

**Inside the Appropriations Act**  
**A School Board Member's Guide**  
**to the North Carolina Budget Process**



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## INTRODUCTION

This guide is intended to help school board members better understand and more effectively participate in the State budget process for public schools. *Inside the Appropriations Act* was first published in 2010 as a product of an important and constructive dialogue between State legislators who had served as local school board members, current local school board members, and North Carolina School Boards Association (NCSBA) staff. Special recognition is given to former State Representative Rick Glazier, who envisioned bringing these groups together as the NCSBA Task Force on the State Budget Process. A complete list of Task Force participants appears in Appendix A. The original guide created by the Task Force in 2010 was previously updated by NCSBA staff in 2014.

Readers should also consult the *Legislative Lobbying Manual*, NCSBA's essential advocacy guide that outlines (1) the State legislative process, (2) effective advocacy techniques, and (3) NCSBA's lobbying efforts on your behalf. In fact, local board members would do well to consult *Inside the Appropriations Act* as a supplement to the *Manual*, since this publication provides a level of detail and direction about the Appropriations Act that the *Manual* was not designed to achieve. The *Legislative Lobbying Manual* may be accessed through NCSBA's website, at <https://www.ncsba.org/Legislative-Lobbying-Manual>

This guide is composed of four main sections:

- 1) Overview of what is in the State budget bill(also known as the Appropriations Act),
- 2) Historical data on public education budgets,
- 3) The Biennial State budget process from start to finish, and
- 4) How to best meet the needs of your school district.

## **PART 1**

### **COMPOSITION OF THE APPROPRIATIONS ACT**

#### **Formal Title and Terminology**

The Budget is more formally known as The Appropriations Act, but legislators, staff members, and other observers often refer to it generically as “the budget bill” or just “the budget.” The varying terminology is prone to confuse the public.

To avoid confusion as you progress through this guide, keep in mind that the term “the budget bill” only describes the Appropriations Act as it makes its way through the legislative process. The term “final State budget” or “State budget” describes the Appropriations Act once it has become law.

#### **What the Appropriations Act Does**

The Appropriations Act does much more than spend money, even though the spending feature often gets the most attention especially in the education world. The Act also generates State monies through taxes and fees and manages the flow of those funds. A simplified way to think about the Act is to envision it in two parts:

- Spending/appropriations
- Revenues/finance

Even though the Act is not physically organized in this fashion, the bill’s contents fall into one of these two broad categories. Conceptualizing the Act’s contents in this way will also prove helpful as you consider the budget bill’s path through the General Assembly, which is discussed later.

The Act appropriates funds to various programs, often providing directions or limitations on how the money may be spent. For example, the 2014 General Assembly appropriated grant funds for after-school learning programs for at-risk students that required LEAs (1) to serve a school population with at least 70% of students qualifying for free or reduced-price meals, (2) to match \$3 in grant funds with \$1 local funds, and (3) to report annually to the Department of Public Instruction. When the General Assembly has a specific expenditure in mind, it changes State law to place restrictions or conditions on the funds.

## How the Act is Organized

The text of the Appropriations Act is internally organized into Parts determined by subject area (and Committee assignments). The 2017 Appropriations Act is divided as follows:

**Education:** Public Schools (Part VII); Compensation of Public School Employees (Part VIII); Community Colleges (Part IX); and Universities (Part X)

**HHS:** Department of Health and Human Services (Part XI)

**ANER:** Department of Agriculture and Consumer Services (Part XII); Department of Environmental Quality (Part XIII); Department of Natural and Cultural Resources (Part XIV); and Department of Commerce (Part XV)

**JPS:** Department of Public Safety (Part XVI); Department of Justice (Part XVII); Judicial Department (Part XVIII)

**General Government:** Department of Military and Veterans Affairs (Part XIX); Office of Administrative Hearings (Part XX); Department of Treasurer (Part XXI); Department of Insurance (Part XXII); General Assembly (Part XXIV); Office of State Budget and Management (Part XXVI); Housing Finance Agency (Part XXVIII); Department of Administration (Part XXXI); Department of Revenue (Part XXXII); and Office of the State Controller (Part XXXIII)

**Transportation:** Department of Transportation (Part XXXIV)

**Other:** Salaries and Benefits (Part XXXV); Capital Appropriations (Part XXXVI); Department of Information Technology (Part XXXVII); and Finance Provisions (Part XXXVIII)

While most individual provisions and allocations affecting K-12 and local education agencies (LEAs) appear in the part of the Act designated “Public Schools”, this does not mean that you should ignore the other sections. The following table lists several important school-related budget items and the sections of the 2017 Appropriations Act in which they appeared.

<b>NC Works Career Coaches</b>	Community Colleges
<b>Opportunity Scholarships</b>	Universities
<b>Education Savings Accounts</b>	Universities
<b>Lab Schools</b>	Universities
<b>Teaching Fellows</b>	Universities
<b>Teacher Salary Schedules/Steps</b>	Compensation of Public School Employees
<b>NC Pre-K</b>	Health and Human Services
<b>School Panic Alarm Pilot</b>	Justice and Public Safety
<b>Charter School Transportation Grant</b>	Transportation
<b>Lottery</b>	Other Appropriations

## PART 2

### EDUCATION SPENDING, PAST AND PRESENT

Part 2 of this report lays out the different spending areas in the State budget, the share of funds dedicated to K-12 public schools, and how that share compares to those of the community colleges and public universities. Historical information about the size and yearly growth of North Carolina's State budget is also provided, with an emphasis on funding for education. Refer to Appendix B for supplemental data on the State budget and the share for K-12 public schools. We begin, though, by explaining the different sources of money that the General Assembly spends in the annual Appropriations Act.

#### **"The Big Pots" of the Total State Budget**

The funds appropriated in the State budget come from four main sources: General Fund, Highway Fund / Highway Trust Fund, federal allocations, and other various fees and charges. The General Fund consistently composes more than half of the total State budget and is the primary focus of the State budget process. The General Fund contains revenue collected from sales tax, individual and corporate income taxes, alcohol and tobacco taxes, franchise taxes, and non-tax revenue sources such as judicial fees, proceeds from the Master Settlement Agreement (tobacco), and miscellaneous sources. The General Fund covers nearly all costs associated with K-12 public schools, community colleges, public universities, and most other State agencies and programs. (General Fund appropriations to public education are also the main focus of this guide.)

The Highway Fund and Highway Trust Fund finance the State's transportation projects. The primary revenue sources of the Highway Fund are the motor fuels tax (approximately 71% of total), license and registration fees, and investment income. The Highway Trust Fund is funded with the remainder of the motor fuels tax (approximately 29%), the highway use tax on vehicle sales, and title fees.

North Carolina receives direct federal assistance for local school districts for Title I (aid for children from low-income families), the school lunch program, the Individuals with

Disabilities Education Act (IDEA), and more. What the State receives for these initiatives each year depends on formulas developed at the federal level and the annual appropriations process on Capitol Hill. With a handful of exceptions, the North Carolina General Assembly must follow federal guidelines and formulas on how these funds are to be distributed to LEAs.

The chart below presents the four major sources for State budgets over the past decade.

**The Size of the Authorized State Budget** amounts in \$billions (rounded)

<b><u>FY</u></b>	<b><u>General Fund</u></b>	<b><u>Federal Funds</u></b>	<b><u>Hwy Funds</u></b>	<b><u>Fees</u></b>	<b><u>Total State Budget</u></b>
2004-05	17.10	8.96	2.46	2.67	31.22
2005-06	18.03	9.97	2.74	3.78	34.53
2006-07	19.31	10.49	2.83	4.10	36.76
2007-08	20.73	11.48	2.86	6.49	41.56
2008-09	20.69	11.92	2.85	6.18	41.64
2009-10	19.80	14.19	2.49	6.90	43.38
2010-11	19.48	14.76	2.63	7.10	43.97
2011-12	20.71	18.10	2.83	10.07	51.71
2012-13	20.66	18.06	2.95	9.96	51.63
2013-14	20.60	16.14	2.82	10.03	49.59
2014-15	21.33	16.13	2.78	11.31	51.55
2015-16	21.73	18.12	3.26	10.61	53.72
2016-17	22.44	17.27	3.54	10.77	54.02

The General Fund portion of the budget experienced consistent growth from year-to-year until the Great Recession (officially December 2007 to June 2009) dealt a significant blow to the State's tax revenues. This meant massive spending cuts to every public sector in the 2009 Appropriations Act. For example, the education sector of the authorized budget grew 75.5% from FY 1997-98 to FY 2007-08 for an annual growth rate of 7.6%. However, from FY 2007-08 to FY 2017-18, the authorized budget for the education sector grew only 11.1% for an annual growth rate of 1.1%. The budget growth rates for education for the past ten years is shown below.



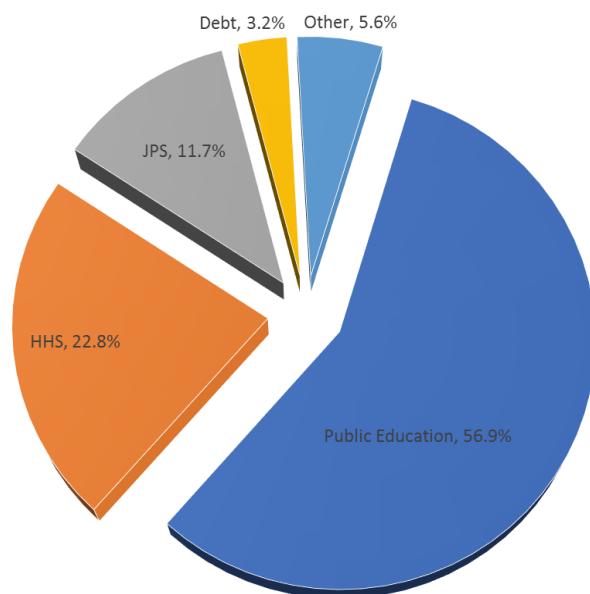
### Ten-year Budget Growth

	2007-08	2017-18	Growth
Public Universities	\$2,752,879,241	2,940,346,461	6.8%
Community Colleges	990,523,754	1,122,341,120	13.3%
K-12 Public Schools	8,055,773,246	9,046,403,622	12.3%

### Education Spending in the Budget

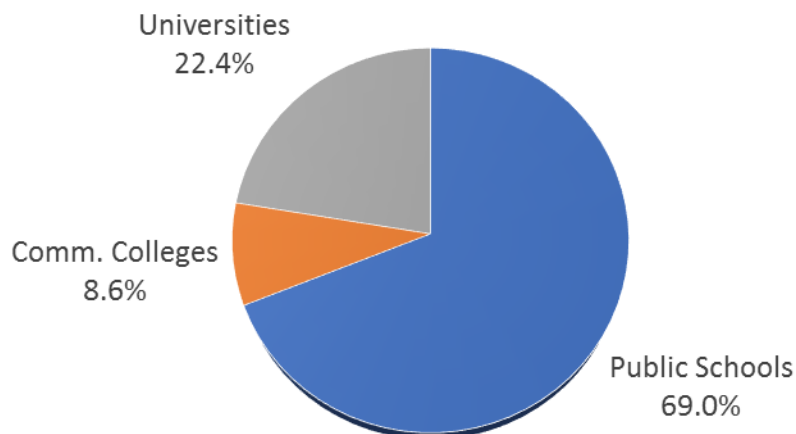
Public education (K-12, Community Colleges, and UNC) is consistently the largest sector of the State budget in terms of public dollars spent. In the Appropriations Act of 2017, the General Assembly appropriated \$13.1 billion to the education sector in the 2017-18 fiscal year, which was 56.9% of General Fund spending. Appropriations to programs and positions in the Health and Human Services (HHS) area is the second largest spending area in the budget, composing 22.8% of General Fund revenues.

2017-18 General Fund Spending by Sector



In the 2017 Appropriations Act, the General Assembly appropriated \$9.05 billion to K-12 public schools, constituting about 69% of the public education sector (see chart below).

## Components Of Education Sector, 2017-18



The primary drivers of the K-12 budget are enrollment (measured as average daily membership, or ADM); class sizes; and salaries and benefits for teachers, administrators, central office staff, teacher assistants, and non-instructional support personnel. In a word: people. Enrollment is a primary factor in funding formulas for distributing various line-item allocations across school systems. Class sizes are used to determine how many teaching positions the State will fund in each LEA. New enrollment figures are reflected in the budget request each year. These numbers are fine-tuned throughout the budget process and the budget will include an item called “ADM adjustment.” Some years the adjustment is up and other years the adjustment is down. In 2014, the General Assembly chose to remove the automatic budget adjustment for ADM from the base budget.

Other items included in the K-12 budget are (1) funds necessary for the day-to-day operations of school systems, such as textbooks, transportation, and instructional supplies; (2) funds for specific programs like Cooperative and Innovative High Schools; (3) funds to run the Department of Public Instruction; and (4) funds that fulfill the State’s share of federal programs, like allotments to support the education of exceptional children under IDEA. (See Appendix C for a list of the General Assembly’s appropriations to K-12 public schools in the 2017-18 final State budget, courtesy of the Department of Public Instruction).

## **Funding Formulas**

Many of the line-item amounts that appear in the budget for K-12 public schools are determined based on funding formulas. Supplemental funding for low-wealth and small counties, academically and intellectually gifted students, exceptional children, and disadvantaged students are examples of formula-based funding streams. The General Assembly usually delegates the primary responsibility for creating or revising such funding formulas to the Department of Public Instruction. Refer to Appendix D for a list of some of the major formula-based allocations benefitting public schools that appear in the State budget, along with a description of each formula and its purpose.

## **Pass-Through Funding**

In addition to the items noted above, the annual appropriation to K-12 public schools includes funds that are designated for various nonprofit organizations and programs that contribute to the quality of North Carolina's public schools. Some commonly known examples include Communities in Schools and the Teach for America program. These recurring appropriations are called "pass-through funds," since the money passes to the organization through a State agency, instead of by a formal grant program or State contract. In tight budget years, pass-throughs tend to be one of the first targets for budget writers who are looking to make cutbacks. In the Appropriations Act of 2009, for instance, the General Assembly cut \$4.5 million in pass-through funds from organizations with education-oriented missions. Organizations like Kids Voting NC and All Kinds of Minds lost all their State funds in 2009.

## **PART 3**

### **CREATING A STATE BUDGET**

#### **A Biennial Process**

The North Carolina Constitution requires the General Assembly to enact a budget that runs for two years, beginning on July 1 of each odd-numbered year. The total expenditures made by the State in the two-year budget must not exceed the total receipts of that period plus any surplus remaining in the State Treasury at the beginning of the period. In other words, the final budget must be balanced.

The North Carolina Constitution only *requires* the General Assembly to meet in odd-numbered years. This is when the biennial budget is produced and is known informally as the “long session.” In 1973 the General Assembly began reconvening in even-numbered years for “short sessions” with the purpose of adjusting the biennial budget enacted during the previous long session and passing legislation that affects State finances.

The box below contains the basic timeline for the 2017-2019 biennial session. Appendix E contains a more detailed timeline that blends important State and local budgeting deadlines and election dates.

<b><u>A Typical Biennium</u></b>	
<b>January 2017</b>	Long Session Begins
<b>July 1, 2017</b>	2017-2018 Fiscal Year Begins
<b>May 2018</b>	Short Session Begins
<b>July 1, 2018</b>	2018-2019 Fiscal Year Begins
<b>November 2018</b>	State Legislative Elections

#### **A. Long Session**

##### **The State of the State Address**

The State Constitution requires the Governor to periodically give the General Assembly “information of the affairs of the State.” This sharing of information usually takes the form of an annual State of the State Address, given by the Governor to a joint session of the legislature. In long session years, the Address takes place shortly after the General Assembly convenes in

January. While the event is not typically considered a formal part of the State budget process, it is closely watched since the Governor often announces budget priorities and new initiatives. During the 2017 State of the State Address, Governor Roy Cooper stated his goal was “to make North Carolina a Top Ten Educated State by 2025 – emphasizing early childhood education, increasing enrollment in pre-kindergarten, improving our high school graduation rate and



The House Gallery fills in anticipation for the 2009 State of the State Address

increasing the percentage of adults with a higher education degree.”

### **The Governor Goes First**

The Governor typically unveils comprehensive budget recommendations to the General Assembly shortly after the State of the State Address. In March 2017, Governor Cooper released his Recommended Budget 2017-19 that

contained a revenue forecast and economic outlook, demographic analyses, and recommended base budget adjustments. (The actual Recommended Base Budget 2017-19 is 10,227 pages of line-item detail that can be downloaded from [www.osbm.nc.gov](http://www.osbm.nc.gov) - the Department of Public Instruction section is 294 pages.) The release of the Governor’s budget proposal prompts informational hearings conducted by the General Assembly’s Fiscal Research Division, the Office of State Budget and Management, and other executive branch officials. The hearings provide legislators with explanations of the legal provisions and line-item appropriations included in the Governor’s budget. By tradition, House and Senate Appropriation Chairs will introduce bills containing the Governor’s budget proposals, but typically these bills are not considered during the budget process. While this marks the end of the Governor’s budget-writing responsibilities, members of the Governor’s staff monitor the budget bills drafted by the Appropriations Chairs and try to maintain or restore the Governor’s priorities as the budget bill moves through the General Assembly.

## **Base vs. Expansion**

As you follow the budget bill through the legislative process or review accompanying documents and proposals, you will most likely encounter the term “base budget”, which is the starting point of the budget process. In simple terms, the base budget is the previous year’s budget plus allowable changes. The allowable base budget changes were redefined in 2014 to include only the following items:

- (1) annualization of programs or positions,
- (2) reductions for nonrecurring funding,
- (3) increases for nonrecurring budget reductions,
- (4) adjustments for federal payroll tax changes,
- (5) changes in property lease rates, and
- (6) intragovernmental transfers.

Prior to the 2014 revision, the base budget included funds for ADM growth in K-12 public schools and funds to support the formulas that are in place (as adjusted for the change in student population, headcounts, and teacher salaries).

Another common budget term is “expansion budget.” The expansion budget includes the creation of new programs, the growth of existing programs, and perhaps salary increases for State employees and teachers. In other words, it includes all the programs and services in the Act with increased levels of funding from the base budget.

This distinction is important. Over the years the General Assembly has been known to appropriate money on a nonrecurring basis to programs and functions that are clearly recurring. Even though the need for a particular program is ongoing, the program will not be included in the following year’s base budget because of its nonrecurring status. Instead, it must be included as an expansion budget item if it is to receive State funds in the next budget year. For example, the 2017-18 budget included an \$11,285,000 nonrecurring appropriation for textbooks that was appropriated again in the 2018 Session (from a non-General Fund source) to continue these supplemental funds.

## **The First Chamber**

An important detail to remember about the budget process concerns the order in which the legislative chambers consider and debate the budget bill. The Senate and the House of Representatives rotate the order biennially. For example, after the Governor presented his budget recommendations in March 2017, the Senate was the first chamber to consider the budget bill (SB 257) for the long session. The Senate was scheduled to lead the budget process in the 2018 short session, but the budget process was shortened with the introduction of a compromise budget bill. For the 2019-21 biennium, the House of Representatives will take up the budget bill first in both years. In the following biennium, the responsibility will rotate back to the Senate, and so on. The basic process changes little depending on which chamber “leads off”. For the purposes of this guide and its illustrations, readers should assume that the Senate will first consider the budget bill in both the long and short sessions.

The budget bill’s journey begins when the lead Senate Appropriations Chairs (known as Full Chairs) file and introduce the bill. At this stage the budget bill is a two or three page bill consisting of only the titles of the various bill sections. Following introduction, the Senate clerk reads the budget bill for the first time on the Senate floor (this is referred to as the bill’s first reading) and the President of the Senate serially refers the bill to various Senate committees for extended deliberations. The budget bill travels first to the Senate Appropriations/Base Budget Committee (referred to as the Appropriations Committee), next to the Senate Finance Committee, and then to the Senate Committee on Pensions and Retirement and Aging.

## **The Appropriations Committee**

The Appropriations Committee’s review is typically the longest phase of the budget process in each chamber. The Appropriations Committee is charged with deciding which programs receive State funding and how much each program will receive over the next two fiscal years. To accomplish such a considerable undertaking, the full Committee is divided into subcommittees (formally called Committees but “subcommittee” will be used in this guide to describe their function). These subcommittees are assigned to review a portion of the budget based on subject matter such as education or transportation (see chart below). There are several

subject areas that remain with the Co-chairs of the Appropriations Committee, known as “Full Chairs”, and not delegated to the Subcommittee Chairs. Traditionally Full Chair topics are salaries and benefits, capital, IT, statewide reserves, and lottery.

<b>House and Senate</b>	
<b><u>Appropriations Subcommittees, 2017</u></b>	
Education (House); Education/Higher Education (Senate)	
Agriculture, Natural and Economic Resources (House and Senate)	
Justice and Public Safety (House and Senate)	
General Government (House); General Government and Information Technology (Senate)	
Transportation (House); Department of Transportation (Senate)	
Health and Human Services (House and Senate)	
Information Technology (House)	
Capital (House)	

### The Appropriations Subcommittees

The Appropriations Committee Full Chairs do not usually serve on Appropriations Subcommittees. Instead they oversee all subcommittee work and decide how much money each subcommittee will spend on its designated section(s). This spending amount becomes each subcommittee’s “target.” The subcommittee then becomes responsible for determining program allotments in a way that meet the target. Targets vary in size, with the Subcommittees on Education and Health and Human Services receiving the largest.

Each subcommittee has its own leadership, usually a set of Co-chairs, who preside over hearings, lead discussions, and heavily influence the spending priorities of the subcommittee. The Subcommittee Co-chairs meet regularly (usually privately) with the Full Chairs to provide progress updates, to receive work deadlines, and to answer questions. It is common for the Full Chairs to direct the Subcommittee Co-chairs to include certain priorities that are important to the leadership in the subcommittee’s spending decisions.

Example: The Senate Appropriations Committee on Education/Higher Education in Action



The subcommittee begins its work by holding a series of presentation-filled hearings. The presentations are either informational or persuasive and allow subcommittee members to pose questions. The Subcommittee Co-chairs invite staff members from the General Assembly's Fiscal Research Division or budget analysts from the Office of State Budget and Management to provide details about the State budget process, explain funding formulas or federal matching requirements unique to education agencies, and summarize funding choices made in previous State budgets. The Subcommittee Co-chairs also invite officials from the Department of Public Instruction, NC Community Colleges, the University of North Carolina System, and the independent colleges and universities (who traditionally receive State funds in the UNC budget) to provide data and analysis about how appropriated monies are spent and to hear their recommendations, budget needs, and priorities. These presenters often use the opportunity to persuade or dissuade members from certain funding choices. The hearing process spans multiple weeks, with subcommittee members debating different funding priorities throughout.

The Full Chairs of the Senate Appropriations/Base Budget Committee send the Co-chairs of the Senate Appropriations Committee on Education/Higher Education a target amount to spend on public education in each of the next two fiscal years. Upon receiving their target, the Subcommittee Co-chairs begin the difficult task of apportioning the target across public schools, community colleges, and universities. In recent years, the rank and file subcommittee members have not been directly involved in the budget deliberation process.

### **Budget Bill Documents**

As the Appropriation Full Chairs and Subcommittee Co-chairs work on the budget, the members focus largely on two separate documents: Proposed special provisions and the Report on the Base, Expansion, and Capital Budgets.

#### Special Provisions

Both the Appropriations Committee Full Chairs and the Appropriations Subcommittee Co-chairs write special provisions for the budget bill that sets forth legislative expectations and directives that govern the expenditure of funds and other requirements. These provisions are either changes to North Carolina's General Statutes or uncodified language that expires when the enacted State budget lapses at the end of the fiscal year. (The uncodified provisions are usually terms or conditions that are attached to specific appropriations or short-term changes in the law, and therefore, do not appear in the General Statutes.) These legal provisions are contained in each Appropriation Subcommittee's Report on special provisions. When the subcommittees vote to approve their special provision reports, the reports are transmitted to the full Appropriations Committee for consolidation into the budget bill.

#### "Money Report"

The Report on the Base, Expansion, and Capital Budgets (informally known as the "Money Report") contains the names or titles of funding recipients and their monetary allocations; it's a spreadsheet-like document that more closely resembles a traditional chart of accounts. (Refer to Appendix F for excerpts of a Money Report used during the 2017 Session.) On the left side of each page in the Money Report are specific line items or programs. Beside the line item or program name is a brief description, often referred to as "the snappy", and the amount of State funds currently spent for the program. Directly across the page on the right are the General Assembly's proposed additions or subtractions to the line item's or program's appropriation. (Amounts that appear in parentheses signify proposals to cut that amount from the program.)

Either an "R" or an "NR" appears next to each funding amount to signify whether an appropriation is "recurring" or "nonrecurring," respectively. These are important terms to understand. "Recurring" means that the reduction or addition of funds designated for that line item or program will be permanent and the new

total funding level will be reflected in the following fiscal year's base budget. Conversely, "nonrecurring" means that the reduction or addition of funds is a one-time adjustment to the funding level. For example, if the line-item for textbooks is subject to a nonrecurring cut in a budget year, the lower funding total for textbooks will only apply in that year's budget. In subsequent base budgets, the funding level for textbooks will return to the pre-cut level. Of course, the General Assembly could make the lower level of funding for textbooks permanent by changing the "nonrecurring" designation to "recurring."

### **Subcommittee Review and Vote**

When the Subcommittee Co-chairs have completed their deliberations, legislative staff compile all budget decisions and special provisions into a Subcommittee Report that is then presented to the Full Chairs for their review and feedback. Often the Full Chairs will direct the Co-chairs to make adjustments in their Subcommittee Report and return the amended report back to the Full Chairs. When the Full Chairs have completed work on all subcommittee areas, the Subcommittee Co-chairs will be directed to call a meeting of their committee and release the proposed Subcommittee Reports. The total funding for each budget area will usually add up to the original target. Subcommittee members are given the opportunity to ask questions and, depending on the subcommittee and the year, offer amendments. The meeting concludes with an up-or-down vote on the entire Subcommittee Report. Once approved, the Co-chairs forward their Subcommittee Report back to the full Senate Appropriations/Base Budget Committee.

### **The Budget Bill Returns to the Senate Appropriations/Base Budget Committee**

Once all the Appropriations Subcommittees approve their Subcommittee Reports, all of the special provisions are combined into a committee substitute for the Senate budget bill, and all of the budget changes are placed into a Committee Report (Money Report) that accompanies the bill. The full Senate Appropriations/Base Budget Committee meets to consider the entire spending package in an extended hearing. During that hearing, committee members hear presentations from the Subcommittee Co-chairs, ask questions, and offer formal amendments to

the subcommittee-approved allocations and legal provisions. Usually a set of rules are strictly enforced at the hearing (refer to the box below for some examples) that limit how the budget bill may be amended and how allocations may be adjusted. Dozens of amendments are offered but only a fraction of them are adopted; many are ruled “out of order” for violating one of the established rules, while others lack the support required for adoption. Near the end of the Appropriations meeting, committee members vote up or down on the entire spending package. Once adopted, the bill proceeds to the next two committees: the Finance Committee and the Pensions and Retirement and Aging Committee.

**A Sample of Rules for Budget Bill Amendments,  
2017 Senate Appropriations/Base Budget Committee**

- Money can only be transferred among items within the same subcommittee section.
- Amendments where money is being transferred among items within a subcommittee must clearly identify the items/programs that are being increased and decreased.
- Amendments that increase spending in the subcommittee budgets are not allowed.

### **The Finance Committee**

Compared to the Appropriations Committee, the Finance Committee’s process is significantly more abbreviated. Discussions are restricted to budget provisions that affect State revenues, which means that discussion about or amendments to provisions in the spending package are not entertained. Again, the focus is on revenues coming into the State, not funds being spent. It should be noted that the Finance Chairs normally meet with the Appropriations Full Chairs early in the budget process to discuss their top tax priorities and confirm that adjustments in revenue availability have been made to accommodate their proposed tax changes. The Finance Chairs will have vetted their section of the draft budget bill before it arrives in their committee. On occasion the finance part of the budget bill is put in a separate bill. While not typical, this method is chosen for either timing or political considerations.

### **The Pensions and Retirement and Aging Committee**

The Pensions and Retirement and Aging Committee must review the budget provisions that pertain to the various retirement and employment benefits programs managed by the State, such as the Teachers and State Employees Retirement System (TSERS). This Committee's review of the bill is quite limited: usually only one hearing is held and few changes are made to the bill.

### **Back to the Chamber Floor**

After the final committee gives its approval, the budget bill returns to the floor of the first chamber (in this case, the Senate). There, any senator may debate and offer amendments to the bill. The chamber will usually follow a set of rules for amending the bill, just as was done by the Appropriations/Base Budget Committee. Amendments that previously failed or were otherwise unsuccessful in committee may make a reappearance on the floor.



If the budget bill raises new revenue through enactment of new or increased taxes or fees, the North Carolina Constitution (Article II, Section 23) requires each chamber to read and pass the bill on three separate readings on three separate days. Thus, a budget bill that increases taxes or fees must return to first reading when it is reported in from a committee (normally the Rules Committee is the last stop for a bill in the Senate). Votes are not taken on the first reading but are taken on the second and third readings. If the bill does not raise revenue (it may even decrease taxes), it may continue with the second reading when reported in. Under this circumstance, third reading can be held the same day if there is not an objection from one of the members. (The minority party usually objects to third reading to offer additional amendments the next day.) After the budget bill passes the Senate on third reading, it proceeds to the House of Representatives.

## **The Second Chamber**

Once the first chamber completes its consideration of the budget bill, the bill travels to the second chamber (in this case, the House of Representatives). The process then begins again in the House, with the bill being placed on the House Calendar and then referred to the Appropriations, Finance, and Pensions and Retirement Committees.



The floor of the North Carolina House of Representatives

## **The April Surprise**

One major twist that falls in the middle of the budget bill's journey during the long session is the April deadline for tax collections. Sometime in early May, fiscal staff from the General Assembly and the Office of State Budget and Management will release a Revised General Fund Revenue Consensus Forecast to the General Assembly. This provides a more accurate picture of how much money the State will have in its coffers for the fiscal year that begins on July 1. This event has become known as the "April Surprise," since in some years, the revised projections differed drastically from earlier forecasts, rendering much of the already-completed work on the budget bill useless.

## **Conference Committee**

Inevitably, the chambers end up with two very different versions of the budget bill. Once the House passes its version, the bill crosses back over to the Senate. The Senate then places the budget bill on the calendar and brings the bill to the Senate floor on an up or down Motion to Concur. The chamber that begins the budget process rarely votes to concur. (However, the House concurred in Senate budget changes for HB 200 in 2011.)

Having failed to adopt identical versions of the bill, each chamber appoints members to a Conference Committee. The Speaker of the House and the President Pro Tem of the Senate appoint members of their respective chambers to meet and negotiate every item in the two budget bills that differ. Usually, each chamber's conferees include the Appropriations Committee Full Chairs and Subcommittee Co-chairs, the Finance Chairs, and a few other select members.

Negotiations between House and Senate conferees can be tense, drawn out, and at times, can come to a halt. Eventually the budget negotiators reach a final agreement and produce a "Conference Committee Report," which is the compromised budget bill. The Report then returns simultaneously to the floor of each chamber. Each chamber's conferees summarize the Report's negotiated details for the other members of the chamber. No amendments are allowed on a conference report. Following explanation and debate, each chamber votes on the adoption of the Conference Committee Report. As previously mentioned, budget bills containing tax or

fee increases must have votes on second and third readings on separate days. If both the House and Senate vote to adopt the Report, then the budget bill has been ratified.

**Did You Know?**

In 1985, the budget bill was 149 pages.  
In 2017, the budget bill (SB 257) was 438 pages and the accompanying Committee Report was 545 pages.

**Continuing Resolutions**

Since the State operates on a July 1 – June 30 fiscal year, the budget bill is designed to take effect on July 1 each year. Prior to 2017, if the legislative process ran late so that the budget bill was not passed, signed, and in effect by July 1, the General Assembly had to expedite a separate bill that authorized State government to either continue operating on the previous year's budget or at a reduced level. These stopgap spending measures are commonly referred

to as continuing resolutions, or CRs for short. However, in the 2016 Appropriations Act (S.L. 2016-94), the General Assembly created a Budget Stability and Continuity provision (Section 6.3) that ends the need for CRs. This change allows the State Budget Director to 1) allocate funds in the next fiscal year at a level not to exceed the level of recurring expenditures for the prior fiscal year; 2) keep salaries and benefits at the previous year's levels; 3) freeze hiring for vacant positions subject to proposed budget reductions; and 4) spend federal grants under \$2.5 million that do not require State matching funds and are not for capital purposes. (Refer to Appendix G for a copy of this provision.)

### **Sent to the Governor**

Upon ratification, the General Assembly presents the budget bill to the Governor for his/her consideration. The Governor has three choices for handling the bill:

- 1) sign the bill into law,
- 2) veto the bill and return it to the General Assembly, or
- 3) not sign the bill and let it become law (within 10 days during session or 30 days when not in session).

The Governor does not have line item veto power that would allow him to make changes to individual items in the budget bill. In 2017, the Governor vetoed the budget bill, but the veto was overridden by the House and Senate.

### **Technical Corrections Bill(s)**

Because of the length and complexity of the budget bill, mistakes are inevitable. Soon after passage of the Appropriations Act, General Assembly fiscal and legal staff compile a list of needed technical fixes. Staff identify a bill residing in the Appropriations Committee that is no longer needed and prepare a committee substitute that becomes the Budget Technical Corrections bill. While the bill starts off as technical, many not so technical amendments are added.

## **B. The Short Session**



### **The Governor Goes First (Again)**

When the short session begins in mid-May (of even-numbered years) the Governor will recommend changes to the second fiscal year of the two-year, final State budget that was produced during the long session. Adjustments may include program reductions/eliminations, program expansions, new programs, and capital improvements. The Governor's proposals come to the General Assembly in much the same way as during the long session, shortly after session convenes.

### **The First Chamber**

The same chamber that first worked on the budget bill during the long session will also be the first to introduce and consider adjustments to the biennial Appropriations Act. The short session bill will initially mirror the one that was approved during the long session. The bill will follow the same general process through committees and subcommittees, with negotiations and adjustments occurring on a (usually) smaller scale.

### **The Second Chamber**

Once the budget bill passes out of the first chamber it is taken up by the second chamber and follows the same process that the budget bill followed in the long session, with a vote on concurrence, the appointment of a Conference Committee, negotiations, ratification, and eventual enactment with the Governor's signature.

## **C. The Governor's Emergency Budget Powers**

The Governor is responsible for administering the Appropriations Act after its enactment. This responsibility includes continually monitoring revenue collections. If the Governor determines that State revenues will be insufficient to meet the budgeted expenditures, the North Carolina Constitution authorizes the Governor to “effect the necessary economies in State expenditures.” In other words, the State Constitution both empowers and requires the Governor to control how State entities spend money to keep the State from going broke. This often means provisions in the Appropriations Act must be disregarded.

Governor Beverly Perdue invoked this authority multiple times in 2009 as the State battled a \$4.5 billion budget deficit and the effects of a global economic recession. In February of that year, the Governor diverted \$37.6 million from the Public School Building Capital Fund. (The funds were returned in August.) In March, she took control of the \$787 million in the Savings Reserve (also known as the Rainy Day Fund) as a precautionary measure to manage General Fund cash flow and to stabilize the State Health Plan. A month later Governor Perdue ordered a freeze on the State’s purchases of goods and services, restricted hiring and promotion of State employees, and cut back on travel expenses. She also implemented a furlough plan for teachers and State employees and seized another \$145 million from 18 different sources, including \$12 million from the Department of Public Instruction Trust Fund.

## **PART 4**

### **HOW YOU CAN INFLUENCE THE STATE BUDGET PROCESS**

#### **Learn About Your Legislators**

The importance of a healthy and constructive relationship with the members of your local General Assembly delegation cannot be overemphasized, especially during the budget process. If you are a newly elected member of your school board or a veteran board member who has not had an opportunity to meet with your State representatives or senators, make it a priority to introduce yourself and stay in touch with your legislators. To find out who represents you, visit the General Assembly website at [www.ncleg.net](http://www.ncleg.net), click on “District Representation” at the top of the page, scroll down to “Find Your Legislators”, and enter your address. In addition to the House and Senate members that represent you individually, it is equally important for you to work with all legislators that represent your school district. Under the “Find Your Legislators” tab, you can click on a specific county for a listing of all Representatives and Senators in that county. You can then click on the name of an individual member to learn more about committee assignments, bills sponsored, votes, and office contact information. Personal or campaign websites can also provide more personal information about your legislators and their experiences, as well as a more detailed discussion of their take on issues affecting public education.

Another way to learn more about your legislators is to meet them. Ask your fellow school board members, other local officials, or members of your community who may know your legislators if they would be willing to arrange introductions.

After you or your board meets with your legislative delegation, make note of the best means for communicating with each legislator. Some legislators prefer email because they can respond almost anytime. Others prefer to get phone calls, or to meet in person. Whatever the method, it is important that you have some sense of the best way to access your elected officials when the budget process is heating up and time is short.

## **Options for Interacting**

If you do not have close relationships with members of your local legislative delegation, there are still several ways for you to increase the visibility of issues affecting your school system and your level of involvement with the General Assembly. The first strategy is to get your State legislators involved with your school system at the local level. Many boards host a legislative breakfast or dinner that legislators often attend. These events are effective but could be supplemented by inviting the same legislators to tour one or more of your schools or administration buildings, attend the groundbreaking of a new building, or sit in on one of your board meetings. Any opportunity to share details about your work and your school system should not be missed. The best time for this is usually when the General Assembly is out of session. During this period, legislators are spending a good portion of time in their home districts visiting constituents and are more likely to have the time to attend a board meeting or take a tour.

There are also plenty of opportunities for you to visit the members of your delegation at their legislative offices in Raleigh. When you wish to arrange an in-person meeting, you should most definitely make an appointment in advance. During busy times of the session, you should expect to wait, even if you did make an appointment. Be sure to follow up with an email or phone call to thank them for their time and for listening to your concerns.

## **The Best Times to Connect with Your Legislators**

Drafting a State budget is a lengthy process that spans several months. During that time, the budget bill undergoes many changes and reflects the priorities of many different personalities. This means that there is no hard and fast date during which you should contact legislators. Instead, the best opportunities to influence the budget process are during the stages in which the budget bill is undergoing the most changes. These times come when the budget bill is under consideration by the Appropriations Subcommittees and during the Conference Committee stages.

This raises another crucial point about the timing of your message. The session-long process undoubtedly leads many well-intentioned school board members to think, “Well, the

budget bill is still in the Senate and it still has to go all the way through the House and then to Conference. I've got plenty of time to contact my legislators to tell them that we need more money for the Central Office! I'll wait until next month and see where things are. Plus, anything in the budget is bound to change before it's all over." While correct that the bill still has a way to go, this sort of thinking greatly reduces your chances for success for several reasons.

First and foremost, a successful call to your legislator that results in a favorable provision getting into an early version of the budget is a clear accomplishment that is very likely to see final adoption. In the education world at least, many of us have learned that budget provisions that get in are much more difficult to get out. Second, even if you do not see immediate results, contacting your legislators early lets them know what your school system needs and gives them more time to look for the best opportunity and method for helping. Finally, by the time the bill is in the second chamber or the Conference Committee, many legislators will be focused on "making tweaks" and are uninterested by the prospect of introducing a brand-new issue late in the game. Between your late timing and the mounting pressure of the process, there is less of a chance that your legislator will be willing to take up the cause.

### **Your Message**

During budget season, many legislators spend less time dealing with constituent concerns and more time focusing on the budget process and other legislation. They have a lot on their minds, so a long-drawn out conversation with their local school board member will probably not get the results that you hope for. Instead, spend some time thinking through and refining the message that you want to deliver before you call, email, or meet. If possible, be able to reference the exact document and page number for the provision that concerns you. This will not only provide your legislator with a concrete starting point, but also convey to her that you are closely observing the process and have taken the time to get engaged with the issue.

You should also consider doing some homework ahead of time and know the background and history of your issue. To help you with this, NCSBA provides background

briefs on important common issues facing school board members. (Go to NCSBA's [website](#), click on "Governmental Relations" and then click on Legislative Agenda and Issue Briefs.) You should also try to obtain some locally-generated numbers or data to demonstrate how a specific budget decision will impact your school system. These strategies will help you make your case.

Here's an important "don't": avoid presenting a wish list of things you want the legislator to vote for or deliver for your district, unless the forum is specifically set up for that. Legislators are flooded with laundry lists of requests from all different corners during the budget season. If you communicate with your legislator in that sort of generic manner, you will probably receive generic treatment in return, which decreases the likelihood of having your concerns heard and seriously absorbed. Instead, focus on personalizing the discussion – go in with the goal of presenting thoughtful analysis and discussion on how two or three issues of concern will affect your school system. Try to use clear, concise phrases that make your position clear: "Senator, if there's one thing that we want you to remember from this meeting, it is that our district simply cannot afford to go another year without a pay increase for teachers. Please do whatever you can to put that in the budget." It is also important that you do not come across as stubborn or inflexible. Present your own ideas of compromises that would be acceptable to your school board. This is especially important during times of budget crises, when legislators are besieged by requests from groups to protect their funding. A legislator is more likely to respect and take seriously a board member who is willing to meet halfway in situations where difficult choices must be made.

One final "don't": you cannot assume that just because you shared an important budget-related concern with your legislator prior to the session that your legislator will remember your request when he/she starts working on the budget bill in April, June, or August. A consistent message and a couple of well-timed reminders will go a long way. Given the breadth of issues that cross every legislator's desk, it is unrealistic to expect that a brief conversation you had in January will be retained several months later.

## **Handling the “I can’t help you because I don’t sit on Appropriations” Response**

As outlined above, many of the budget decisions affecting public schools occur within the House and Senate Appropriations Committees. The problem is, not every legislator sits on the Appropriations Committee or is directly involved in how the State spends money on education. Sometimes legislators will respond to your comments or concerns about the State budget by saying, “I don’t sit on Appropriations,” which is another way of saying, “I can’t do anything about that,” or “not my problem.”

But this is where knowing the members of your delegation and the State budget process plays to your advantage. If you hear that response, follow up with the legislator by asking if he/she would relay your message to another member of your local delegation who does have a seat on the Appropriations Committee and might be able to help. You could also ask if he/she might relay your message to one of his/her allies who sits on Appropriations. In the meantime, you should also pursue the Subcommittee Co-chairs, or the Appropriations Full Chairs. There’s no rule that says you must limit your communications to your local delegation. Plus, recruiting support from different members is an effective strategy because a block of legislators who join together on an issue are usually more likely to succeed in getting what they want, even if they have different committee assignments. Still another option is to ask your legislator if he/she would be willing to run an amendment to the budget bill if the issue has not been resolved by the time the bill gets to the floor. As you learned in Part 3, numerous amendments are considered during floor debate of the budget bill, and many provisions are added or removed during this time.

## **Share your experience**

After you speak with your legislator about the budget, you should consider relaying the details of your experience (whether it constitutes good news or bad news) to fellow board members who were not part of the conversation. Sit down with them and discuss how the meeting went, what was covered, and how you can use what was learned at the meeting to refine your board’s message. If your conversation was generally positive, you can share the news and see if any of your colleagues would be willing to contact the same legislator with

words of reinforcement or appreciation. Encourage them to contact their legislators with a consistent message about the budget or particular items within the budget.

It is also helpful to make the NCSBA staff aware of your contacts with legislators. If appropriate, please contact Leanne Winner ([lwinner@ncsba.org](mailto:lwinner@ncsba.org) or (919) 747-6686) with any information about your interactions with legislators.



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## **APPENDIX A**

### **NCSBA TASK FORCE ON THE STATE BUDGET PROCESS 2010**

#### **List of Participants**

The Honorable Lucy Allen · *N.C. State Representative (Franklin, Halifax, Nash)*

The Honorable Susan Fisher · *N.C. State Representative (Buncombe)*

The Honorable Dale Folwell · *N.C. State Representative (Forsyth)*

The Honorable Rosa Gill · *N.C. State Representative (Wake)*

The Honorable Rick Glazier · *N.C. State Representative (Cumberland)*

The Honorable Linda Johnson · *N.C. State Representative (Cabarrus)*

The Honorable Alice Underhill · *N.C. State Representative (Craven, Pamlico)*

Almetta Armstrong · *Montgomery County Board of Education*

Dr. Jim DiMuzio · *Whiteville City Board of Education*

Chuck Francis · *Haywood County Board of Education*

J. Wendell Hall · *Hertford County Board of Education*

Thomas Manning · *Alamance-Burlington Board of Education*

Tim Morgan · *Charlotte-Mecklenburg Board of Education*

Marilyn Parker · *Winston-Salem/Forsyth County Board of Education*

Dr. Altheria Patton · *Anson County Board of Education*

Leonard Peace, Sr. · *Granville County Board of Education*

Paige Sayles · *Franklin County Board of Education*

G.H. Wilson · *Sampson County Board of Education*

Dorothy Witherspoon · *Ashe County Board of Education*

Philip Price · *N.C. Department of Public Instruction*

Ed Dunlap · *Executive Director, North Carolina School Boards Association*

Leanne E. Winner · *Director of Governmental Relations, North Carolina School Boards Association*

Conor Brockett · *Governmental Relations Attorney, North Carolina School Boards Association*

Sean Holmes · *Governmental Relations Assistant, North Carolina School Boards Association*

## APPENDIX B

Tables 1 and 2 contain historical budget data provided by the North Carolina Office of State Budget and Management. Table 3 is taken from the 2017 Annotated Conference Committee Report on the Base, Expansion and Capital Budgets published by the General Assembly Fiscal Research Division. These tables provide a comprehensive sense of how the size of the State budget, the sources of State revenues, and the share for K-12 public schools have changed over time.

### TABLE 1

**Trends in the Total State Budget (Excluding Transfers), 1977-78 to 2016-17**

(In Millions)

Fiscal Year	Public Education	Higher Education	Community Colleges	Human Services	Transportation	Correction	Public Safety	All Other Agencies	Debt Service	Reserves *	Capital	Other	Total
1977-78	\$1,192.3	\$540.1	\$136.3	\$902.5	\$536.2	\$95.3	0.0	419.1	76.7	3.1	75.6	-	3,977.2
1978-79	1,307.5	584.5	161.4	1,007.9	571.3	106.1	0.0	450.2	82.7	9.3	130.1	-	4,411.0
1979-80	1,487.9	644.3	165.2	1,213.2	595.8	123.5	0.0	545.6	84.9	8.2	153.8	-	5,022.4
1980-81	1,655.8	727.4	195.3	1,315.2	611.4	144.8	0.0	594.5	92.5	5.8	110.7	-	5,453.4
1981-82	1,768.2	821.0	219.4	1,411.2	617.4	162.7	0.0	610.5	99.2	8.8	31.8	-	5,750.2
1982-83	1,798.5	856.4	232.0	1,462.2	626.8	176.1	0.0	640.7	114.2	11.4	72.4	-	5,990.7
1983-84	1,906.6	944.4	261.7	1,601.3	864.3	190.5	0.0	698.4	117.8	2.9	116.0	-	6,703.9
1984-85	2,170.4	1,058.9	288.2	1,719.6	893.4	212.7	0.0	755.1	114.5	6.3	234.1	-	7,453.2
1985-86	2,501.4	1,219.8	304.7	1,945.6	908.1	244.3	0.0	843.4	114.2	21.1	298.0	-	8,400.6
1986-87	2,660.6	1,300.7	337.1	2,032.8	1,005.7	261.7	0.0	909.9	98.2	15.8	334.0	-	8,956.5
1987-88	2,939.7	1,414.4	358.9	2,251.2	1,086.1	306.0	0.0	972.4	111.9	18.7	265.3	-	9,724.6
1988-89	3,230.8	1,483.2	364.7	2,435.8	1,111.7	343.1	0.0	1,012.7	108.9	2.6	316.9	-	10,410.4
1989-90	3,468.2	1,662.2	403.2	2,695.5	1,399.1	380.8	0.0	1,270.4	107.6	-	377.6	231.8	11,996.4
1990-91	3,672.0	1,700.0	433.5	3,012.3	1,378.5	428.0	0.0	1,289.8	108.7	147.3	292.5	476.8	12,939.5
1991-92	3,688.6	1,647.3	410.7	3,661.6	1,512.3	484.8	0.0	1,375.7	117.9	0.9	242.6	468.0	13,610.4
1992-93	3,829.0	1,728.9	476.8	4,244.2	1,614.3	517.2	0.0	1,437.0	127.0	(5.4)	274.5	232.4	14,508.7
1993-94	4,128.2	1,850.9	504.0	5,289.4	1,727.9	577.4	0.0	1,701.9	129.6	221.5	910.1	236.8	17,277.7
1994-95	4,417.1	1,932.9	534.6	5,616.5	1,850.1	732.5	0.0	1,859.3	142.5	235.0	592.6	236.8	18,149.9
1995-96	4,477.5	2,035.1	546.1	5,910.1	1,917.5	815.4	0.0	1,735.0	157.0	6.9	456.0	-	18,056.6
1996-97	4,783.6	2,121.3	576.6	6,324.4	1,987.6	833.3	0.0	1,764.2	135.4	135.6	1,118.0	#	19,780.2
1997-98	5,191.6	2,262.6	610.6	6,955.9	2,106.4	831.0	0.0	1,693.5	167.2	104.6	1,201.4	#	21,124.8
1998-99	5,549.9	2,321.1	659.9	7,604.9	2,125.4	859.0	0.0	1,759.0	200.4	221.1	883.5	#	22,631.6
1999-00	6,033.2	2,473.6	681.5	7,814.7	2,492.9	899.2	0.0	1,922.5	244.1	222.6	877.1	#	24,290.4
2000-01	6,366.8	2,555.3	724.1	8,213.6	2,635.8	883.0	0.0	1,904.8	270.0	494.3	424.0	#	24,501.7
2001-02	6,635.5	2,781.0	772.1	9,567.5	2,808.3	933.3	0.0	1,949.5	302.6	13.2	762.9	#	26,565.9
2002-03	6,534.6	2,814.1	825.6	10,404.5	2,598.5	890.6	0.0	1,841.3	301.2	(5.4)	881.2	#	27,152.7
2003-04	6,995.3	3,016.8	832.9	10,581.2	2,800.8	950.7	0.0	1,907.6	438.1	278.3	1,533.3	#	29,397.0
2004-05	7,118.6	3,103.5	880.6	11,553.0	2,831.3	959.1	0.0	1,973.7	561.1	644.4	1,534.2	#	31,221.5
2005-06	7,541.9	3,480.3	997.1	13,025.8	3,336.3	1,122.1	0.0	2,452.3	676.9	563.2	1,243.7	#	34,539.6
2006-07	7,654.9	3,656.9	1,032.1	13,732.1	3,420.7	1,175.5	0.0	2,601.4	708.2	1,363.1	1,316.1	#	36,761.0
2007-08	9,212.7	4,320.2	1,144.6	15,440.1	3,483.7	1,235.4	0.0	4,395.5	746.3	758.6	725.7	#	41,562.8
2008-09	9,406.3	4,394.2	1,151.4	15,905.8	3,483.9	1,347.8	0.0	6,403.4	771.2	1,128.7	338.2	#	44,430.8
2009-10	10,097.0	3,781.5	1,272.1	15,564.9	3,144.1	1,478.4	0.0	6,143.7	828.5	230.3	791.9	#	43,382.3
2010-11	9,726.2	3,806.9	1,398.5	16,261.9	3,296.3	1,447.0	0.0	6,115.8	878.0	460.5	536.2	#	43,977.3
2011-12	9,717.7	3,996.0	1,344.8	16,715.3	4,579.7	1,516.8	0.0	11,887.1 <sup>a</sup>	900.7	193.0	809.5	#	51,710.8
2012-13	9,743.9	4,008.6	1,350.5	16,927.6	4,571.5	1,523.1	0.0	11,864.3 <sup>a</sup>	966.9	337.7	283.3	#	51,627.4
2013-14	10,792.6	4,009.7	1,429.5	17,040.6	3,865.4	-	2,058.4 <sup>b</sup>	8,881.4	936.1	527.1	50.1	#	49,590.9
2014-15	11,013.8	4,045.7	1,438.5	17,246.0	5,081.7	-	2,064.6 <sup>b</sup>	8844.63	917.82	693.23	169.9	#	51,515.9
2015-16	12,270.4	4,424.4	1,443.2	19,482.8	4,337.1	-	2,125.0 <sup>b</sup>	8567.62	868.40	179.70	21.8	#	53,720.4
2016-17	12,505.5	4,546.9	1,473.5	18,904.0	4,480.1	-	2,205.6 <sup>b</sup>	8718.30	890.10	261.50	33.0	#	54,018.5

\* Includes funds transferred to the Reserve for Budget Stabilization.

# Includes General Obligation Bonds

a) Includes an increase of \$4.4 billion in Federal funds for the ESC-Trust Fund for Claims & Benefits

b) Department of Corrections, Juvenile Justice and Crime Control and Public Safety merged in 2013 into the Department of Public Safety.

Note: Other includes Local Government Transfer and Appropriated Reserves (Repair and Renovation is included under capital).

Table 2

Total Authorized State Budget by Source of Funds, 1974-75 to 2016-17						
(In Millions)						
		Federal				
Fiscal Year	General Fund	Revenue Sharing	Hwy and Hwy Trust Fund	Federal	Other	Total
1974-75	\$ 1,734.6	\$ 57.2	\$ 392.7	\$ 648.6	\$ 247.8	\$ 3,080.9
1975-76	1,733.2	51.7	422.8	747.6	292.3	3,247.6
1976-77	1,922.4	67.1	414.6	776.8	282.9	3,463.8
1977-78	2,158.0	66.9	433.1	967.9	351.4	3,977.3
1978-79	2,515.4	62.5	461.8	1,042.7	328.5	4,410.9
1979-80	2,787.7	57.0	497.6	1,240.5	448.8	5,031.7
1980-81	3,216.4	28.4	506.1	1,296.5	395.7	5,443.1
1981-82	3,435.0	-	535.0	1,312.7	470.0	5,752.8
1982-83	3,623.6	-	555.6	1,322.3	485.9	5,987.4
1983-84	3,872.6	-	664.0	1,597.4	584.9	6,718.9
1984-85	4,516.6	-	713.6	1,655.8	551.7	7,437.7
1985-86	5,130.5	-	735.5	1,838.1	696.4	8,400.5
1986-87	5,531.3	-	839.4	1,887.4	698.3	8,956.4
1987-88	5,977.9	-	882.4	2,026.8	837.1	9,724.2
1988-89	6,586.1	-	918.7	2,117.4	788.2	10,410.4
1989-90	7,360.0	-	1,236.6	2,366.8	1,033.0	11,996.4
1990-91	8,149.6 <sup>1)</sup>	-	1,223.8	2,616.8	949.4	12,939.6
1991-92	7,983.0 <sup>1)</sup>	-	1,323.3	3,127.8	1,176.2	13,610.3
1992-93	8,209.5	-	1,318.4	3,617.6	1,363.2	14,508.7
1993-94	9,405.4	-	1,363.3	4,516.4	1,456.5	16,741.6
1994-95	10,268.4	-	1,480.9	4,639.9	1,580.7	17,969.9
1995-96	10,055.5	-	1,553.4	4,664.4	1,783.3	18,056.6
1996-97	11,252.6 <sup>2)</sup>	-	1,622.5	4,917.3	1,987.8	19,780.2
1997-98	12,015.3 <sup>3)</sup>	-	2,025.5	5,220.4	1,863.6	21,124.8
1998-99	13,561.6 <sup>3)</sup>	-	1,807.6	5,465.3	1,797.1	22,631.6
1999-00	14,561.7 <sup>3)</sup>	-	1,878.8	5,951.1	1,898.8	24,290.4
2000-01	14,350.1 <sup>3)</sup>	-	2,058.8	6,134.4	1,958.4	24,501.7
2001-02	15,135.3 <sup>3)</sup>	-	2,121.1	7,066.3	2,243.2	26,565.9
2002-03	15,205.1 <sup>3)</sup>	-	1,900.0	7,676.5	2,371.0	27,152.6
2003-04	15,930.8 <sup>3)</sup>	-	2,477.7	8,465.8	2,522.7	29,397.0
2004-05	17,107.3 <sup>3)</sup>	-	2,469.6	8,967.1	2,677.5	31,221.5
2005-06	18,033.9 <sup>3)</sup>	-	2,744.7	9,972.0	3,789.0	34,539.6
2006-07	19,319.5 <sup>3)</sup>	-	2,836.9	10,495.7	4,108.9	36,761.0
2007-08	20,734.6 <sup>3)</sup>	-	2,857.8	11,476.1	6,494.3	41,562.8
2008-09	20,694.2 <sup>3)</sup>	-	2,845.1	11,923.9	6,183.8	41,647.0
2009-10	19,801.9 <sup>3)</sup>	-	2,491.8	14,191.0	6,897.6	43,382.3
2010-11	19,483.9 <sup>3)</sup>	-	2,631.4	14,758.0	7,104.1	43,977.3
2011-12	20,707.5 <sup>3)</sup>	-	2,834.3	18,100.4 <sup>4)</sup>	10,068.6	51,710.8
2012-13	20,662.1 <sup>3)</sup>	-	2,946.2	18,058.2 <sup>4)</sup>	9,960.9	51,627.4
2013-14	20,601.7	-	2,824.8	16,135.2	10,029.2	49,590.9
2014-15	21,334.5	-	2,781.9	16,126.0	11,305.8	51,515.9
2015-16	21,734.7	-	3,260.3	18,116.7	10,608.7	53,720.4
2016-17	22,441.4	-	3,538.5	17,269.4	10,769.2	54,018.5
1) Includes legislative bonds for capital improvements.						
2) Includes \$4.7 million from the 1997 Session of the General Assembly and general obligation bonds.						
3) Includes general obligation bonds.						
4) Includes an increase of \$4.4 billion in Federal funds for the ESC-Trust Fund for Claims & Benefits						

Table 3

Authorized General Fund Operating Appropriation for Public Schools, Community Colleges, and UNC 1997-98 to 2016-17										
	Total Current Operations	Public Schools		Community Colleges		University of North Carolina		Total Education	Health & Human Services	All other budget areas
	Amount	Amount	Percent	Amount	Percent	Amount	Percent	Percent	Percent	Percent
1997-98	\$11,258,582,548	\$4,697,892,305	41.7%	\$534,873,175	4.8%	\$1,489,866,397	13.2%	59.7%	21.5%	18.8%
1998-99	\$12,327,025,974	\$5,068,634,951	41.1%	\$587,542,475	4.8%	\$1,628,888,154	13.2%	59.1%	21.6%	19.3%
1999-00	\$13,441,610,285	\$5,497,075,780	40.9%	\$589,634,008	4.4%	\$1,682,143,914	12.5%	57.8%	20.8%	21.4%
2000-01	\$13,785,142,760	\$5,792,274,120	42.0%	\$644,032,372	4.7%	\$1,802,069,274	13.1%	59.8%	21.4%	18.8%
2001-02	\$14,372,409,843	\$5,922,450,405	41.2%	\$650,075,770	4.5%	\$1,801,953,447	12.5%	58.3%	23.7%	18.0%
2002-03	\$14,323,937,462	\$5,932,964,494	41.4%	\$667,345,336	4.7%	\$1,769,913,435	12.4%	58.4%	25.1%	16.5%
2003-04	\$14,835,621,783	\$6,182,040,462	41.7%	\$683,286,314	4.6%	\$1,821,404,924	12.3%	58.6%	22.9%	18.5%
2004-05	\$15,873,167,528	\$6,519,008,204	41.1%	\$751,146,236	4.7%	\$1,959,240,757	12.3%	58.1%	24.0%	17.9%
2005-06	\$17,141,460,791	\$6,880,737,717	40.1%	\$827,719,984	4.8%	\$2,151,799,848	12.6%	57.5%	23.7%	18.8%
2006-07	\$18,659,616,984	\$7,403,293,531	39.7%	\$935,718,292	5.0%	\$2,444,487,725	13.1%	57.8%	23.0%	19.2%
2007-08	\$20,428,846,612	\$8,055,773,246	39.4%	\$990,523,754	4.8%	\$2,752,879,241	13.5%	57.8%	22.8%	19.4%
2008-09	\$21,226,885,372	\$8,365,862,894	39.4%	\$1,016,658,560	4.8%	\$2,895,327,623	13.6%	57.8%	23.4%	18.8%
2009-10	\$19,010,057,199	\$7,544,465,541	39.7%	\$1,011,884,279	5.3%	\$2,738,558,775	14.4%	59.4%	20.6%	20.0%
2010-11	\$18,947,820,772	\$7,283,106,776	38.4%	\$1,050,945,454	5.5%	\$2,682,309,295	14.2%	58.1%	21.4%	20.5%
2011-12	\$19,698,616,193	\$7,617,376,287	38.7%	\$1,006,454,200	5.1%	\$2,556,910,757	13.0%	56.8%	23.2%	20.0%
2012-13	\$20,485,962,484	\$7,844,644,612	38.3%	\$1,040,421,605	5.1%	\$2,663,562,434	13.0%	56.4%	24.5%	19.1%
2013-14	\$20,602,828,645	\$7,920,136,315	38.4%	\$1,028,960,649	5.0%	\$2,604,213,664	12.6%	56.1%	24.3%	19.6%
2014-15	\$21,068,550,144	\$8,171,076,809	38.8%	\$1,050,054,664	5.0%	\$2,649,078,486	12.6%	56.3%	24.5%	19.2%
2015-16	\$21,717,958,405	\$8,516,954,437	39.2%	\$1,068,877,252	4.9%	\$2,745,360,801	12.6%	56.8%	23.6%	19.6%
2016-17	\$22,415,365,090	\$8,777,100,557	39.2%	\$1,101,634,822	4.9%	\$2,863,688,973	12.8%	56.9%	22.4%	20.7%

Source: 2017 Annotated Conference Committee Report on the Base, Expansion, and Capital Budgets; NC General Assembly Fiscal Research Division

## APPENDIX C

This document, composed by the Department of Public Instruction's Office of Financial and Business Services, compares the proposed education budgets from the Governor, the NC Senate, and the NC House. The last column shows the final, enacted budget.



Public Schools of North Carolina  
State Board of Education | Department of Public Instruction

updated

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FY 2017-18 Budget Comparison

Beginning Appropriated Budget (Base)

	Governor	Senate	House	FINAL
	\$ 8,739,220,986	\$ 8,739,220,986	\$ 8,739,220,986	\$ 8,739,220,986
<b>State Public School Fund - Continuation</b>				
Average Daily Membership Adjustment	31,897,244 R	31,897,244 R	31,897,244 R	31,897,244 R
Average Salary Adjustment	3,165,790 R	3,165,790 R	3,165,790 R	3,165,790 R
Children with Disabilities Headcount				(3,305,661) R
<b>State Public School Fund - Expansion</b>				
Central Office		(10,000,000) R	(5,000,000) R	(7,000,000) R
Instructional Supplies	14,033,461 R			
Textbook and Digital Materials	3,000,000 R	10,000,000 R		
Textbook and Digital Materials	10,000,000 NR	1,100,000 NR	10,351,000 NR (1)	11,285,000 NR (1)
Children with Disabilities 7.1			11,300,120 R	6,319,908 R
Cooperative Innovative HS 7.22			(2,246,612) R	(2,246,612) R
Cooperative Innovative HS 7.22				563,662 NR
Harnett County Early College				100,000 NR
Wayne County Stabilization Funds				2,000,000 NR
Haywood Community Learning Center				250,000 NR
Richmond Senior High School				200,000 NR
6th & 7th grade CTE Grant Program 7.23F			700,000 R	700,000 R
6th & 7th grade CTE Grant Program 7.23F				3,500,000 NR
Home Base	1,212,931 R			
School Based Personnel	20,000,000 R			
Driver Safety Incentive Program- DE reimbursement 7.21		25,830,750 R		
AP/CTE Bonuses to add Charter school teachers 7.29(d)		400,000 NR		
Geographically Isolated Schools 7.19		506,064 R		506,064 R
Advanced Tchr Compensation Model Pilot	9,800,000 NR		7,180,000 NR	7,180,000 NR
Advanced Tchr Compensation Model Pilot			1,000,000 R	
Digital Learning Prof development 7.23K	5,000,000 R		2,220,000 R	2,420,000 R
Cybersecurity Initiative 7.23A			350,000 NR	
Teacher Assistant Tuition Reimbursement Program 7.20		315,000 R		315,000 R
Coding and Mobile Application Grant Program 7.23		400,000 R	400,000 R	400,000 R
Analysis of Student Work 7.23E			(325,000) R	(325,000) R
Small specialty HS		(2,199,336) R	(2,199,336) R (2)	(2,199,336) R (2)
Small County Supplemental Funding		(3,618,482) R	(3,618,482) R (2)	(3,618,482) R (2)
State Public School Fund F&F receipts		(27,413,328) R	(6,442,382) NR (2)	(6,442,382) NR (2)
Benefits Adjustment			(5,000,000) R (2)	(5,000,000) R (2)
School Breakfast			(350,000) R (2)	
Low Wealth				(2,000,000) NR (2)
<b>SPSF Adjustments</b>	<b>98,109,426</b>	<b>30,383,702</b>	<b>43,382,342</b>	<b>38,665,195</b>
<b>Dept. of Public Instruction</b>				
Department of Public Instruction 7.7		(13,159,778) R		(3,239,205) R
Department of Public Instruction Audit 7.23L			1,000,000 NR	1,000,000 NR
.65 pos 7.23G			2,001,118 R (3)	2,001,118 R (3)
Reading Improvement Commission 7.26B			200,000 NR	200,000 NR
7.23I			250,000 R	250,000 R
Business System Modernization 7.16		18,753,007 NR	10,000,000 R	19,000,000 NR
Legal Fees - Office of Superintendent		300,000 NR	300,000 NR	300,000 NR
Future Ready Students CTE 2 positions 7.23H			200,000 R	200,000 R
Professional Educator Preparation 2 positions		200,000 R		200,000 R
Innovation Zone Model Grants 7.26E			620,000 R	
NCCAT		300,000 R	300,000 R	300,000 R
Licensure Fee Reimbursement - new teachers 7.28		245,000 R	245,000 R	245,000 R
Eastern NC STEM		300,000 NR		
Adds 5 Positions for State Superintendent 7.10		432,644 R		
Adds 10 Positions for State Superintendent			921,583 R	700,000 R
Eliminate 7 vacant positions			(525,225) R	(643,484) R

Division of School Business  
NC Department of Public Instruction



Public Schools of North Carolina  
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FY 2017-18 Budget Comparison

	Governor	Senate	House	FINAL
Eliminate filled Business Technology Analyst			(71,358) R	(71,358) R
Eliminate filled Research Associate - receipts		no saving R		no saving R
Eliminate filled Planning & Dev Consultant - receipts		no saving R		
Coordinator		(73,848) R		(73,848) R
Projects		(108,796) R		(108,796) R
Eliminate 4 SBE positions filled		(513,131) R		
* Director of SBE Operations				
* Legislative & Community Affairs Director				
* Legislative Specialist				
* Assoc State School Superintendent				(188,030) R
Transforming Low Performing Schools	10,000,000 R			
Whole School Whole Child Whole Community	250,000 R			
Troops to Teachers	120,000 R			
Charter School Oversight	100,000 R			
Residential Schools	490,000 R			1,000,000 NR
Residential Schools	120,000 NR			
Governors School	400,000 R			
SBE Legal personnel for SB867 (not ratified)	(140,000) R		(140,000) R	(140,000) R
School Risk Management Tip Line	958,670 NR			
State Board Room Upgrade	150,000 NR			
NC Education Endowment Fund		(4,550,000) NR	(4,550,000) NR	(4,550,000) NR
Fund		(6,145,461) NR	(6,145,461) NR	(6,145,461) NR
DPI Adjustments	12,448,670	(4,020,363)	4,605,657	10,235,936

Education Support Organizations

Muddy Sneakers			500,000 R	500,000 NR
Eastern North Carolina STEM			300,000 NR	300,000 NR
Communities in Schools Cape Fear				50,000 NR
Hoke Reading Literacy Council				25,000 NR
Life Changing Experiences Pilot Program				360,000 NR
Triangle Literacy Council			690,000 NR	740,000 NR
ESO Adjustments	-	-	1,490,000	1,975,000
Total Expansion/Reduction	110,558,096	26,363,339	49,477,999	50,876,131
Total Requirements	8,849,779,082	8,765,584,325	8,788,698,985	8,790,097,117

Reserve for Salaries & Benefits

Educators Teachers-salary increase	271,000,000	130,925,181 R	105,127,363 R	101,732,591 R
Educators Teachers-HQ Teachers EC/STEM LP sch 8.2		700,000 R		700,000 R
Veteran Teacher Retention Bonus			23,545,881 R	5,000,000 NR
Math & Reading Bonus grades 4-8				25,341,188 NR
School Counselors placed on higher pay scale			13,138,898 R	
School-Based Administrators-step increase 8.5/8.3 & School-Based Administrators-bonus 8.4	20,000,000	28,004,257	38,306,147 R	35,364,775 R
Non-Certified and Central Office Staff -Sal incr. 8.7	50,471,098 R	48,241,878 R	61,537,448 R	61,537,448 R
Non-Certified and Central Office Staff -bonus	26,665,163 NR			
Retirement - LEA	6,391,709 R	21,505,919 R	22,700,692 R	47,790,931 R
Retirement - LEA	38,350,254 NR		29,869,332 NR	
Health LEA	46,933,723 R	31,939,125 R	31,939,125 R	31,939,125 R
DPI Personnel-Sal Increase	1,166,636 R	985,514 R	997,153 R	997,153 R
DPI Personnel-Bonus	444,444 NR			
Salary Reversion/lapse salary			(1,114,462) R	
State Agency Teachers & SBA -residential schools	550,456 R	266,283 R	277,450 R	274,197 R
Retirement DPI	49,320 N	161,803 R	170,792 R	359,562 R
	295,923 NR		224,726 NR	

Division of School Business  
NC Department of Public Instruction





Public Schools of North Carolina  
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FY 2017-18 Budget Comparison	Governor	Senate	House	FINAL
Health DPI	284,080 R	168,764 R	168,764 R	168,764 R
Reserves for Salary and Benefit Adjustments	462,602,806	262,898,724	326,889,309 (5)	311,205,734
<b>Total Expansion + Salary &amp; Benefits Requirements</b>	<b>9,312,381,888</b>	<b>9,028,483,049</b>	<b>9,115,588,294</b>	<b>9,101,302,851</b>
<b>Items funded by Receipts</b>				
Civil Penalties- ADM Adjustment	(2,500,000) R			
Lottery- School Based Personnel	(20,000,000) R			
Lottery-Textbook and Digital Materials	(3,000,000) R			
Lottery- Tchr Compensation Model Pilot	(9,800,000)			
Lottery - Principal Pay		(28,004,257)		
Lottery - Noninstructional Support			(11,622,037) R (1)	(11,622,037) R (1)
Lottery - Transportation			(50,000,000) NR (1)	(41,891,102) NR (1)
				(1,386,090) R (1)
Lottery Textbook and Digital Materials	(10,000,000) NR			
<b>Total Receipts Support</b>	<b>(45,300,000)</b>	<b>(28,004,257)</b>	<b>(61,622,037)</b>	<b>(54,899,229)</b>
<b>Ending Appropriated Budget</b>	<b>\$ 9,267,081,888</b>	<b>\$ 9,000,478,792</b>	<b>\$ 9,053,966,257</b>	<b>\$ 9,046,403,622</b>
<b>Retirement Rate</b>	<b>17.33%</b>	<b>16.69%</b>	<b>17.21%</b>	<b>17.13%</b>
<b>Health Benefit</b>	<b>\$ 5,880</b>	<b>\$ 5,869</b>	<b>\$ 5,869</b>	<b>\$ 5,869</b>
<b>Salary Increase</b>	<i>See separate tab</i>	<i>See separate tab</i>	<i>See separate tab</i>	<i>See separate tab</i>
<b>Other items affecting the K-12 Education In UNC Budget</b>				
UNC Teacher & Principal Prep Lab Schools		930,000 R		930,000 R
		1,000,000 NR		1,000,000 NR
New Teacher Support Program		1,000,000 R		1,000,000 R
Future Teachers of NC 10.9		278,500 R		278,500 R
Teaching Fellows - 10A.3 STEM/EC Transfer from NC Endow.		- (4)	- (4)	- (4)
Special Education student Scholarship 10A.4		450,000 R		450,000 R
Principal Preparation Grants Program 10A.5			80,000 R	80,000 R
Opportunity Scholarship Evaluation			587,207 NR	

R= Recurring/ NR= Nonrecurring

**Note (1)**

**SENATE**

Principal Pay Lottery (28,004,257)

**HOUSE**

**FINAL**

Noninstructional Sup From Appropriations	(11,622,037)	(11,622,037)
To Lottery	11,622,037	11,622,037
Transportation From Appropriations	(50,000,000)	(43,277,192)
To Lottery	50,000,000	43,277,192
Textbooks & Digital From Literacy Fund	(259,833)	(259,833)
Education Fund	(340,327)	(340,327)

**Note (2)**

Budget Adjustments. No impact on LEA allotments

**Note (3)**

Transfer from the Governor's Office to DPI.

**Note (4)**

Both House and Senate reestablish the Teaching Fellows Program through a transfer from NC Education Endowment Fund

**Note (5)**

## APPENDIX D

### **K-12 Public Schools, Funding Formulas**

The following descriptions have been extracted from the 2017-18 Allotment Policy Manual published by the Department of Public Instruction's Financial and Business Services Division of School Business. The full manual can be accessed at the following website:

<http://www.ncpublicschools.org/fbs/allotments>

#### ACADEMICALLY OR INTELLECTUALLY GIFTED (AIG)

**PURPOSE:** Funds allocated for academically or intellectually gifted students may be used only (i) for academically or intellectually gifted students, (ii) to implement the plan developed **under G.S. 115C-150.7**; (iii) for children with special needs; or (iv) in accordance with an accepted school improvement plan, for any purpose so long as that school demonstrates it is providing appropriate services to academically or intellectually gifted students assigned to that school in accordance with the local plan developed under **G.S. 115C-150.7**.

**FORMULA:** Each LEA receives dollars per child for four percent (4%) of their allotted ADM regardless of the number of children identified as academically or intellectually gifted in the LEA. (Note: Effective July 1, 2018, no funds shall be transferred out of this category. (SL 2017-57, Section 7.2(b))

#### AT-RISK STUDENT SERVICES/ALTERNATIVE SCHOOLS

**PURPOSE:** Provides funding to identify students likely to drop out and to provide special alternative instructional programs for these at-risk students. Also provides funding for summer school instruction and transportation, remediation, alcohol and drug prevention, early intervention, safe schools, and preschool screening. These funds may not be used to supplant dropout prevention programs funded from other State or federal sources.

It is the intent of the General Assembly that each LEA has a School Safety Officer at each high school.

**FORMULAS:** Each LEA is allotted dollars for a School Safety Officer (SSO) based on the number of high schools in the LEA that receive a principal allotment. For the purpose of this allotment, a high school is defined as any school which contains Grades 9 and 10 or grade 12. Funds are then allotted for students in treatment programs in accordance with SL 1987-863. Fifty-percent of the remaining funds are distributed based on the number of

children in poverty per the Title I Low Income poverty data. The remaining funds are distributed based on allotted ADM. Each LEA receives a minimum of the dollar equivalent of two teachers and two instructional support personnel (including benefits). No funds will be allotted on a competitive grant basis.

#### DISADVANTAGED STUDENTS SUPPLEMENTAL FUNDING

**PURPOSE:** To address the capacity needs of local administrative units to meet the needs of disadvantaged students.

**FORMULAS:** Distribute resources based on a prescribed delivery option reduction of class size.

Step 1: Use the average statewide (K-12) teacher-to-student classroom teacher allotment for the **Fundable Disadvantaged Population** which is 1:21.

Step 2: The targeted allotment ratios for the **Fundable Disadvantaged Population** are:

- If low wealth % (per low wealth supplemental funding formula) is > 90%, one teacher per 19.9 students.
- If low wealth % is > = 80% but < = 90%, one teacher per 19.4 students.
- If low wealth % is < 80%, one teacher per 19.1 students.
- If an LEA received DSSF funds in FY 2005-06, one teacher per 16 students. These 16 LEAs will not receive less funding than they received in FY 2006-07.

Step 3: Convert the teaching positions to dollars by using the State average teacher salary (including benefits).

#### LIMITED ENGLISH PROFICIENCY (LEP)

**PURPOSE:** To provide additional funding to LEAs/charter schools with students who have limited proficiency in English.

**FORMULA:** Eligible LEAs/charter schools must have at least 20 students with

limited English proficiency (based on a 3-year weighted average headcount), or at least 2 1/2% of the ADM of the LEA/charter school. Funding is provided for up to 10.6% of ADM.

#### Calculate 3-Year Average Headcount

- Most current years available weighted twice (50%)
- Two previous years weighted once (25%)

#### Base Allocation

Each eligible LEA/charter school receives the minimum of 1 teacher assistant position.

1. 50% of the funds (after calculating the base) will be distributed based on the concentration of limited English proficient students within the LEA.
2. 50% of the funds (after calculating the base) will be distributed based on the weighted 3-year average headcount.

#### LOW WEALTH COUNTIES SUPPLEMENTAL FUNDING

**PURPOSE:** To provide supplemental funds in counties that do not have the ability to generate revenue to support public schools (per a legislated formula) at the State average level. The funding is to allow those counties to enhance the instructional program and student achievement.

#### **FORMULA:**

All data used for this formula will be the most recent data as of May 15, of the preceding fiscal year of the allotment.

1. Compare a county's ability to generate revenue (using three criteria) with the average ability to generate revenue of the other 99 counties in the State.

##### **Purpose:**

The overall wealth of a county is considered critical in determining if a county can generate the necessary revenue to support the LEA(s) located within the county. The formula attempts to project the county's ability to generate revenue as compared to other counties in North Carolina.

##### **Criteria:**

a. Anticipated Total County Revenue - This anticipated revenue is generated from the property value in the county plus the revenue a county actually receives from sources such as sales taxes and fines and forfeitures. The property value has been adjusted by a formula to take into consideration the year the property was last valued. This calculation is projected to be almost 95% of all the revenue available to a county for current expense.

b. Tax Base per Square Mile (Density) - This part of the formula compares the value of a county's property per square mile with the State average property value per square mile. This calculation attempts to recognize the "swamp land" (low to no value property) across the State and to compare the quantity of this property with all other counties.

c. Per Capita Income – A three-year average of a county's per capita income is compared to the same average for the total State. The per capita income is a basic indicator of a county's residents' ability to pay taxes.

2. Determine if a county is eligible to receive funding.

Purpose:

The factors outlined in Step 1 are weighted to determine how a county compares to all other counties in the State.

Criteria:

- 40% Anticipated Total County Revenue as a percentage of the State Average Anticipated State Revenue (see Step 1 (a)).
- 10% Tax Base per Square Mile as a percentage of the State Average Tax Base per Square Mile (see Step 1 (b)).
- Combine the formula weights revenue/property as 50% of the calculation.
- 50% A County's Average per Capita Income as a percentage of the State Average per Capita Income (see Step 1 (c)).

When the three percentages are totaled, the sum indicates the county's wealth as a percentage of the State's average wealth. If the total is less than 100%, a county is eligible to receive funding.

3. Determine if a county is meeting a minimum effort to generate revenue or fund public schools as compared to a State average effort.

Purpose:

Minimum effort is established to determine if a county is committing a comparable effort compared to other counties within the State. To receive total funding, a county must either tax their local property at the State average or contribute more local dollars to public schools than the State average local contribution.

Criteria:

A county is fundable at 100% of the calculated funding if at least one of the following conditions is met:

- a. The county's actual tax rate is adjusted by a formula to take into consideration the year the property was last valued. The revised tax rate is classified as the Effective Tax Rate. If the county's Effective Tax Rate is higher than the State Average Effective Tax Rate, the county is fundable at 100% of the funding as calculated in the formula.
- b. If the county's appropriation per student is higher than what the county could provide given the county's ability to generate wealth and an average effort to fund public schools, then a county is eligible for 100% funding. To determine what a county could provide, the State average contribution is multiplied by the county's wealth percentage (total percentage in Step 2 above).
- c. A county will be funded at a percentage of the calculated funding in the formula if the county is eligible for funding and does not meet the two criteria outlined above. A county's funding will be based on the percentage a county is contributing to public schools as compared to what the county could contribute based on the county's wealth and an average State effort.

4. Calculation of what a County (LEA) will be funded.

Purpose:

Once a county is determined to be Low Wealth, the next step is to calculate the amount of supplemental funds the county will receive.

Criteria:

The difference between the county's Appropriation per student and State Average Local Appropriation (including supplemental taxes) per student is multiplied by the county's ADM for a total allotment per formula.

If the county does not meet the minimum effort as described in Step 3, their allotment is prorated based on the effort they are maintaining.

The total for all counties is prorated to the appropriated funds.

#### SMALL COUNTY SUPPLEMENTAL FUNDING

PURPOSE: To provide additional funds to small school systems.

FORMULA:

Each Eligible county school administrative unit shall receive a dollar allotment according to the following schedule over the next five-year period:

Allotted ADM	Small County Allotment
0 – 600	\$1,710,000
601 – 1,300	\$1,820,000
1,301 – 1,700	\$1,548,700
1,701 – 2,000	\$1,600,000
2,001 – 2,300	\$1,560,000
2,301 – 2,600	\$1,470,000
2,601 – 2,800	\$1,498,000
2,801 – 3,300	\$1,548,000

#### TRANSPORTATION OF PUPILS

PURPOSE: Provides funding for all transportation related expenses for “yellow bus” use for eligible school age (K-12) students for travel to and from school and between schools. Examples of these expenses are contract transportation, transportation personnel (other than Director, Supervisor, and Coordinator), bus drivers' salaries, benefits, fuel, and other costs as defined in the Uniform Chart of Accounts. This includes expenses for contract transportation when a local school district finds it impracticable to furnish transportation by yellow bus for eligible school age (K-12) students for travel to and from school and between schools.

FORMULA:

1. Allotted based on a "budget rating" funding formula using the following factors: pupils transported; total eligible operating expenditures (local and State funds); number of buses operated.
2. The initial allotment shall consist of a portion of the projected planning allotment.

3. The final allotment will be allotted within available funds by December 1. This adjustment is derived from establishing a final budget rating calculated annually from the three key factors outlined in #1 above plus any other legislative adjustments.



## **APPENDIX E**

### **Legislative Session Dates**

#### **2017**

January 11	NC General Assembly convenes Long Session; 2017-2019 Biennium begins
February	General Assembly and Office of State Budget and Management (OSBM) release General Fund Revenue Consensus Forecast
March	Governor submits two-year budget proposal
March	Senate Appropriation Committee begins review of 2017 Appropriations Act (budget)
May 1	Superintendents submit budget proposals to local board of education for FY 2017-2018
May 15	Local boards of education transmit budget requests to local county commissions
May 12	Senate approves budget bill (SB 257)
June 1	County budget officer submits entire county budget (including school budget) to county commission
June 2	House approves budget bill
July 1	FY 2017-2018 begins; deadline for county commissions to make appropriations to school systems; local boards of education adopt budget resolutions shortly thereafter
June 22	Budget bill conference report enacted
June 27	Budget bill vetoed by Governor
June 28	Governor veto of budget bill overridden
July	State makes initial allotments to LEAs 10 days after budget becomes law
July-December	General Assembly adjourns and reconvenes numerous
November-December budget proposals	State Board of Education (SBE) begins discussing FY 2018-2019 budget proposals

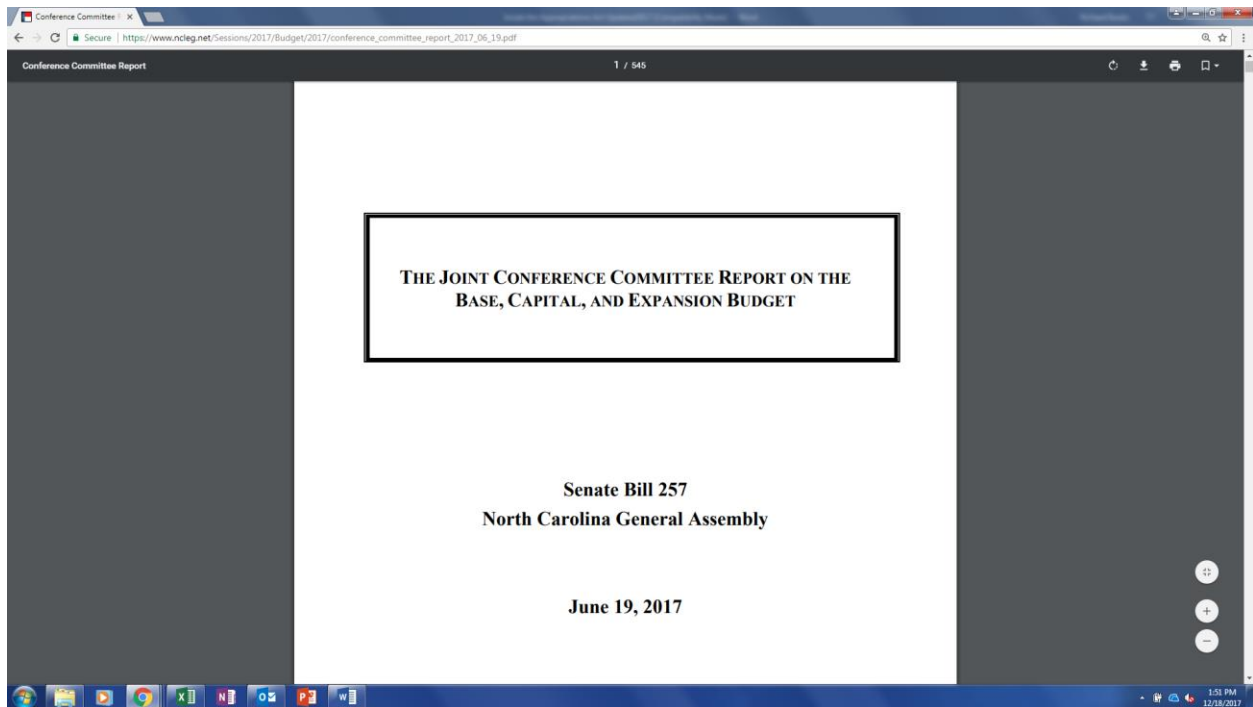
#### **2018**

January	SBE continues discussions about the K-12 public school budget for FY 2018-2019
Early February	SBE approves the Department of Public Instruction's (DPI) base/expansion budget proposals; approved budget submitted to OSBM
February 28	State filing deadline for major-party candidates running for State/federal elections
February	State's fiscal outlook released
February 13	General Assembly adjourns Long Session

May 1	Superintendents submit local budget proposals to local board of education for FY 2018-2019
May 8	Major-party primary elections
May 15	Local boards of education transmit local budget requests to county commissions
May 16	General Assembly convenes 2018 Short Session
June 1	House and Senate use a conference report for SB 99 to create the 2018 Appropriations Act; this procedure prohibits amendments by either chamber; budget votes are completed on June 1
June 1	County budget officer submits entire county budget (including local school budget) to county commission
June 6	Budget bill vetoed by Governor
June 12	Governor veto of budget bill overridden
June	State makes initial allotments to LEAs 10 days after budget becomes law
July 1	FY 2018-2019 begins; deadline for county commissions to make appropriations to school systems; local boards of education adopt budget resolutions shortly thereafter
August – October	Three Extra Sessions
November 6	General Election
December 27	General Assembly concludes Short Session, adjourns <i>sine die</i>

## APPENDIX F

Below is the title page for the “Money Report” for the final Joint Conference Committee Report for 2017-19.



**This is part of the education portion of the money report for you to familiarize yourself with  
the formatting of a money report**

Conference Report on the Continuation, Capital, and Expansion Budget

	<b>FY 14-15</b>	
<b>5 Compensation Increase Reserve - Department of Public Instruction (DPI)</b>	\$1,652,844	R
Provides a \$1,000 annual recurring salary increase (~\$1,236 salary and benefit increase) for permanent full-time employees and funds the salary increase required by the Teacher Salary Schedule for State agency teachers.		
<b>6 State Retirement System Contributions - School District Personnel</b>	\$26,455,623	R
Increases the State's contribution to the Teachers' and State Employees' Retirement System to fund the Annual Required Contribution, provide a 1.0% cost-of-living adjustment to retirees, and reflect the ratification of H.B. 1195. Total General Fund appropriation across all sections in the committee report is \$45.5 million.		
<b>7 State Retirement System Contributions - DPI</b>	\$226,087	R
Increases the State's contribution to the Teachers' and State Employees' Retirement System to fund the Annual Required Contribution, provide a 1.0% cost-of-living adjustment to retirees, and reflect the ratification of H.B. 1195. Total General Fund appropriation across all sections in the committee report is \$45.5 million.		
<b>B. Technical Adjustments</b>		
<b>8 Average Daily Membership (ADM) (Multiple)</b>	(\$37,453,734)	R
Revises projected ADM for FY 2014-15 to reflect 6,286 fewer students than originally projected. The adjustment includes revisions to all position, dollar, and categorical allotments.		
Total allotted ADM for FY 2014-15 is 1,520,305, an increase of 10,320 students over FY 2013-14.		
<b>9 Average Certified Personnel Salaries (Multiple)</b>	(\$64,923,926)	R
Revises budgeted funding for certified personnel salaries based on actual salary data from December 2013. The adjustment does not reduce any salary paid to certified personnel, nor does it reduce the number of guaranteed State-funded teachers, administrators, or instructional support personnel.		
<b>10 ADM Adjustment: Opportunity Scholarships (1800)</b>	\$11,797,941	R
Provides funding to eliminate the ADM Adjustment for Opportunity Scholarships.		

## Conference Report on the Continuation, Capital, and Expansion Budget

<b>FY 14-15</b>		
<b>11 Education Lottery Receipts: Classroom Teachers (1800)</b>	(\$33,942,997)	R
Adjusts the receipts budgeted for the Classroom Teachers allotment to reflect an updated distribution between Lottery-supported programs.		
<b>12 Education Lottery Receipts: Teacher Assistants (1800)</b>	(\$113,318,880)	R
Budgets Lottery receipts into the Teacher Assistants allotment and takes an equivalent reduction to the allotment's General Fund support.		
<b>13 Exceptional Children Headcount (1860)</b>	(\$5,327,241)	R
Adjusts funding budgeted for the Children with Disabilities preschool and school-age allotments to reflect actual student headcount. The enacted FY 2014-15 budget included anticipated growth based on the projected headcount of children with disabilities. This adjustment revises budgeted funding for both preschool and school-age children with special needs to reflect the April 1, 2014 headcount and does not reduce funding per student.		
<b>14 Civil Penalties (1800)</b>	(\$4,000,000)	R
Increases budgeted receipts from Civil Penalties and takes corresponding General Fund reductions. The nonrecurring reduction reflects actual overrealized receipts in FY 2013-14, while the recurring reduction reflects an increased estimate of anticipated FY 2014-15 receipts.		
<b>C. Public School Funding Adjustments</b>		
<b>15 Excellent Public Schools Act (Multiple)</b>	\$6,015,859	R
Provides additional funds to the Department of Public Instruction to carry out elements of the Excellent Public Schools Act contained in Section 7A.1 and Section 7A.7 of S.L. 2012-142. DPI will have \$38.0 million available to implement these requirements.		
<b>16 Classroom Teachers (1800)</b>	\$41,932,566	R
Decreases class size funding allocations by 1 student in both Kindergarten and Grade 1. The new Kindergarten allotment ratio will be 1 guaranteed teaching position for every 18 students in membership, an increase of 359 positions. The new Grade 1 allotment ratio will be 1 guaranteed teaching position for every 17 students in membership, an increase of 402 positions. This expansion, combined with other class size modifications made in S.L. 2013-360, will lower the FY 2014-15 teacher allotment ratios in Grades K-3 by 1 student per teacher as compared to the FY 2013-14 ratios. \$3.80 billion is budgeted in total for this allotment.		

**APPENDIX G**  
**Budget Continuation Statute**

**§ 143C-5-4. Enactment deadline; procedures to be followed when the Current Operations Appropriations Act does not become law prior to the end of certain fiscal years.**

**(a) Enactment Deadline. - The General Assembly shall enact the Current Operations Appropriations Act by June 15 of odd-numbered years and by June 30 of even-numbered years in which a Current Operations Appropriations Act is enacted.**

**(b) Procedure for Budget Continuation. - If a fiscal year begins for which no Current Operations Appropriations Act providing for current operations of State government during that fiscal year has become law, then the following procedures shall be followed and the following limitations shall apply:**

**(1) Authority. - Unless otherwise provided by law, the Director of the Budget may continue to allocate funds from all funds for expenditure by State departments, institutions, and agencies at a level not to exceed the level of recurring expenditures from those funds for the prior fiscal year. If the Director of the Budget finds that projected revenues for the fiscal year will not support expenditures at the level of recurring expenditures for the prior fiscal year, the Director of the Budget shall allot funds at a lower level. In making these allocations, the Director of the Budget shall ensure the prompt payment of the principal and interest on bonds and notes of the State according to their terms. Except as otherwise provided by this section, the limitations and directions on the expenditure of funds for the prior fiscal biennium shall remain in effect.**

**(2) Appropriation of funds necessary to implement. - There is appropriated from the appropriate State funds, cash balances, federal receipts, and departmental receipts sums sufficient to implement the authority described in this subsection for the applicable fiscal year.**

**(3) Relation to Current Operations Appropriations Act. - The appropriations and the authorizations to allocate and spend funds which are set out in this subsection shall remain in effect until the Current Operations Appropriations Act for the applicable fiscal year becomes law, at which time that Act shall become effective and shall govern appropriations and expenditures. When the Current Operations Appropriations Act for that fiscal year becomes law, the Director of the Budget shall adjust allotments to give effect to that Act from July 1 of the fiscal year.**

**(4) Vacant positions. - If both houses of the General Assembly have passed their respective versions of the Current Operations Appropriations Act on the third reading and**

ordered them sent to the other chamber, then vacant positions subject to proposed budget reductions in either or both versions of the bill shall not be filled.

(5) **State employee salaries.** - The salary schedules and specific salaries established for the prior fiscal year and in effect on June 30 of the prior fiscal year for offices and positions shall remain in effect until the Current Operations Appropriations Act for the current fiscal year becomes law. State employees subject to G.S. 7A-102(c), 7A-171.1, 20-187.3, or any other statutory salary schedule, shall not move up on salary schedules or receive automatic increases, including automatic step increases, until authorized by the General Assembly. State employees, including those exempt from the classification and compensation rules established by the State Human Resources Commission, shall not receive any automatic step increases, annual, performance, merit, bonuses, or other increments until authorized by the General Assembly.

(6) **School Employee Salaries.** - Public school employees paid on the teacher salary schedule, the school-based administrator salary schedule, or any other salary schedule established by State law shall not move up on salary schedules or receive automatic step increases until authorized by the General Assembly.

(7) **State's employer contribution rate.** - The State's employer contribution rates budgeted for retirement and related benefits for the current fiscal year shall remain the same as they are on June 30 of the prior fiscal year. These rates are effective until the Current Operations Appropriations Act for the current fiscal year becomes law and are subject to revision in that Act. If that Act modifies those rates, the Director of the Budget shall further modify the rates set in that Act for the remainder of the fiscal year so as to compensate for the different amount contributed between July 1 and the date the Current Operations Appropriations Act becomes law so that the effective rates for the entire year reflect the rates set in the Current Operations Appropriations Act.

(8) **(Effective until July 1, 2019) Statutory transfers to reserves.** - Notwithstanding G.S. 143C-4-2 and G.S. 143C-4-3, funds shall not be reserved to the Savings Reserve or the Repairs and Renovations Reserve and the State Controller shall not transfer funds from the unreserved fund balance to those reserves on June 30 of the prior fiscal year.

(8) **(Effective July 1, 2019) Statutory transfers to reserves.** - Notwithstanding G.S. 143C-4-2 and G.S. 143C-4-3.1, funds shall not be reserved to the Savings Reserve Account or the State Capital and Infrastructure Fund and the State Controller shall not transfer funds from the unreserved fund balance to those accounts on June 30 of the prior fiscal year.

(9) **Federal block grant funds and other grant funds.** - Notwithstanding G.S. 143C-6-4, State agencies may, with approval of the Director of the Budget, spend funds received from grants awarded during the current fiscal year, including federal block grants, that are for less

than two million five hundred thousand dollars (\$2,500,000), do not require State matching funds, and will not be used for a capital project. State agencies shall report to the Joint Legislative Commission on Governmental Operations within 30 days of receipt of such funds. State agencies may spend all other funds from grants awarded during the current fiscal year, including federal block grants, only with approval of the Director of the Budget and after consultation with the Joint Legislative Commission on Governmental Operations, except that consultation with the Joint Legislative Commission on Governmental Operations shall not be required prior to an expenditure to respond to an emergency, as that term is defined in G.S. 166A-19.3(6). The Office of State Budget and Management shall work with the recipient State agencies to budget grant awards according to the annual program needs and within the parameters of the respective granting entities. Depending on the nature of the award, additional State personnel may be employed on a time-limited basis. Funds received from such grants are hereby appropriated and shall be incorporated into the authorized budget of the recipient State agency. Notwithstanding the provisions of this subdivision, no State agency may accept a grant if acceptance of the grant would obligate the State to make future expenditures relating to the program receiving the grant or would otherwise result in a financial obligation as a consequence of accepting the grant funds. Nothing in this subdivision shall be construed to prohibit or limit expenditures that are authorized under subdivision (1) of this subsection. (2006-203, s. 3; 2016-94, s. 6.3(a); 2016-123, s. 2.2; 2017-5, s. 5; 2017-57, s. 36.12(h).)



## **APPENDIX H**

**Below is a glossary of budget terms from the Budget Manual published by the Office of State Budget and Management (OSBM).**

### **Authorized Budget**

The authorized budget is composed of the certified budget plus allowable internal budget revisions (type 14 budget revisions) and adjustments that must be approved by OSBM (on type 12 budget revisions) through its statutory authority or acting on behalf of the Governor under the Governor's Constitutional role and authority as Director of the Budget. This is the working budget and is reflected on the Monthly Budget Report (BD 701).

### **Base Budget**

The base budget is the part of the State budget necessary to continue the current level of services when adjusted for inflation, mandated rate increases such as social security, annualization of programs, and operation of new facilities.

### **Budget Stabilization Reserve**

This account is a restricted reserve from which funds are authorized by the General Assembly for emergencies or budget stabilization efforts. Funding is based on 25% of the credit balance, as determined on a cash basis, until the account contains funds equal to 5% of the amount appropriated the preceding year for the General Fund operating budget.

### **Budget Revision (BD 606)**

The process by which funds may be transferred, receipts budgeted, and positions established, as required by agency or OSBM approval. The State Budget Act has certain restrictions on these budget transactions; however, the Director of the budget may declare a deviation from the restrictions and report the transaction to the Legislative Commission on Government Operations.

### **Capital Improvement Budget**

The capital improvement budget is for real property acquisitions, new construction, rehabilitation of existing facilities, and repairs and renovations. These types of expenditures are accounted for in the capital budget code of an agency or institution. (GS 143C-1-1(d)(5))

## **Certified Budget**

The certified budget is enacted by the General Assembly and includes adjustments made for (i) distributions to State agencies from statewide reserves appropriated by the General Assembly, (ii) distributions of reserves appropriated to a specific agency by the General Assembly, and (iii) organizational or budget changes directed by the General Assembly but left to the Director to carry out. (GS143C-1-1(d)(7))

## **Change Budget**

The change budget is the part of the budget that provides for new programs, expansion of existing programs, and salary and benefit increases.

## **Community Colleges Faculty and Administrators**

Positions funded in the State budget on a per unit allocation for employment of faculty and administrators in the State's Community College System.

## **Debt Service**

Debt service consists of payments for interest on and redemption of outstanding bonds for which the full faith and credit of the State are pledged.

## **Excess Receipts**

These are receipts received for services performed, fines received for violation of State regulations, or federal grants and funds received for specific purposes which exceed the amounts anticipated and budgeted by the General Assembly. When such excess receipts occur in the General Fund or Highway Fund budgets and the receipts are not authorized by OSBM to be used by the agency, they revert to the appropriate fund at the end of the fiscal year.

## **Federal Funds**

These funds are received from federal government agencies for support of programs on the State level. Federal funds are received through block grants, entitlement programs, and specific grants.

## **General Fund**

The general fund is made up of tax revenues (non-transportation) such as sales tax, individual income tax, corporate tax, insurance premium tax, and franchise tax. In addition, the general fund includes non-tax revenues such as income from the Treasurer's investments, fees received from the court system, miscellaneous fees charged for State services, and transfers from the highway fund and the highway trust fund, and Medicaid disproportionate share receipts.

## **General Fund Budget Codes**

These codes are for the budgets of each agency and institution that are supported from State General Fund revenue and from receipts considered to be general rather than specific in nature.

## **General Obligation Bonds**

This consists of appropriations authorized by the General Assembly from bonds that require an affirmative vote of the people to authorize the issuance of bonds pledging the full faith and credit of the State for specific purposes, chiefly capital improvements and highway construction.

## **Highway Fund**

The tax and nontax revenue collected by the State of North Carolina and deposited with the State Treasurer for appropriation by the General Assembly to support the operations and capital construction needs of the Department of Transportation, including the Division of Motor Vehicles, and the Highway Patrol Division of the Department of Public Safety. Highway Fund tax revenue includes licenses and fees relating to the operation of motor vehicles and the motor fuel tax. Highway Fund nontax revenue includes income from the State Treasurer's investments of Highway Fund dollars.

## **Highway Fund Budget Codes**

These codes are for the budgets of each agency that are supported from State Highway Fund revenue and from receipts considered to be general rather than specific in nature.

## **Highway Trust Fund**

This fund is for the tax revenue on motor fuels, special fuels, and road taxes deposited with the State Treasurer that is earmarked for appropriation for the construction of State-funded roads and bridges.

## **Judicial Employees**

These are positions funded in the State budget for the Judicial Branch, ranging from the Chief Justice to the clerks of court. These positions are not subject to the State Personnel Act.

## **Lapsed Salaries**

Lapsed salary is the budgeted dollar amount not expended for salary and associated benefits during the period in which a position is vacant. Each agency is responsible for calculating lapsed salary funds generated and must be prepared to submit this information to OSBM when requested.

### **Legislative Bonds (Two-thirds Bonds)**

This consists of appropriations authorized by the General Assembly from bonds which pledge the full faith and credit of the State for capital improvements. The authorization is limited to an amount not to exceed two-thirds of the amount by which the State's indebtedness has been reduced during the previous biennium.

### **Legislative Salary Increase**

This is a salary increase given to teachers and State employees by the General Assembly. The increase may be a percentage increase of the base pay, a flat dollar amount per employee, or a combination of both. These types of increases are reflected in new salary schedules for State employees and for public school personnel.

### **Local Government Tax Reimbursements**

These are reimbursements for "holding harmless" local governments due to the Tax Reduction Act of 1985. These measures include (1) property tax on business inventories; (2) property tax homestead exemption; (3) sales tax on food stamp purchases; and (3) intangibles on tax on money on deposit and certain accounts receivable. The funding was returned to earmarked revenue in 1995-96 as was the case prior to 1990-91.

### **Local Government Tax Shared Revenue**

These are revenues collected by the State and shared with local governments - intangibles, beverages, and franchise taxes. The 1992 Session of the General Assembly authorized a change from appropriated funds to an earmarked revenue as was the case prior to 1990-91.

### **Longevity Pay**

Longevity pay is the salary compensation paid to State employees who have been employed by the State for a certain number of years. The payment is made on the anniversary date when the employee began his or her employment with the State. Questions about longevity should be directed to the Office of State Human Resources.

### **Medicaid**

This is the assistance program that provides medical care for public assistance recipients, the elderly, and the disabled.

## **Nontax Revenue**

This is revenue that is not a tax proceed and that is required by statute to be credited to the General Fund. (G.S. 143C-1-1(d)(19))

## **Object or Line Item (Account Numbers)**

This is an expenditure or receipt in a recommended or enacted budget that is designated in the Budget Code Structure of the North Carolina Accounting System Uniform Chart of Accounts prescribed by the Office of the State Controller. (G.S. 143C-1-1(d)(20))

## **Other Receipts**

These are the funds received by State agencies and institutions for services performed, such as patient receipts in hospitals, tuition fees in the universities and community colleges, or as fines for violations of State regulations.

## **Performance Pay Plan**

This is a compensation policy that encourages excellence of performance and provides salary increases to State employees based on annual performance appraisal.

## **Public School Employees**

These are positions funded in the State budget for support of local public school units, including public school teachers. Driver education teachers are funded from the Highway Fund.

## **Purpose or Program (Fund Number)**

This is a group of objects or line items for support of a specific activity outlined in a recommended or enacted budget that is designated by a nine-digit fund code (budget code, plus first four digits) in accordance with the Budget Code Structure of the North Carolina Accounting System Uniform Chart of Accounts prescribed by the Office of the State Controller. (G.S. 143C-1-1(d)(23))

## **Repair and Renovations Reserve**

Until July 1, 2019, the Repair and Renovations Reserve Account is established as a reserve in the General Fund. The State Controller shall reserve to the Repairs and Renovations Reserve Account one-fourth of any unreserved fund balance, as determined on a cash basis, remaining in the General Fund at the end of each fiscal year. (G.S. 143C-4-3(a)) With the creation of the State Capital and Infrastructure Fund on July 1, 2019, a Repair and Renovations account will be funded by appropriation but will be used the same as the previous reserve. (G.S. 143C-8-13)

## **Salary Adjustment**

Subject to approval of the Office of State Human Resources, agencies are allowed to give increases to employees who are promoted or to others in response to private or government competition.

## **Salary Reserve**

Salary funds remaining on an annual basis when positions are filled at lower levels than budgeted. These funds may be used for salary range revisions and reclassification of positions, subject to approval of the Office of State Human Resources and OSBM.

## **Special Fund Budget Codes**

These codes are for those budgets for each agency that are supported entirely from receipts collected for the specific purposes or services performed by the agency.

## **State Budget**

The total requirements for North Carolina State government agencies and institutions consists of General Fund dollars, Highway Fund dollars, federal funds, and various other receipts and funds. The State budget includes State aid funding for local public school units and local community colleges and institutions. A summary of the State budget can be found on OSBM's website.

## **State Budget Act**

This is the Act that governs the budgetary process in North Carolina. It provides the statutory language for development, presentation, authorization, and control of the budget. (G.S. 143C-1-1 through G.S. 143C-10-3)

## **State Capital and Infrastructure Fund (SCIF)**

The State Capital and Infrastructure Fund is a special fund administered by the Office of State Budget and Management. The Fund shall consist of (1) one-fourth of any unreserved fund balance, (2) 4% of the net State tax revenues each fiscal year, (3) monies appropriated for capital projects, and (4) interest and earnings. (G.S. 143C-4-3.1) This Fund must first be used to meet debt service obligations. Any remaining monies in the Fund may be appropriated to new State and University of North Carolina capital projects and to the repair and renovations of existing capital assets. This Fund will begin on July 1, 2019.

## **State Employees Exempt from the State Human Resources Act (EHRA)**

These are positions in the State budget funded from various State revenue and receipts that are exempt from the terms and conditions of the State Personnel Act.

## **State Employees Subject to the State Human Resources Act (SHRA)**

These are positions in the State budget funded from various State revenue and receipts that are subject to the terms and conditions of the State Personnel Act.

## **Strategic Planning**

An agency strategic plan provides expanded performance information to improve public understanding of why an agency exists, what the agency does, the effectiveness of its services, and how an agency is seeking to improve. Ultimately, this information is designed to improve funding, planning, and management decisions in State government.

## **Tax Revenue**

These are the contributions from persons, groups, or businesses within the State for the support of government.

## **Temporary Assistance for Needy Families (TANF)**

TANF is a federally supported Block Grant that supports programs providing assistance to needy families.

## **Treasurer's Investment Income**

The State Treasurer administers the Cash Management and Trust Funds Investments Programs. The yield from the investment programs is credited to nontax revenue accounts for the General Fund and Highway Funds, which are called "Investment Income" accounts.

## **University Faculty and Administrators**

These are positions funded in the State budget for employment of teaching faculty and administrators in the State's universities. These positions are not subject to the State Personnel Act.