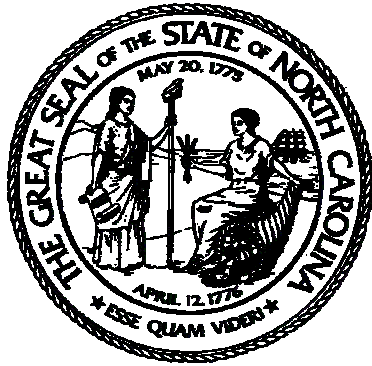


**State of
North Carolina**



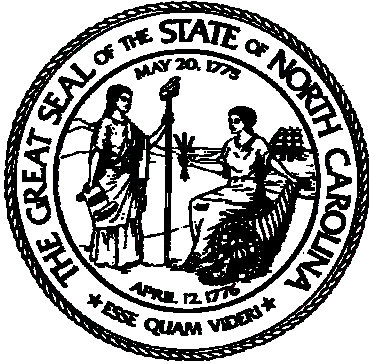
**North Carolina
State Budget
2005-2007**

**Summary of
Recommendations**

A handwritten signature in black ink, appearing to read "Mike Easley".

**Michael F. Easley
Governor**

**State of
North Carolina**



**North Carolina
State Budget
2005-2007**

**Summary of
Recommendations**

**Michael F. Easley
Governor**

Office of State Budget and Management
Office of the Governor
Raleigh, North Carolina
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David T. McCoy, State Budget Officer
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February 2005



State of North Carolina
Office of the Governor
20301 Mail Service Center • Raleigh, NC 27699-0301

Michael F. Easley
Governor

February 23, 2005

Dear Friends:

Enclosed are my budget recommendations for the FY 2005-07 biennium. This budget is balanced, makes investments in education, enhances the business environment, and promotes government efficiency. It will continue our progress while maintaining fiscal discipline and focus by keeping budget growth below the long-term growth rate of our economy.

As a result of fiscal restraint and moderate revenue growth, we are able to budget approximately \$532 million more in additional education investments over 2004-05 levels, while reducing continuation budget spending by over \$200 million.

My long-term budget strategy is based on two things: fiscal discipline and education progress. My budget recommendations continue our commitment to providing educational opportunities for every citizen in every region of the state and to building the highly skilled workforce necessary to be successful in the global economy.

I look forward to working with the General Assembly to pass this budget and continue our course of progress in the 21st century.

With kind regards, I remain

Very truly yours,

A handwritten signature in black ink, appearing to read "Michael Easley".

Michael F. Easley

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Preface

The *North Carolina State Budget, 2005-2007: Summary of Recommendations*, reflects the work of multiple people within the Office of State Budget and Management (OSBM), including budget administrators and analysts, economists, technical staff, and paraprofessionals. The OSBM team is listed below by administrative area.

This document is available on-line at www.osbm.state.nc.us. For additional information about its contents, please contact the appropriate administrator at the e-mail address cited below or by telephone at 919/733-7061. The mailing address for OSBM is 20320 Mail Service Center, Raleigh, NC 27699-0320.

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Introduction

The purpose of this document is to describe the Governor's recommended state budget for the two fiscal years of the 2005-07 biennium. Recommendations for the General Fund, Highway Fund, and the Highway Trust Fund are included, along with those for capital improvements, reserves, debt service, and other adjustments.

Items of change are described under one of three categories within a department/budget code or section: reductions, expansion, or technical/entitlement adjustments. "Reductions" denotes recommended decreases to budgets that support current operations, while "Expansion" denotes new programs, expansion of existing programs, and salary and benefit increases. "Technical/Entitlement Adjustments" is a category for describing other pertinent changes in school-age populations or Medicaid enrollments that necessitate a recommended change in the budget.

For each item of change that is described, there is a listing of the resulting fiscal change as well as the change in number of positions, when appropriate. Fiscal changes are categorized as "Requirements" or "Nonrecurring Requirements." They may also be categorized as "Receipts" or "Nonrecurring Receipts" to designate changes in departmental receipts. Always, "requirements" less "receipts" equals "appropriation."

A summary table for the recommended budget for 2005-07 is presented at the beginning of each department/budget code or section. In addition, there are summary tables for the items of change following each of the change types, i.e., recommended reductions, recommended expansions, and technical/entitlement adjustments. At the end of each department/budget code or section, there is a table summarizing all recommended changes.

A summary of recommended changes by department/budget code for the general fund budget appears in the tables titled " Summary of Governor's Recommended Changes to the 2005-06 [2006-07] General Fund Budget" near the beginning of this publication.

Summary of the State Budget

■ Total Budget for FY 2005-06 ■

The Governor's recommended budget for FY 2005-06 totals \$32.7 billion. This amount includes funds to continue the current operations of state government (traditionally referred to as the "operating budget" for agencies) as well as monies for capital improvements and other nonrecurring items. The total budget is supported from the four primary revenue sources listed in Table 1.

Of total revenue, 51.8% originates from tax collections and other sources comprising the General Fund, 31.2% from federal funds, 7.4% from the Highway Fund components, and 9.6% from other receipts and charges. The budget includes funding to continue existing programs, to implement new programs recommended by the Governor, and to fund employee benefit changes for teachers and state employees. The General Fund budget is 5.5% above the estimated adjusted 2004-05 budget and is within the Governor's proposed spending cap, which limits budget growth to the ten-year average of personal income growth.

For FY 2005-06, current operations make up 95.1% of the total state budget, while the remaining 4.9% is budgeted for capital improvements and other nonrecurring items.

Table 1. Revenue for the 2005-06 Budget

Fund Type	Sources	Amount (Billions)	Percent of Total
General	Tax collections Investment earnings Nontax revenues Bonds	\$ 16.9	51.8%
Federal	Allocations to North Carolina	10.2	31.2%
Highway	Motor fuel taxes Licenses and fees Investments Sales and use of motor vehicles	2.5	7.4%
Other	Tuition, fees, and other charges	3.1	9.6%
Total Budget Revenue		\$ 32.7	100.0%

■ **General Fund Revenue** ■

The Governor's budget continues the current state sales tax rate at 4.5% and the current method of taxing estates to ensure sufficient revenue for education and health care. In addition, the proposal continues the use of some monies from the tobacco settlement. The budget also uses funds from overcollection of revenues and monies that are unexpended at the end of the 2004-05 fiscal year. The proposal includes changes to simplify and modernize the sales tax in order to comply with the Streamlined Sales Tax Agreement and to equalize rates on consumption. The budget also includes a 45 cent per pack increase in the cigarette tax over two years and an 18% increase in the tax on other tobacco products. Table 2 shows the total budgeted revenues by major category.

Table 2. Revenue for the General Fund, 2005-06

Category	Amount (Millions)
Tax revenues	
Individual income	\$ 8,499
Sales and use	4,810
Corporate income	975
All other	1,655
Subtotal tax revenues	<u>15,939</u>
Nontax revenues	
Judicial fees and disproportionate share	245
Investment income and insurance	130
Tobacco settlement	37
Highway Fund and Trust Fund	249
All other	150
Subtotal nontax revenues	<u>811</u>
Other availability	
Beginning credit balance	222
Earmarked for Savings Reserve	(38)
Earmarked for One NC Fund	(5)
Earmarked for community college equipment	(10)
Earmarked for IT Fund	(20)
Earmarked for retirement payback	(5)
Unreserved credit balance	<u>144</u>
Total General Fund Revenue and Other Availability	\$ 16,894

■ **General Fund Expenditures** ■

The Governor's total recommended budget for 2005-06 is \$16,894 million, which includes \$16,407 million for continuation budget services, \$690 million in expansion recommendations, and \$203 million in budget reductions. This proposal is 5.5% above the estimated adjusted 2004-05 budget and is within the Governor's proposed spending cap, which limits budget growth to the ten-year average of personal income growth. The distribution of these recommended expenditures is summarized in Table 3.

Major Expansion Items

The majority of funding increases are for education, human services, and employee benefit programs.

Education

The Governor's budget increases education funding by \$532 million (5.8%) over 2004-05 levels. Specifically, it provides full funding for enrollment increases in the public schools (\$135 million), UNC system (\$73.6 million), private colleges and universities (\$3.0 million), and the community college system (\$7.9 million). In addition, it recommends full funding for higher education financial aid as well as funding that may be lost due to Pell Grant rule changes (\$19 million). The proposal includes disadvantaged student supplemental funding (\$25 million) and low-wealth funds (\$16.6 million) to enhance public school instructional programs and student achievement throughout the state. In FY 2006-07, \$58.5 million is recommended in order to fully fund the low-wealth formula for public schools. Funds are also provided to support at-risk children. These funds include an additional 3,200 slots for the More at Four Program (\$16.6 million), which prepares at-risk four-year-old children for success in school, as well as funds to better connect public schools with health, mental health, and social services programs (\$15 million). The budget also provides funds to expand the 21st Century High School Initiatives (\$5.9 million) and to pay for ABC bonuses earned in the 2004-05 school year (\$100 million).

Human Services

The budget recommends additional funding for Medicaid (\$215 million) and Health Choice (\$17.4 million), which will provide health insurance for all those expected to sign up for the program, thereby avoiding waiting lists. In addition, expansion funds are recommended for child care subsidies (\$2.3 million) and information technology initiatives (\$5.0 million) to increase efficiency in providing health care services. The budget recommends additional monies for the Mental Health Trust Fund to facilitate progress toward mental health reform. The proposal also recommends funds for the Division of Facilities Services to enhance licensure and monitoring capacity (\$4.2 million), which will assist in protecting vulnerable people in facilities throughout North Carolina.

Other Programs

The Governor's budget provides funds for economic development and biotechnology programs (\$13.7 million), monies to hire additional assistant district attorneys and victim assistants (\$4 million), juvenile justice programs (\$2 million), and funds to assist victims of crime (\$1 million). In addition, the proposal authorizes funds to match federal clean water, drinking water, and Superfund programs (\$6.3 million), as well as programs that support the goals of the One North Carolina Naturally Initiative (\$1 million), which include protecting and restoring sounds and ocean habitats.

Employee Benefits

The budget provides \$296 million in 2005-06 to support employee benefit programs. Specifically, it recommends a 2.0% recurring compensation increase for all teacher salary schedule staff and other state employees (\$168 million), as well as an additional 2% increase for community college faculty and professional staff (\$13.2 million). In addition, the State Health Plan will receive funds to cover increased employee health care premiums (\$80 million). The Governor's budget recommends a 2.0% cost-of-living adjustment for state government retirees (\$13.8 million). Finally, this proposal earmarks \$5 million from the FY 2004-05 credit balance to continue repayment of funds withheld from the Retirement System in 2000-01 due to the budget crisis.

Capital Improvements

The budget includes \$13.0 million in direct appropriations to match federal and local funds for water resources development projects, as well as \$5 million for equipment and infrastructure needs at the state ports. In addition, the proposal recommends that \$25 million (\$20 million from the 2004-05 credit balance and \$5 million from ITS receipts) be earmarked for statewide information technology projects. These funds will be used to upgrade the Human Resources/Payroll System and to meet requirements for security, project management, state portal, and other enterprise initiatives.

Savings Reserve Account (Rainy Day Fund)

The Governor's budget recommendation earmarks \$38.2 million from the 2004-05 credit balance to replenish the Savings Reserve Account (Rainy Day Fund).

Table 3. General Fund Expenditures, 2005-06

Category	Amount (Billions)	Percent of Total
Education	\$ 9.76	57.8%
Public schools		
Community colleges		
Universities		
Health and human services	4.09	24.2%
Justice and public safety	1.76	10.4%
Prisons		
Court system		
Other public safety agencies		
General government	0.74	4.4%
Environment		
Infrastructure		
Regulatory agencies		
Debt service, reserves, and capital	0.54	3.2%
Total General Fund Expenditures	\$ 16.89	100.0%

■ Transportation Budget ■

The FY 2005-06 budget for the Department of Transportation totals \$3.5 billion. The budget is supported from the four primary sources of revenue found in Table 4. These funds are distributed to the Highway Fund and the Highway Trust Fund based on a formula. Appropriations to the Highway Fund total \$1.5 billion and represent 43% of the total budget, while Highway Trust Fund appropriations of \$1.1 billion comprise 31% of the total budget. The budgeted resources are allocated as shown in Table 5.

Table 4. Revenue for the 2005-06 Transportation Budget

Source	Amount (Millions)	Percent of Total
Motor fuel taxes	\$ 1,436	41%
Vehicle and driver taxes and fees	1,152	33%
Federal funds	890	25%
General Fund and other sources	31	1%
Total Transportation Budget Revenue	\$ 3,509	100%

Table 5. Allocation of Transportation Funding for 2005-06

Category	Amount (Millions)	Percent of Total
Highway construction	\$ 1,725	49%
Highway maintenance and municipal aid	978	28%
General Fund agencies	439	13%
DOT management and support	177	5%
Non-highway transportation	45	1%
Division of Motor Vehicles	109	3%
Reserves	36	1%
Total Transportation Allocation	\$ 3,509	100%

**Table 6
Total State Budget by Function and Source of Funds, 2005-06**

Function	General Fund	Highway Fund ^(a)	Other	Federal	Total
Education:					
Public Education	6,678,869,493	32,474,724	14,258,485	887,957,920	7,613,560,622
Community Colleges	763,669,812	-	179,956,198	16,271,397	959,897,407
Universities	2,111,335,665	-	1,351,569,307	26,069,148	3,488,974,120
Subtotal Education	9,553,874,970	32,474,724	1,545,783,990	930,298,465	12,062,432,149
General Government	357,275,639	6,233,229	50,556,420	56,230,071	470,295,359
Health and Human Services	4,088,205,149	586,058	1,271,003,147	7,910,840,517	13,270,634,871
Justice and Public Safety	1,746,782,643	173,562,260	39,982,361	14,334,779	1,974,662,043
Natural and Economic Resources	373,506,518	4,115,930	152,284,703	367,841,372	897,748,523
Transportation	12,027,377	2,135,853,282	5,009,205	890,141,025	3,043,030,889
Debt Service	486,802,342	93,449,000	80,000,000	-	660,251,342
Reserves and Transfers ^(b)	257,780,100	-	-	-	257,780,100
Total Current Operations	16,876,254,738	2,446,274,483	3,144,619,826	10,169,686,229	32,636,835,276
Capital Improvement - App	18,013,000	-	-	-	18,013,000
Total Appropriations	16,894,267,738	2,446,274,483	3,144,619,826	10,169,686,229	32,654,848,276
General Obligation Bonds	852,500,000	-	336,200,000	-	1,188,700,000
Grand Total	\$ 17,746,767,738	\$ 2,446,274,483	\$ 3,480,819,826	\$ 10,169,686,229	\$ 33,843,548,276

a. Includes Highway Fund and Highway Trust Fund.

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

Note: Highway Fund appropriation excludes \$16.2 million transferred to the General Fund and \$233.1 million transferred from the Highway Trust Fund to the General Fund.

**Table 7
Total State Budget by Function and Source of Funds, 2006-07**

Function	General Fund	Highway Fund ^(a)	Other	Federal	Total
Education:					
Public Education	6,775,854,813	32,674,356	14,258,485	887,957,920	7,710,745,574
Community Colleges	763,692,920	-	179,956,198	16,271,397	959,920,515
Universities	2,152,486,009	-	1,351,543,079	26,069,148	3,530,098,236
Subtotal Education	9,692,033,742	32,674,356	1,545,757,762	930,298,465	12,200,764,325
General Government	358,930,041	6,237,834	51,225,929	56,230,071	472,623,875
Health and Human Services	4,450,440,420	586,058	1,307,489,563	8,454,435,901	14,212,951,942
Justice and Public Safety	1,761,952,557	173,864,096	40,893,507	14,334,779	1,991,044,939
Natural and Economic Resources	372,185,538	4,234,921	152,716,210	367,854,705	896,991,374
Transportation	12,945,066	2,616,930,000	5,009,205	890,141,025	3,525,025,296
Debt Service	617,533,833	91,198,625	32,000,000	-	740,732,458
Reserves and Transfers ^(b)	269,180,100	-	-	-	269,180,100
Total Current Operations	17,535,201,297	2,925,725,890	3,135,092,176	10,713,294,946	34,309,314,309
Capital Improvement - App	-	-	-	-	-
Total Appropriations	17,535,201,297	2,925,725,890	3,135,092,176	10,713,294,946	34,309,314,309
General Obligation Bonds	30,000,000	-	215,700,000	-	245,700,000
Grand Total	\$ 17,565,201,297	\$ 2,925,725,890	\$ 3,350,792,176	\$ 10,713,294,946	\$ 34,555,014,309

a. Includes Highway Fund and Highway Trust Fund.

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

Note: Highway Fund appropriation excludes \$16.2 million transferred to the General Fund and \$222.6 million transferred from the Highway Trust Fund to the General Fund.

Economic Outlook

■ Economic Outlook for the Nation for 2005-07 ■

The Global Insight, Inc. "most likely" forecast for 2005-07 calls for moderate, steady, noninflationary growth through 2007. Following a 4.4% increase in 2004, the rate of growth of the real gross domestic product is projected to average 3.4% over the next three years. Growth in payroll employment averages 1.5%, as worker productivity continues to increase at a fairly robust pace. Little improvement is expected in the rate of unemployment, as employment grows in line with the civilian labor force.

Despite the expiration of "bonus depreciation" at the end of 2004, the outlook for business investment remains good. Order backlogs for nondefense capital goods (excluding aircraft) rose throughout 2004. In addition, an improvement in nonresidential construction spending should finally get off the ground in 2005.

Although housing activity will no longer outgrow the economy, a major slowdown from the record levels of 2004 is not expected as long as interest rates do not move sharply higher. After a solid 3.7% gain in 2004, a slowdown in consumer spending is inevitable. The economic stimulus from the 2001-03 tax cuts, low interest rates, and mortgage refinancing cash-outs is now behind us. Rising interest rates will lift debt service burdens and discourage borrowing. As home sales decline, spending on furnishings and appliances will decelerate. Future gains in real consumption will depend primarily on employment and income growth. Real consumer spending is projected to rise by 3.1% in 2005, 3.0% in 2006, and 2.9% in 2007.

Export growth will continue at a double-digit pace due to past and future anticipated decline of the U.S. dollar. This growth would represent the strongest sequence of export gains since 1987-90, following the dollar depreciation of the mid-1980s.

This moderate growth forecast scenario is founded on a number of key assumptions. First, after the 25-basis-point increase in the federal funds rate on February 2, the Federal Reserve is expected to hike rates four more times over the course of 2005, reaching 3.5% by year-end. Assuming core inflation (excluding food and energy) remains contained, less frequent increases are projected for 2006 and 2007.

The price of crude oil (West Texas intermediate) is projected to decline, averaging \$43.50 for 2005. Assuming no significant supply disruptions and normal weather, the average price of oil trends toward reaching \$35.00 by mid-2007.

After a 4.7% increase in 2004, real purchases by the federal government are assumed to slow to 3.0% growth in 2005 and 1.8% growth in 2006.

Lastly, the forecast assumes that Congress will not allow all of the recent personal tax reductions to expire as scheduled.

■ Economic Outlook for North Carolina for 2005-07 ■

Much like the nation, the North Carolina economy is expected to post solid gains in 2005. After increasing at a 1.1% average rate in 2004, state nonfarm employment is projected to grow by 2.0% (77,700 jobs) in 2005. A moderate rate of employment growth continues in 2006 and 2007, increasing by 1.7% and 1.4% respectively. The manufacturing sector will continue to suffer from strong competition and the loss of traditional industries. But the job losses are expected to be less severe than in recent years. After declining at an average rate of 6.0% during 2002-04, manufacturing job losses are projected to slow to an average of 1.2% annually over the next three years.

As the housing sector remains healthy and nonresidential construction accelerates, the outlook for construction sector employment is good. Following a 2.8% increase in 2004, construction jobs are projected to increase at an average rate of 2.3% between 2005 and 2007.

Trade, transportation, warehousing, and utilities will be a solid performer over the next three years. Transportation, warehousing, and utilities will be the big job source in this sector, averaging 2.9% employment gains annually. Although consumer spending remains vigorous, the growth in remote sales (mail order and online) will soften employment growth in the trade industry.

The services sector will continue to be the job leader through 2007. During 2005-07, professional and business services will average 4.6% annual growth, education and health services will average 3.2%, and leisure and hospitality will average 2.1%.

With employment on the rise, total wages and salaries in North Carolina are projected to grow at an average rate of 5.7% over the next three years. Interest income will show improvement as the rate of return on fixed rate investments rises. With wholesale and retail real spending continuing to grow, the incomes of nonfarm proprietors will remain healthy. Overall, total personal income in North Carolina is projected to increase at a 5.6% average rate during 2005-07.

Table 8
Economic Conditions, National and North Carolina

	Annual Rate of Change ¹		
	2004-05 Estimated	2005-06 Projected	2006-07 Projected
National			
Real Gross Domestic Product	3.6%	3.1%	3.2%
Real Personal Consumption	3.7	3.1	2.9
Nonfarm Employment	1.6	1.4	1.1
Unemployment Rate	5.3	5.2	5.2
Inflation (CPI)	1.9	1.5	2.0
Federal Funds Rate (percent)	2.2	3.4	3.8
North Carolina			
Industrial Production	2.2%	2.6%	3.3%
Nonfarm Employment	1.8	1.9	1.6
Manufacturing Employment	-2.2	-1.2	-1.0
Nonmanufacturing Employment	2.5	2.5	2.0
Total Nominal Personal Income	4.9	5.5	5.7
Housing Starts (thousands)	80.0	88.3	91.3

1. Federal funds rate and housing starts are expressed as a percent and a total number, respectively, while all other measures are expressed as an annual rate of change.

General Fund

■ Revenue ■

Revenue Forecast under Current Law

Through the first seven months of 2004-05, General Fund net revenue collections totaled \$9,156.8 million, an increase of 5.5% over the prior year. The authorized budget for 2004-05 projected total net revenue of \$9,034.8 million. Consequently, General Fund revenue collections are currently \$121.9 million ahead of the budget estimate, a variance of 1.4%. For the balance of 2004-05, actual collections are expected to be only slightly above the budget target, finishing the year with overcollections of \$127.0 million.

If current state tax rates were maintained in 2005-07, the projected growth in the state economy would generate increases in General Fund net tax collections of 5.7% in 2005-06 and 5.5% in 2006-07. Projected baseline revenue only increases by 1.2% in 2005-06 and 4.2% in 2006-07 because of scheduled tax cuts.

Under current law, actual General Fund tax revenue is projected to increase by 1.9% in 2005-06 and 4.3% in 2006-07, well below the "economy-based" growth rates.

Recommended Revenue Adjustments for 2005-07

Maintenance of the General State Sales Tax Rate

The Governor proposes maintaining the current sales tax rate of 4.5%.

(2005-06 fiscal effect: \$413.4 million)

(2006-07 fiscal effect: \$458.1 million)

Modernization and Simplification of the Sales Tax

The Governor recommends that the state continue to comply with the national Streamlined Sales Tax Agreement through applying the prevailing state and local sales tax rate of 7.0% to telecommunications, satellite and cable television, liquor, newspapers, and candy. It is also recommended that an increase in the amusement privilege tax to equal the prevailing sales and use sales tax rate of 7.0% be made. Further, it is recommended that the current tax on farm machinery and fuel oil used in farming be eliminated. The sales tax on manufacturing equipment and fuel oil used in manufacturing shall be eliminated and replaced with an equivalent privilege tax. Funeral services shall be exempted from tax entirely, and funeral goods shall be subject to the prevailing rate of tax. The effective date of these recommended changes is September 1, 2005.

(2005-06 fiscal effect: \$106.2 million)

(2006-07 fiscal effect: \$141.6 million)

Maintenance of the Estate Tax

It is recommended that the current treatment of the taxation of estates be maintained. The Governor recommends an increase in the exemption from \$1.5 million to \$2.0 million as of January 1, 2006, in order to ensure that any estate totally exempt from federal taxation will be exempt from state taxation as well.

(2005-06 fiscal effect: \$30.7 million)

(2006-07 fiscal effect: \$121.6 million)

Increase in the Tobacco Tax Rate

The Governor recommends an increase in the cigarette tax rate from 5 cents per pack to 40 cents per pack, effective September 1, 2005, followed by an increase to 50 cents per pack on July 1, 2006. A commensurate increase in the tax rate of other tobacco products is also recommended. This increase will keep the state well below the national average of over 84 cents per pack.

(2005-06 fiscal effect: \$171.4 million)

(2006-07 fiscal effect: \$277.1 million)

Partial Conformity with the Internal Revenue Code

Each year, the General Assembly updates the reference date for the Internal Revenue Code to conform the state's definition of taxable income as closely as possible with the federal definition. Since last session, Congress has enacted the American Jobs Creation Act of 2004. The Governor recommends conforming with changes in expensing (Section 179 of the code) and the repeal of the foreign sales corporation and extraterritorial income exclusion (FSC/ETI) provisions that the federal government negotiated to resolve recent trade disputes. The Governor does not recommend conforming with the qualified production activities deduction included in the legislation. A considerable number of states have enacted similar partial conformity with other federal legislation.

(2005-06 fiscal effect: -\$9.8 million)

(2006-07 fiscal effect: -\$14.4 million)

Reduction in the Marginal Individual Income Tax Rate

The top income tax rate is now 8.25%. The Governor recommends that this rate be reduced to 8.0%, effective January 1, 2006, and to 7.75%, effective January 1, 2007.

(2005-06 fiscal effect: \$20.1 million)

(2006-07 fiscal effect: \$24.6 million)

Film Incentives

In order to remain competitive for film and commercial development, the Governor recommends exempting film materials and equipment from the current 1% sales tax.

(2005-06 fiscal effect: -\$500,000)

(2006-07 fiscal effect: -\$500,000)

Tobacco Trust Fund Transfer

The Governor recommends that \$37 million be transferred from the Tobacco Trust Fund to the General Fund during 2005-07.

(2005-06 fiscal effect: \$37,000,000)

(2006-07 fiscal effect: \$37,000,000)

Table 9
General Fund Revenue, 2004-05 to 2006-07^a

	2004-05 Estimated	2005-06 Projected	2006-07 Projected
Tax Revenue			
Inheritance	\$139,420,000	\$138,080,000	\$128,410,000
Licenses	46,210,000	86,130,000	117,380,000
Tobacco	43,720,000	213,810,000	318,220,000
Franchise	486,710,000	501,530,000	520,680,000
Income Tax			
Individual	8,052,760,000	8,498,565,000	9,013,120,000
Corporate	988,430,000	975,305,000	992,770,000
Subtotal Income Tax	<u>\$9,041,190,000</u>	<u>\$9,473,870,000</u>	<u>\$10,005,890,000</u>
Sales and Use	4,480,080,000	4,809,702,500	5,040,620,000
Beverage	191,220,000	198,570,000	205,530,000
Gift	15,870,000	15,990,000	16,260,000
Freight Car Lines	380,000	380,000	380,000
Insurance	441,680,000	466,020,000	487,340,000
Piped Natural Gas	34,430,000	33,790,000	33,420,000
Miscellaneous	720,000	760,483	749,591
Total Tax Revenue	\$14,921,630,000	\$15,938,632,983	\$16,874,879,591
Nontax Revenue			
Investment Income	\$70,670,000	\$71,220,000	\$73,210,000
Judicial Fees	140,810,000	144,840,000	148,670,000
Disproportionate Share Receipts	100,000,000	100,000,000	100,000,000
Insurance Department	57,990,000	59,125,000	60,431,000
Miscellaneous *	242,340,000	187,420,000	198,830,000
Total Nontax Revenue	\$611,810,000	\$562,605,000	\$581,141,000
Transfers			
Highway Fund	\$16,166,400	\$16,166,400	\$16,166,400
Highway Trust Fund	242,586,830	233,058,117	222,563,009
Total Transfers	\$258,753,230	\$249,224,517	\$238,729,409
Total General Fund Revenue	\$15,792,193,230	\$16,750,462,500	\$17,694,750,000

a. Totals may differ from the sum of their parts due to rounding.

* Includes tobacco settlement

Table 10
Recommended Availability and Appropriations, 2005-07

Description	FY 2005-06 Recommended	FY 2006-07 Recommended
Beginning Credit Balance:		
Overcollections FY 2004-05	\$ 147,000,000	\$ -
Reversion FY 2004-05	75,000,000	-
Earmarking of Credit Balance:		
Savings Reserve	(38,194,762)	-
IT Infrastructure	(20,000,000)	-
Community Colleges Equipment	(10,000,000)	-
Retirement System Payback	(5,000,000)	-
One N. C. Fund	(5,000,000)	-
Subtotal Unreserved Credit Balance	<u>143,805,238</u>	-
Revenue:		
Tax:		
Income (Individual & Corporate)	9,473,870,000	10,005,890,000
Sales and Use	4,809,702,500	5,040,620,000
Other Tax	<u>1,655,060,483</u>	<u>1,828,369,591</u>
Total Tax	<u>15,938,632,983</u>	<u>16,874,879,591</u>
Nontax	562,605,000	581,141,000
Transfers	<u>249,224,517</u>	<u>238,729,409</u>
Total Revenue	<u>16,750,462,500</u>	<u>17,694,750,000</u>
Total Availability	16,894,267,738	17,694,750,000
Appropriations:		
Recommended Continuation Budget	16,406,572,261	17,055,340,726
Recommended Budget Reductions	(203,055,511)	(179,718,829)
Recommended Expansion Budget	<u>690,750,988</u>	<u>659,579,400</u>
Total Recommended Appropriations	<u>16,894,267,738</u>	<u>17,535,201,297</u>
Total Ending Balance	<u>\$ -</u>	<u>\$ 159,548,703</u>

Table 11
Five-Year Expenditure Forecast of the Governor's Recommended Budget

(In Millions)

Item	2005-06	2006-07	2007-08	2008-09	2009-10
Budget Availability					
Base Revenue Forecast	\$ 15,972.3	\$ 16,634.7	\$ 17,542.6	\$ 18,549.8	\$ 19,639.9
Economic Growth Percentages	5.5%	5.7%	5.8%	5.5%	5.7%
Continue Existing Tax Structure					
Maintain State Sales Tax at Current Rate	413.4	458.7	480.7	505.7	532.5
Maintain Estate Tax	30.6	121.6	121.6	121.6	121.6
Income Tax Phaseout	20.1	24.5			
Additional Availability Recommendations					
Tobacco Trust Fund	37.0	37.0	37.0	37.0	37.0
Streamline Sales Tax	105.6	141.1	148.2	155.6	163.3
Cigarette Tax	171.4	277.1	270.4	263.7	257.0
Other Adjustments					
Overcollections FY 2004-05	147.0				
Reversions	75.0				
Earmarked for Savings Reserve Account	(38.2)				
Earmarked for IT Infrastructure	(20.0)				
Earmarked for Retirement System Payback	(5.0)				
Earmarked for Community College Equipment	(10.0)				
Earmarked for One NC Fund	(5.0)				
Total Budget Availability	16,894.3	17,694.8	18,600.5	19,633.4	20,751.4

Summary of Expenditures

Continuation Budget Recommendations	16,406.6	17,055.3	17,165.3	17,275.3	17,385.3
Entitlement/Enrollment Adjustments					
Average Daily Membership (ADM)	9.3	6.5	120.0	240.0	360.0
Medicaid (10% annual increase)			286.0	600.6	946.7
Prison Operations for New Facilities			20.0	30.0	30.0
Debt Service			(24.0)	(38.0)	(52.0)
Public Schools Supplemental Funding	56.6	106.2	106.2	106.2	106.2
Subtotal	65.9	112.7	508.2	938.8	1,390.8
Education					
<i>Access/Opportunity/Strengthen Support</i>					
UNC Enrollment	73.6	73.6	123.6	173.6	223.6
Community Colleges Enrollment	7.9	7.9	17.9	27.9	37.9
Private Colleges Enrollment	3.0	3.0	5.5	8.0	10.5
Higher Education Financial Aid	19.1	19.1	34.1	49.1	64.1
More at Four Program	16.6	29.1	40.0	52.0	65.0
Other	1.0	1.0	1.0	1.0	1.0
<i>Recruiting/Retaining Quality Staff</i>					
ABC Bonuses	100.0				
Scholarships/Training	3.8	4.2	4.2	4.2	4.2
<i>Economic Development/Other</i>					
	6.5	13.0	13.0	13.0	13.0
Health and Human Services					
CHIP Enrollment	17.4	31.3	46.3	61.3	76.3
Other HHS	16.6	13.1	13.1	13.1	13.1

(In Millions)

Item	2005-06	2006-07	2007-08	2008-09	2009-10
Economic Development / Biotechnology	13.9	15.9	15.9	15.9	15.9
Justice and Public Safety	10.6	11.1	11.1	11.1	11.1
General Government	10.9	7.2	7.2	7.2	7.2
Natural and Economic Resources	10.2	9.6	9.6	9.6	9.6
Salary/Benefits					
Teachers' Annual Step Increase	54.0	46.0	104.0	162.0	220.0
State Employee Increases (2% out years)	127.2	127.2	241.2	355.2	469.2
Retirement System Contribution	34.6	34.6	78.6	122.6	166.6
State Health Plan (premium increases)	80.0	100.0	175.0	200.0	275.0
Capital Improvements					
Water Resources Projects (state match)	18.0				
Total Expansion Recommendations	624.9	546.9	941.3	1,286.8	1,683.3
Recommended Budget Reductions	(203.1)	(179.7)	(329.7)	(479.7)	(629.7)
Recommended Budget	\$ 16,894.3	\$ 17,535.2	\$ 18,285.1	\$ 19,021.2	\$ 19,829.7
Balance	\$ (0.0)	\$ 159.6	\$ 315.4	\$ 612.3	\$ 921.7

Table 12
Summary of Governor's Recommended FY 2005-2006 General Fund Budget

Budget Code	Function	FY 2005-06 Recommended Continuation Budget	Reductions		Agency Expansion		Appropriation Supported Positions	Net Change	FY 2005-06 Recommended Appropriation	Net Position Change	
			Recurring	Nonrecurring	Recurring	Nonrecurring					
Education:											
13510	Public Education	\$ 6,585,323,929	\$ (40,395,511)	\$ (33,660,000)	-	\$ 43,683,575	\$ 123,917,500	3.00	\$ 93,545,564	\$ 6,678,869,493	3.00
16800	Community Colleges	748,803,374	-	-	-	14,866,438	-	1.00	14,866,438	763,669,812	1.00
160xx	University System	1,832,929,378	-	-	-	858,978	900,000	-	1,758,978	1,834,688,356	-
16095	UNC Hospital	39,627,760	-	-	-	-	-	-	-	39,627,760	-
16011,12	UNC-GA Passthrough	141,202,864	-	-	-	95,816,685	-	552.37	95,816,685	237,019,549	552.37
	Total Education	9,347,887,305	(40,395,511)	(33,660,000)	-	155,225,676	124,817,500	556.37	205,987,665	9,553,874,970	556.37
General Government:											
14100	Administration	60,053,752	-	-	-	375,000	461,500	7.00	836,500	60,890,252	7.00
13300	State Auditor	10,850,737	-	-	-	-	-	-	-	10,850,737	-
14800	Cultural Resources	61,114,752	-	-	-	1,180,768	2,500	6.00	1,183,268	62,298,020	6.00
14802	Cultural Resources - Roanoke Island	1,783,374	-	-	-	-	-	-	-	1,783,374	-
11000	General Assembly	42,984,588	-	-	-	-	-	-	-	42,984,588	-
13000	Governor's Office	5,324,590	-	-	-	250,000	-	-	250,000	5,574,590	-
13010	NC Housing Finance	4,750,945	-	-	-	-	-	-	-	4,750,945	-
13900	Insurance	27,831,701	-	-	-	115,316	7,200	2.00	122,516	27,954,217	2.00
13901	Insurance - Worker's Comp. Fund	4,500,000	-	(2,000,000)	-	-	-	-	(2,000,000)	2,500,000	-
13100	Lieutenant Governor	690,697	-	-	-	12,804	-	0.25	12,804	703,510	0.25
18210	Office of Administrative Hearings	2,976,210	-	-	-	10,000	-	-	10,000	2,986,210	-
14700	Revenue	79,153,299	-	-	-	403,111	512,000	3.00	915,111	80,068,410	3.00
13200	Secretary of State	8,568,943	-	-	-	-	-	-	-	8,568,943	-
18025	State Board of Elections	4,957,543	-	-	-	85,000	-	1.00	85,000	5,042,543	1.00
13005	State Budget and Management (OSBM)	4,914,371	-	-	-	82,000	5,000	2.00	87,000	5,001,371	2.00
13085	OSBM-Special Appropriations	3,180,000	-	-	-	2,594,000	3,100,000	-	5,694,000	8,874,000	-
14160	Controller's Office	9,960,527	-	-	-	58,306	5,200	1.00	63,506	10,024,033	1.00
13410	State Treasurer	8,222,117	-	-	-	50,609	1,000	3.00	51,609	8,273,726	3.00
13412	State Treasurer - Retirement / Benefits	8,146,179	-	-	-	-	-	-	-	8,146,179	-
	Total General Government	349,964,325	-	(2,000,000)	-	5,216,914	4,094,400	25.25	7,311,314	357,275,639	25.25
Health and Human Services:											
14410	Central Administration	102,490,388	-	(5,000,000)	-	20,520,202	5,800,000	7.00	21,320,202	123,810,590	7.00
14411	Aging	29,495,139	-	-	-	-	-	-	-	29,495,139	-
14420	Child Development	267,350,017	-	-	-	2,300,000	-	-	2,300,000	269,650,017	-
14424	Education Services	33,852,267	-	-	-	96,254	-	3.00	96,254	33,948,521	3.00
14430	Public Health	135,567,174	-	-	-	59,061	-	2.00	59,061	135,626,235	2.00
14440	Social Services	182,316,068	-	-	-	578,403	12,000	8.00	590,403	182,906,471	8.00
14445	Medical Assistance	2,629,076,714	(50,000,000)	(5,000,000)	-	14,571,997	-	-	(40,428,003)	2,588,648,711	-
14446	Child Health	62,035,981	-	-	-	2,812,250	-	-	2,812,250	64,848,231	-
14450	Services for the Blind	9,843,201	-	-	-	-	-	-	-	9,843,201	-
14460	Mental Health/DD/SAS	592,325,908	-	-	-	-	-	-	-	592,325,908	-
14470	Facility Services	12,551,896	-	-	-	2,384,343	410,360	45.50	2,794,703	15,346,599	45.50
14480	Vocational Rehabilitation	41,755,526	-	-	-	-	-	-	-	41,755,526	-
	Total Health and Human Services	4,098,660,279	(50,000,000)	(10,000,000)	-	43,322,510	6,222,360	65.50	(10,455,130)	4,088,205,149	65.50
Justice and Public Safety:											
14500	Correction	1,045,627,365	-	-	-	734,443	167,557	31.00	902,000	1,046,529,365	31.00
14900	Crime Control & Public Safety	34,086,632	-	-	-	1,622,000	-	6.00	1,622,000	35,708,632	6.00
12000	Judicial	342,043,618	-	-	-	3,750,000	1,800,000	67.00	5,550,000	347,593,618	67.00
12001	Judicial - Indigent Defense	96,688,190	-	-	-	-	-	-	-	96,688,190	-
13600	Justice	78,155,004	-	-	-	465,057	34,172	17.00	499,229	78,654,233	17.00
14060	Juvenile Justice	139,857,825	-	-	-	1,750,780	-	-	1,750,780	141,608,605	-
	Total Justice and Public Safety	1,736,458,634	-	-	-	8,322,280	2,001,729	121.00	10,324,009	1,746,782,643	121.00

Table 12
Summary of Governor's Recommended FY 2005-2006 General Fund Budget

Budget Code	Function	FY 2005-06 Recommended Continuation Budget	Reductions		Agency Expansion			Net Change	FY 2005-06 Recommended Appropriation	Net Position Change	
			Recurring	Nonrecurring	Appropriation Supported Positions	Recurring	Nonrecurring				Appropriation Supported Positions
Natural and Economic Resources:											
13700	Agriculture & Consumer Services	52,243,772	-	-	-	242,212	-	5.00	242,212	52,485,984	5.00
14600	Commerce	35,532,306	-	-	-	4,336,041	-	3.00	4,336,041	39,868,347	3.00
14601	Commerce - State Aid	25,108,087	-	-	-	1,500,000	1,500,000	-	3,000,000	28,108,087	-
14300	Environment and Natural Resources	167,189,338	-	-	-	7,792,921	1,075,977	26.00	8,868,898	176,058,236	26.00
14301	Clean Water Management Trust	62,000,000	-	-	-	-	-	-	-	62,000,000	-
13800	Labor	14,198,496	-	-	-	787,368	-	12.00	787,368	14,985,864	12.00
	Total Natural & Economic Resources	356,271,999	-	-	-	14,658,542	2,575,977	46.00	17,234,519	373,506,518	46.00
14222	Transportation	12,027,377	-	-	-	-	-	-	-	12,027,377	-
	Net Agency	15,901,269,919	(90,395,511)	(45,660,000)	-	226,745,922	139,711,966	814.12	230,402,377	16,131,672,296	814.12
19600	Capital Improvements	-	-	-	-	-	18,013,000	-	18,013,000	18,013,000	-
Debt Service:											
19420	General Debt Service	485,185,962	-	-	-	-	-	-	-	485,185,962	-
19425	Federal Reimbursement	1,616,380	-	-	-	-	-	-	-	1,616,380	-
	Total Debt Service	486,802,342	-	-	-	-	-	-	-	486,802,342	-
Reserves and Adjustments:											
19001	Contingency and Emergency Reserve	5,000,000	-	-	-	-	-	-	-	5,000,000	-
19003	Compensation Increase Reserve	-	-	-	-	173,200,000	8,000,000	-	181,200,000	181,200,000	-
19004	Salary Adjustment Reserve	9,000,000	-	-	-	-	-	-	-	9,000,000	-
19013	Job Development Incentive Grants Reserve	4,500,000	-	-	-	3,500,000	-	-	3,500,000	8,000,000	-
190xx	Information Technology Efficiencies	-	(3,000,000)	-	-	-	-	-	(3,000,000)	(3,000,000)	-
19043	Health Plan Reserve	-	-	-	-	80,000,000	-	-	80,000,000	80,000,000	-
19047	Retirement Rate Adjustment Reserve-COLA	-	-	-	-	13,810,800	-	-	13,810,800	13,810,800	-
19049	Mental Health Trust Fund	-	-	-	-	-	5,000,000	-	5,000,000	5,000,000	-
190xx	IT Initiative	-	-	-	-	2,000,000	-	-	2,000,000	2,000,000	-
190xx	Management Flexibility	-	(64,000,000)	-	-	-	-	-	(64,000,000)	(64,000,000)	-
190xx	Retirement System Reserve-Disability/Death Benefits	-	-	-	-	20,769,300	-	-	20,769,300	20,769,300	-
	Total Reserves and Adjustments	18,500,000	(67,000,000)	-	-	293,280,100	13,000,000	-	239,280,100	257,780,100	-
	Total	\$ 16,406,572,261	\$ (157,395,511)	\$ (45,660,000)	-	\$ 520,026,022	\$ 170,724,966	814.12	\$ 487,695,477	\$ 16,894,267,738	814.12

Table 13
Summary of Governor's Recommended FY 2006-2007 General Fund Budget

Budget Code	Function	FY 2006-07 Recommended Continuation Budget	Reductions		Agency Expansion		Appropriation Supported Positions	Net Change	FY 2006-07 Recommended Appropriation	Net Position Change	
			Recurring	Nonrecurring	Recurring	Nonrecurring					
Education:											
13510	Public Education	\$ 6,701,093,652	\$ (40,718,829)	\$ -	-	\$ 114,479,990	\$ 1,000,000	3.00	\$ 74,761,161	\$ 6,775,854,813	3.00
16800	Community Colleges	748,813,317	-	-	-	14,879,603	-	1.00	14,879,603	763,692,920	1.00
160xx	University System	1,860,934,661	-	-	-	1,254,307	-	-	1,254,307	1,862,188,968	-
16095	UNC Hospital	39,627,760	-	-	-	-	-	-	-	39,627,760	-
16011,12	UNC-GA Passthrough	154,670,846	-	-	-	95,998,435	-	552.37	95,998,435	250,669,281	552.37
	Total Education	9,505,140,236	(40,718,829)	-	-	226,612,335	1,000,000	556.37	186,893,506	9,692,033,742	556.37
General Government:											
14100	Administration	61,483,537	-	-	-	491,435	-	7.00	491,435	61,974,972	7.00
13300	State Auditor	10,840,918	-	-	-	-	-	-	-	10,840,918	-
14800	Cultural Resources	59,597,482	-	-	-	1,193,268	-	6.00	1,193,268	60,790,750	6.00
14802	Cultural Resources - Roanoke Island	1,783,374	-	-	-	-	-	-	-	1,783,374	-
11000	General Assembly	46,085,432	-	-	-	-	-	-	-	46,085,432	-
13000	Governor's Office	5,344,528	-	-	-	500,000	-	-	500,000	5,844,528	-
13010	NC Housing Finance	4,750,945	-	-	-	-	-	-	-	4,750,945	-
13900	Insurance	27,866,769	-	-	-	153,752	-	2.00	153,752	28,020,521	2.00
13901	Insurance - Worker's Comp. Fund	4,500,000	-	-	-	-	-	-	-	4,500,000	-
13100	Lieutenant Governor	690,697	-	-	-	12,804	-	0.25	12,804	703,501	0.25
18210	Office of Administrative Hearings	2,967,712	-	-	-	10,000	-	-	10,000	2,977,712	-
14700	Revenue	79,296,299	-	-	-	455,462	-	3.00	455,462	79,751,761	3.00
13200	Secretary of State	8,549,857	-	-	-	-	-	-	-	8,549,857	-
18025	State Board of Elections	4,959,307	-	-	-	110,000	-	1.00	110,000	5,069,307	1.00
13005	State Budget and Management (OSBM)	4,918,931	-	-	-	107,000	-	2.00	107,000	5,025,931	2.00
13085	OSBM-Special Appropriations	3,180,000	-	-	-	2,594,000	-	-	2,594,000	5,774,000	-
14160	Controller's Office	9,966,970	-	-	-	77,540	-	1.00	77,540	10,044,510	1.00
13410	State Treasurer	8,228,365	-	-	-	67,478	-	3.00	67,478	8,295,843	3.00
13412	State Treasurer - Retirement / Benefits	8,146,179	-	-	-	-	-	-	-	8,146,179	-
	Total General Government	353,157,302	-	-	-	5,772,739	-	25.25	5,772,739	358,930,041	25.25
Health and Human Services:											
14410	Central Administration	106,490,388	-	-	-	38,352,807	-	9.00	38,352,807	144,843,195	9.00
14411	Aging	29,495,139	-	-	-	-	-	-	-	29,495,139	-
14420	Child Development	267,356,799	-	-	-	7,000,000	-	-	7,000,000	274,356,799	-
14424	Education Services	34,281,895	-	-	-	120,504	-	3.00	120,504	34,402,399	3.00
14430	Public Health	137,060,438	-	-	-	74,748	-	2.00	74,748	137,135,186	2.00
14440	Social Services	185,306,068	-	-	-	693,295	-	8.00	693,295	185,999,363	8.00
14445	Medical Assistance	2,958,257,177	(72,000,000)	-	-	17,685,090	-	-	(54,314,910)	2,903,942,267	-
14446	Child Health	62,035,981	-	-	-	13,613,590	-	-	13,613,590	75,649,571	-
14450	Services for the Blind	9,962,624	-	-	-	-	-	-	-	9,962,624	-
14460	Mental Health/DD/SAS	594,706,127	-	-	-	-	-	-	-	594,706,127	-
14470	Facility Services	12,551,896	-	-	-	5,253,661	-	79.50	5,253,661	17,805,557	79.50
14480	Vocational Rehabilitation	42,142,193	-	-	-	-	-	-	-	42,142,193	-
	Total Health and Human Services	4,439,646,725	(72,000,000)	-	-	82,793,695	-	101.50	10,793,695	4,450,440,420	101.50
Justice and Public Safety:											
14500	Correction	1,060,627,365	-	-	-	1,191,851	-	31.00	1,191,851	1,061,819,216	31.00
14900	Crime Control & Public Safety	34,186,632	-	-	-	2,133,313	-	6.00	2,133,313	36,319,945	6.00
12000	Judicial	345,843,618	-	-	-	4,500,000	-	67.00	4,500,000	350,343,618	67.00
12001	Judicial - Indigent Defense	91,688,190	-	-	-	-	-	-	-	91,688,190	-
13600	Justice	78,855,004	-	-	-	767,979	-	17.00	767,979	79,622,983	17.00
14060	Juvenile Justice	140,157,825	-	-	-	2,000,780	-	45.50	2,000,780	142,158,605	45.50
	Total Justice and Public Safety	1,751,358,634	-	-	-	10,593,923	-	166.50	10,593,923	1,761,952,557	166.50

Table 13
Summary of Governor's Recommended FY 2006-2007 General Fund Budget

Budget Code	Function	FY 2006-07 Recommended Continuation Budget	Reductions		Agency Expansion		Appropriation Supported Positions	Net Change	FY 2006-07 Recommended Appropriation	Net Position Change	
			Recurring	Nonrecurring	Recurring	Nonrecurring					
Natural and Economic Resources:											
13700	Agriculture & Consumer Services	51,965,810	-	-	-	323,309	-	5.00	323,309	52,289,119	5.00
14600	Commerce	35,583,572	-	-	-	4,377,898	-	3.00	4,377,898	39,961,470	3.00
14601	Commerce - State Aid	25,108,087	-	-	-	1,500,000	-	-	1,500,000	26,608,087	-
14300	Environment and Natural Resources	168,187,593	-	-	-	8,138,033	-	14.00	8,138,033	176,325,626	14.00
14301	Clean Water Management Trust	62,000,000	-	-	-	-	-	-	-	62,000,000	-
13800	Labor	14,213,868	-	-	-	787,368	-	12.00	787,368	15,001,236	12.00
	Total Natural & Economic Resources	357,058,930	-	-	-	15,126,608	-	34.00	15,126,608	372,185,538	34.00
14222	Transportation	12,945,066	-	-	-	-	-	-	-	12,945,066	-
	Net Agency	16,419,306,893	(112,718,829)	-	-	340,899,300	1,000,000	883.62	229,180,471	16,648,487,364	883.62
19600	Capital Improvements	-	-	-	-	-	-	-	-	-	-
Debt Service:											
19420	General Debt Service	615,917,453	-	-	-	-	-	-	-	615,917,453	-
19425	Federal Reimbursement	1,616,380	-	-	-	-	-	-	-	1,616,380	-
	Total Debt Service	617,533,833	-	-	-	-	-	-	-	617,533,833	-
Reserves and Adjustments:											
19001	Contingency and Emergency Reserve	5,000,000	-	-	-	-	-	-	-	5,000,000	-
19003	Compensation Increase Reserve	-	-	-	-	173,200,000	-	-	173,200,000	173,200,000	-
19004	Salary Adjustment Reserve	9,000,000	-	-	-	-	-	-	-	9,000,000	-
190xx	Information Technology Efficiencies	-	(3,000,000)	-	-	-	-	-	(3,000,000)	(3,000,000)	-
19049	Mental Health/DD/SAS Trust Fund Reserve	-	-	-	-	-	-	-	-	-	-
19043	Health Plan Reserve	-	-	-	-	100,000,000	-	-	100,000,000	100,000,000	-
19047	Retirement Rate Adjustment (COLA)	-	-	-	-	13,810,800	-	-	13,810,800	13,810,800	-
190xx	IT Initiative	-	-	-	-	2,000,000	-	-	2,000,000	2,000,000	-
19013	Job Development Incentive Grants Reserve	4,500,000	-	-	-	7,900,000	-	-	7,900,000	12,400,000	-
19047	Retirement Rate Adjustment Reserve (Death Benefit/Disability/Court)	-	-	-	-	20,769,300	-	-	20,769,300	20,769,300	-
190xx	Management Flexibility	-	(64,000,000)	-	-	-	-	-	(64,000,000)	(64,000,000)	-
	Total Reserves and Adjustments	18,500,000	(67,000,000)	-	-	317,680,100	-	-	250,680,100	269,180,100	-
	Total	\$ 17,055,340,726	\$ (179,718,829)	\$ -	-	\$ 658,579,400	\$ 1,000,000	883.62	\$ 479,860,571	\$ 17,535,201,297	883.62

■ **Appropriations by Department/Budget Code** ■

Education

Public Education (13510)

Recommended Budget and Positions

	<u>2005-06</u>	<u>2006-07</u>
Budget		
Worksheet I Continuation	\$6,585,323,929	\$6,701,093,652
Technical Adjustments	(\$14,368,692)	(\$17,431,571)
Reductions	(\$50,413,412)	(\$16,753,412)
Expansion	<u>\$158,327,668</u>	<u>\$108,946,144</u>
RECOMMENDED BUDGET	<u>\$6,678,869,493</u>	<u>\$6,775,854,813</u>
<hr/>		
Positions		
Worksheet I Continuation	504.200	504.200
Technical Adjustments	-	-
Reductions	-	-
Expansion	<u>3.000</u>	<u>3.000</u>
RECOMMENDED POSITIONS	<u>507.200</u>	<u>507.200</u>

Appropriation Items -- Recommended Adjustments

Technical Adjustments

State Public School Fund

1. Average Daily Membership Adjustment

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 revised ADM estimate is 2,338 above the continuation level for 2005-06 and 2,082 for 2006-07. The revised budgeted ADM for 2005-06 is 1,397,372 and for 2006-07 is 1,417,112. This change resulted in a \$9.4 million adjustment in 2005-06 and \$6.6 million in 2006-07. Due to an adjustment in ninth grade ADM, an increase in Highway Fund receipts budgeted for the Driver Education program is also necessary.

	<u>2005-06</u>	<u>2006-07</u>
Requirements	\$9,402,812	\$6,660,059
Receipts	\$129,405	\$126,213
Appropriation	<u>\$9,273,407</u>	<u>\$6,533,846</u>

2. Average Annual Salary Adjustment

An adjustment is recommended to revise budgeted average annual salaries using actual 2004-05 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.

Appropriation (\$23,642,099) (\$23,965,417)

Total Recommended Technical Adjustments

	<u>2005-06</u>	<u>2006-07</u>
Recurring		
Requirements	(\$14,239,287)	(\$17,305,358)
Receipts	129,405	126,213
	(\$14,368,692)	(\$17,431,571)
Appropriation	-	-
Number of Positions	-	-
Nonrecurring		
Requirements	-	-
Receipts	-	-
	-	-
Appropriation	-	-
Number of Positions	-	-

Reductions

	<u>2005-06</u>	<u>2006-07</u>
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State Public School Fund

1. Public School Building Capital Fund Receipts

The 1987 Session of the General Assembly established the Public School Building Capital Fund (PSBCF) to assist county governments in meeting their public school building capital needs. In 2003-04, \$57.6 million in corporate tax revenue was deposited into this fund. Recent estimates indicate that an additional \$15 million is available due to increased corporate tax collections. It is recommended that these excess funds be budgeted as a receipt in the State Public School Fund to offset the cost of public school operations.

Requirements	-	-
Receipts	\$15,000,000	\$15,000,000
	(\$15,000,000)	(\$15,000,000)
Appropriation	(\$15,000,000)	(\$15,000,000)

2. ADM Contingency Reserve

It is recommended that the 2004-05 nonrecurring ADM contingency reserve reduction be continued for one more year.

Appropriation - Nonrecurring (\$1,000,000)

3. Technology Fund

It is recommended that the 2004-05 nonrecurring technology fund reduction be continued for one more year.

Appropriation - Nonrecurring (\$5,000,000)

4. Testing

The US Department of Education granted permission to North Carolina to use end-of-course assessments for English I, Grade 10 Writing, and Algebra I for No Child Left Behind requirements starting with the 2004-05 school year. The State Board of Education (SBE) approved this action in February 2005. Based upon this action, it is recommended that federal receipts be budgeted to support the costs of these 3 tests.

Requirements	-	-
Receipts	\$1,753,412	\$1,753,412
Appropriation	(\$1,753,412)	(\$1,753,412)

5. Local Education Agency (LEA) Discretionary Adjustment

It is recommended that the discretionary adjustment enacted for the 2004-05 budget be maintained. LEAs will retain their ability to determine how to implement the adjustment.

Appropriation - Nonrecurring (\$27,660,000)

Total Recommended Reductions

	<u>2005-06</u>	<u>2006-07</u>
Recurring		
Requirements	-	-
Receipts	16,753,412	16,753,412
Appropriation	(\$16,753,412)	(\$16,753,412)
Number of Positions	-	-
Nonrecurring		
Requirements	(\$33,660,000)	-
Receipts	-	-
Appropriation	(\$33,660,000)	-
Number of Positions	-	-

Expansion

2005-06

2006-07

Quality Teachers, Quality Pay

1. Teacher and Administrator Compensation

Funds are recommended in the Compensation Reserve for employees paid on the teacher salary schedule or the principal and assistant principal salary schedule in schools operated by Local Boards of Education, the Department of Health and Human Services, the Department of Correction, the Department of Juvenile Justice and Delinquency Prevention, and the North Carolina School of Science and Mathematics. These funds will provide for movement on the salary schedule based on years of experience plus increase the salary schedule base. Teachers and administrators paid on these schedules will receive an average increase of 2%. Employees at the top of their respective salary schedules, who do not receive a step increase, shall be paid a one-time bonus. The funds for this are shown in the Reserves Section of this document.

2. Reserve Fund for the National Board Certification Salary Increase for State Agency Teachers

It is recommended that a reserve be established in the Office of State Budget and Management (OSBM) to fund salary increases for state agency teachers who successfully complete the NBPTS certification program. The funds for this are shown in the OSBM section of this document.

3. School-Based Incentive Awards Under the ABCs Program

The ABCs initiative directs that each year a school must assure that students receive a year's worth of education for a year of instruction. Nonrecurring funds in the amount of \$100 million are recommended for awards earned in the 2004-05 school year and awarded in fall 2005, and it is further recommended that current incentive levels be maintained.

Appropriation - Nonrecurring \$100,000,000

Recruiting and Retaining Quality Teachers Across the State

1. Reserve for Online Professional Development Resource Center

Funds are recommended to design a Web portal that catalogues high quality professional development opportunities for teachers and principals. Funds to implement the system will be requested based on the design. The appropriation is in a reserve as shown in the OSBM budget, but this item is referenced here for information. Funding will be released upon approval of the IT project plan by the State Budget Director and the Chief Information Officer.

2. Teaching Fellows Program for Math and Science Teachers

Within the Teaching Fellows Program, it is recommended that a program be established for college juniors and seniors who are majoring in education and who plan to obtain licensure in middle and high school math or science. The program would begin promoting this effort in 2005-06 with the goal of awarding fifty fellowships of \$6,500 each in 2006-07. Recipients would be obligated to teach for three years in North Carolina public schools or would have to reimburse the State following guidelines similar to those of the current Teaching Fellows Program. An administrative fee of approximately one and one-half percent is included to offset the costs of administering the program at the Public School Forum.

Appropriation \$330,000

3. Increase the Number of Teachers through UNC and NCCCS Partnerships

It is recommended that funds be provided to The University of North Carolina and the North Carolina Community College System to expand 2+2 teacher education partnerships across the state in order to prepare teachers where they are needed most. This funding will support the development of new partnerships between UNC and NCCCS constituent institutions, new coursework, licensure reviews, and other needs. This is referenced here because of its impact on the future of North Carolina public schools; the recommended budget for the partnership initiative is \$2.48 million in 2005-06 and \$2.65 million in 2006-07, a portion of which would go to NCCCS and a portion to UNC and is shown in their respective sections of this document.

4. Principals Executive Program for all New Principals

Additional funding is also recommended in the UNC budget to support the development of PEP programs for all new principals. The programs will include a focus on the principal's responsibility for instructional leadership, data-driven decision-making and positive teacher working conditions.

Investing More Resources and Demanding More Accountability

1. Fully Fund the Low Wealth Formula Over a Two Year Period

The Low Wealth Funding Formula provides supplemental funds based on a county's ability to generate revenue to enhance the instructional program and student achievement throughout the State. It is recommended that the formula be fully funded over a two-year period in order to achieve these goals. Funds distributed through this formula may be used to fund one or more of the State Board of Education approved Strategies for Improving Student Performance, as identified in the Disadvantaged Student Supplemental Funding (DSSF) initiative or they may be used for strategies to recruit, support, and retain teachers. A report identifying how such funds will be used must be submitted to the State Board of Education by September 30 of each year.

Appropriation \$16,550,111 \$58,527,635

2. Disadvantaged Student Supplemental Funding

It is recommended that \$22.5 million be appropriated to continue the nonrecurring funding that was available in 2004-05 for identified school systems. Research and evaluation of the effectiveness of the funding will be conducted to assess the impact of strategies which were implemented in 2004-06 as described in item 4 below. LEAs receiving DSSF monies must continue to submit plans to the SBE outlining strategies to improve student performance. The SBE will develop a new funding mechanism during the 2005-06 fiscal year as described in item 3 below, for implementation in 2006-07.

Appropriation - Nonrecurring \$22,500,000

3. New Funding Formula for Disadvantaged Student Population

It is recommended that \$22.5 million in recurring funds be appropriated for the new disadvantaged student formula which will be developed by the State Board of Education during the 2004-05 fiscal year. The Board will incorporate the results of the evaluation of strategies implemented in 2004-06 and a review of the variables that are most highly correlated with student academic achievement into its funding mechanism. In addition, a new funding mechanism is being recommended that consolidates the Improving Student Accountability allotment category, the At-Risk allotment category, and the Disadvantaged Student allotment category. The SBE will report on the new formula and funding mechanism to the Office of State Budget and Management, the Fiscal Research Division, and the Joint Legislative Education Oversight Committee by February 15, 2006. The new formula will be implemented in the 2006-07 fiscal year.

Appropriation \$22,500,000

4. Evaluate the Effectiveness of Improvement Strategies

A key component of the Disadvantaged Student Supplemental Fund initiative is that local boards of education who are eligible for this funding are to submit plans to improve student performance by following specific strategies prescribed by the State Board of Education. To determine the effectiveness of those strategies, a third-party evaluation has been incorporated to independently review the different strategies being used to determine which ones lead to improved student performance. These funds also make it possible to evaluate the other reform initiatives, including the high school reform programs and the impact of fully funding the Low Wealth formula. Up to \$2.5 million dollars has been set aside for a thorough evaluation to be conducted. Of these funds, \$500,000 will support the Communities in Schools program, \$200,000 will assist recruiting additional teachers through Teach for America, a portion will support the ongoing Teacher Working Conditions Survey (see item 5 below), and the balance will be used for evaluating other strategies.

Appropriation \$2,285,000 \$2,210,000

5. Continue Teacher Working Conditions Survey

Funds are included to continue the Teacher Working Condition Survey, establish an advisory board to oversee implementation of recommendations from the survey, and support the NC Network in providing customized analysis for school improvement teams. The State Board of Education is also

authorized to supplement these funds with gifts or other private funds donated for this purpose.

Appropriation \$215,000 \$290,000

6. School-Based Child and Family Support Teams

Funds are recommended to establish 100 school-based child and family support teams to support the educational achievement of at-risk children by better connecting public schools with health, mental health, and social services. Sites will be staffed with school nurse and social worker teams responsible for multi-disciplinary assessments, and for referral and care coordination for at-risk students and their families. Training will be developed jointly by DPI and DHHS for all child and family support teams. To ensure the effectiveness of the strategies employed, funds are provided to evaluate student and family outcomes. In addition, funds are recommended in the DHHS budget to provide local care coordination and central support.

Appropriation \$10,665,754 \$13,382,192
Appropriation - Nonrecurring \$500,000

21st Century High Schools

1. Learn and Earn High School Initiative

A key element of the Governor's 21st Century High School Program is the Learn and Earn initiative, created in 2004, to better prepare students for the workforce and college. An appropriation is recommended to continue to expand the Learn and Earn high school reform initiative which will continue to meet the Gates Foundation Match requirement of \$10 million. The recommended funds will staff each of the participating high schools with program staff and operating expenses to support students in preparing for the workforce and college. Funds are also recommended to support the participating community colleges and universities with an on-site staff person. In addition, funding is recommended for twenty new planning sites to receive start-up grants in 2005-06 that would become operational in 2006-07. Twenty new planning sites are also recommended in 2006-07. Funds are recommended for three staff to handle administration and technical assistance.

Appropriation \$3,247,426 \$9,259,440
Appropriation - Nonrecurring \$917,500 \$1,000,000
Number of Positions 3.000 3.000

2. Specialty Schools Pilot

As part of the Governor's 21st Century High School Program, a pilot program is underway in seven LEAs to create eleven small high schools within existing schools with an emphasis on health and life science that have no more than 400 students per program. Each program will operate within an existing high school facility but will operate as an independent high school with its own principal, guidance counselor and two clerical positions. The program's purpose is to improve graduation rates and achieve higher student performance as measured by standard tests, post-graduate gainful

employment, and/or acceptance to an institution of higher education. An evaluation of the program will assess cost effectiveness and impact on graduation rates and student preparation for higher education and work.

Appropriation \$1,446,877 \$1,446,877

3. Center for 21st Century Skills

It is recommended that a Center for 21st Century Skills be established within the North Carolina Business Committee for Education to design curriculum, teacher training, and student assessments to support students acquiring knowledge and skills for the emerging workforce. The center will work closely with the New Schools Project with an initial focus on high school reform. The center will also work with the NC Science, Math, and Technology Education Center, the NC School of Science and Math, the Board of Science and Technology, and governing boards of education to research and propose options to create new or expand existing math and science summer programs across the state and to establish regional math and science programs for high achieving high school students. The center will also support efforts of the Futures for Kids program that connects students with the workforce needs of their home communities. This appropriation will match a commitment from the Partnership on 21st Century Skills. The appropriation is shown in the budget for the Governor's Office, but this item is referenced here for information.

Total Recommended Expansion

	<u>2005-06</u>	<u>2006-07</u>
Recurring		
Requirements	\$34,410,168	\$107,946,144
Receipts	-	-
	\$34,410,168	\$107,946,144
Appropriation	3.000	3.000
Number of Positions		
Nonrecurring		
Requirements	\$123,917,500	\$1,000,000
Receipts	-	-
	\$123,917,500	\$1,000,000
Appropriation	-	-
Number of Positions		

**Total Recommended Adjustments for
Public Education
2005-07**

	<u>2005-06</u>	<u>2006-07</u>
Recurring		
Requirements	\$20,170,881	\$90,640,786
Receipts	16,882,817	16,879,625
	\$3,288,064	\$73,761,161
Appropriation		
Number of Positions	3.000	3.000
Nonrecurring		
Requirements	\$90,257,500	\$1,000,000
Receipts	-	-
	\$90,257,500	\$1,000,000
Appropriation		
Number of Positions	-	-
Total Budget Adjustments	\$93,545,564	\$74,761,161
Total Position Adjustments	3.000	3.000

The University of North Carolina (160xx)

Recommended Budget and Positions

	<u>2005-06</u>	<u>2006-07</u>
Budget		
Worksheet I Continuation	\$2,013,760,002	\$2,055,233,267
Reductions	-	-
Expansion	<u>\$97,575,663</u>	<u>\$97,252,742</u>
RECOMMENDED BUDGET	<u>\$2,111,335,665</u>	<u>\$2,152,486,009</u>
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Positions		
Worksheet I Continuation	32,008.200	32,363.750
Reductions	-	-
Expansion	<u>552.370</u>	<u>552.370</u>
RECOMMENDED POSITIONS	<u>32,560.570</u>	<u>32,916.120</u>

Appropriation Items -- Recommended Adjustments

Expansion

2005-06 2006-07

Increasing Access to Higher Education

1. Enrollment Growth for UNC Campuses

The Governor recommends full funding for enrollment growth in 2005-06. Enrollment growth projections from the Board of Governors indicate an increase in enrollment for 2005-07 over the current budgeted 165,509 full-time equivalent (FTE) students. Based upon the Board's estimate, enrollment in the University is projected to increase by 6,736 FTE or 3.9% to 172,245 FTE in 2005-06 and 6,167 FTE or 3.5% to 178,412 FTE in 2006-07. This represents an increase in student credit hours (SCHs) from 4,404,905 in 2004-05 to 4,592,673 in 2005-06 and 4,759,609 in 2006-07. A portion of these funds shall be targeted to increasing enrollment in the University's Colleges of Education to ensure that there is a continued growth in meeting the need for certified public school teachers in the North Carolina Public Schools.

Requirements	\$85,546,598	\$85,546,598
Receipts	\$12,116,663	\$12,116,663

Appropriation	\$73,429,935	\$73,429,935
Number of Positions	539.370	539.370

2. NCSSM Enrollment Growth

It is recommended that the North Carolina School of Science and Mathematics receive \$200,000 for enrollment growth. Funds will go in support of staff positions and student-related costs for increased food, medical coverage, textbooks, and furniture, as well as for salary equity, among other items.

Appropriation	\$200,000	\$200,000
Number of Positions	3.000	3.000

3. Legislative Tuition Grants for Private Colleges

The recommended increase is to support the additional enrollment of 1,643 FTE (above the current budgeted 34,412) North Carolina students in private institutions and to fund the Legislative Tuition Grant component of the Financial Aid for Private Colleges Program.

Appropriation	\$2,957,400	\$2,957,400
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4. Need Based Financial Aid

The UNC Grant Program helps students with financial need attend the University of North Carolina. The Governor recommends that the 2005-06 expansion for Need-Based Student Financial Aid be fully funded as requested by the Board of Governors.

Appropriation	\$8,674,000	\$8,674,000
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5. Restore Financial Aid Funds Due to Pell Grant Rule Changes

In late 2004, changes were made in the Pell Grant formula that reduce the allowances for state and local taxes paid. As a result of these changes, it has been estimated that there will be \$5.2 million less support available for community college and university low and low-middle income students through this program. The Governor recommends increasing the Need-Based Financial Aid Program by this amount to offset the potential loss due to this change. The UNC portion of the \$5.2 million is \$3.2 million. The remainder is reflected in the NCCCS budget.

Appropriation	\$3,200,000	\$3,200,000
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6. State Contractual Scholarship Fund for Private Colleges

The recommended increase is to support the increased enrollment of eligible North Carolina undergraduate resident students in private colleges and to fund the State Contractual Scholarship Fund component of the Financial Aid for Private Colleges program.

Appropriation	\$1,285,100	\$1,285,100
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7. Increase Funds for Prospective Teachers Scholarship Loan

The Prospective Teachers Scholarship Loan (PTSL) Program offers scholarships in the amount of \$2,500 each to undergraduates studying to become public school teachers. Currently funded at \$1,252,535, there is a backlog of 900 to 1,000 students applying for loans. The first priority for awards for these additional funds shall be to

address the 2+2 Program's students. The remainder may be used to address other student backlog in the PTSL program.

Appropriation	\$1,000,000	\$1,000,000
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Increasing Quality Teachers Across the State

1. UNC-NCCCS Joint Initiative for Teacher Education and Recruitment

It is recommended that funds be provided to create eight (8) positions to be based in each region in which there is a Regional Alternative Licensure Center. Working from these centers as their base, these individuals will routinely travel to their region's community colleges and universities to support the expansion of 2+2 Partnership Programs between UNC and NCCCS constituent institutions, work with prospective teachers to resolve curriculum issues between UNC and community colleges within the region to ensure seamless articulation, identify the most efficient means of course delivery for individual teacher education students (at a college site, via distance education, etc.), offer admissions advice to community college students seeking to transfer to a four-year institution's teacher education program, assist with individual reviews for lateral entry candidates, and recruit prospective teachers on community college and university campuses. These advisors will be UNC employees.

Appropriation	\$480,000	\$640,000
Number of Positions	8.000	8.000

2. UNC-NCCCS 2+2 E-Learning Initiative

UNC and NCCCS are already working closely to develop 2+2 programs online. It is recommended that funds be provided to further develop these courses to increase the number of teachers graduating, as a partnership between UNC and the NC Community College System. Based on the Education Cabinet's determination of areas of greatest need, funds would be available for support of faculty developing the necessary courses, for joint technology development and technology for online courses, for professional training in delivering distance learning, for technology purchases, or for developing systems to track students' progress between the two higher education systems. A total of \$2 million is recommended, half for the UNC budget and half for the NCCCS budget.

Appropriation	\$1,000,000	\$1,000,000
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3. CFNC Teacher Recruitment and Marketing Online Module

The College Foundation of North Carolina (CFNC) provides online resources that allow students all across the state to apply for college admission, financial aid, and obtain information about several universities. It is recommended that CFNC receive a recurring appropriation to create and maintain an online module focusing on recruiting prospective teachers. This module would provide future teachers with a single source for information concerning education and licensing requirements; grants, scholarships, and loan programs; online applications for both admissions and financial support; and

links to other Web sites that provide resources or programs for prospective teachers, such as Teach 4 NC and NC TEACH.

Appropriation	\$25,000	\$25,000
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4. Principals Effectiveness Program Technical Assistance

Additional funding is being recommended to support the development of PEP programs for all new principals. The programs will include a focus on the principal's responsibility for instructional leadership, data-driven decision making, and positive teacher working conditions.

Appropriation	\$125,000	\$125,000
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Other UNC Initiatives

1. Biotechnology Initiatives

It is recommended that \$2.5 million be appropriated for biotechnology initiatives at North Carolina State University (NCSU) and North Carolina Central University (NCCU). NCCU is in the process of establishing the Biomanufacturing Research Institute and Technology Enterprise (BRITE) Initiative that will support ongoing research programs in this field and at the same time offer students the opportunity for hands-on research (both basic and applied). These funds are for needs that exceed the capital seed funding provided by the Golden LEAF Foundation. NCSU is establishing the Biomanufacturing Training and Education Center (BTEC) to serve the state's growing biomanufacturing industry by providing education for students and prospective employees in specialized topics, such as large-scale bioreactors, bioseparations, aseptic and sterile processing, and related manufacturing sciences. This funding is to meet partially a need for equipment not funded by Golden LEAF.

Appropriation	\$2,500,000	\$2,500,000
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2. UNC TV Closed Captioning

It is recommended that funds be appropriated to UNC-TV to meet mandated closed captioning requirements of the Federal Communications Commission by January 1, 2006. Closed captioning is required for UNC-TV to retain its broadcast licenses.

Appropriation	\$483,978	\$629,307
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3. North Carolina Arboretum at UNC-Asheville

The North Carolina Arboretum is seeking to expand its programs. It requests an additional curator position and an education program manager position to develop new programs. These positions will become effective October 2005.

Appropriation	\$65,250	\$87,000
Number of Positions	2.000	2.000

4. William and Ida Friday Institute for Educational Innovation

The William and Ida Friday Institute, which is on NCSU's Centennial Campus, will conduct research for teaching, education leadership development, propagation of educational technologies needed for the 21st century, strengthening capabilities in rural and underserved communities in the state, and fostering strategic partnerships that

encourage innovative educational approaches. Research programs are already underway and include the effects of the presence or absence of technology-rich classrooms on student learning; integrating the use of technology into middle school curricula; designing multidisciplinary programs to encourage students to continue education and careers in engineering, science, and mathematics; and developing new ways of teaching early number knowledge for K-3. Funds are recommended to support the programs of the institute.

Appropriation \$1,000,000 \$1,000,000

5. Small Business Technology Development Center

The Small Business Technology Development Center (SBTDC) was established by the University of North Carolina in 1984. The SBTDC is the university's largest interinstitutional program and one of its largest public service programs. The SBTDC functions as a business and technology extension service, providing business counseling, management education, applied research, publications, and resource materials for the state's small to medium-sized businesses. It is recommended that nonrecurring funds be provided for the SBTDC.

Appropriation - Nonrecurring \$900,000

6. Judicial College

The Governor recommends funding to establish a Judicial College within the UNC-Chapel Hill School of Government to provide training and continuing education for the 400 judges in the state, including specialized courses on complex legal issues, small seminars, administrative training, and other relevant topics.

Appropriation \$250,000 \$500,000

Total Recommended Expansion

	<u>2005-06</u>	<u>2006-07</u>
Recurring		
Requirements	\$108,792,326	\$109,369,405
Receipts	12,116,663	12,116,663
	\$96,675,663	\$97,252,742
Appropriation	552.370	552.370
Number of Positions		
Nonrecurring		
Requirements	\$900,000	-
Receipts	-	-
	\$900,000	-
Appropriation	-	-
Number of Positions	-	-

**Total Recommended Adjustments for
The University of North Carolina
2005-07**

	<u>2005-06</u>	<u>2006-07</u>
Recurring		
Requirements	\$108,792,326	\$109,369,405
Receipts	12,116,663	12,116,663
	<hr/>	<hr/>
Appropriation	\$96,675,663	\$97,252,742
Number of Positions	552.370	552.370
Nonrecurring		
Requirements	\$900,000	-
Receipts	-	-
	<hr/>	<hr/>
Appropriation	\$900,000	-
Number of Positions	-	-
Total Budget Adjustments	\$97,575,663	\$97,252,742
Total Position Adjustments	552.370	552.370

Community Colleges (16800)

Recommended Budget and Positions

	<u>2005-06</u>	<u>2006-07</u>
Budget		
Worksheet I Continuation	\$748,803,374	\$748,813,317
Reductions	-	-
Expansion	<u>\$14,866,438</u>	<u>\$14,879,603</u>
RECOMMENDED BUDGET	<u>\$763,669,812</u>	<u>\$763,692,920</u>
<hr/>		
Positions		
Worksheet I Continuation	182.000	182.000
Reductions	-	-
Expansion	<u>1.000</u>	<u>1.000</u>
RECOMMENDED POSITIONS	<u>183.000</u>	<u>183.000</u>

Appropriation Items -- Recommended Adjustments

Expansion

2005-06 2006-07

Increasing Access to Higher Education

1. Enrollment Growth

The Governor recommends full funding for enrollment growth. The 2005-06 projection from the State Board of Community Colleges indicates an increase of 2,493 full-time equivalent (FTE) students above the 2004-05 budgeted number of 188,610. The 2005-06 budgeted enrollment will be 191,103 FTE, a 1.32% increase over 2004-05. Curriculum enrollment is projected to increase by 1,851 FTE or 1.25%, continuing education enrollment by 423 FTE or 1.94%, and basic skills enrollment by 219 FTE or 1.20%.

Requirements	\$10,093,179	\$10,093,179
Receipts	\$2,195,200	\$2,195,200
Appropriation	\$7,897,979	\$7,897,979

2. Community College Grant Program/Need-Based Financial Aid

The Community College Grant Program is a need-based program established to provide NC residents attending community colleges with funds to meet their educational costs. These funds are used as

grants for students enrolled in programs with a high demand for employment in the community but with low enrollment. To serve the increased number of students needing financial assistance who enroll in community colleges, these additional funds would provide a minimum of \$3,000 in aid for students identified as the "working poor" and who earn just above the Pell grant income threshold.

Appropriation \$3,928,909 \$3,928,909

3. Restore Financial Aid Funds due to Pell Grant Rule Changes

In late 2004, changes were made in the Pell Grant formula that reduce the allowances for state and local taxes paid. As a result of these changes, it has been estimated that there will be \$5.2 million less support available for community college and university low and low-middle income students through this program. The Governor recommends increasing the Need-Based Financial Aid Program by this amount to offset the potential loss due to this change. The NCCCS portion of the \$5.2 million is \$2 million. The remainder is reflected in the UNC budget.

Appropriation \$2,000,000 \$2,000,000

Increasing Quality Teachers Across the State

1. UNC-NCCCS 2+2 E-Learning Initiative

UNC and NCCCS are already working closely to develop 2+2 programs online. It is recommended that funds be provided to further develop these courses to increase the number of teachers graduating, as a partnership between UNC and the NC Community College System. Based on the Education Cabinet's determination of areas of greatest need, funds would be available to support faculty developing the necessary courses, for joint technology development and technology for online courses, for professional training in delivering distance learning, for technology purchases, or to develop systems to track students' progress between the two higher education systems. A total of \$2 million is recommended, half of which would be in the UNC budget and half in the NCCCS budget.

Appropriation \$1,000,000 \$1,000,000

Quality Teachers, Quality Pay

1. Faculty Salaries

The Governor recommends providing \$13.2 million for a 2% salary increase for the State Board of Community Colleges to distribute to full-time community college faculty and professional staff. This amount is in addition to any statewide salary increase that is being recommended for the 2005-06 fiscal year. The actual appropriation is located in the statewide reserve section of this document. These funds shall not be transferred by the State Board or used for any other budget purpose by the community colleges.

Other NCCCS Initiatives

1. Equipment

The Governor recommends providing up to \$10,000,000 from the FY2004-05 credit balance to help address the equipment needs in the community colleges. In order to provide quality education and training experiences for community college students, these additional funds will help equip new and renovated facilities and meet technology training needs.

2. Community College System Office Personnel

It is recommended that additional funds be provided to establish an Accounting Specialist II position in the Community College System Office, effective October 2005. This position will help address increased financial management accountability and reporting requirements, including contracts and grants from external funding sources. This position will specifically provide the 58 community colleges with technical assistance in financial issues related to the new accounting system.

Appropriation	\$39,550	\$52,715
Number of Positions	1.000	1.000

Total Recommended Expansion

	<u>2005-06</u>	<u>2006-07</u>
Recurring		
Requirements	\$17,061,638	\$17,074,803
Receipts	2,195,200	2,195,200
	<hr/>	<hr/>
Appropriation	\$14,866,438	\$14,879,603
Number of Positions	1.000	1.000
Nonrecurring		
Requirements	-	-
Receipts	-	-
	<hr/>	<hr/>
Appropriation	-	-
Number of Positions	-	-

**Total Recommended Adjustments for
Community Colleges
2005-07**

	<u>2005-06</u>	<u>2006-07</u>
Recurring		
Requirements	\$17,061,638	\$17,074,803
Receipts	2,195,200	2,195,200
	\$14,866,438	\$14,879,603
Appropriation		
Number of Positions	1.000	1.000
Nonrecurring		
Requirements	-	-
Receipts	-	-
	-	-
Appropriation	-	-
Number of Positions	-	-
Total Budget Adjustments	\$14,866,438	\$14,879,603
Total Position Adjustments	1.000	1.000

■ **Appropriations by Department/Budget Code** ■

General Government

General Assembly (11000)

Recommended Budget and Positions

	<u>2005-06</u>	<u>2006-07</u>
Budget		
Worksheet I Continuation	\$42,984,588	\$46,085,432
Reductions	-	-
Expansion	-	-
RECOMMENDED BUDGET	<u>\$42,984,588</u>	<u>\$46,085,432</u>
<hr/>		
Positions		
Worksheet I Continuation	298.000	298.000
Reductions	-	-
Expansion	-	-
RECOMMENDED POSITIONS	<u>298.000</u>	<u>298.000</u>

Office of the Governor (13000)

Recommended Budget and Positions

	<u>2005-06</u>	<u>2006-07</u>
Budget		
Worksheet I Continuation	\$5,324,590	\$5,344,528
Reductions	-	-
Expansion	<u>\$250,000</u>	<u>\$500,000</u>
RECOMMENDED BUDGET	<u>\$5,574,590</u>	<u>\$5,844,528</u>
<hr/>		
Positions		
Worksheet I Continuation	62.210	62.210
Reductions	-	-
Expansion	-	-
RECOMMENDED POSITIONS	<u>62.210</u>	<u>62.210</u>

Appropriation Items -- Recommended Adjustments

Expansion

2005-06 2006-07

21st Century High Schools

1. Center for 21st Century Skills

It is recommended that a Center for 21st Century Skills be established within the North Carolina Business Committee for Education to design curriculum, teacher training, and student assessments to support students acquiring knowledge and skills for the emerging workforce. The center will work closely with the New Schools Project with an initial focus on high school reform. The center will also work with the NC Science, Math, and Technology Education Center; the NC School of Science and Math; the Board of Science and Technology; and governing boards of education to research and propose options to create new or expand existing math and science summer programs across the state and to establish regional math and science programs for high-achieving high school students. The center will also support efforts of the Futures for Kids program that connects students with the workforce needs of their home communities. This appropriation will match a commitment from the Partnership on 21st Century Skills.

Appropriation \$250,000 \$500,000

Total Recommended Expansion

	<u>2005-06</u>	<u>2006-07</u>
Recurring		
Requirements	\$250,000	\$500,000
Receipts	-	-
	<hr/>	<hr/>
Appropriation	\$250,000	\$500,000
Number of Positions	-	-
Nonrecurring		
Requirements	-	-
Receipts	-	-
	<hr/>	<hr/>
Appropriation	-	-
Number of Positions	-	-

**Total Recommended Adjustments for
Office of the Governor
2005-07**

	<u>2005-06</u>	<u>2006-07</u>
Recurring		
Requirements	\$250,000	\$500,000
Receipts	-	-
	<hr/>	<hr/>
Appropriation	\$250,000	\$500,000
Number of Positions	-	-
Nonrecurring		
Requirements	-	-
Receipts	-	-
	<hr/>	<hr/>
Appropriation	-	-
Number of Positions	-	-
Total Budget Adjustments	\$250,000	\$500,000
Total Position Adjustments	-	-

Office of State Budget and Management (13005)

Recommended Budget and Positions

	<u>2005-06</u>	<u>2006-07</u>
Budget		
Worksheet I Continuation	\$4,914,371	\$4,918,931
Reductions	-	-
Expansion	<u>\$87,000</u>	<u>\$107,000</u>
RECOMMENDED BUDGET	<u>\$5,001,371</u>	<u>\$5,025,931</u>
<hr/>		
Positions		
Worksheet I Continuation	54.000	54.000
Reductions	-	-
Expansion	<u>2.000</u>	<u>2.000</u>
RECOMMENDED POSITIONS	<u>56.000</u>	<u>56.000</u>

Appropriation Items -- Recommended Adjustments

Expansion

2005-06 2006-07

Justice and Public Safety Section

1. Standard Level Analyst

Funds are recommended to establish one new Standard Level Analyst position in the Justice and Public Safety Section. This position will assist in the budget preparation, administration, and oversight for the Administrative Office of the Courts and for the Departments of Crime Control and Public Safety, Justice, Correction, Indigent Defense, and Juvenile Justice.

Appropriation	\$43,694	\$58,260
Appropriation - Nonrecurring	\$2,500	
Number of Positions	1.000	1.000

Education Section

1. .5 Standard Level Budget Analyst

Funds are recommended to establish a .5 new Standard Level Budget Analyst position in the Education Section. This position will assist in the budget preparation, administration, and oversight for the University System, the Department of Public Instruction, and the North Carolina Community College System.

Appropriation	\$15,653	\$20,870
Appropriation - Nonrecurring	\$1,250	
Number of Positions	.500	.500

Transportation Section

1. .5 Standard Level Budget Analyst

Funds are recommended to establish a .5 new Standard Budget Analyst position in the Transportation Section. This position will assist in the budget preparation, administration, and oversight for the Department of Transportation, the Highway Fund, and the Highway Trust Fund.

Appropriation	\$15,653	\$20,870
Appropriation - Nonrecurring	\$1,250	
Number of Positions	.500	.500

NEON Maintenance Contract

1. Shadow Web Server

It is recommended that funds be provided to pay for an annual Shadow Web Server maintenance contract. This cost is required for the maintenance of OSBM budget-related, Web-enabled applications located on the state-owned mainframe computer system.

Appropriation	\$7,000	\$7,000
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Total Recommended Expansion

	<u>2005-06</u>	<u>2006-07</u>
Recurring		
Requirements	\$82,000	\$107,000
Receipts	-	-
	<hr/>	<hr/>
Appropriation	\$82,000	\$107,000
Number of Positions	2.000	2.000
Nonrecurring		
Requirements	\$5,000	-
Receipts	-	-
	<hr/>	<hr/>
Appropriation	\$5,000	-
Number of Positions	-	-

**Total Recommended Adjustments for
Office of State Budget and Management
2005-07**

	<u>2005-06</u>	<u>2006-07</u>
Recurring		
Requirements	\$82,000	\$107,000
Receipts	-	-
	<hr/>	<hr/>
Appropriation	\$82,000	\$107,000
Number of Positions	2.000	2.000
Nonrecurring		
Requirements	\$5,000	-
Receipts	-	-
	<hr/>	<hr/>
Appropriation	\$5,000	-
Number of Positions	-	-
Total Budget Adjustments	\$87,000	\$107,000
Total Position Adjustments	2.000	2.000

North Carolina Housing Finance Agency (13010)

Recommended Budget and Positions

	<u>2005-06</u>	<u>2006-07</u>
Budget		
Worksheet I Continuation	\$4,750,945	\$4,750,945
Reductions	-	-
Expansion	____-	____-
RECOMMENDED BUDGET	<u>\$4,750,945</u>	<u>\$4,750,945</u>
<hr/>		
Positions		
Worksheet I Continuation	-	-
Reductions	-	-
Expansion	____-	____-
RECOMMENDED POSITIONS	<u>____-</u>	<u>____-</u>

OSBM - Reserve for Special Appropriation (13085)

Recommended Budget and Positions		
	<u>2005-06</u>	<u>2006-07</u>
Budget		
Worksheet I Continuation	\$3,180,000	\$3,180,000
Reductions	-	-
Expansion	<u>\$5,694,000</u>	<u>\$2,594,000</u>
RECOMMENDED BUDGET	<u>\$8,874,000</u>	<u>\$5,774,000</u>
<hr/>		
Positions		
Worksheet I Continuation	-	-
Reductions	-	-
Expansion	-	-
RECOMMENDED POSITIONS	<u>-</u>	<u>-</u>

Appropriation Items -- Recommended Adjustments

Expansion

2005-06 2006-07

Reserve for Rent for State Agencies

1. Reserve for Rent Expenses

Funds are recommended to establish a reserve for rent for state agencies with office space in the Polk Building in Charlotte. State agencies with office space in the Polk Building currently incur no lease expenses. Once the Polk Building is sold in 2005, these agencies will be required to lease office space in the Charlotte area. Funds are also recommended for new lease costs for the Secretary of State's office.

Appropriation \$1,500,000 \$1,500,000

Fire Protection Grants-in-Aid

1. Fire Protection Grants-in-Aid Supplement

\$1,000,000 is recommended to increase the funding for the Fire Protection Grants-in-Aid program. New state-owned facilities have been constructed statewide, and this funding will provide additional grants-in-aid to local fire fighting districts that provide fire protection and other services for these new facilities.

Appropriation \$1,000,000 \$1,000,000

Reserve for Fuel Costs for State Agencies

1. Reserve for Fuel Costs

A nonrecurring appropriation is recommended for a reserve to meet agencies' fuel costs due to escalating prices.

Appropriation - Nonrecurring \$3,000,000

Quality Teachers, Quality Pay

1. Reserve Fund for the National Board Certification Salary Increase for State Agency Teachers

It is recommended that a reserve be established in the Office of State Budget and Management to fund salary increases for state agency teachers who successfully complete the NBPTS certification program. (See Public Education Expansion, Quality Teachers, Quality Pay, item 2.)

Appropriation \$94,000 \$94,000

Recruiting and Retaining Quality Teachers Across the State

1. Reserve for Online Professional Development Resource Center

Funds are recommended to design a Web portal that catalogues high quality professional development opportunities for teachers and principals. Funds to implement the system will be requested based on the design. Funding will be released upon approval of the IT project plan by the State Budget Director and the Chief Information Officer.

Appropriation - Nonrecurring \$100,000

Total Recommended Expansion

	<u>2005-06</u>	<u>2006-07</u>
Recurring		
Requirements	\$2,594,000	\$2,594,000
Receipts	-	-
Appropriation	\$2,594,000	\$2,594,000
Number of Positions	-	-
Nonrecurring		
Requirements	\$3,100,000	-
Receipts	-	-
Appropriation	\$3,100,000	-
Number of Positions	-	-

**Total Recommended Adjustments for
OSBM - Reserve for Special Appropriation
2005-07**

	<u>2005-06</u>	<u>2006-07</u>
Recurring		
Requirements	\$2,594,000	\$2,594,000
Receipts	-	-
	<hr/>	<hr/>
Appropriation	\$2,594,000	\$2,594,000
Number of Positions	-	-
Nonrecurring		
Requirements	\$3,100,000	-
Receipts	-	-
	<hr/>	<hr/>
Appropriation	\$3,100,000	-
Number of Positions	-	-
Total Budget Adjustments	\$5,694,000	\$2,594,000
Total Position Adjustments	-	-

Office of the Lieutenant Governor (13100)

Recommended Budget and Positions

	<u>2005-06</u>	<u>2006-07</u>
Budget		
Worksheet I Continuation	\$690,697	\$690,697
Reductions	-	-
Expansion	<u>\$12,804</u>	<u>\$12,804</u>
RECOMMENDED BUDGET	<u>\$703,501</u>	<u>\$703,501</u>
Positions		
Worksheet I Continuation	9.650	9.650
Reductions	-	-
Expansion	<u>.250</u>	<u>.250</u>
RECOMMENDED POSITIONS	<u>9.900</u>	<u>9.900</u>

Appropriation Items -- Recommended Adjustments

Expansion

2005-06 2006-07

Administration

1. Office Assistant Position - Increase to Full Time

Funding is recommended to increase the Office Assistant position from 30 hours to 40 hours per week.

Appropriation	\$8,404	\$8,404
Number of Positions	.250	.250

Administration

1. Increase Operating Budget

Funding is recommended to increase the operating budget for the Office of the Lieutenant Governor.

Appropriation	\$4,400	\$4,400
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Total Recommended Expansion

	<u>2005-06</u>	<u>2006-07</u>
Recurring		
Requirements	\$12,804	\$12,804
Receipts	-	-
	<hr/>	<hr/>
Appropriation	\$12,804	\$12,804
Number of Positions	.250	.250
Nonrecurring		
Requirements	-	-
Receipts	-	-
	<hr/>	<hr/>
Appropriation	-	-
Number of Positions	-	-

**Total Recommended Adjustments for
Office of the Lieutenant Governor
2005-07**

	<u>2005-06</u>	<u>2006-07</u>
Recurring		
Requirements	\$12,804	\$12,804
Receipts	-	-
	<hr/>	<hr/>
Appropriation	\$12,804	\$12,804
Number of Positions	.250	.250
Nonrecurring		
Requirements	-	-
Receipts	-	-
	<hr/>	<hr/>
Appropriation	-	-
Number of Positions	-	-
Total Budget Adjustments	\$12,804	\$12,804
Total Position Adjustments	.250	.250

Department of Secretary of State (13200)

Recommended Budget and Positions

	<u>2005-06</u>	<u>2006-07</u>
Budget		
Worksheet I Continuation	\$8,568,943	\$8,549,857
Reductions	-	-
Expansion	-	-
RECOMMENDED BUDGET	<u>\$8,568,943</u>	<u>\$8,549,857</u>
<hr/>		
Positions		
Worksheet I Continuation	170.750	170.750
Reductions	-	-
Expansion	-	-
RECOMMENDED POSITIONS	<u>170.750</u>	<u>170.750</u>

Office of the State Auditor (13300)

Recommended Budget and Positions

	<u>2005-06</u>	<u>2006-07</u>
Budget		
Worksheet I Continuation	\$10,850,737	\$10,840,918
Reductions	-	-
Expansion	-	-
RECOMMENDED BUDGET	<u>\$10,850,737</u>	<u>\$10,840,918</u>
<hr/>		
Positions		
Worksheet I Continuation	189.000	189.000
Reductions	-	-
Expansion	-	-
RECOMMENDED POSITIONS	<u>189.000</u>	<u>189.000</u>

Department of State Treasurer (13410)

Recommended Budget and Positions

	<u>2005-06</u>	<u>2006-07</u>
Budget		
Worksheet I Continuation	\$8,222,117	\$8,228,365
Reductions	-	-
Expansion	<u>\$51,609</u>	<u>\$67,478</u>
RECOMMENDED BUDGET	<u>\$8,273,726</u>	<u>\$8,295,843</u>
<hr/>		
Positions		
Worksheet I Continuation	319.000	319.000
Reductions	-	-
Expansion	<u>3.000</u>	<u>3.000</u>
RECOMMENDED POSITIONS	<u>322.000</u>	<u>322.000</u>

Appropriation Items -- Recommended Adjustments

Expansion

2005-06 2006-07

Retirement Systems Division

1. Information Technology Project for FY 2005-06 and FY 2006-07

The Governor recommends funding the division's information technology project for the biennium. As part of the request, two positions are also recommended. These positions will be used to help develop the new system and maintain the system once the project is completed. No General Funds are required to fund this project.

Requirements	\$105,230	\$140,306
Requirements - Nonrecurring	\$8,445,472	\$5,578,457
Receipts	\$105,230	\$140,306
Receipts - Nonrecurring	\$8,445,472	\$5,578,457
<hr/>		
Appropriation - Nonrecurring	-	-
Number of Positions	2.000	2.000

Financial Operations Division

1. Debt Service Accounting Position

The Governor recommends an additional accountant to properly account for the increased activity in the debt service area. With the substantial increased amount of debt that the state has issued and the complexity of the debt instruments, it has become very difficult to manage the increased workload with the current staffing levels.

Appropriation	\$50,609	\$67,478
Appropriation - Nonrecurring	\$1,000	-
Number of Positions	1.000	1.000

Total Recommended Expansion

	<u>2005-06</u>	<u>2006-07</u>
Recurring		
Requirements	\$155,839	\$207,784
Receipts	105,230	140,306
	<hr/>	<hr/>
Appropriation	\$50,609	\$67,478
Number of Positions	3.000	3.000
Nonrecurring		
Requirements	\$8,446,472	\$5,578,457
Receipts	8,445,472	5,578,457
	<hr/>	<hr/>
Appropriation	\$1,000	-
Number of Positions	-	-

**Total Recommended Adjustments for
Department of State Treasurer
2005-07**

	<u>2005-06</u>	<u>2006-07</u>
Recurring		
Requirements	\$155,839	\$207,784
Receipts	105,230	140,306
	<hr/>	<hr/>
Appropriation	\$50,609	\$67,478
Number of Positions	3.000	3.000
Nonrecurring		
Requirements	\$8,446,472	\$5,578,457
Receipts	8,445,472	5,578,457
	<hr/>	<hr/>
Appropriation	\$1,000	-
Number of Positions	-	-
Total Budget Adjustments	\$51,609	\$67,478
Total Position Adjustments	3.000	3.000

State Treasurer - Retirement for Fire and Rescue Squad Workers and Line of Duty Death Benefits (13412)

Recommended Budget and Positions

	<u>2005-06</u>	<u>2006-07</u>
Budget		
Worksheet I Continuation	\$8,146,179	\$8,146,179
Reductions	-	-
Expansion	<u>-</u>	<u>-</u>
RECOMMENDED BUDGET	<u>\$8,146,179</u>	<u>\$8,146,179</u>
<hr/>		
Positions		
Worksheet I Continuation	-	-
Reductions	-	-
Expansion	<u>-</u>	<u>-</u>
RECOMMENDED POSITIONS	<u>-</u>	<u>-</u>

Department of Insurance (13900)

Recommended Budget and Positions

	<u>2005-06</u>	<u>2006-07</u>
Budget		
Worksheet I Continuation	\$27,831,701	\$27,866,769
Reductions	-	-
Expansion	<u>\$122,516</u>	<u>\$153,752</u>
RECOMMENDED BUDGET	<u>\$27,954,217</u>	<u>\$28,020,521</u>
<hr/>		
Positions		
Worksheet I Continuation	397.550	397.550
Reductions	-	-
Expansion	<u>2.000</u>	<u>2.000</u>
RECOMMENDED POSITIONS	<u>399.550</u>	<u>399.550</u>

Appropriation Items -- Recommended Adjustments

Expansion

2005-06 2006-07

Company Services Group

1. Additional Information Technology Staff

The Governor recommends two additional staff in the Information Services Division. One position would be used to continue the ongoing upgrade from multiple legacy systems to the new integrated Operations Tracking and Information System (OTIS). Duties include programming until the OTIS system is complete and the new ongoing maintenance once it is completed. The other position would be responsible for security issues at the department, including implementing the ISO 17799 standard for information technology security.

Appropriation	\$115,316	\$153,752
Appropriation - Nonrecurring	\$7,200	-
Number of Positions	2.000	2.000

Total Recommended Expansion

	<u>2005-06</u>	<u>2006-07</u>
Recurring		
Requirements	\$115,316	\$153,752
Receipts	-	-
	<hr/>	<hr/>
Appropriation	\$115,316	\$153,752
Number of Positions	2.000	2.000
Nonrecurring		
Requirements	\$7,200	-
Receipts	-	-
	<hr/>	<hr/>
Appropriation	\$7,200	-
Number of Positions	-	-

**Total Recommended Adjustments for
Department of Insurance
2005-07**

	<u>2005-06</u>	<u>2006-07</u>
Recurring		
Requirements	\$115,316	\$153,752
Receipts	-	-
	<hr/>	<hr/>
Appropriation	\$115,316	\$153,752
Number of Positions	2.000	2.000
Nonrecurring		
Requirements	\$7,200	-
Receipts	-	-
	<hr/>	<hr/>
Appropriation	\$7,200	-
Number of Positions	-	-
Total Budget Adjustments	\$122,516	\$153,752
Total Position Adjustments	2.000	2.000

Insurance - Volunteer Safety Workers' Compensation Fund (13901)

Recommended Budget and Positions

	<u>2005-06</u>	<u>2006-07</u>
Budget		
Worksheet I Continuation	\$4,500,000	\$4,500,000
Reductions	(\$2,000,000)	-
Expansion	_____	_____
RECOMMENDED BUDGET	<u>\$2,500,000</u>	<u>\$4,500,000</u>
<hr/>		
Positions		
Worksheet I Continuation	-	-
Reductions	-	-
Expansion	_____	_____
RECOMMENDED POSITIONS	<u>_____</u>	<u>_____</u>

Appropriation Items -- Recommended Adjustments

Reductions

2005-06 2006-07

Reserves and Transfers

1. One-Time Reduction

A nonrecurring reduction to the Volunteer Safety Workers' Compensation Fund is recommended. This reduction will not affect the operations of the fund.

Appropriation - Nonrecurring (\$2,000,000)

Total Recommended Reductions

2005-06 2006-07

Recurring

Requirements	-	-
Receipts	-	-
	_____	_____
Appropriation	-	-
Number of Positions	-	-

Nonrecurring

Requirements	(\$2,000,000)	-
Receipts		-
<hr/>		
Appropriation	(\$2,000,000)	-
Number of Positions		-

**Total Recommended Adjustments for
Insurance - Volunteer Safety Workers'
Compensation Fund
2005-07**

	<u>2005-06</u>	<u>2006-07</u>
Recurring		
Requirements	-	-
Receipts	-	-
<hr/>		
Appropriation	-	-
Number of Positions	-	-
Nonrecurring		
Requirements	(\$2,000,000)	-
Receipts	-	-
<hr/>		
Appropriation	(\$2,000,000)	-
Number of Positions	-	-
Total Budget Adjustments	(\$2,000,000)	-
Total Position Adjustments	-	-

Department of Administration (14100)

Recommended Budget and Positions

	<u>2005-06</u>	<u>2006-07</u>
Budget		
Worksheet I Continuation	\$60,053,752	\$61,483,537
Reductions	-	-
Expansion	<u>\$836,500</u>	<u>\$491,435</u>
RECOMMENDED BUDGET	<u>\$60,890,252</u>	<u>\$61,974,972</u>
<hr/>		
Positions		
Worksheet I Continuation	696.630	696.630
Reductions	-	-
Expansion	<u>7.000</u>	<u>7.000</u>
RECOMMENDED POSITIONS	<u>703.630</u>	<u>703.630</u>

Appropriation Items -- Recommended Adjustments

Expansion

2005-06 2006-07

E-Procurement

1. Two New Compliance Officer Positions

It is recommended that two Compliance Officer positions be established in order to provide E-procurement educational outreach, manage the E-procurement contract, and perform compliance reviews. The E-procurement contract requires a review of all direct payments for all NCAS agencies on a quarterly basis.

Appropriation	\$105,000	\$135,101
Appropriation - Nonrecurring	\$3,800	
Number of Positions	2.000	2.000

Secretary's Office - Historically Underutilized Businesses (HUB) Office

1. Construction Database Management System Enhancement (HUBSCO)

It is recommended that funds be provided to enhance the existing HUBSCO Construction Reporting System to meet the current State Technical Architecture standards and to establish one Application Analyst Programmer position.

Appropriation	\$60,000	\$75,000
Appropriation - Nonrecurring	\$250,000	

Number of Positions 1.000 1.000

Division of Veterans Affairs

1. Coastal Carolina State Veterans' Cemetery Equipment

It is recommended that funds be provided to purchase additional equipment necessary to perform burial operations and grounds maintenance in the expanded cemetery. The cemetery is expanding from approximately 8+ acres to 18+ acres.

Appropriation - Nonrecurring \$107,700

Office of State Property

1. State-Owned Real Property Disposal System Positions

It is recommended that funds be provided to establish the following three positions to support the state-owned Real Property Disposal System: one Applications Programmer III position and two Real Property Analyst II positions.

Appropriation \$150,000 \$200,000
Number of Positions 3.000 3.000

Management Information Systems

1. IT Security Position

It is recommended that funds be provided to establish an IT Security Associate Analyst position to address the department's IT security issues that have been identified in the IT Security Assessment conducted by the Office of Information Technology Services.

Appropriation \$60,000 \$81,334
Number of Positions 1.000 1.000

Office of State Personnel

1. Career Banding/Training Center Equipment Funds

It is recommended that funds be provided to perform a career banding study and to purchase equipment and software for the OSP Training Center located on Peace Street in Raleigh.

Appropriation - Nonrecurring \$100,000

Total Recommended Expansion

	<u>2005-06</u>	<u>2006-07</u>
Recurring		
Requirements	\$375,000	\$491,435
Receipts	-	-
Appropriation	\$375,000	\$491,435
Number of Positions	7.000	7.000

Nonrecurring

Requirements	\$461,500	-
Receipts	-	-
<hr/>		
Appropriation	\$461,500	-
Number of Positions	-	-

**Total Recommended Adjustments for
Department of Administration
2005-07**

	<u>2005-06</u>	<u>2006-07</u>
Recurring		
Requirements	\$375,000	\$491,435
Receipts	-	-
<hr/>		
Appropriation	\$375,000	\$491,435
Number of Positions	7.000	7.000
Nonrecurring		
Requirements	\$461,500	-
Receipts	-	-
<hr/>		
Appropriation	\$461,500	-
Number of Positions	-	-
Total Budget Adjustments	\$836,500	\$491,435
Total Position Adjustments	7.000	7.000

Office of the State Controller (14160)

Recommended Budget and Positions

	<u>2005-06</u>	<u>2006-07</u>
Budget		
Worksheet I Continuation	\$9,960,527	\$9,966,970
Reductions	-	-
Expansion	<u>\$63,506</u>	<u>\$77,540</u>
RECOMMENDED BUDGET	<u>\$10,024,033</u>	<u>\$10,044,510</u>
<hr/>		
Positions		
Worksheet I Continuation	84.750	84.750
Reductions	-	-
Expansion	<u>1.000</u>	<u>1.000</u>
RECOMMENDED POSITIONS	<u>85.750</u>	<u>85.750</u>

Appropriation Items -- Recommended Adjustments

Expansion

2005-06 2006-07

Administration

1. Internal Control Position

The Governor recommends adding one internal control position. This position would be responsible for conducting on-site compliance reviews, preparing reports based on the findings, and performing follow-up on state property incident reports when warranted.

Appropriation	\$58,306	\$77,540
Appropriation - Nonrecurring	\$5,200	
Number of Positions	1.000	1.000

Total Recommended Expansion

	<u>2005-06</u>	<u>2006-07</u>
Recurring		
Requirements	\$58,306	\$77,540
Receipts	-	-
	<hr/>	<hr/>
Appropriation	\$58,306	\$77,540
Number of Positions	1.000	1.000
Nonrecurring		
Requirements	\$5,200	-
Receipts	-	-
	<hr/>	<hr/>
Appropriation	\$5,200	-
Number of Positions	-	-

**Total Recommended Adjustments for
Office of the State Controller
2005-07**

	<u>2005-06</u>	<u>2006-07</u>
Recurring		
Requirements	\$58,306	\$77,540
Receipts	-	-
	<hr/>	<hr/>
Appropriation	\$58,306	\$77,540
Number of Positions	1.000	1.000
Nonrecurring		
Requirements	\$5,200	-
Receipts	-	-
	<hr/>	<hr/>
Appropriation	\$5,200	-
Number of Positions	-	-
Total Budget Adjustments	\$63,506	\$77,540
Total Position Adjustments	1.000	1.000

Department of Revenue (14700)

Recommended Budget and Positions

	<u>2005-06</u>	<u>2006-07</u>
Budget		
Worksheet I Continuation	\$79,153,299	\$79,296,299
Reductions	-	-
Expansion	<u>\$915,111</u>	<u>\$455,462</u>
RECOMMENDED BUDGET	<u>\$80,068,410</u>	<u>\$79,751,761</u>
<hr/>		
Positions		
Worksheet I Continuation	1,373.500	1,376.500
Reductions	-	-
Expansion	<u>3.000</u>	<u>3.000</u>
RECOMMENDED POSITIONS	<u>1,376.500</u>	<u>1,379.500</u>

Appropriation Items -- Recommended Adjustments

Expansion

2005-06 2006-07

Security

1. Security of Taxpayer Operating Systems

Funds are recommended to address issues raised in the 2004 Statewide Security Assessment conducted by the Office of Information Technology Services and to establish one Systems Security Analyst position.

Appropriation	\$60,000	\$80,000
Appropriation - Nonrecurring	\$500,000	
Number of Positions	1.000	1.000

Property Tax and Unauthorized Substance Tax Staff

1. Additional Staffing

Funds are recommended to establish the following two additional positions in order to provide services to local governments and law enforcement agencies: one Property Tax Valuation Specialist and one Unauthorized Substance (USUB) Tax Enforcement Agent I.

Appropriation	\$93,111	\$125,462
Appropriation - Nonrecurring	\$12,000	

Number of Positions 2.000 2.000

Project Compliance

1. Hispanic Initiative

Funding is recommended to continue the Hispanic Initiative, which will improve tax compliance rates within the Hispanic population. Nonrecurring funds were provided during the 2004 Session of the General Assembly to implement this initiative.

Appropriation \$250,000 \$250,000

Total Recommended Expansion

	<u>2005-06</u>	<u>2006-07</u>
Recurring		
Requirements	\$403,111	\$455,462
Receipts	-	-
	<hr/>	<hr/>
Appropriation	\$403,111	\$455,462
Number of Positions	3.000	3.000
Nonrecurring		
Requirements	\$512,000	-
Receipts	-	-
	<hr/>	<hr/>
Appropriation	\$512,000	-
Number of Positions	-	-

**Total Recommended Adjustments for
Department of Revenue
2005-07**

	<u>2005-06</u>	<u>2006-07</u>
Recurring		
Requirements	\$403,111	\$455,462
Receipts	-	-
	<hr/>	<hr/>
Appropriation	\$403,111	\$455,462
Number of Positions	3.000	3.000
Nonrecurring		
Requirements	\$512,000	-
Receipts	-	-
	<hr/>	<hr/>
Appropriation	\$512,000	-
Number of Positions	-	-
Total Budget Adjustments	\$915,111	\$455,462
Total Position Adjustments	3.000	3.000

Department of Cultural Resources (14800)

Recommended Budget and Positions

	<u>2005-06</u>	<u>2006-07</u>
Budget		
Worksheet I Continuation	\$61,114,752	\$59,597,482
Reductions	-	-
Expansion	<u>\$1,183,268</u>	<u>\$1,193,268</u>
RECOMMENDED BUDGET	<u>\$62,298,020</u>	<u>\$60,790,750</u>
<hr/>		
Positions		
Worksheet I Continuation	727.280	727.280
Reductions	-	-
Expansion	<u>6.000</u>	<u>6.000</u>
RECOMMENDED POSITIONS	<u>733.280</u>	<u>733.280</u>

Appropriation Items -- Recommended Adjustments

Expansion

2005-06 2006-07

North Carolina Arts Council

1. Grassroots Arts Program

Funding is recommended to increase grants for local arts programs. These grants provide funding to all 100 counties through the local arts council network.

Appropriation \$300,000 \$300,000

Office of the Secretary

1. Boards and Commissions and North Carolina Awards

Funding is recommended to support the travel and work of the Director of Boards and Commissions, who serves as departmental liaison with 39 nonprofit support groups and foundations for state historic sites and museums. The Director of Boards and Commissions must frequently travel statewide in this capacity. Funding is also recommended to restore the state appropriation for the North Carolina Awards program, which has been receipt-supported for several years.

Appropriation \$50,000 \$50,000

Administrative Services

1. Information Technology Services Expansion

Funding is recommended for the expansion of Information Technology Services in order to enhance the department's ability to preserve, develop, and disseminate documents, digital images, and other electronic resources. Also it is recommended that one Applications Programmer I position be established.

Appropriation	\$37,500	\$50,000
Appropriation - Nonrecurring	\$2,500	
Number of Positions	1.000	1.000

North Carolina Symphony

1. Medical Insurance Coverage for Symphony Employees

Funding is recommended in order to include 79 employees in the State Health Plan. The NC Symphony musicians and staff were included in the State Health Plan during the 2004 Session of the General Assembly.

Appropriation	\$543,268	\$543,268
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Museum of Art

1. Funding to Increase Program Diversity and Increase Security

Funding is recommended to extend programming to schools and communities using computers, the Internet, and other means in order to broaden the museum's reach to the citizens of North Carolina. Funding is also recommended to establish five new Museum Guard positions.

Appropriation	\$250,000	\$250,000
Number of Positions	5.000	5.000

Total Recommended Expansion

	<u>2005-06</u>	<u>2006-07</u>
Recurring		
Requirements	\$1,180,768	\$1,193,268
Receipts	-	-
	<hr/>	<hr/>
Appropriation	\$1,180,768	\$1,193,268
Number of Positions	6.000	6.000
Nonrecurring		
Requirements	\$2,500	-
Receipts	-	-
	<hr/>	<hr/>
Appropriation	\$2,500	-
Number of Positions	-	-

**Total Recommended Adjustments for
Department of Cultural Resources
2005-07**

	<u>2005-06</u>	<u>2006-07</u>
Recurring		
Requirements	\$1,180,768	\$1,193,268
Receipts	-	-
	<hr/>	<hr/>
Appropriation	\$1,180,768	\$1,193,268
Number of Positions	6.000	6.000
Nonrecurring		
Requirements	\$2,500	-
Receipts	-	-
	<hr/>	<hr/>
Appropriation	\$2,500	-
Number of Positions	-	-
Total Budget Adjustments	\$1,183,268	\$1,193,268
Total Position Adjustments	6.000	6.000

Roanoke Island Commission (14802)

Recommended Budget and Positions

	<u>2005-06</u>	<u>2006-07</u>
Budget		
Worksheet I Continuation	\$1,783,374	\$1,783,374
Reductions	-	-
Expansion	____-	____-
RECOMMENDED BUDGET	<u>\$1,783,374</u>	<u>\$1,783,374</u>
<hr/>		
Positions		
Worksheet I Continuation	-	-
Reductions	-	-
Expansion	____-	____-
RECOMMENDED POSITIONS	<u>____-</u>	<u>____-</u>

State Board of Elections (18025)

Recommended Budget and Positions

	<u>2005-06</u>	<u>2006-07</u>
Budget		
Worksheet I Continuation	\$4,957,543	\$4,959,307
Reductions	-	-
Expansion	<u>\$85,000</u>	<u>\$110,000</u>
RECOMMENDED BUDGET	<u>\$5,042,543</u>	<u>\$5,069,307</u>
<hr/>		
Positions		
Worksheet I Continuation	20.000	20.000
Reductions	-	-
Expansion	<u>1.000</u>	<u>1.000</u>
RECOMMENDED POSITIONS	<u>21.000</u>	<u>21.000</u>

Appropriation Items -- Recommended Adjustments

Expansion

2005-06 2006-07

Campaign Reporting

1. Campaign Finance IT Support

Funds are recommended to establish one new Applications Analyst Programmer I position to assist in the recording and auditing of campaign finance reports.

Appropriation	\$85,000	\$110,000
Number of Positions	1.000	1.000

Total Recommended Expansion

2005-06 2006-07

Recurring

Requirements	\$85,000	\$110,000
Receipts	-	-

Appropriation	\$85,000	\$110,000
Number of Positions	1.000	1.000

Nonrecurring

Requirements	-	-
Receipts	-	-
	<hr/>	<hr/>
Appropriation	-	-
Number of Positions	-	-

**Total Recommended Adjustments for
State Board of Elections
2005-07**

	<u>2005-06</u>	<u>2006-07</u>
Recurring		
Requirements	\$85,000	\$110,000
Receipts	-	-
	<hr/>	<hr/>
Appropriation	\$85,000	\$110,000
Number of Positions	1.000	1.000
Nonrecurring		
Requirements	-	-
Receipts	-	-
	<hr/>	<hr/>
Appropriation	-	-
Number of Positions	-	-
Total Budget Adjustments	\$85,000	\$110,000
Total Position Adjustments	1.000	1.000

Office of Administrative Hearings (18210)

Recommended Budget and Positions

	<u>2005-06</u>	<u>2006-07</u>
Budget		
Worksheet I Continuation	\$2,976,210	\$2,967,712
Reductions	-	-
Expansion	<u>\$10,000</u>	<u>\$10,000</u>
RECOMMENDED BUDGET	<u>\$2,986,210</u>	<u>\$2,977,712</u>
<hr/>		
Positions		
Worksheet I Continuation	43.000	43.000
Reductions	-	-
Expansion	<u>-</u>	<u>-</u>
RECOMMENDED POSITIONS	<u>43.000</u>	<u>43.000</u>

Appropriation Items -- Recommended Adjustments

Expansion

2005-06 2006-07

Administration

1. Software Upgrade

The Governor recommends funding a software upgrade that allows the North Carolina Register to be published on the Internet. In addition, money will be used for maintenance support and hosting service.

Appropriation \$10,000 \$10,000

Total Recommended Expansion

2005-06 2006-07

Recurring

Requirements	\$10,000	\$10,000
Receipts	-	-
	<hr/>	<hr/>
Appropriation	\$10,000	\$10,000
Number of Positions	-	-

Nonrecurring

Requirements	-	-
Receipts	-	-
	<hr/>	<hr/>
Appropriation	-	-
Number of Positions	-	-

**Total Recommended Adjustments for
Office of Administrative Hearings
2005-07**

	<u>2005-06</u>	<u>2006-07</u>
Recurring		
Requirements	\$10,000	\$10,000
Receipts	-	-
	<hr/>	<hr/>
Appropriation	\$10,000	\$10,000
Number of Positions	-	-
Nonrecurring		
Requirements	-	-
Receipts	-	-
	<hr/>	<hr/>
Appropriation	-	-
Number of Positions	-	-
Total Budget Adjustments	\$10,000	\$10,000
Total Position Adjustments	-	-

NC Rules Review Commission (18300)

Recommended Budget and Positions

	<u>2005-06</u>	<u>2006-07</u>
Budget		
Worksheet I Continuation	-	-
Reductions	-	-
Expansion	_____ -	_____ -
RECOMMENDED BUDGET	===== -	===== -
<hr/>		
Positions		
Worksheet I Continuation	-	-
Reductions	-	-
Expansion	_____ -	_____ -
RECOMMENDED POSITIONS	===== -	===== -



■ **Appropriations by Department/Budget Code** ■

Health and Human Services

Department of Health and Human Services (144xx)

Recommended Budget and Positions

	<u>2005-06</u>	<u>2006-07</u>
Budget		
Worksheet I Continuation	\$4,098,660,279	\$4,439,646,725
Entitlement Adjustments	-	-
Reductions	(\$60,000,000)	(\$72,000,000)
Expansion	<u>\$49,544,870</u>	<u>\$82,793,695</u>
RECOMMENDED BUDGET	<u>\$4,088,205,149</u>	<u>\$4,450,440,420</u>
<hr/>		
Positions		
Worksheet I Continuation	18,000.100	18,000.100
Entitlement Adjustments	-	-
Reductions	-	-
Expansion	<u>65.500</u>	<u>101.500</u>
RECOMMENDED POSITIONS	<u>18,065.600</u>	<u>18,101.600</u>

Total Recommended Entitlement Adjustments

	<u>2005-06</u>	<u>2006-07</u>
Recurring		
Requirements	-	-
Receipts	-	-
	<hr/>	<hr/>
Appropriation	-	-
Number of Positions	-	-
Nonrecurring		
Requirements	-	-
Receipts	-	-
	<hr/>	<hr/>
Appropriation	-	-
Number of Positions	-	-

Total Recommended Reductions

	<u>2005-06</u>	<u>2006-07</u>
Recurring		
Requirements	(\$136,482,625)	(\$182,875,160)
Receipts	(86,482,625)	(110,875,160)
	<hr/>	<hr/>
Appropriation	(\$50,000,000)	(\$72,000,000)
Number of Positions	-	-
Nonrecurring		
Requirements	-	-
Receipts	10,000,000	-
	<hr/>	<hr/>
Appropriation	(\$10,000,000)	-
Number of Positions	-	-

Total Recommended Expansion

	<u>2005-06</u>	<u>2006-07</u>
Recurring		
Requirements	\$84,239,555	\$161,562,372
Receipts	40,917,045	78,768,677
	<hr/>	<hr/>
Appropriation	\$43,322,510	\$82,793,695
Number of Positions	65.500	101.500
Nonrecurring		
Requirements	\$6,451,800	-
Receipts	229,440	-
	<hr/>	<hr/>
Appropriation	\$6,222,360	-
Number of Positions	-	-

**Total Recommended Adjustments for
Department of Health and Human Services
2005-07**

	<u>2005-06</u>	<u>2006-07</u>
Recurring		
Requirements	(\$52,243,070)	(\$21,312,788)
Receipts	(45,565,580)	(32,106,483)
	<hr/>	<hr/>
Appropriation	(\$6,677,490)	\$10,793,695
Number of Positions	65.500	101.500
Nonrecurring		
Requirements	\$6,451,800	-
Receipts	10,229,440	-
	<hr/>	<hr/>
Appropriation	(\$3,777,640)	-
Number of Positions	-	-
Total Budget Adjustments	(\$10,455,130)	\$10,793,695
Total Position Adjustments	65.500	101.500

Division of Central Management and Support (14410)

Recommended Budget and Positions

	<u>2005-06</u>	<u>2006-07</u>
Budget		
Worksheet I Continuation	\$102,490,388	\$106,490,388
Reductions	(\$5,000,000)	-
Expansion	<u>\$26,320,202</u>	<u>\$38,352,807</u>
RECOMMENDED BUDGET	<u>\$123,810,590</u>	<u>\$144,843,195</u>
Positions		
Worksheet I Continuation	672.250	672.250
Reductions	-	-
Expansion	<u>7.000</u>	<u>9.000</u>
RECOMMENDED POSITIONS	<u>679.250</u>	<u>681.250</u>

Appropriation Items -- Recommended Adjustments

Reductions

	<u>2005-06</u>	<u>2006-07</u>
1. Prior Year Earned Revenue		
It is recommended that the Department of Health and Human Services budget prior year earned revenue to generate a savings of state appropriations in those divisions and programs that received prior year earned revenue.		
Requirements - Nonrecurring	-	
Receipts - Nonrecurring	\$5,000,000	
Appropriation - Nonrecurring	<u>(\$5,000,000)</u>	-

Total Recommended Reductions

	<u>2005-06</u>	<u>2006-07</u>
Recurring		
Requirements	-	-
Receipts	-	-
	<hr/>	<hr/>
Appropriation	-	-
Number of Positions	-	-
Nonrecurring		
Requirements	-	-
Receipts	5,000,000	-
	<hr/>	<hr/>
Appropriation	(\$5,000,000)	-
Number of Positions	-	-

Expansion

	<u>2005-06</u>	<u>2006-07</u>
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1. More at Four Pre-Kindergarten Program

Funds are recommended for the More at Four Pre-Kindergarten Program to continue implementation of quality services to a greater number of at-risk children to enhance kindergarten readiness. While the FY 2004-05 goal of serving un-served at-risk four-year-olds is being met, the demand for additional program slots has generated county waiting lists. An increase of 3,200 slots each year of the biennium will meet the demand for this target population. An increase of \$150 in funding per slot will allow enhanced compensation for teachers who develop skills through additional training and education. An evaluation report of the program showed significant gains in language literacy skills, pre-math skills and general knowledge as compared to national norms. A decrease in problem social behaviors was also noted. Increased emphasis on high-need Local Education Agencies (LEA) and pre-kindergarten programs has increased demand for program and fiscal monitoring and technical assistance. Five positions in the first year and two additional positions in the second year are requested to support this demand.

Appropriation	\$16,640,531	\$29,103,657
Number of Positions	5.000	7.000

2. Health-Related IT Initiative

Funds are recommended for a non-recurring appropriation of five million dollars to support DHHS health-related IT initiatives that have been approved under the provisions in SB 991. Enhanced automation is recognized as a way to increase efficiency in health care. This has long been recognized by the Center for Medicare and Medicaid Services (CMS), which offers enhanced federal matching funds for automation activities. Various state and federal proposals have been

offered to encourage increased automation by health care providers and payers.

Appropriation - Nonrecurring \$5,000,000

3. Provider Tracking Database Expansion

Funds are recommended for a provider tracking database system to include all facilities that are regulated by the Department of Health and Human Services (DHHS), not just those with serious sanctions. S.L. 2002-164 requires tracking those facilities with serious fines and penalties; however, to provide effective oversight of facilities serving vulnerable populations, DHHS must track all facilities. The database will also generate demographic data regarding the facilities for use by monitors, investigators, and the public. Funding for this project will be held in reserve subject to OSBM approval and IT approval in accordance with the provisions in SB 991.

Appropriation - Nonrecurring \$800,000

Department of Health and Human Services

1. School-Based Child and Family Support Teams

Funds are recommended for the Governor's plan for 100 School-Based Child and Family Support Teams, which create school-based nurse and social worker teams to enhance the capacity for multi-disciplinary assessments, referral and coordination of care for at-risk students and their families. This expansion provides DHHS the resources to connect at-risk students and families to appropriate behavioral and social services through Local Management Entities' (LME) Care Coordinators and Child and Family Teams Facilitators (local divisions of social services). The plan also funds 65 additional school nurses beyond the 100 Child and Family Support Teams. The Care Coordinators will train the school-based professionals to identify at-risk students and employ strategies to deal with behavioral health issues. Through this multidisciplinary approach, at-risk students (and their families) will gain access to a broader system of services and support to assure academic success. Two new positions are needed to manage this initiative for DHHS. Funding is requested for four divisions in DHHS:

1. Secretary's Office

Funding provides two administrative positions and on-going support costs in the HHS Office of the Secretary.

Number of Positions - Recurring

112,171	121,650
2.000	2.000

2. Division of Public Health

1,562,500	6,187,500
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3. Division of Social Services

1,485,000	1,980,000
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4. Division of Mental Health, Developmental Disabilities and Substance Abuse Services

720,000	960,000
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Appropriation	\$3,879,671	\$9,249,150
Number of Positions	2.000	2.000

Total Recommended Expansion

	<u>2005-06</u>	<u>2006-07</u>
Recurring		
Requirements	\$20,520,202	\$38,352,807
Receipts	-	-
	<hr/>	<hr/>
Appropriation	\$20,520,202	\$38,352,807
Number of Positions	7.000	9.000
Nonrecurring		
Requirements	\$5,800,000	-
Receipts	-	-
	<hr/>	<hr/>
Appropriation	\$5,800,000	-
Number of Positions	-	-

**Total Recommended Adjustments for
Division of Central Management and Support
2005-07**

	<u>2005-06</u>	<u>2006-07</u>
Recurring		
Requirements	\$20,520,202	\$38,352,807
Receipts	-	-
	<hr/>	<hr/>
Appropriation	\$20,520,202	\$38,352,807
Number of Positions	7.000	9.000
Nonrecurring		
Requirements	\$5,800,000	-
Receipts	5,000,000	-
	<hr/>	<hr/>
Appropriation	\$800,000	-
Number of Positions	-	-
Total Budget Adjustments	\$21,320,202	\$38,352,807
Total Position Adjustments	7.000	9.000

Division of Aging and Adult Services (14411)

Recommended Budget and Positions

	<u>2005-06</u>	<u>2006-07</u>
Budget		
Worksheet I Continuation	\$29,495,139	\$29,495,139
Reductions	-	-
Expansion	-	-
RECOMMENDED BUDGET	<u>\$29,495,139</u>	<u>\$29,495,139</u>
<hr/>		
Positions		
Worksheet I Continuation	58.000	58.000
Reductions	-	-
Expansion	-	-
RECOMMENDED POSITIONS	<u>58.000</u>	<u>58.000</u>

Division of Child Development (14420)

Recommended Budget and Positions

	<u>2005-06</u>	<u>2006-07</u>
Budget		
Worksheet I Continuation	\$267,350,017	\$267,356,799
Reductions	-	-
Expansion	<u>\$2,300,000</u>	<u>\$7,000,000</u>
RECOMMENDED BUDGET	<u>\$269,650,017</u>	<u>\$274,356,799</u>
<hr/>		
Positions		
Worksheet I Continuation	273.750	273.750
Reductions	-	-
Expansion	-	-
RECOMMENDED POSITIONS	<u>273.750</u>	<u>273.750</u>

Appropriation Items -- Recommended Adjustments

Expansion

2005-06 2006-07

1. Child Care Subsidy

Funds are recommended to enable the Division of Child Development to continue to provide child care subsidy for the children currently receiving subsidy services. These funds will be used to ensure that subsidy services are not terminated for these children. If any of this appropriation is available after all currently enrolled children are ensured continued subsidy services through the 2005-07 biennium, the remaining funds will be used to serve children who are on the waiting list for child care subsidy.

Appropriation \$2,300,000 \$7,000,000

Total Recommended Expansion

	<u>2005-06</u>	<u>2006-07</u>
Recurring		
Requirements	\$2,300,000	\$7,000,000
Receipts	-	-
	<hr/>	<hr/>
Appropriation	\$2,300,000	\$7,000,000
Number of Positions	-	-
Nonrecurring		
Requirements	-	-
Receipts	-	-
	<hr/>	<hr/>
Appropriation	-	-
Number of Positions	-	-

**Total Recommended Adjustments for
Division of Child Development
2005-07**

	<u>2005-06</u>	<u>2006-07</u>
Recurring		
Requirements	\$2,300,000	\$7,000,000
Receipts	-	-
	<hr/>	<hr/>
Appropriation	\$2,300,000	\$7,000,000
Number of Positions	-	-
Nonrecurring		
Requirements	-	-
Receipts	-	-
	<hr/>	<hr/>
Appropriation	-	-
Number of Positions	-	-
Total Budget Adjustments	\$2,300,000	\$7,000,000
Total Position Adjustments	-	-

Office of Education Services (14424)

Recommended Budget and Positions

	<u>2005-06</u>	<u>2006-07</u>
Budget		
Worksheet I Continuation	\$33,852,267	\$34,281,895
Reductions	-	-
Expansion	<u>\$96,254</u>	<u>\$120,504</u>
RECOMMENDED BUDGET	<u>\$33,948,521</u>	<u>\$34,402,399</u>
<hr/>		
Positions		
Worksheet I Continuation	628.870	628.870
Reductions	-	-
Expansion	<u>3.000</u>	<u>3.000</u>
RECOMMENDED POSITIONS	<u>631.870</u>	<u>631.870</u>

Appropriation Items -- Recommended Adjustments

Expansion

	<u>2005-06</u>	<u>2006-07</u>
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1. Spanish Translator/Interpreter for Office of Education Services

Funds are recommended to add three Spanish language translator/interpreter positions for the Western School for the Deaf, the Western Early Intervention Program and the Eastern Early Intervention Program to address the increased need.

Appropriation	\$96,254	\$120,504
Number of Positions	3.000	3.000

Total Recommended Expansion

	<u>2005-06</u>	<u>2006-07</u>
Recurring		
Requirements	\$96,254	\$120,504
Receipts	-	-
Appropriation	<u>\$96,254</u>	<u>\$120,504</u>
Number of Positions	<u>3.000</u>	<u>3.000</u>

Nonrecurring

Requirements	-	-
Receipts	-	-
	<hr/>	<hr/>
Appropriation	-	-
Number of Positions	-	-

**Total Recommended Adjustments for
Office of Education Services
2005-07**

	<u>2005-06</u>	<u>2006-07</u>
Recurring		
Requirements	\$96,254	\$120,504
Receipts	-	-
	<hr/>	<hr/>
Appropriation	\$96,254	\$120,504
Number of Positions	3.000	3.000
Nonrecurring		
Requirements	-	-
Receipts	-	-
	<hr/>	<hr/>
Appropriation	-	-
Number of Positions	-	-
Total Budget Adjustments	\$96,254	\$120,504
Total Position Adjustments	3.000	3.000

Division of Public Health (14430)

Recommended Budget and Positions

	<u>2005-06</u>	<u>2006-07</u>
Budget		
Worksheet I Continuation	\$135,567,174	\$137,060,438
Reductions	-	-
Expansion	<u>\$59,061</u>	<u>\$74,748</u>
RECOMMENDED BUDGET	<u>\$135,626,235</u>	<u>\$137,135,186</u>
<hr/>		
Positions		
Worksheet I Continuation	1,808.680	1,808.680
Reductions	-	-
Expansion	<u>2.000</u>	<u>2.000</u>
RECOMMENDED POSITIONS	<u>1,810.680</u>	<u>1,810.680</u>

Appropriation Items -- Recommended Adjustments

Expansion

2005-06 2006-07

1. Vital Records

Funds are recommended for two positions to process vital records in the Division of Public Health. This is necessary due to an increasing workload and to prevent unreasonable delays in the processing of these vital records. The foreign-born adoption process, paternity establishment, and the increased population in North Carolina has expanded the caseload beyond the current capacity for the Vital Records Section.

Appropriation	\$59,061	\$74,748
Number of Positions	2.000	2.000

Total Recommended Expansion

2005-06 2006-07

Recurring

Requirements	\$59,061	\$74,748
Receipts	-	-
Appropriation	<u>\$59,061</u>	<u>\$74,748</u>

Number of Positions	2.000	2.000
Nonrecurring		
Requirements	-	-
Receipts	-	-
	<hr/>	<hr/>
Appropriation	-	-
Number of Positions	-	-

**Total Recommended Adjustments for
Division of Public Health
2005-07**

	<u>2005-06</u>	<u>2006-07</u>
Recurring		
Requirements	\$59,061	\$74,748
Receipts	-	-
	<hr/>	<hr/>
Appropriation	\$59,061	\$74,748
Number of Positions	2.000	2.000
Nonrecurring		
Requirements	-	-
Receipts	-	-
	<hr/>	<hr/>
Appropriation	-	-
Number of Positions	-	-
Total Budget Adjustments	\$59,061	\$74,748
Total Position Adjustments	2.000	2.000

Division of Social Services (14440)

Recommended Budget and Positions

	<u>2005-06</u>	<u>2006-07</u>
Budget		
Worksheet I Continuation	\$182,316,068	\$185,306,068
Reductions	-	-
Expansion	<u>\$590,403</u>	<u>\$693,295</u>
RECOMMENDED BUDGET	<u>\$182,906,471</u>	<u>\$185,999,363</u>
<hr/>		
Positions		
Worksheet I Continuation	758.000	758.000
Reductions	-	-
Expansion	<u>8.000</u>	<u>8.000</u>
RECOMMENDED POSITIONS	<u>766.000</u>	<u>766.000</u>

Appropriation Items -- Recommended Adjustments

Expansion

2005-06 2006-07

1. Strengthen Regulatory Oversight For Licensure

Funds are recommended to strengthen regulatory oversight in the Division of Social Services, which is the licensing authority for all foster care facilities, including family foster care homes, therapeutic foster homes, child placing agencies, maternity homes and residential facilities. As the licensing authority, the division is required by G.S. 131D to ensure that children who have been abused, neglected, or found to be dependent are provided a safe and appropriate foster care environment. To provide greater oversight of this critical regulatory function, the following infrastructure components are needed: (1). Sufficient division regulatory staff to conduct required annual visits. (2). Training for county DSS licensing staff. (3). Training for foster parents. Family foster care homes are the preferred placement for children; therefore, the division seeks to contract with the NC Foster Parent Association to provide annual training opportunities for foster parents.

Requirements	\$684,678	\$799,570
Requirements - Nonrecurring	\$12,000	
Receipts	\$106,275	\$106,275

	Appropriation	\$590,403	\$693,295
	Number of Positions	8.000	8.000
<hr/>			
Total Recommended Expansion		<u>2005-06</u>	<u>2006-07</u>
Recurring			
Requirements		\$684,678	\$799,570
Receipts		106,275	106,275
		<hr/>	<hr/>
Appropriation		\$578,403	\$693,295
Number of Positions		8.000	8.000
Nonrecurring			
Requirements		\$12,000	-
Receipts		-	-
		<hr/>	<hr/>
Appropriation		\$12,000	-
Number of Positions		-	-

**Total Recommended Adjustments for
Division of Social Services
2005-07**

	<u>2005-06</u>	<u>2006-07</u>
Recurring		
Requirements	\$684,678	\$799,570
Receipts	106,275	106,275
	<hr/>	<hr/>
Appropriation	\$578,403	\$693,295
Number of Positions	8.000	8.000
Nonrecurring		
Requirements	\$12,000	-
Receipts	-	-
	<hr/>	<hr/>
Appropriation	\$12,000	-
Number of Positions	-	-
Total Budget Adjustments	\$590,403	\$693,295
Total Position Adjustments	8.000	8.000

Division of Medical Assistance (14445)

Recommended Budget and Positions

	<u>2005-06</u>	<u>2006-07</u>
Budget		
Worksheet I Continuation	\$2,629,076,714	\$2,958,257,177
Entitlement Adjustments	-	-
Reductions	(\$55,000,000)	(\$72,000,000)
Expansion	<u>\$14,571,997</u>	<u>\$17,685,090</u>
RECOMMENDED BUDGET	<u>\$2,588,648,711</u>	<u>\$2,903,942,267</u>
<hr/>		
Positions		
Worksheet I Continuation	380.250	380.250
Entitlement Adjustments	-	-
Reductions	-	-
Expansion	-	-
RECOMMENDED POSITIONS	<u>380.250</u>	<u>380.250</u>

Appropriation Items -- Recommended Adjustments

Reductions

1. Increase Co-Payments

Increase the amount of co-pays charged for chiropractor, optometry, podiatry, non-emergency ER visits, inpatient hospital stays, and generic prescription drugs. The new co-pay amounts will be \$2.00 for chiropractic, \$3.00 for optical, \$3.00 for podiatry, \$50.00 for each hospital in-patient admission, \$3.00 for Hospital Out-patient General, \$3.00 for non-emergency hospital ER visits, and \$3.00 for generic prescription drugs.

	<u>2005-06</u>	<u>2006-07</u>
Requirements	(\$19,305,019)	(\$19,305,019)
Receipts	(\$13,305,019)	(\$13,305,019)
Appropriation	(\$6,000,000)	(\$6,000,000)

2. Medicare Part D Clawback

The Medicare Part D pharmacy program will go into effect January, 2006. Those individuals who are both Medicare and Medicaid eligible

will be covered under Medicare for prescription drugs. The states, in turn, will reimburse Medicare a predetermined fee for those dual eligibles. The initial rate will be 90% of the estimated savings experienced by the Medicaid Program, based on 2003 historical data. This reduction represents that 10% of the estimated savings retained by the state.

Appropriation (\$11,000,000) (\$22,000,000)

3. Pharmacy

The Division of Medical Assistance will develop a plan for reducing the Medicaid prescription drug budget.

Requirements (\$48,262,548) (\$64,350,064)

Receipts (\$33,262,548) (\$44,350,064)

Appropriation (\$15,000,000) (\$20,000,000)

4. Inflation

The Division of Medical Assistance is authorized to develop a plan to increase efficiencies and make other program adjustments to reduce the inflationary increase in the Medicaid Program.

Requirements (\$57,915,058) (\$77,220,077)

Receipts (\$39,915,058) (\$53,220,077)

Appropriation (\$18,000,000) (\$24,000,000)

5. Medicaid Trust Fund

It is recommended that the Division of Medical Assistance transfer \$5,000,000 from the Medicaid Reserve to support current services and to make a corresponding reduction in state appropriation.

Requirements - Nonrecurring -

Receipts - Nonrecurring \$5,000,000

Appropriation - Nonrecurring (\$5,000,000) -

Total Recommended Reductions

	<u>2005-06</u>	<u>2006-07</u>
Recurring		
Requirements	(\$136,482,625)	(\$182,875,160)
Receipts	(86,482,625)	(110,875,160)
	<hr/>	<hr/>
Appropriation	(\$50,000,000)	(\$72,000,000)
Number of Positions	-	-

Nonrecurring

Requirements	-	-
Receipts	5,000,000	-
<hr/>		
Appropriation	(\$5,000,000)	-
Number of Positions	-	-

Expansion

	<u>2005-06</u>	<u>2006-07</u>
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1. Increase Title XIX Income Limit for Ages 0 through 5 to 200% of FPL

Funds are requested to move children age five and under from the Health Choice program to the Medicaid program. NC Medicaid income limits for children ages birth through five will be increased from 185% and 133% of the Federal Poverty Level (FPL) to 200% of the FPL effective January 1, 2006. Approximately 53,000 children covered by Health Choice will become Medicaid eligible. This will reduce expenditures for Health Choice and make all available SCHIP Federal funds allocated to North Carolina available to support Health Choice for children aged six through eighteen. A companion expansion request in Health Choice assures that federal SCHIP funds will be available through the biennium to support children six through eighteen.

Requirements	\$46,994,601	\$56,733,481
Receipts	\$32,422,604	\$39,048,391
<hr/>		
Appropriation	\$14,571,997	\$17,685,090

Total Recommended Expansion

	<u>2005-06</u>	<u>2006-07</u>
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Recurring

Requirements	\$46,994,601	\$56,733,481
Receipts	32,422,604	39,048,391
<hr/>		
Appropriation	\$14,571,997	\$17,685,090
Number of Positions	-	-

Nonrecurring

Requirements	-	-
Receipts	-	-
<hr/>		
Appropriation	-	-
Number of Positions	-	-

**Total Recommended Adjustments for
Division of Medical Assistance
2005-07**

	<u>2005-06</u>	<u>2006-07</u>
Recurring		
Requirements	(\$89,488,024)	(\$126,141,679)
Receipts	(54,060,021)	(71,826,769)
	<hr/>	<hr/>
Appropriation	(\$35,428,003)	(\$54,314,910)
Number of Positions	-	-
Nonrecurring		
Requirements	-	-
Receipts	5,000,000	-
	<hr/>	<hr/>
Appropriation	(\$5,000,000)	-
Number of Positions	-	-
Total Budget Adjustments	(\$40,428,003)	(\$54,314,910)
Total Position Adjustments	-	-

NC Health Choice (14446)

Recommended Budget and Positions

	<u>2005-06</u>	<u>2006-07</u>
Budget		
Worksheet I Continuation	\$62,035,981	\$62,035,981
Reductions	-	-
Expansion	<u>\$2,812,250</u>	<u>\$13,613,590</u>
RECOMMENDED BUDGET	<u>\$64,848,231</u>	<u>\$75,649,571</u>
Positions		
Worksheet I Continuation	2.000	2.000
Reductions	-	-
Expansion	-	-
RECOMMENDED POSITIONS	<u>2.000</u>	<u>2.000</u>

Appropriation Items -- Recommended Adjustments

Expansion

1. Health Choice Eligibility

Funds are requested to allow children ages six through eighteen to continue being served by NC Health Choice for Children. A companion expansion request moves children five and under with incomes to 200% of the federal poverty level into the Medicaid program to take advantage of the entitlement nature of federal match. This action assures that federal SCHIP funds will be available through the biennium to support children six through eighteen. The transfer of children to the Medicaid program will be effective January 1, 2006.

	<u>2005-06</u>	<u>2006-07</u>
Requirements	\$11,015,474	\$52,991,786
Receipts	\$8,203,224	\$39,378,196
Appropriation	\$2,812,250	\$13,613,590

Total Recommended Expansion

	<u>2005-06</u>	<u>2006-07</u>
Recurring		
Requirements	\$11,015,474	\$52,991,786
Receipts	8,203,224	39,378,196
	<hr/>	<hr/>
Appropriation	\$2,812,250	\$13,613,590
Number of Positions	-	-
Nonrecurring		
Requirements	-	-
Receipts	-	-
	<hr/>	<hr/>
Appropriation	-	-
Number of Positions	-	-

**Total Recommended Adjustments for
NC Health Choice
2005-07**

	<u>2005-06</u>	<u>2006-07</u>
Recurring		
Requirements	\$11,015,474	\$52,991,786
Receipts	8,203,224	39,378,196
	<hr/>	<hr/>
Appropriation	\$2,812,250	\$13,613,590
Number of Positions	-	-
Nonrecurring		
Requirements	-	-
Receipts	-	-
	<hr/>	<hr/>
Appropriation	-	-
Number of Positions	-	-
Total Budget Adjustments	\$2,812,250	\$13,613,590
Total Position Adjustments	-	-

Divisions of Services for the Blind, Deaf, and Hard of Hearing (14450)

Recommended Budget and Positions

	<u>2005-06</u>	<u>2006-07</u>
Budget		
Worksheet I Continuation	\$9,843,201	\$9,962,624
Reductions	-	-
Expansion	_____ -	_____ -
RECOMMENDED BUDGET	<u>\$9,843,201</u>	<u>\$9,962,624</u>
<hr/>		
Positions		
Worksheet I Continuation	309.000	309.000
Reductions	-	-
Expansion	_____ -	_____ -
RECOMMENDED POSITIONS	<u>309.000</u>	<u>309.000</u>

Division of Mental Health/Developmental Disabilities/Substance Abuse Services (14460)

Recommended Budget and Positions

	<u>2005-06</u>	<u>2006-07</u>
Budget		
Worksheet I Continuation	\$592,325,908	\$594,706,127
Reductions	-	-
Expansion	-	-
RECOMMENDED BUDGET	<u>\$592,325,908</u>	<u>\$594,706,127</u>
<hr/>		
Positions		
Worksheet I Continuation	11,670.050	11,670.050
Reductions	-	-
Expansion	-	-
RECOMMENDED POSITIONS	<u>11,670.050</u>	<u>11,670.050</u>

Division of Facility Services (14470)

Recommended Budget and Positions

	<u>2005-06</u>	<u>2006-07</u>
Budget		
Worksheet I Continuation	\$12,551,896	\$12,551,896
Reductions	-	-
Expansion	<u>\$2,794,703</u>	<u>\$5,253,661</u>
RECOMMENDED BUDGET	<u>\$15,346,599</u>	<u>\$17,805,557</u>
<hr/>		
Positions		
Worksheet I Continuation	402.500	402.500
Reductions	-	-
Expansion	<u>45.500</u>	<u>79.500</u>
RECOMMENDED POSITIONS	<u>448.000</u>	<u>482.000</u>

Appropriation Items -- Recommended Adjustments

Expansion

	<u>2005-06</u>	<u>2006-07</u>
1. Increase Licensure and Monitoring Capacity for 24-Hour Residential Facilities		
<p>Funds are requested for the Division of Facility Services' Facility and Health Service Regulation Section to enable the division to meet the expanding demands of inspecting 24-hour residential facilities for the mentally ill, developmentally disabled, and substance abuse populations. Mental Health Reform has prompted an increase in the number of community residential settings. The division proposes a change in statute to require annual inspections of residential facilities. The statutory change and increase in staff will allow more frequent review of facility compliance, which will provide greater client protection.</p>		
Requirements	\$728,521	\$1,572,724
Requirements - Nonrecurring	\$19,500	
Receipts	-	-
Appropriation	\$748,021	\$1,572,724
Number of Positions	13.000	23.000

2. Increase Adult Care Licensure Staff

Funds are requested for the Division of Facility Services to increase the capacity to license and inspect family care and adult care homes. Currently the Adult Care Licensure Section is limited to performing only change of ownership surveys, revisits when needed, and monitoring a portion of DSS quarterly monitoring visits. Additional funds and proposed statutory changes will allow issuance of a six month license and annual inspections, monetary fines for application falsification, and increased penalty amounts. Additional positions supported with these funds will allow the establishment of two additional regional offices, increased regulatory oversight, continuous training for county departments of social services (DSS) monitoring staff, and oversight of reporting requirements for county DSS monitoring visits.

Requirements	\$820,251	\$2,105,955
Requirements - Nonrecurring	\$20,300	
Receipts	-	-
	\$840,551	\$2,105,955
Appropriation		
Number of Positions	14.000	31.000

3. Improve Facility Safety

Funds are requested for the Construction Section of the Division of Facility Services (DFS) to support additional staff. Currently, on-site inspections to determine regulatory compliance and physical plant safety of most facilities are made for new construction and renovation projects. Limited staff preclude conducting inspections in a routine manner, so the quantity and severity of complaint inspections have increased. Additional staff will allow routine physical plant and life safety inspections every two years, reducing the number of complaint investigations that pose a threat to the safety of residents.

Appropriation	\$531,625	\$1,187,363
Number of Positions	9.000	16.000

4. Improve Resolution of Citizen Complaints

Funds are requested for the Division of Facility Services (DFS) to support additional FTE that will facilitate more timely responses to complaints from providers, citizens and consumers, and increase timeliness of reporting. Currently, staff in the centralized complaint unit are responsible for receiving complaints from a wide array of facility types; including, but not limited to, nursing facilities, home health agencies, early childhood intervention services, substance abuse facilities and residential therapeutic camps. In addition, this unit must process self-reports from residential facilities and hospitals, as well as respond to calls for information from providers and consumers. A statutory change is proposed that requires the toll-free complaint number to be posted in all residential facilities to ensure access for all consumers. An increase in complaint call volume is anticipated. Funds to support a new automated system are also recommended. The automatic call directory system will enable the unit to track complaint

trends, to use the data to implement needed changes in training and consultation, and to monitor the timeliness of responses.

Requirements	\$217,382	\$273,843
Requirements - Nonrecurring	\$600,000	
Receipts	\$83,127	\$104,718
Receipts - Nonrecurring	\$229,440	
Appropriation	\$504,815	\$169,125
Number of Positions	4.500	4.500

5. Increase Staff to Inspect and Monitor Non-Medicare Licensed Home Care Agencies

Funds are requested for the Licensure and Certification Section of the Division of Facility Services to support additional FTE which will allow every non-Medicare certified home-care agency to be inspected at least every thirty-six months. These agencies currently receive inspections at licensure and when complaints are received. The Division of Facility Services (DSF) currently has 1.5 FTE dedicated to the inspection and monitoring of more than 1,000 licensed only, non-Medicare certified home care agencies. This funding will allow the non-Medicare certified home care agencies to be on the same inspection schedule as the Medicare certified agencies.

Requirements	\$271,506	\$349,591
Receipts	\$101,815	\$131,097
Appropriation	\$169,691	\$218,494
Number of Positions	5.000	5.000

Total Recommended Expansion

	<u>2005-06</u>	<u>2006-07</u>
Recurring		
Requirements	\$2,569,285	\$5,489,476
Receipts	184,942	235,815
Appropriation	\$2,384,343	\$5,253,661
Number of Positions	45.500	79.500
Nonrecurring		
Requirements	\$639,800	-
Receipts	229,440	-
Appropriation	\$410,360	-
Number of Positions	-	-

**Total Recommended Adjustments for
Division of Facility Services
2005-07**

	<u>2005-06</u>	<u>2006-07</u>
Recurring		
Requirements	\$2,569,285	\$5,489,476
Receipts	184,942	235,815
	<hr/>	<hr/>
Appropriation	\$2,384,343	\$5,253,661
Number of Positions	45.500	79.500
Nonrecurring		
Requirements	\$639,800	-
Receipts	229,440	-
	<hr/>	<hr/>
Appropriation	\$410,360	-
Number of Positions	-	-
Total Budget Adjustments	\$2,794,703	\$5,253,661
Total Position Adjustments	45.500	79.500

Division of Vocational Rehabilitation (14480)

Recommended Budget and Positions

	<u>2005-06</u>	<u>2006-07</u>
Budget		
Worksheet I Continuation	\$41,755,526	\$42,142,193
Reductions	-	-
Expansion	-	-
RECOMMENDED BUDGET	<u>\$41,755,526</u>	<u>\$42,142,193</u>
<hr/>		
Positions		
Worksheet I Continuation	1,036.750	1,036.750
Reductions	-	-
Expansion	-	-
RECOMMENDED POSITIONS	<u>1,036.750</u>	<u>1,036.750</u>

■ **Appropriations by Department/Budget Code** ■

Justice and Public Safety

Judicial Branch (12000)

Recommended Budget and Positions

	<u>2005-06</u>	<u>2006-07</u>
Budget		
Worksheet I Continuation	\$342,043,618	\$345,843,618
Reductions	-	-
Expansion	<u>\$5,550,000</u>	<u>\$4,500,000</u>
RECOMMENDED BUDGET	<u>\$347,593,618</u>	<u>\$350,343,618</u>
<hr/>		
Positions		
Worksheet I Continuation	5,269.430	5,269.430
Reductions	-	-
Expansion	<u>67.000</u>	<u>67.000</u>
RECOMMENDED POSITIONS	<u>5,336.430</u>	<u>5,336.430</u>

Appropriation Items -- Recommended Adjustments

Expansion

2005-06 2006-07

Equipment and Supply

1. Critical Equipment Needs

The Governor recommends funds for the replacement of outdated office and data processing equipment not covered in the continuation budget recommendations for the Judicial Branch.

Appropriation - Nonrecurring \$1,500,000

District Court

1. District Attorneys

The Governor recommends the creation of forty-five (45) assistant district attorney positions and the addition of twenty-two (22) victim-witness/legal assistant positions to support these new prosecutors, effective October 1, 2005. This recommendation reflects the need to respond to the continued growth in the criminal workload of the General Court of Justice and the increased pressures on prosecutors related to open discovery and new drug related criminal penalty legislation. It also reflects a commitment to helping prosecutors replace key staff that have been supported by federal and other grants but where grant funding is ending. These staff have been working in the areas of sexual assault, gang and

firearm related prosecution, as well as substantial work on domestic violence cases.

	Appropriation	\$3,750,000	\$4,500,000
	Appropriation - Nonrecurring	\$300,000	
	Number of Positions	67.000	67.000

Total Recommended Expansion

	<u>2005-06</u>	<u>2006-07</u>
Recurring		
Requirements	\$3,750,000	\$4,500,000
Receipts	-	-
	<hr/>	<hr/>
Appropriation	\$3,750,000	\$4,500,000
Number of Positions	67.000	67.000
Nonrecurring		
Requirements	\$1,800,000	-
Receipts	-	-
	<hr/>	<hr/>
Appropriation	\$1,800,000	-
Number of Positions	-	-

**Total Recommended Adjustments for
Judicial Branch
2005-07**

	<u>2005-06</u>	<u>2006-07</u>
Recurring		
Requirements	\$3,750,000	\$4,500,000
Receipts	-	-
	<hr/>	<hr/>
Appropriation	\$3,750,000	\$4,500,000
Number of Positions	67.000	67.000
Nonrecurring		
Requirements	\$1,800,000	-
Receipts	-	-
	<hr/>	<hr/>
Appropriation	\$1,800,000	-
Number of Positions	-	-
Total Budget Adjustments	\$5,550,000	\$4,500,000
Total Position Adjustments	67.000	67.000

Judicial Branch - Indigent Defense (12001)

Recommended Budget and Positions

	<u>2005-06</u>	<u>2006-07</u>
Budget		
Worksheet I Continuation	\$96,688,190	\$91,688,190
Reductions	-	-
Expansion	-	-
RECOMMENDED BUDGET	<u>\$96,688,190</u>	<u>\$91,688,190</u>
<hr/>		
Positions		
Worksheet I Continuation	305.000	305.000
Reductions	-	-
Expansion	-	-
RECOMMENDED POSITIONS	<u>305.000</u>	<u>305.000</u>

Department of Justice (13600)

Recommended Budget and Positions

	<u>2005-06</u>	<u>2006-07</u>
Budget		
Worksheet I Continuation	\$78,155,004	\$78,855,004
Reductions	-	-
Expansion	<u>\$499,229</u>	<u>\$767,979</u>
RECOMMENDED BUDGET	<u>\$78,654,233</u>	<u>\$79,622,983</u>
<hr/>		
Positions		
Worksheet I Continuation	1,242.240	1,242.240
Reductions	-	-
Expansion	<u>17.000</u>	<u>17.000</u>
RECOMMENDED POSITIONS	<u>1,259.240</u>	<u>1,259.240</u>

Appropriation Items -- Recommended Adjustments

Expansion

	<u>2005-06</u>	<u>2006-07</u>
Law Enforcement - SBI		
1. Computer Crimes Unit Positions		
<p>The Governor recommends funding for 2 additional positions for the Computer Crimes Unit; one (1) Computer Crimes Agent/Criminal Specialist and one (1) sworn Forensic Computer Analyst. These positions would conduct computer examinations resulting from the growing number of child exploitation and child predator cases investigated by the State Bureau of Investigation and local law enforcement. These positions would become effective on January 1, 2006.</p>		
Requirements	\$56,770	\$100,677
Requirements - Nonrecurring	\$63,771	
Receipts - Nonrecurring	\$52,027	-
	<hr/>	<hr/>
Appropriation	\$68,514	\$100,677
Number of Positions	2.000	2.000

2. State Bureau of Investigation Methamphetamine Response Team

The Governor recommends funding for eight (8) positions for the SBI's Methamphetamine Response Team; four (4) sworn Drug Chemists and two (2) non-sworn Drug Chemistry Technicians. Additional trained responders to assist in methamphetamine responses will provide improved geographical response across the state.

Requirements	\$357,460	\$365,820
Receipts	\$93,360	
Appropriation	\$264,100	\$365,820
Number of Positions	8.000	8.000

State Bureau of Investigation Laboratory

1. Expand Utilization of DNA Evidence

The Governor recommends additional funding for the plan to expand the crime lab's ability to effectively process DNA evidence. This recommendation includes funding for 6 Geneticists, 1 Evidence Technician, and related travel, equipment and supply funding. The analyst positions would be non-sworn positions effective January 1, 2006.

Requirements	\$206,798	\$364,093
Requirements - Nonrecurring	\$623,300	
Receipts	\$62,611	\$62,611
Receipts - Nonrecurring	\$600,872	
Appropriation	\$166,615	\$301,482
Number of Positions	7.000	7.000

Total Recommended Expansion

	<u>2005-06</u>	<u>2006-07</u>
Recurring		
Requirements	\$621,028	\$830,590
Receipts	155,971	62,611
Appropriation	\$465,057	\$767,979
Number of Positions	17.000	17.000
Nonrecurring		
Requirements	\$687,071	-
Receipts	652,899	-
Appropriation	\$34,172	-
Number of Positions	-	-

**Total Recommended Adjustments for
Department of Justice
2005-07**

	<u>2005-06</u>	<u>2006-07</u>
Recurring		
Requirements	\$621,028	\$830,590
Receipts	155,971	62,611
	\$465,057	\$767,979
Appropriation		
Number of Positions	17.000	17.000
Nonrecurring		
Requirements	\$687,071	-
Receipts	652,899	-
	\$34,172	-
Appropriation		
Number of Positions	-	-
Total Budget Adjustments	\$499,229	\$767,979
Total Position Adjustments	17.000	17.000

Department of Juvenile Justice and Delinquency Prevention (14060)

Recommended Budget and Positions

	<u>2005-06</u>	<u>2006-07</u>
Budget		
Worksheet I Continuation	\$139,857,825	\$140,157,825
Reductions	-	-
Expansion	<u>\$1,750,780</u>	<u>\$2,000,780</u>
RECOMMENDED BUDGET	<u>\$141,608,605</u>	<u>\$142,158,605</u>
<hr/>		
Positions		
Worksheet I Continuation	1,918.500	1,918.500
Reductions	-	-
Expansion	-	<u>45.500</u>
RECOMMENDED POSITIONS	<u>1,918.500</u>	<u>1,964.000</u>

Appropriation Items -- Recommended Adjustments

Expansion

2005-06 2006-07

Special Initiatives

1. Additional Eckerd Bed Purchases

The Governor recommends funding to increase the number of Eckerd Beds under contract for placement of committed youths from 322 per day to 336 per day. The Eckerd Wilderness Education System is a year-round, residential wilderness camp treatment program that addresses the individual needs of adolescents, over half of whom are direct referral from juvenile court services.

Appropriation **\$500,780** **\$500,780**

Youth Development Centers

1. Transition - Youth Development Staff and Training

As part of the department's transition to a more therapeutic approach in working with juveniles, the Governor recommends funding to implement Phase I of the new staffing configuration for two "Demonstration" projects at Stonewall Jackson and Samarkand Youth Development facilities. The funding for Phase I is for reallocation of existing positions. In addition, the Governor is recommending funding for the establishment of 45.5 positions, effective January 1, 2006, to

continue the implementation of Phase II of the new Youth Development Treatment implementation program.

Appropriation	\$750,000	\$1,000,000
Number of Positions	-	45.500

Intervention/Prevention Services

1. Juvenile Crime Prevention Councils - Expansion of Community Services

In order to increase the availability of diversion and disposition resources proven to be effective in reducing recidivism, the Governor recommends funding to provide additional community services through the Juvenile Crime and Prevention Councils.

Appropriation	\$500,000	\$500,000
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Total Recommended Expansion

	<u>2005-06</u>	<u>2006-07</u>
Recurring		
Requirements	\$1,750,780	\$2,000,780
Receipts	-	-
	<hr/>	<hr/>
Appropriation	\$1,750,780	\$2,000,780
Number of Positions	-	45.500
Nonrecurring		
Requirements	-	-
Receipts	-	-
	<hr/>	<hr/>
Appropriation	-	-
Number of Positions	-	-

**Total Recommended Adjustments for
 Department of Juvenile Justice and Delinquency
 Prevention
 2005-07**

	<u>2005-06</u>	<u>2006-07</u>
Recurring		
Requirements	\$1,750,780	\$2,000,780
Receipts	-	-
	-----	-----
Appropriation	\$1,750,780	\$2,000,780
Number of Positions	-	45.500
Nonrecurring		
Requirements	-	-
Receipts	-	-
	-----	-----
Appropriation	-	-
Number of Positions	-	-
 Total Budget Adjustments	 \$1,750,780	 \$2,000,780
Total Position Adjustments	-	45.500

Department of Correction (14500)

Recommended Budget and Positions

	<u>2005-06</u>	<u>2006-07</u>
Budget		
Worksheet I Continuation	\$1,045,627,365	\$1,060,627,365
Reductions	-	-
Expansion	<u>\$902,000</u>	<u>\$1,191,851</u>
RECOMMENDED BUDGET	<u>\$1,046,529,365</u>	<u>\$1,061,819,216</u>
Positions		
Worksheet I Continuation	20,367.500	20,388.500
Reductions	-	-
Expansion	<u>31.000</u>	<u>31.000</u>
RECOMMENDED POSITIONS	<u>20,398.500</u>	<u>20,419.500</u>

Appropriation Items -- Recommended Adjustments

Expansion

2005-06 2006-07

Prison Health Services

1. Increase Health Services Staff

The Governor recommends funding for Nurse Extender positions and Licensed Practical Nurses (LPN's) to allow nurses to focus more on higher level clinical duties and for Medical Records Clerk positions to do data entry of vital healthcare data to assist in cost containment efforts. Fourteen (14) LPN positions are effective November 1, 2005; ten (10) Medical Records Asst. III positions are effective November 1, 2005; and ten (10) are effective January 1, 2006.

Appropriation	\$425,434	\$700,000
Appropriation - Nonrecurring	\$74,566	
Number of Positions	24.000	24.000

Department Management

1. Safety Positions

The Governor recommends funding for additional safety positions, which will allow the department's Safety Office to more effectively comply with workplace safety and health requirements, including annual inspections of all facilities,

training, technical assistance and adherence to safety regulations and standards.
The five (5) positions are effective November 1, 2005.

Appropriation	\$161,624	\$241,851
Appropriation - Nonrecurring	\$30,376	
Number of Positions	5.000	5.000

2. Internet Technology Security

The Governor recommends funding for four additional IT Security positions to help secure, monitor, and improve the IT infrastructure. Funding will include firewalls to protect the department from outside threats, and intrusion detection systems software. Included in this recommendation are two (2) Telecom Engineer positions, effective February 1, 2006.

Appropriation	\$147,385	\$250,000
Appropriation - Nonrecurring	\$62,615	
Number of Positions	2.000	2.000

Total Recommended Expansion

	<u>2005-06</u>	<u>2006-07</u>
Recurring		
Requirements	\$734,443	\$1,191,851
Receipts	-	-
	<hr/>	<hr/>
Appropriation	\$734,443	\$1,191,851
Number of Positions	31.000	31.000
Nonrecurring		
Requirements	\$167,557	-
Receipts	-	-
	<hr/>	<hr/>
Appropriation	\$167,557	-
Number of Positions	-	-

**Total Recommended Adjustments for
Department of Correction
2005-07**

	<u>2005-06</u>	<u>2006-07</u>
Recurring		
Requirements	\$734,443	\$1,191,851
Receipts	-	-
	\$734,443	\$1,191,851
Appropriation	\$734,443	\$1,191,851
Number of Positions	31.000	31.000
Nonrecurring		
Requirements	\$167,557	-
Receipts	-	-
	\$167,557	-
Appropriation	\$167,557	-
Number of Positions	-	-
Total Budget Adjustments	\$902,000	\$1,191,851
Total Position Adjustments	31.000	31.000

Department of Crime Control and Public Safety (14900)

Recommended Budget and Positions

	<u>2005-06</u>	<u>2006-07</u>
Budget		
Worksheet I Continuation	\$34,086,632	\$34,186,632
Reductions	-	-
Expansion	<u>\$1,622,000</u>	<u>\$2,133,313</u>
RECOMMENDED BUDGET	<u>\$35,708,632</u>	<u>\$36,319,945</u>
<hr/>		
Positions		
Worksheet I Continuation	483.500	483.500
Reductions	-	-
Expansion	<u>6.000</u>	<u>6.000</u>
RECOMMENDED POSITIONS	<u>489.500</u>	<u>489.500</u>

Appropriation Items -- Recommended Adjustments

Expansion

	<u>2005-06</u>	<u>2006-07</u>
National Guard		
1. Operation ROTC		
<p>When soldiers are deployed overseas, many families become temporarily single-parent households and are faced with new demands. The Governor recommends funding for Operation ROTC (Reaching out to Children) which provides financial assistance for extended daycare for military dependents and is distributed through the Family Services Support Centers at the bases.</p>		
Appropriation	\$500,000	\$500,000

Victim Compensation Services

1. Victims Compensation Funds and Staff

Funding is recommended by the Governor to address the continuing backlog in victim compensation claims due to insufficient funding and shortage of staff to properly investigate and examine claims received. This recommendation includes the addition of one (1) Investigator position, and one (1) Claims Examiner position for a total cost of \$86,288. The additional funds for payment of claims is \$1,462,000 for fiscal year 2005-2006 and \$2,262,000 for fiscal year 2006-2007.

Requirements	\$1,548,228	\$2,348,228
Receipts	\$548,228	\$848,228
<hr/>		
Appropriation	\$1,000,000	\$1,500,000
Number of Positions	2.000	2.000

Adjutant General's Office

1. Staffing for New Fort Bragg Facility

In order to provide staffing for facility management, maintenance, grounds keeping and housekeeping for the new \$21 million facility for the 139th Training Regiment (Combat Arms) of the North Carolina National Guard, the Governor recommends funding for one (1) Facility Maintenance Manager, one (1) Maintenance Mechanic III, one (1) Groundskeeper, and one (1) Housekeeper to maintain this building. These positions will be effective October 1, 2005.

Appropriation	\$122,000	\$133,313
Number of Positions	4.000	4.000

Total Recommended Expansion

	<u>2005-06</u>	<u>2006-07</u>
Recurring		
Requirements	\$2,170,228	\$2,981,541
Receipts	548,228	848,228
<hr/>		
Appropriation	\$1,622,000	\$2,133,313
Number of Positions	6.000	6.000
Nonrecurring		
Requirements	-	-
Receipts	-	-
<hr/>		
Appropriation	-	-
Number of Positions	-	-

**Total Recommended Adjustments for
Department of Crime Control and Public Safety
2005-07**

	<u>2005-06</u>	<u>2006-07</u>
Recurring		
Requirements	\$2,170,228	\$2,981,541
Receipts	548,228	848,228
	<hr/>	<hr/>
Appropriation	\$1,622,000	\$2,133,313
Number of Positions	6.000	6.000
Nonrecurring		
Requirements	-	-
Receipts	-	-
	<hr/>	<hr/>
Appropriation	-	-
Number of Positions	-	-
Total Budget Adjustments	\$1,622,000	\$2,133,313
Total Position Adjustments	6.000	6.000

■ **Appropriations by Department/Budget Code** ■

Natural and Economic Resources

Department of Agriculture and Consumer Services (13700)

Recommended Budget and Positions

	<u>2005-06</u>	<u>2006-07</u>
Budget		
Worksheet I Continuation	\$52,243,772	\$51,965,810
Reductions	-	-
Expansion	<u>\$242,212</u>	<u>\$323,309</u>
RECOMMENDED BUDGET	<u>\$52,485,984</u>	<u>\$52,289,119</u>
<hr/>		
Positions		
Worksheet I Continuation	1,171.750	1,171.750
Reductions	-	-
Expansion	<u>5.000</u>	<u>5.000</u>
RECOMMENDED POSITIONS	<u>1,176.750</u>	<u>1,176.750</u>

Appropriation Items -- Recommended Adjustments

Expansion

2005-06 2006-07

Emergency Programs

1. Emergency Programs Division Expansion

It is recommended that five receipt-supported positions be shifted to appropriation to ensure the availability of a recurring source of funding for these positions. The positions support projects that enable the state to better understand its vulnerabilities to natural and terrorist threats so that threat reduction measures can be implemented. These positions are also responsible for the implementation, development, and enhancement of the state's Multihazard Threat Database, which assists state agencies and other emergency responders in understanding and addressing any disease or disaster event.

Appropriation	\$242,212	\$323,309
Number of Positions	5.000	5.000

Total Recommended Expansion

	<u>2005-06</u>	<u>2006-07</u>
Recurring		
Requirements	\$242,212	\$323,309
Receipts	-	-
	<hr/>	<hr/>
Appropriation	\$242,212	\$323,309
Number of Positions	5.000	5.000
Nonrecurring		
Requirements	-	-
Receipts	-	-
	<hr/>	<hr/>
Appropriation	-	-
Number of Positions	-	-

**Total Recommended Adjustments for
Department of Agriculture and Consumer
Services
2005-07**

	<u>2005-06</u>	<u>2006-07</u>
Recurring		
Requirements	\$242,212	\$323,309
Receipts	-	-
	<hr/>	<hr/>
Appropriation	\$242,212	\$323,309
Number of Positions	5.000	5.000
Nonrecurring		
Requirements	-	-
Receipts	-	-
	<hr/>	<hr/>
Appropriation	-	-
Number of Positions	-	-
Total Budget Adjustments	\$242,212	\$323,309
Total Position Adjustments	5.000	5.000

Department of Labor (13800)

Recommended Budget and Positions

	<u>2005-06</u>	<u>2006-07</u>
Budget		
Worksheet I Continuation	\$14,198,496	\$14,213,868
Reductions	-	-
Expansion	<u>\$787,368</u>	<u>\$787,368</u>
RECOMMENDED BUDGET	<u>\$14,985,864</u>	<u>\$15,001,236</u>
<hr/>		
Positions		
Worksheet I Continuation	424.000	424.000
Reductions	-	-
Expansion	<u>12.000</u>	<u>12.000</u>
RECOMMENDED POSITIONS	<u>436.000</u>	<u>436.000</u>

Appropriation Items -- Recommended Adjustments

Expansion

2005-06 2006-07

Apprenticeship Program

1. Continue to Fund Apprenticeship Program

It is recommended that 12 Apprenticeship Program positions be funded by appropriation. A nonrecurring appropriation was provided for these positions for the 2004-05 fiscal year.

Appropriation	\$787,368	\$787,368
Number of Positions	12.000	12.000

Total Recommended Expansion

2005-06 2006-07

Recurring

Requirements	\$787,368	\$787,368
Receipts	-	-
<hr/>		
Appropriation	\$787,368	\$787,368
Number of Positions	12.000	12.000

Nonrecurring

Requirements	-	-
Receipts	-	-
	<hr/>	<hr/>
Appropriation	-	-
Number of Positions	-	-

**Total Recommended Adjustments for
Department of Labor
2005-07**

	<u>2005-06</u>	<u>2006-07</u>
Recurring		
Requirements	\$787,368	\$787,368
Receipts	-	-
	<hr/>	<hr/>
Appropriation	\$787,368	\$787,368
Number of Positions	12.000	12.000
Nonrecurring		
Requirements	-	-
Receipts	-	-
	<hr/>	<hr/>
Appropriation	-	-
Number of Positions	-	-
Total Budget Adjustments	\$787,368	\$787,368
Total Position Adjustments	12.000	12.000

Department of Environment and Natural Resources (14300)

Recommended Budget and Positions

	<u>2005-06</u>	<u>2006-07</u>
Budget		
Worksheet I Continuation	\$167,189,338	\$168,187,593
Reductions	-	-
Expansion	<u>\$8,868,898</u>	<u>\$8,138,033</u>
RECOMMENDED BUDGET	<u>\$176,058,236</u>	<u>\$176,325,626</u>
<hr/>		
Positions		
Worksheet I Continuation	3,303.130	3,318.130
Reductions	-	-
Expansion	<u>26.000</u>	<u>14.000</u>
RECOMMENDED POSITIONS	<u>3,329.130</u>	<u>3,332.130</u>

Appropriation Items -- Recommended Adjustments

Expansion

2005-06 2006-07

Administration

1. Express Permitting Statewide

It is recommended that the Express Permitting Pilot Program be expanded to DENR's three regional offices not currently participating in the program: the Fayetteville, Winston-Salem, and Asheville regional offices. Four additional positions for each of the three regional offices are needed to operate this program. These positions would be supported through program receipts after the first year.

Requirements	-	\$671,409
Requirements - Nonrecurring	\$575,977	-
Receipts	-	\$671,409
	<hr/>	<hr/>
Appropriation - Nonrecurring	\$575,977	-
Number of Positions	12.000	

Forest Resources

1. Fire Suppression Capability

The threat to life and property from wildland fire has escalated significantly due to the increasing number of residential developments in close proximity to forests. To address this threat, it is recommended that three new Forestry Pilot II positions be established. These new pilot positions would aid in improving early detection of wildland fire and providing initial attack support.

Appropriation	\$248,257	\$298,369
Number of Positions	3.000	3.000

2. Water Quality Foresters (One NC Naturally Initiative)

It is recommended that funding be provided for three new Water Quality Forester positions. These positions would be responsible for preventing and controlling water quality degradation by forestry operations through the implementation of forestry best management practices.

Appropriation	\$99,659	\$132,879
Number of Positions	3.000	3.000

Marine Fisheries

1. Oyster Rehabilitation Program (One NC Naturally Initiative)

It is recommended that funding be provided for a permanent oyster rehabilitation program. Oysters are valuable not only as a seafood product, but they also filter pollutants, improve water clarity, and provide habitat for other estuarine and marine species. The oyster population in North Carolina is currently at a critically low level. To address this problem, the oyster rehabilitation program would focus on establishing no-take oyster sanctuaries, increasing the healthy oyster population, and implementing an oyster shell recycling project and public outreach program. Support for four positions is also included in the funding recommendation.

Appropriation	\$690,341	\$842,121
Number of Positions	4.000	4.000

Environmental Health

1. West Nile Virus Control

It is recommended that one Environmental Specialist II position be fund shifted from receipts to appropriation. This position is currently funded through a Centers for Disease Control (CDC) grant that will no longer provide sufficient funding to support this position. This position is responsible for local training on mosquito control and investigating disease cases.

Appropriation	\$54,113	\$54,113
Number of Positions	1.000	1.000

Water Resources

1. Ground Water Monitoring

It is recommended that additional funding be provided for monitoring ground water levels to improve water use planning and detection of drought conditions. This funding would support the drilling of additional monitoring wells, the purchase of monitoring equipment, and two new Hydrogeologist I positions.

Appropriation	\$125,000	\$150,000
Number of Positions	2.000	2.000

Reserves and Special Funds

1. Coastal Habitat Protection Plan Reserve (One NC Naturally Initiative)

It is recommended that a reserve account be established for the implementation of recommendations identified in the Coastal Habitat Protection Plan (CHPP). The CHPP was developed by the state's Coastal Resources, Environmental Management, and Marine Fisheries commissions, as required under the Fisheries Reform Act of 1997, to protect and restore resources critical to commercial and recreational fisheries.

Appropriation	\$210,000	\$275,000
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2. Superfund State Match Funds

Funding is recommended to meet the 10% state match requirement for drawing down the maximum available federal funds for the NC Superfund Cost Share Fund. This fund supports clean up costs associated with Superfund National Priorities List sites.

Appropriation	\$1,000,000	\$1,000,000
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3. Clean Water SRF State Match Funds

Funding is recommended to meet the 20% state match requirement for drawing down the maximum available federal funds for the Clean Water State Revolving Fund.

Appropriation	\$3,889,571	\$3,889,571
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4. Drinking Water SRF State Match Funds

Funding is recommended to meet the 20% state match requirement for drawing down the maximum available federal funds for the Drinking Water State Revolving Fund.

Appropriation	\$1,415,980	\$1,415,980
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5. NC OneMap

NC OneMap is an Internet-based geospatial decision support tool that serves as a statewide data resource and is free to the public. To further define and implement NC OneMap, it is recommended that funding be provided to establish a project manager position. This position would be responsible for developing a business case and detailed work plan for NC OneMap, and leading the implementation of the work plan. The recommended funding also

includes a nonrecurring appropriation of \$500,000 for contractual services to support the development and implementation of the work plan.

Appropriation	\$60,000	\$80,000
Appropriation - Nonrecurring	\$500,000	
Number of Positions	1.000	1.000

Total Recommended Expansion

	<u>2005-06</u>	<u>2006-07</u>
Recurring		
Requirements	\$7,792,921	\$8,809,442
Receipts	-	671,409
	<hr/>	<hr/>
Appropriation	\$7,792,921	\$8,138,033
Number of Positions	26.000	14.000
Nonrecurring		
Requirements	\$1,075,977	-
Receipts	-	-
	<hr/>	<hr/>
Appropriation	\$1,075,977	-
Number of Positions	-	-

**Total Recommended Adjustments for
Department of Environment and Natural
Resources
2005-07**

	<u>2005-06</u>	<u>2006-07</u>
Recurring		
Requirements	\$7,792,921	\$8,809,442
Receipts	-	671,409
	<hr/>	<hr/>
Appropriation	\$7,792,921	\$8,138,033
Number of Positions	26.000	14.000
Nonrecurring		
Requirements	\$1,075,977	-
Receipts	-	-
	<hr/>	<hr/>
Appropriation	\$1,075,977	-
Number of Positions	-	-
Total Budget Adjustments	\$8,868,898	\$8,138,033
Total Position Adjustments	26.000	14.000

DENR - Clean Water Management Trust Fund (14301)

Recommended Budget and Positions

	<u>2005-06</u>	<u>2006-07</u>
Budget		
Worksheet I Continuation	\$62,000,000	\$62,000,000
Reductions	-	-
Expansion	-	-
RECOMMENDED BUDGET	<u>\$62,000,000</u>	<u>\$62,000,000</u>
<hr/>		
Positions		
Worksheet I Continuation	-	-
Reductions	-	-
Expansion	-	-
RECOMMENDED POSITIONS	<u>-</u>	<u>-</u>

Department of Commerce (14600)

Recommended Budget and Positions

	<u>2005-06</u>	<u>2006-07</u>
Budget		
Worksheet I Continuation	\$35,532,306	\$35,583,572
Reductions	-	-
Expansion	<u>\$4,336,041</u>	<u>\$4,377,898</u>
RECOMMENDED BUDGET	<u>\$39,868,347</u>	<u>\$39,961,470</u>
<hr/>		
Positions		
Worksheet I Continuation	425.930	425.930
Reductions	-	-
Expansion	<u>3.000</u>	<u>3.000</u>
RECOMMENDED POSITIONS	<u>428.930</u>	<u>428.930</u>

Appropriation Items -- Recommended Adjustments

Expansion

2005-06 2006-07

Division of Tourism, Film and Sports Development

1. Film Incentives

The Governor recommends an appropriation for grants to eligible film and television production companies that produce in North Carolina. The appropriation shall be allocated among the regional film commissions based on previous industry patterns and shall be used to reimburse production companies a portion of withholding taxes on North Carolina workers or on goods and services purchased in North Carolina. A committee of the Secretary of Commerce, the chair of the North Carolina Film Commission, and the Director of the Division of Tourism, Film, and Sports Development will have the final approval over the grants to ensure their eligibility and return on a cost-benefit analysis. The Governor is also recommending adding an Industrial Finance Specialist I position.

Appropriation	\$4,000,000	\$4,000,000
Number of Positions	1.000	1.000

2. Motorsports Promotion

The Governor recommends the reallocation of \$250,000 of unused 2004-05 appropriation authority from the NC Motorsports Testing and Research Complex to the Department of Commerce, Division of Tourism, Film, and Sports Development for the promotion of motorsports in North Carolina.

NC Board of Science and Technology

1. Deputy Director/ Chief Policy Analyst of NC Board of Science and Technology

The Governor is recommending that a Deputy Director/ Chief Policy Analyst be established for the Science and Technology board. This appropriation replaces one-time UNC money that will no longer be available.

Appropriation	\$60,000	\$80,000
Number of Positions	1.000	1.000

Division of Policy, Research and Strategic Planning

1. Operational Support for NC Economic Development System

During the last session of the General Assembly, the Department of Commerce was appropriated \$375,000 in one-time funds to develop the North Carolina Economic Development System (NC EDIS). NC EDIS is a comprehensive, customizable system that houses the core national, state, regional, county, and municipal data necessary to monitor economic trends, identify target sectors and clusters, supply marketing profiles to clients, and provide maps and data to planners and workforce analysts. The anticipated benefits of the system will allow for improved economic intelligence within Commerce, the Regional Partnerships, and state and local development organizations around North Carolina. The Governor is recommending one new Data Base Administrator position and operational funding to maintain this system.

Appropriation	\$276,041	\$297,898
Number of Positions	1.000	1.000

Industrial Recruiting

1. One North Carolina Fund

The One North Carolina Fund was established to keep North Carolina competitive with other states in attracting technologically competitive, high-value industries to the state. The Governor recommends additional funding in order to keep North Carolina competitive through the biennium. \$5,000,000 will be earmarked from the 2004 -05 credit balance.

Total Recommended Expansion

	<u>2005-06</u>	<u>2006-07</u>
Recurring		
Requirements	\$4,336,041	\$4,377,898
Receipts	-	-
	<hr/>	<hr/>
Appropriation	\$4,336,041	\$4,377,898
Number of Positions	3.000	3.000
Nonrecurring		
Requirements	-	-
Receipts	-	-
	<hr/>	<hr/>
Appropriation	-	-
Number of Positions	-	-

**Total Recommended Adjustments for
Department of Commerce
2005-07**

	<u>2005-06</u>	<u>2006-07</u>
Recurring		
Requirements	\$4,336,041	\$4,377,898
Receipts	-	-
	<hr/>	<hr/>
Appropriation	\$4,336,041	\$4,377,898
Number of Positions	3.000	3.000
Nonrecurring		
Requirements	-	-
Receipts	-	-
	<hr/>	<hr/>
Appropriation	-	-
Number of Positions	-	-
Total Budget Adjustments	\$4,336,041	\$4,377,898
Total Position Adjustments	3.000	3.000

Commerce - State Aid to Non-State Entities (14601)

Recommended Budget and Positions

	<u>2005-06</u>	<u>2006-07</u>
Budget		
Worksheet I Continuation	\$25,108,087	\$25,108,087
Reductions	-	-
Expansion	<u>\$3,000,000</u>	<u>\$1,500,000</u>
RECOMMENDED BUDGET	<u>\$28,108,087</u>	<u>\$26,608,087</u>
<hr/>		
Positions		
Worksheet I Continuation	-	-
Reductions	-	-
Expansion	- -	- -
RECOMMENDED POSITIONS	<u>- -</u>	<u>- -</u>

Appropriation Items -- Recommended Adjustments

Expansion

2005-06 2006-07

North Carolina Biotechnology Center

1. Increase Funding for the NC Biotechnology Center

Funding is recommended to help support the creation of new jobs across North Carolina through biotechnology. The funding will be used to further the center's strategic plan of spreading the economic and societal benefits of biotechnology statewide, promote the creation and growth of biotechnology companies, strengthen K-12 math and science education by supporting curriculum development and resources to help prepare future biotechnology workers, and strengthen the ability of universities to conduct innovative research and transform new ideas into commercial opportunity.

Appropriation \$1,500,000 \$1,500,000
Appropriation - Nonrecurring \$1,500,000

Total Recommended Expansion

	<u>2005-06</u>	<u>2006-07</u>
Recurring		
Requirements	\$1,500,000	\$1,500,000
Receipts	-	-
	<hr/>	<hr/>
Appropriation	\$1,500,000	\$1,500,000
Number of Positions	-	-
Nonrecurring		
Requirements	\$1,500,000	-
Receipts	-	-
	<hr/>	<hr/>
Appropriation	\$1,500,000	-
Number of Positions	-	-

**Total Recommended Adjustments for
Commerce - State Aid to Non-State Entities
2005-07**

	<u>2005-06</u>	<u>2006-07</u>
Recurring		
Requirements	\$1,500,000	\$1,500,000
Receipts	-	-
	<hr/>	<hr/>
Appropriation	\$1,500,000	\$1,500,000
Number of Positions	-	-
Nonrecurring		
Requirements	\$1,500,000	-
Receipts	-	-
	<hr/>	<hr/>
Appropriation	\$1,500,000	-
Number of Positions	-	-
Total Budget Adjustments	\$3,000,000	\$1,500,000
Total Position Adjustments	-	-

■ **Transportation** ■

Department of Transportation

■ Overview ■

Funds totaling \$3.5 billion for each year of the 2005-07 biennium are required to support North Carolina's Transportation Program. Approximately \$1.5 billion, or 43%, will be provided each year from the Highway Fund. The Highway Trust Fund will add approximately \$1.1 billion each year of the biennium, including transfers of \$233.1 million and \$222.6 million to the General Fund, respectively. The Highway Trust Fund represents 31% of the total funding for the Transportation Program.

Other support includes funds provided from the General Fund in the amount of \$12 million and \$13 million, respectively; departmental receipts of \$5 million each year; and federal funds of \$890 million each year of the biennium.

Summaries of the total Transportation Program showing the source of funding and activities supported appear below. Details about funding from the Highway Fund and Highway Trust Fund follow the summaries.

**Table 14
North Carolina Transportation Program, 2005-06**

Department of Transportation	Highway Fund	Highway Trust Fund	Department Receipts	Federal Funds	General Fund	Total
Administration	\$ 82,604,119	\$ 7,761,140	\$ 311,000	\$ -	\$ -	\$ 90,676,259
Division of Highways						
Administration	30,621,612	22,102,510	486,112	-	-	53,210,234
Construction	133,470,000	752,746,075	-	838,880,000	-	1,725,096,075
Maintenance	689,680,309	-	-	-	-	689,680,309
Planning and Research	4,280,000	-	-	17,120,000	-	21,400,000
Asphalt Plant Cleanup	425,000	-	-	-	-	425,000
Ferry Operations	20,264,811	-	-	-	-	20,264,811
State Aid						
Municipalities	93,370,000	49,737,588	-	-	-	143,107,588
Public Transportation	89,866,447	-	-	10,000,000	-	99,866,447
Airports	-	-	-	15,478,062	12,027,377	27,505,439
Railroads	17,781,153	-	-	-	-	17,781,153
Governor's Highway Safety	293,118	-	-	4,609,283	-	4,902,401
Division of Motor Vehicles	96,047,914	4,396,910	4,212,093	4,053,680	-	108,710,597
Other State Agencies	250,412,865	400,880	-	-	-	250,813,745
Reserves and Transfers	16,742,652	-	-	-	-	16,742,652
Transfer to General Fund	-	233,058,117	-	-	-	233,058,117
Uncommitted Trust Fund Administration	-	5,986,780	-	-	-	5,986,780
Total Operating	\$1,525,860,000	\$ 1,076,190,000	\$ 5,009,205	\$ 890,141,025	\$ 12,027,377	\$ 3,509,227,607
Grand Total	\$1,525,860,000	\$ 1,076,190,000	\$ 5,009,205	\$ 890,141,025	\$ 12,027,377	\$ 3,509,227,607

**Table 15
North Carolina Transportation Program, 2006-07**

Department of Transportation	Highway Fund	Highway Trust Fund	Department Receipts	Federal Funds	General Fund	Total
Administration	\$ 83,455,914	\$ 7,761,140	\$ 311,000	\$ -	\$ -	\$ 91,528,054
Division of Highways						
Administration	30,632,164	22,102,510	486,112	-	-	53,220,786
Construction	136,080,000	784,332,657	-	838,880,000	-	1,759,292,657
Maintenance	665,722,211	-	-	-	-	665,722,211
Planning and Research	4,280,000	-	-	17,120,000	-	21,400,000
Asphalt Plant Cleanup	425,000	-	-	-	-	425,000
Ferry Operations	20,264,811	-	-	-	-	20,264,811
State Aid						
Municipalities	95,980,000	51,868,794	-	-	-	147,848,794
Public Transportation	89,866,447	-	-	10,000,000	-	99,866,447
Airports	-	-	-	15,478,062	12,945,066	28,423,128
Railroads	20,299,903	-	-	-	-	20,299,903
Governor's Highway Safety	293,118	-	-	4,609,283	-	4,902,401
Division of Motor Vehicles	95,468,137	4,396,910	4,212,093	4,053,680	-	108,130,820
Other State Agencies	254,839,643	400,880	-	-	-	255,240,523
Reserves and Transfers	18,992,652	-	-	-	-	18,992,652
Transfer to General Fund	-	222,563,009	-	-	-	222,563,009
Uncommitted Trust Fund Administration	-	6,904,100	-	-	-	6,904,100
Total Operating	\$1,516,600,000	\$1,100,330,000	\$ 5,009,205	\$ 890,141,025	\$ 12,945,066	\$ 3,525,025,296
Grand Total	\$1,516,600,000	\$ 1,100,330,000	\$ 5,009,205	\$ 890,141,025	\$ 12,945,066	\$ 3,525,025,296

■ **Appropriations by Department/Budget Code** ■

Transportation - General Fund

General Fund Budget Changes - Transportation (14222)

Recommended Budget and Positions

	<u>2005-06</u>	<u>2006-07</u>
Budget		
Worksheet I Continuation	\$12,027,377	\$12,945,066
Reductions	-	-
Expansion	-	-
RECOMMENDED BUDGET	<u>\$12,027,377</u>	<u>\$12,945,066</u>
<hr/>		
Positions		
Worksheet I Continuation	-	-
Reductions	-	-
Expansion	-	-
RECOMMENDED POSITIONS	<u>-</u>	<u>-</u>

■ **Appropriations by Department/Budget Code** ■

Transportation - Highway Fund

Highway Fund Budget Changes (84210)

Recommended Budget and Positions		
	<u>2005-06</u>	<u>2006-07</u>
Budget		
Worksheet I Continuation	\$1,398,569,973	\$1,401,351,921
Reductions	-	-
Expansion	<u>\$127,290,027</u>	<u>\$115,248,079</u>
RECOMMENDED BUDGET	<u>\$1,525,860,000</u>	<u>\$1,516,600,000</u>
<hr/>		
Positions		
Worksheet I Continuation	14,460.000	14,460.000
Reductions	-	-
Expansion	-	-
RECOMMENDED POSITIONS	<u>14,460.000</u>	<u>14,460.000</u>

Appropriation Items -- Recommended Adjustments

Expansion

2005-06 2006-07

Maintenance

1. Maintenance Reserve Funding

Highway Fund appropriations are recommended to be placed in a reserve to provide flexible funding that can be allocated by system (Primary, Secondary and Urban) based on needs for specific maintenance activities that will preserve and/or improve the overall condition of the transportation system.

Appropriation	\$50,928,923	\$50,928,923
Appropriation - Nonrecurring	\$23,958,098	-

Mandated Adjustments

1. To Adjust Leaking Underground Storage Tank Fund

In accordance with G.S. 105-449.125, an adjustment, based on estimated gallons of motor fuel sold, is necessary to bring the Leaking Underground Storage Tank Fund allocation in line with current revenue projections.

Appropriation	\$156,750	\$483,777
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2. To Adjust State Aid to Municipalities Allocation

In accordance with G.S. 136-41.1, an adjustment, based on estimated gallons of motor fuel sold, is necessary to bring the Aid to Municipalities allocation in line with current revenue projections.

Appropriation \$2,370,000 \$4,980,000

3. To Adjust Secondary Roads Construction Allocation

In accordance with G.S. 136-444-2A, an adjustment, based on estimated gallons of motor fuel sold, is necessary to bring the Secondary Roads Construction allocation in line with current revenue projections.

Appropriation \$2,370,000 \$4,980,000

Information Technology

1. Department of Transportation Information Technology Requests

Senate Bill 1005 of the 2001 session of the General Assembly required that any department desiring financial aid of \$100,000 or greater for the purpose of acquiring or maintaining technology submit to the State Chief Information Officer a statement of needs. The State CIO shall review the statements, perform analyses as necessary and make a recommendation to the Governor regarding the merits of the submitted requests. Senate Bill 991 also spoke to information technology by further requiring the State CIO review all new information technology projects that exceed \$500,000 in lifecycle costs for quality assurance. The legislation also stated that no agency shall proceed with an information technology project until the State CIO has approved the proposal. Listed below are information technology projects submitted by the Department of Transportation for consideration for implementation during the 2005-07 biennium. The projects have been reviewed and approved by the State CIO, some with stipulations that will show if appropriate. It is recommended that these projects be funded from Highway Fund appropriations.

1. Verification of Customer Identification System

Funding is recommended to implement infrastructure at local offices and capabilities to access national databases for validating identification for persons applying for drivers licenses. The application will be outsourced through a competitive bidding process under the auspices of the State IT Purchasing Office. The department must follow the State CIO's project approval and reporting process, including procurement review and approval. Also the department must coordinate with applicable new and emerging homeland security initiatives and requirements.

- 300,000

2. Automated Driver License Testing Systems

The Driver License section has installed automated testing systems in 45 of its busiest offices and will have additional systems installed in 23 more offices by spring of 2005. Additional funds are recommended to install the system in 34 more sites that are small to medium in customer volume. This will provide automated testing systems for every office that has two or more examiners.

185,100 287,100

3. System to Stagger Commercial and Dealer Plates (Senate Bill 1083)

Senate Bill 1083, ratified in 2004, mandated the staggered issuance of commercial license plates, dealer license plates, and motor vehicle dealer licenses. Currently all commercial and motor vehicle dealer plates expire on the same date, December 31 for commercial plates and June 30 for dealer plates. The mandated change goes into effect January 1, 2006, and Highway Fund appropriations are recommended to accommodate the changes. The department must follow the State CIO's project approval and reporting process. Accordingly, the department must receive approval of a planning project and must also receive a "gate" approval before proceeding to the implementation phase.

- 150,000

4. Online Dealer Registration Enhancement

Funding is recommended to enhance the existing Online Dealer Registration System to allow motor vehicle dealers the option of performing titling and registration services on-site. The enhancement would allow the department to write its own client-server/internet application to interface with the mainframe and replace the present outsourced application resulting in savings and service level improvements. The State SCIO has approved \$200,000 for a planning project, with a "gate" approval in the project approval and reporting process before allowing the implementation to begin.

- 200,000

5. Email Replacement

Funding is recommended to replace the Department of Transportation's aging and obsolete email system. The current vendor, Netscape, has stopped supporting the email system, the operating system behind it, and the application software. The State CIO has approved \$300,000 for a planning project, with a "gate" approval in the project approval and reporting process before allowing the implementation to begin.

550,000 550,000

6. Desktop Computer Replacement

The Information Technology Division provides technology support for approximately 8,000 computers within the department. Because of the large number of existing computers, a four year rotation is planned, resulting in one fourth of all computers being replaced each year. This request was approved by the State CIO and funding is recommended.

1,000,000 1,000,000

7. Document Management System

Document management is a term used in referring to the storage, retrieval, tracking and administration of documents within an organization. The term applies to electronic documents and paper-based documents that have been converted to electronic form. Funding is recommended for a feasibility study and pre-implementation preparation for a document management system to improve and streamline information access throughout the entire department. The State CIO has approved \$500,000 for a planning project, with a "gate" approval in the project approval and reporting process before allowing the implementation to begin.

- 1,300,000

Appropriation	\$1,735,100	\$3,787,100
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1. Verification of Customer Identification System	1,272,000	-
2. Automated Driver License Testing Systems	811,760	-
3. System to Stagger Commercial and Dealer Plates (Senate Bill 1083)	1,280,000	-
4. Online Dealer Registration Enhancement	600,000	-
5. Document Management System	500,000	-
Appropriation - Nonrecurring	\$4,463,760	-

Reserves and Transfers

1. Salary Increase

A 2.0% recurring salary increase is recommended for all positions whose salaries are paid from the Highway Fund.

Appropriation \$7,600,000 \$7,600,000

2. Retirement Contribution - Death Benefit / Disability Plan

Funding is recommended to provide an increase in contributions to the Teachers' and State Employees' Retirement System.

Appropriation \$902,400 \$902,400

3. State Health Plan

An increase in the appropriation to the Teachers' and State Employees' Comprehensive Major Medical Plan is recommended. The appropriation will be used to support an increase in premiums paid for both active and retired employees.

Appropriation \$4,000,000 \$5,500,000

4. Global Transpark

Continued state funding for the 2005-07 biennium is recommended as the Global Transpark transitions from a revenue base of primarily state funding to a private sector supported facility.

Appropriation \$1,600,000 \$1,600,000

5. State Highway Patrol

It is recommended that the following expansion requests from the North Carolina State Highway Patrol be funded from Highway Fund appropriations:

1. VIPER (Voice Interoperable Communications Plan for Emergency Responders)

Additional funding is recommended to continue the deployment of the VIPER Strategic 800 MHZ statewide system for all of North Carolina's public safety agencies. This request includes the funding required to continue the rollout of the VIPER project. The SHP represents 15% of the CJIN-MDN users; other state agencies make up 3% of the users, and the remaining balance of the users are local public safety agencies.

1,500,000 2,000,000

2. Motor Carrier Positions Upgrade

Highway Fund appropriations are recommended to provide 243 Motor Carrier Enforcement Officers, formerly DMV Enforcement Officers, with the required training to get to the same level of arrest authority and pay as their trooper counterparts.

2,209,291 3,797,916

3. Additional Troopers

It is recommended that Highway Fund appropriations be provided to increase the number of State Trooper positions for the North Carolina Highway Patrol. The addition of trooper positions will help the SHP advance its mission by promoting safe and efficient transportation for all motorists traveling through North Carolina. A total of 25 new troopers is recommended for Fiscal Year 2005-06 with 25 additional troopers for Fiscal Year 2006-07, for an increase of 50 for the biennium.

1,375,000 2,750,000

4. Additional Sergeant Positions

It is recommended that Highway Fund appropriations be provided to increase the number of Sergeant (supervisory) positions for the North Carolina Highway Patrol by upgrading existing Master Troopers to the rank of Sergeant. A total of three new Sergeant positions is recommended for Fiscal Year 2005-06 with two additional Sergeant positions for Fiscal year 2006-07, for an increase of five for the biennium.

21,300 35,500

Appropriation \$5,105,591 \$8,583,416

1. VIPER (Voice Interoperable Communications Plan for Emergency Responders) 15,000,000 15,000,000

2. Additional Troopers 1,125,000 1,125,000

Appropriation - Nonrecurring \$16,125,000 \$16,125,000

6. Retirement - Cost of Living Allowance (COLA)

Highway Funds are recommended to provide a cost of living allowance (COLA) to retirees.

Appropriation \$807,500 \$807,500

7. Reserve for File Server Consolidation

Funding is recommended for a reserve to provide for the refreshment and consolidation of existing Department of Transportation applications and file servers into a more manageable number of servers. The consolidation of file servers will reduce the annual IT operating expenses as well providing a reduction in power requirements.

Appropriation \$1,000,000 \$1,000,000

8. Increase Driver Education Funding

An increase in funding for the Driver Education Program is recommended to support an increase in the Average Daily Membership (ADM) of students who will become eligible to take driver education during the biennium.

Appropriation	\$126,213	\$126,213
Appropriation - Nonrecurring	\$3,192	

Aeronautics

1. Airline Recruitment Program

Airline passenger traffic levels at North Carolina's eleven non-hub airports have been declining in recent years, especially since 9/11, due to major air carriers' financial instability. Highway Funds are recommended to support an incentive program directed at attracting and retaining improved airline services.

Appropriation	\$350,000	\$350,000
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Rail Program

1. Piedmont and Carolinian Operations

Funds are recommended to cover operational costs for the state sponsored Piedmont and Carolinian passenger trains. The Piedmont provides daily passenger service from Raleigh to Charlotte and the Carolinian provides daily passenger service from Charlotte to New York.

Appropriation	\$1,250,000	\$2,768,750
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2. Grants to Short Line Railroads

In North Carolina there are 22 railroad companies referred to as "short line" railroads that serve as feeder lines to Norfolk Southern and CSX. Short lines often serve rural or small communities and are critical to the economic competitiveness of many manufacturing and processing companies, particularly in the eastern part of the state. Highway Fund appropriations are recommended to create a state grant program for rehabilitation projects that will strengthen North Carolina's short line infrastructure.

Appropriation	\$1,000,000	\$2,000,000
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State Infrastructure Bank

1. Expand State Infrastructure Bank

The 2004 General Assembly appropriated \$750,000 in non-recurring funding to the State Infrastructure Bank program. After a successful first year, it has been determined that there is a need to continue the program in order to allow other entities and municipalities to advance high priority transportation needs. The appropriation of Highway Funds to meet this need is recommended.

Appropriation	-	\$750,000
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General Services

1. Mail Room Expenses

The General Services Division administers the mail room services for the Division of Motor Vehicles. All driver license renewal notifications, vehicle registration renewals, and all other DMV related correspondence are processed by this division. The current appropriation is inadequate to support expenditures at current levels, and additional funds are recommended to bring funding in line with expenditures.

Appropriation	\$900,000	\$900,000
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2. Division of Motor Vehicles Printing Contract

The department's printing and finishing operations are managed by the General Services Division, with the exception of the contract printing and limited finishing services located at the DMV headquarters. The contract for the printing and finishing services expired at the end of 2004. Bids are being solicited for renewal of the existing contractual services in addition to new and expanded services. Additional funding is recommended to fully fund the services, including the expanded requirements for additional printing and finishing.

Appropriation	\$537,500	\$1,075,000
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Total Recommended Expansion

	<u>2005-06</u>	<u>2006-07</u>
Recurring		
Requirements	\$82,739,977	\$99,123,079
Receipts	-	-
	\$82,739,977	\$99,123,079
Appropriation	-	-
Number of Positions	-	-
Nonrecurring		
Requirements	\$44,550,050	\$16,125,000
Receipts	-	-
	\$44,550,050	\$16,125,000
Appropriation	-	-
Number of Positions	-	-

**Total Recommended Adjustments for
Highway Fund Budget Changes
2005-07**

	<u>2005-06</u>	<u>2006-07</u>
Recurring		
Requirements	\$82,739,977	\$99,123,079
Receipts	-	-
	\$82,739,977	\$99,123,079
Appropriation	\$82,739,977	\$99,123,079
Number of Positions	-	-
Nonrecurring		
Requirements	\$44,550,050	\$16,125,000
Receipts	-	-
	\$44,550,050	\$16,125,000
Appropriation	\$44,550,050	\$16,125,000
Number of Positions	-	-
Total Budget Adjustments	\$127,290,027	\$115,248,079
Total Position Adjustments	-	-

Highway Fund Revenue

The Highway Fund receives support from these three sources: 1) motor fuel taxes collected by the Department of Revenue (of which 75% is deposited in the Highway Fund, with the remaining 25% deposited in the Highway Trust Fund), 2) licenses and fees collected by the Division of Motor Vehicles, and 3) interest income earned by the State Treasurer on investments. Of this revenue, motor fuel taxes make up 69%, licenses and fees 28%, and interest income 3%.

Highway Fund revenue is estimated to total \$1,439.7 million in 2004-05, representing a 5.6% increase in collections from a year ago. Motor fuel tax collections are estimated to total \$1,002.1 million, which is an increase of 7.1% over 2003-04. The number of gallons purchased is anticipated to grow by 2.6%. The additional increment of motor fuel tax revenue growth is the result of an increase in the component of the motor fuel tax rate linked to the wholesale price of motor fuel (a 7.0% factor adjusted semiannually).¹ From a level of 6.8 cents per gallon on January 1, 2004, rising fuel prices during calendar year 2004 resulted in an increase in the wholesale component of the motor fuel tax to 7.1 cents on July 1, 2004, and 9.1 cents on January 1, 2005.

License and fee collections are estimated to total \$414.3 million in 2004-05, a 3% increase. Within this category, the principal schedules are staggered vehicle registrations (\$162.2 million), driver licenses (\$78.0 million), and truck licenses (\$69.2 million).

Motor fuel consumption in North Carolina is projected to grow at a rate of 2.9% during the 2005-07 biennium. However, the wholesale component of the motor fuel tax rate trends downward over the next two fiscal years due to a projected moderation in wholesale fuel prices. The wholesale component is projected to decline to 7.2 cents per gallon by January 1, 2007. Consequently, after increasing by 7.5% in 2005-06 (to \$1,076.8 million), motor fuel tax revenue declines by 2.0% in 2006-07 (to \$1,055.5 million).

As the economy continues to expand during 2005-07, license and fee collections grow by an average rate of 2.8%. Investment income holds steady at \$8.0 million annually. Overall, Highway Fund revenue totals \$1,525.9 million in 2005-06, a 6.0% increase, and then declines by 0.6% to \$1,516.6 million in 2006-07. This decline is due to the expected drop in motor fuel tax revenue.

1. The motor fuel tax rate as of January 1, 2005, is 17.5 cents plus the 9.1 cent wholesale component, or 26.6 cents per gallon.

Table 16
2005-07 Highway Fund Revenue

<u>Source</u>	<u>2004-05 Estimated</u>	<u>2005-06 Projected</u>	<u>2006-07 Projected</u>
Motor Fuel Taxes			
Motor Fuel Tax	\$ 1,002,060,000	\$ 1,076,760,000	\$ 1,055,480,000
Gasoline Inspection Fee	14,600,000	15,000,000	15,450,000
Highway Use Registration Fee	160,000	160,000	160,000
Total Motor Fuel Taxes	<u>\$ 1,016,820,000</u>	<u>\$ 1,091,920,000</u>	<u>\$ 1,071,090,000</u>
% Change from Previous Year	7.1%	7.4%	-1.9%
Licenses and Fees			
Staggered Registration Plan	\$ 162,160,000	\$ 166,870,000	\$ 172,040,000
Driver Licenses	77,980,000	79,540,000	80,820,000
Truck Plates	69,160,000	70,950,000	72,940,000
International Registration Plan	49,200,000	50,470,000	51,690,000
Other Licenses and Fees	55,770,000	58,110,000	60,020,000
Total Licenses and Fees	<u>\$ 414,270,000</u>	<u>\$ 425,940,000</u>	<u>\$ 437,510,000</u>
% Change from Previous Year	3.0%	2.8%	2.7%
Investment Income			
	\$ 8,600,000	\$ 8,000,000	\$ 8,000,000
% Change from Previous Year	-25.3%	-7.0%	0.0%
Total Highway Fund Revenue			
	<u><u>\$ 1,439,690,000</u></u>	<u><u>\$ 1,525,860,000</u></u>	<u><u>\$ 1,516,600,000</u></u>
% Change from Previous Year	5.6%	6.0%	-0.6%

Table 17
Condition of the Highway Fund
2005-07

	<u>2004-05</u> <u>Authorized</u>	<u>2005-06</u> <u>Recommended</u>	<u>2006-07</u> <u>Recommended</u>
Availability			
Beginning Credit Balance			
Appropriation Reversions	\$ -	\$ -	\$ -
Overrealized Revenue	-	-	-
Subtotal	-	-	-
Appropriation Reserves	-	-	-
State Highway Fund Revenue	<u>1,390,900,000</u>	<u>1,525,860,000</u>	<u>1,516,600,000</u>
Total Availability	1,390,900,000	1,525,860,000	1,516,600,000
Expenditures and Commitments			
Expended and Reserved	<u>1,390,900,000</u>	<u>1,525,860,000</u>	<u>1,516,600,000</u>
Ending Credit Balance	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

Table 18
Recommended Highway Fund Appropriation
2005-07

	2004-05 Authorized	2005-06 Recommended	2006-07 Recommended
DOT-General Administration	\$ 79,709,154	\$ 82,604,119	\$ 83,455,914
Highway Division Administration	30,542,111	30,621,612	30,632,164
Federal Aid Match - Planning and Research	4,280,000	4,280,000	4,280,000
Construction Program			
State Secondary System	91,000,000	93,370,000	95,980,000
State Urban System	14,000,000	14,000,000	14,000,000
Discretionary Funds	15,000,000	15,000,000	15,000,000
Spot Safety Improvements	9,100,000	9,100,000	9,100,000
Access and Public Service Roads	2,000,000	2,000,000	2,000,000
Small Urban Construction	7,000,000	-	-
Total Construction Program	<u>\$ 138,100,000</u>	<u>\$ 133,470,000</u>	<u>\$ 136,080,000</u>
Maintenance Program			
Primary System	124,750,498	124,750,498	124,750,498
Secondary System	214,243,652	214,243,652	214,243,652
Urban System	40,079,682	40,079,682	40,079,682
Contract Resurfacing	157,208,316	157,208,316	157,208,316
General Maintenance Reserve	78,511,140	153,398,161	129,440,063
Total Maintenance Program	<u>\$ 614,793,288</u>	<u>\$ 689,680,309</u>	<u>\$ 665,722,211</u>
Ferry Operations	21,264,811	20,264,811	20,264,811
State Aid to Municipalities	91,000,000	93,370,000	95,980,000
State Aid to Railroads	15,531,153	17,781,153	20,299,903
State Aid for Public Transportation	79,866,447	89,866,447	89,866,447
Airports	-	-	-
Asphalt Plant Cleanup	425,000	425,000	425,000
Governor's Highway Safety Program	293,118	293,118	293,118
Division of Motor Vehicles	91,611,358	96,047,914	95,468,137
Total Department of Transportation	<u>\$ 1,167,416,440</u>	<u>\$ 1,258,704,483</u>	<u>\$ 1,242,767,705</u>
Transfers to Other State Agencies			
Agriculture	3,897,946	4,115,930	4,234,921
Revenue	4,318,518	4,873,784	4,877,766
State Treasurer	16,166,400	16,166,400	16,166,400
DPI - Driver Education	31,870,484	32,604,129	32,800,569
CCPS - Highway Patrol	156,340,038	184,495,510	188,275,171
DENR - LUST Trust Fund	5,853,536	6,010,286	6,337,313
DHHS - Chemical Test	541,886	546,826	547,503
Global Transpark	1,600,000	1,600,000	1,600,000
Total Transfers to Other State Agencies	<u>\$ 220,588,808</u>	<u>\$ 250,412,865</u>	<u>\$ 254,839,643</u>
Reserves			
Salary Adjustment	650,000	650,000	650,000
Minority Contractor Development	150,000	150,000	150,000
State Fire Protection Grant	150,000	150,000	150,000
Stormwater Discharge Permit	500,000	500,000	500,000
Visitor Centers	375,000	375,000	375,000
State Infrastructure Bank	750,000	-	750,000
Reserve for Legislative Increase	-	7,600,000	7,600,000
Reserve for Retirement Adjustment	-	1,709,900	1,709,900
Reserve for Health Insurance Adjustment	-	4,000,000	5,500,000
Reserve for File Server Consolidation	-	1,000,000	1,000,000
State Employee Reserve	842,658	842,658	842,658
Employer's Contribution to Retirement	66,094	354,094	354,094
Employer's Contribution to Death Benefit	(589,000)	(589,000)	(589,000)
Total Reserves	<u>\$ 2,894,752</u>	<u>\$ 16,742,652</u>	<u>\$ 18,992,652</u>
Total Current Operations	1,390,900,000	1,525,860,000	1,516,600,000
Capital Improvements	-	-	-
Total Highway Fund Appropriation	<u><u>\$ 1,390,900,000</u></u>	<u><u>\$ 1,525,860,000</u></u>	<u><u>\$ 1,516,600,000</u></u>

■ **Appropriations by Department/Budget Code** ■

Transportation - Highway Trust Fund

Highway Trust Fund Revenue

Established in 1989, the Highway Trust Fund receives support from four sources: (1) one-fourth of motor fuel taxes collected by the Department of Revenue, (2) the amount of taxes remaining from highway use tax collections from sales of motor vehicles after \$242 million (the current amount) is transferred to the General Fund, (3) most of the title fees and various registration fee collections, and (4) interest earned from investment of the Highway Trust Fund cash balance by the State Treasurer. Of the revenue remaining in the Highway Trust Fund, 30% comes from motor fuel taxes, 56% from highway use taxes, 10% from titles and other fees, and 4% from investment income.

Highway Trust Fund net collections are estimated to total \$1,025.02 million in 2004-05, representing an increase of 3.1%. The motor fuel tax collection is projected to be \$334.02 million, up 7.5% over 2003-04. (For a more detailed explanation of the motor fuel tax, see the section on Highway Fund revenue.) Growth in the highway use tax (totaling \$587.02 million) slows to 1.5% in 2004-05, as rising prices blunt light vehicle sales. Similarly, the rate of increase in title certificates eases to 1.3%, following a strong 5.9% increase in 2003-04.

The motor fuel tax is projected to increase by 7.5% in 2005-06, before declining by 2.0% in 2006-07, as the effective tax rate adjustment is downward. As gasoline prices moderate, the highway use tax is expected to grow at an average annual rate of 4.4% during 2005-07. The rate of increase in title certificates improves, averaging 2.6% over the next two fiscal years. Income from the State Treasurer's investments is projected at \$6.5 million annually.

Overall, Highway Trust Fund revenue is projected at \$1,076.2 million in 2005-06 (up 5.0%) and \$1,100.3 million in 2006-07 (up 2.2%).

Table 19
2005-07 Highway Trust Fund Revenue

Source	2004-05 Estimated	2005-06 Projected	2006-07 Projected
Motor Fuel Taxes	\$ 334,020,000	\$ 358,920,000	\$ 351,830,000
Highway Use Taxes	587,020,000	611,090,000	639,810,000
Title Fees			
Certificates of Title	84,800,000	87,010,000	89,180,000
Miscellaneous Title Fees	12,360,000	12,670,000	13,010,000
Subtotal	\$ 1,018,200,000	\$ 1,069,690,000	\$ 1,093,830,000
% Change from Previous Year	3.4%	5.1%	2.3%
State Treasurer's Investments	\$ 6,820,000	\$ 6,500,000	\$ 6,500,000
% Change from Previous Year	-10.0%	-4.7%	0.0%
Total Revenue	\$ 1,025,020,000	\$ 1,076,190,000	\$ 1,100,330,000
% Change from Previous Year	3.1%	5.0%	2.2%
Amount for Transfer to the General Fund¹	242,520,317	233,058,117	222,563,009
Balance Available for Trust Fund Projects	\$ 782,499,683	\$ 843,131,883	\$ 877,766,991

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

Table 20
Condition of the Highway Trust Fund
2005-07

	<u>2004-05</u> <u>Authorized</u>	<u>2005-06</u> <u>Recommended</u>	<u>2006-07</u> <u>Recommended</u>
Availability			
Beginning Credit Balance			
Appropriation Reserves	\$ -	\$ -	\$ -
Highway Trust Fund Revenue	1,037,499,000	1,076,190,000	1,100,330,000
Total Availability	<u>\$ 1,037,499,000</u>	<u>\$ 1,076,190,000</u>	<u>\$ 1,100,330,000</u>
Expenditures and Commitments			
Expended and Reserved	794,978,683	843,131,883	877,766,991
Transfer to General Fund ¹	242,520,317	233,058,117	222,563,009
Total Expenditures and Commitments	<u>\$ 1,037,499,000</u>	<u>\$ 1,076,190,000</u>	<u>\$ 1,100,330,000</u>
Ending Credit Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

Table 21
Recommended Highway Trust Fund Appropriation
2005-07

	<u>2004-05</u> <u>Authorized</u>	<u>2005-06</u> <u>Recommended</u>	<u>2006-07</u> <u>Recommended</u>
Department of Transportation			
Maximum Allowance for Administration	\$ 38,691,600	\$ 40,648,220	\$ 41,565,540
Construction Allocation			
Intrastate System	438,274,707	474,037,474	494,349,510
Urban Loop System	177,220,039	191,681,013	199,894,353
Secondary Roads	82,328,097	87,027,588	90,088,794
State Aid to Municipalities	45,985,240	49,737,588	51,868,794
Transfer to the General Fund ¹	<u>242,520,317</u>	<u>233,058,117</u>	<u>222,563,009</u>
Total Highway Trust Fund	<u><u>\$ 1,025,020,000</u></u>	<u><u>\$ 1,076,190,000</u></u>	<u><u>\$ 1,100,330,000</u></u>

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

■ **Appropriations by Department/Budget Code** ■

Capital Improvements

Capital Improvements - General Fund (404xx)

Recommended Budget and Positions

	<u>2005-06</u>	<u>2006-07</u>
Budget		
Worksheet I Continuation	-	-
Reductions	-	-
Expansion	<u>\$18,013,000</u>	-
RECOMMENDED BUDGET	<u>\$18,013,000</u>	-
<hr/>		
Positions		
Worksheet I Continuation	-	-
Reductions	-	-
Expansion	-	-
RECOMMENDED POSITIONS	<u>-</u>	<u>-</u>

Appropriation Items -- Recommended Adjustments

Expansion

2005-06 2006-07

1. Water Resources Development 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. Allocation of these funds will be made by the Department of Environment and Natural Resources in compliance with the state's Water Resources Plan.

Appropriation - Nonrecurring \$13,013,000

2. NC Ports Authority

It is recommended that an appropriation of \$5,000,000 be made for equipment and infrastructure needs at the State Ports.

Appropriation - Nonrecurring \$5,000,000

Total Recommended Expansion

	<u>2005-06</u>	<u>2006-07</u>
Recurring		
Requirements	-	-
Receipts	-	-
	<hr/>	<hr/>
Appropriation	-	-
Number of Positions	-	-
Nonrecurring		
Requirements	\$18,013,000	-
Receipts	-	-
	<hr/>	<hr/>
Appropriation	\$18,013,000	-
Number of Positions	-	-

**Total Recommended Adjustments for
Capital Improvements - General Fund
2005-07**

	<u>2005-06</u>	<u>2006-07</u>
Recurring		
Requirements	-	-
Receipts	-	-
	<hr/>	<hr/>
Appropriation	-	-
Number of Positions	-	-
Nonrecurring		
Requirements	\$18,013,000	-
Receipts	-	-
	<hr/>	<hr/>
Appropriation	\$18,013,000	-
Number of Positions	-	-
Total Budget Adjustments	\$18,013,000	-
Total Position Adjustments	-	-

■ **Appropriations by Department/Budget Code** ■

Reserves, Debt Service, and Other Adjustments

Reserves, Debt Service, and Other Adjustments - General Fund (190xx, 19420, 19425)

Recommended Budget and Positions

	<u>2005-06</u>	<u>2006-07</u>
Budget		
Worksheet I Continuation	\$505,302,342	\$636,033,833
Technical Adjustments	-	-
Reductions	(\$67,000,000)	(\$67,000,000)
Expansion	<u>\$306,280,100</u>	<u>\$317,680,100</u>
RECOMMENDED BUDGET	<u>\$744,582,442</u>	<u>\$886,713,933</u>
<hr/>		
Positions		
Worksheet I Continuation	-	-
Technical Adjustments	-	-
Reductions	-	-
Expansion	-	-
RECOMMENDED POSITIONS	<u>-</u>	<u>-</u>

Appropriation Items -- Recommended Adjustments

Reductions

2005-06 2006-07

Statewide Reserves

1. Information Technology Efficiencies

SB 991, passed by the General Assembly during the 2004 session, changed the governance of information technology in state government. Initiatives launched by the State Chief Information Officer as a result of this legislation will lead to reductions in some costs paid by state agencies. This results in net savings to general fund appropriations.

Appropriation (\$3,000,000) (\$3,000,000)

2. Management Flexibility Reduction for State Agencies

It is recommended that agency budgets be reduced by 1% (excluding public schools, Medicaid, and debt service). Each agency shall determine where reductions should be taken to minimize the impact on services. Agencies shall provide the Office of State Budget and Management (OSBM) a plan on how reductions will be implemented by October 1, 2005.

Special exemptions may be made for crucial public safety and health related services upon approval from OSBM.

Appropriation (\$64,000,000) (\$64,000,000)

Total Recommended Reductions

	<u>2005-06</u>	<u>2006-07</u>
Recurring		
Requirements	(\$67,000,000)	(\$67,000,000)
Receipts	-	-
	<hr/>	<hr/>
Appropriation	(\$67,000,000)	(\$67,000,000)
Number of Positions	-	-
Nonrecurring		
Requirements	-	-
Receipts	-	-
	<hr/>	<hr/>
Appropriation	-	-
Number of Positions	-	-

Expansion

	<u>2005-06</u>	<u>2006-07</u>
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Employee Benefits

1. State Funded Employee Compensation Increases

Provides recurring funds to increase salaries of state-funded Public School System employees, Community College employees, University System employees, and state agency employees. Increases for each group are listed below.

Appropriation \$173,200,000 \$173,200,000

Appropriation - Nonrecurring \$8,000,000

1. Public Schools

- Teachers and Instructional Support Personnel (2% average)
- State Agency Teachers (2% average)
- School of Science and Math Faculty (2% average)
- Principals and Assistant Principals (2% average)
- Other Public School Employees (2% average)

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

2. Community Colleges

- Community College System Employees (2%)

The Governor recommends providing \$13,200,000 for an additional 2% increase for the State Board of Community Colleges to distribute to

full-time community college faculty and professional staff. These funds shall not be transferred by the State Board or used for any other budget purpose by the community colleges.

3. State Employees

- State Agency and University System
- SPA (2% increase)
- EPA (2% increase)

2. Retirement System Contributions - Death Benefit and Disability Plans

It is recommended that the employer contribution for the Death Benefit and Disability Plans be increased to ensure the plans are adequately funded. (Death Benefit from 0% of payroll to 0.16% of payroll; Disability Benefit from 0.445% of payroll to 0.52% of payroll)

Appropriation \$20,769,300 \$20,769,300

3. Retirement System Contribution - COLA for Retirees

Provides a 2% increase in the retirement allowances paid to beneficiaries of the Teachers' and State Employees' Retirement System. This increase is funded in part with unencumbered actuarial gains in the Retirement System as of December 31, 2003.

Appropriation \$13,810,800 \$13,810,800

4. State Health Plan Premium Increases

Provides funds to increase the state's contribution rate for active and retired employees' health care benefits, net of savings resulting from the Medicare Part D Program for prescription benefits. Premium increases are effective October 1, 2005.

Appropriation \$80,000,000 \$100,000,000

5. Retirement System Payback

The Governor's budget recommends that \$5 million from the FY 2004-05 credit balance shall be earmarked to continue repayment of funds withheld from the Retirement System in 2000-01 due to the budget crisis.

Statewide Reserves

1. Job Development Investment Grant (JDIG)

The Job Development Investment Grant (JDIG) is a discretionary incentive, capable of providing sustained annual grants to new and expanding business measured against a percentage of withholding taxes paid by new employees. Money will be transferred from this reserve to meet the cash requirements of the JDIG program.

Appropriation \$3,500,000 \$7,900,000

2. Information Technology Funds

SB 991, which passed during the 2004 session of the General Assembly, established the Information Technology Fund in the Office of Information and Technology Services (ITS). The fund's purpose was to meet statewide requirements, including planning, project management, security, electronic mail, State portal operations, and the administration of system-wide procurement procedures. The new fund was initially established with a

one-time cash transfer from ITS's fund balance. The Office of State Budget and Management recommends that state IT rates should be restructured for FY 2005-06. The restructuring would allow rates to mirror actual services being provided (eliminate cross subsidies) as well as provide permanent funding for activities already being performed. The combination of rate decreases and increases will have no net effect on most agencies' budgets. However, for some small agencies IT costs might increase above the agencies' current budgeted requirements. Therefore, a recurring appropriation is recommended to be placed in a Reserve in the Office of State Budget and Management that would be used to hold these agencies' budgets harmless.

Appropriation \$2,000,000 \$2,000,000

3. Information Technology Infrastructure

The Governor's budget recommends that \$25,000,000 be earmarked for statewide information technology projects. This includes \$20,000,000 from the 2004-05 credit balance and \$5,000,000 from ITS receipts. Specifically, \$15 million would be provided to the Office of the State Controller to implement recommendations outlined in the Business Infrastructure Study. The remaining \$10 million would be transferred to the IT Fund established in SB 991 and used to meet requirements for security, project management, state portal, electronic mail, legacy systems, and other enterprise initiatives.

4. Mental Health Trust Fund

The Governor's budget recommends an appropriation of \$5,000,000 for mental health system reform. Funds will be used to support more appropriate and cost effective community treatment alternatives; enhance treatment and prevention services; provide bridge funding to maintain services during transitional periods; and construct, repair, and renovate mental health, developmental disabilities and substance abuse facilities.

Appropriation - Nonrecurring \$5,000,000

Total Recommended Expansion

	<u>2005-06</u>	<u>2006-07</u>
Recurring		
Requirements	\$293,280,100	\$317,680,100
Receipts	-	-
Appropriation	\$293,280,100	\$317,680,100
Number of Positions	-	-
Nonrecurring		
Requirements	\$13,000,000	-
Receipts	-	-
Appropriation	\$13,000,000	-
Number of Positions	-	-

Total Recommended Adjustments for Reserves, Debt Service, and Other Adjustments - General Fund 2005-07		
	<u>2005-06</u>	<u>2006-07</u>
Recurring		
Requirements	\$226,280,100	\$250,680,100
Receipts	-	-
	-----	-----
Appropriation	\$226,280,100	\$250,680,100
Number of Positions	-	-
Nonrecurring		
Requirements	\$13,000,000	-
Receipts	-	-
	-----	-----
Appropriation	\$13,000,000	-
Number of Positions	-	-
Total Budget Adjustments	\$239,280,100	\$250,680,100
Total Position Adjustments	-	-

■ **Appendix** ■

Table 1A
Condition of the General Fund, 1974-75 to 2003-04

(Includes Federal Revenue Sharing and Anti-Recession Revenues)

Fiscal Year	Beginning Balance July 1	Transfers from Reserves	Net Collections	Total Appropriation Expenditures	Reserve Transfers ^a	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 ^b
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 ^c	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 ^d	9,970,738,717	9,967,684,132	387,411,138	292,611,137
1995-96	292,611,137	153,100,000 ^e	10,090,225,385	9,809,354,769	320,445,592 ^f	406,136,161
1996-97	406,136,131	1,595,394 ^g	10,933,860,552	10,466,775,861	556,126,043 ^h	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) ⁱ
2000-01	(0) ⁱ	620,729,850 ^j	13,451,860,973	13,445,510,386	627,080,436	0 ⁱ
2001-02	0 ⁱ	703,038,110 ^k	13,157,882,906	13,741,135,020	116,000,000	3,785,996
2002-03	25,000,000 ^l	136,859,298	14,110,717,770	13,855,522,493	166,510,735	250,543,840
2003-04	250,543,840	245,656,143	14,690,826,574	14,704,184,520	193,463,425	289,378,612

- a. Reserve transfers for Savings Reserve, Repair and Renovations Reserve, Reserve for Tax Relief, and other.
- b. Includes a reserve of \$28,600,000 required by the June 1986 General Assembly Session in accordance with the 1985 Session Laws, Chapter 791, Section 44.
- c. This number excludes \$400,000 transferred to the Savings Reserve account for 1991-92 as appropriated.
- d. This number includes \$209,932,954 for the Reserve for Disproportionate Share and \$60,000,000 for Repairs and Renovations.
- e. This number includes \$28,100,000 for the Reserve for Tax Relief and \$125,000,000 authorized for Repairs and Renovations.
- f. The number includes \$130 million for Repair and Renovations, \$77,342,025.97 Savings Reserve, \$25 million Federal Retiree Refund, \$1.2 million Federal Retiree Refund Administration, \$47.1 million Clean Water Management, \$39,519,567 capital improvements, and \$284,000 library grants.
- g. Reserve for Disproportionate Share.
- h. 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.
- i. Zero in parentheses represents a negative value that rounds to zero. Zero without parentheses represents a positive value that rounds to zero.
- j. This number includes \$308,401,820 for the Easley Executive Order #3 Reserve and \$312,328,030 Disaster Relief Reserve.
- k. This number includes \$440,915,625 for the EEO #19 Reserve, \$347,763,108 Shortfall BC 19979, \$4,359,377 capital improvement transfers, and (\$90,000,000) authorized transfer to Savings Reserve from Revenues.
- l. Section 2.2.(a) of Session Law 2002-126 established a beginning unreserved credit balance of \$25 million.

Table 1B
Condition of the Highway Fund, 1974-75 to 2003-04

(Includes Federal Aid Participation)

Fiscal Year	Beginning Balance July 1	Net Collections^a	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
2002-03	495,358,446	3,905,749,064	2,736,727,380	1,664,380,130
2003-04	1,664,380,130	3,437,047,830	2,374,362,841	2,727,065,119

a. Includes local aid participation and interfund transfers.

Table 1C
Condition of the Highway Trust Fund, 1989-90 to 2003-04

Fiscal Year	Beginning Balance July 1	Total Revenue and Other Sources	Contracting Authorization from Future Years' Cash Flow	Total Appropriation Expenditures^a	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
2002-03	415,574,991	1,150,573,168	5,995,280	1,221,468,357	350,675,082
2003-04	350,675,082	1,473,132,995	79,302,827	1,737,991,663	165,119,241

a. Expenditures include all interfund transfers for both the Highway and General Funds.

Table 1D
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	-	-	150,000,000	150,000,000
2003-04	150,000,000	391,343	116,666,064	267,057,407

- a. The General Assembly appropriated \$141.0 million; the reserve was used to balance a revenue shortfall in 1990-91.
- b. The 1993 Session of the General Assembly authorized the transfer of reserves to support the 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's 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 for 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 with \$181.8 million from the General Fund, but only \$90 million was credited.

Table 2
Total Authorized North Carolina State Budget, 1983-84 to 2006-07

(In Millions)

Fiscal Year	Operating	Capital Improvements	Local Tax Reimbursements and Other	Budget Stabilization	Total
1983-84	\$ 6,602.9 ^a	\$ 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 ^b	334.1 ^b	-	-	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 ^c	476.8	141.0	12,939.6
1991-92	12,892.7	242.6 ^d	474.6	0.4	13,610.3
1992-93	13,997.3	274.6	236.8	-	14,508.7
1993-94	16,130.8 ^e	374.0 ^f	236.8	-	16,741.6
1994-95	17,320.5 ^e	412.6	236.8	-	17,969.9
1995-96	17,600.6	456.0	-	-	18,056.6
1996-97	18,662.2 ^g	1,118.0	-	-	19,780.2
1997-98	19,923.4 ^h	1,201.4	-	-	21,124.8
1998-99	21,300.7 ^h	883.5	447.4	-	22,631.6
1999-00	22,784.3 ⁱ	877.1	629.0	-	24,290.4
2000-01	23,927.7 ^j	424.0	30.0 ^m	120.0	24,501.7
2001-02	25,763.0 ^k	762.9	40.0 ^m	-	26,565.9
2002-03	26,205.0 ^l	881.2	66.5 ^m	-	27,152.7
2003-04	27,801.7	1,533.3	62.0 ^m	-	29,397.0
2004-05	29,625.4	1,534.1	62.0 ^m	-	31,221.5
2005-06	32,574.8	1,206.7 ⁿ	62.0 ^m	-	33,843.5
2006-07	34,247.3	245.7 ^o	62.0 ^m	-	34,555.0

a. Includes \$25.8 million transferred from the General Fund to the Highway Fund.

b. Includes emergency appropriation for the Department of Correction.

c. Includes \$75 million from legislative bonds.

d. Includes \$45 million from legislative bonds and \$112.5 million from prison bonds.

e. Includes \$214.2 million for June 1994 payroll restoration (1993-94) and \$120 million for teacher payroll restoration (1994-95).

f. Includes \$87.5 million from prison bonds.

g. Includes \$4.7 million for community colleges from the 1997 Session of the General Assembly.

h. Includes public school bonds and highway bonds (\$700.0 million in 1997-98 and \$450.0 million in 1998-99).

i. Includes \$450 million for public school bonds in 1999-00 and \$200 million for clean water and natural gas bonds.

j. Includes \$300 million for clean water and natural gas bonds.

k. Includes \$250 million for clean water and natural gas bonds, \$55 million for public school bonds, and \$300 million for university and community college bonds.

l. Includes \$250 million for clean water and natural gas bonds and \$600 million for university and community college bonds.

m. Clean Water Management Trust Fund appropriation.

n. Includes \$852.5 million of general obligation bonds and \$336.2 million of certificates of participation proposed to be issued in FY 2005-06.

o. Includes \$30 million of general obligation bonds and \$215.7 million of certificates of participation proposed to be issued in FY 2006-07.

Table 3A
Total North Carolina State Budget by Function, Department, and Source of Funds, 2005-06

General Budget Code	Function	General Fund	Highway Fund and Highway Trust Fund	Other	Federal	Total
Education						
13510	Public Education	\$ 6,678,869,493	\$ 32,474,724	\$ 14,258,485	\$ 887,957,920	\$ 7,613,560,622
16800	Community Colleges	763,669,812	-	179,956,198	16,271,397	959,897,407
160xx	<i>University System</i>					
16010	UNC General Administration	48,369,315	-	16,500	-	48,385,815
16011	UNC Institutional Programs	94,867,322	-	-	-	94,867,322
16012	UNC Related Education Programs	142,152,227	-	-	1,778,477	143,930,704
16020	UNC at Chapel Hill Academic Affairs	208,483,740	-	155,788,564	246,671	364,518,975
16021	UNC at Chapel Hill Health Affairs	166,261,727	-	36,338,458	-	202,600,185
16022	UNC at Chapel Hill Area Health Education	44,743,422	-	-	-	44,743,422
16030	NC State Univ. Academic	294,997,154	-	143,802,081	200,000	438,999,235
16031	NC State Univ. Agric. Research Services	46,151,198	-	2,378,485	8,016,973	56,546,656
16032	NC State Univ. Agric. Extension Services	36,375,164	-	620,036	14,683,685	51,678,885
16040	UNC at Greensboro	109,655,825	-	45,826,392	111,798	155,594,015
16050	UNC at Charlotte	119,003,904	-	65,042,951	100,000	184,146,855
16055	UNC at Asheville	27,688,290	-	9,915,024	10,400	37,613,714
16060	UNC at Wilmington	66,116,146	-	40,857,314	71,575	107,045,035
16065	East Carolina Univ. Academic	152,454,135	-	77,660,963	145,900	230,260,998
16066	East Carolina Univ. Health Services	44,694,714	-	2,502,000	-	47,196,714
16070	NC Agric. & Tech. State Univ.	76,389,021	-	39,873,457	58,714	116,321,192
16075	Western Carolina Univ.	60,925,143	-	20,962,932	148,874	82,036,949
16080	Appalachian State Univ.	93,091,413	-	43,873,602	77,725	137,042,740
16082	UNC at Pembroke	39,288,658	-	10,300,082	42,968	49,631,708
16084	Winston-Salem State Univ.	43,631,328	-	10,804,311	74,805	54,510,444
16086	Elizabeth City State Univ.	26,955,103	-	5,665,546	48,400	32,669,049
16088	Fayetteville State Univ.	39,486,514	-	11,602,447	129,202	51,218,163
16090	NC Central Univ.	54,577,817	-	25,054,228	108,431	79,740,476
16092	NC School of the Arts	20,993,205	-	8,865,057	14,550	29,872,812
16094	NC School of Science and Mathematics	14,355,420	-	808,189	-	15,163,609
16095	UNC Hospitals	39,627,760	-	593,010,688	-	632,638,448
	Total UNC System	2,111,335,665	-	1,351,569,307	26,069,148	3,488,974,120
	Total Education	9,553,874,970	32,474,724	1,545,783,990	930,298,465	12,062,432,149
General Government						
14100	Administration	60,890,252	-	9,905,066	6,701,151	77,496,469
18210	Office of Administrative Hearings	2,986,210	-	120,014	-	3,106,224
13300	State Auditor	10,850,737	-	50	-	10,850,787
18025	State Board of Elections	5,042,543	-	39,500	-	5,082,043
14160	Office of State Controller	10,024,033	-	27,680	-	10,051,713
14800	Cultural Resources	62,298,020	-	1,944,143	6,109,262	70,351,425
14802	Cultural Resources - Roanoke Island	1,783,374	-	-	-	1,783,374
11000	General Assembly	42,984,588	-	970,100	-	43,954,688
13000	Governor's Office	5,574,590	-	204,156	-	5,778,746
13005	State Budget and Management (OSBM)	5,001,371	-	500	-	5,001,871
13085	OSBM - Special Appropriations	8,874,000	-	-	-	8,874,000
13010	NC Housing Finance	4,750,945	-	2,949,850	42,905,325	50,606,120
13900	Insurance	27,954,217	-	29,196,167	343,608	57,493,992
13901	Insurance - Worker's Compensation Fund	2,500,000	-	846,401	170,725	3,517,126
13100	Lieutenant Governor	703,501	-	-	-	703,501
14700	Revenue	80,068,410	6,233,229	332,596	-	86,634,235
18300	Rules Review Commission	-	-	-	-	-
13200	Secretary of State	8,568,943	-	550,734	-	9,119,677
13410	State Treasurer	8,273,726	-	658,662	-	8,932,388
13412	State Treasurer - Retirement/Benefits	8,146,179	-	-	-	8,146,179
28101-07	Special Boards and Commissions	-	-	2,810,801	-	2,810,801
	Total General Government	357,275,639	6,233,229	50,556,420	56,230,071	470,295,359

General Budget Code	Function	General Fund	Highway Fund and Highway Trust Fund	Other	Federal	Total
Health and Human Services						
14410	Central Administration	123,810,590	-	719,662	58,625,840	183,156,092
14411	Aging	29,495,139	-	9,336,701	38,480,748	77,312,588
14420	Child Development	269,650,017	-	776,000	291,052,506	561,478,523
14424	Education Services	33,948,521	-	440,681	148,163	34,537,365
14430	Public Health	135,626,235	586,058	77,969,137	359,013,850	573,195,280
14440	Social Services	182,906,471	-	502,285,251	649,145,549	1,334,337,271
14445	Medical Assistance	2,588,648,711	-	614,538,892	6,132,849,910	9,336,037,513
14446	Child Health	64,848,231	-	-	174,353,978	239,202,209
14450	Services for the Blind	9,843,201	-	1,462,087	14,053,093	25,358,381
14460	Mental Health/DD/SAS	592,325,908	-	54,688,696	96,458,767	743,473,371
14470	Facility Services	15,346,599	-	2,395,135	25,863,970	43,605,704
14480	Vocational Rehabilitation	41,755,526	-	6,390,905	70,794,143	118,940,574
Total Health and Human Services		4,088,205,149	586,058	1,271,003,147	7,910,840,517	13,270,634,871
Justice and Public Safety						
14500	Correction	1,046,529,365	-	10,558,381	-	1,057,087,746
14900	Crime Control and Public Safety	35,708,632	173,562,260	8,571,213	12,636,367	230,478,472
12000	Judicial	347,593,618	-	616,948	-	348,210,566
12001	Judicial - Indigent Defense	96,688,190	-	8,183,874	-	104,872,064
13600	Justice	78,654,233	-	5,617,987	1,698,412	85,970,632
14060	Juvenile Justice	141,608,605	-	6,433,958	-	148,042,563
Total Justice and Public Safety		1,746,782,643	173,562,260	39,982,361	14,334,779	1,974,662,043
Natural and Economic Resources						
13700	Agriculture and Consumer Services	52,485,984	4,115,930	22,882,579	6,483,520	85,968,013
14600	Commerce	39,868,347	-	46,026,808	302,263,752	388,158,907
14601	Commerce - State Aid	28,108,087	-	-	-	28,108,087
14300	Environment and Natural Resources	176,058,236	-	78,556,621	52,308,140	306,922,997
14301	Clean Water Management Trust	62,000,000	-	-	-	62,000,000
13800	Labor	14,985,864	-	4,818,695	6,785,960	26,590,519
Total Natural and Economic Resources		373,506,518	4,115,930	152,284,703	367,841,372	897,748,523
14222	Transportation	12,027,377	2,135,853,282	5,009,205	890,141,025	3,043,030,889
Net Agency		16,131,672,296	2,352,825,483	3,064,619,826	10,169,686,229	31,718,803,834
19600	Capital Improvements	18,013,000	-	-	-	18,013,000
Debt Service						
19420	General Debt Service	485,185,962	93,449,000	80,000,000	-	658,634,962
19425	Federal Reimbursement	1,616,380	-	-	-	1,616,380
Total Debt Service		486,802,342	93,449,000	80,000,000	-	660,251,342
Reserves and Adjustments						
19001	Contingency and Emergency Reserve	5,000,000	-	-	-	5,000,000
19003	Compensation Increase Reserve	181,200,000	-	-	-	181,200,000
19004	Salary Adjustment Reserve	9,000,000	-	-	-	9,000,000
190xx	Information Technology Efficiencies	(3,000,000)	-	-	-	(3,000,000)
19049	Mental Health/DD/SAS Trust Fund	5,000,000	-	-	-	5,000,000
19043	Health Plan Reserve	80,000,000	-	-	-	80,000,000
19047	Retirement Rate Adjustment Reserve (Cost of Living Adjustment)	13,810,800	-	-	-	13,810,800
190xx	IT Initiative	2,000,000	-	-	-	2,000,000
19013	Job Development Incentive Grants (JDIG) Reserve	8,000,000	-	-	-	8,000,000

General Budget Code	Function	General Fund	Highway Fund and Highway Trust Fund	Other	Federal	Total
190xx	Management Flexibility	(64,000,000)				(64,000,000)
19047	Retirement Rate Adjustment Reserve (Death Benefit/Disability/Court)	20,769,300	-	-	-	20,769,300
	Total Reserves and Adjustments	257,780,100	-	-	-	257,780,100
Total Budget		16,894,267,738	2,446,274,483	3,144,619,826	10,169,686,229	32,654,848,276
General Obligation Bonds and Certificates of Participation		852,500,000	-	336,200,000	-	1,188,700,000
Grand Total Budget Including General Obligation Bonds and Certificates of Participation		\$ 17,746,767,738	\$ 2,446,274,483	\$ 3,480,819,826	\$ 10,169,686,229	\$ 33,843,548,276

Table 3B
Total North Carolina State Budget by Function, Department, and Source of Funds, 2006-07

General Budget Code	Function	General Fund	Highway Fund and Highway Trust Fund	Other	Federal	Total
Education						
13510	Public Education	\$ 6,775,854,813	\$ 32,674,356	\$ 14,258,485	\$ 887,957,920	\$ 7,710,745,574
16800	Community Colleges	763,692,920	-	179,956,198	16,271,397	959,920,515
160xx	<i>University System</i>					0
16010	UNC General Administration	48,849,964	-	18,000	-	48,867,964
16011	UNC Institutional Programs	95,049,072	-	-	-	95,049,072
16012	UNC Related Education Programs	155,620,209	-	-	1,778,477	157,398,686
16020	UNC at Chapel Hill Academic Affairs	215,780,596	-	155,788,164	246,671	371,815,431
16021	UNC at Chapel Hill Health Affairs	168,007,883	-	36,337,758	-	204,345,641
16022	UNC at Chapel Hill Area Health Education	44,743,422	-	-	-	44,743,422
16030	NC State Univ. Academic	300,868,127	-	143,798,481	200,000	444,866,608
16031	NC State Univ. Agric. Research Services	46,113,740	-	2,372,514	8,016,973	56,503,227
16032	NC State Univ. Agric. Extension Services	36,294,350	-	619,836	14,683,685	51,597,871
16040	UNC at Greensboro	110,909,525	-	45,826,392	111,798	156,847,715
16050	UNC at Charlotte	120,751,588	-	65,043,201	100,000	185,894,789
16055	UNC at Asheville	28,630,456	-	9,911,524	10,400	38,552,380
16060	UNC at Wilmington	67,852,522	-	40,855,714	71,575	108,779,811
16065	East Carolina Univ. Academic	155,733,539	-	77,660,963	145,900	233,540,402
16066	East Carolina Univ. Health Services	44,741,998	-	2,502,000	-	47,243,998
16070	NC Agric. & Tech. State Univ.	76,640,321	-	39,872,757	58,714	116,571,792
16075	Western Carolina Univ.	61,582,012	-	20,959,932	148,874	82,690,818
16080	Appalachian State Univ.	94,634,758	-	43,875,352	77,725	138,587,835
16082	UNC at Pembroke	39,799,795	-	10,300,082	42,968	50,142,845
16084	Winston-Salem State Univ.	43,757,449	-	10,804,011	74,805	54,636,265
16086	Elizabeth City State Univ.	26,866,745	-	5,665,593	48,400	32,580,738
16088	Fayetteville State Univ.	39,747,835	-	11,595,447	129,202	51,472,484
16090	NC Central Univ.	54,728,145	-	25,054,228	108,431	79,890,804
16092	NC School of the Arts	20,840,806	-	8,862,253	14,550	29,717,609
16094	NC School of Science and Mathematics	14,313,392	-	808,189	-	15,121,581
16095	UNC Hospitals	39,627,760	-	593,010,688	-	632,638,448
	Total UNC System	2,152,486,009	-	1,351,543,079	26,069,148	3,530,098,236
	Total Education	9,692,033,742	32,674,356	1,545,757,762	930,298,465	12,200,764,325
General Government						
14100	Administration	61,974,972	-	9,905,066	6,701,151	78,581,189
18210	Office of Administrative Hearings	2,977,712	-	120,014	-	3,097,726
13300	State Auditor	10,840,918	-	50	-	10,840,968
18025	State Board of Elections	5,069,307	-	39,500	-	5,108,807
14160	Office of State Controller	10,044,510	-	27,680	-	10,072,190
14800	Cultural Resources	60,790,750	-	1,946,992	6,109,262	68,847,004
14802	Cultural Resources - Roanoke Island	1,783,374	-	-	-	1,783,374
11000	General Assembly	46,085,432	-	984,600	-	47,070,032
13000	Governor's Office	5,844,528	-	204,156	-	6,048,684
13005	State Budget and Management (OSBM)	5,025,931	-	500	-	5,026,431
13085	OSBM - Special Appropriations	5,774,000	-	-	-	5,774,000
13010	NC Housing Finance	4,750,945	-	2,949,850	42,905,325	50,606,120
13900	Insurance	28,020,521	-	29,196,167	343,608	57,560,296
13901	Insurance - Worker's Compensation Fund	4,500,000	-	846,401	170,725	5,517,126
13100	Lieutenant Governor	703,501	-	-	-	703,501
14700	Revenue	79,751,761	6,237,834	332,596	-	86,322,191
18300	Rules Review Commission	-	-	-	-	-
13200	Secretary of State	8,549,857	-	550,734	-	9,100,591
13410	State Treasurer	8,295,843	-	659,221	-	8,955,064
13412	State Treasurer - Retirement/Benefits	8,146,179	-	-	-	8,146,179
28101-07	Special Boards and Commissions	-	-	3,462,402	-	3,462,402
	Total General Government	358,930,041	6,237,834	51,225,929	56,230,071	472,623,875

General Budget Code	Function	General Fund	Highway Fund and Highway Trust Fund	Other	Federal	Total
Health and Human Services						
14410	Central Administration	144,843,195	-	719,662	61,296,900	206,859,757
14411	Aging	29,495,139	-	9,336,701	38,480,748	77,312,588
14420	Child Development	274,356,799	-	776,000	291,052,506	566,185,305
14424	Education Services	34,402,399	-	438,181	148,163	34,988,743
14430	Public Health	137,135,186	586,058	77,969,137	359,013,850	574,704,231
14440	Social Services	185,999,363	-	500,404,108	649,145,549	1,335,549,020
14445	Medical Assistance	2,903,942,267	-	652,942,925	6,672,815,442	10,229,700,634
14446	Child Health	75,649,571	-	-	174,353,978	250,003,549
14450	Services for the Blind	9,962,624	-	1,462,238	14,170,597	25,595,459
14460	Mental Health/DD/SAS	594,706,127	-	54,654,571	96,458,765	745,819,463
14470	Facility Services	17,805,557	-	2,395,135	25,863,970	46,064,662
14480	Vocational Rehabilitation	42,142,193	-	6,390,905	71,635,433	120,168,531
Total Health and Human Services		4,450,440,420	586,058	1,307,489,563	8,454,435,901	14,212,951,942
Justice and Public Safety						
14500	Correction	1,061,819,216	-	10,516,481	-	1,072,335,697
14900	Crime Control and Public Safety	36,319,945	173,864,096	8,831,313	12,636,367	231,651,721
12000	Judicial	350,343,618	-	616,948	-	350,960,566
12001	Judicial - Indigent Defense	91,688,190	-	8,183,874	-	99,872,064
13600	Justice	79,622,983	-	5,710,933	1,698,412	87,032,328
14060	Juvenile Justice	142,158,605	-	7,033,958	-	149,192,563
Total Justice and Public Safety		1,761,952,557	173,864,096	40,893,507	14,334,779	1,991,044,939
Natural and Economic Resources						
13700	Agriculture and Consumer Services	52,289,119	4,234,921	22,878,079	6,487,790	85,889,909
14600	Commerce	39,961,470	-	46,036,119	302,264,504	388,262,093
14601	Commerce - State Aid	26,608,087	-	-	-	26,608,087
14300	Environment and Natural Resources	176,325,626	-	78,980,236	52,308,140	307,614,002
14301	Clean Water Management Trust	62,000,000	-	-	-	62,000,000
13800	Labor	15,001,236	-	4,821,776	6,794,271	26,617,283
Total Natural and Economic Resources		372,185,538	4,234,921	152,716,210	367,854,705	896,991,374
14222	Transportation	12,945,066	2,616,930,000	5,009,205	890,141,025	3,525,025,296
Net Agency		16,648,487,364	2,834,527,265	3,103,092,176	10,713,294,946	33,299,401,751
19600	Capital Improvements	-	-	-	-	-
Debt Service						
19420	General Debt Service	615,917,453	91,198,625	32,000,000	-	739,116,078
19425	Federal Reimbursement	1,616,380	-	-	-	1,616,380
Total Debt Service		617,533,833	91,198,625	32,000,000	-	740,732,458
Reserves and Adjustments						
19001	Contingency and Emergency Reserve	5,000,000	-	-	-	5,000,000
19003	Compensation Increase Reserve	173,200,000	-	-	-	173,200,000
19004	Salary Adjustment Reserve	9,000,000	-	-	-	9,000,000
190xx	Information Technology Efficiencies	(3,000,000)	-	-	-	(3,000,000)
19043	Health Plan Reserve	100,000,000	-	-	-	100,000,000
19047	Retirement Rate Adjustment Reserve (Cost of Living Adjustment)	13,810,800	-	-	-	13,810,800
190xx	IT Initiative	2,000,000	-	-	-	2,000,000
19013	Job Development Incentive Grants (JDIG) Reserve	12,400,000	-	-	-	12,400,000
190xx	Management Flexibility	(64,000,000)	-	-	-	(64,000,000)
19047	Retirement Rate Adjustment Reserve (Death Benefit/Disability/Court)	20,769,300	-	-	-	20,769,300

General Budget Code	Function	General Fund	Highway Fund and Highway Trust Fund	Other	Federal	Total
Total Reserves and Adjustments		269,180,100	-	-	-	269,180,100
Total Budget		17,535,201,297	2,925,725,890	3,135,092,176	10,713,294,946	34,309,314,309
General Obligation Bonds and Certificates of Participation		30,000,000	-	215,700,000	-	245,700,000
Grand Total Budget Including General Obligation Bonds and Certificates of Participation		<u>\$ 17,565,201,297</u>	<u>\$ 2,925,725,890</u>	<u>\$ 3,350,792,176</u>	<u>\$ 10,713,294,946</u>	<u>\$ 34,555,014,309</u>

Table 4
Trends in the Total State Budget, 1982-83 to 2006-07

(In Millions)

Fiscal Year	Public Education	Higher Education	Community Colleges	Human Resources	Transportation	Correction
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	6,995.3	3,016.8	832.9	10,581.2	2,800.8	950.7
2004-05	7,118.6	3,103.5	880.6	11,553.0	2,831.3	959.1
2005-06	7,613.6	3,489.0	959.9	13,270.6	3,043.0	1,057.1
2006-07	7,710.7	3,530.1	959.9	14,213.0	3,525.0	1,072.3

Fiscal Year	Other Agencies	Debt Service	Reserves ^a	Capital ^b	Other ^c	Total
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 ^d	-	19,780.2
1997-98	1,693.5	167.2	104.6	1,201.4 ^d	-	21,124.8
1998-99	1,759.0	200.4	221.1	883.5 ^d	447.4	22,631.6
1999-00	1,922.5	244.1	222.6	877.1 ^d	629.0	24,290.4
2000-01	1,904.8	270.0	494.3	424.0 ^d	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	1,907.6	438.1	278.3	1,533.3	62.0	29,397.0
2004-05	1,973.7	561.1	644.4	1,534.2	62.0	31,221.5
2005-06	2,223.6	660.3	257.8	1,206.7	62.0	33,843.5
2006-07	2,226.3	740.7	269.2	245.7	62.0	34,555.0

a. Includes funds transferred to the reserve for budget stabilization.

b. Includes the repair and renovation reserve.

c. Includes the local government transfer and appropriated reserves.

d. Includes general obligation bonds.

Table 5
Total Authorized State Budget by Source of Funds, 1976-77 to 2006-07

(In Millions)

Fiscal Year	General Fund	Federal Revenue Sharing	Highway Fund	Federal	Other	Total
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 ^a	-	1,223.8	2,616.8	949.4	12,939.6
1991-92	7,983.0 ^a	-	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 ^b	-	1,622.5	4,917.3	1,987.8	19,780.2
1997-98	12,015.3 ^c	-	2,025.5	5,220.4	1,863.6	21,124.8
1998-99	13,561.6 ^c	-	1,807.6	5,465.3	1,797.1	22,631.6
1999-00	14,561.7 ^c	-	1,878.8	5,951.1	1,898.8	24,290.4
2000-01	14,350.1 ^c	-	2,058.8	6,134.4	1,958.4	24,501.7
2001-02	15,135.3 ^c	-	2,121.1	7,066.3	2,243.2	26,565.9
2002-03	15,205.1 ^c	-	1,900.0	7,676.5	2,371.0	27,152.6
2003-04	15,930.8 ^c	-	2,477.7	8,465.8	2,522.7	29,397.0
2004-05	17,107.3 ^c	-	2,469.6	8,967.1	2,677.5	31,221.5
2005-06	17,746.8 ^c	-	2,446.3	10,169.7	3,480.8	33,843.5
2006-07	17,565.2 ^c	-	2,925.7	10,713.3	3,350.8	34,555.0

a. Includes legislative bonds for capital improvements.

b. Includes \$4.7 million from the 1997 Session of the General Assembly and general obligation bonds.

c. Includes general obligation bonds.

Table 6
Highway Fund State Tax and Nontax Revenue, 1974-75 to 2006-07

(In Millions)

Fiscal Year	Motor Fuel Taxes	Licenses, Fees, and Other	Treasurer's Investments	Total Revenue	Percentage Change from Previous Year
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	(0.2%)
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	861.9	379.4	18.8	1,260.1	(2.9%)
2003-04	949.6	400.9	11.5	1,362.0	8.1%
2004-05 ^a	970.4	414.5	6.0	1,390.9	2.1%
2005-06 ^b	1,091.9	425.9	8.0	1,525.8	9.7%
2006-07 ^b	1,071.1	437.5	8.0	1,516.6	(0.6%)

a. Authorized

b. Recommended

Table 7
Highway Trust Fund Tax and Nontax Revenue, 1989-90 to 2006-07

(In Millions)

Fiscal Year	Gasoline Tax	Highway Use Tax	Other Revenue	Treasurer's Investments	Total Revenue	Percentage Change from Previous Year
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	283.1	552.7	90.9	11.7	938.4	(3.6%)
2003-04	310.8	578.4	95.9	8.9	994.0	5.9%
2004-05 ^a	318.7	613.5	99.3	6.0	1,037.5	4.4%
2005-06 ^b	358.9	611.1	88.6	6.5	1,065.1	2.7%
2006-07 ^b	351.8	639.8	102.2	6.5	1,100.3	3.3%

a. Authorized

b. Recommended

Table 8
General Fund Tax and Nontax Revenue, 1976-77 to 2006-07

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

(In Millions)

Fiscal Year	Tax Revenues	Percentage Change from Previous Year	Tax and Nontax Revenues ^a	Percentage Change from Previous Year
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	13,117.2	5.40%	14,246.1 ^b	5.45%
2003-04	13,830.7	5.44%	14,936.5 ^b	4.85%
2004-05 ^c	14,740.4	6.58%	15,645.2	4.74%
2005-06 ^d	15,938.6	8.13%	16,750.5	7.06%
2006-07 ^d	16,874.9	5.87%	17,694.8	5.64%

a. Nontax revenue includes transfers from the Highway Fund and Highway Trust Fund plus capital improvement appropriations returned to the General Fund.

b. Includes a transfer of \$136.9 million of federal fiscal relief funds.

c. Authorized budgeted revenues

d. Recommended budget

Table 9
Authorized General Fund Appropriations, 1976-77 to 2006-07

(Including Federal Revenue Sharing and Anti-Recession Revenues)

(In Millions)

Fiscal Year	Operating	Percentage Change from Previous Year	Total	Percentage Change from Previous Year
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 ^a	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 ^b	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	1.4% ^c	7,825.5	(3.1%)
1992-93	7,877.5	7.2% ^c	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 ^d	10,450.4	6.7%	10,607.6	5.7%
1997-98 ^e	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	8.5% ^c	14,237.7	8.6% ^c
2000-01	13,785.1	3.0%	14,050.1	(1.3%)
2001-02	14,372.4 ^f	4.3%	14,530.3	3.4%
2002-03	14,323.9	(0.3%)	14,355.1	(1.2%)
2003-04	14,835.6	3.6%	14,863.2	3.5%
2004-05	15,873.2	7.0%	15,918.4	7.1%
2005-06	16,876.3	6.3%	16,894.3	6.1%
2006-07	17,535.2	3.9%	17,535.2	3.8%

a. Includes \$25.8 million transferred to the Highway Fund.

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

c. Percentage revised in 2003.

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

e. Includes \$20.5 million for SIPS for the Year 2000 project.

f. Effective July 1, 2002, the General Assembly established an annual General Fund appropriation for the Clean Water Management Trust Fund. Funding for this program is included in total current operations.

Table 10
General Fund Operating Appropriation for Public Schools, Community Colleges, and Higher Education, 1987-88 to 2006-07

(Includes Carryforwards for Encumbrances)

Fiscal Year	General Fund Total Current Operations ^a	Public Schools		Community Colleges		Higher Education		Percent of Total Education	Other
		Amount	Percent	Amount	Percent	Amount	Percent		
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 ^b	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 ^b	3,962,959,317 ^c	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 ^d	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 ^e	13,785,142,760	5,851,733,197 ^g	42.4%	651,456,631	4.7%	1,778,278,150	12.9%	60.1%	5,503,674,782
2001-02 ^f	14,309,884,168	5,922,505,768 ^g	41.4%	650,089,707	4.5%	1,802,904,395	12.6%	58.5%	5,934,384,298
2002-03 ^e	14,323,937,462	5,946,490,760 ^g	41.5%	669,281,390	4.7%	1,768,097,109	12.3%	58.5%	5,940,068,203
2003-04	14,835,621,783	6,114,518,997 ^{eg}	41.2%	665,027,719	4.5%	1,792,141,661	12.1%	57.8%	6,263,933,406
2004-05	15,873,167,528	6,287,744,646 ^{eg}	39.6%	691,811,541	4.4%	1,878,813,497	11.8%	55.8%	7,014,797,844
2005-06	16,876,254,738	6,732,869,493	39.9%	776,869,812	4.6%	2,111,335,665	12.5%	57.0%	7,255,179,768
2006-07	17,535,201,297	6,821,854,813	38.9%	776,892,920	4.4%	2,152,486,009	12.3%	55.6%	7,783,967,555

Note: Figures in all categories include compensation increases.

a. Operating budget excludes capital and local government appropriations.

b. Data exclude \$214 million (1993-94) and \$120 million (1994-95) for payroll restoration.

c. Data include \$42 million for education technology equipment.

d. Data include all appropriations as of June 30, 2000.

e. Amounts include a compensation increase reserve.

f. Amounts include a compensation increase, health plan increase, and retirement rate adjustment.

g. Encumbrance carryforwards for the eleventh and twelfth months are no longer included.

Table 11
North Carolina's Bond Indebtedness, 1970-71 to 2003-04

Fiscal Year	Bond Indebtedness ^a			Per Capita ^b
	General Fund	Highway Fund	Total	
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
2002-03	3,274,944,986	183,300,000	3,458,244,986	415.65
2003-04	3,892,442,828	166,625,000	4,059,067,828	479.99

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

b. Based on July 1 population estimates.

c. Includes \$60 million from bond anticipation notes.

d. Includes \$120 million from bond anticipation notes.

Table 12
Total North Carolina Budget for Debt Services, 1968-69 to 2006-07

Fiscal Year	Authorized Budget			Per Capita ¹
	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	39.11
2003-04	403,285,920	33,706,050	436,991,970	52.52
2004-05	489,914,203	69,589,925	559,504,128	65.86
2005-06	577,479,256	93,449,000	670,928,256	78.97
2006-07	667,013,037	91,198,625	758,211,662	89.25

1. Based on July 1 population estimates.