

April 2, 2003

S 717. GOVERNOR'S BUDGET BILL. TO MAKE BASE BUDGET APPROPRIATIONS FOR CURRENT OPERATIONS OF STATE DEPARTMENTS, INSTITUTIONS, AND AGENCIES, AND FOR OTHER PURPOSES.

Current Operations and Expansion/General Fund

State Agency or Division	2003-2004 Recommended Appropriation	2004-2005 Recommended Appropriation
HEALTH AND HUMAN SERVICES		
Central Administration	84,783,833	83,583,833
Aging	27,585,838	27,585,838
Child Development Smart Start	259,792,167	259,985,693
Education Services	31,866,862	31,730,076
Public Health	127,742,287	127,738,707
Social Services	178,154,934	183,207,128
Medical Assistance	2,287,015,656	2,606,616,508
Child Health	50,368,030	56,426,280
Services for the Blind	9,352,670	9,437,008
Mental Health/DD/SAS	557,623,983	561,114,198
Facility Services	9,442,530	9,442,530
Vocational Rehabilitation	40,042,124	40,834,858
Total Health & Human Services	3,663,770,914	3,997,702,657
NATURAL AND ECONOMIC RESOURCES		
Agriculture & Consumer Services	48,756,978	48,795,084
Commerce 33,133,442	32,203,763	
Commerce – State Aid to Nonstate Entities	20,062,464	20,062,464
Environment and Natural Resources	146,430,988	151,194,700
Clean Water Management Trust Fund	66,381,860	66,381,860
NC Housing Finance	4,750,945	4,750,945
Labor	13,265,001	13,271,022
Total Natural and Economic Resources	332,781,678	336,659,838
JUSTICE AND PUBLIC SAFETY		
Correction 940,718,058	945,911,249	
Crime Control & Public Safety	28,088,773	27,164,214
Judicial 303,316,657	310,513,471	
Judicial – Indigent Defense	73,048,607	71,115,571
Justice	70,681,908	71,667,067
Juvenile Justice	131,262,105	134,409,130
Total Justice and Public Safety	1,547,116,108	1,560,780,702
GENERAL GOVERNMENT		
Administration	50,797,218	51,325,602
State Auditor	10,305,302	10,315,258
Cultural Resources	53,050,958	52,771,799
Cultural Resources – Roanoke Island	1,634,905	1,636,559
General Assembly	41,561,463	44,971,305
Governor's Office	4,986,503	4,857,328
Insurance	21,971,063	22,002,200
Insurance – Worker's Compensation Fund	4,500,000	4,500,000
Lieutenant Governor	601,722	601,722
Office of Administrative Hearings	2,413,683	2,415,797
Revenue	73,536,823	73,536,823
Rules Review Commission	310,454	310,454
Secretary of State	7,799,789	7,810,408
State Board of Elections	7,642,776	3,458,357

State Budget and Management (OSBM)	4,207,130	4,211,435
OSBM – Special Appropriations	3,080,000	3,080,000
Office of State Controller	9,694,464	9,719,451
State Treasurer	7,418,650	7,421,405
State Treasurer – Retirement/Benefits	7,131,179	7,131,179
Total General Government	312,644,082	312,077,082

TRANSPORTATION	11,429,525	11,460,101
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EDUCATION

Public Schools	5,998,996,820	6,018,823,114
Community Colleges	673,956,026	673,765,340
University System	1,612,814,122	1,647,422,277
UNC – Hospital	39,303,483	39,303,483
UNC – GA Passthrough	144,353,091	144,695,876
Total Education	8,469,423,542	8,524,010,090

TOTAL BUDGET	14,337,165,849	14,742,690,470
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Debt Service:		
General Debt Service	387,785,920	474,479,452
Federal Reimbursement	1,155,948	1,155,948
Total Debt Service	388,941,868	475,635,400

RESERVES & ADJUSTMENTS

Contingency and Emergency Reserve	5,000,000	5,000,000
Compensation Increase Reserve	132,350,000	129,500,000
Salary Adjustment Reserve	500,000	500,000
Retirement System Reserve	47,000,000	158,000,000
Easley Health Initiative	5,000,000	5,000,000
Reserve – HIPPA Implementation	5,000,000	-
Health Plan Reserve	72,000,000	96,000,000
Mental Health/DD/SAS Trust Fund Reserve	10,000,000	-
Total Reserves & Adjustments	276,850,000	394,000,000

CAPITAL

Capital Improvements	29,407,000	-
Total Capital	29,407,000	-

TOTAL GENERAL FUND BUDGET	15,032,364,717	15,612,325,870
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CURRENT OPERATIONS/HIGHWAY FUND

Current Operations – Highway Fund

2003-2004	2004-2005
Recommended	Recommended

DOT

General Administration	\$ 72,625,987	\$ 72,648,211
Highway Division Administration	28,190,393	28,150,605
State Match for Federal Aid-Planning and Research	4,160,000	4,280,000

Construction Program

State Secondary System	89,600,000	90,590,000
State Urban System	14,000,000	14,000,000
Discretionary Funds	10,000,000	10,000,000
Spot Safety Improvements	9,100,000	9,100,000
Access and Public Services Roads	2,000,000	2,000,000
Total Construction Program	124,700,000	125,690,000

Maintenance Program

Primary System	120,553,156	120,553,156
Secondary System	206,386,339	206,386,339
Urban System	39,113,550	39,113,550
Contract Resurfacing	152,638,316	153,745,716
General Maintenance Reserve	78,291,522	52,505,787
Total Maintenance Program	596,982,883	572,304,548

Ferry Operations	19,677,283	19,677,283
State Aid to Municipalities	89,600,000	90,590,000
State Aid to Railroads	15,090,919	15,531,153
State Aid for Public Transportation	79,905,266	114,325,772
Asphalt Plant Cleanup	425,000	425,000
Governor's Highway Safety Program	292,449	293,118
Division of Motor Vehicles	100,255,703	100,323,363

Total Department of Transportation	\$ 1,131,905,883	\$ 1,144,239,053
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APPROPRIATIONS TO OTHER STATE AGENCIES

Agriculture	3,710,722	3,786,844
Revenue	4,222,813	4,226,491
State Treasurer – Sales Tax	16,379,000	16,910,000
Public Instruction – Driver Education	31,623,338	32,336,509
CCPS – Highway Patrol	137,378,475	137,676,134
DENR – LUST Trust Fund	5,626,465	6,016,665
DHHS – Chemical Test	528,304	528,304
Global Transpark	1,600,000	-
Total – Other State Agencies	201,069,117	201,480,947

RESERVES AND TRANSFERS

Salary Adjustment	400,000	400,000
Legislative Salary Increase	5,600,000	5,600,000
Comprehensive Major Medical Plan	3,000,000	3,000,000
Retirement Contribution	980,000	7,385,000
Minority Contractor Development	150,000	150,000
State Fire Protection Grant	150,000	150,000
Stormwater Discharge Permit	500,000	500,000
Reserve for Visitor's Centers	175,000	175,000
Total Reserves and Transfers	10,955,000	17,360,000

Total Current Operations	1,343,930,000	1,363,080,000
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Capital Improvements	7,000,000	10,000,000
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Total Highway Fund Appropriation	1,350,930,000	1,373,080,000
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HIGHWAY TRUST FUND

Highway Trust Fund	2003-0004 Recommended	2004-2005 Recommended
DEPARTMENT OF TRANSPORTATION		
Maximum Allowance for Administration	\$ 43,417,646	\$ 45,311,311
Construction Allocation		
Intrastate System	420,638,518	455,848,147
Urban Loop System	170,088,698	184,326,006
Secondary Roads	79,337,221	83,982,103
Transfer to Highway Fund	-	-
State Aid to Municipalities	44,134,792	47,829,103
Transfer to the General Fund (1)	252,422,125	231,774,330
Total Highway Trust Fund	\$ 1,010,039,000	\$ 1,049,071,000

(1) Transfer required by G.S. 105-187.9.

GENERAL FUND AVAILABILITY STATEMENT

BUDGET REFORM STATEMENT

The General Fund availability used in developing the 2003-05 budget is shown below:

Description Millions)	2003-2004 Recommended (In Millions)	2004-2005 Recommended (In Millions)
Beginning Availability		
Easley Executive Order #22	\$ 100.0	-
Credit Balance FY 2002-03 (Reversions & Overcollections)	375.0	-
Credit to Savings Reserve Account	(100.0)	-
Credit to Repairs and Renovations Reserve	(50.0)	-
Beginning Unreserved Credit Balance	325.0	-
Revenue:		
Tax:		
Income (Individual & Corporate)	8,448.9	9,064.5
Sales and Use	4,095.8	4,339.9
Other Tax	1,314.7	1,391.4
Total Tax	13,859.4	14,795.9
Nontax 519.4	538.1	
Transfers	328.8	308.7
Total Revenue	14,707.6	15,642.7
Total Availability	15,032.6	15,642.7

Notwithstanding G.S. 143-16.4(a2), of the funds credited to the Tobacco Trust Account from the Master Settlement Agreement pursuant to Section 6(2) of S.L. 1999-2 during the 2003-2004 and 2004-2005 fiscal years, the sum of forty million dollars (\$40,000,000) shall be transferred from the Department of Agriculture and Consumer Services, Budget Code 23703 (Tobacco Trust Fund) to the State Controller to be deposited in Nontax Budget Code 19978 (Intra State Transfers) to support General Fund appropriations for the 2003-2004 and 2004-2005 fiscal years.

Notwithstanding G.S. 143-16.4(a1), of the funds credited to the Health Trust Account from the Master Settlement Agreement pursuant to Section 6(2) of S.L. 1999-2 during the 2003-2004 and 2004-2005 fiscal years, the sum of twenty million dollars (\$20,000,000) that would otherwise be deposited in the Fund Reserve established by G.S. 147-86.30(c) shall be transferred from the Department of State Treasurer, Budget Code 23460 (Health and Wellness Trust Fund) to the State Controller to be deposited in Nontax Budget Code 19978 (Intra State Transfers) to support General Fund appropriations for the 2003-2004 and 2004-2005 fiscal years.

Notwithstanding the allocations outlined in G.S. 143-15.2 and G.S. 143-15.3, the sum of one hundred million dollars (\$100,000,000) shall be reserved to the Savings Reserve Account from the beginning credit balance on June 30, 2003.

Notwithstanding the allocations outlined in G.S. 143-15.2 and G.S. 143-15.3, the sum of fifty million dollars (\$50,000,000) shall be reserved to the Repairs and Renovations Reserve Account from the credit balance on June 30, 2003.

General Provisions

Repeal of 2001 tax provisions. Repeals the following tax provisions enacted in 2001: (1) July 1, 2003, expiration of additional one-half cent state sales tax; (2) GS 105-521(b) and (c), hold-harmless provisions for local governments that levy additional sales tax; (3) Dec. 31, 2003, expiration of additional individual income tax bracket for income over \$200,000; (4) elimination of marriage tax penalty for the standard deduction; and (5) increased tax credit for children.

Contingency and Emergency Fund allocations. Appropriates from the General Fund \$5 million in each of 2003-04 and 2004-05 fiscal years to the Contingency and Emergency Fund, of which \$3,875,000 for each fiscal year is set aside to respond to such disasters as a fire, hurricane, or tornado.

Budget flexibility for state agencies. Enacts new Gs 143-23(a5) to allow departments and agencies to make transfers between personal service and non-personal service line items, with approval of the Office of State Budget and Management. Personal service funds may not be used to expand existing programs or to establish new programs. Further provides that General Fund salary and related employee benefit appropriations that are reduced or eliminated by action of the General Assembly shall not be replaced by other budgeted line items supported by General Fund appropriations and that non-personal service funds or lapsed salary funds shall not be used to establish new permanent employee positions or to raise the salary of existing employees.

Receipt supported positions consultation requirement. Amends GS 143-34.1(a1) to provide that when the General Assembly is not in session, a department, institution, or other agency of state government may provide a written report to the Jt. Legislative Comm'n on Governmental Operations to meet the consultation requirement in this subsection. If the Jt. Legislative Comm'n on Governmental Operations does not meet for 30 days after submission of a written report, a department, institution, or other agency of state government may establish receipt-supported positions upon the approval of the Office of State Budget and Management. The department, institution, or other agency of state government shall then report to the Joint Legislative Commission on Governmental Operations at the next scheduled meeting of the Commission. When the General Assembly is in session, a department, institution, or other agency of state government may report to its Appropriations Subcommittee to satisfy the consultation requirement in this subsection.

General Fund appropriations cap. Enacts new GS 143-2.1 to provide that the General Fund appropriations limit for each fiscal year shall be the previous fiscal year's General Fund appropriations for operating and capital increased by a percentage rate that equals the fiscal growth factor. "Fiscal growth factor" is the average of total state personal income change for each of the preceding ten state fiscal years. "Total state personal income change" is the annual percentage change in state personal income for each state fiscal year as reported by the Office of State Budget and Management. Enacts new GS 143-2.2 to provide that both the Governor, in proposing a budget, and the General Assembly, in enacting a budget, are bound by the limits imposed by new GS 143-2.1. Transfers, appropriations or other deposits to the Savings Reserve Account and the Repairs and Renovations Reserve Account do not count toward the calculation of the limit. Revenue collected in excess of the appropriations limit shall be credited to the Savings Reserve Account at the end of each fiscal year.

Department of Health and Human Services

DHHS Payroll Deduction for Child Care Services. Authorizes Dep't to authorize payroll deduction for payments for child care provided by the Dep't.

Weatherization Assistance. Authorizes Dep't to administer the Weatherization Assistance Program for Low-Income Families and the Heating/Air Repair and Replacement Program functions.

More at Four Program. Requires the Dep't and the DPI to establish the More at Four Pre-K Task Force to oversee development and implementation of the More at Four program. Sets out membership requirements for task force. Requires the Dep't and DPI, under the guidance of the task force, to develop and implement the More at Four program. Outlines the elements that must be included in the program. Provides that funds appropriated for this program shall not supplant current expenditures by counties, local partnerships, or other recipients of state and federal funds, allocated and expended on behalf of young children.

Funds for Alzheimer's Association Chapters in North Carolina. Allocates from the funds appropriated to the DHHS, Division of Aging, \$150,000 for 2003-2004, and \$150,000 for 2004-2005 to be divided equally between the Western and Eastern Alzheimer's Chapters.

Senior Center Outreach. Requires the Dep't to use funds appropriated to the Division of Aging to enhance senior center programs. Requires county commissioner support prior to allocation of funds for new centers. Provides that state funding shall not exceed 90% of reimbursable costs.

Child Care Subsidy Rates. Sets maximum gross annual income for initial eligibility for subsidized child care services at 75% of the state median income, adjusted for family size. Sets fees for families who are required to share in the cost. Establishes additional requirements for participation and eligibility.

Early Childhood Education and Development Initiatives. Adds new subsection (h) to GS 143B-168.15 regarding NC Partnership for Children setting an average statewide limit on the amount of administration funds of 8% of the total statewide allocation to all partnerships. Identifies specific policies that the Partnership must immediately develop and implement, along with fund allocation priorities and standards for fund allocation. Directs development of separate budget and segregation of expenditures for the Partnership, Early Childhood Education and Development Initiative Program. Directs local partnerships to spend at least \$52,000,000 in 2003-2004 for TANF maintenance of effort requirement and the Child Care Development Fund and block grant match requirement. Directs the Partnership to evaluate the feasibility of developing a funding formula that takes into consideration all relevant funding used by the State, local agencies and programs, and local partnerships.

Early Childhood Education and Development Initiatives Evaluation. Authorizes DHHS to evaluate specified initiatives.

Child Care Funds Matching Requirement. Prohibits Dep't from requiring local matching funds as a condition of receiving state day care funds unless it is required by federal law.

Child Day Care Revolving Loan. Specifies allowable uses for loan fund.

Immunization Program Funding. Authorizes use of up to \$1,000,000 of funds appropriated for child immunization programs in each fiscal year for activities designed to increase childhood immunization rates.

Prescription Drug Assistance Program. Requires DHHS to use \$500,000 in each year to pay for outpatient prescription drugs for the treatment of cardiovascular disease or diabetes for specified category of patients.

Aids Drug Assistance Program (ADAP). Defines eligibility for participation as HIV positive individuals with incomes at or below 125% of the federal poverty level.

Dusty Trades. Amends GS 97-61.1 by removing the reference to DHHS in advising the Industrial Comm'n that an employee has asbestosis or silicosis. Amends GS 97-72(b) and 97-73(b) to substitute Comm'r of Labor for DHHS in establishing fees.

Special Needs Adoptions Incentive Fund. Establishes a fund as title indicates to facilitate the adoption of children residing in licensed foster care homes, effective Jan. 1, 2001, in order to remove financial barriers to adoption. Funds to be matched by county.

Special Children Adoption Fund. Requires DHHS to use \$1,100,000 to support the fund as title indicates for licensed public and private adoption agencies to enhance adoption services.

Intensive Family Preservation Services Funding and Performance Enhancements. Directs Dep't to review the program as title indicates. Provides that notwithstanding GS 143B-150.6, the program shall provide intensive services to children and families in cases of abuse, neglect, and dependency where a child is at imminent risk of removal from the home, and to children and families in cases of abuse where a child is not at imminent risk of removal. Establishes reporting and accountability requirements for programs or entities that receive funds.

TANF State Plan and Elimination of Certain Reporting Requirements. Approves the DHHS plan "North Carolina Temporary Assistance for Needy Families State Plan FY 2003-2005" presented to the General Assembly on May 15, 2003, as revised, and requires the Dep't to submit the plan to US DHHS. Revisions specified in Section 34.2 of the bill. Approves as Electing Counties: Beaufort, Caldwell, Catawba, Iredell, Lenoir, Lincoln, Macon, McDowell, Sampson, Surry, and Wilkes.

Foster Care and Adoption Assistance Payments. Sets rates for state participation in programs as title indicates.

Child Support Program/Enhanced Standards. Requires Dep't to develop performance standards to enhance performance of child support enforcement offices statewide.

State/County Special Assistance Transfer of Assets Policy. Provides that SSI policy on transfer of assets and estate recovery under federal law applies to applicants for state/county assistance. Requires Dep't to review whether policy should be changed to permit an assisted living facility to accept from a family member or a resident who qualifies for assistance, payment for the difference in the monthly rate for room, board, and services available.

Medicaid Cost-Containment Activities. Authorizes the use of not more than \$3,000,000 in each year in Medicaid funds budgeted for program services to support cost-containment activities as described in the bill.

Medicaid. Describes schedules of services and payment bases for expenditure of Medicaid funds. Provides that the state will pay 85% and the county will pay 15% of nonfederal costs. Establishes Medicaid and Work First Family Assistance income eligibility standards. Requires Dep't to provide coverage to all elderly, blind, and disabled people who have incomes of less than 100% of the federal poverty guidelines. Sets ICF and ICF/MR work incentive allowances. Provides that dental coverage shall be provided on a restricted basis under rules adopted by DHHS. Sets guidelines for use of generic drugs, contracting and cost containment. Requires provision of Medicaid to 19-, 20-, and 21- year olds in accordance with federal law. Establishes schedule for coverage to pregnant women and to children. Requires DHHS to submit a quarterly report on expenditures for acute care and long-term care services to the Fiscal Research Div'n and to revise projected spending for current and future years on a quarterly basis. Authorizes the Div'n of Medical Assistance to provide incentives to counties that successfully recover fraudulently spent Medicaid funds by sharing state savings with those counties. Authorizes the Div'n, if approved by the state budget office, to use funds to acquire equipment and software to improve information systems that provide management information and claims processing. Authorizes provision of Medicaid coverage for family planning services at family income level at or less than 185% of poverty level, contingent upon federal approval of a waiver. Makes other recommendations and requirements for administration and efficiency.

County Medicaid Cost-Share. Effective July 1, 2000, requires an increase in the county share of Medicaid services currently and previously provided by area mental health authorities until the county share reaches 15% of the nonfederal state share by state fiscal year 2009-2010. Effective July 1, 2000, decreases the county share of Medicaid Personal Care Services paid to adult care homes until the county share reaches 15% of the nonfederal share by state fiscal year 2009-2010.

Disposition of Disproportionate Share Receipt Change. Directs deposit of receipts reserved at the end of 2003-2004 with the Department of Treasurer. Provides for amount collected in excess of \$100,000,000 to be reserved by the Treasurer for future appropriations.

NC Choice Transfer of State Appropriations. Authorizes transfer of funds if approved by state budget office.

NC Health Choice State Appropriations Not to Revert. As title indicates.

Private Agency Uniform Cost Finding Requirement. Requires uniform cost finding where private agency provides services to two or more area programs.

Liability Insurance. Authorizes provision of medical liability coverage not to exceed \$1,000,000 per incident for employees of DHHS, DENR, and Dep't of Correction who are licensed physicians or dentists. Includes faculty members at UNC who work on contract on MH/DD/SA services for incidents that occur in those programs, and for residents at UNC who are in training at institutions operated by the Dep't.

Butner Community Land Reservation. Specifies land to be reserved for community building.

DHHS Facility Service Fees. Amends various statutes to establish fees for various services.

Department of Environment and Natural Resources

Express Permitting. Authorizes Dep't to develop pilot program for express permit and certification reviews.

Commerce

Council of Government Funds. Earmarks \$832,150 of each year's appropriation to regional councils of government for assistance related to economic development, community development and other activities of counties and smaller cities. Requires regional councils of government to report on specified matters to Joint Legis. Comm'n on Gov't Operations and Fiscal Research Div'n.

One North Carolina Fund. Effective June 30, 2003, provides that unexpended and unencumbered funds will not revert.

Tourism Promotion Funds. Requires that appropriated funds be allocated to counties according to needs-based formula as specified in act.

Wanchese Seafood Industrial Park Funds/Oregon Inlet Funds. Allocates \$127,870 for each fiscal year for NC Seafood Industrial Park Authority. Effective June 30, 2003, provides that unexpended and unencumbered funds appropriated for Oregon Inlet Project will not revert and may be expended for legal costs related to project.

Industrial Recruitment Competitive Fund. Specifies purposes for which funds may be used. Requires Dep't of Commerce to report to Jt. Legislative Comm'n on Gov't Operations and Fiscal Research Div'n on use of funds.

Biotechnology Center. Requires Center to recapture funds spent in support of successful research and development efforts in for-profit private sector; to provide funding for biotechnology, biomedical, and related bioscience applications under its business and science technology programs; to report on specified matters to Jt. Legislative Comm'n on Gov't Operations, Fiscal Research Div'n, and Office of State Budget and Management.

Nonprofit Reporting Requirements. Requires NC Institute for Minority Economic Development, Land Loss Prevention Project, NC Minority Support Center, NC Community Development Initiative, NC Ass'n of Community Development Corporations, and Partnership for the Sounds to report on specified matters to Jt. Legislative Comm'n on Gov't Operations and Fiscal Research Div'n, and prohibits release of appropriated funds to any of these organizations that has not satisfied reporting requirements.

Rural Economic Development Center. Requires Center to provide budget, personnel, and salary information to Office of State Budget and Management in same manner as budget requests submitted by state departments. Limits use of interest earned on funds appropriated to Center. Requires Center to report on specified matters to Jt. Legislative Comm'n on Gov't Operations and Fiscal Research Div'n.

Regulatory Fee for Utilities Commission

Effective July 1, 2003, sets rate for calculating public utility regulatory fee under GS 62-302(b)(2) at 0.12% of revenues earned for quarters beginning on or after July 1, 2003. Effective July 1, 2003, sets electric membership corporation regulatory fee under GS 62-302(b1) at \$200,000.

Insurance

Requires quarterly transfer of funds (plus interest) from Dep't of Insurance Fund to General Fund.

Housing Finance Agency Home Program Matching Funds

Requires that funds be used to match federal funds appropriated for HOME program, that first priority be given to projects located in tier 1, 2, or 3 counties, that second priority be given to projects that benefit families with incomes less than 50% of local median family income. Provides that funds do not revert.

Justice and Public Safety

State Funds May be Used as Federal Matching Funds. Allows funds to be used to match Juvenile Accountability Incentive Block Grants and specifies procedure for awarding federal funds.

Federal Grant Matching Funds. Notwithstanding GS 148-2, allows Dep't of Corrections to use up to \$900,000 to match federal funds following report to Jt. Legislative Comm'n on Gov't Operations and chairs of Senate and House Appropriations Subcommittees on Justice and Public Safety.

Medium Custody Road Crew Compensation. Transfers \$10 million from Dep't of Transportation to Dep't of Correction for highway-related labor performed by medium-custody prisoners as authorized by GS 148-26.5.

Limit Use of Operational Funds. Prohibits Dep't of Correction from spending operational funds for purposes other than personnel and operating expenses set forth in budget and, with certain exceptions, from spending funds for additional prison personnel positions earlier than 180 days prior to completion of new facilities.

Use of Closed Prison Facilities. Requires Dep't of Correction to consult with counties, municipalities, and other entities regarding use of closed prison facilities. Requires Dep't to give priority to converting units to other criminal justice uses. Specifies procedures for transferring or leasing closed prison facilities.

Department of Administration

Petroleum Overcharge Funds Allocation. Appropriates \$1 million from Special Reserve for Oil Overcharge funds for 2003-04. Requires Dep't of Administration to use these funds for the Energy Efficient Affordable Housing Program.

Office of the State Auditor

Smart Start Audits. Amends GS 143B-168.14(b) to require annual audit of local partnerships that have been rated as needing improvement and biennial audits of those rated superior or satisfactory.

Department of Transportation

Global TransPark Authority to Reimburse Highway Fund from Federal Sources. Requires that up to \$1.8 million in certain federal reimbursements be paid into Highway Fund and allocated by Board of Transportation for state-funded maintenance appropriations.

Aircraft and Ferry Acquisitions. Requires Board of Transportation to prepare estimate of operational and capital costs of additional aircraft and ferries and submit report to Jt. Legislative Comm'n on Gov't Operations before approving purchase.

Highway Fund Allocations by Controller. Requires Transportation Department's Controller to allocate at the beginning of each fiscal year sufficient funds from appropriations for state construction, state funds to match federal highway aid, state maintenance, and ferry operation to eliminate all overdrafts on state maintenance and construction projects.

Cash Flow Highway Fund and Highway Trust Fund Appropriations. Certifies anticipated revenues for fiscal years 2005-06 through 2008-09.

Highway Fund Limitations on Over-Expenditures. Authorizes certain overexpenditures of up to 10%, if there are corresponding underexpenditures without prior consultation with Advisory Budget Comm'n. Requires that overexpenditures and underexpenditures of more than 10% be reported to Jt. Legislative Comm'n on Gov't Operations.

Highway Fund Adjustments to Reflect Actual Revenue. Specifies that unreserved credit balance in Highway Fund may be used to establish specified reserves if not needed to support appropriations in succeeding fiscal year. Requires Board of Transportation to report monthly to Jt. Legislative Comm'n on Gov't Operations on use of reserves.

Department of Transportation Exemption from General Statutes for Experimental Project-Congestion Management. Authorizes Dep't of Transportation (DOT) to enter into design-build-warrant contract to develop, with federal participation, a congestion avoidance and reduction for autos and trucks (CARAT) system of traffic management for the greater Charlotte-Mecklenburg urban area. Exempts project from requirements of GS 136-28.1, 143-52, 143-53, 143-58, 143-128, and 143-129. Exempts contractors, contractors' employees, and DOT employees from occupational licensing requirements. Requires DOT to report to Jt. Legislative Comm'n on Gov't Operations regarding project.

Allocation of Funds for Driver Training. Requires Board of Transportation to consider needs of small and low-wealth school units in allocating funds.

Increase in Transfer Amount from Highway Trust Fund to General Fund. Requires that highway use taxes at rate of 3% of motor vehicle sales be credited to General Fund and that additional \$80 million be transferred from Highway Trust Fund to General Fund for fiscal year 2004-05.

DMV/Proof of Residency. Prohibits Div'n of Motor Vehicles (DMV) from renewing or changing address on drivers license, learners permit, or identification card without proof of valid social security number or taxpayer identification number if license, permit, or card was issued before Jan. 1, 2002, without such proof.

Division 3 Headquarters Complex Funds. Rescinds reimbursement requirement contained in SL 1999-237, section 27.14.

Asphalt Pavement Recycling. Requires DOT to recycle pavement surfaces when feasible based on economic and engineering analyses and to use alternate bid process when hot in-place recycling is viable option.

Department of Transportation Productivity Pilot Programs. Authorizes DOT to establish two pilot programs to test incentive pay for employees. One project must involve the highway resurfacing program. Requires DOT to report to Jt. Legislative Comm'n on Gov't Operations before implementing pilot programs.

Department of Transportation Cash Flow Management. Requires DOT to reorganize its cash management procedures consistent with March 2001 Jt. Legislative Transportation Oversight Committee Cash Management Study, to take other specific actions with respect to cash flow management, and to report to Jt. Legislative Transportation Oversight Committee with respect to its efforts.

State Tire Retreading Contract. Requires Dep't of Administration to take certain steps to ensure that bid process for tire retreading is fair and open and complies with state purchasing requirements.

State Highway Patrol to Report to Legislative Oversight Committees on Budgetary Matters. Requires Highway Patrol to report to Jt. Legislative Transportation Oversight Committee and Jt. Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee on budget matters.

Legislative Research Commission to Study Nonbetterment Utility Relocation Costs in Highway Construction. As title indicates.

Rail Division Funds for Railroad Bridge Replacement Project Planning and Preliminary Engineering. Requires that \$800,000 of appropriated funds be used for Neuse railroad bridge project.

Public Education

Teacher Salary Schedules. Provides for longevity payments of between 1.5% for 10-14 years of service and 4.5% for 25 or more years of service. Adopts salary schedule for teachers as follows: "A" teachers, \$2,525 per month to \$4,538 per month; NBPTS certified "A" teachers, \$3,096 per month to \$5,083 per month; "M" teachers, \$2,778 per month to \$4,992 per month; NBPTS certified "M" teachers, \$3,405 per month to \$5,591 per month. Provides salary supplement of \$126 per month for certified teachers based on six-year degree level and \$253 for certified teachers based on doctoral degree level. Specifies salary schedules for school psychologists, speech pathologists, school nurses, and instructional support personnel.

School-Based Administrator Salary Schedule. Adopts salary schedules for principals (\$3,681 to \$7,492 per month) and assistant principals (\$3,226 to \$5,246 per month).

Central Office Salaries. Adopts salary schedules for school administrators (\$2,932 to \$7,072 per month) and superintendents (\$4,187 to \$9,499 per month).

Non-Certified Personnel. Provides for 1.6% salary increase.

Reserve for Experience Step Increase for Teachers and Principals in Public Schools. Provides for one-time bonus for permanent certified personnel paid on teacher salary schedule with at least 29 years' experience and for permanent personnel paid at top of principal and assistant principal salary schedule. Provides for average 1.81% salary increase for teaching employees at NC School of Science and Mathematics.

Supplemental Funding in Low-Wealth Counties. Specifies procedures for allocating supplemental funding for public schools in low-wealth counties and requirements regarding use of supplemental funding. Counties in which county wealth, as percentage of state average wealth, is less than 100% are eligible to receive supplemental funding. Funding per average daily membership generally will be difference between state average current expense per student and current expense per student that county could provide given county's wealth and average effort to fund public schools. Includes provisions relating to maintenance of fiscal effort and nonsupplanting of funding.

Small School System Supplemental Funding. Specifies allocation formula and procedures for supplemental funding for county school units with average daily memberships of fewer than 3,175 students (and certain units with average daily memberships of 3,175 and 4,000 students).

Appropriations for Continually Low-Performing Schools. Requires that \$1,956,115 in appropriated funds for 2003-04 and 2004-05 be used to improve student achievement in chronically low-performing schools.

Immediate Assistance to the Highest Priority Elementary Schools. Appropriates \$10,134,607 for biennium to improve student achievement at lowest performing elementary schools.

Evaluation of Initiatives to Assist High-Priority Schools. Requires that high-priority schools meet expected growth for each year and achieve high growth for two of three years to remain eligible for additional funds. Requires that teaching positions allotted for high-priority schools shall be assigned to those schools in targeted grades, establishes maximum class size of no more the one student above grade allotment ratio and provides for additional teaching positions if school is unable to adhere to maximum class size ratios. Requires that State Board of Education (SBE) use \$500,000 for 2003-2004 and \$500,000 for 2004-2005 to evaluate high-priority school initiative.

At-Risk Student Services/Alternative Schools. Allows the SBE to use \$200,000 of Alternative Schools/At-Risk Student allotment to implement GS 115C-12(4).

Additional Teacher Positions for Second Grade. Requires that SBE reduce maximum class size in 2003-2004 school year based on an allotment ratio of one teacher per 18 students.

Children with Disabilities. SBE shall allocate \$2,670.28 per each disabled child for 2003-2004 school year, for a maximum of 165,266 children.

Funds for Academically Gifted Children. SBE shall allocate \$884.55 per academically gifted child, to a maximum of 4% of district's 2003-2004 allocated average daily membership. Funds capped at 53,172 children for 2003-2004 school year.

Students with Limited English Proficiency. Requires that SBE develop guidelines for identifying and providing services to students with limited English language proficiency and allocate funds to districts based upon average daily membership of such students. Establishes a maximum of identified students at 10.6%. Further requires that Dep't of Public Instruction (DPI) assess students with limited English Proficiency every three years to determine proficiency levels.

Funds to Implement the ABCs of Public Education. Requires that SBE use funds for 2003-2004 to provide incentive awards for schools that meet or exceed projected improvement levels under ABCs of Public Education and the No Child Left Behind Program (NCLB), ranging from \$1,800 to \$600 for each teacher and \$600 to \$200 for each teacher assistant.

LEA Assistance Program. Requires that \$500,000 in 2003-2004 be used to provide assistance to low-performing Local School Administration Units (LEA) and that the SBE report to Office of State Management and Budget (OSMB), Fiscal Research Division (FRD) and Jt. Legis. Education Oversight Comm. by May 15, 2004, on the expenditure of those funds.

Expenditure of Funds to Improve Student Accountability. Funds appropriated for 2003-2004 and 2004-2005 for Student Accountability Standards shall be allocated to LEAs to assist grades 3-8 students to perform at or above grade level in reading and mathematics on state end-of-grade tests. Funds shall be allocated for 2003-2004 to LEAs within 30 days of act becoming law.

Funds for Teacher Recruitment Initiatives. Authorizes SBE to use \$200,000 to retain teachers with NBPTS certification or other special recognition to advise SBE on teacher recruitment strategies.

Recruitment and Retention Incentive to Address Teacher Shortage. \$2.890 million shall be used for biennium to provide \$1,800 annual bonuses to grade 6 through 12 mathematics, science or special education teachers in schools where 80% or more of students are eligible for free or reduced lunch or where 50% or more are performing below grade level in Algebra I and Biology.

Funds for the Testing and Implementation of the New Student Information System. Effective June 30, 2003, authorizes the SBE to transfer up to \$1 million from Uniform Education Reporting System for 2003-2004 and \$1 million for 2004-2005, for DPI to lease or purchase equipment for implementation of NC WISE.

Litigation Reserve Funds. Authorizes SBE to expend \$500,000 for 2003-2004 and \$500,000 for 2004-2005 from unexpended salary funds for litigation expenses.

Local Education Agency Flexibility. Requires that the SBE notify LEAs of budget reduction amounts within 14 days of act becoming law and that LEAs report to DPI on discretionary budget reductions that it has identified within 30 days of that date. The SBE shall report this information to the OSBM and the FRD no later than Dec. 31, 2003. Urges LEAs to avoid making reductions that directly impact classroom services, including those services or supports that are provided in students' Personal Education Plans or Individual Education Plans. By Feb. 15, 2004, the SBE shall identify changes to the allotment categories needed to meet reduction target.

Base Budget Reduction to Department of Public Instruction. Authorizes DPI to use salary reserve funds and other fund transfers to implement 2003-2004 budget reductions.

Replacement School Bus Funds. Authorizes the SBE to transfer \$26,298,935 for 2003-2004 fiscal year and \$47,752,813 for 2004-2005 fiscal year to LEAs for replacement school buses under GS 115C-249(c) and (d). Exempts school bus vendors from payment of electronic procurement transaction fee.

Expenditures for Driving Education Certificates. Authorizes the SBE to use biennium drivers education funds for driving eligibility certificates.

Corporate Tax Transfer Moratorium. Directs the Sec'y of Revenue not to deposit funds in the Critical School Facility Needs Fund during biennium and instead deposit those funds in the State Public School Fund. Further requires that DPI transfer \$3,370,318 to Critical School Fund. Directs the Sec'y of Revenue not to deposit funds in the Public School Building Capital Fund during biennium and instead deposit funds in the State Public School Fund to support six DPI staff members.

Public School Building Capital Fund. Transfers Public School Capital Fund from OSBM to DPI as if by a Type I transfer. Makes conforming amendments to GS 115C-546.1(c).

Discrepancies Between Anticipated and Actual ADM. Authorizes the SBE to use funds appropriated to State Aid for Public Schools if it does not have sufficient funds in the ADM Contingency Reserve to make allotment adjustments required by NC Public Schools Allotment Policy Manual.

Charter School Advisory Committee/Charter School Evaluation. Authorizes SBE to spend up to \$50,000 a year for 2003-2004 and 2004-2005 to continue support of a charter school advisory committee and to evaluate charter schools.

Community Colleges

Community College Funding Flexibility. Authorizes local community colleges to use state funds for any purpose consistent with their Institutional Effectiveness Plans. Provides that no more than 2% systemwide shall be transferred from faculty salaries without approval of the State Board of Community Colleges (SBCC), which shall report to OSBM and Jt. Legislative Comm'n on Gov't Operations on any transfers above 2%.

Permit Transfers of Funds to New and Expanding Industry Training Program. Authorizes Director of the Budget, after consultation with the Jt. Legislative Comm'n on Gov't Operations, to transfer funds from any agency or program funded by the General Fund to the New and Expanding Industry Training Program during biennium.

Botanical Laboratory at Fayetteville Technical Community College. Requires that SBCC allocate up to \$200,000 from excess overrealized receipts for the Botanical Laboratory at Fayetteville State Technical CC.

Flexibility to Implement Budget Reductions. Authorizes SBCC to use salary reserve funds and transfer other funds to implement required 2003-2004 budget reductions.

State Board of Community College Management Flexibility. Requires that within 14 days of when act becomes law, SBCC notify each college of budget reductions and that each college shall report to SBCC on identified discretionary budget reductions within 30 days of act becoming law. This information shall be provided to OSBM and the FRD no later than Dec. 31, 2003. The General Assembly urges colleges to avoid making reductions that would directly impact classroom services or high-need areas. By Feb. 15, 2004, the SBCC will identify required reductions in allotment categories to meet budget reductions.

Registration Fees for Occupational Continuing Education or Focused Industrial Training. Authorizes SBCC to use up to \$100,000 per year for 2003-2004 and 2004-2005 to pay registration fees and material costs for certain Occupational Continuing Education or Focused Industrial Training safety courses.

Worker Training Trust Fund. Provides that funds appropriated for Fund for above training initiatives shall not revert.

Summer School Funding. Provides that funds for the NCCCS for the summer term shall be used to support summer curriculum FTE in high-needs areas for the state, including business technology, health science, child care training and public service technologies, and other strategic initiatives.

Carry Forward for Equipment. Authorizes NCCCS to carry forward up to \$15 million of operating funds held in reserve to be reallocated to its Equipment Reserve Fund, funds to be distributed in accordance with GS 115D-31.

Universities

UNC Flexibility Guidelines. Requires that the Chancellor of each institution and the President of the University of UNC report to the Board of Governors of the University of North Carolina (BOG) on reductions in General Fund budget codes required to meet reductions in reserve amounts for that institution or entity. The BOG shall summarize this information in a report to OSBM and FRD by Dec. 31, 2003. Appropriates \$13.5 million to BOG for each year of biennium and \$7,062,806 to SBCC for each year of biennium to be allocated by the State Educational Assistance Authority for need-based student financial aid in accordance with GS 116B-7. Further appropriates \$5,107,293 from the Escheats Fund to the Div. of Veteran Affairs for need-based financial aid.

Aid to Students Attending Private Colleges Procedure. Requires that up to \$1,100 per student enrolled at a private institution as of Oct. 1, 2003, and Oct. 1, 2004, be provided from funds appropriated for aid to private colleges. Further allocates \$1,800 for 2003-2004 academic year and \$1,800 for 2004-2005 academic year for each undergraduate student attending approved institutions defined in GS 116-22.

Board of Governors' Medical Scholarships. Requires that current BOG Medical Scholarship Program make scholarship loan awards of \$5,000 annually to students admitted after July 1, 2003, to schools of medicine at Duke, ECU, UNC or Wake Forest. Requires that Board adopt certain standards for the award of those scholarship loans and that loans bear rate of 10% interest upon completion of program or termination of loan. Unused funds shall revert to General Fund at the end of fiscal year.

Board of Governors' Dental Scholarships. Provides same awards as described above for students admitted to UNC School of Dentistry.

Salaries and Benefits

Salary-Related Contributions/Employer. Establishes state employer contribution rates for retirement and related benefits as percentage of covered salaries as follows:

	<u>Teachers & State</u>	<u>Law Enforce.</u>	<u>Univ. Opt.</u>	<u>Comm. Col.</u>	<u>Jud.</u>	<u>Legis.</u>
7/1/03	3.31	8.31	9.71	9.71	14.27	2.25
10/1/03	3.57	8.57	9.97	9.97	14.53	2.61
7/1/04	5.40	10.40	9.97	9.97	14.53	2.61

Further establishes maximum annual employer contribution to the Teachers' and State Employees' Comprehensive Major Medical Plan of \$2,417 for 2003-2004 and \$2,480 for 2004-2005 for Medicare-eligible employees; and \$3,175 for 2003-2004 and \$3,258 for 2004-2005 for non-Medicare-eligible employees.

Governor and Council of State. Sets salary of Governor at \$120,325 and Council of State members at \$106,105.

Non-Elected Department Head/Salary Increases. Sets salaries at \$103,753.

Certain Executive Branch Officials/Salary Increases. Chairman, ABC-\$94,433, State Controller-\$132,159, Comm'r of Motor Vehicles-\$94,433, Comm'r of Banks-\$106,195, Chairman, ESC-\$131,992, State Personnel Director-\$103,753, Chairman, Parole Comm'n-\$86,229, Members, Parole Comm'n-\$79,610, Chairman, Utilities Comm'n-\$118,267, Members, Utilities Comm'n-\$106,195, Executive Director, Agency for Public Telecommunications-\$79,610, General Manager, Ports Railway Comm'n-\$71,887, Director, Museum of Art-\$96,764, Executive Director, NCHFA-\$116,872, Executive Director, NCAFA-\$91,918, and Chief Information Officer-\$132,080.

Judicial Branch Officials/Salary Increase. Chief Justice, Supreme Court-\$120,325, Assoc. Justice-\$117,181, Chief Judge, Court of Appeals-\$114,251, Appeals Court Judge-\$112,298, Judge, Sr. Regular Resident Superior Court-\$109,247, Superior Court Judge-\$106,195, Chief Judge, District Court-\$96,431, District Court Judge-\$93,380, Administrative Officer of the Courts-\$109,247, and Asst. Administrative Officer of the Courts-\$99,787. Establishes minimum salary of Asst. District Attorney or Public Defender at \$31,532 effective July 1, 2003, and provides that average salaries of those positions shall not exceed \$61,154 in each district.

Clerk of Superior Court Salary Increases. Amends GS 7A-101(a) to establish annual salary of clerk of superior court in each county, based upon population of county, as follows: less than 100,000: \$71,030; 100,000 to 149,999: \$79,707; 150,000 to 249,999: \$88,386; 250,000 and above: \$97,066.

Assistant and Deputy Clerks of Court/Salary. Amends GS 7A-102(c1) to establish salary range of Asst. Clerk and Head Bookkeeper from \$26,939 to \$47,207 and of Deputy Clerks from \$22,926 to \$36,508.

Magistrates' Salary Increases. Amends GS 7A-171(a) to establish salary range for full-time magistrate judges of \$27,319 to \$47,614 and a prorated amount for part-time magistrates. Further amends GS 7A-171.1(a1) to establish ranges for magistrates who were credited with less than five years of service as of June 30, 1994.

General Assembly Principal Clerks. Amends GS 120-37(c) to establish salary of principal clerk at \$89,719.

Sergeant-At-Arms and Reading Clerks. Amends GS 120-37(b) to set salary of sergeant-at-arms and reading clerk at \$297 per week.

Legislative Employees. Provides that salaries of nonelected General Assembly employees shall be increased by 1.6%.

Community Colleges Personnel/Salary Increases. Provides salary increase of 1.6% for full-time instructional personnel.

University of North Carolina System/EPA Salary Increases. Provides salary increases of 1.6%, except provides an increase of 1.81% for teaching employees of NC School of Science and Mathematics.

Most State Employees. Provides for 1.6% salary increase.

Temporary Sales Tax Transfer for Wildlife Resources Commission Salaries. Requires that Sec'y of Revenue transfer sales and use taxes collected under Art. 5 of Ch. 105 to fund the cost of salary increases for Wildlife Resources Comm'n employees, effective July 1, 2003.

Provide Cost-Of-Living Increases for Retirees of the Teachers' and State Employees' Retirement System, the Judicial Retirement System, and the Legislative Retirement System. Amends GS 135-5(iii), GS 135-65(v), GS 120-4.22A(p) and GS 128-27(zz) to increase retirement allowance by 1.5% effective July 1, 2003.

General Capital Appropriations/Provisions

Capital Appropriations/General Fund. Appropriates \$29.407 million to Dep't of Environment and Natural Resources Water Resources Projects for capital improvements for 2003-2004.

Expenditures of Funds from the Reserve for Repairs and Renovations. Allocates 46% of funds from Reserve for Repairs and Renovations to the BOG and 54% to OSMB.

Effective July 1, 2003.

Intro. by Garrou, Dalton, Hagan.

Ref. to Appropriations	GS APPROP, 143, 143B, 97, 131D, 131E, 14, 122C, 115C, 7A, 120, 128, 135
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