

The State Budget

North Carolina operates on a biennium budget schedule, budgeting for two fiscal years at a time. The focus of the 2010 Regular Session (Short Session) of the 2009 General Assembly was to make adjustments to the biennial budget generated in the 2009 fiscal year.

This document summarizes the budget process and fiscal provisions of the 2010-11 state budget. Some of the materials found on the [2010 Legislative Summaries website](#)¹ include more detailed information regarding budget provisions affecting specific state departments and agencies.

The Budget Process

The North Carolina state government operates on a fiscal year that begins July 1 and ends June 30. During the 2009 Regular Session the General Assembly adopted a state budget that made appropriations for 2009-11 (the fiscal biennium). In the 2010 Short Session, the legislature made adjustments to the state budget for 2010-11, the second year of the biennium.

Governor Beverly Perdue released a \$19 billion budget for 2010-11 on April 20, 2010, three weeks before the legislature convened for the 2010 Session on May 12, 2010.² The governor's budget proposed nearly \$1 billion in cuts, a reflection of the continuing impact of the economic recession across the nation.³ Upon convening on May 12, 2010, the House of Representatives and Senate appropriations committees began conducting budget hearings. Holding to the tradition that the Senate and the House of Representatives (House) alternate responsibility for initiating the formal budget process each biennium, the Senate reported in an amended version of Senate Bill 897 on May 18, 2010 to modify the current operations and capital appropriations act of 2009. Senate Bill 897 passed the Senate on May 20, 2010. The House then undertook its own review of the budget bill, made proposed changes, and passed its version of the budget on June 4, 2010. The House and the Senate then each appointed members to the conference committee that would negotiate a compromise between the two versions of the budget bill.⁴

The conference report was submitted to both chambers on June 28, 2010 and given final approval by the House and the Senate on June 30, 2010. Governor Perdue signed the bill into law on June 30, 2010, marking the first time since 2003 that the state budget has been approved on schedule.⁵ The act was chaptered as S.L. 2010-31 and allocated \$18.9 billion in spending.

The 2010-11 Budget

With a few limited exceptions (such as highway maintenance and construction), virtually all functions of state government are funded through the General Fund. This is the fund from which monies are appropriated by the General Assembly through the budget process to support most areas of state government ranging from education to economic development initiatives to health and human services to public safety. Funding comes to the General Fund from three main sources: (1) tax revenues, (2) federal funds (such as block grants and matching funds for certain programs), and (3) receipts (such as tuition, fees paid for certain government services, and investment income). Section 5(3) of Article III of the North Carolina Constitution requires that the state budget be balanced, so the budget as enacted by the General Assembly cannot appropriate more funds than are projected to be received during the fiscal year. The General Fund availability used in developing the budget for fiscal year 2010-11 is shown in Table 1.

Table 1. 2010-11 General Fund Availability⁶

The General Fund availability used in developing the 2010-11 budget is shown below:

	FY 2010-2011
Unappropriated Balance Remaining from Previous Year	3,702,182
Adjustment from Estimated to Actual FY 2009-2010 Beginning	270,080
Unreserved Fund Balance	
Beginning Unreserved Fund Balance	3,972,262
Revenues Based on Existing Tax Structure	\$ 18,199,339,016
Nontax Revenues	
Investment Income	\$ 57,500,000
Judicial Fees	239,100,000
Disproportionate Share	100,000,000
Insurance	67,000,000
Other Nontax Revenues	182,700,000
Highway Trust Fund Transfer/Use Tax Reimbursement Transfer	72,800,000
Highway Fund Transfer	17,600,000
Subtotal Nontax Revenues	\$ 736,700,000
Total General Fund Availability	\$ 18,940,011,278
Adjustments to Availability: Senate Bill 897	
Internal Revenue Code Conformity	\$ (7,700,000)
Unemployment Insurance Refundable Tax Credit	(34,100,000)
Increase Sales Tax Prepayment Threshold	(7,000,000)
Relieve Annual Report Compliance Burden on Small Businesses	(400,000)
Fair Tax Penalties	0
Extend Sunsets on Various Tax Incentives	(3,500,000)
Improve Tax and Debt Collection Process	3,000,000
Modernize Sales Tax on Accommodations	1,700,000
Modernize Admissions Tax and Restore Amenities Exclusion	(700,000)
Reserve for Pending Finance Legislation	(9,800,000)
Reduce Franchise Tax Burden on Construction Companies	(1,500,000)
Department of Revenue Settlement Initiative	110,000,000
Disproportionate Share	35,000,000
Loss of Estate Tax Revenues for FY 2010-2011	(85,000,000)
Increase Justice and Public Safety Fees	13,930,670

Transfer from the Health and Wellness Trust Fund	5,397,000
Transfer Aviation from Department of Commerce to Department of Transportation	(500,000)
Transfer from Wildlife Resources Commission	3,000,000
Divert Funds from Scrap Tire Disposal Account	2,500,000
Divert Funds from White Goods Fund	1,200,000
Transfer from Mercury Pollution Prevention Fund	2,250,000
Transfer from Bladen Lakes Special Fund	150,000
Transfer from DACS – N.C. State Fair	1,000,000
Transfer from ECU Magnetic Resonance Imaging Lease and Equipment Fund	1,000,000
Adjust Transfer from Insurance Regulatory Fund	(2,176,454)
Transfer from Motorfleet Internal Services Fund	14,000,000
Subtotal Adjustments to Availability: Senate Bill 897	41,751,216
Revised General Fund Availability	18,981,762,494
Less: Total General Fund Appropriations	18,958,293,337
Unappropriated Balance Remaining	23,469,157

Appropriations

The General Assembly made the following appropriations for fiscal year 2010-11:

- Total General Fund \$ 18,981,762,494
- Highway Fund 1,792,540,000
- Highway Trust Fund 928,730,000

For purposes of documenting General Fund appropriations, the budget bill and the budget committee report⁷ group functions and agencies within state government into seven main categories:⁸

- Education
- Health and Human Services
- Justice and Public Safety
- Natural and Economic Resources
- General Government
- Statewide Reserves and Debt Service
- Capital Improvements

During the 2010 short session budget process, adjustments were made to the budget as enacted for the 2009-11 biennium, so the budget figures in S.L. 2010-31 reflect adjustments (either increases or decreases in funding) to the previously adopted budget. Table 2 details these adjustments and includes the revised total appropriations for each agency or program listed.

Table 2. 2010-11 General Fund Appropriations Adjustments

**Summary of General Fund Appropriations
Fiscal Year 2010-11**

	FY 2010-11 Certified Budget	Recurring Adjustments	Nonrecurring Adjustments	Net Changes	Position Changes	Revised Appropriation 2010-11
<u>Education:</u>						
Community Colleges	1,012,467,778	57,268,183	(14,600,000)	42,668,183	-7.75	1,055,135,961
Public Education	7,360,833,223	(211,771,109)	(63,473,202)	(275,244,311)	-9.00	7,085,588,912
University System	2,656,552,008	1,550,221	8,832,977	10,383,198	382.10	2,666,935,206
Total Education	11,029,853,009	(152,952,705)	(69,240,225)	(222,192,930)	365.35	10,807,660,079
<u>Health and Human Services:</u>						
Central Management And Support	74,172,339	(4,462,824)	939,000	(3,523,834)	-24.00	70,648,505
Aging and Adult Services	37,282,029	100,000	0	100,000	0.00	37,382,029
Blind and Deaf/Hard of Hearing Services	8,649,731	(557,484)	(75,428)	(632,912)	-3.00	8,016,819
Child Development	269,183,962	(11,334,255)	(23,625,329)	(34,959,584)	-2.00	234,224,378
Education Services	36,844,718	(4,223,471)	130,211	(4,093,260)	-82.00	32,751,458
Health Services Regulation	17,914,125	(342,592)	(1,718,754)	(2,061,346)	-2.00	15,852,779
Medical Assistance	2,720,196,757	209,210,289	(561,041,217)	(351,830,928)	0.00	2,368,365,829
MH/DD/SAS	664,695,955	7,511,466	33,269,193	40,780,659	-1.00	705,476,614
NC Health Choice	81,964,241	6,444,925	0	6,444,925	0.00	88,409,166
Public Health	160,515,329	(6,080,117)	2,147,000	(3,933,117)	-27.00	156,582,212
Social Services	208,589,483	(13,604,115)	(2,255,677)	(15,859,792)	-48.00	192,729,691
Vocational Rehabilitation	41,020,173	(252,067)	(1,288,915)	(1,540,982)	-5.00	39,479,191
Total Health and Human Services	4,321,028,842	182,409,745	(553,519,916)	(371,110,171)	-194.00	3,949,918,671
<u>Justice and Public Safety:</u>						
Correction	1,326,492,230	(14,504,334)	(26,734,913)	(41,239,247)	799.00	1,285,252,983
Crime Control & Public Safety	33,718,963	(856,592)	(800,000)	(1,656,592)	-2.69	32,062,371
Judicial Department	463,753,479	(7,518,061)	(5,916,294)	(13,434,355)	-57.75	450,319,124
Judicial-Indigent Defense	120,132,010	1,585,405	(6,017,031)	(4,431,626)	11.50	115,700,384
Justice	88,652,538	(1,679,760)	(1,325,000)	(3,004,760)	21.50	85,647,778
Juvenile Justice & Delinquency Prevention	147,183,945	(903,138)	0	(903,138)	30.50	146,280,807
Total Justice and Public Safety	2,179,933,165	(23,876,480)	(40,793,238)	(64,669,718)	802.06	2,115,263,447
<u>Natural and Economic Resources:</u>						
Agriculture and Consumer Services	60,559,608	(405,556)	226,481	(179,075)	-31.68	60,380,533
Commerce	40,915,209	(2,706,028)	24,976,673	22,270,645	-9.00	63,185,854
Commerce-State Aid	15,388,725	16,780,564	3,800,000	20,580,564	0.00	35,969,289
Environment and Natural Resources	190,399,356	(6,839,026)	11,065,000	4,225,974	-30.03	194,625,330
DENR – Clean Water Mgmt. Trust Fund	50,000,000	0	0	0	0.00	50,000,000
Labor	17,400,863	(1,102,555)	0	(1,102,555)	-7.50	16,298,308
NC Biotechnology Center	14,501,900	5,000,000	0	5,000,000	0.00	19,501,900
Rural Economic Development Center	23,832,436	(1,191,622)	5,125,000	3,933,378	0.00	27,765,814
Total Natural and Economic Resources	412,998,097	9,535,777	45,193,154	54,728,931	-78.21	467,727,028

General Government:

Administration	67,446,884	(570,992)	(174,134)	(745,126)	-9.10	66,701,758
Auditor	13,255,123	(337,033)	0	(337,033)	-1.00	12,918,090
Cultural Resources	73,249,990	(2,103,146)	850,000	(1,253,146)	-15.19	71,996,844
Cultural Resources-Roanoke Island	1,990,632	(115,926)	0	(115,926)	0.00	1,874,706
General Assembly	56,584,484	(2,914,926)	0	(2,914,926)	0.00	53,669,558
Governor	6,067,739	(353,359)	0	(353,359)	-3.00	5,714,380
NC Housing Finance Agency	14,608,417	(730,421)	(1,769,579)	(2,500,000)	0.00	12,108,417
Insurance	32,242,706	(1,180,254)	(996,200)	(2,176,454)	1.00	30,066,252
Insurance - Worker's Compensation Fund	1,561,846	0	0	0	0.00	1,561,846
Lieutenant Governor	931,703	(33,539)	0	(33,539)	-0.50	898,164
Office of Administrative Hearings	4,111,476	(30,000)	0	(30,000)	0.00	4,081,476
Revenue	87,790,970	(958,301)	757,118	(201,183)	-34.00	87,589,787
Secretary of State	11,451,488	(666,886)	0	(666,886)	-7.00	10,784,602
State Board of Elections	6,221,208	(243,278)	457,129	213,851	-1.00	6,435,059
State Budget and Management	6,407,809	(373,164)	0	(373,164)	-3.00	6,034,645
State Budget and Management—Special	4,161,125	1,773,186	2,049,400	3,822,586	13.00	7,983,711
State Controller	23,188,207	8,060,088	(624,677)	7,435,411	27.50	30,623,618
Treasurer-Operations	17,565,400	(205,394)	2,685	(202,709)	3.00	17,362,691
Treasurer-Retirement/Benefits	10,804,671	0	0	0	0.00	10,804,671
Total General Government	439,641,878	(983,345)	551,742	(431,603)	-29.29	439,210,275

Statewide Reserves and Debt Service:**Debt Service:**

Interest / Redemption	707,573,496	(1,668,313)	0	(1,688,313)	0.00	705,905,183
Federal Reimbursement	1,616,380	0	0	0	0.00	1,616,380
Subtotal Debt Service	709,189,876	(1,668,313)	0	(1,668,313)	0.00	707,521,563

Statewide Reserves:

Contingency and Emergency Fund	5,000,000	0	0	0	0.00	5,000,000
State Health Plan (SL 2009-16)	276,179,709	0	0	0	0.00	276,179,709
State Retirement System Contributions	160,000,000	0	0	0	0.00	160,000,000
Judicial Retirement System Contributions	1,300,000	0	0	0	0.00	1,300,000
Information Technology Funds	7,840,000	0	0	0	0.00	7,840,000
Statewide Administrative Support Reduction	(6,600,000)	0	0	0	0.00	(6,600,000)
Convert Contract Employees to State Employees	(4,000,000)	0	0	0	0.00	(4,000,000)
Job Development Investment Grants (JDIG)	27,400,000		(6,600,000)	(6,600,000)	0.00	20,800,000
Subtotal Statewide Reserves	467,119,709	0	(6,600,000)	(6,600,000)	0.00	460,519,709
Total Reserves and Debt Service	1,176,309,585	(1,668,313)	(6,600,000)	(8,268,313)	0.00	1,168,041,272

Total General Fund for Operations	19,559,764,576	12,464,679	(624,408,483)	(611,943,804)	865.91	18,947,820,772
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Capital Improvements:

Water Resources Development Projects	0	0	9,130,000	9,130,000	0.00	9,130,000
Capital Improvements	0	0	2,043,440	2,043,440	0.00	2,043,440
Total Capital Improvements	0	0	11,173,440	11,173,440	0.00	11,173,440
Total General Fund Budget	19,599,764,576	12,464,679	(613,235,043)	(600,770,364)	865.91	18,958,994,212

Budget Highlights

S.L. 2010-31 appropriates \$18.9 billion in spending for the 2010-11 fiscal year and includes more than \$1 billion in cuts.⁹ According to the governor's office, the adopted budget provides more than \$200 million that will support key investments around assistance to small businesses and that will help sustain or create 20,000 jobs over the next three years.¹⁰ The budget also minimizes cuts to education; while most agencies received cuts of 5% to 7%, education was cut less than 3%.¹¹ Following are highlights from the budget adjustments to the second year of the 2009-11 biennium.

Public Education

As in the past, proceeds from the North Carolina Education Lottery were a part of the budget deliberations, with the budget adjustments providing that \$441 million be transferred from the State Lottery Fund for the 2010-11 fiscal year (FY) to support appropriations in the act. In addition, S. L. 2010-31 transfers \$16.8 million from the Education Lottery Reserve Fund to the Education Lottery Fund to support appropriations made in the act, directing that the funds be allocated for class size reduction.¹²

Appropriations from the Education Lottery Fund for 2010-11 FY include: (1) \$220.6 million for class size reduction; (2) \$79.6 million for pre-kindergarten program; (3) \$113.7 million for Public School Building Capital Fund; and (4) \$44 million for scholarships for needy students.¹³

The budget adjustments also include a provision directing that \$31.8 million in excess lottery receipts for FY 2009-10 be transferred to the Public School Building Capital Fund and allocated based on Average Daily Membership (ADM) to local education agencies (LEAs) that did not qualify for funding under G.S. 115C-546.2(d)(2) in FY 2009-10. The act requires that the balance of excess lottery revenues from 2009-10 be used for scholarships for needy students.¹⁴

Funds from the state lottery are also touted as protecting teachers' jobs, saving as many as 1,600 teaching positions statewide.¹⁵

Additional adjustments to budget appropriations for public schools include:¹⁶

- Eliminates all state funding for local school district mentoring programs. (\$9.2 million) NR¹⁷
- Reduces the allotment for Child and Family Support Teams, which provide funding for a dedicated social worker and school nurse in 100 schools, by 21.4%. Directs the State Board of Education to allocate the reduction by eliminating funding to those schools it deems to be implementing the program ineffectively. (\$2.5 million) R
- Eliminates funding for new replacement school buses in the 2010-11 school year. (\$11.9 million, NR) Also reduces the transportation allotment, which covers bus maintenance and transportation personnel salaries by 2.4%. (\$10 million) R
- Provides an additional \$10 million to extend the Student Diagnostic and Intervention Initiative program in the existing pilot programs, to add additional schools, and to provide additional training for teachers in utilizing hand-held computers to monitor student progress. R
- Provides \$1 million for the Education Value Added Assessment System (EVAAS), with \$250,000 to expand funding for EVAAS licenses that had previously been funded out of reversions and \$750,000 to purchase EVAAS Teacher Analysis. R
- Reduces the Department of Public Instruction operating funds by 15%. (\$2 million) R
- Sets aside \$2.5 million for emergency purchases of student textbooks. NR
- Reduces classroom instructional supplies allotment by 3.5%. (\$3.3 million) R
- Reduces Limited English Proficiency funding by 5%. (\$4 million) R
- Reduces by 2.2% funding for salaries and benefits of central office workers in local school districts. (\$2.4 million) R

Health and Human Services

Adding to the efforts of the General Assembly to generate the budget for fiscal year 2010-11 was the possibility of not receiving nearly \$519 million in federal Medicaid money by January 2011. At the time of the enactment of SL 2010-31, the United States Congress had considered but not authorized the extension of the enhanced federal Medical Assistance Percentage (FMAP) that was initially authorized under the American Recovery and Reinvestment Act of 2009 (Public Law 111-5). The 2010 budget act includes using the anticipated FMAP funds to offset General Fund appropriations to the Department of Health and Human Services. In anticipation of the possible \$519 million funding gap, the fiscal year 2010-11 budget includes a contingency plan identified as "Extraordinary Measures to Address the Potential Loss of Federal Funds."¹⁸ The contingency plan includes budget adjustments to provide for the anticipated FMAP funds should they not be received, including an additional 1% reduction for all state agencies.¹⁹ In August 2010, President Obama signed H.R. 1586 into law, a \$26 billion bill that provides \$640 million to North Carolina, including funds to preserve teaching positions and pay for extra Medicaid expenses, negating the need for the proposed contingency plan.²⁰

Additional adjustments to funding for Health and Human Services include:²¹

- Replaces state funding for child care subsidy with Temporary Assistance for Needy Families (TANF) Emergency Contingency Fund receipts for the 2010-11 fiscal year. (\$23.6 million) NR
- Reduces funding for Smart Start early childhood program by 2.5%. (\$5 million) R
- Increases funding by \$9 million to expand inpatient bed capacity for mentally ill in local communities. R
- Restores \$40 million in community service funding for mentally ill, substance abusers and developmentally disabled, most of which was transferred from Department of Public Instruction's Office of Early Learning. NR
- Eliminates 27 positions in Division of Public Health, saving \$900,000. R
- Shifts purchase of vaccines from state to health care providers and local health departments that can bill insurers, saving \$15.9 million. R
- Increases enrollment in the AIDS Drug Assistance Program for HIV/AIDS patients who can't afford their prescription drugs, at a cost of \$14.2 million. R
- Provides \$6.5 million to increase enrollment in the Health Choice program by 2%. R
- Expands further Medicaid's managed-care initiative to more programs, saving \$45 million. R
- Adds mental health drugs to Medicaid's preferred drug list, saving \$10 million. R
- Reform Medicaid's in-home personal care services program at a savings of \$50.7 million by replacing them with new program resulting in fewer service hours or more patients determined to be ineligible. R
- Provides a non-recurring grant to be divided equally among the state's six regional food banks. (\$1 million) NR

Salaries and Benefits

The adjusted budget for fiscal year 2010-11 does not provide pay raises for teachers and state employees. In addition, citing its findings that North Carolina's citizens and businesses are suffering from the effects of a significant state financial crisis, and that this crisis has resulted in large reductions in state revenues for the 2010-11 fiscal year, the General Assembly authorizes local school boards to implement furloughs of state-funded employees to offset the LEA funding flexibility adjustment.²² The legislature also authorizes the University of North Carolina system to implement furloughs of university employees to offset the UNC Management Flexibility Reduction,²³ and additionally permits cities and counties with a population of 300,000 or more to supplement the salaries of nonelected judicial department officers and employees in order to attract and retain employees.²⁴

More Selected Budget Highlights²⁵

UNC System

- Directs the University of North Carolina system to reduce combined spending in operating budget by \$70 million, with flexibility on where to cut. R
- Repeals the Legislature's proposed tuition for UNC campuses for this fall, replacing it with option for campuses to raise tuition by \$750 to narrow \$70 million gap. R
- Saves \$9.4 million by eliminating waiver that subsidized tuition of out-of-state students on full athletic scholarships by treating them as in-state students for tuition purposes. R
- Increases UNC need-based financial aid by \$8.1 million. NR

- Eliminates the Historically Minority Colleges and Universities Consortium Closing the Achievement Gap project and transfers \$290,683 of the savings to the Department of Public Instruction for the Dropout Prevention Grant initiative. (\$527,212) R
- Reduces UNC campus advertising budgets by 24%. (\$2.5 million) R
- Reduces UNC Hospitals annual aid by \$8 million to \$36 million. NR
- Gives \$5.6 million to UNC system to pay for additional expected 441 students this fall. R
- Restores \$24 million, \$19.1 million in recurring funds and \$4.8 in non-recurring funds, in building reserves taken last year to pay for operating costs of 40 new or renovated buildings completed in fiscal years 2009-11. R & NR
- Increases the Distinguished Professor Endowment Fund, which will reduce the backlog of 66 professorships needing matching funds. (\$3.5 million) NR
- Gives \$2 million to the UNC consortium examining ways to capture energy from ocean waves. R
- Increases aid by \$4.5 million to in-state students attending private colleges. R

Community Colleges

- Gives \$81 million to the community college system to pay for an enrollment increase of 33,013 full-time students. R
- Saves \$30 million by raising community college tuition by \$6.50 per credit hour for in-state students, by \$7.20 per hour for out-of-state students, and by increasing tuition for full time resident students by a maximum of \$208.00 per year. R
- Directs community college campuses to reduce combined spending by \$15 million, with flexibility on where to cut. R
- Restores \$21 million to the Prisoner Education Program. R

Natural and Economic Resources

- Provides \$2 million for the Agricultural Development and Farmland Preservation Trust Fund. R
- Sells at least 10 aircraft from Division of Forest Resources and eliminates six pilot and mechanic jobs, saving \$2 million (\$1.5 million NR and \$469,817 R)
- Provides \$12.6 million to meet state match to draw down federal clean water and drinking waste funds. NR
- Gives \$12.5 million to the One North Carolina Fund to enhance the state's competitive position when recruiting national and international business and industry projects. NR
- Provides \$1.5 million to the One NC Small Business Fund program, which provides matching grants to businesses that qualify for federal SBIR/STTR Incentives funds. NR
- Funds the Main Street Solutions Program, which provides economic development grants for smaller cities. (\$1.5 million) NR
- Provides \$1 million for marketing North Carolina as a tourism destination. NR
- Funds \$5 million for the seven Regional Economic Development Commissions. (\$2.5 million R and \$2.5 million NR with each Commission receiving a combination of recurring and nonrecurring funds.)
- Gives \$10 million to Wake Forest Institute for Regenerative Medicine in Winston-Salem. R
- Reduces the Rural Center appropriation by 5%. (\$1.1 million) R
- Gives the Rural Center funds to continue the Small Business Assistance Fund. (\$1 million) NR
- Provides the Rural Center with funds to provide grants to farmers. (\$1 million) NR

Justice and Public Safety

- Directs the Administrative Office of the Courts (AOC) to make spending reductions of \$3.4 million (R) and \$3.3 million (NR), with flexibility on where to cut. (\$7.7 million)
- Eliminates vacant central office positions and vacant field positions to save \$2.8 million. R
- Reduces the budget for the AOC's Technology Services Program by 8%. (\$2.6 million) NR
- Reduces the Private Assigned Counsel Continuation Budget. (\$5.9 million) NR
- Requires \$3.9 million in spending reductions in Department of Juvenile Justice and Delinquency Prevention, with flexibility on where to cut. R
- Restores \$3.5 million to the Samarkand Youth Development Facility in Moore County. R

- Reduces the Department of Correction's continuation budget increases from fiscal year 2009-10 because of a lower than projected inmate population. (\$22 million) NR
- Reduces inmate medical costs in state prisons. (\$20.5 million) R
- Establishes an operating reserve and creates positions to staff the Central Prison Hospital and Mental Health Facility. (\$4.5 million R, \$774,843 NR)
- Establishes an operating reserve and creates positions to staff the hospital and mental health facility at the NC Correctional Institution for Women. (\$2 million R, \$725,157 NR)

Capital Projects

- Provides \$9.1 million in funds for water resources development projects. NR
- Allocates \$2 million to provide full capital planning funds for Phase I of the State Highway Patrol Training Facility in Wake County. NR

The budget also includes a number of non-general fund capital improvement authorizations allowing capital projects to be funded with receipts or from other non-General Fund sources available to the appropriate department.²⁶ In addition, continuing the trend of financing capital construction with special indebtedness as authorized under Article 9 of GS Chapter 142, the budget act provides for the issuance of \$175 million in new debt; \$120 million to be allocated to the Reserve for Repairs and Renovations and \$55 million to be allocated to the UNC System and the NC Community College System for use in making capital improvements and acquiring equipment for education and research in fields related to health, science, engineering and technology programs.²⁷ Such debts are commonly referred to as "certificates of participation," (COPs), non-voted debt that may be secured by an interest in state property being acquired or improved. Because there is no pledge of the state's faith and credit or taxing power to secure the debt, voters do not have to approve the borrowing. Special indebtedness may take one or more of the following forms: (1) installment purchase contracts (with or without COPs), (2) lease-purchase contracts, (with or without COPs), or (3) bonds.

The Highway Fund and Highway Trust Fund

As with General Fund appropriations, the budget act makes adjusts to the Highway Fund and the Highway Trust Fund for the 2010-11 fiscal year. The total Highway Fund availability for fiscal year 2010-11 is \$1.8 billion; the total Highway Trust fund availability for fiscal year 2010-11 is \$929 million.

The budget act, as revised by the Budget Technical Corrections Bill²⁸ calls for a decrease of \$4.7 million in funds for maintenance of the state's highway infrastructure and makes an additional reduction of \$320,000 to the General Maintenance Reserve for the state's highway infrastructure.²⁹ The fiscal year 2010-11 budget act also creates the North Carolina Mobility Fund (NCMF), a special fund to be used by the Department of Transportation to fund transportation projects of statewide and regional significance that relieve congestion and enhance mobility across all modes of transportation. The initial project to be funded is the widening and improvement of Interstate 85 north of the Yadkin River Bridge.³⁰ Directs that funds appropriated to the North Carolina Turnpike Authority in fiscal year 2009-10 under G.S. 136-176(b2) for debt service or financing costs for the Monroe Connector/Bypass project that remain unencumbered are to be transferred to the NCMF. Also directs that \$15 million be transferred from the Highway Trust Fund to the NCMF for fiscal year 2010-11 for Phase II of the Yadkin River Bridge Project,³¹ and that each fiscal year, the State Treasurer is to transfer \$31 million from the taxes deposited in the Highway Trust Fund to the North Carolina Mobility Fund.³²

Additional appropriations for Transportation include:³³

Highway Fund

- Provides \$11 million in operating funds to the Ferry Division to maintain the current level of services for FY 2010-11. R
- Decreases funds for maintenance of the state's highway infrastructure. (\$4,693,213) R
- Provides grants to short line railroads for rehabilitation projects. \$2 million NR
- Provides \$4.3 million for constuction of the Pembroke Northeast Bypass project. NR
- Transfers \$4.7 million to the Highway Patrol for matching funds for further development of the Voice Interoperability Project for Emergency Responders (VIPER) network, a statewide communications network for all emergency responders. NR

- Transfers \$32 million to DPI to partially restore funding to the Driver Education program. R

Highway Trust Fund

- Increases the appropriation for the Intrastate System for FY 2010-11. \$4,995,162 R
- Increases appropriation for the Urban Loops for FY 2010-11. \$2,0019,836 R

Sheria Reid
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¹ <http://www.sog.unc.edu/dailybulletin/summaries10/>

² *Perdue Proposes \$19 Billion Budget*, **The News and Observer**, April 20, 2010.

³ *Id.*, see also, *Budget, Jobs Top State Agenda*, **Greensboro News & Record**, May 9, 2010.

⁴ [Senate Bill 897 Information/History](#)

⁵ *Perdue Signs \$19B State Budget Bill on Time*, **MyNC.com**, July 1, 2010.

⁶ [SL 2010-31, The Current Operations and Capital Appropriations Act of 2010](#), Section 2.2a, (Hereinafter, SL 2010-31).

⁷ The budget report accompanies the budget bill. It outlines line item appropriations within state agencies and is incorporated into the budget bill by reference.

⁸ Because the transportation budget is funded from the Highway Fund and the Highway Trust Fund, which are separate from the General Fund, transportation is not one of the General Fund appropriations categories.

⁹ *Gov. Perdue Signs State Budget with Focus on Jobs, Economic Recovery*, **press release from the Governor's Office**, 6/30/2010.

¹⁰ *Id.*, for details see also, [Critical Investments: Jobs and Economic Recovery](#).

¹¹ [Critical Investments: Career and College—Ready, Set, Go!](#)

¹² [SL 2010-31](#), Part V.

¹³ *Id.*

¹⁴ *Id.*

¹⁵ See for example, *State's Budget Offers Ammo for All*, **Raleigh News & Observer**, July 1, 2010, and *State Budget saves 1,600 Teacher Jobs, Cuts Spending*, **Charlotte Observer**, June 29, 2010.

¹⁶ [The Joint Conference Committee Report on the Continuation, Expansion and Capital Budgets, SL 2010-31 \(SB 897\) as revised, July 29, 2010](#). (Hereinafter, Committee Money Report, as revised).

¹⁷ Dollar amounts in brackets indicate decreases or reductions in funding. “R” indicates a recurring amount and “NR” indicates a nonrecurring amount.

¹⁸ [SL 2010-31](#), Part II, Section 2.3.

¹⁹ See [SL 2010-31](#), Part II, Section 2.3.(b) for a list of the proposed budget adjustments should Congress not authorize all or part of the enhanced FMAP funds before January 1, 2011.

²⁰ [Federal Bill Signed by Obama Bringing \\$640M to NC](#), **Raleigh News and Observer**, August 10, 2010.

²¹ [Committee Money Report, as revised](#).

²² [SL 2010-31](#), Part XXIX, Section 29.1.(b).

²³ *Id.*, Section 29.4.(b).

²⁴ *Id.*, Section 29.7.(b).

²⁵ [Committee Money Report as revised](#).

²⁶ [SL 2010-31](#), Part XXX.

²⁷ *Id.*, Section 30.7.(a), Special Indebtedness Projects.

²⁸ [SL 2010-123 \(SB 1202\)](#), Section 1.3A.

²⁹ *Id.*, Section 11.20.(b).

³⁰ [SL 2010-31](#), Part XXVIII, Section 28.7.(a).

³¹ *Id.*, Section 28.7.(d).

³² *Id.*, Section 28.7.(f).

³³ [Committee Money Report, as revised](#).