

NC HOUSE OF REPRESENTATIVES

APPROPRIATIONS COMMITTEE

BUDGET HIGHLIGHTS

HOUSE PROPOSED COMMITTEE SUBSTITUTE FOR SENATE BILL 257

MAY 31, 2017

House Budget Proposal Highlights S.B. 257

The House Budget for FY 2017-18 includes net appropriations of \$22.9 billion, which is \$559 million or 2.5% above the amount enacted for FY 2016-17. Selected highlights include:

Savings Reserve

- Transfers an additional \$263 million to the **Savings Reserve** to bring the total held in the “rainy day fund” to **\$1.82 billion**, the largest balance in the Savings Reserve since its inception.
- Diverts \$130 million in anticipated General Fund revenue growth in FY 2018-19 to the **Savings Reserve** pursuant to S.L. 2017-15.

Salaries

- Provides over \$180.9 million in FY 2017-18 and \$456.5 million in FY 2018-19 to:
 - Increase salaries for **Teachers and Instructional support** paid in accordance with the Statewide teacher salary schedule;
 - Creates a new **Principal Salary schedule** based on a school’s average daily membership, percentage of school population receiving free and reduced lunch, and principal’s years of experience;
 - Increase **Assistant Principal** salaries by tying their pay to the teacher schedule plus 22%;
- Appropriates approximately \$181 million in FY 2017-18 and \$362 million in FY 2018-19 to provide most **State employees and State-funded local employees a salary increase of \$1,000 in FY 2017-18 and an additional \$1,000 in FY 2018-19;**
- Provides the Community College system with an additional \$10 million to increase salaries of Community College personnel,
- Provides \$18.4 million in each year of the biennium to complete the third and final phase of the custody-level based pay adjustment for Correctional Officers, Custody Supervisors, and Prison Facility Administrators,
- Allows step movement for teachers, assistant principals, Highway Patrol, Assistant/Deputy Clerks, and Magistrates,
- Provides 5 **Bonus Leave** days for State and locally supported employees,
- Provides \$3.9 million in FY 2017-18 and \$7.8 million in FY 2018-19 to bring all positions to their salary range minimum under the new Classification and Compensation System, and
- Provides \$5 million to the Salary Adjustment Fund to increase compensation for positions that are difficult to recruit or retain.

Benefits

- **Maintains Retiree Medical** benefits,
- Funds all State retirement systems at actuarially determined levels in both years of the biennium and makes no cuts to retirement benefits,
- Increases employer premiums for State Health Plan coverage by 4% in both 2018 and 2019 plan years, and
- Provides \$51 million for a 1.6% one-time supplement to **State Retirees** (same as in 2016)

Capital & Infrastructure

- Provides funds for **House Bill 280, “Raise the Age.”**
- Provides **\$365 million for Repairs and Renovations**
- Fully funds the Water Resources request from the Department of Environmental Quality and draws down \$14 million in federal funds
- Diverts \$77.1 million and \$79.1 million over the biennium from short-term lease or rental of motor vehicles from the General Fund to the Highway Fund to support **NC Airports infrastructure**
- Provides \$5 million to Fort Fisher to construct a new museum and visitor center
- Provides Western Carolina University \$9.4 million to begin the replacement of the campus’s energy production facility and \$2.3 million for East Carolina University to develop plans for a new medical education building at the Brody School of Medicine.

Other Items

- Provides an additional **\$35m for economic development** including programs such as Main Street Solutions, the Small Business Fund and the **Film and Entertainment Grant** (which will receive an additional \$15 million in FY 2017-18 (and an additional \$30 million in FY 2018-19).
- Provides an additional **\$150 million for Disaster Recovery**. This funding would supplement the \$200.9 million in funds provided by S.L. 2016-124 (Disaster Recovery Act) bringing the total State funding for Disaster Recovery to \$350.9 million.
- Provides \$6.6 million for pending legislation such as HB 270, The Haley Hayes Newborn Screening Bill; HB 910, Human Trafficking; and others.

Highlights of House Education Budget May 31, 2017

The House Budget for Education in FY 2017-18 and FY 2018-19 includes net appropriations, *before salaries and benefits*, of \$12.6 billion and \$12.8 billion. The highlights of the Education adjustments follow below:

Public Schools Committee Report Items

- **(Page F-6, Item 1) Fully funds K-12 enrollment growth by providing \$31.9 million in FY 2017-18 and \$80.3 million in FY 2017-18.**
- **(Page F-6, Item 3 and Item 4) Reflects an offset to the noninstructional support personnel allotment and the Transportation allotment due to lottery receipts.** Net Requirements for the program remain unchanged.
- **(Page F-7, Item 6) Raises the funding cap for Children with Disabilities from 12.5% to 13%**, increasing funds for school-age children with disabilities by \$11.3M in each year of the biennium. A school district will receive funds for each child identified with disabilities up to 13% of the school district's Average Daily Membership (ADM).
- **(Page F-7, Item 5) Increases Textbooks and Digital Materials funding** by \$10.4M in 2017-18 only. Total funding for textbooks in this allotment is \$65.8.6 M in FY 2017-18 and \$55.5 M in FY 2018-19.
- **(Page F-9, Item 15) Reduces operating funds to the Central Office Administration Allotment** by 5.3% in FY 2017-18 and 10.5% in FY 2018-19.
- **(Page F-9, Item 17) Provides \$10M in FY 2017-18 and \$21.7M in FY 2018-19 to fund the implementation of Business System Modernization** plan at the Department of Public Instruction (DPI). The plan includes an Enterprise Resource Planning (ERP) system for integrated payroll and human resources information, an integrated State level licensure system, and reporting of financial information for increased transparency and analytics.
- **(Page F-13, Item 33) Provides \$8.2M in additional funds to the Advanced Teaching Roles** in FY 2017-18 and FY 2018-19, for a total of \$9.2M for this program in each year of the biennium. This pilot program supports school district efforts to create the organizational structure and innovative compensation methods to allow teachers to take on advanced teaching roles.
- **Provides funds for three Pass-Through Grant programs, including:**
 - **(Page F- 14, Item 39) Triangle Literacy Council:** Provides \$690K to support juvenile literacy centers that serve court-involved or otherwise at-risk youth.

- **(Page F- 15, Item 40) Muddy Sneakers:** Provides \$500K in each year of the biennium to support experiential science learning programs for 5th grade students.
- **(Page F- 15, Item 41) Eastern North Carolina STEM:** Provides \$300K in FY 2017-18 for the Eastern NC STEM program, which is a summer residential STEM program for underserved students.

Public Schools Special Provisions

- **Career and Technical Education (CTE):**
 - **(Sec. 7.23A) Future Ready Students:** establishes business advisory councils that will assist school districts in providing CTE instruction, identify, economic and workforce development trends in the region, and advocate for strong local CTE programs. The Committee Report includes 2 positions at DPI to support these councils.
 - **(Sec. 7.23F) Expand CTE Competitive Grant Program:** creates a new competitive grant to expand CTE coursework to the Sixth and Seventh grades for school districts receiving funds. The grant is funded with \$700K on a recurring basis, and \$3.5M on a one time basis from the At-Risk allotment in FY 2018-19.
 - **(Sec. 7.23G) North Carolina Education and Workforce Innovation Commission:** This Commission is transferred from the Governor’s office to DPI. The Commission will be responsible for selecting recipients of the CTE Competitive grants.
- **(Sec. 7.10) Provides \$922K to the Office of the State Superintendent to hire up to 10 exempt positions.** These positions are not subject to approval or disapproval by the State Board of Education.
- **(Sec. 7.22) Modifies supplemental funding for Cooperative and Innovative High Schools (CIHS).** All CIHSs approved for operation in FY 2017-18 will receive **\$200,000** through the CIHS allotment beginning in FY 2017-18, including CIHSs that previously have not received supplemental funds. The revised net appropriation for the CIHS allotment is \$25.4 million in each year of the biennium.
- **(Sec. 7.23D) Establishes a Joint Legislative Task Force** on education finance reform. The Task Force will study and develop a new weighted funding student formula model for North Carolina Public Schools. The Task Force will submit a final report by October, 2018.

North Carolina Community College System Committee Report Items

- **(Page F-23, Item 42) Enrollment Adjustment:** Provides \$4.9 million recurring to fully fund enrollment increases in the Community College System.

- **Page F-24, Item 47) Career Coaches:** Provides \$1.1 million to support expansion of the NC Works Career Coaches program, which places career coaches employed by local community colleges with partnering high schools.
- **(Page F-24, Item 48) Start-Up Fund for High Cost Workforce Programs:** Provides \$2 million nonrecurring in FY 2017-18 and \$2.5 million nonrecurring in FY 2018-19 to assist colleges with start-up costs for high-cost workforce training programs leading to employment in higher-paying and in-demand fields.
- **(Page F-24, Item 49) Hurricane Matthew Hold-Harmless Reserve:** Funds \$2.7 million in a reserve to offset enrollment declines at certain colleges impacted by Hurricane Matthew-related disruption.
- **(Page F-24, Item 50) Apprenticeship NC:** Provides for the transfer of the Apprenticeship program from the Department of Commerce to the NC Community College System. The program coordinates with employers to train and employ apprentices in order to mitigate skills gaps and meet critical workforce and labor market needs.

North Carolina Community College System Special Provisions

- **(Sec. 9.13) Establishes the High-Achieving Tuition Scholarship Program.** Recent North Carolina resident high school graduates with an unweighted GPA of at least 3.5 meeting other eligibility criteria may receive scholarships covering the full cost of tuition at a community college for up to four semesters. The program will be established in FY 2017-18, with \$2 million for scholarships and administration beginning in FY 2018-19.

University of North Carolina System Committee Report Items

- **(Page F-31, Item 55) Enrollment growth:** Provides \$46.5 million in the first year and \$94.7 million in the second year to fully fund UNC's projected enrollment growth.
- **(Page F-33, Item 62) Data Analytics:** Provides \$1.0 million recurring and \$9.0 million nonrecurring in the first year and \$1.0 million recurring and \$17 million nonrecurring in the second year to support a variety of data collection, modernization and integration projects.
- **(Page F-33, Item 64) Research Opportunity Initiative:** Increases funding (\$1.5 million in each year) for a competitive grant program that supports innovative research projects.
- **(Page F-34, Item 68) Faculty Recruitment and Retention:** Increases funding (\$3.0 million nonrecurring in the first year and \$3.0 million recurring in the second year) for faculty recruitment and retention at UNC institutions.

- **(Page F-34, Item 67) ECU Brody School of Medicine Stabilization Funds:** Provides additional funds to the Brody School of Medicine at East Carolina University (\$4.0 million in both years of the biennium).
- **(Page F-35, Item 72) NC A&T Doctoral Program:** Provides \$2.0 million recurring to support already-established doctoral programs in computer science, engineering, energy and environmental systems, education, and rehabilitation counseling at NC A&T.

University of North Carolina System Special Provisions

- **(Sec. 10A.3) Establishes the Teaching Fellows program,** a competitive forgivable loan program that will provide students interested in entering teaching in STEM or special education fields with up to \$8,250 per year. The loans may be used for tuition, fees, and the cost of books. Loans made to Teaching Fellows may be forgiven if the recipient, for each year of loans received, serves either one year in a North Carolina public school identified as low-performing or two years in a North Carolina public school that is not identified as low-performing.
- **(Sec. 10.18) Restricts NC Promise to NC Residents:** NC Promise established set rates of tuition at three schools: UNC-P, ECSU, and WCU. Tuition was set at \$500 per semester for resident students, and \$2500 per semester for non-resident students, beginning the fall semester of 2018. This provision eliminates the lower set rate for non-resident students. The tuition for resident students remains the same.
- **(Sec. 10.12) Allows senior citizens to audit courses** at the University of North Carolina or North Carolina Community Colleges for free, provided that they have permission from the instructor and there is space available in the course.

Highlights of House Health and Human Services Budget

The House Budget for Health and Human Services in FY 2017-18 includes net appropriations of \$5.2 billion, which is \$225 million above the amount enacted for FY 2016-17. This is a 4.5% increase. FY 2018-19 includes net appropriations of \$5.4 billion, which is \$170.1 million above the amount in the House budget for FY 2017-18. This is a 3.2% increase. The highlights of the Health and Human Services adjustments follow below:

Division of Central Management and Support

Committee Report Items

- **(Page G-6, Item 1) Reduces funding for contracts and purchased services** on a department-wide basis by \$3.2 million R.
- **(Page G-6, Item 3) Provides \$7.5 million recurring to double the grant funding for community health centers, rural health centers, free clinics, and other health safety net providers.**
- **(Page G-7, Item 6) Provides one-time funding of \$1 million to the Cape Fear Valley Medical Center** to offset actual lost Medicare payments for admissions to the Center prior to October 1, 2017, that are attributed to the Center's reclassification by the federal Centers for Medicare and Medicaid Services as a rural hospital or rural referral center or any other change approved by CMS.
- **(Page G-7, item 7) Provides funding for continued development of NC FAST** including the Child Welfare case management system. (\$8.9 in 2017-19 and \$11.9 in 2018-19 on a nonrecurring basis in both years)
- **(Page G-9, item 12) Supports the ongoing operation, development and enhancement of the Controlled Substances Reporting System** to automate reports, generate and deploy advanced analytics to improve prescribing practices and to identify unusual prescribing patterns. Provides funding for 6 positions, 4 in Central Management for operation and maintenance of the system and 2 in the Division of Mental Health, Developmental Disability and Substance Abuse Services for analytics. (\$1.2 million recurring each year of the biennium)

Special Provisions

- **(Sec. 11A.8) Community Health Program Changes** –authorizes the use of State and federal funding to provide safety net health care providers ongoing training and technical assistance related to health information technology, electronic health records, and connecting to the State's health information exchange network.
- **(Sec. 11A.14) Provides \$4.7 million** in the DHHS Competitive Grants for **Boys and Girls Clubs, Big Brothers Big Sisters, and TROSA.**

Division of Aging and Adult Services

Special Provisions

- **(Sec. 11D.3) Recommendation to Appoint a Subcommittee on Aging** states that the cochairs for the Joint Legislative Oversight Committee on Health and Human Services may consider appointing a subcommittee on aging to examine the states delivery of services for older adults in order to (1) determine their needs and (2) make recommendations on how to address those needs.

Division of Child Development and Early Education

Committee Report Items

- **(Page G- 24, item 22) Provides \$12 million in FY 2017-18 and \$24.4 million in FY 2018-19 to eliminate the Pre-K waitlist by FY 2018-19.** NC Pre-K slots will be increased by 2,300 in FY 2017-18 and 4,700 in FY 2018-19 over the number of FY 2016-17 slots. The total number of slots will be approximately 29,300 in FY 2017-18 and 31,700 in FY 2018-19. This will eliminate the current waiting list by FY 2018-19. (Current number of NC Pre-K slots is 27,000)
- **(Page G-24, item 23) Child Care Subsidy market rate increase** provides \$13 million in FY 2017-18 and \$17 million in FY 2018-19 to increase the market rate effective October 1, 2017 for infants through 2 year olds in 3-, 4- and 5 star centers and homes in Tier 3 counties to the recommended market rate. Effective October 1, 2017 the market rate is increased by 30% of the difference between the current market rate and the recommended rate for 3 through 5 year olds in Tier 3 counties in 3-, 4-, and 5 star centers and homes.
- **(Page G-25, item 26) Smart Start Reading Initiative increases access to Dolly Parton's imagination Library** an early literacy program that mails age-appropriate books to register children on a monthly basis. Once fully implemented access to the program will be statewide. (\$1.2 million in FY 2017-18 and \$3.9 million in FY 2018-19)

Special Provisions

- **(Sec. 11B.5) Child Care Allocation Formula** allows the Division Child Development and Early Education to withhold up to 2% of available funds from the allocation formula for preventing the termination of services and for repayment of any federal funds identified by counties as overpayments. The Division must allocate any funds withheld before the end of the fiscal year if the funds are not needed for these purposes. The Division must set aside 4% of the subsidy allocation for vulnerable populations which include special needs and homeless children. Counties with a spending coefficient above 100% must submit a plan for managing their allocation before receiving any reallocated funds.

Division of Social Services

Committee Report Items

- **(Page G-32, item 29) Funds resources to implement the Child Welfare Federal Program Improvement Plan** required under the federal Child and Family Services Review. Provides \$8.7 million in FY 2017-18 and \$9.5 million for enhancements to the Child Welfare system including training for local child welfare workers and supervisors. Expands both In-Home and post permanency support services to improve the safety and outcomes of children involved in the Child Welfare system.
- **(Page G-32, item 30) Increases the State/County Special Assistance rate by \$34 per month effective October 1, 2017.** The maximum monthly amount for residents in adult care facilities is increased from \$1,182 to \$1,216. The maximum monthly amount for residents in Alzheimer's/Dementia special care units is increased from \$1,515 to \$1,549.

Special Provisions

- **(Sec. 11L.1.k) Social Services Block Grant** provides \$3 million nonrecurring in each year of the biennium to assist counties in the implementation of the Child Welfare case management system in NC FAST.

Division of Public Health

Committee Report Items

- **(Page G-42, Item 48) Provides \$2.5 million R to expand Nurse Family Partnership Program** home visiting services.
- **(Page G-42, Item 49) Provides \$500,000 R to expand 2 smoking cessation programs:** Quitline NC and You Quit Two Quit.
- **(Page G-43, Item 50) Provides \$2 million NR for tobacco prevention** activities targeted to youth and people of childbearing age.
- **(Page G-43, Item 51) Provides \$1 million R and \$2 million NR to address the structural budget deficit at the State Laboratory of Public Health.**
- **(Page G-43, Item 52) Provides \$1.2 million NR for Hepatitis C** and other communicable disease testing.

Special Provisions

- **(Sec. 11E.6) Implement the Federal Elevated Blood Level Standard in North Carolina, lowers the level of lead detected in children and pregnant women** that requires immediate action to remove sources of lead from their environment. This action makes the State's blood lead level consistent with the federal Centers for Disease Control and Prevention.

- **(Sec. 11E.9) Use of Modified Adjusted Income (MAGI) for AIDS Drug Assistance Program** - Raises the income eligibility level for uninsured persons with AIDS/HIV to receive AIDS drug assistance

Division of Mental Health, Developmental Disabilities and Substance Abuse Services

Committee Report Items

- **(Page G-51, item 63) Behavioral health funding consolidates several changes** on a recurring and nonrecurring basis in both years of the biennium as reflected in total below:

	FY 2017-18	FY 2018-19
Recurring	(\$37.4) million	(\$ - 0 -) million
Nonrecurring	(\$ - 0 -) million	(\$ - 0 -) million

The components of the changes are reflected below:

	FY 2017-18		FY 2018-19	
	Recurring	Nonrecurring	Recurring	Nonrecurring
Single stream	(\$20.2) M	(\$37.4) M	(\$31.0) M	\$ - 0 -
3-Way Beds	\$ 2.5 M		\$ 2.5 M	
Disability Rights				
Settlement	\$ 6.2 M	\$26 K	\$ 6.3 M	
DOJ Settlement	\$ 8.9 M		\$ 17.0 M	
Expand DD Slots	\$ 2.6 M		\$ 5.2 M	

- **(Page G-52, item 66) Provides nonrecurring funds for Broughton Hospital** of \$2.5 million in each year to fund potential litigation and other costs related to delays in hospital construction and other costs related to minor equipment to be installed during construction and transition to the new hospital.
- **(Page G-52, item 67) Drug overdose medication** provides recurring funding of \$100,000 to purchase opioid antagonists.

Special Provisions

- **(Sec. 11F.2) Single Stream Funding** defines the reduction amount for each LME/MCO for both recurring and nonrecurring reductions. The provision directs the Secretary to provide any recommended changes in these amounts to the JLOC for Health and Human Services by March 1, 2018 and directs the Department to begin a quarterly financial review of all LME/MCOs to identify vulnerable LME/MCOs. LME/MCOs vulnerable to not meet the solvency standards that will be included in DHHS' s Behavioral Health Strategic Plan required by January 1, 2018 and at risk of failing within a 2-year period will require corrective action plans and monthly reporting. The first report to the JLOC for Health and Human Services identifying any LME/MCOs at risk of failing is required by 10/1/17.

The provision states it is the intent of the General Assembly that LME/MCOs maintain utilization at the same level as 2015.

The provision allows up to \$30 million nonrecurring to be restored in the event of a surplus in Medicaid spending.

- **(Sec. 11F.5) Purchase of psychiatric and facility based crisis beds with Dorothea Dix Property funds** in the amount of \$19M to increase inpatient behavioral health bed capacity for adults at 5 selected hospitals, \$ 2M for a case management pilot program in Wake County and \$2M for competitive grants to establish up to two new facility-based crisis facilities for children and adolescents.
- **(Sec. 11F.15) NC START funding and report** appropriates \$500,000 each year on a non-recurring basis for services to individuals with IDD.
- **(Sec. 11F.19) LME/MCO Fund Balance Cash Reserve Designation and Reinvestment** directs the Department to develop interim policies for cash reserves and investments prior to submission of the behavioral health strategic plan with comprehensive solvency standards. The Department will define permissible reserves and what is restricted versus unrestricted. Unrestricted reserves above the permissible above the limit established for an LME/MCO may result in a withhold from the single stream or Medicaid risk reserve payments by the Department.

Division of Medical Assistance

Committee Report Items

- **(Page G-75, item 75) Reduces budget to reflect LME/MCO intergovernmental transfer** to fund an amount equal to the state share of the risk reserve payments totaling \$17.7 million in FY 2017-18 and \$18.0 million in FY 2018-19.
- **(Page G-75, item 76) Increases base budget** in both years of the biennium to reflect the impact of enrollment and utilization trends as reflected below:

	FY 2017-18	FY 2018-19
Recurring	\$66.7 million	\$177.4 million
Nonrecurring	(\$63.0) million	(\$ 64.8) million
- **(Page G-75, item 78) Increase PCS Rates** effective 1/1/18 to and effective rate per hour of \$15.76 for a total cost in FY 2017-18 of \$2.7 million and in FY 2018-19 of \$5.5 million
- **(Page G-76, item 80) Graduate Medical Education** reimbursement funded at \$30 million in each year.
- **(Page G-77, item 81) Management Flexibility Reduction** of \$30 million in each year.
- **(Page G-76, item 82) Special Assistance rate increase** provides funding of \$1.9 million in FY 2017-18 and \$4.9 million in FY 2018-19 for new enrollees resulting from the \$34 increase in the SA rate.
- **(Page G-76, item 83) Retro authorization for personal care services** provides \$1.4 million in FY 2017-18 and \$1.5 million in FY 2018-19 to extend the clinical policy allowing retro authorization from 10 days to 30 days.

Special Provisions

- **(Sec. 11H.14) Plan to establish Medicaid coverage for ambulance transports to alternative appropriate care locations** directs the Department to develop a plan to implement coverage for ambulance transports for individuals in behavioral health crisis to alternative locations, such as behavioral crisis centers, rather than hospital emergency departments. The Department is to submit a report no later than 12/1/17 with details on the implementation plan.
- **(Sec. 11H.19) Prepaid health plan bid and contract exclusions** prohibits the State from granting a contract and the insurer from submitting a bid as a prepaid health plan under Medicaid transformation if the insurer is in litigation with the US government involving overpayments or fraud related to Medicare as of 4/1/17.
- **(Sec. 11H.19) Prepayment Claims Review Modifications** would allow DHHS to keep providers on prepayment review for up to 24 months (currently 12) and would require providers to submit a certain volume of claims during the review period in order to meet the standards for successful completion of the program. Clarifies certain aspects of provider terminations and appeals resulting from prepayment review.
- **(Sec. 11H.24) Professional Supplemental Payment Assessment** directs the Department to submit a State Plan Amendment to implement a professional supplemental payment for physicians, advanced care practitioners and other related professionals employed or contracted with State operated schools of medicine, health systems, hospitals and the Duke University Faculty Practice Plan.

The plan will provide for a supplemental payment equal to the difference between the average commercial rate and the Medicaid fee schedule. The State share of the new supplemental payment will be funded by either intergovernmental transfers from public hospitals or an assessment on private hospitals. The private hospital assessment will be an expansion of the existing assessment on hospital providers that funds the GAP plan and will include the same 28.85% State retention contained in the current Hospital GAP plan.

The assessment and supplemental payment will be effective on the date that CMS approves the State Plan Amendment.

NC Health Choice

Committee Report Items

- **(Page G-83, item 84) Adjusts the base budget to reflect spending target** in both years of the biennium as reflected below:

	FY 2017-18	FY 2018-19
Nonrecurring	(\$44.6) million	(\$46.9) million
Recurring	\$ 1.5 million	\$ 3.9 million

AGRICULTURE AND NATURAL AND ECONOMIC RESOURCES COMMITTEE

Total Proposed Committee Spending for NER is \$568.2 million in FY 2017-18, which is \$26.3 million (4.86%) above the FY 2017-18 base budget, and \$547.0 million in FY 2018-19, which is \$5.1 million (0.95%) above the FY 2018-19 base budget.

All Agencies

- Eliminates most positions vacant 6 months or more across all ANER agencies.

Agriculture

- Provides \$2.3m for firefighting equipment for the Forest Service, funded partially through a transfer from the Ag-Gas fund (Pg. H 6, Item #3)
- Provides \$900k for the Tobacco Trust Fund (Pg. H 8, Item #9)
- Provides \$1.1 m for the Agricultural Development and Farmland Preservation Trust Fund funded with a transfer from the Ag-Gas fund. \$25k of these funds are for a new Beehive Grant Program (Pg. H 9, Item #10)
- Provides \$750k for international marketing and food marketing (Pg. H 7, Items #6 & 7)
- Provides \$200k to keep the Linville River Nursery open (Pg. H 7, Item #5)

Labor

- Provides \$200k R to support increased IT costs (Pg. H 20, Item #16)

Environmental Quality

- Does *not* eliminate DEACS programs and regional office support; the Office of Environmental Education; support for the university energy centers; or any upper management positions
- Directs DEQ to create a program to allow private landowners to remove their properties from the State's pre-regulatory hazardous waste program (Sec. 13.4, Pgs. 214-215)
- Continues support for the State's Oyster and Shellfish industries providing funding for oyster sanctuaries and cultch planting (Pg. H 27, Item #23, Pg. H 27, Item #24)

Wildlife Resources Commission

- Funds a director for the Outdoor Heritage Advisory Council (Pg. H 38, Item #32)
- Reduces net appropriation by approximately \$950k, or 8.4% (Pg. H 38, Item #33)
- Directs WRC to use funds available to repair the roof and stabilize the tower at Mattamuskeet Lodge (Sec. 13A.1, Pg. 224)

- Authorizes the Treasurer to invest WRC's endowment fund in a broader array of investment strategies in lieu of being limited to bonds and reduces the requirement to spend 50% of the interest earned on the endowment to 25% (Sec. 13A.2, Pg. 225)

Commerce

- Provides \$12.7m for a new Site and Building Development Fund funded with a \$7.0m transfer from the Utility Account (Pg. H 44, Item #35, Sec. 15.7, Pg. 234)
- Provides \$4.2m for tourism and business advertising (Pg. H 44-45, Items #36 & 37)
- Provides \$1m to Main Street Solutions and \$5.8 million for rural grants, mostly funded with a transfer from the Utility Account (Pg. H 47, Items #45 & 46)
- Does not eliminate the Office of Science, Technology and Innovation and provides \$1m for the One NC Small Business Fund, which provides technology grants. This is funded with a transfer from the Utility Account (Pg. H 45, Item #40)
- Provides \$4.2m to the NC Industrial Commission for a consolidated case management system, partially funded by overrealized receipts (Pg. H 45, Item #39, Sec. 15.19, Pg. 245)
- Allocates CDBG funds for the 2017-19 biennium to Neighborhood Revitalization, Economic Development, and Infrastructure (Sec. 15.1, Pg. 230)
- Moves the Apprenticeship program to the Community Colleges (Pg. H 47, Item #47, Sec. 15.13, Pgs. 238-243)

Commerce State Aid

- Provides a \$200k NR increase to High Point Market Authority (Pg. H 62, Item # 49)
- Provides \$3m NR to the Carolina Small Business Fund (Pg. H 62, Item # 48)

Natural and Cultural Resources

- Increases funds for several grant programs:
 - Art – \$750k R (Pg. H 70, Items #60, Pg. H 70, Items #61)
 - Library – \$500k NR (Pg. H 74, Item #73)
 - Science – \$100k R (Pg. H 70, Item #60)
 - CWMTF – \$850k R / \$3m NR (Pg. H 69, Item #53)
- PARTF – \$7m NR (Pg. H 73, Item #68) Provides funds to ensure compliance with credit card security standards (\$200k R, Pg. H 68, Item #51);
- Increases operating support for:
 - The Museum of Art and Art Park (\$375k R/ \$2.1m NR, Pg. H 69, Item #54);
 - The Museum of History (\$258k R, Pg. H 70, Item #57)
 - NC Symphony (\$300k, Pg. H 71, Item #62)
 - Historic sites maintenance funds (\$500k R, Pg. H 73, Item #69)

Justice and Public Safety Committee

House Budget Highlights

May 31, 2017

Proposed Committee Spending: \$2.6 billion

The proposed JPS conference budget provides an additional \$12.5 million in the first year of the biennium and \$7.9 million in the second year of the biennium for the State's criminal justice agencies.

Department of Public Safety (DPS)

- **Budget Realignment.** Realigns vacant positions to fund high-priority items: **\$4.1 million** (various items).
- **Samarcand Operating.** Provides operating funds for Phase II of the Samarcand Training Academy: **\$2.4 million and 6 FTE** (I-10, #2).
- **Opioid Pilot Project:** Provides funds for a pilot project for a Quick Response Team in Wilmington to address the needs of opioid overdose victims: **\$250,000** (I-10, #3).
- **Grants for Law Enforcement Cameras.** Provides matching grants for local and county law enforcement to purchase and use body-worn or dashboard video cameras: **\$2 million** (I-11, #4).
- **New Trooper Positions.** Provides funding for 30 new trooper positions: **\$1.6 million and \$1.5 million to provide start-up equipment** (I-11, #6)
- **Female Confinement in Response to Violation (CRV) Facility.** Provides a 200-bed female CRV facility in Buncombe County at the Swannanoa Correctional Center. The Department will reallocate positions to staff the facility: **\$1.2 million** (I-12, #13).

Department of Justice (DOJ)

- **State Crime Lab Positions.** Transfers 8 receipt-supported positions to General Fund support to improve efficiency in the lab and provide more stable funding: **\$550,989** (I-19, #18).
- **Forensic Sciences Act.** Provides recurring funding to support the requirements of the Forensic Sciences Act of 2011: **\$345,673** (I-19-20, #19-22).

Judicial Branch

- **Deputy Clerks.** Provides 56 additional deputy clerks positions. The additional clerks will bring most districts up to 95% of the workload formula target: **\$2.7 million** (I-33, #30).
- **Assistant District Attorneys.** Provides 37 new assistant district attorney positions. **\$2.7 million** (I-34, #31).

Special Provisions:

- **Section 16.1 (page 246)** removes the Alcohol Law Enforcement (ALE) Division from the State Bureau of Investigation and gives them original jurisdiction over controlled substances.
- **Section 16.6 (page 251)** expands the allowable uses of the Victims' Compensation Fund to provide grief counseling for immediate family members.
- **Section 18A.3 (page 265)** requires Indigent Defense Services to develop specific statewide standards for determining indigency for defendants.

General Government Committee Highlights

The proposed budget for General Government agencies is \$387M for FY 2017-18 and \$402M for FY 2018-19. This is a little less than a 1% increase over the base budget for the first year and 4% increase in the second year of the biennium.

Committee Report - Specific Items

Department of State Treasurer

J-6, #1 Vacant Positions – Eliminates positions vacant for over 630 days; the amount of savings to be generated will total \$253,874 Recurring (R).

402M for FY 2018-19. This is a little less than a 1% increase over the base budget for the first year and 4% increase in the second year of the biennium.

Committee Report - Specific Items

Department of State Treasurer

J-6, #1 Vacant Positions – Eliminates positions vacant for over 630 days; the amount of savings to be generated will total \$253,874 Recurring (R).

J-6, #2 Rent – Provides additional receipt funds of \$169,000 to fully fund the increased rent escalation.

J-6, #3 Core Banking System – Makes current one-time funding recurring to fund the contract in place for the State's Core Banking system and operations; the amount appropriated is \$450,000 R.

J-7, #4 Accounting Positions – Adds two accountants to support accounting and financial reporting for Department of State Treasurer; this is receipt supported through cost allocation to other divisions' receipts. Total for positions is \$270,000 recurring annually and \$6,000 nonrecurring (NR) for FY 2017-18.

J-7, #5 Internal Auditor Positions – Creates through receipt-support two additional advanced auditor positions for \$161,096 recurring annually and \$6,000 nonrecurring

J-7, #6 Investment Position Funding – Correctly aligns the budget for Investment Division positions to receipts and adjusts appropriations by the amount of \$5,688,712.

J-7, #7 Information Technology - Local Government Training Assistance Program – Will provide a uniform accounting system for local governments. The amount is \$600k NR each year of the biennium.

J-8, #8 Orbit Update and Support – Provides receipt-support for IT costs and creates one FTE for management of the Orbit Retirement System. The salary and benefits total \$127,500 and \$431,000 for FY 2017-18 and \$475,000 for FY 2018-19 for Orbit system enhancements.

State Treasurer – Retirement and Benefits

J-14 , #9 Adds several cancers to the list of covered diseases eligible for line of duty death benefits; the additional cancers include: Multiple myeloma, oral cavity, and rectal. The amount is \$433k each year of the biennium.

Department of Military and Veterans Affairs

J-20, #10 Operating Funds – Provides \$45,000 in recurring operating funds for the Department.

J-20, #11 Military Presence Stabilization Fund – Provides additional funds to assist communities in investment efforts to sustain and maintain NC’s military programs and activities. The amount is \$2,000,000 for FY 2017-18.

J -20, #12 Scholarships for Children of War Veterans – provides \$1.4 million to increase the scholarship allowance for children of veterans.

J-20, #13 Veterans’ Memorial – Provides \$250k for the construction of pavilion in Broadway, NC.

Department of Insurance

J-27, #14 Lease - Increase Provides additional funds for the lease increase for the renovated Albemarle Building; DOI staff have already moved in. The lease increase amount is \$480,959.

J-27, #15 Provides funding for two positions within the Captives insurance regulation section of Department of Insurance. The amount for each year is \$309,292 and \$8,000 nonrecurring in FY 2017-18.

J-27 , #16 Vacant Position Eliminations - Reduces funds and eliminates 3 vacant positions; these positions have been vacant for over 200 days. This generates a savings of \$176,866 annually.

J-27, #17 Travel - Reduces the amount of funds available for travel by \$350,000 annually; this amount aligns the budget closer to actuals spent.

J-28, #18 – Position Funding Elimination – Eliminates the transfer of funds from DOI to DOA for positions within DOA’s State Construction Office. These funds will now be paid by General Fund support.

J-28, #19 – Fire Inspectors – Provides funds for 3 new fire department inspector positions, totaling \$240,375 recurring and \$75,000 nonrecurring in the first year for startup costs.

J-28, #20 – Aid to Fire Departments – Continues the receipt-funding on a recurring basis for fire protection of the Department of Transportation buildings across the State. The total transfer amount is \$158,000.

J-28, #21 – Fire Investigators – Provides funds for 2 FTEs within the Office of State Fire Marshal to investigate suspicious fires. The amount appropriated is \$135,298 and \$12k start up in the first year.

J-29, #22 - Fraud Investigator Positions - Provides additional funds for up to 30 sworn officers to investigate insurance fraud. The amount available for all positions and operations is \$2.4 million annually.

J-30 Department of Insurance – Special Funds Page

Eliminates the transfer of funds from DOI to Department of Administration to pay for 6 FTEs within the Office of State Construction.

State Board of Elections

J-37, #23 Vacant Position Eliminations – Eliminates 3 FTEs that have been vacant for over 540 days. The amount of savings is \$187,384, annually.

J-37, #24 Business Applications Analyst – Converts a temporary position to permanent status and appropriates \$70,000 recurring annually.

North Carolina General Assembly

J-43 #25 Security Team - Provides receipt funds for the Administration Division for a security team to implement new security measures. The amount is \$325k.

J-43, #26 Permanent Position Funding Provides \$1.7 million in receipts to fix a structural budget problem regarding positions that had been moved from temporary to permanent.

J-43, #27 Measurability Assessment and Efficiency Study – Provides funds to the Program Evaluation Division to contract for a study of efficiency of the Department of Administration; PED will coordinate with the State Auditor’s office to identify specific programs to review. The amount of funds available for this study is \$150,000.

J-44, General Assembly Special Funds Page

Transfers funds from the special reserve account to the operating budget of NCGA to pay for items outlined in the report (security team and permanent positions)

Office of the Governor

J-57, #29 Transfers the Education and Workforce Grant Program of \$2M from the Office of the Governor to the Department of Public Instruction for management and oversight.

Office of State Budget and Management

J-63, #30 Results First Framework – Provides \$100,000 R for OSBM to work with the Pew-MacArthur Results First Framework Initiative to implement an evidence-based policy making model for developing policy and budget decisions.

J-64, OSBM – Dorothea Dix Special Funds (corresponds with decisions within Department of Health and Human Services budget)

Transfers funds from the Dorothea Dix Land Proceeds to the Department of Health and Human Services for start-up costs (renovation or construction) to establish new child facility-based crisis centers. Funds will be awarded on a competitive basis, and will be available across 2 years. \$2 million nonrecurring (NR).

Transfers funds from the Dorothea Dix Land Proceeds to the Department of Health and Human Services for the purpose of expanding inpatient capacity, especially in rural areas near counties with limited inpatient capacity relative to their needs through constructing new beds or renovating existing beds to form new inpatient psychiatric units or new facility-based crisis centers, prioritizing rural hospitals in the process. \$21 million nonrecurring (NR).

Department of Revenue

J-77, #32 Elimination of 5 positions vacant over 5 months for a savings of \$195,750 Recurring (R).

J-78 & J80 DOR Special Funds Pages

- Reduces the Project Collect Tax special fund budget by \$1.75 million (R) for operating and maintenance of the E-services project (which is funded in the ITAS Replacement special fund) due to a change in project scope. ITAS Replacement fund is reduced by \$1.75 million to reflect this change.
- Provides funds to DOR from the Collections Assistance Fee (CAF) and from Integrated Tax Administration System (ITAS) Replacement to support a new tax collection system (\$20 million nonrecurring) as well as other information technology operations and maintenance upgrades to tax systems.

Office of the State Controller

J-87, #33 Increases receipts from the Federal Income Contribution Act (FICA) Special Fund and reduces General Funds available for the Controller's Office by \$2.7 in FY 2017-18 and \$734,642 in FY 2018-19.

J-87, #34 Lease Reduction – Reduces the funds available for leased space from renegotiating of a 10 year contract. \$266,029 R and \$182,996NR

J-87, #35 Provides additional funds for service contracts including the North Carolina Accounting System, Cash Management System, HR Payroll System and others that support OSC's responsibilities. \$382,404 recurring (R).

J-88, OCS Special Funds Page – Corresponds to the OSC operations reduction item; using FICA receipts.

Office of Administrative Hearings

J-95-, #36 Adds 1 Civil Rights Investigator to the Civil Rights Division along with start-up funds effective January 1, 2018. Salary and benefits of \$43,626 recurring (R) and \$1,076 start-up costs nonrecurring (NR) in FY 2017-18. Recurring costs of \$87,251 in FY 2018-19.

J-95, #37 Transfers all funding and positions (5.29 FTEs) for the Human Relations Commission from the Department of Administration to the Office of Administrative Hearings Civil Rights Division as a Type 1 transfer. \$418,135 recurring (R).

J-95, #38 Provides an additional \$3,618 in funding from the Department of Health and Human Service for an upgrade of an Attorney II position to a newly designated Medicaid Administrative Law Judge. This position is receipt supported.

Department of Administration

J-101, #39-41 Human Relations Commission - Transfers the Human Relations Commission to Office of Administrative Hearing (OAH) and eliminates the Director's position, which is currently vacant. The staff will report to the head of the Civil Rights Division at OAH. Also eliminates the vacant Administrative Assistant position, which has been vacant over 6 months.

J-102, #42 Vacant Position Eliminations - Eliminates 3 FTEs that have been vacant over 6 months for a savings of \$144,127.

J-102, #43 Position Funding Realignment - Shifts funding for 2.94 FTE from receipt-support to General Fund appropriations

J-102, #44 Measurability Assessment and Efficiency Study - Provides \$50,000 for a measurability assessment and efficiency study to be conducted by the Program Evaluation Division.

J-103, #45 State Construction Position Funding Realignment – Provides funds to shift 8 FTE in State Construction from receipt-support to General Fund dollars. These positions were previously paid for by the Department of Insurance.

Ethics Commission

J-103, #46 Electronic System Maintenance - Provides additional \$20,000 needed for ongoing operations and maintenance of the new electronic Statement of Economic Interest and ethics education system.

Housing Finance Agency

J-109, #47 Workforce Housing Loan Program - Provides \$16.1 million from the Moody's settlement and an additional \$3.9 M of appropriations for a total of \$20 M for the Workforce Housing Loan Program in FY 2017-18 and \$20 million in General Fund appropriations for FY 2018-19.

J-110, Special Fund Page Community Living Housing Fund - Appropriates \$4.2 million to the Community Living Housing Fund to help increase access to community-based housing for individuals with disabilities.

Lieutenant Governor

J-117, #48 Supplies and Equipment - Provides nonrecurring funding for office supplies and equipment (\$30,000).

J-117, #49 Administrative Assistant Position - Creates a new Administrative Assistant position for the office.

Secretary of State

J-123, #50 Call Center Temporary Positions - Provides \$100,000 recurring for temporary positions in the Corporations Division call center.

J-123, #51 Reduces agency's the travel budget by \$67,649 recurring.

Auditor

J-129, #52 Provides \$250,000 nonrecurring for FY 2017-18 for the State Auditor to pay for subject matter experts.

Special Provisions

Section 19.1 Military Affairs Commission (MAC)/Military Presence Stabilization – Makes it clear that the MAC is an independent Commission of the Department of Military and Veterans Affairs, but that the DMVA will provide staff support as required by the MAC. Additionally, there's broad direction for use of the Military Presence Stabilization Fund. This allows the Fund to be used for grants to local communities (up to \$200k), reimbursement for service of MAC members, economic impact analyses, and other innovative measures that increase the military value of installations in North Carolina.

Section #19.2 Scholarships for Children of War Veterans – further defines veterans in terms of qualifying for scholarships. Additionally, this special provision specifies that the additional money appropriated for scholarships will be used to increase room & board allowances.

Section 20.1 OAH/Lawsuit Funds – Transfers \$50,000 from Department of Public Instruction to the Office of Administrative Hearings for the Rules Review Commission. The funds will be used to pay for outside legal counsel regarding the lawsuit of State Board of Education v. The State of NC and Rules Review Commission.

Section 21.1, Line-of-Duty Death Benefits - Adds three cancers to the list of eligible diseases for benefits of the Line-of-Duty Death Benefits (Rectal, Oral Cavity, and Multiple Myeloma)

Section 22.1 Insurance Regulatory Charge – Keeps the rate used in calculating the insurance regulatory fee at 6.5% for the 2018 calendar year.

Section 22.2, Ends Support of DOA Positions - Repeals a session law requiring the Department of Insurance to send money to Department of Administration to support positions within the Office of State Construction. Those funds are now appropriated in the money report to cover 8 positions.

Section 22.3, Increases Eligible Professions - Allows a board certified behavior analyst to provide various treatments prescribed by a licensed physician or licensed psychologist.

Section 22.4, DOI to Investigate Arson - Allows the Office of State Fire Marshal to work with State Bureau of Investigation to investigate suspicious fires.

Section 24.1 PED Study/Measurability Assessment of Department of Administration (DOA) – Directs PED to conduct a Measurability Assessment and an efficiency assessment of DOA by working with Office of State Auditor to assist identifying potential programs/services for evaluation. PED will report its findings to the General Government Oversight Committee by March 30th.

Section 24.3, LRC Study - Directs the Legislative Research Commission to study the process of fee setting, accounting controls, etc. of local government units and report of possible law changes, etc. that may be needed to help local governments.

Section 26.2, Symphony Challenge Grant – Requires the NC Symphony to raise and match funds that the NCGA has appropriated. The special provision outlines the amounts to be raised in order to receive the entire \$2 million.

Section 26.3, Results First – This directs Office of State Budget and Management to begin work on the Pew-McArthur Results First Initiative. In addition, OSBM receives \$100k in the budget to assist with the work.

Section 26.4, Directs Office of State Budget and Management to build the funds in the base budget for Department of Administration for FY 2019-21, the positions that have been shifted from Department of Insurance funding to General Funds.

Section 26.5, Directs Office of State Budget and Management to build into the base budget those positions and recurring costs of now permanent positions for the North Carolina General Assembly's budget.

Section 26.6 Authorize state agencies to do small repairs and renovation projects from their funds available – Allows state agencies to do small repairs from funds available if projects are under \$500k and other guidelines outlined in the special provision. Additionally, it allows universities the same ability up to \$1 million for projects.

Section 28.1 Workforce Housing Loan Program Established – Codifies the Workforce Housing Loan Program, which was established in FY 2014-15. Also changes the income caps to the following: \$2 million in a low income county, \$1.5 million in a moderate income county, and leaves the high income county cap at \$250,000.

Section 31.1 Transfer the Human Relations Commission – Effectuates the Type I transfer of the Human Relations Commission from the Department of Administration to the Civil Rights Division within the Office of Administrative Hearings. The two agencies are directed to identify unexpended funds to pay for the one-time start-up costs related to the transfer.

Section 31.2 Council for Women/Domestic Violence Grants – Requires that the grant applications to grantees be send within 10 business days of the certified budget. Also directs the Council for Women to report on the quarterly grant disbursements to the Chairs of the General Government Appropriations Committee. In addition, it directs the Department of Information Technology to review the grants management process in the Council for Women and report on online grant management options.

Section 32.1, Allows Department of Revenue to conduct finger-print background checks.

Section 32.2, DOR Tax Fraud Analytics – Directs how the \$4.4 million appropriated for tax, fraud and analytics will be spent.

Section 33.1 Receipts generated by the collection of inadvertent overpayments by State agencies are deposited in the Overpayments Audit Special Reserve Fund. This provision allows the State Controller's Office to utilize up to \$500,000 from this account in each year of the biennium for data processing, debt collection or e-commerce costs.

House Transportation Committee Highlights

Revenue Forecast

- Combined projected revenue is up relative to the FY2016-17 budget by 9% in FY2017-18 and by 11.8% in FY2018-19.
- The increased revenue is due to:
 - Increased consumption of diesel and gasoline. The economic recovery is driving consumption higher in both fiscal years, offsetting losses due to fuel efficient and electric vehicles.
 - Increased highway use tax revenues associated with new and used car sales.
- Relative to the FY2016-17 budget:
 - Highway Fund *revenues* are up 6.4% in FY2017-18 and up 9.2% in FY2018-19. The Highway Fund budget increases \$130.2 million in FY 2017-18 and \$188.9 million in FY 2018-19;
 - Highway Trust Fund *revenues* are up 13% in FY2017-18 and up 15.8% in FY2018-19. The Highway Trust Fund budget increases \$177.5 million in FY 2017-18 and \$216.2 million in FY 2018-19.

Money

- The maintenance budget increases \$58.5 million in FY2017-18 and \$58.2 million in FY2018-19.
 - Increases funds for contract resurfacing by \$40.0 million recurring.
 - Fully funds bridge preservation activities to extend bridge life and to reduce the number of bridges becoming deficient.
- Fully funds State-maintained and city-maintained road construction needs adjacent to new, relocated, and expanded public schools. (\$25 million R appropriated; Additional funds if needed from GMR)
- Provides \$50 million recurring for the State Infrastructure Bank to provide loans and other forms of financial assistance to governmental units to help finance the cost of transportation projects.
- Provides \$77.1 million in FY2017-18 and \$79.1 million in FY2018-19 to fund capital improvement projects at the State's 10 commercial airports in order to increase their economic competitiveness.
- Provides an additional \$10 million recurring to the North Carolina State Ports Authority for the modernization of the Wilmington and Morehead City seaports.
- Recovers \$2.15 million in FY 2017-18 and \$4.3 million in FY 2018-19 in costs incurred by DMV for the administration and operation of hearings by instructing DMV to continue with hearing fees implementation.

- Eliminates the 14,000+ Medical Review backlog in 9 months by converting 6 temporary positions to permanent positions and eliminating 5 temporary positions, producing a savings of \$1.3 million over the biennium.
- Provides \$1.5 million in FY 2017-18 and \$460,000 in FY 2018-19 to the Global TransPark to fund marketing and renovation efforts.
- Increases funding to Ferry Operations by \$6.75 million in FY 2017-18 and \$1.75 million in FY 2018-19.
 - Provides \$5 million for the construction of a new platen at the NC Shipyard at Manns Harbor.
 - Provides \$1.75 million in each year of the biennium for the repair and replacement of ramps and gantries at 15 ferry terminals to enhance reliability and connectivity.
 - Converts 46 temporary ferry support positions to permanent positions.
- The Strategic Transportation Investments fund is increased by \$139.7 million in FY2017-18 and \$180.5 million in FY2018-19.

Provisions: (Notable provisions bolded)

- **SEC. 34.1: CASH FLOW HIGHWAY FUND AND HIGHWAY TRUST FUND APPROPRIATIONS**– (Boilerplate provision) Includes cash flow estimates for FY 2019-20 through FY 2022-23 and directive for joint 10-year forecast.
- **SEC. 34.2: CONTINGENCY FUNDS** - (Boilerplate provision) Appropriates \$12 million to the Contingency Fund (split 3 ways between Governor/House/Senate).
- **SEC. 34.3: REPAIRS AND RENOVATIONS**– Funds multiple R&R projects, such as roof repairs and replacements and HVAC repairs and upgrades, totaling \$5.1 million in FY 2017-18 and \$5.4 million in FY 2018-19.
- **SEC. 34.4: DOT/FUNDING FOR ANALYTICS SERVICES**- Authorizes DOT to use up to \$2 million in existing funds for data analytics.
- **SEC. 34.4A: DOT/CONSULTATION ON TRANSPORTATION PROJECTS WITH AFFECTED UTILITY PROVIDERS**- Requires DOT to consult with utility providers during the planning phase of utility relocations.
- **SEC. 34.5: DOT PROPERTY ACQUISITIONS/APPRAISAL WAIVER VALUATION** - Authorizes DOT to prepare an appraisal waiver valuation rather than seek an appraisal on properties valued under \$40,000 and encourages the use of this process for all properties valued under \$10,000.

- SEC. 34.6: ESTABLISHMENT OF ADVANCE RIGHT-OF-WAY ACQUISITION ACCOUNT- Authorizes the creation of an advance ROW acquisition fund to purchase ROW for hardship situations or for protective purchases. The property must be located in a multi-stage project in which sections are included and excluded in the current STIP. Up to \$25 million may be transferred to the account from the HTF credit reserve.
- **SEC. 34.6A: ROAD IMPROVEMENTS ADJACENT TO SCHOOLS- Requires DOT to pay for State-maintained and city-maintained road improvements that are physically connect to a driveway on a new, relocated , or expanded public schools.**
- SEC. 34.7: ECONOMIC DEVELOPMENT/SMALL CONSTRUCTION - Establishes a new fund.
 - \$24M- Mobility/Modernization projects that are high-impact and low-cost. Split evenly between 14 Highway divisions - \$1.7M each.
 - \$6M- Economic Development funds. Funds controlled by Secretaries of Transportation and Commerce for road projects related to business recruitments and expansions.
- SEC. 34.7A: DOT/DISPOSITION OF FUNDS- Authorizes DOT to expend funds recovered through a legal settlement.
- SEC. 34.8: **RURAL PROJECT DEVELOPMENT- Establishes a new Corridor Development Unit fully funded with federal funds or funded by the reclassification of vacant positions. This unit acts as the main contact for planning organizations (PO) to help the POs develop transportation projects in rural areas. Provides matching grant funds to POs for assistance in developing performance-based planning documents. The State provides a:**
 - **15% match for POs with at least 1 Tier 1 county (16 RPOS/2 MPOs)**
 - **10% match for POs with no Tier 1 counties but at least 1 Tier 2 county (1 RPO/ 12 MPOs)**
 - **0% match for POs with no Tier 1 or Tier 2 counties (6 MPOs)**
- SEC. 34.9: EXPAND USE OF PAVEMENT PRESERVATION PROGRAM FUNDS - Authorizes the use of Pavement Preservation funds for pavement markers and markings.
- **SEC. 34.9A: USE OF SINGLE CHIP SEAL TREATMENT ON SECONDARY ROADS: Prohibits chip seals on roads with a daily traffic count over 10,000.**

- SEC. 34.10: CODIFY BRIDGE PROGRAM LAW - Codifies the Bridge Program and allows DOT to fund bridge preservation activities from the account.
- SEC. 34.11: HIGHWAY MAINTENANCE IMPROVEMENT PROGRAM/REVISE PERIODS AND CONSOLIDATE WITH OTHER IMPROVEMENT PROGRAMS- Consolidates the HMIP (highway maintenance), BMIP (Bridge Maintenance) and the GMIP (General Maintenance) into one report by 2020.
- SEC. 34.12: REVISE CONTENT OF TRANSPORTATION IMPROVEMENT PROGRAM SCHEDULE - Eliminates the "Accomplishments Report" included in the STIP.
- SEC. 34.12A: STI/REGIONAL & DIVISION WEIGHTING- Modifies the local input points from equal point distribution for Division Engineers and for MPO/RPOs to 10% Division Engineer/20% MPO/RPO for Regional points and 15% Division Engineer/35% MPO/RPO for Division points.
- SEC. 34.12B: TRANSPORTATION MEGAPROJECT FUNDING/BLUE RIBBON COMMITTEE ON TRANSPORTATION INFRASTRUCTURE FUNDING- Establishes a Megaproject Fund for projects of statewide or regional significance that exceed \$200 million in total project cost. Establishes a Blue Ribbon Commission to study ways to address North Carolina's transportation infrastructure needs and find new sources of revenue for DOT and for the Megaproject Fund.
- SEC. 34.12C: DOT/FUNDING FOR PRELIMINARY ENGINEERING- Allows local governments to fund some preliminary engineering for projects removed from the STIP. Funds will be repaid once the project is programmed and preliminary engineering would have commenced.
- **SEC. 34.12D: REMOVE LIMITS ON LIGHT RAIL FUNDING- Removes special conditions placed on light rail projects submitted for funding through STI.**
- SEC. 34.13: DOT/OUTSOURCING AND PROJECT DELIVERY REPORTS - Amends the Outsourcing Report to require DOT to report by Highway Division and requires DOT to track the progress to STIP projects by Highway Division and report delays. The report requires a JLTOC consultation when a Division Engineer underperforms.
- SEC. 34.14: BOARD OF TRANSPORTATION/STUDY FEE STRUCTURE FOR SERVICES PERFORMED BY THE HIGHWAY DIVISION- Requires DOT to study the implementation or increase of highway fees, such as driveway permits or logo signs, to

fully support DOT costs.

- **SEC. 34.15: ALIGN DOT'S PROGRAM FOR PARTICIPATION BY DISADVANTAGED MINORITY-OWNED AND WOMEN-OWNED BUSINESSES WITH FEDERAL LAW** - Directs DOT to develop a plan to conform the State program to the federal program, collapsing the minority-owned and women-owned program into one disadvantaged business program.
- **SEC. 34.16: "DOT REPORT" PROGRAM REVISIONS** - Changes the reporting requirements for the DOT REPORT program to include the Appropriation Committees.
- **SEC. 34.16A: STATE INFRASTRUCTURE BANK**- Modifies the State Infrastructure Bank to create a \$50 million State-funded program offering loans or other forms of financial assistance to local governments for transportation projects.
- **SEC. 34.17: STATE AID TO MUNICIPALITIES/NO FUNDS IF MUNICIPALITY FAILS TO FILE STATEMENT**- Municipalities that do not file the expenditure of funds report by August 1 may not receive funds during the fiscal year in which the report is due until the report is submitted. Prohibits the use of funds for sidewalks that have obstructions such as mailboxes, utility poles, or fire hydrants.
- **SEC. 34.18: REPEAL THE MAP ACT** - Prohibits the filing of new corridor protection maps.
- **SEC. 34.18A: DOT/INCREASE CONSOLIDATION AND COORDINATION OF PUBLIC TRANSPORTATION SYSTEMS**- Requires DOT to develop and administer funds to qualifying public transportation systems as an incentive to consolidate and coordinate with other public transportation systems in order to maximize resources, gain efficiencies, and increase access to public transportation.
- **SEC. 34.19: FUNDING FOR AIRPORT IMPROVEMENTS AND DEBT SERVICE** - Provides funding to 1 the State's 10 commercial airports for capital improvement projects and/or debt service \$77.1 million in FY 2017-18 and \$79.1 million in FY 2018-19.
- **SEC. 34.21: REVISE USE OF TAXES COLLECTED ON AVIATION GASOLINE AND JET FUEL** - Requires the net proceeds from aviation gasoline tax be used to fund capital improvement projects for general aviation airports.
- **SEC. 34.21A: AVIATION/TECHNICAL CORRECTION**- Amends G.S. 63-47 to replace references to the Civil Aeronautics Administration with the Federal Aviation Administration.

- **SEC. 34.23: RAIL DIVISION/FIVE-YEAR SPENDING PLAN FOR FRRCSI-** Requires DOT's Rail Division to develop a 5-year spending plan for the Freight Rail and Rail Crossing Safety Improvement Fund. Funding for FRRCSI was increased to \$17.5 million recurring in the 2016-17 budget and the Rail Division has only spent 41% of the funds as of March 2017.
- **SEC. 34.24: RAIL DIVISION/REPORT REQUIRED PRIOR TO ENTERING INTO CERTAIN CONTRACTS-** Requires DOT's Rail Division to report to the Joint Legislative Transportation Oversight Committee prior to entering into any contract with a duration of 5 or more years and requiring an amount totaling or exceeding \$1.5 million in State funds.
- **SEC. 34.26: GLOBAL TRANSPARK/STRATEGIC PLAN AND MARKETING-** Requires the Global TransPark to develop a strategic plan, contract with an outside vendor for marketing services, and instructs DOT's Communications Office to manage Global TransPark's website.
- **SEC. 34.26A: GLOBAL TRANSPARK/LENOIR COUNTY ECONOMIC DEVELOPMENT-** Requires the Global TransPark to enter into a memorandum of understanding with the County of Lenoir for use of the Terminal Building prior to upfitting and renovating the space.
- **SEC. 34.27: NORTH CAROLINA STATE PORTS AUTHORITY/FUNDS FOR DEBT SERVICE AND CAPITAL PROJECTS-** Authorizes the North Carolina State Ports Authority to use annually appropriated funds for debt service and capital projects.
- **SEC. 34.27A: STATE PORTS AUTHORITY/ROAD AND RAIL CONNECTIVITY-** Requires the North Carolina State Ports authority to begin implementing completed plans to increase road and rail connectivity to the Ports of Wilmington and Morehead City.
- **SEC. 34.28: STATE PORTS AUTHORITY/FUNDING FOR DREDGING-** Authorizes the North Carolina State Ports Authority to spend \$15 million nonrecurring in FY 2017-18 from existing funds for the dredging of approaches to State port facilities.
- **SEC. 34.28A: STUDY/TRANSFER RESPONSIBILITY FOR DREDGING ACTIVITIES TO DOT-** Requires DOT and DEQ to jointly study the feasibility of transferring the State's dredging responsibilities to DOT.

- SEC. 34.28B: FERRY VESSEL PRIORITY BOARDING/CLARIFICATION- Allows for the annual priority boarding pass to be used for all vehicles owned by the person issued the pass.
- SEC. 34.30: DOT PERFORMANCE DASHBOARD/TRACK DMV PROGRESS- Requires DOT to expand its performance dashboard on the Department's website to include DMV transactional information for the prior month and year to date.
- SEC. 34.31: DMV/PURCHASE CREDIT CARD PAYMENT PROCESSING DEVICES- Requires the Division of Motor Vehicles to purchase credit card terminals.
- SEC. 34.32: DMV/HEARING FEE IMPLEMENTATION REVISIONS- Amends Section 34.9 of S.L. 2014-100 to require the Division of Motor Vehicles to implement a hearing fee schedule by January 1, 2018 to recover a portion of the direct and indirect costs incurred by the Hearings Unit.
- SEC. 34.33: DMV/STUDY STREAMLINING IFTA AND IRP PROCESSES- Requires the Division of Motor Vehicles and the Department of Revenue to study streamlining the processes for motor carriers to comply with IFTA and IRP requirements. Report is due March 1, 2018 to the Joint Legislative Transportation Oversight Committee.
- SEC. 34.35: ASSET MANAGEMENT LONG RANGE FACILITY PLANNING/DMV NEW BERN AVENUE RELOCATION- Requires DOT to report on its plan to relocate staff assigned to the condemned Division of Motor Vehicles building located on New Bern Avenue.
- SEC. 34.36: STUDY/ELIMINATE USE OF NURSES IN MEDICAL REVIEW PROGRAM- Requires the Division of Motor Vehicles to study eliminating the use of nurses in the Division's Medical Review Program in order to increase efficiency and reduce costs of the Program.
- SEC. 34.37: RESTORE MERCURY SWITCH REMOVAL FUNDING- Restores the transfer of 20¢ of certificate of title fees to the Mercury Switch Removal Account in DEQ.
- SEC. 34.38: DESIGNATE PORTION OF U.S. HIGHWAY 64 AS "BOB BARNHILL HIGHWAY"- Renames a portion of US Highway 64 from mile marker 486 to the Edgecombe and Martin County line to be the "Bob Barnhill Highway".

House Appropriations Committee on Capital

May 31, 2017

- Funds Water Resources Development Projects at \$10.8 million, allowing the State to draw down over \$14M in federal funds.
- Provides \$5M to Fort Fisher to construct a new museum and visitor center.
- Provides Western Carolina University \$9.4 million to begin the replacement of their energy production facility (boiler).
- Provides 2.3 million in planning funds for a medical education building at East Carolina University.
- Earmarks Repairs and Renovations funds for the replacement of the asbestos roof at the Administration building, repairs to the USS NC Battleship, renovation of West Hall at UNC Pembroke, and provides funds for the potential renovation of the Stonewall Jackson Youth Development Center in order to implement H.B. 280, the Raise the Age bill.

House Appropriations Committee for Information Technology Budget Highlights

May 31, 2017

The proposed budget for Department of Information Technology is \$51.3M in each year of the biennium. This represents budget is flat from the previous year. Highlights include:

- Development of a data management plan for the Government Data Analytics Center (GDAC).
- Funds to replace an expiring federal grant that supported the expansion of a wireless broadband system for public safety personnel.
- Provides an additional \$250,000 for the Broadband Infrastructure Office including 1.5 FTEs.
- Additional funding for GDAC to pay for system infrastructure and operational improvements and risk and vulnerability study of state agencies.