100,000 grant-in-aid to the Carolina Ballet for FY 04-05. $100,000 NR

1340 NC Symphony

31 Grant-in-Aid

Provides a grant-in-aid to the Symphony for FY 04-05. $200,000 NR

1480 State Library Statewide Programs

32 Maintain NC LIVE Series $800,000 R

Provides funding to support the continued operation of NC LIVE, and $46,275 for a Librarian Consultant I position to provide training. 1.00

1500 Museum of History

33 Operating Budget Reductions ($97,396) R

Reduces the following expenditure accounts:

532199	Misc. Contractual Services	(48,698)
532310	Bldg Repairs	(5,000)
532390	Other Repairs	(5,000)
532714	Ground Transp - In State	(5,000)
532840	Postage, Freight, & Delivery	(5,000)
533900	Other Supplies and Mats	(18,698)
534539	Other Equipment	(10,000)

	FY 04-05	
34 Museum of the Albemarle Operation Funds provide start-up and operating costs for the Museum of the Albemarle, which is scheduled to be completed in the 2004-05 fiscal year.	$337,390 6.00	R
35 Exhibit of NC History Provides initial funding to establish a permanent exhibit of the chronological history of North Carolina.	$1,200,000	NR
Budget Changes	**$2,295,614**	R
	$12,648,418	NR
Total Position Changes	16.00	
Revised Total Budget	**$69,032,630**	

Special Provisions

2004 Session: HB 1414

Department: Cultural Resources

Section:

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

Summary

General Assembly

	GENERAL FUND	
	FY 04-05	
Total Budget Approved 2003 Session	**$44,971,305**	
Budget Changes		
1900 Reserves and Transfers		
36 Operating Reserve		
Reduces operating reserve funds.	($921,318)	NR
Budget Changes	**($921,318)**	NR
Total Position Changes		
Revised Total Budget	**$44,049,987**	

Special Provisions

2004 Session: HB 1414

Department: General Assembly

Section:

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

Summary

Governor

GENERAL FUND

	FY 04-05	
Total Budget Approved 2003 Session	**$4,826,503**	
Budget Changes		
1110 Administration		
37 Operating Budget Reductions	($88,037)	R
Reduces operating budgets in the following line items:		
531561 Medical Insurance ($36,000)		
532199 Misc. Contractual Services ($41,037)		
532711 Transportation Air ($6,000)		
532714 Transportation Ground ($5,000)		
1120 Dues to National Associations		
38 Council of State Government Dues	$141,739	R
Provides funding to pay Council of State Government dues.		
1130 Intergovernmental Relations		
39 Operating Budget Reduction	($11,000)	R
Reduces the operating budget for rent/lease of building/office (532512).		
Budget Changes	**$42,702**	R
Total Position Changes		
Revised Total Budget	**$4,869,205**	

Special Provisions

2004 Session: HB 1414

Department: Governor

Section:

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

Summary

Housing Finance Agency

GENERAL FUND

	FY 04-05	
Total Budget Approved 2003 Session	**$4,750,945**	
Budget Changes		
8103 NC Housing Foreclosure		
40 Home Protection Pilot Program and Loan Fund		
Provides funds for the North Carolina Housing Finance Agency to develop, implement, and administer a pilot program to assist North Carolina workers who have lost jobs as a result of changing economic conditions in North Carolina, and are in need of temporary assistance to avoid losing their homes to foreclosure. (HB 1414, Section 20A.1)	$1,725,000	NR
Budget Changes	**$1,725,000**	NR
Total Position Changes		
Revised Total Budget	**$6,475,945**	

Special Provisions

2004 Session: HB 1414

Department: Housing Finance Agency

Section: 20A.1

Title: **Housing Finance Agency Shall Create the North Carolina Home Protection Pilot Program and Loan Fund in Order to Assist North Carolina Workers Who Have Lost Jobs**

Summary Section (a) requires the North Carolina Housing Finance Agency to develop, implement, and administer a pilot program to assist North Carolina workers who lost their jobs due to economic conditions and need assistance to avoid foreclosure.
Section (b) defines key program participants.
Section (c) requires the Agency to report recommendations to General Assembly by May 1, 2005 on the problem of increased foreclosure filings statewide, on improvements to foreclosure procedures, and on the feasibility of creating a foreclosure avoidance loan fund.
Section (d) provides mortgagees relief from foreclosure proceedings upon proper filing of pilot program loan application.
Section (e) exempts the Agency from rulemaking for the adoption of procedures for the pilot program, but provides that proposed procedures be published and have at least one public hearing.

Section:

Title: **Refer to S.L. 2004-161 (SB 1152), Part II, Legislative Study Commission on Equity-Building Homes**

Summary As a result of conferencing HB 1414, S.L. 2004-124, there was agreement on Section 20A.2 that was included in the Senate version of the budget bill and directed a study of methods to substantially increase the number of North Carolinians who own equity-built homes. The provision was referred to the Studies Bill, S.L. 2004-161, and is included as Section 2.1(k). This section directs the Commission to determine how knowledgeable the public is about equity-building housing, to identify barriers to construction of equity-built housing in high demand and rural areas of the state, and to investigate the adequacy and funding of housing program and counseling services. The Commission may report its findings and any recommended legislation to the 2005 General Assembly.

Information Technology Services

INTERNAL SERVICE FUND

	FY 04-05
Total Budget Approved 2003 Session	**$0**

Budget Changes

24669 Governor - ITS Wireless Fund

41 Wireless Board Receipt-Support Position

The Wireless 911 Board, established in G.S. 62A-22, deducts a 1% administrative fee from the total monthly remittances of the $0.80 per Commercial Mobile Radio Service (CMRS) connection service fee. This request establishes a new Networking Technician position. This receipt-supported position is to be supported by the Board's 1% administrative fee and expands the Board's staff from two to three positions. The Network Technician position provides training and support to the Public Safety Answering Points (PSAPs). The request is for salary and fringe benefits of $65,096.

Requirements (R)	$65,096
Receipts (R)	$65,096
Appropriation (R)	$ 0

Budget Changes

Total Position Changes

Revised Total Budget	**$0**

Special Provisions

2004 Session: HB 1414

Department: Information Technology Services

Section: 22.1

Title: **Multiyear Maintenance Contracts**

Summary During FY 2004-05 the State Controller is directed to justify authorization of ITS' payment of the full purchase price for up to four infrastructure maintenance agreements that would cover a 2-year maintenance period per agreement. Additionally, the State Controller must report justifications for any authorization granted to ITS within 60 days to the Legislative Commission on Governmental Operations and the Fiscal Research Division.

Section:

Title: **Refer to S.L. 2004-129 (SB 991), Section 7A, Joint Legislative Oversight Committee on Information Technology**

Summary During the conferencing of HB 1414 (S.L. 2004-124), conferees agreed to refer Section 22.2 from the House's version, adding a new Article to General Statutes Chapter 120 to create the Joint Legislative Oversight Committee on Information Technology, to the Studies Bill (SB 1152). However, there was simultaneous conferencing of SB 991 (Improve State Information Technology Efficiency and Project Management, S.L. 2004-129), resulting in an agreement to rewrite G.S. 120-230, replacing the Joint Select Committee on Information Technology with the Joint Legislative Oversight Committee on Information Technology. In the ratified version of SB 991, Section 7A incorporates language of Section 22.2 to designate the purpose of the oversight committee. SB 991 directs the oversight committee to examine systemwide issues affecting state government information technology, to make ongoing recommendations for improvements, and to submit annual reports to the General Assembly on State government information technology. With the ratification of SB 991, there was agreement that SB 1152 (S.L. 2004-161) would not include the Joint Legislative Oversight Committee on Information Technology.

Insurance

GENERAL FUND

	FY 04-05
Total Budget Approved 2003 Session	**$23,187,587**

Budget Changes

1400 Public Services Group

42 Continuing Education — $911,413 R

Transfers funding for the Department's continuing education program from receipt-support to appropriation-support. The amount appropriated will be reimbursed from the Insurance Regulatory Fund. Any receipts collected for the program will be deposited into the Insurance Regulatory Fund in accordance with temporary statutory changes that were implemented by S.L. 2002-144 and which are made permanent by special provision. (HB 1414, Section 21.1)

1500 Office of the Fire Marshall

43 Manufactured Housing — $972,311 R

Transfers funding for the Department's manufactured housing program from receipt-support to appropriation-support. The amount appropriated will be reimbursed from the Insurance Regulatory Fund. Any receipts collected for the program will be deposited into the Insurance Regulatory Fund in accordance with temporary statutory changes that were implemented by S.L. 2002-144 and which are made permanent by special provision. (HB 1414, Section 21.1)

44 Building Code Book Sales — $1,688,930 R

Transfers funding for the Department's building code book sales program from receipt-support to appropriation-support. The amount appropriated will be reimbursed from the Insurance Regulatory Fund. Any receipts collected from the sale of building code books will be deposited into the Insurance Regulatory Fund in accordance with temporary statutory changes that were implemented by S.L. 2002-144 and which are made permanent by special provision. (HB 1414, Section 21.1)

1900 Reserves and Transfers

45 Increase Transfer to Consumer Protection Fund — $490,000 NR

Provides additional funding for the cost of litigating 2004 auto, homeowner, and territory rate filings. Funding will be used for consultants, court reporting services, and other litigation expenses. The Insurance Regulatory Fund will reimburse the General Fund for the appropriation.

Overview: 2004 Session Fiscal and Budgetary Actions

	FY 04-05	
Budget Changes	**$3,572,654**	**R**
	$490,000	**NR**
Total Position Changes		
Revised Total Budget	**$27,250,241**	

Special Provisions

2004 Session: HB 1414

Department: Insurance

Section: 21.1

Title: **Remove Sunset for Funding Certain Operations of the Department of Insurance Through the Insurance Regulatory Fund**

Summary Allows the Department of Insurance to deposit receipts collected for continuing education, manufactured housing, and building code books sales into the Insurance Regulatory Fund and to have those programs funded from the Fund on a permanent basis. HB 1105 (S.L. 2002-144) placed a June 30, 2003 sunset on this funding mechanism. The 2003 Appropriations Act (S.L. 2003-284, § 22.2) extended the sunset to June 30, 2004.

Section: 21.2

Title: **Handbooks on Building Code Not Required**

Summary Amends G.S. § 143-138(d) to eliminate the statutory requirement for the development of handbooks to explain the Building Code.

Section: 21.3

Title: **Continuing Education Requirements for Bail Bondsmen**

Summary Amends G.S. § 58-71-71(b) to reduce the number of continuation education hours required of licensees from six to three.

Insurance - Workers' Compensation for Volunteer Firemen

GENERAL FUND

	FY 04-05	
Total Budget Approved 2003 Session	**$2,600,000**	
Budget Changes		
46 Volunteer Safety Worker's Compensation Fund Reduces the General Fund Appropriation to the Volunteer Safety Workers' Compensation Fund on a nonrecurring basis. The reduction will not affect the solvency of the Fund.	($1,734,000)	NR
Budget Changes	**($1,734,000)**	NR
Total Position Changes		
Revised Total Budget	**$866,000**	

Special Provisions

2004 Session: HB 1414

Department: Insurance - Workers' Compensation for Volunteer Firemen

Section:

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

Summary

Lieutenant Governor

GENERAL FUND

	FY 04-05
Total Budget Approved 2003 Session	**$601,722**

Budget Changes

1110 Administration

47 Increase Office Assistant Position Hours — $4,555 R

Provides funding to increase staff hours from 10 to 16 hours per week for one position. Currently an Office Assistant position (1 FTE) is split between two employees on a .75 FTE (30 hours) and .25 FTE (10 hours) basis. This existing Office Assistant position for citizens affairs remains as 1 FTE funded at .75 FTE (pos.# -0016-035). A new Office Assistant position for office management is established and paid at .40 FTE (16 hours per week). This salary funding pays for the additional .15 FTE (increase from .25 FTE to .40 FTE per week). — 0.15

	New .40 FTE	Current .25 FTE	Net Requested .15 FTE
531111 Salary	$11,282	$7,051	$4,231
531511 Social Sec.	$863	$539	$324
Total	$12,145	$7,590	$4,555

48 Establish New Position for Military Affairs — $25,102 R

Funds a time-limited Processing Assistant III position. This position provides administrative support for North Carolina's Base Realignment and Closure (BRAC) 2005 Response and office support for military affairs efforts as designated by the Governor to the Lt. Governor. — 1.00

531111	Salaries	$19,105
531511	Social Sec.	$1,462
531521	Retirement	$1,103
531561	Medical Ins.	$3,432
	Total	$25,102

Budget Changes	**$29,657**	R
Total Position Changes	1.15	
Revised Total Budget	**$631,379**	

Special Provisions

2004 Session: HB 1414

Department: Lieutenant Governor

Section:

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

Summary

Office of Administrative Hearings

GENERAL FUND

	FY 04-05	
Total Budget Approved 2003 Session	**$2,411,797**	

Budget Changes

1100 Administration and Operations

49 Operating Budget	($24,874)	R

It is recommended that the operating budgets for contractual services, maintenance agreements, rent and leases, travel, communication and data processing, and general administrative supplies be reduced.

532199	Misc. Contractual Services	($5,000)
532400	Maintenance Agreements	($1,000)
532500	Rental / Leases	($ 374)
532700	Travel	($7,000)
532800	Communication and Data Process	($5,000)
533100	General Admin. Supplies	($6,500)

50 Increase Civil Rights Investigator Positions	$103,150	R
	$12,200	NR
	2.00	

Expands the Civil Rights Division by 2 positions. This expansion adds 2 Civil Rights Investigators (pay grade 74) to reduce backlog of cases.

531211	Salaries and Wages	$75,546 (R)
531511	Social Security Contri	$ 5,780 (R)
531521	Retirement Contrib	$ 4,360 (R)
531561	Hospital Ins Contrib	$ 6,864 (R)
532700	Travel	$ 7,000 (R)
532811	Telephone	$ 1,200 (R)
533110	Office Supplies	$ 600 (R)
532942	Employee Educ	$ 1,800 (R)
534511	Office Furniture	$ 4,200 (NR)
534534	Computer Equip	$ 8,000 (NR)

Budget Changes	**$78,276**	R
	$12,200	NR
Total Position Changes	2.00	
Revised Total Budget	**$2,502,273**	

Special Provisions

2004 Session: HB 1414

Department: Office of Administrative Hearings

Section: 22A.1

Title: **Rules Review Commission Transferred to Office of Administrative Hearings; Authorization for Rules Review Commission to Obtain Outside Counsel**

Summary Effective October 1, 2004, the personnel and equipment of the Rules Review Commission are transferred to OAH by a Type I Transfer and the Chief Administrative Law Judge is responsible for hiring and supervision of the Commission's Director and staff. Provides for the Commission to hire outside counsel, selected by the Chief Administrative Law Judge, with legal counsel expenses paid from the Reserve Fund per item 65 under State Budget and Management.

Revenue

	GENERAL FUND	
	FY 04-05	
Total Budget Approved 2003 Session	**$75,174,094**	
Budget Changes		
1605 Information Technology		
51 Replace Obsolete Equipment Provides funding to replace IT equipment.	$500,000	R

1660 Examination and Collection

52 Operating Expense Transfer

($3,664,145) NR
-70.00

Transfers 70 positions that have responsibility for debt collection from General Fund to receipt-support using funds from the 20% Collection Assistance Fee in Budget Code 24704-2474:

Positions

Tax Assistant Admin I	#4784-0000-0070-005	- (85,331)
Tax Administrator I	#4784-0000-0070-020	- (98,527)
Tax Assistant Admin I	#4784-0000-0070-023	- (92,079)
Revenue Officer I	#4784-0000-0073-010	- (42,534)
Revenue Officer I	#4784-0000-0073-046	- (41,182)
Revenue Officer I	#4784-0000-0073-050	- (41,182)
Revenue Officer II	#4784-0000-0073-051	- (49,909)
Revenue Officer I	#4784-0000-0073-052	- (41,182)
Revenue Officer I	#4784-0000-0073-057	- (53,608)
Revenue Officer II	#4784-0000-0073-058	- (60,477)
Revenue Officer II	#4784-0000-0073-059	- (54,535)
Infor Process. Tech	#4784-0000-0073-063	- (43,228)
Revenue Office Mgr II	#4784-0000-0073-080	- (72,862)
Revenue Officer I	#4784-0000-0073-085	- (41,182)
Revenue Officer I	#4784-0000-0073-086	- (41,830)
Revenue Officer II	#4784-0000-0073-090	- (76,052)
Revenue Officer I	#4784-0000-0073-096	- (41,182)
Revenue Office Mgr II	#4784-0000-0073-097	- (52,294)
Revenue Officer I	#4784-0000-0073-100	- (41,808)
Revenue Officer I	#4784-0000-0073-200	- (45,099)
Revenue Office Mgr II	#4784-0000-0073-330	- (73,604)
Revenue Officer II	#4784-0000-0073-336	- (63,851)
Revenue Officer I	#4784-0000-0073-338	- (41,907)
Revenue Officer I	#4784-0000-0073-340	- (42,514)
Revenue Officer II	#4784-0000-0073-343	- (49,951)
Revenue Officer II	#4784-0000-0073-345	- (51,143)
Revenue Officer I	#4784-0000-0073-346	- (41,182)
Revenue Officer I	#4784-0000-0073-347	- (42,534)
Revenue Officer I	#4784-0000-0073-349	- (45,811)
Infor Process. Tech	#4784-0000-0073-357	- (32,577)
Revenue Office Mgr II	#4784-0000-0073-385	- (60,253)
Revenue Officer II	#4784-0000-0073-390	- (57,507)
Revenue Officer I	#4784-0000-0073-393	- (45,297)
Revenue Officer I	#4784-0000-0073-397	- (42,629)
Revenue Officer II	#4784-0000-0074-000	- (74,729)
Revenue Officer I	#4784-0000-0074-005	- (46,582)
Revenue Officer I	#4784-0000-0074-006	- (46,876)
Revenue Officer II	#4784-0000-0074-035	- (47,034)
Revenue Officer II	#4784-0000-0074-041	- (47,098)
Revenue Officer II	#4784-0000-0074-042	- (52,986)
Revenue Officer I	#4784-0000-0074-043	- (41,890)
Revenue Officer I	#4784-0000-0074-045	- (46,894)
Revenue Officer II	#4784-0000-0074-055	- (60,547)
Revenue Officer I	#4784-0000-0074-060	- (56,942)
Revenue Officer I	#4784-0000-0074-061	- (44,342)
Revenue Office Mgr I	#4784-0000-0074-065	- (61,945)
Revenue Officer I	#4784-0000-0074-071	- (41,182)
Revenue Office Mgr II	#4784-0000-0074-080	- (74,579)

Revenue Officer II	#4784-0000-0074-085	- (57,943)
Revenue Officer I	#4784-0000-0074-086	- (43,972)
Revenue Office Mgr II	#4784-0000-0074-095	- (76,096)
Revenue Officer I	#4784-0000-0074-101	- (45,094)
Revenue Officer I	#4784-0000-0074-102	- (46,879)
Revenue Officer I	#4784-0000-0074-103	- (48,950)
Revenue Officer I	#4784-0000-0074-115	- (45,799)
Revenue Officer I	#4784-0000-0074-150	- (46,096)
Revenue Officer I	#4784-0000-0074-152	- (47,346)
Revenue Officer I	#4784-0000-0074-166	- (45,336)
Revenue Officer II	#4784-0000-0074-190	- (55,662)
Revenue Officer I	#4784-0000-0074-197	- (41,182)
Revenue Officer Mgr II	#4784-0000-0074-200	- (60,115)
Revenue Officer I	#4784-0000-0074-217	- (45,088)
Revenue Office Mgr II	#4784-0000-0074-240	- (75,571)
Revenue Office I	#4784-0000-0074-251	- (45,623)
Revenue Officer I	#4784-0000-0074-254	- (48,607)
Revenue Officer I	#4784-0000-0074-256	- (48,929)
Revenue Office Mgr I	#4784-0000-0075-000	- (58,728)
Revenue Officer I	#4784-0000-0075-005	- (46,579)
Revenue Officer I	#4784-0000-0075-006	- (47,328)
Infor Process. Tech	#4784-0000-0076-613	- (36,753)

1661 Project Collect Tax

53 Operating Expense Transfer ($1,628,858) R

Transfers the operating budget for the division to receipt-support using funds available from the 20% Collection Assistance Fee in Budget Code 24704-2474.

54 Increase Operating Costs

Authorizes the use of funds from the 20% Collection Assistance Fee in Budget Code 24704/Fund 2474 for expenses related to the Division's operation, specifically for taxpayer locater services - $100,000, and up to $267,273 for postage to mail tax collection notices in FY 04-05. Within 24704/2474, the $100,000 for taxpayer locator services will be supported with funds in expenditure account 535890, and the $267,273 for postage in expenditure account 532840003.

(HB 1414, Section 23.2)

1663 Project Compliance

55 New Program Personnel and Operating Budget $2,837,009 R
$294,200 NR
47.00

Fully funds Project Compliance in FY 04-05. This appropriation also contains support for outreach activities to increase tax compliance with the provision of resources for interpretative services. Total funding required to complete implementation of the project is $3,131,209 -- $2,837,009 recurring and $294,200 non-recurring, which supports 47 positions and operating expenses, effective October 1, 2004. The expansion affects Corporate, Excise & Insurance; Taxpayer Assistance; Examination & Collection; Information Technology; and Administrative Services. The forty-seven positions include 1 Revenue Admin Officer III, 4 Revenue Admin Officer I, 1 Revenue Field Auditor Supervisor, 6 Revenue Field Auditor II, 6 Revenue Field Auditor I, 2 Revenue Tax Auditor II, 15 Revenue Tax Auditor I, 11 Revenue Tax Technicians, and 1 Computing Consultant III with the following expenses:

		FY 04-05	
531211	Salaries	1,521,768	
531511	Social Security Cont.	116,416	
531521	Retirement	87,807	
531561	Medical Ins Cont	120,978	
532140	Oth Info Tech Svs	335,000	
532143	LAN Support Svs	75,000	
532145	Server Support Svs	90,000	
532199004	Interpreter Svs	66,000	
532447	Maint Agree-PC & Printers	3,948	
532448	Maint Agree- Software	13,442	
532512	Rentals/Leases	29,250	
532512	Office/Home Subsidy	2,700	
532714	Transportation	161,750	
532811	Telephone Service	16,450	
532840003	Post/F/D - Postal Meter	92,000	
532850	Printing, Binding & Dup	45,000	
532860	Advertising	23,000	
533110	Gen Office Supplies	36,500	
534511	Office Furniture	211,500	NR
534521	Office Equipment	4,700	NR
534534	PC & Printer Purch (Laptop)	26,000	NR
534534	PC & Printer Purch (Desktop)	40,800	NR
534534	PC & Printer Purch (Laser print)	10,000	NR
534534	PC & Printer Purch (print & pix)	1,200	NR

1710 Fuel Tax Compliance

56 Revenue Tax Evasion Project

Provides funding to support 10 time-limited positions, operating expenses, and an electronic tracking system to collect delinquent motor fuels taxes. The project is a joint effort of the Departments of Transportation and Revenue and is receipt-supported with funding available from Highway Trust Fund Administration. Total cost for FY 04-05 is $2,620,023 of which $681,060 is recurring and $1,938,963 non-recurring. The 10 positions are effective July 1, 2004:

Positions	
1 Processing Assist V -	22,251
1 Information Processing Tech -	29,684
6 Tax Investigators -	125,685
1 Revenue Tax Auditor I -	180,720
1 Applications Analyst Programmer II -	57,369

531212	Salaries	396,674
531512	Social Security	30,346
531522	Regular Retirement	8,384
531532	LEO Retirement	27,073
531562	Medical Insurance	34,320
532140	Oth Information Tech	1,800,000 NR
532210	Energy Service - Elect	4,670
532220	Energy Service - Gas	2,800
532310	Building Repairs	20,000 NR
532447	Maint Agreement - PC Printer	840
532448	Maint Agreement- Software	2,860
532512	Rent/Lease Bldg/Other	48,594
5327XX	Transportation	56,000
532811	Telephone Svs	3,500
532818	Data Wiring Svc Charge	8,000 NR
532821	Computer data Processing	50,000
532942	Oth Employee Training Expense	11,319 NR
533110	General Office Supplies	5,000
533510	Clothing & Uniforms	2,250 NR
534511	Office Furniture	45,000 NR
534521	Office Equip (calculators)	1,000 NR
534521	Office Equip (fax, copier)	12,000 NR
534529	Equip-Custody & Security	13,344 NR
534533	LAN Equip (switch)	2,000 NR
534533	LAN Equip (drive/server)	4,000 NR
534534	Pr/PC Equip (laptops/desktops)	17,600 NR
534534	Printer/PC Equip	2,450 NR

Note: The correct salary for the 6 Tax Investigators is $251,370 and the Revenue Tax Auditor I 36,000. The correct amount for account expenditure 532821 is $60,000. These corrections support the total recurring expenditure of $681,060.

(HB 1414, Sections 23.4 and 30.9)

Overview: 2004 Session Fiscal and Budgetary Actions	FY 04-05	
Budget Changes	**$1,708,151**	F
	($3,369,945)	NF
Total Position Changes	-23.00	
Revised Total Budget	**$73,512,300**	

Special Provisions

2004 Session: HB 1414

Department: Revenue

Section: 23.1

Title: **Extend Department of Revenue Call Center Fee Use**

Summary Allows the department to use of the $3 million, appropriated in the 2002 Session to implement the Call Center, for operating costs through June 30, 2006.

Section: 23.2

Title: **Department of Revenue Debt Fee for Taxpayer Locater Services and Collection**

Summary Designates that proceeds from the Collection Assistance Fee may only be used for activities directly and primarily related to collecting overdue tax debts. These activities include the use of $100,000 annually for 1) locater services that will operate within the department, 2) postage expense for collecting overdue tax debt, and 3) operating expenses for the Project Collect Tax Division. Also, directs the Department of Revenue and Office of State Budget and Management to account for expenditures that clearly distinguish allowable allocations for collecting overdue tax debts and no other purposes. The Department must report results to the General Assembly in the 2005 Session.

Section: 23.3

Title: **Modify Department of Revenue Reporting Requirements**

Summary Section (a) changes the requirement to report on Project Collect Tax from quarterly to semi-annually.
Section (b) repeals the requirement for quarterly reports on the Department's cost for local tax administration that was adopted in the 2002 session.
Section (c) changes the requirement to report on the Call Center's operation and expenditures from quarterly to semi-annually.

Section: 23.4

Title: **Revenue Law Enforcement Officers**

Summary Amends G.S. 105-236.1(a) to allow the Secretary of the Department of Revenue to appoint up to 11 employees of the Motor Fuels Tax Division as revenue law enforcement officers, giving the officers responsibility to enforce taxes on motor fuels imposed by Articles 36B, 36C, and 36D of Chapter 105 and Chapter 119.

Section: 23.5

Title: **Business Taxation Study**

Summary Allows the Department to use up to $250,000 of funds available to it in FY 2004-05 for information technology necessary to estimate the revenue impact of proposals to improve State business taxation. The department is directed to create computer-modeling capability to predict the fiscal impact of proposed changes.

Rules Review Commission

GENERAL FUND

	FY 04-05	
Total Budget Approved 2003 Session	**$310,454**	
Budget Changes		
1100 Administration		
57 Bd. Compensation, Transport. & Subsistence Budget	($3,185)	R

It is recommended that board member compensation, transportation, and subsistence be reduced:

531651	Compensation to Bd Member	($2,000)
532731	Bd/Non-employee transport	($1,000)
532732	Bd/Non-employee subsist	($ 185)

Budget Changes	**($3,185)**	R
Total Position Changes		
Revised Total Budget	**$307,269**	

Special Provisions

2004 Session: HB 1414

Department: Rules Review Commission

Section:

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

Summary Refer to the Office of Administrative Hearings' special provision (S.L. 2004-124, Section 22A.1) that transfers the Commission staff to OAH.

Secretary of State

GENERAL FUND

	FY 04-05	
Total Budget Approved 2003 Session	**$7,756,198**	
Budget Changes		
1240 Business License Information Office		
58 Elimination of Business License Information Office	($110,389)	R
Eliminates the budget for the Business License Information Office. The functions of the Office will be transferred to the North Carolina Department of Commerce effective July 1, 2004.(HB 1414, Section 13.9A)	-1.00	
Budget Changes	**($110,389)**	R
Total Position Changes	-1.00	
Revised Total Budget	**$7,645,809**	

Special Provisions

2004 Session: HB 1414

Department: Secretary of State

Section:

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

Summary Refer to the Department of Commerce (Section 13.9A -- Transfer Business License Information Office Functions and Duties to the Department of Commerce). This special provision repeals Article 4B of Chapter 147 of the General Statutes; abolishes the Business License Information Office (BLIO); and transfers the functions and duties of BLIO to the Department of Commerce. Also repeals S.L. 2003-284, § 24.1 which transferred the consultation function of BLIO to the Community College Small Business Centers effective July 1, 2004.

State Board of Elections

GENERAL FUND

	FY 04-05
Total Budget Approved 2003 Session	**$4,915,939**

Budget Changes

18025 State Board of Elections - General

59 Reduce Operating Budget ($49,506) R

Reduces the following line items:

532199	Misc Contractual Service	($2,000)
532700	Travel/Other Employ Exp	($15,000)
533100	General Admin Supplies	($14,506)
534500	Equipment	($18,000)

These reductions do not involve HAVA Maintenance of Effort (MOE) funds.

1900 Reserves and Transfers

60 NC Public Campaign Financing Fund $725,000 NR

Provides funding to support the NC Public Campaign Financing Fund. This money shall be transferred to the Fund and used to provide rescue funding for certified candidates as provided for in Article 22 of Chapter 163 of the General Statutes.

	FY 04-05	
28025 HAVA Federal Fund		
61 Provide Help America Vote Act (HAVA) State Match		
Provides additional State funding to meet the obligatory 5% State Match of $1,521,918 for federal Help America Vote Act (HAVA) of 2002 Title II requirements payment for Federal Fiscal Years (FFY) 2003 and 2004.	$1,521,918	NR
In S.L. 2003-284, the General Assembly appropriated a total non-recurring amount of $1,922,215 as the State's required 5% match for HAVA Title II Requirements Payments for an estimated $36,544,000. North Carolina anticipated receiving estimated allocations of $22,600,000 in FFY 2003 and $13,944,000 in FFY 2004. However, the federal Elections Assistance Commission (EAC) will oversee the distribution of an estimated $23,431,708 to North Carolina for state fiscal year (SFY) 2003-04 and $42,046,100 for SFY 2004-05. The unanticipated increase in Title II Requirements Payments provides an additional $28,102,200 in FFY 2004, which resulted from Congress appropriating $1.5 billion instead of the estimated $500 million. The increase required an additional non-recurring appropriation for North Carolina to meet the required 5% state match. The revised amount of match needed is $43,748 for SFY 2003-04 and $1,478,170 for SFY 2004-05. These funds are to be allocated to the State Election Fund established by S.L. 2003-12. (HB 1414, Section 26.1)		
Budget Changes	**($49,506)**	R
	$2,246,918	NR
Total Position Changes		
Revised Total Budget	**$7,113,351**	

Special Provisions

2004 Session: HB 1414

Department: State Board of Elections

Section: 26.1

Title: **Increase HAVA Match Funds**

Summary Revises Section 25.1 of S.L. 2003-284 to include the additional HAVA matching fund appropriations for FY 2003-04 and FY 2004-05.

Section: 26.2

Title: **State Board of Elections Funds to Finance Judicial Campaigns**

Summary Provides that unexpended funds for FY 2003-04 do not revert to the General Fund, but are available to the Board to finance judicial campaigns.

State Budget and Management

GENERAL FUND

	FY 04-05	
Total Budget Approved 2003 Session	**$4,216,110**	
Budget Changes		
1310 Office of State Budget and Management		
62 Operating Budget and Personnel Reductions	($41,020)	R
Reduces the operating budget in the following line items:		
532731 Transportation-Board/Non-employee ($15,510)		
532732 Subsistence-Board/Non-employee ($15,510)		
531461 Longevity ($10,000)		
63 Operating Budget Increases	$79,447	R
Provides funding to increase the operating budget in the following line items:	$10,000	NR
Recurring:		
532199 Misc. Contractual Services $3,026		
532821 Computer Data Processing $76,421		
Nonrecurring:		
534500 Computer Equipment $10,000		
64 Capital Improvement Planning	$253,000	R
Provides funding for compliance with the Capital Improvement Planning Act (Act), Article 1B of Chapter 143, including the establishment of an analyst position responsible for capital budgeting and planning and for the development of the Capital Improvement Plan required by the Act. Of the funds provided, $100,000 is for contractual services.	1.00	
1900 Reserves and Transfers		
65 Reserve for Rules Review Commission Lawsuits	$100,000	R
Provides additional funding for the reserve to fund lawsuits brought against the Rules Review Commission.		
Budget Changes	**$391,427**	R
	$10,000	NR
Total Position Changes	1.00	
Revised Total Budget	**$4,617,537**	

Special Provisions

2004 Session: HB 1414

Department: State Budget and Management

Section: 27.1

Title: **NC Humanities Council**

Summary Directs the Humanities Council to report on its activities for the 2003-2004 fiscal year and its planned activities for the 2004-2005 fiscal year. Item 68 in the State Budget and Management - Special Appropriations section increases the recurring appropriation for the Humanities Council by $50,000.

Section: 27.2

Title: **Exploris Museum**

Summary Requires the Board of Directors of the Exploris Museum, as a condition of accepting any State Funds, to review management of its resources and develop a plan that will result in it becoming financially self-sustaining. Funding may be allocated to the Exploris Museum from the appropriation to the Department of Cultural Resources for a grants reserve (Item 14).

Section: 27.3

Title: **Marine Corps Museum of the Carolinas**

Summary Specifies (1) that any funds allocated to the Marine Corps Museum of the Carolinas, a nonprofit corporation, under this act are to be used only to assist with planning a museum to honor the men and women who have served in the United States Marine Corps in the Carolinas; (2) that those funds are to be kept in a separate account; and (3) that no funds are to be allocated unless the corporation agrees that the provisions of Chapter 132 of the General Statutes (the Public Records Law) apply to those funds. Also requires the corporation to report to the Office of State Budget and Management and to the Fiscal Research Division on a quarterly basis. Funding may be allocated to the corporation from the appropriation to the Department of Cultural Resources for a grants reserve (Item 14).

State Budget and Management - Special Appropriations

GENERAL FUND

	FY 04-05	
Total Budget Approved 2003 Session	**$3,130,000**	
Budget Changes		
1022 2004 Special Appropriations		
66 East Market Street Development Corporation Provides a grant to the East Market Street Development Corporation to revitalize an economically depressed area.	$500,000	NR
67 Kids Voting NC Funds 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 to implement new Kids Voting programs across the State, including Clay, Greene, Haywood, Henderson, Jackson, Iredell, Madison, and New Hanover counties. The remaining $200,000 shall be divided equally among the participating counties of Buncombe, Cabarrus, Catawba, Cumberland, Durham, Guilford, Mecklenburg, Onslow, Randolph, and Wake to assist those counties with their Kids Voting programs.	$250,000	NR
68 NC Humanities Council Provides additional funding to the North Carolina Humanities Council, a nonprofit corporation, for the programs of the Council. (HB 1414, Section 27.1)	$50,000	R
69 Highlands School of Technology Provides funding to the school for the purchase of computers.	$75,000	NR
1900 Reserves and Transfers		
70 Reserve for Grants Provides funds for a reserve for grants.	$1,338,382	NR
Budget Changes	**$50,000**	R
	$2,163,382	NR
Total Position Changes		
Revised Total Budget	**$5,343,382**	

Special Provisions

2004 Session: HB 1414

Department: State Budget and Management - Special Appropriations

Section:

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

Summary

State Controller

	GENERAL FUND	
	FY 04-05	
Total Budget Approved 2003 Session	**$9,719,451**	
Budget Changes		
Administration		
71 Computer/Data Processing Reduces the expenditure account for computer/data processing services (532821).	($99,429)	R
Budget Changes	**($99,429)**	R
Total Position Changes		
Revised Total Budget	**$9,620,022**	

Special Provisions

2004 Session: HB 1414

Department: State Controller

Section: 28.1

Title: **Overpayments Project**

Summary Continues language to extend the Overpayments project another year. The contractor, PRG, will maintain a 31% share of overpayments found; and OSC may use $200,000 for data processing, debt collection or other information technology initiatives.

Section: 28.2

Title: **State Business Infrastructure Project**

Summary Allows the agency to use up to $1.8 million in FY 04-05 to develop a RFP to replace or enhance the Human Resources and Payroll systems for State agencies, excluding the University or Community College Systems.

There is a section in SB 991 that addresses this project, and with the passage of the bill this section of HB 1414 is not required. SB 991 was ratified on July 27, 2004 per SL 2004-129.

Section: 28.3

Title: **Employment Reporting: Federal Compliance**

Summary Authorizes the OSC and OSP to assist State agencies with compliance of federal laws governing employment of aliens, as defined in federal law. Allows the two agencies to use funds from budget code 24172 to implement this directive. OSC may use up to $300,000 to acquire compliance software to be used by all State agencies to ensure compliance with all federal laws; and OSC may transfer up to $100,000 to OSP for model training and a contract position.

Treasurer

GENERAL FUND

	FY 04-05
Total Budget Approved 2003 Session	**$7,577,784**

Budget Changes

1130 Escheats Division

72 Information Technology Expansion

Authorizes the use of receipts from the Escheats Fund in the amount of $990,000 to modify the Retirement System Division's existing digital imaging system to meet the imaging needs of the Escheats Division. Of the $990,000 that is authorized, $840,000 is nonrecurring and $150,000 is recurring.

Also authorizes the use of receipts from the Escheats Fund in the amount of $150,000 on a nonrecurring basis to purchase a locater service software package.

73 Operating and Personnel Expansion

Authorizes the use of receipts from the Escheats Fund in the amount of $143,624 to establish 5 Processing Assistant IV positions at a salary of $22,300 each plus benefits. Also authorizes the use of receipts in the amount of $19,750 for start-up operating costs for the positions and in the amount of $376,400 for on-going operating costs which include rent, telephone service, temporary staff, and contracted claims processing.

Recurring:

531212	Salaries	$111,500
531312	Temporary Staff	$176,000
531512	Social Security	$8,530
531522	Retirement	$6,434
531562	Medical	$17,160
532199	Misc. Cont. Ser.	$150,000
532500	Rent	$49,200
532800	Telephone	$1,200
Total		$520,024

Nonrecurring:

534500	Equipment	$19,750

1210 Investment Management Division

74 Establish Chief Investment Officer Position — $173,562 R

Provides funding for the establishment of a Chief Investment Officer position.

531211	Salaries	$150,000
531511	Social Sec	$11,475
531521	Retirement	$8,655
531561	Medical	$3,432
Total		$173,562

The General Fund will be reimbursed from a non-tax revenue source. (HB 1414, Section 29.1)

75 Operating Budget Reduction — ($34,265) R

Reduces the operating budget for computer/data processing (532821).

76 Convert Receipt-Supported Positions. — $483,940 R

5.00

Provides funding to convert five Risk Management Analyst positions that were established in FY 2003-04 as receipt-supported positions to appropriation-support. This action will provide consistency within the Division's budget. The General Fund will be reimbursed from a non-tax revenue source for the appropriation.

The positions are classified as grade 81. The salary for each position is $82,310.

531211	Salaries	$411,550
531511	Social Sec.	$31,485
531521	Retirement	$23,745
531561	Medical	$17,160

1310 Local Government Operations Division

77 Operating Budget Reduction — ($68,529) R

Reduces the operating budget for computer/data processing (532821).

1410 Retirement Systems Division

78 Information Technology Project for FY 2004-05

Authorizes the use of receipts from the Retirement Fund in the amount of $8,794,546 for FY 2004-2005 to pay for the implementation phase (FY 2004-05 costs only) of the Retirement Systems Division's information technology project. The total cost of the project is estimated to be $27,595,707. The Department was authorized by S.L. 2003-284 to use $2,741,500 during FY 2003-2004 and $2,800,000 during FY 2004-2005. The amount expected to be incurred for FY 2004-2005 is $11,594,546. The authorization to use $8,794,546 will bring the total authorized for FY 2004-2005 to the needs for that fiscal year.

79 Time-Limited Positions to Permanent Status

Authorizes the use of receipts from the Retirement Fund in the amount of $491,089 for FY 2004-2005 to convert 24 time-limited positions to permanent positions and in the amount of $4.250 for operating cost. Keeping the staff on a permanent basis will prevent a repeat of work backlogs. Four of the positions will be reclassified up and reassigned from current duties to fulfill other needs in the Division, including death claims processing, document management, and internal auditing functions. The annualized cost of the positions is $842,772.

The four-upgraded positions are for the Retirement Accountability Initiative. The time-limited period expires October 31, 2004. The positions are effective November 1, 2004. They are as follows:

	Pos #	FY 04-05	FY 05-06
Lead Worker	(-824)	$16,753	$25,130
Quality Assurance Spec.	(-823)	$19,569	$29,354
Quality Control Tech. I	(-825)	$16,653	$24,980
Records Mgmt. Analyst I	(-839)	$18,025	$27,038

The remaining 20 positions are to maintain the customer service level. They have varying effective dates based on the expiration of the time-limited periods. The positions and the respective effective dates are as follows:

	Pos #	FY 04-05	FY 05-06
Effective July 1, 2004			
Bene Coun	(-959)	$30,706	$30,706
Bene Coun	(-960)	$30,706	$30,706
Bene Coun	(-961)	$30,706	$30,706
Bene Coun	(-962)	$30,706	$30,706
Bene Coun	(-963)	$30,706	$30,706
Bene Coun	(-964)	$30,706	$30,706
Effective November 1, 2004			
Proc. Asst V	(-821)	$16,084	$24,126
Proc. Asst V	(-822)	$16,084	$24,126
Proc. Asst III	(-838)	$13,781	$20,672
Act. Asst I	(-840)	$16,024	$24,036
Effective April 1, 2005			
Proc. Asst V	(-952)	$6,032	$24,126
Proc. Asst V	(-953)	$6,032	$24,126
Proc. Asst V	(-954)	$6,032	$24,126
Act. Clk IV	(-956)	$6,009	$24,036
Bene Coun	(-946)	$7,677	$30,706
Bene Coun	(-947)	$7,677	$30,706
Bene Coun	(-948)	$7,677	$30,706
Bene Coun	(-949)	$7,677	$30,706
Bene Coun	(-950)	$7,677	$30,706
Bene Coun	(-951)	$7,677	$30,706

531212	Salaries	$387,377	$664,348
531512	Social Sec.	$29,634	$50,823
531522	Retirement	$22,352	$38,333
531562	Medical	$47,476	$82,368
53XXX	Operating	$4,250	$6,900
Total		$491,089	$842,772

1510 Financial Operations Division

80 Operating Budget Reduction ($130,000) R

Reduces the operating budget for computer/data processing (532821).

Budget Changes	**$424,708**	R
Total Position Changes	5.00	
Revised Total Budget	**$8,002,492**	

Special Provisions

2004 Session: HB 1414

Department: Treasurer

Section: 29.1

Title: **Reestablish State Investment Officer Position**

Summary Reestablishes this position and directs the State Treasurer to set the compensation in an amount up to $150,000. Also authorizes the State Treasurer to award an annual performance-based incentive bonus of up to 30% of the salary. The State Treasurer is to report on the incentive bonus to the Joint Legislative Commission on Governmental Operations.

Treasurer - Retirement for Fire and Rescue Squad Workers

GENERAL FUND

	FY 04-05	
Total Budget Approved 2003 Session	**$7,481,179**	
Budget Changes		
1412 Gen. Fund Contribution to Fire Pension Fund		
81 Increase Retirement Benefits Increases the benefits in the Firemen's and Rescue Squad Workers' Pension Fund from $158 to $161 per month for retirees and future retirees effective July 1, 2004.	$665,000	R
Budget Changes	**$665,000**	R
Total Position Changes		
Revised Total Budget	**$8,146,179**	

Special Provisions

2004 Session: HB 1414

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 04-05	
Total Budget Approved 2003 Session	**$11,402,800**	
Budget Changes		
Aeronautics		
1 **Reduction in Airport Grants** Reduces State Aid to Airports by 2%, from $11,402,800 to $11,174,744.	($228,056)	R
Budget Changes	**($228,056)**	R
Total Position Changes		
Revised Total Budget	**$11,174,744**	

Transportation

HIGHWAY FUND

	FY 04-05
Total Budget Approved 2003 Session	**$1,331,524,415**

Budget Changes

Administration

2 Additional Funds for Utility Expenses The Division of General Services is responsible for facility maintenance. Utility expenses have increased approximately 10% in electric rates and 40% in heating fuel rates. The current budgeted amount is inadequate to support the current level of expenditures. This action provides funding to align the utility budget with actual expenditures.	$245,534	R
3 Adjust Continuation Budget for State Aid to Municipalities Increases the distribution of State Aid to Municipalities by $410,000 to $91,000,000 based on a projected increase in gasoline consumption for fiscal year 2004-05 over the previous forecast. This action is in accordance with G.S. 136-41.1.	$410,000	R
4 Adjust Continuation Budget for Secondary Roads Construction Increases the distribution to Secondary Roads Construction by $410,000 to $91,000,000 based on a projected increase in gasoline consumption for fiscal year 2004-05 over the previous forecast. This action is in accordance with G.S. 136-44.2A.	$410,000	R
5 Restore General Maintenance Reserve to Fiscal Year 2003-04 Level The maintenance budget in fiscal year 2003-2004 included nonrecurring funds. This action provides funding required to keep the maintenance budget from decreasing in fiscal year 2004-2005.	$9,062,928	R
6 Additional Funding for General Maintenance Reserve Increases continuation funding for General Maintenance Reserve to preserve and improve the condition of the State's highway transportation system.	$12,365,663	R

	FY 04-05	
7 Regional New Starts and Capital Program The Regional New Starts and Capital Program provides state matching funds for planning and construction costs of major regional fixed guideway projects. These projects include intracity light rail, intercity commuter rail, and busways. Additional funds will support planning and environmental impact studies for the City of Charlotte's four remaining transit corridors and for the planning costs of a New Start regional project in the Triad.	$4,063,521	R
8 Urban and Regional Maintenance Program The Urban and Regional Maintenance Program provides operating assistance to each of the state's 21 urban and fixed route systems. This action replaces nonrecurring and other funds available to the Department in fiscal year 2003-04.	$5,500,000	R
9 Reduction to Enforce Legislative Intent The 2001 General Assembly appropriated $10 million to replace federal funds that DOT planned to redirect to the Transportation Improvement Program. Contrary to the intent of the General Assembly, DOT did not redirect the federal funds, but continued to use these funds for public transportation even as it used the replacement funds appropriated by the General Assembly for public transportation. This action reduces the public transportation budget to an amount consistent with the original intent of the General Assembly.	($10,000,000)	NR
10 Driver License Queuing Systems Queuing systems have been installed in 16 high volume driver license offices across the state and have reduced the time customers wait in line for service. This action provides funds for queuing systems at the following locations: South Wilmington, Shallotte, Greenville, South Fayetteville, Wilson, Smithfield, Rocky Mount, Cary, Graham, High Point, and North Winston-Salem.	$23,117 $378,902	R NR
11 Automated Testing Equipment The Driver License Section has installed automated testing systems in 45 of its busiest offices, increasing examiner productivity. This action appropriates funds to provide automated testing systems at the following locations: Manteo, Washington, Shallotte, Roanoke Rapids, Clayton, Dunn, Garner, Fuquay-Varina, Aberdeen, Sanford, Siler City, Hillsborough, Albemarle, Lexington, Thomasville, Lincolnton, Mount Airy, Mount Holly, Statesville, Lenoir, Clyde, Kernersville, and Shelby.	$46,000 $770,902	R NR

	FY 04-05	
12 Adjust Continuation Budget for Leaking Underground Storage Tank Fund (LUST) Increases the distribution to the Leaking Underground Storage Tank (LUST) Fund by $90,000 to $6,056,665 based on an increase in revenue estimates for the gasoline inspection fee. This action is in accordance with G.S. 119-18(b).	$90,000	R
13 Additional Funds for Postage The General Services Division administers the mail room services for the Division of Motor Vehicles (DMV). This unit processes all driver license renewal notifications, vehicle registration renewals, and all other DMV related correspondence. The current appropriation for postage and freight for DMV services is inadequate to support the current level of expenditures. This action provides funding to partially address this annual shortfall.	$231,538	R
14 Disability Income Plan Reduces the State's contribution to the Disability Income Plan from .52% to .445% for the 2004-2005 fiscal year.	($288,000)	NR
15 State Infrastructure Bank The State Infrastructure Bank (SIB) is an investment fund that offers loans to units of local government for transportation facilities and projects. Many small municipalities and other units of local government need funding for transportation projects outside the state transportation improvement plan. Borrowing from the SIB would allow local officials to advance the completion of local high priority transportation projects. The loans would require collateral. This action provides seed money from the Highway Fund to the State Infrastructure Bank.(HB 1414, Section 30.18)	$750,000	NR
16 Increase Funds for Reclassifications During fiscal year 2003-04, several position classification studies were conducted, approved, and funded, depleting the fiscal year 2003-2004 appropriation. This action would raise the annual appropriation by $250,000 to $650,000 to fund justified reclassifications.	$250,000	R
17 Reserve for Information Technology Initiatives DOT's Information Technology Division provides client support, systems enhancements, maintenance, and monitoring of DOT's and DMV's large scale applications. In recent years, several mission-critical systems have been developed that now need enhancements if the department is to maintain its current level of services. This action provides a reserve to fund IT enhancements, technical services support, and network and application monitoring software.	$4,420,191	R

	FY 04-05	
18 Reduce Driver Education Funding Reduces funding by 2% for the Department of Public Instruction's Driver Education Program to $31,857,350. The change consists of a 2.6% reduction in the per student funding (from $251.56 to $245.00) and an increase of 0.6% in the projected Average Daily Membership (ADM) of ninth graders to 130,030. There is wide variation among Local Education Agencies in the cost of delivering driver education and the State Board of Education is encouraging LEA's to look for the most economical and efficient ways to deliver the program.	($659,511)	R
19 Increase Funding The contingency budget in fiscal year 2003-2004 included nonrecurring funds. This action provides funding to keep the contingency budget from decreasing in fiscal year 2004-2005.(HB 1414, Section 30.1)	$5,000,000	R
20 Facility Improvements Provides additional funding to improve terminal at Mann's Harbor.	$1,000,000	NR
21 Reserve for Global TransPark Provides funding to maintain current services while business plan to develop private sector support is implemented.	$1,600,000	NR
22 Additional Funds for Contract Resurfacing Provides additional funds for contract resurfacing	$3,244,000	R
23 TSERS Contributions Increases the contribution rate for fiscal year 2004-2005 to provide a 1.7% cost-of-living adjustment to retirees of the Teachers' and State Employees' Retirement System effective July 1, 2004.	$460,800	R
24 State Funded Compensation Increase Provides funds to support the greater of a $1,000 flat amount or 2.5% salary increase for full-time permanent employees whose positions are supported with Highway Fund appropriations.	$12,250,000	R
25 Increase Funding Provides additional funds to support small construction projects.(HB 1414, Section 30.1)	$7,000,000	NR
26 Replacement of Older Personal Computers at DOT Many of the computers at DOT are more than four years old and run outdated and unsupported operating systems. This action provides funding to replace approximately 1000 of the oldest personal computers at DOT at a cost of about $750 each.	$750,000	R

Overview: 2004 Session Fiscal and Budgetary Actions

	FY 04-05	
Budget Changes	**$58,163,781**	R
Total Position Changes	**$1,211,804**	NR
Revised Total Budget	**$1,390,900,000**	

Special Provisions

2004 Session: HB 1414

Department: Transportation

Section: 30.1

Title: **Small Construction and Contingency Funds**

Summary Provides that $21 million dollars shall be allocated for small construction projects allocated equally among the 14 highway divisions and that $15 million shall be used statewide for rural or small urban highway improvements and related transportation enhancements.

Section: 30.2

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: 30.3

Title: **Ensure Cash-Flow Fund Availability**

Summary Provides that funds authorized for obligation by DOT by G.S. 136-176(a1) (SB 1005) and G.S.136-176(a3) (Moving Ahead) shall remain available to DOT until expended.

Section: 30.3A

Title: **Visitor Center Funds**

Summary Raises the number of Visitor Centers receiving funds from the Special Registration Plate account from seven to nine and provides that each Visitor Center is to receive $100,000 rather than $75,000.

Section: 30.3E

Title: **Annual Overwidth Vehicle Movement Permits and Escort Driver Training for Agricultural Vehicles**

Summary Requires DOT to issue annual overwidth permits for vehicles that do not exceed 14 feet in width and that carry agricultural equipment or machinery between the dealer and the farm. Requires DOT to develop and implement an in-house training program for agricultural machinery escorts by September 1, 2004.

Section: 30.3F

Title: **Currituck County Airport Land Conveyance**

Summary Provides that the State of North Carolina shall convey to Currituck County, for $1, title to the land on which the Currituck County Airport is situated.

Section: 30.3G

Title: **Airport Grants for Imminent Safety Threats**

Summary Provides that of the funds appropriated to DOT for Airport Grants, the Department shall give priority in making grants to facilities facing imminent safety threats.

Section: 30.5

Title: **Department of Transportation Shall Pave Areas in North Carolina Indian Cultural Center**

Summary Provides that DOT shall pave the appropriate areas in the North Carolina Indian Cultural Center.

Section: 30.6

Title: **Passenger Vehicles Towing Other Vehicles to Keep Right**

Summary Requires that noncommercial passenger vehicles towing other vehicles keep right except under specified conditions (as amended by SB 1225, Section 56).

Section: 30.8

Title: **Western North Carolina Passenger Rail Service Property Acquisition**

Summary Permits the Rail Division to use up to $1,066,000 of a previously created reserve for property acquisition and infrastructure improvements in the Biltmore Village area of Asheville to develop a terminus for western North Carolina passenger rail service.

Section: 30.9

Title: **Funds From Department of Revenue's Fuel Tax Action Plan**

Summary Provides that any funds received by DOT as a result of the Department of Revenue's Fuel Tax Action Plan above the costs of administering the program shall be used for contract resurfacing and maintenance. Requires the Department of Revenue to report on the program.

Section: 30.10

Title: **Leaking Petroleum Underground Storage Tank Cleanup Funds Solvency**

Summary Provides additional revenue during 2004-2005 for the Commercial and Noncommercial Leaking Petroleum Underground Storage Tank Cleanup Funds, amends the statutes governing the operation of the funds, and requires the Environmental Review Commission and the Joint Legislative Transportation Oversight Committee to study and report to the General Assembly on the desirability and feasibility of changing the role of the State of North Carolina in implementing the program.

Section: 30.12

Title: **State Dredge Study by Joint Legislative Transportation Oversight Committee**

Summary Requires the Committee to study the feasibility and cost of constructing and establishing a dredge to be used to clear channels not maintained by the Corps of Engineers and to be used for beach nourishment.

Section: 30.13

Title: **Joint Legislative Transportation Oversight Committee to Study Transportation Related Drug and Alcohol Tests**

Summary Requires the Committee to study the advisability of instituting a requirement for public transit operators and other employers to report to DMV the name of an employee taking a transportation-related drug or alcohol test and the results when the employee failed the test. The Committee shall also study the advisability of instituting a requirement for DMV to provide information on those individuals to other employers required by federal law to test transportation-related employees.

Section: 30.14

Title: **Department of Transportation Project Delivery Study Implementation**

Summary Requires DOT to review and implement applicable provisions of the Joint Legislative Transportation Oversight Committee Highway Construction Project Delivery Study and to report to the Committee on the progress of its implementation.

Section: 30.15

Title: **Pottery Highway Signs**

Summary Prohibits DOT from prohibiting off-premises signs on private property for potteries on N.C. 705 in Moore and Randolph Counties.

Section: 30.15

Title: **No Median on Part of U.S. Highway 64 in Randolph County**

Summary Prohibits construction of a median on a segment of U.S. Highway 64 in Randolph County.

Section: 30.17

Title: **Town of Cornelius Median Cuts**

Summary Requires DOT to construct six median cuts on Catawba Avenue in the Town of Cornelius.

Section: 30.18

Title: **State Infrastructure Bank**

Summary Requires that repayment of loans from the State Infrastructure Bank with money appropriated in HB1414 be repaid through reductions in Powell Bill funds.

Section: 30.19

Title: **Urban Loops**

Summary Adds the Gastonia Loop to urban loop projects eligible under the Highway Trust Fund, adds language to permit six-laning of a portion of the Charlotte Outer Loop, redefines Raleigh Outer Loop to encircle the City of Raleigh, and redefines the Wilmington Bypass.

Section: 30.20

Title: **Stormwater Pilot Project**

Summary Provides that $15 million of funds available to DOT shall be used for a stormwater pilot project to clean up State-maintained ocean outfalls and associated outlets through new and innovative technologies and filtering mechanisms.

Section: 30.21

Title: **Intrastate Improvement Projects**

Summary Redefines the Intrastate System in the Highway Trust Fund as composed of certain routes, segments, or corridors instead of projects. Provides that Intrastate routes or segments may have fewer than 4 lanes when warranted. Provides that funds in the Highway Trust Fund are primarily intended to complete the projects listed in G.S. 136-179 but in certain circumstances can be used for projects on other listed route segments. Adds the Shelby Bypass to projects listed in G.S. 136-179.

Section: 30.22

Title: **GTP Fund Repayment and Restrictions**

Summary Requires the Global TransPark Authority to repay $2.5 million to the Escheat Fund and requires that GTP must consult with the Joint Legislative Commission on Governmental Operations before obligating or expending any other funds borrowed from the Escheat Fund. Extends the final maturity date of remaining funds borrowed from the Escheat Fund from September 1, 2004 to July 1, 2005. Provides that interest on funds borrowed from the Escheat Fund by GTP and accruing to GTP may only be used to repay the loan.

RESERVES, DEBT SERVICE & ADJUSTMENTS

GENERAL PROVISIONS

Reserves, Debt Service and Adjustments

GENERAL FUND

	FY 04-05
Total Budget Approved 2003 Session	**$505,497,088**

Budget Changes

A. Employee Benefits

1 TSERS Contributions Increases the contribution rate for fiscal year 2004-05 to provide a 1.7% cost-of-living adjustment to retirees of the Teachers' and State Employees' Retirement System effective July 1, 2004.	$9,180,000	R
2 CJRS Contributions Increases the contribution rate for fiscal year 2004-05 to provide a 1.7% cost-of-living adjustment to retirees of the Consolidated Judicial Retirement System effective July 1, 2004.	$339,000	R
3 ALE Agent Salary Adjustment Funding is provided to address the recommendation by the Office of State Personnel to the State Personnel Commission to implement salary reclassifications and in-range adjustments for ALE agents.	$376,576	R
4 SBI Agent Salary Adjustment Funds are provided for the SBI to implement the salary adjustment request made to the Office of State Personnel in November 2003 for SBI Agent I Special Entry Rate and Corresponding Higher-Level Equity In-Ranges.	$564,087	R
5 Forestry LEO Salary Adjustment Increase funds to the Division of Forestry to use for salary adjustments needed to bring salaries in-line with other law enforcement personnel.	$50,725	R
6 Marine Fisheries Officer Salary Adjustment Increase funds to the Division of Marine Fisheries to use for salary adjustments needed to bring salaries in-line with other law enforcement personnel.	$385,000	R
7 Park Ranger Salary Adjustment Increase funds to the Division of Parks to use for salary adjustments needed to bring salaries in-line with other law enforcement personnel.	$630,997	R

FY 04-05

8 State Funded Compensation Increases — $253,600,000 R; $7,200,000 NR

Provide funds to support salary increases for employees of State agencies, departments and universities, community college institutions, and public schools.

I. Certified Teaching and School Based Administrator Personnel in local Public Schools, State Agency based Public Schools, and the NC School of Science and Math.

Teachers and Instructional Support
Funds are provided to support an experience based step increase for teachers and instructional support personnel (average salary increase of 1.83%) and an increase in the teacher salary schedule of 0.67%. Teachers and Instructional support who are at the top of the experience based salary schedule will receive a one-time lump sum bonus equivalent to the average increase from Step 26 to Step 29 (1.58%)

Principals and Assistant Principals
Funds are provided to support an experience based step increase for school based administrators (avg. salary increase of 1.72%) and an increase in the school based administrator salary schedule of 0.67%. School based administrators who are at the top of the salary schedule will receive a one-time lump sum bonus equivalent to 2.0%.

II. Across-the-Board Salary Increase
Provide funds to support the greater of a $1,000 flat amount or 2.5% annual salary increase for full-time permanent employees of agencies, departments and universities, non-certified employees of local public schools, and employees of local community college institutions supported by the State.

III. Provide funds for an additional 2% average salary increase for Community College faculty and professional staff and provide funds to increase minimum faculty salaries currently paid to faculty below the minimum salary for their education level.

9 Disability Income Plan — ($6,230,100) NR

Reduces the State's contribution to the Disability Income Plan from .52% to .445% for the 2004-2005 fiscal year.

	FY 04-05	
B. Debt Service		
10 Adjust Debt Service Requirements Reduce funds for debt service due to increased receipts and to more accurately reflect actual requirements for principal and interest payments.	($26,648,480) ($57,000,000)	R NR
11 Debt Service Funds for New State Facilities & Land Acquisition Provides funds to pay debt service requirements associated with various capital improvement and land acquisition projects authorized in House Bill 1264 (Finance Vital Projects/Studies). The General Fund will be reimbursed for the payment of debt service requirements for these projects from various special revenue funds as required by the legislation.	$5,380,000	R
12 Debt Service Funds for Falls Lake Provides funds for increased debt service requirements associated with Falls Lake improvements per repayment agreement with the federal government.	$460,432	R
C. Reserves		
13 Senate Bill 100 Compliance Adjusts agency budgets to reflect savings created by the sales tax exemption pursuant to SB 100.	($11,813,949)	R
14 JDIG Reserve Establishes a General Fund reserve controlled by the Office of State Management and Budget from which money will be transferred to meet the cash requirements of the Job Development Investment Grant Program. (HB 1414, Section 6.12)	$4,500,000	R
15 Adjust Statewide Reserves Adjusts statewide reserves established in the 2003 Regular Session as follows: Compensation Increases (900,000) Health Plan: (900,000) Retirement System: (6,900,000)	($8,700,000)	R
D. Trust Funds		
16 Trust Fund for MH/DD/SAS Reform Provides funds to be used pursuant to G.S. 143-15.3D to continue mental health reform efforts.	$10,000,000	NR
Budget Changes	**$228,304,388** **($46,030,100)**	**R** **NR**
Total Position Changes		
Revised Total Budget	**$687,771,376**	

Special Provisions

2004 Session: HB 1414

Department: Reserves, Debt Service and Adjustments

Section: 2.1

Title: **Current Operations and Expansion/General Fund**

Summary Specifies adjustments to appropriations from the General Fund to state agencies for the 2004-05 fiscal year.

Section: 2.2

Title: **General Fund Availabiity Statement**

Summary Sets out fiscal information to satisfy "Budget Reform" requirements pursuant to G.S. 143-15.1. Specifies various adjusments and transfers underlying General Fund availabity for the 2004-05 fiscal year as follows:

2.2(a) Provides a detailed listing of estimated General Fund revenues and adjustments to availability.

(Note: Section 1 of Senate Bill 3, NC Motorsports Testing and Research/Funds, SL 2004-184 revises this subsection by reducing the credit to the Repairs and Renovations Account by $2 million, increasing the amount of total General Fund appropriations by $2 million and revising the totals accordingly.)

2.2(b) Rewrites subsections 2.2(b), 2.2(c) and 2.2(f) of SL 2003-284 as follows: Reduces the transfer from the Tobacco Trust Fund to the General Fund for the 2004-05 fiscal year from $40 million to $35 million. Transfers $25 million from the Health and Wellness Trust Fund to the General Fund for the 2004-05 fiscal year. Directs the State Controller to transfer $78,797,361 from the unreserved credit balance to the Repairs and Renovations Reserve Account on June 30, 2004.

(Note: Section 2 of Senate Bill 3, NC Motorsports Testing and Research/Funds, SL 2004-184 revises this subsection by changing the transfer to the Repairs and Renovations Account to $76,797,361.)

2.2(c) Appropriates for the 2004-05 fiscal year funds transferred to the Repairs and Renovations Reserve Acount on June 20, 2004.

2.2(d) Repeals a provision enacted in the 2003 Regular Session that required the General Assembly to identify, in its 2004 Appropriations Act, $20 million in special fund balances to be transferred to support General Fund availability for the 2004-05 fiscal year.

2.2(e), (f) and (g) Directs transfers to the General Fund from various special, trust and internal service funds.

Section: 6.1

Title: **Preference Given to American-Made Products**

Summary Requires that purchasing preference be extended to US products or services where it is not possible to extend preference to North Carolina products as provided in G.S. 143-59.

Section: 6.3

Title: **Extend Local Government Hold Harmless**

Summary Extends through 2012 "hold harmless" payments to local governments that receive less from applicable local sales taxes levied than the local government's repealed reimbursement amount, as defined in G.S. 105-521(3).

Section: 6.4

Title: **Commission on State Property/Sale of State Property**

Summary Creates a sixteen member Commission on State Property to recommend surplus state-owned real property for sale or sale and leaseback. The Commission must take specific measures to assure the participation of real estate salespersons and brokers in its deliberations. Recommendations are made to the Department of Administration and, in cases where the Department of Administration fails to concur, to the Governor and Council of State. Participating real estate salespersons or brokers are entitled to brokerage fees. Transfers $200,000 from the Department of Administration to the Commission, and allows this transfer to be off-set with the proceeds from the sale of any surplus property.

Section: 6.5

Title: **Change Effective Date - Private Plates on Public Vehicles**

Summary Extends until May 1, 2005 the provision of G.S. 20-39.1 that allows the issuance of private plates for use on vehicles owned or used by state law enforcement agencies.

Section: 6.12

Title: **JDIG Appropriation Structure**

Summary Establishes the procedures for budgeting and expending funds appropriated for the Job Development Investment Grant Program (JDIG) on a cash flow basis.

Section: 6.19

Title: **Revise Report of Budget Director**

Summary Extends to January 15, 2005 the deadline for a report required in the 2003 Appropriation Act from the Office of State Budget and Management regarding the proliferation of nonreverting funds, the designation of funds as "off-budget," and the proper classfication and management of various non-General Funds.

Section: 6.20

Title: **Special Funds, Federal Receipts, Appropriations**

Summary Authorizes the expenditure of all cash balances, federal receipts, and departmental receipts in amounts sufficient to carry on authorized activities in each state department. It also allows the Director of the Budget to approve the expenditure of unanticipated receipts under limited circumstances.

Section: 6.22

Title: **Contingency and Emergency Fund Allocations**

Summary Modifies criteria governing the use of Contingency and Emergency funds to allow for expenditures related to the Base Realignment and Closure Act (BRAC) and other purposes.

Section: 6.23

Title: **Authorization to Establish Receipt-Supported Positions**

Summary Specifies the conditions by which a receipt-supported position authorized in the budget bill may be established at a salary amount different from the salary amount specificed in the bill or committee report.

Section: 6.24

Title: **Reporting of Non-State Entities**

Summary Amends and clarifies the existing statute governing the use of state funds by non-state entities. The changes authorize the State Auditor to require the submission of reports in an electronic format and require grantees to provide their independent auditor's work papers to the State Auditor upon request. Clarifes the responsibilites of State agencies providing grants to non-state entities, incluing the provision of adequate oversight and monitoring to prevent the misuse of state funds. Also clarifies the responsibilities of organizations receiving state grant funds.

(Note: SL 2004-196 repeals G.S. 143-6.1, the statute amended by this section, effective July 1, 2005 and replaces it with a new section, G.S. 143-6.2. The new statute directs the Office of State Budget and Management to adopt rules to replace the statutory requirements of G.S. 143-6.1 and ensure uniform administration of state grants by all state agencies).

Section: 6.26

Title: **Authorize Acquisition of Options for Site Development and Authorize Consultant Contracts**

Summary Authorizes the use of funds in the Site Infrastructue Development Fund in the Department of Commerce to be used to acquire and hold options for the purchase of land for anticipated industrial sites. Also authorizes the Department of Commerce to contract out recruitment activities for proposals involving the location or expansion of major industrial projects.

Section: 6.28

Title: **William Friday Institute for Higher Education Leadership**

Summary Requires the UNC Board of Governors to establish the William Friday Institute for Higher Education Leadership. The purpose of the Institute is to provide training and professional development for current and potential academic administrators.

Section: 6.29

Title: **Limit Use of Impervious Parking Surfaces for Sale of Nursery Stock**

Summary Establishes prospective limits and stormwater management requirements on the use of retail parking lot surfaces for the display of nursery stock. The requirements become effecitve January 1, 2005 and apply only to retail premises newly opened, constructed or renovated on or after that date.

Section: 6.31

Title: **Funds for Farmland Preservation Projects**

Summary Allows the Board of Trustees of the Clean Water Management Trust Fund to allocate up to $4.1 million for farm and forest land preservation. Requires the Department of Agriculture and Consumer Services to prepare a master plan for farmland preservation and to report its recommendations to committees of the General Assembly.

Section: 6.32

Title: **Expansion of SBI Crime Lab**

Summary Authorizes the expenditure of $4.5 million in unused capital projects funds to expand the State Bureau of Investigation Crime Lab.

CAPITAL

Capital

GENERAL FUND

	FY 04-05	
Department of Commerce - State Ports Authority		
1 Crane Rail Replacement Provides funds for replacement of obsolete and failing crane rail sections at the Wilmington Port to ensure safe, successful operations.	$2,000,000	NR
2 Radio Island Provides funds to the Morehead City Port to develop and improve its operations on Radio Island.	$2,000,000	NR
Department of Environment and Natural Resources		
3 Water Resources Development Projects Provides funds for the state share of Water Resources Development Projects. Projects are specified in a special provision. (HB 1414, Section 32.2)	$26,492,000	NR
NC Museum of Art		
4 Expansion Planning Funds Provides funds to plan for the expansion of the NC Museum of Art, including new construction on the former Polk Youth Center site, and rehabilitation and expansion of the existing Museum building.	$2,200,000	NR
UNC System		
5 Center for Design Innovation Provides funds to the UNC Board of Governors to establish the Center for Design Innovation as a component of the National Design Institute. The Center shall be located in the Piedmont Triad Research Park and shall be established through a collaborative effort as proposed by the North Carolina School of the Arts, Winston Salem State University, Forsyth Technical Community College, North Carolina A&T State University, the University of North Carolina at Greensboro, and Guilford Technical Community College.	$2,000,000	NR
6 Winston Salem State University Provides funds to acquire land and space in the Piedmont Triad Research Park for research laboratories and office space for the Department of Life Sciences at WSSU.	$2,000,000	NR
7 NC A&T State Univ. and UNC-Greensboro Millennium Campus Provides funds to convert three buildings on the former campus of the Central NC School for the Deaf for use as classrooms and offices.	$4,000,000	NR

	FY 04-05	
8 NC Motorsports Testing and Research Complex Provides funds for planning and design of the North Carolina Motorsports Testing and Research Complex to be operated in conjunction with UNC-Charlotte's automotive and motorsports engineering program.	$4,000,000	NR
9 UNC-Wilmington School of Nursing Provides funds for the planning and design of a facility for the University of North Carolina at Wilmington School of Nursing. (HB 1414, Section 32.5)	$500,000	NR
Total Appropriation to Capital	**$45,192,000**	**NR**

Special Provisions

2004 Session: HB 1414

Department: Capital

Section: 6.32

Title: **Expansion of the SBI Crime Lab**

Summary Authorizes the expenditure of $4.5 million in unused capital projects funds to expand the State Bureau of Investigation Crime Lab.

Section: 7.32

Title: **Local School Construction Financing Study**

Summary Establishes the Local School Construction Financing Study Commission, which shall examine the present system of local financing for school facilities and shall study alternative options for financing local school construction, renovation, repair, and maintenance.

Directs that $100,000 that would have been deposited in the Public School Building Capital Fund shall be credited to the General Assembly for the expenses of the Commission.

Section: 9.4

Title: **UNC Bond Project Modifications**

Summary Modifies bond project allocations for several campuses as recommended by the Board of Governors.

Section: 9.8

Title: **Restore Bond Funds Used for Mold Remediation**

Summary Allocates up to $8.9 million from the UNC portion of the reserve for Repairs and Renovations to be used to reimburse NCCU for mold remediation costs.

Section: 32.1

Title: **Capital Appropriations/General Fund**

Summary Specifies appropriations from the General Fund for capital improvement projects for the 2004-05 fiscal year.

(Note: Section 3 of Senate Bill 3, NC Motorsports Testing and Research/Funds, SL 2004-184 revises this section by increasing the appropriation for the NC Motorsports Testing and Research Complex from $2 million to $4 million.)

Section: 32.2

Title: **Water Resources Development Project Funds**

Summary Allocates $26,492,000 for various water resources development projects as follows:

(1) Wilmington Harbor Deepening - $9,300,000
(2) Morehead City Harbor Maintenance - $1,000,000
(3) Manteo (Shallowbag) Bay Channel Maintenance - $2,000,000
(4) B. Everett Jordan Water Supply Storage - $100,000
(5) John H. Kerr Reservoir Operations Evaluation - $600,000
(6) Beaufort Harbor Maintenance Dredging (Carteret County) - $80,000
(7) Bogue Banks Shore Protection Study (Carteret County) - $129,000
(8) Surf City/North Topsail Beach Protection Study - $350,000
(9) West Onslow Beach (Topsail) - $117,000
(10) Swan Quarter (Hyde County) Flood Control Dikes - $100,000
(11) Hurricane Isabel Emergency Stream Cleanup - NE NC - $2,000,000
(12) Cape Fear River Basin Water Management Study - $161,000
(13) State Local Projects - $2,839,000
(14) Lower Lockwoods Folly Dredging - $336,000
(15) Currituck Sound Water Management Study - $210,000
(16) Aquatic Weed Control, Lake Gaston and Statewide - $275,000
(17) Deep Creek (Yadkin County) Water Management - $2,000,000
(18) Neuse River Basin Feasibility Study - $400,000
(19) Neuse Water and Sewer Project - $3,500,000
(20) Environmental Restoration Projects - $700,000
(21) Projected Feasibility Studies - $200,000
(22) Planning Assistance to Communities - $95,000

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 reverison of funds that remain unexpended or unencumbered at the end of the 2005-06 fiscal year.

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

Allows the Director of the Budget to use available funds to pay the required state match for any additional federal funds that become available druing the 2004-05 fiscal year for water resources or beach renourishment projects.

Allows the department to allocate funds for Silver Lake Harbor, Far Creek Channel Maintenance, Walter Slough Maintenance Dredging, or other projects, after meeting the requirements for the projects and uses specified in the provision and if funds are available.

Section: 32.3

Title: **Repair and Renovation Reserve Allocation**

Summary Specifies the allocation of funds in the Reserve for Repairs and Renovations for the 2004-05 fiscal year as follows: $46% to the Board of Governors fo The University of North Carolina, and 54% to the Office of State Budget and Management pursuant to G.S. 143-15.3A. Requires the Board of Governors and the Office of State Budget and Management to consult with the Joint Legislative Commission on Governmental Operations prior to the allocation or reallocation of these funds.

(Note: See also Section 9.8 Restore Bond Funds Used for Mold Remediation).

Section: 32.5

Title: **University of North Carolina at Wilmington School of Nursing Facility Planning**

Summary Allocates $500,000 for the planning and design of a facility for the UNC-Wilmington School of Nursing. Funds are to be used for advancing planning services through schematic design, siting, permiting and infrasture planning.

SALARIES & BENEFITS

SALARY CHANGES FOR EMPLOYEES SUPPORTED BY THE STATE

A. SALARY INCREASES

General Salary Increase -- The General Assembly enacted the following General Fund and Highway Fund appropriations to provide salary increases effective July 1, 2004, for employees paid from State funds:

	2004-2005
General Fund (Recurring)	$253,600,00
General Fund (Non recurring)	7,200,00
Highway Fund (Recurring)	12,250,00
Highway Fund (Non recurring)	0
TOTAL	**$273,050,000**

B. SPECIFIED SALARY INCREASES

GOVERNOR

(1) The General Assembly increased the annual salary of the Governor by 2.5% to an annual rate of $121,391, effective July 1, 2004.

COUNCIL OF STATE

(2) The General Assembly increased the annual salary of members of the Council of State by 2.5% to an annual rate of $107,136, effective July 1, 2004.

Council of State	2004-2005
Lieutenant Governor	$107,136
Attorney General	107,136
Secretary of State	107,136
State Treasurer	107,136
State Auditor	107,136
Superintendent of Public Instruction	107,136
Commissioner of Agriculture and Consumer Services	107,136
Commissioner of Insurance	107,136
Commissioner of Labor	107,136

GOVERNOR'S CABINET

(3) The General Assembly increased the annual salary of members of the Governor's Cabinet by 2.5% to an annual rate of $104,672, effective July 1, 2004.

Cabinet	2004-2005
Secretary of Administration	$104,672
Secretary of Correction	104,672
Secretary of Crime Control & Public Safety	104,672
Secretary of Cultural Resources	104,672
Secretary of Commerce	104,672
Secretary of Environment and Natural Resources	104,672
Secretary of Health and Human Services	104,672
Secretary of Revenue	104,672
Secretary of Transportation	104,672

CERTAIN EXECUTIVE OFFICIALS

(4) The General Assembly increased the annual salary of Certain Executive Officials by 2.5% to the annual rates listed below, effective July 1, 2004.

Officials	2004-2005
Chairman, Alcoholic Beverage Control	$ 95,270
State Controller	133,330
Commissioner of Motor Vehicles	95,270
Commissioner of Banks	107,136
Chairman, Employment Security Commission	133,161
State Personnel Director	104,672
Chairman, Parole Commission	86,993
Members of the Parole Commission	80,315
Chairman of the Utilities Commission	119,315
Commissioners of the Utilities Commission	107,136
Executive Director, Agency for Public Telecommunication	80,315
Director, Museum of Art	97,621
Executive Director, North Carolina Agricultural Finance Authority	92,732
State Chief Information Officer	133,250

JUDICIAL PERSONNEL

(5) The General Assembly increased the annual salary of Judges, Clerks of Superior Court, and certain administrative officers by 2.5% to the annual rates listed below, effective July 1, 2004.

	2004-2005
Chief Justice, Supreme Court	$121,391
Associate Justice, Supreme Court	118,219
Chief Judge, Court of Appeals	115,263
Judge, Court of Appeals	113,293
Judge, Senior Regular Resident Superior Court	110,215
Judge, Superior Court	107,136
Chief Judge, District Court	97,285
Judge, District Court	94,207
Administrative Officer of the Courts	110,215
Assistant Administrative Officer of the Courts	100,671

Clerks of Court	2004-2005
Less than 100,000 County Population	$71,659
100,000 to 149,999 County Population	80,413
150,000 to 249,999 County Population	89,169
250,000 and above County Population	97,925

(6) The General Assembly authorized an across-the-board annual salary increase of a $1,000 or 2.5% whichever is greater in the average salaries of Assistant District Attorneys and Assistant Public Defenders effective July 1, 2004. The General Assembly authorized District Attorneys and Public Defenders (with the approval of the Administrative Officer of the Courts) to set the average salaries of Assistant District Attorneys or Assistant Public Defenders within their judicial districts such that the average salary does not exceed $61,696 or the minimum salary fall below $32,035.

(7) The General Assembly authorized an across-the-board annual salary increase of $1,000 or 2.5%, whichever is greater effective July 1, 2004, for Assistant and Deputy Clerks of Court in addition to the step increases associated with their respective pay plans.

	2004-2005
Assistant Clerks and Head Bookkeeper	
Minimum	$27,515
Maximum	47,626
Deputy Clerks	
Minimum	$23,565
Maximum	36,934

MAGISTRATES

(8) The General Assembly authorized an across-the-board annual salary increase of $1,000 or 2.5%, whichever is greater effective July 1, 2004, for Magistrates.

	2004-2005
Entry Rate	$27,889
Step 1	30,525
Step 2	33,393
Step 3	36,523
Step 4	39,952
Step 5	43,789
Step 6	48,036

Magistrates who were serving on June 30, 1994, but whose salaries were below the Entry Rate as of that date, will continue to move up the salary schedule according to the following schedule:

Less than 1 year of service	$22,325
1 or more but less than 3 years of service	23,389
3 or more but less than 5 years of service	25,530

LEGISLATORS

(9) The General Assembly did not authorize a salary increases for the elected members of the General Assembly.

SALARY INCREASES FOR LEGISLATIVE PRINCIPAL CLERKS, SERGEANTS-AT-ARMS, AND READING CLERKS

(10) The annual salaries of the Principal Clerks in the House of Representatives and Senate were increased by 2.5% to an annual rate of $90,514, effective July 1, 2004. The salaries of the Sergeants-at-Arms and the Reading Clerks in the House of Representatives and the Senate were increased to $311 per week, effective July 1, 2004.

C. **GENERAL SALARY INCREASES**

(1) **State Employees Subject to the State Personnel Act** – The General Assembly authorized an across-the-board annual salary increase of $1,000 or 2.5%, whichever is greater effective July 1, 2004 for employees whose salaries are set in accordance with the State Personnel Act.

(2) **State Agency Employees Exempt from the State Personnel Act**
The General Assembly authorized an across-the-board annual salary increase of a $1,000 or 2.5%, whichever is greater effective July 1, 2004 for employees whose salaries are not set in accordance with the State Personnel Act.

(3) **University Employees Exempt from the State Personnel Act** – For employees of the University of North Carolina System whose salaries are not set in accordance with the State Personnel Act, the General Assembly authorized an annual salary increase of a $1,000 or an aggregated average of 2.5%, whichever is greater. The General Assembly also included budget language that strongly encourages the Board of Governors and the Board of Trustees of the N.C. School of Science and Math to award all eligible employees exempt from the State Personnel Act at least a $1,000 annual salary increase.

(4) **Community College Institutional Personnel** – The General Assembly authorized an annual salary increase of a $1,000 or 2.5%, whichever is greater effective July 1, 2004 for all eligible community college institution personnel. The General Assembly also authorized an additional 2% average annual salary increase for community college faculty and professional staff as well as establishing higher minimum salaries for faculty personnel.

(5) **Salary Adjustment Fund** – The General Assembly authorized the use of funds appropriated for legislative increases, but not required for that purpose, to supplement the Salary Adjustment Fund in an amount not to exceed $5 million.

C. State-Funded Local Public School Employees

Central Office Personnel (Superintendents, Assistant Superintendents, Associate Superintendents, Supervisors, Directors, Coordinators, Evaluators and Program Administrators)

The General Assembly authorized an across-the-board annual salary increase of $1,000 or 2.5%, whichever is greater, effective July 1, 2004 for Central Office Personnel employed by the Public Schools. Please see Table 1 in this section for the current Central Office personnel salary schedule.

TABLE 1

Superintendents, Assistant Superintendents, Associate Superintendents, Supervisors, Directors, Coordinators, Evaluators and Program Administrators –

The following monthly salary ranges apply to public school superintendents for the 2004-2005 fiscal year, beginning July 1, 2004:

	Salary Ranges
Superintendent I (Up to 2,500 ADM)	$4,187 - $7,691
Superintendent II (2,501 - 5,000 ADM)	$4,445 - $8,155
Superintendent III (5,001 - 10,000 ADM)	$4,716 - $8,652
Superintendent IV (10,001 - 25,000 ADM)	$5,005 - $9,177
Superintendent V (Over 25,000 ADM)	$5,312 - $9,736

Non-certified Public School Employees

The General Assembly authorized an across-the-board annual salary increase of $1,000 or 2.5%, whichever is greater, effective July 1, 2004 for non-certified personnel employed by the Public Schools.

Principals and Assistant Principals

The General Assembly appropriated funds for the 2004-2005 fiscal year to provide annual salary increases ranging from 1.43% to 4.56% (average of 1.72%) for Public School principals and assistant principals, effective July 1, 2004. The funding increase is based on the employees' natural movement up the salary schedule, based on years-of-experience credit, and an increase of 0.67% for each step on the salary schedule. Please see Table 2 in this section for the current salary schedule applicable to Principals and Assistant Principals.

Teachers

The General Assembly appropriated funds for the 2004-2005 fiscal year to provide annual salary increases ranging from 1.41% to 5.90% (average of 1.83%) for Public School teachers, effective July 1, 2004. The funding increase is based on the teachers' natural movement up the salary schedule, based on years-of-experience credit, and an increase of 0.67% for each step on the salary schedule. Please see Table 3 in this section for the current salary schedule applicable to teachers.

TABLE 2

Principal and Assistant Principal Salary Schedules (2004-05)
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	$3,248								
5	$3,396								
6	$3,539								
7	$3,653								
8	$3,706	$3,706							
9	$3,760	$3,760							
10	$3,816	$3,816	$3,871						
11	$3,871	$3,871	$3,927						
12	$3,927	$3,927	$3,983	$4,042					
13	$3,983	$3,983	$4,042	$4,101	$4,163				
14	$4,042	$4,042	$4,101	$4,163	$4,225	$4,288			
15	$4,101	$4,101	$4,163	$4,225	$4,288	$4,353			
16	$4,163	$4,163	$4,225	$4,288	$4,353	$4,417	$4,486		
17	$4,225	$4,225	$4,288	$4,353	$4,417	$4,486	$4,554	$4,697	
18	$4,288	$4,288	$4,353	$4,417	$4,486	$4,554	$4,627	$4,769	$4,843
19	$4,353	$4,353	$4,417	$4,486	$4,554	$4,627	$4,697	$4,843	$4,919
20	$4,417	$4,417	$4,486	$4,554	$4,627	$4,697	$4,769	$4,919	$4,996
21	$4,486	$4,486	$4,554	$4,627	$4,697	$4,769	$4,843	$4,996	$5,076
22	$4,554	$4,554	$4,627	$4,697	$4,769	$4,843	$4,919	$5,076	$5,177
23	$4,627	$4,627	$4,697	$4,769	$4,843	$4,919	$4,996	$5,177	$5,281
24	$4,697	$4,697	$4,769	$4,843	$4,919	$4,996	$5,076	$5,281	$5,387
25	$4,769	$4,769	$4,843	$4,919	$4,996	$5,076	$5,177	$5,387	$5,495
26	$4,843	$4,843	$4,919	$4,996	$5,076	$5,177	$5,281	$5,495	$5,604
27	$4,919	$4,919	$4,996	$5,076	$5,177	$5,281	$5,387	$5,604	$5,716
28	$4,996	$4,996	$5,076	$5,177	$5,281	$5,387	$5,495	$5,716	$5,831
29	$5,076	$5,076	$5,177	$5,281	$5,387	$5,495	$5,604	$5,831	$5,948
30	$5,177	$5,177	$5,281	$5,387	$5,495	$5,604	$5,716	$5,948	$6,066
31	$5,281	$5,281	$5,387	$5,495	$5,604	$5,716	$5,831	$6,066	$6,188
32		$5,387	$5,495	$5,604	$5,716	$5,831	$5,948	$6,188	$6,312
33			$5,604	$5,716	$5,831	$5,948	$6,066	$6,312	$6,438
34			$5,716	$5,831	$5,948	$6,066	$6,188	$6,438	$6,567
35				$5,948	$6,066	$6,188	$6,312	$6,567	$6,698
36				$6,066	$6,188	$6,312	$6,438	$6,698	$6,831
37					$6,312	$6,438	$6,567	$6,831	$6,968
38						$6,567	$6,698	$6,968	$7,107
39							$6,831	$7,107	$7,249
40							$6,968	$7,249	$7,394
41								$7,394	$7,542

Note: Principals and Assistant Principals at the highest steps for their respective classifications received one-time bonuses equivalent to 2%.

TABLE 3

Teachers

Teacher Salary Schedule

For the 2004-2005 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	$2,542	N/A	**0**	$2,797	N/A
1	$2,584	N/A	**1**	$2,843	N/A
2	$2,628	N/A	**2**	$2,891	N/A
3	$2,783	$3,117	**3**	$3,060	$3,427
4	$2,923	$3,274	**4**	$3,215	$3,601
5	$3,056	$3,423	**5**	$3,362	$3,765
6	$3,185	$3,567	**6**	$3,503	$3,923
7	$3,288	$3,683	**7**	$3,617	$4,051
8	$3,336	$3,736	**8**	$3,669	$4,109
9	$3,385	$3,791	**9**	$3,723	$4,170
10	$3,435	$3,847	**10**	$3,778	$4,231
11	$3,484	$3,902	**11**	$3,833	$4,293
12	$3,535	$3,959	**12**	$3,888	$4,355
13	$3,585	$4,015	**13**	$3,943	$4,416
14	$3,638	$4,075	**14**	$4,002	$4,482
15	$3,692	$4,135	**15**	$4,061	$4,548
16	$3,747	$4,197	**16**	$4,121	$4,616
17	$3,802	$4,258	**17**	$4,183	$4,685
18	$3,860	$4,323	**18**	$4,245	$4,754
19	$3,918	$4,388	**19**	$4,310	$4,827
20	$3,976	$4,453	**20**	$4,374	$4,899
21	$4,038	$4,523	**21**	$4,442	$4,975
22	$4,099	$4,591	**22**	$4,509	$5,050
23	$4,164	$4,664	**23**	$4,580	$5,130
24	$4,228	$4,735	**24**	$4,651	$5,209
25	$4,293	$4,808	**25**	$4,721	$5,288
26	$4,359	$4,882	**26**	$4,795	$5,370
27	$4,427	$4,958	**27**	$4,870	$5,454
28	$4,497	$5,037	**28**	$4,947	$5,541
29	$4,568	$5,116	**29**	$5,025	$5,628
30+	$4,568	$5,116	**30+**	$5,025	$5,628

Note: Teachers with 29+ years of experience received a one-time bonus equivalent to the average increase of the 26 to 29 years steps (1.58%).

RETIREMENT AND PENSION CHANGES FOR STATE AND LOCAL PERSONNEL

2004 LEGISLATIVE ACTIONS

A. CURRENTLY EMPLOYED EMPLOYEES

(1) **Retirement Contributions:** The 2004 General Assembly made a contribution of $20 million to the Teachers' and State Employees' Retirement System to continue the "payback" for the State contributions that had been escrowed by the Governor in 2001 to help balance the budget.

The 2004 Session of the General Assembly set the contribution rates for the various retirement systems for the 2004-05 fiscal year. The contribution rate for the Teachers' and State Employees' Retirement System is 2.17% of payroll for retirement, .445% of payroll for the Disability Income Plan and 3.2% of payroll for retiree health benefits. The State contribution rate to the Disability Income Plan was reduced from .52% of payroll to .445% for the 2004-05 year, which reduced the contributions by $6.2 million from the General Fund and $0.3 million from the Highway Fund.

(2) **Changes to the Disability Income Plan:** The 2004 Session of the General Assembly repealed all the changes in the Disability Income Plan that were made during the 2003 Session, which changed the definition of "disability" in the short-term disability and the long-term disability. The definition of "disability" now is the participates' inability to perform his usual occupation. The General Assembly also rewrote the definition of "disability" for long-term disability to be effective August 1, 2005, to "unable to perform any occupation or employment for which the beneficiary or participant is reasonably qualified for by education, training or experience, which is available in the same commuting area for State employees or within the same local school administrative unit for school personnel, for which the participate can be expected to earn not less than 65% of the earnings prior to the disability.

The General Assembly also rewrote the membership of the Study Commission and expanded the number of members on the Study Commission 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.

(3) **Local Governmental Employees' Death Benefit:** The 2004 Session of the General Assembly, effective July 1, 2004, increased the death benefit paid to the beneficiary of a deceased active member of the Local Governmental Employees' Retirement System from one year's salary up to $20,000 to one year's salary with a minimum of $25,000 and a maximum of $50,000. The cost to increase the death benefit was financed out of excess existing employer contribution of some $2 million per year from local funds to the Local Governmental Employees' Death Benefit Trust.

(4) **Firemen and Rescue Squad Worker's Pension Fund:** The 2004 Session of the General Assembly enacted, effective July 1, 2004, an increase in the pension for members of the Firemen's and Rescue Squad Workers' Pension Fund from $158 to $161 per month at a cost of $886,000 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.

(5) **Retirement Benefits for Teacher Participating in Foreign Exchange Programs:** The 2004 Session of the General Assembly amended the definition of "Teacher" in the Teachers' and State Employees' Retirement System and the definition of "Exchange teacher" in public education laws to exclude from membership any nonimmigrant alien employed in elementary or secondary public schools and participating in an exchange visitor program designated by the United States Department of Homeland Security.

(6) **Charter School Participation:** The 2004 Session of the General Assembly enacted legislation that will allow the board of directors of six charter schools to elect to become participating employers in the Teachers' and State Employees' Retirement System.

(7) **Line of Duty Death Benefit:** The 2004 Session of the General Assembly included probation and parole officers in the line of duty death benefit of $50,000 along with 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 activity experienced in the line of duty.

(8) **457 Plan for Local Employees:** The 2004 Session of the General Assembly enacted legislation that would allow employees of any county, municipality, the North Carolina Community College System or any other political subdivision of the State to participate in the North Carolina Public Employees Deferred Compensation Plan. In order for the employees to participate, the Board of Trustees must consent and the governing authority of the county, municipality, community college or political subdivision must consent.

B. **RETIRED EMPLOYEES**

(1) **Cost-of-Living Adjustment in Retirement Allowances for Retired Teachers and State Employees:** Effective July 1, 2004, the General Assembly provided a 1.7% increase in the retirement allowances paid to beneficiaries of the Teachers' and State Employees' Retirement System whose retirement began on or before July 1, 2003. In addition, beneficiaries who retired after July 1, 2003, and before June 30, 2004, were authorized an increase in their retirement allowances on July 1, 2004, equal to a prorated amount of the 1.7% increase provided to those who retired on or before July 1, 2003. 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 2003-04.

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, 2002, and in part by an appropriation of $9.2 million from the General Fund and $0.5 million from the Highway Fund. The total cost of the cost-of-living adjustment was $40.5 million annually from the General Fund and $2 million annually from the Highway Fund.

(2) **Cost-of-Living Adjustment in Retirement Allowances for Retired Judges, District Attorneys, and Superior Court Clerks:** Effective July 1, 2004, the General Assembly provided a 1.7% increase in the retirement allowances paid to beneficiaries of the Consolidated Judicial Retirement System whose retirement began on or before July 1, 2003. In addition, beneficiaries who retired after July 1, 2003, and before June 30, 2004, were authorized an increase in their retirement allowances on July 1, 2004, equal to a prorated amount of the 1.7% increase provided to those who retired on or before July 1, 2003. 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 2003-04.

This increase in retirement allowances was funded in part with unencumbered actuarial gains in the Consolidated Judicial Retirement System as of December 31, 2002, and in part by an appropriation of $0.3 million from the General Fund. The total cost of the cost-of-living adjustment was $0.45 million annually from the General Fund.

(3) **Cost-of-Living Adjustment in Retirement Allowances for Retired Legislators:** Effective July 1, 2004, the General Assembly provided a 1.7% increase in the retirement allowances paid to beneficiaries of the Legislative Retirement System who retired on or before January 1, 2004, 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, 2004, but before June 30, 2004, were authorized an increase in their retirement allowances on July 1, 2004, equal to a prorated amount of the 1.7% increase provided to those who retired on or before January 1, 2004. The increase was funded within the Legislative System and the annual cost was $30,000.

(4) **Retiree Death Benefit:** The 2004 General Assembly, effective July 1, 2004, increased the contributory death benefit from $6,000 to $9,000 for retirees of the Teachers' and State Employees' Retirement System, the Consolidated Judicial Retirement System, the Legislative Retirement System and Local Governmental Employees' Retirement System that elect to pay for this coverage. The increase of $3,000 is based on the experience since 1994 when the plan was last increased and is estimated to cost $2.8 million per year.

(5) **Extend the Sunset that allows Retired Teachers To Work With No Earnings Restrictions:** The 2004 Session of the General Assembly enacted legislation, effective June 30, 2004, which extends the sunset to June 30, 2005, that removes any restrictions on the amount of post-retirement earnings for any retiree of the Teachers' and State Employees' Retirement System, who is employed to teach on a substitute, interim or permanent basis in a public school. To qualify, a teacher must have been retired for six months and not have been employed in any capacity with a public school, except as a substitute teacher or part-time tutor, for at least six months immediately preceding the return to teaching.

BENEFIT CHANGES FOR STATE AND LOCAL PERSONNEL

MAGISTRATES -- OUT-OF-STATE LAW LICENSE

The General Assembly modified G.S. 7A-171.1(a)(3) to allow magistrates who are licensed to practice law in other states to be paid an annual salary rate set at Step 4 of the statutory pay plan established for magistrates.

HOUSING FINANCE DIRECTOR

The General Assembly modified G.S. 122A-4(f) to allow the Board of Directors of the Housing Finance Agency to set the annual salary of the Housing Finance Director and other officers of the agency.

STATE EMPLOYEE HEALTH BENEFIT CHANGES

A. CHANGES IN PLAN BASIC BENEFITS: The 2004 Session of the General Assembly followed the active 2003 Session as far as employee health benefits were concerned with relatively few changes to the indemnity program of the Teachers' and State Employees' Comprehensive Major Medical Plan. These changes were:

(1) Effective July 1, 2004, the 2004 Session of the General Assembly included the North Carolina Symphony Society, Inc., a non-profit corporation, as an employing unit for the purpose of providing health benefits to its employees and employees' families under the Teachers' and State Employees' Comprehensive Major Medical Plan. Health benefits are provided by the Symphony Society, Inc., for its employees and employee family members through a labor contract with the Professional Musicians Association, a local of the American Federation of Musicians. Coverage under the Plan will be on a partially contributory basis for employees and enrolled spouses and dependent children. The amount of contributions provided by the Society and by employees is determined periodically in accordance with the labor contract. The Plan's Executive Administrator and Board of Trustees are required to set premium rates separate from those charged to active and retired teachers and state employees and their dependents enrolled in the Plan. The section does not include retired employees of the Symphony Society, Inc., since its employees are not eligible for benefits through the State Retirement Systems.

(2) Also effective July 1, 2004, the 2004 Session of the General Assembly allowed Bladen, Cherokee, Rutherford, Washington, and Wilkes Counties to become employing units under the Teachers' and State Employees' Comprehensive Major Medical Plan for the purpose of providing health benefits to its employees, retired employees, and their eligible spouses and dependent children. If these local governments elect to participate in the Plan, they must by legal resolution approved by the Plan elect such participation and agree to make any contributions required by the Plan. A local government must allow all of its eligible employees and their eligible spouses and dependent children to enroll in the Plan on a non-contributory, partially contributory, or fully contributory basis. All enrolled employees, retired employees, and their family members will be required to participate in disease management, case management, and all other cost containment measures implemented by the Plan. If a local government elects to enroll its retired employees, and their eligible spouses and dependent children, the election is irrevocable. Local government employers making this election to cover retired employees are also required to make additional contributions to the Local Governmental Employees' Retirement System for this purpose as do all other employers participating in the Plan that cover its retired employees. If a local government does not participate in the Local Governmental Employees' Retirement System, but has another formally established retirement plan, and elects to cover its retired employees, it is required to make premium contributions to the Plan as it may require. Local governments and their employees and retired employees

will pay the same premium rates as those charged by the Plan for active and retired teachers and state employees and their dependents enrolled in the Plan. The opportunity to participate in the Plan will expire June 30, 2006. The consulting actuaries for the Plan and the General Assembly estimate that the premium rates charged to local governments and their employees and retired employees will not be sufficient to cover the costs for county participation in the Plan. This expected adverse selection against the Plan is estimated to cost the Plan $800,000 for fiscal year 2004-05 and $900,000 to $1,550,000 for fiscal year 2005-06.

(3) The 2004 Session of the General Assembly established the Plan's right to recover its claim payments from compensation, damages, or other payments received from a Plan member's lawful claim against another party for liability resulting from injuries or illnesses. Recoveries may be from Plan members or from another third party. The Plan may enforce a liability recovery even if a Plan member fails to pursue a remedy against a liable third party. The Plan is expected to contract with a third party administrator for the purpose of identifying, investigating, and collecting recoveries from awards to Plan members injured or becoming ill as a result of liability of other parties. The selected contractor is expected to begin implementation of the contract by September 1, 2004, with an expected effective date for subrogating claims of October 1, 2004. Subrogation is expected to save the Plan $1.6 million to $3 million for fiscal year 2004-05 and $5 million to $9 million for fiscal year 2005-06.

(4) Effective July 1, 2004, the 2004 Session of the General Assembly codified the Plan's medical policy for providing mental health benefits in licensed residential treatment facilities into the Plan's statutes. Upon the advice of the Attorney General's Office, the Plan's specific definition of a licensed residential treatment facility was codified. The definition includes the requirement that a facility have 24-hour on-site care provided by a registered nurse and be currently accredited by a national accrediting body approved by the Plan's mental health case manager.

(5) Effective January 1, 2005, the 2004 Session of the General Assembly authorized employees eligible for TRICARE, the military health benefits program, the opportunity to have premiums for a TRICARE supplemental insurance program paid for by the State rather than benefits under the Teachers' and State Employees' Comprehensive Major Medical Plan. For employees choosing the TRICARE supplemental insurance program rather than the State Employee Plan, employing agencies and the State Retirement Systems will pay $63.50 per month in premiums to an insurance carrier rather than $285.92 per month to the Plan. These premium amounts are for individual only coverage. TRICARE benefits are required for active duty members of the military and are available for family members of active duty military personnel, retired military personnel and their families, and retired reservists, members of the National Guard, and their families once a reservist, etc. starts to receive retirement benefits. TRICARE's standard indemnity type of fee-for-service benefit program has no required premium payments or enrollment fees, but has annual deductibles ($50-$150 per individual and $100-$300 per family) and coinsurance requirements (20% for active duty members' outpatient services and 25% for

all others with no annual out-of-pocket maximums) paid by beneficiaries. TRICARE supplemental insurance programs cover those services and items covered by TRICARE and pay for enrollees' out-of-pocket expenses, such as annual deductibles and coinsurance.

(6) Effective July, 2004, the 2004 Session of the General Assembly gave six charter schools another opportunity to enroll in the Teachers' and State Employees' Comprehensive Major Medical Plan. The schools affected are New Century High School in Saxapahaw, Lake Norman Charter School in Huntersville, Exploris Middle School and Magellan Charter School in Raleigh, American Renaissance Charter School in Statesville, and Healthy Start Academy in Durham. These schools will have to make an election to enroll in the Plan within 30 days after the effective date of the opportunity.

B. CHANGES IN PLAN ADMINISTRATION:

(1) The 2004 Session of the General Assembly designated the State Retirement Systems' fund used for receiving employer contributions and for making payment of health benefit premiums on behalf of retired and disabled employees to the Teachers' and State Employees' Comprehensive Major Medical Plan as a trust fund. This action was recommended by the State Controller for the State's compliance with Statement No. 43 of the Governmental Accounting Standards Board (GASB), Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, GASB's Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, and related statements and standards. Statement No. 43 and No. 45 will become applicable to the State of North Carolina for disclosure of its liabilities relating to health benefits for retired and disabled employees beginning with the 2007-08 fiscal year. The Teachers' and State Employees' Comprehensive Major Medical Plan is required to have an actuarial valuation of these liabilities no later than for the 2006-07 fiscal year.

(2) The 2004 Session of the General Assembly also exempted the Executive Administrator and Deputy Executive Administrator of the Teachers' and State Employees' Comprehensive Major Medical Plan from most of the provisions of the State Personnel Act. The Executive Administrator and Deputy Executive Administrator will continue to be subject to the State Personnel Act's provisions on equal employment and compensation and on the privacy of personnel records. The positions will not however be subject to the Act's provisions on salaries, promotions, leave, competitive service, political activity, appeals of grievances and disciplinary actions, interchange of governmental employees, productivity, work options, veterans preference, protections for reporting improper governmental activities, communications with members of the General Assembly, and actions, decisions and regulations of the State Personnel Commission and the Office of State Personnel.

(3) Although not a change in the administration of the Teachers' and State Employees' Comprehensive Major Medical Plan, the 2004 Session of the General Assembly authorized certain studies of matters relating to the Plan by legislative committees. The Joint Legislative Health Care Oversight Committee was authorized to study alternative

health benefit designs for spouses and dependent children of employees and retired employees enrolled in the Plan. The Committee is to report its findings, along with any recommended legislation, to the 2005 Session of the General Assembly upon its convening. The legislative Committee on Employee Hospital and Medical Benefits, which oversees the operations of the Plan, was authorized to study the Plan's policy of covering newborn well baby care under the maternity benefits of the infant's mother, to study the feasibility of relating deductible and copayment amounts paid by Plan members to their income, and to study the feasibility of adopting a federally qualified health reimbursement arrangement as an additional component of the Plan.

Note: The 2004 Session of the General Assembly accepted the Governor's recommendation to cut $900,000 from the 2004-05 General Fund statewide premium increase reserve appropriation for premium payments by employing state agencies and institutions, universities, public school units, and community colleges to the Plan. The 2003 General Assembly made an appropriation of $151,225,000 from the General Fund for this purpose for fiscal year 2004-05. The 2004 Session also accepted the Governor's recommendation to cut $6,900,000 from the 2004-05 General Fund statewide appropriation to fully fund the cost of retiree health benefit premiums for the year. The 2003 Session of the General Assembly had appropriated $36,800,000 from the General Fund for 2004-05 fiscal year for the purpose of fully funding retiree health benefit premiums. These reductions resulted from General Fund reserves already available in the budgets of state agencies and institutions, universities, public school units, and community colleges generated in part by reductions in the number of budgeted personnel in 2004-05. Benefits and premium rates of the Plan are not expected to be impacted by these reductions.

REVENUE & FEE BILLS

BILLS AFFECTING GENERAL FUND REVENUES

2003 Special Session

House Bill 2, Chapter 435
Job Growth and Infrastructure Act

Part 3. Extend Bill Lee Credits for Certain Major Industries

Summary: Extends the Bill Lee Act sunset for eligible major industries from January 1, 2006 to January 1, 2010. An eligible major industry is a taxpayer willing to invest at least $100 million in acquiring, constructing, or equipping a facility to engage in the following activities:

- Bioprocessing
- Pharmaceutical/Medicine Manufacturing and Distribution

Effective Date: Tax years beginning on or after January 1, 2004.

Fiscal Effect: Expected revenue loss is shown below:

	($Mil.)
FY 2003-04	$0
FY 2004-05	$0
FY 2005-06	$0
FY 2006-07	$0
FY 2007-08	($1.0)

Discussions with the Department of Commerce indicate that the 2004 calendar year project would involve an investment of $100 million in machinery and equipment. These acquisitions would be eligible for the 7% targeted investment tax credit, taken in equal installments over seven years beginning in the tax year after the year of investment. For this analysis, it is assumed that all of the eligible equipment is purchased during the 2006 tax year. Thus, the credit would first be received during the 2007 tax year and would first affect the 2007-08 State fiscal year.

In addition, news reports indicate that the 2004 project would initially involve 200 jobs. Thus, the taxpayer would be eligible for the jobs credit of $500 per employee for a Tier 1 county. This credit must be taken over four years, beginning with the year after the activity year. It is assumed that 100% of the hiring takes place in the 2006 tax year. Thus, the credit would first be received during the 2007 tax year and would first affect the 2007-08 state fiscal year. As in the case of the sales tax refund, this analysis assumes a similar investment in size to the 2004 project in each subsequent year, with a Tier 1 location.

Part 4. Major Industrial Facility Sales Tax Refunds*

Summary: Allows an annual sales tax refund for the state and local sales tax paid on construction materials and fixtures that become part of the real property of an eligible facility. For a facility to become eligible, the Secretary of Commerce must certify that the owner of the facility will invest at least $100 million in constructing the facility within the State and must be primarily engaged in one of the following activities:

- Bioprocessing
- Pharmaceutical/Medicine Manufacturing and Distribution

The refund request must be made within six months following the end of the taxpayer's fiscal year.

Effective Date: Sales tax paid on or after January 1, 2004.

Fiscal Effect: Expected revenue loss is shown below:

	($Mil.)
FY 2003-04	$0
FY 2004-05	$0
FY 2005-06	($1.5)
FY 2006-07	($2.3)
FY 2007-08	($2.6)

Discussions with the Secretary of Commerce and the policy staff of the Department of Commerce indicate there is one major project that would be eligible for the refund at the present time, if that company chose to locate in North Carolina. This project would encompass $300 million of total investment, with $200 million being used for real property. The Department of Commerce, based on discussions with the client, indicates that approximately 40% of the real property will be spent on construction materials and other items subject to the state and local sales tax. The build-out period is assumed to be three years, starting with the 2004 tax year. It is assumed that all of the 2004 activity relating to items subject to the sales and use tax occurs in the second half of the calendar year. For 2005 and 2006 calendar year, the activity is assumed to occur at an even rate throughout the year.

It is unknown how many companies might use the incentive in future years. For purposes of this analysis it is assumed that one additional location will occur in each year, with each location involving the same dollar investment and construction schedule as the 2004 location.

Under current law the combined state and local sales tax is 7.0%. To determine the impact of the bill, a 4.5% state sales tax rate is used until the 4.0% state rate kicks in on July 1, 2005.

---

* Part 4 also produces fiscal impact on the local government revenue. For this impact, see the "Bills Affecting Local Fund Revenue" section.

Under the bill the refunds are made annually, based on an application that is due within six months of the end of the state fiscal year. Thus, the 2005-06 fiscal year refunds paid would be based on July 1, 2004 through June 30, 2005 sales taxes paid.

Part 5. Cigarette Manufacturing Export Tax Credit Extension

Summary: Makes the following changes to the legislation adopted by the 1999 General Assembly that provided for a corporate income tax credit for manufacturing cigarettes for exportation to a foreign country: (1) extends the sunset from January 1, 2005 to January 1, 2018; (2) changes the base year for determining the amount of the credit from 1998 to 2003; (3) requires the taxpayer to export cigarettes through the state ports; (4) allows a successor business to claim the credit; and (5) allows the credit for the exportation to a possession or commonwealth of the U.S.

Effective Date: Tax years beginning on or after January 1, 2005 except for the provision allowing the credit for exports to a possession or commonwealth of the U.S. (January 1, 2004).

Fiscal Effect: Expected revenue loss is shown below:

	($Mil.)
FY 2003-04	$0
FY 2004-05	$0
FY 2005-06	($12.0)
FY 2006-07	($12.0)
FY 2007-08	($12.0)

This analysis assumes that the affected companies will take the maximum amount of the credit, based on discussions with an industry representative and the Department of Revenue.

Part 6. Enhanced Cigarette Exportation Tax Credit.

Summary: Creates a new cigarette export tax credit equal to 40 cents per 1,000 cigarettes exported. To be eligible for the credit, the taxpayer must maintain an employment level that exceeds its level at the end of 2004 by at least 800 full-time jobs. In addition, the taxpayer must export cigarettes and other tobacco products through the state ports. The credit may not exceed the lesser of 50% of tax liability, including prior year carryforwards, or $10.0 million. A 10-year carryforward is allowed for unused credits. The credit may be taken against the income tax, the franchise tax, or a combination of the two taxes. A partial credit is allowed for a taxpayer who formerly qualified but no longer qualifies. The ratio for the partial credit is based on the relationship of new jobs to the 2004 base year. A taxpayer may not take both the regular export credit and the enhanced credit for the same export activity.

Effective Date: Tax years beginning on or after January 1, 2006 and ending December 31, 2017.

Fiscal Effect: Expected revenue loss is shown below:

	($Mil.)
FY 2003-04	$0
FY 2004-05	$0
FY 2005-06	$0
FY 2006-07	($4.0)
FY 2007-08	($4.0)

The fiscal impact estimate assumes that the affected taxpayer will use the maximum amount of the credit based on discussions with a representative of the primary taxpayer affected by the bill. The adoption of the extension of the existing export tax credit means that the net cost of the new credit is reduced by the fact that one major taxpayer using the new credit will not use the extension of the current credit. The reason is that a taxpayer may take only one of the two credits.

2004 Session

House Bill 1497, Chapter 21
Adopt Flat Fee for Debt Collection

Summary: Changes debt collection fee from the actual cost of collection to a flat $5 collection assistance fee. Under current law (G.S. 105A-13(a)), the Department of Revenue annually sets a collection assistance fee of up to $15 to cover the cost associated with diverting a portion of an individual's income tax return to a state or local agency to settle a debt with that agency. The change to a flat fee was requested by the Department and approved by the Revenue Laws Study Committee.

Effective Date: October 1, 2004.

Fiscal Effect: Recent annual collection fees, based on actual cost of collection, have been as follows:

Calendar Year	($Mil.)
2004	$4.42
2003	$4.32
2002	$4.12
2001	$4.45

The Department indicates that calculation of the fee is time consuming and difficult and the process affects several divisions within the Department. Fiscal Research does not have enough information to determine the likely fees and number of debt setoffs without this legislation. The legislation could potentially result in a small revenue increase for the Department, as it is unlikely the actual cost of collection would reach $5 in the next few years. The exact amount of that increase is unknown although it would likely be less than $100,000. All revenues derived from the fees remain with the Department of Revenue.

House Bill 1448, Chapter 22
Notice Period for Sales and Use Tax Refunds

Summary: Requires that sellers be given notice and 60 days to respond to a purchaser request for a refund of over collected sales taxes before a purchaser can bring a cause of action against the seller. The bill is part of the State's efforts to comply with the Streamlined Sales Tax Project requirements and was recommended by the Revenue Laws Study Committee.

Effective Date: June 28, 2004.

Fiscal Effect: The legislation changes the process by which a purchaser can challenge a potential overpayment of sales tax to a retailer. The Department indicates that this procedural change is needed to comply with the Streamlined Sales Tax Project requirements. Because this portion only makes procedural changes, no fiscal impact is expected by either Fiscal Research or the Department of Revenue.

Senate Bill 51, Chapter 74
Amend Franchise Tax Loophole

Summary: Amends franchise tax by: (1) extending the franchise tax to LLC assets that a corporation controls through trusts and other entities; (2) reducing the scope of the 2002 legislation by limiting its reach to LLC assets the corporation controls and by exempting LLCs whose total assets are $130,000 or less; (3) reducing the threshold percentage of an LLC's assets that a corporation must control before the franchise tax is triggered from 70% to 50%; (4) correcting the definition of indirect ownership to remove the current law's potential effect of attributing 100% of an LLC's assets when the corporation controls less than 100%; and (5) removing membership in the LLC as an additional condition for attribution.

Effective Date: The loophole closing provisions are effective for taxes due on or after January 1, 2003. The change to the franchise tax "ownership trigger" language is effective for taxes due on or after January 1, 2005.

Fiscal Effect: A discussion with the Department of Revenue indicated that there is no data available on this issue. The intent of the legislation as discussed in the Revenue Laws Study Committee is to prevent the potential tax planning actions that would eliminate part of the franchise tax base prior to the actions taking place. The tax planning options that are addressed in the bill were not known about at the time the 2001 and 2002 legislation was adopted. In addition, the bill eliminates unintended consequences of the 2002 legislative remedy. In summary, the bill represents a fine-tuning of 2001 and 2002 session legislation adopted by the General Assembly.

House Bill 1303, Chapter 84
Nonprofit Exempt From Admissions Tax

Summary: Exempts from the 3% gross receipts tax on amusements the gross receipts from youth athletic contests that meet the following criteria: 1) the athletes participating are all 19 years of age or younger; 2) the admission price is $10 or less; and 3) the sponsor of the contest is

exempt from North Carolina income tax. The legislation also exempts all exhibitions, performances, and entertainments promoted and managed by a nonprofit arts organization, excluding athletic events. Finally, the conference report addresses discounts on tobacco and alcohol products. Previously tobacco and alcohol distributors were able to retain 4% of the tobacco and alcohol taxes they collected as a "discount". However, per the 2003 budget bill (Chapter 284, section 45A.1), those discounts were eliminated August 1, 2003. This legislation reinstates the discounts but at a rate of 2%.

Effective Date: The amusement tax change is effective July 1, 2004. The alcohol and tobacco changes are effective August 1, 2004.

Fiscal Effect: According to the North Carolina Department of Revenue, in the month of January 2004, nine (9) apparently nonprofit arts organizations submitted a total of $3,056 in gross receipts taxes. In May, eighteen apparently nonprofit arts organizations submitted a total of $7,304 in gross receipts taxes. Using the average of these two numbers ($5,180) as a proxy for a typical monthly collection, suggests that nonprofit arts organizations remit $62,160 a year in gross receipts taxes. The Department indicates that this is a minimum estimate. For this reason, an additional $10,000 is added to the annual estimate. As far as the youth athletic events are concerned, under current law, state high school championships and the national high school track events are exempt from the gross receipts tax pursuant to GS 105-40(5). The bill does not affect these events. However, Fiscal Research and the Department of Revenue believe at least eight leagues or event types would be taxable, but exempted under the bill, if an admission fee in excess of $10 is charged (GS 105-37.1). While no exact fiscal estimate is possible based on the limited number of organizations that will be affected and the limited compliance from those organizations currently, an estimate of $10,000 in lost revenue is used.

In terms of the discounts, in FY 2002-03 North Carolina collected approximately $42.3 million in excise taxes from the sale of cigarettes and other tobacco products. Once the amount is adjusted for the 4% discount that was in place at that time, actual taxes collected by wholesalers were approximately $44.1 million. In FY 2004-05 that adjusted amount is expected to be $41.1 million, once the effective date of the elimination of the discount is taken into account. Of the $41.1 million, approximately $1.66 million is expected because of the elimination of the discount. In future years, those numbers are expected to decline by 4% each year as a reflection of the overall decline in cigarette tax revenues. There is a negative fiscal impact, because the amendment reinstates the discount at one-half the previous rate. The estimate for the 2% alcohol discount is based on the five-year projection of beer and wine excise tax collections prepared by the General Assembly's Fiscal Research Division.

	($Millions)				
	04-05	05-06	06-07	07-08	08-09
Beer Excise Tax	91.74	93.24	94.88	96.54	98.17
Unfortified Wine Excise Tax	11.60	12.37	13.25	14.19	15.17
Fortified Wine Excise Tax	1.2	1.2	1.2	1.13	1.11
Total Collections	104.54	106.79	109.28	111.86	114.45
2% Discount	2.2	2.2	2.3	2.3	2.4

The total estimated fiscal impact, taking into account the varying effective dates, is as follows:

	($ Millions)				
	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09
REVENUES					
General Fund					
Amusement Tax	(0.07)	(0.08)	(0.08)	(0.08)	(0.08)
Tobacco Discount	(0.76)	(0.79)	(0.76)	(0.73)	(0.71)
Alcohol Discount	(1.8)	(2.2)	(2.3)	(2.3)	(2.4)
TOTAL	(2.63)	(3.07)	(3.14)	(3.11)	(3.19)

House Bill 1430, Chapter 110
IRC Update and Other Tax Changes

Summary: Updates the reference to the Internal Revenue Code used in defining and determining certain state tax provisions, extends the sunset on the low-income housing tax credit, clarifies the sales tax incentives for major projects, maintains the current sales tax rates on electricity sold to manufacturers, sets temporary sales tax rate on electricity sold to aluminum smelters and creates a fee for services received from a supervised visitation and exchange center through a family court program.

Effective Date: The sales tax clarification becomes effective July 1, 2004. The electricity sales tax changes become effective October 1, 2004 and apply to sales of electricity made on or after that date. All other parts of the bill are effective when the act becomes law.

Fiscal Effect:
IRC Update. Part 1 of the bill conforms the North Carolina tax code to changes made in the Internal Revenue Code in 2003 and 2004 by Congressional approval of P.L. 108-121, The Military Family Relief Act of 2003, P.L. 108-173, the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 and P.L. 108-218, the Pension Funding Equity Act of 2004. The Military Family Relief Act of 2003 (H.R. 3365) contains an exclusion of gain from the sale of a principal residence and an above the line deduction for the travel expenses of the National Guard and Reserves. These changes produce a General Fund revenue loss of $700,000 a year. The first year loss in FY 2004-05 is $1.2 million because the exclusion for the principal residence is retroactive to May 6, 1997. The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (HR1) creates Health Savings Accounts (HSAs) that provide tax-favored treatment of savings for medical expenses under a high deductible health plan. Health savings accounts will create a General Fund loss of $1.4 million in FY 2004-05 but will increase to $4.3 million the second year. No estimate is available on the Pension Funding Equity Act of 2004 (H.R. 3108).

Low-Income Housing Credit. Part 4 of the bill extends the Low-Income Housing Tax Credit program from 2006 to 2010 – tax years 2006 through 2009. The tax year impacts must be distributed by fiscal years. It is assumed that project developers will continue to take the 30-year no interest loans. This means each tax year's credit amount will be transferred to the HFA in two

annual installment payments. For example, the 2006 tax year credit amount will be paid in July 2007 (FY 2007-08) and July 2008 (FY 2008-09). The following chart shows the fiscal year impact of the tax credit program until its sunset date.

Tax Year	FY 07-08	FY 08-09	FY 09-10	FY 10-11	FY 11-12
2006	$18,579,883	$18,579,883			
2007		$18,912,463	$18,912,463		
2008			$19,771,293	$19,771,293	
2009				$20,654,809	$20,654,809
Total	**$18,579,883**	**$37,492,345**	**$38,683,755**	**$40,426,102**	**$20,654,809**

Sales Tax Clarification. Section 5.1 clarifies that the sales tax refund on building materials, authorized in House Bill 2 of the 2003 Special Session, only applies to materials purchased for initial construction of projects valued at or over $100 million. Items purchased for repairs and renovations, as well as replacement equipment, would not qualify for a refund. Since this section codifies the Department of Revenue's current interpretation and practice, there is no fiscal impact.

Maintain Current Sales Tax Rates on Electricity. Section 6.1 repeals the graduated sales tax rates on electricity purchased by manufacturers. These rates were enacted in Senate Bill 748 during the 2001 Session in reaction to an administrative ruling on the taxability of electricity in aluminum smelting operations. By repealing G. S. 105-164.4(a)(1g) and preventing the reduction of tax rates on electricity on July 1, 2005, the state will save approximately $9.6 million to $9.7 million each fiscal year.

Section 6.3 reestablishes the .17% tax rate for aluminum smelting facilities for the period October 1, 2004 to October 1, 2007. If the Badin plant returns to full production, the reduction in tax from 2.83% to .17% creates a General Fund revenue loss of $800,000 a year. Since it is unknown if and when the Badin plant will reopen, there is no revenue estimate for this section.

Family Court Fees. Part 7 allows the Administrative Office of the Courts (AOC) to establish a fee of up to $30 for using a supervised custody/exchange center. These centers exist in several judicial districts and are funded by federal Violence Against Women Act (VAWA) funds. By authorizing this fee, these centers can establish a separate funding source allowing them to serve any divorced couple with custody exchange issues. It is believed the fees will be deposited into a receipt fund within AOC with its use limited to supporting these centers. Section 7.1(b) authorizes AOC to set up a sliding scale of costs based on indigency. There is no estimate available on the revenue generated by this fee since it is unknown how many judicial districts will choose to impose it.

House Bill 1414, Chapter 124
2004 Appropriations Act (Finance Provisions Only)

Summary: Changes the State's tax laws in Sections 32B through 32G of the bill. Specifically, it expands the number and type of sales tax refunds and exemptions, expands and extends the Qualified Business Investment Credit, modifies and extends the Research and Development Tax

Credit, expands and extends the Jobs Development Investment Grant (JDIG) program, and authorizes a study of the JDIG program. Finally, it alters the statutes governing the insurable interests of charitable organizations.

Effective Date: Sections 32B.2 and 32B.3 become effective October 1, 2004 and apply to sales made on or after that date. Section 32B.4 becomes effective July 1, 2005 and applies to sales made on or after that date. The remainder of Section 32B becomes effective July 1, 2004 and applies to sales made on or after that date. Section 32C.1 is repealed effective for investments made on or after January 1, 2008. Section 32C.2 becomes effective for investments made on or after January 1, 2004. Sections 32D.1 through 32D.3 become effective May 1, 2005. Section 32D.4 becomes effective for taxable years beginning on or after January 1, 2006. Section 32F.1 becomes effective when law and expires October 1, 2007. Subsections (d) and (f) of the Section 32G.1 are effective on and after October 31, 2002. Subsection (c) of the Section 32G.1 becomes effective January 1, 2004, and applies to agreements entered into on or after that date. Subsection (g) of the Section 32G.1 is effective when law and applies to agreements entered into on or after that date. The remainder of Section 32G.1 is effective when law.

Fiscal Effect: The legislation impacts the General Fund in several ways.

Section 32B.1
This section modifies and expands the sales tax refund provisions for major projects approved by the General Assembly during the 2003 Special Session. During that session, the General Assembly passed HB 2, which authorized sales tax refunds for projects representing at least $100 million in facility investment. This special tax treatment was extended only to the bioprocessing and pharmaceutical manufacturing industries. This bill expands that provision in two ways. First, it extends this sales tax incentive to aircraft manufacturing, motor vehicle manufacturing, and semiconductor manufacturing. Estimates for this provision were produced by the North Carolina Department of Commerce, based on its past experience with this type of project. Its estimate assumes that 1) North Carolina would have no more than one $100 million investment per year, 2) construction materials make up 40% of the typical construction cost, and 3) the refund accounts for the state portion of the sales tax at 4.5%. The second change relates to the minimum investment provisions. The bill lowers the minimum investment to receive the refund from $100 million to $50 million. This provision applies only to projects in tiers 1, 2, and 3 (the $100 million minimum continues to apply in tiers 4 and 5). The previous estimate was increased by 25% to account for this change. The General Fund revenue loss is $2.4 million in FY 2004-05 and $4.6 million in FY 2005-06.

Sections 32B.2 and 32B.3
These sections create several sales and use tax exemptions. First, it exempts plastic mulch and plant bed covers sold to farmers from the sales and use tax. Under current law, these items are taxable at the full rate. According to Dr. Doug Sanders, a professor of Horticultural Science at NC State University, plastic mulch is used on approximately 20,000 acres in the State, at a cost of approximately $300 per acre, suggesting total purchases of $6.0 million annually. Applying the State sales tax rate of 4.5% (4.0% after July 1, 2005) provides a state estimated annual cost of $270,000 ($240,000 after the rate drops to 4.0%). The local loss is approximately $120,000. No good data is currently available on the plant bed covers. However, anecdotal information suggests it is approximately equal to plastic mulch, for a total State cost of $540,000 ($480,000 at 4.0%), and a local cost of $240,000.

The second change relates to aircraft maintenance. Under current law, sales of aircraft lubricants, aircraft repair parts, and aircraft accessories to an interstate air courier or a passenger air carrier at the courier's or carrier's hub are exempt. The legislation expands the current exemption by eliminating the requirement that the sale take place at a hub, by allowing the exemption for sales to an interstate freight carrier, and by allowing the exemption for sales to a person who leases commercial aircraft to an interstate air business. This expanded exemption is limited exclusively to commercial aircraft that have a maximum certified take-off weight of more than 12,500 pounds. In December 2003, Tax Research estimated that exempting all aircraft parts and accessories would cost the state two to six million dollars annually. Because this estimate did not include lubricants, a number slightly above the mid-point ($5 million) was used as a proxy for the total cost of exempting all parts, accessories and lubricants. Conversations with state pilots and military personnel and their review of aircraft documents, suggest the 12,500-pound weight limit effectively excludes most general aviation aircraft from the exemption. According to the Federal Aviation Administration (FAA) Administrator's most recent Fact Book (March 2004), approximately 79.8% of all licensed aircraft in the state are non-general aviation. Using this number as a proxy for the proportion of total sales that would be covered by the new exemption suggests an annual State cost of $3.99 million. The state estimate is reduced in the out years to reflect the expected reduction of the state sales tax rate in 2005, and both State and local costs are increased in the out years to reflect the Air Force's procurement annual inflation index of 2%.

The third change deals with charges for delivery of direct mail. Under current law, postage that is embedded in a direct mail item is subject to sales tax, as are any other delivery charges. This provision would make that embedded postage exempt from sales tax if the postage were separated from printing charges when the client is billed. It would also exempt the remaining delivery charges for direct mail from sales tax, if the charges were separately stated. In May and June 2004, Fiscal Research surveyed the largest printers of direct mail in North Carolina, based on an industry association provided list of their largest members. These printers were asked to examine their 2002 records and identify the amount of postage that would have been subject to sales tax in 2002, but would not be under the legislation. The four printers that responded with data indicated that their change in tax liability for 2002, in total, would have been $46,409.

According to the Print Market Atlas, in 2002 there were $1,096,280,000 in North Carolina shipments of the category, "general commercial printing". All these shipments are assumed to be direct mail printing. The atlas also listed $99,640,000 in "quick printing", a portion of which was likely direct mail. Using the total amount for "general commercial printing" and 25% of the amount for "quick printing" creates a proxy for the total North Carolina direct mail market of $1.121 billion. Industry data suggests that the four responding printing companies, in total, represent approximately 15.52% of the direct mail market. Using this number as a proxy for tax liability suggests total industry tax liability of $299,027 in 2002.

The legislation also affects the taxability of shipments of printed material for later direct mail mailings. The four responding companies indicated that they did not deliver their product in this manner. However, industry representatives indicate that at least some direct mail printers deliver their products in this manner. As such, the estimate has been increased by 10% to account for this type of delivery. The General Fund revenue loss is $300,000 in FY 2004-05 and $400,000 in FY 2005-06.

The fourth change addresses aerial surveying. Currently sales to a professional land surveyor of tangible personal property on which custom aerial data is stored in digital form or is depicted in graphic form are taxable. The bill makes these sales exempt. Aerial photography professionals are represented by the North Carolina Society of Surveyors and the North Carolina Association of Photogrammetry and Remote Sensing Professionals. According to these industry representatives, there are approximately twenty-one (21) firms that do aerial surveying work. In May and June 2004, Fiscal Research attempted to survey the fifteen companies for which address and telephone information was available. These organizations were given a copy of the language eventually included in this bill and were asked to estimate the dollar value of their qualify sales for the most recent year. Of these fifteen companies, six (6) provide data indicating, in total, $374,558 of taxable sales. Assuming these six companies are proportionally representative of the industry suggests potential annual taxable sales of $1.3 million. Applying a 4.5% state sales tax rate to the $1.3 million suggests a State revenue loss of $58,997 and a local loss of $26,221.

Section 32B.4

The bill exempts from the state and local sales and use tax the paper, ink, and other ingredients used to produce free circulation publications published on a periodic basis, monthly or more frequently, and distributed in a manner other than mail. Prior law granted a sales tax exemption for sales of paper, ink, and other tangible personal property to commercial printers and publishers for use as component parts in free circulation publications that contained advertising of a general nature. The exemption applied to general shoppers guides but not to more specialized publications such as real estate guides. The First Amendment of the United States Constitution does not allow a state to discriminate between publications based on their content. The prior law exemption clearly violated this rule by exempting guides with general content but not those with narrower content. Section 10 of Senate Bill 1112 (S.L. 1999-438) repealed the exemption, effective October 1, 1999, so that supplies sold for all free publications are subject to tax on a uniform basis.

Recently Department of Revenue field auditors were asked to collect free publications from their regions and forward them by courier mail to the central office in Raleigh. These documents were used to estimate the annual statewide sales volumes of free publications. The Tax Research Division of the Department of Revenue used the estimated sales data for free publications, as well as sales and use tax collections data and information from the North Carolina Press Association to estimate the fiscal impact of a proposed tax exemption. Because of the delayed effective date (July 1, 2005), there is no 2004-05 impact. An eleven-month estimate of $4.6 million is used for 2005-06. The estimated loss for the out years is $4.98 million.

Part 32C

The bill raises the cap from $6 million to $7 million for the General Fund revenue loss from the Qualified Business Investment (QBI) tax credit. This fiscal analysis assumes the credit maximum will be reached based on program history. The amount of credits applied for exceeded

the current $6 million cap five out of seven years between 1997 and 2003 (see the following chart). The amount of tax credit applications has equaled or exceeded the proposed $7 million cap four times in the last seven years.

Year Credit Claimed	Individuals	Corporations/ Pass-Throughs	Total
1997	2,322,317	3,677,683	6,000,000*
1998	4,235,771	1,108,870	5,344,641
1999	4,714,892	1,285,108	6,000,000*
2000	4,221,732	1,778,268	6,000,000*
2001	3,612,777	2,387,223	6,000,000*
2002	$4,179,918	$1,820,082	$6,000,000*
2003	$4,064,764	$1,530,349	$5,595,113
	$45,696,368	**$17,779,425**	**$63,475,793**

*In these years, total credits requested exceeded $6 million. Actual requests were as follows:

1997	$9,250,000
1999	6,450,000
2000	7,000,000
2001	19,000,000
2002	$7,825,000

The $1 million increase in the QBI credit in 2004 will have a revenue impact in FY 2005-06. 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.

The bill also extends the sunset of the QBI tax credit from 2007 to 2008. Since the General Fund revenue forecast for future fiscal years assumes an end to the QBI tax credit program, extension of the sunset to 2008 means there will be a General Fund revenue loss in FY 2008-09. As explained above, the 2007 tax year credits are a revenue loss to the state in FY 2008-09. It is assumed that the full $7 million cap will be reached each fiscal year.

Part 32D

This part overhauls the tax credit for research and development. Under the current Bill Lee Act, there are two alternative research and development credits available to taxpayers: (1) a credit of 5% of the increase in research and development expenses that are apportioned to North Carolina and (2) a credit of 25% of the State's apportioned share of the federal alternative incremental

credit (helps start-up companies). The legislation moves the State research and development credit out of the Bill Lee Act and allows taxpayers the option of using the existing credit system (incremental credit or alternative credit) or a new restructured credit. The new credit contains the following features:

- The credit is no longer limited to certain types of businesses.
- The taxpayer must still satisfy requirements relating to wage standard, health insurance, environmental impact, and safety and health programs.
- The credit may not exceed 50% of tax, with a 15-year carry forward.
- The new credit is a flat rate for qualified North Carolina research expenses, based on federal definitions of this term.

The structure for the new credit is as follows:

- Small business (annual gross receipts below $1 million): 3%.
- Research conducted in Tier 1, 2, or 3 (distress tiers under Bill Lee Act): 3%.
- Other research costs: 1% for expenses up to $50 million, 2% for expenses between $50 million and $200 million, and 3% for expenses above $200 million.
- Research payments to N.C. research universities: additional credit of 15%.

Data compiled by the Department of Revenue from a review of the tax returns of taxpayers taking the existing credit indicate usage of $7.0 million per year. There were 216 applications for the credit in 2000 and 141 in 2001. These numbers may differ from the number of taxpayers taking the credit due to the fact that the credit can be taken against either the franchise or the income tax.

The Department of Commerce staff, in conjunction with the Department of Revenue, has reviewed the tax returns for the largest 25 taxpayers taking the current R & D credit. These companies generated 77% of the R & D credit for 1999-2001. From the tax return detail supplied by these companies, Commerce was able to simulate the impact of the new credit.

For other potential users the starting point in developing a simulation was a National Science Foundation survey of R & D spending for 1988. The data are compiled by state but are not broken down in enough detail to allow an industry-specific calculation of the impact of the credit. To achieve this end, Commerce "sensitized" the NSF data by using information from the 1997 Economic Census of the Census Bureau (U.S. Department of Commerce) and wage data from the N. C. Employment Security Commission. This enabled the creation of an industry average for research and development spending. In addition, Commerce discussed research activity with universities across the state.

The Department of Commerce, in cooperation with the Department of Revenue, determined from a review of tax returns that companies applying for the R & D credit, on average, are able to use 32% of the credit. This usage rate was applied to the categories of the new credit.

After the potential credits were calculated under the new system, it was determined that the additional annual revenue loss would be $13.2 million for the 2005 tax year if all taxpayers were able to use the new credit. However, the ability of a taxpayer to choose between the existing credit system and the new credit adds $3.0 million to the cost of the bill.

The new credit is effective for eligible research expenditures made on or after January 1, 2005. The first fiscal impact will be for the 2004-05 fiscal year, based on April and June 2005 estimated tax payments for the 2005 tax returns. For the purpose of this analysis, it is assumed that 45% of the annualized amount of the 2005 credit would be taken during the April-June 2005 period based on the "safe harbor" provision requiring estimated payments of at least 90% of annual liability during the tax year (for four payments).

For future years the annual impact of the credit overhaul is expected to grow at a rate of 6%. This assumption ties closely to the forecast of North Carolina personal income growth as projected by Global Insight (forecasting firm used by Office of State Budget and Management) and Economy.com (forecast used by Fiscal Research Division). The future fiscal year estimates are based on the assumption that 45% of the annual tax year impact will occur during the April-June period of the tax year and the remainder during the July-March period (subsequent fiscal year).

Finally, the estimates have been adjusted for the fact that under current law the Bill Lee Act credits for research and development sunset on January 1, 2006.

Section 32F.1
This section introduces some structural changes and new definitions to G.S. 58-58-86, according to which if an organization or an entity purchases or receives by assignment life insurance on an insured who consents in writing to the purchase of an assignment, the organization or entity is deemed to have an insurable interest in the insured person's life. This section does not produce any fiscal impact

Part 32G
This section addresses the Job Development Investment Grant (JDIG) Program. It extends the sunset on the program from January 1, 2005 to January 1, 2006. It also increases the maximum number of grants that can be awarded per year under the program from 15 to 25. The section expands the annual cap on grants awarded from $10 million to $15 million and changes the annual company reporting requirements. The section places the State and federal tax return requirement on an 'upon request' basis, moves the reporting date from February 1 to March 1, and makes all tax and withholding information requested subject to the confidentiality requirements of G.S. 105-259. It also authorizes the Secretary of Commerce to transfer up to $300,000 per year from the Utility Account to support the Job Development Incentive Grant Program. Before creating a new position, the Secretary must consult with the Joint Legislative Commission on Government Operations. Further, the section clarifies that JDIG agreements are binding obligations of the State. The section includes language to encourage a business receiving a grant to contract with small businesses headquartered in North Carolina for goods and services. Finally, the section encourages the Department of Commerce and the Economic Investment Committee that oversees the JDIG program to give priority consideration to projects located in less economically developed areas. The section does not produce any fiscal impact.

General Fund - HB 1414			
		($ Millions)	
Part	**Tax Type**	**2004-05**	**2005-06**
32B	Sales Tax Refunds	-2.4	-4.6
	Sales Tax Exemptions	-2.8	-8.3
32C	Qualified Business Investment Tax Credit	0.0	-1.0
32D	R&D Tax Credit	-4.5	-18.5
32G	JDIG	-0.5	-20.0
TOTAL		**-10.2**	**-52.4**

House Bill 1602, Chapter 134
Delay $ Limit on Credit for Partnerships

Summary: Delays from 2005 to 2006 the imposition of the dollar amount limitation on pass-through entities for the tax credit on certain real property donations.

Effective Date: This act is effective when it becomes law.

Fiscal Effect: In 2001, the General Assembly approved HB 146 (S.L. 2001-335) to modify the pass-through distribution of partnership income tax credits to conform to federal law. Prior to 2001, when a tax credit was capped at a specific dollar amount, each owner in a pass-through entity was allowed to take that dollar amount of credit. Under federal law, the total credit amount was shared proportionally with the investors in the pass-through entity based on their share of ownership. HB 146 placed this total credit amount limitation on tax credits for worker training, conservation tillage equipment, poultry composting facility, investment in business property, renewable energy property, administrative office property, and real property donations. For the tax credit on real property donations, the limitation was delayed until January 1, 2005. For income tax law, a pass-through entity is a limited partnership, a general partnership, a joint venture, a subchapter S corporation, or a limited liability company that is owned by individuals or other entities in which the income, losses, and credits "pass through" the entity to the owner in proportion to ownership share.

Based on the tax credits taken by pass-through entities from 2000 to 2004, this bill will increase the General Fund revenue loss due to the conservation tax credit. For example, in the ten donations made by pass-through entities in 2001, the state had an estimated revenue loss of

$3.7 million. Had the donations been made under the law that takes effect January 1, 2005, the revenue loss would have been $1.7 million for a savings to the state of $2 million. Extension of the dollar amount limitation will negate such savings to the General Fund for one year. Using an assumption of five investors per pass through entity for the 81 conservation credits awarded from 2001 to 2004, the difference (savings) between the tax credit awarded until December 31, 2004 and the credit awarded after January 1, 2005 is $189,309 per credit. If credits are awarded for 20 donations in 2005, this would equal a General Fund revenue loss of approximately $3.7 million. Assuming no quarterly estimated payments, the 2005 tax year credits will be taken in the spring of 2006 and thus are accounted for in FY 2005-06.

Senate Bill 74, Chapter 135
NC Vineyard Amendments

Summary: Defines fortified wine as having an alcohol content from 16% up to 24% and unfortified wine as having an alcohol content less than 16%. Allows the holder of an unfortified winery permit to receive in closed containers and sell at the winery unfortified wine produced inside or outside of NC under contract with the winery, subject to certain restrictions. Provides that the restrictions pertaining to wholesale permits apply only to a winery that sells no more than 100,000 gallons of unfortified wine manufactured by it at the winery. Provides that ABC stores may sell wine products, irrespective of alcohol content by volume, which were classified as fortified wine by the ABC Commission prior to July 7, 2004.

Effective Date: Effective October 1, 2004.

Fiscal Effect: No estimate available.

House Bill 1636, Chapter 153
Renewable Fuel Tax Credits

Summary: Creates tax credits taken against franchise and income tax liability 1) equal to 15% of the cost to construct and install a renewable fuel dispensing facility and 2) equal to 25% of the cost to construct and place in service a commercial facility for processing renewable fuel. The dispensing credit is taken in three equal annual installments and the processing credit is taken in seven equal annual installments.

Effective Date: This act becomes effective for taxable years beginning on or after January 1, 2005 and is repealed effective for taxable years on or after January 1, 2008.

Fiscal Effect:
Dispensing Credit
At this time, it is not possible to estimate the number of refueling stations that will be built due to this 15% dispensing credit in tax years 2005 through 2007. According to information provided by VeraSun Energy in South Dakota, the average cost of constructing a facility for dispensing alternative fuel is approximately $50,000. This cost includes pumps, storage, and related equipment. Based on this estimate, each dispensing facility would qualify for a tax credit of $7,500, which will be claimed in three equal annual installments. Since the tax credit begins in tax year 2005, the first credit can be claimed as early as FY 2005-06.

Processing Credit

Based on information provided by the U.S. National Biodiesel Board, two biodiesel-production facilities may be constructed in North Carolina. Filter Specialty Bioenergy, LLC has proposed construction of a six million gallon per year biodiesel facility in Autryville. The second proposal is an 18 million gallon a year plant in Rocky Mount constructed by the Grain Growers Cooperative, Inc. Using data from a study by the Center for Agribusiness and Economic Development, it was determined that the average capital costs associated with constructing a biodiesel facility with a production capacity of 6 million gallons per year is $4,900,000. For a facility with production capacity of 18 million gallons per year, the construction costs will be $10,100,000. According to this estimate, the six million gallon facility will qualify for a tax credit of $1,225,000 taken in seven equal annual installments of $175,000. The 18 million gallon biodiesel facility will qualify for a tax credit of $2,525,000 taken in seven equal annual installments of $360,714. Since the facilities are not under construction and it will take 12 to 14 months to construct the facilities, it is assumed the credits will be taken in tax year 2006. The earliest fiscal impact on the General Fund for the credits will be FY 2006-07.

According to the VeraSun Energy Corporation in Aurora, South Dakota, the average cost of constructing an ethanol-production facility is $1.00 per gallon of its name plate design capacity. The Beaufort County Economic Development Commission reports that several groups have put forward a joint initiative to construct a 96 million gallon ethanol-production facility in North Carolina. If the construction cost of this plant is $96 million, then this ethanol production facility would qualify for a tax credit of $24 million taken in seven equal annual installments of $3,428,571. At present, no facility is under construction and it would take 12 to 14 months to construct a new facility, thus it is assumed the first credit would be taken in tax year 2006. The earliest fiscal impact on the General Fund for the credit would be FY 2006-07.

There is no estimate of additional facilities that will be constructed due to this credit. The demand for alternative fuel production beyond the three proposed plants is dependant on economic and regulatory factors beyond the control of state government. Rising fuel prices and environmental mandates might increase demand high enough to warrant additional plants.

Senate Bill 1145, Chapter 170
Revenue Laws Technical Changes

Summary: Proposes two changes to the revenue laws and related statutes. The bill creates an addition to the federal taxable estate for N.C. estate tax purposes that is equal to the amount of the federal deduction for State death taxes paid. The bill changes the Bill Lee Act to specify that the number of new positions is determined by subtracting the highest number of full-time employees the taxpayer had in North Carolina at any time during the immediately preceding tax year from the number at the end of the tax year.

Effective Date: The estate tax change is effective for deaths occurring on or after January 1, 2005. The Bill Lee Act change is effective for tax years beginning on or after January 1, 2004.

Fiscal Effect:

Estate Tax Changes. The estates affected by the enactment of these provisions are those for deaths occurring between January 1, 2005 and June 30, 2005. The reason is that under current law, North Carolina will lose its estate tax base on July 1, 2005. Thus there would no impact of the proposal on deaths occurring after that date. In addition, estates are not required to pay the tax until nine months after a death. This means that the reduction in General Fund revenue will take place during the period October 1, 2005 through March 31, 2006.

The estimated impact was based mostly on a refinement of numbers from an identical proposal in Maryland. The Maryland estimates indicated that the impact should be equal to 10.8% of baseline "death tax" collections in that state. We adjusted this ratio for the fact that the estate tax portion of their death tax is smaller due to the fact that a regular tax continues in place. The ratio selected for our analysis is 9.0%.

The North Carolina tax base is running around $120 million per year. Applying 9% to this estimate yields a 12-month cost of $10.8 million. The six-month impact under the bill is equal to 50% of this annual amount, thus the General Fund revenue gain is $5.4 million in FY 2005-06.

The Bill Lee Act Change. Discussions with the Department of Revenue indicate that it is impossible to determine the impact of this change on General Fund tax revenue. For one thing, the January 1, 2004 effective date of the bill means that the first determination of the effect of the provision on a particular taxpayer would be based on comparing the December 31, 2004 employment level (for a calendar year taxpayer) with the highest employment level for the 2003 tax year. There is no way to know what the December 31, 2004 employment level will be for individual employers. In addition, a review would need to be made of quarterly unemployment insurance tax reports for 2003 for individual employers. The same issues come into play in estimating the impact on 2005, the last year of the Bill Lee Act. An estimate based on the experience of individual companies for prior years may not be relevant because many companies that have downsized in recent years are adding back employees as the economy improves. Finally, the large number of mergers, acquisitions, and other corporate reorganizations in recent years makes the calculation very tricky. The fact that the changes are effective for tax years beginning on or after January 1, 2004 means that any impact would primarily affect the 2005-06 and 2006-07 fiscal years since the jobs credit is taken in the tax year following the activity year. The Bill Lee Act sunsets on January 1, 2006 under current law. Thus, any impact for 2007-08 and future years would be minimal.

House Bill 1354, Chapter 186
Strengthen Domestic Violence Laws

Summary: Creates a new $100 fee on out-of-state lawyers who wish to handle a case in North Carolina.

Effective Date: Effective July 1, 2004.

Fiscal Effect: This fee is estimated to generate about $1 million for the General Fund each year.

Senate Bill 1244, Chapter 202
NC Cemetery Act/Fees/Bill Lee Tiers

Summary: Modifies the formula used to determine the enterprise tier designation of a county.

Effective Date: Effective for the tier determination due December 31, 2004.

Fiscal Effect: Since the bill is effective for the tier determination due December 31, 2004, it will first apply to tax credits for economic activity taking place during the 2005 calendar year. For the machinery/equipment credit and the jobs credit, the taxpayer cannot claim the credit until the year following the activity year. This means that the change will first be taken during the 2006 tax year, which is equivalent to the 2006-07 state fiscal year for budget accounting purposes. The bulk of the tier-sensitive credits fall into the investment and jobs creation categories.

The effect of the bill on state General Fund revenues depends on the unknown experience of individual counties for a 12-month period ending sometime in late 2004. Under the tier designation formula of the Bill Lee Act, a ranking is developed for each factor and the rankings are added across the three factors. The counties are then grouped into tiers based on the statutory guidelines (the lowest 10 counties will be in Tier 1, the next 15 counties will be Tier 2, etc.). Finally, there are exceptions to the general rule for certain situations in small counties with high poverty rates.

The overall impact of the proposal will be limited by the following factors:

(1) The movement of some counties to a higher tier will be offset at least partially by the shift of other counties to a lower tier.

(2) The unemployment and per capita income experience for the most recent 12 months is part of the current 3-year calculation.

(3) The current law "exceptions" to the general tier rules may offset the potential movement of some counties to a lower tier.

(4) Some of the tiers are so wide (25 counties) that a county may change ranking but remain in the existing tier.

For these reasons, it is not possible to determine the impact to the State General Fund or the shift between counties. However, the factors listed above will limit the changes between tiers and the impact on the General Fund. Finally, the Bill Lee Act sunsets effective for activity taking place on or after January 1, 2006. This means that the legislation is effective only for the 2005 calendar year.

BILLS AFFECTING HIGHWAY FUND REVENUES

House Bill 1555, Chapter 77
Tag Agents Title Transaction Fee

Summary: Amends G.S. 20-63 by adding section (h1) to provide that Department of Motor Vehicles shall pay to Commission Contract Agents an additional $1 for certain title transactions listed under G.S. 20-85. The bill amends G.S. 20-85 to provide that an additional $1.00 fee be imposed on certain title transactions and the additional revenue is to be used by DMV for technology improvements. The Joint Legislative Transportation Oversight Committee is required to study customer service issues at DMV license offices, registration offices, and the services provided by commission contract agents and to the General Assembly on the first day of the 2005 Regular Session.

Effective Date: The $1 fee increase is effective October 1, 2004.

Fiscal Effect: Based on data from calendar year 2003, it is assumed that 1,983,354 title transactions will be processed in the last nine months of FY 2004-05 and that the number of transactions processed annually will grow by 2%. It is assumed that the percentage of transactions handled by contract agents will remain at approximately 89% and the remainder will be handled directly through DMV. Given these assumptions, contract agents will earn $1.76 million in FY 2004-05 and DMV will earn $.22 million. For a full year in FY 2005-06, contract agents will earn $2.4 million and DMV will receive $.3 million. DMV estimates that the cost to reprogram the State Title and Registration System (STARS) to allow these changes will be $55,600 (620 hours of professional time at $80 per hour plus computer processing charges of $6,000).

Senate Bill 1083, Chapter 167
Staggered Plates/Safety Inspection Change

Summary: Staggers the issuance of commercial motor vehicle plates and motor vehicle dealer licenses instead of having commercial plates expire on December 31 and dealer licenses expire on June 30 each year. The bill also exempts motor vehicles 35 or more model years old from safety inspection.

Effective Date: Effective January 1, 2005.

Fiscal Effect: According to DMV, implementation of staggered issuance of plates and licenses will require major, complex changes to three large computer systems: State Title and Registration System (STARS), International Registration Plan (IRP) system, and the Dealer system. DMV has projected 14,400 hours of computer analysis, design, programming and implementation. Each hour costs $80 for a total of $1,155,200 ($80 x 14,400). In addition, there are computer overhead charges of 15% of programming and testing and implementation hours that equal $106,800 (.15 x $80 x 8,900). The total expected cost is $1,262,000, which would come from the Highway Fund.

Data from the Division of Motor Vehicles indicate that approximately 84,945 vehicles over 35 model years old would qualify for this safety inspection exemption in the first year. It is assumed that the number of vehicles qualifying would grow by 2% each year. G.S. 20-183.7 sets the fee for the issuance of an inspection sticker. The fee is $0.85 with $0.55 going to the Highway Fund, $0.18 going to the Volunteer Rescue/EMS Fund, and $0.12 going to the Rescue Squad Workers' Relief Fund. The loss of revenue to each of the funds is shown below.

REVENUES					
Highway Fund	($23,360)	($47,654)	($48,607)	($49,579)	($50,571)
Volunteer Rescue/ EMS Fund	($7,645)	($15,596)	($15,908)	($16,226)	($16,550)
Rescue Squad Workers Relief Fund	($5,097)	($10,397)	($10,605)	($10,817)	($11,034)
TOTAL	**($36,102)**	**($73,647)**	**($75,120)**	**($76,623)**	**($78,155)**

Senate Bill 933, Chapter 188
Wetlands Reimbursement/Local Tax Base

Summary: Requires that a state agency that purchases land for wetlands mitigation pay the county where the land is located an amount approximately equal to twenty years of ad valorem taxes on the property. (Currently property purchased by the State or a local government becomes exempt from tax and is removed from the tax base.) This does not apply if the mitigation property and the improvements are made in the same county. If the State makes payment to the home county and later uses the land for mitigation in the same county, the county must return at least a portion of the payment to the State. At the local level, the bill also requires that municipalities and counties that purchase land for mitigation outside of the geographic limits of the home county, make a similar payment to the county where the land is purchased. The amount of the payment from the purchasing government to the county government where the property lies is defined as the total value of the land excluded by the purchase times the current rate of tax times twenty (value x rate x 20). All provisions of this bill apply only to land purchased in Tier 1 and Tier 2 counties.

Effective Date: Effective August 18, 2004.

Fiscal Effect: This bill will not impact construction projects for community colleges, state universities, or prisons based on current construction plans. The bill does not affect projects funded by the Clean Water Management Trust Fund, which is statutorily banned from funding compensatory mitigation projects. Fiscal Research believes the primary state impact will be in the areas of highway construction and wetlands restoration. The bill is likely to affect both the Ecosystem Enhancement Program and local governments (see local government section for a summary of local impact). Historically, the primary state agency purchaser of mitigation land has been the North Carolina Department of Transportation, making purchases to mitigate road activity, and the Wetlands Restoration Program. In 2003, the compensatory mitigation efforts of

these two agencies were joined through a Memorandum of Agreement between the parties, and renamed the Ecosystem Enhancement Program (EEP). The EEP is estimated to have costs of $137,088 annually associated with this bill. This estimate assumes that 224 acres are purchased annually at an average cost of $4,000 acre, with an average property tax rate of $0.765/100, resulting in total payments of $612.00 per acre. Approximately 75% of this money is expected to come from the Department of Transportation, with the balance drawn from the Wetlands Trust Fund.

Various Bills
Special License Plates

Summary: Creates the following special license plates (fee noted for amount above $10 Special Registration Plate Account fee):

SB 464/ch. 182	National Rifle Association	0
SB 754/ch. 185	Stock Car Racing	$20
SB 1144/ch. 131	In God We Trust	$20
SB 1118/ch. 200	Commercial Fishing	0
	Daughters of the Am. Revolution	$10
	El Pueblo	$20
	High Schools	$15
	Homes4NC	$20
	4-H Development Fund	$20
	Sport Fishing	0

Effective Date: SB 464, SB 1118 and SB 1144 are effective when the bills become law. SB 754 is effective on October 1, 2004.

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. The "In God We Trust" plate has a $20 fee that is deposited into the Collegiate and Cultural Attraction Plate Account then transferred to the Department of Crime Control and Public Safety for the N.C. National Guard Soldiers and Airmen Assistance Fund of the Minuteman Partnership for assistance to the families of North Carolina National Guardsmen activated and deployed in federal service. Each plate must receive 300 requests before it is issued by the Division of Motor Vehicles. The bill also allows spouses of retired highway patrol personnel to keep their spouses' retired highway patrol special plate upon the death of their spouses. Increased the fee for the First in Forestry special plate by $10.

Senate Bill 852, Chapter 189
Organ Donor Organizations Access to DMV Records

Summary: Establishes an on-line Organ Donor Internet site in the Division of Motor Vehicles (DMV). The site will list those who choose to be an organ donor when getting their driver licenses. The site is only for North Carolina organ procurement organizations and eye banks. A

License to Give Trust Fund is established with funding provided by a five cent increase per year in Class A, B, and C driver licenses and duplicate licenses. The new Trust Fund will pay the Internet expenses of DMV, the administrative cost of the new License to Give Trust Fund Commission, and grants to promote organ and tissue donation.

Effective Date: Sections 4(a) (Trust Fund) and 5 (drivers license fees) of this act become effective November 1, 2004. The remainder of this act becomes effective January 1, 2005.

Fiscal Effect: The bill increases duplicate drivers license fee by five cents and Class A, B, and C drivers license fee by five cents per year for a five-year license. The number of transactions processed by DMV in fiscal year 2002-03 is shown below.

	FY 02-03 Actual Transactions
Class A&B License	9,344
Class C License	1,179,935
Duplicate License	560,354

For future year drivers license transactions, DMV suggests a 2% a year growth rate. Class A, B, and C transactions are multiplied by $.25 (5 years X $.05) and duplicate licenses are multiplied by $.05. With a November 1, 2004 effective date, first year revenue will be for eight months. Assuming that transactions are distributed equally throughout the fiscal year, the FY 2004-05 revenue increase will be $.22 million for eight months. The proceeds of this fee increase are deposited into the License to Give Trust Fund. The Fund is managed by the State Treasurer and audited by the State Auditor.

The anticipated revenue from the bill is as follows:

FY 2004-05	$220,000
FY 2005-06	$345,250
FY 2006-07	$352,155
FY 2007-08	$359,200
FY 2008-09	$366,380

The bill authorizes the new 15-member License to Give Trust Fund Commission to spend the License to Give Trust Fund for 1) grants for "initiatives that educate about and promote organ and tissue donation and health care decision making at life's end" and 2) expenses of the Commission that include staff, per diem, and necessary travel and subsistence expenses. The bill allows DMV to retain a portion of the proceeds of the increased drivers license fee to pay for the cost of developing and maintaining the on-line Organ Donor Internet site. DMV estimates that it will take $50,000 to establish an Internet site and $10,000 a year to maintain it.

BILLS AFFECTING SPECIAL REVENUE FUNDS

Senate Bill 1254, Chapter 89
Respiratory Care Board/Background Checks Fees

Summary: Authorizes the Department of Justice to provide criminal record checks to the Respiratory Care Board for applicants for licensure. The Department is also authorized to charge a fee for conducting the service.

Effective Date: Effective July 14, 2004.

Fiscal Effect: The Department of Justice provides criminal background checks for non-criminal justice agencies at a charge of $14 per state check and $38 per state/national check. These funds are used to partially support the operations of the Identification Section of the State Bureau of Investigation, which conducts the background checks.

According to Respiratory Care Board, there are approximately 200 applications per year for licensure. Multiplying this by the current state and federal background check charge of $38 suggests a revenue gain for the Department of Justice of approximately $7,600. Of this amount, $22 per background check - $4,400 per year – will be remitted to the Federal Bureau of Investigation for national background checks. While the additional background checks will result in additional costs for the Department, the 200 applications are not expected to require additional positions.

House Bill 1430, Chapter 110
IRC Update and Other Tax Changes

Summary: Sets the annual rate for public utility and insurance regulatory fees.

Effective Date: The Utilities Commission fee becomes effective July 1, 2004. The insurance regulatory charge is effective for calendar year 2004.

Fiscal Effect:
Regulatory Fee for Utilities Commission. Part 2 of the bill sets the fees for regulation by the North Carolina Utilities Commission. Section 2.1 sets the public utility regulatory fee rate at 0.12% for FY 2004-05 (same rate as FY 2003-04). 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 0.12% regulatory fee will produce $12,600,000 in FY 2004-05. Section 2.2 sets the public utility regulatory fee to be paid by the North Carolina Electric Membership Corporation for the 2004-05 fiscal year at $200,000. This fee has remain unchanged since 1999 when discussions between the Utilities Commission and the industry determined $200,000 was the cost associated with regulating the electric membership cooperatives.

Insurance Regulatory Charge. Part 3 of the bill sets the insurance regulatory charge at 5% for calendar year 2004. This fee is assessed against the 1.9% premiums tax paid by insurers and Article 65 companies (Blue Cross/Blue Shield) 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). Applying the 5% regulatory fee to the $388.8 million premiums tax base will generate $24.10 million in regulatory fee revenue.

Senate Bill 1384, Chapter 146
Amend Barbering Laws/ Increase Fees

Summary: Authorizes the State Board of Barber Examiners to assess civil penalties, changes the number of instructors per enrolled students in barber colleges and schools, and increases the maximum fee amounts.

Effective Date: Effective July 29, 2004.

Fiscal Effect: The bill increases the maximum fees that the State Board of Barber Examiners can charge. The maximum fees have not been changed since the 1989 Session (Chapter 1029), however several late fees were added in the 1995 Session (Chapter 605). It is the practice of most occupational licensing boards to set their maximum fees at a rate high enough that they will not have to return to the General Assembly for several sessions. Based on the current number of licensees, the Board would gain $186,675 each year in additional income under the staff proposed rates. If the maximum rates were approved, the Board would gain $302,950 annually.

The bill also allows the Board to assess a $500 civil penalty per rules violation. The proceeds of this penalty go to the Civil Penalty and Forfeiture Fund, not to the Board. Since this power is discretionary, no estimate can be made at this time.

House Bill 1427, Chapter 150
Amend Shellfish Laws

Summary: Directs the Marine Fisheries Commission to establish training requirements for shellfish cultivation lease holders, changes the fees for shellfish cultivation leases, and authorizes the Marine Fisheries Commission to study issues related to the cultivation of shellfish.

Effective Date: The fee changes are effective July 1, 2005.

Fiscal Effect: The initial application filing fee for a bottom shellfish cultivation lease is increased from $100 to $200. Since the average sales are 3.6 per year, this increase should generate only $400 per year. The renewal application filing fee for a bottom shellfish cultivation lease is increased from $50 to $100. With 26.6 licenses sold per year, this change will yield $1,350 in additional revenue per year. The annual rental fee for a bottom shellfish cultivation

lease is increased from $5 per acre to $10 per acre. $9,685 in additional revenue is expected based on the number of acres currently covered by leases. The annual rental fee for a water column shellfish cultivation lease is reduced from $100 for the first four years and $500 per year thereafter to $100 per year for all years. This change is estimated to reduce revenues by $400.

Senate Bill 20, Chapter 162
Regulate Professional Employer Organization

Summary: Requires Professional Employer Organizations (PEOs) to be licensed in order to do business in this State. In 2002, the General Assembly enacted SB 1281 [S.L. 2002-168] that requires PEOs to register with the Department of Insurance. The registration consists of the completion of an application and payment of a one-time fee of $250.00. A person cannot perform professional employer services without being registered with the Department. A person who violates the registration requirement may be subjected to a Class H felony. Senate Bill 20 imposes additional requirements on PEOs and gives the Department of Insurance disciplinary authority over licensees. The bill specifies that the client is entitled to the benefit of any tax credit, economic incentive, or other benefit arising as the result of employment of covered employees of the client.

Effective Date: This act becomes effective January 1, 2005, and applies to any contracts entered into, any business conducted, and any actions taken on or after that date.

Fiscal Effect:
Insurance Regulatory Fund Revenue: This bill would require PEOs to apply for licensure and to submit a $1,000 application fee that will be deposited into the Insurance Regulatory Fund. Each licensed PEO would also be required to apply for license renewal and to submit a $1,000 renewal fee, also to be deposited into the Insurance Regulatory Fund. Currently, there are 11 registered PEO groups with 49 member companies, 84 individually registered PEOs, and 4 PEOs with pending registrations. Thus, the revenue from the application fee for the 99 (11 groups + 84 individuals + 4 pending) is expected to be $99,000 annually. The Department expects that there will be some growth in the number of licensed PEOs. However, at this time, there is not sufficient data or experience on which to estimate what that growth will be.

Justice: Section 1 authorizes the Department of Justice to provide state and national fingerprint checks for any applicant for licensure as a PEO. These checks are conducted by the State Bureau of Investigation (SBI) within the Department. Neither the Department of Insurance nor the Fiscal Research can project the number of applicants who would require background checks each year as a result of this bill. Thus, we cannot project the amount of additional revenue from the criminal record checks.

The applicant would pay for the criminal record check. The SBI charges $38 for each state and national fingerprint check, of which $22 is remitted to the Federal Bureau of Investigation. The remaining $16 is used to support the functions of the identification unit which conducts the criminal history background checks. Each employee can process approximately 9,600 background checks per year, and the SBI is able to accommodate some increase in background checks within its existing staffing level. If the increase in workload due to new record checks were greater than the unit's capacity, the SBI would need authorization for additional positions supported by the receipts collected from the applicants/ licensees.

Senate Bill 676, Chapter 171
Revise the Banking Laws of NC

Summary: Makes statutory changes recommended by the Office of the Commissioner of Banks and directs the Legislative Research Commission (LRC) to study banking laws.

Effective Date: The act is effective October 1, 2004 and applies to acts occurring and transactions or agreements entered into on or after that date.

Fiscal Effect: Section 5 of the bill increases the annual license fee for a bank or trust company from $200 to an amount not to exceed $500. The Commission reported revenue of $6,200 in FY 2001-02 and $7,000 in FY 2002-03 from this license. The current statute states that any surplus must be given to the General Fund but the proposed bill removes this language. This is a moot point since the current $200 fee does not cover the Banking Commission's actual expenditures and, thus, there is no excess for the General Fund. Despite the gap between revenues and expenditures from this license, the Commission does not anticipate increasing the fee for banks or trust companies. However, if the Commission were to increase the license fee to the maximum $500, it would gain approximately $10,500 per year.

Senate Bill 1128, Chapter 177
Locksmith Criminal History Record Check Fee

Summary: Authorizes the North Carolina Department of Justice to charge each applicant for a locksmith license or an apprentice designation a criminal history record check fee.

Effective Date: Effective August 3, 2004.

Fiscal Effect: This act appears to be a technical correction in the statutes because GS 114-19.12 allows the Department of Justice to "provide to the North Carolina Locksmith Licensing Board from the State and National Repositories of Criminal Histories the criminal history of any applicant for licensure as a locksmith or an apprentice". The statute further states that the Department "may charge a fee to offset the cost incurred by it to conduct a criminal record check ....the fee shall not exceed the actual cost of locating, editing, researching, and retrieving the information". Based on this statute, the Locksmith Licensing Board at its October 29, 2003 meeting approved a $38 background check fee to be paid by the applicant to the SBI beginning November 15, 2003.

House Bill 1594, Chapter 201
Alarm Systems Licensure Fees

Summary: Increases new or renewal license fee to $500 (was $350) and registration fee to $50 (was $20). Enacts an additional fee of up to $50 for reconsideration of license or registration permits returned due to correctable errors.

Effective Date: Effective August 17, 2004.

Fiscal Effect: The Alarm Systems Licensing Board and the Private Protective Services Board fall under the administration and oversight of the Private Protective Services Section (PPS) of the Department of Justice. These Boards are supported entirely by receipts received from the industries they regulate. They share a joint operating budget with annual expenditures of approximately $1.4 million. Each Board also has a separate Recovery Fund account.

This legislation would authorize the Alarm Systems Licensing Board to increase its registration fee up to $50. It is the Board's intention to increase the fee from $20 to $40, which is projected to generate an additional $140,000 over the two-year period, or an average of $70,000 per year (7,000 applications per two-year period). This amount, along with increases in Private Protective Services (PPS) fees that have already been implemented, is expected to bring revenue even with operating expenditures. If the Board increased the fee to $50, the average increase in revenue would be $105,000 per year.

This bill also includes an increase in the licensing fees from $350 to $500. The Board states that it has pledged to the Burglar & Fire Alarm Association that it will not implement any increases presently, and is requesting the authority to increase fees in case it needs to do so in the future. The Board receives approximately 850 applications over two years, so the fee increase, if implemented, would generate approximately $127,500 over two years, or an average of $63,750 per year.

The Board requested the reconsideration fee to address the issue of applications submitted that must be returned to the applicant due to errors, missing documents, or other reasons, and must then be processed by staff a second time. During the past year, there were 1,200 "correctable" Alarm registration applications. The Board has not made a final decision on what amount might be assessed, but is considering $25 for registration applications and $50 for license applications. The Board estimates that there will be approximately 1,000 registration returns and 50 license application returns per year. At the levels anticipated by the Board, the fees would generate approximately $27,500 per year.

Senate Bill 1244, Chapter 202
NC Cemetery Act/Fees/Bill Lee Tiers

Summary: Authorizes the North Carolina Cemetery Commission to increase the cap on certain fees and makes clarifying changes to the North Carolina Cemetery Act.

Effective Date: Effective August 19, 2004.

Fiscal Effect: The bill affects twelve fees administered by the North Carolina Cemetery Commission, the principal purpose of which is to regulate and supervise the activities of the for profit cemetery industry under the laws of North Carolina. Most of the changes affect the cap associated with a fee thus, the exact amount of additional revenue generated cannot be estimated. The fee increases proposed by the bill are necessary to offset a negative fund balance the Commission currently operates under. The fees affect licensed cemeteries, cemetery sales organizations, cemetery management organizations, cemetery brokers, and cemetery salespeople.

The North Carolina Cemetery Commission Board has rule-making authority to set the fees within the caps laid out in state statute. **The Commission does not intend to increase all of the fees associated with the proposed legislation, nor will they increase any of the fees to their new caps.** The table below indicates those fees that may be changed during 2004 as a result of the statutory modifications.

Service	Impacted	Proposed Fee	Additional Revenue Generated
Annual license fee	Licensed cemeteries	$350	$8750
Application and filing fee	Licensed cemetery applicants	max of $1,600	max of $1,600 (one new cemetery expected)
Application and filing fee	Licensed cemetery sales and management organization applicants	max of $1,000	0
Application and filing fee	Licensed cemetery broker applicants	max of $500	0
Annual license renewal fee	Licensed cemetery sales or management organizations and cemetery brokers	max of $600	max of $2,000
Application and filing fee	Cemetery salespeople applicants	max of $100	cannot estimate
Annual license fee	Cemetery salespeople	$50 / 2 yrs	$24,000
Application and filing fee	Change of control applicants	max of $1,600	0

The proposed legislation also increases the fee for the legal advertisement of a perpetual care fund in connection with the sale of cemetery property. The proposed change increases the amount deposited in the grave space, niche, or mausoleum crypt sold to $100 or 10% of the sale price per grave space, niche, or mausoleum crypt sold, whichever is greater. The bill increases the initial amount which must be deposited by a municipal, church-owned or fraternal cemetery that converts to a private cemetery to $50 per space or $50,000, whichever is greater. The funds in these instances go neither to the Cemetery Commission nor the owner of the cemetery, but rather to a trust fund for the perpetual care of the cemetery.

The proposed legislation also changes two penalties to administrative fees, leaving the amounts unchanged. If a cemetery company is delinquent on deposits to the perpetual care trust fund, the Commission may assess $1 per day for each grave space, niche or mausoleum crypt sold. If a cemetery company is delinquent on providing reports on their business and financial status, the Commission may assess a late filing fee of $25 per month. These penalties have not been assessed in the past, thus, the local school boards will see no decrease in revenue.

BILLS AFFECTING LOCAL GOVERNMENT REVENUE

2003 Special Session

House Bill 2, Chapter 435
Job Growth and Infrastructure Act

Part 4. Major Industrial Facility Sales Tax Refunds*

Summary: Allows an annual sales tax refund for the state and local sales tax paid on construction materials and fixtures that become part of the real property of an eligible facility. For a facility to become eligible, the Secretary of Commerce must certify that the owner of the facility will invest at least $100 million in constructing the facility within the State and must be primarily engaged in one of the following activities:

- Bioprocessing
- Pharmaceutical/Medicine Manufacturing and Distribution

The refund request must be made within six months following the end of the taxpayer's fiscal year.

Effective Date: Part 4 of the bill is effective for sales tax paid on or after January 1, 2004.

Fiscal Effect: Expected revenue loss is shown below:

	($Mil.)
FY 2003-04	$0
FY 2004-05	$0
FY 2005-06	($0.8)
FY 2006-07	($1.4)
FY 2007-08	($1.7)

Discussions with the Secretary of Commerce and the policy staff of the Department of Commerce indicate there is one major project that would be eligible for the refund, at the present time, if that company chose to locate in North Carolina. This project would encompass $300 million of total investment, with $200 million being for real property. The Department of Commerce, based on discussions with the client, indicates that approximately 40% of the real property will be spent on construction materials and other items subject to the state and local sales tax. The build-out period is assumed to be three years, starting with the 2004 tax year. It is

* Part 4 also produces fiscal impact on the General Fund revenue. For this impact, see the "Bills Affecting General Fund Revenues" Section.

assumed that all of the 2004 activity relating to items subject to the sales and use tax occurs in the second half of the calendar year. For 2005 and 2006 calendar year, the activity is assumed to occur at an even rate throughout the year.

It is unknown how many companies might use the incentive in future years. For purposes of this analysis, it is assumed that one additional location will occur in each year, with each location involving the same dollar investment and construction schedule as the 2004 location.

Under current law, the local sales tax rate is 2.5%. This was the rate used for the impact calculation.

Under the bill, the refunds are made annually based on an application that is due within six months of the end of the state fiscal year. Thus, the 2005-06 fiscal year refunds paid would be based on July 1, 2004 through June 30, 2005 sales taxes paid.

2004 Session

House Bill 1465, Chapter 8
Allow Family Business to Lease Farmland

Summary: Changes the current present-use value program for property taxes to allow farmland owned by a business entity to keep its present-use value status when the land is leased to a nonmember, as long as all members of the business entity are relatives. This is a recommendation of the Revenue Laws Study Committee.

Effective Date: Taxable years beginning on or after July 1, 2004.

Fiscal Effect: Under the current present use value program, property can qualify for a lower valuation if it meets a series of size, use, and ownership requirements. According to a 1987 Property Tax Commission decision, if the property is owned by a business entity, members of the business entity or their relatives must be "actively engaged" in the business of farming for the property to continue to qualify for the use value program. (The Commission determined that leasing land in and of itself did not qualify as actively engaged in farming. As a result, the primary business then becomes land leasing and not farming). A similar provision does not exist for properties owned by an individual. This has the net result of disqualifying land from the program if it is owned by a family business but is leased to a non-relative. If an individual held the same property, the land would still qualify if the property were leased. (In both cases, the leased land must still meet the remaining use and size requirements.) The bill effectively removes this distinction. Fiscal Research cannot estimate the impact this change will have on local governments, as no data is available on what properties might qualify if the ownership requirements were changed. The bill will result in a loss of revenue to local governments, as it will allow more parcels to qualify for the farm use program. However, because of the limited nature of the change, the revenue loss for local governments is expected to be fairly small.

House Bill 1520, Chapter 122
Gaston Temporary Sales Tax

Summary: Authorizes Gaston County to hold a referendum on the issue of the county levying an additional ½ cent sales tax. If the voters approve the ballot measure, the board of commissioners could levy the tax, with the proceeds distributed among the county and the associated municipalities according to a formula outlined in the bill. The tax would not apply to food or to construction materials purchased to fulfill a contract entered into or awarded before the effective date of the levy. The tax expires eight years after the instatement of the levy. The proceeds of the tax can only be used for economic development projects and tourism projects.

Effective Date: The act is effective when it became law July 18, 2004, but the soonest the tax can be levied is January 2005.

Fiscal Effect: In 2002-03, Gaston County raised $15.32 million from the Article 39 (first one cent) sales tax. This is the only entirely point of origin distributed sales tax. Using one-half of this amount, suggests potential revenue of $7.66 million from a half-cent tax. However, because the Article 39 tax applies to food, the 2002-03 estimate is reduced to $6.73 million to reflect the removal of food from the base. Growing this amount forward by historical state sales tax growth rates and anticipated rates, suggests the following potential revenue stream for the proposed half cent tax:

2005-06	2006-07	2007-08	2008-09	2009-10
$7,529,977	$7,868,826	$8,262,267	$8,675,381	$9,109,150

House Bill 142, Chapter 123
Dare Sales Tax

Summary: Allows counties to levy an additional one cent sales tax for beach nourishment. The Board of Commissioners may levy the tax after giving 10 days of public notice. The tax expires eight years after enactment.

Effective Date: Once approved by the County Commissioners, it cannot go into effect until January 1, 2005.

Fiscal Effect: While the bill was intended to give Dare County the right to levy an additional sales tax, it was drafted to give any county the one cent sales tax if it was used for beach nourishment. A 1 cent sales tax in Dare County will earn approximately $2.7 million in FY 2004-05 and $5.6 million in FY 2005-06.

Senate Bill 1063, Chapter 132
Eliminate IRB Wage Standard

Summary: Eliminates the wage standard for industrial revenue bonds.

Effective Date: Effective July 29, 2004.

Fiscal Effect: Under the industrial revenue bond program in North Carolina, a local financing authority enters into financing agreements with manufacturers. Under the agreement, the authority issues tax-free revenue bonds with the proceeds being used by the company to finance land, buildings, and equipment. The amounts paid by the company to the authority under the financing agreement must be sufficient to pay the debt service on the bonds. To qualify for the financing, the manufacturer must pay an average weekly manufacturing wage that is either above the average weekly manufacturing wage in the county or is at least 10% above the average weekly manufacturing wage in the State.

The Department feels that the impact of the additional financing on state personal income tax collections (from the tax-exempt interest) will be insignificant because practically all of the bonds are purchased by large nationwide mutual funds. Thus, the share of the new projects held in mutual funds by North Carolina residents will be small.

Senate Bill 277, Chapter 173
Exempt Higher Education Property

Summary: Expands the ownership requirements for a property tax exemption for an educational institution to include ownership by a nonprofit entity that holds the property for the benefit of a constituent or affiliated institution of the University of North Carolina or a community college.

Effective Date: Effective for taxes imposed for taxable years beginning on or after July 1, 2004.

Fiscal Effect: The fiscal impact of the bill is determined by the location and corporate structure of properties related to the University System and the Community College System. In terms of the University System, there are 16 constituent institutions of the University of North Carolina. There are also five (5) affiliated institutions – the University Hospitals, the Arboretum (Asheville), the School of Science and Math (Durham), the NC School for the Arts, and the WUNC public television station. Should any of these organizations choose to form a nonprofit entity to hold property in trust, that property would now become exempt. As such, the legislation puts these properties held in trust in the same category, for local tax purposes, as the constituent institutions themselves. To date, only six (6) of the constituent institutions have formed these organizations and acquired property. The institutions, the amount of acreage held, and the value of that property are as follows:

Institution	Acreage of Non-State Land	Exempt	Assoc. Tax Value
Appalachian State University	37.3	No	$24,314,800
Fayetteville State University	5.2	Yes	$1,617,500
NC School of the Arts	4.3	Yes	$6,110,000
NC A&T State University	2.0	Yes	$4,610,400
UNC - Pembroke	13.0	Yes	$8,315,000
Winston-Salem State University	3.3	Yes	$374,500

University General Administration also reports that North Carolina Central University is in the process of developing this type of non-profit structure. A similar structure may also be in development for the School for the Arts in Winston-Salem.

According to data compiled by UNC General Administration, all but one of the properties listed above are exempt from taxation, either through a decision of the assessor or county commission. In the case of Winston-Salem State University and North Carolina A&T University, the property is being exempted because it is held by the university's own foundation. The property held for Appalachian State University is in dispute, as it is owned by a nonprofit other than the university foundation. The county and the city of Boone have deemed the property taxable. The university appealed to the North Carolina Property Tax Commission, which ruled in favor of the local governments. The Appalachian case is now on appeal to the court system. If the local governments prevail in the Appalachian case, the bill will have the effect of removing the property from the local tax rolls. Using the current property tax rates, local officials estimate annual losses of approximately $200,000 for Watauga County and the Town of Boone, although the university system uses a lower estimate.

In future years, the losses could grow substantially if the university system shifts more of its projects to this new structure. As a result, the $200,000 loss noted above is a minimum annual estimate.

The second impact relates to the community colleges. On May 12, 2003 the community college system office surveyed all 58 community colleges to determine the potential impact of exempting property used for community colleges that is not already exempt, that may become exempt under the bill. Of the 44 responding institutions, four colleges and the community college foundation office indicated that they utilize property that may become exempt under the legislation. The institutions and associated available information are shown below:

Institution	Current Property Owner	Tax Value	Revenue Loss
Lenoir Community College	LeGrange Redevelopment Foundation	$16,500	$206
Cape Fear Community College	Individuals	Unknown	Unknown
	Storage World	Unknown	Unknown
Mitchell Community College	Davis Hospital Foundation	$471,000	$4,145
Roanoke Chowan Comm. College	CADA	Unknown	Unknown
	Family Life Center	Unknown	Unknown
NC Comm. College Foundation	NC Comm. College Foundation	$117,216	$809

The corresponding revenue losses for those with a tax value listed are included in the fiscal impact box. All of these estimates are minimum estimates as the out year impact could be broader if the Community College System alters their behavior because of this bill.

House Bill 817, Chapter 183
Gun Sale Legal w/Concealed Handgun Permit

Summary: Allows any person, firm, or corporation to legally purchase a handgun without first obtaining a permit from the sheriff if the purchaser or receiver has a valid North Carolina concealed handgun permit. There would be no limit to the number of handguns that may be purchased with a concealed handgun permit.

Effective Date: Effective August 10, 2004.

Fiscal Effect: Under current law, an individual who wishes to purchase a handgun must apply to the sheriff's office in his or her county of residence. The sheriff runs a computerized background check and charges a $5 fee for the application. Each permit is good for the purchase of one handgun within the next five years; some sheriffs limit the number of permits per individual each year.

Residents may also apply to their sheriff's office for a permit to carry a concealed handgun. For this permit, the sheriff requests a state and national fingerprint criminal background check from the State Bureau of Investigation (SBI). The fee for the permit is $80, of which $22 is remitted to the Federal Bureau of Investigation, $23 to the State Bureau of Investigation, and $35 is kept by the sheriff's office. Permits are good for five years; the renewal fee is $75. Since December 1, 1995, there have been approximately 56,000 concealed handgun permits issued; the SBI performed approximately 12,000 background checks for concealed handgun permits in FY 2002-03.

An individual with a concealed handgun permit would not be required to obtain a permit to purchase a handgun. Therefore, the sheriffs' offices would <u>not</u> receive the $5 per handgun purchased, and they would <u>not</u> incur the costs of approving the permit to purchase. Overall, the Sheriffs Association does not anticipate a significant fiscal impact from this change.

Senate Bill 933, Chapter 188
Wetlands Reimbursement Local Tax Base

Summary: Requires that a state agency that purchases land for wetlands mitigation pay the county where the land is located an amount approximately equal to twenty years of ad valorem taxes on the property. (Currently property purchased by the State or a local government becomes exempt from tax and is removed from the tax base.) This does not apply if the mitigation property and the improvements are made in the same county. If the State makes payment to the home county, and later uses the land for mitigation in the same county, the county must return at least a portion of the payment to the State. At the local level, the bill also requires that municipalities and counties that purchase land for mitigation outside of the geographic limits of the home county, make a similar payment to the county were the land is purchased. The amount of the payment from the purchasing government to the county government where the property lies is defined as the total value of the land excluded by the purchase times the current rate of tax times twenty (value x rate x 20). All provisions of this bill apply only to land purchased in Tier 1 and Tier 2 counties.

Effective Date: Effective August 18, 2004.

Fiscal Effect: All payments from North Carolina Department of Transportation and the Wetlands Restoration Trust, now combined into the Ecosystem Enhancement Program, are revenues for local governments. The property taxes that must be paid to the county where the land is located is estimated as the assessed value of the acquired land excluded from the county's tax base multiplied by the tax rate set by the county Board of Commissioners in its most recent adopted budget ordinance multiplied by 20. Local governments will potentially see a gain of $685,440 ($137,088 * 5 years) over five years as a result of these payments. However, some of that gain may be offset by local government payment into the Wetland Restoration Program to cover their mitigation needs. Local government revenues and tax payments may also be impacted by changes in property tax rates. Due to the instability of property tax rates in the State, in general, and especially in Tier 1 and tier 2 counties, there is no accurate way to predict how tax rates may change in future years. Some rates may increase depending on the economy and smaller tax base growth, while others may stabilize or decrease because of this legislation.

House Bill 1356, Chapter 197
Increase Fees/Qual for DWI Assessments

Summary: Increases the Driving While Intoxicated (DWI) assessment fee from $50 to $100. Makes several changes to the existing statutes governing substance abuse services provided through Area Mental Health Authorities to persons convicted of Driving While Intoxicated. Specifically, this bill makes changes to service requirements and the fee associated with DWI assessments that are either provided directly by the Area Authority or through a contract with a qualified private provider.

Effective Date: Effective October 1, 2004 for the fee change.

Fiscal Effect: DWI assessments are provided by a variety of providers, including the Area Mental Health Authorities and private providers. The fees charged by private providers pass directly from the DWI offenders to the private providers and have no fiscal impact to the State or local governments. Since the Area Authorities are local governments, changes to the fee that the Area Authorities charge for DWI assessments will result in a fiscal impact. By increasing the DWI assessment fee from $50 to $100, this bill will increase the revenues that Area Authorities collect for assessment services by $887,500 per year.

BOND BILLS

House Bill 1795, Chapter 126
Modify Youth Facility Debt Authorization

Summary: Amends GS 142-83 authorized in 2003 Session to reduce the amount of special indebtedness authorized for the planning and design of youth development centers to be operated by the Department of Juvenile Justice and Delinquency Prevention from $6,780,000 to $4,460,000.

Effective Date: Effective July 22, 2004.

Fiscal Effect: Section 46A.2 of HB 397 in the 2003 Session authorized special indebtedness for the cost of the various components of planning new juvenile facilities. The debt amount was "up to" $6,780,000 for planning and design and some site work for up to three facilities and up to 500 beds. The project scope has now been changed to allow for up to 13 facilities and up to 512 beds. The funding amount has also been reduced to reflect actual costs needed to finish planning and design while subtracting amount needed for site work. The new estimated amount needed is $4,460,000. These funds are needed by August 2004 in order to complete planning and design, construction drawings, and solicitation of construction bids. The Department of State Treasurer projects the total cost over 20 year period will be $7,217,150 (June 8, 2004), of which $2,757,150 is interest.

House Bill 1264, Chapter 179
Finance Vital Projects/Studies

Summary: Authorizes the State to use special indebtedness to finance the following facilities:

1) $180 million for a new cancer rehabilitation and treatment center, an adjacent physicians' office building, and a walkway between the two facilities to be located at the University of North Carolina Hospitals at Chapel Hill.
2) $60 million for the North Carolina Cardiovascular Diseases Institute at East Carolina University.
3) $35 million for a Bioinformatics Center at the University of North Carolina at Charlotte.
4) $28 million for a facility to house the new Pharmacy School program to be located at Elizabeth City State University, and interim temporary facilities to house the program during construction of the stand-alone facility.
5) $35 million Center for Health Promotion and Partnerships at the University of North Carolina-Asheville.
6) $10 million for planning of Center for Excellence of Teaching and Nursing at Fayetteville State University.
7) $10 for planning for the joint Millennial Campus of North Carolina Agricultural and Technical State University and the University of North Carolina at Greensboro.

8) $10 million for planning for an Optometry School facility at the University of North Carolina at Pembroke.
9) $10 million for planning for the North Carolina Center for Health and Aging to be operated as a consortium between the Western Carolina University and the Mountain Area Health Education Consortium.
10) $10 million for property acquisition in Piedmont-Triad Research Park for Winston-Salem State University programming related to biotechnology education and research; and planning for a Center for Design Innovation to be operated jointly by Winston-Salem State University and the North Carolina School of the Arts.
11) $35 million to finance the construction of up to five new Youth Development Centers totaling up to 224 beds. (The current plan is to issue debt of $13 million in April 2005 for up to 96 beds and to issue the balance of $22 million in the fall of 2005 to finance construction of up to 128 beds.)

No more than $265 million in bonds for the UNC system and $13 million for Youth Development Centers can be issued for these projects in FY 2004-05. The bill provides that a portion of the funds available to the Health and Wellness Trust Fund and the Tobacco Trust Fund will be used to reimburse the General Fund each year for debt service on the UNC and youth facility debt. Each trust fund would be required to transfer to the General Fund annually one-half of the debt service amount certified by the Treasurer. The required transfer from each trust fund is capped, however, at a percentage of current year receipts. The percentage is 30% through FY 2006-2007 and then increases to 65% in FY 2007-2008. (The bill eliminates the requirement that 50% of the Health and Wellness Trust Fund's annual receipts be reserved.)

Effective Date: These provisions become effective July 1, 2004.

The bill also authorizes a $45 million maximum debt authorization for the following:

- $20 million to acquire property near military bases to prevent encroachment.
- $25 million for land acquisition for existing and new State parks and capital projects for an existing State park.

No more than $32 million in debt can be issued before July 1, 2005. The debt service would come from the Parks and Recreation Trust Fund, the Natural Heritage Trust Fund, and the Clean Water Management Trust Fund. The first two trust funds draw most of their proceeds from an earmarking of the State's share of the real estate conveyance tax. Under current budgetary law, the Clean Water Management Trust Fund is supposed to receive $100 million of General Fund appropriations each year. The bill would authorize the governing body of the Parks and Recreation Trust Fund and the Natural Heritage Trust Fund to allocate a portion of their respective streams of income for debt service on financing incurred. In the case of the Parks and Recreation Trust Fund, the maximum amount that may be so allocated is 50% of the 65% share of earmarked receipts designated for repairs and renovations of park facilities and capital projects and land acquisition for the State Parks System. The Authority may not allocate any of the income currently designated for local government grants or for beach access. In the case of the Natural Heritage Trust Fund, up to 50% of the annual receipts may be so allocated.

After the debt has been issued or incurred, the Trustees of the Parks and Recreation Trust Fund, the Natural Heritage Trust Fund, and the Clean Water Management Trust Fund must direct the State Treasurer to credit to the General Fund each year the lesser of the annual amount they identified in their application for debt issuance or the debt service for that year on the financing.

Other provisions in the bill are as follows:

- Creates a Debt Affordability Advisory Committee to annually advise the Governor and the General Assembly on the estimated debt capacity of the State for the upcoming 10 fiscal years.

- Directs the UNC Board of Governors, in collaboration with the State Board of Community Colleges, to contract with a consultant to conduct a comprehensive study of the mission and programming needs for the UNC System and the Community Colleges System, and to study facility needs related to the identified program needs.

- Establishes the statutory framework for Real Estate Certificates of Participation (RECOP) indebtedness. RECOP financing is a form of special indebtedness that is intended to be structured so that the principal and some of the interest are not paid in installments over the term of the debt. The deferred interest compounds and is payable, along with the principal, at maturity or an earlier redemption. RECOP debt may be incurred only if the amount and specific purposes have been authorized in an act of the General Assembly. This form of debt may be incurred to retire existing State debt as well as for capital projects. RECOP debt may be secured by the capital facilities being constructed, renovated, or repaired with the proceeds of the debt, as well as any other State property. The property to serve as collateral would be selected by the Governor after first consulting with the Joint Governmental Commission on Governmental Operations. The choice of collateral must be approved by the Council of State. With RECOP indebtedness, there is an additional exemption from State property law for transfers when the proceeds are used first to pay RECOP indebtedness, even if there is no default.

  The bill sets out findings of the General Assembly and requires the State Treasurer to conduct a study of RECOP indebtedness. The findings indicate that there may be circumstances in which the State would benefit from taking advantage of flexible financing tools such as RECOPs, but that more information is needed for the General Assembly to consider such a policy decision. The bill directs the State Treasurer to study the effects of using RECOPs, either for new projects or refunding outstanding debt and to report the results of the study and any recommendations by February 1, 2005 to the Joint Legislative Commission on Governmental Operations.

Fiscal Effect:

Debt Service: University Projects. The starting point in the analysis is a projection of the construction cash flow needs for the cancer center and cardiovascular institute. These estimates were provided by the fiscal officers of the affected campuses. For the other projects, it was assumed that all of the cash flow needs would occur in FY 2004-05.

	($Mil.)	CASH FLOW NEEDS –DEBT ISSUANCE ($Mil.)					
	Total Financing	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Cancer Center	180.0	6.2	11.5	33.5	33.2	50.1	45.5
Cardio Center	60.0	2.1	2.1	27.9	27.9		
Bioformatics Center	35.0	1.2	1.3	16.3	16.2		
ECSU Pharmacy School	28.0	1.0	1.0	13.0	13.0		
UNC-A	35.0	1.2	1.3	16.3	16.2		
FSU	10.0	10.0					
A&T and UNC-G	10.0	10.0					
UNC-Pembroke	10.0	10.0					
WCU/MAHEC	10.0	10.0					
WSSU/School of Arts	10.0	10.0					
University Projects Total	**388.0**	**61.7**	**17.2**	**107.0**	**106.5**	**50.1**	**45.5**

The Department of State Treasurer provided an analysis of debt service costs for the original size and construction cash flow needs schedule of a proposed package of certificates of participation. These estimates were modified by Fiscal Research to fit the revised cash flow needs and project scope. The modification used the State Treasurer's debt service calculation model. The key assumptions in the analysis include:

1) The construction cash flow needs would be addressed by the issuance of debt instruments in August of that year.
2) The maximum maturity of each debt issuance is 20 years.
3) The average interest rate for the August 2004 issuance is 5.25%. For later debt issues, a 6.15% rate was used. The principal is repaid in equal installments on the anniversary date of the debt. Interest payments are made every six months.

Debt Service: Parks/BRAC. The Department of State Treasurer provided an analysis of debt service costs for the original size and construction cash flow needs schedule of a proposed package of certificates of participation. These estimates were modified by Fiscal Research to fit the revised cash flow needs and project scope. The modification used the State Treasurer's debt service calculation model. The key assumptions in the analysis include:

1) The maximum maturity of each debt issuance is 20 years.
2) The average interest rate for the May 2005 issuance is 5.90%. For the May 2006 issue, a 6.15% rate was used. The principal is repaid in equal installments on the anniversary date of the debt. Interest payments are made every six months.

The cash flow needs would be addressed by the issuance of $32 million of debt on May 1, 2005 and $13 million on May 1, 2006.

Debt Service: Youth Facilities. The Department of State Treasurer provided an analysis of debt service costs for the original size and construction cash flow needs schedule of a proposed package of certificates of participation. These estimates were modified by Fiscal Research to fit the revised cash flow needs and project scope. The modification used the State Treasurer's debt service calculation model. The key assumptions in the analysis include:

1) The construction cash flow needs would be addressed by the issuance of $13 million of debt instruments on April 1, 2005 and $22 million on November 1, 2005.
2) The maximum maturity of each debt issuance is 20 years.
3) The average interest rate for the April 2005 issuance is 5.90%. For the November 2005 issue, a 6.15% rate was used. The principal is repaid in equal installments on the anniversary date of the debt. Interest payments are made every six months.

Operations and Maintenance. General Administration of the University of North Carolina provided the following estimates on the operating costs for the proposed facilities.

2004 Non-Appropriated Capital Improvements - Operating Impact*

Non-Appropriated Projects	Project Capital Cost	Estimated Year of Completion	Estimated Operating Impact First Full Year of Operation	Estimated Operating Impact Twenty-Year Average	Operating Impact on the General Fund**
EAST CAROLINA UNIVERSITY					
Eastern Carolina Cardiovascular Institute	$60,000,000	2007	2,540,223	3,620,851	2,540,223
ELIZABETH CITY STATE UNIVERSITY					
School of Pharmacy	$28,000,000	2007	546,846	773,527	546,846
UNC - ASHEVILLE					
Center for Health Promotion and Wellness	$35,000,000	2008	806,043	1,029,156	806,043
UNC - CHARLOTTE					
Bioinformatics Center	$35,000,000	2008	1,892,393	2,692,978	1,892,393
UNC HEALTH CARE SYSTEM					
North Carolina Cancer Hospital	$180,000,000	2009	4,480,790	4,999,783	1,000,000
GRAND TOTALS	$338,000,000		10,266,295	13,116,295	6,785,505

* Assumes 3% increase per year for salary/benefits and 5% increase for non-personnel/utilities.
** Reflects the first full year operating costs of projects.

House Bill 1699, Chapter 181
UNC Non-appropriated Capital Projects

Summary: Authorizes $355.5 million for the construction and financing of the following projects without a General Fund appropriation:

ASU		
	Central Dining Facility Supp.	$2,000,000
	Steam Line Improvements	2,000,000
ECU		
	Residence Halls	3,250,000
	Administrative Offices	2,500,000
	Stadium Maintenance Repairs-Phase III	2,600,000
NC A&T		
	Parking Deck	6,796,750
NCCU		
	Biomanufacturing Research Institute & Training Enterprise	17,800,000
NCSU		
	Dining Hall Renovations	3,000,000
	Residence Hall Renovations	4,000,000
	Student Commons Improvements	3,500,000
	Renovations to Reynolds Coliseum	1,500,000
	Biomanufacturing Training & Education Center	33,500,000
UNC-Asheville		
	Residence Hall	12,700,000
UNC-CH		
	Carmichael Fields 3 & 4	1,200,000
	Student Family Housing	19,000,000
	Residence Hall Renovations	24,000,000
	Residence Hall Phase II Supplement	20,500,000
	Parking Facilities	17,000,000
	Ambulatory Care Renovations	1,800,000
	Arthritis Research Center	1,800,000
	ITS Building-Supplement	4,000,000
	Institute for Advanced Materials, Nanoscience & Nanotechnology	3,800,000
	Educational Foundation Office Bldg.	3,000,000
	Athletic Facilities Improvements	1,100,000
	School of Medicine Research	

Facilities-Addition	33,000,000
The Daniels Bldg. Renovations	7,000,000
Major Infrastructure Improvements	68,436,150
Campus Fiber Optic Wiring	8,000,000
Addition to WUNC Radio	1,000,000
UNC-Charlotte	
Parking Deck Supplement	4,200,000
Greek Village Housing	21,500,000
Student Union Bldg. Supp.	6,000,000
UNC-Greensboro	
Parking Deck Addition	8,000,000
Residence Hall Renovations	4,500,000
Dining Hall Renovations	1,500,000

The bill also provides that upon request, the Director of the Budget may increase or decrease the cost or method of funding of any projects. Further authorizes the Board of Governors to issue Special Obligation Bonds to pay for certain projects, maximum principal amount of bonds to be issued shall not exceed project costs plus $20 million for related costs.

Effective Date: Effective August 10, 2004.

Fiscal Effect: These projects will be funded through gifts and grants and through earned revenues such as housing, dining and parking receipts. The General Fund will pay the operating expenses and staffing of three of the proposed buildings at a price of $8.1 million in FY 2006-07, $5.4 million in 2007-08 and $5.6 million in FY 2008-09.

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	14,863.2		2,127.7	8,465.8	2,522.7	27,979.4
2004-05	15,918.4		2,169.6	8,967.1	2,677.5	29,732.6

Source: Office of State Budget and Management

Total General Fund Authorizations as Adjusted to Determine Total Current Operations

Fiscal Year	Total Authorizations *	% Change vs. Prior Year	Less: Adjustments to Total Authorizations — Capital Improvements: Direct Appropriations Includes FRS	Capital Improvements: Earmarking of Unreserved Credit Balance	Rainy Day/ Savings Reserve Direct Appropriations	Other	Total Adjustments	Total Current Operations	% Change vs. Prior Year
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%
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%

Total General Fund Authorizations as Adjusted to Determine Total Current Operations

Fiscal Year	Total Authorizations *	% Change vs. Prior Year	Less: Adjustments to Total Authorizations — Capital Improvements: Direct Appropriations Includes FRS	Capital Improvements: Earmarking of Unreserved Credit Balance	Rainy Day/ Savings Reserve Direct Appropriations	Other	Total Adjustments	Total Current Operations	% Change vs. Prior Year
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	14,914,222,783	3.92%	27,601,000	15,000,000	0	0	42,601,000	14,871,621,783	3.85%
2004-2005	16,024,170,294	7.44%	45,192,000	76,797,361	0	4,500,000 Q	126,489,361	15,897,680,933	6.90%

* ***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.

Q Statutorily estsblished the "JDIG Reserve Fund" to make annual appropriations to the Job Development Investment Grants Program. For the 2004-05 FY, appropriations made to this Reserve are not considered to be part of the current operating budget.

Earmarking of the Unreserved Credit Balance by Fiscal Year

(Includes Earmarkings / Transfers / Appropriations Directly from Year End Balance)

Fiscal Year	June 30th Unreserved Credit Balance b/f Earmarking	Statutory Earmarkings, Transfers and Appropriations of Year-end Credit Balance							Unreserved Credit Balance for Subsequent FY Beginning July 1st
		Savings Reserve Account	Repairs & Renovations Account	Clean Water Management Trust Fund	Tax Relief/ Tax Refunds	Other Earmarking	Appropriation of Reversions	Total	
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
2003-04	482,842,037 Q	116,666,064	76,797,361					193,463,425	289,378,612 Q

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 unreseved credit balances recognized by the General Assembly prior to and after earmarkings were $409.2 million and $244.2 million, respectively.

Q June 30th unreserved credit balances per the Office of State Budget and Management and Office of the State Controller. The unreseved credit balances recognized by the General Assembly prior to and after earmarkings were $466.7 million and $271.2 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 5% of Prior Fiscal Year Operations Appropriation**	Unreserved Credit Balance at Fiscal Year-end June 30th		Current Year Earmarking / Appropriation to Savings Reserve		Withdrawals and Adjustments		**Balance Savings Reserve Account**
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**	482,842,037	P	116,666,064		391,343	Q	**267,057,407**
2004-2005	14,871,621,783		**743,581,089**	?						

Includes Local Government Shared Revenues/Reimbursements

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.

O June 30th credit balance per the Office of State Budget and Management and Office of the State Controller. The unreserved credit balance recognized by the General Assembly prior to earmarkings was $409.2 million.

P June 30th credit balance per the Office of State Budget and Management and Office of the State Controller. The unreserved credit balance recognized by the General Assembly prior to earmarkings was $466.7 million.

Q $391,343 in unexpended funds for FY 2001-02 terrorism defense initiatives reverted to the Savings Reserve Account.

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
2003-04	7,509,898,086	776,964,847	8,286,862,933	4,222,201,842	445,294,486	128,479,443	182,392,509	423,405,050	43,732,769	0	98,357,842	13,830,726,874

Authorized and Actual Revenue Collections by Fiscal Year
Includes Tax and Non-tax Revenues
(Amounts shown in Thousands)

	Authorized							Actual Collections							Overcollections					
Fiscal Year	Tax Revenue	Non-tax Revenue	Federal Revenues	Hwy Fund	Hwy Trust Transfer	Total	% of Change	Tax Revenue	Non-tax Revenue	Federal Revenues	Hwy Fund	Hwy Trust Transfer	Total	% of Change	Tax Revenue	Non-tax Revenue	Federal Revenues	Hwy Fund	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	58,307	0	0	1,317,723	20.46%	133,507	(7,911)	58,307	0	0	183,903
1973-74	1,312,051	41,700	48,700	0	0	1,402,451	23.69%	1,358,185	71,579	52,727	0	0	1,482,491	12.50%	46,134	29,879	4,027	0	0	80,040
1974-75	1,507,270	68,350	52,400	0	0	1,628,020	16.08%	1,451,184	92,913	53,050	0	0	1,597,147	7.73%	(56,086)	24,563	650	0	0	(30,873)
1975-76	1,595,120	84,400	51,753	0	0	1,731,273	6.34%	1,571,845	76,232	62,454	0	0	1,710,531	7.10%	(23,275)	(8,168)	10,701	0	0	(20,742)
1976-77	1,824,000	80,617	53,613	0	0	1,958,230	13.11%	1,869,967	82,607	65,775	0	0	2,018,349	18.00%	45,967	1,990	12,162	0	0	60,119
1977-78	1,978,600	53,104	62,000	0	0	2,103,704	7.43%	2,060,482	74,339	61,732	0	0	2,196,553	8.83%	81,882	11,235	(268)	0	0	92,849
1978-79	2,262,000	74,500	56,588	0	0	2,393,088	13.76%	2,337,218	93,077	56,673	0	0	2,486,968	13.22%	75,218	18,577	85	0	0	93,880
1979-80	2,534,763	94,132	56,889	0	0	2,685,784	12.23%	2,639,214	146,046	56,782	0	0	2,842,042	14.28%	104,451	51,914	(107)	0	0	156,258
1980-81	2,839,500	98,700	28,381	0	0	2,966,581	10.45%	2,845,953	149,467	28,392	0	0	3,023,812	6.40%	6,453	50,767	11	0	0	57,231
1981-82	3,138,800	141,600	0	0	0	3,280,400	10.58%	3,077,713	151,566	262	0	0	3,229,541	6.80%	(61,087)	9,966	262	0	0	(50,859)
1982-83	3,370,300	144,800	0	0	0	3,515,100	7.15%	3,279,025	124,818	1,274	0	0	3,405,117	5.44%	(91,275)	(19,982)	1,274	0	0	(109,983)
1983-84	3,663,900	151,950	0	0	0	3,815,850	8.56%	3,814,378	142,900	169	0	0	3,957,447	16.22%	150,478	(9,050)	169	0	0	141,597
1984-85	4,129,722	146,840	1,500	0	0	4,278,062	12.11%	4,336,722	188,916	53	0	0	4,525,691	14.36%	207,000	42,076	(1,447)	0	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	0	17,000	264,000	7,852,400	8.00%	6,692,505	267,229	0	17,000	231,081	7,207,815	3.14%	(664,895)	53,229	0	0	(32,919)	(644,585)
1991-92	7,433,125	213,900	0	8,700	170,000	7,825,725	-0.34%	7,438,446	199,905	0	8,700	170,000	7,817,051	8.45%	5,321	(13,995)	0	0	0	(8,674)
1992-93	7,692,500	217,700	0	9,400	170,000	8,089,600	3.37%	7,883,017	230,380	0	9,400	170,000	8,292,797	6.09%	190,517	12,680	0	0	0	203,197
1993-94	8,360,900	293,760	93,200	9,900	170,000	8,927,760	10.36%	8,516,757	312,478	93,200	9,900	170,000	9,102,335	9.76%	155,857	18,718	0	0	0	174,575
1994-95	9,090,550	288,174	94,000	10,300	170,000	9,653,024	8.12%	9,365,818	330,423	94,000	10,500	170,000	9,970,739	9.54%	275,266	42,249	0	200	0	317,715
1995-96	9,164,500	317,200	106,900	11,100	170,000	9,769,700	1.21%	9,458,755	374,327	76,013	11,130	170,000	10,090,225	1.20%	294,255	57,127	(30,887)	30	0	320,525
1996-97	9,729,000	382,900	102,000	11,900	170,000	10,395,800	6.41%	10,238,591	409,281	100,844	11,853	170,000	10,930,569	8.33%	509,591	26,381	(1,156)	(47)	0	534,769
1997-98	10,561,300	449,700	0	12,600	170,000	11,193,600	7.67%	11,092,447	452,082	0	12,600	170,000	11,727,129	7.29%	531,147	2,382	0	0	0	533,529
1998-99	11,589,500	510,900	85,000	13,400	170,000	12,368,000	10.49%	11,965,264	500,057	85,000	13,400	170,000	12,733,721	8.58%	375,764	(10,843)	0	0	0	365,721
1999-00	12,468,000	519,300	105,000	13,600	170,000	13,275,900	7.34%	12,390,979	456,501	105,000	13,600	170,000	13,136,080	3.16%	(77,021)	(62,799)	0	0	0	(139,820)
2000-01	13,214,300	476,700	106,000	13,800	170,000	13,980,800	5.31%	12,573,059	586,100 A	109,143	13,600	170,000	13,451,902	2.40%	(641,241)	109,400	3,143	(200)	0	(528,898)
2001-02	13,956,100	463,700	107,000	14,500	171,700	14,713,000	5.24%	12,444,661	768,680 B	110,404	14,560	171,700	13,510,005	0.43%	(1,511,439)	304,980	3,404	60	0	(1,202,995)
2002-03	13,314,920	515,579	107,000	15,300	377,400	14,330,199	-2.60%	13,117,231	629,075 C	107,000	15,360	377,400	14,246,066	5.45%	(197,689)	113,496	0	60	0	(84,133)
2003-04	13,511,963	813,479	100,000	16,379	252,422	14,694,243	2.54%	13,830,727	876,670	97,144	16,379	252,422	15,073,342	5.81%	318,764	63,191	(2,856)	0	0	379,099

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 shorfall 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 shorfall for this year totals $1.555 billion.

C. 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: Public Schools Amount	Public Schools Percent	Community Colleges Amount	Community Colleges Percent	University Amount	University Percent	Education as a % of Total	Health & Human Services Amount	Health & Human Services Percent	All Other Amount	All Other 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: Public Schools Amount	Public Schools Percent	Community Colleges Amount	Community Colleges Percent	University Amount	University Percent	Education as a % of Total	Health & Human Services Amount	Health & Human Services Percent	All Other Amount	All Other 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: Public Schools Amount	Public Schools Percent	Community Colleges Amount	Community Colleges Percent	University Amount	University Percent	as a % of Total	Health & Human Services Amount	Health & Human Services Percent	All Other Amount	All Other 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: Public Schools Amount	Public Schools Percent	Community Colleges Amount	Community Colleges Percent	University Amount	University Percent	Education as a % of Total	Health & Human Services Amount	Health & Human Services Percent	All Other Amount	All Other 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%	
2003-04	Authorization	14,835,621,783	6,182,040,462	41.7%	683,286,314	4.6%	1,821,404,924	12.3%	58.6%	3,391,464,938	22.9%	2,757,425,145	18.6%
	Expenditure	14,676,583,520	6,166,536,283	42.0%	671,326,024	4.6%	1,793,421,536	12.2%	58.8%	3,344,888,536	22.8%	2,700,411,141	18.4%
	Reversion	159,038,263	15,504,179	9.7%	11,960,290	7.5%	27,983,388	17.6%	34.9%	46,576,402	29.3%	57,014,004	35.8%
	% Unexpended	1.1%	0.3%		1.75%		1.54%			1.37%		2.07%	

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
2004-05	R	45,192,000 S	76,797,361 S			

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 offest 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 offest the revenue/budgetary shortfall
Q Special indebtedness authorized includes $300 million for Repairs & Renovations, $234.5 million (est.) 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.
R Does **not** reflect authorization for the Director of Budget to use up to $4.5 million in unspent and unencumbered funds from completed capital projects for the expansion of the crime laboratory of the State Bureau of Investigation in Raleigh.
S The 2004 Budget Bill appropriated $43.19 million for capital projects and transferred $78.79 million to the R&R account from the unreserved credit balance. SB 3 transferred $2 million from the R&R account to a capital project for the NC Motorsports Testing and Research Complex.

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	16.15	1.0%
1990-91	71,259,383	37,392,600	108,651,983	16.02	1.0%
1991-92	79,683,770	38,227,230	117,911,000	17.10	1.0%
1992-93	89,020,478	38,018,250	127,038,728	18.04	1.1%
1993-94	86,368,214	37,359,875	123,728,089	17.22	0.9%
1994-95	113,399,264	27,631,295	141,030,559	19.21	1.1%
1995-96	120,176,561	25,133,780	145,310,341	19.38	1.2%
1996-97	119,601,436	4,978,215	124,579,651	16.27	1.1%
1997-98	111,742,579	0	111,742,579	14.31	1.0%
1998-99	192,350,072	28,357,925	220,707,997	27.76	1.5%
1999-00	182,507,249	27,607,550	210,114,799	26.01	1.4%

Source: Department of State Treasurer

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	34.37	1.9%
2001-02	302,612,023	26,106,800	328,718,823	39.57	2.3%
2002-03	249,927,333	25,356,425	275,283,758	32.70	1.8%
2003-04	381,673,212	32,374,253	414,047,465	48.36	2.6%
Projected as of September 2004					
2004-05	483,024,390	70,057,016	553,081,406	63.50	3.1%
2005-06	597,510,822	93,449,000	690,959,822	78.01	3.8%
2006-07	655,703,081	91,198,625	746,901,706	82.93	3.9%

Source: Department of State Treasurer

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%	1.8%
1979-80	574,750,000	179,000,000	753,750,000	127.86	20.2%	1.7%
1980-81	544,200,000	219,000,000	763,200,000	128.15	18.0%	1.5%
1981-82	582,700,000	323,000,000	905,700,000	150.48	18.0%	1.6%
1982-83	630,900,000	306,500,000	937,400,000	154.25	18.5%	1.4%
1983-84	589,200,000	290,000,000	879,200,000	142.62	14.9%	1.3%
1984-85	548,500,000	272,500,000	821,000,000	131.26	12.1%	1.1%
1985-86	508,000,000	254,000,000	762,000,000	120.51	10.3%	0.9%
1986-87	525,500,000	250,000,000	775,500,000	121.06	9.7%	0.9%
1987-88	481,410,000	226,750,000	708,160,000	109.23	8.3%	0.7%
1988-89	457,698,902	202,730,000	660,428,902	100.54	7.4%	0.6%
1989-90	412,038,903	175,965,000	588,003,903	88.26	5.9%	0.5%
1990-91	441,378,903	148,635,000	590,013,903	86.99	6.1%	0.5%
1991-92	548,678,902	118,695,000	667,373,902	96.78	7.0%	0.5%
1992-93	493,678,902	87,055,000	580,733,902	82.48	6.0%	0.4%
1993-94	936,191,005	55,285,000	991,476,005	137.97	10.3%	0.7%
1994-95	990,245,681	29,445,000	1,019,690,681	138.86	9.9%	0.7%
1995-96	940,252,373	4,895,000	945,147,373	126.03	9.4%	0.6%
1996-97	1,508,215,259	0	1,508,215,259	197.01	13.8%	0.9%
1997-98	1,867,480,343	250,000,000	2,117,480,343	271.16	15.9%	1.1%
1998-99	2,212,108,040	233,325,000	2,445,433,040	307.56	17.4%	1.2%
1999-00	2,286,848,925	216,650,000	2,503,498,925	309.91	17.4%	1.2%

Source: Department of State Treasurer

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	369.97	21.3%	1.4%
2001-02	3,274,944,986	183,300,000	3,458,244,986	416.27	24.9%	1.5%
2002-03	3,892,442,828	166,625,000	4,059,067,828	482.23	27.6%	1.7%
2003-04	4,945,769,379	549,950,000	5,495,719,379	641.86	33.1%	2.3%
Projected as of September 2004						
2004-05	5,870,616,427	811,430,000	6,682,046,427	767.17	37.5%	2.6%
2005-06	6,387,800,995	756,755,000	7,144,555,995	806.64	40.2%	2.7%
2006-07	6,046,135,272	702,080,000	6,748,215,272	749.25	35.8%	2.4%

Source: Department of State Treasurer

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
2004-05	95.13	4.37

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
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 (9.6%) 3rd year or more teacher
1986-87	$75 month (average 6%)	6.5%
1987-88	5%	5%

LEGISLATIVE INCREASES (Continued)

YEAR	STATE EMPLOYEES	TEACHERS
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)
2004-05[d]	Greater of a $1,000 or 2.5% across-the-board increase	1.41% to 5.90% (2.5% 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.

d. The number of teacher workdays in a school year for a 10-month teacher was reduced by 5 days without a concurrent reduction in salary for an affected teacher.

AVERAGE SALARY OF EMPLOYEES SUBJECT TO THE PERSONNEL ACT

YEAR	AVERAGE SALARY[1,2]
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
2003-04	33,854

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.**