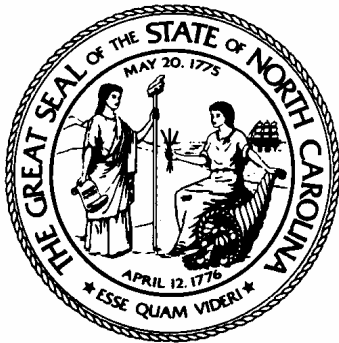


**State of
North Carolina**



**North Carolina
State Budget
2003-2005**

**Summary of
Recommendations**

**Michael F. Easley
Governor**

The North Carolina State Budget 2003-2005: Summary of Recommendations

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The North Carolina State Budget 2003-2005 Summary of Recommendations is available on line at www.osbm.state.nc.us. For any further information please contact the appropriate administrator from the Office of State Budget and Management, at 20320 Mail Service Center, Raleigh, North Carolina 27699-0320, (919) 733-7061.

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March 2003

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N.C. State Budget, 2003-05: Summary of Recommendations

I. Overview of the North Carolina State Budget

Overview of Current Situation

Unlike most states, North Carolina has not experienced a post-legislative budget shortfall for 2002-03. Through January 2003, revenues were slightly ahead of schedule and expenditures were below forecast. The Office of State Budget and Management reduced allotments to state agencies last fall to combat any unforeseen budget issues. While Governor Easley was forced to invoke his constitutional authority to balance budgets in 2001 and 2002, the current state budget has required no such action. National observers have noted the state's conservative revenue forecast and aggressive confrontation of the budget problem as the primary reasons for its current stable position.

The current stability, however, does not translate into a comprehensive solution of ongoing budget issues. The Governor's major challenges in preparing the 2003-05 budget stem from three primary sources: 1) the use of approximately \$400 million in one-time revenue and spending reductions to fund recurring operations in the 2002-03 budget, 2) the sunset of increases in state sales and income taxes that would reduce revenues, and 3) anticipated growth in spending due to increased enrollments at all levels of education, increased health care costs for the Medicaid program and State Employee Health plan, and increased debt service to finance higher education facility construction.

Summary of 2003-05 Budget

In building the budget, the Governor first reviewed continuation budget proposals from state agencies. The 2003-05 continuation budget outlines the cost of providing the same level of service in future years as was provided in the current budget year, with the exception of items funded in the current year on a one-time basis. The 2003-04 continuation budget recommendations would increase spending by \$967 million. The primary sources of the increase include Medicaid (\$344 million), debt service (\$176 million), public education (\$144 million), and prisons (\$111 million). The gap between expected revenues and the proposed continuation budget recommendations for 2003-04 totaled \$1.15 billion.

After reviewing the continuation budget, Governor Easley then reviewed expansion budget requests from state agencies. The Governor is dedicated to maintaining the state's commitment to the classroom at all levels of education, as well as providing essential health care services. When recommended expansion items were included, the gap between revenues and proposed expenditures increased to \$1.69 billion for 2003-04.

N.C. State Budget, 2003-05: Summary of Recommendations Overview of the North Carolina State Budget - Continued

Summary of 2003-05 Budget - Continued

Governor Easley's budget closes the gap by freezing the current tax structure in place for an additional two years, as well as making substantial budget reductions to state agencies. This freeze would halt scheduled tax cuts and some hold-harmless payments to local governments, generating \$461 million in 2003-04. In addition to these freezes, the Governor also recommends intercepting some payments from the national tobacco settlement and using monies left over at the end of the current fiscal year. Finally, Governor Easley recommends \$836 million in operating budget reductions in 2003-04 to balance the budget.

The final budget recommendation is \$15,032 million for 2003-04 and \$15,612 million for 2004-05. Overall General Fund operating and capital appropriations would increase by 4.7 percent in 2003-04 from current year levels and 3.8 percent in 2004-05 from recommended 2003-04 levels.

The original budget plans provided to Governor Easley when he assumed office in January 2001 were \$14,996 million for 2001-02 and \$15,681 million for 2002-03. Governor Easley's proposed budget for 2004-05 is less than the budget provided to him for 2002-03.

Summary of Major Expansion Budget Recommendations

The Governor proposes a modest expansion budget focused primarily on education and health initiatives. This recommendation provides full funding for enrollment increases in the UNC system (\$46.6 million), private colleges and universities (\$2.8 million), and the community college system (\$29.8 million), as well as financial aid for needy UNC students (\$10.3 million). In addition, the Governor recommends providing funds for additional teachers to reduce class size in the second grade and to support an additional 2,400 slots to prepare at-risk four year olds for success in school through the More at Four Program. The budget also provides funds for the annual step increase for public school teachers (\$48.1 million) and for ABC bonuses earned in the 2002-03 school year (\$101 million).

The budget recommends additional funding for Health Choice, which will allow all eligible children to receive health care insurance. In addition, expansion funds are recommended for the Mental Health Trust Fund to facilitate the progress toward mental health reform and the ACCESS program to promote less expensive, preventive care to Medicaid recipients. The budget also provides funds to promote public health initiatives statewide, as well as additional child abuse and neglect investigation teams to help regulate child care providers.

**N.C. State Budget, 2003-05: Summary of Recommendations
Overview of the North Carolina State Budget - Continued**

Summary of Major Expansion Budget Recommendations - Continued

The Governor's budget provides over \$200 million in 2002-03 to support employee benefit programs. Specifically, this proposal recommends a 1.6 percent pay increase for state employees not included on the teacher salary schedule, as well as an additional 0.5 percent pay increase for community college faculty and staff. In addition, the State Health Plan will receive funds to cover increased employee related health care costs. The budget also begins repayment of the funds withheld from the Retirement System in 2000-01 due to the budget crisis. Finally, the Governor's budget recommends a 1.5 percent cost-of-living adjustment for state government retirees.

The following sections of this document provide details on the programs outlined above, along with further reductions identified to balance the budget as submitted.

N. C. State Budget, 2003-05: Summary of Recommendations
 Total State Budget -Continued

Table 1A
 Total North Carolina State Budget by Function
 and Source of Funds
 FY 2003-2004

Function	General Fund	Highway Fund**	Other	Federal	Total
General Assembly	\$ 41,561,463	\$ -	\$ 928,000	\$ -	\$ 42,489,463
Judicial	376,365,264	-	8,009,953	-	384,375,217
General Government	312,401,633	4,222,813	25,111,756	45,678,431	387,414,633
Public Safety & Regulation	128,663,519	134,878,475	75,158,660	263,033,296	601,733,950
Correction	940,718,058	-	10,450,055	-	951,168,113
Juvenile Justice	131,262,105	-	9,907,952	1,074,716	142,244,773
Education:					
Public Education	5,998,996,820	31,822,636	3,231,819	913,941,236	6,947,992,511
Community Colleges	673,956,026	-	148,823,310	17,391,969	840,171,305
Universities	1,796,470,696	-	1,175,398,544	25,296,658	2,997,165,898
Subtotal Education	8,469,423,542	31,822,636	1,327,453,673	956,629,863	10,785,329,714
Transportation	11,429,525	1,910,003,926	6,703,890	866,112,666	2,794,250,007
Health and Human Svcs.	3,663,770,914	529,303	1,015,783,179	6,702,711,205	11,382,794,601
Environment and Natural Resources	146,430,988	-	32,018,952	41,761,483	220,211,423
Agriculture and Consumer Services	48,756,978	3,710,722	20,250,303	6,004,071	78,722,074
Clean Water Mgmt. Trust					
Debt Service	388,941,868	33,706,050	15,500,000	-	438,147,918
Reserves and Transfers #	276,850,000	-	-	-	276,850,000
Total Current Operations	14,936,575,857	2,118,873,925	2,547,276,373	8,883,005,731	28,485,731,886
Capital Improvement - App	29,407,000	7,000,000	-	-	36,407,000
Capital Improvement R&R	-	-	-	-	-
Savings Reserve	-	-	-	-	-
Clean Water Mgmt Trust	66,381,860	-	-	-	66,381,860
Total Appropriations	15,032,364,717	2,125,873,925	2,547,276,373	8,883,005,731	28,588,520,746
General Obligation Bonds	971,550,000	-	-	-	971,550,000
Grand Total	\$ 16,003,914,717	\$ 2,125,873,925	\$ 2,547,276,373	\$ 8,883,005,731	\$ 29,560,070,746

** Includes Highway Fund and Highway Trust Fund.

Includes appropriation for the state employee's compensation increases and the state health plan.

Note: Highway Fund appropriation excludes \$16.4 million transferred to the General Fund and \$252.4 million transferred from the Highway Trust Fund to the General Fund.

N. C. State Budget, 2003-05: Summary of Recommendations
Total State Budget -Continued

Table 1B
Total North Carolina State Budget by Function
and Source of Funds
FY 2004-2005

Function	General Fund	Highway Fund**	Other	Federal	Total
General Assembly	\$ 44,971,305	\$ -	\$ 978,000	\$ -	\$ 45,949,305
Judicial	381,629,042	-	8,010,188	-	389,639,230
General Government	313,563,232	4,226,491	23,959,610	45,678,431	387,427,764
Public Safety & Regulation	122,662,020	135,176,134	74,375,329	263,041,917	595,255,400
Correction	945,911,249	-	10,430,355	-	956,341,604
Juvenile Justice	134,409,130	-	9,901,052	1,074,716	145,384,898
Education:					
Public Education	6,018,823,114	32,506,800	3,231,819	913,941,236	6,968,502,969
Community Colleges	673,765,340	-	148,823,310	17,391,969	839,980,619
Universities	1,831,421,636	-	1,175,420,585	25,300,993	3,032,143,214
Subtotal Education	8,524,010,090	32,506,800	1,327,475,714	956,634,198	10,840,626,802
Transportation	11,460,101	1,209,571,437	6,708,387	890,114,395	2,117,854,320
Health and Human Svcs.	3,997,702,657	529,303	1,094,709,264	7,628,527,987	12,721,469,211
Environment and Natural Resources	151,194,700	-	32,018,952	41,761,483	224,975,135
Agriculture and Consumer Services	48,795,084	3,786,844	20,275,498	5,999,471	78,856,897
Debt Service	475,635,400	56,805,675	7,500,000	-	539,941,075
Reserves and Transfers #	394,000,000	-	-	-	394,000,000
Total Current Operations	15,545,944,010	1,442,602,684	2,616,342,349	9,832,832,598	29,437,721,641
Capital Improvement - App	-	10,000,000	-	-	10,000,000
Capital Improvement R&R	-	-	-	-	-
Savings Reserve	-	-	-	-	-
Clean Water Mgmt Trust	66,381,860	-	-	-	66,381,860
Total Appropriations	15,612,325,870	1,452,602,684	2,616,342,349	9,832,832,598	29,514,103,501
General Obligation Bonds	752,700,000	-	-	-	752,700,000
Grand Total	\$ 16,365,025,870	\$ 1,452,602,684	\$ 2,616,342,349	\$ 9,832,832,598	\$ 30,266,803,501

** Includes Highway Fund and Highway Trust Fund.

Includes appropriation for the state employee's compensation increases and the state health plan.

Note: Highway Fund appropriation excludes \$16.9 million transferred to the General Fund and \$231.8 million transferred from the Highway Trust Fund to the General Fund.

N.C. State Budget, 2003-05: Summary of Recommendations

II. Economic Outlook for 2003-05

A. For the Nation

Summary of the Baseline Forecast

OSBM has consulted with Global Insight, Inc. (formerly DRI-WEFA) regarding the prospects for economic growth for both the nation and North Carolina during the 2003-05 biennium. Global Insight's baseline economic forecast for the U.S. economy assumes that the current recovery proceeds somewhat erratically, but without slipping back into recession. As the push from consumer spending and the housing market abates, business investment recovers and picks up the slack.

Federal spending for security (both overseas and homeland) continues to surge, more than offsetting any cutbacks at the state and local level. In the spring of 2003, new and accelerated reductions in personal income taxes give a kick start to consumer spending.

Oil prices retreat at midyear 2003 as the war with Iraq is either won or indefinitely postponed. The dollar falls from its high, but remains strong, as investors take a gradual approach to moving funds away from the U.S. This caution allows the U.S. to continue running a large current account deficit.

Despite the temporary run-up in oil prices, inflation remains well under control. With both the fiscal and monetary stimulus, as well as declining oil prices, economic growth and job creation improve markedly in 2004. Real GDP growth averages 2.9% in 2003, but accelerates to 4.5% and 3.7% in 2004 and 2005 respectively.

The Pessimistic Alternative Forecast

Global Insight routinely provides alternative economic forecasts, both upside and downside scenarios. Given a perspective of caution, only the downside alternative is discussed here. The pessimistic scenario assumes a mild, double-dip recession in the first half of 2003. As the economy stalls, recent improvements in corporate profitability are reversed. In an effort to improve the bottom line despite lagging revenues, businesses delay investment and postpone hiring to even a greater extent than the baseline.

Consumer spending is also at risk. Household budgets are stretched thinner than ever, and credit problems are on the rise. The housing market also shows signs of cooling off. Average prices are slipping, and sales are taking longer. The pessimistic case assumes that the housing bubble bursts, and consumer spending finally succumbs to the new reality of low wage increases and falling interest rates.

N.C. State Budget, 2003-05: Summary of Recommendations
Economic Outlook for 2003-05 – For the Nation - Continued

Weak final demand results in a decline in economic growth over the first half of 2003. With federal spending increases, the Federal Reserve provides another monetary boost by lowering the federal funds rate to 1.00%.

What finally comes to the rescue is time. Inventories are at bare bones levels and companies are returned to profitability. The rehiring cycle begins in the second half of 2003. With unemployment declining, the housing market picks up again, and nonresidential construction follows.

By 2004, both consumers and businesses make up for lost time. Vehicle sales surge briefly to an 18-million unit annual rate. Investment in equipment and software climbs at a double-digit pace. Manufacturing activity gets a double boost, first from the pickup in sales, then from the need to rebuild inventories.

Following an anemic 1.0% gain in 2003, real GDP growth jumps to 4.7% in 2004 and 4.1% in 2005. A comparative summary of both the baseline and pessimistic forecasts is shown in Table 2.

**N.C. State Budget, 2003-05: Summary of Recommendations
Economic Outlook for 2003-05 – For the Nation - Continued**

**Table 2
UNITED STATES ECONOMIC OUTLOOK
BASELINE VS. PESSIMISTIC**

	<u>2003</u>	<u>2004</u>	<u>2005</u>
Real Gross National Product			
Baseline	2.9	4.5	3.7
Pessimistic	1.0	4.7	4.1
Real Consumption			
Baseline	2.7	4.1	3.5
Pessimistic	0.4	4.3	4.1
Real Business Investment – Equipment and Software			
Baseline	8.0	11.8	8.5
Pessimistic	2.2	10.1	12.5
Nonfarm Employment			
Baseline	0.8	2.5	1.9
Pessimistic	-0.1	2.0	2.4
Unemployment Rate (%)			
Baseline	5.9	5.3	5.0
Pessimistic	6.5	6.1	5.5
Personal Income (Nominal)			
Baseline	4.7	6.4	6.0
Pessimistic	3.6	5.5	6.6
Corporate Profits (Before Tax)			
Baseline	12.6	17.8	-1.9
Pessimistic	-2.2	37.6	-1.1
Housing Starts			
Baseline	-6.1	-5.6	1.9
Pessimistic	-13.2	9.3	6.0
Light Vehicle Sales			
Baseline	1.6	-1.4	1.8
Pessimistic	-9.6	16.3	0.1

Source: Global Insight, Inc.

**N.C. State Budget, 2003-05: Summary of Recommendations
Economic Outlook for 2003-05 – Continued**

B. For North Carolina

Summary of the Baseline Forecast

The baseline forecast for North Carolina foresees the State improving in near lockstep with the U.S. Total nonfarm employment will increase by an average of 0.8% in 2003, with the unemployment rate slowly receding to 5.7% by year-end. Mirroring most of the 1980s and 1990s, the services sector will be the engine of job creation in North Carolina, increasing by 2.7% in 2003.

The resumption of business equipment investment is a mixed blessing. New orders to North Carolina equipment manufacturers will begin to recover. However, the resultant gains in productivity blunt improvement in the State labor market condition. Productivity gains, along with a continued shift toward offshore sites, points toward a continued reduction in manufacturing jobs.

After a 3.5% estimated gain for 2002, North Carolina nominal personal income growth accelerates to 4.3% in 2003. The 2004-2005 period projects continued economic improvement in North Carolina. Total nonfarm employment growth jumps to 2.1% and 1.9% in 2004 and 2005 respectively. Although industrial output climbs at an average rate of 7.2% in 2004-2005, the number of manufacturing jobs continues a long-run downward trend, declining at a 0.5% average rate. It is no surprise that the upturn in new jobs is concentrated in services, particularly medical, educational, and travel-related sectors.

State retail sales growth accelerates over the forecast period, averaging 4.5%, or about 2% above the rate of consumer price inflation. The North Carolina housing sector remains healthy, with new housing starts averaging 80,000 units annually during 2004-2005.

The Pessimistic Alternative Forecast

As in 1990-1991, the 2003 economic slowdown will hurt North Carolina's labor market more than the rest of the nation. Nonfarm job growth in North Carolina trails in both 2003 and 2004. North Carolina will lose nearly 14,000 jobs from the second quarter of 2003 to year-end, as opposed to a 57,000 gain in the baseline forecast. The main culprits behind the weakness are manufacturing and services.

Manufacturing has lost jobs nearly every quarter since 1995, and losses accelerated from the summer of 2001 to the summer of 2002 with 85,000 jobs vanishing. While the declines slowed in the latter half of 2002, they will pick up again during the "double-dip" phase as firms further defer investments in labor and capital. The hardest hit sectors are the usual suspects – the State's long-suffering traditional industries of textiles, apparel, and furniture, along with machinery and computer equipment.

N.C. State Budget, 2003-05: Summary of Recommendations
Economic Outlook for 2003-05 – For North Carolina - Continued

While the service sector has been the main generator of jobs in North Carolina, its weakness in 2001 and 2002 significantly slowed employment growth. In the downside alternative forecast, an expected rebound in 2003 is delayed, as business services continue to struggle and consumers limit discretionary spending, especially for recreation. Job gains in services are limited to a moderate 1.2% in 2003 (compared to 2.7% in the Baseline) before resurging to 3.4% in 2004 (but again not as strong as the 4.2% gain projected in the Baseline).

The weakened job market will lead to higher unemployment rates, including the State's highest in nearly 20 years. Instead of the worst being behind us, the pessimistic case calls for a new rise in the jobless rate, peaking at 7.0% in late 2003.

Among the other indicators – retail sales, car registrations, and housing starts – there will be significant weakness in 2003. All are off sharply in the pessimistic simulation compared to the baseline, but each rebound in calendar 2004. A comparison of the key economic indicators for North Carolina is shown on a calendar year basis in Table 3, along with State fiscal years in Table 4.

N.C. State Budget, 2003-05: Summary of Recommendations
Economic Outlook for 2003-05 – For North Carolina - Continued

Table 3
NORTH CAROLINA ECONOMIC OUTLOOK
BASELINE VS. PESSIMISTIC

	Calendar Years		
	<u>2003</u>	<u>2004</u>	<u>2005</u>
Total Nonfarm Employment			
Baseline	0.8	2.1	1.9
Pessimistic	-0.3	1.1	2.2
Total Manufacturing Employment			
Baseline	-0.6	-0.5	-0.7
Pessimistic	-2.0	-2.0	0.5
Total Services Employment			
Baseline	2.7	4.2	3.1
Pessimistic	1.2	3.4	3.4
Total Personal Income			
Baseline	4.3	5.8	5.5
Pessimistic	2.5	5.0	6.1
Wage and Salary Disbursements			
Baseline	4.2	6.1	5.9
Pessimistic	2.5	4.7	6.3
Retail Sales			
Baseline	4.6	4.5	4.4
Pessimistic	1.6	4.5	5.3
Car and Light Truck Registrations			
Baseline	-3.8	10.3	-1.4
Pessimistic	-15.2	22.1	0.4
Housing Starts			
Baseline	-2.8	5.3	4.1
Pessimistic	-9.0	7.6	6.6

Source: Global Insight, Inc.

N.C. State Budget, 2003-05: Summary of Recommendations
Economic Outlook for 2003-05 – For North Carolina - Continued

Table 4
NORTH CAROLINA ECONOMIC OUTLOOK
BASELINE VS. PESSIMISTIC

	State Fiscal Years		
	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>
Total Nonfarm Employment			
Baseline	0.2	1.5	2.1
Pessimistic	-1.7	-0.1	2.2
Total Manufacturing Employment			
Baseline	-1.7	-0.6	-0.5
Pessimistic	-2.0	-3.1	0.2
Total Services Employment			
Baseline	0.7	2.0	2.7
Pessimistic	0.2	0.6	2.6
Total Personal Income			
Baseline	4.5	5.0	5.9
Pessimistic	3.9	2.8	6.4
Wage and Salary Disbursements			
Baseline	3.8	5.1	6.2
Pessimistic	3.2	2.9	6.2
Retail Sales			
Baseline	4.8	4.5	4.4
Pessimistic	3.8	1.6	6.3
Car and Light Truck Registrations			
Baseline	-2.6	2.0	3.7
Pessimistic	-6.8	-5.8	20.4
Housing Starts			
Baseline	0.2	0.6	6.4
Pessimistic	-3.7	-4.4	12.1

Source: Global Insight, Inc.

N.C. State Budget, 2003-05: Summary of Recommendations

III. General Fund – Revenue Forecast

Revenue Forecast under Current Law

The General Fund revenue forecast for fiscal year 2002-03 authorized by the 2002 Session of the General Assembly was founded on the “basis of a continued sluggish [economic] recovery.” As a result of this conservative forecast, actual General Fund collections for the first seven months of 2002-03 have exceeded the budget target slightly by 0.7%, or \$60 million. The current forecast assumes a continuation of this positive performance, with revenue overcollections reaching a total of \$114 million by the end of the fiscal year.

As discussed in Section II, with a bias toward caution, the range of nominal North Carolina personal income growth for 2003-04 falls between 2.8% and 5.0%. Under both the baseline and pessimistic economic forecast scenarios, personal income growth exceeds 5.5% in 2004-05. Recognizing the high level of economic uncertainty in the near term, Governor Easley’s budget recommendations for 2003-05 are founded upon an economic growth rate of 3.5% in 2003-04, followed by acceleration to 5.5% growth in 2004-05. General Fund revenue estimates driven by these economic growth assumptions are shown in Table 5. These estimates incorporate the fiscal impact of all revenue changes enacted by the 2001 and 2002 sessions.

General Fund Revenue Adjustments

For 2003-05, Governor Easley is recommending the following actions in order to supplement General Fund revenue availability:

1. Maintain the state sales and use tax rate at 4 ½% through June 30, 2005.
2. Maintain the top individual income tax bracket at 8.25% until January 1, 2006.
3. Delay the scheduled changes to the individual income tax personal exemption for married taxpayers filing jointly (“marriage penalty”) until January 1, 2006.
4. Delay the scheduled changes to the tax credit for children until January 1, 2006.
5. Provide no hold-harmless payments to local governments whose gain from a half cent sales tax increase is less than 100% of their loss from the repealed state tax reimbursements.

N.C. State Budget, 2003-05: Summary of Recommendations
General Fund – Revenue Forecast - Continued

These recommendations will provide support to the General Fund in the following amounts:

	2003-04	2004-05
	<u>(\$ Millions)</u>	
1. Maintain state sales tax rate	\$346.5	\$388.2
2. Maintain income tax top bracket	37.5	84.4
3. Delay personal exemption changes	33.4	47.0
4. Delay child credit changes	20.3	54.1
5. Provide no hold-harmless payments	<u>23.0</u>	<u>19.0</u>
Total additional revenue	\$460.7	\$592.7

Lastly, as shown in Table 5, the Highway Trust Fund transfer reflects the continuation of the 2002-03 \$80 million inflationary increase during the 2003-05 biennium and the scheduled payback of the 2002-03 one-time transfer (\$125 million), which begins in 2004-05.

N.C. State Budget, 2003-05: Summary of Recommendations
General Fund - Revenue Forecast

Table 5
General Fund Revenue

	2002-03			2003-04			2004-05		
		Current Law	Adjustments	Total	Current Law	Adjustments	Total		
Tax Revenue:									
Individual Income	\$7,275,610,000	\$7,483,390,000	\$91,200,000	\$7,574,590,000	\$7,979,810,000	\$185,500,000	\$8,165,310,000		
Sales and Use	3,967,090,000	3,726,310,000	369,500,000	4,095,810,000	3,932,690,000	407,200,000	4,339,890,000		
Corporate Income	935,830,000	880,330,000		880,330,000	909,220,000		909,220,000		
Franchise	444,770,000	466,270,000		466,270,000	493,380,000		493,380,000		
Inheritance	117,880,000	120,180,000		120,180,000	128,470,000		128,470,000		
Privilege License	43,420,000	45,120,000		45,120,000	46,930,000		46,930,000		
Tobacco Products	44,810,000	43,890,000		43,890,000	42,990,000		42,990,000		
Alcoholic Beverage	172,190,000	177,710,000		177,710,000	183,820,000		183,820,000		
Gift	11,560,000	12,160,000		12,160,000	12,580,000		12,580,000		
Insurance	391,540,000	404,840,000		404,840,000	433,320,000		433,320,000		
Piped Natural Gas	36,050,000	37,390,000		37,390,000	38,850,000		38,850,000		
Miscellaneous	1,100,000	1,110,000		1,110,000	1,100,000		1,100,000		
Total	\$13,441,850,000	\$13,398,700,000	\$460,700,000	\$13,859,400,000	\$14,203,160,000	\$592,700,000	\$14,795,860,000		
%Change				3.1%			6.8%		
Nontax Revenue:									
Investment Income	\$116,430,000	\$113,900,000		\$113,900,000	\$119,690,000		\$119,690,000		
Judicial Fees	121,970,000	137,520,000		137,520,000	144,430,000		144,430,000		
Insurance Department	50,472,586	51,900,000		51,900,000	53,900,000		53,900,000		
Disp. Share Receipts	107,343,682	100,000,000		100,000,000	100,000,000		100,000,000		
Miscellaneous	212,960,000	116,050,000		116,050,000	120,100,000		120,100,000		
Total	609,176,268	519,370,000		519,370,000	538,120,000		538,120,000		
Transfers:									
Highway Fund	\$15,300,000	\$16,379,000		\$16,379,000	\$16,910,000		\$16,910,000		
Highway Trust Fund	377,400,000	252,422,125		252,422,125	231,774,330		231,774,330		
Total Revenue	\$14,443,726,268	\$14,186,871,125	\$460,700,000	\$14,647,571,125	\$14,989,964,330	\$592,700,000	\$15,582,664,330		
%Change				1.4%			6.4%		

**N.C. State Budget, 2003-05: Summary of Recommendations
General Fund - Revenue Forecast - Continued**

**Table 6
Recommended Availability and Appropriations
2003-05**

Description	FY 2003-04 Recommended	FY 2004-05 Recommended
Beginning Availability:		
Easley Executive Order # 22	\$ 100,000,000	\$ -
Credit Balance FY 2002-03 (Reversions & Overcollections)	375,000,000	-
Credit to Savings Reserve Account	(100,000,000)	-
Credit to Repairs and Renovations Reserve	(50,000,000)	-
Beginning Unreserved Credit Balance	325,000,000	-
Revenue:		
Tax:		
Income (Individual & Corporate)	8,448,920,000	9,064,530,000
Sales and Use	4,095,810,000	4,339,890,000
Other Tax	1,314,670,000	1,391,440,000
Total Tax	13,859,400,000	14,795,860,000
Nontax	519,370,000	538,120,000
Transfers	328,801,125	308,684,330
Total Revenue	14,707,571,125	15,642,664,330
Total Availability	15,032,571,125	15,642,664,330
Appropriations:		
Recommended Continuation Budget	15,322,038,681	16,008,250,667
Recommended Budget Reductions	(835,920,867)	(930,972,021)
Recommended Expansion Budget	546,246,903	535,047,224
Total Recommended Appropriations	15,032,364,717	15,612,325,870
Total Ending Balance	\$ 206,408	\$ 30,338,460

Table 7A

Recommended Changes to the FY 2003-2004 General Fund Budget

Line #	General Budget Code	Function	FY 2003-04 Recommended			Expansion			Net Change	FY 2003-04		
			Continuation	Reductions	Position	Recurring	Nonrecurring	Position		Recommended Appropriation	Net Position Change	
			Appropriation	Recurring	Nonrecurring	Position	Recurring	Nonrecurring	Position	Change	Recommended Appropriation	Net Position Change
1		Health and Human Services:										
2	14410	Central Administration	\$ 99,449,713	\$ (23,265,880)	\$ -	(1.00)	\$ 7,400,000	\$ 1,200,000	-	\$ (14,665,880)	\$ 84,783,833	(1.00)
3	14411	Aging	28,585,838	(1,000,000)	-	-	-	-	-	(1,000,000)	27,585,838	-
4	14420	Child Development	267,002,174	(7,823,536)	-	-	613,529	-	15.00	(7,210,007)	259,792,167	15.00
5	"	Smart Start										
6	14424	Education Services	33,168,936	(1,302,074)	-	(9.23)	-	-	-	(1,302,074)	31,866,862	(9.23)
7	14430	Public Health	130,648,960	(2,906,673)	-	(3.25)	-	-	-	(2,906,673)	127,742,287	(3.25)
8	14440	Social Services	184,886,538	(6,731,604)	-	-	-	-	-	(6,731,604)	178,154,934	-
9	14445	Medical Assistance	2,538,978,314	(253,386,419)	-	-	1,423,761	-	-	(251,962,658)	2,287,015,656	-
10	14446	Child Health	37,317,907	-	-	-	13,050,123	-	-	13,050,123	50,368,030	-
11	14450	Services for the Blind	9,533,508	(180,838)	-	(4.00)	-	-	-	(180,838)	9,352,670	(4.00)
12	14460	Mental Health/DD/SAS	581,275,947	(23,651,964)	-	-	-	-	-	(23,651,964)	557,623,983	-
13	14470	Facility Services	14,442,802	(5,000,272)	-	-	-	-	-	(5,000,272)	9,442,530	-
14	14480	Vocational Rehabilitation	40,645,338	(603,214)	-	-	-	-	-	(603,214)	40,042,124	-
15		Total Health & Human Services	3,965,935,975	(325,852,474)	-	(17.48)	22,487,413	1,200,000	15.00	(302,165,061)	3,663,770,914	(2.48)
16												
17		Natural and Economic Resources:										
18	13700	Agriculture & Consumer Services	51,041,728	(2,284,750)	-	(16.00)	-	-	-	(2,284,750)	48,756,978	(16.00)
19	14600	Commerce	35,569,253	(2,435,811)	-	-	-	-	-	(2,435,811)	33,133,442	-
20	14601	Commerce - State Aid to Nonstate Entities	20,808,730	(746,266)	-	-	-	-	-	(746,266)	20,062,464	-
21	14300	Environment and Natural Resources	153,070,901	(6,069,123)	(1,070,790)	(18.11)	-	500,000	8.00	(6,639,913)	146,430,988	(10.11)
22	14301	Clean Water Management Trust Fund	100,000,000	(33,618,140)	-	-	-	-	-	(33,618,140)	66,381,860	-
23	13010	NC Housing Finance	4,750,945	-	-	-	-	-	-	-	4,750,945	-
24	13800	Labor	13,936,595	(671,594)	-	(12.75)	-	-	-	(671,594)	13,265,001	(12.75)
25		Total Natural and Economic Resources	379,178,152	(45,825,684)	(1,070,790)	(46.86)	-	500,000	8.00	(46,396,474)	332,781,678	(38.86)
26												
27		Justice and Public Safety:										
28	14500	Correction	985,276,327	(44,558,269)	-	(3.00)	-	-	-	(44,558,269)	940,718,058	(3.00)
29	14900	Crime Control & Public Safety	28,706,140	(617,367)	-	(1.00)	-	-	-	(617,367)	28,088,773	(1.00)
30	12000	Judicial	310,319,781	(3,603,124)	(3,400,000)	-	-	-	-	(7,003,124)	303,316,657	-
31	12001	Judicial - Indigent Defense	75,049,607	(2,001,000)	-	-	-	-	-	(2,001,000)	73,048,607	-
32	13600	Justice	73,508,002	(1,722,224)	(1,273,500)	(16.00)	134,572	35,058	6.00	(2,826,094)	70,681,908	(10.00)
33	14060	Juvenile Justice	135,679,902	(4,218,525)	(199,272)	-	-	-	-	(4,417,797)	131,262,105	-
34		Total Justice and Public Safety	1,608,539,759	(56,720,509)	(4,872,772)	(20.00)	134,572	35,058	6.00	(61,423,651)	1,547,116,108	(14.00)
35												
36		General Government:										
37	14100	Administration	56,925,133	(6,177,915)	-	(18.00)	-	50,000	-	(6,127,915)	50,797,218	(18.00)
38	13300	State Auditor	10,847,686	(542,384)	-	(3.00)	-	-	-	(542,384)	10,305,302	(3.00)
39	14800	Cultural Resources	54,627,586	(1,576,628)	-	(17.55)	-	-	-	(1,576,628)	53,050,958	(17.55)
40	14802	Cultural Resources - Roanoke Island	1,720,952	(86,047)	-	-	-	-	-	(86,047)	1,634,905	-
41	11000	General Assembly	42,858,926	(1,297,463)	-	-	-	-	-	(1,297,463)	41,561,463	-
42	13000	Governor's Office	5,112,108	(255,605)	-	-	-	130,000	-	(125,605)	4,986,503	-
43	13900	Insurance	23,364,277	(1,393,214)	-	-	-	-	-	(1,393,214)	21,971,063	-
44	13901	Insurance - Worker's Compensation Fund	4,500,000	-	-	-	-	-	-	-	4,500,000	-
45	13100	Lieutenant Governor	633,293	(31,571)	-	-	-	-	-	(31,571)	601,722	-
46	18210	Office of Administrative Hearings	2,540,719	(127,036)	-	(2.00)	-	-	-	(127,036)	2,413,683	(2.00)
47	14700	Revenue	76,720,217	(3,183,394)	-	(12.00)	-	-	-	(3,183,394)	73,536,823	(12.00)
48	18300	Rules Review Commission	310,454	-	-	-	-	-	-	-	310,454	-
49	13200	Secretary of State	8,210,304	(369,515)	(41,000)	(2.00)	-	-	-	(410,515)	7,799,789	(2.00)
50	18025	State Board of Elections	3,123,646	(156,183)	-	-	490,537	4,184,776	-	4,519,130	7,642,776	-
51	13005	State Budget and Management (OSBM)	4,428,558	(221,428)	-	-	-	-	-	(221,428)	4,207,130	-
52	13085	OSBM - Special Appropriations	3,080,000	-	-	-	-	-	-	-	3,080,000	-
53	14160	Office of State Controller	10,046,077	(351,613)	-	-	-	-	-	(351,613)	9,694,464	-
54	13410	State Treasurer	8,063,750	(645,100)	-	(3.00)	-	-	-	(645,100)	7,418,650	(3.00)
55	13412	State Treasurer - Retirement / Benefits	7,131,179	-	-	-	-	-	-	-	7,131,179	-

Table 7A

Recommended Changes to the FY 2003-2004 General Fund Budget

Recommended Changes to the FY 2003-2004 General Fund Budget												
												FY 2003-04
Line	General Budget										FY 2003-04	Net
#	Code	Function	Appropriation	Recurring	Nonrecurring	Position	Recurring	Nonrecurring	Position	Change	Appropriation	Change
56		Total General Government	324,244,865	(16,415,096)	(41,000)	(57.55)	490,537	4,364,776	-	(11,600,783)	312,644,082	(57.55)
57												
58	1422	Transportation	12,842,163	(1,412,638)	-	-	-	-	-	(1,412,638)	11,429,525	-
59												
60		Education:										
61	13510	Public Schools	6,086,682,250	(193,488,724)	(21,000,000)	(1,610.70)	25,303,294	101,500,000	571.00	(87,685,430)	5,998,996,820	(1,039.70)
62	16800	Community Colleges	671,476,663	(27,354,481)	-	-	29,833,844	-	472.00	2,479,363	673,956,026	472.00
63	160xx	University System	1,659,327,381	(82,013,772)	(13,889,896)	(247.00)	49,390,409	-	518.00	(46,513,259)	1,612,814,122	271.00
64	16095	UNC - Hospital	39,303,483	-	-	-	-	-	-	-	39,303,483	-
65	16011, 12	UNC - GA Passthrough	137,721,277	(3,618,186)	-	-	10,250,000	-	-	6,631,814	144,353,091	-
66		Total Education	8,594,511,054	(306,475,163)	(34,889,896)	(1,857.70)	114,777,547	101,500,000	1,561.00	(125,087,512)	8,469,423,542	(296.70)
67												
68		Net Agency Changes	14,885,251,968	(752,701,564)	(40,874,458)	(1,999.59)	137,890,069	107,599,834	1,590.00	(548,086,119)	14,337,165,849	(409.59)
69												
70		Debt Service:										
71	19420	General Debt Service	430,130,765	(42,344,845)	-	-	-	-	-	(42,344,845)	387,785,920	-
72	19425	Federal Reimbursement	1,155,948	-	-	-	-	-	-	-	1,155,948	-
73		Total Debt Service	431,286,713	(42,344,845)	-	-	-	-	-	(42,344,845)	388,941,868	-
74												
75		Reserves & Adjustments:										
76	19001	Contingency and Emergency Reserve	5,000,000	-	-	-	-	-	-	-	5,000,000	-
77	19003	Compensation Increase Reserve	-	-	-	-	126,250,000	6,100,000	-	132,350,000	132,350,000	-
78	19004	Salary Adjustment Reserve	500,000	-	-	-	-	-	-	-	500,000	-
79		Retirement System Reserve	-	-	-	-	21,000,000	26,000,000	-	47,000,000	47,000,000	-
80		Easley Health Initiative	-	-	-	-	5,000,000	-	-	5,000,000	5,000,000	-
81	19039	Reserve - HIPPA Implementation	-	-	-	-	-	5,000,000	-	5,000,000	5,000,000	-
82	19043	Health Plan Reserve	-	-	-	-	72,000,000	-	-	72,000,000	72,000,000	-
83	19049	Mental Health/DD/SAS Trust Fund Reserve	-	-	-	-	-	10,000,000	-	10,000,000	10,000,000	-
84		Total Reserves & Adjustments	5,500,000	-	-	-	224,250,000	47,100,000	-	271,350,000	276,850,000	-
85												
86		Capital:										
87		Capital Improvements	-	-	-	-	-	29,407,000	-	29,407,000	29,407,000	-
88		Total Capital	-	-	-	-	-	29,407,000	-	29,407,000	29,407,000	-
89												
90		Total General Fund Budget	\$ 15,322,038,681	\$ (795,046,409)	\$ (40,874,458)	(1,999.59)	\$ 362,140,069	\$ 184,106,834	1,590.00	\$ (289,673,964)	\$ 15,032,364,717	(409.59)

Table 7B

Recommended Changes to the FY 2004-2005 General Fund Budget

Line #	General Budget Code	Function	FY 2004-05			Expansion			Net Change	FY 2004-05		
			Recommended Continuation	Recurring	Nonrecurring	Position	Recurring	Nonrecurring		Position	Recommended Appropriation	Net Position Change
Health and Human Services:												
2	14410	Central Administration	\$ 100,272,566	\$ (24,088,733)	\$ -	(1.00)	\$ 7,400,000	\$ -	-	\$ (16,688,733)	\$ 83,583,833	(1.00)
3	14411	Aging	28,585,838	(1,000,000)	-	-	-	-	-	(1,000,000)	27,585,838	-
4	14420	Child Development	267,006,355	(7,827,717)	-	-	807,055	-	15.00	(7,020,662)	259,985,693	15.00
5	"	Smart Start										
6	14424	Education Services	32,945,950	(1,215,874)	-	(9.23)	-	-	-	(1,215,874)	31,730,076	(9.23)
7	14430	Public Health	132,441,289	(4,702,582)	-	(3.25)	-	-	-	(4,702,582)	127,738,707	(3.25)
8	14440	Social Services	189,939,178	(6,732,050)	-	-	-	-	-	(6,732,050)	183,207,128	-
9	14445	Medical Assistance	2,980,706,037	(377,784,097)	-	-	3,694,568	-	-	(374,089,529)	2,606,616,508	-
10	14446	Child Health	37,317,907	-	-	-	19,108,373	-	-	19,108,373	56,426,280	-
11	14450	Services for the Blind	9,617,846	(180,838)	-	(4.00)	-	-	-	(180,838)	9,437,008	(4.00)
12	14460	Mental Health/DD/SAS	584,487,605	(23,373,407)	-	-	-	-	-	(23,373,407)	561,114,198	-
13	14470	Facility Services	14,443,088	(5,000,558)	-	-	-	-	-	(5,000,558)	9,442,530	-
14	14480	Vocational Rehabilitation	41,453,587	(618,729)	-	-	-	-	-	(618,729)	40,834,858	-
15		Total Health & Human Services	4,419,217,246	(452,524,585)	-	(17.48)	31,009,996	-	15.00	(421,514,589)	3,997,702,657	(2.48)
Natural and Economic Resources:												
18	13700	Agriculture & Consumer Services	51,093,029	(2,297,945)	-	(16.00)	-	-	-	(2,297,945)	48,795,084	(16.00)
19	14600	Commerce	34,639,574	(2,435,811)	-	-	-	-	-	(2,435,811)	32,203,763	-
20	14601	Commerce - State Aid to Nonstate Entities	20,808,730	(746,266)	-	-	-	-	-	(746,266)	20,062,464	-
21	14300	Environment and Natural Resources	157,263,823	(6,069,123)	-	(18.11)	-	-	8.00	(6,069,123)	151,194,700	(10.11)
22	14301	Clean Water Management Trust Fund	100,000,000	(33,618,140)	-	-	-	-	-	(33,618,140)	66,381,860	-
23	13010	NC Housing Finance	4,750,945	-	-	-	-	-	-	-	4,750,945	-
24	13800	Labor	13,945,245	(674,223)	-	(12.75)	-	-	-	(674,223)	13,271,022	(12.75)
25		Total Natural and Economic Resources	382,501,346	(45,841,508)	-	(46.86)	-	-	8.00	(45,841,508)	336,659,838	(38.86)
Justice and Public Safety:												
28	14500	Correction	991,226,311	(45,315,062)	-	(3.00)	-	-	-	(45,315,062)	945,911,249	(3.00)
29	14900	Crime Control & Public Safety	28,785,824	(1,621,610)	-	(1.00)	-	-	-	(1,621,610)	27,164,214	(1.00)
30	12000	Judicial	314,116,595	(3,603,124)	-	-	-	-	-	(3,603,124)	310,513,471	-
31	12001	Judicial - Indigent Defense	73,116,571	(2,001,000)	-	-	-	-	-	(2,001,000)	71,115,571	-
32	13600	Justice	73,574,376	(2,176,453)	-	(16.00)	269,144	-	6.00	(1,907,309)	71,667,067	(10.00)
33	14060	Juvenile Justice	138,675,409	(4,266,279)	-	-	-	-	-	(4,266,279)	134,409,130	-
34		Total Justice and Public Safety	1,619,495,086	(58,983,528)	-	(20.00)	269,144	-	6.00	(58,714,384)	1,560,780,702	(14.00)
General Government:												
37	14100	Administration	57,503,556	(6,177,954)	-	(18.00)	-	-	-	(6,177,954)	51,325,602	(18.00)
38	13300	State Auditor	10,857,642	(542,384)	-	(3.00)	-	-	-	(542,384)	10,315,258	(3.00)
39	14800	Cultural Resources	54,337,128	(1,565,329)	-	(17.55)	-	-	-	(1,565,329)	52,771,799	(17.55)
40	14802	Cultural Resources - Roanoke Island	1,722,606	(86,047)	-	-	-	-	-	(86,047)	1,636,559	-
41	11000	General Assembly	46,268,768	(1,297,463)	-	-	-	-	-	(1,297,463)	44,971,305	-
42	13000	Governor's Office	5,112,933	(255,605)	-	-	-	-	-	(255,605)	4,857,328	-
43	13900	Insurance	23,395,414	(1,393,214)	-	-	-	-	-	(1,393,214)	22,002,200	-
44	13901	Insurance - Worker's Compensation Fund	4,500,000	-	-	-	-	-	-	-	4,500,000	-
45	13100	Lieutenant Governor	633,293	(31,571)	-	-	-	-	-	(31,571)	601,722	-
46	18210	Office of Administrative Hearings	2,542,833	(127,036)	-	(2.00)	-	-	-	(127,036)	2,415,797	(2.00)
47	14700	Revenue	77,372,834	(3,836,011)	-	(12.00)	-	-	-	(3,836,011)	73,536,823	(12.00)
48	18300	Rules Review Commission	310,454	-	-	-	-	-	-	-	310,454	-
49	13200	Secretary of State	8,179,923	(369,515)	-	(2.00)	-	-	-	(369,515)	7,810,408	(2.00)
50	18025	State Board of Elections	3,124,003	(156,183)	-	-	490,537	-	-	334,354	3,458,357	-
51	13005	State Budget and Management (OSBM)	4,432,863	(221,428)	-	-	-	-	-	(221,428)	4,211,435	-
52	13085	OSBM - Special Appropriations	3,080,000	-	-	-	-	-	-	-	3,080,000	-
53	14160	Office of State Controller	10,071,064	(351,613)	-	-	-	-	-	(351,613)	9,719,451	-
54	13410	State Treasurer	8,066,505	(645,100)	-	(3.00)	-	-	-	(645,100)	7,421,405	(3.00)
55	13412	State Treasurer - Retirement / Benefits	7,131,179	-	-	-	-	-	-	-	7,131,179	-

Table 7B

Recommended Changes to the FY 2004-2005 General Fund Budget

Recommended Changes to the FY 2004-2005 General Fund Budget															
Line #	General Budget Code	Function	FY 2004-05 Recommended Continuation			Reductions			Expansion			Net Change	FY 2004-05 Recommended		Net Position Change
			Appropriation	Recurring	Nonrecurring	Position	Recurring	Nonrecurring	Position	Appropriation	Position				
56		Total General Government	328,642,998	(17,056,453)	-	(57.55)	490,537	-	-	(16,565,916)	312,077,082	(57.55)			
57															
58	14222	Transportation	12,872,739	(1,412,638)	-	-	-	-	-	(1,412,638)	11,460,101	-			
59															
60		Education:													
61	13510	Public Schools	6,211,172,835	(217,653,015)	-	(1,976.0)	25,303,294	-	571.00	(192,349,721)	6,018,823,114	(1,405.00)			
62	16800	Community Colleges	671,285,977	(27,354,481)	-	-	29,833,844	-	472.00	2,479,363	673,765,340	472.00			
63	160xx	University System	1,680,045,640	(82,013,772)	-	(247.00)	49,390,409	-	518.00	(32,623,363)	1,647,422,277	271.00			
64	16095	UNC - Hospital	39,303,483	-	-	-	-	-	-	-	39,303,483	-			
65	16011, 12	UNC - GA Passthrough	138,064,062	(3,618,186)	-	-	10,250,000	-	-	6,631,814	144,695,876	-			
66		Total Education	8,739,871,997	(330,639,454)	-	(2,223.00)	114,777,547	-	1,561.00	(215,861,907)	8,524,010,090	(662.00)			
67															
68		Net Agency Changes	15,502,601,412	(906,458,166)	-	(2,364.89)	146,547,224	-	1,590.00	(759,910,942)	14,742,690,470	(774.89)			
69															
70		Debt Service:													
71	19420	General Debt Service	498,993,307	(24,513,855)	-	-	-	-	-	(24,513,855)	474,479,452	-			
72	19425	Federal Reimbursement	1,155,948	-	-	-	-	-	-	-	1,155,948	-			
73		Total Debt Service	500,149,255	(24,513,855)	-	-	-	-	-	(24,513,855)	475,635,400	-			
74															
75		Reserves & Adjustments:													
76	19001	Contingency and Emergency Reserve	5,000,000	-	-	-	-	-	-	-	5,000,000	-			
77	19003	Compensation Increase Reserve	-	-	-	-	129,500,000	-	-	129,500,000	129,500,000	-			
78	19004	Salary Adjustment Reserve	500,000	-	-	-	-	-	-	-	500,000	-			
79		Retirement System Reserve	-	-	-	-	158,000,000	-	-	158,000,000	158,000,000	-			
80		Easley Health Initiative Reserve	-	-	-	-	5,000,000	-	-	5,000,000	5,000,000	-			
81	19039	Reserve - HIPPA Implementation	-	-	-	-	-	-	-	-	-	-			
82	19043	Health Plan Reserve	-	-	-	-	96,000,000	-	-	96,000,000	96,000,000	-			
83	19049	Mental Health/DD/SAS Trust Fund Reserve	-	-	-	-	-	-	-	-	-	-			
84		Total Reserves & Adjustments	5,500,000	-	-	-	388,500,000	-	-	388,500,000	394,000,000	-			
85															
86		Capital:													
87		Capital Improvements	-	-	-	-	-	-	-	-	-	-			
88		Total Capital	-	-	-	-	-	-	-	-	-	-			
89															
90		Total General Fund Budget	\$ 16,008,250,667	\$ (930,972,021)	\$ -	(2,364.89)	\$ 535,047,224	\$ -	1,590.00	\$ (395,924,797)	\$ 15,612,325,870	(774.89)			

N.C. State Budget, 2003-05: Summary of Recommendations

IV. General Fund – Recommended Adjustments and Expansion

Public Education

	<u>2003-04</u>	<u>2004-05</u>
<u>Recommended Continuation Budget</u>	\$ 6,086,682,250	\$ 6,211,172,835
<u>Recommended Adjustments</u>	\$ (49,913,688)	\$ (68,610,796)
<u>Recommended Reductions</u>	\$ (164,575,036)	\$ (149,042,219)
<u>Recommended Expansion</u>	<u>\$ 126,803,294</u>	<u>\$ 25,303,294</u>
 <u>RECOMMENDED BUDGET</u>	 <u>\$ 5,998,996,820</u>	 <u>\$ 6,018,823,114</u>

**N.C. State Budget, 2003-05: Summary of Recommendations
General Fund – Public Education - Continued**

Recommended Adjustments:

	<u>2003-04</u>	<u>2004-05</u>
1. Revise Average Daily Membership		
Positions, textbooks, instructional equipment, and supplies allocated to the public schools are budgeted on the basis of average daily membership (ADM) of students in the classroom. The budgeted ADM for 2002-03 is 1,326,865. Budgeted ADM as reflected in the recommended continuation budget is 1,346,016 for 2003-04 and 1,367,587 for 2004-05. Budgeted ADM has been revised in February 2003 based upon the higher of 1) the actual best 1 st or 2 nd month ADM in 2002-03 or 2) projected ADM for 2003-04. The revised budgeted ADM for 2003-04 is 1,342,806 and for 2004-05 is 1,358,932. This change in budgeted ADM resulted in a \$12.6 million adjustment in 2003-04 and \$30.8 million in 2004-05.		
Due to an adjustment in ninth grade ADM, a reduction in Highway Fund receipts budgeted for the Driver Education program is also necessary.		
Requirements	\$ (12,760,470)	\$ (30,924,244)
Receipts	<u>(199,298)</u>	<u>(170,291)</u>
Appropriation	\$ (12,561,172)	\$ (30,753,953)
Number of Positions	(304.7)	(669.0)

**N.C. State Budget, 2003-05: Summary of Recommendations
General Fund – Public Education - Continued**

Recommended Adjustments:

	<u>2003-04</u>	<u>2004-05</u>
2. Average Annual Salary Adjustment		
An adjustment is recommended to revise the budgeted average annual salaries including principals and assistant principals using actual 2002-03 sixth pay period salaries as the base. This adjustment is made annually after reviewing budgeted salary projections for all certified personnel. Typically, because of turnover in these positions, the actual salaries are lower than budgeted salaries and a reduction is made accordingly. This adjustment does not reduce any salary paid to certified personnel.	\$ (37,352,516)	\$ (37,856,843)
Total Recommended Adjustments - Recurring		
Requirements	\$ (50,112,986)	\$ (68,781,087)
Receipts	<u>(199,298)</u>	<u>(170,291)</u>
Appropriation	\$ (49,913,688)	\$ (68,610,796)
Number of Positions	(304.7)	(669.0)

**N.C. State Budget, 2003-05: Summary of Recommendations
General Fund – Public Education - Continued**

Recommended Reductions:

	<u>2003-04</u>	<u>2004-05</u>
1. Central Office Administration		
A reduction is recommended for the Central Office Administration allotment for Local School Administrative Units (LEAs). The 2003-04 budget for Central Office Administration will be \$95,508,570 after this reduction and the ADM adjustment.		
Number of Positions	\$ (1,949,154) (26.0)	\$ (1,949,154) (26.0)
2. Assistant Principals		
A reduction is recommended for the School Building Administrators allotment for Local School Administrative Units. This reduction would eliminate funding for 85 Assistant Principal positions. The 2003-04 budget for School Building Administrators will be \$234,425,056 after this reduction and the ADM adjustment.		
Number of Positions	(4,639,926) (85.0)	(4,694,513) (86.0)
3. Inflationary Increase for Instructional Supplies and Equipment		
It is recommended that the 2003-05 inflation rate as shown in the 2003-05 Continuation Budget for instructional supplies, materials, and equipment be reduced by 1.5%. The budget for instructional supplies, materials, and equipment (excluding PSAT funding) for 2003-04 will be \$64,019,422 after this adjustment and the ADM adjustment.		
	(926,536)	(937,633)

**N.C. State Budget, 2003-05: Summary of Recommendations
General Fund – Public Education - Continued**

Recommended Reductions:

	<u>2003-04</u>	<u>2004-05</u>
4. Formula for PSAT Funding		
It is recommended that the formula for PSAT funding be restored to the 2000-01 rate of \$2.69 per eighth and ninth grade ADM.	\$ (1,557,910)	\$ (1,579,900)
5. Inflationary Increase for Textbooks		
It is recommended that the 2003-05 inflation rate for textbooks be reduced by 1% from the amount shown in the 2003-05 Continuation Budget. Based upon a Department of Public Instruction cost assessment, textbooks for exceptional children are not included in this reduction. The 2003-04 budget for textbooks, using a rate of 4%, will be \$80,248,556 after this adjustment and the ADM adjustment.	(765,400)	(774,591)
6. Noninstructional Support		
An adjustment is recommended in the Noninstructional Support allotment formula in the State Public School Fund (SPSF). It is recommended that the clerical and custodial support allotment to the Local School Administrative Units be reduced by \$29 million. Substitute teacher funds will continue to be funded at the 2002-03 level. The remaining 2003-04 budget will be \$262,566,686 after this reduction and the ADM revision.	(29,150,000)	(29,150,000)
Number of Positions	(1,195.0)	(1,195.0)

**N.C. State Budget, 2003-05: Summary of Recommendations
General Fund – Public Education - Continued**

Recommended Reductions:

	<u>2003-04</u>		<u>2004-05</u>
7. Technology Fund			
A nonrecurring reduction is recommended for the technology fund appropriation. This adjustment would leave an appropriation of \$5 million plus the projected fiscal year end cash balance of over \$5 million.			
Appropriation - Nonrecurring	\$ (5,000,000)	NR	\$ -
8. School Bus Replacement			
A revision to the school bus replacement schedule is recommended for 2003-04. With this nonrecurring adjustment, the 2003-04 budget for school bus purchases will be \$26,298,935. The 2003-04 budget will fund year two of the 2002-03 lease purchase contract as well as the replacement of approximately 708 buses with a three-year lease purchase contract.			
Appropriation - Nonrecurring	(10,000,000)	NR	-
9. Transportation			
A nonrecurring reduction is recommended for the transportation allocation to the LEAs. These funds support the mechanics, garage operations, fuel costs, parts, bus drivers' salaries and fringe benefits and other operational costs for school bus operations. After this reduction and the ADM adjustment, \$244,947,686 will remain in the transportation budget.			
Appropriation - Nonrecurring	(5,000,000)	NR	-

NR - Nonrecurring

**N.C. State Budget, 2003-05: Summary of Recommendations
General Fund – Public Education - Continued**

Recommended Reductions:

	<u>2003-04</u>	<u>2004-05</u>
10. Bus Driver Physicals		
The Department of Transportation has eliminated the requirement for school bus driver physicals. It is recommended that the appropriation for bus driver physicals be eliminated.	\$ (560,000)	\$ (560,000)
11. Bonding Fiscal Officers		
It is recommended that LEAs provide the resources to bond their fiscal officers.	(48,944)	(48,944)
12. Restore Breakfast for Those in Need		
The 1999 Session of the General Assembly provided \$1,100,000 for a new kindergarten school breakfast program, which began in January 2000. During the 2000 Session of the General Assembly, additional funds were provided to annualize the school breakfast program for all kindergarten students, regardless of income. The students in this program did not include students who were eligible for free or reduced lunch. It is recommended that school breakfast for all students on free or subsidized lunch plans remain unchanged while eliminating no-cost breakfast for kindergarten students who are able to pay.	(2,700,000)	(2,700,000)

**N.C. State Budget, 2003-05: Summary of Recommendations
General Fund – Public Education – Continued**

Recommended Reductions:

	<u>2003-04</u>	<u>2004-05</u>
13. Department of Public Instruction		
Reduction		
The Department of Public Instruction’s budget is recommended for reduction in the amount of \$311,331. These reductions include the Education Management, Financial and Business Services, Curriculum and School Reform Services, Information and Technology Services, Leadership Development and Special Services, and Accountability and Technology Services budget purposes. The Department shall have the flexibility to identify the source of the reduction.	\$ (311,331)	\$ (311,331)

**N.C. State Budget, 2003-05: Summary of Recommendations
General Fund – Public Education – Continued**

Recommended Reductions:

	<u>2003-04</u>	<u>2004-05</u>
14. LEA Discretionary Reduction		
State Aid to the Local School Administrative Units is recommended for reduction. The State Board of Education shall distribute the discretionary reduction based upon average daily membership. This continues the reduction made by the General Assembly in the 2002-03 budget. For 2003-04, the State Board shall require allotment reductions in this amount within 30 days of budget passage. For 2004-05, the State Board of Education shall identify recurring reductions to allotment categories by February 15, 2004. It is recommended that the budget bill continue the legislative intent for LEA's to avoid the classroom in making their reductions.		
Local School Administrative Units have flexibility to adjust their budgets to implement this reduction; therefore, it is not possible to identify the number of positions impacted.	\$ (42,000,000)	\$ (42,000,000)

**N.C. State Budget, 2003-05: Summary of Recommendations
General Fund – Public Education - Continued**

Recommended Reductions:

	<u>2003-04</u>		<u>2004-05</u>
15. Utilize Existing Cash Balance			
It is recommended that the excess cash balance in the Literary Loan fund be budgeted on a one-time basis to offset General Fund requirements.			
Requirements	\$ -		\$ -
Receipts - Nonrecurring	<u>1,000,000</u>		<u>-</u>
Appropriation - Nonrecurring	\$ (1,000,000)	NR	\$ -
16. Redirect Public School Capital Funds			
The 1987 Session of the General Assembly established the Public School Building Capital Fund (G.S. 115C-546) and the Critical School Facility Needs Fund (G.S. 115C-489) to assist county governments in meeting their public school building capital needs. It is recommended that, for the 2003-05 biennium, the corporate tax revenues normally deposited into these capital funds be transferred to the State Public School Fund as a receipt to offset the cost of public school operations. The last local school administrative unit on the priority list established by The Commission on School Facility Needs under G.S. 115C-489 shall be funded in the amount of \$3,370,318. The six staff members in the Department of Public Instruction shall continue to be supported by these funds in the amount of \$463,847.			
Requirements	\$ 3,834,165		\$ 463,847
Receipts	<u>62,800,000</u>		<u>64,800,000</u>
Appropriation	\$ (58,965,835)		\$ (64,336,153)

NR - Nonrecurring

**N.C. State Budget, 2003-05: Summary of Recommendations
General Fund – Public Education - Continued**

Recommended Reductions:

	<u>2003-04</u>		<u>2004-05</u>
Total Recommended Reductions - Recurring			
Requirements	\$ (80,775,036)		\$ (84,242,219)
Receipts	<u>62,800,000</u>		<u>64,800,000</u>
Appropriation	\$ (143,575,036)		\$ (149,042,219)
Number of Positions	(1,306.0)		(1,307.0)
 Total Recommended Reductions - Nonrecurring			
Requirements	\$ (20,000,000)		\$ -
Receipts	<u>1,000,000</u>		<u>-</u>
Appropriation	\$ (21,000,000)	NR	\$ -
 Number of Positions Reduced	 (1,306.0)		 (1,307.0)

NR - Nonrecurring

**N.C. State Budget, 2003-05: Summary of Recommendations
General Fund – Public Education - Continued**

Recommended Expansion:

2003-04

2004-05

1. School-Based Incentive Awards Under the ABCs Program

The ABCs initiative directs that each year a school must assure that the students receive a year's worth of education for a year of instruction. According to G.S. 115C-105.36, incentive awards will be given when a school either meets or exceeds the projected levels of improvement in student performance. In response to the legislative requirement to include a closing the achievement gap component in the ABCs and the Federal No Child Left Behind legislation, the State Board of Education approved a revised ABCs Incentive Awards Program in June 2002.

In accordance with the revised State Board of Education policy, the maximum incentive award for each teacher and certified personnel may be up to \$1,800 and \$600 for each teacher assistant. The new award amount is divided into three components: one-third is granted for meeting expected improvement, one-third is awarded for higher than expected improvement, and one-third is granted upon meeting adequate yearly progress under the Federal No Child Left Behind legislation.

**N.C. State Budget, 2003-05: Summary of Recommendations
General Fund – Public Education - Continued**

Recommended Expansion:

	<u>2003-04</u>		<u>2004-05</u>
School-Based Incentive Awards Under the ABCs Program - Continued			
Nonrecurring funds in the amount of \$101 million are recommended for awards earned in the 2002-03 school year and awarded in 2003.			
Appropriation - Nonrecurring	\$ 101,000,000	NR	\$ -
2. Class Size Reduction			
In an effort to improve student performance, funds in the amount of \$25.3 million for 571 teachers are recommended to achieve an average class size of 18 students in every second grade classroom in 2003-04.			
Number of Positions	25,303,294 571.0		25,303,294 571.0
3. LEA Assistance Program			
Funds are recommended to establish an assistance program for LEAs that are identified by the State Board as low performing. Assistance teams shall be assigned to an LEA to provide systemwide assessments, technical assistance, and recommendations for improvement.			
Appropriation - Nonrecurring	500,000	NR	-

NR - Nonrecurring

**N.C. State Budget, 2003-05: Summary of Recommendations
General Fund – Public Education - Continued**

Recommended Expansion:

2003-04

2004-05

4. Teacher Pay Increase

Funds are recommended in the reserve for step increases for teachers and principals in public schools to be used for experience step increases for employees paid on the teacher salary schedule or the principal and assistant principal salary schedule in schools operated by a local board of education, the Department of Health and Human Services, the Department of Correction, or the Department of Juvenile Justice and Delinquency Prevention. Employees at the top of their respective salary schedules, who do not receive a step increase, shall be paid a one-time bonus. Funds are also recommended to provide the teaching faculty at the North Carolina School of Science and Mathematics an annual average salary increase of 1.81%. The funding for the step increase is included in the statewide section of this document.

**N.C. State Budget, 2003-05: Summary of Recommendations
General Fund – Public Education - Continued**

Recommended Expansion:

	<u>2003-04</u>		<u>2004-05</u>
Total Recommended Expansion - Recurring			
Requirements	\$ 25,303,294		\$ 25,303,294
Receipts	<u>-</u>		<u>-</u>
Appropriation	\$ 25,303,294		\$ 25,303,294
Number of Positions	571.0		571.0
 Total Recommended Expansion - Nonrecurring			
Requirements	\$ 101,500,000		\$ -
Receipts	<u>-</u>		<u>-</u>
Appropriation	\$ 101,500,000	NR	\$ -
 Number of Positions Added	 571.0		 571.0

NR - Nonrecurring

**N.C. State Budget, 2003-05: Summary of Recommendations
General Fund – Public Education - Continued**

Net Changes for Public Education

	<u>2003-04</u>		<u>2004-05</u>
Total Net Adjustments – Recurring			
Requirements	\$ (105,584,728)		\$ (127,720,012)
Receipts	<u>62,600,702</u>		<u>64,629,709</u>
Appropriation	\$ (168,185,430)		\$ (192,349,721)
Number of Positions	(1,039.7)		(1,405.0)
Total Net Adjustments – Nonrecurring			
Requirements	\$ 81,500,000		\$ -
Receipts	<u>1,000,000</u>		<u>-</u>
Appropriation	\$ 80,500,000	NR	\$ -
 Total Recommended Adjustments	 \$ (87,685,430)		 \$ (192,349,721)

NR - Nonrecurring

N.C. State Budget, 2003-05: Summary of Recommendations

North Carolina Community College System

	<u>2003-04</u>	<u>2004-05</u>
<u>Recommended Continuation Budget</u>	\$ 671,476,663	\$ 671,285,977
<u>Recommended Reductions</u>	\$ (27,354,481)	\$ (27,354,481)
<u>Recommended Expansion</u>	<u>\$ 29,833,844</u>	<u>\$ 29,833,844</u>
<u>RECOMMENDED BUDGET</u>	<u><u>\$ 673,956,026</u></u>	<u><u>\$ 673,765,340</u></u>

**N.C. State Budget, 2003-05: Summary of Recommendations
General Fund – Community Colleges - Continued**

Recommended Reductions:

	<u>2003-04</u>	<u>2004-05</u>
1. Institutional and Academic Support Supplements		
A 10% reduction is recommended for the enrollment allotment operating costs for each Full Time Equivalent (FTE) student greater than 750. This will be a \$17.30 reduction per FTE for a total of \$2,192,567. These funds are used for travel, office supplies, postage, printing and binding, and other miscellaneous expenses.	\$ (2,192,567)	\$ (2,192,567)
2. Community Service		
It is recommended that the Community Service grant be reduced \$170,337 to the 2001-02 actual expenditure level. In 2001 the General Assembly reduced this grant by \$317,738 and directed the colleges to make every effort to ensure this reduction does not lessen senior services. This grant provides funds for colleges to offer free hobby and leisure courses.	(170,337)	(170,337)
3. Summer Term		
The 2000 Session of the General Assembly appropriated \$7,177,623 for summer term curriculum instruction as a supplement to regular curriculum enrollment funding. A reduction to this supplement is recommended. It is recommended that the balance of this supplement focus on strategic areas of high need for the state such as health science, early childhood education, and business technology to sustain support for these high needs areas and other strategic initiatives.	(3,588,812)	(3,588,812)

**N.C. State Budget, 2003-05: Summary of Recommendations
General Fund – Community Colleges - Continued**

Recommended Reductions:

	<u>2003-04</u>	<u>2004-05</u>
4. Need-Based Financial Aid		
To ensure continuing access to institutions of higher learning by the state's students, it is recommended that consistent with GS 116B-7, a portion of the income generated from the Escheat Fund be used to offset the full amount requested by Community Colleges for need-based financial aid, to ensure that the entire requirement is fully funded.		
Requirements	\$ -	\$ -
Receipts	7,062,806	7,062,806
Appropriation	<u>\$ (7,062,806)</u>	<u>\$ (7,062,806)</u>
5. Management Flexibility Reserve		
It is recommended that a flexibility reserve of \$11,237,420 be created to give the State Board of Community Colleges the discretion to identify specific reduction items in the system budget. The State Board of Community Colleges shall distribute the discretionary reduction based upon FTE or another method that accounts for the unique needs of specific colleges. For 2003-04, the State Board shall require allotment reductions in this amount within 30 days of budget passage. For 2004-05, the State Board shall identify recurring reductions to allotment categories by February 15, 2004.		
Each college has the flexibility to adjust their budget to implement this reduction; therefore, it is not possible to identify the number of positions impacted.	(11,237,420)	(11,237,420)

**N.C. State Budget, 2003-05: Summary of Recommendations
General Fund – Community Colleges – Continued**

Recommended Reductions:

	<u>2003-04</u>	<u>2004-05</u>
6. System Office		
A reduction in the system office appropriation, exclusive of the College Information System (CIS) and financial aid, is recommended. The Department shall have the flexibility to identify the source of the reduction.	\$ (102,539)	\$ (102,539)
7. Over-Realized Receipts		
The budget for tuition and fees is recommended for adjustment to reflect anticipated receipts that exceed the amount certified in General Fund Code 16800 at the end of the fiscal year.		
Requirements	\$ -	\$ -
Receipts	3,000,000	3,000,000
Appropriation	<u>\$ (3,000,000)</u>	<u>\$ (3,000,000)</u>
Total Recommended Reductions - Recurring		
Requirements	\$ (27,354,481)	\$ (27,354,481)
Receipts	-	-
Appropriation	<u>\$ (27,354,481)</u>	<u>\$ (27,354,481)</u>

**N.C. State Budget, 2003-05: Summary of Recommendations
General Fund – Community Colleges - Continued**

Recommended Expansion:

	<u>2003-04</u>	<u>2004-05</u>
1. Enrollment Growth		
It is recommended that full funding for enrollment growth be provided. 2003-04 enrollment projection from the State Board of Community Colleges indicates a 9,749 FTE increase in full-time equivalent (FTE) students above the 2002-03 budgeted enrollment of 169,924 FTE. The 2003-04 budgeted enrollment will be 179,673 FTE, a 5.74% increase over 2002-03. Curriculum enrollment is projected to increase by 8,204 FTE or 6.17%; Continuing Education enrollment is projected to increase by 1,411 FTE or 7.29%; Basic Skills enrollment is projected to increase by 134 FTE or 0.76%.		
Requirements	\$ 37,751,781	\$ 37,751,781
Receipts	<u>7,917,937</u>	<u>7,917,937</u>
Appropriation	\$ 29,833,844	\$ 29,833,844
Number of Positions	472.0	472.0

**N.C. State Budget, 2003-05: Summary of Recommendations
General Fund – Community Colleges - Continued**

Recommended Expansion:

	<u>2003-04</u>	<u>2004-05</u>
2. Faculty and Professional Staff Salaries		
A 2001 study by the North Carolina Community College System benchmarked the average community college faculty and professional staff salaries against the national and regional averages. The study concluded that North Carolina's community college salaries are not competitive with comparison groups. A 0.5% salary increase is recommended for the State Board of Community Colleges to distribute to full-time community college faculty and professional staff. This is in addition to statewide salary increases. Funding information is located in the statewide reserve section of this document.		
Total Recommended Expansion - Recurring		
Requirements	\$ 29,833,844	\$ 29,833,844
Receipts	<u>-</u>	<u>-</u>
Appropriation	\$ 29,833,844	\$ 29,833,844
Number of Positions Added	472.0	472.0

**N.C. State Budget, 2003-05: Summary of Recommendations
General Fund – Community Colleges - Continued**

Net Changes for the North Carolina Community College System

	<u>2003-04</u>	<u>2004-05</u>
Total Net Adjustments – Recurring		
Requirements	\$ (17,291,675)	\$ (17,291,675)
Receipts	<u>10,062,806</u>	<u>10,062,806</u>
Appropriation	\$ (27,354,481)	\$ (27,354,481)
Number of Positions	472.0	472.0

**N.C. State Budget, 2003-05: Summary of Recommendations
General Fund – Continued**

University of North Carolina

	<u>2003-04</u>	<u>2004-05</u>
<u>Recommended Continuation Budget</u>	\$ 1,836,352,141	\$ 1,857,413,185
<u>Recommended Reductions</u>	\$ (99,521,854)	\$ (85,631,958)
<u>Recommended Expansion</u>	<u>\$ 59,640,409</u>	<u>\$ 59,640,409</u>
<u>RECOMMENDED BUDGET</u>	<u>\$ 1,796,470,696</u>	<u>\$ 1,831,421,636</u>

**N.C. State Budget, 2003-05: Summary of Recommendations
General Fund – University of North Carolina - Continued**

Recommended Reductions:

	<u>2003-04</u>	<u>2004-05</u>
1. Reduction in Continuation Budget		
Increases		
Based on current revenue forecasts, a \$20.6 million reduction from the 2003-05 Continuation Budget as presented is recommended. The categories from which campuses may reduce include utilities inflation, building reserve operating costs, and equipment and vehicle replacements.	\$ (20,649,835)	\$ (20,649,835)
Number of Positions	(247.0)	(247.0)
 2. One-time Flexibility Reduction for Campuses		
It is recommended that the 2003-04 Continuation Budget as presented be reduced by approximately 0.77% for the sixteen campuses and UNCGA. Each campus will be allowed to identify the source(s) of the reductions based on their individual requirements, so as to minimize the impact on academic programs. Through budget flexibility, the campuses have the authority to make the necessary budgetary adjustments to accommodate the reduction, as their needs change.		
Appropriation - Nonrecurring	(13,889,896) NR	-

NR - Nonrecurring

**N.C. State Budget, 2003-05: Summary of Recommendations
General Fund – University of North Carolina - Continued**

Recommended Reductions:

	<u>2003-04</u>	<u>2004-05</u>
3. Flexibility Reduction for Campuses		
It is recommended that the 2003-05 Continuation Budget as presented be reduced by approximately 3% for the sixteen campuses and UNCGA. Each campus will be allowed to identify the source(s) of the reductions based on their individual requirements, so as to minimize the impact on academic programs. Through budget flexibility, the campuses have the authority to make the necessary budgetary adjustments to accommodate the reduction, as their needs change.	\$ (44,768,948)	\$ (44,768,948)
4. Flexibility Reduction for Special Campuses		
It is recommended that the 2003-05 Continuation Budget, as presented, be reduced by approximately 1.5% for the North Carolina School of Science and Mathematics, for the Area Health Education Centers (AHEC), and UNC Hospitals. Each will be allowed to identify the source(s) of the reductions based on their individual requirements. Through budget flexibility, they have the authority to make the necessary budgetary adjustments to accommodate the reduction, as their needs change.	(3,094,989)	(3,094,989)

**N.C. State Budget, 2003-05: Summary of Recommendations
 General Fund – University of North Carolina - Continued**

Recommended Reductions:

	<u>2003-04</u>	<u>2004-05</u>
5. Aid to Private Colleges/Legislative Tuition Grant		
The program of “Aid to Students Attending Private Colleges” is composed of two pieces: the Legislative Tuition Grant (LTG) and the State Contractual Scholarship Fund (SCSF). The LTG provides payment of \$1,800 to private institutions for each North Carolina resident student, which is credited directly to the student’s account. The SCSF makes available to each institution an amount equal to \$1,100 for each full time North Carolina undergraduate resident student. Based on current revenue forecasts, a reduction from the total “Aid to Students Attending Private Colleges” appropriation is recommended, to be taken from LTG fund only, at the same total percent reduction as the UNC campuses.		
	\$ (3,618,186)	\$ (3,618,186)

**N.C. State Budget, 2003-05: Summary of Recommendations
General Fund – University of North Carolina - Continued**

Recommended Reductions:

	<u>2003-04</u>	<u>2004-05</u>
6. Escheats Fund Offset		
To ensure continuing access to institutions of higher learning by the state's students, it is recommended that consistent with GS 116B-7, a portion of the income generated from the Escheat Fund be used to offset a portion of the University's need-based financial aid, to ensure that the entire requirement is fully funded.		
Requirements	\$ -	
Receipts	<u>13,500,000</u>	<u>13,500,000</u>
Appropriation	\$ (13,500,000)	\$ (13,500,000)
Total Recommended Reductions – Recurring		
Requirements	\$ (72,131,958)	\$ (72,131,958)
Receipts	<u>13,500,000</u>	<u>13,500,000</u>
Appropriation	\$ (85,631,958)	\$ (85,631,958)
Number of Positions - Reduced	(247.0)	(247.0)
Total Recommended Reductions - Nonrecurring		
Requirements	\$ -	\$ -
Receipts	<u>13,889,896</u>	<u>-</u>
Appropriation	\$ (13,889,896)	NR \$ -

**N.C. State Budget, 2003-05: Summary of Recommendations
General Fund – University of North Carolina - Continued**

Recommended Expansions:

	<u>2003-04</u>	<u>2004-05</u>
1. Regular Term Enrollment Growth		
Regular Term Enrollment projections from the Board of Governors indicate an increase in enrollment for 2003-04 over the current budgeted 146,778 full-time equivalent (FTE) students. Based upon the Board's estimate, enrollment in the University is projected to increase by 6,123 FTE or 4.5% to 152,991 FTE in 2003-04. This represents an increase in student credit hours (SCHs) from 4,030,637 in 2002-03 to 4,210,274 in 2003-04.		
Appropriation	\$ 46,590,409	\$ 46,590,409
Number of Positions	518.0	518.0
2. Aid to Private Colleges Enrollment Growth		
Regular Term Enrollment projections from the NC Association of Independent Colleges & Universities indicate an increase in enrollment for 2003-04 over the current budgeted full-time equivalent (FTE) students. Based upon their estimate, enrollment is projected to increase by 1,300 FTE.		
	\$ 2,800,000	\$ 2,800,000

**N.C. State Budget, 2003-05: Summary of Recommendations
General Fund – University of North Carolina - Continued**

Recommended Expansions:

	<u>2003-04</u>	<u>2004-05</u>
3. Need-Based Financial Aid Growth		
A Task Force on Student Financial Aid estimated that the aggregate amount of unmet need for UNC resident students in 1997-98 was at least \$143 million and recommended funding for a new UNC Grant Program to help students with financial need. The program was partially funded with an appropriation of \$8.9 million in 2001-02, which when combined with \$1.3 million appropriated in 1999-2000 and \$5 million in 2000-01, made grants to qualifying freshmen, sophomores, and some juniors during the 2001-02 year. The General Assembly also made a nonrecurring funding shift from General Fund appropriations to fund an additional \$15,228,000 in student financial aid with funds from the Escheats Fund for the 2002-03 academic year. The program requires that eligibility requirements for the new grants include a “self-help” expectation of at least \$4,500 per student and that federal Pell grants and tax credits be used first to meet students’ needs. The Governor recommends that for 2003-05 the Need-Based Student Financial Aid Plan be fully funded, as requested by the Board of Governors.	\$ 10,250,000	\$ 10,250,000
Total Recommended Expansion - Recurring	\$ 59,640,409	\$ 59,640,409
Number of Positions Added	518.0	518.0

**N.C. State Budget, 2003-05: Summary of Recommendations
General Fund – University of North Carolina - Continued**

Net Changes for the University of North Carolina

	<u>2003-04</u>		<u>2004-05</u>
Appropriation – Recurring			
Requirements	\$ (12,491,549)		\$ (12,491,549)
Receipts	<u>13,500,000</u>		<u>13,500,000</u>
Appropriation	\$ (25,991,549)		\$ (25,991,549)
Appropriation - Nonrecurring			
Requirements	\$ -		\$ -
Receipts	<u>13,889,896</u>		<u>-</u>
Appropriation - Nonrecurring	\$ (13,889,896)	NR	\$ -
Total Recommended Adjustment	\$ (39,881,445)		\$ (25,991,549)
Number of Positions	271.0		271.0

NR - Nonrecurring

N.C. State Budget, 2003-05: Summary of Recommendations
General Fund - Continued

Department of Administration

	<u>2003-04</u>	<u>2004-05</u>
<u>Recommended Continuation Budget</u>	\$ 56,925,133	\$ 57,503,556
<u>Recommended Reductions</u>	\$ (6,177,915)	\$ (6,177,954)
<u>Recommended Expansion</u>	\$ 50,000	\$ -
<u>Total Recommended Adjustments</u>	<u>\$ (6,127,915)</u>	<u>\$ (6,177,954)</u>
 <u>RECOMMENDED BUDGET</u>	 <u>\$ 50,797,218</u>	 <u>\$ 51,325,602</u>

**N.C. State Budget, 2003-05: Summary of Recommendations
General Fund - Department of Administration - Continued**

Recommended Reductions:

	<u>2003-04</u>	<u>2004-05</u>
1. Veteran's Scholarship Program		
Based on current revenue forecasts, and to ensure sufficient funding to the veteran's scholarship fund, the Governor recommends that G.S. 116B-7, Section 9.19(a) be changed to allow for the transfer of income derived from the Escheat Fund to the Department of Administration (DOA). This cash transfer will replace General Fund appropriations set aside in DOA for the scholarship program. The Governor is recommending that the remaining income generated from the escheat program go to offset the General Fund portion of the UNC and community college need-based financial aid program (see education section).		
Requirements	\$ -	\$ -
Receipts	<u>5,107,293</u>	<u>5,107,293</u>
Appropriation	\$ (5,107,293)	\$ (5,107,293)
2. Youth Advocacy and Involvement Office		
It is recommended that the Youth Advocacy and Involvement Office housed within the Department of Administration be eliminated. Seven filled and three vacant positions will be abolished.		
Number of Positions	(717,292) (10.0)	(717,295) (10.0)

**N.C. State Budget, 2003-05: Summary of Recommendations
General Fund - Department of Administration - Continued**

	<u>2003-04</u>	<u>2004-05</u>
3. Office of State Personnel (OSP)		
Eliminate eight vacant positions and corresponding fringe benefits.	\$ (319,097)	\$ (319,097)
Number of Positions	(8.0)	(8.0)
 Eliminate allowable OSP inflationary items placed in the continuation budget.	 (34,233)	 (34,269)
 Total Recommended Reductions - Recurring		
Requirements	\$ (6,177,915)	\$ (6,177,954)
Receipts	-	-
Appropriation	\$ (6,177,915)	\$ (6,177,954)
Number of Positions	(18.0)	(18.0)
 Number of Positions Reduced	 (18.0)	 (18.0)

Recommended Expansion:

4. Lumbee Memorial Recognition		
Provide partial funding for the activities of the Lumbee Tribe Self-Determination Commission, established to resolve the issue of determining the legitimate government of the Lumbee people as a result of the Lumbee Tribe vs. Lumbee Regional Development Association (LRDA) lawsuit.		
Appropriation - Nonrecurring	50,000	NR
 Total Recommended Adjustments	 \$ (6,127,915)	 \$ (6,177,954)

NR - Nonrecurring

**N.C. State Budget, 2003-05: Summary of Recommendations
General Fund - Continued**

Office of Administrative Hearings

	<u>2003-04</u>	<u>2004-05</u>
<u>Recommended Continuation Budget</u>	\$ 2,540,719	\$ 2,542,833
<u>Recommended Reductions</u>	\$ (127,036)	\$ (127,036)
<u>Recommended Expansion</u>	\$ -	\$ -
<u>Total Recommended Adjustments</u>	<u>\$ (127,036)</u>	<u>\$ (127,036)</u>
 <u>RECOMMENDED BUDGET</u>	 <u>\$ 2,413,683</u>	 <u>\$ 2,415,797</u>

**N.C. State Budget, 2003-05: Summary of Recommendations
General Fund - Office of Administrative Hearings - Continued**

Recommended Reductions:

	<u>2003-04</u>	<u>2004-05</u>
1. Vacant Position Eliminations		
The elimination of one filled and one vacant position is recommended.	\$ (93,049)	\$ (93,049)
Number of Positions	(2.0)	(2.0)
2. Federal Receipts		
It is recommended that federal receipts be increased up to the total amount of the current contract between the Office of Administrative Hearings (OAH) and the Equal Employment Opportunity Commission. This change assumes that OAH will close the maximum number of cases.		
Requirements	\$ -	\$ -
Receipts	<u>10,000</u>	<u>10,000</u>
Appropriation	\$ (10,000)	\$ (10,000)
3. Administrative Hearings		
It is recommended that administrative hearings be conducted in only two cities – Raleigh and High Point. This change would reduce travel expenses for the administrative law judges. Currently, the location of the hearing is the petitioner’s residence.	(20,100)	(20,100)
4. Operating Budget Reductions		
It is recommended that the operating budget be reduced for furniture, equipment, and computers.	(3,887)	(3,887)

**N.C. State Budget, 2003-05: Summary of Recommendations
 General Fund - Office of Administrative Hearings - Continued**

	<u>2003-04</u>	<u>2004-05</u>
Total Recommended Reductions - Recurring		
Requirements	\$ (117,036)	\$ (117,036)
Receipts	<u>10,000</u>	<u>10,000</u>
Appropriation	\$ (127,036)	\$ (127,036)
Number of Positions	(2.0)	(2.0)
Number of Positions Reduced	(2.0)	(2.0)
Total Recommended Adjustments	\$ (127,036)	\$ (127,036)

**N.C. State Budget, 2003-05: Summary of Recommendations
General Fund - Continued**

Office of State Auditor

	<u>2003-04</u>	<u>2004-05</u>
<u>Recommended Continuation Budget</u>	\$ 10,847,686	\$ 10,857,642
<u>Recommended Reductions</u>	\$ (542,384)	\$ (542,384)
<u>Recommended Expansion</u>	\$ -	\$ -
<u>Total Recommended Adjustments</u>	<u>\$ (542,384)</u>	<u>\$ (542,384)</u>
 <u>RECOMMENDED BUDGET</u>	 <u>\$ 10,305,302</u>	 <u>\$ 10,315,258</u>

**N.C. State Budget, 2003-05: Summary of Recommendations
General Fund - Office of State Auditor - Continued**

Recommended Reductions:

	<u>2003-04</u>	<u>2004-05</u>
1. Smart Start Audits		
Smart Start audits are currently performed annually. It is recommended that this cycle be changed to every two years, except for those underperforming programs, which would still be audited annually.	\$ (326,699)	\$ (326,699)
2. Continuation Budget Reductions		
It is recommended that all increases be eliminated that were included in the fiscal year 2003-04 continuation budget, with the exception of those increases supported through receipts.	(45,041)	(45,041)
3. Vacant Position Eliminations		
The elimination of three vacant positions is recommended.	(165,696)	(165,696)
Number of Positions	(3.0)	(3.0)
4. Financial/Audit Services		
It is recommended that operating requirements be reduced for financial/audit services.	(4,948)	(4,948)
Total Recommended Reductions - Recurring		
Requirements	\$ (542,384)	\$ (542,384)
Receipts	-	-
Appropriation	\$ (542,384)	\$ (542,384)
Number of Positions	(3.0)	(3.0)
Number of Positions Reduced	(3.0)	(3.0)

N.C. State Budget, 2003-05: Summary of Recommendations
General Fund - Continued

Office of State Controller

	<u>2003-04</u>	<u>2004-05</u>
<u>Recommended Continuation Budget</u>	\$ 10,046,077	\$ 10,071,064
<u>Recommended Reductions</u>	\$ (351,613)	\$ (351,613)
<u>Recommended Expansion</u>	\$ -	\$ -
<u>Total Recommended Adjustments</u>	<u>\$ (351,613)</u>	<u>\$ (351,613)</u>
 <u>RECOMMENDED BUDGET</u>	 <u>\$ 9,694,464</u>	 <u>\$ 9,719,451</u>

**N.C. State Budget, 2003-05: Summary of Recommendations
General Fund - Office of State Controller - Continued**

Recommended Reductions:

	<u>2003-04</u>	<u>2004-05</u>
1. Operating Budget Reductions		
It is recommended that operating expenses be reduced for travel, communication and data processing, and equipment.	\$ (351,613)	\$ (351,613)
Total Recommended Reductions - Recurring		
Requirements	\$ (351,613)	\$ (351,613)
Receipts	<u> -</u>	<u> -</u>
Appropriation	\$ (351,613)	\$ (351,613)

**N.C. State Budget, 2003-05: Summary of Recommendations
 General Fund – Department of Cultural Resources - Continued**

Department of Cultural Resources

	<u>2003-04</u>	<u>2004-05</u>
<u>Recommended Continuation Budget</u>	\$ 54,627,586	\$ 54,337,128
<u>Recommended Reductions</u>	\$ (1,576,628)	\$ (1,565,329)
<u>Recommended Expansion</u>	\$ -	\$ -
<u>Total Recommended Adjustments</u>	<u>\$ (1,576,628)</u>	<u>\$ (1,565,329)</u>
 <u>RECOMMENDED BUDGET</u>	 <u>\$ 53,050,958</u>	 <u>\$ 52,771,799</u>

**N.C. State Budget, 2003-05: Summary of Recommendations
General Fund - Department of Cultural Resources - Continued**

Recommended Reductions:

	<u>2003-04</u>	<u>2004-05</u>
1. Office of the Secretary		
The elimination of salary and fringe benefits is recommended for a vacant .30 FTE Information and Communication Specialist II.	\$ (11,539)	\$ (11,539)
Number of Positions	(.30)	(.30)
2. Historical Resources Administration		
The elimination of salary and fringe benefits is recommended for a vacant Office Assistant IV.	(30,188)	(30,188)
Number of Positions	(1.0)	(1.0)
3. Archives and Records		
It is recommended that the salary and fringe benefits be eliminated for a vacant Administrative Assistant I, Records Management Analyst II, and Processing Assistant III.	(96,546)	(96,546)
Number of Positions	(3.0)	(3.0)
4. Division of State Historic Sites		
The elimination of the salary and fringe benefits is recommended for two Historic Sites Specialist I's, two Historic Interpreter I's, one Historic Interpreter III, one Grounds Worker, and one Maintenance Mechanic V.	(187,045)	(187,045)
Number of Positions	(7.0)	(7.0)
5. Tryon Palace Historic Sites and Gardens		
A reduction is recommended for temporary wages and the operating budget at Tryon Palace.	(53,121)	(53,121)

**N.C. State Budget, 2003-05: Summary of Recommendations
General Fund - Department of Cultural Resources – Continued**

	<u>2003-04</u>	<u>2004-05</u>
6. State Capital/Visitor Services		
It is recommended that the salary and fringe benefits be eliminated for a vacant .75 FTE Museum Specialist.	\$ (27,421)	\$ (27,421)
Number of Positions	(.75)	(.75)
7. Historic Preservation Office		
It is recommended that a vacant Processing Assistant IV position be eliminated.	(28,080)	(28,080)
Number of Positions	(1.0)	(1.0)
8. Arts Council		
It is recommended that the salary and fringe benefits be eliminated for a vacant .75 FTE Arts Program Administrator position.	(39,358)	(39,358)
Number of Positions	(.75)	(.75)
9. State Library Services		
It is recommended that the salary and fringe benefits be eliminated for a vacant Library Consultant II position.	(67,794)	(67,794)
Number of Positions	(1.0)	(1.0)
10. Museum of History		
It is recommended that the salary and fringe benefits be eliminated for a vacant General Utility Worker and a .75 FTE History Museum Conservator position.	(51,220)	(51,220)
Number of Positions	(1.75)	(1.75)

**N.C. State Budget, 2003-05: Summary of Recommendations
General Fund - Department of Cultural Resources - Continued**

	<u>2003-04</u>	<u>2004-05</u>
11. Remove Inflationary Increases		
It is recommended that all inflationary and allowable continuation increases be removed from the continuation budget.	\$ (358,316)	\$ (347,017)
Number of Positions	(1.0)	(1.0)
12. Competitive Grants		
A reduction is recommended for appropriated funds for competitive art grants.	(519,000)	(519,000)
13. Grassroots Grants		
A reduction is recommended for appropriated funds that are distributed on a per capita formula to all counties for the support of local art companies, artists, and groups throughout the state.	(107,000)	(107,000)
Total Recommended Reductions - Recurring		
Requirements	\$ (1,576,628)	\$ (1,565,329)
Receipts	<u>-</u>	<u>-</u>
Appropriation	\$ (1,576,628)	\$ (1,565,329)
Number of Positions	(17.55)	(17.55)
Number of Positions Reduced	(17.55)	(17.55)

N.C. State Budget, 2003-05: Summary of Recommendations
General Fund - Continued

Department of Cultural Resources
Roanoke Island Commission

	<u>2003-04</u>	<u>2004-05</u>
<u>Recommended Continuation Budget</u>	\$ 1,720,952	\$ 1,722,606
<u>Recommended Reductions</u>	\$ (86,047)	\$ (86,047)
<u>Recommended Expansion</u>	\$ -	\$ -
<u>Total Recommended Adjustments</u>	<u>\$ (86,047)</u>	<u>\$ (86,047)</u>
 <u>RECOMMENDED BUDGET</u>	 <u>\$ 1,634,905</u>	 <u>\$ 1,636,559</u>

**N.C. State Budget, 2003-05: Summary of Recommendations
 General Fund - Department of Cultural Resources - Continued**

Recommended Reductions:

	<u>2003-04</u>	<u>2004-05</u>
1. Reduction in Operating Budget		
It is recommended that the Roanoke Island Commission reduce its operating budget by five percent.	\$ (86,047)	\$ (86,047)
Total Recommended Adjustments	\$ (86,047)	\$ (86,047)

**N.C. State Budget, 2003-05: Summary of Recommendations
General Fund - Continued**

State Board of Elections

	<u>2003-04</u>	<u>2004-05</u>
<u>Recommended Continuation Budget</u>	\$ 3,123,646	\$ 3,124,003
<u>Recommended Reductions</u>	\$ (156,183)	\$ (156,183)
<u>Recommended Expansion</u>	\$ 4,675,313	\$ 490,537
<u>Total Recommended Adjustments</u>	<u>\$ 4,519,130</u>	<u>\$ 334,354</u>
 <u>RECOMMENDED BUDGET</u>	 <u>\$ 7,642,776</u>	 <u>\$ 3,458,357</u>

**N.C. State Budget, 2003-05: Summary of Recommendations
General Fund – State Board of Elections - Continued**

Recommended Reductions:

	<u>2003-04</u>	<u>2004-05</u>
1. Information and Technology Contract Reductions		
The State Board of Elections expects to receive federal funds from Title I of the Help America Vote Act (HAVA). No state funding match is required. The board will be able to use the funds on technology upgrades. It is recommended that the board use federal funds to replace the funding for the contractors for the 2003-05 biennium.		
Requirements	\$ -	\$ -
Receipts - Federal	<u>156,183</u>	<u>156,183</u>
Appropriation	\$ (156,183)	\$ (156,183)
 Total Recommended Reductions - Recurring		
Requirements	\$ -	\$ -
Receipts	<u>156,183</u>	<u>156,183</u>
Appropriation	\$ (156,183)	\$ (156,183)

**N.C. State Budget, 2003-05: Summary of Recommendations
General Fund – State Board of Elections - Continued**

Recommended Expansion:

	<u>2003-04</u>		<u>2004-05</u>
1. State Match and Operating Funds for Help America Vote Act (HAVA)			
The Help America Vote Act (HAVA) allows for the potential of two distinct allocations of federal funds. Title III of HAVA could possibly set aside \$83,695,513 for the state of North Carolina to help fund the federal legislation. However, these funds require a five percent state match and the stipulation that the State maintain the same level of spending as its 1999-2000 expense level. It is recommended that one-time funds be allotted to cover the required state match of five percent and that recurring funds be provided to bring the State Board of Election’s budget closer to its 1999-2000 expense level.			
Appropriation – Recurring	\$ 490,537		\$ 490,537
Appropriation – Nonrecurring	\$ 4,184,776	NR	\$ -

NR - Nonrecurring

N.C. State Budget, 2003-05: Summary of Recommendations
General Fund – State Board of Elections - Continued

	<u>2003-04</u>		<u>2004-05</u>
Total Recommended Expansion - Recurring			
Requirements	\$ 490,537		\$ 490,537
Receipts	<u>-</u>		<u>-</u>
Appropriation	\$ 490,537		\$ 490,537
Total Recommended Expansion - Nonrecurring			
Requirements	\$ 4,184,776		\$ -
Receipts	<u>-</u>		<u>-</u>
Appropriation – Nonrecurring	\$ 4,184,776	NR	\$ -
Total Net Adjustments – Recurring			
Requirements	\$ 334,354		\$ 334,354
Receipts	<u>-</u>		<u>-</u>
Appropriation	\$ 334,354		\$ 334,354
Total Net Adjustments – Nonrecurring			
Requirements	\$ 4,184,776		\$ -
Receipts	<u>-</u>		<u>-</u>
Appropriation – Nonrecurring	\$ 4,184,776	NR	\$ -
Total Recommended Adjustments	\$ 4,519,130		\$ 334,354

NR - Nonrecurring

**N.C. State Budget, 2003-05: Summary of Recommendations
General Fund - Continued**

General Assembly

	<u>2003-04</u>	<u>2004-05</u>
<u>Recommended Continuation Budget</u>	\$ 42,858,926	\$ 46,268,768
<u>Recommended Reductions</u>	\$ (1,297,463)	\$ (1,297,463)
<u>Recommended Expansion</u>	\$ -	\$ -
<u>Total Recommended Adjustments</u>	<u>\$ (1,297,463)</u>	<u>\$ (1,297,463)</u>
 <u>RECOMMENDED BUDGET</u>	 <u>\$ 41,561,463</u>	 <u>\$ 44,971,305</u>

**N.C. State Budget, 2003-05: Summary of Recommendations
General Fund - General Assembly - Continued**

Recommended Reductions:

	<u>2003-04</u>	<u>2004-05</u>
1. Salary Adjustment Reserve		
It is recommended that the salary adjustment reserve included in the continuation budget be eliminated.	\$ (747,463)	\$ (747,463)
2. Reserve for Contingencies		
It is recommended that the increase in the reserve for contingencies included in the continuation budget be eliminated.	(550,000)	(550,000)
Total Recommended Reductions - Recurring		
Requirements	\$ (1,297,463)	\$ (1,297,463)
Receipts	<u>-</u>	<u>-</u>
Appropriation	\$ (1,297,463)	\$ (1,297,463)

**N.C. State Budget, 2003-05: Summary of Recommendations
General Fund - Continued**

Office of the Governor

	<u>2003-04</u>	<u>2004-05</u>
<u>Recommended Continuation Budget</u>	\$ 5,112,108	\$ 5,112,933
<u>Recommended Reductions</u>	\$ (255,605)	\$ (255,605)
<u>Recommended Expansion</u>	\$ 130,000	\$ -
<u>Total Recommended Adjustments</u>	<u>\$ (125,605)</u>	<u>\$ (255,605)</u>
 <u>RECOMMENDED BUDGET</u>	 <u>\$ 4,986,503</u>	 <u>\$ 4,857,328</u>

**N.C. State Budget, 2003-05: Summary of Recommendations
General Fund – Office of the Governor - Continued**

Recommended Reductions:

	<u>2003-04</u>	<u>2004-05</u>
1. Operating Budget Reduction		
It is recommended that the Governor's Office reduce its operating budget by five percent.	\$ (255,605)	\$ (255,605)
Total Reductions – Recurring Requirements	\$ (255,605)	\$ (255,605)
Receipts	<u>-</u>	<u>-</u>
Appropriation	\$ (255,605)	\$ (255,605)

Recommended Expansion:

2. Military Commission			
It is recommended that funds be provided for use by the NC Advisory Commission on Military Affairs for military base retention/ expansion and related economic development strategies.			
Appropriation - Nonrecurring	130,000	NR	-
Recommended Nonrecurring Expansion	\$ 130,000	NR	-

NR - Nonrecurring

**N.C. State Budget, 2003-05: Summary of Recommendations
General Fund – Office of the Governor - Continued**

	<u>2003-04</u>		<u>2004-05</u>
Total Recommended Expansion - Nonecurring			
Requirements	\$ 130,000		\$ -
Receipts	<u>-</u>		<u>-</u>
Appropriation	\$ 130,000	NR	\$ -
 Total Net Adjustments - Recurring			
Requirements	\$ (255,605)		\$ (255,605)
Receipts	<u>-</u>		<u>-</u>
Appropriation	\$ (255,605)		\$ (255,605)
 Total Net Adjustments - Nonrecurring			
Requirements	\$ 130,000		\$ -
Receipts	<u>-</u>		<u>-</u>
Appropriation	\$ 130,000	NR	\$ -
 Total Recommended Adjustments			
	\$ (255,605)		\$ (255,605)

NR - Nonrecurring

**N.C. State Budget, 2003-05: Summary of Recommendations
General Fund - Continued**

Office of State Budget and Management

	<u>2003-04</u>	<u>2004-05</u>
<u>Recommended Continuation Budget</u>	\$ 4,428,558	\$ 4,432,863
<u>Recommended Reductions</u>	\$ (221,428)	\$ (221,428)
<u>Recommended Expansion</u>	\$ -	\$ -
<u>Total Recommended Adjustments</u>	<u>\$ (221,428)</u>	<u>\$ (221,428)</u>
 <u>RECOMMENDED BUDGET</u>	 <u>\$ 4,207,130</u>	 <u>\$ 4,211,435</u>

**N.C. State Budget, 2003-05: Summary of Recommendations
 General Fund – Office of State Budget and Management- Continued**

Recommended Reductions:

	<u>2003-04</u>	<u>2004-05</u>
1. Budget Reductions		
It is recommended that the Office of State Budget and Management reduce its budget by five percent through position eliminations and operating budget reductions.	\$ (221,428)	\$ (221,428)
Total Recommended Adjustments	\$ (221,428)	\$ (221,428)

N.C. State Budget, 2003-05: Summary of Recommendations
General Fund - Continued

Department of Insurance

	<u>2003-04</u>	<u>2004-05</u>
<u>Recommended Continuation Budget</u>	\$ 23,364,277	\$ 23,395,414
<u>Recommended Reductions</u>	\$ (1,393,214)	\$ (1,393,214)
<u>Recommended Expansion</u>	\$ -	\$ -
<u>Total Recommended Adjustments</u>	<u>\$ (1,393,214)</u>	<u>\$ (1,393,214)</u>
<u>RECOMMENDED BUDGET</u>	<u>\$ 21,971,063</u>	<u>\$ 22,002,200</u>

**N.C. State Budget, 2003-05: Summary of Recommendations
General Fund - Department of Insurance - Continued**

Recommended Reductions:

	<u>2003-04</u>	<u>2004-05</u>
1. Operating Budget Reductions		
It is recommended that operating expenses be reduced for repairs, maintenance agreements, travel, communication and data processing, other services, general administrative supplies, equipment and furniture, intangible assets, and other administrative expenses.	\$ (1,393,214)	\$ (1,393,214)
Total Recommended Reductions – Recurring		
Requirements	\$ (1,393,214)	\$ (1,393,214)
Receipts	<u>-</u>	<u>-</u>
Appropriation	\$ (1,393,214)	\$ (1,393,214)

**N.C. State Budget, 2003-05: Summary of Recommendations
General Fund - Continued**

Office of Lieutenant Governor

	<u>2003-04</u>	<u>2004-05</u>
<u>Recommended Continuation Budget</u>	\$ 633,293	\$ 633,293
<u>Recommended Reductions</u>	\$ (31,571)	\$ (31,571)
<u>Recommended Expansion</u>	\$ -	\$ -
<u>Total Recommended Adjustments</u>	<u>\$ (31,571)</u>	<u>\$ (31,571)</u>
 <u>RECOMMENDED BUDGET</u>	 <u>\$ 601,722</u>	 <u>\$ 601,722</u>

**N.C. State Budget, 2003-05: Summary of Recommendations
General Fund - Office of Lieutenant Governor - Continued**

Recommended Reductions:

	<u>2003-04</u>	<u>2004-05</u>
1. Continuation Budget Reductions		
It is recommended that all allowable inflationary and continuation items built into the Lt. Governor's budget be removed.	\$ (31,571)	\$ (31,571)
Total Recommended Reductions – Recurring		
Requirements	\$ (31,571)	\$ (31,571)
Receipts	<u>-</u>	<u>-</u>
Appropriation	\$ (31,571)	\$ (31,571)

**N.C. State Budget, 2003-05: Summary of Recommendations
General Fund - Continued**

Department of Revenue

	<u>2003-04</u>	<u>2004-05</u>
<u>Recommended Continuation Budget</u>	\$ 76,720,217	\$ 77,372,834
<u>Recommended Reductions</u>	\$ (3,183,394)	\$ (3,836,011)
<u>Recommended Expansion</u>	\$ -	\$ -
<u>Total Recommended Adjustments</u>	<u>\$ (3,183,394)</u>	<u>\$ (3,836,011)</u>
 <u>RECOMMENDED BUDGET</u>	 <u>\$ 73,536,823</u>	 <u>\$ 73,536,823</u>

**N.C. State Budget, 2003-05: Summary of Recommendations
General Fund - Department of Revenue - Continued**

Recommended Reductions:

	<u>2003-04</u>	<u>2004-05</u>
1. Call Center Operating Budget		
For the 2003-05 biennium, the Governor recommends that the operating funds for the new Department of Revenue call center be paid from fees already collected from Project Collect. The cash balance in the fee reserve is sufficient to cover the projected operating cost for the entire biennium. Funds would be transferred from the reserve to the department's General Fund budget code as expenditures are incurred. Appropriation for the center's operation will be included in the 2005-07 continuation budget. Present projections have the center coming on-line on October 1, 2003. The start-up funds for the center were provided from the same fee reserve.		
Requirements		
Receipts	\$ 1,622,896	\$ 2,154,593
Appropriation	\$ (1,622,896)	\$ (2,154,593)
2. Removal of Inflationary Increases		
Remove all allowable inflationary and continuation increases for the Department of Revenue.	(1,029,778)	(1,150,698)
3. Position Reductions		
Eliminate the salary and fringe benefits for twelve vacant positions in the department.	(530,720)	(530,720)
Number of Positions	(12.0)	(12.0)

N.C. State Budget, 2003-05: Summary of Recommendations
General Fund - Department of Revenue - Continued

	<u>2003-04</u>	<u>2004-05</u>
Total Net Adjustments – Recurring		
Requirements	\$ (3,183,394)	\$ (3,836,011)
Receipts	<u>-</u>	<u>-</u>
Appropriation	\$ (3,183,394)	\$ (3,836,011)
Number of Positions	(12.0)	(12.0)
Recommended Recurring Reductions	\$ (3,183,394)	\$ (3,836,011)
Number of Positions Reduced	(12.0)	(12.0)
Total Recommended Adjustments	\$ (3,183,394)	\$ (3,836,011)

**N.C. State Budget, 2003-05: Summary of Recommendations
General Fund - Continued**

Department of Secretary of State

	<u>2003-04</u>	<u>2004-05</u>
<u>Recommended Continuation Budget</u>	\$ 8,210,304	\$ 8,179,923
<u>Recommended Reductions</u>	\$ (410,515)	\$ (369,515)
<u>Recommended Expansion</u>	\$ -	\$ -
<u>Total Recommended Adjustments</u>	<u>\$ (410,515)</u>	<u>\$ (369,515)</u>
<u>RECOMMENDED BUDGET</u>	<u>\$ 7,799,789</u>	<u>\$ 7,810,408</u>

**N.C. State Budget, 2003-05: Summary of Recommendations
General Fund - Department of Secretary of State - Continued**

Recommended Reductions:

	<u>2003-04</u>		<u>2004-05</u>
1. Continuation Budget Reductions			
It is recommended that all increases included in the fiscal year 2003-04 continuation budget be eliminated, with the exception of increases supported through receipts and increases included to annualize three new positions.			
Appropriation - Recurring	\$ (48,983)		\$ (48,983)
Appropriation - Nonrecurring	\$ (41,000)	NR	
2. Vacant Position Reductions			
It is recommended that two vacant unsworn Securities Investigator positions be eliminated. It is also recommended that increases be eliminated that were included in the continuation budget to annualize these two new positions.			
Number of Positions	(102,969)		(102,969)
	(2.0)		(2.0)
3. Operating Budget Reductions			
It is recommended that operating expenses be reduced for travel (\$46,000), communication and data processing (\$149,563), and general administrative supplies (\$22,000).			
	(217,563)		(217,563)
Total Recommended Reductions - Recurring			
Requirements	\$ (369,515)		\$ (369,515)
Receipts	-		-
Appropriation	\$ (369,515)		\$ (369,515)
Number of Positions	(2.0)		(2.0)

NR - Nonrecurring

**N.C. State Budget, 2003-05: Summary of Recommendations
 General Fund - Department of Secretary of State - Continued**

	<u>2003-04</u>		<u>2004-05</u>
Total Recommended Reductions - Nonrecurring			
Requirements	\$ (41,000)		\$ -
Receipts	<u>-</u>		<u>-</u>
Appropriation - Nonrecurring	\$ (41,000)	NR	\$ -
Number of Positions Reduced	(2.0)		(2.0)
Total Recommended Adjustments	\$ (410,515)		\$ (369,515)

NR-Nonrecurring

**N.C. State Budget, 2003-05: Summary of Recommendations
General Fund - Continued**

Department of State Treasurer

	<u>2003-04</u>	<u>2004-05</u>
<u>Recommended Continuation Budget</u>	\$ 8,063,750	\$ 8,066,505
<u>Recommended Reductions</u>	\$ (645,100)	\$ (645,100)
<u>Recommended Expansion</u>	\$ -	\$ -
<u>Total Recommended Adjustments</u>	<u>\$ (645,100)</u>	<u>\$ (645,100)</u>
 <u>RECOMMENDED BUDGET</u>	 <u>\$ 7,418,650</u>	 <u>\$ 7,421,405</u>

**N.C. State Budget, 2003-05: Summary of Recommendations
General Fund - Department of State Treasurer - Continued**

Recommended Reductions:

	<u>2003-04</u>	<u>2004-05</u>
1. Operating Budget Reductions		
It is recommended that operating expenses be reduced for financial/audit services (\$150,000), computer equipment (\$10,000), administrative services (\$30,000), and communication and data processing (\$66,150).	\$ (256,150)	\$ (256,150)
2. Vacant Position Eliminations		
The elimination of three vacant positions is recommended.	(140,450)	(140,450)
Number of Positions	(3.0)	(3.0)
3. Continuation Budget Item		
It is recommended that the increase for maintenance agreements included in the continuation budget be eliminated.	(248,500)	(248,500)
Total Recommended Reductions - Recurring		
Requirements	\$ (645,100)	\$ (645,100)
Receipts	<u>-</u>	<u>-</u>
Appropriation	\$ (645,100)	\$ (645,100)
Number of Positions	(3.0)	(3.0)
Number of Positions Reduced	(3.0)	(3.0)

N.C. State Budget, 2003-05: Summary of Recommendations

Department of Health and Human Services

	<u>2003-04</u>	<u>2004-05</u>
<u>Recommended Continuation Budget</u>	\$ 3,965,935,975	\$ 4,419,217,246
<u>Recommended Reductions</u>	\$ (325,852,474)	\$ (452,524,585)
<u>Recommended Expansion</u>	\$ 23,687,413	\$ 31,009,996
<u>Total Recommended Adjustments</u>	<u>\$ (302,165,061)</u>	<u>\$ (421,514,589)</u>
 <u>RECOMMENDED BUDGET</u>	 \$ 3,663,770,914	 \$ 3,997,702,657

**N.C. State Budget, 2003-05: Summary of Recommendations
 General Fund - Department of Health and Human Services - Continued**

Recommended Reductions:

	<u>2003-04</u>	<u>2004-05</u>
Central Administration		
1. Abolish Position		
It is recommended that one vacant position in the Department of Health and Human Services (DHHS), Central Administration, be eliminated. This vacant position is in the Office of Research, Demonstrations and Rural Health. This reduction will not have an adverse impact on the department.		
Requirements	\$ (50,976)	\$ (50,976)
Receipts	<u>(25,488)</u>	<u>(25,488)</u>
Appropriation	\$ (25,488)	\$ (25,488)
Number of Positions	(1.0)	(1.0)
2. Eliminate NC Child Advocacy Institute Contract		
It is recommended that the North Carolina Child Advocacy Institute Grant-In-Aid be eliminated. This contract supports administration, public policy research and research data concerning child welfare issues. This contract does not provide direct services.		
	(225,000)	(225,000)

**N.C. State Budget, 2003-05: Summary of Recommendations
 General Fund - Department of Health and Human Services - Continued**

Recommended Reductions:

	2003-04	2004-05
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Central Administration - Continued

- 3. Adjustment to the Continuation Budget**
 The recommended 2003-05 Continuation Budget provides funding for the Division of Information Resource Management (DIRM) on a continuing basis. Based on current revenue forecasts, the Governor recommends eliminating increases as presented in the recommended 2003-05 Continuation Budget for the Division of Information Resource Management to generate savings in recurring state appropriations. The categories include Data Processing Services, Computer Software, Data Processing Supplies, Maintenance Agreements for Data Processing Equipment and Software, Telecommunication Data Charges and information technology services.

Requirements	\$ (38,531,682)	\$ (40,055,879)
Receipts	(15,517,334)	(16,219,761)
Appropriation	\$ (23,014,348)	\$ (23,836,118)

**N.C. State Budget, 2003-05: Summary of Recommendations
General Fund - Department of Health and Human Services - Continued**

Recommended Reductions:

2003-04 2004-05

Central Administration - Continued

4. Inflationary Adjustments for the Department of Health and Human Services Controller's Office

Based on current revenue forecasts, the Governor recommends eliminating increases as presented in the recommended 2003-05 Continuation Budget to generate savings in recurring state appropriations. Inflationary increases are recommended for reduction if deemed not critical to sustaining agency operations and services. The categories include costs associated with water and sewer, electricity and natural gas utilities.

\$ (1,044) \$ (2,127)

Division of Aging

1. Home and Community Care Block Grant Services

A reduction in the Division's Home and Community Care Block Grant is recommended to generate savings in appropriations. These funds are utilized by the 17 Area Agencies on Aging to provide services for persons age 60 and over to include skilled home care, in-home aide services, home-delivered and congregate meals, and transportation services. This reduction represents less than a 1.5% reduction to the Division's total budget.

Requirements	\$ (1,111,112)	\$ (1,111,112)
Receipts	(111,112)	(111,112)
Appropriation	\$ (1,000,000)	\$ (1,000,000)

**N.C. State Budget, 2003-05: Summary of Recommendations
 General Fund - Department of Health and Human Services - Continued**

Recommended Reductions:

	<u>2003-04</u>	<u>2004-05</u>
Division of Child Development		
1. Reduce Smart Start Local Partnership Funds		
Local Partnership funds support various community needs such as child care subsidy, quality initiatives in child care centers, child care resource and referral, and health screenings. To generate savings it is recommended that funds be reduced by 4%. The Division of Child Development and the North Carolina Partnership for Children will ensure that compliance with state match and maintenance of effort requirements for receipt of federal funds is maintained.	\$ (7,739,536)	\$ (7,739,536)
2. Smart Start Professional Development Funds		
These funds are used to help child care employees improve their educational qualifications without increasing the cost of child care. The 2002 General Assembly reduced these funds by \$16,000. The current balance is \$184,000. It is recommended that funds be reduced by \$84,000. The \$100,000 balance will remain sufficient to maintain the match for the Head Start Collaboration Grant and to continue the child care equivalency testing program.	(84,000)	(84,000)

**N.C. State Budget, 2003-05: Summary of Recommendations
General Fund - Department of Health and Human Services - Continued**

Recommended Reductions:

	<u>2003-04</u>	<u>2004-05</u>
Division of Child Development – Continued		
3. Adjustment to the Continuation Budget		
Based on current revenue forecasts, the Governor recommends reducing the continuation budget as presented in the recommended 2003-05 Continuation Budget. Inflationary increases are recommended for elimination if deemed not critical to sustaining agency operations and services. It is recommended that \$4,181 be eliminated in the second year of the biennium for salary and administrative cost categories.	\$ -	\$ (4,181)

Office of Education Services

1. Reduce Western North Carolina School for the Deaf Positions and Operating Budget		
The original allocation of positions at the Western North Carolina School for the Deaf was based on 200 or more children to be served on campus. There has been an average of 140 students each year for more than five years. It is recommended that three vacant and 0.725 filled positions be eliminated. This reduction will have no adverse impact on educational and/or residential services to students.		
Number of Positions	(330,157) (3.725)	(330,157) (3.725)

**N.C. State Budget, 2003-05: Summary of Recommendations
 General Fund - Department of Health and Human Services - Continued**

Recommended Reductions:

2003-04

2004-05

Office of Education Services - Continued

2. Reduce Eastern North Carolina School for the Deaf Positions and Operating Budget

Support staff positions at the Eastern North Carolina School for the Deaf were established to support a larger population of students than currently exists. The Department indicates that 5.50 positions, 3.50 vacant and 2 filled, are not essential for delivery of services to the current student population. The operating budget and responsibilities of support staff will be restructured within existing resources. It is recommended that positions be eliminated and the operating budget be reduced.

Number of Positions

\$ (341,204)
(5.50)

\$ (341,204)
(5.50)

3. Reduce Operating Budget at the Central North Carolina School for the Deaf

A reduction is recommended for the Central North Carolina School for the Deaf. The Central School for the Deaf closed in June 2001. This reduction depletes appropriation for the school except for a small amount needed to maintain buildings.

(202,989)

(202,989)

**N.C. State Budget, 2003-05: Summary of Recommendations
 General Fund - Department of Health and Human Services - Continued**

Recommended Reductions:

2003-04

2004-05

Office of Education Services - Continued

4. Reduce Operating Budget for the Governor Morehead Preschool Program

A modest reduction is recommended for the Governor Morehead School. This reduction will have some impact on the Governor Morehead Preschool Program for children aged birth – 2 years as well as on services to the 3 to 5 year old population who may receive less frequent services. No child, however, will go unserved. Due to changes in state and federal law, the Department can no longer draw down federal funds for services for the 3 to 5 year old population. These students are being transitioned to Local Education Agencies (LEA). The recommended reduction will be partially offset by receipts to the preschool through contracts for services with LEAs. It is recommended that state appropriations be reduced.

\$ (229,488)

\$ (229,488)

5. Adjustment to the Continuation Budget

Based on current revenue forecasts, the Governor recommends reducing the continuation budget as presented in the recommended 2003-05 Continuation Budget. Inflationary increases are recommended for elimination if deemed not critical to sustaining agency operations and services. The categories include telephone costs and lawn equipment.

(198,236)

(112,036)

**N.C. State Budget, 2003-05: Summary of Recommendations
 General Fund - Department of Health and Human Services - Continued**

Recommended Reductions:

	<u>2003-04</u>	<u>2004-05</u>
Division of Public Health		
1. Eliminate Unencumbered Contract Funds		
It is recommended that the Division of Public Health eliminate funds that were intended to be allocated to evaluation and planning projects in Child and School Health programs. No adverse impact is anticipated as these funds have not been encumbered.	\$ (83,995)	\$ (83,995)
2. Closure of the Dusty Trades Program		
It is recommended that the Dusty Trades Program, established in 1935 by the General Assembly as part of the Workers' Compensation Act (G.S. 97-60), be eliminated. The provisions of the program are jointly executed by the North Carolina Industrial Commission and the Occupational and Environmental Epidemiology Section of the North Carolina Department of Health and Human Services. Industrial hygiene consultants in the Occupational and Environmental Epidemiology Section of the Division of Public Health are responsible for determining if employees in certain types of jobs have significant exposure to silica or asbestos, and for recommending that a company be included in the Program. Once a company is enrolled in the Program, a public health industrial hygiene		

**N.C. State Budget, 2003-05: Summary of Recommendations
General Fund - Department of Health and Human Services - Continued**

Recommended Reductions:

2003-04 2004-05

Division of Public Health - Continued

Closure of the Dusty Trades Program - Continued

consultant periodically evaluates employee exposure to silica or asbestos hazards and makes recommendations including process changes, engineering improvements, or work practice modifications in order to reduce employee exposure. In addition, the program screens x-rays for the presence of occupational lung disease. Companies submit x-rays and pay a fee for review of the x-rays. The number of reportable cases has declined significantly through the years, and employee concerns are addressed by Workers' Compensation and health insurance. The 3.25 program positions, including one Medical Records Clerk and 2.25 Industrial Hygienists, are currently vacant. Corresponding changes to G.S. 97-(60-76) need to be made.

	\$	(165,405)		\$	(165,405)
Number of Positions		(3.25)			(3.25)

3. Immunization Program – Receipts

It is recommended that the Division of Public Health change the source of support for four existing positions from state appropriations to Center for Disease Control Immunization and Vaccine federal grant receipts. A corresponding reduction in state appropriations will be taken.

Requirements	\$	-		\$	-
Receipts		<u>133,377</u>			<u>133,377</u>
Appropriation	\$	(133,377)		\$	(133,377)

**N.C. State Budget, 2003-05: Summary of Recommendations
 General Fund - Department of Health and Human Services - Continued**

Recommended Reductions:

2003-04 2004-05

Division of Public Health - Continued

4. Hemophilia Contracts with Major Medical Centers

It is recommended that contracts with Duke University Medical Center, East Carolina University, Wake Forest University/Baptist Medical Center and University of North Carolina at Chapel Hill, to support care and treatment of low-income individuals with hemophilia or other congenital coagulation disorders, be eliminated. The Division does not anticipate that any individuals will go unserved. Other sources of reimbursement include Medicaid, Medicare and Health Choice.

\$ (90,000) \$ (90,000)

5. Women's and Children's Health Section - Receipts

It is recommended that unbudgeted receipts in the Sickle Cell Program, Community Transition Coordination Program, which coordinates community care services for disabled and/or high risk infants, and the Perinatal/Outreach and Education Training Program, which delivers specialized nursing in intensive maternal, fetal and neonatal care, be budgeted and a corresponding reduction in state appropriations taken.

Requirements	\$ -	\$ -
Receipts	<u>144,000</u>	<u>144,000</u>
Appropriation	\$ (144,000)	\$ (144,000)

**N.C. State Budget, 2003-05: Summary of Recommendations
General Fund - Department of Health and Human Services - Continued**

Recommended Reductions:

	<u>2003-04</u>	<u>2004-05</u>
Division of Public Health - Continued		
6. Pediatric Care Clinics- Receipts		
It is recommended that the Division of Public Health replace appropriations that are allocated to local health departments for pediatric primary care clinics with Maternal and Child Health Block Grant funding. The Department's 2003-04 block grant plan will identify the allocation to Pediatric Care Clinics.		
Requirements	\$ -	\$ -
Receipts	<u>170,000</u>	<u>170,000</u>
Appropriation	\$ (170,000)	\$ (170,000)
7. State Center for Health Statistics - Federal Financial Participation and Revenue Enhancement		
It is recommended that the Division of Public Health maximize its use of Medicaid receipts to support administrative costs. A corresponding reduction in state appropriations will be taken.		
Requirements	\$ -	\$ -
Receipts	<u>60,000</u>	<u>60,000</u>
Appropriation	\$ (60,000)	\$ (60,000)
8. Revenue Enhancement - Disease Intervention Specialists		
It is recommended that the Division of Public Health maximize federal receipts and cost allocate salaries for 14 employees whose salaries are currently composed of 100% state appropriations.		
Requirements	\$ -	\$ -
Receipts	<u>112,101</u>	<u>112,101</u>
Appropriation	\$ (112,101)	\$ (112,101)

**N.C. State Budget, 2003-05: Summary of Recommendations
 General Fund - Department of Health and Human Services - Continued**

Recommended Reductions:

	<u>2003-04</u>	<u>2004-05</u>
Division of Public Health - Continued		
9. Adjustment to the Continuation Budget		
Based on current revenue forecasts, the Governor recommends reducing the continuation budget as presented in the recommended 2003-05 Continuation Budget. Inflationary increases are recommended for reduction if deemed not critical to sustaining agency operations and services. It is recommended that a reduction of \$1,759,264 in 2003-04 and \$3,402,630 in 2004-05 in purchase of medical care, energy and utilities be taken.	\$ (1,759,264)	\$ (3,402,630)
10. Inflationary Adjustment – Scientific and Other Supplies		
Based on current revenue forecasts, the Governor recommends reducing the continuation budget as presented in the recommended 2003-05 Continuation Budget. Inflationary increases are recommended for reduction if deemed not critical to sustaining agency operations and services. It is recommended that a reduction of \$188,531 in 2003-04 and \$341,074 in 2004-05 in supplies be taken.	(188,531)	(341,074)

**N.C. State Budget, 2003-05: Summary of Recommendations
 General Fund - Department of Health and Human Services - Continued**

Recommended Reductions:

	<u>2003-04</u>	<u>2004-05</u>
Division of Social Services		
1. Maximize Federal Receipts for State/County Special Assistance for Adults		
The State/County Special Assistance for Adults Program provides cash payments to supplement the income of eligible older and disabled adults to pay for care in adult care homes. This program is supported entirely by state and county funds. Federal funding is not available to pay for room and board in adult residential care facilities. The Department has worked with providers and the Centers for Medicare and Medicaid Services to identify resident personal care costs that qualify for coverage by Medicaid. Medicaid receipts, effective July 1, 2003, will result in a cost savings in state appropriations. It is recommended that state appropriations be reduced.		
Requirements	\$ (8,665,960)	\$ (8,665,960)
Receipts	<u>(4,332,980)</u>	<u>(4,332,980)</u>
Appropriation	\$ (4,332,980)	\$ (4,332,980)
2. Contract Reductions		
The Division of Social Services reports that it has unencumbered funding for the 2002-03 state fiscal year for contracts. These contracts are for training in the programs that are supervised by the Childrens' Services Section. The Division reports that these reductions will pose no negative impact on the delivery of child welfare services. It is recommended that appropriations be reduced.		
	(213,180)	(213,180)

**N.C. State Budget, 2003-05: Summary of Recommendations
 General Fund - Department of Health and Human Services - Continued**

Recommended Reductions:

	<u>2003-04</u>	<u>2004-05</u>
Division of Social Services - Continued		
3. Child Caring Institutions		
Child Caring Institutions are private foster care agencies. State funds are appropriated to assist approximately 75 facilities in an effort to offset unrecovered costs of care. Child Caring Institutions are also funded from federal Social Services Block Grant and Child Welfare Services Title IV-E. It is recommended that state appropriations be reduced in an amount equal to the recent unspent funds that have reverted to the General Fund.	\$ (710,546)	\$ (710,546)
4. Work First Electing Counties Reduction		
There are currently 11 counties designated as electing counties for Work First Program purposes. This voluntary program permits the electing counties to retain Work First state appropriations that would revert at the end of the state fiscal year. Since state fiscal year 2000-01 the number of counties participating in this program has been reduced from 24 to a projected potential 11 in 2003-04. It is recommended that appropriations be reduced to a level to support projected 2003-04 participation.	(1,474,460)	(1,474,460)

**N.C. State Budget, 2003-05: Summary of Recommendations
General Fund - Department of Health and Human Services - Continued**

Recommended Reductions:

	<u>2003-04</u>	<u>2004-05</u>
Division of Social Services - Continued		
5. Adjustments to the Continuation Budget		
Based on current revenue forecasts, the Governor recommends reducing the continuation budget as presented in the recommended 2003-05 Continuation Budget. Inflationary increases are recommended for elimination if deemed not critical to sustaining agency operations and services. The category eliminated is utilities.	\$ (438)	\$ (884)
Division of Medical Assistance		
1. Rebase the 2003-05 Medicaid Forecast		
The Division of Medical Assistance adjusted the 2003-05 Medicaid forecast, as presented in the recommended 2003-05 Continuation Budget, based on the most recent 2002-03 expenditure data. Expenditure data is updated quarterly. This change is based on the most recent quarterly data and has no effect on services.		
Requirements	\$ (547,639,709)	\$ (783,441,726)
Receipts	<u>(380,033,025)</u>	<u>(540,073,747)</u>
Appropriation	\$ (167,606,684)	\$ (243,367,979)
2. Cost Avoidance Model – Pharmacy Claims		
It is recommended that third-party liability be determined at the point of service delivery and that claims are billed first to third-party insurers. This modification ensures that Medicaid is the payer of last resort.		
Requirements	\$ (17,678,256)	\$ (30,305,582)
Receipts	<u>(12,084,856)</u>	<u>(20,716,896)</u>
Appropriation	\$ (5,593,400)	\$ (9,588,686)

**N.C. State Budget, 2003-05: Summary of Recommendations
General Fund - Department of Health and Human Services - Continued**

Recommended Reductions:

2003-04

2004-05

Division of Medical Assistance - Continued

3. Eliminate Inflation Increase for Rate Based Services

It is recommended that rate-based payments for provider services not be adjusted, as reflected in the 2003-05 Medicaid forecast and incorporated into the recommended Continuation Budget, for inflation in the 2003-05 biennium. Rate-based providers include general and inpatient hospital, physician and dental, home-health, and durable medical equipment. The savings in the first year of the biennium is estimated with an effective date of October 1, 2003.

Requirements	\$ (51,889,180)	\$ (88,952,880)
Receipts	<u>(35,735,702)</u>	<u>(61,261,203)</u>
Appropriation	\$ (16,153,478)	\$ (27,691,677)

4. Eliminate Inflation Increase for Public Providers

It is recommended that public provider rates not be adjusted, as reflected in the 2003-05 Medicaid forecast and incorporated into the recommended Continuation Budget, for inflation in the 2003-05 biennium. Public providers include public health departments, mental health clinics, immunization clinics, family planning and Health Check activities. The savings in the first year of the biennium is estimated with an effective date of October 1, 2003.

Requirements	\$ (18,858,431)	\$ (32,328,739)
Receipts	<u>(12,508,455)</u>	<u>(21,443,067)</u>
Appropriation	\$ (6,349,976)	\$ (10,885,672)

**N.C. State Budget, 2003-05: Summary of Recommendations
General Fund - Department of Health and Human Services - Continued**

Recommended Reductions:

Division of Medical Assistance – Continued

	2003-04	2004-05
5. Eliminate Inflation Increase for Fee-Based Services		
It is recommended that fee-based services not be adjusted, as reflected in the 2003-05 Medicaid forecast and incorporated into the recommended Continuation Budget, for inflation in the 2003-05 biennium. Fee-based services include outpatient and emergency-room hospital, rural health, ambulatory and free-standing clinics. The savings in the first year of the biennium is estimated with an effective date of October 1, 2003.		
Requirements	\$ (70,274,153)	\$ (120,469,977)
Receipts	<u>(51,141,750)</u>	<u>(88,272,239)</u>
Appropriation	\$ (19,132,403)	\$ (32,197,738)
6. Prescription Drug Benefit Reduction		
The Division of Medical Assistance continues its efforts to reduce expenditures for prescription drugs. The Division estimates that savings will continue to accrue.		
Requirements	\$ (47,408,343)	\$ (80,594,184)
Receipts	<u>(32,408,343)</u>	<u>(55,094,184)</u>
Appropriation	\$ (15,000,000)	\$ (25,500,000)
7. Medicaid Trust Fund		
It is recommended that the Division of Medical Assistance transfer \$20 million from the Medicaid Reserve to support current services and to make a corresponding reduction in state appropriation.		
Requirements	\$ -	\$ -
Receipts	<u>20,000,000</u>	<u>20,000,000</u>
Appropriation	\$ (20,000,000)	\$ (20,000,000)

**N.C. State Budget, 2003-05: Summary of Recommendations
 General Fund - Department of Health and Human Services - Continued**

Recommended Reductions:

	<u>2003-04</u>	<u>2004-05</u>
Division of Medical Assistance – Continued		
8. Inflationary Adjustment Reductions		
Based on current revenue forecasts, the Governor recommends reducing the continuation budget as presented in the recommended 2003-05 Continuation Budget. Inflationary increases are recommended for elimination if deemed not critical to sustaining agency operations and services. It is recommended that \$3,550,478 in 2003-04 and \$8,552,345 in 2004-05 be eliminated.	\$ (3,550,478)	\$ (8,552,345)
Divison of Services for the Blind and Deaf and Hard of Hearing		
1. Reduce Regional Resource Centers		
Through seven regional centers, the Division provides advocacy, information and referral, and training for agencies whose clients may include the deaf and hard of hearing. A reduction is recommended in the centers' support staff and operating budgets. The reduction includes eliminating two filled and two vacant positions. No direct impact on services is anticipated.	(180,838)	(180,838)
Number of Positions	(4.0)	(4.0)

**N.C. State Budget, 2003-05: Summary of Recommendations
 General Fund - Department of Health and Human Services - Continued**

Recommended Reductions:

	<u>2003-04</u>	<u>2004-05</u>
Division of Mental Health, Developmental Disabilities and Substance Abuse Services		
1. Adjustment to the Continuation Budget		
Based on current revenue forecasts, the Governor recommends reducing the continuation budget as presented in the recommended 2003-05 Continuation Budget. Inflationary increases are recommended for reduction if deemed not critical to sustaining agency operations and services. It is recommended that funds for motor vehicles, software maintenance, telecommunications and medical equipment be reduced.	\$ (2,080,535)	\$ (1,801,978)
2. Reduce Contracts		
To minimize the impact on services, reductions are recommended in contracts that support training and curriculum development for area program staff. This reduction has no effect on Maintenance of Effort for federal funds.	(1,571,429)	(1,571,429)

**N.C. State Budget, 2003-05: Summary of Recommendations
 General Fund - Department of Health and Human Services - Continued**

Recommended Reductions:

	2003-04	2004-05
Division of Mental Health, Developmental Disabilities and Substance Abuse Services - Continued		

3. Area Mental Health Programs

From state fiscal year 2000 to 2002, total Medicaid reimbursement for mental health services increased from \$819.9 million to \$1.1 billion, an increase of 36 percent. More specifically, during this same period Area Mental Health Programs (AMHP) reimbursements increased 65% from \$192.7 million to \$318.2 million. This trend of increasing Medicaid expenditures is expected to continue. The current Medicaid forecast for 2003-04, projects AMHP total expenditures to grow significantly over current year expenditures.

To generate savings in recurring state appropriations, it is recommended that the Division's support of the Area Programs for services to persons not eligible for Medicaid be reduced approximately 6.3%, or \$20,000,000. The Medicaid expenditures noted above and the Governor's request for increased funding for the Mental Health, Developmental Disabilities and Substance Abuse Services Trust Fund for System Reform, if approved, will eliminate any concern regarding federal Maintenance of Effort requirements. Area Programs will be required to submit reduction plans to the Division, who will ensure that critical functions, federal and state requirements are met. Patients with the greatest need will continue to be served.

	\$ (20,000,000)	\$ (20,000,000)
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**N.C. State Budget, 2003-05: Summary of Recommendations
 General Fund - Department of Health and Human Services - Continued**

Recommended Reductions:

	<u>2003-04</u>	<u>2004-05</u>
Division of Facility Services		
1. It is recommended that the Division of Facility Services (DFS) proceed with implementation of a fee proposal which will generate revenue for the Division that will replace an equal amount of appropriation. The proposal will assess licensure and inspection fees. Certain health care facilities (excluding Hospice) will be required to pay fees for initial licensure and for annual renewal. The proposal also includes an annual inspection fee for Emergency Medical Services (EMS) vehicles.		
Requirements	\$ -	\$ -
Receipts	<u>5,000,000</u>	<u>5,000,000</u>
Appropriation	\$ (5,000,000)	\$ (5,000,000)
2. Adjustment to the Continuation Budget		
Based on current revenue forecasts, the Governor recommends reducing the continuation budget as presented in the recommended 2003-05 Continuation Budget. Inflationary increases are recommended for elimination if deemed not critical to sustaining agency operations and services. It is recommended the funds for utilities and medical supply categories be eliminated in each year of the biennium.		
	(272)	(558)

**N.C. State Budget, 2003-05: Summary of Recommendations
General Fund - Department of Health and Human Services - Continued**

Recommended Reductions:

	<u>2003-04</u>	<u>2004-05</u>
Division of Vocational Rehabilitation		
1. Adjustment to the Continuation Budget		
Based on current revenue forecasts, the Governor recommends reducing the continuation budget as presented in the recommended 2003-05 Continuation Budget. Inflationary increases are recommended for elimination if deemed not critical to sustaining agency operations and services. It is recommended that funds for motor vehicles and T1 lines be eliminated.	\$ (303,214)	\$ (318,729)
2. Reduce Independent Living Program		
The State assists individuals with significant disabilities in achieving independence through the Independent Living Program. The Program encourages independence through services such as hospital/medical, home health, communication and environmental controls, van and home modification. The Governor recommends budgeting the program at a level consistent with its historical expenditures.	(300,000)	(300,000)
Total Recommended Reductions - Recurring		
Requirements	\$ (844,132,041)	\$ (1,234,455,784)
Receipts	<u>(518,279,567)</u>	<u>(781,931,199)</u>
Appropriation	\$ (325,852,474)	\$ (452,524,585)
Number of Positions	(17.475)	(17.475)

**N.C. State Budget, 2003-05: Summary of Recommendations
 General Fund - Department of Health and Human Services - Continued**

Recommended Expansion:

	2003-04	2004-05
<p>1. More at Four Pre-Kindergarten Program</p> <p>The More at Four Pre-Kindergarten Program is a voluntary pre-kindergarten initiative to prepare at-risk four year olds for success in school. During the 2001-02 school year 1,621 children were enrolled. Based on current enrollment patterns, a total of 7,621 children are projected to be enrolled in the program at the end of 2002-03. Currently, 88 counties have children enrolled and two counties have entered into contracts and enrollment of children is pending. In 2003-04 an additional 2,400 children are projected to be served for a total of 10,000 children. It is estimated that 10,000 four year olds who qualify for the program have received no services from any other program. In the second year of the biennium funds support ongoing operational costs to provide continuous More at Four services for the 10,000 children enrolled in the program. The Governor recommends funds to support the program in reaching the necessary capacity.</p>		
Appropriation - Recurring	\$ 7,400,000	\$ 7,400,000
Appropriation - Nonrecurring	1,200,000 NR	

NR - Nonrecurring

**N.C. State Budget, 2003-05: Summary of Recommendations
General Fund - Department of Health and Human Services - Continued**

Recommended Expansion:

2003-04

2004-05

2. Health Choice for Children

It is recommended that \$13,050,123 in 2003-04 and \$19,108,373 in 2004-05 be allocated to the North Carolina Health Choice program. This recommendation continues funding allocated on a non-recurring basis in 2002-03 and increases funding based on the findings of the Institute of Medicine Taskforce convened by Secretary Carmen Hooker Odom to ensure the future viability of the program. The recommended funding will support the following recommendations of the taskforce.

- \$7,740,000 in non-recurring funds allocated in 2002-03 should be built into the 2003-05 biennial budget on a recurring basis.
- Approximately 20,000 children, birth through five years old with family incomes less than 200% of the Federal Poverty Guidelines (FPG), should be moved from Health Choice into Medicaid, an entitlement program. This recommendation allows North Carolina to achieve a lower cost per child while still using the enhanced State Children's Health Insurance Program (SCHIP) federal match rate.

**N.C. State Budget, 2003-05: Summary of Recommendations
 General Fund - Department of Health and Human Services - Continued**

Recommended Expansion:

2003-04

2004-05

Health Choice for Children - Continued

- All children in the program should be enrolled in Carolina ACCESS II/III as it is expanded across the state. Expansion of ACCESS II/III is an important component for providing children enrolled in N.C. Health Choice with a well-developed system of disease management and care coordination to help manage the care of those with chronic health conditions such as asthma.
- Families with incomes less than or equal to 150% of the FPG would pay \$3 for brand name drugs when generic substitution is available. Families with incomes greater than 150% FPG would pay \$10.
- The prescription drug dispensing fee should be reduced to \$1.50 per prescription. The current rates are \$4.00 for brand name drugs and \$5.60 for generic drugs.
- The Department of Health and Human Services should have the flexibility to transfer funds into the program as similar restrictions do not apply to other Departmental programs.

Requirements	\$ 50,077,218	\$ 73,100,126
Receipts	<u>37,027,095</u>	<u>53,991,753</u>
Appropriation	\$ 13,050,123	\$ 19,108,373

**N.C. State Budget, 2003-05: Summary of Recommendations
 General Fund - Department of Health and Human Services - Continued**

Recommended Expansion:

	<u>2003-04</u>	<u>2004-05</u>
3. ACCESS II/III		
It is recommended that \$1,423,761 in 2003-04 and \$3,694,568 in 2004-05 be allocated to the Department of Health and Human Services to expand the ACCESS II and III programs administered through the Office of Rural Health. ACCESS II/III are enhanced primary care programs designed to bring together primary care providers, hospitals, health departments, departments of social services, and other community providers to manage the health care needs of Medicaid recipients. The appropriation to the ACCESS II/III will be matched with federal Medicaid funds and will be utilized to develop the needed networks and programs allocating a \$2.50 per member, per month management fee to the local administrative entity.		
Requirements	\$ 4,500,000	\$ 11,700,000
Receipts	<u>3,076,239</u>	<u>8,005,432</u>
Appropriation	\$ 1,423,761	\$ 3,694,568

**N.C. State Budget, 2003-05: Summary of Recommendations
General Fund - Department of Health and Human Services - Continued**

Recommended Expansion:

2003-04

2004-05

**4. Division of Child Development Abuse
and Neglect Teams**

It is recommended that \$ 613,529 in 2003-04 and \$807,055 in 2004-05 be appropriated to the Division of Child Development to increase the capacity to investigate abuse/neglect complaints in child care facilities. Two teams will be added to the three teams currently available. The Division's Abuse and Neglect Teams have three primary responsibilities:

- A)** To investigate licensed and unlicensed child care facilities where there have been complaints of abuse or neglect. An Abuse/Neglect Consultant must visit the facility within seven calendar days of the Division receiving the complaint.
- B)** To develop, monitor and enforce critical corrective action plans in order to ensure the safety of children. There has been a rise in the number of serious incidents that result in increased risk to children in facilities as well as an increase in repeat violations and substantiations of complaints.

**N.C. State Budget, 2003-05: Summary of Recommendations
 General Fund - Department of Health and Human Services - Continued**

Recommended Expansion:

	<u>2003-04</u>	<u>2004-05</u>
Division of Child Development Abuse and Neglect Teams - Continued		
<p>C) To investigate all illegal child care homes and to determine whether abuse/neglect has occurred. Current staffing levels permit reviews to determine whether the operation is legal or unlicensed, but do not permit thorough investigations to determine whether abuse/neglect has occurred. Presently, only specific complaints alleging abuse/neglect are investigated in illegal facilities.</p> <p>The Governor recommends that funds be appropriated to support two additional Abuse and Neglect Teams in the Division of Child Development.</p>		
Appropriation	\$ 613,529	\$ 807,055
Number of Positions	15.0	15.0

**N.C. State Budget, 2003-05: Summary of Recommendations
General Fund - Department of Health and Human Services - Continued**

Recommended Expansion:

	<u>2003-04</u>	<u>2004-05</u>
Total Recommended Expansion - Recurring		
Requirements	\$ 62,590,747	\$ 93,007,181
Receipts	<u>40,103,334</u>	<u>61,997,185</u>
Appropriation	\$ 22,487,413	\$ 31,009,996
Number of Positions	15.0	15.0
Total Recommended Expansion - Nonrecurring		
Requirements	\$ 1,200,000	
Receipts	<u>-</u>	
Appropriation - Nonrecurring	\$ 1,200,000	NR

Net Changes for the Department of Health and Human Services

Total Net Adjustments - Recurring		
Requirements	\$ (781,541,294)	\$ (1,141,448,603)
Receipts	<u>(478,176,233)</u>	<u>(719,934,014)</u>
Appropriation	\$ (303,365,061)	\$ (421,514,589)
Number of Positions	(2.475)	(2.475)
Total Net Adjustments - Nonrecurring		
Requirements	\$ 1,200,000	
Receipts	<u>-</u>	
Appropriation - Nonrecurring	\$ 1,200,000	NR
Total Recommended Adjustments	\$ (302,165,061)	\$ (421,514,589)

NR – Nonrecurring

N.C. State Budget, 2003-05: Summary of Recommendations
General Fund - Continued

Department of Correction

	<u>2003-04</u>	<u>2004-05</u>
<u>Recommended Continuation Budget</u>	\$ 985,276,327	\$ 991,226,311
<u>Recommended Reductions</u>	\$ (44,558,269)	\$ (45,315,062)
<u>Recommended Expansion</u>	\$ -	\$ -
<u>Total Recommended Adjustments</u>	<u>\$ (44,558,269)</u>	<u>\$ (45,315,062)</u>
<u>RECOMMENDED BUDGET</u>	<u>\$ 940,718,058</u>	<u>\$ 945,911,249</u>

**N.C. State Budget, 2003-05: Summary of Recommendations
General Fund - Department of Correction - Continued**

Recommended Reductions:

	<u>2003-04</u>	<u>2004-05</u>
1. Medical Services		
It is recommended that the continuation budget for medical services be reduced.	\$ (7,656,409)	\$ (7,656,409)
2. Personnel Related Expenses		
It is recommended that the continuation budget be reduced for various accounts including: longevity, overtime, holiday, shift and call back pay, worker's compensation, and unemployment compensation.	(11,976,344)	(12,683,987)
3. Correctional Officer Incentives		
It is recommended that the continuation budget be reduced for weekend shift-pay incentives.	(5,205,871)	(5,205,871)
4. Substance Abuse Contract Services		
It is recommended that the continuation budget for the Evergreen and Mary Frances substance abuse programs be reduced.	(73,934)	(153,007)
5. Housing Misdemeanants		
It is recommended that the continuation budget for housing inmates in county jails be reduced.	(1,582,756)	(1,582,756)

**N.C. State Budget, 2003-05: Summary of Recommendations
General Fund - Department of Correction - Continued**

Recommended Reductions - Continued:

	<u>2003-04</u>	<u>2004-05</u>
6. Motor Vehicles		
It is recommended that the continuation budget for other motor vehicles be reduced.	\$ (224,500)	\$ (119,000)
7. Computer/Data Processing Service		
It is recommended that the continuation budget for ITS services be reduced.	(1,657,108)	(1,657,108)
8. Salary Related Fringe Benefits		
It is recommended that the continuation budget be reduced for social security, retirement and health benefit increases.	(882,395)	(957,972)
9. Reduce DOC Management Positions		
Three DOC Management positions can be eliminated as a result of departmental reorganization.	(298,973)	(298,973)
Number of Positions	(3.0)	(3.0)
10. Eliminate State Aid		
It is recommended that state aid be eliminated for the following programs: Women at Risk (\$250,000), John Hyman Foundation (\$225,000), and Harriet House (\$275,000). It is also recommended that state aid for Summit House, Inc. be reduced by one-third in 2003-04 (\$410,431) and totally eliminated in 2004-05 (\$1,231,293).	(1,160,431)	(1,981,293)

**N.C. State Budget, 2003-05: Summary of Recommendations
General Fund - Department of Correction - Continued**

Recommended Reductions - Continued:

	<u>2003-04</u>	<u>2004-05</u>
11. Reduce Criminal Justice Partnership Program		
It is recommended that state funding to support county operated programs for probationers and parolees be reduced.	\$ (398,533)	\$ (398,533)
12. Funding Reserve		
DOC will have management flexibility to cover a negative funding reserve.	(13,441,015)	(12,620,153)
Total Recommended Reductions – Recurring		
Requirements	\$ (44,558,269)	\$ (45,315,062)
Receipts	<u>-</u>	<u>-</u>
Appropriation	\$ (44,558,269)	\$ (45,315,062)
Number of Positions	(3.0)	(3.0)
Number of Positions Reduced	(3.0)	(3.0)

NR - Nonrecurring

**N.C. State Budget, 2003-05: Summary of Recommendations
 General Fund - Department of Correction - Continued**

Net Changes for the Department of Correction

	<u>2003-04</u>	<u>2004-05</u>
Total Net Adjustments – Recurring		
Requirements	\$ (44,558,269)	\$ (45,315,062)
Receipts	<u>-</u>	<u>-</u>
Appropriation	\$ (44,558,269)	\$ (45,315,062)
Number of Positions	(3.0)	(3.0)
Total Recommended Adjustments	\$ (44,558,269)	\$ (45,315,062)

NR – Nonrecurring

**N.C. State Budget, 2003-05: Summary of Recommendations
General Fund - Continued**

Department of Crime Control and Public Safety

	<u>2003-04</u>	<u>2004-05</u>
<u>Recommended Continuation Budget</u>	\$ 28,706,140	\$ 28,785,824
<u>Recommended Reductions</u>	\$ (617,367)	\$ (1,621,610)
<u>Recommended Expansion</u>	\$ -	\$ -
<u>Total Recommended Adjustments</u>	<u>\$ (617,367)</u>	<u>\$ (1,621,610)</u>
<u>RECOMMENDED BUDGET</u>	<u>\$ 28,088,773</u>	<u>\$ 27,164,214</u>

**N.C. State Budget, 2003-05: Summary of Recommendations
 General Fund - Department of Crime Control and Public Safety - Continued**

Recommended Reductions:

	<u>2003-04</u>	<u>2004-05</u>
1. Eliminate Funding for Roanoke-Chowan Drug Task Force		
It is recommended that remaining funds in the continuation budget for the drug task force be eliminated.	\$ (125,000)	\$ (125,000)
2. Floodplain Mapping		
It is recommended that the funding for one position be converted from appropriation to receipts.	(92,367)	(92,367)
Number of Positions	(1.0)	(1.0)
3. Tarheel Challenge Program		
It is recommended that state funding be eliminated for the Tarheel Challenge Program, a quasi-military style program for at-risk high school dropouts.	-	(1,004,243)
4. Victims' Compensation Fund		
During the 2002 Short Session, an additional \$2.5 million was appropriated to the Victims' Compensation program. Because of this increase in state funding, additional federal funds of approximately \$1 million will be available to offset this recommended reduction.	(400,000)	(400,000)

N.C. State Budget, 2003-05: Summary of Recommendations
General Fund - Department of Crime Control and Public Safety - Continued

Recommended Reductions:

	<u>2003-04</u>	<u>2004-05</u>
Total Recommended Reductions - Recurring		
Requirements	\$ (617,367)	\$ (1,621,610)
Receipts	<u>-</u>	<u>-</u>
Appropriation	\$ (617,367)	\$ (1,621,610)
Number of Positions	(1.0)	(1.0)
Number of Positions Reduced	(1.0)	(1.0)

Net Changes for the Department of Crime Control and Public Safety

	<u>2003-04</u>	<u>2004-05</u>
Total Net Adjustments – Recurring		
Requirements	\$ (617,367)	\$ (1,621,610)
Receipts	<u>-</u>	<u>-</u>
Appropriation	\$ (617,367)	\$ (1,621,610)
Number of Positions	(1.0)	(1.0)
Total Recommended Adjustments	\$ (617,367)	\$ (1,621,610)

NR - Nonrecurring

N.C. State Budget, 2003-05: Summary of Recommendations
General Fund - Continued

Administrative Office of the Courts

	<u>2003-04</u>	<u>2004-05</u>
<u>Recommended Continuation Budget</u>	\$ 310,319,781	\$ 314,116,595
<u>Recommended Reductions</u>	\$ (7,003,124)	\$ (3,603,124)
<u>Recommended Expansion</u>	\$ -	\$ -
<u>Total Recommended Adjustments</u>	<u>\$ (7,003,124)</u>	<u>\$ (3,603,124)</u>
<u>RECOMMENDED BUDGET</u>	<u>\$ 303,316,657</u>	<u>\$ 310,513,471</u>

**N.C. State Budget, 2003-05: Summary of Recommendations
General Fund – Administrative Office of the Courts - Continued**

Recommended Reductions:

	<u>2003-04</u>		<u>2004-05</u>
1. Dispute Settlement Centers			
It is recommended that state funding for dispute settlement centers be eliminated.	\$ (1,603,124)		\$ (1,603,124)
2. Operational Savings			
The Administrative Office of the Courts will review internal operations and identify efficiencies to achieve savings.	(500,000)		(500,000)
3. Funding Reserves			
The Administrative Office of the Courts will have management flexibility to cover negative funding reserves.			
Appropriation – Recurring	(1,500,000)		(1,500,000)
Appropriation - Nonrecurring	(3,400,000)	NR	-
Total Recommended Reductions – Recurring			
Requirements	\$ (3,603,124)		\$ (3,603,124)
Receipts	<u>-</u>		<u>-</u>
Appropriation	\$ (3,603,124)		\$ (3,603,124)
Total Recommended Reductions – Nonrecurring			
Requirements	\$ (3,400,000)		\$ -
Receipts	<u>-</u>		<u>-</u>
Appropriation	\$ (3,400,000)	NR	\$ -

NR - Nonrecurring

N.C. State Budget, 2003-05: Summary of Recommendations
General Fund – Administrative Office of the Courts - Continued

Net Changes for the Administrative Office of the Courts

	<u>2003-04</u>		<u>2004-05</u>
Total Net Adjustments – Recurring			
Requirements	\$ (3,603,124)		\$ (3,603,124)
Receipts	<u>-</u>		<u>-</u>
Appropriation	\$ (3,603,124)		\$ (3,603,124)
Total Net Adjustments – Nonrecurring			
Requirements	\$ (3,400,000)		\$ -
Receipts	<u>-</u>		<u>-</u>
Appropriation	\$ (3,400,000)	NR	\$ -
Total Recommended Adjustments	\$ (7,003,124)		\$ (3,603,124)

NR - Nonrecurring

N.C. State Budget, 2003-05: Summary of Recommendations
General Fund - Continued

Administrative Office of the Courts – Indigent Defense

	<u>2003-04</u>	<u>2004-05</u>
<u>Recommended Continuation Budget</u>	\$ 75,049,607	\$ 73,116,571
<u>Recommended Reductions</u>	\$ (2,001,000)	\$ (2,001,000)
<u>Recommended Expansion</u>	\$ -	\$ -
<u>Total Recommended Adjustments</u>	<u>\$ (2,001,000)</u>	<u>\$ (2,001,000)</u>
 <u>RECOMMENDED BUDGET</u>	 <u>\$ 73,048,607</u>	 <u>\$ 71,115,571</u>

**N.C. State Budget, 2003-05: Summary of Recommendations
 General Fund – Administrative Office of the Courts – Indigent Defense - Continued**

Recommended Reductions:

	<u>2003-04</u>	<u>2004-05</u>
1. Operational Savings		
The Office of Indigent Defense will review internal operations and identify efficiencies to achieve savings.	\$ (1,600,000)	\$ (1,600,000)
2. Increase Recoupment Receipts		
The department will identify low recoupment performance in high volume counties and increase recoupment rates to at least the statewide average of 10%.		
Requirements	\$ -	\$ -
Receipts	<u>401,000</u>	<u>401,000</u>
Appropriation	(401,000)	(401,000)
Total Recommended Reductions - Recurring		
Requirements	\$ (1,600,000)	\$ (1,600,000)
Receipts	<u>401,000</u>	<u>401,000</u>
Appropriation	\$ (2,001,000)	\$ (2,001,000)

NR - Nonrecurring

N.C. State Budget, 2003-05: Summary of Recommendations
General Fund – Administrative Office of the Courts – Indigent Defense - Continued

Net Changes for the Administrative Office of the Courts – Indigent Defense

	<u>2003-04</u>	<u>2004-05</u>
Total Net Adjustments – Recurring		
Requirements	\$ (1,600,000)	\$ (1,600,000)
Receipts	<u>401,000</u>	<u>401,000</u>
Appropriation	\$ (2,001,000)	\$ (2,001,000)
Total Recommended Adjustments	\$ (2,001,000)	\$ (2,001,000)

NR - Nonrecurring

**N.C. State Budget, 2003-05: Summary of Recommendations
General Fund - Continued**

Department of Justice

	<u>2003-04</u>	<u>2004-05</u>
<u>Recommended Continuation Budget</u>	\$ 73,508,002	\$ 73,574,376
<u>Recommended Reductions</u>	\$ (2,995,724)	\$ (2,176,453)
<u>Recommended Expansion</u>	\$ 169,630	\$ 269,144
<u>Total Recommended Adjustments</u>	<u>\$ (2,826,094)</u>	<u>\$ (1,907,309)</u>
 <u>RECOMMENDED BUDGET</u>	 <u>\$ 70,681,908</u>	 <u>\$ 71,667,067</u>

**N.C. State Budget, 2003-05: Summary of Recommendations
General Fund - Department of Justice - Continued**

Recommended Reductions:

	<u>2003-04</u>		<u>2004-05</u>
1. Eliminate Vacant Positions			
It is recommended that 16 vacant positions in Legal Services, the SBI, and Training Academies be eliminated.	\$ (630,818)	\$	(630,818)
Number of Positions	(16.0)		(16.0)
2. SBI Auto Replacement			
It is recommended that the continuation budget be reduced for SBI vehicles. The department may identify receipts to purchase replacement vehicles.	(264,535)		(264,535)
3. Supplies and Equipment			
This reduction continues the nonrecurring reduction for 2002-03 for another year.			
Appropriation - Nonrecurring	(523,500)	NR	-
4. SBI Lab Equipment			
It is recommended that the continuation budget for lab equipment be reduced. The department can use federal grant funds for equipment replacement.	(500,000)		(500,000)
5. Mainframe Migration Reduction			
The Law Enforcement System Migration Project will be completed in FY 2003-04, providing savings from various information technology accounts.	(326,871)		(781,100)

NR - Nonrecurring

**N.C. State Budget, 2003-05: Summary of Recommendations
General Fund - Department of Justice - Continued**

Recommended Reductions:

	<u>2003-04</u>		<u>2004-05</u>
6. Operational Savings			
The department will identify additional operating reductions on a nonrecurring basis.			
Appropriation - Nonrecurring	\$ (750,000)	NR	\$ -
Total Recommended Reductions - Recurring			
Requirements	\$ (1,722,224)		\$ (2,176,453)
Receipts	<u>-</u>		<u>-</u>
Appropriation	\$ (1,722,224)		\$ (2,176,453)
Number of Positions	(16.0)		(16.0)
Total Recommended Reductions - Nonrecurring			
Requirements	\$ (1,273,500)		\$ -
Receipts	<u>-</u>		<u>-</u>
Appropriation – Nonrecurring	\$ (1,273,500)	NR	\$ -
Number of Positions Reduced	(16.0)		(16.0)

NR - Nonrecurring

**N.C. State Budget, 2003-05: Summary of Recommendations
General Fund - Department of Justice - Continued**

Recommended Expansion:

	<u>2003-04</u>		<u>2004-05</u>
1. Expand SBI Lab Molecular Genetics			
It is recommended that additional resources be provided to increase capacity for DNA testing. At present, the SBI lab processes only DNA evidence when there is a known rape or violent crime suspect. There is also an estimated backlog of over 20,000 untested rape kits in local law enforcement agencies throughout North Carolina.			
Appropriation - Recurring	\$ 134,572		\$ 269,144
Appropriation - Nonrecurring	35,058	NR	-
Number of Positions	6.0		6.0
Total Recommended Expansion - Recurring			
Requirements	\$ 134,572		\$ 269,144
Receipts	-		-
Appropriation	\$ 134,572		\$ 269,144
Number of Positions	6.0		6.0
Total Recommended Expansion - Nonrecurring			
Requirements	\$ 35,058		\$ -
Receipts	-		-
Appropriation - Nonrecurring	\$ 35,058	NR	\$ -
Number of Positions Added	6.0		6.0

NR - Nonrecurring

**N.C. State Budget, 2003-05: Summary of Recommendations
General Fund - Department of Justice - Continued**

Net Changes for the Department of Justice

	<u>2003-04</u>		<u>2004-05</u>
Total Net Adjustments – Recurring			
Requirements	\$ (1,587,652)		\$ (1,907,309)
Receipts	<u>-</u>		<u>-</u>
Appropriation	\$ (1,587,652)		-
Number of Positions	(10.0)		\$ (1,907,309) (10.0)
Total Net Adjustments – Nonrecurring			
Requirements	\$ (1,238,442)		\$ -
Receipts	<u>-</u>		<u>-</u>
Appropriation - Nonrecurring	\$ (1,238,442)	NR	\$ -
Total Recommended Adjustments	\$ (2,826,094)		\$ (1,907,309)

NR - Nonrecurring

N.C. State Budget, 2003-05: Summary of Recommendations
General Fund - Continued

Department of Juvenile Justice and Delinquency Prevention

	<u>2003-04</u>	<u>2004-05</u>
<u>Recommended Continuation Budget</u>	\$ 135,679,902	\$ 138,675,409
<u>Recommended Reductions</u>	\$ (4,417,797)	\$ (4,266,279)
<u>Recommended Expansion</u>	\$ -	\$ -
<u>Total Recommended Adjustments</u>	<u>\$ (4,417,797)</u>	<u>\$ (4,266,279)</u>
 <u>RECOMMENDED BUDGET</u>	 <u>\$ 131,262,105</u>	 <u>\$ 134,409,130</u>

**N.C. State Budget, 2003-05: Summary of Recommendations
 General Fund - Department of Juvenile Justice and Delinquency Prevention - Continued**

Recommended Reductions:

	<u>2003-04</u>	<u>2004-05</u>
1. Personnel Related Expenses and Fringe Benefits		
It is recommended that the continuation budget be reduced for various accounts including: social security, longevity, holiday and shift premium pay, and disability.	\$ (884,752)	\$ (884,752)
2. Motor Vehicles		
It is recommended that the continuation budget for motor vehicles be reduced.	(113,991)	(113,991)
3. Detention Subsidy Payments		
It is recommended that the continuation budget be reduced for detention subsidy payments to the four county operated detention centers.	(375,000)	(375,000)
4. Equipment and Maintenance		
It is recommended that the continuation budget be reduced for equipment and software maintenance.	(165,000)	(115,000)

N.C. State Budget, 2003-05: Summary of Recommendations
General Fund - Department of Juvenile Justice and Delinquency Prevention - Continued

Recommended Reductions:

	<u>2003-04</u>	<u>2004-05</u>
5. Funding of Nonprofits		
It is recommended that the continuation budget be reduced for pass through funding to the following nonprofits:		
Governor's One-on-One	\$ (175,402)	\$ (239,132)
Support Our Students	(206,895)	(421,032)
Juvenile Assessment Center	(5,250)	(5,250)
Communities in Schools	(12,162)	(12,162)
Boys and Girls Clubs	(14,000)	(28,490)
Project Challenge	(34,200)	(39,597)
Methodist Group Home	<u>(95,650)</u>	<u>(95,650)</u>
Total Appropriation	\$ (543,559)	\$ (841,313)
6. Medical Services		
It is recommended that the continuation budget be reduced for medical and hospital services and for employee physicals.	(336,223)	(336,223)
7. Detention Center Receipts		
It is recommended that additional detention center receipts be budgeted to offset general fund appropriations.		
Requirements	\$ -	\$ -
Receipts	<u>100,000</u>	<u>300,000</u>
Appropriation	\$ (100,000)	\$ (300,000)

**N.C. State Budget, 2003-05: Summary of Recommendations
 General Fund - Department of Juvenile Justice and Delinquency Prevention - Continued**

Recommended Reductions:

	<u>2003-04</u>		<u>2004-05</u>
8. Reduce Population Increases			
It is recommended that continuation budget increases be reduced for the following programs:			
Community Beds	\$ (600,000)		\$ (150,000)
Eckerd Camps	(250,000)		(500,000)
Sex Offender Beds	(500,000)		(150,000)
JCPC	<u>(350,000)</u>		<u>(500,000)</u>
Total Appropriation	\$ (1,700,000)		\$ (1,300,000)
9. Budget Prior Year Refunds			
It is recommended that unspent funds returned to the department from county owned detention centers be budgeted on a one-time- basis to reduce appropriations.			
Appropriation - Nonrecurring	(199,272)	NR	-
Total Recommended Reductions - Recurring			
Requirements	\$ (4,118,525)		\$ (3,966,279)
Receipts	<u>100,000</u>		<u>300,000</u>
Appropriation	\$ (4,218,525)		\$ (4,266,279)
Total Recommended Reductions - Nonrecurring			
Requirements	\$ -		\$ -
Receipts	<u>199,272</u>		<u>-</u>
Appropriation - Nonrecurring	\$ (199,272)	NR	\$ -

NR - Nonrecurring

N.C. State Budget, 2003-05: Summary of Recommendations
General Fund - Department of Juvenile Justice and Delinquency Prevention - Continued

Net Changes for the Department of Juvenile Justice and Delinquency Prevention

	<u>2003-04</u>		<u>2004-05</u>
Total Net Adjustments – Recurring			
Requirements	\$ (4,118,525)		\$ (3,966,279)
Receipts	<u>100,000</u>		<u>300,000</u>
Appropriation	\$ (4,218,525)		\$ (4,266,279)
Total Net Adjustments – Nonrecurring			
Requirements	\$ -		\$ -
Receipts	<u>199,272</u>		<u>-</u>
Appropriation – Nonrecurring	\$ (199,272) NR		\$ -
Total Recommended Adjustments	\$ (4,417,797)		\$ (4,266,279)

NR - Nonrecurring

N.C. State Budget, 2003-05: Summary of Recommendations
General Fund - Continued

Department of Agriculture and Consumer Services

	<u>2003-04</u>	<u>2004-05</u>
<u>Recommended Continuation Budget</u>	\$ 51,041,728	\$ 51,093,029
<u>Recommended Reductions</u>	\$ (2,284,750)	\$ (2,297,945)
<u>Recommended Expansion</u>	\$ -	\$ -
<u>Total Recommended Adjustments</u>	<u>\$ (2,284,750)</u>	<u>\$ (2,297,945)</u>
<u>RECOMMENDED BUDGET</u>	<u>\$ 48,756,978</u>	<u>\$ 48,795,084</u>

N.C. State Budget, 2003-05: Summary of Recommendations
General Fund - Department of Agriculture and Consumer Services- Continued

Recommended Reductions:

	<u>2003-04</u>	<u>2004-05</u>
1. Research Stations		
It is recommended that the department close the Caswell Dairy and Swine Unit at Rocky Mount, thereby reducing personnel costs, operating expenditures and revenues from the sale of farm products. This proposal also creates other efficiencies by the elimination of some superintendent positions. The plan is for some superintendents to manage more than one research station.	\$ (41,000)	\$ (41,000)
Number of Positions	(2.0)	(2.0)
2. Administrative Services		
A change in the funding source for two appropriated positions in the Budget and Finance section to indirect costs receipts is recommended. Also recommended is the elimination of a mail clerk position effective December 31, 2003, when the Department starts using the Mail Service Center.	(77,367)	(90,562)
Number of Positions	(3.0)	(3.0)
3. Marketing		
It is recommended that the department budget over-realized receipts and reduce its seafood marketing program's budget and the regional farmers markets' operational budget.		
Requirements	\$ (473,021)	\$ (473,021)
Receipts	<u>50,000</u>	<u>50,000</u>
Appropriation	\$ (523,021)	\$ (523,021)

N.C. State Budget, 2003-05: Summary of Recommendations
General Fund - Department of Agriculture and Consumer Services- Continued

Recommended Reductions:

	<u>2003-04</u>	<u>2004-05</u>
4. Public Affairs		
The elimination of one-half of the appropriation to the North Carolina Bureau for Agriculture in the Classroom is recommended.	\$ (43,000)	\$ (43,000)
5. General Administration		
It is recommended that a reduction be taken in appropriation for the Southern Dairy Compact. \$15,000 will remain in the continuation budget.	(10,000)	(10,000)
6. Reserves and Transfers		
The reserve for natural gas/propane was included in the 2001-02 continuation budget because of price increases at that time. It is recommended that the balance be eliminated for natural gas/propane reserve.	(12,059)	(12,059)
7. Operating Budget Reductions		
It is recommended that reductions be made in various operating budget line items.	(960,000)	(960,000)
8. Department Wide Position Cuts		
Approximately ten vacant positions are recommended for elimination throughout the department.	(555,123)	(555,123)
Number of Positions	(10.0)	(10.0)
9. Livestock		
It is recommended that the division eliminate one position.	(63,180)	(63,180)
Number of Positions	(1.0)	(1.0)

N.C. State Budget, 2003-05: Summary of Recommendations
General Fund - Department of Agriculture and Consumer Services- Continued

Recommended Reductions:

	<u>2003-04</u>	<u>2004-05</u>
Total Recommended Reductions - Recurring		
Requirements	\$ (2,234,750)	\$ (2,247,945)
Receipts	<u>50,000</u>	<u>50,000</u>
Appropriation	\$ (2,284,750)	\$ (2,297,945)
Number of Positions	(16.0)	(16.0)
Number of Positions Reduced	(16.0)	(16.0)
Total Recommended Adjustments	<u>\$ (2,284,750)</u>	<u>\$ (2,297,945)</u>

**N.C. State Budget, 2003-05: Summary of Recommendations
General Fund - Continued**

Department of Commerce

	<u>2003-04</u>	<u>2004-05</u>
<u>Recommended Continuation Budget</u>	\$ 35,569,253	\$ 34,639,574
<u>Recommended Reductions</u>	\$ (2,435,811)	\$ (2,435,811)
<u>Recommended Expansion</u>	\$ -	\$ -
<u>Total Recommended Adjustments</u>	<u>\$ (2,435,811)</u>	<u>\$ (2,435,811)</u>
<u>RECOMMENDED BUDGET</u>	<u>\$ 33,133,442</u>	<u>\$ 32,203,763</u>

**N.C. State Budget, 2003-05: Summary of Recommendations
General Fund - Department of Commerce - Continued**

Recommended Reductions:

	<u>2003-04</u>	<u>2004-05</u>
1. Science and Technology Reductions are recommended for Science and Technology's operating budget line items.	\$ (50,000)	\$ (50,000)
2. Management Information Services It is recommended that a reduction be made for Non-Wide Area Network data processing equipment.	(74,480)	(74,480)
3. Marketing and Consumer Services Reductions are recommended for Marketing and Consumer Services' operating budget.	(300,000)	(300,000)
4. Travel and Tourism It is recommended that a reduction be made in Travel and Tourism's advertising budget.	(961,724)	(961,724)
5. Wanchese Seafood Industrial Park Reductions are recommended for the Wanchese Seafood Industrial Park's operating budget.	(30,282)	(30,282)
6. Industrial Financing A reduction is recommended in the funds transferred to the Industrial Revolving Fund.	(500,000)	(500,000)
7. Industrial Commission Administration It is recommended that the Industrial Commission budget its over-realized receipts.		
Requirements	\$ -	\$ -
Receipts	<u>519,325</u>	<u>519,325</u>
Appropriation	\$ (519,325)	\$ (519,325)

**N.C. State Budget, 2003-05: Summary of Recommendations
 General Fund - Department of Commerce - Continued**

Recommended Reductions:

	<u>2003-04</u>	<u>2004-05</u>
Total Recommended Reductions - Recurring		
Requirements	\$ (2,955,136)	\$ (2,955,136)
Receipts	<u>519,325</u>	<u>519,325</u>
Appropriation	\$ (2,435,811)	\$ (2,435,811)
Total Recommended Adjustments	\$ (2,435,811)	\$ (2,435,811)

**N.C. State Budget, 2003-05: Summary of Recommendations
General Fund - Continued**

Department of Commerce – State Aid

	<u>2003-04</u>	<u>2004-05</u>
<u>Recommended Continuation Budget</u>	\$ 20,808,730	\$ 20,808,730
<u>Recommended Reductions</u>	\$ (746,266)	\$ (746,266)
<u>Recommended Expansion</u>	\$ -	\$ -
<u>Total Recommended Adjustments</u>	<u>\$ (746,266)</u>	<u>\$ (746,266)</u>
<u>RECOMMENDED BUDGET</u>	<u>\$ 20,062,464</u>	<u>\$ 20,062,464</u>

N.C. State Budget, 2003-05: Summary of Recommendations
General Fund - Department of Commerce – State Aid - Continued

Recommended Reductions:

	<u>2003-04</u>	<u>2004-05</u>
1. Rural Economic Development Center A budget reduction in state aid is recommended for the Rural Economic Development Center.	\$ (232,930)	\$ (232,930)
2. Regional Economic Development Commissions It is recommended that a reduction be made in state aid for the Regional Economic Development Commissions.	(290,982)	(290,982)
3. Land Loss Prevention Project A budget reduction in state aid is recommended for the Land Loss Prevention Project.	(20,214)	(20,214)
4. Institute of Minority Economic Development It is recommended that a reduction be made in state aid for the Institute of Minority Economic Development.	(67,380)	(67,380)
5. Minority Support Center A budget reduction in state aid is recommended for the Minority Support Center.	(26,952)	(26,952)
6. N. C. Community Development Initiative It is recommended that a reduction be made in state aid for the North Carolina Community Development Initiative.	(89,840)	(89,840)

**N.C. State Budget, 2003-05: Summary of Recommendations
 General Fund - Department of Commerce – State Aid - Continued**

Recommended Reductions:

	<u>2003-04</u>	<u>2004-05</u>
7. N. C. Association of Community Development Centers		
A budget reduction in state aid is recommended for the North Carolina Association of Community Development Centers.	\$ (17,968)	\$ (17,968)
Total Recommended Reductions - Recurring		
Requirements	\$ (746,266)	\$ (746,266)
Receipts	<u> -</u>	<u> -</u>
Appropriation	\$ (746,266)	\$ (746,266)
Total Recommended Adjustments	\$ (746,266)	\$ (746,266)

N.C. State Budget, 2003-05: Summary of Recommendations
General Fund - Continued

Department of Environment and Natural Resources

	<u>2003-04</u>	<u>2004-05</u>
<u>Recommended Continuation Budget</u>	\$ 153,070,901	\$ 157,263,823
<u>Recommended Reductions</u>	\$ (7,139,913)	\$ (6,069,123)
<u>Recommended Expansion</u>	\$ 500,000	\$ -
<u>Total Recommended Adjustments</u>	<u>\$ (6,639,913)</u>	<u>\$ (6,069,123)</u>
 <u>RECOMMENDED BUDGET</u>	 <u>\$ 146,430,988</u>	 <u>\$ 151,194,700</u>

N.C. State Budget, 2003-05: Summary of Recommendations
General Fund - Department of Environment and Natural Resources - Continued

Recommended Reductions:

	<u>2003-04</u>	<u>2004-05</u>
1. Administration and Regional Offices		
The Department proposes to eliminate two positions at all levels. Positions to be eliminated are in the Office of Public Affairs and the Regional Office. Operating costs supported by appropriation in the Wetlands Restoration Program are proposed for reduction.	\$ (93,633)	\$ (93,633)
Number of Positions	(2.0)	(2.0)
2. Special Funds		
A number of non-departmental agencies receive funds through the DENR budget. A reduction is recommended to the appropriation to these agencies. These reductions are for private non-profit organizations as well as other state agencies. The recommended reductions are:		
Water Quality Workgroup	(100,000)	(100,000)
Transfer to Wildlife	(905,481)	(905,481)
Grassroots Science Programs	(196,123)	(196,123)
Partnership for the Sounds	(32,514)	(32,514)
3. North Carolina Aquariums		
It is recommended that the department budget over-realized admissions receipts to support the operational costs of the Aquariums.		
Requirements	\$ -	\$ -
Receipts	<u>340,179</u>	<u>340,179</u>
Appropriation	\$ (340,179)	\$ (340,179)

N.C. State Budget, 2003-05: Summary of Recommendations
General Fund - Department of Environment and Natural Resources - Continued

Recommended Reductions:

	<u>2003-04</u>		<u>2004-05</u>
4. Division of Coastal Management			
It is recommended that one position be eliminated and funds for a Program Assistant V be shifted to receipts. Planning grant funds will also be reduced. Operating funds for the Buckridge Site will be reduced. Various operating budget line items will be reduced.	\$ (163,542)		\$ (163,542)
Number of Positions	(2.0)		(2.0)
5. Division of Forest Resources			
It is recommended that reductions be made in the Division of Forest Resources for costs associated with aerial photography, holiday pay, temporary and seasonal wages, operating costs for telephone and cell phone use, gasoline and replacement of equipment. Also recommended is a non-recurring \$100,000 reduction in Timber receipts at Bladen Lakes State Forest and a recurring \$200,000 reduction in the Forest Development Program.			
Requirements - Recurring	\$ (2,206,137)		\$ (2,306,137)
Requirements - Nonrecurring	(100,000)	NR	-
Receipts - Recurring	<u>300,000</u>		<u>200,000</u>
Appropriation - Recurring	\$ (2,506,137)		\$ (2,506,137)
Appropriation - Nonrecurring	(100,000)	NR	-
6. Division of Land Resources			
The following reductions are recommended for the Division of Land Resources: The Administrative section will reduce the data processing budget line item; Geodetic Survey will change the support of 1.75 positions to federal funds and reduce its contractual services budget line item; and the Land Quality Section will reduce its operating budget.			
Number of Positions	(296,811)		(296,811)
	(1.75)		(1.75)

NR-Nonrecurring

N.C. State Budget, 2003-05: Summary of Recommendations
General Fund - Department of Environment and Natural Resources - Continued

Recommended Reductions:

	<u>2003-04</u>		<u>2004-05</u>
7. Division of Pollution Prevention			
Reductions are recommended requiring the Pollution Prevention Division to change 1.46 positions to the Solid Waste Trust Fund and change .40 of a position to an EPA grant. Additional reductions are recommended in its operating budget.	\$ (153,104)	\$	(153,104)
Number of Positions	(1.86)		(1.86)
8. Division of Soil and Water Conservation			
Proposed reduction options include non-recurring reductions in the Agricultural Cost Share Program and Animal Waste Cost Share Program. Up to two positions are proposed for reduction and one position is proposed to be fund shifted to a grant. Reductions are proposed in Board member travel and subsistence, District matching funds and Division operating costs.			
Appropriation - Recurring	(220,868)		(220,868)
Board Travel and Subsistence	(56,496)		(56,496)
Appropriation - Nonrecurring	(970,790)	NR	-
Number of Positions	(3.0)		(3.0)
9. North Carolina Zoological Park			
A reduction of the state appropriation supporting the operating costs of the Zoo is recommended. Also, one position will be eliminated and 6.5 positions will be made receipts supported.	(1,004,235)		(1,004,235)
Number of Position	(7.5)		(7.5)

NR-Nonrecurring

**N.C. State Budget, 2003-05: Summary of Recommendations
General Fund - Department of Environment and Natural Resources - Continued**

Recommended Reductions:

	<u>2003-04</u>		<u>2004-05</u>
Total Recommended Reductions - Recurring			
Requirements	\$ (5,428,944)		\$ (5,528,944)
Receipts	<u>640,179</u>		<u>540,179</u>
Appropriation	\$ (6,069,123)		\$ (6,069,123)
 Total Recommended Reductions - Nonrecurring			
Requirements	\$ (1,070,790)		\$ -
Receipts	<u>-</u>		<u>-</u>
Appropriation - Nonrecurring	\$ (1,070,790)	NR	\$ -
 Number of Positions Reduced	 (18.11)		 (18.11)

Recommended Expansion:

10. Express Permitting

This recommendation will provide funds for staff for creating express permitting services for private development construction projects that require 401 certification, sedimentation, stormwater and/or CAMA permits. The department would develop a fee schedule that would recover the cost of providing the service. After the first year, fees would support the service. Staff would be located in two regional offices.

Requirements	\$ 500,000		\$ -
Receipts	<u>-</u>		<u>-</u>
Appropriations - Nonrecurring	\$ 500,000	NR	\$ -
Number of positions	8.0		8.0

NR-Nonrecurring

**N.C. State Budget, 2003-05: Summary of Recommendations
 General Fund - Department of Environment and Natural Resources - Continued**

Recommended Expansion:

	<u>2003-04</u>		<u>2004-05</u>
Total Recommended Expansion - Nonrecurring			
Requirements	\$ 500,000		\$ -
Receipts	<u>-</u>		<u>-</u>
Appropriation - Nonrecurring	\$ 500,000	NR	\$ -
Number of Positions	8.0		8.0
Total Net Adjustments – Recurring			
Requirements	\$ (5,428,944)		\$ (5,028,944)
Receipts	<u>640,179</u>		<u>1,040,179</u>
Appropriation	\$ (6,069,123)		\$ (6,069,123)
Number of Positions	(10.11)		(10.11)
Total Net Adjustments – Nonrecurring			
Requirements	\$ (570,790)		\$ -
Receipts	<u>-</u>		<u>-</u>
Appropriation - Nonrecurring	\$ (570,790)	NR	\$ -
Total Recommended Adjustments	\$ (6,639,913)		\$ (6,069,123)

NR-Nonrecurring

**N.C. State Budget, 2003-05: Summary of Recommendations
General Fund - Continued**

Department of Environment and Natural Resources – Clean Water Management Trust Fund

	<u>2003-04</u>	<u>2004-05</u>
<u>Recommended Continuation Budget</u>	\$ 100,000,000	\$ 100,000,000
<u>Recommended Reductions</u>	\$ (33,618,140)	\$ (33,618,140)
<u>Recommended Expansion</u>	\$ -	\$ -
<u>Total Recommended Adjustments</u>	<u>\$ (33,618,140)</u>	<u>\$ (33,618,140)</u>
 <u>RECOMMENDED BUDGET</u>	 <u>\$ 66,381,860</u>	 <u>\$ 66,381,860</u>

N.C. State Budget, 2003-05: Summary of Recommendations
General Fund - DENR - Clean Water Management Trust Fund - Continued

Recommended Reductions:

	<u>2003-04</u>	<u>2004-05</u>
1. Clean Water Management Trust Fund		
The elimination of the 2003-05 continuation budget increase is recommended. The Clean Water Management Trust Fund will remain at \$66,381,860.	\$ (33,618,140)	\$ (33,618,140)
Recommended Recurring Reductions	\$ (33,618,140)	\$ (33,618,140)
Total Recommended Adjustments	\$ (33,618,140)	\$ (33,618,140)

**N.C. State Budget, 2003-05: Summary of Recommendations
General Fund - Continued**

Department of Labor

	<u>2003-04</u>	<u>2004-05</u>
<u>Recommended Continuation Budget</u>	\$ 13,936,595	\$ 13,945,245
<u>Recommended Reductions</u>	\$ (671,594)	\$ (674,223)
<u>Recommended Expansion</u>	\$ -	\$ -
<u>Total Recommended Adjustments</u>	<u>\$ (671,594)</u>	<u>\$ (674,223)</u>
<u>RECOMMENDED BUDGET</u>	<u>\$ 13,265,001</u>	<u>\$ 13,271,022</u>

**N.C. State Budget, 2003-05: Summary of Recommendations
General Fund - Department of Labor - Continued**

Recommended Reductions:

	<u>2003-04</u>	<u>2004-05</u>
1. Commissioner's Office		
It is recommended that four filled positions be eliminated. Also recommended is a \$20,000 reduction in salary reserve.	\$ (259,962)	\$ (259,962)
Number of Positions	(4.0)	(4.0)
2. Administration		
The elimination of 1.75 filled positions and reduction in operating budget line items is recommended.	(91,478)	(91,478)
Number of Positions	(1.75)	(1.75)
3. Workplace Retaliatory Discrimination		
It is recommended that a reduction be made in the operating budget line items.	(2,100)	(2,100)
4. Wage and Hour Division		
The elimination of three filled and one vacant position is recommended. Also recommended is a \$15,000 reduction in salary reserve.	(173,561)	(173,561)
Number of Positions	(4.0)	(4.0)
5. Bureau of Labor Statistics		
It is recommended that one vacant position be eliminated.		
Requirements	\$ (27,012)	\$ (27,012)
Receipts	(13,506)	(13,506)
Appropriation	\$ (13,506)	\$ (13,506)
Number of Positions	(1.0)	(1.0)

**N.C. State Budget, 2003-05: Summary of Recommendations
General Fund - Department of Labor - Continued**

Recommended Reductions:

	<u>2003-04</u>	<u>2004-05</u>
6. Apprenticeship Training		
The elimination of two vacant positions is recommended. Also recommended is a \$5,000 reduction in salary reserve.	\$ (97,670)	\$ (97,670)
Number of Positions	(2.0)	(2.0)
7. Continuation Increases		
It is recommended that the continuation budget increases be reduced.	(33,317)	(35,946)
Total Recommended Reductions - Recurring		
Requirements	\$ (685,100)	\$ (687,729)
Receipts	<u>(13,506)</u>	<u>(13,506)</u>
Appropriation	\$ (671,594)	\$ (674,223)
Number of Positions	(12.75)	(12.75)
Number of Positions Reduced	(12.75)	(12.75)
Total Recommended Adjustments	\$ (671,594)	\$ (674,223)

N.C. State Budget, 2003-05: Summary of Recommendations

V. Department of Transportation

A. Transportation Program

Funds totaling \$3.2 billion for fiscal year 2003-04 and \$3.3 billion for fiscal year 2004-05 are required to support North Carolina's Transportation Program over the next biennium. Approximately \$1.4 billion, or 41%, will be provided from the traditional Highway Fund. The Highway Trust Fund will add approximately \$1.0 billion each year of the biennium which will include transfers of \$252.4 and \$231.8 million respectively to the General Fund. The Highway Trust Fund represents 31% of the total Transportation Program.

Other support includes funds provided from the General Fund in the amount of \$11.4 million each year, departmental receipts of \$6.7 million each year and Federal funds totaling \$866.1 million and \$890.1 million respectively.

Summaries of the total Transportation Program showing the source of funding and the activities supported are included in Tables 8 and 9, North Carolina Transportation Program 2003-04 and 2004-05. More detailed information follows in the section with regard to funding from the Highway Fund and the Highway Trust Fund.

**Table 8
North Carolina Transportation Program, 2003-04**

	Highway Fund	Highway Trust Fund	Department Receipts	Federal Funds	General Fund	Total
Department of Transportation						
Administration	\$ 72,625,987	\$ 5,783,145	\$ 311,000	\$ -	\$ -	\$ 78,720,132
Division of Highways						
Administration	28,190,393	20,911,449	486,112	-	-	49,587,954
Construction	124,700,000	670,064,437	-	815,360,000	-	1,610,124,437
Maintenance	596,982,883	-	-	-	-	596,982,883
Planning and Research	4,160,000	-	-	16,640,000	-	20,800,000
OSHA Program	425,000	-	-	-	-	425,000
Ferry Operations	19,677,283	-	-	-	-	19,677,283
State Aid						
Municipalities	89,600,000	44,134,792	-	-	-	133,734,792
Public Transportation	79,905,266	-	-	10,000,000	-	89,905,266
Airports	-	-	-	15,478,062	11,429,525	26,907,587
Railroads	15,090,919	-	-	-	-	15,090,919
Governor's Highway Safety	292,449	-	-	4,580,924	-	4,873,373
Division of Motor Vehicles	100,255,703	4,315,379	5,906,778	4,053,680	-	114,531,540
Other State Agencies	200,818,117	-	-	-	-	200,818,117
Reserves and Transfers	11,206,000	-	-	-	-	11,206,000

N.C. State Budget, 2003-05: Summary of Recommendations
Department of Transportation - Continued
Transportation Program - Continued

Table 8 – Continued
North Carolina Transportation Program, 2003-04

	Highway Fund	Highway Trust Fund	Department Receipts	Federal Funds	General Fund	Total
Transfer to General Fund Uncommitted Trust Fund Administration	-	252,422,125	-	-	-	252,422,125
	-	12,407,673	-	-	-	12,407,673
Total Operating	\$ 1,343,930,000	\$1,010,039,000	\$ 6,703,890	\$ 866,112,666	\$ 11,429,525	\$3,238,215,081
Capital Improvements	\$ 7,000,000	-	-	-	-	\$ 7,000,000
Grand Total	\$ 1,350,930,000	\$1,010,039,000	\$6,703,890	\$ 866,112,666	\$ 11,429,525	\$3,245,215,081

Table 9
North Carolina Transportation Program, 2004-05

	Highway Fund	Highway Trust Fund	Department Receipts	Federal Funds	General Fund	Total
Department of Transportation Administration	\$ 72,648,211	\$ 5,787,639	\$ 311,000	\$ -	\$ -	\$ 78,746,850
Division of Highways Administration	28,150,605	20,916,152	486,112	-	-	49,552,869
Construction	125,690,000	724,156,256	-	838,880,000	-	1,688,726,256
Maintenance	572,304,548	-	-	-	-	572,304,548
Planning and Research	4,280,000	-	-	17,120,000	-	21,400,000
OSHA Program	425,000	-	-	-	-	425,000
Ferry Operations	19,677,283	-	-	-	-	19,677,283
State Aid Municipalities	90,590,000	47,829,103	-	-	-	138,419,103
Public Transportation	114,325,772	-	-	10,000,000	-	124,325,772
Airports	-	-	-	15,478,062	11,460,101	26,938,163
Railroads	15,531,153	-	-	-	-	15,531,153
Governor's Highway Safety	293,118	-	-	4,582,653	-	4,875,771
Division of Motor Vehicles	100,323,363	4,316,683	5,911,275	4,053,680	-	114,605,001
Other State Agencies	200,737,347	-	-	-	-	200,737,347
Reserves and Transfers	18,103,600	-	-	-	-	18,103,600
Transfer to General Fund Uncommitted Trust Fund Administration	-	231,774,330	-	-	-	231,774,330
	-	14,290,837	-	-	-	14,290,837
Total Operating	\$ 1,363,080,000	\$1,049,071,000	\$ 6,708,387	\$ 890,114,395	\$ 11,460,101	\$3,320,433,883
Capital Improvements	\$ 10,000,000	-	-	-	-	\$ 10,000,000
Grand Total	\$ 1,373,080,000	\$1,049,071,000	\$ 6,708,387	\$ 890,114,395	\$ 11,460,101	\$3,330,433,883

**N.C. State Budget, 2003-05: Summary of Recommendations
Department of Transportation - Continued**

B. Highway Fund

The Highway Fund receives support from three sources. They are: 1) motor fuels tax collections (75% of which is deposited in the Highway Fund, with the remaining 25% deposited in the Highway Trust Fund); 2) licenses and fee collections; and 3) interest income earned by the State Treasurer. Motor fuel taxes make-up 69% of Highway Fund revenue, with 28% coming from licenses and fees, and 3% from Treasurer's investments.

1. Revenue

It is estimated that Highway Fund revenue will total \$1.273 billion in 2002-03, representing a 1.9% decline in collections from a-year-ago. Motor fuel tax collections are estimated to total \$871 million, while declining by 3.3%. The number of gallons purchased is anticipated to grow by 2.4%. However, the growth in consumption is more than countered by a fall in the wholesale component of the motor fuels tax. The wholesale component is adjusted semi-annually based on the average price that existed during previous months. As a result of this delay, the wholesale component of the tax will decline in 2002-03. License and fee collections are estimated to total \$382 million, representing an increase of 0.6%. Truck plate fees and international registration fees are anticipated to fall by 5% as a result of the weak economy. The remaining fees are anticipated to grow in their historically range of 2-3%. Investment income is anticipated to grow by 2.2%, and total \$20 million.

Highway Fund revenue is projected to total \$1.351 billion in 2003-04, which represents a growth of 6.1%. As a result of increasing wholesale prices, the average price of motor fuels is projected to increase. Motor fuel tax collections are anticipated to total \$935 million, and increase by 7.3%. As the economy expands licenses and fee collections are anticipated to increase slightly above their historical averages and total \$394 million while increasing by 3.2%. Investment income is projected to total \$21 million, and grow by 6.1%.

For fiscal year 2004-05, Highway Fund revenue is projected to total \$1.373 billion, and expand by 1.6%. Licenses and fee collections are projected to total \$405 million, while investment income totals \$22 million. This represents growth rates of 2.8% and 1.6% respectively.

N.C. State Budget, 2003-05: Summary of Recommendations
Transportation – Continued
Highway Fund – Continued

Table 10
Highway Fund Revenue, 2003-05

	<u>2002-03</u> <u>Estimated</u>	<u>2003-04</u> <u>Projected</u>	<u>2004-05</u> <u>Projected</u>
Motor Fuels Taxes:			
Motor Fuel Tax	\$ 857,940,000	\$ 921,780,000	\$ 931,920,000
Gasoline Inspection Fee	13,410,000	13,560,000	14,030,000
Highway Use Registration Fee	<u>120,000</u>	<u>120,000</u>	<u>120,000</u>
Total Motor Fuels Tax	\$ 871,470,000	\$ 935,460,000	\$ 946,070,000
% Change	(3.3%)	7.3%	1.1%
Licenses and Fees:			
Staggered Registration Plan	\$ 152,560,000	\$ 157,900,000	\$ 162,630,000
Driver Licenses	71,620,000	72,900,000	74,510,000
Truck Plates	58,400,000	60,740,000	62,620,000
International Registration Plan	47,410,000	49,690,000	51,330,000
Other Licenses and Fees	<u>51,880,000</u>	<u>53,020,000</u>	<u>54,350,000</u>
Total Licenses and Fees	\$ 381,870,000	\$ 394,250,000	\$ 405,440,000
% Change	0.6%	3.2%	2.8%
Investment Income	\$ 20,000,000	\$ 21,220,000	\$ 21,570,000
% Change	<u>2.2%</u>	<u>6.1%</u>	<u>1.6%</u>
Total Highway Fund Revenue	\$1,273,340,000	\$ 1,350,930,000	\$ 1,373,080,000
% Change	(1.9%)	6.1%	1.6%

N.C. State Budget, 2003-05: Summary of Recommendations
Transportation – Continued
Highway Fund – Continued

2. Condition of the Highway Fund

Table 11, Condition of the Highway Fund, summarizes the budgeted sources and uses of funds for 2002-03 and 2003-05.

Table 11
Condition of the Highway Fund, 2003-05

	<u>2002-03</u> <u>Estimated</u>	<u>2003-04</u> <u>Recommended</u>	<u>2004-05</u> <u>Recommended</u>
Beginning Credit Balance:			
Appropriation			
Reversions	\$ 52,466,288	\$ -	\$ -
Overrealized Revenue	-	-	-
Subtotal	<u>\$ 52,466,288</u>	<u>\$ -</u>	<u>\$ -</u>
Appropriation			
Reserves	\$ -	\$ -	\$ -
State Highway			
Revenue	<u>1,273,340,000</u>	<u>1,350,930,000</u>	<u>1,373,080,000</u>
Total Availability	<u>\$ 1,325,806,288</u>	<u>\$ 1,350,930,000</u>	<u>\$1,373,080,000</u>

**N.C. State Budget, 2003-05: Summary of Recommendations
 Transportation - Continued
 Highway Fund – Continued**

Department of Transportation

	<u>2003-04</u>	<u>2004-05</u>
<u>Recommended Continuation Budget</u>	\$ 1,284,128,621	\$ 1,290,598,009
<u>Recommended Expansion</u>	\$ 66,801,379	\$ 82,481,991
<u>RECOMMENDED BUDGET</u>	<u>\$ 1,350,930,000</u>	<u>\$ 1,373,080,000</u>

Recommended Expansion:

	<u>2003-04</u>	<u>2004-05</u>
Public Transportation		
1. Funds for Regional New Starts Capital Program		
The Regional New Starts Program provides 25% state match for planning, environmental impact studies, design, right of way acquisition, rail car purchases and construction costs to initiate major regional guideway projects. Highway Fund appropriations are recommended to provide support for these projects.	\$ 2,000,000	\$ 29,204,246

N.C. State Budget, 2003-05: Summary of Recommendations
Transportation - Continued
Highway Fund – Continued

Recommended Expansion:

	<u>2003-04</u>	<u>2004-05</u>
2. Operating Assistance in Rural Areas		
Highway Fund appropriations are recommended to provide operating assistance funds to the Rural Operating Assistance Program (ROAP), the Elderly and Disabled Transportation Program (EDTAP), the Rural General Public Program (RGP) and the Work First/Employment Program (WF).	\$ 400,000	\$ 2,100,000
3. Increase Support for Human Services Management		
The Human Service Transportation Program provides administrative assistance to community transportation systems that serve only human service agency client transportation and those that are located in urban areas. Highway Fund appropriations are recommended to continue the administrative support to this program as well as to replace \$2,000,000 in funding that will end when the cash management provisions from SB 1005 expire at the end of 2003-04.	300,000	2,300,000

**N.C. State Budget, 2003-05: Summary of Recommendations
 General Fund - Department of Transportation – Continued
 Highway Fund – Continued**

Recommended Expansion:

	<u>2003-04</u>	<u>2004-05</u>
4. Capital Support for Rural Systems		
Capital support for community transportation systems operating in rural areas provides financial assistance for the cost of vehicles, wheelchair lifts, communications systems, public transportation technologies and construction or improvement of public transportation facilities. Highway Fund appropriations are recommended to provide support to this program as well as to replace \$3,400,000 in funding that will end when the cash management provisions from SB 1005 expire at the end of 2003-04.	\$ -	\$ 4,400,000
5. Increase Urban and Regional Maintenance Program		
The Urban and Regional Maintenance Program provides operating assistance to each of the state's 21 small urban and regional fixed route systems. The allocation formula is based largely on performance with the systems that provide the most revenue miles of service and passenger trips in the most efficient manner receiving the majority of the funding. Highway Fund appropriations are recommended to support this program as well as to replace \$5,000,000 in funding that will end when the cash management provisions from SB 1005 expire at the end of 2003-04.	9,359,432	6,357,092

**N.C. State Budget, 2003-05: Summary of Recommendations
 General Fund - Department of Transportation – Continued
 Highway Fund – Continued**

Recommended Expansion:

	<u>2003-04</u>	<u>2004-05</u>
6. Increase Urban Bus and Facility Programs		
The Bus and Bus Facility Program provides a 10% state match to federal grants for vehicle replacement and expansion needs as well as providing funding for construction and renovation of maintenance facilities, multimodal facilities, and transfer centers for transit systems operating in urban areas.		
The Technology Program provides state funds for the acquisition of advanced technologies for regional and urban transit systems including automatic vehicle locators, regional call centers and other technologies that will provide convenient and complete information to transit customers and increase overall system efficiencies.		
Funding is recommended to expand these two programs within the Public Transportation Program.	\$ 3,185,000	\$ 4,460,000
Total Public Transportation	\$ 15,244,432	\$ 48,821,338

**N.C. State Budget, 2003-05: Summary of Recommendations
 General Fund - Department of Transportation – Continued
 Highway Fund – Continued**

Recommended Expansion:

	<u>2003-04</u>	<u>2004-05</u>
General Services		
7. Capital Improvements		
The Department of Transportation maintains a total of 2,966 buildings and structures located in all 100 counties. The present value of all DOT structures is \$322.3 million. Approximately 50% of these structures are over 30 years old with the primary tenants being the Division of Highways, the Division of Motor Vehicles and the State Highway Patrol.		
Capital needs have no dedicated source of funding, as does the General Fund, so it is recommended that Highway Funds be provided to meet these needs.	\$ 7,000,000	\$ 10,000,000
8. Departmental Recycling Program		
Funding is recommended to provide an operating budget and staff support to assist the Waste Management Analyst with creating and implementing a web based NCDOT Reuse/Recycle Program. This program will provide a method by which all 14 Highway Divisions, the Ferry Division, DMV Driver License, Aviation and the Rail Division are able to submit recycle and reuse items electronically with digital photos and test that can be viewed by all NCDOT departments for their use thereby resulting in cost savings.		
The position being recommended is a Processing Assistant IV (59).	59,489	56,430
Number of Positions	1.0	1.0

**N.C. State Budget, 2003-05: Summary of Recommendations
 General Fund - Department of Transportation – Continued
 Highway Fund – Continued**

Recommended Expansion:

	<u>2003-04</u>	<u>2004-05</u>
9. Replace Outdated Printing Equipment		
Funding is recommended to lease new scanning and printing equipment in the Division of Motor Vehicles and the Department of Transportation Print Services Units to replace unreliable black and white analog duplicating equipment. The existing equipment is unable to provide updated technology to more efficiently control the document process.	\$ 258,000	\$ 258,000
Total General Services	\$ 7,317,489	\$ 10,314,430
Total Number of Positions	1.0	1.0

Construction and Maintenance

10. Establish Third District Office in Division 12		
Funding is recommended to add a third district office in Division 12. The plans are to remodel an existing building in the Conover, NC to house the maintenance operations in Lincoln and Catawba counties. The new office will require the creation of two new positions, an Office Assistant IV and a Transportation Engineering Supervisor II.	150,000	104,659
Number of Positions	2.0	2.0

11. Restore Highway Maintenance Funding		
It is recommended that non recurring funding to the Reserve for General Maintenance be restored with recurring funds in addition to increasing the support for maintenance.	26,751,837	2,817,102
Total Construction and Maintenance	\$ 26,901,837	\$ 2,921,761
Total Number of Positions	2.0	2.0

**N.C. State Budget, 2003-05: Summary of Recommendations
 General Fund - Department of Transportation – Continued
 Highway Fund – Continued**

Recommended Expansion:

	<u>2003-04</u>	<u>2004-05</u>
Rail Program		
12. Additional Funding for Rail Capital and Safety Programs		
Highway Fund appropriations are recommended to support the Rail Capital and Safety Programs within the Rail Division. The funds will be used for major track and signal upgrades and capacity expansion, initiatives to grade separate highway and rail traffic on major highway corridors, plan expansion of rail maintenance facilities and the purchase and renovation of rolling stock as necessary.	\$ 2,730,919	\$ 2,856,153
13. Establish Maintenance Program for Rail Infrastructure		
During the rail program start up phase the emphasis has been on capital investment. While robust capital investment will continue, the infrastructure equipment and facilities also must be maintained.		
Funds are recommended to establish a recurring fund for maintenance of completed rail capital projects including Sealed Corridor, Inactive Rail Corridors, North Carolina Railroad Improvement, Facilities Maintenance and Passenger Stations.	1,785,000	2,100,000
Total Rail Program	\$ 4,515,919	\$ 4,956,153

**N.C. State Budget, 2003-05: Summary of Recommendations
 General Fund - Department of Transportation – Continued
 Highway Fund – Continued**

Recommended Expansion:

	<u>2003-04</u>	<u>2004-05</u>
Bicycle and Pedestrian		
14. Funds to Establish Planning Grants Program for Local Governments		
According to G.S. 136-66.2, each municipality is required to develop a comprehensive transportation plan that will serve present and anticipated travel demands. It is recommended that funds be provided to establish matching grants for the municipalities and to support the cost of a manager level position.		
Number of Positions	\$ 200,000 1.0	\$ 300,000 1.0
Total Bicycle and Pedestrian Total Positions	\$ 200,000 1.0	\$ 300,000 1.0
Reserves and Transfers		
15. Legislative Salary Increase		
A 1.6% recurring pay increase, to be distributed to all employees paid from the Highway Fund, is recommended.		
	5,600,000	5,600,000
16. State Health Plan		
An increase in the appropriation to the Teachers' and State Employees' Comprehensive Major Medical Plan is recommended for each year of the biennium. The appropriation will be used for premiums paid by employing agencies for active employees and retired employees.		
	3,000,000	3,000,000

**N.C. State Budget, 2003-05: Summary of Recommendations
 General Fund - Department of Transportation – Continued
 Highway Fund – Continued**

Recommended Expansion:

	<u>2003-04</u>	<u>2004-05</u>
17. Reduce Transfer for Drivers Education Program		
A decrease in the amount transferred annually to the Department of Public Instruction for the Drivers Education Program is recommended based on a reduction in the Average Daily Membership (ADM) of ninth grade students who will be eligible to participate in the program during the 2003-05 biennium.	\$ (199,298)	\$ (170,291)
18. Additional State Highway Patrol Troopers		
Highway Fund appropriations are recommended to support the cost of hiring 25 additional State Highway Patrol troopers.	2,500,000	2,500,000
19. Contributions to the Retirement System		
Highway Fund appropriations are recommended to provide contributions to the retirement system for teachers and state employees.	980,000	7,385,000

**N.C. State Budget, 2003-05: Summary of Recommendations
 General Fund - Department of Transportation – Continued
 Highway Fund – Continued**

Recommended Expansion:

	<u>2003-04</u>	<u>2004-05</u>
20. Global Transpark Closeout Funding		
Nonrecurring Highway Fund appropriations are recommended to provide support for the GTP Training Center and essential airport maintenance and utilities for fiscal year 2003-04 only. The funding to the Global Transpark will end on June 30, 2004.	\$ 1,600,000	\$ -
Total Reserves and Transfers	\$ 13,480,702	\$ 18,314,709
Technical Adjustments		
21. Adjustments Due to Changes in Revenue Projections		
As a result of a revision in the projection of Highway Fund revenues for the 2003-05 Biennium, it is necessary to make the following adjustments in continuation amounts:		
Construction – Secondary	\$ (530,000)	\$ (1,970,000)
State Aid to Municipalities	\$ (530,000)	\$ (1,970,000)
EHNR – LUST Trust Fund	\$ (50,000)	\$ 50,000

**N.C. State Budget, 2003-05: Summary of Recommendations
 General Fund - Department of Transportation – Continued
 Highway Fund – Continued**

Recommended Expansion:

	<u>2003-04</u>	<u>2004-05</u>
22. Adjustment Due to Revised Sales Tax Revenue Estimate		
As a result of a revision in the projected Sale Tax Revenue for the 2003-05 Biennium, it is necessary to make the following adjustment in the continuation amount:		
Transfer to State Treasurer	\$ 251,000	\$ 743,600
Total Technical Adjustments	\$ (859,000)	\$ (3,146,400)
Total Recommended Expansion for the Department of Transportation	\$ 66,801,379	\$ 82,481,991
Number of Positions Added	4.0	4.0

N.C. State Budget, 2003-05: Summary of Recommendations

**Department of Transportation
General Fund
State Aid**

	<u>2003-04</u>	<u>2004-05</u>
<u>Recommended Continuation Budget</u>	\$ 12,842,163	\$ 12,872,739
<u>Recommended Reductions</u>	\$ (1,412,638)	\$ (1,412,638)
<u>Recommended Expansion</u>	\$ -	\$ -
<u>Total Recommended Adjustments</u>	<u>\$ (1,412,638)</u>	<u>\$ (1,412,638)</u>
 <u>RECOMMENDED BUDGET</u>	 <u>\$ 11,429,525</u>	 <u>\$ 11,460,101</u>

Recommended Reductions:

	<u>2003-04</u>	<u>2004-05</u>
Airport Grants		
Reduction in Airport Grants		
1. It is recommended that an 11% reduction in funding for grants to local airports be made to affect savings.	\$ (1,412,638)	\$ (1,412,638)
 Total Recommended Reductions - Recurring	 \$ (1,412,638)	 \$ (1,412,638)

**N.C. State Budget, 2003-05: Summary of Recommendations
General Fund - Department of Transportation – Continued
Highway Fund – Continued**

**Table 12
Recommended Highway Fund Appropriations, 2003-05**

	2001-02	2003-04	2004-05
	<u>Actual</u>	<u>Recommended</u>	<u>Recommended</u>
DOT-General Administration	\$ 72,225,582	\$ 72,625,987	\$ 72,648,211
Highway Division Administration	26,050,777	28,190,393	28,150,605
State Match for Federal Aid- Planning and Research	3,216,009	4,160,000	4,280,000
Construction Program:			
State Secondary System	80,627,873	89,600,000	90,590,000
State Urban System	11,170,724	14,000,000	14,000,000
Discretionary Funds	9,368,627	10,000,000	10,000,000
Spot Safety Improvements	8,759,829	9,100,000	9,100,000
Access & Public Service Roads	2,017,233	2,000,000	2,000,000
Total Construction Program	\$ 111,944,286	\$ 124,700,000	\$ 125,690,000
Maintenance Program:			
Primary System	\$ 135,183,435	\$ 120,553,156	\$ 120,553,156
Secondary System	252,551,451	206,386,339	206,386,339
Urban System	44,402,918	39,113,550	39,113,550
Contract Resurfacing	154,529,001	152,638,316	153,745,716
General Maintenance Reserve	-	78,291,522	52,505,787
Total Maintenance Program	\$ 586,666,805	\$ 596,982,883	\$ 572,304,548
Ferry Operations	\$ 19,793,521	\$ 19,677,283	\$ 19,677,283
State Aid to Municipalities	87,708,577	89,600,000	90,590,000
State Aid to Railroads	30,350,967	15,090,919	15,531,153
State Aid for Public Transportation	41,054,791	79,905,266	114,325,772
Airports	4,979,507		
Asphalt Plant Cleanup	222,148	425,000	425,000
Governor's Highway Safety Program	222,085	292,449	293,118
Division of Motor Vehicles	88,815,477	100,255,703	100,323,363

**N.C. State Budget, 2003-05: Summary of Recommendations
 General Fund - Department of Transportation – Continued
 Highway Fund - Continued**

**Table 12 - Continued
 Recommended Highway Fund Appropriations, 2003-05 - Continued**

	2001-02	2003-04	2004-05
	<u>Actual</u>	<u>Recommended</u>	<u>Recommended</u>
Total Department of Transportation	\$ 1,068,271,025	\$1,131,905,883	\$1,144,239,053
Appropriations to Other State Agencies:			
Agriculture	\$ 3,372,473	\$ 3,710,722	\$ 3,786,844
Revenue	3,401,001	4,222,813	4,226,491
State Treasurer-Sales Tax	13,600,000	16,379,000	16,910,000
Public Instruction-Driver Education	26,643,887	31,623,338	32,336,509
Crime Control and Public Safety- Highway Patrol	130,251,116	137,378,475	137,676,134
DENR – LUST Trust Fund	6,164,856	5,626,465	6,016,665
DHHS - Chemical Test	430,144	528,304	528,304
Global Transpark	580,001	1,600,000	-
Total-Other State Agencies	\$ 184,443,478	\$ 201,069,117	\$ 201,480,947

N.C. State Budget, 2003-05: Summary of Recommendations
Transportation - Continued
Highway Fund - Continued

Table 12 - Continued
Recommended Highway Fund Appropriations, 2003-05

	2001-02	2003-04	2004-05
	<u>Actual</u>	<u>Recommended</u>	<u>Recommended</u>
Reserves and Transfers:			
Salary Adjustment	\$ -	\$ 400,000	\$ 400,000
Legislative Salary Increase		5,600,000	5,600,000
Comprehensive Major Medical Plan		3,000,000	3,000,000
Restore Retirement Contribution		980,000	7,385,000
Minority Contractor			
Development		150,000	150,000
State Fire Protection Grant	140,300	150,000	150,000
Stormwater Discharge Permit		500,000	500,000
Reserve for Visitor's Centers	<u>174,391</u>	<u>175,000</u>	<u>175,000</u>
Total Reserves and Transfers	\$ 314,691	\$ 10,955,000	\$ 17,360,000
Total Current Operations	\$ 1,253,029,194	\$ 1,343,930,000	\$ 1,363,080,000
Capital Improvements	7,444,828	7,000,000	10,000,000
Total Highway Fund Appropriation	\$ 1,260,474,022	\$ 1,350,930,000	\$ 1,373,080,000

**N.C. State Budget, 2003-05: Summary of Recommendations
Transportation - Continued**

C. Highway Trust Fund

The Highway Trust Fund was established in 1989. Support for the fund was provided from four primary sources: (1) one-fourth of the motor fuels tax with the remaining three-fourths in the Highway Fund; (2) highway vehicle use taxes on the sales of motor vehicles, \$170 million of which is currently transferred to the General Fund; (3) title fees and registration fees; and (4) interest earned from investments by the State Treasurer. Of the revenue that remains in the Highway Trust Fund, 30% comes from motor fuel taxes, 56% from highway use taxes, 10% from title and other fees, and 4% from investment income.

The legislation designated various roads identified as the Intrastate System and Urban Loops which were to be funded. Also identified were supplemental funds for Secondary Road Construction and Aid to Municipalities. Formula funding for administration as well as for the mentioned purposes is likewise included in the legislation.

1. Revenue

Highway Trust Fund collections are estimated to total \$957 million in 2002-03. This represents a decrease of 1.7% from the previous fiscal year. Motor fuel taxes are estimated to total \$287 million, while declining by 3.1%. The number of gallons purchased is anticipated to grow by 2.4%. However, the growth in consumption is more than countered by a fall in the wholesale component of the motor fuels tax. The wholesale component is adjusted semi-annually based on the average price that existed during previous months. As a result of this delay, the wholesale component of the tax will decline in 2002-03. As a result of a weak economy, the motor vehicle use tax (sales tax on motor vehicles) is projected to total \$560, and increase by under 1%. Title fees are also anticipated to increase in the 1% range. Treasurer's investments will continue to fall as cash balances decline. Lower cash balance are the result of project expenditures exceeding revenue from new bond issues, expenditures from a special cash appropriation of 2001, and larger revenue transfers to the General Fund. It is estimated that Treasurer's investments will total \$18 million, while declining by 43%.

It is projected that Highway Trust Fund collections will total \$1.01 billion in fiscal 2003-04, and increase by 5.5%. Spurred on by higher prices, motor fuel tax collections are projected to increase by 7% and total \$307 million. A stronger economy will result in highway use tax collections growing by 6.8%, while totaling \$599 million. Title fees are projected to total \$94.3 million, and grow by 2.7%. Investment income will continue to decline, totaling \$10 million, while falling by 44.4%.

Motor fuel taxes are projected to total \$311, and grow by 1.1%. The Highway use tax is anticipated to expand by 6.2%, while totaling \$636 million. Title fees are projected to total \$96.8 million, and grow by 2.7%. Finally, it is projected that investment income will total \$6 million, while declining by 40%.

N.C. State Budget, 2003-05: Summary of Recommendations
Transportation - Continued
Highway Trust Fund - Continued

Table 13
Condition of the Highway Trust Fund, 2003-05

	<u>2002-03</u> <u>Estimated</u>	<u>2003-04</u> <u>Recommended</u>	<u>2004-05</u> <u>Recommended</u>
Availability:			
Beginning Credit Balance:			
Appropriation Reserves	\$ -	\$ -	\$ -
Highway Trust Fund Revenue	<u>957,330,000</u>	<u>1,010,039,000</u>	<u>1,049,071,000</u>
Total Availability	\$ 957,330,000	\$1,010,039,000	\$1,049,071,000
Expenditures and Commitments:			
Expended and Reserved	579,930,000	757,616,875	817,296,670
Transfer to General Fund	<u>377,400,000</u>	<u>252,422,125</u>	<u>231,774,330</u>
Total Expenditures and Commitments	\$ 957,330,000	\$1,010,039,000	\$1,049,071,000
Ending Credit Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(1) Transfer required by G.S. 105-187.9.

N.C. State Budget, 2003-05: Summary of Recommendations
Transportation - Continued
Highway Trust Fund - Continued

Table 14
Highway Trust Fund Revenue, 2003-05

	<u>2002-03</u> <u>Estimated</u>	<u>2003-04</u> <u>Projected</u>	<u>2004-05</u> <u>Projected</u>
Motor Fuel Tax Revenue	\$ 287,120,000	\$ 307,229,000	\$ 310,609,000
Highway Use Tax	560,440,000	598,551,000	635,660,000
Title Fees:			
Certificates of Title	79,980,000	82,139,000	84,357,000
Miscellaneous Title Fees	11,790,000	12,120,000	12,445,000
Subtotal	<u>\$ 939,330,000</u>	<u>\$1,000,039,000</u>	<u>\$ 1,043,071,000</u>
% Change	(0.3%)	6.5%	4.3%
Treasurer's Investments	18,000,000	10,000,000	6,000,000
% Change	<u>(42.9%)</u>	<u>(44.4%)</u>	<u>(40.0%)</u>
Subtotal	957,330,000	1,010,039,000	1,049,071,000
	(1.7%)	5.5%	3.9%
Amount Required to be Transferred to the General Fund	<u>377,400,000</u>	<u>252,422,000</u>	<u>231,774,000</u>
Balance Available	<u>\$ 579,930,000</u>	<u>\$ 757,617,000</u>	<u>\$ 817,297,000</u>

N.C. State Budget, 2003-05: Summary of Recommendations
Transportation - Continued
Highway Trust Fund - Continued

Table 15
Recommended Highway Trust Fund Appropriations, 2003-05

	<u>2002-03</u> <u>Authorized</u>	<u>2003-04</u> <u>Recommended</u>	<u>2004-05</u> <u>Recommended</u>
Department of Transportation: Maximum allowance for Administration	\$ 32,000,000	\$ 43,417,646	\$ 45,311,311
Construction Allocation:			
Intrastate System	318,207,945	420,638,518	455,848,147
Urban Loop System	128,670,040	170,088,698	184,326,006
Secondary Roads	67,664,579	79,337,221	83,982,103
State Aid to Municipalities	33,387,436	44,134,792	47,829,103
Transfer to the General Fund (1)	<u>377,400,000</u>	<u>252,422,125</u>	<u>231,774,330</u>
Total Highway Trust Fund	<u>\$957,330,000</u>	<u>\$1,010,039,000</u>	<u>\$1,049,071,000</u>

(1) Transfer required by G.S. 105-187.9

N.C. State Budget, 2003-05: Summary of Recommendations

VI. Capital Improvements

GENERAL FUND

2003-04

1. Water Resources Development and Watershed Projects

It is recommended that an appropriation be made for the state share of civil works projects for navigation, flood control, drainage and beach protection. The costs for these projects are shared by statutory formula with the federal government and/or local governments. This appropriation will allow the state and local governments to secure federal funds necessary for projects vital to economic development, protection of property and resources, and public waters. Allocation of these funds will be made by the Department of Environment and Natural Resources in compliance with the state's Water Resources Plan.

\$ 29,407,000

Total Appropriation for Capital Improvements

\$ 29,407,000

N.C. State Budget, 2003-05: Summary of Recommendations

**VIII. Debt Service, Statewide Reserves, Compensation,
and Other Appropriations**

	<u>2003-04</u>	<u>2004-05</u>
<u>Recommended Continuation Budget</u>	\$ 436,786,713	\$ 505,649,255
<u>Recommended Reductions</u>	\$ (42,344,845)	\$ (24,513,855)
<u>Recommended Expansion</u>	\$ 271,350,000	\$ 388,500,000
<u>Total Recommended Adjustments</u>	<u>\$ 229,005,155</u>	<u>\$ 363,986,145</u>
 <u>RECOMMENDED BUDGET</u>	 <u>\$ 665,791,868</u>	 <u>\$ 869,635,400</u>

**N.C. State Budget, 2003-05: Summary of Recommendations
Debt Service, Statewide Reserves, Compensation, and Other Appropriations - Continued**

	<u>2003-04</u>	<u>2004-05</u>
1. Debt Service Requirements		
Reduces funds for debt service on bonds due to revised cash flow requirements for bond programs and reduced principal and interest payments.	\$ (42,344,845)	\$ (24,513,855)
2. State Funded Compensation Increases		
Provides recurring funds to increase salaries of state funded Public School System employees, Community College System employees, University System employees, and state agency employees. Increases for each group of employees are listed below.		
Appropriation – Recurring	126,250,000	129,500,000
Appropriation – Nonrecurring	6,100,000	NR
<u>Public Schools:</u>		
- Teachers and Instructional Support Personnel	1.81% average	
- State Agency Teachers	1.81% average	
- School of Science and Math Faculty	1.81% average	
- Principals and Assistant Principals	1.86% average	
- Other Public Schools Employees	1.6% increase	

Also allocates nonrecurring funds to provide a one-time bonus for teachers and principals who are at the top of the pay range.

**N.C. State Budget, 2003-05: Summary of Recommendations
Debt Service, Statewide Reserves, Compensation, and Other Appropriations - Continued**

	<u>2003-04</u>	<u>2004-05</u>
State Funded Compensation Increases – Continued		
<u>Community Colleges:</u>		
- Community College System		
Employees	1.6% increase	
Also allocates \$3,250,000 in fiscal year 2003-04 and \$6,500,000 in fiscal year 2004-05 to provide additional increases to Community College Faculty and professional staff.		
<u>State Employees:</u>		
(State Agency and University System)		
- SPA	1.6% increase	
- EPA	1.6% increase	
3. Retirement System Contributions		
Provides state funds totaling .28% of payroll for fiscal year 2003-04 and 2.11% of payroll in fiscal year 2004-05 for members of the Teachers’ and State Employees’ Retirement System. Also allocates \$26 million in fiscal year 2003-04 to begin repayment of funds withheld from system in fiscal year 2000-01.		
Appropriation - Recurring	\$ 21,000,000	\$ 158,000,000
Appropriation – Nonrecurring	26,000,000 NR	-

NR-Nonrecurring

N.C. State Budget, 2003-05: Summary of Recommendations
Debt Service, Statewide Reserves, Compensation, and Other Appropriations - Continued

	<u>2003-04</u>	<u>2004-05</u>
4. Health Initiatives		
Provides \$5 million for a comprehensive health initiative directed at prevention and early detection of disease, particularly asthma, diabetes and heart disease. Of these funds, \$2.5 million may be used to establish 50 nurses who will assist in asthma, diabetes and critical needs of children in public schools. The remaining funds will be used to support prevention and screening programs, especially those that will reduce long-term health care costs.	\$ 5,000,000	\$ 5,000,000
5. Health Insurance Portability and Accountability Act (HIPAA)		
Provides funds for statewide implementation of the federal Health Insurance Portability and Accountability Act. The act establishes national standards and requirements for the transmission, storage, and handling of certain electronic health care data.		
Appropriation - Nonrecurring	5,000,000	NR -
6. State Employee Health Plan Reserve		
Provides funds to increase the state's contribution for active and retired employee's health care benefits by 11% effective October 1, 2003. Of these funds, approximately \$16 million in FY 2003-04 and \$21.3 million in FY 2004-05 shall be used to increase the employer contribution rate for retiree health benefits from 2.35% to 2.61% of payroll.	72,000,000	96,000,000

NR-Nonrecurring

**N.C. State Budget, 2003-05: Summary of Recommendations
Debt Service, Statewide Reserves, Compensation, and Other Appropriations - Continued**

	<u>2003-04</u>		<u>2004-05</u>
7. Mental Health System Reform			
To continue the State's compliance with the Supreme Court decision in <i>Olmstead v. L.C.</i> and to facilitate mental health system reform, the Governor recommends funding for developing community capacity to accommodate clients who are more appropriately served in a community setting. The request will support start-up costs, expand and enhance treatment and prevention services, and eliminate waiting lists for mental health, developmental disabilities, and substance abuse services.			
Appropriation - Nonrecurring	\$ 10,000,000	NR	-
Total Net Adjustments – Recurring			
Requirements	\$ 181,905,155		\$ 363,986,145
Receipts	-		-
Appropriation	<u>\$ 181,905,155</u>		<u>\$ 363,986,145</u>
Total Net Adjustments – Nonrecurring			
Requirements	\$ 47,100,000		\$ -
Receipts	-		-
Appropriation – Nonrecurring	<u>\$ 47,100,000</u>	NR	<u>\$ -</u>
Total Recommended Adjustments	\$ 229,005,155		\$ 363,986,145

NR-Nonrecurring

VIII. Five Year Expenditure Forecast of Governor's Recommended Budget (\$ in millions)					
Description	2003-04	2004-05	2005-06	2006-07	2007-08
Budget Availability					
Base Revenue Forecast	\$ 14,186.9	\$ 14,990.0	\$ 15,780.8	\$ 16,604.5	\$ 17,457.5
(economic growth percentages)	3.5%	5.5%	5.3%	5.1%	5.0%
Freeze Existing Tax Structure:					
Maintain State Sales Tax at Current Rate	346.5	388.2	26.5	0.0	0.0
Maintain Top Income Tax Bracket	37.5	84.4	50.2	0.0	0.0
Repeal Local Government Hold Harmless	23.0	19.0	15.6	12.0	0.0
Freeze 2001 Tax Breaks	53.7	101.1	90.4	47.0	8.0
Additional Availability Recommendations:					
Tobacco Trust Fund	40.0	40.0	40.0	40.0	40.0
Health & Wellness Trust Fund	20.0	20.0			
Credit Balance	325.0				
Total Budget Availability	15,032.6	15,642.7	16,003.5	16,703.5	17,505.5
Summary of Expenditures					
Continuation Budget Recommendations	14,486.1	15,077.3	15,159.4	15,254.6	15,365.6
Entitlement / Enrollment Adjustments:					
Average Daily Membership (ADM) Adjustment			125.0	250.0	375.0
Medicaid			190.3	395.9	617.9
Debt Service			59.0	124.0	110.0
Education Items:					
UNC Enrollment	46.6	46.6	85.0	113.5	151.6
UNC Financial Aid	10.3	10.3	10.3	10.3	10.3
Community Colleges Enrollment	29.8	29.8	49.8	63.2	80.6
Private Colleges Enrollment	2.8	2.8	6.6	10.4	14.4
ABC Bonuses	101.0				
Teacher's Annual Step Increase	48.1	42.0	84.0	126.0	168.0
Class Size Reductions	25.3	25.3	25.3	25.3	25.3
More-at-Four Program	8.6	7.4	7.4	7.4	7.4
LEA Assistance Teams	0.5				
Health and Human Services Items:					
CHIP Enrollment	13.1	19.1	19.1	19.1	19.1
Mental Health Trust Fund	10.0				
Easley Health Initiatives	5.0	5.0	5.0	5.0	5.0
Expand ACCESS Program	1.4	3.7	3.7	3.7	3.7
Child Abuse and Neglect Investigation Teams	0.6	0.8	0.8	0.8	0.8
Other Items:					
Prison Operating			33.8	36.6	36.6
DOJ -- Lab Analysis / Untested Rape Kits	0.2	0.3	0.3	0.3	0.3
HIPAA Implementation	5.0				
Board of Elections (federal match \$)	4.7	0.5	0.5	0.5	0.5
Other Expansion	0.7				
Salary / Benefits Items:					
State Health Plan	72.0	96.0	105.6	126.7	139.4
Retirement System	47.0	158.0	241.0	313.0	384.0
State Employees Compensation Increases	81.0	81.0	81.0	81.0	81.0
Community Colleges Faculty Salary	3.2	6.5	6.5	6.5	6.5
Capital Improvements:					
Water Resources Projects (State Match)	29.4				
Total Expansion Recommendations	546.3	535.1	1,140.0	1,719.2	2,237.4
Recommended Budget Reductions			(300.0)	(450.0)	(600.0)
Recommended Budget	15,032.4	15,612.4	15,999.4	16,523.7	17,002.9
Balance	\$ 0.2	\$ 30.3	\$ 4.1	\$ 179.8	\$ 502.6

APPENDIX TABLES

N. C. State Budget, 2003-05: Summary of Recommendations
Appendix - Continued

Appendix Table 1A
Condition of the General Fund
1974-75 to 2001-02
(Includes Federal Revenue Sharing and Anti-Recession Revenues)

Fiscal Year	Beginning Balance July 1	Transfers From Reserves	Net Collections	Total Appropriation Expenditures	Reserve Transfers	#	Ending Balance June 30
1974-75	\$ 108,532,052	\$ -	\$ 1,597,146,807	\$ 1,721,068,968	\$ -	-	\$ 56,609,891
1975-76	56,609,891	-	1,710,532,207	1,698,673,699	-	-	68,468,399
1976-77	68,468,399	-	2,018,349,566	1,935,935,992	-	-	150,882,006
1977-78	150,882,006	-	2,196,552,943	2,162,483,376	-	-	184,951,573
1978-79	184,951,573	-	2,486,968,295	2,484,341,660	-	-	187,578,208
1979-80	187,578,208	-	2,842,041,456	2,744,651,008	-	-	284,968,657
1980-81	284,968,657	-	3,023,812,433	3,154,154,198	-	-	154,626,892
1981-82	154,626,892	-	3,229,540,752	3,275,619,875	-	-	108,547,769
1982-83	108,547,769	-	3,405,116,476	3,440,694,342	-	-	72,969,903
1983-84	72,969,903	-	3,957,447,438	3,775,487,080	-	-	254,930,261
1984-85	254,930,261	-	4,527,147,566	4,401,980,073	-	-	380,097,754
1985-86	380,097,754	-	4,910,870,016	4,971,858,475	-	-	319,109,295 a)
1986-87	319,109,295	-	5,392,076,697	5,349,003,039	-	-	362,182,953
1987-88	362,182,953	-	5,804,527,342	5,773,774,887	-	-	392,935,408
1988-89	392,935,408	-	6,154,529,607	6,409,558,219	-	-	157,048,576
1989-90	157,048,576	-	6,988,406,667	6,923,212,860	-	-	222,242,383
1990-91	222,242,383	-	7,207,815,194	7,429,617,079	-	-	440,498
1991-92	440,498	-	7,817,050,946	7,652,318,443 b)	41,593,253	-	123,579,748
1992-93	123,579,748	-	8,292,796,568	7,879,046,057	191,332,565	-	345,997,694
1993-94	345,997,694	178,000,000	9,102,334,828	9,003,619,540	215,678,246	-	407,034,736
1994-95	407,034,736	269,932,954 c)	9,970,738,717	9,967,684,132	387,411,138	-	292,611,137
1995-96	292,611,137	153,100,000 d)	10,090,225,385	9,809,354,769	320,445,592 e)	-	406,136,161
1996-97	406,136,131	1,595,394 f)	10,933,860,552	10,466,775,861	556,126,043 g)	-	318,690,202
1997-98	318,690,202	174,544,955	11,727,128,530	11,436,138,797	268,994,402	-	515,230,488
1998-99	515,230,488	227,844,930	12,753,272,488	12,961,718,694	237,927,186	-	296,702,026
1999-00	296,702,026	722,299,954	13,136,080,241	13,853,708,453	301,373,769	-	(0)
2000-01	(0)	620,729,850 h)	13,451,860,973	13,445,510,386	627,080,436	-	0
2001-02	0	703,038,110 I)	13,157,882,906	13,741,135,020	116,000,000	-	3,785,996

Reserve transfers for Savings Reserve, Repair and Renovations Reserve, Reserve for Tax Relief, and Other.

a) Funds in the amount of \$28,600,000 required to be reserved by the June 1986 Session in accordance with Section 44 of Chapter 791 of the 1985 Session Laws are included in this figure.

b) This number excludes \$400,000 transferred to the Savings Reserve account for 1991-92 as appropriated.

c) This number includes the Reserve for Disproportionate Share \$209,932,954 and \$60,000,000 authorized for Repairs and Renovations.

d) This number includes the Reserve for Tax Relief \$28,100,000 and \$125,000,000 authorized for Repairs and Renovations.

e) The number includes \$130 million for Repair and Renovations, \$77,342,025.97 Savings Reserve, \$25 million Federal Retiree Refund, \$1.2 Federal Retiree Refund Administration, \$47.1 million Clean Water Management, \$39,519,567 Capital Improvements, and \$284,000 library grants.

f) Reserve for Disproportionate Share.

g) This number includes \$115,510,195 for Disaster Relief, \$174,260,955 for Repair and Renovations, 49,354,893.26 for Clean Water Management, \$156 million for Intangible Tax Refunds, and \$61 million for the Railroad Purchase Reserve.

h) This number includes \$308,401,820 Easley Executive Order #3 Reserve and \$312,328,030 Disaster Relief Reserve.

I) This number includes \$440,915,625 EEO#19 Reserve, \$347,763,108 Shortfall BC 19979, \$4,359,377 CI transfers, and (\$90,000,000) authorized transfer to Savings Reserve from Revenues.

N. C. State Budget, 2003-05: Summary of Recommendations
Appendix - Continued

Appendix Table 1B
Condition of the Highway Fund
1974-75 to 2001-02
(Includes Federal Aid Participation)

Fiscal Year	Beginning Balance July 1	Net Collections*	Total Appropriation Expenditures	Ending Balance June 30
1974-75	\$ 110,948,079	\$ 672,255,228	\$ 628,849,033	\$ 154,354,274
1975-76	154,354,274	493,536,624	550,259,908	97,630,990
1976-77	97,630,990	692,175,363	623,935,040	165,871,313
1977-78	165,871,313	613,161,176	676,460,378	102,572,111
1978-79	102,572,111	698,424,160	681,582,831	119,413,440
1979-80	119,413,440	688,864,174	696,345,679	111,931,935
1980-81	111,931,935	666,935,631	612,035,936	166,831,612
1981-82	166,831,612	729,968,258	674,034,180	222,765,690
1982-83	222,765,690	862,394,389	762,384,819	322,775,260
1983-84	322,775,260	918,012,956	945,996,357	294,791,859
1984-85	294,791,859	1,053,678,404	1,041,253,080	307,217,183
1985-86	307,217,183	1,016,891,045	1,031,831,352	292,276,879
1986-87	292,276,879	1,190,806,504	1,169,873,310	313,210,073
1987-88	313,210,073	1,232,282,636	1,222,631,851	322,860,858
1988-89	322,860,858	1,409,839,386	1,315,847,645	416,852,599
1989-90	416,852,599	1,232,848,473	1,345,684,467	304,016,605
1990-91	304,016,605	1,399,958,822	1,351,535,540	352,439,887
1991-92	352,439,887	1,605,877,793	1,528,101,820	430,215,860
1992-93	430,215,860	1,697,651,523	1,770,759,812	357,107,571
1993-94	357,107,571	1,752,701,588	1,747,469,878	362,339,281
1994-95	362,339,281	1,619,505,085	1,748,159,076	233,685,290
1995-96	233,685,290	1,851,464,315	1,773,223,724	311,925,881
1996-97	311,925,881	2,310,485,801	2,429,520,589	192,891,093
1997-98	192,891,093	2,206,983,140	2,099,049,223	300,825,010
1998-99	300,825,010	2,301,524,041	2,142,510,030	459,839,021
1999-00	459,839,021	2,458,253,201	2,467,131,526	450,960,697
2000-01	450,960,697	2,535,313,224	2,452,760,524	533,513,397
2001-02	533,513,397	2,684,784,992	2,722,939,943	495,358,446

*Includes Local Aid Participation and Interfund Transfers.

N. C. State Budget, 2003-05: Summary of Recommendations
Appendix - Continued

Appendix Table 1C
Condition of the Highway Trust Fund
1989-90 to 2001-02

Fiscal Year	Beginning Balance July 1	Total Revenue and Other Sources	Contracting Authorization From Future Years Cash Flow	Total Appropriation Expenditures*	Ending Balance June 30
1989-90	\$ -	\$ 243,893,008	\$ -	\$ 204,692,423	\$ 39,200,585
1990-91	39,200,585	286,946,282	137,223,500	434,021,519	29,348,848
1991-92	29,348,848	537,809,797	(79,055,757)	428,739,384	59,363,504
1992-93	59,363,504	574,157,887	(37,617,743)	501,440,081	94,463,567
1993-94	94,463,567	645,111,384	45,600,000	648,731,304	136,443,647
1994-95	136,443,647	689,536,522	50,150,000	771,874,365	104,255,804
1995-96	104,255,804	813,462,828	45,800,000	718,955,090	152,963,542
1996-97	152,963,542	1,011,488,313	119,185,000	943,081,732	102,185,123
1997-98	102,185,123	935,138,876	62,740,759	828,875,931	145,707,309
1998-99	145,707,309	803,338,157	30,421,905	760,821,140	218,646,231
1999-00	218,646,231	936,444,582	(38,513,690)	895,301,189	221,275,934
2000-01	221,275,934	968,998,273	(26,981,351)	841,958,656	321,334,200
2001-02	321,334,200	1,194,186,165	86,323,105	1,186,268,479	415,574,991

*Expenditures include all Interfund Transfers for both Highway and General Funds.

N. C. State Budget, 2003-05: Summary of Recommendations
Appendix - Continued

Appendix Table 1D
Schedule of Savings Reserve Account Balance
1990-91 to 2003-04

Fiscal Year	Beginning Balance July 1	Authorized Transfer	Authorized Reserve for Current Year	Ending Balance June 30
1990-91	\$ 141,000,000	\$ (141,000,000) a)	\$ -	\$ -
1991-92	400,000	-	41,193,253	41,593,253
1992-93	41,593,253	-	134,332,565	175,925,818
1993-94	175,925,818	(121,000,000) b)	155,678,246	210,604,064
1994-95	210,604,064	146,305,569	66,700,000 c)	423,609,633
1995-96	423,609,633	-	77,342,026	500,951,659
1996-97	500,951,659	-	-	500,951,659
1997-98	500,951,659	-	21,568,903	522,520,562
1998-99	522,520,562	-	- d)	522,520,562
1999-00	522,520,562	(485,965,824) e)	967,311	37,522,049
2000-01	37,522,049	-	120,000,000 f)	157,522,048
2001-02	157,522,048	(247,522,048)	90,000,000 g)	-
2002-03	-	-	100,000,000	100,000,000
2003-04	100,000,000	N/A	N/A	N/A

- a) The General Assembly appropriated \$141.0 million; the reserve was used to balance a shortfall in revenue in 1999-91
- b) The 1993 Session of the General Assembly authorized the transfer of reserves to support appropriation for the June 30 payroll restoration.
- c) The 1993 Session of the General Assembly (1994 Regular Session) appropriated \$66.7 million to the reserve.
- d) The 1999 Session of the General Assembly fixed the balance of the reserve for 1998-99 only at the previous year level.
- e) The 1999 Session of the General Assembly authorized the use of the Savings Reserve Account to pay the first installment of the Intangibles Tax liability. The December 1999 Special Session of the General Assembly authorized the transfer of \$285,965,824 to provide funds to the Hurricane Floyd Reserve.
- f) The 2000 Short Session of the General Assembly appropriated \$120 million to the reserve.
- g) The 2001 Session of the General Assembly directed the State Controller to "credit" the Savings Reserve Account \$181.8 million from the General Fund but only \$90,000,000 was credited.

N. C. State Budget. 2003-05: Summary of Recommendations
Appendix - Continued

Appendix Table 2
Total Authorized North Carolina State Budget, 1968-69 to 2004-05
(In Millions)

<u>Fiscal Year</u>	<u>Operating</u>	<u>Capital Improvements</u>	<u>Local Tax Reimb. and Other</u>	<u>Budget Stabilization</u>	<u>Total</u>
1968-69	\$ 1,318.6	\$ -	\$ -	\$ -	\$ 1,318.6
1969-70	1,686.8	129.8	-	-	1,816.6
1970-71	1,772.4	-	-	-	1,772.4
1971-72	2,089.8	148.4	-	-	2,238.2
1972-73	2,217.2	-	-	-	2,217.2
1973-74	2,635.7	242.2	-	-	2,877.9
1974-75	2,983.5	97.4	-	-	3,080.9
1975-76	3,205.7	41.9	-	-	3,247.6
1976-77	3,409.8	54.0	-	-	3,463.8
1977-78	3,901.7	75.6	-	-	3,977.3
1978-79	4,280.8	130.1	-	-	4,410.9
1979-80	4,877.9	153.8	-	-	5,031.7
1980-81	5,332.4	110.7	-	-	5,443.1
1981-82	5,720.9	31.8	-	-	5,752.8
1982-83	5,915.0	72.4	-	-	5,987.4
1983-84	6,602.9 1)	116.0	-	-	6,718.9
1984-85	7,203.6	234.1	-	-	7,437.7
1985-86	8,102.5	298.0	-	-	8,400.5
1986-87	8,622.3 2)	334.1 2)	-	-	8,956.4
1987-88	9,467.1	257.1	-	-	9,724.2
1988-89	10,093.5	316.9	-	-	10,410.4
1989-90	11,387.1	377.6	231.7	-	11,996.4
1990-91	12,027.2	294.6 3)	476.8	141.0	12,939.6
1991-92	12,892.7	242.6 4)	474.6	0.4	13,610.3
1992-93	13,997.3	274.6	236.8	-	14,508.7
1993-94	16,130.8 5)	374.0 6)	236.8	-	16,741.6
1994-95	17,320.5 5)	412.6	236.8	-	17,969.9
1995-96	17,600.6	456.0	-	-	18,056.6
1996-97 7)	18,662.2	1,118.0	-	-	19,780.2
1997-98 8)	19,923.4	1,201.4	-	-	21,124.8
1998-99 8)	21,300.7	883.5	447.4	-	22,631.6
1999-00 9)	22,784.3	877.1	629.0	-	24,290.4
2000-01 10)	23,927.7	424.0	30.0 13)	120.0	24,501.7
2001-02 11)	25,763.0	762.9	40.0 13)	-	26,565.9
2002-03 12)	26,205.0	881.2	66.5 13)	-	27,152.7
2003-04	28,485.7	1,008.0	66.4 13)	-	29,560.1
2004-05	29,437.7	762.7	66.4 13)	-	30,266.8

- 1) Includes \$25.8 million transferred from the General Fund to the Highway Fund.
- 2) Includes emergency appropriation for the Department of Correction.
- 3) Includes \$75 million from legislative bonds.
- 4) Includes \$45 million from legislative bonds and \$112.5 million from prison bonds.
- 5) Includes \$214.2 million for June 1994 payroll restoration 1993-94/\$120 million for teacher payroll restoration 1994-95.
- 6) Includes \$87.5 million from prison bonds.
- 7) Includes \$4.7 million for community colleges from the 1997 Session of the General Assembly.
- 8) Includes public school bonds and highway bonds (\$700.0 million in 1997-98 and \$450.0 million in 1998-99).
- 9) Includes \$450.0 million for public schools bonds in 1999-00 and \$200 million for Clean Water and Natural Gas Bonds.
- 10) Includes \$300 million for Clean Water and Natural Gas Bonds.
- 11) Includes \$250 million for Clean Water and Natural Gas Bonds, \$55 million for Public School Bonds, and \$300 for University and Community College Bonds.
- 12) Includes \$250 Clean Water and Natural Gas Bonds and \$ 600 University and Community College Bonds.
- 13) Clean Water Management Trust Fund Appropriation.

N. C. State Budget, 2003-05: Summary of Recommendations
Appendix - Continued

Appendix Table 3A
Total North Carolina State Budget by Function,
Department, and Source of Funds
2003-04

General						
Budget Code	Function	General Fund	Highway Trust/ Highway Fund	Other	Federal	Total
11000	General Assembly	\$ 41,561,463	\$ -	\$ 928,000	\$ -	\$ 42,489,463
12000	Judicial	303,316,657	-	251,613	-	303,568,270
12001	Judicial - Indigent Defense	73,048,607	-	7,758,340	-	80,806,947
	Total Judicial	376,365,264	-	8,009,953	-	384,375,217
<u>General Government:</u>						
13200	Secretary of State	7,799,789	-	387,162	-	8,186,951
13300	State Auditor	10,305,302	-	50	-	10,305,352
13410	State Treasurer	7,418,650	-	644,958	-	8,063,608
13412	St.Treasurer-Special Cont.	7,131,179	-	-	-	7,131,179
13600	Justice	70,681,908	-	8,431,012	1,217,234	80,330,154
13100	Lieutenant Governor	601,722	-	-	-	601,722
18210	Office of Admin.Hearings	2,413,683	-	116,014	-	2,529,697
18300	Rules Review Comm.	310,454	-	-	-	310,454
13000	Governor's Office	4,986,503	-	175,065	-	5,161,568
13085	OSBM Special Appropriations	3,080,000	-	-	-	3,080,000
13005	OSBM	4,207,130	-	500	-	4,207,630
13010	NC Housing Finance	4,750,945	-	100,000	37,242,359	42,093,304
14700	Revenue	73,536,823	4,222,813	1,623,896	-	79,383,532
14800	Cultural Resources	53,050,958	-	1,892,826	4,917,627	59,861,411
14802	Cultural Resources-Roanoke Isl.	1,634,905	-	-	-	1,634,905
14100	Dept. of Administration	50,797,218	-	11,705,828	2,301,211	64,804,257
14160	OSC	9,694,464	-	34,445	-	9,728,909
	Total General Government	312,401,633	4,222,813	25,111,756	45,678,431	387,414,633
<u>Public Safety and Regulation:</u>						
13800	Labor	13,265,001	-	4,176,819	5,857,118	23,298,938
13900	Insurance	21,971,063	-	26,301,209	343,608	48,615,880
13901	Insurance - GF Direct	4,500,000	-	2,307,449	449,339	7,256,788
14600	Commerce	33,133,442	-	33,027,440	242,627,428	308,788,310
14601	Commerce-St.Aid to Nonstate Entities	20,062,464	-	-	-	20,062,464
14900	CC & PS	28,088,773	134,878,475	6,403,193	13,755,803	183,126,244
18025	State Board of Elections	7,642,776	-	39,500	-	7,682,276
28101-07	Special Boards & Commissions	-	-	2,903,050	-	2,903,050
	Total Public Safety & Regulation	128,663,519	134,878,475	75,158,660	263,033,296	601,733,950
14500	Correction	940,718,058	-	10,450,055	-	951,168,113
14060	Juvenile Justice	131,262,105	-	9,907,952	1,074,716	142,244,773
<u>Education:</u>						
13510	DPI	5,998,996,820	31,822,636	3,231,819	913,941,236	6,947,992,511

N. C. State Budget, 2003-05: Summary of Recommendations
Appendix - Continued

Appendix Table 3A
Total North Carolina State Budget by Function,
Department, and Source of Funds
2003-04

General						
Budget Code	Function	General Fund	Highway Trust/ Highway Fund	Other	Federal	Total
16800	Community Colleges	673,956,026	-	148,823,310	17,391,969	840,171,305
16010	UNC - GA	91,260,387	-	11,000	-	91,271,387
16011	UNC - Institutional Programs	14,904,260	-	-	-	14,904,260
16012	UNC - Related Education Programs	115,948,831	-	-	1,458,525	117,407,356
16020	UNC - CH Academic Affairs	179,778,631	-	128,210,867	246,671	308,236,169
16021	UNC - CH Health Affairs	150,195,414	-	31,662,074	-	181,857,488
16022	UNC - CH Area Health Education	43,647,544	-	-	-	43,647,544
16030	NCSU - Academic	263,583,974	-	124,659,539	156,312	388,399,825
16031	NCSU - Agri. Research Svcs.	44,581,645	-	2,421,513	7,890,619	54,893,777
16032	NCSU - Agri. Extension Svcs.	34,964,388	-	459,010	14,436,189	49,859,587
16040	UNC - Greensboro	90,999,626	-	38,568,218	111,798	129,679,642
16050	UNC - Charlotte	97,735,060	-	55,627,126	80,000	153,442,186
16055	UNC - Asheville	23,833,957	-	7,691,201	10,400	31,535,558
16060	UNC - Wilmington	56,197,557	-	32,531,006	71,575	88,800,138
16065	ECU - Academic	121,273,780	-	63,649,208	145,900	185,068,888
16066	ECU - Health Svcs.	43,759,603	-	2,108,300	-	45,867,903
16070	NC A & T	61,577,283	-	26,549,353	58,714	88,185,350
16075	Western Carolina	51,266,845	-	16,035,957	148,874	67,451,676
16080	Appalachian State	81,898,946	-	37,763,902	77,725	119,740,573
16082	UNC - Pembroke	31,015,919	-	7,608,894	27,968	38,652,781
16084	Winston Salem State	29,445,132	-	6,111,404	74,805	35,631,341
16086	Elizabeth City State	22,313,274	-	4,202,257	48,400	26,563,931
16088	Fayetteville State	32,456,338	-	8,205,887	129,202	40,791,427
16090	NC Central	45,505,268	-	14,243,320	108,431	59,857,019
16092	NC School of Arts	17,660,075	-	7,800,421	14,550	25,475,046
16094	NCSSM	11,953,028	-	422,786	-	12,375,814
16095	UNC Hospitals	38,713,931	-	558,855,301	-	597,569,232
	Total University	1,796,470,696	-	1,175,398,544	25,296,658	2,997,165,898
	Total Education	8,469,423,542	31,822,636	1,327,453,673	956,629,863	10,785,329,714
14222	Transportation	11,429,525	1,910,003,926	6,703,890	866,112,666	2,794,250,007
	<u>Health and Human Services:</u>					
14410	DHHS - Central Admin.	84,783,833	-	1,150,780	62,017,462	147,952,075
14411	DHHS - Aging	27,585,838	-	8,303,642	32,542,154	68,431,634
14420	DHHS - Child Development	259,792,167	-	56,000	263,198,639	523,046,806
14424	DHHS - Education Services	31,866,862	-	234,413	127,364	32,228,639
14430	DHHS - Public Health	127,742,287	529,303	59,914,548	307,450,669	495,636,807
14440	DHHS - Social Services	178,154,934	-	453,695,630	603,387,397	1,235,237,961
14445	DHHS - Medical Assistance	2,287,015,656	-	446,889,785	5,161,022,395	7,894,927,836
14446	DHHS - Child Health	50,368,030	-	-	103,619,158	153,987,188
14450	DHHS - Services for the Blind	9,352,670	-	1,423,965	13,511,085	24,287,720
14460	DHHS - DMH/D/SAS	557,623,983	-	36,820,030	78,181,208	672,625,221
14470	DHHS - Facility Services	9,442,530	-	5,227,831	12,020,302	26,690,663

N. C. State Budget, 2003-05: Summary of Recommendations
Appendix - Continued

Appendix Table 3A
Total North Carolina State Budget by Function,
Department, and Source of Funds
2003-04

General						
Budget Code	Function	General Fund	Highway Trust/ Highway Fund	Other	Federal	Total
14480	DHHS - Vocational Rehab.	40,042,124	-	2,066,555	65,633,372	107,742,051
	Total Health & Human Services	3,663,770,914	529,303	1,015,783,179	6,702,711,205	11,382,794,601
14300	DENR	146,430,988	-	32,018,952	41,761,483	220,211,423
14301	Clean Water Mgmt. Trust	66,381,860	-	-	-	66,381,860
13700	Agriculture & Consumer Services	48,756,978	3,710,722	20,250,303	6,004,071	78,722,074
<u>Debt Service:</u>						
19420	St. Treasurer-General Debt Service	387,785,920	33,706,050	15,500,000	-	436,991,970
19425	St. Treasurer-Federal Debt Service	1,155,948	-	-	-	1,155,948
	Total Debt Service	388,941,868	33,706,050	15,500,000	-	438,147,918
<u>Reserves:</u>						
19001	Contingency & Emergency	5,000,000	-	-	-	5,000,000
19003	Compensation Increase Reserve	132,350,000	-	-	-	132,350,000
19004	Salary Adjustment	500,000	-	-	-	500,000
	Retirement System Reserve	47,000,000	-	-	-	47,000,000
	Easley Health Initiative Reserve	5,000,000	-	-	-	5,000,000
19039	HIPPA Reserve	5,000,000	-	-	-	5,000,000
19043	Health Plan Reserve	72,000,000	-	-	-	72,000,000
19049	Mental Hlth./DD.SAS Reserve	10,000,000	-	-	-	10,000,000
	Total Reserves	276,850,000	-	-	-	276,850,000
19600	Capital Improvement	29,407,000	7,000,000	-	-	36,407,000
	Total Appropriations	15,032,364,717	2,125,873,925	2,547,276,373	8,883,005,731	28,588,520,746
	General Obligation Bonds	971,550,000	-	-	-	971,550,000
	Total Including GO Bonds	\$ 16,003,914,717	\$ 2,125,873,925	\$ 2,547,276,373	\$ 8,883,005,731	\$ 29,560,070,746

Note: The Highway Fund and Highway Trust Fund is exclusive of transfers to the General Fund of \$268,801,125.
(G.S. 105-187.9 provides information relative to this transfer)

N. C. State Budget, 2003-05: Summary of Recommendations
Appendix - Continued

Appendix Table 3B
Total North Carolina State Budget by Function,
Department, and Source of Funds
FY 2004-05

General Budget		General	Highway Trust/ Highway Fund	Other	Federal	Total
Code	Function	Fund				
11000	General Assembly	\$ 44,971,305	\$ -	\$ 978,000	\$ -	\$ 45,949,305
12000	Judicial	310,513,471	-	251,848	-	310,765,319
12001	Judicial - Indigent Defense	71,115,571	-	7,758,340	-	78,873,911
	Total Judicial	381,629,042	-	8,010,188	-	389,639,230
<u>General Government:</u>						
13200	Secretary of State	7,810,408	-	387,162	-	8,197,570
13300	State Auditor	10,315,258	-	50	-	10,315,308
13410	State Treasurer	7,421,405	-	644,958	-	8,066,363
13412	St.Treasurer-Special Cont.	7,131,179	-	-	-	7,131,179
13600	Justice	71,667,067	-	6,743,969	1,217,234	79,628,270
13100	Lieutenant Governor	601,722	-	-	-	601,722
18210	Office of Admin.Hearings	2,415,797	-	116,014	-	2,531,811
18300	Rules Review Comm.	310,454	-	-	-	310,454
13000	Governor's Office	4,857,328	-	175,065	-	5,032,393
13085	OSBM Special Appropriations	3,080,000	-	-	-	3,080,000
13005	OSBM	4,211,435	-	500	-	4,211,935
13010	NC Housing Finance	4,750,945	-	100,000	37,242,359	42,093,304
14700	Revenue	73,536,823	4,226,491	2,155,593	-	79,918,907
14800	Cultural Resources	52,771,799	-	1,892,826	4,917,627	59,582,252
14802	Cultural Resources-Roanoke Isl.	1,636,559	-	-	-	1,636,559
14100	Dept. of Administration	51,325,602	-	11,709,028	2,301,211	65,335,841
14160	OSC	9,719,451	-	34,445	-	9,753,896
	Total General Government	313,563,232	4,226,491	23,959,610	45,678,431	387,427,764
<u>Public Safety and Regulation:</u>						
13800	Labor	13,271,022	-	4,181,449	5,862,541	23,315,012
13900	Insurance	22,002,200	-	26,301,209	343,608	48,647,017
13901	Insurance - GF Direct	4,500,000	-	2,307,449	449,339	7,256,788
14600	Commerce	32,203,763	-	33,032,779	242,630,626	307,867,168
14601	Commerce-St.Aid to Nonstate Entities	20,062,464	-	-	-	20,062,464
14900	CC & PS	27,164,214	135,176,134	4,920,693	13,755,803	181,016,844
18025	State Board of Elections	3,458,357	-	39,500	-	3,497,857
28101-07	Special Boards & Commissions	-	-	3,592,250	-	3,592,250
	Total Public Safety & Regulation	122,662,020	135,176,134	74,375,329	263,041,917	595,255,400
14500	Correction	945,911,249	-	10,430,355	-	956,341,604
14060	Juvenile Justice	134,409,130	-	9,901,052	1,074,716	145,384,898
<u>Education:</u>						
13510	DPI	6,018,823,114	32,506,800	3,231,819	913,941,236	6,968,502,969

N. C. State Budget, 2003-05: Summary of Recommendations
Appendix - Continued

Appendix Table 3B
Total North Carolina State Budget by Function,
Department, and Source of Funds
FY 2004-05

General		General	Highway Trust/ Highway Fund	Other	Federal	Total
Budget Code	Function	Fund				
16800	Community Colleges	673,765,340	-	148,823,310	17,391,969	839,980,619
16010	UNC - GA	91,389,028	-	9,000	-	91,398,028
16011	UNC - Institutional Programs	14,904,260	-	-	-	14,904,260
16012	UNC - Related Education Programs	116,291,616	-	-	1,458,525	117,750,141
16020	UNC - CH Academic Affairs	192,451,458	-	128,216,967	246,671	320,915,096
16021	UNC - CH Health Affairs	154,507,251	-	31,668,274	-	186,175,525
16022	UNC - CH Area Health Education	43,647,544	-	-	-	43,647,544
16030	NCSU - Academic	270,430,304	-	124,682,759	156,312	395,269,375
16031	NCSU - Agri. Research Svcs.	44,497,081	-	2,434,864	7,894,241	54,826,186
16032	NCSU - Agri. Extension Svcs.	34,911,508	-	437,000	14,436,902	49,785,410
16040	UNC - Greensboro	92,118,699	-	38,568,218	111,798	130,798,715
16050	UNC - Charlotte	102,010,412	-	55,623,126	80,000	157,713,538
16055	UNC - Asheville	24,057,565	-	7,692,951	10,400	31,760,916
16060	UNC - Wilmington	57,560,725	-	32,531,106	71,575	90,163,406
16065	ECU - Academic	122,288,293	-	63,643,708	145,900	186,077,901
16066	ECU - Health Svcs.	43,809,298	-	2,109,800	-	45,919,098
16070	NC A & T	61,481,209	-	26,554,703	58,714	88,094,626
16075	Western Carolina	51,595,040	-	16,039,697	148,874	67,783,611
16080	Appalachian State	82,464,392	-	37,760,352	77,725	120,302,469
16082	UNC - Pembroke	32,205,122	-	7,609,794	27,968	39,842,884
16084	Winston Salem State	29,537,200	-	6,108,354	74,805	35,720,359
16086	Elizabeth City State	22,758,044	-	4,202,257	48,400	27,008,701
16088	Fayetteville State	32,054,132	-	8,205,887	129,202	40,389,221
16090	NC Central	46,316,669	-	14,243,320	108,431	60,668,420
16092	NC School of Arts	17,429,648	-	7,800,361	14,550	25,244,559
16094	NCSSM	11,991,207	-	422,786	-	12,413,993
16095	UNC Hospitals	38,713,931	-	558,855,301	-	597,569,232
	Total University	1,831,421,636	-	1,175,420,585	25,300,993	3,032,143,214
	Total Education	8,524,010,090	32,506,800	1,327,475,714	956,634,198	10,840,626,802
14222	Transportation	11,460,101	1,209,571,437	6,708,387	890,114,395	2,117,854,320
	<u>Health and Human Services:</u>					
14410	DHHS - Central Admin.	83,583,833	-	1,150,780	62,720,104	147,454,717
14411	DHHS - Aging	27,585,838	-	8,303,642	32,542,154	68,431,634
14420	DHHS - Child Development	259,985,693	-	56,000	263,198,639	523,240,332
14424	DHHS - Education Services	31,730,076	-	236,713	127,364	32,094,153
14430	DHHS - Health	127,738,707	529,303	59,781,171	307,452,410	495,501,591
14440	DHHS - Social Services	183,207,128	-	457,100,706	601,609,643	1,241,917,477
14445	DHHS - Medical Assistance	2,606,616,508	-	522,548,871	6,087,120,574	9,216,285,953
14446	DHHS - Child Health	56,426,280	-	-	103,619,158	160,045,438
14450	DHHS - Services for the Blind	9,437,008	-	1,423,965	13,597,900	24,458,873
14460	DHHS - DMH/D/SAS	561,114,198	-	36,810,030	78,181,208	676,105,436
14470	DHHS - Facility Services	9,442,530	-	5,227,831	12,020,302	26,690,663

N. C. State Budget, 2003-05: Summary of Recommendations
Appendix - Continued

Appendix Table 3B
Total North Carolina State Budget by Function,
Department, and Source of Funds
FY 2004-05

General Budget		General	Highway Trust/ Highway Fund	Other	Federal	Total
Code	Function	Fund				
14480	DHHS - Vocational Rehab.	40,834,858	-	2,069,555	66,338,531	109,242,944
	Total Health & Human Services	3,997,702,657	529,303	1,094,709,264	7,628,527,987	12,721,469,211
14300	DENR	151,194,700	-	32,018,952	41,761,483	224,975,135
14301	Clean Water Mgmt. Trust	66,381,860	-	-	-	66,381,860
13700	Agriculture & Consumer Services	48,795,084	3,786,844	20,275,498	5,999,471	78,856,897
<u>Debt Service:</u>						
19420	St. Treasurer-General Debt Service	474,479,452	56,805,675	7,500,000	-	538,785,127
19425	St. Treasurer-Federal Debt Service	1,155,948	-	-	-	1,155,948
	Total Debt Service	475,635,400	56,805,675	7,500,000	-	539,941,075
<u>Reserves:</u>						
19001	Contingency & Emergency	5,000,000	-	-	-	5,000,000
19003	Compensation Increase Reserve	129,500,000	-	-	-	129,500,000
19004	Salary Adjustment	500,000	-	-	-	500,000
	Retirement System Reserve	158,000,000	-	-	-	158,000,000
	Easley Health Initiative Reserve	5,000,000	-	-	-	5,000,000
19039	HIPPA Reserve	-	-	-	-	-
	Health Plan Reserve	96,000,000	-	-	-	96,000,000
19049	Mental Hlth./DD.SAS Reserve	-	-	-	-	-
	Total Reserves	394,000,000	-	-	-	394,000,000
19600	Capital Improvement	-	10,000,000	-	-	10,000,000
	Total Appropriations	15,612,325,870	1,452,602,684	2,616,342,349	9,832,832,598	29,514,103,501
	General Obligation Bonds	752,700,000	-	-	-	752,700,000
	Total Including GO Bonds	\$ 16,365,025,870	\$ 1,452,602,684	\$ 2,616,342,349	\$ 9,832,832,598	\$ 30,266,803,501

Note: The Highway Fund and Highway Trust Fund is exclusive of transfers to the General Fund of \$248,684,330.
(G.S. 105-187.9 provides information relative to this transfer)

N. C. State Budget, 2003-05: Summary of Recommendations
Appendix - Continued

Appendix Table 4
Trends in the Total State Budget
1977-78 to 2004-05
(In Millions)

Fiscal Year	Public Education	Higher Education	Community Colleges	Human Resources	Transportation	Correction
1977-78	\$1,192.3	\$540.1	\$136.3	\$902.5	\$536.2	\$95.3
1978-79	1,307.5	584.5	161.4	1,007.9	571.3	106.1
1979-80	1,487.9	644.3	165.2	1,213.2	595.8	123.5
1980-81	1,655.8	727.4	195.3	1,315.2	611.4	144.8
1981-82	1,768.2	821.0	219.4	1,411.2	617.4	162.7
1982-83	1,798.5	856.4	232.0	1,462.2	626.8	176.1
1983-84	1,906.6	944.4	261.7	1,601.3	864.3	190.5
1984-85	2,170.4	1,058.9	288.2	1,719.6	893.4	212.7
1985-86	2,501.4	1,219.8	304.7	1,945.6	908.1	244.3
1986-87	2,660.6	1,300.7	337.1	2,032.8	1,005.7	261.7
1987-88	2,939.7	1,414.4	358.9	2,251.2	1,086.1	306.0
1988-89	3,230.8	1,483.2	364.7	2,435.8	1,111.7	343.1
1989-90	3,468.2	1,662.2	403.2	2,695.5	1,399.1	380.8
1990-91	3,672.0	1,700.0	433.5	3,012.3	1,378.5	428.0
1991-92	3,688.6	1,647.3	410.7	3,661.6	1,512.3	484.8
1992-93	3,829.0	1,728.9	476.8	4,244.2	1,614.3	517.2
1993-94	4,128.2	1,850.9	504.0	5,289.4	1,727.9	577.4
1994-95	4,417.1	1,932.9	534.6	5,616.5	1,850.1	732.5
1995-96	4,477.5	2,035.1	546.1	5,910.1	1,917.5	815.4
1996-97	4,783.6	2,121.3	576.6	6,324.4	1,987.6	833.3
1997-98	5,191.6	2,262.6	610.6	6,955.9	2,106.4	831.0
1998-99	5,549.9	2,321.1	659.9	7,604.9	2,125.4	859.0
1999-00	6,033.2	2,473.6	681.5	7,814.7	2,492.9	899.2
2000-01	6,366.8	2,555.3	724.1	8,213.6	2,635.8	883.0
2001-02	6,635.5	2,781.0	772.1	9,567.5	2,808.3	933.3
2002-03	6,534.6	2,814.1	825.6	10,404.5	2,598.5	890.6
2003-04	[1] 6,948.0	2,997.2	840.2	11,382.8	2,794.3	951.2
2004-05	[1] 6,968.5	3,032.1	840.0	12,721.5	2,117.9	956.3

Fiscal Year	All Other Agencies	Debt Service	Reserves *	Capital	Other	Total
1977-78	419.1	76.7	3.1	75.6	-	3,977.2
1978-79	450.2	82.7	9.3	130.1	-	4,411.0
1979-80	545.6	84.9	8.2	153.8	-	5,022.4
1980-81	594.5	92.5	5.8	110.7	-	5,453.4
1981-82	610.5	99.2	8.8	31.8	-	5,750.2
1982-83	640.7	114.2	11.4	72.4	-	5,990.7
1983-84	698.4	117.8	2.9	116.0	-	6,703.9
1984-85	755.1	114.5	6.3	234.1	-	7,453.2
1985-86	843.4	114.2	21.1	298.0	-	8,400.6
1986-87	909.9	98.2	15.8	334.0	-	8,956.5
1987-88	972.4	111.9	18.7	265.3	-	9,724.6
1988-89	1,012.7	108.9	2.6	316.9	-	10,410.4
1989-90	1,270.4	107.6	-	377.6	231.8	11,996.4
1990-91	1,289.8	108.7	147.3	292.5	476.8	12,939.5
1991-92	1,375.7	117.9	0.9	242.6	468.0	13,610.4
1992-93	1,437.0	127.0	(5.4)	274.5	232.4	14,508.7
1993-94	1,701.9	129.6	221.5	910.1	236.8	17,277.7
1994-95	1,859.3	142.5	235.0	592.6	236.8	18,149.9
1995-96	1,735.0	157.0	6.9	456.0	-	18,056.6
1996-97	1,764.2	135.4	135.6	1,118.0	#	19,780.2
1997-98	1,693.5	167.2	104.6	1,201.4	#	21,124.8
1998-99	1,759.0	200.4	221.1	883.5	# 447.4	22,631.6
1999-00	1,922.5	244.1	222.6	877.1	# 629.0	24,290.4
2000-01	1,904.8	270.0	494.3	424.0	# 30.0	24,501.7
2001-02	1,949.5	302.6	13.2	762.9	40.0	26,565.9
2002-03	1,841.3	301.2	(5.4)	881.2	66.5	27,152.7
2003-04	[1] 1,857.2	438.1	276.9	1,008.0	66.4	29,560.1
2004-05	[1] 1,867.5	539.9	394.0	762.7	66.4	30,266.8

* Includes funds transferred to the Reserve for Budget Stabilization.

Includes General Obligation Bonds

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

[1] Recommended

N. C. State Budget, 2003-05: Summary of Recommendations
Appendix - Continued

Appendix Table 5
Total Authorized State Budget by Source of Funds
1974-75 to 2004-05
(In Millions)

Fiscal Year	General Fund	Federal Revenue Sharing	Highway 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 1)	-	1,223.8	2,616.8	949.4	12,939.6
1991-92	7,983.0 1)	-	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 2)	-	1,622.5	4,917.3	1,987.8	19,780.2
1997-98	12,015.3 3)	-	2,025.5	5,220.4	1,863.6	21,124.8
1998-99	13,561.6 3)	-	1,807.6	5,465.3	1,797.1	22,631.6
1999-00	14,561.7 3)	-	1,878.8	5,951.1	1,898.8	24,290.4
2000-01	14,350.1 3)	-	2,058.8	6,134.4	1,958.4	24,501.7
2001-02	15,135.3 3)	-	2,121.1	7,066.3	2,243.2	26,565.9
2002-03	15,205.1 3)	-	1,900.0	7,676.5	2,371.0	27,152.6
2003-04	16,003.9 3)	-	2,125.9	8,883.0	2,547.3	29,560.1
2004-05	16,365.0 3)	-	1,452.6	9,832.8	2,616.3	30,266.8

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.

N. C. State Budget, 2003-05: Summary of Recommendations
Appendix - Continued

Appendix Table 6
Highway Fund State Tax and Nontax Revenue
1974-75 to 2004-05
(In Millions)

Fiscal Year	Motor Fuel Taxes	Licenses, Fees, and Other Revenue	Treasurer's Investments	Total Revenue	Annual Percentage Change
1974-75	\$ 265.8	\$ 95.2	\$ 23.9	\$ 384.9	10.0%
1975-76	286.4	103.8	15.1	405.4	5.3%
1976-77	298.3	106.5	11.9	416.6	2.8%
1977-78	312.0	114.2	9.9	436.2	4.7%
1978-79	322.8	120.5	21.7	465.0	6.6%
1979-80	304.0	125.7	17.9	447.6	-3.7%
1980-81	291.2	130.0	13.9	435.1	-2.8%
1981-82	380.8	151.7	22.3	554.8	27.5%
1982-83	388.6	161.1	28.5	578.2	4.2%
1983-84	411.8	200.0	30.2	642.0	11.0%
1984-85	421.7	212.7	33.3	667.7	4.0%
1985-86	438.7	219.7	26.5	684.9	2.6%
1986-87	569.3	234.3	26.2	829.8	21.2%
1987-88	612.2	250.5	33.9	896.6	8.1%
1988-89	625.8	257.2	30.7	913.7	1.9%
1989-90	619.7	257.9	26.6	904.2	-1.0%
1990-91	629.4	252.6	21.4	903.4	-0.1%
1991-92	650.6	273.6	19.6	943.8	4.5%
1992-93	648.8	275.9	17.6	942.3	-0.16%
1993-94	677.6	283.8	18.4	979.8	4.0%
1994-95	681.1	295.6	19.7	996.5	1.7%
1995-96	709.2	320.4	19.7	1,049.3	5.3%
1996-97	742.8	320.2	13.1	1,076.1	2.6%
1997-98	774.5	328.4	10.1	1,113.0	3.4%
1998-99	775.5	340.0	15.5	1,131.0	1.6%
1999-00	793.5	352.5	18.6	1,164.6	3.0%
2000-01	880.8	364.3	15.4	1,260.5	8.2%
2001-02	901.3	379.7	17.2	1,298.2	3.0%
2002-03 1]	908.9	386.2	16.7	1,311.8	1.0%
2003-04 2]	921.8	394.3	22.2	1,338.3	2.0%
2004-05 2]	931.9	405.4	21.6	1,358.9	1.5%

(1) Authorized

(2) Projected

N. C. State Budget, 2003-05: Summary of Recommendations
Appendix - Continued

Appendix Table 7
Highway Trust Fund Tax and Nontax Revenue
1989-90 to 2004-05
(In Millions)

Fiscal Year	Gasoline Tax	Highway Use Tax	Other Revenue	Treasurer's Investments	Total Revenue	Annual Percentage Change
1989-90	\$ 184.9	\$ 164.7	\$ 51.5	\$ 7.4	408.5	-
1990-91	206.6	231.1	55.4	20.8	513.9	25.8%
1991-92	213.4	242.4	58.4	23.1	537.3	4.6%
1992-93	212.4	273.3	62.2	24.1	572.0	6.5%
1993-94	222.0	330.5	68.1	22.5	643.1	12.4%
1994-95	223.0	364.6	77.1	28.7	693.4	7.8%
1995-96	232.7	396.0	76.7	32.7	738.1	6.4%
1996-97	243.7	407.6	85.7	35.7	772.7	4.7%
1997-98	254.6	453.3	87.0	40.9	835.8	8.2%
1998-99	254.7	489.5	90.3	39.3	873.8	4.5%
1999-00	260.7	545.3	93.2	37.4	936.6	7.2%
2000-01	289.6	545.2	90.6	41.4	966.8	3.2%
2001-02	296.3	555.3	90.7	31.5	973.8	0.7%
2002-03	298.5	614.8	96.8	22.2	1,032.3	6.0%
2003-04	{1}	307.2	598.6	94.3	1,010.1	-2.2%
2004-05	{1}	310.6	635.7	96.8	1,049.1	3.9%

1] Projected

N. C. State Budget, 2003-05: Summary of Recommendations
Appendix - Continued

Appendix Table 8
General Fund Tax and Nontax Revenue
1974-75 to 2004-05
(In Millions)

(Excludes Federal Revenue Sharing and Federal Anti-Recession Funds)

Fiscal Year	Tax Revenues	Percent Increase Over Previous Year	Tax and Nontax Revenues	Percent Increase
1974-75	\$ 1,451.2	6.85%	\$ 1,544.1	\$ 7.99%
1975-76	1,571.8	8.31%	1,648.1	6.74%
1976-77	1,870.0	18.97%	1,952.6	18.48%
1977-78	2,060.5	10.19%	2,134.8	9.33%
1978-79	2,337.2	13.43%	2,430.3	13.84%
1979-80	2,639.2	12.92%	2,785.3	14.61%
1980-81	2,846.0	7.84%	2,995.4	7.54%
1981-82	3,077.7	8.14%	3,229.5	7.82%
1982-83	3,279.0	6.54%	3,403.8	5.40%
1983-84	3,814.4	16.33%	3,957.3	16.26%
1984-85	4,336.7	13.69%	4,527.1	14.40%
1985-86	4,694.5	8.25%	4,910.9	8.48%
1986-87	5,180.6	10.35%	5,392.1	9.80%
1987-88	5,551.3	7.16%	5,804.5	7.65%
1988-89	5,928.5	6.79%	6,154.5	6.03%
1989-90	6,561.4	10.68%	6,988.4	13.55%
1990-91	6,692.5	2.00%	7,207.8	3.14%
1991-92	7,438.4	11.15%	7,817.0	8.45%
1992-93	7,883.0	5.98%	8,292.8	6.09%
1993-94	8,516.8	8.04%	9,102.3	9.76%
1994-95	9,365.8	9.97%	9,969.9	9.53%
1995-96	9,458.8	0.99%	10,090.3	1.21%
1996-97	10,239.1	8.25%	10,933.9	8.36%
1997-98	11,092.4	8.33%	11,727.1	7.25%
1998-99	11,965.3	7.87%	12,753.3	8.75%
1999-00	12,391.0	3.56%	13,135.0	2.99%
2000-01	12,573.1	1.47%	13,451.9	2.41%
2001-02	12,444.7	-1.02%	13,510.0	0.43%
2002-03	13,314.9	6.99%	14,330.2	6.07%
2003-04	[2] 13,859.4	4.09%	14,707.6 [3]	2.63%
2004-05	[2] 14,795.9	6.76%	15,642.7 [3]	6.36%

- 1) Nontax revenue includes transfers from the Highway Fund and Highway Trust Fund and Capital Improvement appropriations returned to the General Fund.
- 2) Recommended
- 3) Includes transfers from Tobacco Master Settlement Agreement

N. C. State Budget, 2003-05: Summary of Recommendations
Appendix-Continued

Appendix Table 9
Authorized
General Fund Appropriations
1968-69 to 2004-05
(In Millions)

(Including Federal Revenue Sharing and Anti-Recession Revenues)

<u>Fiscal Year</u>	<u>Operating</u>	<u>Percent Change</u>	<u>Total</u>	<u>Percent Change</u>
1968-69	\$ 735.1	8.2	\$ 735.1	(7.1)
1969-70	894.0	21.6	969.6	31.9
1970-71	961.4	7.5	961.4	(0.8)
1971-72	1,087.1	13.1	1,152.0	19.8
1972-73	1,173.6	8.0	1,173.6	1.9
1973-74	1,520.7	29.6	1,712.5	45.9
1974-75	1,698.4	11.7	1,791.8	4.6
1975-76	1,756.2	3.4	1,784.9	(0.4)
1976-77	1,944.4	10.7	1,989.5	11.5
1977-78	2,193.5	12.8	2,224.9	11.8
1978-79	2,451.9	11.8	2,577.9	15.9
1979-80	2,760.3	12.6	2,844.7	10.3
1980-81	3,140.9	13.8	3,244.8	14.1
1981-82	3,404.8	8.4	3,435.0	5.9
1982-83	3,557.8	4.5	3,623.6	5.5
1983-84	3,797.8 1)	6.7	3,857.6	6.5
1984-85	4,304.0	13.3	4,516.6	17.1
1985-86	4,877.0	13.3	5,130.5	13.6
1986-87 2)	5,233.7	7.3	5,531.6	7.8
1987-88	5,813.1	11.1	5,977.9	8.1
1988-89	6,302.4	8.4	6,561.1	9.8
1989-90	6,883.0	9.2	7,360.0	12.2
1990-91	7,249.5	5.3	8,074.6	9.7
1991-92	7,350.5	1.0	7,825.5	(3.1)
1992-93	7,877.5	7.0	8,209.5	4.9
1993-94	8,674.5	10.1	9,317.9	13.5
1994-95	9,662.2	11.4	10,268.4	10.2
1995-96	9,793.1	1.4	10,031.6	(2.3)
1996-97 3)	10,450.4	6.7	10,607.6	5.7
1997-98 4)	11,258.5	7.7	11,585.8	9.2
1998-99	12,333.5	9.5	13,111.6	13.2
1999-00	13,381.6	5.9	14,237.7	6.1
2000-01	13,785.1	3.0	14,050.1	(1.3)
2001-02	14,332.4	4.0	14,530.3	3.4
2002-03	14,257.4	(0.5)	14,355.1	(1.2)
2003-04 5)	14,936.6	4.8	15,032.4	4.7
2004-05 5)	15,545.9	4.1	15,612.3	3.9

1) Includes \$25.8 million transferred to the Highway Fund.

2) Includes \$240,101 for Department of Correction emergency appropriation for operating budget and \$15,125,690 for capital improvements.

3) Includes \$4.7 million for Department of Community Colleges appropriation for operating budget.

4) Includes \$20.5million - SIPS for Year 2000.

5) Recommended.

Appendix Table 10
North Carolina State General Fund Operating Appropriation
For Public Schools, Community Colleges, and Higher Education
(Including Carry-Forwards for Encumbrances)
1969-70 to 2004-05

Year	General Fund Total Current Operations#	Public Schools		Community Colleges		Higher Education		Percent of Total Education	Other
		Amount	Percent	Amount	Percent	Amount	Percent		
1969-70	\$ 876,169,359	\$ 459,814,709	52.5	\$ 41,431,965	4.7	\$ 130,344,741	14.9	72.1	\$ 244,577,944
1970-71	981,127,808	510,055,771	52.0	44,935,256	4.6	147,326,678	15.0	71.6	278,810,103
1971-72	1,073,289,571	533,536,652	49.7	55,958,450	5.2	163,331,175	15.2	70.1	320,463,294
1972-73	1,187,443,130	575,012,350	48.4	63,193,535	5.3	179,910,706	15.2	68.9	369,326,539
1973-74	1,520,694,407	718,947,864	47.3	99,582,404	6.5	222,838,796	14.7	68.5	479,325,343
1974-75	1,698,417,672	789,391,908	46.5	109,218,752	6.4	280,638,400	16.5	69.4	519,168,612
1975-76	1,737,659,496	800,937,335	46.1	105,465,494	6.1	270,526,549	15.6	67.7	560,730,118
1976-77	1,962,976,606	899,151,043	45.8	116,481,854	5.9	307,123,340	15.6	67.4	640,220,369
1977-78	2,193,405,714	997,654,527	45.5	114,065,103	5.2	357,790,592	16.3	67.0	723,895,492
1978-79	2,452,011,095	1,098,173,958	44.8	139,794,869	5.7	394,767,166	16.1	66.6	819,275,102
1979-80	2,750,988,834	1,230,099,474	44.7	145,243,264	5.3	436,949,552	15.9	65.9	938,696,544
1980-81	3,150,963,479	1,390,907,313	44.1	174,996,965	5.6	515,255,082	16.4	66.0	1,069,804,119
1981-82	3,401,694,904	1,495,263,953	44.0	194,452,082	5.7	567,573,821	16.7	66.4	1,144,405,048
1982-83	3,561,142,890	1,515,742,033	42.6	205,585,837	5.8	599,235,054	16.8	65.2	1,240,579,966
1983-84	3,812,808,921	1,620,044,340	42.5	232,195,091	6.1	653,091,405	17.1	65.7	1,307,478,085
1984-85	4,319,568,173	1,886,700,077	43.7	259,101,105	6.0	746,998,910	17.3	67.0	1,426,768,081
1985-86	4,877,060,744	2,185,803,123	44.8	281,875,727	5.8	840,311,094	17.2	67.8	1,569,070,800
1986-87	5,233,578,633	2,346,139,866	44.8	307,102,490	5.9	909,134,150	17.4	68.1	1,671,202,127
1987-88	5,805,245,729	2,639,237,658	45.5	326,296,294	5.6	980,746,492	16.9	68.0	1,858,965,285
1988-89	6,302,733,865	2,930,643,886	46.5	332,064,381	5.3	1,039,510,499	16.5	68.3	2,000,515,099
1989-90	6,883,003,393	3,134,428,205	45.5	365,537,274	5.3	1,109,917,895	16.1	67.0	2,273,120,019
1990-91	7,249,549,110	3,329,171,720	45.9	387,611,956	5.3	1,143,216,957	15.8	67.0	2,389,548,477
1991-92	7,350,501,134	3,293,699,663	44.8	344,131,858	4.7	1,121,976,740	15.3	64.8	2,590,692,873
1992-93	7,881,908,182	3,435,634,234	43.6	398,689,471	5.1	1,170,947,533	14.9	63.5	2,876,636,944
1993-94	8,674,510,752	a) 3,632,087,114	41.9	423,253,702	4.9	1,229,449,670	14.2	60.9	3,389,720,266
1994-95	9,595,509,023	a) 3,962,959,317	b) 41.3	455,651,184	4.7	1,296,558,991	13.5	59.6	3,880,339,531
1995-96	9,793,062,378	3,998,978,216	40.8	470,880,697	4.8	1,301,040,079	13.3	58.9	4,022,163,386
1996-97	10,450,411,229	4,301,626,282	41.2	501,802,184	4.8	1,385,611,961	13.3	59.2	4,261,370,802
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	4,535,950,671
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	5,041,960,394
1999-00	c) 13,441,610,285	5,497,075,780	40.9	589,634,008	4.4	1,682,143,914	12.5	57.8	5,672,756,583
2000-01	d) 13,785,142,760	5,851,733,197	f) 42.4	651,456,631	4.7	1,778,278,150	12.9	60.1	5,503,674,782
2001-02	e) 14,309,884,168	5,922,505,768	f) 41.4	650,089,707	4.5	1,802,904,395	12.6	58.5	5,934,384,298
2002-03	d) 14,323,937,462	5,946,490,760	f) 41.5	669,281,390	4.7	1,768,097,109	12.3	58.5	5,940,068,203
2003-04	14,939,857,717	6,047,096,820	d) 40.5	673,956,026	4.5	1,796,470,696	12.0	57.0	6,422,334,175
2004-05	15,570,325,870	6,060,823,114	d) 38.9	673,765,340	4.3	1,831,421,636	11.8	55.0	7,004,315,780

Note: Figures in all categories include compensation increases.

Operating budget excludes capital and local government appropriations.

a) 1993-94 and 1994-95 excludes \$214 million (1993-94) and \$120 million (1994-95) for payroll restoration.

b) 1994-95 includes \$42 million for education technology equipment.

c) 1999-00 includes all appropriation as of June 30, 2000.

d) Amounts include Compensation Increase Reserve.

e) Amounts include Compensation Increase, Health Plan Increase, and Retirement Rate Reduction Decrease.

f) Encumbrance carryforwards for 11th and 12th month are no longer included.

N. C. State Budget, 2003-05: Summary of Recommendations
Appendix-Continued

Appendix Table 11
North Carolina's Bond Indebtedness
1968-69 to 2001-02

Fiscal Year	Bond Indebtedness*			Per Capita
	General Fund	Highway Fund	Total	
1968-69	\$ 210,270,000	\$ 189,200,000 a)	\$ 399,470,000	\$ 79.80
1969-70	198,740,000	282,200,000 b)	480,940,000	95.56
1970-71	186,910,000	253,000,000	439,910,000	86.12
1971-72	174,780,000	240,000,000	414,780,000	79.74
1972-73	208,360,000	217,000,000	425,360,000	80.30
1973-74	194,995,000	199,000,000	393,995,000	73.17
1974-75	215,370,000	181,000,000	396,370,000	72.54
1975-76	305,870,000	163,000,000	468,870,000	84.66
1976-77	418,900,000	145,000,000	563,900,000	100.73
1977-78	530,600,000	127,000,000	657,600,000	115.90
1978-79	507,200,000	164,000,000	671,200,000	116.82
1979-80	533,300,000	201,000,000	734,300,000	126.43
1980-81	574,750,000	179,000,000	753,750,000	128.19
1981-82	544,200,000	219,000,000	763,200,000	128.15
1982-83	582,700,000	323,000,000	905,700,000	150.48
1983-84	630,900,000	306,500,000	937,400,000	154.25
1984-85	589,200,000	290,000,000	879,200,000	142.62
1985-86	548,500,000	272,500,000	821,000,000	131.26
1986-87	508,000,000	254,000,000	762,000,000	120.51
1987-88	525,500,000	250,000,000	775,500,000	121.06
1988-89	481,410,000	226,750,000	708,160,000	109.23
1989-90	457,698,902	202,730,000	660,428,902	100.54
1990-91	412,038,903	175,965,000	588,003,903	88.66
1991-92	441,378,903	148,635,000	590,013,903	87.44
1992-93	548,678,902	118,695,000	667,373,902	97.67
1993-94	493,678,902	87,055,000	580,733,902	83.59
1994-95	936,191,005	55,285,000	991,476,005	140.40
1995-96	990,245,681	29,445,000	1,019,690,681	141.90
1996-97	940,252,373	4,895,000	945,147,373	129.32
1997-98	1,508,215,259	-	1,508,215,259	202.97
1998-99	1,867,480,343	250,000,000	2,117,480,343	280.56
1999-00	2,212,108,040	233,325,000	2,445,433,040	319.64
2000-01	2,286,848,925	216,650,000	2,503,498,925	305.82
2001-02	2,832,409,153	199,975,000	3,032,384,153	370.42

*The State Treasurer's Annual Report and Official Statement of the State Treasurer as if June 30 for the following fiscal year.

a) Includes \$60 million from bond anticipation notes.

b) Includes \$120 million from bond anticipation notes.

N. C. State Budget, 2003-05: Summary of Recommendations
Appendix-Continued

Appendix Table 12
Total North Carolina Budget for Debt Services
1968-69 to 2004-05

Fiscal Year	Authorized Budget			Per Capita*
	General Fund	Highway Fund	Total	
1968-69	\$ 17,780,948	\$ 34,106,500	\$ 51,887,448	\$ 10.37
1969-70	17,774,223	40,401,067	58,175,290	11.56
1970-71	17,757,503	25,599,500	43,357,003	8.49
1971-72	18,631,260	32,617,500	51,248,760	9.85
1972-73	21,466,030	25,749,000	47,215,030	8.91
1973-74	48,147,042	25,083,000	73,230,042	13.60
1974-75	-	24,415,500	24,415,500	4.47
1975-76	34,870,615	23,776,500	58,647,115	10.59
1976-77	40,024,500	23,156,000	63,180,500	11.29
1977-78	49,202,210	27,522,500	76,724,710	13.52
1978-79	53,000,000	29,596,000	82,596,000	14.38
1979-80	55,341,050	29,292,661	84,633,711	14.57
1980-81	62,173,700	30,329,757	92,503,457	15.73
1981-82	65,062,550	30,062,040	95,124,590	15.97
1982-83	75,020,500	38,772,567	113,793,067	18.91
1983-84	79,525,500	38,288,000	117,813,500	19.39
1984-85	76,077,250	38,401,500	114,478,750	18.57
1985-86	75,781,250	38,445,500	114,226,750	18.26
1986-87	64,506,250	38,445,500	102,951,750	16.28
1987-88	73,929,627	32,453,812	106,383,439	16.61
1988-89	71,636,370	37,295,105	108,931,475	16.80
1989-90	69,083,445	38,491,163	107,574,608	16.38
1990-91	71,259,383	37,392,600	108,651,983	16.10
1991-92	79,683,770	38,227,230	117,911,000	17.47
1992-93	89,020,478	38,018,250	127,038,728	18.59
1993-94	92,263,558	37,359,875	129,623,433	18.66
1994-95	114,837,478	27,631,295	142,468,773	20.17
1995-96	131,836,603	25,133,780	156,970,383	21.84
1996-97	129,326,640	4,978,215	134,304,855	18.38
1997-98	165,973,573	-	165,973,573	22.34
1998-99	199,286,633	28,357,925	227,644,558	30.16
1999-00	242,910,930	27,607,550	270,518,480	41.66
2000-01	268,834,550	26,857,175	295,691,725	36.12
2001-02	301,428,690	26,106,800	327,535,490	40.01
2002-03	300,016,860	25,356,425	325,373,285	39.75
2003-04	403,285,920	33,706,050	436,991,970	53.38
2004-05	481,979,452	56,805,675	538,785,127	65.82

* Based on July 1 population estimates.