

# The State Budget

The General Assembly's main focus during the 2008 short session was making adjustments to the biennial state budget adopted during the 2007 session (S.L. 2007-323). The budget adjustments for the 2008–09 fiscal year include salary increases and funding for a number of essential state services and resources, including public education, natural and economic resources, mental health, human services, and criminal justice and public safety. This chapter summarizes the budget process and the 2008–09 fiscal provisions. Some of the chapters that follow include more detailed information about budget provisions that affect 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 regular sessions in odd-numbered years, the General Assembly adopts a state budget that makes appropriations for the following two fiscal years (the fiscal biennium). In even-numbered years, the legislature conducts a short session to make adjustments to the state budget for the second year of the biennium.

On May 12, 2008, the eve of the reconvening of the 2007 General Assembly for the 2008 short session, Governor Mike Easley released his recommended adjustments for the fiscal year 2008–09 budget, and the bill detailing the governor's budget, House Bill 2697, was filed on May 27, 2008. Upon reconvening on Tuesday, May 13, the House of Representatives (House) and Senate appropriations committees began conducting budget hearings. Holding to the tradition that the Senate and the House alternate responsibility for initiating the formal budget process each biennium,<sup>1</sup> the House filed House Bill 2436 (Modify Appropriations Act of 2007) on May 21, 2008. House Bill 2436 passed the House two weeks later, on June 5.

1. The Senate will initiate the budget process in the 2009 biennial session.

The Senate undertook its own review of the budget bill, made proposed changes, and passed its version of the budget on June 19. The House and the Senate then each appointed members to the conference committee to negotiate a compromise between the two versions of the budget bill.

The negotiations were not completed as of June 30, 2008, the end of the 2007–08 fiscal year, and the budget bill had not yet become law. To extend certain budget authorizations beyond the end of the fiscal year, the General Assembly passed a continuation budget in S.L. 2008-34 (H 2437), which contained a provision setting the act to expire at 11:59 P.M. on July 15, 2008. The governor signed House Bill 2437 on June 30.

The end product of the conference negotiations was the conference report submitted to both chambers on July 8, 2008, and given final approval by the House and the Senate on that same date. Governor Easley signed the enacted bill into law on July 16 and it was chaptered as S.L. 2008-107.<sup>2</sup> Following enactment of the appropriations act, the General Assembly adopted S.L. 2008-118 (H 2438), which made a number of technical corrections to the appropriations act.

## Budget Highlights

S.L. 2008-107 appropriates approximately \$21.36 billion in spending for 2008–09. This year's budget act increases spending less than 4 percent from the previous year and does not raise taxes. North Carolina's 2008–09 budget provides important investments for the state's children and working families, including the following:

2. In North Carolina, the governor does not have line item veto authority. The governor must either accept or reject in its entirety the state budget as enacted by the General Assembly.

- Tax Reduction for Working Families, a 5 percent refundable state Earned Income Tax Credit for more than 825,000 low- and moderate-income families
- An additional \$2 million in recurring funds for the Housing Trust Fund, bringing its annual appropriation up to \$10 million
- The creation of NC Kids' Care to expand access to affordable health coverage for children.<sup>3</sup>

Other highlights from the budget adjustments to the second year of the 2007–09 biennium are discussed below.

### Public Education

**Lottery proceeds.** For the third year, proceeds from the North Carolina Education Lottery were a part of the budget deliberations, with the budget adjustments providing that \$385.5 million be transferred from the State Lottery Fund for 2008–09 to support appropriations made in the act.

Appropriations from the Education Lottery Fund for 2008–09 include (1) \$127,864,291 for class size reduction, (2) \$84,635,709 for prekindergarten programs; (3) \$154,200,000 for the Public School Building Capital Fund and (4) \$38,550,000 for scholarships for needy students.

The budget adjustments also include a special provision that directs \$140 million of lottery revenues that were allocated to the Public School Capital Fund to be distributed to local education agencies (LEAs) based on the Average Daily Membership, the official determination of the number of students served in an LEA. Sixty-five percent of those lottery revenues will go to all LEAs, and the other 35 percent will go only to LEAs in counties<sup>4</sup> with effective tax rates that exceed the statewide average. The remaining balance of the \$154.2 million in lottery proceeds, \$14.2 million, is appropriated for school construction projects in counties, based on the county's effective tax rate.

In addition, the appropriations act requires that \$41,030,212 be transferred from the Education Lottery Reserve Fund to the Education Lottery Fund to support appropriations made in the act. Of these funds, \$19.75 million is allocated for class size reduction and \$21,280,212 is allocated for the Public School Building Capital Fund for 2008–09. Any unexpended funds not needed for these purposes are to be transferred back to the Education Lottery Reserve Fund at the end of the 2008–09 fiscal year.

3. For further discussion of NC Kids' Care, see Chapter 3, "Children and Juvenile Law."

4. There are 100 counties in North Carolina and 115 school systems or local education agencies. Some counties have more than one LEA.

**General Fund.** Technology needs for public schools are also addressed in the budget with the inclusion of \$1.5 million to expand funding for a pilot program to provide laptops to students and teachers in eight schools and \$10 million to upgrade public school broadband connectivity.

Additional allocations for public schools from the General Fund include the following:

- \$3.6 million in recurring and nonrecurring funds to open fourteen additional Learn and Earn high schools in Fall 2008
- \$3.2 million to increase per-student funding for academically gifted students
- \$6.2 million increase for students with disabilities
- \$2.9 million to supplement funding for low-wealth school districts
- \$6 million in Disadvantaged Student Supplemental Funding
- \$3 million to establish a mentoring program for first- and second-year teachers
- \$15 million to expand the dropout prevention grant program
- \$30 million to expand the More at Four preschool initiative
- \$35 million to increase school bus fuel allocations
- \$90 million for ABC teacher performance bonuses

### Salaries and Benefits

The appropriations act allocates a total of \$368.3 million in additional funding for teacher and state employee salary and benefits increases. Public school teachers and community college and university faculty and professional staff received an average 3 percent raise. Public school principals and assistant principals received an average 2.69 percent salary increase. All other state employees received the greater of a 2.75 percent salary increase or \$1,100. In addition, the budget includes \$30.2 million to provide a 2.2 percent cost-of-living increase for state retirees and an additional \$500,000 to provide signing bonuses for new registered nurses at state mental hospitals and other state facilities.

### Natural and Economic Resources

The budget includes funds to address the state's shrinking oyster population in its coastal waters. North Carolina has lost nearly 90 percent of its oyster reefs since the early twentieth century due to a combination of over fishing, disease, and declining water quality. This has eroded the health of the coast's waters, given that one oyster can cleanse harmful pollutants from as much as fifty gallons of water a day.

The budget appropriates \$4.3 million for a research hatchery at the University of North Carolina at Wilmington. It also earmarks \$2 million for the N.C. Division of Marine Fisheries to fund six new positions and add equipment to expand the agency's oyster sanctuary program.

Additional allocations for natural and economic resources are made as follows:

- \$4 million to purchase more agricultural conservation easements on farm and forest land
- \$384,000 to provide funding for specified programs evaluating coastal water quality using equipment attached to ferry vessels
- \$8 million to provide state matching funds for clean water and drinking water projects
- \$50 million to provide water and sewer grants and an economic infrastructure fund administered by the N.C. Rural Economic Development Center
- \$1.5 million to fund e-NC Authority to expand high-speed Internet to underserved areas
- \$8.5 million to provide One North Carolina Fund and One North Carolina Small Business incentives funds

### More Selected Budget Highlights

The budget provides funding for the UNC System, the Community College System, Health and Human Services, and Justice and Public Safety as follows:

#### University System

- \$34.6 million to raise University of North Carolina System enrollment growth for additional 8,082 students in Fall 2008
- \$15 million in recurring and nonrecurring funds to finance recommendations in University of North Carolina Campus Safety Task Report
- \$250,000 grant to build N.C. State University's Advanced Transportation Energy Center to research development of plug-in cars
- \$3 million to expand UNC fund to recruit and retain top-notch faculty
- \$2 million to enhance academic student services at N.C. Central University Law School
- \$6 million for UNC System programs at North Carolina Research Campus in Kannapolis

### Community Colleges

The budget provides the following for the Community College System:

- \$23.8 million to meet projected increased enrollment of 6,455 students for 2008–09 school year
- \$5 million to purchase instructional equipment at all fifty-eight campuses
- \$985,000 to establish seventeen minority-male mentoring programs and continue fifteen current programs
- \$4 million to hire faculty and purchase equipment and supplies for allied health programs
- \$1 million to hire faculty and purchase equipment and supplies for technical education programs

### Health and Human Services

- \$3.8 million in grants for health provider networks to provide free health care to the poor and uninsured
- \$4 million in grants for community health centers
- \$2 million to support operations and maintenance for small rural hospitals
- \$2 million to create demonstration projects to reduce obesity and obesity-related diseases
- \$4.8 million to provide aid to local health departments
- \$8.2 million to implement new reimbursement system for foster care families
- \$2.1 million to provide mental health screening for residents of adult care homes
- \$6.7 million to fund in-home services to more developmentally disabled residents through the Community Alternatives Program
- \$7.3 million to hire 107 additional nurses, psychiatrists, and other professionals at state mental hospitals
- \$5.2 million to develop a sixty-bed overflow unit at Dorothea Dix Hospital during the transition to the new Central Regional Hospital

### Justice and Public Safety

- \$1.9 million to create a fifty-bed substance abuse treatment program for female parolees and probationers
- \$22.7 million to restore funding to Juvenile Crime Prevention Councils
- \$1.1 million for privately assigned counsel for indigent defense services
- \$2.5 million to establish a reserve fund to hire probation and parole field staff

- \$689,000 to hire additional psychiatrists and staff employees at juvenile detention centers
- \$200,000 to provide North Carolina State Bar legal assistance to low-income homeowners hurt by predatory lending
- \$1.3 million to hire three new assistant prosecutors, three new District Court judges, ten new magistrates, four deputy clerks of court, and two new employees at the North Carolina Innocence Inquiry Commission

The appropriations act also authorizes \$857.5 million in debt over the next four years to add 1,500 prison beds and for university buildings and other construction projects, sets aside \$10 million to carry out anti-gang legislation, appropriates \$18.6 million for information technology improvements, and appropriates \$15 million for Job Development Investment Grants for economic development incentives.

The appropriations act includes cuts and omissions in funding as well. The act includes a 10 percent reduction in tourism spending—a cut of \$1.3 million for the current fiscal year. The appropriations act also does not provide any funding for child nutrition programs. The act does amend G.S. 115C-264.3, however, to direct the State Board of Education to establish statewide nutrition standards for school meal programs, a la carte foods, and beverage items for all food programs, including after-school food programs. These standards, which are to include the use of more fruits, vegetables, and whole grain products, are now to be implemented in all elementary schools across the state by the end of the 2009–10 school year, with implementation in middle and high school to follow.

## The 2008–09 State Budget

### The General Fund

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.

### General Fund Availability

The primary source of new revenue for 2008–09 is from the 2007–08 fiscal year unappropriated balance of \$270,504,098, with additional funds including \$88.7 million from tax revenues collected above the amount projected. Subtractions from the budget's total availability include a \$45 million adjustment for economic uncertainty as well as numerous reductions for tax credit extensions, tax holidays, and tax exemptions. All of these changes amount to a General Fund availability of more than \$21.3 billion.

The General Fund availability used in developing the budget for fiscal year 2008–09 is shown below in Table 2-1.

### Appropriations

The General Assembly made the following appropriations for fiscal year 2008–09:

- Total General Fund \$ 21,355,967,434
- Highway Fund 1,841,325,658
- Highway Trust Fund 1,073,160,000

For purposes of documenting General Fund appropriations, the budget bill and the budget report<sup>5</sup> group functions and agencies within state government into seven main categories:<sup>6</sup>

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

During the short session budget process, adjustments were made to the fiscal year 2008–09 budget as enacted the previous year, so the budget figures in S.L. 2008-107 reflect adjustments (either increases or decreases in funding) to the previously adopted budget. Table 2-2 details these adjustments and includes the revised total appropriations for each agency or program listed.

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

6. 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.

**Table 2–1. 2008–09 General Fund Availability**

The General Fund availability used in adjusting the 2008–2009 budget is shown below:<sup>a</sup>

	FY 2008–2009		FY 2008–2009
Unappropriated Balance from FY 2007–08 (S.L. 2007–323)	\$ 270,504,098	<b>Adjustments to Availability: 2008 Session (continued)</b>	
Net Adjustment (S.L. 2007–540)	(1,000,000)	State Sales Tax Exemption for Baked Goods	
Adjustment from Estimated to Actual 2007–2008		Sold By Artisan Bakeries	(1,600,000)
Beginning Unreserved Balance	47,867,864	Small Businesses Protection Act	(2,200,000)
Projected Reversions from FY 2007–2008	170,000,000	Excise Tax on Machinery Refurbishers	(300,000)
Projected Overcollections from FY 2007–2008	88,700,000	Expand Film Industry Credit and Extend Sunset	(100,000)
Less: Credit to Repairs and Renovation Reserve Account	69,839,238	Expand Renewable Energy Tax Credit	(100,000)
Beginning Unreserved Fund Balance	\$ 506,232,724	Reserve for Tax Relief	(700,000)
Revenues Based on Existing Tax Structure	\$ 19,903,800,000	Health Care Facility Construction Project Fee Service	
		Regulation Fee Increase	822,028
<b>Nontax Revenues</b>		Adjust Fee Receipts for Asbestos Hazard Management Program	71,615
Investment Income	\$ 247,300,000	Adjust Securities Filing Fee	1,993,500
Judicial Fees	204,800,000	Reduce Transfer to Highway Trust Fund	(25,000,000)
Disproportionate Share	100,000,000	Transfer from Disaster Relief Reserve (Western N.C. Disasters)	26,000,000
Insurance	62,900,000	Transfer from NCRx Unexpended Balance	3,500,000
Other Nontax Revenues	160,600,000	Transfer from Tobacco Trust Fund	5,000,000
Highway Trust Fund Transfer	172,500,000	Transfer from Health and Wellness Trust Fund	5,000,000
Highway Fund Transfer	17,600,000	Transfer from Coaching Scholarship Fund	267,000
Subtotal Nontax Revenues	\$ 965,700,000	Transfer from Principal Fellows Trust Fund	1,000,000
Total General Fund Availability	\$ 21,375,732,724	Transfer from N.C. Community College System	
		Computer Information System (CIS) Fund Balance	4,500,000
<b>Adjustments to Availability: 2008 Session</b>		Transfer from Focused Industrial Training Unexpended Balance	783,246
Adjustments for Economic Uncertainty	\$(45,000,000)	Transfer from Disproportionate Share Reserve	19,300,000
Extend Sunset for State Ports Tax Credit	(1,000,000)	Adjust Transfer from Insurance Regulatory Fund	633,492
Extend Credit for Research and Development	(1,000,000)	Adjust Transfer from Treasurer's Office	763,829
Modify Estate Tax Law	(2,000,000)	Subtotal Adjustments to Availability: 2008 Session	\$ (19,765,290)
Exempt Disaster Assistance Debit Sales	(500,000)	Revised General Fund Availability for 2008–09 Fiscal Year	\$ 21,355,967,434
Sales Tax Holiday for Certain Energy Star Rated Appliances	(1,400,000)	Less: Total General Fund Appropriations for 2008–09 Fiscal Year	\$ (21,355,967,434)
Extend Sunset for Small Business		Unappropriated Balance Remaining	0
Employee Health Benefits Tax Credit	(8,500,000)		

a. S.L. 2008–107, Section 2.2(a).

### The Highway Fund and Highway Trust Fund

As with General Fund appropriations, the appropriations act makes adjustments to the Highway Fund and the Highway Trust Fund for the 2008–09 fiscal year. The Highway Fund appropriation for 2008–09 is \$1.84 billion, a \$9.2 million increase from the previous fiscal year. Reductions totaling \$65.6 million to the Highway Trust Fund reduces the Fund availability for adjustments to the 2008–09 fiscal year budget to \$1.07 billion.

The appropriations act calls for a \$25 million reduction in the amount transferred annually from the Highway Trust Fund to the General Fund in fiscal year 2008–09 and an additional \$24 million reduction in the amount

transferred to the General Fund in fiscal year 2009–10. Concurrently, the act provides for an increased allocation from the Highway Trust Fund to the North Carolina Turnpike Authority of \$25 million in fiscal year 2008–09 and \$49 million in fiscal year 2009–10. The appropriations act directs that these funds be used for debt service on bonds issued for the construction of the Triangle Expressway and the Monroe Bypass.

In addition, the act appropriates \$15 million annually for thirty-nine years to fund the mid-Currituck Bridge. This revenue also will be moved from the Highway Trust Fund to the North Carolina Turnpike Authority. The proposed seven-mile bridge would shorten the drive from the mainland to the Currituck Outer Banks.

**Table 2–2. 2008–09 General Fund Appropriations Adjustments**

<b>General Fund Appropriations Fiscal Year 2008–09 2008 Session</b>						
	<b>Certified Appropriation 2008–09</b>	<b>Recurring Adjustments</b>	<b>Nonrecurring Adjustments</b>	<b>Net Changes</b>	<b>Position Changes</b>	<b>Revised Appropriation 2008–09</b>
<b>Education:</b>						
Community Colleges	899,643,003	24,845,698	8,794,000	33,639,698	1.00	933,282,701
Public Education	7,708,315,285	(42,542,790)	136,274,043	93,731,253	0.00	7,802,046,538
University System	2,656,447,099	44,828,045	(18,017,530)	26,810,515	2.00	2,683,257,614
<b>Total Education</b>	<b>11,264,405,387</b>	<b>27,130,953</b>	<b>127,050,513</b>	<b>154,181,466</b>	<b>3.00</b>	<b>11,418,586,853</b>
<b>Health and Human Services</b>						
Central Management And Support	62,592,178	(5,134,966)	(4,675,000)	(9,809,966)	0.00	52,782,212
Aging and Adult Services	35,745,179	2,000,000	500,000	2,500,000	0.00	38,245,179
Blind and Deaf/Hard of Hearing Services	11,434,643	0	75,000	75,000	0.00	11,509,643
Child Development	310,984,207	(6,110,422)	8,000	(6,102,422)	3.00	304,881,785
Education Services	38,855,457	0	698,940	698,940	0.00	39,554,397
Health Services Regulation	20,656,228	787,918	34,110	822,028	8.00	21,478,256
Medical Assistance	3,389,993,470	(204,606,516)	(6,215,491)	(210,822,007)	18.00	3,179,171,463
MH/DD/SAS	721,639,723	19,407,236	1,940,597	21,347,833	226.85	742,987,556
NC Health Choice	59,391,155	9,411,246	645,618	10,056,864	0.00	69,448,019
Public Health	182,162,710	2,050,131	4,755,406	6,805,537	2.00	188,968,247
Social Services	221,227,038	(455,218)	1,600,000	1,144,782	0.00	222,371,820
Vocational Rehabilitation	45,518,365	0	(2,000,000)	(2,000,000)	0.00	43,518,365
<b>Total Health and Human Services</b>	<b>5,100,200,353</b>	<b>(182,650,591)</b>	<b>(2,632,820)</b>	<b>(185,283,411)</b>	<b>257.85</b>	<b>4,914,916,942</b>
<b>Justice and Public Safety</b>						
Correction	1,226,627,581	2,623,108	(2,333,291)	289,817	41.00	1,226,917,398
Crime Control and Public Safety	41,489,037	(182,404)	2,762,579	2,580,175	0.00	44,069,212
Judicial Department	452,389,917	(758)	(1,557,497)	(1,558,255)	32.25	450,831,662
Judicial—Indigent Defense	115,991,348	(1,770,057)	1,335,000	(435,057)	0.00	115,556,291
Justice	92,171,670	(189,120)	(237,638)	(426,758)	3.00	91,744,912
Juvenile Justice and Delinquency Prevention	139,556,104	20,831,264	(636,984)	20,194,280	30.00	159,750,384
<b>Total Justice and Public Safety</b>	<b>2,068,225,657</b>	<b>21,312,033</b>	<b>(667,831)</b>	<b>20,644,202</b>	<b>106.25</b>	<b>2,088,869,859</b>
<b>Natural and Economic Resources</b>						
Agriculture and Consumer Services	60,699,001	(317,116)	5,277,705	4,960,589	6.00	65,659,590
Commerce	45,289,341	(1,590,267)	9,565,237	7,974,970	1.00	53,264,311
Commerce—State Aid	21,361,485	652,635	12,248,943	12,901,578	0.00	34,263,063
Environment and Natural Resources	192,815,663	854,336	11,419,398	12,273,734	26.62	205,089,397
DENR—Clean Water Mgmt. Trust Fund	100,000,000	0	0	0	0.00	100,000,000
Labor	16,594,951	901,392	0	901,392	5.00	17,496,343
N.C. Biotechnology Center	15,583,395	(155,834)	4,000,000	3,844,166	0.00	19,427,561
Rural Economic Development Center	24,302,607	(243,026)	54,000,000	53,756,974	0.00	78,059,581
<b>Total Natural and Economic Resources</b>	<b>476,646,443</b>	<b>102,120</b>	<b>96,511,283</b>	<b>96,613,403</b>	<b>38.62</b>	<b>573,259,846</b>
<b>General Government</b>						
Administration	70,959,534	603,171	673,877	1,277,048	-3.00	72,236,582
Auditor	12,746,479	(283,938)	0	(283,938)	0.00	12,462,541
Cultural Resources	71,881,424	(439,633)	4,225,000	3,785,367	0.00	75,666,791
Cultural Resources—Roanoke Island	2,020,023	(15,000)	0	(15,000)	0.00	2,005,023
General Assembly	55,740,786	(636,000)	(245,000)	(881,000)	0.00	54,859,786
Governor	6,300,587	(84,205)	0	(84,205)	0.00	6,216,382
N.C. Housing Finance Agency	9,608,417	5,000,000	7,000,000	12,000,000	0.00	21,608,417

Table 2–2. 2008–09 General Fund Appropriations Adjustments (continued)

<b>General Fund Appropriations Fiscal Year 2008–09 2008 Session</b>						
	<b>Certified Appropriation 2008–09</b>	<b>Recurring Adjustments</b>	<b>Nonrecurring Adjustments</b>	<b>Net Changes</b>	<b>Position Changes</b>	<b>Revised Appropriation 2008–09</b>
Insurance	30,936,704	613,492	20,000	633,492	6.00	31,570,196
Insurance—Worker's Compensation Fund	4,500,000	0	(1,150,000)	(1,150,000)	0.00	3,350,000
Lieutenant Governor	915,109	0	0	0	0.00	915,109
Office of Administrative Hearings	3,521,735	60,144	253,400	313,544	0.00	3,835,279
Revenue	85,330,611	(1,415,864)	0	(1,415,864)	-29.00	83,914,747
Secretary of State	10,743,041	136,877	(1,106)	135,771	4.00	10,878,812
State Board of Elections	9,626,868	414,226	168,708	582,934	5.00	10,209,802
State Budget and Management	5,877,440	15,242	0	15,242	1.00	5,892,682
State Budget and Management—Reserve	5,621,446	300,000	16,650,000	16,950,000	0.00	22,571,446
State Controller	20,727,698	(110,940)	0	(110,940)	0.00	20,616,758
Treasurer—Operations	9,326,190	763,829	0	763,829	6.00	10,090,019
Treasurer—Retirement/Benefits	9,458,957	1,027,851	0	1,027,851	0.00	10,486,808
<b>Total General Government</b>	<b>425,843,049</b>	<b>5,949,252</b>	<b>27,594,879</b>	<b>33,544,131</b>	<b>-10.00</b>	<b>459,387,180</b>
<b>Transportation</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>		<b>0</b>
<b>Statewide Reserves and Debt Service</b>						
Debt Service:						
Interest / Redemption	659,016,907	0	(17,500,000)	(17,500,000)		641,516,907
Federal Reimbursement	1,616,380	0	0	0		1,616,380
<b>Subtotal Debt Service</b>	<b>660,633,287</b>	<b>0</b>	<b>(17,500,000)</b>	<b>(17,500,000)</b>	<b>0.00</b>	<b>643,133,287</b>
<b>Statewide Reserves</b>						
Compensation Increases	500,807,621	360,192,676	8,651,912	368,844,588		869,652,209
Salary Adjustment Fund 2007–09 Biennium	23,688,000	0	0	0		23,688,000
Teachers' and State Employees' Retirement Cont.	35,705,000	30,237,400	0	30,237,400		65,942,400
Hospitalization Reserve	122,890,207	(5,000,000)	0	(5,000,000)		117,890,207
Reserve for Eliminated Positions	(10,038,466)	0	0	0		(10,038,466)
Grant to Counties for Teachers' Personal Leave Day	0	0	5,000,000	5,000,000		5,000,000
Contingency and Emergency Fund	5,000,000	0	0	0		5,000,000
Information Technology Fund	7,840,000	0	0	0		7,840,000
Job Development Investment Grants Reserve	12,400,000	15,000,000	0	15,000,000		27,400,000
North Carolina Master Address Dataset	0	0	1,000,000	1,000,000		1,000,000
Criminal Justice Data Integration	0	0	5,000,000	5,000,000		5,000,000
Pending Gang Prevention Legislation (H 274)	0	0	10,000,000	10,000,000		10,000,000
Task Force on Preventing Pesticide Exposure	0	221,374	135,681	357,055	4.00	357,055
<b>Subtotal Statewide Reserves</b>	<b>698,292,362</b>	<b>400,651,450</b>	<b>29,787,593</b>	<b>430,439,043</b>	<b>4.00</b>	<b>1,128,731,405</b>
<b>Total Reserves and Debt Service</b>	<b>1,358,925,649</b>	<b>400,651,450</b>	<b>12,287,593</b>	<b>412,939,043</b>	<b>4.00</b>	<b>1,771,864,692</b>
<b>Total General Fund for Operations</b>	<b>20,694,246,538</b>	<b>272,495,217</b>	<b>260,143,617</b>	<b>532,638,834</b>	<b>399.72</b>	<b>21,226,885,372</b>
<b>Other General Fund Expenditures:</b>						
Capital Improvements	0	0	129,082,062	129,082,062		129,082,062
Repairs and Renovations	0	0	0	0		0
<b>Total Other General Fund Expenditures</b>	<b>0</b>	<b>0</b>	<b>129,082,062</b>	<b>129,082,062</b>	<b>0.00</b>	<b>129,082,062</b>
<b>Total General Fund Budget</b>	<b>20,694,246,538</b>	<b>272,495,217</b>	<b>389,225,679</b>	<b>661,720,896</b>	<b>399.72</b>	<b>21,355,967,434</b>

## Capital Projects

The General Assembly approved more than \$129 million in capital projects. Those appropriations include the following:

- \$2.6 million for planning for the State Capital Visitors Center
- \$35 million for complete planning and site development at UNC Chapel Hill Biomedical Research Imaging Center
- \$53.1 million in additional planning funds for UNC System campus construction
- \$11.5 million to begin Phase I of the Carolina North campus at UNC Chapel Hill
- \$600,000 for planning for the N.C. Zoo African Pavilion replacement
- \$450,000 for planning for the North Carolina Freedom Monument in Raleigh
- \$6.6 million for Phase II structural rehabilitation of Mattamuskeet Lodge

## Special Indebtedness

Continuing the trend of financing capital construction with special indebtedness as authorized under Article 9 of G.S. Chapter 142, the appropriations act provides for the issuance of \$857 million in new debt over the next four years. Such debts are commonly referred to as “certificates of participation” (COPs) and are nonvoted debt that may be secured by an interest in state property that is 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. Much of this appropriations act’s special indebtedness is for UNC System building projects.

*Sheria Reid*