

NORTH CAROLINA GENERAL ASSEMBLY



OVERVIEW: 2006 LEGISLATIVE SESSION FISCAL AND BUDGETARY ACTIONS

(REVISED)

PREPARED BY THE
FISCAL RESEARCH DIVISION
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FOREWORD

This document is provided as a summary of the fiscal and budgetary actions enacted during the 2006 Legislative Session of the North Carolina General Assembly.

Please note:

The 2006 Overview marks an end to the annual publication of this series. Effective 2007, the Fiscal Research Division will be issuing a redesigned post-session summary of legislative action on North Carolina's biennial state budget.

Acknowledgements

The Fiscal Research Division is a nonpartisan, central staff office which provides fiscal and policy information to the Legislature.

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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 by Appropriations Subcommittee** (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 – **Information Technology** details adjustments to the Information Technology Internal Service Fund.

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

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

Section Q – **Appendix** provides historical data relating to state revenues and expenditures, Savings Reserve Account, 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 2006-07
1 Unappropriated Balance from FY 2005-06 - S.L. 2005-276	117,227,875
2 Net Adjustments - S.L. 2005-345	(4,148,833)
3 Net Adjustments - S.L. 2005-435, S.L. 2005-406, S.L. 2005-376, S.L. 2005-391	(5,826,000)
4 Adjustment From Estimated to Actual 2005-06 Beginning Unreserved Balance	6,133,946
5 Revised Unappropriated Balance Remaining 2005-06	113,386,988
6	
7 Emergency Appropriation for Department of Correction, S.L. 2006-2	(15,000,000)
8 Projected Reversions from FY 2005-06	125,000,000
9 Projected Over Collections from FY 2005-06	1,072,100,000
10 Year End Unreserved Credit Balance before Earmarkings	1,295,486,988
11	
12 Less: Projected Credit to Savings Reserve	(323,871,747)
13 Less: Credit to Repairs and Renovation Reserve Account	(222,229,189)
14 Revised Year End Unreserved Credit Balance	749,386,052
15	
16 Revenues Based on Existing Tax Structure	16,951,416,000
17	
18 Non-tax Revenues	
19 Investment Income	78,700,000
20 Judicial Fees	168,605,271
21 Disproportionate Share	100,000,000
22 Insurance	51,543,813
23 Other Non-Tax Revenues	202,719,921
24 Highway Trust Fund Transfer	252,663,009
25 Highway Fund Transfer	-
26 Subtotal Non-tax Revenues	854,232,014
27	
28 Total General Fund Availability	18,555,034,066
29	
30 Adjustments to Availability: 2006 Session	
31 Adjustment to Baseline Revenue Forecast	698,864,995
32 Reduce Sales Tax from 4.5% to 4.25% - December 1, 2006	(140,100,000)
33 Reduce Top Personal Income Tax Rate from 8.25% to 8.0%-January 1, 2007	(28,600,000)
34 Mill Rehabilitation Income Tax Credit	(2,800,000)
35 529 Savings Plan Income Tax Deduction	(1,000,000)
36 Logging Machinery Sales Tax Exemption	(2,870,000)
37 IRC Update	(5,100,000)
38 Joint Filing Options Under Personal Income Tax	(1,000,000)
39 Railroad Cars Tax Exemption	(400,000)
40 Bill Lee Act Wage Standard - Certain Manufacturers	(800,000)
41 Bill Lee Act Adjustment - Clayton Project	(800,000)
42 Extend Aviation Fuel Tax Credit	(90,000)
43 Extend Real Property Donation Tax Credit	(100,000)
44 Small Business Health Insurance Credit of \$250 - January 1, 2007	(7,200,000)
45 Internet Facility Sales Tax Exemption	(2,250,000)
46 Oyster Tax Credit	(23,000)
47 Gas Cap Reserve	(367,000)
48 Reduce Transfer to Highway Trust Fund	(195,176,407)
49 Adjust Transfer from Insurance Regulatory Fund	455,846
50 Adjust Transfer from Treasurer's Office	281,784
51 Subtotal Adjustments to Availability: 2006 Session	310,926,218
52	
53 Revised General Fund Availability for 2006-07 Fiscal Year	18,865,960,284
54	
55 Less: Total General Fund Appropriations for 2006-07 Fiscal Year	(18,865,960,284)
56	
57 Unappropriated Balance Remaining	-

**Summary of Total State Budget
by Source of Funds**

	FY 2006-07	
	(\$ millions)	percentage
General Fund		
Current Operations	18,659.62	52.34%
Capital Improvements	206.34	0.58%
Subtotal General Fund Budget	18,865.96	52.92%
 Highway Fund/Highway Trust Fund	 2,836.88	 7.96%
 Federal Funds	 10,495.71	 29.44%
 Departmental Receipts/Other Sources	 3,452.68	 9.68%
 Total State Budget -- All Sources	 35,651.23	 100.00%

Total State Budget by Appropriations Subcommittee and Agency

2006-07 Fiscal year

	General	Highway Trust/ Highway Fund	Departmental Receipts & Other Sources	Federal Funds	Total All Sources
Subcommittee Area/Agency	Fund				
<u>Education:</u>					
Public Schools	\$ 6,719,751,118	\$ 32,517,171	\$ 14,692,445	\$ 887,957,922	\$ 7,654,918,656
Community Colleges	831,455,913	-	184,398,645	16,271,397	1,032,125,955
University System:					
Appalachian State	92,431,431	-	43,875,352	77,725	136,384,508
East Carolina University - Academic	150,584,434	-	77,771,873	145,900	228,502,207
East Carolina University - Health Services	43,971,394	-	2,502,000	-	46,473,394
Elizabeth City State University	26,225,776	-	5,665,593	48,400	31,939,769
Fayetteville State University	38,740,661	-	11,859,002	109,202	50,708,865
NC Agricultural & Technical State University	74,789,650	-	39,872,757	58,714	114,721,121
NC Central University	53,297,914	-	24,891,928	108,431	78,298,273
NC School of the Arts	20,715,128	-	8,862,253	14,550	29,591,931
NC School of Science and Math	14,365,642	-	808,189	-	15,173,831
NC State University - Academic	291,489,372	-	143,798,481	200,000	435,487,853
NC State University - Ag. Research Services	45,346,634	-	2,372,514	8,016,973	55,736,121
NC State University - Ag. Extension Services	35,668,328	-	443,600	14,683,685	50,795,613
UNC - Asheville	27,372,414	-	10,202,946	10,400	37,585,760
UNC - Chapel Hill Academic Affairs	210,315,080	-	155,788,164	246,671	366,349,915
UNC - Chapel Hill Area Health Education	44,743,422	-	-	-	44,743,422
UNC - Chapel Hill Health Affairs	163,914,060	-	36,337,758	-	200,251,818
UNC - Charlotte	117,877,753	-	67,082,104	100,000	185,059,857
UNC - Greensboro	108,407,940	-	45,836,708	111,798	154,356,446
UNC - Pembroke	38,580,141	-	10,550,300	42,968	49,173,409
UNC - Wilmington	66,436,900	-	42,763,775	71,575	109,272,250
Western Carolina University	59,535,063	-	20,959,932	148,874	80,643,869
Winston Salem State University	42,807,846	-	10,804,011	74,805	53,686,662
UNC - General Administration	46,906,173	-	18,000	-	46,924,173
UNC - Institutional Programs	283,704,874	-	25,697,333	-	309,402,207
UNC - Related Education Programs	111,882,369	-	-	1,778,477	113,660,846
UNC Hospitals	38,944,579	-	593,010,688	-	631,955,267
Subtotal UNC System	2,249,054,978	-	1,381,775,261	26,049,148	3,656,879,387
Subtotal Education	9,800,262,009	32,517,171	1,580,866,351	930,278,467	12,343,923,998
<u>Health and Human Services:</u>					
Aging and Adult Services	35,031,025	-	9,877,960	38,488,611	83,397,596
Blind, Deaf and Hard of Hearing	9,756,220	-	1,554,778	14,298,373	25,609,371
Child Development	296,418,707	-	776,000	326,299,398	623,494,105
Education Services	35,278,678	-	434,484	151,860	35,865,022
Facility Services	16,159,466	-	4,195,135	26,103,500	46,458,101
Medical Assistance	2,643,659,159	-	600,448,697	6,369,552,851	9,613,660,707
Mental Health/DD/SAS	662,795,012	-	53,306,167	94,826,182	810,927,361
NC Health Choice	51,882,902	-	-	144,985,535	196,868,437
Public Health	168,949,738	547,503	80,682,979	356,860,544	607,040,764
Social Services	206,361,849	-	514,755,918	693,390,028	1,414,507,795
Vocational Rehabilitation	42,142,193	-	6,390,905	71,635,433	120,168,531
Office of the Secretary	63,717,683	-	719,662	89,627,562	154,064,907
Subtotal Health and Human Services	4,232,152,632	547,503	1,273,142,685	8,226,219,877	13,732,062,697
<u>Justice and Public Safety:</u>					
Correction	1,083,404,206	-	92,096,383	-	1,175,500,589
Crime Control & Public Safety	41,107,768	177,958,725	8,826,313	12,636,367	240,529,173
Judicial	372,852,122	-	616,948	-	373,469,070
Judicial - Indigent Defense	95,331,543	-	8,183,874	-	103,515,417
Justice	83,404,109	-	6,551,138	1,698,412	91,653,659
Juvenile Justice & Delinquency Prevention	142,327,686	-	7,635,746	-	149,963,432
Subtotal Justice and Public Safety	1,818,427,434	177,958,725	123,910,402	14,334,779	2,134,631,340

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
<u>Natural and Economic Resources:</u>					
Agriculture & Consumer Services	54,616,446	4,272,081	23,171,318	6,650,790	88,710,635
Commerce	73,095,748	-	46,852,452	302,264,504	422,212,704
Commerce - State Aid	56,561,225	-	-	-	56,561,225
Environment and Natural Resources	183,303,051	-	79,166,755	52,553,379	315,023,185
Clean Water Management Trust Fund	100,000,000	-	-	-	100,000,000
Wildlife Resources Commission	-	-	20,204,523	8,521,831	28,726,354
Labor	15,048,819	-	4,997,827	6,794,079	26,840,725
Subtotal Natural and Economic Resources	482,625,289	4,272,081	174,392,875	376,784,583	1,038,074,828
<u>General Government:</u>					
Administration	62,193,012	-	66,451,796	6,701,151	135,345,959
Auditor	10,898,482	-	50	-	10,898,532
Board of Elections	5,855,927	-	39,500	-	5,895,427
Controller	10,044,511	-	27,680	-	10,072,191
Cultural Resources	68,338,163	-	1,946,992	6,109,262	76,394,417
Cultural Resources - Roanoke Island Commission	1,783,374	-	-	-	1,783,374
General Assembly	47,003,716	-	984,600	-	47,988,316
Governor	5,444,528	-	204,156	-	5,648,684
Housing Finance Agency	22,188,445	-	1,231,250	44,623,825	68,043,520
Information Technology Services	-	-	141,535,413	-	141,535,413
Insurance	28,566,428	-	29,196,167	343,608	58,106,203
Insurance - Volunteer Safety Worker's Comp.	4,500,000	-	2,495,814	170,725	7,166,539
Lieutenant Governor	841,470	-	-	-	841,470
Office of Administrative Hearings	3,251,079	-	54,859	-	3,305,938
Revenue	81,953,032	4,877,766	390,516	-	87,221,314
Secretary of State	9,677,898	-	424,659	-	10,102,557
State Budget and Management (OSBM)	5,431,733	-	500	-	5,432,233
State Budget and Management - Special Appropriations	6,464,682	-	-	-	6,464,682
Treasurer	8,577,627	-	817,221	-	9,394,848
Treasurer - Retirement for Fire & Rescue Squad Workers	9,165,457	-	-	-	9,165,457
Special Boards & Commissions	-	-	3,462,402	-	3,462,402
Subtotal General Government	392,179,564	4,877,766	249,263,575	57,948,571	704,269,476
<u>Transportation</u>	-	2,525,511,527	5,009,205	890,141,025	3,420,661,757
<u>Debt Service:</u>					
General Debt Service	569,291,140	91,198,625	46,091,140	-	706,580,905
Federal Reimbursement	1,616,380	-	-	-	1,616,380
Subtotal Debt Service	570,907,520	91,198,625	46,091,140	-	708,197,285
<u>Reserves and Adjustments:</u>					
Compensation Increase Reserve	912,794,519	-	-	-	912,794,519
Salary Adjustment Reserve	14,094,294	-	-	-	14,094,294
Reserve-UNC Faculty Recruiting/Retention	5,000,000	-	-	-	5,000,000
Longevity Service Adjustment	41,411	-	-	-	41,411
Retirement Rate Adjustment Reserve	60,403,700	-	-	-	60,403,700
Retirement System Payback	30,000,000	-	-	-	30,000,000
State Health Plan	142,728,000	-	-	-	142,728,000
Contingency and Emergency Reserve	5,000,000	-	-	-	5,000,000
Job Development Investment Grants (JDIG)	12,400,000	-	-	-	12,400,000
Reserve-Heating/Cooling Assistance	10,000,000	-	-	-	10,000,000
Reserve-Pending Ethics Legislation	582,673	-	-	-	582,673
Contingent Appropriation Reserve	85,000,000	-	-	-	85,000,000
ITS Rate Restructuring Reserve	(2,300,000)	-	-	-	(2,300,000)
State BEACON Project	44,313,403	-	-	-	44,313,403
IT Initiative Reserve	5,798,826	-	-	-	5,798,826

Total State Budget by Appropriations Subcommittee and Agency

2006-07 Fiscal year

	General	Highway Trust/ Highway Fund	Departmental Receipts & Other Sources	Federal Funds	Total All Sources
Subcommittee Area/Agency	Fund				
Military Morale, Recreation and Welfare Reserve	1,000,000	-	-	-	1,000,000
Reserve-State Emergency Response	20,000,000	-	-	-	20,000,000
Reserve for Lawsuits	1,065,710	-	-	-	1,065,710
Minimum Fair Wage Reserve	750,000	-	-	-	750,000
Mental Health/DD/SAS Trust Fund Reserve	14,390,000	-	-	-	14,390,000
Subtotal Reserves and Adjustments	1,363,062,536	-	-	-	1,363,062,536
Capital Improvements					
Administration	9,773,300	-	-	-	9,773,300
Agriculture	1,250,000	-	-	-	1,250,000
Commerce	7,500,000	-	-	-	7,500,000
Crime Control and Public Safety	8,722,700	-	-	-	8,722,700
Cultural Resources	1,500,000	-	-	-	1,500,000
Environment and Natural Resources	37,617,300	-	-	-	37,617,300
University of North Carolina System	139,980,000	-	-	-	139,980,000
Subtotal Capital Improvements	206,343,300	-	-	-	206,343,300
Total State Budget	18,865,960,284	2,836,883,398	3,452,676,233	10,495,707,302	35,651,227,217

BUDGETED POSITION SUMMARY

State of North Carolina Full-time Equivalent Position Counts by GAAP Fund Type (December 2005)

	General Fund (1)		Highway Fund		Enterprise Fund	Institutional Fund	Internal Service Fund	Special Fund	Trust Fund	Total by Sector
	Appropriated	Receipt	Appropriated	Receipt (2)						
Government Sector										
State Government										
UNC System ⁽³⁾	32,666.70	1,602.79	-	-	5,630.94	15,899.88	-	-	-	55,800.31
Justice and Public Safety	29,397.45	489.96	2,231.00	-	-	-	402.00	352.60	-	32,873.01
Health & Human Services	8,840.94	9,261.18	-	8.00	35.00	-	9.00	676.99	16.00	18,847.11
Transportation	-	-	8,197.50	5,809.50	-	-	-	-	-	14,007.00
Natural & Economic Resources	3,904.62	1,439.42	145.00	-	104.00	-	-	3,083.85	143.45	8,820.34
General Government	4,100.45	584.62	93.00	-	193.48	-	597.80	339.20	1.00	5,909.55
Education (State Administration)	504.48	238.47	-	-	-	-	-	-	10.05	753.00
Sub-total	79,414.65	13,616.44	10,666.50	5,817.50	5,963.42	15,899.88	1,008.80	4,452.64	170.50	137,010.32
Local Education										
Public Schools ⁽³⁾⁽⁴⁾	155,824.11	-	82.37	-	-	-	-	-	-	155,906.48
Community Colleges ⁽³⁾	15,413.70	-	-	-	-	-	-	-	-	15,413.70
Sub-total	171,237.81	-	82.37	-	-	-	-	-	-	171,320.18
Total by GAAP Fund Type	250,652.46	13,616.44	10,748.87	5,817.50	5,963.42	15,899.88	1,008.80	4,452.64	170.50	308,330.50

Notes:

- 1) Salary Base includes 1,055 positions in Reserve budget codes.
- 2) Includes 5,809.5 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 2005-2006 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 2005.

ECONOMY AND REVENUES

ECONOMIC OUTLOOK AND GENERAL FUND REVENUES

2005-06 Experience

For the third year in a row, the State experienced a major General Fund revenue surplus. The final results for the 2005-06 fiscal years are shown below:

<u>Actual Basis</u>	<u>(\$Mil.)</u>
Actual Revenue	\$17,873.8
Budgeted Revenue	<u>16,816.3</u>
Difference	\$ 1,057.5
Actual Growth Rate	9.5%
Budgeted Growth Rate	<u>3.0%</u>
Difference	6.5%
<u>“Economic” Basis*</u>	
Actual Growth Rate	11.8%
Budgeted Growth Rate	<u>5.3%</u>
Difference	6.5%

*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-10. In absolute dollars the 2005-06 amount was significantly larger than any year during the explosive period of the late 1990's. In relative terms the surplus was 7.0% of the forecast base, compared to the stock market bubble peak of 5.6% in 1997-98.

Nonrecurring Revenue Situation

A noteworthy feature of the 2005-06 experience was the fact that \$382.3 million of the total, or 36.1%, was treated as nonrecurring. Most of these receipts came from two notoriously volatile sources: the corporate income tax and non-withholding payments under the personal income tax. The latter category is comprised of quarterly estimated tax payments and final payments due April 15. Most of these receipts come from high-income individuals with investment and pass-through income as well as persons with non-wage income (independent contractors, commission salespeople, pensioners, etc.)

To see how extraordinary the experience of the last couple of years has been, the tabulation below shows the estimated personal income tax payments and final payments associated with recent tax years.

<u>Tax Year</u>	<u>(% Ch) Estimated Payments</u>	<u>(% Ch) Final Payments</u>
1997	16.7%	24.9%
1998	15.7	8.5
1999	.9	8.4
2000	8.0	11.7
2001	-9.3	-14.8
2002	-11.4	-8.0
2003	-5.3	15.1
2004	14.8	31.6
2005	23.1	31.4*

*Based on experience through August 2006.

NOTE: Numbers adjusted for impact of the one-time Microsoft dividend paid during 2005.

In addition, the April 15 and June 15 estimated tax payments for the 2006 tax year rose 20.5%. This impressive gain has more to do with CPA's helping their clients avoid underpayment penalties for 2006 than to enhanced prospects.

The recent strength in the nonwithholding portion of the personal income tax is due to a number of factors, including:

(1) Stock Market Recovery.

The string of large revenue surpluses during the late-1990's was due to the extraordinary stock market bubble. After the bubble burst, the market shifted back to a normal business cycle pattern. Under this regime, a dip in equity prices due to high interest rates or an economic downturn is followed by a couple of recovery years as interest rates fall and the profit outlook improves.

The stock market recovery from the 2001-02 recession began in late-2002. Since that time stock prices, as measured by the S & P 500, have risen by 65%.

The cash-flow effects of an improvement in securities prices is reflected primarily in the rise in quarterly estimated income tax

payments and final payments that result from the capital gains on the sale of those assets. Recent data from the IRS indicates that 2004 capital gains on federal returns in North Carolina grew by 49.8%. The strength of 2005 tax year payments suggests 40-45% growth for that year.

In addition some of the improvement was due to the enhanced values for stock options. During the last decade this type of incentive has become an important type of compensation for technology companies.

(2) Gains on sale of real estate

The new kid on the block during this cycle has been the real estate market. In addition to its absolute size, the industry is important as a leading economic indicator and has a major indirect impact on retail sales.

The experience of this sector over the last few years has been very unique. For one thing the fall-off in activity during the recession was modest by historical standards. Next the recovery phase was characterized by a bubble in many parts of the country. The driving factor has been the enhanced housing affordability resulting from the lowest mortgage rates in four decades.

The improvement in real estate activity came first in the single-family and condo market. Later, declining vacancy rates led to more demand in the commercial arena (offices, apartments, shopping centers, etc.).

The best measure of total real estate activity in North Carolina is real estate conveyance tax collections. This revenue source is comprised of both unit sales and prices. Our history only runs back to 1993 so it is impossible to compare the experience during the current cycle with prior recessions. However, the data in the table below serves to highlight the extraordinary nature of the last few years.

<u>Collection Quarter</u>	<u>Percent Increase*</u>
January-March 2004	10.5%
April-June 2004	13.4
July-September 2004	15.5
October-December 2004	14.3
January-March 2005	13.6
April-June 2005	18.7
July-September 2005	20.7
October-December 2005	17.5
January-March 2006	20.9
April-June 2006	4.1

*Compared to same quarter in immediately preceding year.

Not all areas of the state of experienced the real estate boom. Most of the growth has been felt in the high-dollar urban centers and resort areas.

The IRS has not published data yet on the composition of capital gains for 2004 and 2005. However, we suspect that the primary reason gains jumped over 40% in both years is the surging real estate market. In fact, there have been many anecdotal stories of homeowners paying capital gains taxes on their personal residence even though tax law shelters \$500,000 in profits on the principal residence of a married couple. This has been a truly unique experience.

(3) Pass-through income from partnerships, S corporations, and LLC's

The passage of the 1986 federal tax reform package has led to an explosion in the number of corporations electing the S corporation tax filing status for federal and state purposes. In recent years the movement has shifted to limited liability corporations (LLC's), limited liability partnerships (LLP's), and other forms of corporate organization.

Though actual data will not be available for a couple of years, it seems reasonable that the sharp rise in the profitability of C corporations has been accompanied by a similar pattern for pass-through entities.

(4) The re-appearance of bonuses

The use of year-end performance bonuses was a hallmark of the late-90's as technology companies intensified their search for highly-skilled workers. This income essentially disappeared during the recession. A review of Employment Security Commission data for the first quarter of each calendar year (the primary quarter in which bonuses are paid) suggests that bonus payments are tracking the surge in corporate profits.

In addition to nonwithholding income tax payments under the personal income tax we need to keep in mind the importance of the corporate income tax to the revenue surplus for the last two years. While this revenue source amounts to only 6% of the base, it is highly volatile over the business cycle. For example, corporate payments rose by 23.3% for 2004-05 and 39.5% in 2005-06.

Much of the improvement had to do with lower interest rates and improved demand for products and services. Another key ingredient has been the relentless pursuit of improved operating efficiencies by employers, especially in the manufacturing arena.

Traditional Revenue Surplus Factors

The revenue sources just discussed amount to about one-fifth of the total revenue base. While relatively small in size, their year-to-year volatility can lead to an impact on overall revenue growth. At the other end of the spectrum are more stable revenue sources that relate directly to the economy. These categories are important due to their sheer magnitude.

(1) Sales Tax

The state sales tax makes up 28% of the General Fund revenue base. This revenue source was a pleasant surprise for the second year in a row, rising 9.2% versus the budgeted rate of 4.6%. As was the case in 2004-05, the gains occurred in the face of imposing headwinds. These obstacles included gas prices averaging almost \$3.00 per gallon and the rise in short-term interest rates from 3.25% to 5.25%.

There are a number of factors that helped to offset these negatives. For one thing, the robust real estate market fueled retail sales through the purchase of furniture and appliances. In addition, construction activity, coupled with the surge in material prices, led to a large increase in the building materials part of the tax base.

Finally, economists have noted for a couple of years the impact of “mortgage equity withdrawals” on retail sales. The cashing out of real estate occurs through gains on the sale of property, home equity loans, and refinancing activity. The rise in mortgage equity withdrawals has created a huge amount of additional resources that can be spent.

An improving job market in the state also put more dollars into the pockets of consumers. The final factor leading to strong sales tax receipts is a little more troubling: the continued run-up of credit card debt. This could negatively affect the tax base the next time economic conditions slow and consumer confidence plummets.

(2) Withholding Tax Collections

The personal income tax amounts to 53% of the revenue base. Of this amount, about 80% comes from withholding payments remitted by employers. If we put these two numbers together it means that over 40% of the revenue base comes from this item.

For the first few years of the economic recovery, employment growth was weak by historical standards. However, since the early part of the 2005 calendar year, state withholding tax collections have grown at the rate of 8% per year, equivalent to 7% wage and salary growth. The time lag in quarterly unemployment insurance tax reports means that we are not able to separate out the impact of job growth, wage increases, and a longer workweek. Our best guess is that job growth was around 2.5% and the combination of wage increases and additional hours made up the other 4.5%.

While employment gains have continued to improve, annual job should be 3-4% at this point in economic recovery. Reasons for the prolonged sluggishness include the continued erosion of manufacturing jobs to overseas locations and productivity enhancements.

Prospects for 2006-07 Fiscal Year

The consensus revenue estimate for the upcoming fiscal year took a very cautious stance regarding the portion of the 2005-06 revenue surplus counted as recurring. In addition, the economy-based revenue estimates for the year reflect the view that the combination of a rise in short-term interest rates, persistently high energy prices, and the slowdown in real estate will eventually lead to a “mid-decade slowdown” similar to 1984-86 and 1995. The result is that baseline General Fund tax growth is expected to be only 3.3%. This forecast is in line with the downward adjustments made in many states after a second year of strong April income tax payments.

The projection of slower job growth and retail sales is pretty much the same outlook adopted a year ago during the 2005-06 budget discussions. The difference this year has to do with the loss of the underpinning from the robust real estate market. As the weakness in this sector continues to filter through the economy, we think the Federal Reserve will take note and leave short-term rates at the current level. If the economic slowdown accelerates, the Fed may begin to lower rates during the second half of the fiscal year.

An additional reason for the cautious 2006-07 economic outlook is that even if we get the change in direction of the economy and the timing right, it is hard to project the magnitude of the decline. There have been numerous occasions in the past when the Fed overshot the mark and a planned slowdown turned into an outright recession. This has been especially true when the rate hikes are accompanied by external shocks such as a military engagement or a gas price spike.

Barring any unforeseen international events we think that a full-scale recession can be avoided. One reason has to do with stable long-term interest rates. During a typical monetary tightening phase, long rates will follow hikes in short-term rates for the first few moves before stabilizing as investors become comfortable that an economic slowdown and lessening of inflation pressures is underway. During the

current cycle long-term rates have remained stable throughout the Fed actions. Part of the reason has been the continued supply of funds from overseas. The other has to do with the fact that the sharp increase in energy prices has not translated into a major increase in “core inflation” (prices increase excluding the volatile energy and food components).

Though the risks to the economic outlook increased, the cautionary stance taken on the nonrecurring portion of the 2005-06 revenue surplus means that the State is well-positioned for the slowdown that is starting to unfold.

North Carolina Employment Trends

The defining characteristic of the current economic recovery has been the subpar recovery in jobs. The weakness is the result 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. The softening of the labor markets began 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			
<u>Year</u>	<u>Manufacturing</u>	<u>Finance</u>	<u>Services</u>
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%	1.2%
2003	-6.9%	1.0%	.5%
2004	-3.7%	.9%	2.4%
2005	-1.9%	2.3%	2.8%

The prospects for the manufacturing sector are important to North Carolina because 14% of our nonagricultural employment is comprised of manufacturing versus 9% for the U.S. A more important measure is the share of Gross State Product represented by manufacturing: 18% in North Carolina versus 13% for the 50 states as a whole.

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 national economic slowdown and the kicking in of NAFTA. The drop 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 by over 15% on a year-over-year basis by the spring of 2001. While the rate of decline has slowed due in recent years, 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.

The national and state economic assumptions that support the 2006-07 General Fund revenue forecasts are shown in the bottom section of the table on Page C-11.

General Fund Revenues

The most important revenue source for the General Fund is the personal income tax. This tax now amounts to 53% of total revenues. The biggest source of taxable income is wages and salaries, amounting to an estimated 80% 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 rate can affect overall revenues through their sheer magnitude. We expect this income source to grow by 6.7% in 2006 and 5.6% in 2007, compared to 2.6% in 2004 and 5.2% in 2005. Even with the improvement, the recovery will not achieve the rates experienced during the peak years of the 1990's. (See Page C-12).

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 no success. What is interesting is that capital gains can affect overall revenue growth even though this source of income amounts to a small share of the total income tax base. The reason has to do with volatility: up 49.9% in 1996 and down 48.2% in 2001 for example. For a particular 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. The latest data from the IRS indicates that net capital gains grew by 49.8% for the 2004 tax year. The 2005 data will not be available until June 2007. However, the strength of estimated and final income tax payments for the 2005 tax year suggests

that gains rose another 40-45%. Our current forecast assumes a 25% decline for the 2006 tax year and another 10% drop in 2007. Part of the reason has to do with the cooling off of the booming real estate market. In addition, a review of the long-term history of capital gains indicates that after a couple of very strong years, the odds of a major decline go up substantially.

The table on Page C-12 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. Our baseline growth assumption for 2006-07 is 5.4%, a substantial decline from the 8-10% range in place since mid-2003. The factors leading to diminished prospects include higher interest rates, the sharp increase in fuel prices, and a worsening outlook for the housing market. The only reason the drop-off is not greater is that wage and salary growth should continue to be relatively strong during the first half of the year and consumer spending habits die hard.

The sales tax forecast also adjusts for the explosion in remote sales (mail-order, internet). The 2004 update of the University of Tennessee analysis of this issue 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 too pessimistic, the impact will still be significant. The sales tax forecast attempts to capture this issue by ratcheting down the normal rate growth of that tax (relative to economy).

The corporate income tax decline of 10% reflects the expected slowdown in product demand and the impact of higher interest rates and energy costs on consumer profits. In addition, the forecast attempts to make an allowance for the volatile nature of the tax and the fact that the growth during the last two fiscal years has been so large.

On Page C-13 the baseline growth rates for major General Fund revenue sources are shown. These numbers have been adjusted for tax law changes and other factors that distort the year-over-year comparison. Thus, the numbers tie back to the outlook for the economy and the financial markets.

The table on Page C-14 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 large amount of one-time revenues coming in during 2004-05 and 2005-06.

**GENERAL FUND REVENUE COMPARISON (\$ MILLION)
2005-06 FISCAL YEAR**

	2005-06	2005-06		2004-05
TAX REVENUE:	Target	Actual	Diff.	Actual
PERSONAL INCOME TAX:				
WITHHOLDING	\$8,075.9	\$8,224.9	\$149.0	\$7,612.5
ESTIMATED TAXES	1,167.2	1,270.9	103.7	1,036.8
NET FINAL PAYMENTS	1,264.2	1,565.5	301.3	1,304.2
REFUNDS	(1,621.4)	(1,580.9)	40.5	(1,515.2)
EARMARKINGS	(46.1)	(80.2)	(34.1)	(29.1)
SUBTOTAL - PERSONAL INCOME	\$8,839.8	\$9,400.2	\$560.4	\$8,409.3
SALES & USE TAX:				
GROSS COLLECTIONS-STATE AND LOCAL	\$7,802.0	\$8,090.6	\$288.6	\$7,430.4
REFUNDS TO LOCAL UNITS, NONPROFITS	(538.6)	(563.1)	(24.5)	(488.2)
DISTRIBUTION TO LOCAL GOVERNMENT	(2,440.1)	(2,501.3)	(61.2)	(2,328.8)
LOCAL HOLD HARMLESS	(20.4)	(20.4)	0.0	(29.0)
LOCAL TAX SHARING	-51.8	-53.9	(2.1)	-56.3
OTHER EARMARKING	-58.4	-58.0	0.4	-51.0
SUBTOTAL - SALES & USE	\$4,692.7	\$4,893.9	\$201.2	\$4,477.1
CORPORATE INCOME:				
GROSS COLLECTIONS	\$1,188.9	\$1,440.4	\$251.4	\$1,415.2
REFUNDS	(193.4)	(138.0)	55.4	(143.2)
SCHOOL FACILITIES EARMARKING	(89.6)	(98.2)	(8.6)	(78.4)
SUBTOTAL - CORPORATE INCOME	\$905.9	\$1,204.2	\$298.2	\$1,193.6
FRANCHISE:				
NET COLLECTIONS PRIOR TO EARMARKING	\$627.6	\$616.1	(\$11.5)	\$629.7
LOCAL TAX SHARING	(133.8)	(139.1)	(5.3)	(131.0)
SUBTOTAL - FRANCHISE	\$493.8	\$477.0	(\$16.8)	\$498.8
MILL MACHINERY	\$16.6	\$12.0	(\$4.7)	\$0.0
INSURANCE	441.7	431.7	(10.0)	431.7
ALCOHOLIC BEVERAGES TAX	196.0	200.9	4.9	189.3
INHERITANCE	137.9	133.4	(4.5)	135.2
PRIVILEGE LICENSE	46.3	45.6	(0.7)	45.0
TOBACCO PRODUCTS	161.3	171.7	10.4	43.0
PIPED NATURAL GAS	35.5	33.5	(2.0)	35.1
GIFT	20.0	16.3	(3.7)	18.9
OTHER	1.0	0.8	(0.2)	0.8
TOTAL - TAX REVENUE	\$15,988.5	\$17,021.0	\$1,032.5	\$15,477.7
NONTAX REVENUE				
INVESTMENT INCOME	\$74.8	\$119.1	\$44.3	\$71.5
JUDICIAL FEES	161.7	159.1	(3.7)	141.8
DISPROPORTIONATE SHARE	100.0	100.0	0.0	111.1
INSURANCE DEPARTMENT	49.9	54.0	4.0	51.2
OTHER	188.8	167.0	(19.7)	214.7
TOTAL: NONTAX REVENUE	\$575.2	\$599.2	\$25.1	\$590.2
TOTAL: TAX AND NONTAX REVENUE	\$16,563.7	\$17,620.2	\$1,057.5	\$16,067.9
TRANSFERS:				
HIGHWAY TRUST FUND	\$252.6	\$252.6	\$0.0	\$242.6
HIGHWAY FUND	0.0	0.0	0.0	16.2
TOTAL: TRANSFERS	\$252.6	\$252.6	\$0.0	\$258.8
TOTAL GENERAL FUND REVENUE	\$16,816.3	\$17,872.9	\$1,057.5	\$16,326.7

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

	2003-04 <u>Actual</u>	2004-05 <u>Actual</u>	2005-06 <u>Actual</u>	2006-07 <u>Projected</u>
U.S. INDICATORS				
Real Economic Growth*	3.9%	3.3%	3.4%	3.0%
Nonfarm Employment	.3%	1.5%	1.5%	1.2%
Personal Income	4.9%	6.1%	5.5%	5.8%
Industrial Production	2.2%	4.0%	3.4%	3.8%
Corporate Profits (Pre-Tax)	24.2%	28.5%	22.4%	6.8%
Short-Term Interest Rates (Actual Rate)	1.0%	2.2%	4.1%	5.0%
Mortgage Rates (Actual Rate)	5.9%	5.8%	6.2%	6.8%
Inflation (CPI)	2.2%	3.0%	3.8%	3.1%
NORTH CAROLINA INDICATORS				
Personal Income	4.8%	7.1%	5.1%	4.7%
Nonfarm Employment	-.4%	2.2%	1.8%	1.4%
Unemployment Rate (Actual Rate)	6.0%	5.2%	4.9%	4.5%
Average Hourly Earnings (Manufacturing)	4.6%	2.6%	.7%	3.3%
Retail Sales	5.5%	7.5%	7.8%	5.9%
Housing Activity	12.7%	6.0%	8.7%	-14.7%
Auto Sales	6.9%	-.4%	-2.7%	-2.6%

*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	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	127.36	135.89	143.50	150.25
% 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%	6.0%	6.7%	5.6%	4.7%
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	2.73	2.93	3.10	3.14
% 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%	8.8%	7.5%	5.8%	1.2%
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	3.31	3.71	4.07	4.20
% 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%	22.6%	12.0%	9.7%	3.2%
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	5.58	6.04	6.32	6.49
% 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%	11.4%	8.2%	4.6%	2.8%
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	8.03	11.50	8.62	7.76
% 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%	49.8%	43.2%	-25.0%	-10.0%
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	2.89	3.36	3.20	3.23
% 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%	13.8%	16.4%	-5.0%	1.0%
Unemployment Benefits	0.44	0.48	0.42	0.30	0.31	0.30	0.25	0.25	0.31	0.41	0.77	1.22	1.27	0.26	0.2	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%	-79.5%	-23.1%	50.0%	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	10.94	11.94	12.89	13.92
% 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%	7.7%	9.1%	8.0%	8.0%
Partnership, S Corp	1.45	1.79	2.13	2.63	2.89	3.38	3.87	4.05	4.60	4.56	4.88	4.10	4.30	5.25	6.04	6.45	6.87
% 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%	22.0%	15.2%	6.8%	6.4%
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	164.65	179.91	186.75	194.46
% 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%	8.1%	9.3%	3.8%	4.1%

Source: Statistics of Income Division, Internal Revenue Service

(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	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%	10.4%	13.6%	3.0%
Sales Tax	6.4%	7.7%	6.0%	7.1%	5.6%	2.4%	-1.1%	1.5%	6.7%	7.5%	9.2%	5.4%
Corporate Income Tax	3.5%	10.0%	3.6%	7.8%	-9.2%	-9.3%	-30.1%	15.0%	7.5%	23.3%	39.5%	-9.5%
Franchise Tax	5.9%	7.2%	3.7%	1.8%	-0.4%	20.7%	-3.2%	3.2%	4.0%	5.5%	0.4%	4.7%
Inheritance Tax	2.7%	17.0%	12.2%	12.8%	12.0%	-2.1%	-15.2%	7.3%	14.2%	5.2%	-1.4%	6.0%
Insurance Tax	4.6%	6.0%	9.2%	2.4%	-6.1%	11.8%	11.5%	11.7%	2.1%	0.6%	5.1%	4.9%
Alcoholic Beverage Tax	2.9%	3.3%	2.4%	2.7%	5.3%	3.8%	2.9%	2.0%	4.6%	4.9%	6.3%	4.2%
Total Revenue*	6.8%	9.2%	8.6%	10.6%	3.9%	4.6%	-6.2%	0.3%	5.7%	8.7%	12.3%	3.2%

NOTE: Data has been adjusted for tax law changes, tax collection and refund delays, litigation payouts, and other special one-time factors. Due to changes in the estimates for some of these adjustment factors, the baseline growth numbers for prior years may differ from the numbers published in prior year editions of this publication.

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	Actual 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	\$9,400.2	\$9,635.4
Sales & Use	3,376.2	3,354.9	3,435.6	3,705.7	3,894.5	4,222.2	4,477.1	4,893.9	5,032.5
Corporate Income	848.5	901.1	476.2	451.8	840.5	777.0	1,193.6	1,204.2	1,052.5
Franchise	409.6	301.4	572.0	436.9	417.7	445.3	498.8	477.0	504.9
Insurance	291.2	273.4	305.7	340.8	408.9	423.4	431.7	431.7	491.9
Tobacco Products	44.9	43.7	42.0	41.5	42.0	43.7	43.0	171.7	238.2
Alcoholic Beverage	158.0	166.4	172.8	174.7	170.9	182.4	189.3	200.9	209.1
Inheritance	169.9	163.3	123.2	104.8	112.5	128.5	135.2	133.4	139.2
Privilege License	27.6	43.8	3.0	26.6	44.7	41.6	45.0	45.6	46.0
Mill Machinery	0.0	0.0	0.0	0.0	0.0	0.0	0.0	12.0	31.2
Gift	19.3	25.1	20.3	13.4	19.3	16.6	18.9	16.3	17.6
Piped Natural Gas	0.0	27.7	37.2	40.9	36.9	39.0	35.1	33.5	33.1
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	0.8	0.5
Total-Tax Revenue	\$11,965.2	\$12,380.3	\$12,575.7	\$12,465.6	\$13,070.6	\$13,830.7	\$15,477.6	\$17,021.2	\$17,432.1
% Change: Actual	7.9%	3.5%	1.6%	-0.9%	4.9%	5.8%	11.9%	10.0%	2.4%
% Change: Baseline*	9.6%	4.4%	5.1%	-6.3%	0.8%	6.1%	7.8%	12.5%	3.5%
Nontax Revenue:									
Investment Income	249.2	208.3	168.2	132.6	105.1	78.3	71.5	119.1	124.4
Judicial Fees	121.0	101.5	109.3	110.4	124.7	139.0	141.8	159.1	164.0
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	167.0	185.4
Insurance Dept.	40.2	42.2	43.6	46.4	47.1	51.2	51.2	54.0	53.2
Total-Nontax Revenue	585.0	560.3	523.9	531.3	599.2	836.9	590.0	599.2	627.0
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	\$17,620.4	\$18,059.1
% Change: Actual	8.7%	3.1%	1.2%	-0.8%	5.2%	7.3%	9.5%	9.7%	2.5%
% Change: Baseline*	9.6%	4.0%	4.6%	-6.3%	0.3%	5.8%	7.6%	12.4%	3.3%
Transfers:									
Highway Trust Fund	\$170.0	\$170.0	\$170.0	\$171.7	\$377.4	\$252.4	\$242.6	\$252.6	\$57.5
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	\$57.5
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	\$17,873.0	\$18,116.6
% Change: Actual	8.6%	3.1%	1.2%	-0.8%	6.7%	6.2%	10.8%	9.5%	1.4%
% Change: Baseline*	10.6%	3.9%	4.6%	-6.2%	0.3%	5.7%	8.7%	12.3%	3.2%

*Actual collections, adjusted for tax law changes, tax processing/refund delays, and other special factors. Due to changes in the estimates for some of these adjustment factors, the baseline growth numbers for prior years may differ from the numbers published in prior year editions of this publication.

HIGHWAY FUND REVENUE

The Highway Fund is supported from two primary revenue sources: three-fourths of the motor fuels tax and license and fee revenues collected by the Division of Motor Vehicles (DMV). Also, interest is 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 2005-06 REVENUES

Highway Fund collections totaled \$1,680.9 million in FY 2005-06, a 19% increase from FY 2004-05. The increase came from higher motor fuels tax collections related to higher prices and to legislated increases in most DMV fees.

FY 2006-07 FORECAST

Highway Fund revenues are projected to increase by \$86 million in FY 2006-07, primarily due to higher motor fuel tax collections.

HIGHWAY FUND REVENUE (MILLION \$)

	FY 2005-06	FY 2006-07
	<u>Actual</u>	<u>Projected</u>
Motor Fuels Taxes	1,099.1	1,191.0
Licenses, Fees, and Penalties		
Staggered Vehicle Registration	186.4	212.9
Truck Licenses	126.1	114.7
Driver Licenses	110.5	111.0
International Registration Plan	66.0	66.2
Other	82.6	63.2
Sub Total	571.6	568.0
Investment Income/Other revenue	10.3	8.0
Total Highway Fund Revenue	\$1,680.9	1,767.1

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. In FY 2006-07 the transfer is \$57.5 million.

FY 2005-06 REVENUES

Highway Trust Fund availability for FY 2005-06 (net of transfers to the General Fund) totaled \$798.7 million, an increase of 5% from the previous year.

FY 2006-07 FORECAST

Highway Trust Fund availability is expected to increase by \$244.5 million in FY 2006-07, reflecting increased motor fuel tax and Highway Use Tax collections and, in particular, a reduction by the General Assembly of the transfer from the Highway Trust Fund to the General Fund of \$195 million.

HIGHWAY TRUST FUND REVENUE (MILLION \$)

	FY 2005-06	FY 2006-07
	<u>Actual</u>	<u>Projected</u>
Motor Fuels Taxes	366.5	397.0
Highway Use Tax	577.2	590.4
Title Fees	90.3	93.6
Other Fees	15.8	17.2
<u>Investment Income</u>	<u>1.5</u>	<u>2.5</u>
Sub Total	1051.3	1100.7
Transfer to General Fund	(252.6)	(57.5)
Total Highway Trust Fund Availability	798.7	1043.2

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

FEDERAL BLOCK GRANT PROGRAMS

HISTORY

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

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

DESCRIPTION OF THE BLOCK GRANTS

SOCIAL SERVICES BLOCK GRANT

The 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.

2006-2007

DEPARTMENT OF COMMERCE

Community Development Block Grant – 2007 Program Year \$45,000,000

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Social Services Block Grant \$64,765,609

Mental Health Services Block Grant \$12,706,472

Substance Abuse Prevention and Treatment Block Grant \$46,181,984

Temporary Assistance for Needy Families Block Grant \$388,000,312

Low Income Energy Block Grant \$66,800,448

Child Care and Development Fund Block Grant \$289,224,626

Community Services Block Grant \$16,718,188

Preventive Health Services Block Grant \$2,821,083

Maternal and Child Health Block Grant \$19,009,038

CHANGES TO THE MEDICAID PROGRAM

During the 2006 Regular Session, the N.C. General Assembly enacted an \$8.9 Billion budget for the Medicaid Program for SFY 2006-07. State funding for the Medicaid Program totals \$2.6 Billion for SFY 2006-07.

During its deliberations on the budget, the 2006 General Assembly reduced General Fund appropriations for the Medicaid Program by \$150 million for SFY 2006-07. This reduction was in addition to the \$220.9 million reduction for SFY 2006-07 that was enacted during the 2005 Session. The most significant reduction resulted from a revised Medicaid forecast for FY 2006-07 -- \$150 million. Other reductions include an additional \$3 million transfer from the Medicaid Reserve Fund and \$150,000 reduction resulting from delaying the start date for the Ticket-to-Work Program.

The 2006 General Assembly also made the following policy changes to the Medicaid Program and increased the budget for the \$45.6 million for the Medicaid program to support these changes:

- Provides \$27.4 million in nonrecurring funding for a one-time cap on the county share of Medicaid.
- Provides \$12 million in funding for inflationary increases for Medicaid providers effective January 1, 2007.
- Provides \$3 million to fully fund additional slots for the Community Alternative Program for the Mentally Retarded/Developmentally Disabled.
- Provides \$1.5 million in funding for adjustments to the case-mix reimbursement rates for skilled nursing facilities.
- Provides \$1.5 million in funding to increase rates for home health and personal care services providers.

The 2006 General Assembly also enacted other Medicaid policy changes:

- Modifies the Medicaid provision to make the language establishing services, reimbursement policy and Medicaid eligibility easier to understand.
- Rewrites the transfer of assets statutes to meet new federal requirements mandated by the Deficit Reduction Act of 2006.
- Requires Medicaid recipients that are eligible for Medicare to enroll in Parts B and D on the Medicare Program in order to be eligible for Medicaid.

- Requires private insurers to share data with the Medicaid Program as mandated by the federal Deficit Reduction Act of 2006.
- Changes the effective date for the Ticket-To-Work Program from January 1, 2007 to July 1, 2007.
- Requires the Division of Medical Assistance to study the costs and benefits of implementing a carve-out of dental administrative services provided by third-party administrators.
- Authorizes the Department of Health and Human Services to implement a public-private long-term care partnership program to encourage people to purchase long-term care insurance.
- Requires the Department of Health and Human Services to study and develop a proposal for an equitable standard for providing inflationary increases and other cost-related adjustments to Medicaid service providers.

SUMMARY:

**GENERAL FUND
APPROPRIATIONS**

General Fund Appropriations

Fiscal Year 2006-07

2006 Session

	2006-07					2006-07
	Certified	Recurring	Nonrecurring	Net	Position	Revised
	Appropriation	Adjustments	Adjustments	Changes	Changes	Appropriation
Education:						
Community Colleges	767,295,886	29,342,577	34,817,450	64,160,027	5.00	831,455,913
Public Education	6,579,807,097	34,783,999	105,160,022	139,944,021	5.00	6,719,751,118
University System	2,120,397,081	126,039,967	2,617,930	128,657,897	511.95	2,249,054,978
Total Education	9,467,500,064	190,166,543	142,595,402	332,761,945	521.95	9,800,262,009
Health and Human Services:						
Office of the Secretary	118,880,919	(63,346,653)	8,183,417	(55,163,236)	3.00	63,717,683
Aging Division	29,495,139	5,535,886	0	5,535,886	8.00	35,031,025
Blind and Deaf / Hard of Hearing Services	9,681,220	0	75,000	75,000	0.00	9,756,220
Child Development	267,356,799	28,049,617	1,012,291	29,061,908	10.00	296,418,707
Education Services	34,281,895	778,548	218,235	996,783	23.00	35,278,678
Facility Services	15,959,466	0	200,000	200,000	0.00	16,159,466
Medical Assistance	2,751,209,159	(132,150,000)	24,600,000	(107,550,000)	0.00	2,643,659,159
MH/DD/SAS	602,556,655	53,733,357	6,505,000	60,238,357	93.00	662,795,012
NC Health Choice	51,882,902					51,882,902
Public Health	150,814,496	16,859,242	1,276,000	18,135,242	144.00	168,949,738
Social Services	190,679,285	15,219,957	462,607	15,682,564	0.00	206,361,849
Vocational Rehabilitation	42,142,193			0		42,142,193
Total Health and Human Services	4,264,940,128	(75,320,046)	42,532,550	(32,787,496)	281.00	4,232,152,632
Justice and Public Safety:						
Correction	1,048,492,502	17,657,493	17,254,211	34,911,704	153.00	1,083,404,206
Crime Control & Public Safety	35,153,488	2,024,324	3,929,956	5,954,280	16.00	41,107,768
Judicial Department	345,760,410	16,174,876	10,916,836	27,091,712	271.75	372,852,122
Judicial - Indigent Defense	88,648,414	1,657,191	5,025,938	6,683,129	1.00	95,331,543
Justice	78,697,271	1,435,897	3,270,941	4,706,838	16.00	83,404,109
Juvenile Justice & Delinquency Prevention	138,873,166	2,961,819	492,701	3,454,520	58.00	142,327,686
Total Justice and Public Safety	1,735,625,251	41,911,600	40,890,583	82,802,183	515.75	1,818,427,434

General Fund Appropriations

Fiscal Year 2006-07

2006 Session

	2006-07					2006-07
	Certified	Recurring	Nonrecurring	Net	Position	Revised
	Appropriation	Adjustments	Adjustments	Changes	Changes	Appropriation
<u>Natural And Economic Resources:</u>						
Agriculture and Consumer Services	51,032,884	2,224,113	1,359,449	3,583,562	31.00	54,616,446
Commerce	36,728,265	2,550,483	33,817,000	36,367,483	9.00	73,095,748
Commerce - State Aid	11,722,085	546,000	6,657,138	7,203,138	0.00	18,925,223
Environment and Natural Resources	168,451,089	2,364,324	12,487,638	14,851,962	25.00	183,303,051
DENR - Clean Water Mgmt. Trust Fund	100,000,000	0	0	0	0.00	100,000,000
Labor	14,434,925	413,894	200,000	613,894	3.50	15,048,819
NC Biotechnology Center	10,583,395	2,000,000	500,000	2,500,000	0.00	13,083,395
Rural Economic Development Center	25,052,607	(500,000)	0	(500,000)	0.00	24,552,607
Total Natural and Economic Resources	418,005,250	9,598,814	55,021,225	64,620,039	68.50	482,625,289
<u>General Government:</u>						
Administration	58,818,473	1,875,856	1,498,683	3,374,539	22.00	62,193,012
Auditor	10,840,918	57,564	0	57,564	0.00	10,898,482
Cultural Resources	62,917,147	1,374,034	4,046,982	5,421,016	31.00	68,338,163
Cultural Resources - Roanoke Island	1,783,374	0	0	0	0.00	1,783,374
General Assembly	46,965,432	0	38,284	38,284	0.00	47,003,716
Governor	5,344,528	100,000	0	100,000	0.00	5,444,528
NC Housing Finance Agency	4,750,945	0	17,437,500	17,437,500	0.00	22,188,445
Insurance	28,110,582	425,846	30,000	455,846	5.00	28,566,428
Insurance - Worker's Compensation Fund	4,500,000	0	0	0	0.00	4,500,000
Lieutenant Governor	753,037	88,433	0	88,433	1.00	841,470
Office of Administrative Hearings	2,969,712	269,578	11,789	281,367	2.00	3,251,079
Revenue	80,673,250	513,294	766,488	1,279,782	1.00	81,953,032
Secretary of State	9,369,633	441,217	26,850	468,067	5.25	9,837,700
State Board of Elections	5,069,307	585,044	201,576	786,620	31.00	5,855,927
State Budget and Management	6,021,795	240,438	169,500	409,938	3.00	6,431,733
State Budget and Management -- Special	5,111,429	755,232	598,021	1,353,253	0.00	6,464,682
State Controller	10,044,511	0	0	0	0.00	10,044,511
Treasurer - Operations	8,295,843	281,784	0	281,784	0.00	8,577,627
Treasurer - Retirement / Benefits	8,651,457	514,000	0	514,000	0.00	9,165,457
Total General Government	360,991,373	7,522,320	24,825,673	32,347,993	101.25	393,339,366
Transportation	0	0	0	0		0

General Fund Appropriations

Fiscal Year 2006-07

2006 Session

	2006-07					2006-07
	Certified	Recurring	Nonrecurring	Net	Position	Revised
	Appropriation	Adjustments	Adjustments	Changes	Changes	Appropriation
Statewide Reserves and Debt Service:						
Debt Service:						
Interest / Redemption	619,291,140	0	(50,000,000)	(50,000,000)		569,291,140
Federal Reimbursement	1,616,380	0	0	0		1,616,380
Subtotal Debt Service	620,907,520	0	(50,000,000)	(50,000,000)	0.00	570,907,520
Statewide Reserves:						
Compensation Increases	235,185,705	673,523,862	14,970,657	688,494,519		923,680,224
Reserve for Contingent Appropriations	85,000,000			0		85,000,000
Salary Adjustment Fund: 2005-07 Biennium	4,500,000			0		4,500,000
Salary Adjustment Fund: 2004-05 Fiscal Year	4,500,000			0		4,500,000
Teachers' & State Employees Retirement Cont	13,810,800	27,107,200	0	27,107,200		40,918,000
Retirement System Payback	0	0	30,000,000	30,000,000		30,000,000
Death Benefit Trust	12,899,200			0		12,899,200
Disability Income Plan	6,586,500			0		6,586,500
State Health Plan	142,728,000			0		142,728,000
Contingency and Emergency	5,000,000			0		5,000,000
Information Technology Rate Adjustments	(2,300,000)			0		(2,300,000)
Information Technology Fund	8,025,000	7,559,349	34,527,880	42,087,229	52.75	50,112,229
Job Development Incentive Grants Reserve	12,400,000			0		12,400,000
Reserve for Heating and Cooling Assistance		0	10,000,000	10,000,000		10,000,000
Reserve for Legal Expenses			1,065,710	1,065,710		1,065,710
Trust Fund for MH/DD/SAS			14,390,000	14,390,000		14,390,000
State Emergency Response Account		0	20,000,000	20,000,000		20,000,000
Pending Ethics Legislation		401,871	21,000	422,871	4.00	422,871
Subtotal Statewide Reserves	528,335,205	708,592,282	124,975,247	833,567,529	56.75	1,361,902,734
Total Reserves and Debt Service	1,149,242,725	708,592,282	74,975,247	783,567,529	56.75	1,932,810,254
Total General Fund for Operations	17,396,304,791	882,471,513	380,840,680	1,263,312,193	1,545.20	18,659,616,984

General Fund Appropriations

Fiscal Year 2006-07

2006 Session

	2006-07					2006-07
	Certified	Recurring	Nonrecurring	Net	Position	Revised
	Appropriation	Adjustments	Adjustments	Changes	Changes	Appropriation
<u>Other General Fund Expenditures:</u>						
Capital Improvements	0	0	206,343,300	206,343,300		206,343,300
Repairs and Renovations	0			0		0
Total Other General Fund Expenditures	0	0	206,343,300	206,343,300	0.00	206,343,300
Total General Fund Budget	17,396,304,791	882,471,513	587,183,980	1,469,655,493	1,545.20	18,865,960,284

EDUCATION

Overview: 2006 Session Fiscal and Budgetary Actions

Community Colleges

GENERAL FUND

FY 06-07

Total Budget Approved 2005 Session

\$767,295,886

Budget Changes

A. Access

- | | | | |
|----------|---|-------------|----|
| 1 | Enrollment Growth | \$7,125,475 | R |
| | Fully funds the community college enrollment request. Enrollment increased by 2,277 FTE, from 190,750 to 193,027, an increase of 1.19%. | | |
| 2 | Multi-Campus College Enrollment Growth | \$601,171 | R |
| | Provides funds to accommodate enrollment growth at 12 multi-campus locations. Total supplemental funding for multi-campus colleges will be \$10,916,638, distributed on a formula basis to 16 colleges for 23 sites. | | |
| 3 | Enrollment Growth Reserve | \$1,900,000 | NR |
| | Provides funds for an Enrollment Growth Reserve to assist colleges that experience high growth in the Fall semester. Funds shall be distributed to colleges that realize an increase greater than 5% over the previous Fall semester. | | |
| 4 | Need Based Financial Aid for Teaching and Nursing | \$500,000 | NR |
| | Provides funds for financially needy students enrolling in teacher prep or nursing programs. This program will be funded through the Lottery Scholarship program beginning in FY 07-08. | | |
| 5 | Associate Director of Financial Aid | \$73,466 | R |
| | Provides funding in the System Office budget for an Associate Director of Financial Aid to provide guidance, leadership, and training to assist college financial aid offices. The General Assembly encourages the State Board of Community Colleges to develop and implement a comprehensive financial aid professional development program for college financial aid staff. | \$4,150 | NR |
| | | 1.00 | |
| 6 | Community College Financial Aid Staff | \$3,557,430 | R |
| | Provides one position in the base allotment for administration for additional financial aid staff at each college. These funds are restricted to use for student services positions and may not be transferred or used for any other purpose. | | |

B. Improving Instruction

7 Equipment

Provides additional funds for the purchase of instructional equipment at all 58 community colleges. The State Board of Community Colleges may use up to \$94,973 of these funds in FY 06-07 for furniture and equipment at the System Office. The remainder of the funds shall be distributed to the colleges in accordance with the existing equipment formula. \$10,000,000 NR

8 Director of Joint High School - Community College Programs

Provides funds in the System Office budget for the creation of a Statewide director of joint high school - community college programs, including Learn and Earn, Middle College, Huskins, and dual enrollment. \$83,950 R
\$4,150 NR
1.00

9 State Board Reserve Funds

Provides additional funding to the State Board Reserve to provide one-time grants to colleges starting new programs. \$500,000 NR

10 Faculty & Professional Staff Salaries

Funds are included in the Salary Reserve Section of this budget to provide a 6% permanent annual salary increase and a 2% one-time bonus to community college faculty and professional staff.

11 Additional Funding for Nursing Programs

Allows the State Board of Community Colleges to fund nursing programs at the colleges on a weighted FTE basis. Colleges may use these funds for nursing equipment and supplies, or to supplement the salaries of nursing faculty. \$1,000,000 R

12 Community College Facilities, Equipment, and Allied Health

Provides \$15,000,000 for grants for community college facilities and equipment needs, and \$5,000,000 for community college allied health projects. (SB 1741, Section 8.10) \$20,000,000 NR

C. Workforce Development

13 BioNetwork Capstone Center

Provides additional funds for specialized supplies needed at the BioNetwork Capstone Center. \$310,000 NR

14 Kannapolis Research Campus

Funds the Rowan-Cabarrus Community College Biotechnology Training Center and Greenhouse at the North Carolina Research Campus in Kannapolis. Funds will be used for equipment, faculty and staff, building operations, and lease expense. (SB 1405) \$2,203,564 R

15 BioNetwork Industry Liaison	Provides funds for the creation of a new position in the System Office to assist in the development of NEIT, FIT, and CIT services to meet the needs of the biotechnology industry.	\$125,000 \$4,150 1.00	R NR
16 Regional Customized Training Directors	Provides funds for 2 additional Regional Customized Training Directors, for a total of 7 - one for each economic development region in the State.	\$148,470 \$5,000 2.00	R NR
17 NC REAL Enterprises	Provides funding for NC REAL. This program was formerly supported by the Worker Training Trust Fund.	\$250,000	NR
18 NC Military Business Center	Provides funds for the continued operation of the NC Military Business Center (NCMBC), a program run by Fayetteville Tech in conjunction with Craven CC, Coastal Carolina CC, and Wayne CC, to foster statewide business development originating from the five military bases in the State and to sustain MatchForce.org, the State's website for matching NC businesses with federal contract opportunities. (HB 2039)	\$1,000,000	NR
D. Technology			
19 Course Management System & Learning Objects Repository	Provides funds for an online teaching and learning platform for distance education.	\$1,370,850	R
20 Online Help Desk	Provides funds to establish an online help desk for students enrolled in distance education courses.	\$605,000 \$20,000	R NR
21 NC Information Highway Expansion	Provides \$15,000 each to 8 colleges for the purchase of mobile ("rollabout") videoconferencing equipment.	\$120,000	NR
22 Virtual Learning Community Development Centers	Provides funding for 2 centers for the development of distance education courses.	\$300,000 \$200,000	R NR
E. Technical Adjustments			
23 Hospitalization Insurance	Appropriates hospitalization insurance at the FY 06-07 rate.	\$1,398,201	R
24 Tuition Receipts Adjustment	Provides funds to replace under-realized tuition receipts.	\$10,750,000	R

F. Receipt Supported Positions

25 Business & Technology Applications Analyst

Allows for the creation of a Business & Technology Applications Analyst position in the System Office, Administration Division to assist with Basic Skills needs, including federal literacy reporting requirements. The total requirement for this position is \$85,713, to be funded entirely from Federal Adult Education Funds.

Budget Changes	\$29,342,577	R
	\$34,817,450	NR
Total Position Changes		5.00
Revised Total Budget	\$831,455,913	

Special Provisions

2006 Session: SB 198

Department: Community Colleges

Section: 5

Title: **Restrictions on Contracts with Local School Administrative Units; Use of Community College Facilities by Public School Students Pursuant to Cooperative Programs**

Summary Creates a new section 8.11 in S.L. 2006-66 that allows community colleges and public and private universities to offer classes to high school students without modifying their buildings to comply with fire codes required for high schools. Colleges and universities will still have to comply with fire codes for higher education buildings.

Section: 5A

Title: **Motorsports Training**

Summary Creates a new section 8.12 in S.L. 2006-66 that directs the State Board to create a consortium of colleges to address the training needs of the motorsports industry and to establish training programs to meet those needs.

2006 Session: SB 1741

Department: Community Colleges

Section: 8.1

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

Summary Boilerplate language that 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 with higher average salaries 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 (H.B. 1960).

Section: 8.2

Title: **Use of Funds Appropriated for Isothermal Community College**

Summary Allows Isothermal to use funds previously appropriated for composite testing for equipment purchases at the Lifelong Learning Center.

Section: 8.3

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. Also allows the State Board, in consultation with OSBM, ITS, and the Joint Legislative Commission on Governmental Operations, to use funds appropriated for CIS to convert up to 20 positions from contract to permanent positions in the System Office.

Section: 8.4

Title: **Carryforward for Equipment**

Summary Allows the State Board to carry forward up to \$10 million for equipment.

Section: 8.5

Title: **NCCCS May Use State Funds in Lieu of Federal Funds Due to Federal Mandates**

Summary Allows the System Office to use State funds for administration of the GED office. Federal funds previously used for this purpose will be reallocated to the colleges.

Section: 8.6

Title: **Report on the NCCCS BioNetwork**

Summary Requires the System Office to report on the implementation of the BioNetwork by Nov. 1, 2006.

Section: 8.7

Title: **Study of New and Expanding Industry Training**

Summary Directs the Office of State Budget and Management to conduct a study of New and Expanding Industry Training and report to the Joint Legislative Education Oversight Committee no later than April 1, 2007.

Section: 8.8

Title: **Matching Requirement for Bond Funds**

Summary Extends the matching deadline for community college bond projects by one year, to July 1, 2007 (S.B. 1366).

Section: 8.9

Title: **Community College Low-Wealth Funding**

Summary Extends the allowable uses of performance funding to include maintenance of plant for colleges in extremely disadvantaged counties (S.B. 2037).

Section: 8.10

Title: **Community College Facilities and Equipment**

Summary Creates the Community College Facilities and Equipment Fund. Directs the State Board to develop a competitive grant application process and guidelines for the distribution of grants not to exceed \$1 million each. All grant funds must be matched dollar for dollar. The System Office is required to report on the implementation of this program by September 1, 2006.

Overview: 2006 Session Fiscal and Budgetary Actions

Public Education

GENERAL FUND

FY 06-07

Total Budget Approved 2005 Session

\$6,579,807,097

Budget Changes

A. Adjustments & Transfers

- | | | |
|---|-----------------|---|
| 26 Average Daily Membership (ADM) | \$76,299,816 | R |
| Revises projected increase in ADM for FY 2006-07 to reflect 18,363 more students than originally projected. Dollar amount of adjustment includes increases in all position, dollar, and categorical allotments. | | |
| Total funded ADM for FY 2006-07 is 1,435,475, an increase of 38,103 over FY 2005-06. | | |
| Due to a projected increase in ninth grade ADM, receipts from the Highway Fund budgeted for Driver's Education will increase by \$457,971. | | |
| 27 Budgeted Average Salary | (\$71,776,440) | R |
| Revises budgeted funding for certified personnel salaries based on actual salary data from May 2006. Adjustment does not reduce any salary paid to certified personnel. | | |
| 28 Budget Receipts from NC Education Lottery for Class Size Reduction | (\$127,864,291) | R |
| Budgets receipts from NC Education Lottery Fund to support class size reduction in accordance with statute (SB 1741, Section 6.15). | | |
| 29 Exceptional Children | (\$6,255,530) | R |
| Revises budgeted funding for children with special needs to reflect actual April 1, 2006 headcount. Continuation budget was based on projected headcount. Adjustment does not reduce funding per student (SB 1741, Section 7.7). | | |
| 30 Transfer More at Four Program and Office of School Readiness | | |
| Effective July 1, 2006, transfers the More at Four Program, including all 22 existing positions, and the Office of School Readiness to the Department of Public Instruction (DPI). These transfers shall have all the elements of a Type I transfer, as defined by G.S. 143A-6 (SB 1741, Section 7.18). | | |

31 Budget Receipts from NC Education Lottery for More at Four

Budgets \$66,646,653 in receipts from NC Education Lottery Fund to support the More at Four program in accordance with statute. In addition, budgets an additional \$17,989,056 from lottery proceeds to support the following program expansion: creation of 3,200 additional program slots, increased funding of \$200 per slot for all 18,653 slots, and establishment of five new receipt-supported staff positions (More at Four: Educational Development & Planning Consultant II, Educational Consultant II, and Education Processing Assistant; DPI: Accounts Payable Clerk I, and Accountant I) who will perform monitoring, technical assistance, and financial management functions (SB 1741, Section 6.15).

32 Adjust Projection of Receipts from Civil Penalties & Forfeitures

\$30,000,000 R

Provides funds to address adjusted projection of collections in the Civil Penalties & Forfeitures Fund. Revised amount of receipts budgeted from the Fund to support public schools operations in 2006-07 is \$77,500,000 (SB 1741, Section 6.9).

33 Budget Receipts from Teaching Fellows Trust Fund

(\$340,657) R

Budgets receipts from Teaching Fellows Trust Fund to support administration of Teaching Fellows Program. Reduces General Fund appropriation to Public School Forum accordingly. (SB 1741, Section 7.19)

B. Expansion: State Public School Fund

34 Restore Base Budget Funding

\$44,291,248 R

Restores full base budget funding by eliminating the recurring LEA Discretionary Reduction (HB 2316, 2668, SB 1672).

35 Low Wealth Supplemental Funding

\$41,893,391 R

Provides full funding for the Low Wealth Supplemental Funding allotment (HB 1955).

36 Disadvantaged Student Supplemental Funding (DSSF)

\$27,002,670 R

Provides additional supplemental funding to be distributed to all LEAs to support their efforts to serve students who are the most at risk of academic failure. Beginning in 2006-07, all DSSF funds will be distributed based on a formula that takes into account each LEA's relative need. The sixteen LEAs receiving DSSF funds in 2005-2006 will receive no less than the DSSF amount allotted in 2005-2006 (SB 1741, Section 7.10; HB 2233).

<p>37 Evaluate Effectiveness of DSSF and Low Wealth Provides additional funds to support comprehensive evaluation of: (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.</p>	<p>\$500,000</p>	<p>NR</p>
<p>38 Exceptional Children Increases funding per student by \$5.87 for the 170,240 students in the funded headcount of children with special needs. Revised funding per student is \$2,972.52 (SB 1741, Section 7.7; HB 1966).</p>	<p>\$1,000,000</p>	<p>R</p>
<p>39 ABC Bonuses Funds ABC bonuses for schools that met or exceeded expected growth in the 2005-06 school year (SB 1741, Section 7.6).</p>	<p>\$90,000,000</p>	<p>NR</p>
<p>40 Learn and Earn Initiative Expands the Learn and Earn initiative into an additional 19 high schools (bringing the total to 34). Provides planning grants to 20 additional high schools (SB 1741, Section 7.11).</p>	<p>\$8,232,388 \$1,433,360</p>	<p>R NR</p>
<p>41 Small Specialty High Schools Expands the small specialty high school initiative by creating 21 new small specialty schools-within-schools at 11 new sites (bringing the respective totals to 32 schools at 19 sites). Provides planning grants at 10 small schools that intend to design instruction around the following curricula: science, technology, engineering, and/or math (STEM). Provides \$261,680 to support four months of principal salary for each planning site prior to becoming operational in the 2007-08 school year. Any implementation grants for STEM schools shall come from non-State sources.</p>	<p>\$3,805,970 \$661,680</p>	<p>R NR</p>
<p>42 Virtual High School Provides funds to support implementation of the NC Virtual Public Schools initiative. Funds provide for seven administrative and support positions or contracted employees, 22 three-month positions, and both one-time and ongoing operating support (SB 1741, Section 7.16; HB 2417, SB 1616).</p>	<p>\$2,588,722 \$189,132</p>	<p>R NR</p>

43 School Connectivity

Provides funds to be used to upgrade public school connectivity as part of efforts to establish a comprehensive PreK-20 NC Regional Education Network (HB 2416, SB 1614). Funds shall be used to expand the number of public schools serving pre-kindergarten through grade 12 with broadband connectivity; provide "last mile" connectivity to public schools and enhance development of regional broadband networks; infuse technology into schools' instructional efforts; maximize the use of e-Rate; and revise School Technology Plans. Funds that are not expended by June 30, 2007 shall be carried forward for expenditure in FY 2007-08.

\$6,000,000 NR

Up to \$300,000 may be transferred to the Office of the Governor to establish NC Virtual within the Education Cabinet (HB 2417, SB 1616). These funds may be used to contract for services to coordinate e-learning activities across all State educational agencies.

44 Literacy Coaches

Provides funds to support 100 school-based literacy coaches to be placed in 100 schools that contain an eighth grade. Coaches will provide research-based teaching practices and job-embedded professional development to assist teachers in the development of specialized curricula. (SB 1741, Section 7.13)

\$4,767,400 R

45 Salary Supplement Pilot for Math and Science Teachers

Provides funds for a salary supplement pilot to be developed by the State Board of Education. Three pilot LEAs will receive funds to provide a salary supplement of \$15,000 for up to 10 newly hired math and/or science teachers at the middle and/or high school level (SB 1741, Section 7.21; SB 1724).

\$515,115 R

46 NCWISE

Provides funds to support new short-term contracts required to complete development of the statewide North Carolina Window of Information on Student Education (NCWISE) system (SB 1741, Section 7.12).

\$1,900,000 NR

C. Expansion: Department of Public Instruction

47 Legacy System Migration and Upgrade

Provides a reserve of funds to be used to bring DPI's information technology applications into compliance with statewide architecture requirements. DPI must obtain approval from the State Chief Information Officer prior to the expenditure of funds for this project. Funds may be carried forward into FY 2007-08. Any unused funds will revert to the General Fund on June 30, 2008.

\$2,000,000 NR

<p>48 Network Tool Replacement Provides funds to support the cost of migrating DPI from a network tool not supported by ITS to a tool that is supported.</p>	<p>\$375,850</p>	<p>NR</p>
<p>49 Information Technology Security Analyst Provides funds to support a half-time IT security analyst position. The analyst will assist in the development of a security program and the execution of the DPI security charter to ensure compliance with federal regulations and state law.</p>	<p>\$40,000</p> <p>0.50</p>	<p>R</p>
<p>50 Business Continuity Planning Analyst Provides funds to support a half-time business continuity planning analyst position. The analyst will develop and perform business continuity planning and management to ensure that DPI is in compliance with state law.</p>	<p>\$42,500</p> <p>0.50</p>	<p>R</p>
<p>51 Business Technology Applications Analyst Provides \$72,647 from federal receipts to support a business technology applications analyst. The analyst will serve exclusively on the Exceptional Children's project team.</p>		
<p>52 Purchasing Agent Provides funds to support a Purchasing Agent II position. The agent will ensure accurate and efficient processing of all non-IT related service contracts requiring bids.</p>	<p>\$58,220</p> <p>1.00</p>	<p>R</p>
<p>53 Director of High School Turnaround Provides funds to establish a permanent position to coordinate technical assistance to school districts with high schools identified as critically low performing (performance composite below 60%).</p>	<p>\$122,350</p> <p>1.00</p>	<p>R</p>
<p>54 Office of Charter Schools Provides funds to support one fund-shifted administrative assistant, one new education planning and development consultant, and general operations of the Office of Charter Schools.</p>	<p>\$161,127</p> <p>2.00</p>	<p>R</p>
<p>55 State Board of Education Operating Support Provides additional funds to support operations of the expanded State Board of Education.</p>	<p>\$50,000</p>	<p>NR</p>
<p>56 NC Wise Owl Provides funding to support increased cost of Statewide subscriptions to online library resources that are made available to all teachers and students.</p>	<p>\$200,000</p>	<p>R</p>

D. Expansion: Pass-Through Funds

57 Communities in Schools

Provides additional funds to State-level non-profit program that supports local CIS programs' efforts to connect at-risk students and their families with resources that will help the students succeed in school (HB 1957, SB 1528).

\$1,000,000 NR

58 NC Network

Provides additional funds to non-profit program that provides training to school-based management teams.

\$50,000 NR

59 Teach for America

Provides additional funds to non-profit program that recruits recent college graduates in non-education majors to teach in hard-to-staff schools.

\$200,000 NR

60 NC Humanities Council Teacher Institute Program

Provides funds to non-profit program focused on promoting teaching and learning that develops teachers' capacity to understand, empathize with, and relate to various cultures (HB 2529).

\$100,000 NR

61 ExplorNet

Provides additional funds to non-profit program that promotes effective use of information technology in the public schools (HB 2331).

\$100,000 NR

62 Project Enlightenment

Provides additional funds for Wake County to assist Project Enlightenment in continuing its model Demonstration Preschool program and consultation and education services to children, families, and other professionals (HB 2362).

\$50,000 NR

63 Futures for Kids

Provides additional funds to non-profit program that enhances schools' capacities to provide students with opportunities for career exploration. Funds will be disbursed once the Futures for Kids program has consolidated operations with the career exploration services provided by the College Foundation of North Carolina. Futures for Kids and CFNC shall report to the Joint Legislative Education Oversight Committee and the Joint Legislative Commission on Governmental Operations on a consolidation plan prior to execution of that plan.

\$300,000 NR

(Note: S.L. 2006-221, Section 2A amends this item by notwithstanding Page F-5, Item 37, of the Joint Conference Committee Report on the Continuation, Expansion and Capital Budgets dated June 30, 2006 and stating that the funds may be used for operations during FY 2006-097 while Futures for Kids develops a plan for consolidation during FY 2007-08 with the Pathways Program, which is administered by The University of North Carolina, General Administration. Futures for Kids and the Pathways Program shall present a plan for consolidation of the two programs to the Joint Legislative Education Oversight Committee by March 1, 2007.

64 Kids Voting NC Funds

Provides funding to Kids Voting of North Carolina, Inc., a non-profit corporation, to support Kids Voting Programs. Up to \$50,000 may be used to implement new Kids Voting programs across the State. The remainder shall be allocated 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, Davie, Durham, Greene, Guilford, Haywood, Henderson, Iredell, Jackson, Lee, Madison, Mecklenburg, New Hanover, Onslow, Randolph, and Wake to assist those counties with their Kids Voting programs (HB 1919, SB 1369).

\$250,000 NR

Budget Changes	\$34,783,999	R
	\$105,160,022	NR
Total Position Changes		5.00
Revised Total Budget	\$6,719,751,118	

Special Provisions

2006 Session: SB 198

Department: Public Education

Section: 2A

Title: **Futures for Kids**

Summary Notwithstands language in item 37, page F15. Directs instead that pass-through expansion for Futures for Kids may be used for operations during FY 2006-07 while the corporation develops a plan for consolidation during FY 2007-08 with the Pathways Program, which is administered by The University of North Carolina, General Administration. Futures for Kids, Inc., and the Pathways Program shall present a plan for consolidation of the two programs to the Joint Legislative Education Oversight Committee by March 1, 2007.

2006 Session: SB 1741

Department: Public Education

Section: 6.9

Title: **Amend Civil Penalty and Forfeiture Fund Availability**

Summary Amends Civil Penalty and Forfeiture Fund availability statement and appropriations to reflect adjusted projection of collections for FY 2006-07. Decreases expected receipts and subsequent transfers to the State Public School Fund by \$30,000,000.

Section: 6.10

Title: **Funds for Enrollment Increases**

Summary Amends statute by requiring the Director of the Budget to consider funding enrollment growth in the Public Schools, Community Colleges, and Universities in the annual proposed continuation budget.

Section: 6.15

Title: **Education Lottery Fund Revenue and Appropriations**

Summary Appropriates \$425 million in lottery proceeds for FY 2006-07 as follows:

Class Size Reduction	\$127,864,291
Prekindergarten Program	\$ 84,635,709
Public School Building Capital Fund	\$170,000,000
Scholarships for Needy Students	\$ 42,500,000

Section: 6.16

Title: **Funds for Increased Fuel Costs**

Summary Allows the State Board of Education and State agencies to transfer funds within their budgets, including funds appropriated for salaries and wages, to cover increases in fuel costs.

Section: 7.1

Title: **Teacher Salary Schedules**

Summary Provides bachelor's level teachers with a recurring salary increase of \$2,250 per year. In conjunction with step increases, teachers will receive on average an 8.23% pay increase in 2006-07. Salary increase ranges from 6.45% for teachers moving from 28 to 29 years of service to 14.05% for teachers moving from 2 to 3 years of service.

Section: 7.2

Title: **School Based Administrator Salary Schedules**

Summary Provides assistant principals and principals with a recurring salary increase, which, when combined with a step increase provides on average a 7% overall pay increase in 2006-07.

Section: 7.3

Title: **Central Office Salaries**

Summary Increases salary ranges for central office personnel by 5.5% in 2006-07.

Section: 7.4

Title: **Noncertified Personnel Salaries**

Summary Provides a salary increase of 5.5% and guarantees that no 12-month State paid non-certified employee will be paid less than \$20,112 per year.

Section: 7.5

Title: **Bonus for Certified Personnel at the Top of the Range**

Summary Provides one-time lump sum bonus of 2% to school based administrators at the top of their respective pay schedules

Section: 7.6

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

Summary Authorizes funding for ABC bonuses (standard language). Subsection (b) allows the State Board of Education to move funds to create a comprehensive/consolidated assistance program. Subsection (c) requires the State Board to study the appropriateness of the ABC award structure.

Section: 7.7

Title: **Funds for Children with Disabilities**

Summary Authorizes funding per student and the number of students in the funded headcount. Funding factor reflects expansion funding.

Section: 7.8

Title: **Funds for Academically Gifted Children**

Summary Authorizes funding per student and the number of students in the funded headcount.

Section: 7.10

Title: **Disadvantaged Student Supplemental Funding (DSSF)**

Summary Describes the formula to be used for distributing all funds in the DSSF allotment. Allots the dollar equivalent of a teaching position (including benefits) based on the eligible DSSF population as defined by the State Board and the difference between an allotment ratio of 1:21 and a lower proposed ratio (depending on an LEA's wealth, per the Low Wealth formula). Holds the original 16 pilot LEAs harmless in FY 2006-07.

Section: 7.11

Title: **Learn and Earn High Schools**

Summary Directs that funds may be spent for various costs of Learn and Earn high school students attending institutions of higher education.

Section: 7.12

Title: **NC Wise Positions**

Summary Authorizes the State Board of Education to create a maximum of 20 positions and incur expenditures necessary to transition the NC WISE project from a vendor to the Department of Public Instruction.

Section: 7.13

Title: **Literacy Coaches**

Summary Directs the State Board of Education and NC Teacher Academy to develop a site selection process for placing 100 new literacy coaches. Provides guidelines for the process.

Section: 7.14

Title: **Expand LEA Access to Education Value Added Assessment System (EVAAS)**

Summary Directs that funds appropriated in FY 2005-06 for providing LEAs with access to EVAAS shall not revert. Directs the State Board of Education to fund as many LEAs as possible within funds available.

Section: 7.15

Title: **Clarify Definition: Public School Capital Funds**

Summary Expands definition of "actual" county tax rate, as used in calculating the "effective tax rate" for use in distributing lottery proceeds through the Public School Building Capital Fund. Countywide supplemental school taxes are to be included in the actual tax rate.

Section: 7.16

Title: **North Carolina Virtual Public School (NCVPS)**

Summary Directs that the NCVPS shall report to the State Board of Education and shall maintain an office at DPI. Directs that all e-learning opportunities offered by State-funded programs be consolidated under the NCVPS. Directs the State Board of Education to develop an allotment formula, effective in 2007-08, for funding e-learning. Directs that unexpended funds will carry forward for expenditure in 2007-08.

Section: 7.17

Title: **Distance Education**

Summary Authorizes the State Board of Education to use monies from the State Public School Fund only to pay for additional costs associated with an increased number of registration fees for students enrolling in Distance Education courses.

Section: 7.18

Title: **Transfer More at Four Program and Office of School Readiness to the Department of Public Instruction**

Summary Transfers the More at Four Program and the Office of School Readiness from the Department of Health and Human Services to the Department of Public Instruction.

Section: 7.19

Title: **Administrative Funding for Teaching Fellows Program**

Summary Increases the amount of funds that may be used from the Teaching Fellows Trust Fund to support administration of the program. The increase includes three components: 1) funds for administration no longer provided by the General Fund, 2) additional funds to support expansion of the program to 4 additional campuses, and 3) additional funds for minority recruitment initiatives.

Section: 7.20

Title: **Refund of Local Sales and Use Taxes to a Local School Administrative Unit**

Summary Adjusts statutory language to be consistent with the related money item included in the FY 2005-06 budget. Local school systems will retain the ability to apply for a refund of local sales tax paid.
Note: This provision does not address the State portion of the Sales Tax.

Section: 7.21

Title: **Salary Supplement for Math and Science Teachers Pilot Program**

Summary Directs the State Board of Education to develop a pilot program that would provide a salary supplement of \$15,000 for up to 10 newly hired math and/or science teachers on the middle and/or high school level in each of three selected LEAs. The specific eligibility terms and definitions will be developed by the State Board.

Section: 7.22

Title: **Study the Compensation of School Psychologists with National Certification**

Summary Requires the State Board to study the adequacy of the compensation of school psychologists and to examine if they should be paid at the same level as National Board Certified Teachers.

Overview: 2006 Session Fiscal and Budgetary Actions

UNC System

GENERAL FUND

FY 06-07

Total Budget Approved 2005 Session

\$2,120,397,081

Budget Changes

A. Base Budget Adjustments

65 Building Reserves Adjustment

Adjusts the building reserves for operating costs of new buildings due to a change in their completion dates. However, this change in reserves grants additional one-time funds to campuses for supplies, equipment, and moving costs for buildings that opened in FY 05-06, but were inadvertently cut in the 2005 Session.	(\$9,595,070) -91.80	NR
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66 NC A&T Inflationary Increases

Restores inflationary increases for library book acquisition (\$145,491) and utilities (\$17,786) that were left out of the base budget submitted by the Governor in the 2005 Session.	\$163,277	R
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67 NC School of Science and Math Textbook Increase

Increases the budget for textbooks for the North Carolina School of Science and Math. The school failed to request an increase in the 2005 Session that was sufficient to fund the increase in textbook prices.	\$52,250	R
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B. Expansion

68 Enrollment Growth for UNC Campuses

Funds enrollment growth for undergraduate and graduate students in regular term and distance education programs. Enrollment is anticipated to grow by 7,110 full time equivalent (FTE) students in FY 06-07.	\$78,993,129 575.00	R
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69 Enrollment Growth for NC School of Science and Math

Increases the enrollment at the North Carolina School of Science and Math by 12 students.	\$240,000 3.75	R
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70 Need-Based Financial Aid

Increases need-based financial aid for an increase of 1,730 eligible students entering UNC institutions in the Fall of 2006. The increase will also help the 34,930 students now receiving financial aid with price increases in tuition, fees, room, board, books, and supplies.	\$21,587,990	R
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71 Judicial College

Increases the operating funds for judicial training at the School of Government at UNC-Chapel Hill. The Judicial College was approved in the 2005 Session with an initial appropriation of \$250,000.	\$750,000	R
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<p>72 ECSU Pharmacy Space Pays the lease costs for six modular units that temporarily house the ECSU Pharmacy Program until a permanent facility is constructed.</p>	<p>\$43,000</p>	<p>NR</p>
<p>73 Graduate Nurse Scholarship Program for Faculty Production Creates a graduate nurse scholarship loan program to provide \$15,000 per year for up to two years for master's candidates in nursing education and up to three years for doctoral candidates. Each recipient is required to teach in either a public or private nursing education program in North Carolina for each year they receive a scholarship loan or they must repay the loan. (SB 1741, Section 9.6)</p>	<p>\$1,200,000</p>	<p>R</p>
<p>74 New Bachelor of Science in Nursing Programs Provides startup funds for new Bachelor of Science in Nursing programs at Fayetteville State University and UNC-Pembroke and a new RN to BSN program at Appalachian State University. FSU and UNCP will each receive \$300,000 and ASU will receive \$250,000.</p>	<p>\$850,000</p>	<p>NR</p>
<p>75 Area Health Education Centers (AHEC) Expansion Funds North Carolina Area Health Education Centers (AHEC) initiative to address health workforce shortages in Allied Health, Dentistry, Nursing, and Pharmacy. In Allied Health, adds new clinical teaching sites throughout the state with an emphasis on physical therapy, speech language pathology, and occupational therapy. Provides clinical training for PharmD students at ECSU. Supports rural training sites for dental students. Expands AHEC nursing grants program.</p>	<p>\$1,300,000</p>	<p>NR</p>
<p>76 AHEC Training of Psychiatrists and Other Mental Health Professionals Funds the NC Area Health Education Centers (AHEC) program to develop innovative models for educating psychiatry residents/fellows and other mental health professionals in rural and underserved areas of the state in order to improve placement and retention of these professionals in rural communities, and to strengthen the provision of psychiatry services to these communities.</p>	<p>\$500,000</p>	<p>R</p>
<p>77 Translational Medicine Program - UNC-CH School of Medicine Expands the Translational Medicine Program at the UNC-Chapel Hill School of Medicine that was begun in FY 05-06 with \$1 million. The program is designed 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.</p>	<p>\$2,500,000</p>	<p>R</p>

78 Perinatal Care Network	Provides funds for the UNC Center for Maternal and Infant Health, to develop an ongoing statewide network of providers and professionals to focus on clinical and health systems in perinatal care, to create a database, and implement quality improvement initiatives with the goal of reducing infant mortality and morbidity. (SB 1253)	\$75,000	NR
79 Kannapolis Research Campus	Funds the first year cost of the University of North Carolina's involvement in the North Carolina Research Campus, located at the site of the old Cannon Mills headquarters in Kannapolis. The campus will be the centerpiece of a public-private partnership between the state of North Carolina and Mr. David Murdock and his companies, Dole Foods and Castle & Cooke. (SB 1741, Section 9.14) (SB 1405)	\$5,000,000 \$1,000,000 25.00	R NR
80 NC A & T State University Matching Funds	Increases the campus match of federal funds from 90% to 100% 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.	\$614,847	R
81 Biomanufacturing Research Institute and Technology Enterprise (BRITE)	Provides operating support, curriculum development, and equipment for the BRITE program that will begin in Fall 2006 at NC Central University. Students and faculty will share space in the Mary M. Townes Science Building until the BRITE facility is completed.	\$2,500,000	R
82 Biomanufacturing Training and Education Center (BTEC)	Provides operating support, curriculum development, and equipment for the BTEC program at NC State University. BTEC academic courses will begin in the summer of 2006 even though the BTEC facility will not be completed until 2007.	\$2,000,000	R
83 Statewide Program for Infection Control and Epidemiology (SPICE)	Provides operating support to the Statewide Program for Infection Control and Epidemiology (SPICE) at the UNC-Chapel Hill School of Medicine. (HB 1954, SB 1343)	\$450,000	NR
84 Institute of Medicine	Increases the Institute of Medicine's capacity to provide relevant health data and policy recommendations to the General Assembly and other state policy makers. Funding will enable the Institute to undertake two additional studies per year and to provide a rapid response for data analysis for state decision makers. (HB 2150, SB 1726)	\$375,000	NR

<p>85 Family House at UNC Hospitals Assists the effort to construct the Family House at UNC Hospitals. This two-story, 40 bedroom facility on Old Mason Farm Road in Chapel Hill will provide affordable housing to critically ill patients, their family members and caregivers when visiting UNC Hospitals for evaluation or treatment. Family House has raised \$4.3 million of the \$6.3 million construction cost and hopes to open by mid 2007.(SB 1778)</p>	<p>\$1,000,000</p>	<p>NR</p>
<p>86 TEACCH Appropriates funds to the TEACCH Program in the Department of Psychiatry at UNC-CH as follows: (1) to increase the psychoeducational therapists' salaries and for additional fringe benefits; (2) for TEACCH clinic rents and operations; and (3) for the TEACCH DX and Medical Consultant Clinic. (SB 1703, SB 2039)</p>	<p>\$348,349</p>	<p>R</p>
<p>87 UNC-CH Cochlear Implant Program 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.</p>	<p>\$350,000</p>	<p>NR</p>
<p>88 Focused Growth Campus Funds Provides additional funds to be evenly divided among the seven focused growth institutions (ECSU, FSU, NCA&T, NCCU, UNC-P, WCU, and WSSU). (HB 2530, SB 1615)</p>	<p>\$1,000,000</p>	<p>NR</p>
<p>89 Special Needs Institutions Provides funds to UNC-Asheville (\$453,334), the NC School of the Arts (\$453,334), and the NC School of Science and Math (\$93,332).(HB 2530, SB 1615)</p>	<p>\$1,000,000</p>	<p>NR</p>
<p>90 North Carolina Progress Board Provides funding for the increased research efforts of the Progress Board. (SB 1741, Section 9.18)</p>	<p>\$200,000</p>	<p>NR</p>
<p>91 NCSU Center for Universal Design Provides funding 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. (HB 2383)</p>	<p>\$300,000</p>	<p>NR</p>
<p>92 North Carolina Engineering Technology Center Helps establish the North Carolina Engineering Technology Center and supports the use of two adjoining buildings in Hickory for the development of engineering technology programs. (SB 1355, HB 1969)</p>	<p>\$300,000</p>	<p>NR</p>

93 Legislative Tuition Grant Increase	\$3,149,000	R
<p>Increases the Legislative Tuition Grant from \$1,800 per student in private colleges to \$1,900. (HB 2020, SB 1472)</p>		
94 State Contractual Scholarship Fund Increase	\$3,116,125	R
<p>Increases the State Contractual Scholarship Fund from \$1,150 per student in private colleges to \$1,250. These funds are used for financially needy students. (HB 2307)</p>		
95 LTG and SCSF Expansion	\$1,500,000	R
<p>Expands the Legislative Tuition Grant and the State Contractual Scholarship Fund to part-time students that are lateral entry teachers or are nurses seeking additional certification. (SB 1741, Section 9.13)</p>		
96 NC LIVE for Private Colleges	\$250,000	NR
<p>Funds a portion of the costs charged to private colleges for their participation in NC LIVE (North Carolina Libraries for Virtual Education), the state's electronic library that provides access to magazine articles, national and local newspapers, business and professional journals, reference sources and research material. (HB 2816)</p>		
97 UNC-NCCCS 2+2 Joint E-Learning Initiative	\$1,000,000	NR
<p>Provides funds to continue the UNC-NCCCS 2+2 E-Learning Initiative which began in 2005-06. This funding will be used to continue to build online capacity, teacher education courses, and accessibility for students in 2+2 teacher education programs. (SB 1741, Section 9.1)</p>		
98 UNC-Chapel Hill DESTINY Traveling Science Lab	\$500,000	R
<p>Provides funds for the DESTINY Traveling Science Lab program to support personnel and other costs associated with the program that will no longer be supported by grant funds.</p>		
99 Principals' Executive Program Initiative	\$250,000	NR
<p>Provides funds to the Principals' Executive Program (PEP) for an initiative focused on improving the management and leadership skills of principals in high need schools. PEP shall provide a customized professional development program and a coaching/mentor component that provides assistance at the school level.</p>		
100 Expand Prospective Teacher Scholarship Loan Program	\$1,000,000	R
<p>Provides funds for an additional 400 Prospective Teacher Scholarship Loans (PTSL). Priority for the additional awards shall be given to students seeking teacher licensure in middle and high school mathematics and science as well as students participating in a 2+2 teacher education program between the constituent institutions in the University of North Carolina and the NC Community College System.</p>		

101 North Carolina in the World Project	Provides funds to continue the NC in the World Project which began in FY 05-06. This project is an initiative of the NC Center for International Understanding and is focused on improving students knowledge and skills about the world. (SB 1741, Section 9.3)	\$200,000	NR
102 A+ Schools	Provides funds to the A+ Schools program affiliated with the University of North Carolina at Greensboro to expand the number of public schools participating in the program. The program assists schools in implementing school reform by integrating arts into the curriculum. (HB 2393)	\$100,000	NR
103 Hunt Institute	Provides additional operating support for the James B. Hunt, Jr. Institute for Educational Leadership and Policy in Chapel Hill. These funds will enable the Institute to sponsor a number of new initiatives focused on improving science and math instruction, encouraging extracurricular programs for students, and expanding the Institute's reach to vested interests in educational improvement such as mayors and chambers of commerce. (SB 1470)	\$500,000	NR
104 Math and Science Education Network Pre-College Program Expansion	Provides additional funds for the NC Math and Science Education Network to expand the number of Pre-College Programs. These programs help prepare under-represented students to pursue college studies in math and science.	\$670,000	NR
105 NC Teacher Academy Training of Literacy Coaches	Provides funds to the NC Teacher Academy to train literacy coaches who will each be assigned to schools with an eighth grade to provide professional development in literacy skills. Funds shall be used to design, develop, and implement both face-to-face and online training for these coaches	\$1,000,000	NR
106 Expand Future Teachers of North Carolina Scholarship Loan Program	Provides funds for an additional 50 scholarship loans each year. This program awards scholarship loans 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 NC public schools. The scholarship loan award is \$6,500 per year.	\$325,000	R

Budget Changes	\$126,039,967	R
	\$2,617,930	NR
Total Position Changes	511.95	
Revised Total Budget	\$2,249,054,978	

Special Provisions

2006 Session: SB 198

Department: UNC System

Section: 5B

Title: Lottery Scholarships

Summary Allows students attending postsecondary institutions owned or operated by a hospital authority to be eligible for lottery scholarships. Also clarifies that students attending nonprofit private colleges are eligible for lottery scholarships.

Section: 6

Title: Technical Correction: Future Teachers of NC Scholarships Loan Program

Summary Adds a new section to S.L. 2006-66 that corrects an error in the description of Item 81 on page F-11 of the Jt. Conference Committee Report on the Continuation, Expansion, and Capital Budgets. The funds appropriated to the UNC Board of Governors for the 2006-07 year to expand the Future Teachers of North Carolina Program shall be used only for an additional 50 scholarships loans each year, rather than 75.

Section: 9.1

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

Summary Requires UNC and NCCCS to report on the implementation of the Joint 2+2 E-Learning Initiative by September 1, 2006.

2006 Session: SB 1741

Department: UNC System

Section: 6.10

Title: Funds for Enrollment Increases

Summary Requires the Director of the Office of State Budget and Management to consider information on student enrollment increases submitted by the State Board of Education, the UNC Board of Governors, and the State Board of Community Colleges. The amount of enrollment increase proposed by the Director shall be included in the Continuation budget.

Section: 9.2

Title: Teacher Education Program Enrollment Plans

Summary Requires UNC-General Administration to report by December 30, 2006, on how they will achieve their enrollment growth targets in teacher education programs. By March 31, 2007, UNC-General Administration shall report on progress made towards achieving those goals.

Section: 9.3

Title: North Carolina in the World Project

Summary Requires the NC Center for International Understanding to report on the use of funds appropriated for the NC in the World Project by March 31, 2007.

Section: 9.3A

Title: **A+ Schools - Budget Technical Correction**

Summary Makes a technical correction to ensure that the \$100,000 R appropriated to A+ Schools in S.L. 2005-276 flows through the UNC budget. The 2005 Joint Conference Committee Report on the Continuation, Expansion, and Capital Budgets incorrectly directed these funds to flow through the Department of Public Instruction.

Section: 9.4

Title: **Study the Feasibility of Adding NC Wesleyan College to the UNC System**

Summary Mandates the UNC Board of Governors to study the feasibility of adding North Carolina Wesleyan College to the UNC system.

Section: 9.6

Title: **Graduate Nurse Scholarship Program for Faculty Production**

Summary Creates the Graduate Nurse Scholarship Program for Faculty Production to provide \$15,000 annual scholarship loans to masters and doctoral candidates in nursing education. Loans are repaid with employment as an instructor at a NC public or private university or community college

Section: 9.7

Title: **Management Flexibility to Reorganize Budget Code 16012 UNC Board of Governors Related Educational Programs**

Summary Mandates UNC to reorganize budget code 16012 so that the programs included in this code may be easily recognized.

Section: 9.8

Title: **Transfers of Appropriation**

Summary Allows universities in good financial standing to transfer funds between their campuses according to special agreements.

Section: 9.9

Title: **Nursing Scholars Program Modification**

Summary Equalizes the maximum scholarship loan amount (\$6500 annually) received by community college and university students in the Nursing Scholars Program.

Section: 9.10

Title: **UNC Board of Governors Medical and Dental Scholarships**

Summary Extends the repayment period for the UNC Board of Governors Medical and Dental Scholarships under extenuating circumstances such as participation in a residency program.

Section: 9.11

Title: **NC School of Science and Math/High School Constituent Institution**

Summary Reclassifies the North Carolina School of Science and Math from an affiliate school of the UNC system to a constituent high school in the University of North Carolina subject to governance by the UNC Board of Governors. [SL 2006-172 made the school's faculty eligible for the UNC's Optional Retirement Program.]

Section: 9.12

Title: **Expand Tuition Waiver Program for UNC Faculty & Staff**

Summary Expands the tuition waiver for faculty and staff from one course per semester to three courses per year.

Section: 9.13

Title: **Tuition and Contractual Grants for Teaching/Nursing**

Summary Allows part-time students seeking licensure in teaching and nursing to be eligible for a prorated share of the Legislative Tuition Grant and the State Contractual Scholarship Fund.

Section: 9.14

Title: **North Carolina Research Campus at Kannapolis**

Summary Requires the Director of the Office of State Budget and Management to hold appropriated funds for the North Carolina Research Campus until Memoranda of Understanding are signed by the Presidents of the University System and the Community College System.

Section: 9.15

Title: **NC Center for the Advancement of Teaching**

Summary States that the NC Center for the Advancement of Teaching (NCCAT) shall be a center of The University of North Carolina Board of Governors. Authorizes the Board of Governors to appoint the executive director based on the recommendation of the UNC President. The Executive Director shall report to and serve at the pleasure of the UNC President.

Section: 9.16

Title: **Principal Fellows Program**

Summary Changes the scholarship loan amount provided by the Principal Fellows Program. Previously the program provided a two-year scholarship loan in the amount of \$20,000 per year. Under this provision, the program will provide \$30,000 in the first year and an amount in the second year that equals 60% of the beginning salary for an assistant principal plus \$4100 for tuition, fees, and books.

Section: 9.17

Title: **Teacher Academy Transfer**

Summary Transfers the administrative location of the North Carolina Teacher Academy from the UNC Board of Governors to the State Board of Education. Effective January 1, 2007, this transfer shall have all the elements of a Type II transfer. Also directs the UNC Board of Governors to develop a single, unified budget for all Center for School Leadership Development programs.

Section: 9.18

Title: **Progress Board Must Be Matched**

Summary Requires the expansion funds appropriated to the North Carolina Progress Board to be matched by private funds on a dollar for dollar basis. Unmatched funds will revert at the end of FY 2006-07

Section: 22.12A

Title: **University Faculty Recruiting and Retention Fund**

Summary Establishes a \$5 million Faculty Recruiting and Retention Fund under the Office of the President. Funds for salary increases are allocated at the discretion of the President to recruit and retain faculty.

Section: 23.11

Title: **UNC-CH/ECU Dental Schools**

Summary Sets conditions on \$7 million in planning funds for UNC-CH and ECU Dental schools. Allows for the completion of the plan and design of the expansion of the UNC-CH School of Dentistry. Mandates a feasibility study of a dental school at ECU. Allows planning funds for ECU dental school if found feasible.

**HEALTH
&
HUMAN SERVICES**

Health and Human Services

GENERAL FUND

FY 06-07

Total Budget Approved 2005 Session

\$4,264,940,128

Budget Changes

(1.0) Division of Medical Assistance

1 Revised Medicaid Forecast	(\$150,000,000)	R
Reduces state appropriations for the Medicaid program based upon a revised forecast.		
2 Ticket-To-Work Date Change	(\$150,000)	R
Reduces funding for the Ticket-To-Work Program for FY 2006-07 because the implementation date has been changed to July 1, 2007. (SB 1741, Section 10.9)		
3 Medicaid Reserve Fund	(\$3,000,000)	NR
Transfers funding from the G.S. 143-23.2 reserve to support current services and reduce State appropriations. (SB 1741, Section 10.7)		
4 Inflationary Increases	\$12,000,000	R
Provides funding for inflationary increases for Medicaid providers. Effective January 1, 2007. (SB 1741, Sections 10.3A & 10.11) (SB 1650 & HB 2374)		
5 CAP-MR/DD Slots	\$3,000,000	R
Provides full funding for additional slots for the Community Alternatives Program for the Mentally Retarded/Developmentally Disabled.		
6 Reimbursement Rates for Skilled Nursing Facilities	\$1,500,000	R
Provides funding to make adjustments to case-mix reimbursement rates for skilled nursing facilities. Effective January 1, 2007. (SB 1413 & HB 2149)		
7 In-Home Services Rate Adjustment	\$1,500,000	R
Provides funding for rate increases for home health and personal care services providers. Effective January 1, 2007. (SB 1648, SB 1972, & HB2743)		
8 Health Care Access Study	\$100,000	NR
Provides funding to support the development of a plan to expand health care access for uninsured North Carolinians through the use of public/private partnerships, federal flexibility and resources, and promotion of charity care by health care providers. (SB 1741, Section 10.12)		

9 Provider Rate Study			
Provides funding to contract with independent consultants and financial experts to assist the Division in developing a proposal for an equitable standard to provide inflationary increases and other cost related increases to service providers in the Medicaid program. (SB 1741, Section 10.11)		\$100,000	NR
10 One-Time Cap On County Medicaid Share			
Provides nonrecurring funding for one-time assistance so that all 100 counties' portion of Medicaid service costs for FY 2006-07 does not exceed the amount paid in FY 2005-06. (SB 1741, Section 10.9E) (SB 1209 & HB 1968)		\$27,400,000	NR
(3.0) Division of Public Health			
11 Eye Exams			
Reduces funding for the Governor's Vision Care Program.		(\$1,500,000)	R
12 Early Intervention			
Provides funding to expand the capacity of the Early Intervention program for children ages birth to three in response to the increase in the number of children referred for services. Also authorizes the use of receipts to support 56 full-time equivalent positions. (SB 1741, Section 10.15) (SB 1410 & HB 1944)		\$7,103,147	R
		141.00	
13 Universal Vaccine Program			
Provides funding to expand coverage of the influenza and pertussis vaccines. (SB 1408, SB 1491, HB 2196 & HB 2661)		\$5,526,095	R
14 Dental Preventive Services			
Provides funding for dental preventive services to children at high risk for tooth decay. Funds support the fluoride mouth rinse program in public schools, community water fluoridation and laboratory testing, the provision of dental sealants, and other needed dental care. Funding is also provided for a Public Health Program Manager I position.		\$390,000	R
		1.00	
15 School Nurse Funding			
Provides recurring funding to support 65 school nurse positions previously supported on a time-limited basis by federal block grants.		\$3,250,000	R
16 Women's Health Services			
Provides funding for family planning services to uninsured women who are not eligible for Medicaid. (HB 2411)		\$200,000	NR
17 Health Disparities Initiative			
Provides funding for grants-in-aid awarded through the Community-Focused Eliminating Health Disparities Initiative (CFEHD). Also, provides funds to support one position to manage the program. (SB 1741, Section 10.18) (HB 2065)		\$2,000,000	R
		1.00	
18 Healthy Start Foundation			
Provides a grant-in-aid to the Healthy Start Foundation. (SB 1654)		\$300,000	NR

19 Prevention of Pre-term Births			
Provides funding to provide education to women on the benefits of progesterone for those who have had preterm births and to purchase medication for eligible minority and low-income women. (SB 1741, Section 10.17) (SB 1251)	\$150,000		NR
20 Child Maltreatment	\$90,000		R
Provides funding for one position and support costs to coordinate the implementation of NC Institute of Medicine recommendations for initiatives to prevent the occurrence of child maltreatment. (SB 1249 & HB 2062)		1.00	
21 Antiviral Purchase for Pandemic Flu			
Provides funding for the state match for federal funds to purchase and store 27,300 courses of influenza antiviral medication. 10,000 courses will be for the state's first responders and the remaining 17,300 courses will be for front-line healthcare workers. (SB 1491 & HB 2196)	\$400,000		NR
22 Private Well Water Safety Program			
Provides funding for equipment and supplies to test the anticipated additional private well water samples due to increased standards for newly constructed wells. Authorizes three positions to be supported through fee receipts, estimated at \$915,530. Authority for the fees is included in Section 10.20 of this bill.	\$226,000		NR
(4.0) Division of Mental Health, Developmental Disabilities, and Substance Abuse Services			
23 ADATC	\$3,969,719		R
Provides funding for personnel and operating support associated with the expansion of the acute units at the Walter B. Jones and R.J. Blackley Alcohol and Drug Abuse Treatment Centers. (SB 1741, Section 10.33H)		93.00	
24 Developmental Therapies for DD	\$26,000,000		R
Provides funding for a state-funded service to replace services lost due to changes in federal policy and cuts in federal support. (SB 1534 & HB 2078)			
25 Mental Health Services	\$7,200,000		R
Provides funding for mental health services to be distributed to the Local Management Entities (LMEs) such that each LME receives a percentage of the total allocation that is equal to that LME's percentage of the State's total population below the poverty level. (SB 1741, Section 10.33A) (SB 1534 & HB 2078)			
26 Substance Abuse Services	\$7,200,000		R
Provides funding for substance abuse services to be distributed to the LMEs such that each LME receives a percentage of the total allocation that is equal to that LME's percentage of the State's total population below the poverty level. (SB 1741, Sections 10.33A & 10.33J) (SB 1534, HB 2078, & HB 2494)			

27 Housing Trust Fund - 400 Apartment Initiative

Provides \$10,937,500 in non-recurring funding to the North Carolina Housing Trust Fund for a 400 independent- and supportive-living apartment initiative recommended by the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services. These funds are for the financing of the portion of the 400 apartments not able to be financed within the existing means of the North Carolina Housing Finance Agency. Operating assistance for the 400 apartments will be provided from the funds in the next item. The apartments shall be for individuals with disabilities and shall be affordable to those with incomes at the Supplemental Security Income (SSI) level.

The funds for this item are located in the Housing Finance Agency section of this report. (SB 1741, Section 10.30) (SB 1535 & HB 2079)

28 Operating Cost Subsidy - 400 Apartment Initiative

\$1,205,000 R

Provides recurring operating cost subsidy for 400 independent- and supportive-living apartments for individuals with disabilities financed by the North Carolina Housing Finance Agency as described in the previous item. The apartments shall be affordable to those with incomes at the Supplemental Security Income (SSI) level. (SB 1741, Section 10.30) (SB 1535 & HB 2079)

29 Supportive Services for HUD 811 Projects

\$635,000 R
\$330,000 NR

Provides funding for on-going operations and start-up expenses to support 12 group home beds and 80 apartments financed through the United States Department of Housing and Urban Development. (SB 1535 & HB 2079)

30 Mental Health Trust Fund

Provides \$14,390,000 in funding for the Trust Fund for Mental Health, Developmental Disabilities, and Substance Abuse Services and Bridge Funding Needs to be used in accordance with G.S. 143-15.3D.

The funds for this item are located in the Statewide Reserves section of this report. (SB 1535 & HB 2079)

31 Start-Up Funding for Crisis Services

\$5,250,000 NR

Provides funding for start-up costs for crisis services to be used by LMEs to establish a continuum of regional crisis facilities and local crisis services for persons with mental illness, developmental disabilities, and substance abuse addictions. (SB 1741, Section 10.26) (SB 1532 & HB 2082)

32 State Service Dollars for Crisis Services	\$7,000,000	R
<p>Provides funding for crisis services to be distributed to LMEs such that each LME receives a percentage of the total allocation that is equal to that LME's percentage of the State's total population below the poverty level. LMEs may use these funds to pay for mental health, developmental disabilities, or substance abuse crisis services provided to non-Medicaid eligible adults and children who are indigent and have no other third-party payment source. (SB 1741, Section 10.33A) (SB 1532 & HB 2082)</p>		
33 Consultants to Aid the Division and LMEs	\$925,000	NR
<p>Provides funding for consultants to aid the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services and the LMEs with planning for crisis services, strategic planning, developing performance indicators, standardization, and capacity-building. (SB 1741, Sections 10.26 & 10.28) (SB 1530, SB 1532, HB 2081, & HB 2082)</p>		
34 Child and Family Teams	\$523,638	R
<p>Provides funding for LMEs to hire 18 Care Coordinators to work with Child and Family Teams.</p>		
(5.0) Division of Facility Services		
35 State Regional Advisory Committees	\$200,000	NR
<p>Provides funding for the State's eight Regional Advisory Committees.(SB 1493, HB 2198, & HB 2042)</p>		
(7.0) Divisions of Services for the Blind and Services for the Deaf and Hard of Hearing		
36 Accessible Electronic Information for Blind and Disabled Persons	\$75,000	NR
<p>Provides funding to continue accessible electronic information services for blind and disabled persons. (SB 1742)</p>		
(8.0) Division of Child Development		
37 Child Care Subsidy	\$14,096,395	R
<p>Provides funding to maintain existing caseload and implement rate adjustments, by region, as defined in the 2005 Child Care Market Rate Study. (SB 1741, Section 10.34) Additional funding in the Temporary Assistance for Needy Families (TANF) Block Grant for child care subsidy will remove 3,096 children from the waiting list.</p>		
38 Smart Start	\$13,500,000	R
<p>Provides funding for local Smart Start initiatives, including subsidized child care. \$400,000 shall be allocated to the North Carolina Partnership for Children, Inc., for operating support. (SB 1741, Section 10.37)(SB 1847 & HB 2277)</p>		

39 Improve Regulatory Oversight	\$453,222	R
Provides funding to create 10 positions in the Division of Child Development's Licensing Unit. Additional staff will reduce caseloads and allow for more frequent monitoring visits.	\$12,291	NR
	10.00	
40 T.E.A.C.H. Program		
Provides funding to the North Carolina T.E.A.C.H. Early Childhood® Project. (SB 1649 & HB 2313)	\$1,000,000	NR
(9.0) Division of Education Services		
41 Early Intervention Teachers for the Deaf and Hard of Hearing	\$293,493	R
Provides funding to create eight additional teaching positions in the Early Intervention Program for Children who are Deaf or Hard of Hearing Program.	8.00	
42 Early Intervention Teachers for the Blind and Visually Impaired	\$233,533	R
Provides funding for five additional teaching positions and one Orientation and Mobility Specialist at the Governor Morehead School for the Blind's Preschool.	6.00	
43 Language Interpreters	\$121,771	R
Provides funding to create one language interpreter position at the North Carolina School for the Deaf in Morganton, one language interpreter position at the Governor Morehead School in Raleigh, and two language interpreter positions in the Early Intervention Program for Deaf and Hard of Hearing.	4.00	
44 Dormitory Supervisors at North Carolina School for the Deaf in Morganton	\$39,730	R
Provides funding to create two additional Residential Life Attendants for the North Carolina School for the Deaf in Morganton.	2.00	
45 Housekeeper at North Carolina School for the Deaf in Morganton	\$20,358	R
Provides funding to create one additional housekeeping staff at the North Carolina School for the Deaf in Morganton.	1.00	
46 Behavior Specialists for Eastern North Carolina School for the Deaf	\$45,663	R
Provides funding for two additional Behavior Programming Technicians at the Eastern North Carolina School for the Deaf for the Positive Behavior Support Program.	2.00	
47 Telemedicine for Children in Residential Schools	\$24,000	R
Provides funding to implement telemedicine programs at the Western North Carolina School for the Deaf in Morganton and the Governor Morehead School for the Blind in Raleigh.	\$50,000	NR
48 Beginnings for Parents of Children Who Are Deaf or Hard of Hearing, Inc.		
Provides funding for family support services. (SB 1936 & HB 2457)	\$168,235	NR

(10.0) Division of Social Services

49 Work First Cash Assistance

Reduces funding for Work First Cash Assistance payments for Fiscal Year 2006-07. (\$2,287,393) NR

50 Foster Care and Adoption Assistance Payments

Provides funding to support the increased cost of the Foster Care and Adoption Assistance Programs. \$10,206,898 R

51 Federal Budget Impact on Foster Care Services

Provides funding to support the projected cost of additional foster care maintenance payments to be made to people caring for their relatives' children who choose to become licensed. \$2,040,755 R

52 Paternity Testing for Child Support Enforcement

Provides funding to support the loss of federal funds for paternity testing expenses. \$151,500 R

53 Child and Family Teams

Provides funding for positions to facilitate Child and Family Team meetings in county DSS's that will support the statewide implementation of the Multiple Response System. \$420,804 R

54 Food Banks

Provides funding to be equally distributed to the regional network of food banks in North Carolina. (SB 1247 & HB 2616) \$750,000 NR

55 State/County Special Assistance Rate Adjustment

Provides funding for an increase in the State/County Special Assistance monthly rate from \$1,118 per month to \$1,148 per month effective January 1, 2007. (SB 1741, Section 10.9F) (SB 1416 & HB 2044) \$2,400,000 R

56 Child Support Enforcement Call Center

Provides funding to replace the Voice Response Unit and upgrade the telephone system for the Child Support Enforcement Call Center in Martin County. \$2,000,000 NR

(11.0) Division of Aging and Adult Services

57 Home and Community Care Block Grant

Provides funding for the Home and Community Care Block Grant Program. (SB 1273 & HB 2056) \$4,000,000 R

58 LTC Quality Improvement		\$492,136	R
Provides funding for eight long-term care ombudsman positions including benefits and travel and \$100,000 for a contract for the Quality Improvement Program authorized in Section 10.40A(p) of S.L. 2005-276. (SB 1271, HB 2057, & HB 2562)		8.00	
 (Section 13B of SB 198 clarifies that these positions are not state positions. The provision states the following, "Funding for Long-Term Care Quality Improvement shall be allocated to the Area Agencies on Aging to support eight regional long-term care ombudsman positions including benefits and travel and \$100,000 for a contract for the Quality Improvement Program authorized in Section 10.40A(p) of S. L. 2005-276. These positions are not State positions.")			
59 Adult Day Care Rates		\$1,043,750	R
Provides funding to increase the daily rates for adult day care and adult day health care programs by \$5.00. \$556,556 will be allocated to the State Adult Day Care Fund and \$487,194 shall be allocated to the Home and Community Care Block Grant Program. (SB 1270 & HB 2058)			
(12.0) Office of the Secretary			
60 Transfer More At Four Program to DPI		(\$66,646,653)	R
Transfers funding for the More At Four program to the Department of Public Instruction. (SB 1741, Section 7.18)			
61 Utility and Fuel Cost Reserve		\$585,417	NR
Provides funding to support the increased cost of utility services and fuel for state institutions operated by the Department of Health and Human Services.			
62 MMIS Implementation			
Transfers funding from the G.S 143-23.2 reserve to continue to fund the state share of implementing the new Medicaid Management System (MMIS).			
Total Requirements	\$5,004,504		
Transfer From Medicaid Reserve Fund	(\$5,004,504)		
State Appropriation	0		
63 Public Awareness of Safe Surrender of Infants Campaign		\$98,000	NR
Provides funding to inform the public of the Safe Surrender Act (S.L.2001-291).			
64 Psychiatrist Access		\$3,000,000	R
Provides funding to improve psychiatrist access for public consumers. (SB 1741, Section 10.33G) (SB 1532 & HB 2082)		\$1,500,000	NR
65 Strategic LME Team		\$300,000	R
Provides funding to be used for three positions to create a Local Management Entity (LME) Strategic Assistance Team. The Team shall assist LMEs develop, implement, and maintain their statutory responsibilities. (SB 1530 & HB 2081)		3.00	

66 Community Health Center Grants

Provides additional funding for grants-in-aid awarded through the Community Health Center Grant Program. (SB 1741, Section 10.16) (SB 1412 & HB 2063)

\$3,000,000 NR

67 Rural Hospital Operations and Maintenance

Provides funding for small rural hospitals in need of assistance with operations and infrastructure maintenance. (SB 1741, Section 10.19A) (HB 1858)

\$3,000,000 NR

Budget Changes	(\$75,320,046)	R
	\$42,532,550	NR
Total Position Changes	281.00	
Revised Total Budget	\$4,232,152,632	

Special Provisions

2006 Session: HB 2351

Department: Health and Human Services

Section: 5.1

Title: **DHHS Block Grants**

Summary Appropriates federal block grant funding for the following DHHS Block Grants:

Temporary Assistance for Needy Families Block Grant (TANF)
Social Services Block Grant (SSBG)
Low-Income Home Energy Assistance Block Grant (LIHEAP)
Child Care and Development fund Block Grant (CCDF)
Mental Health Services Block Grant (MHSBG)
Substance Abuse Prevention and Treatment Block Grant (SAPTBG)
Maternal and Child Health Block Grant (MCHBG)
Preventive Health Services Block Grant (PHSBG)
Community Services Block Grant (CSBG)

Provides Legislative guidance to DHHS on how block grant appropriations are to be managed:

- Content of annual block grant plans
- Changes in allocations
- Changes in Federal fund availability including increases and decreases
- Reporting on the positions supported with block grant funding

Provides guidance for specific appropriations from the various block grants.

(See Federal Block Grant Section of Highlights for a brief description of each DHHS block grant and the amount of funding appropriated from each of the block grants.)

2006 Session: SB 1280

Department: Health and Human Services

Section: 1

Title: **Pilot Program to Evaluate Use of Telemonitoring Equipment in Home Care Services**

Summary Senate Bill 1280 was enacted subsequent to the 2006 Appropriations Act (S.B. 1741), thus it overrides Section 10.9C of Senate Bill 1741. S.L. 2006-194 requires the Department to implement the pilot program and provide remuneration to home care agencies and other providers for participating in the pilot program. Requires a report to the General Assembly April 1, 2007.

(Note: Section 10.9C of Senate Bill 1741 authorizes the Department to implement a pilot program to evaluate the use of telemonitoring equipment in home care services and community-based long-term care services. Requires report to the General Assembly by July 1, 2007.)

2006 Session: SB 1741

Department: Health and Human Services

Section: 10.1

Title: **Change Reporting Date of Aging Study Commission**

Summary Changes reporting date from April 1, 2006 to January 1, 2007.

Section: 10.2

Title: **Rate Setting for Child Caring Institutions**

Summary Corrects a codification error.

Section: 10.3

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:

Reorganizes the Medicaid Provision to make it easier to follow.

Deletes the requirement that counties pay 15% of the nonfederal share of medical assistance payments for SFY 2006-07.

(Note: S.L. 2006-221, Section 7 corrects a typographical error in this provision.)

Section: 10.3A

Title: **Inflationary Increases for Medicaid Providers**

Summary Requires the Department of Health and Human Services to develop a plan for allocating funds available for inflationary increases among groups of Medicaid providers. Reporting requirement to the Joint Legislative Commission on Governmental Operations on or before December 15, 2006. Inflationary increases for providers are effective on January 1, 2007 or when State Plan amendments are approved by CMS.

Section: 10.4

Title: **Procedures for Changes to DHHS Medical Policy**

Summary Codifies language defining the procedures for changes to Medicaid medical policies established by the Department of Health and Human Services

Section: 10.5

Title: **Transfer of Assets Rewrite**

Summary Codifies language that has been included in the Medicaid special provision and rewrites transfer of asset law to conform with the federal Deficit Reduction Act of 2006.

(Note: S.L. 2006-221, Section 8 makes technical corrections to this provision.)

Section: 10.6

Title: **Medicaid Dually Eligible to Enroll in Medicare Parts B and D**

Summary Modifies G.S 108A-55.1 to require Medicaid recipients that are dually eligible for Medicaid and Medicare to enroll in Part B and Part D of the Medicare Program as a condition of receiving Medicaid.

Section: 10.7

Title: **Medicaid Reserve Fund Transfer**

Summary Appropriates \$53 million for FY 2006-07 from the Medicaid Reserve Fund to the Medicaid Program, notwithstanding the provisions G.S. 143-23.3(b) that these funds shall not be used to reduce the General fund revenue to the Medicaid Program.

Allows the Department of Health and Human Services to use funds from Medicaid Reserve to fund the settlement of the Disproportionate Share Hospital payment and issues between the Department and the federal government related to fiscal years 1997-2002.

Authorizes a \$5,004,504 transfer from the Medicaid Reserve Fund for the implementation of the Medicaid Management Information System (MMIS).

Section: 10.7A

Title: **Pilot Projects to Control Cost and Improve Quality of Care for Aged, Blind and Disabled Medicaid Recipients**

Summary Clarifies language related to the implementation of the pilot projects authorized in Sections 10.14 and 10.17 of S.L. 2005-276.

Section: 10.8

Title: **Required Data Sharing by Private Health Insurers**

Summary Amends current law by creating G.S. 58-50-46 which requires private health insurers to provide the Division of Medical Assistance with information that will allow the Division to identify individuals who are receiving Medicaid who are also covered by private insurance. This requirement was mandated by the federal Deficit Reduction Act of 2006 and is intended to insure that private insurance is the first payor when a Medicaid recipient has private insurance.

(Note: S.L. 2006-221, Section 9 recodifies the language in this provision to G.S. 108A-55.4; corrects a typographical error; and changes the effective date of the provision to January 1, 2007.

Section: 10.9

Title: **Ticket-To-Work Effective Date Change**

Summary Amends S.L. 2005-276 to change the effective date for the Ticket-To-Work Program from January 1, 2007 or when the MMIS system is completed to July 1, 2007. Requires DMA to study and develop a plan for the implementation of the Ticket-To-Work Program and report to the General Assembly by March 1, 2007.

Section: 10.9A

Title: **Medicaid/Health Choice Dental Administrative Services Study**

Summary Directs the Department to study the costs and benefits of implementing a carve-out of dental administrative services by third-party administrators and to submit the report to the House and Senate HHS Appropriations Subcommittees and FRD by March 1, 2007.

Section: 10.9B

Title: **Extend Effective Date on Changes to Liens on Real Property for Purposes of Estate Recovery under Medicaid**

Summary Amends S.L. 2005-276 to change the effective date from July 1, 2006 to July 1, 2007.

Section: 10.9C

Title: **Pilot Program to Evaluate Use of Telemonitoring Equipment in Home Care Services**

Summary Authorizes the Department to implement a pilot program to evaluate the use of telemonitoring equipment in home care services and community-based long-term care services. Requires report to the General Assembly by July 1, 2007.

(Note: S.L. 2006-194 was enacted after the enactment of SB 1741. This law overrides this provision and requires the Department to implement the pilot program and provide remuneration to home care agencies and other providers for participating in the pilot program. Requires a report to the General Assembly April 1, 2007.)

Section: 10.9D

Title: **DHHS to Study Strategies to Offset the Cost to Pharmacists of Providing Services to Medicaid Recipients Enrolled in Medicare Part D**

Summary Requires the Department of Health and Human Services to study strategies to offset the cost to pharmacists of providing services to Medicaid recipients enrolled in Medicare Part D. Requires report to the General Assembly by April 1, 2007.

(Note: S.L. 2006-221, Section 13A changes the reporting date to February 1, 2007. This section also requires the Department to supplement the dispensing fee established by the General Assembly if the average manufacturer's price of prescription drugs is estimated to result in average savings to the Medicaid Program during the period January 1, 2007 through June 30, 2007. The supplemental payments are required to be budget neutral and are not to exceed average savings less administrative cost.)

Section: 10.9E

Title: **One-Time Cap on Medicaid County Share**

Summary Provides one-time assistance to counties with respect to the county share of the nonfederal share of Medical Assistance payments for the FY 2006-07. Also, provides direction on what to do if the amount appropriated is too much or insufficient to cap county expenditures at the FY 2005-06 level.

Section: 10.9F

Title: **State/County Special Assistance**

Summary Increases the maximum monthly rate for residents of adult care home facilities from \$1,118/month to \$1,148/month. Effective January 1, 2007.

Requires the Department of Health and Human Services to recommend rates for State/County Special Assistance and Adult Care Home Personal Care Services using appropriate cost modeling methodology and the cost reporting submitted by adult care homes. Effective July 1, 2007.

Section: 10.10

Title: **Public-Private Long-Term Care Partnership Program**

Summary Authorizes the Department of Health and Human Services to establish a Long-Term Care Partnership Program to reduce future Medicaid costs for long-term care services by offering individuals incentives to purchase long-term care insurance so they may delay or eliminate their dependence on Medicaid for long-term care services.

Section: 10.11

Title: **Study Medicaid Provider Rate Increases**

Summary Directs the Department of Health and Human Services to study and develop a proposal for an equitable standard for providing inflationary increases and other cost-related increases to service providers in the Medicaid program. Report due March 1, 2007.

Section: 10.12

Title: **Increase Health Care Access for Uninsured Persons**

Summary Directs the Department of Health and Human Services to develop a plan to expand health care access for uninsured North Carolinians through the use of public/private partnerships. Proposed plan due March 1, 2007.

Section: 10.13

Title: **Health Information Systems (HIS) Funds**

Summary Appropriates \$9.8 million from a special fund (Budget Code 24430, Fund Code 2117) to the Division of Public Health for use in the development and implementation of the Health Information Systems. Allocation of funds is contingent upon receipt of a required report that was due March 1, 2006 and the identification of total costs and future funding sources. Also, requires the Division to report on the use of funds by March 1, 2007.

Section: 10.15

Title: **Early Intervention Services Report**

Summary Requires the Division of Public Health to report on the number of children served through the Early Intervention program, the types of services received, and percentage of families participating in the sliding scale fee schedule.

Section: 10.16

Title: **Community Health Centers Changes**

Summary Modifies Section 10.9(a) of S.L. 2005-276 to reflect additional funding available in FY 2006-07, Also, clarifies which organizations are eligible to apply for grants and sets out certain factors that the Department of Health and Human Services must consider in distributing funds.

Section: 10.17

Title: **Education on Prevention of Preterm Births**

Summary Appropriates \$150,000 to the Division of Public Health to purchase medication for minority and low-income women at-risk of having a pre-term birth and to provide education to those women about the benefits of the progesterone medication. Requires the Division to evaluate the impact of the use of these funds and report those outcomes with the Division of Medical Assistance, the House and Senate Appropriations Committees on Health and Human Services and the Fiscal Research Division.

Section: 10.18

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

Summary Appropriates \$2 million in recurring funds for the Community-Focused Eliminating Health Disparities Initiative to provide grants-in-aid to local public health departments, American Indian tribes, and faith-based and community-based organizations to close the gap in the health status of African-Americans, Hispanics/Latinos, and American Indians as compared to white persons. Also, allows the Department to use a portion of these funds to support one position for the Initiative.

Section: 10.18A

Title: **Authorize One New Position for Healthy Carolinians**

Summary Allows the Division of Public Health to use funds appropriated to the Division for the Healthy Carolinians Initiative to support one new position for the Initiative.

Section: 10.19

Title: **Clarification of Certain Audit Requirements**

Summary Amends G.S. 143B-139.4(b) to change the requirement that all private, non-profit organizations that receive employee assistance or other services from the Department of Health and Human Services submit an annual audit report. Instead, those private, non-profit organizations must document all contributions received including employee time, supplies, materials equipment and physical space and submit that documentation to the Secretary. Non-profits with less than \$500,000 in annual income must also submit affidavit attesting to the financial condition of the organization. Non-profits with more than \$500,000 in annual income must still submit an annual audit to the Secretary.

Section: 10.19A

Title: **Funds to Assist Rural Hospitals**

Summary Appropriates \$3 million to the Office of Rural Health and Community Care to be allocated to small rural hospitals in need of assistance with the operation and infrastructure maintenance of the hospital. Sets out how the funds can be used. Also, directs the Office to convene an advisory group to establish criteria for the distribution of funds and submit a report on the allocation of funds.

Section: 10.20

Title: **Private Well-Water Testing Fee**

Summary Amends current law by creating G.S. 130A-5 which authorizes the Secretary of DHHS to charge a fee of up to \$55 for private well water samples from newly constructed wells sent to the State Public Health Lab by local health departments. The fee will be set by the director of the lab based on the previous year's testing, the total cost of the testing, and any state appropriations available and shall include the charge for the private well-water panel test kit. Also authorizes the Division of Public Health to use funds available for the 2006-2007 fiscal year to pay for positions for the private well water safety program authorized in this act and requires the Division to replace the funds used with fees collected during the fiscal year.

Section: 10.21

Title: **AIDS Drug Assistance Program**

Summary Amends S.L. 2005-276, Section 10.59 to give the Department the flexibility to adjust the financial eligibility up to a maximum of 250% of the federal poverty level within existing resources. Requires priority to be given to those at or below 125% of the federal poverty level if a waiting list develops. Requires the Commission for Health Services to adopt temporary rules to implement adjustments in financial eligibility.

Section: 10.22

Title: **Technical Correction to Licensure Fee Limits**

Summary Amends G.S. 131E-276 to make a technical correction to the maximum construction fee that the Department of Health and Human Services can charge for any single health care facility construction project.

Section: 10.23

Title: **Clarification of Fees for Mental Health, Developmental Disabilities, and Substance Abuse Service Facilities**

Summary Amends G.S. 122C-23(h) to establish a separate nonrefundable, annual fee of \$175 for non-ICF/MR facilities with zero beds.

Section: 10.26

Title: **Area Authority and County Program Crisis Regions**

Summary Directs the use of \$5.25 million (non-recurring) appropriated to establish a continuum of crisis facilities regionally and crisis services locally. Also directs that \$250,000 (non-recurring) be spent (of the funds appropriated for consultants to aid the Division and LMEs) for the Department to hire a consultant to assist the LMEs with developing and implementing start-up crisis services. Requires the Secretary of the Department of Health and Human Services to designate appropriate groupings of LMEs for the development of regional crisis facilities no later than August 15, 2006. Requires the consultant and the Department to report quarterly on the proposed and actual use of these funds.

(Note: S.L. 2006-221, Section 10 amends this section by removing "personal services" from the description of the contracts the Department may enter into for the consultants mentioned above; Section 11 makes a technical correction to subsection 10.26(d).)

Section: 10.27

Title: **Extend Sunset for First Commitment Pilot Program**

Summary Amends S.L. 2003-178 to extend the sunset of the First Commitment Pilot Program from July 1, 2006 to October 1, 2007.

Section: 10.28

Title: **Changes to the State Plan for Mental Health, Developmental Disabilities, and Substance Abuse Services**

Summary Directs the tasks of the independent consultants hired by the Department from the funds appropriated in this act for this purpose.

Section: 10.30

Title: **Independent- and Supportive-Living Apartment Initiative**

Summary Directs that the apartments built for the independent- and supportive-living apartments initiative shall be affordable to those with incomes at the Supplemental Security Income (SSI) level. Also gives the Housing Finance Agency the ability to use any extra funds (either from interest earned or from financing the apartments for less than the amount appropriated) to finance additional apartments, group homes, or transitional housing for individuals with disabilities.

Section: 10.32

Title: **Local Management Entity Administrative Functions**

Summary Directs DHHS to recalculate the LME administrative allocations to include certain functions, including 24/7/365 screening, triage, and referral.

Requires the Secretary to review and revise the LME systems management cost model to provide adequate funds for LMEs to fully implement LME functions. Requires the Department to maintain the 2005-2006 level of funding to LMEs for LME functions with certain exceptions.

Amends G.S. 122C-115 to establish a minimum catchment area size for area authorities and county programs. The catchment area shall contain either a minimum population of 200,000 or a minimum of six counties. Also requires the Department of Health and Human Services to reduce by ten percent annually the administrative funding for area authorities and county programs that do not comply with the catchment area requirements of this section.

(Note: S.L. 2006-221, Section 12 makes a technical correction to this section.)

Section: 10.33A

Title: **Distribution of Mental Health and Substance Abuse Services Funds**

Summary Directs the allocation of mental health, substance abuse, and crisis services funds so that each LME gets a percentage of the funding that is equal to their percentage of the State's population below poverty.

Section: 10.33G

Title: **Access to Psychiatric Services**

Summary Directs the activities of the funding appropriated to increase access to psychiatric services. Activities may include covering non-fee-for-service billable functions, graduate medical education incentives, and programs for loan forgiveness.

Section: 10.33H

Title: **Psychiatric Hospital Debt Service; Funds to Support Positions in Julian Keith ADATC**

Summary Amends the Mental Health Trust Fund statute [G.S. 143-15.3D(c)] by deleting the requirement that debt service for the construction of the new Central Regional Psychiatric Hospital be paid from recurring savings due to downsizing. Clarifies that debt service will be paid for from the General Fund beginning July 1, 2007.

Also, allows the Secretary to use funds from the Mental Health Trust Fund for the 2006-07 FY to support up to 66 positions in the Julian F. Keith Alcohol and Drug Abuse Treatment Center.

Section: 10.33J

Title: **Substance Abuse Services Funds for TASC**

Summary Directs that of the funds appropriated in this act to the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services for substance abuse services, up to \$300,000 shall be allocated to Treatment Accountability for Safer Communities (TASC).

Section: 10.34

Title: **Child Care Allocation Formula**

Summary Amends S.L. 2005-276, Section 10.61(c) to allow DHHS to allocate up to \$22 million in block grant and state funds appropriated in fiscal year 2006-2007 separately from the allocation formula to prevent the termination of child care services. Also allows DHHS to allocate funds for specific purposes separately from the allocation formula.

Requires DHHS to implement an adjustment to child care market rates, by region, based on the 2005 Child Care Market Rate Study no later than October 1, 2006. Three to five star rated centers in Regions 2-5 will receive 35% of the recommended rate adjustments, three to five star rated centers in Region 1 will receive 20% of the recommended rate adjustments, and three to five star rated homes will receive 20% of the recommended rate adjustments.

Section: 10.35

Title: **Child Care Subsidy Rates**

Summary Amends S.L. 2005-276, Section 10.62 to allow the market rate to be representative of the fees charged to unsubsidized privately paying parents and the parents of children receiving subsidized child care services.

Section: 10.36

Title: **Child Care Matching Funds Requirement**

Summary Amends S.L. 2005-276, Section 10.60 to authorize DHHS to require a 15% match from local purchasing agencies that receive more than \$25,000 of reallocated funds beyond their initial allocation. The matching requirement will not apply when funds are allocated because of a disaster as defined in G.S.166A-4(1). Requires DHHS to evaluate the effects of the matching requirement on the local purchasing agency and report by April 1, 2007.

Section: 10.37

Title: **Require Minimum of Smart Start Funds For Child Care Subsidy**

Summary Notwithstanding G.S. 143B-168.15(g) to require 30% of each local Smart Start partnerships' 2006-07 expansion funds be used for child care subsidy.

2006 Session: SB 198

Department: Health and Human Services

Section: 13B

Title: **LTC Quality Improvement Changes**

Summary Clarifies that the positions authorized by item number 58 on Page G-7 of the Joint Conference Report on the Continuation, Expansion, and Capital Budget dated June 30, 2006 are not state positions. Funding for Long-Term Care Quality Improvement shall be allocated to the Area Agencies on Aging to support eight regional long-term care ombudsman positions including benefits and travel and \$100,000 for a contract for the Quality Improvement Program authorized in Section 10.40A(p) of S. L. 2005-276.

**NATURAL
&
ECONOMIC
RESOURCES**

Agriculture and Consumer Services

GENERAL FUND

FY 06-07

Total Budget Approved 2005 Session

\$51,032,884

Budget Changes

Administration

1 Human Resources \$97,382 R

Provide funding for one (1.0) Personnel Technician position in Human Resources.

1.00

Salary and Benefits \$40,590
Other Expenses \$56,792

2 Public Affairs - Agricultural Review

Provide increased funding for the Agricultural Review to address rising operational costs.

\$40,000 NR

Emergency Programs

3 Emergency Preparedness - Staffing Support \$337,000 R

Provide General Fund appropriation to establish two (2.0) new positions and to fund shift two (2.0) existing positions from receipt-support (HB 2199, SB 1494):

4.00

Veterinarian 1.0
Animal Health Technician II 1.0
Application Analyst II 2.0

Salaries and Benefits \$283,252
Equipment and Supplies \$ 15,248
Other Expenses \$ 38,500

4 Emergency Preparedness - Operating Expenses \$300,000 R

Provide additional funding for operating expenses associated with the Multi-Hazard Threat Database. (HB 2199, SB 1494)

Food and Drug

5 Emergency Preparedness - Food Safety \$538,257 R
 Provide funding for eleven (11.0) positions to address staffing shortages in food protection, compliance and regulations (HB 2199, SB 1494): 11.00

Chemist II 2.0
 Ag Microbiologist II 2.0
 Food Compliance Officer I 1.0
 Food Regulatory Specialist I 6.0

Salaries and Benefits \$442,890
 Purchased Services \$ 60,742
 Other Expenses \$ 34,625

6 Emergency Preparedness - Replace Distillation System \$100,000 NR
 Provide funding for the replacement of the water distillation system at Constable Laboratory. (HB 2199, SB 1494)

7 Emergency Preparedness - Purchase/Replace Lab Equipment \$500,000 NR
 Provide funding for the purchase and replacement of lab equipment. (HB 2199, SB 1494)

8 Pesticide Staffing Support \$194,429 R
 Provide three (3.0) additional positions to the Pesticide Section: \$6,149 NR
3.00

Environmental Toxicologist 1.0
 Bilingual Pesticide Specialist 1.0
 Pesticide Environmental Investigative Specialist 1.0

Salaries and Benefits \$147,713
 Purchased Services \$ 29,996
 Supplies \$ 16,140
 Other Expenses \$ 6,729

9 Restore Funding for the Pesticide Disposal Program \$222,407 R
 Restore General Fund reduction to the Pesticide Disposal Program made in FY 05/06. (HB 2396, SB 1419)

Markets

10 Domestic Marketing \$40,000 R
 Provide additional funding for the "Got to be NC" agriculture marketing initiative. Also provides one (1.0) Agricultural Marketing Specialist position. \$240,300 NR
1.00

Meat and Poultry

11 Emergency Preparedness - Food Safety and Security Mandates	\$163,000	R
Provide funding for 50 percent of six (6.0) meat inspector positions to match US Department of Agriculture funding. (HB 2199, SB 1494)		6.00
Salaries and Benefits	\$134,400	
Other Expenditures	\$ 28,600	

Plant Industry

12 Export Certification Program	\$145,310	R
Provide funding to establish two (2.0) Export Certification positions required to respond to the increased demand for issuance of phytosanitary certificates in North Carolina.		2.00
Export Certification Specialist		2.0

13 Reduce Unrealized Fertilizer Receipts	\$100,000	NR
Replace a portion of unrealized fertilizer receipts.		

Research Stations

14 Replace Unrealized Research Station Receipts	\$350,000	NR
Replace unrealized Research Stations receipts with a General Fund appropriation.		

Standards

15 Standards Inspectors	\$39,156	R
Provide funding for two (2.0) additional Standards Inspectors to be assigned to inspect retail motor fuel dispensers and retail weights and measures devices.	\$23,000	NR
		2.00
Salaries and Benefits	\$32,946	
Equipment and Supplies	\$25,240	
Other Expenses	\$ 3,970	

Veterinary Services

16 Emergency Preparedness - Director of Laboratory Operations position	\$147,172	R
Establish one (1.0) Director of Laboratory Operations position. (HB 2199, SB 1494)		1.00
Salary and Benefits	\$128,376	
Purchased Services	\$ 11,900	
Equipment and Supplies	\$ 5,696	
Other Expenses	\$ 1,200	

Budget Changes	\$2,224,113	R
	\$1,359,449	NR
Total Position Changes		31.00
Revised Total Budget	\$54,616,446	

Special Provisions

2006 Session: **SB 1741**

Department: Agriculture and Consumer Services

Section: 10A.1

Title: **Timber Sales Receipts for Capital Improvements**

Summary Allows the use of timber sales receipts to be used for the following purposes:
* \$362,000 for land acquisition and development at Tidewater Research Station
* \$30,000 for the plant conservation program
* Unspecified amount for capital improvements at the Eastern NC Agricultural Center at Williamston.

Overview: 2006 Session Fiscal and Budgetary Actions

Commerce

GENERAL FUND

FY 06-07

Total Budget Approved 2005 Session

\$36,728,265

Budget Changes

Administrative Services

17 Establish Position to Monitor Non-Profits	\$63,000	R
Establish one (1.0) Auditor II position and provide operating funds to monitor all non-state entities receiving funds through the Department of Commerce.	\$87,000	NR
	1.00	
Salary and Benefits	\$63,000	
Operating Expenses	\$87,000	

Board of Science and Technology

18 One North Carolina Small Business Fund	\$5,000,000	NR
Provide funds for the Federal Small Business Innovation Research/Small Business Technology Transfer Research matching program. The program provides incentive funds to small businesses to apply for federal innovation grants. (SB 1668, HB 2159)		

Finance Center

19 One North Carolina Fund	\$15,000,000	NR
Provide funds for the One North Carolina Fund for FY 06/07. (SB 1741, Section 12.2)		

Industrial Commission

20 Replace Electronic Document System	\$1,500,000	NR
Provide funds to replace electronic document system. State funds will be used in addition to existing fee receipts (\$2,100,000) to fund the new system.		
Total Requirements:	\$3,600,000	
Less Anticipated Receipts: (\$2,100,000)		
State Funds Required:	\$1,500,000	

Information Services

21 Web Applications Development and Maintenance	\$70,819	R
Establish one (1.0) Application Analyst position to develop and maintain a web site for the department.	\$5,000	NR
	1.00	
Salary and Benefits	\$70,819	
Equipment	\$ 5,000	

Local Planning and Management

22 Expand Small Towns Main Street Program \$71,965 R
 Establish one (1.0) Community Development Planner position to serve the western part of the state. Program activities in the eastern region are funded by a Z. Smith Reynolds grant. 1.00

Salary and Benefits \$48,663
 Transportation/Meals/Lodging \$21,202
 Supplies and Equipment \$ 2,100

23 Expand 21st Century Communities Program \$244,699 R
 Establish three (3.0) Community Development Planner I positions and provide operating funds to expand the program to 5 new communities annually. 3.00

Salaries and Benefits \$198,459
 Rent \$ 6,400
 Supplies and Office Equipment \$ 17,190
 Printing and Postage \$ 1,650
 Other Expenses \$ 21,000

Marketing

24 Promote N.C. as a Business Destination \$500,000 R
 Provide funds for advertising in business publications, public relations outreach, marketing materials, national and international industry trade shows, and conference participation. \$500,000 NR

25 Furniture Market Advertising \$875,000 R
 Provide funds to the High Point International Home Furnishings Market Authority Corporation to promote the International Home Furnishings Market. (SB 1303, HB 1917) \$875,000 NR

Policy and Research

26 Provide Additional Staff \$225,000 R
 Provide funds for two (2.0) positions for the Division to expand research and planning for economic development. 3.00

Economist III 1.0
 Policy Development Analyst II 1.0
 Business and Technical Application Tech. 1.0

Salaries and Benefits \$187,367
 Operating Expenses \$ 37,633

Reserves and Transfers

27 Economic Development Reserve Fund \$10,000,000 NR
 Provide funds for economic development projects. (SB 1741, Section 12.8)

Overview: 2006 Session Fiscal and Budgetary Actions

FY 06-07

Tourism, Film and Sports Promotion

28 Promote Film Industry

Provide funds to expand and promote the film industry in North Carolina.

\$250,000 NR

29 Marketing Reserve

Provide funds for a statewide marketing reserve.

\$500,000 R

\$500,000 NR

30 Promote Motor Sports

Provide funds to promote motor sports.

\$100,000 NR

Budget Changes

\$2,550,483 R

\$33,817,000 NR

Total Position Changes

9.00

Revised Total Budget

\$73,095,748

Special Provisions

2006 Session: SB 1741

Department: Commerce

Section: 12.1

Title: Employment Security Funds

Summary Subsection 13.4.(c) allows the Employment Security Commission to use additional funds (up to \$1,000,000) from the Reserve Fund to replace federal funds reduced during FY 06-07.

Section: 12.2

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: 12.4

Title: Council of Government Funds/Electronic Transfer

Summary Requires that payments made to the Council of Governments be paid in two equal installments or September 1, 2006 and January 15, 2007.

Section: 12.6

Title: Wanchese Seafood Industrial Park/Oregon Inlet Funds

Summary Prevents any unexpended or unencumbered funds (as of June 30, 2006) appropriated for the Wanchese Seafood Industrial Park and the Oregon Inlet Project from reverting to the General Fund.

Section: 12.7

Title: Department of Commerce/Report on Agribusiness Funds

Summary Requires the Department of Commerce to report on all funds available to companies and organizations for the purpose of promoting agribusiness. The provision also requires the Department, in collaboration with the Department of Agriculture and Consumer services, to evaluate economic incentive funds used for agribusiness. Commerce is required to include in the report a plan to implement economic incentive programs designed specifically for agribusiness. The Department of Agriculture and Consumer Services, the Rural Economic Development Center, Inc., the North Carolina University System and all other state agencies with agribusiness programs are required to compile and provide information requested by Commerce related to preparation of the report.

Report due May 1, 2007

Section: 12.8

Title: **Economic Development Reserve**

Summary Establishes a reserve fund in the Department of Commerce and appropriates \$10,000,000 for awarding grants for site acquisition and economic development projects.

Report due May 1, 2007

2006 Session: HB 2351

Department: Commerce

Section: 5.2

Title: **NER BLOCK GRANT**

Summary Community Development Block Grant (CDBG) appropriations were included in S.L. 2006-52 and were not referenced in the appropriations act.

HB 2351 appropriates \$45,000,000 in federal funds for the 2006-2007 program year. Provides for subsequent increases in fund availability. Allows for capacity building grants to be made for non-profit organizations from funds available within program categories, program income or unobligated funds. Directs the Department of Commerce to consult with the Joint Legislative Committee 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.

The block grant provision no longer requires the Department of Commerce to partner with the Rural Economic Development Center to award demonstration grants. Subsection 5.2.(f) allows the Department of Commerce to create a small business/entrepreneurship program in coordination with micro-lending programs and other small business assistance groups. Grants will be awarded to local governments to provide assistance to low to moderate income individuals for small business and entrepreneurship development.

Overview: 2006 Session Fiscal and Budgetary Actions

Commerce - State Aid

GENERAL FUND

FY 06-07

Total Budget Approved 2005 Session

\$11,722,085

Budget Changes

31 Advanced Vehicle Research Center

Provide funds 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 of and operation of the center. (SB 1514, HB 2002)

\$3,750,000 NR

32 Land Loss Prevention Project

Increase funding for the Land Loss Prevention Project to aid in the legal representation of financially distressed small farmers and rural landowners. (SB 1949)

\$46,000 R
\$250,000 NR

33 North Carolina Association of Community Development Corporations (NCACDCs)

Increase the General Fund appropriation for NCACDCs. (HB 2335)

\$200,000 NR

34 Minority Support Center

Provide funds for the Minority Support Center to support the Generations Credit Union and the Latino Community Credit Union. (SB 1518, HB 2484)

\$1,457,138 NR

35 Community Development Initiative (CDI)

Increase the General Fund appropriation for CDI. (HB 2707)

\$500,000 NR

36 NC Institute of Minority Economic Development

Increase funding for the NC Institute of Minority Economic Development.

\$500,000 NR

e-NC Authority

37 Transfer the e-NC Authority

Transfer funds from the Rural Center's fund code to the Department of Commerce's State-Aid fund code. Historically the program was administratively located within the Rural Center's budget. (SB 1741, Section 12.3)

\$500,000 R

Budget Changes	\$546,000	R
	\$6,657,138	NR
Total Position Changes		
Revised Total Budget	\$18,925,223	

Special Provisions

2006 Session: SB 1741

Department: Commerce - State Aid

Section: 12.3

Title: **Extend E-NC Authority Sunset/ E-NC Authority Funds and Reporting Requirements**

Summary Transfers the e-NC Authority's allocation from the Rural Center's budget, providing a direct appropriation to the entity through Commerce State Aid. Additionally, the e-NC Authority's sunset is extended five years to December 31, 2011.

Section: 12.5

Title: **Advanced Vehicle Research Center/Funds Shall Not Revert**

Summary Amends Section 13.8A of Session Law 2005-276 to allow State Budget to carryforward funds appropriated to the Center to FY 06/07. An additional \$3,750,000 was appropriated in SB 1741 resulting in a total amount of \$11,250,000 available to the Center for FY 06/07.

Adds subsection 13.8A.(b1) stipulating that no funds shall be released by State Budget to the Center until a Board is established for the Center consisting of no fewer than five members representing five different organizations. Maintains reporting requirements of December 31, 2006 and April 30, 2007.

DENR-Clean Water Management Trust Fund

GENERAL FUND

FY 06-07

Total Budget Approved 2005 Session

\$100,000,000

Budget Changes

38 NO CHANGES ENACTED.

Budget Changes

Total Position Changes

Revised Total Budget

\$100,000,000

Special Provisions

2006 Session: SB 1741

Department: DENR-Clean Water Management Trust Fund

Section:

Title: (No Special Provisions Reported)

Summary

Environment & Natural Resources

GENERAL FUND

FY 06-07

Total Budget Approved 2005 Session

\$168,451,089

Budget Changes

(2.0) CGIA

39 Fund NC OneMap

\$70,000 R

Provide funds to enhance NC OneMap system to provide 24-7 access and to provide technical assistance to local governments who connect to NC OneMap. Provide funds for one (1.0) new position.

\$80,000 NR
1.00

Business & Technology Applications Specialist 1.0

Salary and Benefits \$70,000
Computer and Software \$80,000

(2.0) Coastal Management

40 Create New Coastal Habitat Protection Compliance Positions

\$249,757 R

Provide funds to establish four (4.0) Compliance Coordinator positions, one in each Division of Coastal Management district to provide compliance and enforcement services.

\$27,770 NR
4.00

Environmental Specialist III 4.0

Salaries and Benefits \$204,338
Rent \$ 6,668
Travel \$ 22,600
Supplies \$ 16,151
Furniture & Computers \$ 27,770

(2.0) Environmental Health

41 Fund Private Well Water Safety Program

\$271,079 R

Provide funds for technical support and enforcement assistance to counties as they enforce statewide private water supply well construction standards. Provide funds for five (5.0) new positions.

\$827,550 NR
5.00

Environmental Health Regional Specialist 4.0
Administrative Assistant I 1.0

Salaries and Benefits \$234,454
Travel and Rent \$ 30,625
Supplies \$ 6,000
Furniture and Computers \$ 27,550

42 Emergency Drinking Water Funds

Provide funds to pay for notification, to the extent practicable, of persons aged 18 and older who reside in any dwelling unit and the senior official in charge of any business at which drinking water is supplied from a private drinking water well that is located within 1,500 feet of known groundwater contamination. Provide funds to cover the costs of testing private drinking water wells for contamination and for the provision of alternative drinking water supplies to persons whose drinking water well is contaminated. (HB 2012, SB 1547, HB 2186)

\$300,000 NR

(Note: S.L. 2006-255, Section 5.2 establishes a separate Emergency Drinking Water Fund within the Department for notification, testing, and the provision of safe drinking water.)

43 Protection of Drinking Water Supplies

Increase the existing community water system operating permit fees, charge a new operating permit fee on non-community non-transient water systems, and charge new plan review fees. New fee revenue will fund nineteen (19.0) additional positions for field response, inspections, technical assistance, compliance oversight, laboratory support and review and approval of plans to protect public drinking water supplies. Positions will be funded as fee revenue is generated with seven (7.0) positions funded in FY06-07 and the remaining positions funded in FY07-08. (SB 1741, Section 11.7)

Environmental Engineer II 4.0
 Environmental Engineer I 14.0
 Environmental Technician V 1.0

44 Fund Shellfish Sanitation Positions

Provide funds to monitor and classify North Carolina's shellfish growing waters and to conduct the shoreline survey. Funds three (3.0) positions: one GIS staff person and two shoreline surveyors. (HB 2814)

\$167,980 R
 \$11,020 NR
 3.00

Environmental Health Specialist 1.0
 Environmental Health Regional Specialist 1.0
 Computing Consultant 1.0

Salaries and Benefits \$133,686
 Travel \$ 19,000
 Rent \$ 3,000
 Supplies \$ 12,294
 Furniture and Computers \$ 11,020

45 Fund Wastewater Treatment Consultants \$140,079 R
 Provide funds for two (2.0) positions to provide technical on-site assistance to customers requesting wastewater permits for septic tanks. 2.00

Soil Scientist II 1.0
 Environmental Engineer II 1.0

(2.0) Land Resources

46 Restore Contractual Services \$50,000 NR
 Restore funding for contractual services for a county boundary program eliminated in FY 05/06. (SB 1781)

(2.0) Water Quality

47 Fund Water Quality Monitoring on Ferry Vessels \$300,000 NR
 Provide funds for the Ferrymon Program which evaluates water quality in the Pamlico Sound and its tributary rivers using equipment attached to three ferry vessels. (SB 1640)

(3.0) Aquariums

48 Fund Operating \$2,500,000 NR
 Provide funds for the operations of the aquariums. (SB 1676)

(3.0) Marine Fisheries

49 Coastal Recreational Fishing License Implementation \$375,000 NR
 Provide funds to establish two (2.0) positions and operating support for the development and operations of the licensing system associated with the Coastal Recreational Fishing License (CRFL). These positions will be funded with receipts generated from the sale of CRFL effective FY 07/08. Positions include: 2.00

Process Analyst IV 1.0
 Bus Tech Applications Analyst 1.0

Salaries and Benefits \$128,351
 Purchased Services \$191,629
 Supplies \$ 6,120
 Equipment \$ 48,900

50 Shellfish Mapping and Submerged Aquatic Vegetation Mapping Programs \$331,651 R
 Provide five (5.0) additional positions and operating expenses to enable the Marine Fisheries Division to map shellfish resources and habitat as recommended by the Coastal Habitat Protection Plan (SB 1718): \$87,048 NR
5.00

Computing Consultant I 1.0
 Marine Fisheries Technician II 4.0

(3.0) Soil and Water Conservation

<p>51 NC Agricultural Cost Share Technical Assistance Provide additional support for cost-shared funds to soil and water conservation districts and counties for technical assistance needed to install quality Best Management Practices through the Agriculture Cost Share Program.</p>	<p>\$333,778</p>	<p>R</p>
<p>52 NC Agriculture Cost Share Financial Assistance Provide additional funding to the Agriculture Cost Share Program to assist 100 additional producers per year to install Best Management Practices to improve water quality.</p>	<p>\$200,000 \$200,000</p>	<p>R NR</p>
<p>53 Extend Conservation Resource Enhancement Program (CREP) Provide additional funding to the CREP program to expand into additional watersheds in need of riparian buffers and restored wetlands. (SB 1741, Section 11.1)</p> <p style="margin-left: 20px;">Salaries and Benefits \$139,895 Contracts and Easements \$850,000 Other Operating Expenses \$ 10,105</p>	<p>\$575,000 \$425,000 3.00</p>	<p>R NR</p>
<p>54 Soil and Water Conservation District Supervisor Travel Provide funding for travel reimbursement for Soil and Water Conservation District Supervisors. (SB 1709)</p>	<p>\$25,000</p>	<p>R</p>
<p>55 Poultry Waste Management Best Practices Provide funds for new poultry waste management techniques. (HB 1282)</p>	<p>\$200,000</p>	<p>NR</p>
(4.0) Reserves and Transfers		
<p>56 Resource Conservation and Development Councils Provide each of the State's ten Resource Conservation and Development Councils with a grant of \$20,000. (HB 2090, SB 1580)</p>	<p>\$200,000</p>	<p>NR</p>
<p>57 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.</p>	<p>\$3,160,852</p>	<p>NR</p>
<p>58 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.</p>	<p>\$2,909,820</p>	<p>NR</p>
<p>59 Increase Grassroots Science Program Funding Increase funding for the Grassroots Science Program. (SB 1741, Section 11.3)</p>	<p>\$133,578</p>	<p>NR</p>

Overview: 2006 Session Fiscal and Budgetary Actions

FY 06-07

60 Forest Development Program (FDP)

Provide additional funding to reduce the current waiting list of landowner applicants for cost share assistance to reforest land.

\$600,000 NR

61 Monitoring and Emergency Cleanup of the Texfi Site Contamination

Provide funding for additional monitoring and cleanup of contamination at the Texfi Site. (HB 1874)

\$100,000 NR

Budget Changes

\$2,364,324 R

\$12,487,638 NR

Total Position Changes

25.00

Revised Total Budget

\$183,303,051

Special Provisions

2006 Session: SB 1741

Department: Environment & Natural Resources

Section: 11.1

Title: Conservation Reserve Enhancement Program

Summary States that funds appropriated to DENR for FY 2006-2007 for the Conservation Reserve Enhancement Program (CREP) within the Division of Soil and Water Conservation shall not revert, but remain available for the purposes of acquiring conservation easements, leases or contracts.

Section: 11.3

Title: Grassroots Science Program

Summary Allocates \$3,331,338 in FY 2006-07 as grants-in-aid to 24 regional science museums. Requires DENR to report the museums' operating budget for FY 2005-06, the operating budget for FY 2006 07 and the total attendance at each museum during the 2006 calendar year to Fiscal Research by March 1, 2007. States that each museum shall provide to DENR and the Fiscal Research Division a copy of its annual audited financial statement within 30 days of issuance of this statement and a copy of its most recent IRS Form 990. Finally, the provision requires DENR, in consultation with the Fiscal Research Division to study the current funding formula used to calculate the allocations, and to report no later than January 15, 2007 its findings and recommendations of funding formula revisions.

Section: 11.7

Title: Increase Certain Public Water Systems Annual Operating Permit Fees/Impose Fees for Review of Engineering Plans and Specifications for the Construction or Alteration of Public Water Systems

Summary Increases the existing community water system operating fees and breaks them down into smaller service levels, charges a new operating permit fee on non-transient non-community water systems, and imposes new plan review fees. The fees are effective January 1, 2007 and will be phased in by the Department.

Overview: 2006 Session Fiscal and Budgetary Actions

Labor

GENERAL FUND

FY 06-07
\$14,434,925

Total Budget Approved 2005 Session

Budget Changes

Administration

62 Fund Travel and Office Space \$213,894 R
 Provide funds for field staff to travel and for existing field office space.

Elevator and Amusement Device Bureau

63 Establish Receipt-Supported Positions
 Establish two (2.0) receipt-supported positions to inspect elevator and amusement devices.

Elevator Inspectors 2.0 \$111,696
 Salaries and Benefits \$98,166
 Travel and Phone \$12,748
 Other \$ 782

Labor Standards and Inspections

64 Replace Appropriations for Mine and Quarry Program \$200,000 R
 Provide funds to offset unrealized safety training fee receipts. Fund shift 3.5 positions from receipt supported (HB 1899). 3.50

Mine Safety & Health Representative 3.5
 Salaries and Benefits \$199,669
 Travel \$ 331

Occupational Safety and Health

65 Fund Operating \$200,000 NR
 Fund various operating line items in Occupational Safety and Health.

Budget Changes **\$413,894 R**
\$200,000 NR
Total Position Changes 3.50
Revised Total Budget **\$15,048,819**

Special Provisions

2006 Session: **SB 1741**

Department: Labor

Section: 13.1

Title: Repeal Fee for Mine Safety Education/Training Programs

Summary Repeals the education and training fee established in S.L. 2005-276, Section 42.2.

Overview: 2006 Session Fiscal and Budgetary Actions

N.C. Biotechnology Center

GENERAL FUND

FY 06-07

Total Budget Approved 2005 Session

\$10,583,395

Budget Changes

66 Increase Funding for Biotechnology Center

Provide funds for the Biotechnology Center.

\$1,500,000 R

\$500,000 NR

67 Regional Offices

Provide funds to support the Biotechnology Center's regional offices.

\$500,000 R

Budget Changes

\$2,000,000 R

\$500,000 NR

Total Position Changes

Revised Total Budget

\$13,083,395

Special Provisions

2006 Session: SB 1741

Department: N.C. Biotechnology Center

Section:

Title: (No Special Provisions Reported)

Summary

Overview: 2006 Session Fiscal and Budgetary Actions

Rural Economic Development Center

GENERAL FUND

FY 06-07

Total Budget Approved 2005 Session

\$25,052,607

Budget Changes

Rural Center

68 Transfer the e-NC Authority

(\$500,000) R

Transfer funds from the Rural Center's fund code to the Department of Commerce's State-Aid fund code. Historically the program was administratively located within the Rural Center's budget. In S.L. 2005-276 the Rural Center was appropriated \$20 million recurring, with \$500,000 allocated to the e-NC Authority. (SB 1741, Section 12.3)

Budget Changes

(\$500,000) R

Total Position Changes

Revised Total Budget

\$24,552,607

Special Provisions

2006 Session: SB 1741

Department: Rural Economic Development Center

Section:

Title: (No Special Provisions Reported)

Summary

**JUSTICE
&
PUBLIC SAFETY**

Overview: 2006 Session Fiscal and Budgetary Actions

Correction

GENERAL FUND

FY 06-07

Total Budget Approved 2005 Session

\$1,048,492,502

Budget Changes

Alcohol and Chemical Dependency

1 Clinical Substance Abuse Supervisor Positions	\$121,957	R
Legislation passed in 2005 mandates new certification and supervision standards for substance abuse treatment professionals. Supervision standards are one hour of clinical supervision for each 10 hours of counseling for the first 300 hours of treatment counseling and then one hour for every 40 hours thereafter. Adding two supervisors will allow DOC to meet these standards and account for the need for supervision at 22 locations statewide. Positions are effective July 1, 2006.	\$9,021	NR
	2.00	
2 Residential Treatment Programs	\$930,122	R
DOC has been using long term federal grant funds since the mid-1990's to fund long term residential treatment for inmates. These funds are being phased out and will be eliminated by 2007-08. 246 beds are currently used to provide 6 to 12 month residential treatment for inmates with serious substance abuse histories. There is enough federal funding to continue to operate programs and 66 beds at Rowan and Western Youth Correctional Centers for 2006-07. The recommended funding is to continue programs at NCCIW (Women's Prison--34 beds) and Morrison Correctional Center (146 beds).	25.00	
3 DART Cherry Substance Abuse Positions	\$166,745	R
DOC operates 300 residential beds to provide substance abuse treatment for probationers and parolees (primarily DWI) at DART Cherry. Five Substance Abuse Worker positions are recommended to provide improved supervision, especially on evening shifts. Positions are effective July 1, 2006.	\$22,365	NR
	5.00	

4 Evergreen Substance Abuse Treatment Beds

Provide funding to increase the contract for private, minimum custody inmate treatment beds at Evergreen Rehabilitation Center. The funding allows for increasing total contract beds from 90 beds to 95 beds and continuing the requirement for 100% occupancy for FY 06/07 only. The funding is effective October 1, 2006 and is contingent upon approval of an amended contract by the State Purchase and Contract Division. The Department of Correction shall report to the Joint Appropriations Subcommittee on Justice and Public Safety by March 1, 2007, on the Evergreen Rehabilitation Center program and the contract for treatment beds, including the impact of adding five new beds. (HB 2298)

\$89,927 NR

Community Corrections

5 Reserve for Sex Offender Monitoring

Funding is provided to implement active and passive Global Positioning Systems (GPS) in the Department of Correction to monitor the most serious convicted sex offenders that are under some form of DOC supervision. Funding is dependent on passage of HB 1902, SB 1204 or substantially similar legislation on GPS monitoring of sex offenders. (HB 1896)

\$1,236,448 R
\$70,770 NR
5.00

6 Restore CJPP

Restores part of the amount of funds cut from the Criminal Justice Partnership Program in previous years. (SB 1417, HB 2246 & 2609).

\$712,500 R

7 Probation and Parole Officer Equipment

Funding to begin replacement of body armor worn by probation and parole officers.

\$385,000 NR

8 Fund Women at Risk

Provides an additional \$75,000 to the Women at Risk program which works with female offenders in Western North Carolina. (SB 1741, Section 16.4) (HB 2246 & 2609 & SB 1417)

\$75,000 R

Department Management

9 Medical Claims Management

DOC is increasing its efforts to monitor medical claims from outside providers. This action will establish one additional professional staff (Medical Reimbursement Officer II) to supervise the medical claims review process and to help with the integration of the medical claims system with the NCAS State accounting system. Position is effective July 1, 2006.

\$44,463 R
\$4,583 NR
1.00

10 Information Technology Security	<p>The 2004 Statewide Security Assessment recommended that DOC improve computer security and establish an IT Security Office. DOC currently has only one position devoted to IT Security. In 2005, DOC requested two positions and security software funding but only the software was funded. Funding is provided for two positions, including an IT Security Manager, effective July 1, 2006.</p>	<p>\$161,588 R \$9,167 NR 2.00</p>
11 Reserve for Energy Costs	<p>For 2005-06, DOC energy costs exceeded the budget by over \$9.6 million. Primary cost increases were for heating and cooling 76 prisons and gasoline costs for prison and probation and parole. This funding is intended to avoid a budget deficit in 2006-07. Funding is non-recurring on the premise that energy costs may stabilize by 2007-08.</p>	<p>\$9,610,759 NR</p>
12 Central Engineering Technology	<p>Funding for automated design equipment to allow for more in-house design work.</p>	<p>\$30,000 NR</p>
13 Central Engineering Equipment	<p>Funding of construction equipment for use in construction of Orange and Caldwell segregation units and for other inmate labor construction projects.</p>	<p>\$240,000 NR</p>
14 Information Technology Charges	<p>Increase funding for service charges and fees for information technology services provided to DOC. Anticipated gap between budget and expenditures is \$4 million dollars in FY 06/07.</p>	<p>\$450,000 R \$125,000 NR</p>
15 Upgrade Computer Security Equipment	<p>Upgrade computer switching equipment at DOC's main computer network hub at Yonkers Road offices and the Lenoir disaster recovery site.</p>	<p>\$325,000 NR</p>
Prisons		
16 Funding for Our Children's Place	<p>Funds a program director, contractual services and operating expenses. Our Children's Place is a non-profit organization established to operate the incarcerated mothers program. (SB 1741, Section 16.4)</p>	<p>\$100,000 R</p>
17 Operating Reserve for Tabor Correctional Center	<p>Establish reserve for startup costs for prison in Columbus County scheduled to open February, 2008.</p>	<p>\$95,504 R \$144,000 NR 10.00</p>

<p>18 Increase Prison Bed Capacity</p> <p>Prison population projections continue to show population exceeding bed capacity. Funding is recommended to increase bed capacity by a total of 468 beds spread over six prisons. The prisons are three medium custody -- Brown Creek, Harnett, and Lumberton -- and three minimum custody prisons-- Dan River, Tillery, and Tyrrell. This capacity increase is possible by increasing the number of inmates in dormitories and adding additional security, medical and program staff. Non-recurring funding is primarily for inmate bunks and lockers and community college start up costs. The original recommended amount of \$540,000 NR for community college startup is reduced to \$270,000 based on a January 1, 2007 start date. Positions are effective January 1, 2007.</p>	<p>\$1,458,336 R \$594,069 NR 36.00</p>
<p>19 Inmate Medical Care</p> <p>Medical costs continue to exceed the inmate medical continuation budget. This funding will partially address the budget needs. (SB 1741, Section 16.1)</p>	<p>\$10,000,000 R \$6,189,510 NR</p>
<p>20 Gang Prevention Initiative</p> <p>DOC received Governor's Crime Commission grants to develop a "Security Threat Group Unit" at Foothills Correctional Institution. The grant funding ends December 31, 2006 so 6 months funding is provided for 06/07. The program targets gang members and is designed to increase supervision of these inmates while providing education and skills that will allow an inmate to renounce gang activity. Positions are effective December 1, 2006. (SB 1741, Section 16.10)</p>	<p>\$256,292 R 11.00</p>
<p>21 Security Positions for new Enterprise Plant</p> <p>Enterprise is opening a new janitorial products plant at Warren Correctional Center. The plant is located off-site and will require nine security positions in order to provide adequate security for 100 inmates. The plant opens in Spring 07 so positions are not effective until February 1, 2007.</p>	<p>\$131,355 R \$42,510 NR 9.00</p>
<p>22 Inmate Medical - Central Pharmacy</p> <p>Establishes three positions in the DOC Prison Pharmacy: one Pharmacy technician; one Pharmacist; and, a Stock Supervisor. As prison population has grown, the number of prescriptions filled has grown from 550,573 in FY 98-99 to 856,803 in 2004-05 with no increase in staffing.</p>	<p>\$147,063 R \$4,500 NR 3.00</p>
<p>23 Inmate Medical - Nurses and Records Clerks</p> <p>Funding is provided for 18 medical records clerks and 20 Licensed Practical Nurses. Adding the medical clerks will free up nurses to devote more time to nursing duties while adding LPN's will help reduce the general shortage of nurses in the prison system. Positions are effective July 1, 2006.</p>	<p>\$1,332,322 R \$48,960 NR 38.00</p>

Overview: 2006 Session Fiscal and Budgetary Actions

FY 06-07

24 Delayed Opening of Segregation Units

The completion dates for 40 bed segregation units at Orange and Caldwell Correctional Centers have been delayed from 2006-07 to 2007-08 allowing for a non-recurring reduction. The total reduction is (\$904,430); (\$380,809) for Orange and (\$523,621) for Caldwell. (\$904,430) NR

25 Inmate Community Work Crews

Authorizes six new inmate community work crews. DOC shall determine which correctional centers and communities have the greatest need. Positions are effective July 1, 2006. \$237,798 R
\$163,500 NR
6.00

26 Security Cameras

Funding for additional security cameras for placement in areas such as kitchens, outside yards, and visitation rooms at various prisons. \$50,000 NR

Budget Changes

\$17,657,493 R

\$17,254,211 NR

Total Position Changes

153.00

Revised Total Budget

\$1,083,404,206

Special Provisions

2006 Session: SB 198

Department: Correction

Section: 16

Title:

Summary Amends S.L. 2006-66 to add Section 16.11 which further amends S.L. 2005-276, Section 17.23 to change the funding formula for the Criminal Justice Partnership Program by deleting the requirement that counties that ran pretrial programs under the Partnership Program would have their funds deducted and then reallocated.

2006 Session: SB 1741

Department: Correction

Section: 16.1

Title: **Inmate Costs**

Summary Continues provision from previous years that allows DOC to use available funds if expenditures are projected to exceed the budget for inmate medical, food and laundry. Withdraws previous authority to use available funds for inmate clothing. Consultation with Governmental Operations Committee is required prior to exceeding budgeted amounts and using other funds.

Section: 16.2

Title: **Conversion of Contracted Medical Positions**

Summary Authorizes DOC to convert contracted medical positions to permanent positions if DOC can document that there will be overall savings to DOC. An annual report on conversions and the total savings is required.

Section: 16.3

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

Summary Continues authority for DOC to use available funds if expenditures for computer services exceed the continuation budget. Requires prior consultation with Governmental Operations Committee.

Section: 16.4

Title: **Reports on Non-Profit Programs**

Summary Continues requirement that non-profit programs that receive pass-through funding from Correction provide an annual report on program effectiveness and use of funds. The programs are Harriet's House, Women at Risk, and Summit House. Two major changes were made to the provision in the 2006 Session: (1) Future reports will now be submitted to the Joint Correction, Crime Control, and Juvenile Justice Oversight Committee rather than Gov. Ops.; and, (2) "Our Children's Place," a program for incarcerated mothers and their children, will provide a status report on the development of the program and use of funding.

Section: 16.5

Title: **Parole Eligibility Report**

Summary Continues requirement that the Post-Release Supervision and Parole Commission reinstate the parole review process for pre-Structured Sentencing offenders who have served more time than they would have served under Structured Sentencing. The criteria for selecting offenders for review is defined in the provision but a key requirement is that the offenders must have served more time than they would have under the "maximum sentence" under Structured Sentencing. The provision does not mandate that anyone be released. A final report on the number of inmates reviewed and paroled is due April 1, 2007.

Section: 16.8

Title: **Proposal for joint Use of Swannanoa Property**

Summary The Departments of Correction and Juvenile Justice are proposing joint use of the property currently housing the Swannanoa Valley Youth Development Center. Under the proposal, the property would be divided into two sections, with one area being used to house female inmates and the other area would be used for juvenile offenders. The two departments are required to submit a report to Governmental Operations and Corrections Oversight on the details of the proposal, including the land transfer, total cost, and staffing changes, prior to implementing the proposal .

Section: 16.9

Title: **Federal Grant Matching Funds**

Summary Continues provision allowing DOC to use available funds to match federal grants. The amount of funds to be used for this purpose is capped at \$1 million. Requires prior consultation with Governmental Operations.

Section: 16.10

Title: **Gang Prevention Initiative**

Summary This provision requires DOC to report on the Security Threat Group Initiative at Foothills Correctional Center. The report is to include information on the number of offenders in the program and the success of the program in reducing gang activity. The report is due to the JPS Appropriations Subcommittee by March 15, 2007.

Crime Control and Public Safety

GENERAL FUND

FY 06-07

Total Budget Approved 2005 Session

\$35,153,488

Budget Changes

Administration

27 Federal Grants Administration

\$63,731 R

Funding is provided for a Federal Grants Accountant to ensure compliance with federal reporting and control requirements:

\$4,000 NR
1.00

Accountant II (PG74)

28 Information Technology Positions

\$164,112 R

Funding is provided to establish two full-time permanent information technology positions:

2.00

Business & Technology Specialist (1.0)
Business & Technology Analyst (1.0)

Butner Public Safety

29 Operations and Maintenance

\$103,680 R

Provide funds to meet basic operations and maintenance needs for Butner Public Safety: restore previous budget cuts, inflationary increases, and over budgeted receipts.

Emergency Management

30 Planning, Response, and recovery Capabilities

\$578,670 R

Funding is provided to enhance emergency management planning, response, and recovery capabilities by transferring 11 existing positions from temporary receipt-supported to permanent general fund positions:

\$75,000 NR
11.00

EM Assistant Director (PG78) (1.0)
EM Section Manager (PG76) (2.0)
EM Section Chief (PG72T) (1.0)
Community Dev Spec II (PG74) (4.0)
Community Dev Spec II (PG72) (1.0)
Community Dev Spec I (PG70) (2.0)

In addition, \$75,000 NR is provided to support rent, utilities, and other operating cost for the two Division warehouses.

31 Urban Search & Rescue/Swift Water Rescue

Funding is provided for training and equipment to ensure that the state's Urban Search and Rescue and Swift Water Rescue Teams can meet federal standards. Future federal emergency management funding may be jeopardized if the teams fail to meet the standards. (HB 2755)

\$440,000 NR

32 HAZMAT Regional Response Teams

Provide funds for the state's seven HAZMAT Regional Response Teams. Funds will be used to support the teams' training and equipment replacement.

\$156,956 NR

Governor's Crime Commission

33 Gang Violence Intervention and Suppression

Funds are provided to the Governor's Crime Commission for competitive grants to be awarded to local government and community agencies for gang violence prevention, intervention and suppression initiatives.(SB 1741, Section 16A.1)

\$1,500,000 NR

National Guard

34 Deputy Division Director Position

Provide funding to establish a Deputy Division Director position to assist with day-to-day operations and management of federal activities.

\$96,080 R

1.00

35 National Guard Pension Fund

Funds are provided for the NC National Guard Pension Fund. Effective July 1, 2006, these funds will be used to increase the monthly pension benefit payment to current and future retirees from a maximum of \$150 to a maximum of \$160.(SB 1741, Section 22.20) (HB 2113)

\$965,000 R

36 Assistance to NC National Guard Families

Funding is provided for the NCNG Soldiers and Airmen's Assistance Fund to provide emergency financial assistance to members and their immediate families who are experiencing financial hardship.

\$500,000 NR

37 Armory Maintenance & Repair

Funds are provided to address the highest priority state-wide armory maintenance and repair needs such as roof repairs, boiler repairs and replacements, electrical upgrades, fire alarm systems, etc. (HB 2474)

\$250,000 NR

State Highway Patrol

38 New Permanent Positions

\$945,557 R is provided from the Highway Fund to create 21 permanent positions that are now temporary. The positions include:

- Trades worker III (PG61) 8.0
- Office Assistant IV (PG59) 8.0
- Aircraft Mechanic (PG68) 1.0

Establishes four new additional State Trooper positions

39 VIPER Maintenance

\$208,892 R is provided from the Highway Fund for the maintenance of the VIPER system already built.(S.L.2006-66, Section 21.9)

Victim & Justice Services

40 Victims Compensation

\$1,000,000 NR is provided to be used for the backlog of approved but unpaid victims' compensation claims.

\$1,000,000 NR

41 Claims Investigator Position

Funds are provided to establish an additional Law Enforcement Specialist (PG70) position in the Victims' Compensation Services Section to investigate and process claims. In addition, the position will serve as the contact/liaison to the Crime Victims Compensation Commission, law enforcement, and public/private agencies.

\$53,051 R

\$4,000 NR
1.00

Budget Changes

\$2,024,324 R

\$3,929,956 NR

Total Position Changes

16.00

Revised Total Budget

\$41,107,768

Special Provisions

2006 Session: SB 198

Department: Crime Control and Public Safety

Section: 1

Title:

Summary Amends S.L. 2006-66 by creating Section 6.11 that further amends S.L. 2005-1, Section 5.1 to extend CHAF (Crisis Housing Assistance Fund) eligibility to persons affected by the 2004 hurricane season.

2006 Session: SB 1741

Department: Crime Control and Public Safety

Section: 16A

Title: **Grants to Prevent Gang Violence**

Summary Directs the Governor's Crime Commission to use \$1,500,000 NR for a competitive grant process to provide 2-year grants for community street gang violence prevention and intervention programs. The Commission shall report no later than April 1, 2007 on the total number of grants awarded, a description of each grantee's program, and the amount awarded to each grantee.

Section: 21.9

Title: **VIPER Radio Program**

Summary Directs the State Highway Patrol to seek bids for the maintenance of the VIPER system currently in place. Directs the Criminal Justice Information Network (CJIN) to prepare a plan for allocating remaining VIPER construction and operation costs to all government users, including state and local agencies. CJIN shall report to the Joint Transportation Oversight Committee, House and Senate Transportation and JPS Appropriations Chairs, and the Fiscal Research Division by October 1, 2006.

Overview: 2006 Session Fiscal and Budgetary Actions

Judicial

GENERAL FUND

FY 06-07

Total Budget Approved 2005 Session

\$345,760,410

Budget Changes

42 Increase Dispute Settlement Center Funding \$131,418 R
 Restores a 2003 recurring cut to the pass-through for Dispute Settlement Centers, and provides \$80,000 for a one-time across-the-board increase for the local programs. (SB 1830). \$80,000 NR

43 Access to Civil Justice Funds \$1,000,000 R
 Appropriates \$1 million to the State Bar to increase the funds available to various legal services programs in the state under the Access to Civil Justice Act. These funds shall be apportioned to the programs based on the allocations from the fee income currently passed through to the Bar for this purpose. (SB 1562).

Administration

44 Technology Initiatives \$5,118,632 R
 Provides a mix of recurring and non-recurring money for critical technology projects in the AOC, as follows: \$1,350,000 NR
 30.00

1) rewrite obsolete processing systems for clerks and district attorney/public defender cases, including required data cleanup to implement a statewide warrant repository (NCAWARE);

2) new initiatives related to court, civil eFiling, electronic payments, and electronic traffic court;

3) maintenance and enhancement of existing applications including eCitation and Casewise/Jwise.

The non-recurring funds in this item are appropriated to the Court Information Technology Fund created in GS 7A-343.2, and as such, shall not revert.

45 Innocence Claim Review Commission \$160,134 R
 Establishes staff for the Innocence Claim Review Commission, pending passage of House Bill 1323. The effective date for these positions is January 1, 2007. \$50,579 NR
 3.00

Appellate

46 Justice Building Renovation

Renovations to the Justice Building are scheduled to continue into FY 2006-07, but funds for the temporary relocation of staff are only budgeted for FY 2005-06. This item appropriates funds to continue leasing space through 2006-07 fiscal year and to cover moving expenses for the Supreme Court and the AOC.

\$512,000 NR

47 New Court of Appeals Positions

Appropriates funding for one new Staff Attorney I and one new Appellate Clerk I to address increases in appellate workload and to expedite termination of parental rights cases. These positions have been annualized for a July 1, 2006, effective date.

\$108,990 R
\$14,467 NR
2.00

District Attorneys

48 New Prosecutors and Support Staff

Provides funds for 90 new Assistant District Attorneys and 9 Victim Witness Legal Assistants. The Assistant District Attorney positions will be allocated based on the workload formula adopted by the Conference of District Attorneys. The VWLAs will be allocated to the following districts:

\$3,820,851 R
\$416,124 NR
99.00

- 10 -- Wake (2 positions)
- 12 -- Cumberland
- 15B-- Orange, Chatham
- 16B-- Robeson
- 19A-- Cabarrus
- 25 -- Burke, Caldwell, Catawba
- 26 -- Mecklenburg
- 28 -- Buncombe

These positions are effective January 1, 2007. (SB 1741, Section 14.3)

49 Open File Discovery Project

Due to recent legislation requiring open discovery in criminal cases, there is need for an automated evidence tracking system that will register the articles of evidence, track their use, and verify that the articles have been disclosed to the appropriate parties as required by law. This item appropriates \$3 million NR to the Court Information Technology Fund created in GS 7A-343.2, and as such, these funds do not revert.

\$3,000,000 NR

Equipment and Other Reserves

50 Critical Equipment Needs

Provides non-recurring funds to replace essential technology and office equipment that is six years or older. Non-recurring funds are also recommended for the replacement of audio machines in District Court, and for telephone systems that are ten years or older. In addition, recurring funds are recommended for the continued replacement of outdated equipment and systems.

\$2,000,000 R
\$3,800,000 NR

51 Equipment for New Courthouses

Appropriates funds for new telephone systems and LAN equipment in the new courthouses located in Clay and Harnett Counties. \$110,000 NR

Trial Courts

52 Split Prosecutorial District 19B

Split prosecutorial district 19B (Randolph, Montgomery, Moore) into 19B (Randolph, Montgomery) and 19D (Moore). \$217,192 R
 This realigns the prosecutorial district on the same lines as the Superior Court district. This item will be effective January 15, 2007. (SB 1741, Section 14.19) 4.00

53 New District Court Judge Positions

Provides funding for seventeen new District Court Judges in the following districts: \$1,145,868 R
\$167,160 NR
17.00

- 3B -- Craven, Carteret, Pamlico
- 6A -- Halifax
- 10 -- Wake
- 11 -- Johnston, Lee, Harnett
- 14 -- Durham
- 15B-- Orange, Chatham
- 17A-- Rockingham
- 18 -- Guilford
- 19B-- Randolph, Montgomery, Moore
- 19C-- Rowan
- 20B-- Union
- 25 -- Burke, Catawba, Caldwell
- 26 -- Mecklenburg
- 27A-- Gaston
- 27B-- Cleveland, Lincoln
- 28 -- Buncombe
- 30 -- Cherokee, Clay, Graham, Haywood, Jackson, Macon, Swain

These positions are effective January 15, 2007.(SB 1741, Section 14.4)

54 New Deputy Clerk Positions

Additional deputy clerks are needed to address significant increases in certain types of cases such as foreclosures and estate cases. The positions will be assigned by the Director of the Administrative Office of the Courts. These positions will be effective on January 1, 2007. (SB 1509 & 1524; HB 2014,2105,2214,2286). \$1,323,900 R
\$184,350 NR
75.00

55 New Magistrate Positions	\$240,978	R
Appropriates funding for six new magistrates. These positions are needed to meet the magistrate staffing levels set forth in GS 7A-133. These positions have been annualized for a July 1, 2006, start date. (HB 2069)	\$24,984	NR
	6.00	
<p>These magistrates will be assigned in the following counties: Carteret, Greene, Alamance, Robeson, Montgomery, and Gaston. (SB 1741, Section 14.5)</p>		
56 New Guardian ad Litem Program Staff	\$743,130	R
Provides funding for thirteen new Guardian ad Litem staff positions to address significant increases in caseloads. These positions include two program assistants and eleven regional program supervisors. (SB 1680)	\$37,231	NR
	13.00	
57 New District Court Judicial Support Staff	\$200,845	R
Provides funding for five new District Court Judicial support staff positions (Judicial Assistant I). These positions are needed to support the recently established judgeships, expansion of family mediation, and other arbitration and mediation efforts. These positions have been annualized for a July 1, 2006, start date.	\$19,080	NR
	5.00	
58 Expansion of Custody Mediation Program	\$558,074	R
Appropriates funding to expand the Custody Mediation Program into the final remaining Judicial Districts, as required by GS 7A-494(a). This expansion will require the establishment of 7.75 new support staff. These positions have been annualized for a July 1, 2006, effective date.	\$38,912	NR
	7.75	
59 Recurring Funds for Family Court Program	\$300,400	R
Provides funding to make the Wake Family Court permanent and to establish two new Family Court Case Coordinator positions in Cumberland and Mecklenburg Counties to meet rising caseloads. (SB 1340 & HB 1911).	\$8,372	NR
	5.00	
60 Expansion of Drug Treatment Court	\$238,092	R
Appropriates additional recurring funds for statewide Drug Treatment Court operations (\$49,992), as well as for three Drug Treatment Court case coordinator positions to replace federal funding that is expiring. (SB 1557 & HB 2473 & 2850).	\$17,562	NR
	3.00	
61 Interpreter Fee Payments	\$775,000	NR
Fully funds interpreter fee payment line item. The current budget for interpreter fees is insufficient to support the total expenditures for this service, which must be provided as required by statute. This expansion is provided on a nonrecurring basis for this fiscal year.		

Overview: 2006 Session Fiscal and Budgetary Actions

FY 06-07

62 Drug Treatment Court for Pre-Plea Offenders		
Appropriates \$300,000 NR to sustain Drug Treatment Court operations in judicial districts where this sanction has been provided for pre-plea offenders. These funds may be used to purchase treatment and case coordination services for this target population.	\$300,000	NR
63 Business Court Expansion	\$236,206	R
Provides funds for a Business Court site in Wake County.	\$11,015	NR
	2.00	
64 Eliminate Reserve for HB 1048	(\$1,869,834)	R
Eliminates the \$1.8 million reserve established in S.L. 2005-226 for judicial and prosecutorial staff pending the passage of House Bill 1048, Governor's DWI Recommendations.		
65 Increase Juror Fees	\$500,000	R
Appropriates funds to raise the fee for jurors from \$12 per day to \$12 per day for the first day of service, \$20 per day for days 2-5, and \$40 per day thereafter. Grand jurors would be raised from \$12 to \$20. (SB 1741, Section 14.17)		
<hr/>		
Budget Changes	\$16,174,876	R
	\$10,916,836	NR
Total Position Changes	271.75	
Revised Total Budget	\$372,852,122	
<hr/>		

Special Provisions

2006 Session: SB 198

Department: Judicial

Section: 14

Title:

Summary Corrects an error in Section 14.4 of S.L. 2006-66 by correcting the current and proposed number of District Court Judges in Buncombe and Gaston Counties.

Section: 15

Title:

Summary Amends S.L. 2006-66 to Section 14.20 which changes the start date of the terms of office for officers of the Conference of Clerks of Court from July 1 to immediately upon election. Also allows AOC to establish up to ten positions for courtroom interpreters using funds available.

2006 Session: SB 1741

Department: Judicial

Section: 14.1

Title: **Collection of Worthless Check Funds**

Summary Allows AOC to use any funds in the Worthless Check Collection account on June 30, 2006, for equipment purchases. This is a standard annual provision

Section: 14.2

Title: **Grant Funds**

Summary Allows AOC to use up to \$1,250,000 in available funds to match federal grants. This is a standard annual provision.

Section: 14.3

Title: **Provide Additional Assistant District Attorneys**

Summary Rewrites Section 7A-60 of the General Statutes to reflect the new Assistant District Attorneys allocated in the budget in Item 7, New Prosecutors and Support Staff.

Section: 14.4

Title: **Additional District Court Judgeships**

Summary Rewrites Section 7A-133 of the General Statutes to allocate the new District Court Judgeships funded in the budget. Two incorrect references are corrected in S.L. 2006-221.

Section: 14.5

Title: **Provide Additional Magistrates/Eliminate Maximum Allocation of Magistrates**

Summary Rewrites Section 7A-133(c) to set the minimum number of magistrates for each county, including six new positions, and to eliminate the maximum cap for each county. The six new positions are funded in the budget in Item 14, New Magistrate Positions.

Section: 14.12

Title: **Monitoring of Community Mediation Centers**

Summary Changes the reporting requirement for the annual report on community mediation programs. The Mediation Network of North Carolina will be required to provide a copy of the annual report to AOC, as well as to the General Assembly.

Section: 14.17

Title: **Increase the Uniform Fees Paid to Jurors**

Summary Changes the statutory payment of fees to jurors for service; it is paired with a money item. The new rate of pay is \$12 for the first day of jury service, \$20 per day for days 2 through 5, and \$40 per day for any days over five. This section also sets the grand juror rate at \$20 per day. This increase is funded in the budget in Item 24, Increase Juror Fees.

Section: 14.19

Title: **Divide Prosecutorial District 19B into Districts 19B and 19D**

Summary Splits prosecutorial district 19B, made up of Randolph, Montgomery, and Moore Counties, to align it with the Superior Court District. Randolph and Montgomery will remain in 19B, while Moore County will become a stand-alone prosecutorial district, 19D. The costs of this split are funded in the budget in Item 11, Split Prosecutorial District 19B.

Overview: 2006 Session Fiscal and Budgetary Actions

Judicial - Indigent Defense

GENERAL FUND

FY 06-07

Total Budget Approved 2005 Session

\$88,648,414

Budget Changes

66 Attorney Fee Payments for Indigent Defense

Non-recurring funds are recommended for unpaid attorney fee applications from fiscal year 2005-06 that need to be carried over to fiscal year 2006-07 due to a funding shortfall.

\$4,500,000 NR

67 Hourly Rate for Private Assigned Counsel

Provides funding to increase the hourly rate for private assigned counsel in capital cases to \$95 at the trial, appellate, and post-conviction levels. The current rate is \$85, which was set in 1993.

\$1,591,162 R

68 NC Prisoner Legal Services, Inc. Contract

Appropriates funding for inflationary increases for the contract with Prisoner Legal Services, Inc.(PLS). Current operating costs for this contract are higher than the total contract amount, creating an operating shortfall for PLS.

\$122,438 NR

69 Establish Audit Function

Establish an Auditor II position within the Office of Indigent Defense Services to analyze fee applications and effect cost savings by preventing over billing.

\$66,029 R
\$3,500 NR
1.00

70 Equipment for Public Defenders

Provides non-recurring funds to replace technology and other office equipment in Public Defenders' offices.

\$200,000 NR

Sentencing Services

71 Increase Sentencing Services

Appropriates non-recurring funds to partially restore a 2004 cut to this program.

\$200,000 NR

Budget Changes

\$1,657,191 R

\$5,025,938 NR

Total Position Changes

1.00

Revised Total Budget

\$95,331,543

Special Provisions

2006 Session: SB 1741

Department: Judicial - Indigent Defense

Section: 14.14

Title: **Indigent Defense Services/State Match for Grants**

Summary Allows IDS to use up to \$50,000 in available funds to match federal grants.

Section: 14.15

Title: **Office of Indigent Defense Services Expansion Funds**

Summary Modifies S.L. 2005-276 to allow IDS to create up to 20 attorney positions, rather than 10, and 10 new support positions, rather than 5, using available funds. The Director must determine that these new positions will produce cost savings, and must be reported to the JPS chairs.

Section: 14.16

Title: **Review of the Office of Indigent Defense Services**

Summary Directs the State Auditor's office to analyze the fee payment processes of the Office of Indigent Defense Services and report any findings to the JPS chairs by March 1, 2007.

Overview: 2006 Session Fiscal and Budgetary Actions

Justice

GENERAL FUND

FY 06-07

Total Budget Approved 2005 Session

\$78,697,271

Budget Changes

CJTSD

72 In-Service LEO Training

Funding is provided to the Criminal Justice Training and Standards Division to develop a new online training and registration system. The system will support Division efforts to provide training and certification services to the state's 29,000 law enforcement officers, 7,000 detention officers, and all 911 operators.

\$300,000 NR

Law Enforcement

73 SBI Staff Expansion

Provides funding for 12 investigative and forensic analysis positions: three field agent positions are effective July 1, 2006 and will be added to the recruitment for the six new meth response agent positions which became effective on June 1, 2006. The remaining nine positions are effective January 1, 2007 when construction of the SBI laboratory expansion is completed.

\$542,284 R
\$266,153 NR
12.00

- 5 SBI Field Agents
- 5 Non-sworn Drug Chemistry Technicians
- 1 Non-sworn Forensic Analyst
- 1 Non-sworn Molecular Geneticist

74 SAFIS Replacement

Provide funding to replace state and local equipment for the Statewide Automated Fingerprint Identification System. In addition, funding is provided for one position: Application Development Supervisor.

\$72,180 R
\$1,891,588 NR
1.00

75 SBI Lab Expansion

Funding is provided to purchase two diesel generators and cubicle furniture to accommodate personnel relocating from Blount Street to the SBI campus.

\$600,000 NR

76 Business Recovery Site

Funds are provided for a business recovery site to house the backup computer center being relocated from the Blount Street site. Funding is also provided for telecommunication charges and IT services charges.

\$353,676 R

Legal Services

77 Attorney Positions

\$238,757 R

Funding is provided for three positions for the Appellate and Law Enforcement Liaison Sections:

\$13,200 NR

3.00

Attorney II (2 positions)

Attorney III

78 Sex Offender Registry Upgrade

\$200,000 NR

Funding is provided to use contractual services to upgrade the state's Sex Offender Registry to include GIS mapping of offenders and public email notification capabilities. (HB 1903)

79 Receipt-Supported Tort Claims Positions

Using receipts per the signed June 2006 cooperative agreement with the Department of Public Instruction to establish two positions to handle the increased demand for tort claims processing services:

Tort Claims Adjuster

Attorney I

80 NC LEAF

\$229,000 R

Funding is provided to the NC Legal Education Assistance Fund (NC LEAF) to increase education loan repayment assistance for qualified law school graduates who accept positions with public or non-profit agencies. This amount will increase the NC LEAF continuation budget to \$500,000. (SB 1367 & HB 1930).

Budget Changes

\$1,435,897 R

\$3,270,941 NR

Total Position Changes

16.00

Revised Total Budget

\$83,404,109

Special Provisions

2006 Session: **SB 198**

Department: Justice

Section: 17

Title:

Summary Amends S.L. 2006-66 to add Part XVI-B, Section 16B.1 which authorizes a receipt-supported Attorney III position to provide legal services for the Department of Cultural Resources.

Juvenile Justice & Delinquency Prevention

GENERAL FUND

FY 06-07

Total Budget Approved 2005 Session

\$138,873,166

Budget Changes

Department Management

81 Positions for Administrative Division

\$115,080 R

Funding is provided to establish two new positions, effective July 1, 2006, to improve operations within the Department's Administration Division:

\$7,000 NR
2.00

Auditor II (PG75)
Purchasing Agent II (PG68)

82 Reserve for Utility and Fuel Costs

Non-recurring funds are provided to address increasing utility and fuel costs.

\$351,826 NR

Department Wide

83 Textbook Purchases

\$50,000 R

Funds are provided to purchase additional textbooks for juveniles committed to DJJDP detention centers and youth development centers. This will increase budget to approximately \$78,000.

Special Initiatives

84 Eckerd Wilderness Camps Contract

\$2,240,420 R

Funds are provided to increase the rate for the existing 326 contracted beds from \$110.41/day to \$121.77/day. The adjustment will partially address the difference between the contract rate and Eckerd's current-year, actual operating cost for the seven NC camps (\$135.32/day). In addition, funding is provided to purchase 20 more beds to increase the total number of contracted beds from 326 to 346.

Youth Development Centers

85 Operating Reserve and Positions for New Beds

Funds are provided to establish an operating reserve for the start-up of new youth development centers scheduled to open between September and December 2007. The original proposal included funds for 59 new positions, as well as funds for training and educational assistance for another 362 positions for five centers. Funding for training and educational assistance is reduced from \$315,700 to \$267,750; the \$267,750 is funded \$133,875 recurring and \$133,875 non-recurring. The changes are designed to account for the fact that a portion of the 421 positions designated to receive these funds have or will have already received training and/or educational assistance. Also, the requested amount in salary and benefits that was intended only for salary adjustment, \$84,000, is eliminated. Finally, the 59 positions requested are reduced to 56. Three positions for the new YDC in Guilford County are eliminated for FY 06/07 due to delays in project startup. The 56 positions are effective at various dates during FY 06/07. (SB 1741, Section 15.6)

\$556,319 R
 \$133,875 NR
 56.00

Budget Changes

\$2,961,819 R

\$492,701 NR

Total Position Changes

58.00

Revised Total Budget

\$142,327,686

Special Provisions

2006 Session: SB 1741

Department: Juvenile Justice & Delinquency Prevention

Section: 15.1

Title: Reports on Certain Programs

Summary Modifies the annual reporting requirement for three non-profit agencies, Project Challenge, the Juvenile Assessment Center, and Communities in Schools, that receive pass-through funding. These agencies shall report by April 1 each year to the House and Senate JPS Appropriations Subcommittee and the Joint Corrections, Crime Control, and Juvenile Justice Oversight Committee.

Section: 15.2

Title: State Funds May be Used as Federal Matching Funds

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

Section: 15.4

Title: Annual Evaluation of Community Programs

Summary Annual reporting requirement on the expenditures, operations, and effectiveness of programs administered by DJJDP. Adds the Joint Corrections, Crime Control, and Juvenile Justice Oversight Committee as one of the committees to receive the report.

Section: 15.5

Title: Alternatives to Juvenile Commitment/Juvenile Crime Prevention Councils

Summary Requires that all future allocations of the \$500,000 R appropriated in 2004 and 2005 be used only for the purposes stated in Section 16.11 of S.L. 2005-276 and Section 16.7 of S.L. 2004-124.

Section: 15.6

Title: Reports on Youth Development Centers

Summary Continues requirement for quarterly reporting on the treatment staffing model for Youth Development Centers. Adds new requirement that the DJJDP issue a final recommended staffing plan for YDC's by November 10, 2006, to the Joint JPS Appropriations Chairs and the Joint Correction, Crime Control, and Juvenile Justice Oversight Committee. The plan is intended to include recommendations on the projected total staffing and cost for each YDC and a final analysis of the treatment staffing model. It is the intent of the General Assembly to consider funding new positions only after this report is received.

GENERAL GOVERNMENT

Overview: 2006 Session Fiscal and Budgetary Actions

Administration

GENERAL FUND

FY 06-07

Total Budget Approved 2005 Session

\$58,818,473

Budget Changes

1311 Office of State Personnel

1 International Employment Specialist \$78,915 R

Provides funding to establish a full-time International Employment Specialist (Agency Legal Specialist II) to ensure compliance with federal laws and regulations regarding the employment of foreign nationals. 1.00

531211	Salaries - Appr.	\$63,000
531461	Longevity Pay	\$ 945
531511	Social Sec. Contribution	\$ 4,820
531521	Retirement Contribution	\$ 4,297
531561	Medical Ins. Contribution	\$ 3,854
532714	Travel - Trans. In-State	\$ 1,999

2 EEO Diversity & Special Emphasis Project Mgmt. \$106,596 R

Appropriates funds for an HR Partner position to provide support to agencies and universities in diversity efforts and to independently investigate documented complaints. Also provides funds for INROADS. 1.00

531211	Salaries - Appr.	\$61,000
531461	Longevity Pay	\$ 915
531511	Social Sec. Contribution	\$ 4,667
531521	Retirement Contribution	\$ 4,160
531561	Medical Ins. Contribution	\$ 3,854
532714	Travel - Trans. In-state	\$ 2,000
536905	Employer OJT Incentive (INROADS)	\$30,000

3 Mediation Training Staff \$54,645 R

Provides funding to support an Administrative Assistant I for the mediation program, which has been shown to be a cost effective way of dealing with employee grievances; and funds additional training. 1.00

531211	Salaries - Appr.	\$30,000
531461	Longevity Pay	\$ 450
531511	Social Sec. Contribution	\$ 2,295
531521	Retirement Contribution	\$ 2,046
531561	Medical Ins. Contribution	\$ 3,854
532714	Travel - Trans. In-state	\$ 1,000
532942	Employee Educational Training	\$15,000

4 Receipt Supported Position - NC Flex Program

Appropriates additional staffing with an HR Partner position to provide services necessary for the program's expansion of participants in community colleges and possibly in the public school system.

531211	Salaries - Appr.	\$55,000
531461	Longevity Pay	\$ 825
531511	Social Sec. Contribution	\$ 4,208
531521	Retirement Contribution	\$ 3,751
531561	Medical Ins. Contribution	\$ 3,854
532714	Travel - Trans. In-state	\$ 2,000
Total		\$69,638

1411 State Construction

5 Space Reallocation in Old Revenue Building

Based on the findings of the Space Utilization Study of the Old Revenue Building, space underutilized in the Office of State Auditor is being reallocated to the Department of Secretary of State in order to accommodate the Lobbying Division staff.

\$85,000 NR

These funds include \$54,000 originally included in the 2005 Budget as recurring funds for rent in FY 06-07 for the Lobbying Registration Enhancement. This funding will be used to accommodate costs to reallocate space between the two agencies.

This budget adjustment is related to Item #62 under the Office of the Secretary of State, Lobbyist Registration Reform Division.

6 HUB Contractor Academies

Provides funding for an Engineer (\$60,000) and the costs associated with the training expenses for the HUB Contractor Academy program. HUB academies provide opportunities for minority contractors to learn strategies for successful participation in public construction projects.

\$72,536 R
\$277,464 NR
1.00

Recurring

531211	Salaries	\$ 60,000
531511	Social Security	\$ 4,590
531521	Retirement	\$ 4,092
531561	Med. Ins.	\$ 3,854

Nonrecurring

53XXXX	Honorariums	\$ 40,000
532199	Misc. Contractual Services	\$176,464
532714	Transportation - Ground	\$ 5,000
532721	Lodging - In State	\$ 5,000
532811	Telephone	\$ 500
532840	Postage	\$ 1,000
533110	General Office Supplies	\$ 1,000
533720	Educational Supplies	\$ 20,000
534534	Equipment - Computer	\$ 2,500
534711	Software	\$ 1,000
535890	Other Admin. Expense - Workshop/Conference	\$ 25,000

1412 State Property Office

7 State Property Surplus Property Disposal System

In Session Law 2003-284, the department was instructed to develop a State-Owned Real Property Disposal System. The system will continuously identify, evaluate, and dispose of surplus property. All proceeds generated will be returned to the General Fund.

\$400,000 NR

1421 Facilities Management Division

8 Paint Shop Establishment

Provides funding to establish a small paint shop staffed by two Painters (\$30,885 each). These individuals will perform small paint jobs and help coordinate informal bids for larger projects. Currently, all painting jobs are done by contracted services.

\$80,117 R

2.00

531211	Salaries	\$	61,770
531511	Social Security	\$	4,726
531521	Retirement	\$	4,213
531561	Med. Ins.	\$	7,708
533150	Security & Safety Supp	\$	800
533510	Clothing & Uniforms	\$	900

9 Building Repairs

Provides funding for small repairs to aging and deteriorating state buildings. Areas covered would include painting, plumbing, electrical, carpentry, AC systems, and general building repair.

\$321,552 NR

10 Additional HVAC Positions

Provides funding for two (2) HVAC Mechanics (\$37,754 each) and two (2) HVAC Technicians (\$41,094 each) to support the workload. Currently, the existing staff is covering 392,857 square feet of office space per employee while the industry standard is 200,000 square feet per employee. The positions will bring the total per employee to 305,555 square feet.

\$198,331 R

4.00

531211	Salaries	\$	157,696
531511	Social Security	\$	12,064
531521	Retirement	\$	10,755
531561	Med. Ins.	\$	15,416
533150	Security & Safety Supp	\$	600
533510	Clothing & Uniforms	\$	1800

11 Increase for Utility and Fuel Expenses

Additional funds are required to cover the increased cost of electrical, natural gas, propane, and gasoline expenses. The department pays for the electrical and heating services for the downtown governmental complex.

\$263,492 NR

1623 State Capital Police

12 Telecommunicator Position

\$31,843 R

Provides funding for a Telecommunicator to support the statewide alarm computer system that is monitored and managed by the State Capital Police 24 hours a day, 7 days a week. Currently, sworn officers have to be utilized to monitor the system.

1.00

531211	Salaries	\$	24,101
531511	Social Security	\$	1,844
531521	Retirement	\$	1,644
531561	Med. Ins.	\$	3,854
532714	Uniforms	\$	400

1731 Council for Women/DV Commission

13 Rape Crisis/Sexual Assault

\$100,000 NR

Provides increased funding for rape crisis and sexual assault services.

14 Domestic Violence Staffing

\$148,175 R

Provides funding for five (5) Office Asst III (\$22,522 each) to provide support staff for the regional offices. This will assure that all regional directors will have full-time support staff so that they can continue to provide services to the counties they serve.

5.00

Recurring

531211	Salaries	\$	112,610
531511	Social Security	\$	8,615
531521	Retirement	\$	7,680
531561	Med Ins	\$	19,270

15 Domestic Violence Center Fund

\$350,000 R

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

16 Council for Women Staffing

\$55,983 R

Provides funding for a Community Development Specialist for the Council for Women.

\$4,000 NR

1.00

Recurring

531211	Salaries	\$	44,229
531511	Social Security	\$	3,384
531521	Retirement	\$	3,016
531561	Med. Ins.	\$	3,854
533XXX	Operating Expenses	\$	1,500

Nonrecurring

534500	Equipment	\$	4,000
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1761 Youth Involvement Office

17 Increase Internship Slots

\$88,811 R

Funding is appropriated to support 25 additional summer internship slots. (HB 2336)

1771 Division of Veterans Affairs

18 Increase Funding for Veterans Scholarship Program

\$373,824 R

Additional funding is being recommended to support the Veterans Scholarship program. The program has experienced a 20 percent increase in the number of students over the last two years. In addition to the enrollment increase, UNC System's room and board costs have increased as well as tuition for both the UNC System and the community college system. 76.4 percent of the Veterans Scholarship Program is supported by the state's Escheat Fund for need based students.

Escheats Fund Receipts \$1,210,176

19 Establish Three Additional Staff

\$120,669 R

Provides funding to establish a Processing Assistant III (\$20,955) in Asheville, a District Service Officer (\$32,432) in Durham and a Training Officer (\$36,521).

\$5,175 NR
3.00

Recurring

531211	Salaries	\$89,908
531511	Social Security	\$ 6,878
531521	Retirement	\$ 6,132
531561	Med Ins	\$11,561
532714	Transportation - Ground (In State)	\$ 4,162
532721	Lodging (In State)	\$ 1,118
532724	Meals	\$ 610
533110	General Office Supplies	\$ 300

Nonrecurring

534534	PC/Printer	\$ 4,200
534711	Other Computer Software	\$ 975

1861 Commission on Indian Affairs

20 Economic Development Initiative

Provides funding for two (2) Economic Development Specialists (\$41,366 each) to continue work on the NC Indian Economic Development Initiative. \$117,411 NR

531211	Salaries	\$ 82,732
531511	Social Security	\$ 6,329
531521	Retirement	\$ 5,642
531561	Med Ins	\$ 7,708
532721	Lodging	\$ 2,500
532724	Meals	\$ 2,000
532732	BD/NON-Employee Transp	\$ 1,000
532732	BD/NON-Employee Subsistence	\$ 1,000
532732	Workshops/Conferences	\$ 1,000
532811	Telephone Services	\$ 500
532840	Postage/Office Supplies/Printing	\$ 1,500
533110	General Office Supplies	\$ 3,500
532821	Computer/Data Processing Svc	\$ 1,000
534511	Office Furniture	\$ 1,000

(Note: Section 19A of S.L. 2006-221 (SB 198) amended this item to provide a grant to the North Carolina Indian Economic Development Initiative, Inc., 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 continue the work of the North Carolina Indian Economic Development Initiative, Inc., aimed at spurring economic development and creating jobs in rural Indian communities.)

XXXX Energy Office

21 Emergency Management Plan

Provides funding to update the Emergency Management Plan. This funding is to be transferred to Budget Code 34100 for Fund Code 3466. (S.L. 2006-221, Section 18; HB 2194 & SB 1489) \$40,000 NR

Budget Changes	\$1,760,445	R
	\$1,614,094	NR
Total Position Changes		20.00
Revised Total Budget	\$62,193,012	

Special Provisions

2006 Session: SB 198

Department: Administration

Section: 18

Title: Update NC Energy Emergency Plan

Summary Amends S.L. 2006-66 by creating a new section, Section 17A, that requires the State Energy Office to update the North Carolina Energy Emergency Plan. Follows Item #21, page J-6.

Section: 19A

Title: NC Indian Economic Development Initiative, Inc.

Summary Amends S.L. 2006-66 by creating a new section, Section 17.7, that directs the Department to transfer \$117,411 to the NC Indian Economic Development Initiative, Inc. as nonrecurring funds to create jobs and economic growth in Indian communities. Follows Item #20, page J-6.

2006 Session: SB 1741

Department: Administration

Section: 17.1

Title: Examine Feasibility of Combining Funding Sources of the NC Council for Women and Domestic Violence Commission

Summary Directs the Department to examine the distribution of the domestic violence and sexual assault grants. The report is due by February 1, 2007.

Section: 17.2

Title: State Energy Office Needs Assessment

Summary Directs the State Energy Office and the Office of State Budget and Management to conduct a needs assessment of the Energy Office that includes an evaluation of its mission statement. The needs assessment is due by February 1, 2007.

Section: 17.3

Title: HUB Contractor Academy Program Space

Summary Authorizes the Department to work in conjunction with the University of North Carolina System for the continued use of space to conduct the training sessions during the 2006-2007 fiscal year. The Department will evaluate whether additional training sites will be necessary in future years.

Section: 17.4

Title: Old Revenue Building

Summary Directs the Department to examine the feasibility of redesigning the Old Revenue Building to address security concerns and unused and underutilized space. The report is due by November 1, 2006.

Section: 17.5

Title: **Commission on State Property Funds**

Summary Directs the Department to transfer the sum of \$250,000 to the Commission on State Property from the Department's budget.

2006 Session: SB 1523

Department: Administration

Section: 33.5

Title: **Eligibility of Displaced Homemaker Program**

Summary Amends S.L. 2006-66 to add Section 17.7 which further amends G.S. 143B-394.4(4) to clarify the definition of displaced homemaker.

Overview: 2006 Session Fiscal and Budgetary Actions

Auditor

GENERAL FUND

FY 06-07

Total Budget Approved 2005 Session

\$10,840,918

Budget Changes

1210 Field Audit Division

22 Lease for Fayetteville Branch Office

\$19,064 R

Funding is recommended for the Fayetteville Branch Office to obtain new office space and move from the Office of the Clerk of Court, which is one of the agencies audited by the State Auditor. Government Accounting Standards dictate that independence is necessary to be free both in fact and appearance from personal, external, and organizational impairment to independence. The Office's independence is questioned because audit standards prohibit accepting free office space from audited entities.

23 Agency Network Troubleshooting Software

\$38,500 R

Funding is recommended for software to assist the auditor in identifying network issues accurately. The "Network Performance Monitoring Service" will be purchased from ITS.

Budget Changes

\$57,564 R

Total Position Changes

Revised Total Budget

\$10,898,482

Special Provisions

2006 Session: SB 1741

Department: Auditor

Section:

Title: (No Special Provisions Reported)

Summary

Overview: 2006 Session Fiscal and Budgetary Actions

Cultural Resources

GENERAL FUND

FY 06-07

Total Budget Approved 2005 Session

\$62,917,147

Budget Changes

1110 Office of the Secretary

24 Facility Construction Engineer Position

\$49,210 R

Funding is provided to establish a Facility Construction Engineer I position to design facilities, perform design reviews, monitor construction, and inspect and manage renovations and new construction projects throughout the state.

1.00

531211	SPA-Reg Salaries-Approp.	\$39,623
531511	Social Security - Approp.	\$ 3,031
531521	Reg. Retire Contri-Approp	\$ 2,702
531561	Med Ins Contrib-Approp.	\$ 3,854

25 Attorney III Position

\$106,578 R

Appropriates funding for an Attorney III position that will be located in the Department of Justice to focus on administrative law matters involving personnel, procurement and contracting, organizational development and historical document and artifact recovery.

1.00

531211	SPA-Reg Salaries-Approp.	\$89,739
531511	Social Security - Approp.	\$ 6,865
531521	Reg. Retire Contri-Approp.	\$ 6,120
531561	Med Ins Contrib-Approp.	\$ 3,854

1120 Administrative Services

26 Increase in Administrative Staff

\$42,533 R

Funding is provided for an Accountant I position to help the department meet legally mandated and grant specific accounting and reporting requirements in a timely manner.

1.00

531211	SPA - Reg Salaries - Appropriated	\$33,790
531511	Social Security Contribution - Approp.	\$ 2,585
531521	Regular Retirement Contribution - Approp.	\$ 2,304
531561	Medical Insurance Contribution - Approp.	\$ 3,854

1210 Archives & History - Administration

27 Cultural Sharing and Caring Program

Funding is appropriated for the creation of the Cultural Sharing and Caring Program. This program will provide ballet and opera in public school systems, and is designed to enhance the teaching and learning of history, arts, and culture in North Carolina by providing for the creation of several education initiatives and expansion of established programs.
(SB 1741, Section 17A.1)

\$750,000 NR

1241 State Historic Sites

28 Fire and Burglary Protection

Funding is provided to support two (2) positions - Maintenance Mechanic III (\$25,886) and Maintenance Mechanic IV (\$30,045)- that were recommended by the Governor, and a Security Officer II (\$24,101) and 2 Security Guard I(\$20,955 each) positions that were added by the subcommittee. The positions will have responsibility for the installation and maintenance of fire and/or intrusion alarm systems throughout the state and to provide enhanced security at Fort Fisher, the North Carolina Transportation Museum, and other historic sites.

\$288,957 R

5.00

531211	SPA-Reg Salaries-Approp	\$121,942
531511	Social Sec. Contrib-Approp	\$ 9,329
521521	Reg Retire Contrib-Approp	\$ 8,316
531561	Med Ins. Contrib-Approp	\$ 19,270
5321xx	Security & Misc. Contractual Services	\$ 99,000
532490	Maintenance Agreement	\$ 20,000
532714	Transp-Grnd- In State	\$ 6,500
532721	Lodging - In-State	\$ 1,000
432724	Meals - In State	\$ 1,000
532942	Other Emp Educational Expense	\$ 1,000
533900	Other Materials/Supplies	\$ 1,000
534534	PC/Printer Equipment	\$ 500
534713	PC Software	\$ 100

1250 Historic Preservation

29 Eastern Office-Humber House

Funding is provided to support the operation of the Eastern Office located in the Humber House in Greenville.

\$13,940 R

532184	Janitorial Service Agreement	\$1,780
532188	Lawns and Grounds Service Agreement	\$1,810
532199	Misc Contractual Services	\$3,000
532210	Electrical	\$ 700
532220	Natural Gas/Propane	\$1,600
532230	Water & Sewer	\$ 400
532714	Transportation Ground, In State	\$1,000
532721	Lodging, In State	\$1,000
532724	Meals - In State	\$1,000
532811	Telephone Service	\$ 600
532812	Telecommunication Data Charge	\$ 300
533900	Other Materials and Supplies	\$ 750

1260 Office of State Archaeology

30 Queen Anne's Revenge Archaeology Project

Provides funding to sustain archaeological and historical research on the shipwreck believe to be Blackbeard's Queen Anne's Revenge. (HB 2282)

\$247,040 NR

1320 Museum of Art

31 Monet and Egyptian Treasures Exhibits

Funding is appropriated for payment of the required venue fee for the Egyptian Art exhibit and costs associated with bringing the Monet exhibition to the Museum.

\$225,000 NR

1330 NC Arts Council

32 Grassroots Arts Council

Provides additional funding for grants in FY 2006-07 that will be awarded through the formal application process. (HB 2702)

\$1,000,000 NR

33 Basic Grants Program

Provides additional funding for grants in FY 2006-07 that will be awarded through the formal application process. (HB 2702)

\$650,000 NR

1340 North Carolina Symphony

34 Symphony Education Program

Provides additional funding in FY 2006-07 to support the North Carolina Symphony's education programs throughout the state.

\$325,000 NR

536936 NC Symphony Society, Inc. \$325,000

1480 State Library - Statewide Programs & Grants

35 Aid to Counties

Provides additional nonrecurring funds to support grants to public libraries in accordance with the formula for State-Aid to Libraries. (SB 1206)

\$830,248 NR

36 Digital Preservation Program (State Library)

Appropriates funding for three (3) positions - Librarian IV (\$39,623), Librarian Consultant II (\$43,157), and Asst. State Librarian (\$49,428). The positions will assist State agencies in understanding and participating in digital preservation efforts to collect, manage, and preserve digital publications and other records of government for long-term public access.

\$200,000 R

3.00

531211	Salaries - Appr.	\$132,208
531511	Social Sec. Contribution	\$ 10,114
531521	Retirement Contribution	\$ 9,017
531561	Medical Ins. Contribution	\$ 11,562
532715	Travel - Trans. Grd Out of-state	\$ 4,000
532721	Lodging - in state	\$ 4,000
532724	Meals in state	\$ 4,000
532942	Other - Employee Ed	\$ 7,000
533110	General Office Supplies	\$ 4,000
534630	Literature	\$ 14,100

Department-wide

37 Conversion of Temporary Positions to Permanent Pos \$672,816 R

Provides funding to convert 20 temporary positions to permanent full time status. The permanent positions will support work for the Museum of History, Queen Anne's Revenge, Tryon Palace, Maritime Museum, and historic sites. 20.00

531211	SPA-Reg Salaries - Approp.	\$520,430
531511	Social Security Contribution	\$ 39,813
531561	Retirement Contribution	\$ 35,493
531561	Medical Insurance	\$ 77,080

38 Reserve for Utility and Fuel Costs \$19,694 NR

Appropriates funds for projected increased costs for electricity, natural gas, and propane for the state historic sites and other facilities located throughout the state.

Budget Changes	\$1,374,034	R
	\$4,046,982	NR
Total Position Changes		31.00
Revised Total Budget	\$68,338,163	

Special Provisions

2006 Session: SB 198

Department: Cultural Resources

Section: 23

Title: **North Carolina State Art Society**

Summary S.L. 2006-66 is amended by adding Section 22.22, which rewrites several statutes related to the Art Society. G.S. 140-14 is rewritten to change the name of the North Carolina Art Society to the North Carolina State Art Society and places it under the administration of the North Carolina Museum of Art. Additionally, G.S. 140-5.13 (b)(2), G.S. 140-12, G.S. 140-12 and 13, G.S. 143B-53, and Part 15 of Article 2 of Chapter 143Bi are rewritten to reference the organization as the North Carolina State Art Society. The final change is to G.S. 140-5.15© which indicates that the State-funded portion of the salary of the Director of the North Carolina Art Museum will be fixed by the General Assembly in the Current Operations Appropriations Act.

2006 Session: SB 1741

Department: Cultural Resources

Section: 17A.1

Title: **Cultural Caring and Sharing Program**

Summary Directs the Department to present a report to the Gov Ops by November 1, 2006 that includes 1) the plans for offering and scheduling the program components; 2) a list of program components currently available in the local schools systems, including the availability and the frequency the components are offered; 3) the coordination required between the Departments of Cultural Resources and Public Instruction and the local school systems to provide any or all of the program components, including the anticipated level of participation in the program; and 4) the allocation of the funding appropriated in FY 2006-07 to support the program components.

Overview: 2006 Session Fiscal and Budgetary Actions

Cultural Resources - Roanoke Island Commission

GENERAL FUND

Total Budget Approved 2005 Session	FY 06-07 \$1,783,374
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Budget Changes

39 NO CHANGES ENACTED.

Budget Changes	
Total Position Changes	
Revised Total Budget	\$1,783,374

Special Provisions

2006 Session: SB 1741

Department: Cultural Resources - Roanoke Island Commission

Section:

Title: (No Special Provisions Reported)

Summary

Overview: 2006 Session Fiscal and Budgetary Actions

General Assembly

GENERAL FUND

	FY 06-07
Total Budget Approved 2005 Session	\$46,965,432

Budget Changes	
1900 Reserves and Transfers	
40 Reserve for Utility and Fuel Costs	
Funding is appropriated to cover increased electric utility costs.	\$38,284 NR

Budget Changes	\$38,284 NR
Total Position Changes	
Revised Total Budget	\$47,003,716

Special Provisions

2006 Session: SB 1741

Department: General Assembly

Section:

Title: (No Special Provisions Reported)

Summary

Overview: 2006 Session Fiscal and Budgetary Actions

Governor

GENERAL FUND

FY 06-07

Total Budget Approved 2005 Session

\$5,344,528

Budget Changes

1110 Administration

41 Operating Support

\$100,000 R

Provides funding for operating support which includes travel, communication and data processing services and other services and expenses.

532390	Repairs	\$ 5,000
532711	Transportation - Air (In State)	\$10,000
532714	Transportation - Ground (In State)	\$ 5,000
532821	Computer/Data Processing Services	\$25,000
532840	Postage & Delivery	\$ 5,000
532930	Registration Fees	\$10,000
533900	Other Material & Supplies	\$15,000
538166	Transfer to CC&PS	\$25,000

Budget Changes

\$100,000 R

Total Position Changes

Revised Total Budget

\$5,444,528

Special Provisions

2006 Session: SB 1741

Department: Governor

Section:

Title: (No Special Provisions Reported)

Summary

Overview: 2006 Session Fiscal and Budgetary Actions

Housing Finance Agency

GENERAL FUND

FY 06-07

Total Budget Approved 2005 Session

\$4,750,945

Budget Changes

8102 HTF State Appropriations

42 Housing Programs

Funding is provided to increase the resources of the North Carolina Housing Trust Fund in FY 2006-07. (SB 1271, HB 2051 and HB 2109)

\$5,000,000 NR

43 HTF - 400 Apartment Housing Initiative

Provides funding to the North Carolina Housing Trust Fund for a 400 apartment initiative recommended by the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services. These funds are for financing of the portion of the 400 independent- and supportive-living apartments for individuals with disabilities not able to be financed within the existing means of the North Carolina Housing Finance Agency. Funds for operating assistance for the 400 apartments are located in the Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services section of this report. The apartments shall be affordable to those with incomes at the Supplemental Security Income (SSI) level. A description of this item is also located in the Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services section of this report. (SB 1535, HB 2079)

\$10,937,500 NR

8104 NC Housing Foreclosure

44 Continue the Home Protection Pilot Program

Appropriates funding to continue the pilot in the 26 counties in FY 2006-07.

\$1,500,000 NR

Budget Changes

\$17,437,500 NR

Total Position Changes

Revised Total Budget

\$22,188,445

Special Provisions

2006 Session: SB 1741

Department: Housing Finance Agency

Section:

Title: (No Special Provisions Reported)

Summary

Overview: 2006 Session Fiscal and Budgetary Actions

Insurance

GENERAL FUND

FY 06-07

Total Budget Approved 2005 Session

\$28,110,582

Budget Changes

1300 Technical Services

45 Communication Specialists

\$130,057 R

Provides funding to convert two (2) Communication Specialists (\$35,000 each) from temporary to permanent status in the call center operations to assist citizens with questions and complaints on Medicare, Medicare Advantage, and Medicare Prescription Drug Plans.

\$12,000 NR
2.00

531211	Salaries	\$	70,000
531511	Social Security	\$	5,355
531521	Retirement	\$	4,774
531561	Med Ins	\$	7,708
532XXX	Travel & Training	\$	8,640
532512	Rent	\$	7,160
532811	Telephone Services	\$	24,020
533110	General Office Supplies	\$	2,400
534XXX	Furniture & Equipment	\$	12,000

1500 Office of the Fire Marshall

46 Receipt Supported Positions Conversion

\$295,789 R

It is recommended that the funding source for three positions established in 2005-06 be converted to appropriation support and that sufficient operational support be provided. This action will provide consistency within the division's budget.

\$18,000 NR
3.00

531211	Salaries	\$	210,000
531511	Social Security	\$	16,065
531521	Retirement	\$	14,322
531561	Med. Ins.	\$	11,562
532***	Travel & Training	\$	15,600
532512	Rent/Storage Rental	\$	14,140
532811	Telephone Services	\$	10,500
533110	General Office Supplies	\$	3,600
534XXX	Furniture & Equipment	\$	18,000

Budget Changes	\$425,846	R
	\$30,000	NR
Total Position Changes	5.00	
Revised Total Budget	\$28,566,428	

Special Provisions

2006 Session: SB 1741

Department: Insurance

Section:

Title: (No Special Provisions Reported)

Summary

Overview: 2006 Session Fiscal and Budgetary Actions

Insurance - Volunteer Safety Workers' Compensat

GENERAL FUND

Total Budget Approved 2005 Session	FY 06-07 \$4,500,000
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Budget Changes

47 NO CHANGES ENACTED.

Budget Changes

Total Position Changes

Revised Total Budget \$4,500,000

Special Provisions

2006 Session: SB 1741

Department: Insurance - Volunteer Safety Workers' Compensation Fund

Section:

Title: (No Special Provisions Reported)

Summary

Overview: 2006 Session Fiscal and Budgetary Actions

Lieutenant Governor

GENERAL FUND

FY 06-07

Total Budget Approved 2005 Session

\$753,037

Budget Changes

1110 Administration

48 Increase in Operating Budget

\$2,600 R

Provides additional funding to cover travel expenses.

532714	Transportation - In State	\$1,400
532721	Lodging - in state	\$ 800
532724	Meals - In state	\$ 400

49 Expand Personnel

\$85,833 R

Appropriate funding for a Senior Research Analyst position.

1.00

531211	Reg Salaries - Appropriated	\$70,000
531511	Social Security Contribution - Approp.	\$ 5,355
531521	Regular Retirement Contribution - Approp.	\$ 4,774
531561	Medical Insurance Contribution - Approp.	\$ 3,854
533110	General Office Supplies	\$ 100
534534	Printer/PC Equipment	\$ 1,300
534713	PC Software	\$ 500

Budget Changes

\$88,433 R

Total Position Changes

1.00

Revised Total Budget

\$841,470

Special Provisions

2006 Session: SB 1741

Department: Lieutenant Governor

Section:

Title: (No Special Provisions Reported)

Summary

Overview: 2006 Session Fiscal and Budgetary Actions

Office of Administrative Hearings

GENERAL FUND

FY 06-07

Total Budget Approved 2005 Session

\$2,969,712

Budget Changes

1110 Administration

50 Operational Support & Reduction of Unrealized Rec.

\$57,578 R

Provides funds to cover the unrealized budgeted receipts from the sale of the NC Register that have been lost due to the availability of the publication on the Internet at no charge. Also provides funding for employee educational expenses to obtain certification training for Civil Rights Investigators and to supplement CLE training for attorneys, and for printing the NC Register in FY 2006-07.

\$3,789 NR

532942 Employee Education \$ 7,578
 532800 Communication/Data Process \$(15,155)

434310 Sale of NC Register \$(65,155)

532840 Printing \$ 3,789 NR

51 Administrative Law Judge Positions

\$212,000 R

Appropriates funds for two (2) additional Administrative Law Judges to manage increased filings. (SB 1486, HB 2036)

\$8,000 NR
 2.00

531211 Salary \$172,964
 531511 Social Security \$ 13,232
 531521 Retirement \$ 11,796
 531561 Hospitalization \$ 7,708
 5327XX Travel \$ 2,500
 532811 Telephone \$ 2,500
 532841 Employee Education \$ 1,500
 533110 Office Supplies \$ 800
 534511 Office Furn/Equip. \$ 4,000
 534522 Computer Equipment \$ 4,000

Budget Changes

\$269,578 R

\$11,789 NR

Total Position Changes

2.00

Revised Total Budget

\$3,251,079

Special Provisions

2006 Session: SB 198

Department: Office of Administrative Hearings

Section: 20

Title: Office Administrative Hearings Employees Reestablished

Summary Amends S.L. 2006-66 to add Section 18.2 which repeals various previously enacted provisions establishing the number of administrative law judges and other employees in the Office of Administrative Hearings. The Chief Administrative Law Judge position is reestablished as exempt from the State Personnel Act and all other positions are reestablished subject to the State Personnel Act. Other technical clarifying changes are made per Section 20.

(Note: Refer to the Salaries and Benefits Section, pages O-1 through O-14).

2006 Session: SB 1741

Department: Office of Administrative Hearings

Section: 18.1

Title: Codifier's Authority Over the Register

Summary The Office of Administrative Hearings may authorize and license the private indexing, marketing, sales, reproduction, and distribution of the NC Register.

Overview: 2006 Session Fiscal and Budgetary Actions

Revenue

GENERAL FUND

FY 06-07

Total Budget Approved 2005 Session

\$80,673,250

Budget Changes

1605 Information Technology

52 IT Staffing

\$521,059 R

Funding is appropriated for two (2) IT positions per the Governor's recommendations and four (4) positions added by the subcommittee to provide systems applications development, mainframe applications development, PC/desktop hardware/software support, business analysis, and computer operations.

6.00

531211	SPA Regular Salaries	\$434,992
531511	Social Security Contributions	\$ 33,277
531521	Retirement Contributions	\$ 29,666
531561	Medical Insurance Contributions	\$ 23,124

53 Security for Taxpayer Operating Systems

\$750,000 NR

Provides funding to address the security issues of the taxpayer operating system from questions raised in the 2004 Statewide Security Assessment.

532140	Other Information Technology-Consulting Sv.	\$100,000
532942	Other Employee Education	\$ 30,000
534535	Server Equipment	\$263,000
534714	Server Software	\$357,000

1623 Personal Taxes

54 Staffing for Tax Hearings

\$59,484 R

Provides funds for a Revenue Administrative Officer III position to assist with the increase in administrative tax hearings resulting from increased taxpayer activities brought about by Project Collect Tax and Project Tax Compliance.

\$4,581 NR
1.00

531211	SPA Regular Salaries	\$47,232
531511	Social Security Contributions	\$ 3,614
531521	Retirement Contributions	\$ 3,222
531561	Medical Insurance Contributions	\$ 3,854

1605 IT

532448	Maintenance Agreement - PC Software	\$ 507
534713	PC Software Purchases	\$ 401 NR

1681 Administrative Svs

532811	Telephone Service	\$ 350
533110	General Office Supplies	\$ 500
534511	Furniture - Office	\$ 4,180 NR
534528	Voice Comm Equipment (telephone)	\$ 205 NR

1662 Taxpayer Call Center (TACC)

55 Taxpayer Assist. & Collection Ctr. Staffing

Funding provides for the conversion of thirty (30) temporary positions to permanent full time status and adds seventeen (17) new permanent positions. The total cost of the conversion and new positions is \$1,641,036. Part of the cost will be covered by an existing \$400,000 budgeted in temporary wages, which will be moved from the temporary line item to salaries. The remaining \$1,241,036 will come from receipts from the 20% Collection Assistance Fee charged in relationship to Project Collect.

531212	SPA Regular Salaries - Receipts	\$1,146,770
531512	Social Security Contributions - Receipts	\$ 87,728
531522	Retirement Contributions - Receipts	\$ 78,210
531562	Medical Insurance Contributions - Rec	\$ 181,138
532448	Maintenance Agreement - PC Software	\$ 5,405
532811	Telephone Service	\$ 16,450
533110	General Office Supplies	\$ 23,500
534511	Furniture - Office	\$ 76,500 NR
534521	Office Equipment Calculator	\$ 1,700 NR
534528	Voice Comm Equipment (telephone)	\$ 3,400 NR
534528	Voice Comm Equipment (headsets)	\$ 1,048 NR
534528	Voice Comm Equipment (amplifier adapter)	\$ 374 NR
534528	Voice Comm Equipment (headsets)	\$ 113 NR
534534	PC & Printer Purchases	\$ 11,900 NR
534713	PC Software Purchases	\$ 6,800 NR
531312	Temporary Receipts	\$ (400,000)
Total		\$1,139,201
		\$ 101,835 NR

56 Operating Expense Transfer

(\$494,402) R

Transfers 15 positions in the division from General Fund to receipt-support with revenue from the 20% Collection Assistance Fee. The transfer of the positions provides the allocation of State funds to support the four (4) new positions in the IT Division, and one (1) additional position in the Documents and Payments Processing Division that were added by the subcommittee.

-15.00

The following positions are transferred to receipt-support:

Processing Assistant V	784-0000-0075-550	(\$25,892)
Processing Assistant V	784-0000-0075-551	(\$27,414)
Processing Assistant V	784-0000-0075-552	(\$29,476)
Processing Assistant IV	784-0000-0075-553	(\$24,885)
Processing Assistant IV	784-0000-0075-554	(\$24,885)
Processing Assistant IV	784-0000-0075-555	(\$24,885)
Processing Assistant IV	784-0000-0075-556	(\$24,885)
Processing Assistant IV	784-0000-0075-557	(\$24,885)
Processing Assistant IV	784-0000-0075-558	(\$24,885)
Processing Assistant IV	784-0000-0075-559	(\$24,885)
Processing Assistant IV	784-0000-0075-560	(\$24,885)
Processing Assistant IV	784-0000-0075-561	(\$24,885)
Processing Assistant IV	784-0000-0075-562	(\$24,885)
Processing Assistant IV	784-0000-0075-563	(\$24,885)
Processing Assistant IV	784-0000-0075-564	(\$24,885)
531211	Salaries	(\$381,402)
531151	Social Security Contr. - Approp	(\$29,178)
531521	Retirement Contr. - Approp	(\$26,012)
531561	Medical Insurance - Approp.	(\$57,810)

1670 Unauthorized Substance Tax

57 Additional Tax Enforcement Agent and Lease Space

\$94,319 R
\$11,907 NR
1.00

Funding adds one (1) USUB Tax Enforcement Agent for a total of 13 agents in the division. Additionally, the USUB Tax Division is being relocated to an office outside the Revenue Building, and funding is provided to cover the cost of rent.

521211	SPA Regular Salaries	\$35,134
531511	Social Security Contributions	\$ 2,688
531531	LEO Retirement Contributions	\$ 4,153
521561	Medical Insurance Contributions	\$ 3,854
532133	Employee/Employment Physicals	\$ 150
532210	Energy Service - Electrical	\$ 4,500
532220	Energy Service - Natural Gas	\$ 1,500
532448	Maintenance Agreement - PC Software	\$ 115
532512	Rent/Lease Buildings/Offices	\$33,000
532714	Transportation - Ground - In State	\$ 5,600
532721	Lodging - In State	\$ 700
532724	Meals - In State	\$ 700
532811	Telephone Service	\$ 350
532814	Cellular Phone Service	\$ 600
533110	General Office Supplies	\$ 500
533510	Clothing and Uniforms	\$ 325
534511	Furniture - Office	\$ 4,200
534521	Office Equipment (calculator)	\$ 100
534528	Voice Comm Equipment (cell phone)	\$ 45
534528	Voice Comm Equipment (telephone)	\$ 200
534529	Custody & Security Equipment	\$ 2,500
534534	PC & Printer Purchases (laptop)	\$ 1,350
534534	PC & Printer Purchases (bag & printer)	\$ 262
534713	PC Software Purchases	\$ 400

1685 Documents & Payments Processing

58 Additional Support for Division

\$161,444 R
5.00

Funding provides four (4) positions in the Governor's recommendations and one (1) added by the subcommittee to process the increase in payments resulting from increased collection activities brought about by Project Collect Tax and Project Compliance.

531211	SPA Regular Salaries	\$120,830
531511	Social Security Contributions	\$ 9,244
531521	Retirement Contributions	\$ 8,240
531561	Medical Insurance Contributions	\$ 19,270
532448	Maintenance Agreement - PC Software	\$ 575
532811	Telephone Service	\$ 1,750
533110	General Office Supplies	\$ 1,535

1850 Lee Tax Credit

59 Add'l Support for William S. Lee Tax Credit Prog

\$171,390 R

The application fee that helps support the William S. Lee Program is not sufficient to fund all the needed personnel. Funding is provided to augment the lack of receipts with GF appropriation that will support four (4) positions to adequately support the program. Of the four positions, two (2) existing - an Economist III and a Revenue Field Auditor II, and a new Information Processing Tech will have GF support, and a new Revenue Administrative Officer III position will be receipt supported.

3.00

531211	SPA Regular Salaries	\$137,108
531212	SPA Regular Salaries - Rec	\$ 47,232
531511	Social Security Contributions	\$ 10,489
531512	Social Security Contr. - Rec	\$ 3,613
531521	Retirement Contributions	\$ 9,351
531522	Retirement Contributions - Rec	\$ 3,221
531561	Medical Insurance Contributions	\$ 11,562
531562	Medical Insurance Contr. - Rec	\$ 3,854

1605 IT

532448	Maintenance Agreement - PC Software	\$ 230
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1681 Administrative Svs

532811	Telephone Service	\$ 1,050
533110	General Office Supplies	\$ 1,000
534521	Office Equipment (calculator)	\$ 200
534528	Voice Comm Equipment (telephone)	\$ 400

Total Requirements	\$229,310
Total Receipts	(\$57,920)
Appropriation	\$171,390

Budget Changes

\$513,294 R

\$766,488 NR

Total Position Changes

1.00

Revised Total Budget

\$81,953,032

Special Provisions

2006 Session: SB 1741

Department: Revenue

Section: 19.2

Title: **Revised Maximums for Collection Assistance Fees**

Summary Amends G.S. 105-243.1(e)(3) to change the allowance for the taxpayer locator service from \$100,000 to \$150,000 annually; and changes G.S. 105-243.1(e)(4) to allow postage costs not to exceed \$353,000 annually.

Section: 19.3

Title: **Consolidate Tax Projects Reports**

Summary Amends G.S. 105-243.1(f) to specify that the consolidated report is related to Department activities required by G.S. 105-256(a) which contains information on the Department's efforts to collect tax debts and its use of the proceeds from the collection assistance fee. G.S. 105-256(a)(6) is amended to clarify that the annual report on the quality of services to taxpayers presented to Gov Ops will include services provided through the Taxpayer Assistance Call Center, in addition to information on walk-in assistance, and taxpayer education. Additionally, G.S. 105-256(a) is amended to add subsection (8) to specify that semi-annual reports are due on January 1 and July 1 to Gov Ops and the Revenue Laws Study Committee on the Department's efforts to: a) increase compliance with tax laws by describing in the initial report the existing initiatives in this area as of July 1, 2006 with an estimate, by tax type and amount, of the revenue expected in the fiscal year by the initiative, and any new initiative implemented since July 1, 2006 also with an estimate, by tax type and amount, of the revenue expected in the fiscal year by the initiative; b) identify and address fraud and other abuses of the voluntary tax compliance system that result in unreported and underreported tax with an indication of the Department's long-term plan for achieving greater voluntary compliance, and a summary of the steps taken since the last report and their results; c) collect tax debt, including a breakdown of the amount and age of tax debts collected through warning letters and other means, with an itemization of collections by tax type and the Department's long-term collection plan, and a summary of the steps taken since the last report and their results. Additionally, per G.S.105-256(a)(8)d) the Department is directed to report on the use of the proceeds from the collection assistance fee imposed by G.S. 105-243.1.

Section: 19.4

Title: **Payment of USUB Penalties to Civil Penalty and Forfeiture Fund**

Summary Directs the Department to spend up to \$2.4 million of funds unencumbered at the end of FY 2005-06 to pay the Civil Penalty and Forfeiture Fund for deposits that were improperly distributed to local law enforcement agencies for the period July 1, 2005 to December 31, 2005. Additionally, through FY 2008-09 the Department is required to reduce succeeding distributions to a law enforcement agency under G.S. 105-113.113 to offset the amount that was improperly distributed to that agency, and the Department shall deposit the funds collected into a reserve account that shall not revert at the end of each fiscal year.

Overview: 2006 Session Fiscal and Budgetary Actions

Secretary of State

GENERAL FUND

FY 06-07

Total Budget Approved 2005 Session

\$9,369,633

Budget Changes

1110 General Administration

60 Facility Planner I Position

\$42,125 R
 \$7,000 NR
 1.00

Provides funding to establish a Facility Planner I position and operational support to deliver department-wide programs required by statute, state policy, and business need. The department will improve compliance with all related requirements including employee safety and health, energy conservation, ADA access, Workers' Compensation, document storage, security, and disaster response.

Recurring

531211	Salaries	\$31,204
531511	Social Security	\$ 2,388
531521	Retirement	\$ 2,129
531561	Med Ins	\$ 3,854
532714	Transportation - Ground (In State)	\$ 500
532724	Meals (In State)	\$ 1,000
532811	Telephone Service	\$ 150
532840	Postage	\$ 200
532850	Printing	\$ 250
532930	Registration	\$ 200
533110	Office Supplies	\$ 250

Nonrecurring

532811	Telephone Service	\$ 50
532850	Printing	\$ 250
534511	Furniture - Office	\$ 3,500
534521	Office Equipment	\$ 200
534534	PC & Printer	\$ 3,000

61 Internal Auditor Position

\$65,945 R
\$6,950 NR
1.00

Provides funding to establish an Internal Auditor II position and operating costs to perform risk assessments and performance audits, and to assess the department's performance regarding financial accounting, reporting, and internal controls standards. The position will be responsible for compliance with all laws, regulations, and good business practices.

Recurring

531211	Salaries	\$53,324
531511	Social Security	\$ 4,080
531521	Retirement	\$ 3,637
531561	Med Ins	\$ 3,854
532714	Transportation - Ground (In State)	\$ 150
532811	Telephone Service	\$ 200
532850	Printing	\$ 250
532930	Registration	\$ 200
533110	Office Supplies	\$ 250

Nonrecurring

532850	Printing	\$ 250
534511	Furniture - Office	\$ 3,500
534521	Office Equipment	\$ 200
534534	PC & Printer	\$ 3,000

1150 Lobbyist Registration Division

62 Lobbyist Registration Reform

\$135,620 R

Provides funding to reallocate four (4) positions approved in the 2005 Budget to meet the additional lobbying registration requirements that resulted from Senate Bill 612, Amend Lobbying Law, S.L. 2005-456. The Lobbyist Director (\$75,611) is increased from grade level 75 to grade level 82. The three (3) grade level 61 positions are reallocated to an Assistant Director (\$44,229) position at grade level 70, an Investigator (\$46,143) position at grade level 71, and an Agency Legal Specialist III (\$65,926) at grade level 79. All four (4) reallocated positions are funded at the midpoint salary range. The remaining five (5) Administrative Assistant II positions at grade level 65 that were funded in the 2005 Budget are readjusted to the midpoint salary (\$35,770). Additionally, \$31,000 in recurring funds for rent is transferred to the Department of Administration, State Construction Division, for costs associated with reallocating space in the Old Revenue Building to accommodate the Lobbyist Registration Division staff expansion.

The 2005 Budget contained \$389,375 in recurring funds in FY 06-07 for the Lobbyist Registration Enhancement, which included \$54,000 in recurring funds for rent. The \$54,000 is transferred to the Department of Administration, State Construction Division, for costs associated with reallocating space in the Old Revenue Building to accommodate the Lobbyist Registration staff expansion.

(Note: Section 3B of S.L. 2006-221 (SB 198), created a Special Reserve to reallocate two positions associated with the Lobbying Registration Reform. The Reserve contains \$135,802 in recurring funds and \$24,000 in nonrecurring funds. The Director of the Budget, in consultation with the Joint Legislative Commission on Government Operations, shall establish two positions and authorize the expenditure of the funds in the Special Reserve.)

531211	Salaries	\$ 165,650
531511	Social Security	\$ 12,672
531521	Retirement	\$ 11,298

This budget adjustment is related to Item #5 under the Department of Administration, State Construction Division.

1210 Corporations Division

63 LLC Notifications and Staff Expansion

\$197,527 R
 \$12,900 NR
 3.25

Provides funding to establish three (3) Processing Assistant IV positions (\$22,426 each) and add .25 position to an existing .75 Information Processing Tech position (\$7,070) to create a full time position. The positions improve the efficiency of the annual report filing process and to continue producing periodic notifications to Limited Liability Companies for annual report filing fees.

Recurring

531211	Salaries	\$ 74,348
531511	Social Security	\$ 5,688
531521	Retirement	\$ 5,071
531561	Med Ins	\$ 11,562
532811	Telephone Service	\$ 558
532XXX	Temporary Agency Services	\$ 63,500
532840	Postage	\$ 16,000
532850	Printing	\$ 10,000
533110	Office Supplies	\$ 7,300
534711	Other Materials & Supplies	\$ 3,500

Nonrecurring

534534	PCs & Printers	\$ 12,900
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Budget Changes

\$441,217 R
 \$26,850 NR

Total Position Changes

5.25

Revised Total Budget

\$9,837,700

Special Provisions

2006 Session: **SB 198**

Department: Secretary of State

Section: 3B

Title: **Special Reserve for Lobbying Registration Reform**

Summary Amends S.L. 2006-66 to create a new section, Section 6.20, that transfers \$135,802 recurring and \$24,000 nonrecurring to a Special Reserve for Lobbying Registration Reform. The Director of the Budget shall establish two positions and authorize the expenditure of these funds. Follows Item #62, page J-41.

Overview: 2006 Session Fiscal and Budgetary Actions

State Board of Elections

GENERAL FUND

FY 06-07

Total Budget Approved 2005 Session

\$5,069,307

Budget Changes

1100 Administration

64 Contract Position to Permanent Status

Authorizes the use of receipts from Maintenance of Effort funds to convert a contracted IT Project Manager position to permanent status. 1.00

531211	Salaries	\$75,611
531511	Social Security	\$ 5,784
531521	Retirement	\$ 5,157
531561	Med Ins	\$ 3,854

1200 Campaign Reporting

65 Campaign Finance Staff Expansion

\$585,044 R
 \$201,576 NR
 11.00

Provides funding to create eight (8) permanent positions and increase the grade level of the Deputy Director (\$75,611) from grade level 75 to grade level 82. The new positions include four (4) Campaign Finance Field Auditors (\$54,956 each), two (2) Campaign Finance Training Specialists (\$44,229 each) and two (2) Compliance Specialists (\$54,956 each). A grade level 65 position is reallocated to a Compliance Specialist (\$54,956).

Provides funding for three (3) time-limited Audit Specialists (\$48,139 each) to address the auditing backlog of campaign finance reports.

Recurring

531212	Salaries	\$464,935
531512	Social Security	\$ 35,568
531522	Retirement	\$ 31,709
531562	Med Ins	\$ 30,832
532700	Travel	\$ 15,000
534534	General Office Supplies	\$ 7,000

Nonrecurring

531212	Salaries	\$144,417
531512	Social Security	\$ 11,048
531522	Retirement	\$ 9,849
531562	Med Ins	\$ 11,562
534511	Furniture	\$ 6,000
534534	PCs & Printers	\$ 18,700

1901 Computerized Voter Registration

66 Time Limited Positions (TLP) Conversion

Authorizes the use of receipts from Maintenance of Effort funds to convert nineteen (19) time limited positions to permanent positions. This action will enable the State Board of Elections to continue to meet the mandates of S.L. 2005-323.

19.00

Budget Changes	\$585,044	R
	\$201,576	NR
Total Position Changes	31.00	
Revised Total Budget	\$5,855,927	

Special Provisions

2006 Session: SB 1741

Department: State Board of Elections

Section:

Title: (No Special Provisions Reported)

Summary

Overview: 2006 Session Fiscal and Budgetary Actions

State Budget & Management

GENERAL FUND

FY 06-07

Total Budget Approved 2005 Session

\$6,021,795

Budget Changes

1310 Office of State Budget and Management

67 Results-Based Budgeting

\$135,430 R

Provides funding to introduce results-based budgeting into the state budget process during the fiscal year. The goals are to reintroduce strategic or business planning at agencies, ensure government programs are well-defined, and facilitate the introduction of key program measures. This process will require additional resources, including a Senior Budget Analyst position, training, hardware, software, and budget presentation redesign.

\$166,500 NR
1.00

Recurring

531211	Salaries	\$ 80,000
531511	Social Security	\$ 6,120
531521	Retirement	\$ 5,456
531561	Med Ins	\$ 3,854
534711	Other Computer Software	\$ 40,000

Nonrecurring

534534	PC & Printer	\$ 1,500
532700	Travel/Other Employee Expense	\$ 55,000
532141	WAN Support & Service	\$110,000

68 Administrative Office Support Position

\$43,919 R

Provides funding to establish an Administrative II position for administrative support to be shared by the Economic Research, Management, Data Services, and Statewide Information Technology sections.

\$1,500 NR
1.00

Recurring

531211	Salaries	\$35,000
531511	Social Security	\$ 2,678
531521	Retirement	\$ 2,387
531561	Med Ins	\$ 3,854

Nonrecurring

534534	PC & Printer	\$ 1,500
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69 Budget Analyst Position

\$61,089 R

Provides funding to establish a Budget Analyst position for the Justice and Public Safety section. This position's primary responsibilities will include the Department of Crime Control and Public Safety and will serve as the statewide coordinator for budget policy administration resulting from disasters.

\$1,500 NR
1.00

Recurring

531211	Salaries	\$50,000
531511	Social Security	\$ 3,825
531521	Retirement	\$ 3,410
531561	Med Ins	\$ 3,854

Nonrecurring

534534	PC & Printer	\$ 1,500
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Budget Changes

\$240,438 R

\$169,500 NR

Total Position Changes

3.00

Revised Total Budget

\$6,431,733

Special Provisions

2006 Session: SB 1741

Department: State Budget & Management

Section:

Title: (No Special Provisions Reported)

Summary

Overview: 2006 Session Fiscal and Budgetary Actions
 State Budget and Management - Special

GENERAL FUND

FY 06-07

Total Budget Approved 2005 Session

\$5,111,429

Budget Changes

1022 OSBM - Reserve for Special Appropriation

70 Reserve for Moving and Rent Expenses

\$755,232 R

Establishes a reserve for moving and rent expenses for state agencies located in the Blount Street area. These properties are expected to be sold and all state agencies relocated during the 2006-07 fiscal year. Nonrecurring funds are recommended for moving expenses and recurring funds for rent expenses.

\$598,021 NR

Budget Changes

\$755,232 R

\$598,021 NR

Total Position Changes

Revised Total Budget

\$6,464,682

Special Provisions

2006 Session: SB 1741

Department: State Budget and Management - Special

Section:

Title: (No Special Provisions Reported)

Summary

Overview: 2006 Session Fiscal and Budgetary Actions

State Controller

GENERAL FUND

Total Budget Approved 2005 Session	FY 06-07 \$10,044,511
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Budget Changes

71 NO CHANGES ENACTED.

Budget Changes

Total Position Changes

Revised Total Budget \$10,044,511

Special Provisions

2006 Session: SB 1741

Department: State Controller

Section:

Title: (No Special Provisions Reported)

Summary

Overview: 2006 Session Fiscal and Budgetary Actions

Treasurer

GENERAL FUND

FY 06-07

Total Budget Approved 2005 Session

\$8,295,843

Budget Changes

1130 Escheats Division

72 Escheats

Authorizes the use of receipts on a recurring basis from the Escheats Fund for two (2) Unclaimed Property Auditors (\$37,994 each) to perform audits of unclaimed property holders to ensure their compliance with G.S. 116B. The receipts will also fund on a recurring basis a Securities Analyst (\$32,432) to maintain securities, locate owners, and sell stock on a monthly basis.

531212	Salaries	\$108,420
531512	Social Security	\$ 8,294
531522	Retirement	\$ 7,395
531562	Med Ins	\$ 11,562
533110	Office Supplies	\$ 1,000
534521	Office Equipment	\$ 3,000

1150 Information Services

73 Core Banking System Maintenance

\$201,784 R

Provide funding for the annual support and maintenance required for the statewide Core Banking System.

1210 Investment Management Division

74 Bloomberg Portfolio Order Management System (POMS)

\$80,000 R

Provides funding for the annual fee to Bloomberg Portfolio Order Management System (POMS) for the Long Term and Short Term Investment Funds. The POMS system was previously included in the base fee, but Bloomberg started charging for this service as the functionality and support need increased. This action would provide uninterrupted service.

Budget Changes

\$281,784 R

Total Position Changes

Revised Total Budget

\$8,577,627

Special Provisions

2006 Session: **SB 1741**

Department: Treasurer

Section: 20.1

Title: Consolidate Public Employee Retirement Programs in Single Agency

Summary Transfers the Public Employee Deferred Compensation Plan from the Department of Administration to the Department of State Treasurer in order to centralize retirement programs in a central agency.

Overview: 2006 Session Fiscal and Budgetary Actions

Treasurer - Retirement for Fire and Rescue

GENERAL FUND

	FY 06-07
Total Budget Approved 2005 Session	\$8,651,457

Budget Changes	
1412 Gen. Fund Contribution to Fire Pension Fund	
75 Increase Retirement Benefits	\$514,000 R
Increases the benefits in the Firemen's and Rescue Squad Workers' Pension Fund from \$163 to \$165 per month for retirees and future retirees effective July 1, 2006. (HB 2574, HB 1889, SB 1346)	

Budget Changes	\$514,000 R
Total Position Changes	
Revised Total Budget	\$9,165,457

Special Provisions

2006 Session: SB 1741

Department: Treasurer - Retirement for Fire and Rescue

Section:

Title: (No Special Provisions Reported)

Summary

TRANSPORTATION

Overview: 2006 Session Fiscal and Budgetary Actions

Highway Fund

HIGHWAY FUND

FY 06-07

Total Budget Approved 2005 Session

\$1,538,908,929

Budget Changes

Administration

1 Administrative Expenses (\$2,500,000) R
 Reduces the administration budget for the Department of Transportation.

Aeronautics

2 Rural Airport Development \$2,000,000 R
 Expands funding for the current State Aid to Airports program for assistance to rural airports for capital improvement projects.

Division of Motor Vehicles

3 Closure of Thirteen Driver License Offices (\$81,600) R
 Reduces the budget for the local driver license offices. Four offices have been closed already and an additional nine will be closed in December 2006. This savings represents disconnecting the data lines for these offices.

4 Customer Traffic Management System \$32,000 R
 \$448,000 NR
 Provides funds to install automatic queuing systems in 32 additional driver license offices throughout the state. The systems allow for improved customer service and have already been installed in 27 high volume driver license offices.

5 License Plate Recall \$1,228,301 NR
 Provides funds to replace old license plates that are often in poor condition and provide limited visibility to law enforcement officers. License plates were last recalled in 1990.

6 Driver License Mobile Units \$69,000 R
 \$391,000 NR
 Provides funding for two additional driver license mobile units. These units will provide licensing and vehicle registration services to areas where population and transaction volumes do not warrant full-time offices.

7 On-line Dealer Registration (\$200,000) R
 Eliminates funding for development of an online dealer registration system.

DPI - Driver Training Program

8 Driver Education Funding \$457,971 R
 Increases the Highway Fund transfer to the Department of Public Instruction for driver education to allow for a projected increase in Average Daily Membership (ADM) in the ninth grade for FY2006-2007.

Ferry Division

9 Ferry Division \$1,000,000 NR
 Provides additional funds for the ferry maintenance facility.

Information Technology

10 Server Consolidation \$1,000,000 R
 Increases information technology funds to consolidate and replace existing servers to obtain a more economical operations and management system.

11 Software Agreement \$1,500,000 R
 Increases funds to replace Microsoft Office 97 with a newer version to facilitate consistency with external customers and partners.

Maintenance

12 Automated Weigh Stations \$12,824,782 NR
 Provides partial funding to improve and automate weigh stations. The entire effort will cost \$97.4M.

13 System Preservation \$78,589,071 R
 Provides funds for highway maintenance activities that preserve and extend the life of infrastructure assets, including pavements, bridges, and traffic signal systems.

14 Contract Resurfacing \$88,317,347 R
 Increases funds for contract resurfacing to offset increased material costs and to prevent further road degradation resulting from increased vehicle miles of travel and increased lane mileage.

Public Transportation

15 Reduction in New Starts Program (\$23,400,000) NR
 Reduces funding for the state's New Starts program. The reduction represents decreased expenditures for the Triangle Transit Authority's commuter rail project.

16 Statewide Grant Program \$3,000,000 R
\$2,400,000 NR
 Increases state funding to match increased federal funds provided through the federal transportation reauthorization bill.

17 Urban and Regional Program \$2,000,000 R
 Increases funds for the State Maintenance Assistance Program for operations assistance to regional, urban, and small urban transit systems. These funds will be used to match the Federal Transit Administration's Section 5307 Urbanized Area Formula Program and Section 5309 Capital Program grants.

18 Urban/Regional Bus and Facility Program \$2,000,000 NR
 Increases funds to assist local governments in matching federal transit administration grants authorized through the latest federal transportation reauthorization bill.

Rail Division

19 Piedmont and Carolinian Operations \$1,198,750 NR
 Increases funds to cover the operational costs of the Piedmont and Carolinian passenger trains. This is a one-time increase and will allow the Transportation Oversight Committee to analyze the benefits and make a recommendation about future funding.

20 Short-Line Railroads \$2,000,000 NR
 Increases funds for the grant program supporting short-line railroad companies. The funds are used as rehabilitation project grants to strengthen North Carolina's short-line infrastructure.

Retirement Contribution

21 Retirement System Contributions \$1,339,000 R
 Increases the state's contribution for FY2006-2007 to provide a 3.0% cost-of-living adjustment to retirees of the Teachers' and State Employees' Retirement System. (SB 1741, Section 22.18)

Salary Increases

22 State Funded Compensation Increase \$26,334,000 R
 Provides funds to support a 5.5% annual salary increase for full-time permanent employees in the Department of Transportation and other state agencies whose positions are paid from the Highway Fund. (SB 1741, Section 22.13)

23 Salary Adjustment Reserves \$1,000,000 R
 Provides funds for salary adjustments as allowed by Section 29.15 of S.L. 2005-276, as amended by Section 22.15 of SB 1741. (SB 1741, Section 22.15B)

Small Construction

24 Economic Development \$38,000,000 NR
 Provides additional nonrecurring funds for economic development, spot safety, and transportation improvement projects. (SB 1741, Section 21.6)

State Highway Patrol

25 New Permanent Positions \$765,661 R
 Creates 17 permanent positions that are now temporary positions. The positions include: eight Tradesworker III positions at a pay grade 61, eight Office Assistant IV's at a pay grade 59, and one Aircraft mechanic position at a pay grade 68. \$179,896 NR
 Establishes four new additional State Trooper positions. 21.00

26 VIPER Network Expansion \$10,000,000 NR
 Provides funding for the continued development and building of the Voice Interoperable Communications Plan for Emergency Responders.

27 VIPER Maintenance \$208,892 R
 Provides funding for the maintenance of the VIPER system already built. (SB 1741, Section 21.9)

Statutory Adjustments

28 Adjust Secondary Road Construction Funding \$1,439,500 R
 Adjusts funding for secondary road construction based on revised projections in accordance with G.S. 136-44.2(a).

29 Leaking Underground Storage Tank Fund (\$150,000) R
 Adjusts funding for Leaking Underground Storage Tank Fund based on revenue projections for the gasoline inspection fee in accordance with G.S. 105-119.18(a)

30 Adjust Aid to Municipalities \$1,439,500 R
 Adjusts funding for Aid to Municipalities based on revised projections in accordance with G.S. 136-41.1.

Transfers

31 Leaking Underground Storage Tank Fund Reduction (\$37,160) R
 Reduces funding to the Leaking Underground Storage Tank Fund to support a newly created position within the Department of Agriculture and Consumer Services. The position will be a Retail Motor Fuel Device Inspector.

32 Standards Inspector Position \$37,160 R
 Transfers funds from the Highway Fund to the Department of Agriculture and Consumer Services for the support of one Retail Motor Fuel Device Inspector position. 1.00

Budget Changes	\$206,560,342	R
	\$48,270,729	NR
Total Position Changes		22.00
Revised Total Budget	\$1,793,740,000	

Highway Trust Fund

HIGHWAY TRUST FUND

FY 06-07

Total Budget Approved 2005 Session

\$1,135,940,000

Budget Changes

Highway Trust Fund

33 Reduce Transfer of Funds to the General Fund

Reduces the transfer of funds to the General Fund under G.S. 105-187.9 by \$115 million. This amount is the outstanding balance on the \$125 loan from the Highway Trust Fund to the General Fund in fiscal year 2002-03.

(\$115,000,000) NR

34 Reduce Transfer to General Fund

Reduces transfer to General Fund by \$80 million. The \$80 million transfer was implemented to recognize the growth that would have occurred in the sales tax on vehicles that was repealed when the Highway Trust Fund was created in 1989.

(\$80,000,000) NR

35 Reduction in Transfer of Funds

Reduces the transfer to the General Fund consistent with G.S. 105-187.9(b)(2).

(\$176,407) NR

36 Funds for Intrastate System

Increases funds for the Intrastate System 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 \$597,492,253.

\$100,567,595 NR

37 Funds for Urban Loops

Increases funds for urban loops 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 \$241,600,983.

\$40,665,346 NR

38 Funds for Aid to Municipalities

Increases funds for aid to municipalities (Powell Bill) consistent with statutory formulas to reflect new revenue estimates and changes in the amount transferred from the Highway Trust Fund to the General Fund. The total amount for the Aid to Municipalities is \$62,690,874.

\$10,551,886 NR

39 Funds for Secondary Road Construction

Increases funds for secondary road construction consistent with statutory formulas to reflect new revenue estimates and changes in the amount transferred from the Highway Trust Fund to the General Fund. The total budget for secondary road construction is \$99,630,348.

\$9,271,360 NR

Overview: 2006 Session Fiscal and Budgetary Actions

FY 06-07

40 Funds for Program Administration

Reduces funds for administration consistent with statutory formulas. The maximum allowance for Program Administration will be \$41,728,940.

(\$1,189,780) NR

Budget Changes

(\$35,310,000) NR

Total Position Changes

Revised Total Budget

\$1,100,630,000

Special Provisions

2006 Session: SB 1741

Department: Transportation

Section: 21.2

Title: **Online Dealer Registration Funds**

Summary Prohibits DMV from spending funds appropriated in fiscal year 2005-06 for Online Dealer Registration enhancements.

Section: 21.4

Title: **Cash Flow Highway Fund and Highway Trust Fund Appropriations**

Summary Allows DOT to anticipate revenue beyond the biennium for the purpose of budgeting multiyear construction projects.

Section: 21.5

Title: **DOT to Provide Real-Time Access to all Weigh-in-Motion Data Produced and Transmitted From Weigh-in-Motion Sites Throughout the State and Provide Periodic Summaries of Data Collected at Existing Sites**

Summary Requires DOT to provide to the State Highway Patrol real-time access to all real-time data collection efforts at existing weigh-in-motion sites.

Section: 21.6

Title: **Funds for Economic Development, Spot Safety, and Transportation Improvement Program Projects**

Summary Directs that \$28 million of the \$38 million appropriated to DOT in fiscal year 2006-2007 for economic development shall be allocated equally among the 14 Highway Divisions for economic development, spot safety, and system preservation.

Section: 21.7

Title: **Repeal Sunset of Open Container Law**

Summary Repeals sunset of open container law.

Section: 21.8

Title: **Maintenance of Permanent Weigh Stations**

Summary Clarifies that DOT has the responsibility to maintain permanent weigh stations.

Section: 21.9

Title: **VIPER Radio Program**

Summary Requires the State Highway Patrol to issue a request for proposals for the maintenance of the VIPER system. Requires the Criminal Justice Information Network to prepare a cost allocation plan for the development of the VIPER system.

Section: 21.11

Title: **Conform Seat Belt Law to Federal Law to Prevent a Loss of Federal Highway Funds**

Summary Removed certain exemptions from seat belt use requirements for drivers of commercial vehicles to conform to federal law, preventing loss of federal funds. This provision duplicated language in Senate Bill 774/S.L. 2006-140 and was repealed (by Senate Bill 198/S.L. 2006-221)) when that bill became law.

Section: 21.12

Title: **Utilization of Small Business Enterprises in Department Projects or the use of Fully Operated Rental Equipment**

Summary Sets a goal for DOT of \$50 million per year for the utilization of small business enterprises through contracts or the use of fully operated rental equipment.

Section: 21.14

Title: **Funds for Stormwater Projects**

Summary Provides that of funds available to DOT, \$15 million shall be transferred to the Department of Environment and Natural Resources for a stormwater pilot project to clean up State-maintained ocean outfalls.

Section: 21.18

Title: **Consolidation of Rural Funding Programs by the Department of Transportation's Public Transportation Division**

Summary Permits DOT to consolidate its rural funding programs for vehicles, technology, and facilities into one large capital program to allow flexibility to leverage additional federal funding.

**RESERVES,
DEBT SERVICE
AND
ADJUSTMENTS**

**GENERAL
PROVISIONS**

Statewide Reserves

GENERAL FUND

FY 06-07

Total Budget Approved 2005 Session

\$1,149,242,725

Legislative Changes

A. Employee Benefits

1 State Funded Compensation Increases

\$649,145,003 R

Provide funds to support salary increases for employees of State agencies, departments and universities, community college institutions, and public schools. (SB 1741, Sections 7.1-7.5, 8.1, and 22.1-22.14)

\$14,970,657 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 Mathematics.

Teachers and Instructional Support - Funds are provided to support an experience based step increase for teachers and instructional support personnel (average salary increase of 1.86%) and a flat annual increase in the teacher salary schedule of \$2,250 for Fiscal Year 2006-2007 (total average increase of 8.23%).

Principals and Assistant Principals - Funds are provided to support an experience based step increase for school based administrators (average salary increase of 1.75%) and a flat annual increase in the school based administrator salary schedule of \$2,250 for Fiscal Year 2006-2007 (total average increase of 7%). School based administrators who are at the top of the experience based salary schedule will receive a one-time lump sum bonus equivalent to 2%.

All other Public School Personnel - Provide funds to support a 5.5% annual salary increase.

3 Community College Salary Increases

Faculty and Professional Staff - Provide funds to support a 6% annual salary increase and a 2% one-time bonus for full-time permanent Community College faculty and professional staff.

All other Community College Personnel - Provide funds to support a 5.5% annual salary increase.

4 University Salary Increases

EPA Faculty and EPA Non-faculty - Provide funds to support a 6% annual salary increase for full-time permanent EPA faculty and EPA non-faculty.

All other University Personnel - Provide funds to support a 5.5% annual salary increase.

5 State Agency/Department Salary Increases

Provide funds to support a 5.5% annual salary increase for full-time permanent employees of State agencies and departments.

6 Add Additional Step to the Public School Teacher Salary Schedule

\$10,796,786 R

Adds a 30+ step to the Public School teacher salary schedule. The 30+ step is 2% higher than the current 29+ step. (SB 1741, Section 7.1)

7 Fair Minimum Wage for Public School Non-certified Employees

\$8,582,073 R

Provide funds to support a minimum salary of at least \$20,112 for all permanent, full-time non-certified Public School employees and to support proportionate increases to permanent full-time employees working schedules requiring less than 12-months service per year. (SB 1741, Section 7.4(d))

8 University of North Carolina Faculty Recruiting and Retention Fund

\$5,000,000 R

Establishes a Faculty Recruiting and Retention Fund under the Office of the President of the University of North Carolina system to be used, at the discretion of the President, for salary increases for the purpose of recruiting and retaining faculty members as necessary at constituent institutions. (SB 1741, Section 22.12A)

9 Retirement System Contributions

\$27,107,200 R

Increases the State's contribution for Fiscal Year 2006-07 to provide a 3% cost-of-living adjustment for retirees of the Teachers' and State Employees' Retirement System. This adjustment is funded in part with actuarial gains within the Retirement System. (SB 1741, Section 22.17)

10 Retirement System Payback

\$30,000,000 NR

Continue the repayment of funds withheld from the Retirement System in FY 2000-2001 due to the budget crisis. This is the fourth installment of the five-year payback period.

B. Debt Service

11 Adjustment to Debt Service Requirements

Reduces funds for debt service due to revised cash flow requirements and estimates for principal and interest payments.

(\$50,000,000) NR

C. Information Technology Fund

12 BEACON/SBIP-HR/Payroll System Replacement

Provides funds to the Information Technology Fund created by G.S. 147-33.72H for the Office of the State Controller to replace the State's aging human resources and payroll information systems with a new system, Building Enterprise Access for North Carolina's Core Operation Needs (BEACON)/State Business Infrastructure Program (SBIP). This appropriation supports phase one of the project, including system integration, staff training, software maintenance, and ITS data charges.

\$7,260,523 R
\$34,527,880 NR
50.75

13 Information Technology Attorney Positions

Provides funds to the Information Technology Fund created by G.S. 147-33.72H to establish two attorney positions in the Office of Information Technology Services (ITS) to assist with complex information technology procurements.

\$298,826 R
2.00

D. Trust Funds

14 MH/DD/SAS Trust Fund

Provides funds to the Trust Fund for Mental Health, Developmental Disabilities, and Substance Abuse Services and Bridge Funding Needs established pursuant to G.S. 143-15.3D. (HB 2079 & SB 1535)

\$14,390,000 NR

E. Other Reserves

15 Establish State Emergency Response Account

Provides funds for the State Emergency Response Account, a new reserve in the General Fund. Funds in the account may be used for State disaster preparation and response programs in accordance with G.S. 166A-6.02. (SB 1741, Section 6.5)

\$20,000,000 NR

16 Reserve for Heating and Cooling Assistance

Provides funds to assist needy families with heating and cooling expenses associated with recent increases in utility and fuel costs.

\$10,000,000 NR

17 Reserve for Legal Expenses

Provides funds to pay legal expenses of the State, when in accordance with G.S. 147-17, the Attorney General advises the Governor that it is impracticable for the office to provide legal services, or for litigation requiring specialized expertise, or where a conflict of interest prevents the Office of the Attorney General from representing the State.

\$1,065,710 NR

18 Pending Ethics Legislation

Provides funds to implement House Bill 1843 and House Bill 1844.

\$401,871 R

\$21,000 NR
4.00

(Note: S.L. 2006-221, Section 19 amends this item to allow the establishment of up to five (5) positions to implement ethics law changes.)

Total Legislative Changes

\$708,592,282 R

\$74,975,247 NR

Total Position Changes

56.75

Revised Budget

\$1,932,810,254

Special Provisions

2006 Session: SB 198

Department: Statewide Reserves

Section: 2

Title: **Use of Private and Public Grant Funds**

Summary Amends S.L. 2006-66 to add Section 6.17 which amends G.S. 143-16.3 to expand the "Watkins amendment" to allow the use of private and public grant funds for purposes or programs for which the General Assembly has considered but not enacted an appropriation.

Section: 19

Title: **Board of Ethics Positions**

Summary Amends S.L. 2006-66 to add Section 17.6 which amends the Joint Conference Committee Report (page L-3, Item 18) to allow funds appropriated in reserves to be used to establish up to five (5) positions in the Department of Administration for the Board of Ethics.

2006 Session: SB 1741

Department: Statewide Reserves

Section: 2.1

Title: **Current Operations and Expansion/General Fund**

Summary Adjusts the appropriations from the General Fund to state agencies for the 2006-07 fiscal year by the amounts specified.

Section: 2.2

Title: **General Fund Availability Statement**

Summary Repeals Section 2.2(a) of S.L. 2005-276 and sets out sources of revenue for the 2006-2007 fiscal year. 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) and (c) Directs the State Controller to transfer \$222,229,189 from the unreserved credit balance to the Repairs and Renovations Reserve Account. Appropriates funds transferred to the Account for use in accordance with G.S. 143-15.3A.

2.2(d), (e) & (f) Repeals effective June 30, 2006, Section 2.2(e) of S.L. 2005-276 that required a transfer of \$250 million from the Highway Trust Fund to the General Fund in each year of the biennium. Specifies that the sum to be transferred under G.S. 105-187.9(b)(1) is \$55 million for the 2006-2007 fiscal year. Specifies that the sum to be transferred pursuant to G.S. 105-187.9(b)(2) is \$2,486,602 for the 2006-2007 fiscal year.

2.2(g) Creates a Reserve for Motor Fuels Tax Ceiling in the General Fund and transfers the sum of \$22,933,000 from the Savings Reserve Account to the Motor Fuels Tax Ceiling Account for the 2006-2007 fiscal year. Specifies the conditions under which the State Treasurer shall transfer the funds from the Motor Fuels Tax Ceiling Account to hold harmless the Highway Fund and the Highway Trust Fund.

Section: 3.1

Title: **Current Operations and Expansion/Highway Fund**

Summary Specifies appropriations from the Highway Fund for the maintenance and operation of the Department of Transportation and for other enumerated purposes for the fiscal year ending June 30, 2007.

Section: 3.2

Title: **Highway Fund Availability Statement**

Summary Sets out sources of revenue for the 2007-2007 fiscal year.

Section: 4.1

Title: **Highway Trust Fund Appropriations**

Summary Specifies appropriations from the Highway Trust Fund for the maintenance and operations of the Department of Transportation and for other enumerated purposes for the fiscal year ending June 30, 2007.

Section: 6.1

Title: **Contingency and Emergency Fund Allocations**

Summary Repeals Section 6.2 of S.L. 2005-276. Appropriates \$5 million for the 2006-2007 fiscal year to the Contingency and Emergency Fund. Directs that the funds can be expended only as (1) required by a court order, Industrial Commission, or administrative hearing officer's order; (2) required to call out the national guard; or (3) required to respond to an unanticipated disaster such as a fire, hurricane, or tornado, if funds for that purpose are not available in the Reserve for Disaster Expenses as authorized in G.S. 166A. Directs that no more than \$500,000 can be used for purposes other than those specified above.

Section: 6.2

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: 6.3

Title: **Consultation Not Required Prior to Establishing or Increasing Fees Pursuant to the Executive Budget Act**

Summary 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.

Section: 6.4

Title: **No Fee Increases Which the General Assembly Has Rejected**

Summary Amends the General Statute to add a section that prohibits a fee to be increased if the General Assembly has rejected an increase of that fee for the current fiscal period. Also identifies actions taken by the General Assembly that is deemed a rejection of a fee increase.

Section: 6.5

Title: **State Emergency Response Account**

Summary 6.5(a) Amends G.S. 166A-6.01(b)(2) by increasing the amount of insurable losses that an entity must incur to be eligible for public assistance when a Type 1 disaster is declared. The increase is from one-half percent of the annual operating budget to one percent of the entity's annual operating budget.

6.5(b) Adds G.S. 166A-6.02 which establishes the State Emergency Response Account as a reserve in the General Fund. Authorizes the Governor to spend funds from the account (1) to cover the start-up costs of State Emergency Response Team operations for an emergency that poses an imminent threat of a Type I, Type II, or Type III disaster as defined in G.S. 166A-6 and (2) to cover the cost of first responders to those types of disasters. Also requires the Governor to report to the Joint Legislative Commission on Governmental Operations and to the Appropriations Chairs no later than 30 days after making the expenditure.

Section: 6.6

Title: **Information Technology Fund Availability and Appropriations**

Summary 6.6(a) Sets out the source of revenue and increases the availability of the Information Technology Fund for the 2006-2007 fiscal year by \$46,299,454.

6.6(b) Increases the appropriations from the Fund by a corresponding amount.

Section: 6.9

Title: **Amend Civil Penalty and Forfeiture Fund Availability**

Summary Rewrites Section 6.37(a) of S.L. 2005-276 to decrease the estimated collections of fines and forfeitures which are the basis for the availability used to support appropriations made from the Civil Penalty and Forfeiture Fund. The estimate for the 2006-2007 fiscal year was reduced by \$30 million. Also rewrites Section 6.37(b) to reduce the appropriations from the Fund by \$30 million for the fiscal year ending June 30, 2007. Finally, subsection 6.9(c) amends G.S. 115C-457.2 to require the Office of State Budget and Management to establish and approve the collection cost percentage used by State agencies on annual bases based upon the computation of actual collection costs by each agency for the prior fiscal year.

Section: 6.10

Title: **Funds for Enrollment Increases**

Summary Amends G.S. 143-11 by adding a new subsection that directs the Director of the Budget, in developing the budget, to consider the information on student enrollment increases submitted to the Director by the State Board of Education, the State Board of Community Colleges, and the Board of Governors of The University of North Carolina. Also directs the Director to include in the continuation budget the amount the Director proposes to fund for the enrollment increases.

Section: 6.15

Title: **Education Lottery Fund Revenue and Appropriations**

Summary Transfers \$425 million from the State Lottery Fund to provide the revenue to support appropriations made from Education Lottery Fund. The transfer is made pursuant to G.S. 18C-164. Specifies that the appropriations made from the Education Lottery Fund, pursuant to G.S. 18C-164(d), for the 2006-2007 fiscal year.

Section: 6.16

Title: **Funds for Increased Fuel Costs**

Summary Authorizes the State Board of Education to use funds appropriated for State Aid to Local School Administrative units to cover increased fuel cost. Also authorizes all other State agencies to transfer funds within their budgets to cover increases in fuel costs.

CAPITAL

Capital

GENERAL FUND

FY 06-07

A. Department of Administration

1 Veterans Affairs Nursing Homes

Provides capital funds for the design and construction of two 100-bed nursing homes to serve veterans in the State. One home will be sited in the eastern part of the State and one home in the west. The specific sites for these homes have not been selected. The State currently has two VA nursing homes in Fayetteville and Salisbury. These funds provide a 35% required match to secure federal grant funding. The total cost for constructing these facilities is \$24,438,096. (SB 1740, SB 1846, HB 2340, and HB 2353)

\$8,773,300 NR

2 State Facilities Master Plan

Provides capital planning funds for the development of a new facilities master plan for State operations in Wake County. To the extent that funds are available, the scope of the master plan may be extended to State operations outside of Wake County. (SB 1741, Section 23.10)

\$1,000,000 NR

B. Department of Agriculture and Consumer Services

3 Rollins Laboratory - Bio-Security Level 2 Conversion

Provides capital funds to convert a chemistry lab in Rollins Laboratory into a Bio-Security Level 2 lab. This conversion will allow Rollins Laboratory to securely handle certain infectious diseases affecting animals.

\$250,000 NR

4 Oxford Complex Planning and Design

Provides capital planning funds for property acquisition and necessary capital improvements to establish a new laboratory in Oxford. The U.S. Department of Agriculture has proposed conveying a tobacco research facility to the State for the purpose of establishing the lab. The future purpose of the facility would be to develop a public research laboratory, potentially for avian flu research. DA&CS will also explore the potential for establishing a biotechnology incubator at this lab facility. The proposed facility would also provide a permanent home for the State's Insect Laboratory, currently located in Cary. (SB 1740 and HB 2352)

\$1,000,000 NR

5 Tidewater Research Station Improvements

Provides capital funds from timber receipts for land acquisition and capital improvements at the Tidewater Research Station. \$396,600 in timber receipts is authorized for this purpose. (SB 1741, Section 11.2; see also HB 1233)

6 Plant Conservation Program

Provides capital funds from timber receipts for land acquisitions and related activities for the Plant Conservation Program. Authorized uses also include a study of the Program's management of conservation preserves. \$30,000 in timber receipts is authorized for this purpose. (SB 1741, Section 11.2; see also SB 1740 and HB 2352)

7 Senator Bob Martin Eastern Agricultural Center Improvements

Provides capital funds from timber receipts for planning and capital improvements at the Eastern Agricultural Center. (SB 1741, Section 11.2; see also SB 1823 and HB 2318)

C. Department of Commerce

8 NC Ports Authority - Container Cranes

Provides capital funds for the purchase of four container cranes for the Port of Wilmington. The General Assembly appropriated \$9 million to the Authority in FY 2005-06, part of which was used by the Authority for a down payment on the four cranes. The cranes are anticipated to be delivered to the Port of Wilmington in December 2006. The total cost for the cranes project is \$33,244,000 and the balance will be covered by revenue bonds issued by the Authority. (SB 1001, SB 1740, SB 1886, HB 1171, and HB 2352)

\$7,500,000 NR

D. Department of Crime Control and Public Safety

9 Emergency Management Operations Center

Provides capital funds for the design and construction of a new Emergency Operations Center that would be located in the lower level of the proposed National Guard Readiness Center. The Readiness Center received federal funds in FFY 2005-06 for planning and design. The National Guard expects to secure federal construction grants in FFY 2006-07 to complete the \$30 million project. The Emergency Operations Center would consolidate most Raleigh-based Division of Emergency Management personnel in one building. (SB 1497, SB 1740, HB 2202, and HB 2352)

\$8,500,000 NR

10 Marion Transportation Center Motor Fleet Lot

Provides capital funds to perform site preparation and expand the parking lot to house the Center's full fleet of trucks. Currently, the Center stores part of its motor fleet at a Department of Correction facility. The National Guard will soon lose access to the Department of Correction's property. (SB 1740 and HB 2352)

\$222,700 NR

E. Department of Cultural Resources

11 North Carolina History Education Center

Provides capital planning funds to design the History Education Center at Tryon Palace Historic Sites and Gardens. The total projected cost for this project is \$31,881,525. (SB 1642, SB 1159, HB 1219, and HB 1939)

\$1,500,000 NR

F. Department of Environment and Natural Resources

12 Water Resources Development Projects

Provides funds for the state share of Water Resources Development Projects. Projects are specified in a special provision. (SB 1741, Section 23.2; see also SB 1740 and HB 2352)

\$20,000,000 NR

13 Hickory Nut Gorge Expansion

Provides capital funds for land acquisitions and necessary improvements to expand the Chimney Rock tract of Hickory Nut Gorge State Park. The total planned expansion is 2,000 acres at a total cost of \$30 million. DENR proposes funding the remaining land acquisitions with Clean Water Management Trust Fund, Natural Heritage Trust Fund, and Parks and Recreation Trust Fund monies. (SB 1740, HB 1008, and HB 2352)

\$15,000,000 NR

14 NC Zoo - Storage Shed

Provides capital funds for the construction of a 17,000 square foot steel shed to store supplies, equipment, and construction materials that are currently stored in the open. The shed will also secure equipment and materials from theft. (SB 1740 and HB 2352)

\$452,800 NR

15 Forest Resources District 9 Headquarters

Provides capital funds for the design and construction of office, workshop, storage, and refrigerated facilities in Sylva. (SB 1740, HB 610, and HB 2352)

\$2,164,500 NR

H. UNC System - Board of Governors

16 Appalachian State University College of Education Building

Provides capital planning funds for the proposed construction of the College of Education Living Learning Academic Building. Total projected cost for the facility is \$35,000,000. (SB 1772, HB 1754, HB 2592, and HB 2615)

\$1,820,000 NR

17 Fayetteville State University Science and Technology Complex

Provides capital planning funds for the proposed science and technology complex. The complex would include laboratory, instruction, research, and office space. The total projected cost for the complex is \$22,000,000. (SB 1772 and HB 2615)

\$1,000,000 NR

18 NC Agricultural and Technical State University General Classroom Facility

Provides capital planning funds for the proposed general classroom/instructional facility. Total projected cost for the facility is \$20,000,000. (SB 1772 and HB 2615)

\$1,000,000 NR

19 NC School of the Arts Library

Provides capital planning funds for the proposed new library. The total projected cost for the facility is \$24,200,000. (SB 1772 and HB 2615)

\$1,000,000 NR

20 NC State Engineering Complex III

Provides capital funds for the design and construction of the third phase of relocating the School of Engineering to Centennial Campus. The 166,700 square foot facility would house the Departments of Mechanical and Aerospace Engineering and Biomedical Engineering. Total cost for this project is \$69.7 million. The General Assembly appropriated \$8.7 million to this project in FY 2005-06. (SB 1740, SB 1772, HB 2352, and HB 2615)

\$61,000,000 NR

21 UNC-Chapel Hill Genomics Science Building

Provides capital funds for planning and site preparation for a Genomics Science Building in the Science Complex South. The 210,000 square foot facility has an estimated total cost of \$145,000,000. (SB 1772 and HB 2615)

\$28,391,775 NR

22 UNC Hospitals at Chapel Hill Master Facilities Plan

Provides capital funds for UNC Hospitals and the UNC School of Medicine to develop a comprehensive master plan. (SB 1772 and HB 2615)

\$3,000,000 NR

23 UNC-Greensboro Academic Classroom and Office Building

Provides capital planning funds for the proposed new general classroom and office building. Total projected cost for the facility is \$43,827,470. (SB 1772 and HB 2615)

\$2,300,000 NR

24 UNC-Pembroke Residence Hall

Provides capital planning funds for a proposed 360-bed residence hall. The projected cost for the facility is \$20,000,000. (SB 1772 and HB 2615)

\$1,000,000 NR

25 UNC-Wilmington School of Nursing

Provides capital funds for the design and construction of an 80,000 square foot building for the School of Nursing. The General Assembly appropriated \$500,000 in FY 2004-05 and \$2,600,000 in FY 2005-06 for planning. (SB 1212, SB 1740, SB 1772, HB 239, HB 2352, and HB 2615)

\$27,000,000 NR

26 Western Carolina University School of Health/Gerontology Building

Provides capital planning funds for the School of Health and Gerontological Science building at WCU. The total projected cost for this project is \$46,200,000. (SB 1772 and HB 2615)

\$2,400,000 NR

27 Winston Salem State University Student Activities Center

Provides capital planning funds for a proposed new student activities center. Total projected cost for this facility is \$14,773,560. Amount of receipts available to offset the cost of construction is not known at this time. (SB 1772 and HB 2615)

\$768,225 NR

28 Dental Schools Planning

Provides capital planning funds for the expansion of the School of Dentistry at UNC-Chapel Hill and the establishment of a School of Dentistry at East Carolina University. (SB 1741, Section 23.11; see also SB 1772, SB 1805, HB 2297, and HB 2615)

\$7,000,000 NR

29 Reserve for Capital Cost Overruns

Provides reserve funds for capital projects in the UNC System that lack sufficient available funds to award a construction contract. Priority shall be given to Focus Growth Institutions.

\$2,300,000 NR

I. State Facilities Special Indebtedness

30 Department of Cultural Resources NC Museum of Art Expansion

Authorizes the issuance of certificates of participation to complete the planning and construction of a 126,000 square foot expansion of the NC Museum of Art in Raleigh. The expansion would increase exhibit space and visitor services. The total cost of the expansion is \$67 million. \$2.2 million was appropriated in FY 2004-05 and \$10 million was appropriated in FY 2005-06. The City of Raleigh and Wake County have jointly committed \$15 million towards the expansion. The expansion would house the Auguste Rodin gift from the Iris and B. Gerald Cantor Foundation. The total debt authorized is \$40,000,000. (SB 1741, Section 23.12; see also SB 863, SB 1740, HB 1098, and HB 2352)

31 DHHS State Public Health Lab / Office of Chief Medical Examiner

Authorizes the issuance of certificates of participation to complete the planning and construction of a 205,000 square foot facility to house the State Public Health Lab and the Office of Chief Medical Examiner. The new facility would be located in Raleigh. The total debt authorized is \$101,000,000. (SB 1741, Section 23.12; see also SB 1492, SB 1740, HB 2197, HB 2352)

32 DHHS Central Regional Psychiatric Hospital

Authorizes an additional \$20,000,000 in certificates of participation to complete construction of the Central Regional Psychiatric Hospital in Butner. Proceeds would fund the purchase and installation of information technology infrastructure as well as other construction needs to finish the project. The General Assembly authorized \$110,000,000 in certificates of participation in S.L.2003-314 for this facility. (SB 1741, Section 23.12; see also SB 1740 and HB 2352)

33 DHHS Eastern Regional Psychiatric Hospital

Authorizes the issuance of certificates of participation for the planning and construction of a 304-bed psychiatric hospital to replace Cherry Hospital in Goldsboro. The new hospital would also likely be located in Goldsboro. The debt is authorized in installments over three separate fiscal years totalling \$145,500,000. (SB 1741, Section 23.12; see also SB 1086, SB 1657, and SB 1658)

34 DHHS Western Regional Psychiatric Hospital

Authorizes the issuance of certificates of participation for the planning and construction of a 382-bed psychiatric hospital to replace Broughton Hospital in Morganton. The new hospital would also likely be located in Morganton. The debt is authorized in installments over two separate fiscal years totalling \$162,800,000. The first installment of \$20,000,000 is not authorized until July 1, 2008. (SB 1741, Section 23.12; see also SB 1657 and SB 1658)

35 Department of Correction Regional Medical Center and Mental Health Center

Authorizes the issuance of certificates of participation for the planning and construction of a new 120-bed medical center and 200-bed mental health center to serve prisoners in the State prison system. The facilities will be located at Central Prison in Raleigh. Total projected cost for the construction of the medical and mental health centers is \$151,864,137. The Department anticipates \$7,864,137 in receipts to devote to this capital project, and an additional \$11,800,000 in repair and renovation funds are dedicated for site development activities. The debt is authorized in installments over four fiscal years totalling \$132,200,000. (SB 1741, Section 23.12; see also SB 1740 and HB 2352)

36 Information Technology Services Secondary Statewide Data Center

Authorizes the issuance of certificates of participation for land acquisition, planning and construction of a 45,000 square foot data center in Rutherford County. The center would provide data recovery services for State agencies in times of disaster. The center would also provide additional capacity for IT operations across State agencies. ITS currently contracts for disaster recovery services. The total debt authorized is \$24,841,300. (SB 1741, Section 23.12; see also SB 1740 and HB 2352)

37 UNC Charlotte Center City Classroom Building

Authorizes the issuance of certificates of participation for the planning and construction of a 150,000 square foot classroom building to house graduate and professional programs. Belk College of Business, the College of Architecture, and Lee College of Engineering will move to this uptown facility. The total debt authorized is \$45,827,400. (SB 1741, Section 23.12; see also SB 1740, SB 1772, HB 2352, HB 2615, and HB 2847)

Total Appropriation to Capital

\$206,343,300 NR

Special Provisions

2006 Session: SB 198

Department: Capital

Section: 3

Title: **Green Square Project**

Summary: Amends S.L. 2006-66 to add Section 6.18 which directs the Department of Administration to report to the Joint Legislative Commission on Governmental Operations about the implementation of S.L. 2005-255. S.L. 2005-255 provides direction for the Green Square Project, a redevelopment project in Raleigh between the State and the State Employees' Credit Union. The report shall include explanations as to (i) why the property has not been transferred to the State Employees' Credit Union, (ii) why the law has not been implemented, and (iii) provide a timetable for implementation.

The report is due September 1, 2006

2006 Session: SB 1741

Department: Capital

Section: 23.1

Title: **Capital Appropriations/General Fund**

Summary: Appropriates \$206.34 million for capital improvement projects for the 2006-07 fiscal year as follows:

Department of Administration - \$9,773,300

Department of Agriculture and Consumer Services - \$1,250,000

Department of Commerce - \$7,500,000

Department of Crime Control and Public Safety- \$8,722,700

Department of Cultural Resources - \$1,500,000

Department of Environment and Natural Resources - \$37,617,300

University of North Carolina System - \$139,980,000

(Note: Detailed project-by-project information for each state agency/department may be found on pages M-1 through M-7)

Section: 23.2

Title: **Water Resources Development Project Funds**

Summary: 23.2(a) Allocates \$20 million for the following projects:

Wilmington Harbor Deepening - \$5,275,000

Morehead City Harbor Sand Management - \$1,200,000

Manteo (Shallowbag) Bay Channel Maintenance -

Wilmington Harbor Maintenance Dredging -

Morehead City Harbor Maintenance Dredging -

Carolina Beach Renourishment - \$1,125,000

Carolina Beach Renourishment (Kure Beach) - \$681,000

Brunswick County Beaches Study -

Ocean Isle Beach Renourishment

(Brunswick County) - \$435,000

Beaufort Harbor Maintenance Dredging - \$300,000

B. Everett Jordan Reservoir Water
 Supply Storage - \$100,000
 Aquatic Weed Control – Lake Gaston
 and Statewide - \$400,000
 Waterway Connecting Pamlico Sound
 to Beaufort Harbor (Carteret) - \$400,000
 John H. Kerr Reservoir Operations Evaluation - \$188,000
 Currituck Sound Water Management Study - \$386,000
 Surf City / North Topsail Beach Protection Study -
 West Onslow Beach (Topsail) Study
 (Pender County) - \$85,000
 Hurricane Stream Restoration – Western NC
 (Phase II) - \$2,000,000
 Hurricane Isabel Emergency Management
 Stream Cleanup (Phase III) - \$850,000
 Bogue Banks Shore Protection Study
 (Carteret County) -
 Neuse River Basin Study - \$280,000
 Beach and Inlet Management Study - \$500,000
 Dredging Contingency Fund - \$2,295,000
 Topsail Beach Renourishment - \$1,000,000
 State – Local Projects - \$2,500,000

23.3(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.

23.3(c) Requires semi-annual reports on the use of funds.

Section: 23.3

Title: **Repairs and Renovations Reserve Allocation**

Summary: Specifies the allocation of funds in the Repairs and Renovations Reserve Account of the General Fund for the 2006-07 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.

23.3(b) directs OSBM to fund: (i) \$11.8 million in eligible repairs and renovations in the Department of Correction for the Regional Medical Center and Mental Health Center capital project; and (ii) \$2.8 million for repairs and renovations in the Department of Cultural Resources for the Palmer Memorial Institute State Historic Site.

23.3(c) directs the Board of Governors to fund the following repairs and renovations projects: (i) \$1.9 million for parking and road repairs at Elizabeth City State University; (ii) \$6.4 million for steam line and steam tunnel repairs at North Carolina Central University; and (iii) \$416,000 for capital planning for Rhodes Hall at the University of North Carolina at Asheville. Requires that the general repairs and renovations allocation that these campuses receive through the Board of Governors be offset by the amounts directed for specific projects in this subsection.

Section: 23.10

Title: **State Facilities Master Plan**

Summary: 23.10(a) directs the Department of Administration to develop a facilities master plan for State operations in Wake County, including:

- (1) Taking Inventory of State property and agency allocations
- (2) Taking inventory of leased office space
- (3) Surveying agency capital needs, including the State's Six Year Capital Improvement Plan
- (4) Project personnel growth to support State operations

- (5) Compare capital requests to agency missions, goals, and operations
- (6) Recommend a master plan that meets the State's facility needs and makes efficient use of State property
- (7) Recommend State operations that should be relocated from Raleigh
- (8) Recommend a transit plan
- (9) Recommend an implementation plan and provide recommendations regarding the sequencing of implementation

23.10(b) directs the Department to expand the scope of the plan beyond Wake County if funds are sufficient.

23.10(c) directs the Department to report by October 1, 2007.

23.10(d) Allocates \$60,000 from the Legislative Services Commission of the General Assembly to the Dorothea Dix Property Study Commission to contract with a consultant to study the following:

- (1) Possible funding options for compatible uses of open space, adaptive re-use of existing buildings, and support for mental health services
- (2) The financial feasibility uses under subdivision (1)
- (3) Financial mechanisms for implementation and maintenance uses under subdivision (1)
- (4) Administrative governance structures to implement uses under subdivision (1)

Section: 23.11

Title: **UNC-CH/ECU Dental Schools**

Summary: 23.11(a) Authorizes the Board of Governors to use the Dental Schools Planning Reserve for the following: (i) complete the planning and design for the expansion of the School of Dentistry at the University of North Carolina at Chapel Hill; (ii) conduct a feasibility study for establishing a School of Dentistry at East Carolina University; and (iii) upon Board of Governors' approval, perform advanced planning for Dental School facilities at East Carolina University.

23.11(b) Authorizes the Board to contract with a consultant.

(Note: Section 2 of HB 914, The State Budget Act, S.L. 2006-203, repeals Section 23.11. The repeal does not take effect until July 1, 2007.)

Section: 23.12

Title: **Special Indebtedness Projects**

Summary: Authorizes the issuance of special indebtedness, in accordance with G.S. 142-83, for the costs associated with constructing various State facilities.

23.12(a) Authorizes \$40 million in maximum principal for the construction of new facilities or the renovation of existing facilities at the North Carolina Museum of Art in the Department of Cultural Resources. Special indebtedness may be issued as early as the 2006-07 fiscal year.

23.12(b) Authorizes \$20 million in maximum principal for the completion of the Central Regional Psychiatric Hospital in the Department of Health and Human Services. Special indebtedness may be issued as early as the 2006-07 fiscal year.

23.12(c) Authorizes \$24,841,300 in maximum principal for the construction of a Secondary Data Center in Information Technology Services. Special indebtedness may be issued as early as the 2006-07 fiscal year.

23.12(d) Authorizes \$45,827,400 in maximum principal for construction of a Center City Classroom Building for the University of North Carolina at Charlotte. Special indebtedness may be issued as early as the 2006-07 fiscal year.

23.12(e) Authorizes \$101 million in maximum principal for the construction of the State Public Health Laboratory and Office of Chief Medical Examiner in the Department of Health and Human Services. Only \$20 million in special indebtedness is authorized for the 2006-07 fiscal year.

23.12(f) Authorizes \$145.5 million in maximum principal for the construction of the Eastern Regional Psychiatric Hospital in the Department of Health and Human Services. Only \$20 million in special indebtedness is authorized for the 2006-07 fiscal year and a total of \$100 million is authorized prior to July 1, 2008.

23.12(g) Authorizes \$132.2 million in maximum principal for the construction of a Regional Medical Center and Mental Health Center in the Department of Correction. Only \$8.2 million in special indebtedness is authorized for the 2006-07 fiscal year; a total of \$58.2 million is authorized prior to July 1, 2008; and a total of \$98.2 million is authorized prior to July 1, 2009.

(Note: Section 23.3(b) SB 1741, The Current Operations and Capital Improvements Appropriations Act of 2006, S.L. 2006-66, includes \$11.8 million from the Repairs and Renovations Reserve Account for the Regional Medical Center and Mental Health Center.)

23.12(h) Authorizes \$162.8 million in maximum principal for the construction of the Western Regional Psychiatric Hospital in the Department of Health and Human Services. No special indebtedness is authorized prior to July 1, 2008 and only \$20 million is authorized for the 2008-09 fiscal year.

23.12(i) states the effective date.

INFORMATION TECHNOLOGY

Information Technology Services

INTERNAL SERVICE FUND

FY 06-07

Total Budget Approved 2005 Session

\$13,025,000

Budget Changes

A. IT Operations

1 Information Technology Attorney Positions	\$298,826	R
Provides funds for the establishment of 2.0 Attorney positions in the Office of Information Technology Services to provide specialized legal services needed for complex information technology projects.	2.00	
2 ITS Activities	\$2,619,500	NR
Continues existing activities including project management assistance, security, asset management, legal support, and legacy system assessment.		
3 ITS Services	\$190,000	NR
Provides services previously supported by cross subsidies in the rate structure, including State portal maintenance, security services, enterprise identity management, and office operations.		

B. Information Technology Projects

4 BEACON/SBIP-HR/Payroll System Replacement	\$7,260,523	R
Provides funds for the Office of the State Controller to support implementation of the state's new human resources and payroll system as part of Building Enterprise Access for North Carolina's Core Operation Needs (BEACON)/Statewide Business Infrastructure Program (SBIP).	\$34,930,605	NR
	50.75	
5 BEACON Data Warehousing	\$1,000,000	NR
Provides funding to integrate and deploy the following data warehousing projects as part of BEACON: Department of Revenue-Guest Worker Compliance Project Office of State Personnel-Workforce Planning Project Office of the State Auditor-Business Intelligence Software and Data Warehousing Project.		

Budget Changes	\$7,559,349	R
	\$38,740,105	NR
Total Position Changes		52.75
Revised Total Budget	\$59,324,454	

Special Provisions

2006 Session: SB 1741

Department: Information Technology Services

Section: 6.6

Title: Information Technology Fund Availability and Appropriations

Summary: Identifies funding sources for the Information Technology Fund for SFY 2006-07 as follows:

Estimated IT Fund Balance, June 30, 2006	\$4,212,225
Receipts from IT Enterprise Fee	\$5,000,000
Appropriation from General Fund	\$50,112,229
 Total Funds Available	 \$59,324,454

SALARIES AND BENEFITS

SALARY CHANGES FOR EMPLOYEES SUPPORTED BY THE STATE

A. SALARY INCREASES

General Salary Increase -- The General Assembly enacted the following General Fund and Highway Fund appropriations to provide salary increases effective July 1, 2006, for employees paid from State funds:

	2006-2007
General Fund (Recurring)	\$649,145,003
General Fund (Non recurring)	14,970,657
Highway Fund (Recurring)	26,334,000
Highway Fund (Non recurring)	0
TOTAL	\$690,449,660

B. SPECIFIED SALARY INCREASES

GOVERNOR

- (1) The General Assembly increased the annual salary of the Governor by 5.5% to an annual rate of \$130,629, effective July 1, 2006.

COUNCIL OF STATE

- (2) The General Assembly increased the annual salary of members of the Council of State by 5.5% to an annual rate of \$115,289, effective July 1, 2006.

Council of State	2006-2007
Lieutenant Governor	\$115,289
Attorney General	115,289
Secretary of State	115,289
State Treasurer	115,289
State Auditor	115,289
Superintendent of Public Instruction	115,289
Commissioner of Agriculture and Consumer Services	115,289
Commissioner of Insurance	115,289
Commissioner of Labor	115,289

GOVERNOR'S CABINET

- (3) The General Assembly increased the annual salary of members of the Governor's Cabinet by 5.5% to an annual rate of \$112,637, effective July 1, 2006.

Cabinet 2006-2007

Secretary of Administration	\$112,637
Secretary of Correction	112,637
Secretary of Crime Control & Public Safety	112,637
Secretary of Cultural Resources	112,637
Secretary of Commerce	112,637
Secretary of Environment and Natural Resources	112,637
Secretary of Health and Human Services	112,637
Secretary of Juvenile Justice and Delinquency Prevention	112,637
Secretary of Revenue	112,637
Secretary of Transportation	112,637

CERTAIN EXECUTIVE OFFICIALS

- (4) The General Assembly increased the annual salary of Certain Executive Officials by 5.5% to the annual rates listed below, effective July 1, 2006.

Officials	2006-2007
Chairman, Alcoholic Beverage Control	\$102,520
State Controller	143,477
Commissioner of Motor Vehicles	102,520
Commissioner of Banks	115,289
Chairman, Employment Security Commission	133,161 ¹
State Personnel Director	112,637
Chairman, Parole Commission	93,613
Members of the Parole Commission	43,213
Chairman of the Utilities Commission	128,395
Commissioners of the Utilities Commission	115,289
Executive Director, Agency for Public Telecommunication	86,427
Director, Museum of Art	105,050
Executive Director, North Carolina Agricultural Finance Authority	99,789
State Chief Information Officer	143,390

1. Salary was frozen at the 2004-2005 salary; Session Law 2005-276, Section 29.3. Legislation was also enacted in 2005 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; Session Law 2005-276, Section 29.20A.

JUDICIAL PERSONNEL

- (5) The General Assembly increased the annual salary of Judges, Clerks of Superior Court, and certain administrative officers by 5.5% to the annual rates listed below, effective July 1, 2006.

	2006-2007
Chief Justice, Supreme Court	\$130,629
Associate Justice, Supreme Court	127,215
Chief Judge, Court of Appeals	124,034
Judge, Court of Appeals	121,915
Judge, Senior Regular Resident Superior Court	118,602
Judge, Superior Court	115,289
Chief Judge, District Court	104,689
Judge, District Court	101,376
Administrative Officer of the Courts	118,602
Assistant Administrative Officer of the Courts	108,332

Clerks of Court

2006-2007

Less than 100,000 County Population	\$77,112
100,000 to 149,999 County Population	86,532
150,000 to 249,999 County Population	95,954
250,000 and above County Population	105,378

- (6) The General Assembly authorized an across-the-board annual salary increase of 5.5% in the average salaries of Assistant District Attorneys and Assistant Public Defenders effective July 1, 2006. 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 \$66,391 or the minimum salary fall below \$34,694.
- (7) The General Assembly authorized an across-the-board annual salary increase of 5.5%, effective July 1, 2006, for Assistant and Deputy Clerks of Court in addition to the step increases associated with their respective pay plans.

2006-2007

Assistant Clerks and Head Bookkeeper

Minimum	\$29,925
Maximum	51,251

Deputy Clerks

Minimum	\$25,758
Maximum	39,862

MAGISTRATES

- (8) The General Assembly authorized an across-the-board annual salary increase of 5.5% effective July 1, 2006, for Magistrates.

2006-2007

Entry Rate	\$30,320
Step 1	33,101
Step 2	36,126
Step 3	39,429
Step 4	43,046
Step 5	47,122
Step 6	51,692

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	\$24,450
1 or more but less than 3 years of service	25,572
3 or more but less than 5 years of service	27,831

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 5.5% to an annual rate of \$97,402, effective July 1, 2006. The salaries of the Sergeants-at-Arms and the Reading Clerks in the House of Representatives and the Senate were increased to \$345 per week, effective July 1, 2006.

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 5.5% effective July 1, 2006 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 5.5% effective July 1, 2006 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 6%.
- (4) **Community College Institutional Personnel** – The General Assembly authorized an annual salary increase of 6% plus a one-time 2% bonus effective July 1, 2006 for all community college faculty and professional staff. The General Assembly also authorized an annual salary increase of 5.5% effective July 1, 2006 for all other eligible community college institution 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 5.5% effective July 1, 2006 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 2006-2007 fiscal year, beginning July 1, 2006:

	Salary Ranges	
Superintendent I (Up to 2,500 ADM)	\$4,417	- \$8,275
Superintendent II (2,501 - 5,000 ADM)	\$4,689	- \$8,775
Superintendent III (5,001 - 10,000 ADM)	\$4,975	- \$9,310
Superintendent IV (10,001 - 25,000 ADM)	\$5,280	- \$9,875
Superintendent V (Over 25,000 ADM)	\$5,604	- \$10,477

Non-certified Public School Employees

The General Assembly authorized an across-the-board annual salary increase of 5.5% effective July 1, 2006 for non-certified personnel employed by the Public Schools.

Principals and Assistant Principals

The General Assembly appropriated funds for the 2006-2007 fiscal year to provide annual salary increases ranging from 6.9% to 11.94% (average of 7%) for Public School principals and assistant principals, effective July 1, 2006. The funding increase is based on the employees' natural movement up the salary schedule, based on years-of-experience credit, and a flat increase of \$2,250 for each step on the "A" teacher salary schedule. Please see Table 2 in this section for the current salary schedule applicable to Principals and Assistant Principals.

Teachers

The General Assembly appropriated funds for the 2006-2007 fiscal year to provide annual salary increases ranging from 6.45% to 14.05% (average of 8.23%) for Public School teachers, effective July 1, 2006. The funding increase is based on the teachers' natural movement up the salary schedule, based on years-of-experience credit, and an increase of \$2,250 for each step on the "A" salary schedule (slightly larger increases to the "M" and "NBPTS" schedules). Please see Table 3 in this section for the current salary schedule applicable to teachers.

TABLE 2**FY 2006-07****Principal and Assistant Principal Salary Schedules
Base Salary Schedule. No ABC or Safe School Incentives**

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	\$3,592	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
5	\$3,741	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
6	\$3,884	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
7	\$4,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
8	\$4,053	\$4,053	N/A	N/A	N/A	N/A	N/A	N/A	N/A
9	\$4,108	\$4,108	N/A	N/A	N/A	N/A	N/A	N/A	N/A
10	\$4,163	\$4,163	\$4,218	N/A	N/A	N/A	N/A	N/A	N/A
11	\$4,218	\$4,218	\$4,274	N/A	N/A	N/A	N/A	N/A	N/A
12	\$4,274	\$4,274	\$4,331	\$4,389	N/A	N/A	N/A	N/A	N/A
13	\$4,331	\$4,331	\$4,389	\$4,450	\$4,511	N/A	N/A	N/A	N/A
14	\$4,389	\$4,389	\$4,450	\$4,511	\$4,572	\$4,637	N/A	N/A	N/A
15	\$4,450	\$4,450	\$4,511	\$4,572	\$4,637	\$4,702	N/A	N/A	N/A
16	\$4,511	\$4,511	\$4,572	\$4,637	\$4,702	\$4,766	\$4,835	N/A	N/A
17	\$4,572	\$4,572	\$4,637	\$4,702	\$4,766	\$4,835	\$4,903	\$5,047	N/A
18	\$4,637	\$4,637	\$4,702	\$4,766	\$4,835	\$4,903	\$4,976	\$5,120	\$5,192
19	\$4,702	\$4,702	\$4,766	\$4,835	\$4,903	\$4,976	\$5,047	\$5,192	\$5,268
20	\$4,766	\$4,766	\$4,835	\$4,903	\$4,976	\$5,047	\$5,120	\$5,268	\$5,347
21	\$4,835	\$4,835	\$4,903	\$4,976	\$5,047	\$5,120	\$5,192	\$5,347	\$5,426
22	\$4,903	\$4,903	\$4,976	\$5,047	\$5,120	\$5,192	\$5,268	\$5,426	\$5,535
23	\$4,976	\$4,976	\$5,047	\$5,120	\$5,192	\$5,268	\$5,347	\$5,535	\$5,646
24	\$5,047	\$5,047	\$5,120	\$5,192	\$5,268	\$5,347	\$5,426	\$5,646	\$5,759
25	\$5,120	\$5,120	\$5,192	\$5,268	\$5,347	\$5,426	\$5,535	\$5,759	\$5,874
26	\$5,192	\$5,192	\$5,268	\$5,347	\$5,426	\$5,535	\$5,646	\$5,874	\$5,991
27	\$5,268	\$5,268	\$5,347	\$5,426	\$5,535	\$5,646	\$5,759	\$5,991	\$6,111
28	\$5,347	\$5,347	\$5,426	\$5,535	\$5,646	\$5,759	\$5,874	\$6,111	\$6,233
29	\$5,426	\$5,426	\$5,535	\$5,646	\$5,759	\$5,874	\$5,991	\$6,233	\$6,358
30	\$5,535	\$5,535	\$5,646	\$5,759	\$5,874	\$5,991	\$6,111	\$6,358	\$6,485
31	\$5,646	\$5,646	\$5,759	\$5,874	\$5,991	\$6,111	\$6,233	\$6,485	\$6,615
32	N/A	\$5,759	\$5,874	\$5,991	\$6,111	\$6,233	\$6,358	\$6,615	\$6,747
33	N/A	N/A	\$5,991	\$6,111	\$6,233	\$6,358	\$6,485	\$6,747	\$6,882
34	N/A	N/A	\$6,111	\$6,233	\$6,358	\$6,485	\$6,615	\$6,882	\$7,020
35	N/A	N/A	N/A	\$6,358	\$6,485	\$6,615	\$6,747	\$7,020	\$7,160
36	N/A	N/A	N/A	\$6,485	\$6,615	\$6,747	\$6,882	\$7,160	\$7,303
37	N/A	N/A	N/A	N/A	\$6,747	\$6,882	\$7,020	\$7,303	\$7,449
38	N/A	N/A	N/A	N/A	N/A	\$7,020	\$7,160	\$7,449	\$7,598
39	N/A	N/A	N/A	N/A	N/A	N/A	\$7,303	\$7,598	\$7,750
40	N/A	N/A	N/A	N/A	N/A	N/A	\$7,449	\$7,750	\$7,905
41	N/A	N/A	N/A	N/A	N/A	N/A	N/A	\$7,905	\$8,063

Notes:

1. ADD \$126 per month for an advanced principal license (AP).
2. ADD \$253 per month for an advanced principal license and an earned doctorate degree (DAP).
3. Placement on Safe Schools and ABC salary schedules are based on 1997-98, 1998-99, and 1999-00 school year accomplishments.

TABLE 3**Teachers****Teacher Salary Schedule****For the 2006-2007 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	\$2,851	N/A	0	\$3,136	N/A
1	\$2,893	N/A	1	\$3,182	N/A
2	\$2,937	N/A	2	\$3,231	N/A
3	\$3,093	\$3,464	3	\$3,402	\$3,810
4	\$3,233	\$3,621	4	\$3,556	\$3,983
5	\$3,367	\$3,771	5	\$3,704	\$4,148
6	\$3,496	\$3,916	6	\$3,846	\$4,308
7	\$3,600	\$4,032	7	\$3,960	\$4,435
8	\$3,648	\$4,086	8	\$4,013	\$4,495
9	\$3,697	\$4,141	9	\$4,067	\$4,555
10	\$3,747	\$4,197	10	\$4,122	\$4,617
11	\$3,796	\$4,252	11	\$4,176	\$4,677
12	\$3,847	\$4,309	12	\$4,232	\$4,740
13	\$3,898	\$4,366	13	\$4,288	\$4,803
14	\$3,951	\$4,425	14	\$4,346	\$4,868
15	\$4,005	\$4,486	15	\$4,406	\$4,935
16	\$4,060	\$4,547	16	\$4,466	\$5,002
17	\$4,115	\$4,609	17	\$4,527	\$5,070
18	\$4,174	\$4,675	18	\$4,591	\$5,142
19	\$4,232	\$4,740	19	\$4,655	\$5,214
20	\$4,290	\$4,805	20	\$4,719	\$5,285
21	\$4,352	\$4,874	21	\$4,787	\$5,361
22	\$4,413	\$4,943	22	\$4,854	\$5,436
23	\$4,479	\$5,016	23	\$4,927	\$5,518
24	\$4,543	\$5,088	24	\$4,997	\$5,597
25	\$4,608	\$5,161	25	\$5,069	\$5,677
26	\$4,674	\$5,235	26	\$5,141	\$5,758
27	\$4,742	\$5,311	27	\$5,216	\$5,842
28	\$4,813	\$5,391	28	\$5,294	\$5,929
29	\$4,884	\$5,470	29	\$5,372	\$6,017
30+	\$4,982	\$5,580	30+	\$5,480	\$6,138

SALARY AND BENEFIT CHANGES FOR STATE AND LOCAL PERSONNEL

2006 LEGISLATIVE ACTIONS

A. SALARY RELATED CHANGES

- (1) **Additional Step to the Public School Teacher Salary Schedules:** Section 7.1(b) of Session Law 2006-66 added a 30+ step to the Public School teacher salary schedules. Previously, the salary schedules ended at step 29+. The 30+ step is 2% higher than the 29th step.
- (2) **Fair Minimum Wage for Public School Non-certified Employees:** Section 7.4(d) of Session Law 2006-66 sets a minimum salary of \$20,112 for all permanent full-time non-certified Public Schools employees and authorizes proportionate increases to permanent full-time non-certified Public School employees working schedules requiring less than 12-months service per year.
- (3) **University of North Carolina Faculty Recruiting and Retention Fund:** Section 22.12A of Session Law 2006-66 establishes a Faculty Recruiting and Retention Fund under the Office of the President of the University of North Carolina to be used for salary increases for the purpose of recruiting and retaining faculty members as may be necessary at the constituent institutions. The General Assembly appropriated \$5,000,000 for this purpose.

B. OTHER CHANGES

- (1) **Suspend Career Banding Initiative:** Section 22.15A of Session Law 2006-66 and Section 21A of Session Law 2006-221 suspend further implementation of the career banding classification system recommended by the Office of State Personnel. These provisions include an exemption which permits the continued implementation by State departments, agencies, and institutions only for Career-banded classifications approved by the State Personnel Commission on or before June 15, 2006 in which the State department, agency or institution had begun implementing by that date; but, only if the career-banded classifications are fully and completely implemented by February 1, 2007 using technical resources provided by the Office of State Personnel and the affected agency or institution.

Section 21A of Session Law 2006-221 also creates a Legislative Study Commission on the State Personnel Act. This Study Commission is charged with reviewing the provisions of Chapter 126, the State Personnel Act; considering the efficacy of changes in policy related to the classification system, compensation philosophy, salary structure, merit-based pay, pay equity, pay delivery, and performance evaluation; evaluating career banding as an alternative to the traditional classification system; and any other matter the Commission may find relevant to its charge. The Commission is to provide its final report by May 1, 2008 including its findings, recommendations, and legislative proposals.

- (2) **Office of Administrative Hearings Employees Reestablished:** Section 20 of Session Law 2006-221 amends Session Law 2006-66 by creating a new Section 18.2. This new section repeals various previously enacted provisions establishing the number of administrative law judges and other employees in the Office of Administrative Hearings. The Chief Administrative Law Judge position is reestablished as exempt from the State Personnel Act and all other positions are reestablished subject to the State Personnel Act. Other provisions of Section 18.2 make technical and clarifying changes.

RETIREMENT AND PENSION CHANGES FOR STATE AND LOCAL PERSONNEL

2006 LEGISLATIVE ACTIONS

A. CURRENT EMPLOYEES

- (1) **Retirement Contributions:** The 2006 Session of the General Assembly set the contribution rates for the various retirement systems for the 2006-07 fiscal year. The contribution rate for the Teachers' and State Employees' Retirement System is 2.66% of payroll for retirement, 0.52% of payroll for the Disability Income Plan, 0.16% for the Death Benefit and 3.8% of payroll for retiree health benefits.

The 2006 General Assembly also made a contribution of \$30 million to the Teachers' and State Employees' Retirement System to continue the "payback" for the State contributions that were escrowed by the Governor in 2001 to help balance the budget.

- (2) **Changes to the Disability Income Plan:** The 2006 Session of the General Assembly changed the effective date from August 1, 2006 to August 1, 2007 for the amended definition of "disability" to qualify for long-term benefits under the Disability Income Plan. The amended definition of "disability" for long-term benefits 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".

Trial Rehabilitation Period: During the waiting period (prior to receiving a benefit) and the short-term disability period, beneficiaries are allowed to return to service for a trial period without jeopardizing their disability benefit if they are unable to continue working. The long-term disability period has never had such a provision. The 2006 Session of the General Assembly, therefore, created a trial rehabilitation period during the long-term disability period for long-term disability recipients who attempt a return to service effective retroactively to July 1, 2002. An individual may return to service under some circumstances without losing long-term disability eligibility. Long-term disability benefits are suspended, however, during periods of trial rehabilitation. Trial rehabilitation during the long-term disability period occurs when a long-term recipient returns to service in any capacity with an employer participating in the Teachers' and State Employees' Retirement System and when the salary earned is equal to or greater than the salary on which the long-term benefit is based. If the individual is unable to continue employment because of the same disability or a new condition, he or she may be entitled to a restoration of the long-term disability benefit. There will not be a waiting period or a short-term disability period required when the following conditions are met:

(a) The return to service is not greater than 36 months; and, (b) The medical board certifies that the individual is disabled according to the laws that were in effect at the time of the individual's original approval for long-term disability benefits.

If the trial rehabilitation period exceeds 36 months, any subsequent disability is treated as a new condition and a new waiting period and short-term disability period are required. A beneficiary that returns to service for more than 36 months may be entitled to long-term disability benefits so long as he or she meets all eligibility requirements regardless of the requirement of five years of membership service earned during the 96 calendar months prior to the subsequent disability or the cessation of continuous salary continuation payments, whichever is later.

- (3) **Firemen and Rescue Squad Worker's Pension Fund:** The 2006 Session of the General Assembly enacted, effective July 1, 2006, an increase in the pension for members of the Firemen's and Rescue Squad Workers' Pension Fund from \$163 to \$165 per month at a cost of \$625,000 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.
- (4) **North Carolina National Guard Pension Fund:** The 2006 Session of the General Assembly enacted, effective July 1, 2006, an increase in the pension for retirees of the North Carolina National Guard Pension Fund from \$75 to \$80 per month for the first 20 years of creditable service and from \$7.50 to \$8.00 per month for each additional year of creditable service with the maximum benefit increased from \$150 to \$160 per month. This was done at a cost of \$965,000 annually.
- (5) **Changes to the Board of Trustees of the Local Governmental Employees' Retirement System:** The 2006 Session of the General Assembly enacted legislation to change the members of the Board of Trustees of the Local Government Employees' Retirement System. The Board shall consist of (i) seven members of the Board of Trustees of the Teachers' and State Employees' Retirement System appointed under G.S. 135-6: the State Treasurer; the Superintendent of Public Instruction; the two members appointed by the General Assembly; and the three members appointed by the Governor who are not members of the teaching profession or State employees; and (ii) seven members designated by the Governor:
 - (a) One member shall be a mayor or a member of the governing body of a city or town participating in the Retirement System;
 - (b) One member shall be a county commissioner of a county participating in the Retirement System;
 - (c) One member shall be a law-enforcement officer employed by an employer participating in the Retirement System;
 - (d) One member shall be a county manager of a county participating in the Retirement System;
 - (e) One member shall be a city or town manager of a city or town participating in the Retirement System;
 - (f) One member shall be an active, Fair Labor Standards Act nonexempt, local governmental employee of an employer participating in the Retirement System; and
 - (g) One member shall be a retired, Fair Labor Standards Act nonexempt, local governmental employee of an employer participating in the Retirement System.
- (6) **Transfer of Deferred Compensation Plan to the Department of State Treasurer:** The 2006 Session of the General Assembly enacted legislation that transfers the Board of Trustees and the responsibility for the North Carolina Public Employee Deferred Compensation Plan from the Department of Administration to the Department of State Treasurer.
- (7) **Local Law Enforcement Officers Purchase of Service While on Workers' Compensation:** The 2006 Session of the General Assembly enacted legislation that allows a local law enforcement officer, who is on an employer-approved leave of absence and is receiving Workers' Compensation benefits as a result of serious bodily injury incurred in the line of duty and as a result of an intentional or unlawful act of another, and who returns to service on or after August 1, 2006, to purchase creditable service for the time on leave of absence. The employing local employer and the member must pay the cost.
- (8) **Purchase of Service while Participating in the Optional Retirement Program:** The 2006 Session of the General Assembly enacted legislation that allows a member of the Teachers' and State Employees' Retirement System to purchase service under the full actuarial cost method for periods of time the member had worked for the University System but had chosen to participate in the Optional Retirement program.

- (9) **Employees of the School of Science and Mathematics:** The 2006 Session of the General Assembly enacted legislation that will reestablish the North Carolina School of Science and Mathematics as a constituent high school of the University of North Carolina, effective July 1, 2007. The employees who are appointed by the Board of Governors and the faculty of the School of Science and Mathematics, who are employed as of July 1, 2007 or after, shall make an irrevocable election whether to participate in the Teachers' & State Employees' Retirement System or the University of North Carolina Optional Retirement Program.

B. RETIRED EMPLOYEES

- (1) **Cost-of-Living Adjustment in Retirement Allowances for Retired Teachers and State Employees:** Effective July 1, 2006, the General Assembly provided a 3% increase in the retirement allowances paid to beneficiaries of the Teachers' and State Employees' Retirement System whose retirement began on or before July 1, 2005. In addition, beneficiaries who retired after July 1, 2005, and before June 30, 2006, were authorized an increase in their retirement allowances on July 1, 2006, equal to a prorated amount of the 3% increase provided to those who retired on or before July 1, 2005. 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 2005-06.

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, 2004, and in part by an appropriation of \$27.1 million from the General Fund and \$1.3 million from the Highway Fund. The total cost of the cost-of-living adjustment was \$86.4 million annually from the General Fund and \$4.3 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, 2006, the General Assembly provided a 3% increase in the retirement allowances paid to beneficiaries of the Consolidated Judicial Retirement System whose retirement began on or before July 1, 2005. In addition, beneficiaries who retired after July 1, 2005, and before June 30, 2006, were authorized an increase in their retirement allowances on July 1, 2006, equal to a prorated amount of the 3% increase provided to those who retired on or before July 1, 2005. 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 2005-06.

This increase in retirement allowances was funded with unencumbered actuarial gains in the Consolidated Judicial Retirement System as of December 31, 2004. The total cost of the cost-of-living adjustment was \$0.9 million annually from the General Fund.

- (3) **Cost-of-Living Adjustment in Retirement Allowances for Retired Legislators:** Effective July 1, 2006, the General Assembly provided a 3% increase in the retirement allowances paid to beneficiaries of the Legislative Retirement System who retired on or before January 1, 2006, 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, 2006, but before June 30, 2006, were authorized an increase in their retirement allowances on July 1, 2006, equal to a prorated amount of the 3% increase provided to those who retired on or before January 1, 2006. The increase was funded within the Legislative System at an annual cost of \$60,000.

- (4) **Certain Retirees from the Community Colleges System Who Received Incorrect Information Relating to Working Part-time or Temporary During the Required Six Month Break Following Retirement:** The 2006 Session of the General Assembly enacted legislation that allows any member of the Teachers' and State Employees' Retirement System who (1) was employed by a community college and filed an application for retirement

before August 31, 2005 for an effective retirement date of November 1, 2005; and (2) was provided incorrect information about the period of time a retired member must wait before returning to employment in order to continue receiving retirement benefits, to be reemployed by the State under the reemployment law that existed at the time the member filed for retirement. This allows these individuals to receive their retirement benefits even though they worked part-time or temporary during the six months following their retirement date.

- (5) **Extension of the Exemption from the Six Month Break Requirement for Participants in the Phased Retirement Program in the University System:** The 2006 Session of the General Assembly enacted legislation that extends the exemption for retired employees participating in the Phased Retirement Program from the six month break in service. This extends the exemption until the earliest of June 30, 2010 or twelve months from the issuance of final phased retirement regulations by the Internal Revenue Service.
- (6) **Exemption from the Earnings Limitations for Part-time Parole Commissioners:** The 2006 Session of the General Assembly enacted legislation that exempts the two part-time parole commissioners from the earnings restrictions for a retired member of the Teachers' and State Employees' Retirement System.

STATE EMPLOYEE HEALTH BENEFIT CHANGES

2006 LEGISLATIVE ACTIONS

The 2006 Session of the General Assembly made relatively few changes to the Teachers' and State Employees' Comprehensive Major Medical Plan (Plan) after the significant changes made in the 2005 Session to maintain adequate financing for the Plan over the biennium.

A. CHANGES IN PLAN FINANCING AND BASIC BENEFITS:

- (1) **Over-the-Counter Drug Coverage:** The Plan's Executive Administrator and Board of Trustees have been authorized to provide coverage of certain unspecified over-the-counter medications as recommended by the Plan's Pharmacy and Therapeutics Committee. The Plan is authorized to charge a co-payment to plan members who redeem benefits for authorized over-the-counter medications. The Executive Administrator and Board of Trustees are required to ensure that each authorized over-the-counter medication has been analyzed for plan member safety, medical effectiveness, and financial impact to the Plan. Prior to implementing an over-the-counter medication policy and co-payment requirement, the Plan must submit its proposed policies to the General Assembly's Committee on Employee Hospital and Medical Benefits. Authorization provided for coverage of over-the-counter drugs by the Plan sunsets July 1, 2009. [Session Law 2006-249]
- (2) **Incentive Programs:** The Plan's Executive Administrator and Board of Trustees have been authorized to establish to be determined incentive programs with authority to waive deductibles, co-payments, and coinsurance requirements. An impact analysis by the Executive Administrator and Board of Trustees is required for any incentive program proposed to determine whether: (1) an incentive program is likely to result in significant plan member satisfaction; (2) quality of care will not be adversely affected; and (3) significant savings will accrue to the Plan. Prior to implementing any incentive program the Plan must submit the proposed program to the General Assembly's Committee on Employee Hospital and Medical Benefits. Authorization provided for implementation of incentive programs by the Plan sunsets July 1, 2009. [Session Law 2006-249]
- (3) **References to Outpatient Prescription Drugs:** Amended G.S. 135-40.5(g) to change the references for each category of outpatient prescription drugs from: (1) "branded prescription" to "preferred branded prescription"; (2) "branded prescription with a generic equivalent" to "preferred branded prescription with a generic equivalent"; and (3) "each branded or generic prescription not on a formulary used by the Plan." to "each non-preferred branded or generic prescription." [Session Law 2006-249]
- (4) **Prior Approval for Bone Anchored Hearing Aids:** Amended G.S. 135-40.6A(b) to require prior approval for Bone Anchored Hearing Aids (BAHA) surgically implanted for the treatment of hearing loss. [Session Law 2006-249]
- (5) **Clarify Plan Member Enrollment:** Amended G.S. 135-39.5B to clarify that plan members may only enroll in a single health benefit program or plan offered by the Plan. Also clarifies that the outpatient prescription drug program may be used in conjunction with optional health benefit programs offered. [Session Law 2006-249]
- (6) **Clarify Prompt Payment Law Application:** Amended G.S. 135-39.5(12) to state that the prompt payment law under Chapter 58 of the General Statutes applies to the Plan's Comprehensive Major Medical Plan (also known as the self-insured indemnity program) and the optional plans and programs (currently the Preferred Provider Options) offered under the Plan. [Session Law 2006-249]

- (7) **Local Government Employer Participation:** The Executive Administrator and the Board of Trustees are allowed to authorize up to four additional local government employers to participate in the Plan. The Executive Administrator is required to set criteria for selecting local governments who apply to join the Plan under this specific authorization. The Executive Administrator must report to the General Assembly's Committee on Employee Hospital and Medical Benefits on the criteria used and the local government employers recommended to join the Plan prior to the Plan's Board of Trustees approving participation of any local government employer seeking to participate in the Plan. Current local government employers participating in the Plan by July 1, 2006 remain in the Plan are not subject to the admission criteria authorized in the legislation. [Session Law 2006-249]
- (8) **Remove Sunset for Participating Local Government Employers:** Effective June 30, 2006 the sunset authorizing certain local governments to voluntarily participate as an employing unit under the Plan is repealed. [Session Law 2006-007]
- (9) **Minimum Retirement Service Credit Required for Future Retirees Receiving State-Paid Health Benefit Premiums:** The General Assembly enacted legislation changing the eligibility for non-contributory health benefit coverage as a retired employee for future employees first hired on and after October 1, 2006 and members of the General Assembly first taking office on and after February 1, 2007. The changes enacted require future employees upon retirement to earn a minimum of 20 years of retirement service credit to be eligible for health benefit coverage on a non-contributory basis (i.e., the premiums are paid in full by the State Retirement Systems from a trust fund established for that purpose). The bill further requires future employees upon retirement who earn less than 20 years of retirement service credit to pay a premium contribution for their health benefit coverage under the Plan. Future employees upon retirement who earn 10 up to 20 years of retirement service credit would be required to pay a partially contributory premium equal to 50% of the required premium. Future employees upon retirement with 5 up to 10 years of retirement credit service would be required to pay premiums on a fully contributory basis equal to 100% of the required premium. [Session Law 2006-174]
- (10) **Changes to Subrogation of Claims Requirements:** The General Assembly amended G.S. 135-40.13A to do the following: (1) limit the Plan's amount of recovery under a subrogated claim to 50% of the total damages recovered by a Plan member exclusive of the costs of collecting a recovered amount; (2) allow the amount of reasonable costs of collection to be set by the Plan at its sole discretion and not be contestable as a final agency decision under Chapter 150B of the General Statutes; and 3) exempt the Plan's proposed 50% right of recovery exclusive of collection costs from the recovery limit of \$4,500 under G.S.28A-18-2, the wrongful death statute. Applies to payments made by the Plan after July 20, 2004 for which reimbursement is sought on or after the effective date. The wrongful death changes apply to claims involving wrongful deaths for which the Plan would be subject to a recovery of claims occurring on or after the effective date. [Session Law 2006-264]

B. CHANGES IN PLAN ADMINISTRATION:

- (11) **Authorize Additional Positions Under the Plan:** The Plan is authorized to create up to eight full-time positions, five of which shall be subject to the State Personnel Act, and three of which shall be exempt from the State Personnel Act. The authorization allows the Plan to expend up to \$563,106 in Plan funds to support these positions. [Session Law 2006-249]

REVENUE/FEE BILLS

BILLS AFFECTING GENERAL FUND REVENUES

2006 Regular Session

Senate Bill 1741, Chapter 66 Modify 2005 Appropriations Act (Finance Provisions Only)

Summary: Changes the State's tax laws in Sections 24 and 24A of the bill. This narrative only addresses changes that result in a fiscal impact.

Effective Date: Section 24.14 effective for taxable years beginning on or after January 1, 1996: Section 24.5 effective for taxable years beginning on or after January 1, 2004: Sections 24.7, 24.12, 24.18, and 24A.3 effective for taxable years beginning on or after January 1, 2006: Section 24.16 effective for taxable years beginning on or after January 1, 2006, and applies to business activities occurring on or after that date: Section 24.13 effective July 1, 2006: Section 24A.1 effective July 1, 2006, and applies to sales made on or after that date: Section 24.3 effective July 1, 2006, through June 30, 2007: Section 24.17 effective October 1, 2006, and applies to sales made on or after that date: Section 24.1(b) effective December 1, 2006: Sections 24.1(d), (f), and (h); Section 24.2(b); and Section 24.9 effective January 1, 2007: Sections 24.4 and 24A.2 effective for taxable years beginning on or after January 1, 2007: Sections 24.1(c), (e), (g), and (i), and Section 24.11 effective July 1, 2007: Section 24.19 effective July 1, 2007, and applies to sales made on or after that date: Sections 24.2(c) and 24.8 effective for taxable years beginning on or after January 1, 2008: and Sections 24.6 and 24.15 effective when law.

Fiscal Effect: The legislation made numerous changes to State tax law and impacts the General Fund in several ways.

Part 24, Tax Reductions

Section 24.1

Reduce Sales Tax by 0.25%, Effective December 1, 2006

The 2005 General Assembly extended the additional ½ cent sales and use tax, which was scheduled to be repealed for sales made on or after July 1, 2005 to July 1, 2007. Sections 24.1(a) through 24.1(c) reduce the temporary ½ cent state sales tax by one-quarter cent (0.25%) effective December 1, 2006. The remaining temporary half-cent tax will expire on July 1, 2007. The cost of the early sales tax reduction is estimated at \$140.1 million for 2006-07.

Sections 24.1(d) through 24.1(i) adjust the percentages set forth in House Bill 2047, Video Services Competition Act, to account for changes in state sales tax rate. Since the tax distribution set forth in that legislation is intended to hold local governments harmless from the loss of local cable franchise fee revenues, the percentage of local share of state sales tax revenues from telecommunications, cable, and satellite television must be increased to account for the anticipated decrease in the sales tax base resulting from rate reductions occurring on December 1, 2006 (to 6.75%, from 7.0%) and July 1, 2007 (to 6.5%, from 6.75%).

Section 24.2

Reduce Upper Income Bracket to 8%

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 and exemptions) of \$200,000 for a married couple filing jointly (\$120,000 for single taxpayers and \$160,000 for head of household).

The 2001 General Assembly included a rate sunset of January 1, 2004. During the 2003 session, the sunset was extended until January 1, 2006. The 2005 budget solution moved the sunset to January 1, 2008. Effective January 1, 2007, the upper income tax rate will be 8%, a reduction of 0.25% from the current rate. Under prior law, the maximum rate goes back to 7.75% on January 1, 2008.

Fiscal Research used the Spring 2006 revision of the Division's microsimulation tax model, developed by Bearing Point, to perform the fiscal impact analysis for this change in tax rate. The microsimulation model uses blurred data from approximately 1.3 million tax records. The results of this model are, in theory, more precise due to the large sample size. 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 goes into the second fiscal year affected.

Since the 8.25% upper income tax bracket was set to sunset in 2008 previous to this General Assembly's revisions, the impact of this change is limited to the 2007 tax year. The anticipated impact of this change on General Fund revenues is a one-time reduction of \$28.6 million in non-recurring revenues in FY 2006-07. The remaining revenue loss from this change will occur in 2007-08.

Section 24.3

Cap Motor Fuel Tax

The motor fuel excise tax is imposed on all motor fuel sold, distributed, or used in the State. The rate of tax consists of a flat rate of 17.5¢ per gallon plus a variable wholesale component equal to the greater of 7% of the average wholesale price of motor fuel during a base six-month base period or 3.5¢ per gallon, whichever is greater. The *variable wholesale rate* for the period of January 1, 2006, through June 30, 2006 was 12.4¢ per gallon and the total rate was 29.9¢ per gallon. One-half cent per gallon of the excise tax is allocated to various environmental funds. Of the remaining excise tax revenue, 75% goes to the Highway Fund and 25% goes to the Highway Trust Fund.

Section 24.3 caps the variable wholesale component of the motor fuel excise tax rate at the rate of 12.4¢ per gallon for the period of July 1, 2006, through June 30, 2007. In addition, Section 2.2(g) provides a reserve in the General Fund for the purpose of holding harmless the Highway Fund and the Highway Trust Fund in the event that the variable wholesale component of the excise tax were to exceed 12.4¢ per gallon if it were not capped. If the calculated variable component of the motor fuel excise tax rate exceeds the cap the State Treasurer is directed to transfer funds from the reserve account to the Highway Fund and the Highway Trust Fund. The amount transferred is the difference between the amount of motor fuel excise tax revenue

allocated to each of those funds for a month and the amount that would have been allocated to it if the variable wholesale component were not capped at 12.4¢ per gallon. The total amounts that may be transferred to the Highway Fund and the Highway Trust Fund are limited to \$17.6 million and \$5.7 million, respectively, for a total of \$23.3 million. Funds remaining in the Reserve for Motor Fuels Tax Ceiling on June 30, 2007 revert to the Savings Reserve Account within the General Fund on that date.

These two sections became effective July 1, 2006.

Section 24.4

Small Business Health Insurance Tax Credit

This section allows an employer who provides health benefits for all employees to take a state tax credit for the employer's costs in providing the benefits. The credit can be taken against the income or franchise tax. To be eligible, the employer must pay at least 50% of the premiums for health coverage that meets or exceeds the minimum provisions of a basic health care plan of coverage recommended by the Small Employer Carrier Committee, or the employees have qualifying existing coverage (Medicare, Medicaid, a government sponsored program, or a health insurance or benefits arrangement that provides sufficient benefits). In addition, the employer must have no more than 25 employees.

The credit is equal to 100% of the employer's cost of providing the benefits, up to a maximum of \$250 for each employee covered. The credit is allowed only for covered employees whose wage and salary payment does not exceed \$40,000. The credit is limited to 50% of tax liability, with a five-year carry forward.

The credit is effective for tax years beginning on or after January 1, 2007 and expires for tax years beginning on or after January 1, 2009. Fiscal Research estimates the impact of this credit at \$7.2 million in 2006-07; \$16.2 million in 2007-08; and \$8.9 million in 2008-09.

The first step in the analysis was to review the detailed employer health insurance data from the 2001 Medical Expenditure Panel Survey from the Agency for Healthcare Research and Quality, U.S. Department of Health and Human Services. The data included a tabulation of the number of firms in North Carolina who offered health coverage for employees, by size of firm. One of the breakpoints in the distribution data was for firms of 25 or less employees. The data indicated that 31% of employees are presently covered by employer-sponsored plans in this category.

The survey data included a tabulation of the cost of various types of coverage. For 2001 the average employer's costs ranged from \$3,024-\$4,971 per year, depending on the number of family members covered. Data for 1998-2002 from the Department of Insurance indicates that the average annual cost is rising at double-digit rates. Since the credit limit is far less than 100% of a typical employer's cost, the actual amount of the average costs do not affect the calculation.

There is no way to make a reliable prediction of the proportion of uncovered employees who would receive coverage as a result of the \$400 tax credit. For the purpose of this analysis, it was assumed that 8% of the uncovered employees would begin to be covered.

The credit is limited to 50% of the taxpayer's income tax liability for the tax year. In addition, the credit does not apply to workers whose wage and salary income exceeds \$40,000. A review of the experience of companies under the Bill Lee Act (state tax incentives) since 1996 plus wage data from the Employment Security Commission would suggest that the combination of the two limits would mean that only 40% of the potential credit cost would occur. In annual terms, the fiscal cost for the 2007 tax year would be \$16.0 million.

The credit cost was calculated using the 2001 survey data. The number was used also for 2005 under the assumption that the sharp rise in the employer's cost for health insurance coverage has reduced the proportion of employers who choose to provide coverage. Thus, the number of covered workers would not rise even though the number of small business establishments would go up.

For the 2008 tax year, annual growth based on projected nonagricultural employment in North Carolina was used. This estimate was made by the nationally recognized forecasting firm of Moody's Economy.com.

The tax year costs were split into fiscal years using the assumption that 45% of the cost of a credit would occur during the January-June period and the remainder during the second half of the tax year. The 45% assumption reflects April and June estimated tax payments and the fact that taxpayers can avoid an underpayment penalty for estimated taxes by sending in at least 90% of the annual liability during the tax year.

Sections 24.5, 24.14, and 24.16: Bill Lee Act Changes

Section 24.5, Expand Definition of Development Zone

Provides that an economic development and training district as defined in GS 153A-317.12 is a development zone for the purposes of the Bill Lee Act. The change is effective for tax years beginning on or after January 1, 2004.

The primary effect of the change is to make eligible a project located in Johnston County. The impact was estimated by the Department of Commerce, based on data furnished by the client. The bulk of the revenue loss comes from the tax credit for investment in machinery and equipment, with a small loss from the job creation and worker training tax credits. The first year impact is significantly larger than later years due to the retroactive nature of the credit.

Fiscal Research estimates this change will have the following impact on General Fund revenues:

FY 2006-07	-800,000
FY 2007-08	-400,000
FY 2008-09	-400,000
FY 2009-10	-400,000
FY 2010-11	-400,000

Section 24.14, Wage Standard – Certain Manufacturers

The Bill Lee Act is the primary package of state tax incentives for new and expanding businesses. A taxpayer is eligible for a credit under the Bill Lee Act only if the jobs provided by the taxpayer meet a wage standard. The credit eligibility language contemplates the application of the wage standard to a "location". However, this term is not defined in the statute and the Department of Revenue has interpreted "location" to be synonymous with "establishment".

The language in the bill modifies the definition of "location" with respect to certain manufacturers. For a fiber, yarn, or thread mill that uses a sequential manufacturing process, the

term could mean either a single facility or all facilities located within a single county that were part of the sequential manufacturing process.

The change is effective for tax years beginning on or after January 1, 1996.

At least one taxpayer that qualifies as a fiber, yarn, or thread mill that uses a sequential process would become eligible for credits under the Bill Lee Act based on this change. American & Efird, located in Gaston County, undertook activities for which it would have been eligible for credits during the 1996 tax year if it had met the wage standard. The company failed to satisfy the wage standard at each individual facility, but would have satisfied the standard if all the facilities were treated as one location. The fiscal impact is based on company-specific information provided to Fiscal Research. There are no other known taxpayers that would benefit from this change.

This change is estimated to result in a one-time \$800,000 fiscal impact in 2006-07.

Section 24.16, Agrarian Growth Zones

The Bill Lee Act is a package of state tax incentives adopted during the 1996 session and modified in many subsequent years. The primary incentives are state tax credits for investing in machinery and equipment and creating jobs. In certain counties the taxpayer is required to meet a wage standard to be eligible for the credits. Under the Act counties are divided into five enterprise tiers based on the unemployment rate, per capita income, and population growth of the county. For many of the credits the lower the tier of a county, the more favorable the incentive. In addition, the Act contains a development zone concept that allows taxpayers locating in urban areas of high poverty to receive enhanced credits.

Establishes under the Bill Lee Act the concept of an agrarian growth zone. This is a zone that is located wholly in a county and meets the following requirements: (1) no municipality has a population in excess of 10,000, (2) every census tract and census block group has a poverty rate of more than 20%, and (3) the zone's area (excluding the smallest census tract in the zone) does not exceed 5% of the county's area.

A county may have only one agrarian growth zone. Upon request of a local government, the Secretary of Commerce must make a written determination whether an area is an agrarian growth zone.

The bill indicates that for the purposes of the wage standard, the machinery and equipment credit, and the worker training credit, an agrarian growth zone is considered an enterprise tier one area (most distressed counties). For all other purposes, an agrarian growth zone has the same enterprise tier designation as the county in which it is located.

The change is effective for taxable years beginning on or after January 1, 2006, and applies to business activities occurring on or after that date.

Under current law the Bill Lee Act sunsets on January 1, 2008. In addition, the enhanced Lee Act tax credits that will apply to companies locating in eligible zones are taken in the year following the activity year. Thus, the practical effect of the bill is to allow additional investment and worker training tax credits for the 2007 and 2008 tax year.

Another consideration is the fact that the credits that may be claimed in a given tax year may not exceed 50% of the taxpayer's liability. Discussions with the Department of Revenue indicates that this limits does restrict the amount of credits that may be claimed in the first few years following the activity year. This means that much of the cost of the enhanced credits will come through carryforwards in future years.

A final issue is that the number of counties which have no city with a population of over 10,000 is limited and the experience under the Bill Lee Act since 1996 would indicate that the large majority of investment tax credits go to counties that would not be affected by this legislation.

For these reasons Fiscal Research believes the impact of the bill on General Fund tax revenue will be minimal.

Section 24.6

Sales Tax Refund for Purchase of Aviation Fuel

This section authorizes a refund of sales and use taxes paid on aviation fuel purchases by motorsports teams or motorsports sanctioned bodies and sunsets the aviation fuel refund for interstate passenger carriers on January 1, 2009.

For motorsports teams or motorsports sanctioned bodies, the refund applies to fuel that is used to 1) travel to or from a motorsports event in this State, 2) travel to a motorsports event in another state from a location in this State and 3) travel to this State from a motorsports event in another State. In the bill a "motorsports event" is defined as including a motorsports race, a motorsports sponsored event, and motorsports testing. A request for a refund is due to the Secretary of Revenue within six months of the end of the previous calendar year. Fiscal Research estimates the FY 2006-07 fiscal impact of this legislation at \$90,000.

Under current law, interstate passenger carriers that pay in excess of \$2.5 million in sales tax annually are entitled to a 100% refund of sales tax paid in excess of that amount. Section 24.6(b) repeals this refund effective January 1, 2009.

Section 24.7

Credit for Constructing Renewable Fuel Facilities

Currently, a taxpayer that constructs a commercial facility for processing renewable fuel is allowed a 25% credit against the cost of constructing and equipping the facility. Section 24.7 creates a 35% credit for taxpayers who 1) construct renewable fuel processing facilities and 2) invest at least \$400 million in those facilities. The credit may be taken in seven equal installments starting the year the first facility is placed in service. The credit may only be claimed against the income tax, and a taxpayer may take either the existing 25% credit or the new 35% credit, but not both.

Based on discussions with the corporate tax division of the Department of Revenue and the affected industry, Fiscal Research estimated the impact of the alternative production credit to be approximately

Section 24.8

Biodiesel Production Tax Credit

Section 24.8 provides a tax credit for producers of biodiesel, a liquid fuel derived in whole from agricultural products, animal fats, or wastes from agricultural products or animal fats. The tax credit is available to producers of at least 100,000 gallons of biodiesel during the taxable year and is equal to the per gallon excise tax the producer paid on the biodiesel. The credit may not exceed \$500,000.

The credit is effective for tax years beginning on or after January 1, 2008 and is repealed for taxable years beginning on or after January 1, 2010.

Estimates from the Fiscal Research Division suggest the following decreases in revenues to the General Fund as a result of the tax credit:

FY 2007-08	\$1,100,000
FY 2008-09	\$2,700,000
FY 2009-10	\$1,500,000

Section 24.9

Research & Development Sales Tax Changes

Research and development equipment purchases made by private sector organizations that are not involved in manufacturing are taxed at the full, general rate of 7.0% (6.75% after December 1, 2007). Nonprofit organizations involved in research and development, such as research hospitals and universities, are taxed at the full 7.0% rate of tax, but can apply for an annual or semi-annual sales tax refund. The legislation changes these statutes by exempting all equipment purchased by qualifying research and development companies from the sales tax, but applies the 5F privilege tax of 1% tax, with an \$80.00 cap per item, to those purchases. Supplies used in research and development would continue to be taxable at the full rate.

In order to qualify for the special tax treatment the company and the equipment purchased must met the following four part test:

1. The item is purchased by a research and development company in the physical, engineering, and life sciences, and is included in Industry Sector 541710 of NAICS.
2. The item is equipment, a part, or accessory attached to the equipment.
3. The item would be mill machinery under G.S. 105-187.51 if it were purchased by a manufacturing industry, or plant that conducts research and also manufactures.
4. The item is depreciable under the Code.

An employment-based estimated fiscal impact of this legislation suggested total potential qualifying purchases in North Carolina of \$194.1 million in 2005. Data from the National Science Foundation indicates that, on a national basis, total industry related research and development expenditures have grown an average of 7.08% per year. Assuming 3.4% of research and development dollars are spent on capital equipment, applying the appropriate tax rates, and assuming 10% of the total is returned to the General Fund under the new tax suggests the following annual revenue losses:

FY 2006-07	\$4,100,000
FY 2007-08	\$7,900,000
FY 2008-09	\$8,400,000
FY 2009-10	\$9,000,000
FY 2010-11	\$9,700,000

Section 24.10

Sales Tax Refund for Motorsports Racing Teams

Allows professional motorsports racing teams to apply for and receive a refund of fifty percent (50%) of the sales and use tax paid by the team on the purchase of tangible personal property, other than tires or accessories, that comprises any part of a professional racing vehicle. A professional motorsports racing team is defined as a for-profit enterprise which 1) derives a majority of its revenues from sponsorship and prize money and 2) competes in at least sixty-six percent (66%) of races sponsored in a single season by a motorsports sanctioning body. The refund becomes effective July 1, 2007, and does not have any fiscal impact on the 2006-07 fiscal year.

Section 24.11

Additional Joint Filing Option

Under North Carolina law, a married couple that files a joint federal return must also file a joint state return, if both are residents of the State or have North Carolina income. This bill does not change that requirement. However, under current law, if one spouse is not a resident of North Carolina and has no North Carolina income, the other spouse must file a separate return with the State and is prohibited from filing a joint North Carolina tax return. The proposed legislation would allow such a couple the option of filing a joint North Carolina tax return. This bill was a recommendation of the North Carolina Department of Revenue and the Revenue Laws Study Committee.

There are potentially a very limited number of situations where a taxpayer could benefit financially by filing a joint tax return. Because this legislation gives a couple the option of choosing to file joint or separate returns, it would be reasonable to assume that there will be some taxpayers who will file jointly to limit their North Carolina tax liability. As such, there is a potential revenue loss. Fiscal Research estimates the loss from this change at \$1.0 million for 2006-07.

Section 24.12

529 Savings Plan Tax Deduction

This section makes contributions by a taxpayer into the National College Savings Program tax-deductible. The National College Savings Program is a 529 college savings program established by the North Carolina State Education Assistance Authority and administered by the College Foundation of North Carolina. The deduction is subject to income limitations. Taxpayers whose AGI exceeds certain levels are not eligible for the deduction. In addition, the deduction is capped at \$750 annually for single filers and \$1,500 for joint filers and is effective for tax years beginning on or after January 1, 2006.

The value of this deduction was increased in a separate piece of legislation (Senate Bill 186, Budget Technical Corrections). Effective for tax years beginning on or after January 1, 2007, the deduction is capped at \$2,000 for single filers and \$4,000 for joint filers. This deduction sunsets on January 1, 2011.

The cost of the deduction is estimated at \$1.0 million for the 2006-07 fiscal year (at \$750 for single filers, \$1,500 for married joint filers) and \$1.6 million in 2007-08 (at \$2,000 for single filers and \$4,000 for married joint filers).

Section 24.13

Railroad Cars Sales Tax Changes

Prior to 2005 railway cars, locomotives, and related parts were subject to a 3% State sales tax, with a cap of \$1,500 per item. In 2005, as a part of multiple changes to conform to the Streamlined Sales Tax Agreement, the General Assembly altered the taxation of these items. Currently the purchase of railway cars, locomotives, and related parts are subject to the 7.0% general rate of tax with no cap on the total tax paid per item. Interstate carriers can apply for an annual refund of this tax. The legislation extends the special tax treatment granted to interstate carriers to utilities, under certain circumstances. In particular, the legislation allows a refund for taxes paid by utility companies in association with recurring, periodic payments for lease or rental agreements for railway cars that they leased, if the item would have been considered transportation equipment if it were used in interstate commerce. It also enacts a new GS 105-164.14(a2) allowing a utility company a refund of sales and use taxes paid on the purchase in NC of railway cars and locomotives operated by the company, with an associated apportionment formula.

Representatives of affected power companies indicated that, in total, the companies will have annual taxable leases of approximately \$16.6 million, suggesting a fiscal impact of \$370,000 in 2006-07 when adjusted for the July 1, 2006 effective date.

Section 24.15

Extension of Real Property Donation Credit

The proposed committee substitute makes two changes to existing law. Until January 1, 2006 Under G.S. 105-130.34 and G.S. 105-151.12 taxpayers can claim a credit for donations of real property for public beach access, public access to water or trails, fish and wildlife conservation, or other similar land conservation purposes. The credit amount allowed is 25% of the fair market value of the property donated in that year. The credit applies to outright donations or the donation of interest in the real property. In order to qualify the donation must be made in perpetuity, and be made to a unit of State or local government, or a conservation organization designed to accept such gifts. The Department of Environment and Natural Resources must certify that the property meets the previously mentioned eligibility requires and serves a public purpose. The legislation extends this special tax treatment for two years. The second change relates to a refund of tax paid on some aviation fuel. During the 2005 legislative session the General Assembly granted a refund of sales taxes paid on aviation fuel by very large users. This legislation extends that special treatment two years.

The North Carolina Department of Revenue's 2005 Tax Expenditure Report estimates the value of the credit for 2004 was \$15.7 million. Of this amount \$15.6 was credited for corporate taxpayers, and \$0.1 million was credited for individual income tax payers. This estimate is based on actual 2002 and 2003 tax returns.

No specific information is available from the Department concerning the amount of refunds claimed for the aviation fuel item, due to confidentiality requirements. For purposes of tracking availability an estimate of \$1.0 million will be used.

Section 24.17

Internet Facility Sales Tax Exemption

Sales of tangible personal property are generally taxed at a State rate of 4.5% and the local rate of 2.5% (3.0% in Mecklenburg County). However, electricity sales are taxed at rates varying from 0.17% to 3.0% depending on the purchaser. Sales of electricity to an Internet data center are taxed at 3.0%.

The bill language exempts sales of electricity and eligible business property to an eligible Internet data center. For the purposes of this exemption, "eligible business property" is property that is capitalized for tax purposes under the Internal Revenue Code and is used for:

1. The provision of Internet service or Web search portal services, including equipment cooling systems for managing the performance of the property;
2. The generation, transformation, transmission, distribution, or management of electricity;
or
3. To support related computer engineering or computer science research.

In order to qualify as an eligible Internet data center, a facility would be required to satisfy each of the following conditions:

1. The facility is used primarily by a business engaged in Internet service providers and Web search portals industry.
2. The facility is comprised of a structure or series of structures on a single parcel of land or on contiguous parcels of land owned by the operator of the facility.
3. The facility is located in an enterprise tier one, two, or three area at the time of the application for the required determination by the Department of Commerce.
4. The Department of Commerce has made a written determination that at least \$250 million in private funds has been or will be invested in real property, eligible business property, or both at the facility within five years after the commencement of construction of the facility.

A taxpayer that fails to make the amount of the investment required forfeits the exemption and is required to repay all taxes, with interest, avoided as a result of the forfeited exemption. Similarly, a taxpayer that does satisfy the investment amount, but fails to use the property or electricity at the eligible facility forfeits the exemption with respect to that particular property or electricity. The past taxes and interest are due 30 days after the date of the forfeiture.

The annual impact of this exemption, which will be applied to sales made on or after July 1, 2006, is based on discussions with the Department of Commerce. The Department's estimate is tied to the plans of the clients being recruited.

Section 24.18

Oyster Shell Tax Credit

The legislation creates a new tax credit for donating oyster shells to the North Carolina Department of Environment and Natural Resources. These shells are used by the Department to create habitat for the development of new oyster beds. The tax credit is set at \$1.00 per bushel donated. The Department of Environment and Natural Resources must provide the donor with appropriate documentation of the amount of shells donated. The legislation also creates a prohibition against placing oyster shells in North Carolina landfills.

The Department of Environment and Natural Resources currently purchases oyster shells and other cultch material at a set rate of \$0.50 per bushel. This rate was negotiated in 2004. Both DENR and the North Carolina Coastal Foundation indicate that this rate is not sufficient to purchase shells, as it is below market rate. (Oyster shells are also used by landscapers and pharmaceutical companies). Indications from coastal restaurants and shucking houses suggest that \$1.00 per bushel is a more representative of market price.

Fiscal Research estimates the cost of the credit will be \$23,000 in 2006-07, assuming that the credit will be taken the following spring when the taxpayer files their annual return or makes their final payment for estimated taxes.

Section 24.19

Reduce Sales Tax on Electricity Sold to Manufacturers

This section reduces the sales tax rate on electricity sold to manufacturers from 2.83% of sales price to 2.6%. The rate change is effective for sales made on or after July 1, 2007. The General Fund revenue loss is as follows:

FY 2006-07	\$0
FY 2007-08	-\$2,500,000
FY 2008-09	-\$2,575,000
FY 2009-10	-\$2,665,000
FY 2010-11	-\$2,735,000

Part 24A, Other Tax Changes

Section 24A.1

Eliminate Sales Tax Refunds for Alcoholic Beverage Purchases

Eliminates the refund for sales tax paid on alcoholic beverage purchases for certain non-profit and governmental entities. The change applies to purchases made on or after July 1, 2006. The impact on General Fund revenues is negligible.

Section 24A.2

Franchise Tax Loophole Closing

Under North Carolina law, limited liability companies (LLCs) are not subject to the franchise tax. In 1997 single-member LLCs were authorized in North Carolina. This allowed a corporation the opportunity to set up an LLC and transfer assets to the LLC in a tax-free transfer. The assets then held by the LLC would not be subject to the franchise tax.

The 2001 General Assembly attempted to correct this situation by requiring a corporation to pay tax on assets owned by the LLC if the corporation, including its affiliated corporations, indirectly owned at least 70% of the LLC's assets. However, tax planners found that the tax could still be avoided by using an additional paper transaction. For example, if the corporation interposed a partnership between itself and the LLC holding its assets, the assets would continue to escape the franchise tax.

In 2002, the General Assembly addressed this issue by including "related members" (other entities and individuals) who may partner with one or more corporate entities to own the LLC to which the corporate assets are transferred. If a corporation and its related members together indirectly own at least 70% of an LLC's assets, each corporation would pay the franchise tax on its relative share of the LLC's assets.

After the enactment of the 2002 session change, it was discovered that there are other paper transactions that can be interposed between the corporation and the LLC to avoid the franchise tax. One example is a business trust. The tax does not apply in this situation because the trust is not considered a “related member”. In addition, the 2002 legislation also had the effect of extending the tax to situations that did not involve corporate control of LLC assets.

The 2004 General Assembly attempted to address these issues by providing that for purposes of determining the ownership of an LLC’s assets, any membership interest of a business trust would be attributed to the owners of the beneficial interest in the business trust, according to their interests in the trust, and the trust itself would be disregarded as a separate entity. In addition, the 2002 bill limits the tax to only those assets that a corporation controls and exempts small LLC’s.

Section 24A.2 makes three significant changes to address these issues.

1. The corporate franchise tax is applied to limited liability companies (LLCs) that elect to be taxed as a C corporation for federal income tax purposes;
2. LLCs are eligible for a nonrefundable credit equal to the difference between the annual report fee for corporations (\$20) and the same fee for LLC’s (\$200);
3. The section makes conforming changes regarding attribution of certain LLC assets to controlling corporations for franchise tax purposes.

Due to technical issues, Fiscal Research was unable to generate an estimated fiscal impact for this change.

Section 24A.3

Expansion of Royalty Reporting Option

The 2001 General Assembly enacted legislation that eliminated the tax planning strategy of shifting trademark royalty income to another state in order to avoid the North Carolina income tax. The proposal would extend the 2001 treatment to royalty income from patents and copyrights. A discussion with the Department of Revenue indicates that the enactment of the bill could have a positive impact on General Fund tax revenue but the magnitude of this amount is not known. One factor limiting the impact is that fact that in the wake of the A & F Trademark case, in which the court upheld right of state to tax trademark income, some taxpayers who would potentially be affected by this legislation may already be in compliance. Another issue is the fact that the proposal applies to patent and copyright royalty income only. In general, any revenue gain would be smaller than the receipts from the 2001 act affecting trademark income. During the 2001 discussion the estimated fiscal impact from the trademark provision was \$20 million per year.

Senate Bill 198 (Finance Provisions Only) Chapter 221 Revise 2006 Budget Act

Summary: Section 24 of Senate Bill 198 increases the amount of the allowable deduction for contributions to a 529 college savings plan under the Parental Savings Trust Fund. The deduction was created in Senate Bill 1741, Modify Appropriations Act of 2005, and allows a deduction of up to \$750 for single filers and \$1,500 for joint filers. Senate Bill 198 increases the allowable deduction to \$2,000 for single filers and \$4,000 for joint filers.

Effective Date: January 1, 2007

Fiscal Effect: This change has no fiscal impact in 2006-07. The increase in the allowable deduction is expected to cost \$1.6 million in 2007-08.

**Senate Bill 1523 (Finance Provisions Only) Chapter 259
2006 Technical Corrections Act**

Summary: Section 19.5.(a) of Senate Bill 1523 extends the carryforward on the alternative production credit for renewable fuel facilities from five to ten years. This legislation also delays the implementation of the motor vehicle property tax until 2010.

Effective Date: Taxable years beginning on or after January 1, 2006

Fiscal Effect: Based on discussions with the Department of Revenue and the affected industries, Fiscal Research estimates that this change to the alternative production credit will have no impact on its cost.

The motor vehicle tax collection with vehicle registration implementation date was originally set for July 1, 2009. The one-year delay in this implementation date will have the effect of pushing any cost resulting from the change out into the 2010-11 fiscal year. This section of the bill has no impact on the 2006-07 fiscal year. A synopsis of this change is included in the summary section dealing with local revenues.

**House Bill 2170, Chapter 252
Bill Lee Changes**

Summary: The Bill Lee Act was enacted in 1996 and has been modified on numerous occasions. The 1996 legislation included a January 1, 2002 sunset of the full Act. During the 2000 session the sunset was extended to January 1, 2006. Finally, the 2005 General Assembly moved the sunset to January 1, 2008 with the expectation that the 2006 session would overhaul the entire Act. HB 2170 represents that re-write.

The current Bill Lee Act is a package of State tax incentives adopted during the 1996 session. The incentives are primarily in the form of state tax credits for investing in machinery and equipment, acquiring certain real property, creating jobs, establishing a central administrative office, and training workers. The original research and development credit has been re-codified elsewhere.

Under the Act, counties are divided into five enterprise Tiers based on the unemployment rate, per capita income, and population growth of the county. For many of the credits, the lower the Tier of a county, the more favorable the incentive. The Act requires the Department of Commerce and the Department of Revenue to report periodically on the credits allowed by the Act.

House Bill 2170 replaces the existing Bill Lee Act with a new system of more narrowly focused job creation and investment tax credits. The bill also authorizes the creation of agrarian growth (AG) zones and would provide those areas with the same benefits provided to urban progress zones. An AG zone must satisfy the following conditions: (1) it must be composed of contiguous census tracts or block groups located within a single county that does not have any municipality with a population in excess of 10,000; (2) each census tracts or block groups in the zone must have more than 20% of its population below the poverty level; and, (3) the area of the zone, less its smallest census tract, may not exceed 5% of the total area of the county.

A county may have only one agrarian growth zone. Upon request of a local government, the Secretary of Commerce must make a written determination whether an area is an agrarian growth zone.

The bill indicates that for the purposes of the wage standard, the machinery and equipment credit, and the worker training credit, an agrarian growth zone is considered a development tier one area (most distressed counties). For all other purposes, an agrarian growth zone has the same tier designation as the county in which it is located.

The change is effective for taxable years beginning on or after January 1, 2006, and applies to business activities occurring on or after that date.

Effective Date: The new package generally becomes effective beginning with activity taking place on or after January 1, 2007 and sunsets January 1, 2011. The existing Bill Lee Act is eliminated on January 1, 2007 with one exception: companies currently considering expanding in or relocating to North Carolina would be allowed to claim Bill Lee Act credits for the 2007 tax year under the Act if the taxpayer signs a letter of commitment with the Department of Commerce by December 31, 2006.

The following tables present a comparison of the major features of the current Bill Lee Act and the new system.

	Current Law	House Bill 2170
Tier Structure	5 enterprise Tiers:	3 development Tiers:
(Tier 1 includes most distressed counties)	* 10 counties in Tier 1	* 40 counties in Tier 1
	* 15 counties in Tier 2	* 40 counties in Tier 2
	* 25 counties each in Tiers 3, 4, and 5	* 20 counties in Tier 3
	Exceptions may move some counties to more distressed tier level	Exceptions may move some counties to a lower tier and some to a higher tier

Tier Rankings	3 factors determine initial ranking: unemployment, per capita income, population, growth	4 factors determine initial ranking: unemployment, median household income, population growth, and assessed property value per capita
	* Adjustments based on Tier 1 or 2 status, population level, unemployment level, and multi-county parks	* Same adjustments as under Bill Lee Act except for high unemployment
	* Population figures include prisoners	* Population figures do not include prisoners

Distressed Zones Within a County (Enhanced Credits)	Development zones eligibility:	Urban progress zones eligibility:
	* At least partly within a city of 5,000 or more	* Wholly with a city of 10,000 or more
	* Zone population of at least 1,000	* Each track must meet poverty or industrial requirements
	* 20% of zone population is below poverty level	* Non-residential tracks no more than 35% of zone
	* Every census tract in zone meets certain poverty	* Zones no more than 15% of municipality
	* Area may be in one zone	

Taxes to Which Credits Apply	Credit is taken against either income, franchise, or insurance premiums tax	Credit is taken against income, franchise, or insurance premiums taxes or combination of these taxes
	Credit may not exceed 50% of combined tax liability	
	Carryforward period ranges from 5 to 20 years	

	Current Law	HB 2170
Activity Eligibility Factors	Depends on a combination of factors including:	Eligibility depends on the primary activity of the specific
	* Primary activity of a taxpayer as a whole	* However, company headquarters must create 75 jobs over two years
	* Primary activity of the special establishment	
	* Enterprise Tier designation of the establishment	
	* Number of new jobs created	

Eligible Industries	* Air courier services	Same as current law with following exceptions:
	* Central office or aircraft facility	
	* Computer services	
	* Customer service center	
	* Data processing	
	* Electronic mail order house	
	* Manufacturing	
	* Warehousing	
	* Wholesale trade	
	* Aircraft maintenance and repair is established as a separate category	
	* Central administrative office is changed to company	
	* Data processing and computer services combined as information technology and services	
	* Motorsports racing team and motorsports racing facilities added	
	* Research and development added	

Quality Jobs	Provision of health insurance	Same As Current Law
	OSHA record	
	Environmental record	
	No overdue tax debts	

Wage Standard	No wage standard in Tiers 1 and 2 and development zones	No wage standard in Tier 1
	Wage standard equal to 110% of the lesser of: * County wage * State wage * County wage adjusted by the wage/income factor	Wage standard equal to the lesser of: * 110% of the State wage * 90% of the county wage
		Wage standard in Urban Progress zone is 90% of the lower wage

Specific Credits	Job creation	Job creation
	Investing in machinery & equipment	Investing in business property
	Technology commercialization	Investing in real property
	Worker training	
	Central office or aircraft facility property	
	Other real property	
	Development zone projects	

Job Creation Credit	Must have 5 full-time employees and create at least one new job	Taxpayer must meet a job creation threshold before becoming eligible for the credit: * 5 new jobs in Tier 1 * 10 new jobs in Tier 2 * 15 new jobs in Tier 3
	Credit amount varies depending on enterprise Tier and development zone * \$12,500 per job in Tier 1 * \$4,000 per job in Tier 2 * \$3,000 per job in Tier 3 * \$1,000 per job in Tier 4 * \$500 per job in Tier 5 * Additional \$4,000 for development zone	
	Taken over 4 years	
		Taken over 4 years
		Jobs transferred from a related member not included
		Credit varies depending on Tier and Urban Progress zone: * \$12,500 per job in Tier 1 * \$5,000 per job in Tier 2 * \$750 per job in Tier 3 * Additional \$1,000 for Urban Progress zone (\$2,000 for hiring a zone resident or long-term unemployed worker in zone)

Machinery & Equipment Credit	Credit taken in seven installments	Credit taken in four installments
	Credit amount varies depending on enterprise Tier level: * 7% in Tiers 1 and 2 * 6% in Tier 3 * 5% in Tier 4 * 4% in Tier 5	Credit amount varies depending on development Tier level: * 7% in Tier 1 * 5% in Tier 2 * 3.5% in Tier 3
	Machinery and equipment definition narrowly drawn	Business property definition broadly drawn
	Credit is based on the eligible investment amount above a threshold: * \$0 in Tier 1 * \$100,000 in Tier 2 * \$200,000 in Tier 3 * \$1,000,000 in Tier 4 * \$2,000,000 in Tier 5	Credit is based on the eligible investment amount above a threshold: * \$0 in Tier 1 * \$1,000,000 in Tier 2 * \$2,000,000 in Tier 3

Real Property Credit	Require activity in lower-tiered area	Same as current law except for 15 year carryforward
	Require 200 new jobs and \$10 million investment	
	Credit equal to 30% of eligible investment amount	
	Credit taken over 7 years	
	20-year carryforward	

Credit Application Fee	\$500 for each type of credit	\$500 for each type of credit
	\$1,500 maximum fee per tax year	No maximum fee
	Proceeds retained as agency receipts	Proceeds go to General Fund
	Positions funded by receipts	Positions approved during budget process

Fiscal Effect:

2006-07 Year. The new system is effective for activity taking place on or after January 1, 2007. In general the credits are taken in installments over a four-year period beginning in the tax year following the year of activity. This means that there would be no impact for the 2006-07 fiscal year.

2007-08 and Later Years: General Impact Discussion. It may be helpful to start by looking at some of the ways that the re-write could affect the potential cost of incentives:

(1) The ability of certain taxpayers to choose whether to claim credits under the existing Lee Act or the new system for the 2007 tax year could lead to an increased cost to the extent that the affected taxpayers select the most lucrative option. However, this impact will be limited by the fact that the taxpayer must sign a letter of commitment by December 31, 2006 and must specify the details of the project.

(2) The elimination of the worker training tax credit and the credits for central administrative offices and aircraft facilities will lead to a revenue gain. A March 31, 2006 report of the Department of Revenue indicates that for tax returns processed during the 2005 calendar year, there were \$5.8 million of credits generated from the credits that will be eliminated under the bill and that \$2.7 million of credits were actually claimed on tax returns.

(3) The impact of the new tier structure on the jobs and investment credits claimed by eligible taxpayers depends on the mix of activity in the new tiers compared to the prior designations. In general, the costs of the investment tax credit will be reduced because current Tier 4 and Tier 5 companies will receive a 3.5% credit instead of 4% or 5% and some current Tier 3 companies will be eligible for a 5% credit instead of 6%. This change is important because the investment tax credit is by far the most expensive of the Lee Act credits (\$119.9 million generated and \$56.5 million claimed in 2005).

(4) The program savings from the investment tax credit tier changes will be partially offset by higher costs for the jobs credit. For reference purposes, the jobs credit amounts to 30-40% of the investment tax credit total for returns processed during the 2005 calendar year.

(5) The change in the investment tax credit thresholds means that some current Tier 4 taxpayers will have a \$2 million threshold to reach instead of \$1 million and that many current Tier 3 taxpayers will face a \$1 million threshold hurdle of \$200,000. This will be offset by the fact that some taxpayers currently located in Tier 2 and 3 counties will have their small thresholds replaced by no threshold.

(6) Under the current system, there is no job creation threshold although a business must have 5 employees to be eligible for the credit for each new job created. The new system does not have a “current job level” threshold but does require a certain number of jobs to be created in order to gain eligibility for the credits. For example, a company located in a new Tier 3 county must create at least 15 jobs to be eligible. Under the existing act a credit could be received for just one new job if the employer already had 5 employees.

(7) The shift from a machinery and equipment investment credit to a general business property credit would in theory add to the cost due to the expanded eligibility (essentially any item that could be depreciated under the Internal Revenue Code). However, discussions with the Department of Revenue staff monitoring the Lee Act indicates this impact will be lessened by the fact that many taxpayers are already claiming the credit for the expanded items.

(8) The conversion of development zones to urban progress zones means that a smaller area will be covered and there will be a lower number of eligible zones. This change could lead to a significant amount of program savings in future years as employers are beginning to discover and take advantage of the enhanced credits.

(9) The ability of taxpayers to use the credit against the combined income, franchise, and insurance premiums tax liability (in lieu of selecting one credit) will add to the cost of the credits by an unknown amount. The impact is especially important in the near term (2008, 2009, etc.) due to the limitation of the credit to 50% of tax liability.

(10) The elimination of the development zone donation credit will have little impact due to its minimal usage.

(11) Under the bill the investment tax credit can be taken over four years instead of seven years. This change will add to the cost in the early years.

2008-09 and Later Years: Fiscal Simulation. The Department of Commerce simulated the impact of the major changes in the re-write using actual data collected over the last five years. This data covered the 1996-2002 experience under the Lee Act. Below are some of the highlights of the simulation:

(1) The analysis indicates that had the new system been in place during the 1996-2002 period, the higher investment threshold for the investment tax credit would have eliminated about 15% of the sites that received the credit and the total credits generated would have declined by 31%. This is important due to the sheer magnitude of the machinery and equipment under the Lee Act (2.5-3.0 times the magnitude of the jobs credit). In addition, these dollar savings were based on a 4% credit for the new Tier 3 counties, not the 3.5% credit in the current version of the bill. The savings at 3.5% would be even larger.

(2) The higher job creation threshold for eligibility of the jobs credit would have reduced the number of sites taking the credit substantially. However, the larger credit amounts would push up the total dollar cost of these credits by over 100%.

The second step of this analysis by Commerce was to perform a simulation using the most recent three tax years. After taking into account the elimination of the worker training tax credit and the central administrative office credit, the shift to the new system would lead to a slight revenue gain (under \$1 million) in the first year in which the credits are actually taken, *when compared to the potential costs of the existing Bill Lee Act*. However, the Department admits that the analysis is not 100% complete. For example, it does not take into account the revisions to the data that will take place after the results of the extensive Department of Revenue audits are factored in. In addition, the analysis does not consider the impact on the 2008 tax year of the provision allowing “letter of commitment” companies to choose between the existing Bill Lee Act and the new system for the 2007 tax years.

Discussions with the Department of Revenue indicate that their preliminary analysis shows that the new system could lead to additional credits generated of \$12 million, *when compared to the potential costs of the existing Bill Lee Act*. However, as in the case of the Department of Commerce’s simulation, the analysis does not consider all of the features of the new system. In addition the \$12 million is calculated on a “claims generated” basis. This is important because the Department of Revenue has indicated that the limitation of the credits to 50% of tax liability means that only a handful of companies are able to use the full amount of the credit in the first couple of years. Thus, a substantial portion of the potential credits will be carried forward to future years.

There is another issue to be considered when analyzing the fiscal impact of the overhaul. Up to this point our analysis has focused on how the costs of the new system compares to the existing Bill Lee Act. On this issue, we can say that the new system is approximately revenue neutral.

However, the primary focus of a fiscal estimate for state budget purposes is how the system envisioned under the bill compares to current law, which includes a January 1, 2008 sunset to the Bill Lee Act. This means that the meaningful comparison beginning with the 2008 calendar year is the absolute cost of the new system.

Based on the analysis of the Department of Revenue and Department of Commerce, we estimate that the incremental annual impact of shifting from the current Act to the new system at \$1.2 million each year. This means that the second year impact is \$2.4 million, the third year is \$3.6 million, and so forth. These costs would continue to pyramid until the 2011 sunset.

Since the new system is effective beginning with 2007 tax year activity and taxpayers take the credit in the year following the activity year, the first effects would be felt in the 2008 tax year. We bumped up the potential 2008 tax year cost to \$2.2 million due to the fact that certain taxpayers may be able to choose between the existing credits and the new system for the 2007 activity year.

After calculating the tax year impact, we adjusted the numbers to the state fiscal year by assuming that 55% of the relief is taken in the fiscal year ending in the tax year for which the credit is claimed and the remainder would be taken in the following fiscal year.

These costs apply to the difference between the new system and the current Lee Act. In addition, there is a baseline cost associated with removing the January 1, 2008 sunset of the incentives. Based on a review of the historical experience of the Bill Lee Act from 1996-2005 and discussions with the Department of Revenue (which has access to actual tax returns), we estimate the fiscal year cost for the combination of the jobs and investment credits at \$2.3 million for 2008-09, \$6.7 million for 2009-10, and \$11.2 million for 2010-11. These costs would be added to the incremental costs under the new system, when compared to current Bill Lee Act.

Agrarian Growth Zones. Under current law the Bill Lee Act sunsets on January 1, 2008. In addition, the enhanced Lee Act tax credits that will apply to companies locating in eligible zones are taken in the year following the activity year. Thus, the practical effect of the bill is to allow additional investment and worker training tax credits for the 2007 and 2008 tax year.

Another consideration is the fact that the credits that may be claimed in a given tax year may not exceed 50% of the taxpayer's liability. Discussions with the Department of Revenue indicate that this limit restricts the amount of credits that may be claimed in the first few years following the activity year. This means that much of the cost of the enhanced credits will come through carryforwards in future years.

A final issue is that the experience under the Bill Lee Act since 1996 would indicate that the large majority of investment tax credits go to counties that would not be affected by this legislation.

For these reasons we feel that the impact of the bill on General Fund tax revenue will be minimal.

Administrative Costs. The Department of Revenue is charged with reporting on the credits claimed and credit used under both the existing Bill Lee Act and the new system. The addition of the reporting requirements for the new system will mean that the Department will be faced with reviewing tax returns and tabulating credit usage for both the old system and the new. This will lead to additional personnel requirements and other costs. Preliminary data formatting work will begin during the 2006-07 fiscal year.

House Bill 2047 (Finance Provisions Only) Chapter 151 Video Services Competition Act

Summary: The Video Services Competition Act establishes a statewide video service franchising process; makes changes to the regulatory treatment of existing local cable franchises; eliminates local governments' authority to assess and collect cable franchise fees; replaces local revenues from franchise fees with a new distribution of shared sales tax collections from telecommunications, cable service, and satellite television service; removes the state tax credit for franchise fees paid to local governments; provides for a proportional tax distribution to local governments based on previous revenues from cable, including franchise fees and per subscriber charges; provides for public, educational, and governmental (PEG) channel funding via several mechanisms; designates the North Carolina Secretary of State as the exclusive statewide video service franchising authority; designates the Consumer Protection Division of the North Carolina

Office of the Attorney General as the agency responsible for handling consumer complaints and creates reporting requirements for the Consumer Protection Division regarding the type and volume of complaints handled; and requires the Revenue Laws Study Committee to study the impact of this legislation and report findings to the 2008 session of the North Carolina General Assembly.

Effective Date: January 1, 2007

Fiscal Effect: This legislation does not change the amount of tax assessed on telecommunications, cable, or satellite television service. All these services remain subject to the general shared sales tax rate of 7%. However, this bill significantly alters the calculation of the local share of shared sales tax and creates an entirely new distribution method for the local share of shared sales tax collections.

Tax Changes

Local governments are no longer able to assess and collect cable franchise fees. Local revenue from cable franchise fees is replaced by a portion of sales tax collections from cable service, an increased portion of the existing telecommunications sales tax, and a share of sales tax collections on satellite television service. Fiscal Research estimated that all North Carolina local governments will be effectively held harmless by this change. The sum of the local shares of these three industries (approximately \$65.3 million) is estimated to exceed actual aggregate local collections of cable franchise fees and per subscriber charges by approximately \$3.3 million.

This legislation also repealed a tax credit equal to the amount of cable franchise fees paid to local governments. This credit was established by the 2005 General Assembly when cable providers were made subject to the general State sales tax rate. Since this change was effective, the State has been collecting sales tax at approximately 2% since federal law allows local governments to assess cable franchise fees at a rate up to 5% of gross revenues. The credit will expire January 1, 2007, when House Bill 2047 is effective. The date coincides with the reduction in the general State sales tax rate (to 6.75%, from 7.0%). This credit will result in the State receiving the full 6.75% sales tax from cable television providers. A portion of this sales tax revenue will be distributed back to local governments as part of the new proportional tax distribution.

Under this legislation, local governments will receive a new share of the combined sales tax collections on telecommunications, cable, and satellite television service that will be distributed on a proportional basis. The proportionate share for each local government is calculated by dividing a local government's actual collections, including actual franchise fee collections and any per subscriber charges for PEG support, by the total of all local government cable revenues. The base amount of a county or city that imposed a cable franchise tax before July 1, 2006, is the amount of cable franchise tax and subscriber fee revenue the county or city certifies to the Secretary was imposed during the first six months of FY 2006-07 (July 1, 2006 through January 1, 2007). The bill also provides that counties or cities that did not impose a cable franchise fee before July 1, 2006, are entitled to a share equal to \$2.00 times the most recent population estimate for the city or county in question. In subsequent years, the proportionate share for each municipality will be recalculated to reflect per capita growth.

Public, Educational, and Governmental (PEG) Channel Support

This bill contains three mechanisms to provide financial support for public, educational, and governmental (PEG) channels.

1. A local government that has been using a portion of its local franchise fee revenue to support PEG channels must continue to use a portion of the revenue received from the Department of Revenue via the distribution created in this bill equal to that amount for PEG channel support.
2. Local governments that operate PEG channels providing local programming to collect \$25,000 per channel, up to 3 channels, per year in the form of four quarterly installments of \$6,250. These funds are to be deducted from the total local share of sales tax collections before the local distribution formula is applied.
3. The bill also creates the PEG Grant Fund. Any funds not disbursed to local governments for PEG support (\$25,000 per qualifying PEG channel), up to \$2 million annually, are to be deposited in the PEG Grant Fund for the purpose of making grants to local governments to fund capital expenditures for PEG channels. The fund is interest-bearing and non-reverting. The e-NC Authority is named as the entity responsible for administering the fund and awarding grants based on need and other criteria.

House Bill 474, Chapter 40 Mill Rehabilitation Tax Credit

Summary: Current law allows a 20% tax credit for rehabilitation of income-producing historic properties and a 30% tax credit for rehabilitation of non-income-producing historic properties (G.S. 105-129.29 through 105-129.34, Historic Rehabilitation Tax Credits). The existing tax credit may be taken in five equal installments over a period of five years after the property is placed into service. House Bill 474 provides a larger tax credit for rehabilitation of qualified historic mill properties and a different schedule for investors to claim the credit. In addition, the tax credit created by this bill varies by economic tier in order to provide additional incentive for mill rehabilitations in more distressed counties.

Effective Date: Effective for taxable years beginning on or after January 1, 2006, and applies to eligible sites placed into service on or after July 1, 2006.

Fiscal Effect: Historic mill renovations costing more than \$3 million located in economic tiers 1, 2, or 3 (most distressed counties) may claim either a 40% tax credit for an income-producing property or a 50% tax credit for a non-income-producing property. Mill renovations costing more than \$3 million in economic tiers 4 and 5 may claim either a 30% tax credit for income-producing properties or a 40% tax credit for non-income-producing properties. Regardless of tier, any income-producing mill rehabilitation (commercial space and rental apartments) may take the entire amount of the credit in the first year it is available with a nine-year carryover if the credit exceeds tax liability. Non-income-producing mill rehabilitations (residential condos) may take the credit in five equal installments with a nine-year carryover if the credit exceeds tax liability. In addition, a certified historic structure that at one time served as a State training school for juvenile offenders may claim a credit equal to 40% of its qualified rehabilitation expenditures regardless of whether it is converted into an income-producing or non-income-producing property.

This credit may not be claimed in addition to the Article 3D credit. The credit may be claimed against either the franchise tax, the income tax, or the gross premiums tax. The entire credit may be claimed in the taxable year in which the property is placed into service. Any unused portion of the credit may be carried forward for nine years.

The bill includes a five-year sunset. Qualified rehabilitation expenditures incurred on or after July 1, 2011, are not eligible for credits created by this legislation.

Preservation NC estimates there are approximately 30 to 35 mill properties out of more than 200 eligible properties throughout North Carolina likely to be rehabilitated as a result of this tax credit. Since most major mill rehabilitations in urban counties have already been completed, the projection assumes the establishment of this credit will generate private investment in remaining eligible properties in upper economic tiers as well as some properties in lower economic tier counties through 2006-07 and 2007-08. By 2008-09, the projection assumes most properties undergoing renovation will be located in lower economic tier counties.

In conjunction with Preservation NC, Fiscal Research estimates there are 18 qualified properties in Tier 1, 2, and 3 counties that are likely to be rehabilitated within the next five years, and 8 qualified properties in Tiers 4 and 5. Of that number, 10 properties are projected to be rehabilitated as income-producing, and 16 as non-income-producing (residential condos). The cost of individual projects used in the model ranged from \$4.0 million to \$25.6 million, with most projects costing between \$5.0 and \$15.0 million.

The fiscal impact of this credit was calculated as the marginal impact over the existing Article 3D historic rehabilitation credit. Given the previous assumptions, the fiscal impact of this legislation is expected to be \$2.8 million in 2006-07 and \$8.1 million in 2007-08.

House Bill 474 would allow the tax credit for income-producing properties to be taken in full the year the property is placed into service. Preservation NC has indicated that although many individuals who develop historic mills for income-producing uses may be able to take most of their available credit in one year, most non-income-producing mill property owners will not. For this reason, the credit will be available to non-income-producing property owners over a period of 5 years, similar to the existing Article 3D credit.

HB 474 Impact (Proposed Credit less Existing Credit)					
	2006-07	2007-08	2008-09	2009-10	2010-11
HB 474 (proposed)	8,400,000	11,625,362	20,140,980	18,178,066	14,991,847
Article 3D (existing)	\$ 5,600,000	\$ 3,301,626	\$ 5,462,509	\$ 7,365,323	\$ 8,245,807
Total fiscal impact	2,800,000	8,323,736	14,678,472	10,812,743	6,746,041

House Bill 1938, Chapter 19 **Logging Machinery Exempt from Sales Tax**

Summary: Historically mill machinery, including commercial logging equipment, has been subject to state sales tax at the rate of 1.0%, with an \$80 cap per item. Because such special sales tax rates do not conform to the Streamlined Sales Tax Agreement, to which North Carolina is a party, in 2001 the General Assembly chose to remove this special treatment from the sales tax statutes, and instead created a special privilege tax of the same amount. This change effectively exempted these purchases of mill machinery from sales tax, but made the purchaser liable for remitting a similar amount of tax under the privilege tax statutes, directly to the Department of Revenue. This change became effective January 1, 2006. The legislation exempts commercial logging equipment from this new privilege tax, treating it the same as agricultural equipment.

Effective Date: July 1, 2006

Fiscal Effect: \$2.87 million annually.

No data specific to loggers or logging operations is available from the North Carolina Department of Revenue. Fiscal Research developed an alternative means of estimating the impact of this change. The North Carolina Division of Forestry estimates the total number of logging operations at approximately 1,050. Additionally, forestry industry publications estimate that the taxable operating costs for a biomass logging facility average \$270,489 annually. Using this number as a proxy for the operating costs associated with a North Carolina logging facility suggests that exempting these purchases from tax would result in a revenue loss of approximately \$2.84 million annually ($\$270,489 \times 1,050 \text{ loggers} \times 1.0\% \text{ tax}$).

The same industry publication suggests that a logging operation requires approximately \$755,000 in capital investment for approximately six pieces of heavy machinery. All six items would be taxed at the maximum amount of \$80.00 per item, for a total tax on equipment of \$480.00. Assuming this equipment is replaced every 15 years suggests that 70 loggers will replace their equipment each year. Thus the annual revenue loss associated with these purchases is \$33,600 ($\$480 \times 70 \text{ loggers}$).

House Bill 1892, Chapter 18 **IRC Update**

Summary: Generally North Carolina tracks federal law as it relates to income tax provisions. However, because of constitutional limitations, the General Assembly must proactively decide each year to update its reference to the Internal Revenue Code (IRC). Updating the reference date for the code allows the state to track recent changes in federal tax law. The legislation changes the reference date in North Carolina statutes from January 1, 2005 to January 1, 2006, effectively including several recent federal tax law changes.

The bill also makes several other changes to the State's tax law. First, it shortens the amount of time a taxpayer has to file an amended State return to reflect changes or corrections in their federal return. Currently taxpayers have two years after the change to file an amended return.

The legislation shortens this period to six months. This provision applies to all state taxes which are based on federal returns including estate, income, and gift taxes. The legislation also conforms state nonresident alien return due dates to similar federal dates. Finally, the legislation conforms the state amounts associated with the child care credit and certain employment related expense credits to those allowed under federal law.

Effective Date: Sections 1, 2, and 10 are effective when law. Sections 3, 4, 5, and 6 become effective July 1, 2006 and apply to federal determinations made on or after that date. Sections 7, 8, and 9 are effective for taxable years beginning on or after January 1, 2006.

Fiscal Effect: \$5.1 million in 2006-07 and 2007-08.

The legislation makes numerous changes to the state's tax laws which have some revenue impact.

IRC Update. Section 1 of the bill updates the reference to the federal code from January 1, 2005 to January 1, 2006. This has the effect of including the changes associated with four pieces of federal legislation: the Energy Tax Incentive Act of 2005 (Energy Act), the Safe, Accountable, Flexible, Efficient Transportation Equity Act of 2005 (SAFE Act), the Katrina Emergency Tax Relief Act of 2005 (Katrina Act), and the Gulf Opportunity Zone Act of 2005 (GO Act). While these bills included a significant number of tax changes, only some flow through to the state return. The items with a likely fiscal impact are addressed below.

Energy Act. The Energy Act created a variety of incentives to purchase energy efficient vehicles, facilities, and home improvement items. Because many of these incentives are in the form of credits, they do not impact North Carolina taxable income. As such, they produce no revenue gain or loss. However, there are four items in the bill that do create a potential loss for the state.

- Alternative Fuel Vehicles: The Energy Act eliminated the existing deduction for clean-fuel vehicles and certain refueling property, and replaced it with a tax credit. Because federal tax credits do not affect North Carolina taxable income, the credit has no impact on state revenues, while eliminating the deduction would actually create a revenue gain. The Joint Committee on Taxation estimates a national loss in 2006 of \$8.0 million from this change. Data from the Bureau of Economic Analysis and Economy.com suggest that North Carolina will be approximately 2.85% of US auto sales. Using this percent as a proxy for alternative fuel vehicle sales suggests a state revenue gain of \$225,000 in 2006. In future years the change will be less than \$100,000.
- Electric Transmission Assets: Under previous federal law, a taxpayer could recognize a qualified gain from a qualifying electric transmission transition if that transaction was completed before January 1, 2007. The Energy Act extends that date to January 1, 2008. Conforming to the Code will also extend this date to 2008. The Joint Committee on Taxation estimates a national 2006 loss of \$105 million, and a 2007 loss of \$237 million. However, because of the limited information available concerning the distribution of these assets and transitions, no North Carolina estimate is possible on this portion of the bill.

- Energy Efficient Commercial Buildings Property Deduction: The Act allows taxpayers to claim a deduction (as opposed to depreciation or amortization) for costs associated with energy efficient commercial building property placed into service between January 1, 2006 and January 1, 2008. The estimated state revenue change as a result of the proposal is outlined below. It assumes an average federal tax rate of 34% and uses North Carolina's portion of federal corporate tax payments as a proxy for North Carolina's portion of the loss. In addition, because this can be used by both individuals and corporations, the average loss is used as a proxy for the actual loss.

Millions

Commercial Building Property	FY 06-07	FY 07-08	FY 08-09	FY 09-10	FY 10-11
JCT Estimate of Federal change	(81,000,000)	(141,000,000)	(48,000,000)	6,000,000	5,000,000
Federal Tax Base Change (34%)	(238,235,000)	(414,706,000)	(141,176,000)	17,647,060	14,705,880
NC Portion of Federal Collections	0.53%	0.53%	0.53%	0.53%	0.53%
NC Base Change	(1,262,650)	(2,197,940)	(748,240)	93,529	77,941
Corporate Estimate	(87,120)	437	437	437	437
Individual Estimate	(104,170)	(1,098,750)	(373,900)	46,983	39,189
Average	(95,650)	(549,160)	(186,730)	23,710	19,813

- Depreciation, Amortization, and Other Changes: The federal legislation creates more favorable depreciation and amortization schedules for a number of large purchases including air pollution control facilities for coal-fired plants, certain electric power purchases. The JCT has developed a series of estimates related to these changes. However, because these investments are highly concentrated, based on the individual business decisions of a limited number of companies, and are not linked to any particular state or national ratio, no exact fiscal estimate is possible on these portions of the legislation.

SAFE Act. Although the Act makes a substantial number of changes at the federal level, the changes do not impact North Carolina taxable income. As such, there is no state impact associated with this legislation.

Katrina Act. The federal legislation defines both a "Hurricane Katrina Disaster Area" and a "core disaster area" and provides additional tax advantages for individual who live in those areas, own property in those areas, or make certain charitable contributions to relief efforts in those areas.

While many of these changes could have a revenue impact, the largest potential fiscal impact will likely come from the changes related to charitable contributions. Under federal law, the size of deduction allowed for charitable contributions is limited for certain types of taxpayers, certain types of property donated, and the type of organization receiving the donation. Generally cash contributions are deductible in the amount contributed, "capital gain property" is deductible at fair market value, other appreciated property donations are deductible at the donor's base in property, and depreciated property is deductible at fair market value. In addition, the tax value of the donation can not exceed a certain proportion of their adjusted gross income. The Katrina

Act provides several exceptions to these limitations on charitable contribution deductions. The Joint Committee on Taxation estimates a 2006 cost associated with this change of \$819.0 million nationwide. Using North Carolina's proportion of charitable contributions at the federal level as a proxy suggests conforming on this change will result in a one time loss to the General Fund of \$5.89 million. In addition, there were numerous changes related to the cost of assisting with the relief effort including a change in the standard deductible mileage rate, mileage reimbursements to volunteers, enhanced deductions for contributions of food and book inventories, and an increased personal exemption for housing victims of the hurricanes. Based on data from the Joint Committee on Taxation, North Carolina's portion of federal taxes, and the average North Carolina tax rate, Fiscal Research estimates a 2006-07 loss associated with this change of \$142,000. In 2007-08 that number drops to \$53,000.

Most of the remaining changes related specifically to residents, former residents, and property owners in the Gulf Region. Clearly most of the victims of Hurricanes Katrina and Rita were relocated to areas closer to the gulf than North Carolina. However, the North Carolina Department of Public Instruction indicates that approximately 1,462 students entered the North Carolina school system as a result of the hurricanes. Thus, at least some former residents relocated to the state. To the extent they take advantage of the new special tax changes the State will see a loss. However, given the limited number of families involved, the potential loss is expected to be relatively insignificant.

GO Act. While this Act makes numerous tax law changes, most are related specifically to the Gulf area. Based on data provided by the Joint Committee on Taxation, it appears that the only change that will have a measurable fiscal impact on North Carolina is the temporary suspension of limitation on qualified corporate charitable contributions for Hurricanes Rita and Wilma relief efforts. The Joint Committee estimates that in 2006 this change will result in a \$85 million loss for the federal government. Using the state's portion of Gross Domestic Product as a proxy for North Carolina's portion of the revenue loss, and adjusting for base differences, suggests a potential revenue loss for the state of \$34,000. This is a one time loss, as it relates only to contributions made between August 28, 2005 and December 31, 2005. Any other revenue affects related to this legislation are expected to be negligible.

While the above outlines the IRC update conformity issues, the legislation also addresses several other tax issues.

Credit for Child Care. Under current law taxpayers can receive both a federal and state credit for work related child care expenses. For many years, the amount of expenses that could be considered when calculating the credit was the same at both the state and federal level. In 2003 the federal government increased the cap on those qualifying expenses from \$2,400 to \$3,000 (\$4,800 to \$6,000 if there is more than one qualifying individual in the household). At that time the state did not conform to this change. The legislation would bring state caps in line with the federal caps. According to the Policy Analysis and Statistics Division of the North Carolina Department of Revenue (formerly Tax Research), the annual cost of such a change is approximately \$5.0 million.

Other. The legislation also addresses several other tax issues. First, the bill reduces the period of time in which a taxpayer must report a federal change from two years to six months. This change is expected to ease processing at the North Carolina Department of Revenue, but will have no revenue side implications. Second, the bill alters the tax filing date for nonresident aliens. Specifically, it conforms the State filing deadlines to the federal filing deadlines for nonresident aliens and would ease compliance for those taxpayers. No revenue impact is expected as a result of this change.

House Bill 1915, Chapter 33 SSTA/Sales Tax Payments/Modular Homes

Summary: The legislation makes three changes related to the Streamlined Sales Tax Agreement (SSTA). First, it alters the definition of telecommunications services and adds a definition of “ancillary services” to the sales tax statutes. This change is required to comply with the Streamlined Agreement. Second, the bill changes the sales tax payment schedule for semi-monthly filers. Under existing law the state’s largest taxpayers, those who regularly owe at least \$10,000 a month in sales taxes, must make sales tax payments twice a month. The first payment is due the 25th of the month and reflects sales made between the 1st and 15th of that month. The second payment reflects sales made after the 16th day of the month, and is due the 10th day of the following month. The proposal replaces the twice a month payment with a single monthly payment. The new payment, due on the 20th, should reflect sales made in the previous month along with an estimated amount for the current month. The estimated amount is to be 65% of either 1) the current month’s liability, 2) the liability for the same month in the previous year, or 3) the average monthly liability for the past calendar year. The taxpayer can choose their method of calculation. Finally, the legislation eliminates statutory provisions to deal with small underpayments; as such a provision is no longer necessary with the proposed pre-payment plan. While these last two changes are related to SSTA, they are not required for compliance with the Agreement.

Effective Date: Sections 9 through 11 (semi-monthly filers) are effective October 1, 2007. All other sections are effective January 1, 2007.

Fiscal Effect: Sections 1 and 2 make several changes to telecommunications related definitions. Definitions altered or added include ancillary service, prepaid wireless calling service, and telecommunications service. The first two of these changes are technical in nature and are not expected to have a fiscal impact. The third – telecommunications service – actually consolidates and clarifies some definitions already addressed by the General Assembly in previous sessions. This change is also not expected to have a significant fiscal impact. Section 1 also updates the reference date for the Agreement, which has no fiscal affect.

Section 3 addresses the sourcing of sales of prepaid wireless services. Because it only impacts local revenues, no state impact is expected. Moreover, because the change is not expected to actually alter the treatment of these sales, no local impact is expected.

Section 4 makes conforming definitional changes and is not expected to have a fiscal impact.

Section 5 moves to the exemption statute the items that were formerly excluded from the definition of telecommunications and are not intended to be taxed. The items in exemption section were all in the prior telecommunication section statutes. No fiscal impact is expected.

Sections 6 – 8 make conforming changes by inserting the newly defined term 'ancillary services', with the term 'telecommunications services'. All items covered under the new definitions are currently taxed under the existing definition of telecommunications services. While the new definitions create two separate categories – ancillary services and telecommunications services – they are both subject to the general sales tax. As a result, this change is only technical and has no revenue impact.

Sections 9 – 11 alter the sales tax payment schedules for the state's largest retailers. According to the North Carolina Department of Revenue, these retailers represent approximately 68% of total sales tax collections. Because the legislation does not affect the retailer's liability there is no recurring cost or gain associated with the bill. However, the shift from semi-monthly to monthly payments does create a potential one time revenue change. By shifting the payment date for part of the liability from the 25th to the 20th, the state gains five days of interest on the float, creating a small revenue gain. However, because retailers can select which method they will use to calculate their pre-payment, there is a potential for a short term revenue loss, as the state would lose interest on the under-payment. The Department of Revenue indicates that if average pre-payments fall below 60% of actual liabilities, the state could see a small fiscal loss. Given the uncertainty surrounding retailer responses, it is not possible to estimate the potential loss or gain. However, data from the Department indicate that whatever change is seen in either direction would likely be substantially less than \$1.0 million. There may also be some computer programming costs associated with the payment schedule change. However, at this point Fiscal Research cannot determine the exact cost associated with this computer change.

House Bill 1898, Chapter 17 S Corp. Income Tax Adjustments

Summary: A C Corporation cannot be a shareholder of an S Corporation. All S shareholders must be individuals or trusts, which means that the taxpayer is subject to the individual income tax. However, current law results in an individual's pro rata share of S Corporation income attributable to North Carolina being subject to corporate income tax adjustments, while S Corporation income not attributable to North Carolina is subject to individual income tax adjustments. The proposal would make an individual's pro rata share of income from an S Corporation subject only to the individual income tax adjustments, rather than being subject to both individual and corporate income tax adjustments. This approach would be more consistent with the tax treatment of an S Corporation generally and would simplify tax form preparation. Consequently, it may result in a higher degree of compliance with the law.

Effective Date: Taxable years beginning on or after January 1, 2006.

Fiscal Effect: The Department of Revenue has indicated on more than one occasion that the proposal would have a negligible revenue impact because many of the adjustments are duplicated in both individual and corporate income tax law and that some of the adjustments under the corporate income tax that are not under the individual income tax are not applicable to S corporation income tax. Thus, the change has limited application

Senate Bill 1283, Chapter 95
Franchise Tax Base Calculation

Summary: Since August 1, 1996 the Department of Revenue has been allowing taxpayers, when calculating their franchise tax base, to reduce, but not below zero, a deferred liability by the deferred tax asset amount that resulted when the deferred liability was required under financial accounting standards. The current management of the Department of Revenue feels that the Department did not have the statutory authority to make such a ruling in 1996 and some taxpayers are challenging some of the specifics of the ruling. The proposal attempts to clarify the issue by allowing deferred tax liabilities to be reduced by their corresponding tax assets, but not below zero.

Effective Date: Tax years beginning on or after January 1, 2007.

Fiscal Effect: Discussions with the Department of Revenue indicate that the impact of the change will be fairly small.

House Bill 143, Chapter 216
Exempt Agri-Tourism from Privilege Tax

Summary: Exempts the following activities from the 3% gross receipts privilege tax: all farm-related exhibitions, shows, attractions, or amusements offered on land used for farm purposes, including hayrides, animal exhibitions, and farm pond fishing.

Effective Date: January 1, 1999

Fiscal Effect: According to the NC Department of Revenue, the privilege tax is not collected for activities such as hayrides and farm pond fishing because these activities are participatory in nature as opposed to other types of amusements subject to the tax. Animal exhibitions are considered to be taxable under current law however, the Department is aware of only two instances in which current taxpayers would be affected by the proposed bill. It is unclear whether other businesses would be affected by the exemption. Because the bill is retroactive to January 1, 1999, the first-year impact of the bill would include any refunds to qualifying businesses that have paid the tax since that date.

House Bill 1522, Chapter 220
Film Incentive Changes

Summary: The 2005 General Assembly enacted legislation that allows an income tax credit for 15% of the qualifying production expenses of film and television production companies that spend at least \$250,000 on a production in North Carolina. The credit is limited to \$7.5 million per feature film and is refundable in cases where the credit exceeds tax liability. Finally, the bill disallowed the credit for expenses incurred for compensation paid to an “individual” in excess of \$1 million.

To prevent a doubling up of the tax benefit on the same expenses, the legislation required that companies add back to taxable income the amount of the expenses for which the credit was

claimed. In addition, corporate income tax law has a general provision requiring taxpayers to add back the amount of a credit to net taxable income. Thus, the film industry credit is offset by an add-back of the credit amount and the expense base to which the credit applies.

HB 1522 eliminates the expense base add back for the film industry credit.

Effective Date:

Fiscal Effect: During the 2005 discussions on the original credit 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, including: (1) cable movie; (2) small feature film; (3) medium feature; (4) episodic television; and (5) television commercial. The expenditure data was broken down into a number of 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 Department of Commerce, based on discussions this Spring with regional film representatives in the state and the Director of the State Film Office, has revised their estimate of production activity for the industry for the 2006 tax year. The calculations set out below used the revised activity level to calculate the current law credit cost

	<u>(\$ Million)</u>
Eligible Spending	\$112.00
15% Tax Credit Cost	16.80
Less: Credit Add-Back	<u>-1.16*</u>
Tentative Net Credit Cost	\$15.64
Less: Expense Base Add-Back	<u>-7.73**</u>
Final Net Credit Cost	\$7.91

*Credit amount multiplied by 6.9% corporate income tax rate.

**Expense base multiplied by 6.9% corporate income tax rate.

The annual impact of the bill for the 2007 tax year is equal to the “Expense Base Add Back” number shown in the above calculation plus one year of growth. For future years, the credit is expected to grow at the same rate as state personal income. The forecast for this variable comes from Moody’s Economy.com, a nationwide forecasting firm used by Fiscal Research for national and state economic forecasts. For the purpose of this analysis, it is assumed that the tax year impact of the proposed change matches up with the fiscal year ending six months after the end of the tax year. Thus, the full impact of the change for the 2007 tax year would be in the 2007-08 fiscal year. This rationale was based on the fact that the small amount of the credit would suggest 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.

The anticipated fiscal impact of Senate Bill 1522 on General Fund revenues is as follows:

FY 2006-07:	0
FY 2007-08:	-\$8,100,000
FY 2008-09:	-\$8,500,000
FY 2009-10:	-\$9,000,000
FY 2010-11:	-\$9,500,000

House Bill 1963, Chapter 162 Revenue Laws Tech & Motor Fuel Tax Changes

Summary: House Bill 1963 makes numerous technical and clarifying changes to the State’s tax laws. It is a recommendation of the Revenue Laws Study Committee. There are also several changes to the North Carolina motor fuels tax laws which are designed to improve collection and administration of that tax.

Sections 1, 2, 7, 19, 21, 22, 23, 24, 28, 29, and 31 make purely technical changes and have no revenue impact.

Sections 3, 5, 6, 8, 12, and 18 are designed to clarify existing tax laws. Section 3 defines “gross income” in the corporate income tax law by referencing section 61 of the Internal Revenue Code, which is the same definition for individual income tax law. No revenue impact is expected as a result of this change. Section 5 conforms the base references for “use tax” to those used for “sales tax”. This reflects current practice and is not expected to impact state revenues. Section 6 makes a similar change to clarify that the credit allowed for sales taxes paid in other states also applies to use taxes paid in other states. The change reflects current Department practice. No revenue impact is expected. Section 8 clarifies that the sales tax exemption granted for grain, feed, or soybean storage facilities and accessories only applies to farmers. Because this treatment was assumed in previous fiscal notes, no fiscal impact is expected as a result of this change. Section 12 makes several changes to the penalty statutes as they relate to the North Carolina Department of Revenue. Section 12(a) repeals two misdemeanor statutes that are covered in other areas of the law and are therefore unnecessary. Section 12(b) reorganizes the Revenue penalty statutes and deletes obsolete language. Sections 12(c) and 12(d) make changes to conform existing statutes to the requirement of North Carolina School Boards Association v. Moore, otherwise known as the fines and forfeiture case. Section 18 replaces the term “individuals” with the term “persons” in G.S. 105-249.2, which effectively extends the penalty relief given to individuals in times of a presidentially declared disaster to businesses.

Sections 4, 9, 10, 11, 13, 14, 15, 16, 17, 20, 25, 26, 27, 30, and 32 make more substantive changes to the State’s tax laws.

Effective Date: Unless otherwise specified, this act is effective when law. Sections 4, 13, 14, 15, 17, 26, and 32 have alternate effective dates. These are noted in the summary by section below. These changes are detailed below.

Fiscal Effect: This section addresses all substantive changes made in House Bill 1963.

Section 4 addresses the newly enacted film incentive tax credit and the State's confidentiality laws. First, it clarifies that only payments for services, not goods, be considered when determining who is a highly compensated individual for purposes of the credit. It also clarifies that the amount of compensation to be included in the determination of "highly compensated individual" includes compensation paid through an unrelated third party. This section also allows the Department of Revenue to provide a production company that is claiming the credit tax information from a third party, but only if that information was used to adjust the amount of credit claimed by the production company. This section is effective for tax years beginning on or after January 1, 2006. No fiscal impact is expected as a result of any of these changes.

Section 9 modifies the Department of Revenue's reporting requirements as they relate to sales and use tax refunds. In the 2005 session new refunds were authorized for interstate passenger air carriers and motorsports racing teams. This provision would include these two categories of taxpayers in the list of those whose total refund information is to be made public. This only requires that the total number of taxpayers and the amount of total refunds claimed be made public and does not require or allow individual taxpayer information to be released. As this change relates only to reporting, no fiscal impact is expected.

Section 10 clarifies the effective date of a sales and use tax rate increase as it relates to the prepayment of taxes. This change follows Department practice. Thus no revenue impact is expected.

Section 11 deals with the newly enacted 5F privilege tax on manufacturing equipment. Previously these items were taxed under the sales and use tax statutes, which allowed a credit for taxes paid in other states. This section extends that treatment to the new 5F privilege tax. Because this tax treatment was assumed in the estimate for enacting the new privilege tax, no fiscal impact is expected as a result of this change.

Sections 13, 14, 15, 16 and 17 make changes to North Carolina motor fuels laws. Section 13 authorizes the Department of Revenue to cross match all motor fuel data to ensure compliance with motor fuels tax laws. Currently the Department can only use information on the movement of fuel in and out of the state, but not within the state. Section 12(a) requires that all individuals that transport motor fuel be licensed as a motor fuel transporter. The change effectively removes an exemption for those that transport their own fuel, so that any distributor or blender would also be considered a licensed transporter. Section 13(b) requires that a transporter file an informational return showing all deliveries of motor fuel. Current law only requires reporting of interstate fuel transportation. Section 14 dictates that all motor fuel leaving the terminal rack is subject to the tax. Currently a licensed distributor can remove fuel without paying the tax if they have an exemption card issued by the supplier. The legislation would replace this exemption with a State issued monthly refund. This puts North Carolina law in this area in conformance with law in surrounding states. Section 15 provides for a common due date for all motor fuels tax returns, whether or not tax is due. Section 16 conforms special treatment of Article 5F purchases under the motor fuels tax statutes to that used in the sales and use tax statutes, with regards to the refund of motor fuels taxes. Section 17 removes an obsolete reference in the motor fuels laws. These changes, in total, are expected to improve compliance with North Carolina's motor fuels laws. However, no fiscal estimate is possible on this portion of the bill. This section is effective July 1, 2007, and applied to motor fuel transported on or after that date.

Section 20 clarifies that the due date for an occupancy tax return is the same as the due date for the associated taxes. Because the state does not levy an occupancy tax, no State fiscal impact is anticipated. The change could improve compliance with local occupancy tax laws.

Section 25 allows a municipality to create a municipal service district effective upon the adoption of the resolution creating it, rather than waiting for the first day of the next fiscal year, if general obligation bonds are anticipated to be authorized for the project. However, it provides that no ad valorem tax may be levied for a partial fiscal year. This section is effective July 24, 2006, and has no fiscal impact.

Section 26 amends the State estate tax statute by clarifying that State estate tax liability may not exceed federal estate tax liability determined without regard to the deduction for State death taxes or certain federal credits. Prior to this act the Department of Revenue interpreted the statute as limiting the State estate tax in this way, but the Estate Planning Section of the NC Bar Association requested that clarifying language be put in the statute. This change does not affect the way in which estate tax is calculated.

Section 27 removes a reporting requirement for certain governmental entities entitled to refunds of sales and use tax under G.S. 105-164.14(c). This change has no fiscal impact.

Section 30 authorizes a county that imposes an additional 1/2 sales and use tax for public transportation to also levy a vehicle rental tax. In 1997, the General Assembly authorized a regional public transportation authority to levy a gross receipts tax of up to 5% on retailers within the region engaged in the business of renting private passenger vehicles and motorcycles. The tax applies only to short-term rentals which are rentals for a period of less than one year. Each authority may use the proceeds of the tax for its public transportation purposes. Section 30 provides that a county that imposes the additional 1/2 cent sales and use tax is considered an authority under the 1997 legislation and may also levy a vehicle rental tax. The county must allocate the proceeds of any vehicle rental tax it imposes to the largest city in the county that operates a public transportation system. The city must use the money to finance, construct, operate, and maintain local public transportation systems. However, unlike the tax proceeds from a vehicle tax levied by a public transportation authority, the proceeds of a vehicle tax levied by a county may be used to supplant and replace existing general fund revenues allocated for a public transportation system. Under current law, this section applies only to Mecklenburg County, since that county is the only one that imposes an additional 1/2 cent sales and use tax for public transportation. This section is effective July 24, 2006. If the Mecklenburg County Board of Commissioners decides to levy a vehicle rental tax of 5%, then the annual proceeds generated from the tax are estimated to be \$7.4 million.

Section 32 adds “ancillary service” to the list of items for which local education authorities may claim a refund of local sales tax. This change will likely result in a negligible fiscal impact to local government revenues.

House Bill 1891, Chapter 196
Simplify Fire Tax Rate/Other Tax Changes

Summary: Clarifies and simplifies the application of the additional gross premiums taxes on fire and lightning coverage. It makes a conforming change to the definition of 'holding company' for purposes of the franchise tax. It clarifies the application of the royalty reporting option when one of the related members is in a foreign country. It allows the Department of Revenue to share information with a county or city on a room occupancy tax to the same extent as a prepared food and beverage tax. It directs the Revenue Laws Study Committee to study various issues.

Effective Date: The sections related to codification of current taxable premium percentages and the royalty reporting option are effective January 1, 2006. The sections related to the new combined gross premiums tax and distribution of proceeds is effective January 1, 2008. The section related to the holding company definition is effective January 1, 2007. The remainder of this act is effective when it becomes law.

Fiscal Effect: Under the current insurance tax structure there is a supplemental state tax of 1.33% on the gross premiums of fire and lightning coverage and a local tax of 0.5% with fire districts. In the case of a policy that is exclusively for fire and lightning coverage, 100% of the supplemental tax is levied. For situations where the policy provides insurance coverage in addition to these two lines, the agencies administering the tax have applied a number of different partial percentages to the policy premiums, with the percentage differing by type of auxiliary coverage.

HB1891 codifies the current practice with regard to the application of partial percentages for taxable years after January 1, 2006. Effective January 1, 2008, the bill combines the statewide and local rates and establishes a new statewide rate of 0.85% for the supplemental tax. The tax will apply to 100% of premiums for property coverage and 10% of premiums for auto physical damage. Because the new statewide rate is calculated to be revenue neutral, Fiscal Research estimates no fiscal impact for this portion of the bill. The remaining sections of the bill also have no fiscal impact.

BILLS AFFECTING SPECIAL REVENUE FUNDS

Senate Bill 948, Chapter 185 Amend Boating Safety/Vessel Titling Law

Summary: Senate Bill 948 makes vessel titling mandatory in North Carolina, adds several fees to existing statutes regarding boat safety and vessel titling, creates several new criminal offenses, and makes numerous technical changes. Senate Bill 948 (1) increases the fee for transferring a vessel title from \$10 to \$20; (2), increases the fee for duplicate certificate of number from \$2 to \$5; and (3), specifies that the Wildlife Resources Commission shall use at least three dollars (\$3.00) of each one-year certificate of number fee and at least nine dollars (\$9.00) of each three-year certificate of number fee for boating access area acquisition, development, and maintenance. The bill also creates new criminal penalties and modifies some existing penalties. For purposes of this section, the fee portion of the bill only will be discussed.

Effective Date: January 1, 2007

Fiscal Effect: The Wildlife Resources Commission (WRC) administers the registration and titling of vessels to the public. Unlike many surrounding states, North Carolina does not currently require that vessels be titled although vessel owners may choose to title their vessels. Senate Bill 948 requires that vessels be titled. Mandatory titling of vessels will conform to surrounding states and will improve and streamline the existing titling process as well as add ownership protection and identification for vessels.

The chart below provides detail on the three fee-related provisions in Section 75A-38(b) of this bill that would generate new revenue for the WRC.

Senate Bill 948, Estimated Gross Fee Revenues from Section 75A-38(b)					
Fee	2006-07	2007-08	2008-09	2009-10	2010-11
Mandatory vessel titling fee*	753,830	761,368	768,982	776,672	784,439
Increase in transfer of vessel title fee	100,450	101,455	102,469	103,494	104,529
Increase in duplicate certificate of number fee	21,792	22,010	22,230	22,452	22,677
Total, all fee increases	876,072	884,833	893,681	902,618	911,644

*Includes revenue from titling of new vessels and from non-titled vessels being transferred to a new owner

Under current law, vessel agents retain set commissions for specified statutory transactions as compensation for services rendered to the WRC and the general public. Vessel agents, as a subset of wildlife agents, conduct a considerable amount of WRC-related transactions; in 2005, six percent (6%) of gross fee collections was retained by wildlife agents. This projection assumes that 6% of collections will be retained by vessel agents. The chart below shows the estimated total fiscal impact of this legislation (gross revenues less 6% in commissions for vessel agents).

Senate Bill 948, Net Fee Revenues					
	2006-07	2007-08	2008-09	2009-2010	2010-11
6% of gross collections to wildlife agents	(52,564)	(53,090)	(53,621)	(54,157)	(54,699)
Total	823,508	831,743	840,060	848,461	856,945

**Senate Bill 2043, Chapter 239
Increase Mortgage Lending Fees**

Summary: Senate Bill 2043 increases the amount of various fees assessed by the Office of Commissioner of Banks (OCOB) and makes other changes to G.S. 53-243.05 and G.S. 53-243.06. The bill:

- Increases the base application fee for licensure as a mortgage broker or mortgage banker from \$1,000 to \$1,500;
- Increases the base application fee for licensure as a loan officer or limited loan officer from \$50 to \$100;
- Increases the filing fee for issuance of licenses for principal and branch offices of mortgage bankers and brokers from \$100 to \$150;
- Increases the base renewal fee for licensed mortgage bankers and mortgage brokers from \$500 to \$750;
- Increases the base renewal fee for branch offices of licensed mortgage bankers and brokers from \$100 to \$150 each;
- Increases the annual renewal fee for licensed loan officers from \$50 to \$100;
- Creates a new \$100 late fee for failure to timely renew a license for a loan officer or limited loan officer;
- Increases the surety bond requirements for mortgage bankers and brokers from \$250,000 to \$500,000 and eliminates the option of depositing cash or securities in lieu of a surety bond;
- Increases the net worth required for waiver of the bond requirement for qualified lenders from \$250,000 to \$500,000; and,
- Provides for the automatic administrative suspension of a license for failure to maintain an active surety bond.

Senate Bill 2043 provides that all fees are payable to the Commissioner of Banks, a national licensing agency, or an enterprise designated by the Commissioner.

Effective Date: October 1, 2006

Fiscal Effect: The Office of the Commissioner of Banks, together with the North Carolina Banking Commission, is responsible for the chartering and regulation of North Carolina's state banks and trust companies, as well as the registration and licensing of various financial institutions operating in North Carolina, including check cashers, consumer finance companies, mortgage bankers and brokers, money transmitters, and refund anticipation lenders. OCOB charges a variety of statutorily authorized fees for the registration and licensing of various financial institutions.

Senate Bill 2043 increases the following fees by the amount shown in the far right column:

Fee Increases in Senate Bill 2043			
	Current fee	S 2043	Fee Increase
Licensure			
Mortgage broker or banker	\$1,000	\$1,500	\$500
Loan officer or limited loan officer	\$50	\$100	\$50
Filing fee for principal or branch offices of a mortgage broker or banker	\$100	\$150	\$50
Renewal			
Mortgage broker or banker	\$500	\$750	\$250
Branch office	\$100	\$150	\$50
Loan officers	\$50	\$100	\$50
Late renewal fee for loan officers	None	\$100	\$100

The chart below shows the projected increase in fee revenue anticipated by the Office of the Commissioner of Banks as a result of these changes. Since this bill contains an October 1, 2006, effective date, the fiscal impact of the fee increases will be less than the total amount shown in the column for Senate Bill 2043. OCOB estimates their total collections for FY 2006-07 will be \$3,115,000. Fiscal Research estimates that this amount constitutes an increase in total OCOB fee collections of \$1,268,331. Beginning in 2007-08, the annual impact of the fee increases is estimated at \$1,596,550 annually.

Increase in OCOB Fee Collections under Senate Bill 2043					
	Number	Total under current fee rates	Total S2043 (full year)	Total increase in fee collections	Percent change over current
Renewals					
Mortgage lenders/brokers	1,500	750,000	1,125,000	375,000	50.0%
Branches	1,500	150,000	225,000	75,000	50.0%
Loan officers	12,500	625,000	1,250,000	625,000	100.0%
Exclusive mortgage brokers	400	200,000	300,000	100,000	50.0%
New applications					
Mortgage lenders/brokers	213	213,000	319,500	106,500	50.0%
Branches	1,430	143,000	214,500	71,500	50.0%
Loan officers	4,871	243,550	487,100	243,550	100.0%
Total		\$2,324,550	\$3,921,100	\$1,596,550	68.7%

BILLS AFFECTING LOCAL GOVERNMENT REVENUE

2006 Regular Session

House Bill 2097, Chapter 30 Property Tax Changes

Summary: Sections 1 and 2 of the bill provide for the electronic filing of personal property. Currently, counties are allowed to provide for electronic listing only for business personal property. Current law allows the period for electronic listing of business personal property to be extended to June 1. Section 2 of this bill clarifies that this extension is provided only to business personal property.

Section 3 of the bill makes a clarifying change to House Bill 1779, which was enacted during the 2005 Session. The bill creates a combined system for registration and taxation of motor vehicles. The bill increases the first-month interest payments on unpaid vehicle property taxes from 2% to 5% and directs 60% of interest revenue to a special account within the Department of State Treasurer for the purpose of creating a registration renewal and property tax collection computer system within the Division of Motor Vehicles. The intent of the bill, and the practice put into place by the Department of State Treasurer, is to transfer 60% of only the first month of interest on unpaid taxes to the special account. This bill clarifies that the transfer applies to only the month of interest.

Section 4 of the bill gives county boards of equalization and review the authority to approve a late application for present-use value appraisal of property if the applicant demonstrates a good cause for the delay. Current law allows similar approvals for property tax exemptions or exclusions.

Sections 5 and 6 of the bill allows tax collectors to receive tax receipts for assessments that have been appealed to the Property Tax Commission, but does not allow the collector to collect the tax or enforce a tax lien resulting from the assessment while the appeal is pending. This bill would validate the current practice in which boards of equalization provide tax receipts to collectors by August 1, but clarifies that the collector may not seek remedies for appealed assessments until the appeal is adjudicated.

Section 7 of the bill makes a clarifying change to add taxes appealed to the Property Tax Commission to the list of items credited to the tax collector in the collector's final settlement with the governing body.

Effective Date: June 26, 2006.

Fiscal Effect: All of the proposed changes contained in the bill are administrative or clarifying in nature and would result in no significant fiscal impact.

Senate Bill 1451, Chapter 106
Delinquent Property Tax/Inventory/Study

Summary: This bill makes the following changes to the property tax laws to relieve the seller of personal liability for property taxes assessed on real property when the seller transfers the property before the taxes become delinquent or when the seller transfers the property before it is annexed by the taxing unit and taxes are imposed by the taxing unit:

- Authorizes the tax collector to enforce the remedy of attachment and garnishment against the record owner of real property as of the date the taxes on the real property become delinquent instead of the listing owner of the real property.
- Requires the tax collector to send the notice of a tax lien on real property to the record owner of the property as determined as of the date property taxes become delinquent and to any subsequent record owner instead of the listing owner of the property. The advertisement must also state the names of the record owner and any subsequent owner instead of the listing owner.
- Amends the definition of "Taxpayer" in the property tax laws to clarify that when collecting delinquent taxes assessed on real property, "taxpayer" means owner of record on the date the taxes become delinquent and any subsequent owner of record of the real property if conveyed after the delinquent date.
- Amends Chapter 39 of the General Statutes by adding a new Article that codifies the practice of prorating property taxes on a calendar-year basis when the property is sold.

The bill also exempts display model modular homes from property tax by amending the definition of "inventory" in the property tax statutes to clarify that the definition includes a modular home used exclusively as a display model and held for eventual sales at the retailer's place of business. The bill also does the following:

- Adds language to the notice requirements for foreclosure on the property or execution sale when there is a tax lien on the property. The language sets out additional reasonable steps that must be taken in an attempt to provide notice when the government knows that its notice attempt has failed. This language is required because of a recent U.S. Supreme Court decision.
- Directs the Revenue Laws Study Committee to study the present-use value system, including expansion of the system to include wildlife land and other conservation land, and adding criteria to the sound management programs.
- Makes clarifying changes.

Effective Date: Section 7 of this act becomes effective for contracts entered into on or after October 1, 2006. The remainder of this act is effective upon ratification and applies to tax years beginning on or after July 1, 2006.

Fiscal Effect: The bill corrects the problems that occur when an owner sells property after the listing date, and the property taxes later become delinquent under the new owner. Current law allows the tax assessor to use remedies of attachment and wage garnishment against the listing owner. This bill allows tax assessors to use these tax collection remedies against owner of record

as opposed to the listing owner. The bill does not change the types of remedies available to assessors and is not projected to significantly impact revenue collection.

The NC Manufactured Housing Institute is not aware of any counties that currently treat display models as taxable real property. The revenue impact for any county currently assessing such property would be minimal given the limited number of affected properties. A county with a property tax rate of 75 cents, for example, with three dealers, each with 3 display models with an average assessed value of \$150,000, would lose \$10,125 in revenue as a result of the bill.

The remaining sections of the bill are procedural or clarifying in nature and have no fiscal impact.

Senate Bill 1523, Chapter 259
2006 Technical Corrections Act

Summary: Section 31.5 of Senate Bill 1523 extends the implementation date of HB 1779, which was enacted during the 2005 Session, from July 1, 2009 to July 1, 2010, 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.

Effective Date: July 27, 2006.

Fiscal Effect: Fiscal Research estimates that HB 1779 would increase local government revenues by approximately \$80 million annually by improving the collection rate for property taxes on motor vehicles. Section 31.5 of SB 1523 will potentially delay implementation of HB1779 by one year.

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	17,196.4		2,744.7	9,972.0	3,452.8	33,365.9
2006-07	18,866.0		2,836.9	10,495.7	3,452.8	35,651.3

Source: Office of State Budget and Management

Total General Fund Authorizations as Adjusted to Determine Total Current Operations

Fiscal Year	Total Authorizations *	% Change vs. Prior Year	Less: Adjustments to Total Authorizations					Total Current Operations	% Change vs. Prior Year
			Capital Improvements		Rainy Day/ Savings Reserve		Total Adjustments		
			Direct Appropriations Includes FRS	Earmarking of Unreserved Credit Balance	Direct Appropriations	Other			
1970-1971	981,127,808			0	0	0	0	981,127,808	
1971-1972	1,138,180,763	16.01%	64,891,192	0	0	0	64,891,192	1,073,289,571	9.39%
1972-1973	1,187,443,130	4.33%		0	0	0	0	1,187,443,130	10.64%
1973-1974	1,712,516,853	44.22%	191,822,446	0	0	0	191,822,446	1,520,694,407	28.06%
1974-1975	1,791,783,009	4.63%	93,365,337	0	0	0	93,365,337	1,698,417,672	11.69%
1975-1976	1,766,321,933	-1.42%	28,662,437	0	0	0	28,662,437	1,737,659,496	2.31%
1976-1977	2,008,072,901	13.69%	45,096,295	0	0	0	45,096,295	1,962,976,606	12.97%
1977-1978	2,224,738,340	10.79%	31,332,626	0	0	0	31,332,626	2,193,405,714	11.74%
1978-1979	2,578,019,913	15.88%	126,008,818	0	0	0	126,008,818	2,452,011,095	11.79%
1979-1980	2,835,367,553	9.98%	84,378,719	0	0	0	84,378,719	2,750,988,834	12.19%
1980-1981	3,255,104,769	14.80%	104,141,290	0	0	0	104,141,290	3,150,963,479	14.54%
1981-1982	3,432,556,046	5.45%	30,861,142	0	0	0	30,861,142	3,401,694,904	7.96%
1982-1983	3,626,915,248	5.66%	65,772,358	0	0	0	65,772,358	3,561,142,890	4.69%
1983-1984	3,857,564,088	6.36%	59,782,244	0	0	25,800,000	85,582,244	3,771,981,844	5.92%
1984-1985	4,532,103,411	17.49%	212,535,238	0	0	0	212,535,238	4,319,568,173	14.52%
1985-1986	5,130,563,978	13.20%	253,503,234	0	0	0	253,503,234	4,877,060,744	12.91%
1986-1987	5,531,345,878	7.81%	297,667,245	0	0	0	297,667,245	5,233,678,633	7.31%
1987-1988	5,978,265,764	8.08%	173,020,035	0	0	0	173,020,035	5,805,245,729	10.92%
1988-1989	6,561,392,895	9.75%	258,659,030	0	0	0	258,659,030	6,302,733,865	8.57%
1989-1990	7,266,680,455	10.75%	150,092,738	0	0	0	150,092,738	7,116,587,717	12.91%
1990-1991	7,973,824,802	9.73%	106,400,195	0	141,000,000	0	247,400,195	7,726,424,607	8.57%
1991-1992	7,825,732,308	-1.86%	0	0	400,000	0	400,000	7,825,332,308	B 1.28%
1992-1993	8,209,537,916	4.90%	95,205,570	0	0	0	95,205,570	8,114,332,346	C 3.69%
1993-1994	9,317,906,610	13.50%	135,371,704	57,000,000	0	0	192,371,704	9,125,534,906	12.46%
1994-1995	10,268,424,627	10.20%	189,391,450	60,000,000	66,700,000	0	316,091,450	9,952,333,177	9.06%
1995-1996	10,031,584,878	-2.31%	113,522,500	125,000,000	0	0	238,522,500	9,793,062,378	-1.60%
1996-1997	10,654,778,229	E 6.21%	157,267,000	0	D 0	47,100,000	F 204,367,000	10,450,411,229	6.71%
1997-1998	11,635,189,516	G 9.20%	152,991,120	174,260,955	0	49,354,893	H 376,606,968	11,258,582,548	7.73%
1998-1999	13,111,623,293	12.69%	192,199,500	145,000,000	0	447,397,819	I 784,597,319	12,327,025,974	9.49%
1999-2000	14,237,669,453	8.59%	77,059,168	90,000,000	J 0	629,000,000	K 796,059,168	13,441,610,285	9.04%

Total General Fund Authorizations as Adjusted to Determine Total Current Operations

Fiscal Year	Total Authorizations *	% Change vs. Prior Year	Less: Adjustments to Total Authorizations						Total Current Operations	% Change vs. Prior Year
			Capital Improvements		Rainy Day/ Savings Reserve		Total Adjustments			
			Direct Appropriations Includes FRS	Earmarking of Unreserved Credit Balance	Direct Appropriations	Other				
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	17,341,821,310 S	8.22%	54,960,000	125,000,000	0	0	179,960,000	17,161,861,310	7.95%	
2006-2007	19,102,281,272	10.15%	206,343,300	222,229,189	0	0	428,572,489	18,673,708,783	8.81%	

* *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 1995-97 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.
- S Includes an additional \$15 million in emergency funds appropriated mid-year for the Department of Corrections as per S.L. 2006-2 (HB 1868).

Earmarking of the Unreserved Credit Balance by Fiscal Year
(Includes Earmarkings / Transfers / Appropriations Directly from Year End Balance)

Fiscal Year	June 30th Unreserved Credit Balance b/f Earmarking	Statutory Earmarkings, Transfers and Appropriations of Year-end Credit Balance								Unreserved Credit Balance for Subsequent FY Beginning July 1st
		Savings Reserve Account	Repairs & Renovations Account	Clean Water Management Trust Fund	Tax Relief/ Tax Refunds	Other Earmarking	Appropriation of Reversions	Total		
1991-92	164,773,001	41,193,253	0	0	0	0	0	0	41,193,253	123,579,748
1992-93	537,330,259	134,332,565	57,000,000	0	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	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	0	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	0	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	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	0	668,994,402	115,230,488
1998-99	514,756,178	0	150,000,000	31,054,152	0	0	37,000,000 K	0	218,054,152	296,702,026
1999-00	3,869,243	967,311	2,901,932	0 L	0	0	0	0	3,869,243	0
2000-01	6,350,587	0	0	0 M	0	6,350,587 N	0	0	6,350,587	0
2001-02	3,785,997 O	0	0	0	0	0	0	0	0	25,000,000 O
2002-03	415,543,840 P	150,000,000	15,000,000	0	0	0	0	0	165,000,000	250,543,840 P
2003-04	482,842,037 Q	116,666,064	76,797,361	0	0	0	0	0	193,463,425	289,378,612 Q
2004-05	802,633,946 R	199,125,000	125,000,000	0	0	0	0	0	324,125,000	478,508,946 R
2005-06	1,287,766,872 S	316,151,631 T	222,229,189	0	0	0	0	0	538,380,820	749,386,052 S

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.
- S 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 \$1,295.5 billion and \$749.4 million, respectively.
- T Pursuant to G.S. 143-15.3, Savings Reserve earmarking is adjusted to reflect final unreserved credit balance; earmarking recognized by General Assembly in S.L. 2006-66 was \$323,871,747.

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	213,005,569	B	423,609,633		
1995-1996	10,019,033,177	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	522,520,561	784,224,890	21,568,899	0	522,520,561		
1998-1999	11,258,582,548	562,929,127	515,077,350	0	(200,000,000)	F	322,520,561	
1999-2000	12,327,025,974	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	90,000,000	(247,522,048)	M, N	K	0
2002-2003	14,705,809,843	735,290,492	415,543,840	150,000,000	O	150,000,000		
2003-2004	14,320,664,876	716,033,244	482,842,037	116,666,064	391,343	Q	267,057,407	
2004-2005	14,871,621,783	743,581,089	802,633,946	199,125,000	(153,541,447)	S	312,640,960	
2005-2006	15,897,680,933	794,884,047	1,287,766,872	316,151,631	T	628,792,591		
2006-2007	17,161,861,310	858,093,066	?					

**Includes Local Government Shared Revenues/Reimbursements*

- A The General Assembly appropriated \$141 million; this reserve was used to offset a shortfall in revenue for 1990-91
- B The General Assembly authorized the transfer of \$121 Million to be used for the purpose of restoring the June 30 paydate.
- C Includes direct appropriation to Savings Reserve Account (\$66.7 million) and Local Government Shared Revenue (\$236.8 million)
- D Adjusted to reflect Emergency Appropriation made to the Dept. of Community Colleges for 1996-97 by the 1997 Session.
- E Adjusted to reflect Emergency Appropriation for Year 2000 Conversion for 1997-98 (\$20,506,367) as approved by 1998 Session
- F The 1999 General Assembly directed that no funds be transferred to the Savings Reserve Account for the fiscal year ending June 30, 1999
- G Funds appropriated from the Savings Reserve Account to comply with the lawsuit settlement on the Intangible Tax Refunds
- H Adjusted for \$6.5 million in Juvenile Justice Reserve transferred to Capital Improvements
- I Funds appropriated from the Savings Reserve Account to the Hurricane Floyd Reserve Fund (Office of State Budget Disaster Relief Fund)
- J Funds appropriated directly to the Savings Reserve Account, due to insufficient year-end credit balance for earmarking
- K Includes funds credited directly to the Savings Reserve Account from anticipated revenues, due to insufficient year-end credit balance for earmarking. Includes \$181 million credited per SL 2001-424, Appropriations Act and \$750,000 per S: 2001-514, Turfgrass Research. Due to a revenue shortfall during the 2001-02 fiscal year, the Director of the Budget credited only \$90 million to the Savings Reserve Account.
- L \$8,180,351 transferred to terrorism defense initiatives and \$239,341,697 transferred to General Fund availability to cover revenue shortfall as authorized by the General Assembly
- M June 30th credit balance per the Office of State Budget and Management. The beginning unreserved credit balance recognized by the General Assembly and included in General Fund availability for the 2002-03 fiscal year is \$25 million, as specified in Section 2.2(a) of SL 2002-126.
- N The General Assembly directed that no funds be credited to the Savings Reserve Account from the FY 2001-02 year-end credit balance.
- O June 30th credit balance per the Office of State Budget and Management and Office of the State Controller. The unreserved credit balance recognized by the General Assembly prior to earmarkings was \$409.2 million.
- P June 30th credit balance per the Office of State Budget and Management and Office of the State Controller. The unreserved credit balance recognized by the General Assembly prior to earmarkings was \$466.7 million.
- Q \$391,343 in unexpended funds for FY 2001-02 terrorism defense initiatives reverted to the Savings Reserve Account.
- 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.
- T June 30th credit balance and final Savings Reserve earmarking per the Office of State Budget and Management and Office of the State Controller. Estimated unreserved credit balance and Savings Reserve earmarking recognized by the General Assembly (S.L. 2006-66) was \$1,295.5 million and \$323,871,747 respectively.

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
2005-06	9,400,167,970	1,204,102,940	10,604,270,910	4,893,911,220	477,055,108	133,379,473	200,845,242	431,729,295	171,636,758	0	107,687,797	17,020,515,803

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
2005-06	15,988,524	475,213	100,000	0	252,558	16,816,295	7.49%	17,020,516	501,275	100,000	0	252,558	17,874,349	9.48%	1,031,992	26,062	0	0	0	1,058,054

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		as a % of Total	Amount	Percent	Amount	Percent		
		Amount	Percent	Amount	Percent	Amount	Percent							
1970-71	Authorization	981,127,808		510,055,771	52.0%	44,935,256	4.6%	147,326,678	15.0%	71.6%	131,483,760	13.4%	147,326,343	15.0%
	Expenditure	939,311,030		496,905,842	52.9%	43,642,139	4.6%	138,608,501	14.8%	72.3%	122,069,070	13.0%	138,085,478	14.7%
	Reversion	41,816,778		13,149,929	31.4%	1,293,117	3.1%	8,718,177	20.8%	55.4%	9,414,690	22.5%	9,240,865	22.1%
	% Unexpended	4.26%		2.58%		2.88%		5.92%			7.16%		6.27%	
1971-72	Authorization	1,073,289,571		533,536,652	49.7%	55,958,450	5.2%	163,331,175	15.2%	70.1%	160,607,710	15.0%	159,855,584	14.9%
	Expenditure	1,031,353,080		527,938,182	51.2%	55,954,999	5.4%	148,864,864	14.4%	71.0%	148,919,439	14.4%	149,675,596	14.5%
	Reversion	41,936,491		5,598,470	13.3%	3,451	0.0%	14,466,311	34.5%	47.9%	11,688,271	27.9%	10,179,988	24.3%
	% Unexpended	3.91%		1.05%		0.01%		8.86%			7.28%		6.37%	
1972-73	Authorization	1,187,443,130		575,012,350	48.4%	63,193,535	5.3%	179,910,706	15.2%	68.9%	180,762,164	15.2%	188,564,375	15.9%
	Expenditure	1,139,500,642		569,792,945	50.0%	60,636,067	5.3%	166,208,535	14.6%	69.9%	168,819,831	14.8%	174,043,264	15.3%
	Reversion	47,942,488		5,219,405	10.9%	2,557,468	5.3%	13,702,171	28.6%	44.8%	11,942,333	24.9%	14,521,111	30.3%
	% Unexpended	4.04%		0.91%		4.05%		7.62%			6.61%		7.70%	
1973-74	Authorization	1,520,694,407		718,947,864	47.3%	99,582,404	6.5%	222,838,796	14.7%	68.5%	224,614,625	14.8%	254,710,718	16.7%
	Expenditure	1,433,241,642		702,789,400	49.0%	92,458,946	6.5%	207,225,420	14.5%	69.9%	198,201,121	13.8%	232,566,755	16.2%
	Reversion	87,452,765		16,158,464	18.5%	7,123,458	8.1%	15,613,376	17.9%	44.5%	26,413,504	30.2%	22,143,963	25.3%
	% Unexpended	5.75%		2.25%		7.15%		7.01%			11.76%		8.69%	
1974-75	Authorization	1,698,417,672		789,391,908	46.5%	109,218,752	6.4%	280,638,400	16.5%	69.4%	270,434,740	15.9%	248,733,872	14.6%
	Expenditure	1,627,703,631		772,145,444	47.4%	106,413,517	6.5%	267,090,160	16.4%	70.4%	246,757,184	15.2%	235,297,326	14.5%
	Reversion	70,714,041		17,246,464	24.4%	2,805,235	4.0%	13,548,240	19.2%	47.5%	23,677,556	33.5%	13,436,546	19.0%
	% Unexpended	4.16%		2.18%		2.57%		4.83%			8.76%		5.40%	
1975-76	Authorization	1,737,659,496		800,937,335	46.1%	105,465,494	6.1%	270,526,549	15.6%	67.7%	282,548,220	16.3%	278,181,898	16.0%
	Expenditure	1,670,011,262		792,213,250	47.4%	99,816,634	6.0%	249,604,282	14.9%	68.4%	274,169,121	16.4%	254,207,975	15.2%
	Reversion	67,648,234		8,724,085	12.9%	5,648,859	8.4%	20,922,767	30.9%	52.2%	8,379,099	12.4%	23,973,424	35.4%
	% Unexpended	3.89%		1.09%		5.36%		7.73%			2.97%		8.62%	
1976-77	Authorization	1,962,976,606		899,151,043	45.8%	116,481,854	5.9%	307,123,340	15.6%	67.4%	335,842,343	17.1%	304,378,026	15.5%
	Expenditure	1,890,839,697		888,449,745	47.0%	110,824,929	5.9%	289,972,146	15.3%	68.2%	313,022,287	16.6%	288,570,590	15.3%
	Reversion	72,136,909		10,701,298	14.8%	5,656,925	7.8%	17,151,194	23.8%	46.5%	22,820,056	31.6%	15,807,436	21.9%
	% Unexpended	3.67%		1.19%		4.86%		5.58%			6.79%		5.19%	
1977-78	Authorization	2,193,405,714		997,654,527	45.5%	114,065,103	5.2%	357,790,592	16.3%	67.0%	368,169,434	16.8%	355,726,058	16.2%
	Expenditure	2,131,150,750		988,189,540	46.4%	113,168,528	5.3%	337,633,079	15.8%	67.5%	351,655,302	16.5%	340,504,301	16.0%
	Reversion	62,254,964		9,464,987	15.2%	896,575	1.4%	20,157,513	32.4%	49.0%	16,514,132	26.5%	15,221,757	24.5%
	% Unexpended	2.84%		0.95%		0.79%		5.63%			4.49%		4.28%	
1978-79	Authorization	2,452,011,095		1,098,173,958	44.8%	139,794,869	5.7%	394,767,166	16.1%	66.6%	412,559,917	16.8%	406,715,185	16.6%
	Expenditure	2,358,332,842		1,092,015,308	46.3%	133,975,021	5.7%	379,305,638	16.1%	68.1%	372,632,422	15.8%	380,404,453	16.1%
	Reversion	93,678,253		6,158,650	6.6%	5,819,848	6.2%	15,461,528	16.5%	29.3%	39,927,495	42.6%	26,310,732	28.1%
	% Unexpended	3.82%		0.56%		4.16%		3.92%			9.68%		6.47%	
1979-80	Authorization	2,750,988,834		1,230,099,474	44.7%	145,243,264	5.3%	436,949,552	15.9%	65.9%	473,705,994	17.2%	464,990,550	16.9%
	Expenditure	2,660,272,288		1,230,099,473	46.2%	145,243,264	5.5%	414,751,963	15.6%	67.3%	429,814,253	16.2%	440,363,335	16.6%
	Reversion	90,716,546		1	0.0%	0	0.0%	22,197,589	24.5%	24.5%	43,891,741	48.4%	24,627,215	27.1%
	% Unexpended	3.30%		0.00%		0.00%		5.08%			9.27%		5.30%	

North Carolina General Fund Operating Appropriations
(Excludes Local Government Shared Revenues/Reimbursements)

Fiscal Year	Total Current Operations	Education								Health & Human Services		All Other	
		Public Schools		Community Colleges		University		as a % of Total	Amount	Percent	Amount	Percent	
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 % of Total	Amount	Percent	Amount	Percent	
		Amount	Percent	Amount	Percent	Amount	Percent						
1991-92	Authorization	7,357,101,134 A	3,293,699,663	44.8%	344,131,858	4.7%	1,121,976,740	15.3%	64.7%	1,237,322,428	16.8%	1,359,970,445	18.5%
	Expenditure	7,184,089,741	3,235,476,119	45.0%	338,050,542	4.7%	1,092,166,393	15.2%	64.9%	1,223,468,038	17.0%	1,294,928,649	18.0%
	Reversion	173,011,390	58,223,544	33.7%	6,081,316	3.5%	29,810,346	17.2%	54.4%	13,854,390	8.0%	65,041,794	37.6%
	% Unexpended	2.35%	1.77%		1.77%		2.66%			1.12%		4.78%	
1992-93	Authorization	7,881,908,182 A	3,435,634,234	43.6%	398,689,471	5.1%	1,170,947,533	14.9%	63.5%	1,410,255,601	17.9%	1,466,381,343	18.6%
	Expenditure	7,552,787,565	3,399,653,728	45.0%	391,402,904	5.2%	1,140,308,136	15.1%	65.3%	1,222,683,543	16.2%	1,398,739,254	18.5%
	Reversion	329,120,617	35,980,506	10.9%	7,286,567	2.2%	30,639,398	9.3%	22.5%	187,572,058	57.0%	67,642,088	20.6%
	% Unexpended	4.18%	1.05%		1.83%		2.62%			13.30%		4.61%	
1993-94	Authorization	8,888,710,752 A	3,634,055,711	40.9%	450,882,941	5.1%	1,299,865,905	14.6%	60.6%	1,759,286,096	19.8%	1,744,620,099	19.6%
	Expenditure	8,575,733,017	3,587,786,193	41.8%	447,100,088	5.2%	1,266,772,749	14.8%	61.8%	1,647,826,530	19.2%	1,626,247,457	19.0%
	Reversion	312,977,735	46,269,518	14.8%	3,782,403	1.2%	33,093,156	10.6%	26.6%	111,459,566	35.6%	118,373,092	37.8%
	% Unexpended	3.52%	1.27%		0.84%		2.55%			6.34%		6.79%	
1994-95	Authorization	9,715,509,023 A	4,082,959,317	42.0%	455,651,184	4.7%	1,296,558,991	13.3%	60.1%	1,948,639,177	20.1%	1,931,700,354	19.9%
	Expenditure	9,482,528,320	4,048,929,070	42.7%	453,927,375	4.8%	1,265,809,673	13.3%	60.8%	1,902,007,678	20.1%	1,811,854,524	19.1%
	Reversion	232,980,703	34,030,247	14.6%	1,723,809	0.7%	30,749,318	13.2%	28.5%	46,631,499	20.0%	119,845,830	51.4%
	% Unexpended	2.40%	0.83%		0.38%		2.37%			2.39%		6.20%	
1995-96	Authorization	9,793,062,378	3,998,978,216	40.8%	470,880,697	4.8%	1,301,040,079	13.3%	58.9%	2,049,069,520	20.9%	1,973,093,866	20.1%
	Expenditure	9,570,832,269	3,951,497,059	41.3%	467,105,237	4.9%	1,275,618,898	13.3%	59.5%	1,991,088,366	20.8%	1,885,522,709	19.7%
	Reversion	222,230,109	47,481,157	21.4%	3,775,460	1.7%	25,421,181	11.4%	34.5%	57,981,154	26.1%	87,571,157	39.4%
	% Unexpended	2.27%	1.19%		0.80%		1.95%			2.83%		4.44%	
1996-97	Authorization	10,450,411,229	4,301,626,282	41.2%	501,802,184	4.8%	1,385,611,961	13.3%	59.2%	2,189,874,842	21.0%	2,071,495,960	19.8%
	Expenditure	10,309,508,861	4,267,252,095	41.4%	495,543,157	4.8%	1,382,794,052	13.4%	59.6%	2,153,564,048	20.9%	2,010,355,509	19.5%
	Reversion	140,902,368	34,374,187	24.4%	6,259,027	4.4%	2,817,909	2.0%	30.8%	36,310,794	25.8%	61,140,451	43.4%
	% Unexpended	1.35%	0.80%		1.25%		0.20%			1.66%		2.95%	
1997-98	Authorization	11,258,582,548 B	4,697,892,305	41.7%	534,873,175	4.8%	1,489,866,397	13.2%	59.7%	2,422,884,666 C	21.5%	2,113,066,005	18.8%
	Expenditure	11,108,886,722	4,693,184,126	42.2%	528,107,909	4.8%	1,475,180,196	13.3%	60.3%	2,359,194,346	21.2%	2,053,220,145	18.5%
	Reversion	149,695,826 D	4,708,179	3.1%	6,765,266	4.5%	14,686,201	9.8%	17.5%	63,690,320	42.5%	59,845,860	40.0%
	% Unexpended	1.33%	0.10%		1.26%		0.99%			2.63%		2.83%	
1998-99	Authorization	12,327,025,974	5,068,634,951	41.1%	587,542,475	4.8%	1,628,888,154	13.2%	59.1%	2,663,571,595	21.6%	2,378,388,799	19.3%
	Expenditure	12,177,442,547	5,038,223,817	41.4%	582,222,727	4.8%	1,626,641,628	13.4%	59.5%	2,598,933,047	21.3%	2,331,421,328	19.1%
	Reversion	149,583,427 E	30,411,134	20.3%	5,319,748	3.6%	2,246,526	1.5%	25.4%	64,638,548	43.2%	46,967,471	31.4%
	% Unexpended	1.21%	0.60%		0.91%		0.14%			2.43%		1.97%	
1999-00	Authorization	13,441,610,285	5,497,075,780 F	40.9%	589,634,008	4.4%	1,682,143,914	12.5%	57.8%	2,797,755,988	20.8%	2,875,000,595	21.4%
	Expenditure	13,297,649,285 G	5,450,607,364	41.0%	582,151,546	4.4%	1,679,203,122	12.6%	58.0%	2,776,740,143	20.9%	2,808,947,110	21.1%
	Reversion	143,961,000	46,468,416	32.3%	7,482,462	5.2%	2,940,792	2.0%	39.5%	21,015,845	14.6%	66,053,485	45.9%
	% Unexpended	1.07%	0.85%		1.27%		0.17%			0.75%		2.30%	
2000-01	Authorization	13,785,142,760	5,792,274,120	42.0%	644,032,372	4.7%	1,802,069,274	13.1%	59.8%	2,954,057,035	21.4%	2,592,709,959	18.8%
	Expenditure	13,220,036,214	5,671,631,385	42.9%	624,550,046	4.7%	1,767,873,649	13.4%	61.0%	2,884,925,899	21.8%	2,271,055,235	17.2%
	Reversion	565,106,546 H	120,642,735	21.3%	19,482,326	3.4%	34,195,625	6.1%	30.8%	69,131,136	12.2%	321,654,724	56.9%
	% Unexpended	4.10%	2.08%		3.03%		1.90%			2.34%		12.41%	

North Carolina General Fund Operating Appropriations
(Excludes Local Government Shared Revenues/Reimbursements)

Fiscal Year	Total Current Operations	Education							Health & Human Services	All Other			
		Public Schools		Community Colleges		University		as a % of Total		Amount	Percent	Amount	Percent
2001-02	Authorization	14,372,409,843	5,922,450,405	41.2%	650,075,770	4.5%	1,801,953,447	12.5%	58.3%	3,403,041,641	23.7%	2,594,888,580	18.1%
	Expenditure	13,708,199,020	5,815,381,127	42.4%	603,705,902	4.4%	1,647,270,569	12.0%	58.8%	3,273,742,131	23.9%	2,368,099,291	17.3%
	Reversion	664,210,823 H	107,069,278	16.1%	46,369,868	7.0%	154,682,878	23.3%	46.4%	129,299,510	19.5%	226,789,289	34.1%
	% Unexpended	4.62%	1.81%		7.13%		8.58%			3.80%		8.74%	
2002-03	Authorization	14,323,937,462	5,932,964,494	41.42%	667,345,336	4.7%	1,769,913,435	12.4%	58.4%	3,591,717,953	25.1%	2,361,996,244	16.5%
	Expenditure	13,824,364,493	5,872,954,662	42.48%	620,183,204	4.5%	1,686,217,160	12.2%	59.2%	3,346,742,225	24.2%	2,298,267,242	16.6%
	Reversion	499,572,969 H	60,009,832	12.01%	47,162,132	9.4%	83,696,275	16.8%	38.2%	244,975,728	49.0%	63,729,002	12.8%
	% Unexpended	3.49%	1.01%		7.07%		4.73%			6.82%		2.70%	
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%	
2005-06	Authorization	17,141,460,791	6,880,737,717	40.1%	827,719,984	12.6%	2,151,799,848	4.8%	57.5%	4,057,141,594	23.7%	3,224,061,648	18.8%
	Expenditure	16,846,148,999	6,867,308,952	40.8%	824,876,346	12.7%	2,146,047,180	4.9%	58.4%	4,025,185,595	23.9%	2,982,730,926	17.7%
	Reversion	131,330,187	13,428,765	10.2%	2,843,638	4.4%	5,752,668	2.2%	16.8%	31,955,999	24.3%	77,349,117	58.9%
	% Unexpended	0.8%	0.2%		0.27%		0.34%			0.79%		2.40%	

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	K 77,059,168	90,000,000 L	0	0	167,059,168
2000-01	M 14,974,172	60,500,000 N	0	0	75,474,172
2001-02	O 32,936,000	0 P	0	17,500,000 Q	50,436,000
2002-03	31,158,000	0	0	50,000,000 R	81,158,000
2003-04	27,601,000	15,000,000	0	651,590,000 S	694,191,000
2004-05	T 45,192,000 U	76,797,361 U	0	388,000,000 V	509,989,361
2005-06	54,960,000	125,000,000	0	0	179,960,000
2006-07	206,343,300	222,229,189	0	185,868,700 WX	614,441,189
2007-08	0	0	0	211,000,000 W	211,000,000
2008-09	0	0	0	105,500,000 W	105,500,000
2009-10	0	0	0	176,800,000 W	176,800,000

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 Does **not** reflect the transfer of \$147 million in prior year capital appropriations to the Hurricane Floyd Disaster Reserve
- L Original authorization was \$150,000,000; \$60,000,000 was transferred to Hurricane Floyd Disaster Reserve
- M Does **not** reflect the reversion of \$21.2 million in prior year capital appropriations to offset the revenue/budgetary shortfall
- N Original authorization was \$100,000,000; \$39,500,000 was used to offset revenue/budgetary shortfall
- O Does **not** reflect the reversion of \$4.4 million in prior year capital appropriations to offset the revenue/budgetary shortfall
- P Original appropriation of \$125 million was used by Governor to offset revenue/budgetary shortfall

Capital Improvement Authorizations

- Q S.L. 2000-143 authorized special indebtedness in the amount of \$17.5 million to construct offices and education centers for the Wildlife Resources Commission.
- R S.L. 2001-84 authorized the State to enter into guaranteed energy savings contracts to repair and renovate State facilities for the purpose of reducing utilities consumption by State agencies. The State may contract for an aggregate maximum principal of \$50 million at any one time.
- S S.L. 2003-284 authorized special indebtedness in the amounts of \$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. S.L. 2003-314 authorized special indebtedness in the amount of \$110 million for a new psychiatric hospital.
- T 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.
- U 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.
- W S.L. 2006-66 authorized special indebtedness in the amounts of \$40 million to expand the NC Art Museum, \$101 million for a State Public Health Lab, \$328.3 million to construct two new psychiatric hospitals and complete the hospital under construction, \$132.2 million for a prison hospital and mental health center, \$24,841,300 for a secondary data center, and \$45,827,400 for a classroom building at UNC-Charlotte. The debt authorization is phased over four years.
- X Section 1 of S.L. 2006-231 revises S.L. 2004-179 to increase the special indebtedness authorization for the construction of five youth development centers. The authorization was increased from \$35 million to \$42 million.

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	34.87	1.9%
2001-02	302,612,023	26,106,800		328,718,823	40.10	2.3%
2002-03	304,506,218	25,356,425		329,862,643	39.68	2.2%
2003-04	390,389,698	32,568,237		422,957,935	50.22	2.6%
2004-05	476,124,775	70,057,016		546,181,791	63.95	2.9%
2005-06	561,598,242	93,449,000	3,958,191	659,005,433	75.90	3.1%
<u>Projected as of August 2006</u>						
2006-07	592,818,193	91,198,625	5,746,979	689,763,797	78.13	3.3%
2007-08	672,914,837	88,128,250	24,914,128	785,957,215	87.63	3.7%
2008-09	684,548,737	85,460,500	41,109,525	811,118,762	89.09	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. Population estimates from State Data Center. Revenue estimates provided by Fiscal Research.

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	375.37	21.3%	1.4%
2001-02	3,274,944,986	183,300,000		3,458,244,986	421.83	24.9%	1.5%
2002-03	3,909,942,828	166,625,000		4,059,067,828	488.30	27.7%	1.8%
2003-04	4,945,769,379	549,950,000		5,495,719,379	652.52	33.1%	2.3%
2004-05	5,562,001,277	811,430,000	59,865,150	6,433,296,427	753.28	34.1%	2.5%
2005-06	5,629,219,599	756,755,000	57,796,396	6,443,770,995	742.19	31.5%	2.4%
<u>Projected as of August 2006</u>							
2006-07	6,232,306,375	702,080,000	184,193,898	7,118,580,273	806.36	34.4%	2.4%
2007-08	6,091,311,360	648,025,000	352,723,898	7,092,060,258	790.75	33.6%	2.3%
2008-09	6,105,513,987	593,935,000	395,416,015	7,094,865,002	779.24	31.4%	2.1%

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. Population estimates from State Data Center. Revenue estimates provided by Fiscal Research.

**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
2006-07	106.89	4.79

^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%
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-

LEGISLATIVE INCREASES (Continued)

YEAR	STATE EMPLOYEES	TEACHERS
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)
2006-07	5.5% across-the-board increase	6.45% to 14.05% (8.23% average)

a Salary increment program frozen

b Conditional upon continuous employment for one year

c Most teachers received between 4%-9%. Teachers receiving National Board of Professional Teaching Standards (NBPTS) certification were eligible for larger increases.

AVERAGE SALARY OF EMPLOYEES SUBJECT TO THE PERSONNEL ACT

YEAR	AVERAGE SALARY ^{1,2}
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
2005-06	36,691

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.**