

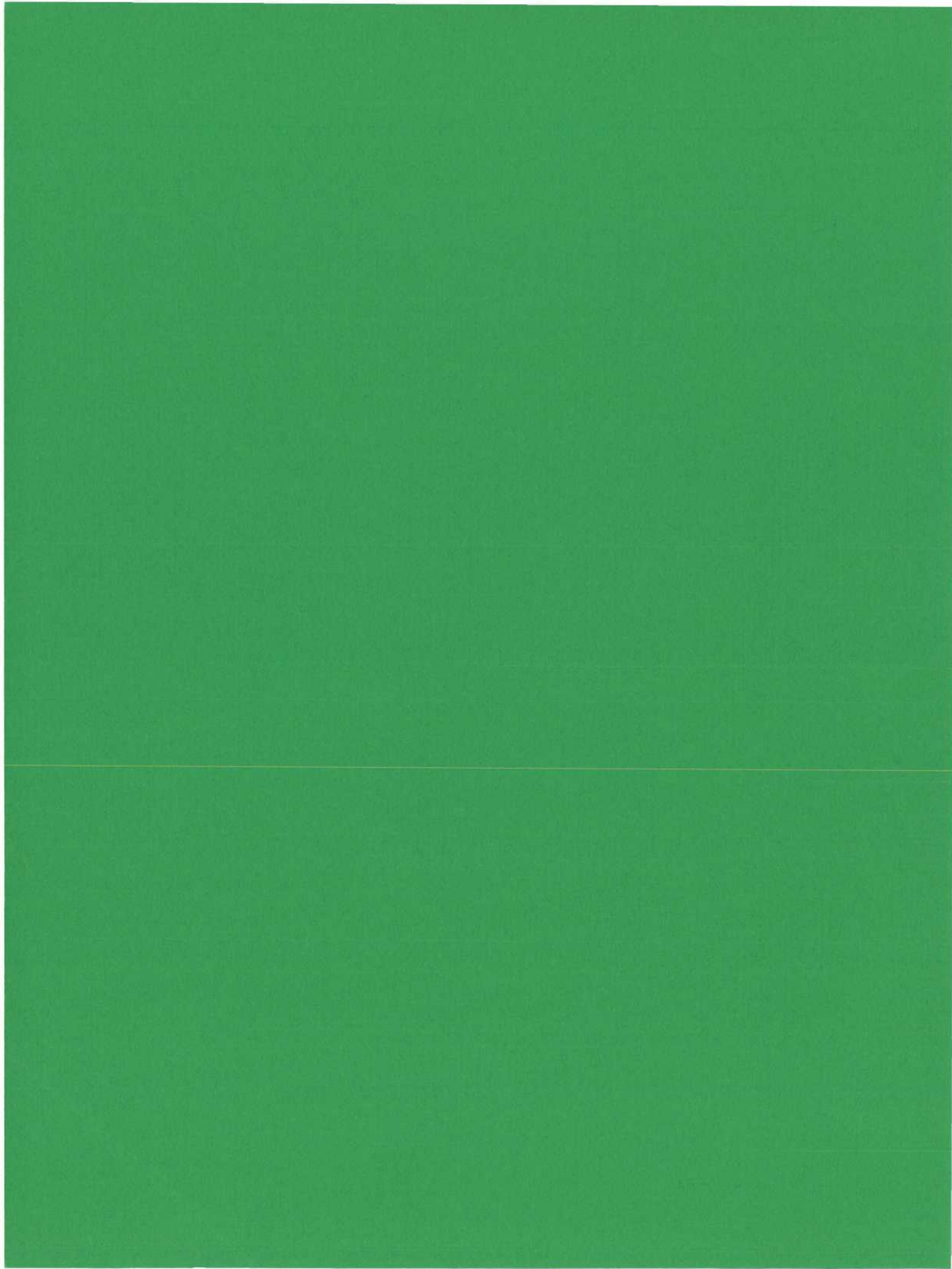
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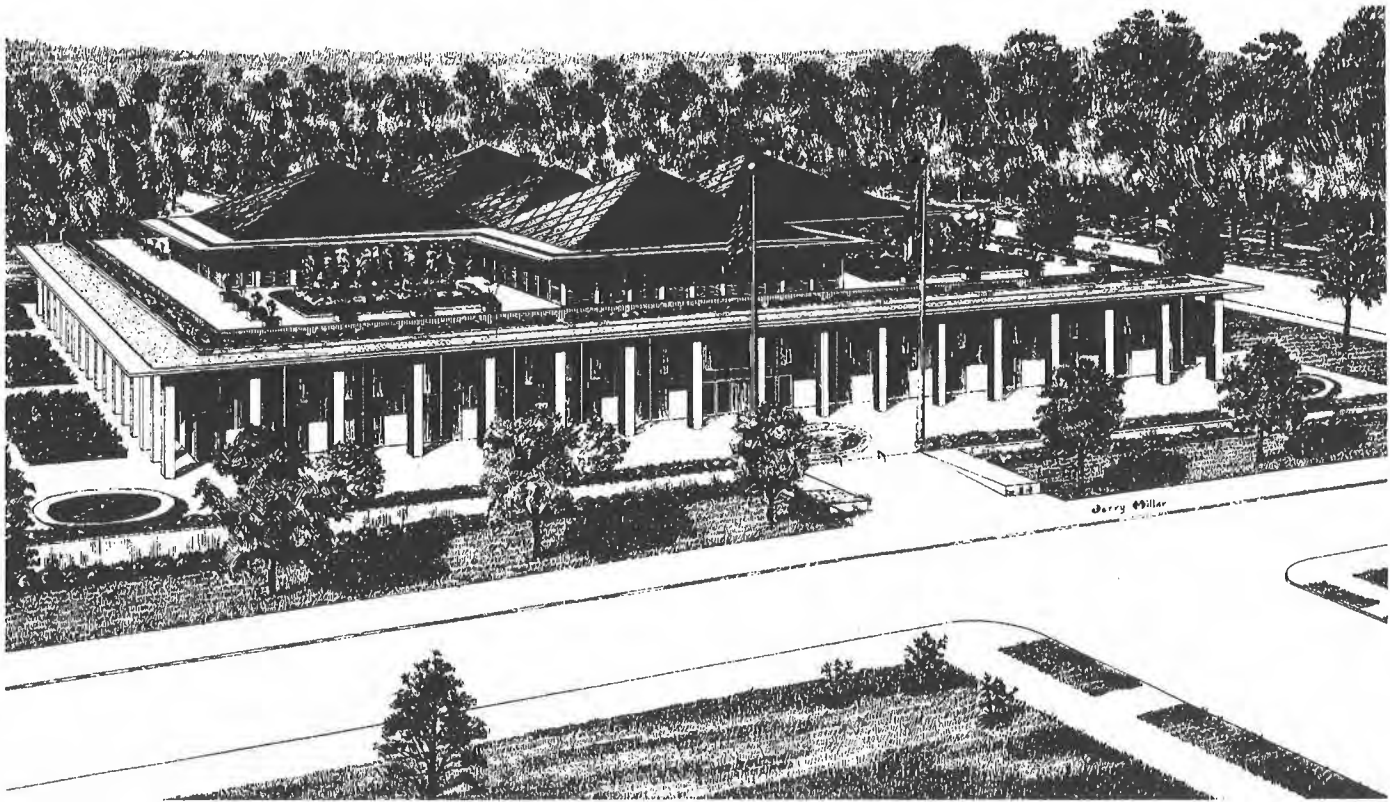
FISCAL AND BUDGETARY ACTIONS NORTH CAROLINA GENERAL ASSEMBLY

2005 SESSION

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

RALEIGH, NORTH CAROLINA





OVERVIEW:

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RALEIGH, NORTH CAROLINA

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State Lands/Building
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Cultural Resources
General Assembly
Governor's Office
Housing Finance Agency
Information Technology Services
Insurance
Licensing Boards
Lieutenant Governor
Office of Administrative Hearings
Revenue
Secretary of State
State Board of Elections
State Budget and Management
State Controller
Treasurer

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TABLE OF CONTENTS

	<u>Page</u>	
INTRODUCTION	i	
GLOSSARY	A-1	
TOTAL STATE BUDGET		
Budget Reform Statement (General Fund Availability)	B-1	
Summary Total State Budget	B-2	
Total State Budget by Agency	B-3	
Budgeted Position Summary.....	B-9	
ECONOMY AND REVENUES		
Economic Outlook and General Fund Revenues	C-1	
General Fund Revenue Collections (Target versus Actual)	C-9	
Economic Indicators	C-10	
Federal Income Tax Returns for North Carolina Taxpayers	C-11	
Growth Rates for Major Revenue Sources	C-12	
Historical and Projected General Fund Revenue Collections	C-13	
Highway Fund Revenue	C-14	
Highway Trust Fund Revenue	C-15	
FEDERAL BLOCK GRANTS & SUMMARY OF MEDICAID CHANGES		
Federal Block Grant Programs.....	D-1	
Changes to the Medicaid Program	D-5	
SUMMARY: GENERAL FUND APPROPRIATIONS		
General Fund Appropriations 2005-2007 Fiscal Biennium, 2005 Session.....	E-1	
EDUCATION		
Public Education.....	F-1	
University of North Carolina System	F-19	
Community Colleges	F-36	
HEALTH & HUMAN SERVICES		G-1
NATURAL AND ECONOMIC RESOURCES		
Agriculture and Consumer Services	H-1	
Labor	H-7	
Environment and Natural Resources	H-10	
Commerce.....	H-23	
Commerce – State Aid	H-31	
N.C. Biotechnology Center	H-36	
Rural Economic Development Center	H-38	

TABLE OF CONTENTS (CONTINUED)

	<u>Page</u>
JUSTICE AND PUBLIC SAFETY	
Judicial	I-1
Judicial – Indigent Defense	I-7
Justice	I-10
Juvenile Justice and Delinquency Prevention	I-15
Correction	I-20
Crime Control and Public Safety	I-29
GENERAL GOVERNMENT	
Administration	J-1
Cultural Resources	J-8
General Assembly	J-19
Housing Finance Agency	J-21
Insurance	J-23
Insurance – Volunteer Safety Workers’ Compensation Fund	J-27
Lieutenant Governor	J-29
Office of Administrative Hearings	J-31
Revenue	J-33
Secretary of State	J-42
State Board of Elections	J-45
State Budget and Management	J-47
State Budget and Management – Special Appropriations	J-50
State Controller	J-56
Treasurer	J-58
Treasurer – Retirement for Fire and Rescue Squad Workers	J-63
TRANSPORTATION	
Transportation – General Fund	K-1
Transportation – Highway Fund	K-2
Transportation – Highway Trust Fund	K-9
RESERVES, DEBT SERVICE AND ADJUSTMENTS/GENERAL PROVISIONS	
Disaster Relief: Hurricane Recovery Act of 2005, Senate Bill 7	L-0.1
Reserves, Debt Service and Adjustments, 2005-07 Biennium, Senate Bill 622	L-1
CAPITAL	M-1
SALARIES AND BENEFITS	
Salary Changes for Employees Supported by the State	N-1
Retirement and Pension Changes for State and Local Personnel	N-9
Benefit Changes for State and Local Personnel	N-13
State Employee Health Benefit Changes	N-15
REVENUE/FEE BILLS	
Bills Affecting General Fund Revenue	O-1
Bills Affecting Special Revenue Funds	O-18
Bills Affecting All Local Governments	O-34

TABLE OF CONTENTS (CONTINUED)

Page

APPENDIX

Total State Budget by Source of Funds	P-1
Total General Fund Authorizations as Adjusted to Determine Total Current Operations	P-2
Earmarking of the Unreserved Credit Balance by Fiscal Year	P-4
Savings Reserve at Year Ending June 30.....	P-5
Tax Revenues by Major Schedules (Actual)	P-6
Authorized and Actual Revenue Collections by Fiscal Year (\$ in Thousands)	P-7
North Carolina General Fund Operating Appropriations	P-8
Capital Improvement Authorizations	P-12
General Obligation Bond Acts Since 1971	P-13
North Carolina Annual Debt Service	P-14
North Carolina Bond Indebtedness	P-16
Across-The-Board Salary Cost for Each 1% Increase (Millions).....	P-18
Legislative Increases	P-19
Average Salary of Employees Subject to the Personnel Act.....	P-21

INTRODUCTION

This document is divided into sections as follows:

Section A - **Glossary**

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

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

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

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

Sections F through K – Budget adjustments (i.e. reductions and expansion) by state agency are outlined in detail and organized by appropriations subcommittee. Also summarizes special provisions in the appropriations act and other related legislation governing state agencies.

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

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

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

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

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

GLOSSARY

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

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

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

Capital Improvements: One-time appropriations for new construction, renovations, repairs and land purchases.

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

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

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

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

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

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

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

GLOSSARY (Continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

TOTAL STATE BUDGET

Budget Reform Statement - General Fund Availability

	FY 2005-2006	FY 2006-2007
1 Unappropriated Balance Remaining from Previous Year	0	107,253,042
2 Projected Over Collections FY 2004-05	681,500,000	0
3 Projected Reversions FY 2004-05	115,000,000	0
4 Less Earmarkings of Year End Credit Balance		0
5 Savings Reserve Account	(199,125,000)	0
6 Repairs and Renovations	(125,000,000)	0
7 Beginning Unreserved Credit Balance	472,375,000	107,253,042
8		
9 Revenues Based on Existing Tax Structure	15,417,300,000	16,077,600,000
10		
11 Non-tax Revenues		
12 Investment Income	74,800,000	78,700,000
13 Judicial Fees	144,800,000	148,300,000
14 Disproportionate Share	100,000,000	100,000,000
15 Insurance	49,500,000	51,300,000
16 Other Non-Tax Revenues	138,000,000	151,300,000
17 Highway Trust Fund/Use Tax Reimbursement Transfer	252,558,117	252,663,009
18 Highway Fund Transfer	16,166,400	16,166,400
19 Subtotal Non-tax Revenues	775,824,517	798,429,409
20		
21 Total General Fund Availability	16,665,499,517	16,983,282,451
22		
23 Adjustments to Availability: 2005 Session		
24 Streamlined Sales Tax Changes	40,000,000	61,700,000
25 Maintain 4.5% Sales Tax Rate	417,100,000	462,700,000
26 Other Sales, Use and Excise Tax Changes		
27 Apply Sales Tax to Candy	9,800,000	15,800,000
28 Apply General Sales Tax Rate to Cable	10,900,000	26,100,000
29 Exempt Potting Soil for Farmers	(200,000)	(300,000)
30 School Sales Tax Refund Swap	0	725,000
31 Motor and Aviation Fuels Tax Changes - HB 105, SL 2005-435	(5,600,000)	(2,600,000)
32 Refund Excise Tax on Unsalable Cigars - SB 868, SL 2005-406	(26,000)	(29,000)
33 Tobacco Tax Rate Changes	118,800,000	189,400,000
34 Extend 8.25% Individual Income Tax Rate for 2 years	39,800,000	89,700,000
35 Continue Use Tax Line on Individual Returns	3,200,000	3,200,000
36 Increase Contribution to NC Political Parties Financing Fund - Tax Return Designation - HB 320, SL 2005-345	0	(1,000,000)
37 Conform Estate Tax to Federal Sunset - HB 1630, SL 2005-144	29,100,000	115,600,000
38 Film Industry Jobs Incentives	(3,500,000)	(3,500,000)
39 IRC Update -- Partial Conformance	(8,000,000)	(10,700,000)
40 Adjust Rates for Health Maintenance Organizations	0	14,300,000
41 Extend JDIG and Bill Lee Act - HB 1004, SL 2005-241	0	(2,030,000)
42 Expand Credit for Investment in Renewable Energy Property - SB 1149, SL 2005-413	0	(100,000)
43 Increase Earmarking for NC Grape Growers Council	(150,000)	(150,000)
44 Proceeds from the Sale of the Polk Building	4,977,781	0
45 Justice and Public Safety fees	16,868,771	20,428,271
46 Transfer from Tobacco Trust Fund	34,000,000	30,000,000
47 Transfers from Special Revenue and Other Funds	5,453,950	0
48 Reimburse Debt Service - Capital Facilities & Land Acquisition per SL 2004-179	5,958,723	21,060,827
49 Transfer to Civil Penalty and Forfeiture Fund	(80,000,000)	(85,000,000)
50 Suspend Highway Fund Transfer	(16,166,400)	(16,166,400)
51 Adjust Transfer from Insurance Regulatory Fund	389,013	243,813
52 Adjust Transfer from Treasurer's Office	468,478	67,478
53 Reimbursement for Property Tax Commission Expenses - HB 320, SL 2005-345	0	168,616
54 Subtotal Adjustments to Availability: 2005 Session	623,174,316	929,618,605
55		
56 Revised General Fund Availability	17,288,673,833	17,912,901,056
57		
58 Less: General Fund Appropriations		
59 SB 622 (2005 Appropriations Act), SB 148 (Death Benefit for Part-Time LEO), SB 671 (Real Property Electronic Recording/Notary Act), SB 1117 (2005 Military Support Act)	(17,081,420,791)	(17,296,304,791)
60 G.S. 143-15.3B: Clean Water Management Trust Fund	(100,000,000)	(100,000,000)
61 Total General Fund Appropriations 2005-07 Biennium	(17,181,420,791)	(17,396,304,791)
62		
63 Unappropriated Balance Remaining	107,253,042	516,596,265

Summary of Total State Budget
by Source of Funds
2005-2007 Biennium

	FY 2005-06		FY 2006-07	
	(\$ millions)	percentage	(\$ millions)	percentage
General Fund				
Current Operations	\$17,126.5	51.35%	\$17,396.3	51.45%
Capital Improvements	54.9	0.16%	0.0	0.00%
Subtotal General Fund Budget	17,181.4	51.52%	17,396.3	51.45%
 Highway Fund/Highway Trust Fund	 2,744.7	 8.23%	 2,723.2	 8.05%
 Federal Funds	 9,972.0	 29.90%	 10,289.9	 30.43%
 Departmental Receipts/Other Sources	 3,452.8	 10.35%	 3,401.2	 10.06%
 Total State Budget -- All Sources	 \$33,350.9	 100.00%	 \$33,810.6	 100.00%

**Total State Budget by Appropriations Subcommittee and Agency
2005-06 Fiscal Year**

			Departmental Receipts & Other Sources	Federal Funds	Total All Sources
Subcommittee Area/Agency	General Fund	Highway Trust/ Highway Fund			
Education:					
Public Schools	6,607,998,945	31,867,200	14,052,445	887,957,922	7,541,876,512
Community Colleges	787,685,943	0	193,172,844	16,271,397	997,130,184
University System:					
Appalachian State University	92,023,524	0	43,873,602	77,725	135,974,851
East Carolina University - Academic	149,108,227	0	77,771,873	145,900	227,026,000
East Carolina University - Health Services	43,924,110	0	2,502,000	0	46,426,110
Elizabeth City State University	26,278,934	0	5,665,546	48,400	31,992,880
Fayetteville State University	38,281,251	0	11,866,002	109,202	50,256,455
NC Agricultural & Technical State University	74,774,256	0	39,873,457	58,714	114,706,427
NC Central University	53,134,986	0	24,891,928	108,431	78,135,345
NC School of the Arts	20,661,260	0	8,865,057	14,550	29,540,867
NC School of Science and Math	14,355,420	0	808,189	0	15,163,609
NC State University - Academic	289,775,248	0	143,802,081	200,000	433,777,329
NC State University - Ag Extension Services	45,200,460	0	2,378,485	8,016,973	55,595,918
NC State University - Ag Research Services	35,749,142	0	443,800	14,683,685	50,876,627
UNC - Asheville	26,947,933	0	10,206,446	10,400	37,164,779
UNC - Chapel Hill - Academic Affairs	202,350,966	0	155,788,564	246,671	358,386,201
UNC - Chapel Hill - Area Health Education	162,488,570	0	36,338,458	0	198,827,028
UNC - Chapel Hill - Health Affairs	44,743,422	0	0	0	44,743,422
UNC - Charlotte	116,642,897	0	67,081,854	100,000	183,824,751
UNC - Greensboro	107,268,122	0	45,836,708	111,798	153,216,628
UNC - Pembroke	38,224,933	0	10,550,300	42,968	48,818,201
UNC - Wilmington	64,327,438	0	42,765,375	71,575	107,164,388
Western Carolina University	59,505,934	0	20,962,932	148,874	80,617,740
Winston Salem State University	42,696,662	0	10,804,311	74,805	53,575,778
UNC - General Administration	46,820,853	0	16,500	0	46,837,353
UNC - Institutional Programs	140,221,816	0	12,116,663	0	152,338,479
UNC - Related Education Programs	111,601,947	0	0	1,778,477	113,380,424
UNC Hospitals	38,944,579	0	593,010,688	0	631,955,267
Subtotal UNC System	2,086,052,890	0	1,368,220,819	26,049,148	3,480,322,857
Subtotal Education	9,481,737,778	31,867,200	1,575,446,108	930,278,467	12,019,329,553
Health and Human Services:					
Aging and Adult Services	29,975,639	0	9,336,701	38,474,866	77,787,206
Blind, Deaf and Hard of Hearing	9,676,797	0	1,554,627	14,053,093	25,284,517
Child Development	268,350,017	0	776,000	307,634,343	576,760,360
Education Services	33,852,267	0	436,984	151,860	34,441,111
Facility Services	13,608,838	0	4,795,135	26,311,777	44,715,750
Medical Assistance	2,509,772,054	0	627,779,975	5,896,948,964	9,034,500,993
Mental Health/DD/SAS	603,315,155	0	53,340,292	96,537,453	753,192,900
NC Health Choice	68,169,765	0	0	192,245,983	260,415,748
Public Health	152,391,232	0	80,682,979	356,214,651	589,288,862
Social Services	188,512,693	0	504,297,523	641,090,666	1,333,900,882
Vocational Rehabilitation	41,755,526	0	6,390,905	70,794,143	118,940,574
Office of the Secretary	113,855,919	0	719,662	61,986,627	176,562,208
Subtotal Health and Human Services	4,033,235,902	0	1,290,110,783	7,702,444,426	13,025,791,111
Justice and Public Safety:					
Correction	1,029,924,421	0	92,138,283	0	1,122,062,704
Crime Control & Public Safety	34,843,934	173,553,312	8,725,213	12,636,367	229,758,826
Judicial	342,924,393	0	616,948	0	343,541,341
Judicial - Indigent Defense	94,037,973	0	8,183,874	0	102,221,847
Justice	77,322,567	0	6,100,006	1,698,412	85,120,985
Juvenile Justice & Delinquency Prevention	140,377,666	0	7,035,746	0	147,413,412
Subtotal Justice and Public Safety	1,719,430,954	173,553,312	122,800,070	14,334,779	2,030,119,115

Total State Budget by Appropriations Subcommittee and Agency					
2005-06 Fiscal Year					
Subcommittee Area/Agency	General Fund	Highway Trust/ Highway Fund	Departmental Receipts & Other Sources	Federal Funds	Total All Sources
Natural and Economic Resources:					
Agriculture & Consumer Services	52,040,846	0	23,626,318	6,483,520	82,150,684
Commerce	49,686,999	0	46,968,141	302,263,752	398,918,892
Commerce - State Aid	63,873,087	0	0	0	63,873,087
Environment and Natural Resources	177,197,119	0	79,243,695	52,553,379	308,994,193
Clean Water Management Trust Fund	100,000,000	0	0	0	100,000,000
Wildlife Resources Commission	0	0	20,204,523	8,521,831	28,726,354
Labor	14,419,553	0	4,868,257	6,855,478	26,143,288
Subtotal Natural and Economic Resources	457,217,604	0	174,910,934	376,677,960	1,008,806,498
General Government:					
Administration	62,039,261	0	9,999,851	6,701,151	78,740,263
Auditor	10,850,737	0	50	0	10,850,787
Board of Elections	5,107,543	0	39,500	0	5,147,043
Controller	10,043,268	0	27,680	0	10,070,948
Cultural Resources	73,458,514	0	1,944,143	6,109,262	81,511,919
Cultural Resources - Roanoke Island	1,783,374	0	0	0	1,783,374
General Assembly	42,934,588	0	970,100	0	43,904,688
Governor	5,324,590	0	204,156	0	5,528,746
Housing Finance Agency	10,450,945	0	1,231,250	44,623,825	56,306,020
Information Technology Services	0	0	141,535,413	0	141,535,413
Insurance	28,220,714	0	29,196,167	343,608	57,760,489
Insurance - Worker's Compensation Fund	2,000,000	0	2,495,814	341,450	4,837,264
Lieutenant Governor	754,737	0	0	0	754,737
Office of Administrative Hearings	2,987,410	0	120,014	0	3,107,424
Revenue	81,467,175	4,880,297	332,596	0	86,680,068
Secretary of State	9,034,063	0	424,659	0	9,458,722
State Budget and Management (OSBM)	5,019,735	0	500	0	5,020,235
State Budget and Management - Special Appropriations	11,358,429	0	0	0	11,358,429
Treasurer	8,690,595	0	818,662	0	9,509,257
Treasurer - Retirement for Fire & Rescue Squad Workers	8,751,457	0	0	0	8,751,457
Occupational Licensing Boards	0	0	2,858,301	0	2,858,301
Subtotal General Government	380,277,135	4,880,297	192,198,856	58,119,296	635,475,584
Transportation	200,000	2,440,915,907	5,009,205	890,141,025	3,336,266,137
Debt Service:					
General Debt Service	489,544,211	93,449,000	92,293,294	0	675,286,505
Federal Reimbursement	1,616,380	0	0	0	1,616,380
Subtotal Debt Service	491,160,591	93,449,000	92,293,294	0	676,902,885
Reserves and Adjustments:					
Compensation Increases	243,181,327	0	0	0	243,181,327
Salary Adjustment Fund	9,000,000	0	0	0	9,000,000
Teachers' and State Employees' Retirement Contribution	13,810,800	0	0	0	13,810,800
Retirement System Payback	25,000,000	0	0	0	25,000,000
Death Benefit Trust	12,899,200	0	0	0	12,899,200
Disability Income Plan	6,586,500	0	0	0	6,586,500
State Health Plan	108,648,000	0	0	0	108,648,000
Contingency and Emergency Fund	5,000,000	0	0	0	5,000,000
Information Technology Rate Adjustments	(2,300,000)	0	0	0	(2,300,000)
Information Technology Fund	24,375,000	0	0	0	24,375,000
Mental Health/DD/SAS Trust Fund Reserve	10,000,000	0	0	0	10,000,000
Health and Wellness Trust Fund	10,000,000	0	0	0	10,000,000
Job Development Investment Grants (JDIG)	9,000,000	0	0	0	9,000,000
Reserve for Increased Fuel Costs	3,000,000	0	0	0	3,000,000
Reserve for Contingent Appropriations	85,000,000	0	0	0	85,000,000
Subtotal Reserves and Adjustments	563,200,827	0	0	0	563,200,827

Total State Budget by Appropriations Subcommittee and Agency					
2005-06 Fiscal Year					
	General	Highway Trust/	Departmental		
Subcommittee Area/Agency	Fund	Highway Fund	Receipts & Other Sources	Federal Funds	Total All Sources
<u>Capital Improvements</u>					
Commerce	9,000,000	0	0	0	9,000,000
Cultural Resources	10,250,000	0	0	0	10,250,000
Environment and Natural Resources	19,160,000	0	0	0	19,160,000
UNC System	16,550,000	0	0	0	16,550,000
Subtotal Capital Improvements	54,960,000	0	0	0	54,960,000
Total State Budget	17,181,420,791	2,744,665,716	3,452,769,250	9,971,995,953	33,350,851,710

Total State Budget by Appropriations Subcommittee and Agency					
2006-07 Fiscal Year					
Subcommittee Area/Agency	General Fund	Highway Trust/ Highway Fund	Departmental Receipts & Other Sources	Federal Funds	Total All Sources
Education:					
Public Schools	6,579,807,097	32,059,200	14,052,445	887,957,922	7,513,876,664
Community Colleges	767,295,886	0	193,172,844	16,271,397	976,740,127
University System:					
Appalachian State University	92,429,242	0	43,875,352	77,725	136,382,319
East Carolina University - Academic	152,174,056	0	77,771,873	145,900	230,091,829
East Carolina University - Health Services	43,971,394	0	2,502,000	0	46,473,394
Elizabeth City State University	26,254,663	0	5,665,593	48,400	31,968,656
Fayetteville State University	38,697,986	0	11,859,002	109,202	50,666,190
NC Agricultural & Technical State University	75,013,340	0	39,872,757	58,714	114,944,811
NC Central University	53,298,226	0	24,891,928	108,431	78,298,585
NC School of the Arts	20,685,969	0	8,862,253	14,550	29,562,772
NC School of Science and Math	14,313,392	0	808,189	0	15,121,581
NC State University - Academic	295,397,725	0	143,798,481	200,000	439,396,206
NC State University - Ag Extension Services	45,281,347	0	2,372,514	8,016,973	55,670,834
NC State University - Ag Research Services	35,668,328	0	443,600	14,683,685	50,795,613
UNC - Asheville	27,941,812	0	10,202,946	10,400	38,155,158
UNC - Chapel Hill - Academic Affairs	211,161,450	0	155,788,164	246,671	367,196,285
UNC - Chapel Hill - Area Health Education	164,709,561	0	36,337,758	0	201,047,319
UNC - Chapel Hill - Health Affairs	44,743,422	0	0	0	44,743,422
UNC - Charlotte	118,349,192	0	67,082,104	100,000	185,531,296
UNC - Greensboro	108,409,078	0	45,836,708	111,798	154,357,584
UNC - Pembroke	38,880,133	0	10,550,300	42,968	49,473,401
UNC - Wilmington	66,537,810	0	42,763,775	71,575	109,373,160
Western Carolina University	60,270,554	0	20,959,932	148,874	81,379,360
Winston Salem State University	42,807,846	0	10,804,011	74,805	53,686,662
UNC - General Administration	46,906,173	0	18,000	0	46,924,173
UNC - Institutional Programs	145,667,434	0	12,116,663	0	157,784,097
UNC - Related Education Programs	111,882,369	0	0	1,778,477	113,660,846
UNC Hospitals	38,944,579	0	593,010,688	0	631,955,267
Subtotal UNC System	2,120,397,081	0	1,368,194,591	26,049,148	3,514,640,820
Subtotal Education	9,467,500,064	32,059,200	1,575,419,880	930,278,467	12,005,257,611
Health and Human Services:					
Aging and Adult Services	29,495,139	0	9,336,701	38,474,866	77,306,706
Blind, Deaf and Hard of Hearing	9,681,220	0	1,554,778	14,170,597	25,406,595
Child Development	267,356,799	0	776,000	289,984,225	558,117,024
Education Services	34,281,895	0	434,484	151,860	34,868,239
Facility Services	15,959,466	0	4,195,135	26,077,718	46,232,319
Medical Assistance	2,751,209,159	0	616,015,550	6,276,120,967	9,643,345,676
Mental Health/DD/SAS	602,556,655	0	53,306,167	96,537,451	752,400,273
NC Health Choice	51,882,902	0	0	144,985,535	196,868,437
Public Health	150,814,496	0	80,682,979	356,214,651	587,712,126
Social Services	190,679,285	0	504,792,733	641,338,024	1,336,810,042
Vocational Rehabilitation	42,142,193	0	6,390,905	71,635,433	120,168,531
Office of the Secretary	118,880,919	0	719,662	64,657,687	184,258,268
Subtotal Health and Human Services	4,264,940,128	0	1,278,205,094	8,020,349,014	13,563,494,236
Justice and Public Safety:					
Correction	1,048,492,502	0	92,096,383	0	1,140,588,885
Crime Control & Public Safety	35,153,488	173,855,148	8,831,313	12,636,367	230,476,316
Judicial	345,760,410	0	616,948	0	346,377,358
Judicial - Indigent Defense	88,648,414	0	8,183,874	0	96,832,288
Justice	78,697,271	0	6,551,138	1,698,412	86,946,821
Juvenile Justice & Delinquency Prevention	138,873,166	0	7,635,746	0	146,508,912
Subtotal Justice and Public Safety	1,735,625,251	173,855,148	123,915,402	14,334,779	2,047,730,580

**Total State Budget by Appropriations Subcommittee and Agency
2006-07 Fiscal Year**

Subcommittee Area/Agency	General Fund	Highway Trust/ Highway Fund	Departmental Receipts & Other Sources	Federal Funds	Total All Sources
Natural and Economic Resources:					
Agriculture & Consumer Services	51,032,884	0	23,621,318	6,487,790	81,141,992
Commerce	36,728,265	0	46,852,452	302,264,504	385,845,221
Commerce - State Aid	47,358,087	0	0	0	47,358,087
Environment and Natural Resources	168,451,089	0	79,166,755	52,553,379	300,171,223
Clean Water Management Trust Fund	100,000,000	0	0	0	100,000,000
Wildlife Resources Commission	0	0	20,204,523	8,521,831	28,726,354
Labor	14,434,925	0	4,871,338	6,863,789	26,170,052
Subtotal Natural and Economic Resources	418,005,250	0	174,716,386	376,691,293	969,412,929
General Government:					
Administration	58,818,473	0	9,999,851	6,701,151	75,519,475
Auditor	10,840,918	0	50	0	10,840,968
Board of Elections	5,069,307	0	39,500	0	5,108,807
Controller	10,044,511	0	27,680	0	10,072,191
Cultural Resources	62,917,147	0	1,946,992	6,109,262	70,973,401
Cultural Resources - Roanoke Island	1,783,374	0	0	0	1,783,374
General Assembly	46,965,432	0	984,600	0	47,950,032
Governor	5,344,528	0	204,156	0	5,548,684
Housing Finance Agency	4,750,945	0	1,231,250	44,623,825	50,606,020
Information Technology Services	0	0	141,535,413	0	141,535,413
Insurance	28,110,582	0	29,196,167	343,608	57,650,357
Insurance - Worker's Compensation Fund	4,500,000	0	2,495,814	341,450	7,337,264
Lieutenant Governor	753,037	0	0	0	753,037
Office of Administrative Hearings	2,969,712	0	120,014	0	3,089,726
Revenue	80,673,250	4,884,279	332,596	0	85,890,125
Secretary of State	9,369,633	0	424,659	0	9,794,292
State Budget and Management (OSBM)	6,021,795	0	500	0	6,022,295
State Budget and Management - Special Appropriations	5,111,429	0	0	0	5,111,429
Treasurer	8,295,843	0	817,221	0	9,113,064
Treasurer - Retirement for Fire & Rescue Squad Workers	8,651,457	0	0	0	8,651,457
Occupational Licensing Boards	0	0	3,510,302	0	3,510,302
Subtotal General Government	360,991,373	4,884,279	192,866,765	58,119,296	616,861,713
Transportation	0	2,421,167,441	5,009,205	890,141,025	3,316,317,671
Debt Service:					
General Debt Service	619,291,140	91,198,625	51,095,584	0	761,585,349
Federal Reimbursement	1,616,380	0	0	0	1,616,380
Subtotal Debt Service	620,907,520	91,198,625	51,095,584	0	763,201,729
Reserves and Adjustments:					
Compensation Increases	235,185,705	0	0	0	235,185,705
Salary Adjustment Fund	9,000,000	0	0	0	9,000,000
Teachers' and State Employees' Retirement Contribution	13,810,800	0	0	0	13,810,800
Retirement System Payback	0	0	0	0	0
Death Benefit Trust	12,899,200	0	0	0	12,899,200
Disability Income Plan	6,586,500	0	0	0	6,586,500
State Health Plan	142,728,000	0	0	0	142,728,000
Contingency and Emergency Fund	5,000,000	0	0	0	5,000,000
Information Technology Rate Adjustments	(2,300,000)	0	0	0	(2,300,000)
Information Technology Fund	8,025,000	0	0	0	8,025,000
Mental Health/DD/SAS Trust Fund Reserve	0	0	0	0	0
Health and Wellness Trust Fund	0	0	0	0	0
Job Development Investment Grants (JDIG)	12,400,000	0	0	0	12,400,000
Reserve for Increased Fuel Costs	0	0	0	0	0
Reserve for Contingent Appropriations	85,000,000	0	0	0	85,000,000
Subtotal Reserves and Adjustments	528,335,205	0	0	0	528,335,205

Total State Budget by Appropriations Subcommittee and Agency					
2006-07 Fiscal Year					
			Departmental		
	General	Highway Trust/	Receipts &	Federal	Total
Subcommittee Area/Agency	Fund	Highway Fund	Other Sources	Funds	All Sources
<u>Capital Improvements</u>					
Commerce	0	0	0	0	0
Cultural Resources	0	0	0	0	0
Environment and Natural Resources	0	0	0	0	0
UNC System	0	0	0	0	0
Subtotal Capital Improvements	0	0	0	0	0
Total State Budget	17,396,304,791	2,723,164,693	3,401,228,316	10,289,913,874	33,810,611,674

BUDGETED POSITION SUMMARY

State of North Carolina
Full-time Equivalent Position Counts by GAAP Fund Type
(December 2004)

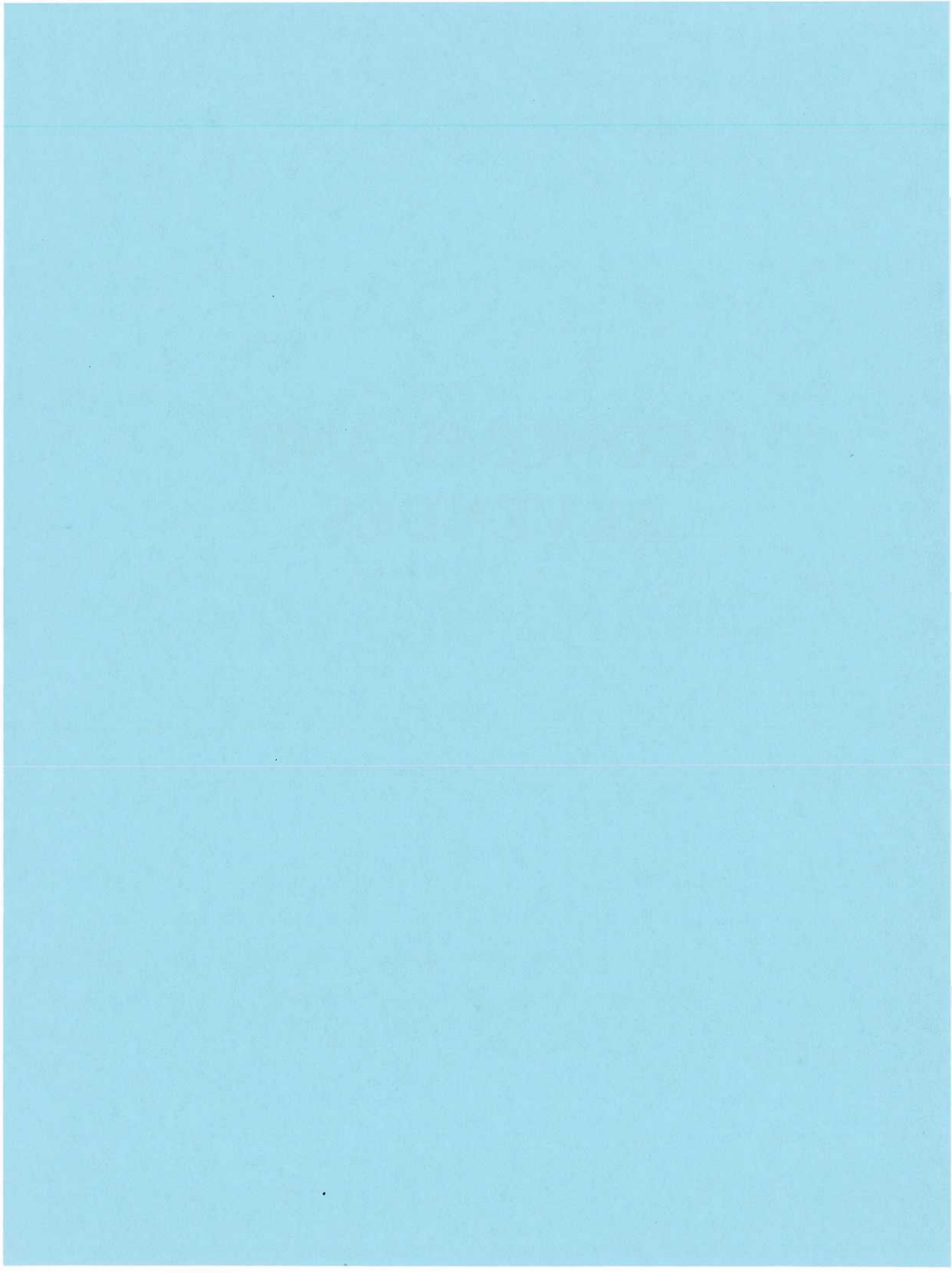
	General Fund (1)		Highway Fund		Enterprise	Institutional	Internal Service	Special	Trust	Total by
	Appropriated	Receipt	Appropriated	Receipt (2)	Fund	Fund	Fund	Fund	Fund	Sector
Government Sector										
State Government										
UNC System ⁽³⁾	31,357.67	1,588.88	-	-	5,522.11	15,682.67	-	-	-	54,151.32
Justice and Public Safety	28,461.24	441.00	2,223.00	-	-	-	402.00	305.79	-	31,833.03
Health & Human Services	8,829.04	9,163.26	-	-	35.00	-	9.00	680.74	13.00	18,730.04
Transportation	-	-	8,163.50	5,778.50	-	-	-	-	-	13,942.00
Natural & Economic Resources	3,856.01	1,388.97	138.00	-	75.00	-	-	1,463.32	141.70	7,063.00
General Government	3,965.57	542.75	74.00	-	1.00	-	653.50	308.52	1.00	5,546.34
Education (State Administration)	480.06	216.13	-	-	-	-	-	-	10.05	706.24
Sub-total	76,949.58	13,340.99	10,598.50	5,778.50	5,633.11	15,682.67	1,064.50	2,758.37	165.75	131,971.97
Local Education										
Public Schools ⁽³⁾⁽⁴⁾	152,135.81	-	92.14	-	-	-	-	-	-	152,227.95
Community Colleges ⁽³⁾	15,572.00	-	-	-	-	-	-	-	-	15,572.00
Sub-total	167,707.81	-	92.14	-	-	-	-	-	-	167,799.95
Total by GAAP Fund Type	244,657.39	13,340.99	10,690.64	5,778.50	5,633.11	15,682.67	1,064.50	2,758.37	165.75	299,771.92

Notes:

- 1) Salary Base includes 901 positions in Reserve budget codes.
- 2) Includes 5,779 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 2004-2005 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 2004.

ECONOMY AND REVENUES



ECONOMIC OUTLOOK AND GENERAL FUND REVENUES

(Note: This analysis was prepared prior to the impact of Hurricane Katrina).

2004-05 Experience

For the second year in a row, the State experienced a major General Fund revenue surplus. The final results for the 2004-05 fiscal year are shown below:

<u>Actual Basis</u>	<u>(\$Mil.)</u>
Actual Revenue	16,326.5
Budgeted Revenue	<u>15,645.1</u>
Difference	681.4
Actual Growth Rate	10.8%
Budgeted Growth Rate	<u>6.1%</u>
Difference	4.7%
<u>"Economic" Basis*</u>	
Actual Growth Rate	7.5%
Budgeted Growth Rate	<u>5.9%</u>
Difference	1.6%

*Rate based on trends in the economy and financial markets.
Excludes impact of tax law changes and major one-time items.

The breakdown of the surplus by revenue schedule is shown on page C-9. In absolute dollars the 2004-05 amount was larger than any year during the boom period of the late 1990's. When expressed as a share of the revenue base, the surplus was 4.7%, compared to the peak of 5.6% in 1997-98.

The most noteworthy feature of the 2004-05 experience was the proportion of extra revenues that came from nonrecurring sources (65.2%). During a typical economic recovery permanent improvement in withholding and sales taxes play a much larger role.

In addition, the current turnaround differs substantially from the bubble period leading up to the 2000 stock market crash and the subsequent recession. During that period, explosive growth was driven by a speculative stock market ("irrational exuberance"), gains in productivity, and excess investment in computer and telecommunication equipment.

Now that the bubble has burst, we have reverted to a typical business cycle pattern. Under this scenario, the economy and the equity markets show improvement for a couple of years following a recession before settling into a stable growth period and then a new slowdown or recession. In short, the year-after-year rapid growth experience of the late-90's was unprecedented and will not be duplicated any time soon.

The sources of the 2004-05 one-time revenue surplus are shown below:

	<u>(\$Million)</u>
DOR Voluntary Compliance Initiative*	\$288.3
Two Major Corporate Tax Settlements	56.0
Microsoft Special Dividend	50.0
Personal Income Tax (April Surprise)**	72.8
Nontax Revenue Shortfall	<u>-23.0</u>
Total One-Time Sources	\$444.1

*Following the court ruling in the **Limited** case (evasion of taxes on royalty and trademarks), the Department of Revenue offered to waive penalties if affected taxpayers paid their outstanding taxes and interest on the disputed items by April 15.

**A portion of the "April Surprise" was budgeted as recurring.

The remainder of the revenue surplus, or \$237.3 million, was counted as recurring and rolled into the forecast base for 2005-06 and 2006-07.

The actual General Fund revenue growth rate for 2004-05 was 10.8%. However, if we subtract out one-time revenues, the economy-based recurring revenue growth for the year was 7.5%, compared to the budgeted rate of 5.9%. The 1.6% recurring revenue surplus, while healthy, fell short of the mark established during recent recoveries:

	<u>Revenue Surplus</u>
1976-77	2.5%
1983-84	3.7%
1992-93	2.6%

The bounce back this time has been plagued by slow growth in the withholding portion of the income tax. This is no surprise given that net job growth in the State during 2004-05 amounted to 1.7%, versus a more typical 3.0-3.5% for this stage of the business cycle. For this reason total withholding tax collections for 2004-05 came in \$24.7 million behind the cautious forecast adopted last summer.

The impact of sluggish wage and salary improvement has been more than offset by gains in other tax schedules. For example, in the face of higher interest rates

and energy prices state and local sales tax receipts rose by 7.9% for the year, versus the budget forecast of 4.7%. This led to a \$118.2 million surplus in these collections.

If we remove the clearly identified one-time revenue from the corporate income tax, that revenue source came in \$42.0 million ahead of the budget estimate. The improvement in this tax is due to a combination of increased product demand and efforts to hold down costs.

April Surprise

The final highlight of the recurring revenue picture for 2004-05 was the nonwage portion of the personal income tax. These payments are important because the personal income tax comprises 52% of the General Fund revenue base.

Nonwithholding payments include quarterly estimated tax payments made during the tax year and final payments due April 15. A large portion of these dollars comes from wealthy taxpayers with large amounts of investment income and pass-through income from businesses.

Strong improvement in the economy and the stock market led to a 40.1% increase in the April 15 payments, compared to the 14.7% increase in quarterly estimated payments for the tax year. Thus, an abnormally large amount of the increase in 2004 liability was not paid until April 15.

In addition, the April 15 and June 15 estimated tax payments for the 2006 tax year rose 19.1%. This gain has more to do with CPA's safe harboring their clients to avoid underpayment penalties than to enhanced prospects for 2006. As a general rule major changes in tax year expectations do not begin to show up until the third quarter payment (September 15) and the final reconciliation payment due January 15 of the following year.

Finally, income tax refunds were flat, even though 2004 tax year withholding payments rose 4.7%. In a typical year refunds closely track withholding tax receipts.

It may be helpful to outline some of the sources of the April surprise:

- (1) The turnaround in the stock market that began in the Spring of 2003, combined with the fact that carry forward losses from the market crash have been used up, led to an estimated 35% rise in capital gains. One theory being discussed by revenue forecasters is that investors burned in the tech stock meltdown in 2000 by waiting too long to sell took their gains earlier this time. In addition, some shareholders who had seen their equity values plummet in 2000 continued to hold their shares awaiting a recovery.

- (2) The resiliency of the real estate market led to gains on investment real estate, particularly in the State's resort areas.
- (3) The \$32 million Microsoft "special" dividend of paid last Fall may have increased North Carolina income tax payments by up to \$50 million.
- (4) The economic recovery led to improvements in business income reported on tax returns. Examples include Schedule E income and distributions from partnerships, S corporations, and LLC's.
- (5) The heightened emphasis on performance-based pay in the private sector led to a sharp rise in bonuses paid to workers as corporate profits improved.

Prospects for 2005-06 Fiscal Year

The consensus revenue estimate for the upcoming fiscal year took a cautious stance regarding the portion of the 2004-05 revenue surplus that is counted as recurring. This was accomplished by not including in the 2005-06 forecast base certain items which were clearly one-time in nature and being cautious on the April surprise amount. In addition, the economy-based revenue growth estimate for 2005-06 was lowered from the 5.4% rate used in February as part of the Governor's proposed budget to 4.8% in the enacted budget.

The primary reason for reducing baseline revenue growth is that prolonged exposure to higher energy prices and interest rate hikes by the Federal Reserve has already led to the first signs of what economists call a "mid-decade slowdown". Similar events took place during the 1984-86 period after the Federal Reserve raised rates in an attempt to rein in the overheated economic recovery, and in 1995 after the Fed pushed up short-term rates from 3% to 6% during an 11-month period.

The typical lag time between higher interest rates and national economic growth is about one year. The same is generally true of rising energy prices. This means that we are at the point where the full impact of the Fed's actions in raising short term interest rates from 1% to 3½ % and \$2.50 per gallon gas prices should start affecting economic growth.

We expect the Federal Reserve to push interest rates up to 4% by the end of the 2005 calendar year. If fuel prices continue to rise the Fed may consider this enough of a "tax hike" to eliminate, or at least delay, future rate hikes.

We have already begun to feel the effect of energy prices on sales tax revenues. For the first calendar quarter of 2005, gross state and local sales tax collections rose at an average annual rate of 9.4%. This rate dropped to 7.1% during the second quarter.

This experience may end up being similar to the pattern that occurred in 1999 when gas prices rose from under 80 cents per gallon to well over \$1.00 overnight. Within a few months sales tax growth fell from 8.1% to 4.5% as spending at the pump crowded out purchases of items subject to the sales tax. For now, this cycle's decline has not been as steep.

Barring any unforeseen international events we think that careful fine-tuning of interest rates by the Federal Reserve will help the economy avoid a full-fledged recession. However, there is at least one big wild card: energy prices. Although the nation's economy is not as sensitive to oil prices as in past decades, continued upward movement will crowd out consumer spending on other items and erode corporate profits. Our view is that the Fed-engineered economic slowdown will lead to enough of a drop in fuel consumption that prices will eventually stabilize.

Another factor in the resiliency of the economy issue is the housing market. The 2001-02 recession was somewhat unique in business cycle history as residential construction activity and home sales remained stable in the face of worsening economic fundamentals. The key to sustainability in this market was the lowest mortgage rates in four decades. Even the recent rise in short-term interest rates has had little impact on the long end of the yield curve.

Part of the reason for stability in long-term interest rates is the supply of funds from overseas economies. However, unless energy prices and the housing markets slow their rate of increase, inflation will rise beyond the 1-2% rate of the last few years. The acceleration in prices will eventually be factored into long-term interest rates. Higher mortgage rates, combined with the sharp drop in housing affordability (rising home prices), will eventually choke-off demand for new homes.

Though the risks to the economic outlook have become heightened, our current assessment is that the final 2005-06 revenue forecast has positioned the State well for the economic slowdown that is starting to unfold.

The Outlook for 2006-07

During the last few months there has been no major change in the forecast of economic fundamentals for the second year of the biennium. Thus, the second year "economy-based" revenue growth of 4.9% is virtually identical to the rate used on the Governor's recommended budget.

This growth continues to be lower than the long-term average of 6.0-6.5%. One reason for caution is the fact that once the economy clearly moves into a slowdown phase, it is difficult to know how deep the downturn will be or how long it will last. In addition, unless labor market conditions change, the erosion of jobs to Mexico and overseas locations will continue to limit withholding tax growth. On the positive side, the Fed is expected to respond to any signs of a deeper-than-expected slowdown by backing off interest rates.

North Carolina Trends

A continuing problem for the economy is the subpar recovery in jobs. This is due to a combination of the movement of jobs overseas, the substitution of technology for workers, 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, especially in manufacturing, 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	-6.7%	1.0%	.2%
2004	-3.3%	.9%	2.0%

The prospects for the manufacturing sector are important to North Carolina because 14.7% of our nonagricultural employment is in manufacturing versus 10.6% for the U.S. A more important measure is the share of Gross State Product represented by manufacturing: around 20% in North Carolina versus 15% for the 50 states.

The loss of manufacturing jobs did not begin with the 2001 recession. Data compiled by the Employment Security Commission indicate that manufacturing experienced a fairly rapid recovery from the 1990-91 recession, with employment growth of 2.6% in 1993. In fact, the "boom and bust" nature of manufacturing is one reason why the state's economy grew 33% faster than the national experience following the 1981-82 recession and 45% more 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 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. For example, during the first two years of the current economic recovery, personal income in North Carolina rose at a 2.4%, versus 2.5% for the U.S. This contrasts with the 33-45% recovery premium for North Carolina during the last two turnarounds.

The national and state economic assumptions that support the 2005-06 and 2006-07 General Fund revenue forecasts are shown in the bottom section of the table on Page C-10.

General Fund Revenues

The most important revenue source for the General Fund is the personal income tax. This tax now amounts to 53.4% of total revenues. The biggest source of taxable income is wages and salaries, amounting to an estimated 77% of the income tax base in 2005. These payments include bonuses and certain stock options.

Wages and salaries are relatively stable in the short-run, though a modest change in their growth can affect overall revenues due to sheer magnitude. We expect this income source to grow by 5.8% in 2005 and 5.0% in 2006, compared to 2.6% in 2003 and 5.2% in 2004. Even with the improvement, the recovery will not achieve the rates experienced during the peak years of the 1990's see Page C-11.

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 time analyzing this issue than any other item with little success. What is interesting is that capital gains can affect overall revenue growth even though this source of income amounts to only 4.5% of the total income tax base, or 2.5% of total revenues. The reason has to do with volatility: up 49.9% in 1996 and down 48.2% in 2001 for example. For a particular state fiscal year, the swings can be even greater due to the 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 projections made by Economy.com, the Congressional Budget Office, and a handful of states with large research staffs.

One of the issues driving the sharp drop in net gains in prior years was the amount of losses stemming from the 2000 market crash. Preliminary data from the IRS for 2003 indicates that most of these carryforwards have been exhausted. The same data indicates that net capital gains in North Carolina rose by 19.9%. The April surprise results during the 2004-05 fiscal year suggest that gains may have risen by as much as 35% for the 2004 tax year, compared to the assumed 25.4% increase adopted as part of the 2004-05 budget.

The 2005-07 biennial budget estimates that net capital gains will rise only 1.5% for the 2005 tax year, will be flat for 2006, and decline by 9.0% for 2007. These estimates are cautious in light of the historical experience of double-digit increases for a couple of years following the first year impacted by a market rally (2004 tax year).

The table on Page C-11 shows the history and forecast of the major items in the personal income tax base.

The next important revenue source is the sales and use tax, comprising 28.5% of the estimated revenue base for 2005-06. This tax provided a pleasant surprise for the 2004-05 fiscal year, growing 7.9% versus the budget forecast of 4.7%. These results are difficult to explain, given the more modest 6.2% rate of increase in wages and salaries of North Carolina workers during the period. 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 troubling: the continued 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 explosion in remote sales (mail-order, internet). The 2004 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. Even if these numbers are overstated, the impact will still be significant. The sales tax forecast attempts to capture this issue by making a downward adjustment in the normal rate growth of that tax relative to the growth of the economy.

The baseline corporate income tax growth of 3.9% reflects the slowdown in product demand and the impact of higher interest rates and energy costs on consumer profits.

On Page C-12 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-13 gives the forecast of specific General Fund Revenue sources. Please note that these numbers include the impact of tax law changes, fee increases, and budget transfers adopted by the General Assembly as well as the \$441.2 million of one-time revenues for 2004-05. In order to more closely draw the linkage between expected economic growth and revenues, the revenue growth rates in this table are shown on a "baseline" basis as well as actual. In addition, the baseline growth rates for major taxes is shown on the table on Page C-12.

GENERAL FUND REVENUE COMPARISON (\$ MILLION)
2004-05 FISCAL YEAR

	2004-05	2004-05		2003-04
TAX REVENUE:	Target	Actual	Diff.	Actual
PERSONAL INCOME TAX:				
WITHHOLDING	\$7,637.1	\$7,612.5	(\$24.6)	\$7,188.8
ESTIMATED TAXES	966.8	1,036.8	70.0	875.0
NET FINAL PAYMENTS	1,014.0	1,275.1	261.1	911.4
REFUNDS	(1,512.0)	(1,515.2)	(3.2)	(1,465.3)
SUBTOTAL - PERSONAL INCOME	\$8,105.9	\$8,409.3	\$303.4	\$7,509.9
SALES & USE TAX:				
GROSS COLLECTIONS-STATE AND LOCAL	\$7,206.2	\$7,430.4	\$224.2	\$6,906.2
REFUNDS TO LOCAL UNITS, NONPROFITS	(451.4)	(488.2)	(36.8)	(434.9)
DISTRIBUTION TO LOCAL GOVERNMENT	(2,257.5)	(2,328.8)	(71.3)	(2,103.8)
LOCAL HOLD HARMLESS	(29.0)	(29.0)	0.0	(38.8)
LOCAL TAX SHARING	-54.5	-56.3	(1.8)	-52.9
OTHER EARMARKING	-55.3	-51.0	4.3	-53.5
SUBTOTAL - SALES & USE	\$4,358.5	\$4,477.1	\$118.6	\$4,222.3
CORPORATE INCOME:				
GROSS COLLECTIONS	\$1,093.8	\$1,415.2	\$321.4	\$1,024.1
REFUNDS	(146.5)	(143.2)	3.3	(187.0)
SCHOOL FACILITIES EARMARKING	(65.9)	(78.4)	(12.5)	(60.1)
SUBTOTAL - CORPORATE INCOME	\$881.4	\$1,193.6	\$312.2	\$777.0
FRANCHISE:				
NET COLLECTIONS PRIOR TO EARMARKING	\$611.3	\$629.7	\$18.4	\$572.6
LOCAL TAX SHARING	(133.0)	(131.0)	2.0	(127.3)
SUBTOTAL - FRANCHISE	\$478.3	\$498.8	\$20.5	\$445.3
INSURANCE	448.2	431.7	(16.5)	423.4
ALCOHOLIC BEVERAGES TAX	185.8	189.3	3.5	182.4
INHERITANCE	136.2	135.2	(1.0)	128.5
PRIVILEGE LICENSE	43.1	45.0	1.9	41.6
TOBACCO PRODUCTS	44.9	43.0	(1.9)	43.7
PIPED NATURAL GAS	38.8	35.1	(3.7)	39.0
GIFT	18.2	18.9	0.7	16.6
OTHER	1.1	0.8	(0.3)	0.9
TOTAL - TAX REVENUE	\$14,740.4	\$15,477.7	\$737.4	\$13,830.7
NONTAX REVENUE				
INVESTMENT INCOME	\$86.0	\$71.5	-\$14.5	\$78.3
JUDICIAL FEES	136.7	141.8	5.1	139.0
DISPROPORTIONATE SHARE	100.0	111.1	11.1	97.1
INSURANCE DEPARTMENT	58.0	51.2	(6.8)	51.2
OTHER	265.2	214.7	(50.5)	471.2
TOTAL: NONTAX REVENUE	\$645.9	\$590.3	-\$55.6	\$836.8
TOTAL: TAX AND NONTAX REVENUE	\$15,386.3	\$16,067.9	\$681.4	\$14,667.5
TRANSFERS:				
HIGHWAY TRUST FUND	\$242.6	\$242.6	\$0.0	\$252.4
HIGHWAY FUND	16.2	16.2	0.0	16.4
TOTAL: TRANSFERS	\$258.8	\$258.8	\$0.0	\$268.8
TOTAL GENERAL FUND REVENUE	\$15,645.1	\$16,326.5	\$681.4	\$14,936.3

<p>ECONOMIC INDICATORS (STATE FISCAL YEAR BASIS) ANNUAL RATES OF CHANGE</p>
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	<u>2003-04</u> <u>Actual</u>	<u>2004-05</u> <u>Actual</u>	<u>2005-06</u> <u>Projected</u>	<u>2006-07</u> <u>Projected</u>
U.S. INDICATORS				
Real Economic Growth*	4.1%	3.7%	3.8%	3.1%
Nonfarm Employment	.3%	1.6%	1.8%	1.4%
Personal Income	4.6%	6.6%	5.8%	4.9%
Industrial Production	2.0%	4.0%	2.7%	2.3%
Corporate Profits (Pre-Tax)	22.0%	13.0%	25.1%	.3%
Short-Term Interest Rates (Actual Rate)	1.0%	2.2%	4.1%	4.7%
Mortgage Rates (Actual Rate)	5.9%	5.8%	6.5%	7.4%
Inflation (CPI)	2.2%	3.0%	2.8%	2.7%
NORTH CAROLINA INDICATORS				
Personal Income	4.8%	6.9%	4.8%	4.8%
Nonfarm Employment	-.5%	1.7%	1.5%	1.4%
Unemployment Rate (Actual Rate)	6.1%	5.3%	5.2%	5.2%
Average Hourly Earnings (Manufacturing)	4.6%	2.7%	1.5%	3.4%
Retail Sales	7.3%	8.0%	4.7%	4.3%
Housing Activity	13.1%	4.1%	-4.4%	-16.0%
Auto Sales	-6.8%	-.8%	2.0%	-4.2%

*Adjusted for inflation.

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

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004 (e)	2005 (e)	2006 (e)	2007 (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	117.13	120.14	126.39	133.72	140.40	147.14
% Change		7.1%	5.5%	6.1%	6.8%	5.7%	7.5%	7.2%	6.3%	6.5%	2.2%	0.4%	2.6%	5.2%	5.8%	5.0%	4.8%
Interest	3.99	3.08	2.53	2.43	3.05	3.30	3.52	3.69	3.62	4.19	4.13	2.93	2.51	2.40	2.64	3.38	3.51
% Change		-22.8%	-17.9%	-4.0%	25.5%	8.2%	6.7%	4.8%	-1.9%	15.7%	-1.4%	-29.1%	-14.3%	-4.4%	10.0%	28.0%	3.8%
Dividends	1.54	1.58	1.72	1.79	2.07	2.29	2.62	2.61	2.95	3.21	2.66	2.43	2.70	3.40	3.45	3.68	3.91
% Change		2.6%	8.9%	4.1%	15.6%	10.6%	14.4%	-0.4%	13.0%	8.8%	-17.1%	-8.6%	11.1%	25.9%	1.5%	6.7%	6.3%
Business Income	3.22	3.53	3.69	3.87	3.98	4.30	4.44	4.75	4.89	4.83	4.83	4.81	5.01	5.41	5.86	6.25	6.67
% Change		9.6%	4.5%	4.9%	2.8%	8.0%	3.3%	7.0%	2.9%	-1.2%	0.0%	-0.4%	4.2%	8.0%	8.3%	6.7%	6.7%
Capital Gains	2.01	2.38	2.73	2.91	3.41	5.11	7.06	8.45	9.38	10.24	5.30	4.47	5.36	7.24	7.80	7.80	7.10
% Change		18.4%	14.7%	6.6%	17.2%	49.9%	38.2%	19.7%	11.0%	9.2%	-48.2%	-15.7%	19.9%	35.1%	7.7%	0.0%	-9.0%
IRA Distributions	0.50	0.64	0.65	0.80	0.91	1.13	1.37	1.90	2.27	2.67	2.61	2.44	2.54	3.68	4.05	4.45	4.90
% Change		28.0%	1.6%	23.1%	13.8%	24.2%	21.2%	38.7%	19.5%	17.6%	-2.2%	-6.5%	4.1%	44.9%	10.0%	9.9%	10.1%
Unemployment Benefits	0.44	0.48	0.42	0.30	0.31	0.30	0.25	0.25	0.31	0.41	0.77	1.22	1.27	0.40	0.36	0.30	0.30
% Change		9.1%	-12.5%	-28.6%	3.3%	-3.2%	-16.7%	0.0%	24.0%	32.3%	87.8%	58.4%	4.1%	-68.5%	-10.0%	-16.7%	0.0%
Pensions	4.11	4.38	4.63	5.03	5.52	6.05	6.69	7.40	8.10	8.69	9.15	9.63	10.16	11.17	11.72	12.66	13.68
% Change		6.6%	5.7%	8.6%	9.7%	9.6%	10.6%	10.6%	9.5%	7.3%	5.3%	5.2%	5.5%	9.9%	4.9%	8.0%	8.1%
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	4.10	4.30	4.73	5.12	5.47	5.83
% Change		23.4%	19.0%	23.5%	9.9%	17.0%	14.5%	4.7%	13.5%	-0.7%	6.9%	-16.0%	4.9%	10.0%	8.3%	6.8%	6.6%
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	-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%	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	147.56	152.29	163.12	173.02	182.69	191.34
% Change		6.4%	5.1%	6.2%	7.9%	8.1%	9.3%	8.1%	7.0%	6.8%	-1.4%	-1.3%	3.2%	7.1%	6.1%	5.6%	4.7%

Source: Internal Revenue Service

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

(e) Estimated by Fiscal Research Division

BASELINE GROWTH RATES FOR MAJOR GENERAL FUND REVENUE SOURCES

	95-96	96-97	97-98	98-99	99-00	00-01	01-02	02-03	03-04	04-05	Est. 05-06	Est. 06-07
Personal Income Tax	11.0%	10.2%	13.4%	11.6%	5.1%	7.6%	-7.2%	-0.7%	6.1%	11.1%	7.0%	6.5%
Sales Tax	6.4%	7.7%	6.0%	7.1%	5.6%	2.4%	-1.1%	1.5%	6.7%	7.5%	4.6%	4.2%
Corporate Income Tax	3.5%	10.0%	3.6%	7.8%	-9.2%	-9.3%	-30.1%	15.0%	7.5%	23.3%	3.9%	4.2%
Franchise Tax	5.9%	7.2%	3.7%	1.8%	-0.4%	20.7%	-3.2%	3.2%	4.0%	5.5%	4.3%	4.3%
Inheritance Tax	2.7%	17.0%	12.2%	12.8%	12.0%	-2.1%	-15.2%	7.3%	14.2%	5.2%	2.0%	1.1%
Insurance Tax	4.6%	6.0%	9.2%	2.4%	-6.1%	11.8%	11.5%	11.7%	2.1%	0.6%	4.8%	4.2%
Alcoholic Beverage Tax	2.9%	3.3%	2.4%	2.7%	5.3%	3.8%	2.9%	2.0%	4.6%	4.9%	3.8%	3.5%
Total Revenue*	6.8%	9.2%	8.6%	10.6%	3.8%	4.5%	-6.3%	0.4%	5.8%	7.5%	5.3%	5.3%

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

HISTORICAL AND PROJECTED GENERAL FUND REVENUE COLLECTIONS (\$MILL.)

	Actual 98-99	Actual 99-00	Actual 00-01	Actual 01-02	Actual 02-03	Actual 03-04	Actual 04-05	Estimated 05-06	Estimated 06-07
Tax Revenue:									
Personal Income	\$6,606.5	\$7,077.1	\$7,386.6	\$7,127.2	\$7,081.6	\$7,509.9	\$8,409.3	\$8,839.8	\$9,399.2
Sales & Use	3,376.2	3,354.9	3,435.6	3,705.7	3,894.5	4,222.2	4,477.1	4,692.7	4,915.3
Corporate Income	848.5	901.1	476.2	451.8	840.5	777.0	1,193.6	905.9	910.9
Franchise	409.6	301.4	572.0	436.9	417.7	445.3	498.8	493.8	520.5
Insurance	291.2	273.4	305.7	340.8	408.9	423.4	431.7	441.7	485.6
Tobacco Products	44.9	43.7	42.0	41.5	42.0	43.7	43.0	161.3	231.2
Alcoholic Beverage	158.0	166.4	172.8	174.7	170.9	182.4	189.3	196.0	202.6
Inheritance	169.9	163.3	123.2	104.8	112.5	128.5	135.2	137.9	139.3
Privilege License	27.6	43.8	3.0	26.6	44.7	41.6	45.0	46.3	47.5
Mill Machinery	0.0	0.0	0.0	0.0	0.0	0.0	0.0	16.6	40.0
Gift	19.3	25.1	20.3	13.4	19.3	16.6	18.9	20.0	22.5
Piped Natural Gas	0.0	27.7	37.2	40.9	36.9	39.0	35.1	35.5	35.9
Soft Drink	12.4	1.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	1.1	1.1	1.2	1.3	1.1	1.1	0.8	1.0	1.0
Total-Tax Revenue	\$11,965.2	\$12,380.3	\$12,575.7	\$12,465.6	\$13,070.6	\$13,830.7	\$15,477.6	\$15,988.5	\$16,951.3
% Change: Actual	7.9%	3.5%	1.6%	-0.9%	4.9%	5.8%	11.9%	3.3%	6.0%
% Change: Baseline*	9.6%	4.4%	5.1%	-6.3%	0.8%	6.1%	7.8%	5.5%	5.4%
Nontax Revenue:									
Investment Income	249.2	208.3	168.2	132.6	105.1	78.3	71.5	74.8	78.7
Judicial Fees	121.0	101.5	109.3	110.4	124.7	139.0	141.8	161.7	168.3
Disproportionate Share	85.0	105.0	109.1	110.4	107.0	97.1	111.1	100.0	100.0
Other	89.6	103.4	93.7	131.4	215.3	471.2	214.7	188.8	202.7
Insurance Dept.	40.2	42.2	43.6	46.4	47.1	51.2	51.2	49.9	51.5
Total-Nontax Revenue	585.0	560.3	523.9	531.3	599.2	836.9	590.0	575.2	601.3
Total: Tax & Nontax Revenue	\$12,550.2	\$12,940.6	\$13,099.7	\$12,996.9	\$13,669.8	\$14,667.6	\$16,067.7	\$16,563.7	\$17,552.6
% Change: Actual	8.7%	3.1%	1.2%	-0.8%	5.2%	7.3%	9.5%	3.1%	6.0%
% Change: Baseline*	9.6%	4.0%	4.6%	-6.3%	0.3%	5.8%	7.6%	5.4%	5.4%
Transfers:									
Highway Trust Fund	170.0	170.0	170.0	171.7	377.4	252.4	242.6	252.6	252.7
Highway Fund	13.4	13.6	13.8	14.5	15.3	16.4	16.2	0.0	0.0
Total-Transfers	183.4	183.6	183.8	186.2	392.7	268.8	258.8	252.6	252.7
Total-General Fund Revenue	12,733.6	13,124.2	13,283.5	13,183.1	14,062.5	14,936.4	16,326.5	16,816.27	17,805.26
% Change: Actual	8.6%	3.1%	1.2%	-0.8%	6.7%	6.2%	10.8%	3.0%	5.9%
% Change: Baseline*	9.5%	3.9%	4.6%	-6.2%	0.3%	5.7%	7.5%	5.3%	5.3%

*Actual collections, adjusted for tax law changes, tax processing/refund delays, and other special factors. The resulting growth rate more closely mirrors economic activity and financial market trends.

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 2004-05 REVENUES

Highway Fund collections totaled \$1,410.9 million in FY 2004-05, a 3.6% increase from FY 2003-04. Motor fuels tax collections increased by 2.6%.

FY 2005-06 FORECAST

Highway Fund revenues are projected to increase by \$216.6 million in FY 2005-06 due to higher motor fuel tax collections and to higher fees enacted by the General Assembly for driver licenses, vehicle registration fees, and other motor vehicle fees.

HIGHWAY FUND REVENUE (MILLIONS)

	FY 2004-05	FY 2005-06
	<u>Actual</u>	<u>Projected</u>
Motor Fuels Taxes	\$959.7	\$1,087.6
Licenses, Fees, and Penalties		
Staggered Vehicle Registration	\$158.8	\$214.1
Truck Licenses	\$71.3	\$87.5
Driver Licenses	\$79.4	\$107.8
International Registration Plan	\$49.8	\$62.3
Other	\$79.4	\$60.0
Sub Total	\$438.7	\$531.7
Investment Income/Other revenue	\$12.5	\$8.2
Total Highway Fund Revenue	\$1,410.9	\$1,627.5

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, \$400 million in 2003, and \$300 million in 2004.

FY 2004-05 REVENUES

Highway Trust Fund availability for FY 2004-05 (not including proceeds from bond sales and net of transfers to the General Fund) totaled \$761.4 million, an increase of 2.7% from the previous year.

FY 2005-06 FORECAST

Highway Trust Fund availability is expected to increase by \$79.1 million in FY 2005-06, reflecting increased motor fuel tax revenues and title and other motor vehicle fee increases enacted by the General Assembly in the 2005 Session.

HIGHWAY TRUST FUND REVENUE (MILLIONS)

	FY 2004-05	FY 2005-06
	<u>Actual</u>	<u>Projected</u>
Motor Fuels Taxes	\$320.4	\$362.6
Highway Use Tax	\$580.1	\$611.1
Title Fees*	\$84.7	\$95.8
Other Fees	\$12.2	\$17.2
<u>Investment Income</u>	<u>\$6.5</u>	<u>\$6.5</u>
Sub Total*	\$1003.9	\$1093.2
Transfer to General Fund	(\$242.5)	(\$252.7)
Total Highway Trust Fund Availability*	\$761.4	\$840.5

*HB 1136 (SL 2005-384) Mercury Switch Removal-2 provided that \$1 of the fee for each application for a certificate of title would be deposited in a new account to pay for the removal of mercury switches from certain vehicles instead of in the Highway Trust Fund. It is estimated that Total Highway Trust Fund Availability will be reduced by \$1.9 million in FY2005-06 as a result.

**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 purpose of the Social Services Block Grant is to provide funds to States to provide services for individuals, families, and entire population groups to accomplish five goals:

- Achieving or maintaining economic self-support to prevent, reduce, or eliminate dependency
- Achieving or maintaining self-sufficiency, including reduction or prevention of dependency
- Preventing or remedying neglect, abuse, or exploitation of children and adults who are unable to protect their own interests; or preserving, rehabilitating, or reuniting families
- Preventing or reducing inappropriate institutional care by providing for community-based care, home-based care, or other forms of less intensive care
- Securing referral or admission for institutional care when other forms of care are not appropriate or providing services to individuals in institutions.

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 (MCHBG)

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.

For FY2005-06 the MCHBG will fund school nurses, the Office of Women's Health and the Office of Minority Health. In addition, the grant will fund minority-focused initiatives to reduce infant mortality and morbidity among minority communities.

PREVENTIVE HEALTH SERVICES BLOCK GRANT (PHSBG)

This block grant provides health services to counties and local health departments to assist in the reduction of preventable diseases and to improve the quality of life through better health. For FY2005-06, the PHSBG will fund the Osteoporosis Task Force, oral health program activities, and rape crisis victims' services programs.

LOW-INCOME HOME ENERGY ASSISTANCE BLOCK GRANT

The Low Income Home Energy Assistance Program Block Grant has two purposes:

- To provide funds to assist eligible households to meet the costs of home energy
- To provide training and technical assistance to States and other jurisdictions administering the LIHEAP Block Grant Program..

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 assist with 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 who qualify, in North Carolina the program income eligibility is 75% of the State Median Income. Families also participate in the cost of childcare by paying 8%, 9%, or 10% of their income depending on their family's size. In addition, 4% of the total allocation must be spent on improving quality and availability of services.

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 fiscal year 2006.

The TANF Block Grant has the following goals:

- To assist needy families with children so that children can be cared for in their own homes
- To reduce dependency by promoting job preparation, work and marriage
- To reduce and prevent out-of-wedlock pregnancies
- To encourage the formation and maintenance of two-parent families.

2005-2006

DEPARTMENT OF COMMERCE

Community Development Block Grant – 2006 Program Year	\$45,000,000
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DEPARTMENT OF HEALTH AND HUMAN RESOURCES

Social Services Block Grant	\$55,348,041
Mental Health Services Block Grant	\$12,974,104
Substance Abuse Prevention and Treatment Block Grant	\$48,181,983
Temporary Assistance for Needy Families Block Grant	\$365,451,154
Low Income Energy Block Grant	\$32,410,984
Child Care and Development Fund Block Grant	\$282,574,571
Community Services Block Grant	\$16,746,296
Preventive Health Services Block Grant	\$4,401,973
Maternal and Child Health Block Grant	\$22,207,095

CHANGES TO THE MEDICAID PROGRAM

STATE

During the 2005 Regular Session, the N.C. General Assembly enacted an \$8.8 Billion budget for the Medicaid Program for SFY 2005-06 and a \$9.4 Billion budget for SFY 2006-07. State funding for the Medicaid Program totals \$2.3 Billion for SFY 2005-06 and \$2.6 Billion for SFY 2006-07.

During its deliberations on the proposed budget, the 2005 General Assembly reduced the General Fund appropriations for the Medicaid Program by \$118.8 million for SFY 2005-06 and \$220.9 million for SFY 2006-07. The most significant reduction resulted from freezing Medicaid rates for most Medicaid service providers -- \$62.5 million for SFY 2005-06 and \$137.1 million for SFY 2006-07. Other reductions include improved utilization management of In-Home Personal Care Services, increased recipient co-payments, increased Community care of NC savings, transfers from the Medicaid Reserve Fund, and further implementation of drug utilization management.

The 2005 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 to expand the Community Care of NC program to Aged, Blind, and Disabled Medicaid recipients;
- Increased funding to transfer coverage of children age birth to five from NC Health Choice to the Medicaid program;
- Increased funding to increase rates for dental services; and
- Authorized the implementation of the Ticket-to- Work Program.

The 2005 General Assembly also enacted other Medicaid policy changes:

- Clarified that counties are responsible for paying 15% of the federal Medicare Part D clawback payments under the Medicare Modernization Act of 2004.
- Required the Division of Medical Assistance to use \$750,000 from existing program funds to support the implementation of the Family Planning Waiver.
- Modified the methodology for counting life estates when determining Medicaid eligibility.
- Established standards for verifying state residency when determining Medicaid eligibility.

FEDERAL

The US Congress has not completed its work on the Medicaid program, so at this time there have been no significant federal changes during 2005.

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.

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 2005-07 biennial state budgets anticipate \$100 million each fiscal year in DSH payments to the State Treasurer. Section 10.12 of Chapter 276 of the 2005 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**

2005-07

FISCAL BIENNIUM

**Summary of General Fund Appropriations
Fiscal Year 2005-2006
2005 Legislative Session**

	Adjusted	Legislative Adjustments				Revised
	Continuation Budget	Recurring	Nonrecurring	Net	FTE	Appropriation
	2005-06	Adjustments	Adjustments	Changes	Changes	2005-06
<u>Education:</u>						
Community Colleges	756,320,880	7,140,063	24,225,000	31,365,063	5.00	787,685,943
Public Education	6,585,323,929	(80,645,484)	103,320,500	22,675,016	3.00	6,607,998,945
University System	2,024,322,442	56,618,372	5,112,076	61,730,448	546.20	2,086,052,890
Total Education	9,365,967,251	(16,887,049)	132,657,576	115,770,527	554.20	9,481,737,778
<u>Health and Human Services:</u>						
Office of the Secretary	102,490,388	13,390,531	(2,025,000)	11,365,531	5.00	113,855,919
Aging Division	29,495,139	0	480,500	480,500		29,975,639
Blind and Deaf / Hard of Hearing Services	9,843,201	(281,404)	115,000	(166,404)		9,676,797
Child Development	267,350,017	0	1,000,000	1,000,000		268,350,017
Education Services	33,852,267	0	0	0		33,852,267
Facility Services	12,551,896	1,151,351	(94,409)	1,056,942	44.50	13,608,838
Medical Assistance	2,685,076,714	(105,304,660)	(70,000,000)	(175,304,660)	3.00	2,509,772,054
Mental Health	595,375,908	5,180,747	2,758,500	7,939,247		603,315,155
NC Health Choice	62,035,981	6,133,784	0	6,133,784		68,169,765
Public Health	135,567,174	12,354,058	4,470,000	16,824,058	26.00	152,391,232
Social Services	182,316,068	5,233,625	963,000	6,196,625	8.00	188,512,693
Vocational Rehabilitation	41,755,526	0	0	0		41,755,526
Total Health and Human Services	4,157,710,279	(62,141,968)	(62,332,409)	(124,474,377)	86.50	4,033,235,902
<u>Justice and Public Safety:</u>						
Correction	1,045,627,365	(12,310,691)	(3,392,253)	(15,702,944)	-13.00	1,029,924,421
Crime Control & Public Safety	29,861,632	5,172,302	(190,000)	4,982,302	-1.00	34,843,934
Judicial Department	341,443,618	(645,803)	2,126,578	1,480,775	5.00	342,924,393
Judicial - Indigent Defense	96,688,190	(2,650,217)	0	(2,650,217)		94,037,973
Justice	78,155,004	(656,217)	(176,220)	(832,437)	15.00	77,322,567
Juvenile Justice & Delinquency Prevention	139,857,825	(1,284,659)	1,804,500	519,841	-46.00	140,377,666
Total Justice and Public Safety	1,731,633,634	(12,375,285)	172,605	(12,202,680)	-40.00	1,719,430,954

Summary of General Fund Appropriations

Fiscal Year 2005-2006

2005 Legislative Session

	Adjusted Continuation Budget 2005-06	Recurring Adjustments	Legislative Adjustments Nonrecurring Adjustments	Net Changes	FTE Changes	Revised Appropriation 2005-06
<u>Natural And Economic Resources:</u>						
Agriculture and Consumer Services	52,243,772	(932,926)	730,000	(202,926)	1.00	52,040,846
Commerce	35,532,306	724,693	13,430,000	14,154,693		49,686,999
Commerce - State Aid	11,222,085	500,000	14,790,000	15,290,000		26,512,085
Environment and Natural Resources	167,189,338	(675,770)	10,683,551	10,007,781	28.60	177,197,119
DENR - Clean Water Mgmt. Trust Fund	100,000,000	0	0	0		100,000,000
Labor	14,198,496	221,057	0	221,057	3.50	14,419,553
NC Biotechnology Center	9,083,395	1,500,000	1,500,000	3,000,000		12,083,395
Rural Economic Development Center	4,802,607	20,000,000	475,000	20,475,000		25,277,607
Total Natural and Economic Resources	394,271,999	21,337,054	41,608,551	62,945,605	33.10	457,217,604
<u>General Government:</u>						
Administration	60,053,752	(1,476,791)	3,462,300	1,985,509	6.00	62,039,261
Auditor	10,850,737	0	0	0		10,850,737
Cultural Resources	61,114,752	3,360,462	8,983,300	12,343,762	8.00	73,458,514
Cultural Resources - Roanoke Island	1,783,374	0	0	0		1,783,374
General Assembly	43,864,588	0	(930,000)	(930,000)		42,934,588
Governor	5,324,590	0	0	0		5,324,590
Housing Finance Agency	4,750,945	0	5,700,000	5,700,000		10,450,945
Insurance	27,831,701	243,813	145,200	389,013	3.00	28,220,714
Insurance - Worker's Compensation Fund	4,500,000	0	(2,500,000)	(2,500,000)		2,000,000
Lieutenant Governor	690,697	62,340	1,700	64,040	1.25	754,737
Office of Administrative Hearings	2,976,210	2,000	9,200	11,200		2,987,410
Revenue	82,817,444	(2,310,945)	960,676	(1,350,269)	16.00	81,467,175
Secretary of State	8,568,943	315,075	150,045	465,120		9,034,063
State Board of Elections	4,957,543	110,000	40,000	150,000	1.00	5,107,543
State Budget and Management	4,904,371	112,864	2,500	115,364	2.00	5,019,735
State Budget and Management -- Special	3,180,000	1,931,429	6,247,000	8,178,429		11,358,429
State Controller	9,960,527	77,541	5,200	82,741	1.00	10,043,268
Treasurer - Operations	8,222,117	67,478	401,000	468,478	1.00	8,690,595
Treasurer - Retirement / Benefits	8,146,179	505,278	100,000	605,278		8,751,457
Total General Government	354,498,470	3,000,544	22,778,121	25,778,665	39.25	380,277,135

Summary of General Fund Appropriations
Fiscal Year 2005-2006
2005 Legislative Session

	Adjusted Continuation Budget 2005-06	Legislative Adjustments				Revised Appropriation 2005-06
		Recurring Adjustments	Nonrecurring Adjustments	Net Changes	FTE Changes	
Transportation	12,027,377	(11,284,198)	(543,179)	(11,827,377)	0.00	200,000
Statewide Reserves and Debt Service:						
Debt Service:						
Interest / Redemption	485,185,962	4,358,249	0	4,358,249		489,544,211
Federal Reimbursement	1,616,380	0	0	0		1,616,380
Subtotal Debt Service	486,802,342	4,358,249	0	4,358,249		491,160,591
Statewide Reserves:						
Compensation Increases		235,181,327	8,000,000	243,181,327		243,181,327
Salary Adjustment Fund: 2005-07 Biennium	4,500,000	0	0	0		4,500,000
Salary Adjustment Fund: 2004-05 Fiscal Year	4,500,000			0		4,500,000
Teachers' and State Employees' Retirement Contribution		13,810,800	0	13,810,800		13,810,800
Retirement System Payback		0	25,000,000	25,000,000		25,000,000
Death Benefit Trust	12,000,000	899,200	0	899,200		12,899,200
Disability Income Plan	6,230,100	356,400	0	356,400		6,586,500
State Health Plan	0	108,648,000	0	108,648,000		108,648,000
Contingency and Emergency Fund	5,000,000	0	0	0		5,000,000
Information Technology Rate Adjustments		(2,300,000)	0	(2,300,000)		(2,300,000)
Information Technology Fund		8,025,000	16,350,000	24,375,000		24,375,000
MH/DD/SAS Trust Fund		0	10,000,000	10,000,000		10,000,000
Health and Wellness Trust Fund		0	10,000,000	10,000,000		10,000,000
Job Development Investment Grants (JDIG)	4,500,000	4,500,000	0	4,500,000		9,000,000
Increased Fuel Costs		0	3,000,000	3,000,000		3,000,000
Reserve for Contingent Appropriations		85,000,000	0	85,000,000		85,000,000
Subtotal Statewide Reserves	36,730,100	454,120,727	72,350,000	526,470,727		563,200,827
Total Reserves and Debt Service	523,532,442	458,478,976	72,350,000	530,828,976		1,054,361,418
Total General Fund for Operations	16,539,641,452	380,128,074	206,691,265	586,819,339	673.05	17,126,460,791

Summary of General Fund Appropriations

Fiscal Year 2005-2006

2005 Legislative Session

	Adjusted Continuation Budget 2005-06	Recurring Adjustments	Legislative Adjustments Nonrecurring Adjustments	Net Changes	FTE Changes	Revised Appropriation 2005-06
Capital Improvements						
Water Resources Development Projects	0	0	18,860,000	18,860,000		18,860,000
Other Capital Improvements	0	0	36,100,000	36,100,000		36,100,000
Total Capital Improvements	0	0	54,960,000	54,960,000		54,960,000
Total General Fund Budget	16,539,641,452	380,128,074	261,651,265	641,779,339	673.05	17,181,420,791

Summary of General Fund Appropriations

Fiscal Year 2006-2007

2005 Legislative Session

	Adjusted	Legislative Adjustments				Revised
	Continuation Budget	Recurring	Nonrecurring	Net	FTE	Appropriation
	2006-07	Adjustments	Adjustments	Changes	Changes	2006-07
Education:						
Community Colleges	756,330,823	7,265,063	3,700,000	10,965,063	5.00	767,295,886
Public Education	6,701,093,652	(121,286,555)	0	(121,286,555)	3.00	6,579,807,097
University System	2,052,608,147	67,788,934	0	67,788,934	546.20	2,120,397,081
Total Education	9,510,032,622	(46,232,558)	3,700,000	(42,532,558)	554.20	9,467,500,064
Health and Human Services:						
Office of the Secretary	106,490,388	13,390,531	(1,000,000)	12,390,531	5.00	118,880,919
Aging Division	29,495,139	0	0	0		29,495,139
Blind and Deaf / Hard of Hearing Services	9,962,624	(281,404)	0	(281,404)		9,681,220
Child Development	267,356,799	0	0	0		267,356,799
Education Services	34,281,895	0	0	0		34,281,895
Facility Services	12,551,896	3,360,370	47,200	3,407,570	78.50	15,959,466
Medical Assistance	2,994,257,177	(193,048,018)	(50,000,000)	(243,048,018)	3.00	2,751,209,159
Mental Health	597,375,908	5,180,747	0	5,180,747		602,556,655
NC Health Choice	62,035,981	(10,153,079)	0	(10,153,079)		51,882,902
Public Health	137,060,438	12,354,058	1,400,000	13,754,058	25.00	150,814,496
Social Services	185,306,068	5,373,217	0	5,373,217	8.00	190,679,285
Vocational Rehabilitation	42,142,193	0	0	0		42,142,193
Total Health and Human Services	4,478,316,506	(163,823,578)	(49,552,800)	(213,376,378)	119.50	4,264,940,128
Justice and Public Safety:						
Correction	1,060,627,365	(12,134,863)	0	(12,134,863)	-13.00	1,048,492,502
Crime Control & Public Safety	29,961,632	5,191,856	0	5,191,856	-1.00	35,153,488
Judicial Department	345,243,618	516,792	0	516,792	10.00	345,760,410
Judicial - Indigent Defense	91,688,190	(3,039,776)	0	(3,039,776)		88,648,414
Justice	78,855,004	(190,973)	33,240	(157,733)	15.00	78,697,271
Juvenile Justice & Delinquency Prevention	140,157,825	(1,284,659)	0	(1,284,659)	-46.00	138,873,166
Total Justice and Public Safety	1,746,533,634	(10,941,623)	33,240	(10,908,383)	-35.00	1,735,625,251

Summary of General Fund Appropriations

Fiscal Year 2006-2007

2005 Legislative Session

	Adjusted Continuation Budget 2006-07	Recurring Adjustments	Legislative Adjustments Nonrecurring Adjustments	Net Changes	FTE Changes	Revised Appropriation 2006-07
Natural And Economic Resources:						
Agriculture and Consumer Services	51,965,810	(932,926)	0	(932,926)	1.00	51,032,884
Commerce	35,583,572	644,693	500,000	1,144,693		36,728,265
Commerce - State Aid	11,222,085	500,000	0	500,000		11,722,085
Environment and Natural Resources	168,187,593	(736,504)	1,000,000	263,496	28.60	168,451,089
DENR - Clean Water Mgmt. Trust Fund	100,000,000	0	0	0		100,000,000
Labor	14,213,868	221,057	0	221,057	3.50	14,434,925
NC Biotechnology Center	9,083,395	1,500,000	0	1,500,000		10,583,395
Rural Economic Development Center	4,802,607	20,000,000	250,000	20,250,000		25,052,607
Total Natural and Economic Resources	395,058,930	21,196,320	1,750,000	22,946,320	33.10	418,005,250
General Government:						
Administration	61,483,537	(2,665,064)	0	(2,665,064)	6.00	58,818,473
Auditor	10,840,918	0	0	0		10,840,918
Cultural Resources	59,597,482	3,319,665	0	3,319,665	8.00	62,917,147
Cultural Resources - Roanoke Island	1,783,374	0	0	0		1,783,374
General Assembly	46,965,432	0	0	0		46,965,432
Governor	5,344,528	0	0	0		5,344,528
Housing Finance Agency	4,750,945	0	0	0		4,750,945
Insurance	27,866,769	243,813	0	243,813	3.00	28,110,582
Insurance - Worker's Compensation Fund	4,500,000	0	0	0		4,500,000
Lieutenant Governor	690,697	62,340	0	62,340	1.25	753,037
Office of Administrative Hearings	2,967,712	2,000	0	2,000		2,969,712
Revenue	82,960,444	(2,287,194)	0	(2,287,194)	16.00	80,673,250
Secretary of State	8,549,857	704,450	115,326	819,776	9.00	9,369,633
State Board of Elections	4,959,307	110,000	0	110,000	1.00	5,069,307
State Budget and Management	4,908,931	112,864	1,000,000	1,112,864	2.00	6,021,795
State Budget and Management -- Special	3,180,000	1,931,429	0	1,931,429		5,111,429
State Controller	9,966,970	77,541	0	77,541	1.00	10,044,511
Treasurer - Operations	8,228,365	67,478	0	67,478	1.00	8,295,843
Treasurer - Retirement / Benefits	8,146,179	505,278	0	505,278		8,651,457
Total General Government	357,691,447	2,184,600	1,115,326	3,299,926	48.25	360,991,373

Summary of General Fund Appropriations
Fiscal Year 2006-2007
2005 Legislative Session

	Adjusted	Legislative Adjustments				Revised
	Continuation Budget	Recurring	Nonrecurring	Net	FTE	Appropriation
	2006-07	Adjustments	Adjustments	Changes	Changes	2006-07
Transportation	12,945,066	(12,945,066)	0	(12,945,066)	0.00	0
Statewide Reserves and Debt Service:						
Debt Service:						
Interest / Redemption	615,917,453	3,373,687	0	3,373,687		619,291,140
Federal Reimbursement	1,616,380	0	0	0		1,616,380
Subtotal Debt Service	617,533,833	3,373,687	0	3,373,687	0.00	620,907,520
Statewide Reserves:						
Compensation Increases		235,185,705	0	235,185,705		235,185,705
Salary Adjustment Fund: 2005-07 Biennium	4,500,000	0	0	0		4,500,000
Salary Adjustment Fund: 2004-05 Fiscal Year	4,500,000			0		4,500,000
Teachers' and State Employees' Retirement Contribution		13,810,800	0	13,810,800		13,810,800
Retirement System Payback		0	0	0		0
Death Benefit Trust	12,000,000	899,200	0	899,200		12,899,200
Disability Income Plan	6,230,100	356,400	0	356,400		6,586,500
State Health Plan		142,728,000	0	142,728,000		142,728,000
Contingency and Emergency Fund	5,000,000	0	0	0		5,000,000
Information Technology Rate Adjustments		(2,300,000)	0	(2,300,000)		(2,300,000)
Information Technology Fund		8,025,000	0	8,025,000		8,025,000
MH/DD/SAS Trust Fund		0	0	0		0
Health and Wellness Trust Fund		0	0	0		0
Job Development Investment Grants (JDIG)	4,500,000	7,900,000	0	7,900,000		12,400,000
Increased Fuel Costs		0	0	0		0
Reserve for Contingent Appropriations		85,000,000	0	85,000,000		85,000,000
Subtotal Statewide Reserves	36,730,100	491,605,105	0	491,605,105		528,335,205
Total Reserves and Debt Service	654,263,933	494,978,792	0	494,978,792		1,149,242,725
Total General Fund for Operations	17,154,842,138	284,416,887	(42,954,234)	241,462,653		17,396,304,791

Summary of General Fund Appropriations

Fiscal Year 2006-2007

2005 Legislative Session

	Adjusted Continuation Budget 2006-07	Recurring Adjustments	Legislative Adjustments Nonrecurring Adjustments	Net Changes	FTE Changes	Revised Appropriation 2006-07
<u>Capital Improvements</u>						
Water Resources Development Projects	0	0	0	0		0
Other Capital Improvements	0	0	0	0		0
Total Capital Improvements	0	0	0	0		0
Total General Fund Budget	17,154,842,138	284,416,887	(42,954,234)	241,462,653	720.05	17,396,304,791

EDUCATION

Public Education

	GENERAL FUND	
	FY 05-06	FY 06-07
Adjusted Continuation Budget	\$6,585,323,929	\$6,701,093,652

Legislative Changes

A. Updated Projections

1 Average Daily Membership (ADM)

\$9,402,812 R \$6,660,059 R

Revise projected increase in ADM for FY 2005-06 to reflect 2,338 more students than originally projected. Dollar amount of adjustment includes increases to all position, dollar, and categorical allotments.

Total funded ADM for FY 2005-06 is 1,397,372, an increase of 28,309.

Due to upward adjustment of 6,439 in ninth grade ADM, receipts from Highway Fund budgeted for Driver's Education would increase by \$129,405 in 2005-06 and \$255,618 in 2006-07 if funding factor remained \$245.55 per ADM for 132,780 total ADM. Reduction in funding factor to \$240 per ADM (see page K3, item 12) results in net reduction of \$607,524 in FY 2005-06 and \$615,156 in FY 2006-07 from anticipated receipts. Total budgeted receipts from Highway Fund in FY 2005-06 will be \$31,867,200.

2 Budgeted Average Salary

(\$23,642,099) R (\$23,965,417) R

Revise budgeted funding for certified personnel salaries based on actual salary data from December 2004. Adjustment does not reduce any salary paid to certified personnel.

3 Exceptional Children

(\$3,969,553) R (\$3,969,553) R

Revise budgeted funding for children with special needs to reflect actual April 1, 2005 headcount. Continuation budget was based on projected headcount. Adjustment does not reduce funding per child (S.L. 2005-276, Section 7.12).

4 High Priority Schools

(\$400,000) R (\$400,000) R

Revise funds appropriated for High Priority Schools based on projection of fewer participating High Priority Schools. In 2005-06, High Priority Schools will have the option of removing themselves from high priority status (S.L. 2005-276, Section 7.10).

B. Continuation Budget Adjustments

5 Central Office Administration

(\$510,023) R (\$510,023) R

Reduce dollar allotment for Central Office Administration by 0.5%. Resulting total allotment in FY 2005-06 is \$101,494,560.

Overview: 2005 Session Fiscal and Budgetary Actions

	FY 05-06		FY 06-07
6 School Building Administration	(\$5,038,433)	R	(\$5,038,433)
Allot assistant principal positions on the basis of one 10-month position per 800 ADM. Resulting total allotment for assistant principals in FY 2005-06 is \$80,538,079.			
7 At-Risk Student Services/Alternative Schools	(\$1,600,000)	R	(\$1,600,000)
Reduce At-Risk Student Services/Alternative Schools supplemental funding to reflect transfer of funds to the Department of Juvenile Justice and Delinquency Prevention (DJJDP) for contract educational services provided to school-age youth by Eckerd Youth Alternatives Therapeutic Camps.			
8 School Bus Replacement	(\$7,915,450)	R	(\$7,915,450)
Provide funds to meet outstanding lease purchase payment obligations, and \$10 million for new lease purchases (approximately 476 new buses). Resulting total allotment in FY 2005-06 is \$47,190,642 (S.L. 2005-276, Section 7.17).			
9 Department of Public Instruction (DPI)	(\$598,666)	R	(\$598,666)
Reduce funds for the Department of Public Instruction by 2% (S.L. 2005-276, Section 7.16).			
10 ADM Contingency Reserve	(\$2,000,000)	R	(\$2,000,000)
Reduce ADM Contingency Reserve. Resulting appropriation is \$5,000,000 (S.L. 2005-276, Section 7.19).			
11 Driver's Education			
Reduce receipts from Highway Fund budgeted for Driver's Education by \$607,524 to reflect adjustment of funding factor from \$245.55 to \$240 per 9th grade ADM of 132,780. Resulting total allotment in FY 2005-06 is \$31,867,200.			
C. Reductions: Pass-Through Funds			
12 ExplorNet	(\$100,000)	R	(\$100,000)
Reduce pass-through funding to non-profit program by 25%. LEAs may contract for services provided by this organization using various other allotments that may be expended for professional development.			
13 NC Network	(\$70,875)	R	(\$70,875)
Reduce pass-through funding to non-profit program by 25%. LEAs may contract for services provided by this organization using various other allotments that may be expended for professional development.			
14 Partnership for Excellence	(\$12,500)	R	(\$12,500)
Eliminate pass-through funding to non-profit program by 25%. LEAs may contract for services provided by this organization using various other allotments that may be expended for professional development.			

D. Increased Receipts**15 Sales Tax Refundable to LEAs**

(\$33,300,000) R

Redirect estimated State sales tax refundable to LEAs to the State Public School Fund for allotment through State position, dollar, and categorical allotments (S.L. 2005-276, Sections 7.27, 7.51).

16 Transfer from Civil Penalties and Forfeitures Fund

Deposit \$18,000,000 in estimated revenues of the State Civil Penalties and Forfeitures Fund (CPFF) into the School Technology Fund in FY 2005-06 and in FY 2006-07. Deposit \$102,500,000 in estimated CPFF revenues in FY 2005-06 and \$107,500,000 in FY 2006-07 to the State Public School Fund for allotment to the LEAs on a per pupil basis (S.L. 2005-276, Section 6.37).

17 Budget Receipts from Civil Penalties & Forfeitures Fund

(\$102,500,000) R (\$107,500,000) R

Budget increased receipts of \$102,500,000 in FY 2005-06 and \$107,500,000 in FY 2006-07 from Civil Penalties & Forfeitures fund. Adjust General Fund appropriations accordingly (S.L. 2005-276, Section 6.37).

E. Expansion: State Public School Fund**18 Low Wealth Supplemental Funding**

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

Provide additional funding for LEAs located in counties with below State average ability to raise local revenue for public schools (S.L. 2005-276, Sections 7.6, 7.60).

19 Disadvantaged Student Supplemental Funding (DSSF)

\$22,500,000 R \$22,500,000 R

Continue funding at levels allotted in FY 2004-05 for the sixteen pilot LEAs that have previously received DSSF allotments. LEAs are encouraged to use funds to reduce class size and/or hire additional instructional support personnel, such as counselors, social workers, and nurses (S.L. 2005-276, Section 7.8).

20 Evaluate Effectiveness of DSSF and Low Wealth Initiatives

\$150,000 NR

Provide funds for evaluation of both (i) the extent to which LEAs use DSSF and Low Wealth supplemental allotments to improve outcomes for students at-risk of school failure, and (ii) the extent to which DPI supports the LEAs in using DSSF and other supplemental allotments efficiently and effectively (S.L. 2005-276, Section 7.8).

21 ABC Bonuses

\$100,000,000 NR

Fund ABC bonuses for schools that met or exceeded expected growth in the 2004-05 school year (S.L. 2005-276, Section 7.23).

	FY 05-06		FY 06-07
22 Learn and Earn Initiative	\$3,247,426	R	\$3,247,426
Expand the Learn and Earn High School Workforce Development Initiative into an additional ten high schools (bringing the total to 15). Provide planning grants to twenty additional high schools. This funding is the second installment toward a \$10 million State match required to activate a \$10 million commitment from the Gates Foundation (S.L. 2005-276, Section 7.32).	\$917,500	NR	
	3.00		3.00
23 Small Specialty High Schools Pilot Program	\$1,446,877	R	\$1,446,877
Fund additional principals, guidance counselors, and clerical staff at new "small specialty schools" within existing high schools at eight pilot sites. Allot each new "school within a school" the dollar equivalent of one principal position, one guidance counselor position, and two clerical positions (S.L. 2005-276, Section 7.52).			
24 School-Based Child and Family Support Teams	\$8,500,000	R	\$8,500,000
Provide funds to establish school-based child and family support teams that will support children at-risk of school failure by coordinating services among educational and human service agencies working with the children and their families.			
25 Small County Supplemental Funding	\$750,000	NR	
Expand small county supplemental funding allotment to meet requirements of the amended formula (S.L. 2005-276, Section 7.7).			
26 Virtual High School	\$150,000	R	\$150,000
Provide funds to the State Board of Education for establishment and implementation of a pilot virtual high school during the 2005-2006 school year (S.L. 2005-276, Section 7.41).			
27 Education Value Added Assessment System (EVAAS)	\$500,000	R	\$500,000
Provide funds to LEAs to purchase licenses for EVAAS diagnostic software. The State Board shall identify up to 20 LEAs to receive funding in FY 2005-06 based on criteria that shall include (i) identified need, (ii) readiness, and (iii) county wealth, as defined in the Low Wealth Supplemental Funding formula. The LEAs shall be distributed geographically. It is the goal of the General Assembly to provide funds in future years so that every LEA may purchase these licenses.			
F. Expansion: Pass-Through Funds			
28 Teaching Fellows Scholarships	\$650,000	R	\$1,300,000
Fund 100 additional Teaching Fellows Scholarships.			

29 Communities in Schools

Provide additional pass-through funding to non-profit program. \$500,000 NR

30 A+ Schools

Provide funding to support non-profit program that assists schools in implementing comprehensive school reform by integrating arts into the curriculum. \$100,000 R \$100,000 R

31 Center for 21st Century Skills

Provide funds to the State Board of Education for establishment of the Center for 21st Century Skills. The State Board will transfer funds to the Office of the Governor for this purpose (S.L. 2005-276, Section 7.39). \$250,000 R \$250,000 R

32 Teacher Working Conditions Survey

Provide funds to the State Board of Education for administration of the teacher working conditions survey formerly administered and funded out of the Office of the Governor. Provide \$100,000 to NC Network (S.L. 2005-276, Section 7.40). \$215,000 R \$290,000 R

33 SAS in Schools

Fund Statewide license for SAS in Schools, an instructional resource that will be made available to all NC teachers on-line through NC WISEOWL. \$500,000 R \$500,000 R

34 Regional Education Networks

Provide funds to the North Carolina Rural Economic Development Center and the e-NC Authority for a feasibility study on developing regional education networks that are centrally managed to provide and sustain broadband connectivity to individual students and teachers in schools, community colleges, and universities. In conducting the study, the Rural Economic Development Center and e-NC Authority shall collaborate with representatives from local school administrative units, The University of North Carolina, private colleges, the State Board of Education, the State Chief Information Officer, and the Community College System (S.L. 2005-276, Section 7.42). \$100,000 NR

35 Science Olympiad Funding

Provide funds to expand the Science Olympiad program to all LEAs in the State. \$50,000 R \$50,000 R

36 Teach for America

Provide funds to non-profit organization that recruits recent college graduates in non-education majors to teach in hard-to-staff schools. \$200,000 R \$200,000 R

37 Durham Nativity School

Provide funds for after school programs, basic office and school supplies, and equipment.

\$25,000 NR

38 Scarborough Nursery School

Provide funds for operating expenses.

\$25,000 NR

39 Futures for Kids

Provide funds to support non-profit organization that enhances schools' capacities to provide students with opportunities for career exploration.

\$500,000 NR

40 Project Enlightenment

Provide funding for Wake County to assist Project Enlightenment in continuing its model Demonstration Preschool program and consultation and education services to children, families, teachers, and other professionals in Wake County.

\$100,000 NR

41 Cumberland County Schools

Provide seed funds for an elementary school cultural arts/dance program that focuses on at-risk children.

\$5,000 NR

42 Mount Airy High School

Provide funds for a computer lab.

\$20,000 NR

43 North Surry High School

Provide funds for a computer lab.

\$20,000 NR

44 Vance County Public School Fund

Provide funds to be used to assist in retention and recruitment of teachers.

\$5,000 NR

45 AKA Center for Community Services

Provide start-up funds for a tutorial project to reduce suspensions and drop outs in Wilson County.

\$5,000 NR

46 Wilson Delta Community Revitalization Corporation

Provide funds to support the implementation of a test taking project for high school students.

\$5,000 NR

47 Judy Memorial Family Center

Provide funds to support educational programs.

\$10,000 NR

48 Edgecombe County Out-of-School Suspension Intervention Program

Provide funds to Edgecombe County to implement an out of school suspension intervention program for children who are on long-term suspension from school.

\$100,000 NR

49 WNC Communities

Provide funds for operational and educational program support.

\$50,000 NR

50 Southside School Alumni Funds

Provide funds to the Southside School Alumni Association for replacement of furnishings, repairs, and upgrades.

\$5,000 NR

51 The Vital Link

Provide funds for operating support.

\$10,000 NR

52 God's Vision Ministries

Provide funds to the Bridge Builder's for Change Juvenile Male Intervention program, which provides afterschool activities for at-risk African American males between the ages of eight and twelve.

\$18,000 NR

G. Expansion: Department of Public Instruction

53 Receipt Supported Positions

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

A. Healthy Schools - Federal HIV and Abstinence Education Funds

3 Education Consultants - \$249,056

1 Program Assistant V - \$42,648

Consultants will assist schools in providing health education regarding HIV and other health issues for school-age populations. Program Assistant will provide clerical and program support for the staff.

B. Safe Schools - Federal 21st Century Community Learning Centers and Safe and Drug Free Schools Funds

3 Education Consultants - \$249,056

1 Program Assistant IV - \$39,558

One Consultant will provide technical assistance to schools and LEAs on middle and high school counseling issues. Two Consultants will provide technical assistance to and monitor the 190 centers providing after school programs to at-risk students. Program Assistant will provide clerical and program support for the staff.

C. Child Nutrition - Federal Child Nutrition Funds

2 School Meals Program Consultants - \$133,480

One Consultant will assist local education agencies in ensuring that all compliance requirements for federal child nutrition programs are met. The other Consultant will coordinate the implementation and oversight of US Department of Agriculture's Seamless Summer Food Service program, Summer Milk program, Fruit and Vegetable Program, USDA Best Practice program, and the Healthier US program.

D. LEA Plant Operations - Plant Operation Maintenance Receipts

Facility Electrical Engineer II - \$90,755

Engineering Technician II - \$49,713

Positions will assist LEA customers with engineering projects which include designing, installing, and assisting with electrical, mechanical, HVAC, and plumbing projects.

E. Evaluation and Compliance - Federal Title 1 Funds and Indirect Cost Receipts

Program Assistant V - \$42,648

Personnel Analyst II - \$66,740

Program Assistant V will provide clerical and program support to the Senior Research Director and the Education Program Administrator for evaluation, research and federal programs. Personnel Analyst II will train agency management and employees with respect to employee relations, the performance management system, and equal employment opportunity policies.

Total Legislative Changes	(\$80,645,484)	R	(\$121,286,555)	R
	\$103,320,500	NR		
Total Position Changes	3.00		3.00	
Revised Budget	\$6,607,998,945		\$6,579,807,097	

Special Provisions

2005 Session: **HB 320**

Department: Public Education

Section: 7.62

Title: **Untitled**

Summary Appropriates \$750,000 from the Disaster Relief Reserve Fund to Hyde County for the 2005-06 fiscal year to be used to repair Ocracoke School.

Special Provisions

2005 Session: **SB 622**

Department: Public Education

Section: 2.2

Title: **General Fund Availability Statement**

Summary Directs the Governor to analyze the current State public school teacher salary schedule, trends in salaries, and the current disparity between North Carolina teacher pay and the national average; authorizes the Governor, after consultation with the Speaker of the House and the President Pro Tempore of the Senate, to devise and execute a plan to reduce the disparity; and, appropriates \$85,000,000 to the Reserve for Contingent Appropriations for this purpose.

Section: 6.37

Title: **Civil Penalty and Forfeiture Fund**

Summary Lays out availability for and appropriations from the Fund for the 2005-06 and 2006-07 fiscal years. Establishes directions for the event that funds are either over- or underrealized in the Fund. Establishes directions for the special case that funds are overrealized from the Department of Transportation. Makes various conforming changes to statute.

Section: 7.1

Title: **Teacher Salary Schedules**

Summary Lays out the 2005-06 Monthly Salary Schedules for Teachers. Schedule has been increased by 0.35%.

Section: 7.2

Title: **School Based Administrator Salary Schedules**

Summary Lays out the 2005-06 Principal and Assistant Principal Salary Schedules. Schedule has been increased by 0.35%.

Section: 7.3

Title: **Central Office Salaries**

Summary Lays out the 2005-06 Monthly Salary ranges for assistant superintendents, associate superintendents, directors/coordinators, supervisors, and finance officers, beginning July 1, 2005. Includes salary increase of \$850 or 2%, whichever is greater, for all full-time personnel who work a 9-, 10-, 11-, or 12-month work year.

Section: 7.4

Title: **Noncertified Personnel Salaries**

Summary Provides that the annual salary increase for permanent, full-time noncertified public school employees whose salaries are supported from the State's General Fund and who work a 9-, 10-, 11-, or 12-month work year shall be the greater of \$850 or 2%, commencing July 1, 2005.

Section: 7.5

Title: **Bonus for Certified Personnel at the Top of their Salary Schedules**

Summary Provides a one time bonus for certified teachers and school based administrators at the top of their salary schedules. (Note: HB 320, Budget Technical Corrections, clarified that the bonuses are for personnel employed on July 1, 2005.)

Section: 7.6

Title: **Supplemental Funding in Low Wealth Counties**

Summary Continues formula for determining eligibility for and distribution of funds appropriated in 2005-06 and 2006-07 for supplemental funding for public schools in low wealth counties.

Section: 7.7

Title: **Small School System Supplemental Funding**

Summary Continues formula for determining eligibility for and distribution of funds appropriated in 2005-06 and 2006-07 for supplemental funding for public schools in small counties (as determined by ADM). Adjusts phase-out provision for counties that become ineligible because of increased tax base so that these counties continue to receive funding for five years after being determined ineligible.

Section: 7.8

Title: **Disadvantaged Student Supplemental Funding**

Summary Appropriates funds to address the capacity needs of local school administrative units to meet the needs of disadvantaged students. Each local school administrative unit shall use funds allocated to it for disadvantaged student supplemental funding to implement a plan jointly developed by the unit and the LEA Assistance Program team. Prior to the allotment of disadvantaged student supplemental funds, the plan must be approved by the State Board of Education.

The State Board may require LEAs receiving funding under this allotment to purchase the Education Value Added Assessment System (EVAAS).

Directs evaluation of the DSSF and Low-Wealth Initiatives and the technical assistance that DPI provides to LEAs.

Section: 7.9

Title: **Students with Limited English Proficiency**

Summary Directs the State Board of Education to develop guidelines for identifying and providing services to students with limited proficiency in the English language. Allocates funds to LEAs based upon average daily membership of LEP students, to a maximum of 10.6% of ADM.

Section: 7.10

Title: **Flexibility for the Highest Priority Elementary Schools**

Summary Provides that the State Board of Education may allow high priority schools that have exceeded growth expectations for three consecutive years to be removed from the list of high priority schools. If a local board of education chooses to have a school removed from the list of high priority schools, the additional high priority funding for that school shall be discontinued.

Section: 7.11

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

Summary Allows the State Board of Education to use up to \$200,000 of the funds in the Alternative Schools/At Risk Student allotment each year for the 2005-06 fiscal year and for the 2006-07 fiscal year to implement G.S. 115C-12(24).

Section: 7.12

Title: **Funds for Children with Disabilities**

Summary Provides funds for children with disabilities on the basis of \$2,838.39 per child for a maximum of 168,602 children for the 2005-06 school year.

Section: 7.13

Title: **Funds for Academically Gifted Children**

Summary Provides funds for academically or intellectually gifted children on the basis of \$926.55 per child for 55,895 children for the 2005-06 school year.

Section: 7.14

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

Summary Requires that funds appropriated for the 2005-06 and 2006-07 fiscal years for Student Accountability Standards shall be used to assist students to perform at or above grade level in reading and mathematics in grades 3-8 as measured by the State's end of grade tests. The State Board of Education shall allocate these funds to LEAs based on the number of students who score at Level I or Level II on either reading or mathematics end of grade tests in grades 3-8.

Section: 7.15

Title: **Litigation Reserve Funds**

Summary Permits the State Board of Education to expend up to \$500,000 each year for the 2005-06 and 2006-07 fiscal years from unexpended funds for certified employees' salaries to pay expenses related to pending litigation.

Section: 7.16

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

Summary Allows the Department of Public Instruction to use salary reserve funds and other funds and to transfer funds within the Department's continuation budget to implement budget reductions for the 2005-06 fiscal year.

Section: 7.17

Title: **Replacement School Bus Funds**

Summary Authorizes the financed purchase of school buses and formalizes the bidding partnership between the State Board of Education and the Department of Administration, Division of Purchase and Contract.

Section: 7.18

Title: **Expenditure for Driving Eligibility Certificates**

Summary Provides that the State Board of Education may use funds appropriated for drivers education to cover the costs of driving eligibility certificates.

Section: 7.19

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

Summary Allows State Board of Education to make allotment adjustments in accordance with the Allotment Adjustments for ADM Growth provisions of the North Carolina Public Schools Allotment Policy Manual. If the Board does not have sufficient resources in the ADM Contingency Reserve line item to make the necessary adjustments, the Board may use funds appropriated to State Aid for Public Schools for this purpose.

Section: 7.20

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

Summary Allows the State Board of Education to spend up to \$50,000 a year from State Aid to Local School Administrative Units for the 2005-06 and 2006-07 fiscal years to continue support of a charter school advisory committee and to continue to evaluate charter schools.

Section: 7.21

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

Summary Directs the State Board of Education to grant flexibility to a local board of education regarding the use of mentor funds to provide mentoring support, provided the local board submits a detailed plan on the use of the funds to the State Board and the State Board approves that plan.

Section: 7.22

Title: **Visiting International Exchange Teachers**

Summary Codifies current State Board of Education policy to convert positions to dollars. Also states that the Visiting International Faculty Program is a State-approved international exchange teacher program.

Section: 7.23

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

Summary Directs the State Board of Education to use funds appropriated for State Aid to Local School Administrative Units to provide incentive funding for schools that met or exceeded the projected levels of improvement in student performance during the 2004-05 school year, in accordance with the ABCs of Public Education Program. Also provides that the State Board of Education may use funds appropriated to the State Public School Fund for Assistance Teams.

Section: 7.24

Title: **LEA Assistance Program**

Summary Directs the State Board of Education to use \$500,000 for the 2005-06 fiscal year and \$500,000 for the 2006-07 fiscal year to provide assistance to the State's low performing LEAs and to assist schools in meeting adequate yearly progress in each subgroup identified in the No Child Left Behind Act of 2001.

Section: 7.25

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

Summary Provides that funds appropriated for the Uniform Education Reporting System shall not revert at the end of the 2005-06 and 2006-07 fiscal years but shall remain available until expended.

Section: 7.27

Title: **LEA Sales Tax Refund Reporting**

Summary Directs the Department of Revenue to report to the Department of Public Instruction and the General Assembly on the amount of sales tax refunded to LEAs.

Section: 7.28

Title: **Review of Standards for Master's in School Administration Programs**

Summary Directs the State Board of Education to ensure that competencies related to teacher retention, teacher evaluations, teacher support programs, and teacher effectiveness are included and emphasized in Master's in School Administration programs.

Section: 7.29

Title: **Evaluation of School Principals**

Summary Requires annual evaluations of all principals and assistant principals and allows a local board to use an alternative evaluation if properly validated and based on standards and criteria similar to those adopted by the State Board of Education. Also directs the State Board of Education to revise its evaluation instruments to include teacher retention, teacher support, and school climate.

Section: 7.30

Title: **Planning Time for Teachers**

Summary Directs the State Board of Education to report on best practices from North Carolina schools for providing a minimum of five hours per week for planning, etc., and to disseminate the information to LEAs and schools. Requires the State Board of Education to submit a report by January 15, 2006, to the Education Cabinet and to the Joint Legislative Education Oversight Committee.

Section: 7.32

Title: **Learn and Earn High Schools**

Summary Allocates funds to expand the Learn and Earn program. The budget flexibility authorized by GS 115C-105.25 does not apply to principal allotments in these schools. (Note: HB 320, Budget Technical Corrections, established that funds could not be allotted until Learn and Earn High Schools and planning sites are approved by the State Board. The correction also established that within funds available, the Board could approve additional planning sites. All planning sites are expected to complete the planning process by the end of the fiscal year for which the planning funds are awarded.)

Section: 7.33

Title: **Flexibility for High School Innovation**

Summary Authorizes Governor's request for innovative high school partnerships with universities as well as community colleges. Provides that the applicable Board "may" exempt a program from laws and rules applicable to a local board of education, school administrative unit, community college, constituent institution, or board of trustees. (Note: HB 320, Budget Technical Corrections, removed the annual November 1 deadline by which applications used to have to be submitted to the applicable governing boards, and extended to June 30 the annual date by which the Boards shall approve all applications.)

Section: 7.37

Title: **Minimize Time Devoted to Standardized Tests**

Summary Sets a limit of two days spent on practice tests per year and prohibits field testing during the two-week period prior to EOC and EOG testing. Limits the number of field tests that a school can participate in, unless the school volunteers for more.

Section: 7.38

Title: **Education Cabinet**

Summary Adds the Secretary of Health and Human Services to the membership of the Education Cabinet.

Section: 7.39

Title: **Center for 21st Century Skills**

Summary Directs the State Board of Education to transfer funds for this new entity to the office of the Governor. Outlines the purpose of 21st Century Skills initiative. Directs the NC Business Committee for Education and the Center for 21st Century Skills to coordinate their efforts on high school reform with the NC New Schools Project.

Section: 7.40

Title: **Teacher Working Conditions Survey**

Summary Directs that funds appropriated to the State Board to administer the Governor's Teacher Working Conditions Survey Initiative shall be used: (i) in collaboration with the Professional Teaching Standards Commission, (ii) to establish an advisory board, and (iii) to support NC Network.

Section: 7.41

Title: **Plan and Funding for a Virtual High School**

Summary Directs State Board, UNC Board of Governors, State Board of Community Colleges, and private colleges, in accordance with the recommendation of the Business and Education Technology Alliance (BETA), to develop E-Learning standards that provide learning opportunities for NC citizens. States legislative intent to give public schools highest priority for new funding in this area. Authorizes State Board to use funds appropriated to it to implement a pilot virtual high school in each year of the biennium. If pilot is successful, states that intent of the legislature is to implement the program statewide.

Section: 7.42

Title: **Feasibility Study for Developing Regional Education Networks**

Summary Directs a study of developing regional education networks to provide and sustain broadband connectivity for students and teachers in public schools, community colleges, and universities. This provision was recommended by the Business and Education Technology Alliance (BETA).

Section: 7.43

Title: **Assistance with School Technology Needs**

Summary Amends GS 115C-102.6A to require state school technology plan to include baseline template for technology infrastructure and evaluation component. Amends GS 115C-102.7 to require DPI to conduct random checks of local technology plans for compliance. Also requires SBE to provide costs for state's technology needs (personnel and infrastructure) for next three to five years and report this and resources needed to operate schools designed to meet the needs of 21st century learners to the 2006 Regular Session of the General Assembly. Also directs DPI to ensure that at least one full-time coordinator is assigned to assist LEAs with E-rate applications. This provision was recommended by the BETA.

Section: 7.47

Title: **School Employee Salary Study**

Summary Directs the Joint Legislative Education Oversight Committee to study the current salary structure for teachers. Lists six areas to be examined.

Section: 7.51

Title: **Redirect Refundable Sales Tax to State Public School Fund**

Summary Repeals provisions in GS 105-164.14(c) regarding annual refund of sales and use taxes paid by schools. Enacts GS 105-164.44H effective July 1, 2006, to provide for quarterly transfer to the State Public School Fund of one-fourth of the amount transferred the preceding fiscal year, adjusted by the amount the total collection of state sales and use taxes changed during the preceding year. Provides that for the 2006-07 fiscal year, the amount transferred each quarter is equal to one-fourth of the adjusted amount refunded under the repealed provisions during the 2005-06 fiscal year. (Note: HB 320, Budget Technical Corrections, makes a technical change to the statutory reference in subsection b.)

Section: 7.52

Title: **Small Specialty High School Program**

Summary Appropriates funds to establish a pilot program of 11 small specialty high schools within existing schools. Directs the State Board of Education to evaluate the program and report results to the Office of State Budget and Management, the Joint Legislative Education Oversight Committee, and the Fiscal Research Division by November 15, 2006.

Section: 7.54

Title: **Ensure DHHS Schools Receive Federal Funds**

Summary Classifies DHHS as a public authority for the schools that it operates for purposes of eligibility for federal grant funds. Directs DPI to ensure that DHHS schools receive a proportionate share of federal funds for public schools. Requires DHHS to report on the use, type, and amount of funds received from federal funding and other DPI funding to the House and Senate HHS Appropriations subcommittees by January 31, 2006.

Section: 7.57

Title: **Study of School Transportation**

Summary Directs the Department of Public Instruction to use up to \$150,000 for a study of the current allotment formula for school transportation. The study shall be conducted by an independent consultant. The consultant shall report the results of its study to the State Board of Education by December 1, 2005. The State Board of Education shall submit a plan for the implementation of the consultant's report to the Joint Legislative Education Oversight Committee by March 15, 2006. (Note: HB 320, Budget Technical Corrections, extended the reporting dates to March 1, 2006, and April 15, 2006, respectively.)

Section: 7.58

Title: **Review of Internal Controls**

Summary Adds a new subsection to GS 115C-447 authorizing the State Board of Education to require audits and corrective plans to address incidents of fraud, embezzlement, theft, or management failures in local school administrative units.

Section: 7.59

Title: **Teach Financial Literacy in Public Schools**

Summary Requires that the public schools provide instruction in personal financial literacy for all students during the high school years. Directs the State Board of Education to determine the components of personal financial literacy that will be covered in the curriculum, and to review the high school standard course of study to determine in which course the new personal financial literacy curriculum can be integrated. Gives the SBE two years to develop the curriculum.

Section: 7.60

Title: **Reports on the Expenditure of Supplemental Funds for Low Wealth Counties**

Summary Requires local boards of education to report to the State Board of Education by August 31 of each year on the expenditure of supplemental funds for low wealth counties and how these funds were targeted and used to implement specific improvement strategies of each local school administrative unit and its schools, such as teacher recruitment, closing the achievement gap, improving student accountability, addressing the needs of at risk students, and establishing and maintaining safe schools. The State Board of Education shall report this information annually by October 31 to the Office of State Budget and Management, the Joint Legislative Education Oversight Committee, and the Fiscal Research Division.

Section: 7.61

Title: **Provide for new Accountability for the use of Funds in the At-Risk and Improving Student Accountability Allotments**

Summary Requires funds appropriated for the At Risk/Alternative Schools allotment and the Improving Student Accountability allotment to be used consistent with the policies and procedures adopted by the State Board of Education. Priority for use of the funds shall be to (i) provide instructional positions or instructional support positions and/or professional development; (ii) provide intensive in school and/or after school remediation; and (iii) purchase diagnostic software and progress monitoring tools. Requires local boards to submit an annual report by August 31 to State Board; requires State Board to report annually by October 31 to Office of State Budget and Management, Joint Legislative Education Oversight Committee, and Fiscal Research Division; and makes continued local eligibility contingent on reporting to the SBE detailed expenditures and impact on student achievement.

Section: 31.1

Title: **Lottery**

Summary Establishes that at least 35% of net revenues of the lottery will be transferred to the NC Lottery Fund, which will be distributed as follows:

(1) 50% to support reduction of class size in early grades to class size allotments not exceeding 1:18 in order to eliminate achievement gaps and to support academic prekindergarten programs for at-risk four-year-olds who would otherwise not be served in a high-quality education program in order to help those four-year-olds be prepared developmentally to succeed in school.

(2) 40% to the Public School Building Capital Fund (PSBCF) in accordance with GS 115C-546.2.

(3) 10% to the State Educational Assistance Authority to fund college and university scholarships in accordance with Article 35A of Chapter 115C of the General Statutes.

Section 31.1(hh) rewrites GS 115C-546.2 to detail how lottery proceeds deposited in the PSBCF are to be allocated and used.

UNC System

GENERAL FUND

	FY 05-06		FY 06-07	
Adjusted Continuation Budget	\$2,024,322,442		\$2,052,608,147	
Legislative Changes				
A. Reductions				
54 Management Flexibility Reduction for UNC Campuses and Programs	(\$31,047,708)	R	(\$31,047,708)	R
Reduces the UNC budget for campuses and other programs by 1.72% in FY 05-06 and FY 06-07 and allows management flexibility in handling the cut. This reduction excludes AHEC, Center for Public Television, NC School for the Arts, NC School of Science and Math, State Contractual Scholarship Program and other Related Educational Programs (except Legislative Tuition Grants), and the following K-12 programs : Model Teacher Education Consortium, NC Teach, NC Teacher Academy, Principals Executive Program, Principal Fellows Program, Math and Science Education Network, and the NC Center for the Advancement of Teaching.(SB 622, Section 9.1)				
55 Summer School	(\$3,658,515)	R	(\$3,658,515)	R
Eliminates General Fund subsidy of Summer School.				
56 Building Reserves - Minimum Hiring Rate	(\$1,428,329)	R	(\$3,005,385)	R
Reduces the starting salary from the midpoint to the minimum of the pay range for positions related to the operation of new buildings opening during the fiscal year.				
57 Building Reserves - Completion Dates	(\$2,189,924)	NR		
Adjusts the estimated completion dates for construction projects for information made available in March 2005. A delay in project completion results in a reduction in the number of months needed to staff and operate the new or renovated buildings.				
58 SREB Contractual Spaces	(\$169,600)	R	(\$169,600)	R
Eliminates funding for 16 vacant contracted spaces in optometry, dentistry and medical schools negotiated through the Southern Regional Educational Board.(7 dental, 7 medicine, and 68 optometry slots are currently filled with NC residents.)				
59 Need-Based Financial Aid	(\$23,975,714)	R	(\$23,975,714)	R
Continues funding the Need Based Financial Aid program from the Escheats Fund.(SB 622, Section 9.6)				

	FY 05-06		FY 06-07
60 Private Medical School Aid	(\$636,000)	R	(\$636,000)
Eliminates \$305,788 from the base budget and a \$330,212 projected increase for 05-06 based on data from the State Education Assistance Authority. The \$1.7 million remaining in the base budget will fund the growth in the number of NC residents attending Wake Forest University and Duke University medical schools.			
61 Medical Scholarships	(\$768,299)	R	(\$768,299)
Reduces the base budget by \$154,664 and eliminates a \$613,635 projected increase because recent data from the State Education Assistance Authority shows that \$1.56 million is sufficient to fund growth in the number of NC residents attending medical schools at ECU, UNC, WFU and Duke.			
62 State Contractual Scholarship Program	(\$545,800)	R	(\$545,800)
Adjusts the program budget to actual needs. Allows for 2.43% growth in enrollment of NC residents in the state's private colleges and universities and funds the enrollment of 575 NC residents at Johnson and Wales University. Continues the \$1,100 per student grant to the colleges.			
63 Juvenile Justice Institute	(\$250,000)	R	(\$250,000)
Reduces the appropriation to this institute at NCCU from \$500,000 to \$250,000.			
64 Non-credit and Receipt Supported Instruction	(\$684,532)	R	(\$684,532)
Eliminates General Fund subsidy of non-credit and receipt supported instruction on all campuses.			
65 North Carolina Education Research Council	(\$240,020)	R	(\$240,020)
Eliminates the state funding for the North Carolina Education Research Council. This Council was first funded in the 2000 Session to provide research for the Education Cabinet.			
	-2.00		-2.00
66 Strategic Initiatives Reserve	(\$700,000)	R	(\$700,000)
Reduces this reserve fund from \$4 million to \$3.3 million.			
B. Expansion			
67 Enrollment Growth for UNC Campuses	\$72,753,678	R	\$72,753,678
Funds enrollment growth for undergraduate and graduate students in regular term and distance education programs.			
	534.70		534.70
Regular term enrollment is projected to increase by 3,703 undergraduates and 283 graduate students. Distance education enrollment is projected to increase by 1,518 undergraduates and 1,417 graduate students. The UNC Board of Governors will report back to the Education Oversight Committee on the actual enrollment.(SB 622, Section 9.2)			

	FY 05-06		FY 06-07	
68 Enrollment Growth for NC School of Science and Math	\$200,000	R	\$200,000	R
Increases the enrollment at the NC School of Science and Math by 10 students.	3.00		3.00	
69 Enrollment Growth for Private College Legislative Tuition Grants	\$1,395,488	R	\$1,395,488	R
Funds a 2.43% increase in NC residents attending private colleges and universities in the state (to 32,570). Accommodates the enrollment at Johnson & Wales University and students no longer funded by Fort Bragg. Continues the LTG rate at \$1,800 per student.				
70 UNCW / ASU Equity Funding	\$8,398,101	R	\$8,398,101	R
Increases appropriations to UNCW and ASU so that the appropriation per FTE (full time equivalent) student is 1 standard deviation (STD) from the mean for all UNC System campuses. The current appropriation per FTE student is \$8,545 for the UNC System, while the approp./FTE for UNCW is \$6,339 (-1.46 STD) and for ASU is \$6,933 (-1.07 STD).				
71 UNCC Transition to Doctoral / Research Intensive Status	\$5,000,000	R	\$10,000,000	R
Provides funding for additional faculty, library resources, and technology infrastructure needed to implement approved doctoral programs. UNCC achieved Doctoral/Research Intensive status in 2000, but has not received the operating funds commensurate with this elevated academic status.				
72 State Contractual Scholarship Fund Increase	\$1,596,000	R	\$1,596,000	R
Increases the State Contractual Scholarship Fund from \$1,100 per student in private college to \$1,150 per student.				
73 Need-Based Financial Aid				
Funds the expansion in the need-based scholarship program from the Escheats Fund. \$8,674,000 is needed due to enrollment growth and \$3,200,000 is needed due to the student loss of Pell Grant funds from a formula change. The Escheats Fund will also continue to pay \$1.1 million for the Health Science and Math Loan Program.(SB 622, Section 9.6)				
74 Millennium Teacher Scholarship Loan Program				
Funds \$390,000 for the second class of 60 teaching scholars at ECSU, FSU, and WSSU in FY 2005-06 and another \$390,000 for the third class in FY 2006-07. This was inadvertently left out of the base budget. This program is funded from the Escheats Fund.(SB 622, Section 9.6)				

75 UNC-NCCCS 2+2 E-Learning Initiative

Provides funding for developing 2+2 distance education programs, for professional development for 2+2 faculty, for technology development and purchases, and for tracking students' progress between NCCCS and UNC. The Community College budget includes an additional \$1 million to support the community college side of this initiative. (SB 622, Section 9.5)

\$1,000,000 NR

76 UNC-NCCCS Joint Initiative for Teacher Education and Recruitment

Creates 8 UNC positions to be based in the Regional Alternative Licensure Centers to support the expansion of the 2+2 Partnership Programs between UNC and NCCCS constituent institutions, to offer admissions advice to community college students seeking to transfer to a four year teacher education program, to work with prospective teachers to resolve curriculum issues between UNC and community colleges, and to recruit prospective teachers on community college campuses. (SB 622, Section 9.3)

\$480,000 R \$640,000

8.00 8.00

77 Model Teacher Education Consortium

Enables the Consortium to extend its services for lateral entry teachers and paraprofessionals (teacher assistants, substitute teachers, etc.) to additional LEAs. The Consortium now serves 40 LEAs in Eastern NC (Alamance and Richmond are the western most counties served).

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

78 CFNC Teacher Recruitment and Marketing Online Module

Funds a teacher recruitment module on the College Foundation of North Carolina (CFNC) website. The module will provide future teachers with a single source for information concerning education and licensing requirements; grants, scholarships, and loans; and on-line applications for admissions and financial aid.

\$25,000 R \$25,000

79 Principals Effectiveness Program

Provides additional funding to develop programs for new principals that focus on a principal's responsibility for instructional leadership, data-driven decision making, and positive teacher working conditions.

\$125,000 R \$125,000

80 Biotechnology Initiatives

Appropriates \$2 million to the Biomanufacturing Research Institute and Technology Enterprise (BRITE) at North Carolina Central University and \$2.94 million to the Biomanufacturing Training and Education Center (BTEC) at North Carolina State University. Part of the funds are for scientific equipment and supplies needed for startup that were not funded by the construction grant from the Golden LEAF foundation. Funds will also be used to begin hiring administrative and research personnel.

\$4,941,079 R \$4,941,079

FY 05-06

FY 06-07

81 UNC TV Closed Captioning

\$483,978 R

\$483,978 R

Enables the UNC Center for Public Television to meet a Federal Communication Commission mandate to provide closed captioning on 100% of its content by January 1, 2006. UNC TV must comply with the FCC requirements in order to retain its broadcast license.

82 William and Ida Friday Institute for Educational Innovation

\$1,900,000 R

\$1,900,000 R

Provides a reserve for staff, operations, and maintenance costs of the new facility constructed on North Carolina State's Centennial Campus adjacent to Wake County's Centennial Campus Middle School.

83 Teacher Scholarship for Math and Science

\$650,000 R

\$1,300,000 R

Creates the Future Teachers of North Carolina Scholarship Fund. This fund will award 100 scholarship loans each year to juniors and seniors in North Carolina public and private colleges that agree to become certified to teach math, science, special education, or English as a Second Language in North Carolina public schools. The loan is \$6,500 per year and is not repaid if the recipient teaches for three years in the state. (SB 622, Section 9.11)

84 Scholarship Loan for Prospective Coaches

\$100,000 R

\$200,000 R

Creates the Physical Education - Coaching Scholarship Loan Fund to provide 25 scholarship loans each year. The loans will be administered by the State Education Assistance Authority. The loans do not have to be repaid if the graduate takes a coaching job in a rural or need-based area. A year of work cancels a year of loan repayment. (SB 622, Section 9.31)

85 NC School of Science and Math University Tuition

\$585,565 R

\$1,523,183 R

Funds the continued costs of the UNC tuition grant to graduates of the School of Science and Math that began in FY 2004-05. The base budget inadvertently left out funding for future graduates.

86 North Carolina in the World Project

\$200,000 NR

Provides a grant to the Center for International Understanding for the project "North Carolina in the World: A Plan to Increase Student Knowledge and Skills about the World".

87 Manufacturing Extension Partnership

\$150,000 NR

Increases state funding to this program within the Industrial Extension Service that assists small manufacturers to become more globally competitive.

	FY 05-06		FY 06-07	
88 NC A & T State University Matching Funds	\$1,089,000	R	\$1,089,000	F
Increases the campus match of federal funds from 80% to 90% for agricultural research and extension programs as mandated by the Agricultural Research, Extension, and Education Reform Act of 1998. The funds are appropriated to the School of Agriculture and Environmental Science.(HB 320, Section 12)				
89 North Carolina Space Grant Consortium	\$200,000	R	\$200,000	F
Provides funds to expand the program beyond the current participating universities. The program attempts to attract students to science and engineering degrees by providing undergraduate scholarships, graduate fellowships, research seed grants, and community outreach.				
90 Focused Growth Campus Funds	\$2,500,000	R	\$2,500,000	F
Provides additional funds to be evenly divided among the seven focused growth institutions (ECSU, FSU, NCA&T, NCCU, UNC-P, WCU, WSSU).				
	\$1,250,000	NR		
91 Special Needs Institutions				
Provides funds to UNC-Asheville and the NC School of the Arts for nonrecurring needs.				
	\$1,000,000	NR		
92 Initiatives to Close the Achievement Gap	\$300,000	R	\$300,000	F
Appropriates funds to the Board of Governors to continue to support the operations and work of the North Carolina Historically Minority Colleges and Universities Consortium. The Consortium will determine the best practices and methodologies for closing the achievement gap among children of various demographic groups who are performing below grade level.				
93 Center for Craft, Creativity and Design	\$200,000	R	\$200,000	F
Provides a reserve for operating this center located on UNC-A's Kellogg Center property in Henderson County. Expenditure of the reserve is contingent on receiving a permanent endowment from a private foundation to fund graduate scholarships. (SB 622, Section 9.37)				
	2.50		2.50	
94 North Carolina Center on the Advancement of Teaching	\$2,300,000	R	\$2,300,000	F
Provides operating funds for NCCAT's new Ocracoke campus to make its professional development services more accessible to Eastern North Carolina.				
95 ECU Brody School of Medicine - Medicare Receipts	\$1,700,000	R	\$1,700,000	F
Eliminates the \$1 million Medicare reimbursement to the General Fund for cost of training physicians (faculty salaries and benefits). Deletion of the receipt in code 16066-0697 results in an increase in the ECU Health Affairs budget. Repeals the reimbursement of operating costs for outpatient facilities (\$700,000) and appropriates funds to hold harmless the ECU Health Affairs budget. (SB 622, Section 9.26)				

Overview: 2005 Session Fiscal and Budgetary Actions

	FY 05-06		FY 06-07	
96 Judicial College	\$250,000	R	\$250,000	R
Establishes a Judicial College within the UNC-Chapel Hill School of Government to provide training and continuing education for the state's 400 judges.				
97 Renaissance Computing Institute	\$5,900,000	R	\$11,800,000	R
Provides funds for the expansion of the Renaissance Computing Institute at UNC-Chapel Hill and other regional campuses.				
98 Hunt Institute	\$500,000	R	\$500,000	R
Funds operating expenses for the James B. Hunt, Jr. Institute for Educational Leadership and Policy in Chapel Hill. The Institute's mission is to "engage governors and other leaders in strategic efforts to advance and sustain state-level education reform".				
99 Program on Southern Politics, Media and Public Life	\$150,000	R	\$150,000	R
Provides operating support to this policy research program at UNC-Chapel Hill. This research group will provide the General Assembly with reports on demographic, social, economic, and environmental trends.				
100 NCSU Center for Universal Design	\$300,000	NR		
Provides grant to this Center that designs products and environments to be usable by all people, to the greatest extent possible, without the need for adaptation or specialized design.				
101 UNC-CH Cochlear Implant Program	\$327,000	NR		
Appropriates funds to the UNC Board of Governors to fund CASTLE (Center for the Acquisition of Spoken Language Through Listening Enrichment) which is operated by the Carolina Children's Communicative Disorders Program of the UNC Health Care System. CASTLE shall use these funds to 1) train teachers and therapists across the state to work with deaf preschool-age children with cochlear implants and 2) provide oral preschool classes to these children.				
102 NCSU Green Industry Study	\$150,000	NR		
Appropriates funds to the UNC Board of Governors to be allocated to NC State University to evaluate the economic impact of the green industry in the State of North Carolina. The Green Industry is defined as over 5,000 firms statewide involved in the production, design, installation, maintenance, and sale of plants (trees, shrubs, flowers), sod, and related goods and services to enhance, beautify, and protect human environments, and provide jobs and economic growth. The UNC Board of Governors shall report the findings of the study to the Chairs of the Appropriation Committees of the Senate and House of Representatives.				

103 Western Carolina University Fire Protection

Provides funds to UNC Board of Governors for a grant-in-aid to the Cullowhee Volunteer Fire Department to purchase a 95 foot platform truck and equipment needed to provide fire protection services to high-rise facilities on the Western Carolina University campus.(SB 622, Section 9.29)

\$715,000 NR

104 NC Central University

Funds equipment and operational support for the NCCU Department of Athletics and early high school educational programs.

\$100,000 NR

105 NC A & T State University Arts Center Planning Funds

Provides funds to NC A & T State University for planning activities related to the construction of a cultural and performing arts center on campus.

\$25,000 NR

106 North Carolina Japan Center

Provides funding to operate the NC Japan Center at NCSU.

\$20,000 NR

107 Bowles Center for Alcohol Studies

Appropriates funds to the Bowles Center for Alcohol Studies at the UNC-Chapel Hill School of Medicine.

\$450,000 NR

108 ECU Auditory Learning Center

Provides funds to the East Carolina University Health Sciences Division and the Auditory Learning Center to 1) train teachers and therapists across the state to work with deaf preschool-age children with cochlear implants, 2) provide oral preschool classes to these children, and 3) coordinate educational planning between the clinical team and the school system.

\$100,000 NR

109 UNC-CH DESTINY Traveling Science Lab

Appropriates funds to the UNC-Chapel Hill DESTINY Traveling Science Laboratory program.

\$500,000 NR

110 Land Loss Prevention Project

Appropriates funds to North Carolina Central University to be used to support the Land Loss Prevention Project.

\$225,000 NR

111 UNC-CH School of Medicine - Translational Medicine Program

\$1,000,000 R

\$1,000,000 R

Establishes a program at the UNC-Chapel Hill School of Medicine to identify and train junior faculty members in translational research to speed the development of new drugs, therapeutic strategies, devices and/or diagnostics, and to train physicians to collaborate with research faculty to apply medical discoveries to patient care and patient observations in research programs to improve health care. (Amended by section 13 of HB 320, Modify 2005 Appropriations Act, SL 2005-345.)

112 UNC Hospitals Indigent Care

\$5,000,000 R

\$5,000,000 R

Provides funds for indigent care services at UNC Hospitals.

113 NCSU Agricultural Curriculum Development Coordinator

\$150,000 NR

Funds an Agricultural Curriculum Development Coordinator at NC State University to develop agricultural education programs in the public schools in North Carolina.

114 NC Cooperative Extension Service Clinton Facility

\$140,000 NR

Funds the construction of a new office facility to house the North Carolina Cooperative Extension Service in Clinton.

115 Tyrrell County 4-H Environmental Education Center

\$500,000 NR

Provides funds to NC Cooperative Extension Service for capital expansion and program activities at the Tyrrell County 4-H Environmental Education Center.

116 Salary Reserves

Funds salary increases for NCSU and NC A&T Agricultural Employees (\$4 million) and UNC Chancellors (\$334,147). These salary reserves are found in the Salaries and Employee Benefits section of the budget bill and in the Reserves/Debt Service/Adjustments section of the Joint Conference Committee Report on the Continuation, Expansion and Capital Budgets.

C. Transfers**117 WCU & Child Developmental Services Agency - Receipt
Supported Positions**

Transfers twenty receipt-supported positions from Western Carolina University to the Division of Public Health, Women's and Children's Health Section, for the purpose of operating the Children's Developmental Services Agency of the Smokies. The CDSA currently operated by Western Carolina University through contract is transferred to the Division of Public Health.

Habilitation Specialist III - \$32,289
Habilitation Specialist III - \$35,311
Habilitation Specialist III - \$36,286
Habilitation Specialist III - \$35,772
Habilitation Specialist III - \$36,373
Habilitation Specialist III - \$34,008
Habilitation Specialist III - \$33,930
Habilitation Specialist III - \$31,200
Habilitation Specialist III - \$30,354
.50 Staff Psychologist II - \$25,336
Two Staff Psychologist II's - \$44,161 (each)
Two Educational Diagnostician II's - \$32,940 (each)
Educational Diagnostician II - \$37,886
Educational Diagnostician II - \$42,066
Spanish Translator - \$28,038
Physical Therapist II - \$56,346
Occupational Therapist I - \$51,260
Speech and Language Pathologist - \$40,310

These positions will be funded through the Individuals with Developmental Disabilities Education Act and Medicaid receipts.

118 WCU & Child Developmental Services Agency - State Supported Positions

Transfers twenty-two state supported positions from Western Carolina University to the Division of Public Health, for the purpose of operating the children's Developmental Services Agency of the Smokies. The CDSA currently operated by Western Carolina University through contract is transferred to the Division of Public Health.

.5 FTE Computing Support Technician I - \$11,626
 Two Program Assistant IV's @ \$21,576
 Program Assistant IV - \$29,326
 Program Assistant IV - \$29,627
 Development Evaluation Center Assistant Director - \$52,783
 Staff Psychologist II - \$42,292
 Staff Psychologist II - \$42,131
 Staff Psychologist II - \$46,334
 Administrative Officer III - \$44,923
 .625 FTE Administrative Assistant I - \$22,091
 Processing Assistant IV - \$25,047
 Processing Assistant IV - \$22,800
 .75 Physical Therapist II - \$46,800
 Occupational Therapist I - \$38,773
 Occupational Therapist I - \$42,424
 Speech and Language Pathologist I - \$56,466
 Nutritionist III - \$42,126
 Habilitation Program Supervisor I - \$40,125
 Habilitation Program Coordinator - \$33,363
 Physician Extender II - \$58,210
 DEC Director - \$60,916

These positions will be funded 100% with state funds. The transfer will not have any fiscal impact on the DPH CDSA Program budget because all funds supporting the transfer are currently located within the DPH budget code.

Total Legislative Changes	\$56,618,372	R	\$67,788,934	R
	\$5,112,076	NR		
Total Position Changes	546.20		546.20	
Revised Budget	\$2,086,052,890		\$2,120,397,081	

Special Provisions

2005 Session: SB 622

Department: UNC System

Section: 9.1

Title: **UNC Budget Reduction Report/Allocations**

Summary Requires the UNC Board of Governors to report to the Office of State Budget and Management and the Fiscal Research Division by December 31, 2005 on all budget reductions. The provision also outlines the budget allocations that can be made by the UNC Board of Governors.

Section: 9.2

Title: **Enrollment Growth Fund/Encourage Partnerships for New 2 + 2 Programs**

Summary Encourages UNC campuses to use their enrollment growth funds to expand teacher education programs and to consider entering into formal partnerships with Community Colleges to offer 2 + 2 teaching programs.

Section: 9.3

Title: **UNC-NCCCS Joint Initiative for Teacher Education and Recruitment**

Summary Guides the work of 8 new positions assigned to coordinate teacher education efforts between UNC and community college campuses.

Section: 9.4

Title: **Enrollment Growth Funding Model**

Summary Mandates a comprehensive review of the enrollment funding model by the Office of State Budget and Management, UNC, and the General Assembly's Fiscal Research Division. The alternative funding model will be used to prepare the 2007 budget request.

Section: 9.5

Title: **UNC-NCCCS 2 + 2 E-Learning Initiative**

Summary Directs that funds appropriated for 2 + 2 online programs be used for joint technology development, for systems to track student progress and articulation between NC community colleges and UNC campuses, and to develop technology to support online courses.

Section: 9.6

Title: **Use of Escheat Fund for Need-Based Financial Aid Programs**

Summary Appropriates funds from the Escheats Fund for need-based financial aid at UNC and Community College campuses. (This provision was modified by Section 11 of H.B. 320, Modify 2005 Appropriations Act, S.L. 2005-345.)

Section: 9.7

Title: **Study of Distance Education**

Summary Mandates the Office of State Budget and Management study UNC distance education programs and report its findings to the Joint Legislative Education Oversight Committee by April 2006.

Section: 9.8

Title: **Information Technology Procurement**

Summary Allows UNC to participate in purchasing services offered by the Office of Information Technology Services.

Section: 9.9

Title: **Board of Governors' Dental Scholarships**

Summary Requires the recipients of the Board of Governors' Dental Scholarships to practice dentistry in North Carolina for four years (within 7 years after graduation) or pay back the scholarship loan.

Section: 9.10

Title: **Board of Governors' Medical Scholarships**

Summary Requires the recipients of the Board of Governors' Medical Scholarships to practice medicine in North Carolina for four years (within 7 years after graduation) or pay back the scholarship loan.

Section: 9.11

Title: **Teacher Scholarships Funds**

Summary Creates the Future Teachers of North Carolina Scholarship Loan Fund for college juniors and seniors majoring in math, science, special education, or English as a Second Language teacher education programs. The student must teach full-time for three years in a NC school within five years after graduation or pay back the \$6,500 a year scholarship loan.

Section: 9.12

Title: **UNC-Asheville Retain Sale Proceeds**

Summary Allows UNC-Asheville to retain the proceeds from the sale of the Chancellor's residence.

Section: 9.13

Title: **UNC Bond Project Modifications**

Summary Allows Elizabeth City State University, North Carolina Central University, UNC-Wilmington, UNC-Pembroke, and Western Carolina University to reallocate funds from bond projects.

Section: 9.14

Title: **Amend NC School of Science and Math Tuition Grant**

Summary Allows graduates of the North Carolina School of Science and Math to receive free tuition to a UNC system school as long as the total financial aid they receive does not exceed the cost of attendance at the school they attend. Prior language limited all financial aid to the cost of tuition.

Section: 9.15

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

Summary Requires the continued operation of the Horace Williams Airport until 30 days after sine die adjournment of the 2005 Session. Requires LRC study of viability of AHEC programs if Horace Williams Airport closes.

Section: 9.16

Title: **North Carolina Agricultural and Technical State University Funds**

Summary Provides North Carolina A & T State University with State funds to match 90% of their federal funds for agricultural research and extension programs. States the intent of the General Assembly to match 100% of federal funds in 2006-07. (This provision was modified by Section 12 of H.B. 320, Modify 2005 Appropriations Act, S.L. 2005-345 to clarify the appropriation to be \$1,089,000.)

Section: 9.17

Title: **Transfer Prospective Teacher Scholarship Loan and Teacher Assistant Scholarship Loan to the State Education Assistance Authority**

Summary Transfers the Scholarship Loan Fund for Prospective Teachers and the Teacher Assistant Scholarship Fund from DPI to the State Education Assistance Authority.

Section: 9.18

Title: **University System and Community College System Joint Study of Higher Education Strategy / Amend Reporting Requirement**

Summary Extends the reporting date for a study of higher education needs that was mandated by HB 1264 in the 2004 Session.

Section: 9.21

Title: **Distinguished Professors Endowment Trust Fund**

Summary Increases the allocation cap in the Distinguished Professors Endowment Trust Fund from \$1 million to \$2 million.

Section: 9.22

Title: **UNC May Encourage the Establishment of Private, Nonprofit Corporations to Support the University System and Assign UNC Employees to Assist With Those Corporations**

Summary Allows UNC employees to assist with the establishment and operation of nonprofit corporations that aid UNC campuses.

Section: 9.23

Title: **Eliminate Reporting Requirement for School Administrator Training Programs**

Summary Repeals a duplicate reporting requirement for School Administrator Training Programs.

Section: 9.24

Title: **Continue Academic Common Market Program**

Summary Makes permanent the State's participation in the graduate component of the Academic Common Market program sponsored by SREB.

Section: 9.25

Title: **Tuition Waiver Program Expansion**

Summary Allows immediate residency for tuition purposes to the spouse or dependent child of a full-time UNC employee. Mandates a study of expanding the tuition waiver program for university and community college employees.

Section: 9.26

Title: **Brody School of Medicine at ECU / Medicare Receipts / Family Medicine Center**

Summary Allows the Brody School of Medicine at East Carolina University to keep Medicare receipts previously deposited into the General Fund. Authorizes the design and construction of a new family medicine center. Exempts the Medical Faculty Practice Plan from reimbursing the General Fund for use of outpatient facilities built with General Fund monies.

Section: 9.27

Title: **Scholarship Student**

Summary Allows the Board of Trustees of a UNC Campus to adopt a resolution allowing nonresident students on full scholarships to be recognized as resident students. A campus adopting such a resolution must not experience a fiscal impact and must maintain at least the current number of North Carolina residents.

Section: 9.28

Title: **Enhance Nutrition in University and Community College Food Programs**

Summary Directs the UNC Board of Governors and the State Board of Community Colleges to adopt policies by August 1, 2006 that prohibit the use of trans-fatty acids in food sold or prepared on campus.

Section: 9.29

Title: **Grant-in-aid / Fire Truck for Cullowhee Volunteer Fire Dept. to Help Ensure Adequate Fire Protection Services to Western Carolina University**

Summary Provides a grant for the purchase of a ladder truck for the Cullowhee Volunteer Fire Department.

Section: 9.30

Title: **Waive Tuition of a Person of a Certain Age Who Is or Was a Ward of the State and Who Attends Classes at Any Constituent Institution of the University of North Carolina or Any Community College**

Summary Waives tuition at public universities and community colleges for current or former wards of the State ages 17 to 23 who are eligible for the Chafee Education and Training Vouchers Program.

Section: 9.31

Title: **Physical Education - Coaching Scholarship Loan**

Summary Establishes the Physical Education - Coaching Scholarship Loan Fund. The State Education Assistance Authority will award 25 \$4,000 scholarship loans each year to students that accept employment in rural or need-based areas. One year of employment in North Carolina cancels one academic year's loan.

Section: 9.33

Title: **Nursing Scholars Program**

Summary Amends the Nursing Scholars Program to allow a one semester waiver for a students enrolled or accepted into a baccalaureate nursing program, but who are unable to pursue the course of study in nursing for a semester due to limited faculty resources.

Section: 9.34

Title: **Professional Development Programs for Public School Employees**

Summary Deletes the annual reports on professional development programs for public school employees submitted to the Joint Legislative Education Oversight Committee by the State Board of Education and the UNC Board of Governors. Both boards will continue to annually review their programs for improvements.

Section: 9.35

Title: **Study In-state Tuition Benefit**

Summary Directs the Joint Legislative Education Oversight Committee to study the granting of in-state tuition to teachers who have recently established their domicile in the state or who are nonresidents commuting into the state. The report is to be presented to the committee by May 2007.

Section: 9.37

Title: **Center for Craft, Creativity, and Design**

Summary Requires the Center for Craft, Creativity and Design at UNC-Asheville to receive interest earnings from an endowment before its appropriated operating funds are allocated.

Section: 9.38

Title: **Tuition of Active Duty Personnel Honorably Discharged**

Summary Allows an active duty member of the Armed Services who is enrolled in a degree program to continue receiving in-state tuition after being Honorably Discharged, if the person establishes residency in North Carolina within 30 days after discharge.

(Note: Section 14 of HB 320 adds this provision to the 2005 Appropriations Act.)

Section: 10.59B

Title: **Funds for Pilot Program to Recruit Minority Students into Pharmacy Schools**

Summary Appropriates \$300,000 in the Department of Health and Human Services to develop a pilot program for the recruitment of minority students into pharmacy schools.

Section: 29.22

Title: **Salary Increases for Agricultural Program Employees**

Summary Appropriates \$3.7 million to North Carolina State University and \$300,000 to North Carolina A & T State University for salary increases for Agricultural Program employees.

Section: 30.3A

Title: **Nursing Education and Research Center at Fayetteville State University**

Summary Renames the proposed Center of Excellence of Teaching and Nursing at Fayetteville State University the Southeastern North Carolina Nursing Education and Research Center.

Section: 30.6

Title: **Repair and Renovation Reserve Allocation**

Summary Allocates 46% of the State Reserve for Repairs and Renovations to the UNC Board of Governors (\$57.5 million). From this amount, \$700,000 is allocated for the repair and reconstruction of the chancellor's residence at Fayetteville State University.

Community Colleges

GENERAL FUND

Adjusted Continuation Budget	FY 05-06 \$756,320,880	FY 06-07 \$756,330,823
Legislative Changes		
A. Categorical and Miscellaneous Programs		
119 Community Service Block Grant Reduces the Community Service Block Grant by 10% (from \$1,185,114 to \$1,066,603).	(\$118,511) R	(\$118,511)
120 Compensatory Education Reduces the appropriation for Compensatory Education by 10% (from \$1,097,364 to \$987,628). Colleges earn FTE for students enrolled in the Compensatory Education program.	(\$109,736) R	(\$109,736)
121 Off-Campus Center Funding Reduces the appropriation for off-campus centers.	(\$400,000) R	(\$400,000)
122 Multi-Campus College Funds Provides additional funding for four colleges that have new multi-campus sites.	\$1,376,832 R	\$1,376,832
123 NC Center for Applied Textile Technology Reduces the appropriation for the NC Center for Applied Textile Technology based on administrative savings from the merger with Gaston College.	(\$475,000) R	(\$475,000)
124 Hosiery Technology Center Increases the Hosiery Technology Center's budget to \$600,000, replacing funds lost from the Worker Training Trust Fund. These funds are being transferred from the NC Center for Applied Textile Technology (see item above).	\$475,000 R	\$475,000
125 Customized Industry Training Provides funding for a new workforce development program in the community college system that will allow colleges to serve companies that need training in order to stay competitive. The new program will complement training available to industry through Focused Industrial Training and New and Expanding Industry Training. (SB 622, Sec. 8.4)	\$2,625,000 R	\$2,750,000
126 Small Business Centers Provides additional funding for the small business centers located at each community college.	\$1,000,000 R	\$1,000,000

	FY 05-06		FY 06-07	
127 UNC-NCCCS 2+2 E-Learning Initiative	\$1,000,000	R	\$1,000,000	R
Provides funding to support the development of 2+2 distance education programs, professional development for 2+2 faculty, technology development and purchases, and to track students' progress between NCCCS and UNC. The university budget includes an additional \$1 million to support the university side of this initiative. (SB 622, Sec. 9.2)				
128 Isothermal Lifelong Learning Center	\$1,500,000	NR		
Provides matching funds to Isothermal Community College for the Lifelong Learning Center. Funds may be used for construction of the facility or to equip the facility.				
129 Equipment	\$10,000,000	R	\$10,000,000	R
Provides additional funding for community college equipment. Of these funds, up to \$500,000 may be used for the design of a replacement boat for the Marine Technology Program at Cape Fear Community College.				
130 NCCCS BioNetwork	\$7,101,864	R	\$7,101,864	R
Provides funding for the NCCCS BioNetwork.				
131 Advanced Manufacturing Center	\$3,700,000	NR	\$3,700,000	NR
Provides funding for the construction of the Bosch & Siemens Advanced Manufacturing Center at Craven Community College.				
132 Forsyth Tech Center for Emerging Technologies	\$3,000,000	NR		
Provides funds for the construction of the Center for Emerging Technologies at Forsyth Technical Community College. The Center will house the biotechnology, nanotechnology, design, and advanced information technology programs, the Small Business Center, and Corporate Training Services.				
133 Southeastern Community College Facility Funds	\$3,000,000	NR		
Provides funds to establish, acquire, and/or renovate facilities for biotechnology and other programs at Southeastern Community College.				
134 Defense Technology Innovation Center	\$2,000,000	NR		
Provides funds to the Partnership for Defense Innovation for the establishment of the Defense Technology Innovation Center, a business incubator focusing on economic development opportunities in the industries relating to homeland security and national defense. (See Section 10 of HB 320, Modify 2005 Appropriations Act, SL 2005-345.)				

135 Robeson Community College Workforce Development Center

Provides funds to Robeson Community College for construction of the Workforce Development Center. Funds may also be used for the establishment of a training facility to provide training on the construction and use of structural insulated panels (SIPs).

\$500,000 NR

136 Lenoir Community College Simulated Cell Area

Provides funds to Lenoir Community College for the fabrication of a simulated cell for use in training prison personnel in Greene County and the surrounding areas.

\$200,000 NR

137 Bladen Community College Funds

Provides funding for the renovation of the physical plant at Bladen Community College.

\$500,000 NR

138 Cleveland Community College Allied Health & Science Building

Provides funds for equipment and supplies for the Allied Health and Science Building at Cleveland Community College.

\$1,000,000 NR

139 Gaston College Equipment and Capital Improvements

Provides funds to Gaston College for capital improvements, renovation, and equipment. Funds may be used at any of the college's campuses.

\$500,000 NR

140 COA Chowan Campus Funds

Provides funds to continue construction of Phase I of the Chowan campus expansion. These funds may be used for construction or equipment on the Chowan campus.

\$1,000,000 NR

141 Textile Center Building Renovation

Provides funds to Gaston College for renovation of the Textile Center buildings located in Belmont.

\$1,200,000 NR

142 Wilson Community College Green Buildings

Provides funding for environmentally friendly equipment for new "green" buildings at Wilson Community College.

\$300,000 NR

143 Surry CC Viticulture Center

Provides funding for the expansion of the Viticulture Center at Surry Community College. These funds may be used for construction or equipment.

\$325,000 NR

144 Nash Community College Science Building

Provides funds to equip the new Science Building at Nash Community College.

\$300,000 NR

145 Edgecombe Community College Allied Health & Science

Provides funds for planning and development of an Allied Health and Science Center building at Edgecombe Community College.

\$300,000 NR

146 College of the Albemarle Allied Health Programs

Provides funds for equipment for expansion of the science labs used for COA's allied health programs.

\$250,000 NR

147 Central Piedmont Community College Automotive Technology Center

Provides matching funds for construction of the Hendrickson Automotive Technology Center.

\$1,000,000 NR

148 Central Carolina Community College

Provides funds for Central Carolina to be distributed among the campuses as follows:

\$650,000 NR

\$100,000 for the Lee County campus for planning, capital improvements, or equipment for expansion of the campus;
\$25,000 for equipment for the Bioprocessing program at the Lee County Campus;
\$25,000 for equipment and capital improvements for the library at the Harnett County campus;
\$50,000 for the Biofuels Program at the Chatham County campus; and
\$450,000 for the development of a new campus in Siler City.

149 Hickory Metropolitan Higher Education Center

Provides funds for nursing equipment for use in nursing programs operated at the Hickory Metropolitan Higher Education Center.

\$150,000 NR

150 Richmond Community College

Provides funds to Richmond Community College for development of a satellite campus on the site of Scotland Memorial Hospital in Laurinburg.

\$100,000 NR

151 Sandhills Community College Renovation Funds

Provides funds to repair, renovate, and expand Owens Auditorium at Sandhills Community College.

\$300,000 NR

152 Fayetteville Technical Community College

Provides funds for the continued operation of the Military Business Center at Fayetteville Technical Community College.

\$200,000 NR

153 NC REAL

Provides funding for NC REAL to replace funds formerly appropriated from the Worker Training Trust Fund.

\$250,000 NR

B. Administrative and Instructional Formulae**154 Curriculum Instructional Formula**

(\$7,608,407)	R	(\$7,608,407)
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Authorizes the State Board of Community Colleges to modify the curriculum instructional formula by adjusting the unit value.

C. System Office**155 System Office Personnel**

\$225,000	R	\$225,000
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Provides additional funding for two accounting specialists in the Division of Business and Finance, an administrative assistant in the Executive Division, and a Fire and Law Training Coordinator in the Workforce Development Division.

4.00		4.00
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156 Director of College Development

\$86,000	R	\$86,000
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Provides funding for a new position in the Executive Division to assist colleges with fund raising, grant development, and the federal grant process.

1.00		1.00
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157 Receipt Supported Positions

Allows for the creation of the following receipt supported position in the Community College System Office:

Career Readiness Certification - Workforce Investment Act Funds through the Division of Employment & Training in the Department of Commerce

1 Education Consultant II - \$80,155.40

This position will provide leadership and policy direction to the new Career Readiness Certification System that will be implemented by NCCCS, the local colleges, and the JobLink Career Centers across the State.

D. Enrollment, Tuition, and Financial Aid**158 Enrollment**

\$7,802,343	R	\$7,802,343
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Fully funds the community college enrollment increase. Enrollment increased by 2,449 FTE in FY 04-05, from 188,610 FTE to 191,059, a 1.30% increase.

159 Need Based Financial Aid

(\$10,262,806)	R	(\$10,262,806)
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Funds the Need Based Financial Aid program from the Escheats Fund. An additional \$3,000,000 will be appropriated from the Escheats fund - \$2 million to offset the change in Pell Grant eligibility, and \$1 million to offset an increase in tuition. The total amount available for Need Based Financial Aid will be \$13,981,202. (SB 622, Sec. 9.6)

160 Tuition

(\$5,577,516)	R	(\$5,577,516)
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Increases community college tuition by 4%, from \$38 per credit hour to \$39.50. Full-time students will pay \$632 per semester or \$1,264 per year.

161 Enrollment Reserve Fund

Creates an enrollment reserve fund to assist colleges that experience high growth in the Fall Semester. Funds shall be distributed to colleges in which the enrollment growth in the Fall semester exceeds 5% over the previous year.

\$2,000,000 NR

E. Salary Information Items**162 Increase Faculty and Professional Staff Salaries**

Funds are included in the Salary Reserve Section of this budget to provide an additional 2% increase to faculty and professional staff in the community colleges. These funds are in addition to funds provided for State Employee increases. (SB 622, Sec. 8.3)

163 President's Salary Schedule

Funds are appropriated in the Salary Reserve Section of this Budget to provide additional increases to the Community College Presidents. Funds will be allocated in accordance with the Salary Schedule revised by the System Office dated July 27, 2005.

Total Legislative Changes	\$7,140,063	R	\$7,265,063	R
	\$24,225,000	NR	\$3,700,000	NR
Total Position Changes	5.00		5.00	
Revised Budget	\$787,685,943		\$767,295,886	

Special Provisions

2005 Session: SB 622

Department: Community Colleges

Section: 8.1

Title: **Use of Funds for the College Information System Project**

Summary Provides that CIS funds do not revert and requires the State Board to report quarterly on the implementation of the CIS project.

Section: 8.2

Title: **Carryforward for Equipment**

Summary Allows the State Board to carry forward up to \$15 million from FY04-05 to the Equipment Reserve Fund.

Section: 8.3

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

Summary Continues the two part salary plan for NCCCS 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 is required to report to the General Assembly on the implementation of the act by December 1 of each year, through 2009. (H.B. 575)

Section: 8.4

Title: **Workforce Development Programs**

Summary Recodifies workforce development statutes in G.S. 115D-5 so that they are all combined in one new section - G.S. 115D-5.1. Creates a Customized Industry Training Program that will allow colleges to train companies that do not qualify for NEIT or FIT programs. (H.B. 552, S.B. 700)

Section: 8.5

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

Summary Requires the System Office to report on the expenditure of funds for multicampus colleges by October 1 of each year.

Section: 8.6

Title: **Education Program Auditing Function**

Summary Codifies the System Office program auditing function. The program auditors work to ensure that colleges are reporting FTE accurately. These audits are in addition to the financial audits performed by the State Auditor's Office.

Section: 8.7

Title: **Ferry Boat Operator Training Feasibility Study**

Summary Directs the State Board, in consultation with the Division of Ferries, to study the need for training of ferry boat operators.

Section: 8.8

Title: **Extend the Sunset on Training and Reemployment Contributions Made by Employers**

Summary Extends the sunset on H.B. 275. H.B. 275 created the Training and Employment Account. Funds for the account are from the unemployment insurance tax - if the Unemployment Insurance Fund is above \$900 million, then 20% of the taxes paid go into the account. The current sunset is January 1, 2006; the provision extends that date to January 1, 2011.

Section: 8.10

Title: **Carryforward for Colleges in Economically Disadvantaged Counties**

Summary Allows certain community colleges to carry forward funds remaining at the end of the fiscal year. Colleges that qualify may use up to \$50,000 of this carryforward for maintenance of plant.

Section: 8.11

Title: **Defense Technology Innovation Center**

Summary Outlines the allowable usage of funds appropriated to the Partnership for Defense Innovation for the Defense Technology Innovation Center. The Center will act as a business incubator focusing on economic development opportunities in the industries relating to homeland security and national defense. (This provision was modified by Section 10 of H.B. 320, Modify 2005 Appropriations Act, S.L. 2005-345.)

Section: 8.12

Title: **Community College Capital Funds**

Summary States that funds appropriated in this act for community college capital projects do not have to be matched with local funds.

Section: 8.14

Title: **Implement Proprietary Schools Licensing Fee Increase**

Summary Sets the fees the State Board charges to proprietary schools for licensing.

Section: 8.15

Title: **Exempt Community College Massage and Bodywork Therapy Programs from Licensure by the North Carolina Board of Massage and Bodywork Therapy**

Summary Exempts community college massage and bodywork therapy programs from the licensure requirements of the NC Board of Massage and Bodywork Therapy if they are accredited by the Southern Association of Colleges and Schools. This provision becomes effective July 1, 2006.

**HEALTH
&
HUMAN SERVICES**

Health and Human Services

		GENERAL FUND	
		FY 05-06	FY 06-07
Adjusted Continuation Budget		\$4,157,710,279	\$4,478,316,506
Legislative Changes			
(1.0) Division of Medical Assistance			
1 Freeze Medicaid Rates		(\$62,491,547) R	(\$137,055,611) R
Freezes rates for SFY 2005-06 for most Medicaid providers at the level authorized in SFY 2004-05. The rate freeze applies to all Medicaid private and public providers with the following exceptions: federally qualified health clinics, rural health centers, state institutions, outpatient hospital, pharmacy and the noninflationary components of the case-mix reimbursement system for nursing facilities. Inflationary increases for Medicaid providers paying provider fees (private ICF-MRCs and nursing facilities can occur if the state and county share of the increases can be funded with provider fees.			
2 Personal Care Services Utilization Management		(\$13,711,542) R	(\$16,115,389) R
Reduces funding for Personal Care Services by directing the Division of Medical Assistance to develop a utilization management system for personal care services and PCS-Plus. (SB 622, Section 10.19)			
3 Co-Payments		(\$5,400,000) R	(\$5,400,000) R
Increases the co-payments for the following services: chiropractic, optometry, podiatry, non-emergency ER visits, inpatient hospital stays, and generic prescription drugs. The new co-payments will be as follows:			
Chiropractic	\$ 3.00		
Optical	\$ 3.00		
Podiatry	\$ 3.00		
Hospital Outpatient	\$ 3.00		
Non-emergency ER Visit	\$ 3.00		
Generic Prescription Drug	\$ 3.00		
Effective October 1, 2005. (SB 622, Section 10.11(c))			
4 Drug Utilization Management Plan		(\$2,749,963) R	(\$6,788,009) R
Expands drug utilization management measures intended to contain the cost of Medicaid prescription drug expenditures. (SB 622, Section 10.11(a)(5))			

Overview: 2005 Session Fiscal and Budgetary Actions

	FY 05-06		FY 06-07
5 Medicare Part D Claw Back	(\$11,000,000)	R	(\$22,000,000)
Reduces funding to reflect the savings realized by the State when the Medicare Part D program begins paying for prescription drugs for dual eligibles January 1, 2006.			
6 Medicaid Reserve Fund	(\$50,000,000)	NR	(\$50,000,000)
Transfers funding from the G.S. 143-23.2 reserve to support current services and reduces state appropriations. (SB 622, Section 10.15)			
7 Revised Medicaid Forecast	(\$20,000,000)	NR	
Reduces State appropriations for the Medicaid Program based on the revised forecast for SFY 2005-06.			
8 Community Care of NC Management Savings	(\$22,225,000)	R	(\$32,225,000)
Reduces funding for the Medicaid program due to increased savings resulting from the expansion of scope of the Community Care of NC Program to Aged, Blind, and Disabled Medicaid recipients that are dually eligible for Medicaid and Medicare. (SB 622, Section 10.17)			
9 Community Care of NC Enhancement	\$3,000,000	R	\$6,000,000
Expands the scope of the Community Care of NC program to Medicaid recipients who are Aged, Blind, and Disabled and dually eligible for Medicaid and Medicare. The Community Care of NC program will focus on improving the management and coordination of services for the dually eligible targeting Personal Care Services, Private Duty Nursing, Home Health, Durable Medical Equipment, Ancillary Professional Services, Specialty Care, Home Infusion Therapy, Pharmacy, and Residential Long-Term Care Services. Enhancing the financing of the Community Care of North Carolina program will insure that the Community Care Management Savings reductions will occur. (SB 622, Section 10.17)			
10 Ticket-to-Work Medicaid Expansion			\$150,000
Provides funding to implement a Medicaid buy-in program for workers with disabilities. Effective July 1, 2006. (SB 622, Section 10.18)			
11 ACH Personal Care Services for Residents of Special Care Units			\$1,744,186
Provides funding to increase the number of hours of Adult Care Home Personal Care Services for residents of Special Care Units from 1.1 hours per day to 4.07 hours per day beginning October 1, 2006.			

FY 05-06**FY 06-07****12 Policy Research and Planning**

\$175,000 R

\$175,000 R

Provides funding to increase staff for the Division of Medical Assistance to expand policy research and planning activities. Activities include the following:

3.00

3.00

(1) Review of the Medicaid State Plan to ensure the program is in compliance with all applicable federal laws and regulations;

(2) Researching emerging state, regional, and national health care issues; and

(3) Advising on state and national Health care policies, laws and regulations.

13 Increase Rates for Dental Services

\$2,000,000 R

\$2,000,000 R

Provides funding to increase Medicaid rates for dental services.

14 Coverage for Children 0 to 5 to 200% FPL

\$7,098,392 R

\$16,466,805 R

Provides funding to transfer children age birth to five in families with incomes up to 200% of the federal poverty level from the NC Health Choice Program to the Medicaid Program. Effective January 1, 2006. (SB 622, Section 10.11(m))

(2.0) NC Health Choice**15 NC Health Choice**

\$6,133,784 R

(\$10,153,079) R

Provides funding for the NC Health Choice program to support increased enrollment of children age 6 to 18. Authorizes 3% enrollment growth every six months. Authorizes the NC Health Choice program to pay 115% of Medicaid rates effective no later than January 1, 2006 and authorizes 100% of Medicaid rates effective July 1, 2006. (SB 622, Section 10.22)

(3.0) Division of Mental Health, Developmental Disabilities, and Substance Abuse Services**16 Institutional Receipts**

(\$2,550,000) R

(\$2,550,000) R

Reduces funding for the State institutions by budgeting over-realized receipts.

17 Central Office

(\$500,000) R

(\$500,000) R

Continues reduction in funding for the Central Office based on historical reversions.

18 Crisis Intervention Services

\$2,000,000 R

\$2,000,000 R

Provides funding for the start-up and ongoing costs of providing community based crisis services for children and adults in the mental health target population.

19 Long-Term Vocational Support Services

\$1,500,000 R

\$1,500,000 R

Provides funding to expand long-term vocational support services to additional clients in supported employment.

Overview: 2005 Session Fiscal and Budgetary Actions

	FY 05-06		FY 06-07
20 System of Care for Child Mental Health	\$2,000,000	R	\$2,000,000
Provides transition funding for area and county programs for the implementation and on-going support of community-based system of care child and family teams.			
21 Mental Health Treatment Court	\$258,000	R	\$258,000
Provides continuation funding for the mental health treatment courts in the 15B (Orange/Chatham) and 26 (Mecklenburg) judicial districts.			
22 Intensive Substance Abuse Services for Children	\$1,250,000	R	\$1,250,000
Provides funding for the delivery of substance abuse services for children through multisystemic therapy and intensive in-home services.			
23 Division TEACCH Program	\$472,747	R	\$472,747
Provides funding for the Division TEACCH Program at the University of NC at Chapel Hill:			
\$153,000 to support a staff person responsible for researching and developing new public funding opportunities to support research and program development;			
\$132,847 for the Raleigh TEACCH Center;			
\$149,375 TEACCH mandated faculty salary increases;			
\$17,525 for administrative staff at the Greensboro TEACCH Center; and			
\$20,000 for rent increases in diagnostic clinics.			
24 Adult Substance Abuse Services	\$750,000	R	\$750,000
Provides funding for adult substance abuse services.			
25 El Futuro, Inc.	\$75,000	NR	
Provides a grant-in-aid to El Futuro, Inc. to develop a pilot project to improve access to and quality of mental health, developmental disabilities, and substance abuse services currently available to the Latino population in Orange and Chatham counties.			
26 Autism Society	\$300,000	NR	
Provides funding for a grant-in-aid to the Autism Society.			
27 Hope Haven, Inc.	\$100,000	NR	
Provides a grant-in-aid to Hope Haven, Inc. for operation and support for a rehabilitation home for mothers and their children and other individuals with addiction problems.			

28 Orange-Person-Chatham Mental Health Authority

Provides a grant-in-aid for the Orange-Person-Chatham Mental Health Authority for program services.

\$100,000 NR

29 Mission House for Women

Provides a grant-in-aid to the Mission House for Women for its operations.

\$10,000 NR

30 Derek's Renaissance House, Inc.

Provides a grant-in-aid to Derek's Renaissance House, Inc. to assist with rehabilitation of persons with severe and persistent mental illness living in Wake County and surrounding areas.

\$50,000 NR

31 Myrover-Reese Fellowship Home, Inc.

Provides a grant-in-aid to the Myrover-Reese Fellowship Home, Inc. for substance and alcohol abuse services and rehabilitation efforts.

\$3,500 NR

32 Community Alternatives for Supportive Abodes

Provides a grant-in-aid to Community Alternatives for Supportive Abodes in Wake County.

\$20,000 NR

33 LME Administration

Provides funding to address unmet needs for local management entity administration.

\$1,950,000 NR

34 Orange-Person-Chatham Mental Health Authority

Provides a grant-in-aid to the Orange-Person-Chatham Mental Health Authority to fund Club Nova Mental Health Agency to promote opportunities for adults with mental illness.

\$75,000 NR

35 Orange-Person-Chatham Mental Health Authority

Provides a grant-in-aid to the Orange-Person-Chatham Mental Health Authority to fund KidsCope Mental Health Agency to provide services to families with youth with mental illness.

\$75,000 NR

(4.0) Division of Facility Services**36 Overrealized, Unbudgeted, Indirect Receipts**

Requires the Department of Health and Human Services to budget overrealized, unbudgeted, indirect receipts within the Division of Facility Services and to reduce state appropriations in the programs and activities that received the overrealized, unbudgeted, indirect receipts.

(\$600,000) NR

37 Licensure and Inspection Fees

Doubles all existing licensure and inspection fees for health care facilities (excluding Hospice and Emergency Medical Services). (SB 622, Section 41.2)

(\$1,800,000) R

(\$1,800,000) R

38 Mental Health Licensure and Inspections

Expands the Division of Facility Services' Mental Health Licensure and Certification Section by 13 positions in the first year and an additional 10 positions in the second year. Additional staff will allow annual inspections of 24-hour residential facilities for the mentally ill, developmentally disabled, and substance abuse populations. Two additional regional offices will be created. (SB 622, Section 10.40A)

\$936,029 R
\$45,500 NR
13.00

\$1,560,724
\$12,000 NI
23.00

39 Adult Care Licensure and Inspections

Expands the Division of Facility Services' Adult Care Licensure Section by 14 positions in the first year and an additional 17 positions in the second year. Additional staff will allow annual inspections of adult care homes. Two additional regional offices will be created. (SB 622, Section 10.40A)

\$1,006,927 R
\$48,300 NR
14.00

\$2,080,955
\$25,000 NI
31.00

40 Construction Inspections

Expands the Division of Facility Services' Construction Section by 9 positions in the first year and an additional 7 positions in the second year. Additional staff will allow physical plant and life-safety inspections of adult care homes and 24-hour residential facilities for the mentally ill, developmentally disabled, and substance abuse populations every two years. Also allows for a faster initial regulatory compliance review time. (SB 622, Section 10.40A)

\$656,413 R
\$33,600 NR
9.00

\$1,166,709
\$10,200 NI
16.00

41 Complaint Intake

Expands the Division of Facility Services' Complaint Intake Unit by 3.5 positions. This expansion will provide the staff necessary to respond to the anticipated increase in complaint call volume as the DFS toll-free complaint number will now be posted in all residential facilities monitored by DFS. This expansion will also support a new automated call directory system. (SB 622, Section 10.40A)

\$133,487 R
\$372,722 NR
3.50

\$133,487
3.50

42 Home Care Agency Licensure and Inspections

Expands the Division of Facility Services' Licensure and Certification Section by 5 positions. Additional staff will allow for inspection and monitoring of non-Medicare licensed home care agencies on the same inspection schedule as Medicare certified agencies (every 36 months). (SB 622, Section 10.40A)

\$218,495 R
\$5,469 NR
5.00

\$218,495
5.00

43 Receipt Supported Positions - HSRA Bioterrorism

Creates two positions for the Division of Facility Services to develop disaster management initiatives in the Office of Emergency Medical Services:

Social Services Program Coordinator - \$44,923

Social Services Program Administrator I - \$49,076

These positions will be 100% receipt-supported through the federal Bioterrorism Hospital Preparedness Grant and the federal EMS for Children Grant.

(5.0) Division of Vocational Rehabilitation

44 Receipt Supported Positions - Watauga, Ashe, and Alleghany County Schools

Creates 1 position within the Division of Vocational Rehabilitation that will be shared equally between Watauga County Schools, Ashe County Schools, and Alleghany County Schools.

Rehabilitation Counselor I- \$38,038

This position is 100% receipt-supported through local funds (21.3%) and US Department of Education-Basic Support funds (78.7%).

45 Receipt Supported Position - Buncombe County and Madison County Schools

Creates 1 position within the Division of Vocational Rehabilitation that will be shared equally between Buncombe County Schools and Madison County Schools.

Human Resources Placement Specialist - \$28,000

This position is 100% receipt-supported through local funds (21.3%) and US Department of Education-Basic Support funds (78.7%).

46 Receipt Supported Position - Catawba County Schools

Creates 1 position within the Division of Vocational Rehabilitation for the Catawba County Schools.

Rehabilitation Counselor I- \$36,750

This position is 100% receipt-supported through local funds (21.3%) and US Department of Education-Basic Support funds (78.7%).

47 Receipt Supported Positions - Charlotte/Mecklenburg Board of Education

Creates 3 positions within the Division of Vocational Rehabilitation for the Charlotte/Mecklenburg School System.

2 Rehabilitation Casework Technician I's - \$30,900 each
Vocational Evaluator II - \$33,561

These position are 100% receipt-supported through local funds (21.3%) and US Department of Education-Basic Support funds (78.7%).

48 Receipt Supported Positions - Columbus County and Whiteville City Schools

Creates 2 positions within the Division of Vocational Rehabilitation. The Rehabilitation Casework Technician position will be shared equally between Columbus County Schools and Whiteville City Schools. The Rehabilitation Counselor I position is for Columbus County Schools.

Rehabilitation Casework Technician - \$30,900
Rehabilitation Counselor I - \$36,050

These position are 100% receipt-supported through local funds (21.3%) and US Department of Education-Basic Support funds (78.7%).

49 Receipt Supported Positions - New Hanover Board of Education

Creates 2 positions within the Division of Vocational Rehabilitation for the New Hanover County School System.

Rehabilitation Casework Technician - \$30,900
Rehabilitation Counselor I - \$36,050

These position are 100% receipt-supported through local funds (21.3%) and US Department of Education-Basic Support funds (78.7%).

50 Receipt Supported Position - Onslow County Board of Education

Creates 1 position within the Division of Vocational Rehabilitation for the Onslow County Schools.

Rehabilitation Counselor I - \$36,050

This position is 100% receipt-supported through local funds (21.3%) and US Department of Education-Basic Support funds (78.7%).

51 Receipt Supported Position - Pitt County Schools

Creates 1 position within the Division of Vocational Rehabilitation for the Pitt County Schools.

Rehabilitation Counselor I- \$36,050

This position is 100% receipt-supported through local funds (21.3%) and US Department of Education-Basic Support funds (78.7%).

52 Receipt Supported Position - Stanley County Schools

Creates 1 position within the Division of Vocational Rehabilitation for the Stanley County Schools.

Human Resources Placement Specialist- \$33,268

This position is 100% receipt-supported through local funds (21.3%) and US Department of Education-Basic Support funds (78.7%).

53 Receipt Supported Position - Wilkes County Schools

Creates 1 position within the Division of Vocational Rehabilitation for the Wilkes County Schools.

Human Resources Placement Specialist - \$32,550

This position is 100% receipt-supported through local funds (21.3%) and US Department of Education-Basic Support funds (78.7%).

54 Receipt Supported Positions - Winston-Salem/Forsyth County Schools

Creates 2 positions within the Division of Vocational Rehabilitation for the Winston-Salem/Forsyth County School System.

Rehabilitation Counselor I - \$34,042
Vocational Evaluator II - \$34,042

These position are 100% receipt-supported through local funds (21.3%) and US Department of Education-Basic Support funds (78.7%).

(6.0) Divisions of Services for the Blind and Services for the Deaf and Hard of Hearing**55 Medical Eye Care Program**

(\$81,404) R (\$81,404) R

Reduces funding for inflation for the biennium.

56 Receipts from Wireless and Relay Funds

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

Reduces funding by increasing receipts from the Wireless and Relay Funds to support 29% of fourteen existing positions in the Division of Services for the Deaf and Hard of Hearing.

57 Accessible Electronic Information for Blind and Disabled Persons

Provides funding to establish an accessible electronic information service for blind and disabled persons. \$75,000 NR

58 North Carolina Association of Radio Reading Services

Provides a grant-in-aid to the North Carolina Association of Radio Reading Services. \$40,000 NR

(7.0) Division of Aging and Adult Services**59 N.C. Senior Games Program**

Provides a grant-in-aid to North Carolina Senior Games, Inc. for the North Carolina Senior Games Program. \$100,000 NR

60 Coordinating Council for Senior Citizens, Durham, N.C.

Provides a grant-in-aid to the Coordinating Council for Senior Citizens, Durham, N.C. \$50,000 NR

61 Camden County Senior Services

Provides a grant-in-aid to Camden County for the purchase of a vehicle for the Camden County Senior Services program. \$22,000 NR

62 Jewish Community Center of Charlotte, Inc.

Provides a grant-in-aid to the Jewish Community Center of Charlotte, Inc. for the Levine Jewish Community Center Senior Programs. Note: Section 21 of HB 320, Modify 2005 Appropriations Act, SL 2005-345 requires these funds to be paid to Senior Activities and Services, Inc. to support activities of the Levine Senior Center of Matthews. \$200,000 NR

63 Town of Wendell

Provides a grant-in-aid to the Wendell Senior Center to serve senior citizens in Eastern Wake County. \$15,000 NR

64 Cumberland County Retired Senior Volunteer Program, Inc.

Provides a grant-in-aid to the Cumberland County Retired Senior Volunteer Program, Inc. \$3,500 NR

65 Wilson Community Improvement Association, Incorporated

Provides a grant-in-aid to the Wilson Community Improvement Association, Incorporated to support the senior citizens program for health and wellness and transportation. \$40,000 NR

66 Black Creek Family and Enrichment Center

Provides a grant-in-aid to the Black Creek Family and Enrichment Center. \$15,000 NR

67 Little River Community Complex, Inc.

Provides a grant-in-aid to Little River Community Complex, Inc. for maintenance of the facility and continuation of senior programs.

\$15,000 NR

68 Meals on Wheels Council, Inc.

Provides a grant-in-aid to Meals on Wheels Council, Inc. in New Hanover County.

\$20,000 NR

(8.0) Division of Social Services**69 State/County Special Assistance**

Reduces excess funding in continuation budget.

(\$977,007) R (\$1,332,626) R

70 Increase SA Rate for Residents of Special Care Units

Provides funding for an increase in the State/County Special Assistance rate for residents of Special Care Units from \$1,084 to \$1,515 beginning October 1, 2005. (SB 622, Section 10.38)

\$285,632 R \$380,843 R

71 State/County Special Assistance Rate Adjustment

Provides state funds for an increase in the State/County Special Assistance monthly rate from \$1,084 per month to \$1,118 per month effective October 1, 2005. The total requirement for the increase is \$5,400,000 in SFY 2005-06 and \$6,200,000 in SFY 2006-07, with the state funding 50% and counties funding the remaining 50%. (SB 622, Section 10.38)

\$2,700,000 R \$3,100,000 R

72 Reallocation of Child Caring Institutions Funding

Reallocates funding for child caring institutions to provide the necessary resources to strengthen regulatory oversight in the Division of Social Services for all foster care facilities.

(\$693,295) R (\$693,295) R

73 Strengthen Regulatory Oversight for Licensure

Provides funding to strengthen regulatory oversight in the Division of Social Services for all foster care facilities.

\$693,295 R \$693,295 R
8.00 8.00

74 Food Banks

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

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

75 Multiple Response System

Provides funding to hire additional child protective services workers at the local level to reduce the caseload per child protective services worker ratios throughout the State to support the expansion of the multiple response system to all counties in the State. This funding will be used to expand the Multiple Response System to counties which have not implemented the program. (SB 622, Section 10.45)

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

Overview: 2005 Session Fiscal and Budgetary Actions

	FY 05-06		FY 06-07
76 Child Advocacy Centers	\$225,000	R	\$225,000
Provides equal grants-in-aid to each certified child advocacy center.	\$150,000	NR	
77 Women-in-Action, Inc.			
Provides a grant-in-aid for Women in Action, Inc. for the Prevention of Violence and Its Causes located in Durham.	\$50,000	NR	
78 Thompson Child & Family Focus.			
Provides a grant-in-aid to Thompson Child & Family Focus.	\$200,000	NR	
79 Florence Crittenton Services, Inc.			
Provides a grant-in-aid to the Florence Crittenton Services, Inc. for operational and program support services.	\$100,000	NR	
80 Allegro Foundation			
Provides a grant-in-aid to Allegro Foundation for operational and support services.	\$25,000	NR	
81 Children's Home Society of North Carolina, Inc.			
Provides a grant-in-aid to the Children's Home Society of North Carolina, Inc.	\$100,000	NR	
82 Strengthening the Black Family, Inc.			
Provides a grant-in-aid to Strengthening the Black Family, Inc. for educational enrichment.	\$10,000	NR	
83 Youth Vision			
Provides a grant-in-aid to Youth Vision to assist with its summer enrichment program for children in Craven County.	\$15,000	NR	
84 The Family Place			
Provides a grant-in-aid to The Family Place for operational support.	\$10,000	NR	
85 Boys and Girls Clubs of Wayne County, Inc.			
Provides a grant-in-aid to the Boys and Girls Clubs of Wayne County - Mt. Olive Unit for operational support.	\$5,000	NR	
86 Dillard/Goldsboro Alumni and Friends, Incorporated			
Provides a grant-in-aid to the Dillard/Goldsboro Alumni and Friends, Incorporated for the Dillard Alumni Community Service Organization for an after-school enrichment program.	\$10,000	NR	
87 First Baptist Church of Clinton, Inc.			
Provides a grant-in-aid to the First Baptist Church of Clinton, Inc. for operational support of a homeless shelter.	\$5,000	NR	

88 The Riley Hill Family Life Center

Provides a grant-in-aid to The Riley Family Life Center for educational and community services.

\$15,000 NR

89 Anita Stroud Foundation, Inc.

Provides a grant-in-aid to the Anita Stroud Foundation, Inc. for an after-school program for children in public housing.

\$35,000 NR

90 The Young Men's Christain Association of Greater Charlotte

Provides a grant-in-aid to The Young Men's Christain Association of Greater Charlotte for the McCrorey Family Branch YMCA for equipment upgrades.

\$10,000 NR

91 Urban League of Central Carolinas, Inc.

Provides a grant-in-aid to the Urban League of Central Carolinas, Inc. for operational support.

\$5,000 NR

92 Dillard Educational and Economic Development Service, Inc.

Provides a grant-in-aid to the Dillard Educational and Economic Development Service, Inc. for programs for at-risk youth.

\$5,000 NR

93 Orange Congregation in Mission, Inc.

Provides a grant-in-aid to the Orange Congregation in Mission, Inc. to provide emergency services to residents.

\$5,000 NR

94 Cedar Grove Missionary Baptist Association, Inc.

Provides a grant-in-aid to the Cedar Grove Missionary Baptist Association, Inc. for emergency services for poor and needy residents.

\$5,000 NR

95 Black Child Development Institute of Greensboro, Inc.

Provides a grant-in-aid to the Black Child Development Institute of Greensboro, Inc. for operational support.

\$5,000 NR

96 Greensboro Lifeskills Center

Provides a grant-in-aid to the Greensboro Lifeskills Center for operational support.

\$10,000 NR

97 Young Men's Christian Association of High Point, Inc.

Provides a grant-in-aid to the Young Men's Christian Association of High Point, Inc. for the Carl Chavis Memorial Branch YMCA to provide public services and enrichment programs.

\$13,000 NR

98 Faith Matters

Provides a grant-in-aid to Faith Matters to assist low-income women and their families psychological, psychosocial and economic needs related to welfare reform.

\$5,000 NR

99 Town of Tabor City		
Provides a grant-in-aid to the Town of Tabor City for operational support of Club 15.	\$10,000	NR
100 Zeta Phi Beta Sorority, Inc.		
Provides a grant-in-aid to the Zeta Phi Beta Sorority, Inc. for youth enrichment mentoring programs.	\$5,000	NR
101 Mt. Sinai Foundation, Incorporated		
Provides a grant-in-aid to the Mt. Sinai Foundation, Incorporated in Fayetteville, NC for a youth skills project.	\$5,000	NR
102 Hoke County Youth and Family Services, Inc.		
Provides a grant-in-aid to Hoke County Youth and Family Services, Inc. for intervention and prevention programs for at-risk youth and families.	\$5,000	NR
103 Area Day Reporting Program for Youth		
Provides a grant-in-aid to the Area Day Reporting Program for Youth for after-school and drop-out prevention programs.	\$25,000	NR
104 The Caring Place, Incorporated		
Provides a grant-in-aid to The Caring Place, Incorporated for support services for homeless people.	\$10,000	NR
105 Winston-Salem Urban League		
Provides a grant-in-aid to the Winston-Salem Urban League Mentoring Program for drop-out prevention.	\$30,000	NR
106 Mud Castle Community Development Corporation		
Provides a grant-in-aid to the Mud Castle Community Development Corporation for operating support of at-risk children's programs.	\$5,000	NR
107 Community Boys & Girls Club of Wilmington, NC, Inc.		
Provides a grant-in-aid to the Community Boys & Girls Club of Wilmington, NC, Inc. for educational programs.	\$20,000	NR
108 Central Children's Home of North Carolina, Inc.		
Provides a grant-in-aid to Central Children's Home of North Carolina, Inc. to support programs and activities for children in residential group home programs.	\$25,000	NR
109 The Carousel Center, Inc.		
Provides a grant-in-aid to The Carousel Center, Inc. which provides a child-friendly environment for victims of child abuse and neglect.	\$25,000	NR

110 Hillsborough Exchange Club Center for the Prevention of Children Abuse

Provides a grant-in-aid to the Hillsborough Exchange Club Center for the Prevention of Children Abuse for operational support.

\$5,000 NR

(9.0) Division of Child Development**111 Replaces TEACH State funds with CCDF Block Grant Funds**

Replaces the TEACH Scholarship state appropriations with the Child Care Fund Development Block Grant.

(\$2,600,000) NR

112 Child Care Subsidy

Provides funding to reduce the child care subsidy waiting list.

\$3,600,000 NR

(11.0) Division of Public Health**113 Newborn Screening Laboratory Fee**

Increases the fee for the newborn lab screenings from \$10.00 to \$14.00 per initial patient specimen and reduces state appropriations. The fee increase is effective September 1, 2005. (SB 622, Section 41.1)

(\$370,690) R (\$370,690) R

114 Public Health Incubators

Provides funding for public health incubators.

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

115 Public Health Improvements

Provides funding for local public health departments receiving accreditation. In addition, provides funding for the accreditation board, board staff, and others involved with the accreditation process for local public health departments.

\$700,000 R \$700,000 R

1.00

1.00

116 Interpreter Services for Local Health Departments

Establishes a pilot program to fund interpreter services for local public health departments.

\$250,000 R \$250,000 R

117 School Nurses

Provides funding for fifty school nurses. These nurses will participate in the Child and Family Support Teams as applicable. (SB 622, Section 10.53)

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

118 Eye Exams

Provides funding to establish a model program to provide eye examinations for needy children who are in child care centers and preschools. (SB 622, Section 10.59F)

Provides funding for eye examinations for qualified children enrolling in public school for kindergarten - third grades. (HB 320, Section 20)

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

Overview: 2005 Session Fiscal and Budgetary Actions

	FY 05-06		FY 06-07	
119 Vital Records Automation				
Provides funding for the automation of the vital records system in North Carolina.	\$100,000	NR	\$1,400,000	N
120 Vital Records Improvements	\$74,748	R	\$74,748	
Provides funding for two positions to process vital records.	2.00		2.00	
121 Arthritis				
Funds an arthritis program in Mecklenburg County.	\$25,000	NR		
122 Healthy Start Foundation				
Provides contract funding to the Healthy Start Foundation for efforts to reduce infant mortality and morbidity.	\$200,000	NR		
123 Minority Pharmacist Recruitment				
Provides funding to develop a pilot program for the recruitment of minority students into pharmacy schools. (SB 622, Section 10.59B)	\$300,000	NR		
124 AIDS Drug Assistance Program (ADAP)	\$1,000,000	R	\$1,000,000	
Provides increased funding for the AIDS Drug Assistance Program.				
125 Early Intervention	\$5,000,000	R	\$5,000,000	
Provides funds for the provision of services for the Early Intervention program.				
126 Strike Out Stroke	\$100,000	R	\$100,000	
Provides funding for the Strike-Out-Stroke program.				
127 Healthy Carolinians	\$100,000	R	\$100,000	
Provides funding for the activities of Healthy Carolinians.	\$400,000	NR		
128 Health Disparities Initiative				
Provides funding for the Community-Focused Eliminating Health Disparities Initiative (CFEHD). The CFEHD program will provide grants-in-aid to faith-based and community-based organizations to close the gap in health status of African-Americans, Hispanics/Latinos, and American Indians. The focus will be on reducing infant mortality, HIV/AIDS and other sexually transmitted infections, cancer, diabetes, and homicides and motor vehicle deaths. (SB 622, Section 10.59F) These grant funds will be provided to local public health departments, American Indian tribes, and faith-based and community-based organizations to close the gap in health status of African-Americans, Hispanics/Latinos, and American Indians. (HB 320, Section 19)	\$2,000,000	NR		
	1.00			

129 Bladen County Health Department

Provides a grant-in-aid to the Bladen County Health Department.

\$50,000 NR

130 Poplar Grove Missionary Baptist Church

Provides a grant-in-aid to Poplar Grove Missionary Baptist Church to sponsor a health screening activity and provide information about available health services.

\$5,000 NR

131 Community Clinic of Rutherford County

Provides a grant-in-aid to the Community Clinic of Rutherford County.

\$15,000 NR

132 Davidson Medical Ministries Clinic, Inc.

Provides a grant-in-aid to the Davidson Medical Ministries Clinic, Inc. for medical services and prescription drugs for the uninsured and those citizens living at or below the poverty level.

\$25,000 NR

133 Raleigh-Wake County Dental Society Community Dental Health Program, Inc.

Provides a grant-in-aid to the Raleigh-Wake County Dental Society Community Dental Health Program, Inc. for the Wake Smiles program to assist in development, operation, and expansion of the organization's dental health care program for indigent and disadvantaged Wake County residents.

\$210,000 NR

134 Tammy Lynn Center, Inc.

Provides a grant-in-aid to the Tammy Lynn Center, Inc. for the delivery of Early Intervention Services.

\$20,000 NR

135 Northhampton Recreation and Cultural Arts Center, Inc.

Provides a grant-in-aid to Northhampton Recreation and Cultural Arts Center, Inc. for its Wellness and Cultural Complex.

\$20,000 NR

136 American Project Access Network, Inc.

Provides a grant-in-aid to the American Project Access Network, Inc. for the formation of an association that will replicate Asheville's Project Access program in various North Carolina communities. Project Access is an organized charity care program that provides free specialty care for individuals treated by "safety net" clinics whose treatment needs exceed the capacity and/or expertise of the treating clinic.

\$100,000 NR

137 Mission Hospitals, Inc.

Provides a grant-in-aid to Mission Hospitals, Inc. for the completion of the new Children's Outpatient Center at Mission Hospitals, Inc. in Asheville, N.C.

\$1,000,000 NR

138 Receipt Supported Position - Traumatic Brain Injuries

Creates three receipt-supported positions within the Division of Public Health, Chronic Disease and Injury Prevention Section, Injury & Violence Prevention Branch.

Public Health Communication Specialist - \$51,044

Public Health Epidemiologist - \$58,389

Public Health Evaluator - \$51,044

These positions are 100% receipt-supported through the Centers for Disease Control and Prevention, Traumatic Brain Injury Extended Surveillance and Traumatic Brain Injury Emergency Department Surveillance.

139 Receipt Supported Position - Youth Suicide Prevention

Creates one position within the Division of Public Health.

Public Health Program Consultant II @ \$51,044

This position is 100% receipt-supported through the Substance Abuse and Mental Health Services Administration (SAMHSA), Center for Mental Health Services.

140 Receipt Supported Positions - HIV/AIDS

Creates seven receipt-supported positions within the Division of Public Health, Epidemiology Section, HIV/AIDS Branch.

3 Public Health program Consultant I's @ \$46,653,

Processing Assistant V - \$34,452

3 Social Research Assistant II's - \$40,789

These three positions will be 100% receipt-supported through the Centers for Disease Control HIV Morbidity and Risk Behavior Surveillance Continuation Grant.

141 Receipt Supported Positions - Nutrition Services

Creates one receipt-supported position with the Division of Public Health, Women and Children's Health Section, Nutrition Services Branch.

Public Health Program Supervisor II - \$53,000

This position is 100% receipt-supported through Special supplemental Nutrition Program for Women, Infants, and Children (WIC) Program through the United States Department of Agriculture.

142 Receipt Supported Positions - Pfiesteria

Creates one receipt-supported position within the Division of Public Health, Epidemiology Section, Environmental Epidemiology Branch.

Chemist II - \$54,970

This positions is 100% receipt-supported through the Centers for Disease Control, Expanding Surveillance Systems to include Pfiesteria, other Harmful Algal Blooms and Martine Toxins Program.

143 Receipt Supported Positions - Nutrition Services

Creates two positions within the Division of Public Health, Women's and Children's Health Section.

2 Child Nutrition Program Assistants - @ \$50,000 each.

These positions are 100% receipt-supported through the Child and Adult Care Food Program and the Child and Adult Care Food Program Audit Funds.

144 Receipt Supported Position - Physical Activity and Nutrition

Creates one position within the Division of Public Health, Chronic Disease and Injury Prevention Section, Physical Activity and Nutrition Branch.

Information and Communications Specialist II - \$46,653

The position is 100% receipt-supported through the Centers for Disease Control - Chronic Disease Prevention and Health Promotion Programs - Physical Activity, Nutrition and Obesity Component.

145 Receipt Supported Positions - Child Developmental Services Agency

Transfers twenty receipt-supported positions from Western Carolina University to the Division of Public Health, for the purpose of operating the Children's Developmental Services Agency of the Smokies. The CDSA currently operated by Western Carolina University through contract is transferred to the Division of Public Health.

Habilitation Specialist III - \$32,289
Habilitation Specialist III - \$35,311
Habilitation Specialist III - \$36,286
Habilitation Specialist III - \$35,772
Habilitation Specialist III - \$36,373
Habilitation Specialist III - \$34,008
Habilitation Specialist III - \$33,930
Habilitation Specialist III - \$31,200
Habilitation Specialist III - \$30,354
.50 Staff Psychologist II - \$25,336
Two Staff Psychologist II's @ \$44,161
Two Educational Diagnostician II's @ \$32,940
Educational Diagnostician II - \$37,886
Educational Diagnostician II - \$42,066
Spanish Translator - \$28,038
Physical Therapist II - \$56,346
Occupational Therapist I - \$51,260
Speech and Language Pathologist - \$40,310

These positions will be funded through the Individuals with Developmental Disabilities Education Act and Medicaid receipts.

146 Transfer of State Positions

Transfers twenty-two state supported positions from Western Carolina University to the Division of Public Health, for the purpose of operating the Children's Developmental Services Agency of the Smokies. The CDSA currently operated by Western Carolina University through contract is transferred to the Division of Public Health.

22.00

22.00

.5 FTE Computing Support Technician I - \$11,626
 Two Program Assistant IV's @ \$21,576
 Program Assistant IV - \$29,326
 Program Assistant IV - \$29,627
 Development Evaluation Center Assistant Director - \$52,783
 Staff Psychologist II - \$42,292
 Staff Psychologist II - \$42,131
 Staff Psychologist II - \$46,334
 Administrative Officer III - \$44,923
 .625 FTE Administrative Assistant I - \$22,091
 Processing Assistant IV - \$25,047
 Processing Assistant IV - \$22,800
 .75 Physical Therapist II - \$46,800
 Occupational Therapist I - \$38,773
 Occupational Therapist I - \$42,424
 Speech and Language Pathologist I - \$56,466
 Nutritionist III - \$42,126
 Habilitation Program Supervisor I - \$40,125
 Habilitation Program Coordinator - \$33,363
 Physician Extender II - \$58,210
 DEC Director - \$60,916

These positions will be funded 100% with state funds. The transfer will not have any fiscal impact on the DPH CDSA Program budget because all funds supporting the transfer are currently located within the DPH budget code.

(12.0) Office of the Secretary**147 Prior Year Earned Revenue**

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

(\$7,000,000) NR

(\$7,000,000) NR

148 Position Elimination Reserve

Reduces funding by eliminating vacant or filled positions, reducing layers of management, and reducing related state administrative operating expenses within the Department. No direct service positions are to be eliminated.

(\$500,000) R

(\$500,000) R

149 Overrealized, Unbudgeted, Indirect Receipts

Requires the Department of Health and Human Services to budget overrealized, unbudgeted, indirect receipts within Central Management administration and Department administration, and to reduce state appropriations in the programs and activities that received the overrealized, unbudgeted, indirect receipts.

(\$3,000,000) NR

150 Reserve for NC FAST

Requires the Department of Health and Human Services to maintain the reserve for NC FAST at its current level. (SB 622, Section 10.1)

(\$5,400,000) R (\$5,400,000)

151 NC FAST Appropriation

Appropriates funding to support the development and implementation of NC FAST. (SB 622, Section 10.1)

\$4,900,000 NR \$6,000,000 N

152 Community Health Centers

Provides funding for grant-in-aids for Federally-qualified Health Centers, State-designated Rural Health Centers, Public Health Department Clinics, and other clinics.

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

153 Food Runners/Meals on Wheels Collaborative

Provides a grant-in-aid to support to a multi-county program that prepares and delivers meals for the elderly and disabled.

\$150,000 R \$150,000

154 N.C. Special Olympics, Inc.

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

\$100,000 R \$100,000

155 ALS Association - Jim "Catfish" Hunter Chapter

Provides a grant-in-aid to the ALS Association - Jim "Catfish" Hunter Chapter of the ALS Association to provide services within the State of North Carolina.

\$400,000 R \$400,000

156 More At Four Program Expansion

Provides funding for 3,200 additional slots for the biennium and an additional \$150 in funding for each slot. Also, provides funding for five new positions. (SB622, Section 10.67)

\$16,640,531 R \$16,640,531
5.00 5.00

157 Office of Rural Health-Critical Needs Funding for Eligible Hospitals

Provides funding for grants or low-interest loans to eligible hospitals to offset operational losses due to increases in uncompensated care or to address other critical needs as determined by the Department of Health and Human Services.

\$3,000,000 NR

158 Juvenile Diabetes Research Foundation, Charlotte Chapter

Provides a grant-in-aid to the Juvenile Diabetes Research Foundation, Charlotte Chapter.

\$25,000 NR

159 Right Moves for Youth, Inc.

Provides funding for grant-in-aid for Right Moves for Youth, Inc.

\$50,000 NR

Total Legislative Changes	(\$62,141,968)	R	(\$163,823,578)	R
	(\$62,332,409)	NR	(\$49,552,800)	NR
Total Position Changes	86.50		119.50	
Revised Budget	\$4,033,235,902		\$4,264,940,128	

Special Provisions

2005 Session: HB 320

Department: Health and Human Services

Section: 21

Title: **Section 10.37A**

Summary Amends S.L. 2005-276 by adding a new section (Section 10.37A), which directs funds appropriated to DHHS for the Jewish Community Center of Charlotte, Inc. to be paid to Senior Activities and Services, Inc. to support the activities of the Levine Senior Center of Matthews.

Special Provisions

2005 Session: SB 622

Department: Health and Human Services

Section: 6.24

Title: **Collaboration Among Departments of Administration, Health and Human Services, Juvenile Justice and Delinquency Prevention, and Public Instruction on School-Based Child and Family Team Initiative**

Summary Establishes a school-based program to identify and coordinate appropriate community services and supports for children at-risk. Requires services for children to be integrated at both the State and local levels and establishes the organizations necessary to accomplish this -- the North Carolina Child and Family Leadership Council at the state level and the School-Based Child and Family Team Initiative at the local level in schools designated to participate in the Program. Also establishes a requirement for a single plan and team to support and assist each child at-risk.

Section: 10.1

Title: **Information Technology**

Summary Requires DHHS to prepare the supporting documentation it needs to develop and implement a comprehensive, integrated information technology program. It also requires funding for information technology to be spent on the specified projects.

Section: 10.2

Title: **Office of Policy and Planning**

Summary Continues the authority for DHHS's Office of Policy and Planning that was established in SFY 2001-02. Codifies the language in GS 143B-216.70.

Section: 10.3

Title: **Senior Prescription Drug Access Program Funding**

Summary Requires the Director of the Budget to use available funds of up to \$1.5 million in SFY 2005-06 to fully fund the Senior Prescription Drug Access Program through December 31, 2005 if existing program funds are not sufficient.

Section: 10.4

Title: **Senior Cares Program Administration/Automatic Enrollment Medicare Prescription Drug Program**

Summary Authorizes DHHS to administer the Senior Cares prescription drug access program funded from the Health and Wellness Trust Fund. The program expires December 31, 2005, but DHHS has authority to complete administrative activities related to closing the program after the program expires.

Authorizes DHHS to automatically enroll current and future Senior Cares participants into Medicare Part D Prescription Drug Programs for seniors whose income is at or below 135% of the federal poverty level. No state funds can be used for enrollment of seniors into the Medicare Prescription Drug Plan.

Section: 10.5

Title: **Nonmedicaid Reimbursement Changes**

Summary Maintains FY 2004-05 eligibility levels for participation in several nonmedicaid purchase of medical care programs. Directs DHHS to set reimbursement rates for these programs using Medicaid rates as a basis.

Section: 10.6

Title: **Physician Services**

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

Section: 10.7

Title: **Liability Insurance**

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

Section: 10.8

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

Summary Authorizes DHHS to allow DHHS employees to request a payroll deduction to pay the cost of childcare services provided by the Department. Codifies the language in GS 143B-139.6B.

Section: 10.9

Title: **Community Health Center Funds**

Summary Establishes criteria for grants and provides \$2 million each year of the biennium for federally qualified health centers, those health centers that meet the criteria for federally qualified health centers, State-designated rural health centers, public health departments, and other clinics.

Section: 10.10

Title: **Provider Reimbursement Rates**

Summary Requires DHHS to maintain reimbursement rates paid to service providers at SFY 2004-05 levels during the 2005-06 fiscal year. Exceptions made by the DHHS shall be made on a case-by-case basis and must be approved by the Office of the Secretary. Changes in rate structures that result in lower payments to providers are exempt.

Section: 10.10A

Title: **Provider Tracking Database System**

Summary Requires DHHS to develop a proposal for the planning, development, and implementation of a provider tracking database system to monitor the performance and provide effective oversight of provider facilities serving vulnerable populations. If the plan is approved by the Office of State Budget and Management and the Office of Information Technology Services, DHHS is required to submit the proposal by May 1, 2006.

Section: 10.10B

Title: **Funds for Jim "Catfish" Hunter Chapter of the ALS Association**

Summary Funds appropriated for the Jim "Catfish" Hunter Chapter of the ALS Association shall be expended only for services provided within North Carolina.

Section: 10.11

Title: **Medicaid**

Summary Establishes eligibility requirements for the Medicaid Program. Establishes the Services provided to recipients and the allowable payment levels for providers under the Medicaid Program. The following changes are made in SB 622:

Authorizes DDHS to establish authorizations, limitations, and reviews for specific drugs, drug classes, brands, or quantities in order to manage effectively the Medicaid pharmacy program. DHHS cannot impose limitations on brand-name medications for which there is a generic equivalent in cases where the prescriber has determined, at the time the drug is prescribed, that the brand-name drug is medically necessary and has written on the prescription order the phrase "medically necessary".

Clarifies that counties will pay 15% of the federal clawback for Medicare Part D.

Maintains eligibility for Aged, Blind, and Disabled persons with incomes up to 100% of poverty.

Increases Medicaid family income eligibility for children age birth to age 5 from 133% of the federal poverty level to 200% of the federal poverty level effective January 1, 2006.

Authorizes DMA to increase co-payments for services. Does not include a co-payment for inpatient hospital services.

Directs DMA to implement the Family Planning Demonstration waiver by October 1, 2005. Authorizes \$750,000 to fund the waiver each year of the biennium.

Requires DMA to include purchased life estates when determining Medicaid eligibility.

Authorizes DHHS to require that applicants for Medicaid consent to the release of medical records for the three years preceding the Medicaid application.

Section: 10.12

Title: **Disposition of Disproportionate Share Receipts**

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

Section: 10.13

Title: **County Medicaid Share**

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

Section: 10.14

Title: **Medicaid Cost Containment Activities**

Summary Authorizes DHHS to use Medicaid funds budgeted for program services to support administrative activities to help contain the cost of Medicaid -- \$3 million each year of the biennium.

Section: 10.15

Title: **Medicaid Reserve Fund Transfer**

Summary Allocates \$50 million for each year of the biennium from the Medicaid Reserve Fund to the Medicaid Program, notwithstanding the provisions of G.S. 143-23.3(b) that these funds shall not be used to reduce the General Fund revenue to the Medicaid Program.

Section: 10.17

Title: **Expand Community Care of North Carolina Management to Additional Medicaid Recipients**

Summary Expands the scope of the Community Care of NC program to recipients of Medicaid and dually eligible individuals with chronic conditions and long-term care needs including the aged, blind and disabled. Requires the program to review the prescribing of diagnostic testing by physicians to determine if overutilization is occurring.

Section: 10.18

Title: **Ticket to Work Medicaid Eligibility**

Summary Establishes the Medicaid buy-in program for workers with disabilities effective Jan. 1, 2007 or within 30 days after the date the new MMIS system becomes operational. Appropriates \$150,000 in FY 2006-07 to start the program.

Section: 10.19

Title: **Medicaid Personal Care Services Limitations**

Summary Reduces the budget for Medicaid Personal Care Services by \$13.7 million in FY 2005-06 and \$16.1 million in FY 2006-07. Directs DMA to reduce the cost of Medicaid PCS by implementing a utilization management system for personal care services. The management system may include reducing personal care services hours to 50 hours per month.

Section: 10.19A

Title: **DDA Group Home Funding**

Summary Directs DHHS to develop a plan to use State funds appropriated to DDA Group Homes to expand the funding available under the CAP-MR/DD waiver program and to use the increased waiver funding to expand the funding available to pay for DDA group home services. Report due by May 1, 2006.

Section: 10.19B

Title: **Implement Electronic Quality Prescription Management Program**

Summary Directs DMA to implement an electronic quality prescription management system.

Section: 10.20

Title: **Community Alternatives Program Reimbursement System**

Summary Directs DHHS to develop a new reimbursement system for all Community Alternative Programs including the use of a case-mix system similar to the one used by nursing facilities and the Resource Utilization Groups-III to determine level of need for services under all CAP programs except for CAP-MR/DD program services. Report due January 1, 2007.

Section: 10.21A

Title: **Verification of State Residency for Medical Assistance**

Summary Requires DMA to verify residency in NC when determining eligibility for Medicaid.

Section: 10.21C

Title: **Medicaid Estate Recovery to Include Liens on Real Property**

Summary Requires DMA to include liens on real property when conducting Medicaid estate recovery. Allows postponement of estate recovery in cases of undue hardship.

Section: 10.21E

Title: **Medicaid Study**

Summary Requires DHHS to study Medicaid services for individuals who are dually eligible for Medicaid and Medicare (particularly including the Medicare Part D impact on these services), the financial impact on the State of Medicare clawback provisions, and efficiencies that can be realized in services for this dually eligible population. Report due May 1, 2006.

Section: 10.22

Title: **NC Health Choice**

Summary Allows up to 3% enrollment growth every six months.

Changes eligibility for the NC Health Choice Program from age birth to age 18 to age 6 to age 18. Children age birth to 5 will be covered under the Medicaid Program. Effective January 1, 2006.

Authorizes DHHS to provide services to children enrolled in the NC Health choice Program through Community Care of North Carolina and to pay providers' fees for these services as allowed under Medicaid.

Authorizes payment for services under the NC Health Choice at 115% of Medicaid rates effective January 1, 2006 and 100% of Medicaid rates effective July 1, 2006.

Section: 10.24

Title: **Long-term Plan for Meeting Mental Health, Developmental Disabilities, and Substance Abuse Services Needs**

Summary Requires a long-term plan to be developed by March 1, 2006.

Section: 10.25

Title: **Comprehensive Treatment Services Program**

Summary Continues the Comprehensive Treatment Services Program for children at risk for institutionalization or out-of-home placement. Establishes a children's services work group in the Department of Administration to improve the safety and well-being NC's children, youth and families. Creates a legislative study commission called the Coordination of Children's Services Study Commission to study and recommend changes to improve collaboration and coordination among agencies that provide services to children, youth, and families with multiple service needs. Recommendations shall include mechanisms for establishing clear State leadership, consistent policy direction, and increased accountability at the State and local levels.

Section: 10.26

Title: **Services to Multiply Diagnosed Adults**

Summary Requires DHHS to provide appropriate services for adults who have multiple diagnoses.

Section: 10.27

Title: **Extend Mental Health Consumer Advocacy Program Contingent Upon Funds Appropriated by the 2007 General Assembly**

Summary Extends the statutory language for the Program until funds are appropriated to support the Program.

Section: 10.28

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

Summary Requires DHHS to continue implementing a transition plan for the state psychiatric hospitals.

Section: 10.29

Title: **Mental Retardation Center Downsizing**

Summary Requires DHHS to continue downsizing the state mental retardation centers by at least 4% a year. Savings from the downsizing shall be used to transition and pay for appropriate community-based services. Final report due May 1, 2006.

Section: 10.30

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

Summary Allows DHHS to require private service providers to perform a uniform cost finding. The uniform cost finding will help to determine service reimbursement amounts and guarantee some uniformity of reimbursement by the State for similar services statewide. Allows DHHS to stop payment to any service provider who has not satisfied the requirements of this provision. Codifies language in GS 122C-147.2(b).

Section: 10.31

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, Area Program, and Lead Management Entity policies and procedures that prevent the delivery of community services.

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

Expend all funds authorized for community services.

Section: 10.33

Title: **Rules Pertaining to Conflict of Interest in Referrals to Provider Agencies**

Summary Requires the Commission for Mental Health, Developmental Disabilities, and Substance Abuse Services to adopt rules that require facility personnel who refer clients to provider agencies to disclose any pecuniary interest the referring person may have in the provider agency.

Section: 10.34

Title: **LOC to Study Oversight and Monitoring by Department of Health and Human Services of Services to Mental Health Consumers**

Summary Authorizes the Legislative Oversight Committee On Mental Health, Developmental Disabilities, and Substance Abuse Services to study oversight and monitoring by the Department of Health and Human Services of services to mental health consumers.

Section: 10.35

Title: **Appeals Process for Citizens of Mental Health, Developmental Disabilities, and Substance Abuse Services**

Summary Requires the Mental Health Commission to adopt rules governing a standardized appeals process to be followed by each LME for clients of the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services.

Section: 10.35A

Title: **DHHS Study of Accreditation of Residential Treatment Facilities**

Summary Requires the Department to study the feasibility of establishing accreditation requirements for residential treatment facilities. Report due March 1, 2006.

Section: 10.35B

Title: **Approval of Rules Governing Residential Treatment of Children or Adolescents**

Summary Notwithstanding G.S. 150B-21.1(b) and G.S. 150B-21.3(b2), authorizes DHHS to adopt as temporary rules the rules governing residential treatment for children or adolescents approved for adoption or revision on May 18, 2005, by the Commission for Mental Health, Developmental Disabilities, and Substance Abuse Services, and approved by the Rules Review Commission. The temporary rules become effective as provided in G.S.150B-21.3(a).

Section: 10.36

Title: **Controlled Substance Reporting**

Summary Requires DHHS to establish and maintain a reporting system of prescriptions for all Schedule II through V controlled substances. Pharmacies are required to submit information on all prescriptions of controlled substances. The prescription information shall be confidential.

Section: 10.37

Title: **Senior Center Outreach**

Summary Provides direction for the use of funds designated for Senior Centers. Subsection 10.37(c) stipulates that state funding shall not exceed seventy-five percent (75%) of reimbursable costs.

Section: 10.38

Title: **State-County Special Assistance**

Summary Subsection 10.38(b) increases the maximum monthly rate for residents in adult care home facilities from \$1,084/month to \$1,118/month. The rate was increased with a \$3.1 million expansion item in the budget. Subsection 10.38(c) establishes separate maximum monthly rate for residents in Alzheimer/Dementia special care units of \$1,515/month. This rate was increased from \$1,084 with a \$380,843 expansion item in the budget. Historically, the General Assembly has established the SA rate through the budget process. Subsection 10.38(e) allows the Department to adjust the SA rate in order to continue to shift costs to the Medicaid budget. It also allows the Department (subject to approval from CMS) to disregard a limited amount of income for individuals whose countable income would exceed the SA rate as adjusted by shifting costs to Medicaid. The amount disregarded shall not exceed the difference between the SA rate before adjustment and the SA rate after adjustment.

Section: 10.39

Title: **Special Assistance In-Home**

Summary Authorizes DHHS to continue the SA In-Home program, which allows eligible individuals to receive State-County Special Assistance while residing in their home. This provision increases the maximum number of participants from 800 to 1,000. It also increases the maximum monthly payment from 50% of what the individual would have received if they resided in an adult care home to 75% of what they would have received. Note: S.L. 2005-345 (H320- Modify 2005 Appropriations Act) amended this section to include subsection 10.39(d) which establishes an effective date for subsection 10.39(a) of October 1, 2005.

Section: 10.40

Title: **Licensure of Residential Treatment Facilities**

Summary Requires applicants for licensure as a residential treatment facility to submit to DHHS a letter of support obtained from the local management entity in whose catchment area the facility will be located. The letter of support shall specify the number of existing beds in the same type of facility in the catchment area and the projected need for additional beds of the same type.

Section: 10.40A

Title: **Regulatory Changes to Improve Quality and Safety in Home Care Services, Mental Health Facilities, Adult Care Homes, and Certain Hospital Facilities**

Summary Makes regulatory changes to improve quality and safety in home care services, mental health facilities, adult care homes, and certain hospital facilities. Combines legislation requested by the Department and recommended by the North Carolina Study Commission on Aging. Significant changes include:

Mental Health Facilities: (1) Licenses of facilities that have not served clients in the past 12 months will not be eligible for renewal; (2) Division of Facility Services (DFS) required to inspect annually; (3) DFS required to conduct physical plant and life-safety inspections every two years; (4) DFS complaint hotline number required to be posted conspicuously in the facility; (5) Doubles all civil penalties for violation of state and federal laws and regulations

Adult Care Homes: (1) DFS required to inspect annually; (2) DFS required to conduct physical plant and life-safety inspections every two years; (3) DFS complaint hotline number required to be posted conspicuously in the facility; (4) Doubles all civil penalties for violation of state and federal laws and regulations; (5) Establishes requirements for county departments of social services' monitoring of adult care homes and allows the Secretary of DHHS to determine that the Department can assume a county's regulatory responsibility.

Home Care Agencies: (1) DFS required to inspect every 3 years; (2) During initial visit or before furnishing services, agencies must provide client DFS complaint hotline number; (3) Home care agencies not allowed to hire from the Health Care Personnel Registry; (4) Codifies the Home Care Client's Bill of Rights and requires agencies to provide a copy of the rights to clients.

Section: 10.40B

Title: **Authorization for Health Care Facilities to Remain in Operation Under Certain Circumstances**

Summary Allows licensed health care facilities in operation on July 1, 2005 under a certificate of need issued by DHHS prior to that date and subsequently invalidated based on a procedural defect in the awarding of the certificate of need to remain in operation for the purpose of applying for a new certificate of need.

Section: 10.40C

Title: **Use of Medication Aides to Perform Technical Aspects of Medication Administration in Skilled Nursing Facilities**

Summary Allows skilled nursing facilities to use medication aides to perform technical aspects of medication administration. Requires the Board of Nursing to establish standards for medication aide training. Requires the Department to establish and maintain a Medication Aide Registry.

Section: 10.40D

Title: **DHHS and Community Colleges Study Use of Medication Aides to Perform Technical Aspects of Medication Administration**

Summary Requires the Secretary of DHHS and the President of the Community Colleges System to convene a study group to review and consider the use of medication aides to perform the technical aspects of medication administration.

Section: 10.41

Title: **Plan for Star-Rating System for Adult Care Homes**

Summary Requires the Department to develop a plan for implementing a star-rating system for adult care homes to improve the quality of care.

Section: 10.42

Title: **Social Services Commission Technical Correction**

Summary Makes a technical correction to G.S.108A-14.

Section: 10.43

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

Summary Identifies criteria to be used to evaluate North Carolina's Child Support Program and establishes reporting requirements.

Section: 10.45

Title: **Multiple Response System**

Summary Allows the remaining 48 counties to implement a multiple response system using both State appropriations and non-State funding sources.

Section: 10.46

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

Summary Maintains rates for foster care adoption and assistance payments at current levels.

Section: 10.47

Title: **Child Caring Institutions**

Summary Requires an audit of the child caring institution rate setting process to ensure equity and consistency. Directs DHHS to standardize the rates for child caring institutions and to ensure that foster parents recruited by child caring institutions receive, at a minimum, the General Assembly established rates for caring for children.

Section: 10.48

Title: **Special Children Adoption Fund**

Summary Directs that of the funds appropriated to DHHS, the sum of one hundred thousand dollars (\$100,000) will be used to support the Special Children Adoption Fund for the 2005-2006 fiscal year.

Section: 10.49

Title: **Study to Identify Adoption Incentives for Children Who Are Difficult to Place**

Summary Directs DHHS to conduct a study to document possible adoption incentives for children who are difficult to place and to identify sources of funding.

Section: 10.50

Title: **Limitations on State Abortion Fund**

Summary Continues limiting State funding for abortions to \$50,000. Restricts eligibility to women whose income is below the Federal poverty level or who are eligible for Medicaid. Further restricts funding to cases of rape or incest, or cases that in the written opinion of one doctor licensed to practice medicine in North Carolina, endanger the life of the mother.

Section: 10.51

Title: **TANF Benefit Implementation**

Summary Approves North Carolina's Temporary Assistance for Needy Families Plan for FY 2005-2007 and identifies electing counties.

Section: 10.51A

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

Summary Establishes standards and reporting requirements for the Intensive Family Preservation Services program.

Section: 10.52

Title: **Residential School Reporting**

Summary Requires the Office of Education Services to report on the enrollment, budgets, and the academic status of the residential schools by December 1, 2005.

Section: 10.53

Title: **Funds for School Nurses**

Summary Appropriates \$2.5M for the 2005-2006 and 2006-2007 fiscal years for the purpose of funding 50 permanent local nurses. There shall be no supplanting of local, state, or federal funds with these funds; the funds are intended to increase the number of school nurses and reduce the nurse-to-student ratio.

Section: 10.54

Title: **Early Intervention Reporting and Evaluation**

Summary Directs DHHS, Division of Public Health to provide a report on Early Intervention Services. The report shall include the number of children served, the types of services and evaluations provided, and the budgets for each Children's Developmental Services Agency. In addition, the Department shall analyze the reimbursement rates for Early Intervention Services and may adjust rates as needed. The Division of Public Health shall analyze the Children With Special Health Needs Program's budget and develop a plan to shift some funding into the Early Intervention Program. The Division shall report on its findings and recommendations by December 1, 2005.

Section: 10.54A

Title: **Early Intervention Program Rules Adopted by Commission for Health Services**

Summary Transfers the rule-making authority for the birth to three-year-old early intervention program from the Commission for Mental Health, Developmental Disabilities, and Substance Abuse Services to the Commission for Health Services.

Section: 10.56

Title: **Chronic Disease Prevention Activities Inventory**

Summary Directs DHHS to create an inventory of all chronic disease prevention activities, funding, staffing, and other resources for the purpose of creating a plan to combine activities and explore collapsing task forces and committees into the Healthy Carolinians structure.

Section: 10.57

Title: **Pilot Program for Automatic External Defibrillators in Public Buildings**

Summary Directs DHHS to develop a pilot program to place Automated External Defibrillators (AED) in public buildings, including public gymnasiums, that do not already have operational AEDs in place. DHHS shall use \$17,000 in 2005-2006 and \$6,000 for 2006-2007 for the purchase of the AED units, conduct training at the sites, and conduct education and awareness campaigns. DHHS shall report by March 1, 2006 on the pilot program.

Section: 10.58

Title: **Immunization Program Funding**

Summary Allows DHHS, Division of Public Health, to spend \$1M for each year of the biennium for positions, operating support, equipment, and pharmaceuticals used for projects and activities designed to increase childhood immunization rates in North Carolina.

Section: 10.59

Title: **AIDS Drug Assistance Program**

Summary Maintains eligibility for AIDS Drug Assistance Program at 125% of the Federal Poverty Level. Directs the Department to report on program data by January 1, 2006 and May 1, 2006.

Section: 10.59A

Title: **Health Information Systems Development Funds**

Summary Appropriates \$4,065,469 from Budget Code 24430, Fund Code 2117 to the Division of Public Health, for the 2005-2006 fiscal year for the purpose of development and implementation of the Health Information Systems. The Division of Public Health shall report on the use of these funds by March 1, 2006.

Section: 10.59B

Title: **Funds for Pilot Program to Recruit Minority Students into Pharmacy Schools**

Summary Appropriates \$300,000 for 2005-2006 fiscal year for the purpose developing a pilot program for the recruitment of minority students into pharmacy schools. DHHS shall report on the pilot program by March 1, 2006.

Section: 10.59C

Title: **Health-Related Initiatives Funds**

Summary Appropriates \$68M from Budget Code 23469, Fund Code 2120, to the Health and Wellness Trust Fund for the 2005-2006 fiscal year for the funding of health-related initiatives, as approved by the Health and Wellness Trust Fund Commission.

Section: 10.59E

Title: **Community-Focused Eliminating Health Disparities Initiative**

Summary Appropriates \$2M for the purpose of building capacity of faith-based and community-based organizations to close the gap in the health status of African-Americans, Hispanics/Latinos, and the American Indians as compared with white persons.

Section: 10.59F

Title: **Governor's Vision Care Program Established**

Summary Creates a purchase-of-medical care program to fund eye examinations and vision correction for children in kindergarten through third grade. Funds will reimburse optometrists and ophthalmologists for services. Children will be eligible for the program with a family income not exceeding 250% of the federal poverty level, who do not have comparable health insurance, and are not eligible for Health Choice, Medicaid, or other programs that pay for these services. There will be Commission on Early Childhood Vision Care that will adopt rules to implement the program and develop alternative ways for providing services to children who qualify for the Program when appropriations for the program have been exhausted. Every child entering kindergarten in the public schools shall obtain a comprehensive eye examination not more than six months prior to school entry.

Section: 10.59G

Title: **LRC Study School-Based and School-Linked Health Centers**

Summary Allows the Legislative Research Commission to study and evaluate the number of school-based and school-linked health centers in providing primary care, mental health, and other health care services to determine the centers' impact on providing health care.

Section: 10.59H

Title: **Funds for Rural Hospital Operations**

Summary Appropriates \$3M for the 2005-2006 fiscal year for purpose of funding rural hospitals in need of assistance with its operations. DHHS shall convene an advisory group to establish criteria for distribution of these funds. DHHS shall report on the program not later than March 1, 2006.

Section: 10.60

Title: **Child Care Funds Matching Requirement**

Summary Directs DHHS that no matching funds may be required by local governments receiving subsidy funds.

Section: 10.61

Title: **Child Care Allocation Formula**

Summary Directs DHHS to allocate child care subsidy funds to counties based on the number of children in a county under age 11 in families with all parents working who earn less than seventy-five percent (75%) of the State Median Income. In addition, DHHS shall allocate up to \$22M in block grant and state funds outside of the formula system to prevent termination of children from the subsidy program.

Section: 10.62

Title: **Child Care Subsidy Rates**

Summary The eligibility for child care subsidy shall remain at 75% of the State Median Income; and families are required to participate in the cost by paying 8%, 9%, or 10% of their gross family income based upon their family size.

Section: 10.63

Title: **Child Care Revolving Loan**

Summary Allows the DHHS to fund a Child Care Revolving Loan program.

Section: 10.64

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

Summary Directs the North Carolina Partnership for Children (NCPC, Inc.) to maintain administrative costs at not more than 8% of the total statewide allocation to all local partnerships. Requires that all partnerships participate in competitive bidding practices and maintains the requirement of a 20% statewide cash and in-kind match.

Prohibits NCPC, Inc. from providing grants for capital expenditures and advertising and promotional activities for fiscal years 2005-2006 and 2006-2007

Requires the NCPC, Inc. to spend an amount for child care subsidies that provides at least \$52M for the TANF maintenance of effort requirement and the Child Care Development Fund Block Grant match requirement.

Section: 10.65

Title: **Smart Start Funding Study**

Summary Directs the North Carolina Partnership for Children, Inc. to study its allocation of funds to local partnerships and provide recommendations to develop equity among all counties and local partnerships based on population, the number of children birth to 5 years of age residing in the county region, economic indicators, and the quality of existing child care. NCPC, Inc. shall report on its findings by March 1, 2006.

Section: 10.66

Title: **Analyze Child Care Subsidy Reimbursement System**

Summary Directs DHHS, Division of Child Development to conduct an analysis of the child care subsidy reimbursement system. The Division shall use the most recent market survey to conduct the analysis.

Section: 10.67

Title: **More At Four**

Summary Appropriates \$66,646,653 for fiscal years 2005-2006 and 2006-2007 for the purpose of operating a voluntary prekindergarten program for at-risk four-year olds.

The Program eligibility shall be at 75% of the State Median Income and up to 20% of the children enrolled may have family incomes in excess of 75% if they have other designated risk factors.

DHHS shall review and evaluate the early literacy project in Davie County.

Section: 10.68

Title: **Office of School Readiness**

Summary DHHS, the Department of Public Instruction, and the Office of the Governor shall study and plan for the creation of an Office of School Readiness. The group shall report on the results of the study and plan by March 1, 2006.

Section: 41.2

Title: **Division of Facility Services Fees**

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

NATURAL & ECONOMIC RESOURCES

Agriculture and Consumer Services

		GENERAL FUND	
		FY 05-06	FY 06-07
Adjusted Continuation Budget		\$52,243,772	\$51,965,810
Legislative Changes			
Administration			
1 Reduce Inflationary Increases		(\$202,701) R	(\$202,701) R
Reduce increases in the continuation budget for workers compensation, longevity and other expenses.			
2 Funds for FFA		\$50,000 R	\$50,000 R
Provide funds to the North Carolina Association of Future Farmers of America, Inc.(FFA) for the construction of new dining hall and recreation hall in White Lake, North Carolina.		\$250,000 NR	
3 Farmland Preservation Trust Fund			
Provide funds for the Farmland Preservation Trust Fund.		\$50,000 NR	
4 Agricultural Education Center			
Provide planning and development funds to Wayne County for a Regional Agricultural Education Center.		\$200,000 NR	
5 Funds for Farmers Market			
Provide funds to Hertford-Northhampton Farmers Market, Inc.		\$175,000 NR	
6 Funds for Community Fair			
Provide operating funds to the Town of Drexel for the Drexel Community Fair.		\$25,000 NR	
7 Funds for Community Festival			
Provide operating funds to the Town of Fairmont for the Fairmont Farmers Festival.		\$5,000 NR	
8 Operation Spring Plant, Inc.			
Provide funds for technical, educational, and financial assistance for African-American farmers in and around Faison, NC.		\$25,000 NR	

Agronomic Services**9 Replace General Funds with Receipts**

(\$88,600) R (\$88,600)

Replace General Funds for operations with revenue generated by increasing fees for Agronomic Sampling services to no more than the following maximum amounts:

Increase fees for routine nematode samples from \$2.00 to \$3.00 generating \$25,000 in additional revenue.

Increase fees for routine waste samples from \$4.00 to \$5.00 generating \$20,000 in additional revenue.

Increase research fees for soil and nematode samples from \$2.00 to \$12.00 generating \$10,000 in additional revenue.

Increase research fees for plant, waste and solution samples from \$4.00 to \$12.00 generating \$33,600 in additional revenue.

(SB 622, Section 42.1 (d))

10 Replace General Funds with Receipts

(\$74,300) R (\$74,300)

Replace General Funds for operations with revenue generated by implementing new fees for Agronomic Sampling services.

Establishes a maximum \$14.00 fee for out-of-state nematode samples;

\$26.00 fee for out-of-state plant, waste and solution samples; and a various fees for other out-of-state services.

(SB 622, Section 42.1 (d))

Commercial Feed and Pet Food**11 Replace General Funds with Receipts**

(\$60,200) R (\$60,200)

Increase registration fees for non-canned pet food registration as follows:

Increase existing registration fees from \$3.00 to \$5.00;

Increase existing registration fees from \$30.00 to \$40.00; and

Increase existing registration fees from \$33.00 to \$45.00.

Increases the registration fee for canned pet food from \$10.00 to \$12.00.

(SB 622, Sections 42.1 (a,b))

Marketing**12 Reduce Funds for Farmer's Markets**

(\$90,537) R (\$90,537)

Reduce the appropriation for farmer's markets by 10%.

Overview: 2005 Session Fiscal and Budgetary Actions

FY 05-06

FY 06-07

13 Fund-Shift One Position

Fund shift one position with the Cooperative Inspection Service to receipts.

(\$35,685) R

(\$35,685) R

-1.00

-1.00

Pesticide Section

14 Pesticide Disposal Program

Replace General Funds with funds from the Environmental Trust Fund for the pesticide disposal program. (SB 622, Section 11.1)

(\$222,407) R

(\$222,407) R

-1.00

-1.00

Seed Testing

15 Replace General Funds with Receipts

Increase seed inspection fees from \$.02 to \$.04 per 10 lb container. (SB 622, Section 42.1 (c))

(\$124,587) R

(\$124,587) R

State Fair

16 Establish Receipt-Supported Positions

Establish twenty (20) receipt-supported general utility workers and eight (8) building custodians at the North Carolina State Fair.

General Utility Workers	20.0	\$522,500
Building Custodians	8.0	\$170,080

Statistics Division

17 Cash Rents Survey

Provide funds to conduct a survey of cash rents paid for farmland for use by the Department of Revenue and the Use-Value Advisory Board in administering the Agriculture Present Use-Value property tax program.

\$25,000 R

\$25,000 R

18 Establish Receipt Supported Position

Establish one (1.0) federally-funded Printing Equipment Operator II position with a total cost of \$30,097.

Structural Pest Control

19 Adjust Budgeted Receipts

Reduce General Funds based on an increase in receipts.

(\$18,000) R

(\$18,000) R

Veterinary Services

20 Replace General Funds with Receipts

Increase histopath fee from \$15.00 to \$30.00 generating \$113,233 in additional revenue. Increases EIA fee from \$4.00 to \$6.00 generating \$39,082 in additional revenue. (SB 622, Section 42.1 (e))

(\$152,315) R

(\$152,315) R

Overview: 2005 Session Fiscal and Budgetary Actions

	FY 05-06		FY 06-07
21 Replace General Funds with Receipts	(\$56,000)	R	(\$56,000)
Establish a \$1.00 blood pour off fee and a \$.04 vacuum tube handling fee. (SB 622, Section 42.1 (e))			
22 Animal Shelter Inspections	\$225,000	R	\$225,000
Provide funds to implement the requirements of expanding the regulation and inspection of animal shelters. Establishes four (4.0) new positions in the Veterinary Services Division. (SB 622, Section 11.5)	4.00		4.00
Animal Welfare Program Director	1.0		
Animal Welfare Program Coordinator	1.0		
Animal Welfare Technician	1.0		
Administrative Assistant	1.0		
Weights and Measures			
23 Fund Shift One Position	(\$28,394)	R	(\$28,394)
Fund existing position with Highway Funds transferred to the Department.	-1.00		-1.00
24 Replace General Funds with Receipts	(\$12,000)	R	(\$12,000)
Establish a \$20 fee for a Scale Technician License. (SB 622, Section 42.1 (g))			
25 Replace General Funds with Receipts	(\$67,200)	R	(\$67,200)
Increase public weighmaster fees from \$12.00 to \$19.00, generating \$32,200 in additional revenue. Increases various calibration fees at the Standards Lab generating \$35,000 in additional revenue. (SB 622, Section 42.1(f))			
Total Legislative Changes	(\$932,926)	R	(\$932,926)
	\$730,000	NR	
Total Position Changes	1.00		1.00
Revised Budget	\$52,040,846		\$51,032,884

Special Provisions

2005 Session: SB 622

Department: Agriculture and Consumer Services

Section: 11.1

Title: **Pesticide Disposal Program**

Summary Expands the scope of the Pesticide Environmental Trust Fund to allow for the fund to cover the cost of administering the Pesticide Disposal Program. General funds are replaced with trust funds allowing for a cost savings of \$222,407.

Section: 11.2

Title: **Timber Sales Receipts For Capital Improvements At Agricultural Research Stations and Farms**

Summary Allows the sum \$1,033,100 in a timber sales account within the Department of Agriculture and Consumer Services to be used for capital improvement projects at research stations and research farms.

Section: 11.3

Title: **Plant Conservation Program Funds**

Summary Allows for \$20,000 generated from the sale of timber to be used by the Department of Agriculture and Consumer Services for the plant conservation program.

Section: 11.4

Title: **Increase Funds for the North Carolina Grape Growers Council**

Summary Increases the amount of funds that are transferred to the Grape Growers Council from \$350,000 to \$500,000. The funds are generated from an excise tax collected on fortified wine bottled in North Carolina. House Bill 1429 transferred the Grape Growers Council from the Department of Agriculture to the Department of Commerce.

Section: 11.5

Title: **Uniform Regulation of Animal Shelters**

Summary Expands definition of "animal shelter" in GS 19A-23(5) for purposes of Animal Welfare Act to also include facilities owned or maintained by local governmental entities, facilities that rehabilitate animals, and facilities that are under contract with private or governmental entities dedicated to animal welfare. Amends GS 19A-24 to require that Board of Agriculture adopt certain listed standards for the care of animals at shelters and to also require that Board adopt rules on the euthanasia of animals and only use those methods that are approved by organizations listed. Enacts new GS 19A-41 to require that Attorney General or designee represent the Department of Agriculture in actions related to Animal Welfare Act. Effective October 1, 2005.

Section: 42.1

Title: **Increase Various Agriculture Fees**

Summary Implements new fees and increases existing fees for the Department of Agriculture and Consumer Services. Corresponding reductions were made to the Department's general fund budget as a result of the anticipated increased revenue generated from the new and increased fees.

Labor

GENERAL FUND

	FY 05-06		FY 06-07	
Adjusted Continuation Budget	\$14,198,496		\$14,213,868	
Legislative Changes				
Administration				
26 Eliminate 1.0 Vacant Position	(\$31,878)	R	(\$31,878)	R
Eliminate Office Assistant position in Commissioner's Office.	-1.00		-1.00	
27 Fund Shift 1.0 Position to Receipt Support	(\$36,030)	R	(\$36,030)	R
Fund shift Accounting Clerk position in Administrative Services to elevator receipt support.	-1.00		-1.00	
28 Eliminate Inflationary Increases	(\$1,755)	R	(\$1,755)	R
Eliminate inflationary increases allowed in the continuation budget for Administrative Services, Information Technology, and the Commissioner's Office.				
29 Reduce Operating	(\$24,461)	R	(\$24,461)	R
Reduce various operating line items in Administrative Services, Labor Statistics, Information Technology, and the Information Office.				
Labor Standards and Inspections				
30 Establish Mine and Quarry Safety Training Fee	(\$270,000)	R	(\$270,000)	R
Authorize Mine and Quarry Bureau to establish a new safety training fee of up to \$50 per participant and take a corresponding General Fund reduction. (SB 622, Section 42.2)	-4.50		-4.50	
31 Eliminate Inflationary Increases	(\$5,669)	R	(\$5,669)	R
Eliminate inflationary increases allowed in the continuation budget for Apprenticeship, Employment Discrimination, Wage and Hour, and Mine and Quarry.				
32 Reduce Operating	(\$20,100)	R	(\$20,100)	R
Reduce various operating line items in Apprenticeship, Employment Discrimination, Wage and Hour, and Mine and Quarry.				
33 Continue to Fund Apprenticeship Program	\$663,374	R	\$663,374	R
General Fund dollars will partly restore funding for the Apprenticeship Program that is no longer available through the Worker Training Trust Fund.	10.00		10.00	

Overview: 2005 Session Fiscal and Budgetary Actions

FY 05-06

FY 06-07

OSH

34 Eliminate Inflationary Increases

(\$47,424) R

(\$47,424)

Eliminate inflationary increases allowed in continuation budget for Occupational Safety and Health.

35 Reduce Operating

(\$5,000) R

(\$5,000)

Reduce various operating line items in Occupational Safety and Health.

Total Legislative Changes

\$221,057 R

\$221,057

Total Position Changes

3.50

3.50

Revised Budget

\$14,419,553

\$14,434,925

Special Provisions

2005 Session: **SB 622**

Department: Labor

Section: 42.2

Title: Establish Fee for Mine Safety Education/Training Programs

Summary Authorizes the Commissioner of Labor to establish a fee not to exceed \$50 for each person participating in education and training programs provided by the Mine and Quarry Bureau.

(Note: Section 48 of HB 320, Modify 2005 Appropriations Act, SL 2005-345 includes a technical correction that clarifies that this fee may only be charged for program provided pursuant to this section.)

Environment & Natural Resources

GENERAL FUND

Adjusted Continuation Budget	FY 05-06 \$167,189,338	FY 06-07 \$168,187,593
Legislative Changes		
(1.0) Administration		
36 Eliminate 1.0 Vacant Position	(\$74,070) R	(\$74,070)
Eliminate vacant Federal Legislative Programs Coordinator position.	-1.00	-1.00
37 Reduce Rent	(\$50,000) R	(\$50,000)
Reduce Regional Office rent line item.		
38 Fund One-Stop Permitting Program Positions	\$113,168 R	\$113,168
Provide General Fund support for 2.0 One-Stop Permitting Program positions that have previously been supported through available funds.	2.00	2.00
39 Expand Express Permitting Program Statewide		
Expand the Express Permitting Program statewide by establishing and supporting 12.0 positions using existing receipts in the Express Review Fund. (SB 622, Section 12.2)		
(1.0) Ecosystem Enhancement Program		
40 Fund Shift Ecosystem Enhancement Program	(\$235,439) R	(\$235,439)
Fund shift remainder of Ecosystem Enhancement Program to receipt support.	-5.00	-5.00
(2.0) Coastal Management		
41 Reduce Purchased Services	(\$10,000) R	(\$10,000)
Reduce various purchased services line items.		
42 Reduce Supplies	(\$3,200) R	(\$3,200)
Reduce various supply line items.		
43 Reduce Equipment	(\$3,000) R	(\$3,000)
Reduce various equipment line items.		

Overview: 2005 Session Fiscal and Budgetary Actions

FY 05-06

FY 06-07

(2.0) Environmental Health

44 Eliminate 1.0 Vacant Position

Eliminate Environmental Specialist III position in the On-Site Wastewater Section.

(\$61,040) R (\$61,040) R

-1.00 -1.00

45 Reduce Purchased Services

Reduce various purchased services line items.

(\$26,500) R (\$26,500) R

46 Reduce Supplies

Reduce various supply line items.

(\$10,000) R (\$10,000) R

47 Reduce Equipment

Reduce various equipment line items.

(\$2,000) R (\$2,000) R

48 Reduce Other Expenses

Reduce expenditures in the "Other Expenses" line item.

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

49 Fund Shift Position to General Fund Support

Fund shift West Nile Virus Control position previously supported through federal CDC grant funds to General Fund support.

\$54,113 R \$54,113 R

1.00 1.00

(2.0) Land Resources

50 Eliminate Mining Education Funds

Eliminate funding for mining education programs.

(\$15,450) R (\$15,450) R

51 Eliminate Inflationary Increases

Eliminate inflationary increases allowed in the continuation budget for utilities and travel.

(\$10,407) R (\$10,407) R

52 Reduce Contractual Services

Reduce contractual services for county boundary program.

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

53 Reduce Operating

Reduce various operating line items.

(\$20,000) R (\$20,000) R

(2.0) Marine Fisheries

54 Reduce Boat Replacement Continuation Increase

Reduce continuation increase for boat replacement and maintain current replacement schedule.

(\$14,693) R (\$14,693) R

(\$92,000) NR

Overview: 2005 Session Fiscal and Budgetary Actions

	FY 05-06		FY 06-07
55 Eliminate Position	(\$45,613)	R	(\$45,613)
Eliminate 1.0 Marine Fisheries Biologist II position.	-1.00		-1.00
56 Reduce Board Support	(\$30,000)	R	(\$30,000)
Reduce transportation and subsistence line items for the Marine Fisheries Commission.			
57 Reduce Operating	(\$50,000)	R	(\$50,000)
Reduce various operating line items.			
58 Oyster Rehabilitation Program	\$575,000	R	\$575,000
Provide funds for a permanent oyster rehabilitation program.	4.00		4.00
59 Receipt-Supported Position			
Establish 1.0 time-limited, permanent position supported by Atlantic Coastal Cooperative Statistics Program Grant funds. This position will collaborate with the National Marine Fisheries Service and help fulfill federal fishery data requirements.			
Computer Consultant II (1.0) \$49,217			
(2.0) Pollution Prevention and Env. Assistance			
60 Reduce Purchased Services	(\$5,000)	R	(\$5,000)
Reduce various purchased services line items.			
61 Reduce Supplies	(\$8,000)	R	(\$8,000)
Reduce various supply line items.			
62 Fund Shift Position	(\$18,676)	R	(\$18,676)
Fund shift a position from 60% federal receipts to 100% federal receipts.	-0.40		-0.40
63 Reduce Equipment	(\$5,000)	R	(\$5,000)
Reduce various equipment line items.			
(2.0) Waste Management			
64 Fund Shift Position	(\$48,673)	R	(\$48,673)
Fund shift Information/Communications Specialist III position to hazardous waste receipts.	-1.00		-1.00

Overview: 2005 Session Fiscal and Budgetary Actions

	FY 05-06		FY 06-07	
65 Reduce Purchased Services	(\$94,000)	R	(\$94,000)	R
Reduce various purchased services line items.				
66 Reduce Supplies	(\$20,000)	R	(\$20,000)	R
Reduce various supply line items.				
67 Reduce Aid and Public Assistance	(\$24,235)	R	(\$24,235)	R
Reduce the aid and public assistance line items.				
68 Mercury Switch Removal Program Funds	\$89,504	R	\$28,770	R
Provides funds to help support the implementation of the provisions of the Mercury Switch Removal bill. These funds are contingent upon the passage of House Bill 1136. (Note: HB 1136 was ratified as S.L. 2005-384.)				
(2.0) Water Quality				
69 Fund Shift Positions	(\$226,563)	R	(\$226,563)	R
Fund shift 5.0 vacant positions to federal 106 grant receipts. The continuation of these positions is subject to the availability of federal grant receipt support.	-5.00		-5.00	
Environmental Specialist II (1.0) (\$40,807)				
Processing Assistant V (1.0) (\$34,869)				
Environmental Supervisor I (1.0) (\$49,455)				
Soil Scientist II (1.0) (\$47,362)				
Environmental Engineer II (1.0) (\$54,070)				
70 Reduce Inflationary Increases	(\$23,908)	R	(\$23,908)	R
Reduce inflationary increases allowed in the continuation budget for electrical services.				
71 Reduce Purchased Services	(\$65,000)	R	(\$65,000)	R
Reduce various purchased services line items.				
72 Reduce Supplies	(\$60,000)	R	(\$60,000)	R
Reduce various supply line items.				
73 Reduce Equipment	(\$3,000)	R	(\$3,000)	R
Reduce various equipment line items.				
74 Reduce Operating	(\$250,000)	R	(\$250,000)	R
Reduce various operating line items.				

75 Ferrymon Program

Provide funds for the Ferrymon Program.

\$300,000 NR

76 Receipt-Supported Position

Establish 1.0 permanent position supported by federal EPA 106 grant funds. This position will plan, coordinate, and support the NPDES Discharge Monitoring Coalition program.

Environmental Specialist III (1.0) \$47,189

(2.0) Water Resources**77 Reduce Contractual Services**

(\$50,000) R

(\$50,000) F

Reduce the contractual services line item.

78 Reduce Purchased Services

(\$10,000) R

(\$10,000) F

Reduce various purchased services line items.

79 Reduce Supplies

(\$5,000) R

(\$5,000) F

Reduce various supply line items.

80 Groundwater Monitoring

\$125,000 R

\$125,000 F

Provide funds for monitoring groundwater levels.

(3.0) Aquariums**81 Oyster Hatchery Research**

\$600,000 R

\$600,000 F

Provide funding to the Division of North Carolina Aquariums to plan for the development of an oyster hatchery and public education program regarding the hatcheries at each of the three North Carolina aquariums.

82 Pine Knoll Shores Operating Reserve

\$1,700,000 R

\$1,700,000 F

Provide funding for an operating reserve at the Pine Knoll Shores Aquarium from the General Fund. The operating reserve and positions created with General Fund monies are in lieu of the receipt-supported reserve expenditures and positions that were authorized in the Recommended Continuation Budget 2005-2007.

31.00

31.00

(3.0) Forest Resources**83 Reduce Funding for Equipment and Vehicles**

(\$1,036,921)	R	(\$1,036,921)	R
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Reduce funding increases allowed in the continuation budget for equipment and vehicles within the Division of Forest Resources. With the reduction, the Division would still receive a \$1,809,500 increase to these line items in the continuation budget.

84 Reduce Operating Support

(\$25,000)	R	(\$25,000)	R
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Reduce operating support to the Division of Forest Resources.

85 Establish 3.0 positions for Fire Suppression

\$297,618	R	\$297,618	R
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Provide funding for 3.0 new Forestry Pilot II positions. These positions would aid in improving early detection of wildland fire and providing initial attack support.

3.00	3.00
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86 Establish 3.0 Water Quality Forester positions

\$132,879	R	\$132,879	R
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Provide funding for 3.0 Water Quality Forester positions. These positions would be responsible for preventing and controlling water quality degradation.

3.00	3.00
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87 Forest Resources Receipt Supported Positions

Establish 3.0 time-limited positions in the Division of Forest Resources upon receipt of federal grant funds. No state funds will be expended on these positions.

Fire & Rescue Training Instructor	1.0	\$45,605
Extension Education & Training Specialist I	1.0	\$37,892
Forester III	1.0	\$44,755

88 Forest Resources Receipt Supported Position

Allows for the establishment of 1.0 full-time permanent position with the Division of Forest Resources from aircraft deployment receipts. This position will be responsible for the Division's fixed wing and rotary wing fleet parts program.

Program Assistant V	1.0	\$31,941
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(3.0) Museum of Natural Sciences**89 NC Museum of Natural Science Continuation of UNC-TV Show**

Provide funds to continue production with UNC-TV of season two of Exploring NC.

\$250,000	NR
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(3.0) NC Zoological Park**90 Eliminate Vacant Position**

(\$60,165)	R	(\$60,165)	R
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Eliminate a vacant Marketing Director position.

-1.00	-1.00
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91 NC Zoological Park Receipt Supported Positions

Establish 4.0 two-year time-limited, full-time positions in the Division of the NC Zoological Park from non-capital gift revenue. These positions are involved in the construction of a new Elephant/Rhino exhibit and holding facilities.

Maintenance Mechanic II 4.0 \$136,500

(3.0) Parks and Recreation**92 Reduce Operating Reserve**

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

Reduce the increase in operating reserve support allowed in the continuation budget for the Division of Parks and Recreation. With this reduction, the Division would receive a \$2.2 million increase in operating reserve support in FY 2005-06.

93 Reduce Operating Support

(\$25,000) R (\$25,000)

Reduce operating support for the Division of Parks and Recreation.

94 Parks and Recreation Receipt Supported Position

Establish 1.0 permanent, full-time position in the Division of Parks and Recreation. This position will plan, supervise and monitor design and construction contracts for park facilities funded by the Parks and Recreation Trust Fund.

Facility Engineering Specialist 1.0 \$43,907

(3.0) Soil and Water Conservation**95 Eliminate Vacant Position**

(\$40,718) R (\$40,718)

Eliminate a vacant Soil Specialist position.

-1.00 -1.00

96 Reduce Operating Support

(\$40,000) R (\$40,000)

Reduce various operating line items within the Division of Soil and Water Conservation

97 Establish 1.0 Position

\$40,000 R \$40,000

Establish 1.0 permanent position in the Division of Soil and Water Conservation for the expansion of a pilot program that inspects animal waste management systems. (SB 622, Section 12.7)

1.00 1.00

Environmental Specialist II 1.0

(4.0) Reserves and Transfers**98 Eliminate Water Quality Workgroup Funds**

(\$87,300) R (\$87,300)

Eliminate funding for Water Quality Workgroup research grants.

Overview: 2005 Session Fiscal and Budgetary Actions

	FY 05-06		FY 06-07	
99 Shift Beaver Management Assistance Program funding to receipt support	(\$100,000)	R	(\$100,000)	R
Fund shift \$100,000 R of the Beaver Management Assistance Program from General Fund support in the Wildlife Resources Commission to available receipt support in the Department of Transportation. (SB 622, Sections 12.8 and 28.18)				
100 Shift LEO Salary Adjustment Support to Receipts	(\$456,481)	R	(\$456,481)	R
Shift funding for a LEO salary adjustment that has been historically funded with General Fund monies to existing Wildlife Resources Commission receipts.				
101 Resource Conservation and Development Councils				
Provides each of the State's ten Resource Conservation and Development Councils with a grant of \$25,000.	\$250,000	NR		
102 Superfund State Match Funds				
Provides funds to meet the 10% state match requirement for drawing down the maximum available federal funds for the clean up of National Priority List sites.	\$1,000,000	NR		
103 Clean Water SRF Match Funds				
Provide funds to meet the 20% state match requirement for drawing down the maximum available federal funds for the Clean Water State Revolving Fund.	\$3,889,571	NR		
104 Drinking Water SRF Match Funds				
Provide funds to meet the 20% state match requirement for drawing down the maximum available federal funds for the Drinking Water State Revolving Fund.	\$1,415,980	NR		
105 Funds for Global Warming Initiatives, Inc.				
Provides funds for Global Warming Initiatives, Inc., a non-profit that promotes awareness and reporting of greenhouse gas emissions.	\$10,000	NR		
106 Increase Grassroots Funding	\$100,000	R	\$100,000	R
Increase funding to the Grassroots Science Museums for two additional museums: Eastern and Port Discover. (SB 622, Section 12.5)				
107 Henderson-Vance Cleanup Funds				
Provide funds to the Friends of Clean Up Henderson to support cleanup efforts.	\$100,000	NR		
108 Farmville-Greene County Water Project				
Provide \$1 million to the Town of Farmville and \$1 million to Greene County for the Farmville-Greene County water project.	\$2,000,000	NR		

109 Conservation Grant Fund

Provide funds to be used for compatible land use and conservation easement type acquisitions of land adjacent to military bases and flyway. This appropriation is not in SB 622, 2005 Appropriations Act, but in SB 1117, 2005 Military Support Act.

\$1,000,000

110 Wildlife Resources Commission Receipt Supported Positions

Allows for the establishment of the following 8.0 positions.

Wildlife Technician II	3.0	\$107,886	75% Federal/25% Wildlife
Wildlife Technician III	1.0	\$ 32,662	NMFS and FWS Section 6
Wildlife Technician III	1.0	\$ 32,662	Waterfowl Fund
Processing Assistant V	1.0	\$ 29,814	Wildlife Fund
Applications Analyst	1.0	\$ 69,806	Wildlife Fund
Applications Specialist	1.0	\$ 91,250	Wildlife Fund

111 Town of Bryson City Grant-In-Aid

Provide a grant-in-aid to the Town of Bryson City for a wastewater treatment facility.

\$25,000 NR

112 Partnership for the Sounds

Increase funding to enhance tourism marketing and economic development in the region. Up to \$35,000 may be used to fund buildings and exhibit repairs needed at the Columbia Theater Cultural Resources Center in Tyrrell County.

\$1,535,000 NR

Total Legislative Changes

(\$675,770) R (\$736,504)

Total Position Changes

\$10,683,551 NR \$1,000,000 N

28.60 28.60

Revised Budget

\$177,197,119 \$168,451,089

Special Provisions

2005 Session: SB 1117

Department: Environment & Natural Resources

Section: 1A.2

Title: Conservation Grant Funds

Summary Section 1A.2 of the 2005 Military Support Act appropriates \$1 million to the Conservation Grant Fund for the 2006-2007 fiscal year. Directs that these funds must be used for compatible land use and conservation easement acquisitions of land adjacent to military bases and flyways.

Special Provisions

2005 Session: SB 622

Department: Environment & Natural Resources

Section: 2.2

Title: General Fund Availability Statement

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

Budget Code 24300, Fund Code 2338 (DAQ Inspections and Maintenance) - \$300,000
Budget Code 24300, Fund Code 2106 (DEH Sleep Products) - \$200,000
Budget Code 24300, Fund Code 2735 (DLR Sedimentation Fees) - \$200,000
Budget Code 24300, Fund Code 2130 (DWQ Well Construction Fund) - \$100,000
Budget Code 24300, Fund Code 2335 (DWQ Lab Certification Fees) - \$100,000
Budget Code 24300, Fund Code 2341 (DWQ Water Permits) - \$500,000
Budget Code 64306, Fund Code 6341 (DWQ WW Treatment Maint. and Repair) - \$100,000
Budget Code 24304, Fund Code 2982 (DWQ Riparian Buffer Restoration) - \$2,000,000

Section: 12.1

Title: State Match for Federal Safe Drinking Water Act Funds

Summary Allows up to \$1.5 million to be transferred from the General Water Supply Revolving Loan Account to be used to provide a portion of the 20% State match required to receive \$14.6 million in federal water supply funds.

Section: 12.2

Title: **Expand Express Review Program Statewide**

Summary Section 12.2 makes the Express Review Program a permanent, self-supporting, statewide program. Section 12.2 (a) codifies the Express Review Program, which provides express permit and certification reviews for some environmental programs within DENR in exchange for applicants paying higher permit fees. Also codifies the Express Review Fund, a special fund that receives express permitting fee revenue.

Section 12.2 (b) directs DENR to expand the Express Permitting program statewide. Section 12.2 (c) authorizes DENR to establish 12 additional positions funded with Express Review Fund receipts to support this expansion.

SL 2004-124, the previous year's budget bill, established 4 express review positions supported by the General Fund. Section 12.2 (d) of SL 2005-276 directs DENR to continue these positions and support them using receipts available in the Express Review Fund.

Section: 12.3

Title: **Sediment Education Funds**

Summary Directs DENR to use sediment education funds exclusively on technical assistance and education activities for local programs and sedimentation control professionals.

Section: 12.4

Title: **Funds to Implement Fishing License Requirements Legislation/Contingent Repeal of Saltwater Fishing License**

Summary Section 12.4 (a) states that if SB 1126 or HB 1092 passes, Wildlife Resources Commission is authorized to use up to \$1 million in existing funds in the Wildlife Fund to implement the bill's provisions, which include WRC developing the system to sale coastal recreational fishing licenses. Per Section 12.4 (b), the Wildlife Fund shall be repaid these monies from the Marine Resources Fund on July 1, 2010. Section 12.4 (c) states that if neither SB 1126 nor HB 1092 passes, the saltwater fishing license requirements passed last year are repealed. (Note: SB 1126 was ratified as S.L. 2005-455.)

Section: 12.4A

Title: **Report on Natural Heritage Program**

Summary Directs DENR to report to the General Assembly and the Fiscal Research Division on duties, activities, and accomplishments of the Natural Heritage Program no later than March 1, 2006.

Section: 12.5

Title: **Grassroots Science Program**

Summary Allocates \$3,197,762 in FY 2005-06 as grants-in-aid to 23 regional science museums. Requires the Department of Environmental and Natural Resources to report the museums' operating budget for 2004-05, the operating budget for 2005-06 and the total attendance at each museum during the 2005 calendar year to Fiscal Research by March 1, 2006.

Section: 12.6

Title: **New Lease Purchase/Installment Contracts for Forestry Equipment for Division of Forest Resources**

Summary Requires the Division of Forest Resources of the Department of Environment and Natural Resources and the Department of Administration to consult with the Joint Legislative Commission on Governmental Operations prior to entering in to any new lease purchase contracts for the purchase of forestry equipment.

Section: 12.7

Title: **Extend and Expand Pilot Program for Inspection of Animal Waste Management Systems**

Summary Extends the pilot program for Inspection of Animal Waste Management Systems through September 2007 and expands the program to include Pender County. Requires the Department of Environment and Natural Resources to make recommendations on this program to the Environmental Review Commission by no later than October 15, 2005.

Section: 12.8

Title: **Beaver Damage Control Funds**

Summary Allocates \$349,000 in each year of the biennium for the Beaver Damage Control Program. Requires a minimum federal match of \$25,000 in each year of the biennium for the program.

Section: 12.9

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

Summary Allows up to \$50,000 to be used from the Superfund Cost Share Fund for monitoring and emergency cleanup expenses at the contaminated Texfi site in Fayetteville.

Section: 12.10

Title: **Use of North Carolina Aquariums Fund for Debt Service of Aquarium Expansions**

Summary Expands the use of the North Carolina Aquariums Fund to include expenditures for debt service and lease payments related to the expansion of aquariums and other relevant satellite areas.

Section: 30.3

Title: **WATER RESOURCES DEVELOPMENT PROJECT FUNDS**

Summary As amended by Section 45 of HB 320, Modify 2005 Appropriations Act, SL 2005-345, allocates \$18.86 million in capital funds for the following water resources development projects:

- (1) Wilmington Harbor Deepening - \$1,300,000
- (2) Manteo (Shallowbag) Bay Channel Maintenance - \$50,000
- (3) Wilmington Harbor Maintenance Dredging - \$500,000
- (4) B. Everett Jordan Water Supply Storage - \$100,000
- (5) John H. Kerr Reservoir Operations Evaluation - \$600,000
- (6) Bogue Banks Shore Protection Study (Carteret County) - \$75,000
- (7) Surf City/North Topsail Beach Protection Study - \$250,000
- (8) West Onslow Beach (Topsail) - \$100,000
- (9) Wrightsville Beach Nourishment - \$580,000
- (10) Hurricane Stream Restoration Western North Carolina - \$2,000,000
- (11) Swan Quarter (Hyde County) Flood Control Dikes - \$100,000
- (12) Ocracoke NCCAT Estuarine Shoreline Protection - \$1,500,000
- (13) Far Creek Maintenance Dredging - \$120,000
- (14) Belhaven Harbor Environmental Improvements - \$250,000
- (15) Lower Lockwoods Folly River - \$286,000
- (16) Walters Slough Maintenance Dredging - \$122,000
- (17) Hurricane Isabel Emergency Stream Cleanup NE NC - \$1,370,000
- (18) State Local Projects - \$2,000,000
- (19) Princeville Flood Control - \$250,000
- (20) Currituck Sound Water Management Study - \$300,000
- (21) Aquatic Weed Control, Lake Gaston and Statewide - \$375,000
- (22) Tar River and Pamlico Sound Feasibility Study - \$100,000
- (23) State Sponsored Dredging Contingency - \$2,500,000
- (24) North Carolina Oyster Habitat Restoration - \$50,000
- (25) Emergency Flood Control Projects - \$187,000
- (26) Projected Feasibility Studies - \$100,000
- (27) Planning Assistance to Communities - \$95,000
- (28) Neuse Regional Water & Sewer Authority - \$3,600,000 (added by HB 320)

Section 30.3 (b) allows adjustments of the allocations among projects if actual costs vary from estimated costs. Provides for the use of available funds resulting from delayed projects. Requires reversion of funds that remain unexpended or unencumbered at the end of the 2006-2007 fiscal year.

Section 30.3 (c) requires semiannual 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. Note that this is a change from previous years in which quarterly reports were required.

Commerce

		GENERAL FUND	
		FY 05-06	FY 06-07
Adjusted Continuation Budget		\$35,532,306	\$35,583,572
Legislative Changes			
Administrative Services			
113 Reduce Inflationary Increases		(\$24,287) R	(\$24,287) R
Reduce increases for office equipment and legal services.			
114 Eliminate Vacant Position		(\$48,287) R	(\$48,287) R
Eliminate one Community Development Specialist position for the Wanchese Seafood Industrial Park that has not been filled since 3/31/2000.		-1.00	-1.00
115 Wanchese Seafood Industrial Park		\$48,287 R	\$48,287 R
Provide operating funds for security at the Park.			
Business and Industry			
116 Reduce Funds for Purchased Services and Equipment		(\$67,000) R	(\$67,000) R
Reduce expenditures for operations based on historical reversions.			
Community Assistance			
117 Eliminate Vacant Position		(\$53,377) R	(\$53,377) R
Eliminate one Community Development Planner I position that has not been filled since 7/1/04.		-1.00	-1.00
118 Reduce Funds for Purchased Services and Equipment		(\$35,000) R	(\$35,000) R
Reduce expenditures for operations based on historical reversions.			
Executive Aircraft			
119 Reduce Funds for Purchased Services, Supplies and Equipment		(\$100,000) R	(\$100,000) R
Reduce expenditures for operations based on historical reversions.			
120 Reduce Inflationary Increases		(\$43,150) R	(\$123,150) R
Reduce increases for purchased services for FY 05/06 and reduces funds for purchased services and repairs for FY 06/07.			

Overview: 2005 Session Fiscal and Budgetary Actions

FY 05-06

FY 06-07

121 Eliminate Vacant Position

Eliminate vacant Executive Pilot II position that has not been filled since 7/1/2004.

(\$64,634) R

(\$64,634)

-1.00

-1.00

Finance Center

122 Funds for One North Carolina Fund

Provide funds for the One North Carolina Fund for FY 05/06.(SB 622, Section 13.6)

\$6,000,000 NR

Industrial Commission

123 Budget Over-Collected Receipts

Require the Department to reduce General Funds for the Industrial Commission based on a projected over-collection of fees.

(\$125,000) NR

124 Establish Receipt-Supported Positions

Establish four (4) receipt-supported positions with the Industrial Commission.

Legal Specialist I	1.0	\$45,280
Program Assistant V	1.0	\$29,516
Special Deputy Commissioners	2.0	\$113,438

125 Establish Receipt-Supported Positions

Establish thirteen (13) receipt-supported positions in the Industrial Commission with revenue generated by implementing a fee for the required review of Form 21 Agreements. (SB 622, Section 45.1)

Administrative Officer II Positions (Workers' Comp. Fraud Investigators)	2.0
Administrative Officer II Positions (Ombudsman)	2.0
Program Assistant V	2.0
Receptionist III	1.0
Industrial Safety Representative II	4.0
Special Deputy Commissioners	2.0

Total Receipts Required \$628,099

Section 41 of HB 320, Modify 2005 Appropriations Act, SL 2005-345 requires that revenue generated from the new fee shall be used to fully fund salary increases detailed in the budget bill in addition to these receipt-supported positions.

International Trade

126 Eliminate Inflationary Increase for Purchased Services

Eliminate an increase for purchased services for the biennium.

(\$38,144) R

(\$38,144) F

Commerce

Marketing**127 Furniture Market Advertising**

Provide funds to promote the North Carolina furniture industry, including the International Home Furnishings Market.

\$750,000 NR

Section 26 of HB 320, Modify 2005 Appropriations Act, SL 2005-345 requires these funds to be allocated to the High Point International Home Furnishings Market Authority Corporation to promote the International Home Furnishings Market.

128 Industrial Marketing

Provide funds to promote North Carolina industries.

\$750,000 NR

Policy and Research**129 Eliminate Vacant Position**

Eliminate a vacant Processing Assistant III position that has not been filled since 1/1/04.

(\$26,244) R (\$26,244) R

-1.00

-1.00

130 North Carolina Economic Development Information System

Establish one (1.0) Data Base Administrator position and provide operating support for the NC EDIS.

\$297,898 R \$297,898 R

\$500,000 NR \$500,000 NR

1.00

1.00

Reserves and Transfers**131 Duplin Agribusiness Center**

Provide funds to Duplin County to match federal and local funds to construct the Duplin Commons Agribusiness Center.

\$500,000 NR

132 Gaston County Economic Development Commission

Provide funds for the Gaston County Economic Development Commission for economic development and job creation initiatives in response to significant loss of textile industry and textile industry related jobs.

\$300,000 NR

133 Pilot Economic Development Project

Provide funds to Kerr-Tar Regional Economic Development Corporation for a four-county, pilot project designed by the University of North Carolina at Chapel Hill.

\$4,000,000 NR

134 Tourism Promotion

Provide funds to the Town of Valdese to promote travel and tourism.

\$25,000 NR

135 Local Economic Development

Provide funds to the Town of Spindale for economic development.

\$25,000 NR

136 21st Century Development

Provide funds to Caswell County to support local 21st Century initiatives.

\$5,000 NR

137 Hoke County Regional Industrial Park

Provide funds to aid in marketing and advertising the Hoke County Regional Industrial Park.

\$100,000 NR

138 Local Tourism Promotion

Provide funds to the Forsyth Development Tourism Authority for the Winston Salem Convention and Visitors Bureau to advertise and promote travel and tourism in the Forsyth County area.

\$100,000 NR

Science and Technology**139 Reduce Funds for Purchased Services and Equipment**

Reduce expenditures for operations based on historical reversions.

(\$20,000) R (\$20,000)

140 Establish Position

Provide funds for the Deputy Director/Chief Policy Analyst position for the N.C. Board of Science and Technology. This position has historically been funded through the University of North Carolina.

\$80,000 R \$80,000
1.00 1.00

Travel and Tourism**141 Budget Over-Collected Receipts**

Require the Department to budget receipts that have been consistently collected during the previous three fiscal years.

(\$45,000) R (\$45,000)

142 Eliminate Inflationary Increase

Eliminate increase for legal services for both years of the biennium.

(\$41,369) R (\$41,369)

143 Reduce Funds for Purchased Services, Supplies and Equipment

Reduce expenditures for operations based on historical reversions.

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

144 Statewide Marketing Reserve

Provide funds for promoting travel and tourism statewide.

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

145 Heritage Tourism

Provide funds for operations for Blue Ridge National Heritage Area.

\$50,000 R \$50,000

Overview: 2005 Session Fiscal and Budgetary Actions

	FY 05-06		FY 06-07	
146 Heritage Tourism Positions	\$100,000	R	\$100,000	R
Provide funds to the Division of Travel and Tourism to support a Piedmont-Triad Heritage Tourism Officer position and a Maritime Area Heritage Tourism Officer position.	2.00		2.00	
147 Tourism Promotion				
Provide promotional funds for an entertainment complex in Roanoke Rapids.(SB 622, Section 13.6B)	\$500,000	NR		
Utilities Commission				
148 Establish Receipt-Supported Position				
Establish one (1.0) Attorney IV position at \$94,204 for the Utilities Commission Public Staff.				
Welcome Centers				
149 Reduce Funds for Purchased Services, Supplies and Equipment	(\$45,000)	R	(\$45,000)	R
Reduce expenditures for operations based on historical reversions.				
Total Legislative Changes	\$724,693	R	\$644,693	R
	\$13,430,000	NR	\$500,000	NR
Total Position Changes	0.00		0.00	
Revised Budget	\$49,686,999		\$36,728,265	

Special Provisions

2005 Session: SB 622

Department: Commerce

Section: 5.2

Title: NER Block Grants

Summary Allocates \$45 million in federal Community Development Block Grant (CDBG) funds for the 2006 program year. Provides for subsequent increases or decreases in 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: Wanchese Seafood Industrial Park/Oregon Inlet Funds

Summary Prevents any unexpended or unencumbered funds (as of June 30, 2005) appropriated for the Wanchese Seafood Industrial Park and the Oregon Inlet Project from reverting to the general fund.

Section: 13.2

Title: Council of Government Funds

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

Section: 13.3

Title: Tourism Promotion Grants

Summary Changes the allocation of funds to counties for tourism promotion grants to a funding formula based on economic development tier designation. The funding formula was changed based on a report submitted to the General Assembly by the Department of Commerce in January 2005.

Section: 13.4

Title: **Employment Security Funds**

Summary Subsection (a) allows for funds in the Employment Security Commission (ESC) Reserve Fund to be available for use as collateral to secure federal funds and to pay for the administrative costs associated with the collection of the Employment Security Commission Reserve Fund surcharge. ESC recommended using the reserve fund for collateral and administrative costs due to a court decision to no longer allow funds generated from penalties and fines paid by employers to be used for these purposes.

Subsection (b) allocates \$6,300,000 for the following purposes:

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

Section: 13.4A

Title: **Trade Jobs for Success Reporting**

Summary Requires the Department of Commerce, the Employment Security Commission and the Community College System to submit reports on the Trade Jobs for Success Program. The joint report is to include information regarding actions taken to obtain a waiver from the U.S. Department of Labor to allow the state 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 relocation assistance.

Beginning July 1, 2005 monthly reports are to be published and submitted to the Governor and the Fiscal Research Division on the commitment and disbursement of funds. Beginning October 1, 2005 quarterly reports are to be submitted to the Joint Legislative Committee on Governmental Operations, Chairs of the Appropriations Committees, and the Fiscal Research Divisions with recommendations on statutory changes necessary to maximize the effectiveness of the program. Beginning January 1, 2006 a comprehensive annual report shall be submitted to the Joint Legislative Committee on Governmental Operations, Chairs of the Appropriations Committees and to the Fiscal Research Division.

Section: 13.5

Title: **Industrial Development Fund**

Summary Expands the scope of the Industrial Development Fund to allow funds to be used for equipment or transportation infrastructure needs for existing, new or proposed industrial buildings to be used for eligible industries.

Section: 13.6

Title: **One North Carolina Fund**

Summary Allows the Department of Commerce to use up to \$300,000 of the funds appropriated to the One North Carolina Fund for administration. Directs the Department to allocate \$1,000,000 of the funds appropriated to the One North Carolina Fund to Johnson and Wales University in Charlotte.

Section: 13.6A

Title: **Study Alternative Funding of Industrial Commission**

Summary Requires the Department of Commerce and the Industrial Commission to conduct a study to determine the feasibility of making the Commission completely receipt-supported and eliminating the need for general funds. Report due April 1, 2006.

Section: 13.6B

Title: **Roanoke Rapids Music/Entertainment Complex**

Summary Directs the Department of Commerce to provide funds for a music entertainment complex upon the approval of the Office of State Budget and Management. Beginning September 1, 2005 the Roanoke Rapids Entertainment Complex is to submit quarterly reports regarding the status of the project.

Section: 13.14

Title: **One North Carolina Small Business Program**

Summary Establishes a new program for small businesses within the Department of Commerce. The program will be administered by the Board of Science and Technology. Up to \$3,000,000 appropriated to the One North Carolina Fund will be available to fund the new program. The program is designed to help eligible small businesses in two ways:

- (1) Incentive Funds - grants may be provided to eligible businesses to offset costs associated with applying to the U.S. Small Business Administration for Small Business Innovative Research (SBIR) grants or a Small Business Technology Transfer Research (STTR) grants; and
- (2) Matching Funds - grants may be provided to eligible businesses for matching funds if the business receives the SBIR/STTR grant.

The maximum amount an eligible business can receive from the state is \$3,000 for the incentive grants and \$100,000 for the matching grants.

The Department of Commerce is required to submit a quarterly report on the use of funds in the North Carolina Small Business Account to the Joint Legislative Commission on Governmental Operations, the Chairs of the Finance Committees, the Chairs of the Appropriations Committees and the Fiscal Research Division.

Section: 45.1

Title: **Industrial Commission Fees**

Summary Allows the Industrial Commission to establish a fee to cover costs associated with the required review of Form 21 Agreements. Revenue generated from the new fee will be used for additional positions and to provide salary adjustments found in SB 622, Section 29.20.

Section 41 of HB 320, Modify 2005 Appropriations Act, SL 2005-345 requires that revenue generated from the new fee shall be used to fully fund salary increases in addition to the receipt-supported positions.

Commerce - State Aid

		GENERAL FUND	
		FY 05-06	FY 06-07
Adjusted Continuation Budget		\$11,222,085	\$11,222,085
Legislative Changes			
150 Minority Support Center			
Provide \$2.5 million NR for the Minority Support Center to be allocated as follows: \$1.25 million to the Generations Credit Union and \$1.25 million to the Latino Community Credit Union.		\$2,500,000	NR
151 NC Assoc. of Community Development Corporations (CDCs)			
Increase funding for the NC Assoc. of CDCs by \$200,000 NR.		\$200,000	NR
152 Community Development Initiative (CDI)			
Increase the General Fund appropriation for CDI by \$500,000 R and \$1.5 million NR.		\$500,000	R
		\$1,500,000	NR
153 NC Institute of Minority Economic Development			
Increase funding for the NC Institute of Minority Economic Development by \$1 million NR.		\$1,000,000	NR
154 Sandhills Family Heritage Association			
Provide funds to the Sandhills Family Heritage Association for land preservation in Harnett, Cumberland, Richmond and Moore Counties.		\$15,000	NR
155 Coalition of Farm and Rural Families			
Provide funding for the Coalition of Farm and Rural Families.		\$125,000	NR
156 Manchester CDC, Inc.			
Provide funds to Manchester CDC, Inc. to develop cultural and recreational activities in the Manchester Township of Cumberland County.		\$10,000	NR
157 River City Community Development Corporation			
Provide a grant-in-aid to River City CDC to construct the Renaissance Square Business Incubator and Training Center.		\$100,000	NR

158 Advanced Vehicle Research Center

Provide a \$7.5 million NR appropriation to the Advanced Vehicle Research Center Reserve. These funds may be transferred to the Department of Commerce for allocation to the Advanced Vehicle Research Center of North Carolina, Inc. for the construction and operation of the Center. (SB 622, Section 13.8A)

\$7,500,000 NR

159 Rebuilding Broken Places Community Development Corporation

Provide a grant-in-aid to Rebuilding Broken Places CDC to support affordable housing, alternative education, and housing for the aged programs.

\$10,000 NR

160 Liberty Community Development Corporation, Inc.

Provide a grant-in-aid to Liberty CDC, Inc. to assist small businesses with start-up costs and capital purchases in the Liberty Street development area.

\$20,000 NR

161 Microenterprise Loan Program of Winston-Salem, Forsyth County, Inc.

Provide a grant-in-aid to the Microenterprise Loan Program of Winston-Salem, Forsyth County, Inc. to provide grants and loans to small businesses and non-profit organizations.

\$20,000 NR

162 Roxboro Uptown Development Corporation

Provide a grant-in-aid to the Roxboro Uptown Development Corporation to provide completion money for a public pavilion project.

\$10,000 NR

163 Henderson-Vance Downtown Development Commission, Inc.

Provide a grant-in-aid to Henderson-Vance Downtown Development Commission, Inc. to support the development of the downtown business district.

\$5,000 NR

164 Gateway Community Development Corporation

Provides a grant-in-aid to Gateway Community Development Corporation to help support a housing repair initiative to address the problem of abandoned and deteriorating housing.

\$25,000 NR

Regional Economic Development Commissions**165 Funding for Vision Plan Implementation**

Provide \$250,000 to each of the seven Regional Economic Development Commission for the continued implementation of their vision plans. (SB 622, Section 13.6C)

\$1,750,000 NR

FY 05-06

FY 06-07

Total Legislative Changes	\$500,000	R	\$500,000	R
	\$14,790,000	NR		
Total Position Changes				
Revised Budget	\$26,512,085		\$11,722,085	

Special Provisions

2005 Session: **SB 622**

Department: Commerce - State Aid

Section: 13.6C

Title: **Regional Economic Development Commissions/Vision Plans**

Summary Appropriates \$1.75 million to the Department of Commerce in FY 2005-2006 to be allocated to the seven regional economic development commissions. Each commission shall receive \$250,000 to be used to develop and implement a strategic economic development plan.

Section: 13.7

Title: **Regional Economic Development Commission Allocations**

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

Next, the Department shall subtract from funds allocated to the Global TransPark Development Commission the sum of \$118,477 in each fiscal year, which represents the interest earnings in each fiscal year on the estimated balance of \$7.5 million appropriated to the Global TransPark Development Zone in Section 6 of Chapter 561 of the 1993 Session Laws.

Next, the Department shall redistribute the sum of \$118,477 in each fiscal year to the seven Regional Economic Development Commissions. Each Commission's share of this redistribution shall be determined according to the enterprise factor formula.

Section: 13.8

Title: **Regional Economic Development Commission Reports**

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

Section: 13.8A

Title: **Advanced Vehicle Research Center/Reserve Funds**

Summary Establishes the Advanced Vehicle Research Center Reserve in the Office of State Budget Management (OSBM). Allows OSBM to transfer the sum of \$7.5 million in up to four installments for FY 2005-06 to the Department of Commerce for allocation to the Advanced Vehicle Research Center. Prior to any transfers, OSBM, in consultation with the Department of Commerce, must determine that the Center has completed goals and projects consistent with the Center's business plan, including the following:

- * The Center has obtained legal title to the property on which the AVRC will be built.
- * The Center has determined and provided for the critical infrastructure needed to support the AVRC.
- * The Center has entered into a contract for the use and operation of a testing facility that will create new private sector jobs in Tier 1 or Tier 2 counties.

Requires the Center to file with OSBM and the Department of Commerce a copy of the Center's policy addressing conflicts of interest that may arise involving the Center's management employees and the members of its board of directors or other governing body before funds may be allocated to the Center.

Requires the Center to report by December 31, 2005 and April 30, 2006 to the Governor, the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division the following: FY 2005-06 projects, objectives and accomplishments and itemized expenditures by fund source. The April 30, 2006 report shall also contain planned projects and estimated expenditures. Further, the Center shall provide a copy of its annual audited financial statements within 30 days of issuance and a copy of the Center's IRS Form 990.

Requires the Center to provide a report containing detailed budget information to OSBM in the same manner as State departments and agencies in preparation for biennium budget requests.

Section: 13.9

Title: **Non-profit Reporting Requirements**

Summary Requires the NC Institute for Minority Economic Development, Inc., Land Loss Prevention Project, North Carolina Minority Support Center, North Carolina Association of Community Development Corporations, Inc., Coalition of Farm and Rural Families and Partnership of the Sounds, Inc. to report budgetary and program activities by January 15th of both FY 2005-06 and FY 2006-07 to the Joint Legislative Commission on Government Operations and the Fiscal Research Division. Also requires these entities to submit a copy of the organization's annual audited financial statements within 30 days of issuance of the statement.

States that no funds shall be released to a nonprofit organization until the January 2004-05 reporting requirements have been satisfied. Additionally, 4th quarter allotments shall not be released unless they have fulfilled their January 15, 2006 and 2007 reporting requirements.

N.C. Biotechnology Center

GENERAL FUND

	FY 05-06		FY 06-07	
Adjusted Continuation Budget	\$9,083,395		\$9,083,395	
Legislative Changes				
NC Biotechnology Center				
166 Increase funding for the NC Biotechnology Center	\$1,500,000	R	\$1,500,000	F
Increase support for New Jobs Across North Carolina: A Strategic Plan for Growing the Economy Statewide through Biotechnology.	\$1,500,000	NR		
Total Legislative Changes	\$1,500,000	R	\$1,500,000	F
	\$1,500,000	NR		
Total Position Changes				
Revised Budget	\$12,083,395		\$10,583,395	

Special Provisions

2005 Session: SB 622

Department: N.C. Biotechnology Center

Section: 13.10

Title: **Biotechnology Center**

Summary Requires the NC Biotechnology Center. to report budgetary and program activities by January 15th of both FY 2005-06 and FY 2006-07 to the Joint Legislative Commission on Government Operations and the Fiscal Research Division. Also requires the NC Biotechnology Center to submit a copy of their annual audited financial statements within 30 days of issuance of the statement.

Requires the NC Biotechnology Center to provide a report containing detailed budget, personnel and salary information to the Office of State Budget Management and to the Fiscal Research Division in the same manner as State departments and agencies in preparation for biennium budget requests.

Rural Economic Development Center

GENERAL FUND

	FY 05-06		FY 06-07	
Adjusted Continuation Budget	\$4,802,607		\$4,802,607	
Legislative Changes				
Rural Economic Development Center				
167 Rural Economic Infrastructure Program	\$20,000,000	R	\$20,000,000	R
Provide funding to continue the North Carolina Infrastructure Program. (SB 622, Section 13.12)				
168 Community Development Centers Grant Program				
Provide funding to increase the CDC Grants Program, providing additional assistance to minority community development corporations. (SB 622, Section 13.11(e))	\$250,000	NR	\$250,000	NR
169 Grant-in-Aid for Rural Development				
Provide funding for rural development projects in Pitt, Martin and Hertford County. (SB 622, Section 13.11(b))	\$225,000	NR		
Total Legislative Changes	\$20,000,000	R	\$20,000,000	R
	\$475,000	NR	\$250,000	NR
Total Position Changes				
Revised Budget	\$25,277,607		\$25,052,607	

Special Provisions

2005 Session: SB 622

Department: Rural Economic Development Center

Section: 13.11

Title: **Rural Economic Development Center**

Summary Appropriates \$2,225,697 in FY 2005-06 and \$2,025,697 in FY 2006-07 to the Rural Economic Development Center and allocates the funding among various programs and administrative responsibilities. In FY 2005-06, \$75,000 each may be allocated to Pitt, Martin and Hertford County for water or wastewater projects.

Also allocates the \$2,665,910 appropriation to the Rural Economic Development Center's various programs as follows:

- \$1,247,410 Direct grants to CDCs
- \$ 50,000 REDC for CDC grant administration
- \$ 195,000 Microenterprise Loan Program
- \$ 983,000 Supplemental Funding Program:
 - 1) \$883,000 Local Government / Nonprofit grants
 - 2) \$100,000 Update of statewide water and sewer database
- \$ 190,500 Agricultural Advancement Consortium

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

Section: 13.12

Title:

Summary Allocates the \$20 million appropriation to the Rural Economic Development Center (REDC) for both fiscal years as follows:

- * \$15 million to continue the NC Infrastructure Program, providing grants to local governments for water and wastewater facilities and other infrastructure needs to sites where these facilities will generate private job-creating investment.

- * Matching grants to local governments in distressed areas and equity investments in public-private ventures to reuse vacant buildings and properties. Priority is given to towns and communities with populations of less than 5,000.

- * Economic development research and demonstration grants.

Allows the REDC to use up to 2% of the appropriated funds in each fiscal year to cover expenses in administering the NC Infrastructure Program. Requires an annual report of the program by January 15 of each fiscal year.

Allocates \$500,000 in each fiscal year to the e-NC Authority. Provides quarterly reporting requirements for e-NC Authority beginning in January 2006 and amends their Commission's voting membership.

Section: 13.13

Title: **Opportunities Industrialization Center Funds**

Summary Allocates \$361,000 of the funds appropriated to the Rural Economic Development Center to be divided equally among the certified Opportunities Industrialization Centers for ongoing job training programs. Requires each center to report budgetary and program activities by January 15 of each fiscal year to the Joint Legislative Budget Committee and the Fiscal Research Division. Requires each center to annually file an audited financial statement with the State Auditor and to provide a copy of the annual audited statement to the Fiscal Research Division within 30 days of issuance of the statement. States that no appropriated funds shall be released to a center that has any overdue tax debts.

**JUSTICE
&
PUBLIC SAFETY**

Judicial

		GENERAL FUND	
		FY 05-06	FY 06-07
Adjusted Continuation Budget		\$341,443,618	\$345,243,618
Legislative Changes			
Clerk of Superior Court			
1 Hyde County Deputy Clerk		\$17,055 R	\$33,828 R
Appropriates funds for a new Deputy Clerk position in Hyde County, effective January 1, 2006, as authorized in Section 30 of HB 320, Modify 2005 Appropriations Act, SL 2005 345.		\$2,578 NR 1.00	1.00
Drug Treatment Court			
2 Mecklenburg Drug Treatment Court			
Appropriates \$300,000 NR to the AOC to allow the Mecklenburg Drug Treatment Court program to continue offering treatment services to pretrial and DWI offenders, as directed in Section 29(b) of HB 320, Modify 2005 Appropriations Act, SL 2005-345.		\$300,000 NR	
Equipment and Other Reserves			
3 Mecklenburg Telephone System			
Appropriates \$1.5 million non-recurring to equip the new Mecklenburg County Courthouse with a telephone system.		\$1,500,000 NR	
4 Reserve for DWI Task Force Recommendations		\$1,137,000 R	\$1,869,834 R
Provides funds to implement the provisions of HB 1048, SB 1069, or substantially similar bill implementing the Governor's DWI Task Force recommendations. Funds may be used to establish positions or for other purposes as authorized in the ratified bill.			
5 Reduce Salary Reserve		(\$500,000) R	(\$500,000) R
Takes a recurring reduction to the AOC Salary Reserve Fund, which is generated by the difference between the budgeted salary for a position, and the lower amount paid for the position. This is an agency recommendation.			
6 Reduce Equipment and Reserves		(\$500,000) R	(\$500,000) R
Takes a \$500,000 recurring reduction in the line items for equipment and other reserves.			

7 Reduce Pay Plan and Longevity Reserves

(\$933,897)	R	(\$933,897)
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Takes a reduction in the reserve accounts which support judicial pay plans and the judicial longevity. This cut is possible due to recent turnover which brings down the number of positions eligible for these benefits. This is an agency recommendation.

Family Court**8 Reduce Family Court Program**

(\$155,000)	R	(\$155,000)
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Reduces appropriation to Family Court program by \$155,000. Eliminates one position in the central office (\$80,000) and one secretarial position in District 26 (\$40,000), and takes a \$35,000 reduction in operating line items.

\$175,000	NR	
-2.00		-2.00

Appropriates \$175,000 NR to establish a Family Court Program in Judicial District 10, Wake County. (SB 622, Section 14.18)

Superior Court**9 Create Mecklenburg Business Court**

\$76,000	R	\$76,000
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Establishes a Business Court site in Mecklenburg County similar to the one currently operating in Guilford County.

\$149,000	NR	
2.00		2.00

System wide**10 Create New Judicial Districts**

\$148,039	R	\$561,027
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Provides funding to split two current judicial districts. Superior Court District 20A (Anson and Richmond) and 20B (Stanly and Union) will be reconfigured with Stanly moving into 20A, leaving Union alone as 20B, effective December 1, 2005. District Court District 20 currently includes all four counties, but will align with the Superior Court District effective December 1, 2005. The Prosecutorial District will realign with the same county split effective January 1, 2007.

4.00		9.00
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Superior and District Court District 29, encompassing Henderson, McDowell, Polk, Rutherford, and Transylvania Counties, will be split into 29A (McDowell and Rutherford) and 29B (Henderson, Polk, and Transylvania) effective December 1, 2005. The Prosecutorial District will split on the same lines effective January 1, 2007. The current Trial Court Administrator will continue to serve both districts. (SB 622, Section 14.2)

11 Establish Receipt-Supported Positions

The Administrative Office of the Courts has received grants to create the following time-limited positions. These positions will expire when their grant funding runs out.

Position	Salary
Assistant District Attorney (7 pos)	\$328,114
Victim Witness Legal Assistant (2 pos)	\$57,000
DA Investigator	\$35,000
Case Manager (2 pos)	\$72,000
Drug Court Coordinator	\$36,000

Trial Courts**12 Durham Mediation Funds**

\$65,000	R	\$65,000	R
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Appropriates \$65,000 to Women-in-Action for the Prevention of Violence and its Causes, Inc., to provide mediation services in Durham County.(SB 622, Section 14.16)

Total Legislative Changes

(\$645,803)	R	\$516,792	R
\$2,126,578	NR		

Total Position Changes

5.00	10.00
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Revised Budget

\$342,924,393	\$345,760,410
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Special Provisions

2005 Session: HB 320

Department: Judicial

Section: 27

Title: Create New Judicial Districts

Summary Makes necessary conforming changes to Section 14.2 of SB 622, 2005 Current Appropriations Act for conformity with the federal Voting Rights Act.

Section: 29b

Title: Drug Treatment Court

Summary Authorizes an additional \$300,000 non-recurring to allow Mecklenburg County to continue to serve DWI and pretrial offenders in their Drug Treatment Court program.

Section: 29

Title: Mecklenburg Drug Treatment Court Funds

Summary Added in HB 320, Modify 2005 Appropriations Act, this provision appropriates \$300,000 NR to AOC to allow Mecklenburg County to serve pretrial and DWI offenders in the Drug Treatment Court Program.

Section: 30

Title: Hyde County Deputy Clerk Funds

Summary Appropriates funds to establish a deputy clerk of court position in Hyde County, effective January 1, 2006.

Special Provisions

2005 Session: SB 622

Department: Judicial

Section: 14.2

Title: Divide Judicial Districts

Summary Divides Judicial Districts 20 and 29 for District and Superior Court purposes in 2005 and for prosecutorial purposes on January 1, 2007.

Section: 14.3

Title: Collection of Worthless Check Funds

Summary Allows AOC to use any fund balance remaining in the Worthless Check Fund on June 30, 2005, for purchase of equipment or other office technology in District Attorney's offices operating Worthless Check programs.

Section: 14.4

Title: **Transfer of Equipment and Supply Funds**

Summary Gives AOC the authority to transfer funds in the central Equipment and Supply Reserve to individual program fund codes as necessary.

Section: 14.5

Title: **Study Electronic Payment**

Summary Directs AOC to conduct a feasibility study of accepting electronic payments such as credit cards for court-ordered payments. Additionally requires the agency to report on the costs of redesigning the Financial Management System to be automatically populated by bill of cost data from the Automated Court Information System.

Section: 14.6

Title: **Grant Funds**

Summary Authorizes the AOC to use up to \$1.25 million in available funds to match federal grants.

Section: 14.7

Title: **Increase Charges for Appellate Division Reports to Actual Cost**

Summary Directs the AOC to charge actual cost for the sale of the appellate bound volumes.

Section: 14.16

Title: **Mediation Funds**

Summary Appropriates \$134,031 to Carolina Dispute Settlement Services for dispute settlement services for Wake, Vance, Granville, Franklin, and Warren Counties, and \$65,000 to Women-in-Action for dispute settlement services in Durham County

Section: 14.18

Title: **Study Wake County Family Court**

Summary Directs AOC to study the feasibility of starting a Family Court program in Wake County

Section: 14.19

Title: **Juvenile Recidivism Report**

Summary Gives the Sentencing Commission the responsibility for analyzing and reporting on recidivism rates of programs operated by the Department of Juvenile Justice and Delinquency Prevention, and requires DJJDP to comply with any requests for information from the Sentencing Commission.

Section: 14.21

Title: **Reimbursement for Use of Personal Vehicles**

Summary Allows AOC to set mileage reimbursement rates lower than those established by the IRS and OSBM.

Section: 14.22

Title: **Drug Treatment Court Funds**

Summary Directs that funds appropriated for drug treatment court programs must be used for sentenced offenders with Intermediate sanctions, or Community offenders at risk of revocation. Modified in HB 320, Modify 2005 Appropriations Act, to clarify that this provision applies to funds appropriated for "adult" drug treatment courts.

Judicial - Indigent Defense

GENERAL FUND			
	FY 05-06		FY 06-07
Adjusted Continuation Budget	\$96,688,190		\$91,688,190
Legislative Changes			
Aid to Non-State Entities			
13 Reduce Grant-in-Aid to State Bar	(\$88,500)	R	(\$88,500) R
Reduces the funding passed through to the State Bar to support the Center for Death Penalty Litigation by 15%.			
Attorney Fee Fund			
14 Reduce Indigent Persons Attorney Fee Fund	(\$1,381,432)	R	(\$1,770,991) R
Takes a recurring reduction to the Indigent Persons Attorney Fee Fund's continuation growth, which was just over \$13 million.			
Sentencing Services			
15 Reduce and Restructure Sentencing Services Program	(\$1,180,285)	R	(\$1,180,285) R
Reduces current appropriation to the Sentencing Services program from \$3.68 million to \$2.5 million. In order to achieve this reduction, the Office of Indigent Defense Services shall close low-performing programs in certain districts within the state. Districts with State-run programs may be eliminated if their utilization indicates lack of local support and interest, and associated positions may be cut by the agency. The agency will consult with the Senior Resident Superior Court Judge in each district prior to eliminating the local program.			
Total Legislative Changes	(\$2,650,217)	R	(\$3,039,776) R
Total Position Changes			
Revised Budget	\$94,037,973		\$88,648,414

Special Provisions

2005 Session: HB 320

Department: Judicial - Indigent Defense

Section: 50A

Title: **District 5 Public Defender**

Summary Repeals Section 14-14 of SB 622, 2005 Appropriations Act. That section created a Public Defender's office in District 5, comprising New Hanover and Pender Counties. This section eliminates that section entirely.

Section: 28

Title: **Create Public Defender Positions for District 2**

Summary This provision directs the Office of Indigent Defense Services to create new positions in Defender Districts 1 and 3A to provide additional coverage for Judicial District 2.

Special Provisions

2005 Session: SB 622

Department: Judicial - Indigent Defense

Section: 14.8

Title: **North Carolina State Bar Funds**

Summary Allows the Office of Indigent Defense Services to use up to \$501,500 to maintain a contract with the Center for Death Penalty Litigation to provide services to lawyers representing defendants in capital cases.

Section: 14.9

Title: **Transfer Responsibility for Providing Legal Assistance to Inmates from the Department of Correction to the Office of Indigent Defense Services.**

Summary Transfers the responsibility and funding for inmate legal services from the Department of Correction to the Office of Indigent Defense Services. Maintains the existing contract with Prisoner Legal Services, Inc., until September 30, 2007, and requires IDS to provide a report on the best means of providing these services beyond that point.

Section: 14.10

Title: **Wake County Public Defender Office Funds**

Summary Authorizes IDS to use up to \$2.3 million to fund the new Public Defender's Office in Wake County created in 2004.

Section: 14.11

Title: **Office of Indigent Defense Services Expansion Funds**

Summary Allows IDS to use up to \$1,069,645 to create new positions in situations where savings could be realized by having positions rather than using contractual funds.

Section: 14.12

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

Summary Directs IDS to continue producing an annual report on utilization of the Attorney Fee Fund. Also directs the Office to consult with other criminal justice organizations on potential ways to reduce rising costs to the Attorney Fee Fund.

Section: 14.13

Title: **Clarify that Fees Paid to Attorneys Representing Indigent Clients Shall Be Fixed in Accordance with the Rules Adopted by the Office of Indigent Defense Services and May Not Be Set at Higher Rates With**

Summary Clarifies that the rates paid to lawyers for providing representation to indigent clients is set by the Office of Indigent Defense Services, and cannot be set higher by local officials.

Justice

GENERAL FUND

	FY 05-06		FY 06-07
Adjusted Continuation Budget	\$78,155,004		\$78,855,004
Legislative Changes			
Criminal Justice Training & Standards			
16 Budget Over-realized Receipts	(\$50,000)	R	(\$50,000)
Reduce the budget to offset increased receipts, based on revenue collections in FY 2003-04.			
17 Reduce Over-budgeted Worker's Compensation	(\$46,587)	R	(\$46,587)
The budget for worker's compensation is reduced due to a decrease in projected need.			
Department-wide			
18 Reduce Travel Line Items	(\$58,589)	R	(\$58,589)
Reduce travel line items to actual 2003-04 expenditures.			
19 Eliminate vacant positions	(\$198,940)	R	(\$198,940)
Eliminate five vacant positions in the Department:			
3613-0000-0004-210 (Comp. Supp. Tech I)	-5.00		-5.00
3613-0000-0002-029 (Comp. Supp. Tech I)			
3613-0000-0003-999 (Proc. Asst. V)			
3613-0000-0004-231 (Proc. Asst. V)			
3612-0000-0000-867 (Volunteer Services Coordinator)			
20 Reduce Contractual Line Item	(\$39,571)	R	(\$50,000)
Line item 532140, Information Technology contracts, is reduced.			
21 NC D.A.R.E.	\$25,000	NR	
Provide one-time funds to be passed through to The North Carolina D.A.R.E (Drug Abuse Resistance Education) Officers Association, Inc. to be used in the program's efforts to teach the students of North Carolina the skills to help them make sound decisions about alcohol, tobacco, marijuana, and other drugs and to provide in-service training to enhance the effectiveness of law enforcement officers in the classroom.			

Law Enforcement - SBI**22 Reduce Vehicle Replacement Increase**

One-year elimination of the recurring increase for vehicle replacement recommended in the Governor's continuation budget. This leaves a budget of approximately \$1.1 million in 2005-06 and \$1.4 million in 2006-07.

(\$261,104) NR

23 Reduce SBI Increase for Equipment

Reduce the increase for equipment recommended in the Governor's continuation budget by 50 percent. The Department may use federal asset forfeiture funds to purchase additional equipment.

(\$115,368) R

(\$115,368) R

24 Budget Increased Receipts From DCI-PIN Fee

Budget anticipated receipts from an increase in the monthly fee for access to the Division of Criminal Information - Police Information Network (DCI-PIN) from \$6 to \$12 for mobile data terminals, effective January 1, 2006.

(\$325,548) R

(\$651,096) R

25 Reduce Over-budgeted Longevity

The longevity budget is reduced due to a decrease in projected longevity payments.

(\$136,828) R

(\$136,828) R

26 Expand Methamphetamine Response Team

Provides six sworn forensic drug chemists and two non-sworn drug technicians, and related expenditures, to respond to clandestine methamphetamine labs and perform drug analyses. Positions are effective June 1, 2006 due to the projected completion date of the new SBI lab wing.

\$30,485 R

\$365,820 R

\$49,016 NR

\$33,240 NR

8.00

8.00

27 Expand Computer Crimes Section

Two Computer Crimes Agents/Criminal Specialists and two Forensic Computer Analysts are added to the SBI. Computer Crimes Agents will partner with the FBI National Internet Crimes Against Children Task Force and will work primarily on child exploitation and sexual predator cases. Positions are effective January 1, 2006.

\$107,560 R

\$197,394 R

\$10,868 NR

4.00

4.00

28 Expand Utilization of DNA Evidence

Provides funding to expand the SBI Crime Lab's ability to effectively process DNA evidence. Funding for 7 non-sworn positions - 6 Geneticists and 1 Evidence Technician - and related travel, equipment and supplies. Budgets anticipated federal grant funds of \$658,117 in FY 2005-06 and \$62,611 in FY 2006-07. Two Geneticists and the Evidence Technician are effective January 1, 2006. The remaining positions are effective June 1, 2006 due to space constraints and the projected completion date of the new SBI lab wing. (SB 622 Section 15.7)

\$102,169 R

\$478,221 R

7.00

7.00

Legal Services**29 Establish Receipt-Supported Position**

The Department may establish one receipt-supported Attorney IV position to provide legal assistance to the Retirement Systems Division of the NC Treasurer's Office. Salary for the position is \$89,220; salary and benefits total \$104,665. Salary, benefits, and related expenditures will be funded by the Treasurer's Office as provided in the cooperative agreement between the two agencies.

30 Animal Shelter Regulations - Legal Services

\$75,000	R	\$75,000	F
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One new Attorney II position is established to provide services to the Department of Agriculture in its actions or proceedings associated with the Animal Welfare Act. Funds are provided for salary, benefits, travel, and other related expenditures. (SB 622, Sec. 11.5)

1.00		1.00	
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Total Legislative Changes

(\$656,217)	R	(\$190,973)	F
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(\$176,220)	NR	\$33,240	NR
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Total Position Changes

15.00		15.00	
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Revised Budget

\$77,322,567		\$78,697,271	
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Special Provisions

2005 Session: SB 622

Department: Justice

Section: 15.1

Title: **Use of Seized and Forfeited Property Transferred to State Law Enforcement Agencies by the Federal Government**

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

Section: 15.2

Title: **Private Protective Services and Alarm Systems Licensing Boards Pay for Use of State Facilities and Services**

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

Section: 15.3

Title: **Certain Litigation Expenses to be Paid by Clients**

Summary DOJ shall be reimbursed by client agencies for the costs of representing those agencies.

Section: 15.4

Title: **Reimbursement for UNC Board of Governors Legal Representation**

Summary DOJ will be reimbursed for two Attorney Ills.

Section: 15.5

Title: **Report on Criminal Record Checks Conducted for Concealed Handgun Permits/Study Fee Adjustment for Criminal Record Checks**

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

Section: 15.6

Title: **NC Legal Education Assistance Foundation Report on Funds Disbursed**

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

Section: 15.7

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

Summary Directs the Department of Justice to contract with private vendors to analyze the backlog of no-suspect rape kits and other DNA analyses. Requires a report to Appropriations Subcommittee on Justice & Public Safety on the status of the backlog. Directs the Department to use nonsworn personnel as lab analysts in the SBI crime lab, with certain exceptions.

Section: 15.8

Title: **Study DNA Testing and Analysis Costs**

Summary Directs the Office of State Budget and Management to study the cost of testing and analyzing DNA samples.

Section: 15.9

Title: **Statewide Automated Fingerprint System (SAFIS) Replacement**

Summary Directs the Department of Justice to continue planning for replacement of the outdated SAFIS system, requires competitive bid process and a consultation with the Justice & Public Safety Subcommittee of the Joint Legislative Commission on Governmental Operations. Allows the Department to carry forward funds from FY 2004-05 to begin the contract and replacement process.

Juvenile Justice & Delinquency Prevention

GENERAL FUND

	FY 05-06		FY 06-07
Adjusted Continuation Budget	\$139,857,825		\$140,157,825
Legislative Changes			
Department-wide			
31 Reduce Non-salary Line Items	(\$158,614)	R	(\$158,614) R
Reduce the budget for data processing supplies and pc/printer equipment replacement			
32 Reduce Travel Budget	(\$63,882)	R	(\$63,882) R
Reduce the continuation budget increase for employee travel.			
33 Budget Prior Year Receipts			
Increase the amount budgeted for prior year receipts to approximate the actual amount realized in recent fiscal years.	(\$300,000)	NR	
Detention Centers			
34 Budget Over-Realized Detention Receipts	(\$500,000)	R	(\$500,000) R
DJJDP states that receipts for the local share of detention costs will not decline at the rate anticipated. DJJDP states that receipts will be \$1 million more than projected in the 2005-07 continuation budget. This allows for a reduction of \$500,000 in the General Fund appropriation.			
Intervention/Prevention			
35 Juvenile Crime Prevention Councils	\$250,000	R	\$250,000 R
Funds are provided to expand Alternatives to Commitment Demonstration Projects. These funds shall be awarded on a competitive basis to county JCPCs to provide alternative, community-based diversion and dispositional programs for juveniles who would otherwise be committed to youth development centers (SB 622, Sec.16.11).			
36 Juvenile Crime Prevention Councils	(\$593,663)	R	(\$593,663) R
Reduce the continuation budget for JCPC formula grants by 2.5 percent.			
37 JCPC Funds for Gang Prevention			
\$2,000,000 NR is provided to be awarded on a competitive basis to JCPCs for gang prevention programs throughout the state(SB 622,Sec.16.8).	\$2,000,000	NR	

38 Gang Prevention Funds for Law Enforcement Agencies

Funds are provided for gang violence and other crime prevention activities in the following law enforcement agencies:

\$104,500 NR

Cumberland Co. Sheriff's Dept. - \$3,500
 Fayetteville Police Dept. - \$11,000
 Durham Police Dept. - \$40,000
 Charlotte Mecklenburg Police Dept. - \$50,000

Special Initiatives**39 NC Communities In Schools**

(\$103,500) R (\$103,500)

Reduce pass-through funding in the DJJDP continuation budget for the NC Communities in Schools (NCCIS) administrative office. The goal of NCCIS is to improve student school performance and its functions primarily to support the mission of the Department of Public Instruction. NCCIS will continue to receive continuation funding of \$169,000 R from DJJDP, \$200,000 R from the Governor's Office, and \$607,500 R from DPI. In addition, the Education Appropriations Subcommittee's budget provides \$500,000 (NR) in expansion funding, as requested in the Governor's Recommended Budget. In total, NCCIS will receive \$1,476,500 in state funds in FY05-06.

40 Project P.R.I.D.E.

(\$140,000) R (\$140,000)

Eliminate continuation budget funding for this program. Program should seek state funding available through the county JCPCs or federal grants from the Governor's Crime Commission.

41 Eckerd Wilderness Camps

\$1,600,000 R \$1,600,000

Funds are transferred from the Department of Public Instruction to DJJDP to offset the educational costs of Eckerd services provided to juveniles admitted from all referral sources.

42 Project Challenge

\$30,000 R \$30,000

Funding for Project Challenge is increased to restore a NR reduction in FY 2002 which was erroneously retained in the continuation budget for 2003-05 and 2005 -07.

Youth Development Centers**43 Reduce Funding for YDC Beds**

(\$1,855,000)	R	(\$1,855,000)	R
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The funding for Youth Development Centers is over \$44 million dollars. This funding level is based on operating over 600 beds. Average daily population in 2004 was 485. DJJDP currently has 539 beds open. This action reduces funding by approximately 4%. In implementing this reduction, DJJDP shall not close any YDC's and shall implement the reduction throughout the YDC system, including positions and YDC non-salary line items.

-46.00

-46.00

44 Expand Treatment Staffing Model

\$250,000	R	\$250,000	R
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Provides funds for training, and reclassification of staff once training is completed, in order to expand treatment positions in the YDC's. (SB 622 Section 16.6)

Total Legislative Changes

(\$1,284,659)	R	(\$1,284,659)	R
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\$1,804,500	NR		
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Total Position Changes

-46.00

-46.00

Revised Budget

\$140,377,666

\$138,873,166

Special Provisions

2005 Session: SB 622

Department: Juvenile Justice & Delinquency Prevention

Section: 16.1

Title: **S.O.S. Administrative Cost Limits**

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

Section: 16.2

Title: **JCPC Grant Reporting and Certification**

Summary Annual reporting requirement on the recipients of local grants awarded from the appropriation for Juvenile Crime Prevention Councils.

Section: 16.3

Title: **Reports on Certain Programs**

Summary Annual reporting requirement for non-profit agencies receiving pass-through funds from the Department: Project Challenge; Juvenile Assessment Center, and NC Communities In Schools.

Section: 16.4

Title: **Annual Evaluation of Community Programs**

Summary Annual reporting requirement on the expenditures, operations, and effectiveness of programs administered by the Department: Eckerd Wilderness Camps; S.O.S., etc.

Section: 16.5

Title: **State Funds May Be Used As Federal Matching Funds**

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

Section: 16.6

Title: **Implementation of Treatment Staffing Model at Youth Development Centers**

Summary Requires the Department to report quarterly on the implementation of a new treatment staffing model at each of the youth development centers.

Section: 16.7

Title: **Progress Reports on Youth Development Center Capital Projects**

Summary Requires the Department to report quarterly on its progress in the planning, design, and construction of new youth development centers.

Section: 16.8

Title: **JCPC Grants to Prevent Gang Violence**

Summary Directs that \$2 million NR be used to provide two-year grants to JCPCs to use for street gang violence prevention and intervention programs. The Department shall use a competitive grant process to award the funds to county JCPCs.

Section: 16.9

Title: **Study of Local Detention Centers**

Summary Directs the Joint Legislative Correction, Crime Control, and Juvenile Justice Oversight Committee to study the four local juvenile detention centers located in Mecklenburg, Durham, Guilford and Forsyth. Study areas include factors such as population trends, costs to operate local centers, and potential future capital costs.

Section: 16.10

Title: **Construction of Juvenile Youth Development Centers**

Summary Authorizes Juvenile Justice to construct 224 new YDC beds, one 96 bed facility and four 32 bed facilities, using previously authorized funds. Locations will be Cabarrus (96), Guilford, Edgecombe, Lenoir, and Chatham

Section: 16.11

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

Summary Allocates \$250,000 to JCPC's to expand grants for projects designed to reduce commitments to Youth Development Centers by providing alternative community-based services to juveniles who have been adjudicated delinquent with a Level 2 or 3 disposition or who are reentering the community after serving time in a YDC.

Section: 16.12

Title: **Juvenile Justice Advisory Council Meetings**

Summary Revises the statute to change the requirement that the Chairs convene the Juvenile Justice Advisory Council from 4 times a year to as necessary.

Correction

		GENERAL FUND	
		FY 05-06	FY 06-07
Adjusted Continuation Budget		\$1,045,627,365	\$1,060,627,365
Legislative Changes			
Alcohol and Chemical Dependency			
45 DART Substance Abuse Treatment		\$165,000 R	\$165,000
Funding is provided to expand in-prison residential treatment capacity by up to 34 beds. Priority should be given to programs 90 days or longer. Positions are Substance Abuse Program Supervisor, Substance Abuse Counselor II, Substance Abuse Counselor I, and Substance Abuse Worker.		4.00	4.00
Central Administration			
46 Travel		(\$264,022) R	(\$264,022)
Eliminate continuation increase in travel for DOC central administration.			
47 Safety Positions		\$104,725 R	\$157,398
Establish three safety related positions: a Safety Officer II (Industrial Hygienist); a Safety Officer I; and, an Occupational Health Nurse. Positions are effective November 1, 2005.		\$15,458 NR 3.00	3.00
48 IT Security Equipment		\$105,000 NR	
One-time funding to improve the information technology infrastructure by funding security software and security-related computer equipment.			
49 Medical Audit and Analysis Positions		\$75,478 R	\$102,581
Funding for one Reimbursement Officer (Field Auditor) and one Accountant II position. The two positions will be assigned to the DOC Controller's Office to do field audits of medical services and billing and to develop reports matching bills with contract rates and services. These two positions will be effective October 1, 2005.		\$8,567 NR 2.00	2.00
Community Corrections			
50 Reduce Miscellaneous Contract Line Item		(\$90,000) R	(\$90,000)
Reduce line item. This will leave funds in excess of 2003-04 actual expenditures, to be used for risk assessments and other needs.			

Overview: 2005 Session Fiscal and Budgetary Actions

FY 05-06

FY 06-07

51 Reduce Office Equipment

(\$45,000) R

(\$45,000) R

Reduce the budget for office equipment to more closely reflect actual 2003-04 expenditures.

52 Reduce Probation/Parole Officer I Positions

(\$1,117,400) R

(\$1,117,400) R

Eliminate 25 vacant Probation/Parole Officer I positions. Caseloads for these positions have been increased from 90:1 to 110:1, leaving 59 positions that are not necessary to meet caseload goals. DCC may reallocate the remaining 34 positions for trainers, supervising officers, and other positions as needed.

-25.00

-25.00

53 Reduce Increase for CJPP

(\$1,000,000) R

(\$1,000,000) R

Eliminate the \$1 million increase in the Governor's recommended continuation budget. No more than 25 percent of each county's funds may be used for pre-trial release services in FY 2005-06, and no funds may be used for pre-trial release services in FY 2006-07. (SB 622 Section 17.23)

54 Summit House, Inc.

Provide one-time expansion funds to be passed through to Summit House, Inc., a non-profit organization that serves women probationers and their children.

\$60,000 NR

Department Wide

55 Reduce Overtime Budget

(\$1,244,184) R

(\$1,244,184) R

Eliminate the recommended continuation budget increase in overtime pay.

56 Computer Equipment

(\$821,920) R

(\$821,920) R

Reduce personal computer/printer line item budget to more closely reflect 2003-04 expenditures.

Post-Release Supervision & Parole Commission

57 Eliminate Vacant Positions

(\$94,642) R

(\$94,642) R

Eliminate two vacant case analyst positions.

-2.00

-2.00

58 Restructure Parole Commission

(\$102,662) R

(\$102,662) R

Reduce two of the three Commissioner positions from full-time to half-time positions. The Chair will remain a full-time position. (SB 622 Section 17.25)

-1.00

-1.00

59 Special Issues Case Analyst Position

\$37,873 R

\$37,873 R

A new case analyst position is established to focus on the medical aspects of release plans and expedite releases involving extradition. Initially, this position will also be devoted in part to implementing Sections 17.27 and 17.28 of this Act.

1.00

1.00

Prisons

60 Carpentry/Hardware Supplies

(\$500,000) R (\$500,000)

Reduce this line item by 10%

61 Increase Inmate Medical Co-pay

(\$149,000) R (\$149,000)

Increase inmate co-pay for sick call from \$3 to \$5 and for sick call outside normal hours from \$5 to \$7.

62 Inmate Work Release Charges

(\$536,000) R (\$536,000)

The amount inmates pay towards the administration of the work release program is \$16 a day in per diem and \$2.50 a day for transportation. This increases per diem to \$18 and transportation to \$3

63 Inmate Medical -- Physician Charges

(\$1,850,000) R (\$1,850,000)

This reduction assumes that DOC will reduce the cost of external physician services for DOC inmates by renegotiating reimbursement rates, continuing efforts to regionalize medical services, increasing efforts to audit bills, and taking other cost containment actions. Also assumes savings will result from eight new positions established to help control medical costs. A portion of these reductions may be achieved using DOC available funds under conditions detailed in this Act. (SB 622 Section 17.15)

64 Inmate Medical -- Hospital Charges

(\$2,750,000) R (\$2,750,000)

This reduction assumes that DOC will reduce the cost of inpatient and outpatient hospital services for DOC inmates by renegotiating reimbursement rates, continuing efforts to regionalize medical services, increasing efforts to audit hospital bills, and taking other cost containment actions. Also assumes savings will result from eight new positions established to help control medical costs. A portion of these reductions may be achieved using DOC available funds under conditions detailed in this Act. (SB 622 Section 17.15)

65 Delay Maury Correctional Center Positions

(\$1,061,088) NR

Maury Correctional center is due to open November 05; the inmate occupancy date is April 06. Positions are established on a rolling schedule from August 05 to November 05; this action pushes back the establishment of each position one month but is not intended to delay the opening of the prison.

66 Delay Maury Regional Medical Positions

(\$1,415,623) NR

DOC included funding for a regional medical program at Maury Correctional Center in its continuation budget. Based on the length of time for startup of a similar facility at Alexander Correctional Center, it is believed position establishment can be delayed until June of 05-06

67 Delay Bertie Positions

Construction of Bertie Correctional center is due to be completed in February, 2006; the inmate occupancy date is July 2006. Positions are established on a rolling schedule from September 05 to February 06. This action pushes back the establishment of each position one month but is not intended to delay the opening of the prison.

(\$1,155,007) NR

68 Reduce line items in Maury and Bertie budgets

Reduce non-security line items by 10% at each prison (equipment, supplies etc)

(\$207,455) R (\$207,455) R

69 Maury and Bertie Salary Reserve

Reduce salary reserve line item in new prisons. \$100,000 remains in line item. DOC can use department-wide salary reserve for position reallocation needs at Maury and Bertie.

(\$631,120) R (\$631,120) R

70 Holiday Pay

Reduce the continuation budget for holiday pay from 1.75 times regular pay to 1.5, the same holiday pay rate that other eligible state employees receive. DOC may use available funds to offset this reduction. (SB 622 Section 17.3)

(\$1,340,000) R (\$1,340,000) R

71 Reduce Unit Management Function in Prisons

DOC uses unit management positions at eighteen prisons to assist security and program staff with the day to day operation of housing units. This action eliminates five vacant positions. (SB 622 Section 17.17)

(\$176,473) R (\$176,473) R

-5.00

-5.00

72 Inmate Medical Positions

Establish six medical records clerks (Prison Health Services). The records clerks will assist in data entry and review of medical claims. These positions are effective November 1, 2005.

\$114,546 R \$161,076 R

\$20,400 NR

6.00

6.00

73 Domestic Violence Offender Treatment

The 2004 General Assembly mandated the establishment of an intervention program for domestic violence offenders sentenced to prison. These funds establish programs in two prisons, with two case managers per prison, and funds for training, equipment and related expenses. Positions are established October 1, 2005.

\$111,565 R \$161,087 R

\$30,040 NR

4.00

4.00

Total Legislative Changes

(\$12,310,691) R (\$12,134,863) R

(\$3,392,253) NR

Total Position Changes

-13.00

-13.00

Revised Budget

\$1,029,924,421

\$1,048,492,502

Special Provisions

2005 Session: SB 622

Department: Correction

Section: 17.1

Title: **Federal Grant Reporting**

Summary Requires all JPS departments to report by May 1 each year to various committees on federal grant funds received or preapproved for receipt. Each department shall highlight any grant programs for which future expansion funding requests are likely.

Section: 17.2

Title: **Reimburse Counties/Jail Backlog**

Summary Continues authority for DOC to use available funds to reimburse counties \$40 a day for holding inmates sentenced to state prison in county jails until a prison bed is available.

Section: 17.3

Title: **Holiday Pay for Department of Correction Staff**

Summary Establishes the holiday overtime pay rate for DOC staff at 150% of regular pay, the same as other eligible state employees. The provision also states that DOC may use available funds to pay up to 175% of regular pay for holiday work.

Section: 17.4

Title: **Department of Correction Security Staffing Formulas**

Summary Updates requirements in General Statutes regarding frequency and nature of DOC security staffing audits. Authorizes DOC to begin implementation of the results of security postaudits conducted in 2004-05, to report on progress by October 1, 2005, and to provide final report by April 1, 2006.

Section: 17.5

Title: **Use of Closed Prison Facilities**

Summary Requires DOC to consult with various state and local agencies and elected officials on the use of closed prison facilities. Establishes that priority should be given to using closed prisons for criminal justice purposes.

Section: 17.6

Title: **Inmate Costs**

Summary Continues authority for DOC to use available funds for inmate medical, clothing, and laundry costs if expenses exceed the continuation budget. Authority is for 2005-06 only and Joint Governmental Operations must be consulted prior to expending more than the budgeted amounts.

Section: 17.7

Title: **Conversion of Contracted Medical Positions**

Summary Authorizes DOC to convert contract medical positions to permanent positions if savings can be documented. Requires annual report to various committees on any conversions and the amount of savings.

Section: 17.8

Title: **Limit Use of Operational Funds**

Summary Continues language from previous sessions that restricts DOC from using funds appropriated for new prisons for other purposes. Also restricts use of funds for establishing new positions until new prisons are within 120 days of completion, with the exception of key management and staff positions

Section: 17.9

Title: **Federal Grant Matching Funds**

Summary Continues language allowing DOC to use available funds to match grants since the line item for grant matching funds was cut several years ago. Amount of funds that can be used is capped at \$750,000.

Section: 17.10

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

Summary Continues authorization for one year only to use available funds if expenditures exceed budget for these services. Report must be made to Joint Governmental Operations prior to exceeding the budget.

Section: 17.11

Title: **Medium Custody Road Crew Compensation**

Summary Continues requirement that the Department of Transportation transfer funds to DOC to pay for operation of inmate road crews and inmate litter control crews. Provision establishes amount to be transferred each year of the biennium. Transfer payments may exceed amount in legislation only if agreed to by Secretaries of DOC and DOT and Office of State Budget and Management.

Section: 17.12

Title: **Inmate Custody and Classification**

Summary Requires DOC to evaluate the risk assessment instrument used to determine an inmates' security custody status, including an assessment of policies and procedures for overriding the instrument. DOC is directed to request assistance in conducting this evaluation from the National Institute of Corrections.

Section: 17.13

Title: **Extend Limits of Confinement/Terminally Ill or Permanently and Totally Disabled Inmates**

Summary Revises current General Statute that authorizes Secretary of Correction to allow inmates meeting certain strict medical and public safety criteria to leave prison for medical/palliative care. The revision more strictly defines terminally ill and permanently and totally disabled inmates and requires the Secretary to act expeditiously in considering requests. This Statute does not allow inmates to be officially released and gives the Secretary the authority to immediately return an inmate to prison as necessary. The revised General Statute also clarifies that inmates are only eligible for this consideration if the illness or disability was unknown at the time of sentencing or was not diagnosed upon entry to prison.

Section: 17.14

Title: **Report on Inmate Community Work Crews and Inmate Labor Contracts**

Summary DOC is required to prepare a report on the extent of inmate labor provided to state and local governments, including total and average man hours and cost by major client groups. DOC is also to evaluate the feasibility of charging a portion of the costs to the client state and local governments.

Section: 17.15

Title: **Study Cost Containment of Inmate Health Care**

Summary Directs DOC to study and develop new approaches to containing inmate health care costs. Areas of study include the feasibility of using negotiated provider reimbursement rates, the potential cost savings of using a third-party administrator to handle claims and utilization review of medical services, and the feasibility of partnering with the UNC Health Care System to provide managed health care for inmates. The initial findings of the study are to be reported by April 2006 and the final study report is to be completed by December 2006. The provision also requires DOC to reduce the medical budget by \$4.6 million dollars based on savings due to new cost containment approaches. DOC may use available funds from other sources if unable to achieve the total reduction from the medical budget.

Section: 17.16

Title: **Correction Enterprises Long Range Plan/Replacement of Umstead Laundry**

Summary Directs Correction Enterprises to update its long range business plan to spell out alternatives for increasing inmate jobs and productivity and expanding prison industries. The plan is to be submitted to Correction Oversight by March 1, 2006. The plan is to include a recommendation on the replacement of the Enterprises laundry operation at Umstead Hospital when Umstead closes in 2007.

Section: 17.17

Title: **Staffing Study of Unit Management**

Summary DOC is directed to study the organization and staffing of the unit management program currently operating in eighteen prisons. In conducting the study, DOC shall include a review of responsibilities and workload of custody supervisors and program staff in relation to unit managers. The study is due March 1, 2006.

Section: 17.17A

Title: **Energy Committed to Offenders/Contract and Report**

Summary Continues annual reporting requirement for Energy Committed to Offenders, Inc. ECO operates a 20 bed minimum custody prison for female offenders on work release.

Section: 17.18

Title: **Study Conversion to Minimum Security/Cleveland Correctional Center**

Summary DOC is directed to study the feasibility of converting Cleveland Correctional Center from medium custody to minimum. This study is to be done as part of DOC's update of its long range prison housing plan and the study shall include a review of the feasibility of expanding Cleveland in the future.

Section: 17.19

Title: **Report on Electronic Monitoring Program/Use of Global Positioning Systems for Sex Offenders**

Summary (a) Continues annual reporting requirement for electronic monitoring program. (b) Requires DOC to report on its pilot program and other actions involving Global Positioning Systems (GPS) monitoring and to make recommendations for implementing GPS monitoring of sex offenders. Also requires DOC to explore funding options for GPS monitoring.

Section: 17.20

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

Summary Continues annual reporting requirement. Continues requirement that DOC study caseloads at least biennially and determine whether caseload goals established in Structured Sentencing Act are still appropriate.

Section: 17.21

Title: **Community Service Work Program**

Summary Continues annual reporting requirement for program.

Section: 17.22

Title: **Report on Nonprofit Programs**

Summary Continues annual reporting requirement for Harriet's House, Summit House, and Women at Risk, the three DOC nonprofits that receive pass-through funds for female offenders. Clarifies financial reporting requirement for these nonprofits; clarifies population served by Harriet's House.

Section: 17.23

Title: **Criminal Justice Partnership Program**

Summary Continues provisions from previous years regarding use of funds and reporting requirements. Clarifies program evaluation requirements. New subsections update and change the funding formula and phase out the funding for pre-trial release programs over two years.

Section: 17.24

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

Summary Continues semiannual report from the Parole Commission on inmates paroled and denied parole, with additional data on inmates in minimum custody.

Section: 17.25

Title: **Restructure the Post-Release Supervision and Parole Commission to Consist of One Full-Time Member and Two Half-Time Members**

Summary Reduces two of the three Commissioner positions from full-time to half-time. The Chair remains full-time.

Section: 17.26

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 in response to changing and declining workloads.

Section: 17.27

Title: **Mutual Agreement Parole Program**

Summary Directs the Department of Correction and the Post-Release Supervision and Parole Commission to make a good faith effort to enroll at least 20% of eligible felons in the Mutual Agreement Parole Program (MAPP). Requires annual report.

Section: 17.28

Title: **Parole Eligibility Report**

Summary Directs the Post-Release Supervision and Parole Commission to analyze offenders' sentences and reconsider for parole any parole-eligible offenders who have served longer than the maximum sentence for a comparable crime under Structured Sentencing. Requires reports to the Joint Correction Oversight Committee in October, 2005 and February 2006

Section: 17.29

Title: **Payment of Court Costs, Fines, and Restitution by Probationers**

Summary States that a defendant must pay court costs, fines, fees and restitution associated with regular conditions of probation prior to paying for any services ordered as special conditions of probation.

Section: 17.30

Title: **Increase Bed Capacity for Residential Substance Abuse Treatment**

Summary DOC contracts with the Mary Frances Center to operate a 100 bed minimum custody treatment facility for female inmates. The provision allows DOC to adjust the contract with the Center to increase the guaranteed occupancy rate from 95% to 100% for FY 06 only. DOC is authorized to use available funds if necessary to pay for any increased costs.

Crime Control and Public Safety

GENERAL FUND

	FY 05-06		FY 06-07
Adjusted Continuation Budget	\$29,861,632		\$29,961,632

Legislative Changes

Administration

74 State/Local Redevelopment Liaison	(\$90,294)	R	(\$90,294)	R
Eliminate the State/Local Redevelopment Liaison Position (4910-2000-0001-212). The function of this position duplicates that of the staff in the Division of Community Assistance (DCA) at the Department of Commerce. DCA assists local governments across the state with community development, housing, economic development, and revitalization. In addition, the Institute of Government at UNC-CH provides community and economic development assistance to county and local governments.	-1.00		-1.00	

Alcohol Law Enforcement

75 Leased Space	(\$120,000)	R	(\$120,000)	R
Reduce the continuation budget for leases to correct an erroneous increase.				

Department-wide

76 Increase Budgeted Receipts	(\$290,000)	NR		
Increase the amount budgeted for receipts to approximate actual amounts realized in recent years.				
77 Reduce Non-salary Line Items	(\$176,066)	R	(\$176,066)	R
Reduce the continuation amount budgeted for contracts, supplies, equipment, and other non-salary expenses in Alcohol Law Enforcement, Butner Public Safety, and Administration.				

National Guard

78 Warrenton National Guard Armory	\$50,000	NR		
Appropriates \$50,000 NR to the Department of Crime Control and Public Safety to use for asbestos and lead paint abatement and other capital improvement needs at the Warrenton National Guard Armory as authorized in Section 32 of HB 320, Modify 2005 Appropriations Act, SL 2005-345.				

79 National Guard Pension Fund

\$4,500,000 R

\$4,500,000 F

Provide \$4,500,000 for the NC National Guard Pension Fund. Effective July 1, 2005, these funds will be used to increase the monthly pension benefit payment to current and future retirees from a maximum of \$100 to a maximum of \$150. (SB 622, Sec. 29.27)

80 Staffing for New Fort Bragg Facility

\$58,662 R

\$78,216 F

Funding is provided for 2 new positions, effective October 1, 2005, for the new \$21 million NC National Guard training facility:

- 1) Facility Maintenance Manager (PG66)
- 2) Maintenance Mechanic (PG62)

81 Tuition Assistance Program

\$200,000 R

\$200,000 R

Funds are provided to increase the continuation budget for the National Guard Tuition Assistance Program to \$2,014,288. This will allow the program to address the anticipated increase in requests for tuition assistance as deployed NC National Guard members begin returning from Afghanistan and Iraq.

82 Armory Asbestos & Lead Abatement

Funds are provided for asbestos and lead abatement at the National Guard Armory in Warsaw, NC.

\$50,000 NR

State Highway Patrol**83 VIPER**

\$0 R

\$0 R

Funding is provided from the Highway Fund for the Voice Interoperable Communications Plan for Emergency Responders (VIPER) system as follows:

- 1 position: Network Control Tech I, \$51,087 R
Equipment Purchases: \$8,000,000 NR

84 Additional Trooper Positions

\$0 R

\$0 R

Highway Funds are provided to add ten (10) new trooper positions:

FY2005-06	FY2006-07
\$550,000 R	\$550,000 R
\$450,000 NR	

85 MCE Receipt-supported Position

\$0 R

\$0 F

Establish one position, using federal receipts, in the Motor Carrier Enforcement Section (MCE) to conduct motor carrier safety audits. The total annual salary and benefit costs for this position shall not exceed \$54,003.

Administrative Officer I (PG67)

FY 05-06**FY 06-07****86 Motor Carrier Position Transition**

\$0 R \$0 R

Governor's Recommendation: Highway Funds are provided to train and transition all filled Motor Carrier Enforcement Officer positions so that they have the same level of arrest authority and pay as other troopers. (SB 622, Sec. 28.13)

FY 2005-06	FY2006-06
\$2,488,986 R	\$2,488,986 R
\$ 482,829 NR	

87 Sharing of Weigh-In-Motion Data

\$0 R \$0 R

Highway Funds are provided to enable the Highway Patrol to access data collected by DOT at all existing weigh-in-motion sites. (SB 622, Sec. 28.25)

\$40,500 NR

88 Civilian Weight & Vehicle Safety Inspection Teams

\$0 R \$0 R

Highway Funds are provided for four (4) Grade 58 Data Collector II positions to staff a pilot program to increase the effectiveness of Motor Carrier Enforcement Officers operating remotely from permanent weigh station facilities. (SB 622, Sec. 28.24)

FY 2005-06	FY2006-07
\$147,448 R	\$147,448
\$ 58,442 NR	

Victim and Justice Services**89 Crime Victims Compensation**

\$800,000 R \$800,000 R

\$800,000 R is provided to pay crime victims' compensation claims. This amount will increase the general fund continuation budget for victims compensation payments from \$3,700,000 to \$4,500,000. The expansion will increase federal VOCA receipts, which provide a 60% match to state victims compensation payments, by \$480,000.

Total Legislative Changes

\$5,172,302	R	\$5,191,856	R
(\$190,000)	NR		

Total Position Changes

-1.00	-1.00
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Revised Budget

\$34,843,934	\$35,153,488
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Special Provisions

2005 Session: HB 320

Department: Crime Control and Public Safety

Section: 32

Title: Funds for Warrenton NG Armory

Summary Appropriates \$50,000 for asbestos/lead paint abatement and capital improvements at the Warrenton National Guard Armory.

Special Provisions

2005 Session: SB 622

Department: Crime Control and Public Safety

Section: 18.1

Title: Annual Evaluation of Tarheel Challenge Program

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

Section: 18.2

Title: Victims' Assistance Network Report

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

GENERAL GOVERNMENT

Administration

GENERAL FUND

	FY 05-06	FY 06-07
Adjusted Continuation Budget	\$60,053,752	\$61,483,537

Legislative Changes

1123 Historically Underutilized Businesses

1 Construction Database Mgm't System Enhancement

Provides funding to enhance the existing HUBSCO Construction Reporting System to meet the current State Technical Architecture standards and to establish one Application Analyst Programmer position. The Department developed the system to capture HUB expenditures and construction data for the HUB Office and the State Construction Office.

\$74,915	R	\$74,915	R
\$250,000	NR		
1.00		1.00	

Recurring	FY 2005-06	FY2006-07
531211 Salaries	\$63,000	\$63,000
531511 Social Security	\$4,820	\$4,820
531521 Retirement	\$3,663	\$3,663
531561 Med Ins	\$3,432	\$3,432
Total Recurring	\$74,915	\$74,915

Nonrecurring	
532140 IT-HUBSCO Upgrades	\$250,000

1230 Non-Public Education

2 Non-Public Education Personnel

Provides funding to establish an Education Program Specialist position (\$30,354) and an Office Assistant IV position (\$23,316). Also provides additional funding for operating cost. The additional positions and operating cost will allow the Division to expand non-public school visitation, respond to citizen complaints about specific home schools, provide more careful review of annual standardized test results, and to contract out annual mailings to the home schools.

\$79,661	R	\$79,661	R
\$1,900	NR		
2.00		2.00	

Recurring	FY2005-06	FY2006-07
531211 Salaries	\$53,670	\$53,670
531511 Social Security	\$4,106	\$4,106
531521 Retirement	\$3,121	\$3,121
531561 Med Ins	\$6,864	\$6,864
532199 Annual Mailings	\$4,100	\$4,100
532714 Expanded Home Visitations	\$4,350	\$4,350
532840 Postage	\$3,000	\$3,000
532811 Telephones	\$450	\$450
Total Recurring	\$79,661	\$79,661

Nonrecurring	
534522 PC's	\$1,900

1241 Management Information Systems**3 Information Technology Security Personnel**

\$81,334 R \$81,334

Provides funding to establish an IT Security Associate Analyst position (\$54,811) to address the department's IT security issues that have been identified in the IT Security Assessment conducted by the Office of Information Technology Services.

1.00 1.00

Recurring	FY2005-06	FY2006-07
531211 Salaries	\$54,811	\$54,811
531511 Social Security	\$4,193	\$4,193
531521 Retirement	\$3,187	\$3,187
531561 Med Ins	\$3,432	\$3,432
534710 Computer Software	\$500	\$500
534522 Equipment-Computers	\$3,000	\$3,000
532811 Telephone Service	\$600	\$600
532942 Oth Emp Ed Expenses	\$3,000	\$3,000
532930 Registration Fees	\$250	\$250
532725 Meals - Out of State	\$150	\$150
532722 Lodging - Out of State	\$625	\$625
532440 Maint Agree -DP Equip	\$2,565	\$2,565
532441 Maint Agree - Software	\$5,021	\$5,021
Total Recurring	\$81,334	\$81,334

1311 Office of State Personnel**4 Operating Budget Increases**

Appropriates funds to purchase equipment and software for the OSP Training Center, and to continue training for mediation services.

\$71,600 NR

	FY 05-06	FY 06-07
532942 Oth Svs/Training	\$ 21,600	\$ 0
534521 Office Equipment	\$ 25,000	\$ 0
534711 Computer Software	\$ 25,000	\$ 0

1511 Purchase and Contract**5 E-Procurement Compliance Personnel**

Provides funding to establish 2 compliance officer positions (\$51,334 each) to provide E-procurement educational outreach, manage the E-procurement contract, and perform compliance reviews. The E-procurement contract requires a review of all direct payments for all NCAS agencies on a quarterly basis.

\$135,846	R	\$135,846	R
\$3,800	NR	\$0	NR
2.00		2.00	

Recurring	FY2005-06	FY2006-07
531211 Salaries	\$102,668	\$102,668
531511 Social Security	\$7,854	\$7,854
531521 Retirement	\$5,970	\$5,970
531561 Med Ins	\$6,864	\$6,864
532714 Trans-ground	\$2,200	\$2,200
532727 Trans-other	\$25	\$25
532721 Lodging-In State	\$1,800	\$1,800
532724 Meals-In State	\$1,000	\$1,000
532811 Telephone Service	\$950	\$950
532814 Cellular Phones	\$1,700	\$1,700
532930 Registration Fees	\$3,500	\$3,500
533110 Gen Office Supplies	\$1,315	\$1,315
Total Recurring	\$135,846	\$135,846

Nonrecurring	
534511 Furniture Office	\$1,200
534539 Other Equipment	\$2,600
Total Nonrecurring	\$3,800

1731 NC Council for Women/DV Commission**6 Domestic Violence Commission Staff**

Provides funding for the salary and benefits for an additional staff position to oversee the Abuser Treatment Program within the NC Council for Women and Domestic Violence Commission. (HB 569)

\$35,245	R	\$35,245	R
1.00		1.00	

7 Albemarle Hopeline, Inc.

Provides a grant-in-aid to Albemarle Hopeline, Inc., a private, non-profit organization dedicated to serving victims of family violence, sexual assault, and teen dating violence. The grant will assist with the purchase and retrofitting of a facility that will provide direct services to victims of sexual and domestic violence in six northeastern NC counties.

\$150,000	NR
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8 Coastal Horizons Center, Inc.

Provides a grant to Coastal Horizons Center, Inc. in Wilmington, NC for the continued operation of the Center's Rape Crisis Center.

\$25,000	NR
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9 Domestic Violence Shelter and Services, Inc.

Provides a grant for the continued operation of Domestic Violence Shelter and Services, Inc. in Wilmington, NC.

\$25,000	NR
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10 Family Services of Davidson County, Inc.

Provides a grant-in-aid to Family Services of Davidson County, Inc., a nonprofit organization, for treatment and counseling services for domestic violence victims.

\$25,000 NR

11 Safe Space, Inc.

Provides a grant-in-aid to Safe Space, Inc., a nonprofit organization, to support domestic violence and community-based public health programs in Franklin County.

\$25,000 NR

12 Women's Center of Fayetteville

Provides a grant-in-aid to Women's Center of Fayetteville, a nonprofit organization, to provide programs and services that assist entrepreneurs by developing and enhancing their business skills and encouraging the exchange of information. (HB 1179)

\$50,000 NR

1741 Human Relations Commission**13 City of Durham**

Provides a grant for the operating support for the city's Human Relations Commission.

\$15,000 NR

1771 Veterans Affairs Division**14 Scholarships Partially Funded From Escheats**

Transfers funding for 76.4% of the scholarships from appropriation-support to receipt-support. The receipts will come from the Escheats Funds. This funding shift continues the funding shift that was made in the 2003 Appropriations Act., S.L. 2003-284. The funding shift does not impact the total amount available for the scholarship program. The total available for scholarships is \$5,625,058 for fiscal year 2005-06 and \$5,704,249 for fiscal year 2006-07. (SB 622, Section 19.2)

(\$1,491,106) R (\$2,679,379) F

15 NC Veterans Park Funds

Provides a grant-in-aid to the City of Fayetteville to establish the NC Veterans Park. The General Assembly made plans for the park in the 1990s that were never implemented.

\$2,300,000 NR

16 Edgecombe County Veterans Military Museum

Provides a grant-in-aid to the Edgecombe County Veterans' Military Museum, a nonprofit organization, for operating expenses and for the development of a museum honoring Edgecombe County veterans. (HB 1337)

\$10,000 NR

17 NC Veterans Memorial Committee, Inc.

Provides a grant-in-aid for the construction and maintenance of the North Carolina Veterans Memorial in Broadway, NC.

\$150,000 NR

1811 GACPD**18 Personnel Reduction**

(\$67,686)	R	(\$67,686)	R
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Eliminates salary and fringe benefits equivalent to that of the Assistant Director position (4140-1540-0000-480). The Division Director's position has been vacant since November 2001. The Division also has an Administrative Secretary III position that has been vacant since January 2004. These vacancies have been allowed to remain pending the Governor's decision regarding redesignation of the Council to a non-profit status. The responsibilities of the Director have been performed by the Assistant Director. With the elimination of the salary and fringe benefits in the amount of \$67,686, the Department may select which of the Council's 7.28 General Fund positions it will eliminate.

-1.00

-1.00

1861 Commission of Indian Affairs**19 Indian Cultural Center**

Provides funding for preparation and construction of picnic shelters and visitors' restrooms and to upgrade public ceremonial grounds at the North Carolina Indian Cultural Center. (HB 722)

\$30,000	NR
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20 Lumbee River Council of Governments

Provides a grant-in-aid to the Lumbee River Council of Governments to support youth opportunity projects throughout Robeson County.

\$5,000	NR
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21 NC Indian Economic Development Initiative

Provides a grant to the North Carolina Indian Economic Development Initiative, a nonprofit corporation that was created as an outgrowth of the NC Commission on Indian Affairs Year 2004 Strategic Planning effort. The purpose of the grant is to continue the work of the North Carolina Indian Economic Development Initiative, aimed at spurring economic development and creating jobs in rural Indian communities. (HB 244)

\$325,000	NR
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1881 Transition Team**22 Operating Budget Reduction**

(\$120,000)	R	(\$120,000)	R
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Eliminates transition funds for the Council of State members. This funding will not be needed during the 2005-07 biennium.

1882 Governor's Inauguration**23 Operating Budget Reduction**

(\$205,000)	R	(\$205,000)	R
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Eliminates funding for the Governor's Inauguration. Funding will not be needed during the 2005-07 biennium.

Total Legislative Changes	(\$1,476,791)	R	(\$2,665,064)	
	\$3,462,300	NR	\$0	N
Total Position Changes	6.00		6.00	
Revised Budget	\$62,039,261		\$58,818,473	

Special Provisions

2005 Session: SB 622

Department: Administration

Section: 19.1

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

Summary Directs the Department to continue the study of the advocacy programs that was conducted during the 2003-2004 fiscal year. Also directs that the study include both the advocacy and service functions of the six advocacy agencies in the Department. The report is due by April 1, 2006.

Section: 19.2

Title: Veterans Scholarships Partially Funded From Escheat Fund

Summary Appropriates funds from the Escheats Fund for the portion of the scholarships that was shifted from appropriation-support to receipt-support.

Section: 19.3

Title: State Veterans Cemeteries

Summary 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: 19.4

Title: Allocation of the Petroleum Violation Escrow Funds

Summary Allocates \$1 million to the Department of Health and Human Services (DHHS) for the Weatherization Assistance Program. Allocates the balance that remains after the allocation to DHHS to the Department of Administration for projects approved by the State Energy Policy Council.

Section: 19.5

Title: State Fleets Shall Develop and Implement Plans to Improve Use of Alternative Fuels, Synthetic Lubricants, and Efficient Vehicles

Summary Directs all State agencies, universities, and community colleges that have State-owned vehicle fleets to develop and implement plans that achieve a 20% reduction or displacement of the current petroleum products consumed by January 1, 2010. Directs all affected agencies to report their plans to the Department of Administration (DOA) which is required to compile a report on the submitted plans and to report to the Joint Legislative Commission on Governmental Operations by January 1, 2006. Also directs the agencies to report by September 1, 2006, and annually thereafter, to DOA on their efforts to achieve the reductions. Directs DOA to compile and forward a report to the Joint Legislative Commission on Governmental Operations by November 1, 2006, and annually thereafter, on the agencies' progress in meeting their plans.

Cultural Resources

GENERAL FUND

Adjusted Continuation Budget

FY 05-06
\$61,114,752FY 06-07
\$59,597,482

Legislative Changes

1110 Office of the Secretary

24 Boards and Commissions and North Carolina Awards

\$50,000 R

\$50,000 F

Provides funding that supports travel and work of the Director of Boards and Commissions, who serves as the departmental liaison with 39 nonprofit support groups and foundations for state historic sites and museums. Additionally, restores state funding for the North Carolina Awards Program, which has been receipt-supported for several years.

	FY 05-06	FY 06-07
532199 Misc Contractual Svs	\$ 10,000	\$ 10,000
532714 Grd Trans/In-state	\$ 9,000	\$ 9,000
532721 Lodging/In-state	\$ 8,000	\$ 8,000
532724 Meals/In-state	\$ 6,000	\$ 6,000
532727 Misc/In-state	\$ 2,000	\$ 2,000
532850 Printing	\$ 10,000	\$ 10,000
533900 Oth Materials/Supplies	\$ 5,000	\$ 5,000

25 Operating Budget Reduction

(\$180,000) R

(\$180,000) F

Eliminates funding for historical, art and cultural grants.

1120 Administrative Services

26 Information Technology Services Expansion

\$50,000 R

\$50,000 F

Appropriates funding to establish one (1) Applications Programmer I position and to purchase additional computer equipment.

\$2,500 NR
1.00

1.00

	FY 05-06	FY 06-07
531112 Salaries	\$ 41,000	\$ 41,000
531511 Social Security	\$ 3,137	\$ 3,137
531521 Retirement	\$ 2,384	\$ 2,384
531561 Med Ins	\$ 3,432	\$ 3,432
532199 Misc Contractual Svs	\$ 47	\$ 47
534522 Equip - Computers	\$ 2,500	

1230 Archives & Records**27 Edenton Signers Memorial Funds**

Provides funding to establish a Signers Memorial on the grounds of the Chowan County Courthouse to honor Hugh Williamson, a signer of the United States Constitution.

\$300,000 NR

28 The Murfreesboro Historical Association, Inc.

Provides a grant-in-aid in FY 2005-06 for operational and program support (\$50,000). Additionally, provides funding for renovations and the installation of an elevator at the Jeffcoat Museum in Murfreesboro and other improvements at the historic site (\$92,000).

\$142,000 NR

1241 State Historic Sites**29 Increase Operating Budget**

Provides additional funds for maintenance of historic sites statewide.

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

30 Roanoke River Lighthouse Restoration Funds

Provides funds for the Edenton Historical Commission to acquire, relocate, and restore the lighthouse.

\$300,000 NR

31 Historic Bandon Building Restoration Funds

Appropriates funding to acquire, move, and restore the 1827 kitchen building of the former Bandon Plantation for location to the State Historic Site in Edenton.

\$250,000 NR

32 Historic Oak Grove School Funds

Provides a grant-in-aid for FY 2005-06 to Washington Town Community Assn., Inc. to retire the debt for renovations of the school.

\$50,000 NR

33 Historic Salisbury Foundation, Inc.

Provides a grant-in-aid in FY 2005-06 for renovating Hall House.

\$25,000 NR

34 Historic Burwell School Repair Funds

Provides a grant-in-aid in FY 2005-06 to the Historic Hillsborough Commission for repairs to the school. (HB 1656)

\$5,000 NR

35 Historic Hillsborough District Commission Funds

Provides a grant-in-aid in FY 2005-06 to assist the Commission catalog, promote, and preserve the historic site. (HB 1658)

\$5,000 NR

36 Town of Hope Mills

Provides a grant-in-aid in FY 2005-06 for the historic preservation of the town.

\$14,000 NR

37 New Bern's 300th Anniversary Funds

Provides a grant-in-aid in FY 2005-06 to the Swiss Bear Downtown Development Corporation to aid the City of New Bern in preparing for its Tercentenary Anniversary. (HB 1588)

\$50,000 NR

38 CSS Neuse Restoration Committee, Inc.

Provides funds for the relocation and preservation of the Civil War CSS Neuse gunboat. (SB 1084)

\$30,000 NR

1242 Tryon Palace Historic Sites**39 Increase Operating Budget**

Appropriates funding to replace budgeted admission receipts that will be deposited into a nonreverting fund to support capital improvements at the historic site.

\$570,432 R \$570,432

1243 State Capitol/Visitor Services**40 New Personnel**

Appropriates funds for two (2) Museum Specialist positions at pay grade 66 and salary of \$35,695. The total recurring expenditure is \$94,000, which includes \$85,597 for salaries and benefits and \$8,403 for operating expenses, and non-recurring expense of \$3,000 for office and computer equipment.

\$94,000 R \$94,000
\$3,000 NR
2.00 2.00

1250 Historic Preservation**41 The Historic Preservation Foundation of NC, Inc.**

Provides a grant-in-aid in FY 2005-06 to The Historic Preservation Foundation of NC, Inc to repair and paint two (2) historic tanks at Glencoe, and to repair a historic dam on the Haw River and to control erosion along mill race at Glencoe Mill. (HB 1403)

\$50,000 NR

1260 Office of State Archaeology**42 Queen Anne's Revenge Recovery Funds**

Provides a grant-in-aid in FY 2005-06 to support the QAR Shipwreck Recovery Project.

\$50,000 NR

TRYON PALACE HISTORIC SITES AND GARDENS FUND

SECTION 19A.1. Article 2 of Chapter 121 of the General Statutes is amended by adding a new section to read:

"§ 121-21.1. Tryon Palace Historic Sites and Gardens Fund.

(a) Fund. – The Tryon Palace Historic Sites and Gardens Fund is hereby created as a special and nonreverting fund in the Division of Tryon Palace Historic Sites and Gardens. The Fund shall be used for repair, renovation, expansion, and maintenance at Tryon Palace Historic Sites and Gardens.

(b) Disposition of Fees. – All entrance fee receipts shall be credited to the Tryon Palace Historic Sites and Gardens Fund.

(c) The Tryon Palace Commission shall submit to the Joint Legislative Commission on Governmental Operations, the House and Senate Appropriations Subcommittees on General Government, and the Fiscal Research Division by September 30 of each year a report on the Tryon Palace Historic Sites and Gardens Fund that shall include the source and amounts of all funds credited to the Fund and the purpose and amount of all expenditures from the Fund during the prior fiscal year."

1320 Museum of Art**43 Program Diversity and New Security Personnel**

\$283,797 R \$250,000 R

Provides funding to extend programming to schools and communities using computers, the Internet, and other means in order to broaden the museum's reach statewide. Also, provides funds to establish five (5) new Museum Guard positions.

5.00

5.00

	FY 05-06	FY 06-07
531112 Salaries	\$104,030	\$104,030
531511 Social Security	\$ 7,958	\$ 7,958
531521 Retirement	\$ 6,049	\$ 6,049
531561 Med Ins	\$ 17,160	\$ 17,160
532714 Grd Trans/In-state	\$ 4,500	\$ 4,500
532721 Lodging/In-state	\$ 2,300	\$ 2,300
532724 Meals/In-state	\$ 1,800	\$ 1,800
532727 Misc/In-state	\$ 1,100	\$ 1,100
533900 Oth Materials/Supplies	\$ 3,000	\$ 3,000
534539 Oth Equipment	\$ 15,000	\$ 15,000
534610 Art and Artifacts	\$120,899	\$ 87,102

44 Asheville Art Museum Association, Incorporated

Provides a grant-in-aid in FY 2005-06 for planning an expansion to the Museum's current facilities. (HB 235)

\$25,000 NR

1330 NC Arts Council**45 Grassroots Arts Program**

\$580,000 R
\$1,000,000 NR

Increases funding in expenditure account 536996 for grants to local arts councils. This increase provides \$1.7 million for grants to local arts councils that are awarded through the formal application process. Additionally, provides \$1 million on a nonrecurring basis in FY 05-06 to also be awarded through the formal application process.

46 Basic Grants Program

\$396,133 R \$396,133 R

Increases funding in expenditure account 536990 for grants to individuals and organizations in the categories of arts in education, visual arts, folklife, folk heritage, general and program support, organizational development, outreach, and touring/presenting. This increase provides \$2.9 million and restores funding to the FY 2000-01 level for grants that are awarded through a formal application process.

47 Carolina Ballet

Provides a grant-in-aid for FY 2005-06.

\$250,000 NR

48 'Strike at the Wind' Drama

Provides non-recurring funding for the upgrade, replacement, and modification of electronic equipment.

\$20,000 NR

Overview: 2005 Session Fiscal and Budgetary Actions

FY 05-06

FY 06-07

49 Southern Appalachian Historical Association, Inc

Provides a grant-in-aid in FY 2005-06 for operational support of the outdoor drama, Horn in the West.

\$20,000 NR

50 Pocosin Arts, Inc.

Provides a grant-in-aid in FY 2005-06 for the development and construction of the Pocosin Arts Education Center.

\$1,000,000 NR

51 Matthews Playhouse of Performing Arts, Inc.

Provides a grant-in-aid in FY 2005-06 for operational support for youth to learn backstage skills.

\$50,000 NR

52 The Opera Company of NC, Inc.

Provides a grant-in-aid in FY 2005-06 for educational outreach and operating expenses. (HB 1719)

\$50,000 NR

53 United Arts Council of Greensboro, Inc.

Provides a grant-in-aid in FY 2005-06 for cultural facility enhancements including restoration of the Carolina Theater (\$10,000). (HB 1165)

\$25,000 NR

54 Alamance County Arts Council, Inc.

Provides a grant-in-aid in FY 2005-06 for the Joe Thompson Project. Funding will complete a traveling exhibition for documentary and presentations of the life of a legendary African-American clawhammer guitar/banjo player from Orange and Alamance Counties.

\$1,000 NR

55 Richmond County Arts Council, Inc.

Provides a grant-in-aid for FY 2005-06 to support an Arts/Agricultural partnership between the arts/crafts people and local farmers in the Sandhills region (\$30,000). Additionally, provides funds for the complete renovation of the old McNair Building in downtown Rockingham (\$25,000).

\$55,000 NR

56 Chatham County Arts Council, Inc.

Provides a grant-in-aid in FY 2005-06 for the use of arts as a tool for economic development.

\$50,000 NR

57 Surry Arts Council

Provides a grant-in-aid in FY 2005-06 for operational and program support of the Andy Griffith Theatre.

\$10,000 NR

58 African-American Atelier, Inc.

Provides a grant-in-aid in FY 2005-06 to African-American Atelier, Inc for operating expenses in providing its arts programs and exhibits. (HB 1205)

\$12,000 NR

59 Guilford NAA Cultural Funds

Provides a grant-in-aid in FY 2005-06 to the Guilford Native American Association, Inc. to support cultural programming for Native American and other youth. (HB 1423)

\$10,000 NR

60 African-American Cultural Center Funds

Provides a grant-in-aid in FY 2005-06 to the African-American Cultural Center for repairs to the facility in Robeson County. (HB 1738)

\$5,000 NR

61 Folkmoot USA

Provides a grant-in-aid in FY 2005-06 for rehabilitation of a former middle school as the FOLKMOOT Center. Additionally, provides funds for general programming to support "Folkmoot USA", North Carolina's official international festival (HB 1627)

\$110,000 NR

62 Madison County Arts Council

Provides a grant-in-aid to renovate facility to serve as Madison's Art Center.

\$10,000 NR

63 Martin County Arts Council, Inc.

Provides a grant-in-aid to renovate and restore historical building in downtown district.

\$5,000 NR

64 The Farmville Community Arts Council, Inc.

Provides a grant-in-aid in FY 2005-06 to support programs for area schools and the community.

\$5,000 NR

65 Triad Stage, Inc.

Provides a grant-in-aid in FY 2005-06 to Triad Stage, Inc. for operational expenses and to support a regional scene shop open to nonprofit arts organizations in the Triad. (HB 1666)

\$125,000 NR

66 Turnage Theaters Foundation, Inc.

Provides a grant-in-aid in FY 2005-06 to the Turnage Theaters Foundation, Inc., to assist in renovating the Theater to enhance economic development in Beaufort County.

\$500,000 NR

67 Anson County Arts Council, Inc.

Provides a grant-in-aid in FY 2005-06 for restoration of the historic Ansonia Theater in Wadesboro, NC.

\$25,000 NR

68 Caldwell Arts Council, Inc.

Provides a grant-in-aid in FY 2005-06 to the Caldwell Arts Council in Lenoir County.

\$20,000 NR

69 Penland School of Crafts

Provides a grant-in-aid in FY 2005-06 to the Penland School of Crafts to provide assistance with crafts programming for western North Carolina.

\$100,000 NR

70 Jewish Heritage Foundation of North Carolina

Provides funding to assist the Jewish Heritage Foundation of NC in the production of its heritage project, "Down Home: Jewish Life in North Carolina". (SB 451)

\$50,000 NR

1340 NC Symphony**71 Grant-In-Aid**

Provides grant-in-aid to the NC Symphony for FY 2005-06.

\$500,000 NR

72 Greensboro Symphony Society, Incorporated

Provides a grant-in-aid in FY 2005-06 to support the orchestra's Second Annual Gospel Concert and education programs. (HB 1648)

\$50,000 NR

73 Carolinas Concert Association

Section 33 of HB 320, Modify 2005 Appropriations Act, S.L. 2005-345, appropriates funds for a grant-in-aid in FY 2005-06 for the Carolinas Concert Association to provide disadvantaged youth with opportunities for education enrichment.

\$25,000 NR

1410 State Library Services**74 Services to the Blind and Physically Handicapped**

Appropriates funds to install and maintain a new telephone system, and a card access security system for the building and the computer server room.

\$16,100 R

\$9,100 F

\$27,300 NR

	FY 05-06	FY 06-07
532199 Misc Contractual Svs	\$ 8,000	\$ 1,000
532811 Telephone Service	\$ 7,000	\$ 7,000
532812 Telecomm Data Charges	\$ 1,100	\$ 1,100
534539 Other Equipment	\$ 27,300	

1480 State Library Statewide Programs**75 Aid to Counties**

Provides additional funds to support grants to public libraries based upon the formula for State-Aid to Libraries. The additional funding provides \$15.8 million for aid to local libraries.

\$1,000,000 R

\$1,000,000 F

76 Mecklenburg County Library

Provides a grant-in-aid to Mecklenburg County Library in FY 2005-06 to provide computer stations for expansion of ImaginOn children's education programs and activities.

\$1,000,000 NR

77 Cumberland County Public Library

Provides a grant-in-aid in FY 2005-06 to Friends of Cumberland County Public Library & Information Center, Inc to support a 'Visiting Authors' series for the Cumberland County community. This program creates awareness of the opportunities offered by the libraries of Cumberland County and focuses efforts to enrich the cultural advantages available to Cumberland County Citizens.

\$1,500 NR

78 Bethel Public Library

Provides a grant-in-aid in FY 2005-06 to renovate and update the library facility.

\$5,000 NR

Section 34 of HB 320, Modify 2005 Appropriations Act, S.L. 2005-345, revised the purpose of the funding and requires the transfer of funds to the Town of Bethel to be used for repairs and upgrades.

79 Robersonville Public Library

Provides a grant-in-aid in FY 2005-06 to upgrade old computers and purchase new books.

\$5,000 NR

80 Hoke County Public Library

Provides a grant-in-aid in FY 2005-06 toward the purchase of a bookmobile, and to renovate and update the library facility.

\$25,000 NR

81 Rose Hill Community Memorial Library

Provides a grant-in-aid in FY 2005-06 for the operation, programming, and expansion of the library.

\$10,000 NR

1500 Museum of History**82 Sit-In Movement, Inc. (I C R C & M)**

Provides a grant in FY 2005-06 for final renovation costs of the Museum.

\$500,000 NR

83 Vance County Visitor Center Museum

Provides a grant-in-aid in FY 2005-06 for operational support.

\$100,000 NR

84 Sparta Teapot Museum

Provides a grant-in-aid in FY 2005-06 for design and planning the future home of the Kamm Historic Teapot Collection.

\$400,000 NR

85 Museum of the New South, Inc.

Provides funding as a grant-in-aid in FY 2005-06 for operating programs.

\$50,000 NR

86 Graveyard of the Atlantic Museum

Provides a grant-in-aid for FY 2005-06 for operational support and capital expenses.

\$100,000 NR

87 Charlotte Museum of History, Inc.

Provides funding as a grant-in-aid in FY 2005-06 for an exhibit and to enhance the school curriculum in history of the region and State.

\$50,000 NR

88 Sampson County History Museum, Inc.

Provides a grant-in-aid for FY 2005-06 for operational support.

\$5,000 NR

89 Rowan Museum, Inc

Provides a grant-in-aid in FY 2005-06 for a 1,700 square foot addition that will house an elevator to make the 2nd and 3rd floors handicapped accessible.

\$25,000 NR

90 Rutherford County Farm Museum

Provides a grant-in-aid in FY 2005-06 for a 10,000 square foot display. This item is also supported by donations.

\$10,000 NR

91 Raeford-Hoke Museum, Inc

Provides a grant-in-aid in FY 2005-06 for repairs and maintenance. (HB 1733)

\$30,000 NR

92 Tobacco Farm Life Museum, Inc.

Provides a grant-in-aid in FY 2005-06 to assist the museum in preserving and celebrating farm life in NC.(HB 1140)

\$25,000 NR

93 Person County Museum of History, Inc.

Provides a grant-in-aid in FY 2005-06 for maintenance of the facility. (HB 1611)

\$20,000 NR

94 Scotland County

Provides a grant-in-aid in FY 2005-06 to assist with the renovation of a vacant building that is owned by Scotland County for the purpose of converting it to a county museum.

\$20,000 NR

95 Discovery Place, Inc.

Provides a grant-in-aid in FY 2005-06 for "The Dead Sea Scrolls" traveling exhibition.

\$40,000 NR

Overview: 2005 Session Fiscal and Budgetary Actions

FY 05-06

FY 06-07

96 Badin History Museum, Inc.

Provides a grant-in-aid in FY 2005-06 for the continued operation and maintenance of the Badin Historic Museum. (HB 1669)

\$25,000 NR

97 National Mary Potter Club, Inc.

Provides a grant-in-aid in FY 2005-06 for the George C. Shaw Museum in Granville County.

\$25,000 NR

98 Museum of the Cape Fear

Provides a grant-in-aid in FY 2005-06 to the Museum of the Cape Fear Historical Complex Foundation, Inc. for planning the expansion and enhancement of the Museum of the Cape Fear.

\$1,000,000 NR

99 Exploris

Provides a grant-in-aid in FY 2005-06 to obtain new exhibits and sustain current operations at the Exploris Museum in Raleigh, NC

\$100,000 NR

Total Legislative Changes

\$3,360,462 R

\$3,319,665 R

\$8,983,300 NR

Total Position Changes

8.00

8.00

Revised Budget

\$73,458,514

\$62,917,147

Special Provisions

2005 Session: HB 320

Department: Cultural Resources

Section: 33

Title: **Carolinas Concert Association**

Summary This language appropriates funds for a grant-in-aid in FY 2005-06 for the Carolinas Concert Association to provide disadvantaged youth with opportunities for education enrichment.

Section: 34

Title: **Bethel Public Library/Town of Bethel**

Summary This language revised the purpose of the funding appropriated in SB 622 (S.L. 2005-276) to renovate and update the library facility by requiring the transfer of funds to the Town of Bethel to be used for repairs and upgrades.

Special Provisions

2005 Session: SB 622

Department: Cultural Resources

Section: 19A.1

Title: **Tryon Palace Historic Sites and Gardens Fund**

Summary Amends Article 2 of Chapter 121 to add a new section G.S. 121-21.1 that creates the a special, nonreverting Fund in the Division of Tryon Palace' Historic Sites and Garden's budget. Revenue from entrance fees will be deposited into the Fund, and used for repair, renovation, expansion and maintenance of the historic site. The Tryon Palace Commission shall submit an annual report by September 30 of each year to the Joint Legislative Commission on Governmental Operation, the House and Senate Appropriations Subcommittee on General Government, and Fiscal Research Division. The report shall include the source and amounts of all funds credited to the Fund and the purpose and amount of all expenditures from the Fund during the prior fiscal year.

General Assembly

GENERAL FUND

	FY 05-06	FY 06-07
Adjusted Continuation Budget	\$43,864,588	\$46,965,432
Legislative Changes		
1900 Reserves and Transfers		
100 Operating Reserves		
Reduces operating reserve funds.	(\$930,000) NR	
Total Legislative Changes	(\$930,000) NR	
Total Position Changes		
Revised Budget	\$42,934,588	\$46,965,432

Special Provisions

2005 Session: HB 320

Department: General Assembly

Section: 40

Title: Principal Clerk's Compensation - Revised

Summary This language revises Section 19B.1 of SB 622, S.L. 2005-276 to indicate that principals clerks may receive additional compensation approved by the Speaker of the House of Representatives or the President Pro Tempore of the Senate, respectively, for additional employment duties beyond those provided by the rules of their House.

Special Provisions

2005 Session: SB 622

Department: General Assembly

Section: 19B.1

Title: Principal Clerk's Compensation

Summary Amends G.S. 120-37(c) to allow each principal clerk to receive additional compensation as approved by the Speaker of the House of Representatives and the President Pro Tempore of the Senate for additional employment duties beyond those provided by the rules of their House.

Section 40 of HB 320, S.L. 2005-345, revises Section 19B.1 to indicate that principals clerks may receive additional compensation approved by the Speaker of the House of Representatives or the President Pro Tempore of the Senate, respectively, for additional employment duties beyond those provided by the rules of their House.

Housing Finance Agency

GENERAL FUND		
	FY 05-06	FY 06-07
Adjusted Continuation Budget	\$4,750,945	\$4,750,945
Legislative Changes		
8102 HTF State Appropriations		
101 Additional Funding for Housing Finance		
Provides additional funding for programs administered by the Housing Finance Agency.	\$5,000,000	NR
8104 NC Housing Foreclosure		
102 Continue/Expand the Home Protection Pilot Program		
Appropriates funding to continue and expand the Home Protection Pilot Program in all counties that had greater than seven percent (7%) average unemployment in FY 2004-05. The pilot was established in Section 20A.1 of S.L. 2004-124.	\$700,000	NR
Total Legislative Changes	\$5,700,000	NR
Total Position Changes		
Revised Budget	\$10,450,945	\$4,750,945

Special Provisions

2005 Session: **SB 622**

Department: Housing Finance Agency

Section: 20.1

Title: Housing Finance Agency HOME Matching Funds

Summary Requires that state funds be used to match federal funds appropriated for the HOME program; that first priority be given to projects located in tier 1, 2, or 3 counties; and that second priority be given to projects that benefit families with incomes less than 50% of local median income. This provision also requires annual reporting of Program status and provides that the appropriated funds do not revert to the General Fund on June 30, 2006 or on June 30, 2007.

Section: 20.2

Title: Housing Finance Agency Shall Continue and Expand the North Carolina Home Protection Pilot Program and Loan Fund

Summary Section (a) requires the North Carolina Housing Finance Agency to continue the pilot program the General Assembly authorized in Section 20A.1 of S.L. 2004-124, and develop, implement, and administer the pilot in all counties that had greater than seven percent (7%) average unemployment in FY 2004-05. The pilot is to assist North Carolina workers who lost their jobs due to economic conditions and need assistance to avoid foreclosure. Also, directs the Agency to report on program effectiveness to the Chairs of the Appropriations Committees of the Senate and the House of Representatives by April 1, 2006.
Section (b) defines key program participants.
Section (c) provides mortgagees relief from foreclosure proceedings upon proper filing of pilot program loan application.
Section (d) exempts the Agency from rulemaking for the adoption of procedures for the pilot program, but provides that the proposed procedures be published and have at least one public hearing.
Section (e) requires that unencumbered funds appropriated under Section 20A.1 of S.L. 2004-124 be used for the expansion of the pilot into any additional eligible counties.
Section (f) limits application of the provision to FY 2005-06.

Insurance

GENERAL FUND

	FY 05-06	FY 06-07
Adjusted Continuation Budget	\$27,831,701	\$27,866,769

Legislative Changes

1200 Company Services Group

103 Information Technology Personnel

\$153,852	R	\$153,852	R
\$7,200	NR	\$0	NR
2.00		2.00	

Provides funding to establish an Applications Analyst Programmer II position (\$58,803) and a Computer Systems Analyst IV position (\$64,429) in the Information Services Division. One position will be used to continue the ongoing upgrade from multiple legacy systems to the new integrated Operations Tracking and Information System (OTIS). Duties include programming and the new ongoing maintenance once the OTIS system is completed. The other position will be responsible for security issues at the Department, including implementing the ISO 17799 standard for information technology security.

	FY2005-06	FY2006-07
Recurring		
531211 Salaries	\$123,232	\$123,232
531511 Social Security	\$9,427	\$9,427
531521 Retirement	\$7,166	\$7,166
531561 Med Ins	\$6,864	\$6,864
5327XX Transportation	\$2,213	\$2,213
5328XX Communication	\$1,200	\$1,200
5329XX Other Services	\$2,500	\$2,500
533110 Gen Office Supplies	\$1,250	\$1,250
Total Recurring	\$153,852	\$153,852

Nonrecurring	
534511 Furniture Office	\$7,000
5358XX Other Admin. Exp.	\$200

The Insurance Regulatory Fund will reimburse the General Fund for the appropriation.

104 PEO Personnel and Operating Cost

Provides funding to establish an Insurance Company Examiner III position (\$60,000) to administer and enforce the NC Professional Employer Organization Act (G.S. 58-89A). The primary emphasis of the position will be on the licensing and financial solvency of the PEOs.

\$89,961	R	\$89,961
\$5,500	NR	
1.00		1.00

Recurring	FY2005-06	FY2006-07
531211 Salaries	\$60,000	\$60,000
531511 Social Security	\$4,590	\$4,590
531521 Retirement	\$3,489	\$3,489
531561 Med Ins	\$3,432	\$3,432
5327XX Transportation	\$11,600	\$11,600
5328XX Communication	\$1,350	\$1,350
5329XX Other Services	\$500	\$500
533110 General Office Supplies	\$2,500	\$2,500
533120 Data Processing Supplies	\$2,500	\$2,500
Total Recurring	\$89,961	\$89,961

Nonrecurring	
534511 Furniture Office	\$3,000
534543 PC/Printer Equipment	\$2,500
Total Nonrecurring	\$5,500

Fees collected with PEO applications and annual filings will be deposited into the Insurance Regulatory Fund and will be used to reimburse the General Fund for the appropriation.

1500 Office of State Fire Marshall**105 Cornelius Volunteer Fire Department**

Provides a grant-in-aid for operating support.

\$25,000	NR
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1500 Office of the State Fire Marshal**106 Ansonville Volunteer Fire Department**

Provides a grant-in-aid for operating support.

\$25,000	NR
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Section 35 of HB 320, Modify 2005 Appropriations Act, S.L. 2005-345, changes the purpose of the funding by requiring allocation of the funds in equal shares to all volunteer fire departments in Anson County.

107 Hyde County

Provides funding for the purchase of a beach access vehicle for emergency services for Ocracoke Island.

\$25,000	NR
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108 Maxton Rescue Squad, Inc.

Provides a grant-in-aid for operating support.

\$5,000	NR
---------	----

109 Orange Fire Training Facility Funds

Provides a grant-in-aid to the Orange County Chiefs Association, a nonprofit organization, for capital improvements to a regional fire training facility in Orange County. (HB 1655)

\$5,000 NR

110 Rowland Rescue Squad, Inc.

Provides a grant-in-aid to the Rowland Rescue Squad, Inc., a nonprofit organization, for roof repairs. (HB 1740)

\$5,000 NR

111 Scotland County

Provides a grant-in-aid to Scotland County to be used by the Wagram Volunteer Fire Department for equipment purchases and for repairs to its facility. (HB 1743)

\$5,000 NR

112 Union Volunteer Fire Department

Provides a grant-in-aid for operating support.

\$25,000 NR

Section 35 of HB 320, Modify 2005 Appropriations Act, S.L. 2005-345, changes the purpose of the funding by requiring allocation of the funds in equal shares to all volunteer fire departments in Union County.

113 Warrenton Rural Voluntary Fire Association, Inc.

Provides a grant-in-aid to the Warren Rural Voluntary Fire Association, Inc., a nonprofit organization, for operating expenses. (HB 1692)

\$7,500 NR

114 Warren County Rescue Squad, Inc.

Provides a grant-in-aid to the Warren County Rescue Squad, Inc., a nonprofit organization, for operating expenses. (HB 1693)

\$5,000 NR

Total Legislative Changes

\$243,813 R \$243,813 R

\$145,200 NR \$0 NR

Total Position Changes

3.00 3.00

Revised Budget

\$28,220,714 \$28,110,582

Special Provisions

2005 Session: HB 320

Department: Insurance

Section: 35

Title: **Anson and Union Counties Volunteer Fire Departments**

Summary Amends SB 622, 2005 Appropriations Act, S.L. 2005-276, by adding Section 23.1 as a new section that provides that the funds appropriated in S.L. 2005-276 to the Department of Insurance for the 2005-2006 fiscal year for the Ansonville Fire Department are to be allocated in equal shares to all volunteer fire departments in Anson County and that the fund appropriated in S.L. 2005-276 to the Department of Insurance for the 2005-2006 fiscal year for the Union Volunteer Fire Department are to be allocated in equal shares to all volunteer fire departments in Union County.

Special Provisions

2005 Session: SB 622

Department: Insurance

Section: 21.1

Title: **Insurance Regulatory Fund Transfer to General Fund**

Summary Directs the Department of Insurance to transfer funds from the Insurance Regulatory Fund to reimburse the General Fund for appropriations made to the Department. The transfer is to occur quarterly and is to include accrued interest.

Section: 21.2

Title: **Strengthen Requirements for Issuing Building Permits**

Summary Directs the North Carolina Code Officials Qualification Board to take steps to ensure that building inspectors enforce the regulations for issuing building permits as prescribed in G.S. 87-14.

Section: 40.1

Title: **Insurance Regulatory Charge**

Summary Sets the Insurance Regulatory Fee rate at 5.5% for the 2005 calendar year.

Insurance - Volunteer Safety Workers' Compensation Fund

GENERAL FUND

	FY 05-06	FY 06-07
Adjusted Continuation Budget	\$4,500,000	\$4,500,000
Legislative Changes		
1900 Reserves and Transfers		
115 Volunteer Safety Workers' Compensation Fund		
Reduces the General Fund appropriation to the Volunteer Safety Workers' Compensation Fund on a non-recurring basis. This reduction will not affect the operations of the Fund. The balance in the Fund as of February 28, 2005 was \$21.98 million. The average of the Fund's balances for the past 4 years is \$21.47 million.	(\$2,500,000)	NR
Total Legislative Changes	(\$2,500,000)	NR
Total Position Changes		
Revised Budget	\$2,000,000	\$4,500,000

Special Provisions

2005 Session: SB 622

Department: Insurance - Volunteer Safety Workers' Compensation Fund

Section:

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

Summary

Lieutenant Governor

GENERAL FUND

	FY 05-06		FY 06-07	
Adjusted Continuation Budget	\$690,697		\$690,697	
Legislative Changes				
1110 Administration				
116 Increase Office Assistant Position to Full Time	\$8,404	R	\$8,404	R
Increases an Office Assistant position (Pos # 3100-000-0016-035) from 30 to 40 hours per week.	0.25		0.25	
117 Increase Operating Budget	\$2,400	R	\$2,400	R
Provides funding to increase the operating budget in the following line items:				
	FY 05-06		FY 06-07	
532811 Telephone service	\$600		\$600	
532814 Cellular phone service	\$1,200		\$1,200	
532850 Printing, Binding, Dup	\$600		\$600	
118 Additional Personnel	\$51,536	R	\$51,536	R
Provides funding to establish a second Policy Development Analyst to serve as an Assistant to the Lieutenant Governor for Policy and Research.	\$1,700	NR		
	1.00		1.00	
	FY 05-06		FY 06-07	
531111 Salaries	\$42,307		\$42,307	
531511 Social Security	\$3,237		\$3,237	
531521 Retirement	\$2,460		\$2,460	
531561 Med Ins	\$3,432		\$3,432	
533110 Gen Office Sup	\$100		\$100	
534534 PC/Printer Equipment	\$1,200			
534713 PC Software	\$500			
Total Legislative Changes	\$62,340	R	\$62,340	R
	\$1,700	NR		
Total Position Changes	1.25		1.25	
Revised Budget	\$754,737		\$753,037	

Special Provisions

2005 Session: SB 622

Department: Lieutenant Governor

Section:

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

Summary

Office of Administrative Hearings

		GENERAL FUND	
		FY 05-06	FY 06-07
Adjusted Continuation Budget		\$2,976,210	\$2,967,712
Legislative Changes			
1100 Administration and Operations			
119 Software Upgrade		\$2,000 R	\$2,000 R
Provides funding for a software upgrade that allows the North Carolina Register to be published on the Internet. Recurring funds are provided for the software's on-going maintenance support and hosting service, and nonrecurring funds are provided to purchase the upgrade.		\$9,200 NR	
Total Legislative Changes		\$2,000 R \$9,200 NR	\$2,000 R
Total Position Changes			
Revised Budget		\$2,987,410	\$2,969,712

Special Provisions

2005 Session: SB 622

Department: Office of Administrative Hearings

Section:

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

Summary

Revenue

GENERAL FUND

Adjusted Continuation Budget		FY 05-06		FY 06-07	
		\$82,817,444		\$82,960,444	
Legislative Changes					
1602 Security					
120 Additional Personnel					
Provides funds to establish one (1) Systems Security Analyst position. This position will address issues raised in the 2004 Statewide Security Assessment conducted by the Office of Information Technology Services.		\$79,134	R	\$80,000	R
		\$500,000	NR		
		1.00		1.00	
	FY 05-06	FY 06-07			
531211 Salaries	\$ 64,429	\$ 64,429			
531511 Social Security	\$ 4,929	\$ 4,929			
531521 Retirement	\$ 3,747	\$ 3,747			
531561 Med Ins	\$ 3,432	\$ 3,432			
532140 Oth IT	\$ 350,000	\$ 2,565			
532714 Trans Grd In State	\$ 2,597	\$ 898			
534713 PC Software Purchases	\$ 75,000				
534714 Server Software Purchases	\$ 75,000				
1605 Information Technology					
121 Increase IT Operating Funds					
Appropriates funding to support salaries, benefits, and computer equipment for three (3) additional positions: Computing Consultant III (\$38,773), Applications Analyst Programmer I (\$42,307), and Senior Computer Operator (\$28,038).		\$134,107	R	\$134,107	R
		\$28,871	NR		
		3.00		3.00	
	FY 05-06	FY 06-07			
531211 Salaries	\$ 109,118	\$ 109,118			
531511 Social Security	\$ 8,348	\$ 8,348			
531521 Retirement	\$ 6,345	\$ 6,345			
531561 Med Ins	\$ 10,296	\$ 10,296			
534534 PC & Printer Purchases	\$ 24,000				
534713 PC Software	\$ 4,871				
1607 Tax Research					
122 Personnel Adjustments					
Eliminates salary and related benefits of two positions that have been vacant for more than six months: Office Assistant III, #4774-0000-0040-010 (\$29,561); and Statistical Assistant V, #4774-0000-0040-315 (\$29,814).		(\$59,375)	R	(\$59,375)	R
		-2.00		-2.00	

1629 Property Tax**123 New Personnel**

Appropriates funds to establish two (2) Property Tax Valuation Specialist positions. The cost associated with the positions will be reimbursed on a monthly basis through the allowance for administrative cost available per G.S. 105-501 in the year subsequent to the year the cost is incurred. Property tax expenses are reimbursed by the local sales tax at 100%.

\$136,916	R	\$136,916
\$12,000	NR	
2.00		2.00

	FY 05-06	FY 06-07
531211 Salaries	\$ 102,668	\$ 102,668
531511 Social Security	\$ 7,854	\$ 7,854
531521 Retirement	\$ 5,970	\$ 5,970
531561 Med Ins	\$ 6,864	\$ 6,864
532448 Maint Agreement-Software	\$ 460	\$ 460
532714 Trans Grd In State	\$ 9,000	\$ 9,000
532721 Lodging In State	\$ 1,200	\$ 1,200
532724 Meals In State	\$ 1,200	\$ 1,200
532811 Telephone Service	\$ 700	\$ 700
533110 Gen Office Supplies	\$ 1,000	\$ 1,000
534511 Furniture - Office	\$ 9,000	
534534 PC & Printer Purchases	\$ 1,800	
534713 PC Software Purchases	\$ 1,200	

124 Commission Member Per Diem

\$19,700	R	\$43,000
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Section 36, HB 320, Modify 2005 Appropriations Act, S.L. 2005-345, appropriates funding to increase per diem for board members with the chairman receiving \$450 per day and members receiving \$400 per day, effective January 1, 2006. The cost associated with increased compensation for board members will be reimbursed on a monthly basis through the allowance for administrative cost available per G.S. 105-501 in the year subsequent to the year the cost is incurred. Property tax expenses are reimbursed by the local sales tax at 100%.

(HB 320, Section 36)

1660 Examination and Collection**125 Operating Budget Reduction**

(\$3,664,145)	R	(\$3,664,145)
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Adjusts budget with a recurring reduction that is the result of transferring General Fund operations to receipt-support in FY 04-05 using funds from the 20% Collection Assistance Fee in Budget Code 24704-2474.

126 Personnel Transfer

(\$75,339)	R	(\$75,339)
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Transfers salaries and related benefits from General Fund to receipt-support from the 20% Collection Assistance Fee in Budget Code 24704-2472 for two (2) positions: Revenue Administrative Officer I, #4784-0000-0076-593 (\$47,426); and Processing Assistant IV, #4784-0000-0076-598 (\$27,913).

-2.00		-2.00
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127 Revenue Enhancement

Appropriates funds to employ forty-five (45) positions to enhance compliance, enforcement, and debt collection services.

\$2,389,229 R
\$413,805 NR
45.00

\$2,389,229 R
45.00

Collection Personnel

4 Information Processing Tech (CCU-Raleigh) - \$100,144
11 Revenue Officer I (Charlotte) - \$377,124
4 Revenue Officer I (Durham) - \$137,136
2 Revenue Officer I (Fayetteville) - \$ 68,568
4 Revenue Officer I (Greensboro) - \$137,136
2 Revenue Officer I (Hickory) - \$ 68,568
7 Revenue Officer I (Raleigh) - \$239,988
2 Revenue Officer II (Charlotte) - \$ 74,288
1 Revenue Officer II (Durham) - \$ 37,144
1 Revenue Officer II (Greensboro) - \$ 37,144
2 Revenue Officer II (Raleigh) - \$ 74,288
1 Revenue Officer II (CCU-Raleigh) - \$ 37,144

	FY 05-06	FY 06-07
531211 SPA Regular Salaries	\$1,388,672	\$1,388,672
531521 Retirement Cont	\$ 80,751	\$ 80,751
531511 Soc Security Cont	\$ 105,747	\$ 105,747
531561 Med Insurance	\$ 140,712	\$ 140,712
532446 Maint - LAN (switch) Charlotte (1)	\$ 300	\$ 300
532446 Maint - LAN (switch) Greensboro (2)	\$ 600	\$ 600
532446 Maint - LAN (switch) Fayetteville (1)	\$ 300	\$ 300
532447 Maint - PC & Printer (desktop)	\$ 1,542	\$
532447 Maint - PC & Printer (laptop)	\$ 15,708	\$
532448 Maint - PC Software (desktop)	\$ 500	\$ 500
532448 Maint - PC Software (laptop)	\$ 3,600	\$ 3,600
532448 Maint - PC Software (licenses)	\$ 3,600	\$ 3,600
532512 Rent/Lease - Office Bldgs (A)	\$ 36,720	\$ 36,720
532714 Tran/Grd - In - State	\$ 74,000	\$ 74,000
532814 Cellular Svs (smart phone)	\$ 14,350	\$ 14,350
532811 Telephone Svs	\$ 16,800	\$ 16,800
532817 Internet Service Provider	\$ 5,904	\$ 5,904
532818 Data Wiring Svs Charge	\$ 25,000	\$
532819 Telephone Wiring Svs Chg	\$ 25,000	\$
532821 Computer Data Process	\$ 344,400	\$ 344,400
533110 Gen Office Supplies	\$ 20,500	\$ 20,500
534521 Office Equip (calculator)	\$ 4,100	\$
534511 Furniture - Office	\$ 184,500	\$
534528 Voice Comm Equip (phone)	\$ 8,200	\$
534528 Voice Comm Equip (smart phone)	\$ 5,000	\$
534533 LAN Equip (switch) - Charlotte (1)	\$ 5,000	\$
534533 LAN Equip (switch) - Greensboro (2)	\$ 10,000	\$
534533 LAN Equip (switch) - Fayetteville (1)	\$ 5,000	\$
534534 PC & Printer Pur (desktop)	\$ 1,545	\$
534534 PC & Printer Pur (laptop)	\$ 35,280	\$

Revenue

Overview: 2005 Session Fiscal and Budgetary Actions

FY 05-06

FY 06-07

534534 PC & Printer Pur (travel carr)	\$ 3,600	\$
534534 PC & Printer Pur (monitor)	\$ 8,569	\$
534713 PC Software Pur (software)	\$ 16,400	\$
534713 PC Software Pur (license)	\$ 24,600	\$
Subtotal		
Recurring	\$2,237,456	\$2,237,456
Nonrecurring	\$ 379,044	

Processing Support Personnel

1 Information Processing Tech	- \$ 25,036
1 Processing Assistant IV	- \$ 21,576

	FY 05-06	FY 06-07
531211 SPA Regular Salaries	\$ 46,612	\$ 46,612
531511 Soc Security Cont	\$ 3,550	\$ 3,550
531521 Retirement Cont	\$ 2,710	\$ 2,710
531561 Med Insurance	\$ 6,864	\$ 6,864
532447 Maint - PC & Printer (laptop)	\$ 514	\$
532448 Maint - PC Software	\$ 200	\$ 200
532811 Telephone Svs	\$ 700	\$ 700
532817 Internet Service Provider	\$ 288	\$ 288
534511 Furniture - Office	\$ 9,000	\$
533110 Gen Office Supplies	\$ 1,000	\$ 1,000
534528 Voice Comm Equip (phone)	\$ 400	\$
534534 PC & Printer Pur (desktop)	\$ 618	\$
534534 PC & Printer Pur (monitor)	\$ 570	\$
534713 PC Software Pur (software)	\$ 800	\$
534534 PC & Printer Pur (printer)	\$ 3,600	\$
534521 Office Equip (calculator)	\$ 200	\$
Subtotal		
Recurring	\$ 61,924	\$ 61,924
Nonrecurring	\$ 15,702	

Taxpayer Assistance Personnel

2 Revenue Officer I (Durham)	- \$ 68,568
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	FY 05-06	FY 06-07
531211 SPA Regular Salaries	\$ 68,568	\$ 68,568
531511 Soc Security Cont	\$ 5,221	\$ 5,221
531521 Retirement Cont	\$ 3,987	\$ 3,987
531561 Med Insurance	\$ 6,864	\$ 6,864
532447 Maint - PC & Printer (laptop)	\$ 514	\$
532446 Maint - LAN Equip (switch)	\$ 300	\$ 300
532448 Maint - PC Software	\$ 200	\$ 200
532512 Rent/Lease - Office Bldgs (A)	\$ 2,720	\$ 2,720
532811 Telephone Svs	\$ 700	\$ 700
532817 Internet Service Provider	\$ 288	\$ 288
533110 Gen Office Supplies	\$ 1,000	\$ 1,000
534511 Furniture - Office	\$ 9,000	\$
534521 Office Equip (calculator)	\$ 200	\$
534528 Voice Comm Equip (phone)	\$ 400	\$
534533 LAN Equip (switch)	\$ 5,000	\$
534534 PC & Printer Pur (desktop)	\$ 618	\$
534534 PC & Printer Pur (monitor)	\$ 418	\$
534713 PC Software Pur	\$ 800	\$
534534 PC & Printer Pur (printer)	\$ 1,800	\$
Subtotal		
Recurring	\$ 89,848	\$ 89,848

Revenue

Overview: 2005 Session Fiscal and Budgetary Actions

FY 05-06

FY 06-07

Nonrecurring \$ 18,750

(SB 622, Section 22.4)

1662 Taxpayer Call Center

128 Operating Expense Transfer

(\$2,007,624) R (\$2,008,039) R

Transfers 47 positions from General Fund to receipt-support from the 20% Collection Assistance Fee in Budget Code 24704-2472. The positions provide Level I call center support for the Taxpayer Assistance and Collection Center (TACC).

-47.00

-47.00

129 Additional Revenue Enhancement Personnel

\$425,246 R \$425,246 R

Appropriates funding for 15 Processing Assistant IV positions to support work of the new compliance, enforcement, and debt collection personnel in the Examination and Collection Division.

15.00

15.00

	FY 05-06	FY 06-07
531211 SPA Regular Salaries	\$ 323,640	\$ 323,640
531511 Soc Security Cont	\$ 24,646	\$ 24,646
531521 Retirement Cont	\$ 18,820	\$ 18,820
531561 Med Insurance	\$ 51,480	\$ 51,480
532817 Internet Service Provider	\$ 2,160	\$ 2,160
532523 Rent/Lease-Voice Comm Eq (ITS Lease)	\$ 4,500	\$ 4,500

(SB 622, Section 22.4)

1663 Project Compliance

130 Tax Information Initiative

\$250,000 R \$250,000 R

Provides funding to continue the tax information initiative implemented in the 2004 Session that will improve tax compliance rates.

1670 Unauthorized Substance Tax**131 Additional Personnel**

Appropriates funds to establish one (1) Unauthorized Substance (USUB) Tax Enforcement Agent I. The cost associated with the position will be reimbursed on a monthly basis through the allowance for administrative cost available per G.S. 105-501 in the year subsequent to the year the cost is incurred. USUB expenses are reimbursed by the local sales tax at 70% with the General Fund supporting the remaining 30% of funding.

\$61,206	R	\$61,206
\$6,000	NR	
1.00		1.00

	FY 05-06	FY 06-07
531211 Salaries	\$ 43,046	\$ 43,046
531511 Social Security	\$ 3,293	\$ 3,293
531521 Retirement	\$ 4,655	\$ 4,655
531561 Med Ins	\$ 3,432	\$ 3,432
532448 Maint Agreement-Software	\$ 230	\$ 230
532714 Trans Grd In State	\$ 4,500	\$ 4,500
532721 Lodging In State	\$ 600	\$ 600
532724 Meals In State	\$ 600	\$ 600
532811 Telephone Service	\$ 350	\$ 350
533110 Gen Office Supplies	\$ 500	\$ 500
534511 Furniture - Office	\$ 4,500	
534534 PC & Printer Purchases	\$ 900	
534713 PC Software Purchases	\$ 600	

1710 Fuel Tax Compliance**132 Expansion of Revenue Tax Evasion Project**

Provides funding to add nine (9) positions to staff the project that was authorized in the 2004 Session, resulting in a total of nineteen (19) positions. Receipt-support continues for the project with the transfer of funding from the Highway Trust Fund. Total funding for the additional personnel is \$548,633 in FY 05-06 and \$470,701 in FY 06-07.

Positions

1 Processing Unit Supervisor (Gr. 61)	-	\$23,251
1 Processing Assistant V (Gr. 61)	-	\$23,251
1 Information Processing Tech (Gr. 63)	-	\$30,684
4 Revenue Tax Auditor I (Gr. 73)	-	\$148,576
1 Revenue Tax Auditor II (Gr. 75)	-	\$51,334
1 Revenue Admin Officer III (Gr. 78)	-	\$58,803

	FY 05-06	FY 06-07
531211 Salaries	\$ 335,899	\$ 335,899
531511 Social Security	\$ 25,696	\$ 25,696
531521 Retirement	\$ 19,533	\$ 19,533
531561 Med Ins	\$ 30,888	\$ 30,888
532448 Maint Agreement-Software	\$ 0	\$ 1,035
532714 Trans Grd In State	\$ 32,000	\$ 32,000
532721 Lodging In State	\$ 4,000	\$ 4,000
532724 Meals In State	\$ 4,000	\$ 4,000
532811 Telephone Service	\$ 3,150	\$ 3,150
532821 Comp Data Processing	\$ 10,000	\$ 10,000
533110 Gen Office Supplies	\$ 4,500	\$ 4,500
Total Recurring	\$ 469,666	\$ 470,701

532447 Maint Agree - PC/Printer	\$ 2,456
532942 Oth Emp Ed Expenses	\$ 12,881
534511 Furniture - Office	\$ 40,500
534521 Office Equip (calculator)	\$ 900
534534 PC/Printer (laptops & desks)	\$ 12,380
534534 PC/Printer Equipment	\$ 4,450
534713 PC Software Purchases	\$ 5,400
Total Non-Recurring	\$ 78,967

(SB 622, Section 22.3)

Total Legislative Changes	(\$2,310,945)	R	(\$2,287,194)	R
	\$960,676	NR		
Total Position Changes	16.00		16.00	
Revised Budget	\$81,467,175		\$80,673,250	

Special Provisions

2005 Session: HB 320

Department: Revenue

Section: 37

Title: Collection Assistance Fee

Summary Language repeals Section 22.6 of S.L. 2005-276 that amended G.S. 105-243.1 to indicate that the amount of the collection assistance fee would be the actual cost of collection, not to exceed twenty (20%) of the amount of the overdue tax debt.

Section: 36

Title: Property Tax Commission Member Per Diem

Summary This language appropriates funding to increase per diem for board members with the chairman receiving \$450 per day and members receiving \$400 per day, effective January 1, 2006. The cost associated with increased compensation for board members will be reimbursed on a monthly basis through the allowance for administrative cost available per G.S. 105-501 in the year subsequent to the year the cost is incurred. Property tax expenses are reimbursed by the local sales tax at 100%.

Special Provisions

2005 Session: SB 622

Department: Revenue

Section: 22.1

Title: Department of Revenue Debt Fee for Taxpayer Locator Services and Collection

Summary Codifies language to indicate that the Department and State Budget must account for all expenditures that clearly distinguish costs allocated to collecting overdue tax debts from costs allocated to other purposes and must demonstrate that none of the fee proceeds are used for any purpose other than collecting overdue tax debts. Allows the Department to also apply the fee proceeds to payment of postage expense for collecting overdue tax debts, operating expenses for Project Collect Tax [Division] and the Taxpayer Assistance Call Center, and to pay for expenses of the Examination and Collection Division that are primarily and directly related to collecting overdue tax debts. Also, directs the Department to report on the use of the fee proceeds for collecting overdue tax debts by April 1, 2006, and annually thereafter, to the Revenue Laws Study Commission and the Fiscal Research Division.

Section: 22.3

Title: Positions for Revenue Tax Evasion Project

Summary Designates the 10 positions authorized for the project in the 2004 Session as permanent.

Section: 22.4

Title: **Report on Enhanced Compliance, Enforcement, and Collection Efforts**

Summary Directs the department to report on or before April 1, 2006 with a detailed description of the enhanced compliance, enforcement, and debt collection programs and methodologies, and an accounting of additional revenues collected; also to provide an analysis of effectiveness and cost-efficiency; a description of efforts to coordinate and streamline the enhanced programs; and to recommend specific nonbudgetary legislative actions to further enhance these efforts.

Section: 22.5

Title: **Property Tax Commission Per Diem**

Summary Amends G.S. 138-5 to allow the Property Tax Commission to set the salary of the Commission members, effective September 1, 2005.

Section: 22.6

Title: **Collection Assistance Fee**

Summary Amended G.S. 105-243.1 to indicate that the amount of the collection assistance fee would be the actual cost of collection, not to exceed twenty (20%) of the amount of the overdue tax debt.

Section 37 of HB 320, Modify 2005 Appropriations Act, S.L. 2005-345, repealed this section.

Secretary of State

GENERAL FUND

	FY 05-06		FY 06-07
Adjusted Continuation Budget	\$8,568,943		\$8,549,857
Legislative Changes			
1210 Corporations Division			
133 Decrease Budgeted Receipts	\$61,900	R	\$61,900
Reduces budgeted receipts for sale of data tapes to reflect actual receipts. The demand for bulk data through the purchase of data tapes has significantly decreased over the past several years. The budgeted requirements for producing the tapes has been reduced but there has been no corresponding decrease in budgeted receipts. The decrease in budgeted receipts to reflect actual receipts requires a corresponding increase in appropriations.			
1220 Uniform Commercial Code Division			
134 Decrease Budgeted Receipts	\$64,175	R	\$64,175
Reduces budgeted receipts for sale of data tapes to reflect actual receipts. The demand for bulk data through the purchase of data tapes has significantly decreased over the past several years. The budgeted requirements for producing the tapes has been reduced but there has been no corresponding decrease in budgeted receipts. The decrease in budgeted receipts to reflect actual receipts requires a corresponding increase in appropriations.			
1230 Securities Division			
135 Operating Cost Increase	\$89,000	R	\$89,000
Provides funding for new lease costs for the Department's Securities Division. The Department had to enter into a lease for space for its Securities Division when it was required to vacate the Legislative Office Building.			
1300 Notary Public Commission			
136 Electronic Notarization	\$100,000	R	\$100,000
Section 10 of SB 671, Real Property Electronic Recording/Notary Act, S.L. 2005-391, appropriates funds for administration of the act. Funding to support this legislation was not appropriated in SB 622, 2005 Appropriations Act, S.L. 2005-276.			

1XXX Lobbyist Section**137 Lobbyist Registration Enhancement**

Provides funding for additional staff and operating cost for the Lobbyist Registration Section to meet the additional lobbyist registration requirements that result from Senate Bill 612, Amend Lobbying Law, S.L. 2005-456. The funding for the 2005-06 fiscal year will support the development of a more enhanced system for the registration of lobbyists and to maintain the expenditure reports. The funding for the 2006-07 fiscal year will support the following positions: one (1) grade level 75 Lobbyist Director (\$40,516); five (5) grade level 65 Administrative Assistant II positions (\$26,968); and three (3) grade level 61 Processing Assistant IV positions (\$23,251).

\$150,045 NR

\$389,375 R

\$115,326 NR
9.00

Recurring	FY 2005-06	FY 2006-07
531211 Salaries	\$0	\$245,109
531511 Social Security	\$0	\$18,751
531521 Retirement	\$0	\$14,253
531561 Insurance	\$0	\$30,888
5327XX Transportation	\$0	\$6,000
532942 Employee Education	\$0	\$7,200
532811 Telephone Service	\$0	\$1,674
533110 Office Supplies	\$0	\$9,000
532840 Postage	\$0	\$2,500
532512 Rent/Lease-Building/Offices	\$0	\$54,000
Total Recurring	\$0	\$389,375
Nonrecurring		
534711 Computer Software	\$150,045	\$0
532811 Telephone System	\$0	\$7,326
534511 Office Furniture	\$0	\$31,100
534521 Office Equipment	\$0	\$56,200
534534 Computers/Printers	\$0	\$20,700
Total Non-recurring	\$0	\$115,326

Total Legislative Changes

\$315,075 R

\$704,450 R

\$150,045 NR

\$115,326 NR

Total Position Changes

9.00

Revised Budget

\$9,034,063

\$9,369,633

Special Provisions

2005 Session: SB 622

Department: Secretary of State

Section: 23.1

Title: Secretary of State to Reassign Vacant Position

Summary Directs the Department of the Secretary of State to reassign a vacant position from its UCC Division to its General Administration Division to assist with investigations of violations of the State's trademark and charitable solicitation laws.

State Board of Elections

		GENERAL FUND	
		FY 05-06	FY 06-07
Adjusted Continuation Budget		\$4,957,543	\$4,959,307
Legislative Changes			
1100 Administration			
138 Training and Support on Voting Systems			
Provides funding to allow the State Board of Elections to purchase furniture and computer equipment for any additional staff that it may employ, with HAVA Funding, to facilitate the training and support of voting systems utilized by the counties. Facilitation of the training and support of the counties' voting systems by the State Board is a requirement of SB 223, Public Confidence in Elections, S.L. 2005-323.		\$40,000	NR
By special provision, the State Board is directed to develop its plan for facilitating the training and support and to report on that plan and any additional funding requirements by April 1, 2006. (SB 622, Section 23A.2)			
1200 Campaign Reporting			
139 Campaign Reporting IT Support		\$110,000	R
Provides funding to establish one Applications Analyst Programmer I position (\$46,306) to assist in supporting and enhancing the Campaign Finance Management System.		1.00	1.00
	FY2005-06	FY2006-07	
531211 Salaries	\$46,306	\$46,306	
531511 Social Security	\$3,542	\$3,542	
531521 Retirement	\$2,693	\$2,693	
531561 Med Ins	\$3,432	\$3,432	
532143 LAN Support Services	\$54,027	\$54,027	
Total Legislative Changes		\$110,000	R
		\$40,000	NR
Total Position Changes		1.00	1.00
Revised Budget		\$5,107,543	\$5,069,307

Special Provisions

2005 Session: **SB 622**

Department: State Board of Elections

Section: 23A.1

Title: **Amend the Statutes Concerning the North Carolina Public Campaign Fund and Related Statutes**

Summary Amends G.S. 84-34, as amended by S.L. 2005-237, to require every active member of the North Carolina State Bar to pay a surcharge of \$50, effective with membership fees due for 2006, for the implementation of Article 22D of Chapter 163 of the General Statutes. The surcharge is in addition to the annual membership fee that every active member is required to pay. The surcharge is to be sent to the State Board of Elections on a monthly basis.

Amends G.S. 105-41(a)(1) to eliminate the requirement that the Department of Revenue give attorneys an opportunity to contribute \$50 to support the North Carolina Public Campaign Financing Fund when they pay their privilege tax.

Amends G.S. 163-278.63(b) to conform to the changes noted above.

Requires the term "Public Campaign Financing Fund" to read "Public Campaign Fund" wherever the term appears in the General Statutes.

Section: 23A.2

Title: **HAVA Funds for Training**

Summary Amends G.S. 163-82.28 to allow use of funds in the HAVA Election Fund to implement the federal Help America Vote Act of 2002 (HAVA), Public Law 107-252, as well as for purposes permitted by HAVA to comply with State law. Also authorizes the State Board of Elections to use a portion of the funds in the HAVA Fund that have been allocated for the purchase of voting equipment for its cost in facilitating the training and support of the voting systems utilized by the counties as required by SB 223 (S.L. 2005-323). Requires the State Board to develop a plan for facilitating the training and support of the voting systems and to report by April 1, 2006 to the Chairs of the Appropriations Committees of the Senate and the House of Representatives on its plan as well as any additional fundings requirements.

Section: 23A.3

Title: **State Board of Elections Appointments**

Summary Amends G.S. 163-19 to allow, rather than require, the Governor to appoint members to the State Board of Elections from a list of nominees submitted by the State party chairman of each of the two political parties having the highest number of registered affiliates as reflected by the latest registration statistics published by the State Board of Elections. Also amends the statute to allow, rather than require, the Governor to fill a vacancy from a list of three nominees submitted to the Governor by the State party chairman of the political party that nominated the vacating member.

State Budget & Management

GENERAL FUND

	FY 05-06	FY 06-07
Adjusted Continuation Budget	\$4,904,371	\$4,908,931

Legislative Changes

1310 Office of State Budget and Management

140 NEON Maintenance Contract

\$7,000	R	\$7,000	R
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Provides funding to pay for an annual Shadow Web Server maintenance contract. This cost is required for the maintenance of OSBM budget-related, Web-enabled applications located on the State-owned mainframe computer system.

141 Personnel Increases

\$105,864	R	\$105,864	R
\$2,500	NR	\$0	NR
2.00		2.00	

Provides funding to establish one Standard Level Analyst for the Justice and Public Safety (JPS) Section at a salary of \$48,321 and one Standard Level Analyst for the Education and Transportation sections at a salary of \$38,772. The JPS Analyst will assist in the budget preparation, administration, and oversight for the Administrative Office of the Courts and for the Departments of Crime Control and Public Safety, Justice, Correction, Indigent Defense, and Juvenile Justice. The time and effort for the second position will be devoted to the Education Section (50%) and to the Transportation Section (50%) to assist in the budget preparation, administration, and oversight for the University System, the Department of Public Instruction, the North Carolina Community College System and for the Department of Transportation, the Highway Fund, and the Highway Trust Fund.

Recurring	FY2005-06	FY2006-07
531211 SPA Regular Salaries	\$87,093	\$87,093
531511 Social Security	\$6,663	\$6,663
531521 Retirement	\$5,064	\$5,064
531561 Medical Insurance	\$6,864	\$6,864
Total Recurring	\$105,684	\$105,684

Nonrecurring	
534511 Furniture - Office	\$700
534534 PC & Printer Purchases	\$1,800

1900 Reserve**142 Reserve for Military Support**

Section 1A.1 of SB 1117, Military Support Act, S.L. 2005-445, appropriates funding in FY 2006-07 to a Reserve for the Military Morale, Recreation, and Welfare Fund to be distributed to each military installation on a per capita basis. Funding to support this legislation was not appropriated in SB 622, 2005 Appropriations Act, S.L. 2005-276.

\$1,000,000 N

Total Legislative Changes

\$112,864 R

\$112,864

\$2,500 NR

\$1,000,000 N

Total Position Changes

2.00

2.00

Revised Budget

\$5,019,735

\$6,021,795

Special Provisions

2005 Session: SB 622

Department: State Budget & Management

Section: 24.1

Title: **NC Humanities Council**

Summary Directs the Humanities Council to report annually on its activities and planned activities.

State Budget & Management - Special Appropriations

GENERAL FUND

	FY 05-06	FY 06-07
Adjusted Continuation Budget	\$3,180,000	\$3,180,000
Legislative Changes		
1022 2005 Special Appropriations		
143 Town of Yanceyville		
Provides funding for capital improvements in the Maud Gatewood Park. (HB 1661)	\$5,000	NR
144 The Health Adventure, Inc.		
Provides funds for expansion planning. (HB 1192)	\$25,000	NR
145 Phi Omega, Incorporated		
Provides renovation funds for housing for the elderly.	\$10,000	NR
146 Oxford Community Project, Inc.		
Provides funds for operations and for educational programs.	\$50,000	NR
147 Cumberland Community Foundation, Inc.		
Provides funding for Eastover Civic Center renovation and community involvement activities.	\$7,000	NR
148 Wilmington Road Improvement Group		
Provides funds for community revitalization.	\$10,000	NR
149 Town of Burgaw		
Provides capital funds for train depot. (HB 1597)	\$20,000	NR
150 Northampton County Education Foundation, Inc.		
Provides funds for operating expense. (HB 1696)	\$5,000	NR
151 Winston-Salem NAACP		
Provides funds for a computer lab and learning center	\$30,000	NR

Overview: 2005 Session Fiscal and Budgetary Actions

FY 05-06

FY 06-07

152 City of Washington

Provides funds for Beebe Park, a park for family, community, and civic events. (HB 1557)

\$100,000 NR

153 Mountain Projects, Inc.

Provides funding to refurbish Canton Senior Center destroyed by flood. (HB 1626)

\$20,000 NR

154 Yancey County

Build a construction trades facility for the Construction Trades Job Training Collaborative Project, which involves Mountain Heritage High School and Habitat for Humanity. (HB 1590)

\$15,000 NR

155 Jackson County

Provides capital funding for a new senior center. (HB 983)

\$25,000 NR

156 Town of Bolton

Provides a grant-in-aid to the town to renovate the old fire department for use as a Town Hall. (HB 1647)

\$40,000 NR

157 Town of St. Pauls

Provides a grant-in-aid to the town to assist with the renovation of the R.E. Hooks Community Building that is owned by the town. The scope of the work includes landscaping, a new kitchen, restrooms, floor covering, and repairs to the plumbing, electrical, heating, and air conditioning systems.

\$40,000 NR

158 Town of Whitaker

Provides a grant-in-aid to the town for updates to its code enforcement book and ordinance book.

\$10,000 NR

159 Town of Parkton

Provides a grant-in-aid to the town to assist with the renovation of the Town Hall. The scope of the work includes new restrooms, carpentry repairs, painting, landscaping, etc.

\$5,000 NR

160 Town of Beulaville

Provides funding to the town for the renovation and conversion of the old Beulaville Elementary School and the subsequent relocation of the Beulaville Town Hall.

\$75,000 NR

161 Town of Louisburg

Provides a grant-in-aid to the town to complete the final leg of the Bunn Road to Depot Hill bicycle path in Louisburg.

\$50,000 NR

162 Bladenboro Historical Association

Provides capital funding as a grant-in-aid in FY 2005-06 for the Bladenboro Historical Building.

\$50,000 NR

163 Town of Gibson

Provides a grant-in-aid to the town to assist with the renovation of the old town train depot station. The building will be used for the Tower Hall, community building, adult classrooms, etc.

\$5,000 NR

164 Robeson County

Provides capital funds to the Pembroke Prospect Drainage District. (HB 1398)

\$50,000 NR

165 Madison County

Provides funds for a new arena and fairgrounds for the Madison Agricultural Complex and Fairgrounds.

\$10,000 NR

166 Town of Enfield

Provides a grant-in-aid to the Town for its community center and to update its code enforcement book and ordinance book.

\$40,000 NR

167 Rockingham County

Provides funding for a two-ring 400 stall Equestrian Center. (HB 1690)

\$1,000,000 NR

168 Town of Oak City

For repairs and renovations of facility to house senior center activities and community meetings.

\$10,000 NR

169 Hollywood Heights Community Club, Inc.

Provides a grant-in-aid to the Hollywood Heights Community Club, Inc., a nonprofit organization, for community association improvements. (HB 1677)

\$15,000 NR

170 Caswell Soccer Complex Funds

Provides a grant-in-aid to Caswell County Recreation Commission, Inc., a nonprofit organization, for capital improvements to the soccer complex for youth athletic activities in Caswell County. (HB 1676)

\$5,000 NR

171 The Lynnwood Foundation

Provides funds to support the building of collaborative leadership.

\$100,000 NR

172 Martin Luther King, Jr. Park

Provides capital funds to the Fayetteville/Cumberland County Dr. Martin L. King, Jr. Committee as a grant-in-aid for a museum at the Martin Luther King Park.

\$30,000 NR

173 Durham County

Provides operating and programming support for sentencing services.

\$50,000 NR

174 Haliwa-Saponi Tribe, Incorporated

Provides funds to build a community center to benefit the citizens of Warren County. (HB 1252)

\$100,000 NR

175 71st Township Civic Improvement

Provides a grant-in-aid to Cumberland County to be allocated to the 71st Township Civic Improvement Association for civic, cultural, and senior citizen activities. (HB 1677)

\$10,000 NR

176 Pitt County Council on Aging

Provides funds to the Pitt County Council on Aging for construction of a multipurpose facility serving the aging population.

\$50,000 NR

177 Scotland County

Provides funds to Scotland County for the Parks and Recreation Department.

\$5,000 NR

178 Montgomery County

Provides a grant-in-aid for the Old County Home Cemetery Fund. (HB 1574)

\$20,000 NR

179 Charlotte-Mecklenburg Urban League, Inc.

Provides funding to study health disparities, minority economic development, and the presentation of the African-American Leadership Summit.

\$100,000 NR

180 ACC Hall of Champions

Provides a grant-in-aid to the City of Greensboro for the establishment of an Atlantic Coast Conference Hall of Champions. (SB 829 and HB 594)

\$2,000,000 NR

181 Southern Documentary Fund

Provides a grant-in-aid to The Southern Documentary Fund, a nonprofit organization, to promote documentary and educational media.

\$25,000 NR

182 African American Museum of Sports

Provides a grant-in-aid to the Legacy Basketball Classic Foundation, a nonprofit organization, to plan and develop the National African American Museum of Sports, a unique tourism attraction that would aid in the development of West Charlotte. (HB 1728)

\$100,000 NR

183 NC Humanities Council

Provides funding for the operations of the Teachers' Institute which is operated by the NC Humanities Council. (HB 1232)

\$50,000 NR

184 East Stokes Community Center, Inc.

Provides a grant-in-aid to the community center for repairs.

\$5,000 NR

185 Central Intercollegiate Athletic Association

Provides a grant-in-aid for tourism and marketing.

\$500,000 NR

186 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 to implement new Kids Voting programs in non-participating counties across the State. The remaining \$200,000 shall be divided on the basis of the North Carolina Department of Public Instruction's Average Daily Membership with a minimum of \$2,500 for the following counties: Buncombe, Cabarrus, Catawba, Clay, Cumberland, Durham, Greene, Guilford, Haywood, Henderson, Iredell, Jackson, Madison, Mecklenburg, New Hanover, Onslow, Randolph, and Wake to assist those counties with their Kids Voting programs. (SB 690 and HB 895)

\$250,000 NR

1023 Fire Protection Grant Fund**187 Fire Protection Grants-in-Aid**

Increases funding for the Fire Protection Grants-in-Aid program. New State-owned buildings have been constructed statewide, and this increase will provide additional grants-in-aid to local fire fighting districts that provide fire protection and other services for these new facilities.

\$800,000 R \$800,000

1900 Reserves and Transfers**188 Reserve for Rent Expenses**

Provides funding to establish a reserve for rent for State agencies with office space in the Polk Building in Charlotte. The Polk Building has been sold and the agencies in that building are required to relocate. Also provides nonrecurring funding to cover the relocation expenses of the agencies moving from the Polk Building as well as for the relocation expenses of State agencies that will be affected by the anticipated sale of the Blount Street properties in Raleigh.

\$1,131,429 R \$1,131,429
\$1,125,000 NR

Total Legislative Changes

\$1,931,429 R \$1,931,429
\$6,247,000 NR

Total Position Changes**Revised Budget**

\$11,358,429 \$5,111,429

Special Provisions

2005 Session: SB 622

Department: State Budget & Management - Special Appropriations

Section:

Title: (No Special Provisions Reported)

Summary

State Controller

GENERAL FUND

	FY 05-06		FY 06-07
Adjusted Continuation Budget	\$9,960,527		\$9,966,970
Legislative Changes			
1000 Administration			
189 Additional Personnel	\$77,541	R	\$77,541
Appropriates funding for the addition of an Internal Control position to conduct on-site compliance reviews, prepare reports based on the findings, and perform follow-up on State property incident reports when warranted.	\$5,200	NR	
	1.00		1.00
	FY 05-06	FY 06-07	
531112 Salaries	\$ 58,803	\$ 58,803	
531511 Social Security	\$ 4,498	\$ 4,498	
531521 Retirement	\$ 3,419	\$ 3,419	
531561 Med Ins	\$ 3,432	\$ 3,432	
532447 Maint Agree-PC & Printer	\$ 300	\$ 300	
532448 Maint Agree-PC software	\$ 300	\$ 300	
532714 Trans Grd In State	\$ 1,725	\$ 1,725	
532721 Lodging In State	\$ 2,977	\$ 2,977	
532724 Meals In State	\$ 1,586	\$ 1,586	
533110 Gen Office Supplies	\$ 500	\$ 500	
534534 PC & Printer Purchases	\$ 5,200		
Total Legislative Changes	\$77,541	R	\$77,541
	\$5,200	NR	
Total Position Changes	1.00		1.00
Revised Budget	\$10,043,268		\$10,044,511

Special Provisions

2005 Session: **SB 622**

Department: State Controller

Section: 25.1

Title: **Overpayments Project**

Summary Continues language to extend the Overpayments Project through the 2005-07 Biennium. OSC may continue to use \$200,000 each fiscal year for data processing, debt collection, or e-commerce costs. All funds in the Special Reserve Account that are available on July 1 of each year will continue to be transferred to the General Fund. The State Controller will maintain quarterly reporting to the Joint Legislative Commission on Governmental Operations.

Treasurer

GENERAL FUND

	FY 05-06	FY 06-07
Adjusted Continuation Budget	\$8,222,117	\$8,228,365

Legislative Changes

1310 Local Government Operations

190 Information Technology Enhancements

Provides funding to perform feasibility studies along with the development of the requirements of a new document imaging system and a new debt management system. The funds will be used to hire consultants to: 1) document current business processes and workflows, 2) prepare business and technical requirements for the new systems, 3) prepare a request for proposals, 4) research and provide a list of potential vendors, 5) develop a high level project plan, 6) develop a high level risk analysis, and 7) develop an estimated budget for the implementation of these 2 systems. Of the total provided, \$150,000 is for the document imaging system and \$250,000 is for the debt management system.

\$400,000 NR

1410 Retirement Systems Division**191 Operating Budget to Support Administration of 401K**

Authorizes the use of receipts for the salaries and benefits of one Administrative Officer III position as well as for operating cost to support the position. The position will be responsible for overseeing the 401(k) Supplemental Retirement Plan, its investments, and its third party administrator. The operating funds will also be used to provide an independent review of the investment performance of the program each year as well as actuarial and legal fees.

The receipts will also fund a proportionate share of existing costs that are attributable to the 401(k) Plan. Specifically, the Department shall shift 5% of the salary and benefits of the Retirement Systems Divisions Director (\$5,878) and its Communication Manager (\$2,726) from Retirement System receipts to 401(k) Plan receipts.

Recurring	FY 2005-06	FY 2006-07
531212 Salaries	\$52,202	\$52,202
531512 Social Security	\$3,994	\$3,994
531522 Retirement	\$3,036	\$3,036
531562 Medical Insurance	\$3,776	\$3,776
532120 Financial/Audit Services	\$86,292	\$86,292
532714 Transportation	\$3,500	\$3,500
532724 Meals	\$1,500	\$1,500
535830 Other Admin. Exp.	\$3,700	\$3,700
Total Recurring	\$158,000	\$158,000

Non-recurring	
534500 Equipment	\$2,000

Receipts to support the operating budget will come from amounts collected by the third-party administrator for the 401(k) Plan.

192 Training Staff for Retirement System Employees

Authorizes use of \$128,341 in Retirement System receipts to provide training for Retirement System Division employees. The receipts shall be used to establish a Staff Development Director position (\$51,683) and a Staff Developer position (\$47,297) as well as to fund the reclassification of an existing Counselor position to a Staff Developer position (\$8,081).

Recurring	FY 2005-06	FY 2006-07
531212 Salaries	\$107,061	\$107,061
531512 Social Security	\$8,190	\$8,190
531522 Retirement	\$6,226	\$6,226
531562 Medical Insurance	\$6,864	\$6,864
Total	\$128,341	\$128,341

193 Information Technology Project/ 2005-07 Biennium

Authorizes the use of receipts on a nonrecurring basis from the Retirement Fund for the final two phases of the Retirement Systems Division's Information Technology project (ORBITS).

ORBITS Project	FY2005-06	FY2006-07
5321XX	\$6,528,742	\$4,209,349
5324XX	\$1,086,838	\$739,216
5325XX	\$129,600	\$129,600
5345XX	\$596,300	\$396,300
5347XX	\$35,350	\$35,350
Total	\$8,376,830	\$5,509,815

Also authorizes the use of receipts on a recurring basis to establish two Applications Analyst Programmer II positions (\$58,803 each) to help develop the new system and maintain the system once the project is completed.

Salaries/Fringes	FY2005-06	FY2006-07
531212 Salaries	\$117,606	\$117,606
531512 Social Security	\$8,997	\$8,997
531522 Retirement	\$6,839	\$6,839
531562 Med Ins	\$6,864	\$6,864
Total Recurring	\$140,306	\$140,306

No General Funds are required to fund this project. (SB 622, Sections 27.1 and 27.2)

1510 Financial Operations Division**194 Personnel Increase**

Provides funding to establish a Debt Service Accounting position to properly account for the increased activity in the debt service area. With the substantial increased amount of debt that the State has issued and the complexity of the debt instruments, it has become very difficult to manage the increased workload with the current staffing levels.

\$67,478	R	\$67,478	F
\$1,000	NR		
1.00		1.00	

Recurring	FY2005-06	FY2006-07
531212 Salaries	\$56,181	\$56,181
531512 Social Security	\$4,298	\$4,298
531522 Retirement	\$3,267	\$3,267
531562 Med Insurance	\$3,432	\$3,432
533110 Gen Office Supplies	\$300	\$300
Total Recurring	\$67,478	\$67,478

Nonrecurring	
534511 Furniture-Office	\$1,000

The General Fund will be reimbursed from a non-tax revenue source for the amount of the appropriation.

Total Legislative Changes	\$67,478	R	\$67,478	R
	\$401,000	NR		
Total Position Changes	1.00		1.00	
Revised Budget	\$8,690,595		\$8,295,843	

Special Provisions

2005 Session: SB 622

Department: Treasurer

Section: 27.1

Title: Report on the Status of the Technology Infrastructure Enhancements

Summary Directs the Department of the State Treasurer to report to the Joint Legislative Commission on Governmental Operations on the status of the information technology project which replaces the multitude of IT systems with an integrated system for all the retirement plans and other programs administered by the Retirement Systems Division. The Department is to report semiannually by October 1 and April 1 until the enhancements are fully implemented.

Section: 27.2

Title: Staffing Analysis Follow -Up

Summary Directs the Office of State Budget and Management to conduct semiannual follow-up analyses to the staffing analysis of the Retirement Systems Division that was completed in April 2003. The semiannual analyses are to be conducted throughout the implementation of the enhancements to the Retirement Systems Division's IT systems.

Section: 27.3

Title: Treasurer Report on State Investment Officer Position Incentive Bonus

Summary Adds a new section to G.S. 147-69.3 to require the State Treasurer to report the incentive bonus paid to the Chief Investment Officer by October 1 of each year. The report is to be made to the Joint Legislative Commission on Governmental Operations.

Treasurer - Retirement for Fire and Rescue Squad Workers

GENERAL FUND

	FY 05-06		FY 06-07	
Adjusted Continuation Budget	\$8,146,179		\$8,146,179	
Legislative Changes				
1412 Gen. Fund Contribution to Fire Pension Fund				
195 Increase Retirement Benefits	\$405,278	R	\$405,278	R
Increases the benefits in the Firemen's and Rescue Squad Workers' Pension Fund from \$161 to \$163 per month for retirees and future retirees effective July 1, 2005. (SB 622, Section 29.26)				
1432 Line of Duty Death Benefit				
196 Increase Death Benefit Funding	\$100,000	R	\$100,000	R
Increases the funding for death benefits paid, pursuant to G.S. § 143-12A, to survivors of eligible persons killed in the line of duty. (SB 622, Section 29.30C)				
197 Death Benefit for Part-Time LEO	\$100,000	NR		
Section 2 of SB 148, Death Benefit for Part-Time Law Enforcement Officers, S.L. 2005-376, extends the death benefit to part-time LEO with an appropriation to implement the benefit in FY 2005-06. Funding to support this act was not appropriated in SB 622, 2005 Appropriations Act, S.L. 2005-276.				
Total Legislative Changes	\$505,278	R	\$505,278	R
	\$100,000	NR		
Total Position Changes				
Revised Budget	\$8,751,457		\$8,651,457	

Special Provisions

2005 Session: SB 622

Department: Treasurer - Retirement for Fire and Rescue Squad Workers

Section:

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

Summary

TRANSPORTATION

**GENERAL FUND,
HIGHWAY FUND**

&

**HIGHWAY TRUST FUND
APPROPRIATIONS**

Transportation

GENERAL FUND

	FY 05-06		FY 06-07
Recommended Budget	\$12,027,377		\$12,945,066
Legislative Changes			
(1200) Airport Grants			
1 Reduction in Grants			
Reduces airport grants to \$11,284,198 in FY 2006. This is an increase of \$109,454 over funding in FY 2005.	(\$743,179)	NR	
2 Transfer Support to Highway Fund	(\$11,284,198)	R	(\$12,945,066) R
This reduction is one part of a two step process to shift support of the aviation grant program from the General Fund to the Highway Fund.			
General Fund Appropriations			
3 City of Lumberton			
Provides funding to the City of Lumberton for the construction of a new hangar at the Lumberton Municipal Airport to provide storage for aircraft and staging of pilot training during the 2005 Aviation School.	\$200,000	NR	
Total Legislative Changes	(\$11,284,198) R		(\$12,945,066) R
	(\$543,179) NR		
Total Position Changes			
Revised Budget	\$200,000		\$0

Transportation

HIGHWAY FUND

	FY 05-06		FY 06-07
Recommended Budget	\$1,399,158,973		\$1,401,940,921
Legislative Changes			
(0041) Aeronautics			
4 Transfer Support from General Fund	\$11,284,198	R	\$12,945,066
This increase is the second part of a two step process to shift support of the aviation grant program from the General Fund to the Highway Fund.			
5 Airline Recruitment Program	\$350,000	R	\$350,000
Provides funding for an incentive program to attract and retain improved airline services at North Carolina's eleven non-hub airports, where airline passenger traffic levels have been declining due to financial instability among major carriers.			
(0863) Leaking Underground Storage Tank Fund			
6 Statutory Adjustment	\$156,750	R	\$483,777
In accordance with G.S.105-119.18, an adjustment based on estimated gallons of motor fuel sold is necessary to bring the Leaking Underground Storage Tank Fund allocation in line with current forecasts. The increase for FY 2006 brings total Highway Fund support for the program under this statute to \$6,010,286 in FY 2006.			
(0866) State Highway Patrol			
7 Sharing of Weigh-In-Motion Data	\$40,500	NR	
Provides funds so that the Highway Patrol can access data collected by DOT at all existing weigh-in-motion sites.			
8 Civilian Weight and Vehicle Safety Inspection Teams	\$205,890	NR	\$147,448
Provides funding for four Grade 58 Data Collector II positions to staff a pilot program to increase the effectiveness of Motor Carrier Enforcement Officers operating remotely from permanent weigh station facilities.			
9 VIPER (Voice Interoperable Communications Plan for Emergency Responders)	\$51,087	R	\$51,087
Provides funding to continue the deployment of the VIPER Strategic 800 MHZ statewide system. In addition to funding for equipment, funding is also provided for a Network Control Technician I.			
	\$8,000,000	NR	

Overview: 2005 Session Fiscal and Budgetary Actions

	FY 05-06		FY 06-07	
10 Motor Carrier Position Transition	\$2,488,986	R	\$2,488,986	R
Provides funds to train and transition all filled Motor Enforcement Officer positions so that they have the same level of arrest authority and pay as other troopers.	\$482,829	NR		
11 Additional Troopers	\$550,000	R	\$550,000	R
Provides funding to increase by ten the number of State Trooper positions for the North Carolina Highway Patrol. The addition of trooper positions will help the SHP advance its mission by promoting safe and efficient transportation for all motorists traveling through North Carolina.	\$450,000	NR		
(0867) DPI - Driver Training Program				
12 Adjust Driver Education Funding	(\$607,524)	R	(\$615,156)	R
Provides funds for a ninth grade average daily membership (ADM) of 132,780 in FY 2006 and 133,580 in FY 2007 at a level of \$240 per ADM. With this reduction, Highway Fund support for Driver Education in FY 2006 will be \$31,867,200.				
(0868) Transfer to General Fund				
13 Suspend Payment in Lieu of Sales Tax				
Ongoing transfer to the General Fund is suspended for the biennium to compensate the Highway Fund for revenues lost to Fines and Forfeitures Fund.	(\$16,166,400)	NR	(\$16,166,400)	NR
(0869) Global TransPark				
14 Global TransPark	\$1,600,000	R	\$1,600,000	R
Provides funding for the Global TransPark Authority.				
(0871) Employer's Retirement Contribution				
15 Retirement System Contributions	\$683,400	R	\$683,400	R
Increases the State's contribution for FY 2006 and 2007 to provide a 2.0% cost-of-living adjustment to retirees of the Teachers' and State Employees' Retirement System. This adjustment is funded in part with actuarial gains within the Retirement System.				
16 Disability Income Plan	\$13,500	R	\$13,500	R
Additional amount needed in recurring funds for each year of the biennium to restore the reduction made during FY 2005. This increases the State's contribution from 0.445% to 0.52% of payroll as recommended by the Plan's actuary to ensure the Plan is adequately funded.				

(0872) Employer's Contributions - Death Benefit**17 Death Benefit Trust**

\$54,200	R	\$54,200
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Additional amount needed, after an adjustment to the Continuation Budget in the amount of \$589,000 in recurring funds for each year of the biennium, to restore the reductions made during the 2003-2005 biennium. This restores the State's contribution of 0.16% of payroll as recommended by the Plan's actuary to ensure the Plan is adequately funded.

(0873) Salary Increase**18 State Funded Compensation Increase**

\$10,364,000	R	\$10,364,000
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Provides funds to support the greater of an \$850 flat amount or a 2% salary increase for full-time permanent employees supported with Highway Fund appropriations.

(0882) Reserve for Visitor Centers**19 Increase Funding**

\$25,000	R	\$25,000
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Provides \$25,000 in funding to support the visitor center in Transylvania County. These funds may be used for capital improvements. See Section 38 of HB 320, Modify 2005 Appropriations Act, SL 2005-345.

(0885) State Health Plan**20 Premium Increase**

\$5,070,000	R	\$6,661,000
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Effective October 1, 2005, provides a 12.3% premium increase to the Plan and provides additional funding to continue non-contributory health benefit coverage for active and retired employees. The remaining financial support to keep the Plan solvent through the 2005-2007 biennium will come from increased fully contributory premiums paid by employees and retired employees to cover their families under the Plan, a reduction in the Plan's benefits, and cost containment actions implemented by the Executive Administrator of the Plan.

(0934) Reserve for General Maintenance**21 Cover Unreimbursed Maintenance Expenditures for Emergency Relief**

\$23,400,000	NR	
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Of funds DOT has expended in previous years on emergency relief for hurricane and ice storm damage, roughly \$80 million will not be reimbursed by federal agencies. Funds are appropriated to partially address this \$80 million shortfall.

FY 05-06**FY 06-07****22 Increase Funding**

Provides additional funds to help bring highway infrastructure up to an acceptable level of service and to address significant increases in costs of highway construction materials. These funds are in addition to the continuation budget for maintenance, which amounts to \$614,793,288.

\$71,000,000 R
\$66,521,251 NR

\$71,000,000 R

(7025) Information Technology**23 Online Dealer Registration Enhancement**

Provides funding to enhance the existing Online Dealer Registration System to allow motor vehicle dealers the option of performing titling and registration services on-site. The enhancement would allow the department to write its own client-server/internet application to interface with the mainframe and replace the present outsourced application resulting in savings and service level improvements. The State CIO has approved \$200,000 for a planning project, with a "gate" approval in the project approval and reporting process before allowing the implementation to begin.

\$200,000 R
\$600,000 NR

24 Document Management System

Document management refers to the storage, retrieval, tracking and administration of documents within an organization. The term applies to electronic documents and paper-based documents that have been converted to electronic form. Funding is provided for a feasibility study and pre-implementation preparation for a document management system to improve and streamline information access throughout the entire department. The State CIO has approved \$500,000 for a planning project, with a "gate" approval in the project approval and reporting process before allowing the implementation to begin.

\$500,000 NR

25 Email Replacement

Provides funding to replace the Department of Transportation's aging and obsolete email system. The current vendor, Netscape, has stopped supporting the email system, the operating system behind it, and the application software. The State CIO has approved \$300,000 for a planning project, with a "gate" approval in the project approval and reporting process before allowing the implementation to begin.

\$550,000 R \$550,000 R

26 Desktop Computer Replacement

The Information Technology Division provides technology support for approximately 8,000 computers within the department. Because of the large number of existing computers, a four year rotation is planned, resulting in one fourth of all computers being replaced each year. This provides the necessary funding.

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

27 Verification of Customer Identification System

Provides funding for hardware and software at local DMV offices to access national databases for validating identification of people applying for driver licenses. The application will be outsourced through a competitive bidding process under the auspices of the State IT Purchasing Office. The department must follow the State CIO's project approval and reporting process, including procurement review and approval. Also the department must follow applicable new and emerging homeland security requirements.

\$1,272,000 NR

\$300,000

28 Automated Driver License Testing Systems

The Driver License section has installed automated testing systems in 45 of its busiest offices and will have additional systems installed in 23 more offices by spring of 2005. Provides additional funds to install the system in 34 more sites that are small to medium in customer volume. This will provide automated testing systems for every office that has two or more examiners.

\$185,100 R
\$811,760 NR

\$287,100

29 System to Stagger Commercial and Dealer Plates (Senate Bill 1083)

Senate Bill 1083, ratified in 2004, mandated the staggered issuance of commercial license plates, dealer license plates, and motor vehicle dealer plates expire on the same date, December 31 for commercial plates and June 30 for dealer plates. The mandated change goes into effect January 1, 2006, and additional funds are provided to accommodate the changes. The department must follow the State CIO's project approval and reporting process. Accordingly, the department must receive approval of a planning project and must also receive a "gate" approval before proceeding to the implementation phase.

\$1,280,000 NR

\$150,000

(7030) General Services**30 Mail Room Expenses**

Provides additional funds to match expenditures for the mail room at DMV. The General Services Division administers the mail room services for the Division of Motor Vehicles. All driver license renewal notifications, vehicle registration renewals, and all other DMV related correspondence are processed by this division.

\$900,000 R

\$900,000

31 Division of Motor Vehicles Printing Contract

\$537,500

R

\$1,075,000

R

The department's printing and finishing operations are managed by the General Services Division, with the exception of the contract printing and limited finishing services located at the DMV headquarters. The contract for the printing and finishing services expired at the end of 2004. Bids are being solicited for renewal of the existing contractual services in addition to new and expanded services. Provides funding to fully fund the services, including the expanded requirements for additional printing and finishing.

(7812) Secondary Roads**32 Statutory Adjustment**

\$910,000

R

\$1,650,000

R

In accordance with G.S. 136-44.2A, an adjustment based on estimated gallons of motor fuel sold is necessary to bring the Secondary Roads Construction allocation in line with current forecasts. This increase brings total Highway Fund support for the program to \$91,910,000 in FY 2006.

(7813) Small Construction**33 Increase Funding**

\$7,000,000

R

\$7,000,000

R

Provides additional funds to bring the total recurring budget for small construction to \$21,000,000, consistent with funding levels for FY 2005. Nonrecurring funds are provided for economic development, spot safety or Transportation Improvement Program projects.

\$28,000,000

NR

(7824) Contract Resurfacing**34 Increase Funding**

\$29,000,000

R

\$29,000,000

R

Contract resurfacing is a major component of the State effort to maintain and preserve the State highway infrastructure. Of the \$614,793,288 continuation budget for maintenance, \$157,208,316 is for contract resurfacing. This action increases the contract resurfacing budget to \$186,208,316.

(7825) Ferry Operations**35 Funds for Maintenance Facility**

\$1,000,000

R

\$1,000,000

R

Provides additional funds for the ferry maintenance facility to bring Highway Fund support for the Ferry Division to \$21,264,811.

(7829) Rail Program**36 Piedmont and Carolinian Operating Support**

\$777,000

R

\$1,570,000

R

Increases operating support.

37 Grants to Short Line Railroads

Creates a state grant program for rehabilitation projects that will strengthen North Carolina's short line infrastructure.

\$1,000,000 NR

(7831) Public Transportation**38 Reduction in New Start Regional Transit Projects**

Delays in federal funding for the Triangle Transit Authority allow the State to postpone providing matching funds. These funds were included in the \$89,866,447 continuation budget for the Public Transportation program.

(\$23,400,000) NR

(7836) State Aid to Municipalities**39 Statutory Adjustment**

In accordance with G.S.136-41.1, an adjustment based on estimated gallons of motor fuel sold is necessary to bring the Aid to Municipalities allocation in line with current forecasts. This increase brings total Highway Fund support for the program to \$91,910,000 in FY 2006.

\$910,000 R \$1,650,000 F

Total Legislative Changes

\$145,853,197 R \$152,986,960 F

\$92,997,830 NR (\$16,018,952) NF

Total Position Changes**Revised Budget**

\$1,638,010,000 \$1,538,908,929

Transportation

		HIGHWAY TRUST FUND	
		FY 05-06	FY 06-07
Recommended Budget		\$1,076,190,000	\$1,100,330,000
Legislative Changes			
(6002) Program Administration			
40 Funds for Highway Trust Fund Administration		\$647,520	\$1,353,180
Adjusts continuation budget based on revised revenue estimates. With this adjustment, program administration in FY 2006 will be \$41,295,740.		R	R
(6003) Transfer to General Fund			
41 Transfers Funds to General Fund		\$19,500,000	\$30,100,000
Increases General Fund transfer to reflect the forgiving of the \$125 million loan to the General Fund and the consequent elimination of debt service payments. With this adjustment, the transfer in FY 2006 will be \$252,558,117.		R	R
(9050) Intrastate System			
42 Funds for Intrastate System		(\$1,925,108)	\$2,575,151
Adjusts continuation budget, consistent with statutory formulas, to reflect new revenue estimates and changes in the amount transferred from the Highway Trust Fund to the General Fund. With these changes, the budget will be \$472,112,366 in FY 2006.		R	R
(9052) Secondary Road Construction			
43 Funds for Secondary Highway Construction		(\$201,989)	\$270,193
Adjusts continuation budget, consistent with statutory formulas, to reflect new revenue estimates and changes in the amount transferred from the Highway Trust Fund to the General Fund. With these changes, the budget will be \$86,825,599 in FY 2006.		R	R
(9054) Urban Loops			
44 Funds for Urban Loops		(\$778,434)	\$1,041,283
Adjusts continuation budget, consistent with statutory formulas, to reflect new revenue estimates and changes in the amount transferred from the Highway Trust Fund to the General Fund. With these changes, the budget will be \$190,902,579 in FY 2006.		R	R

(9060) Aid to Municipalities**45 Funds for Aid to Municipalities**

(\$201,989) R \$270,193

Adjusts continuation budget, consistent with statutory formulas, to reflect new revenue estimates and changes in the amount transferred from the Highway Trust Fund to the General Fund. With these changes, the budget will be \$49,535,599 in FY 2006.

Total Legislative Changes

\$17,040,000 R \$35,610,000

Total Position Changes**Revised Budget**\$1,093,230,000 \$1,135,940,000

Special Provisions

2005 Session: **SB 622**

Department: Transportation

Section: 28.1

Title: Remove Gov Ops Consultation on Federal-Aid Acts

Summary Changes a consultation requirement regarding the construction of certain federal-aid projects to a reporting requirement.

Section: 28.2

Title: Transportation Services for Trade Shows

Summary Provides that DOT may use up to \$1,200,000 in each year of the biennium for transportation services for annual or semiannual trade shows of international significance.

Section: 28.3

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: 28.4

Title: Small Construction and Contingency Funds

Summary Provides that \$21 million dollars shall be allocated equally among the 14 highway divisions for small construction projects and that \$15 million shall be used statewide for rural or small urban highway improvements and related transportation enhancements.

Section: 28.5

Title: Use of Excess Overweight/Oversize Fees

Summary Codifies authority to use these funds for highway and bridge maintenance required as a result of damages caused from overweight and oversize loads.

Section: 28.6

Title: Funds for Unsafe or Obsolete Field Facilities

Summary Provides that DOT may use up to 0.75% of the budget for its maintenance and construction programs to repair, renovate, and replace field facilities that fail to meet safety standards or are obsolete for current use.

Section: 28.7

Title: State Use of North Carolina Railroad Dividends

Summary Lists certain uses to which the dividends paid by the North Carolina Railroad to the State may be put.

Section: 28.8

Title: **Analysis and Approval of Rules, Policies, or Guidelines Affecting DOT projects**

Summary Requires agencies issuing environmental permitting rules to analyze in advance environmental rules that might affect DOT project costs and to provide that analysis to the Board of Transportation.
Requires Board of Transportation approval of DOT environmental policies or guidelines that might affect project costs.

Section: 28.9

Title: **Department of Transportation Productivity Pilot Programs**

Summary Allows DOT to continue two employee incentive programs and to establish two additional programs.

Section: 28.10

Title: **Department of Transportation Performance-Based Contracts**

Summary Allows DOT to experiment with value-based contracting instead of low bid on some of its maintenance contracts.

Section: 28.11

Title: **Department of Transportation Reorganization**

Summary Transfers several branches from the Deputy Secretary of Transportation for Environmental, Planning and Local Government. Permits DOT to fill up to 196 existing or vacant positions in the Project Development and Environmental Analysis Branch. Directs DOT to take steps to fill these positions. Directs DOT to develop (but not implement) an incentive pay plan for the Branch.

Section: 28.12

Title: **Continuing Aviation Appropriations**

Summary Transfers financial responsibility for the aviation program from the General Fund to Highway Fund.

Section: 28.13

Title: **Transitional Training for Motor Carrier Enforcement Officers**

Summary Authorizes the State Highway Patrol to complete transitional training for all Motor Carrier Enforcement Officers to become State Troopers.

Section: 28.14

Title: **DOT Authority to Provide Way-Finding Signs for the Roanoke Voyages Corridor Commission and the Blue Ridge National Heritage Area Partnership.**

Summary Permits DOT to manufacture and install signs for the above purposes.

Section: 28.15

Title: **Revenue Tax Evasion Project**

Summary Provides funds from the Highway Trust Fund for nine positions for this Department of Revenue Project to enhance enforcement of motor fuels tax collections.

Section: 28.16

Title: **Visitor Center Funds**

Summary Adds a Visitor Center on Staton Road in Transylvania County to the list of Centers receiving funding from the Special Registration Plate Account. These funds may be used for capital improvements at this Visitor Center during the 2005-2007 fiscal biennium. See Section 38 of HB 320, Modify 2005 Appropriations Act, SL 2005-345.

Section: 28.17

Title: **Modify Global TransPark Debt**

Summary Extends to October 1, 2007 the maturity date of Global TransPark's debt to the Escheat Fund.

Section: 28.18

Title: **Beaver Damage Control Program Funds**

Summary Provides \$300,000 in each year from highway maintenance funds for the program to match federal funds.

Section: 28.19

Title: **Report on Stormwater Pilot Project**

Summary Requires DOT to report to the Joint Legislative Committee on Transportation Oversight on its plan to clean up ocean outfalls.

Section: 28.20

Title: **Capital Improvements to Transportation Museum**

Summary Directs the Secretary of Transportation to make capital improvements to the North Carolina Transportation Museum and permits spending of up to \$2,000,000 in fiscal year 2005-06 and up to \$3,000,000 in fiscal year 2006-07 of funds available.

Section: 28.21

Title: **Establishing Tollways on Federally Funded Highways Designated as Interstates**

Summary Directs DOT to apply for a permit from US DOT to allow tolling on established interstate highways with the priority given to Interstate 95. Gives the North Carolina Turnpike Authority the authority to toll existing interstate highways if permission has been received from US DOT.

Section: 28.22

Title: **Study Online Dealer Registration Enhancement**

Summary Directs the Joint Legislative Transportation Oversight Committee to study the feasibility and cost of enhancing the online dealer registration system. Forbids expenditure of funds appropriated by this act for the enhancement of the online dealer registration system before November 1, 2005.

Section: 28.23

Title: **Moving Ahead Projects**

Summary Permits DOT to spend an additional \$44,000,000 over planned expenditures for Moving Ahead projects. Directs DOT to design and construct an extension of an existing roadway in Wake County. Directs that DOT spend up to \$6,000,000 for improvements to Lawyers Road in Mecklenburg and Union Counties

Section: 28.24

Title: **Establish Pilot Program for Motor Carrier Enforcement Civilian Inspection Support Teams**

Summary Directs the State Highway Patrol Motor Carrier Enforcement Section to establish a pilot program for weighing trucks to supplement portable weight and inspection operations.

Section: 28.25

Title: **Department of Transportation to Share Real-Time Weigh-In-Motion Data and Periodic Summaries of Data Collected at Existing Weigh-In-Motion Sites**

Summary Directs DOT to provide access to data from its weigh-in-motion facilities to State Highway Patrol Motor Carrier Enforcement Section.

Section: 28.26

Title: **Preliminary Assessment of Port Development and Rail Support Services**

Summary Directs the Rail Division of DOT to fund a study at a cost not to exceed \$25,000.

Section: 28.27

Title: **Funds for Economic Development, Spot Safety, and Transportation Improvement Program Projects**

Summary Directs DOT to spend \$28,000,000 from funds available for economic development, spot safety, and TIP projects allocated equally among the 14 Highway Divisions.

Section: 28.28

Title: **Friends of the N.C. Maritime Museum/Tall Ships Event**

Summary Directs DOT to use up to \$1,650,000 of funds available to enhance transportation infrastructure for this event.

**RESERVES,
DEBT SERVICE
&
ADJUSTMENTS**

GENERAL PROVISIONS

1832-1833

1832-1833

1832-1833

1832-1833

Report of the
House Appropriations Committee
on
The Hurricane Recovery Act
of 2005

February 17, 2005

THE UNIVERSITY OF CHICAGO
LIBRARY
1100 EAST 58TH STREET
CHICAGO, ILL. 60637
U.S.A.

2004 Disaster Relief Reserve

GENERAL FUND

FY 04-05

Recommended Budget

\$0

\$0

Legislative Changes

A. FEMA Matching Funds

1 FEMA Match - Hazard Mitigation Grant Program (HMGP)

Provides the state match for the federal Hazard Mitigation Grant Program. The program will relocate homeowners whose houses have been destroyed or rendered uninhabitable and are located in the 100-year flood plain. Funds will also match FEMA elevation grants and disaster repair grants. Matches \$25 million in federal funds.

\$16,900,000 NR

2 FEMA Match - Individual Assistance

Federal Declared Storms:

FEMA Grants for Household Assistance provide funds for home repair for persons who do not qualify for SBA Disaster Loans. Household Assistance Grants are capped at \$5,100. FEMA Grants for Other Needs Assistance provide funds for the replacement or repair of personal property. While FEMA covers 100% of the cost of Household Assistance, the State is expected to cover 25% of the costs for Other Needs Assistance. Matches \$28.9 million in federal funds.

\$6,509,955 NR

State Declared Storms:

Provides the same response for affected households. The State covers 75% of the eligible costs, while local governments are expected to cover 25% of eligible damages.

3 FEMA Match - Public Assistance

Federal Declared Storms:

Grant assistance to the State and local governments for disaster response and uninsured public losses. State is expected to cover 25% of eligible damages. Matches \$41.5 million in federal funds.

\$20,854,355 NR

State Declared Storms:

State covers 75% of disaster response costs for local governments and eligible uninsured losses to local governments. Local governments are expected to cover 25% of eligible damages.

B. Housing Programs and Assistance**4 Grants to SBA Loan Applicants**

For persons successful in receiving an SBA Home Loan, the State will provide a grant to payback or reduce the principal of the SBA Loan. The amount of the grant is determined by age of the applicant, household income, and the extent of damage to the home. Grant amounts are for \$2,500, \$5,000, and \$10,000.

\$2,400,000 NR

Homeowners Aged 60+:

Damage less than \$25,000	\$5,000
Damage over \$25,000	\$10,000

Homeowners Under Aged 60 and

Adjusted Gross Family Income under \$35,000:

Damage less than \$25,000	\$5,000
Damage over \$25,000	\$10,000

Homeowners Under Aged 60 and

Adjusted Gross Family Income between \$35,000-\$99,999:

Damage less than \$25,000	\$2,500
Damage between \$25,000-\$50,000	\$10,000

Adjusted Family Income over \$100,000:
Not Eligible

5 State Acquisition and Relocation Fund (SARF)

For persons who qualify for the Hazard Mitigation Grant Program (HMGP). Covers the difference between the pre-flood fair market value of the home and the cost to purchase a comparable home.

\$15,500,000 NR

The Hurricane Recovery Act of 2005 expands the SARF program to include the relocation or elevation of homes that are not in the 100-year flood plain, but are destroyed or severely damaged by debris flows.

Also provides \$3,000 in relocation assistance to renters whose rental units are purchased through HMGP buy-out.

Includes funds for administration at the State and local level. When combined with the appropriation for the Crisis Housing Assistance Fund (CHAF), \$5 million is included for the Statewide Recovery Office and for housing counselors, inspectors, and rehab specialists at the local level.

6 Crisis Housing Assistance Fund (CHAF)

The Renovation and Repair for Low Income Families Program within CHAF provides grants for home repair, rehabilitation, and replacement to low-income homeowners not eligible for federal buy-out, not covered by insurance, or eligible for SBA Home loans. Eligible persons seeking replacement homes have access to no interest loans with deferred payments. If the homeowner lives in the replacement home for 10 years, the loan is forgiven and the lien cancelled.

\$17,628,450 NR

The Hurricane Recovery Act of 2005 directs the Department of Crime Control and Public Safety to design a process for testing eligibility for SBA Home Loans for persons who did not apply with SBA. Persons found not eligible for SBA loans, according to SBA loan criteria, will be made eligible for CHAF. \$2.5 million has been budgeted for this expansion of the program.

Includes funds for administration at the State and local level. When combined with the appropriation for SARF, \$5 million is included for the Statewide Recovery Office and for housing counselors, inspectors, and rehab specialists at the local level.

7 North Carolina Community Development Initiative, Inc.

Provides \$3,000,000 to the North Carolina Community Development Initiative, Inc. for housing programs and assistance. The effect of this action is to redirect funds allocated to Hurricane Floyd but unspent.

\$3,000,000 NR

C. Business Disaster Assistance**8 Emergency Bridge Loans for Businesses**

Provides short-term bridge loans for affected businesses. The purpose of the program is to provide relief for businesses as they progress through the SBA loan process. The Governor proposes maximum loans of \$10,000. The loans would be rolled into a long-term SBA loan or state Business Disaster Recovery Loan.

\$1,000,000 NR

9 Business Disaster Recovery Loans

Provides loans to eligible businesses that do not qualify for SBA Business Loans. Loans have 8-year terms, with no interest and deferred payments for the first 3 years. For the final five years of the loan, interest payments will be at 3%.

\$7,000,000 NR

10 Interest Buy-Down for SBA Loans

Provides grants to businesses receiving federal Small Business Administration Business Disaster Loans to cover interests costs for three years.

\$2,000,000 NR

11 Rural Economic Development Center

Provides funds to the Rural Center to expand the Small Town Building Reuse and Restoration Program. The Program will provide grants to storm-affected communities for the purpose of business disaster recovery and economic revitalization.

\$5,000,000 NR

12 Western Travel and Tourism

Allocates funds to the Department of Commerce to promote travel and tourism activities in Western counties.

\$500,000 NR

D. Agriculture and Fishing Disaster Assistance**13 Farm Structure and Equipment Loss**

Provides grants to compensate farmers for losses of farm equipment and structures. Grants would compensate farmers for 40% of losses.

\$1,282,000 NR

14 Crop Loss Assistance

Provides a state supplement to farmers eligible for federal crop loss disaster payments. Assistance payments would cover 17% of estimated crop loss. \$16.1 million in federal funds are anticipated.

\$6,374,138 NR

15 Grants and Loans to Commercial Fishermen

Provides grants and loans to commercial fishermen, including trout farms, for equipment losses and reductions in harvests. State grants and loans would compensate fishermen up to 60% of combined losses.

\$723,000 NR

E. Public Health and Environmental Assistance**16 Drinking Water Protection**

Provides funds for testing and analyzing private wells and community water systems.

\$868,213 NR

17 Water Quality Monitoring

Provides funds for enhanced water quality monitoring, including rivers and groundwater. During Floyd, funds were provided for the study of short-term and long-term impacts of flooding.

\$232,750 NR

18 Solid and Hazardous Waste Cleanup

Provides funds for the management of solid waste generated from the cleanup of disaster areas. Also provides funds for the assessment, remediation, and relocation of high-risk hazardous waste sites, solid waste sites and landfills, including private businesses.

\$10,786,368 NR

19 Underground Storage Tank Assessments

Provides funds for the assessment of damage to and risks posed by underground storage tanks.

\$20,000 NR

20 NRCS Stream Clearance

Provides funds for debris removal from rivers and streams. A state match is provided for USDA federal funds. \$72 million in federal funds are anticipated.

\$24,000,000 NR

21 Forestland Restoration

Provides funds to the Department of Natural and Economic Resources, Division of Forest Resources, for forest restoration and fire prevention activities made necessary by hurricane damage.

\$500,000 NR

F. Local Government Assistance**22 Infrastructure Grants to Local Governments**

Provides grants to local governments for new infrastructure to support the relocation of residents to areas outside of the 100-year flood plain. Eligible infrastructure includes water, sewer, sidewalks, and storm drainage. In Floyd, the estimated grant was \$10,000 per new home.

\$6,583,928 NR

23 Other Grants to Local Governments

Provides funds to Local Governments for repairs and renovations to storm-damaged facilities. Supplements Public Assistance funds provided by FEMA.

\$34,100,000 NR

G. Mapping and Studies**24 Hazard Remediation and Mitigation Studies**

Provides funds for mitigation and remediation studies for the communities of Canton, Clyde, Newland, Biltmore Village, and other storm-damaged communities.

\$3,000,000 NR

25 Flood and Stream Mapping

Provides funds for updating and maintaining flood plain mapping by improving the accuracy of flood hazard data and minimizing long-term flood losses through better flood plain management. Includes \$2,685,000 for stream mapping.

\$11,985,000 NR

The Governor's Office is pursuing additional federal funds to perform the necessary mapping activities.

26 Landslide Mapping

Provides funds for geological studies on priority landslide areas. The purpose is to better inform homeowners of potential risks stemming from potential landslides.

\$1,600,000 NR

27 Funds to Implement Studies

Makes funds available to implement the recommendations of studies included in this section.

\$30,000,000 NR

H. Other Disaster Relief Funds**28 Private Bridge Repair**

Provides funds for the repair and reconstruction of bridges on private property. The program pays \$25,000 per project in addition to the \$5,100 available from FEMA under the Individual Assistance Program.

\$6,750,000 NR

29 Disaster Recovery Contingency

15% contingency for general disaster recovery. The Governor's Office developed the contingency as 15% of "other" unmet needs self-reported by the storm-affected counties.

\$10,443,290 NR

Total Legislative Changes

\$247,541,447 NR

Total Position Changes**Revised Budget**

\$247,541,447

\$0

Statewide Reserves

	GENERAL FUND	
	FY 05-06	FY 06-07
Adjusted Continuation Budget	\$523,532,442	\$654,263,933

Legislative Changes

A. Employee Benefits

1 State Funded Compensation Increases

Provide funds to support salary increases for employees of State agencies, departments and universities, community college institutions, and public schools. (SB 622, Sections 7.1-7.5, 8.3, and 29.1-29.14; see also HB 320, Sections 5, 39, and 40)

\$229,300,000	R	\$229,300,000	R
\$8,000,000	NR		

2 Public School Salary Increases

Certified Teaching, School Based Administrators and Non-certified 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 1.89%) and an increase in the teacher salary schedule of 0.35% for Fiscal Year 2005-2006. 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 1.76%) and an increase in the school based administrator salary schedule of 0.35% for Fiscal Year 2005-2006. School based administrators who are at the top of the salary schedule will receive a one-time lump sum bonus equivalent to 2.0%.

All other Public School Personnel - Provide funds to support the greater of a \$850 flat amount or 2.0% annual salary increase.

3 State Agency and University Salary Increases

Provide funds to support the greater of a \$850 flat amount or 2.0% annual salary increase for full-time permanent employees of agencies, departments, and universities.

4 Community College Salary Increases

Provide funds to support the greater of a \$850 flat amount or 2.0% annual salary increase for full-time permanent employees of local community college institutions supported by the State and funds for an additional 2.0% average salary increase for Community College faculty and professional staff.

5 Fair Minimum Wage for SPA Employees

\$750,000

R

\$750,000

R

Funds are provided to support a minimum salary of at least \$20,112 for all permanent, full-time employees subject to the State Personnel Act and to support proportionate increases to permanent full-time employees working schedules requiring less than 12-months service per year.

Funds are also provided to support salary increases to address salary compression and pay inequities created by increasing the salaries of employees to the \$20,112 minimum. Allows adjustments to the salaries of supervisors and other employees who have, when considering classification, significantly more experience and length of service compared to employees receiving an increase in pay to the \$20,112 minimum. (SB 622, Section 29.18)

6 Salary Supplements for Educational Personnel

\$314,000

R

\$314,000

R

Allows Departments of Health and Human Services, Juvenile Justice and Delinquency Prevention and Correction to increase the salary supplement currently at 5% paid to personnel licensed by the State Board of Education. The maximum increased salary supplement is the percentage supplement of the local school administrative unit where the employee's job site is located. (SB 622, Section 29.19)

7 Coastal Management Division Salary Increases

\$112,000

R

\$112,000

R

Funding is provided for fiscal year 2005-2006 and 2006-2007 to increase salaries by 10% for all positions supported with funds appropriated from the General Fund in the Division of Coastal Management. (SB 622, Section 29.21)

8 Salary Increases for NCSU and NC A&T Agricultural Program Employees

\$4,000,000

R

\$4,000,000

R

Funds are provided to support salary increases for Agricultural Program Employees who are exempt from the State Personnel Act. Increases shall be allocated to individuals in accordance with rules adopted by the UNC Board of Governors. (SB 622, Section 29.22)

9 Community College Presidents' Salary Increases

\$334,147

R

\$334,147

R

Funds are appropriated to provide additional increases to the Community College Presidents. Funds will be allocated in accordance with the Salary Schedule revised by the System Office dated July 27, 2005.

Overview: 2005 Session Fiscal and Budgetary Actions

FY 05-06

FY 06-07

10 UNC Chancellors' Salary Increases

\$334,147 R

\$334,147 R

Funds are appropriated to provide additional salary increases to UNC Chancellors. Increases shall be allocated to individuals in accordance with rules adopted by the UNC Board of Governors.

11 Clerks of Superior Court Longevity Service Definition

\$37,033 R

\$41,411 R

Funds are provided to support increased longevity payments for Clerks of Superior Court by allowing service as a magistrate to count in determining the longevity percentage payable. (SB 622, Section 29.23B)

12 Retirement System Contributions

\$13,810,800 R

\$13,810,800 R

Increases the State's contribution for fiscal year 2005-06 and 2006-07 to provide a 2% cost-of-living adjustment to retirees of the Teachers' and State Employees' Retirement System. This adjustment is funded in part with actuarial gains within the Retirement System. (SB 622, Section 29.24)

13 Retirement System Payback

\$25,000,000 NR

Continue the repayments of funds withheld from the Retirement System in 2001-02 due to the budget crisis. This is the third year of the five-year payback period.

14 Disability Income Plan

\$356,400 R

\$356,400 R

Additional amount needed, after an adjustment to the Continuation Budget in the amount of \$6,230,100 in recurring funds for each year of the biennium, to restore the reductions made during the 2004-05 fiscal year. This increases the State's contribution from 0.445% to 0.52% of payroll as recommended by the Plan's actuary to ensure the Plan is adequately funded. (SB 622, Section 29.24)

15 Death Benefit Trust

\$899,200 R

\$899,200 R

Additional amount needed, after an adjustment to the Continuation Budget in the amount of \$12,000,000 in recurring funds for each year of the biennium, to restore the reductions made during the 2003-2005 biennium. This restores the State's contribution of 0.16% of payroll as recommended by the Plan's actuary to ensure the Plan is adequately funded. (SB 622, Section 29.24)

Overview: 2005 Session Fiscal and Budgetary Actions

FY 05-06

FY 06-07

16 State Health Plan -- Premium Increase

\$108,648,000 R \$142,728,000 R

Effective October 1, 2005, provide a 12.3% premium increase to the Plan and provide additional funding to continue non-contributory health benefit coverage for active and retired employees. The remaining financial support to keep the Plan solvent through the 2005-2007 biennium will come from increased fully contributory premiums paid by employees and retired employees to cover their families under the Plan, a reduction in the Plan's benefits, and cost containment actions implemented by the Executive Administrator of the Plan. (SB 622, Sections 29.24(d), 29.24(e), and 29.31-29.33)

B. Debt Service

17 Adjustment to Debt Service

(\$1,600,474) R (\$17,687,140) R

Reduces funds for debt service due to revised estimates for principal and interest payments.

18 Debt Service Funds for New State Facilities and Land Acquisition

\$5,958,723 R \$21,060,827 R

Provides funds to pay debt service requirements associated with various capital improvement and land acquisition projects authorized in S.L.2004-179 (HB 1264). 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.

C. Information Technology

19 ITS Rate Restructuring

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

Reduces state agency IT budgets in response to a restructuring of the IT rate schedule and the implementation of a new Enterprise Fee for statewide IT activities through the Office of Information Technology Services. Implementation of the new fee schedule is expected to result in a cost savings for certain agencies that have historically subsidized enterprise-wide IT activities. The amount of anticipated cost-savings is captured in this reduction. (SB 622, Section 6.13)

20 ITS Enterprise Fee Hold Harmless

\$700,000 R \$700,000 R

Provides funds to hold affected state agencies harmless as a result of implementing a new Enterprise Fee through the Office of Information Technology Services, as approved by the Office of State Budget and Management. (SB 622, Section 6.13)

FY 05-06**FY 06-07****21 Information Technology Fund**

\$5,500,000	R	\$5,500,000	R
\$500,000	NR		

Provides funds to the Information Technology Fund, established in S.L.2004-129, for the purpose of carrying out statewide IT programs and activities. Statewide activities include IT project management, security, the state web portal, enterprise-wide procurement of software and hardware. In addition to the General Fund appropriation, a new Enterprise Fee to state agencies will be deposited to the IT Fund, as well as, a transfer from the ITS internal service fund. Total funds available for the 2005-2007 biennium are as follows:

	FY2005-06	FY2006-07
General Fund Appropriation	\$6,000,000	\$5,500,000
Trans. from ITS Intern. Serv. Fund	\$5,000,000	
Enterprise Fee to State Agencies	\$5,000,000	\$5,000,000
Total	\$16,000,000	\$10,500,000

(SB 622, Sections 6.13 & 6.14)

22 State Business Infrastructure Project

\$2,525,000	R	\$2,525,000	R
\$15,850,000	NR		

Provides funds to the Information Technology Fund established in S.L.2004-129 for the Office of State Controller to replace the State's aging personnel and payroll information systems, as part of the State Business Infrastructure Project. This appropriation will fund the initial phase of the HR/Payroll project. The HR/Payroll project is currently projected to finish by July 2007 at a total cost of \$85.7 million in fixed costs and \$7.6 million in recurring costs. (SB 622, Sections 6.13 & 6.14)

D. Trust Funds**23 Trust Fund for MH/DD/SAS and Bridge Funding Needs**

Provides funds pursuant to G.S.143-15.3D for the purpose of continuing mental health reform efforts.	\$10,000,000	NR		
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24 Health and Wellness Trust Fund

Provides funds to the Health and Wellness Trust Fund for the purpose of operating the Senior Cares prescription drug program. Funds are sufficient to support the program through January 1, 2006, when the federal Medicare Part D prescription drug benefit is available. (SB 622, Section 10.3)	\$10,000,000	NR		
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E. Other Reserves**25 JDIG Reserve**

\$4,500,000	R	\$7,900,000	R
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Provides funds to a reserve controlled by the Office of State Management and Budget from which money will be periodically transferred to meet the cash requirements of the Job Development Investment Program.

26 Reserve for Fuel Costs

Provides funds for unanticipated increases in diesel fuel costs not included in the continuation budget. The reserve partially offsets the surge in diesel fuel prices that have held since fall of 2004. The Office of State Budget and Management shall allocate these funds to state agencies based on each agency's inability to offset increased fuel costs with other funds.

\$3,000,000 NR

27 Reserve for Contingent Appropriations

Provides funds to implement Section 2.2(j) of Senate Bill 622.

\$85,000,000 R \$85,000,000 R

Total Legislative Changes

\$458,478,976 R \$494,978,792 R

\$72,350,000 NR

Total Position Changes**Revised Budget**

\$1,054,361,418 \$1,149,242,725

Special Provisions

2005 Session: HB 1631

Department: Statewide Reserves

Section: 4

Title: Extend Continuing Budget Authority; Section Untitled

Summary Directs the Controller to deposit excess disproportionate share payments received by State hospitals during the 2004-05 fiscal year to nontax revenues, effective June 30, 2005. Thus the excess funds become a part of the year-end credit balance for the 2004-05 fiscal year. Otherwise, such funds are required to be reserved by the State Treasurer for future appropriation by the General Assembly in accordance with Section 10.21(b) of S.L. 2003-184.

Special Provisions

2005 Session: HB 320

Department: Statewide Reserves

Section: 1

Title: Modify 2005 Appropriations Act; Section Untitled

Summary Revises the General Fund operating appropriations and availability statement set out in Part II of SB 622, Appropriations Act of 2005, S.L. 2005-276 to make technical corrections and reflect additional appropriations enacted by the General Assembly in HB 320.

Section: 2

Title: Modify 2005 Appropriations Act; Section Untitled

Summary Makes a technical change to Section 6.12 of SB 622, Appropriations Act of 2005, S.L. 2005-276, to correct a statutory citation in a special provision regarding the Master Settlement Agreement and the Tobacco Reserve Fund.

Section: 3

Title: Modify 2005 Appropriations Act; Section Untitled

Summary Repeals Section 6.29 of SB 622, Appropriations Act of 2005, S.L. 2005-276 and replaces it with a similar provision regarding health benefit co-payments for chiropractic services.

The new provision restricts an insurer from imposing a co-payment on the insured for chiropractic services that is higher than the co-payment charged to the insured for the services of a licensed primary care physician for a comparable treatment or condition.

Section: 4

Title: **Modify 2005 Appropriations Act; Section Untitled**

Summary Revises Section 6.36 of SB 622, Appropriations Act of 2005, S.L. 2005-276 to direct the Office of State Budget and Management to use up to \$250,000 in available funds to hire a consultant to develop a plan to consolidate all State-funded laboratories.

Section: 9

Title: **Modify 2005 Appropriations Act; Section Untitled**

Summary Requires the transfer of \$750,000 of the funds appropriated in SB 7, Hurricane Recovery Act of 2005, S.L. 2005-1 to the Disaster Relief Reserve Fund to Hyde County for the 2005-06 fiscal year to repair Ocracoke School, damaged by Hurricanes Isabel and Alex.

Section: 49

Title: **Modify 2005 Appropriations Act; Section Untitled**

Summary Allows the Director of the Budget to transfer funds appropriated to certain non-state entities in SB 622, Appropriations Act of 2005, S.L. 2005-276 between programs and purposes within a state agency to achieve efficient fiscal management.

Special Provisions

2005 Session: SB 622

Department: Statewide Reserves

Section: 2.1

Title: **Current Operations and Expansion/General Fund**

Summary Specifies appropriations from the General Fund to state agencies for the 2005-07 biennium.

(Note: Section 1(a) of HB 320, Modify 2005 Appropriations Act, S.L. 2005-345 revises the total General Fund appropriations for certain departments to reflect additional appropriations enacted by the General Assembly in HB 320).

Section: 2.2

Title: **General Fund Availability Statement**

Summary Sets out sources of revenue for the 2005-07 biennium in accordance with G.S. 143-15.1 (budget reform). A summary of significant sections follows:

2.2(a) Provides a detailed listing of estimated General Fund revenues and adjustments to availability.

2.2(b) Transfers funds credited to the Tobacco Trust Fund from the Master Settlement Agreement to the General Fund in the amounts of \$34 million in FY 2005-06 and \$30 million in FY 2006-07.

2.2(c) Adds a new subsection to G.S. 143-15.3 (Use of General Fund credit balance) to clarify that a transfer of funds to the Savings Reserve Account is not an appropriation made by law.

2.2(d) Directs the State Controller to transfer \$125 million from the unreserved credit balance to the Repairs and Renovations Reserve Account.

2.2(e) and (f) Transfers \$250 million from the Highway Trust Fund to the General Fund in each year of the biennium. Explains the rationale for the \$80 million increase in this transfer from \$170 million to \$250 million.

2.2(g) Repeals section 2.2(g) of S.L. 2002-126 requiring the General Assembly to reimburse the Highway Trust Fund for funds transferred to the General Fund for the 2002-03 fiscal year.

2.2(h) and (i) Directs transfers to the General Fund from various special revenue and internal service funds.

2.2(j) Directs the Governor to analyze the disparity in pay between NC teachers and the national average and authorizes the Governor, after consultation with the Speaker of the House and the President Pro Tempore of the Senate, to use funds from the Reserve for Contingent Appropriations to reduce the disparity.

(Note: Section 1(b) of HB 320, Modify 2005 Appropriations Act, S.L. 2005-345 revises the General Fund availability statement to make technical corrections and reflect additional appropriations enacted by the General Assembly in HB 320).

Section: 6.1

Title: **Appropriation of Cash Balances and Receipts**

Summary 6.1(a) Appropriates and sets out the authorized uses of cash balances and receipts in various budget codes for the 2005-07 biennium and requires such funds to be expended in accordance with the Executive Budget Act.

Specifically, funds accounted for in budget codes included in Volumes 1-6 of the Governor's Recommended Continuation Budget are appropriated up to the amounts specified in those documents, as adjusted by the General Assembly. Funds accounted for in budget codes not listed in Volumes 1-6 of the Governor's Recommended Continuation Budget are appropriated up to the amount of actual expenditures for the 2004-05 fiscal year, unless otherwise provided by law.

Also appropriates any receipts required to pay debt service requirements up to the actual amounts received in each year of the biennium. Further appropriates cash balance and receipts of bona fide trust and agency funds in amounts required to meet the legal obligations of the trust agreements.

6.1(b) Specifies the conditions under which overrealized receipts may be expended and appropriates those receipts up to the amount authorized by the Executive Budget Act. Requires the Office of State Budget and Management to report quarterly on any overrealized receipts approved for expenditure.

6.1(c) Appropriates funds from the Reserve for Reimbursements to Local Governments and Shared Tax Revenues in the amounts required by law.

6.1(d) Appropriates receipts from fishing license revenues if SB 1126, 2005 Session, or substantially similar legislation revising the Coastal Recreational Fishing License program becomes law. SB 1126 was enacted as S.L. 2005-455.

Section: 6.2

Title: **Contingency and Emergency Fund Allocations**

Summary Appropriates \$5 million in each year of the biennium to the Contingency and Emergency Fund. Directs that up to \$1 million can be used for the Base Realignment and Closure Act (BRAC) in FY 2005-06 and that no more than \$500,000 can be spent for purposes other than BRAC or those set out in G.S. 143-23(a1)(2). The remainder of the funds is to be used per G.S. 143-23(a1)(2).

Section: 6.3

Title: **Expenditures of Funds in Reserves Limited**

Summary Restricts the expenditure of reserve funds to the purposes for which the reserves were established.

Section: 6.4

Title: **Budget Reports Accurately Reflect Projected Receipts, Expenditures, Fund Balances and Actual Collections**

Summary Amends G.S. 143-11(a) to require that the budget report submitted by the Director of the Budget include accurate projections of receipts, expenditures, and fund balances for all budget codes, funds and accounts. Also directs how estimated receipts are to be projected including tuition collected by the university or community college institutions.

Section: 6.5

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 specified in the bill or committee report. Requires prior consultation with the Joint Legislative Commission on Governmental Operations to change the classification of a receipt-supported position authorized in the budget bill.

Section: 6.6

Title: **Overhead Cost Recovery**

Summary Directs the Office of State Budget and Management to study the allocation of overhead costs (excluding grant agreements by the University of North Carolina) and propose an overhead cost recovery program for consideration by the General Assembly by April 1, 2006.

Section: 6.7

Title: **Prior Consultation with the Joint Legislative Commission on Governmental Operations**

Summary 6.7(a) Recodifies the last paragraph of G.S. 120-76(8) as G.S. 120-76.1 to clarify the prior consultation requirement with the Joint Legislative Commission on Governmental Operations. Specifies the conditions under which a state agency has met its consultation requirement if the Commission does not hold a meeting to hear the report. Also provides that G.S. 12-3.1 shall govern consultations regarding fees and charges.

6.7(b) Makes a conforming change to the Executive Budget Act.

Section: 6.8

Title: **Consultation Not Required Prior to Establishing or Increasing Fees in Accordance with Budget Act and Clarification of the Law Providing Legislative Oversight of Agency Fees and Charges**

Summary 6.8(a) Exempts a State agency from the fee consultation requirement in G.S. 12-3.1 if the fee is authorized in the budget bill or committee report.

6.8(b) Amends G.S. 12-3.1 to clarify that an agency must consult with the Joint Legislative Commission on Governmental Operations before a new or increased fee can go into effect. Specifies the information that must be reported, to whom the report must be submitted, and when the consultation requirement has been met if the Commission does not hold a meeting.

Section: 6.9

Title: **State Grant Recipients/Conflict of Interest Policy/No Overdue Tax Debts/Other Technical and Clarifying Changes**

Summary 6.9(a) Amends G.S. 143-6.2, the statute governing the use of state funds by non-state entities. Makes technical changes to clarify the definitions of unit of local government and public authority. Codifies the requirement that grantees submit their conflict of interest policy before funds can be disbursed. Adds a new requirement that grantees submit a written statement that the grantee has no overdue tax debts before funds can be disbursed. Also clarifies that the Director of the Budget may suspend disbursement of funds or seek recovery of funds previously disbursed if a non-state entity fails to comply with the statutory requirements or falsifies any information submitted by the entity.

6.9(b) Amends G.S. 143-34, the penalties section of the Executive Budget Act. Provides that making a false statement regarding overdue tax debts is a Class A1 misdemeanor offense.

Section: 6.12

Title: **Amend the Tobacco Reserve Fund to Promote the Health and Wellness of the State's Citizens and Economic Development**

Summary Amends G.S. 66-291(b)(2) to clarify that the amount a tobacco product manufacturer is required to place in escrow pursuant to the Master Settlement Agreement is based the on the number of units sold in the State.

(Note: Section 2 of HB 320, Modify 2005 Appropriations Act, S.L. 2005-345 makes a technical change to correct a statutory citation).

Section: 6.13

Title: **Information Technology Fund Availability Statement**

Summary Sets out sources of revenue, including enterprise fee receipts, General Fund appropriations and a one-time transfer from the Information Technology Services Internal Service Fund, used to fund the Information Technology Fund in each year of the biennium.

Section: 6.14

Title: **Information Technology Appropriations**

Summary Specifies appropriations made from the Information Technology Fund in each year of the biennium as follows:

	FY 2005-06	FY 2006-07
Office of Information Technology Services - Statewide Initiatives	13,500,000	10,500,000
Office of State Controller Statewide Business Infrastructure	20,875,000	2,525,000
Total Information Technology Fund	34,375,000	13,025,000

Section: 6.17

Title: **Monitor and Evaluate Lease Purchase and Installment Purchase Activity**

Summary Directs that the Office of State Budget and Management, in consultation with the Office of the State Treasurer, the Office of State Controller and the Department of Administration, to monitor and evaluate lease purchase and installment purchase activity in all executive branch agencies. Also, requires a report on all lease purchase and installment purchase expenditures for all State agencies to be submitted to the Chairs of the House of Representatives and Senate Appropriations Committees and the Fiscal Research Division on the first day of the 2006 and 2007 Regular Sessions. Exempts the University of North Carolina from this section.

Section: 6.18

Title: **Private License Plates on Publicly Owned Motor Vehicles**

Summary Repeals Section 6.14(b) of S.L. 2001-424, which required certain State law enforcement vehicles issued private plates to have an identifying mark.

(Note: Section 6.14(b) of S.L. 2001-424 never went into effect because the effective date of the provision was extended from October 1, 2003 in the initial legislation, SB 1005 (S.L. 2001-424) to October 1, 2004 in HB 397 (S.L. 2003-284) to May 1, 2005 in HB 1414 (S.L. 2004-124) until it's final repeal in this section of SB 622. The outcome of these changes is that State law enforcement vehicles will continue to be issued private plates, but will not be required to have identifying marks. Thus, State law enforcement vehicles will be treated in the same manner as federal and local law enforcement vehicles in accordance with G.S. 20-39.1(b)).

Section: 6.19

Title: **Uniform Payroll System**

Summary Amends G.S. 143B-426.39 to expand the powers and duties of the State Controller to include the prescription, development, operation and maintenance of a uniform payroll system for all State agencies. Further expands the State Controller's authority to allow a State agency to operate its own payroll system when justified.

Section: 6.22

Title: **Clean Water Management Trust Fund Board of Trustee/Study Stewardship of Conservation Easements**

Summary Directs the Board of the Clean Water Management Trust Fund to study the management and stewardship of conservation easements and to report its findings to the Environmental Review Commission by December 1, 2005.

Section: 6.23

Title: **Commission on State Property**

Summary Requires the Director of the Budget to transfer \$200,000 of the funds appropriated to the Department of Administration in FY 2005-06 to the Commission on State Property.

Section: 6.24

Title: **Collaboration Among Departments of Administration, Health and Human Services, Juvenile Justice and Delinquency Prevention and Public Instruction on School-Based Child and Family Team Initiative**

Summary Creates a school-based program to identify and coordinate appropriate community services and supports for children at-risk of school failure or out-of-home placement. Requires services for children to be integrated at both the State and local levels and also requires a single plan and team to support and assist each child at-risk. Sets out program goals and services. Establishes the North Carolina Child and Family Leadership Council at the State level and the School-Based Child and Family Team Initiative at the local level to coordinate the program and sets out the roles and responsibilities of each.

Section: 6.25

Title: **Limit Disposition of Dorothea Dix and Blue Ridge Road Properties**

Summary Amends G.S. 146-27 to exempt the Dorothea Dix Hospital campus and the property described in the 1995 Capital Area Master Plan for State Government, Blue Ridge Road Area, developed by O'Brien/Atkins, from the requirement that the disposition of the properties be made by the Department of Administration and approved by the Governor and Council of State. Instead, these properties can not be sold, leased, rented, reallocated to another State agency or otherwise disposed of without prior approval of the General Assembly.

Section: 6.27

Title: **No Funds Budgeted for Replaced Equipment**

Summary Requires a State agency to remove funds for leased equipment from its budget if equipment that performs the same function has been purchased and installed.

Section: 6.29

Title: **Health Benefit Plan Co-Payments**

Summary Amends G.S. 58-50-30(a3) to prohibit an insurer from imposing a co-payment on the insured for chiropractic services that is higher than the co-payment charged to the insured for the services of a licensed primary care physician for the same treatment or condition.

(Note: Section 3 of HB 320, Modify 2005 Appropriations Act, S.L. 2005-345 repeals this provision effective July 1, 2005 and replaces it with a similar provision that becomes effective March 1, 2006. The new provision restricts an insurer from imposing a co-payment on the insured for chiropractic services that is higher than the co-payment charged to the insured for the services of a licensed primary care physician for a comparable treatment or condition).

Section: 6.33

Title: **Planning for Better Collection of Infrastructure Information**

Summary Requires the Office of State Budget and Management to study and report to the General Assembly its findings on the best methods for collecting, managing and providing access to information about technology, water, sewer, and other modern infrastructures necessary to assist communities in becoming economically viable.

Section: 6.34

Title: **Zero-Based Budget Review**

Summary Authorizes the Legislative Services Commission to conduct no more than two zero-based budget reviews prior to the convening of the 2007 General Assembly and outlines the types of information that may be considered during the reviews. Also, directs the President Pro Tempore of the Senate and the Speaker of the House of Representatives to select the two departments for review.

Section: 6.35

Title: **Payroll Deduction for Employees' Associations**

Summary Amends G.S. 143-3.3(g) to add political subdivisions to the list of entities authorized to deduct a sum designated by the employee from the employee's salary or wages to be paid to an employees' association. Reduces the number of participating members (from a majority to 500) that an employees' association with at least 2,000 members must have to participate in payroll deduction.

Section: 6.36

Title: **Study Consolidation of State Laboratories**

Summary Directs the Office of State Budget and Management to hire an independent consultant to study and develop a plan to consolidate all State-funded laboratories. Requires the report to be submitted to the General Assembly and the Fiscal Research Division by May 1, 2006.

(Note: Section 4 of HB 320, Modify 2005 Appropriations Act, S.L. 2005-345 directs the Office of State Budget and Management to use up to \$250,000 in available funds to hire an independent consultant).

Section: 6.37

Title: **Civil Penalty and Forfeiture Fund**

Summary Estimates collections of fines and forfeitures from certain State agencies used to support the Civil Penalty and Forfeiture Fund for the 2005-07 biennium. Sets out appropriations made from the Fund and directs the Director of the Budget what to do if collections exceed or fall short of estimates. Rewrites G.S. 115C-457.3 to clarify that the General Assembly must appropriate moneys in the Fund to the State Public School Fund for allotment by the State Board of Education in accordance with the North Carolina Constitution. Also, makes conforming changes to various General Statutes.

Section: 6.38

Title: **Reports on Personal Services Contracts**

Summary Amends G.S. 143-64.70 to change the frequency of the reporting requirement for personal services contracts from biannual to annual. Also requires new information to be reported and establishes a \$5,000 threshold to make contracts subject to the reporting requirement.

Special Provisions

2005 Session: SB 7

Department: Statewide Reserves

Section: 3

Title: **Counties Covered by this Act**

Summary Identifies the counties covered by the disaster response authorized in this act.

Includes the following 19 counties qualified for federal Individual Assistance and Public Assistance following Hurricanes Frances or Ivan: Alleghany, Ashe, Avery, Buncombe, Burke, Caldwell, Haywood, Henderson, Jackson, Macon, Madison, McDowell, Mitchell, Polk, Rutherford, Swain, Transylvania, Watauga, and Yancey.

Includes the following 26 counties qualified for federal Individual Assistance only following Hurricanes Francis and Ivan: Alamance, Alexander, Bladen, Cabarrus, Caswell, Catawba, Cleveland, Columbus, Cumberland, Davidson, Forsyth, Gaston, Graham, Guilford, Hoke, Iredell, Lincoln, Mecklenburg, Randolph, Robeson, Rockingham, Rutherford, Scotland, Stokes, Union, and Wilkes.

This act also covers all counties named in State disaster declarations issued under Article 1 of Chapter 166A of the General Statutes during 2004.

Section: 4.1

Title: **Appropriation to the Disaster Relief Reserve Fund and Committee Report**

Summary Sets out the availability statement and appropriates funds necessary for the implementation of this act.

4.1(a) Establishes that the amounts appropriated are for the maximum necessary to implement the act and savings shall be achieved wherever possible.

4.1(b) Provides a detailed listing of funds available, including \$91 million in anticipated General Fund reversions for FY 2004-05, \$3 million in unused community development funds from the Hurricane Floyd response, and \$267 million from the Savings Reserve Account.

4.1(c) Reverts \$3 million in unexpended Hurricane Floyd response funding to the General Fund from the NC Community Development Initiative, Inc.

4.1(d) Transfers \$91 million in unexpended FY 2004-05 General Fund appropriations to the Disaster Relief Reserve Fund. This section directs the use of these funds for implementing this act.

4.1(e) Appropriates \$3 million from the General Fund to the Disaster Relief Reserve Fund for implementing this act.

4.1(f) Appropriates \$123,541,447 from the Savings Reserve Account to the Disaster Relief Reserve Fund for implementing this act.

4.1(g) Provides that the allocation of funds set out in the Report of the House Appropriations Committee on the Hurricane Recovery Act of 2005, dated February 17, 2005, is intended as guidance for the Governor. This section also establishes authority for the Governor to modify and transfer funding amongst programs established in this act. The Governor does not have the authority to modify allocations made specifically in the act.

4.1(h) Directs the Governor to prioritize assistance towards persons and communities least able to afford storm losses.

Section: 5.1

Title: **Directive to Reestablish and Modify, as Necessary, Relief Programs Developed after Hurricane Floyd, Establish New Programs, and Expand or Modify Existing Programs to Implement this Act**

Summary This section establishes the various programs and activities needed to accomplish disaster recovery in the counties covered by this act.

5.1(a) Directs the Governor to reestablish the programs and activities implemented through the Hurricane Floyd Recovery Act of 1999 (S.L. 1999-463) and the Report of the House Appropriations Committee on Hurricane Floyd Recovery, dated December 15, 1999. This subsection also directs the Governor to establish, expand, or modify any programs to provide appropriate relief.

5.1(b) Expands the State Hazard Mitigation Grant Program to provide housing buyout and relocation services to persons whose homes were severely damaged by debris flows or are located in landslide zones.

5.1(c) Expands the Crisis Housing Assistance Fund (CHAF) to provide assistance to individuals who do not qualify for CHAF assistance solely because they did not apply for federal Small Business Administration Real Property Disaster Loans. The Department of Crime Control and Public Safety is required to establish a process for determining that eligible CHAF recipients would have failed to qualify for federal SBA home loans.

5.1(d) Provides general authority regarding the programs and activities established by the act, including:

Matching funds for federal relief; housing assistance to homeowners and renters; support for the housing efforts of local governments; recovery assistance to agricultural, aquacultural, forestry, commercial, and industrial businesses; public health, public safety, social service, and environmental protection activities; support for public facility repair and replacement; assistance to local governments for infrastructure needs and lost revenue; and the development of any maps or studies.

Special consideration should be given in the housing assistance programs to moving affected renters into homeownership. This subsection also expands assistance to business to include grants.

Section 5.1(e) Allocates \$4.5 million to the Town of Canton for flood control projects to protect the wastewater treatment plant owned by the Blue Ridge Paper Products plant.

Section 5.1(f) Allocates \$8 million to Hyde County for the reconstruction of the county courthouse and other public facility repairs.

Section 5.1(g) Allocates \$5 million to the Rural Economic Development Center to provide grants to affected communities through the Small Town Reuse and Restoration Program, established in SL 2004-88.

Section 5.1(h) Allocates \$3 million to the NC Community Development Initiative, Inc. for housing programs and assistance.

Section 5.1(i) Allocates \$500,000 to the Department of Environment and Natural Resources, Division of Forest Resources for forestland restoration and fire prevention activities.

Section: 5.10

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

Summary Sets out restrictions on the expenditure of State funds appropriated in this act.

5.10(a) No State funds may be use to construct a new residence in a 100-year floodplain, unless the area is regulated by a local government through a floodplain management ordinance and the contraction complies with the ordinance.

5.10(b) Requires homeowners in the 100-year floodplain receiving housing assistance to have or acquire federal flood insurance as a precondition for receiving assistance in future flood events.

5.10(c) Restricts funds loaned to small and mid-sized businesses to eligible purposes under the federal Small Business Administration disaster loan assistance program. Payment for economic losses are limited to documented business expenses necessary for continue operation of the business.

Section: 7

Title: **Study Preventive and Protective Measures that May Prevent or Mitigate Potential Flooding in Certain Areas and Funding to Implement the Study and Its Findings**

Summary This section directs the Governor and the Department of Environment and Natural Resources to study and implement protective measures in affected areas.

7(a) Directs DENR to study the causes of flooding in the Town of Canton, Biltmore Village in Asheville, the City of Newland, and the Town of Clyde, as well as, other affected areas. The study shall include determining necessary measures to prevent or mitigate future flooding. DENR is to report its findings to the 2006 Session of the 2005 General Assembly.

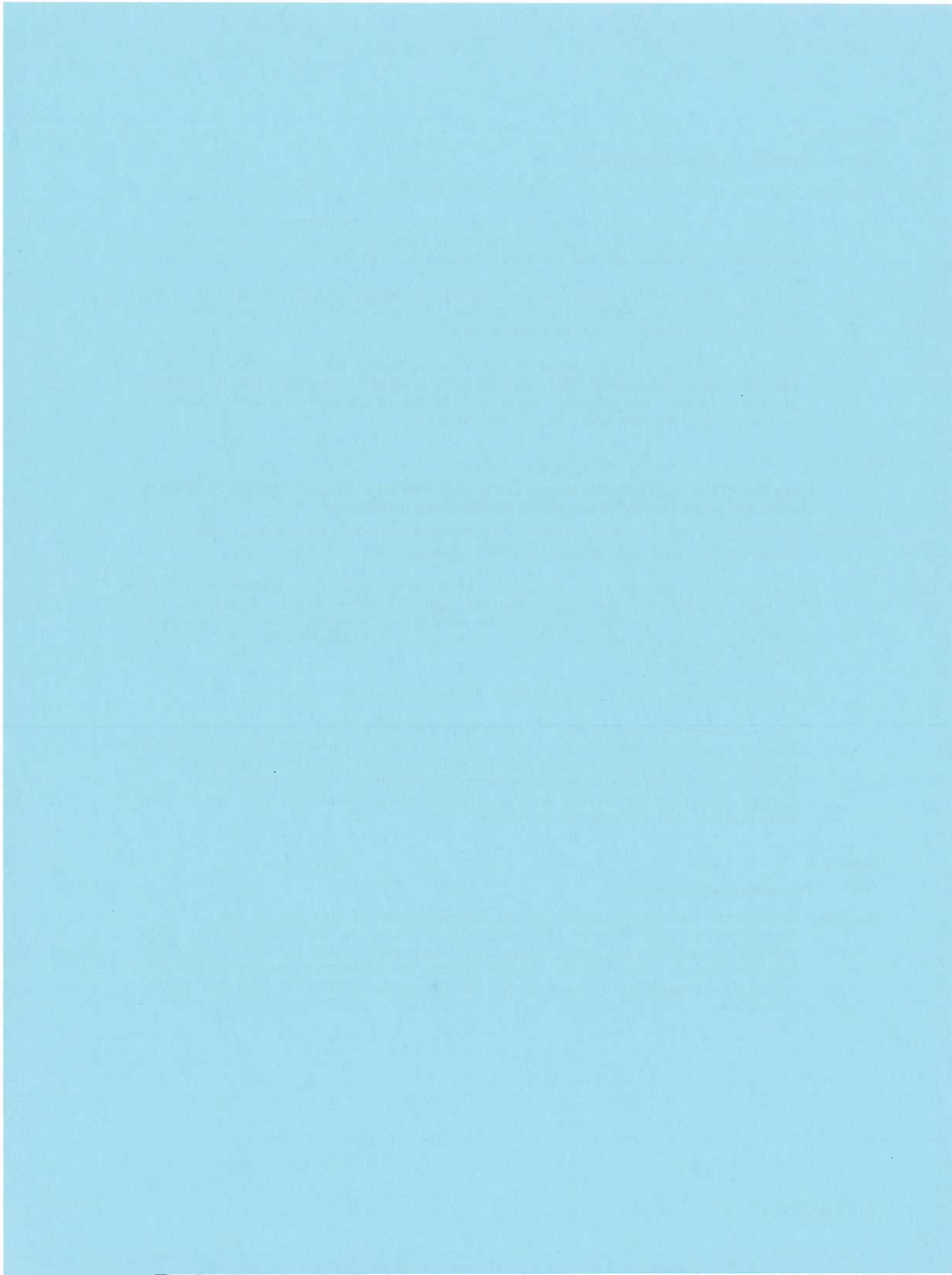
7(b) Allocates \$3 million to DENR to conduct the study.

7(c) Authorizes the Governor to transfer up to \$30 million from the Savings Reserve Account to the Disaster Relief Reserve Fund to implement the recommendations of the study. The Governor must consult with the Joint Legislative Commission on Governmental Operations prior to transferring any funds. These funds are appropriated from the Savings Reserve Account in the fiscal year that the Governor's consultation with the Commission is made.

Section: 9

Title: **Reporting Requirements**

Summary Directs the Governor to report on the implementation of this act to the Appropriations Committees of the Senate and the House no later that 30 days after the act becomes law and report subsequently each month until the end of the 2005 Regular Session. This section further directs the Governor to report to the Joint Legislative Commission on Governmental Operations by October 15, 2005 and quarterly thereafter.



CAPITAL

Capital

GENERAL FUND

FY 05-06

Department of Commerce

1 State Ports Authority

Provides capital funds to the Ports of Wilmington and Morehead City for capital equipment, facilities, and infrastructure.

\$9,000,000 NR

Department of Cultural Resources

2 Capitol Area Visitor's Center

Provides capital funds for the Capitol Area Visitor's Center.

\$250,000 NR

3 NC Museum of Art

Provides capital funds for costs related to the expansion of the NC Museum of Art, including new construction, for design completion, surveys, geotechnical testing and material testing.

\$10,000,000 NR

Department of Environment and Natural Resources

4 Division of Forest Resources - District 9

Provides capital funds to conduct the planning, design, site preparation and other activities necessary for the relocation and construction of the District 9 Forestry Office for the Sylva District of the Forest Resources Division, the first phase of the State satisfying the condition of the land exchange between Southwestern Community College and the Forest Resources Division.

\$300,000 NR

5 Water Resources Development Projects

Provides funds for the state share of Water Resources Development Projects. Projects are specified in a special provision. (SB 622, Section 30.3)

\$18,860,000 NR

Note: Section 44 of HB 320, Modify 2005 Appropriations Act, SL 2005-345 increased the funding for these projects from \$15,260,000 to \$18,860,000. The additional \$3,600,000 is appropriated for the Neuse Regional Water & Sewer Authority.

UNC System - Board of Governors**6 NC A&T Visual/Performing Arts Building**

Provides capital planning funds for construction of a visual/performing arts building at NC A&T State University.

Note: Section 30.2 of SB 622, 2005 Appropriations Act, SL 2005-276 appropriates \$25,000 in capital funds for this project. In addition, the General Fund operating appropriation for the UNC System set out in Section 2.1 of SB 622 includes \$25,000 for this project.

Section 44 of HB 320, Modify 2005 Appropriations Act, SL 2005-345 repeals the capital appropriation to eliminate the duplicate funding.

7 NCSU Engineering Complex III

Provides capital funds for the planning and design of Engineering Complex III, Centennial Campus at NC State University, the third phase of relocating the College of Engineering to Centennial Campus.

\$8,700,000 NR

8 Renaissance Computing Institute

Provides capital planning funds for a new facility at UNC-Chapel Hill to house the Renaissance Computing Institute. The operating budget for the UNC System also includes \$5.9 million for FY 2005-06 and \$11.8 million for FY 2006-07 in expansion funds for operating the Renaissance Computing Institute.

\$500,000 NR

9 UNC-Chapel Hill School of Dentistry

Provides capital funds for the planning and design of the UNC School of Dentistry Oral Sciences Teaching and Learning Facility.

\$2,000,000 NR

10 UNCG/NC A&T Joint Millennium Campus

Provides capital funds for UNCG and NC A&T's Joint Millennium Campus, including funds for planning, site development, infrastructure and renovation of facilities.

\$2,000,000 NR

11 University of North Carolina - Wilmington

Provides planning funds for a School of Nursing.

\$2,600,000 NR

12 WSSU Lab Planning Funds

Provides capital planning funds for a new lab facility at Winston-Salem State University.

\$750,000 NR

Total Appropriation to Capital

\$54,960,000 NR

Special Provisions

2005 Session: HB 320

Department: Capital

Section: 44

Title: **Modify 2005 Appropriations Act; Section Untitled**

Summary Revises the General Fund capital appropriations set out in Part XXX of SB 622, Appropriations Act of 2005, S.L. 2005-276 to make a technical correction and reflect an additional appropriation enacted by the General Assembly in HB 320.

Section: 45

Title: **Modify 2005 Appropriations Act; Section Untitled**

Summary Revises the list of Water Resources Development Projects set out in Section 30.3 of SB 622, Appropriations Act of 2005, S.L. 2005-276 to add \$3.6 million for the Neuse Regional Water & Sewer Authority.

Special Provisions

2005 Session: SB 622

Department: Capital

Section: 30.1

Title: **General Fund Capital Appropriations/Introduction**

Summary Sets out the allowed uses of General Fund appropriations for capital improvement projects for the 2005-06 fiscal year.

Section: 30.2

Title: **Capital Appropriations/General Fund**

Summary As amended by Section 44 of S.L. 2005-345 appropriates \$54.96 million for capital improvement projects for the 2005-06 fiscal year as follows:

Dept of Commerce - State Ports Authority	
Ports of Wilmington and Morehead	9,000,000

Dept of Cultural Resources	
Capital Area Visitor's Center	250,000
NC Museum of Art	10,000,000

Dept of Environment and Natural Resources	
Division of Forest Resources-District 9	300,000
Water Resources Development Projects	18,860,000

(Note: Section 44 of HB 320, Modify 2005 Appropriations Act, S.L. 2005-345 revised this section to increase funding for Water Resources Development Projects from \$15.26 million to \$18.86 million. The additional \$3.6 million is appropriated for the Neuse Regional Water & Sewer Authority).

University of NC System - Board of Governors	
NC State University	
Engineering Complex III	8,700,000
UNC at Chapel Hill	
Renaissance Computing Institute	500,000
School of Dentistry	2,000,000
University of NC at Greensboro & NC A&T	
Joint Millennium Campus	2,000,000
University of NC at Wilmington	
School of Nursing	2,600,000
Winston-Salem State University	
Laboratory Facility Planning Funds	750,000
NC A&T University	
Visual and Performing Arts Building	repealed

(Note: Section 2.1 of SB 622, Appropriations Act of 2005, S.L. 2005-276, includes \$25,000 for the Visual and Performing Arts Building in the General Fund operating appropriation for the UNC System. Thus, Section 44 of HB 320, Modify 2005 Appropriations Act, S.L. 2005-345, repealed the capital appropriation made in this section to eliminate the duplicate funding).

Section: 30.3

Title: **Water Resources Development Project Funds**

Summary 30.3(a) As amended by Section 44 of S.L. 2005-345 allocates \$18.86 million for the following projects:

Wilmington Harbor Deepening	\$1,300,000
Manteo (Shallowbag) Bay Channel Maintenance	50,000
Wilmington Harbor Maintenance Dredging	500,000
B. Everett Jordan Water Supply Storage	100,000
John H. Kerr Reservoir Operations Evaluation	600,000
Bogue Banks Shore Protection Study (Carteret County)	75,000
Surf City/Topsail Beach Protection Study	250,000
West Onslow Beach (Topsail)	100,000
Wrightsville Beach Nourishment	580,000
Hurricane Stream Restoration - Western NC	2,000,000
Swan Quarter (Hyde County) Flood Control Dikes	100,000
Ocracoke NCCAT Estuarine Shoreline Protection	1,500,000
Far Creek Maintenance Dredging	120,000
Belhaven Harbor Environmental Improvements	250,000
Lower Lockwoods Folly River	286,000
Walters Slough Maintenance Dredging	122,000
Hurricane Isabel Emergency Stream Clean-up - Northeastern NC	1,200,000
State-Local Projects	2,000,000
Princeville Flood Control	250,000
Currituck Sound Water Management Study	300,000
Aquatic Weed Control, Lake Gaston and Statewide	375,000
Tar River and Pamlico Sound Feasibility Study	100,000
State Sponsored Dredging Contingency	2,500,000
NC Oyster Habitat Restoration	50,000
Emergency Flood Control Projects	187,000
Projected Feasibility Studies	100,000
Planning Assistance to Communities	95,000
Neuse Regional Water & Sewer Authority	3,600,000

(Note: Section 44 of HB 320, Modify 2005 Appropriations Act, S.L. 2005-345 increased the funding for these projects from \$15,260,000 to \$18,860,000. The additional \$3,600,000 is appropriated for the Neuse Regional Water & Sewer Authority).

30.3(b) Allows adjustment of the allocations among projects if actual costs vary from estimated costs. Provides for the use of available funds resulting from delayed projects. Requires reversion of funds that remain unexpended or unencumbered at the end of the 2006-07 fiscal year.

Allows the use of available funds for state-local projects; US Army Corps of Engineers feasibility studies; or to pay required state match for any additional federal water resource development funds that become available during the 2005-06 fiscal year.

30.3(c) Requires semi-annual reports on the use of funds.

Section: 30.3A

Title: **Nursing Education and Research Center at Fayetteville State University**

Summary Amends Session Law 2005-179 , Section 1.1 to change the name of the nursing school approved during the 2004 Session.

Section: 30.4

Title: **Procedures for Disbursement of Capital Funds**

Summary Governs the expenditure of funds for capital improvements as authorized by the General Assembly.

Section: 30.5

Title: **Encumbered Appropriations and Project Reserve Funds**

Summary Requires, excluding projects under the Board of Governors of The University of North Carolina, the encumbrance of funds sufficient to pay all costs of construction, design, investigation, administration, movable equipment, and a reasonable contingency.

Requires remaining unencumbered funds to be placed in a project reserve in the Office of State Budget and Management. Funds in the project reserve may be used for emergency repair and renovation projects and to award contracts for projects where the bid exceeds the appropriation.

Section: 30.6

Title: **Repair and Renovation Reserve Allocation**

Summary Specifies the allocation of funds in the Repair and Renovation Reserve for the 2005-06 fiscal year as follows: 46% to the Board of Governors of The University of North Carolina, and 54% to the Office of State Budget and Management (OSBM) pursuant to G.S. 143-15.3A.

Directs OSBM to allocate at least \$1,500,000 for the Charlotte Hawkins Brown State Historic Site and up to \$700,000 for the Fayetteville State University chancellor's residence.

Section: 30.7

Title: **Project Cost Increase**

Summary Authorizes the Director of the Budget to use direct capital appropriations, excess patient receipts at the University of North Carolina at Chapel Hill, as well as other funds as specified to authorize increases in capital improvement project costs if necessary. Requires reports to Joint Legislative Commission on Governmental Operations.

Section: 30.8

Title: **New Project Authorization**

Summary Authorizes the use of gifts, federal funds, excess patient receipts at the University of North Carolina at Chapel Hill, self-liquidating indebtedness, private grants and other sources for new capital improvement projects not specifically authorized by the General Assembly. Prior consultation with Joint Legislative Commission on Governmental Operations is required.

Section: 30.9

Title: **Advance Planning of Capital Improvement Projects**

Summary Authorizes the use of gifts, federal funds, excess patient receipts at the University of North Carolina at Chapel Hill, private grants and other sources for the advance planning of capital improvement projects.

Section: 30.10

Title: **Appropriations Limits/Reversion or Lapse**

Summary Requires that appropriations for capital improvements be expended only for the purposes set out by the 2005 General Assembly. Requires funds to revert if contracts are not awarded by the end of the 2005-06 fiscal year except that the Director of the Budget may, at his discretion, extend that time for an additional 12-month period.

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, 2005, for employees paid from State funds:

	2005-2006
General Fund (Recurring)	\$229,300,000
General Fund (Non recurring)	8,000,000
Highway Fund (Recurring)	10,364,000
Highway Fund (Non recurring)	0
TOTAL	\$247,664,000

B. SPECIFIED SALARY INCREASES

GOVERNOR

- (1) The General Assembly increased the annual salary of the Governor by 2% to an annual rate of \$123,819, effective July 1, 2005.

COUNCIL OF STATE

- (2) The General Assembly increased the annual salary of members of the Council of State by 2% to an annual rate of \$109,279, effective July 1, 2005.

Council of State	2005-2006
Lieutenant Governor	\$109,279
Attorney General	109,279
Secretary of State	109,279
State Treasurer	109,279
State Auditor	109,279
Superintendent of Public Instruction	109,279
Commissioner of Agriculture and Consumer Services	109,279
Commissioner of Insurance	109,279
Commissioner of Labor	109,279

GOVERNOR'S CABINET

- (3) The General Assembly increased the annual salary of members of the Governor's Cabinet by 2% to an annual rate of \$106,765, effective July 1, 2005.

Cabinet**2005-2006**

Secretary of Administration	\$106,765
Secretary of Correction	106,765
Secretary of Crime Control & Public Safety	106,765
Secretary of Cultural Resources	106,765
Secretary of Commerce	106,765
Secretary of Environment and Natural Resources	106,765
Secretary of Health and Human Services	106,765
Secretary of Juvenile Justice and Delinquency Prevention	106,765
Secretary of Revenue	106,765
Secretary of Transportation	106,765

CERTAIN EXECUTIVE OFFICIALS

- (4) The General Assembly increased the annual salary of Certain Executive Officials by 2% to the annual rates listed below, effective July 1, 2005.

Officials**2005-2006**

Chairman, Alcoholic Beverage Control	\$ 97,175
State Controller	135,997
Commissioner of Motor Vehicles	97,175
Commissioner of Banks	109,279
Chairman, Employment Security Commission	133,161 ¹
State Personnel Director	106,765
Chairman, Parole Commission	88,733
Members of the Parole Commission (effective 7/1/05-8/31/05)	81,921 ²
Members of the Parole Commission (effective 9/1/05)	40,960 ²
Chairman of the Utilities Commission	121,701
Commissioners of the Utilities Commission	109,279
Executive Director, Agency for Public Telecommunication	81,921
Director, Museum of Art	99,573
Executive Director, North Carolina Agricultural Finance Authority	94,587
State Chief Information Officer	135,915

1. Salary was frozen at the 2004-2005 salary. Legislation was also enacted that sets the salary of the Chairman of the Employment Security Commission the same as the salary of the Secretary of Commerce effective with the appointment of the next Chairman.
2. The 2005 Session of the General Assembly reduced the two full-time members of the Parole Commission to part-time positions effective September 1, 2005.

JUDICIAL PERSONNEL

- (5) The General Assembly increased the annual salary of Judges, Clerks of Superior Court, and certain administrative officers by 2% to the annual rates listed below, effective July 1, 2005.

2005-2006

Chief Justice, Supreme Court	\$123,819
Associate Justice, Supreme Court	120,583
Chief Judge, Court of Appeals	117,568
Judge, Court of Appeals	115,559
Judge, Senior Regular Resident Superior Court	112,419
Judge, Superior Court	109,279
Chief Judge, District Court	99,231

Judge, District Court	96,091
Administrative Officer of the Courts	112,419
Assistant Administrative Officer of the Courts	102,684

Clerks of Court

2005-2006

Less than 100,000 County Population	\$73,092
100,000 to 149,999 County Population	82,021
150,000 to 249,999 County Population	90,952
250,000 and above County Population	99,884

- (6) The General Assembly authorized an across-the-board annual salary increase of \$850 or 2% whichever is greater in the average salaries of Assistant District Attorneys and Assistant Public Defenders effective July 1, 2005. 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 \$62,930 or the minimum salary fall below \$32,885.
- (7) The General Assembly authorized an across-the-board annual salary increase of \$850 or 2%, whichever is greater effective July 1, 2005, for Assistant and Deputy Clerks of Court in addition to the step increases associated with their respective pay plans.

2005-2006

Assistant Clerks and Head Bookkeeper

Minimum	\$28,365
Maximum	48,579

Deputy Clerks

Minimum	\$24,415
Maximum	37,784

MAGISTRATES

- (8) The General Assembly authorized an across-the-board annual salary increase of \$850 or 2%, whichever is greater effective July 1, 2005, for Magistrates.

2005-2006

Entry Rate	\$28,739
Step 1	31,375
Step 2	34,243
Step 3	37,373
Step 4	40,802
Step 5	44,665
Step 6	48,997

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	\$23,175
1 or more but less than 3 years of service	24,239
3 or more but less than 5 years of service	26,380

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% to an annual rate of \$92,324, effective July 1, 2005. In addition, the General Assembly authorized the Speaker of the House of Representatives or the President Pro Tempore of the Senate to approve additional compensation for each Principal Clerk , respectively, for additional employment duties beyond those provided by the rules of their House.

The salaries of the Sergeants-at-Arms and the Reading Clerks in the House of Representatives and the Senate were increased to \$327 per week, effective July 1, 2005.

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 \$850 or 2%, whichever is greater effective July 1, 2005 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 \$850 or 2%, whichever is greater effective July 1, 2005 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 \$850 or an aggregated average of 2%, whichever is greater. The General Assembly also included budget language that requires the Board of Governors and the Board of Trustees of the N.C. School of Science and Math to award all employees exempt from the State Personnel Act earning less than or equal to \$42,500 an \$850 annual salary increase.
- (4) **Community College Institutional Personnel** – The General Assembly authorized an annual salary increase of \$850 or 2%, whichever is greater effective July 1, 2005 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.

D. 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 \$850 or 2%, whichever is greater, effective July 1, 2005 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 2005-2006 fiscal year, beginning July 1, 2005:

	Salary Ranges
Superintendent I (Up to 2,500 ADM)	\$4,187 - \$7,844
Superintendent II (2,501 - 5,000 ADM)	\$4,445 - \$8,318
Superintendent III (5,001 - 10,000 ADM)	\$4,716 - \$8,825
Superintendent IV (10,001 - 25,000 ADM)	\$5,005 - \$9,360
Superintendent V (Over 25,000 ADM)	\$5,312 - \$9,931

Non-certified Public School Employees

The General Assembly authorized an across-the-board annual salary increase of \$850 or 2%, whichever is greater, effective July 1, 2005 for non-certified personnel employed by the Public Schools.

Principals and Assistant Principals

The General Assembly appropriated funds for the 2005-2006 fiscal year to provide annual salary increases ranging from 0.35% to 4.92% (average of 2.11%) for Public School principals and assistant principals, effective July 1, 2005. The funding increase is based on the employees' natural movement up the salary schedule, based on years-of-experience credit, and an increase of 0.35% for each step on the salary schedule.

Pursuant to Section 2.2.(j) of S.L. 2005-276, all certified public school personnel paid in accordance with the Principal and Assistant Principal Salary Schedule also received an additional monthly salary increase, effective November 1, 2005. As a result, the total salary increases for those employed in 2004-05 range between 2.89% and 7.48% with the average increase equal to 3.9%. The General Assembly appropriated \$85,000,000 to the Reserve for Contingent Appropriations to fund these additional increases. 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 2005-2006 fiscal year to provide annual salary increases ranging from 1.77% to 6.27% (average of 2.24%) for Public School teachers, effective July 1, 2005. The funding increase is based on the teachers' natural movement up the salary schedule, based on years-of-experience credit, and an increase of 0.35% for each step on the salary schedule.

Pursuant to Section 2.2.(j) of S.L. 2005-276, all certified public school personnel paid in accordance with the Teacher Salary Schedule also received an additional monthly salary increase, effective November 1, 2005, as each step on the "A" schedule was increased by \$75. As a result, the total salary increases for those employed in 2004-05 range between 3.6% and 9.13% with the average increase equal to 4.2%. The General Assembly appropriated \$85,000,000 to the Reserve for Contingent Appropriations to fund these additional increases. Please see Table 3 in this section for the current salary schedule applicable to teachers.

TABLE 2

Principal and Assistant Principal Salary Schedules (2005-06)
Base Salary Schedule

Yrs of Exp	Classification								
	1	1	2	3	4	5	6	7	8
	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	\$3,342								
5	\$3,491								
6	\$3,634								
7	\$3,750								
8	\$3,803	\$3,803							
9	\$3,857	\$3,857							
10	\$3,913	\$3,913	\$3,967						
11	\$3,967	\$3,967	\$4,024						
12	\$4,024	\$4,024	\$4,080	\$4,140					
13	\$4,080	\$4,080	\$4,140	\$4,200	\$4,261				
14	\$4,140	\$4,140	\$4,200	\$4,261	\$4,322	\$4,387			
15	\$4,200	\$4,200	\$4,261	\$4,322	\$4,387	\$4,452			
16	\$4,261	\$4,261	\$4,322	\$4,387	\$4,452	\$4,517	\$4,585		
17	\$4,322	\$4,322	\$4,387	\$4,452	\$4,517	\$4,585	\$4,653	\$4,798	
18	\$4,387	\$4,387	\$4,452	\$4,517	\$4,585	\$4,653	\$4,726	\$4,869	\$4,943
19	\$4,452	\$4,452	\$4,517	\$4,585	\$4,653	\$4,726	\$4,798	\$4,943	\$5,019
20	\$4,517	\$4,517	\$4,585	\$4,653	\$4,726	\$4,798	\$4,869	\$5,019	\$5,097
21	\$4,585	\$4,585	\$4,653	\$4,726	\$4,798	\$4,869	\$4,943	\$5,097	\$5,176
22	\$4,653	\$4,653	\$4,726	\$4,798	\$4,869	\$4,943	\$5,019	\$5,176	\$5,280
23	\$4,726	\$4,726	\$4,798	\$4,869	\$4,943	\$5,019	\$5,097	\$5,280	\$5,386
24	\$4,798	\$4,798	\$4,869	\$4,943	\$5,019	\$5,097	\$5,176	\$5,386	\$5,494
25	\$4,869	\$4,869	\$4,943	\$5,019	\$5,097	\$5,176	\$5,280	\$5,494	\$5,604
26	\$4,943	\$4,943	\$5,019	\$5,097	\$5,176	\$5,280	\$5,386	\$5,604	\$5,716
27	\$5,019	\$5,019	\$5,097	\$5,176	\$5,280	\$5,386	\$5,494	\$5,716	\$5,830
28	\$5,097	\$5,097	\$5,176	\$5,280	\$5,386	\$5,494	\$5,604	\$5,830	\$5,947
29	\$5,176	\$5,176	\$5,280	\$5,386	\$5,494	\$5,604	\$5,716	\$5,947	\$6,066
30	\$5,280	\$5,280	\$5,386	\$5,494	\$5,604	\$5,716	\$5,830	\$6,066	\$6,187
31	\$5,386	\$5,386	\$5,494	\$5,604	\$5,716	\$5,830	\$5,947	\$6,187	\$6,311
32		\$5,494	\$5,604	\$5,716	\$5,830	\$5,947	\$6,066	\$6,311	\$6,437
33			\$5,716	\$5,830	\$5,947	\$6,066	\$6,187	\$6,437	\$6,566
34			\$5,830	\$5,947	\$6,066	\$6,187	\$6,311	\$6,566	\$6,697
35				\$6,066	\$6,187	\$6,311	\$6,437	\$6,697	\$6,831
36				\$6,187	\$6,311	\$6,437	\$6,566	\$6,831	\$6,968
37					\$6,437	\$6,566	\$6,697	\$6,968	\$7,107
38						\$6,697	\$6,831	\$7,107	\$7,249
39							\$6,968	\$7,249	\$7,394
40							\$7,107	\$7,394	\$7,542
41								\$7,542	\$7,693

Note:

1. Includes additional monthly increase authorized by Section 2.2.(j) of S.L. 2005-276, effective November 1, 2005.
2. Principals and Assistant Principals at the highest steps for their respective classifications received one-time bonuses equivalent to 2%.
3. Add \$126 per month for an advanced principal license (AP).
4. Add \$253 per month for an advanced principal license and an earned doctorate degree (DAP).

TABLE 3**Teachers****Teacher Salary Schedule****For the 2005-2006 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	\$2,626	N/A	0	\$2,889	N/A
1	\$2,668	N/A	1	\$2,935	N/A
2	\$2,712	N/A	2	\$2,983	N/A
3	\$2,868	\$3,212	3	\$3,155	\$3,534
4	\$3,008	\$3,369	4	\$3,309	\$3,706
5	\$3,142	\$3,519	5	\$3,456	\$3,871
6	\$3,271	\$3,664	6	\$3,598	\$4,030
7	\$3,375	\$3,780	7	\$3,713	\$4,159
8	\$3,423	\$3,834	8	\$3,765	\$4,217
9	\$3,472	\$3,889	9	\$3,819	\$4,277
10	\$3,522	\$3,945	10	\$3,874	\$4,339
11	\$3,571	\$4,000	11	\$3,928	\$4,399
12	\$3,622	\$4,057	12	\$3,984	\$4,462
13	\$3,673	\$4,114	13	\$4,040	\$4,525
14	\$3,726	\$4,173	14	\$4,099	\$4,591
15	\$3,780	\$4,234	15	\$4,158	\$4,657
16	\$3,835	\$4,295	16	\$4,219	\$4,725
17	\$3,890	\$4,357	17	\$4,279	\$4,792
18	\$3,949	\$4,423	18	\$4,344	\$4,865
19	\$4,007	\$4,488	19	\$4,408	\$4,937
20	\$4,065	\$4,553	20	\$4,472	\$5,009
21	\$4,127	\$4,622	21	\$4,540	\$5,085
22	\$4,188	\$4,691	22	\$4,607	\$5,160
23	\$4,254	\$4,764	23	\$4,679	\$5,240
24	\$4,318	\$4,836	24	\$4,750	\$5,320
25	\$4,383	\$4,909	25	\$4,821	\$5,400
26	\$4,449	\$4,983	26	\$4,894	\$5,481
27	\$4,517	\$5,059	27	\$4,969	\$5,565
28	\$4,588	\$5,139	28	\$5,047	\$5,653
29	\$4,659	\$5,218	29	\$5,125	\$5,740
30+	\$4,659	\$5,218	30+	\$5,125	\$5,740

Note:

1. Includes additional monthly increase authorized by Section 2.2.(j) of S.L. 2005-276, effective November 1, 2005.
2. 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 2005 LEGISLATIVE ACTIONS

A. CURRENTLY EMPLOYED EMPLOYEES

- (1) **Retirement Contributions:** The 2005 Session of the General Assembly set the contribution rates for the various retirement systems for the 2005-06 fiscal year. The contribution rate for the Teachers' and State Employees' Retirement System is 2.34% of payroll for retirement, 0.52% of payroll for the Disability Income Plan, 0.16% of payroll for the Death Benefit and 3.8% of payroll for retiree health benefits. The State contribution rate to the Disability Income Plan and the Death Benefit Plan were restored to recommended levels. Both of these contribution rates were cut during the 2003-05 biennium.

The 2005 General Assembly also made a contribution of \$25 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.

- (2) **Required Break in Service Requirement With no Intent to Return to Service:** The 2005 Session of the General Assembly changed the definition of "Retirement", effective November 1, 2005, to require that retiring members of the Teachers' and State Employees' Retirement System have a six month break in service before they are allowed to return to employment as a part-time or temporary employee or under some type of contractual arrangement. The change also prohibits any type of pre-arranged agreement to return to employment.
- (3) **Changes to the Disability Income Plan:** The 2005 Session of the General Assembly changed the effective date from August 1, 2005 to August 1, 2006 for the amended definition of "disability" to qualify for long-term benefits in the Disability Income Plan. The amended definition of "disability" for long-term disability is "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 participant can be expected to earn not less than 65% of the earnings prior to the disability".
- (4) **Firemen and Rescue Squad Worker's Pension Fund:** The 2005 Session of the General Assembly enacted, effective July 1, 2005, an increase in the pension for members of the Firemen's and Rescue Squad Workers' Pension Fund from \$161 to \$163 per month at a cost of \$608,000 annually. This increase applies to current pensioners and to those entitled to receive a pension in the future at age 55 with 20 years of service. The General Assembly also repealed the law that requires a refund of contributions if the fireman or rescue squad worker becomes six months behind in making contributions to the Fund.
- (5) **North Carolina National Guard Pension Fund:** The 2005 Session of the General Assembly enacted, effective July 1, 2005, an increase in the pension for retirees of the North Carolina National Guard Pension Fund from \$50 to \$75 per month for the first 20

years of creditable service and from \$5.00 to \$7.50 per month for each additional year of creditable service with the maximum benefit increased from \$100 to \$150 per month.

- (6) **Sheriffs' Supplemental Pension Plan:** The 2005 Session of the General Assembly enacted an increase in the court cost that is directed to the Sheriff's Supplemental Pension Plan from \$.75 to \$1.25 per case and increased the maximum monthly benefit payable from \$1,200 to \$1,500.
- (7) **Charter School Participation:** The 2005 Session of the General Assembly enacted legislation that will allow the board of directors of three existing charter schools to elect to become participating employers in the Teachers' and State Employees' Retirement System.
- (8) **Line of Duty Death Benefit:** The 2005 Session of the General Assembly extended the line-of-duty death benefit of \$50,000 to permanent part-time or temporary law enforcement officers and to all full-time, permanent part-time or temporary detention officers employed by any county or municipality, whether paid or unpaid. The General Assembly also extended coverage to law enforcement officers, rescue squad workers, senior members of the Civil Air Patrol, State forestry workers and Department of Insurance instructors who die as the direct and proximate result of a myocardial infarction suffered while on duty or within 24 hours after participating in a training exercise or responding to any emergency situation. This was done at a cost of \$200,000 annually
- (9) **Legislative System Changes:** The 2005 Session of the General Assembly reenacted the prohibition of a former member of the General Assembly from receiving a retirement allowance from the Legislative Retirement System while they are a contributing member of the Teachers' and State Employees' Retirement System or the Consolidated Judicial Retirement System.
- (10) **Technical Correction Changes:** The 2005 Session of the General Assembly enacted the Technical Correction Bill which makes clarifying changes in the retirement law. The changes are as follows:
 - o Requires a minimum of one (1) hour of sick leave in order to receive a month of retirement credit at retirement;
 - o Requires that a retired member who:
 - (a) selected Option 2 or Option 3 (100% or 50% joint and survivorship option)
 - (b) named the spouse as the beneficiary and
 - (c) the spouse has died,has 90 days from the date of remarriage to request to nominate a new spouse and has 120 days from the remarriage to make the written designation.
 - o In the event that a Survivors Alternate Benefit is payable, the change makes the contingent beneficiary the recipient of the lump sum benefit, if any, if the principal beneficiary dies. If the retiree had not designated a contingent beneficiary, then the benefit would revert to principal beneficiary's estate.
 - o If the member fails to respond to the Retirement Systems Division within 90 days from the date that information has been provided to the member that requires a response, or a request for additional medical information, a new application must be filed.
 - o Provides a guaranteed refund of the balance of the contributions and interest in the Consolidated Judicial Retirement System if the member and the beneficiary both die prior to receiving the total. This only applies when the member has selected a joint and survivorship option.
 - o Removes automatic termination of membership for firemen and rescue squad workers if no contributions have been received for a period of six months.

B. RETIRED EMPLOYEES

- (1) **Cost-of-Living Adjustment in Retirement Allowances for Retired Teachers and State Employees:** Effective July 1, 2005, the General Assembly provided a 2% increase in the retirement allowances paid to beneficiaries of the Teachers' and State Employees' Retirement System whose retirement began on or before July 1, 2004. In addition, beneficiaries who retired after July 1, 2004, and before June 30, 2005, were authorized an increase in their retirement allowances on July 1, 2005, equal to a prorated amount of the 2% increase provided to those who retired on or before July 1, 2004. 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 2004-05.

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, 2003, and in part by an appropriation of \$13.8 million from the General Fund and \$0.7 million from the Highway Fund. The total cost of the cost-of-living adjustment was \$51.6 million annually from the General Fund and \$2.6 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, 2005, the General Assembly provided a 2% increase in the retirement allowances paid to beneficiaries of the Consolidated Judicial Retirement System whose retirement began on or before July 1, 2004. In addition, beneficiaries who retired after July 1, 2004, and before June 30, 2005, were authorized an increase in their retirement allowances on July 1, 2005, equal to a prorated amount of the 2% increase provided to those who retired on or before July 1, 2004. 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 2004-05.

This increase in retirement allowances was funded with unencumbered actuarial gains in the Consolidated Judicial Retirement System as of December 31, 2003. The total cost of the cost-of-living adjustment was \$0.5 million annually from the General Fund.

- (3) **Cost-of-Living Adjustment in Retirement Allowances for Retired Legislators:** Effective July 1, 2005, the General Assembly provided a 2% increase in the retirement allowances paid to beneficiaries of the Legislative Retirement System who retired on or before January 1, 2005, 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, 2005, but before June 30, 2005, were authorized an increase in their retirement allowances on July 1, 2005, equal to a prorated amount of the 2% increase provided to those who retired on or before January 1, 2005. The increase was funded within the Legislative System at an annual cost of \$35,000.

- (4) **Cost-of-Living Adjustment in Retirement Allowances for Retired Local Government Employees:** Effective July 1, 2005, the General Assembly provided a 2.5% increase in the retirement allowances paid to beneficiaries of the Local Governmental Employees' Retirement System whose retirement began on or before July 1, 2004. In addition, beneficiaries who retired after July 1, 2004, and before June 30, 2005, were authorized an increase in their retirement allowances on July 1, 2005, equal to a prorated amount of the 2.5% increase provided to those who retired on or before July 1, 2004. 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 2004-05.

The General Assembly funded the increase with unencumbered actuarial gains within the Local Retirement System as of December 31, 2003, which is the equivalent cost of \$14.1 million annually from local funds.

- (5) **Extend the Sunset that allows Retired Teachers To Work With No Earnings Restrictions:** The 2005 Session of the General Assembly enacted legislation, which extends the law until June 30, 2007, 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 permanent full-time or part-time capacity that exceeds fifty percent (50%) of the normal workweek 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 in the six months immediately preceding the return to teaching. Each local school administrative unit is to pay 11.7% of the teachers' salary to the Retirement System to fund the cost.

BENEFIT CHANGES FOR STATE AND LOCAL PERSONNEL

SPECIAL ANNUAL LEAVE BONUS

The General Assembly granted a one-time additional five days of annual leave to full-time permanent employees of the State, a community college institution, or local board of education who are eligible to earn annual leave. Persons ineligible to receive the special annual leave bonus include employees or officers who do not earn annual leave and any public school employee or State employee paid on the Teacher Salary Schedule or the School Based Administrator Salary Schedule.

STATE GOVERNMENT FAIR MINIMUM WAGE

The General Assembly provided funds to support a minimum salary of at least \$20,112 for all permanent, full-time employees subject to the State Personnel Act and to support proportionate increases to permanent full-time employees working schedules requiring less than 12-months service per year. Funding was also provided to support salary increases to address salary compression and pay inequities created by increasing salaries of employees to the \$20,112 minimum.

SALARY SUPPLEMENTS FOR EDUCATIONAL PERSONNEL

The General Assembly provided funding to allow the Departments of Health and Human Services, Juvenile Justice and Delinquency Prevention and Correction to increase the salary supplements paid to personnel licensed by the State Board of Education. The increased salary supplement is limited to the percentage supplement of the local school administrative unit where the employee's job site is located.

INDUSTRIAL COMMISSION SALARIES/IN-RANGE ADJUSTMENTS

The General Assembly authorized the use of at least \$171,900 of revenue generated from implementing fees for review of Form 21 and Form 26 Agreements to provide salaries increases and in-range salary adjustments for Industrial Commission staff. The General Assembly also authorized the Chairman to designate one deputy commissioner as chief deputy commissioner. The salary increases specified by statute are as follows:

- executive secretary is increased from 80% to 90% of the salary of a commissioner,
- chief deputy commissioner salary is set at 90% of the salary of a commissioner,
- deputy commissioner with 3 years or less of experience is set at 75% of the salary of a commissioner,
- deputy commissioner with more than 3 but less than 7 years of experience is set at 77% of the salary of a commissioner,
- deputy commissioner with more than 7 but less than 10 years of experience is set at 80% of the salary of a commissioner,
- deputy commissioner with more than 10 but less than 12 years of experience is set at 83% of the salary of a commissioner,
- deputy commissioner with 12 or more years of experience is set at 85% of the salary of a commissioner,

THE POST-RELEASE SUPERVISION AND PAROLE COMMISSION

The General Assembly restructured the Post-Release Supervision and Parole Commission from three full-time members to one full-time member and two half-time members effective September 1, 2005. The salaries of the half-time members were reduced accordingly.

EMPLOYMENT SECURITY COMMISSION CHAIRMAN

The General Assembly did not provide a salary increase to the current Chairman of the Employment Security Commission. In addition, the salary of the chairman is reduced to equal the salary of the Secretary of Commerce effective with the appointment of the next chairman.

RESOURCE PROSECUTOR LONGEVITY

The General Assembly provided funds to support increased longevity payments for assistant district attorneys by allowing service as a resource prosecutor to count in determining the longevity percentage payable. A resource prosecutor is defined as a former assistant district attorney who had left the employment of a district attorney's office to serve in a specific, time-limited position with the Conference of District Attorneys.

CLERKS OF SUPERIOR COURT LONGEVITY SERVICE DEFINITION

The General Assembly provided funds to support increased longevity payments for Clerks of Superior Court by allowing service as a magistrate to count in determining the longevity percentage payable.

STATE EMPLOYEE HEALTH BENEFIT CHANGES

A. CHANGES IN PLAN FINANCING AND BASIC BENEFITS: Upon the convening of the 2005 Session, the General Assembly was faced with having to provide additional financial support for the Teachers' and State Employees' Comprehensive Major Medical Plan. According to available information from the Executive Administrator of the Plan, the Plan's self-insured indemnity program needed over \$484 million in additional financial support to remain solvent and maintain minimum claim stabilization reserves for the 2005-2007 biennium. This amount of additional financial support is a net requirement for the biennium after realizing an expected increase in receipts to the Plan for the following: (1) a 28% subsidy offered to employers who maintain an actuarially equivalent outpatient drug benefit to Medicare eligible plan members who do not enroll in Medicare's new Part D outpatient drug benefit beginning in January 2006; the projected receipts to the Plan under this subsidy for the 2005-2007 biennium are estimated to be \$64.5 million (\$8.7 million in 2005-2006 and \$55.8 million in 2006-2007); (2) additional financial support of \$47.1 million in reduced outpatient prescription drug claim costs is projected by the Plan's consulting actuary for paid claims under the program's pharmacy benefit manager contract implemented beginning April 1, 2005 (\$28.3 million in 2005-2006 and \$18.8 million in 2006-2007); and, (3) an Executive Administrator's estimate that implementation of a case management program at a cost of \$30 million for the biennium will return gross claims savings on a one-to-one basis for each administrative dollar expended.

The net additional financial support needed for the Plan could have come from additional premium income, additional sources of income, reductions in payments to health care providers, a reduction in benefits provided to members of the program, a reduction in the number of members covered by the program, or from a combination of these avenues. A breakdown of this required additional financial support as provided by actions of the General Assembly and expected actions of the Plan's Executive Administrator are provided below:

	(\$Million)		
	<u>2005-2006</u>	<u>2006-2007</u>	<u>Biennium</u>
<u>Additional Financial Support Required</u>	\$209.239	\$275.733	\$484.972

From these requirements is deducted the additional funding recommended by the Executive Administrator and provided by the 2005 Session of the General Assembly for the 2005-2007 biennium in the way of premiums paid on behalf of teachers, state employees, and retired employees by employing agencies and the State Retirement Systems:

	(\$Million)		
<u>Employer Financing</u>	<u>2005-2006</u>	<u>2006-2007</u>	<u>Biennium</u>
General Fund	\$108.648	\$142.728	\$251.376
Highway Fund	5.070	6.661	11.731
Other Employer Funds	22.414	29.445	51.859
Total	\$136.132	\$178.834	\$314.966

Additional Highway Fund support reflected above does not include funding from increased highway work order charges. This additional premium financing is equivalent to a 12.3% across-the-board premium rate increase effective October 1, 2005.

The Plan's Executive Administrator has the statutory authority to set the premium rates for the spouses and dependent children of teachers, state employees, and retired employees who elect to pay for parent and child and family coverage. If the Executive Administrator increases the premium amounts paid by employees and retired employees for their family members by 12.3% across-the-board effective October 1, 2005, as expected, he says that the additional premium income to the program will be:

		(\$Million)	
	<u>2005-2006</u>	<u>2006-2007</u>	<u>Biennium</u>
<u>Employee Financing</u>	\$29.332	\$38.533	\$67.865

After realizing the additional premium income recommended by the Executive Administrator and provided by the General Assembly for the 2005-2007 biennium and the anticipated premium income to be provided by the Plan's Executive Administrator, the program's financial condition was still be in a deficit position.

Consequently, the Plan's Executive Administrator has recommended cuts in the benefits to members of the Plan's self-insured indemnity program. The net amount of these recommended benefit reductions for the 2005-2007 biennium is:

		(\$Million)	
	<u>2005-2006</u>	<u>2006-2007</u>	<u>Biennium</u>
<u>Recommended Benefit Reductions</u>	\$43.456	\$56.957	\$100.413

In response to the benefit changes recommended by the Plan's Executive Administrator, the 2005 Session of the General Assembly made the following changes in the Plan's self-insured indemnity program for the 2005-2007 biennium.

(1) An increase in the Plan's annual 20% out-of-pocket coinsurance expense limit paid by individuals from \$1,500 to \$2,000, effective July 1, 2005. Not since July 1, 2001, had the Plan's coinsurance out-of-pocket expense limit been increased when at that time it was increased from \$1,000 annually. The annual maximum amount of out-of-pocket coinsurance expense per contract was set at \$6,000 per contract (employee & children or employee and family), effective July 1, 2005.

(2) For outpatient prescription drugs, plan member copayments increase from \$35 to \$40 for brands with generic equivalents, and from \$40 to \$50 for non-formulary drugs, effective July 1, 2005. No change was made in the \$10 copayment for generic drugs or the \$25 copayment for brand drugs. The maximum amount of plan member copayments remains at \$2,500 per individual per year.

(3) An increase from \$100 to \$150 in hospital inpatient plan member copayments, effective July 1, 2005. Not since July 1, 2001, had the hospital inpatient copayment been changed.

(4) An increase from \$100 to \$200 in hospital emergency room plan member copayments when an inpatient admission does not follow. Not since July 1, 2001, had the hospital emergency room copayment been changed.

(5) An increase from \$50 to \$75 in the plan member copayments for hospital outpatient services and services of ambulatory surgical facilities was implemented, effective July 1, 2005, when allowable charges exceed \$500 per episode of care in hospital outpatient departments and ambulatory surgical facilities. Readmission within 30 days after discharge for the same reason will be considered the same episode of care. Not since July 1, 2001, had the hospital emergency room copayment been changed.

(6) Effective July 1, 2001, increase the benefit for plan members who are age 40 and over by allowing them to utilize the existing \$150 annual wellness benefit for an annual mammogram.

(7) Effective June 30, 2006, the North Carolina Symphony Society, Inc., a non-profit corporation, will cease to be considered 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.

(8) Effective July 1, 2004, the 2004 Session of the General Assembly allowed the Town of Forest City to become an employing unit 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 this local government elects 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. The Town 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 the Town of Forest City elects to enroll its retired employees, and their eligible spouses and dependent children, the election is irrevocable. If the Town of Forest City elects to cover retired employees they 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 the Town of Forest City 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. The Town of Forest City 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 Town's opportunity to participate in the Plan will expire June 30, 2006. The consulting actuary for the Plan estimated that the premium rates charged to the Town of Forest City and their employees and retired employees will not be sufficient to cover costs for the City's participation in the Plan. This expected adverse selection against the Plan is estimated to cost the Plan \$500,000 for fiscal year 2005-06 and \$700,000 to \$1,550,000 for fiscal year 2006-07. The consulting actuary for the General Assembly indicated that the age and sex demographics of the Town of Forest City group compare favorably with the Plan's overall membership, however cautioned that without having prior medical claims experience for this group, adverse selection against the Plan could not be ruled out.

B. RETIREE HEALTH BENEFIT PREMIUM FINANCING: Since the beginning of fiscal year 1983-84, the General Assembly has required employing state agencies, public schools, community colleges, and universities to pay a surcharge on their employer retirement contributions to the State Retirement Systems for the purpose of providing funds for the payment of health benefit premiums to the Teachers' and State Employees' Comprehensive Major Medical Plan, including its optional HMOs, for coverage of retired teachers and state employees. Except for a one-time transfer of \$47 million to the State's General Fund in 1990-91, accumulated surcharge funds have been used to pay retired employee health benefit premiums to the Plan and an administrative charge to the Department of State Treasurer for receiving surcharge funds and investment earnings and for disbursing premium payments. From 1990-91 through 1998-99, the surcharge had been a 2% add-on to employer retirement contributions. The 1999 Session of the General Assembly suspended the 2% surcharge on employer retirement contributions for retiree health benefit premium payments for fiscal year 1999-2000 only. The 2000 Session of the General Assembly followed the same strategy of the 1999 Session by reducing the 2% payroll contribution for retired employee health benefit premiums to 1.28%, relying on a balance of \$122.9 million in accumulated surcharge funds as of June 30, 2000, to help pay the required premiums. As of June 30, 2001, accumulated surcharge funds had a balance of only \$53.9 million. Consequently, the 2001 Session of the General Assembly resumed the State's payroll contribution for the payment of retired employees' health benefit premiums at 2.35% of payroll beginning July 1, 2001. Even with the payroll contribution set a 2.35% of payroll, accumulated surcharge funds were expected to have a balance of only \$50-\$55 million on June 30, 2002, which would be completely depleted by July, 2003. In fact, accumulated surcharge funds, even with July, 2003, receipts, would not be sufficient to pay July's retiree health benefit premiums to the Health Plan. Consequently, the 2003 Session of the General Assembly provided the following funding in order for the State Retirement Systems' accumulated surcharge funds to be sufficient to pay premiums to the State Employee Health Benefit Plan based only upon the cost of the Plan's benefits as of June 30, 2003:

	<u>2003-2004</u>	<u>(\$Million)</u> <u>2004-2005</u>	<u>Biennium</u>
<u>Employer Financing</u>			
General Fund	\$36.800	\$36.800	\$73.600
Highway Fund	1.600	1.600	3.200
Other Employer Funds	11.700	11.700	23.400
Total	\$50.100	\$50.100	\$100.200

The employer contribution rate for retiree health benefits was set at 3.20% for 2003-2004 and 2004-2005, an increase from the 2.35% rate that was in effect for 2002-2003. Approximately 53% of this increased employer contribution rate was financed by this \$100.2 million authorization for the 2003-2005 biennium.

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.

As of June 30, 2005, accumulated surcharge funds in the trust fund had a balance of only \$71.97 million. Consequently, the 2005 Session of the General Assembly increased the State's payroll contribution to 3.8% of payroll from the previously set rate of 3.2% for the payment of retired employees' health benefit premiums. This new rate was effective beginning July 1, 2005.

D. CHANGES IN PLAN ADMINISTRATION:

(1) The 2005 Session of the General Assembly authorized the Executive Administrator and the Plan's Board of Trustees to adopt optional health benefit programs under the Plan. G.S. 135-39.5B was modified to change the title of the section to "Optional" plans and the Executive Administrator and the Board of Trustees were authorized to, after consultation with the Committee on Employee Hospital and Medical Benefits, adopt an optional program providing health benefit coverage, that is either underwritten or purchased, that may be a preferred provider option (PPO) or other optional type program. G.S. 135-40.4 was amended to require any contract involving an optional program to be considered not a public record. G.S. 135-39.4A was amended to require the Executive Administrator to consult with the Committee on Employee Hospital and Medical Benefits before execution of a contract for an optional program.

(2) The Executive Administrator and the Board of Trustees were authorized to extend the Plan's current claims processing contract by up to three years beyond the current expiration date of June 30, 2007, after consultation with the Joint Legislative Committee on Governmental Operations.

(3) Allows the Executive Administrator to designate certain professional, managerial, or policy-making positions exempt from the State Personnel Act.

REVENUE & FEE BILLS

BILLS AFFECTING GENERAL FUND REVENUES

Senate Bill 622, Parts 33-39, Chapter 276 2005 Appropriations Act (Finance Provisions Only)

Parts 33-39, Tax Law Changes

Summary: Changes the State's tax laws in Sections 33 through 39 of the bill. This legislation made numerous changes to the State's tax laws. Many of the changes were highly technical in nature. The narrative only addresses the changes that result in a fiscal impact.

Effective Date: Section 33, effective Oct. 16, 2005, through July 1, 2007; Section 34, subsections (d) and (e) effective when law; subsection (b) effective July 1, 2006; Section 35, subsections (b), (d), and (e) effective for taxable years beginning on or after January 1, 2005; remainder of section, when law; Section 36, effective when law; Section 38, effective for taxable years beginning on or after January 1, 2007; Section 39, subsection (d) effective July 1, 2005; remainder of sections effective for taxable years beginning on or after January 1, 2005.

Part 33, Sales Tax Changes

Sections 33.1

Extends the sunset on the more recent half-cent state sales tax. This tax was enacted in 2001 and extended for two years in the 2003 session. The new legislation further extends the tax until July 1, 2007. Joint estimates provide by the Fiscal Research Division and the Office of State Management and Budget suggest the following revenue stream from this tax extension:

FY 2005-06	\$417.1 million
FY 2006-07	\$462.7 million
FY 2007-08	\$ 31.6 million

Note: While the tax expires June 30, 2007 many retailers will not submit their payments to the Department of Revenue for the month of June until the following fiscal year. Thus, a small amount of the revenue increase is shown for FY 2007-08 as well. In addition, it should be noted that the sales tax was actually initially continued in the continuing resolution. However, that extension was only until the budget bill was passed by the General Assembly or to the end of the calendar year. This bill actually extended the sales tax until 2007. The entire fiscal impact of the change in both bills is shown above.

Section 33.4(a)

The first portion of this section increases the tax on telecommunications from 6.0% to the general sales tax rate, set elsewhere in the bill at 7.0%. Based on existing telecommunications tax revenues, Tax Research estimates this change will result in a \$51.7 million gain to the State for a full year. Because this change is effective October 1, 2005 only \$32.1 million is anticipated for FY 2005-06.

Section 33.4 also increases the tax on direct to home satellite television services from 5.0% to 7.0%. Based on existing collections and industry market data, Tax Research estimates the net increase to the State for a full year is \$10.5 million. Because the change is effective October 1, 2005 Fiscal Research anticipates only \$6.5 million for FY 2005-06.

This section also addresses the taxation of liquor. Under previous law, liquor was taxed at 6.0%, with no local share. The legislation increases that rate to 7.0%. The revenue is again not shared with the locals as local governments are constitutionally prohibited from applying a sales tax to liquor. Based on current collections Tax Research estimates this change will result in a \$4.6 million annual gain. Because the provision is not effective until October 1, 2005, Fiscal Research estimates a FY 2005-06 revenue increase of \$2.9 million for FY 2005-06.

All of these changes were made to conform to the Streamlined Sales Tax agreement.

Section 33.4(b), 33.9, and 33.12

Under previous statute railway cars and locomotives were taxed at the rate of 3.0%, with a \$1,500 cap per article. The legislation taxes these items at the general rate of 7.0%, but allows a proportional refund to interstate carriers. Because North Carolina is not a major rail transportation state, with regard to basing of equipment, the fiscal impact of this change is expected to be minimal.

Section 33.4(b) also exempts from all sales tax several items that were previously taxable at special rates. The following items were moved from taxable at 1.0% to exempt, effective January 1, 2006:

- Horses and Mules
- Animal Semen
- Fuel, other than electricity, sold to farmers for farm purposes
- Fuel, other than electricity, sold to laundries and dry cleaners
- Fuel, other than electricity, sold to manufacturers
- Wrapping paper, cartons, and supplies sold to freezer locker plants

Because sales of these items are not identified individually in Department filings, no specific estimates are available for each of these categories individually. However, Tax Research estimates the total loss from these changes, for a full fiscal year, will be approximately \$2.0 million. Because of the January 1, 2006 effective date, Fiscal Research estimates the 2005-06 loss will be approximately \$0.9 million.

Several items of equipment that were previously taxable at 1.0%, with an \$80 per article cap, were also exempt from tax in this Section. Tax Research estimates the annual cost to the State of exempting these items, in total, is \$2.0 million. Because of the January 1, 2006 effective date, Fiscal Research estimates the 2005-06 cost as \$0.9 million. Items exempted under this provision include the following:

- Central office equipment, switchboard, private branch exchange equipment, and software sold to telephone companies
- Laundry and dry cleaning machinery, parts, and accessories
- Towers and broadcasting equipment, parts, and accessories for the equipment sold to commercial radio and TV companies regulated by the Federal Communications Commission
- Equipment for the storage, handling, or moving of tangible personal property sold to an air courier for use at its hub

These sections also exempt from tax several items of related equipment, previously taxes at 1.0% with an \$80 per item cap. Because data is not collected for all of these items individually, no item-by-item estimate is possible. However, Tax Research indicates that exempting all of these items, in total, will cost the State approximately \$3.1 million annually. Because of the January 1, 2006 effective date Fiscal Research suggests the actual 2005-06 cost will be \$1.5 million. These items include the following:

- Farm machinery and parts and accessories for the machinery
- Bulk tobacco barns and racks and parts and accessories for the barns and racks
- Grain, feed, or soybean storage facilities and parts and accessories to the facilities
- Farm containers for use in planting, harvesting, marketing, packaging, or transporting farm products.

This section also alters the taxation of mobile classrooms and offices. Under previous law these facilities were subject to a 3.0% tax, with a \$1,500 cap per item. The legislation taxes these facilities. However, because state agencies are exempt from all sales tax as a result of existing statutes, those items would not be taxed. Similarly, because school systems and educational institutions are allowed a sales tax refund, the net result will be no taxation. The overall revenue effect of this change is an increase of \$0.1 million in FY 2005-06 and an increase of \$0.3 million in FY 2006-07.

These changes were all a part of complying with the streamlined sales tax agreement.

Finally this section, along with sections 33.13 and 33.14 applies a 7.0% tax to cable service. Previously, cable had been taxed only by local governments. Under this provision, cable users would be taxed at the state level 7.0% but would receive a credit against this tax for local cable franchise taxes paid. Under federal law local franchise taxes are capped at 5.0%, suggesting a net state rate of 2.0%. This change is effective January 1, 2006. It is expected to generate \$10.9 million in FY 2005-06 and \$26.1 million in FY 2006-07.

Section 33.6

This section of the bill extends the sales tax currently levied on telecommunications to voicemail services. Because this service is generally bundled with other telecommunications services, no estimate is possible. However, the revenue gain is expected to be minimal.

Section 33.9

This portion of the legislation alters the taxation of funerals and funeral services. Under previous law all funeral expenses were taxed at the general rate, but exempted the first \$1,500 from tax. This applied to all funeral services and related tangible personal property. The bill altered the tax to apply the general rate of tax to the purchase of all tangible personal property, but exempts the funeral related services from tax. Based on data provided by the industry, a consensus estimate between Fiscal Research and the administration suggests an FY 2005-06 revenue gain of \$1.7 million and \$2.7 million for FY 2006-07. This change was made to comply with the streamlined agreement.

The sales tax portion of the bill also extended the sales tax to satellite radio. Because the technology is extremely new and underused, no accurate fiscal estimate is possible. However, in future years a revenue gain is expected.

Section 33.10

This portion of the bill extends the state portion of the sales tax to candy. In 2003 candy was defined separately from food as a part of the streamlined agreement. At that time the policy decision was to exempt candy from the state sales tax base (it was included in the local base). This legislation moves candy from exempt to taxable, for a revenue gain of \$9.8 million and \$15.8 million respectively. The fiscal year estimate difference is a result of the October 1, 2005 effective date.

Part 34, Tobacco Tax Rate Changes

Sections 34.1(a) and 34.1(b)

Section 34.1 (a) increases the excise tax on cigarettes from 5 cents per pack to 30 cents per pack. Section 34.1 (b) increases the excise tax on cigarettes to 35 cents per pack effective July 1, 2006.

Cigarette tax revenue is calculated by first computing the number of packs of cigarettes that would be sold in North Carolina without a tax increase. The change in consumption for future years is projected using a combined growth percentage that uses average per capita consumption and population trends to predict future consumption. Based on this methodology, cigarette sales are projected to decline between 2 and 3 percent per year absent any price increases, creating the following baseline revenue stream:

Baseline Cigarette Revenue Stream (\$ in millions)

	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
Total Cigarette Revenue	38.4	37.5	36.7	35.9	35.0
Revenue Per Penny	7.7	7.5	7.3	7.2	7.0

While these numbers are a good indication of revenues from existing taxes and even small increases in the tax on cigarettes, research papers on the issue indicate that larger price increases could result in smaller per penny gains. To predict the impact of a tax increase on cigarette tax revenue for a 25-cent tax increase, an elasticity factor is used to calculate the impact on consumption of each 10% increase in price. For the purposes of this estimate, an elasticity of -.4 is used, which implies a decline in consumption of 4% for each 10% increase in price.

A reduction in demand due to negative cross border effects could also be expected to occur as a result of the loss of North Carolina's competitive advantage relative to other states. A 2003 report from RTI International studied the impact of tax increases on cigarette smuggling activities and cross border sales. The report estimated that a cigarette tax increase of 65 cents would result in the elimination of long-distance smuggling activities in North Carolina and a reduction in sales of 105 million packs annually. The report also estimated that an additional sales reduction of 30 million packs annually would result from North Carolina residents shifting their consumption to lower-tax states and out-of-state residents who previously purchased cigarettes in North Carolina choosing to shift their consumption elsewhere. Because the RTI study is based on a 65-cent increase, the impact is adjusted proportionally for a 25-cent increase to account for the greater cross border effect expected with a larger price discrepancy.

A 2% reduction in annual revenue is factored into the analysis to account for the current discount to distributors for collecting the tax. The annual revenue for FY05-06 is reduced to account for a one-month collection lag that results from the fact that the tax is remitted by distributors in the month following the liability month. Finally, revenue is adjusted to account for reduced sales tax as a result of reduced cigarette consumption.

Based on the above assumptions, the net revenue increase from a 25-cent cigarette tax increase beginning September 1, 2005 and an additional 5-cent increase effective July 1, 2006 is estimated as the following:

Net Revenue Increase from Cigarette Tax (\$ in millions)

	2005-06	2006-07	2007-08	2008-09	2009-10
Cigarettes	\$117.2	\$187.3	\$184.0	\$179.1	\$173.7

Section 34.1(d) and 34.1(e)

Section 34.1 (c) increases the tax on other tobacco products from 2% to 3%. Under the current system, OTP revenue is estimated as the following:

Estimated OTP Revenue (\$ in millions)

	2005-06	2006-07	2007-08	2008-09	2009-10
Other Tobacco Products	\$4.1	\$4.3	\$4.5	\$4.6	\$4.8

Once adjustments are made for declines in demand due to increased prices, the following revenue stream is expected from the increase in the Other Tobacco Products tax:

Estimated Revenue Stream after OTP tax (\$ in millions)

	2005-06	2006-07	2007-08	2008-09	2009-10
Other Tobacco Products	\$1.6	\$2.1	\$2.2	\$2.3	\$2.4

Part 35, IRC Update

This portion of the bill is the Internal Revenue Code update. Under previous North Carolina law the reference date in the code is May 1, 2004. The legislation changes the reference date to January 1, 2005. This would effectively incorporate the changes made by both the Working Families Relief Act and the American Job Creation Act. In addition, in early January 2005 Congress enacted additional legislation to enhance the tax benefits associated with charitable contributions made for tsunami relief. The legislation conforms to that change as well. NOTE: Because of the structure of the federal legislation, many of these provisions would be retroactive.

Part 36, Individual Income Tax Changes

The 2001 General Assembly added an 8.25% tax rate to the personal income tax. The rate applies to taxable income (income remaining after deductions, exemptions) of \$200,000 for a married couple filing jointly (\$120,000 for single taxpayers and \$160,000 for head of household). The new rate had a sunset of January 1, 2004.

During the 2003 legislative session the sunset was extended until January 1, 2006. The 2005 budget solution moved the sunset to January 1, 2008.

The starting point for the fiscal impact analysis is the 2003 tax year tabulation by the Department of Revenue (DOR) of the distribution of income taxpayers by size of taxable income for each filing status for the 2003 tax year. The taxable income breakpoints in the distribution table were set to coincide with the income threshold for the 8.25% tax rate (\$200,000 for married filing jointly, for example).

The data for the affected income group includes taxable income, tax liability, and the number of taxpayers. This data allowed Fiscal Research to set up a spreadsheet calculator based on the "average" taxpayer in the income class affected. After the tax change impact is calculated for this taxpayer, the total dollar amount of the change is determined by multiplying the taxpayer impact by the number of taxpayers in the group.

In addition to the DOR data, we used the income tax microsimulation model developed by Bearing Point for Fiscal Research. This model uses blurred data from over 1 million tax records. The results of this model are, in theory, more precise due to the large sample size. However, Fiscal Research used the DOR actual tax return data due to problems in reconciling the results of the microsimulation model with actual DOR data for the same year.

To advance the 2003 tax year results to 2005, the growth rates in the microsimulation model for that period were used. Next, the 2005 tax year estimate was grown to 2006 and 2007 based on an 8% annual increase in tax liability. The tax year data was then allocated to the state fiscal year based on the assumption that 45% of the tax liability for a given tax year is paid through April and June estimated tax payments and the remainder is paid later during the tax year or by April 15 of the following year. Thus 55% of the tax year liability impact goes into the second fiscal year affected.

The anticipated impact of the proposal on General Fund revenues is as follows:

FY 2005-06	+\$39,800,000
FY 2006-07	+\$89,700,000
FY 2007-08	+\$50,180,000
FY 2008-09	0
FY 2009-10	0

Part 38, Corporate, Excise, and Insurance Tax Changes

Equalize Gross Premiums Tax. Under prior law all major lines of insurance were assessed a tax of 1.9% of gross premiums except for HMO's, which paid a 1.0% rate. The 2005 legislation raised the tax rate on HMO's to 1.9%, effective for tax years beginning on or after January 1, 2007.

In addition, for the 2007 tax year the carriers affected must make an April 15 pre-payment equal to 50% of estimated 2007 tax liability. On June 15 another 50% payment must be made. For 2008 and later years, the taxpayers will be subject to the same "installment" payment system that applies to other carriers (33 1/3% of prior year's tax liability is paid on April 15, June 15, and October 15 of tax year).

The starting point for the fiscal analysis was a tabulation by the Department of Revenue of taxable premiums of HMO's for the 2000-2004 tax years. This data includes HMO's that have become part of the Blue Cross/Blue Shield family in recent years. In 2004 the premium volume for HMO's declined after many years of high growth. The future uncertainty of the health insurance market in the State makes it difficult to predict premium volume of HMO's in years following 2004. This analysis took the \$1.77 billion of premium volume for 2004 and reduced it by 16% to be cautious. The reduced base was used for all future years.

This lower tax base of \$1.49 billion was multiplied by the .9% rate increase to derive the tax year impact of the legislation. This amount was converted to state fiscal year by following the estimated tax payment schedule outlined in the legislation for the 2007 tax year and the installment payment schedule for subsequent years. The anticipated impact of the proposal on General Fund revenues is as follows:

FY 2005-06	-0-
FY 2006-07	+\$13,400,000
FY 2007-08	+\$3,940,000
FY 2008-09	+\$13,400,000
FY 2009-10	+\$13,400,000

The revenue gain for 2006-07 reflects the full year impact of the rate increase for the 2007 tax year. Under the legislation all of the 2007 change is captured during April-June 2007 under the estimated payment method. This payment change applies not only to the .9% rate increase but the 1.0% rate under current law. The 2007-08 revenue gain declines due to the fact that the accelerated payments in 2006-07 come at the expense of payments normally made in later months.

Part 39, Tax Incentives / Film Industry Jobs Incentives

Film Industry Tax Credit. Allows an income tax credit for 15% of the qualifying production expenses of film and television production companies that spend at least \$250,000 in North Carolina on a production. Qualifying expenses include goods and services purchased by the production company and compensation paid by the production company on which it must withhold estimated personal income tax payments. For goods whose purchase price exceeds \$25,000 the amount of eligible expenses is the purchase price less the fair market value at the end of the production. The credit is limited to \$7.5 million per feature film. The credit does not apply to the production of political advertising, television news or sporting events, obscene productions, or radio productions. The taxpayer is not allowed to take both the credit and the regular business expense deduction on the same expenditures.

The credit may be taken in the tax year in which the expenditures are incurred. To the extent the credit amount exceeds income tax liability, the remainder is refunded to the taxpayer. The bill requires the Department of Revenue to report annually on taxpayers claiming the credit.

The bill also repeals the Film Industry Development Account. This change would have no impact on the General Fund because there are no balances in the Account.

The Department of Commerce provided North Carolina actual expenditure data on five different types of film and television productions that have taken place in recent years: (1) cable movie; (2) small feature film; (3) medium feature; (4) episodic television; and (5) television commercials. The expenditure data was broken down into a number of expense categories. In addition, the Department's material simulated the potential number of productions for each category for January 2005-June 2007. The simulation was based on discussions with the state film office and other industry specialists in the State regarding recent experience and expectations about the next couple of years

The taxpayer is not allowed to take both the credit and the regular business expense deduction on the same expenditures. Thus, taxpayers taking the credit must add back to income the amount of the expenses subject to the credit. The fiscal impact is then determined by multiplying these expenses by the 6.9% corporate tax rate.

For the purpose of this analysis, it is assumed that the tax year impact of the credit matches up with the fiscal year ending six months after the end of the tax year. Thus, the full impact of the credit for the 2005 tax year would end up in the 2005-06 fiscal year. This rationale was based on the fact that the small amount of the credit means that taxpayers are unlikely to reduce their quarterly estimated payments sent in during the tax year. Instead, the relief will be taken in the form of lower final income tax payments or higher tax refunds, both of which occur in the months just following the end of the tax year. There is no way to predict the level of production activity after the end of the 2005-07 biennium. For fiscal note purposes the expected 2005 and 2006 tax year activity levels were used for all future years.

The anticipated impact of the proposal on general fund revenues is as follows:

FY 2005-06	-\$3,500,000
FY 2006-07	-\$3,500,000
FY 2007-08	-\$3,500,000
FY 2008-09	-\$3,500,000
FY 2009-10	-\$3,500,000

<p style="text-align: center;">House Bill 1630, Part 8 and 9, Continuing Resolution (Finance Provisions Only)</p>
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Part 8, Conform Estate Tax to Federal Sunset

North Carolina repealed its regular death tax ("inheritance tax") in 1998. Like other states repealing the tax, the State continued to levy a "pick-up tax" in an amount equal to the federal estate tax credit for state death taxes. The reason for the pick up tax is to keep estate tax dollars in the state in lieu of having the proceeds go to the IRS because the federal credit (on the books since the 1920's) is not utilized.

In 2001 the Congress phased out the credit for state death taxes between January 1, 2001, and January 1, 2005. This would save federal tax dollars but would also mean that state pick-up taxes would be phased-out because they were tied to the federal credit.

The 2002 General Assembly, in a similar fashion to many other states, decoupled from the federal tax base by continuing to levy the pick up tax on the amount of the federal credit in place prior to the 2001 federal actions. At the same time, the legislation adjusted the state base for the increase in federal exemptions to avoid having estates pay a state tax when there is no federal liability. This "partial conformity" solution was set to sunset on January 1, 2004. The 2003 General Assembly extended the sunset to July 1, 2005.

The 2005 adjustment continues the partial conformity solution until the federal estate tax is repealed in 2010. At that time the North Carolina tax would be also eliminated. Thus, the 2005 language enables the state law to track the rise in the federal exemptions over the next few years from \$1.5 million (property passing to surviving spouse is completely exempt) to \$3.5 million as well as the ultimate repeal of the federal tax.

Effective Date: Effective when law.

Fiscal Effect: The starting point for the fiscal analysis was a review of North Carolina estate tax collections for 2004-05. The \$135.2 million amount was adjusted downward for the extraordinarily large collections in certain months from a handful of estates. This modified 2004-05 amount represents a typical year under the partial conformity solution the State has been using since 2002.

Next, the forecast model developed by the Center For Budget and Policy Priorities (CBPP) was reviewed. This 2002 model was used to project the cost for each state of full conformity to the federal death tax credit phase-out as well as the partial conformity option. This model contained baseline estimates of the future state death tax revenues in the absence of either type of conformity (but including the impact of the phase-up schedule of federal estate tax exemptions in place prior to the accelerated phase-up under the 2002 legislation). These future growth rates were based on 2001 Congressional Budget Office estimates.

The CBPP model was modified by Fiscal Research to account for actual pick up tax growth in North Carolina between 2001 and 2005. The 2004-05 tax base number was then grown by the rates contained in the CBO analysis.

The CBPP model also contained estimates of revenues resulting from partial conformity to the federal phase out. The percentage reduction in the tax base under this option was then compared to the percentage reduction under the full conformity option. These percentage differences were converted to dollars by applying them to the "non conformity" baseline estimates described earlier.

The final step converted estimated calendar year impacts to the State fiscal year. This was accomplished by assuming that all affected estates would use the full 9-month tax deferral allowed under the pick up tax. This, combined with the July 1, 2005 effective date, means that the 2005 change affects only one quarter of the 2005-06 fiscal year.

Part 9, Extend Sunset on Additional One-Half Cent State Sales and Use Tax Rate

This legislation temporarily extended the sunset on the half-cent sales tax for the interim between the sunset date and the ratification of the 2005 Appropriations Bill. The 2005 Appropriations Bill (Senate Bill 622) extended the tax through July 1, 2007 and replaced the sales tax provisions of this bill.

<p style="text-align: center;">House Bill 105, Chapter 105 Motor Fuel Tax Changes and Revenue Laws Technical Changes</p>
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The bill has three distinctive parts.

Motor Fuels: The legislation makes several changes to the motor fuel laws. Most of these are highly technical, and include the following (1) Amends GS 105-236(2), effective January 1, 2006, to authorize Secretary of Revenue to impose a penalty of \$1,000 for a person's failure to obtain certain motor and alternative fuel business licenses as required by GS 105-449.65 and 105-449.131. (2) Amends GS 105-449.46 and GS 20-91 to transfer audits related to the International Registration Plan from the Department of Transportation, Division of Motor Vehicles, to the Department of Revenue, Motor Fuels Tax Division. (3) Enacts new GS 105-449.47A, effective January 1, 2006, to authorize Secretary to deny a motor carrier an identification marker if carrier has: had a registration cancelled for cause; has been convicted of fraud, misrepresentation, or any other offense that indicates that applicant may not comply with

motor carrier fuel tax requirements; or failed to pay a state tax or file a return. (4) Effective January 1, 2006, amends GS 105-449.51 to impose \$200 fine (was, at least \$10 and up to \$200) for operation of a motor vehicle without required registration and identification markers. (5) Amends GS 105-449.65(b) to provide that a person licensed as an occasional or tank wagon importer is required to obtain a distributor license if the importer is also purchasing motor fuel, at the terminal rack, from an elective or permissive supplier who is authorized to collect and remit tax to the state, effective Jan. 1, 2006. (6) Deletes GS 105-449.86(a)(4), which imposed motor fuel excise tax on American Red Cross. (7) Amends GS 105-449.90A to delete option of paying tax to NC rather than destination state when the person exporting fuel is not registered in the destination state. (8) Enacts new GS 105-449.96(7) to require that fuel supplier list on state tax return the number of gallons of motor fuel exchanged with another licensed supplier pursuant to a two-party exchange agreement. (9) Amends GS 105-449.15(d)(1), effective January 1, 2006, to require a person operating an empty fuel transport to carry the shipping document for the motor fuel last contained in the conveyance. (10) Enacts new GS 105-449.115(g) authorizing Secretary of Revenue to assess a civil penalty of \$5,000 against a terminal operator that issues a shipping document that does not contain all the required information. (11) Amends GS 105-449.115A(a) to extend shipping document requirements to a person who operates a tank wagon into which motor fuel is loaded at the terminal. (12) Effective January 1, 2006, amends GS 105-449.123(a) to impose a civil penalty on a person who fails to mark a storage facility for dyed (untaxed) motor fuel. Amends GS 119-15 to define "dyed diesel fuel" and "dyed diesel fuel distributor." (13) Enacts new GS 119-15.1(a)(4) to require licensing of dyed diesel fuel distributor. (14) Makes technical and conforming changes. This portion of the bill is a recommendation of the Revenue Laws Study Committee.

The fiscal implications of this portion of the bill fall into five categories.

Penalties

The legislation authorizes the Secretary of Revenue to impose a \$1,000 penalty for failure to obtain certain motor and alternative fuel business licenses. The current law bars the Department from charging a penalty because there is no fee for the license. The Department estimates a maximum of five violations a year. Since the penalty is discretionary, no revenue estimate is possible. If a penalty were assessed, the proceeds would be deposited in the Highway Fund.

The bill also allows the Secretary of Revenue to impose a civil penalty of \$5,000 on an oil terminal operator that issues a shipping document that does not contain all the required information. Without an accurate and complete bill of lading the Department cannot ensure proper taxation. No estimate is available due to the discretionary nature of the penalty, but proceeds are expected to be limited.

The final penalty relates to persons who operate as a motor carrier in North Carolina, but do so without obtaining the necessary registration and identification markers. Under current law the fine is between \$10 and \$200. This section sets the amount at \$200. While no estimate is available, the impact is expected to be minimal.

Red Cross

The legislation exempts the Red Cross from paying the excise tax on dyed diesel fuel. The U.S. Supreme Court ruled in the Department of Employment v. United States that the American Red Cross is an instrumentality of the United States for state tax immunity purposes. While the Red Cross is not exempt by statute, the Department of Revenue had administratively recognized their federal exemption status and has refunded their tax payments. Since this section conforms statute to department policy, no fiscal impact is expected.

Refunds

The bill conforms the refund statute for motor carriers to the general rule applicable to tax refunds of overpaid taxes. Under the general administrative provisions of G.S. 105-266(a)(3), the Secretary does not have to refund a tax overpayment of less than \$3.00, unless the taxpayer makes a written request for the funds. However, there is no minimum payment amount for motor carriers. This provision conforms the motor carrier process to the utilized with other taxpayers. No fiscal impact is expected.

Department of Revenue (Administrative Responsibility)

Per Section 21, G.S. 20-91 is amended to transfer audits related to the International Registration Plan to the Department of Revenue. In July 2004, six (6) Vehicle Plan Registration Auditor positions with salaries and related benefits were transferred through administrative process from the Department of Transportation (DOT) to the Department of Revenue/International Registration Division to handle International Registration audit functions. The support for the division is derived from receipts transferred from DOT, and there is no additional funding required for the positions. Additionally, there is no increase in receipts needed for the department to administer the new or revised statutory requirements resulting from this legislation.

The remaining sections deal with record keeping requirements and have no fiscal impact.

Revenue Technical Changes: This portion of the bill makes a number of technical and clarifying changes to the revenue laws and related statutes. Examples include clarification language, correction of statutory references, cross-reference language, and deleting obsolete references. In addition, the bill eliminates an inconsistency in the fees collected by the Secretary of State for obtaining paper and electronic certificates provided by the Secretary of State's Office for certifying a copy of any filed document relating to a domestic or foreign limited partnership.

A review of the language of the changes to the tax law indicates that they are purely technical in nature. In many cases the new language conforms to the current administrative interpretation. Finally, the Secretary of State fee changes conform statutory law to administrative practice based on an interpretation of 2002 fee changes.

Aviation Fuel: The legislation also allows two new refunds of taxes paid on aviation fuel. Under current law, interstate passenger air carriers are allowed a refund of a portion of the sales and use taxes they paid to North Carolina on fuel, lubricants, repair parts, and accessories purchased in the State. The proportion of taxes refunded is related to the number of air miles flown in the State, as opposed to other states. This year's legislation expands this refund provision to include a refund of any amount of sales and use taxes paid on fuel in excess of \$2.5

million annually. This provision applies only after the proportionate refund has been calculated and claimed. The refund only applies to fuel purchased on or after January 1, 2005, but before January 1, 2007. Based on historic fuel refund data and projected fuel costs, Tax Research and Fiscal Research agree that the provision is likely to cost the state between \$3.0 and \$5.0 million each year the program is in effect. The change is expected to impact a fairly limited number of air carriers.

The second new aviation fuel tax refund relates to the motorsports industry. Under section 61.1 of the bill, motorsport racing teams and motorsport sanctioned bodies are eligible for a refund of the sales and use taxes they paid on aviation fuel. To be eligible for the refund, the fuel must have been used to travel to or from a motorsports event in this State, from this State to a motorsports event in another State, or to this State from an event in another State. For purposes of this refund, a "motorsports event" includes a motorsports race, a motorsports sponsor event, and motorsport testing. Like the air carrier refund, this refund is annual and applies only to sales between January 1, 2005 and January 1, 2007. Based on data provided by some of the motorsports teams, and information gleaned from recent industry impact studies by UNC Charlotte, Fiscal Research estimates the annual State cost of this portion of the bill as approximately \$1.1 million for each of the two years. The local cost is expected to be \$0.6 million.

<p style="text-align: center;">House Bill 392, Chapter 277 Amend the Definition of Malt Beverage</p>
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Summary: House Bill 392 amends the definition of malt beverage to include beverages containing no more than 15% alcohol by volume and requires any malt beverage containing more than 6% alcohol by volume to bear a label indicating the alcohol content of the beverage.

Effective Date: Effective when law.

Fiscal Effect: Under current law, excise taxes are levied on beer, wine and spirituous liquor as established in G.S. 105-113.80. The following excise rates are currently imposed: 1) unfortified wine is taxed at a rate of 21 cents per liter; 2) fortified wine is taxed at 24 cents per liter; 3) spirituous liquor is taxed at 25% of the retail price; and 4) malt beverages are taxed at a rate of 53.177 cents per gallon.

The current definition of malt beverage is established in G.S. 18B-101 and does not include beverages with alcohol content greater than 6%. By increasing the cap on alcohol content to 15%, House Bill 392 allows the sale of a variety of additional malt beverages in North Carolina. Many of these are "craft" or "niche" beers that make up approximately 3% of the national market share. Additionally, some malt liquor beverages and flavored malt beverages with alcohol content greater than 6% are now allowed to enter the market.

Because of the low market share and the likelihood that consumption of high alcohol content malt beverages would primarily supplant existing consumption of malt beverages, this bill is not expected to result in any significant fiscal impact. In addition, the NC Alcoholic Beverage Control Commission estimated no fiscal impact related to the bill.

Senate Bill 612, Chapter 120, Article 9A
Amend Lobbying Laws (Finance Provisions Only)

Summary: Senate Bill 612 amends the lobbying laws that currently govern legislative lobbying to reduce the registration period from two years to one year and reduce the fee from \$200 per registration to \$100 per registration. Under this bill, lobbyists are required to file a registration statement for each of their principals. The bill also eliminates the requirement that the principal file a separate registration statement for each of its lobbyists.

The bill adds new article 4C to Chapter 147 of the General Statutes to govern executive branch lobbying. The new Article imposes the same registration requirement and fee structure for executive lobbyists and principal registrations as is provided for legislative lobbyists. However, the bill reduces the registration fee to \$75 each if a lobbyist registers as a legislative lobbyist and an executive lobbyist for the same principal. The bill also requires the Secretary of State to adopt rules providing for a fee reduction or waiver if the lobbyist's principal required to pay the fee has annual revenue of \$300,000 or less and no more than two registered lobbyists, or if there otherwise exists a case of hardship.

The bill increases the frequency with which expenditure reports must be filed and it requires the Department of the Secretary of State to perform systematic reviews of the expenditure reports. The Department is also required to implement a system that allows for electronic filings.

Effective Date: Section 4 is effective July 1, 2005; all other sections are effective January 1, 2007.

Fiscal Effect: Based on information provided by the Secretary of State, for the 2004-05 fiscal year, there were approximately 1,255 lobbyist's registrations for the 2005 Session of the General Assembly. In addition to the lobbyist's registrations, there were approximately 673 individual lobbyist's principals. Combining the two groups, Fiscal Research estimates that there would be 1,928 registrations annually.

Under current law, a registration can cover both the odd year (Long Session) and the even year (Short Session) of a two-year Legislative Session. Changing the registration from two years to one year may result in fewer registrations for the even years. However, Fiscal Research has no data upon which to determine the number, if any, of lobbyists and principals that may not register for the even years. Also, there is some data that indicates that there are lobbyists and principals that register for the second year only. Therefore, considering that, under this bill, some registrations will only be for one year of the two-year Legislative Session, our estimate assumes that the number of registrations will remain constant.

This bill also requires executive lobbyists and principals to register. Presently, there is no data upon which to estimate the number of executive lobbyists and principals that may be required to register with the Secretary of State. Fiscal Research, however, believes that it is reasonable to assume that the executive lobbyists and principals will be a subset of the lobbyists and principals that register as legislative lobbyists. Therefore, the 1,928 lobbyists and principals would pay a \$100 fee to register as legislative lobbyists/principals *or* as executive lobbyists/principals or they

would pay \$75 to register as a legislative lobbyist/principal *and* another \$75 to register an executive lobbyist/principal. Fiscal Research therefore estimates that the annual revenue would range from \$192,800 to \$289,200.

The reduction of the registration period and fee from a two-year period with a \$200 fee to a one-year period with a \$100 shifts the revenue stream. It also eliminates the requirement that a principal register as such for each lobbyist that works for the principal, thereby reducing the revenue by the amount of the multiple principal registrations. Currently, there are 2,333 registration relationships for the odd years, generating approximately \$466,000 in the fiscal years that end in odd years (i.e., 2006-07) and another 480 for the even years, generating approximately \$96,000 in the fiscal years that end in even years (i.e., 2007-08).

This bill allows a reduction or waiver of the registration fees if the lobbyist principal has revenue of less than \$300,000 and has no more than two registered lobbyists. Neither the Secretary of State nor the Fiscal Research Division has sufficient data upon which to estimate the number of reductions or waivers that may be granted under the rules adopted by the Secretary of State and the resulting effect on the total estimated revenue.

<p style="text-align: center;">Senate Bill 1149, Chapters 105, 136 and 143 Energy Credit Banking/Selling Program/Fund (Finance Provisions Only)</p>

Summary: Sections 1 through 3 of this bill apply to a new energy credit banking and selling program and Alternative Fuel Revolving Fund. The federal Energy Policy Act of 1992 (P.L. No. 102-486, commonly referred to as EPAct) requires fleets operated by state governments and alternative fuel providers (primarily utilities) to acquire a certain percentage of alternative fuel vehicles (AFV) each year. Senate Bill 1149 requires that 75% of a State's fleet new light-duty vehicle acquisitions must run on AFVs. EPAct also provides that fleets can participate in a credit program that allows them to bank credits for future use or to sell excess credits to other covered fleets. Covered fleets earn one vehicle credit for every light-duty AFV they acquired beyond their base vehicle acquisition requirements. State and fuel provider fleets must annually report compliance with EPAct to the U.S. Department of Energy.

Section 1 of this bill directs the State Energy Office within the Department of Administration (DOA) to establish and administer a banking and selling program for energy credits earned under EPAct. Section 1 also creates the Alternative Revolving Fund (Fund), which will be held by the State Treasurer. Revenues generated from the sale of credits would be deposited in the Fund and will be used to pay for the incremental fuel costs of biodiesel fuel, to purchase ethanol with a minimum octane of E-85, to pay for the incremental vehicle cost of purchasing AFVs, to develop alternative fuel refueling infrastructure, and to administer the program. To the extent possible, credits would be distributed to State institutions, departments, and agencies in proportion to the number of credits generated by the institution, department, or agency. Section 1 also directs the Secretary of DOA to adopt rules to implement the program and it directs DOA to report on expenditures from the Fund to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division no later than October 1 of each year.

Sections 2 and 3 of the bill require the Department of Transportation and DOA's Division of Motor Fleet Management to participate in the energy credit banking and selling program.

Sections 4 and 5 extend the existing tax credit for investment in renewable energy property. This tax credit currently expires at the end of 2005. The program is sunset on January 1, 2011. This portion of the bill also (1) amends GS 105-129.16A (credit for investing in renewable energy property) to increase the ceiling on the credit for nonresidential property from \$250,000 to \$2.5 million and to include pool heating in the residential property ceiling for solar energy equipment and (2) expands definition of renewable energy property in GS 105-129.15 to include any biomass equipment that uses renewable biomass resources for commercial thermal or electrical generation. Finally it reorganizes other sunset provisions of Article 3B of GS Chapter 105, and makes a series of technical and conforming changes.

Energy Credit Banking & Selling Program/Alternative Fuel Revolving Fund - Revenue:

The energy credits are built into the federal Energy Policy Act of 1992 and are earned through the purchase of alternative fuel vehicles and the use of alternative transportation fuels. A credit trading system evolved as required fleets did not want to purchase the vehicles but were willing to pay for the credits themselves. This credit trading is approved by the US Department of Energy and is primarily carried out in the US by World Energy, a biodiesel distributor and credit broker. The State Energy Office reported that between 1995 and 2004, North Carolina has earned approximately 1,110 EPAct credits that could be sold. Motor Fleet Management earned approximately 65% of these credits. The Department of Transportation earned the remaining 35% of the credits. EPAct credits generally range in value between \$750 and \$1,000 and can be sold directly by the State or through a third-party broker (such as World Energy). World Energy charges a 10% brokerage fee. Utilities and some universities are the largest buyers of these credits. Based on this information, Fiscal Research estimates that the revenue to the Alternative Fuel Revolving Fund from the sale of the existing energy credits would range from \$832,500 to \$1,110,000, assuming the State sells the credits directly or from \$749,250 to \$999,000, assuming the State uses a third-party broker and pays a 10% brokerage fee.

The State Energy Office also reported that the projected acquisition of credits over the next 5 years is approximately 350 credits per year. The total number of alternative fuel vehicles within the fleet will increase annually as existing vehicles are replaced with new alternative-fueled vehicles. Increased amounts of biodiesel and ethanol fuel will be purchased for these vehicles. Both actions will result in more credits. NC state universities are now reporting their alternative-fueled vehicles as well as all state agencies, regardless of whether the vehicles were purchased with state funds or other resources. Fiscal Research estimates that the potential revenue to the Alternative Fuel Revolving Fund from the sale of additional credits that the State is expected to earn is \$262,500 to \$350,000 annually.

<p style="text-align: center;">House Bill 1429, Chapter 380 Wine Shipper Fee</p>
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Summary: House Bill 1429 eliminates the wine shipper permit fee, formerly set at \$100, for the permit authorizing a winery to ship brands of fortified and unfortified wines. The bill also clarifies the law concerning split case fees and transfers the NC Grape Growers Council from the Department of Agriculture to the Department of Commerce.

Effective Date: Effective when law.

Fiscal Effect: According to the Alcoholic Beverage Control Commission, there are currently 273 wine shipping permits. It is estimated that approximately 25 permit applications are received annually. Multiplying this number by the \$100 permit fee results in a revenue loss to the General Fund of \$2,500 per year.

BILLS AFFECTING SPECIAL REVENUE FUNDS

House Bill 1023, Chapter 344 As amended by Part 31 of Senate Bill 622, Chapter 276 North Carolina State Lottery Act

Summary: Establishes a state lottery. A nine-member Commission is established to oversee the operation of the lottery. The Commission determines how to operate the lottery including the types of games and the rules for the games, a system to claim prizes, the manner of distributing lottery tickets, the fees for the criminal record check required of lottery vendors, and the roles of the director of the lottery and other employees of the Commission.

The Commission is responsible for prescribing the nature of lottery advertising that complies with the following guidelines:

- All advertising must include resources for responsible gaming information.
- No advertising may intentionally target specific groups or economic classes.
- No advertising may be misleading, deceptive, or present any lottery game as a means of relieving any person's financial or personal difficulties.
- No advertising may have the primary purpose of inducing persons to participate in the Lottery.
- No advertising may contain cartoon characters or false, misleading, or deceptive information.
- All advertising is to contain the odds of winning the game.

The director of the lottery, under supervision of the Commission, may enter into contracts with lottery retailers, lottery contractors, and other states (multistate lotteries). Retailers would be compensated at the rate of 7% of the retail price of tickets sold. The State Treasurer is required to loan the Commission up to \$10 million for start up costs. This loan must be repaid, with interest, within 24 months.

A North Carolina State Lottery Fund is created for the purposes of operating the Commission and the lottery games. Income to the Fund would include proceeds from ticket sales and interest earned. The gross proceeds in the Fund would be allocated as follows:

Reserve Allocation: 5% of the net revenue of the prior year to the Education Lottery Reserve Fund, capped at \$50 million.

Remaining Net Proceeds:

- 50% to pay prizes.
- 7% for compensation of retailers.
- 8% would be allocated for lottery expenses. Up to 1% of the 8% may be used for advertising and \$1 million is to be transferred annually to the Department of Health and Human Services for gambling addiction programs.
- 35% for the Education Lottery Fund, which would be allocated as follows:
 1. 50% for reduction of class size in early grades and to support academic prekindergarten programs for at-risk four-year-olds
 2. 40% for the financing of local school facilities. Of this amount, 65% would be allocated on the basis of school population with the remainder sent out in whole or part to counties in which the effective county tax rate, as a percentage of the effective State average tax rate, is greater than 100%. A county is not required to provide matching funds for the lottery revenue, may use the money to retire indebtedness incurred on or after January 1, 2003, and may not use the money for technology needs
 3. 10% for higher education scholarships for “needy” students

The Alcohol Law Enforcement Division is the enforcing law agency for the Lottery. The Department of Health and Human Services is required to study the effects of the lottery on the incidence of gambling addiction and report the results of its study, including any proposed legislation, to the health and human services appropriations subcommittees of both houses, the Joint Legislative Health Care Oversight Committee, and the Fiscal Research Division not later than January 1, 2007.

Effective Date: Except as otherwise provided, this act became effective August 31, 2005

Fiscal Effect: The fiscal estimates below represent planning estimates due to uncertainties regarding start-up date, games that will be authorized each year, and the schedule for the transfer of gross receipts from retailers to the Commission. These estimates will be revised each Spring as part of the budget process.

Allocation of Net Lottery Proceeds* (Million)

	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
Net Proceeds	\$425.0	\$416.0	\$445.1	\$467.4
Less: Lottery Reserve Set-Aside	<u>-21.3</u>	<u>-20.8</u>	<u>- 8.0</u>	<u>---</u>
Remaining Net Proceeds	\$403.7	\$395.2	\$437.2	\$467.4

Allocation to Programs:

More At Four/Class Size	\$201.9	\$197.6	\$218.2	\$233.7
School Construction	161.5	158.1	174.9	187.0
Higher Ed Scholarships	40.4	39.5	43.7	46.7

*Amount remaining after prizes and administrative expenses (including retailer compensation and advertising)

House Bill 613, Chapter 90 Update Certification/Licensure/Recreational Therapy

Summary: House Bill 613 creates the North Carolina Recreational Therapy Licensure Board, sets a maximum fee schedule for licensure and license renewal of recreational therapists, and elevates the penalty for violations of Chapter 90C from a Class 2 to Class 1 misdemeanor.

Effective Date: Effective October 5, 2005

Fiscal Effect: The bill increases the maximum fees that the North Carolina Recreational Therapy Licensure Board can charge. There are currently 734 national board-certified recreational therapists in North Carolina, 500 of which are also state-certified. Under this bill, all practicing recreational therapists in the state will be required to obtain state licensure. The 500 recreational therapists who already hold state certification will be grandfathered in and will not have to pay an initial licensure fee; however, the licensure board expects most will elect to pay their renewal fee soon after this legislation is enacted. Licenses will be renewed on a biannual basis. The record maintenance fee is also biannual and is staggered to fall between license renewal years. The board does not intend to assess fees at the maximum statutory limitation set forth in this bill. At the expected fee level (less than the statutory maximum), the North Carolina Recreational Therapy Licensure Board will gain \$62,400 in additional income in 2005-06, \$53,450 in 2006-07, and \$54,000 in 2007-08.

House Bill 646, Chapter 58
Insurance Company Fee Consolidation

Summary: House Bill 646 makes changes to fees paid by insurers to the Department of Insurance to consolidate various fees into the licensing and license continuation fees. The bill eliminates fees for filing and auditing annual statements, filing papers required by law, issuance of certificates of examination, condition, or qualification of a company or association, for required seals, lists of insurance companies, certifying records or data from the Commissioner's office, the examination or approval of charters, and fees for additional classifications of business beyond an insurer's primary classification. To offset the loss of revenue from the elimination of the above fees, licensing and license continuation fees for most insurers are increased from \$1000 to \$1500. The fee for fraternal order licensing and license continuation are also increased from \$100 to \$500. The bill also eliminates exceptions and reductions in fees for HMOs and other insurers, including medical service corporations such as Blue Cross & Blue Shield and Delta Dental, and HMOs.

Effective Date: Effective July 1, 2005

Fiscal Effect: This legislation will result in \$641,458 in increased fee revenues for the Department of Insurance. The department's total license fee revenue for 2003-04 was \$1.6 million. The revenue from fees eliminated by this bill (redomestication fees, company listings, seal fees, bylaws/articles fees, and license certifications) totaled \$3,972 as of June 30, 2004. The Department of Insurance licenses 1,282 insurance companies, 15 county farm mutual companies, and five fraternal organizations. The proposed fee increases are as follows:

Entity	Current Fee	Proposed Fee	# of Entities	Total Fee Revenue from Increase
Licensed companies	\$1,000	\$1,500	1,282	\$641,000
County farm mutual companies	\$25	\$25	15	-
Fraternal societies	\$100	\$500	11	\$4,400
Eliminated fees	Various			(\$3,942)
Total				\$641,458

House Bill 896, Chapter 84
State Bar/Appeal/Fee

Summary: House Bill 896 increases the statutory maximum fees for membership to the North Carolina State Bar. The State Bar derives most of its funding from member dues and does not receive any support for its operations from the General Fund, although it does distribute State funds in the form of grants to other entities in accordance with statutory directives. Member dues are paid directly to the State Bar. Under current law, member dues may not exceed \$200. The agency has requested an increase in the statutory maximum since their annual revenue from dues is projected to fall short of their operating expenses beginning in 2006 if left at the current \$200 level.

Every lawyer desiring to practice in North Carolina, including judges and district attorneys, is required to pay dues. This fee is regarded as a service charge for the maintenance of the services authorized by the State Bar. These services include administering professional discipline, assisting members of the public who have problems with lawyers and the legal system, mediating fee disputes between lawyers and their clients, giving lawyers ethics advice, randomly auditing attorney trust accounts, reimbursing victims of dishonest lawyers, assisting lawyers suffering from addiction and mental illness, and making grants to support the provision of legal services to poor people.

Effective Date: Effective July 1, 2005

Fiscal Effect: The first section of HB 896 has no fiscal impact. The second section of HB 896 increases the annual State Bar membership fee from an amount not to exceed \$200 to an amount not to exceed \$300. The State Bar intends to increase their annual dues by \$35 beginning in 2006. They last requested a dues increase in 1995. Currently the State Bar is assessing dues at the \$200 statutory maximum. The projection assumes a \$35 increase for a total annual membership fee of \$235 from 2006 through 2009. It then assumes a \$15 increase over the \$235 annual membership fee for a total of \$250 in 2010. State Bar members numbered 20,181 in 2005. This projection assumes an annual 3% increase in membership through 2010.

Projected State Bar Membership and Fees 2005-2010					
	2005-06	2006-07	2007-08	2008-09	2009-10
# of members (assuming 3% increase per year)	20,786	21,410	22,052	22,714	23,395
Proposed increase in dues	\$35	\$35	\$35	\$35	\$50
Total revenue from fee increase	\$727,525	\$749,351	\$771,831	\$794,986	\$1,169,766

**House Bill 1217, Chapter 10A
Notary Fee Increase**

Summary: House Bill 1217 increases from \$3 to \$4 the maximum fee that may be charged by a notary for acknowledgments, for oaths or affirmations without a verification or proof, and for verifications or proofs.

Effective Date: Effective when law.

Fiscal Effect: The fees increased by House Bill 1217 are paid directly to the notary. The number of acknowledgments, oaths, and affirmations a notary provides in a given year varies greatly. Because the fees are paid to the notaries themselves, the legislation has no fiscal impact on the State. There are 168,000 licensed notaries in North Carolina according to the Secretary of State's Notary Public Section.

House Bill 1284, Chapter 93A
Improve Real Estate Licensing Law

Summary: House Bill 1284 would amend the real estate licensing laws to eliminate real estate salespersons licenses making all licensed real estate agents real estate brokers as of March 1, 2006. The bill also increases the fee a real estate continuing education course sponsor pays to the North Carolina Real Estate Commission when reporting a licensee's completion of an approved CE course from a maximum of \$5 to a flat fee of \$10; requires a school or sponsor to pay a \$10 fee per licensee to the Commission for each licensee completing a broker transition course; and requires a school to pay a \$10 fee per licensee to the Commission for each licensee completing a postlicensing education course. Successful completion of a postlicensing education course is required of new licensees who are licensed as provisional brokers on and after March 1, 2006, as well as provisional brokers whose licenses were converted from salesperson licenses and who are not eligible to perfect the conversion by taking a special broker transition course. Fees are not charged to a community college, junior college, college, or university located in the State and accredited by the Southern Association of Colleges and Schools. New licensees after April 1, 2006, will have three years to complete additional coursework to remove the provisional status of their broker license. Salespeople licensed as of October 1, 2005, will likewise have three years to take a transition course to step up to a broker.

Effective Date: Section 7 (elimination of salesperson license) effective when law; Sections 6, 12, and 25 (continuing education requirements) effective October 1, 2005; all other sections effective April 1, 2006.

Fiscal Effect: Under Article 1 of Chapter 93A of the General Statutes, the North Carolina Real Estate Commission is directed to issue two types of real estate licenses to persons legally authorized to sell real estate for compensation in NC, namely a real estate salesperson license and a real estate broker license. A real estate salesperson must operate under the supervision of a real estate broker. An applicant for a real estate salesperson license must complete a 67-hour real estate course and pass the real estate license examination to qualify for a salesperson license. An applicant for a real estate broker license has to satisfy the salesperson license requirements and take an additional 60-hour course before taking the real estate broker exam. Sections 5 and 7 of the bill eliminate the real estate salesperson license category as of March 1, 2006, establish a "broker-only" license structure with increased education requirements to obtain a broker license, and establish stricter requirements for brokers to serve as broker-in-charge of a real estate office.

This projection assumes that brokers will take approximately two continuing education (CE) courses per year, resulting in total new revenue of \$10 per broker to the Real Estate Commission. The Commission estimates 3,500 persons will complete the broker transition course during 2006-07, 2007-08, and 2008-09, after which the conversion will be completed and the course will no longer be offered. The Commission also estimates that 2,500 brokers will complete postlicensing education in 2006-07, 7,500 in 2007-08, and 10,000 in 2008-09. The Commission expects the number of brokers taking postlicensing courses will remain approximately the same in future years.

Schedule of revenues and expenditures for House Bill 1284					
REVENUES	2005-06	2006-07	2007-08	2008-09	2009-2010
\$5 for 2 CE courses per broker (\$10)	\$ 385,000	\$ 410,000	\$ 410,000	\$ 410,000	\$ 410,000
\$10 for broker transition course	\$ -	\$ 35,000	\$ 35,000	\$ -	\$ -
\$10 for postlicensing education	\$ -	\$ 25,000	\$ 75,000	\$ 100,000	\$ 100,000
50% decrease in broker license apps	\$ (61,500)				
Reduction in total license applications	\$ -	\$ (123,000)	\$ (123,000)	\$ -	\$ -
Loss of renewal fees from brokers	\$ -	\$ (80,000)	\$ (160,000)	\$ -	\$ -
Total revenue	\$ 323,500	\$ 267,000	\$ 237,000	\$ 510,000	\$ 510,000
EXPENDITURES	\$ -	\$ -	\$ -	\$ -	\$ -
Bill implementation expenses	\$ 200,000	\$ -	\$ -	\$ -	\$ -
Administrative expenses	\$ -	\$ 100,000	\$ 105,000	\$ 110,000	\$ 110,000
Total expenditures	\$ 200,000	\$ 100,000	\$ 105,000	\$ 110,000	\$ 110,000
NET REVENUE	\$ 123,500	\$ 167,000	\$ 132,000	\$ 400,000	\$ 400,000

House Bill 1349, Chapter 90
Raise Ceiling on Fees/Board of Pharmacy

Summary: Raises maximum statutory fees for both the North Carolina Board of Pharmacy and the North Carolina Medical Board.

Effective Date: Effective when law.

Fiscal Effect:

Board of Pharmacy

Board of Pharmacy fee increases in House Bill 1349 are detailed in the table below. Most are flat increases effective when the bill becomes law with two exceptions. The renewal fee increase for licensed pharmacists and in-state pharmacies are graduated over a three-year period with each incremental increase effective Sept. 1 of each year. Each fee increase is expressed as the net increase over the current fee level in order to most accurately reflect the actual increase in fee revenue.

NC Board of Pharmacy Fee Increases			
Fee type	Current Fee	Increase	Total Fee
Licensed pharmacist			
Examination	\$160	\$40	\$200
Renewal*	\$110	\$25	\$135
Reinstatement	x**	\$135	\$135
For licenses without examinations	\$400	\$200	\$600
In-state pharmacies			
Original registration	\$350	\$150	\$500
Renewal	\$175	\$25	\$200
Reinstatement	X	\$200	\$200
Out-of-state pharmacies			
Original registration	\$250	\$250	\$500
Renewal*	\$125	\$75	\$200
Reinstatement	X	\$200	\$200
Dispensing physicians			
Annual registration	\$50	\$25	\$75
Reinstatement	X	\$75	\$75
Dispensing physician's assistants			
Annual registration	\$50	\$25	\$75
Reinstatement	X	\$75	\$75
Dispensing nurse practitioners			
Annual registration	\$50	\$25	\$75
Reinstatement	X	\$75	\$75
Pharmacy technicians			
Annual registration	\$25	\$5	\$30
Reinstatement	X	\$30	\$30
Registration of any change in pharmacy personnel	\$25	\$25	\$50
To dispense devices, deliver medical equipment, or both			
Original registration	\$300	\$200	\$500
Renewal	X	\$200	\$200
Reinstatement	X	\$200	\$200

**Graduated fee increases are effective Sept. 1 of each year.*

Estimated new fee revenues for the Board of Pharmacy are detailed below:

NC Board of Pharmacy Fee Revenue					
	2005-06	2006-07	2007-08	2008-09	2009-10
Total new revenue	\$577,085	\$605,640	\$625,175	\$644,685	\$664,220

North Carolina Medical Board

According to the North Carolina Medical Board, the main reason for the fee increase is the necessity to meet the Board's growing staffing requirements in its licensing and legal departments. The board's staffing levels in both departments are well below the national average, and workload has increased. To meet its current workload requirement, the Board needs one additional attorney and one additional staff person in that department. The Board's Medical Director also needs a part-time staff physician to assist in complaint review, malpractice payment reports, and investigations.

According to the Board's estimate by the year 2005, its expenses will exceed revenues with only conservative adjustments for inflation and salaries, even if no additional staff is hired. The Board believes the fee increases requested in this bill will give it the resources necessary to meet its needs until the year 2010.

According to the Board, the amount of requested fees increase is reasonable. Thus, North Carolina ranks 10th in physician population but only 38th in annual registration fees. Even with an increase to \$175, the state would be ranked 22nd in annual registration fees and its registration fee would be comparable to the national average of \$171. The national average application fee for license by endorsement is \$317 and for a license by examination is \$328. A fee of \$350 for both types of licenses, requested by the Board, would more closely mirror the national average and would more closely approximate the actual costs to process these applications, according to the Board's estimate. The fee increases created by this bill are detailed below.

NC Medical Board Fee Changes		
Fee	Current Fee	Proposed Fee
License to practice medicine by examination (GS 90-9 and GS 90-10)	Up to \$400	\$350
License to practice medicine without examination (GS 90-13)	Up to \$250	\$350
Resident training license (GS 90-12)(License to practice in a medical education and training program)	\$25	\$100
Annual registration fee to practice medicine (GS 90-15.1)	\$125	\$175
Additional fee for late registration	\$20	\$50

As set forth in House Bill 1349, these fee increases will result in the following increases in revenue for the North Carolina Medical Board. These changes will have no impact on the General Fund.

Total New Revenue from NC Medical Board Fee Increases					
License type	2005-06	2006-07	2007-08	2008-09	2009-10
License to practice medicine by examination	\$118,780	\$118,670	\$118,560	\$118,450	\$118,340
License to practice medicine without examination	\$392,869	\$385,137	\$377,558	\$370,128	\$362,473
Resident training license	\$238,582	\$260,515	\$284,464	\$310,615	\$333,556
Annual registration fee to practice medicine	\$4,892,752	\$4,950,782	\$5,009,500	\$5,068,914	\$5,127,288
Additional fee for late registration	\$110,682	\$127,622	\$147,154	\$169,676	\$187,912
Total	\$5,753,664	\$5,842,725	\$5,937,236	\$6,037,783	\$6,129,569
Revenue Gain	\$1,738,554	\$1,779,555	\$1,823,863	\$1,871,857	\$1,914,512

**House Bill 1357, Chapter 90
Amend Acupuncture Laws/Fees**

Summary: House Bill 1357 authorizes the Acupuncture Licensing Board to hire professional advisors, including legal counsel, and set their compensation; allows licensure of applicants licensed for at least 10 years in another state if the applicant has no disciplinary actions in that period and meets minimum continuing education standards; adds requirements for renewal of licenses; adds new language providing for an inactive license and for the renewal of suspended, expired, and lapsed licenses; increases some fees related to licensure; and adds new fees.

Effective Date: Effective when law.

Fiscal Effect: The Acupuncture Licensing Board was created in 1993 and has licensed a total of 321 acupuncturists since its creation. There are currently 235 licensed acupuncturists in North Carolina and two soon-to-be accredited schools of acupuncture, one in Mars Hill and the other in Sugar Grove. The number of acupuncturists applying for licensure has increased significantly in recent years. In 2003, the Acupuncture Licensing Board received 21 new applications for licensure; in 2004, the board received 41 new applications. As of May 2005 the board has received 30 new applications.

The board currently assesses fees for applications, licensure, and other services as provided in their administrative rules, but these practices have not been set in statute. Fees are paid directly to the board and do not impact the General Fund. This legislation does not increase the major

fees (for application, licensure, and renewal of licenses) from which the board derives most of its funding from the 1993 levels. The table below presents only fees that will increase pursuant to this legislation:

Acupuncture Licensing Board Fee Increases		
	Current fee	HB 1357
Late license renewal	\$75.00	\$200.00
Returned check	\$25.00	\$40.00
License verification	\$25.00	\$40.00
School application	\$750.00	\$1,000.00
Continuing education provider	\$50.00	N/A

Total board revenues for FY 2004 were \$50,733. Of that amount, 99.2% (\$50,313) was fee revenue. The board does not receive any state appropriations. The increases in fee revenue anticipated by the board are small and difficult to project accurately due to the small number of licensees and biannual renewal requirements. No data was available on the number of late license renewals. The board estimates the fee changes in this bill will result in \$2,000 to \$5,000 in additional fee revenue per year, the largest variable being whether one of the two acupuncture schools is due for a renewal in a given year.

House Bill 1635, Chapter 143B
Amend Displaced Homemaker Laws/Up Fund Fees

Summary: House Bill 1635 amends the laws pertaining to displaced homemakers and increases the amount of money flowing to the North Carolina Fund for Displaced Homemakers by increasing the filing fee for absolute divorce from \$90.00 to \$125.00.

Displaced homemaker funding commenced in 1993 as a result of a legislative initiative between the N.C. Council for Women and N.C. Women Work!, formerly known as the N.C. Displaced Homemaker Network. The current \$20 divorce filing fee for these programs resulted from a 1997 bill that became effective in 1998. Services provided by displaced homemaker programs include job counseling programs specifically designed for displaced homemakers entering the job market; job training and placement services; health education and counseling services with respect to general preventative care; financial management services including but not limited to insurance, taxes, estate and probate matters, mortgages, and loans; and educational services including information on available secondary and post-secondary educational programs beneficial to displaced homemakers as well as information services regarding employment, education, health, public assistance, and unemployment assistance.

Effective Date: Effective October 1, 2005. Applies to all filings for absolute divorce on or after that date.

Fiscal Effect: The Administrative Office of the Courts tracked the number of filings for absolute divorce at 42,547 in 2004. Although the overall number of filings has decreased slightly

between 2002 and 2004, the estimate assumes the number of filings will remain at the 2004 level. With the fee set at \$55 (a \$35 increase over the current \$20), the price of filing for divorce will rise from \$90 to \$125. This change will result in an additional \$1.1 million in fee revenue for Displaced Homemaker Programs in 2005-06. Beginning in 2006-07, Displaced Homemaker Programs will gain approximately \$1.5 million in new revenue annually.

House Bill 1635 caps the amount of funds available for administrative costs to 10% of total funds collected. Pursuant to this requirement, \$111,685 would be available for administrative costs in 2005-06, and \$148,915 per year starting in 2006-07 continuing through 2009-10. This leaves a total of \$1.0 million for grants in 2005-06 and \$1.3 million per year from 2006-07 through 2009-2010. Funds will be distributed to Displaced Homemaker Programs via a competitive grant process administered by the North Carolina Council for Women/Domestic Violence Commission.

**Senate Bill 505, Chapter 130
Medical Examiner Fee Increase**

Summary: Senate Bill 505 raises the fee paid to medical examiners for a postmortem investigation and report from \$75 to \$100.

Effective Date: Effective July 1, 2005

Fiscal Effect: The Office of the Chief Medical Examiner (OCME) is a division of the Department of Health and Human Services. The OCME maintains a network of 600 medical doctors throughout North Carolina who voluntarily devote their time to investigate deaths of a suspicious, unusual or unnatural nature. Under current law, the medical examiner receives a \$75 fee paid by the State unless the deceased is a resident of the county in which the death or fatal injury occurred. If the deceased is a resident of the county in which they are found, the county pays the fee. No fee is paid to a Mecklenburg County medical examiner who examines the death of a Mecklenburg County resident, and no fee is paid to the OCME or the Mecklenburg County Medical Examiner when the state, not the county, is liable for the fee.

Projected new fee revenues from Senate Bill 505					
	2005-06	2006-07	2007-08	2008-09	2009-10
Paid by counties	\$ 187,975	\$ 193,000	\$ 198,175	\$ 203,475	\$ 208,925
Paid by state	\$ 44,150	\$ 45,025	\$ 45,925	\$ 46,825	\$ 47,750
No payment	\$ -	\$ -	\$ -	\$ -	\$ -
Total	\$ 232,125	\$ 238,025	\$ 244,100	\$ 250,300	\$ 256,675

Senate Bill 178, Chapter 87
Amend Certain Licensing Requirements for Plumbing and Heating Contractors

Summary: Under current law, heating, plumbing, and fire sprinkler contractors are required to pass an examination in order to obtain licensure. Section 1 of House Bill 178 allows any applicant who fails one portion of the two-portion exam to retake the failed portion within six months of their initial test date without having to retake the passed portion. The fee for the retake will be the same as the fee for the initial test. Section 2 permits a person who obtains a license after passing an exam on or after October 1 of any year to receive a license for the remainder of the year by paying one-half the usual license fee (\$63). Section 3 raises the statutory maximum fee for an examination to \$150, and sets the fee for examinations at \$100 until the State Board of Examiners of Plumbing, Heating, and Fire Sprinkler Contractors adopts rules to change the fee.

Effective Date: Effective January 1, 2006

Fiscal Effect: This legislation increases the fee for examinations given by the State Board of Examiners of Plumbing, Heating, and Fire Sprinkler Contractors from \$75 to \$100 (Section 3). Last year, the State Board of Examiners of Plumbing, Heating, and Fire Sprinkler Contractors administered 961 exams via a private testing company. Under current law, an examinee that passes an exam must pay a full year's license fee to obtain a license regardless of how many days are remaining in the calendar year. In Section 2, examinees that take the test between October 1 and December 31 of a given year are given the option of obtaining a license through the end of the calendar year for half the price of a full year's licensure. The board currently charges \$125 per license.

Section 1 of the bill provides that examinees that fail one portion of the two-part exam may retake that portion of the exam without retaking the portion they passed on their first attempt. The State Board of Examiners of Plumbing, Heating, and Fire Sprinkler Contractors contracts with a private testing firm to administer its examinations. The board remits testing fee revenue collected from license applicants to the private testing company. Under Senate Bill 178, the board will collect and remit an additional \$31,906 in testing fees in 2005-06, \$32,635 in 2006-07, and \$33,235 in 2007-08. The only potential increase in board operating funds resulting from this legislation would be an annual increase of \$139 resulting from the change in licensing fees.

Senate Bill 525, Chapter 105
NASCAR Hall of Fame Financing

Summary: The bill authorizes Mecklenburg County to levy an additional 2% room occupancy tax upon receiving written confirmation from NASCAR that it will locate the NASCAR Hall of Fame Museum facility in Charlotte. The additional tax would be levied, administered, and collected in accordance with the procedures currently in place for the existing 6% occupancy tax. With this authority, the total occupancy tax rate in Mecklenburg would be 8%. The net proceeds of the additional 2% occupancy tax must be distributed to the City of Charlotte and used only for

the acquisition, construction, repair, maintenance, and financing of a NASCAR Hall of Fame Museum facility and an ancillary and adjacent NASCAR convention center ballroom facility.

The bill provides that the additional 2% occupancy tax may be repealed, by resolution of the county board of commissioners, upon final satisfaction of all debt instruments or obligations issued by the City of Charlotte (or a related special purpose entity) in connection with the financing or refinancing of the NASCAR Hall of Fame Museum facility. The repeal would not become effective until July 1 following the date of final satisfaction.

Effective Date: Effective when law.

Fiscal Effect: The following increase in total Mecklenburg County occupancy tax revenue will occur as a result of a 2% increase in the rate:

Year	Amount	Each 1%
2005-06	\$5,829,823	\$2,914,911
2006-07	\$6,103,307	\$3,051,653
2007-08	\$6,389,892	\$3,194,946
2008-09	\$6,689,792	\$3,344,896
2009-10	\$7,004,212	\$3,502,106

Senate Bill 1059, Chapter 90
Perfusionists Licensure

Summary: Senate Bill 1059 creates the North Carolina Perfusion Advisory Committee. The Committee will be responsible for the licensure, regulation, and discipline of perfusionists. Perfusionists may only practice under the supervision of a licensed physician.

Effective Date: Effective when law.

Fiscal Effect: According to the North Carolina Association of Perfusionists, there are 92 practicing perfusionists in the state. The state gains approximately two perfusionists per year. The following table details the statutory maximum fees to be charged for licensure and the projected revenues for the North Carolina Perfusionists Advisory Committee based on those fees:

Perfusionists Projected Fee Revenue						
Category	Fee	2005-06	2006-07	2007-08	2008-09	2009-10
Application	25	\$ -	\$ 35,250	\$ 750	\$ 750	\$ 750
Biennial renewal of license	350	-	-	-	34,300	2,100
Late renewal of license	100	-	-	-	-	-
Provisional license	175	-	-	-	-	-
Total		\$ -	\$ 35,250	\$ 750	\$ 35,050	\$ 2,850

The North Carolina Association of Perfusionists did not have an anticipated number of provisional licensees. Since these fees are new, there was no historical data on which to base an estimate for late license renewals. Fees will be received and controlled by the North Carolina Medical Board. This bill has no General Fund impact.

<p style="text-align: center;">House Bill 1117, Chapters 158, 159, and 131A Public Finance Changes</p>
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Summary: Makes various changes to statute concerning public finance.

Development Financing Districts. Amends the statutes dealing with development financing districts created by counties and cities to provide that land in a district created by a county that subsequently becomes part of a municipality does not count against the 5% land area limit for the district unless the municipality and the county have entered into an increment agreement (city taxes on all or part of the incremental valuation of the property in the district must be paid into the revenue increment fund for the district).

Finance Officer Bond. Changes the performance bond requirement for local finance officers from a minimum of \$10,000 and a \$250,000 maximum to a minimum of \$10,000 and no cap.

General Obligation Bond Notification Requirements. Currently, the public notification and hearings requirements for refunding bonds are the same as for the original issuance. The bill would exempt refunding bonds from the publication process under certain conditions.

Revenue Bond Property Encumbrance. The State and units of local government are authorized to issue revenue bonds but may not encumber the related real property. The bill allows the unit to pledge, mortgage, or grant a security interest in real and personal property comprising the utility or public enterprise project affected by the bond issuance. Any property so encumbered could be sold in accordance with the encumbering document and would not fall under any disposition of governmental property statutes. In addition, the bill modifies property that may be pledged to include leased property.

Project Development Financing Debt. Units of local government may issue project development financing debt instruments, and may agree to repay the debt with any available revenues of the unit, provided the agreement does not constitute a pledge of the unit's taxing power. The bill allows a unit to pledge the revenues to be raised from any special assessment, provided it did not constitute a pledge of the unit's taxing power, and encumber any real or personal property being financed or improved by the project.

Split Coupon Bonds. Permits coupon bonds of the same maturity to offer different rates unless the Local Government Commission required one rate per maturity in connection with the sale of the bonds.

General Obligation Bond Bids. Eliminates the 2% deposit on the bids for general obligation bonds in lieu of giving the Local Government Commission the authority to set an appropriate bid deposit, including none.

Net Interest Cost Calculation. Replaces the current statutory language use to determine the net interest cost for bond bid purposes with Local Government Commission authority to determine the appropriate method.

Destruction Of Cancelled Bonds. Replaces the outdated system for destroying cancelled bonds with local finance officer discretion as to the appropriate method.

Special Purpose Project Bonds. Adds museums, orphanages and similar housing facilities for children or disadvantaged or disabled persons to the list of special purpose projects for which bonds can be issued by the North Carolina Capital Facilities Finance Agency and local industrial development authority.

Clean Water Bond Property Encumbrance. Permit an applicant for clean water revolving grants and loans to encumber the real and personal property benefited by the borrowing to the favor of the State.

Effective Date: Effective August 1, 2005

BILLS AFFECTING LOCAL GOVERNMENT REVENUE

House Bill 1779, Chapter 294 Property Tax Paid with Vehicle Registration

Summary: House Bill 1779 modifies the collection system for property taxes and registration fees on motor vehicles in the State by combining the payment of these taxes and fees so that both are due at the time the registration fee is due. The implementation date would be July 1, 2009, or sooner if the integrated computer system is in operation. The bill also would increase the interest rate on unpaid property taxes on motor vehicles from 2% in the first month following the date the taxes were due to 5% beginning January 1, 2006. A portion of the interest collected will be transferred to a special account in the Treasurer's Office for the purpose of developing an integrated computer system in DMV that would allow for the combined system. The bill also directs the Property Tax Division within the Department of Revenue and the DMV within the Department of Transportation jointly study and develop a plan for determining the method of valuation of vehicles and for implementing an integrated computer system needed to combine the registration renewal and property tax collection for motor vehicles in the State. Finally, the bill requires that the Divisions consult with representatives from the following organizations: the North Carolina Association of County Commissioners, the North Carolina League of Municipalities, the North Carolina Association of Assessing Officers, the North Carolina Automobile Dealer's Association, and the North Carolina Tax Collectors Association.

Effective Date: Sections 4 and 8 become effective January 1, 2006. Sections 1, 2, 3, 5, 6, 7, 9, 10, and 11 become effective July 1, 2009 or when the Division of Motor Vehicles and the Department of Revenue certify that the integrated computer system for registration renewal and property tax collection for motor vehicles is in operation, whichever occurs first.

Fiscal Effect: HB 1779 requires the payment of vehicle property taxes at the time of vehicle registration renewal. The NC Association of Tax Assessors estimates that HB 1779 would result in collection of approximately \$72 million annually in additional motor vehicle property taxes that currently go uncollected. Counties would also experience savings from the elimination of resources devoted to collection of property taxes on motor vehicles, including staff time and mailings for delinquent notices. An administrative fee equal to the cost of preparing and mailing notices will be retained by the Department of Revenue. A second fee for the cost of collection of taxes and fees will be retained by the Division of Motor Vehicles and tag agents. The bill would require significant changes in DMV operations and significant costs for changing DMV computer systems. The full extent of these changes and costs is not currently known.

The assumptions and methodology for the fiscal impacts of the relevant sections of the Proposed Committee Substitute are described below:

Section 2 (Effective July 1, 2009)

G.S. 105-330.2(b) is amended to direct the Department of Revenue, Property Tax Division to adopt a schedule of values, standards, and rules in setting the valuation of motor vehicles that would ensure equity statewide, include local market conditions, and allow adjustments for mileage and the condition of vehicles. At this time the Property Tax Division does not indicate a cost in establishing a statewide schedule of vehicle valuations.

Additionally, G.S. 105-330.2(c) is amended to broaden the memorandum of understanding between the Department of Revenue, Property Tax Division and Department of Transportation to include a procedure for the administration of the listing, appraisal, and assessment of classified motor vehicles. There is no cost anticipated in complying with this requirement. However, costs may be incurred in carrying out the revised provisions of the memorandum.

Section 3 (Effective July 1, 2009)

Section 3 changes the date for which property taxes are due for registered vehicles. Under current law, taxes for unregistered vehicles are due on September 1 following the date the vehicle is required to be listed. Taxes for registered vehicles are due on the first day of the fourth month following the date the registration expires. Under HB 1779, the taxes are due at the time the registration is renewed or applied for. There is no fiscal impact for this section.

Section 4 (Effective January 1, 2006)

Section 4 increases the interest rate applied to unpaid taxes on registered motor vehicles from 2% to 5% for the first month after taxes are due, and $\frac{3}{4}\%$ for each month thereafter until the taxes are paid. Based on the amount of delinquent taxes reported in 2004, the amount of revenue that would be generated at a 5% interest rate is \$6.7 million. The Proposed Committee Substitute for HB 1779 requires that 60% of the interest from the delinquent taxes be transferred to a special account within the State Treasurer's Office for the purpose of implementing an integrated computer system within the Division of Motor Vehicles. The total amount of interest generated is projected by applying a growth rate of 2% annually. This amount is multiplied by 60% to determine the amount to be transferred to the State Treasurer's Office. The amount for the first year is adjusted by half to reflect the January 1, 2006 effective date.

Section 5 (Effective July 1, 2009)

Section 5 would collect interest on unpaid vehicle registration fees (in addition to unpaid taxes) starting on July 1, 2009 at the rate of 5% the first month and $\frac{3}{4}\%$ per month thereafter. No estimate is available on the amount of interest that would be collected under the arrangement in this bill.

House Bill 988, Chapter 303
Property Tax – Value of Motor Vehicles

Summary: House Bill 988 prohibits tax assessors who use the sales price for appraisal of motor vehicles from including any Highway Use Tax for purposes of determining the property tax owed on the vehicle.

Effective Date: August 22, 2005

Fiscal Effect: According to the North Carolina Department of Revenue, there are no counties currently using the sales price to determine the value of motor vehicles. Most counties use pricing guides developed by Tax Equity Consultants (TEC) or the National Automobile Dealers Association to determine the average retail prices paid for motor vehicles.

In some instances in which the assessed value of a vehicle is appealed by the taxpayer, assessors may use the bill of sale that includes Highway Use Tax as documentation for changing the assessed value. To the extent that this occurs, this bill would result in lower revenue for local governments. It is expected that the revenue impact would be small; however, the exact amount is not known.

House Bill 705, Chapter 293
Present-Use Value Buyout Credits

Summary: This bill would allow payments received under the tobacco quota buyout program to be counted towards the \$1,000 income requirement, which must be met before agricultural land can be assessed at present-use value for property tax purposes.

Effective Date: August 22, 2005

Fiscal Effect: Agricultural land must be part of a farm unit, under a sound management program, individually owned, consist of one or more tracts (one of which must consist of at least 10 acres that are in actual production) and for the three years preceding January 1 of the year for which the present-use value benefit is claimed, have produced an average gross income of at least \$1,000. The income may include income from the sale of agricultural products produced from the land, and payments received under a governmental soil conservation or land retirement program.

In order to qualify for present-use value assessment, the land must have generated an average of \$1,000 gross income for the last three years. Furthermore, to qualify as agricultural land, the land must be in commercial production and is likely to be generating income already. Therefore, the Department of Revenue does not expect that this bill would result in any significant amount of additional acreage being assessed at present-use value.

House Bill 116, Chapter 313

Property Tax Changes

Summary: House Bill 116 clarifies the property tax statutes relating to present-use value eligibility by expanding the definition of horticultural land, amending the ownership requirements for the present-use value eligibility and establishing time periods for taxpayer appeals and submission of information. The bill also clarifies the tax year for motor vehicles that are switched from an annual system of registration to a staggered system and allows for registration periods that are longer than 12 months during the transition to the staggered registration schedule.

Effective Date: August 25, 2005

Fiscal Effect: No revenue impact is expected in the present-use clarification portion of the bill because the bill codifies existing practice among county assessors and makes technical changes. The sections of the bill related to motor vehicle property tax also have no fiscal impact. This portion of the bill allows tax assessors to issue one-time 7 to 18 month registrations for vehicles currently subject to annual registrations. This process will allow for an equal distribution of expiring registrations throughout the year. During the transition period, the property tax payments for some taxpayers will be greater than or less than the amount that they would have paid under the annual registration process, depending on the length of the registration period. However, the distribution of 7 to 18 month registration cycles will allow for minimal fiscal impact because the taxpayers who pay a lesser amount (for shorter registrations) will be offset by other taxpayers who pay a greater amount (for longer registrations) during the transition period. After the transition period, all taxpayers will return to a 12-month registration period.

Occupancy and Meals Tax Legislation (Multiple Local Bills)

Summary: During the 2005 Session, the General Assembly enacted legislation authorizing the levy of occupancy taxes, or changes to existing occupancy tax legislation, in eighteen local jurisdictions. Occupancy taxes apply to the gross receipts derived from the rental of any room, lodging, or accommodation furnished by a hotel, motel, inn, tourist camp, or similar place within the jurisdiction that is subject to sales tax imposed by the state. The tax does not apply to accommodations furnished by nonprofit charitable, educational, or religious organizations when provided as part of their nonprofit purpose. In addition, the General Assembly enacted legislation authorizing the town of Monroe to levy a meals tax of 1% on the purchase price of prepared food and beverages.

The chart below indicates each jurisdiction for which occupancy or meals tax legislation was enacted during the 2005 session, as well as a description of the legislation and additional revenue projected from occupancy or meals taxes.

Occupancy and Meals Tax Bills Passed in 2005 Session					
Government Unit	Bill Number	Description	Effective Date	Projected Additional Revenue for FY 2005-06	Projected Additional Revenue for FY 2006-07
West Jefferson	H125	3% Occupancy Tax	5/18/05	\$17,500	\$18,200
Pasquotank County	H351	Additional 3% Occupancy Tax	4/26/05	\$254,635	\$264,820
Elizabeth City	H351	Additional 3% Occupancy Tax	4/26/05	\$0	\$0
Transylvania County	H470	Additional 3% Occupancy Tax	6/16/05	\$206,865	\$208,934
Halifax County	H540	Additional 2% Occupancy Tax	5/17/05	\$198,072	\$204,014
City of Roanoke Rapids	H540	Additional 1% Occupancy Tax	5/17/05	\$38,753	\$39,915
Madison County	H544	Additional 2% Occupancy Tax	6/28/05	\$32,871	\$34,186
Town of Belmont	H580	Authorizes 3% Occupancy Tax	7/26/05	\$9,600	\$9,820
Town of Troutman	H580	Authorizes 3% Occupancy Tax	7/26/05	\$0	\$0
Watauga District U	S92	Authorizes 6% Occupancy Tax	7/19/05	\$262,800	\$268,844
Duplin County	H843	Additional 2% Occupancy Tax	5/18/05	\$95,931	\$99,768
Carteret County	H1056	Administrative	6/28/05	\$0	\$0
Franklin County	S369	Authorizes 6% Occupancy Tax	8/1/05	\$77,609	\$79,394
Town of Eden	S369	Authorizes 2% Occupancy Tax	8/1/05	\$44,348	\$45,368
Town of Reidsville	S369	Authorizes 2% Occupancy Tax	8/1/05	\$53,217	\$54,441
Durham County	S369	Administrative	8/1/05	\$0	\$0
Rockingham County	S369	Administrative	8/1/05	\$0	\$0
Mecklenburg County	S525	Additional 2% Occupancy Tax	5/27/05	\$5,800,000	\$6,100,000
Town of Monroe	H689	Authorizes 1% Meals Tax	8/11/05	\$370,431	\$770,497

<p style="text-align: center;">Senate Bill 15, Chapter 127 Water and Sewer District Boundaries/Per Diem</p>

Summary: Senate Bill 15 increases the maximum annual per diem that a water and sewer authority member may receive from \$2,000 to \$4,000 and allows State-owned property to be moved from one county water and sewer district to another, but only if the State has acquired the property from the county.

Effective Date: June 29, 2005

Fiscal Effect: Assuming a total of twelve water and sewer authorities affected by the bill and an average number of seven members per authority, Senate Bill 15 will have a total impact of \$168,000 annually, assuming each member receives the maximum per diem amount each year.

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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
2005-06	17,181.4		2,744.7	9,972.0	3,452.8	33,350.9
2006-07	17,396.3		2,723.2	10,289.9	3,401.2	33,810.6

Source: Office of State Budget and Management

Total General Fund Authorizations as Adjusted to Determine Total Current Operations

			Less: Adjustments to Total Authorizations							
			Capital Improvements		Rainy Day/ Savings Reserve					
Fiscal Year	Total Authorizations *	% Change vs. Prior Year	Direct Appropriations Includes FRS	Earmarking of Unreserved Credit Balance	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

			Less: Adjustments to Total Authorizations							
			Capital Improvements		Rainy Day/ Savings Reserve					
Fiscal	Total	% Change	Direct	Earmarking					Total	% Change
Year	Authorizations *	vs. Prior	Appropriations	of Unreserved	Direct		Total		Current	vs. Prior
		Year	Includes FRS	Credit Balance	Appropriations	Other	Adjustments		Operations	Year
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 Q	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 R	126,489,361		15,897,680,933	6.90%
2005-2006	17,326,821,310	8.13%	54,960,000	125,000,000			179,960,000		17,146,861,310	7.86%

* 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 Revised to reflect \$24 million in economic development funding appropriated in S.L. 2003-435 and \$64.1 million in emergency funding appropriated in S.L. 2004-88
- R Statutorily established the "JDIG Reserve Fund" to make annual appropriations to the Job Development Investment Grants Program. In response to the Governor's appropriation limit, appropriations made to this Reserve in the 2004-05 fiscal year 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	M	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
2004-05	802,633,946 R	199,125,000	125,000,000						324,125,000	478,508,946 R

Notes:

- A Includes direct transfer to the Savings Reserve Account of \$66,700,000
- B Only \$125,000,000 was appropriated by the General Assembly for Repairs/Renovations; the balance of \$21,305,569 was appropriated by the 1996 Session of the General Assembly for Special Projects.
- C Reserve for Future Tax Relief
- D \$9.2 million was transferred to the Wetlands Restoration Fund in accordance with Section 27.6(d) of Chapter 18 of the 1996 Extra Session Laws
- E Reserve for Federal Retirees Refund (\$25 million) and Federal Retiree Administration (\$1.2 million)
- F Appropriation of additional 1996-97 capital improvements of \$39,519,567 made by re-appropriating 1995-96 unexpended appropriations and the appropriation of 1995-96 reversion of \$284,000 for library grants (Library grant was not re-appropriated but held in reserve)
- G Reserve for Intangible Tax Remedy/Refunds
- H Investment in NC Railroad stock
- I Appropriation of 1997-98 reversions for FY 1997-98 in accordance with Section 9, SL 1998-212
- J Bailey/Emory/Patton Reserve
- K Appropriation of 1998-99 reversions for Aquariums capital improvement, \$30 million; Warren County Landfill, \$7 million
- L Year-end credit balance insufficient for earmarking; General Assembly appropriated \$30 million directly to the Clean Water Management Trust Fund
- M Effective July 1, 2001, the General Assembly repealed the required earmarking of the year end credit balance for the Clean Water Management Trust Fund and established an annual appropriation for the trust fund.
- N Transferred to the Reserve for Disaster Relief
- O June 30th credit balance per the Office of State Budget and Management. The beginning unreserved credit balance recognized by the General Assembly and included in General Fund availability for the 2002-03 fiscal year is \$25 million, as specified in Section 2.2(a) of SL 2002-126
- P June 30th unreserved credit balances per the Office of State Budget and Management and Office of the State Controller. The unreserved credit balances recognized by the General Assembly prior to and after earmarkings were \$409.2 million and \$244.2 million, respectively.
- Q June 30th unreserved credit balances per the Office of State Budget and Management and Office of the State Controller. The unreserved credit balances recognized by the General Assembly prior to and after earmarkings were \$466.7 million and \$273.2 million, respectively.
- R June 30th unreserved credit balances per the Office of State Budget and Management and Office of the State Controller. The unreserved credit balances recognized by the General Assembly prior to and after earmarkings were \$796.5 million and \$472.4 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	802,633,946 R	199,125,000	(153,541,447) S	312,640,960
2005-2006	15,897,680,933	794,884,047	?			

**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 payday.
- 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.
- R 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 \$796.5 million.
- S Senate Bill 7 appropriated \$123.5 million from the Savings Reserve Account pursuant to the Hurricane Recovery Act of 2005 (S.L. 2005-1). In addition Senate Bill 7 earmarked \$30 million for mitigation efforts recommended by the Governor.

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
2004-05	8,409,288,618	1,193,529,164	9,602,817,782	4,477,159,178	498,681,391	135,211,344	189,308,658	431,664,202	42,981,044	0	99,734,304	15,477,557,903

Authorized and Actual Revenue Collections by Fiscal Year
Includes Tax and Non-tax Revenues

(Amounts shown in Thousands)

Fiscal Year	Authorized							Actual Collections							Overcollections					
	Tax Revenue	Non-tax Revenue	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
2004-05	14,740,441	545,965	100,000	16,166	242,587	15,645,159	6.47%	15,477,558	479,128	111,110	16,166	242,520	16,326,482	8.31%	737,117	(66,837)	11,110	0	(67)	681,323

Notes:

- A: This figure includes monies that were transferred from various budget codes in order to help balance the budget. Transfers to "Other Revenues" include: 1) \$2.7 million from interest on tobacco, 2) \$22.2 million from capital reversions, and 3) \$147.9 million from Gov. Easley escrow. In the absence of these transfers, the General Fund revenue shortfall for this year totals \$701.7 million.
- B: This figure includes monies that were transferred from various budget codes in order to help balance the budget. Transfers to "Other Revenues" include: 1) \$4.4 million from capital reversions, and 2) \$347.8 million from Gov. Easley escrow. In the absence of these transfers, the General Fund revenue shortfall for this year totals \$1.555 billion.
- C: This figure includes \$136.9 million in non-recurring federal Jobs and Growth Tax Relief Reconciliation Act of 2003 funds.

North Carolina General Fund Operating Appropriations
(Excludes Local Government Shared Revenues/Reimbursements)

Fiscal Year	Total Current Operations		Education							Health & Human Services		All Other	
			Public Schools		Community Colleges		University						
			Amount	Percent	Amount	Percent	Amount	Percent	as a % of Total	Amount	Percent	Amount	Percent
1970-71	Authorization	981,127,808	510,055,771	52.0%	44,935,256	4.6%	147,326,678	15.0%	71.6%	131,483,760	13.4%	147,326,343	15.0%
	Expenditure	939,311,030	496,905,842	52.9%	43,642,139	4.6%	138,608,501	14.8%	72.3%	122,069,070	13.0%	138,085,478	14.7%
	Reversion	41,816,778	13,149,929	31.4%	1,293,117	3.1%	8,718,177	20.8%	55.4%	9,414,690	22.5%	9,240,865	22.1%
	% Unexpended	4.26%	2.58%		2.88%		5.92%			7.16%		6.27%	
1971-72	Authorization	1,073,289,571	533,536,652	49.7%	55,958,450	5.2%	163,331,175	15.2%	70.1%	160,607,710	15.0%	159,855,584	14.9%
	Expenditure	1,031,353,080	527,938,182	51.2%	55,954,999	5.4%	148,864,864	14.4%	71.0%	148,919,439	14.4%	149,675,596	14.5%
	Reversion	41,936,491	5,598,470	13.3%	3,451	0.0%	14,466,311	34.5%	47.9%	11,688,271	27.9%	10,179,988	24.3%
	% Unexpended	3.91%	1.05%		0.01%		8.86%			7.28%		6.37%	
1972-73	Authorization	1,187,443,130	575,012,350	48.4%	63,193,535	5.3%	179,910,706	15.2%	68.9%	180,762,164	15.2%	188,564,375	15.9%
	Expenditure	1,139,500,642	569,792,945	50.0%	60,636,067	5.3%	166,208,535	14.6%	69.9%	168,819,831	14.8%	174,043,264	15.3%
	Reversion	47,942,488	5,219,405	10.9%	2,557,468	5.3%	13,702,171	28.6%	44.8%	11,942,333	24.9%	14,521,111	30.3%
	% Unexpended	4.04%	0.91%		4.05%		7.62%			6.61%		7.70%	
1973-74	Authorization	1,520,694,407	718,947,864	47.3%	99,582,404	6.5%	222,838,796	14.7%	68.5%	224,614,625	14.8%	254,710,718	16.7%
	Expenditure	1,433,241,642	702,789,400	49.0%	92,458,946	6.5%	207,225,420	14.5%	69.9%	198,201,121	13.8%	232,566,755	16.2%
	Reversion	87,452,765	16,158,464	18.5%	7,123,458	8.1%	15,613,376	17.9%	44.5%	26,413,504	30.2%	22,143,963	25.3%
	% Unexpended	5.75%	2.25%		7.15%		7.01%			11.76%		8.69%	
1974-75	Authorization	1,698,417,672	789,391,908	46.5%	109,218,752	6.4%	280,638,400	16.5%	69.4%	270,434,740	15.9%	248,733,872	14.6%
	Expenditure	1,627,703,631	772,145,444	47.4%	106,413,517	6.5%	267,090,160	16.4%	70.4%	246,757,184	15.2%	235,297,326	14.5%
	Reversion	70,714,041	17,246,464	24.4%	2,805,235	4.0%	13,548,240	19.2%	47.5%	23,677,556	33.5%	13,436,546	19.0%
	% Unexpended	4.16%	2.18%		2.57%		4.83%			8.76%		5.40%	
1975-76	Authorization	1,737,659,496	800,937,335	46.1%	105,465,494	6.1%	270,526,549	15.6%	67.7%	282,548,220	16.3%	278,181,898	16.0%
	Expenditure	1,670,011,262	792,213,250	47.4%	99,816,634	6.0%	249,604,282	14.9%	68.4%	274,169,121	16.4%	254,207,975	15.2%
	Reversion	67,648,234	8,724,085	12.9%	5,648,859	8.4%	20,922,767	30.9%	52.2%	8,379,099	12.4%	23,973,424	35.4%
	% Unexpended	3.89%	1.09%		5.36%		7.73%			2.97%		8.62%	
1976-77	Authorization	1,962,976,606	899,151,043	45.8%	116,481,854	5.9%	307,123,340	15.6%	67.4%	335,842,343	17.1%	304,378,026	15.5%
	Expenditure	1,890,839,697	888,449,745	47.0%	110,824,929	5.9%	289,972,146	15.3%	68.2%	313,022,287	16.6%	288,570,590	15.3%
	Reversion	72,136,909	10,701,298	14.8%	5,656,925	7.8%	17,151,194	23.8%	46.5%	22,820,056	31.6%	15,807,436	21.9%
	% Unexpended	3.67%	1.19%		4.86%		5.58%			6.79%		5.19%	
1977-78	Authorization	2,193,405,714	997,654,527	45.5%	114,065,103	5.2%	357,790,592	16.3%	67.0%	368,169,434	16.8%	355,726,058	16.2%
	Expenditure	2,131,150,750	988,189,540	46.4%	113,168,528	5.3%	337,633,079	15.8%	67.5%	351,655,302	16.5%	340,504,301	16.0%
	Reversion	62,254,964	9,464,987	15.2%	896,575	1.4%	20,157,513	32.4%	49.0%	16,514,132	26.5%	15,221,757	24.5%
	% Unexpended	2.84%	0.95%		0.79%		5.63%			4.49%		4.28%	
1978-79	Authorization	2,452,011,095	1,098,173,958	44.8%	139,794,869	5.7%	394,767,166	16.1%	66.6%	412,559,917	16.8%	406,715,185	16.6%
	Expenditure	2,358,332,842	1,092,015,308	46.3%	133,975,021	5.7%	379,305,638	16.1%	68.1%	372,632,422	15.8%	380,404,453	16.1%
	Reversion	93,678,253	6,158,650	6.6%	5,819,848	6.2%	15,461,528	16.5%	29.3%	39,927,495	42.6%	26,310,732	28.1%
	% Unexpended	3.82%	0.56%		4.16%		3.92%			9.68%		6.47%	
1979-80	Authorization	2,750,988,834	1,230,099,474	44.7%	145,243,264	5.3%	436,949,552	15.9%	65.9%	473,705,994	17.2%	464,990,550	16.9%
	Expenditure	2,660,272,288	1,230,099,473	46.2%	145,243,264	5.5%	414,751,963	15.6%	67.3%	429,814,253	16.2%	440,363,335	16.6%
	Reversion	90,716,546	1	0.0%	0	0.0%	22,197,589	24.5%	24.5%	43,891,741	48.4%	24,627,215	27.1%
	% Unexpended	3.30%	0.00%		0.00%		5.08%			9.27%		5.30%	

North Carolina General Fund Operating Appropriations
(Excludes Local Government Shared Revenues/Reimbursements)

Fiscal Year	Total Current Operations		Education							Health & Human Services		All Other	
			Public Schools		Community Colleges		University		as a				
			Amount	Percent	Amount	Percent	Amount	Percent	% of Total	Amount	Percent	Amount	Percent
1980-81	Authorization	3,150,963,479	1,390,907,313	44.1%	174,996,965	5.6%	515,255,082	16.4%	66.0%	532,775,202	16.9%	537,028,917	17.0%
	Expenditure	3,050,012,908	1,390,907,313	45.6%	169,011,630	5.5%	487,919,423	16.0%	67.1%	488,201,903	16.0%	513,972,639	16.9%
	Reversion	100,950,571	0	0.0%	5,985,335	5.9%	27,335,659	27.1%	33.0%	44,573,299	44.2%	23,056,278	22.8%
	% Unexpended	3.20%	0.00%		3.42%		5.31%			8.37%		4.29%	
1981-82	Authorization	3,401,694,904	1,495,263,953	44.0%	194,452,082	5.7%	567,573,821	16.7%	66.4%	562,503,966	16.5%	581,901,082	17.1%
	Expenditure	3,244,758,733	1,477,036,604	45.5%	185,809,489	5.7%	534,143,560	16.5%	67.7%	501,927,937	15.5%	545,841,143	16.8%
	Reversion	156,936,171	18,227,349	11.6%	8,642,593	5.5%	33,430,261	21.3%	38.4%	60,576,029	38.6%	36,059,939	23.0%
	% Unexpended	4.61%	1.22%		4.44%		5.89%			10.77%		6.20%	
1982-83	Authorization	3,561,142,890	1,515,742,033	42.6%	205,585,837	5.8%	599,235,054	16.8%	65.2%	589,530,327	16.6%	651,049,639	18.3%
	Expenditure	3,374,921,984	1,455,408,320	43.1%	191,749,633	5.7%	560,438,959	16.6%	65.4%	547,208,474	16.2%	620,116,598	18.4%
	Reversion	186,220,906	60,333,713	32.4%	13,836,204	7.4%	38,796,095	20.8%	60.7%	42,321,853	22.7%	30,933,041	16.6%
	% Unexpended	5.23%	3.98%		6.73%		6.47%			7.18%		4.75%	
1983-84	Authorization	3,771,981,844 A	1,619,049,694	42.9%	232,195,091	6.2%	641,511,441	17.0%	66.1%	615,625,461	16.3%	663,600,157	17.6%
	Expenditure	3,689,904,837	1,615,216,290	43.8%	226,494,819	6.1%	615,765,535	16.7%	66.6%	584,128,657	15.8%	648,299,536	17.6%
	Reversion	82,077,007	3,833,404	4.7%	5,700,272	6.9%	25,745,906	31.4%	43.0%	31,496,804	38.4%	15,300,621	18.6%
	% Unexpended	2.18%	0.24%		2.45%		4.01%			5.12%		2.31%	
1984-85	Authorization	4,319,568,173	1,886,700,077	43.7%	259,101,105	6.0%	746,998,910	17.3%	67.0%	676,582,049	15.7%	750,186,032	17.4%
	Expenditure	4,187,988,292	1,854,957,593	44.3%	257,230,807	6.1%	714,513,120	17.1%	67.5%	629,977,924	15.0%	731,308,848	17.5%
	Reversion	131,579,881	31,742,484	24.1%	1,870,298	1.4%	32,485,790	24.7%	50.2%	46,604,125	35.4%	18,877,184	14.3%
	% Unexpended	3.05%	1.68%		0.72%		4.35%			6.89%		2.52%	
1985-86	Authorization	4,877,060,744	2,185,803,123	44.8%	281,875,727	5.8%	840,311,094	17.2%	67.8%	747,615,271	15.3%	821,455,529	16.8%
	Expenditure	4,718,355,240	2,156,921,328	45.7%	277,815,320	5.9%	793,114,439	16.8%	68.4%	707,151,818	15.0%	783,352,335	16.6%
	Reversion	158,705,504	28,881,795	18.2%	4,060,407	2.6%	47,196,655	29.7%	50.5%	40,463,453	25.5%	38,103,194	24.0%
	% Unexpended	3.25%	1.32%		1.44%		5.62%			5.41%		4.64%	
1986-87	Authorization	5,233,678,633	2,346,139,866	44.8%	307,102,490	5.9%	909,134,150	17.4%	68.1%	804,932,884	15.4%	866,369,243	16.6%
	Expenditure	5,051,335,794	2,293,921,501	45.4%	299,359,220	5.9%	853,232,567	16.9%	68.2%	771,114,680	15.3%	833,707,826	16.5%
	Reversion	182,342,839	52,218,365	28.6%	7,743,270	4.2%	55,901,583	30.7%	63.5%	33,818,204	18.5%	32,661,417	17.9%
	% Unexpended	3.48%	2.23%		2.52%		6.15%			4.20%		3.77%	
1987-88	Authorization	5,805,245,729	2,639,237,658	45.5%	326,296,294	5.6%	980,746,492	16.9%	68.0%	874,393,715	15.1%	984,571,570	17.0%
	Expenditure	5,600,754,849	2,571,179,747	45.9%	317,666,441	5.7%	936,874,299	16.7%	68.3%	824,077,048	14.7%	950,957,314	17.0%
	Reversion	204,490,880	68,057,911	33.3%	8,629,853	4.2%	43,872,193	21.5%	59.0%	50,316,667	24.6%	33,614,256	16.4%
	% Unexpended	3.52%	2.58%		2.64%		4.47%			5.75%		3.41%	
1988-89	Authorization	6,302,733,865	2,930,643,866	46.5%	332,064,381	5.3%	1,039,510,499	16.5%	68.3%	961,204,892	15.3%	1,039,310,227	16.5%
	Expenditure	6,131,757,410	2,857,740,313	46.6%	324,207,283	5.3%	996,187,476	16.2%	68.1%	939,216,000	15.3%	1,014,406,338	16.5%
	Reversion	170,976,455	72,903,553	42.6%	7,857,098	4.6%	43,323,023	25.3%	72.6%	21,988,892	12.9%	24,903,889	14.6%
	% Unexpended	2.71%	2.49%		2.37%		4.17%			2.29%		2.40%	
1989-90	Authorization	6,883,018,393 A	3,134,428,215	45.5%	365,537,274	5.3%	1,109,917,895	16.1%	67.0%	1,010,637,670	14.7%	1,262,497,339	18.3%
	Expenditure	6,539,691,898	3,111,034,727	47.6%	346,856,268	5.3%	989,230,466	15.1%	68.0%	943,279,717	14.4%	1,149,290,720	17.6%
	Reversion	343,326,495	23,393,488	6.8%	18,681,006	5.4%	120,687,429	35.2%	47.4%	67,357,953	19.6%	113,206,619	33.0%
	% Unexpended	4.99%	0.75%		5.11%		10.87%			6.66%		8.97%	
1990-91	Authorization	7,249,630,710 A	3,329,171,720	45.9%	387,611,956	5.3%	1,143,216,957	15.8%	67.0%	1,098,228,128	15.1%	1,291,401,949	17.8%
	Expenditure	6,877,865,221	3,176,190,223	46.2%	374,186,097	5.4%	1,089,669,672	15.8%	67.5%	1,071,202,135	15.6%	1,166,617,094	17.0%
	Reversion	371,765,491	152,981,497	41.1%	13,425,859	3.6%	53,547,285	14.4%	59.2%	27,025,993	7.3%	124,784,857	33.6%
	% Unexpended	5.13%	4.60%		3.46%		4.68%			2.46%		9.66%	

North Carolina General Fund Operating Appropriations
(Excludes Local Government Shared Revenues/Reimbursements)

Fiscal Year		Total Current Operations	Education							Health & Human Services		All Other	
			Public Schools		Community Colleges		University		as a	Amount	Percent	Amount	Percent
			Amount	Percent	Amount	Percent	Amount	Percent	% of Total				
1991-92	Authorization	7,357,101,134 A	3,293,699,663	44.8%	344,131,858	4.7%	1,121,976,740	15.3%	64.7%	1,237,322,428	16.8%	1,359,970,445	18.5%
	Expenditure	7,184,089,741	3,235,476,119	45.0%	338,050,542	4.7%	1,092,166,393	15.2%	64.9%	1,223,468,038	17.0%	1,294,928,649	18.0%
	Reversion	173,011,390	58,223,544	33.7%	6,081,316	3.5%	29,810,346	17.2%	54.4%	13,854,390	8.0%	65,041,794	37.6%
	% Unexpended	2.35%	1.77%		1.77%		2.66%			1.12%		4.78%	
1992-93	Authorization	7,881,908,182 A	3,435,634,234	43.6%	398,689,471	5.1%	1,170,947,533	14.9%	63.5%	1,410,255,601	17.9%	1,466,381,343	18.6%
	Expenditure	7,552,787,565	3,399,653,728	45.0%	391,402,904	5.2%	1,140,308,136	15.1%	65.3%	1,222,683,543	16.2%	1,398,739,254	18.5%
	Reversion	329,120,617	35,980,506	10.9%	7,286,567	2.2%	30,639,398	9.3%	22.5%	187,572,058	57.0%	67,642,088	20.6%
	% Unexpended	4.18%	1.05%		1.83%		2.62%			13.30%		4.61%	
1993-94	Authorization	8,888,710,752 A	3,634,055,711	40.9%	450,882,941	5.1%	1,299,865,905	14.6%	60.6%	1,759,286,096	19.8%	1,744,620,099	19.6%
	Expenditure	8,575,733,017	3,587,786,193	41.8%	447,100,088	5.2%	1,266,772,749	14.8%	61.8%	1,647,826,530	19.2%	1,626,247,457	19.0%
	Reversion	312,977,735	46,269,518	14.8%	3,782,403	1.2%	33,093,156	10.6%	26.6%	111,459,566	35.6%	118,373,092	37.8%
	% Unexpended	3.52%	1.27%		0.84%		2.55%			6.34%		6.79%	
1994-95	Authorization	9,715,509,023 A	4,082,959,317	42.0%	455,651,184	4.7%	1,296,558,991	13.3%	60.1%	1,948,639,177	20.1%	1,931,700,354	19.9%
	Expenditure	9,482,528,320	4,048,929,070	42.7%	453,927,375	4.8%	1,265,809,673	13.3%	60.8%	1,902,007,678	20.1%	1,811,854,524	19.1%
	Reversion	232,980,703	34,030,247	14.6%	1,723,809	0.7%	30,749,318	13.2%	28.5%	46,631,499	20.0%	119,845,830	51.4%
	% Unexpended	2.40%	0.83%		0.38%		2.37%			2.39%		6.20%	
1995-96	Authorization	9,793,062,378	3,998,978,216	40.8%	470,880,697	4.8%	1,301,040,079	13.3%	58.9%	2,049,069,520	20.9%	1,973,093,866	20.1%
	Expenditure	9,570,832,269	3,951,497,059	41.3%	467,105,237	4.9%	1,275,618,898	13.3%	59.5%	1,991,088,366	20.8%	1,885,522,709	19.7%
	Reversion	222,230,109	47,481,157	21.4%	3,775,460	1.7%	25,421,181	11.4%	34.5%	57,981,154	26.1%	87,571,157	39.4%
	% Unexpended	2.27%	1.19%		0.80%		1.95%			2.83%		4.44%	
1996-97	Authorization	10,450,411,229	4,301,626,282	41.2%	501,802,184	4.8%	1,385,611,961	13.3%	59.2%	2,189,874,842	21.0%	2,071,495,960	19.8%
	Expenditure	10,309,508,861	4,267,252,095	41.4%	495,543,157	4.8%	1,382,794,052	13.4%	59.6%	2,153,564,048	20.9%	2,010,355,509	19.5%
	Reversion	140,902,368	34,374,187	24.4%	6,259,027	4.4%	2,817,909	2.0%	30.8%	36,310,794	25.8%	61,140,451	43.4%
	% Unexpended	1.35%	0.80%		1.25%		0.20%			1.66%		2.95%	
1997-98	Authorization	11,258,582,548 B	4,697,892,305	41.7%	534,873,175	4.8%	1,489,866,397	13.2%	59.7%	2,422,884,666 C	21.5%	2,113,066,005	18.8%
	Expenditure	11,108,886,722	4,693,184,126	42.2%	528,107,909	4.8%	1,475,180,196	13.3%	60.3%	2,359,194,346	21.2%	2,053,220,145	18.5%
	Reversion	149,695,826 D	4,708,179	3.1%	6,765,266	4.5%	14,686,201	9.8%	17.5%	63,690,320	42.5%	59,845,860	40.0%
	% Unexpended	1.33%	0.10%		1.26%		0.99%			2.63%		2.83%	
1998-99	Authorization	12,327,025,974	5,068,634,951	41.1%	587,542,475	4.8%	1,628,888,154	13.2%	59.1%	2,663,571,595	21.6%	2,378,388,799	19.3%
	Expenditure	12,177,442,547	5,038,223,817	41.4%	582,222,727	4.8%	1,626,641,628	13.4%	59.5%	2,598,933,047	21.3%	2,331,421,328	19.1%
	Reversion	149,583,427 E	30,411,134	20.3%	5,319,748	3.6%	2,246,526	1.5%	25.4%	64,638,548	43.2%	46,967,471	31.4%
	% Unexpended	1.21%	0.60%		0.91%		0.14%			2.43%		1.97%	
1999-00	Authorization	13,441,610,285	5,497,075,780 F	40.9%	589,634,008	4.4%	1,682,143,914	12.5%	57.8%	2,797,755,988	20.8%	2,875,000,595	21.4%
	Expenditure	13,297,649,285 G	5,450,607,364	41.0%	582,151,546	4.4%	1,679,203,122	12.6%	58.0%	2,776,740,143	20.9%	2,808,947,110	21.1%
	Reversion	143,961,000	46,468,416	32.3%	7,482,462	5.2%	2,940,792	2.0%	39.5%	21,015,845	14.6%	66,053,485	45.9%
	% Unexpended	1.07%	0.85%		1.27%		0.17%			0.75%		2.30%	
2000-01	Authorization	13,785,142,760	5,792,274,120	42.0%	644,032,372	4.7%	1,802,069,274	13.1%	59.8%	2,954,057,035	21.4%	2,592,709,959	18.8%
	Expenditure	13,220,036,214	5,671,631,385	42.9%	624,550,046	4.7%	1,767,873,649	13.4%	61.0%	2,884,925,899	21.8%	2,271,055,235	17.2%
	Reversion	565,106,546 H	120,642,735	21.3%	19,482,326	3.4%	34,195,625	6.1%	30.8%	69,131,136	12.2%	321,654,724	56.9%
	% Unexpended	4.10%	2.08%		3.03%		1.90%			2.34%		12.41%	

North Carolina General Fund Operating Appropriations
(Excludes Local Government Shared Revenues/Reimbursements)

Fiscal Year	Total Current Operations		Education							Health & Human Services			All Other	
			Public Schools		Community Colleges		University			as a	Amount	Percent	Amount	Percent
			Amount	Percent	Amount	Percent	Amount	Percent	% of Total			Amount	Percent	
2001-02	Authorization	14,372,409,843	5,922,450,405	41.2%	650,075,770	4.5%	1,801,953,447	12.5%	58.3%		3,403,041,641	23.7%	2,594,888,580	18.1%
	Expenditure	13,708,199,020	5,815,381,127	42.4%	603,705,902	4.4%	1,647,270,569	12.0%	58.8%		3,273,742,131	23.9%	2,368,099,291	17.3%
	Reversion	664,210,823 H	107,069,278	16.1%	46,369,868	7.0%	154,682,878	23.3%	46.4%		129,299,510	19.5%	226,789,289	34.1%
	% Unexpended	4.62%	1.81%		7.13%		8.58%				3.80%		8.74%	
2002-03	Authorization	14,323,937,462	5,932,964,494	41.42%	667,345,336	4.7%	1,769,913,435	12.4%	58.4%		3,591,717,953	25.1%	2,361,996,244	16.5%
	Expenditure	13,824,364,493	5,872,954,662	42.48%	620,183,204	4.5%	1,686,217,160	12.2%	59.2%		3,346,742,225	24.2%	2,298,267,242	16.6%
	Reversion	499,572,969 H	60,009,832	12.01%	47,162,132	9.4%	83,696,275	16.8%	38.2%		244,975,728	49.0%	63,729,002	12.8%
	% Unexpended	3.49%	1.01%		7.07%		4.73%				6.82%		2.70%	
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%	
2004-05	Authorization	15,873,167,528	6,519,008,204	41.1%	751,146,236	12.3%	1,959,240,757	4.7%	58.1%		3,812,042,289	24.0%	2,831,730,042	17.8%
	Expenditure	15,753,167,545 I	6,483,369,051	41.2%	748,369,052	12.4%	1,953,902,429	4.8%	58.3%		3,785,482,228	24.0%	2,782,044,785	17.7%
	Reversion	119,999,983	35,639,153	29.7%	2,777,184	4.4%	5,338,328	2.3%	36.5%		26,560,061	22.1%	49,685,257	41.4%
	% Unexpended	0.8%	0.5%		0.27%		0.37%				0.70%		1.75%	

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.

I. Total includes \$91 million in "targeted reversions" transferred from state agencies to the Disaster Relief Reserve Fund.

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			121,989,361
2005-06	54,960,000	125,000,000			179,960,000

Notes:

- A Includes contingent appropriation of \$1,789,000
- B Includes appropriation adjustment of \$1,000,000
- C Includes Emergency Prison Bill enacted by 1987 Session
- D Reflects transfer of Sematech to R/R Reserve in accordance with Section 73, Chapter 1515
- E Reflects reduction of \$4,501,097 of authorization not issued at June 30, 1989
- F Reflects reduction of \$95,171,855 made by Governor due to economic downturn
- G Reflects reduction of \$100,897,000 made by Governor due to economic downturn
- H Includes \$39,519,567 earmarked from credit balance
- I Includes \$39,260,955 earmarked from credit balance and \$5m for South Mtn gameland acquisition
- J Direct appropriation of \$185,699,500, transfer of \$6,500,000 from the Reserve for Juvenile Justice, and \$30m earmarked for Aquariums from year-end reversions
- K Original authorization was \$150,000,000; \$60,000,000 was transferred to Hurricane Floyd Disaster Reserve
- L Does not reflect the transfer of \$147 million in prior year capital appropriations to the Hurricane Floyd Disaster Reserve
- M Original authorization was \$100,000,000; \$39,500,000 was used to offset revenue/budgetary shortfall
- N Does not reflect the reversion of \$21.2 million in prior year capital appropriations to offset the revenue/budgetary shortfall
- O Original appropriation of \$125 million was used by Governor to offset revenue/budgetary shortfall
- P Does not reflect the reversion of \$4.4 million in prior year capital appropriations to offset the revenue/budgetary shortfall
- Q Special indebtedness authorized includes \$300 million for Repairs & Renovations, \$234.5 million (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	Special Revenue Funds	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	8,984,917		73,491,167	11.47	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	124,742,353	25,133,780		149,876,133	19.99	1.2%
1996-97	127,038,338	4,978,215		132,016,553	17.24	1.2%
1997-98	165,973,573	5,841,462		171,815,035	22.00	1.4%
1998-99	192,350,072	28,357,925		220,707,997	27.76	1.5%
1999-00	238,355,819	27,607,550		265,963,369	32.92	1.8%

North Carolina Annual Debt Service
(Principal and Interest)

Fiscal Year	General Fund	Highway Fund	Special Revenue Funds	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	304,506,218	25,356,425		329,862,643	39.19	2.2%
2003-04	390,389,698	32,568,237		422,957,935	49.40	2.6%
2004-05	476,124,775	70,057,016		546,181,791	62.71	2.9%
<u>Projected as of November 2005</u>						
2005-06	561,598,242	93,449,000	3,958,191	659,005,433	76.07	3.3%
2006-07	618,636,365	91,198,625	17,113,448	726,948,438	82.68	3.5%
2007-08	633,105,286	88,128,250	36,860,079	758,093,615	84.91	3.5%

Note: Debt service requirements are updated annually by the Department of State Treasurer. Historical debt service amounts are updated to reflect the most current information available.

North Carolina Bond Indebtedness
(Includes General Obligation Bonds and Certificates of Participation)

Fiscal Year	General Fund	Highway Fund	Special Revenue Funds	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%

North Carolina Bond Indebtedness
(Includes General Obligation Bonds and Certificates of Participation)

Fiscal Year	General Fund	Highway Fund	Special Revenue Funds	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	3,909,942,828	166,625,000		4,059,067,828	482.23	27.7%	1.8%
2003-04	4,945,769,379	549,950,000		5,495,719,379	641.86	33.1%	2.3%
2004-05	5,562,001,277	811,430,000	59,865,150	6,433,296,427	738.61	34.1%	2.5%
<u>Projected as of November 2005</u>							
2005-06	6,100,583,563	756,755,000	199,332,433	7,056,670,996	814.51	36.3%	2.5%
2006-07	6,033,423,486	702,080,000	410,806,787	7,146,310,273	812.82	33.9%	2.4%
2007-08	5,763,299,225	648,025,000	398,761,032	6,810,085,257	762.80	31.7%	2.2%

Note: Bond indebtedness is updated annually by the Department of State Treasurer. Historical indebtedness amounts are updated to reflect the most current information available.

**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
2005-06	100.61	4.56

^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 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	Greater of a \$1,000 or 2.5% across-the-board increase	1.41% to 5.90% (2.5% average)
2005-06	Greater of a \$850 or 2.0% across-the-board increase	1.77% to 6.27% (2.24% average)

a Salary increment program frozen

b Conditional upon continuous employment for one year

c Most teachers received between 4%-9%. Teachers receiving National Board of Professional Teaching Standards (NBPTS) certification were eligible for larger increases.

<p style="text-align: center;">AVERAGE SALARY OF EMPLOYEES SUBJECT TO THE PERSONNEL ACT</p>
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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
2004-05	35,151

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.**

The first of these is the fact that the
 government has been unable to
 maintain a stable currency. This
 has led to a loss of confidence
 in the government and a
 consequent loss of support
 from the people. The second
 is the fact that the government
 has been unable to maintain
 a stable economy. This has
 led to a loss of confidence
 in the government and a
 consequent loss of support
 from the people. The third
 is the fact that the government
 has been unable to maintain
 a stable society. This has
 led to a loss of confidence
 in the government and a
 consequent loss of support
 from the people.

