

North Carolina

Recommended Changes
to the 1998-99 State Budget

1997-99 Biennium

James B. Hunt, Jr.
Governor

The North Carolina Recommended Changes to the 1998-99 State Budget

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1998-99 Recommended Changes

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1998-99 Recommended Changes

I. Economic Outlook For 1998-99

A. For The Nation

With a lone exception, all of the signs point toward a continuation of strong growth for the U.S. economy in 1998-99. Consumers are exuberant as the unemployment rate, at 4.6%, is at the lowest level in 24 years. The sharp drop in energy prices has provided an additional boost to consumer confidence as well as disposable incomes. Propelled by the lowest mortgage rates in a generation, housing starts and sales are soaring nationwide.

Investment is holding up well. Strong profits and a backlog of orders are spurring businesses to increase spending on new plant and equipment. Tight labor markets are encouraging businesses to substitute capital for labor, further boosting investment.

Despite some signs of wage acceleration, prices are showing no signs of inflationary pressures for now. Higher employee compensation costs have been offset by the slowdown in fringe benefit cost increases and by lower import and commodity prices.

The only drag on the economy is coming from trade. The worsening Asian financial situation will cut exports during 1998-99, with the trade deficit subtracting nearly one percentage point from the growth rate of real Gross Domestic Product (GDP). It seems unlikely, however, that this drag will be sufficient to cause a recession. Economic growth should accelerate again in 1999-00.

Although all regions of the United States will be affected by the Asian crisis, the sharpest deceleration in economic growth will be in the western regions, which are most dependent on Pacific Rim trade. In 1996, merchandise exports to Asia amounted to 7.8% of Gross State Product (GSP) in the Pacific Northwest and 4.6% of GSP in the Pacific Southwest, compared to just 2.4% nationwide. (In the South Atlantic region, Asian exports amounted to only 1.2% of GSP.)

B. For North Carolina

North Carolina experienced its seventh consecutive year of solid job growth in 1997-98, and prospects are good for another strong year in 1998-99. With the exception of continued declines in many nondurable manufacturing industries, all nonmanufacturing sectors, led by finance and services, increased their payrolls during the past year. Indeed, employment growth has been so robust that over the past couple of years, the state has ranked sixteenth fastest in overall job creation; nonmanufacturing alone has been the sixth fastest in the nation.

1998-99 Recommended Changes

Economic Outlook For 1998-99 - Continued

The factors underlying the state's favorable economic performance are diverse. First, North Carolina's shift from a manufacturing - and agriculture-based economy to a knowledge-based one has been fueled largely by new technology and science. In particular, the presence of large universities and Research Triangle Park are behind much of the state's economic success. The relocation of corporate headquarters and foreign-based industrial plants to the state is also fueling job growth. North Carolina's quality of life is increasingly attracting both employers and executives.

Fortunately, relocations by high-technology and data-processing firms, in addition to foreign and Northeast-based corporate headquarters relocations, have helped offset North Carolina's declining textile base. New job creation in the banking, communications, and high-technology manufacturing sectors are having a positive impact on the state's income levels. Between 1991 and 1996, real per capita income in North Carolina rose faster than in any state in the South Atlantic region.

Nonfarm employment growth is projected at 2.8% in 1998-99, down slightly from the torrid pace of 1997-98, but about equal to the prior five-year average. This is well ahead of the 1.8% growth rate projected for the nation. The state unemployment rate is projected to remain below 4.0% during 1998-99. Total personal income in North Carolina is projected to increase by 6.2%, down slightly from the 6.7% gain estimated for 1997-98.

Export growth is playing a larger role in North Carolina - a positive sign for the state's long term growth prospects. According to a National Association of Manufacturers study, firms that export pay higher salaries, have few closings, and grow jobs at a faster rate than non-exporting firms. Indeed, export-related jobs have grown several times faster than total employment in both the state and the nation. Since North Carolina is not heavily dependent on exports to the Pacific Rim (only 1.7% of GSP), the Asian financial crisis should not be a noticeable drag on the state economy.

State unemployment and corporate tax relief will further fuel job and export growth in North Carolina over the next few years. The state corporate income tax rate is undergoing a phased reduction from 7.75% in 1996 to 6.90% in 2000. This will increase the state's competitiveness nationwide, providing further incentive for firms to relocate in North Carolina.

The strength of the state's housing market is expected to continue throughout 1998-99 due to several factors: high income growth, low mortgage rates, positive in-migration rates, and high consumer confidence levels. New housing starts are projected to remain at a lofty 67,900 unit annual rate for 1998-99.

1998-99 Recommended Changes
Economic Outlook For 1998-99 - Continued

Economic Conditions
(Annual Rates of Change)

	<u>1996-97</u> <u>Actual</u>	<u>1997-98</u> <u>Projected</u>	<u>1998-99</u> <u>Projected</u>
<u>National</u>			
Real Gross Domestic Product	3.3%	3.5%	2.0%
Real Personal Consumption	2.7	3.8	3.3
Industrial Production	4.3	5.2	1.7
Nonfarm Employment	2.2	2.6	1.8
Inflation (CPI)	2.8	1.8	2.2
Federal Funds Rate (%)	5.3	5.5	5.4
<u>North Carolina</u>			
Real Gross State Product	4.3%	4.0%	3.0%
Industrial Production	3.2	4.9	2.9
Nonfarm Employment	2.9	3.4	2.8
Unemployment Rate (%)	3.9	3.6	3.9
Total Personal Income	7.0	6.7	6.2
Housing Starts (000)	68.1	72.3	67.9

1998-99 Recommended Changes

II. General Fund

A. Revenue

A strong state economy and Wall Street, in combination with a reduction in the federal income tax rate on capital gains, is producing another banner year for General Fund tax revenue. The current consensus forecast of the Office of State Budget and Management and the Fiscal Research Division - North Carolina General Assembly indicates that General Fund tax revenue will exceed the authorized forecast by \$448.5 million in 1997-98. The bulk of the overcollections (receipts in excess of the budget) are concentrated in the individual income tax schedule. As shown below, overcollections of individual income taxes are currently estimated at \$394.7 for 1997-98, or 7.1% above the authorized budget. The corporate income tax schedule is projected to exceed the budget by \$36.6 million, or 5.4%. All other tax schedules are within about +/- 2.0% of the budgeted amounts.

Estimated Overcollections for 1997-98 (\$ Millions)

	<u>Amount</u>	<u>% of Authorized</u>
Tax Revenue:		
Individual Income	\$ 394.7	7.1%
Sales and Use	21.5	0.7
Corporate Income	36.6	5.4
Franchise	(8.5)	(2.1)
Insurance	5.6	2.1
Beverage	2.0	1.3
Other	<u>(3.4)</u>	(1.3)
Total Taxes	<u>\$ 448.5</u>	4.2%

On an economic-basis (prior to tax law changes), total General Fund tax revenue is projected to increase by 5.7% in 1998-99. Growth in the individual income tax is projected at a healthy 6.7% on the basis of continued steady gains in employment and wages. Sales and use taxes grow by an estimated 5.8%, in line with the projected growth in disposable income. As U.S. corporate profits growth is forecast to slow in the year ahead, corporate income tax receipts increase by an estimated 0.4%. All other General Fund tax schedules are projected to increase by a combined 3.8%.

1998-99 Recommended Changes
General Fund - Revenue - Continued

The actual growth in General Fund Tax collections will be less than growth on an economic basis largely due to tax law changes which were enacted by the 1996 and 1997 Sessions of the North Carolina General Assembly. During the 1996 Session, the most notable changes were the reduction in the sales tax on food consumed at home from 4% to 3%, the phased reduction in the corporate income tax from 7.75% to 6.90% by the year 2000, and the phase-out of the soft drink tax. During the 1997 Session, the most significant law change for 1998-99 is a second reduction in sales tax on food from 3% to 2% effective July 1, 1998. This change is estimated to reduce the tax burden on North Carolinians by \$83.8 million in 1998-99. As a result of the overall package of tax reductions, the estimated rate of growth in General Fund tax revenue is cut to 4.6%. (A complete discussion of recent tax law changes can be found in the 1997-99, The North Carolina State Budget, Post-Legislative Summary, published by the Office of State Budget and Management in December 1997.)

As interest rates remain largely stable throughout 1998-99, investment income is projected to grow by 4.8%, consistent with the increase in invested cash balances. Normal growth of activities in the state court system produces an estimated 5.0% increase in judicial fees. Insurance fees are projected to hold steady at \$20.6 million in 1998-99. Disproportionate Share receipts (DSH) are estimated at \$83.0 million in 1998-99. DSH payments were budgeted as departmental receipts in the 1997-98 General Fund budget.

For 1998-99 and subsequent years, it is recommended that the transfer in lieu of sales tax from the Highway Fund be eliminated. This change would reduce General Fund revenue by \$13.4 million in 1998-99.

Additionally, Governor Hunt will recommend a phase-out of the final two cents of the state sales tax on food consumed at home. As shown in the long term General Fund forecast on page 124, it is the recommendation of the Governor to reduce the state sales tax on food from 2% to 1% effective January 1, 2000, followed by full elimination on January 1, 2001. On an annualized basis, this recommendation will lower the tax burden on families by \$190 million in 2000-01.

**1998-99 Recommended Changes
General Fund - Revenue - Continued**

General Fund Revenue, 1997-99

	<u>1996-97 Actual</u>	<u>1997-98 Estimated</u>	<u>1998-99 Projected</u>
Tax Revenue:			
Inheritance	\$ 132,068,325	\$ 134,300,000	\$ 137,500,000
Licenses	43,353,475	32,300,000	32,900,000
Cigarette	46,677,349	47,800,000	47,800,000
Soft Drink	31,347,645	22,300,000	12,600,000
Franchise	387,811,674	401,400,000	424,300,000
Income Tax:			
Individual	\$ 5,329,990,261	\$ 5,941,200,000	\$ 6,343,100,000
Corporate	717,750,574	716,200,000	672,400,000
Subtotal	\$ 6,047,740,835	\$ 6,657,400,000	\$ 7,015,500,000
Sales and Use			
Beverage	\$ 3,127,673,443	\$ 3,270,600,000	\$ 3,379,000,000
Gift	150,208,567	154,700,000	157,300,000
Freight Car Lines	12,560,941	12,700,000	12,700,000
Insurance	495,433	500,000	500,000
Miscellaneous	258,503,720	275,300,000	291,400,000
	706,068	500,000	700,000
Total Tax Revenue	\$10,239,147,475	\$11,009,800,000	\$11,512,200,000
Nontax Revenue:			
Investment Income	\$ 224,112,646	\$ 240,000,000	\$ 251,500,000
Judicial Fees	99,063,372	116,800,000	124,500,000
Disproportionate Share Receipts	100,843,546	-	83,000,000
Insurance	18,708,950	20,600,000	20,600,000
Miscellaneous	70,131,111	74,900,000	86,795,000
Total Nontax Revenue	\$ 512,859,625	\$ 452,300,000	\$ 566,395,000
Transfers:			
Highway Fund	\$ 11,853,450	\$ 12,600,000	\$ -
Highway Trust Fund	170,000,000	170,000,000	170,000,000
Total General Fund Revenue	<u><u>\$10,933,860,550</u></u>	<u><u>\$11,644,700,000</u></u>	<u><u>\$12,248,595,000</u></u>

**1998-99 Recommended Changes
General Fund - Continued**

B. Condition of the Fund

**Condition of the General Fund, 1996-99
(In Millions)**

	<u>1996-97</u> <u>Actual</u>	<u>1997-98</u> <u>Estimated</u>	<u>1998-99</u> <u>Recommended</u>
Beginning Balance			
Unreserved Beginning Balance	\$ 292.2 *	\$ 318.9 **	\$ 467.3
Clean Water Management Trust Fund Reserve	-	49.4	43.7
Repair and Renovation Reserve	-	174.3	140.0
Disproportionate Share Reserve	-	-	24.0
Revenue			
Tax Revenue	\$ 10,239.1	\$ 11,009.8	\$ 11,512.2
Nontax Revenue	412.1	452.3	483.4
Highway Fund Transfer	11.9	12.6	-
Highway Trust Fund Transfer	170.0	170.0	170.0
Disproportionate Share Receipts	100.8	24.0	83.0
Total Revenue	<u>\$ 10,933.9</u>	<u>\$ 11,668.7</u>	<u>\$ 12,248.6</u>
Total Availability	\$ 11,226.1	\$ 12,211.3	\$ 12,923.6
Budget Recommendations:			
Operating Budget			
Continuation Budget	\$ 10,309.5	\$ 11,138.1	\$ 11,532.0
Less: Budget Adjustments	-	-	(187.1)
Add: Expansion Budget	-	-	1,195.4
Subtotal Operating Budget	<u>\$ 10,309.5</u>	<u>\$ 11,138.1</u>	<u>\$ 12,540.3</u>
Repair & Renovations	-	174.3	140.0
Capital Improvements - Appropriation	157.3	152.9	176.8
Total Recommendations	<u>\$ 10,466.8</u>	<u>\$ 11,465.3</u>	<u>\$ 12,857.1</u>
Reserve Authorized for Expenditure	\$ -	\$ 49.4	\$ 43.7
Ending Balance			
Budget Stabilization Reserve**	\$ 500.9	\$ 522.5	\$ 522.5
Repairs and Renovations Reserve	174.3	140.0	-
Clean Water Management Trust Fund	49.4	43.7	-
Intangible Tax Refund Reserve	156.0	-	-
Railroad Purchase Reserve	61.0	-	-
Disporportionate Share Reserve	-	24.0	-
Library Grants	0.3	-	-
Unreserved Balance	318.6	467.3	22.8
Total Ending Balance	<u><u>\$ 1,260.5</u></u>	<u><u>\$ 1,197.5</u></u>	<u><u>\$ 545.3</u></u>

* The 1996-97 beginning balance has been adjusted to reflect the transfer of \$115.5 to a Reserve for Disaster Relief.

** The 1997-98 beginning balance has been adjusted to include funds from reserves for library grants \$0.3 million .

Note: General Obligation Bonds for Public School Facilities of \$450 million from 1996-97 to 1998-99 are not included.

**1998-99 Recommended Changes
General Fund - Continued**

1998-99 Recommended General Fund Budget

Departments	1998-99 Certified	Recommended Reductions	Authorized Transfers	Recommended Expansion	1998-99 Recommended
Education:					
Public Education*	\$ 4,706,801,540	\$ (59,725,172)	\$ -	\$ 510,440,227	\$ 5,157,516,595
Community Colleges*	522,737,664	(572,559)	-	60,273,605	582,438,710
University of North Carolina*	1,503,015,870	(6,723,360)	-	124,264,894	1,620,557,404
Total Education	\$ 6,732,555,074	\$ (67,021,091)	\$ -	\$ 694,978,726	\$ 7,360,512,709
Other Departments:					
Administration	\$ 57,814,012	\$ (502,657)	\$ -	\$ 203,300	\$ 57,514,655
Administrative Hearings	2,357,389	-	-	-	2,357,389
Agriculture & Consumer Services	49,822,632	(210,600)	-	606,628	50,218,660
Auditor	10,016,613	-	-	901,308	10,917,921
Board of Elections	2,135,381	-	-	745,000	2,880,381
Commerce	38,577,339	(217,678)	-	45,525,188	83,884,849
State Aid to Nonstate Entities	2,000,000	-	-	13,525,000	15,525,000
MCNC	2,500,000	(30,750)	-	2,030,750	4,500,000
Biotechnology	7,664,396	(25,483)	-	-	7,638,913
REDC	3,920,000	(12,662)	-	4,350,000	8,257,338
SIPS	-	(263,791)	239,715 #	6,143,160	6,119,084
Correction	867,817,472	(22,452,811)	-	4,256,345	849,621,006
Crime Control and Public Safety	33,720,830	(61,993)	-	2,774,865	36,433,702
Cultural Resources	54,240,435	(456,686)	-	5,939,285	59,723,034
Roanoke Island Commission	1,812,581	-	-	-	1,812,581
Environment & Natural Resources	134,915,353	(1,257,098)	-	41,076,087	174,734,342
General Assembly	34,642,598	-	-	-	34,642,598
Governor's Office	5,150,352	(77,255)	-	107,959	5,181,056
Insurance	19,586,190	-	-	-	19,586,190
Insurance - Direct GF	4,500,000	-	-	-	4,500,000
Housing Finance Agency	2,300,000	-	-	2,000,000	4,300,000
Health and Human Services	2,644,926,077	(83,580,182)	-	184,372,975	2,745,718,870
Judicial	327,102,308	-	-	-	327,102,308
Justice	67,165,852	-	-	2,684,251	69,850,103
Labor	15,828,463	-	-	-	15,828,463
Lt. Governor's Office	609,390	-	-	25,000	634,390
Revenue	68,746,867	(1,068,000)	-	12,500,000	80,178,867
Rules Review Commission	273,441	-	-	-	273,441
Secretary of State	5,310,680	-	-	1,265,277	6,575,957
State Budget and Management	3,950,838	(59,263)	-	225,000	4,116,575
State Controller	10,705,706	(85,012)	(239,715) #	-	10,380,979
State Planning	1,815,850	(6,118)	-	3,900,000	5,709,732
State Treasurer	6,947,581	-	-	1,047,932	7,995,513
State Treasurer - Pensions	11,925,187	-	-	-	11,925,187
Transportation	11,246,445	-	-	-	11,246,445

**1998-99 Recommended Changes
General Fund - Continued**

Departments	1998-99 Certified	Recommended Reductions	Authorized Transfers	Recommended Expansion	1998-99 Recommended
Reserves:					
Contingency and Emergency	\$ 1,125,000	\$ -	\$ -	\$ -	1,125,000
Compensation Increases					
Public Education	*213,607,122	-	-	*234,118,285	-
University of North Carolina	*47,755,386	-	-	*53,495,302	-
Community Colleges	*18,536,755	-	-	*19,522,048	-
All Other State Employees	63,510,608	-	-	73,496,516	137,007,124
Compensation Increases - Nonrecurring					
Public Education	-	-	-	*10,293,687	-
University of North Carolina	-	-	-	*6,409,874	-
Community Colleges	-	-	-	*1,505,908	-
All Other State Employees	-	-	-	17,000,867	17,000,867
Debt Service	206,529,647	(9,661,426)	-	-	196,868,221
Salary Adjustment Fund	8,573,829	-	-	-	8,573,829
Salary Adjustment Fund 97-99	1,000,000	-	-	-	1,000,000
Postage Reduction	(300,000)	-	-	-	(300,000)
Juvenile Justice	-	-	-	40,000,000	40,000,000
Travel	-	-	-	1,000,000	1,000,000
Year 2000	-	-	-	27,346,997	27,346,997
Global Transpark	-	-	-	5,325,000	5,325,000
Welfare Reform	3,900,000	-	-	-	3,900,000
Special Appropriations	3,080,000	-	-	-	3,080,000
Subtotal Operating	\$ 11,532,022,416	\$ (187,050,556)	\$ -	\$ 1,195,353,416	\$ 12,540,325,276
Capital Improvements	\$ -	\$ -	\$ -	\$ 176,797,700	\$ 176,797,700
Total General Fund Appropriation	\$ 11,532,022,416	\$ (187,050,556)	\$ -	\$ 1,372,151,116	\$ 12,717,122,976

* [Appropriation for compensation increase included under all education codes.

Transfer of the State Information Processing Services authorized by the 1997 session of the General Assembly.

**1998-99 Recommended Changes
General Fund - Continued**

C. Recommended Changes to the 1998-99 Budget

Public Education

The focus of this supplemental budget is to continue to improve education for the children of North Carolina. These recommendations emphasize the continued development and implementation of The New ABCs of Public Education (accountability, basics, and local control) with increased assistance for low performing schools and continued support for measures to recruit and retain excellent teachers consistent with The Excellent Schools Act.

1998-99

1. Revise Average Daily Membership and Longevity Funds

Positions, textbooks, instructional equipment, and supplies allocated to the public schools are budgeted on the basis of average daily membership (ADM) of students in the classroom. Budgeted ADM was 1,226,060 for 1997-98 and 1,247,150 for 1998-99. The revised budgeted ADM for 1998-99 is 1,251,287 and is based on the higher of 1997-98 actual ADM or 1998-99 projected ADM by LEA. This recommended ADM adjustment reflects an increase of 312 private school students entering charter schools in fiscal year 1998-99 for a total of 712 based on actual data for 1997-98.

\$ 26,553,765

Number of Positions (Net - Estimated)

514.4

Receipts from the Highway Fund to be transferred to the Department of Public Instruction for the Driver Education Program are adjusted down by \$174,861 due to revised 9th grade ADM estimates.

Requirements

\$ (174,861)

Receipts

(174,861)

Appropriation

\$ -

An increase of \$9,010,274 is recommended for longevity pay for costs associated with increases in teacher salaries and the increase in the longevity rate for teachers with 25+ years of service from 2.5% to 4.5% as provided in 1997-98.

9,010,274

**1998-99 Recommended Changes
General Fund - Public Education - Continued**

1998-99

2. The Excellent Schools Act

Consistent with The Excellent Schools Act, ratified by the 1997 General Assembly, the following recommendations represent a continuing effort to attract and retain highly qualified and experienced teachers. Funding is recommended for compensation for performance bonuses as defined in the ABCs, achievement of higher standards by certified teaching personnel, and special assignments performed by certified teaching personnel. A recommended 8% funding includes: 6.5% increase in funding for the salary schedule and increased funding for longevity consistent with the higher salaries for 1998-99, increased longevity rates for teachers with 10-24 years of service, a top of the range bonus for the teacher salary schedule, additional funding for 1997-98 ABC Incentive Awards to be paid in 1998-99, expanding the mentor program to second year teachers and increasing the rate of pay for mentors, and funding for two additional required forfeited vacation days .

2a. Adjust Teacher Salary Schedule

Six and one half percent funding, a total of \$192,943,537, is recommended to increase the teacher salary schedule to continue to compensate certified teaching personnel for achieving higher standards, performing special assignments, and increasing the salaries for beginning teachers. The amount of increase for individual teachers will vary accordingly. All of these steps will continue to advance the goal of increasing the North Carolina average teacher salary to the national average. The latest National Education Association's (NEA) Ranking of the States for 1996-97 indicates an estimate of the national average teacher salary for 1996-97 is \$38,516. The latest estimate for the North Carolina state average teacher salary for 1996-97 is \$31,167. Preliminary estimates for the 1997-98 state average teacher salary reflect \$33,420. The increases appropriated in this session will apply to certified teachers and certified instructional support, including psychologists, social workers, counselors, librarians, and media coordinators.

\$192,943,537

2b. Longevity for Higher (1998-99) Salaries

Additional funding for longevity for teachers is recommended to accommodate increased requirements consistent with the increased salaries recommended for teachers for 1998-99.

3,254,624

**1998-99 Recommended Changes
General Fund - Public Education - Continued**

1998-99

The Excellent Schools Act - Continued

2c. Increase Longevity Rates for Teachers

It is recommended that the longevity rate for teachers be increased to that of state employees. Longevity is awarded beginning with the tenth year of employment and is increased at the 15 and 20 year levels. Increases would be as follows:

- 10-14 years from 1.00% to 1.50%
- 15-19 years from 1.50% to 2.25%
- 20-24 years from 2.00% to 3.25%

\$ 12,405,561

2d. Top of the Range Bonus for Teacher Salary Schedule

Funds are recommended to provide a bonus equivalent to a step increase for employees at the top of the teacher salary schedule.

5,580,235 NR

2e. School-Based Incentive Awards under the ABCs Program

The ABCs initiative directs that each year a school must assure that the students receive a year's worth of education for a year of instruction. According to G.S. 115C-105.36, incentive awards will be given when a school either meets or exceeds the projected levels of improvement in student performance. In accordance with State Board of Education policy, incentive awards in schools that achieve higher than expected improvement may be up to \$1,500 for each teacher and certified personnel, and \$500 for each teacher assistant. In accordance with State Board of Education policy, incentive awards in schools that meet the expected improvements may be up to \$750 for each teacher and certified personnel, and \$375 for each teacher assistant. Nonrecurring funds in the amount of \$98,480,985 are recommended for 1998-99 for those awards to be earned in the 1998-99 school year and awarded in July of 1999. This amount is based on 45% of schools exceeding their goal and 30% meeting expected growth compared to 40% exceeding their goal, the basis for the estimated cost of incentives in 1997-98.

98,480,985 NR

Funds in the amount of \$17,118,003 are recommended to cover the shortfall in availability experienced in the awards earned in the 1997-98 school year and scheduled for award in July 1998. A total of \$72,400,000 was appropriated by the 1997 Session for this purpose, but costs are now estimated to reach \$89,518,003 for that period.

17,118,003 NR

The total amount recommended for incentive awards is \$115,598,988.

NR - Nonrecurring

**1998-99 Recommended Changes
General Fund - Public Education - Continued**

1998-99

The Excellent Schools Act - Continued

2f. Mentor Teachers

Nonrecurring funds in the amount of \$3.5 million were appropriated for 1997-98 to provide teachers who have never taught before with a qualified and well-trained mentor. These funds were used to compensate each mentor at the rate of \$100 per month for each month he or she serves as a mentor, for a maximum of 10 months with an additional \$100 for a mentor to serve one day prior to the beginning of school. Nonrecurring funds in the amount of \$800,000 were appropriated for 1997-98 to allow local school systems to employ teachers who have never taught before (including new lateral entry teachers) for three additional days for orientation and classroom preparation. The funds were used to compensate each teacher who has never taught before based on their daily pay rate. Recurring funds in the amount of \$9,235,124 are recommended to continue support for the existing program; plus, \$5,473,776 in recurring funds is recommended to extend the mentor program from mentors for first year teachers to mentors for first and second year teachers; and \$3,160,454 in recurring funds to increase the mentor pay rate from \$100 to \$125.

\$ 17,869,354

2g. Extra Pay for Forfeited Vacation Days

Funds in the amount of \$8.5 million were appropriated by the 1997 General Assembly so that local boards of education might have the option to use these funds to pay teachers for working on, and thereby forfeiting, a maximum of four annual vacation leave days per teacher, in accordance with G.S. 115C-302.1(c). Funds are recommended to pay teachers for two additional required forfeited vacation days.

4,250,000

1998-99 Recommended Changes
General Fund - Public Education - Continued

1998-99

3. National Board for Professional Teaching Standards

The National Board for Professional Teaching Standards (NBPTS) was established in 1987 as an independent, non-profit organization to establish high standards for teachers' knowledge and performance and for development and operation of a national voluntary system to assess and certify teachers who meet those standards. To encourage teachers to undertake this task, the General Assembly has appropriated funding to: (1) provide teachers with three days of release time during the year to attempt certification; (2) pay the certification fees of teachers attempting certification; (3) and provide teachers achieving certification with an annual bonus of 12%. Funding is recommended to continue support for the payment of certification fees and release time. There will be twelve certification categories available in 1998-99; five more than were available in 1997-98. An estimated 1,500 teachers are expected to apply in 1998-99 compared to 900 in 1997-98. There are currently 207 NBPTS certified teachers in North Carolina.

The total amount budgeted for 1998-99 for the participation fee and the paid leave, adjusted for this recommended appropriation is \$3,274,500. Funds to continue support for the 12% salary schedule differential provided to teachers achieving certification are included as part of the teacher salary schedule as per action by the 1997 General Assembly.

\$ 2,261,588 NR

4. Assistance for At-Risk/Low Performing Schools

Funds are recommended to be allocated to LEAs and designated for use by at-risk schools and/or schools designated as low performing .

At-risk schools are defined as follows: for elementary schools - those with more than 50% of their population scoring below Level 3 Proficiency on the required ABC Plan tests; for middle schools - those with more than 50% entering 6th graders scoring below Level 3 Proficiency on the 5th grade end-of-grade tests; for high schools - those with 50% entering 9th graders scoring below Level 3 Proficiency on the 8th grade end-of-grade tests.

NR - Nonrecurring

1998-99 Recommended Changes
General Fund - Public Education - Continued

1998-99

Assistance for At-Risk/Low Performing Schools - Continued

To receive funds, LEAs must submit revised school improvement plans specifying use of funds and accountability measures. Plans must include leadership training and whole-staff development, including content-specific training focused on greatest area(s) of need. In addition, funds may be used for the following: reduction in class size; additional counselors or social workers; expanding student and teacher school calendars beyond current limits; hiring additional teachers to provide planning time to school staff; providing incentive pay to attract and retain teachers in at-risk and/or low performing schools; making tuition payments to colleges or community colleges for staff development; funding instructional supplies and equipment, including books; access to long distance learning for student instruction and teacher development

In addition, LEAs are encouraged to form partnerships with colleges and universities that have specific programs designed to assist at-risk schools.

The Department of Public Instruction will have responsibility for development and receipt of applications, disbursement of funds, and accountability oversight. At-risk school grants will be awarded for a three-year period; unspent funds may be carried over from one fiscal year to the next during the three-year award period.

\$ 11,136,500

5. **Limited Proficiency in English**

Students whose primary language is not English and who are of limited proficiency in English represent a steadily increasing percentage of North Carolina's school population and are found at all grade levels, in urban, suburban, and rural communities across the state. Federal statutes require that school systems provide an equal educational opportunity for all students, including those of limited proficiency in English. Funds are recommended to assist Local Education Agencies (LEAs) in improving services to students with limited proficiency in English.

5,000,000

1998-99 Recommended Changes
General Fund - Public Education - Continued

1998-99

6. School Bus Replacement Funding

The Department of Public Instruction estimates that in fiscal year 2000-2001 school bus replacement will decrease dramatically because all buses will be diesel, allowing replacement to be made on the basis of mileage rather than just the age of the vehicle. In anticipation of this impact on the school bus replacement schedule, it was recommended that \$24,199,403 of the \$46,299,403 currently budgeted in fiscal year 1998-99 be changed to a nonrecurring requirement. The \$24,199,403 in recurring funds was included in the reductions presented earlier, and the amount recommended replaces that reduction with a like amount in nonrecurring funds.

Based on a 13-year replacement cycle for school buses, 1,142 school buses are scheduled for replacement in 1998-99 at an estimated cost of \$45,500 per bus. The General Assembly reduced the budget for school bus replacement in 1997-98 by \$7,641,143 and by \$3,747,503 in 1998-99. In March 1998, the Joint Committee on Governmental Operations approved the use of \$2,866,500 for school bus purchases which partially reinstated needed funding, however additional nonrecurring funding in the amount of \$5,661,597 is required to maintain the current 13-year replacement schedule. This increase would take the total appropriation for school bus replacement from \$46,299,403 to \$51,961,000 for 1998-99.

\$ 29,861,000 NR

7. Uniform Education Reporting System Funds - Student Information Management System (SIMS)

Over the last 10 years, a series of systems have been put into place by the Department of Public Instruction in response to GS 115C-12(18) which charged the State Board of Education with implementing a Uniform Education Reporting System (UERS) for the collection, processing, and reporting of fiscal, personnel, and student data, by means of electronic transfer of data files from local computers to the State Computer Center through the State Communication Network. Funds in the amount of \$2,551,197 were appropriated in the 1997 Session to modify and enhance the existing UERS to support the redefined mission of the Department of Public Instruction and the data requirements of the new individual school accountability plan which is part of The ABCs initiative. Funds were used to replace software and improve system's integration.

NR - Nonrecurring

**1998-99 Recommended Changes
General Fund - Public Education - Continued**

1998-99

Uniform Education Reporting System Funds - Student Information Management System (SIMS) - Continued

Nonrecurring funds are recommended to begin replacement of the Student Information Management System (SIMS) software. This represents the initial phase of a comprehensive student information and accountability system that will incorporate all of the existing systems in addition to tracking mechanisms designed to respond to special legislative information requirements.

\$ 6,000,000 NR

8. Additional Certification Specialist Positions

It is recommended that effective September 1, 1998, teacher licensing fees be increased from \$45 to \$55 for first time in-state licenses, upgrades, additions, and renewals and from \$65 to \$85 for out-of-state applicants, lateral entry, Junior ROTC, vocational, and provisional licenses and the resulting revenues used to support 4 additional certification specialist positions. There would be no change in the \$30 fee for miscellaneous administrative changes, such as name changes. No state funds are required for this recommendation.

The license renewal process has been backlogged at least six weeks for over a year due to the volume of work. Currently there are eight certification specialists processing between 2,600 and 5,100 requests per month. Total fees budgeted for collection in 1998-99 currently are \$881,877.

Requirements	\$ 160,000
Receipts	<u>160,000</u>
Appropriation	\$ -
Number of Positions	4.0

9. School Technology Funds

Nonrecurring funds in the amount of \$10 million are recommended to continue the effort to fund systems and software for every K-12 classroom.

NR - Nonrecurring

1998-99 Recommended Changes
General Fund - Public Education - Continued

1998-99

School Technology Funds - Continued

The General Assembly first appropriated funds for school technology in 1994 with an appropriation of \$42 million nonrecurring funds to the School Technology Reserve, for learning and instructional management technology, to be spent in accordance with subsequent legislation enacted by the General Assembly after receipt of the State School Technology Plan. These funds became part of the State School Technology Trust Fund. Nonrecurring funds in the amount of \$10 million and recurring funds in the amount of \$10 million then were appropriated in the 1996 Short Session to support implementation of the local school technology plans. This \$10 million in recurring funds together with the \$20 million in nonrecurring funds appropriated in the 1997 Session resulted in a total amount of \$30 million transferred to the State School Technology Trust Fund in 1997-98. Currently, a total of \$10 million in recurring funds is budgeted for the State School Technology Fund for 1998-99. This recommendation for an additional \$10 million in nonrecurring funds would increase the total available in the Trust Fund for 1998-99 to \$20 million. This \$20 million could provide a wide area network (WAN) to every public school in North Carolina. Access would include communication among schools within an LEA, across LEAs, or to schools in other states and would allow access to on-line resources such as the Smithsonian, the Library of Congress, and the State Archives. On-line courses and staff development training also could be made available to teachers over the network. To insure that every school is part of the network system, it is recommended that this \$20 million be allocated to the LEAs according to the number of schools in that LEA, rather than on the basis of ADM.

\$ 10,000,000 NR

10. **Total Quality Education (TQE)**

Nonrecurring funds are recommended to continue support of Total Quality Education, an initiative providing training to educators in the use of Total Quality Management processes and practices. This strategy supports the main initiative of the North Carolina Business Committee for Education (NCBCE) and provides a match for private funds raised from business and industry. The funds will be appropriated to the Department of Public Instruction for distribution to local school systems. All funds will be used to support professional development activities at the school level. No funds will be used for administration of the program.

NR - Nonrecurring

1998-99 Recommended Changes
General Fund - Public Education - Continued

1998-99

Total Quality Education (TQE) - Continued

The 1995 General Assembly appropriated \$400,000 in nonrecurring funds for 1995-96 for TQE; the 1996 Session of the General Assembly appropriated \$450,000 in nonrecurring funds for 1996-97; and this appropriation was repeated for 1997-98. Currently 39 school systems participate in the program representing every geographic area of the state.

\$ 650,000 NR

11. A+ Schools

A+ Schools focus on improving basic skills through an interdisciplinary teaching and learning approach using such vehicles as the arts to help students achieve grade level proficiency in reading, writing, and mathematics. State funds are combined with funds from the Kenan Charitable Trust and local funds to support the A+ Schools Program. Nonrecurring funds in the amount of \$500,000 were appropriated by the 1997 General Assembly to continue the A+ School pilot project. It is recommended that this appropriation be continued for 1998-99.

500,000 NR

12. N.C. Teaching Fellows Program

The North Carolina Teaching Fellows Program, created by the 1986 Session of the General Assembly, is designed to identify academically talented students interested in teaching and to help those students become teachers by awarding scholarship loans of \$5,000 per year for four years of undergraduate study, repayable by teaching for four years in a North Carolina public school. It is recommended that the current annual award of \$5,000 to each recipient be increased to \$8,000 to help offset the rising costs of tuition, fees, room, and board.

The 1986 legislation authorizing the Teaching Fellows Program designated that the staff of the Public School Forum would serve as the staff for the Teaching Fellows Commission and administer the program. Authorization is recommended for the Public School Forum to spend an additional \$150,000 annually from its fund balance for administrative costs associated with the Teaching Fellows Program. Additional appropriation is not required for this portion of the recommendation.

4,800,000

NR - Nonrecurring

**1998-99 Recommended Changes
General Fund - Public Education - Continued**

1998-99

13. Communities in Schools

Funds are recommended to support further expansion of Communities in Schools (CIS) programs and sites across the state. Communities in Schools is a nonprofit organization which addresses the multiple needs of students at greatest risk of dropping out of school. The program works with local communities to bring resources together from both the private and public sectors to address these needs. The program provides training for building CIS programs at the local level, grant writing and fund raising assistance, and help for local communities to acquire the resources necessary to deliver services to children at risk of dropping out and their families at school sites across the state.

\$ 1,000,000 NR

14. Principals' Salary

A total of \$296,366 is recommended to provide a 2% increase for the current principal VII pay level where the teacher count in the school is 66 to 100 and a 4% increase in salary where the teacher count in the school is 101 and over.

296,366

15. Salary Increases - Other Public School Employees

Funds in the amount of \$41,174,748 are recommended to provide an average annual salary increase of 4% effective July 1, 1998 for all public school employees not paid from the teacher salary schedule. This includes principals and assistant principals as well as the certified nonteaching positions in central office administration (superintendents and school administrators) and noncertified employees such as finance officers, clerical workers, teacher assistants, school nurses, custodians, bus drivers, bus mechanics, and maintenance supervisors.

41,174,748

Nonrecurring funds also are recommended for a 1% bonus for 1998-99 fiscal year.

10,293,687 NR

Total Recommended Changes for Public Education

Requirements

\$510,425,366

Receipts

(14,861)

Appropriation

\$328,694,729

181,745,498 NR

Number of Positions

518.4

NR - Nonrecurring

**1998-99 Recommended Changes
General Fund - Continued**

Department of Community Colleges

1998-99

1. Enrollment Increase

The Department of Community Colleges estimates the system enrollment has increased by 509 Full Time Equivalent students for a total enrollment of 138,377 FTE. The increases are 169 FTE for a total of 107,684 in Curriculum, 222 FTE for a total of 17,220 in Occupational Extension, and 118 FTE for a total of 13,473 in Basic Skills programs.

Requirements	\$ 1,540,017
Receipts	<u>168,576</u>
Appropriation	\$ 1,371,441

2. Technology

Funds are recommended to improve computer technology capabilities associated with improving instructional delivery, responding to reporting requirements, developing student information systems, using state of the art software and improving instructional staff support. Items include management information staff for colleges, software procurement and maintenance, the N. C. Virtual Library (\$500,000) and state-level technical assistance for the colleges (\$346,000).

	846,000	
	9,154,000	NR
Number of Positions	5.0	

3. New and Expanding Industry

Nonrecurring funds are recommended for the New and Expanding Industry program as requested by the State Board of Community Colleges. This program assists companies creating new jobs in North Carolina by providing training for new employees. The program has many more requests than can currently be funded.

	4,175,000	NR
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NR - Nonrecurring

**1998-99 Recommended Changes
General Fund - Community Colleges - Continued**

1998-99

4. Equipment and Books

Nonrecurring funds are recommended for 1998-99 to purchase educational and training equipment (\$15,000,000) and library books (\$1,950,000) at each of the 58 community colleges. This recommendation continues the nonrecurring appropriations made in 1997-98 for library books and increases the amount for equipment.

\$ 16,950,000 NR

5. Reward Excellence in Community College Teaching

Nonrecurring funds are recommended for the State Board of Community Colleges for distribution to the colleges of a 2% average salary increase for teaching faculty members for state fiscal year 1998-99. This salary increase is to be given to teaching faculty who have demonstrated excellence in teaching, in accordance with State Board policies.

6,749,208 NR

6. Salary Increase

A 4% salary increase is recommended for all community college personnel and an additional 1% bonus is recommended for non-teaching community college personnel, effective July 1, 1998.

1% Bonus

1,505,908 NR

4% Permanent Salary Increase

19,522,048

Total Recommended Changes for Department of Community Colleges

Requirements

\$ 60,442,181

Receipts

168,576

Appropriation

\$ 21,739,489

38,534,116 NR

Number of Positions

5.0

NR - Nonrecurring

**1998-99 Recommended Changes
General Fund - Continued**

University of North Carolina Board of Governors

1998-99

1. Schedule of Priorities - Current Operations

General Statute 116-11(9) requires the Board of Governors of the University of North Carolina to “develop, prepare, and present to the Governor, Advisory Budget Commission, and the General Assembly a single, unified recommended budget for all of public senior education.” Funds requested for expansion, new programs and activities, increases in enrollment, remedying deficiencies, etc. are to be itemized in priority order and any funds appropriated for the priority schedule are to be in a lump sum.

In response to the Board of Governors’ 1998-99 “Schedule of Priorities,” the following items are recommended:

A. Enrollment Changes

In response to the Board of Governors’ 1997-99 “Schedule of Priorities,” the General Assembly appropriated funds for enrollment growth (Priority line #1) in the second year of the biennium of 925 full time equivalent (FTE) students above the 1997-98 budgeted enrollment of 131,311. However based on the current year’s actual enrollment, the enrollment projection for 1998-99 is revised upward by 1,100 students to 133,336 FTE. The recommended increase is to support those campuses which are experiencing enrollment growth.

In response to Legislative directives, the Board of Governors has developed a new, comprehensive funding model for determining the costs of enrollment growth in Regular Term instruction. The new model, which is more refined than the current model, is based on semester credit hours rather than full time equivalent students and takes into account cost differentials among levels of instruction and academic disciplines.

Requirements	\$ 12,901,333
Receipts	<u>(829,005)</u>
Appropriation	\$ 13,730,338

**1998-99 Recommended Changes
General Fund - UNC Board of Governors - Continued**

1998-99

Schedule of Priorities - Current Operations - Continued

B. Additional Schedule of Priorities

An additional “lump sum” amount in General Fund appropriations is recommended to address priority lines 3-13 of the “Schedule of Priorities”. The amount recommended includes funding for: information technology; 2% nonrecurring funds for rewarding teaching excellence; university outreach to public schools; elimination of the remaining 1% reversion requirement, with the recommendation that beginning in fiscal year 1999-2000 the funds be allocated for rewarding teaching excellence; Distinguished Professors’ Endowment Trust Fund - state matching funds; interinstitutional programs; and pfiesteria research.

Requirements	\$ 42,463,394	
Receipts	-	
Appropriation	\$ 1,186,000	
	41,277,394	NR

2. North Carolina School of Science and Mathematics Residential Program Enhancement

Funds are recommended for residential program enhancements for student education, health and safety at the North Carolina School of Science and Mathematics. A teacher/lab technologist will be funded, which will allow students to use the science laboratories for independent research and cooperative projects during extended hours of operation. Also two and a half positions will be added to enhance residential programs.

Number of Positions	300,000	3.5
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3. Aid to Students Attending North Carolina Private Colleges and Universities

The program of “Aid to Students Attending Private Colleges” is composed of two pieces: the Legislative Tuition Grant (LTG) and the State Contractual Scholarship Fund (SCSF). The LTG provides a payment of \$1,450 to private institutions for each North Carolina resident student, which is credited directly to the student’s account. The SCSF makes available to each institution an amount equal to \$750 for each full time North Carolina undergraduate resident student. These funds are then provided as scholarships to needy North Carolina students attending private colleges.

It is recommended that the amounts for the LTG and the SCSF each be increased by \$150 per year to \$1,600 and \$900 respectively.	7,248,986	
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NR - Nonrecurring

1998-99 Recommended Changes
General Fund - UNC Board of Governors - Continued

1998-99

4. **Other Programs**

Funds are recommended for the following programs: The North Carolina Global Schools Partnership; Center for Global Business Education and Research; Leadership North Carolina; and Special Olympics related expenses.

\$ 617,000 NR

5. **Salary Increase**

A 4% salary increase is recommended for all University personnel and an additional 1% bonus is recommended for non-teaching university personnel, effective July 1, 1998.

1% Bonus

6,409,874 NR

4% Permanent Salary Increase

53,495,302

Total for University of North Carolina Board of Governors

Requirements

\$ 123,435,889

Receipts

(829,005)

Appropriation

\$ 75,960,626

48,304,268 NR

Number of Positions

3.5

NR - Nonrecurring

**1998-99 Recommended Changes
General Fund - Continued**

Department of Administration

1998-99

1. North Carolina Ethics Board

The North Carolina Ethics Board was created by Executive Order to serve as the State entity to prevent conflict of interest in the Executive Branch of State Government and to handle any conflicts that may occur. Funds are recommended for staff and operations of this new board.

Number of Positions \$ 203,300
2.0

Total Recommended Changes for Department of Administration \$ 203,300

Number of Positions 2.0

Department of State Auditor

1. Audit Resources - Smart Start

Due to the significant growth of the Smart Start program, the department needs additional resources to fulfill its legislative mandate to audit the statewide and local partnerships. It is recommended that the additional funding required to meet the department's needs be transferred in from Smart Start funds appropriated to the Department of Health and Human Services. The recommendation will provide funds for contract services and for six positions to be effective October, 1998.

Requirements \$ 688,069

Receipts 688,069

Appropriation \$ -

Number of Positions 6.0

2. Audit Positions and Contract Audit Funding

In order for the department to increase the scope of its performance and financial audits of general government agencies to insure full accountability, and to address continuing backlogs of serious allegations of fraud and abuse, funds are recommended to add four audit positions and to increase contract audit services.

748,959

25,960 NR

Number of Positions 4.0

NR - Nonrecurring

1998-99 Recommended Changes
General Fund - State Auditor - Continued

1998-99

3.	Electronic Data Processing Audit Position			
	Funding is recommended to add one EDP audit position to enable the department to increase the audits of a growing number of computer applications and installations in state government.	\$	62,526	
			6,490	NR
	Number of Positions		1.0	
4.	Information Resource Management Support Position			
	The department relies heavily on computer automation to improve the productivity of each auditor. In order to provide the necessary technical support to maintain and enhance the performance of each auditor, funds are recommended to add one IRM position.		50,883	
			6,490	NR
	Number of Positions		1.0	
	Total Recommended Changes for Department of State Auditor			
	Requirements	\$	1,589,377	
	Receipts		<u>688,069</u>	
	Appropriation	\$	862,368	
			38,940	NR
	Number of Positions		12.0	

Office of the Governor

1.	Continue Deputy Chief of Staff Position			
	Funds are recommended to continue the Deputy Chief of Staff position for the Office of the Governor.	\$	107,959	
	Number of Positions		1.0	
	Total Recommended Changes for Office of the Governor	\$	107,959	
	Number of Positions		1.0	

NR - Nonrecurring

**1998-99 Recommended Changes
General Fund - Continued**

Office of State Budget and Management

	<u>1998-99</u>	
1. Training and Operating Support		
Funding is recommended to provide staff training for state departments and agencies in the area of performance measures, office equipment and travel, data processing, and printing related to 1999-01 budget preparation.	\$ 65,000	
	160,000	NR
 Total Recommended Changes for Office of State Budget and Management	 \$ 65,000	 160,000 NR

Office of State Planning

1. Digital Orthophotography Appropriation		
Funding is recommended to participate in a shared plan for the continuing development of digital orthophotography in North Carolina. The demand for digital orthophotos (DOQQs) in North Carolina is escalating with increased popularity and use of computer mapping software and geographic information systems. Digital orthophotos are an essential framework component used by state agencies, universities, local governments, and the private sector in geospatial planning and analysis.	\$ 3,600,000	NR
 2. County Boundary Resurvey Program		
Funding is recommended for the Geodetic Survey Program to re-establish and monument county boundaries to insure that these boundaries are easily identifiable, preserved over time, and referenced to the North Carolina State Plane Coordinate System. This program will require seven years to resurvey the county boundaries of each county in North Carolina. A portion of this funding will support the survey of a section of the North Carolina/South Carolina boundary based on recommendations of the Joint State Boundary Commission.	300,000	NR
 Total Recommended Changes for Office of State Planning	 \$ 3,900,000	 NR

NR - Nonrecurring

**1998-99 Recommended Changes
General Fund - Continued**

Department of Cultural Resources

		<u>1998-99</u>	
1.	N. C. Symphony Grant - Memorial Auditorium Funds are recommended to provide a one-time grant-in-aid to the North Carolina Symphony Society for acoustical enhancements to the new Raleigh Memorial Auditorium Performing Arts Center.	\$ 3,000,000	NR
2.	State Civil War Sites Nonrecurring funds are recommended for the preservation, improvement, and promotion of the state's Civil War era sites.	1,000,000	NR
3.	First Flight Centennial Commission The commission was formed in 1994 by the General Assembly to develop and plan activities to commemorate the centennial of the first successful manned, powered flight and other historical events related to the development of powered flight. It is recommended that funds be provided for personnel and operating expenses to help the commission fulfill its mission to produce a celebration that will showcase North Carolina on a world-wide basis.	975,000	
4.	Indian Heritage Research Funds are recommended to provide a Research Historian position to conduct and disseminate scholarly research on the history of Native Americans in North Carolina and to develop statewide educational and public information programs to publicize the results of the research projects. Number of Positions	50,000 1.0	
5.	Historic Sites Position Funds are recommended to provide a Historic Site Assistant position to help with the administration and interpretation of the Horne Creek Farm historic site. Number of Positions	23,535 1.0	
6.	Leased Space for Records Storage The State Records Center and the Old Farmer's Market house the records of all state agencies. Both facilities are full and cannot accommodate further records storage. It is recommended that funds be provided to lease warehouse space to house the tremendous backlog of records that exists in file cabinets, hallways, and offices in agencies statewide, and for shelving.	255,000	NR

NR - Nonrecurring

**1998-99 Recommended Changes
General Fund - Cultural Resources - Continued**

	<u>1998-99</u>	
7. Queen Anne's Revenge Nonrecurring funds are recommended for further retrieval and conservation of artifacts, and for the continued protection of the site believed to be Blackbeard's flagship.	\$ 250,000	NR
8. W. Kerr Scott Farm Reserve It is recommended that this property be accepted as a State historic site consistent with the requirements of G.S. 121-12(b) and that planning for the development of this site begin with this appropriation.	50,000	NR
9. Grassroots Arts Program This recommendation will expand funds appropriated for the Grassroots Arts grants by 25%. These funds are allocated for local arts activities in every county on a per capita basis	335,750	NR
Total Recommended Changes for Department of Cultural Resources	\$ 1,048,535	
	4,890,750	NR
Number of Positions	2.0	

North Carolina Housing Finance Agency

1. North Carolina Housing Trust Fund Appropriations The North Carolina Housing Trust Fund was established in 1987 and since has received state funding of \$41.2 million dollars. The purpose of the fund is to leverage financing for the housing of low income families in North Carolina. Nonrecurring funds are recommended to continue providing housing or rehabilitating existing homes for low income households.	\$ 2,000,000	NR
Total Recommended Changes for North Carolina Housing Finance Agency	\$ 2,000,000	NR

Office of the Lieutenant Governor

1. Update Computer System Funds are recommended for the Office of the Lieutenant Governor to update the computer system providing data server, hubs and new software.	\$ 25,000	
Total Recommended Changes for Office of the Lieutenant Governor	\$ 25,000	

NR - Nonrecurring

**1998-99 Recommended Changes
General Fund - Continued**

Department of Revenue

1998-99

1. Develop New Remittance Processing System

Funding is recommended to address the need for a new remittance processing system compliant with year 2000 requirements. The current remittance processing system is over twelve years old and the hardware and software have become obsolete and noncompliant with year 2000 requirements. Funding also is recommended for nine positions to support current technological development operations.

\$	500,000	
	12,000,000	NR
		9.0

Number of Positions

Total Recommended Changes for Department of Revenue

\$	500,000	
	12,000,000	NR
		9.0

Number of Positions

Department of Secretary of State

1. Technology Enhancements - Phase II

The department received funding in 1997-98 for the first year of a two-year technology improvement project to provide new equipment and to update computer systems and applications. Funding is recommended to continue technology enhancements for the second year of the project, and to provide on-going support.

\$	134,385	
	650,000	NR
		1.0

Number of Positions

2. Uniform Commercial Code Division

To help the Uniform Commercial Code Division meet the increasing demands of the business community for financing statement filings and information requests, it is recommended that funding be provided to add four Processing Assistant positions and additional operating support.

	116,918	
		4.0

Number of Positions

NR - Nonrecurring

1998-99 Recommended Changes
General Fund - Secretary of State - Continued

1998-99

3. **Corporations Division**

Funding is recommended to add three Processing Assistant positions in the Corporations Division to provide additional telephone assistance for the substantial volume of customer calls received daily and for the examination of documents to reduce the filing turnaround time. The recommendation includes increased operating support and funds to provide temporary help during peak workloads.

\$ 254,586
3.0

Number of Positions

4. **Securities Division Position**

Due to the rapidly increasing number of securities offerings in the state, funding is recommended to add a Securities Registration Analyst position for the review and approval of securities registration applications.

47,018
1.0

Number of Positions

5. **Cash Management Position**

As a result of efforts to centralize the cash receipts function in the department to achieve efficiencies and comply with state policy for the deposit of funds, it is recommended that funding be provided to add one Accounting Clerk position in the Administration Division.

32,010
1.0

Number of Positions

6. **Trademarks Section Position**

Funding is recommended to add one Processing Assistant in the Administration Division to assist with the increasing number of customer information requests and the issuance of authentication certificates.

30,360
1.0

Number of Positions

Total Recommended Changes for Department of Secretary of State

\$ 615,277
650,000 NR
11.0

Number of Positions

NR - Nonrecurring

**1998-99 Recommended Changes
General Fund - Continued**

State Board of Elections

1998-99

1. Statewide Computerized Voter Registration

Since 1994-95, the General Assembly has appropriated \$6.5 million for the development and implementation of the statewide computerized voter registration project. Since the original needs assessment in 1995, a detailed RFP has been issued and awarded to a vendor and more accurate cost figures are now known, which are greater than the original estimate. Additional funds are recommended for data communication costs, hardware and software maintenance, equipment replacement, and nonrecurring funds are recommended for third party quality assurance.

	\$	585,000	
		160,000	NR

Total Recommended Changes for State Board of Elections

	\$	585,000	
		160,000	NR

Department of State Treasurer

1. Improve Member Services - Retirement Division

Funding is recommended to help the department meet the increasing demand for services by a rapidly growing number of active and retired members. The recommendation includes recurring funds of \$478,253 for personnel and on-going operating expense, and nonrecurring funds of \$826,000 for contracted temporary help, renovation expense of existing space, and equipment.

Requirements	\$	1,304,253	
Receipts		<u>1,304,253</u>	
Appropriation	\$	-	
Number of Positions		10.0	

2. Replace Outdated Warrant Processing System

The current check processing equipment used by the department is old and unreliable and breaks down frequently. This recommendation will provide nonrecurring funds for a new imaging and data processing system to replace the existing system and will be offset by an increase in non-tax revenue.

		738,000	NR
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NR - Nonrecurring

**1998-99 Recommended Changes
General Fund - State Treasurer - Continued**

1998-99

<p>3. Increase Administrative Supervision - Escheat Division Due to the increasing number of receipts and holders of property, an additional supervisory position is needed in the Escheats Division to oversee the daily processing of tangible and intangible property and cash receipts. This will allow the division director to concentrate on managerial and policy level issues generated by operations on an on-going basis.</p>	<p>Requirements \$ 52,426 Receipts <u>52,426</u> Appropriation \$ - Number of Positions 1.0</p>
<p>4. Strengthen Investment Management It is recommended that funds be provided to add an additional Portfolio Manager position and to replace outdated accounting systems in the Investment Management Division, to help the department better manage it's increasing volume of investment portfolios. The recommended appropriation will be offset by an increase in non-tax revenue.</p>	<p>52,932 257,000 NR Number of Positions 1.0</p>
<p>Total Recommended Changes for Department of State Treasurer</p>	
<p>Requirements Receipts Appropriation Number of Positions</p>	<p>\$ 2,404,611 <u>1,356,679</u> \$ 52,932 995,000 NR 12.0</p>

NR - Nonrecurring

**1998-99 Recommended Changes
General Fund - Continued**

Department of Health and Human Services

Recommended Additional Reductions

1998-99

1. Medicaid Adjustments

A reduction to the program's budget is recommended based on a revised forecast that makes use of more current expenditure and utilization information.

Requirements	\$ (81,234,768)
Receipts	<u>(55,734,768)</u>
Appropriation	\$ (25,500,000)

Recommended Changes to the 1998-99 Expansion

Division of Child Development

1. Smart Start

Funding is recommended to continue the statewide implementation of the Smart Start early childhood initiatives and to increase funding for partially funded existing partnerships. Included in this request is \$54.7 million in direct service funds which will bring North Carolina to 50% of the full statewide funding need for the Smart Start program. In addition, this recommendation includes \$1.9 million in local partnership planning funds and \$34,000 in funds to cover increased county program evaluation costs. Overall, these direct service and planning funds will allow all 100 counties to be involved in the development and delivery of Smart Start comprehensive child development programs for young children.

\$ 56,634,743

2. Support for the Office of the State Auditor

For FY 1997-98, the Division of Child Development's continuation budget includes \$120,271 in funding to support Smart Start audits conducted by the Office of the State Auditor. Since 1993, Smart Start program funding has increased while there has been no significant change in continuation funding support for the Office of the State Auditor. In order to meet increased auditing demands additional funding for four professional positions, two clerical positions and contractual audit activities is recommended.

649,129

38,940 NR

NR - Nonrecurring

1998-99 Recommended Changes
General Fund - Health and Human Services - Child Development - Continued

1998-99

3. **T.E.A.C.H.**
 Additional funding is recommended for the Teacher Education and Compensation Helps (TEACH) program. Enrollment in this child care training and education initiative has increased as a result of child care legislation enacted during the 1997 Session of the General Assembly. The recommended funding increase of \$178,000 will raise the total funding level to \$1,600,000.
- \$ 178,000

Division of Medical Assistance

4. **Children's Health Insurance**
 In 1997, the United States' Congress created the State Children's Health Insurance Program (CHIP), Title XXI of the Social Security Act, to provide health insurance to uninsured children. Nationally, \$20.3 billion in CHIP funds are available for state allocation, in which North Carolina may receive up to \$79.7 million in federal funds at a 74.16% match rate for 1998-99. It is recommended that the Children's Health Insurance Plan adopted by the General Assembly be implemented, effective October 1998.
- | | |
|---------------------|-------------------|
| Requirements | \$ 47,426,779 |
| Receipts | <u>33,292,717</u> |
| Appropriation | \$ 14,134,062 |
| Number of Positions | 7.0 |

Division of Social Services

5. **State County Special Assistance**
 Effective July 1, 1998, the maximum monthly rate for residents in adult care home facilities is recommended to be \$956 per month per resident. This \$41 increase over authorized fiscal year 1998-99 rates of \$915, is supported by 1997 cost support data submitted by adult care homes.
- | | |
|-------------------|------------------|
| Requirements | \$ 7,531,298 |
| Receipts (County) | <u>3,765,649</u> |
| Appropriation | \$ 3,765,649 |

1998-99 Recommended Changes
General Fund - Health and Human Services - Social Services - Continued

1998-99

6. Child Support Enforcement Support for State Offices

As North Carolina moves forward with welfare reform it is increasingly important for a family's ability to achieve self sufficiency that financial support is received from both parents. Current state operated CSE offices, that serve 31 counties, experience a caseload average of 540 cases for each CSE agent, or 1:540. In order to continue our success to increase child support collections and implement welfare reform, child support caseloads need to be reduced to manageable levels. Therefore, it is recommended that 100 additional positions be added to state offices to reduce caseloads to 1:400. An additional eight positions are recommended to address dramatically increased call volume related to the implementation of new automated child support systems and related outreach efforts. Additional funding for automation equipment replacement is also provided.

Requirements	\$ 4,959,585
Receipts	<u>3,273,326</u>
Appropriation	\$ 1,686,259
Number of Positions	108.0

7. Work First Reserve

It is recommended that nonrecurring state funds be used in 1998-99 to support the Work First Reserve Fund, established pursuant to G.S. 143-15.3C. It is further recommended that, in future years, non-recurring funds be used to fund the balance of the reserve, until total availability in the reserve reaches the \$50 million maximum.

20,000,000 NR

8. Adoptive Parent Criminal Record Checks

Congress recently enacted the Adoption and Safe Families Act of 1997 (Public Law. 105-89) mandating criminal record checks on all foster care and adoptive parents. This recommended funding will provide for approximately 2,300 checks at a \$48 per person cost. In addition a central office clerical position is provided to assist in the processing of these criminal record checks.

Requirements	\$ 147,676
Receipts	<u>52,277</u>
Appropriation	\$ 95,399
Number of Positions	1.0

NR - Nonrecurring

1998-99 Recommended Changes
General Fund - Health and Human Services - Continued

Office of the Secretary

1998-99

<p>9. Criminal Records Check Needs Assessment Since 1995, state and federal law changes have required criminal record checks (CRCs) of child care facility employees, foster parents, adult care and nursing home employees. As of March 1998, the department has worked with the Department of Justice to process over 61,000 individuals requiring background checks, with an average processing time of 10 to 12 months. Funding is recommended to conduct a needs assessment and planning effort to evaluate and redesign the CRC process, in order to shorten this processing time and to eliminate significant backlogs. Three professional positions are recommended to support this planning effort. Any needs for additional appropriations to support the implementation of this planning effort will be requested in fiscal year 1999-00.</p>	<p>Requirements \$ 391,744 Receipts <u>39,383</u> Appropriation \$ 352,361 NR Number of Positions 3.0</p>
<p>10. New Systems for Year 2000 Nonrecurring funds is recommended to support the replacement of automation equipment to ensure compliance with Year 2000 needs for the Eligibility Information (EIS) and Healthquest systems. This funding will supplement related needs found in the Year 2000 Statewide Funding Plan developed by the Department of Commerce - State Information Processing Services.</p>	<p>6,864,399 NR</p>
<p>11. Department Automation Support Funding is recommended to support pressing Department automation needs. These needs include unexpected State Information Processing System telecommunication charges and additional equipment and services to support the continued implementation of Electronic Benefits Transfer System for Food Stamps.</p>	<p>Requirements \$ 4,371,088 Receipts <u>2,146,744</u> Appropriation \$ 2,224,344 NR</p>

NR - Nonrecurring

**1998-99 Recommended Changes
General Fund - Health and Human Services - Continued**

Division of Mental Health, Developmental Disabilities, and Substance Abuse Services

1998-99

12. Willie M

Additional funding is recommended for the Assaultive and Violent Children (Willie M) Program to finance the additional class members and services covered this year through fund balance recall. From December 1994 through December 1995, the caseload increased from 1,215 children to 1,525 children, or 25.5%. State funding has not kept up with the increased caseload; however, Medicaid billings by Area Mental Health Programs have helped to serve new and existing clients. The current appropriation plus the one-time use of the Willie M restricted fund balances (\$7,048,903) is sufficient to meet the fiscal year 1997-98 costs for the increased caseload. Funding in the amount of \$5,353,003 is needed to cover existing clients in fiscal year 1998-99 because the fund balances will no longer be available.

\$ 5,353,003

13. Atypical Antipsychotic Drugs/State Psychiatric Hospitals

Funding is recommended to pay for more expensive yet more effective atypical antipsychotic drugs (cholzapine, risperidone, olanzapine and quetiapine). A typical antipsychotics offer the potential for improvements in drug therapy compliance, response to treatment, quality of life, and reduced inpatient days. The overall cost of treatment, therefore, may be reduced and the quality of treatment improved by shifting from less effective conventional antipsychotics to the newer, more effective, atypical antipsychotics.

Requirements
Receipts
Appropriation

\$ 1,539,814
212,816
\$ 1,326,998

1998-99 Recommended Changes

General Fund - Health and Human Services - Mental Health, DD&SAS - Continued

1998-99

14. Medicaid Match for Area Mental Health Programs

Funds are recommended to establish a Medicaid match reserve for area Mental Health, Developmental Disabilities, and Substance Abuse Authorities in order to continue existing services. To date, federal Medicaid match requirements have been validated through certification of state and local funds allocated to the area authorities. Service system growth and expanded Medicaid reimbursable services have outstripped the capacity of state and local funds appropriated for indigent care to also serve as Medicaid match. Point of service Medicaid match is now required to fully comply with the intent of Health Care Financing Administration (HCFA) regulations. These expansion funds will be combined with area authority state and local funds currently supporting Medicaid services to establish a state level Medicaid reserve for area programs which will enable area programs to be paid at the 100% Medicaid rate, including both the federal and non-federal shares.

\$ 38,000,000

15. Child Mental Health Training Programs

One-time funding is recommended for the Child Mental Health Section for planning and delivery of training programs to build cultural competencies for providers of services to children, families and communities.

75,000 NR

Health Services

16. Emerging Health Issues Risk Assessment

Funds are recommended to establish an epidemiological unit dedicated to risk assessment and evaluation of human health exposure to various emerging environmental issues such as pfiesteria and occupational exposures. The purpose of this epidemiological unit will be to (1) conduct ongoing surveillance using existing data bases (hospital discharges, death certificates, Medical Examiner records, etc.), (2) develop teams that have the capability to investigate and assess reports of environmental problems that could potentially affect human health, (3) monitor the long term and cumulative effects of environmental problems on human health using geographic information software, and (4) analyze, evaluate and design effective intervention strategies and/or recommend a course of action to state policy makers.

\$ 1,978,242

Number of Positions

23.0

NR - Nonrecurring

1998-99 Recommended Changes
General Fund - Health and Human Services - Health Services - Continued

1998-99

17. **HIV Medications**

Funds are recommended to provide medications coverage at the federally-recommended level of care to HIV positive individuals who meet the program's financial eligibility criteria (net family income at or below 125% of the Federal Poverty Level). During the last year, expensive new medications have been approved by the Food and Drug Administration (FDA), to be used in a growing number of combinations. These increasingly expensive medications have been credited with reviving individuals who were on the edge of death, substantially delaying the onset of illness in those recently infected, and even minimizing the likelihood of disease transmission by those who are infected. As a consequence of these changes, there is an increase in demand for the services provided by the HIV Medications Program.

Requirements	\$ 18,130,447
Receipts	<u>2,066,871</u>
Appropriation	\$ 16,063,576

18. **Comprehensive Sickle Cell Services**

This recommendation will replace lost federal funding for five of the state's medical centers and two satellite clinics to continue to provide uncompensated care for approximately 800 persons a year who have Sickle Cell Disease.

1,200,000

19. **Immunization against Chickenpox and Hepatitis B**

This recommendation will enable the Immunization Program to implement the Advisory Council for Immunization Practices' recommendation to vaccinate all susceptible children who are at least 12 months of age and born on or after January 1983 against chickenpox and all children 0-18 years of age against hepatitis B. Twenty percent of North Carolina's adolescent population have not had chickenpox which can cause encephalitis, pneumonia and Reye's syndrome. The additional age groups to be covered are children 4-10 and 14-15 years of age with approximately 27,000 additional children being vaccinated each year. Hepatitis B is incurable but is vaccine preventable. The additional age groups to be covered are children age 7-10 and 14-18 years old with approximately 86,450 additional children being vaccinated each year. More than 1,000 cases of hepatitis B were reported last year in North Carolina with an average treatment cost of \$22,000 per person.

3,356,120

20. **Maternal Outreach Programs**

Funding is recommended to expand maternal outreach services to additional sites. The maternal outreach programs provide at-risk families with a supportive home based relationship which is helpful in preventing child abuse and neglect.

800,000

1998-99 Recommended Changes
General Fund - Health and Human Services - Health Services - Continued

1998-99

- | | | |
|-----|---|---------------|
| 21. | <p>Heart Disease and Stroke Prevention Initiative
 This recommendation will support the efforts of the Heart Disease and Stroke Prevention Legislative Task Force. The three critical areas are as follows: (1) by establishing sound data collection on cardiovascular disease (which began in 1998 with nonrecurring funds), (2) by implementing the Be Active North Carolina a comprehensive community-based multi-level initiative to increase physical activity among North Carolinians, and (3) by implementing the strategies proven to be successful in model “Strike out Stroke” program which builds capacity of health providers and community groups to increase awareness of hypertension, provide professional development, community and patient education. Heart disease and stroke are the first and third leading causes of death in North Carolina, accounting for 40% (26,000) of all deaths each year. Hypertension is the leading cause of stroke.</p> | \$ 645,626 NR |
| 22. | <p>Diabetes
 This recommendation will fund local efforts in approximately 10 health departments to establish patient care, diabetes control guidelines, education and support activities including technical assistance and training materials. It will also support a contract to train local nurse and nutrition teams in the care of patients with diabetes. Diabetes is a major cause of blindness, renal failure, cardiovascular disease and lower extremity amputations. Diabetes is the seventh leading cause of death.</p> | 250,000 NR |
| 23. | <p>Children’s Vision Screening Improvement Program
 This recommendation will continue funding for Prevent Blindness North Carolina to conduct a public/private training and certification program for vision screeners in all 100 counties. The program will assure there is one trained and certified screener for every 100 students in grades K-6.</p> | 419,000 NR |
| 24. | <p>Healthy Start Foundation
 Funding is recommended to continue the public information and education activities of North Carolina’s nationally recognized First Step Campaign. It will also enable the Healthy Start Foundation to provide mini-grants to local communities to fund activities and services designed to reduce infant mortality and low birth weight, which is the leading cause of infant mortality.</p> | 650,000 NR |
| 25. | <p>Study on Access to Dental Care
 Health and social services agencies across the state report that private dentists do not welcome low-income children as patients. A study of dental care access for North Carolina’s children is recommended to further examine this issue and explore solutions.</p> | 100,000 NR |

NR - Nonrecurring

1998-99 Recommended Changes
General Fund - Health and Human Services - Health Services - Continued

1998-99

26. State Games of North Carolina

It is recommended to continue support for the State Games of North Carolina to promote health and fitness through athletic activities for all North Carolinians.

\$ 150,000 NR

Division of Aging

27. Support for Long Term Care Systems Reform

It is recommended that the Division provide grants to counties of \$250,000 to \$300,000 annually to support long term care system reforms with emphasis on multi-county systems serving both physically disabled and elderly adults. This funding provides staff support as well as funding for technology/automation for strategies to implement automated screening and assessment tools and to enhance the use of automated data across agencies.

Requirements

\$ 1,333,333

Receipts

133,333

Appropriation

\$ 1,200,000

28. Support for Full-time Senior Centers

This recommendation will provide approximately 140-150 senior centers that have full time programs and the capacity to meet the Division of Aging Senior Center Operations Service Standard as of July 1, 1998 with equal amounts of discretionary funding. The use could include facility maintenance and repair, community outreach, program development, administrative support, and equipment purchases.

Requirements

\$ 2,222,222

Receipts

222,222

Appropriation

\$ 2,000,000 NR

29. In-Home and Community Based Services

This recommendation will further reduce the number of people in need of in-home and community based services. These older adults are not eligible for Medicaid and cannot afford to pay privately for the essential in-home and/or caregiver support services. Services included are in-home aide, adult day care/day health care, skilled home care, home delivered meals, medical transportation and out-of-home respite care.

Requirements

\$ 2,777,777

Receipts

277,777

Appropriation

\$ 2,500,000

NR - Nonrecurring

1998-99 Recommended Changes
General Fund - Health and Human Services - Aging - Continued

1998-99

30. **Long-Term Care Insurance**
 This recommendation will support a study to encourage the development of and access to long-term care insurance for North Carolina citizens. \$ 50,000 NR

Division of Facility Services

31. **Improve Health and Safety of Residents and Regulatory Compliance**
 It is recommended that the Division undertake efforts to improve the health and safety of residents and regulatory compliance (1) by hiring additional staff in the Construction Section to review plans and inspect new construction and existing facilities not currently inspected by federally-funded staff, (2) by hiring additional staff in the Health Care Personnel Registry to investigate and take action against Health Care Personnel, and (3) by hiring additional staff in Licensure and Certification to improve response time to nursing facility complaints. Each year the construction staff reviews approximately 1,500 sets of building plans and 600 projects for new construction, renovations, and additions for regulatory compliance for 14 health and social care programs. The Health Care Personnel Registry Investigations Program is required to investigate and take action against health care personnel in over 3,000 different facilities in our state which include hospitals, nursing homes, adult care homes, family care homes, homes for the developmentally disabled adults, home health and home care agencies, nursing pools, and hospice agencies. The Licensure and Certification Section is required to perform annual inspections, follow-up inspections, complaint investigations and take enforcement action in 417 nursing homes and in conducting annual surveys and complaint investigation in 2,002 other health facilities and agencies. \$ 1,632,125
 Number of Positions 23.5

Total Recommended Additional Reductions for Department of Health and Human Services
 Requirements \$ (81,234,768)
 Receipts (55,734,768)
 Appropriation \$ (25,500,000)

Total Recommended Changes to the 1998-99 Expansion for Department of Health and Human Services
 Requirements \$ 229,856,090
 Receipts 45,483,115
 Appropriation \$ 150,553,305
 33,819,670 NR
 Number of Positions 165.5

NR - Nonrecurring

**1998-99 Recommended Changes
General Fund - Continued**

Department of Correction

1998-99

1. Upgrade Health Services

It is recommended that additional funds be appropriated to support 51 medical related positions to be established at Central Prison and the North Carolina Correctional Institute for Women. These positions are necessary in order to continue to provide a level of service consistent with prevailing standards in the medical community. Both institutions have under gone an extensive and independent review.

\$ 1,740,563
51.0

Number of Positions

2. Criminal Justice Partnership Act

When the continuation budget for 1998-99 was prepared, a one time reduction in appropriation for the Criminal Justice Partnership Act made for 1997-98 was inadvertently continued into the second year of the biennium. The amount originally reduced was \$5,000,000, but the department believes that it can operate in 1998-99 with only \$2,000,000 restored.

2,000,000

3. Post Boot Camp Aftercare Program

It is recommended that funds be appropriated to continue post boot camp aftercare programs for those youths that complete the department's boot camp. Most states reporting success with the boot camp program have the aftercare component. This program follows up with the youths that are most often released into the same environment that may have caused their encounter with the legal system in the first place.

515,782

4. One Time Appropriation Reduction From Construction Delay

It is recommended that a one time reduction be made to operating reserves in the department's budget due to delays in new facilities coming online.

(11,131,014) NR

Total Recommended Changes for Department of Correction
Number of Positions

\$ (6,874,669)
51.0

NR - Nonrecurring

**1998-99 Recommended Changes
General Fund - Continued**

**Department of Crime Control and Public Safety
General Fund**

1998-99

1. **Replace Federal Funds for Positions in Emergency Management**
 It is recommended that funding be appropriated to continue three and a half positions in Emergency Management that are currently funded with federal funds. It is anticipated that the federal funding for these positions will end on June 30, 1998. These positions work in the area of preparedness, training and exercises, emergency management assistance, hazardous materials, and disaster preparedness improvement grants. Two and a half of the positions are emergency management planners and one position is a facility survey engineer.

	\$ 202,717
--	------------

2. **National Guard Challenge Program**
 Challenge is a program currently supported by federal funds that operates at a school owned by Sampson county. Beginning July 1, 1998, the federal funds will be reduced to 75% of the operating budget. It is recommended that an appropriation be made to replace those lost federal funds. The program is designed for young males and females that have dropped out or been expelled from school. The program is a highly structured and disciplined approach focused toward changing behavior and attitude.

	542,000 NR
--	------------

3. **Positions for Air National Guard**
 An appropriation is recommended to match federal funds to add four maintenance/housekeeping positions at expanded Air National Guard facilities. These positions would be located at Charlotte (1) and Stanly county (3).

Requirements	\$ 120,591
Receipts	<u>90,443</u>
Appropriation	\$ 30,148
Number of Positions	4.0

NR - Nonrecurring

1998-99 Recommended Changes

General Fund - Crime Control and Public Safety - General Fund - Continued

1998-99

4. Airborne and Special Operations Museum

An appropriation is recommended to supplement funds received and/or committed to the Airborne and Special Operations Museum in Fayetteville. This museum will be dedicated to the men and women that have made sacrifices serving our country in Airborne and Special Operations units.

\$ 2,000,000 NR

Total Recommended Changes for Department of Crime Control and Public Safety - General Fund

Requirements

\$ 2,865,308

Receipts

90,443

Appropriation

\$ 232,865

2,542,000 NR

Number of Positions

4.0

**Department of Crime Control and Public Safety
Highway Fund**

1. Highway Patrol Automatic Salary Increase

When the continuation budget for 1998-99 was prepared the automatic annual salary increase for eligible officers of the State Highway Patrol was inadvertently omitted. It is recommended that the amount necessary to fund this increase be appropriated from the Highway Fund.

\$ 2,787,596

2. Criminal Justice Information Network (CJIN)

It is recommended that funds be appropriated to the Department of Crime Control and Public Safety from the Highway Fund to allow the Highway Patrol to implement phase III of its Mobile Data Network. The purpose of CJIN is to develop a statewide network that will enable an authorized user to readily access and effectively use criminal information regardless of its location in national, state, or local databases.

2,406,611 NR

NR - Nonrecurring

1998-99 Recommended Changes

General Fund - Crime Control and Public Safety - Highway Fund - Continued

1998-99

3. Mobile Data Computers

It is recommended that funds be appropriated to the Highway Patrol to continue purchasing mobile data computers for Highway Patrol cruisers. These computers provide immediate response to inquiries without utilization of voice transmission. This quick response enhances the safety of the officer in the field as well as reduces time required for information checks. This appropriation will provide for 247 additional computers and bring the total number of computers in cruisers up to 616.

\$ 2,249,812 NR

4. Forty Additional Highway Patrol Troopers

The department is requesting 35 additional trooper positions for the Highway Patrol and the reallocation of five existing Highway Patrol management positions to troopers. The first year annual cost of a new trooper is \$87,373. This includes salary related items and support cost. The support cost includes a fully equipped cruiser. The department can identify funds internally that are sufficient to support the salary cost of 20 troopers and the support cost of 5 troopers. The department has identified these funds from reallocating five management positions (\$436,865) and the use of salary reserves (\$506,460). In summary, the department is requesting full funding for 20 troopers and support cost for 15 additional troopers. The schedule below outlines the net transfer of appropriations needed by the department from the Highway Fund to support the 40 trooper positions:

Total Cost for 40 New Troopers	\$3,494,920	
Less:		
Funds From Reallocating Five Positions	(436,865)	
Funds Identified From Salary Reserves	<u>(506,460)</u>	
Net Request From Highway Fund	\$2,551,595	

968,300
1,583,295 NR
35.0

Total Recommended Changes for Department of Crime Control and Public Safety - Highway Fund

\$ 3,755,896
6,239,718 NR
35.0

Number of Positions

NR - Nonrecurring

**1998-99 Recommended Changes
General Fund - Continued**

Department of Justice

1998-99

1. Criminal Justice Information Network (CJIN)

An appropriation is recommended to continue the development and implementation of CJIN. CJIN is a statewide program that is being developed to uniformly collect criminal justice information data and provide this information to authorized users. The recurring appropriation is to continue to pay the expenses of the CJIN governing board and one position. This position will direct and coordinate the CJIN administrative activities. The nonrecurring appropriation will provide mostly computer hardware to begin implementation of live scans of fingerprints throughout the state.

\$	100,000	
	2,500,000	NR
		1.0

Number of Positions

2. Positions for Medicaid Fraud Unit

The medicaid program has continued to grow rapidly in North Carolina and approaches payments to over 40,000 service providers of \$4.1 billion a year. It is recommended that an appropriation be made to match federal funds available on a 75% federal and 25% state participation basis to provide additional staff to identify, investigate and prosecute medicaid fraud and patient abuse.

Requirements	\$	337,005	
Receipts		<u>252,754</u>	
Appropriation	\$	70,929	
		13,322	NR
Number of Positions			6.0

Total Recommended Changes for Department of Justice

Requirements	\$	2,937,005	
Receipts		<u>252,754</u>	
Appropriation	\$	170,929	
		2,513,322	NR
Number of Positions			7.0

NR - Nonrecurring

**1998-99 Recommended Changes
General Fund - Continued**

Department of Agriculture and Consumer Services

1998-99

<p>1. Automated Information and Technical Support This recommendation will provide funds for hardware, software and support for participating in the initiative to provide information and access to service for the citizens of North Carolina through a cooperative effort with other state agencies of Electronic Commerce. For example, the Department can utilize Electronic Commerce to put North Carolina producers in touch with buyers and increase profits to the producer through competition. Citizens and businesses can leverage Electronic Commerce to renew occupational licenses, register feeds, fertilizers and pesticides sold in North Carolina, and lookup the best pesticide to solve their particular pest problem.</p>	<p>\$ 306,628 3.0</p>
<p>2. Seafood and Aquaculture Marketing Negative publicity from fish kills and toxic organisms in coastal waters has affected demand for North Carolina seafood. This industry provides over \$124 million in annual revenues to commercial fisherman and aquaculture producers throughout the state. Over 6,000 commercial fisherman are employed in this business and many other jobs are involved in processing and distribution. In order to conduct a strong marketing campaign to convince wholesale buyers and consumers that North Carolina has a safe and dependable supply of high quality seafood, additional appropriation is recommended.</p>	<p>300,000</p>
<p>Total Recommended Changes for Department of Agriculture and Consumer Services Number of Positions</p>	<p>\$ 606,628 3.0</p>

**1998-99 Recommended Changes
General Fund - Continued**

Department of Commerce

1998-99

1. Minority Economic Development Programs

This recommendation continues from recurring funds the following programs:

Land Loss Prevention (\$350,000)

NC Coalition of Farm and Rural Families (\$250,000)

NC Institute of Minority Economic Development (\$1,000,000)

Minority Support Center (\$375,000)

\$ 1,975,000

2. North Carolina Business Court

Business Courts in North Carolina help foster a favorable business environment and attract new businesses and industries to North Carolina by creating case law for business trial cases that serve as precedent for future disputes, speeding up business cases and reducing the learning curve of judges, and creating an opportunity to make use of new technology resulting in a paperless court. North Carolina's Business Court was established in January 1996 with one judge handling about 50 complex business cases a year. This recommendation will provide funds for a law clerk and an administrative assistant, renovation and rental of a permanent courtroom facility in Greensboro, and the creation of an electronic courtroom.

138,188

135,000 NR

3. Film Office Advertising and Promotional Activities

Increased competitiveness of other states' foreign film programs has resulted in North Carolina's ranking to drop to #4 nationally in 1996, with the decline expected to continue. North Carolina's film industry revenues experienced a \$111 million loss from 1996 to 1997. Additional funding is recommended to increase the agency's effectiveness in recruiting film, television, and commercial production to North Carolina and to restore the agency and its industry to the prominence it held in 1992 and 1993 when North Carolina ranked second only to California in revenues from production.

NR - Nonrecurring

1998-99 Recommended Changes
General Fund - Commerce - Continued

1998-99

Film Office Advertising and Promotional Activities - Continued

This recommendation will allow the office to hire a Director of Sales and Marketing, make more frequent visits to major film studios and independent filmmakers, increase advertising and promotional activities, and disburse \$100,000 in nonrecurring funds to each of the state's four film commissions for coordinated cooperative advertising and promotion efforts with the state film office.

\$ 77,000
 400,000 NR
 1.0

Number of Positions

4. **Regional Economic Development Commissions**

This recommendation will increase the current allocation to each of the seven regional commissions by \$50,000. The current amount appropriated for all commissions is \$4,275,000.

350,000

5. **Travel and Tourism**

A. International Marketing Efforts

Nonrecurring funds are recommended to continue and expand the growing awareness of North Carolina in the international travel market. This recommendation will help support activities such as increased representation at trade shows, increased visibility through sales missions, and specific marketing efforts for the United Kingdom, Germany, and France who have their own unique travel needs. \$1 million (nonrecurring) was appropriated in 1997-98 to replace the special three year allocation from the Department of Transportation which ended in 1996-97.

1,000,000 NR

B. General Advertising/Marketing Funds and 1999 US Open

Nonrecurring funds are recommended to maintain the current promotional advertising campaign to increase the awareness and perception of North Carolina as a desirable travel destination, and to promote the 1999 US Open Men's Golf Tournament to be held in Pinehurst from June 14-20.

NR - Nonrecurring

**1998-99 Recommended Changes
General Fund - Commerce - Continued**

1998-99

General Advertising/Marketing Funds and 1999 US Open - Continued

\$1 million (nonrecurring) was appropriated in 1997-98, to expand advertising and marketing in national and regional cable television, radio, magazines, and newspapers, to encourage cooperative efforts with regional travel groups, and to increase market research. This recommendation will continue these efforts for another year.

Additionally, professional golfers representing 107 countries will be competing for the most coveted of all championships, the US Open. During the Championship, North Carolina will be showcased on national and international television for 26 hours. With \$1 million in nonrecurring funding, plans are to bring in top business/industry officials, consultants, and potential project representatives along with prominent sports dignitaries, international travel writers and tour operators to educate/familiarize them with North Carolina. Maintenance of the current promotional advertising campaign as well as exposure to corporate sponsors and attendees at the US Open will result in corollary increases in tourism and business revenues, tax collections, investments and jobs. In fact, based on previous US Open championships, the economic impact of this event is estimated at between \$150 - \$250 million.

\$ 2,000,000 NR

6. **Business/Industry Development (B/I)**

The purpose of the Business/Industry Development Division is to encourage new and/or existing manufacturing and non-manufacturing industries, both domestic and international, to locate, remain, or expand facilities throughout North Carolina. This is accomplished primarily by programs designed to recruit and promote industrial investments.

NR - Nonrecurring

**1998-99 Recommended Changes
General Fund - Commerce - Continued**

1998-99

Business/Industry Development (B/I) - Continued

A. Marketing Missions and Trade Shows

\$250,000 is recommended for the construction of a Team North Carolina Pavilion and a concerted focus on several select national manufacturing trade shows in the upcoming year. The Team North Carolina Pavilion would occupy a larger and more prominent space at these shows and would dramatically increase the visibility of our state. Each of the seven Regional Economic Development Partnerships and Business/Industry Development would jointly work at the pavilion and share in the leads generated by the event. It is anticipated that this effort will generate more quality prospect leads.

\$ 250,000 NR

B. General Advertising/Marketing Funds

One important strategy in the state's recruitment efforts is to target high wage, high performance companies. This recommendation will help maintain and enhance North Carolina's good business image and to generate more clients who plan on locating facilities in North Carolina. This investment is expected to ultimately result in more companies locating in North Carolina and creating new jobs and greater tax revenues.

500,000 NR

C. Certified Economic Development (CED) Training

Nonrecurring funds are recommended to provide economic developers with Certified Economic Development (CED) training. The CED Program is the nationally recognized training standard for economic development professionals. Supporting the development staff in receiving this additional training will increase the quality of services provided to clients and keep North Carolina competitive in attracting and retaining a professional staff.

25,000 NR

NR - Nonrecurring

1998-99 Recommended Changes
General Fund - Commerce - Continued

1998-99

Business/Industry Development (B/I) - Continued

D. Industrial Recruitment Competitive Fund

The Industrial Recruitment Competitive Fund was established in 1993 for the purpose of providing financial assistance to those businesses and/or industries deemed to be vital to a healthy and growing state economy and that are making significant efforts to establish or expand in North Carolina. Previous funding has ranged from \$1 million to \$7 million over the last five years for a total of \$16 million. This recommendation continues these efforts and provides competitive incentive packages to businesses and/or industries.

\$ 5,000,000 NR

7. **Commerce Finance Center**

A. Industrial Development Fund—Building Renovation and Utility Infrastructure Account

The Industrial Development Fund was enacted in 1987 and began operations in January 1988. It provides funding in Tiers 1, 2, and 3 counties for manufacturing companies locating or expanding in those areas that need public utility infrastructure or building renovation. Over the years, 1987 to 1998, appropriations have totaled \$23.3 million dollars, averaging, through January 1998, about \$2 million per year. This amount of funding has been a continuing item in the annual budget for the past two years.

18,000,000 NR

B. Industrial Development Fund - Utility Account

The General Assembly, in its 1996 Session, established the Utility Account in the Industrial Development Fund and appropriated \$2 million. The appropriation provided Tier I counties (the ten most economically distressed) the ability to fund needed public utility projects. In its regular 1997 Session, the General Assembly appropriated \$2 million into the account, and expanded the number of counties in Tier I by allowing a county to remain in the Tier I designation for a minimum of two years regardless of their annual distress formula ranking. Within six months after each appropriation the money has been fully obligated to pay for water and sewer lines to new industrial parks, natural gas extensions, and other important uses. Counties and their industries continue to have new utility needs. This recommendation continues important economic development assistance to the rural areas.

14,000,000 NR

NR - Nonrecurring

1998-99 Recommended Changes
General Fund - Commerce - Continued

1998-99

8. State Development Zones

The establishment of State Development Zones is recommended to make the state's cities more competitive in attracting businesses and job-creating investments to center city areas. Severely distressed center city areas need additional tools to carry out improvement strategies and attract businesses that will provide jobs and economic opportunities for area residents. Zones will offer a combination of tax credit incentives and grants to commercial or industrial projects that will stimulate investments and directly create jobs in these areas. Currently all but nine states in the nation have state zone programs.

An appropriation of \$2 million is recommended for grants to eight (8) local government zones selected in 1998-99 and grants to specific projects in certified zones. The Commerce Finance Center will administer the tax credit aspect of the program while the Division of Community Assistance will administer the certification of zones, the selection of zones for strategy implementation grants, and all grants to local zones.

\$ 2,000,000 NR

9. North Carolina Progress Board

In 1995, the General Assembly created the North Carolina Progress Board to create a vision for North Carolina's progress over the next 20 to 30 years through the selection of long-term goals and measures for the state, establishment of measurable targets to track progress toward meeting them, and reporting periodically to the General Assembly on that progress. This recommendation will provide operating support for the Board.

400,000 NR

10. Global TransPark Marketing

This recommendation will restore funds to the Global TransPark (GTP) Authority's 1996-97 marketing budget level of \$322,036. In addition to receiving designation as a Foreign Trade Zone and the completion of an initial extension of the runway to 8,600 feet, the environmental impact studies have now been completed and approved. These funds will provide marketing for the Global TransPark and recruit industries to locate at the facility.

150,000 NR

NR - Nonrecurring

1998-99 Recommended Changes
General Fund - Commerce - Continued

1998-99

11. Industrial Commission Temporary Positions

This recommendation addresses the need for nonrecurring funds to support temporary positions to eliminate the backlog of workers' compensation claims, hearings, and appeals pending at the Industrial Commission. Although the backlog has steadily decreased since 1994-95, there is still a need for temporary support to eliminate the backlog entirely.

\$ 100,000 NR

12. Special Olympics 1999 World Summer Games

During the summer of 1999, the largest international sporting event and the largest sporting event ever held in North Carolina, will take place from June 26 through July 4, 1999. A total of 150 countries are expected to participate in the games involving between 7,000 and 7,500 athletes, more than 2,500 coaches, 200,000 spectators, and 1,500 media representatives. These guests will begin arriving in various host cities throughout North Carolina on June 18th and will travel to the Games which are being held primarily in the cities of Raleigh, Durham and Chapel Hill (the Triangle). The anticipated economic impact to the area and the state is between \$60 and \$65 million. The General Assembly appropriated \$600,000 in 1997-98 toward this effort and this recommendation of \$3.4 million will provide necessary support to the Special Olympics World Summer Games.

3,400,000 NR

13. North Carolina Global Center (NCGC)

The North Carolina Global Center is a nonprofit organization whose mission is to help organizations, including governmental agencies, businesses, not-for-profit services, and individuals, function effectively in the global environment. The NCGC raises public awareness about issues related to globalization and provides language training and cross-cultural orientation for United States citizens as well as for visitors to this country. Programs that the center provides include "Global Connections" involving a series of "awareness and action" projects, and "Global Training" involving programs designed to help people understand other cultures in order to work and live more effectively. This recommendation will enable the center's staff to research and produce its many programs.

250,000 NR

NR - Recurring

1998-99 Recommended Changes
General Fund - Commerce - Continued

1998-99

14. **Institute for Aeronautical Technology**

Because of the demand for a highly skilled labor force critical to the Naval Aviation Depot at the Marine Corps Air Station in Cherry Point, near Havelock, North Carolina and the growing needs from Global Transpark companies, a high-tech training center for aeronautical technology is currently under development. Through a consortium of local community colleges, universities, and the Institute for Aeronautical Technology, courses will be provided in initial aviation maintenance as well as advanced aeronautical skills. In 1997, the General Assembly appropriated \$1 million in nonrecurring funds for planning, design, and land acquisition. This recommendation will provide funding for construction of the facility and equipment.

\$ 5,000,000 NR

15. **Eastern North Carolina Livestock Arena**

This recommendation will provide funds for the construction of a facility to replace the Eastern North Carolina Livestock Arena. This Rocky Mount facility will be available for horse- and swine-breeding stock auctions, for cattle sales, and for functions of the Future Farmers of America and 4-H Clubs.

600,000 NR

16. **William States Lee Leadership Institute**

The William States Lee Leadership Institute, at White Oaks in Charlotte, will develop committed leaders in business, education, and the community based on the principles exemplified by the life and contributions of William Lee III. This will be accomplished by providing quality developmental opportunities and by convening forums for discussions of community issues, such as programs in leadership mastery, regional leadership, and educational leadership. This recommendation will provide funding for renovations at White Oak as well as operating expense support for the facility and institute.

3,000,000 NR

NR - Nonrecurring

**1998-99 Recommended Changes
General Fund - Commerce - Continued**

	<u>1998-99</u>	
17. World Trade Center		
The recommended nonrecurring funds will enable the World Trade Center to continue to offer statewide international trade programs and training seminars with top policy makers and business leaders at a cost affordable for any small business or entrepreneur.	\$ 300,000	NR
 Total Recommended Changes for Department of Commerce	 \$ 2,540,188	
Number of Positions	56,510,000 1.0	NR

Department of Commerce - MCNC

1. Temporary Operating Support		
In April 1996, MCNC, at the direction of the General Assembly, reported on the development of a plan to operate without state funding by July 1, 1999. To meet this goal, MCNC's continuation budget was reduced to \$4.5 million for 1997-98 and \$2.5 million for 1998-99. This recommendation will continue the 1997-98 level of \$4.5 million for another year.	\$ 2,030,750	NR
 Total Recommended Changes for Department of Commerce - MCNC	 \$ 2,030,750	NR

Department of Commerce - Rural Economic Development Center (REDC)

1. Minority Economic Development Programs		
This recommendation continues from recurring funds the following programs:		
Supplemental and Capacity Grants Program (\$3,150,000)		
NC Association of Community Development Corps. (\$200,000)	\$ 3,350,000	

NR - Nonrecurring

**1998-99 Recommended Changes
General Fund - Commerce - REDC - Continued**

1998-99

2. Supplemental and Capacity Grants Program

This recommendation provides a \$1 million increase in the Supplemental and Capacity Grants Program to provide funds to match federal, state, and other loan or grant program funds for projects that improve infrastructure and strengthen prospects for economic development or for units of local government to plan for needed infrastructure projects in economically distressed areas of North Carolina.

\$ 1,000,000 NR

Total Recommended Changes for Department of Commerce - Rural Economic Development Center (REDC)

\$ 3,350,000
1,000,000 NR

Department of Commerce - State Information Processing Services (SIPS)

1. North Carolina Information Highway (NCIH)

Nonrecurring funds are recommended to support the conversion of existing state funded sites to an expanded ATM-SONET network as well as to continue the operating support of existing state funded sites and an additional 55 sites already in the installation phase for the 1998-99 year.

Through this conversion, the state and its subscribers will benefit from remote network management, cheaper capacity cost, technology recognized as the national standard, a more flexible desktop computer system which allows multi-media applications, and more accessible and less costly communication outside of the state network.

Requirements	\$ 10,140,689	
Receipts	<u>3,997,529</u>	
Appropriation	\$ 6,143,160	NR

Total Recommended Changes for Department of Commerce - State Information Processing Services (SIPS)

Requirements	\$ 10,140,689	
Receipts	<u>3,997,529</u>	
Appropriation	\$ 6,143,160	NR

NR - Nonrecurring

**1998-99 Recommended Changes
General Fund - Continued**

Department of Environment and Natural Resources

1998-99

I. Clean Water

A. River Basin Management

1. Establish Budget for Conservation Tax Credit and Grant Funds

The Conservation Tax Credit was created in 1983. The purpose of the program is to work with local landowners to conserve property to protect the environment while giving a tax credit to the landowner. The 1997 legislative session increased the cap on income tax credit for donated property and established the Conservation Easement and Grant Fund program. This funding will create a more viable, incentive-based program that will assist and educate a wide variety of interests and will promote the economics of conservation.

\$	194,677	
	113,500	NR
		2.0

Number of Positions

2. River Basin Education

The 1997 legislature mandated the development of River Basin Plans for all river basins in North Carolina. This position will focus on public outreach and service in the development of these plans. Also, it will improve partnerships among schools and other institutions in existing basinwide planning programs. This funding will support the state's basinwide planning process and reinforce the importance of river basins to water quality, their unique characteristics and the responsibility citizens have in preserving them.

	85,429	
	32,500	NR
		1.0

Number of Positions

NR - Nonrecurring

1998-99 Recommended Changes
General Fund - Environment and Natural Resources - Continued

1998-99

River Basin Management - Continued

3. Data Management Initiative

The current information management system needs improvements in order to respond to information requests from legislators, the press, or citizens in a timely manner. This recommendation provides funding for phase two of a project to compile over 40 databases into a single one in Water Quality and to provide ease of access to environmental programs and data. It also extends the work in Water Quality across the department by creating a position to develop a comprehensive information clearinghouse. The clearinghouse, once completed, will enable the department to create a plan to consolidate and/or access data across the department to respond to external requests, make key management decisions, and improve the permitting process. The department requires one position as a database administrator to develop and oversee this effort. The nonrecurring funds will provide pay for contract programmers, training, software and equipment to further the implementation of the design that has been developed.

	\$ 201,000	
	1,561,830	NR
Number of Positions	1.0	

4. Water Basin Positions

Two positions are recommended to support the Tar/Pamlico and Neuse clean water initiatives. The initiatives will result in a 30% reduction of nitrogen loading into the rivers as mandated by legislation and rules adopted by the Environmental Management Commission. These positions are essential to measure the success of these two initiatives - to ensure the programs' credibility with the public and to provide a measure of accountability. One position will be responsible for targeting/tracking nutrients reduction for agricultural operations and the second position will be a cost effectiveness manager.

	107,148	
	86,500	NR
Number of Positions	2.0	

NR - Nonrecurring

1998-99 Recommended Changes
General Fund - Environment and Natural Resources - Continued

1998-99

River Basin Management - Continued

5. Real Time Stream Gage Data

Real-time stream flow data provides information critical to the state's understanding of water supply, water quality, flood control, and recreational use of water. Upgrading the stream-gaging network will enable data to be readily accessible to all customers and users of the information through posting on the Internet. The funds will be used to supplement USGS monies committed for the same purpose. Of the recommended funding, \$170,000 is a one-time instrumentation cost, and \$10,000 is recurring to cover a 3.2% increase in network operations.

\$ 10,000
 170,000 NR

6. Basinwide Enhancement and Implementation

The Clean Water Responsibility Act of 1997 (G.S. 143-215.8B) directs the department to develop and implement a basinwide water quality management plan for each of the 17 major river basins in the state. The department uses river basin planning to identify water quality problems, to involve and educate the public, to develop strategies to reduce pollution, and to equitably allocate waste assimilative capacity. These plans must be reviewed and revised every five years. The department has developed the first round of basinwide plans. Staff is needed to work directly with local governments, industries, businesses, farmers, and citizens to implement the plans. The Neuse River Basinwide Management Plan, the Tar-Pamlico River Basinwide Management Plan, and future river basinwide plans depend upon partnerships between the department and local governments and between the department and farmers. Ten positions based primarily in regional offices will help the department implement the basinwide plans and will provide the public a point of contact for its river in regional offices.

534,957
 23,669 NR
 10.0

Number of Positions

NR - Nonrecurring

1998-99 Recommended Changes
General Fund - Environment and Natural Resources - Continued

1998-99

B. Monitoring, Research and Pfiesteria Response

1. Recreational Water Quality Monitoring Expansion

The 1997 General Assembly provided funding to start monitoring coastal recreational waters. Seven staff will enable the department to collect and analyze water samples at inland recreational waters weekly June - September and monthly throughout the year. The department will give priority to testing beaches at state parks.

	\$	622,262		
		27,000		NR
Number of Positions				7.0

2. Stream Watch and Project WET

Presently, the department has one coordinator for both the Stream Watch and Project Wet programs. Stream Watch is a volunteer program in which citizens may participate in water quality monitoring and environmental education efforts. Project Wet trains teachers to teach about water issues in the classroom. The additional staff person will enable Project Wet to double the teachers it reaches annually from 200 to 400. It will also enable the Stream Watch program to expand its services to the 218 local Stream Watch groups in the state and expand the network of local groups.

		45,000		
Number of Positions				1.0

3. Ground Water Resource Management

Half the state's population depends on groundwater for their drinking water supply. The requested funds and personnel are needed to monitor, maintain, and redevelop the 638 groundwater resource observation wells throughout North Carolina. This expansion request will enable the state to preserve this monitoring well network, a multi-million dollar investment. The information from these monitoring wells is critical to understanding the state of the groundwater supply in North Carolina.

		850,000		
		15,000		NR
Number of Positions				5.0

NR - Nonrecurring

1998-99 Recommended Changes
General Fund - Environment and Natural Resources - Continued

1998-99

Monitoring, Research and Pfiesteria Response - Continued

4. Water Quality Monitoring/Rapid Response

The department needs accurate water quality and water quantity data for its basinwide plans. This recommendation will enable the department to increase monitoring of flow and nutrient data at four strategic locations in each coastal river basin, to install continuous monitors at three locations in each major estuary, and to expand ambient water quality monitoring to 442 sites statewide. Increased monitoring will help the department measure trends in water quality and will improve water quality decision making. Four positions are needed to continue the Neuse River Rapid Response fish kill team that was established in 1997. Four additional positions are needed to establish the Tar-Pamlico Rapid Response Team.

	\$ 2,613,304	
	2,054,070	NR
Number of Positions	18.0	

5. Nutrient Reduction Research and Innovative Technologies

The recommended funds will continue research currently being performed by the Animal and Poultry Research Center at North Carolina State University and fund research to develop models for nutrient reduction, advanced technology for nutrient reduction, fish histopathology, biomarkers relating to toxic pfiesteria and other harmful algae blooms, and related research.

	1,750,000	NR
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C. Reduce Nonpoint (Urban and Agricultural Runoff) Pollution

1. Water Quality Foresters

Seven positions are recommended to increase prevention and control of water quality degradation resulting from forestry operations in the Neuse River Basin. These foresters will educate loggers, timber buyers, landowners and others about the importance of riparian buffer rules and other Best Management Practices that reduce the impact of forestry operations on waterways. This recommendation reinforces the state's legislated Forest Practice Guidelines related to water quality adopted in 1990.

	344,286	
	71,200	NR
Number of Positions	7.0	

NR - Nonrecurring

1998-99 Recommended Changes
General Fund - Environment and Natural Resources - Continued

1998-99

Reduce Nonpoint (Urban and Agricultural Runoff) Pollution - Continued

2. Soil and Water District Supervisor's Travel

The recommended funds will enable the 496 Soil and Water District Supervisors to better deliver their program's services across the state. The supervisors are constantly in the field. Current funding to support their travel does not adequately reimburse them for the total expenses they incur.

\$ 150,000

3. Agriculture Cost Share Program Technical Assistance Funding

The recommended funds will provide 50:50 cost share funds to counties that provide technical assistance to farmers and landowners who implement Best Management Practices in an effort to improve and protect water quality. During 1997, the department received requests for funding that exceeded available funds. This recommendation is critical for the state to meet water quality mandates in the agricultural community.

1,000,000

4. Soil and Water Conservation Computer Funding

The recommended funds will increase public access to the Agriculture Cost Share Program Database via the internet. The funds will provide computer programming, maintenance, support, and contract to host a web site for the program. The site will also be a valuable, time-saving tool for regional staff and the 496 Soil and Water Conservation districts. Of the recommended funding, \$25,000 nonrecurring funds will be used to develop Tar-Pamlico/Neuse accountability program.

36,000

25,000 NR

5. Agriculture Cost Share Program Financial Assistance Funding

The recommended funds will expand the current Agriculture Cost Share Program Financial Assistance to support increased efforts to improve water quality by helping farmers improve management of their farms through use of Best Management Practices.

3,500,000

NR

NR - Nonrecurring

1998-99 Recommended Changes
General Fund - Environment and Natural Resources - Continued

1998-99

Reduce Nonpoint (Urban and Agricultural Runoff) Pollution - Continued

6. Prevent Ground Water Pollution from Animal and Municipal Waste Land Application System

Approximately 4,000 animal operations and about 800 municipal and industrial facilities apply waste to land in North Carolina. The Division of Water Quality requires municipal and industrial facilities to monitor groundwater quality. Many animal operations will be required to begin groundwater monitoring in 1998. Twelve positions, primarily based in regional offices, are recommended to inspect facilities, review permit applications, maintain compliance data, and investigate contaminated sites. This recommendation includes \$226,587 in nonrecurring funds to purchase a Geoprobe Unit to investigate contaminated sites.

	\$	721,479	
		256,587	NR
Number of Positions		12.0	

7. Sediment Control Expansion

Failure to install and maintain adequate erosion control measures is a primary cause of sedimentation pollution. There are currently 20 inspectors to inspect 6,000 projects processed under the department's inspection program, for an average of one inspection every six months. Additional positions will allow inspections every 2.7 months, and will increase local technical assistance.

		1,789,448	
		360,282	NR
Number of Positions		30.0	

NR - Nonrecurring

1998-99 Recommended Changes
General Fund - Environment and Natural Resources - Continued

1998-99

D. Improve Compliance with Water Quality Laws

1. Training - Environmental Health Specialists

Environmental health inspections of restaurants, child care centers, nursing homes, and other facilities help protect the public health, as inspections ensure such institutions maintain the highest health standards. Inspections are performed by local government health departments, as local staff are able to meet the immediate needs of their communities. However, local environmental health programs look to the state for leadership and training. The recommended funds will continue the annual training programs for new environmental health professionals at the local level. Ultimately, the centralized training provides costs savings to the state through (1) coordination of environmental health services across the state and (2) well-trained inspectors which help their customers reduce costly mistakes.

\$ 100,000 NR

2. Safe Wells

Twenty-two county health departments regulate construction of private drinking water wells. The department supports local regulation of private drinking water wells in all counties. This recommendation will enable the department to work with county health departments to establish local programs. The recommendation includes \$1,000,000 in aid-to-counties to start and support local programs.

1,514,751
42,000 NR
8.0

Number of Positions

NR - Nonrecurring

**1998-99 Recommended Changes
 General Fund - Environment and Natural Resources - Continued**

1998-99

Improve Compliance with Water Quality Laws - Continued

3. On-site Wastewater Expansion

The on-site wastewater program delegates authority for program management to the local level. As part of this delegation, the state has the responsibility to train environmental health specialists, review plans and specifications for certain wastewater systems, and provide technical assistance to local governments, industries, and other customers. The recommended positions will enable the department to provide necessary and timely services to local health departments and to the public.

Number of Positions

\$	549,954	
	7,240	NR
	8.0	

4. Match Wastewater Permit Fee Increase

Following consultation with regulated communities, it is recommended that the 1998 General Assembly increase wastewater permitting fees, to be matched with appropriation, to continue funding the Division of Water Quality's operating budget. Wastewater permit fees were last increased in 1989.

	250,533	
	749,467	NR

NR - Nonrecurring

1998-99 Recommended Changes
General Fund - Environment and Natural Resources - Continued

1998-99

Improve Compliance with Water Quality Laws - Continued

5. Increase Compliance - Reduce Spills

The department is committed to helping the regulated community comply with environmental standards: first through technical assistance; and second through enforcement. The department's new compliance and enforcement initiatives will identify those sooner who have difficulty meeting standards. This increased focus on compliance requires increased staff time to evaluate data, provide technical assistance, inspect facilities, and follow through with enforcement where necessary. In return, North Carolina will realize higher levels of compliance in the long run and improved water quality. Fourteen of the recommended positions will be hands-on people in the regional offices who will reduce turn-around times for requests and increase the overall level of service to the customers. The additional position is to help coordinate compliance efforts and provide oversight at the central office.

	\$ 780,531	
	60,000	NR
Number of Positions	15.0	

6. State Match for State Revolving Fund

State funds are recommended to match \$24,302,619 from the U.S. Environmental Protection Agency to provide low interest loans to local government for the construction of wastewater treatment facilities.

Requirements	\$ 29,163,151	
Receipts	<u>24,302,619</u>	
Appropriation	\$ 4,860,532	NR

7. Drinking Water SRF/State Match

State funds are recommended to match \$12,859,400 from the U.S. Environmental Protection Agency to improve drinking water supply and treatment facilities.

Requirements	\$ 15,431,280	
Receipts	<u>12,859,400</u>	
Appropriation	\$ 2,571,880	NR

NR - Nonrecurring

1998-99 Recommended Changes
General Fund - Environment and Natural Resources - Continued

1998-99

E. Improve Marine Fisheries Management

1. Commercial License Program

Funding is recommended for six positions to allow the division to increase customer service to those seeking commercial fishing licenses. It will also bring the division into compliance with the Fisheries Reform Act of 1997 which requires that all licenses be available for purchases at all six division offices. Currently, license staff is only in the Morehead and Wanchese offices.

\$ 246,088

Number of Positions 6.0

2. Enhance Maintenance Section

This recommendation follows the State Auditor's 1997 Performance Audit findings of the Division, which found the agency lacked a maintenance program encompassing current, immediate, long term, and emergency maintenance planning. Improving maintenance capabilities will increase safety of personnel, increase efficiency and allow the division to better comply with the 1997 Fisheries Reform Act. These funds will establish a maintenance section to be supervised by a trained mechanical maintenance supervisor.

195,058

17,250 NR

Number of Positions 3.0

3. Appeals Panel

The moratorium on the sale of commercial fishing licenses provided for a process to appeal license applications denials to a three-member panel. Following the State Auditor's 1997 Performance Audit findings, additional funding is recommended to enhance the ability of the panel to make timely decisions for commercial fisherman seeking licenses.

29,738

3,800 NR

Number of Positions 1.0

NR - Nonrecurring

1998-99 Recommended Changes
General Fund - Environment and Natural Resources - Continued

1998-99

Improve Marine Fisheries Management - Continued

4. Information Technology Initiative

This recommendation will improve effectiveness of fisheries management by integrating data access and decreasing time needed for data analysis to make policy decisions. Also, it will allow the division to comply with the Fisheries Act of 1997. Specifically, it will create an integrated information technology system for key business processes, including licensing, permitting, trip ticket landing data, shellfish production leasing, artificial reef buoy tracking, etc. This is also in response to findings of the State Auditor, who cited a need for improved information technology resources to improve efficiency.

\$ 1,142,278
 452,453 NR
 2.0

Number of Positions

5. Administrative Support

The State Auditor's Performance Audit identified several areas in the division's business office operations which required improvements. These positions will allow the division to complete reorganization of its personnel and fiscal management functions and make those improvements. This support is necessary as the division expands to meet the requirements of the 1997 Fisheries Reform Act.

110,380
 4.0

Number of Positions

6. Fishery Management Plan Program

The recommended positions will allow the division to move ahead with preparation of Fisheries Management Plans for all economically important species of fish and shellfish, as required by the Fisheries Reform Act of 1997. These plans are required for 31 major species. The funding will provide adequate staff to collect data on species that are not currently sampled and it will improve the quality and quantity of the data collected. The end result will be improvement in the state's valuable fisheries and a more prominent role for North Carolina on federal fisheries issues.

1,604,496
 26.0

Number of Positions

NR - Nonrecurring

1998-99 Recommended Changes
General Fund - Environment and Natural Resources - Continued

1998-99

Improve Marine Fisheries Management - Continued

7. Coastal Fisheries Habitat

The Fisheries Reform Act of 1997 requires the department to develop coastal habitat protection plans in cooperation with the Coastal Resource Commission, Environmental Management Commission and Marine Fisheries Commission. These plans will serve as a basis for implementing rules to provide improved protection of coastal fisheries habitat. Positions are recommended to comply with the 1997 Act.

Number of Positions

\$ 263,304
5.0

Total Clean Water General Fund Appropriation

\$ 15,992,101
18,911,760 NR
174.0

Number of Positions

II. Natural Resource Stewardship

1. Improve Our Natural Heritage Program

The recommended funding will increase inventories of natural areas in over a third of the state's counties that have not been surveyed under the program. These inventories are critical to protection of the state's natural heritage and to the development of projects that could significantly effect North Carolina's ecosystems, in particular its freshwater/riverine ecosystems. It will also improve the quality and quantity of information available to corporations, local governments and local land trusts who are seeking to invest increasing conservation dollars in worthwhile projects.

Number of Positions

216,737
26,300 NR
4.5

NR - Nonrecurring

1998-99 Recommended Changes
General Fund - Environment and Natural Resources - Continued

1998-99

Natural Resource Stewardship - Continued

2. Protect the Natural Resources of State Parks

This recommendation will allow the division to more adequately preserve and protect the valuable natural resources contained within North Carolina's state parks, as required by N.C. General Statutes. It will also improve visitors' safety at the parks. It will allow the division to address water and air pollution and other environmental problems that threaten these natural areas. The biologist positions recommended will be used to directly monitor environmental threats to the parks and to train other park staff to better respond to these issues.

	\$ 208,100	
	37,000	NR
Number of Positions	4.0	

3. Park Staff and Lifeguard Staffing - Falls and Jordan Lake

This recommendation will allow the division to improve visitors' safety and provide increased customer service at Falls and Jordan Lake recreation areas. It will provide guarded beaches eight hours a day on weekends during April, May, and September and daily during June, July and August. It will also increase training and supervision of the parks' 43 seasonal lifeguards, and provide an additional resources to park staff for other management duties.

Requirements	\$ 370,661	
Receipts	<u>130,000</u>	
Appropriation	\$ 224,296	
	16,365	NR
Number of Positions	2.0	

4. Natural Resources Marketing

In order to continue to provide quality educational offerings for North Carolinians and in order for the department to carry out its mission effectively, additional funds are recommended to make the public aware of learning opportunities at the N.C. Zoo, Museum of Natural Sciences, N.C. Aquariums, Parks and Educational State Forests.

	750,000	NR
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NR - Nonrecurring

1998-99 Recommended Changes
General Fund - Environment and Natural Resources - Continued

1998-99

Natural Resource Stewardship - Continued

5. Establish Operation at Jocassee Gorges State Park

This recommendation will provide staff, supplies and equipment to operate the new state park planned in the Jocassee Gorges area of Transylvania County. Creation of the park was authorized by SB 537, in the 1997 legislative session. Once the purchase of the land is finalized, the funds will support development of the park.

	\$	183,935	
		162,000	NR
Number of Positions		5.0	

Total Natural Resource Stewardship General Fund Appropriation

	\$	833,068	
		991,665	NR
Number of Positions		15.5	

III. Environmental Education/Outreach - Environmental Education Library Grants - Project Tomorrow

This recommendation supports the Environmental Education library grant program, which educates North Carolina's children about the importance of protecting our state's environment and its natural resources. It provides grants for public schools and communities to ensure science-based environmental education materials are accessible to teachers and students. This recommendation will fund the fourth year of this program. \$50,000 of the nonrecurring funds will go for publication, supplies and temporary staffing to administer this program.

		350,000	NR
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NR - Nonrecurring

1998-99 Recommended Changes
General Fund - Environment and Natural Resources - Continued

1998-99

IV. Improve Customer Service

Two of the most frequent and most disturbing complaints from the public is that the department difficult to navigate and its information is difficult to access and understand. To help address these concerns, the department will pilot a centralized environmental information center to serve as a one-stop help desk for customers and the public. Staff in the center will be expected to answer questions ranging from the types of permits needed for certain activities to how to get more information about managing forest or land resources. The staff will also work with other department agencies to proactively develop and disseminate information to help customers and the public to better understand the department's programs and processes. Funds will also be used to develop specific strategies to enhance customer service as well as to provide front-line employees with training on effective customer service.

\$ 50,000 NR

V. Other Critical Needs

1. Insurance for CL-215

This recommendation will provide all-risk hull insurance for CL-215 aircraft valued at \$4,000,000. This aircraft is the division's most effective aerial weapon against forest fires; funds to purchase it were allocated in 1997/1998 session. North Carolina is the only state in the nation to own one of these highly versatile air tankers, which can drop 1,400 gallons of water per load on forest fires, particularly those that threaten residential areas.

160,000 NR

NR - Nonrecurring

**1998-99 Recommended Changes
General Fund - Environment and Natural Resources - Continued**

1998-99

Other Critical Needs - Continued

2. Improve Child Care Sanitation Services

Over the past decade, an increased need for child care outside of the home has resulted in an explosion in the number of licensed child care facilities requiring sanitation inspections by local health departments. This recommendation includes \$400,000 in aid to counties to increase local resources, including personnel, to complete the required sanitation inspections for licensed child care centers. Three state positions are recommended to increase technical assistance and training opportunities available to the county staff and to improve the quality and consistency of local child care sanitation programs.

Number of Positions

\$	570,434	
	19,500	NR
	3.0	

3. Coastal/Chevron/Outer Continental Shelf Response

The current schedule proposed by Chevron requires the state to respond to permit applications as early as the Winter of 1998. Research is needed to identify the larval fish using the area and bio-indicators of harm to them, or other fish, from drilling activities. This recommendation includes two staff positions along with support and research funding to respond to Chevron's proposal. The state does not currently have support or research staff necessary to adequately respond to the proposal.

Number of Positions

	137,559	
	260,000	NR
	2.0	

Total Other Critical Needs General Fund Appropriation

Number of Positions

\$	707,993	
	439,500	NR
	5.0	

NR - Nonrecurring

1998-99 Recommended Changes
General Fund - Environment and Natural Resources - Continued

1998-99

VI. Museum of Life and Science (BioQuest)

This recommendation will support Phase II of a \$15 million expansion. Phase I will be a Butterfly House Conservatory and Insectarium, scheduled to open early 1999. Phase II will include exhibits Catch the Wind; Down to Earth, and is scheduled to open late 1999. The project will be funded by a local bond referendum, private funding, a National Science Foundation Grant, and state funds.

\$ 2,500,000 NR

VII. Partnership for the Sounds

Funds were appropriated in 1996-97 to the Partnership for the Sound for: the North Carolina Estuarium Film and Gift Shop in Washington; to develop a roadside overlook on Highway 94 between Columbia and Fairfield; to renovate a theater, which will serve as an environmental education center in Columbia; for renovations to Lake Mattamuskeet Lodge; and, to continue development of the Roanoke Visitors Center in Windsor. These facilities are now open or near completion. The recommended funds will provide operating and facility support to supplement corporate and other funding sources.

150,000
150,000 NR

Total Recommended Changes for Department of Environment and Natural Resources

Requirements

\$ 78,368,106

Receipts

37,292,019

Appropriation

\$ 17,683,162

23,392,925 NR

Number of Positions

194.5

NR - Nonrecurring

**1998-99 Recommended Changes
General Fund - Continued**

Other Appropriations

1998-99

1. Reserve for Juvenile Justice Initiative

It is recommended that a reserve be established to begin implementation of the juvenile justice initiatives developed by the Governor's Commission on Juvenile Crime and Justice. These initiatives will include new and/or expanded programs to address the increase in serious offenses being committed by juveniles. The initiatives will include, but certainly not be limited to, alternative sanctions to detention centers and training schools that will be operated at the local level to be complementary to state operated programs. These initiatives are intended to impress upon juvenile offenders that there are serious consequences to be faced for even the first offense of unlawful behavior. The Governor's recommendations on the allocation of these funds will be forwarded to the General Assembly.

\$ 20,000,000
20,000,000 NR

2. Travel Rates for State Employees

It is recommended that reimbursement for expenses for lodging for state employees traveling on official state business be increased by \$10 per day when traveling in-state and by \$10 per day when traveling out-of-state. It is also recommended that payment for convention registration fees be changed from a maximum of \$30 per convention to the actual amount expended as shown by a valid receipt or invoice. Finally, it is recommended that, beginning on July 1, 2001, and effective on July 1 of each odd-numbered year thereafter, the Director of the Budget revise the amounts of subsistence per day when traveling in-state and out-of-state by an amount equal to the percent increase in the Consumer Price Index for All Urban Consumers for the most recent 24-month period. A draft special provision to change G.S. 138-6(a) to implement these recommendations can be found in Section VI - Special Provisions. An increase in funds totaling \$1.0 million is recommended for the implementation of these changes.

1,000,000

NR - Nonrecurring

1998-99 Recommended Changes
General Fund - Other Appropriations - Continued

1998-99

4. **Year 2000 Conversion Statewide Reserve**

The total Year 2000 conversion costs for all North Carolina state government agencies, including the Department of Transportation, is estimated at \$126,092,956 of which \$36,458,309 has been funded from the legislatively authorized Reserve for the Year 2000 Conversion and State Information Processing Services (SIPS) operating reserves. An additional \$34,423,251 has been funded from within agency information technology budgets. In order to complete conversion by December 31, 1998 and allow for one year of testing, an additional \$55,211,396 must be identified to support the conversion. Of this, \$14,000,000 can be secured from SIPS operating reserves and \$18,864,399 will be recommended to be funded from direct agency appropriations to the Department of Revenue and the Department of Health and Human Services which are outlined earlier in this document. The remaining \$27,346,997, including a \$5 million contingency, is recommended in a statewide reserve to be administered by SIPS.

\$ 27,346,997 NR

5. **Global TransPark Reserve**

A reserve is recommended for the Global TransPark Authority to provide funds to comply with new state wetlands mitigation rules, match funds for construction of the runway and taxiway, and to assume the local sponsor role for the Kinston Regional JetPort facility.

5,325,000 NR

NR - Nonrecurring

1998-99 Recommended Changes

III. Transportation

A. Transportation Program

Total funding in excess of \$2.5 billion is required to support the state's Transportation Program for the 1998-99 fiscal year. Approximately \$1,157.8 million, or 46% of the total is provided from the traditional Highway Fund. Highway Trust Fund availability adds another \$840.0 million of the total, which represents 34%. Other state funds include General Fund support totaling \$11.2 million and departmental receipts of \$6.7 million. Federal Aid totals \$507.3 million, or 20%.

A summary of the total Transportation Program showing the source of funding and the activity supported is included in the table, North Carolina Transportation Program 1998-99.

North Carolina Transportation Program, 1998-99

<u>Budget Code</u>	<u>Highway Fund</u>	<u>Highway Trust Fund</u>	<u>Department Receipts</u>	<u>Federal Funds</u>	<u>General Fund</u>	<u>Total</u>
Department of Transportation						
84210 Administration	\$ 72,329,032	\$ 10,519,300	\$ 544,289	\$ -	\$ -	\$ 83,392,621
Division of Highways						
84220 Administration	34,723,375	6,392,967	418,675	-	-	41,535,017
84230 Construction	116,333,000	603,161,222	-	471,707,065	-	1,191,201,287
84230 Maintenance	479,395,548	-	-	-	-	479,395,548
84230 Planning and Research	2,959,649	-	-	8,859,383	-	11,819,032
84230 OSHA Program	425,000	-	-	-	-	425,000
84230 Ferry Operations	18,098,290	-	-	-	-	18,098,290
State Aid						
84230 Municipalities	81,233,000	39,586,823	-	-	-	120,819,823
84230 Public Transportation	30,746,921	-	-	6,828,057	-	37,574,978
84230 Airports	-	-	-	15,478,062	11,246,445	26,724,507
84230 Railroads	12,100,000	-	-	-	-	12,100,000
84240 Governor's Highway Safety	312,080	-	-	4,405,478	-	4,717,558
84260 Division of Motor Vehicles	90,952,817	3,819,916	5,781,508	-	-	100,554,241
84290 Uncommitted Trust Fund Admin.	-	6,483,772	-	-	-	6,483,772
84270 Other State Agencies	158,256,881	-	-	-	-	158,256,881
84290 Transfer to General Fund	-	170,000,000	-	-	-	170,000,000
84270 Reserves and Transfers	<u>55,914,059</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>55,914,059</u>
Total Operating	\$1,153,779,652	\$839,964,000	\$6,744,472	\$507,278,045	\$11,246,445	\$2,519,012,614
84230 Capital Improvements	<u>4,070,348</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,070,348</u>
Grand Total	<u>\$1,157,850,000</u>	<u>\$839,964,000</u>	<u>\$6,744,472</u>	<u>\$507,278,045</u>	<u>\$11,246,445</u>	<u>\$2,523,082,962</u>

**1998-99 Recommended Changes
Transportation - Continued**

B. Highway Fund

The traditional Highway Fund is supported from three primary sources: (1) three-fourths of the Motor Fuels tax collected by the Department of Revenue; (2) Licenses and Fees collected by the Division of Motor Vehicles; and (3) interest earned from investment of the fund cash balance by the State Treasurer.

1. Revenue

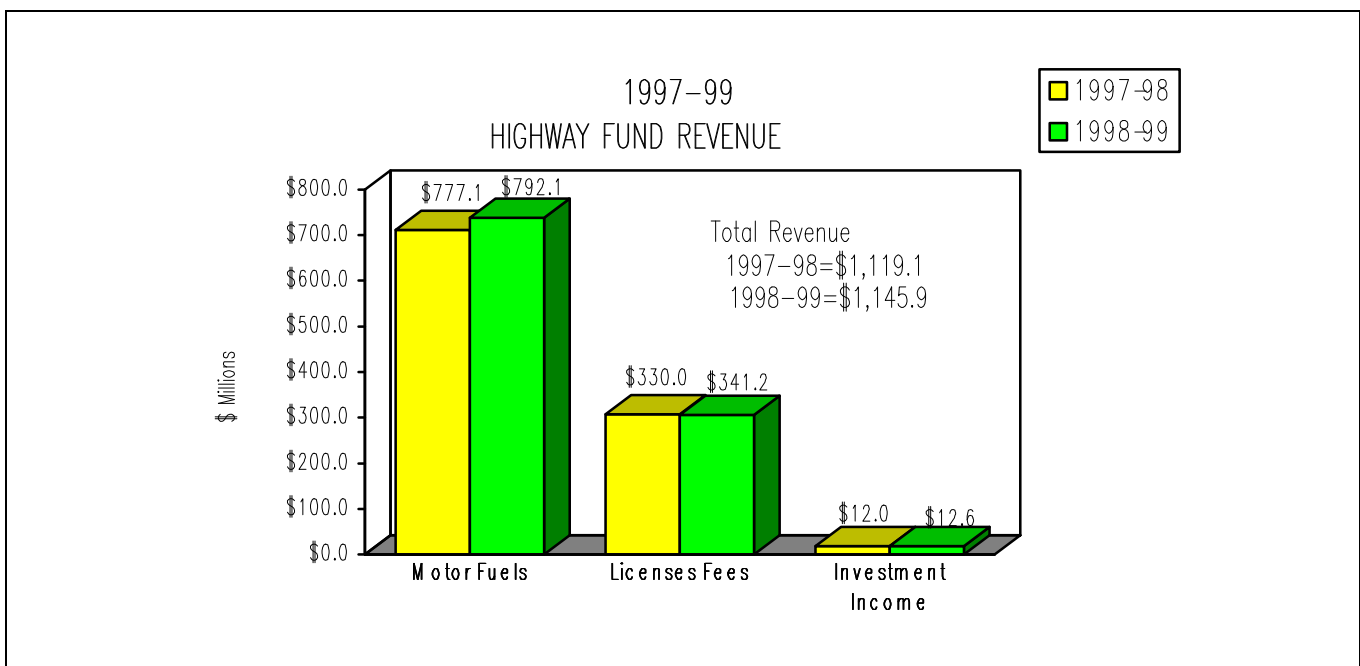
The rate of growth in motor fuel consumption is expected to remain moderate during the fiscal years 1997-98 and 1998-99. Following a 3.3% increase in 1996-97, motor fuel consumption is projected to grow by 2.9% and 4.1% in 1997-98 and 1998-99 respectively. The growth in motor fuel tax collections is projected to slow, however, as a result of a sharp decline in the wholesale price of motor fuels, and, therefore, the variable component of the Motor Fuels Tax rate. The variable rate is projected to average 5.0 cents during 1997-98, while decreasing to 4.5 cents in 1998-99. Overall, including the Motor Fuel Inspection Fee and Highway Use Registration Fee, Motor Fuels Tax collections are expected to total \$777.1 million in 1997-98 (up 4.6%) and \$792.1 million in 1998-99 (up 1.9%).

Licenses, Fees, and Other State Revenue (LFO) are projected to increase to \$330.0 million in 1997-98, and \$341.2 million in 1998-99. This represents growths of 3.2% and 3.4% respectively. Staggered registrations are projected to grow by 2.7% in 1997-98, then accelerate slightly to 3.2% in 1998-99. Only a minor 0.1% increase is projected for Truck Licenses in 1997-98, based on collections through March 1998. Growth in Truck Licenses revenue should recover to a more normal 3.5% in 1998-99. Investment income continues to suffer from increased spending for cleanup activities following a major ice storm and Hurricane Fran. Investment income is projected to decline to \$12.0 million in 1997-98, before recovering modestly to \$12.6 million in 1998-99. Overall, Highway Fund revenue is projected to reach \$1,119.1 million in 1997-98 and \$1,145.9 million in 1998-99, representing growth rates of 4.0% and 2.4% respectively.

**1998-99 Recommended Changes
Transportation - Continued**

Highway Fund Revenue, 1997-99

	<u>1996-97 Actual</u>	<u>1997-98 Estimated</u>	<u>1998-99 Projected</u>
Motor Fuels Taxes:			
Motor Fuels Tax	\$ 730,926,355	\$ 764,870,000	\$ 779,270,000
Inspection Fee	11,676,667	12,020,000	12,510,000
Highway Use Registration Fee	<u>207,775</u>	<u>250,000</u>	<u>300,000</u>
Total Motor Fuels Tax	\$ 742,810,797	\$ 777,140,000	\$ 792,080,000
Licenses and Fees:			
Staggered Registration Plan	\$ 131,363,098	\$ 134,930,000	\$ 139,250,000
International Registration Plan	41,479,027	43,660,000	45,620,000
Drivers License Fees	68,124,912	69,600,000	71,350,000
Truck Licenses	54,046,254	54,110,000	56,010,000
Other Licenses and Fees	<u>24,703,661</u>	<u>27,680,000</u>	<u>28,930,000</u>
Total Licenses and Fees	\$ 319,716,952	\$ 329,980,000	\$ 341,160,000
Investment Income	<u>13,145,612</u>	<u>12,000,000</u>	<u>12,610,000</u>
Total Highway Fund Revenue	<u><u>\$1,075,673,361</u></u>	<u><u>\$1,119,120,000</u></u>	<u><u>\$1,145,850,000</u></u>



**1998-99 Recommended Changes
Transportation - Continued**

2. Condition of the Highway Fund

Reversions of \$11.5 million from unused 1997-98 appropriations are expected to be available for 1998-99 in addition to \$468,248 in overrealized revenue which will provide an estimated credit balance for 1998-99 of \$12 million.

The table below, Changes to the Condition of the Highway Fund, reflects the credit balance and combines it with the revised estimate of revenue, to show the revised availability of \$1,157.8 million.

Condition of the Highway Fund, 1998-99

	<u>1997-98</u> <u>Estimated</u>	<u>1998-99</u> <u>Authorized</u>	<u>Net Changes</u> <u>Recommended</u>	<u>1998-99</u> <u>Recommended</u>
<u>Availability:</u>				
Beginning Credit Balance:				
Estimated Reversions	\$ 20,833,339	\$ -	\$11,531,752	\$ 11,531,752
Overrealized Revenue	12,836,208	-	468,248	468,248
Less Required Reserves	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	\$ 33,669,547	\$ -	\$12,000,000	\$ 12,000,000
State Highway Revenue	<u>1,119,120,000</u>	<u>1,144,625,737</u>	<u>1,224,263</u>	<u>1,145,850,000</u>
Total Availability	\$1,152,789,547	\$1,144,625,737	\$13,224,263	\$1,157,850,000
Expended and Reserved	<u>1,152,321,299</u>	<u>1,144,625,737</u>	<u>13,224,263</u>	<u>1,157,850,000</u>
Ending Credit Balance	\$ <u>468,248</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

Adjustments to Continuation Requirements

1998-99

- General Statutes 136-44.2A, Secondary Roads, and 136-41.1 State Aid to Municipalities, require a portion of gasoline tax collections to be appropriated based on 1.75 cents for gasoline taxed. Revised revenue estimates for 1998-99 show a decrease in the growth rate of gasoline over the original estimate thereby requiring a reduction in requirements as follows:

State Aid to Municipalities	\$ (2,050,000)
Secondary Roads	<u>(2,050,000)</u>
Reduction in Requirements	\$ (4,100,000)

1998-99 Recommended Changes
Transportation - Continued

1998-99

2. Per G. S. 119-4 through G. S. 119-22, a Gasoline Inspection Tax of .25 cent per gallon is levied on all petroleum products used as motor fuel. The fees are earmarked to agencies outside of the Highway Fund. After deducting funds to administer and enforce the provisions of the inspection laws (Department of Agriculture and Consumer Services), and the cost of collection (Department of Revenue), the balance of the revenue is credited to the Leaking Underground Storage Tank (LUST) Cleanup Fund (Department of Environment and Natural Resources).

Revised revenue estimates for fiscal year 1998-99 show a decrease in the Gasoline Inspection Tax, thus a reduction in the amount of funds to be transferred to the LUST Cleanup Fund. This decreases the appropriation to the amount of the new revenue estimate for the Gasoline Inspection Fee for fiscal year 1998-99 by \$189,000.

Reduction in Requirements \$ (189,000)

3. It is recommended that the payment of \$13,400,000 in estimated Sales Tax to the General Fund be eliminated and used to enhance mass transit.

Reduction in Requirements (13,400,000)

4. As per G. S. 136-176(4) Highway Funds are required to be transferred to the Highway Trust Fund. These funds represent revenue available from the retirement of refunding bonds issued to repay highway construction bonds. It is recommended that the statutes be changed to allow for these funds to be maintained in the Highway Fund for highway maintenance during 1998-99.

Reduction in Requirements (38,000,000)

5. This is to request that a reduction be made in the amount of Highway Fund Appropriation used to match Federal Aid Construction funds.

The current level of state funds to match federal aid construction in the Highway Fund is \$33,153,153. The required level of state funds to match federal aid construction is approximately \$120,000,000 per year. The match that is not provided by the Highway Fund is provided by the Highway Trust Fund. This request is to reduce the Federal Aid Match funds in the Highway to \$0.00 and provide all of the match for Federal Aid Construction from the Highway Trust Fund. There are sufficient funds available in the Highway Trust Fund to accommodate this request.

Reduction in Requirements (33,153,153)

Total Continuation Adjustments \$ (88,842,153)

**1998-99 Recommended Changes
Transportation - Continued**

3. Supplemental Budget Recommendations

The table, Recommended Changes to the 1998-99 Highway Fund Budget, represents Governor Hunt's proposed adjustments to the 1998-99 Highway Fund Budget. A description of each adjustment follows:

Department of Transportation

Transportation Administration - 84210

		<u>1998-99</u>
1.	<p>Increase Funds for Security Services The Department of Transportation has recently installed a card key access system in some of it's facilities to provide enhanced security for its employees and customers. Additional funds are required to cover the increased expenses as a result of the new system.</p>	\$ 33,778
2.	<p>Increased Requirements for Postage The Department of Transportation Support Services mail unit provides in-house mail services for the Division of Motor Vehicles. The cost of providing mail services has increased substantially due to increased mailings, changes in postal regulations and postal increases. The actual expenses for fiscal year 1996-97 was \$4,027,922 for postage and \$160,923 for Express Freight and Drayage. Additional funds are needed to cover increased expenses.</p>	710,785
3.	<p>Maintenance Funds for Raney Building This request is for one additional position and expenses to maintain and operate the Raney Building. This building was allocated to the Department in August of 1997. We anticipate the need for an additional maintenance mechanic. Operating expenses have been estimated based on experienced cost of existing Raleigh facilities prorated by the square footage of the Raney Building.</p> <p style="padding-left: 40px;">Number of Positions</p>	109,751 1.0
4.	<p>Increase in Payments to Other State Agencies This line item consists primarily of the State Information Processing Services (SIPS) billing charges. Current actual charges are approximately \$1.2 million per month. Based on a cost projection model provided by SIPS, we anticipate the base total for fiscal year 1998-99 to be \$17.4 million. With the additional imaging activity at the Division of Motor Vehicles, as well as the increases in State Titling and Registration System (STARS) and Drivers License usage, we estimate the SIPS bill to grow over the next year by \$0.3 million per month for an additional cost of \$3.6 million. Additional funds are requested to meet this need.</p>	10,000,000

1998-99 Recommended Changes
Transportation - Transportation Administration - 84210 - Continued

1998-99

5. **Increase Telephone and Telegraph**
The Management Information Systems Section pays for all data lines utilized in the department as well as some utilized by other state agencies. As our systems capabilities improve, we are experiencing more and more connections to the Department of Transportation (DOT) network structure. As we implement more technology improvements, more sites are being added to accommodate the efficiencies achieved by global networking, thereby causing an increase in line charges. \$ 1,300,000
6. **Increase Contracted Services**
The Client Services Unit within the Management Information Systems Section is responsible for providing information systems (I/S) technical support for statewide DOT customers regarding I/S Requirements and Capacity Planning, Office Automation Implementation, Facilities Infrastructure, Customer Service and Department of Transportation Help Desk Operation 24 hours X 7 day/week. Additional funds are required to pay contractors that will provide these services to the department. 1,000,000
7. **Contract Security for the Raney Building**
The Olivia Raney Building was allocated to the Department of Transportation in an effort to consolidate most of the Management Information Systems Section into one location. The building is scheduled to be occupied by the MIS staff in June, 1998. This request is to provide funds for contract security for the Raney Building. 65,000
8. **Liability Insurance System Development**
The North Carolina Department of Transportation is in the process of modernizing the systems that support the Division of Motor Vehicles business functions. Some applications are completed and some are in progress. The last major system implementation was the State Titling and Registration System (STARS).

With STARS implemented in 1996 and the Driver's License system implemented earlier in 1994, two of the remaining major systems in Division of Motor Vehicles are the Crash Reporting and the International Registration Plan (IRP) systems. The Management Information Systems staff has already started activities to completely reengineer these applications before the arrival of the year 2000. Additional funds are requested to complete these projects. 500,000

**1998-99 Recommended Changes
 Transportation - Transportation Administration - 84210 - Continued**

1998-99

9. **Increase Data Processing Equipment and Software**
 Additional funds are requested to purchase data processing equipment and software to support needs within the Management Information Systems Section and to supply critical hardware and software needs to all elements of the department where system failures occur or new legislative mandates require additional equipment. \$ 500,000
- Total Recommended Changes for Transportation Administration \$ 14,219,314
 Number of Positions 1.0

Transportation Construction and Maintenance - 84230

10. **Additional Funds for Public Transportation**
 The North Carolina Department of Transportation was allocated an additional \$36 million in federal and state highway funds to begin implementing recommendations from Transit 2001 to expand and improve Public Transportation and Rail Services across the state. Additional funds are needed in fiscal year 1998-99 in order to maintain the level of funding needed to continue the Transit 2001 activities and programs into the second year of implementation. \$ 13,400,000
11. **Increase Funding for Contract Resurfacing**
 Current appropriations do not adequately address minimum resurfacing needs which are over \$150 million annually. Funding for contract resurfacing has not kept pace with cost increases in the last 10 years. This is to request that \$38 million in additional contract resurfacing be appropriated. 38,000,000
12. **Provide Funding for DOT Facility Improvements**
 This request is to provide funds for necessary capital improvement projects in the Department of Transportation.
- | | |
|---------------|------------------|
| Requirements | \$ 9,777,398 |
| Receipts | <u>5,707,050</u> |
| Appropriation | \$ 4,070,348 |

1998-99 Recommended Changes

Transportation - Transportation Construction and Maintenance - 84230 - Continued

1998-99

13. Reduce Federal Funds Match

The current level of state funds to match federal aid construction in the Highway Fund is \$33,153,153. The required level of state funds to match federal aid construction is approximately \$120,000,000. The match that is not provided by the Highway Fund is provided by the Highway Trust Fund. This request is to reduce the remaining Federal Aid match funds in the Highway Fund to \$0.00 and provide all of the match for Federal Aid Construction from the Highway Trust Fund. There are sufficient funds available in the Highway Trust Fund to accommodate this request.

\$ (33,153,153)

14. Motor Fuels Statutory Adjustments

As a result of a decrease in the projection of revenue to be received from the tax on motor fuels statutory adjustments are requested to be made in the following line items:

State Aid to Municipalities	(2,050,000)	
Secondary Roads Construction	(2,050,000)	(4,100,000)

Total Recommended Changes for Transportation Construction and Maintenance

\$ 18,217,195

Division of Motor Vehicles - 84260

15. Vehicle Registration Plates and Stickers

During the 1997-99 budget appropriation process, the Division of Motor Vehicles requested and received funding for a projected growth rate of 4% in the issuance of license plates and stickers for the Vehicle Registration Section. However, the growth rate has surpassed this expectation for all major plate and sticker categories. Upon review of the line items and projection of anticipated increases, the division expects to incur additional costs of \$227,044 for fiscal year 1998-99.

\$ 227,044

1998-99 Recommended Changes
Transportation - Division of Motor Vehicles - 84260 - Continued

1998-99

16. Vehicle Registration Computer Hardware and Software for Financial Security

North Carolina Statute requires that liability insurance is maintained on all licensed vehicles. The current Financial Security System (FSS), is separate from the State Title and Registration System (STARS). An interface between the two systems is in place, but does not function adequately. The current FSS system is also not Year 2000 compatible. Therefore, a fully-integrated, Year 2000-compatible Financial Security System will be developed. Application development for the new FSS system has been funded in the Department of Transportation (MIS) budget through June 30, 1998. There has been no appropriation for equipment to be used with the new system.

\$ 202,596

17. Traffic Records Equipment/Operating Costs for New Crash Reporting

The Driver License Section is currently rewriting the crash reporting program. This is a 25 year old program that required the use of dumb terminals to process the crash reports. The new program will be totally automated which will require state-of-the-art electronic equipment to support the electronic submission of crash data. The users and collectors of the data will be able to receive and submit needed data in a timely and efficient manner in order to make safety decisions. The requested funds will be used in part to purchase desk top computers with cornerstone monitors, printers, and image retrieval workstations with scanners and ergonomic workstations. These workstations will provide maximum utilization of current office space. The cost of installation as well as service and maintenance of this equipment is requested.

451,500

**1998-99 Recommended Changes
 Transportation - Division of Motor Vehicles - 84260 - Continued**

1998-99

18. Enforcement Section Pay Equity Plan

This plan is designed to bring equity to the Enforcement Section of the Division of Motor Vehicles by adjusting the existing salaries of Enforcement Officers against the salaries of other state law enforcement officers. Officers of the North Carolina Highway Patrol, Alcohol Law Enforcement, Wildlife Resources Commission, Marine Fisheries and Park Police of the Department of Environment and Natural Resources all have received pay equity adjustments from the North Carolina General Assembly. The plan creates equity against other state law enforcement agencies by adjusting pay grades using each officer's service within the section as of June 30, 1998. Time other than that earned as a law enforcement officer with the Enforcement Section is not counted.

\$ 1,000,000

Total Recommended Changes for Division of Motor Vehicles

\$ 1,881,140

Reserves and Transfers - 84270

19. Funds for Legislative Increase

This request is to provide funds to be placed in a reserve for a 4% Legislative Increase and a 1% bonus for fiscal year 1998-99 for employees paid from the Highway Fund.

\$ 20,000,000

20. Provide Funding for Compliance With Department of Environment and Natural Resources Stormwater Discharge Permit

Funding is needed to comply with the requirements of the expected permit to allow the department to continue to discharge stormwater and borrow pit wastewater. Required activities under this permit include inventories, construction of control and mitigation devices, educational and public participation programs, monitoring activities, program planning and assessment, and periodic reporting.

500,000

21. Funds for Performance Pay for Highway Patrol

This request is to provide funds for performance pay for the Highway Patrol due to an error that was made in the calculation during the continuation budget process. When the error was discovered, it was too far along in the budget negotiation process to include the funds in the continuation budget.

2,787,596

1998-99 Recommended Changes
Transportation - Reserves and Transfers - 84270 - Continued

	<u>1998-99</u>
22. Funds for Criminal Justice Information Network for Highway Patrol Funds are requested to be placed in a reserve to be transferred to the Department of Crime Control and Public Safety for the continued development and implementation of the Criminal Justice Information Network (CJIN). This is Phase III in the development of the network.	\$ 2,406,611
23. Funds for 40 Additional Highway Patrol Troopers Funds are requested to be placed in a reserve to be transferred to the Department of Crime Control and Public Safety in support of forty (40) additional Highway Patrol Troopers.	2,551,595
24. Mobile Data Computers for Highway Patrol Troopers Funds are requested to be placed in a reserve to be transferred to the Department of Crime Control and Public Safety for mobile data computers that will be placed in patrol cars of Highway Patrol Troopers. This is the first of three requests to complete the installation in all patrol cars.	2,249,812
25. Reduction in Statutory Transfer As a result of a decrease in the projection of revenues to be received from the tax on motor fuels a statutory adjustment is requested in the funds transferred to the Leaking Underground Storage Tanks (LUST) fund.	(189,000)
26. Eliminate Sales Tax Transfer This request is to eliminate the Reserve for Sales Tax transfer to the General Fund in the amount of \$13,400,000 to be used for mass transit.	(13,400,000)
27. Eliminate Transfer to Highway Trust Fund This request is to eliminate the transfer of Highway Fund Appropriations to the Highway Trust Fund in the amount of \$38,000,000 that relates to the retirement of refunding bonds. These funds will be used for highway maintenance.	(38,000,000)
Total Recommended Changes for Reserves and Transfers	\$ (21,093,386)
Total Recommended Changes for Department of Transportation	\$ 13,224,263
Number of Positions	1.0

**1998-99 Recommended Changes
Transportation - Continued**

**Changes to the 1998-99 Highway Fund Budget
(Highway Fund Appropriations Only)**

	1998-99 Previously Authorized	Revision	1998-99 Revised Appropriation
DOT-General Administration	\$ 58,109,718	\$ 14,219,314	\$ 72,329,032
Highway Division Administration	34,723,375	-	34,723,375
State Match for Federal Aid-Planning and Research	2,959,649	-	2,959,649
Construction Program:			
State Secondary System	\$ 83,283,000	\$ (2,050,000)	\$ 81,233,000
State Urban System	14,000,000	-	14,000,000
Discretionary Funds	10,000,000	-	10,000,000
Spot Safety Improvements	9,100,000	-	9,100,000
Access and Public Service Roads	2,000,000	-	2,000,000
State Match for Federal Aid	<u>33,153,153</u>	<u>(33,153,153)</u>	<u>-</u>
Total Construction Program	\$ 151,536,153	\$(35,203,153)	\$ 116,333,000
Maintenance Program:			
Primary System	\$ 109,635,113	\$ -	\$ 109,635,113
Secondary System	187,394,152	-	187,394,152
Urban System	36,414,035	-	36,414,035
Contract Resurfacing	<u>107,952,248</u>	<u>38,000,000</u>	<u>145,952,248</u>
Total Maintenance Program	\$ 441,395,548	\$ 38,000,000	\$ 479,395,548
Ferry Operations	\$ 18,098,290	\$ -	\$ 18,098,290
State Aid to Municipalities	83,283,000	(2,050,000)	81,233,000
State Aid to Railroads	12,100,000	-	12,100,000
State Aid for Public Transportation	17,346,921	13,400,000	30,746,921
Asphalt Plant Cleanup	425,000	-	425,000
Governor's Highway Safety Program	312,080	-	312,080
Division of Motor Vehicles	<u>89,071,677</u>	<u>1,881,140</u>	<u>90,952,817</u>
Total Other Programs	\$ 220,636,968	\$ 13,231,140	\$ 233,868,108
Total Department of Transportation	\$ 909,361,411	\$ 30,247,301	\$ 939,608,712

**1998-99 Recommended Changes
Transportation - Continued**

	<u>1998-99 Previously Authorized</u>	<u>Revision</u>	<u>1998-99 Revised Appropriation</u>
Appropriations to Other State Agencies:			
Agriculture and Consumer Services	\$ 3,069,026	\$ -	\$ 3,069,026
Revenue	2,331,760	-	2,331,760
State Treasurer-Sales Tax	13,400,000	(13,400,000)	-
Public Instruction-Driver Education	22,573,141	-	22,573,141
Crime Control and Public Safety-Highway Patrol	112,031,483	9,995,614	122,027,097
Environment and Natural Resources			
LUST Trust Fund	7,298,214	(189,000)	7,109,214
Chemical Test	396,643	-	396,643
Global Transpark	<u>750,000</u>	<u>-</u>	<u>750,000</u>
Total-Other State Agencies	\$ 161,850,267	\$ (3,593,386)	\$ 158,256,881
Reserves and Transfers:			
Highway Trust Fund	\$ 38,000,000	\$(38,000,000)	\$ -
Legislative Salary Increase	30,405,532	20,000,000	50,405,532
Salary Adjustment	200,000	-	200,000
Computer Reserve	1,000,000	-	1,000,000
DMV Systems Reserves	3,508,527	-	3,508,527
Minority Contractor Development	150,000	-	150,000
State Fire Protection Grant	150,000	-	150,000
Stormwater Discharge Permit	<u>-</u>	<u>500,000</u>	<u>500,000</u>
Total Reserves and Transfers	\$ 73,414,059	\$(17,500,000)	\$ 55,914,059
 Total Current Operations	 \$1,144,625,737	 \$ 9,153,915	 \$1,153,779,652
Capital Improvements	<u>-</u>	<u>4,070,348</u>	<u>4,070,348</u>
Total Highway Fund Appropriation	<u>\$1,144,625,737</u>	<u>\$ 13,224,263</u>	<u>\$1,157,850,000</u>

C. Highway Trust Fund

The 1989 Session of the General Assembly, in Chapter 692 of the Session Laws, ratified House Bill 399 to establish the Highway Trust Fund. Revenue for the funding was provided from four primary sources: (1) one fourth of the Motor Fuels Tax collected by the Department of Revenue; (2) Sales and Use Taxes on the sales of motor vehicles in excess of \$170 million, which is to be used in the General Fund; (3) most of the Title Fees and some various Registration Fees collected by the Division of Motor Vehicles. Effective July 1, 1996, all Title and Registration Fees were dedicated to the Trust Fund; and (4) interest earned from investment of the Trust Fund cash balance by the State Treasurer.

**1998-99 Recommended Changes
Transportation - Continued**

The legislation also sets out the various roads identified as the Intrastate System and Urban Loops which are to be funded. Also identified are supplemental funds for Secondary Road Construction and Aid to Municipalities. Formula funding for administration as well as for the mentioned purposes is likewise included in the legislation.

1. Revenue

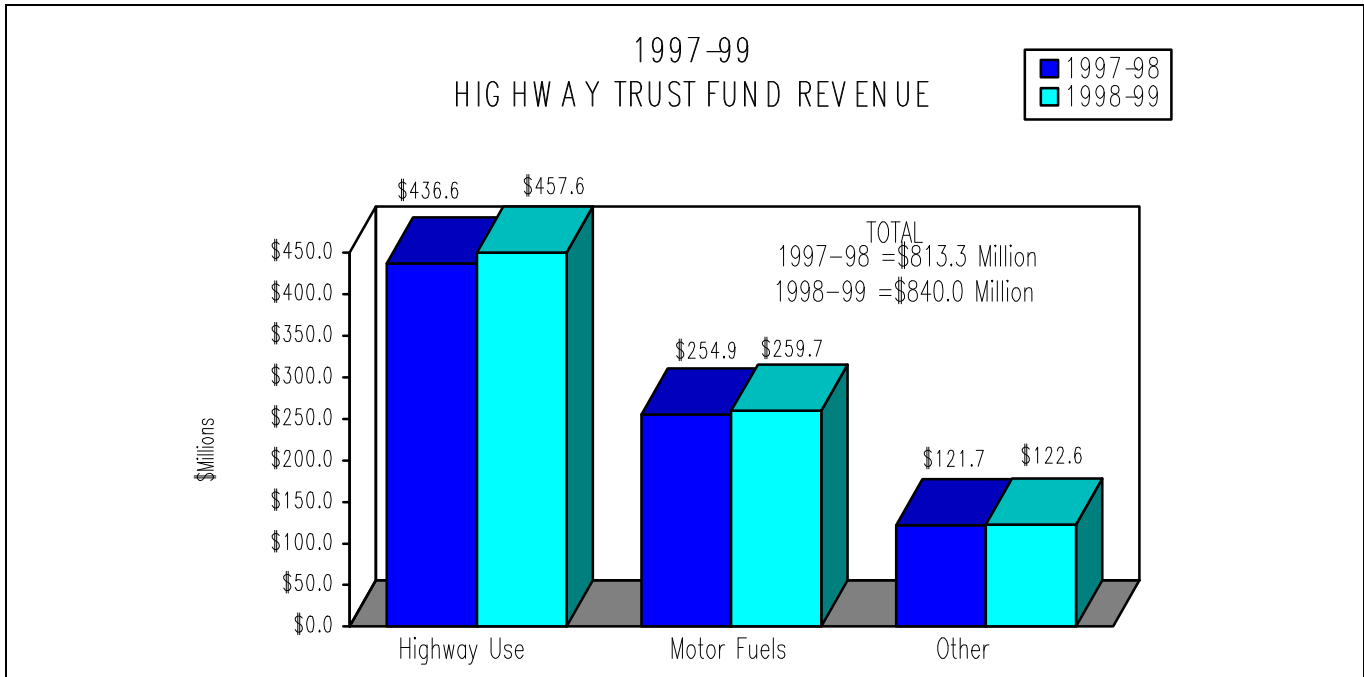
One-fourth of the Motor Fuels Tax collections are dedicated to the Highway Trust Fund. The revenue is projected to total \$254.9 million in 1997-98 and \$259.7 million in 1998-99. This represents increases of 4.6% and 1.9% respectively. The decline in the growth rate is a result of falling wholesale price of motor fuels and its impact on the variable component of the Motor Fuels tax rate. Motor Vehicle Use Tax collections are projected to remain strong increasing by 7.1% in 1997-98 and 4.8% in 1998-99. Other Trust Fund fees are anticipated to increase in the 3.0% range during this period. Investment income is project to decline by 7.3% in 1997-98 and 5.0% in 1998-99, as average cash balances are projected to decline.

Including Miscellaneous Registrations, Lien Recording Fees, and Investment Income, Highway Trust Fund revenue is projected to total \$813.3 million in 1997-98 and \$840.0 million in 1998-99, representing growth rates of 5.2% and 3.3% respectively.

Highway Trust Fund Revenue, 1997-99

	<u>1996-97</u> <u>Actual</u>	<u>1997-98</u> <u>Estimated</u>	<u>1998-99</u> <u>Projected</u>
Anticipated Collections:			
Motor Fuel Taxes	\$ 243,731,232	\$ 254,930,000	\$ 259,731,000
Highway Use Tax	407,577,335	436,643,000	457,602,000
Title Fees:			
Certificates of Title	73,029,553	76,388,000	78,680,000
Miscellaneous Title Fees	12,687,795	12,234,000	12,506,000
Investments Income	<u>35,719,382</u>	<u>33,100,000</u>	<u>31,445,000</u>
Total Highway Trust Fund Revenue	\$ 772,745,297	\$ 813,295,000	\$ 839,964,000

**1998-99 Recommended Changes
Transportation - Continued**



2. Condition of the Highway Trust Fund

The following table reflects the change in availability to the Highway Trust Fund, and the corresponding changes to the statutory appropriations.

Condition of the Highway Trust Fund, 1998-99

	<u>1997-98 Authorized</u>	<u>1998-99 Authorized</u>	<u>Net Changes Recommended</u>	<u>1998-99 Recommended</u>
Beginning Credit Balance	\$ 52,381,297	\$ -	\$ -	\$ -
Highway Trust Fund Revenue	805,781,305	832,693,348	7,270,652	839,964,000
Transfer from Highway Fund (1)	38,000,000	38,000,000	(38,000,000)	-
Cash Flow Funding	<u>(52,381,297)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Availability	\$843,781,305	\$870,693,348	\$ (30,729,348)	\$839,964,000
Expenditures and Commitments:				
Authorized Budget	\$673,781,305	\$700,693,348	\$ (30,729,348)	\$669,964,000
Transfer to General Fund (2)	<u>170,000,000</u>	<u>170,000,000</u>	<u>-</u>	<u>170,000,000</u>
Total Expenditures & Commitments	\$843,781,305	\$870,693,348	\$ (30,729,348)	\$839,964,000
Ending Credit Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(1) Transfer required by G.S. 136-183.
(2) Transfer required by G.S. 105-187.9.

**1998-99 Recommended Changes
Transportation - Continued**

Supplemental Budget Recommendations

The statutory provisions for the Highway Trust Fund specify the amounts to be appropriated to the budgetary items. The following table, Changes to the 1998-99 Highway Trust Fund Budget, incorporates the changes in availability in accordance with the formula allocations of the Trust Fund to the appropriation items.

Changes to the 1998-99 Highway Trust Fund Budget

	<u>1998-99 Previously Authorized</u>	<u>Revision</u>	<u>1998-99 Revised Appropriation</u>
Department of Transportation:			
Maximum Allowance for Administration	\$ 27,072,575	\$ 143,380	\$ 27,215,955
Construction Allocation:			
Intrastate System	397,487,432	(20,194,558)	377,292,874
Urban Loop System	160,727,363	(8,165,838)	152,561,525
Secondary Roads	73,700,275	(393,452)	73,306,823
Debt Service (Non-Add)*	-	-	28,357,925
State Aid to Municipalities	41,705,703	(2,118,880)	39,586,823
Transfer to the General Fund (1)	<u>170,000,000</u>	<u>-</u>	<u>170,000,000</u>
Total Highway Trust Fund	<u>\$870,693,348</u>	<u>\$(30,729,348)</u>	<u>\$839,964,000</u>

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

* Debt Service will be paid from proportionate reductions from funding for Intrastate System, Urban Loop System and Secondary Roads. This is budgeted in the table as a non-add figure.

1998-99 Recommended Changes

IV. Compensation Increases

A reserve is recommended for the purpose of providing 6.5% funding for the teacher salary schedule; 4% funding for school-based administrators, Community College employees and EPA University Employees; and 2% cost of living adjustment increase and 2% career growth consistent with the State Employee Pay Plan for all other employees effective July 1, 1998. The total recommended for this purpose for 1998-99 is \$380.6 million from general fund appropriation and \$18.6 million from highway fund appropriation. Additionally, funds are recommended for a 1% Incentive Compensation Bonus consistent with the State Employee Pay Plan. These funds are to be distributed to employees subject to the State Personnel Act (SPA), nonteaching community college employees, public school nonteaching employees, and other employees exempt from the State Personnel Act (EPA) not defined in other areas of this document. The total recommended for this purpose is \$35.2 million from general fund appropriation and \$4.6 highway fund appropriation. The specific allocations for the distribution are reflected below.

Public Education Employees

	<u>1998-99</u>	
Teachers and Instructional Support Personnel:		
• 6.5% funding for the teacher salary schedule.	\$ 192,943,537	
Principals/Assistant Principals:		
• 4% funding for the school-based administrator salary schedule, including the experience increment steps.	8,438,004	
• 1% funding for an across the board bonus.	2,109,501	NR
All Other Public School Employees:		
Certified Nonteaching positions in Central Office Administrations such as: Superintendents and central office administrators, and noncertified employees such as: finance officers, clerical workers, teacher assistants, school nurses, custodians, bus drivers, bus mechanics, and maintenance supervisors.		
• 4% average increase (dollar allocations increased by 4%)	32,736,744	
• 1% funding for an across the board bonus.	8,184,186	NR
Total Public School Employees	<u><u>\$ 244,411,972*</u></u>	

* Funds are included in agency totals and are shown here for informational purposes.

NR - Nonrecurring

**1998-99 Recommended Changes
Compensation Increases - Continued**

Community College Employees

	<u>1998-99</u>	
All Institutional Personnel:		
• Increase all administrators, faculty, and staff salaries by an average of 4% on a permanent basis.	\$ 19,522,048	
• 1% funding for an across the board bonus for non-teaching positions.	<u>1,505,908</u>	NR
 Total Community College Employees	 <u><u>\$ 21,027,956*</u></u>	

University System Employees

• Employees Exempt from the State Personnel Act (EPA) - teaching and nonteaching faculty are recommended to receive 4% recurring to be distributed consistent with rules and regulations adopted by the University of North Carolina Board of Governors. Funding is recommended for 6.5% increase to the teacher salary schedule at the N.C. School of Science and Mathematics. Funding is also recommended to support an adjustment for the teachers at the N.C. School of Science and Mathematics comparable to the local supplement paid public school teachers in Durham County.	\$ 37,004,302	
• Employees subject to the Personnel Act (SPA) are recommended to receive an cost of living adjustment of 2% and 2% funding for career growth consistent with the State Employee Pay Plan.	16,491,000	
• 1% funding is recommended for a bonus for non teaching positions consistent with the State Employee Pay Plan.	<u>6,409,874</u>	NR
 Total University Employees	 <u><u>\$ 59,905,176*</u></u>	

* Funds are included in agency totals and are shown here for informational purposes.

NR - Nonrecurring

**1998-99 Recommended Changes
Compensation Increases - Continued**

All Other State Employees

1998-99

Recommend 4% recurring salary increase to be distributed to employees subject to the State Personnel Act (SPA) based on a 2% cost of living adjustment and 2% career growth consistent with the State Employee Pay Plan. Judicial employees, General Assembly employees are to receive and across the board increase of 4%, along with other employees exempt from the State Personnel Act (EPA) not defined in other areas of this document. For information purposes, University system employees subject to the State Personnel Act (SPA) are included in the section above. Funds equal to increases in the Teacher's Salary schedule are included to support an increase for teachers who teach in state agencies and institutions. Funding is also recommended to support an adjustment in the salary for teachers who teach in state agencies and institutions comparable to the local supplement paid public school teachers in the respective counties.

\$ 73,496,516

- 1% funding is recommended for a bonus consistent with the State Employee Pay Plan.

17,000,867 NR

Total All Other State Employees

\$ 90,497,383

Highway Fund Employees

Recommend 4% recurring salary increase for fiscal year 1998-99 to be distributed to employees supported from the Highway Fund and subject to the State Personnel Act (SPA).

\$ 16,000,000

- 1% funding for highway fund employees across the board bonus.

4,000,000 NR

Total Highway Fund Employees

\$ 20,000,000

Salary Adjustment Fund

It is recommended that any funds appropriated but not budgeted for legislative salary increases may be transferred to the Salary Adjustment Fund. The funds shall first be used to provide for reclassifications of positions already approved by the Office of State Personnel and/or the State Personnel Commission. This recommendation continues the special provision adopted by the General Assembly for 1996-97 and 1997-98.

\$ -

NR - Nonrecurring

1998-99 Recommended Changes

V. Capital Improvements

Department of Administration

1998-99

1. **Construction of a New Visitors' Center**

Funding is recommended to construct the Visitors' Center in downtown Raleigh. Included is a 33,000 square foot building, parking, and a plaza. It is recommended that the site for the facility be the block across from the Archives and History Building. It is also recommended that a parking garage for 418 cars be devoted to visitors, with parking proceeds reverting to the General Fund at the end of each fiscal year. The General Assembly originally committed to this project with a \$430,000 appropriation for the 1994-95 fiscal year. The 1997 General Assembly appropriated an additional \$1,000,000 to finish the design of the project.

Building

\$ 10,000,000

Visitors' Parking

7,900,000

2. **Reserve for Land Acquisition**

An appropriation is recommended for the purpose of acquiring land needed for expansion of state programs or for inclusion in the master plan of a state facility. It is recommended that the funds be appropriated to a reserve and not released for expenditure until the purchase of a tract of land has been approved by the Council of State, after consultation with the Joint Legislative Commission on Governmental Operations.

500,000

3. **Reserve for State Veterans Nursing Home - Salisbury**

The state has the opportunity to acquire a building, a 100-bed nursing care unit, located on the campus of the Veterans Administration Medical Center in Salisbury. The federal government is willing to either give the building to the state or lease it for a dollar a year. Renovations to the building were abandoned by the federal government when 90% complete in 1995. They had spent \$4.7 million on the project. Budget issues are the stated reason for abandoning the project. The building is known as Building 10. Cost to make the building operational, including equipment, is estimated to be \$2.7 million. The state will be eligible to draw federal monies totaling \$1.7 million for this purpose. Therefore, an appropriation from the General Fund of \$1.0 million is recommended. It will take a year to get the facility operational. The facility, if funded, will serve the 700,000 veterans living in North Carolina, including the 160,000 World War II vets, average age, 77 years, and the 115,000 Korean War vets, average age, 68 years. The facility will be supported by receipts for operating funds.

1,000,000

Total for Department of Administration

\$ 19,800,000

**1998-99 Recommended Changes
Capital Improvements - Continued**

Department of Agriculture and Consumer Services

1998-99

- 1. Conservation Education Center - Design**
Funds are recommended to plan a facility for the advancement of natural resource conservation education and to highlight the accomplishments of Soil and Water Conservation Districts over the past 60 years. The building will include 21,000 square feet, plus \$500,000 in exhibits. The building will serve as a national forum for the education and advancement of natural resources conservation. The construction costs are estimated to be \$5.0 million. The recommended site is the State Fairgrounds in Raleigh.

\$ 500,000

- 2. Construction of Multi-Purpose Building**
Construction funding is recommended for a new multi-purpose building at the State Fairgrounds. Advance planning was approved by the 1997 General Assembly when \$1,000,000 was appropriated for 1997-98. The building will be a 80,000 square foot pre-engineered metal building with pre-cast concrete panels in the main exhibit areas, conference, and meeting rooms. The entire building will be heated and air conditioned for year round use. Funds from State Fairgrounds receipts will be used to support operating costs for the facility.

11,807,700

- 3. Cattle and Livestock Exposition Center**
It is recommended that an appropriation be made to fund the construction of a livestock facility in Iredell County. A site was purchased in December of 1997 using funds appropriated by the 1994 Session of the General Assembly. The facility will include areas for livestock shows, sales, educational programs, exhibits, a small laboratory, and stalls for housing livestock. This appropriation will be an investment in the economic development potential of the livestock industry in North Carolina. Previous funds appropriated by the General Assembly for this project total \$1.4 million.

8,000,000

- 4. Eastern North Carolina Agricultural Center - Construction**
Funding is recommended for the continued development of the Eastern North Carolina Agricultural Center in Martin County. Included in this phase of the project is a covered warm-up ring, 2 barns, paving and parking, and a covered walkway. Funds totaling \$16.8 million have previously been appropriated by the General Assembly for this project.

4,500,000

1998-99 Recommended Changes
Capital Improvements - Agriculture and Consumer Services - Continued

1998-99

5. **Center for Environmental Farming - Planning and Development**
 Located at Cherry Farm near Goldsboro, the Center is dedicated to the development of farming systems that are environmentally, economically, and socially sustainable. The recommended appropriation will be used to design the facility and begin construction. The cost of the facility is estimated to be an additional \$2.6 million, plus the cost of an irrigation system.
- \$ 600,000
- Total for Department of Agriculture and Consumer Services
- \$ 25,407,700

Department of Correction

1. **Central Prison - Acute Care Hospital - 90 Beds - Design**
 Planning funds are recommended to design a 90 Bed Regional Medical Center at Central Prison. Infrastructure modifications, including expansion of the food preparation and dining facilities and infrastructure, are included in the project. The estimated total cost for this project, including food and dining facilities and utility improvements, is \$41.3 million.
- \$ 2,500,000
- Total for Department of Correction
- \$ 2,500,000

Department of Cultural Resources

1. **Museum of Art - Expansion and Renovation - Design**
 Funds are recommended to plan for the construction of approximately 120,000 square feet of additional space and renovation of the existing space, which totals 175,000 square feet. Adequate space is needed for exhibition of the state's art collections, for education, and for other public programs. The museum has over 250,000 visitors a year, it is often crowded and cannot accept a greater number of visitors. The 1995 General Assembly appropriated \$250,000 for 1996-97 for preliminary design of the building addition. The total cost of the addition and renovation is estimated to be \$40 million.
- \$ 2,000,000
2. **Museum of the Albemarle - New Building**
 Construction funding is recommended for a new 50,000 square foot building for the branch of the State Museum of History located in Elizabeth City. Land was purchased in 1994 and planning money was made available by the 1997 General Assembly. The museum is currently housed in an old 10,000 square foot State Highway Patrol station. Previous sessions of the General Assembly have appropriated a total of \$2,150,000 for this project.
- 11,100,000
- Total for Department of Cultural Resources
- \$ 13,100,000

**1998-99 Recommended Changes
Capital Improvements - Continued**

Department of Health and Human Services

1998-99

- 1. Eastern School for the Deaf - Construction of Independent Living Complex**
Funds are recommended for the construction of a 11,000 square foot dormitory facility at the Eastern North Carolina School for the Deaf in Wilson. The facility will house 24 high school juniors and seniors. The program, begun in 1993, is currently in space leased from the North Carolina Special Care Center. This appropriation will provide the program with a permanent facility. Planning money totaling \$500,000 was appropriated for this facility by the 1997 Session of the General Assembly.

\$ 1,040,000

- 2. Cherry Hospital - New Children and Youth Facility**
Funds are recommended to replace an existing building at Cherry Hospital which no longer meets federal standards, and to turn the old building over to the Department of Correction. The McFarland Building is located adjacent to the DART/Substance Abuse Program Buildings at Cherry Hospital. The McFarland Building has been cited for Life Safety Code deficiencies, and the estimated cost of minimal renovations exceeds \$1,600,000. The department would like to build a new building for its children and youth programs. The Department of Correction would like to use the McFarland Building for the expansion of its programs, housed next door. The construction of a new building is therefore recommended for funding.

5,000,000

- 3. New Whitaker School - Planning**
Whitaker School is a long-term treatment center for youth aged 13 to 17 years old. It serves behaviorally and emotionally disturbed youth and operates as an “ecological” model, in that it works with the student’s family and community to try to “fix” the dysfunctional relationships there, before the child returns home. Whitaker School has achieved an 80% successful adjustment rate in returning functional children back into the child’s community. The School is currently housed in converted barracks buildings at Umstead Hospital in Butner. The 1997 General Assembly mandated that a study of Whitaker School be conducted. The study has yielded a recommendation that a new school, with 33 beds, be built. The total cost is estimated to be \$5.0 million. Funds to plan the facility are recommended for 1998-99.

250,000

1998-99 Recommended Changes
Capital Improvements - Health and Human Services - Continued

1998-99

4. **Eastern Vocational Rehabilitation Facility - Goldsboro**
Funds are recommended to acquire property for the expansion of the Traumatic Brain Injured Program at the Eastern Vocational Rehabilitation Facility. The department has the opportunity to acquire an existing building from Wayne County. The 35,500 square foot building will be used as a 100 bed dorm for patients. The department will request \$3.5 million from the Reserve for Repairs and Renovations to renovate the building.
- 300,000
- Total for Department of Health and Human Services
- \$ 6,590,000

Department of Environment and Natural Resources

1. **Reserve for State Match - Water Resources Projects and Small Watershed Grants**
It is recommended that an appropriation be made for the state share of federal civil works projects for navigation, flood control, water-based recreation, aquatic weed control, drainage, stream restoration, beach protection, and small watershed grants. The costs of these projects are shared by statutory formula with the federal and state/local governments. Allocation will be made by the department in compliance with the state's Water Resources Plan.
- \$ 7,000,000
2. **Construction/Renovation of Aquariums**
Funds are recommended for the expansion and renovation of the next aquarium ready for the construction phase. Design funds for all three aquariums were appropriated as a lump sum previously by the General Assembly. It is recommended that the North Carolina Aquarium Society review the status of the two aquariums currently under design and propose the best alternative for going to bid for construction. The Roanoke Island Aquarium is under contract, and funds are needed to supplement construction needs at the Roanoke Island facility. For the Roanoke Island Aquarium, \$1.3 million is needed to fund items bid as alternates but not awarded as part of the contract due to a lack of funds. Items include general building improvements, paving and parking, the ocean gallery, and improvements to heating and cooling systems. An additional \$700,000 is needed to fund items negotiated out of the contract due to a lack of funds. Items include paving, sidewalks, storm drainage, landscaping, water system improvements, signs/graphics and an elevator.
- 15,500,000

1998-99 Recommended Changes

Capital Improvements - Environment and Natural Resources - Continued

1998-99

3. **Reserve for Land Acquisition - Transylvania County**
Funds are recommended for the purchase of land in Transylvania County adjacent to Jocassee Lake. With the passage of Senate Bill 537, the 1997 General Assembly authorized the department to purchase this land. Land will be preserved as park, recreational, and scenic areas. Additional funds available to the Department can also be used to supplement General Fund appropriations for the purchase of these lands (for example, Wildlife Commission funds, State Parks Trust Funds, or the Natural Heritage Trust Fund).

\$ 7,500,000

4. **Polychlorinated Bi-Phenyls (PCB) Landfill - Detoxification**
An appropriation of \$15 million is recommended as a reserve for the detoxification of the PCB landfill in Warren County. In the late 1970s, several thousand gallons of PCBs were illegally disposed by spraying along approximately 210 miles of state roadways. PCBs were used extensively as transformer fluids in the early 1970s. However, because they were suspected carcinogens, they were outlawed from manufacture in 1976 and strictly controlled in disposal as transformers came out of service. Listed as a Superfund site under the US EPA program, the roadways were dug up and the contaminated soils disposed in an approved PCB landfill located in Warren County. There was much opposition to the landfill. In 1982, the state made a commitment to the people of Warren County that if appropriate and feasible technology became available, the state would explore detoxification of the landfill. In 1995, \$1.0 million was appropriated to study detoxification. The Warren County Working Group was established and consists of local citizens, working together in a joint partnership to explore detoxification. The Department of Environment and Natural Resources has requested state funds to be used with federal funds, if available, for detoxification. The total cost of the detoxification effort is estimated to be \$24.0 million.

15,000,000

5. **Beach Renourishment and Hurricane Protection**
Funds totaling \$10 million are hereby recommended to the Division of Water Resources in the Department of Environment and Natural Resources. A total of \$5M may be used for beach renourishment projects necessary to protect against natural disasters or to recover from natural disasters. To the extent possible, \$5M of these funds may be supplemented with or used to match federal funds which may be made available for this purpose.

10,000,000

1998-99 Recommended Changes

Capital Improvements - Environment and Natural Resources - Continued

1998-99

6. **Channel Widening/Deepening**

The U.S. Congress, in the 1996 Water Resources Development Act and the fiscal 1998 Water Resources Appropriations bill, has approved a major channel widening and channel deepening project for the waterway serving the State Port and other shippers and industries at Wilmington. The project will deepen the channel from 38 feet to 42 feet from the ocean to the port (a distance of 26 miles). It will widen the 26-mile long channel by putting in a six mile long passing lane and straightening out some bends and curves. The project includes deepening the river north of the Port from 32 feet to 38 feet to improve navigation for shipping terminals and industries. The federal share for the project, authorized for the U.S. Army Corps of Engineers, is estimated at \$243 million. The state's share, spread over eight years, is estimated at \$80 million. These estimates include large amounts for contingencies, and several design changes that could reduce costs are also being investigated. For these reasons, the actual cost of the project is expected to be lower than these estimates.

\$ 4,800,000

Total for Department of Environment and Natural Resources

\$ 59,800,000

State Ports

1. **Reserve for Continued Development of State Ports**

Funds are recommended for the continued development of the state ports at Wilmington and Morehead City. Expenditures will be in accordance with priorities established by the State Ports Authority, and it is recommended to be distributed equitably between the ports at Wilmington and Morehead City.

\$ 10,000,000

Total for State Ports

\$ 10,000,000

University of North Carolina - Board of Governors

1. **Reserve for Capital Improvements and Land Acquisition**

Funds are recommended as an appropriation to the Board of Governors of the University of North Carolina System for expenditures in accordance with the Board's Schedule of Priorities for capital project. Funds will be allocated by the board pursuant to the requirements of G.S. 116-11(9)b. The Governor recommends that \$500,000 be made available for the purpose of renovating Justice Gym at the University of North Carolina at Asheville.

\$ 40,000,000

Total for University of North Carolina - Board of Governors

\$ 40,000,000

Total Recommended Changes for Capital Improvements

\$ 176,797,700

1998-99 Recommended Changes

VI. Special Provisions

-----Travel Rates for State Employees

Section _____. G. S. 138-6(a) reads as rewritten:

- “(3) For expenses incurred for subsistence, payment of ~~seventy-one dollars (\$71.00)~~ eighty-one dollars (\$81.00) per day when traveling in-state or ~~eighty-three dollars (\$83.00)~~ ninety-three dollars (\$93.00) per day when traveling out-of-state. Payment of sales tax, lodging tax, local tax or service fees applied to the cost of lodging are to be paid in addition to the daily subsistence amount. When travel involves less than a full day (24-hour period), a reasonable prorated amount shall be paid in accordance with regulations and criteria which shall be promulgated and published by the Director of the Budget. Reimbursement to State employees for lunches eaten while on official business may be made only in the following circumstances:
- a. When an overnight stay is required reimbursement is allowed while an employee is in travel status;
 - b. When the cost of the lunch is included as part of a registration fee for a formal congress, conference, assembly, or convocation, by whatever name called. Such assembly must involve the active participation of persons other than the employees of a single State department, institution, or agency and must be necessary for conducting official State business; or
 - c. When the State employee is a member of, or providing staff assistance to, a State board, commission, committee, or council which operates from funds deposited with the State Treasurer, and the lunch is preplanned as part of the meeting for the entire board, commission, committee, or council.
- (4) For convention registration fees not to exceed ~~thirty dollars (\$30.00)~~ per convention the actual amount expended as shown by a valid receipt or invoice.
- (5) Effective on July 1, 2001, and effective on July 1 of each odd-numbered year thereafter, the Director of the Budget shall revise the amounts of payment for subsistence per day when traveling in-state and out-of-state by an amount equal to the percent increase in the Consumer Price Index for All Urban Consumers for the most recent 24-month period.”

Sec. _____. The Office of State Budget and Management shall revise the schedule used for reporting allowable subsistence expenses incurred by State officers and employees while traveling on State Business by allocating to lodging the increase provided in Section 1 of this provision.

Sec. _____. This provision become effective July 1, 1998.

**1998-99 Recommended Changes
Special Provisions - Continued**

-----Teaching Fellows Program

Sec. _____. G.S. 115C-363.23A(a) reads as rewritten:

“(a) A Teaching Fellows Program shall be administered by the North Carolina Teaching Fellows Commission. The Teaching Fellows Program shall be used to provide a four-year scholarship loan of ~~five thousand dollars (\$5,000)~~ eight thousand dollars (\$8,000) per year to North Carolina high school seniors interested in preparing to teach in the public schools of the State. The Commission shall adopt very stringent standards, including minimum grade point average and scholastic aptitude test scores, for awarding these scholarship loans to ensure that only the best high school seniors receive them.”

Notwithstanding the provisions of G.S. 115C-363.23A (f), The Public School Forum, as administrator for the North Carolina Teaching Fellows Program, is authorized to expend up to one hundred fifty thousand dollars (\$150,000) additional dollars annually from the fund balance for this program for the purpose of costs associated with administration of the North Carolina Teaching Fellows Program.

-----Extra Pay for Forfeited Teacher Vacation Days

Sec. _____. Of the funds appropriated to State Aid to Local School Administrative Units, the sum of four million two hundred fifty thousand dollars (\$4,250,000) for the 1998-99 fiscal year shall be used by local boards of education to pay teachers for working on, and thereby forfeiting, vacation days, in accordance with G.S. 115C-302.1(c). The State Board of Education shall make available to each local school administrative unit sufficient funds to provide pay for a maximum of 6 days for each teacher who is qualified to receive additional pay for forfeited vacation days under G.S. 115C-302.1(c). Notwithstanding any other law, for the 1998-99 fiscal year, the funds allotted under this section shall be available for days scheduled by local boards and individual schools as follows: one half for days scheduled by school principals under G.S. 115C.84.2(a)(4); and one half for days scheduled by school principals in consultation with school improvement teams under G.S. 115C-84.2(a)(5). This section shall become effective July 1, 1998.

-----Assistance to At-Risk/Low Performing Schools

Sec. _____. Of the funds appropriated in this act for State Aid to Local School Administrative Units, the State Board of Education shall allocate eleven million one hundred thirty-six thousand five hundred dollars (\$11,136,500) to LEAs for use by at-risk schools and/or schools designated in the ABCs as low performing.

At-risk schools shall be defined as follows: for elementary schools - those with more than 50% of their population scoring below Level 3 Proficiency on the required ABC Plan tests; for middle schools - those with more than 50% entering 6th graders scoring below Level 3 Proficiency on the 5th grade end-of-grade tests; for high schools - those with more than 50% entering 9th graders scoring below Level 3 Proficiency on the 8th grade end-of-grade tests.

**1998-99 Recommended Changes
Special Provisions - Continued**

In order to receive funds, LEAs must submit revised school improvement plans specifying use of funds and accountability measures. Plans must include leadership training and whole-staff development, including content-specific training focused on greatest area(s) of need. In addition, funds may be used for the following: reduction in class size; additional counselors or social workers; expanding student and teacher school calendars beyond current limits; hiring additional teachers to provide planning time to school staff; providing incentive pay to attract and retain teachers in at-risk and/or low performing schools; making tuition payments to colleges or community colleges for staff development; funding instructional supplies and equipment, including books; access to long distance learning for student instruction and teacher development. These funds may not be used for central office staff or program administration.

In addition, LEAs are encouraged to form partnerships with colleges and universities that have specific programs designed to assist at-risk schools.

The Department of Public Instruction will have responsibility for development and receipt of applications, disbursement of funds, and accountability oversight. At-risk school grants will be awarded for a three-year period; unspent funds may be carried over from one fiscal year to the next during the three-year award period.

-----Increased Pay for Mentor Teachers

Sec. _____. Of the funds appropriated to State Aid to Local School Administrative Units, the sum of three million one hundred sixty thousand four hundred fifty-four dollars (\$3,160,454) shall be used to increase the rate of compensation for each mentor teacher from (i) one hundred dollars (\$100) per month for a maximum of 10 months for serving as a mentor during the school year to one hundred twenty-five dollars (\$125) per month, and (ii) one hundred (\$100) for serving as a mentor for one day prior to the beginning of the school year to one hundred twenty-five dollars (\$125).

-----Salary Adjustment Fund

Sec. _____. Any funds appropriated but not budgeted for legislative salary increases may be transferred to the Salary Adjustment Fund. These funds shall first be used to provide for reclassifications of those positions already approved by the Office of State Personnel.

-----N.C. School of Science and Mathematics and Agency Teachers

Sec. _____. Of the funds appropriated in the Reserve for Compensation Increases, the Office of State Budget and Management may allocate funds to the N.C. School of Science and Mathematics and other state agencies to provide an adjustment to the salary for teachers who teach in state agencies and institution comparable to the local supplement paid public school teachers in the respective counties.

**1998-99 Recommended Changes
Special Provisions - Continued**

-----UNC Management Flexibility

Sec. _____. G. S. 116-30.3 (c) and (d) read as rewritten:

“(c) ~~One-half~~ None of the reversions required in subsections (a) and (b) of this section shall be returned to the General Fund credit balance at the end of each fiscal year.

(d) For fiscal year 1997-98 and each subsequent fiscal year, one-half of the reversions required in subsections (a) and (b) of this section shall be available to each special responsibility constituent institution of The University of North Carolina. Those funds shall be used by the institution at the campus level for any of the following: the nonrecurring costs of technology, including the installation of technology infrastructure for academic facilities on the campus of the special responsibility constituent institution, the implementation by the constituent institution of its campus technology plan as approved by Board of Governors, or for libraries. The funds shall not be used to support positions. For fiscal year 1999-2000 and each subsequent fiscal year, one-half of the reversions required in subsections (a) and (b) of this section shall be used to fund the Excellence in Teaching Awards at the campus level. Each special responsibility constituent institution shall report annually to the Board of Governors regarding how the institution spent the funds made available under this section.”

-----Natural Resources Leadership Institute

Sec. _____. For the 1998-99 fiscal year, North Carolina State University is to provide funding up to \$170,000 for the Natural Resources Leadership Institute sponsored by the Cooperative Extension Services from funds available in the General Fund budget codes or the overhead receipts special funds code.

-----Natural Disaster Assistance

Sec. _____. Any unencumbered funds remaining in the Reserve for Disaster Relief shall not be reverted by the Director of the Budget but shall remain available for disaster relief including, but not limited to, natural disasters caused by flooding, wind or tornado damage, rockslides, blizzards, drought, hurricanes and forest fires. These funds may also be used to match federal funds or any other funds which may be made available to the state for disaster relief.

-----Public Utility Regulatory Fee

Sec. _____. The percentage rate to be used in calculating the public utility regulatory fee under G.S. 62-302(b)(2) is nine-hundredths percent (0.09%) of each public utility's North Carolina jurisdictional revenues earned during each quarter that begins on or after July 1, 1998.

Sec. _____. Section 3.1 of this act becomes effective July 1, 1998.

**1998-99 Recommended Changes
Special Provisions - Continued**

-----Worker Training Trust Fund

Sec. _____. There is appropriated from the Worker Training Trust Fund to the Employment Security Commission of North Carolina the sum of seven million twenty-one thousand three hundred seventy-four dollars (\$7,021,374) for the 1998-99 fiscal year for operation of local offices.

-----Welfare-To-Work Matching Funds

Sec. _____. The Department of Commerce, the Employment Security Commission, the Department of Health and Human Services and other agencies and departments may identify potential sources of state funds which may be used as match for the federal Welfare-to-Work grant.

-----Senior Center Funds

Sec. _____. Of the funds appropriated in this act to the Department of ~~Human Resources, Health and Human Services~~, the sum of ~~one million dollars (\$1,000,000)~~ two million dollars (\$2,000,000) for the ~~1997-98~~ 1998-99 fiscal year shall be used to support existing senior centers and to assist in the development of new senior centers. The Department shall allocate funds equally among senior centers throughout the State as determined by the Division of Aging. Expenditures of State funds for senior centers shall not exceed ninety percent (90%) of all funds expended for this purpose.

-----In-Home And Community Based Services

Sec. _____. Of the funds appropriated in this act to the Department of ~~Human Resources~~ Health and Human Services, Division of Aging, the sum of ~~five million dollars (\$5,000,000)~~ seven million five hundred thousand dollars (\$7,500,000) for the 1998-99 fiscal year shall be allocated via the Home and Community Care Block Grant for home and community care services for older persons who are not eligible for Medicaid and who are on the waiting list for these services. These funds shall be used only for direct services. Service recipients shall pay for services based on their income in accordance with G.S. 143B-181.1(a)(10).

-----Diabetes Patient Education

Sec. _____. Of the funds appropriated to the Department of Health and Human Services \$250,000 may be expended to build the capacity in local health departments to provide increased patient education to control diabetes.

**1998-99 Recommended Changes
Special Provisions - Continued**

-----Support for Long Term Care Systems Reform

Sec. _____. Of the funds appropriated to the Department of Health and Human Services \$1,200,000 may be expended to provide grants for up to 8 counties to support long term care systems reform efforts. Funds shall be awarded on an RFP basis. Criteria consistent with Departmental concepts and goals shall include the extent to which the application addresses service delivery systems that serve multi-county areas and both physically disabled and elderly adults.

-----Work First Reserve

Sec. _____. GS 143.-15.3C is rewritten to read:

GS143-15.3 Work First Reserve Fund.

“(a)The State Controller shall establish a restricted reserve in the General Fund to be known as the Work First Reserve Fund. ~~At the end of each fiscal year, the State Controller shall reserve State Funds into the reserve in an amount equaling one fourth of any Work First Program funds from State General Fund appropriations remaining unexpended at the end of the fiscal year, up to a maximum balance in the account of fifty million dollars (\$5,000,000).~~ The General Assembly may appropriate additional funds into this reserve, up to a maximum of \$50,000,000.”

-----Adult Care Homes Reimbursement Rate/Adult Care Homes Allocation of Nonfederal Cost of Medicaid Payments

Sec. _____. (a) The eligibility of Special Assistance recipients residing in adult care homes on August 1, 1995, shall not be affected by an income reduction in the Special Assistance eligibility criteria resulting from adoption of the Rate Setting Methodology Report and Related Services, providing these recipients are otherwise eligible. The maximum monthly rate for these residents in adult care home facilities shall be nine-hundred seventy-five dollars (\$975.00) per month for ambulatory residents and one-thousand seventeen dollars (\$1,017) per month for semiambulatory residents.

(b) Effective August 1, 1995, the State shall pay fifty percent (50%) and the county shall pay fifty percent (50%) of the nonfederal costs of Medicaid services paid to adult care home facilities. As Medicaid personal care requirements increase, the county matching share shall be capped until it equals fifteen percent (15%) of the nonfederal Medicaid personal care requirements.

(c) Effective July 1, 1997, the maximum monthly rate for residents in adult care home facilities shall be eight hundred ninety-three dollars (\$893.00) per month per resident

(d) Effective July 1, 1998, the maximum monthly rate for residents in adult care home facilities shall be ~~nine hundred fifteen (\$915.00)~~ nine hundred fifty six (\$956.00) per month per resident.

1998-99 Recommended Changes

VII. Long-Term Impact of Recommended Changes

	<u>1998-99</u>	<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>
Expansion Recommendations - Continued						
Statewide Reserves						
Compensation Increase	\$ (187.7)	\$ (331.5)	\$ (479.8)	\$ (630.9)	\$ (786.6)	\$ (947.1)
Juvenile Justice Reserve	(20.0)	(20.0)	(20.0)	(20.0)	(20.0)	(20.0)
Travel Subsistence Increase Reserve	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)
Total Expansion Recommendations	\$ (704.4)	\$ (1,228.8)	\$ (1,771.3)	\$ (2,080.7)	\$ (2,403.1)	\$ (2,730.1)
SUBTOTAL: AVAILABILITY BEFORE REVENUE ADJUSTMENTS	\$ 142.4	\$ 196.9	\$ 345.1	\$ 678.9	\$ 1,138.0	\$ 1,638.2
Revenue Adjustments						
1% Reduction - Sales Tax on Food 1/1/2000	\$ 0.0	\$ (40.6)	\$ (95.0)	\$ (97.8)	\$ (100.7)	\$ (104.1)
1% Reduction - Sales Tax on Food 1/1/2001	0.0	0.0	(43.5)	(97.8)	(100.7)	(104.1)
Eliminate the Highway Fund Sales Tax Transfer	(13.4)	(14.1)	(14.9)	(15.7)	(16.6)	(17.5)
Children's Health Insurance Plan (CHIP) Tax Credit	0.0	(42.6)	(44.7)	(47.1)	(49.8)	(52.8)
Subtotal Revenue Adjustments	\$ (13.4)	\$ (97.3)	\$ (198.1)	\$ (258.4)	\$ (267.8)	\$ (278.5)
BALANCE: REMAINING AVAILABILITY	\$ 129.0	\$ 99.6	\$ 147.0	\$ 420.5	\$ 870.2	\$ 1,359.7

- 1) The continuation budget projections include Medicaid, Aid to Families with Dependent Children, operating requirements of prison construction as currently funded, Public School enrollment, Debt Service including Public School Bonds, and allowable inflationary increases.
- 2) The continuation budget adjustments include anticipated budget reductions of an additional \$150 million annually in years 1999-00 and 2000-01.
- 3) Forecast for the expansion budget reflects assumptions for additional salary increases for public school teachers to reach the national average by 2001 and 3% annually 2001-04; additional salary increases for state employees and faculty of 4% 1998-99 and 3% annually 1999-04; full funding for Smart Start the Children Health Insurance Program, and University enrollment increases.