

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2003**

H

3

HOUSE BILL 21*
Committee Substitute Favorable 3/27/03
Senate Appropriations/Base Budget Committee Substitute Adopted 6/18/03

Short Title: Hwy Trust Fund Match/Continuing Budget Auth. (Public)

Sponsors:

Referred to:

February 17, 2003

A BILL TO BE ENTITLED

1 AN ACT TO AMEND THE HIGHWAY TRUST FUND TO AUTHORIZE THE USE
2 OF HIGHWAY TRUST FUND FUNDS TO MATCH FEDERAL-AID HIGHWAY
3 FUNDS, AS RECOMMENDED BY THE JOINT LEGISLATIVE
4 TRANSPORTATION OVERSIGHT COMMITTEE, TO AUTHORIZE THE
5 DIRECTOR OF THE BUDGET TO CONTINUE EXPENDITURES FOR THE
6 OPERATION OF GOVERNMENT AT THE LEVEL IN EFFECT ON JUNE 30,
7 2003, AND TO EXTEND EXPIRING PROVISIONS OF LAW.
8

9 The General Assembly of North Carolina enacts:

10
11 **HIGHWAY TRUST FUND FEDERAL-AID MATCH**

12 **SECTION 1.** G.S. 136-176(b) reads as rewritten:

13 "(b) Funds in the Trust Fund are annually appropriated to the Department of
14 Transportation to be allocated and used as provided in this subsection. A sum, not to
15 exceed four and one-half percent (4.5%) of the amount of revenue deposited in the Trust
16 Fund under subdivisions (a)(1), (2), and (3) of this section, may be used each fiscal year
17 by the Department for expenses to administer the Trust Fund. Operation and project
18 development costs of the North Carolina Turnpike Authority are eligible administrative
19 expenses under this subsection. Any funds allocated to the Authority pursuant to this
20 subsection shall be repaid by the Authority from its toll revenue as soon as possible,
21 subject to any restrictions included in the agreements entered into by the Authority in
22 connection with the issuance of the Authority's revenue bonds. Beginning one year after
23 the Authority begins collecting tolls on a completed Turnpike Project, interest shall
24 accrue on any unpaid balance owed to the Highway Trust Fund at a rate equal to the
25 State Treasurer's average annual yield on its investment of Highway Trust Fund funds
26 pursuant to G.S. 147-6.1. Interest earned on the unpaid balance shall be deposited in the
27 Highway Trust Fund upon repayment. The sum up to the amount anticipated to be
28 necessary to meet the State matching funds requirements to receive federal-aid highway

1 trust funds for the next fiscal year may be set aside for that purpose. The rest of the
2 funds in the Trust Fund shall be allocated and used as follows:

- 3 (1) Sixty-one and ninety-five hundredths percent (61.95%) to plan, design,
4 and construct the projects of the Intrastate System described in G.S.
5 136-179 and to pay debt service on highway bonds and notes that are
6 issued under the State Highway Bond Act of 1996 and whose proceeds
7 are applied to these projects.
- 8 (2) Twenty-five and five hundredths percent (25.05%) to plan, design, and
9 construct the urban loops described in G.S. 136-180 and to pay debt
10 service on highway bonds and notes that are issued under the State
11 Highway Bond Act of 1996 and whose proceeds are applied to these
12 urban loops.
- 13 (3) Six and one-half percent (6.5%) to supplement the appropriation to
14 cities for city streets under G.S. 136-181.
- 15 (4) Six and one-half percent (6.5%) for secondary road construction as
16 provided in G.S. 136-182 and to pay debt service on highway bonds
17 and notes that are issued under the State Highway Bond Act of 1996
18 and whose proceeds are applied to secondary road construction.

19 The Department must administer funds allocated under subdivisions (1), (2), and (4)
20 of this subsection in a manner that ensures that sufficient funds are available to make
21 the debt service payments on bonds issued under the State Highway Bond Act of 1996
22 as they become due."
23

24 **BUDGET CONTINUATION**

25 **SECTION 2.** The Director of the Budget may continue to allot funds for
26 expenditure by State departments, institutions, and agencies at a level not to exceed the
27 level of recurring expenditures authorized in S.L. 2002-126.

28 To the extent necessary to implement this authorization, there are
29 appropriated from the appropriate State funds and cash balances, federal receipts, and
30 departmental receipts for the 2003-2004 fiscal year funds necessary to carry out this
31 section.

32 The appropriations and the authorizations to allocate and spend funds which
33 are set out in this section shall remain in effect until the Current Operations and Capital
34 Improvements Appropriations Act of 2003 becomes law, at which time that Act shall
35 become effective and shall govern appropriations and expenditures. When the Current
36 Operations and Capital Improvements Appropriations Act of 2003 becomes law, the
37 Director of the Budget shall adjust allotments to give effect to that Act from July 1,
38 2003.

39 Except as otherwise provided by this act, the limitations and directions for the
40 2002-2003 fiscal year in S.L. 2001-424 and in S.L. 2002-126 remain in effect. Session
41 laws that applied to appropriations to particular agencies or for particular purposes
42 apply to the funds appropriated and authorized for expenditure under this section.
43

44 **SALARIES TO REMAIN IN EFFECT**

1 **SECTION 3.** The salary schedules and specific salaries established for the
2 2002-2003 fiscal year by or under S.L. 2002-126 for offices and positions shall remain
3 in effect until the enactment of the Current Operations and Capital Improvements
4 Appropriations Act of 2003. Notwithstanding G.S. 7A-102(c), 7A-171.1, 20-187.3, and
5 any other provision of law, teachers and all other State-funded employees shall not
6 move up on salary schedules or receive automatic, annual, performance, or merit
7 increases, statutory salary increases, or any other salary increments until authorized by
8 the General Assembly.

9
10 **CONTINUING RESOLUTION EXPANDED BUDGET AUTHORITY**

11 **SECTION 4.** In addition to funds allotted under Section 2 of this act for the
12 2003-2004 fiscal year, there is appropriated from the General Fund to a Reserve for
13 Retiree Health Benefits the sum of thirty-six million eight hundred thousand dollars
14 (\$36,800,000) for fiscal year 2003-2004 and the sum of thirty-six million eight hundred
15 thousand dollars (\$36,800,000) for fiscal year 2004-2005 for the purpose of providing
16 funds for the State Retirement Systems to pay health benefit premiums on behalf of
17 retired employees to the Teachers' and State Employees' Comprehensive Major Medical
18 Plan. There is also appropriated from the Highway Fund to a Reserve for Retiree Health
19 Benefits the sum of one million six hundred thousand dollars (\$1,600,000) for fiscal
20 year 2003-2004 and the sum of one million six hundred thousand dollars (\$1,600,000)
21 for fiscal year 2004-2005 for the purpose of providing funds for the State Retirement
22 Systems to pay health benefit premiums on behalf of retired employees to the Teachers'
23 and State Employees' Comprehensive Major Medical Plan.

24
25 **SALARY-RELATED CONTRIBUTIONS/EMPLOYERS**

26 **SECTION 5.** Required employer salary-related contributions for employees
27 whose salaries are paid from department, office, institution, or agency receipts shall be
28 paid from the same source as the source of the employees' salaries. If an employee's
29 salary is paid in part from the General Fund or Highway Fund and in part from
30 department, office, institution, or agency receipts, required employer salary-related
31 contributions may be paid from the General Fund or Highway Fund only to the extent of
32 the proportionate part paid from the General Fund or Highway Fund in support of the
33 salary of the employee, and the remainder of the employer's requirements shall be paid
34 from the source that supplies the remainder of the employee's salary. The requirements
35 of this section as to source of payment are also applicable to payments on behalf of the
36 employee for hospital-medical benefits, longevity pay, unemployment compensation,
37 accumulated leave, workers' compensation, severance pay, separation allowances, and
38 applicable disability income benefits.

39 The State's employer contribution rates budgeted for retirement and related
40 benefits as a percentage of covered salaries for the 2003-2004 fiscal year are (i) three
41 and forty-eight hundredths percent (3.48%) - Teachers and State Employees; (ii) eight
42 and forty-eight hundredths percent (8.48%) - State Law Enforcement Officers; (iii) ten
43 and sixteen hundredths percent (10.16%) - University Employees' Optional Retirement
44 System; (iv) fourteen and seventy-two hundredths percent (14.72%) - Consolidated

1 Judicial Retirement System; and (v) two and eighty hundredths percent (2.80%) -
2 Legislative Retirement System. Each of the foregoing contribution rates includes two
3 and eighty hundredths percent (2.80%) for hospital and medical benefits. The rate for
4 Teachers and State Employees, State Law Enforcement Officers, and for the University
5 Employees' Optional Retirement Program includes fifty-two hundredths percent
6 (0.52%) for the Disability Income Plan. The rates for Teachers and State Employees and
7 State Law Enforcement Officers include sixteen hundredths percent (0.16%) for the
8 Death Benefits Plan. The rate for State Law Enforcement Officers includes five percent
9 (5%) for Supplemental Retirement Income.

10 The maximum annual employer contributions, payable monthly, by the State
11 for each covered employee or retiree for the 2003-2004 fiscal year to the Teachers' and
12 State Employees' Comprehensive Major Medical Plan are: (i) Medicare-eligible
13 employees and retirees - two thousand two hundred thirty-three dollars (\$2,233) and (ii)
14 non-Medicare-eligible employees and retirees - two thousand nine hundred thirty-three
15 dollars (\$2,933).

16 The State's employer contribution rates established by this section are
17 effective only until this section expires. They are subject to revision in the Current
18 Operations and Capital Improvements Appropriations Act of 2003. If the Current
19 Operations and Capital Improvements Appropriations Act of 2003 modifies these rates,
20 the Director of the Budget shall further modify the rates set in that Act for the remainder
21 of the 2003-2004 fiscal year so as to compensate for the different amount contributed
22 between July 1, 2003, and the date the Current Operations and Capital Improvements
23 Appropriations Act of 2003 becomes law so that the effective rates for the entire year
24 reflect the rates set in the Current Operations and Capital Improvements Appropriations
25 Act of 2003.

26

27 **DHHS SPECIAL ASSISTANCE DEMONSTRATION PROJECT PAYMENTS**

28 **SECTION 6.** Payments authorized under Section 21.29(a) of S.L. 2001-424
29 to individuals enrolled in the Special Assistance Demonstration Project on June 30,
30 2002, and remaining eligible on June 30, 2003, shall remain in effect until the Current
31 Operations and Capital Improvements Appropriations Act of 2003 becomes law, at
32 which time that Act shall become effective and shall govern appropriations and
33 expenditures for the Special Assistance Demonstration Project.

34

35 **DHHS BLOCK GRANT PROVISIONS**

36 **SECTION 7.** Except for the following items for which funds were
37 appropriated under the TANF Block Grant for the fiscal year ending June 30, 2003, the
38 Director of the Budget shall continue to allocate federal block grant funds at the levels
39 provided in Section 5.1 of S.L. 2002-126:

| | | |
|----|---|-------------|
| 40 | (1) Allocation to the Division of Mental Health | \$ 400,000 |
| 41 | (2) DSS Evaluation | \$ 500,000 |
| 42 | (3) SACWIS Payback | \$4,643,454 |
| 43 | (4) TANF Automation Projects | \$1,200,000 |

1 Appropriations from federal block grant funds for these items shall be for the fiscal year
2 ending June 30, 2003.

3
4 **NER BLOCK GRANT**

5 **SECTION 8.** The Director of the Budget shall continue to allocate federal
6 block grant funds at the levels provided in Section 5.2 of S.L. 2002-126 and as
7 otherwise provided by law, and appropriations from federal block grants are hereby
8 made.

9
10 **WORKER TRAINING TRUST FUND APPROPRIATIONS**

11 **SECTION 9.** The Director of the Budget shall continue to allot funds from
12 the Worker Training Trust Fund at the levels provided in Section 13.3 of S.L. 2002-126
13 and as otherwise provided by law. If the funds available for appropriation from the
14 Worker Training Trust Fund in the 2003-2004 fiscal year are less than those
15 appropriated from the fund in the 2002-2003 fiscal year, then every program receiving
16 an appropriation from the Fund in the 2002-2003 fiscal year shall receive an
17 appropriation in the 2003-2004 fiscal year that is reduced by the same percentage as the
18 reduction of availability in the Fund.

19
20 **FUNDS SHALL NOT REVERT**

21 **SECTION 10.(a)** If the provisions of either House Bill 397, 4th edition, or
22 House Bill 397, 7th edition, or both, direct that funds shall not revert, the funds shall not
23 revert on June 30, 2003. Unless these funds are encumbered on or before June 30, 2003,
24 these funds shall not be expended after June 30, 2003, except as provided by a statute
25 that becomes effective after June 30, 2003.

26 **SECTION 10.(b)** This section becomes effective June 30, 2003.

27
28 **STATE CONTROLLER SHALL NOT TRANSFER FUNDS ON JUNE 30**

29 **SECTION 11.(a)** Notwithstanding G.S. 143-15.2 and G.S. 143-15.3A, for
30 the 2003-2004 fiscal year only, funds shall not be reserved to the Repairs and
31 Renovations Reserve Account, and the State Controller shall not transfer funds from the
32 unreserved credit balance to the Repairs and Renovations Reserve Account on June 30,
33 2003.

34 **SECTION 11.(b)** Notwithstanding G.S. 143-15.2 and G.S. 143-15.3, for the
35 2003-2004 fiscal year only, funds shall not be reserved to the Savings Reserve Account,
36 and the State Controller shall not transfer funds from the unreserved credit balance to
37 the Savings Reserve Account on June 30, 2003.

38 **SECTION 11.(c)** This section becomes effective June 30, 2003.

39
40 **TEMPORARILY MAINTAIN STATE SALES TAX RATE**

41 **SECTION 12.** Section 34.13(c) of S.L. 2001-424 reads as rewritten:

42 **"SECTION 34.13.(c)** This section becomes effective October 16, 2001, and applies
43 to sales made on or after that date. This section is repealed effective for sales made on
44 or after July 1, 2005. ~~2003~~—This section does not affect the rights or liabilities of the

1 State, a taxpayer, or another person arising under a statute amended or repealed by this
 2 section before the effective date of its amendment or repeal; nor does it affect the right
 3 to any refund or credit of a tax that accrued under the amended or repealed statute
 4 before the effective date of its amendment or repeal."

5
 6 **TEMPORARILY MAINTAIN UPPER INCOME TAX RATE**

7 **SECTION 13.** Effective for taxable years beginning on or after January 1,
 8 2006, G.S. 105-134.2(a) reads as rewritten:

9 "(a) A tax is imposed upon the North Carolina taxable income of every individual.
 10 The tax shall be levied, collected, and paid annually and shall be computed at the
 11 following percentages of the taxpayer's North Carolina taxable income.

- 12 (1) For married individuals who file a joint return under G.S. 105-152 and
 13 for surviving spouses, as defined in section 2(a) of the Code:

| Over | Up To | Rate |
|----------------------|--------------------------------|------------------|
| -0- | \$21,250 | 6% |
| \$21,250 | \$100,000 | 7% |
| \$100,000 | \$200,000 <u>NA</u> | 7.75% |
| \$200,000 | NA | 8.25% |

- 20 (2) For heads of households, as defined in section 2(b) of the Code:

| Over | Up To | Rate |
|----------------------|--------------------------------|------------------|
| -0- | \$17,000 | 6% |
| \$17,000 | \$80,000 | 7% |
| \$80,000 | \$160,000 <u>NA</u> | 7.75% |
| \$160,000 | NA | 8.25% |

- 27 (3) For unmarried individuals other than surviving spouses and heads of
 28 households:

| Over | Up To | Rate |
|----------------------|--------------------------------|------------------|
| -0- | \$12,750 | 6% |
| \$12,750 | \$60,000 | 7% |
| \$60,000 | \$120,000 <u>NA</u> | 7.75% |
| \$120,000 | NA | 8.25% |

- 35 (4) For married individuals who do not file a joint return under G.S.
 36 105-152:

| Over | Up To | Rate |
|----------------------|--------------------------------|---------------------|
| -0- | \$10,625 | 6% |
| \$10,625 | \$50,000 | 7% |
| \$50,000 | \$100,000 <u>NA</u> | 7.75% |
| \$100,000 | NA | 8.25% ". |

42 **SECTION 14.** Section 34.18(b) of S.L. 2001-424 reads as rewritten:

43 **"SECTION 34.18.(b)** This section becomes effective for taxable years beginning
 44 on or after January 1, 2001, and expires for taxable years beginning on or after January

1 ~~4, 2004.~~2001. Notwithstanding G.S. 105-163.15, no addition to tax may be made under
2 that statute for a taxable year beginning on or after January 1, 2001, and before January
3 1, 2002, with respect to an underpayment of individual income tax to the extent the
4 underpayment was created or increased by this section."
5

6 **EFFECTIVE DATE**

7 **SECTION 15.** Except as otherwise provided, this act becomes effective July
8 1, 2003. Sections 2 through 11 of this act expire July 31, 2003.