

Overview:

Fiscal and Budgetary Actions

**North Carolina General Assembly
1989 Session and 1990 Session**

**Prepared by the
Fiscal Research Division of
the North Carolina General Assembly**

Raleigh, N.C.

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INTRODUCTION

This volume is intended to create a "picture" of what the North Carolina General Assembly enacted within the broad area of appropriations and revenues for the 1989-91 biennium. We believe it will serve both as a technical record of legislative fiscal action and as an invaluable reference tool for Members of the General Assembly, legislative staff members, State agencies, and the general public.

This document is divided into sections as follows: "Total Budget", "The Economy, Revenues and Fund Conditions"; "Revenue Bills"; "Federal Block Grants"; "Salaries and Benefits"; "Legislative Actions: General Fund Appropriations"; "Legislative Actions: Highway Fund Appropriations"; and, "Appendix".

Section One, "Total Budget" summarizes the fiscal actions authorized by the General Assembly for the 1989-91 biennium.

Section Two, "The Economy, Revenues and Fund Conditions", describes the economic and financial backdrop against which the actions detailed in subsequent sections are conducted. Beginning with a short overview of the state's economy, this section presents the conditions of the government's two major funds - General and Highway - together with a description of the amounts and kinds of revenue the state has received (or expects to receive) to sustain these funds. An explanation of the new Highway Trust Fund is included in this section, as well.

Section Three, "Revenue Bills" provides a listing of bills authorizing various tax changes and their fiscal impact.

Section Four, "Federal Block Grants" gives a brief history of programs and identifies how these funds are allocated.

Section Five, "Salaries and Benefits" identifies salary increases as approved as well as changes in retirement and pension plans, health insurance programs, and other benefit programs.

Section Six, "Legislative Actions: General Fund Appropriations" identifies each change made to the Governor's proposals for continuation support for each department. Special provisions which are pertinent to that department are included. General Fund, capital improvement projects as authorized are also included in this section.

Section Seven, "Legislative Actions: Highway Fund Appropriations" identifies actions for the Highway Fund in the same manner as addressed in section six.

The "Appendix" includes data relating to revenues and expenditures of the General Fund, including salary increases, Basic Education Program, reversions, etc.

It is hoped that this volume will be useful in making legislative information relating to the budget of the State of North Carolina more accessible and provide a complete understanding of the General Assembly's fiscal functions.

THE TOTAL BUDGET

**SUMMARY OF THE BUDGET
1989-91 BIENNIUM**

	<u>1989-90</u>	<u>1990-91</u>
<i>TOTAL BUDGET</i> (includes both operations and capital improvements)	\$11.996 billion	\$12.584 billion
<i>GENERAL FUND</i>	7.360 billion	7.752 billion
<i>CAPITAL IMPROVEMENTS</i> (General Fund)	245.3 million	65.5 million
<i>HIGHWAY FUND</i>	960.7 million	968.7 million
<i>HIGHWAY TRUST FUND</i>	275.9 million	359.6 million
<i>FEDERAL FUNDS</i>	2.367 billion	2.579 billion
<i>DEPARTMENTAL RECEIPTS</i> (made up of tuition fees, patient fees, and other dedicated receipts)	1.033 billion	924.2 million

GENERAL FUND REVENUES

The rate of increase projected for General Fund tax revenues 1989-90 actual, is 13.8% (8.8% adjusted for tax law changes).

*COMPARISON OF COLLECTIONS, PERCENT OF INCREASE
OVER PREVIOUS YEAR*

	<i>Actual</i>	<i>Economic Base*</i>
1978-79	13.4%	13.4%
1979-80	12.9	12.9
1980-81	7.8	9.2
1981-82	8.1	8.2
1982-83	6.5	6.5
1983-84	16.3	12.4
1984-85	13.7	11.2
1985-86	8.3	7.0
1986-87	10.4	9.0
1987-88	7.2	10.2
1988-89	6.8	8.8
1989-90(E)	13.8	8.8
1990-91	4.9	7.4

* Actual collections adjusted for tax law changes and other special factors.

HIGHWAY FUND REVENUES

Total Highway Fund revenues are projected to grow 2% during 1989-90 and 3% during 1990-91.

**SUMMARY OF THE BUDGET
1990-91 REVISED***

<i>TOTAL BUDGET</i>	\$12.940 billion for both operations and capital improvements
<i>GENERAL FUND</i>	\$8.074 billion
<i>GENERAL FUND LEGISLATIVE BONDS</i>	\$75 million
<i>HIGHWAY FUND</i>	\$935.8 million
<i>HIGHWAY TRUST FUND</i>	\$288 million
<i>FEDERAL FUNDS</i>	\$2.617 billion
<i>DEPARTMENTAL RECEIPTS</i>	\$949.4 million. Made up of tuition fees, patient receipts, and other dedicated receipts.
<i>GENERAL FUND REVENUES</i>	The rate of increase projected for General Fund tax revenues is 12.1%; adjusted for tax law changes the rate of increase is projected at 6.9.

	<u>Actual</u>	<u>Economic Base</u>
	1989-90	10.7
	1990-91(E)	12.1
		5.5**
		6.9
<i>CAPITAL IMPROVEMENTS</i>	Total authorizations from the General Fund are \$207.3 million which includes \$46.5 million in Public School Facilities Construction.	
<i>HIGHWAY FUND REVENUES</i>	The rate of increase projected is 1.2%.	

* Revised to reflect actions of the "1990 Short Session" of the General Assembly.

** This amount is 2.0% below normal due to sharply declining corporate profits.

**THE ECONOMY, REVENUES
AND FUND CONDITIONS**

MAJOR GENERAL FUND AVAILABILITY ISSUES FACING 1989 GENERAL ASSEMBLY

The General Fund outlook for the 1989-91 biennium was the tightest since the early-1980's. Normally, a budget crunch translates into "recession". However, the 1989-91 budget outlook was unprecedented in that only a portion of the shortfall stemmed from slower revenue growth.

The major cost increases occurring in recent years that have had an impact on the 1989-91 General Fund Budget include:

	(\$ Million)	
	<u>1989-90</u>	<u>1990-91</u>
<i>Tax Reductions</i>	\$212*	\$220*
Cost increase of 1985 tax package		
<i>Driver Education Transfer</i>	26	28
Impact of 1983 transfer of driver education program funding from Highway Fund to General Fund. In 1983, funding for driver education programs in public schools is transferred to General Fund from Highway Fund, causing increase in General Fund requirements.		
<i>Medicaid Mandates</i>	80	144
Cost increase to fund State's share of Medicaid budget for federal catastrophic health insurance, nursing home reform, and lower federal participation rate.		
<i>Corrections System</i>	75	75
Cost increase to fund <u>consent decree</u> in prison inmate suit.		
<i>Basic Education Plan</i>	113	212
Cost increase for fifth and sixth year funding of eight-year program.		
<i>Health Insurance</i>	30	40
Cost increases for state health plan for teachers and state employees.		
<i>Salary Increases</i>	298	624
Cost of 4% cost-of-living salary increases for teachers** and state employees plus 2% merit pay funds.		

* Approximates the amount of State reimbursements to local government for cost of 1981-87 legislation (see page 26) mandating local tax relief. The budgeted reimbursement amounts are \$231 million for 1989-90 and \$235 million for 1990-91.

**For teachers, the increases came in the form of a new salary plan that is equivalent in dollars to a 6% salary increase.

**1989 SESSION
SUMMARY OF ACTIONS
AFFECTING 1989-91 GENERAL FUND AVAILABILITY
(\$ MILLIONS)**

	1989-90		1990-91	
	<u>Recurring</u>	<u>Non- Recurring</u>	<u>Recurring</u>	<u>Non- Recurring</u>
Initial Availability*	\$6,663.7	\$157.0	\$7,155.2	\$ -
Governor's Continuation Expenditure Recommendations:				
Continuation	6,307.4	-	6,345.3	-
Medicaid	80.0	-	143.8	-
	<u>6,387.4</u>	-	<u>6,489.1</u>	-
Availability for Expansion	276.3	157.0	666.1	-
Legislative Actions to Increase Availability				
(1) Base Budget Reductions	38.1	-	37.7	-
(2) Reductions to Special Fund Accounts:				
a. Textbook Reserve	-	3.5	-	-
b. Public School Unemploy- ment Reserve	-	.85	-	-
c. Scholarship Loan Fund	-	2.4	-	.5
d. Administrative Hearings Office - Publication Trust Fund	-	.05	-	-
(3) Tax Law Changes				
a. Privilege Tax Restructure	-	-	4.8	-
b. Tax Amnesty/ Enforcement	66.6	-	68.9	-
c. Estimated Income Tax Change	2.3	24.2	2.3	-
d. Sales Tax on boats, aircrafts	2.3	-	3.0	-
e. Sales Tax on rental cars	17.0	-	18.0	-
(4) Court Fee Increase	11.3	-	13.0	-
(5) Treasurer's Investment Management Fees	.4	-	.6	-
(6) Transfer from Highway Trust Fund	149.4	-	186.0	-

* Based upon actual beginning credit balance and revised estimate used in certification.

1989 Session Actions Summary (Continued)

	1989-90		1990-91	
	<u>Recurring</u>	<u>Non- Recurring</u>	<u>Recurring</u>	<u>Non- Recurring</u>
(7) Departmental Receipts Increases which Reduce Appropriations:				
a. University Tuition Increase	20.0	-	22.4	-
b. Community College Tuition Increase	4.8	-	4.8	-
c. Utilities Assessment Fees	3.1	-	6.3	-
d. Other Receipt Increases	1.3	-	1.3	-
(8) Additional Base Budget Reductions	<u>3.6</u>	<u> </u>	<u>7.2</u>	<u> </u>
Total Availability Increases	320.2	31.0	376.3	.5
RJR Nabisco	(30.0)	123.0	-	-
Total Availability for Expansion:	<u>566.5</u>	<u>311.0</u>	<u>1,042.4</u>	<u>.5</u>
Expenditures:				
Consent Decree - Correctional Programs/Alternatives	20.3	53.8	41.9	33.1
Other Federal Mandates/ Court Orders	9.3	8.7	17.8	6.0
Continuation Support for items funded as non- recurring by the 1988 Session	4.5	-	4.7	-
Basic Education Program	69.3	-	180.5	-
Hospital - Medical Increase	30.0	-	40.0	-
Salary Increase Reserve	298.3	-	624.1	-
University Enrollment Increases	17.9	-	26.8	-
Community College Enrollment Increases	6.0	1.9	6.0	-
Community College Restoration Fund	5.0	-	10.0	-
Tax Amnesty/Enforcement	6.1	-	4.8	-
Other Items Considered as Critical for Program Activities	19.0	117.4	33.3	35.6
All Other Items	<u>24.9</u>	<u>119.0</u>	<u>42.2</u>	<u>1.9</u>
TOTAL EXPENDITURES	510.6	300.8	1,032.1	76.6
ENDING AVAILABILITY	\$55.9	\$10.2	\$10.3	\$(76.1)

**1990 SESSION
SUMMARY OF ACTIONS
AFFECTING 1990-91 GENERAL FUND AVAILABILITY
(\$ MILLIONS)**

REVENUE SHORTFALL	(\$335.4)
LESS: INCREASE IN BEGINNING CREDIT BALANCE OVER ORIGINAL ESTIMATES	22.0
REVISED REVENUE SHORTFALL	(313.4)
Legislative Actions to Increase Availability	
1. Reductions to Authorized Operating Budgets	244.7
2. Management Flexibility Reduction	97.9
3. Accounting Changes/Tax Accelerations	
a. Utility Payment Acceleration	58.3
b. Change in Method of Accounting for Local Tax Sharing Revenues	141.1
c. Acceleration of Corporate Income Tax	41.9
d. Withholding Tax Acceleration Payments	113.5
e. Tax Extension Payment Rule Change	40.0
f. Undesignate Corporate Income Tax for School Facilities Assistance	46.5
Total - Accounting Changes/Tax Accelerations	441.3
4. Tax Law Changes (See pages 57 through 60)	
a. "S" Corporation Loss Carryforward Adjustment	(2.7)
b. Federal Retiree Tax Credit (1988)	(7.0)
c. Mortgage Interest Deduction for Low and Moderate Income Homeowners	(.6)
d. Disability Tax Credit	(4.0)
e. Update State Tax Reference to Internal Revenue Code	1.5
f. Eliminate Sales Tax Exemption for Ice	.3
g. Eliminate Mail Order Sales Tax Reserve	5.2
Total - Tax Law Changes	(7.3)
5. Fee Increases	
a. Parole/Probation Supervision Fee Increase	2.1
b. Insurance Department Fee Increase (net)	3.0
c. Other	2.5
Total - Fee Increases	7.6
6. Highway Fund Transfer	17.0
TOTAL LEGISLATIVE ACTIONS	\$801.2
TOTAL AVAILABILITY FOR EXPANSION	\$487.8

SUMMARY OF ACTIONS - 1990 (Continued)

Expenditures:

Budget Stabilization Reserve	141.0
Senate Bill 2 (School Improvement and Accountability Act of 1989)	39.4
Public School Facilities Construction	46.5
Restoration of Prior Authorizations for Capital Improvements	137.6
New Capital Improvements Authorizations	23.2
Community Colleges Enrollment Increase (Net of \$6.7 Million Tuition Increase)	8.6
Community Colleges Equipment	6.0
Drug Cabinet	4.6
Correctional Program/Alternatives	20.8
Early Intervention Program	8.1
Infant Mortality	10.3
Debt Service	4.7
Human Resources Mandated Program Needs	11.8
Statewide Accounting System	2.0
Industrial Economic Development Fund	1.5
North Carolina Performing Arts Center	2.1
Exceptional Children's Program	2.0
School Bus Purchase Funds	3.0
All Other Expansion	14.6
TOTAL EXPENDITURES	\$487.8

ECONOMIC OUTLOOK AND IMPACT ON GENERAL FUND REVENUES

Predicting General Fund revenues involves not only reviewing the economic picture but consideration of non-economic factors that influence particular taxes. Examples include the indirect impact of federal tax changes, changes in the state tax law, judicial decisions, and corporate financial activities.

Prior to the early 1980's economic factors played the major role in influencing state taxes. This was especially true during the 1979-82 period as the price of oil more than doubled and the Federal Reserve experimented with new ways of controlling the nation's money supply.

Since 1983 the economy has been remarkably stable. Federal monetary policy has been consistent, ensuring slow, but sustained, economic growth. Inflation has remained under control and interest rates settled into a reasonable range. In contrast, financial problems in certain sectors of the economy and non-economic factors have made it difficult to predict state tax revenues.

1989 SESSION

Economic Outlook

In November, 1989 the national economy celebrated the seven-year anniversary of the end of the last recession. One would have to go back to the 1960's to find a time during which the economy expanded for such a long period.

Because the trend was unprecedented, it is helpful to look at the reasons. Obviously, good fortune plays a major role. In recent years we have not experienced inflationary pressures caused by oil embargoes or major crop failures.

Good luck aside, the major stabilizing factor has been the success of the Federal Reserve Board (the "Fed") in leading the economy out of the 1981-82 recession and then fine-tuning the economy whenever it threatened to become overheated. The success of Fed in dealing with the October, 1987 stock market crash and during recent attempts to slow the economy suggests that we have a fair chance at achieving the elusive "soft landing" the Fed has failed to pull off the last four times.

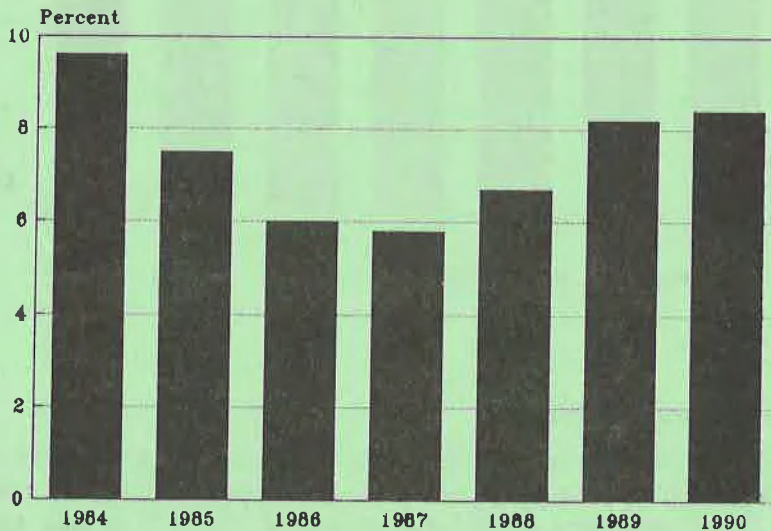
State tax collections depend largely on movements in State personal income. This measure of economic output is a tabulation of the amount of income from wages and salaries, dividends, interest, rent, farm and other proprietorship income, and government payments to individuals. State personal income, in turn, corresponds over time to movements in the overall U.S. economy.

The specific overall economic assumptions underlying the General Fund tax forecast are as follows:

	(% Increase Over Preceeding Year)		
	Last Five Years	1989- 1990	1990- 1991
Real GNP*	3.7%	2.3%	2.1%
Inflation	3.2	4.1	3.5
Nominal GNP**	7.0%	6.5%	5.7%
N.C. Personal Income	8.4%	7.5%	6.6%

Short-term interest rates affect the amount of investment income the State receives on General Fund and Highway Fund cash balances. The recent history and forecast of three-month treasury bills is shown in the graph. Of all the elements in an economic forecast, interest rate projections are the most unreliable. Thus, it is more useful to conclude that the continued success of the Federal Reserve will lead to continued stability in the money and bond market.

Treasury Bill Rate*



*Three-Month Treasury Bills

* Real GNP - The quantity of final goods produced (nominal GNP deflated)

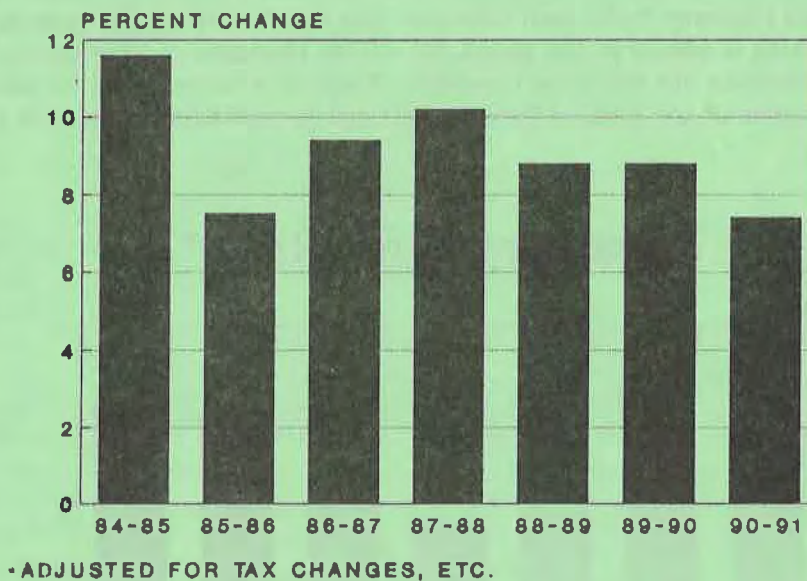
** Nominal GNP - The value of all production in current dollars

General Fund Tax Forecast

The specifics of the General Fund tax estimates underlying the 1989-91 biennial budget adopted by the 1989 General Assembly are shown on Page 18. Due to substantial legislative tax changes during recent years and other special factors, actual collections have borne little relationship to movements in the economy.

A truer picture of the revenue outlook can be obtained by adjusting the collection data for these factors. After the adjustments are made, the annual growth rates would follow the pattern shown in the graph below.

General Fund Tax Growth*



Special Factors

(1) *RJR Nabisco Leveraged-Buyout*

The sale of RJR Nabisco stock will lead to an estimated \$130 million in one-time additional personal and corporate income taxes on the capital gains from the sale of the stock. The Department of Revenue estimates that \$30 million came in during the 1988-89 fiscal year (1988 tax year sales). Thus, the 1989-90 estimate assumes \$100 million of additional gains.

An earlier concern was that if the new owners structure the loan and bond financing of the buyout in such a way that the cost of the junk bond financing can be deducted on the company's tax return, up to \$35 million of corporate income taxes would be eliminated. The 1989-91 revenue estimates do not reflect a deduction as there are no indications yet that such a financing arrangement will occur.

(2) *Capital Gains Taxation*

The President and members from both parties in Congress are discussing a number of options to lower or restructure the capital gains tax again. It is not clear which new schedule will be adopted and whether the change will apply to new assets purchased or existing assets. If a law is not enacted this year but shareholders feel that a change is likely next year, there will be an incentive to hold off selling assets this year.

(3) *Federal Retiree Court Suit*

The March, 1989 U.S. Supreme Court decision in Davis v. Michigan mandated that the state provide no more tax relief on the benefits of its own retirees than that provided to federal civil service and military retirees. While the 1989 General Assembly resolved the issue for 1989 and future tax years, a class-action suit has been filed in federal district court by federal retirees demanding refunds for taxes paid on their benefits in past years. In addition, there are two cases before the U.S. Supreme Court dealing with the issue of whether a State law can deny refunds of a tax later held to be unconstitutional.

If North Carolina were required to grant refunds to federal retirees for the 1985-88 tax years, the impact could be as high as \$120 million. In fact, some retirees who filed their 1988 taxes late enough during the filing season were able to apply for a refund within the 30 days required by law and thus are already eligible for a refund for that year. The revenue estimates do not reflect the cost of any of these refunds.

1989 Session Tax Changes

(1) *Income Tax Restructuring*

Senate Bill 51 revised the State personal income tax to follow federal rules in the determination of taxable income. While the consultants hired by the General Assembly indicate that the rate schedule adopted should be revenue-neutral on a tax year basis, it is not clear yet how the fiscal year cash flow will mesh with the calendar year liability for the first couple of years. One possibility is that the cost of the revenue-reduction changes (personal exemptions, standard deduction) will show up sooner (through the new withholding schedules) than the base-broadening changes (affects annual return). Whether this occurs depends on how well the Department of Revenue and employers educate employees about recalculating their withholding and how employees respond. It is also not clear how persons required to file estimated tax returns (persons with large amounts of non-wage income) will adjust their payment schedule. The revenue estimates used in the budget process assume that the new system will be revenue-neutral on both an tax year and fiscal year basis.

(2) *Estimated Income Tax Change*

House Bill 399 increased from 80% to 90% the proportion of actual tax year liability that must be paid during the tax year by persons required to make estimated tax payments (persons with large amounts of non-wage income). With the change taking place in 1990, it is not clear whether persons required to make such payments will increase their April and June remittance sufficiently or will catch up in September and December.

(3) *Retirement Tax Changes*

House Bill 1311 allows a \$4,000 income tax exclusion for public sector retirees and a \$2,000 exclusion for private retirees. While the annualized impact is approximately revenue-neutral, state and local retirees taxed for the first time for the 1989 tax year may file extension returns (and thus not pay the new tax until August, 1990). In addition, retirees may not correctly remit estimated tax payments during the early part of the 1990 tax year.

(4) *Tax Amnesty/Enforcement Program*

HB 272 establishes a three-month tax amnesty program in North Carolina, provides for stiffer tax evasion penalties, and authorizes a substantial increase in enforcement/compliance resources for the Department of Revenue. While the revenue estimates used in the appropriations process were based on an extensive review of data from other states, the projections were still somewhat subjective.

(5) *Sales Tax on Motor Vehicles*

The adoption of House Bill 399 increases the state sales tax on motor vehicles, boats, aircraft, and railway equipment. The additional revenue from these items will fall below the budget estimates to the extent that taxpayers accelerate their purchases to avoid the tax increase.

GENERAL FUND REVENUES
(\$ Million)

<u>Source</u>	<u>1988-89</u> <u>Actual</u>	<u>1989-90</u> <u>Authorized</u> <u>1989 Session</u>	<u>1989-90</u> <u>Actual</u>	<u>1990-91</u> <u>Authorized</u> <u>1989 Session</u>	<u>1990-91</u> <u>Authorized</u> <u>1990 Session</u>
TAX					
Personal Income	\$3,002.3	\$3,496.9	\$3,390.4	\$3,674.9	\$3,870.8
Sales & Use	1,681.7	1,703.3	1,762.7	1,779.0	1,795.5
Corporate Income	549.4	787.6	557.8	825.1	715.4
Franchises	236.3	254.4	262.8	270.3	362.9
Insurance	187.1	201.9	176.7	214.1	189.0
Beverage	127.6	131.5	145.7	134.1	154.1
Intangibles			97.3	-	99.7
Inheritance	67.2	75.7	72.9	77.8	75.0
Soft Drink	27.9	31.1 ^a	29.0	28.7	30.0
Privilege License	22.4	28.3	30.7	33.6	28.0
Cigarette	8.0	15.7	15.3	15.7	15.0
Gift	4.6	5.4	10.1	5.5	10.0
Other	14.1	15.7	10.0	17.0	12.0
TOTAL TAX	\$5,928.6	\$6,746.6^a	\$6,561.4	\$7,075.8	\$7,357.4
NON-TAX					
Investment Income	\$141.8	\$137.3	\$118.6	\$174.3	\$100.0
Judicial Department	48.2	61.9	59.3	66.2	63.9
Gas & Oil Inspection	1.2	1.2	1.0	1.2	1.0
Refund Prior Years' Capital Outlay	-	-	42.1	-	-
Miscellaneous	34.8	44.2	41.3	39.9	49.1
TOTAL NON-TAX	\$226.0	\$244.6	\$262.3	\$254.6	\$214.0

NOTE: Due to the large number of legislative tax changes and other factors, the year-to-year comparison is severely distorted.

^a Revised to reflect increase needed to cover requirements for Local Government Tax Reimbursements as allowed by law.

**CONDITION OF THE GENERAL FUND
1989 LEGISLATIVE SESSION
(\$ Million)**

<u>Source</u>	1988-89 <u>Actual</u>	1989-90 <u>Authorized</u>	1990-91 <u>Authorized</u>
Beginning Credit Balance	\$392.9	\$157.0	\$65.8
Revenues:			
Tax	5,928.5 ^a	6,744.8	7,075.8
Non-Tax	226.0	244.6	254.6
	<hr/>	<hr/>	<hr/>
Subtotal	6,154.5	6,989.4	7,330.4
Transfer from Highway Trust Fund	-	279.4	356.0
Total Revenue	6,154.5	7,268.8	7,686.4
Total Availability	6,547.4	7,425.8	7,752.2
Expenditures:			
Tax Reimbursement to Local Governments	- ^a	231.8	234.1
Current Operations	6,302.7	6,883.0	7,452.6
Capital Improvements	258.7	245.2	65.5
	<hr/>	<hr/>	<hr/>
Total Expenditures	6,561.4	7,360.0	7,752.2
Less Reversions	171.0	-	-
Net Expenditures	6,390.0	7,360.0	7,752.2
Ending Credit Balance	\$157.0	\$65.8	-

^a 1988-89 revenues are net of reimbursements to local governments; the 1989 General Assembly changed the methodology of funding these reimbursements to direct appropriations.

1990 SESSION

Review of 1989-90 and Economic Outlook for 1990-91

After seven years of recovery and continued expansion from the severe 1981-82 recession, the economy began slowing during the second calendar quarter of 1989. This slowdown did not cause budget problems because an assumption of slower growth had been built into the 1989-91 biennial revenue estimates. A continuation of slower growth underlies the 1990 session consensus revenue estimates of the Office of State Budget and Management and the Fiscal Research Division. These estimates were used in the Governor's recommended package of changes to the 1990-91 budget and legislative decisions leading to the ratified budget.

The recent history and the budgeted forecast of the key U.S. economic variables influencing North Carolina's General Fund tax collections are shown below:

	% Increase Over Preceding Fiscal Year		
	<u>1988-89</u>	<u>1989-90</u>	<u>1990-91</u>
Real GNP	+2.7%	+1.2%	+1.1%
Inflation	+5.2	+4.5	+4.1
Corporate Profits*	+8.9	-9.8	+8.7
Car sales	-4.0	-5.4	+ .8
Short-Term Interest Rates**	7.9%	7.5%	8.0%

* Before-tax
 **Three-month treasury bill rate.

During the 1989-90 fiscal year, the budgeted assumptions of real growth and interest rates proved to be on the mark. The inflation forecast turned out to be a single percentage point too high. For the first time in more than two decades, an economic slowdown did not translate into accelerating inflation. One reason was stiff international price competition.

The sharp decline in corporate profits shown in the table (above) was missed by practically all forecasters. For example, in November, 1988 the financial service Standard and Poor's projected a 5.4% increase in 1989 calendar year pre-tax profits. A few months later the S&P forecast was finally revised down to a 4.7% decline.

The final economic factor of importance is motor vehicle sales. As part of the 1989 compromise legislation on highway funding, the full amount of the increase in revenues from the new highway use tax was directed to the General Fund, for two years. At the time the legislation was being finalized, car sales were essentially flat, and this trend was built into the estimates of the Highway Trust Fund package.

During the Fall of 1989, however, auto manufacturers unexpectedly discontinued all sales incentives. Nationwide unit car sales dropped by 12%. In addition, N.C. car dealers encouraged purchasers to buy before sales, use, and titling taxes and fees were scheduled to go up. Finally, the conversion from a sales tax to a use tax on all motor vehicle transactions, and the switch in collection/enforcement agencies (from the Department of Revenue to the Division of Motor Vehicles) had a negative impact on collections.

Role of Non-Economic Factors

Capital Gains Taxation

One major reason for the 1989-90 General Fund revenue shortfall is Congressional indecision on lowering the income tax rate on gains from the sale of shares of stock, bonds, and real estate. The Bush Administration proposed a 30% cut in the rate in its February, 1989 budget submission. The proposal received little support during the Spring and Summer. Thus, the North Carolina legislative budget forecast did not anticipate any impact from this proposal.

However, within a month of legislative adjournment in North Carolina, the Chairman of the U.S. House Ways and Means Committee, reacting to the increasing popularity of proposals by committee members, endorsed the concept of capital gains tax relief. This support led investors to become optimistic that 1989 action would take place. In November, 1989, however, the Senate Majority leader nixed the idea for the 1989 congressional year.

Congressional wavering on the capital gains tax issue is important because investors, after noting the 1989 support for relief, decided to hold their assets until 1990 to see whether the 1990 session would act. When asset owners defer sales, state income tax collections are automatically reduced. The annual income tax yield from this tax is \$200-250 million. Thus, a shift in taxpayer behavior can have a major impact on tax collections. For example, the selling that took place during "window of opportunity" created in the last months of 1986, after federal tax reform, led to \$150 million of accelerated tax payments in North Carolina.

The budget availability estimates assume that all of the loss in 1989-90 tax collections from this deferral will be offset during 1990-91. If capital gains tax rates are reduced, investors will be encouraged to sell before Congress changes its mind and raises the rate. If no relief is forthcoming, investors will give up and unload the items deferred from 1989.

Income Tax Reform

The 1989 General Assembly completely overhauled the state personal income tax. The new law ties state taxable income to the federal definition (with minor exceptions) and applies a 6% and 7% state rate bracket. The impact, by tax liability year (calendar year) on state revenues as well as taxpayer filing status and income levels was estimated by the national tax office of Price Waterhouse & Company. The P-W study indicated a revenue-neutral situation for state tax revenues on an annual tax liability basis.

However, unpredictable taxpayer behavior in adjusting withholding and estimated payment schedules can play havoc with a fiscal year forecast. It appears that 1989-90 fiscal year collections under the bill came in below the projected amount. The increase in April and June estimated tax payments for the 1990 tax year by high-income individuals were not sufficient to offset the automatic decline in the withholding of low and moderate income wage earners. The estimated payment deficit will be made up with the final two installments or the final payment made with the annual return. In addition, these taxpayers will eventually adjust all estimated payments up to a sufficient level.

The 1990-91 budget availability forecast assumes that most, but not all, of this adjustment will take place during 1990-91.

S Corporations

Corporations with less than 35 shareholders may elect to be taxed as Subchapter S corporations under federal law. Under this arrangement, the corporation does not pay income tax. Instead, income and losses flow through to the owners, who then pay tax on their regular return.

Legislation enacted by the 1988 session allowed companies in North Carolina to be taxed in the same fashion. In 1989, the income tax overhaul bill accelerated the effective date for S Corporation treatment from 1991 to 1989.

Approximately \$118 million of the 1989-90 shortfall in corporate income tax collections was due to the new tax treatment (\$85 million annual impact, plus \$33 million of one-time refunds of estimated tax payments for the 1989 tax year). Based on estimates of the Department of Revenue, all but \$8-10 million of the corporate reduction should show up on individual returns. However, it is not clear that high-income taxpayers made a sufficient adjustment to their estimated payment schedule for April and June to account for their S Corporation income.

**1990 SESSION
CONDITION OF THE GENERAL FUND
(\$ Million)**

	1988-89 Actual*	1989-90 Actual*	% of Increase	1990-91 Authorized	% of Increase
Beginning Credit Balance	\$392.9	\$157.0		\$222.2	
Revenues:					
Tax					
Regular	\$6,432.4	\$6,716.8	4.4%	\$7,162.0	6.6%
Tax Accelerations		68.3		195.4	
Accounting Changes		141.0			
TOTAL TAX REVENUE	\$6,432.4	\$6,926.1	7.7%	\$7,357.4	6.2%
Non-Tax					
Regular	\$226.0	\$220.2	(2.6)%	\$214.0	(2.8)
Refund of Prior Capital		42.1		-	
TOTAL NON-TAX REVENUE	\$226.0	\$262.3	16.1	\$214.0	(18.4)
TOTAL REVENUE	\$6,658.4	\$7,188.4	8.0%	\$7,571.4	5.3%
Fund Transfers:					
Highway Trust Fund		\$164.7		\$264.0	
Highway Fund				17.0	
Legislative Bonds	20.5			75.0	
Availability	\$7,071.8	\$7,510.1		\$8,149.6	
Expenditures:					
Local Tax Assistance	\$433.6	\$455.9	5.1%	\$476.8	4.6%
School Facilities Aid	70.3	47.4	(32.6)	46.5	(1.9)
Legislative Bonds	20.5			75.0	
Current Operations	6,131.7	6,634.5	8.2	7,249.5	9.3
Capital Improvements	258.7	150.1	(42.0)	160.8	7.1
Budget Stabilization Reserve				141.0	
TOTAL EXPENDITURES	\$6,914.8	\$7,287.9	5.4%	\$8,149.6	11.8%
ENDING CREDIT BALANCE	\$157.0	\$222.2		\$-a	

* To make all years comparable, the actual is restated to reflect 1989 and 1990 Session accounting changes, school facilities assistance, local tax reimbursements, and local tax sharing funds.

^a The ending credit balance will equal the appropriation for the Budget Stabilization Reserve.

LONG-TERM GENERAL FUND OUTLOOK

A recent change in our method of looking at the budget is the long-term fiscal note. This type of analysis was formalized at the end of the 1990 session through the enactment of Resolution 76.

The Congressional Budget Office and federal fiscal agencies have used "out-year" projections of various tax and spending packages for over a decade. In North Carolina, some legislators have recently begun to request an analysis in connection with specific budget-balancing packages. In 1985, the Governor presented a four-year analysis as part of his General Fund tax reduction and spending plan.

The impetus for 1990 action was a suggestion by one of the bond rating agencies during their review of North Carolina finances. The agency felt that the recognition of the State's long-term fiscal outlook and the long-range consequences of proposed tax and spending initiatives would provide better information for long-term budget decisions.

The intent of Resolution 76 is that executive and legislative agencies involved with the budget process use four-year projections of the overall budget outlook, tax and spending bills, and bond authorization legislation. In addition, budget-makers are encouraged to consider the long-term impact on the current operations budget of capital improvement projects. A side benefit is that the confusion from trying to distinguish between "recurring" and "nonrecurring" revenues and expenditures is reduced. Now, readers will be able to follow the year-by-year flow of specific items and the impact of budget actions on future years.

As part of Resolution 76, the General Assembly adopted the four-year outlook for the General Fund shown on the next page.

GENERAL FUND CURRENT OPERATIONS BUDGET OUTLOOK - JULY 27, 1990

(\$ Million)

	<u>91-92</u>	<u>92-93</u>	<u>93-94</u>	<u>94-95</u>
Revenues				
Regular*	\$7,859.0	\$8,449.4	\$9,087.9	\$9,766.7
Highway Trust Fund Transfer	<u>170.0</u>	<u>170.0</u>	<u>170.0</u>	<u>170.0</u>
Total Revenues	\$8,029.0	\$8,619.4	\$9,257.9	\$9,936.7
Continuation Budget:				
Regular**	\$7,313.6	\$7,341.6	\$7,369.5	\$7,397.7
Local Tax Reimbursement	239.6	241.0	244.0	247.0
Local Tax Sharing	<u>258.5</u>	<u>275.3</u>	<u>293.2</u>	<u>312.3</u>
Subtotal-Current Continuation	\$7,811.7	\$7,857.9	\$7,906.7	\$7,957.0
Medicaid Mandates	\$69.2	\$163.7	\$265.5	\$385.5
Corrections Mandates***	46.6	99.1	140.6	142.3
Other Federal Mandates	30.0	40.0	50.0	52.5
FTE University, Community Colleges	25.0	50.0	75.0	100.0
Health Insurance	<u>40.0</u>	<u>60.0</u>	<u>100.0</u>	<u>120.0</u>
Subtotal-Additional Continuation	\$210.8	\$412.8	\$631.1	\$800.3
Total Continuation	\$8,022.5	\$8,270.6	\$8,537.8	\$8,757.2
Availability for Expansion	\$6.5	\$348.8	\$720.1	\$1,179.5
Expansion Items:				
Basic Education Plan	\$80.0	\$160.0	\$240.0	\$325.0
SB 2	72.0	96.0	196.0	196.0
Compensation****	<u>339.2</u>	<u>698.5</u>	<u>1,079.4</u>	<u>1,483.2</u>
Total Expansion	\$491.2	\$954.5	\$1,515.4	\$2,004.2
Remaining Balance	(\$484.7)	(\$605.7)	(\$795.3)	(\$824.7)

* Includes accounting change for local tax sharing funds and miscellaneous 1990 session revenue adjustments.

** Includes annual inflation adjustments.

*** Includes operating portion of *Consent Decree* plus debt service on bonds authorized by 1990 session.

**** Assumes 6% increase per year based on 1989-91 biennium experience.

STATE TAX AID TO LOCAL GOVERNMENTS

Local Government Tax Reimbursement Reserve

Prior to 1989-90, reimbursements to local governments related to state mandated tax relief measures were treated as an earmarking from certain State taxes and, thus, not a direct appropriation. The 1989 General Assembly changed this methodology to a direct appropriation basis. The schedule of appropriations is as follows:

	1989-90	1990-91
Business Inventories	\$189,156,668	\$189,419,719
Intangibles Tax	30,968,117	31,370,456
Homestead Exemption	8,003,331	7,685,000
Food Stamp Exemption	5,441,208	5,618,722
	\$233,569,324 ^a	\$234,093,897

^a Adjusted to reflect final appropriation needs

Local Shared Revenues

The 1990 Session of the General Assembly changed the methodology used in handling revenues collected by the Department of Revenue that were shared with local governments. These funds were previously earmarked from State tax collection accounts and placed in a reserve. Under the new system, the funding will come from an appropriation. The schedule of appropriations is as follows:

	1989-90 Amount Distributed	1990-91 Appropriation
Intangibles Tax	\$82,200,934	\$99,700,000
Franchise Tax	120,232,508	121,900,000
Beverage Tax	20,089,292	21,100,000
	\$222,522,734	\$242,700,000

NORTH CAROLINA STATE HIGHWAY FUND

1989 ACTIONS

Total collections for the Highway Fund for fiscal year 1988-89 were \$913.7 million, a 1.9% increase over the previous fiscal year of 1987-88. Revenues by broad category and their proportionate share of total Highway Fund revenues are shown below:

<u>Revenue</u>	<u>(Millions) Collected</u>	<u>Share</u>
Motor fuel taxes and fees	\$625.8	68.5%
Vehicle license fees	198.7	21.7%
Driver license fee	39.0	4.3%
Penalty and inspection fees	17.5	1.9%
Other revenue (investments, refunds, etc.)	32.7	3.6%
	<hr/>	<hr/>
	\$913.7	100.0%

WILD SWINGS IN THE PRICE OF GASOLINE

During the 1988-89 fiscal year, the price of gasoline was extremely volatile. After averaging 57.7 cents per gallon for the 1988 calendar year, the average wholesale price rose 21% in the month of April to 74.2 cents per gallon. Angry reaction on the part of retailers and consumers laid the blame for the price explosion on collusion between the major oil companies. In their defense, suppliers blamed rising crude and wholesale costs which were not passed along until early spring. What actually happened was that trends in several factors that affect the price of oil began to change direction. When these changes occurred together, normal annual swings in price cycles were exaggerated.

On the supply side, beginning in the early spring of 1989, effective OPEC production restraints, industry accidents - the Exxon "Valdez" oil spill in Alaska and a series of explosions and platform fires in the North Sea - and new EPA regulations for refiners constricted normal supplies. On the demand side, better-than-expected economic performance increased consumption.

By the end of May, 1989, the average retail price for all types of gasoline had reached \$1.15 per gallon. Not since 1985 had the retail price hit and stayed above the \$1 a gallon level for any long period of time. But as early as June, many stations were beginning to lower prices. The average retail gasoline price was slightly lower than the peak price of the previous month. Although prices are moderating slightly, most forecasters agree that retail gasoline prices under \$1 a gallon are a thing of the past.

1990 ACTIONS

Highway Fund net collections fell \$31.6 million behind projections for FY 1989-90. A 3.4% increase in Highway Fund revenues had been estimated, but, as of June 30, 1990, actual collections of \$902.8 million showed a 1.0% decrease over the previous fiscal year's Highway Fund revenues of \$913.6 million. A negative growth situation in the Highway Fund was last experienced in FY 1981 during a severe economic downturn.

There are two main reasons for the shortfall:

- o Motor fuel consumption did not increase over the previous fiscal year; and,
- o House Bill 399 (Highway Trust Fund) enacted at the end of the 1989 Session contained provisions that decreased Highway Fund availability for FY 1989-90.

MOTOR FUEL CONSUMPTION

Motor fuels tax collections account for 67% of Highway Fund revenues. Approximately 4 billion gallons of taxable motor fuels were sold in North Carolina in FY 1988-89, gasoline accounting for 83% and diesel for 17% of total gallonage. In 1989-90, fuel consumption declined by 0.19%, instead of increasing by 2.5%, as projected.

Many factors contributed to this abrupt decline in motor fuel purchases after years of growth in the 3-5% range. North Carolina increased its motor fuels tax by 33% in 1989, and consumers typically respond to major price increases by a reduction in volume consumed. Car pooling, reductions in vehicular trips, and public transit alternatives are utilized more often as fuel prices rise.

But the price increase does not fully explain the decline in fuel purchases. Fuel tax administrators in the surrounding states of Virginia and South Carolina, where no significant tax increases have occurred, also report consumption declines in FY 1989-90. Reasons given include increasing consumer preference for fuel efficient vehicles and consumer uncertainty about the future of the economy, a situation to which typical consumer response is a general cutback in spending levels until the economic picture brightens.

HOUSE BILL 399

Several provisions in House Bill 399 affected Highway Fund availability in FY 1989-90. Additional revenues generated from the fuel tax increase and earmarked for the Trust Fund were transferred from the Highway Fund one month prior to their reflection in actual collections. This action depleted August, 1989 Highway Fund revenues by \$11.6 million. The annual fuel tax registration fee of \$10 paid by commercial truckers was repealed. This action permanently decreased Highway Fund availability by \$6 million per fiscal year. Several miscellaneous title and registration fees were transferred out of the Highway Fund and into the Trust Fund as a permanent Trust Fund revenue source. This decreased availability in the Highway Fund by approximately \$3.1 million per fiscal year.

HIGHWAY FUND REVENUE

	<u>1989-90</u> <u>Authorized</u>	<u>1990-91</u> <u>Authorized</u> <u>1989 Session</u>	<u>1990-91</u> <u>Revised</u> <u>1990 Session</u>
MOTOR FUELS TAX:			
Gasoline Tax	\$633,200,000	\$661,850,000	\$632,200,000
Gasoline Inspection Fee	10,300,000	10,500,000	10,300,000
Highway Use Tax	400,000	0	1,000,000
Total Motor Fuels Tax	643,900,000	672,350,000	643,500,000
LICENSES AND FEES:			
Motor Vehicle Registration	155,100,000	158,500,000	155,900,000
International Reg. Plan	33,800,000	34,800,000	32,900,000
Title Fees	10,900,000	11,300,000	11,800,000
Lien Recording Fees	100,000	0	150,000
Driver Licenses	40,500,000	41,700,000	44,350,000
Revocation and Restoration	7,300,000	7,500,000	7,900,000
Equipment Inspection Fees	5,200,000	5,400,000	5,000,000
Dealers and Manufactures			
Licenses	700,000	800,000	800,000
Overweight/Size Permits	500,000	600,000	600,000
Motor Carrier Safety	600,000	600,000	600,000
Total Licenses and Fees	254,700,000	261,200,000	260,000,000
OTHER STATE REVENUE:			
Penalties	6,800,000	7,000,000	7,000,000
Refunds	1,000,000	1,100,000	1,100,000
Miscellaneous	1,500,000	1,700,000	700,000
Total Other State Revenue	9,300,000	9,800,000	8,800,000
Investment Income	26,000,000	23,000,000	23,000,000
TOTAL HIGHWAY FUND			
REVENUE	\$933,900,000	\$966,350,000	\$935,300,000

HIGHWAY TRUST FUND

Statutory Authority: G.S. 136, Article 14; G.S. 120, Article 12E

The 1989 General Assembly created the North Carolina Highway Trust Fund, designated the sources of revenue for the Fund, and specified the purposes for which Trust Fund revenue may be used. The Trust Fund is administered by the Department of Transportation and monitored by the newly created Joint Legislative Highway Oversight Committee. The Trust Fund is separate from the Highway Fund. Like the Highway Fund, however, the Trust Fund is subject to the Executive Budget Act.

In general, the Trust Fund is a \$9.1 billion, 13 1/2 roads package that creates 3,600 miles of a four-lane Intrastate Highway System, builds 207 miles of urban loops around seven cities, paves 10,000 miles of unpaved secondary roads in the State, and provides additional funds for cities to improve city streets. The Trust Fund and the tax and fee increases that are sources of revenue for the Fund terminate when these goals are reached.

I. REVENUE

The Trust Fund consists of the revenue sources listed below. The amount of additional revenue generated by these sources is estimated to be \$425.3 million for fiscal year 1989-90. Of this additional revenue, \$149.4 million is to be transferred to the General Fund, leaving net estimated 1989-90 revenues for the Trust Fund of \$275.9 million. The amount of estimated revenue for subsequent fiscal years is shown on the table titled "Highway Trust Fund Revenue" on Page 390 of the Appendix.

Sources of Trust Fund Revenue:

- (1) Twenty-five percent (25%) of the excise taxes collected on motor fuels and twenty-five percent (25%) of the road tax levied on motor carriers for the privilege of using the roads in this State. The amount of 25% is designated because that is the increase in the motor fuels and road taxes. These taxes were increased effective August 1, 1989, from a flat rate of 14¢ a gallon plus 3% of the average wholesale price of the fuel to 17¢ a gallon plus either 3 1/2¢ a gallon or 7% of the average wholesale price of the fuel, whichever is greater. Before the increase the tax was 15.7¢ a gallon; after the increase the tax was 20.9¢ a gallon. The tax therefore increased by 5.2¢ a gallon.
- (2) Revenue from a "highway use" tax levied on the issuance of a certificate of title for a motor vehicle, other than certain vehicles that will be rented or leased. This tax is a titling tax and replaces the current 2%, \$300 maximum sales tax on motor vehicles. The use tax is three percent (3%) of the retail value of the vehicle for which a title is issued. The tax cannot be less than \$40.00, cannot exceed \$1,000 until July 1, 1993, and cannot exceed \$1,500 after that date. The tax is effective October 1, 1989.

The retail value of a vehicle is determined as follows:

- a. New vehicle — value is the sales price, less the amount of any trade-in allowance.
- b. Used vehicle sold by a dealer — value is the sales price, less the amount of any trade-in allowance.
- c. Used vehicle sold by a person who is not a dealer — value is presumed to be the wholesale book value of the vehicle, less the amount of any trade-in allowance. A person who disagrees with the presumed value must pay the tax due based on the presumed value, but may appeal the value to the Commissioner of Motor Vehicles.

HIGHWAY TRUST FUND (Continued)

- d. Vehicle transferred for a reason other than a sale of the vehicle, such as a gift—value is presumed to be the wholesale book value of the vehicle. A person who disagrees with the presumed value must pay the tax due based on the presumed value, but may appeal the value to the Commissioner of Motor Vehicles.

Only a few transfers of title are exempt from the new use tax or are not taxed based on their full value. Titles for wrecked vehicles transferred to an insurance company and titles transferred to a motor vehicle dealer when the car is to be sold by the dealer are exempt from the tax. Several transfers are subject to only the \$40.00 minimum tax. These transfers are: gifts between spouses or a parent and child, transfers by will or intestacy, distributions of marital property, transfers to a person who has a lien on the transferred motor vehicle, transfers to a partnership or corporation upon the formation of the entity and transfers to a corporation upon the merger or consolidation of the corporation with another entity, and transfers to the same owner to reflect a change in the owner's name. Titles issued to motor vehicles that have previously been titled in another state for at least 90 days enjoy a ceiling of \$100.

Those who lease or rent motor vehicles are given an option of paying the use tax when they purchase a vehicle for lease or rent or paying a tax on the gross lease or rental receipts subsequently received when the vehicle is leased or rented. The optional tax on gross receipts is 8% on leases or rentals to the same person for no more than 90 days, and it is 8% for the first 90 days of a lease or rental to the same person for more than 90 days and 3% for the period in excess of 90 days. The maximum use tax applies to lease or rental receipts, but the maximum is computed anew on each lease or rental of the vehicle to a different person.

The option of paying a gross receipts tax applies to vehicles purchased on or after October 1, 1989, the effective date of the tax change; it does not apply to vehicles owned on that date. The lease or rental of vehicles owned as of October 1 is subject to the new 8% short-term and 3% long-term rates, and the lessor or renter does not have the option on October 1 of paying a use tax on the vehicles rather than charge the new rates.

The change, however, applies only to leases or rentals made on or after October 1. Therefore, the change does not affect a long-term lease in effect on October 1, for example, until the lease is renewed.

Revenue from the optional gross receipts tax is placed in the Trust Fund if it is at the 3% rate and is placed in the General Fund if it is at the 8% rate. Generally, therefore, revenue from long-term leases or rentals is deposited in the Trust Fund, and revenue from short-term leases or rentals is deposited in the General Fund. The table of Trust Fund revenue following this explanation includes the 3% alternate gross receipts tax revenue, but does not include the 8% gross receipts tax revenue because that revenue is not deposited in the Trust Fund.

- (3) Revenue from the following fee increased related to titles for motor vehicles. These fees are in addition to the highway use tax imposed on the issuance of a certificate of title. The fee increases are effective August 15, 1989.

<u>Type</u>	<u>Former Fee</u>	<u>New Fee</u>
a. certificate of title	\$5	\$35
b. duplicate or corrected title	7	10
c. repossessor of title	5	10

HIGHWAY TRUST FUND (Continued)

d.	transfer of registration	4	10
e.	replacement registration plates	9	10
f.	duplicate registration certificate	3	10
g.	recording supplementary lien	3	10
h.	removing a lien	4	10
i.	title transferred to a dealer when no use tax is due	0	10

(4) Revenue made available beginning in the 1994-95 fiscal year from the retirement of highway refunding bonds.

(5) Interest on revenue in the Trust Fund

II. EXPENDITURES

Revenue in the Trust Fund is allocated for four main purposes and two incidental purposes. These purposes and the percentage of Trust Fund revenue that is to be used on each purpose are listed below. The estimated amount of revenue that will be allocated to each purpose during the life of the Trust Fund is shown on the table titled "Highway Trust Fund Allocations" on Page 391 of the Appendix.

Allocations of Trust Fund Revenue:

(1) **Intrastate System Projects—61.95%.** The 32 projects are listed on a chart that follows this explanation. The same chart appears in G.S. 136-179. The projects primarily consist of widening and improving existing Interstate, U.S., and N.C. routes.

(2) **Urban Loop Projects—25.05%.** The 7 projects are for the cities of Asheville, Charlotte, Durham, Greensboro, Raleigh, Wilmington, and Winston-Salem. The projects are listed on a chart that follows this explanation. The same chart appears in G.S. 136-180.

(3) **Supplement to cities for city streets—6.5%.** This supplement is in addition to the current appropriation of the equivalent of a 1 3/4¢ per gallon tax on motor fuels and is to be distributed in the same manner as the current appropriation. The distribution is made on or before October 1 of each year but is based on revenue collected during the preceding fiscal year. Therefore, no Trust Fund revenue will be distributed to cities until fiscal year 1990-91.

(4) **Supplement for secondary roads—6.5%, plus \$15.00 of the \$30.00 increase in the fee for issuing a certificate of title.** This supplement is in addition to the current appropriation of the equivalent of a 1 3/4¢ per gallon tax on motor fuels and is to be used to pave unpaved secondary roads that are traveled by at least 50 vehicles a day.

The Department of Transportation does not distribute this supplement to counties because counties have no authority to pave roads. The Department is responsible for secondary roads and thus applies the amount of the supplement to secondary road construction.

(5) **Expenses of the Department of Transportation in administering the Trust Fund—** an amount not to exceed 5% of the taxes and fees deposited in the Fund. This amount is deducted before the percentage allocations are determined. For the 1989-90 fiscal year, the sum of \$11,000,000 is appropriated from the Trust Fund to the Department for administrative expenses of the Trust Fund in lieu of applying the 5% formula.

(6) **Expenses of the Joint Legislative Highway Oversight Committee —** actual expenses of the Committee. These expenses are deducted from the amount allocated to the Intrastate System projects. The Committee has 16 members who are all legislators and meets at least quarterly.

HIGHWAY TRUST FUND (Continued)

III. RESTRICTIONS ON EXPENDITURES FROM TRUST FUND

The act creating the Highway Trust Fund contains three restrictions on the expenditure of Trust Fund revenue and sets a ten percent (10%) goal for minority participation in construction contracts let for Trust Fund projects as well as for projects in the Transportation Improvement Program. The ten percent (10%) goal is not a quota, but a desired level of minority participation. It parallels the ten percent (10%) minority participation goal established by the federal government for highway contracts. The three restrictions are a five-year limitation on construction spending, a requirement that highway construction funds be spent evenly throughout the State, and a two-year limitation on letting contracts in anticipation of revenue.

Construction Expenditure Limitation

The act restricts the amount of Trust Fund revenue other than revenue allocated for city streets or secondary roads, that can be used to construct or improve highways during the first five years of the Trust Fund programs.

During those years, no more than the maximum amounts listed in the table below can be obligated for construction. Trust Fund revenues in excess of the maximum amounts may be used only for preliminary planning and design and the acquisition of rights-of-way for scheduled highways and highway improvements to be funded from the Trust Fund.

<u>Fiscal Year</u>	<u>Maximum Expenditure</u>
1989-90	\$200,000,000
1990-91	\$250,000,000
1991-92	\$300,000,000
1992-93	\$400,000,000
1993-94	\$500,000,000

Distribution Formula

In GS136-172A the act establishes a distribution formula for Trust Fund revenue expended on the the Intrastate System and for Department of Transportation appropriations and federal revenue expended on the Transportation Improvement Program. The formula does not apply to revenue expended on the urban loops. The formula is designed to ensure that every county in the State receives its fair share of the transportation improvements. The formula divides the State into seven regions by grouping two of the existing 14 highway engineering divisions into a region. The distribution regions are as follows:

- (1) **Distribution Region A** consists of the following counties: Bertie, Camden, Chowan, Currituck, Dare, Edgecombe, Gates, Halifax, Hertford, Hyde, Johnston, Martin, Nash, Northampton, Pasquotank, Perquimans, Tyrrell, Washington, Wayne, and Wilson.
- (2) **Distribution Region B** consists of the following counties: Beaufort, Brunswick, Carteret, Craven, Duplin, Greene, Jones, Lenoir, New Hanover, Onslow, Pamlico, Pender, Pitt, and Sampson.
- (3) **Distribution Region C** consists of the following counties: Bladen, Columbus, Cumberland, Durham, Franklin, Granville, Harnett, Person, Robeson, Vance, Wake, and Warren.
- (4) **Distribution Region D** consists of the following counties: Alamance, Caswell, Davidson, Davie, Forsyth, Guilford, Orange, Rockingham, Rowan, and Stokes.

HIGHWAY TRUST FUND (Continued)

- (5) Distribution Region E consists of the following counties: Anson, Cabarrus, Chatham, Hoke, Lee, Mecklenburg, Montgomery, Moore, Randolph, Richmond, Scotland, Stanly, and Union.
- (6) Distribution Region F consists of the following counties: Alexander, Alleghany, Ashe, Avery, Caldwell, Catawba, Cleveland, Gaston, Iredell, Lincoln, Surry, Watauga, Wilkes, and Yadkin.
- (7) Distribution Region G consists of the following counties: Buncombe, Burke, Cherokee, Clay, Graham, Haywood, Henderson, Jackson, Macon, Madison, McDowell, Mitchell, Polk, Rutherford, Swain, Transylvania, and Yancey.

Until ninety percent (90%) of the mileage of Intrastate System projects is completed, each region must receive between ninety percent (90%) and one hundred ten percent (110%) of the total amount expended during any consecutive seven-year period multiplied by a factor that is based on the following components and weights: estimated miles to complete the

Intrastate System projects in the region, weighted twenty-five percent (25%); population of the distribution region compared to the population of the State, weighted fifty percent (50%); and the fraction one-seventh, weighted twenty-five percent (25%). When ninety percent (90%) of the mileage of the Intrastate System projects is completed, the factor by which the amount expended is multiplied changes to have only two components as follows: population of the distribution region compared to the population of the State, weighted sixty-six percent (66%); and the fraction one-seventh, weighted thirty-four percent (34%).

Although each distribution region receives an equal share over time, each county within a distribution region may not necessarily receive the same amount as all other counties in the distribution region. The act, however, directs the Department of Transportation to consider the highway needs of every county in a distribution region.

Limit on Contracts Let in Anticipation of Revenue

G.S. 136-176(d) allows Trust Fund projects to be let in anticipation of revenue but limits the period for which revenue may be anticipated to the two year-period following the year in which the contract is let. Without this limitation, contracts for Trust Fund projects could be let in anticipation of Trust Fund revenue for an indefinite period, subject to the limitations in G.S. 143-28.1(4) on the amount of revenue that can be anticipated.

NORTH CAROLINA HIGHWAY TRUST FUND

	<u>1989-90</u>	<u>1990-91 1989 Session</u>	<u>1990-91 Revised 1990 Session</u>
Revenues:			
Motor Fuels Revenues	\$187,600,000	\$230,700,000	\$211,000,000
Motor Vehicles Use Tax	301,400,000	404,800,000	\$264,000,000
Title Fees (Highway Fund Classification):			
Registration Fees	11,540,000	13,583,000	8,700,000
Miscellaneous Title Fees	2,630,000	3,095,000	
Fees for Certificates of Title	40,530,000	49,122,000	54,000,000
Interest from Treasurer's Investments	11,600,000	14,300,000	14,300,000
Subtotal	555,300,000	715,600,000	552,000,000
Less Amount Required to be Transferred to the General Fund	279,400,000	356,000,000	\$264,000,000
Balance Available	\$275,900,000	\$359,600,000	\$288,000,000
Availability for Allotment to the Department of Transportation:			
Maximum allowable for addition to Administrative Budgets	11,000,000	16,037,000	14,400,000
Construction Allocation:			
Intrastate System	151,551,382	197,621,739	152,768,700
Urban Loop System	61,281,068	79,910,001	61,773,300
Supplement to Powell Bill for City State Aid	15,901,275	20,735,130	16,029,000
Secondary Road Construction:			
From Percentage Allocation	15,901,275	20,735,130	16,029,000
From Certificate of Title Revenue	20,265,000	24,561,000	27,000,000
TOTAL	\$275,900,000	\$359,600,000	\$288,000,000

Source: Office of State Budget and Management

HIGHWAY TRUST FUND (Continued)

INTRASTATE SYSTEM PROJECTS

Listed below are the projects of the Intrastate System that are to be funded from the Highway Trust Fund. This same list appears in G.S. 136-179.

<u>Route</u>	<u>Improvements</u>	<u>Affected Counties</u>
I-40	Widening	Buncombe, Haywood, Guilford, Wake, Durham
I-77	Widening	Mecklenburg
I-85	Widening	Durham, Orange, Alamance, Guilford, Cabarrus, Mecklenburg, Gaston
I-95	Widening	Halifax
US-1	Complete 4-laning from Henderson to South Carolina Line (including 6-laning of Raleigh Beltline)	Vance, Franklin, Wake, Chatham, Lee, Moore, Richmond
US-13	Connector from I-95 to NC-87	Cumberland
US-13	Complete 4-laning from Virginia Line to US-17	Gates, Hertford, Bertie
US-17	Complete 4-laning from Virginia Line to South Carolina Line (including Washington, New Bern, and Jacksonville Bypasses)	Camden, Pasquotank, Perquimans, Chowan, Bertie, Martin, Beaufort, Craven, Jones, Onslow, Pender, New Hanover, Brunswick
US-19/ US-19E	Complete 4-laning from US-23 to NC 194 in Ingalls	Madison, Yancey, Mitchell, Avery
US-19	Complete 4-laning	Cherokee, Macon, Swain
US-23	Complete 4-laning and upgrading existing 4-lanes from Tennessee Line to I-240	Madison, Buncombe

INTRASTATE SYSTEM PROJECTS (Continued)

US-23-441	Complete 4-laning from US-19/US-74 to Georgia Line	Macon
US-52	Complete 4-laning from I-77 to Lexington (including new I-77 Connector)	Surry, Davidson
US-64	Complete 4-laning from Raleigh to Coast (including freeway construction from I-95 to US-17)	Edgecombe, Pitt, Martin, Washington, Tyrrell, Dare
US-64	Complete 4-laning from Lexington to Raleigh	Davidson, Randolph, Chatham, Wake
US-70	Complete 4-laning from Raleigh to Morehead City (including Clayton, Goldsboro, Kinston, Smithfield-Selma, and Havelock Bypasses predominately freeways on predominately new locations)	Wake, Johnston, Wayne, Lenoir, Craven
US-74	Complete 4-laning from Charlotte to US-17 (including multilaning of Independence Blvd. in Charlotte, and Bypasses of Monroe, Rockingham, and Hamlet)	Mecklenburg, Union, Richmond, Robeson, Columbus
US-74	Complete 4-laning from I-26 to I-85	Polk, Rutherford
US-158	Complete 4-laning from Winston-Salem to Whalebone	Forsyth, Guilford, Rockingham, Caswell, Person, Granville, Vance, Warren, Halifax, Northampton, Gates, Hertford, Pasquotank, Camden, Currituck, Dare
	New bridge over Currituck Sound	Currituck
US-221	Complete 4-laning from Linville to South Carolina	Avery, McDowell, Rutherford

INTRASTATE SYSTEM PROJECTS (Continued)

US-220	Complete 4-laning from I-40 to US-1	Guilford, Randolph, Montgomery, Richmond
US-220/ NC-68	Complete 4-laning	Rockingham, Guilford from Virginia Line to I-40
US-264	Complete 4-laning from US-64 to Washington (including Wilson and Greenville Bypasses) (including freeway construction from I-95 to Greenville)	Wilson, Greene, Pitt
US-321	Complete 4-laning from Boone to South Carolina Line	Caldwell, Catawba, Lincoln, Gaston
US-421	Complete 4-laning from Tennessee Line to I-40	Watauga, Wilkes, Yadkin
US-421	Complete 4-laning from Greensboro to Sanford (including Bypass of Sanford)	Chatham, Lee
NC-24	Complete 4-laning from Charlotte to Morehead City	Mecklenburg, Cabarrus, Stanly, Montgomery, Moore, Harnett, Cumberland, Sampson, Duplin, Onslow, Carteret
NC-87	Complete 4-laning from Sanford to US-74	Lee, Harnett, Cumberland, Bladen, Columbus
NC-105	Complete 4-laning from Boone to Linville	Watauga, Avery
NC-168	Complete multilaning from Virginia Line to US-158	Currituck
NC-194	Complete 4-laning from US-19E to US-221	Avery

URBAN LOOP PROJECTS

Listed below are the urban loop projects that are to be funded from the Highway Trust Fund. This same list appears in G.S. 136-180.

<u>Loop</u>	<u>Description</u>	<u>Affected Counties</u>
Asheville Western Loop	Multilane facility on new location from I-26 west of Asheville to US-19/23 north of Asheville for the purpose of connecting these roads. The funds may be used to improve existing corridors.	Buncombe
Charlotte Outer Loop	Multilane facility on new location encircling City of Charlotte	Mecklenburg
Durham Northern Loop	Multilane facility on new location from I-85 west of Durham to US-70 east of Durham	Durham, Orange
Greensboro Loop	Multilane facility on new location encircling City of Greensboro	Guilford
Raleigh Outer Loop	Multilane facility on new location from US-1 southwest of Cary northerly to US-64 in eastern Wake County	Wake
Wilmington Bypass	Multilane facility on new location from US-17 northeast of Wilmington to US-17 southwest of Wilmington	New Hanover
Winston- Salem North- belt	Multilane facility on new location from I-40 west of Winston-Salem northerly to I-40 in eastern Forsyth County	Forsyth

SPECIAL PROVISIONS INCLUDED IN TRUST FUND APPROPRIATION BILL - 1989

Senate Bill 1309:

- Section 10* **Regional Public Transportation Authority Funding -**
Permits a regional public transportation authority created pursuant to newly enacted G. S. 160A, Article 26, to apply to the Department of Transportation for a grant from the public transportation funds "received from the North Carolina Highway Trust Fund" and allows the Department to allocate to a regional public transportation authority any funds appropriated for public transportation.
- G.S. 136-44.20 allows the Department of Transportation to use up to \$5,000,000 of the amount appropriated for State construction under the Transportation Improvement Program each year for public transportation. No Trust Fund revenue is designated for public transportation.
- Section 17* **Department of Transportation Exemption From Limitation on Number of State Employees**
- Excludes employees of the Department of Transportation who are engaged in planning, designing, or constructing Trust Fund projects from the limit, imposed by newly enacted G. S. 143-10.2, on the yearly increase in the number of permanent State employees. Also requires the Department of Transportation to report the number of employees hired for Trust Fund projects.
- G.S. 143-10.2, enacted by Section 46 of Chapter 752 of the 1989 Session Laws, restricts the annual percentage increase in the number of permanent state employees to the same percentage increase of the population of the State. Percentage increases are computed on the basis of a 10-year average.
- Section 18* **North Carolina Highway Trust Fund Cash Balances**
- Permits the Department of Transportation to advance Trust Fund revenue to the Equipment Fund, which is part of the Highway Fund, to acquire equipment needed for Department employees to construct secondary roads in accordance with the Trust Fund project schedule. Revenue advanced from the Trust Fund will be repaid as the purchased equipment is used. Requires the Department to report a proposed advance to the Joint Legislative Highway Oversight Committee and to the Joint Legislative Commission on Governmental Operations.
- Section 19* **Department of Transportation Fund Code Structure Reorganization**
- Permits the Department of Transportation to reorganize its Fund Code Structure during the 1989-90 fiscal year to accommodate the Trust Fund, requires the changes and any accompanying staffing changes to be approved by the Director of the Budget, and requires the Department to report the changes to the Joint Legislative Highway Oversight Committee and to the Joint Legislative Commission on Governmental Operations.

SPECIAL PROVISIONS INCLUDED IN TRUST FUND APPROPRIATION BILL - 1989

(Continued)

Section 21 **Executive Budget Act Applies to North Carolina Highway Trust Fund**

Makes the Highway Trust Fund subject to the Executive Budget Act.

Section 22 **Cash Flow - Highway Trust Fund Appropriation**

Certifies anticipated revenues of the Highway Trust Fund so that the Department of Transportation will be able to let contracts in anticipation of revenues under G. S. 143-28.1(4). The certified amounts are:

<u>Fiscal Year</u>	<u>Revenue</u>
1991-92	\$734,800,000
1992-93	\$756,700,000

Section 33 **Tax Proceeds Credited to Highway Trust Fund**

Allows for taxes collected to be credited to the General Fund and taxes collected to be credited to the North Carolina Highway Trust Fund.

**REVENUE
BILLS**

TAX FAIRNESS ACT SB 51 (Chapter 728) - 1989

History

In 1921, North Carolina became one of the first states to levy a broad-based personal income tax. The original tax structure was based on model legislation developed by a national tax association. As in other states, the State tax was not tied to the new federal income tax.

During the 1920's and 1930's tax rates were increased to generate additional tax revenue. Since 1937 the only major changes have included a minor increase in personal exemptions and the standard deduction limit, three increases in the personal exemption for dependents, and a small tax credit for low and middle income taxpayers.

During the same period 34 of the 39 other states levying a broad-based income tax adopted or re-wrote their tax code to conform in some fashion to the federal tax. In addition, most states had followed the federal government example of significantly increasing their personal exemptions and the standard deduction limit to offset inflation.

Explanation of Bill

- (1) Restructures the North Carolina personal income tax by using federal taxable income line 37 of federal return as the starting point for the State tax calculation. By starting with federal taxable income, the State will be picking up the federal rules on which sources of income are taxable, federal personal exemptions, federal itemized deductions, and the federal standard deduction.
- (2) Preserves some differences between State and federal law and makes a few technical adjustments to the federal base through additions and deductions from federal taxable income. Retirement tax addressed separately on Page 53 of this summary.

Additions to Federal Taxable Income

- (a) Interest on obligations of other states and their political subdivisions
- (b) Income taxed under federal law separately from the income tax
- (c) State and local income tax deducted on federal return
- (d) Automatic increases in federal personal exemptions and the federal standard deduction (indexing)

Deductions from Federal Taxable Income

- (a) Interest on U.S., State of North Carolina, and N.C. local government obligations
 - (b) Interest on and gain from disposition of tax exempt obligations
 - (c) Social Security and Railroad Retirement benefits
 - (d) Up to \$1,500 in National Guard pay
 - (e) Refunds of State and local income taxes reported on federal return
- (3) Language in the N.C. Constitution prohibits the State from picking up, automatically, future federal changes in the tax base. Such changes require legislative action.
 - (4) The use of federal rules will allow married couples to file a joint return for the first time.
 - (5) A 1988 session bill tied State law to the federal Subchapter S filing option beginning with the 1991 tax year. The enactment of SB 51 moves this change forward to 1989.

TAX FAIRNESS ACT SB 51 (Chapter 728) - 1989 (Continued)

- (6) The child and dependent care credit of 7% of employment-related expenses is maintained. For dependents under the age of seven or who are physically or mentally incapacitated, the credit will increase from 7% to 10%.
- (7) The deduction of up to \$15,000 of dividends received by taxpayers from the N.C. share of corporations operating in North Carolina is changed by:
 - (a) conversion to a tax credit (to be applied against tax liability instead of being deducted from income) of 6% of eligible dividends, up to a maximum credit of \$300 (\$5,000 of dividends) for person or married couple holding the assets jointly (\$600 maximum if each spouse hold assets separately); and,
 - (b) elimination of the need to determine the taxable percentage of dividends from multi-state corporations by applying the credit to all of the dividends received by a corporation that has at least 50% of its taxable income allocated to North Carolina
- (8) Converts the numerous "additional" personal exemptions for certain permanent disabilities to a portion of the federal credit granted to low and moderate income taxpayers who are permanently and totally disabled and who receive disability income.
- (9) Maintains all of the tax credits under the prior law with the exception of two unused energy conservation credits and the low and moderate income credit (replaced by higher personal exemptions and standard deduction).
- (10) Provides transition rules relating to the calculation of the basis of property when it is transferred, recognizing gains that were previously unrecognized, carrybacks and carryforwards of net losses, and carryforwards of other losses and deductions.
- (11) Specifies that no penalty will be imposed on on taxpayers who have paid an insufficient amount of estimated taxes and withholding taxes for the 1989 tax year.

Effective Date

1989 tax year

Fiscal Effect

A simulation of the new system by Price Waterhouse tax analysts, based on a sample of federal returns for N.C. taxpayers and adjustments for federal tax reform, indicates that the new system will produce the same annual revenue as the old system. In general, the revenue loss from higher personal exemptions and the standard deduction will be offset by a broadening of the tax base and a higher beginning tax rate.

The impact on different income groups under each federal filing status is shown in the table on the following page.

**STRUCTURE OF PERSONAL INCOME TAX
UNDER CURRENT LAW AND SB 51**

Current Law

SB 51

BASIS

Unique rules for calculating
income and itemized deductions

Federal taxable income

EXEMPTIONS

\$1,000 for single
\$2,200 for married (\$3,300
if both work)
\$2,200 for head-of-household
\$800 for dependents

\$2,000 each for self,
spouse, and dependents

STANDARD DEDUCTION

\$550 for each taxpayer (\$1,100
if both spouses work)

\$5,000 joint return
4,400 for head of household
3,000 for single individual
2,500 for married filing
separately

RATES

All taxpayers*

\$ 1 - 2,000	3%
2,001 - 4,000	4%
4,001 - 6,000	5%
6,001 - 10,000	6%
10,000 & over	7%

* No joint returns allowed.

Married filing jointly and
surviving spouse

\$1 - 21,250	6%
21,251 & over	7%

Heads of households:

\$1 - 17,000	6%
17,001 & over	7%

Single individuals:

\$1 - 12,750	6%
12,751 & over	7%

Married filing
separately:

\$1 - 10,625	6%
10,626 & over	7%

TAX THRESHOLD

Family of four		
\$4,350	(one spouse working)	\$13,000
6,000	(both spouses working)	

LOW INCOME TAX CREDIT

1 - 5,000	\$25	Replaced by higher personal exemptions and standard deduction
5,001 - 10,000	\$20	
10,000 - 15,000	\$15	

**FILING STATUS ANALYSIS OF SB 51 (6%, 7%)
(Change From Current Law)**

Adjusted Gross Income	Single		Head-of- Household*			Married, Filing Jointly**			Actual Dollars			Net Change After Fed Tax	
	# of Returns	% Change In Tax	% Change After		% Change After		% Change After		Federal Current Tax	Proposed Tax	Change		
			Federal Tax	% Change In Tax	Federal Tax	% Change In Tax	Federal Tax	% Change In Tax					
Less than 5,000	324,993	-92.5%	-92.5%	38,524	-100.0%	-100.0%	35,939	-100.0%	-100.0%				
5,000 - 10,000	246,815	-19.7	- 9.7	86,026	- 84.2	- 84.2	99,296	- 88.7	- 88.7	90	10	-80	-80
10,000 - 15,000	251,677	- 6.1	- 6.1	95,336	- 52.8	- 52.8	134,405	- 58.8	- 58.8	281	116	-165	-165
15,000 - 20,000	168,501	- 6.1	- 6.1	62,517	- 24.5	- 24.5	155,247	- 27.9	- 27.9	494	356	-138	-138
20,000 - 30,000	139,141	- 1.7	- 1.7	46,215	- 16.0	- 16.0	287,141	- 11.7	- 11.7	890	786	-104	-104
30,000 - 40,000	45,793	4.4	3.8	10,799	- 2.0	- 1.7	238,625	- 2.1	- 1.8	1,385	1,356	-29	-25
40,000 - 50,000	13,991	4.1	3.0	4,155	- 1.2	- .9	177,735	5.1	3.7	1,892	1,987	95	68
50,000 - 75,000	15,660	6.1	4.4	3,671	3.1	2.2	228,418	6.5	4.7	2,723	2,900	177	127
75,000 - 100,000	3,101	8.1	5.8	1,249	5.4	3.9	62,532	8.6	6.2	4,118	4,472	354	255
100,000 - 200,000	2,396	9.8	6.7	455	10.5	7.0	45,427	10.2	6.8	6,811	7,509	698	467
200,000 & Over	776	4.5	3.2	111	3.7	2.7	9,989	7.2	5.2	27,493	29,485	1,992	1,434
TOTAL	1,218,080	-2.6		349,074	-22.7		1,485,561	1.8					

* Average number of dependents is 1.5

** Average number of dependents is 1.2 and median family income is \$32,000.

Filing Status	Minimum Amount of				
	Personal Exemptions	Standard Deduction	Gross Income Exempt from Tax***	Net Taxable Income**** Taxed at 6%	Net Taxable Income**** Taxed at 7%
Single	\$2,000	\$ 3,000	\$ 5,000	\$1-12,750	\$12,751 & over
Head-of-Household, Two Dependents	6,000	4,400	\$10,400	1-17,000	17,001 & over
Married Couple, Two Dependents	8,000	10,400	\$13,000	1-21,250	21,251 & over

*** Based on personal exemptions and standard deduction amount. For taxpayers itemizing on federal return, the exempt amount will equal the sum of personal exemptions and the itemized deduction.

****After subtracting personal exemptions and deductions.

Note: Taxpayer impact to state data is based on a simulation of actual returns for North Carolina taxpayers. The results represent the "average" or "typical" taxpayer in each income category. For a particular taxpayer, the results may differ from the amounts shown.

**IMPACT OF SB 51 ON
MARRIED COUPLES WITH TWO DEPENDENTS**

<i>Adjusted Gross Income</i>	<i>Current Tax</i>	<i>Proposed Tax</i>	<i>Tax Change</i>	<i>Net Change After Fed. Tax</i>
Less than \$ 5,000	\$ -	\$ -	\$ -	\$ -
5,000 - 10,000	64	-	-64	-64
10,000 - 15,000	249	-	-249	-249
15,000 - 20,000	453	261	-192	-192
20,000 - 30,000	845	717	-128	-128
30,000 - 40,000	1,340	1,240	-100	-86
40,000 - 50,000	1,847	1,892	45	32
50,000 - 75,000	2,678	2,781	103	74
75,000 - 100,000	4,073	4,360	287	207
100,000 - 200,000	6,766	17,423	657	440
200,000 and over	27,448	29,439	1,991	1,434

Median income for this filing status is \$38,000.

Note: Taxpayer impact is based on a simulation of actual returns for North Carolina taxpayers. The results represent the "average" or "typical" taxpayer in each income category. For a particular taxpayer, the results may differ from the amounts shown.

TAX AMNESTY/ENFORCEMENT (FAIR SHARE TAX ACT) HB 272 (Ch. 557) - 1989

Explanation of Bill:

Tax Amnesty

Requires the Department of Revenue to conduct a one-time tax amnesty program for the period September 1-December 1, 1989. During this period individuals and businesses who have not filed a required tax return, who have under-reported tax obligations, or who have not paid taxes that have been assessed may pay the taxes due and criminal prosecution will be waived.

The program applies to all state and local taxes collected by the Department of Revenue.

In general, the amnesty program would apply only to tax liabilities incurred prior to the current tax filing period.

The bill allows the Department of Revenue to earmark up to \$1.1 million to publicize and administer the program.

Penalties

Increases tax penalties as follows:

<u>Violation</u>	<u>Current Law</u>	<u>Proposed Law</u>
Attempt to evade or defeat tax	Misdemeanor: \$1,000 or six months imprisonment or both	Class I felony: \$25,000 or five years imprisonment or both
Willful failure to collect, withhold, or pay over tax	Misdemeanor: \$1,000 or two year imprisonment or both	Misdemeanor*
Willful failure to file return, supply information or pay tax	Misdemeanor	Misdemeanor*
Willful aiding or assisting in filing fraudulent return or document	Misdemeanor	Class J Felony: \$10,000 or three years imprisonment or both

* Extends general law statute of limitations from two years back to three years for these tax law violations.

TAX AMNESTY ENFORCEMENT (FAIR SHARE TAX ACT) HB 272 (Ch. 557) - 1989
 (Continued)

Enforcement and Compliance Resources

Authorizes additional General Fund spending of \$5.1 million for 1989-90 and \$4.9 million for 1990-91 by the Department of Revenue for additional tax enforcement personnel, support personnel, and related costs in improving the collection and enforcement of the state tax laws (including local taxes collected by the state).

Effective Date:

The tax amnesty period runs from September 1-December 1, 1989. The increased penalties begin with violations occurring on or after December 2, 1989. The additional appropriations for the Department of Revenue are effective July 1, 1989.

Fiscal Impact

		(\$ Million)	
		<u>1989-90</u>	<u>1990-91</u>
Tax Amnesty	One-Time Revenue	25.0	-
	Program Cost	1.1	-
Penalties	Permanent Revenue	**	**
Enforcement Resources	Permanent Revenue	42.0	68.9
	Appropriations	5.1	4.9

* Some additional revenue will result from improved compliance by taxpayers and the use by Department of Revenue of the additional taxpayer information gained during the program.

** Unknown.

RETIREMENT PAY TAX EQUALIZATION HB 1311 (Ch. 792) - 1989

Legislative History

Since 1943 State and local retirees have received a full State income tax exclusion under the retirement system law on their pension. As other tax-sheltered retirement benefits have been added (such as 401k plans), these benefits have been also been exempt.

From the early-1970's until the 1988 session, federal civil service and military retirees received a \$3,000 exclusion on their employment-based retirement pay. The amount was raised to \$4,000 beginning with the 1989 tax year.

Until this year, no exclusion was provided for pension or other retirement benefits received by private sector retirees.

On March 28, 1989 the U.S. Supreme Court, in *Davis v. Michigan*, ruled that a State cannot provide tax exemptions to its own employees (including retirees) in a greater amount than that provided to federal employees (including retirees).

Explanation of Bill

- (1) Provides a uniform \$4,000 income tax exclusion for the retirement benefits received by federal, state, or local retirees and a \$2,000 exclusion for private sector benefits. In the case of a person receiving both public and private benefits, the maximum exclusion would be \$4,000.
- (2) Increases retirement pay formula for state and local employees and retirees from 1.60% of the retiree's average final compensation (multiplied by years of service) to 1.63% (a 1.9% increase in benefits), to be funded from unencumbered system gains.
- (3) Specifies intent of 1989 General Assembly that the accrual benefit rate for State and local retirees be further increased beginning July 1, 1990 upon the availability of unencumbered actuarial gains in the retirement systems.

Fiscal Effect

- (1) The exclusion amounts adopted in the bill, combined with the fact that a retiree of more than one system can receive no more than \$4,000 in exclusions and the enactment of the income tax restructuring bill (SB 51), should lead to no significant change in State tax revenue.
- (2) The amount of pension benefits and total income of various classes of retiree is shown below:

<u>Retiree Class</u>	<u>Annual Pension Amount</u>	<u>Number of Retirees</u>	<u>Total Household Income</u>
Federal civil service and military	\$13,000	100,000	\$43,000
State and local	7,200	80,000	34,500
Private	4,800	275,000	28,000

OTHER GENERAL FUND REVENUE BILLS - 1989

BILL	CHAPTER	EXPLANATION	EFFECTIVE DATE	FISCAL EFFECT	
				1989-90	1990-91
HB 4	36	Updates the state income tax reference to the Internal Revenue code.	Upon Rat.	-	-
HB 5	37	Makes numerous technical and conforming changes to the revenue laws.	Upon Rat.	-	-
HB 198 SB 740	111 753	Modify jobs tax credit by: (1) Increasing the number of eligible counties from 20 to 25. (2) Limiting credit in future to employers engaged in manufacturing or industrial activities. (3) Deleting the requirement that a county must have an unemployment rate of 7% or more to be eligible for credit. (4) Deleting a provision requiring the Employment Security Commission to calculate and report to the Department of Revenue the number of new jobs created by employers.	1989 Tax Year	-	+ 1,100,000
HB 330	582	Clarifies existing law and repeals obsolete corporate franchise and corporate income tax credits.	1989 Tax Year	-	-

OTHER GENERAL FUND REVENUE BILLS - 1989 (Continued)

BILL	CHAPTER	EXPLANATION	EFFECTIVE DATE	FISCAL EFFECT	
				1989-90	1990-91
HB 512	584	Modernizes state privilege license tax system by:	7-1-89	-	+4,800,000
		(1) Consolidating numerous separate taxes into a general business tax.			
		(2) Substituting a \$50 per year minimum tax for numerous taxes based on population of locality or other obsolete bases.			
HB 1383	615	Recognizes bona fide estate settlements for inheritance tax purposes.	-	-	
SB 50	769	Exempts interest earned on deposits with Federal Home Loan Bank from corporate income tax.	1989 Tax Year	-2,000,000	-2,160,000
SB 523	148	Allows certification by a local air pollution control program to be sufficient to qualify the equipment for state and local tax incentives.	1989 Tax Year	-	-
SB 552	346	Repeals the insurance premiums tax sunset, leaving in effect the 1986 and 1987 reform of the tax structure.	Upon Rat.	-	-
SB 119	435	(1) Repealing the \$25 tax on flea market vendors.	7-1-89	-	-
		(2) Increasing the tax on flea market operators from \$100 to \$200.			
		(3) Making numerous technical changes to the tax.			

OTHER GENERAL FUND REVENUE BILLS - 1989 (Continued)

BILL	CHAPTER	EXPLANATION	EFFECTIVE DATE	FISCAL EFFECT	
				1989-90	1990-91
SB 450	716	Increases from \$5,000 to \$25,000 the maximum income deduction tax for donations of real property for land conservation.	1989 Tax Year	-50,000	-50,000
SB 699	772	Imposes an excise tax on the illegal possession of controlled substances at the rate of \$3.50 per gram of marijuana.	1-1-90	Unknown	Unknown
SB 787	530	Permits Secretary of Revenue to change interest rate on assessments and refunds of state taxes every six months instead of annually.	Upon Rat.	-	-
SB 788	580	Permits the state or a local property tax collector to recover property in the Escheat Fund and apply the property to the payment of state or local taxes, as appropriate.	Upon Rat.	Unknown	Unknown
SB 893	531	Makes technical corrections to the State's generation skipping transfer tax statute by conforming.	Upon Rat.	-	-
SB 894	718	Allows an income tax deduction for inheritance tax paid on income with respect to a decedent.	1989 Tax Year	-30,000	-30,000
SB 1145	748	Exempts rental of tobacco sheets from sales tax.	8-1-89	-39,000	-49,000

OTHER GENERAL FUND REVENUE BILLS - 1990

<i>BILL</i>	<i>CHAPTER</i>	<i>EXPLANATION</i>	FISCAL EFFECT			
			1990-91	1991-92	1992-93	1993-94
HB 2138		Allows taxpayers to use net economic loss carryforwards that became suspended as a result of SB 51 and modifies transition language of SB 51 to avoid double taxation of dividend distributions.	-\$2,700,000	-\$2,700,000	-\$2,700,000	\$ -
		Makes a technical adjustment to SB 51 to ensure that low and moderate income taxpayers receiving special federal tax credit can deduct the full mortgage costs on state income tax.	-600,000	-200,000	-200,000	-\$200,000
		Replaces special disability exemptions in effect prior to SB 51 with a uniform credit for disabled dependents (credit phased-out as income rises).	-4,000,000	-4,000,000	-4,000,000	-4,000,000
		Allows a credit for income tax paid for 1988 tax year on federal pensions, with credit spread over three-year period (due to timing of court case, some retirees received 1988 refund).	-7,000,000	-7,000,000	-7,000,000	-

OTHER GENERAL FUND REVENUE BILLS - 1990 (Continued)

BILL	CHAPTER	EXPLANATION	1990-91	FISCAL EFFECT		
				1991-92	1992-93	1993-94
		Tracks federal system that assesses penalties when taxpayer does not pay at least 90% of due taxes due but unpaid when filing an extension application.	40,000,000	-	-	-
		Lowers threshold from \$5,000 of tax due to \$500 for determining whether corporations must estimate and pay tax during income year.	42,000,000	3,300,000	+3,600,000	+3,900,000
HB 2067	981	Adopts changes made to the Internal Revenue Code in 1989.	1,500,000	1,600,000		
HB 2173	1034	Increases both the probation supervision fee and the parole supervision fee from \$15.00 to \$20.00.	2,100,000	2,100,000		
HB 2207	1068	Repeals sales tax exemption for ice.	310,000	390,000		
HB 2257	1069	Increases existing fees charged by Department of Insurance and imposes new fees.	5,395,175	5,395,175		
HB 2325	9987	Increases fees for permits issued under Coastal Area Management Act.	70,000	70,000		

OTHER GENERAL FUND REVENUE BILLS - 1990 Continued

<i>BILL</i>	<i>CHAPTER</i>	<i>EXPLANATION</i>	<i>1990-91</i>	<i>1991-92</i>
HB 2331	964	Increases annual fee for nuclear facilities from \$12,000 to \$18,000.	24,000	24,000
HB 2341	1064	Imposes a \$25.00 fee on food establishments for obtaining annual sanitary grade.	450,000	450,000
HB 2402	1001	Imposes excise tax on processed eggs of 11¢ for each 100 lbs.	24,000	24,000
SB 1084		(1) Repeals special franchise tax on railroads.	(1,600,000)	(1,700,000)
		(2) Repeals income tax exclusion for \$1,500 of National Guard pay.	1,900,000	2,000,000
SB 1354		Imposes a \$250,000 initial registration fee and \$100 annual registration fee on facilitators of tax refund loans.	75,000	75,000
SB 1365	970	Repeals inheritance tax exemption for federal government death benefits.	10,000	50,000
SB 1408	941	Requires agents who sell Medicare supplement or long-term care insurance to register with the Department of Insurance, take supplemental exams, and pay initial \$15.00 registration fee and \$10.00 annual fee.	75,000	40,000
SB 1412	1055	Requires multiple employer welfare arrangements to obtain certification from Department of Insurance and pay annual fee of \$100.00.	13,000	13,000
SB 1475	1030	Increases the annual license fee for proprietary schools to \$500 and increases other fees concerning proprietary schools.	1,000	22,000

OTHER GENERAL FUND REVENUE BILLS - 1990 (Continued)

BILL	CHAPTER	EXPLANATION	1990-91	1991-92
SB 1534	944	Allows N.C. Mining Commission to charge fees for issuing mining permits.	22,500	45,000
SB 1535	976	Allows Environmental Management Commission to charge fees for dam permits.	15,000	28,000
SB 1536	906	Allows N.C. Sedimentation Control Commission to charge fees for review and approval of erosion control plans.	65,000	132,210
SB 1575	1057	Raises fee for filing annual report of officers and directors from \$5.00 to \$10.00.	400,000	650,000
SB 1586		Generates interest income by requiring: (1) Utilities to pay gross receipts and sales taxes faster.	2,300,000	2,300,000
		(2) Employers to pay withheld individual income taxes faster.	3,000,000	6,600,000
SB 1587	946	Requires claimant agencies to tell Department of Revenue when debt expires and requires AOC to give Department a list by October 1, 1991, off all debts owed for representation of indigents.	500,000	500,000
SB 1588	1073	Sets privilege tax on restaurants at flat \$50.00 for restaurants with fewer than 5 seats and at flat \$85.00 for restaurants with 5 or more seats.	4,000	4,000

HIGHWAY FUND REVENUE BILLS - 1989

<i>BILL</i>	<i>CHAPTER</i>	<i>EXPLANATION</i>	<i>EFFECTIVE DATE</i>	<i>FISCAL EFFECT</i>	
				<i>1989-90</i>	<i>1990-91</i>
HB 58	7	Amends the motor carrier fuel use tax in order to enable North Carolina to adopt a uniform tax reporting form.	1-1-90	-	-
HB 556	667	Authorize the Secretary of Revenue to enter into cooperative agreements with other states to administer the fuel tax and to make a conforming change to the definition of motor carrier.	Upon Rat.	-	-
SB 1336	788	Increases motor fuel tax proceeds earmarked to Wildlife Resources Commission for boating access and safety education in same proportion as increase in tax.	7-1-90	-	-

LOCAL GOVERNMENT REVENUE BILLS - 1989

BILL	CHAPTER	EXPLANATION	EFFECTIVE DATE	FISCAL EFFECT	
				1989-90	1990-91
HB 78	79	Requires the Department of Revenue to assist counties, upon their request, in the preparation of the specifications and proposed contracts related to the selection of private contractors employed to conduct the county's general revaluation of real property.	1-1-90	-	-
HB 457	723	Excludes from property tax real and personal property owned by non-profit organizations and leased by units of government for public purposes.	1989 Tax Year	Insign.	Insign.
HB 945	704	Exempts venture capital firms from intangibles tax.	1989 Tax	-	-100,000 (Max.)
HB 1397	736	Modifies gross income requirement used in determination or eligibility for use value taxation for Christmas trees.	1-1-90	-	-15,000
HB 1775	705	Increases from \$34,000 to \$38,000 property tax exclusion for specially adapted housing (including land) owned and used by a wheelchair-confined disabled veteran.	1-1-90	-	-15,000
SB 28	196	Extends date by which Board of Equalization and review must complete its duties from July 1 to December 1.	1-1-90	-	-

LOCAL GOVERNMENT REVENUE BILLS - 1989 (Continued)

BILL	CHAPTER	EXPLANATION	EFFECTIVE DATE	FISCAL EFFECT	
				1989-90	1990-91
SB 49	99	Allows an owner of forestland that is classified for taxation at its use value to acquire other land classified for use value taxation or is eligible for use value classification and, to have the newly acquired land immediately classified for taxation at its use value.	1-1-89	-	-
SB 63	176	Allows the board of county commissioners to include in the resolution creating a special board of equalization and review a procedure for appeal of the special board's decisions as to the listing or appraisal of real property to the county commissioners.	1-1-90	-	-
SB 566	682	Requires a county tax collector to notify all lienholders of record who have a lien against the listing taxpayer or against any subsequent owner of the property of a pending in ram tax foreclosure action against the property under G.S. 105-375.	10-1-89	-	-
SB 628	578	Gives the governing body of a taxing unit the authority to enter into a contract with a bank or other financial institution under which the institution agrees to collect property taxes owed the taxing unit.	Upon Rat.	-	-
SB 788	580	Permits the State or local property tax collector to recover property in the Escheat Fund for the property to the payment of State or local taxes.	Upon Rat.	Unknown	Unknown

LOCAL GOVERNMENT REVENUE BILLS - 1989 (Continued)

<i>BILL</i>	<i>CHAPTER</i>	<i>EXPLANATION</i>	<i>EFFECTIVE DATE</i>	<i>FISCAL EFFECT</i>	
				<i>1989-90</i>	<i>1990-91</i>
SB 1146	674	Classify for property taxation precious metals used by manufacturers as machinery.	1-1-89	-375,000	-375,000
SB 1145	748	Rental of tobacco sheets from sales tax.	8-1-89	-26,000	-32,500

**FEDERAL BLOCK
GRANTS**

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 provided the Administration with a creative way 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 crippled children, migrant health, family planning, and immunization. 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.

Brief Description of the Block Grants

Social Services Block Grant

The Social Services Block Grant is intended to provide federal funds to help people achieve or maintain a greater degree of economic self-support or self-sufficiency, to prevent abuse or exploitation of children and adults who are unable to protect their own interests, and to prevent inappropriate institutional care or to secure appropriate institutional care when other forms of care are not appropriate. The primary providers of these services are the one hundred county departments of social services, and examples of services funded include child and adult day care and in-home services for the elderly.

Alcohol, Drug Abuse and Mental Health Services Block Grant

This block grant provides funds to states to establish and maintain programs to combat alcohol and drug abuse, to care for the mentally ill and to promote mental health. The primary providers of these services are the forty-one area mental health, mental retardation, and substance abuse authorities.

Alcohol and Drug Abuse Treatment and Rehabilitation Block Grant

In 1986 Congress passed the Anti-Drug Abuse Act of 1986 (P.L. 99-570) which provided \$516 million in designated formula grants to states for law enforcement, drug education, and treatment and rehabilitation. This new block grant is a two-year allocation which may be used by states for alcohol abuse and drug abuse treatment and rehabilitation programs and activities.

Maternal and Child Health Block Grant

This block grant funds health services for mothers and children to reduce infant mortality and the incidence of preventable diseases and handicapping conditions among children. It also provides for rehabilitative services for blind and disabled individuals under the age of 16 and for treatment and care of crippled children.

FEDERAL BLOCK GRANT PROGRAM (1989 Actions, Continued)

Preventive Health Services Block Grant

This block grant provides health services to low-income families in order to reduce the risk of preventable illness and early death and to improve the quality of life through better health.

Low Income Energy Assistance Block Grant

The purpose of this block grant is to provide funds to assist low-income families with their heating fuel costs, to provide some emergency assistance and home weatherization or energy-related home repairs.

Community Services Block Grant

This is a federally funded program that provides a range of services and activities designed to eliminate the causes of poverty among the elderly, poor, and handicapped.

Job Training Partnership Act

The Job Training Partnership Act provides federal funds to establish programs to prepare youth and unskilled adults for entry into the labor force and assists individuals who have become unemployed due to plant closings or layoffs.

Community Development Block Grant

This is a federally funded program that provides for economic development, neighborhood revitalization and housing programs for low income people.

**FEDERAL BLOCK GRANT PROGRAM:
HOW THE MONEY WILL BE SPENT IN NORTH CAROLINA**

	<u>1989-90</u>
DEPARTMENT OF HUMAN RESOURCES:	
Division of Mental Health, Mental Retardation, and Substance Abuse Services	
A. Social Services Block Grant	\$ 5,770,693
B. Alcohol and Drug Abuse and Mental Health Services Block Grant	13,875,934
C. Alcohol and Drug Abuse Treatment and Rehabilitation Block Grant	1,083,406
D. Mental Health Services for the Homeless Block Grant	290,783
E. Community Youth Activity Program Block Grant	68,509
Division of Health Services	
A. Maternal and Child Health Block Grant	14,493,772
B. Preventive Health Services Block Grant	2,144,340
C. Social Services Block Grant	2,890,744
D. Low Income Energy Block Grant	1,696,362
Division of Social Services	
A. Low Income Energy Block Grant	24,848,420
B. Social Services Block Grant	42,247,125

FEDERAL BLOCK GRANT PROGRAM (1989 Actions, Continued)

1989-90

Division of Facility Services

A. Preventive Health Services Block Grant	424,828
B. Social Services Block Grant	12,742,059
C. Low Income Energy Block Grant	209,116

Division of Youth Services

A. Social Services Block Grant	1,051,428
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Division of Blind Services

A. Social Services Block Grant	2,691,673
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Office of the Secretary

A. Social Services Block Grant	44,970
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State Administration

A. Social Services Block Grant	3,362,775
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DEPARTMENT OF ADMINISTRATION:

A. Preventive Health Block Grant	89,369
B. Low Income Energy Block Grant	45,270

DEPARTMENT OF COMMERCE:

Low Income Energy Block Grant	1,737,187
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**DEPARTMENT OF NATURAL RESOURCES
AND COMMUNITY DEVELOPMENT:**

A. Community Services Block Grant	8,684,354
B. Community Development Block Grant	37,904,000
C. Job Training Partnership Act Funds	40,833,645

DEPARTMENT OF PUBLIC INSTRUCTION:

Education Consolidation and Improvement Act Chapter II	11,526,834
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1990 ACTIONS

1990-91

DEPARTMENT OF HUMAN RESOURCES:

**Division of Mental Health, Mental
Retardation, and Substance Abuse Services**

A. Social Services Block Grant	\$5,881,994
B. Alcohol and Drug Abuse and Mental Health Services Block Grant	22,886,648

FEDERAL BLOCK GRANT PROGRAM (1989 Actions, Continued)

	<u>1990-91</u>
C. Mental Health Services for the Homeless Block Grant	350,195
D. Community Youth Activity Program Block Grant	90,423

Division of Social Services

A. Low Income Energy Block Grant	25,244,418
B. Social Services Block Grant	44,955,990

Division of Facility Services

A. Preventive Health Services Block Grant	445,087
B. Social Services Block Grant	12,781,021
C. Low Income Energy Block Grant	209,116

Division of Aging

Social Services Block Grant	333,706
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Division of Youth Services

Social Services Block Grant	1,051,428
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Division of Blind Services

Social Services Block Grant	3,069,228
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Office of the Secretary

A. Social Services Block Grant	53,361
B. Community Services Block Grant	8,777,461

State Administration

Social Services Block Grant	3,401,714
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DEPARTMENT OF ADMINISTRATION:

A. Preventive Health Block Grant	91,010
B. Low Income Energy Block Grant	45,270

DEPARTMENT OF ENVIRONMENT, HEALTH AND NATURAL RESOURCES

A. Preventive Health Block Grant	2,371,385
B. Maternal and Child Health Block Grant	15,404,040
C. Social Services Block Grant	3,023,894
D. Low Income Energy Block Grant	1,905,442

DEPARTMENT OF ECONOMIC AND COMMUNITY DEVELOPMENT

A. Job Training Partnership Act Funds	37,826,365
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FEDERAL BLOCK GRANT PROGRAM (Continued)

	<u>1990-91</u>
B. Community Development Block Grant	36,234,000
C. Low Income Energy Block Grant	1,737,187

DEPARTMENT OF PUBLIC EDUCATION

Education Consolidation and Improvement Block Grant	11,526,834
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SALARIES AND BENEFITS

SALARY CHANGES FOR EMPLOYEES SUPPORTED BY THE STATE

 1989 LEGISLATIVE ACTIONS

Salary Increases

The 1989 Session of the General Assembly enacted the following additional General Fund and Highway Fund appropriations to provide a salary increase effective July 1, 1989, and an additional salary increase effective July 1, 1990, for employees paid from State funds:

	<u>1989-90</u>	<u>1990-91</u>
General Fund		
1989-90 Increases	\$292,300,000	\$292,300,000
1990-91 Increases	-	319,600,000
Total General Fund	<u>\$292,300,000</u>	<u>\$611,900,000</u>
Highway Fund		
1989-90 Increases	\$17,300,000	\$17,300,000
1990-91 Increases	-	18,900,000
Total Highway Fund	<u>\$17,300,000</u>	<u>\$36,200,000</u>
Total General & Highway Funds		
1989-90 Increases	\$309,600,000	\$309,600,000
1990-91 Increases	-	338,500,000
Grand Total	<u>\$309,600,000</u>	<u>\$648,100,000</u>

The foregoing additional General Fund and Highway Fund appropriations were net of some \$4.5 million for each year of the 1989-91 biennium from employer Social Security cost savings on tax-sheltered employee premium payments to the State Employee Health Benefit Plan.

General Salary Increases

- (1) **Employees Whose Salaries are Set in Accordance with the State Personnel Act:** The 1989 Session of the General Assembly authorized a 4% across-the-board salary increase for all State employees whose salaries are set in accordance with the State Personnel Act, effective July 1, 1989, and an additional 4% across-the-board salary increase for these same employees effective July 1, 1990. In addition, funds were appropriated equivalent to an average annual 2% across-the-board salary increase effective July 1, 1989, plus funds equivalent to an additional 2% across-the-board salary increase effective July 1, 1990, for merit pay to reward employees who perform at or above satisfactory levels of job performance.

At the request of the State Employees Association, a performance pay system was adopted by the 1989 Session, which directs that at least 25% of all future salary increases awarded by the General Assembly be reserved for job performance increases. Each department, agency, or institution must have an operational performance appraisal system approved by the State Personnel Director that has at least 5 graduated levels of job performance with the top three levels qualifying for different levels of performance salary increases.

Salary Changes - 1989 Session (Continued)

The maximum salary increases that can be awarded to individual employees for performance increases is 6% for each fiscal year of the 1989-91 biennium.

Merit pay raises are expected to be effective January 1, 1990, retroactive to July 1, 1989 in some cases. Employees may appeal evaluations first to immediate supervisors and then to an agency grievance committee which shall make recommendations to the head of each department, agency, or institution for final approval. Appeals no longer are to be referred to the Office of Administrative Hearings or to the State Personnel Commission.

- (2) **Employees Whose Salaries are Not Set in Accordance with the State Personnel Act:** The 1989 Session increased the salaries of employees of the Judicial Department, the General Assembly, and employees of the Executive Branch of State Government whose salaries are not set in accordance with the State Personnel Act by 6% across-the-board effective July 1, 1989, and by an additional 6% increase effective July 1, 1990.
- (3) **Employees of the University System Exempt from the State Personnel Act:** The 1989 Session authorized funds for an average annual salary increase of 6% effective July 1, 1989, for employees of the University System whose salaries are exempt from the State Personnel Act and an additional average annual salary increase of 6% effective July 1, 1990, to be awarded to individuals based on the rules of the University Board of Governors.
- (4) **Community College Institutional Employees:** The 1989 Session authorized funds for an average annual salary increase of 6% effective July 1, 1989, for institutional employees of the Community College System and an additional average annual salary increase of 6% effective July 1, 1990.
- (5) **Employees of the Public Schools:**
 - (a) *Superintendents, Assistant Superintendents, Associate Superintendents, Supervisors, Directors, Coordinators, Evaluators, Program Administrators, Principals, and Assistant Principals:* The 1989 Session of the General Assembly appropriated funds for a 6% across-the-board salary increase effective July 1, 1989, for superintendents, assistant superintendents, associate superintendents, supervisors, directors, coordinators, evaluators, program administrators, principals, and assistant principals. The 1989 General Assembly also appropriated funds equivalent to an average annual salary increase of 6% effective July 1, 1990, to implement a new state salary schedule for these same personnel to be developed by the State Board of Education and the Superintendent of Public Instruction by April 1, 1990. The new state salary schedule incorporates the following:
 - (1) A 30 annual step salary schedule based on years of experience with a 2% increase between steps;
 - (2) A 5% difference between the third and fourth steps; and,
 - (3) Annual longevity pay at 2.5% of base salary after 25 years of State service.

Salary Changes - 1989 Session (Continued)

The change in annual longevity pay is to replace the previously authorized annual longevity pay of 1.50% of base salary after 10 years of State service, 2.25% of base salary after 15 years of service, 3.25% of base salary after 20 years of service, and 4.50% of base salary after 25 years of State service.

- (b) *Teachers:* The 1989 Session appropriated additional funds equivalent to an average annual salary increase of 6% for teachers effective July 1, 1989, and an additional amount for an average annual salary increase of 6% effective July 1, 1990, in order to begin the first two years of a three-year implementation of a new salary schedule based on years of experience. The new schedule will incorporate the following:

- (1) A 30 annual step salary schedule based on years of experience with a 2% increase between steps;
- (2) A 5% difference between the third and fourth steps;
- (3) A 5% difference for teachers with a master's degree;
- (4) A 7.5% difference for teachers with a six-year degree;
- (5) A 10% difference for teachers with a doctoral degree; and,
- (6) Annual longevity pay at 2.5% of base salary after 25 years of State service.

For 1989-90, salary increases for teachers generally range from 1% to 16% with a median increase of around 7.5%. For 1990-91, teachers' salary increases will generally range from 3% to 10% with a median increase of around 7%. The change in annual longevity pay, effective for 1989-90, is to replace the previously authorized annual longevity pay of 1.50% of base salary after 10 years of State service, 2.25% of base salary after 15 years of service, 3.25% of base salary after 20 years of service, and 4.50% of base salary after 25 years of State service.

- (c) *Noncertified Employees Except School Bus Drivers:* The 1989 Session authorized funds for a 4% across-the-board salary increase effective July 1, 1989, and an additional 4% across-the-board salary increase effective July 1, 1990, for non-certified employees of the public schools except school bus drivers. In addition, funds equal to an additional 2% average annual salary increase were appropriated for each successive year of the 1989-91 biennium to be used by the State Board of Education and the Superintendent of Public Instruction to adjust the salaries and salary schedules for non-certified employees to be comparable with the salaries of similarly classified State employees insofar as possible.
- (d) *School Bus Drivers:* The 1989 Session appropriated funds so that the pay rates adopted by local boards of education for school bus drivers for the 1989-90 year could be increased by 6% on or after July 1, 1989 and by an additional 6% on and after July 1, 1990.

Salary Changes - 1989 Session (Continued)

Specified Salary Increases

- (1) **Legislators:** Beginning with the 1991 General Assembly, legislators will receive the following annual salaries by action of the 1989 Session of the General Assembly, which reflect the same total salary increase of 12.4% over the biennium authorized for state employees by the 1989 Session.

<i>Legislator</i>	<i>New Salary</i>
House Speaker	\$35,100
Senate President Pro Tempore	35,100
House Speaker Pro Tempore	19,776
Senate Deputy President Pro Tempore	19,776
House & Senate Majority Leaders	15,396
House & Senate Minority Leaders	15,396
Other Legislators	12,504

In addition, the 1989 Session approved an increase in the salary of the Senate President Pro Tempore to the same level as authorized for the House Speaker and an increase in salary for the Senate Deputy President Pro Tempore to the same level as authorized for the House Speaker Pro Tempore. Also, the office of House Majority Leader was formally established with a salary set at the same amount as authorized for the Senate Majority Leader and the House and Senate Minority Leaders. Even with the increases in legislative salaries authorized by the 1989 Session for members in 1991, North Carolina still has the distinction of having among the lowest paid legislators in the nation.

- (2) **Governor:** The 1989 Session of the General Assembly authorized a 6% annual salary increase for each year of the 1989-91 biennium for the Governor from \$109,728 to \$116,316 effective July 1, 1989, and to \$123,300 effective July 1, 1990. The General Assembly authorized the increase in salary so as to fully recognize that North Carolina's Governor is the Chief Executive Officer of the State and should be paid accordingly, notwithstanding the fact that North Carolina's Governor will be the highest paid in the country.

- (3) **Judicial Personnel:** The 1989 Session provided a 6% salary increase for the following officials of the Judicial Department, effective July 1, 1989, and an additional 6% salary increase effective July 1, 1990. These new annual salaries are:

<u>Officials</u>	<u>New Salary</u>	
	<u>1989-90</u>	<u>1990-91</u>
Chief Justice, Supreme Court	\$86,232	\$91,416
Associate Justice, Supreme Court	84,456	89,532
Chief Judge, Court of Appeals	81,756	86,664
Judge, Court of Appeals	79,968	84,768
Judge, Senior Regular Resident Superior Court	73,332	77,736

Salary Changes - 1989 Session (Continued)

Judge, Superior Court	70,992	75,252
Chief Judge, District Court	62,628	66,396
Judge, District Court	60,240	63,864
District Attorney	66,060	70,032
Assistant District Attorney - an average of	42,732	45,300
Administrative Officer of the Courts	73,332	77,736
Assistant Administrative Officer of the Courts	59,772	63,360
Public Defender	66,060	70,032
Assistant Public Defender - an average of	42,732	45,300
<u>Superior Court Clerks</u>		
Less than 99,999 population	44,256	46,920
100,000 to 199,999 population	50,016	53,028
200,000 and above population	57,072	60,504

In addition to providing a 6% across-the-board increase for each year of the 1989-91 biennium, the 1989 General Assembly changed the salary schedule for court clerks by reducing the population categories from four to three. By eliminating the lowest population category of "Less than 30,000", 38 Clerks were authorized to receive an additional \$5,784 annual salary increase. The 1989 Session directed the Judicial Department to fund the increased cost of \$332,625 for 1989-90 and \$333,882 for 1990-91 out of the Department's existing General Fund appropriations.

	New Salary	
	1989-90	1990-91
<u>Assistant Superior Court Clerks</u>		
Minimum	\$19,536	\$20,712
Maximum	32,772	34,740
<u>Deputy Superior Court Clerks</u>		
Minimum	15,312	16,236
Maximum	25,128	26,640
<u>Magistrates</u>		
Less than 1 year's service	15,600	16,536
1 or more but less than 3 years' service	16,416	17,412
3 or more but less than 5 years' service	18,084	19,176
5 or more but less than 7 years' service	19,920	21,120

Salary Changes - 1989 Session (Continued)

7 or more but less than 9 years' service	21,972	23,292
9 or more but less than 11 years' service	24,204	25,656
11 or more years' service	26,628	28,236

In addition to providing a 6% across-the-board salary increase for each year of the 1989-91 biennium, the 1989 General Assembly provided educational incentives so that magistrates who earn a two-year associate in applied science degree in criminal justice or paralegal training from a North Carolina community college or the equivalent degree from a private educational institution in North Carolina, a four-year degree from an accredited educational institution, a law degree, or who is licensed to practice law in North Carolina will receive additional years of credit to be applied to the foregoing table in determining an annual salary rate.

- (4) *Council of State*: The 1989 Session of the General Assembly provided a 6% annual salary increase for members of the Council of State effective July 1, 1989 and an additional 6% annual salary increase effective July 1, 1990. These new annual salaries are:

<u>Council of State</u>	New Salary	
	<u>1989-90</u>	<u>1990-91</u>
Lieutenant Governor	\$70,992	\$75,252
Attorney General	70,992	75,252
Secretary of State	70,992	75,252
State Treasurer	70,992	75,252
State Auditor	70,992	75,252
Superintendent of Public Instruction	70,992	75,252
Agriculture Commissioner	70,992	75,252
Insurance Commissioner	70,992	75,252
Labor Commissioner	70,992	75,252

- (5) *Governor's Cabinet*: The 1989 Session of the General Assembly authorized a 6% annual salary increase for members of the Governor's Cabinet, effective July 1, 1989, and an additional 6% annual salary increase effective July 1, 1990, as follows:

<u>Cabinet</u>	New Salary	
	<u>1989-90</u>	<u>1990-91</u>
Administration Secretary	\$70,992	\$75,252
Economic and Community Development Secretary	70,992	75,252
Correction Secretary	70,992	75,272
Crime Control Secretary	70,992	75,272
Cultural Resources Secretary	70,992	75,272

Salary Changes - 1989 Session (Continued)

Human Resources Secretary	70,992	75,272
Environment, Health and Natural Resources Secretary	70,992	75,272
Revenue Secretary	70,992	75,272
Transportation Secretary	70,992	75,272

- (6) *Certain Executive Officers:* Based upon the Separation of Powers Act of 1983, as amended, the new annual salaries, effective July 1, 1989, and July 1, 1990, for certain executive officials are as follows, which include the 6% across-the-board salary increase for each year of the biennium authorized by the 1989 Session of the General Assembly:

<u>Officials</u>	<u>New Salary</u>	
	<u>1989-90</u>	<u>1990-91</u>
State Controller	\$110,772	\$117,420
Chairman, Alcoholic Beverage Control Commission	68,304	72,408
Commissioner of Motor Vehicles	68,304	72,408
Commissioner of Banks	68,304	72,408
Chairman, Employment Security Commission	68,304	72,408
State Personnel Director	70,992	75,252
Chairman, Parole Commission	62,328	66,072
Members of the Parole Commission	57,504	60,960
Chairman, Industrial Commission	61,320	65,004
Members of the Industrial Commission	59,808	63,408
Executive Director, Agency for Public Telecommunications	57,504	60,960
General Manager, Ports Railway Commission	51,876	54,996
Executive Director, Art Museum	70,008	74,208
Executive Director, Housing Finance Agency	84,648	89,736
Executive Director, Ports Authority	79,392	84,156
Executive Director, Wildlife Resources Commission	58,884	62,424
Executive Director, Technological Development Authority	45,156	47,868
Executive Director, Agricultural Finance Authority	66,468	70,464
Director, Office of Administrative Hearings	60,240	63,864

Salary Changes - 1989 Session (Continued)

The 1989 Session removed the General Assembly's statutory requirement for setting the salary of the Deputy Banking Commissioner since the position was the only deputy department head position whose salary was required to be specifically set by the General Assembly. The General Assembly also removed the same statutory requirement for setting the salary of the Director of the Seafood Industrial Authority since the position had been vacant for several years.

- (7) **Salary Increases for Legislative Principal Clerks, Sergeants-at-Arms, and Reading Clerks:** The annual salaries of the Principal Clerks in the House of Representatives and Senate were increased by 6% to \$43,548 per year effective July 1, 1989, and by an additional 6% to \$46,164 effective July 1, 1990.

Likewise, the salaries of the Sergeants-at-Arms and Reading Clerks in the House of Representatives and Senate were increased by 6% to \$197 per week effective July 1, 1989, and by an additional 6% to \$209 per week effective July 1, 1990.

- (8) **State Bureau of Investigation Agents:** The 1989 Session appropriated an additional \$122,000 from the General Fund for each year of the 1989-91 biennium to the Department of Justice to fund salary adjustments, as determined by the Office of State Personnel, for agents of the State Bureau of Investigation. The 1989 Session also appropriated an additional \$870,000 for 1989-90 and \$1,044,000 for 1990-91 from the General Fund to provide for a two-step salary increase, or an additional average 9.2% increase, effective September 1, 1989, for SBI agents.

Salary Increase Funds to Local Governments

At a General Fund cost of an additional \$6,002,988 for 1989-90 and \$12,246,094 for 1990-91, the 1989 Session of the General Assembly tried to partially offset the impact of successive 4% across-the-board salary increases for each fiscal year of the 1989-91 biennium to local governments receiving state funds. The additional form of state aid to local governments is to be used only for salary increases to local government employees and for contracted personal services provided by nongovernmental and nonprofit entities serving state and local governments to the extent that State funds support local employee salaries and locally-contracted personal services scheduled to be renewed during 1989-90 and 1990-91.

Legislative and Judicial Salary Study Commission

The 1989 Session of the General Assembly established a Legislative Study Commission consisting of 15 members to be appointed by the Governor. The Commission is specifically charged with studying the salaries of members of the General Assembly and Justices and Judges of the General Court of Justice and make a report to the 1990 Session of the General Assembly.

State Law Enforcement Study

The Joint Legislative Commission on Governmental Operations was directed by the 1989 Session of the General Assembly to conduct a study of State law enforcement officers to include: (1) a coordination of activities to prevent duplication of responsibilities, training, and technical assistance, (2) a comparison of salaries for all State law enforcement officers, and (3) a determination if sworn law enforcement agents of the State Bureau of Investigation should be eligible for automatic annual salary increases as authorized for Highway Patrol troopers.

RETIREMENT AND PENSION CHANGES FOR STATE AND LOCAL PERSONNEL

1989 LEGISLATIVE ACTIONS

Currently-Employed Employees

- (1) **Benefit Accrual Rate Increased:** Effective July 1, 1989, the benefit accrual rate, or retirement formula, was increased in the Teachers' and State Employees' and Local Governmental Employees' Retirement Systems from 1.60% to 1.63% of average final compensation per year of creditable service. The net effect of this increase will be to increase the annual retirement allowance of all employees who retire on and after July 1, 1989 by 1.9%. The General Assembly funded the increase out of unencumbered actuarial gains within the Systems, as of December 31, 1987, without requiring any additional employer contributions. The increase cost the Teachers' and State Employees' Retirement System is some \$213 million and the Local Governmental Employees' Retirement System is some \$49 million for active employees in available actuarial gains.
- (2) **Additional Employer Contributions to the University Employee Optional Retirement Program:** The 1989 Session of the General Assembly increased the State's employer contribution rate for University faculty and administrators participating in the Optional Retirement Program's fixed and variable life annuities from 6.1% to 6.2% of an employee's compensation, effective September 1, 1989. Such a change was made at an additional General Fund cost of some \$210,000 for 1989-90 and some \$220,000 for 1990-91 to be financed out of existing appropriations to the University System.
- (3) **Increased Employee Costs to Purchase Retirement Service Credits:** Effective June 7, 1989, the General Assembly expanded the definition of "full actuarial cost" used by active members of the Teachers', State Employees', Consolidated Judicial, Legislative and Local Governmental Employees' Retirement Systems as the price to purchase additional retirement service credits not otherwise provided through state and local government payrolls. The more complete definition includes assumed post-retirement allowance increases to be set by the Trustees of the Retirement Systems to supplement the price for the additional retirement benefits resulting from the additional service credits at the earliest age that an unreduced benefit would be payable. The Trustees of the Retirement Systems are expected to adopt a 3.5% annual post-retirement allowance increase.
- (4) **Maximum Amount and Age Limits Set for Retirement Benefits:** The 1989 General Assembly, effective January 1, 1989, in complying with federal tax law to maintain tax-qualified retirement plans, established a \$200,000 maximum annual compensation amount upon which a retirement benefit is based from the Teachers' & State Employees', Consolidated Judicial, Legislative, or Local Governmental Employees' Retirement System. In addition, a \$200,000 maximum annual benefit was established under these separate Retirement Systems to be adjusted from year to year by amounts allowed by the federal Internal Revenue Service. The 1989 General Assembly also set age 70 and 1/2 years as the latest age at which a member of the Retirement Systems could defer drawing a benefit whenever their covered employment was terminated in compliance with federal tax law.

Retirement and Pension Changes - 1989 Session (Continued)

- (5) **Retroactive Death Benefits Payable after Age 70 for Teachers, State Employees, and Local Government Employees:** In compliance with the federal Age Discrimination in Employment Act (ADEA), the 1988 General Assembly, with the advice of the Attorney General's Office, removed the age 70 exclusion for the payment of death benefits on behalf of deceased active members of the Teachers' and State Employees' and Local Governmental Employees' Retirement Systems, effective July 1, 1988. Death benefits were paid regardless of an employee's age at the time of death. The federal Equal Employment Opportunity Commission (EEOC) subsequently ordered the Retirement Systems' death benefit trusts to eliminate the over-age-70 prohibition retroactively to January, 1987.

The 1989 Session of the General Assembly consequently enacted legislation to comply with the federal order upon further advice from the Attorney General's Office. The trusts' reserves were authorized to be used in paying out an additional \$174,000 in death claims for the period January 1, 1987 to July 1, 1988 as required by the EEOC order.

- (6) **Military Service Retirement Credit Purchases Reinstated for Teachers, State Employees, Judicial Officials, and Local Government Employees:** Effective October 1, 1989, the General Assembly reinstated the privilege of purchasing retirement service credits for initial periods of active duty military service for members of the Teachers' and State Employees', Consolidated Judicial, and Local Governmental Employees' Retirement Systems. Members must have 5 years of membership service in the Retirement Systems and pay the full actuarial cost for the purchased service credits. The privilege of making such service purchases was previously ended for employees whose retirement service began after July 1, 1981, in the Teachers' & State Employees' Retirement System and for employees whose retirement service began after January 1, 1988, in the Local Governmental Employees Retirement System.

For employees whose retirement service began prior to these dates, the purchase price may, however, be at a reduced rate upon the completion of 10 but less than 13 years of service or at the full actuarial cost upon the completion of 5 years of retirement membership service or upon the completion of more than 13 years of membership service. Members of the Legislative Retirement System were also allowed to purchase retirement credits for initial periods of active duty military service upon the completion of 5 years of service as a legislator by paying the full actuarial cost for the additional credits.

- (7) **Involuntary Termination of Retirement Membership Revoked:** The 1989 General Assembly, effective July 1, 1989, permitted members of the Teachers' and State Employees' Retirement System with 5 years of membership service who had their membership in the Retirement System involuntarily terminated before July, 1971, because of an absence of service, the privilege of maintaining their contributions in the Retirement System in order to be eligible for a benefit at age 60.
- (8) **Time Limits Set for Firemen and Rescue Squad Worker Pension Service Credit Purchases:** Effective July 28, 1989, members of the State Firemen's and Rescue Squad Worker's Pension Fund have 6 months from the date of applying for the purchase of prior service credits to make payments to the Pension Fund for such purchases. Any member of the Fund who made such application before March 31, 1987, will have until October 1, 1989 to actually make payments to the Fund and receive additional service credit from the Fund.

Retirement and Pension Changes - 1989 Session (Continued)

- (9) **Public School, Community College, and University Employees Allowed to Purchase Qualified Interests in Mutual Funds and Financial Institutions in Lieu of Annuities:** Effective January 1, 1990, educational employees qualified to purchase tax-sheltered annuities under Section 403(b) of the Internal Revenue Code through salary reductions are authorized by the 1989 General Assembly to also purchase interests in qualified custodial accounts offered by mutual funds and financial institutions for retirement purposes as specified by the federal Internal Revenue Code.
- (10) **Study of Firemen's Retirement and Other Benefits:** The 1989 General Assembly directed the Legislative Research Commission to study the coordination of retirement and related benefits from all federal, state, and local government sources for firemen, including eligibility requirements to receive such benefits, and report its findings to the 1991 Session of the General Assembly.

Retired Employees

- (1) **Cost-of-Living Adjustment in Retirement Allowances for Retired Teachers, State Employees, Judges, District Attorneys, Superior Court Clerks, and Local Government Employees:** Effective July 1, 1989, the General Assembly provided a 3.5% increase in the retirement allowances paid to beneficiaries in four of the State-administered Systems whose retirement began on or before July 1, 1988. In addition, beneficiaries who retired after July 1, 1988, and before June 30, 1989, were authorized an increase in their retirement allowances on July 1, 1989, equal to a pro-rated amount of the 3.5% increase provided to those who retired on or before July 1, 1988. The pro-rated amount will be determined by the Retirement Systems' Board of Trustees based upon the number of months that a retirement allowance was paid during 1988-89.

The 3.5% increase was granted to retired beneficiaries so as to give them a comparable increase to the 4.0% across-the-board salary increase provided for currently-employed employees (3.2%) plus an additional 0.3% increase. Comparability was determined by the relative impact of the increase upon the average net disposable income of each group of active and retired employees, considering payroll deductions for retirement contributions, Social Security taxes, state income withholding taxes, and federal income withholding taxes required by law of each group.

This increase in retirement allowances was funded out of unencumbered actuarial gains in the following Retirement Systems as of December 31, 1987: Teachers' and State Employees' - \$150 million; Consolidated Judicial - \$2 million; and Local Governmental Employees' - \$29 million. For fiscal year 1990-91, the 1989 Session of the General Assembly expressed its intention of providing a 6.1% increase in the post-retirement allowances paid to beneficiaries in the same four State-administered Systems contingent upon the availability of unencumbered actuarial gains to pay for such increases.

- (2) **Cost-of-Living Adjustment in Retirement Allowances for Retired Legislators:** At an additional one-time cost to the General Assembly for 1989-90 of \$135,000, beneficiaries of the Legislative Retirement System retired on or before January 1, 1989, were provided, on and after July 1, 1989, a 7.8% increase in retirement allowances, comparable to the same type of increases granted to retired beneficiaries of the Teachers' and State Employees' Retirement System for 1986 and 1987 as provided for by law.

Retirement and Pension Changes - 1989 Session (Continued)

(3) **Additional Increase in Retirement Allowances for Retired Teachers, State Employees, and Local Government Employees Corresponding to an Increase in the Benefit Accrual Rate:** Effective July 1, 1989, retired beneficiaries whose allowances were computed on a benefit accrual rate of 1.60% of average final compensation per year of service will have their retirement allowances increased by 1.9% to reflect an increase in the benefit accrual rate for currently-employed employees to 1.63% which was authorized by the 1989 General Assembly, effective July 1, 1989. This additional retirement allowance increase was funded out of unencumbered actuarial gains available to the Retirement Systems as of December 31, 1987, without requiring any additional employer contributions - at a cost of \$79 million from the Teachers' and State Employees' System and \$16 million from the Local Governmental Employees' System.

(4) **Court-Mandated State Income Taxation of State and Local Government Employee Retirement Benefits:** In response to a March, 1989, ruling of the United States Supreme Court (*Davis v. Michigan*) that North Carolina and some 19 other states could not tax retired federal employees' income any differently than retired state and local government employees' income under the federal Public Salary Tax Act of 1939, the 1989 General Assembly reduced retired state and local government employees' 100% exclusion from state income tax to the same \$4,000 annual state income tax exclusion as provided by North Carolina for retired federal civilian and military retirees. The change was made by the General Assembly effective January 1, 1989.

To give retired federal civilian and military employees the same 100% exclusion from state income tax, as was provided retired state and local government employees would have cost North Carolina some \$45 million per year in lost tax revenues. Retired state and local government employees are expected to pay an additional \$15 million per year in state income taxes from the \$4,000 annual income tax exclusion. However, a 1.9% increase in the retirement benefits for state and local government employees, combined with a \$4,000 annual state income tax exclusion on retirement benefits, is expected to at least maintain the net income levels prior to the Supreme Court ruling for state and local government employees retiring with a salary of \$35,000 or less, and whose only income is from state and local government retirement benefits, exclusive of Social Security. The \$35,000 salary at retirement threshold is expected to cover some 85-90% of all retiring state and local government employees.

(5) **Refund of Retired State and Local Government Agricultural Extension Agent Retirement Contributions in Excess of Social Security Contributions:** The 1988 Session of the General Assembly authorized a refund to beneficiaries for retirement contributions made by employees of the Agricultural Extension Service in the Teachers' and State Employees' Retirement System and by employees of the Agricultural Extension Service in the Local Governmental Employees' Retirement System who were not covered by Social Security to the extent that their retirement contributions were in excess of other employees' retirement contributions during the period 1955 through mid-1963 (through mid-1965 for the Local System). During these periods, affected employees not covered by Social Security contributed 2% of their salaries more to the Retirement Systems than did other System employees who were covered by Social Security. However, under the defined benefit structure of the Retirement Systems, the affected employees received no greater benefits for their additional contributions.

Retirement and Pension Changes - 1989 Session (Continued)

A refund of these excess member contributions was authorized by the 1988 Session through June 30, 1993, out of \$100,000 in unencumbered actuarial gains in each of the Retirement Systems as of December 31, 1986. However, applications for refunds of these excess employee contributions exceeded the amounts authorized by the 1988 General Assembly. Consequently, the 1989 Session expanded its earlier authorization through June 30, 1994, out of \$1,500,000 in unencumbered actuarial gains in the Teachers' and State Employees' Retirement System and \$500,000 in unencumbered actuarial gains in the Local Governmental Employees' Retirement System.

- (6) **Additional Child Support Withholding from Retirement Benefits:** Effective October 1, 1989 Clerks of Superior Court and county social services departments are authorized to order the withholding of child support payments from retirement benefits payable from the Teachers' and State Employees', Consolidated Judicial, and Local Governmental Employees' Retirement Systems under Section IV-D of the Social Security Act. Previously, such withholding was authorized only upon a district court order.

1990 LEGISLATIVE ACTIONS

Currently-Employed Employees

- (1) **Benefit Accrual Rate Increased:** Effective July 1, 1990, the benefit accrual rate, or retirement formula, was increased in the Teachers' and State Employees' and Local Governmental Employees' Retirement Systems from 1.63% to 1.64% of average final compensation per year of creditable service. The benefit accrual rate was also increased in the Consolidated Judicial Retirement System from 4% to 4.02% of final compensation per year of creditable service for a justice of the Supreme Court or a judge of the Court of Appeals, from 3.5% to 3.52% for a judge of Superior Court or the Administrative Officer of the Courts, and from 3% to 3.02% for a judge of District Court, District Attorney, or the Clerk of Superior Court. The net effect of these increases will be to increase the annual retirement allowance of all employees who retire on and after July 1, 1990 by 0.6%.

The General Assembly funded the increases out of unencumbered actuarial gains within the Systems, as of December 31, 1988, without requiring any additional employer contributions. The increase cost the Teachers' and State Employees' Retirement System some \$73 million, the Local Governmental Employees' Retirement System some \$18 million, and the Consolidated Judicial Retirement System some \$240,000 for active employees in available actuarial gains. The retirement formula in the Legislative Retirement System was increased from 4% to 4.02% of highest annual salary for each year of service to reflect the same 0.6% increase that was granted to the other system at a cost of \$23,000.

- (2) **Additional Employer Contributions to the University Employee Optional Retirement Program:** The 1990 Session of the General Assembly increased the State's employer contribution rate for University faculty and administrators participating in the Optional Retirement Program's fixed and variable life annuities from 6.2% to 6.24% of an employee's compensation, effective August 1, 1990.

Retirement and Pension Changes - 1990 Session (Continued)

Such a change was made at an additional General Fund cost of some \$86,000 for 1990-91 to be financed out of existing appropriations to the University System.

- (3) **Reciprocity Among the Retirement Systems to Determine Eligibility for Benefits:** Effective October 1, 1990, the 1990 Session of the General Assembly allowed creditable service in any of the four State-administered retirement systems (Teachers' and State Employees' Retirement System, Local Governmental Employees' Retirement System, Consolidated Judicial Retirement System, and Legislative Retirement System) to count for eligibility requirements to receive a benefit from any of the other State-administered retirement systems. Service in other systems may count toward the service required before service purchases can be made. The cost of \$2.3 million was funded out of unencumbered actuarial gains available in the Consolidated Judicial Retirement System as of December 31, 1988 without requiring any additional employer contributions.
- (4) **Expansion of Eligibility for Membership in the Supplemental Retirement Income Plan:** The 1990 General Assembly enacted legislation to allow employees of local governments who are covered by a qualified retirement or pension plan, and not covered by the Local Governmental Employees' Retirement System, to be members of the Supplemental Retirement Income Plan [401(k)Plan].

Retired Employees

- (1) **Increase in Retirement Allowances for Retired Teachers, State Employees, Judges, District Attorneys, Superior Court Clerks, and Local Government Employees:** Effective July 1, 1990, the General Assembly provided a 6.1% increase in the retirement allowances paid to beneficiaries in three of the State-administered Systems whose retirement began on or before July 1, 1989. In addition, beneficiaries who retired after July 1, 1989, and before June 30, 1990, were authorized an increase in their retirement allowances on July 1, 1990, equal to a pro-rated amount of the 6.1% increase provided to those who retired on or before July 1, 1989. The pro-rated amount will be determined by the Retirement Systems' Board of Trustees based upon the number of months that a retirement allowance was paid during 1989-90. The 6.1% increase was granted to retired beneficiaries as a result of the 1989 Session of the General Assembly expressing its intention of providing a 6.1% increase in the post-retirement allowances paid to beneficiaries in the same three State-administered Systems contingent upon the availability of unencumbered actuarial gains to pay for such increases. This increase in retirement allowances was funded out of unencumbered actuarial gains in the following Retirement Systems as of December 31, 1988: Teachers' and State Employees' - \$289 million; Local Governmental Employees' - \$55 million and Consolidated Judicial - \$2.8 million.
- (2) **Increase in Retirement Allowances for Retired Legislators:** At an additional one-time cost to the General Assembly for 1990-91 of \$149,000, beneficiaries of the Legislative Retirement System retired on or before January 1, 1990, were provided, on and after July 1, 1990, a 6.1% increase in retirement allowances, comparable to the same increase granted to retired beneficiaries of the Teachers' and State Employees' Retirement System.

Retirement and Pension Changes - 1990 Session (Continued)

- (3) **Additional Increase in Retirement Allowances for Retired Teachers, State Employees, Judges, District Attorneys, Superior Court Clerks, and Local Government Employees Corresponding to an Increase in the Benefit Accrual Rate:** Effective July 1, 1990, retired beneficiaries whose allowances were computed on a benefit accrual rate of 1.63% of average final compensation per year of service, or the benefit accrual rate in the Consolidated Judicial Retirement System, will have their retirement allowances increased by 0.6% to reflect an increase in the benefit accrual rate for currently-employed employees which was authorized by the 1990 General Assembly, effective July 1, 1990. This additional retirement allowance increase was funded out of unencumbered actuarial gains available to the Retirement Systems as of December 31, 1988, without requiring any additional employer contributions, at a cost of \$30 million from the Teachers' and State Employees' System, \$6 million from the Local Governmental Employees' System, and \$290,000 from the Consolidated Judicial Retirement System.
- (4) **Service Retirees Allowed to Convert to Disability Retirement:** Effective October 1, 1990, the 1990 General Assembly authorized retired employees of the Local Governmental Employees' Retirement System who had retired on an early or service retirement to convert to a disability retirement within 3 years after the initial early or service retirement, provided the beneficiary was judged to be eligible for a disability retirement prior to retirement. The cost of \$1.4 million was funded out of unencumbered actuarial gains available in the System as of December 31, 1988 without requiring any additional employer contributions.
- (5) **Eligibility Expanded for Membership in Sheriff's Supplemental Pension Fund:** The 1990 General Assembly expanded eligibility to receive a monthly benefit from the Sheriffs' Supplemental Pension Fund to include any former sheriff who had forfeited service by withdrawing the contributions in the Local Governmental Employees' System prior to July 1, 1986 and is age 55 with at least 10 years of service as sheriff.

STATE EMPLOYEE HEALTH BENEFIT CHANGES

1989 LEGISLATIVE ACTIONS

Plan Financing

The actions of the 1989 Session of the General Assembly resulted in some \$120 million in additional financing for the State Employee Health Benefit Plan for the 1989-91 biennium. Such actions maintained the previous 1988-89 level of benefits in the Basic Plan for another two years. Not since 1985-86 has the Basic Plan's overall benefit design been changed. The details of the additional financing provided by the 1989 Session for the Plan for the 1989-91 biennium are:

<u>Financial Requirements</u>	(\$ Million)		<u>Total</u>
	<u>1989-90</u>	<u>1990-91</u>	<u>Biennium</u>
Basic Self-Insured Plan	\$42.0	\$56.0	\$ 98.0
Prepaid HMO Alternatives	9.5	11.5	21.0
Total Requirements	\$51.5	\$67.5	\$119.0
Less: Administrative & Favorable Risk Fees Paid by HMOs	6.5	6.5	13.0
Net Requirements from Premium Increases	\$45.0	\$61.0	\$106.0
<u>Sources of Premium Increases</u>			
General Fund	\$30.0	\$40.0	\$70.0
Highway Fund	3.0	4.5	7.5
Other Employer Receipts	1.5	2.5	4.0
Total Employer Funds	\$34.5	\$47.0	\$81.0
Employee Funds for Dependents	\$10.5	\$14.0	\$ 24.5
Total Premium Increases	\$45.0	\$61.0	\$106.0

The amount of premium increases for the Basic Plan set by the General Assembly for individual employees, effective October 1, 1989, to fully fund their premium cost is some 15% more than the 1988-89 premiums or about \$11 per month more for Medicare-eligible employees and \$14 per month more for non-Medicare employees. The amount of premium increases for the Basic Plan set by the Plan's Executive Administrator for dependents of employees is expected to be some 16%. For alternative prepaid HMO coverage, premium increases, effective October 1, 1989, for Kaiser Permanente are expected to average 30%. For PruCare of Charlotte, the premium increases, effective October 1, 1989, are expected to average 31%.

Basic Plan Benefit Changes

- (1) **Cleft Palate, Speech Therapy, and Other Congenital Defects:** Effective October 1, 1989, the 1989 General Assembly removed the Plan's previous specialized coverage limitations of requiring an individual to be covered by the Plan at the time of birth in order for benefits to be paid for the treatment of cleft palates, speech therapy, and other congenital defects.

Health Benefit Changes - 1989 Session (Continued)

However, the Plan's general pre-existing condition limitations (12-month waiting period when enrollment is more than 30 days after first eligibility to enroll) remain intact.

- (2) **Heart Transplants:** The 1989 General Assembly added coverage for heart transplants, effective October 1, 1989. At the same time, the Plan's Executive Administrator and Board of Trustees were authorized to establish reimbursement levels for selected organ transplants, including heart transplants, by negotiating payment rates with preferred providers of health care. Employees, retirees, and their dependents would still be able to use the provider of their choice, but the Plan's full reimbursement of eligible charges would be available only from the preferred providers.
- (3) **Occupational Therapy:** Effective October 1, 1989, coverage for recognized forms of occupational therapy provided by a doctor, hospital or licensed occupational therapist to restore a patient's fine motor skills for the resumption of bodily functions was added by the 1989 Session of the General Assembly.
- (4) **Chemical Dependency:** The 1989 General Assembly increased the maximum chemical dependency benefits for each covered individual from \$130 to \$200 per day except for medical detoxification, from \$6,500 to \$8,000 per fiscal year, and from \$20,000 to \$25,000 for lifetime benefits, effective October 1, 1989. At the same time, the General Assembly removed the previous 30 consecutive day maximum benefit for chemical dependency.
- (5) **Emergency Pre-Admission Hospital Certifications:** Effective October 1, 1989, the General Assembly removed the Plan's requirements that unscheduled inpatient hospital admissions resulting from accidents, medical emergencies, acute conditions and trauma require approval certification from the Plan prior to or within 48 hours after admission.

Changes in Enrollee Eligibility

Effective October 1, 1989, the General Assembly provided that any person covered by the Plan found to have knowingly and willfully made or caused to be made a false statement or false representation of a material fact in a claim for reimbursement of medical services under the Plan would lose his or her eligibility for continued coverage by the Plan on the last day of the month in which such a finding by the Plan or the Courts was made. A loss of eligibility under the Plan would be in addition to any penalties imposed by the Courts.

Changes in Plan Administration

- (1) **Maintenance of Plan's Tax Qualification:** The 1989 General Assembly took the necessary actions to maintain enrolled employees' privileges of paying for their dependent coverages on a pre-tax basis. Effective January 1, 1989, the Plan's statutes were changed to specify that the Plan was exclusively for the benefit of its enrolled members, that the Plan had an indefinite existence through the powers and privileges of incorporation, that the Plan's Executive Administrator and Board of Trustees are to carry out their duties as fiduciaries for the Plan, and that the Executive Administrator and Board of Trustees are to comply with all applicable provisions of the federal Internal Revenue Code not specifically prohibited by the General Assembly. Such changes were made to maintain the Plan's tax-qualified status under the Internal Revenue Code.

Health Benefit Changes - 1989 Session (Continued)

- (2) **Fraud Detection:** The 1989 General Assembly assigned the Plan's Executive Administrator and Board of Trustees the duty of establishing a fraud detection program. Studies of health insurance coverage have indicated that fraud has become a serious problem with such coverage.

Evidence of fraudulent health benefit activities include (a) forgiveness of deductibles, copayments and penalties by medical providers through fictitious claims; (b) unnecessary and fragmented laboratory tests ordered by medical providers; (c) inflated charges billed by providers for unnecessary ancillary services, duplicate services, fragmented services, drugs, unnecessary consultations, and self-referrals; (d) charges billed by providers for services not rendered; (e) altered service descriptions by providers and enrollees to correspond with coverages; (f) charges billed by providers for non-covered patients under covered patient names; and (g) altered dates of services by providers and enrollees to correspond with coverages. The Plan's fraud detection program was enacted by the General Assembly in order to educate employees, retirees, and their dependents on how to spot fraudulent activities and what to do about such activities when detected.

- (3) **Hospital Bill Audits:** The 1989 Session of the General Assembly also directed the Plan's Executive Administrator and Board of Trustees to establish a hospital bill audit program to compare selected patient medical records with hospital billings, particularly for hospital pharmacy and laboratory charges. Such a program was enacted by the General Assembly to identify the hospitals and hospital billings with the greatest likelihood of inaccuracies, and to insure that the Plan is paying only for documented medical charges.

BENEFIT CHANGES FOR STATE AND LOCAL PERSONNEL

1989 LEGISLATIVE ACTIONS

Technical Corrections to Disability Income Benefits for Teachers and State Employees

Effective July 1, 1989, the 1989 General Assembly made technical corrections to the Disability Income Plan for Teachers and State Employees enacted by the 1987 Session of the General Assembly to replace disability retirements. These changes and clarifications include:

- o Allowing employees to convert to a qualified retirement benefit whenever long-term disability benefits have been denied by medical authorities;
- o Allowing disability benefits to be continued during periods of trial rehabilitation when employees temporarily return to work, providing clarification that permanent partial workers' compensation benefits do not reduce disability benefits since such workers' compensation benefits are awards for disability and not for lost wages;
- o Providing a minimum \$10 monthly disability benefit after reductions for primary Social Security disability benefits; and,
- o Providing clarification that lump sum vacation leave payments offset disability payments.

Dependent Care Assistance Programs Authorized for Public School, Community College, University, and State Agency Employees

Effective January 1, 1990, the 1989 General Assembly provided authorization for employee dependent care assistance programs to be established. Under the dependent care assistance programs, eligible employees may pay for dependent care expenses on a pre-tax (income withholding and Social Security) basis under Section 129 and related sections of the federal Internal Revenue Code.

Such expenses are paid through salary reduction agreements with employers, up to a maximum annual pre-tax amount of \$5,000 per taxpayer, or \$2,500 for a married taxpayer filing a separate return. However, certain employees using pre-tax dollars for dependent care expenses under Section 129 of the Internal Revenue Code lose, on a dollar-for-dollar basis, their eligibility for federal child care expense income tax credits equal to 20%-30% of the expenses up to \$2,400 per year for one child and \$4,800 per year for two or more children.

The State Board of Education is assigned the responsibility for providing the program for public school employees; the State Board of Community Colleges, for community college institutional employees; the University Board of Governors, for university institutional employees; and the Director of the Budget, for officers and employees of state agencies, departments, and institutions other than universities.

Benefit Changes for State and Local Personnel - 1989 Session (Continued)

**Accounting for Public School Employee Annual Vacation Leave
Changed from Calendar Years to Fiscal Years**

The 1989 General Assembly, effective July 1, 1989, changed the date for cancellation of more than 30 days of earned annual vacation leave days from December 31st of each year to June 30th of each year for public school teachers, principals, supervisors, and other employees employed for less than twelve months per year. Such a change in accounting periods was made to keep employees employed in areas of the State with unusually inclement weather before the month of January from losing earned annual vacation leave.

**Revised Selection Procedures for Fully Contributory
State Agency Employee Insurance Products**

Effective June 12, 1989, the 1989 General Assembly specified the procedure to be used by State agency insurance committees in selecting insurance projects paid for by the agency's employees. The products require that all product proposals be sealed by offerors and remain sealed until publicly opened by an agency committee, that changes in proposals be made in writing by offerors within two days after the proposal's public opening, and that any persons opening or disclosing the contents of sealed proposals be subject to a misdemeanor punishable by fine and/or imprisonment.

Expense Allowances Increased for Legislators

Effective upon the convening of the 1991 Session of the General Assembly, the monthly expense allowances will be increased for legislators. The new allowances will be:

<u>Legislators</u>	<u>Monthly Expense</u>
House Speaker	\$ 1,320
Senate President Pro Tempore	1,320
House Speaker Pro Tempore	780
Senate Deputy President Pro Tempore	780
House & Senate Majority Leaders	622
House & Senate Minority Leaders	622
Other Legislators	522

The increased expense allowances generally reflect a 12.4% increase in rates over the ones authorized for the 1989 Session of the General Assembly. Such an increase was in keeping with established State policy that legislators should be compensated with percentage salary and expense increases equal to salary increases authorized for employees of the State, which averaged 12.4% for 1990-91 over 1988-89 by action of the 1989 General Assembly.

OTHER SALARY OR BENEFIT CHANGES FOR STATE AND LOCAL PERSONNEL

1990 LEGISLATIVE ACTIONS

Accelerated Pay Plan for Lowest-Paid Employees

The 1990 General Assembly authorized the State Personnel Commission to develop an accelerated pay plan in the lower salary grades based on the job performance for employees meeting or exceeding performance requirements.

Benefit Changes for State and Local Personnel - 1990 Session (Continued)

The plan is designed to take into consideration the labor market and economic indicators and retain a competent work force. The General Assembly authorizes the transfer of \$750,000 from the 1990-91 Salary Increase Fund if funds are available to be used for this plan.

Flexible Benefit Plan

Effective January 1, 1991, the 1990 General Assembly provided authorization for the establishment of Flexible Benefit Plans available under Section 125 of the Internal Revenue Service Code of 1986, which allows employees to pay for certain items on a pre-tax basis. Typical benefits included in flexible benefit plans are child/dependent care, dental care, vision care, and long-term care. The State Board of Education is assigned the responsibility for providing the program for public school employees; the State Board of Community Colleges, for community college institutional employees; the University Board of Governors, for university institutional employees; and the Director of the Budget, for officers and employees of state agencies, departments and institutions.

Extension of Coverage Under the Disability Income Plan for Teachers' and State Employees

Effective July 27, 1990, the 1990 General Assembly allowed employees who become disabled while on an employer approved leave of absence while receiving temporary total benefits under the North Carolina Workers' Compensation Act to be eligible for benefits under the Disability Income Plan of North Carolina.

**LEGISLATIVE ACTIONS:
GENERAL FUND APPROPRIATIONS**

SUMMARY OF GENERAL FUND BUDGET ACTIONS

1989 LEGISLATIVE ACTIONS

This section includes, by department, a report of legislative actions to the Governor's recommended continuation budget. These actions have been summarized on the following tables. Capital improvements projects are listed by department following the departmental operating budget information.

In summary, 1989 legislative actions include the following:

	<u>1989-90</u>	<u>1990-91</u>
Base Budget Reductions	\$(38,159,101)	\$(37,692,531)
Operating Budget Expansion Increases:		
Salary Increase Reserve	\$298,302,988	\$624,146,094
Hospital - Medical Reserve	30,000,000	40,000,000
Basic Education Program	69,277,440	180,532,850
Mandated Correction Programs/ Alternatives	20,261,900	41,884,306
Enrollment Increases - Community Colleges and University	25,751,399	32,840,000
All Other Programs	122,532,823	123,807,499
Tuition Fee Increases	(24,825,650)	(27,270,132)
Utility Assessment Fee	(3,071,614)	(6,276,956)
All Other Receipt Increases	(4,877,338)	(8,453,499)
Net Operating Expansion Budget Increases	\$533,351,948	\$1,001,210,162
Capital Improvements	245,264,593	65,515,494
Total Expansion/Capital	\$778,616,541	\$1,066,725,656
Net Effect of Legislative Actions	\$740,457,440	\$1,029,033,125

Of the total expansion/capital net increases, recurring and non-recurring amounts are shown below:

	<u>1989-90</u>	<u>1990-91</u>
Recurring	\$477,854,974	\$990,168,538
Non-Recurring:		
Operating	55,496,974	11,041,624
Capital	245,264,593	65,515,494
Subtotal	\$300,761,567	\$76,557,118
TOTAL	\$778,616,541	\$1,066,725,656

* The Local Government Tax Reimbursement Reserve appropriations of \$231.8 million in 1989-90 and \$234.1 million in 1990-91 reflects a change in methodology of accounting. These expenditures in prior years were netted against revenue collections. Revenue collections have been increased to reflect gross amounts hence, the increased collections reflect the sum needed to offset these appropriations.

**CHANGES TO GOVERNOR'S CONTINUATION RECOMMENDATIONS FOR
FOR 1989-90 FISCAL YEAR**
(Excludes Local Government Tax Reimbursement Reserve)

<u>Operating Budgets</u>	<u>1989-90</u>					<u>Total</u>
	<u>Base Budget</u>	<u>Expansion</u>				
	<u>Recommendations</u>	<u>Reductions</u>	<u>Transfers</u>	<u>Increases</u>	<u>Decreases</u>	
Education:						
Public Education	\$2,886,142,297	\$(21,651,930)	\$ -	\$77,078,503	\$(3,210,000)	\$2,938,358,870
Community Colleges	332,880,510	(379,743)	-	18,204,649	(4,868,460)	345,836,956
University	1,021,477,779	(3,326,143)	-	24,527,365	(21,266,156)	1,021,412,845
Subtotal - Education	<u>\$4,240,500,586</u>	<u>\$(25,357,816)</u>	<u>-</u>	<u>\$119,810,517</u>	<u>\$(29,344,616)</u>	<u>\$4,305,608,671</u>
General Government:						
Administration	\$42,232,294	\$(435,826)	\$146,286	\$1,490,445	-	\$43,433,199
Administration- Controller's Off.	5,187,931	(133,194)	-	-	-	5,054,737
Administrative Hearings	1,972,220	(86,852)	-	-	-	1,885,368
Administrative Rules Review	258,469	-	-	-	-	258,469
Board of Elections	375,445	-	-	-	-	375,445
Cultural Resources	20,866,370	(247,754)	-	209,987	-	20,828,603
General Assembly	17,236,893	-	-	1,866,327	-	19,103,220
Governor's Office	4,520,811	(30,457)	-	-	-	4,490,354
Governor's Office- State Budget	3,406,755	(23,246)	-	-	-	3,383,509
Insurance	12,113,876	(148,324)	-	168,216	-	12,133,768
Lt. Governor	562,854	-	-	-	-	562,854
Revenue	44,526,759	(351,791)	-	11,144,623	-	55,319,591
Secretary of State	3,345,317	(63,113)	-	259,101	-	3,541,305
State Auditor	7,005,743	(64,500)	-	359,005	-	7,300,248
State Treasurer	4,035,438	(21,500)	-	431,100	-	4,445,038
Subtotal - Gen. Gov't.	<u>\$167,647,175</u>	<u>\$(1,606,557)</u>	<u>\$146,286</u>	<u>\$15,928,804</u>	<u>-</u>	<u>\$182,115,708</u>

Operating Budgets	1989-90					Total
	Recommendations	Base Budget Reductions	Transfers	Expansion Increases	Decreases	
Human Resources	\$822,057,099	\$(4,889,012)	\$1,141,615	\$13,648,736	\$ -	\$831,958,438
Justice and Public Safety:						
Corrections	\$340,035,686	\$(1,107,636)	\$170,000	\$20,424,150	\$(287,372)	\$359,234,828
CC&PS	24,505,120	(234,153)	-	2,200,253	(71,000)	26,400,220
Judicial	181,102,884	(168,310)	-	9,882,503	-	190,817,077
Justice	45,308,979	(227,733)	-	1,984,288	-	47,065,534
Subtotal - Justice and Public Safety	\$590,952,669	\$(1,737,832)	\$170,000	\$34,491,194	\$(358,372)	\$623,517,659
Natural and Economic Resources:						
Agriculture	\$38,305,982	\$(874,603)	\$(1,457,901)	\$1,402,836	-	\$37,376,314
Commerce	26,295,589	(171,984)	-	2,381,045	(3,071,614)	25,433,036
Labor	7,337,009	(233,700)	-	1,194,639	-	8,297,948
Natural Resources & Community Develop.	67,078,278	(473,012)	-	3,134,690	-	69,739,956
Environment, Health and Natural Resources	-	-	-	300,000	-	300,000
Transportation	116,571	-	-	-	-	116,571
Subtotal - Natural and Economic Resources	\$139,133,429	\$(1,753,299)	\$(1,457,901)	\$8,413,210	\$(3,071,614)	\$141,263,825
Reserves and Transfers:						
Contingency and Emergency	\$ 1,125,000	-	-	-	-	\$ 1,125,000
Salary Adjustment	4,000,000	-	-	-	-	4,000,000
Debt Service	69,083,445	-	-	-	-	69,083,445
Salary Increase	-	-	-	292,300,000	-	292,300,000
Hospital - Medical Increase	-	-	-	30,000,000	-	30,000,000
Subtotal - Reserves	\$74,208,445	-	-	\$322,300,000	-	\$396,508,445
Total Operating	\$6,034,499,403	\$(35,344,516)	-	\$514,592,461	\$(32,774,602)	\$6,480,972,746

1989-90

State Aid

	Base Budget		Transfers	Expansion		Total
	Recommendations	Reductions		Increases	Decreases	
Education:						
Public Education	\$17,415,353	\$(200,000)	-	\$2,000,000	-	\$19,215,353
Community Colleges	381,650	(100,000)	-	-	-	281,650
University	38,073,619	(275,200)	-	2,649,431	-	40,447,850
Subtotal - Education	\$55,870,622	\$(575,200)	-	\$4,649,431	-	\$59,944,853
General Government:						
Administration	\$3,291,810	\$(368,000)	-	\$443,000	-	\$3,366,810
Board of Elections	-	-	-	481,555	-	481,555
Cultural Resources	17,050,360	-	-	75,000	-	17,125,360
Governor's Office						
- State Budget	35,906	-	-	-	-	35,906
Governor's Office						
- State Aid	-	-	-	10,820,000	-	10,820,000
Insurance	200,000	(200,000)	-	-	-	-
State Aid	5,934,865	(194,085)	-	-	-	5,740,780
Subtotal - General Gov.'t.	\$26,512,941	\$(762,085)	-	\$11,819,555	-	\$37,570,411
Human Resources	\$220,012,705	\$(1,088,636)	-	\$25,648,113	-	\$244,572,182
Justice and Public Safety:						
Corrections	\$ 75,000	-	-	-	-	\$ 75,000
Crime Control & Public Safety	743,967	-	-	75,000	-	818,967
Judicial	334,360	-	-	211,990	-	546,350
Subtotal - Justice and Public Safety	\$1,153,327	-	-	\$286,990	-	\$1,440,317

1989-90

<u>State Aid</u>	<u>Base Budget</u>		<u>Transfers</u>	<u>Expansion</u>		<u>Total</u>
	<u>Recommendations</u>	<u>Reductions</u>		<u>Increases</u>	<u>Decreases</u>	
Natural & Economic Resources:						
Agriculture	\$230,014	-	-	\$25,000	-	\$255,014
Commerce	2,310,000	-	-	5,500,000	-	7,810,000
Commerce - Micro-electronics	25,576,034	(275,000)	-	-	-	25,301,034
Commerce - Bio-technology	6,360,200	(63,000)	-	-	-	6,297,200
Natural Resources & Community Develop.	9,523,634	-	-	2,750,000	-	12,273,634
Transportation - Aeronautics	5,545,000	-	-	355,000	-	5,900,000
Transportation - Railroads	216,666	(50,664)	-	500,000	-	666,002
Subtotal - Natural & Economic Resources	\$49,761,548	\$(388,664)	-	\$9,130,000	-	\$58,502,884
Total State Aid	\$353,311,143	\$(2,814,585)	-	\$51,534,089	-	\$402,030,647
TOTAL - OPERATIONS	\$6,387,810,546	\$(38,159,101)	-	\$566,126,550	\$(32,774,602)	\$6,883,003,393
CAPITAL IMPROVEMENTS	-	-	-	\$245,264,593	-	\$245,264,593
GRAND TOTAL	\$6,387,810,546	\$(38,159,101)	-	\$811,391,143	\$(32,774,602)	\$7,128,267,986

**CHANGES TO GOVERNOR'S CONTINUATION RECOMMENDATIONS
FOR 1990-91 FISCAL YEAR**
(Excludes Local Government Tax Reimbursement Reserve)

<u>Operating Budgets</u>	<u>Base Budget</u>		<u>1990-91</u>		<u>Expansion</u>		<u>Total</u>
	<u>Recommendations</u>	<u>Reductions</u>	<u>Transfers</u>	<u>Increases</u>	<u>Decreases</u>		
Education:							
Public Education	\$2,903,521,588	\$(17,702,857)	\$ -	\$187,221,325	\$(6,840,000)		\$3,066,200,056
Community Colleges	333,555,849	(379,743)	-	16,000,000	(4,868,460)		344,307,646
University	1,032,823,072	(901,144)	-	34,541,966	(23,656,638)		1,042,807,256
Subtotal - Education	\$4,269,900,509	\$(18,983,744)	-	\$237,763,291	\$(35,365,098)		\$4,453,314,958
General Government:							
Administration	\$42,878,969	\$(536,043)	\$146,286	\$1,486,068	-		43,975,280
Administration- Controller's Off.	5,192,978	(133,212)	-	-	-		5,059,766
Administrative Hearings	1,975,809	(86,852)	-	-	-		1,888,957
Administrative Rules Review	251,545	-	-	-	-		251,545
Board of Elections	402,909	-	-	-	-		402,909
Cultural Resources	21,131,970	(237,633)	-	198,253	-		21,092,590
General Assembly	20,487,849	-	-	467,455	-		20,955,304
Governor's Office	4,544,345	(30,474)	-	-	-		4,513,871
Governor's Office- State Budget	3,402,942	(23,259)	-	-	-		3,379,683
Insurance	12,146,572	(148,373)	-	265,311	-		12,263,510
Lt. Governor	564,124	-	-	-	-		564,124
Revenue	44,585,645	(351,991)	-	7,812,549	-		52,046,203
Secretary of State	3,254,615	(63,137)	-	276,222	-		3,467,700
State Auditor	7,012,832	(64,500)	-	336,295	-		7,284,627
State Treasurer	4,041,240	(21,523)	-	579,754	-		4,599,471
Subtotal - Gen. Gov't.	\$171,874,344	\$(1,696,997)	\$146,286	\$11,421,907	-		\$181,745,540

Operating Budgets	1990-91					Total
	Recommendations	Base Budget Reductions	Transfers	Expansion Increases	Decreases	
Human Resources	\$887,029,093	\$(5,133,303)	\$1,173,061	\$25,999,821	\$ -	\$909,068,672
Justice and Public Safety:						
Corrections	\$343,123,073	\$(1,344,784)	\$170,000	\$40,731,750	(287,533)	\$382,392,506
CC&PS	24,717,036	(239,569)	-	2,297,623	(71,000)	26,704,090
Judicial	183,335,278	(168,510)	-	10,547,806	-	193,714,574
Justice	45,521,858	(237,233)	-	2,185,905	-	47,470,530
Subtotal - Justice and Public Safety	\$596,697,245	\$(1,990,096)	\$170,000	\$55,763,084	\$(358,533)	\$650,281,700
Natural and Economic Resources:						
Agriculture	\$38,427,315	\$(1,047,436)	\$(1,489,347)	\$1,918,637	-	\$37,809,169
Commerce	26,227,832	(172,082)	-	(2,998,005)	(6,276,956)	22,776,799
Labor	7,334,122	(214,702)	-	791,867	-	7,911,287
Natural Resources & Community Develop.	66,507,988	(473,012)	-	2,913,581	-	68,948,557
Transportation	116,571	-	-	-	-	116,571
Subtotal - Natural and Economic Resources	\$138,613,828	\$(1,907,232)	\$(1,489,347)	\$8,622,090	\$(6,276,956)	\$137,562,383
Reserves and Transfers:						
Contingency and Emergency	\$1,125,000	-	-	-	-	\$1,125,000
Salary Adjustment	4,000,000	-	-	-	-	4,000,000
Debt Service	66,538,583	-	-	-	-	66,538,583
Salary Increase	-	-	-	611,900,000	-	611,900,000
Hospital - Medical Increase	-	-	-	40,000,000	-	40,000,000
Subtotal - Reserves	\$71,663,583	-	-	\$651,900,000	-	\$723,563,583
Total Operating	\$6,135,778,602	\$(29,711,372)	-	\$991,470,193	\$(42,000,587)	\$7,055,536,836

1990-91

State Aid	Base Budget		Transfers	Expansion		Total
	Recommendations	Reductions		Increases	Decreases	
Education:						
Public Education	\$17,486,013	\$(400,000)	-	\$4,000,000	-	\$21,086,013
Community Colleges	381,650	(100,000)	-	-	-	281,650
University	38,162,169	(343,200)	-	2,649,431	-	40,468,400
Subtotal - Education	\$56,029,832	\$(843,200)	-	\$6,649,431	-	\$61,836,063
General Government:						
Administration	\$3,291,810	\$(368,000)	-	\$595,500	-	\$3,519,310
Board of Elections	-	-	-	-	-	-
Cultural Resources	17,050,360	-	-	100,000	-	17,150,360
Governor's Office - State Budget	-	-	-	-	-	-
Governor's Office - State Aid	-	-	-	1,080,000	-	1,080,000
Insurance	200,000	(200,000)	-	-	-	-
State Auditor	5,934,865	(194,085)	-	-	-	5,740,780
Subtotal - General Gov.'t.	\$26,477,035	\$(762,085)	-	\$1,775,500	-	\$27,490,450
Human Resources	\$223,775,304	\$(6,037,210)	-	\$38,102,309	\$ -	\$255,840,403
Justice and Public Safety:						
Corrections	\$75,000	-	-	-	-	\$75,000
Crime Control & Public Safety	743,967	-	-	-	-	743,967
Judicial	334,360	-	-	293,490	-	627,850
Subtotal - Justice and Public Safety	\$1,153,327	-	-	\$293,490	-	\$1,446,817

1990-91

<u>State Aid</u>	<u>Base Budget</u>		<u>Transfers</u>	<u>Expansion</u>		<u>Total</u>
	<u>Recommendations</u>	<u>Reductions</u>		<u>Increases</u>	<u>Decreases</u>	
Natural & Economic Resources:						
Agriculture	\$230,014	-	-	-	-	\$230,014
Commerce	2,310,000	-	-	-	-	2,310,000
Commerce - Micro-electronics	21,658,424	(225,000)	-	-	-	21,433,424
Commerce - Bio-technology	6,360,200	(63,000)	-	2,000,000	-	8,297,200
Natural Resources & Community Develop.	9,523,686	-	-	2,064,826	-	11,588,512
Transportation - Aeronautics	5,545,000	-	-	855,000	-	6,400,000
Transportation - Railroads	216,666	(50,664)	-	-	-	166,002
Subtotal - Natural & Economic Resources	\$45,843,990	\$(338,664)	-	\$4,919,826	-	\$50,425,152
Total State Aid	\$353,279,488	\$(7,981,159)	-	\$51,740,556	-	\$397,038,885
TOTAL - OPERATIONS	\$6,489,058,090	\$(37,692,531)	-	\$1,043,210,749	\$(42,000,587)	\$7,452,575,721
CAPITAL IMPROVEMENTS	-	-	-	\$65,515,494	-	\$65,515,494
GRAND TOTAL	\$6,489,058,090	\$(37,692,531)	-	\$1,108,726,243	\$(42,000,587)	\$7,518,091,215

1990 LEGISLATIVE SESSION

During the 1989-90 fiscal year, the Governor, as Director of the Budget, faced the most serious revenue shortfall that the State had experienced since the 1930's Recession. Estimates of the 1989-90 shortfall ranged from \$464 million to \$500+ million. In order to balance the budget, on a cash and accrual accounting basis, the General Assembly enacted House Bill 2377. The Governor imposed spending restrictions including freezing vacant positions, deferring payment of the June 30, 1990 payroll into the 1990-91 fiscal year, cancellation of \$95.2 million of 1989-90 authorized capital projects, and requiring agencies to refund \$42.1 million of prior-year capital project funds.

The 1989 Session of the General Assembly had funded \$65.5 million in capital projects for 1990-91 based upon an estimate of excess availability for 1989-90. The 1990 Session consequently was faced with finding funds to restore these projects. In addition, it was necessary to reduce the previously authorized budget for 1990-91 fiscal year by \$336 million based upon revised revenue estimates. Legislative budgetary actions taken reflect, as a general rule, a 3% reduction in each department's funding. In addition, a further reduction of \$97.9 million (1.3%) was imposed as "management flexibility".

Of the \$97.9 million identified as Management Flexibility (Chapter 1066, Sec. 7, 1990 Session Laws), each department's general fund appropriation has been reduced as shown in the following table. Of the total, \$40 million in "vacant positions" on an annual basis are to be identified and reported to the 1991 General Assembly by March 15, 1991. For 1990-91, however, the General Assembly amended G.S. 143-23 (a1) and G.S. 143-27 to allow lapsed salaries and excess receipts to be considered as part of the savings used to offset the required reductions.

All reductions through management flexibility are to be considered temporary until reported to the 1991 General Assembly for its review. These reductions do not apply to the local community colleges, the Microelectronics Center, the Department of Transportation and selected programs as noted in special provisions. Reductions, as well as current operating expansion funding increases, are shown by department in the following schedule. Explanation of the changes are listed, by department, in this section.

**1990-91
BUDGET CHANGES AUTHORIZED**

	<u>Budget Reduction</u>	<u>Expansion Funding</u>	<u>Management Flexibility</u>	<u>Total Net Change</u>
Public Education:				
Public Instruction	(1,750,697)	2,216,794	(842,828)	(376,731)
Public School Fund	(115,357,789)	48,117,006	(45,000,000)	(112,240,783)
Community Colleges:				
State Department	(336,404)	-	(169,660)	(506,064)
Institutions	(11,193,840)	14,622,046	-	3,428,206
University	(36,366,985)	900,000	(18,339,709)	(53,806,694)
General Assembly	(652,119)	-	(333,847)	(985,966)
Governor's Office	(147,761)	-	(76,621)	(224,382)
Lt. Governor	(18,434)	-	(10,946)	(29,380)
State Budget Office	(111,904)	-	(54,729)	(166,633)
Special Appropriations	(32,400)	2,580,000	-	2,547,600
Secretary of State	(113,771)	386,160	(60,202)	212,187
State Auditor	(380,705)	-	(125,877)	(506,582)
State Treasurer	(147,052)	150,000	(76,621)	(73,673)
Insurance	(403,074)	1,950,000	(202,498)	1,344,428
Administration	(1,525,232)	280,426	(777,153)	(2,021,959)
State Controller	(166,298)	-	(87,566)	(253,864)
Revenue	(1,703,372)	1,252,678	(864,719)	(1,315,413)
Cultural Resources	(1,207,657)	550,000	(612,966)	(1,270,623)
Board of Elections	-	-	(5,473)	(5,473)
Administrative Hearings Office	(62,288)	-	(32,837)	(95,125)
Administrative Rules Review	(8,166)	-	(5,473)	(13,639)
Judicial	(6,459,241)	1,050,000	(3,272,798)	(8,682,039)
Justice	(1,655,599)	184,852	(782,626)	(2,253,373)
Corrections	(12,102,409)	20,790,106	(6,392,354)	2,295,343
Crime Control & Public Safety	(897,114)	165,000	(448,778)	(1,180,892)
Agriculture	(1,258,950)	225,000	(640,330)	(1,674,280)
Labor	(260,005)	-	(131,350)	(391,355)
Environment, Health, and Natural Resources	(5,200,291)	6,557,447	(814,349)	542,807
Economic & Community Development	(911,174)	3,150,000	(448,778)	1,790,048
Microelectronics Center	(1,671,000)	-	-	(1,671,000)
Biotechnology Center	(363,776)	-	(125,877)	(489,653)
Transportation:				
Aeronautics	(195,497)	-	-	(195,497)
Railroads	(66,002)	-	-	(66,002)
Human Resources	(32,697,869)	27,694,972	(17,163,035)	(22,165,932)

**1990-91
BUDGET CHANGES AUTHORIZED**

	<u>Budget Reduction</u>	<u>Expansion Funding</u>	<u>Management Flexibility</u>	<u>Total Net Change</u>
Contingency and Emergency Fund	(33,750)	-	-	(33,750)
Salary Adjustment Fund	(11,273)	-	-	(11,273)
Salary Increase Reserve	(9,200,000)	-	-	(9,200,000)
Reserve for Accounting System	-	2,000,000	-	2,000,000
Debt Service	-	4,720,800	-	4,720,800
<hr/>				
SUB-TOTAL - STATE DEPARTMENTS	(\$244,669,898)	\$139,543,287	(\$97,900,000)	(\$203,026,611)
Local Shared Revenues	-	242,700,000	-	242,700,000
Budget Stabilization Reserve	-	141,000,000	-	141,000,000
Capital Improvements	-	160,797,196	-	160,797,196
Public School Facilities	-	46,500,000	-	46,500,000
<hr/>				
TOTAL	(\$244,669,898)	\$730,540,483	(\$97,900,000)	\$387,970,585

DEPARTMENT OF ADMINISTRATION

Statutory Authority: General Statutes, Chapter 143-B

The Department of Administration is set up to assist in the management of State government. It has become a central source of services that all agencies need, such as the motor fleet management, courier mail, purchasing and contracting for goods and services, and utilities coordination.

The Department of Administration also has its public services side. It coordinates state and local programs and research designed to concentrate on certain contemporary community problems. The department also houses advocacy programs to promote the development and growth of various ethnic and minority groups as well as programs for persons with disabilities.

CONTINUATION BUDGET AS RECOMMENDED BY THE GOVERNOR	1989-90 General Fund	1990-91 General Fund
	\$45,524,104	\$46,170,779

1989 LEGISLATIVE ACTIONS

BASE BUDGET REDUCTIONS

WORKFORCE REDUCTIONS

1. Reduce appropriation for salaries and related benefits by eliminating 10 vacant positions, including 1 in the Office of State Personnel.	(303,286) (10)	(303,458) (10)
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AGENCY FOR PUBLIC TELECOMMUNICATIONS

2. Authorize the collection of \$50,000 in receipts from telecommunications (Object 0535) instead of corporation grants (Object 0862).	-	-
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STATE SURPLUS PROPERTY

3. Provide partial support of operations from the Surplus Equipment Reserve Fund (Fund Code 64101) and reduce required appropriation.	-	(100,000)
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COUNCIL ON THE STATUS OF WOMEN

4. Remove non-recurring appropriation for grants to Rape Crisis Programs in FY 1988-89 from the base budget and designate as an expansion budget item. Funds were inadvertently left in the base budget.	(368,000) State Aid	(368,000) State Aid
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	1989-90 General Fund	1990-91 General Fund
DEPARTMENT OF ADMINISTRATION (1989 Actions, Continued)		
NORTH CAROLINA COURTS COMMISSION		
5. Delete all support for the commission (G.S. 7A, Article 40A). This commission duplicates the efforts of various legislative study commissions. (Commission not abolished.)	(32,540) (.5)	(32,585) (.5)
DIVISION OF VETERANS AFFAIRS		
6. Reduce the surplus in the funds appropriated for scholarships for children of deceased, disabled or POW/MIA veterans. Over \$200,000 has been reverted to the General Fund each of the last five years due to declining enrollments.	(100,000)	(100,000)
TOTAL BASE BUDGET REDUCTIONS	(803,826)	(904,043)
TOTAL POSITION REDUCTIONS	(10.5)	(10.5)

TRANSFER

1. Transfer the Social Security Disability Telephone Hotline from the Department of Human Resources to the Governor's Advocacy Council for Persons with Disabilities in the Department of Administration.	146,286	146,286
REVISED BASE BUDGET	\$44,866,564	\$45,413,022

EXPANSION BUDGET

**LOW-LEVEL RADIOACTIVE WASTE
MANAGEMENT AUTHORITY**

1. Continue funding for staff, contracted services and operating support for the Authority to perform the activities necessary to have a low-level radioactive waste disposal facility licensed and operational on January 1, 1993.		
Total Requirement	1,079,696	1,067,061
Less: Receipts	200,000	200,000
Total Appropriation	879,696	867,061
Total Positions	(14)	(14)

	1989-90 General Fund	1990-91 General Fund
DEPARTMENT OF ADMINISTRATION (1989 Actions, Continued)		
MARINE STUDIES AND COASTAL AFFAIRS		
2. Outer Continental Shelf (OCS) Office - Mobil Response Project - Provide continued support of the OCS Office to conduct the State's review of and to develop the State's official response to Mobil Oil's exploration plan (expected in late summer) to drill a wildcat well approximately 45 miles northeast of Cape Hatteras.	171,616 (3)	165,666 (3)
COUNCIL ON STATUS OF WOMEN		
3. Continue funding of rape crisis grants at the 1988 level. Funds are to be awarded to Rape Crisis Centers providing direct services to victims of sexual assault and rape prevention services.	368,000 State Aid	368,000 State Aid
4. Provide funds in FY 1989-90 to insure that domestic violence centers in operation as of 2-1-89 receive a \$15,000 grant. Increase the grant amount to \$17,500 for all 61 domestic violence centers in FY 1990-91.	75,000 State Aid	227,500 State Aid
OFFICE OF STATE PERSONNEL		
5. Continue the Equal Employment Opportunity Institute that began in FY 88-89.	33,000 (1)	39,766 (1)
STATE BUILDING DIVISION		
6. Reserve to continue implementation of the Facility Evaluation and Assessment Program in the State Construction Office.	300,000	300,000
7. Complete and maintain an inventory of state land in State Property Office.	106,133 (3)	113,575 (3)
TOTAL OPERATING EXPANSION	1,933,445	2,081,568
TOTAL POSITIONS	(21)	(21)
TOTAL OPERATING APPROPRIATIONS	\$46,800,009	\$47,494,590

DEPARTMENT OF ADMINISTRATION (1989 Actions, Continued)

SPECIAL PROVISIONS INCLUDED IN APPROPRIATION BILLS - 1989

Senate Bill 43

Section 38 **Maintenance Contracts Cost Control** - Encourages agencies and universities to eliminate maintenance contracts on word processors, personal computers and terminals. Copies of all current maintenance contracts are to be kept at a central office in an agency and lists of such contracts are to be provided to the General Assembly and the Office of State Budget by December 30, 1989. A central record of repairs is also mandated for each agency and university.

Section 40 **Council on Status of Women Retain Positions** - Prohibits positions in the Council on the Status of Women to be included in the Governor's required reduction in force for the 1989-91 biennium.

Section 42 **Council of Governments Funds** - Authorizes allocations up to \$55,000 annually to each regional Council of Government (COG) or lead regional organization (LRO) to assist local governments in grant applications, economic development, community development, support of local industrial development activities, and other activities as deemed appropriate by the member governments. The cities and counties in a region must pass a resolution to approve the spending of their allotment of the grant by the COG or LRO.

Senate Bill 44

Section 14 **Allocation of Rape Crisis Center Funds** - Authorizes the Council on the Status of Women to make grants available to rape crisis centers providing direct services to victims of sexual assault and rape prevention services. The Council must consider the impact of discontinued federal funding on the centers when reviewing grant applications. The funds are to be disbursed no later than November 1 each year.

Section 15 **Domestic Violence Center Funds** - Each domestic violence center in operation on February 1, 1989 offering a hotline, transportation services, community education programs, daytime services, and call forwarding during the night shall receive a \$15,000 grant during 1989-90 and a \$17,500 grant during 1990-91.

Senate Bill 1042

Section 16 **Veteran Cemeteries Funds** - The funds for veterans cemeteries shall be divided equally between the 3rd and 11th Congressional Districts. The funds shall be used for fees, advance planning, site improvements, construction costs and a project manager.

Senate Bill 1309

Section 16 **Domestic Violence Grants/Lump Sum Payments** - Grants to domestic violence centers shall be paid in lump sums.

DEPARTMENT OF ADMINISTRATION

1990-91
General
Fund

1990 LEGISLATIVE ACTIONS

TOTAL OPERATING APPROPRIATIONS - 1989 SESSION \$47,494,590

BUDGET REDUCTIONS

WORKFORCE REDUCTIONS

1. Reduce appropriations for salaries and related benefits by eliminating 13 positions department-wide, including 4 positions in the Office of State Personnel. (450,731)
(13)

POLICY AND PLANNING

2. Reduce appropriations for Aid to Council of Governments. (29,700)
State Aid

OFFICE OF STATE PERSONNEL

3. Reduce appropriations of \$20,000 for Contractual Services, \$20,000 for OJT Incentive, \$10,000 for Maintenance Contracts and \$28,950 for other expense items. (58,950)
(20,000)
State Aid

STATE CONSTRUCTION AND PROPERTY

4. Reduce appropriations by \$50,798 for Data Processing Services, \$10,000 for Maintenance Contracts, \$20,000 for DP Equipment, \$27,000 Reserve for State Building Commission and \$13,058 for other expenses. (120,856)

STATE BUILDING COMMISSION

5. Reduce appropriations of \$19,500 for Travel expenses and \$5,500 other expenses. (25,000)

FACILITY MANAGEMENT DIVISION

6. Reduce appropriations of \$369,987 for Utilities and \$81,359 for Other Services. (451,346)

JAMES KNOX POLK BUILDING

7. Reduce appropriations by \$75,000 which will be offset by \$75,000 in increased rental receipts for the building. (75,000)

PURCHASE AND CONTRACT

8. Reduce appropriations by \$91,400 for Data Processing Services and \$25,600 in other expenses. (117,000)

STATE SURPLUS PROPERTY

9. Reduce appropriations of \$9,600 for other expenses. (9,600)

VETERANS AFFAIRS

10. Reduce appropriations for educational grants. (50,000)

	1990-91 General Fund
DEPARTMENT OF ADMINISTRATION (1990 Actions, Continued)	
N. C. ALCOHOLISM RESEARCH AUTHORITY	
11. Reduce appropriations for research grants.	(5,400) State Aid
SCIENCE AND TECHNOLOGY RESEARCH	
12. Reduce appropriations for research grants.	(61,649) State Aid
LOW-LEVEL RADIOACTIVE WASTE MANAGEMENT AUTHORITY	
13. Reduce appropriations for Contracted Services.	(50,000)
MANAGEMENT FLEXIBILITY	
14. Reduce Department's total appropriations due to revenue shortfall.	(777,153)
TOTAL BUDGET REDUCTIONS	\$(2,302,385)
POSITIONS	(13)

EXPANSION BUDGET

OFFICE OF STATE PERSONNEL

1. Expand the Employee Assistance Program (EAP) to adequately serve all state (6) employees. This will add an EAP regional office and representative in the Orange County and New Hanover County areas and 2 Drug-free educators and 2 EAP representatives in existing offices.	280,426 (6)
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TOTAL NET BUDGET CHANGE	\$(2,021,959)
TOTAL NET POSITION CHANGE	(7)
TOTAL OPERATING APPROPRIATIONS	\$45,472,631

SPECIAL PROVISIONS INCLUDED IN APPROPRIATION BILLS - 1990

Senate Bill 1426

- Section 13* **N.C. Coalition Against Domestic Violence Funds - Distributes appropriation equally among all 61 centers. For 1990-91 each grant shall be \$17,500. N.C. Coalition Against Domestic Violence, Inc. is eligible for a grant of \$10,000 under this section.**
- Section 14* **Reduction in Council of Governments Funds - Reduces by 3% the appropriation for 1990-91 from \$990,000 to \$960,300.**

DEPARTMENT OF ADMINISTRATION (1990 Actions, Continued)

Section 15 **The North Carolina State Indian Housing Authority Is A Housing Authority Governed By Chapter 157 of the General Statutes, And Is Not A State Agency - Clarifies that agency is not a state agency making it eligible to receive more than \$1,000,000 a year in federal assistance.**

Section 16 **Limit on Domestic Violence and Rape Crisis Programs - No reductions may be taken by the Department of Administration in Domestic Violence and Rape Crisis Center Programs.**

Section 17 **Parking Fees/Parking Deck Credit - Directs Department of Administration to make quarterly deposits with the State Treasurer, to total \$1,908,300 from parking fees collected. The money is to offset General Fund appropriations for principal and interest on parking deck.**

Senate Bill 1427

Section 18 **Indian Cultural Center Funds - Allows for lease of land at \$1.00 per year for 99 years. Calls for environmental impact assessment. Center must have \$4,160,000 necessary to complete Phase I within five years or lease reverts. Center may use \$100,000 appropriated to Department of Administration for environmental impact assessment. \$50,000 may be used for operative costs.**

Section 21 **Performance Pay Plan Administration - Allows the transfer of \$500,000 to the Office of State Personnel from the Salary Increase Reserve for the purpose of administering the performance pay plan for state employees.**

DEPARTMENT OF ADMINISTRATION - CONTROLLER'S OFFICE

Statutory Authority: General Statutes, Chapter 143B, Article 9, Part 28

The State Controller is responsible for maintaining the State Accounting and Disbursing Systems, operating a central payroll system, implementing cash management policies, and administering the State Information Processing Services (SIPS). SIPS runs the State Computer Center and the State's telephone service.

CONTINUATION BUDGET AS RECOMMENDED BY THE GOVERNOR	1989-90 General Fund	1990-91 General Fund
	\$5,187,931	\$5,192,978

1989 LEGISLATIVE ACTIONS

BASE BUDGET REDUCTIONS

1. Reduce appropriation for salaries and related benefits by eliminating one vacant Computer Programmer II position.	(33,194) (1)	(33,212) (1)
2. Reduce funds for other contractual services to obtain professional services of independent accounting firms, qualified consultants and other functional/technical experts.	(100,000)	(100,000)
TOTAL BASE BUDGET REDUCTIONS	(133,194)	(133,212)
TOTAL POSITION REDUCTION	(1)	(1)
REVISED BASE BUDGET	\$5,054,737	\$5,059,766

EXPANSION BUDGET

1. Authorize transfer from the capital equity gains of the State Information Processing System and provide direct support for the initial phase of revising the State accounting system.		
Total	2,000,000	
Receipts: Transfer from SIPS	<u>2,000,000</u>	
Appropriation	-	NR
TOTAL OPERATING APPROPRIATIONS	\$5,054,737	\$5,059,766

DEPARTMENT OF ADMINISTRATION - CONTROLLER'S OFFICE
 (1989 Actions, Continued)

SPECIAL PROVISIONS INCLUDED IN APPROPRIATION BILLS - 1989

Senate Bill 1042

Section 18 **North Carolina Financial Systems Master Plan Report - Requires the Office of State Controller to prepare a comprehensive written master plan for the development of the Statewide Accounting System and deliver it to the Joint Legislative Commission on Governmental Operations no later than March 31, 1990.**

**1990-91
 General
 Fund**

1990 LEGISLATIVE ACTIONS

TOTAL OPERATING APPROPRIATIONS - 1989 SESSION	\$5,059,766
BUDGET REDUCTIONS	
1. Reduce salaries and related benefits by eliminating one vacant Data Processing Consultant and one vacant Computing Consultant.	(90,491) (2)
2. Reduce other contracted services funds.	(55,433)
3. Reduce funds for office materials and supplies, communications, printing and dues and subscriptions.	(20,374)
4. Management Flexibility - Reduce Department's total appropriations due to revenue shortfall.	(87,566)
TOTAL BUDGET REDUCTIONS	\$(253,864)
POSITIONS	(2)
TOTAL OPERATING APPROPRIATIONS	\$4,805,902

OFFICE OF ADMINISTRATIVE HEARINGS

Statutory Authority: General Statutes, Chapter 7A, Article 60

The 1985 General Assembly created this office to provide independent hearing officers to preside at contested cases, to investigate and resolve discrimination cases in State employment, and to receive, edit, codify, and publish notices of rule-making and the administrative rules themselves.

CONTINUATION BUDGET AS RECOMMENDED BY THE GOVERNOR	1989-90 General Fund	1990-91 General Fund
	\$1,972,220	\$1,975,809

1989 LEGISLATIVE ACTIONS

BASE BUDGET REDUCTIONS

1. Reduce expenditure for travel, equipment, software rental, service and maintenance contracts, educational expenses, and other fixed charges. From the total reduction of \$44,649, OAH is authorized to use \$7,641 to increase telephone, postage and data processing services.	(37,008)	(37,008)
2. Eliminate the Publication Trust Fund Budget receipts from sale of N. C. Register (\$23,292) and from the sale of the N. C. Administrative Code (18,876).	(42,168)	(42,168)
3. Set longevity pay of Chief Administrative Law Judge on the same basis as provided SPA employees. Reduce appropriation for longevity and retirement accordingly.	(7,676)	(7,676)
TOTAL BASE BUDGET REDUCTION	(86,852)	(86,852)
REVISED BASE BUDGET	\$1,885,368	\$1,888,957

Revert the balance of the Publication Trust Fund to the General Fund (estimate, June 30, 1989).	\$50,000	-
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SPECIAL PROVISIONS INCLUDED IN APPROPRIATION BILLS - 1989

Senate Bill 43

Section 43 **Eliminate Publication Trust Fund** - All fees charged for publications and documents that were once deposited in a special fund are now deposited into the General Fund.

Section 44 **OAH Personnel Study** - The Office of State Personnel is to do a classification study of OAH positions that will include an evaluation of staffing needs, supervisory needs, and the use of contractual personnel.

OFFICE OF ADMINISTRATIVE HEARINGS (1989 Actions, Continued)

Section 45 Chief Administrative Law Judge Longevity - Longevity pay was reduced from the judicial rate to the rate paid employees subject to the State Personnel Act.

Senate Bill 44

Section 19 OAH Receipts - The Office may budget receipts from the sale of publications and from the federal government.

1990 LEGISLATIVE ACTIONS

	1990-91 General Fund
TOTAL OPERATING APPROPRIATIONS - 1990 SESSION	\$1,888,957
BUDGET REDUCTIONS	
OPERATING EXPENSES	
1. Reduce appropriations by \$24,112 for Travel, \$6,000 for Repairs and Maintenance, \$11,413 for Data Processing Service, \$10,573 for Office Furniture and Equipment and \$10,190 for DP Equipment.	(62,288)
MANAGEMENT FLEXIBILITY	
2. Reduce Department's total appropriations due to revenue shortfall.	(32,837)
TOTAL BUDGET REDUCTIONS	\$(95,125)
TOTAL OPERATING APPROPRIATIONS	\$1,793,832

ADMINISTRATIVE RULES REVIEW COMMISSION

Statutory Authority: General Statutes, Chapter 143B, Article 1, Part 3

Previously under the Office of Administrative Hearings, this 8 member Commission was given independent status in 1988. The Commission's 4 person staff is charged with reviewing new rule filings to see if they conform to the following standards: (1) are within the authority delegated to the agency by the General Assembly, (2) are clear and unambiguous, and (3) are reasonably necessary to enable the agency to perform functions assigned by statute. The Commission is also evaluating the existing rules in the North Carolina Administrative Code.

CONTINUATION BUDGET AS RECOMMENDED BY THE GOVERNOR	1989-90 General Fund	1990-91 General Fund
	\$258,469	\$251,545

1989 LEGISLATIVE ACTIONS

BASE BUDGET REDUCTIONS

1. Reallocate \$9,600 each fiscal year from board members compensation to underfunded items such as longevity pay, salaries and benefits. (Salaries and benefits are underfunded due to classification changes approved by the Office of State Personnel.

REVISED BASE BUDGET	\$258,469	\$251,545
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1990 LEGISLATIVE ACTIONS

TOTAL OPERATING APPROPRIATIONS - 1989 SESSION	\$251,545
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BUDGET REDUCTIONS

OPERATING EXPENSES

- | | |
|--------------------------------------------------|---------|
| 1. Reduce appropriations for operating expenses. | (8,166) |
|--------------------------------------------------|---------|

MANAGEMENT FLEXIBILITY

- | | |
|-----------------------------------------------------------------------|---------|
| 2. Reduce Department's total appropriations due to revenue shortfall. | (5,473) |
|-----------------------------------------------------------------------|---------|

TOTAL BUDGET REDUCTIONS	\$(13,639)
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TOTAL OPERATING APPROPRIATIONS	\$237,906
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DEPARTMENT OF AGRICULTURE

Statutory Authority: General Statutes, Chapter 106

The head of this department is the Commissioner of Agriculture who is elected for a four-year term, and who, as an elected official, serves on the Council of State.

The primary responsibility of the Department of Agriculture is to enhance the production and quality of food marketed in North Carolina. In addition, the department places a major emphasis on the protection of the consumer, the farmer, and the wholesaler from unfair and deceptive marketing practices. Many research and inspection activities also contribute to healthier products, as well as promote more efficient and profitable farming methods. The department has three major programs to carry out its responsibilities: Agriculture Services and Development, Consumer Protection, and Education and Research. Included in these programs are the State Fair, the Museum of Natural History, fifteen agriculture research stations, and many other inspection and regulatory activities.

CONTINUATION BUDGET AS RECOMMENDED BY THE GOVERNOR	1989-90 General Fund	1990-91 General Fund
	\$38,535,996	\$38,657,329

1989 LEGISLATIVE ACTIONS

BASE BUDGET REDUCTIONS

WORKFORCE REDUCTIONS

1. Eliminate 12 vacant positions and reallocate existing receipts of \$140,000 for the Western N.C. Horse and Livestock Facility to offset appropriations.	(412,287) (12)	(412,439) (12)
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FEE INCREASES

2. Increase fees in the following Divisions in the Department of Agriculture: Administrative Services, Agronomic Services, Food and Drug Protection, Structural Pest, Veterinary Services, and Weights and Measures.	(262,456)	(262,456)
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STATE FARM OPERATIONS

3. Change the purpose of the State Farms from providing food for State institutions to applied agricultural and forestry research. Unnecessary operations are eliminated.	(199,860)	(167,914)
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1989-90
General
Fund

1990-91
General
Fund

DEPARTMENT OF AGRICULTURE (1989 Actions, Continued)

4. Realign line items to allow the State Farm Operations to do its own forest management.

	<u>Increase</u>	<u>Decrease</u>
1950 Forest-Management Contract - NRCD		\$30,000
8396 Reserve for Forest Management	\$30,000	
Total Requirements	<u>-0-</u>	<u>-0-</u>

AGRICULTURAL FINANCE AUTHORITY

5. Discontinue operation of the Agricultural Finance Authority, effective June 30, 1990

- (204,627)
(3)

VETERINARY SERVICES

6. Realign line items to allow the Veterinary Services Division to implement the next phase of the pseudorabies control and eradication program.

	<u>Increase</u>	<u>Decrease</u>
1990 Veterinarian Services		\$542,170
2320 Laboratory Services		425,475
3210 Telephone Services		900
3250 Postage		5,100
8395 Reserve for Swine Disease Control/ Eradication	\$973,645	
Total Requirements	<u>-0-</u>	<u>-0-</u>

TOTAL BASE BUDGET REDUCTIONS

\$(874,603)

\$(1,047,436)

TOTAL POSITION REDUCTIONS

(12)

(15)

	1989-90 General Fund	1990-91 General Fund
DEPARTMENT OF AGRICULTURE (1989 Actions, Continued)		
TRANSFER		
Transfer funding to the Department of Human Resources from the State Farm Operations to be used to purchase food for State institutions.	(1,457,901)	(1,489,347)
REVISED BASE BUDGET	\$36,203,492	\$36,120,546

EXPANSION BUDGET

1. Food and Drug Protection - Additional program support to offset the extraordinary cost of inspection and laboratory analysis resulting from emergency situations.	93,430 71,128 NR	103,200
2. Food Distribution Delivery System - (6 Month Funding) Funding to support compliance with the Commodity Reform Act of 1987 which requires a new delivery system for donated commodities. The Hunger Prevention Act also provides additional commodities if the delivery system is adequately funded.	104,956 (4)	197,961 (4)
3. Data Processing Improvements - (6 Month Funding) Provide equipment and personnel to expand departmental office automation system and provide improved data processing services to all programs. Also provide new data processing services to the Plant Industry and Veterinary Services Program.	198,388 468,765 NR (5)	420,383 135,000 NR (5)
4. Structural Pest Control - (6 Month Funding) Additional personnel and other resources to support regulation of the expanding structural pest control industry.	75,996 41,900 NR (4)	155,508 (4)

	1989-90 General Fund	1990-91 General Fund
DEPARTMENT OF AGRICULTURE (1989 Actions, Continued)		
5. Seed Testing Program - Additional resources to conduct laboratory testing for fungal endophytes in forage crops. Also supported from \$32,000 in annual receipts.	13,026 (1)	1,017 (1)
6. Domestic/Foreign Marketing - (6 Month Funding) Additional funding to strengthen efforts to sell North Carolina agricultural products domestically and internationally.	91,392 (2)	182,748 (3)
7. Genetic Engineering Act - (6 Month Funding) A new program to regulate the Biotechnology industry to protect the environment from detrimental release of organisms and to protect beneficial organisms.	26,855 (1)	53,734 (1)
8. Pesticide Disposal Funds - (6 Month Funding) Personnel and lab equipment to expand the scope of the existing pesticide disposal program to include unlabeled products.	- 217,000	129,293 (1) NR
9. Pesticide Groundwater Pollution - A joint program with NRCD and DHR to determine the extent of groundwater contamination from pesticides.	-	271,281 82,350 NR (6)
10. Aquaculture Development Act - Personnel and other support for an aquaculture coordinator to help persons interested in aquaculture to comply with permitting requirements and resources to support aquaculture research.	-	186,162 (3)
11. Division of Marketing - Grant-in-aid for a poultry marketing sales promotion.	25,000 State Aid	NR -
TOTAL OPERATING EXPANSION	1,427,836	1,918,637
TOTAL POSITIONS	(17)	(28)
TOTAL OPERATING APPROPRIATIONS	\$37,631,328	\$38,039,183

DEPARTMENT OF AGRICULTURE (1989 Actions, Continued)

SPECIAL PROVISIONS INCLUDED IN APPROPRIATION BILLS - 1989

Senate Bill 43

Section 107 **State Farm Operations Changes** - Abolishes the State Farm Commission and redefines the purpose of the State Farms. The farms will now be used for research, teaching and demonstration in agriculture, forestry, and aquaculture.

Section 108 **Drought Emergency Reserve Allocation** - Reallocates \$950,800 of the Drought Emergency Reserve to the Department of Agriculture to be used to complete construction of the new Raleigh Farmers' Market.

Section 109 **Abolish Agricultural Finance Authority** - Abolishes the North Carolina Agricultural Finance Authority effective July 1, 1990.

Senate Bill 44

Section 147 **Aquaculture Development Act** - Establishes a new Article 63 in Chapter 106 of the General Statutes as the Aquaculture Development Act. This Act promotes the development of the State's aquacultural resources and designates the Department of Agriculture as the Lead agency in the promotion of aquaculture.

Section 148 **Genetic Engineering** - Establishes a new Article 64 in Chapter 106 of the General Statutes as the Genetically Engineered Organisms Act. The purpose of this Act is to regulate the release and commercial use of genetically engineered organisms in order to protect agriculture, public health, and the environment. Creates the Genetic Engineering Review Board in the Department of Agriculture to implement this Act.

Senate Bill 1042

Section 24 **Museum Advance Planning Funds** - Authorizes the Office of State Budget and Management to use unexpended funds in the Reserve for Advance Planning for the advance planning costs of the North Carolina Museum of Natural Science.

OTHER LEGISLATION

House Bill 1112

Fee Increases - Rewrites General Statutes to increase agriculture fees to implement base budget recommendations.

DEPARTMENT OF AGRICULTURE

1990-91
General
Fund

1990 LEGISLATIVE ACTIONS

TOTAL OPERATING APPROPRIATIONS - 1989 SESSION	\$38,039,183
BUDGET REDUCTIONS	
AGRICULTURE REVIEW	
1. Decrease postage. The Agricultural Review in the past has been published twice a month. As of April 1, 1990, it is published once a month.	(75,000)
2. Decrease printing due to once a month publishing schedule.	(15,000)
SALE OF FARM PRODUCTS	
3. After a close review of the revenue collected from the sale of farmproducts, it is estimated that an additional \$213,000 will be collected over the budgeted amount in 1990-91.	(213,000)
COMPUTER EQUIPMENT	
4. The purchase price of some computer equipment was overbudgeted (expansion item).	(60,000)
DATA PROCESSING SERVICE	
5. In the time it takes to get the PC's ordered and the programs set up, it is estimated that some funds in data processing services can be saved (expansion item).	(20,000)
WNC DEVELOPMENT ASSOCIATION	
6. Reduce grant-in-aid by 5%.	(2,000) State Aid
NC MUSEUM OF LIFE & SCIENCE	
7. Reduce grant-in-aid by 5%.	(5,000) State Aid
TOBACCO MUSEUM	
8. Reduce grant-in-aid by 5%.	(1,250) State Aid
MULTI-PURPOSE BUILDING	
9. Reduce operating reserve for a capital project that has been placed on delayed status.	(4,000)
WATERCRAFT CENTER	
10. Reduce operating reserve for a capital project that has been placed on delayed status.	(11,500)

**1990-91
General
Fund**

DEPARTMENT OF AGRICULTURE (1990 Actions, Continued)

RESEARCH STATIONS

11. Delay purchase of other motor vehicles for 1 year.
This will delay the purchases of tractors, combines,
mowers and sprayers. (248,600)

FOOD DISTRIBUTION

12. Delay purchase of replacement motor vehicles for one year. (76,000)

AQUACULTURE PROGRAM

13. Eliminate one position and associated fringe benefits,
rent of offices and equipment (expansion item). (66,290)
(1)

STATE FARMS

14. Delay purchase of replacement tractors for one year. (72,011)

AGRONOMIC SERVICES

15. Delay purchase of replacement motor vehicles for one year. (42,672)

STRUCTURAL PEST

16. Delay purchase of replacement vehicles for one year. (20,000)

PLANT PROTECTION

17. Delay purchase of replacement motor vehicles for one year. (18,500)

HORSE FACILITIES

18. Raise the rates on the rental of horse stalls at the
Western Horse Facility so that they will be comparable
to the rates of the Raleigh Horse Facility. These rates
are set administratively by the Department. (43,200)

VETERINARY SERVICES

19. Begin charging \$20 per accession for necropsies (autopsies)
performed on companion animals. This fee can be set
administratively by the Department. (85,000)

20. Begin charging \$10 per accession for histopathological
exams performed on companion animals. This fee can be
set administratively by the Department. (100,000)

MARKETING

21. Eliminate two vacant positions, reduce contractual
services and supplies. (79,927)
(2)

MANAGEMENT FLEXIBILITY

22. Reduce Department's total appropriations due to
revenue shortfall. (640,330)

TOTAL BUDGET REDUCTIONS \$(1,899,280)

TOTAL POSITION REDUCTIONS (3)

DEPARTMENT OF AGRICULTURE (1990 Actions, Continued)

EXPANSION

FARMERS' MARKET - RALEIGH

- 1. Provide additional staff and support the new Raleigh Farmers' Market due to larger facility opening January 1, 1990. 200,000

MARKETING AND RESEARCH

- 2. Provide grant-in-aid to the North Carolina Strawberry Association, Inc. for strawberry marketing and research. 25,000
State Aid

TOTAL OPERATING EXPANSION 225,000

TOTAL NET BUDGET CHANGE (1,674,280)

TOTAL OPERATING APPROPRIATIONS \$36,364,903

SPECIAL PROVISIONS INCLUDED IN APPROPRIATION BILLS - 1990

Senate Bill 1427

Section 32 NC Agricultural Finance Authority - Repeals 1989-90 law abolishing North Carolina Agricultural Finance Authority and re-establishes Authority by re-enacting portions of Chapter 122D of the General Statutes. Reallocates \$204,627 from Reserve for Farm Loans for administration of the Authority (see SB 43, Section 109).

DEPARTMENT OF COMMERCE (See Department of Economic and Community Development)

Statutory Authority: General Statutes, Chapter 143B-429

The head of the Department is the Secretary who is appointed by and serves at the pleasure of the Governor. One of the major duties of the department is to promote and assist in the total economic development of North Carolina.

CONTINUATION BUDGET AS RECOMMENDED BY THE GOVERNOR	1989-90 General Fund	1990-91 General Fund
	\$28,605,589	\$28,537,832

1989 LEGISLATIVE ACTIONS

BASE BUDGET REDUCTIONS

WORKFORCE REDUCTIONS

1. Eliminate 5 vacant positions as recommended by the Governor.	(171,984) (5)	(172,082) (5)
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REVISED BASE BUDGET	\$28,433,605	\$28,365,750
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EXPANSION BUDGET

1. Industrial Commission - Funds to add two deputy commissioners, two legal stenographers, and two secretaries to handle increased caseloads, effective 10/1/89.	211,502 (6)	275,124 (6)
2. Business/Industry Development - Funds to provide a reserve to add positions and support to expand staff of the regional offices and add office in eastern North Carolina.	340,127 88,728	755,318 NR
3. Industrial Economic Development - Grant to local government entities for improvements to existing infrastructure; and funds for making loans through local government entities to private businesses for building renovations of industrial facilities.	3,500,000 State Aid	NR

	1989-90 General Fund	1990-91 General Fund
DEPARTMENT OF COMMERCE (1989 Actions, Continued)		
4. Travel and Tourism Development - 1 additional position in 1990-91 and funds for printing brochures, maps, and other materials.	213,578	273,007 (1)
5. Housing Program to Develop Central Housing Focus - Funds will provide a central housing focus in the Department of Commerce with 7 positions, 2 located in Raleigh, the remainder across the State. Related to transfer of several functions under environmental consolidation to the Department of Commerce.	110,000 (2)	324,375 (7)
6. N.C. Housing Finance Agency - Provide reserve to be used for the Housing Partnership Program.	2,000,000 State Aid	NR -
7. Film Office Reserve Fund - Establish a special fund within this Office to be used for the purpose of attracting national public television film productions to the State.	100,000	NR -
8. Hazardous Waste Treatment Commission (Effective 10/1/89) - Funds to support 3 additional positions and support costs to accomplish the tasks of the Commission.	138,002 (3) 495,000	216,080 (3) 495,000 NR
9. Utilities Commission - Reduce appropriation due to implementation of assessments to cover costs of Utilities Commission and Public Staff Operations. Fee legislation (SB 1320, Chapter 787) expires June 30, 1991.		
Total Requirements	-	-
Receipts	\$3,071,614	\$6,276,956
Appropriation	(3,071,614)	(6,276,956)
10. Wanchese Harbor Wastewater - Funds to support 2 positions to operate the wastewater treatment facility at Wanchese Harbor.	54,208 (2)	54,201 (2)

	1989-90 General Fund	1990-91 General Fund
DEPARTMENT OF COMMERCE (1989 Actions, Continued)		
11. International Development including Trade Office in Canada - Funds to add 3 positions and support costs for expansion and overseas trade missions. Funds to establish a trade office in Canada.	629,900 (3)	604,900 (3)
TOTAL OPERATING EXPANSION	4,809,431	(3,278,951)
TOTAL POSITIONS	(13)	(19)
TOTAL OPERATING APPROPRIATIONS	\$33,243,036	\$25,086,799
TRANSFER TO DEPARTMENT OF ECONOMIC AND COMMUNITY DEVELOPMENT	\$(33,243,036)	\$(25,086,799)
REVISED OPERATING APPROPRIATIONS		

SPECIAL PROVISIONS INCLUDED IN APPROPRIATION BILLS - 1989

Senate Bill 43

- Section 110* Rural Economic Development Center - Appropriates \$2 million each year to the Center as a grant-in-aid and limits administrative expenses to \$500,000. Mandates appropriate reporting requirements to the Chairmen of the Appropriations Committee on Natural and Economic Resources and the Joint Legislative Commission on Governmental Operations.
- Section 111* Funds for the Employment Security Commission - Appropriates \$4.537 million each year from the Worker Training Trust Fund to the Commission to maintain the operation of local offices at the 86-87 level of service. Appropriates \$1 million each year from the Special Employment Security Administration Fund to the Commission for administration of the Veterans Employment Program, Employment Services Program, and Unemployment Insurance Program. Mandates appropriate reporting requirements to the Joint Legislative Commission on Governmental Operations.
- Section 112* Tourism Promotion Grants - Directs that tourism promotion grants shall be allocated according to per capita income, unemployment, and population growth in an effort to direct funds to counties most in need.
- Section 113* Microelectronics Center - Rewrites Section 74(a) of Chapter 830 of the 1987 Session Laws related to the Supercomputing Center. Specifies legislative intent with respect to the membership of the Supercomputing Center's Technical Advisory Council, and mandates appropriate reporting by the Microelectronics Center on all funds received and expended by the Center. In addition, states legislative intent to reduce the General Fund's share of the Center's support from the current two-thirds to three-fifths.

DEPARTMENT OF COMMERCE (1989 Actions, Continued)

Section 114 **Biotechnology Private Sector Research** - Authorizes the Biotechnology Center to recapture funds spent in support of successful research efforts in the nonacademic private sector. Mandates appropriate reporting to the Chairmen of the Appropriations Committee on Natural and Economic Resources and the Joint Legislative Commission on Governmental Operations.

Senate Bill 44

Section 149 **Worker Readjustment Program Funds** - Appropriates \$1.2 million each year for a worker readjustment program to provide a statewide program of rapid response to plant closings. Requires appropriate reporting to the Joint Legislative Commission on Governmental Operations. Also relates to Section 82 of Senate Bill 44 and Section 14 of Senate Bill 1042.

Section 150 **Petroleum Overcharge Funds Allocation** - Continues the five year program begun in 1987 and allocates \$10.9 million in Exxon funds over the next two years for energy conservation programs. Also appropriates \$5.98 million in Stripper Well funds for the Business Energy Improvement Program Revolving Loan Fund (\$2.5 million), \$1.675 million to expand the Transportation Information Management System, \$.35 million for waste tire utilization, \$1.35 million for local government energy conservation, and \$.1 million for the Energy Assurance Study Commission. Mandates appropriate reporting to the General Assembly.

Section 151 **Business Energy Improvement Program** - Amends Article 10 of Chapter 143B by adding the Business Energy Improvement Program and authorizes the Department of Commerce to establish a revolving loan fund for this purpose. See Section 151 above for appropriation to the Business Energy Improvement Program.

Section 152 **Commerce Regional Office** - Specifies the manner in which funds appropriated for business and industrial development will be used. Directs that the Department concentrate on establishing an eastern North Carolina office for economic development. Remaining funds can then be used to expand economic development operations in other parts of the State. Directs a report to the Joint Legislative Commission on Governmental Operations by November 1, 1989.

Section 153 **Visitor and Welcome Centers Funds** - Allocates \$50,000 in 1989-90 of the Personalized License Fee Fund and \$150,000 in 1990-91 for three rest areas to be administered by local agencies.

Senate Bill 1042

Section 23 **Masonboro Island and Buxton Woods Funds/Use** - Restricts use of funds to this purpose only.

DEPARTMENT OF COMMERCE (1989 Actions, Continued)

- Section 34* **Solid Waste Management Trust Fund/Waste Stream Analysis -** Reallocates \$500,000 from the Special Reserve for Oil Overcharge Funds appropriated to the North Carolina Housing Trust Fund in 1987 to the Department of Commerce for a waste stream analysis study by the Department of Human Resources. Funds are to be matched 1:1 by the private sector and the study is to be contracted out by the Department of Human Resources. Annual reports on the use of overcharge funds is required of the Department of Commerce. Appropriate reports on the waste stream analysis to Legislative Committees will be determined by the President Pro Tempore of the Senate and the Speaker of the House.
- Section 35* **Petroleum Overcharge Attorney Fees -** Directs the Attorney General to withdraw all overcharge settlement funds located in out-of-State accounts or reserves for payment of attorney fees and directs that these funds be deposited with the State Treasurer into the Special Reserve for Oil Overcharge Funds. Authorizes the payment of attorney fees related to oil overcharge settlements by the Attorney General.
- Section 37* **Incubator Facilities Funding -** Authorizes uncommitted funds, as of May 15 each year, for first-time incubator facilities to be used for the expansion of existing incubators. Directs appropriate reporting to the General Assembly.
- Section 51* **Utility Commission Staff Positions -** Appropriates, from fees collected, \$157,486 for 89-90 and 90-91 to establish and support two Grade 80 Public Utilities Engineer III positions.
- Section 52* **Piedmont Triad Airport Authority Fund -** Directs the reversion of these funds if unexpended and unencumbered on June 30, 1991 if the project is not completed.
- Section 53* **N.C. Housing Partnership -** Amends G.S. 122E-4 to insure that members of the Partnership receive no direct benefit from, or participate in, the programs of the North Carolina Housing Trust Fund.
- Section 54* **Industrial Development Fund -** Amends Article 10, Chapter 143B of the General Statutes to continue the Industrial Development Fund begun in 1987. Authorizes the expenditure of funds appropriated (\$3.5 million for industrial and economic development in distressed counties at the rate of \$250,000 per project and \$1,200 per new job created.
- Allows the Secretary of the Department of Commerce to use up to \$100,000 to provide emergency economic development assistance in any county which is documented to be experiencing a major economic dislocation. Further defines "major economic dislocation".

DEPARTMENT OF COMMERCE (1989 Actions, Continued)

Senate Bill 1309

Section 1 **Office of State Budget and Management, Rural Economic Development Center, Inc. - Appropriates \$650,000 in State Aid to the Rural Economic Development Center for grants to community development corporations, incorporated under Chapter 55A of the General Statutes.**

Section 30 **Celebration '91 Activities - Allows the Department to continue the development and implementation, with existing resources, of Celebration '91 activities, a series of activities and events which are scheduled to occur across the State in 1991 to demonstrate local history and heritage.**

DEPARTMENT OF COMMERCE: BIOTECHNOLOGY CENTER

To provide for improvements in research in biotechnology. A Biotechnology Council has been created and four constituent institutions are participants in that Council.

CONTINUATION BUDGET AS RECOMMENDED BY THE GOVERNOR	1989-90 General Fund	1990-91 General Fund
	\$6,360,200	\$6,360,200

1989 LEGISLATIVE ACTIONS

BASE BUDGET REDUCTIONS

1. Reduce grant-in-aid for Center's activities by approximately one percent.	(63,000) State Aid	(63,000) State Aid
REVISED BASE BUDGET	\$6,297,200 State Aid	\$6,297,200 State Aid

EXPANSION BUDGET

1. Support for Biotechnology Center - Funds to increase support to young biotechnology companies, to expand training programs in biotechnology, and to increase university research.	-	2,000,000 State Aid
TOTAL OPERATING APPROPRIATIONS	\$6,297,200	\$8,297,200

DEPARTMENT OF COMMERCE: BIOTECHNOLOGY CENTER

1990-91
General
Fund

1990 LEGISLATIVE ACTIONS

TOTAL OPERATING APPROPRIATIONS - 1989 SESSION	\$8,297,200
BUDGET REDUCTIONS	
TECHNOLOGY TRANSFER	
1. Reduce biotechnology Economic Development loan funds to aid young biotechnology companies in research on feasibility of new products.	(98,916)
UNIVERSITY RESEARCH	
2. Reduce grants to university programs that have the potential for forming basis for new biotechnology products.	(200,000)
EDUCATION/TRAINING	
3. Reduce funds for enhancement of training capabilities of community colleges and universities for biotechnology related jobs.	(64,860)
MANAGEMENT FLEXIBILITY	
4. Reduce Department's total appropriations due to revenue shortfall.	(125,877)
TOTAL REDUCTIONS	\$(489,653)
	State Aid
TOTAL OPERATING APPROPRIATIONS	\$7,807,547

DEPARTMENT OF COMMERCE: MICROELECTRONIC CENTER

The Microelectronic Center's purpose is to manage an advanced research and technology development program in modern electronics that enhances the educational research capabilities of participating institutions in modern electronics related disciplines and direct research and technology investigations for development of design, fabrication and test technologies for commercial manufacture of next generation submicron integrated circuits. The Center complements the State's initiative to attract new and support existing modern electronics and related industry to enhance North Carolina's high technological economic development.

CONTINUATION BUDGET AS RECOMMENDED BY THE GOVERNOR	1989-90 General Fund	1990-91 General Fund
	\$25,576,034	\$21,658,424

1989 LEGISLATIVE ACTIONS

BASE BUDGET REDUCTIONS

1. Reduce grant-in-aid for the Microelectronic Center's activities, excluding the supercomputer operation.	(275,000) State Aid	(225,000) State Aid
REVISED BASE BUDGET	\$25,301,034	\$21,433,424

1990 LEGISLATIVE ACTIONS

TOTAL OPERATING APPROPRIATIONS - 1989 SESSION **\$21,433,424**

BUDGET REDUCTIONS

MICROELECTRONICS

1. Defer purchase of semiconductor process equipment and delete 6 vacant positions.		(970,544) (6)
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COMMUNICATIONS

2. Defer equipment upgrades and delete 3 vacant positions.		(413,496) (3)
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SUPERCOMPUTING

3. Decrease operations.		(136,960)
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ADMINISTRATION

4. Decrease in building repair, maintenance, and administrative services.		(150,000)
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TOTAL REDUCTIONS		\$(1,671,000)* (9) State Aid
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TOTAL OPERATING APPROPRIATIONS **\$19,762,424**

*Center will not be subject to management flexibility factor.

DEPARTMENT OF COMMUNITY COLLEGES

Statutory Authority: General Statutes, Chapter 115D

The Department of Community Colleges provides state-level administration over a system of 58 institutions under the direction of the State Board of Community Colleges. The board is a 20-member body; 2 are ex officio, 8 are appointed by the General Assembly, and 10 are appointed by the Governor. Serving at the pleasure of the board is a President who has the responsibility to administer all policies, regulations and standards adopted by the board to operate the department and the institutions.

Each of the Community Colleges in the system is administered by a local board of trustees and a president who is chosen by the local board and approved by the state board. The local boards of trustees have 13 members: 4 elected by the local board of education, 4 elected by the local board of county commissioners, 4 appointed by the Governor, and the president of the student government as an ex officio non-voting member.

Programs and services offered by each institution reflect the needs and concerns of the citizens and industries in the community. Instruction is provided through curriculum and continuing education (extension) programs to more than 600,000 different individuals each year.

CONTINUATION BUDGET AS RECOMMENDED BY THE GOVERNOR	1989-90 General Fund	1990-91 General Fund
	\$333,262,160	\$333,937,499

1989 LEGISLATIVE ACTIONS

BASE BUDGET REDUCTIONS

1. Establish a negative reserve of 1% to come from overall reductions within the Departmental budget.	(91,126)	(91,126)
2. Special Allotments - Reduce program by the amount of the unexpended balance due to overestimate of FTE for these special, high cost programs.	(38,617)	(38,617)
3. Hospital-Based Nursing Program - Adjust the appropriation to more accurately reflect the actual number of students.	(100,000) State Aid	(100,000) State Aid

	1989-90 General Fund	1990-91 General Fund
DEPARTMENT OF COMMUNITY COLLEGES (1989 Actions, Continued)		
4. Community Services Block Grant - Reduce amount from Community Services Block for avocational and leisure courses.	(250,000)	(250,000)
TOTAL BASE BUDGET REDUCTIONS	(479,743)	(479,743)
REVISED BASED BUDGET	\$332,782,417	\$333,457,756

EXPANSION BUDGET

1. Equipment Funds - Provide a reserve to be allocated to the various campuses for purchase of equipment needed for program support.	5,000,000	NR	-
2. Library Books - Provide a reserve to be allocated to the various campuses for purchase of library books to maintain standards required for accreditation.	304,649	NR	-
3. Enrollment Increase - Provide support for additional budgeted enrollment.	6,000,000		6,000,000
	1,900,000	NR	
4. Restoration Fund - Provide a reserve to be allocated to the various campuses to help fund program needs at a more sufficient level.	5,000,000		10,000,000
5. Tuition Increases - To reflect tuition rate increase based on current enrollment from \$75 to \$90 per quarter for in-state students and from \$702 to \$840 per quarter for out-of-state students.	(4,868,460)		(4,868,460)
TOTAL OPERATING EXPANSION	13,336,189		11,131,540
TOTAL OPERATING APPROPRIATIONS	\$346,118,606		\$344,589,296

DEPARTMENT OF COMMUNITY COLLEGES (1989 Actions, Continued)
SPECIAL PROVISIONS INCLUDED IN APPROPRIATION BILLS - 1989

Senate Bill 43

- Section 16* **Operating Appropriations/Not Used for Recreation Extension** - Requires recreation courses in the Community College system to be self-supporting.
- Section 17* **Books and Equipment Appropriations/Revert After One Year** - Gives community colleges two years to spend books and equipment funds.
- Section 18* **Assistance to Hospital Nursing/Fund Distribution** - Allocates \$850 per full-time nursing student for financial support to hospital-based nursing programs.
- Section 19* **Management Support System** - Requires the Department of Community Colleges to report quarterly to the Joint Legislative Commission on Governmental Operations on its progress toward the development of a management support system.
- Section 20* **Stability of Funding** - Appropriates full-time equivalent (FTE) student enrollment funds based on the last two years' actual enrollment or the previous year's actual enrollment, whichever is greater. It also provides that no college shall receive less than 90% of the prior two-year's average curriculum FTE enrollment.
- Section 21* **Community College Trustees Training Course** - Encourages the Community College Trustees' Association to continue its training programs and to report on the number of participants and types of training provided.
- Section 22* **Literacy** - Requires the State Board to develop specific policies for the literacy programs and to report them to the 1990 Session.
- Section 23* **Satellite Centers** - Requires the State Board to provide greater oversight of and policies for the development of satellites and off-campus centers and to report these policies to the General Assembly.
- Section 24* **Student Accounting Study** - Requires the community college, UNC and private college systems to develop a recommendation on a common method for counting student enrollments for purposes of receiving public funds.
- Section 25* **Regional Cooperation** - Directs the State Board of Community Colleges and the Board of Governors to develop incentives to encourage regional cooperation among the community colleges and between community colleges and the UNC system.
- Section 26* **Community College Transfer of Credits Study** - Requires a plan to be developed by the State Board of Community Colleges and the UNC Board of Governors to increase the number of community college credits that will transfer to the UNC system.

DEPARTMENT OF COMMUNITY COLLEGES (1989 Actions, Continued)

- Section 27* **FTE Accounting** - Changes the census date for counting extension FTE to the same one used for curriculum.
- Section 28* **Maintenance of Plant Subsidy** - Requires the State Board to study the current allocation formula used to distribute maintenance of plant funds and to recommend a more equitable method for distribution.
- Senate Bill 44**
- Section 79* **Tuition Increase** - Increases tuition from \$75 to \$90 a quarter for in-state students and from \$702 to \$840 a quarter for out-of-state students.
- Section 80* **Accountability and Flexibility** - Directs the State Board to define "Critical Success Factors" to measure progress in the community college system. In exchange for more accountability it provides the system with more budget flexibility.
- Section 81* **Full-Time Equivalent Teaching Positions/Community Colleges** - Sets the faculty student ratio for curriculum programs at 1 to 21 and extension at 1 to 22.
- Section 82* **Focused Industrial Training Program** - Appropriates \$500,000 for each year of the biennium from the Worker Training Trust Fund to the Focused Industrial Training (FIT) program to continue it at the current level.
- Section 83* **Retooling for the Year 2000: Gaining the Competitive Edge** - Enacts into Chapter 115D the recommendations of the Commission on the Future of the Community College system for an Education Blueprint.
- Section 84* **Literacy Allocation Basis** - Directs the State Board to allocate literacy funds to the colleges on a more equitable basis, including providing incentives for performance.
- Section 85* **North Carolina Employers Charged In-State Tuition** - Allows in-state rates for out-of-state students if their North Carolina employer pays the tuition.
- Section 86* **Literacy Transportation** - Allows literary funds to be used for literacy transportation. Also requires State Board of Community Colleges and Education to develop pilot projects using the public school transportation system for community college literacy programs. Also allows State Board to adopt rules governing use of equipment funds for purchase of vehicles.
- Section 87* **Equine Instruction/Martin Community College** - Allows Martin Community College to allow students under 16 to participate in equine instruction on a self-supporting basis.
- Section 88* **Tuition/Public School Students Taking Community College Courses** - Exempts high school students taking "Huskin's bill" or dual enrollment courses in community colleges from tuition.
- Section 89* **Community College Reports** - Requires State Board and local Boards to review all requests for data to make sure they are necessary and are not duplicative.

**1990-91
General
Fund**

DEPARTMENT OF COMMUNITY COLLEGES (1990 Actions, Continued)

2. Fund reserve for equipment and book purchases. Restores part of \$7.5 million reverted during 1989-90 in order to balance the General Fund Budget.	6,000,000
TOTAL OPERATING EXPANSION	14,622,046
TOTAL NET BUDGET CHANGE	2,922,142
TOTAL OPERATING APPROPRIATIONS	\$347,511,438

Institutional funding will not be subject to management flexibility factor.

SPECIAL PROVISIONS INCLUDED IN APPROPRIATION BILLS - 1990

Senate Bill 1426

- Section 87* **Richmond Community College/Childbirth Classes** - Authorizes this college to offer childbirth classes to students under the age of 16 and to use community services funds for this purpose.
- Section 88* **Tuition Increase** - Raises community college tuition from \$90 to \$105 per quarter for in-state and from \$840 to \$981 for out-of-state students. Also increases the occupational extension fee from \$15 to \$25 a course.
- Section 89* **'Tech Prep' Implementation** - Allocates \$50,000 from the Department of Public Instruction's vocational education funds and \$50,000 from the Department of Community Colleges to fund the N.C. Tech Prep Leadership Development Center at Richmond Community College to assist in statewide planning and implementation.
- Section 90* **State Board of Community Colleges Budget Guidelines** - Authorizes the Board to establish guidelines for implementing the 3% reduction contained in the budget in accordance with the statewide priorities listed in the provision.
- Section 91* **Community College Bookstore Sales** - Authorizes the State Board of Community Colleges to adopt rules and regulations for the use of campus bookstore profits. Also prohibits such profits from being used to supplement salaries.

DEPARTMENT OF CORRECTION

Statutory Authority: General Statutes, Chapter 143B-260

The head of the department is the Secretary who is appointed by the Governor and who sits on the Governor's Cabinet. The department's responsibilities are to punish criminal offenders by incarceration or by imposing probation or parole and to provide humane treatment by classifying offenders within appropriate levels of security and by providing opportunities for self-improvement.

CONTINUATION BUDGET AS RECOMMENDED BY THE GOVERNOR	1989-90 General Fund	1990-91 General Fund
	\$340,110,686	\$343,198,073

1989 LEGISLATIVE ACTIONS

BASE BUDGET REDUCTIONS

DEPARTMENTAL MANAGEMENT

1. Reduce continuation budget due to realignment of FY 1988-89 Authorized Budget. Inaccurate alignment resulted in inappropriate increases for some line items for FY 1989-90 and FY 1990-91.	(140,737)	(448,898)
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DIVISION OF PRISONS

1. Delete funds to purchase law library books. A recent court decision mandates that inmate access to lawyers be provided by the State in place of law libraries. 1310-5600	(51,500)	(51,500)
2. Delete four positions in accordance with recommendation by the Office of State Budget and Management. This amount includes \$29,988 of Salary Reserve.	(181,006) (4)	(181,111) (4)
3. Delete vacant position of Correctional Food Services Coordinator (Position No. 4540-1410-0014-110)	(38,254) (1)	(38,275) (1)

RESERVES AND TRANSFERS

1. Reduce Reserve for New Units due to recalculation of effective dates for positions to be established. 1800-8380	(71,111)	-
2. Reduce Reserve for New Units by deleting one position designated to supervise a law library. 1800-8380	(22,728) (1)	(22,700) (1)

	1989-90 General Fund	1990-91 General Fund
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DEPARTMENT OF CORRECTION (1989 ACTIONS, Continued)

RECEIPTS

1. Increase receipts for meals purchased from the Department of Correction. Charge per meal is to increase from \$1.00 to \$1.25. 1999-0902	(92,663)	(92,663)
2. Increase receipts for per diem charge to work release inmates from \$6.00 per day to \$8.00 per day. 1999-0402	(475,466)	(475,466)
3. Increase receipts for transportation charge to work release inmates from \$1.00 per day to \$1.50 per day. 1999-0402	(34,171)	(34,171)
TOTAL BASE BUDGET REDUCTIONS	(1,107,636)	(1,344,784)
TOTAL POSITION REDUCTION	(6)	(6)

TRANSFERS

Transfer funds from the Department of Human Resources to the Department of Correction, Division of Prisons, to offset partial operating costs of Goldsboro Correctional Center.

	170,000	170,000
REVISED BASE BUDGET	\$339,173,050	\$342,023,289

SENATE BILL 38:AN ACT TO MAKE AN EMERGENCY APPROPRIATION FOR CORRECTIONAL PROGRAMS AND PROJECTS

1. Expand the Electronic House Arrest Program for probationers at high risk of incarceration.	2,333,999 (36)	1,461,698 (36)
2. Fund new probation and parole personnel to reduce the average caseload.	5,104,544 (249)	9,729,791 (372)
3. Expand the Intensive Probation/Parole Program by ten (10) teams to supervise an additional 200 probationers/parolees.	1,402,820 (41)	1,331,184 (41)

	1989-90 General Fund	1990-91 General Fund
DEPARTMENT OF CORRECTION (1989 Actions, Continued)		
4. Implement a treatment program for DWI parolees.	1,460,935 (45)	1,571,173 (45)
5. Establish the IMPACT (Shock Incarceration) Program for youthful offenders.	507,972 (24)	611,819 (24)
6. Provide funds to operate new facilities.	-	1,415,854 (62)
SUBTOTAL - SENATE BILL 38	10,810,270	16,121,519
SUBTOTAL POSITIONS - SENATE BILL 38	(395)	(580)

EXPANSION BUDGET

OTHER OPERATING EXPANSION

1. Positions, operating expenses, equipment and critical/emergency safety needs to begin Department-wide safety program.	49,188 (2)	75,743 (2)
2. Expansion of health staffing standards, operating expenses, equipment, and AIDS testing for 6 months in FY 1989-90.	286,803 (5)	476,800 (32)
3. Maintenance positions, vehicles, and support costs to maintain and improve prison units.	207,575 (19)	796,608 (31)
4. Implement new inmate clothing policy throughout prison system to meet defensible standards.	935,636 (3)	1,760,000 (3)
5. Provide funds to configure existing bunks for standard headroom space.	12,000	12,000

	1989-90 General Fund	1990-91 General Fund
DEPARTMENT OF CORRECTION (1989 Actions, Continued)		
6. Funds required in order to comply with Order of Court (Smith vs. Bounds). Law libraries are being abolished and replaced by legal representation furnished by NC Prisoners Legal Services, Inc. Budgeted amount will fund ten (10) attorneys and five (5) secretaries with appropriate support cost.	664,838	610,295
7. Positions and support to establish compliance monitoring for Division of Prisons operations and programs.	55,080 (2)	81,789 (2)
8. Positions, operating expense and equipment to place training coordinators at Area Offices.	139,378 (6)	211,394 (6)
9. Positions and support for inmate transportation, diagnostic and classification, and eastern jail transportation system.	356,913 (9)	435,502 (9)
10. Funds for Correctional Officer and Sergeant positions for certain field units and institutions to address supervision and relief factors and to place officers in dormitories.	1,117,939 (141)	10,413,447 (620)
11. Funding to provide office space for twenty-five (25) Parole Officers now housed in Division facilities.	38,250	38,250
12. Positions, operating expense and equipment to meet minimum standards for mental health treatment.	199,903 (14)	567,044 (28)
13. Misdemeanor Diagnostic Center for female inmates at Fountain Correctional Center for Women (50 beds).	403,606 (38)	985,234 (38)

	1989-90 General Fund	1990-91 General Fund
DEPARTMENT OF CORRECTION (1989 Actions, Continued)		
14. Continue funding for nine (9) positions funded for five (5) months in FY 1988-89 to reduce average Parole Officer caseload from an estimated 82 in July 1989 to 76. (HB 19)	277,250 (9)	277,375 (9)
15. Provide continued funding for twenty (20) positions funded for five months in FY 1988-89. These positions are needed to reduce the present officer caseload of 121. (HB 19)	588,146 (20)	588,424 (20)
16. Twenty-five bed inpatient substance abuse treatment unit for female inmates at the North Carolina Correctional Institute for Women.	179,768 (4)	108,708 (4)
17. Provide for kitchen equipment necessary to produce special diets required for certain inmates.	65,000	65,000
18. Funds to cover increase in Outside Prisoner Housing.	-	1,000,000
19. The Criminal Justice Training and Standards Council will require drug testing of all new probation/parole officials, that are subject to Certification.	-	12,960
20. Funds to replace federal grants that will expire in the 1989-91 budget years. Funds now support Regional Substance Abuse Coordinators, the Inpatient Youthful Offender Treatment Program, and the Outpatient Probation/Parole Treatment Program.	820,235 (18)	914,479 (22)
21. Fund positions needed to meet increased requirements for mandatory and in-service training.	213,324 (9)	350,523 (12)
22. Provide additional funds for support costs for mandatory training of new correctional officers.	195,365	195,365

	1989-90 General Fund	1990-91 General Fund
DEPARTMENT OF CORRECTION (1989 Actions, Continued)		
23. Add ten positions in the Controller's office to provide adequate staff to handle increased workload.	253,176 (10)	292,843 (10)
24. Provide correctional program positions to enable the Division of Prisons to meet program standards.	-	520,206 (23)
25. Provide secretaries to field unit superintendents.	-	136,416 (5)
26. Fund two Assistant Command Managers for the Eastern and Western Geographic Commands and a Secretary for the Female Command manager.	93,166 (3)	100,288 (3)
27. Provide funds for telephone, office, data processing, and maintenance equipment.	47,000	80,000
28. Delete funds from Continuation Budget for FY 1989-90 for positions and operating costs for Redd Dorm at Cameron Morrison.	(287,372) (-13)	(287,533) (-13)
29. Reserve from Redd Dorm to be allocated by 1990 Session of the General Assembly.	287,372	287,533
30. Reserve from the \$75 m. allocation for Correctional Improvements/Alternatives.	-	1,384,477
31. Provide needed support staff to handle an increase in workload of 15% in the Interstate Compact Section, 18% in the Data Entry Section, and 24% in the Parole Supervision Section.	105,946 (5)	104,955 (5)
32. Medical equipment to meet standards.	-	175,000

	1989-90 General Fund	1990-91 General Fund
DEPARTMENT OF CORRECTION (1989 Actions, Continued)		
33. Provide funds for seven (7) Clerks and one (1) Case Analyst due to workload resulting from cap legislation.	136,508 (8)	161,293 (8)
34. Provide funds for one Information and Communication Specialist to assist the Public Information Officer.	27,284 (1)	29,708 (1)
35. Fund additional personnel staff. The current personnel staff to employee ratio is 1 to 563 which is significantly greater than other State agencies.	304,360 (10)	325,003 (10)
36. Funds for positions and operating costs for new dormitory at Columbus Correctional Center.	-	242,181 (31)
37. Funds to provide support costs for fourteen maintenance positions that were authorized in the prior biennium for the Department's Engineering Section. When these positions were approved, no support costs were provided (primarily travel and auto/truck expense).	-	73,450
38. Funds to maintain electronic surveillance equipment.	-	185,900
39. Additional positions for Combined Records to handle the increased number of inmate files, the amount of material filed, the frequency of pulling/refiling files, and to meet the demand for up-to-date inmate files and automate/modernize the filing system in Combined Records.	147,382 (6)	154,668 (6)

	1989-90 General Fund	1990-91 General Fund
DEPARTMENT OF CORRECTION (1989 ACTIONS, Continued)		
40. Additional personnel to meet the State Accounting System requirements, to reprogram the inmate records system database, and to conduct data analysis.	91,394 (2)	91,433 (2)
41. Funds for communication equipment and lines for the Division of Adult Probation and Parole. Additional control units, modems, terminals, and data circuits are needed to provide required communication.	400,000	210,000
42. Positions, equipment and vehicles to install and service electronic equipment in the Division of Prisons.	48,292 (2)	39,923 (2)
43. Fund two positions to automate the extradition files on over 8,000 Probation/Parole absconders and escapees and to provide clerical support for the DOC Safety Program.	36,803 (2)	38,014 (2)
44. Computer service payment due to the State Information Processing Center for 1987-88.	829,000	NR
SUBTOTAL OTHER OPERATING EXPANSION	9,326,508	24,322,698
SUBTOTAL POSITIONS	(335)	(933)
TOTAL OPERATING EXPANSION	20,136,778	40,444,217
TOTAL POSITIONS	(730)	(1,513)
TOTAL OPERATING APPROPRIATIONS	\$359,309,828	\$382,467,506

DEPARTMENT OF CORRECTION (1989 Actions, Continued)

SPECIAL PROVISIONS INCLUDED IN APPROPRIATION BILLS - 1989

Senate Bill 43

- Section 64* **Prison Personnel Funds** - Provides that funds appropriated for the reserve for new units shall be used as approved by the General Assembly and that the additional positions for the new units shall not be effective until the facilities are within 90 days of completion.
- Section 65* **Private Confinement Facilities** - Provides that no privately for-profit owned or operated confinement facilities may be added to the State prison system unless approved by the General Assembly. Allows the State to contract with private, non-profit firms for work or study release centers for women.
- Section 66* **Negotiated Rates for Medical Services** - Requires the Department of Correction to negotiate for rates as close to Medicaid rates as possible for all medical services rendered by providers who are not State employees and to report on the results of its negotiations.
- Section 67* **Goldsboro Correctional Center Reallocation** - Reallocates land, buildings, and equipment of Goldsboro Correctional Center from the Department of Human Resources, Cherry Hospital, to the Department of Correction.
- Section 116* **Need for Training Coordinator Positions** - Requires a report by the Department to fund training coordinator positions after July 1, 1991 and to consolidate basic and in-service training for Division of Prisons personnel.
- Section 117* **Engineering Support Section Audit** - Directs the Office of the State Auditor to conduct an operational audit of the Engineering Support Section of the Department and to report its findings by May 1, 1990.
- Section 118* **Substance Abuse and DWI Parole Program Evaluations** - Requires the Department to conduct an evaluation of the substance abuse program and of the DWI program for parolees at Cherry Hospital and to issue reports by May 1, 1990.
- Section 119* **Prisoner AIDS Testing/Treatment** - Specifies that all incoming inmates be tested for AIDS for a six-month period, that the Department track AIDS related expenditures, that the Department formulate a plan for the detection, treatment, and prevention of AIDS, and that a report be issued to the General Assembly by May 15, 1990.
- Section 120* **Corrections Centralization Study** - Directs the House and Senate Appropriations Committees on Justice and Public Safety to study a more centralized approach to corrections in North Carolina and to report by May 1, 1990.

DEPARTMENT OF CORRECTION

1990-91
General
Fund

1990 LEGISLATIVE ACTIONS

TOTAL OPERATING APPROPRIATIONS - 1989 SESSION \$382,467,506

BUDGET REDUCTIONS

DEPARTMENTAL MANAGEMENT

1. Reduce funds for the following items
for operating expenses in Fund 1110:

Office supplies	(18,680)
Data processing supplies	(1,220)
Travel	(20,070)
Equipment repair	(9,300)
Postage	(3,687)
Telephone	(8,993)
Service contracts	(20,952)
Motor vehicle operations	(21,000)
Vehicle add ons	(3,000)
Office equipment	(22,086)
Reference books	(1,291)
Rent	(6,360)
Dues and subscriptions	(11,952)
Instructional equipment	(3,835)
Employee educational	(8,949)
Intra-agency service	(4,107)
Other equipment	(1,800)
Utilities	(1,200)

DIVISION OF PRISONS - DIVISION MANAGEMENT

2. Reduce funds for equipment in Fund 1210 (8,126)

DIVISION OF PRISONS - CUSTODY AND SECURITY

3. Delete Correctional Officer positions
and utility and maintenance expense
for classroom construction. Classrooms
will not be available until FY 1991-92. (406,692)
(14)
4. Delete Correctional Sergeant positions (315,284)
for the smallest minimum custody units. (17)
5. Delete in-service Training Coordinator (211,394)
positions for Area Offices. (6)
6. Delete Stenographer positions for field (136,416)
unit superintendents. (5)
7. Delete Correctional Officer positions at (1,083,501)
prison units not included in *Small v. Martin* (63)
and not currently under lawsuits.

1990-91
General
Fund

DEPARTMENT OF CORRECTION (1990 Actions, Continued)

8.	Reduce equipment line items for lockers for new units and pay for them out of Welfare Fund.	(310,524)
9.	Reduce heating line item.	(500,000)
10.	Reduce equipment and telephone line items (radios, walkie talkies, data processing equipment, training equipment and telephone systems).	(405,000)
11.	Reduce data processing equipment and cancel purchase of field communication equipment.	(62,000)
12.	Reduce out-of-state travel to conferences.	(96,358)
13.	Reduce purchase of safety equipment (metal storage buildings, metal cabinets, emergency generators, and air packs) for units not under litigation.	(258,000)
14.	Reduce purchase of janitorial supplies.	(200,000)
15.	Reduce purchase of equipment.	(80,000)
DIVISION OF PRISONS - HEALTH SERVICES		
16.	Delete vacant positions in health services.	(335,371) (12)
17.	Reduce contractual medical services.	(360,584)
18.	Reduce purchase of medical equipment.	(75,000)
19.	Reduce contractual services for music teacher at Western Correctional Center and ECONO College (UNC correspondence courses).	(20,000)
20.	Delete vacant teacher positions for adult inmates.	(125,470) (4)
21.	Reduce academic and vocational supply line items and pay for them from Welfare Fund.	(268,630)
DIVISION OF PRISONS - PROGRAM SERVICES		
22.	Delete program clerical positions at field units.	(520,206) (23)
23.	Reduce contractual services, for substance abuse programs to actual expenditure level for FY 1989-90.	(28,965)
DIVISION OF ADULT PROBATION AND PAROLE - PAROLE/PROBATION FIELD SERVICES		
24.	Reduce funds for the following items for operating expenses in Fund 1430.	
	Travel	(100,000)
	Office Equipment	(40,000)

1990-91
General
Fund

DEPARTMENT OF CORRECTION (1990 Actions, Continued)

DEPARTMENT WIDE

25. Reduce Salary Reserve balance
and related Social Security and
Retirement by one-half. (66,455)

MANAGEMENT FLEXIBILITY

26. Reduce department's total appropriations
due to revenue shortfall. (6,392,354)

SUBTOTAL REDUCTIONS

(12,574,812)
(144)

RECEIPTS

27. Increase receipts for meals purchased from
the Department of Correction. Charge
per meal is to increase from \$1.25 to
\$2.00 prior to tax being added. (519,017)

28. Re-negotiate contract with Department of
Transportation to cover costs incurred
for providing medium custody inmates
for road squads. (2,883,856)

29. Increase receipts for unsentenced
safekeepers sent by counties to Division
of Prisons. Payment is \$12.50/day. (319,500)

30. Increase receipts from counties for
medical expenses for unsentenced
safekeepers sent to the Division of
Prisons. (319,728)

31. Increase receipts for per diem charge to
inmates on Work Release from \$8.00/day
to \$12.50/day. (1,877,850)

SUBTOTAL DEPARTMENTAL RECEIPTS (5,919,951)

TOTAL GENERAL FUND REDUCTIONS

(18,494,763)
(144)

DEPARTMENT OF CORRECTION (1990 Actions, Continued)

EXPANSION BUDGET

1.	Expand the Electronic House Arrest Program during FY 1990-91 to an additional 2,000 State probationers and parolees and 1,000 offenders supervised by local officials. These offenders are at high risk of incarceration or reincarceration. (HB 2290)	1,925,742
		2,917,430 NR
		(31)
2.	Expand the Intensive Supervision Probation/Parole Program to supervise an additional 3,038 offenders in FY 1990-91. (HB 2290)	7,462,663
		(253)
3.	Raise the per diem payment from \$12.50 to \$14.50 per day for State inmates serving sentences of 30 days or more in local confinement facilities. (HB 2292)	604,678
4.	Funds for Southern Appalachia Mainstream, Inc., a community-based residential program for offenders who are being paroled or released and are in need of residence plans, community service jobs, and/or social readiness skills. (HB 2291)	190,000
5.	Provide funds for three additional Parole Case Analysts and three stenos to the Parole Commission to reduce case workload.	195,687
		(6)
6.	Increase funds for per diem items for inmates due to March 6, 1990 prison cap increase from 18,000 to 18,715 inmates.	1,684,298
7.	Increase funds for per diem items for inmates due to additional increase in prison cap from 18,715 to 20,435 being proposed for FY 1990-91.	1,405,661
8.	Provide funds for the early opening of dormitories at Sampson, Franklin, and Columbus County prison units.	907,882
9.	Provide funds for the early opening of prison dormitories and facilities not previously budgeted for FY 1990-91.	2,316,735
		(145.50)
10.	Provide operating funds for dormitories constructed with funds reallocated from other capital funds.	2,463,838
		(156)
11.	Funds for early startup of Correctional Officer positions at Wake Correctional Center.	138,416

**1990-91
General
Fund**

DEPARTMENT OF CORRECTION (1990 Actions, Continued)

RECEIPTS

12. Fund additional positions for the Combined Records section to keep offender records up-to-date.	62,976 (2)
13. Provide additional funds to comply with order of court (Smith vs. Bounds) Law libraries were abolished in FY 89-90 and replaced by legal representation furnished by North Carolina Prisoners Legal Services, Inc.	289,705
SUBTOTAL OPERATING EXPANSION	22,565,711
SUBTOTAL EXPANSION POSITIONS	(593.50)
14. Decrease appropriation due to increased receipts from counties for safekeepers sent by counties to Division of Prisons. Per diem to increase from \$12.50 to \$14.50.	(103,595)

ALLOCATION OF FY 1990-91 RESERVE ALREADY APPROPRIATED

15. In 1989, \$1,672,010 was appropriated for FY 1990-91 in a reserve to the Department of Correction to be allocated by the 1990 Session of the General Assembly. These funds are to be used to offset early operational costs for the additional facilities noted above.	(1,672,010)
TOTAL OPERATING EXPANSION	20,790,106
TOTAL POSITIONS	(593.50)
TOTAL NET BUDGET CHANGE	2,295,343
TOTAL OPERATING APPROPRIATIONS	\$384,762,849

SPECIAL PROVISIONS INCLUDED IN APPROPRIATION BILLS - 1990

Senate Bill 1426

- Section 117* **Limit Use of Operational Funds** - Specifies that the Department of Correction shall use funds for early operational costs for additional facilities as set forth by the General Assembly and shall not use these funds until the facilities are within 90 days of completion.
- Section 118* **Raise Per Diem Reimbursement** - Raises per diem reimbursement from \$12.50 to \$14.50 per day for State inmates serving sentences of 30 days or more in local confinement facilities.
- Section 119* **Southern Appalachia Mainstream Funds** - Authorizes use of \$190,000 as a grant-in-aid for a pilot community-based residential program for offenders being released or paroled and specifies report requirements.

DEPARTMENT OF CORRECTION (1990 Actions, Continued)

- Section 120* **Gates County School Wastewater Treatment** - Allows the Gates County Junior and Senior High Schools to tie into the Gates County Correctional Center's wastewater treatment system.
- Section 121* **Private Alcohol and Drug Abuse Detention Center** - Requires the Department of Correction to develop a proposal for contracting with the private sector for operation of privately operated, for-profit or not for-profit detention center(s) for alcohol and drug abusers and specifies report date.
- Section 122* **Road Crew Performance Audit** - Requires the State Auditor to conduct a performance audit of inmate road crews and specifies the report date.

DEPARTMENT OF CRIME CONTROL AND PUBLIC SAFETY - GENERAL FUND

Statutory Authority: General Statutes, Chapter 143B-475

The head of the Department is the Secretary who is appointed by the Governor and who sits on the Governor's Cabinet. The responsibility of the department is to implement a statewide crime control program, to assist local law enforcement, and to prepare for and respond to natural and man-made disasters. The Highway Patrol which enforces the State's traffic laws is also part of this Department.

CONTINUATION BUDGET AS RECOMMENDED BY THE GOVERNOR	1989-90 General Fund	1990-91 General Fund
	\$25,249,087	\$25,461,003

1989 LEGISLATIVE ACTIONS

BASE BUDGET REDUCTIONS

WORKFORCE REDUCTIONS

1. Delete four positions in accordance with recommendation of the Office of State Budget and Management - Administration (1), National Guard (1) and Victim and Justice Services (2).	(142,963) (4)	(142,999) (4)
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ALCOHOL LAW ENFORCEMENT

1. Reduce funds for purchasing 10 new vehicles and reduce budgeted sale of surplus vehicle receipts accordingly. 1410-5400 and 1410-0935.	(133,690)	(139,070)
Receipts	(42,500)	(42,500)
	(91,190)	(96,570)

TOTAL BASE BUDGET REDUCTIONS	(234,153)	(239,569)
TOTAL POSITION REDUCTION	(4)	(4)
REVISED BASE BUDGET	\$25,014,934	\$25,221,434

SENATE BILL 38

1. Chapter 8 (SB 38) authorizes expansion of prison and alternative programs in the 1989-91 biennium by expanding the existing 12 Community Penalties Programs at 85% State support, providing contractual services to rural counties, and providing additional administrative costs. Also establishes new programs at 90% State share in Mecklenburg County and two in the First

	1989-90 General Fund	1990-91 General Fund
DEPARTMENT OF CRIME CONTROL AND PUBLIC SAFETY		
(1989 Actions, Continued)		
EXPANSION BUDGET		
OTHER OPERATING EXPANSION		
Superior Court Division in 1989-90, and in the Third and Fourth Superior Court Divisions in 1990-91.	609,208	837,170
1. Grant for support of a pilot program at Summit House, a community-based residential alternative to incarceration for mothers and pregnant women convicted of non-violent crimes.	75,000 State Aid	NR -
2. Increase funds for payments to victims through the N.C. Crime Victims Compensation Program, and provide additional personnel, effective 9-1-89.		
Victim Awards	600,000	600,000
Personnel	74,248 (3)	86,019 (3)
Requirements	674,248	686,019
Receipt	225,000	400,000
Appropriation	449,248 (3)	286,019 (3)
3. Provide additional funds to meet National Guard Pension Fund requirements.	225,461 183,970 NR	225,461
4. Provide additional Community Service personnel, effective 9-1-89.	444,914 (22)	602,919 (22)
5. Authorize funds to provide data processing personnel and equipment for General Fund operations, effective 9-1-89.	137,772 (1)	207,824 (2)
6. Increase personnel in the Emergency Management Division to expand emergency coverage.	99,680 (2)	138,230 (3)

	1989-90 General Fund	1990-91 General Fund
DEPARTMENT OF CRIME CONTROL AND PUBLIC SAFETY		
(1989 Actions, Continued)		
7. Adjust base budget to reflect the deletion of computer training support which was funded as non-recurring in 1988-89.	(71,000)	(71,000)
8. Provide funds for the Emergency Management Division to purchase radios to use in coastal areas.	150,000	NR -
TOTAL EXPANSION BUDGET	2,204,253	2,226,623
TOTAL POSITIONS	(28)	(30)
TOTAL OPERATING APPROPRIATIONS	\$27,219,187	\$27,448,057

	1989-90 Highway Fund	1990-91 Highway Fund
CONTINUATION BUDGET AS RECOMMENDED BY THE GOVERNOR	\$79,385,558	\$81,579,469

1989 LEGISLATIVE ACTIONS

BASE BUDGET REDUCTIONS

WORKFORCE REDUCTIONS

1. Reduce budgeted receipt transferred from the Governor's Office to support two (2) Highway Patrolmen's positions and offset with direct appropriation. 2610-0304 and 2610-0308.		
TOTAL RECEIPTS APPROPRIATION	(23,488) 23,488	(23,488) 23,488
2. Delete vacant Mechanic II position and related benefits.(Position No. 4960-0604-4007-096)	(28,063) (1)	(28,070) (1)
TOTAL BASE BUDGET REDUCTIONS HIGHWAY FUND	(4,575) (1)	(4,582) (1)
REVISED BASE BUDGET	\$79,380,983	\$81,574,887

EXPANSION BUDGET

1. Support for additional Highway Patrol troopers, effective 9-1-89.	734,805 (15)	1,342,110 (30)
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DEPARTMENT OF CRIME CONTROL AND PUBLIC SAFETY - HIGHWAY FUND

	1989-90 Highway Fund	1990-91 Highway Fund
2. Authorize funds to provide data processing personnel and equipment for Highway Fund operations, effective 9-1-89.	300,765 (2)	414,558 (5)
3. Expand Telecommunication personnel in the Highway Patrol, effective 9-1-89.	216,893 (11)	492,407 (21)
4. Provide additional secretarial staff for Highway Patrol district offices, effective 9-1-89.	119,632 (6)	129,752 (6)
TOTAL EXPANSION BUDGET	1,372,095	2,378,827
TOTAL POSITIONS	(34)	(62)
TOTAL OPERATING APPROPRIATIONS	\$80,753,078	\$83,953,714

SPECIAL PROVISIONS INCLUDED IN APPROPRIATION BILLS - 1989

Senate Bill 43

Section 61 **Report on Community Service Workers** - Directs the Department of Crime Control and Public Safety to report quarterly in the 1989-90 fiscal year and semiannually in the 1990-91 fiscal year to the Joint Legislative Commission Governmental Operations and the Fiscal Research Division on the number of community service workers who were available during each month of the time period preceding that report to perform repairs and maintenance of the parks and when and where they were available.

Section 62 **Reports on the Community Penalties Program and the Crime Victims Compensation Fund** - Directs the Department of Crime Control and Public Safety to report annually to the Senate and House Appropriations Base Budget Committees on Justice and Public Safety and the Fiscal Research Division on the administrative expenditures of the Community Penalties Program and the North Carolina Crime Victims Compensation Fund.

Section 63 **Legislative Review of Drug Law Enforcement and Other Grants** - Provides that State applications for grants under the State and Local Law Enforcement Assistance Act of 1986, Part M of the Omnibus Crime Control and Safe Streets Act of 1968, as enacted by Subtitle K of P.L. 99-570, the Anti-Drug Abuse Act of 1986, are subject to review by the Joint Legislative Commission on Governmental Operations if at the time of review the General Assembly is not in session. Designates this Commission as the review agent, if the General Assembly is not in session, for all state applications for grants requiring review unless a State statute provides a different forum for review. Repeals Article 13A of Chapter 120 of the General Statutes.

DEPARTMENT OF CRIME CONTROL AND PUBLIC SAFETY
(1989 Actions, Continued)

Senate Bill 44

Section 109 **Community Service Coordinator Appointment** - Amends G.S. 143B-475.1(a) to specify that the appointment of coordinators to work with deferred prosecution, community service restitution and the volunteer program for youthful and adult offenders is made in consultation with the Chief District Court Judge in the district to which the coordinator is assigned.

Also amends G.S. 20-179.4(b) to specify that the Chief District Court Judge will be consulted when a coordinator is appointed in the judge's respective judicial district to assure an individual's compliance with the community service sentence.

Section 110 **Victims Compensation Program Study** - Directs the Office of the State Auditor to study the costs of administering the North Carolina Crime Victims Compensation Program, established in Chapter 15B of the General Statutes, and to submit a report to the Senate and House Appropriations Committees on Justice and Public Safety and to the Fiscal Research Division by May 1, 1990, on more cost-effective methods of administration, including the possible computerization of data. The study shall also include a review of the information obtained by the Victim Witness Coordinators, to determine if that information is acceptable for use by the Department and may relieve the Department from duplicating efforts.

Section 111 **Review of the Civil Air Patrol Operations** - Requests that the Office of the State Auditor conduct a performance audit of the Civil Air Patrol administered by the Department of Crime Control and Public Safety that will address, but is not limited to, a review of the responsibilities of the supervisory personnel and the Military Board; the role of the Department of Crime Control and Public Safety in structuring the programs and activities of the Civil Air Patrol; and the use of funds appropriated annually from the General Fund for State personnel and operating expenses. Directs the Office of State Auditor to report its findings and recommendations to the Senate and House Appropriations Base Budget Committee on Justice and Public Safety by April 15, 1990.

Section 112 **Review of National Guard Operations** - Directs the Office of the State Auditor to conduct, within funds available, a performance audit of the North Carolina National Guard administered by the Department of Crime Control and Public Safety that will address, but is not limited to, determining the demographic make-up of active personnel and retirees, retention procedures and practices, the proportion of minorities among full-time personnel, and the adequacy of current procedures to allow reporting of acts of discrimination.

DEPARTMENT OF CRIME CONTROL AND PUBLIC SAFETY
(1989 Actions, Continued)

The Office of State Auditor is directed to report its findings and recommendations to the Senate and House Appropriations Base Budget committee on Justice and Public Safety by April 15, 1990.

Section 113 **Summit House Funds** - Specifies that the \$75,000 appropriated to the Department of Crime Control and Public Safety for the 1989-90 fiscal year shall be used to support a pilot program at Summit House, a community-based residential alternative to incarceration for mothers and pregnant women convicted of nonviolent crimes. Summit House shall provide a quarterly report to the Joint Legislative Commission on Governmental Operations on the expenditure of State appropriations and on the effectiveness of the program, including information on the number of clients served, the number of clients who have their probation revoked, and the number of clients who successfully complete the program while housed at Summit House.

Section 114 **Assignment of Highway Patrol Cars** - Rewrites G.S. 20-190.3 to extend the assignment of new cars to all members of the Highway Patrol.

Section 115 **Additional Highway Patrol Troopers** - Specifies that the new troopers for the Highway Patrol may not be assigned to any duty other than full-time enforcement of the traffic laws by patrolling the roads except when absence therefrom is required for court appearances, training mandated by statutes or compliance with the rules of the North Carolina Criminal Justice Education and Training Standards Commission, or administrative work directly arising out of road patrol or court appearance. Also, no additional administrative positions may be created that decrease the number of members of the Highway Patrol assigned to road patrol as essentially full-time duty. The new Highway Patrol positions shall be of salary grade 66. Also allows the Highway Patrol to create from salary reserve as available three new positions - a first sergeant at salary grade 73 and two line sergeants at salary grade 71, of which one position may be assigned to the driving track. The Highway Patrol may also assign three troopers (master) to the driving track.

Senate Bill 1042

Section 2 **Tornado Assistance Funding** - Allows the Office of State Budget and Management to use up to \$150,000 of the funds appropriated in 1989-90 fiscal year for the Repairs and Maintenance Reserve to support the required federal match for federal grants received resulting from the May, 1989 tornadoes, if funds outlined in G.S. 143-23(a1)(3), (4) and (5) of the Contingency and Emergency Fund are depleted.

DEPARTMENT OF CRIME CONTROL AND PUBLIC SAFETY
(1989 Actions, Continued)

- Section 26* **State Law Enforcement Firing Range Study** - Directs the Department of Crime Control and Public Safety and the Department of Justice to study the feasibility of constructing a firing range to be used by the Highway patrol, the State Bureau of Investigation, and other State law enforcement agencies, and to submit a report and recommendations to the Senate and House Appropriations Committees on Justice and Public Safety and to the Fiscal Research Division by May 1, 1990. The report should include a list of all firing ranges currently available for use by State law enforcement agencies, an analysis of the man-hours lost due to travel to and from these facilities, the cost of maintaining the present facilities, any other costs associated with the current arrangement for the use of firing ranges by the State law enforcement agencies, and recommendations of possible sites for the location or construction of a firing range for the use of all State law enforcement personnel.
- Section 27* **Law Enforcement Driving Track Funds** - Specifies that \$239,400 of the unexpended funds appropriated for the 1987-88 fiscal year to the Department of Crime Control and Public Safety in Section 5 of Chapter 795 of the 1987 Session Laws for the law enforcement driving track will be used for the construction of a control tower.
- Section 42* **Use of Drug Enforcement Receipts** - Directs the Department of Crime Control and Public Safety to use the \$258,200 of drug law enforcement receipts in its budget for the 1989-90 fiscal year for operating expenses related to drug law enforcement activities of the Highway Patrol and for other one-time equipment purchases. The Department of Crime Control and Public Safety shall report to the Joint Legislative Commission on Governmental Operations on its intended use of these funds in compliance with Section 57 of Chapter 500 of the 1989 Session Laws, the Current Operations Appropriations Act of 1989.
- Section 43* **Underground Storage Tank Funds** - Directs the Department of Crime Control and Public Safety to use \$212,350 of the funds appropriated in Section 6 of Chapter 754 for the 1989-90 fiscal year to begin the upgrading and replacement of underground gasoline storage tanks to meet the standards required by the Environmental Protection Act. Also directs the Department of Crime Control and Public Safety, Division of Highway Patrol, to report to the Senate Appropriations Committee on Justice and Public Safety and to the Fiscal Research Division by April 15, 1990, on additional costs needed to meet the standards required by the Environmental Protection Act and on receipts that are available to the Highway Patrol Division to offset these costs.

Senate Bill 1309

Section 25

Civil Air Patrol Headquarters Building Funds - Specifies that within the provision of the law \$100,000 of the funds appropriated pursuant to G.S. 136-16.4 for aviation will be used for the 1989-90 fiscal year by the North Carolina Wing of the Civil Air Patrol, Inc., for the construction of a new headquarters and training facility. No less than ninety percent (90%) of these funds shall be used for capital improvements, and the remaining ten percent (10%) may be used for furnishings. In order to receive these funds, the North Carolina Wing of the Civil Air Patrol, Inc., shall match the funds on a dollar-for-dollar basis.

1990-91
General
Fund

1990 LEGISLATIVE ACTIONS

DEPARTMENT OF CRIME CONTROL AND PUBLIC SAFETY

TOTAL OPERATING APPROPRIATIONS - 1989 SESSION **\$27,448,057**

BUDGET REDUCTIONS

SALARY RESERVE

1. Reduce salary reserve of \$55,178 and related benefits by one half. (32,939)

ADMINISTRATION

2. Delete the Data Processing Services authorized for FY 90-91 (46,771)
(1)

NATIONAL GUARD

3. Reduce state costs for telephone service by charging appropriate expenses to the federal government. (260,267)

EMERGENCY MANAGEMENT

4. Delete an Emergency Management Officer position. (53,087)
(1)

VICTIM & JUSTICE SERVICES

5. Reduce the expansion of Community Penalties Program. (184,287)

1990-91
General
Fund

DEPARTMENT OF CRIME CONTROL AND PUBLIC SAFETY
(1990 Actions, Continued)

6. Reduce in-state Travel/Transportation. (48,964)

GOVERNOR'S CRIME COMMISSION (95,713)

7. Eliminate two of three vacant positions - Criminal Justice Planner II, Pos. #4970-0000-0001-215 (\$32,148); and Criminal Justice Planner II, Pos. #4970-0000-0001-217 (\$41,436). (95,713) (2)

8. Reduce match for Drug Enforcement grants to State agencies. (110,000)

9. The following funds will be cut in the areas of:
Travel, Printing, Cleaning Supplies, Motor Vehicle Operations, Communications, Other Equipment, or Utilities:

Butner Public Safety	(26,000)
Crime Prevention	(25,000)
National Guard	(10,000)
Civil Air Patrol	(4,086)

DEPARTMENTWIDE - MANAGEMENT FLEXIBILITY

10. Reduce department's total appropriations due to revenue shortfall. (448,778)

TOTAL GENERAL FUND REDUCTIONS (1,345,892)

TOTAL POSITION REDUCTIONS (4)

EXPANSION BUDGET

1. Provide funds to Summit House, a community-based residential alternative for pregnant women convicted of nonviolent crimes. 165,000
State Aid

TOTAL NET BUDGET CHANGE (1,180,892)

TOTAL POSITION REDUCTIONS (4)

TOTAL OPERATING APPROPRIATIONS \$26,267,165

1990 LEGISLATIVE ACTIONS

TOTAL OPERATING APPROPRIATIONS - 1990 SESSION	\$83,953,714
DEPARTMENT OF CRIME CONTROL AND PUBLIC SAFETY	
(1990 Actions, Continued)	
BUDGET REDUCTIONS	
HIGHWAY FUND	
1. Reduce salary reserve of \$662,021 and related benefits by one-half.	(411,745)
2. Delete three (3) data processing positions.	(135,013) (3)
3. Adjust the clothing allowance (\$500) for troopers assigned to the Governor's Security to agree with the rate of payment to SBI agents (\$400 per year).	(1,700)
4. Eliminate replacement by approximately 163 vehicles.	(2,272,972)
5. Reduce funding in the following areas:	
Fuels and lubricants	(35,088)
Tires and tubes	(40,673)
Parts and labor	(33,277)
Helicopter Operations	(50,000)
Travel	(62,500)
Educational expense	(48,000)
Office furniture and equipment	(12,206)
Communication equipment	(33,811)
Data processing equipment	(30,763)
TOTAL HIGHWAY FUND REDUCTIONS	(\$3,167,748)
TOTAL POSITION REDUCTIONS	(3)
TOTAL OPERATING APPROPRIATION	\$80,785,966

DEPARTMENT OF CRIME CONTROL AND PUBLIC SAFETY
(1990 Actions, Continued)

SPECIAL PROVISIONS INCLUDED IN APPROPRIATION BILLS - 1990

Senate Bill 1426

Section 129 **Summit House Funds** - Rewrites Section 113 of Chapter 752 of the 1989 Session Laws to specify that the \$165,000 appropriated to the Department of Crime Control and Public Safety for the 1990-91 fiscal year shall be used to continue support for a pilot program at Summit House, a community-based residential alternative to incarceration for mothers and pregnant women convicted of nonviolent crimes. Summit House shall provide a quarterly report to the Joint Legislative Commission on Governmental Operations on the expenditure of State appropriations and on the effectiveness of the program, including information on the number of clients served, the number of clients who have their probation revoked, and the number of clients who successfully complete the program while housed at Summit House.

Section 130 **No Reorganization of Community Penalties Programs** - Restricts the Department of Crime Control and Public Safety from reorganizing or restructuring the Community Penalties Programs.

Section 131 **Eligibility for Victims Compensation Funds** - Amends G.S 15B-11(a) to deny the offender or his accomplice an award of compensation from Victim's Compensation Funds.

Section 132 **Community Penalties Programs** - Reallocates \$1.439 million from Chapters 8 and 500 of the 1989 Session Laws by specifying the manner in which the \$1.201 million appropriated to continue and provide 5 months of expansion for existing community penalties programs and \$117,700 for administrative costs will be used. Directs the Office of the State Auditor to conduct an operational audit to evaluate the Department's management of these programs, each local community penalties program and the use by each judicial district of the program. The Office of the State Auditor is directed to report findings and recommendations to the Joint Legislative Commission on Governmental Operations, House and Senate appropriations Committees on Justice and Public Safety, and the Fiscal Research Division by December 1, 1990.

Places in reserve \$119,150 and directs the Department to fund in specific allocations the remaining 7 months of expansion funds to the existing programs unless the audit finds substantial noncompliance with Part 6 of Article 11 of Chapter 143B. Also authorizes the creation of new community penalties programs in the 16th B and 3rd judicial districts, Nash County, and establishes contractual services through Jacksonville and Gaston Community Penalties Programs. Finally, directs the Department to use remaining funds to further expand existing programs that comply with statutory provisions.

DEPARTMENT OF CRIME CONTROL AND PUBLIC SAFETY

(1990 Actions, Continued)

Section 133 **Highway Patrol Positions Filled Only In Fiscal Year in Which They Occur** - Amends G.S. 20-185 by adding a new section to specify that positions in the Highway Patrol Division approved by the General Assembly in the first year of the biennium to be added in the second fiscal year may not be filled before adjustments to the budget for the second fiscal year of the budget is enacted. Additionally, an applicant that requires training for a position authorized for the second year of the biennium may not proceed with training until budget adjustments for the second fiscal year are enacted by the General Assembly.

Section 134 **Law Enforcement Driving Track Funds** - Rewrites Section 27 of Chapter 754 of the 1989 Session Laws to specify that \$239,400 will be used for the construction of support building that houses a control tower, classroom facilities, and maintenance bays to be located at the driving track.

DEPARTMENT OF CULTURAL RESOURCES

Statutory Authority: Article 2, Chapter 143B, General Statutes

The head of the Department is the Secretary who is appointed by and serves at the pleasure of the Governor. The Department is responsible for providing the necessary management, policy development and the establishment and enforcement of standards for the furtherance of resources, services and programs for historical records, sites and property, including museums, art resources, and libraries. An important function of the Department is the administration and awarding of funds appropriated for grants-in-aid.

CONTINUATION BUDGET	1989-90	1990-91
AS RECOMMENDED BY	General	General
THE GOVERNOR	Fund	Fund
	\$37,916,730	\$38,182,330

1989 LEGISLATIVE ACTIONS

BASE BUDGET REDUCTIONS

WORKFORCE REDUCTIONS

1. Reduce appropriation for salaries and related benefits by eliminating vacant positions, (6 full-time 1 part-time) and by reducing two full-time positions to one-half time.	(164,331)	(164,422)
	(7.5)	(7.5)

DIVISION OF ARCHIVES & HISTORY

2. Delete one-time appropriation for the Stagville Preservation Center from the base budget.	(18,500)	(18,500)
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HISTORIC SITES

3. Delete one-time appropriation for Living History Farm from the base budget.	(50,000)	(50,000)
4. Reduce amount budgeted for replacement of vehicles.	(12,623)	(4,711)

TRYON PALACE

5. Reduce amount for replacement of truck.	(2,300)	-
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TOTAL BASE BUDGET REDUCTIONS	(247,754)	(237,633)
TOTAL POSITION REDUCTIONS	(7.5)	(7.5)
REVISED BASE BUDGET	\$37,668,976	\$37,944,697

	1989-90 General Fund	1990-91 General Fund
DEPARTMENT OF CULTURAL RESOURCES (1989 Actions, Continued)		
EXPANSION BUDGET		
STATE LIBRARY		
1. Provide the Library for the Blind and Physically Handicapped with additional staff and operating support to reduce its backlog in audiocassette player repairs and client requests for materials, effective 9-1-89.	167,987 (4)	123,253 (4)
STATE HISTORIC SITES		
2. Provide a reserve for the Horne Creek Farm State Historic Site. The reserve will be used for operating expenses and for the design and initial restoration of the main house.	42,000	75,000
ARCHIVES AND HISTORY - ADMINISTRATION		
3. Provide funds for grants of up to \$10,000 to nonprofit historic attractions in the state. The grants are to be matched on a dollar-for-dollar basis.	-	100,000 State Aid
GRANT-IN-AID TO ARTS		
4. Grant to N.C. Shakespeare Festival for expenses related to touring metropolitan and rural communities throughout the State to present major Shakespearean productions, to tour high schools, and operations.	75,000 State Aid	NR
TOTAL OPERATING EXPANSION	284,987	298,253
TOTAL POSITIONS	(4)	(4)
TOTAL OPERATING BUDGET	\$37,953,963	\$38,242,950

DEPARTMENT OF CULTURAL RESOURCES (1989 Actions, Continued)

SPECIAL PROVISIONS INCLUDED IN APPROPRIATION BILLS - 1989

Senate Bill 44

- Section 16* **Regional Historic Attraction Funds** - \$100,000 in 1990-91 shall be used for grants of up to \$10,000 each to nonprofit historic attractions selected by the North Carolina Historical Commission. The funds are to be matched on a dollar-for-dollar basis.
- Section 17* **SECCA Funds Limitation** - No state funds shall be appropriated or allocated to the Southeastern Center for Contemporary Art (SECCA) Awards in the Visual Arts Program.
- Section 21* **C & E Fund/Outdoor Dramas** - Amends the statutes to permit an outdoor drama to receive funds from the Contingency and Emergency Fund regardless of the receipt of other state funds.
- Section 70* **N.C. Symphony Audio-Visual Funds** - \$50,000 in the Department of Public Instruction will be used to develop an on-going audio-visual program and a young people's television series for the North Carolina Symphony's statewide education outreach effort.

**1990-91
General
Fund**

1990 LEGISLATIVE ACTIONS

TOTAL OPERATING APPROPRIATIONS - 1990 SESSION	\$38,242,950
BUDGET REDUCTIONS	
OFFICE OF THE SECRETARY	
1. Reduce funds for telephone.	(2,700)
ADMINISTRATIVE SERVICES	
2. Reduce miscellaneous operating support.	(18,000)
COMMUNICATIONS	
3. Reduce funds for operating expenses.	(9,180)
ARCHIVES AND HISTORY ADMINISTRATION	
4. Eliminate vacant History Museum Specialist position and related benefits.	(29,953) (1)
HISTORICAL PUBLICATIONS	
5. Reduce funds for printing.	(10,520)
ARCHIVES AND RECORDS	
6. Reduce support for other supplies and materials, travel and postage.	(43,127)
STATE HISTORIC SITES	
7. Reduce funds for travel, communications, utilities and repairs and maintenance.	(82,256)

	1990-91 General Fund
DEPARTMENT OF CULTURAL RESOURCES (1990 Actions, Continued)	
TRYON PALACE	
8. Reduce support for utilities, building and equipment repairs and repairs and maintenance.	(21,183)
STATE CAPITOL/VISITOR CENTER	
9. Reduce funds for communications and printing.	(5,558)
HISTORIC PRESERVATION	
10. Reduce funds for travel and communication.	(17,087)
MUSEUM OF HISTORY	
11. Reduce reserve fund for new museum included in the expansion budget.	(185,220)
EASTERN OFFICE	
12. Reduce travel and telephone support.	(2,010)
WESTERN OFFICE	
13. Reduce funds for travel, telephone and other equipment.	(4,437)
MUSEUM OF ART	
14. Reduce funds for miscellaneous operational support items.	(90,000)
ARTS COUNCIL	
15. Reduce travel and telephone funds. Art in State Buildings	(9,600) (10,000)
SYMPHONY	
16. Reduce funds for postage.	(8,456)
STATE LIBRARY-INFORMATION SERVICES	
17. Reduce printing funds.	(21,595)
BLIND AND HANDICAPPED	
18. Reduce funds for films.	(94,000)
SUBTOTAL REDUCTIONS - OPERATING POSITIONS	\$664,882
	(1)
BUDGET REDUCTIONS - GRANT FUNDS	
ARCHIVES AND HISTORY	
19. Historical Attractions	(3,000)
UNCONDITIONAL GRANTS	
20. Moore's Creek	(32)

**1990-91
General
Fund**

DEPARTMENT OF CULTURAL RESOURCES (1990 Actions, Continued)

HISTORIC SITES

21. Local Grants (337)

ARTS COUNCIL GRANTS

22. Touring/Comm. Dev. (29,900)

23. Theatre Arts (16,300)

24. Dance, Folk, Literature (23,400)

25. American Dance Festival (10,000)

26. Statewide Arts Res. (28,900)

27. Grassroots Arts (45,000)

GRANTS-IN-AID TO THE ARTS

28. Vagabond School (1,500)

29. Art Society (240)

30. N. C. Symphony Society, Inc. (44,373)

SERVICES TO PUBLIC LIBRARIES

31. Aid to Counties (339,793)

SUBTOTAL REDUCTIONS - GRANTS - STATE AID (542,775)

MANAGEMENT FLEXIBILITY

32. Reduce department's appropriations due to revenue shortfall. (612,966)

TOTAL BUDGET REDUCTIONS (\$1,820,623)

TOTAL POSITIONS REDUCTIONS (1)

EXPANSION

ARTS COUNCIL GRANTS

1. Provide additional support for Grassroots Arts to be distributed on a per capita basis. 550,000
State Aid

TOTAL NET BUDGET CHANGE (1,270,623)

TOTAL OPERATING APPROPRIATIONS \$36,972,327

SPECIAL PROVISIONS INCLUDED IN APPROPRIATION BILLS - 1990

Senate Bill 1426

Section 18 Permit Washington County To Use Grant-In-Aid Funds For An Additional Purpose - Permits the funds appropriated in 1987 to Washington County to be used to microfilm "The Roanoke Beacon", the local newspaper. Funds may also be used to pay a museum curator.

DEPARTMENT OF CULTURAL RESOURCES (1990 Actions, Continued)

Section 19 **Old Fort Branch Museum Funds - Permits unexpended balance of \$50,000 appropriated in 1986 to Department of Cultural Resources to be used for capital improvements for Old Fort Branch Museum (Mountain Gateway Museum).**

Section 20 **Eliminate The Matching Requirement For Funds Previously Appropriated For the Latham House - Eliminates matching requirement from 1985-86 appropriation of \$10,000.**

DEPARTMENT OF ECONOMIC AND COMMUNITY DEVELOPMENT
 (See Department of Commerce for 1989 Session Legislative Actions)

Statutory Authority: General Statutes 143B-429

The 1989 General assembly enacted House Bill 381, Chapter 751 of the 1989 Session Laws, that changed the name of the Department of Commerce to the Department of Economic and Community Development. This change provides for a Division of Housing in the Department, powers and duties related to local planning assistance, and the creation of the Housing Coordination and Policy Council. House Bill 480, Chapter 727 of the 1989 Session Laws, an Act to Consolidate Environmental Programs, also transferred the Division of Community Assistance and the Division of Employment and Training to the Department of Economic and Community Development.

1989 LEGISLATIVE ACTIONS

	1988-89 General Fund	1990-91 General Fund
TOTAL OPERATING APPROPRIATIONS		
DEPARTMENT OF COMMERCE	\$33,423,036	\$25,086,799
TRANSFERS		
1. Programs transferred from the Department of Natural Economic Resources are as follows:		
Fund 1420 Local Government Assistance	3,024,007	2,025,199
Fund 1431 Community Development Block Grant	37,630,763	37,631,329
	Receipts	Receipts
Fund 1480 Employment and Training Administration	2,538,990	2,539,875
	Receipts	Receipts
Fund 1481 USDOL JTPA Grants Program	45,174,916	40,658,155
	Receipts	Receipts
TOTAL OPERATING APPROPRIATIONS	\$36,447,043	\$27,111,998

1990-91
General
Fund

1990 LEGISLATIVE ACTIONS

TOTAL OPERATING APPROPRIATIONS - 1989 SESSION **\$27,111,998**

BUDGET REDUCTIONS

BUSINESS/INDUSTRY DEVELOPMENT

1. Reduce Rural Economic Development Center grant. (275,000)
State Aid

	1990-91 General Fund
DEPARTMENT OF ECONOMIC AND COMMUNITY DEVELOPMENT	
(1990 Actions, Continued)	
ADMINISTRATION	
2. Eliminate 1 vacant assistant secretary position.	(62,434) (1)
SCIENCE & TECHNOLOGY CENTER	
3. Eliminate 1 vacant position.	(53,606) (1)
INDUSTRIAL COMMISSION	
4. Increase budgeted receipts.	(100,000)
TECHNOLOGICAL DEVELOPMENT AUTHORITY	
5. Reduce research grants.	(150,000) State Aid
HAZARDOUS WASTE MANAGEMENT COMMISSION	
6. Reduce reserve funds.	(50,000)
BUSINESS/INDUSTRY DEVELOPMENT	
7. Reduce travel, communications and advertising.	(20,000)
INTERNATIONAL DEVELOPMENT	
8. Reduce travel and advertising.	(10,000)
TRAVEL & TOURISM	
9. Reduce printing, postage and advertising.	(20,000)
AIR TRANSPORTATION SERVICE	
10. Reduce repairs and maintenance.	(34,145)
HOUSING PROGRAM	
11. Eliminate 3 positions in next year's expansion budget.	(112,070) (3)
RURAL ELECTRIFICATION AUTHORITY	
12. Reduce travel, subsistence and communications	(1,200)
ECONOMIC DEVELOPMENT BOARD	
13. Reduce travel and subsistence	(5,000)
ENERGY DIVISION	
14. Reduce reserve to match federal funds	(6,000)
FILM OFFICE	
15. Reduce advertising	(3,000)
SMALL BUSINESS DEVELOPMENT	
16. Reduce advertising	(6,000)
INDUSTRIAL FINANCE	
17. Reduce travel and subsistence	(2,719)

1990-91
General
Fund

DEPARTMENT OF ECONOMIC AND COMMUNITY DEVELOPMENT
(1990 Actions, Continued)

DEPARTMENTWIDE

18. Management Flexibility - Reduce department's
total appropriations due to revenue shortfall. (448,778)

TOTAL REDUCTIONS (1,359,952)
TOTAL POSITION REDUCTION (5)

EXPANSION

INDUSTRIAL ECONOMIC DEVELOPMENT FUND

1. Grant to local government for improvements to existing
infrastructure and funds for making loans through local
government to private businesses for building renovations
of industrial facilities. 1,500,000
State Aid

N.C. HOUSING TRUST FUND

2. Funds for Housing Partnership programs authorized
in Chapter 122E of the General Statutes. 1,000,000
State Aid

RURAL ECONOMIC DEVELOPMENT CENTER, INC.

3. Grants to Community Development Corporations incorporated
under Chapter 55A of the General Statutes. 650,000
State Aid

TOTAL OPERATING EXPANSION 3,150,000
TOTAL NET BUDGET CHANGE 1,790,048
TOTAL OPERATING APPROPRIATIONS \$28,902,046

SPECIAL PROVISIONS INCLUDED IN APPROPRIATION BILLS - 1990

Senate Bill 1426

Section 55 Economic Development Publications - Amends G.S. 143B-435 to specify
alternative methods of paying the cost of the Department's economic
development publications including state funds, private donations, and
use of funds from the sale of advertising space in these publications.

Section 56 Celebration Foundation Inc. - Redirects former Celebration '91 organiza-
tion to include as its focus the promotion of North Carolina heritage and
tourism and to establish itself as a privately funded foundation.
Celebration Foundation Inc., to address persistent issues in the State
such as infant mortality and adult illiteracy. (See SB 1309, Section 30).

DEPARTMENT OF ECONOMIC AND COMMUNITY DEVELOPMENT
(1990 Actions, Continued)

- Section 57* NC Manufacturing Directory Proceeds - Authorizes Department to use excess proceeds from the sale of the North Carolina Manufacturing Directory for industrial promotional advertising. Mandates quarterly report to Chairmen of House and Senate Appropriations Committees and the Director of Fiscal Research.
- Section 58* Worker Training Trust Fund - Directs allocation of Worker Training Trust Fund to four different Departments for purposes itemized in the provision. Mandates quarterly reporting by each department to Joint Legislative Commission on Governmental Operations.
- Section 59* Rural Economic Development Center - Rewrites last year's provision to reflect reduction in grant from \$2,000,000 in 1989-90 to \$1,725,000 in 1990-91 fiscal year with a cap of \$500,00 for administrative expenses (See SB 43, Section 110).
- Section 60* Limit for Rural Economic Development Center Reductions - Directs that no more than 1 1/2 per cent of the Center's budget shall be reduced as part of the ECD budget flexibility requirements.
- Senate Bill 1427**
- Section 33* Community Development Corporations Funds - Directs that \$650,000 of funds appropriated to Rural Economic Development Center be used for grants to community development corporations which serve minority and underdeveloped communities. Prohibits use of these funds for administrative expenses of the Center and report to General Assembly on use of funds.
- Section 34* Water Resources Development Projects - Allocates \$2,100,000 for twelve water resources development projects (formerly titled civil works projects). Allows adjustment of funding allocation among projects and use of unexpended funds for specified Corps of Engineer projects. Mandates quarterly project status reports to Joint Legislative Commission on Governmental Operations.
- Section 35* Institute of Statistical Sciences Matching Funds - Requires funds allocated to ECD for establishment of the Institute to be matched on the basis of one non-state dollar for every state dollar and restricts use of state funds until design or construction contracts are awarded for the Institute's facility.
- Section 36* Transfer of Travel and Tourism Funds - Allows ECD to use up to \$176,000 of 1990-91 funds appropriated for promotional advertising in the Division of Travel and Tourism to establish two positions for direct advertising of North Carolina travel and tourism opportunities and one position to develop additional media campaigns.

DEPARTMENT OF ENVIRONMENT, HEALTH, AND NATURAL RESOURCES
 (See Department of Natural and Economic Resources and Department of Human Resources, Divisions of Health Services and Facility Services for 1989 Session Legislative Actions)

House Bill 480, Chapter 727 of the 1989 Session Laws, An Act to Consolidate Environmental Programs, transferred environment and health related agencies from the Department of Human Resources to the newly created Department of Environment, Health, and Natural Resources, formerly the Department of Natural Resources and Community Development. In addition, community and economic development and job training programs were transferred from the Department of Natural Resources and Community Development to the Department of Economic and Community Development, formerly the Department of Commerce.

1989 LEGISLATIVE ACTIONS

	1989-90 General Fund	1990-91 General Fund
TOTAL OPERATING APPROPRIATIONS DEPARTMENT OF NATURAL AND ECONOMIC RESOURCES	\$82,013,590	\$80,537,069

EXPANSION BUDGET

1. Reserve for the establishment of the Solid Waste Management Trust Fund.	300,000	-
----------------------------------------------------------------------------	---------	---

TRANSFERS

1. Transfer of all programs previously funded in the Department of Human Resources, Division of Health Services to this new department.		
Total Requirements	183,327,397	184,621,989
Receipts	<u>100,857,252</u>	<u>101,106,355</u>
Appropriation	82,470,145	83,515,634
2. Transfer of Fund 1611 Radiation Protection Services from the Division of Facility Services, Department of Human Resources.	1,273,090	1,002,593

	1989-90 General Fund	1990-91 General Fund
DEPARTMENT OF ENVIRONMENT, HEALTH, AND NATURAL RESOURCES		
(1989 Actions, Continued)		
3. Transfers from Secretary's Office of the Department of Human Resources:		
Fund 1050 Governor's Waste Management Board	492,872	343,784
Fund 1010 Central Management and Administration	57,737	57,770
Fund 1210 Personnel Management Services	206,007	206,123
4. Transfer to Secretary's Office of the Department of Human Resources:		
Fund 1470 Community Action Partnership Program	(1,302,320)	(1,052,372)
Fund 1475 Community Services Block Grant Program	(8,719,390)	(8,719,646)
	Receipts	Receipts
Fund 1477 Emergency Community Services Homeless Grant Program	(956,997)	(956,997)
	Receipts	Receipts
5. Transfers to the Department of Economic and Community Development:		
Fund 1420 Local Government Assistance	(3,024,007)	(2,025,199)
Fund 1431 Community Development Block Grant	(37,630,763)	(37,631,329)
	Receipts	Receipts
Fund 1480 Employment and Training Administration	(2,538,990)	(2,539,875)
	Receipts	Receipts
Fund 1481 USDOL JTPA Grants Program	(45,174,916)	(40,658,155)
	Receipts	Receipts
TOTAL OPERATING APPROPRIATIONS	\$162,487,114	\$162,585,402

DEPARTMENT OF ENVIRONMENT, HEALTH, AND NATURAL RESOURCES
 (1989 Actions, Continued)

SPECIAL PROVISIONS INCLUDED IN APPROPRIATION BILLS - 1989

Senate Bill 1309

Section 4 **Comprehensive Solid Waste Management Program Funds - Appropriates \$300,000 from the General Fund to the Department of Environment, Health, and Natural Resources in 1989-90 for establishment of the Solid Waste Management Trust Fund.**

Section 28 **Waste Stream Analysis - Rewrites Section 34 of the Capital Improvement Appropriations Act of 1989 (SB 1042, Chapter 754) by making editing changes, only.**

OTHER LEGISLATION

Senate Bill 115

North Carolina Solid Waste Management Loan Program - Adds new chapter to the General Statutes (Chapter 1591) to establish program.

1990-91
 General
 Fund

1990 LEGISLATIVE ACTIONS

TOTAL OPERATING APPROPRIATIONS - 1989 SESSION	\$162,585,402
BUDGET REDUCTIONS	
1. Health Aid to Counties	(289,407)* State Aid
HEALTH REGIONAL OFFICES	
2. Abolish two vacant positions.	(50,821) (2)
PARKS AND RECREATION	
3. Abolish 1 position, reduce travel, and equipment.	(143,777) (1)
ZOOLOGICAL PARK	
4. Reduce purchases for resale concession and food shops. Will use receipts for this purpose.	(114,976)

DEPARTMENT OF ENVIRONMENT, HEALTH AND NATURAL RESOURCES
(1990 Actions, Continued)

SOIL AND WATER CONSERVATION

- 5. Reduce part of 1990-91 agriculture cost share expansion. (406,095)
State Aid

FOREST RESOURCES

- 6. Forest Resources Central Office -- Reduce travel, printing, and communication expenses. (79,006)
- 7. Forest Resources Field Operations -- Reduce construction and repair, communications, motor vehicle operations, travel, and heavy equipment purchases. (688,457)
- 8. Forest Pest Control - Abolish 1 Forestry Tech. Position (21,495)
(1)

DENTAL HEALTH

- 9. Convert a public health dentist into two public health dental hygienist positions. This would create this amount of salary reserve. (7,079)
- 10. Eliminate a dentist position. (62,009)
(1)

EPIDEMIOLOGY

- 11. Injury Control - Reduction in moving expense budget. (1,226)
- 12. Occupational Health - Reduce travel and supplies; eliminate two positions. (107,331)
(2)
- 13. Reduce vaccinations (109,232)*
- 14. Communicable Disease Control - Eliminate hospital infection control contract with UNC Medical School (27,616)
State Aid
- 15. Tuberculosis Control - Eliminate hospitalization program (200,689)*
State Aid
- 16. Environmental Epidemiology - Reduction in basic support line items (16,990)*
(6,590)
- 17. Vital Records - Reduce equipment (22,279)*

1990-91
General
Fund

DEPARTMENT OF ENVIRONMENT, HEALTH, AND NATURAL RESOURCES
(1990 Actions, Continued)

ENVIRONMENTAL HEALTH

- | | | |
|-----|--------------------------------------------------------------------------------------------------------------------|-------------------------|
| 18. | Reduction in basic support line items | (12,267) |
| 19. | Pest Control Mgt. - Transfer 1/2 of state appropriated position to the Bedding Program which is receipt supported. | (33,066)
(0.5) |
| 20. | Reduce Environmental Health Aid to Counties | (324,667)*
State Aid |
| 21. | Reduce Mosquito Aid to Counties | (100,000)*
State Aid |

ADULT HEALTH PROMOTION

- | | | |
|-----|--------------------------------------------------------------------------|-------------------------|
| 22. | Reduce rent, training & evaluation | (13,533) |
| 23. | Health Care - Reduce indigent medical care (cancer and migrant programs) | (274,814)*
State Aid |
| 24. | Epilepsy - Reduce education contract with Bowman-Gray School of Medicine | (9,439)*
State Aid |
| 25. | Reduce Adult Health Promotion and Program funds to counties | (134,927)*
State Aid |
| 26. | Reduce Hypertension Program funds to counties | (20,373)*
State Aid |
| 27. | Arthritis Program - Reduce funds to counties and other contractors | (6,249)*
State Aid |

PUBLIC HEALTH LABORATORY

- | | | |
|-----|----------------------------------------------------|-----------|
| 28. | Reduce supplies, travel and maintenance contracts. | (100,000) |
|-----|----------------------------------------------------|-----------|

WATER RESOURCES

- | | | |
|-----|-------------------------------------------------------------------------------------------------------------------------------------------------------|----------|
| 29. | Reduce travel, communications, printing data processing, USGS cooperative funds, equipment, sedimentation study and water quality ambient monitoring. | (55,525) |
|-----|-------------------------------------------------------------------------------------------------------------------------------------------------------|----------|

COASTAL MANAGEMENT

- | | | |
|-----|-------------------------------------------------------------------|----------|
| 30. | Reduce supplies, equipment, communications, travel, and printing. | (49,285) |
|-----|-------------------------------------------------------------------|----------|

ENVIRONMENTAL MANAGEMENT

- | | | |
|-----|--------------------------------------------------|----------|
| 31. | Reduce lab equipment and administrative support. | (19,565) |
|-----|--------------------------------------------------|----------|

1990-91
General
Fund

DEPARTMENT OF ENVIRONMENT, HEALTH, AND NATURAL RESOURCES
(1990 Actions, Continued)

32.	Reduce contract assistance for ambient air monitoring & inventory.	(125,049)
33.	Eliminate replacement trucks & supplies for groundwater drilling.	(56,522)
34.	Eliminate 4 positions in Water Quality.	(120,335) (4)
35.	Abolish one administrative position.	(28,880) (1)
36.	Pesticide Contamination - Abolish 2 vacant positions and reduce support line items.	(66,637) (2)

LAND RESOURCES

37.	Reduces cooperative funding with USGS to revise topographic maps.	(27,660)
38.	Reduce grant awards for Land Records Management Program.	(114,532) State Aid
39.	Eliminate truck replacement for geodetic field work.	(31,918)
40.	Reduce support and equipment for Sedimentation, Mining, and Dam Safety.	(40,222)
41.	Reduce administrative support and eliminate one field position	(40,362) (1)

RADIATION PROTECTION

42.	Reduce travel and equipment.	(35,280)
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MARINE FISHERIES

43.	Fisheries Administration - Reduce travel, communications and temporary labor.	(19,865)
44.	Reduce equipment purchases for law enforcement program.	(73,000)
45.	Reduce funds for artificial reef program.	(34,787)
46.	Reduce various support line items for Marine Fisheries.	(103,857)

DEPARTMENT-WIDE

47.	Reduce travel.	(100,000)
48.	Reduce motor vehicles.	(100,000)
49.	Management Flexibility - Reduce department's total appropriations due to revenue shortfall.	(814,349)

1990-91
General
Fund

DEPARTMENT OF ENVIRONMENT, HEALTH, AND NATURAL RESOURCES
(1990 Actions, Continued)

MATERNAL AND CHILD HEALTH

50. Eliminate Delivery Funds allocated to local health departments because most women and all teenagers covered under this fund are now Medicaid eligible.	(240,000) State Aid
51. Reduce support line items	(12,600)
52. Reduce genetic screening contracts with UNC and Bowman-Gray	(200,000)* State Aid
53. Reduce funding for Adolescent Pregnancy Prevention Program	(120,000)* State Aid
TOTAL BUDGET REDUCTIONS	(6,014,640)
TOTAL POSITION REDUCTIONS	(15.5)

EXPANSION

MATERNAL AND CHILD HEALTH

1. Expand Rural Obstetrical Care Incentive program.	300,000 State Aid
2. Fund 4 teams of certified nurse midwives in critically underserved counties.	400,000 State Aid
3. Fund one-time start-up grants to enable local health departments or community, rural, or migrant health centers to employ additional maternity care workers.	500,000 State Aid
4. Expand genetic health care services through medical genetics centers.	900,000 State Aid
5. Provide a toll-free hotline for pregnant women; conduct an education awareness media campaign on the urgency of providing early, continuous, and good quality prenatal care to all women of child-bearing age.	175,000
6. Fund infant mortality grants in urban and rural counties with high infant mortality rates and large number of infant deaths to conduct community-wide efforts to reduce infant mortality.	42,902 (1) 307,098 State Aid

DEPARTMENT OF ENVIRONMENT, HEALTH, AND NATURAL RESOURCES
(1990 Actions, Continued)

7. Provide nutritional supplements under the Women, Infants, and Children program. 1,307,233
State Aid

N.C. COALITION ON ADOLESCENT PREGNANCY

8. Grant-in-aid to provide technical assistance in reducing the high incidence of infant mortality resulting from low birthweight babies born to adolescents. 75,000
State Aid

BOWMAN GRAY SCHOOL OF MEDICINE

9. Grant-in-aid to coordinate information and placement concerning open beds for neonatal intensive care services. 60,000
State Aid

MATERNAL AND CHILD HEALTH

10. Fund intensive, statewide public education campaign to heighten public awareness of the danger to the fetus of alcohol and drug abuse during pregnancy. 205,000

11. Fund statewide campaign to educate health care professionals in early identification of women at risk for alcohol and drug abuse during pregnancy and to heighten the awareness of these professionals on the effects of such abuse on a developing fetus. 119,200

ENVIRONMENTAL HEALTH

12. Funding to comply with federal mandates for shellfish inspection. 245,614
(6)

13. Implement a restaurant and lodging fee collection program including a computerized inventory of all facilities and provide increased Health Aid to Counties. 488,400
(4)

COASTAL MANAGEMENT

14. Establish two positions to expand permitting, education and compliance activities. 70,000

LAND RESOURCES

15. Establish two positions to expand educational, erosion control plan approval and compliance activities of Sedimentation Control Program. 80,000

1990-91
General
Fund

DEPARTMENT OF ENVIRONMENT, HEALTH, AND NATURAL RESOURCES
(1990 Actions, Continued)

- | | |
|--------------------------------------------------------------------------------------------------------------------------------|--------|
| 16. Establish one half-time position to expand permitting, education, and compliance activities in the Dam Safety Program. | 20,000 |
| 17. Establish one and one-half-time position to expand permitting, education, and compliance activities in the Mining Program. | 40,000 |

RADIATION PROTECTION

- | | |
|------------------------------------------------------------------------------------------------------------------------------------------|--------|
| 18. Delete receipts of \$48,000 and fund with direct appropriation support costs in the Nuclear Emergency Planning and Response Program. | 72,000 |
|------------------------------------------------------------------------------------------------------------------------------------------|--------|

UNITED CEREBRAL PALSY GROUP HOMES AND DEVELOPMENTAL CENTERS

- | | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|
| 19. Continued support for the programs and services provided under contract by United Cerebral Palsy of N.C., Inc. for the benefit of children enrolled in child development centers operated by United Cerebral Palsy. | 200,000
State Aid |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|

RURAL WATER ASSOCIATION, INC.

- | | |
|-------------------------------------------------------------------------------------|---------------------|
| 20. A grant-in-aid for operating expenses of the N.C. Rural Water Association, Inc. | 50,000
State Aid |
|-------------------------------------------------------------------------------------|---------------------|

CHILDREN'S SPECIAL HEALTH SERVICES

- | | |
|---------------------------------------------------------------------|---------|
| 21. Increased funding for inpatient services for eligible children. | 900,000 |
|---------------------------------------------------------------------|---------|

TOTAL OPERATING EXPANSION	6,557,447
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TOTAL NET BUDGET CHANGE	\$542,807
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TOTAL NET POSITION CHANGE	(8.5)
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TOTAL OPERATING APPROPRIATIONS	\$163,128,209
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* Items restored through a credit to management flexibility - \$1,829,066

SPECIAL PROVISIONS INCLUDED IN APPROPRIATIONS BILLS

Senate Bill 1426

Section 9(a) Negative Reserves/Management Flexibility - Directs Department to use available 1990-91 funds to fund fourteen health programs and limit these programs' budget flexibility requirements.

DEPARTMENT OF ENVIRONMENT, HEALTH AND NATURAL RESOURCES
(1990 Actions, Continued)

- Section 38* **Use of Lapsed Salaries** - Authorizes use of \$322,793 in lapsed salaries to correct an error made in budgeting of federal receipts for 1990-91 for the Air Quality and Water Quality Sections of the Division of Environmental Management.
- Section 39* **Buxton Woods Purchase Funds** - Authorizes use of the Recreation and Natural Heritage Fund to match federal funds for the purchase of land at Buxton Woods.
- Section 40* **Waste Stream Analysis** - Rewrites Section 34 of Chapter 754 of the 1989 Session Laws to ensure that the \$500,000 of petroleum overcharge funds authorized in the 1989 Session for a waste stream analysis is used in accordance with federal requirements. The key 1990 changes are to specify the components of a waste stream analysis and require the development of a state and local government recycling and waste management plan. The waste stream analysis or "study" is to be contracted by November 15, 1990 and a report issued to the Secretary of the Department and the General Assembly no later than May 1, 1991 (See SB 1042, Section 34).
- Section 41* **Liability Insurance for Health Care Employees** - Revises 1989 provision to extend authority to provide medical liability coverage of up to \$1,000,000 for EHNR employees licensed to practice medicine or dentistry (See SB 44, Section 129).
- Section 42* **Epidemiology Line Item Transfers** - Authorizes the Immunization Branch of the Communicable Disease Control Section to transfer \$265,380 from the Branch's pharmaceutical line item in the 1990-91 budget to other Branch line items to meet revised federal funding requirements.
- Section 43* **Statewide Medical Examiner Funds** - Rewrites Section 138 of Chapter 752 of the 1989 Session Laws to allow the use of up to \$250,00 in federal indirect cost receipts to complete the Statewide Medical Examiner System (See SB 44, Section 138).
- Section 44* **Non-Medicaid Reimbursement** - Directs that the Drug Reimbursement Program (Acquired Immune Deficiency Syndrome — AIDS) be added to the list of programs exempt from the family income eligibility standards to ensure federal funds will not revert.
- Section 45* **Lumber River Park Ranger** - Amends 1989 provision, which directed establishment of two park Ranger positions at Lumber River Park, to reflect elimination of one vacant Park Ranger position for 1990-91 fiscal year. (See SB 44, Section 155)
- Section 46* **Union Fire Plow Operator/County Rangers** - Directs the Department to continue stationing a fire plow paid for with Hurricane Hugo federal funds in Union County and to use \$33,523 in available 1990-91 funds to establish an operator and crew for the plow when federal funds expire on September 30, 1991. Also directs use of available funds, in conjunction with local funds, to fund a County Ranger and Assistant Ranger position in both Union and Mecklenburg Counties.

DEPARTMENT OF ENVIRONMENT, HEALTH AND NATURAL RESOURCES
(1990 Actions, Continued)

- Section 47* **Wildlife Commission Funds** - Authorizes the Wildlife Resources Commission to use available funds to construct a boating access area at Cedar Island in Carteret County and at Ocracoke Island in Hyde County. Rewrites two 1989-90 provisions to authorize the Commission to use up to \$315,297 for the 1990-91 fiscal year to repair the dam at Lake Rim Hatchery in Cumberland County and to construct a visitors center at Pisgah Forest Fish Hatchery using \$156,000 in funds originally intended for both a laboratory complex and visitors center. Mandates reporting to the Joint Legislative Commission on Governmental Operations before beginning construction of the visitors center. (See SB 1042, Sections 31 and 38).
- Section 48* **Wildlife Committee Expenses** - Rewrites G.S. 113-335 to allow members of the North Carolina Nongame Wildlife Advisory Committee to receive travel and subsistence expenses while on official business. Directs that expenses be paid from the Nongame Account of the Wildlife Resources Fund.
- Section 49* **Reduce Infant Mortality** - Directs that the following actions occur as part of the 1990-91 Infant Mortality Initiative: that the Division of Maternal and Child Health use \$300,000 to expand the Rural Obstetrical Care Incentive Program and directs that the Program assist family physicians, obstetricians, and certified nurse midwives with malpractice insurance if they participate in the Program; that the Department report to the Joint Commission on Governmental Operations about the feasibility of setting up a nurse midwifery education program in North Carolina; and, that the Department and the Department of Human Resources conduct a joint needs assessment of the availability of prenatal care and necessary supportive services to pregnant women in each county. Mandates reporting of needs assessment findings to Joint Legislative Commission on Governmental Operations on March 15, 1991.
- Section 50* **Nurse Midwives for Underserved Counties** - Directs the Department to use \$400,000 in 1990-91 appropriations to fund four teams of certified midwives in critically underserved counties.
- Section 51* **Office of Waste Reduction Funds** - Authorizes the Department to transfer up to \$165,00 from the 1990-91 appropriations for research and education grants for the Pollution Prevention Pays Program to the Office of Waste Reduction to provide technical assistance to local governments and industries.
- Section 52* **EHNR Permitting Funds** - Authorizes the Department to use \$447,240 in available funds to establish eight positions for assessing and permitting low level radioactive and hazardous waste sites, six in the Division of Solid Waste Management and two in Environmental Management.

DEPARTMENT OF ENVIRONMENT, HEALTH AND NATURAL RESOURCES
(1990 Actions, Continued)

- Section 53* **Departmental Use of Fees** - Appropriates funds for specified services in six programs, including staffing costs. Directs that appropriations for these services match revenue generated from new or increased fees up to an amount specified in the provision.
- Section 54* **Sickle Cell Funds/Not Subject to Budget Flexibility** - Excludes contracts for sickle cell centers from budget flexibility requirements of the Appropriations Act.

GENERAL ASSEMBLY

Statutory Authority: General Statutes, Chapter 120

The General Assembly is the lawmaking body for the State of North Carolina. Its 170 members are elected for two-year terms in every odd year. The Speaker of the North Carolina House of Representatives and the President Pro Tempore of the North Carolina Senate jointly chair the fourteen-member Legislative Services Commission that oversees the operations of the General Assembly and its permanent staff.

CONTINUATION BUDGET AS RECOMMENDED BY THE GOVERNOR	1989-90 General Fund	1990-91 General Fund
	\$17,236,893	\$20,487,849

1989 LEGISLATIVE ACTIONS

BASE BUDGET REDUCTIONS

EXPANSION BUDGET

ADMINISTRATIVE

- | | | | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|----|---------------|
| 1. Fund change in Legislative Retirement System for members who served prior to 1983. The 1988 General Assembly reduced from 8 to 5 years the legislative service required for entitlement to benefits in the retirement system. | 186,500 | NR | - |
| 2. Provide funds to continue the Accounting Clerk position to assist the Disbursing Office in handling the work overload and the processing and payment of accounts. | 25,385
(1) | | 24,449
(1) |
| 3. Fund a North Carolina reception at the 1989 Southern Legislative Conference. | 50,000 | NR | - |
| 4. Fund North Carolina's role as host of the Southern Legislative Conference in Asheville in 1990. | 150,000 | NR | - |

GENERAL RESEARCH

- | | | | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|--|---------------|
| 5. Continue funding for one Legal Research Assistant position and one Legal Analyst II position to provide staff support to the increased number of Legislative Committees. | 86,532
(2) | | 84,570
(2) |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|--|---------------|

	1989-90 General Fund	1990-91 General Fund
GENERAL ASSEMBLY (1989 Actions, Continued)		
FISCAL RESEARCH		
6. Continue funds to support the Fiscal Analyst I, Fiscal Analyst II, and Legal Analyst III positions to provide staff assistance to the increased number of Legislative Committees.	149,947 (3)	146,852 (3)
AUTOMATED SYSTEMS		
7. Continue funding for additional positions to provide the level of support required of the Division.		
1) Training No. Positions	75,024 (3)	72,305 (3)
2) Reapportionment No. Positions	84,855 (2)	83,063 (2)
SENATE		
8. Continue funding of Administrative Assistant position to the Senate Principal Clerk's Office, which was authorized by the Legislative Services Commission.	29,042 (1)	28,108 (1)
HOUSE		
9. Continue funding of Administrative Assistant position for the House Principal Clerk's Office, which was authorized by the Legislative Services Commission.	29,042 (1)	28,108 (1)
RESERVES AND TRANSFERS		
10. Reserve to be used to support expenses associated with the extended term of the 1989 Session of the General Assembly and other expenses.	1,000,000	-
TOTAL OPERATING EXPANSION	1,866,327	467,455
TOTAL POSITIONS	(13)	(13)
TOTAL OPERATING BUDGET	\$19,103,220	\$20,955,304

GENERAL ASSEMBLY (1989 Actions, Continued)

SPECIAL PROVISIONS INCLUDED IN APPROPRIATION BILLS - 1989

Senate Bill 44

Section 43 **Firemen's Benefits** - Directs that \$5,000 of funds appropriated in 1989-90 and 1990-91 be used to study the receipt and disposition of premium taxes levied by the State on fire and lightning insurance policies issued within the State in accordance with Articles 1 and 2 of Chapter 118 of the General Statutes. Study is to include coordination of medical disability, death, retirement, and related benefits provided by federal, state and local governments. Report is to be made to the 1991 Session.

House Bill 231

Section 2.1 **Legislative Research Commission** - Lists topics that may be studied by the Commission. Studies of issues are as follows:

State Ports - Study continued (S.J.R. 96 - Barker, H.B. 133 - Hall), **Lease and Renegotiation of Contracts of the North Carolina Railroad Company and the Atlantic and North Carolina Railroad Company**

Development of a State Strategy for the Management of Solid Waste (S.J.R. 112 - Speed, S.B. 1214 - Basnight) and **Infectious Wastes** (H.B. 1045 - Diggs)

Worker Training Trust Fund (S.B. 271 - Parnell)

Tourism's Growth and Effect - Study continued (S.B. 297 - Block, H.B. 379 - Warren) and **Travel/Tourism Reorganization** (H.B. 1132 - Perdue)

Deregulation of Revolving Credit and Authorization of Credit Card Banks (S.B. 377 - Staton) and **Linked Deposits** (H.B. 1910 - Locks)

Administrative Procedure Act's Rule-Making Process (S.B. 535 - Johnson) and **Office of Administrative Hearings and the Administrative Rules Review Commission** (S.J.R. 1003 - Martin of Guilford, H.B. 1459 - Michaux)

"Willie M." Programs (S.J.R. 887 - Block)

State Procurement Contracts to Minority Business Enterprises (S.B. 927 - Hunt of Durham) and **Small Business Technical Assistance Programs** (H.J.R. 1514 - Colton)

Consumer Protection Issues, including those relating to the elderly (S.B. 1261 - Barker)

State Marine Patrol (S.B. 1267 - Barker)

Sports Fishing Licenses (S.B. 1282 - Barker)

Revenue Laws - Study continued, including the impact of 1989 tax law changes (H.J.R. 3 - Lilley) and **Local Revenue Sources Options** (S.B. 1298 - Odom)

Care Provided by Rest Homes, Intermediate Care Facilities, and Skilled Nursing Homes - Study Continued (H.J.R. 173 - Easterling), **Necessity for Certificates of Need, and Continuing Care Issues**

GENERAL ASSEMBLY (1989 Actions, Continued)

Health Care/Insurance Costs Issues including, but not limited to, Availability, Benefits, Costs, Portability, Long-Term Care Insurance (H.B. 202 - Wiser), Health Insurance Costs (H.B. 961 - Perdue, S.B. 1068 - Johnson, Joe), Health Insurance (H.J.R. 1159 - Duncan), Infertility Treatment Coverage (H.B. 1187 - Payne), Mammogram/Pap Smear Coverage (H.B. 1014 - Barnes), and Health Care Insurance Coverage (H.B. 1242 - Mills)

Development of a State Strategy for the Protection of All Groundwater Resources (H.J.R. 554 - DeVane, S.J.R. 367 - Winner)

Surface Water Quality and Resources Issues, Including Interbasin Transfer, Albemarle-Pamlico Estaurine (H.J.R. 33 - Ethridge, B.), Coastal Water Quality - Study Continued (H.J.R. 37 - Ethridge, B.), Haw in Scenic River System (H.B. 1224 - Hackney), Pesticides (H.J.R. 1399 - Holt), Water Resources Planning (H.B. 1945 - Payne), Toxaway River (H.B. 1955 - Colton) and Yadkin River Use and Protection (S.B. 1182 - Kaplan)

Insanity Verdict (H.B. 1364 - Rhodes) and Guilty but Insane Verdict (H.B. 1372 - Sizemore)

Agriculture Study (H.B. 1362 - Brown), Agribusiness Plant Variances (H.B. 1304 - Bowman) and Fallow Deer (H.J.R. 1924 - James)

Homeless Persons (H.B. 2018 - Greenwood, S.B. 1290 - Martin of Guilford)

State Information Processing Needs and Cost - Study Continued (S.B. 47 - Royall)

Proprietary Schools (S.B. 854 - Martin, W.)

Section 2.2 Legislative Activity Between Legislative Sessions and Procedures to Shorten the Legislative Session - Allows a study of the procedures of this State's, other states' and other legislative bodies' practices and procedures regulating legislative and study activity.

Section 2.3 State Capital Assets and Improvements - Allows study of State facilities' use, the issue of preventive maintenance and the need and feasibility of establishing a reserve for repairs and renovations and its administration plus a rental charge program for user agencies. Report is to be made to the 1990 Session of the 1989 General Assembly or the 1991 General Assembly, or both. Existing resources available to the General Assembly are to be used to support the study.

Section 3.1 State Parks Study Commission - Creates the Commission which is to identify needs of the State Parks and Recreation areas; collect and evaluate reports and recommendations of other studies related to State parks; and to study the recreation potential of the Randleman Dam area. Allocates \$20,000 of funds appropriated to the General Assembly for this purpose for both 1989-90 and 1990-91.

Section 4.1 Public Health Study Commission - Creates an independent commission to study public health services in North Carolina. Commission is to examine (1) the need for improvement in the statewide health delivery system through local communities and the need for additional legislation

GENERAL ASSEMBLY (1989 Actions, Continued)

to deal with Acquired Immune Deficiency Syndrome (AIDS). Allocates \$25,000 of funds appropriated to the General Assembly for both 1989-90 and 1990-91 for this study.

Section 5.1 **Education Study Commission** - Establishes Commission to review fourteen subject areas related to improving the entire education system within the State. Allocates \$50,000 for 1989-90 and \$25,000 for 1990-91 from funds appropriated to the General Assembly for this study.

Section 6.1 **Energy Assurance Study Commission** - Creates Commission to investigate the feasibility of establishing an Energy Assurance Plan in North Carolina. The sum of \$10,000 is allocated for 1989-90 from funds appropriated to the General Assembly. In addition, \$100,000 appropriated to the Department of Economic and Community Development to be allocated to the Energy Assurance Study Commission are transferred to the General Assembly.

Section 7.1 **Mental Health Study Commission** - Continues Commission created by prior Session until July 1, 1991. Expenses of the Commission are to be paid by the Department of Human Resources. Funds of \$20,000, for 1989-90, are transferred from the Legislative Services Commission reserve to the Department of Human Resources for use of the Commission in the study of insurance coverage for mental illness and chemical dependency.

Section 8.1 **Medical Malpractice Claims Arbitration Study Commission** - Creates Commission to study the use of court annexed arbitration in medical malpractice actions, as described in G.S. 90-21.12, and allows Commission to consider studies by other groups regarding alternate forms or dispute resolution in mediation, conciliation, and other forms as alternate dispute resolution. Support for this commission is \$25,000 for each fiscal year to be allocated from funds appropriated to the General Assembly.

Section 9.1 **Property Tax Study Commission** - Creates Commission to make a detailed and comprehensive study of the efficiency, effectiveness, and fairness of the property tax system in North Carolina. Expenses, up to \$75,000, are to be paid from funds collected by the Department of Revenue under Article 7, Chapter 105 of the General Statutes.

Section 10.1 **Commission on the Family** - Creates permanent commission to study issues dealing with the family. From funds appropriated to the General Assembly, \$25,000 is allocated in each year to support the Commission's activities. Article 12B of Chapter 120 of the General Statutes is repealed; and, funds appropriated to the Commission on Children and Youth are transferred to this Commission.

GENERAL ASSEMBLY (1989 Actions, Continued)

- Section 11.1* **State Infrastructure and Local Government Needs Study Commission -** Creates Commission to undertake a comprehensive review and analysis of the impact upon community service facilities of any new development, or other governmental or quasi-governmental action allowing real property development and that generates or tends to generate the need for new, expanded, or improved community service facilities, and of the various methods by which local governments fund the costs of these facilities. The sum of \$30,000 for the 1989-90 fiscal year and the sum of \$25,000 for the 1990-91 fiscal year is allocated from the funds appropriated to the General Assembly.
- Section 12.1* **Joint Legislative Commission on Seafood and Aquaculture -** Permanently establishes this Commission to monitor and study the current seafood industry including studies of the feasibility of increasing the State's production, processing, and marketing of seafood and to study the potential for increasing the role of aquaculture in all regions of the State. The sum of \$10,000 for each year of the biennium is allocated from the funds appropriated to the General Assembly.
- Section 13.1* **Social Services Study Commission -** Establishes the Commission to study public social services and public assistance programs and to recommend improvements that will assure cost-effective, consistently administered programs. The sum of \$25,000 for the 1989-90 fiscal year and the sum of \$20,000 for the 1990-91 fiscal year is allocated from the funds appropriated to the General Assembly.
- Section 14.1* **Legislative and Judicial Salary Study Commission -** Creates Commission to study the salaries of the members of the General Assembly and Justices and Judges of the General Court of Justice.
- A report of its findings and recommendations are to be submitted to the General Assembly on or before the first day of the 1989 General Assembly (Regular Session 1990). The sum of \$20,000 for fiscal year 1989-90 is transferred to Office of Governor from the funds appropriated to the General Assembly.
- Section 15.1* **Depository Institutions Study Commission -** Creates Commission to study the impact of national developments within the depository institutions industry and what effect, if any, these developments will have upon North Carolina depository institutions. The sum of \$25,000 is transferred from the funds appropriated to the Banking Commission for the 1989-90 fiscal year to the General Assembly for this study.
- Section 16.1* **Legislative Study Commission on Wetlands Protection -** Creates Commission to study the desirability and feasibility of State assumption and adaptation of the federal permitting program under Section 404 of the Federal Water Pollution Control Act of 1972 as amended by the Clean Water Act of 1977. The sum of \$15,000 is allocated from the funds appropriated to the General Assembly each year of the biennium.

GENERAL ASSEMBLY (1989 Actions, Continued)

- Section 17.1* **Health Care Licensing Study** - Allows the North Carolina Study Commission on Aging to study the need for regulation of agencies not licensed under State statute or certified for Medicare that provide nursing and nurse's aide services to persons at home.
- Section 18.1* **Medicaid Resources Limit Study** - Allows the Department of Human Resources to study the provisions of the Catastrophic Health Care Act of 1987, in order to determine whether the federal provision that permits states to apply "less restrictive methodologies" to the resource test portion of the eligibility determination process will allow alternatives to current resource test policies that will simplify the determination process and treat applicants more equitably.
- Section 19.1* **Substance Abuse Treatment and Medical Care in Prisons Study** - Charges the Special Committee on Prisons to study the extent to which appropriate treatment and counseling programs exist within and outside our prison system. Of funds appropriated to General Assembly, \$10,000 is allocated for each fiscal year.
- Section 20.1* **Elizabeth II Cultural Activities Facility** - Transfers for studies to the Department of Cultural Resources, the sum of \$20,000 for the 1990-91 fiscal year for a planning and feasibility study for a cultural activities facility on the Elizabeth II State Historic Site as part of the State Historic Site.
- Section 21.1* **State Personnel System Study Commission** - Creates Commission to study all aspects of the State personnel system, including the impact of State and local governmental employees retirement benefits increases, impact of the exemption from State taxes of State, local, federal, and private retirement benefits, and public employees' day care and medical and dental benefits.
- The sum of \$25,000 for the 1989-90 fiscal year and the sum of \$20,000 for the 1990-91 fiscal year is allocated from the funds appropriated to the General Assembly.
- Section 22.1* **Juvenile Jurisdictional Age, Statutory Rape, and Violent Videos** - Directs Juvenile Law Study Commission to study the issues of juvenile jurisdictional age, statutory rape, and sales of violent videos.
- Section 23.1* **Licensing for Professional Engineers and Land Surveyors Study** - Allows the Legislative Committee on New Licensing Boards to meet during the legislative interim and study the issue of licensing boards for professional engineers and land surveyors.
- Section 24.1* **State Marine Patrol Study** - Directs the Joint Legislative Commission on Governmental Operations to conduct a study of State law enforcement agencies and of other State agencies having law enforcement responsibility. This study shall include consideration of a method to coordinate the activities of these agencies as appropriate and to reduce duplication and overlapping of law enforcement responsibilities, training, and technical assistance and examination of the salary grade of all State law enforcement agencies' officers and a determination of whether present salary grades are appropriate

GENERAL ASSEMBLY

1990-91
General
Fund

1990 LEGISLATIVE ACTIONS

TOTAL OPERATING APPROPRIATIONS - 1989 SESSION **\$20,955,304**

BUDGET REDUCTIONS

- 1. Reduce funds for data processing service. (152,119)
- 2. Reduce funds for 1991 Session which is budgeted for 24 weeks. (500,000)
- 3. Management Flexibility - Reduce department's total appropriations due to revenue shortfall. (333,847)

TOTAL REDUCTIONS **(985,966)**

TOTAL OPERATING APPROPRIATIONS **\$19,969,338**

SPECIAL PROVISIONS INCLUDED IN APPROPRIATION BILLS - 1990

Senate Bill 1365

The Legislative Research Commission may study exemptions from State's inheritance tax for changes made since 1985.

Senate Bill 1406

Delays effective date of Chapter 372 of the 1989 Session Laws dealing with Wastewater Treatment Plant Operators Certification Commission to September, 1991. Also directs Environmental Review Commission to study the Wastewater Treatment Plant Operators Certification Commission. Study also tax on emission of air-contaminants and discharge of waste water. Report to 1991 General Assembly.

Senate Bill 1426

Section 21 **Defer Convening of General Assembly** - Changes convening date from first Wednesday after the second Monday in January next after their election, to the third Wednesday, January 30, 1991, 12:00 noon.

Section 22 **Economic Future Commission** - Establishes membership, duties, and compensation for 30 member Commission to study state's need for changes in revenue and budget structure, and local tax system and recommend changes. Final report to be made to 1991 General Assembly.

Section 23 **Commission on Future Strategies for North Carolina** - Creates Commission to study future trends and events to consider their effect on North Carolina and to develop policy options. Establishes membership, compensation and staff. To report to the General Assembly from time to time.

GENERAL ASSEMBLY (1990 Actions, Continued)

- Section 24* **Legislative Members Mileage** - Repeals G.S. 120-3.1(d)- Sets mileage reimbursement at \$.24 effective upon convening of 1991 Session.
- Section 77* **Rest Home Training Rule Suspended** - Provides that the Social Services Commission shall not require training of aides in domiciliary care facilities before June 1, 1991. Directs that the LRC on Rest Homes, etc., shall consider requirements for aide training as part of its recommendations to the 1991 General Assembly.
- Section 85* **Higher Education Opportunity Study** - Authorizes LRC to study issues of higher education opportunity. Lists topics to be considered.
- Section 99* **Completion of Basic Education Program (BEP)** - Creates Legislative Study Commission on the BEP to advise the General Assembly on ways the BEP can be strengthened and on a lengthened implementation schedule for the BEP. The Commission is directed to report to the Joint Legislative Education Oversight Committee prior to February 15, 1991 and to the General Assembly on or before March 31, 1991. Extends the goal for the BEP to be fully funded and operational in each local school administrative unit until July 1, 1995.
- Section 115* **Joint Legislative Education Oversight Committee** - Creates statutory committee to examine on a continuing basis the educational institutions in North Carolina and make recommendations to the General Assembly on ways to improve public education from kindergarten through higher education.
- Section 145* **LRC Study on Drivers' Education** - May study cost, funding and personnel in providing a Drivers' Education program. Promotion of efficiency, modifying funding and cost reduction stressed. Report to 1991 General Assembly.

Senate Bill 1427

- Section 20* **Veterans Home Study Commission** - Creates Commission and allows for 10 members to study the construction of a State veterans home. To report to the 1991 General Assembly.
- Section 24* **Parental Involvement in Schools** - Assigned to the Education Study Commission, created in 1989, Chapter 802, Part 5.
- Section 37* **Legislative Services Commission to Pay for Chairman of Senate Natural and Economics Resources Appropriations Committee to Attend Highway Oversight Committee Meetings** - Provides that these costs be paid in accordance with G.S. 120-3.1.

House Bill 2213

Directs the Infrastructure Study Commission to study appropriate financing of local stormwater utilities. Rewrites G.S. 160A-192 to allow any city, town, or county to expend tax or non-tax funds for human relations, community action, and manpower development programs.

GENERAL ASSEMBLY (1990 Actions, Continued)

House Bill 296

Part II Legislative Research Commission

Section 2.1 Lists following topics which may be studied by the Commission:

Small System and Individual Water and Wastewater Needs (H.B. 2373 - Hardaway)

Health Insurance Pool (H.B. 985 - Hunt, Judy)

Veterans' Home (H.B. 2139 - Hurley)

**Public Attorneys Education Assistance (S.B. 1269) and
Infrastructure Bonds (S.B. 1582 - Carpenter)**

Section 2.2 **Bed and Breakfast Inn Regulation**

Section 2.3 **Prescription Drug Assistance (H.B. 2149 - Green)**

Section 2.4 **Public Transportation Financing (H.B. 2301 - Blue)**

Section 2.5 **Mail Order Sales Taxes (H.B. 2334 - Pope)**

Section 2.6 **Budget Restructuring and Legislative Session (S.B. 1388 - Goldston;
H.B. 2293 - Pope)**

Section 2.7 **Hazardous Waste Management**

Part III Energy Assurance Study Commission - Continuation (S.B. 1558 - Rauch)

**Part IV Cosmetic Arts Regulation - Assigned to the Legislative Committee on
New Licensing Boards**

**Part V Birth-Related Neurological Impairment Study Commission -
Continuation (H.B. 2296 - Miller)**

**Part VI Open Government Through Public Telecommunications Study
Commission**

**Part VII School Improvement Act Study - Assigned to the Education Study
Committee, created in 1989 Chapter 802, Part 5 (H.J.R. 2367 - Nesbitt)**

Part VIII State Law Enforcement Study Continued - Governmental Operations

House Bill 2284

Establishes Statutory Sentencing and Policy Advisory Commission and
a Uniform Standard for the Development of Criminal Justice Policy.

OFFICE OF THE GOVERNOR

Statutory Authority: Article III, Section 5, North Carolina Constitution

This agency consists of the following two major administrative units:

- o **Governor's Office** - An 8 person staff assists the governor in his deliberations on legal, policy, and administrative matters. Staff are assigned to offices in Washington, D.C., Asheville, New Bern and to the Executive Residence in Raleigh. Each month, the Office of Citizen's Affairs handles thousands of calls, letters and visits intended for the Governor.
- o **Office of State Budget and Management** - Not only does this office author the biennial budget, but its staff of 63 monitors federal funds, makes revenue and expenditure projections, does annual population estimates and evaluates agency operations for cost effectiveness.

CONTINUATION BUDGET AS RECOMMENDED BY THE GOVERNOR	1989-90 General Fund \$4,520,811	1990-91 General Fund \$4,544,345
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1989 LEGISLATIVE ACTIONS

BASE BUDGET REDUCTIONS

WORKFORCE REDUCTIONS

1. Reduce appropriation for salaries and related benefits by eliminating one Administrative Assistant II position.	(30,457) (1)	(30,474) (1)
REVISED BASE BUDGET	\$4,490,354	\$4,513,871

SPECIAL PROVISIONS INCLUDED IN APPROPRIATION BILLS - 1989

Senate Bill 43

Section 9 **Budgeting of Pilot Programs** - The Governor shall submit to the General Assembly a report listing all experimental, model, or pilot programs in the proposed budget.

OFFICE OF THE GOVERNOR

**1990-91
General
Fund**

1990 LEGISLATIVE ACTIONS

TOTAL OPERATING APPROPRIATIONS - 1989 SESSION	\$4,513,871
BUDGET REDUCTIONS	
WORKFORCE REDUCTIONS	
1. Reduce appropriations for salaries and related benefits by eliminating 2 positions.	(72,832) (2)
ADMINISTRATION	
2. Reduce operating expenses.	(17,000)
GOVERNOR'S WESTERN OFFICE	
3. Reduce operating expenses.	(6,230)
OFFICE OF CITIZEN AFFAIRS	
4. Reduce appropriation for advertising.	(4,000)
RALEIGH EXECUTIVE RESIDENCE	
5. Reduce appropriations for other expenses.	(4,349)
OTHER	
6. Reduce reserve by \$24,646 for health insurance and retirement increases, \$15,171 for performance pay and \$3,533 for 6% salary increase related to the 2 positions eliminated.	(43,350)
MANAGEMENT FLEXIBILITY	
7. Reduce department's total appropriations due to revenue shortfall.	(76,621)
TOTAL BUDGET REDUCTIONS	(224,382)
POSITIONS	(2)
TOTAL OPERATING APPROPRIATIONS	\$4,289,489

OFFICE OF STATE BUDGET AND MANAGEMENT

CONTINUATION BUDGET AS RECOMMENDED BY THE GOVERNOR	1989-90 General Fund	1990-91 General Fund
	\$3,442,661	\$3,402,942

1989 LEGISLATIVE ACTIONS

BASE BUDGET REDUCTIONS

WORKFORCE REDUCTIONS

1. Reduce appropriation for salaries and related benefits by eliminating one Accounting Clerk V position.	(23,246) (1)	(23,259) (1)
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REVISED BASE BUDGET	\$3,419,415	\$3,379,683
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1990 LEGISLATIVE ACTIONS

TOTAL OPERATING APPROPRIATIONS - 1989 SESSION	\$3,379,683
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BUDGET REDUCTIONS

WORKFORCE REDUCTIONS

1. Reduce appropriations for salaries and benefits by eliminating 1 position.	(39,107) (1)
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OPERATING EXPENSES

2. Reduce appropriations of \$30,000 for Travel and \$42,797 for other operating expenses.	(72,797)
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MANAGEMENT FLEXIBILITY

3. Reduce department's total appropriations due to revenue shortfall.	(54,729)
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TOTAL BUDGET REDUCTIONS	(166,633) (1)
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TOTAL OPERATING APPROPRIATIONS	\$3,213,050
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OFFICE OF STATE BUDGET AND MANAGEMENT
(1990 Actions, Continued)

SPECIAL PROVISIONS INCLUDED IN APPROPRIATION BILLS - 1990

Senate Bill 1427

Section 19 **North Carolina Performing Arts Center, Inc. Charlotte Commitment Completion** - States that the appropriation of \$2,100,000 plus the interest earned completes the State's commitment to provide \$15,000,000 for the construction of the Performing Arts Center.

House Bill 2257

Section 27 **Transfer from General Fund for Local Fire Protection** - Transfers \$950,000 for fiscal year 1990-91 to the Office of State Budget and Management for the purpose of compensating political subdivisions for providing local fire protection to State-owned buildings.

Section 28 **Transfer from General Fund for Local Fire Protection** - Beginning with the 1994-95 fiscal year \$1,450,000 shall be transferred annually from the General Fund to the Office of State Budget and Management for the purpose of compensating political subdivisions for providing local fire protection to State-owned buildings and their contents.

OFFICE OF STATE BUDGET AND MANAGEMENT - STATE AID

CONTINUATION BUDGET
AS RECOMMENDED BY
THE GOVERNOR

1989-90
General
Fund

1990-91
General
Fund

1989 LEGISLATIVE ACTIONS

EXPANSION BUDGET

1.	Vagabond School of Drama - Grant for operating expenses of the official State Theatre of N. C. (HB 1576).	25,000 State Aid	NR	-
2.	North Carolina Association of Black Lawyers' Land Loss Prevention Project, Inc. - Grant to be used to provide free legal representation to low-income, financially distressed small farmers.	100,000 State Aid	NR	-
3.	N.C. Coalition on Adolescent Pregnancy - Grant-in-aid for providing technical assistance in reducing the high incidence of infant mortality resulting from low birth weight babies born to adolescents from 10-16 years of age.	75,000 State Aid	NR	-
4.	Association for Retarded Citizens/North Carolina, Inc. - Grant-in-aid for the LIFE guardianship program for adults with developmental disabilities.	40,000 State Aid	NR	-
5.	Piedmont Triad Airport Authority - Match to local funds to support utility costs for the location of Orion Air's maintenance and training facility at this site.	700,000 State Aid	NR	-

1989-90
General
Fund

1990-91
General
Fund

OFFICE OF STATE BUDGET AND MANAGEMENT - STATE AID
(1989 Actions, Continued)

6.	Discovery Place, Charlotte, N.C. - Grant for operating expenses.	250,000 State Aid	NR	-
7.	North Carolina Performing Arts Center in Charlotte - Provide additional funding for the construction of this facility (three-to-one private to public match required).	2,000,000 State Aid	NR	-
8.	A.A. Cunningham Air Museum Foundation, Inc. - Grant to be matched on a three-to-one private to public basis for capital needs of the marine and aviation museum.	500,000 State Aid	NR	-
9.	Piedmont Triad Regional Water Authority - Grant to be used by the Authority in the acquisition of land for the Randleman Lake Project if this land is used for the reservoir, access to the project, or water treatment and distribution facilities -Guilford/Randolph Counties.	1,000,000 State Aid	NR	-
10.	Community Self-Help, Inc. - Grant to be used for the purpose of furthering a revolving loan program, to be leveraged at a 24 to 1 ratio with other funds for home-ownership to low and moderate income families in North Carolina.	2,000,000 State Aid	NR	-
11.	Roanoke Island Historical Association - Grant to be used for acquisition of land on the north end of Roanoke Island for the future site of a permanent Center for the Arts.	250,000 State Aid	NR	-

	1989-90 General Fund	1990-91 General Fund
OFFICE OF STATE BUDGET AND MANAGEMENT - STATE AID (1989 ACTIONS, Continued)		
12. Marine Research and Development Crescent - Grant for operating expenses incurred in providing economic development in south-eastern North Carolina to attract and assist industries actively involved in marine-related activity while maintaining the region's fragile ecology.	98,000 State Aid	NR
13. Thelonious Monk Institute of Jazz - Provides grant for capital and operating funds for setting up the Institute's academic program.	250,000 State Aid	NR -
14. North Carolina International Folk Festival, Inc. (Folkmoot, USA) - Grant to further international cultural exchange of goodwill.	75,000 State Aid	NR -
15. Cumberland County - Grant for Cumberland County Area Mental Health, Mental Retardation and Substance Abuse Authority for construction of new building at the Myrover-Reese Mental Facility.	125,000 State Aid	NR
16. Montgomery County - Grant-in-aid for economic development.	50,000 State Aid	NR -
17. Autism Foundation of N.C., Inc., for development of a permanent year-round camp and conference center for autistic adults and children.	250,000 State Aid	NR -
18. Fairgrounds Rural Fire Department, Inc., in Wake County to match funds for construction of a new building to be used to continue fire protection to State-owned properties.	140,000 State Aid	NR -

	1989-90 General Fund	1990-91 General Fund
OFFICE OF STATE BUDGET AND MANAGEMENT - STATE AID (1989 Actions, Continued)		
19. Autistic Society of North Carolina - To continue grant for operations and stipends for the autistic children's and adults' camp.	262,000 State Aid	NR -
20. Grant to the Lineberger Cancer Research Center for planning of facility addition.	400,000 State Aid	NR -
21. The Greenville Museum of Art., Inc. to match funds for construction of a new regional facility.	200,000 State Aid	NR -
22. North Carolina Minority Economic Development Institute - Grant for operating expenses.	200,000 State Aid	NR -
23. Rural Economic Development Center, Inc. - Grants to Community Development Corporations, incorporated under Chapter 55A of the General Statutes.	650,000 State Aid	NR -
24. North Carolina State Bar - Funds to implement Article 37A of Chapter 7A of the General Statutes, access to legal representation for indigent persons in certain kinds of civil matters.	1,000,000	1,000,000
25. Youth and Family Counseling Services - Grant to allow Service to continue the Grimes Alternative School Model Program, a community based alternatives program for undisciplined juveniles in the public schools in Davidson County.	80,000 State Aid	80,000 State Aid
26. Gates County Board of Education - Reallocation of funds to be used to bring the High School's wastewater system into compliance with State and federal wastewater regulations.	100,000	NR -
TOTAL OPERATING EXPANSION	\$10,820,000	\$1,080,000

**OFFICE OF STATE BUDGET AND MANAGEMENT - STATE AID
(1989 Actions, Continued)**

SPECIAL PROVISIONS INCLUDED IN APPROPRIATION BILLS - 1989

Senate Bill 44

Section 18 **Land Loss Prevention Funds** - Directs that funds be used to provide free legal representation to low-income financially distressed small farmers. Requires the North Carolina Association of Black Lawyers' Land Loss Prevention Project, Inc., to report quarterly to the Joint Legislative Commission on Governmental Operations on the use of these funds.

Senate Bill 1042

Section 50 **Center for Community Self-Help Funds** - Allocates \$2 million appropriated to the Office of State Budget and Management to the Center for Community Self-Help to be leveraged on a 24:1 ratio for homeownership loans to low-moderate income families. Directs appropriate reporting to the Controller and the General Assembly, and authorizes the State Auditor to conduct an annual end-of-year audit.

Section 52 **Piedmont Triad Airport Authority Fund** - Directs the reversion of these funds if unexpended and unencumbered on June 30, 1991 if the project is not completed.

1990-91
General
Fund

OFFICE OF STATE BUDGET AND MANAGEMENT - STATE AID

TOTAL OPERATING APPROPRIATIONS - 1989 SESSION \$1,080,000

BUDGET REDUCTIONS

- 1. Reduce special appropriations by 3%
 - a. North Carolina State Bar (30,000)
 - b. Youth and Family Counseling Services (2,400)
- TOTAL BUDGET REDUCTIONS** (32,400)

EXPANSION

- 1. North Carolina Performing Arts Center - Charlotte - Final Grant-in-Aid to fulfill the state's commitment for \$15.0 million 2,100,000 NR
 - 2. Autistic Foundation of N.C. - Grant-in-aid for development of camp and conference center 300,000 NR
 - 3. North Carolina Poverty Project, Inc. - Grant-in-Aid 55,000 NR
 - 4. The Pack Place Education, Arts and Service Center (Asheville) - Grant- in-aid 125,000 NR
- TOTAL EXPANSION** 2,580,000
- TOTAL OPERATING APPROPRIATIONS** \$3,627,600

SPECIAL PROVISIONS INCLUDED IN APPROPRIATION BILLS - 1990

Senate Bill 1426

Section 146 Autism Society of North Carolina, Inc. - Directs that \$345,960 of any General Fund appropriation be allocated to the Autism Society of North Carolina, Inc., to continue the State grant for operations and for stipends for the Society's summer camp.

DEPARTMENT OF HUMAN RESOURCES

Statutory Authority: General Statutes, Chapters 108, 111, 112, 130 and 131

The Department of Human Resources, established by the Reorganization Act of 1971, consolidated several formerly independent departments and commissions into a single agency. These included Health Services, Mental Health Services, Social Services, Services for the Deaf and the Blind, Vocational Rehabilitation Services and Facility Services. In 1975, the Division of Youth Services was transferred from the Department of Corrections to Human Resources, and in 1978 the Division of Medical Assistance was created by executive order and given operational responsibility for the Medicaid program. In 1989, the General assembly consolidated environmental programs in various departments by creating a new Department of Environment, Health and Natural Resources. Environmental health and personal health programs in the Department of Human Resources were transferred to this new department. The Department of Human Resources is the second largest department in State government and the largest under the Governor's direct control.

CONTINUATION BUDGET AS RECOMMENDED BY THE GOVERNOR	1989-90 General Fund	1990-91 General Fund
	\$1,042,069,804	\$1,110,804,397

1989 LEGISLATIVE ACTIONS

BASE BUDGET REDUCTIONS

DIVISION OF SOCIAL SERVICES

1. Abortion Fund: Reduce fund to \$424,000 in each year of the biennium.	(500,500)	(500,500)
2. CWEP Training Funds: Reduce requirements in FY 89-90 and FY 90-91 to a level consistent with historical spending.	(114,000)	(127,200)
3. CWEP Travel Funds: Reduce requirements for client travel reimbursement to a level consistent with historical spending.	(53,775)	(72,525)
4. CWEP Reserve: Eliminate funds budgeted for 5 counties FY 87-88, 88-89 due to anticipated reduction in federal WIN funding. (14440-1900-8394)	(173,430)	(173,430)

1989-90
General
Fund

1990-91
General
Fund

DEPARTMENT OF HUMAN RESOURCES (1989 Actions, Continued)

**DIVISION OF MENTAL HEALTH,
MENTAL RETARDATION AND
SUBSTANCE ABUSE SERVICES**

5.	Increases in Institutional Receipts: Adjust patient receipts in state psychiatric hospitals and mental retardation centers to more accurately reflect anticipated revenues.	(1,200,000)	(1,700,000)
6.	Adolescent Substance Abuse Services: Reduce funding for inpatient hospitalization services.	(200,000) State Aid	(200,000) State Aid
7.	Reductions in Institutional Unexpended Balances:		
(a)	Reduce level of funding for the 2XXXX object code.	(202,113)	(202,113)
(b)	Reduce level of funding for the 3XXXX object code.	(320,565)	(320,565)
DIVISION OF HEALTH SERVICES			
8.	Children Special Health Services: Reduce level of funding by the amount of funds made available as a result of the Medicaid expansion for three and four year olds.	(569,000)	(990,000)
9.	Appropriation of Unbudgeted Receipts: Budget refunds of prior year expenditures from the Purchase of Care Program.	(382,954) State Aid	(382,954) State Aid
10.	Prescription Drug Program For the Disabled: Discontinue funding for the prescription drug payment program effective 6-30-90.	-	(211,153)
11.	Reductions in Unexpended Balances:		
(a)	Reduce level of funding for the 3XXX object codes	(123,847)	(123,847)
(b)	Reduce level of funding for the 5XXX object codes	(57,464)	(57,464)

	1989-90 General Fund	1990-91 General Fund
DEPARTMENT OF HUMAN RESOURCES (1989 Actions, Continued)		
12. Mosquito and Vector Control Program: Reduce funding in the program to a level consistent with current needs.	(80,000) State Aid	(80,000) State Aid
DEPARTMENTAL CHANGES		
13. General Fund Supported Positions: Eliminate positions as identified by the Department.	(2,000,000) (75)	(2,000,000) (75)
14. Inflationary Increases for Locally Operated Programs		
(a) Eliminate the non-salary inflationary increase for locally operated programs, effective July 1, 1989 (G.S. 143-10.1 amended).	(2,333,278) State Aid	(5,374,256) State Aid
(b) Provide non-recurring support for non-salary related program costs.	1,907,596 State Aid	-
(c) Domiciliary Care Rate Increase: Increase rates for ambulatory care from \$687 to \$696 effective January 1, 1990 and to \$706 effective January 1, 1991; also, increase rates for semiambulatory care from \$721 to \$730 effective January 1, 1990 and to \$740 effective January 1, 1991.		
(a) Social Services	417,447	1,319,874
(b) Blind Services	8,235	25,620

1989-90 General Fund	1990-91 General Fund
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DEPARTMENT OF HUMAN RESOURCES (1989 Actions, Continued)

TRANSFERS

1. Transfer the Social Security Disability Telephone Hotline from the Department of Human Resources to the Governor's Advocacy Council for Persons with Disability in the Department of Administration.	(146,286)	(146,286)
2. Transfer the Goldsboro Youth Facility from the Department of Human Resources to the Department of Corrections.	(170,000)	(170,000)
3. Transfer funds from the Department of Agriculture to the Department of Human Resources for the purchase of food formally supplied by the State Farm Operations.	1,457,901	1,489,347
NET TRANSFER TOTAL	1,141,615	1,173,061
REVISED BASE BUDGET TOTAL	\$1,037,233,771	\$1,100,806,945

EXPANSION BUDGET

DIVISION OF AGING

1. Services for Older Adults - Funds to replace federal reserve that affects transportation, in-home services, respite care, adult day care, and other services for older adults.	3,422,404 State Aid 327,033 State Aid	5,024,337 State Aid NR -
2. Aging Funds - Funds to continue the existing information and referral pilot projects serving older adults.	120,000 State Aid	NR -
3. Alzheimer's Chapters - Funds to be divided equally among four regional chapters located in Charlotte, Winston-Salem, Raleigh, and Asheville.	50,000 State Aid	NR -

	1989-90 General Fund	1990-91 General Fund
DEPARTMENT OF HUMAN RESOURCES (1989 Actions, Continued)		
DIVISION OF SOCIAL SERVICES		
4. Federal Welfare Reform - Implementation of the Federal Family Support Act of 1988 in the Division of Social Service and County Departments of Social Services	681,519 (37)	1,521,119 (56)
5. Protective Services - Funds to provide staff in local departments of social services, provide training for workers, and provide consultation and technical assistance to local programs.	2,650,000 State Aid 350,000 (5)	3,593,783 State Aid 350,000 (5)
6. Domiciliary Care Rate Increase - Raise rates by 4% effective 1-90. When added to continuation budget increases, this increase equals a 5.4% increase in 89-90 and a 6.8% increase in 90-91 over FY 88-89.		
Division of Social Services		
Requirements	2,690,214	5,626,812
Receipts	1,345,107	2,813,406
Appropriation	1,345,107	2,813,406
Division of Services for the Blind		
Requirements	53,940	107,880
Receipts	26,970	53,940
Appropriation	26,970	53,940
7. Foster Care Rate Funds - Funds to raise the foster care rates from \$200 to \$250 per month effective 1-1-90.	400,000	800,000
8. Adult Protective Services - Funds to establish a position to provide consultation and technical assistance to local departments of Social Service.	15,583 (1)	38,573 (1)

	1989-90 General Fund	1990-91 General Fund
DEPARTMENT OF HUMAN RESOURCES (1989 Actions, Continued)		
9. Child Abuse Medical Evaluation Program - Funds to provide additional support for medical and psychological evaluation and treatment of abused children.	150,000	150,000
10. Aid to Families with Dependent Children - Funds to provide a 2% increase to the AFDC/Medically Needy Income Levels, effective 1-1-90.	498,211	1,077,445
DIVISION OF MEDICAL ASSISTANCE		
11. Federal Welfare Reform - Implementation of benefits mandated by Federal Family Support Act of 1988.	10,904	3,247,144
12. Medicaid for Pregnant Women and Infants (Up to Age 1) whose incomes are below 150% of Federal Poverty Level (@ \$15,090/year for family of 3) effective 1/1/90.	4,539,504	9,079,008
13. Medicaid Coverage for Children: With Families Incomes Under 100% of Federal Poverty Guidelines - Provide coverage for children ages 4 to 6 effective 10/1/89; and for children up to age 7 effective 10-1-90.	499,354	289,086
14. Transfer from Division of Health Services. Services now funded through the Childrens Special Health Services Program will be covered under Medicaid effective 10-1-89. These funds will be used to support the State share of Medicaid expansion for children.	370,026	834,414

	1989-90 General Fund	1990-91 General Fund	
DEPARTMENT OF HUMAN RESOURCES (1989 Actions, Continued)			
15. Medicaid Maternity Care Rates - Raise physician reimbursement for maternity care services.	950,820	1,333,212	
16. Support for an Infant Mortality Prevention Campaign, an educational awareness program on the importance of prenatal care (HB 1904).	260,000	NR	-
17. Aid to Families with Dependent Children - Funds to support the Medicaid costs of a 2% increase in the AFDC/Medically Needy Income Levels.	523,651	547,525	
DIVISION OF MENTAL HEALTH, MENTAL RETARDATION AND SUBSTANCE ABUSE SERVICES			
18. Thomas S - Funds to begin development of a court-ordered system of community-based services for clients with a dual diagnosis of mental retardation and mental illness.	1,500,000 State Aid	4,500,000 State Aid	<i>3,000,000</i>
19. Willie M - Funds to provide services for an estimated increase in the number of Willie M clients who will participate in the program over the biennium.	1,700,000 State Aid	1,700,000 State Aid	
20. Pioneer Project - Funds will begin statewide implementation of the project providing one-time and recurring appropriations for as many as 13 programs in the first year and 12 additional programs in the second year.	368,027 State Aid 711,000 NR State Aid	1,396,054 State Aid 518,500 NR State Aid	<i>835,527</i>

1989-90
General
Fund

1990-91
General
Fund

DEPARTMENT OF HUMAN RESOURCES (1989 Actions, Continued)

21. Chronically Mentally Ill - Funds to provide expanded community-based services to adults with severe and persistent mental illness. Funds are to be allocated to the Department's regions on a per-capita basis and distributed to area mental health programs as determined by the regional management team.	3,000,000 State Aid	3,000,000 State Aid
22. Cherry Hospital - Funds for 60 new Nursing and Health Care Technicians, physicians, and social work positions, effective 10-1-89.	1,065,376 (60)	1,420,502 (60)
23. HUD Group Homes for the Mentally Retarded - Funds for start-up and operational costs of 14 group homes and 5 apartments for programs approved in the 1988 Section 202 allocation by the U.S. Department of Housing and Urban Development.	185,860 State Aid 1,035,000 NR State Aid	1,670,240 State Aid 290,000 NR State Aid
24. HUD Group Homes for the Mentally Ill - Funds for start-up and operational costs of 11 group homes and 1 apartment for programs approved in the 1986, 1987, and 1988 Section 202 allocation by the U.S. Department of Housing and Urban Development.	237,500 State Aid 520,000 NR State Aid	750,000 State Aid 110,000 NR State Aid

355,126

739,380

102,500

1989-90
General
Fund

1990-91
General
Fund

DEPARTMENT OF HUMAN RESOURCES (1989 Actions, Continued)

25. Child Mental Health - Funds to expand community-based child mental health services and to provide matching funds to draw down an additional \$750,000 in foundation funds.	300,000 State Aid	300,000 State Aid 325,000 NR State Aid	325,000
26. Adult Developmental Activities Programs (ADAP) - Funds to increase the subsidy rate by \$5 per month, to \$260 per month per client.	317,040 State Aid	317,040 State Aid	
27. Developmentally Disabled Program Funds - Funds to expand community-based services for the developmentally disabled.	200,000 State Aid	200,000 State Aid	
28. OPC/UNC Training Programs - Funds will be used to train students for professional careers in the public sector mental health area and will provide community-based treatment services for emotionally disturbed children. Funds are to be appropriated to the Division of Mental Health, Mental Retardation and Substance Abuse for this cooperative effort between the Orange-Person-Chatham Area Mental Health program and UNC at Chapel Hill.	367,326 State Aid	367,326 State Aid	
29. Group Homes for the Developmentally Disabled - Funds will be used to meet federal wage and hour regulations imposed upon the DD group homes now in operation.	1,246,685 State Aid	1,246,685 State Aid	

	1989-90 General Fund		1990-91 General Fund
DEPARTMENT OF HUMAN RESOURCES (1989 Actions, Continued)			
30. First Step Farm for Women - Funds to continue development of this substance abuse treatment program which serves women in the western region of the State.	100,000 State Aid	NR	-
OFFICE OF THE SECRETARY			
31. Governor's Waste Management Board - Funds to allow the Governor's Waste Management Board to provide community assistance grants and technical assistance related to establishing a low-level radioactive waste facility.	200,000		50,000
32. Single Portal of Entry Pilot Program - Funds to pilot test the single portal of entry program model.	40,000 State Aid	NR	-
33. Cued Speech Funds - Funds for the Cued Speech Center, Inc. to establish and operate a pre- school deaf education program for hearing impaired infants and pre-school children.	50,000 State Aid		50,000 State Aid
DIVISION OF HEALTH SERVICES			
34. Solid Waste Management - Funds for additional staff to reduce the processing time required to permit county sanitary landfill applications, and to provide technical assistance to counties in developing solid waste plans.	325,000 (8)		650,000 (13)
35. Hazardous Waste Regulation - Funds to continue the on-site investigation and assessment of hazardous waste in the state, and to provide waste minimization services to industry as well as technical assistance in permitting a low-level radioactive waste facility in North Carolina.	171,651 (5)		173,000 (5)

	1989-90 General Fund		1990-91 General Fund
DEPARTMENT OF HUMAN RESOURCES (1989 Actions, Continued)			
36. Hazardous Waste Site Cleanup - Funds for the required 10% match for cleanup sites in the State that qualify for federal support, and additional positions to monitor each site.	900,000 (2)		993,624 (4)
37. Pesticide Groundwater Study - Funds for a multi-departmental intensive statewide study of pesticide contamination in groundwater supplies.	-		140,000
38. Environmental Health Funds - Funds to continue the support of health departments in providing high quality environmental programs.	300,000 State Aid		300,000 State Aid
39. Cancer Registry - Funds to continue the implementation of the Cancer Registry Program.	200,000		200,000
40. Transfer to Division of Medical Assistance - Funds from Division of Health Services, Childrens Health Services program to be used as State match for children's medical services provided under Medicaid Program effective 10-1-89.	(370,026)		(834,414)
41. Institute of Medicine - Funds to continue the study of statewide health programs.	100,000 State Aid	NR	-
42. Grant to the Bowman-Gray School of Medicine at Wake Forest University to support the operating expense of its comprehensive epilepsy program.	100,000 State Aid	NR	-
43. Grant for general operations and services support for United Cerebral Palsy group homes and developmental centers.	200,000 State Aid	NR	-
44. Funds to provide additional services for the Hemophilia Assistance program.	50,000 State Aid	NR	-

	1989-90 General Fund	1990-91 General Fund
DEPARTMENT OF HUMAN RESOURCES (1989 Actions, Continued)		
DIVISION OF YOUTH SERVICES		
45. One-on-One Program Funds - Funds to expand the program and to increase the allocation provided to the existing 34 programs.	197,250 State Aid	197,250 State Aid
DIVISION OF VOCATIONAL REHABILITATION		
46. Independent Living Program Funds - Funds to expand the Independent Living Program for severely physically disabled persons.	-	677,754
DIVISION OF FACILITY SERVICES		
47. Low-Level Radioactive Waste Program Funds - Funds to carry out siting and licensing activities required to establish a low-level radioactive waste disposal facility, as required by federal law and the Southeast Interstate Low-Level Radioactive Waste Compact.	284,523 (3)	101,918 (3)
48. Nursing Home Inspectors - Funds for new positions to assist with complaints of nursing home patients.	250,563 (8)	292,565 (8)
STATE AID TO NON-STATE AGENCIES		
49. Florence Crittenton Services, Inc. grant for the support of a residential maternity facility.	250,000 State Aid	NR -
DEPARTMENTAL CHANGES		
50. Support for a 4.0% across-the-board salary increase in each fiscal year for locally mandated programs as follows:		
Division of Aging	2,074	4,230
Division of Health Services	665,382	1,357,380
Division of Social Services	382,151	779,586
State Aid to Non-State Agencies	101,726	207,521
Division of Mental Health	4,036,404	8,234,264
Division of Facility Services	415,181	846,970
Division of Vocational Rehabilitation	77,183	157,453
Division of Youth Services	322,887	658,690
SUBTOTAL	6,002,988	12,246,094

	1989-90 General Fund	1990-91 General Fund
DEPARTMENT OF HUMAN RESOURCES (1989 Actions, Continued)		
TOTAL OPERATING EXPANSION	39,296,849	64,102,130
TOTAL POSITIONS	(129)	(155)
TOTAL OPERATING APPROPRIATIONS	\$1,076,530,620	\$1,164,909,075
TRANSFERS		
1. Adjustments for programs transferred to newly created Department of Environment, Health and Natural Resources:		
(a) Secretary's Office		
Fund 1050 Governor's Waste Management Board	(492,872)	(343,784)
Fund 1010 Central Management and Administration	(57,737)	(57,770)
Fund 1210 Personnel Management Services	(206,007)	(206,123)
(b) Division of Health Services (all programs)		
Total Requirements	(183,327,397)	(184,621,989)
Receipts	(100,857,252)	(101,106,355)
Appropriation	(82,470,145)	(83,515,634)
(c) Division of Facility Services		
Fund 1611 Radiation Protection Services	(1,273,090)	(1,002,593)
2. Adjustments for programs transferred from the Department of Natural and Economic Resources to the Secretary's Office:		
Community Action Partnership Program	1,302,320	1,052,372
Community Services Block Grant Program	8,719,390	8,719,646
Emergency Community Services Homeless Grant Program	956,997	956,997
	Receipts	Receipts
TOTAL REVISED APPROPRIATIONS	\$993,333,089	\$1,080,835,543

SPECIAL PROVISIONS INCLUDED IN APPROPRIATION BILLS - 1989

Senate Bill 43

Section 70 Medicaid - Establishes eligibility requirements for recipients of Medicaid and Aid to Families with Dependent Children; establishes allowable services payment rates to provider under the State's Medicaid program. (Eligibility thresholds revised by SB 44, Section 135).

DEPARTMENT OF HUMAN RESOURCES (1989 Actions, Continued)

- Section 71* **N.C. Family Support Act** - Authorizes the provision of Medicaid and Aid to Families With Dependent Children (AFDC) benefits to two-parent families where primary wage earner is unemployed; authorizes a modification in the calculation of AFDC benefits for single parent families; authorizes the provision of a special allowance to provide day care for teenage parents.
- Section 72* **Limitation on the State Abortion Fund** - Limits expenditures, services, and eligibility for state funded abortions.
- Section 73* **Aged and Family Care/County and State Share of Costs** - Establishes state and county share of costs for domiciliary homes at 50% state and 50% county.
- Section 74* **Retrospective Accounting Adjustment/AFDC** - Provides supplemental payment to families adversely affected by federal changes to the Aid to Families with Dependent Children program which were enacted in 1982.
- Section 75* **Foster Care Board Rate** - Establishes foster care board rate at \$200 per month. (revised by SB 44, Section 132)
- Section 76* **Adoption Subsidy** - Establishes adoption subsidy at \$150 per month.
- Section 77* **AFDC Women in Third Trimester of Pregnancy** - Authorizes cash benefits to women who are pregnant for the first time in the third trimester of pregnancy if they meet financial eligibility requirements.
- Section 78* **Emergency Assistance** - Establishes limitations on expenditures for Emergency Assistance Program.
- Section 79* **Federal Welfare Reform Report** - Establishes reporting requirements for the Department of Human Resources on the implementation of the federal Family Support Act of 1988.
- Section 80* **Child Support Enforcement Study** - Establishes reporting requirements for the Department of Human Resources and the Administrative Office of the Courts on the Child Support Enforcement (Title IV D) Program.
- Section 81* **Domiciliary Home Rate Increase** - Revises the maximum monthly rate for ambulatory care patients and for semi-ambulatory care residents effective January 1, 1990. (Further modified in SB 44).
- Section 82* **Willie M** - Directs the Department as to the use of appropriated funds for the Willie M Program and places certain reporting requirements on the Department.
- Section 83* **Mixed Beverage Tax For Area Mental Health Programs** - Refers to the charges placed on quantities of spirituous liquor sold in ABC stores and directs how funds raised from these charges are to be spent, i.e., for the treatment of alcoholism or for research or education on alcohol abuse. It also requires that these funds be matched by local funds.
- Section 84* **ADAP Transportation Reimbursement** - Provides direction to the Department of Human Resources as to the allocation of some \$544,000 appropriated to assist Adult Developmental Activity Programs (ADAPs) with their transportation costs. It sets the minimum and maximum rates to be paid to programs for monthly transportation costs per client.

DEPARTMENT OF HUMAN RESOURCES (1989 Actions, Continued)

- Section 85* Pioneer Project Reimbursement Authorization - Allows the Department of Human Resources to reimburse those area mental health programs which are participating in the Pioneer Funding Project Pilot Study on a cost reimbursement basis.
- Section 86* Alcohol Rehabilitation Center Plan Development - Requires the Department to determine the most effective use of the Alcohol Rehabilitation Centers, taking into account the entire adult substance abuse services network, both at the local and state levels. It also requires the Department to implement a plan to improve the efficiency and effectiveness of the Centers in accordance with the findings and recommendations of its own study of the Centers.
- Section 87* Adolescent Substance Abuse Services - Allows the Department to spend up to \$200,000 of the funds appropriated for Adolescent Substance Abuse Services (\$1.3 million in total) on inpatient hospitalization services, but requires the Department to implement specific rules and criteria for their allocations and expenditures.
- Section 88* McLeod West Residential Drug Treatment Program - Requires the Department to study the possible duplication of services between the McLeod West Drug Treatment Program and the Alcohol Rehabilitation Center at Black Mountain. The programs are about 1/2 mile away from each other and offer similar services to similar types of clients.
- Section 89* Maternal and Child Health Care - Places a maintenance of effort requirement on the local health departments. It prohibits local health departments from reducing county funds for maternal and child health services as a result of receiving State funds for these services, identifies the services for which State funds can be used, and requires health departments to allocate funds earned from federal sources, like Medicaid, back into those program areas which generated those earnings.
- Section 90* Health Promotion Funds - Prohibits local health departments to supplant local dollars with State dollars for health promotion activities.
- Section 91* Adolescent Pregnancy Prevention Project - Addresses the 34 Adolescent Pregnancy Prevention Projects which have been funded for the last four years. This provision continues funding for all of the projects for the first year of the biennium. It calls for an evaluation of seven of the projects - those which received the lowest marks in the independent evaluation of the projects contracted for by the Adolescent Pregnancy Study Commission - and a yearly evaluations of all of the projects funded.
- Funds will be awarded on a competitive grant basis beginning in FY 90-91, with the Commission on Health Services assuming monitoring responsibilities for the Program. Funds will be awarded on a five year, phase-out basis.
- Section 92* Transfer of Certain Funds Authorized - Authorizes the Director of the Budget to transfer funds for local services from one program into another program, within the same agency or division, where they may be more needed. The Office of State Budget reports to the Appropriations Committees on transfers authorized by this section.

DEPARTMENT OF HUMAN RESOURCES (1989 Actions, Continued)

- Section 93* **Budget Required to Include State Cost of Local Programs** - Discontinues the non-salary inflationary increase appropriated as part of the continuation budget for the State's share of locally operated programs.
- Section 94* **Caregiver Support** - Directs the Division of Aging on what specific activities are authorized to be funded, for services that support family caregivers of older adults.
- Section 95* **Aging Federal Matching Funds** - Authorizes the Division of Aging to use existing funds to provide the State matching requirement necessary to draw down federal funds available for in-home services for the frail elderly.
- Section 96* **Respite Care Program** - Rewrites provision establishing how funds available for respite care services for older adults are to be spent, and also provides for a comprehensive set of parameters encompassing respite care services.
- Section 97* **In-Home Aging Services** - Directs the Division of Aging on how it will provide funds appropriated for additional in-home services.
- Section 98* **Septage Management Fees** - Authorizes the Department of Human Resources to use receipts generated from the Septage Management Program for the operation of the program.
- Section 99* **Day Care Funds Match Requirement** - Directs the Department of Human Resources not to require local matching funds as a prerequisite for a county to receive any State day care funds.
- Section 100* **Day Care** - Requires the Department of Human Resources to distribute the funds available for day care slots, as to serve the greatest number of children possible.
- Section 101* **Day Care Rates** - Establishes the parameters by which the Social Services Commission will be guided in establishing rates for the purchase of day care services for low income children.
- Section 102* **Day Care Allocation Formula** - Directs the Department of Human Resources on which allocation formula to follow, in all noncategorical federal and State day care funds used to pay the costs of day care for minor children of eligible formula.
- Section 103* **No Eye Clinics In Certain Counties** - Directs the Department of Human Resources not to expend its funds in any county in which an optometrist or ophthalmologists is willing to perform the service that would otherwise be provided by the clinic.
- Section 104* **DHR Employees As In-Kind Match** - Authorizes the Department of Human Resources, to allow employees of the Division of Facility Services to be used as in-kind match to nonprofit corporations addressing health care strategies.

DEPARTMENT OF HUMAN RESOURCES (1989 Actions, Continued)

- Section 105* **Establishes Non-Medicaid Reimbursement** - Establishes reimbursement for medical services and income levels for participation in some programs, also adds children served by the Medical Eye Care Program in the Division of Services for the Blind under the Children's Special Health Services eligibility level of 100% of the federal poverty guidelines.
- Section 106* **Operational Audit On Schools For The Deaf and Hearing Impaired:** Directs the Office of State Auditor to perform an operational audit.
- Senate Bill 44**
- Section 121* **Block Grant Family Planning Funds** - Provides that local health departments maintain family planning services at or above the 1988-89 fiscal year levels.
- Section 122* **Block grant Adolescent Pregnancy Funds** - Allocates Social Services Block grant funds to specific adolescent pregnancy prevention and prematurity prevention projects and requires these projects to meet the same program standards as those projects which are funded with General Fund dollars.
- Section 123* **Alcohol, Drug Abuse, Mental Health Block Grant Funds** - Allows the Department of Human Resources to restore cuts to this block grant if additional federal block grant funds become available.
- Section 124* **Eastern Regional Detox Funds** - Changes the allocation of these funds from a per capita basis to a regional per capita basis to be distributed as determined by the regional management team.
- Section 125* **Specialized Residential Centers' Bed Conversions** - Requires the Department of Human Resources to use funds made available from ICF/MR bed conversion to increase the state subsidy rate for community specialized residential centers to 65% of the statewide 1988-89 average cost of providing the service.
- Section 126* **Study of Funds Used for Local Program Salaries** - Requires the Department of Human Resources to conduct a 5-year comparative analysis between funds made available for salary and salary-related increases with the changes in the cost of salaries in locally operated State-funded programs.
- Section 127* **Thomas S** - Establishes a reserve for Thomas S program funds and requires that these funds be expended only for Thomas S clients or those likely to become class members. Also requires certain reporting procedures for Thomas S funds.
- Section 128* **One-On-One Program Funds** - Directs the Department on how it must allocate \$197,500 in each year to the Governor's One-On-One Program for children at risk of coming in contact with the juvenile justice system.

DEPARTMENT OF HUMAN RESOURCES (1989 Actions, Continued)

- Section 129* **Liability Insurance for Physicians/Dentists** - Allows the Departments of Human Resources and Corrections to provide either through the purchase of commercial insurance or through self-insurance liability insurance for State employees who work as physicians or dentists. Coverage would provide insurance over and above the \$100,000 limit provided by the State and could not exceed \$1,000,000.
- Section 130* **Child Protective Services** - Allocates \$3,000,000 in FY 89-90 and \$3,593,783 in FY 90-91 for child protective services. A total of \$350,000 is allocated to the Division of Social Services for technical assistance and consultation to counties and for training of county staff. The balance of the funds is appropriated for additional staff and services according to a formula set out in the provision. The Department is required to report to the General Assembly on the expenditure of the funds by May 1, 1990.
- Section 131* **Domiciliary Care Rate Increase** - Raises the reimbursements for providers who care for domiciliary care residents. Effective January 1, 1990, the rate for ambulatory care will be \$724 per month and for semi-ambulatory will be \$760. Effective January 1, 1991 the rate for ambulatory care will be \$734 per month and for semi-ambulatory care will be \$770 per month.
- Section 132* **Foster Care Rate Increase** - Raises reimbursements for foster care families from \$200 per month to \$250 per month effective January, 1990.
- Section 133* **Revised/Expanded Medicaid Coverage for Pregnant Women and for Infants and for Children** - Expands Medicaid coverage to new groups of women infants and children on a schedule of implementation over the 1989-91 biennium.
- Section 134* **Anson County Sewer Funds**: Allocates funds appropriated in 1987 for use by Anson County for extension of a sewer line.
- Section 135* **AFDC Increase** - Provides for an increase of 2% in the Medically Needy Income Level for the Aged and Disabled persons, and for a 2% increase in payment levels and the threshold of need for beneficiaries of the Aid to Families With Dependent Children. The increase in benefits is to take effect January 1, 1990.
- Section 136* **Adolescent Pregnancy Prevention Projects** - Modifies the provision addressing this program in the continuation budget (SB 43, Sec. 91), specifically changing the schedule of State funding for the projects.
- Section 137* **Infant Mortality Prevention Funds** - Provides a one time appropriation to develop and implement an Infant Mortality Prevention Campaign. The campaign will make use of TV, radio and news media spots to educate women on the importance of prenatal care.
- Section 138* **Statewide Medical Examiner Funds** - Allows the State Health Director to use excess federal indirect receipts to increase funding for the Medical Examiner System.

DEPARTMENT OF HUMAN RESOURCES (1989 Actions, Continued)

- Section 139* **Prescription Drug Program** - Raises the pharmacy dispensing fee from \$4.04 per month to \$4.24 per month. The provision also allows for another increase in the dispensing fee (to \$4.85) in the event that the federal government imposes a drug reimbursement policy on North Carolina that takes reimbursement below the Average Wholesale price of drugs.
- Section 140* **Cued Speech Funds** - Provides \$50,000 in each year of the biennium to the Cued Speech Center, Incorporated.
- Section 141* **Blind Services Information** - The provision rewrites G.S. 11-28; by adding two new sentences authorizing DHR to make certain blind services information available to the N. C. Library for the Blind and Physically Disabled.
- Section 142* **Environmental Health Funds** - Directs the Department on how to allocate \$300,000 for the 1989-90 fiscal year and the 1990-91 fiscal year to local health departments for continued high quality environmental health programs.
- Section 143* **Solid Waste Management Technical Assistance** - Directs the Department to allocate four new positions for the purpose of providing technical assistance to units of local governments.
- Section 144* **Superfund Program** - Directs the Department and the Office of State Budget to provide the required 10% cost share for federal Superfund cleanups, not currently budgeted.
- Section 145* **Aging Funds** - Directs the Department to allocate \$120,000 of Information and Referral Pilot Project funds to existing pilot projects.
- Section 146* **Asbestos Hazard Management Funds** - Provides language to allow fees collected for asbestos control be used by DHR, to support the Asbestos Hazard Management Program.
- Senate Bill 1309**
- Section 3* **Comprehensive Solid Waste Management Program Funds** - Appropriates \$300,000 for the 1989-90 fiscal year to establish the Solid Waste Management Trust fund.
- Section 28* **Waste Stream Analysis** - Allocates funds from the Special Reserve for Oil Overcharge, to be used for a waste stream analysis of local landfills.
- Section 34* **Use of Funds for Eastern Detox Programs** - Allows DHR to use up to \$695,000 for FY 89-90 from over-realized receipts and other sources of funds for the established detoxification programs in the eastern region.

DEPARTMENT OF HUMAN RESOURCES

1990-91
General
Fund

1990 LEGISLATIVE ACTIONS

TOTAL OPERATING APPROPRIATIONS - 1989 SESSION \$1,080,835,543

DIVISION OF MEDICAL ASSISTANCE

1. Changes due to revised estimates of patient utilization of Medicaid services for FY 90-91.

Total Reduction	(\$17,131,214)	
FFP Increase	8,731,206	
Repeal of Catastrophic	(900,000)	
OBRA 1989	1,201,644	
Pregnant Minors	4,515,723	
Net Reduction		(3,582,641)
2. Reductions due to increased administrative efficiency and programmatic oversight of the Medicaid program. (1,377,280)
31
3. Reductions due to changes in GS 108A-57 which makes individuals liable for reporting third party information to the Medicaid program. (211,575)
4. Reductions due to rebates from pharmaceutical companies for drugs purchased by Medicaid beneficiaries. (282,100)
5. Reductions due to revised drug reimbursement policy as required by the Health Care Financing Administration. (1,040,000)
6. Reductions due to strengthening of prior approval process, utilization reviews, and post payment reviews for hospital and nursing care, and for home health care services. (3,727,407)
7. Reductions due to settlements from expediting nursing home audits. (304,579) NR
8. Infant Mortality/Pregnant Women & Infants. Expand coverage to pregnant women and infants with family incomes equal to or less than 185% of the federal poverty guidelines effective October 1, 1990. 2,284,900

**1990-91
General
Fund**

DEPARTMENT OF HUMAN RESOURCES (1990 Actions, Continued)

- | | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|
| 9. Infant Mortality/Physician Reimbursement for Maternity Care Services. Fund an increase in physician reimbursements for maternity care services effective October 1, 1990. The fee for comprehensive prenatal care and delivery services will increase from \$925 to 1100. | 1,486,252 |
| 10. Infant Mortality Case Management Services for High Risk Infants. Funds to pay for intensive case management services for infants and children under age 5 who are at high risk for special health problems effective October 1, 1990. | 1,120,360 |
| 11. Infant Mortality/Transportation for Medicaid Eligibles. Funds to provide counties with grants to support the non-federal share of providing transportation services to Medicaid eligibles effective October 1, 1990. | 750,000
State Aid |

STATE AID TO NON-STATE AGENCIES

- | | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|
| 1. Infant Mortality/Childrens Home Society. Funds to support prenatal counseling for pregnant women and adoption placement services for infants with special medical needs. | 100,000
State Aid |
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DIVISION OF SOCIAL SERVICES

- | | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|
| 1. Eliminate the transfer of funds to the Employment Security Commission for medical examinations required by the federal Work Incentives Program (WIN). The WIN Program will terminate on September 30, 1990. | (27,000) |
| 2. Reduce funding for maintenance contracts on State owned equipment located in county department of social services. | (37,000) |
| 3. Reduce appropriations in the Child Foster Care Payment Program by increasing receipts from Child Support Collections. | (50,000) |
| 4. Budget increased federal Title IVB funds for state administrative costs in Child Welfare Services and reduce state appropriations. | (493,865) |
| 5. Budget Prior Year Earned Revenues and Indirect Cost funds and reduce state appropriations. | (897,998) NR |

1990-91
General
Fund

DEPARTMENT OF HUMAN RESOURCES (1990 Actions, Continued)

6.	Budget one time Social Services Block Grant funds to replace state funds for In-Home Services.	(1,200,000) NR State Aid
7.	Infant Mortality/Food Stamp Outreach Funds to inform public and private agencies and community groups, and the general public about the Food Stamp Program Funds to support state level positions, materials, printing and mailing costs.	72,818
8.	Aid To Families With Dependent Children Program. Funds to support the cost of reductions in federal participation rates, lower than anticipated offsets from child support collections and rising AFDC caseloads.	7,105,446 (2)
9.	JOB's Opportunities and Basic Skills Training Program. Funds to support state and county implementation of the JOBS program. Forty counties will implement October 1, 1990. A total of 55 counties will have programs by June 1991. Worker Training Trust funds will support \$2,000,000 in expansion requirements for JOBS in FY 90-91.	1,008,240 (918,957) NR (6)
10.	Foster Care Program. Funds to support increased costs for foster care due to rising number of children needing placement.	2,422,860
11.	State/County Special Assistance Program. Funds to support the cost of rising caseloads of persons in domiciliary care homes.	219,393
12.	Child Support Enforcement. Funding to offset a reduction in the level of federal financial participation and to offset underrealized receipts in Incentive payments to the state.	114,776
13.	Domiciliary Care Homes Rate Increase: Funds to raise rates for domiciliary care homes by 3% effective January 1, 1991. Social Services: \$1,319,394 Services for the Blind: \$9,450	1,328,844

DEPARTMENT OF HUMAN RESOURCES (1990 Actions, Continued)
DIVISION OF MENTAL HEALTH, DEVELOPMENTAL DISABILITIES
AND SUBSTANCE ABUSE SERVICES

1. Reductions due to increased receipts from the Medicaid Program for ICF nursing care provided in psychiatric hospitals and the Special Care Center in Wilson. Increased receipts are due to efforts to revise Medicaid reimbursement policies to capture the actual cost of care in public facilities.

Broughton Hospital	(\$2,122,742)	
Cherry Hospital	(1,191,321)	
John Umstead Hospital	(637,183)	
Special Care Center	(2,724,298)	(6,675,544)

2. Adjust anticipated patient receipts in the MH/DD/SAS institutions to a more realistic level.

Broughton Hospital	(\$504,095)	
Cherry Hospital	259,210	
Dorothea Dix Hospital	1,465,582	
John Umstead Hospital	9	
Black Mountain Center	(360,370)	
Caswell Center	3,753,347	
Murdoch Center	593,484	
O'Berry Center	1,175,094	
Western Carolina Center	204,615	
Black Mountain ADATC	5,429	
Butner ADATC	30,222	
Walter B. Jones ADATC	(53,403)	
North Carolina Special Care Center	70,164	(6,639,288)

3. Begin charging patients on an ability to pay basis for forensic evaluations performed by Dorothea Dix Hospital. (618,087)

4. Increase receipts at John Umstead Hospital by contracting with area programs in the North Central Region for eleven detox beds. (762,417)

5. Reduce operational funding for 13 Developmental Disabilities HUD group homes, 5 apartments, and 1 mentally ill HUD home based on refined completion time lines. (550,340) NR
State Aid

6. Delay for one-year the implementation of Phases 3 and 4 of the Pioneer Funding Project. (1,233,500) NR
State Aid

7. Funds to implement early intervention services for handicapped infants and toddlers and their families (PL 99-457, Part H). 4,428,574
State Aid

1990-91
General
Fund

DEPARTMENT OF HUMAN RESOURCES (1990 Actions, Continued)

8.	Transfer to the General Fund \$600,000 from a building depreciation reserve in the laundry interagency fund at Cherry Hospital.	(600,000) NR
9.	Funds to implement the recommendations of the NC Drug Cabinet:	
a.	Expand Parent to Parent Program.	25,000
b.	Establish a reserve in the Division to bring alcohol, drug abuse treatment centers into compliance with standards of the Joint Commission on the Accreditation of Hospitals.	450,000
c.	Expand availability of medical detoxification services detoxification services.	85,000 State Aid
d.	Develop intensive out-patient services in all 41 area programs.	517,452 State Aid
e.	Develop 581 new half-way house beds for adults and adolescents.	189,858 State Aid
f.	Provide training for substance abuse professionals.	15,250
g.	Additional substance abuse staff for training schools.	60,000 State Aid
h.	Co-locate substance abuse counselors in health departments.	90,700 State Aid
i.	Expand the Treatment Alternatives to Street Crime Program (TASC)	61,000 State Aid
10.	Operational Funds for the Alzheimer's Unit at Black Mountain Center.	735,814
11.	HUD Group Homes - Start-up and operational costs of 15 group homes for the developmentally disabled and 2 group homes and 2 apartment projects for the mentally ill as approved in the 1989 Section 202 allocation by the U.S. Department of Housing and Urban Development.	1,525,978
DIVISION OF VOCATIONAL REHABILITATION SERVICES		
1.	Delay for five months the establishment of two new rehabilitation independent living programs. (Wilmington and Hickory).	(300,000) NR
2.	Increase federal receipts available for direct client services and decrease state appropriations.	(526,140) NR

1990-91
General
Fund

DEPARTMENT OF HUMAN RESOURCES (1990 Actions, Continued)

DIVISION OF SERVICES FOR THE DEAF AND HARD OF HEARING

1. Eliminate the practice of paying teachers in the schools for the deaf unused portions of their annual leave. (168,064) NR

DIVISION OF SERVICES FOR THE BLIND

1. Budget overrealized Medicaid receipts generated in the Personal Care Services Program (100,562) NR
2. Reduce the line item for supplemental assistance payments to blind people in rest homes. (39,863) NR

DIVISION OF ECONOMIC OPPORTUNITY

1. Reduce "Aid to Community Action Agencies" funding to all community action agencies funded by this Division. (52,619) NR
State Aid
2. Continue support for Head Start programs and services to the elderly and needy (Sec. 30 of Ch. 1074). 50,000

SECRETARY'S OFFICE

1. Infant Mortality/Physician Recruitment. Funds to support the recruitment of physicians and nurse midwives to medically underserved areas. 430,000

DIVISION OF YOUTH SERVICES

1. Funds to implement the recommendations of the NC Drug Cabinet: Increase the assessment capabilities to youth in each of the eleven detention centers. 97,500

ALL DIVISIONS AND SECRETARY'S OFFICE

1. Reduce 2XXX through 5XXX line-items budgeted across the Department for one year by delaying expenditures. (1,200,000) NR

DEPARTMENT OF HUMAN RESOURCES (1990 Actions, Continued)

2. Management Flexibility - Reduce department's total appropriations due to revenue shortfall.	(17,163,035)
TOTAL BUDGET REDUCTIONS	(49,860,904)
TOTAL EXPANSION	27,694,972
TOTAL NET BUDGET CHANGE	(22,165,932)
TOTAL OPERATING APPROPRIATIONS	\$1,058,669,611

SPECIAL PROVISIONS INCLUDED IN APPROPRIATION BILLS - 1990

Senate Bill 1426

- Section 62* **Medicaid Program Funds/Administrative Activities** - This provision authorizes the Division of Medical Assistance to use program funds to support administrative activities to the extent that those activities produce a net savings in program costs.
- Section 63* **Infant Mortality Reduction** - Section (a) requires the Division of Medical Assistance, in consultation with other public and private agencies, to conduct a study of transportation services provided by the counties for Medicaid beneficiaries. Section (b) authorizes the creation of a Food Stamp Outreach Program in the Division of Social Services.
- Section 64* **Willie M Reporting Change** - This provision simply changes the date for the annual Willie M report to the General Assembly.
- Section 65* **Eastern Regional Detoxification Funds Change** - This provision is essentially the same as the provision in the 1989 appropriations bill. It eliminates the reference to the "regional management team" in the allocation of these funds for the eastern region detox programs. The regional management team will be consulted in the decision to allocate these funds, but the formal allocation will be made by the regional office.
- Section 66* **ADAP Transportation Reimbursement** - This provision has been in the appropriation bill for several years. This change brings the reimbursement for ADAP transportation costs into line with the New Pioneer Funding Project. Reimbursement will be based on documented costs.
- Section 67* **Specialized Residential Centers' Bed Conversion** - Updates the provision in the 1989 appropriations bill and provides funds to specialized residential centers for the mentally retarded based on the most recently completed cost study.

DEPARTMENT OF HUMAN RESOURCES (1990 Actions, Continued)

- Section 68* **Day Care Rates** - This provision modifies language that exists in the 1989 appropriations bill. It affects the day care and allocation formula language by allowing DHR more flexibility in calculating county market rates for state payments to day care providers. The language change for day care rates will comply with the federal Family Support Act. The language change that is applicable to the allocation formula is intended to reflect better the actual need for day care in the state. The new formula maintains that funds be distributed according to a county's population, but it adds poor children under six years of age and working mothers with children under six years of age.
- Section 69* **DHR Program Funds** - This provision gives the Department the flexibility to fund the Mental Health Accounting System change, additional investigators for the Day Care Abuse and Neglect Section and to reinstate the reduction in the Pioneer Funding Project if sufficient funds from those appropriated to the Department or any other funds available to the Department can be found to do so.
- Section 70* **Medicaid Services Coverage Change** - This provision establishes services provided by the Medicaid Program. There are several technical changes to the provision: 1) In keeping with federal Nursing Home Reform Act, the the distinction between an Intermediate Level Care Facility and a Skilled Care Facility is deleted; 2) in keeping with the Omnibus Reconciliation Act of 1989, services are expanded for children eligible for the Early Periodic Screening and Testing Program; 3) Area Mental Health Clinics will be reimbursed by the Medicaid program on the basis of cost information developed by the Pioneer Program.
- Section 71* **Community Action Program Funds** - This provision deletes the reference to the Department of Natural Resources and Community Development, and substitutes DHR (this program had formerly been a part of the Department of Natural Resources and Community Development and is now housed in DHR). It also changes the reporting requirement from quarterly to annually to the Joint Legislative Commission on Governmental Operations, on the use of Community Service Block Grant funds.
- Section 72* **Revised Medicaid Coverage for Pregnant Women and Children.** This provision extends coverage for pregnant women and infants (up to age 1) from 150% to 185% of the Federal Poverty Guidelines effective October 1, 1990. In addition, the provision extends Medicaid coverage for children age 1 through 5 from 100% to 133% of the federal poverty guidelines.
- Section 73* **Chronically Mentally Ill Funds Allocation** - This provision eliminates the reference to the regional management team and provides that the regional office allocate the \$3 million appropriation for 1990-91 in the same manner it was allocated in 1989.

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DEPARTMENT OF HUMAN RESOURCES (1990 Actions, Continued)

- Section 74* **DHR Planning Funds** - Permits the Department to use funds from gifts, federal or private grants, federal receipts or other sources of funds to complete plans for a psychiatric admissions unit at John Umstead Hospital.
- Section 75* **Budget Required to Include State Cost of Local Programs** - Reinstates the non-salary, inflationary increase of the Jordan-Adams provision for state-funded, locally operated programs, beginning with the 1991-93 biennium.
- Section 76* **Use of State Funds at McLeod Program** - Requires the Division of MH/DD/SAS to ensure that other program receipts from the current and two previous fiscal years are expended before state funds are expended for the operation of the program.
- Section 77* **Rest Home Aide Training Rule Suspension** - This provision directs the Legislative Research Study Commission on Rest Homes, Intermediate Care Facilities and Skilled Nursing Homes to consider requirements for aide training and rest home reimbursements. The Commission is directed to make recommendations on these issues to the 1991 General Assembly.
- Section 78* **Domiciliary Rate Increase** - This provision raises the reimbursement rate for domiciliary care homes to \$756 for ambulatory care and \$793 for semi-ambulatory care effective January 1, 1991.
- Section 79* **Limitations on the State Abortion Fund** - This provision revises eligibility for the State Abortion Fund by limiting the Fund to payment for procedures undertaken in the first 112 days (from 135 days) of pregnancy, and by restricting payment for health impairment related procedures to one time only.
- Senate Bill 1427**
- Section 29* **Prescription Drug Reimbursement Change** - This provision authorizes the Division of Medical Assistance to increase the pharmacist dispensing fee paid for by the Medicaid program from \$4.24 to \$4.45. In the event a revised drug reimbursement policy is approved by the federal government, the Division of Medical Assistance is authorized to raise the dispensing fee to \$5.10. These fee increases are contingent on the Department identifying funds from within their budget.
- Section 30* **Head Start/Elderly and Needy Program Funds** - This provision directs the Department of Human Resources to allocate \$200,000 of Social Services Block Grant funds to the Division of Economic Opportunity, for the continuation of expanded Head Start program services to eligible children and appropriates \$50,000 of General Fund dollars.
- Section 31* **Area Mental Health Pilot Program** - Permits the Secretary of Human Resources to designate one area mental health authority as a pilot program to be tested as if it were a single county administrative unit and to borrow up to \$100,000 for a capital improvement project.

CHANGES IN THE STATE'S MEDICAID PROGRAM

1989 LEGISLATIVE ACTIONS

Medicaid spending for FY 88-89 totaled \$1.2 billion dollars, an increase of 22% over the FY 87-88. Spending exceeded budgeted requirements by \$ 17 million dollars in appropriations and required a transfer of funds from programs across all Divisions in the Department of Human Resources.

The 1989 General Assembly approved a Medicaid budget totaling \$1.4 billion dollars for FY 89-90 and \$1.6 billion dollars for FY 90-91. The State's share of the budget is \$391.6 million dollars and \$463.4 million dollars in FY 89-90 and FY 90-91, respectively.

In addition to continuation increases, the General Assembly approved expansion of the program to new groups of pregnant women, infants and children according to the following implementation schedule:

- o Beginning January 1, 1990, coverage is expanded to include pregnant women and infants (under age 1) with family incomes equal to or below 150% of the federal poverty guidelines. Current law provides coverage for this group if the family income is equal to below 100% of the federal poverty guidelines.(150% of the Federal Poverty Level for a family of three is \$15,090). This expansion is expected to provide coverage for 6700 women and 7200 infants who were not eligible under earlier requirements.
- o Beginning October 1, 1989, coverage will be provided for children ages 4 to 6 with family incomes equal to or below the federal poverty guidelines. (100% of the federal poverty guidelines is \$10,060 for a family of 3) Under current law children under age 5 were to be phased in for coverage over the biennium; children age 5 to 6 were not eligible for coverage. (100% of the 1989 federal poverty guidelines is \$10,060). This expansion is expected to provide coverage for an additional 17,000 children.
- o Beginning October 1, 1990, coverage will be provided to children age 6 to 7 with family incomes equal to or below the federal poverty guidelines. Under current law these children are not eligible for coverage. This expansion is expected to provide coverage for an additional 9,000 children.

The General Assembly also approved a 2% increase in the AFDC/ Medically Needy Income Levels effective January 1990, thereby allowing elderly and disabled persons to retain a larger portion of their income. The increase also provided families who eligible for the Aid to Families With Dependent Children Program a 3% increase in the maximum monthly payment to families. Maximum payments for a family of three increased from \$266 per month to \$274 per month.

Finally, appropriations totaling \$3.2 million dollars will support transitional Medicaid coverage for employed beneficiaries of the Aid to Families With Dependent Children Program. In compliance with the federal Family Support Act of 1989. Medicaid benefits will be provided to single parent families who are employed for a period of one year beyond their termination from the AFDC payment program. This coverage is to begin in April 1990.

MEDICAID (Continued)

1990 LEGISLATIVE ACTIONS

Expenditures for the Medicaid Program totaled \$1.4 billion in FY 89-90, an increase of 19% over the previous year's spending. The Medicaid budget for FY 90-91 totals \$1.6 billion, \$1.1 billion in federal funds, \$361 million in state funds and \$95.6 million in county funds.

The 1990 Session of the 1989 General Assembly made the following adjustments to the 1990-91 budget:

- o Reductions totaling \$10.5 million in General Funds were adopted for FY 90-91. These reductions represent anticipated savings in program requirements due to strengthened administrative oversight of the program, and revised utilization forecasts for FY 90-91.
- o Expansion funding totaling \$5.6 million in General Funds was appropriated to implement the Medicaid program components of the General Assembly's Infant Mortality Legislation. Funds were appropriated to finance the following Medicaid services:
 - o Coverage for pregnant women and infants (up to age 1) will be expanded to cover families with incomes below 185% of the federal poverty guidelines beginning January 1, 1991. Under current law, families under 150% of poverty level may qualify.
 - o Physician Reimbursements will be increased for prenatal and delivery services effective October 1, 1990.
 - o Case management services for children at risk for special health problems will be covered by the Medicaid program effective October 1, 1990.
 - o Counties will receive grant in aid to support the non-federal share of transportation costs for Medicaid eligible persons effective October 1, 1990
 - o The General Assembly authorized the following federally mandated expansions of the Medicaid Program:
 - o Coverage for children ages 1 up to six will be expanded to include families with incomes under 133% of the Federal Poverty Guidelines effective October 1, 1990. Under current law, children under 100% of federal poverty guidelines may qualify. Children under age 7 continue to be eligible if the family income is below 100% of the poverty level.
 - o Services for children under the Early and Periodic Screening and Testing Program are expanded in keeping with federal requirements.
- o Funds providing Medicaid coverage for pregnant teens, were continued by the General Assembly. Under this category, a pregnant teen may qualify for coverage on the basis of her personal income, regardless of her parent's income and resources.

DEPARTMENT OF INSURANCE

Statutory Authority: General Statutes, Chapter 58

The Department of Insurance is authorized to regulate insurance rates, to license companies and agents, and to check on their operations in the public interest. It also helps the insurance industry by weeding out dishonest operators, and by investigating cases of fraud by policy holders or embezzlement and fraud by company agents. The department serves as the fire and casualty insurance company for state government, enforces the state's building codes, helps set up community fire departments and rescue squads, and helps train emergency workers.

The Department is under the administration of the Insurance Commissioner who is elected to serve a four-year term. As an elected State Official, the Commissioner is a member of the Council of State.

CONTINUATION BUDGET AS RECOMMENDED BY THE GOVERNOR	1989-90 General Fund	1990-91 General Fund
	\$12,313,876	\$12,346,572

1989 LEGISLATIVE ACTIONS

BASE BUDGET REDUCTIONS

WORKFORCE REDUCTIONS

1. Reduce appropriation for salaries and related benefits and eliminate the vacant positions of Chief Risk Manager and Assistant Risk Manager.	(107,563) (2)	(107,625) (2)
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AGENT SERVICES

2. Eliminate expenses for an authorized board that was never created and for witness fees that were not used.	(3,680)	(3,680)
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CONSUMER SERVICES

3. Eliminate expenses for an authorized board that was never created.	(540)	(540)
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PUBLIC AND PROFESSIONAL RISK MANAGEMENT

4. Reduce operating expenses for two positions that will be abolished in the Governor's Reduction in Force (RIF) program.	(16,541)	(16,528)
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DEPARTMENT WIDE

5. Reduce funding for service and maintenance contracts (object 4400) due to the removal of computer equipment from contract.	(20,000)	(20,000)
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	1989-90 General Fund	1990-91 General Fund
DEPARTMENT OF INSURANCE (1989 Actions, Continued)		
RESERVES		
6. Eliminate reserve for grants. An increase in the fire insurance premium tax was authorized by the 1987 General Assembly to establish a Rural Volunteer Fire Department Fund to provide grants for capital and equipment needs. In 1988 the tax generated \$1.1 million and provided grants to 177 fire departments. Due to the operation of this new fund, this reserve is not necessary.	(200,000) State Aid	(200,000) State Aid
TOTAL BASE BUDGET REDUCTIONS	(348,324)	(348,373)
TOTAL POSITION REDUCTIONS	(2)	(2)
REVISED BASE BUDGET	\$11,965,552	\$11,998,199

EXPANSION BUDGET

1. Add two positions in the Engineering Division to implement the new state-wide fire protection code that requires the instruction and testing of Fire Code Officials (Fire Inspectors).	43,216 (2)	51,884 (2)
2. Provide a reserve for the purpose of registration, disclosure, contract and financial monitoring requirements for continuing care facilities (SB 519). The 3 positions to be funded from this reserve at Step 1 are an Accounting Clerk, an Insurance Company Examiner, and an Administrative Assistant. The positions are to begin 1-1-90.	75,000 (3)	109,768 (3)
3. Provide reserve to be used in the rewrite of the North Carolina Medicare Supplement Insurance Minimum Standards Act of 1981 in order to comply with recent changes in federal law (SB 446). The reserve will fund 3 Policy & Rate Analyst I positions at Step 1 on 1-1-90.	50,000	103,659
TOTAL OPERATING EXPANSION	168,216	265,311
TOTAL POSITIONS	(6)	(6)
TOTAL OPERATING APPROPRIATIONS	\$12,133,768	\$12,263,510

DEPARTMENT OF INSURANCE (1989 Actions, Continued)

1990 LEGISLATIVE ACTIONS

TOTAL OPERATING APPROPRIATIONS - 1989 SESSION \$12,263,510

BUDGET REDUCTIONS

WORKFORCE REDUCTIONS

1. Reduce appropriations for salaries and related benefits by eliminating 2 positions. (48,770)
(2)

OPERATING EXPENSES

2. Reduce appropriations for operating expenses. (234,304)

DEPARTMENT RECEIPTS

3. Reduce appropriations by increasing receipts for other income and revenue from the Sale of Training Manuals. (120,000)

MANAGEMENT FLEXIBILITY

4. Reduce department's total appropriations due to revenue shortfall. (202,498)

TOTAL BUDGET REDUCTIONS (605,572)
POSITIONS (2)

EXPANSION

CONSUMER PROTECTION FUND

1. Provide reserve to be used to pay outside actuarial and economic consultants, legal counsel and other costs related to rate filings and hearings. 1,000,000

LOCAL FIRE PROTECTION

2. Provide for compensating political subdivisions of the State for providing local fire protection to State-owned buildings and their contents. 950,000

TOTAL OPERATING EXPANSION 1,950,000

TOTAL NET BUDGET CHANGE 1,344,428

TOTAL OPERATING APPROPRIATIONS \$13,607,938

DEPARTMENT OF INSURANCE (1990 Actions, Continued)

SPECIAL PROVISIONS INCLUDED IN APPROPRIATION BILLS - 1990

Senate Bill 1426

Section 33 **Rescue Unit Fund Changes** - Rewrites portions of G.S. 58-87-5 Volunteer Rescue/EMS Fund to remove restrictions for grant eligibility and redistributes the \$.25 cents collected from the motor vehicle inspection fee by reducing the Volunteer Rescue/EMS Fund \$.02 cents and increasing the Rescue Squad Worker's Relief Fund by \$.02 cents. Allows additional funds for administration.

JUDICIAL DEPARTMENT

Statutory Authority: General Statutes, Chapter 7A

The North Carolina Constitution establishes three branches of government to provide a system of checks and balances. The Judicial Department is the branch which operates the State's system of courts, consisting of District and Superior Courts at the trial level and the Court of Appeals and Supreme Court at the appeals level. The Administrative Officer of the Courts, who serves at the pleasure of the Chief Justice of the Supreme Court, manages the operations of the entire system.

CONTINUATION BUDGET AS RECOMMENDED BY THE GOVERNOR	1989-90 General Fund	1990-91 General Fund
	\$181,437,244	\$183,669,638

1989 LEGISLATIVE ACTIONS

BASE BUDGET REDUCTIONS

1. Recommend transfer for FY 1989-90 and FY 1990-91 of \$34,227 for Freight, Express and Delivery from budget for Offices-Clerks of Superior Court to budget for Warehouse and Printing Services.	-	-
2. Reduce Salary Reserve and related benefits by one-half.	(142,725)	(142,809)
3. Reduce appropriation for Death Penalty Resource Center from \$217,090 to \$191,505 for FY 1989-90 and from \$217,206 to \$191,505 for FY 1990-91.	(25,585)	(25,701)
TOTAL BASE BUDGET REDUCTIONS	(168,310)	(168,510)
TOTAL POSITION REDUCTION	-	-
REVISED BASE BUDGET	\$181,268,934	\$183,501,128

EXPANSION BUDGET

1. Additional funds to meet projected deficiency in Superior Court Jury Fees and Witness Fees.	400,000	400,000
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	1989-90 General Fund	1990-91 General Fund
JUDICIAL DEPARTMENT (1989 Actions, Continued)		
2. Funding to establish new Judicial Department positions within the Supreme Court, the Trial Court Divisions, the Clerks' Offices, the Public Defender Services, the District Attorney Offices, Special Counsel to the Mentally Ill, the Indigency Screening Program, the Guardian Ad Litem Program, and in the Administrative Office of the Courts. New positions are needed as a result of an average increase of over 9% in case filings per year.	3,838,647 (178)	7,287,410 (270)
3. Both authorization and additional funding are requested to expand the services of the General Court of Justice's Court Information System and to purchase a new mainframe.	503,377 (13) 4,790,000 NR	861,877 (19) 1,071,250 NR
4. Based on the results of the AOC's required study, new appropriations are recommended to continue the custody mediation programs in Gaston and Mecklenburg Counties and to establish other such programs throughout the state.	140,000 State Aid	212,000 State Aid
5. Funds to provide statewide court-ordered, nonbinding arbitration programs in certain civil court actions.	189,118 (6)	350,402 (7)
6. Provide for the ongoing maintenance and upkeep of legal reference materials found within the Supreme Court Library and the library of the Court of Appeals.	117,617	158,542

	1989-90 General Fund	1990-91 General Fund
JUDICIAL DEPARTMENT (1989 Actions, Continued)		
7. Utilize lapsed salaries in FY 1989-90 to meet increased Department operating requirements in the areas of supply use, Child Support Enforcement postage, and legal reference upkeep services. (Cost = \$248,828. No appropriation for this item.)	-	-
8. Fund from lapsed salaries in FY 1988-89 the FY 1988-89 deficit in Jury and Witness Fees. (Cost = \$650,000. No appropriation for this item.)	-	-
9. Extend and expand the operations of the Dispute Settlement Centers in Orange, Buncombe, Guilford, Durham, Henderson, Iredell, Forsyth, Alamance (new), and Wayne (new) Counties.	71,990	81,490
10. Utilize up to \$670,000 each year of the 1989-91 biennium of Continuation Budget funds for line item 1260-1160 (Office-Clerk of Superior Court/EPA Salaries - Temporary) for additional new permanent full-time or part-time deputy clerks of superior court. (No additional appropriation. Total equivalent full-time positions = 35.5 each year of the 1989-91 biennium.)	-	-
	(35.5)	(35.5)
11. Fund new Assistant Public Defenders from the 1989-91 biennium Continuation Budget for the Indigent Persons' Attorney Fee Fund. (No additional appropriation for this item. Cost for FY 1989-90 = \$218,055 and \$522,285 in FY 1990-91, based on 9/1/89 effective date.)	-	-
	(5)	(10)
12. From funds available to the Judicial Department for the 1989-91 biennium, fund the contract for the special drug trafficking prosecution program in the 13th Prosecutorial District. (Cost = \$47,500. No appropriation for this item.)	-	-
13. From funds available to the Judicial Department for FY 1989-90, utilize up to \$25,000 to support the existing Rape Victim Witness Counselor Program. (Cost = \$25,000. No appropriation for this item.)	-	-

	1989-90 General Fund	1990-91 General Fund
JUDICIAL DEPARTMENT (1989 Actions, Continued)		
14. From funds available to the Judicial Department for the 1989-91 biennium, utilize up to \$23,000 per year to reimburse delegate expenses to the National Conference of Commissioners on Uniform State Laws. (No appropriation.)	-	-
15. Fund HB 1974 - Divide District Court/ Prosecutorial District 6. Divide Prosecutorial District 6 effective 9/1/89 and District Court District 6 effective 12/1/89. (In addition to the appropriation for FY 1989-90, authorize use at up to \$219,549 of funds available to the Judicial Department for FY 1989-90 for this item.)	43,744 (7.5)	334,694 (7.5)
16. Fund SB 144 - Divide District Court District 19A. Divide District Court District 19A effective 9/1/89 and authorize use of \$3,924 in FY 1989-90 and \$5,232 in FY 1990-91 of funds in the Travel line item of the Continuation Budget and up to \$73,204 of funds available to the Judicial Department for FY 1989-90 for this item.	-	83,631
	(3)	(3)
TOTAL OPERATING EXPANSION	10,094,493	10,841,296
TOTAL POSITIONS	(248)	(352)
TOTAL OPERATING APPROPRIATIONS	\$191,363,427	\$194,342,424

JUDICIAL DEPARTMENT (1989 Actions, Continued)

SPECIAL PROVISIONS INCLUDED IN APPROPRIATION BILLS - 1989

Senate Bill 43

Section 68 **Indigent Persons' Attorney Fee Fund** - Specifies \$3,294,270 of this fund be set aside for capital cases and for transcripts, professional examinations and expert witness fees. Authorizes the Department to allot funds by a formula for indigent counsel fees by county or judicial districts where superior and district court districts are the same.

Section 69 **Report on Death Penalty Resource Center** - Requires the Judicial Department to report on March 15, 1990 and March 15, 1991 on the purpose and activities of the Death Penalty Resource Center and on General Fund expenditures by the Center.

Senate Bill 1124

Section 15 **Statewide Custody and Visitation Mediation Program** - Establishes a statewide Custody and Visitation Mediation Program, sets forth qualifications for personnel and guidelines for the program.

Section 21 **Additional Assistant Public Defenders** - Provides that \$218,055 in FY 1989-90 and \$260,670 in FY 1990-91 be used from the Indigent Persons' Attorney Fee Fund to fund new assistant public defenders.

Section 22 **Additional Superior Court Judges** - Provides for the election in 1990 of additional superior court judges in Superior Court Districts 3A, 5, 11, 13, 17A, 20A, 25A and 29.

Section 23 **Additional Superior Court Judges/Magistrate for District Court District 15A and 15B/Split District Court Districts 6 and 19A** - Authorizes increase in maximum number of magistrates for District Court Districts 5, 15A, and 15B; authorizes splitting of District Court District 19A effective September 1, 1989 and provides funding for the division; authorizes division of District Court District 6 effective December 1, 1989 and provides funding for the division; authorizes one new district court judge for districts 4, 5, 7, 10, 11, 12, 17B, 18, 20, 22, 25, 26, 27B, and 28 to be elected in the 1990 election; and authorizes one new district court judge for district 9 effective July 1, 1990 to be appointed by the Governor.

Section 24 **Assistant District Attorneys - Divide Prosecutorial District 6** - Effective September 1, 1989, adds an assistant district attorney for districts 3B, 4, 5, 7, 10, 11, 15A, 15B, 16A (adds 2), 18, 20, 21, 22, 23, 25, 26, 27A, and 28; authorizes division of Prosecutorial District 6 and provides funding for this division; effective July 1, 1990 add an assistant district attorney in districts 1, 9, 13, 14, 17B, 27B, and 30.

JUDICIAL DEPARTMENT (1989 Actions, Continued)

- Section 25* **Indigent Access to Civil Justice System** - Establishes a statewide program for legal representation of indigent persons in certain civil matters, sets legal definitions, eligible activities, and limitations of the program, and appropriates \$1,000,000 for each year of the 1989-91 biennium.
- Section 27* **District Attorney's Office Study** - Authorizes the Department to use available funds to study the efficiency of district attorney's offices.
- Section 28.2* **Study of Child Support Enforcement** - Requires the Judicial Department and the Department of Human Resources to conduct a comprehensive study of the child support enforcement services in North Carolina and to issue an interim report on May 15, 1990 and a final report by January 5, 1991.
- Section 28.3* **Death Penalty Resource Center Limitation** - Sets limitations on responsibilities of the Center and its personnel and requires that a report be issued on Center activities by October 1, 1990.

1990-91
General
Fund

1990 LEGISLATIVE ACTIONS

TOTAL OPERATING APPROPRIATIONS - 1989 SESSION	\$194,342,424
BUDGET REDUCTIONS	
1. Surplus in Assistant and Deputy Clerk and Magistrates' Reserve for Pay Plans.	(550,000)
2. Reduce Service and Maintenance contracts for equipment (telephones, copiers, typewriters).	(300,000)
3. Reduce Overtime for permanent employees.	(40,933)
4. Reduce Premium Payments for employees.	(2,164)
5. Reduce Unemployment Compensation line item.	(22,023)
6. Reduce Workers' Compensation line item.	(52,824)
7. Reduce Temporary Salaries line item.	(877,796)
8. Reduce Equipment (data processing, copiers, typewriters).	(1,195,660)
	(750,000)

**1990-91
General
Fund**

JUDICIAL DEPARTMENT (1990 Actions, Continued)

9.	Reduce Operational Expenses (dues, subscriptions, registration fees).	(100,000)
10.	Reduce Supplies and Materials line item.	(325,000)
11.	Reduce Telephone Services	(35,581)
12.	Reduce Travel line items: Suspend judicial rotation in Superior Court for 3 months of each 6-month term	(125,000)
	Reduce Travel - District Court	(20,000)
	Reduce Travel - District Attorneys	(30,000)
	Reduce Travel - Continuing education, judicial conferences	(50,000)
13.	Reduce line item for Contractual Emergency Judges. (Reduction of 1667 to 973 days)	(104,960)
14.	Reduce Contractual Court Reporters	(100,700)
15.	Reduce Contractual Assistant District Attorneys and Assistant Public Defenders.	(25,477)
16.	Reduce Contractual Services for General Administration and Information Services for Bench Book and Patterned Jury Instruction books and programming services.	(25,000)
17.	Reduce expansion funds for DisputesSettlement Centers (Durham, Buncombe, Henderson).	(9,500)
18.	Reduce expansion funds for court ordered Arbitration Program in civil matters not exceeding \$15,000 (Mecklenburg, New Hanover, Guilford, Forsyth, Wake).	(150,000)
19.	Reduce expansion funds for Custody Mediation Program grants (Buncombe).	(50,000)
20.	Reduce Continuing Education Expense for judges.	(25,000)
21.	Delay effective date of all new 1990-91 Judicial Department positions, with the exception of judges, until April 1, 1991.	(1,291,644)
22.	Reduce Salary Reserve balance (5/17/90) and related Social Security and Retirement by one-half.	(199,979)
23.	Management Flexibility - Reduce department's total appropriations due to revenue shortfall.	(3,272,798)

TOTAL BUDGET REDUCTIONS	(9,732,039)
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JUDICIAL DEPARTMENT (1990 Actions, Continued)

EXPANSION BUDGET

1.	Utilize lapsed salaries to cover the costs of the extended terms of office for special superior court judge. (Cost = \$61,260. No additional appropriation needed.)	—
2.	Utilize funds available for FY 1990-91 to meet additional operating expenses for office, warehouse and print shop rental, supplies, jury and witness fees, court record book restoration, telephone system repairs, moving related expenses, indigent persons' attorney fees, and postage due to increased postage rates (Cost = \$1,530,000. No additional appropriation needed.)	—
3.	Fund Sentencing and Policy Advisory Commission.	550,000 (7)
4.	Provide funds for a reserve to pay for resentencing hearings for capital cases.	500,000
5.	Utilize up to \$759,292 of funds appropriated to the Indigent Persons' Attorney Fee Fund for salaries, benefits, and related expenses for the Office of Public Defender to be established in Defender District 14 effective July 1, 1990. (Cost = \$759,292. No additional appropriation needed.)	— (15)
6.	Utilize funds available to the Department to support the existing Rape Victim Witness Counselor Program for Brunswick/ Bladen/ and Columbus Counties or the Custody Mediation Program in Buncombe County. (Cost = \$25,000. No additional appropriation needed.)	—
TOTAL OPERATING EXPANSION		1,050,000
TOTAL EXPANSION POSITIONS		(22)
TOTAL NET BUDGET CHANGE		(8,682,039)
TOTAL OPERATING APPROPRIATIONS		\$185,660,385

JUDICIAL DEPARTMENT (1990 Actions, Continued)

SPECIAL PROVISIONS INCLUDED IN APPROPRIATION BILLS - 1990

Senate Bill 1426

- Section 123* **Reserve for Resentencing Hearings in Capital Cases** - Creates a non-reverting fund to use for expenses related to the resentencing hearings in capital cases and specifies the purposes for which funds are to be used.
- Section 124* **Extend Certain Special Superior Court Judge Terms** - Extends the term of office for certain superior court judges through December 31, 1994.
- Section 125* **Increased Judicial Department Operating Expense Requirements** - Authorizes the Administrative Office of the Courts to use up to \$1,530,000 of funds appropriated to the Department for certain additional operating expenses.
- Section 126* **Comprehensive Child Support Study** - Extends report date from January 15, 1991 to March 15, 1991.
- Section 127* **Create Durham Public Defender District** - Establishes the Office of Public Defender for Durham County (Defender District 14) effective July 1, 1990, specifies manner of appointment of the Public Defender, and allows up to \$759,292 of the Indigent Persons' Attorney Fee Fund to be used for this office.
- Section 128* **Rape Victim Witness Counselor Program** - Authorizes the Administrative Office of the Courts to use up to \$25,000 of funds appropriated to the Department to support the existing Rape Victim Witness Counselor Program or the Buncombe County Custody Mediation Program if the funds are not needed for the Rape Victim Witness Counselor Program.

DEPARTMENT OF JUSTICE

Statutory Authority: General Statutes, Chapter 114

The head of the department is the Attorney General who is elected for a four-year term and who, as an elected official, serves on the Council of State. The Department provides legal and law enforcement services to state agencies, local government, and the citizens of North Carolina.

CONTINUATION BUDGET AS RECOMMENDED BY THE GOVERNOR	1989-90 General Fund	1990-91 General Fund
	\$45,308,979	\$45,521,858

1989 LEGISLATIVE ACTIONS

BASE BUDGET REDUCTIONS

STATE BUREAU OF INVESTIGATION

1. Increase receipt from Private Protective Services to recover actual cost of processing fingerprint cards. Charge per card to increase from \$8.75 to \$14.00. 1300-0721.	(21,450)	(21,450)
2. Increase receipts from sale of surplus vehicles. Trade-in value will increase from \$2,000 to \$2,500 per vehicle. 1300-0901.	(48,500)	(48,000)

JUSTICE TRAINING AND STANDARDS

3. Reduce funding for equipment for the North Carolina Justice Academy due to corrections in cost of items. 1500-5300.	(21,401)	(31,401)
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WORKFORCE REDUCTIONS

4. Reduce appropriations by the value of six positions and related benefits.	(136,382)	(136,382)
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TOTAL BASE BUDGET REDUCTIONS	(227,733)	(237,233)
TOTAL POSITION REDUCTION	(-)	(-)
REVISED BASE BUDGET	\$45,081,246	\$45,284,625

	1989-90 General Fund	1990-91 General Fund
DEPARTMENT OF JUSTICE (1989 Actions, Continued)		
EXPANSION BUDGET		
1. A consent judgment was entered on December 16, 1988 in the case of National Federation of the Blind of North Carolina, Inc., et al. v. Randolph Riley, et al. The consent judgment awarded attorney's fees to the lawyer for the plaintiff in the amount of \$75,000 plus interest. The award is contingent upon an appropriation by the 1989 General Assembly. Interest is set at 8% per annum.	78,720 NR	-
2. Provide funds to purchase equipment for the new dormitory.	287,950 NR	-
3. Authorize funds for staff to implement Smith v. Bounds Court order.	168,007 (4)	152,718 (4)
4. Provide continuation funding for project attorney working on RICO Act activities.	61,691 (1)	60,471 (1)
5. Add SBI agents and necessary services to expand the Drug Abuse Resistance Education Program (D.A.R.E.).	324,920 (6)	265,332 (6)
6. Authorize additional funds to continue maintenance contracts on data processing equipment.	-	279,500
7. Provide funding to meet increased postage expense.	31,000	31,000
8. Appropriate additional funds to support increased travel expense for all sections in the Legal Services Section.	-	80,300
9. Authorize a Secretary IV and a Personnel Analyst III for the Personnel Section and an Accounting Technician II and a Data Entry Specialist for the Budget Section.	-	110,584 (4)
10. Authorize funds to allow the SBI to reallocate positions within the Agent I, Agent II and Agent III classes following three (3) years of satisfactory performance within each class.	112,000	112,000

	1989-90 General Fund	1990-91 General Fund
DEPARTMENT OF JUSTICE (1989 Actions, Continued)		
11. Provide funds to meet increased utility expense for the Justice Academy.	50,000	50,000
12. Provide funding for a two step increase for SBI agents, effective 9-1-89.	870,000	1,044,000
TOTAL OPERATING EXPANSION	1,984,288	2,185,905
TOTAL POSITIONS	(11)	(15)
TOTAL OPERATING APPROPRIATIONS	\$47,065,534	\$47,470,530

SPECIAL PROVISIONS INCLUDED IN APPROPRIATION BILLS - 1989

Senate Bill 43

Section 55 **SBI Use of Court-Ordered Restitution Funds - Allows the State Bureau of Investigation (SBI) to use funds available from court-ordered restitution in undercover drug operations.**

Section 56 **Access to the Police Information Network (PIN) - Specifies that all local law enforcement agencies shall comply with federal requirements that set forth access to the Police Information Network (PIN) administered by the State Bureau of Investigation.**

Section 57 **Use of Seized and Forfeited Property Transferred to State Law Enforcement Agencies by the Federal Government - Specifies that the General Assembly shall review and approve the use of federal funds from the Drug Enforcement Agency to the Department of Justice for the SBI and the Department of Crime Control and Public Safety for the Highway Patrol as a result of assistance in enforcement of drug trafficking laws.**

Section 58 **Justice Department Study the Use of the Police Information Network (PIN) - Directs the Department of Justice to study the use of the Police Information Network (PIN) by State and local law enforcement agencies and determine whether those uses comply with federal requirements regarding access to the Police Information Network (PIN). Also directs the Department to study local and State guidelines and rules regarding the use of PIN, the enforcement of those guidelines and rules, and penalties imposed for violations in the use and administration of the network.**

Requires the Department to report its findings to the Senate and House Appropriations Base Budget Committees by April 15, 1990.

Section 59 **Private Protective Services and Alarm Systems Licensing Boards are Self-Supporting - Clarifies that the Private Protective Services and Alarm Systems Licensing Boards are responsible for adjusting fees as necessary within the statutory limits to ensure that both boards are operated on a self-supporting fee-funded basis.**

DEPARTMENT OF JUSTICE (1989 Actions, Continued)

Section 60 **Charges for Legal Services Rendered by the Attorney General** - Adds a new Section to Article 1 of G.S. 114 to allow the Department of Justice to charge State Boards and Commissions that are totally supported by receipts from fees or surcharges for legal services provided by the Department to the Board or Commission.

Senate Bill 44

Section 106 **Reallocate SBI Agent Positions** - Allows the Department of Justice to use \$112,000 of the funds appropriated each year of the biennium to support the reallocation of 87 agent positions in the State Bureau of Investigation as recommended by the Office of State Personnel.

Section 107 **State Law Enforcement Study** - Allows the Joint Legislative Commission on Governmental Operations to conduct a study of State law enforcement agencies and other State agencies having law enforcement responsibility. This study shall include: (1) Consideration of a method to coordinate the activities of these agencies as appropriate and to reduce duplication and overlapping of law enforcement responsibilities, training, and technical assistance among State law enforcement agencies and among other State agencies having law enforcement responsibility; (2) Examination of the salary grade of all State law enforcement agencies' officers and a determination of whether present salary grades are appropriate; and (3) Determination of whether G.S. 114-13 should be changed to make sworn law enforcement agents of the State Bureau of Investigation exempt from G.S. 126-7 but subject to the same salary classifications, ranges, and longevity pay for services as are applicable to other State employees generally, and whether to increase the agents' salary in an amount corresponding to the increments between steps within the salary range established for the class to which the member's position is assigned by the State Personnel Commission, not to exceed the maximum of each applicable salary range. Allows the Commission to hire outside consultants, if necessary, to assist in its study; to make an interim report to the 1989 General Assembly, Regular Session 1990; and to make a final report to the 1991 General Assembly.

Section 108 **Telecommunicators' Certification Study** - Directs the Department of Justice to study the need to establish a certification requirement and program for Telecommunicators in the State's Criminal Justice System. The Department shall consider possible training requirements and standards for certification, methods, procedures, and staffing needs required to implement a telecommunicators' certification program, and whether certified telecommunicators shall be entitled to law enforcement officer retirement benefits. The Department may also study any other matters relevant to the issue of certification of telecommunicators. Requires the Department to report its findings and recommendations to the 1989 General Assembly, Regular Session 1990.

Senate Bill 1309

Section 24 **State Bureau of Investigation Salary Adjustment** - Allows the State Bureau of Investigation to continue in fiscal year 1989-90 to pay overtime compensation for supervisory personnel as is being done on June 30, 1989, up to a maximum of five thousand two hundred dollars (\$5,200) annually per individual.

DEPARTMENT OF JUSTICE (1989 Actions, Continued)

Also directs the Office of State Personnel to study the issue of overtime compensation for State Bureau of Investigation supervisory personnel and make recommendations to the Senate and House Appropriations Committee on Justice and Public Safety and the Fiscal Research Division by April 15, 1990 as to whether such compensation should continue.

**1990-91
General
Fund**

1990 LEGISLATIVE ACTIONS

TOTAL OPERATING APPROPRIATIONS - 1989 SESSION **\$47,470,530**

BUDGET REDUCTIONS

SALARY RESERVE

1. Reduce salary reserve of \$77,350 and related benefits by one-half. (46,174)

ADMINISTRATION

2. Reduce administrative expenses in three categories from 1989-90 levels:

Supplies & Travel	11,000
Office Furniture & Equipment	2,000
Data Processing	3,000

STATE BUREAU OF INVESTIGATION

LEGAL SERVICES

3. Delete authorized expansion funds for increased travel.	(80,300)
4. Reduce telephone and postage.	(30,000)
5. Delay installation of the Barrister Legal Automation System.	(100,000)
6. Reduce Division of Criminal Information (DCI) line costs.	(40,000)
7. Abolish overtime payments to the five (5) Assistant Directors and to the Chief Investigator.	(31,000)
8. Reduce SBI Management/Supervisory training.	(57,000)
9. Eliminate reimbursements to boards and commission members.	(18,000)
10. Reduce Laboratory equipment expenditures.	(200,000)

	1990-91 General Fund
DEPARTMENT OF JUSTICE (1990 Actions, Continued)	
11. Eliminate replacement of approximately fifteen (15) vehicles.	(240,000)
12. Eliminate two (2) vacant positions in the Financial Section.	(91,259) (2)
13. Abolish thirteen (13) vacant agent positions.	(458,866) (13)
14. Reduce expenditures for law enforcement equipment.	(100,000)
TRAINING AND STANDARDS	
15. Reduction in force (1% of Net Appropriation) of two (2) positions - salaries and benefits.	(50,000) (2)
16. Implement general across-the-board reductions (1/2 of 1%) in operating expenses and reduce sub-programs (travel, equipment, maintenance and repairs, employee training, utilities, etc.).	(50,000)
DEPARTMENTWIDE	
17. Management Flexibility - Reduce department's total appropriations due to revenue shortfall.	(782,626)
SUBTOTAL REDUCTIONS	(2,391,225) (17)
RECEIPTS	
18. Budget programmed increases in receipts in the Law Enforcement Liaison Unit per authority of G.S. 114-8.2.	(29,000)
19. Budget fees authorized per G.S. 114-8.2 that are charged to Boards and Commissions which utilize legal services from the Department of Justice.	(18,000)
SUBTOTAL RECEIPTS	(47,000)
TOTAL BUDGET REDUCTIONS	(2,438,225)
TOTAL POSITION REDUCTIONS	(17)

EXPANSION BUDGET

1. Provide funding to support four additional training schools to complete statewide expansion of the Drug Abuse Resistance Education Program (DARE).	184,852 (2)
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DEPARTMENT OF JUSTICE (1990 Actions, Continued)

TOTAL NET BUDGET CHANGE	(2,253,373)
TOTAL NET POSITION REDUCTIONS	(15)
TOTAL OPERATING APPROPRIATIONS	\$45,217,157

SPECIAL PROVISIONS INCLUDED IN APPROPRIATION BILLS - 1990

Senate Bill 1426

- Section 135* State Bureau of Investigation Salary Adjustment - Rewrites Section 24 of Chapter 799 of the 1989 Session Laws to allow the State Bureau of Investigation to continue payment of overtime compensation for 25 supervisory positions as is being done on June 30, 1990 up to a maximum of five thousand two hundred (\$5,200) annually per individual. Also directs the State Bureau of Investigation to review the findings and recommendations of the Office of State Personnel by October 31, 1990. Directs the Office of State Personnel to continue to study the issue of overtime compensation for State Bureau of Investigation supervisory personnel and make final recommendations to the Senate and House Appropriations Committee on Justice and Public Safety and the Fiscal Research Division by December 15, 1990 as to whether such compensation should continue.
- Section 136* Mobil Plan Response Project - Authorizes the Department of Justice to use funds in the 1990-91 budget to continue support of staff in the Environmental Protection Section that provides legal services for the Mobil Plan Response Project.
- Section 137* Use Lapsed Salaries for SBI Contractual Positions - Allows the Department of Justice to use lapsed salaries to fund three contractual positions in the SBI in the 1990-91 fiscal year. Also directs the Department of Justice to request permanent funding for the three positions in the 1991-92 fiscal year, if the positions continue to be needed.

DEPARTMENT OF LABOR

Statutory Authority: General Statutes, Chapter 95

The head of the department is the Commissioner of Labor who is elected for a four-year term, and who, as an elected official, serves on the Council of State.

This department's duties include administering and enforcing state laws that affect people at work, administering the OSHA program, enforcing safety and health conditions in mines and quarries, and enforcing safety regulations for elevators, amusement rides, and boilers. Other duties include promoting and supervising apprenticeship and on-the-job training programs, and establishing license requirements for private employment agencies.

CONTINUATION BUDGET AS RECOMMENDED BY THE GOVERNOR	1989-90 General Fund \$7,337,009	1990-91 General Fund \$7,334,122
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1989 LEGISLATIVE ACTIONS

BASE BUDGET REDUCTIONS

ELEVATOR INSPECTION DIVISION

- | | | |
|----------------------------------------------------------------------------------------------------------------------------|----------|----------|
| 1. Increase fees for elevator inspections by 27.3%. This reduction is considered part of the Governor's budget reductions. | (84,328) | (84,328) |
|----------------------------------------------------------------------------------------------------------------------------|----------|----------|

**BOILER AND PRESSURE VESSEL
INSPECTION DIVISION**

- | | | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|-----------|
| 2. Require the Division to be supported entirely from inspection receipts. Transfer funding for the Special Assistant for Productivity position (3801-0201-0000-225) to Administrative Services to be supported by appropriations. | (149,372) | (130,374) |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|-----------|

POSITION TRANSFERS

- | | | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|--|
| 3. Transfer the funding for the Accounting Technician II position (3801-0201-000-263) from the Boiler and Pressure Vessel Inspection Division to Administrative Services. This position shall continue to be supported from Boiler Inspection receipts. | | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|--|

	1989-90 General Fund	1990-91 General Fund
DEPARTMENT OF LABOR (1989 Actions, Continued)		
4. Transfer the funding for the Clerk-Typist II position (3801-0204-0000-540) from the Wage and Hour Division to the Information Office.		
5. Transfer funding for the Word Processor (IV) position (3801-0302-0000-824) from the Apprenticeship Division to the Commissioner's Office.		
6. Transfer funding for the Clerk (III) position (3801-0302-0000-845) from the Apprenticeship Division to Administrative Services.		
TOTAL BASE BUDGET REDUCTIONS	(233,700)	(214,702)
REVISED BASE BUDGET	\$7,103,309	\$7,119,420

EXPANSION BUDGET

1. Computer Equipment Acquisition - Funds to purchase equipment for a departmental office automation system.	824,600	NR	-
2. OSHA Health Compliance Officers - (6 Month Funding) - Additional Health Compliance Officers are to conduct regular health inspections of the State's workplaces.	91,401 (4)		298,713 (7)
3. Migrant Housing Inspection - A new program to consolidate Migrant Housing Inspection in one State agency as specified in SB 631 or Chapter 91 of the 1989 Session Laws.	278,638 (14)		493,154 (14)
TOTAL OPERATING EXPANSION	1,194,639		791,867
TOTAL POSITIONS	(18)		(21)
TOTAL OPERATING APPROPRIATIONS	\$8,297,948		\$7,911,287

DEPARTMENT OF LABOR (1989 Actions, Continued)

SPECIAL PROVISIONS INCLUDED IN APPROPRIATION BILLS - 1989

Senate Bill 43

Section 115 Renegotiate OSHA Benchmarks - Requires the Commissioner of Labor to renegotiate the compliance staffing benchmarks for the Occupational Safety and Health Act of North Carolina with the U.S. Department of Labor on or before May 1, 1990.

Section 116 Funding for OSHA Enforcement Positions - Authorizes the Department of Labor to use full State funding for enforcement personnel in the OSHANC program if no federal matching funds are available.

OTHER LEGISLATION

House Bill 1064

Section 1 Inspection Fee Increase - Rewrites G.S. 95-105 to increase fees for elevator, escalator, dumbwaiter, and special equipment inspections.

Section 2 Inspection Fee Increase - Rewrites G.S. 95-106 to increase amusement devices inspection fees.

1990-91
General
Fund

1990 LEGISLATIVE ACTIONS

TOTAL OPERATING APPROPRIATIONS - 1989 SESSION \$7,911,287

BUDGET REDUCTIONS

ELEVATOR INSPECTION

1. Increase budgeted receipts (not an increase in the fee). (80,000)

OSHA

2. Eliminate Technical Trainer II (50% state share) vacant since 5/6/88. (18,068)
(1)

3. Eliminate Industrial Hygiene Consultant Supervisor position (18% state share) vacant since 12/21/84. (8,157)
(1)

1990-91
General
Fund

DEPARTMENT OF LABOR (1990 Actions, Continued)

4. Eliminate OSHA Education and Training Specialist
position (50% state funded) vacant since 3/31/89. (24,079)
(1)

MIGRANT HOUSING INSPECTION

5. Delay implementation of program until January 1,
1991. (129,701)

MANAGEMENT FLEXIBILITY

6. Reduce department's total appropriations due to
revenue shortfall. (131,350)

TOTAL REDUCTIONS (391,355)

TOTAL POSITION REDUCTIONS (3)

TOTAL OPERATING APPROPRIATIONS \$7,519,932

SPECIAL PROVISIONS INCLUDED IN APPROPRIATION BILLS - 1990

Senate Bill 1426

Section 61 No Budget Flexibility/Migrant Housing Inspection Program - Prohibits
reductions in 1990-91 funds for Migrant Housing Inspection Program to
meet Department of Labor budget flexibility requirements.

OFFICE OF LIEUTENANT GOVERNOR

Statutory Authority: North Carolina Constitution, Articles II and III; General Statutes Chapters 143A and 147

Under the provisions of the Constitution the Lieutenant Governor is an elected officer of the state. He is President of the Senate and presides over that body, but has no vote unless the Senate is equally divided. The authority and duties of the Lieutenant Governor and his capacity as President of the Senate are prescribed by the Senate Rules.

In accordance with the General Statutes, the Lieutenant Governor serves on the Council of State, the Commission on Interstate Cooperation, the Commission of Indian Affairs, the North Carolina Capital Planning Commission, the North Carolina Land Policy Council, the State Board of Education, and the Economic Development Board.

The salary for the Lieutenant Governor is set in the Budget Appropriations Act and his annual expense allowance in the General Statutes.

CONTINUATION BUDGET AS RECOMMENDED BY THE GOVERNOR	1989-90 General Fund \$562,854	1990-91 General Fund \$564,124
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1989 LEGISLATIVE ACTIONS

BUDGET REDUCTIONS	-	-
TOTAL OPERATING APPROPRIATIONS	\$562,854	\$564,124

1990 LEGISLATIVE ACTIONS

TOTAL OPERATING APPROPRIATIONS - 1989 SESSION		\$564,124
BUDGET REDUCTIONS		
1. Reduce support for other contractual services, office materials and supplies and travel.		(18,434)
2. Management Flexibility - Reduce department's total appropriations due to revenue shortfall.		(10,946)
TOTAL BUDGET REDUCTIONS		(29,380)
TOTAL OPERATING APPROPRIATIONS		\$534,744

DEPARTMENT OF NATURAL RESOURCES AND COMMUNITY DEVELOPMENT
 (See Department of Environment, Health and Natural Resources)

Statutory Authority: General Statutes, Chapter 143B-278

The head of the Department is the Secretary who is appointed by and serves at the pleasure of the Governor. The department's major duties include protecting, preserving and managing the State's natural resources, administering two major federal programs (The Community Development Block Grant and the Job Training Partnership Act), and managing the State's Park and Recreation areas.

CONTINUATION BUDGET AS RECOMMENDED BY THE GOVERNOR	1989-90 General Fund	1990-91 General Fund
	\$76,601,912	\$76,031,674

1989 LEGISLATIVE ACTIONS

BASE BUDGET REDUCTIONS

WORKFORCE REDUCTIONS

1. Eliminate vacant positions as recommended by the Governor.	(473,012)	(473,012)
	(17)	(17)

REVISED BASE BUDGET	\$76,128,900	\$75,558,662
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EXPANSION BUDGET

1. Low Level Radioactive Waste Management - Funds to support characterization studies and permits for the Low Level Radioactive Waste Facility.	215,646	225,662
	(2)	(2)
2. Estuarine Sanctuary Management - Funding to support the cost of two previously federally funded positions to manage estuarine sanctuary preserves.	92,158	92,198
	(2)	(2)
3. Purchase a single engine land-based aircraft for night surveillance operations and patrol of closed harvest areas and polluted shellfish areas.	100,000	NR

	1989-90 General Fund		1990-91 General Fund
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DEPARTMENT OF NATURAL RESOURCES AND COMMUNITY DEVELOPMENT
(1989 Actions, Continued)

4.	Support the expansion of the capabilities of the oyster rehabilitation program by adding a second shallow-draft vessel to transplant oyster stocks.	392,080	NR	-
5.	State Parks Maintenance Staff - Funds will continue 6 community service worker positions and add 2 Park Ranger positions at the Lumber River State Park and 20 maintenance mechanics to increase the level of maintenance at state parks, effective 10-1-89.	373,207 (28)		809,023 (28)
		562,340	NR	64,550 NR
6.	Agriculture Cost Share - Funds to allow statewide expansion of the Agriculture Cost Share Program that reduces nonpoint source pollution into the water bodies of the state. Authorizes 2 additional positions to administer the program at the State level.	1,000,000 (2)		2,064,826 (2)
		State Aid		State Aid
7.	Support to bring one "H" model helicopters on line for fire suppression services.	39,000	NR	-
8.	Forestry Equipment Operator for Davidson County.	21,600 (1)		21,600 (1)
9.	Forestry Radios - Funds to replace antiquated and obsolete radios.	500,000	NR	500,000 NR
10.	Land Mapping Funds - Matching grant funds to counties for land mapping.	500,000 State Aid	NR	-
11.	Land Surveyor Positions - Funds will pick up support of two previously federally funded positions and support costs with responsibilities for submerged lands, oyster lease surveys, park boundary markings, and coastal geodetic survey work.	88,049 (2)		88,049 (2)

	1989-90 General Fund	1990-91 General Fund
DEPARTMENT OF NATURAL RESOURCES AND COMMUNITY DEVELOPMENT (1989 Actions, Continued)		
12. Air Quality Control Staff - Funds for additional positions and support costs to achieve compliance with state and federal ambient.	113,110 (3) 600,000 NR	242,959 (6) 418,800 NR
13. Community Assistance - Support for a senior planner in the Western Regional Office for a pilot program to assist counties and their municipalities in developing a growth management strategy.	37,500 (1)	37,500 (1)
14. Provide grants to North Carolina Main Street Cities affiliated with the National Main Street Center program for the purpose of rehabilitating properties in downtown areas.	1,000,000 NR State Aid	-
15. Provide additional support for the administration of community action programs.	250,000 NR State Aid	-
16. Pesticide Groundwater Study - Funds are requested in 90-91 to determine the extent of pesticide contamination in groundwater.	-	413,240 (6)
TOTAL OPERATING EXPANSION	5,884,690	4,978,407
TOTAL POSITIONS	(41)	(44)
TOTAL OPERATING APPROPRIATIONS	\$82,013,590	\$80,537,069
TRANSFER		
1. Transfer all operations to the newly established Department of Environment, Health, and Natural Resources	(82,013,590)	(80,537,069)
REVISED OPERATING APPROPRIATIONS	-	-

**DEPARTMENT OF NATURAL RESOURCES AND COMMUNITY DEVELOPMENT
(1989 Actions, Continued)**

SPECIAL PROVISIONS INCLUDED IN APPROPRIATION BILLS - 1989

Senate Bill 43

- Section 19* **Community Action Program Funds** - Authorizes the use of up to 10% of Community Service Block Grant funds for the administration of agency programs. Mandates appropriate reporting to the Joint Legislative Commission on Governmental Operations.
- Section 117* **Review Committee for Agriculture Cost Share Program** - Rewrites G.S. 143-215.74B to include the Dean of the School of Agriculture at North Carolina Agricultural and Technical State University, the Executive Director of the Wildlife Resources Commission, and the Director of the Division of Marine Fisheries as members of the Review Committee for the Agriculture Cost Share Program.
- Section 118* **Technical Review Committee Appointments** - Directs that the Soil and Water Conservation Commission include the Executive Director of the Wildlife Resources Commission and the Director of the Marine Fisheries Division among its appointments to the Technical Review Committee of the Agriculture Cost Share Program.
- Section 120* **Forestry Equipment Replacement Plan** - Directs the Department of Natural Resources and Community Development to prepare a plan for the replacement of fire-fighting equipment and the construction of equipment sheds and office complexes to protect forestry equipment.
- Section 121* **Environmental Management Permit Fees** - Rewrites G.S. 143-215.3A to allow the Department of Natural Resources and Community Development to manage the collection of application and permit fees for air and water quality rather than the Office of State Budget and Management.
- Section 122* **Lab Certification Fees** - Rewrites G.S. 143-215(a)(10) to allow the Department of Natural Resources and Community Development to retain fees collected for certifying commercial laboratories. Fees will be used to offset the cost of such certification.
- Section 123* **Clean Water Revolving Loan and Grant Fund** - Rewrites G.S. 159G-4(b) to delete the use of the Administrative Account. This account is no longer needed.

DEPARTMENT OF NATURAL RESOURCES AND COMMUNITY DEVELOPMENT
(1989 Actions, Continued)

Senate Bill 44

- Section 154* **Zoo Receipts** - Creates a Special Zoo Fund that allows the Zoo to retain unbudgeted receipts at the end of each fiscal year. Receipts can be used for maintenance, repairs, and renovations of exhibits. Mandates appropriate reporting to the Office of State Budget and Management and the Fiscal Research Division.
- Section 155* **Lumber River Parks Rangers** - Directs the Department to establish and support, from funds appropriated to State Parks for maintenance workers, two park ranger positions to be allocated to the Lumber River State Park.
- Section 156* **Natural and Scenic Rivers System** - Amends G.S. 113A-34 to define "Class III, Recreational river areas" and further designates part of the Lumber River as a scenic river. Also directs the Department to prepare a general management plan for the Lumber River State Park.
- Section 157* **Authorization for Use of Water Quality Fees** - Appropriates \$1.143 million in 1989-90 and \$1.465 million in 1990-91 to the Department from water quality fees to provide support to existing positions funded from this source, and to add nine positions in 1989-90 and nine additional positions in 1990-91 for use in this program. Mandates appropriate reporting to the General Assembly.
- Section 158* **Authorization for Use of Air Quality Fees** - Appropriates \$627,000 in 1989-90 and \$918,000 in 1990-91 to the Department from air quality fees to provide support to existing positions funded from this source, and to add eight positions in 1989-90 and six additional positions in 1990-91 for use in this program. Mandates appropriate reporting to the General Assembly.
- Section 159* **Sales Tax Proceeds for Wildlife Fund Modified** - Amends G.S. 105-164.44B to increase sales tax revenue transfer to the Wildlife Resources Commission by \$874,329.
- Section 160* **Texasgulf Settlement Funds** - Directs that funds received from the Texasgulf Settlement by the Division of Environmental Management shall be reallocated to the Beaufort County Board of Commissioners to be distributed to the school systems in Beaufort County and Washington City Schools on an average daily membership basis.
- Section 161* **Agriculture Cost Share Program** - Allocates \$40,000 each year of funds appropriated in the continuation budget of the Department for the agriculture cost share program for tidegates in Hyde County. Expands the agriculture cost share program statewide with funds appropriated and authorizes two positions (\$64,826 each year) to support administration of the program.

DEPARTMENT OF NATURAL RESOURCES AND COMMUNITY DEVELOPMENT
(1989 Actions, Continued)

Senate Bill 1042

- Section 36* **Forestry Resources Regional Headquarters** - Authorizes the use of forestry receipts to construct a regional headquarters facility on forestry property in Buncombe County not to exceed \$150,000 in force account construction and labor.
- Section 38* **Lake Rim Fish Hatchery Repairs** - Authorizes the Wildlife Resources Commission to use up to \$250,000 in 1989-90 to repair the dam at the Lake Rim Fish Hatchery in Cumberland County.
- Section 39* **State Parks Capital Funds** - Allocates \$8 million in 1989-90 as follows: \$250,000 for one-time limited position and authorizes the Department to contract with a professional design firm to manage capital improvement projects. Allocates \$5,750,000 for repairs, renovations, and capital improvements throughout the State park system. Allocates \$2 million to acquire critical parcels of inholdings or corridors and easements.
- Directs appropriate reporting to the General Assembly and prescribes the format of the reports for repairs and land acquisition. Also authorizes the Director of the Budget maintain the status quo to authorize the expenditure of overrealized receipts for parks due to consideration, but not enactment, of House Bill 433. Refer also to Sec. 12, SB 1309, Chapter 799; 1989 Session Laws.
- Section 40* **Main Street Financial Incentive Fund** - Establishes and allocates the \$1 million appropriated for this purpose to the Main Street Financial Incentive Fund. Specifies criteria and eligible activities for receiving Main Street funding.
- Section 44* **Zoological Park Funds** - Specifies match requirement of \$1,062,500 for use of \$4.25 million appropriation to the Zoo.
- Section 47* **Community Action Funds** - Allocates \$250,000 to the Department for Community Action Agency programs as follows: \$125,000 to supplement other appropriations to serve the elderly, needy, and handicapped; and \$125,000 for Head Start programs.
- Section 48* **Civil Works Projects** - Allocates \$2.2 million appropriation to fund 12 projects. Authorizes funding of projects advanced in schedule by the Corps, and directs appropriate reporting to the General Assembly.
- Section 49* **N.C. Rural Water Association Report** (See Section 62 also) - Directs appropriate reporting to the General Assembly on funds appropriated in Section 62 for this purpose.
- Section 62* **Assistance to Small Water Systems** - Allocates \$100,000 of the Water and Sewer Funds appropriated to the Office of State Budget and Management as a grant-in-aid for operating expenses of the Rural Water Association.

**DEPARTMENT OF NATURAL RESOURCES AND COMMUNITY DEVELOPMENT
(1989 Actions, Continued)**

Senate Bill 1309

Section 28 **Waste Stream Analysis** - Rewrites Section 34 of the Capital Improvement Appropriations Act of 1989 (SB 1042, Chapter 754) by making editing changes, only.

Section 32 **Gates County Wastewater System Funds** - Allocates \$100,000 of funds appropriated to the Division of Coastal Management to be used by the Gates County Board of Education to bring the high school's wastewater system into compliance with state and federal wastewater regulations. Also rewrites Section 23 of Chapter 754 of the 1989 Session Laws relating to Masonboro Island and Buxton Woods Funds/Use by deleting references to Buxton Woods.

OTHER LEGISLATION

HOUSE BILL 957

Section 19 **Funding for Implementation** - Appropriates \$600,000 for each year from both the Commercial Leaking Petroleum Underground Storage Tank Cleanup Fund and the Noncommercial Leaking Petroleum Underground Storage Tank Cleanup Fund to the Department for implementation of Parts 2A and 2B of Chapter 143 of the General Statutes.

Senate Bill 1336

Effective July 1, 1990, increases the percentage from 1/8 of 1% to 1/6 of 1% of net proceeds of the taxes levied on motor fuels levied under G.S. 105.434 designated for use by the Wildlife Resources Commission. Percentage reflects amount of motor fuel taxes collected related to boating versus total motor fuel taxes collected.

DEPARTMENT OF PUBLIC EDUCATION

Statutory Authority: General Statutes, Chapter 115C

The Department consists of a 13-member State Board of Education (11 members appointed by the Governor, plus the Lieutenant Governor and the State Treasurer); the superintendent serves as the secretary and chief administrative officer of the State Board of Education; and an appointed controller administers the fiscal affairs of the Board.

The major duties of the Department are to communicate the needs of public elementary and secondary education, to provide leadership and support services to public schools, to assure standards of quality for programs and personnel, and to equitably provide all pupils an opportunity to achieve their full potential.

CONTINUATION BUDGET AS RECOMMENDED BY THE GOVERNOR	1989-90 General Fund	1990-91 General Fund
	\$2,903,557,650	\$2,921,007,601

1989 LEGISLATIVE ACTIONS

BASE BUDGET REDUCTIONS

1. Reductions in departmental personnel. Establish a negative reserve of \$1.5 million for the 1989-91 biennium.	(750,000)	(1,500,000)
2. Outside Evaluator Program - Eliminate the Outside Evaluator Pilot Project in FY 89-90 instead of FY 90-91 as originally scheduled.	(3,543,617)	-
3. Adjust all appropriate salary, Social Security, retirement line items in the Public School Fund to reflect changes in average salary and average daily membership.	(20,764,146) 3,661,688	(20,920,635) 4,973,665
4. Division of Financial Services Reduce base budget by two (2) positions, plus travel as a result of reassessment of staffing needs under UERS.	(105,855) (2)	(105,887) (2)
5. Division of Financial Services Reduce maintenance contracts.	(150,000)	(150,000)

	1989-90 General Fund	1990-91 General Fund
DEPARTMENT OF PUBLIC EDUCATION (1989 Actions, Continued)		
6. Teaching Juniors Program Reduce in FY 89-90 and eliminate program in FY 90-91 due to low demand for scholarships.	(200,000) State Aid	(400,000) State Aid
TOTAL BASE BUDGET REDUCTIONS	(21,851,930)	(18,102,857)
TOTAL REVISED BASE BUDGET	\$2,881,705,720	\$2,902,904,744
TOTAL POSITIONS REDUCTION	(2)	(2)

INCREASE IN AVAILABILITY

1. Reduction in unemployment compensation trust fund.	850,000	-
2. Scholarship Loan Program Reduction to amount necessary to fund 200 scholarships.	2,400,000	500,000
3. Textbook Fund Reduction in excess funds.	3,500,000	-
TOTAL INCREASE IN AVAILABILITY GENERAL FUND	6,750,000	500,000

EXPANSION BUDGET

1. Basic Education Program		
a. Additional Teachers Positions	46,735,714 (1,556)	90,342,391 (3,007)
b. Vocational Education Teachers Positions	1,039,116 (33)	2,078,823 (66)
c. In-School Suspension Positions	-	1,726,921 (53)
d. Instructional Support Positions	15,477,126 (475)	39,113,549 (1,200)
e. Instructional/Lab Clerical Assistants Positions	-	17,073,432 (1,271)

	1989-90 General Fund	1990-91 General Fund
DEPARTMENT OF PUBLIC EDUCATION (1989 Actions, Continued)		
f. Athletic Trainer Supplement	15,000	15,000
g. Assistant Principals - Extension of Term	-	11,166,375
h. Assistant/Associate Superintendents Positions	-	4,767,421 (89)
i. Clerical Assistants Positions	6,010,484 (311)	11,637,563 (602)
j. Supervisors Positions	-	2,611,375 (55)
TOTAL BASIC EDUCATION PROGRAM POSITIONS	69,277,440 (2,375)	180,532,850 (6,343)
2. Student Information Management System (SIMS) - Complete installation of SIMS in all elementary schools.	4,847,270	NR 4,858,475 NR
3. Uniform Education Reporting System (UERS) - Complete installation of Education Reporting system - uniform payroll and accounting systems.	925,943	NR -
4. Transportation Information Management System (TIMS) - School bus routing and scheduling system.	1,675,000 Stripper Well Funds	NR
5. Teaching Fellows Program. 400 additional scholarships per year. Completes four-year implementation of the program.	2,000,000 State Aid	4,000,000 State Aid
6. Continue drug prevention programs funded in FY 88-89 with non-recurring funds.	750,000	750,000
7. Strengthen teacher education program. Continue efforts by the State Board of Education and the Board of Governors to improve teacher education.	1,080,000	1,080,000

	1989-90 General Fund	1990-91 General Fund
DEPARTMENT OF PUBLIC EDUCATION (1989 Actions, Continued)		
8. Establish a model teacher consortium in conjunction with local school systems, Department of Public Instruction, and public and private institutions of higher education.	50,000 NR	-
9. Adjust base budget to reflect actual data on average teacher salaries.	(3,210,000)	(6,840,000)
10. Funds to develop curriculum materials and resources to be used to strengthen the drug and alcohol curriculum in the Basic Education Program.	97,850 NR	-
11. Increase funding for the Drug Abuse Resistance Education Program to complement the expansion in the Department of Justice budget.	50,000 NR	-
TOTAL EXPANSION BUDGET	75,868,503	184,381,325
TOTAL - OPERATING APPROPRIATIONS	\$2,957,574,223	\$3,087,286,069

DEPARTMENT OF PUBLIC EDUCATION (1989 Actions, Continued)

SPECIAL PROVISIONS INCLUDED IN APPROPRIATION BILLS - 1989

Senate Bill 43

- Section 12* Abolish Outside Evaluator Program - Repeals the Outside Evaluator Pilot Project. Program was originally included in the recommended continuation budget by the Governor and the Advisory Budget Commission. No funds are appropriated for this purpose in the 1989-91 biennium.
- Section 13* BEP Funding Transfer - Reduces balance in the unemployment compensation reserve fund and allocates the funds through the Basic Education Program to local school units.
- Section 14* Dropout Prevention - Allows local school units increased flexibility in the use of dropout prevention funds and in requirements for in-school suspension programs provided waivers are granted by the State Board of Education.
- Section 15* Abolish Teaching Grant Program for College Juniors - Repeals the scholarship for third and fourth year college students who elect to enter teaching. Repeal was based on a recommendation from the Teaching Fellows Commission, and the lack of applicants for the scholarship.

DEPARTMENT OF PUBLIC EDUCATION (1989 Actions, Continued)

Senate Bill 44

- Section 55* **Pupil Transportation** - Authorizes the Department of Public Instruction to expend up to \$400,000 of school transportation funds to implement the findings of the Pupil Transportation Operational Study. Report to the 1990 session of the General Assembly.
- Section 56* **Child Nutrition** - Authorizes the Department of Public Education to expend \$280,000 in FY 1989-90 for staff development of school food service personnel.
- Section 57* **Dropout Prevention Coordinators** - Authorizes the Department of Public Instruction to expend up to \$225,000 in each year of the 1989-91 biennium to hire three dropout prevention coordinators to work with local school units.
- Section 58* **Dropout Prevention** - Authorizes the Department of Public Education to expend \$200,000 for each year of the 1989-91 biennium to fund eight model public/private educational compacts to work with children at-risk of dropping out of school. Funds may also be used to fund parental involvement workshops.
- Section 59* **Teacher Scholarship Loans** - Authorizes the Superintendent of Public Instruction to designate up to \$200,000 in each year of the 1989-90 biennium as scholarships for teacher assistants enrolled in teacher training programs.
- Section 60* **Kindergarten Study** - Allocates \$24,000 to the Board of Governors of the University of North Carolina to study the impact of kindergarten education on subsequent school performance. Study will be carried out by the Collegium for the Advancement of Schools, Schooling, and Education at the University of North Carolina at Greensboro.
- Section 61* **Basic Education Program Funds** - Allocates funds in the 1989-91 biennium for the Basic Education Program in various categories such as teachers, instructional support personnel, clerical assistants, etc. See table on page - of this report for details.
- Section 62* **Foreign Language Institute** - Authorizes the State Board of Education to allocate up to \$300,000 in each year of the 1989-91 biennium to provide foreign language training to public school teachers.
- Section 63* **Assistant Principals** - Authorizes local school units to employ assistant principals for 10, 11 or 12 months. Local superintendents should distribute these positions as nearly as possible based on the average daily membership of the school. If the assistant principal is not employed beyond 10 months the additional funds may be used for the summer school programs. Report to the 1990 General Assembly.
- Section 64* **Coordination of Department of Human Resources/Department of Public Instruction Programs** - Superintendent of Public Instruction shall use funds appropriated to the Department of Public Instruction for the 1989-91 biennium to employ a person to coordinate programs for children between the public schools and the Department of Human Resources.

DEPARTMENT OF PUBLIC EDUCATION (1989 Actions, Continued)

- Section 65* **Reduce Paperwork** - Requires the State Board of Education to review requirements for reports from local school units, and to reduce or eliminate any obsolete or duplicate reports. Local boards of education are also required to go through the same process and report the results of their to the State Board of Education prior to April 1, 1990. No additional reports can be required at the local level after the beginning of the school year without the prior approval of the local school board.
- Section 66* **Teacher Training/Learning Disabled Children** - Requires teacher training programs in institutions of higher education to include in the curriculum of non-special education majors, courses in the identification and education of children with learning disabilities.
- Section 67* **Accreditation/Accountability Funds** - Requires the State Board of Education to allocate, from funds appropriated for the Basic Education Program \$200,000 in FY 1989-90 and \$250,000 in FY 1990-91, to the Department of Public Instruction to implement performance standards that are part of the statewide accreditation program.
- Authorizes the Superintendent of Public Instruction to use up to \$150,000 in each year of the biennium of funds appropriated to the Department of Instruction for research and development.
- Section 68* **Use of Funds for Teachers** - Provides flexibility to local boards of education to utilize teaching positions allocated in the Basic Education Program for expanded curricular offerings at any grade level based on local schedules for implementing the BEP. Also allows local boards alternative methods of providing expanded programs under the BEP, subject to approval of the State Board of Education.
- Section 69* **Project Teach Funds** - Requires the State Board of Education to allocate \$73,000 in each year of the biennium to continue Project TEACH. The goal of Project TEACH is to increase the numbers of minority students entering the teaching profession.
- Section 70* **N.C. Symphony Audio-Visual Funds** - Requires the State Board of Education to allocate \$50,000 to the Department of Public Instruction for an audio-visual program of performances of the N.C. Symphony.
- Section 71* **Principles of Technology Funds/Do Not Revert** - Funds appropriated in previous fiscal years for the Principles of Technology Program do not revert until June 30, 1991.
- Section 72* **Model Teacher Education Consortium** - Establishes a model teacher training program in northeastern N.C. Participants include local school systems, area universities and colleges, and Vance-Granville Community College. The goal of the consortium to provide educational services to persons interested in becoming certified teachers, or in upgrading the skills of existing teachers.
- Section 73* **Assignment of Principals to Smaller Schools** - Requires that when a state paid principal is reassigned to a smaller school that the state will pay only that salary level that would have been earned had the principal taught his entire career at the smaller school.

DEPARTMENT OF PUBLIC INSTRUCTION (1989 Actions, Continued)

Section 74 **Existing Career Development Pilot Projects** - Provides for extension of existing career ladder pilot projects, under the following conditions: Additional compensation paid to employees for participating in the pilot projects will be paid as a bonus; employees evaluated for Career Level I or II in the 1989 school year may be paid a bonus at the discretion of the local school board; no early promotions to Career Level II or III. The language in this provision is superseded by the more detailed language on the transition of Career Development Pilot Projects contained in Senate Bill 2, Chapter 778, Section 7 of the 1989 Session Laws.

Section 75 **Existing Lead Teacher Pilot Projects** - Provides for extension of the existing lead teacher pilot projects in FY 1989-90. State Board of Education shall use up to \$250,000 of Career Development funds to continue the Lead Teacher Program. In 1990 these units come under the provisions of Senate Bill 2, Chapter 778 of the Session Laws.

Section 76 **Reduction of Vandalism in the Public Schools** - Authorizes the Department of Public Instruction to use up to \$80,000 in each year of the biennium for salaries and support cost to develop plans and procedures to reduce vandalism of public school facilities.

Section 77 **Preliminary Scholastic Aptitude Opportunities** - Provides the opportunity for all students in grades 8-10, who have taken Algebra I, to take the PSAT one time at state expense. Superintendent of Public Instruction to report biennially on the implementation of this plan. The State Board of Education is authorized to expend \$365,000 in FY 1989-90 and \$396,000 in FY 1990-91 to implement this program.

Section 78 **Administration of Department of Public Instruction Budget** - Provides authority for the Superintendent of Public Instruction to administer the budget of the Department of Public Instruction, and to enter into contracts for the operation of the department. As Secretary to the State Board of Education the Superintendent administers funds appropriated for the operation of the board and for aid to local school administrative units.

Provision also divides the budget of the Department of Public Education between the Department of Public Instruction, Aid to Local School Administrative Units, and the State Board of Education.

Senate Bill 1309

Section 11 **Braille Textbooks** - State Board of Education may expend textbook funds to provide Braille textbooks to visually handicapped children.

Section 15 **Plan for Implementation of Educational Programs for Certain Handicapped Children** - Requires the Department of Public Education during the 1989 school year to begin planning for the implementation of programs for 3 and 4 year old handicapped children as required under PL99-457. Department must report to the General Assembly no later than May 1, 1990.

Section 29 **Allocation of Basic Education Program Enhancement Teachers** - Requires that no school unit receive fewer teachers for program enhancement under the Basic Education Program in 1989-90 than it received in 1988-89.

DEPARTMENT OF PUBLIC EDUCATION

1990-91
General
Fund

1990 LEGISLATIVE ACTIONS

TOTAL OPERATING APPROPRIATIONS -
1989 SESSION \$3,087,286,069

BUDGET REDUCTIONS

- 1. Reductions in departmental budget. (1,657,231)
- 2. Reduction in salary reserve funds. (93,466)
- 3. Management Flexibility - Reduce department's
total appropriations due to revenue shortfall. (842,828)

SUBTOTAL - REDUCTIONS, DEPARTMENT
OF PUBLIC INSTRUCTION (2,593,525)

PUBLIC SCHOOL FUND:

- 1. Adjustments in the Public School Fund -
Reduction due to adjustments in average
daily membership and average teacher salary. (8,653,661)
- 2. Career Development Program - Reduce 16 career
development pilot systems to full Senate Bill
2 funding (7% of payroll). (4,693,368)
- 3. School Bus Replacement - Delay purchase of
school buses for one year except for pre-1977
bus replacement and emergency reserve. (22,500,000)
- 4. Basic Education Program - Defer some portions
of the Basic Education Program. (71,510,760)
- 5. Student Transportation - Reduce budget by 5%
due to lower fuel costs and improved efficiency. (5,500,000)
- 6. Tort Claims - Reduce budget because of lower
claims experience. (2,000,000)
- 7. Prospective Teacher Scholarship Loans - Reduce
budget by anticipated repayments received. (500,000)
- 8. Management Flexibility - Reduce department's
total appropriations due to revenue shortfall. (45,000,000)

SUBTOTAL - REDUCTIONS,
PUBLIC SCHOOL FUND (160,357,789)

TOTAL REDUCTIONS - PUBLIC EDUCATION (\$162,951,314)

1990-91
General
Fund

DEPARTMENT OF PUBLIC EDUCATION (1990 Actions, Continued)

EXPANSION BUDGET

PUBLIC SCHOOL FUND

1. Senate Bill 2 - Full funding for Senate Bill 2 in FY 1990-91.	39,436,046
2. Handicapped Children, Ages 3 & 4. (PL 99-457)	3,680,960
3. School Buses - Reinstate part of bus replacement reduction	3,000,000
4. Exceptional Children - Supplement to budgeted level of funding	2,000,000

SUBTOTAL - PUBLIC SCHOOL FUND 48,117,006

DEPARTMENT OF PUBLIC INSTRUCTION

1. Drug Prevention Programs	
Phase one of the expansion and development of K-6 curriculum on drug and alcohol prevention education programs.	97,850
K-12 drug and alcohol prevention as a part of the Basic Education Program. 400,000 Grades 7-12 education program on the effects of drugs on a developing fetus.	250,000
Evaluations of drug prevention programs.	250,000
Expansion of DARE into all 5th and 6th grade classes 5 positions.	300,264
Implement eight student assistance programs.	468,680
Implement and evaluate eight Peer Self-Help programs.	450,000

SUBTOTAL - DEPARTMENT OF PUBLIC INSTRUCTION 2,216,794

TOTAL EXPANSION - DEPARTMENT OF PUBLIC EDUCATION 50,333,800

TOTAL NET BUDGET CHANGE (112,617,514)

TOTAL OPERATING APPROPRIATIONS \$2,974,668,555

SPECIAL PROVISIONS INCLUDED IN APPROPRIATION BILLS - 1990

Senate Bill 1426

- Section 92* **Small School Allotments** - Clarifies existing authority of the State Board of Education to make special allotments to LEA's for the purpose of providing education to children confined to private hospitals and treatment facilities.
- Section 93* **Leave Accumulation/Public School Employees** - Allow school administrators to carry forward more than 30 vacation days beyond December 31 until June 30 of each year.
- Section 95* **Prospective Teacher Loan Program/Expansion** - Allows scholarship loans to be made to prospective school employees whose entry level degree requires more than four years. Example, school psychologists.
- Section 96* **School Transportation Budget Reductions/Implementation** - Implements measures to improve the pupil transportation system. Requires the implementation of the Transportation Management System (TIMS) or an equivalent system no later than July 1, 1992. Places the superintendent of each LEA in charge of pupil transportation. State Board of Education given the authority to modify formulas for allocation, school transportation funds to provide efficiency. Savings may be used to implement TIMS. Requires the Department of Public Instruction to report to the Joint Legislative Commission on Governmental Operations on its efforts to improve efficiency of the pupil transportation system by December 1, 1990.
- Section 97* **Career Development Funding Level** - Makes available to all Career Development Pilot units funding equivalent to 7% of teacher and administrators salaries beginning in FY 1993-94. Gives the Career Development Pilot units authority to modify the existing program. If teacher meets standards under local differentiated pay plan, Career Development Pilots phased down over three years.
- Section 98* **Basic Education Program Funds** - Details the expansion budget funds for the Basic Education Program for FY 1990-91. Appropriates over \$13.7 million for the biennium, of which \$44.5 million is expansion funding for FY 1990-91. \$12.9 million in FY 1990-91 for reduction in class size in grades 10-12, and the balance of the teaching positions may be used under the State Board of Education to expand up to \$100,000 for the Model Teacher Education Consortium.
- Section 99* **Completion of the Basic Education Program** - Provides for an independent commission to study the Basic Education Program, and report to the 1991 Sessions of the General Assembly. The commission is composed of 23 members, 7 appointed by the Governor, 7 by the President Pro Tempore of the Senate, 7 by the Speaker of the House of Representatives, and the Chairman of the State Board of Education and the State Superintendent of Public Instruction. Commission must report to the General Assembly by March 31, 1991. Extends the date that the Basic Education Program must be funded and operational from July 1, 1993 to July 1, 1995.

DEPARTMENT OF PUBLIC INSTRUCTION (1990 Actions, Continued)

- Section 101* **Teacher Fellows Fund Use** - Permits the Teaching Fellows Commission to forgive a loan if it finds that the teaching obligation cannot be completed. Allows excess funds in the scholarship fund to be used for campus and summer program support, costs related to disbursement of awards, and loan collections.
- Section 102* **DPI Grant Funds** - Allows Department of Public Instruction to create a special fund to manage grants and allow the State Superintendent to receive grants from private sources made in support of public education.
- Section 103* **Eliminate Education Reports** - Eliminates unneeded educational reports to the General Assembly, including annual report on Career Development; annual report on use of staff development funds; report on the use of certain teaching positions under the BEP.
- Section 104* **Child Nutrition Staff Development** - Allows \$280,000 in funds appropriated to the Department of Public Education to be used for staff development for school food service employees.
- Section 105* **Uniform Education Reporting System Funds** - Allows \$438,642 in funds appropriated to the Department of Public Education to reimburse 13 local school units that converted to AS/400 equipment as part of their implementation of the Uniform Education Reporting System. Requires data processing audit of these units.
- Section 106* **Limit Uniform Education Reporting System Fines** - Limits to \$25,000 the maximum amount that can be withheld from an LEA for failure to implement UERS under the schedule prescribed by the statute.
- Section 107* **Differentiated Pay Funds Allocation** - Establishes the procedure under which Senate Bill 2 funds will be allocated. Extends Senate Bill 2 from four year implementation to five years. Payments of bonuses or supplements under Senate Bill 2 shall be made no more than quarterly. Funds appropriated for Senate Bill 2 may be carried over to FY 1991-92 fiscal year.
- Section 108* **Study of Noncertified Employees' Salaries** - Requires the State Board of Education and the Superintendent of Public Instruction to submit a report on the use of 2% salary reserve funds during the FY 1989-91 biennium. Report shall also address continuing differences between salaries of non-certified public school employees and state employees. Long-term plan to upgrade salaries of non-certified school employees.
- Section 109* **Sampson School/Deadline Extended** - Extends until December 1, 1991 for Sampson County the deadline on use of Critical School Facility Needs Funds for school construction.

DEPARTMENT OF PUBLIC INSTRUCTION (1990 Actions, Continued)

- Section 110* **School Psychologist Salary Reclassification** - Reclassifies school psychologists so that the beginning salary is Step 5 on the Teacher Salary Schedule.
- Section 111* **National Conference on Governors' Schools** - Allows the State Board of Education to use up to \$20,000 to provide support to the Fourth National Conference on Governors Schools.
- Section 112* **North Carolina Geographic Alliance Network Funds** - Allows the State Board of Education to use up to \$50,000 to fund the National Geographic Alliance Network Program at East Carolina University.
- Section 113* **Class Size Waivers/Teacher Positions** - Requires the Department of Public Education to report on class size waivers granted under Senate Bill 2, and the use of any positions converted from teaching positions.
- Section 114* **Cities-in-Schools Contract Authorization** - Authorized the Department of Public Education to contract with the cities-in-schools dropout prevention programs to provide assistance in program development to local school systems.
- Section 115* **Joint Legislative Oversight Committee** - Establishes a 16 member Education Oversight Commission to study ways to improve public education kindergarten through higher education, study BEP and Senate Bill 2, and other educational initiatives in public education. Study other education matters as the Commission considers necessary.
- Section 116* **Public School Teachers/Liability Protection** - State Board of Education shall allocate to local school systems \$5.00 per teacher to provide comprehensive general liability protection, including coverage for errors and omissions, for teachers employed for the 1990-91 school year.
- Senate Bill 1427**
- Section 23* **School Supplemental Instructional Materials/Differentiated Pay Plans** - Local boards of education given the sole authority to select supplemental materials, even if the materials contain advertising. Local boards may determine when the materials are presented during the school day, and contracts for supplementary materials are not subject to the approval of the State Board of Education.
- Section 24* **Parental Involvement in Schools/Study** - Education Study Commission shall study the concept of requiring parents to spend time at school with their children.
- Section 25* **School Administrator Salary Schedule** - Establishes a pay raise of 6% for school administrators in FY 1990-91.
- Section 26* **Education Governance Study** - Task Force on Excellence in Secondary Education shall study the method of selecting education officials and the educational governance structure at the state level.

DEPARTMENT OF PUBLIC INSTRUCTION (1990 Actions, Continued)

Senate Bill 1427

- Section 27* **Year-Round Education** - The State Board of Education shall study year-round education and develop policies and procedures for those units that want to implement year-round education.
- Section 28* **Public School Testing Funds** - Authorizes the State Board of Education to spend up to \$375,000 to implement end of course tests, and to develop end of grade tests in grades 3-8.

DEPARTMENT OF REVENUE

Statutory Authority: General Statutes, Chapter 143B

The Secretary of Revenue is appointed by the Governor. It is the Secretary's duty to make a continuing study of economic conditions and to evaluate the effect of these conditions on the tax bases and prospective collections. The Secretary is required to make and publish copies of biennial factual statistics of State and local taxation.

Under the Secretary's supervision, the Department spends much time auditing tax returns and collecting taxes that support a majority of State expenditures.

The Department also serves as a consultant and advisor on state tax preparation. Local governments are also assisted in appraising and taxing property.

CONTINUATION BUDGET AS RECOMMENDED BY THE GOVERNOR	1989-90 General Fund	1990-91 General Fund
	\$44,526,759	\$44,585,645

1989 LEGISLATIVE ACTIONS

BASE BUDGET REDUCTIONS

WORKFORCE REDUCTIONS

1. Reduce appropriation by the value of salaries and employer benefits for nine vacant positions. The Secretary may elect to eliminate any of the forty vacant positions and/or reduce other appropriations to derive at the identified level of reduction.	(351,791)	(351,991)
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REVISED BASE BUDGET	\$44,174,968	\$44,233,654
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EXPANSION BUDGET

1. Provide for payment to the State Information Processing System for data processing services provided during the 1987-89 biennium when insufficient funds were budgeted	1,400,000	NR	-
2. Continue automation of Management Information Services (MIS) that began in FY 1987-88.	934,438 (6)	1,204,632 (9)	
	2,756,993	NR	1,842,699 NR

	1989-90 General Fund	1990-91 General Fund
DEPARTMENT OF REVENUE (1989 Actions, Continued)		
3. Tax Amnesty Program - Support for issuance of forms and instructions related to the implementation and publicity of this program. The Secretary of the Department is authorized to draw from collections received by the Department during July, 1989 under Division II of Article 4 of Chapter 105 of the General Statutes (Sec. 6 of HB 272).	1,100,000	
4. Enforcement/Compliance Funds - Reserve to support additional enforcement personnel, support personnel, and other costs related to increased tax law enforcement activities.		
General Fund	4,953,192	4,765,218
Highway Fund	117,950	149,690
TOTAL EXPANSION BUDGET	11,144,623	7,812,549
TOTAL POSITIONS	(6)	(9)
TOTAL OPERATING APPROPRIATION	\$55,319,591	\$52,046,203

SPECIAL PROVISIONS INCLUDED IN APPROPRIATION BILLS - 1989

Senate Bill 44

Section 52 **Reserve for Local Tax Reimbursements** - The provision allows cities whose annexation had begun by September 1, 1987 to be reimbursed for the revenue loss that occurred through the repeal of the property tax on manufacturing inventories.

Section 53 **Tax Amnesty/Tax Enforcement** - The provision clarified that the appropriation in Chapter 557 of the 1989 Session Laws was for tax enforcement uses.

DEPARTMENT OF REVENUE

1990-91
General
Fund

1990 LEGISLATIVE ACTIONS

TOTAL OPERATING APPROPRIATIONS - 1989 SESSION \$52,046,203

BUDGET REDUCTIONS

REDUCTION IN FORCE

1. Eliminate approximately 17 positions, salaries and related benefits. (\$503,372)
(17)

MANAGEMENT INFORMATION SERVICES

2. Reduce contractual services for new automation programs affiliated with upgrade of the computer system. (1,200,000)

MANAGEMENT FLEXIBILITY

3. Reduce department's total appropriations due to revenue shortfall. (864,719)

TOTAL BUDGET REDUCTIONS (2,568,091)

TOTAL POSITIONS REDUCTIONS - APPROX. (17)

EXPANSION

1. Reserve for workload created by passage of bill to accelerate employer withholding payments. 1,252,678

TOTAL NET BUDGET CHANGE (1,315,413)

TOTAL OPERATING APPROPRIATIONS \$50,730,790

SPECIAL PROVISIONS INCLUDED IN APPROPRIATION BILLS - 1990 SESSION

Senate Bill 1426

Section 29 Inventory Reimbursement Adjustment - Recalculates distribution of manufacturer's inventory tax to include Mt. Holly.

Senate Bill 1587

Section 7 Set-Off Debt Collections - Allows the Department to draw from individual income collections up to \$81,600 to pay costs associated with implementation of Act.

DEPARTMENT OF SECRETARY OF STATE

Statutory Authority: General Statutes, Chapter 147

The Secretary of State is elected to a four-year term. He is a member of the Council of State and the Local Government Commission.

The duties of the office are delineated in the North Carolina Constitution and the General Statutes. These responsibilities fall into the broad categories of maintaining public records and state documents, including publication of the North Carolina Manual; services to commerce and industry (corporate filings, securities registration, and administration of commercial law); and appointing notaries public.

CONTINUATION BUDGET AS RECOMMENDED BY THE GOVERNOR	1989-90 General Fund	1990-91 General Fund
	\$3,345,317	\$3,254,615

1989 LEGISLATIVE ACTIONS

BASE BUDGET REDUCTIONS

WORKFORCE REDUCTIONS

1. Reduce appropriation for salaries and related benefits and eliminate 2 vacant clerical positions.	\$(43,113) (2)	\$(43,137) (2)
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PUBLICATIONS DIVISION

2. Reduce funds for the Central Voter File Registration System to the level of expenditure.	(20,000)	(20,000)
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TOTAL BASE BUDGET REDUCTIONS	\$(63,113)	\$(63,137)
TOTAL POSITION REDUCTIONS	(2)	(2)

REVISED BASE BUDGET	\$3,282,204	\$3,191,478
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EXPANSION BUDGET

ADMINISTRATIVE DIVISION

1. Increase Administration staff support by 4 positions (Deputy for Business Services, Executive Assistant, Administrative Assistant and Clerk Typist IV).	\$120,785 (4)	\$135,530 (4)
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SECURITIES DIVISION

2. Add 2 Securities Investigator positions (Grade 71) to investigate a backlog of securities cases and investment advisor complaints, effective 9/1/89.	62,110 (2)	70,773 (2)
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	1989-90 General Fund	1990-91 General Fund
DEPARTMENT OF SECRETARY OF STATE (1989 Actions, Continued)		
BUSINESS LICENSE DIVISION		
3. Increase operating funds for the recently established Business License Information Office to be used in clearinghouse and license coordination functions.	35,240	32,407
PUBLICATIONS DIVISION		
4. Provide funds for Information and Communications Specialist III position and additional data processing equipment.	40,966	37,512
	(1)	(1)
TOTAL EXPANSION BUDGET	\$259,101	\$276,222
TOTAL POSITIONS	(7)	(7)
TOTAL OPERATING APPROPRIATIONS	\$3,541,305	\$3,467,700

1990-91
General
Fund

1990 LEGISLATIVE ACTIONS

TOTAL OPERATING APPROPRIATIONS - 1989 SESSION	\$3,467,700
BUDGET REDUCTIONS	
PUBLICATIONS	
1. Discontinue funding for production of the Voter Registration Tape. (Repeal G.S. 163-66.1).	(42,259)
UNIFORM COMMERCIAL CODE DIVISION	
2. Reduce data processing services funding.	(30,000)
BUSINESS LICENSE INFORMATION OFFICE	
3. Reduce funds for telephone and data processing services.	(25,000)
SECURITIES REGISTRATION DIVISION	
4. Reduce data processing funds for Investment Advisory registration.	(16,512)

1990-91
General
Fund

DEPARTMENT OF SECRETARY OF STATE (1990 Actions, Continued)

MANAGEMENT FLEXIBILITY

5. Reduce department's total appropriations due to revenue
shortfall. (60,202)

TOTAL REDUCTIONS (\$173,973)

EXPANSION

1. Reserve for implementation of the new N.C. Business
Corporation Act effective January 1, 1991. 386,160

TOTAL NET BUDGET CHANGE \$212,187

TOTAL OPERATING APPROPRIATIONS \$3,679,887

SPECIAL PROVISIONS INCLUDED IN APPROPRIATION BILLS - 1990

Senate Bill 1426

Section 30 Repeal of Statewide Voter File - Repeals G.S. 163-66.1 statewide voter
file.

Section 31 Reduce Inventory of Secretary of State of Certain Publications - Allows
Publication Division of Secretary of State's office to reduce inventories
of Journals of the North Carolina House and Senate, Session Laws, and
the North Carolina Manual. Makes publication prior to 1987-88 available
at cost of postage.

Section 32 Delay Requirement of Corporate Annual Report Under New Business
Corporation Act - Delays effective date of G.S. 55-16-22 to January 1,
1991.

DEPARTMENT OF STATE AUDITOR

Statutory Authority: General Statutes, Chapter 143A, Article 3

The State Auditor directs a staff in Raleigh and 7 regional offices in the performance of financial and compliance audits of State agencies. The staff also performs quality control reviews of CPA firm workpapers of local government and local non-profit agency audits. The State Auditor received funding from the 1988 General Assembly to operate a "hot-line" for citizens to report fraud, waste or abuse of State funds.

The State Auditor is the chief administrator of the North Carolina Firemen's and Rescue Squad Workers' Pension Funds. The Auditor also administers a \$250,000 fund for death benefits for families of law enforcement officers, firemen, rescue squad workers and Civil Air Patrol who die in the line of duty.

CONTINUATION BUDGET AS RECOMMENDED BY THE GOVERNOR	1989-90 General Fund	1990-91 General Fund
	\$12,940,608	\$12,947,697

1989 LEGISLATIVE ACTIONS

BASE BUDGET REDUCTIONS

1. Reduce appropriation by value of 3 positions. Reduction may come from position elimination or other recurring expense budget items.	(64,500)	(64,500)
2. Reduce the state's contribution to the Firemen's Pension Fund based on an actuarial analysis.	(34,269) State Aid	(34,269) State Aid
3. Reduce the state's contribution to the Rescue Squad Workers' Pension fund based on an actuarial analysis.	(109,816) State Aid	(109,816) State Aid
4. Reduce the appropriation for the Line of Duty Death Benefit for firemen, rescue squad workers, law enforcement officers, and Civil Air Patrol members based on reversions during the previous five years.	(50,000) State Aid	(50,000) State Aid

	1989-90 General Fund	1990-91 General Fund
DEPARTMENT OF STATE AUDITOR (1989 Actions, Continued)		
TOTAL BASE BUDGET REDUCTIONS	(258,585)	(258,585)
TOTAL POSITION REDUCTIONS	-	-
REVISED BASE BUDGET	\$12,682,023	\$12,689,112

EXPANSION BUDGET

1. Provide microcomputer equipment for the audit staff.	45,000	NR	-
2. Create Deputy State Auditor position to assist with the internal management of the department and with the requests made by the General Assembly, effective 9-1-89.	51,675 (1)		54,495 (1)
3. Add Administrative Secretary to assist the Deputy State Auditor, Director of Audits, and five Audit Managers, effective 9-1-89.	25,886 (1)		22,662 (1)
4. Add 3 financial audit (ASA II) positions to improve the timeliness of audits conducted on state agencies and institutions, effective 9-1-89.	105,244 (3)		116,095 (3)
5. Add 2 performance audit (ASA III) positions to increase the number of performance audits completed annually, effective 9-1-89.	72,746 (2)		84,089 (2)
6. Provide rented office space for auditors stationed in Greensboro.	3,254		3,254
7. Increase funding for North Carolina's share of the operating cost of the Governmental Accounting Standards Board (GASB).	2,300 (1)		2,300 (1)
8. Increase funding for data processing services due to expanded use of computers in audit process, Firemen's Pension Fund and administration.	40,400		40,900
9. Increase contractual funds to hire private CPA firms with specialized experience and expertise.	12,500		12,500
TOTAL EXPANSION BUDGET	359,005		336,295
TOTAL POSITIONS	(8)		(8)
TOTAL - OPERATING APPROPRIATIONS	\$13,041,028		\$13,025,407

DEPARTMENT OF STATE AUDITOR (1989 Actions, Continued)

SPECIAL PROVISIONS INCLUDED IN APPROPRIATION BILLS - 1989

Senate Bill 44

Section 54 Information from Private Organization Receiving State Funds - Any private organization receiving \$25,000 or more in state funds shall furnish the State Auditor all books, records, and other information necessary to account for the use of the funds. All financial statements furnished to the Auditor and any audits prepared by the Auditor shall be public records.

Senate Bill 1309

Section 5 Auditor Department Collator - Up to \$27,000 of the funds appropriated to the department for data processing services may be used to purchase a new collator.

1990-91
General
Fund

1990 LEGISLATIVE ACTIONS

TOTAL OPERATING APPROPRIATIONS - 1989 SESSION	\$13,025,407
BUDGET REDUCTIONS	
WORKFORCE REDUCTIONS	
1. Reduce appropriations for salaries and related benefits by eliminating 7 positions.	(243,544) (7)
PENSION FUNDS	
2. Reduce state contributions based upon actuarial report.	
a. Firemen's Pension Fund	(95,859)
b. Rescue Squad Worker's Pension Fund	(41,302)
MANAGEMENT FLEXIBILITY	
3. Reduce department's total appropriations due to revenue shortfall.	(125,877)
TOTAL BUDGET REDUCTIONS	(506,582)
TOTAL OPERATING APPROPRIATIONS	\$12,518,825

STATE BOARD OF ELECTIONS

Statutory Authority: General Statutes, Chapter 163

The State Board of Elections is an independent, regulatory and quasi-judicial agency of the State. The five members of the Board are appointed by the Governor to four-year terms. Administration and execution of the Board's decisions and orders, staffing, and other responsibilities assigned by the Board are carried out by the Executive Director who is appointed by the Board.

The Board is responsible for administering and enforcing all laws relating to elections and election procedures, including regulating contributions and expenditures in political campaigns.

CONTINUATION BUDGET AS RECOMMENDED BY THE GOVERNOR	1989-90 General Fund	1990-91 General Fund
	\$375,445	\$402,909

1989 LEGISLATIVE ACTIONS

EXPANSION BUDGET

1. Reimburse 18 counties for costs incurred holding the Super Tuesday Presidential Primary; insufficient funds were budgeted in proper year.	481,555 State Aid	NR	-
TOTAL OPERATING APPROPRIATIONS	\$857,000		\$402,909

1990 LEGISLATIVE ACTIONS

TOTAL OPERATING APPROPRIATIONS - 1989		\$402,909
BUDGET REDUCTIONS		
MANAGEMENT FLEXIBILITY		
1. Reduce department's total appropriations due to revenue shortfall.		(5,473)
TOTAL OPERATING APPROPRIATIONS		\$397,436

DEPARTMENT OF STATE TREASURER

Statutory Authority: General Statutes, Chapter 143A

The State Treasurer is elected to a four year term. As an elected official, the Treasurer is a member of the Council of State.

The Treasurer is responsible for investing all idle State funds. The Treasurer also manages debt incurred through bond issues, receives and disburses all State funds, manages the trust funds responsible for providing State and local employees their retirement benefits and pensions, and helps local governments improve their accounting systems and supervises their issuance of bonds.

CONTINUATION BUDGET AS RECOMMENDED BY THE GOVERNOR	1989-90 General Fund \$4,035,438	1990-91 General Fund \$4,041,240
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1989 LEGISLATIVE ACTIONS

BASE BUDGET REDUCTIONS

WORKFORCE REDUCTIONS

1. Reduce appropriation for salary and related benefits by eliminating a Special Assistant position.

Total	39,521	39,545
Less: Receipts Adm. Fees	18,021	18,022
Appropriation	(21,500)	(21,523)
	(1)	(1)

REVISED BASE BUDGET	\$4,013,938	\$4,019,717
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EXPANSION BUDGET

1. Add funds for hardware and software for the Local Government Commission due to increased bond sales and mandates by the General Assembly.
2. Fund a Secretary IV (effective 9-1-89) and a Financial Analyst II (effective 7-1-90) for the Local Government Commission due to increased bond sales and mandates by the General Assembly.

48.000	NR	-
17.912		70,738
(1)		(2)

	1989-90 General Fund	1990-91 General Fund
DEPARTMENT OF STATE TREASURER (1989 Actions, Continued)		
3. Increase the number of portfolio managers to handle 15% annual growth rate in state's investments, effective 9-1-89.	65,188 (2)	159,016 (4)
4. Increase Investment Advisory Fees to permit increases in equity investments in state's portfolio.	250,000	350,000
5. Equip the investment trading room with modular furniture and computer terminals.	50,000	NR -
6. Add two Escheat auditors to conduct compliance and field audits.	72,951	93,081
Receipts	<u>72,951</u>	<u>93,081</u>
Appropriation	-	-
	(2)	(2)
Subtotal	406,051	672,835
Receipts	<u>72,951</u>	<u>93,081</u>
TOTAL EXPANSION BUDGET	431,100	579,754
TOTAL POSITIONS	(5)	(8)
TOTAL OPERATING APPROPRIATION	\$4,445,038	\$4,599,471

1990-91
General
Fund

1990 LEGISLATIVE ACTIONS

TOTAL OPERATING APPROPRIATIONS - 1989 SESSION 4,599,471

BUDGET REDUCTIONS

GENERAL ADMINISTRATION

1. Reduce required funding by increasing interdepartmental receipts. (34,984)

LOCAL GOVERNMENT OPERATIONS

2. Eliminate two vacant accounting positions, and reduce salaries and related benefits. (74,535)
(2)

1990-91
General
Fund

DEPARTMENT OF STATE TREASURER (1990 Actions, Continued)

3. Reduce work processing costs by eliminating two publications. (13,234)

INVESTMENT MANAGEMENT

4. Reduce funding for equity investment advisory fees. (24,299)

MANAGEMENT FLEXIBILITY

5. Reduce department's total appropriations due to revenue shortfall. (76,621)

TOTAL BUDGET REDUCTIONS (223,673)

TOTAL POSITIONS REDUCTIONS (2)

EXPANSION

INVESTMENT MANAGEMENT

1. Increase funding for data processing services. 150,000

TOTAL NET BUDGET CHANGE (73,673)

TOTAL OPERATING APPROPRIATIONS \$4,525,798

SPECIAL PROVISIONS INCLUDED IN APPROPRIATION BILLS - 1990

Senate Bill 1427

Section 17 Charges for overdraft in State Treasurer's Disbursing Account - Allows State Treasurer to impose a fee of \$15.00 for each check drawn against agency's disbursing account that creates an overdraft. Financial Officer will pay from non-State or personal funds.

DEPARTMENT OF TRANSPORTATION - GENERAL FUND

CONTINUATION BUDGET AS RECOMMENDED BY THE GOVERNOR	1989-90 General Fund	1990-91 General Fund
	\$5,878,237	\$5,878,237

1989 LEGISLATIVE ACTIONS

BASE BUDGET REDUCTIONS

STATE AID TO RAILROADS

1. G.S. 136-16.6 requires an annual appropriation of \$100,000 or 100% of the annual dividend received in the prior year by the State from its ownership of stock in the N. C. Railroad Company and the Atlantic and North Carolina Railroad Company. Dividends received in fiscal year 1988/89 totaled only \$166,002.	(50,664) State Aid	(50,664) State Aid
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REVISED BASE BUDGET	\$5,827,573	\$5,827,573
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EXPANSION BUDGET

AID TO RAILROADS

1. Provides a reserve to be used for the purchase of abandoned railway corridors.	500,000 NR	-
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AERONAUTICS PROGRAM

2. Aid to Airports (G.S. 136-16.4)	355,000	855,000
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TOTAL EXPANSION BUDGET	855,000	855,000
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TOTAL - OPERATING APPROPRIATIONS	\$6,682,573	\$6,682,573
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DEPARTMENT OF TRANSPORTATION - GENERAL FUND

1990 LEGISLATIVE ACTIONS

TOTAL OPERATING APPROPRIATIONS - 1989 SESSION	\$6,682,573
BUDGET REDUCTION	
RAILROADS*	
1. Reduce support to minimum level required by law (1989-90 revenues totaled less than \$98,000).	(66,002)
AERONAUTICS*	
1. Reduce support by 3%.	(195,497)
TOTAL BUDGET REDUCTIONS	(261,499)
TOTAL OPERATING APPROPRIATIONS	\$6,421,074

* Will not be subject to Management Flexibility reduction

UNIVERSITY OF NORTH CAROLINA - BOARD OF GOVERNORS

Statutory Authority: General Statutes, Chapter 116

The Board of Governors is composed of thirty-two members elected for four-year terms by the General Assembly. The Board is required to plan and develop a coordinated system of higher education in North Carolina.

The President of the University of North Carolina is the chief administrative officer of the University. He establishes administrative organizations to carry out the policies of the University. In carrying out his duties and responsibilities the President is assisted by his staff officers and by the chancellors of the constituent institutions.

CONTINUATION BUDGET AS RECOMMENDED BY THE GOVERNOR	1988-89 General Fund	1990-91 General Fund
	\$1,059,551,398	\$1,070,985,241

1989 LEGISLATIVE ACTIONS

BASE BUDGET REDUCTIONS

1. Reduce reserves for new facilities due to delays in construction completion.	(718,082)	(293,022)
2. Reduce funding for Regional Education contracts		
(a) Meharry Medical College Reduce contracts in medicine from 14 to 10 per year	(27,200) State Aid	(28,200) State Aid
(b) Optometry Contracts Reduce from 94 to 84 based on 78 used this year	(57,000) State Aid	(59,000) State Aid
3. Reduce number of positions at UNC-General Administration (4.0) and the campuses (16.0).	(508,061) (20)	(508,122) (20)
4. Eliminate continuing funding for 1988-89 one-time grant to Research Triangle World Trade Center.	(100,000)	(100,000)

	1989-90 General Fund	1990-91 General Fund
UNIVERSITY OF NORTH CAROLINA - BOARD OF GOVERNORS		
(1989 Actions, Continued)		
5. Eliminate proposed increase in aid to private medical schools.	(191,000) State Aid	(256,000) State Aid
6. Delay continuation funding for Distinguished Professors Endowment for one year due to current unmatched balance of \$2.9 million.	(2,000,000)	-
TOTAL BASE BUDGET REDUCTIONS	(3,601,343)	(1,244,344)
TOTAL POSITIONS REDUCTION	(20)	(20)
REVISED BASE BUDGET	\$1,055,950,	\$1,069,740,897

EXPANSION BUDGET

1. Strengthen Teacher Education: Continue recommendation on Teacher Preparation at 1988-89 level for 1989-90.	1,500,000	1,700,000
2. Enrollment Increases: Funds most of projected increases in number of students for the University of North Carolina.	17,851,399	26,840,000
3. Elizabeth City State Scholarships: continues third and fourth year of Incentives Scholars Program began in 1987-88.	500,000	1,000,000
4. Aid to Private College Students: Increases Legislative Tuition Grant from \$1,100 to \$1,150 per student; increases need-based scholarship program from \$400 to \$450 per student.	2,649,431 State Aid	2,649,431 State Aid
5. Need-based scholarships for UNC students.	-	500,000

			1989-90 General Fund	1990-91 General Fund
UNIVERSITY OF NORTH CAROLINA - BOARD OF GOVERNORS				
(1989 Actions, Continued)				
6.	Tuition Increase: To reflect in-state tuition increase which ranges from \$74 to \$100; and, to reflect an out-of-state tuition increase of 15%/2.4%. Receipts are budgeted on projected enrollment increases.			
	Requirements		-	-
	Receipts		<u>19,957,190</u>	<u>22,401,672</u>
	Appropriation		(19,957,190)	(22,401,672)
7.	Increase budgeted projections of overhead receipts at UNC-Chapel Hill and N.C. State to a level equal to 1988-89 actual amounts, and budget the General Fund portions (30%) of these receipts. These funds would otherwise revert.			
	N.C. State University	370,000	316,000	
	UNC- Chapel Hill	688,966	688,966	
			(1,058,966)	(1,004,966)
8.	Increase budgeted receipts at University of North Carolina Hospitals at Chapel Hill by \$250,000 and reduce appropriations by a like amount.		(250,000)	(250,000)
9.	N.C. School of Science & Math - Begin implementation of salary plan for teaching faculty and administration.		201,000	302,000
10.	Agricultural Programs: Funds reserve for expansion of Agricultural Research and Extension at N.C. State.		500,000	500,000
11.	Support to match grant from the United States Department of Agriculture for N.C.			

	1989-90 General Fund		1990-91 General Fund
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UNIVERSITY OF NORTH CAROLINA - BOARD OF GOVERNORS
(1989 Actions, Continued)

	Agricultural and Technical University's agriculture programs.	600,000	NR	-
12.	Support for equipment needs at University of North Carolina at Charlotte's Applied Research Center.	1,000,000	NR	-
13.	Support for the Bringing It All Back Home Study Center at Appalachian State University to allow the Center to continue its home remedies community- based alternatives program for undisciplined juveniles and their families.	41,000		41,000
14.	Reserve to be available for continuing operations of the Regional TEACCH Center which serves the Greensboro, High Point, and Winston-Salem areas.	318,966		318,966

STUDY COMMISSION ON NURSING

1.	Fund portion of recommendations which will not become part of the continuation budget.	805,000	NR	330,000	NR
2.	Nursing Implementation: Funds a portion of recommendations of Study Commission on Nursing to increase supply of nurses and enhance nursing profession.	1,210,000		3,010,000	
TOTAL - EXPANSION BUDGET		5,910,640		13,534,759	
TOTAL - OPERATING APPROPRIATIONS		\$1,061,860,695		\$1,083,275,656	

UNIVERSITY OF NORTH CAROLINA - BOARD OF GOVERNORS
(1989 Actions, Continued)

SPECIAL PROVISIONS INCLUDED IN APPROPRIATION BILLS - 1989

Senate Bill 43

- Section 33* **Funding Levels for Institutions** - Requires UNC Board to review variations in funding levels of different campuses, including costs by type of program and level of instruction.
- Section 34* **Management Incentives** - Requires UNC Board and State Budget Office to review the need for management incentives and flexibility in budgeting at the campus level.
- Section 36* **Retention and Graduation Rates** - Requires UNC Board to report to the General Assembly on differences in retention and graduation rates on UNC campuses.
- Section 37* **Remediation** - Requires UNC Board and Community College Board to study the cost of remediation and its role in providing educational opportunity. Directs UNC, Community Colleges, and public schools to develop plan for sharing information on student performance and records.

Senate Bill 44

- Section 94* **Accountability** - Directs UNC Board to require campuses to show how they will measure institutional effectiveness, including student and faculty development.
- Section 95* **Financial Aid for Post-Secondary Education for Part-Time Students** - Directs that State-funded need-based financial aid programs shall be available to part-time students enrolled for at least 3 credit hours.
- Section 96* **Teacher Task Force Recommendations/Funds** - Directs areas of expenditure and annual reports on funds appropriated to improve teacher education.
- Section 97* **Centennial Observance Funds** - Directs that overhead receipts balances held by General Administration be allocated in an amount not to exceed \$100,000 for centennial observance at North Carolina Agricultural and Technical State University and \$50,000 for centennial observance at Western Carolina University.

Senate Bill 1042

- Section 15* **UNC Extension Fees/Charges Review** - Directs UNC Board to review policies on charges for off-campus courses.

Senate Bill 1177

- Section 4* **Center for Alcohol Studies Endowment** - Increases driver's license restoration fee for licenses revoked for driving while impaired by \$25, with additional money going to the Center for Alcohol Studies Endowment at UNC-Chapel Hill until amount from this source totals \$5,000,000.

UNIVERSITY OF NORTH CAROLINA - BOARD OF GOVERNORS

1990-91
General
Fund

1990 LEGISLATIVE ACTIONS

TOTAL OPERATING APPROPRIATIONS - 1989 SESSION \$1,083,275,656

BUDGET REDUCTIONS

UNIVERSITY OPERATIONS

1. UNC General Administration:
Eliminate 19.5 positions and non-personnel support. (829,680)
2. Distinguished Professors Endowment Trust Fund:
Reduce budgeted amount by 50%. (1,000,000)
3. Need-Based Scholarships:
Eliminate the 90-91 budgeted increase. (500,000)
4. Elizabeth City State Incentive Scholarship Funds:
Eliminate 90-91 expansion because existing funding
is sufficient to cover projected costs. (500,000)
5. Impose Temporary Additional Fees:
Increase tuition charges by \$41.50 per full-time
in-state student and \$83 per full-time
non-resident student to reduce appropriations.
UNC proposed this as a one-time fee. (5,682,720)
6. Eliminate 206.7 Full-Time Equivalent Teaching
Faculty Positions:
This is a pro-rata reduction of 2.4% of budgeted
teaching positions. (11,296,736)
7. Eliminate 51.6 Full-Time Equivalent Non-Teaching
Faculty Positions:
This is a pro-rata reduction of 2.4% of budgeted
non-teaching positions which are exempt from the
State Personnel Act (EPA). (2,121,412)
8. Eliminate 241.2 SPA Positions:
This eliminates 68% of the number of positions frozen
by the Office of State Budget and Management. (5,294,216)
9. Other Reductions in Operating Budgets:
This includes \$653,295 in building operating reserves.
and miscellaneous reductions by campus. (3,964,552)

	1990-91 General Fund
UNIVERSITY OF NORTH CAROLINA - BOARD OF GOVERNORS	
(1990 Actions, Continued)	
10. Salary Reserves: Eliminate 50% of salary reserves.	(271,587)
11. Management Flexibility: Reduce total appropriations due to revenue shortfall (includes Agricultural Programs).	(16,911,281)
SUBTOTAL BUDGET REDUCTIONS	(16,911,281)
UNIVERSITY OPERATIONS	(\$48,372,184)
UNIVERSITY OF NORTH CAROLINA HOSPITALS	
1. Reduce General Fund operating funds by 3%.	(1,159,170)
2. Management Flexibility - Reduce department's total appropriations due to revenue shortfall.	(585,601)
RELATED EDUCATIONAL PROGRAMS	
1. Reduce various programs by 3%.	(1,413,300)
2. Management Flexibility - Reduce department's total appropriations due to revenue shortfall.	(733,369)
N.C. SCHOOL OF SCIENCE AND MATHEMATICS	
1. Reduce operating budget by 3%.	(230,356)
2. Management Flexibility - Reduce department's total appropriations due to revenue shortfall.	(109,458)
AGRICULTURAL PROGRAMS	
1. Reduce budget by 3%.	(2,103,256)
TOTAL BUDGET REDUCTIONS	(\$54,706,694)
EXPANSION	
CENTER FOR ALCOHOL STUDIES ENDOWMENT	
1. A portion of the estimated receipts from increase in Driver's License Restoration Fee for DWI suspensions are used to fund the Center for Alcohol Studies Endowment at UNC-Chapel Hill as directed in Section 4, Chapter 786, 1989 Session Laws.	850,000
NORTH CAROLINA STATE UNIVERSITY	
2. Research Triangle World Trade Center - Grant-in-Aid	100,000
TOTAL EXPANSION	950,000
TOTAL NET BUDGET CHANGE	(53,756,694)
TOTAL OPERATING APPROPRIATIONS	\$1,029,518,962

UNIVERSITY OF NORTH CAROLINA - BOARD OF GOVERNORS
(1990 Actions, Continued)

SPECIAL PROVISIONS INCLUDED IN APPROPRIATION BILLS - 1990

Senate Bill 1426

- Section 80* **Aid to Private Colleges** - Implements 3% cut in aid programs.
- Section 81* **UNC Institutions' Centennial Celebrations** - Allows the Board of Governors to allocate up to \$100,000 per campus from available funds (overhead receipts) for campuses with centennial celebrations.
- Section 82* **UNC Employees Payroll Deductions** - Allows 6 campuses which process own payroll to have employee deductions for 501(c)(3) organizations which benefit campus programs.
- Section 83* **Plan for Nurse Midwifery Programs** - Directs UNC Board to plan for nurse midwifery programs and to report on cost to implement.
- Section 84* **Rural Development Programs** - Directs UNC Board and Rural Economic Development Center to review needs for rural economic development programs.
- Section 85* **Higher Education Opportunity Study** - Allows Legislative Research Commission to study grants for tuition and fees for needy students, allocates \$20,000 of General Assembly budget for study.
- Section 86* **ECU MRI Funds** - Allows ECU Medical School to retain reimbursement for lease of MRI equipment and building.

Senate Bill 1427

- Section 10* **UNC Engineering Graduate Research Center** - Allows the release of capital outlay funds as needed for site preparation and infrastructure for this facility.

**SELF-LIQUIDATING/RECEIPT SUPPORTED PROJECTS
OF THE UNIVERSITY SYSTEM**

1989 SESSION

1989-90

University of North Carolina Hospitals at Chapel Hill

- | | |
|-----------------------------------|--------------|
| 1. Administration Office Building | \$ 8,774,200 |
|-----------------------------------|--------------|

University of North Carolina at Chapel Hill

- | | |
|---------------------------------------------------------------------------------------------------------------------------------|------------|
| 1. Alumni Center - Increased scope from
\$6,967,000 to \$12,150,300 (SB 88) | 5,183,300 |
| 2. Research Facility to be leased by the
United States Government for use by the
Environmental Protection Agency (SB 693) | 30,000,000 |
| 3. Institute of Marine Sciences - Visiting
Investigator Facility (SB 693) | 106,000 |

University of North Carolina at Charlotte

- | | |
|---------------------------------------------|-----------|
| 1. Parking Deck (1,200 vehicles) | 7,604,000 |
| 2. Student Housing, Phase VI | 8,445,600 |
| 3. University/Convocation Activities Center | 5,677,300 |

Appalachian State University

- | | |
|-----------------------------------------------|-----------|
| 1. Improvements to Student Housing Facilities | 1,761,000 |
| 2. Parking Deck | 4,054,600 |

East Carolina University

- | | |
|-------------------------------------------------|-----------|
| 1. Expansion of Radiation Oncology Center | 7,812,100 |
| 2. Biotechnology Laboratory Building Completion | 4,746,600 |

North Carolina State University

- | | |
|-------------------------------------|-----------|
| 1. Research and Technology Building | 7,002,000 |
|-------------------------------------|-----------|

University of North Carolina at Asheville

- | | |
|---------------------------------------------|-----------|
| 1. Highsmith Center Renovation and Addition | 3,001,800 |
| 2. 300-Bed Residence Hall | 5,357,500 |

University of North Carolina at Greensboro

- | | |
|--------------------|-----------|
| 1. Student Housing | 6,310,600 |
|--------------------|-----------|

University of North Carolina at Wilmington

- | | |
|------------------------|-----------|
| 1. 200 Student Housing | 4,317,300 |
|------------------------|-----------|

Winston-Salem State University

- | | |
|-------------------------|-----------|
| 1. Cultural Arts Center | 2,374,200 |
|-------------------------|-----------|

TOTAL	\$112,528,100
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**SELF-LIQUIDATING RECEIPT SUPPORTED PROJECTS
OF THE UNIVERSITY SYSTEM**

1990 SESSION

1990-91

University of North Carolina Hospitals at Chapel Hill

1. Neuropsychiatric Hospital	\$43,215,000
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University of North Carolina at Chapel Hill

1. Renovation of Old East and Old West Residence Halls	4,098,100
2. Student Recreation Center	4,945,700
3. Office Building	4,864,100
4. Storage Facility	2,323,500

Appalachian State University

1. Additions to Plemmons Student Union Building	9,085,700
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East Carolina University

1. College Hill Dining Facility	4,081,800
2. Student Recreation Center	17,976,200
3. Renovate Slay and Umstead Dormitories	6,092,900

Western Carolina University

1. Renovate Reynolds Residence Hall	2,158,700
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University of North Carolina at Greensboro

1. Student Recreation Facilities - Project Approved in Chapter 995 of the 1987 Session Laws) - Cost Increase from \$10,428,900 to \$11,518,500	1,089,600
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TOTAL	\$99,931,300
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STATEWIDE RESERVES - OFFICE OF STATE BUDGET AND MANAGEMENT

The Office of State Budget and Management is charged to allocate lump sum appropriations which are distributed to all State departments and institutions once their needs are determined. Each agency determines its own needs and makes its request to the Office of State Budget and Management. The latter ranks the requests according to overall need and allocates the appropriations accordingly.

CONTINUATION BUDGET AS RECOMMENDED BY THE GOVERNOR	1989-90 General Fund	1990-91 General Fund
Contingency and Emergency Reserve	\$1,125,000	\$1,125,000
Reserve for Salary Adjustments	4,000,000	4,000,000
TOTAL RECOMMENDATIONS	\$5,125,000	\$5,125,000

1989 LEGISLATIVE ACTIONS

EXPANSION BUDGET

RESERVE FOR SALARY INCREASE:

1. Reserve to be allocated to the various departments for granting salary increases for State employees and public school personnel as outlined in Salary Changes section.	292,300,000 ^a	611,900,000 ^a
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RESERVE FOR HOSPITAL-MEDICAL BENEFIT

2. Reserve to support a fifteen percent increase in premiums effective October 1, 1989.	30,000,000	40,000,000
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TOTAL OPERATING EXPANSION	322,300,000	651,900,000
TOTAL OPERATING APPROPRIATIONS	\$327,425,000	\$657,025,000

^a Does not include Salary Increases for Mandated Local Programs - These costs are included under the Department of Human Resources.

SPECIAL PROVISIONS INCLUDED IN APPROPRIATION BILLS - 1989

Senate Bill 44

Section 20 Contingency and Emergency Restricted Reserve - Directs that a specific portion of fund be designated for purposes as outlined in G.S. 143-23(a1)(3)(4) and (5).

Section 21 Contingency and Emergency/Outdoor Drama - Permits the allocation of up to \$15,000 upon application by an outdoor historical drama corporation.

Section 50 Contingency and Emergency Fund Allocation - Designates \$900,000 for each fiscal year of the biennium for emergency purposes outlined in G.S. 143-23 (a1)(3)(4), and (5) allowing \$225,000 each year to be used for other purposes.

STATEWIDE RESERVES - OFFICE OF STATE BUDGET AND MANAGEMENT

1990 LEGISLATIVE ACTIONS

TOTAL OPERATING APPROPRIATIONS - 1989 SESSION \$657,025,000

BUDGET REDUCTIONS

- 1. Reduce statewide reserves by 3%
 - a. Contingency and Emergency (33,750)
 - b. Salary Adjustment Fund (11,273)

- 2. Reduce salary increase reserve to reflect requirements needed for FY 90-91 due to June 30, 1991 payroll being delayed for payment until July 1 of the next fiscal year. (9,200,000)

TOTAL BUDGET REDUCTIONS (9,245,023)

EXPANSION BUDGET

STATE ACCOUNTING SYSTEM (SAS) RESERVE

- 1. Provide funds for a statewide reserve for continued implementation of the SAS including \$1.2 million for Outside Services, \$400,000 for processing costs and \$400,000 for equipment. The funds will be distributed to the Office of State Controller and other state departments and institutions for implementation of the accounting system.

This is partial funding for year 1 of a five year plan for complete implementation of the SAS at an estimated total cost of \$18 million. 2,000,000

BUDGET STABLIZATION RESERVE

- 2. Provide reserve for the purpose of offsetting unanticipated conditions creating adverse effects on the State's budget. 141,000,000

TOTAL NET BUDGET CHANGE 133,754,977

TOTAL OPERATING APPROPRIATIONS \$790,779,977

STATEWIDE RESERVES - OFFICE OF STATE BUDGET AND MANAGEMENT
(1990 Actions, Continued)

SPECIAL PROVISIONS INCLUDED IN APPROPRIATION BILLS - 1990

Senate Bill 1426

- Section 10* **Budget Stabilization Reserve** - Appropriates funds for the Budget Stabilization Reserve. Directs that the Economic Future Study Commission develop recommended rules governing the creation and maintenance of a permanent Reserve for the 1991 General Assembly to enact. States that the 1990-91 funds shall not be spent without prior approval of the General Assembly.
- Section 25* **Contingency and Emergency Allocation** - Reduces from \$225,000 to \$191,250, the sum designated for allocation purposes other than those outlined in G.S. 143-23 (a1) (3), (4), and (5).
- Section 37* **Accelerated Pay Plan** - Authorizes the transfer of an amount up to \$750,000 from the 1990-91 Salary Increase Fund to the Salary Adjustment Fund for the purpose of supporting an accelerated pay plan for the lowest paid state employees in accordance with guidelines developed by the State Personnel Commission.
- Section 146* **Autism Society of North Carolina, Inc.** - Directs that \$345,960 of any General Fund appropriation be allocated to the Autism Society of North Carolina, Inc., to continue the State grant for operations and for stipends for the Society's summer camp.

DEBT SERVICE

1990-91
General
Fund

1990 LEGISLATIVE ACTIONS

TOTAL OPERATING APPROPRIATIONS - 1989 SESSION **\$66,538,583**

EXPANSION BUDGET

1. Increase appropriation for payment of debt service on \$20.5 million bond issued in May, 1989 for new parking deck.

Principal	\$1,575,000	
Interest	<u>333,300</u>	1,908,300

Note: The authorized recommended budget reflects an increase of a corresponding amount in the General Fund availability (non-tax revenue) from the collection of parking fees.

2. Increase funding for payment of debt service on the proposed issuance of \$75 million two-thirds bonds in December, 1990 for correctional facilities.

Principal	0	
Interest	<u>\$2,812,500</u>	2,812,500

TOTAL EXPANSION **4,720,800**

TOTAL OPERATING APPROPRIATIONS **\$71,259,383**

GENERAL FUND CAPITAL IMPROVEMENTS

 1989 LEGISLATIVE ACTIONS

	1989-90 General Fund	1990-91 General Fund
DEPARTMENT OF ADMINISTRATION		
1. Construction of New Steam Plant, State Government Complex in Raleigh	\$7,054,500	\$ -
2. Reserve for Asbestos Removal	750,000	-
3. Life Safety Corrections, Government Complex	100,000	-
4. North Carolina Aquariums - Emergency Repairs/Renovations	300,000	-
5. Construction of New Revenue Building	18,000,000	18,000,000
6. Veterans Cemetery Funds	400,000 ^a	400,000 ^a
7. Indian Cultural Center - Planning and Construction	500,000	-
TOTAL ADMINISTRATION	27,104,500	18,400,000
DEPARTMENT OF AGRICULTURE		
1. Construction of New Agronomic Building	7,100,000	-
2. Irrigation System/Border Belt - Tobacco Research Station		
Total Requirements	\$90,800	
Less Receipts from Timber Sales	<u>90,800</u>	
Appropriation	\$ -0-	-
3. Garden Center Building, Charlotte Regional Farmers' Market	320,600	-
4. Purchase of Harborside Building - Maritime Museum at Beaufort	\$355,000	-
5. Piedmont Triad Market - Planning for First Phase of Development (HB 7)	500,000	-
6. Museum of Natural Science - Planning Special Provision: Directs that funds from Reserve for Advance Planning be Used - Approximately \$300,000 is Available	-	-
TOTAL AGRICULTURE	8,275,600	-
DEPARTMENT OF COMMERCE^b		
1. Hazardous Waste Treatment Reserve - Land Acquisition	2,000,000	-

	1989-90 General Fund	1990-91 General Fund
CAPITAL IMPROVEMENTS - 1989 SESSION (Continued)		
2. State Ports Authority		
(a) Wilmington	3,000,000	-
(b) Morehead City	3,000,000	-
3. Biotechnology Center - Grant for Construction (dollar for dollar match required)	1,000,000 State Aid	-
TOTAL COMMERCE	9,000,000	-
DEPARTMENT OF COMMUNITY COLLEGES^c		
1. Completion of Funding for Original 1984 Five Year Capital Needs Plan		
(a) Cape Fear Community College	500,000	-
(b) Catawba Valley Community College	650,000	-
(c) Caldwell Community College and Technical Institute	100,000	-
(d) Randolph Community College	1,200,000	-
(e) Halifax Community College	410,459	-
(f) Isothermal Community College	461,000	-
2. Repayment of Loans	850,000	-
3. Central Piedmont Community College - Completion of Facility for Optical Disc Program	400,000	-
TOTAL COMMUNITY COLLEGES	4,571,459	-
DEPARTMENT OF CORRECTION		
1. Reserve for electrical, heating ventilating repairs at various field units	341,700	347,800
2. Reserve for repair and renovation of plumbing at 51 field units	-	517,600
3. Harnett Medium Custody - Renovate present dorms - safety, plumbing, ventilation, roofs, add day rooms	710,700	-
4. Waste Water and Water Improvements	1,832,600	133,400
5. Morrison Youth - Fencing for Edwards Dorm	55,200	-
6. Renovate Dorm A at NCCIW for Substance Abuse	-	62,800
7. Renovation of building at Cherry Hospital for DWI Probation and Parole	-	894,000
TOTAL CORRECTION	2,940,200	1,955,600

	1989-90 General Fund	1990-91 General Fund
CAPITAL IMPROVEMENTS - 1989 SESSION (Continued)		
DEPARTMENT OF CRIME CONTROL AND PUBLIC SAFETY		
1. National Guard - Expansion/Modifications to Military Center Building in Raleigh	1,774,000	-
DEPARTMENT OF CULTURAL RESOURCES		
1. Museum of the Albemarle - Planning	150,000	-
2. Thomas Wolfe Memorial - Supplement to prior years' funding for the Visitor's Center	75,000	-
3. Ziegler House renovation and construction of an addition to be used as a Visitors Center.	463,000	-
4. Charlotte Hawkins Brown State Historic Site - Improvements	482,000	-
5. Spencer Shops - Round House Renovations	200,000	-
6. Newbold-White House - Land Acquisition	50,000 ^d	-
7. Library Grants (Grant of up to \$50,000 per library system, one for one match of non-state funds required).	500,000 ^e State Aid	-
TOTAL CULTURAL RESOURCES	1,920,000	-
DEPARTMENT OF HUMAN RESOURCES		
1. Life Safety Improvements	\$2,900,000	-
2. Reserve Area Mental Health Centers	1,500,000 ^f	-
3. Vocational Rehabilitation Program - Purchase Buildings from Wayne Community College	1,500,000	-
4. Western Carolina Center		
(a) Addition to wheelchair shop	105,160	-
(b) Roof construction over outdoor recreation center	20,000	-
(c) Replacement of air conditioning cooling towers (match an Exxon grant dollar-for-dollar)	200,000	-
TOTAL HUMAN RESOURCES	6,225,160	-
DEPARTMENT OF JUSTICE		
1. State Bureau of Investigation Complex Building, Raleigh	12,186,000	6,322,000

	1989-90 General Fund	1990-91 General Fund
CAPITAL IMPROVEMENTS - 1989 SESSION (Continued)		
DEPARTMENT OF NATURAL RESOURCES		
1. Addition to Existing Geological Survey Core Repository on Reedy Creek Road, Raleigh	250,900	-
2. Reserve for Critical Needs for Construction at Forest Resources County Headquarters - Beaufort, Scotland, Rutherford, Pasquotank, Henderson, Cumberland, and Mitchell Counties	997,400g	-
3. Reserve for Land Purchases at Coastal areas		
(a) Buxton Woods	.b	-
(b) Masonboro Island - Match of Non-State Funds Required	1,000,000	-
4. Reserve for Beach Access - Land Acquisition	500,000	-
5. State Parks System Reserve		
(a) Repairs and Renovations/Improvements	6,000,000 ⁱ	-
(b) Land Purchases	2,000,000 ⁱ	-
6. North Carolina Zoological Park - Complete North American Phase		
Total Requirements	5,312,500	
Less Receipts	1,062,500	4,250,000 ^j
7. Reserve for Civil Works Projects	2,200,000 ^k	-
	State Aid	
8. Small Watershed Grant Program	450,000	-
	State Aid	
TOTAL NATURAL RESOURCES	17,648,300	-
OFFICE OF STATE BUDGET AND MANAGEMENT		
1. Reserve for Emergency Prison Construction ^l		
(a) Alamance, Minimum Custody - 2 50-man dorms, multi-purpose building, fencing, utilities	31.883	1,171,345
(b) Duplin, Minimum Custody - 1 50-man dorm. multipurpose building, dining/kitchen building, fencing utilities	\$43.804	\$1,551,427
(c) Anson, Minimum Custody: 1 50-man dorm. multipurpose building, dining/kitchen building, fencing, utilities	38.813	1,518,702
(d) Nash-Sign Plant for Enterprises	701.000	-

	1989-90 General Fund	1990-91 General Fund
CAPITAL IMPROVEMENTS - 1989 SESSION (Continued)		
(e) Columbus, Medium Custody - 104- man dorm, multipurpose building, dining/ kitchen building, guard tower, fencing, utilities	3,619,581	-
(f) Harnett - Medium Custody: 104 man dorm, administration building, dining hall expansion, guard towers, fencing, utilities	-	4,192,984
(g) New Unit - 652 bed receiving and processing center; six 104 bed dorms, one 28 bed single cell; and, food, medical, processing, program and administrative areas. Support for land acquisition, site development, and advance planning.	-	2,310,651m
(h) Harnett - Metal Products Plant (Enterprises)	-	1,531,800
(i) Harnett - Tailoring Plant (Enterprises)	-	1,028,100
(j) Pender Medium Custody 104 man dorm, vocational building, multi-purpose building, dining/ kitchen hall, guard tower, fencing and utilities.	-	3,953,533
(k) Female Misdemeanant Processing at Fountain Correctional Center	332,200	-
(l) Kitchen facility construction and renovation at Women's Correctional Center	660,168	-
(m) DWI facility, Cherry Hospital	193,800*	650,200*
(n) Mental Health Facilities, Women's Correctional Center	1,718,196*	-
(o) Franklin, Medium Custody, 104-man dorm, administration building, multipurpose building, recreation building, recreation field fence and tower	2,362,042*	-
(p) Sampson, Medium Custody, 104-man dorm, administration building, recreation field fence and tower, pave road and parking lot	2,164,718*	-
(q) Nash, Convert from Minimum to Medium Custody, 400 single rooms, multipurpose building, kitchen/dining building, electronic perimeter security, double fencing, utilities, convert old dorm to programs building, demolish modular dorm, construct gymnatorium, administration building and infirmary	20,069,073*	-

	1989-90 General Fund	1990-91 General Fund
CAPITAL IMPROVEMENTS - 1989 SESSION (Continued)		
(r) Nash Print Plant - Triple current space (Enterprises)	2,672,880*	-
(s) Johnston Print Plant - Triple current space (Enterprises)	3,895,360*	-
(t) Dayrooms Addition to Existing Medium Security - Field unit dorms	6,255,760*	-
(u) Dayroom Addition to Existing Minimum Security - Field unit dorms	224,456*	7,668,211*
(v) Classroom and Vocational Buildings - Renovations and site preparation	1,386,596*	1,583,141*
2. Low Level Radioactive Waste Site Development	8,000,000	6,000,000
3. Repairs/Renovation Reserve	7,922,840 ⁿ	-
4. Executive Mansion Fund (dollar-for-dollar match required)	1,000,000 ^o	-
5. Vietnam Veterans Memorial Park - Establishment of Park on Interstate 85 (Contingent upon match of \$1 for each \$2 of State Funds) (HB 1513)	150,000	-
6. Clean Water and Sewer Loan and Grant Program	10,000,000 ^p	-
7. Satellite Jail Program	4,576,604 State Aid	4,000,000 State Aid
8. Solid Waste Revolving Fund	5,000,000 State Aid	-
TOTAL OFFICE OF STATE BUDGET AND MANAGEMENT	83,019,774	37,160,094

*Funds appropriated in SB 38

UNIVERSITY OF NORTH CAROLINA

1. Board of Governors:		
(a) Partial Funding for Remaining Projects of 1988 Supplemental Requests	10,000,000	-
(b) Reserve for Repairs/Renovations; Utilities, Repairs and Improvements: Roads, Walks, and Drives; and, OSHA and Barrier	6,000,000	-
(c) Reserve for Land Acquisition	1,000,000	-
(d) Reserve for Area Health Education Centers - Construction Grants	1,500,000	-
2. Appalachian State University		
(a) Academic Support Services Building - Planning	1,000,000	-
(b) Student Activities Center (Project one-half self liquidating)	3,000,000	-

	1989-90 General Fund	1990-91 General Fund
CAPITAL IMPROVEMENTS - 1989 SESSION (Continued)		
3. East Carolina University - Academic		
(a) Addition to Joyner Library - Planning of \$1.0 M and Construction Reserve of \$6.0 M	7,000,000q	-
(b) Center for Regional Advancement (dollar for dollar match required) - Planning	1,000,000r	-
4. East Carolina University - Medical School		
(a) Vivarium Addition - Planning	364,000	-
5. Elizabeth City University		
(a) Supplement for Dorm Renovations/Repairs - Planning	131,000	-
6. Fayetteville State University		
(a) Indoor Health/Physical Education Facility	8,000,000	1,677,800
7. N.C. Arboretum		
(a) Projects as outlined in Board of Governor's Request	1,250,000	-
8. N.C. Central University		
(a) Conversion of Women's Gym to Data Processing Center - Planning	158,000	-
9. N.C. State University		
(a) Engineering Graduate Research Center Reserve	6,000,000q	-
(b) Agricultural Programs - Laboratory Animal Facilities - Planning	200,000	-
(c) Centennial Campus Center - Matching Funds	2,000,000	-
10. Pembroke State University		
(a) Administration Building - Planning	276,000	-
11. University of North Carolina at Asheville		
(a) Conference Center Reserve	4,000,000q	-
(b) Renovations and/or addition to the Kellogg Center in Henderson County.	200,000	-
12. University of North Carolina at Chapel Hill		
(a) Building for School of Social Work Reserve	4,140,500q	-
(b) School of Business - Planning \$1.0 M/; Construction Reserve of \$6.5 M (\$5.0 M match required)	7,500,000q	-
13. University of North Carolina Hospitals at Chapel Hill		
(a) Fire Alarm/Sprinkler System Upgrade	4,003,100	-
14. University of North Carolina at Charlotte		
(a) Classroom/Academic Support Facility Planning	840,000	-

	1989-90 General Fund	1990-91 General Fund
CAPITAL IMPROVEMENTS - 1989 SESSION (Continued)		
15. University of North Carolina at Wilmington		
(a) Physical Sciences Building/ Renovation of DeLoach Hall	656,000	-
16. Western Carolina University		
(a) Completion of Belk Building/ Asbestos removal - Planning	76,000	-
17. Winston-Salem State University		
(a) Student Services/Cafeteria/Student Union Complex (Project one-half self liquidating) - Planning	305,000	-
TOTAL UNIVERSITY	\$70,599,600	\$1,677,800
GRAND TOTAL - CAPITAL OUTLAY	\$245,264,593	\$65,515,494

- a Section 16, S1042, Chapter 754 requires that funds be divided equally each year between the 3rd and 11th Congressional Districts for purpose shown. Funds are to be used for fees, advance planning, site improvements, and construction costs. Funds allocated are also to be used for the employment of one time- limited project manager position and administrative expenses.
- b Department of Commerce was reorganized as the Department of Community and Economic Development
- c Section 13, S1042, Chapter 754 states that Community Colleges' capital funds are not to revert.
- d Section 12, S1042, Chapter 754 requires that land purchased for this facility in Perquimans County be deeded to the State.
- e Section 19, S1042, Chapter 754 allows use of funds for construction or renovation of public library facilities. Grant maximum is \$50,000 and a local dollar-for-dollar match is required. Land may be considered for match requirement.
- f Section 10, S1042, Chapter 754 limits allocation for any one area mental health center to \$500,000.
- g Section 36, S1042, Chapter 754 permits the use of receipts to construct a regional forestry headquarters facility on the Buncombe County site with force account construction and labor not to exceed the value of \$150,000.
- h Section 23, S1042, Chapter 754 requires that funds appropriated for land purchases - coastal reserve be used only for Buxton Woods and Masonboro Island. Section 32, S1309, Chapter 799 directs that \$100,000 be redesignated to the Gates County Board of Education and rewrites Section 23, S1042 to limit use of the \$1,000,000 reserve for purchase of land at Masonboro Island.
- i Section 39, S1042, Chapter 754 allows the sum of \$250,000 to be used to support one-time limited position to manage capital projects and to contract with a professional design firm to manage these projects; the sum of \$5,750,000 is to be used for projects throughout the park system; and, \$2,000,000 is to be used for acquiring critical parcels of inholdings or corridors or easements identified for inclusion in the State Park System.

SPECIAL PROVISIONS INCLUDED IN APPROPRIATION BILLS - 1989

Reports of projects and land purchases are to be made to the Joint Legislative Commission on Governmental Operations, the Office of State Budget and Management, and the Fiscal Research Division.

j Section 44, S1042, Chapter 754 allows the expenditure of State funds to the extent that the required matching funds have been raised. Funds are not to revert.

k Section 48, S1042, Chapter 754 allocates funds as follows:

(1) Wilmington Harbor Maintenance Dredging	\$225,000
(2) Northeast Cape Fear River	201,000
(3) Wanchese Channel Maintenance Dredging	231,000
(4) Wilmington Harbor Passing Lane Study	173,000
(5) Wrightsville Beach Protection	353,000
(6) Aquatic Weed Control	40,000
(7) State Local Water Resources	499,000
(8) Cape Lookout Ferry Channel Maintenance	175,000
(9) Corps of Engineers - Feasibility Studies	50,000
(10) Wilmington Harbor Turns and Bends Study	150,000
(11) Wilmington Harbor Turning Basin Study	90,000
(12) Neuse River (Oriental) Bank Protection	13,000

Adjustments of allocations among projects are permitted as well as shifts to projects that the Army Corps of Engineers may have advanced if these projects are delayed. Report is to be made quarterly to the Joint Legislative Commission on Governmental Operations.

l Section 28, S1042, Chapter 754 excludes these projects from the requirements of several statutes and rules implementing those statutes. Reports on progress of projects are to be made to various committees including the Joint Legislative Commission on Governmental Operations.

m Section 29, S1042, Chapter 754 limits land acquisition cost of a new diagnostic unit to \$1,000,000.

n Section 32, S1042, Chapter 754 allows up to \$61,500 to be used to repair or replace the heating and air conditioning system at the Chapel of the Correctional Center for Women at Raleigh.

o Section 46, S1042, Chapter 754 permits the release of State funds to the Executive Mansion Fund, Inc., provided an equal match of non-state funds is raised by the corporation. Use of State funds is limited to immediate needs for restoration and acquisitions for the first floor public areas and for the Fine Arts Reserve Fund's acquisitions, restoration and operations.

p Section 62, S1042, Chapter 754 allocates \$100,000 of these funds to the North Carolina Rural Water Association, Inc. as a grant-in-aid for operating expenses incurred for providing training and technical assistance to small water systems throughout the State.

q Section 11, S1042, Chapter 754 as amended by Section 6(b), SB 1309 Chapter 799, identifies the following items to be placed in a restricted reserve until the General Assembly appropriates additional construction needs for these projects. It allows the Asheville project to be contracted with the stipulation that no more than \$2,000,000 be available for contract payment during 1989-90.

SPECIAL PROVISIONS INCLUDED IN APPROPRIATION BILLS - 1989

North Carolina State University Engineering Graduate Research Center	\$ 6,000,000
University of North Carolina - Chapel Hill School of Business	6,500,000
Social Work Building	4,140,500
East Carolina University Joyner Library	6,000,000
University of North Carolina at Asheville Conference Center	2,000,000
	<hr/>
	\$24,640,500

- r Section 6(c), S1309, Chapter 799 eliminates the match requirement for the Center for Regional Advancement if no part of the facility is a sports arena.

GENERAL FUND CAPITAL IMPROVEMENTS

1990 LEGISLATIVE ACTIONS

	Fiscal Year of Appropriation	Amount Reverted/ Delayed	1990-91 Appropriation ^a
DEPARTMENT OF ADMINISTRATION			
1.	Museum of Art - Landscaping	1987, 88	\$ 700,000
2.	Education Building - Furnishings	1988	1,407,980
3.	New Steam Plant - Government Complex	1989	6,594,500
4.	Reserve for Asbestos Removal	1989	750,000
5.	New Revenue Building	1990	18,000,000
6.	Veterans Cemetery Funds	1990	400,000
7.	Indian Cultural Center - Planning	1989	150,000
8.	New Museum of Natural Science - Supplement for Exterior Planning	-	90,000
TOTAL ADMINISTRATION		28,002,480	21,393,955
DEPARTMENT OF AGRICULTURE			
1.	Watercraft Museum	1987,88	499,700
2.	Western North Carolina Agricultural Center - Land	1988	350,000
3.	Mountain Research Station - Building	1987	140,000
4.	Southeastern Farmers Market	1986	1,500,000
5.	Southeastern Farmers Market- Wastewater Treatment Facility	-	140,000
6.	New Agronomics Lab	1989	6,852,694
7.	Garden Center Building - Charlotte	1989	320,600
8.	Piedmont Triad Market	1989	500,000
TOTAL AGRICULTURE		10,162,994	8,929,394
DEPARTMENT OF COMMUNITY COLLEGES			
1.	Anson Community College/ Stanly Community College - Union Satellite	1988	900,000
2.	Cape Fear Community College - Classroom	1989	500,000
3.	Craven Community College - Student Activity Center	1988	750,000

	Fiscal Year of Appropriation	Amount Reverted/ Delayed	1990-91 Appropriation a
DEPARTMENT OF COMMUNITY COLLEGES (Continued)			
4. Fayetteville Technical Community College - Center for Applied Technology Equipment	1987,88	899,952	899,952
5. Isothermal Community College - Fine Arts Center	1989	320,000	-
6. Johnston Community College - Renovate Library	1988	90,000	90,000
7. Pitt Community College - Vocational Building	1988	28,577	28,577
8. Roanoke-Chowan Community College - Technology/Small Business Center	1988	368,645	368,645
9. Rockingham Community College - Lab/Classroom Building	1988	1,032,826	407,826
10. Vance-Granville - Repairs/ Renovations of Franklin County Satellite	-	-	133,592
11. Wake Technical Community College - Health Education Building	1988	1,110,000	1,110,000

TOTAL - COMMUNITY COLLEGES

6,000,000

3,038,592

DEPARTMENT OF CORRECTION

1. Reserve for Repairs - Statewide	1990	347,800	347,800
2. Wastewater and Water System Improvement	1990	133,400	133,400
3. Plumbing Repairs at 51 Units	1990	517,600	517,600
4. Substance Abuse Facility (Correctional Center for Women)	1990	62,800	62,800
5. DWI Treatment Facility (Goldsboro)	1990	894,000	894,000

TOTAL - CORRECTION

1,955,600

1,955,600

**DEPARTMENT OF CRIME CONTROL
AND PUBLIC SAFETY**

1. Construction of Armories
at Clinton and Goldsboro

Total Requirements	\$5,409,300
Federal Matching	3,941,500
Local Matching	733,900
State Matching	733,900

733,900

	Fiscal Year of Appropriation	Amount Reverted/ Delayed	1990-91 Appropriation	a
DEPARTMENT OF CULTURAL RESOURCES				
1.	Ziegler House - Renovation	1989	400,000	- c
2.	C.H. Brown State Historic Site - Improvements	1989	400,000	- c
3.	Spencer Shops - Round House Renovations	1989	150,000	- c
4.	Museum of the Albemarle - Continued Planning	-	-	75,000
TOTAL - CULTURAL RESOURCES			950,000	75,000
DEPARTMENT OF ECONOMIC AND COMMUNITY DEVELOPMENT				
1.	Biotechnology Center - Construction Grant	1989	1,000,000	1,000,000
2.	State Ports Authority			
a.	Expansion, Modernization and Development	1988	2,844,043	-
b.	Long Range Planning	-	-	100,000
c.	Development - Morehead City Port	1989	2,130,263	-
d.	Development - Wilmington Port	1989	1,025,694	-
3.	National Institute of Statistical Sciences (Research Triangle Park)	-	-	2,500,000 d
TOTAL - ECONOMIC AND COMMUNITY DEVELOPMENT			7,000,000	3,600,000
DEPARTMENT OF ENVIRONMENT, HEALTH AND NATURAL RESOURCES				
1.	State Park System:			
a.	Repairs and Renovations/ Improvements	1989	2,000,000	1,000,000
b.	Land Purchases	1989	400,000	-
2.	Forestry Resources County Headquarters - Beaufort, Rutherford and Cumberland Counties	1989	900,000	450,000
3.	North Carolina Zoological Park - North American Phase	1988,89	6,250,000	6,250,000 e
4.	Coastal Reserves - Buxton Woods - Federal Matching	-	-	125,000
5.	Reserve for Water Resources	-	-	2,100,000 f
6.	Shellfish, Sanitation Lab Facility - Wilmington	-	-	284,532
TOTAL - ENVIRONMENT, HEALTH AND NATURAL RESOURCES			9,550,000	10,209,532

	Fiscal Year of Appropriation	Amount Reverted/ Delayed	1990-91 Appropriation	a
DEPARTMENT OF HUMAN RESOURCES				
1.	Murdoch Center - Renovate Parkview Cottage	-	1,400,000	
DEPARTMENT OF JUSTICE				
1.	State Bureau of Investigation Complex	1989, 90	18,508,000	e
2.	Justice Academy - Classroom Building	-	2,000,000	
NORTH CAROLINA SOLID WASTE MANAGEMENT CAPITAL PROJECTS FINANCING AGENCY				
		1989	5,000,000	900,000
OFFICE OF STATE BUDGET AND MANAGEMENT				
1.	Water and Sewer Grants	1985	9,000,000	8,500,000
2.	Clean Water Program	1988	2,000,000	2,000,000
3.	Clean Water Program - Federal Match	-	-	6,150,000
4.	Emergency Prison Construction Program (see 1989 Session for itemization)	1990	27,160,094	27,160,094
5.	Low-Level Radioactive Waste Site Selection	1990	6,000,000	6,000,000
6.	Satellite Jail/Work Release Units	1989, 90	8,576,604	-
7.	Public School Construction Funds:			
	a. ADM Fund Allocations	-	-	36,500,000
	b. Critical Needs Allocation	-	-	10,000,000
8.	Repairs and Renovations	-	-	5,543,872
TOTAL - OFFICE OF STATE BUDGET AND MANAGEMENT			52,736,698	101,853,966
UNIVERSITY OF NORTH CAROLINA - BOARD OF GOVERNORS				
1.	University-wide Construction	1987	2,855,678	2,855,678
2.	Advance Planning	1987	350,000	350,000
3.	Major Renovations and Repairs	1988	4,865,660	4,793,242
4.	Utilities Repairs and Improvements	1988	1,692,000	1,598,657
5.	Land Acquisition	1988	689,920	689,920
		1989	1,000,000	1,000,000
		-	-	500,000

	Fiscal Year of Appropriation	Amount Reverted/ Delayed	1990-91 Appropriation	a
UNIVERSITY OF NORTH CAROLINA - BOARD OF GOVERNORS (Continued)				
6.	University-wide Construction	1988	5,352,932	5,062,150
7.	Mitchell 4-H Camp - Repairs	1988	214,000	214,000
8.	UNC - Asheville			
a.	Conference Center	1988	2,200,000	2,200,000
b.	Conference Center	1989	2,000,000	2,000,000
c.	Conference Center	1990	2,000,000	-
9.	North Carolina Arboretum	1988	1,062,810	1,062,810
		1989	1,250,000	1,250,000
10.	North Carolina State University			
a.	Engineering Graduate Center	1989	6,000,000	3,000,000
b.	Centennial Center	1989	2,000,000	1,000,000
c.	Agriculture Programs - Castle Hayne Horticultural Research Station - Greenhouse and Support Facilities	-	-	275,000
11.	University of North Carolina at Chapel Hill			
a.	School of Business	1989	6,500,000	5,000,000
b.	Social Work Building	1989	4,140,500	2,500,000
c.	Living and Learning Center for Autistic Adults	-	-	1,078,000
12.	East Carolina University			
a.	Joyner Library Addition	1989	6,000,000	2,000,000
b.	Center for Regional Advancement	1989	1,000,000	500,000
13.	Fayetteville State University - Health/Physical Education Building	1989, 90	8,677,800	8,677,800
14.	Appalachian State University -			
a.	Student Activities Center	1989	2,000,000	2,000,000
b.	Academic Support Building	1989	500,000	500,000
15.	Area Health Education Centers - Construction Grants	1989	1,100,000	1,100,000
TOTAL - UNIVERSITY OF NORTH CAROLINA BOARD OF GOVERNORS			63,451,300	51,207,257
GRAND TOTAL			\$203,317,072	\$207,297,196

SPECIAL PROVISIONS INCLUDED IN APPROPRIATION BILLS - 1990

- a Section 10, SB 1427, Chapter 1074 restricts the allotment of most capital outlay funds prior to January 1, 1991. Exceptions are made for any projects on which construction contracts have been awarded; where federal, local, or private funds are available to match State funds; where agents of the State have made commitments to provide waste disposal facilities; or, where necessary repairs must be made to State facilities.
- b Section 18, SB 1427, Chapter 1074 requires the State to lease for \$1.00 per year for a period of 99 years all real property acquired for the Indian Cultural Center. All construction is prohibited until an environmental impact assessment is completed on Phase 1 of the property. The North Carolina Indian Cultural Center, Inc. must have \$4,160,000 in hand at the end of five years from the date of the lease agreement execution or the lease contract automatically terminates. One hundred thousand (\$100,000) dollars is to be used for the environmental impact assessment; \$50,000 is to be used for operating costs of the Center.
- c Section 11, SB 1427, Chapter 1074 allows funds from the Office of State Budget and Management Repairs and Renovations Reserve to be used for this project.
- d Section 35, SB 1427, Chapter 1074 states that funds must be matched on the basis of one non-state dollar for each state dollar; it also prohibits the disbursement of state funds until the design or construction contracts are awarded.
- e Section 4, SB 1427, Chapter 1074 makes contingent appropriations for the State Bureau of Investigation Complex (\$18,508,000) and the N.C. Zoological Park (\$4,953,000). These appropriations are to become effective only if non-recurring revenue is available to support these expenditures after the determination that all other budgeted expenditures will be met.
- f Section 34, SB 1427, Chapter 1074 allocates funds as follows:

1. Morehead City Harbor Maintenance Dredging	\$50,000
2. Beaufort Harbor Maintenance Dredging	80,000
3. Lower Creek (City of Lenoir) Flood Control	169,000
4. Aquatic Weed Control Projects	37,000
5. Carolina Beach Renourishment	800,000
6. State/Local Water Development Projects	278,000
7. Wilmington Harbor Passing Lane Study	18,000
8. Wilmington Harbor Turns and Bends Study	13,000
9. Corps of Engineers Feasibility Studies	As Funds Are Available
10. Colington Bay Navigation	200,000
11. Small Watershed	380,000
12. Great Coharie (Sampson County) Flood Control	75,000

Adjustments of allocations among projects are permitted as well as shifts to projects that the Army Corps of Engineers may have advanced if these projects are delayed. Report is to be made quarterly to the Joint Legislative Commission on Governmental Operations.

- g Section 15, SB 1427, Chapter 1074 requires that funds appropriated by Section 4 of Chapter 480, Session Laws of 1985 (as limited by Section 5.12 of that act, as amended), that have not been contractually obligated by May 31, 1991, revert to the General Fund.
- h Section 10(b) SB 1427, Chapter 1074 allows the release of these funds as needed for site preparation and infrastructure for this facility.

STATE PRISON FACILITIES LEGISLATIVE BOND FUND OF 1990
(House Bill 2245; Chapter 933)

<i>Projects at Correctional Centers</i>	<i>Custodial Level</i>	<i>Beds</i>	<i>Projected Allocation</i>
Caswell	Medium	104	\$3,456,536
Columbus	Medium	104	3,087,200
Pender	Medium	208	4,610,628
Western Institution	Close	480	28,724,300
Burke Youth	Minimum	100	2,782,956
Randolph	Medium	208	6,239,363
Montgomery	Medium	104	4,227,592
N.C. Correctional Institution for Women (A&B Dormitory Replacement)	Medium	208	3,720,110
Anson or Lenoir	Medium	520	16,625,417
Contingencies	—	—	1,525,898
TOTAL		2,036	\$75,000,000

Section 10 Increases the prison population cap from 18,715 to 19,324 effective November 1, 1990.

Section 11 Increases the prison population cap from 19,324 to 20,435 effective June 30, 1991.

BOND REFERENDUM FOR STATE PRISON AND YOUTH SERVICES FACILITIES
(House Bill 2287; Chapter 935)

Subject to a favorable vote of a majority of qualified voters of the State, the State Treasurer is authorized to issue and sell general obligation bonds, totaling \$200,000,000. Proceeds of bonds and notes are to be used in financing the cost of State prison facilities and youth services facilities, renovating or reconstructing existing facilities, acquiring related equipment, purchasing land, paying cost of issuance of bonds and notes and paying contractual services. Particular projects are to be determined by legislative action of the General Assembly at the 1991 Session or any subsequent session.

**LEGISLATIVE ACTIONS:
HIGHWAY FUND APPROPRIATIONS**

DEPARTMENT OF TRANSPORTATION - HIGHWAY FUND

Statutory Authority: General Statutes, Chapter 20, 63, 136, and 143B

The Department of Transportation has two primary operating agencies, the Division of Highways and the Division of Motor Vehicles. In addition, the Department is also responsible for other modes of transportation such as aviation, railroads, bikeways and overall statewide transportation planning.

The Department of Transportation is headed by the Secretary of Transportation who serves at the pleasure of the governor. The Board of Transportation formulates policies and priorities of all modes of transportation. The Board also approves all highway construction plans and construction projects.

The Division of Highways is responsible for all highway construction and maintenance operations including bridge maintenance activities and ferry operations. This division is also responsible for constructing the new Intrastate Highway System and paving 10,000 miles of unpaved secondary roads during the next 13 1/2 years.

The Division of Motor Vehicles is responsible for registering all motor vehicles and issuing drivers licenses to all qualified North Carolina drivers. This division provides defensive driver training to public school bus drivers. The division also has the responsibility for collecting titling tax on each certificate of title that is issued.

Goals of the Department of Transportation include:

- To properly maintain 12,091 miles of Primary roads, 59,231 miles of Secondary roads and 5,225 miles of Urban roads.
- To inspect and maintain 16,864 bridges in North Carolina.
- To provide ferry service to the islands on the coast of North Carolina.
- To provide a method for licensing, titling and license recording of motor vehicles.
- To issue drivers licenses to only qualified drivers.

**CONTINUATION BUDGET
AS RECOMMENDED BY
THE GOVERNOR**

	1989-90 Highway Fund	1990-91 Highway Fund
	\$905,039,079	\$911,686,645

1989 LEGISLATIVE ACTIONS

BASE BUDGET REDUCTIONS

STATE FUNDS TO MATCH FEDERAL HIGHWAY AID

1.	(a)	Construction	(3,000,000)	
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Based upon the Department of Transportation's estimate of the level of anticipated federal aid for 1989/90 only \$64.6 million in State match is required. DOT indicated that in addition to this amount an additional 1 1/2% or 2% is needed for those instances when the feds will not participate in additional project costs. The Governor's request of \$73.3 million for 1989/90 is reduced to \$70.3 million which the subcommittee indicated is an adequate level of funding.

TRANSFERS

Transfer to Department of Crime Control and Public Safety	(4,575)	(4,582)
REVISED BASE BUDGET	\$902,034,504	\$911,682,063

1989-90
Highway
Fund

1990-91
Highway
Fund

DEPARTMENT OF TRANSPORTATION - HIGHWAY FUND
(1989 Actions, Continued)

EXPANSION BUDGET

1. **Transportation Administration**

(a)	Transportation Computing Center	698,586 (26)	1,500,000 (43)
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Reorganize and expand the information processing services for all of the various activities within DOT.

(b)	Aeronautics	170,456 (4)	157,154 (4)
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These funds brings this program into full compliance with the State's environmental law providing airspace evaluations and provides positions with flying responsibilities to reduce current overtime required of the programs pilots.

(c)	Public Transportation	60,533 (2)	72,480 (2)
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These funds will provide 2 new positions to deal with increased demands for planning and marketing; to work with county governments to complete and implement transportation development plans.

2. **Transportation Operations**

(a)	Division Seven	96,093	24,555
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Provides administrative support for construction and maintenance activities within Highway Division Seven (relocation of division office to new location).

	1989-90 Highway Fund	1990-91 Highway Fund
DEPARTMENT OF TRANSPORTATION - HIGHWAY FUND		
(1989 Actions, Continued)		
(b) Operations Support Division	647,486 (5)	704,588 (5)
These funds provide 5 new positions related to hazardous waste management, asbestos control program, hazardous materials handling and control.		
(c) Chief Engineer	190,997 (1)	180,746 (1)
These funds provide 1 position relating to the Keep N.C. Clean and Beautiful program and other operating costs.		
(d) Ferry Division	70,019	14,327
These funds provide for the administrative needs associated with the newly completed Mann's Harbour Marine Maintenance Facility.		
3. Transportation Construction and Maintenance		
(a) Ferry Division	1,040,381	1,410,397
Less: Direct Charges to Work Orders	1,040,381	1,410,397
Highway Fund Appropriation	-	-
	(57)	(57)
These funds will provide the positions needed to fully activate the new Mann's Harbour Marine Maintenance Facility. (Maintenance Operations.)		
(b) Special Appropriation for Highways	6,000,000	6,000,000
These funds will provide a 10% increase for this program and will include the Ferry Replacement Schedule in the Transportation Improvement Program.		

1989-90 Highway Fund	1990-91 Highway Fund
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DEPARTMENT OF TRANSPORTATION - HIGHWAY FUND
(1989 Actions, Continued)

(c)	Construction - Spot Safety	2,900,000	2,900,000
	These funds will deal with the backlog of small-scale safety related projects (traffic signals, turn lanes, etc.).		
(d)	Contract Resurfacing		
	Reduce appropriations in Base Budget to reflect projected revenue availability.	-	(11,000,000)
(e)	Ferry Operations	1,711,200	2,235,654
	Provides for the increased funding for the Ferry Division.		
(f)	Governor's Highway Safety Program		
	(1) Planning and Administration	6,000	6,000
	(2) Provides funds for the development of a Highway Safety program of a comprehensive nature that involves all elements of the Safety Community.		
(g)	OSHA	200,000	150,000
	Provides funds to correct deficiencies in operations supported by the Highway Fund to meet OSHA standards.		
4.	Transportation Regulation		
(a)	Commissioner's Office	767,321	812,841
	Provides funds to establish a Consumer Information, Education and Relations Program.	(3)	(3)

1989-90
Highway
Fund

1990-91
Highway
Fund

DEPARTMENT OF TRANSPORTATION - HIGHWAY FUND
(1989 ACTIONS, Continued)

(b)	Vehicle Registration		
(1)	Branch Agency Commission	680,000	1,400,000
	Provides for an increase of 10 cents per transaction in each year of the biennium for contract agents (1989-90 - 82 cents, 1990-91 - 92 cents).		
(2)	Replace and repair microfilm equipment	803,289	77,815
	Provides funds to replace and repair dated microfilm equipment.		
(c)	Driver Licensing	896,390 (22)	560,577 (22)
	Provides funds to establish and staff additional driver license offices and provides additional clerical personnel.		
(d)	Traffic Safety Education Services	57,625	49,500
	Provides funds to standardize the Driver Improvement Course so that it will correspond to the course offered nationwide for traffic offenders.		
(e)	Traffic Records	22,948 (1)	32,504 (1)
	Provides funds for one additional position to meet the requirements of coding and processing the increased number of citations and depositions issued.		
(f)	International Registration Plan	37,735	
	Provides funds to replace old computer equipment.		

1989-90
Highway
Fund

1990-91
Highway
Fund

DEPARTMENT OF TRANSPORTATION - HIGHWAY FUND
(1989 Actions, Continued)

(g)	Enforcement and Vehicle Registration	735,663 (12)	332,000 (12)
	Provides funds for 10 additional positions at weigh stations to operate with a full complement seven days a week to enforce weight laws, 2 additional positions because of increased number of stolen vehicles.		
5. Transportation Reserves			
(a)	Department of Crime Control and Public Safety - Provides funds for increased activities in this department.	1,372,095	2,378,827
(b)	Reserve for Hospital/ Medical Benefits Provides funds for estimated additional need for Hospital/ Medicaid Benefits costs.	3,000,000	3,500,000
(c)	Reserve for Compensation Increase Provides funds for Legislative salary increase.	17,300,000	36,200,000
(d)	Department of Revenue Provides funds for computer programming related to the adoption of a uniform form for gasoline reporting requirements for interstate motor carriers.	160,000	160,000
(e)	Department of Revenue Provide reserve to be allocated for necessary costs associated with improvements in state tax enforcement and compliance.	117,950	149,690

	1989-90 Highway Fund	1990-91 Highway Fund
DEPARTMENT OF TRANSPORTATION - HIGHWAY FUND		
(1989 Actions, Continued)		
6. Erect hurricane emergency evacuation signs for coastal areas subject to hurricane damage.	100,000	
7. State Aid for Public Transportation, Elderly and Handicapped Transportation assistance program.	2,000,000 State Aid	2,000,000 State Aid
8. Underground Storage Tank Cleanup Funds		
(a) Appropriates the gasoline inspection taxes for this purpose except for the amount required to administer and enforce the provisions of Chapter 119 and funds retained by the Department of Revenue for the cost of collection of taxes under Subchapter V of Chapter 105 of the General Statutes.	6,433,000	6,533,000
TOTAL EXPANSION BUDGET	47,235,386	57,067,250
TOTAL POSITIONS	(133)	(150)
TOTAL OPERATING APPROPRIATIONS	\$949,269,890	\$968,749,313

SPECIAL PROVISIONS INCLUDED IN APPROPRIATION BILLS - 1989

Senate Bill 43

Section 46 Eliminate Overdrafts - Requires the Controller of the Department of Transportation to eliminate all overdrafts at the beginning of each fiscal year on State maintenance and construction projects.

Section 47 Limitations on Over-Expenditures - Requires that over-expenditures have corresponding under-expenditures in the following titles:

- State Construction/Primary
- State Construction/Urban
- State Construction/Access & Public Service Roads
- State Funds to Match Federal Highway Aid
- State Maintenance
- Ferry Operations

Over-expenditures or under-expenditures may not vary more than 10% without prior consultation with the Advisory Budget Commission.

DEPARTMENT OF TRANSPORTATION - HIGHWAY FUND (1989 Actions, Continued)

Over-expenditures in any of the above titles for the purpose of providing additional positions shall be approved by the Director of the Budget.

Section 48 **Cash Flow** - Authorizes and certifies anticipated revenues of the Highway Fund for the 1991-93 biennium.

Section 49 **Highway Fund Appropriations** - Allows an amount not to exceed 15% of the Board of Transportation's allocation for Contract Maintenance Resurfacing Programs to be used for widening existing narrow pavements that are scheduled for resurfacing. Requires the Department of Transportation to report to the General Assembly by May 15, 1990 concerning this program and the expenditures of funds for widening existing narrow pavements.

Section 50 **Use of Sales Taxes** - Allows the Department of Transportation to deduct and retain from the sales tax collected on motor vehicles an amount equal to the cost of collecting the sales tax; however, the annual amount may not exceed \$475,000.

Section 51 **Urban Construction Funds** - Provides \$1.0 million for each of the 14 Highway Divisions for small urban construction projects and \$6.0 million to be used statewide for rural or small urban highway improvement projects. The Department of Transportation shall report to members of the General Assembly on projects in each member's district prior to Board action. Comprehensive reports are to be filed quarterly to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division.

Section 52 **Adjustments to Reflect Actual Revenue** - Provides for any unreserved credit balance in the Highway Fund on June 30 of each fiscal year shall be used to support appropriations in the succeeding fiscal year. Requires Board of Transportation to report monthly to the Joint Legislative Commission on Governmental Operations on the use of these funds.

Section 53 **Continuing Aviation, Rail, and Public Transportation Appropriations** - Removes the sunset provision which was to have taken effect June 30, 1990.

Section 54 **Ferry Captain III, Shift Premium Pay** - Allows shift premium pay for ferry captains in pay grade 70.

Senate Bill 44

Section 98 **Special Appropriations** - Provides \$66.0 million each year of the biennium for highway construction, planning, design and engineering of highways, and acquisition of rights-of-way, matching funds for unanticipated Federal aid, payment of interest and principal on highway bonded indebtedness and scheduled ferry replacement.

DEPARTMENT OF TRANSPORTATION - HIGHWAY FUND (1989 Actions, Continued)

- Section 99* **Commission Paid to Branch Agents** - Provides a 10 cents per transaction increase for DMV Contract Branch Agents each year of the biennium. This increase brings the fee up to 82 cents per transaction in 1989-90 and 92 cents in 1990-91.
- Section 100* **Commissioner of Motor Vehicles to Report on Printing and Binding Funds** - Requires a report to the General Assembly on the amount of funds spent on printing and binding by May 15, 1990.
- Section 101* **Concessions on Ferries and at Ferry Facilities** - Allows the Department of Transportation to operate concessions on ferries and at ferry facilities to provide food, drink and personal comfort items.
- Section 102* **Bridge Maintenance** - Requires DOT personnel to dispose of debris taken from around bridges to an appropriate disposal site for solid waste.
- Section 103* **Currituck/Dare Bridge Maintenance Yard Consolidation** - Allows the Department of Transportation to dispose of property in Currituck and Dare Counties and allows the use of the proceeds for the consolidation of the Currituck and Dare Counties bridge maintenance yards.
- Section 104* **NC 400 Under Voyages Commission** - Requires the Department of Transportation to provide maintenance of highway NC 400.
- Section 105* **Elderly and Handicapped Transportation Assistance Program** - Provides \$2.0 million in highway funds each year of the biennium for the Elderly and Handicapped Transportation Assistance Program.
- Section 153* **Visitor and Welcome Centers** - Requires the Secretary of Transportation, before making any other transfers pursuant to G.S. 20-81.3(c) or (g) to allocate and reserve \$50,000 in 1989-90 and 1990-91 for U.S. Highway 17 Center in Camden County; \$50,000 in 1990-91 for the U.S. Highway 441 Center in Macon County; and \$50,000 in 1990-91 for the U.S. Highway 17 South Center in Brunswick County. Section expires on June 30, 1991.
- Senate Bill 1042**
- Section 41* **Highway Funds/Adjustment to Reflect Actual Revenue** - Allows the Department of Transportation to establish a "Reserve for Purchase of Rights-of-Way" from the unreserved credit balance in the Highway Fund.
- Senate Bill 1309**
- Section 9* **Rules on Trucks** - Requires the Department of Transportation to adopt rules regarding limitations on tandem trailers and semi-trailers by December 1, 1989.
- Section 12* **Department of Transportation to Repair and Maintain the State Parks Road System** - Requires the Department of Transportation to maintain all roads in the Park system beginning *July 1, 1990*.
- Section 14* **P. B. Raiford Regional Airport in Duplin County** - Reallocates the funds appropriated in 1988-89 from providing for *drainage* at the airport to *capital improvement* needs at the airport.
- Section 23* **Anson County Airport Funds Reallocation** - Reallocates funds appropriated for 1988-89 to include airport capital improvement needs.

DEPARTMENT OF TRANSPORTATION - HIGHWAY FUND
 (1989 Actions, Continued)

	1990-91 Highway Fund
3. Provide a grant-in-aid to Keep North Carolina Beautiful.	25,000
TOTAL ADDITIONAL REQUIREMENTS	19,908,856
REDUCTIONS	
4. Reduce Special Appropriation for Highways.	(65,257,535)
5. Reduce Highway Patrol budget by: 3% reduction (\$2,624,709) Reduce salary reserve and related benefits by 1/2 (\$411,745) Eliminate nine replacement vehicles (\$131,294).	(3,167,748)
6. Reduce Division of Motor Vehicles budget in various items.	(319,155)
7. Eliminate 17 vacant positions at Mann's Harbor that were appropriated by the 1989 General Assembly.	(373,298)
8. Reduce Powell Bill and Secondary Roads funding due to lower revenues.	(5,580,786)
TOTAL BASE BUDGET REDUCTIONS	(74,698,522)
EXPANSION BUDGET	
9. Transportation Administration	
a. Increased SIPS Usage	1,750,000
b. Systems Development for Transportation Computing Center	1,000,000
c. Increased Postage	25,000
10. Increase Transportation Construction and Maintenance Funds	
Primary System	3,332,413
Secondary System	5,899,805
Urban System	<u>899,160</u>
	10,131,378

DEPARTMENT OF TRANSPORTATION - HIGHWAY FUND (1990 Actions,
Continued)

SPECIAL PROVISIONS INCLUDED IN APPROPRIATION BILLS - 1990

Senate Bill 1426, Chapter 1066

- Section 3* Current Operations/State Government/State Aid (General Fund Appropriations for Aeronautics and Railroads) - Reduces General Fund aid to these entities
- Section 4* Current Operations/Highway Fund - Makes various appropriations and adjustments, due to revenue shortfall, from the Highway Fund for the 90-91 Fiscal Year.
- Section 5* Current Operations/State Aid - Makes adjustment in State Aid to Municipalities due to revenue shortfall and appropriates \$25,000 to Keep North Carolina Beautiful.
- Section 122* Road Crew Performance Audit - Requires the State Auditor to conduct a performance audit of inmate road crews contracted by DOT. Report required by March 91 to selected Committees and Chairmen.
- Section 138* Fill Certain Highway Fund Computer Positions - Directs the Department to fill certain computer positions authorized by the 1989 General Assembly during the 90-91 fiscal year due to high consultant fees currently being paid to perform work because of the Administration's position freeze.
- Section 139* Maintenance of State Highway Bridges - Rewrites G.S. 136-97(b) and allows DOT to waive the removal of debris from on, under, or around a bridge when bridge closure has an adverse impact on public safety or creates a significant hardship to the traveling public. In these cases, debris may be passed downstream.
- Section 140* Cash Flow Highway Fund Appropriations - States the General Assembly's authorized and certified anticipated Highway Fund revenues for 91-92 and 92-93.
- Section 141* Cash Flow Highway Trust Fund Appropriation - States the General Assembly's authorized and certified anticipated Highway Trust Fund revenues for 91-92 and 92-93.
- Section 142* Special Appropriations for Highways Repealed - Repeals legislation specifying the allocation and expenditure of \$66 million for the Special Appropriation for Highways since the appropriation is no longer available.
- Section 143* Conform DOT Minority Participation to Federal Regulations - Rewrites G.S. 136-28.4 concerning participation by minorities and disadvantaged businesses in highway contracts. Adds 5% goal for participation by women businesses and defines disadvantaged business and minority. Directs the Department to compile and keep current a list of all disadvantaged, minority, and women businesses in the State that could participate in contracts let by DOT. Requires the Department to adopt a plan to actively seek participation by these businesses. Also, directs periodic reports to the Joint Legislative Highway Oversight Committee.

DEPARTMENT OF TRANSPORTATION - HIGHWAY FUND (1990 Actions, Continued)

Section 144 **Driver Training Program Funding from Highway Fund with Reimbursement from Highway Trust Fund** - Directs that the Highway Fund partially support the cost of the driver training program, up to \$17 million for the 90-91 fiscal year. Allows reimbursement of these expenses to the highway fund from the highway trust fund if Trust Fund revenue exceeds \$264 million.

Section 145 **LRC Study on Drivers' Education** - Authorizes the Legislative Research Commission to study the cost, funding, and use of personnel in providing a drivers' education program and report to the 91 General Assembly.

Senate Bill 1427, Chapter 1074

Section 8 **Capital Improvements** - Specifies and appropriates funds for Highway Fund capital improvements for 90-91.

Section 37 **Legislative Services Commission to Pay for Chairman of Senate NER Appropriations Committee to Attend Highway Oversight Committee Meetings** - Authorizes the Chairman of the above Committee to attend all meetings of the Joint Legislative Highway Oversight Committee and be paid by the Legislative Services Commission.

Section 38 **DOT Contract Retainage Deposits** - Amends Chapter 136 of the General Statutes to reinstate a previous DOT policy and authorizes the Department to enter into trust agreements with banks and contractors for the deposit of retainage and for the payment to contractors of income on these deposits in connection with highway construction contracts.

HIGHWAY FUND CAPITAL IMPROVEMENTS

1989 LEGISLATIVE ACTIONS

TRANSPORTATION

DIVISION OF HIGHWAYS

	1989-90 Highway Fund	1990-91 Highway Fund
1. Bridge Maintenance Office and Warehouse - Boone	200,900	-
2. Equipment Shop - Burnsville	566,600	-
3. Equipment Shop - Shallotte	438,000	-
4. Maintenance Office - Monroe	217,800	-
5. Repair Shop - Williamston	492,900	-
6. Materials and Test Lab - Statesville	283,800	-
7. Maintenance Yard Security Fence - Albemarle	40,900	-
8. Maintenance Yard Security Fence - Mt. Pleasant	18,900	-
9. Roof Replacement - Shelby	15,000	-
10. Maintenance Yard Security Fence - Lincolnnton	22,700	-
11. Maintenance Yard Security Fence - Shelby	29,600	-
12. Maintenance Facility - Ocracoke	124,600	-
13. Roof Replacements - Statewide	226,150	-
14. Sandscape/Sign Shop Renovation and Addition - Boone	43,400	-
15. Rest Area - U.S. 264 - Beaufort County	335,100	-
15.1 Ferry Office and Restroom - Pamlico River	125,000	-
16. Salt Storage Shed - Hudson	69,100	-
17. Landscape/Sign Shop Renovation - Elkin	9,900	-
18. Maintenance Building Addition - North Wilkesboro	38,000	-
19. Maintenance Building Addition - Southport	35,600	-
20. Sign Shop - Union	100,000	-
21. Storage Warehouse - Warrensville	53,900	-

	1989-90 Highway Fund	1990-91 Highway Fund
CAPITAL IMPROVEMENTS - 1989 SESSION (Continued)		
22. Foreman and Inspector Office Addition - Graham	19,400	-
23. Bridge Maintenance Office Addition - Hudson	11,800	-
24. Bridge Maintenance Office Addition - Monroe	24,700	-
25. Bridge Maintenance Office Addition - Burgaw	24,700	-
26. Roof Replacement - Central Equipment Office - Raleigh	164,100	-
27. Bridge Maintenance Office Building - Hendersonville	87,600	-
28. Blacksmith/Warehouse/Lumber Shed - Hendersonville	181,000	-
29. Equipment Shop - Mocksville	100,000	-
30. Repair Shop - Creswell	50,000	-
31. Landscape Office and Warehouse - Graham	111,900	-
32. Office, Assembly Room and Office Addition - Maury	462,600	-
33. Office, Assembly Room and Office Addition - Kinston	25,100	-
34. Roof Replacement - Storage Warehouse - Raleigh	10,400	-
35. Division Equipment Shop - Carthage	200,000	-
36. Equipment Shop - Sandy Ridge	60,000	-
37. Landscape Warehouse - Wentworth	77,200	-
38. Bridge Maintenance Office Building - Franklin	88,300	-
39. Paint Warehouse and Truck Shed - Camp Burton	70,200	-
40. Bridge Maintenance Office Renovation - Lexington	23,100	-
41. District Equipment Shop - Asheboro	100,000	-

	1989-90 Highway Fund	1990-91 Highway Fund
CAPITAL IMPROVEMENTS - 1989 SESSION (Continued)		
42. Equipment Shop - Marion	90,000	-
43. Maintenance Warehouse - Hillsborough	86,300	-
44. Bridge Maintenance Office Building - Union	88,700	-
45. New Division Complex - Fayetteville	500,000	-
46. Maintenance Facility - Cherry Branch	250,000	-
47. Maintenance Facility - Cedar Island	250,000	-
48. Division Office Addition - Durham	655,000	-
49. Manns Harbor - Cost Overrun on Marine Maintenance Facility	1,000,000	-
Total Division of Highways	8,299,950	-
DIVISION OF MOTOR VEHICLES		
1. Building Additions (5 Locations)	892,500	-
2. Resurface Parking Lots (6 Locations)	91,800	-
3. Roof Replacements (7 Locations)	89,300	-
4. Warehouse and Office Building - Raleigh	1,681,300	-
Total Division of Motor Vehicles	2,754,900	-
CRIME CONTROL AND PUBLIC SAFETY - HIGHWAY FUND		
1. Highway Patrol - upgrade and replace Underground Gas Storage Tanks	212,350	-
2. Highway Patrol-Training Center		
(a) Helicopter Hangar	82,800	-
(b) Air Condition Dining Fac.	51,700	-
3. Highway Patrol - Design fee for Troop H, Headquarters Building Charlotte/Monroe Area	42,380	-
4. Highway Patrol - Additional Parts Storage for State Agency Vehicles	16,200	-
Total Crime Control and Public Safety	405,430	-
GRAND TOTAL - HIGHWAY FUND CAPITAL IMPROVEMENTS	11,460,280	-

1990-91
Highway
Fund

1990 LEGISLATIVE ACTIONS

HIGHWAY FUND CAPITAL IMPROVEMENTS

DIVISION OF HIGHWAYS

1.	Salt Storage Facilities	\$691,437
2.	Reserve for Roof Replacements	226,150
3.	Land Acquisition and Sub-Maintenance Facility - Jonas Ridge	177,300
4.	Division Office Annex - Ahoskie	400,000
5.	Division Office Annex - Greenville	360,000
6.	Site Completion - Taylorsville	359,700
7.	Central Warehouse Expansion - Raleigh	226,225
Total Division of Highways		2,440,812

DIVISION OF MOTOR VEHICLES

1.	Reserve for Repairs to Parking Lots	97,000
2.	Reserve for Roof Replacements	94,300
3.	Land Purchase and Building Design	180,000
Total Division of Motor Vehicles		371,300

**GRAND TOTAL - HIGHWAY FUND
CAPITAL IMPROVEMENTS**

\$2,812,112

APPENDIX

**GENERAL FUND
SUMMARY OF GOVERNOR'S AND/OR LEGISLATURE'S
ACTIONS TO DETERMINE FUNDS AVAILABLE
1989-90 AND 1990-91
(\$ Millions)**

	1989-90		Authorized By General Assembly	1990-91		Authorized by General Assembly
	<u>Governor's Submissions</u> January 1989	April 1989		<u>Governor's Submissions</u> January 1989	April 1989	
Beginning Credit Balance						
Reversions	\$186.9	\$170.9	\$171.0	\$177.0	\$177.0	\$-
Overcollections in Prior Year	(6.8)	-	(14.0)	-	-	65.8
Total	180.1	170.9	157.0	177.0	177.0	65.8
Revenues Existing Structure						
Tax	6,351.7	6,351.7	6,439.9	6,872.0	6,872.0	6,917.0
Non-tax	268.3	268.3	223.8	288.0	288.0	238.2
Subtotal	<u>6,620.0</u>	<u>6,620.0</u>	<u>6,663.7</u>	<u>7,160.0</u>	<u>7,160.0</u>	<u>7,155.2</u>
Adjustment to Reflect Change in Method of Financing						
Local Tax Reimbursement						
a) Personal Income Tax	-	-	30.3			31.1
b) Sales and Use Tax	-	-	85.8			87.3
c) Corporate Income	-	-	108.0			108.0
d) Cigarette Tax	-	-	7.7			7.7
e) Soft Drink Tax	-	-	1.8 a			-
Subtotal	<u> </u>	<u> </u>	<u>233.6</u>	<u> </u>	<u> </u>	<u>234.1</u>
Legislative Bonds	73.0	73.0	-	-	-	-

	<u>Governor's</u> January 1989	1989-90 <u>Submissions</u> April 1989	Authorized By General Assembly	<u>Governor's</u> January 1989	1990-91 <u>Submissions</u> April 1989	Authorized by General Assembly
RJR Nabisco						
Capital Gains from leveraged buyout	-	-	123.0	-	-	-
Adjustment for Interest costs	-	-	(30.0)	-	-	-
Revenue Changes:						
1. Sales and Use Tax - 1% increase	-	408.0	-	-	494.0	-
2. Sales & Use Tax - Adjust State Tax on Food and Non-Prescription Drugs to 1%	-	(128.2)	-	-	(146.5)	-
3. Sales & Use Tax - Merchants Discount	-	(12.2)	-	-	(18.3)	-
4. Collect Utilities and Franchise Tax monthly	-	-	-	-	77.0	-
5. Tax Amnesty/Enforcement Program	-	53.1	66.6	-	68.9	68.9
6. Other changes - Reductions to Special Fund Accounts:						
(1) Textbook Reserve	-	3.0	3.5	-	-	-
(2) Public Schools Unemployment Reserve	-	1.0	.85	-	-	-
(3) Scholarship Loan Program	-	-	2.4	-	-	.5
(4) Administrative Hearings Office Publications Trust Fund	-	-	.05	-	-	-
7. Sales & Use Tax - Increase limit on boats, aircraft	-	-	2.3	-	-	3.0

	<u>Governor's</u> January 1989	<u>1989-90</u> Submissions April 1989	Authorized By General Assembly	<u>Governor's</u> January 1989	<u>1990-91</u> Submissions April 1989	Authorized by General Assembly
8. Sales & Use Tax - Increase motor vehicle rental tax from 3% to 8%		-	17.0	-	-	18.0
9a. Sales & Use Tax - Earmarking of existing vehicle sales and use tax for Highway Trust Fund	-		(130.0)	-	-	(170.0)
9b. Transfer from Highway Trust Fund	-	-	279.4	-	-	356.0
Net Change	-	-	<u>149.4</u>	-	-	<u>186.0</u>
10. Privilege Tax Restructure	-	-	-	-	-	4.8
11. Estimated Income Tax Change	-	-	26.5	-	-	2.3
12. Court Fee Increases	-	-	11.3	-	-	13.0
13. Investment Management Fees	-	-	.4	-	-	.6
Adjusted Availability	<u>\$6,873.1</u>	<u>\$7,188.6</u>	<u>\$7,427.6</u> a	<u>\$7,337.0</u>	<u>\$7,812.1</u>	<u>\$7,752.2</u>

a Revised to reflect increase needed to cover requirements for Local Government Tax Reimbursements as allowed by law.

	<u>Governor's</u> January 1989	1989-90 <u>Submissions</u> April 1989	Authorized By General Assembly	<u>Governor's</u> January 1989	1990-91 <u>Submissions</u> April 1989	Authorized by General Assembly
1990 SESSION						
Deletion of Beginning Credit Balance July 1, 1990 due to 1989-90 revenue shortfall			-			(65.8)
Adjustments to Consensus Revenue Estimates:						
Tax Revenue			(370.8)			(195.7)
Nontax Revenue			(14.6)			(47.7)
Transfer from Highway Trust Fund			(120.4)			(92.0)
Refund of Prior Years' Capital Improvements			42.1			-
			<hr/>			<hr/>
Subtotal-Adjustments			(463.7)			(335.4)
Revenue Changes						
1. Change of law to designate tax reserves as revenues (HB 2377):						
Intangibles			93.0			99.7
Beverages			17.1			21.1
Franchise			31.0			121.9
			<hr/>			<hr/>
Subtotal - Law Change			141.1			242.7
2. Accelerate Utility Sales and Franchise Tax Payments (HB 2377)			58.3			-

	<u>Governor's</u> January 1989	1989-90 <u>Submissions</u> April 1989	Authorized By General Assembly	<u>Governor's</u> January 1989	1990-91 <u>Submissions</u> April 1989	Authorized by General Assembly
3. Withholding Accelerated Payments Employers whose average monthly state income tax withholding exceeds \$2,000 to remit taxes on same basis as federal withholding instead of monthly			-			113.5
4. Pay Taxes Due with Extension Filings (HB 2138)			-			40.0
5. Lower requirement for paying estimated income tax during income year from corporations with at least \$5,000 of annual liability to \$500 (HB 2138)			-			41.9
6. Allows shareholders of S Corporations whose carry forward losses were suspended under 1989 income tax overhaul to use 50% of losses for three years and modifies transition rules under 1989 income tax overhaul to avoid double taxation of S Corporation dividends (HB 2138)			-			(2.7)

	<u>Governor's</u> January 1989	1989-90 <u>Submissions</u> April 1989	Authorized By General Assembly	<u>Governor's</u> January 1989	1990-91 <u>Submissions</u> April 1989	Authorized by General Assembly
7. Allows federal retirees who were not allowed refunds of 1988 taxes paid on retirement benefits to claim income tax credit, spread over three tax years (HB 2138)			-			(7.0)
8. Makes technical change to 1989 income tax overhaul to ensure that low and moderate income homeowners receiving special federal mortgage tax credit can deduct full amount of mortgage interest on state return (HB 2138)			-			(.6)
9. Adjusts for loss of income tax exemption for specifically-named disabilities under 1989 income tax overhaul by allowing low and moderate income taxpayers a phased-down disability credit for disabled dependents (HB 2138)			-			(4.0)
10. Updates state tax law reference to Internal Revenue Code from January 1, 1989 to January 1, 1990 (HB2067)			-			1.5
11. Eliminates state and local sales tax exemption on sale of ice (HB 2207)					.3	

	<u>Governor's</u> January 1989	1989-90 <u>Submissions</u> April 1989	Authorized By General Assembly	<u>Governor's</u> January 1989	1990-91 <u>Submissions</u> April 1989	Authorized by General Assembly
12. Deposit funds currently held in a reserve for mail order sales and budget collection anticipated during fiscal year (Section 27 of SB 1426, Chapter 1066)			-			5.2
13. Deposit DWI Restoration (earmarked) into the General Fund			-			.9
14. Increases parole/probation supervision fee from \$15 to \$20 (HB 2173)			-			2.1
15. Increases/Imposes fees under the Department of Environment, Health and Natural Resources			-			.8
16. Revert 1977 Clean Water Revolving Loan/Grant Program Funds (Section 14 of SB 1427, Chapter 1074)			-			.1
17. Increase Investment Management Charges to user funds			-			.2
18. Transfer from Highway Fund			-			17.0
19. Deposit 1987 Corporate Income Increase for Public School Facilities Act into the General Fund (Section 28 of SB 1426, Chapter 1066)			-			46.5

	<u>Governor's</u> January 1989	<u>1989-90</u> <u>Submissions</u> April 1989	Authorized By General Assembly	<u>Governor's</u> January 1989	<u>1990-91</u> <u>Submissions</u> April 1989	Authorized by General Assembly
20. Increase/Imposes Insurance Department fees of \$5.4 million with \$2.4 million being required to offset \$1.8 million in premium tax losses and \$.6 million in tax credits (HB 2257)			-			3.0
21. Prison Facilities Legislative Bond Act			-			75.0
22. Revised Estimated Credit Balance for July 1, 1990			-			22.0
TOTAL AVAILABILITY			<hr/>			<hr/>
			\$7,163.3			\$7,949.4

**SUMMARY OF APPROPRIATIONS
GENERAL FUND AND HIGHWAY FUND**

Senate Bill 43, Chapter 500
"The Current Operations Appropriation Act of 1989"

	<u>1989-90</u>	<u>1990-91</u>
General Fund		
Sec. 3	\$5,999,154,887	\$6,106,067,230
Sec. 5	<u>350,496,558</u>	<u>345,298,329</u>
Total	\$6,349,651,445	\$6,451,365,559
Highway Fund		
Sec. 4	\$830,606,014	\$838,055,593
Sec. 6	<u>71,428,490</u>	<u>73,626,470</u>
Total	\$902,034,504	\$911,682,063

Senate Bill 44, Chapter 752
"The Expansion Budget Appropriations Act of 1989"

General Fund		
Sec. 3 rewritten by Sec. 6 of Chapter 799	\$450,340,606	\$916,656,893
Sec. 5	32,642,099	50,367,066
Sec. 52	231,755,615	234,093,897
Sec. 53 rewrite of Sec. 11 of Chapter 557	<u>4,953,192</u>	<u>4,765,218</u>
Total	\$719,691,512	\$1,205,883,074
Highway Fund		
Sec. 4	\$38,584,436	\$48,384,560
Sec. 6	2,000,000	2,000,000
Sec. 53 rewrite of Sec. 11 of Chapter 557	<u>117,950</u>	<u>149,690</u>
Total	\$40,702,386	\$50,534,250

Senate Bill 1042, Chapter 754
"Capital Improvement Appropriations Act of 1989"

General Fund		
Sec. 4	\$182,947,108	\$51,613,942
Sec. 5	23,726,604	4,000,000
Sec. 7	2,381,080	-
Sec. 9	<u>15,248,000</u>	<u>-</u>
Total	\$224,302,792	\$55,613,942
Highway Fund		
Sec. 6	\$11,460,280	-
Sec. 8	<u>100,000</u>	<u>-</u>
Total	\$11,560,280	-

	1989-90	1990-91
Senate Bill 38, Chapter 8		
"Emergency Appropriation for Correctional Programs and Projects"		
General Fund		
Sec. 2(a)	\$10,810,270	\$16,121,519
Sec. 2(b)	509,208	-
Sec. 2(c)	-	837,170
Sec. 3	<u>40,942,881</u>	<u>9,901,552</u>
Total	\$52,262,359	\$26,860,241
Senate Bill 1124, Chapter 795		
"An Act to Appropriate Fund to the Administrative Office of the Courts, etc."		
General Fund		
Total	\$11,215,493	\$11,962,296
House Bill 272, Chapter 557		
"An Act to Create a Tax Amnesty Program and Improve State Tax Enforcement and Compliance"		
General Fund		
Sec. 6	\$1,100,000	-
Sec. 11 rewritten in Sec. 53 of Chapter 752	-	-
Total	<u>\$1,100,000</u>	-
Senate Bill 1309, Chapter 799		
"An Act to Make Miscellaneous Changes to the State Budget"		
General Fund		
Sec. 1 Reallocation of Funds in Sec. 4 of Chapter 754	-	-
Sec. 3	\$1,000,000	-
Sec. 4	300,000	-
Sec. 6 Rewrite of Sec. 3 of Chapter 752	450,840,606 ^a	917,156,893 ^a
House Bill 957, Chapter 652		
"An Act to Amend Various Statutes Relating to the Cleanup of Leaking Petroleum Underground Storage Tanks etc."		
Highway Fund	6,433,000 ^b	6,533,000 ^b
Grand Total		
General Fund	\$7,360,023,601	\$7,752,185,112
Highway Fund	\$960,730,170	\$968,749,313

^a Net increase of \$500,000 each year

^b Funds remaining from fee after funding the Department of Revenue and the Department of Agriculture support from Highway Fund

**SUMMARY OF APPROPRIATIONS
GENERAL FUND AND HIGHWAY FUND**

1990 LEGISLATIVE ACTIONS

		<u>1990-91</u> <u>Fiscal Year</u>
Authorizations - 1989 Session:		
General Fund		\$7,752,185,112
Highway Fund		968,749,313
Adjustments:		
General Fund Capital Outlay Delayed/ Reverted by Executive Branch		(65,515,494)
Senate Bill 1426, Chapter 1066		
"An Act to Modify the Current Operations Appropriations ... for 1990-91 ..."		
General Fund		
Sec. 3	Current Operations/State Aid	(227,679,666)
Sec. 10	Budget Stabilization Reserve	141,000,000
Sec. 11	Franchise Tax	121,900,000
	Intangibles Tax	99,700,000
	Beverage Tax	21,100,000
Sec. 53	(a) Coastal Management	70,000
	(b) Land Resources - Sedimentation	80,000
	(c) Land Resources - Dam Safety	20,000
	(d) Land Resources - Mining Program	40,000
	(e) Radiation Protection Emergency Planning	72,000
	(f) Environmental Health - Restaurant/Lodging	488,400
TOTAL		156,790,734
Highway Fund		
Sec. 4	Maintenance/Operations	(33,014,350)
Sec. 5	State Aid	(2,765,393)
TOTAL		(35,779,743)
Senate Bill 1427, Chapter 1074		
"Capital Improvement Appropriations Act of 1990"		
General Fund		
Sec. 2	Amounts Delayed or Reverted	137,568,300
Sec. 3	Additional Appropriations for Capital Projects	69,728,896
Sec. 5	Nonrecurring Operating Appropriations	6,000,000

SUMMARY OF APPROPRIATIONS (Continued)

		<u>1990-91 Fiscal Year</u>
Sec. 6	Nonrecurring State Aid Appropriations	8,130,978
Sec. 7	Current Operations/Recurring Expenses	7,751,677
Sec. 30	Elderly and Needy Program Funds	50,000
TOTAL		<hr/> 229,229,851
 Highway Fund		
Sec. 8	Capital Improvements	2,812,112
 House Bill 2257, Chapter 1069 "An Act to Increase Various Fees..."		
General Fund		
Sec. 24	Department of Insurance Consumer Protection Fund	1,000,000
Sec. 27	Local Fire Protection Transfer	950,000
 GRAND TOTAL		
GENERAL FUND		\$8,074,640,203
HIGHWAY FUND		\$935,781,682
 Other Actions:		
Contingent Appropriations Senate Bill 1427, Chapter 1074		
General Fund		
Sec. 4	SBI Complex/Zoo	\$23,461,000
 House Bill 2245, Chapter 933 "Prison Facilities Legislative Bond Act"		
Sec. 4	Authorization of Bonds and Notes	75,000,000
 House Bill 2287, Chapter 935 "State Prison and Youth Services Facilities"		
Sec. 4	Authorization of Bonds and Notes subject to "Vote of the People"	200,000,000

**TOTAL STATE BUDGET BY SOURCE OF FUNDS
1963-64 TO 1988-89
(In Millions)**

	<u>General Fund</u>	<u>Federal Revenue Sharing</u>	<u>Highway Fund</u>	<u>Federal</u>	<u>Other</u>	<u>Total</u>
1963-64	\$ 534.0	-	\$158.3	\$152.4	\$127.4	\$ 972.1
1964-65	468.7	-	161.8	153.3	91.3	875.1
1965-66	608.8	-	181.7	188.8	185.2	1,164.5
1966-67	580.6	-	188.8	175.8	107.7	1,052.8
1967-68	791.7	-	219.6	236.4	180.3	1,428.0
1968-69	735.1	-	226.9	221.3	135.3	1,318.6
1969-70	969.6	-	303.7	349.9	193.4	1,816.6
1970-71	961.4	-	304.7	335.1	171.2	1,772.3
1971-72	1,198.0	-	344.8	476.7	218.6	2,238.2
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	5,031.7
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	5,752.8
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	8,941.0
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

Source: State Budget Office

**REIMBURSEMENTS TO LOCAL GOVERNMENTS
DUE TO STATE-MANDATED TAX RELIEF**

<u>Fiscal Year</u>	<u>Funding Mechanism*</u>	<u>Property Tax on Business Inventories</u>	<u>Property Tax Homestead Exemption</u>	<u>Sales Tax on Food Stamp Purchases</u>	<u>Intangibles Tax on Money on Deposit and Certain Accounts Receivable</u>	<u>Total</u>
85-86	Earmarking	-	\$1,665,544	-	-	\$1,665,544
86-87	Earmarking	\$9,600,000	4,523,601	\$2,839,856	\$24,765,440	41,728,897
87-88	Earmarking	15,080,000	7,735,401	4,893,928	26,972,801	54,682,130
88-89	Earmarking	185,609,356	7,718,943	5,125,594	28,440,782	226,894,675
89-90	Appropriation	189,015,573	8,003,329	5,441,208	30,968,115	233,428,225
90-91	Appropriation	189,419,719	7,685,000	5,618,722	31,370,450	234,093,987

* Prior to 1989-90, funds for these reimbursements were earmarked from certain State taxes. The 1989 Session changed the funding mechanism to a direct appropriation. The 1989-90 amount is the actual expenditure and the 1990-91 amount is the authorized appropriation.

LOCAL TAX SHARING FUNDS

<u>Fiscal Year</u>	<u>Funding Mechanism*</u>	<u>Intangibles Tax</u>	<u>Beverage Taxes</u>	<u>Franchise Tax</u>	<u>Total</u>
1985-86	Earmarking	\$72,780,527	\$18,426,686	\$96,523,375	\$187,730,588
1986-87	Earmarking	61,665,094	19,443,022	105,208,305	186,316,421
1987-88	Earmarking	73,513,140	19,601,580	109,362,835	202,477,555
1988-89	Earmarking	75,966,929	20,157,969	110,550,321	206,675,219
1989-90	Earmarking	82,200,934	20,089,292	120,232,508	222,522,734
1990-91*	Appropriation	99,700,000	21,100,000	121,900,000	242,700,000

* Prior to 1990-91, funds for these local tax shared taxes were earmarked from certain taxes. The 1990 Session changed the funding mechanism to a direct appropriation.

GENERAL FUND APPROPRIATIONS FOR CAPITAL IMPROVEMENTS
(includes Revenue Sharing Funds)

	Total Direct Appropriation	University	Community Colleges	Correction	Human Resources	State Ports	Repair and Renovation Reserve	Clean Water Program	Other
1965-67	42,139,578	25,233,600	1,943,578	851,000	8,144,000	1,752,500	—	—	4,214,900
1967-69	112,356,788	65,839,600	1,367,813	4,200,000	20,830,000	4,490,000	—	—	15,629,375
1969-71	75,588,603	36,508,921	—	500,000	14,936,582	—	—	—	23,643,100
1971-73	64,891,192	24,885,500	3,420,000	691,000	16,176,572	—	—	—	19,718,120
1973-74	191,822,446	81,246,000	25,418,187	5,649,000	25,834,434	8,295,000	—	—	45,379,825
1974-75	93,365,337	11,571,000	10,000,000	19,810,100	4,259,887	3,800,000	—	—	43,924,350
1975-76	28,662,437	11,360,500	—	6,000,000	5,421,112	—	—	—	16,723,051
1976-77	45,096,295	26,402,500	1,600,000	40,000	7,839,420	—	—	—	9,214,375
1977-78	31,332,626	9,540,000	1,000,000	4,750,000	3,575,000	2,265,000	—	—	10,202,626
1978-79	126,008,818	49,751,700	1,000,000	45,700,000	8,735,000	815,000	—	—	20,007,118
1979-80	84,378,719	59,195,800	2,616,838	4,500,000	4,916,500	2,700,000	—	—	10,449,581
1980-81	103,807,712	53,536,000	4,024,820	21,300,000	3,095,000	4,800,000	—	—	17,051,892
1981-82	30,005,727	7,309,903	175,000	970,000	4,747,000	—	—	—	16,803,824
1982-83	65,772,358	47,458,936	125,000	8,700,000	5,018,000	—	—	—	4,470,422
1983-84	59,782,244	35,815,440	255,000	—	200,000	—	15,000,000	—	8,511,804
1984-85	212,535,238	107,817,200	26,395,700	50,000	1,420,000	—	60,000,000	—	16,852,338
1985-86	253,504,234	64,636,900	21,374,500	11,704,300	5,764,600	—	34,000,000	60,000,000	56,023,934
1986-87	297,667,245	86,993,750	34,376,600	30,400,138	11,666,223	—	34,000,000	60,000,000	40,230,534
1987-88 Rev.	173,170,035	63,168,200	25,888,125	2,265,000	4,510,563	19,900,000	15,288,200	5,700,000	36,449,947
1988-89	258,659,030	94,798,900	29,521,726	18,965,391	6,388,300	16,000,000	2,184,300	25,800,000	65,000,413
1989-90	245,264,593	70,599,600	4,571,459	53,887,134 ^a	6,225,160	6,000,000	7,922,840	10,000,000	86,058,400
1989-90 Rev. ^b	150,092,738	28,109,100	3,476,459	49,310,530 ^a	6,225,160	2,844,043	7,922,840	8,000,000	44,204,606
1990-91 ^c	65,515,494	1,677,800	—	33,115,694 ^a	—	—	—	—	30,722,000
1990-91 ^d	160,797,196	51,207,257	3,038,592	29,115,694	1,400,000	100,000	5,543,872	16,650,000	53,741,781

^aIncludes Corrections projects and Satellite Jail program certified to Office of State Budget and Management; Funding for satellite jail program was deleted due to revenue shortfall.

^bSee capital improvement schedule for 1990-91 for identification of projects which were delayed/reverted due to revenue shortfall.

^cAll 1990-91 projects funded by the 1989 Session of the General Assembly were repealed due to the 1989-90 revenue shortfall.

^dExcluded Public School Facilities construction.

SUMMARY OF GENERAL FUND REVENUE

FISCAL YEAR	INCOME TAX	SALES & USE TAX		TOTAL TAX REVENUE	INCOME FROM TREASURER'S INVESTMENTS	CAPITAL IMPROVEMENT REVERSIONS	FEDERAL REVENUE		TOTAL NON-TAX REVENUES	TOTAL GENERAL FUND REVENUE
		OTHER TAXES	OTHER SOURCES				SHARING, ANTI- RECESSION			
1965-66	252,736,461	188,246,243	114,432,692	555,415,396	10,322,713	1,933,444		5,577,906	17,834,063	573,249,459
1966-67	284,807,547	201,641,570	118,755,843	605,204,960	12,337,612			6,166,907	18,504,519	623,709,479
1967-68	311,192,821	216,173,811	125,115,960	652,482,592	19,266,180			7,450,156	26,716,336	679,198,928
1968-69	350,145,307	239,525,769	149,839,452	739,510,528	20,284,196	5,402,564		10,868,448	36,555,208	776,065,736
1969-70	380,063,453	264,350,605	197,300,010	841,714,068	22,624,169	26,621		14,185,176	36,835,966	878,550,034
1970-71	413,596,745	285,893,056	221,954,891	921,444,692	29,369,118	1,669,214		15,153,132	46,191,464	967,636,156
1971-72	483,850,778	324,824,018	243,224,906	1,051,899,702	24,325,582	456,116		17,227,781	42,009,479	1,093,909,181
1972-73	566,308,449	368,746,184	278,942,411	1,213,997,044	26,816,266	437,465		18,165,044	45,418,775	1,259,415,819
1973-74	653,067,805	409,393,909	295,723,754	1,358,185,468	53,574,504	542,199		17,462,292	71,578,995	1,429,764,463
1974-75	715,401,376	423,006,813	312,775,911	1,451,184,100	73,317,870	1,657,696		17,937,386	92,912,952	1,544,097,052
1975-76	760,478,534	464,756,311	346,610,609	1,571,845,454	48,641,750	4,268,324	48,779,830	23,322,372	125,012,276	1,696,857,730
1976-77	985,489,725	510,295,335	374,181,698	1,869,966,758	43,165,147	446,798	50,954,604	38,995,330	133,561,879	2,003,528,637
1977-78	1,076,941,120	578,960,737	404,579,891	2,060,481,748	44,086,759	620,014	38,516,731	29,632,663	112,856,167	2,173,337,915
1978-79	1,248,931,187	646,729,888	441,557,070	2,337,218,145	59,238,926	1,125,090	30,284,051	32,713,242	123,361,309	2,460,579,454
1979-80	1,471,139,203	691,902,227	476,172,559	2,639,213,989	110,401,212	1,133,957	56,911,047	34,510,606	202,956,822	2,842,170,811
1980-81	1,583,321,118	737,098,123	525,534,207	2,845,953,448	108,546,785	4,950,481	28,391,897	35,969,822	177,858,985	3,023,812,433
1981-82	1,726,818,176	777,449,131	573,445,530	3,077,712,837	115,633,898	1,179,609	262,514	34,751,994	151,828,015	3,229,540,852
1982-83	1,856,624,375	823,400,004	599,000,004	3,279,024,843	88,017,324	1,427,224	0	35,373,362	124,817,910	3,403,842,753
1983-84	2,152,810,530	998,987,392	662,579,681	3,814,377,603	96,291,399	52,777	39,433	46,556,300	142,939,909	3,957,317,512
1984-85	2,513,419,114	1,155,845,141	667,457,999	4,336,722,254	131,037,254	177,208	1,456,544	57,701,411	190,372,417	4,527,094,671
1985-86	2,717,424,128	1,380,409,070	596,687,652	4,694,520,850	151,004,316	317,813	0	65,027,037	216,349,166	4,910,870,016
1986-87	3,129,406,895	1,451,612,941	599,542,284	5,180,562,118	139,317,588	5,870,818	0	66,326,174	211,514,580	5,392,076,698
1987-88	3,312,804,849	1,555,266,971	683,217,053	5,551,288,873	166,899,926	2,342,734	0	83,995,809	253,238,469	5,804,527,342
1988-89	3,551,755,877	1,681,724,768	695,061,462	5,928,542,107	141,780,651	603,796	0	83,603,051	225,987,498	6,154,529,606
1989-90	3,948,153,347	1,762,717,987	850,551,828	6,561,423,162	118,572,985	43,306,944	0	100,410,308	262,290,237	6,823,713,399

^aIncludes transfer of \$12,007,219 from Reserve for Income Tax Refunds in order to close out reserve account

**NORTH CAROLINA STATE GENERAL FUND OPERATING APPROPRIATIONS
FOR PUBLIC SCHOOLS, COMMUNITY COLLEGES, AND HIGHER EDUCATION
1965-66 TO 1988-89**

<u>Year</u>	<u>General Fund</u>		<u>Public Schools</u>		<u>Community Colleges</u>		<u>Higher Education</u>		<u>Percent of Total Gen. Fund Current</u>
	<u>Total Current Operations</u>		<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>	<u>Oper. for Education</u>
1965-66	\$538,302,356		\$315,924,120	58.69%	\$11,626,558	2.16%	\$70,177,054	13.04%	73.89%
1966-67	591,139,328		335,127,904	56.69	20,078,492	3.40	78,559,545	13.29	73.38
1967-68	670,679,218		371,207,691	55.34	19,625,725	2.93	95,037,544	14.17	72.44
1968-69	744,733,486		406,208,538	54.54	32,436,358	4.36	104,894,567	14.08	72.98
1969-70	876,169,359		459,814,709	52.48	41,431,965	4.73	130,344,741	14.88	72.09
1970-71	981,127,808		510,055,771	51.99	44,935,256	4.58	147,326,678	15.02	71.59
1971-72	1,073,289,571		533,536,652	49.71	55,958,450	5.21	163,331,175	15.22	70.14
1972-73	1,187,443,130		575,012,350	48.42	63,193,535	5.32	179,910,706	15.15	68.89
1973-74	1,520,694,407		718,947,864	47.28	99,582,404	6.55	222,838,796	14.65	68.48
1974-75	1,698,417,672		789,391,908	46.48	109,218,752	6.43	280,638,400	16.52	69.43
1975-76	1,737,659,496		800,937,335	46.09	105,465,494	6.07	270,526,549	15.57	67.73
1976-77	1,962,976,606		899,151,043	45.81	116,481,854	5.93	307,123,340	15.65	67.39
1977-78	2,193,405,714		997,654,527	45.48	114,065,103	5.20	357,790,592	16.31	66.99
1978-79	2,452,011,095		1,098,173,958	44.79	139,794,869	5.70	394,767,166	16.10	66.59
1979-80	2,750,988,834		1,230,099,474	44.71	145,243,264	5.28	436,949,552	15.88	65.87
1980-81	3,150,963,479		1,390,907,313	44.14	174,996,965	5.55	515,255,082	16.35	66.04
1981-82	3,401,694,904		1,495,263,953	43.96	194,452,082	5.72	567,573,821	16.69	66.37
1982-83	3,561,142,890		1,515,742,033	42.56	205,585,837	5.77	599,235,054	16.83	65.16
1983-84	3,812,808,921		1,620,044,340	42.49	232,195,091	6.09	653,091,405	17.13	65.71
1984-85	4,319,568,173		1,886,700,077	43.68	259,101,105	6.00	746,998,910	17.29	66.97
1985-86	4,877,060,744		2,185,803,123	44.82	281,875,727	5.78	840,311,094	17.23	67.83
1986-87	5,233,438,532		2,346,139,866	44.83	307,102,490	5.87	909,134,150	17.37	68.07
1987-88	5,805,245,729		2,639,237,658	45.46	326,296,294	5.62	980,746,492	16.89	67.97
1988-89	6,302,733,865		2,930,643,866	46.50	332,064,381	5.27	1,039,510,499	16.49	68.26
1989-90	6,883,018,393 ^a		3,134,428,215	45.54	365,537,274	5.31	1,109,917,895	16.13	66.98

^aExcludes \$233,569,324, Local Government Tax Reimbursement

**GENERAL FUND OPERATING EXPENDITURES
BY DEPARTMENT/FUNCTIONS OF GOVERNMENT**

FISCAL YEAR	CURRENT OPERATING EXPENSE	DEBT SERVICE EXPENSE	PUBLIC SCHOOLS	UNIVERSITY SYSTEM	COMMUNITY COLLEGES SYSTEM	DEPARTMENT OF HUMAN RESOURCES	JUDICIAL DEPARTMENT	DEPARTMENT OF CORRECTION	ALL OTHER DEPARTMENTS	TRANSFER TO HIGHWAY FUND
1965-66	517,110,881	11,905,291	305,140,902	66,241,100	11,411,657	68,773,133	2,492,262	19,697,099	31,449,437	
1966-67	565,195,417	16,114,637	324,216,229	73,013,092	18,697,812	74,427,423	3,976,730	20,417,630	34,331,864	
1967-68	643,992,638	17,517,958	366,024,522	88,272,493	18,310,803	82,250,834	5,769,435	23,858,998	41,987,595	
1968-69	718,259,774	17,780,947	400,822,976	104,894,567	31,282,412	89,041,553	12,463,890	25,446,821	36,526,608	
1969-70	837,404,905	17,774,223	450,688,435	122,252,656	39,689,410	106,632,807	18,830,659	30,658,825	50,877,890	
1970-71	939,311,030	17,757,503	496,905,842	138,608,501	43,642,139	122,069,070	22,056,549	35,074,124	63,197,302	
1971-72	1,031,353,080	18,171,391	527,938,182	148,864,864	55,954,999	148,919,439	26,333,117	40,872,066	64,299,022	
1972-73	1,139,500,643	21,355,238	569,792,945	166,208,535	60,636,067	168,819,831	28,926,414	45,542,237	78,219,376	
1973-74	1,433,241,642	45,897,043	702,789,400	207,225,420	92,458,946	198,201,121	34,037,147	56,488,912	96,143,653	
1974-75	1,627,703,631	(98,264)	772,145,444	267,090,160	106,413,517	246,757,184	39,385,118	70,743,705	125,266,767	
1975-76	1,670,011,262	30,130,770	792,213,250	249,604,282	99,816,634	274,169,121	40,988,613	66,428,299	116,660,293	
1976-77	1,890,839,697	39,693,952	888,449,745	289,972,146	110,824,929	313,022,287	45,565,044	73,566,297	129,745,297	
1977-78	2,131,150,750	48,771,987	988,189,540	337,633,079	113,168,528	351,655,302	54,340,430	91,140,983	146,250,901	
1978-79	2,358,332,842	49,569,523	1,092,015,308	379,305,638	133,975,021	372,632,422	62,230,026	102,025,973	166,578,931	
1979-80	2,660,272,288	53,795,956	1,230,099,473	414,751,963	145,243,264	429,814,253	71,077,496	120,052,369	195,437,514	
1980-81	3,050,012,908	60,044,412	1,390,907,313	487,919,423	169,011,630	488,201,903	81,229,801	141,575,912	231,122,514	
1981-82	3,244,758,733	61,723,326	1,477,036,604	534,143,560	185,809,489	501,927,937	88,506,852	151,194,947	244,416,018	
1982-83	3,374,921,984	74,763,426	1,455,408,320	560,438,959	191,749,633	547,208,474	91,114,984	167,419,485	286,818,703	
1983-84	3,715,704,836	79,050,866	1,615,216,290	615,765,535	226,494,819	584,128,657	108,968,044	186,536,133	273,744,492	25,800,000
1984-85	4,187,988,291	75,954,416	1,854,957,593	714,513,120	257,230,807	629,977,924	119,319,546	208,505,200	327,529,685	
1985-86	4,718,355,241	73,358,416	2,156,921,328	793,114,439	277,815,320	707,151,818	131,506,102	226,241,439	352,246,379	
1986-87	5,051,335,794	63,572,699	2,293,921,501	853,232,567	299,359,220	771,114,680	143,311,248	245,627,559	381,196,320	
1987-88	5,600,754,582	73,800,147	2,571,179,747	936,874,299	317,666,441	824,077,501	157,700,249	268,139,442	451,317,206	
1988-89	6,131,757,409	71,513,536	2,857,740,313	996,187,746	324,207,283	939,216,000	174,697,558	311,077,980	457,116,993	
1989-90	6,539,691,898 ^a	69,854,147	3,111,034,727	989,230,466	346,856,268	943,279,717	184,387,501	342,489,567	552,559,505	

^aExcludes \$233,428,225, Local Government Tax Reimbursement; expenditures reflect the deferment of the June 30, 1990 payroll into the next fiscal year (1990-91).

SUMMARY OF GENERAL FUND APPROPRIATION REVERSIONS

APPROPRIATION

FISCAL YEAR	APPROPRIATION			TOTAL	EXPENDITURES	UNEXPENDED APPROPRIATION	LESS CARRY FORWARD	NET REVERSIONS
	CURRENT YEAR OPERATING	CAPITAL	PLUS CARRY FORWARD					
1965-66	548,887,603	41,639,578	0	590,527,181	558,762,459	31,764,722	10,573,247	21,191,475
1966-67	580,566,081	0	10,573,247	591,139,328	565,195,417	25,943,911	0	25,943,911
1967-68	679,797,594	112,356,788	0	792,154,382	756,349,426	35,804,956	9,118,376	26,686,580
1968-69	735,615,110	0	9,118,376	744,733,486	718,259,774	26,473,712	0	26,473,712
1969-70	894,518,284	75,588,603	0	970,106,887	912,993,508	57,113,379	18,348,925	38,764,454
1970-71	962,778,883	0	18,348,925	981,127,808	939,311,030	41,816,778	0	41,816,778
1971-72	1,087,143,307	64,891,192	0	1,152,034,499	1,096,244,272	55,790,227	13,853,736	41,936,491
1972-73	1,173,589,394	0	13,853,736	1,187,443,130	1,139,500,643	47,942,487	0	47,942,487
1973-74	1,520,694,407	86,622,446	0	1,607,316,853	1,519,864,088	87,452,765	0	87,452,765
1974-75	1,698,417,672	36,165,337	0	1,734,583,009	1,663,868,968	70,714,041	0	70,714,041
1975-76	1,756,230,449	23,948,648	0	1,780,179,097	1,693,959,910	86,219,187	18,570,953	67,648,234
1976-77	1,944,405,653	28,969,937	18,570,953	1,991,946,543	1,919,809,634	72,136,909	0	72,136,909
1977-78	2,193,540,024	4,749,000	0	2,198,289,024	2,135,899,750	62,389,274	134,310	62,254,964
1978-79	2,451,876,785	93,778,818	134,310	2,545,789,913	2,452,111,660	93,678,253	0	93,678,253
1979-80	2,761,002,481	84,378,719	0	2,845,381,200	2,744,651,008	100,730,192	10,013,647	90,716,545
1980-81	3,140,949,832	104,141,290	10,013,647	3,255,104,769	3,154,154,198	100,950,571	0	100,950,571
1981-82	3,404,824,224	30,861,142	0	3,435,685,366	3,275,619,875	160,065,491	3,129,320	156,936,171
1982-83	3,558,013,570	65,772,358	3,129,320	3,626,915,248	3,440,694,342	186,220,906	0	186,220,906
1983-84	3,812,808,921	59,782,244	0	3,872,591,165	3,775,487,080	97,104,085	15,027,077	82,077,008
1984-85	4,304,541,096	212,535,238	15,027,077	4,532,103,411	4,400,523,529	131,579,882	0	131,579,882
1985-86	4,877,060,744	253,503,234	0	5,130,563,978	4,971,858,475	158,705,503	0	158,705,503
1986-87	5,233,678,633	297,667,245	0	5,531,345,878	5,349,003,039	182,342,839	0	182,342,839
1987-88	5,805,245,729	173,020,035	0	5,978,265,764	5,773,774,884	204,490,880	0	204,490,880
1988-89	6,302,733,865	258,659,030	0	6,561,392,895	6,390,416,439	170,976,456	0	170,976,456
1989-90	7,116,587,717	150,092,738	0	7,266,680,455	6,923,212,860 ^a	343,467,595 ^a	0	343,467,595 ^a

^aReflects to the deferment of the June 30, 1990 payroll into the next fiscal year.

REVERSIONS AND PERCENT OF ADJUSTED APPROPRIATIONS

<u>Fiscal Year</u>	<u>Public Schools</u>		<u>University</u>		<u>Human Resources</u>		<u>TOTAL</u>	
	<u>Reversions</u>	<u>% of Adjusted Approp.</u>	<u>Reversions</u>	<u>% of Adjusted Approp.</u>	<u>Reversions</u>	<u>% of Adjusted Approp.</u>	<u>Reversions</u>	<u>% of Adjusted Approp.</u>
1965-66	\$10,783,218	3.4%	\$3,935,954	5.6%	\$2,625,601	3.7%	\$21,191,475	3.9%
1966-67	10,911,675	3.3	5,546,453	7.1	3,022,897	3.9	25,943,911	4.4
1967-68	5,183,169	1.4	6,765,051	7.2	8,836,926	9.7	26,686,580	4.0
1968-69	5,385,562	1.6	6,464,296	6.2	7,725,398	8.0	26,473,712	3.6
1969-70	9,126,274	2.0	8,092,085	6.2	8,611,475	7.5	38,764,454	4.4
1970-71	13,149,929	2.6	8,718,177	5.9	9,414,690	7.2	41,816,778	4.3
1971-72	5,598,470	1.0	14,466,311	8.9	11,688,271	7.3	41,936,491	3.9
1972-73	5,219,405	0.9	13,702,171	7.6	11,942,333	6.6	47,942,487	4.0
1973-74	16,158,464	2.2	15,613,376	7.1	26,413,504	11.8	87,452,765	5.8
1974-75	17,246,464	2.2	13,548,240	4.8	23,677,556	8.8	70,714,040	4.2
1975-76	8,724,085	1.1	20,922,267	7.7	8,380,099	3.0	67,648,234	3.9
1976-77	10,701,298	1.2	17,151,194	5.6	22,820,056	6.8	72,136,909	3.7
1977-78	9,464,987	0.9	20,157,513	5.6	16,514,132	4.5	62,254,964	2.8
1978-79	6,158,650	0.6	15,461,528	3.9	39,927,495	9.7	93,678,253	3.8
1979-80	1	-	22,197,589	5.1	43,891,741	9.3	90,716,545	3.3
1980-81	-	-	27,335,659	5.3	44,573,299	8.4	100,950,571	3.2
1981-82	18,227,349	1.2	33,430,261	5.9	60,576,029	10.8	156,936,171	4.6
1982-83	60,333,713 ^a	4.0	38,796,095	6.5	42,321,853	7.2	186,220,906	5.2
1983-84	3,833,404	0.2	26,145,906	4.1	31,496,804	5.1	82,077,008	2.2
1984-85	31,742,484	1.7	32,485,790	4.3	46,604,125	6.9	131,579,882	3.0
1985-86	28,881,795	1.3	47,196,655	5.6	40,463,453	5.4	158,705,503	3.3
1986-87	52,218,365	2.2	55,901,583	6.1	33,818,204	4.2	182,342,839	3.5
1987-88	68,057,911	2.6	43,872,193	4.5	50,316,667	5.6	204,490,880	3.5
1988-89	72,903,553	2.5	43,323,023	4.2	21,988,892	2.3	170,976,456	2.7
1989-90 ^b	23,393,488	0.7	120,687,429	10.9	67,357,953	6.6	343,467,595	4.8

^aGeneral Assembly directed that \$29.8M of funds needed for 11th and 12th pay periods be part of the credit balance.

^bReversions include June 30, 1990 payroll requirements that were deferred into the 1990-91 fiscal year.

**CAPITAL IMPROVEMENTS
LEGISLATIVE BOND ISSUES**

	<u>Total</u>	<u>University</u>	<u>Community Colleges</u>	<u>Correction</u>	<u>State Ports</u>	<u>Other</u>
1961-63	\$6,216,000	\$3,173,000	\$ —	\$ —	\$ —	\$3,043,000
1963-65	21,985,000	19,158,000	—	—	—	2,827,000
1965-67	17,982,000	10,727,500	2,540,000	—	2,724,500	1,990,000
1971-73	45,996,500	32,923,000	—	2,875,000	—	6,913,500
1988-89	20,498,903	—	—	—	—	0,498,903
1990-91	75,000,000	—	—	75,000,000	—	75,000,000

* Authorization of \$25.0 million to amount issued prior to end of fiscal year (1988-89), the only year authorized for issuance by statute (Chapter 1048, 1987 Session).

VOTE OF THE PEOPLE BOND ISSUES

	<u>Clean Water Program</u>	<u>Public School Facilities</u>	<u>University</u>	<u>Prison Facilities</u>
1972	\$150,000,000	\$ —	\$ —	\$ —
1973	—	300,000,000	—	—
1975	—	—	43,250,000	—
1977	230,000,000	—	—	—
1990	—	—	—	200,000,000*

* Subject to vote-of-the-people in November, 1990.

**BASIC EDUCATION PROGRAM
ANNUAL NEW COSTS ASSOCIATED WITH PROGRAM**

	<u>1985-86</u>	<u>1986-87</u>	<u>1987-88</u>	<u>1988-89</u>	<u>1989-90</u>	<u>1990-91</u> <u>Revised</u>
Classroom Teachers						
Reduce Class Size (Gr. 7-9)	\$36,261,754	\$5,799,450	-	-	-	-
Expand Programs (Gr. 7-8)	-	-	\$15,449,073	\$15,539,379	\$15,108,010	-
Expand Programs (Gr. 4-6)	-	-	14,883,500	8,982,300	14,327,079	\$9,099,515
Expand Programs (Gr. K-3)	-	-	-	16,426,381	17,300,624	12,459,793
Expand Programs (Gr. 9-12)	-	-	11,341,227	11,889,571	-	-
Reduce Class Size (Gr. 10-12)	-	-	7,650,119	(179,983)	-	12,925,543
TOTAL	\$36,261,754	\$5,799,450	\$49,323,919	\$52,657,648	\$46,735,714	\$34,484,851
Superintendents						
Asst./Assoc. Superintendents	-	-	-	4,438,249	-	-
Supervisors	-	-	-	-	-	-
Asst. Principals						
Summer School	1,731,180	(100,752)	5,905,127	5,112,485	-	-
Vocational Education	5,250,000	5,250,000	5,154,779	14,338,237	-	-
In-School Suspension	-	-	21,749,550	21,845,178	1,039,116	-
Exceptional Children	15,101,276	5,271,349	2,208,523	2,221,062	-	-
Finance Officers	-	-	13,269,431	22,135,206	-	-
Instructional Support	1,608,800	1,647,800	-	-	-	-
Clerical Assistance	-	6,200,200	3,200,858	9,647,819	15,477,126	10,011,917
Instructional/Lab or Clerical Aides	-	-	15,728,157	15,737,581	6,010,484	5,627,079
Athletic Trainer Supplement	25,000	25,000	-	-	15,000	-
Staff Development	736,334	1,001,094	5,475,219	429,771	-	-
Instructional Supplies	-	-	9,259,827	1,315,183	-	-
Instructional Equipment	7,811,324	-	-	-	-	-
Textbooks	-	7,350,674	2,016,326	-	-	-
TOTAL	\$68,525,668	\$32,444,815	\$133,291,716	\$149,878,419	\$69,277,440	\$44,496,768

**BASIC EDUCATION PROGRAM
ANNUAL NEW POSITIONS ASSOCIATED WITH PROGRAM**

	<u>1985-86</u>	<u>1986-87</u>	<u>1987-88</u>	<u>1088-89</u>	<u>1989-90</u>	<u>1990-91</u> <u>Revised</u>
Classroom Teachers						
Reduce Class Size (Gr. 7-9)	1,357	205	-	-	-	-
Expand Programs (Gr. 7-8)	-	-	519	519	503	-
Expand Programs (Gr. 4-6)	-	-	500	300	477	306
Expand Programs (Gr. K-3)	-	-	-	525	576	419
Expand Programs (Gr. 9-12)	-	-	381	380	-	-
Reduce Class Size (Gr. 10-12)	-	-	257	(6)	-	-
TOTAL	1,357	205	1,657	1,718	1,556	1,123
Asst./Assoc. -	-	-	86	-	-	-
Superintendents	-	-	-	-	-	-
Supervisors -	-	-	-	-	-	-
Asst. 55	(3)	166	143	-	-	-
Principals	-	-	-	-	-	-
Vocational -	-	-	-	33	-	-
Education	-	-	-	-	-	-
In-School 534	171	69	69	-	-	-
Suspension	-	-	-	-	-	-
Finance 50	50	-	-	-	-	-
Officers	-	-	-	-	-	-
Instructional -	200	100	300	475	290	-
Support	-	-	-	-	-	-
Clerical -	-	854	848	311	-	-
Assistance	-	-	-	-	-	-
Instructional/Lab or Clerical Aides	-	-	-	-	-	-
TOTAL	1,996	623	2,846	3,164	2,375	1,413

ANALYSIS OF STATE PORTION OF FEDERAL REVENUE SHARING FUNDS

<u>FISCAL YEAR</u>	<u>FUND BALANCE</u>	<u>ENTITLEMENTS</u>	<u>INTEREST EARNED</u>	<u>REVERSIONS</u>	<u>TOTAL FUNDS</u>	<u>TRANSFER TO CAPITAL IMPROVEMENTS</u>	<u>TRANSFER TO GENERAL FUND NON-TAX</u>	<u>ENDING FUND BALANCE</u>
1972-73	-	56,739,830	1,567,114	-	58,306,944	-	-	58,306,944
1973-74	58,306,944	52,075,149	652,071	-	111,034,164	105,200,000	-	5,834,164
1974-75	5,834,164	52,330,322	12,713	706,720	58,883,919	57,200,000	-	1,683,919
1975-76	1,683,919	51,889,900	134,671	10,429,736	64,138,226	4,713,789	48,779,830	10,644,607
1976-77	10,644,607	54,464,467	122,639	5,748,073	70,979,786	16,126,358	50,764,604	4,088,824
1977-78	4,088,825	55,653,827	101,559	60,227	59,904,438	26,583,626	29,610,118	3,710,694
1978-79	3,710,694	56,225,748	133,996	303,263	60,373,701	32,230,000	28,024,132	119,569
1979-80	119,568	56,543,286	17,125	221,268	56,901,247	-	56,901,247	-
1980-81	-	28,092,475	7,714	291,709	28,391,898	-	28,391,897	-
1981-82	-	-	-	262,398	262,398	-	262,398	-
1982-83	-	1,233,888*	1,371	38,464	1,273,723	-	-	1,273,723
1983-84	1,273,723	-	169,360	-	1,443,083	-	39,433	1,403,650
1984-85	1,403,650	-	52,894	-	1,456,544	-	1,456,544	-

*Settlement

ANALYSIS OF ANTI-RECESSION FUNDS

<u>FISCAL YEAR</u>	<u>FUND BALANCE</u>	<u>ENTITLEMENTS</u>	<u>INTEREST EARNED</u>	<u>TOTAL FUND</u>	<u>TRANSFER TO GENERAL FUND NON-TAX</u>	<u>ENDING FUND BALANCE</u>
1976-77	-	5,340,632	99,754	5,440,386	190,000	5,250,386
1977-78	5,250,386	5,842,753	73,393	11,166,532	8,906,613	2,259,919
1978-79	2,259,919	-	9,886	2,269,805	2,259,919	9,886
1979-80	9,886	-	14	9,900	9,800	100
1980-81	100	-	11	111	-	111
1981-82	111	-	5	116	116	0

**AVERAGE SALARY OF EMPLOYEES
SUBJECT TO THE PERSONNEL ACT**

<u>Year</u>	<u>Average Salary</u>
1966-67	\$4,995
1968-69	5,707
1970-71	6,748
1972-73	7,680
1973-74	8,249
1975-75	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

- NOTE:
- (1) Prior to 1972 computations were only 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 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.

LEGISLATIVE INCREASES

<u>Year</u>	<u>State Employees</u>	<u>Teachers</u>
1965-67	10%	10%
1967-69	6%	20%
1969-70	Average 10% (7.5% to 13.9%)	10%
1970-71	2%	10%
1971-72	5%	5%
1972-73	5%	5% (employment extended 185 to 187 days = 1% salary increase)
1973-74	5% + (5% for those under \$2.75/hour)	5% + (employment extended 187 to 200 days = 7% salary increase and 1 step added to schedule)
1974-75	7.5%	7.5%
1975-76	-0-	-0-
1976-77	4% + \$300 (average 7.2%)	4% + \$300 (average 6.8%)
1977-78	6.5%	6.5%
1978-79	6%	6%
1979-80	5% + (\$200 one-time bonus payment)	5% + (\$200 one-time bonus payment)
1980-81	10%	10% + (Salary schedule changed = 2% to 10% added to each step of salary range)
1981-82	5% (effective 1-1-82)	5% (effective 1-1-82)
1982-83a	-0-	-0-
1983-84a	5%	5%

	<u>State Employees</u>	<u>Teachers</u>
1984-85a	10%	10% + 4.8% salary classification adjustment
1985-86b	5% + 1 step increase (9.6%)	1-step increase (4.8% - second year teacher 2-step increase (9.6%))
		3rd year or more teacher
1986-87	\$75 month (average 6%)	6.5%
1987-88	5%	5%
1988-89	4.5%	4.5%
1989-90	4% + 2% merit funds	6.65% average
1990-91c	4% + 2% merit funds	6.15% average

- a Salary increment program frozen
- b Conditional upon continuous employment for one year
- c Authorized by 1989 Session

**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

^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.

HIGHWAY TRUST FUND REVENUE

(\$ Stated in Millions)

<u>Fiscal Year</u>	<u>Gas Tax Increase (5.2¢)</u>	<u>Highway Use Tax Increase (to 3%, \$1,000 max. until July 1, '93, then \$1,500 max.)</u>	<u>Amount of Use Tax Increase Transferred to General Fund**</u>	<u>Title Fee Increase to \$35 or \$10.00</u>	<u>Interest</u>	<u>Debt Service Reduction</u>	<u>Total Trust Fund Revenue</u>
1989-90*	187.6	171.4	149.4	54.7	11.6		275.9
1990-91	230.7	234.8	186.0	65.8	14.3		359.6
1991-92	236.5	246.9		67.8	14.7		565.8
1992-93	242.4	259.4		69.8	15.1		586.7
1993-94	248.4	281.9		71.9	16.0		618.2
1994-95	254.6	295.4		74.1	16.7	9.6	650.4
1995-96	261.0	309.4		76.3	17.2	12.1	676.0
1996-97	267.5	323.8		78.6	18.1	32.3	720.3
1997-98	274.2	338.6		80.9	18.7	38.0	750.4
1998-99	281.1	353.8		83.4	19.2	38.0	775.5
1999-2000	288.1	369.6		85.9	19.7	38.0	801.3
2000-01	295.3	385.7		88.4	20.6	38.0	828.0
2001-02	302.7	402.4		91.1	21.2	38.0	855.4
2002-03*	<u>208.0</u>	<u>354.4</u>		<u>62.6</u>	<u>15.8</u>	<u>25.3</u>	<u>666.1</u>
Total	3,578.2	3,992.1		1,051.1	239.0	269.3	9,129.6

* Partial year.

** The amount shown as a transfer to the General Fund does not include \$130 million of highway use tax revenue transferred to the General Fund in fiscal year 1989-90, \$170 million transferred each full fiscal year thereafter, and \$113.3 million transferred in fiscal year 2002-03 because this revenue is not "new money" and is therefore not included in the amount of increased revenue from the highway use tax that is listed in the table. The amounts of \$130 million, \$170 million, and \$113.3 million are amounts that would have been generated by the 2%, \$300 maximum sales tax on motor vehicles had that tax not been repealed and replaced by the highway use tax.

HIGHWAY TRUST FUND ALLOCATIONS

(\$ Stated in Millions)

<u>Fiscal Year</u>	<u>Intrastate System Projects (61.95%)**</u>	<u>Urban Loop Projects (25.05%)</u>	<u>Supplement to Cities (6.5%)</u>	<u>Supplement for Secondary Roads (6.5%) Plus \$15 of \$30 Fee Increase</u>	<u>Expenses of Dept. of Transportation (5%)</u>	<u>Total Expenditures</u>
1989-90*	151.55	61.28	15.9***	36.17	11.0	275.9
1990-91	196.86	79.59	20.66	45.22	17.27	359.6
1991-92	317.69	128.46	33.33	58.76	27.56	565.8
1992-93	329.53	133.25	34.58	60.76	28.58	586.7
1993-94	347.61	140.56	36.47	63.45	30.11	618.2
1994-95	366.37	148.15	38.44	66.23	31.21	650.4
1995-96	381.02	154.07	39.98	68.59	32.34	676.0
1996-97	407.21	164.65	42.73	72.21	33.50	720.3
1997-98	424.59	171.68	44.55	74.89	34.69	750.4
1998-99	438.79	177.43	46.04	77.32	35.92	775.5
1999-2000	453.43	183.34	47.57	79.78	37.18	801.3
2000-2001	468.58	189.48	49.16	82.31	38.47	828.0
2001-2002	484.10	195.75	50.79	84.95	39.81	855.4
2002-2003*	<u>378.74</u>	<u>153.15</u>	<u>39.74</u>	<u>63.22</u>	<u>31.25</u>	<u>666.1</u>
Total	5,146.07	2,080.84	539.94	933.86	428.89	9,129.6

* Partial year

** Expenses of the Joint Legislative Highway Oversight Committee will be deducted from amounts allocated for the Intrastate System.

*** The amounts listed are collected during the year indicated but are not distributed until the following fiscal year.

NOTE: Expenses of the Trust Fund are subtracted before the percentage allocations are computed, and one-half of the increased fee for issuing a certificate of title is applied to secondary roads before the percentage allocations are computed.

