

The North Carolina State Budget

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# Recommended Adjustments

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2006-2007



**Michael F. Easley**  
Governor



The North Carolina State Budget

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# Recommended Adjustments

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**2006-2007**

Office of State Budget and Management  
Office of the Governor  
Raleigh, North Carolina

[www.osbm.state.nc.us](http://www.osbm.state.nc.us)

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May 2006





STATE OF NORTH CAROLINA  
OFFICE OF THE GOVERNOR  
20301 MAIL SERVICE CENTER • RALEIGH, NC 27699-0301

MICHAEL F. EASLEY  
GOVERNOR

May 9, 2006

The North Carolina Senate  
The Honorable Marc Basnight, President Pro Tempore

The North Carolina House of Representatives  
The Honorable James Black, Speaker

The Citizens of North Carolina

Dear Mr. President, Mr. Speaker, Ladies and Gentlemen of the General Assembly and Fellow North Carolinians:

I am pleased to submit to you my operating and capital budget recommendations for fiscal year 2006-07. This budget reflects my continued commitment to build ONE NORTH CAROLINA, where all North Carolinians have access to the educational opportunities they need to be successful in the global economy.

When I took office in January 2001, North Carolina faced cumulative budget deficits that had not been encountered since the Great Depression. A national recession, the terrorist attacks of September 11 and unfair federal trade policies dealt a blow to North Carolina's economy. Despite these challenges, together we continued to make critical investments in education and job creation strategies to promote long-term economic growth across our state. As a result of our efforts, our unemployment rate is now below the national average and is at a six-year low of 4.5 percent. North Carolina has added 68,000 jobs over the last 12 months (a 1.8 percent increase), ranking among the national leaders in job creation. Due to our strong, transitioning economy and our commitment to conservative budget practices, we were able to report a surplus of over \$680 million at the end of fiscal year 2004-05. It is estimated that the surplus will total almost \$1.1 billion at the end of fiscal year 2005-06 and we anticipate continued revenue growth throughout fiscal year 2007.

My fiscal year 2007 budget contains \$10.7 billion in investments in education from pre-K through the university to build a skilled workforce prepared to compete in the global economy. It includes an average 8 percent pay increase for teachers in order to surpass the national average by 2008-09. Additional funds are provided to expand the Disadvantaged School Supplemental Fund, to fully fund the Low Wealth formula, and to expand middle and high school reform programs in order to improve graduation rates. It provides increased access to higher education opportunities at the community college and university systems. Additional monies are also included for need-based financial aid, scholarships for nurses, professional training to recruit and retain quality teachers and principals, and several biotech and economic development initiatives. In addition to the General Fund increases, the new North Carolina Education Lottery will provide proceeds for reduced class sizes, additional academic pre-K slots, school construction and college scholarships for needy students.

This budget makes unprecedented investments in improving our court system. Funds are included to add core court personnel, including assistant district attorneys, deputy clerks, district court judges and

magistrates. It also provides funds to modernize several court information programs and to operate the Custody Mediation and Drug Treatment Court Programs statewide.

My budget recommendations continue our commitment over the last five years to keep spending at responsible levels, while cutting taxes by \$220 million for hard-working North Carolina taxpayers. It caps the gas tax at current levels and reduces the state sales tax rate from 4.5 percent to 4.25 percent. The budget also recommends depositing an additional \$324 million in the State's Rainy Day Fund, setting aside \$50 million for future disaster-related expenses, and providing an additional \$195 million to the Highway Trust Fund. By the end of the current fiscal year, the Rainy Day Fund balance will be \$637 million, 4 percent of last year's operating budget.

My budget includes funds to hold several programs harmless due to federal budget cuts and reduces the waiting list for child care subsidies. Funds are provided for community capacity enhancement and the Mental Health Trust Fund to assist with mental health reform programs. Additional monies are also included for early intervention services, adoption and foster care assistance, and child welfare services. I include a recommendation for a new adoption tax credit based on the current federal tax credit.

The budget solidifies North Carolina as a national leader in recruiting new business and growing existing businesses. It includes recurring funds for the One NC Fund, which has resulted in the creation of 18,875 jobs and \$2.4 billion in investment throughout the state. The budget also provides support for new and emerging companies through investments in the Small Business Innovation Research matching grant program and in biotechnology. Sales tax refunds that would benefit the motor sports industry and a sales tax exemption on research and development equipment will help strengthen these emerging industries.

The fiscal year 2007 budget proposal provides additional funds for the environment and agriculture. It includes funds to enhance well water safety programs and to protect drinking water supplies. Funds are provided for land conservation, forest development and habitat protection programs. The budget also includes funds to increase disease surveillance and detection programs to ensure a safe food supply.

The budget provides funding for priority health, public safety, education and economic development projects outlined in the state's Capital Improvement Plan. Projects include constructing a new public health lab and emergency operations center, expanding facilities at the UNC Wilmington School of Nursing, UNC-Charlotte, and the NC State University Engineering Complex, adding two skilled care nursing homes for the state's veterans, and expanding the Museum of Art.

I recognize and appreciate the work of our state employees and recommend a 4% cost of living increase. The fiscal year 2007 budget also provides a 3.7% cost of living adjustment for state retirees and makes another payment to the retirement system for funds that were withheld in fiscal year 2000-01.

I look forward to working cooperatively with members of the General Assembly to ensure that the fiscal year 2007 budget is fiscally responsible and meets the needs of all North Carolinians.

With kindest regards, I remain

Very truly yours,

A handwritten signature in black ink, appearing to read "Mike Easley". The signature is fluid and cursive, written in a professional but personal style.

Michael F. Easley

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# Table of Contents

---

<b>List of Figures and Tables</b> .....	vii
<b>Preface</b> .....	ix
<b>Introduction</b> .....	1
<b>Executive Priorities and Budget Summary</b> .....	3
<b>Major Expansion Budget Recommendations</b>	
<b>by Subject Area</b> .....	9
Fiscal Responsibility.....	11
Education .....	12
Health and Human Services .....	15
Economic Development and Infrastructure .....	16
Courts and Public Safety.....	17
Environment and Agriculture .....	18
Capital Improvements .....	19
Teachers and State Employees.....	20
<b>Economy and Revenue by Topic</b> .....	21
Economy	
Outlook for the Nation and State.....	23
Revenue	
General Fund Forecast.....	27
Highway Fund .....	31
Highway Trust Fund .....	33
<b>General Fund</b>	
<b>Recommended Appropriations</b>	
<b>Education</b>	
Public Education (13510).....	37
The University of North Carolina (160xx).....	47
Community Colleges (16800) .....	53
Education Lottery Fund (23003).....	59
<b>General Government</b>	
General Assembly (11000).....	63
Office of the Governor (13000).....	65
Office of State Budget and Mgt. (13005).....	67
NC Housing Finance Agency (13010).....	69
OSBM - Reserve for Special Appropriation	
(13085) .....	71
Office of the Lieutenant Governor (13100) ...	73
Dept. of Secretary of State (13200).....	75
Office of the State Auditor (13300) .....	78
Dept. of State Treasurer (13410).....	80
State Treasurer - Retirement for Fire and Rescue	
Squad Workers and Line of Duty Death Benefits	
(13412) .....	83

Dept. of Insurance (13900) .....	84
Insurance – Volunteer Safety Workers’ Compensa-	
tion Fund (13901).....	86
Dept. of Administration (14100).....	87
Office of the State Controller (14160) .....	92
Dept. of Revenue (14700) .....	93
Dept. of Cultural Resources (14800) .....	96
Roanoke Island Commission (14802).....	100
State Board of Elections (18025) .....	101
Office of Administrative Hearings (18210) ...	103
<b>Health and Human Services</b>	
Dept. of Health and Human Serv. (144xx) ...	105
Div. of Central Management and Support	
(14410) .....	108
Div. of Aging and Adult Services (14411)...	111
Div. of Child Development (14420).....	113
Office of Education Services (14424) .....	115
Div. of Public Health (14430) .....	118
Div. of Social Services (14440) .....	122
Div. of Medical Assistance (14445).....	125
NC Health Choice (14446).....	127
Div. of Services for the Blind, Deaf, and Hard	
of Hearing (14450) .....	128
Div. of Mental Health/Developmental Disabili-	
ties/Substance Abuse Services (14460).....	129
Div. of Facility Services (14470) .....	132
Div. of Vocational Rehabilitation (14480) ..	133
<b>Justice and Public Safety</b>	
Judicial Branch (12000).....	135
Judicial Branch-Indigent Defense (12001)....	140
Dept. of Justice (13600) .....	142
Dept. of Juvenile Justice and Delinquency Pre-	
vention (14060).....	146
Dept. of Correction (14500) .....	149
Dept. of Crime Control and Public Safety	
(14900) .....	154
<b>Natural and Economic Resources</b>	
Dept. of Agriculture and Consumer Services	
(13700) .....	159
Dept. of Labor (13800) .....	162
Dept. of Environment and Natural Resources	
(14300) .....	164

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DENR-Clean Water Management Trust Fund (14301) .....	170
Dept. of Commerce (14600) .....	171
Commerce-State Aid to Non-State Entities (14601) .....	175
<b>Transportation</b>	
Overview .....	179
Highway Fund (84210) .....	181
Highway Trust Fund (84290) .....	190
<b>Capital Improvements</b>	
General Fund (19600) .....	197
<b>Reserves, Debt Service, and Other Adjustments</b>	
General Fund (190xx) .....	207



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# List of Figures and Tables

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## Figures

1. Recommended Appropriation for General Fund Operating Budget, 2006-07 .....	3
2. General Fund Supported Positions, 2006-07 .....	4
3. Savings Reserve Account Balance.....	11
4. Average Daily Membership Budgeted.....	12
5. Enrollment in Community College System.....	13
6. Enrollment in the University System .....	14
7. Recommended Continuation Appropriations by Division, Health and Human Services.....	15
8. Recommended Expansion Appropriations by Activity, Health and Human Services.....	15
9. Recommended Capital Funding.....	19
10. Average Teacher Compensation .....	20
11. NC Unemployment Rate Falls Significantly .....	24
12. NC Employment Expands .....	24
13. Nonfarm Employment by Category .....	25
14. State Income Expected to Exceed U.S. ....	26
15. State Maintains Employment Growth .....	26
16. General Fund Revenue .....	30
17. Highway Fund Revenue Collections.....	31
18. Highway Trust Fund Revenue Collections.....	33
19. Funding Sources, NC Transportation Program.....	180
20. Appropriations, NC Transportation Program .....	180

## Tables

1. Recommended General Fund Appropriations .....	3
2. Recommended General Fund Supported Positions.....	4
3. Governor's Recommended General Fund Budget .....	5
4. Recommended Availability and Appropriations.....	7
5. Annual Nonfarm Employment by Category.....	25
6. General Fund Revenue, Detailed Revised Estimates .....	29
7. General Fund Revenue, Revised Estimates .....	30
8. Highway Fund .....	32
9. Highway Trust Fund .....	34
10. NC Transportation Program.....	179
11. Condition of the Highway Fund .....	188
12. Changes to the Highway Fund Budget.....	189
13. Condition of the Highway Trust Fund .....	194
14. Recommended Highway Trust Fund Appropriations.....	194



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# Preface

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*The North Carolina State Budget: Recommended Adjustments, 2006-2007* 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 online at [www.osbm.state.nc.us](http://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 919/807-4700. The mailing address for OSBM is 20320 Mail Service Center, Raleigh, NC 27699-0320.

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# Introduction

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The purpose of this document is to describe the Governor's recommended state budget adjustments for the second year of the 2005-07 biennium. These recommended changes are based on the certified budget for 2006-07 approved by the 2005 session of the General Assembly.

Recommendations for the General Fund, Highway Fund, and the Highway Trust Fund are included in the document, along with capital improvements, reserves, debt service, and other adjustments.

Governor Easley's priorities in budget development precede key expansion budget recommendations. Details of recommended appropriations by agency follow.

Items of change are described under one of three categories within a department/budget code or section: reductions, expansion, or technical 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 Adjustments" is a category for describing other pertinent changes in school-age populations or Medicaid enrollments that necessitate a recommended change in the certified 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 revised recommended budget for 2006-07 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., reduction adjustments, expansion adjustments, and technical adjustments. At the

end of each department/budget code or section, there is a table that summarizes all recommended changes.

A summary of recommended adjustments by department/budget code for the entire state budget appears in table 3, "Governor's Recommended General Fund Budget, 2006-07."



# Executive Priorities and Budget Summary

for 2006-07

Governor Easley's priorities guiding budget development included the following:

- Recommending a fiscally responsible budget that replenishes the Rainy Day Fund, invests in the state's infrastructure, and provides tax relief
- Continuing our investments in education from pre-kindergarten through the university system to build a skilled workforce prepared to compete in the global economy
- Enhancing North Carolina's aggressive strategies for job creation and long-term economic growth
- Providing quality health and family services to those who can least afford them
- Protecting and preserving our natural heritage through land and water conservation, enforcement of our Clean Smokestacks legislation, and other environmental laws
- Improving the court system and public safety of our communities

Figure 1  
**Recommended Appropriation for General Fund  
Operating Budget, 2006-07**

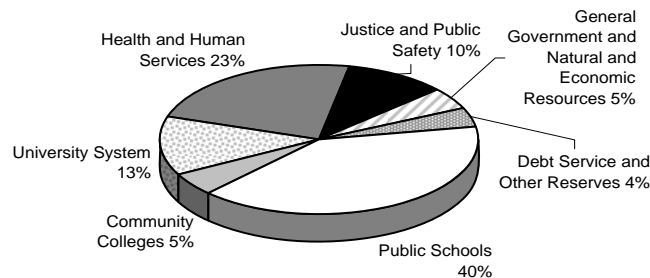


Table 1  
**Recommended General Fund Appropriations, 2006-07  
Compared with Authorized General Fund Appropriations, 2005-06**  
(\$ million)

	Authorized 2005-06	Recommended 2006-07	Change 2005-06 to 2006-07	Percent of Total Operating Budget
Public Schools	\$6,881	\$7,404	7.6%	40.0%
Community Colleges	828	912	10.1%	4.9%
University System	2,151	2,408	11.9%	13.0%
<i>Total Education</i>	<i>9,860</i>	<i>10,724</i>	<i>8.8%</i>	<i>57.9%</i>
Health and Human Services	4,057	4,249	4.7%	22.9%
Justice and Public Safety	1,783	1,917	7.5%	10.4%
Natural and Economic Resources	853	866	1.5%	4.7%
Debt Service and Other Reserves	588	765	30.1%	4.1%
<i>Total Operating Budget</i>	<i>\$17,141</i>	<i>\$18,521</i>	<i>8.1%</i>	<i>100.0%</i>
Capital Improvements	55	329	498.2%	
<i>Total General Fund Appropriation</i>	<i>\$17,196</i>	<i>\$18,850</i>	<i>9.6%</i>	

Figure 2  
**General Fund Supported Positions**  
**2006-07**

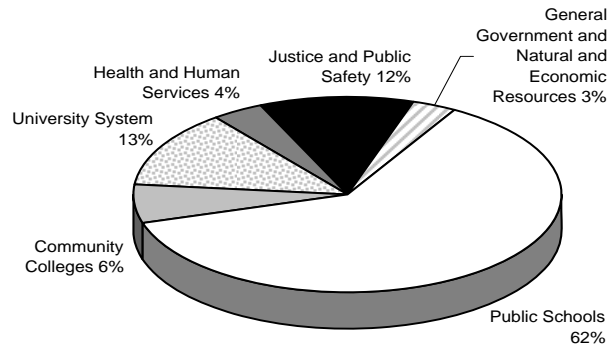


Table 2  
**Recommended General Fund Supported Positions, 2006-07**  
**Compared with Authorized General Fund Positions, 2005-06**

	Authorized 2005-06	Recommended 2006-07	Change 2005-06 to 2006-07	Percent of Total Positions
Public Schools	143,180	156,161	9.1%	62.1%
Community Colleges	14,082	15,589	10.7%	6.2%
University System	29,587	32,575	10.1%	12.9%
Health and Human Services	8,991	9,244	2.8%	3.7%
Justice and Public Safety	27,541	29,924	8.7%	11.9%
General Government and Natural and Economic Resources	7,980	8,125	1.8%	3.2%
<i>Total Positions</i>	<i>231,361</i>	<i>251,618</i>	<i>8.8%</i>	<i>100%</i>



Table 3  
**Governor's Recommended General Fund Budget**  
 2006-07

Budget Code	Function	2006-07				Expansion				Net Change	2006-07 Recommended Appropriation	Net Position Change
		Certified Appropriation	Recurring	Nonrecurring	Appropriation Supported Positions	Recurring	Nonrecurring	Appropriation Supported Positions	Net Change			
<b>Education</b>												
13510	Public Education	\$ 6,579,807,097	\$ (184,044,719)	\$ -	-	\$ 196,398,197	\$ 115,221,507	3.00	\$ 127,574,985	\$ 6,707,382,082	3.00	
16800	Community Colleges	767,295,886	-	-	-	39,606,340	232,423	5.00	39,838,763	807,134,649	5.00	
160xx	University System	2,120,397,081	-	(9,634,513)	(91.80)	120,313,014	12,707,409	-	123,385,910	2,243,782,991	(91.80)	
	Total Education	9,467,500,064	(184,044,719)	(9,634,513)	(91.80)	356,317,551	128,161,339	8.00	290,799,658	9,758,299,722	(83.80)	
<b>General Government</b>												
14100	Administration	58,818,473	-	-	-	3,089,529	2,602,289	18.72	5,691,818	64,510,291	18.72	
13300	State Auditor	10,840,918	-	-	-	207,564	200,000	-	407,564	11,248,482	-	
14800	Cultural Resources	62,917,147	-	-	-	3,903,858	348,744	33.00	4,252,602	67,169,749	33.00	
14802	Cultural Resources - Roanoke Island	1,783,374	-	-	-	-	-	-	-	1,783,374	-	
11000	General Assembly	46,965,432	-	-	-	-	238,346	-	238,346	47,203,778	-	
13000	Governor's Office	5,344,528	-	-	-	100,000	-	-	100,000	5,444,528	-	
13010	NC Housing Finance	4,750,945	-	-	-	5,000,000	-	-	5,000,000	9,750,945	-	
13900	Insurance	28,110,582	-	-	-	555,912	41,991	7.00	597,903	28,708,485	7.00	
13901	Insurance - Worker's Comp. Fund	4,500,000	-	-	-	-	-	-	-	4,500,000	-	
13100	Lieutenant Governor	753,037	-	-	-	2,600	-	-	2,600	755,637	-	
18210	Office of Administrative Hearings	2,969,712	-	-	-	357,000	8,000	2.00	365,000	3,334,712	2.00	
14700	Revenue	80,673,250	-	-	-	570,173	789,887	10.00	1,360,060	82,033,310	10.00	
13200	Secretary of State	9,369,633	-	-	-	711,621	127,050	9.25	838,671	10,208,304	9.25	
18025	State Board of Elections	5,069,307	-	-	-	143,279	-	2.00	143,279	5,212,586	2.00	
13005	State Budget and Management (OSBM)	5,021,795	-	-	-	240,438	169,500	3.00	409,938	5,431,733	3.00	
13085	OSBM-Special Appropriations	5,111,429	-	-	-	599,000	656,000	-	1,255,000	6,366,429	-	
14160	Controller's Office	10,044,511	-	-	-	-	-	-	-	10,044,511	-	
14100	State Treasurer	8,295,843	-	-	-	281,784	-	-	281,784	8,577,627	-	
13412	State Treasurer - Retirement / Benefits	8,651,457	-	-	-	-	-	-	-	8,651,457	-	
	Total General Government	359,991,373	-	-	-	15,762,758	5,181,807	84.97	20,944,565	380,935,938	84.97	
<b>Health and Human Services</b>												
14410	Central Administration	118,880,919	(66,646,653)	-	-	1,344,442	1,271,533	-	(64,030,678)	54,850,241	-	
14411	Aging	29,495,139	-	-	-	3,000,000	-	-	3,000,000	32,495,139	-	
14420	Child Development	267,356,799	-	-	-	30,453,222	12,291	10.00	30,465,513	297,822,312	10.00	
14424	Education Services	34,281,895	-	-	-	778,548	50,000	23.00	828,548	35,110,443	23.00	
14430	Public Health	150,814,496	-	-	-	19,889,744	416,000	203.00	20,305,744	171,120,240	203.00	
14440	Social Services	190,679,285	-	-	-	12,399,153	2,287,393	-	14,686,546	205,365,831	-	
14445	Medical Assistance	2,751,209,159	(150,000,000)	-	-	-	-	-	(150,000,000)	2,601,209,159	-	
14446	Child Health	51,882,902	-	-	-	-	-	-	-	51,882,902	-	
14450	Services for the Blind	9,681,220	-	-	-	-	-	-	-	9,681,220	-	
14460	Mental Health/DD/SAS	602,556,655	-	-	-	54,133,395	35,000,000	163.00	89,133,395	691,690,050	163.00	
14470	Facility Services	15,959,466	-	-	-	-	-	-	-	15,959,466	-	
14480	Vocational Rehabilitation	42,142,193	-	-	-	699,856	-	4.00	699,856	42,842,049	4.00	
	Total Health and Human Services	4,264,940,128	(216,646,653)	-	-	122,698,360	39,037,217	403.00	(54,911,076)	4,210,029,052	403.00	
<b>Justice and Public Safety</b>												
14500	Correction	1,048,492,502	-	(904,430)	-	21,578,893	10,854,928	161.00	31,529,391	1,080,021,893	161.00	
14900	Crime Control and Public Safety	35,153,488	-	-	-	3,960,741	8,000	30.00	3,968,741	39,122,229	30.00	
12000	Judicial	345,760,410	-	-	-	18,577,456	7,581,365	249.75	26,158,821	371,919,231	249.75	
12001	Judicial - Indigent Defense	88,648,414	-	-	-	3,591,162	2,622,438	-	6,213,600	94,862,014	-	
13600	Justice	78,697,271	-	-	-	2,075,180	2,496,580	20.00	4,571,760	83,269,031	20.00	
14060	Juvenile Justice	138,873,166	-	-	-	2,795,026	265,826	66.00	3,060,852	141,934,018	66.00	
	Total Justice and Public Safety	1,735,625,251	-	(904,430)	-	52,578,458	23,829,137	526.75	75,503,165	1,811,128,416	526.75	

Table 3

## Governor's Recommended General Fund Budget

2006-07

Budget Code	Function	Reductions				Expansion				Net Change	2006-07 Recommended Appropriation	Net Change	Position Change
		2006-07 Certified Appropriation	Recurring	Nonrecurring	Appropriation Supported Positions	Recurring	Nonrecurring	Appropriation Supported Positions					
<b>Natural and Economic Resources</b>													
13700	Agriculture and Consumer Services	51,032,884	-	-	-	1,003,323	317,516	-	-	1,320,839	52,353,723	10.50	10.50
14600	Commerce	36,728,265	-	-	-	17,366,828	1,880,000	-	-	19,246,828	55,975,093	10.00	10.00
14601	Commerce - State Aid	47,358,087	-	-	-	2,000,000	-	-	-	2,000,000	49,358,087	-	-
14300	Environment and Natural Resources	168,451,089	-	-	-	9,888,956	1,336,072	-	-	11,225,028	179,676,117	11.00	11.00
14301	Clean Water Management Trust	100,000,000	-	-	-	-	-	-	-	-	100,000,000	-	-
13800	Labor	14,434,925	-	-	-	450,000	-	-	-	450,000	14,884,925	3.50	3.50
	Total Natural and Economic Resources	418,005,250	-	-	-	30,709,107	3,533,588	-	-	34,242,695	452,247,945	35.00	35.00
14222	Transportation	-	-	-	-	-	-	-	-	-	-	-	-
	Net Agency	16,246,062,066	(400,691,372)	(10,538,943)	(91.80)	578,066,234	199,743,088	-	-	366,579,007	16,612,641,073	1,057.72	965.92
19600	Capital Improvements	-	-	-	-	-	329,453,300	-	-	329,453,300	329,453,300	-	-
<b>Debt Service</b>													
19420	General Debt Service	619,291,140	-	(50,000,000)	-	-	-	-	-	(50,000,000)	569,291,140	-	-
19425	Federal Reimbursement	1,616,380	-	-	-	-	-	-	-	-	1,616,380	-	-
	Total Debt Service	620,907,520	-	(50,000,000)	-	-	-	-	-	(50,000,000)	570,907,520	-	-
<b>Reserves and Adjustments</b>													
19001	Contingency and Emergency Reserve	5,000,000	-	-	-	-	-	-	-	-	5,000,000	-	-
19003	Compensation Increase Reserve	229,300,000	-	-	-	585,761,473	8,775,417	-	-	594,536,890	823,836,890	-	-
19004	Salary Adjustment Reserve	14,094,294	-	-	-	20,000,000	-	-	-	20,000,000	34,094,294	-	-
19008	Retirement Payback Reserve	-	-	-	-	-	30,000,000	-	-	30,000,000	30,000,000	-	-
190xx	Heating/Cooling Assistance Reserve	-	-	-	-	-	10,000,000	-	-	10,000,000	10,000,000	-	-
190xx	Reserve for Innovative IT Projects	-	-	-	-	3,000,000	-	-	-	3,000,000	3,000,000	-	-
19028	Longevity Svc. (Clerks of Superior Court) Definition	-	-	-	-	-	-	-	-	-	41,411	-	-
19047	Disability Income Plan	6,586,500	-	-	-	-	-	-	-	-	6,586,500	-	-
19047	Death Benefit Trust	12,899,200	-	-	-	-	-	-	-	-	12,899,200	-	-
19027	ITS Rate Restructuring Reserve	(2,300,000)	-	-	-	-	-	-	-	-	(2,300,000)	-	-
19040	Minimum Fair Wage for SPA employees	750,000	-	-	-	-	-	-	-	-	750,000	-	-
19043	Health Plan Reserve	142,728,000	-	-	-	-	-	-	-	-	142,728,000	-	-
19037	State Business Infrastructure Project	2,525,000	-	-	-	7,260,523	34,527,880	-	-	41,788,403	44,313,403	50.75	50.75
19047	Retirement Rate Adjustment Reserve	13,810,800	-	-	-	48,000,000	-	-	-	48,000,000	61,810,800	-	-
19044	IT Initiative	5,500,000	-	-	-	298,826	-	-	-	298,826	5,798,826	2.00	2.00
19040	Minimum Fair Wage Reserve (DPI)	12,400,000	-	-	-	8,582,073	-	-	-	8,582,073	20,982,073	-	-
19024	Reserve for Contingent Appropriations	85,000,000	-	-	-	-	2,000,000	-	-	2,000,000	85,000,000	-	-
190xx	Reserve for Lawsuits	-	-	-	-	-	50,000,000	-	-	50,000,000	50,000,000	-	-
190xx	Reserve-Disaster Expenditures	-	-	-	-	-	-	-	-	-	-	-	-
190xx	Reserve-Military Morale, Recreation, and Welfare	1,000,000	-	-	-	-	-	-	-	-	1,000,000	-	-
	Total Reserves and Adjustments	529,335,205	-	(60,538,943)	(91.80)	1,250,969,129	135,303,297	-	-	808,206,192	1,337,541,397	52.75	52.75
	Total	\$ 17,396,304,791	\$ (400,691,372)	\$ (60,538,943)	(91.80)	\$ 1,250,969,129	\$ 664,499,685	\$ -	\$ -	\$ 1,454,238,499	\$ 18,850,543,290	\$ 1,110.47	\$ 1,018.67

Table 4

**Recommended Availability and Appropriations**  
2006-2007

Description	2006-2007 Recommended
<b>Budget Availability</b>	
<u>Beginning Credit Balance</u>	
Unappropriated Balance from FY 2005-06	\$ 113,386,988
Anticipated Reversions from FY 2005-06	125,000,000
Anticipated Overcollections from FY 2005-06	1,072,100,000
Emergency Appropriation for Department of Correction	(15,000,000)
Credit to Savings Reserve	(324,000,000)
Credit to Repair and Renovation Reserve	(200,000,000)
<i>Anticipated Beginning Unreserved Credit Balance</i>	<u>771,486,988</u>
<u>Recommended Budgeted Revenue</u>	
Tax Revenue	17,631,550,000
Non-tax Revenue	520,300,000
Highway Fund Transfer	-
Highway Trust Fund Transfer	252,663,009
Disproportionate Share Receipts	100,000,000
<i>Total General Fund Revenue</i>	<u>18,504,513,009</u>
<u>Adjustments to Revenues</u>	
Reduce Sales Tax Rate by .25% on October 1, 2006	(196,500,000)
Cap Gas Tax Effective July 1, 2006	(23,550,300)
Reduce Highway Trust Fund Transfer to General Fund for FY 2006-07	(195,176,407)
Sales Tax Changes (Research and Development and Component Parts)	(7,230,000)
Adoption Tax Credit (50% of Federal Tax Credit)	(3,000,000)
<i>Total Adjustment to Recommended Budgeted Revenues</i>	<u>(425,456,707)</u>
<u>Total Availability</u>	18,850,543,290
<u>Recommended Appropriations</u>	
Original Certified Budget	17,396,304,791
Recommended Reductions	(461,230,315)
Recommended Expansion	1,915,468,814
<i>Total Appropriations Recommended</i>	<u>18,850,543,290</u>
<u>Total Ending Balance</u>	<u>\$ -</u>



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# Major Expansion Budget Recommendations

by Subject Area

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Fiscal Responsibility

Education

Health and Human Services

Economic Development and  
Infrastructure

Courts and Public Safety

Environment and Agriculture

Capital Improvements

Teachers and State Employees

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# Fiscal Responsibility

## Major Recommendations

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Governor Easley recommends a fiscally responsible budget that replenishes the Rainy Day Fund, invests in the state's infrastructure, and provides tax relief.

### Save for the Future

- Deposit \$324 million in the Rainy Day Fund, thereby increasing the balance to \$637 million or 4.0% of the prior year's operating budget (see figure 3).
- Set aside \$50 million for disaster-related expenses.

### Return Money to North Carolina Taxpayers

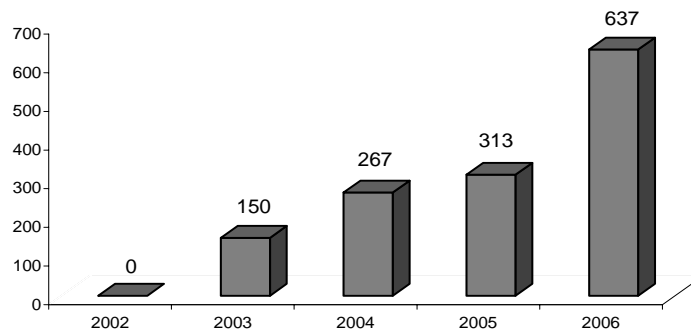
- Cap the gas tax on July 1, 2006.
- Reduce the state sales tax by 0.25% on October 1, 2006.
- Enact a state tax credit for adoption expenses.

These actions will save North Carolinians over \$220 million in 2006-07.

### Invest in Our Infrastructure

- Reserve \$200 million to repair university and state buildings.
- Appropriate \$329 million in "pay-as-you-go" financing as well as \$245 million in special financing to implement the Capital Improvement Plan.
- Spend \$42 million to replace and enhance the Human Resources/Payroll System.
- Reserve \$195 million to replenish the Highway Trust Fund.

Figure 3  
**Savings Reserve Account Balance**  
Rainy Day Fund  
June 30 (\$mil)



# Education

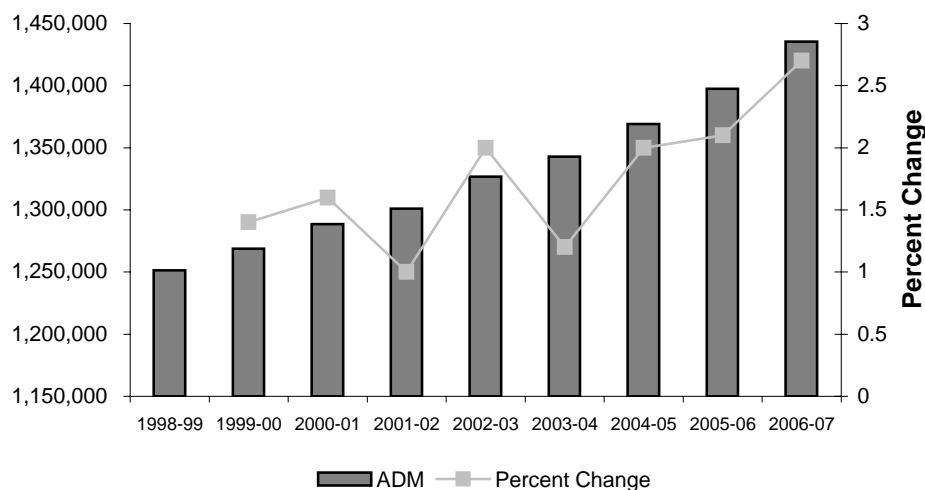
## Major Recommendations

For education, Governor Easley’s budget focus continues the state’s investments in education from prekindergarten through the university system to build a skilled workforce prepared to compete in the global economy.

### Public Education

- Provide a significant increase in teacher salaries, including a step increase plus a flat \$2,250 (for an overall average of 8%), while substantially increasing the competitiveness of North Carolina’s beginning teacher salary.
- Provide an additional \$523 million for public schools, a 7.6% increase over 2005-06.
- Continue funding for record enrollment increases, projected at 38,103 or 2.7% more than the 1,397,372 students enrolled in the 2005-06 school year (see figure 4).
- Fully fund the ABCs accountability program.
- More than double the disadvantaged-student supplemental funding.
- Appropriate \$42 million to ensure full funding for low wealth LEAs whose ability to generate local revenue per student is below the state average.
- Expand the governor’s 21st Century High School program by \$14.1 million to ensure operating funds for 34 Learn and Earn schools and 32 small redesigned high schools to improve graduation rates, student performance, and competitiveness in the 21st century.
- Fund literacy coaches for professional development of faculty in 100 middle schools to ensure student mastery of 21st century skills.
- Appropriate \$4 million to expand access to the NC Education Network for the state’s K-12 public schools.
- Fund \$2.8 million for the NC Virtual Public School to provide statewide access to online courses and learning opportunities.
- Provide \$16.4 million for the rising cost of diesel fuel for buses.

Figure 4  
Average Daily Membership Budgeted  
NC Public Schools



Source: Department of Public Instruction, Financial and Business Services School Allotment Section

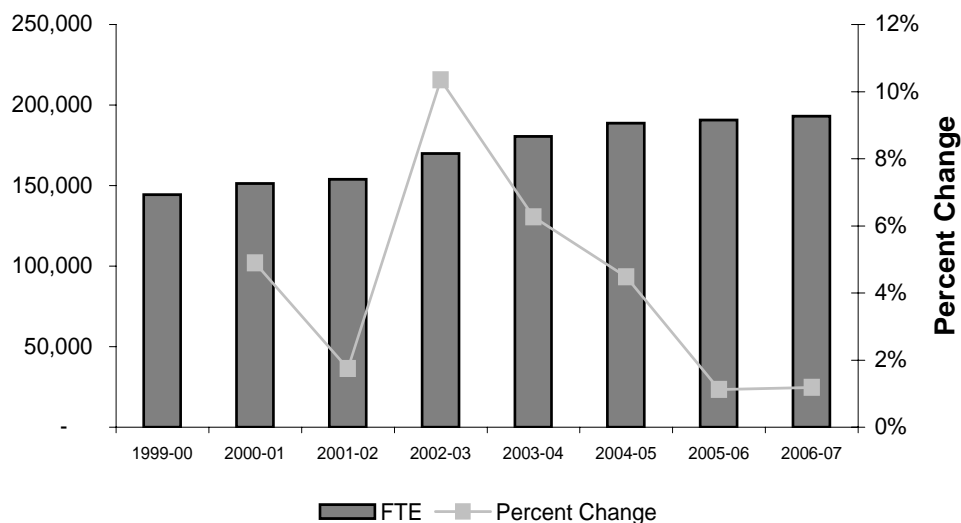


## Community Colleges

- Provide an additional \$84 million for community colleges, a 10.1% increase over 2005-06.
- Fully fund enrollment growth (an additional \$7 million) for all community college campuses (see figure 5).
- Appropriate a recurring enrollment reserve of \$2 million to assist community colleges experiencing fall semester enrollment growth of 5% above the prior year.
- Increase salaries for community college faculty and professional staff by an additional 4% (total of 8%) to attract and retain highly qualified personnel.
- Appropriate \$3.9 million to improve and expand distance learning opportunities, thereby increasing access for North Carolina students regardless of geography.
- Approve \$11 million to address equipment needs at community colleges, including equipment to reduce program waiting lists.
- Allocate \$500,000 in financial aid to community college students enrolling in teaching or nursing programs to address the growing demand for these professionals.
- Fund two new regional customized industry training coordinators to provide all North Carolina economic development regions with training assistance.
- Provide for additional student services and financial aid staffing at community colleges, enabling them to better serve growing student enrollments.
- Appropriate funds for the State Board of Community Colleges to direct start-up grants for new and innovative college programs.

Figure 5

### Enrollment in Community College System Curriculum, Continuing Education, Basic Skills Budgeted FTE



Source: NCCCS System Office

Budgeted FTE is the sum of curriculum, continuing education, and basic skills FTE. It is computed as the three-year average or the prior year's enrollment for each college, whichever is higher. The community colleges' enrollments are aggregated for the entire Community College System. (The three-year average creates slight differences between budgeted and actual FTE; recently, this systemwide difference has been less than 100.)

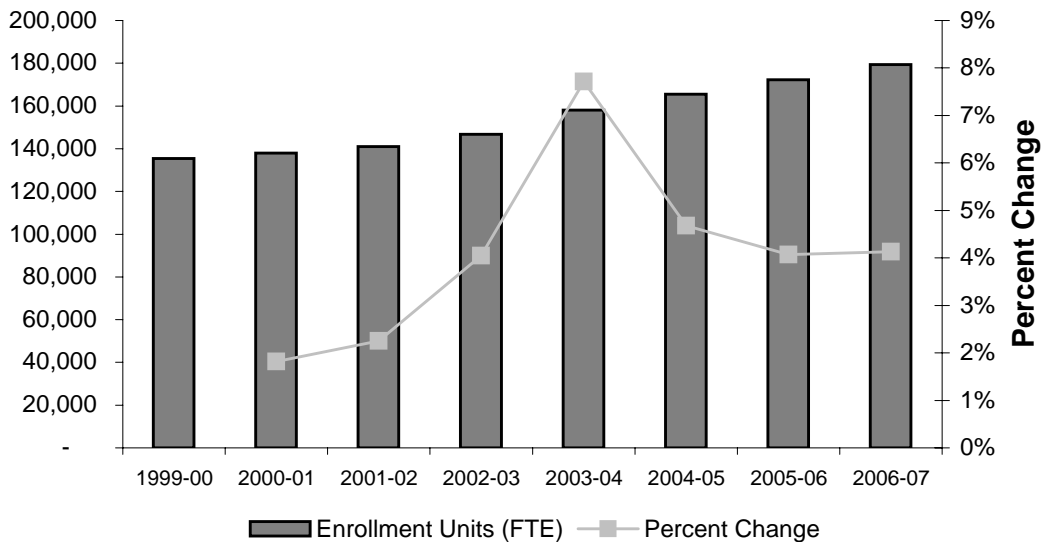
## University System

- Appropriate an additional \$257 million for the University of North Carolina system, a 11.9% increase over 2005-06.
- Fully fund university enrollment increases (\$79 million for a 4.1% FTE increase) (see figure 6).
- Provide \$21.6 million to fully fund the need-based financial aid program.
- Approve \$1.3 million for federally required state agricultural research and extension program matching funds.
- Provide \$4.8 million for nurses' scholarships and programs to address the growing demand for nurses in North Carolina.
- Appropriate \$1 million for 400 additional prospective teacher scholarship loans.

- Provide \$1 million to continue the 2+2 E-learning initiative between the University of North Carolina system and community colleges in order to make online teacher education accessible across the state.
- Allocate \$2 million for new professional development programs for teachers and principals.
- Appropriate \$2 million for the DESTINY traveling science laboratory to increase access to state-of-the-art science instruction and high quality professional development for science teachers.
- Provide \$11.5 million for rising electrical, natural gas, fuel oil, gasoline, and diesel costs.
- Approve \$2.4 million to update information technology infrastructure at the 16 university campuses.

Figure 6

### Enrollment in the University System Budgeted FTE



Source: UNC General Administration

Budgeted FTE is calculated by converting budgeted Student Credit Hours (fall and spring) into the measure of regular term full time equivalent students (FTEs).

# Health and Human Services

## Major Recommendations

Governor Easley is committed to providing quality health and family services to those who can least afford them. His budget includes an expansion of over \$160 million in this area, with 55% designated for mental health, developmental disabilities, and substance abuse services.

### Supporting the Family

- Continue funding quality child care services for 96,000 children currently receiving subsidies, plus provide funds for an additional 3,000 children of low-income working parents.
- Provide mental health and social services support to child and family teams in 100 schools across the state.
- Appropriate approximately \$2 million to support pregnant women who are substance abusers or domestic violence victims.
- Support the nationally acclaimed Smart Start program with \$10 million.

### Supporting Individuals with Special Needs

- Provide \$12 million to meet the increasing needs of children receiving foster care and adoption assistance services.
- Appropriate an additional \$7 million for early intervention for children with, or at risk for, developmental disabilities.

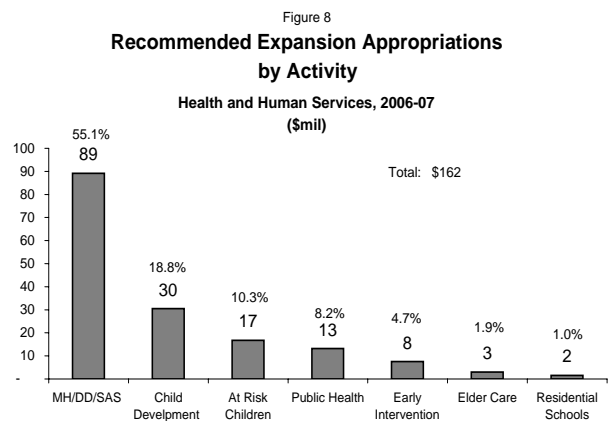
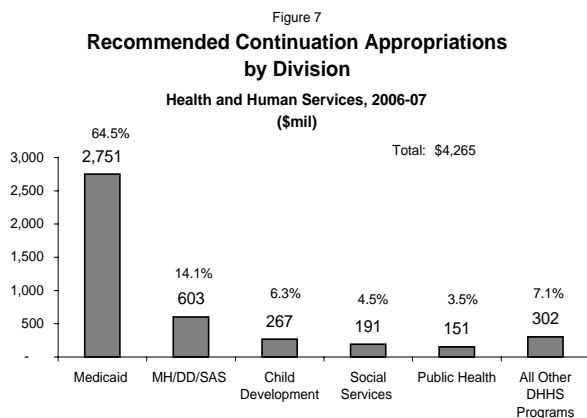
- Continue funding services for about 5,500 people with developmental disabilities threatened with loss of support due to changes in federal policy.
- Approve an additional \$58 million investment in mental health reform.
- Increase grants to local programs to serve frail seniors who want to remain in their own homes.
- Provide 23 new positions to support preschoolers and students attending residential schools for the blind and deaf.
- Establish an adoption tax credit.

### Promoting Health

- Provide antiviral medications for first responders in case of an influenza pandemic.
- Add influenza vaccine to the universal vaccine program.
- Appropriate \$3.25 million to support 65 school nurses.

### Controlling Medicaid Expenditure Growth

- Reduce Medicaid funding by \$150 million, primarily due to a higher federal match rate and savings to the state from the new Medicare Drug Plan.



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# Economic Development and Infrastructure

## Major Recommendations

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Governor Easley remains committed to fostering long-term economic growth and enhancing the state's aggressive strategies for creating jobs. In addition, the governor's budget recommendations focus on restoring and maintaining the state's transportation infrastructure and promoting public transit initiatives as key components for continued economic growth.

### The One North Carolina Fund

- Provide \$10 million to recruit new businesses or support industries interested in significantly expanding in the state.

### The One North Carolina Small Business Innovation Research Program

- Appropriate \$5 million as incentive funding for small businesses to apply for federal innovation research grants. The program reimburses applicants 50% of the costs of preparing and submitting a proposal and also helps bridge the funding gap between proposal completion and initiation of an award, up to an annual limit of \$100,000.

### Motor Sports Program

- Fund the promotion of motor sports, an industry contributing more than \$5 billion annually to North Carolina's economy with its 24,400 jobs.
- Establish a sales tax exemption for racing-vehicle components.

### Biotechnology

- Provide \$2 million for the North Carolina Biotechnology Center to help the state remain an internationally recognized biotechnology leader.
- Approve \$480,000 for community college biotechnology programs.
- Appropriate \$4.5 million for biomanufacturing research and training at North Carolina State University and North Carolina Central University.

### North Carolina as a Business Location

- Allocate \$1.5 million to advertise and promote North Carolina as a location for business and industry in order to help stem job losses and compete with neighboring states and foreign countries.
- Establish a research and development sales tax reduction.

### North Carolina Housing Trust Fund

- Add \$5 million in recurring dollars for the Housing Trust Fund to help families secure safe, decent, and affordable homes, create jobs, increase state and local tax revenues, and leverage millions of dollars in additional business investment.

### Transportation

- Provide an additional \$83 million (a 44% increase over the previous year) in contract resurfacing funds to address degrading pavement conditions.
- Approve \$57 million for highway system preservation and maintenance, including pavements, bridges, and traffic signal systems.
- Appropriate an additional \$10 million (a 29% increase over the previous year) in small urban construction funds for use statewide for economic development, spot safety, or transportation improvement projects.
- Allocate a \$9.4 million increase (14% over the previous year) in public transportation funding to provide access to dial-a-ride services for citizens, operating costs of fixed-route systems, and additional state matching of federal funds for public transportation initiatives.
- Approve a \$2 million increase (15% over the previous year) in state aid to assist rural airports with capital improvements critical to attracting new business and industry to local communities.
- Provide \$2 million for short-line railroad rehabilitation projects.

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# Courts and Public Safety

## Major Recommendations

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Improving the court system and community public safety are key aspects of Governor Easley's budget recommendations.

### Criminal Investigation Resources

- Allocate \$1.5 million for the State Bureau of Investigation to fund new field agent and crime lab positions to improve conviction rates related to identify theft, child exploitation on the Internet, and methamphetamine and other drug trafficking.
- Provide initial funding of \$1.9 million for needed replacement of the Statewide Automated Fingerprint Identification System, which is essential for solving crimes and conducting criminal background checks.

### Public Safety

- Include \$1.4 million to fund emergency management staff and logistics operations to improve emergency planning, response, and recovery capabilities.
- Provide \$1.4 million to enable the state to monitor convicted sex offenders with Global Positioning System technology and to increase public awareness of offenders establishing residency in North Carolina communities.
- Add \$1.5 million for additional State Highway Patrol troopers and support staff to reduce fatal vehicle collisions and increase enforcement visibility.
- Provide \$10 million for improved communications between public safety agencies by expanding the statewide interoperable voice radio network (VIPER).
- Appropriate \$2.5 million to expand prison bed capacity to meet both current and future projected inmate population needs.
- Approve \$150,000 to ensure trained response teams are in place statewide to protect the public from incidents involving hazardous materials.

- Provide an additional appropriation of \$620,000 for services of urban search and rescue teams and swift water rescue teams.
- Fund \$1.3 million to help reduce repeat criminal offenses by substance abusers.

### Court System Improvements

- Fund a \$9.5 million increase to expand the number of prosecutors, judges, and support staff to reduce case backlogs and process child custody and criminal cases more expeditiously.
- Provide \$5.5 million to support new and existing technology initiatives, including a statewide warrant repository, electronic filing for civil cases, an electronic traffic court, and an electronic payment system for court fees.
- Allocate \$5.3 million to improve overall operating efficiency by replacing outdated technology and office equipment essential for court operations.
- Approve \$820,000 to expand custody mediation and guardian ad litem programs to protect children involved in custody, abuse, and neglect cases.

### Financial Assistance

- Include \$500,000 for Operation ROTC (Reaching Out to Children) for extended day care needed by military dependents when spouses are deployed.
- Provide \$700,000 in additional funding for the Crime Victims Compensation Fund so that lost wage and hospital expense payments to victims of crime will be awarded faster.
- Add \$500,000 in increased funding for community programs that reach out to delinquent and at-risk youth to continue to improve recidivism rates.

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# Environment and Agriculture

## Major Recommendations

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Governor Easley's budget recommendations reflect his belief in protecting and preserving the state's natural heritage through land and water conservation and enforcement of clean smokestack legislation and other environmental laws.

### Water Resources

- Provide \$467,000 for seven inspectors to monitor construction sites to prevent further water pollution from sediment and erosion.
- Allocate \$500,000 for the expansion of the Conservation Reserve Enhancement Program (CREP) into additional watersheds in need of riparian buffers and restored wetlands.
- Provide \$500,000 for the cleanup of orphan hazardous sites throughout the state. These sites will then be converted to safe uses.
- Approve \$2.9 million for the Drinking Water State Revolving Fund as a 20% state match for \$14.5 million in federal funds. The primary purpose of the fund is to provide low interest loans for water supply infrastructure improvements.
- Fund \$3.2 million to provide a 20% match as a condition of the EPA Capitalization Grants for the Clean Water State Revolving Fund programs. The funding allows local governments to address their wastewater treatment needs more efficiently and to improve North Carolina's water quality.
- Provide \$2.4 million for private well construction. The funding will support the enforcement of standards for private well construction and provide incentive funds for new county well programs.
- Allocate \$259,067 to support and maintain the Basinwide Information Management System (BIMS) by establishing three additional staff positions. BIMS is the result of Water Quality Division efforts to consolidate essential regulatory agency data into one database.

### One North Carolina Naturally Initiatives

- Provide \$277,527 to establish four coastal habitat protection Compliance Coordinator positions to concentrate on permit monitoring, enforcement, and compliance activities, thereby allowing existing field staff to focus on permit delivery activities.
- Appropriate \$333,778 to soil and water conservation districts and counties to implement best management practices for water quality.
- Approve \$400,000 to help agricultural producers implement best management practices on private agricultural lands to improve water quality.
- Appropriate \$563,695 to encourage private woodland owners to reforest their land after harvest and to plant trees on idle or unproductive land, thus ensuring future timber supplies while providing environmental protection to the state's woodlands.
- Provide \$375,000 to implement the Coastal Recreational Fishing License Program (CRFL).

### Agriculture

- Approve \$250,000 to fund three positions to address the threat of avian influenza, exotic Newcastle disease, bovine spongiform encephalopathy, and any other emerging or potential foreign animal diseases.
- Provide \$345,000 for eight positions to provide increased protection of the food supply by inspecting slaughterhouses and processing plants and surveying food samples.
- Appropriate \$350,000 to offset deficits of state farms in transitioning from production facilities to research facilities.
- Approve \$58,323 to establish an Export Certification Specialist position to provide technical help to North Carolina producers sending raw agricultural products to markets outside of the United States.

# Capital Improvements

## Major Recommendations

Governor Easley recommends a balanced capital financing package, using a combination of pay-as-you-go and debt sources to prevent the state from an overburdened debt capacity and critical project delays. The proposed capital budget totals approximately \$764.2 million, including \$329.5 million from General Fund appropriations, \$20 million in revenue bonds, \$245 million in special financing, and \$169.7 million from receipts. In addition, \$200 million is recommended for the Repair and Renovation Reserve.

### Education

- Appropriate \$27 million to expand the School of Nursing at UNC-Wilmington.
- Approve \$61 million for the Engineering Complex III at North Carolina State University to continue the relocation of the College of Engineering to Centennial Campus.
- Provide \$45.8 million for a new UNC-Charlotte classroom building to house graduate and professional education programs.

### Public Health

- Approve the issue of \$101 million in special financing to construct a new public health lab and office for the Chief Medical Examiner.
- Appropriate \$8 million from the General Fund to combine with a \$16 million federal grant to construct two skilled-care nursing homes for North Carolina's veterans.

### Justice and Public Safety

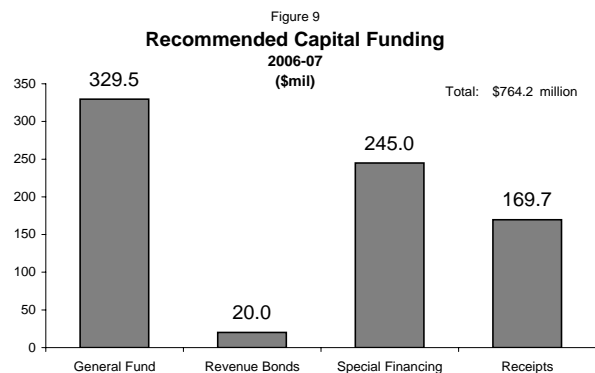
- Provide \$8.5 million to construct an Emergency Operations Center within the new National Guard Readiness Center.
- Approve \$151.7 million, including \$144 million in special financing and \$7.9 million from receipts, to build a Regional Medical Center and a Mental Health Center at North Carolina's Central Prison in Raleigh.

### Natural and Economic Resources

- Approve \$106.4 million, including \$18.5 million in appropriations and \$87.9 million in federal and local matching funds, for water resources development projects.
- Appropriate \$15 million for land acquisition to expand Chimney Rock State Park.
- Provide \$7.5 million from the General Fund to add to \$16.6 million in receipts to buy two new container cranes for the Port of Wilmington.
- Appropriate \$1.5 million to combine with \$1 million in gifts and grants for the Children's Discovery Center to expand interactive and educational exhibits at the North Carolina Zoo.
- Approve \$10 million to add to \$40 million in gifts and grants for the Nature Resource Center, a Museum of Natural Sciences annex to engage teachers, students, and the public in interactive scientific research.

### General Government

- Appropriate \$40 million to expand the Museum of Art to showcase new collections and programs.
- Approve the issue of \$20 million in revenue bonds for a new parking deck in the downtown complex.
- Provide \$50 million to construct a new building to consolidate Department of Environment and Natural Resources offices.



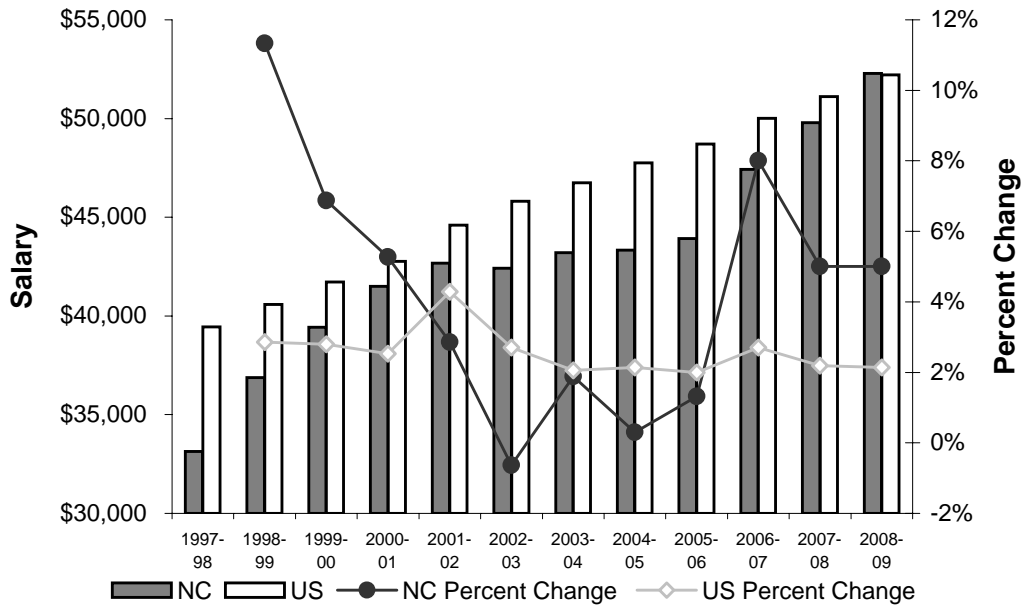
# Teachers and State Employees

## Major Recommendations

- Appropriate \$323 million as a step increase plus a \$2,250 flat increase for public school teachers, equaling an average 8% increase. The \$323 million includes \$8.8 million as nonrecurring salary increases for school personnel at the top of the scale. The proposal also includes an average 7% increase for principals and assistant principals. (See figure 10.)
- Provide \$8.6 million to increase the minimum hourly or monthly salary of noncertified public education employees to the state employee minimum.
- Approve \$244 million for a 4% salary increase for all other state employees, including community college faculty and professional staff.
- Provide \$28 million for an additional 4% increase (8% total) for community college faculty and professional staff to attract and retain highly qualified personnel.
- Allocate \$48 million for a 3.7% cost-of-living adjustment (COLA) for retirees of the Teachers' and State Employees' Retirement System.
- Approve \$30 million to repay funds withheld from the Retirement System in the 2001-02 budget crisis. This repayment is the fourth in the five-year payback period.
- Allocate \$20 million to the Salary Adjustment Fund. This fund provides salary adjustments for job groups with state salaries that are not competitive in the market place and increases where the state is having difficulty recruiting and retaining employees.

Figure 10

### Average Teacher Compensation 1998 - 2009



Source: 1997-99 to 2005-06 Highlights of the North Carolina Public School Budget February 2006, Information Analysis NCDPI.

Note: 2006-07 to 2008-09 National projections based upon National Education Association figures.



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# Economy and Revenue

by Topic

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## Economy

Outlook for the Nation and State

## Revenue

General Fund Revenue Forecast

Highway Fund Revenue

Highway Trust Fund Revenue

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# Economy

## Outlook for the Nation and State

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### Review of 2004-05

**Continued strong growth in U.S. economy.** After gathering momentum in 2002-03 and 2003-04, the U.S. economy continued to expand at a solid pace in 2004-05. This growth was fueled by consumer spending and business investment. The labor market improved drastically after several years of minimal growth.

- **Real Gross Domestic Product (GDP) grew strongly during 2004-05.** The value of all goods and services produced within the U.S., adjusted for inflation, grew at 3.7%. Most components of demand that accounted for growth in 2003-04, such as consumer spending, business investment, and exports, continued to grow in 2004-05.
- **Hiring picked up.** Employers created roughly two million new jobs, while the unemployment rate declined to 5.1% by the end of 2004-05 (down 0.5 percentage point from the previous year). The service sector accounted for most of the job growth, while the manufacturing sector continued to lose jobs.
- **Consumers continued to spend more.** Despite a gradual cooling in the housing market, solid job growth and rising household incomes drove consumer spending. Total personal income increased by 6.3% in 2004-05, while wages and salaries increased 2.4%. Consumer spending grew 3.7%.
- **The federal funds rate increased.** The Federal Reserve continued to move toward a neutral monetary policy stance. The federal funds rate was gradually increased to its current level of 4.75%. Overall inflation, as measured by the Consumer Price Index, increased very slightly during 2004-05 to 3.0%. Core inflation, which excludes food and energy prices, remained in the 2% range.

**Solid growth in North Carolina's economy.** The North Carolina economy continued to expand as the labor market strengthened. Employers added jobs and

statewide unemployment dropped significantly from its recession peak in the spring of 2002 (see figures 11 and 12). Nonagricultural employment increased by 62,650 jobs or 1.7% in 2004-05.

- **The service sector fueled employment gains.** Consistent with the trend in recent years (see figure 13 and table 5), the service sector experienced outstanding job growth. In particular, the professional/business and education/health services sectors were the main drivers of this expansion. After growth of 3.2% in 2003-04, the education and health sector gained another 4.1% in 2004-05. Building on the 0.6% gain in 2003-04, the professional and business services sector increased employment by 3.7% in 2004-05. While job growth has been a bit more inconsistent in the leisure and hospitality services, the sector realized a 1.7% growth.
- **The pace of manufacturing employment losses slowed.** While the state's manufacturing sector continued to lose jobs in 2004-05, the 0.5% loss was the lowest since 1997-98.

### Outlook for 2006 and 2007

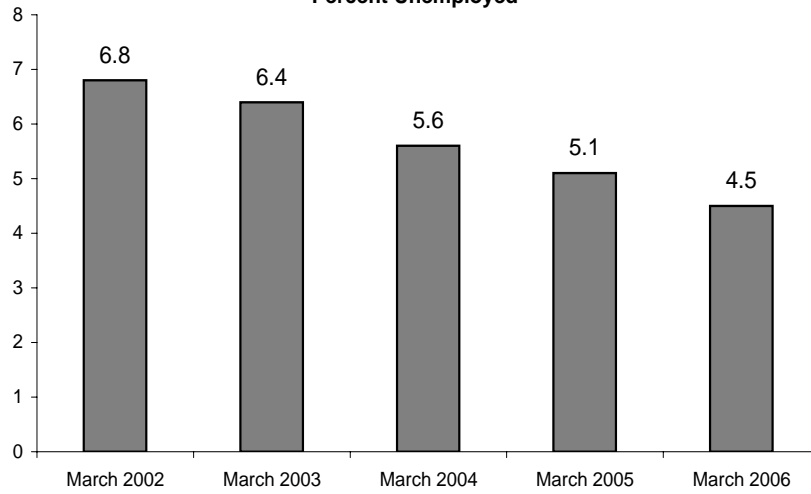
#### **Continued growth expected in U.S. economy.**

The U.S. economy is off to a strong start in 2006. The value of all goods and services produced within the U.S., adjusted for inflation, grew at 4.8% in the first quarter (one of the strongest quarters in the recent past). The labor market also continues to grow as employers add jobs. While rising energy prices and the weakening housing market are a concern, most economic forecasts project steady growth for the remainder of 2005-06 and 2006-07. Highlights of this economic outlook include the following:

- Real GDP is expected to increase by 3.2% in both 2006 and 2007.
- The labor market should continue its steady performance, as an average of 182,000 nonagricultural jobs is expected to be added dur-

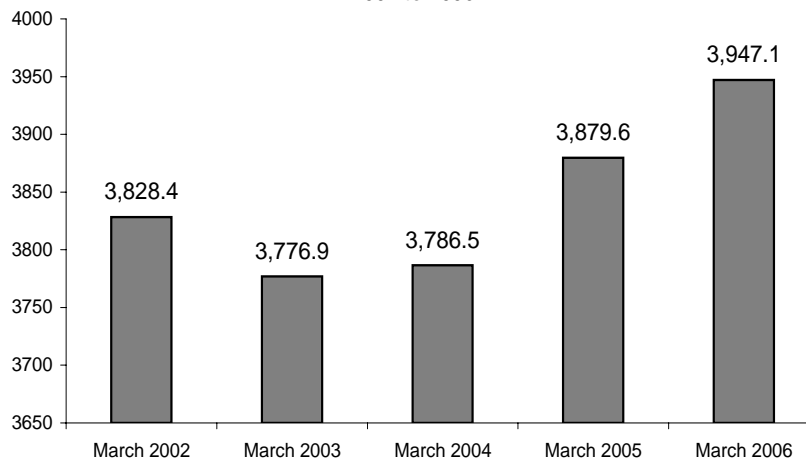
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Figure 11  
**NC Unemployment Rate Falls Significantly**  
Percent Unemployed



Source: Labor Market Information, Employment Security Commission

Figure 12  
**NC Employment Expands**  
Total Nonfarm Employment (000s)  
2002 to 2006

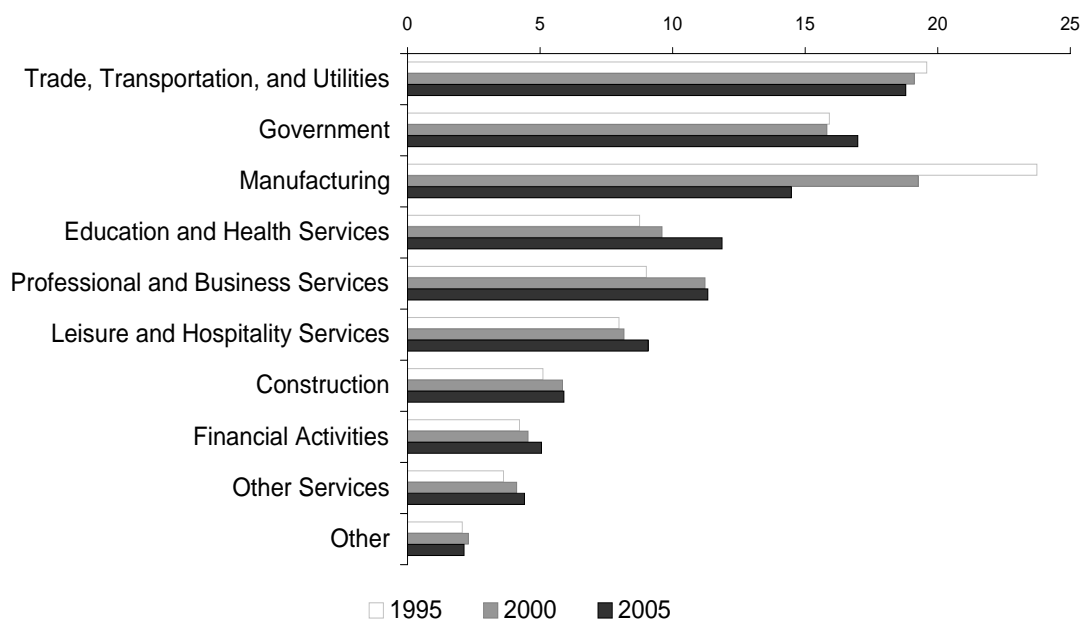


Source: Labor Market Information, Employment Security Commission

Figure 13

### Nonfarm Employment by Category

Percent of Total



Source: Labor Market Information, Employment Security Commission

Table 5

### Annual Nonfarm Employment by Category

Percent of Total

1995, 2000, and 2005

Category	Percent of Total		
	1995	2000	2005
Trade, Transportation, and Utilities	19.6	19.1	18.8
Government	15.9	15.8	17.0
Manufacturing	23.7	19.3	14.5
Education and Health Services	8.8	9.6	11.9
Professional and Business Services	9.0	11.2	11.3
Leisure and Hospitality Services	8.0	8.2	9.1
Construction	5.1	5.8	5.9
Financial Activities	4.2	4.6	5.0
Other Services	3.6	4.1	4.4
Other	2.1	2.3	2.1

Source: Labor Market Information, Employment Security Commission

ing the final two quarters of fiscal year 2006. Job gains in 2007 are expected to average 149,000 per month. The unemployment rate is projected to remain at 4.8% in 2006, while increasing slightly to 4.9% in 2007.

- Inflation is expected to remain near 2.5% over the rest of 2006 and 2007. Core inflation, which excludes food and energy, is expected to increase slightly over the next two years.
- The federal funds rate is expected to reach 5.25% by the end of June, as the Federal Reserve Bank continues to move toward a neutral monetary policy stance.
- After a sluggish fourth quarter in 2005, consumer spending jumped 5.1% in the first quarter of 2006. Consumer spending is expected to grow at 3.1% for the remainder of 2006 before falling below 3.0% in 2007 due to higher interest rates and a projected slowdown in the housing market.
- Large corporate profits and positive perceptions of the economic outlook are expected to increase business investment over the next two years. Business investment is expected to increase by 9.1% and 6.4% in 2006 and 2007.

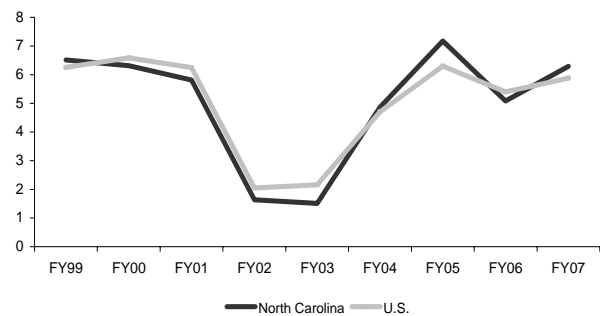
**Continued expansion expected in North Carolina.** Driven by growth in the services sector, the state's economy is expected to expand and build on the employment growth momentum generated in 2004-05. This growth, combined with business investment and an increase in wages, is expected to fuel North Carolina's expansion.

Economists' projections for the state's economy in 2005-06 and 2006-07 include these forecasts:

- Personal income is expected to outpace the U.S. in 2006-07 after falling slightly behind the U.S. growth in 2005-06 (see figure 14).
- Employment growth is expected to remain consistent with that of the nation. Nonagricultural employment is forecasted to expand 1.5% in 2005-06, followed by 1.7% growth in 2006-07 (see figure 15).
- Professional and business services employment is expected to expand 4.6% in 2005-06 and 4.2% in 2006-07.

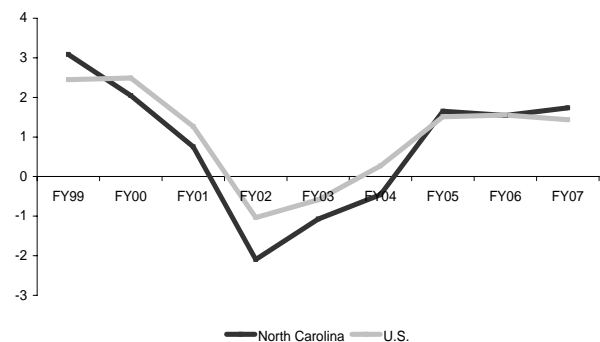
- Employment in the leisure and hospitality services sector is forecasted to grow 2.6% in 2005-06 and 3.1% in 2006-07.
- Construction employment is expected to slow in 2005-06 and 2006-07, growing at 2.5% and 1.2%, respectively.
- High-tech manufacturing is forecasted to help limit manufacturing losses in 2005-06 to 1.6% followed by losses of 1.9% in 2006-07.

Figure 14  
**State Income Expected to Exceed U.S.**  
 Percentage Growth in Personal Income



Data for fiscal years 2006 and 2007 are forecasts.  
 Source: Global Insight, U. S. Bureau of Economic Analysis

Figure 15  
**State Maintains Employment Growth**  
 Percentage Growth in Nonagricultural Employment



Data for fiscal years 2006 and 2007 are forecasts.  
 Source: Global Insight

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# Revenue

## General Fund Forecast

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About half of North Carolina's total revenue originates from tax collections and other sources comprising the General Fund. The other half consists of funds from the federal government, highway funds, the education lottery, and other receipts and fees (e.g., tuition).

General Fund revenues are primarily derived from three major sources: individual income tax, corporate income tax, and the sales and use tax. Other important sources include franchise, insurance, alcohol, and other miscellaneous taxes. In addition, nontax revenues, such as earnings from investment of state funds, also support the General Fund.

### **Forecast reflects the state's growing economy.**

As the North Carolina economy has expanded, General Fund tax revenue growth has exceeded expectations. Through the first nine months of 2005-06, total General Fund revenues (including nontax receipts and transfers from the Highway Trust Fund) rose 9.7% to \$12,324.3 million, about \$400 million above expectations. By the end of 2005-06, it is currently projected that General Fund revenue collections will total \$17,890.7 million.

Baseline General Fund revenue growth is expected to be 3.2% in 2006-07. Recognizing the strong economic forecast, General Fund revenue for 2006-07 is adjusted upward by \$273.4 million (net of tax cuts). Table 6 details this revised estimate for 2006-07, adjusted for the recommended tax changes discussed below. It also shows the projected General Fund revenue for 2005-06 and the certified budgeted revenue for 2005-07.

For each of the major categories of General Fund revenue, the current performance and 2006-07 baseline forecast are discussed below, along with any recommended tax changes.

**Individual income taxes.** Through the first three quarters of 2005-06, net individual income tax receipts totaled \$6,312.7 million, about \$136 million above the official estimate. Individual income tax receipts of

\$9,390.4 million are expected for the fiscal year, an increase of 11.7% over the previous fiscal year.

This growth is fueled by North Carolina's strong employment gains over the past year. In particular, the professional and business services and the education and health services sectors have driven this expansion.

In 2006-07, the strong job market is expected to continue to lead growth in individual income tax collections. Baseline growth is expected to be 3.2% in 2006-07.

Tax changes will also affect individual income tax collections. The Governor recommends that the General Assembly enact a state tax credit for adoption expenses, effective January 1, 2006, based on the existing federal tax credit. The state credit would equal 50% of the federal adoption tax credit claimed in the tax year. Families who adopt children would save an estimated \$3 million from the credit.

Adjusting for the tax change, growth in individual income tax collections is expected to be \$295.2 million in 2006-07.

**Sales and use taxes.** Sales and use tax collections exceeded the official forecast by \$143.5 million in the first three quarters of 2005-06. By the end of 2005-06, growth in total sales and use tax collections is expected to be 10.8% above 2004-05. For 2006-07, baseline growth in sales tax collections is expected to equal 4.1%.

The following changes are also expected to affect collections from sales and use taxes.

*Sales tax rate reduced by 0.25%.* To provide relief to taxpayers, the Governor recommends reducing the state sales tax rate from 4.5% to 4.25%, effective October 1, 2006. There is a commensurate reduction of 0.25% in state taxes on telecommunications and satellite television. This reduction is expected to save taxpayers \$196.5 million in 2006-07.

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*Motor sports exemption.* The Governor recommends refunding \$3.2 million in sales taxes to professional motor sports racing teams for racing-vehicle parts and equipment. This refund will help increase the state's leadership position in building its \$5.9 billion motor sports industry.

*Sales tax reduction for research and development.* To support and encourage research and development, the Governor recommends reducing the sales tax on equipment used for research. This reduction is expected to save taxpayers \$4 million in 2006-07.

Adjusting for these tax changes, collections of sales and use taxes are expected to be \$4,972.6 million in 2006-07.

**Corporate income taxes.** Corporate income tax receipts for 2005-06 reflect the strong business climate in North Carolina. Through the first quarter of 2006, corporate income tax receipts were up 7.7%, exceeding the official estimate by \$132 million.

Recognizing the historical volatility and cyclical nature of this revenue source, baseline corporate income tax receipts are expected to decrease 6.2% in 2006-07.



Table 6

**General Fund Revenue**  
Detailed Revised Estimates for 2005-06 and 2006-07

	2005-06 Certified Budgeted	2005-06 Revised Estimate	2006-07 Certified Budgeted	2006-07 Revised Estimate *
<u>Tax Revenue</u>				
Individual Income	\$ 8,839,760,000	\$ 9,390,400,000	\$ 9,399,150,000	\$ 9,685,600,000
Corporate Income	905,940,000	1,137,600,000	910,870,000	1,067,200,000
Sales and Use	4,692,700,000	4,972,400,000	4,915,325,000	4,972,600,000
Franchise	493,800,000	480,100,000	520,450,000	506,750,000
Insurance	441,700,000	451,400,000	485,600,000	490,400,000
Tobacco Products	161,274,000	169,900,000	231,171,000	232,000,000
Beverage	195,950,000	196,900,000	202,550,000	203,000,000
Inheritance	137,900,000	138,600,000	139,300,000	139,300,000
Licenses	46,300,000	42,500,000	47,500,000	43,700,000
Mill Machinery	16,600,000	11,400,000	40,000,000	32,400,000
Piped Natural Gas	35,500,000	32,800,000	35,900,000	33,200,000
Gift	20,000,000	15,700,000	22,500,000	18,200,000
Freight Car Lines	540,000	200,000	540,000	200,000
Miscellaneous	560,000	300,000	560,000	300,000
<i>Total Tax Revenue</i>	<i>\$ 15,988,524,000</i>	<i>\$ 17,040,200,000</i>	<i>\$ 16,951,416,000</i>	<i>\$ 17,424,850,000</i>
<u>Nontax Revenue</u>				
Investment Income	74,800,000	114,200,000	78,700,000	108,700,000
Judicial Fees	161,725,771	155,700,000	168,605,271	162,600,000
Disproportionate Share Receipts	100,000,000	91,200,000	100,000,000	100,000,000
Insurance Department	49,889,013	52,400,000	51,543,813	53,000,000
Miscellaneous	188,801,932	182,200,000	202,719,921	178,307,275
<i>Total Nontax Revenue</i>	<i>\$ 575,216,716</i>	<i>\$ 595,700,000</i>	<i>\$ 601,569,005</i>	<i>\$ 602,607,275</i>
<u>Transfers</u>				
Highway Fund	2,200,000	2,200,000	-	-
Highway Trust Fund	252,558,117	252,558,117	252,663,009	51,599,027
<i>Total Transfers</i>	<i>\$ 254,758,117</i>	<i>\$ 254,758,117</i>	<i>\$ 252,663,009</i>	<i>\$ 51,599,027</i>
<b>Total General Fund Revenue</b>	<b>\$ 16,818,498,833</b>	<b>\$ 17,890,658,117</b>	<b>\$ 17,805,648,014</b>	<b>\$ 18,079,056,302</b>

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

\* Net of tax cut proposals

Figure 16  
**General Fund Revenue**  
 Revised Estimates for 2006-07

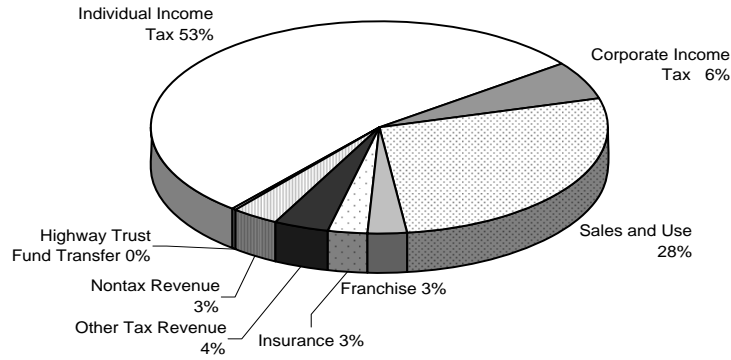


Table 7  
**General Fund Revenue**  
 Revised Estimates for 2005-06 and 2006-07, (\$mil)

	2005-06 Budget	2005-06 Revised	Difference	2006-07 Budget	2006-07 Revised	Difference	Percent Change 2005-06 to 2006-07
Individual Income Tax	8,840	9,390	551	9,399	9,686	286	3.1%
Corporate Income Tax	906	1,138	232	911	1,067	156	-6.2%
Sales and Use	4,693	4,972	280	4,915	4,973	57	0.0%
Franchise	494	480	(14)	520	507	(14)	5.6%
Insurance	442	451	10	486	490	5	8.6%
Other Tax Revenue	615	608	(6)	720	702	(18)	15.5%
Nontax Revenue	575	596	20	602	603	1	1.2%
Highway Trust Fund Transfer	255	255	0	253	52	(201)	-79.7%
<i>Total Revenues</i>	<i>16,818</i>	<i>17,891</i>	<i>1,072</i>	<i>17,806</i>	<i>18,079</i>	<i>273</i>	<i>1.1%</i>
Unreserved Credit Balance					771		
<i>Total Availability</i>					<i>18,850</i>		

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

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# Revenue

## Highway Fund

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The Highway Fund receives its support from three primary sources: (1) three-fourths of the motor fuel taxes collected by the Department of Revenue, 2) licenses and fees collected by the Division of Motor Vehicles, and 3) interest earned from investments of the Highway Fund cash balance held by the State Treasurer.

In 2005, the North Carolina General Assembly authorized an increase in many of the licenses and fees collected under the Highway Fund. Some of these licenses and fees were last adjusted in 1981. The certified revenue increase from the Highway Fund fee package was \$105.78 million for 2005-06 and \$144.64 million for 2006-07. As of March 2006, revenue collections from the fee package exceeded projections by \$15.3 million. As for motor fuel tax collections for the same period, revenues were up 1.2% or \$9.4 million over budget. The increase in motor fuel tax collections resulted from higher motor fuel prices at the pump.

For 2006-07, total Highway Fund revenue is expected to reach \$1,767.1 million, an increase of 4.1% over

the amount certified for 2006-07. Demand for fuel is expected to remain strong in 2006-07, despite high fuel prices. Consequently, motor fuel tax collections are expected to increase 5.9%. Licenses and fees are expected to show a slight decline of 2.5% in total collections for 2006-07. The increase in the rate of growth in the motor fuels tax for 2006-07 is the result of the rising wholesale price of motor fuels and increasing the variable component of the motor fuels tax rate in 2005-06. For the period, investment income will be flat at \$8.0 million. The decline in licenses and fees is a result of slower than expected revenue collections in staggered registration.

The transfer of \$17.6 million from the General Fund to the Highway Fund is to hold the Highway Fund harmless from a freeze in the variable component of the excise tax on motor fuels at the January 2006 base rate.

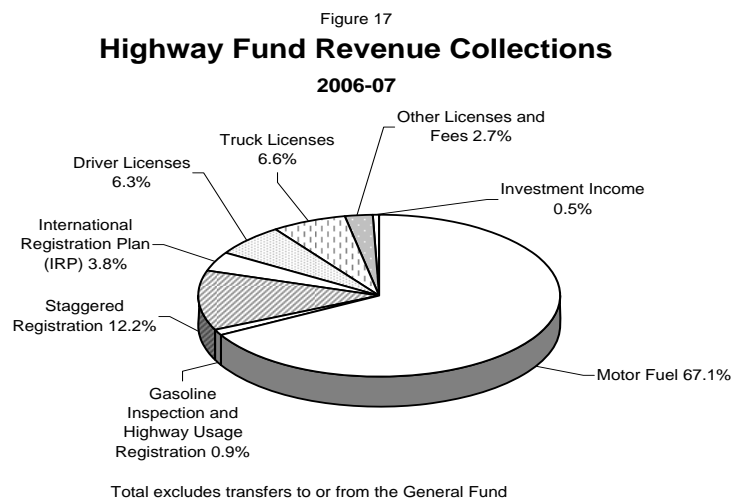


Table 8  
**Highway Fund**  
**Recommended Budget Adjustments, 2006-07**  
**Revenue Availability**

<b>Source</b>	<b>2005-06 Certified</b>	<b>2006-07 Certified</b>	<b>2006-07 Adjustments</b>	<b>2006-07 Revised</b>
<u>Motor Fuels Tax</u>				
Motor Fuels	\$1,087,640,000	\$1,107,180,000	66,147,275	\$1,173,327,275
Gasoline Inspection	15,000,000	15,450,000	(150,000)	15,300,000
Highway Use Reg.	160,000	160,000	-	160,000
Total Motor Fuel Taxes	1,102,800,000	1,122,790,000	65,997,275	1,188,787,275
Percent Change	13.10%	1.81%		5.9%
<u>Licenses and Fees</u>				
Staggered Registration	214,098,050	236,607,067	(23,667,067)	212,940,000
International Registration Plan	62,256,816	67,809,104	(1,579,104)	66,230,000
Driver Licenses	107,762,811	119,416,209	(8,376,209)	111,040,000
Truck Licenses	87,487,148	95,555,438	19,184,562	114,740,000
Other Licenses and Fees	45,115,175	47,762,182	(22,182)	47,740,000
Total License and Fees	516,720,000	567,150,000	(14,460,000)	552,690,000
Percent Change	21.04%	9.76%		-2.5%
<u>Investment Income</u>				
	8,000,000	8,000,000	-	8,000,000
Percent Change	-16.35%	0.00%		0.0%
Total Highway Fund Revenue	1,627,520,000	1,697,940,000	51,537,275	1,749,477,275
<u>Transfer from General Fund *</u>				
			17,662,725	17,662,725
Total Highway Fund Availability	\$1,627,520,000	\$1,697,940,000	\$69,200,000	\$1,767,140,000
Percent Change	15.30%	4.33%		4.1%

\* Transfer from General Fund to hold Highway Fund harmless from capping variable component of Motor Fuels Tax at the January 1, 2006 rate for 2006-07.

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# Revenue

## Highway Trust Fund

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Established in 1989, the Highway Trust Fund receives support from four primary sources: 1) one-fourth of motor fuel tax collections, 2) highway use tax collections from the sales of motor vehicles in excess of the amount transferred to the General Fund, 3) title fees and various registration fee collections, and 4) interest earned from investment of the Highway Trust Fund cash balance held by the State Treasurer.

In 2005, the North Carolina General Assembly authorized an increase in the fees collected under the Highway Trust Fund. The fees were last adjusted in 1989. The certified revenue increase from the Highway Trust Fund fee package was \$13.37 million for 2005-06 and \$18.27 million for 2006-07. As of March 2006, revenue collections from the fee package were down \$34.7 million over projected collections. For the same period, motor fuel tax collections were up \$2.8 million or 1.1% of budget. The greatest decline in Highway Trust Fund revenues occurred in the highway use tax, where revenues were down \$28.3 million or 6.2% of budget. The decline in highway use tax collections resulted from slow vehicle sales.

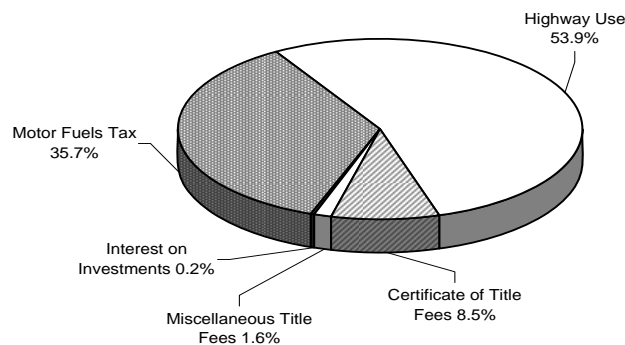
Highway Trust Fund revenue is expected to total \$1,100.6 million in 2006-07 or 3.1% less than the amount certified for 2006-07. In spite of higher fuel prices at the pump, the motor fuels tax collections are expected to increase by 6.2% due to continued fuel consumption. As a result of declining auto sales, highway use tax collections are expected to decline 8% from the previously certified amount for 2006-07. Revenues from title fees are expected to show little change. Interest on investments is expected to show a significant decline as a result of decreases in cash balances.

The transfer of \$5.8 million from the General Fund to the Highway Trust Fund is to hold the trust fund harmless from a freeze in the variable component of the excise tax on motor fuels at the January 2006 base rate.

After a reduction of \$195.2 million in transfers to the General Fund, the available balance in the Highway Trust Fund is expected to be \$1,043.1 million.

Figure 18

### Highway Trust Fund Revenue Collections 2006-07



Total excludes transfers to or from the General Fund

Table 9  
**Highway Trust Fund**  
**Recommended Budget Adjustments, 2006-07**  
**Revenue Availability**

Source	2005-06 Certified	2006-07 Certified	2006-07 Adjustments	2006-07 Revised
Motor Fuels Tax	\$362,590,000	\$369,170,000	\$21,942,425	\$391,112,425
Highway Use	611,090,000	639,810,000	-\$49,410,000	590,400,000
Certificate of Title Fees	95,801,827	101,193,164	-\$7,613,164	93,580,000
Miscellaneous Title Fees	17,248,173	19,266,836	-\$2,116,836	17,150,000
Subtotal	1,086,730,000	1,129,440,000	-37,197,575	1,092,242,425
<i>Percent Change</i>	8.95%	3.93%		-3.3%
Interest on Investments	6,500,000	6,500,000	-4,000,000	2,500,000
<i>Percent Change</i>	0.22%	0.00%		-61.5%
Total Highway Trust Fund Revenue	1,093,230,000	1,135,940,000	-41,197,575	1,094,742,425
Transfer from General Fund <sup>1</sup>	-	-	5,887,575	5,887,575
Total Highway Fund Availability	1,093,230,000	1,135,940,000	-35,310,000	1,100,630,000
<i>Percent Change</i>	8.90%	3.91%		-3.1%
Transfer to General Fund <sup>2</sup>	252,558,117	252,663,009	-195,176,407	57,486,602
Balance Available	\$840,671,883	\$883,276,991		\$1,043,143,398

<sup>1</sup> Transfer from General Fund to hold Highway Trust Fund harmless from capping variable component of Motor Fuels Tax at the January 1, 2006 rate for 2006-07.

<sup>2</sup> Transfer required by G.S. 105-187.9 (Includes reduction of \$115 million to allow for repayment of outstanding loan balance from 2002-03).

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# Recommended Appropriations

General Fund

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Education

General Government

Health and Human Services

Justice and Public Safety

Natural and Economic Resources

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**Public Education (13510)**

**Total Appropriations and Positions**

	<b>2006-07 Certified</b>	<b>2006-07 Recommended</b>	<b>Percentage Change</b>
Requirements	\$7,652,962,737	\$7,909,034,556	3.3 %
Receipts	<u>1,073,155,640</u>	<u>1,201,652,474</u>	12.0 %
Appropriation	<u>\$6,579,807,097</u>	<u>\$6,707,382,082</u>	1.9 %
Positions	507.200	519.200	2.4 %

**Appropriation Items -- Recommended Adjustments**

**Technical Adjustments**

2006-07

**1. Average Daily Membership**

Positions, textbooks, instructional equipment, and supplies allocated to the public schools are budgeted on the basis of average daily membership (ADM) of students in the classroom. The revised ADM estimate for 2006-07 is an increase of 18,363 over the 1,417,112 ADM in the continuation budget, and a 38,103 increase over 2005-06. This recommended appropriation supports the ADM increase and includes a 2,000 ADM reserve due to military base closings. Receipts from the Highway Fund for the Driver Education program are adjusted by \$457,971 due to a projected increase in ADM in the ninth grade.

<b>Requirements</b>	<b>\$76,757,787</b>
<b>Receipts</b>	<b>\$457,971</b>
<b>Appropriation</b>	<b>\$76,299,816</b>

**2. Average Annual Salary Adjustment**

An adjustment is recommended to revise budgeted average annual salaries using actual 2005-06 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 recommended adjustment does not reduce teacher salaries.

<b>Appropriation</b>	<b>(\$56,180,428)</b>
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**3. Reprogram Class Size Appropriation**

It is recommended that \$127.9 million of the 2006-07 budget for class size be reprogrammed to lottery proceeds, consistent with legislation establishing and directing the use of proceeds from the NC Education Lottery. The General Fund money that has been fronted for this purpose is redirected to pay for increased public school teacher salaries.

<b>Requirements</b>	-
<b>Receipts</b>	<b>\$127,864,291</b>
<b>Appropriation</b>	<b>(\$127,864,291)</b>

**Total Recommended Technical Adjustments**

**Recurring**

Requirements	\$20,577,359
Receipts	128,322,262
Appropriation	(\$107,744,903)
Number of Positions	-

**Nonrecurring**

Requirements	-
Receipts	-
Appropriation	-
Number of Positions	-

**Expansion** 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 the North Carolina School of Science and Mathematics. These funds will provide for movement on the salary schedule based on years of experience, and will increase the salary schedule base by \$2,250. Teachers will receive an average increase of 8% and administrators 7% in 2006-07. Employees at the top of their respective salary schedules and who therefore 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. 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 \$90 million are recommended for awards earned in the 2005-06 school year and awarded in fall 2006. This recommended appropriation will maintain the current incentive levels based on the implementation of the new growth model.

**Appropriation - Nonrecurring \$90,000,000**

**Recruiting and Retaining Quality Teachers**

**1. Online Professional Development Resource Center**

The Online Professional Development Resource Center is a web portal that catalogues professional development opportunities available to teachers and administrators. The portal includes searchable databases of professional development providers and criteria for determining quality of professional development offerings. A \$100,000 nonrecurring appropriation is recommended for placement in a reserve in the NC Professional Teaching Standards Commission budget. Funding for the IT project will be released upon approval of the State Budget Director and the Chief Information Officer. The Professional Teaching Standards Commission will report to the State Board of Education no later than March 15, 2007.

**Appropriation - Nonrecurring \$100,000**

**Investing More Resources and Demanding More Accountability**

**1. Full Support for Low Wealth Supplemental Funding**

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. This appropriation increases the funding to local education authorities (LEAs) with below state-average ability to raise local revenue for public schools. The use of the funds distributed through this formula is restricted to those items described in 2005 Session Law, Chapter 276, Section 7.6 (b). Local boards of education are required to report annually to the State Board of Education on funds used for this purpose. This recommended appropriation fully funds the Low Wealth Formula.

**Appropriation \$41,893,391**

**2. Disadvantaged Student Supplemental Funding (DSSF)**

The Governor recommends an appropriation increase of \$26,697,440. This appropriation increases the current budget of \$22,500,000 allotted in fiscal year 2005-06 to the sixteen pilot LEAs and supports the distribution of funds to all 115 LEAs. Funds appropriated for Disadvantaged Student Supplemental Funding (DSSF) shall be allotted based upon a teacher to student ratio for the eligible DSSF population using the following formula: (1) LEAs in counties with wealth greater than ninety percent (>90%) per the low wealth supplemental formula shall receive one teaching position per 20.5 DSSF population, (2) LEAs in counties with wealth between eighty and ninety percent (>80% and <90%) shall receive one teaching position per 20 DSSF population, (3) LEAs in counties with less wealth than eighty percent (<80%) per the low wealth supplemental formula shall receive one teaching position per 19.5 DSSF population, and (4) LEAs receiving DSSF funds in 2005-2006 shall receive one teaching position per 16 DSSF population based on county wealth. LEAs receiving DSSF funds in 2005-2006 shall receive no less than the DSSF amount allotted in 2005-2006. LEAs are encouraged to reduce class size and/or hire additional instructional support personnel, such as counselors, social workers, and nurses.

**Appropriation \$26,697,440**

**3. Evaluate Effectiveness of DSSF and Low Wealth Initiatives**

A key component of the Disadvantaged Student Supplemental Funding initiative is that local boards of education that are eligible for this fund are to submit plans to improve student performance by following specific strategies prescribed by the State Board of Education. To determine the effectiveness of these strategies, a third-party evaluation independently reviews the strategies being used to determine which ones lead to improved student performance. These funds also make it possible to evaluate other reform initiatives, including the high school reform programs and the impact of fully funding the Low Wealth Formula. The department received a nonrecurring appropriation of \$150,000 in 2005-06. This recommended appropriation provides recurring funds to evaluate the extent to which LEAs use DSSF and Low Wealth supplemental allotments to improve outcomes for students at risk for school failure and the extent to which the Department of Public Instruction supports the LEAs in using DSSF and other supplemental allotments efficiently and effectively.

**Appropriation \$750,000**

**4. 21st Century Literacy Coaches**

This recommended appropriation would support hiring 100 school-based literacy coaches to be placed in 100 middle schools (or other public schools with an eighth grade) starting with the 2006-07 school year. Coaches will provide research-based teaching practices and job-embedded professional development to assist teachers in the development of curricula that enable students to develop mastery of 21st century skills. Funds for training the coaches are in the University of North Carolina budget.

**Appropriation \$4,767,400**

**5. Director of High School Turnaround**

The Department of Public Instruction is currently contracting with an individual to coordinate assistance activities in school districts. Funding is recommended to continue this initiative. The responsibilities of the director will be to plan, organize and implement activities that focus on improving the performance of designated high schools in medium and small districts that have performance composites below 60%. The current contract salary is based on an annualized salary of \$94,000 plus benefits of \$17,350, totaling \$111,350. The recommended expansion amount supports the current costs plus \$11,000 for operating expenses such as supplies and travel.

**Appropriation \$122,350**

**Number of Positions 1.000**

**21st Century 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 college and the workforce. The Governor recommends an increase in appropriation to expand the Learn and Earn program from 13 to 34 high schools in 2006-07. The funds will support program staff in each school and operating expenses to support students in preparing for the workforce and college. The recommended nonrecurring appropriation provides funds in the amount of \$210,000 for start-up costs, \$800,000 to support 20 planning grants for schools that will become operational in academic year 2007-08, and \$523,360 to support the cost of four months principal's salary for each Learn and Earn planning site prior to becoming operational in the 2007-08 academic year.

**Appropriation \$8,232,388**

**Appropriation - Nonrecurring \$1,533,360**

**2. New Schools Project High Schools**

As part of the Governor's 21st Century High School Program, this program was funded to create small specialty schools-within-schools at eight existing high schools. This recommended appropriation will fund one additional principal, guidance counselor, and two clerical staff at 11 new sites, resulting in 21 new redesigned high schools in 2006-07, bringing the total to 32. A nonrecurring appropriation is recommended to support 10 planning grants in schools where the instruction is specifically redesigned around the following curricula: science, technology, engineering, and/or math (STEM). Nonrecurring funds recommended also include \$261,680 to support four months principal's salary for each planning site prior to becoming operational in the 2007-08 academic year. Any implementation grants for STEM schools shall come from non-state sources, such as private and other public sources.

**Appropriation \$3,805,970**  
**Appropriation - Nonrecurring \$661,680**

**State Board of Education Initiatives**

**1. State Board of Education Operating Support**

The Governor recommends that the current operating budget for the State Board of Education be increased by \$50,000 on a recurring basis.

**Appropriation \$50,000**

**2. Virtual High School**

This recommended appropriation provides funds to the State Board of Education to support 2006-07 implementation of North Carolina Virtual Public Schools (NCVPS) initiatives identified during the pilot phase conducted in 2005-06. This amount includes the cost of seven full-time positions for administration and support functions; course reviews, acquisition, and/or development; the cost of 22 positions for three months for instructional staff in preparation for 2007-08 academic year; and marketing and operational costs including rent, office supplies and furniture.

**Appropriation \$2,588,722**  
**Appropriation - Nonrecurring \$189,132**  
**Number of Positions 7.000**

**3. School Connectivity**

The Governor recommends an appropriation to support the NC Education Network and expand the number of the state's K-12 public schools to use technology as an instructional tool to prepare students for the demands of the 21st century workforce.

**Appropriation - Nonrecurring \$4,000,000**

**4. Increase Noncertified Employee Pay**

This recommended appropriation of \$8,582,073 supports a salary increase for noncertified personnel who are currently paid less than the minimum monthly or hourly state employee wage. These personnel include bus drivers, custodians, and teacher assistants. These funds are shown in the Compensation Reserve.

**Agency Administrative Improvements**

**1. Civil Penalty and Forfeiture Fund**

Session Law 2005-276 directed a reduction of \$120.5 million in appropriation in 2005-06 and \$125.5 million in 2006-07, to be replaced with receipts from fines and forfeitures. Actual collections did not reach the projected amounts in fiscal year 2005-06 leaving the department with a shortfall. The recommended recurring appropriation is necessary to correct for actual collection experience.

**Appropriation \$30,000,000**

**2. Reserve for Utility and Fuel Costs**

Due to the increase in diesel fuel costs, the State Public School Fund experienced a shortfall in the 2005-06 fuel budget. A nonrecurring appropriation is recommended to support actual diesel fuel cost projections for fiscal year 2006-07.

**Appropriation - Nonrecurring \$16,361,485**

**3. Legacy System Migration and Upgrade**

This recommended nonrecurring appropriation brings the Department of Public Instruction's information technology applications into compliance with statewide architecture requirements. Funds will be placed in a reserve in the Department of Public Instruction. These nonrecurring funds may be carried forward into 2007-08. Funds not expended for this project will revert to the General Fund June 30, 2008.

**Appropriation - Nonrecurring \$2,000,000**

**4. Network Tool Replacement**

The Department of Public Instruction currently relies on a network tool that will no longer be supported by Information Technology Services (ITS) effective June 2007. This recommended nonrecurring appropriation will support the cost of migrating to the tool that will be supported by ITS. The migration needs to occur in 2006-07 to meet the June 2007 deadline.

**Appropriation - Nonrecurring \$375,850**

**5. Information Technology Security Analyst**

A recurring appropriation of \$40,000 is recommended to support a half-time IT security analyst position. The position will assist in the development of a security program and the execution of the department's security charter to ensure compliance with federal regulations and state statute. The recommended appropriation includes salary and benefits in the amount of \$38,467, plus operating costs.

**Appropriation \$40,000**

**Number of Positions .500**

**6. Business Continuity Planning Analyst**

This recommended recurring appropriation supports a half-time business continuity planning analyst position. Currently the department does not have any FTE dedicated to continuity planning for the agency. The department has not fully addressed the business continuity planning function within the organization and requires additional staff to perform functions that will improve the agency's score on the security assessment.

<b>Appropriation</b>	<b>\$42,500</b>
<b>Number of Positions</b>	<b>.500</b>

**7. Purchasing Agent II**

A purchasing agent II position is recommended for the Department of Public Instruction to meet workload demands to ensure that all contracts requiring bids are processed accurately. The position grade is a 69 and position cost including benefits is \$58,220.

<b>Appropriation</b>	<b>\$58,220</b>
<b>Number of Positions</b>	<b>1.000</b>

**8. Facility Electrical Engineer III**

A facility electrical engineer III position is recommended for the school planning section. This position requires advanced electrical engineering work in the review of designs, installation method, ease and economy of maintenance and repair of electrical systems. This review is required by G.S 115C-521 for all school construction regardless of the scope of work. This position also functions as the electrical engineering advisor to the staff of local school systems. The position is a grade 80 with a salary of \$82,179. Total cost of the position is \$101,925 including benefits and \$4,000 of operating support. It is recommended that this position be funded from Public School Building Capital Fund receipts.

<b>Requirements</b>	<b>\$101,925</b>
<b>Receipts</b>	<b>\$101,925</b>
<hr/>	
<b>Appropriation</b>	<b>-</b>
<b>Number of Positions</b>	<b>1.000</b>

**9. Business Technology Applications Analyst**

This recommended position would serve exclusively on the Exceptional Children's (EC) project team, which consists of five business units with 82 information technology systems. Critical functions performed by this position include collecting business requirements, conducting business process analysis, writing functional specifications. The EC delivery team is responsible for seven software systems in addition to the large, statewide technology system for exceptional children (CECAS). Project risk is high without exclusively dedicated staff trained in Exceptional Children Division business specifications. The total cost of the position is \$72,647 including benefits. This position would be supported with federal receipts.

<b>Requirements</b>	<b>\$72,647</b>
<b>Receipts</b>	<b>\$72,647</b>
<hr/>	
<b>Appropriation</b>	<b>-</b>
<b>Number of Positions</b>	<b>1.000</b>

**Expansion Pass-Through Funds**

**1. Communities in Schools**

This recommended recurring appropriation expands the current 2006-07 certified budget of \$607,500 by \$750,000. The program connects at-risk students and their families with resources to assist in school success and dropout prevention. Services include tutoring and mentoring.

**Appropriation                    \$750,000**

**2. NC Network**

NC Network provides training for school-based management teams to improve the capacity of local administrative units. LEAs may contract with this agency using allotments that can be expended for professional development. The current budget is \$312,625. This recommended recurring appropriation will expand the current budget by \$100,000.

**Appropriation                    \$100,000**

**3. Teach for America**

The Governor recommends a recurring appropriation of \$200,000 for the Teach for America (TFA) program. These funds will support TFA's efforts to recruit teachers to North Carolina. Teach For America is the national corps of outstanding recent college graduates of all academic majors who commit two years to teach in urban and rural public schools and become lifelong leaders in ensuring educational equity and excellence for all children. Currently over 200 TFA corp members are teaching in North Carolina.

**Appropriation                    \$200,000**

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**Total Recommended Expansion**

**Recurring**

Requirements	\$120,272,953
Receipts	174,572
	\$120,098,381
Appropriation	\$120,098,381
Number of Positions	12,000

**Nonrecurring**

Requirements	\$115,221,507
Receipts	-
	\$115,221,507
Appropriation	\$115,221,507
Number of Positions	-



**Total Recommended Adjustments for  
Public Education  
2006-07**

**Recurring**

Requirements	\$140,850,312
Receipts	128,496,834
	<hr/>
Appropriation	\$12,353,478
Number of Positions	12,000

**Nonrecurring**

Requirements	\$115,221,507
Receipts	-
	<hr/>
Appropriation	\$115,221,507
Number of Positions	-

**The University of North Carolina (160xx)**

**Total Appropriations and Positions**

	<b>2006-07 Certified</b>	<b>2006-07 Recommended</b>	<b>Percentage Change</b>
Requirements	\$3,044,371,616	\$3,181,338,196	4.5 %
Receipts	<u>923,974,535</u>	<u>937,555,205</u>	1.5 %
Appropriation	<u>\$2,120,397,081</u>	<u>\$2,243,782,991</u>	5.8 %
Positions	32,055.420	31,963.620	(0.3)%

**Appropriation Items -- Recommended Adjustments**

**Technical Adjustments**

2006-07

**1. Restore NC A&T's Library Book Inflation Increase**

The universities received library book inflation increases for both years of the 2005-07 biennium. NC A&T's library book increase for 2006-07 was accidentally removed from the continuation budget. It is recommended that NC A&T's library book inflation increase be restored.

**Appropriation                    \$145,491**

**2. Restore NC A&T's Utility Inflation Increase**

The universities received utility inflation increases for both years of the 2005-07 biennium. NC A&T's increase for 2006-07 was accidentally removed from the continuation budget. It is recommended that NC A&T's utility inflation increase be restored.

**Appropriation                    \$17,786**

**3. Correct NCSSM's Textbook Increase**

The North Carolina School of Science and Math (NCSSM) received funds in the continuation budget for textbooks for 2006-07. However, after the continuation budget was finalized, NCSSM reported they had requested an insufficient amount. It is recommended that NCSSM's 2006-07 textbook budget be increased.

**Appropriation                    \$52,250**



**2. UNC-Chapel Hill DESTINY Traveling Science Lab**

It is recommended that funds be provided for the DESTINY mobile science lab at UNC-Chapel Hill. These funds will support an additional mobile laboratory as well as the personnel and other costs associated with the program. Besides providing additional laboratory space, DESTINY will expand its subject area focus beyond high school biology, to extend collaborative partnerships with schools, local school administrative units, and other external organizations, and enhance its ability to provide teachers with science curricula and professional development.

**Appropriation \$1,650,000**

**Appropriation - Nonrecurring \$350,000**

**3. PEP Initiative to Improve the Management and Leadership Skills of Principals in High Need Schools**

The Governor recommends that recurring funding be provided to the Principals' Executive Program (PEP) to provide focused support to eligible high schools based on criteria set by the State Board of Education. PEP shall provide a customized professional development program and a coaching/mentor component that provides assistance at the school level. Important components of this overall initiative are teacher recruitment and retention, as reported through the Teacher Working Conditions Survey, and data driven decision making.

**Appropriation \$250,000**

**4. North Carolina Teacher Academy Training of 21st Century Literacy Coaches**

Funds are recommended for the North Carolina Teacher Academy (NCTA) to train 21st Century Literacy coaches, as chosen by the State Board of Education, who will each be assigned to a middle school (or school containing an eighth grade) to provide professional development in 21st Century Literacy skills. NCTA will use appropriated funds to design, develop, and implement face-to-face training for these coaches. Additional online training modules will also be developed. Training will begin in the summer of 2006.

**Appropriation \$1,675,000**

**Appropriation - Nonrecurring \$225,000**

**5. Prospective Teacher Scholarship Loan**

The Governor recommends recurring funds to provide an additional 400 Prospective Teacher Scholarship Loans (PTSL). The PTSL program currently awards \$2,500 annually to undergraduates working on teaching certification. Each year, over 900 qualified student applicants are unable to receive funding. Priority for the additional awards shall be given to students seeking teacher licensure in middle and high school mathematics and science and students participating in 2+2 teacher education programs.

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

**Increasing Access to Higher Education**

**1. Enrollment**

**1. Enrollment Growth for UNC Campuses**

The 2005-06 budget funded 172,245 full time equivalent (FTE) students, an increase of 6,736 FTE, which represented an increase of 4.07% over the 2004-05 levels. UNC campuses are projected to experience additional enrollment of 7,110 FTE or 4.13% for 2006-07 bringing the total FTE to 179,355. Full funding for enrollment growth is recommended by the Governor to support the student growth at UNC institutions.

92,573,799

2. NC School of Science and Mathematics Enrollment Growth

The Governor recommends \$240,000 in enrollment growth for 12 new students at the NC School of Science and Mathematics. Funds will provide staff positions and student-related costs for food, medical coverage, textbooks, and furniture.

240,000  
**Requirements      \$92,813,799**

1. Enrollment Growth for UNC Campuses

13,580,670  
**Receipts            \$13,580,670**

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**Appropriation      \$79,233,129**

**2. Need-Based Financial Aid**

Full funding of the UNC System's need-based financial aid request is recommended to address the system-wide enrollment growth as well as to hold needy students harmless from any tuition and fee increases approved for 2006-07. The program currently serves 30,000 needy resident undergraduates and was fully funded at \$67,248,016 from Escheats Fund receipts in 2005-06.

**Appropriation      \$21,587,990**

**Nursing and Health Care Programs**

**1. Temporary Space for the Pharmacy Program at Elizabeth City State University**

A nonrecurring appropriation is recommended until additional budgetary data are made available to the Office of State Budget and Management's Capital Section in order to manage accurately the project's budget in accordance with S.L. 2004-179, Section 1.1.

**Appropriation - Nonrecurring      \$43,000**

**2. Nurse Scholars Program**

Recurring funds are recommended to expand the maximum scholarship loan award from \$5,000 to \$6,500 per year, as well as to increase the number of scholarships available from 450 to 750.

**Appropriation      \$2,750,000**

**3. Graduate Nurse Scholarship Program for Faculty Production**

The Governor recommends recurring funding to create a graduate nurse scholarship loan program to provide \$15,000 for up to two years for master's candidates in nursing education, or three years for doctoral candidates. Within 7 years of graduation, each recipient is required to teach in a public nursing education program in North Carolina for 12 months for each year they receive a scholarship loan or they must repay the loan.

**Appropriation      \$1,200,000**

**4. New Bachelor of Science in Nursing Programs**

It is recommended that Fayetteville State University (FSU) and the University of North Carolina at Pembroke (UNCP) receive funds to support two new Bachelor of Science in Nursing programs, and that Appalachian State University (ASU) receive funds to support its new RN to BSN program. The new programs can be established more rapidly if initial funding is made available for faculty hiring, equipment and other necessities. FSU and UNCP will each receive \$300,000 and ASU will receive \$250,000.

**Appropriation \$301,368**  
**Appropriation - Nonrecurring \$548,632**

**Other UNC Initiatives**

**1. Judicial College at UNC-Chapel Hill**

It is recommended that recurring funding be provided to expand the Judicial College program at UNC-Chapel Hill to provide ongoing training to judicial officials throughout the State.

**Appropriation \$750,000**

**2. Information Technology**

A recurring appropriation for campus level information technology is recommended. Campuses are encouraged to use these funds for Banner implementation and disaster related costs, where applicable. Banner is a replacement of the legacy system; it has modules for finance, human resources, financial aid, student services, and advancement.

**Appropriation \$2,400,000**

**3. NC A&T State University Matching Funds**

The Governor recommends that NC A&T receive \$1,300,000 in mandated matching funds. The campus match of federal funds was increased from 90% to 100% for agricultural research and extension programs as mandated by the Agricultural Research, Extension, and Education Reform Act of 1998. The funds are appropriated to the School of Agriculture and Environmental Science.

**Appropriation \$1,300,000**

**4. Biomanufacturing Research Institute and Technology Enterprise (BRITE) at NCCU**

In 2005-06, the General Assembly appropriated \$2 million in recurring funds to the Biomanufacturing Research Institute and Technology Enterprise (BRITE) at NCCU. Funding was to be used for scientific equipment and supplies and hiring administrative and research personnel. It is recommended that BRITE be appropriated \$2.5 million in recurring funds for operating support, curriculum development and equipment. BRITE's current budget is \$2.5 million.

**Appropriation \$2,500,000**

**5. Biomanufacturing Training and Education Center (BTEC) at NCSU**

In 2005-06, the General Assembly appropriated \$2.94 million in recurring funds to the Biomanufacturing Training and Education Center (BTEC) at NC State University. Funding was to be used for scientific equipment and supplies and hiring administrative and research personnel. It is recommended that BTEC be appropriated \$2 million in recurring funds for operating support, curriculum development and equipment. BTEC's current budget is \$3.44 million.

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

**6. Economic Development Partnership Initiative at NCSU**

The Governor recommends that NCSU be appropriated \$300,000 to support the New Business Creation Initiative (NBCI) to advance business opportunities of university intellectual property.

**Appropriation      \$300,000**

**7. North Carolina in the World Project**

In 2005-06, the legislature appropriated a nonrecurring \$200,000 grant to The Center for International Understanding for the project "North Carolina in the World: A Plan to Increase Student Knowledge and Skills about the World." It is recommended that \$200,000 be provided in recurring funds to The Center for International Understanding to continue the project. The Center's current budget is \$492,668.

**Appropriation      \$200,000**

**8. Salary Increases for Faculty and Staff**

The Governor recommends funding in the compensation reserve for salary increases for employees of the University of North Carolina and the North Carolina School of Science and Mathematics (including those supported by state funds and who are either exempt from the State Personnel Act (EPA) or subject to the act (SPA)) effective July 1, 2006. For all EPA teaching and nonteaching faculty, funds are recommended for an increase of 4% in 2006-07 according to rules adopted by the UNC Board of Governors. For all SPA employees, funds are recommended to provide a 4% increase in 2006-07. North Carolina School of Science and Mathematics teachers will receive an increase equivalent to other public school teachers.

**9. Reserve for Utility and Fuel Costs**

It is recommended that \$11,540,777 in funding be appropriated into a Utilities Reserve to compensate for shortfalls in university utility budgets caused by higher utility rates. The shortfalls occurred in the electrical, natural gas, fuel oil, gasoline and diesel utilities.

**Appropriation - Nonrecurring \$11,540,777**

**Total Recommended Expansion**

**Recurring**

Requirements	\$133,678,157
Receipts	13,580,670
	\$120,097,487
Appropriation	\$120,097,487
Number of Positions	-

**Nonrecurring**

Requirements	\$12,707,409
Receipts	-
	\$12,707,409
Appropriation	\$12,707,409
Number of Positions	-

**Total Recommended Adjustments for  
The University of North Carolina  
2006-07**

**Recurring**

Requirements	\$133,893,684
Receipts	13,580,670
	<hr/>
Appropriation	\$120,313,014
Number of Positions	(91.800)

**Nonrecurring**

Requirements	\$3,072,896
Receipts	-
	<hr/>
Appropriation	\$3,072,896
Number of Positions	-



**Community Colleges (16800)**

**Total Appropriations and Positions**

	<b>2006-07 Certified</b>	<b>2006-07 Recommended</b>	<b>Percentage Change</b>
Requirements	\$991,953,715	\$1,025,531,719	3.4 %
Receipts	<u>224,657,829</u>	<u>218,397,070</u>	(2.8)%
Appropriation	<u>\$767,295,886</u>	<u>\$807,134,649</u>	5.2 %
Positions	192.000	197.000	2.6 %

**Appropriation Items -- Recommended Adjustments**

**Technical Adjustments**

2006-07

**1. State Aid - Hospitalization Insurance**

It is recommended that the hospitalization insurance for community college faculty and staff be fully funded at the 2006-07 rate. The NC Community College System's 2006-07 request was inadvertently made at the 2005-06 rate.

**Appropriation                    \$1,398,201**

**Total Recommended Technical Adjustments**

**Recurring**

Requirements	\$1,398,201
Receipts	-
Appropriation	<u>\$1,398,201</u>
Number of Positions	-

**Nonrecurring**

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

**Expansion**

2006-07

**Increasing Access to Higher Education**

**1. Enrollment Growth**

The Governor recommends full funding for enrollment growth. The spring semester 2005-06 census from the Community College System Office shows a total enrollment increase of 2,250 full-time equivalent (FTE) students above the 2005-06 budgeted enrollment of 190,750. The 2006-07 budgeted enrollment is 193,000 FTE, a 1.18% increase over 2005-06. Curriculum enrollment increased by 1,126 FTE (or 0.75%), continuing education enrollment by 1,083 FTE (or 4.77%), and basic skills enrollment by 41 FTE (or 0.22%).

**Requirements** **\$8,987,043**

**Receipts** **\$1,946,953**

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**Appropriation** **\$7,040,090**

**2. Multi-campus Funding**

Community colleges offer courses at multi-campus sites to accommodate student educational needs. These sites must provide student services and offer at least one degree program entirely on-site. Funds are recommended to serve higher enrollments and to support the operation of these multi-campus sites.

**Appropriation** **\$601,171**

**3. Enrollment Growth Reserve**

It is recommended that funds be provided as an enrollment reserve to assist colleges that experience high growth in the fall semester. The State Board of Community Colleges shall distribute funds to colleges in which the fall semester enrollment growth exceeds 5% above the previous fall.

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

**4. Need-Based Financial Aid for Teaching and Nursing Students**

The Governor recommends providing \$500,000 for need-based financial aid. These funds shall be targeted to NC students enrolling in programs that prepare the student for a teaching or nursing career.

**Appropriation** **\$500,000**

**5. Course Management System and Learning Objects Repository**

An enterprise course management system and learning objects repository are needed by the NC Community College System to provide a state-of-the-art online teaching and learning platform. These resources will support online, hybrid, and traditional instruction, and will include online learning modules for statewide use.

1. Course Management System accessible for all 58 community colleges. 1,500,000

2. Learning Objects Repository to be hosted by MCNC 500,000

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

**6. Virtual Learning Community Development Centers**

The Governor recommends funds be appropriated to establish four Virtual Learning Community development centers. Of these centers, three shall be devoted to curriculum development and one shall be devoted to continuing education courses, such as public safety. The centers will be located at community colleges and will develop online curriculum and continuing education courses and learning modules to be shared among all 58 community colleges.

**Appropriation            \$1,025,000**

**7. Online Help Desk**

An online help desk is recommended to meet student needs with reliable and well managed support services that are deployed quickly, accurately, and satisfactorily and which will be available at any time. Online assistance can be delivered at significantly reduced costs when compared to locally supported or contracted help desk support.

**Appropriation            \$740,000**

**8. NC Information Highway Expansion**

It is recommended that funds be provided to expand the NC Information Highway (NCIH) to the eight community college main campuses without NCIH access. Expansion of the NCIH will locate one videoconferencing site in each NC community college's service area. Completion of this network would deliver real-time, multi-point (multiple site), interactive, high quality voice, video, and digital transmission to facilitate instruction, meetings, staff development, training, interviews, and student services.

**Appropriation - Nonrecurring            \$120,000**

**Quality Teachers, Quality Pay**

**1. Faculty and Professional Staff Salary Increases**

The Governor recommends providing \$28.2 million for a 4% salary increase for the State Board of Community Colleges to distribute to community college faculty and professional staff. This amount is in addition to the 4% statewide salary increase that is being recommended for the 2006-07 fiscal year. The actual appropriation is located in the Compensation 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. Tuition Receipts Adjustment**

An \$8,207,712 appropriation to replace under realized tuition receipts is recommended. These receipts are being reduced to reflect actual receipts collected in the 2004-05 fiscal year. This reduction is in accordance with NC General Statutes Chapter 143-11, as amended by the 2005 General Assembly (S.L. 2005-276, Section 6.4).

<b>Requirements</b>	-
<b>Receipts</b>	<b>(\$8,207,712)</b>
<b>Appropriation</b>	<b>\$8,207,712</b>

**2. Equipment**

The Governor recommends providing \$11,000,000 to help address the equipment needs in the community colleges. These additional funds will help reduce program waiting lists and meet technology training needs, thereby supporting quality education and training experiences for community college students.

**Appropriation \$11,000,000**

**3. NCCCS BioNetwork Capstone Center**

It is recommended that funds be appropriated for specialized supplies at the NCCCS BioNetwork Capstone Center. The Capstone Center will be housed in dedicated space at the Biomanufacturing Training and Education Center being built on NC State's Centennial Campus. Biotechnology students and workers from across the state travel to the Capstone Center for education and hands-on training with large-scale production process equipment.

**Appropriation \$310,000**

**4. Regional Customized Training Directors**

The Governor recommends providing funds for two regional customized training directors. One director will serve the Northeast Economic Development Region, and one director will serve the Southeast Economic Development Region. These directors will serve as liaisons to business and industry sectors for providing customized training programs, including New and Expanding Industry Training (NEIT), Focused Industry Training (FIT) and Customized Industry Training (CIT).

**Appropriation \$148,470**

**Appropriation - Nonrecurring \$5,000**

**Number of Positions 2.000**

**5. Additional Community College Financial Aid Staff**

Funds are recommended for an additional 0.5 FTE financial aid position in the base allotment. Funds may be used to hire additional staff to help financial aid offices with tasks such as one-on-one student consultations, monitoring academic progress, and complying with federal and state reporting requirements. Of these funds, \$174,000 may be used for professional development of community college financial aid staff.

**Appropriation \$1,865,715**

**6. Associate Director of Financial Aid**

An associate director of financial aid position will aid in managing the increasing number of grants and scholarship programs within the NC Community College System. This position will also provide guidance, leadership, and training to assist college financial aid offices in reducing liabilities associated with managing federal and state financial aid programs. Funds are recommended to establish this new position.

**Appropriation \$73,466**

**Appropriation - Nonrecurring \$4,150**

**Number of Positions 1.000**

**7. Additional Community College Student Services Support Staff**

Funds are recommended for an additional 0.5 FTE student services support position in the base allotment. The increase in enrollment in recent years has created a greater demand on student services at the community college. These funds may be used to hire additional professional staff where needed.

**Appropriation \$1,691,715**

**8. Statewide Director of Joint High School-Community College Programs**

It is recommended that funds be provided to create a full-time statewide director of joint high school-community college programs. This position will assist community colleges who are sponsoring Learn and Earn programs on their campuses and will act as a liaison between the colleges and the Learn and Earn program staff at the New Schools Project. This position will also serve as the NCCCS statewide coordinator for all joint high school-community college programs, including the Huskins and dual enrollment programs.

<b>Appropriation</b>	<b>\$83,950</b>
<b>Appropriation - Nonrecurring</b>	<b>\$4,150</b>
<b>Number of Positions</b>	<b>1.000</b>

**9. NCCCS BioNetwork Industry Liaison**

An NCCCS BioNetwork industry liaison will assist in recruiting biotechnology and related industries to North Carolina. This EPA position will work with community colleges and the Department of Commerce on tailoring services to meet the needs of the biotechnology industry.

<b>Appropriation</b>	<b>\$170,850</b>
<b>Appropriation - Nonrecurring</b>	<b>\$4,150</b>
<b>Number of Positions</b>	<b>1.000</b>

**10. NC REAL Enterprises**

The Governor recommends that \$250,000 be provided to NC REAL Enterprises to partner with community colleges to help rural, low wealth, and minority individuals and communities develop entrepreneurial talent and create businesses that contribute to the local economy. Of this recommended amount, \$150,000 will replace one-time funds no longer available from the Worker Training Trust Fund.

<b>Appropriation</b>	<b>\$250,000</b>
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**11. New Program Start-Up Funds**

The Governor recommends that additional funds be provided to the State Board of Community Colleges Reserve to provide community colleges with start-up funding for new and innovative programs, particularly those aimed at addressing statewide needs and high-demand occupations, such as teaching and allied health.

<b>Appropriation</b>	<b>\$500,000</b>
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**12. Furniture and Equipment Replacements**

Nonrecurring funds are recommended for furniture and equipment replacement at the Community College System Office.

1. General Office Furniture	34,693
2. General Office Equipment	40,280
3. Vehicle Replacement	20,000

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<b>Appropriation - Nonrecurring</b>	<b>\$94,973</b>
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**Total Recommended Expansion**

**Recurring**

Requirements	\$31,947,380
Receipts	(6,260,759)
<hr/>	
Appropriation	\$38,208,139
Number of Positions	5.000

**Nonrecurring**

Requirements	\$232,423
Receipts	-
<hr/>	
Appropriation	\$232,423
Number of Positions	-

**Total Recommended Adjustments for  
Community Colleges  
2006-07**

**Recurring**

Requirements	\$33,345,581
Receipts	(6,260,759)
<hr/>	
Appropriation	\$39,606,340
Number of Positions	5.000

**Nonrecurring**

Requirements	\$232,423
Receipts	-
<hr/>	
Appropriation	\$232,423
Number of Positions	-

## Education Lottery Fund (23003)

### Total Appropriations and Positions

	2006-07 Certified	2006-07 Recommended	Percentage Change
Requirements	\$0	\$425,000,000	
Receipts	-	-	
Appropriation	<u>\$0</u>	<u>\$425,000,000</u>	
Positions	-	-	

### Appropriation Items -- Recommended Adjustments

#### Expansion

2006-07

#### 1. Lottery Proceeds for Class Size

It is recommended that \$127.8 million of the 2006-07 budget for class size be reprogrammed to lottery proceeds, consistent with legislation establishing and directing the use of proceeds from the NC Education Lottery.

**Appropriation \$127,864,291**

#### 2. Reprogram More at Four to Lottery Proceeds

It is recommended that the current 2006-07 certified budget for More at Four be reprogrammed to lottery proceeds, consistent with legislation establishing and directing the use of proceeds from the NC Education Lottery.

**Appropriation \$66,646,653**

#### 3. Expand More at Four to Meet Demand for Services

Funding from lottery proceeds is requested to add 3,200 program slots to the More at Four Program, North Carolina's statewide pre-kindergarten program for at-risk 4-year-olds. Funds are also requested to increase funding per slot by \$200 to allow enhanced compensation for teachers who develop skills through additional training and education. Three staff positions are added effective July 1, 2006, one Educational Planning and Development Consultant II; one Educational Consultant II; and an Education Processing Assistant, all needed due to program growth and increased demand for program monitoring and technical assistance. The 2005-06 goal of serving 15,453 at-risk four-year-olds was met and demand for services has generated county waiting lists. A total of 18,653 children will be served.

**Appropriation \$17,989,056**

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1. **Public School Building Capital Fund**

This appropriation provides support for the Public School Building Capital Fund in accordance with the G.S. 115C-546.2.

**Appropriation** **\$170,000,000**

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1. **Scholarships for Needy Students**

This appropriation provides for 34,000 scholarships through the State Educational Assistance Authority in accordance with Article 35A of Chapter 115C of the General Statutes.

**Appropriation** **\$42,500,000**

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**Total Recommended Expansion**

**Recurring**

Requirements \$425,000,000

Receipts -

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Appropriation \$425,000,000

Number of Positions -

**Nonrecurring**

Requirements -

Receipts -

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Appropriation -

Number of Positions -



**Total Recommended Adjustments for  
Education Lottery Fund  
2006-07**

**Recurring**

Requirements	\$425,000,000
Receipts	-
	<hr/>
Appropriation	\$425,000,000
Number of Positions	-

**Nonrecurring**

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



**General Assembly (11000)**

**Total Appropriations and Positions**

	<b>2006-07 Certified</b>	<b>2006-07 Recommended</b>	<b>Percentage Change</b>
Requirements	\$47,950,032	\$48,188,378	0.5 %
Receipts	<u>984,600</u>	<u>984,600</u>	0.0 %
Appropriation	<u>\$46,965,432</u>	<u>\$47,203,778</u>	0.5 %
Positions	298.000	298.000	0.0 %

**Appropriation Items -- Recommended Adjustments**

**Expansion**

2006-07

**General**

**1. Reserve for Utility and Fuel Costs**

Funding is recommended to cover increased electric utility costs.

**Appropriation - Nonrecurring \$238,346**

**Total Recommended Expansion**

**Recurring**

Requirements	-
Receipts	-
Appropriation	-
Number of Positions	-

**Nonrecurring**

Requirements	\$238,346
Receipts	-
Appropriation	\$238,346
Number of Positions	-

**Total Recommended Adjustments for  
General Assembly  
2006-07**

**Recurring**

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

**Nonrecurring**

Requirements	\$238,346
Receipts	-
	<hr/>
Appropriation	\$238,346
Number of Positions	-

**Office of the Governor (13000)**

**Total Appropriations and Positions**

	<b>2006-07 Certified</b>	<b>2006-07 Recommended</b>	<b>Percentage Change</b>
Requirements	\$5,663,312	\$5,763,312	1.8 %
Receipts	<u>318,784</u>	<u>318,784</u>	0.0 %
Appropriation	<u>\$5,344,528</u>	<u>\$5,444,528</u>	1.9 %
Positions	62.217	62.217	0.0 %

**Appropriation Items -- Recommended Adjustments**

**Expansion**

2006-07

**Administration**

**1. Operating Support**

Funding is recommended for operating support which includes travel, communication and data processing services and other services and expenses.

**Appropriation \$100,000**

**Total Recommended Expansion**

**Recurring**

Requirements	\$100,000
Receipts	-
Appropriation	<u>\$100,000</u>
Number of Positions	-

**Nonrecurring**

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

**Total Recommended Adjustments for  
Office of the Governor  
2006-07**

**Recurring**

Requirements	\$100,000
Receipts	-
	<hr/>
Appropriation	\$100,000
Number of Positions	-

**Nonrecurring**

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

## Office of State Budget and Management (13005)

### Total Appropriations and Positions

	<b>2006-07 Certified</b>	<b>2006-07 Recommended</b>	<b>Percentage Change</b>
Requirements	\$5,077,938	\$5,487,876	8.1 %
Receipts	<u>56,143</u>	<u>56,143</u>	0.0 %
Appropriation	<u>\$5,021,795</u>	<u>\$5,431,733</u>	8.2 %
Positions	56.000	59.000	5.4 %

## Appropriation Items -- Recommended Adjustments

### Expansion

2006-07

#### Office of State Budget and Management

##### 1. Results-Based Budgeting

Funding is recommended to introduce results-based budgeting into the state budget process during the fiscal year. The goals are to reintroduce strategic or business planning at agencies, ensure government programs are well-defined, and facilitate the introduction of key program measures. This process will require additional resources, including a Budget Analyst position, training, hardware, software, and budget presentation redesign.

<b>Appropriation</b>	<b>\$135,430</b>
<b>Appropriation - Nonrecurring</b>	<b>\$166,500</b>
<b>Number of Positions</b>	<b>1.000</b>

##### 2. Administrative Office Support Position

Funding is recommended to establish an administrative support position to be shared by the Economic Research, Management, Data Services, and Statewide Information Technology sections.

<b>Appropriation</b>	<b>\$43,919</b>
<b>Appropriation - Nonrecurring</b>	<b>\$1,500</b>
<b>Number of Positions</b>	<b>1.000</b>

**3. Budget Analyst Position**

Funding is recommended for a Budget Analyst position for the Justice and Public Safety section. This position's primary responsibilities will include the Department of Crime Control and Public Safety and disaster management.

**Appropriation \$61,089**  
**Appropriation - Nonrecurring \$1,500**  
**Number of Positions 1.000**

**Total Recommended Expansion**

**Recurring**

Requirements	\$240,438
Receipts	-
	-
Appropriation	\$240,438
Number of Positions	3.000

**Nonrecurring**

Requirements	\$169,500
Receipts	-
	-
Appropriation	\$169,500
Number of Positions	-

**Total Recommended Adjustments for  
Office of State Budget and Management  
2006-07**

**Recurring**

Requirements	\$240,438
Receipts	-
	-
Appropriation	\$240,438
Number of Positions	3.000

**Nonrecurring**

Requirements	\$169,500
Receipts	-
	-
Appropriation	\$169,500
Number of Positions	-



**North Carolina Housing Finance Agency (13010)**

**Total Appropriations and Positions**

	<b>2006-07 Certified</b>	<b>2006-07 Recommended</b>	<b>Percentage Change</b>
Requirements	\$4,750,945	\$9,750,945	105.2 %
Receipts	-	-	
Appropriation	<u>\$4,750,945</u>	<u>\$9,750,945</u>	105.2 %
Positions	-	-	

**Appropriation Items -- Recommended Adjustments**

**Expansion**

2006-07

**Additional Funding for Housing Finance**

**1. Housing Programs**

The North Carolina Housing Trust Fund provides support for affordable housing across all of North Carolina. In 2005-06, nonrecurring appropriations were provided to the Trust Fund. The Governor recommends making that support a recurring appropriation.

**Appropriation \$5,000,000**

**Total Recommended Expansion**

**Recurring**

Requirements	\$5,000,000
Receipts	-
Appropriation	<u>\$5,000,000</u>
Number of Positions	-

**Nonrecurring**

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

**Total Recommended Adjustments for  
North Carolina Housing Finance Agency  
2006-07**

**Recurring**

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

**Nonrecurring**

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

**OSBM - Reserve for Special Appropriation (13085)**

**Total Appropriations and Positions**

	<b>2006-07 Certified</b>	<b>2006-07 Recommended</b>	<b>Percentage Change</b>
Requirements	\$6,231,429	\$7,486,429	20.1 %
Receipts	<u>1,120,000</u>	<u>1,120,000</u>	0.0 %
Appropriation	<u>\$5,111,429</u>	<u>\$6,366,429</u>	24.6 %
Positions	-	-	

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**Appropriation Items -- Recommended Adjustments**

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**Expansion**

2006-07

**Reserves and Transfers**

**1. Reserve for Moving and Rent Expenses**

A reserve is recommended for the moving and rent expenses for state agencies located in the Blount Street area. These properties are expected to be sold and all state agencies relocated during the 2006-07 fiscal year. Nonrecurring funds are recommended for moving expenses and recurring funds for rent expenses.

<b>Appropriation</b>	<b>\$599,000</b>
<b>Appropriation - Nonrecurring</b>	<b>\$656,000</b>

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**Total Recommended Expansion**

**Recurring**

Requirements	\$599,000
Receipts	-
Appropriation	<u>\$599,000</u>
Number of Positions	-

**Nonrecurring**

Requirements		\$656,000
Receipts		-
	<hr/>	
Appropriation		\$656,000
Number of Positions		-

**Total Recommended Adjustments for  
OSBM - Reserve for Special Appropriation  
2006-07**

**Recurring**

Requirements	\$599,000
Receipts	-
	<hr/>
Appropriation	\$599,000
Number of Positions	-

**Nonrecurring**

Requirements	\$656,000
Receipts	-
	<hr/>
Appropriation	\$656,000
Number of Positions	-

**Office of the Lieutenant Governor (13100)**

**Total Appropriations and Positions**

	<b>2006-07 Certified</b>	<b>2006-07 Recommended</b>	<b>Percentage Change</b>
Requirements	\$753,037	\$755,637	0.3 %
Receipts	_____ -	_____ -	
Appropriation	<u>\$753,037</u>	<u>\$755,637</u>	0.3 %
Positions	10.900	10.900	0.0 %

**Appropriation Items -- Recommended Adjustments**

**Expansion**

2006-07

**Administration**

**1. Increase in Operating Budget**

The operational responsibilities and duties of the Lieutenant Governor's office require significant staff travel. To meet these needs, additional funding to cover travel expenses is recommended.

**Appropriation      \$2,600**

**Total Recommended Expansion**

**Recurring**

Requirements	\$2,600
Receipts	-
Appropriation	<u>\$2,600</u>
Number of Positions	-

**Nonrecurring**

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

**Total Recommended Adjustments for  
Office of the Lieutenant Governor  
2006-07**

**Recurring**

Requirements	\$2,600
Receipts	-
	-
Appropriation	\$2,600
Number of Positions	-

**Nonrecurring**

Requirements	-
Receipts	-
	-
Appropriation	-
Number of Positions	-

**Department of Secretary of State (13200)**

**Total Appropriations and Positions**

	<b>2006-07 Certified</b>	<b>2006-07 Recommended</b>	<b>Percentage Change</b>
Requirements	\$9,794,292	\$10,632,963	8.6 %
Receipts	<u>424,659</u>	<u>424,659</u>	0.0 %
Appropriation	<u>\$9,369,633</u>	<u>\$10,208,304</u>	9.0 %
Positions	179.750	189.000	5.1 %

**Appropriation Items -- Recommended Adjustments**

**Expansion**

2006-07

**Corporations Division**

**1. LLC Notifications and Staff Expansion**

Funding is recommended for expanding the staff in the Corporations Division to improve the efficiency of the annual report filing process and to continue producing periodic notifications to Limited Liability Companies for annual report filing fees.

<b>Appropriation</b>	<b>\$197,527</b>
<b>Appropriation - Nonrecurring</b>	<b>\$12,900</b>
<b>Number of Positions</b>	<b>3.250</b>

**General Administration**

**1. Facility Planner I Position**

Funding is recommended to establish a Facility Planner I position and operational support to deliver department-wide programs required by statute, state policy, and business need. The department will improve compliance with all related requirements including employee safety and health, energy conservation, ADA access, Workers' Compensation, document storage, security, and disaster response.

<b>Appropriation</b>	<b>\$42,125</b>
<b>Appropriation - Nonrecurring</b>	<b>\$7,000</b>
<b>Number of Positions</b>	<b>1.000</b>

**2. Internal Auditor Position**

Funding is recommended to establish an Internal Auditor position and operating costs to perform risk assessments and performance audits, and to assess the department's performance regarding financial accounting, reporting, and internal controls standards. The position will be responsible for compliance with all laws, regulations, and good business practices.

<b>Appropriation</b>	<b>\$65,945</b>
<b>Appropriation - Nonrecurring</b>	<b>\$6,950</b>
<b>Number of Positions</b>	<b>1.000</b>

**Lobbyist Section**

**1. Lobbyist Registration Reform**

Funding is recommended for additional staff and operational support to implement new legislation regarding the requirement of Executive Lobbyist Registration and more extensive legislative lobbyist reporting.

<b>Appropriation</b>	<b>\$406,024</b>
<b>Appropriation - Nonrecurring</b>	<b>\$100,200</b>
<b>Number of Positions</b>	<b>4.000</b>

**Total Recommended Expansion**

**Recurring**

Requirements	\$711,621
Receipts	-
	<hr/>
Appropriation	\$711,621
Number of Positions	9.250

**Nonrecurring**

Requirements	\$127,050
Receipts	-
	<hr/>
Appropriation	\$127,050
Number of Positions	-



**Total Recommended Adjustments for  
Department of Secretary of State  
2006-07**

**Recurring**

Requirements	\$711,621
Receipts	-
	<hr/>
Appropriation	\$711,621
Number of Positions	9.250

**Nonrecurring**

Requirements	\$127,050
Receipts	-
	<hr/>
Appropriation	\$127,050
Number of Positions	-

**Office of the State Auditor (13300)**

**Total Appropriations and Positions**

	<b>2006-07 Certified</b>	<b>2006-07 Recommended</b>	<b>Percentage Change</b>
Requirements	\$13,481,203	\$13,888,767	3.0 %
Receipts	<u>2,640,285</u>	<u>2,640,285</u>	0.0 %
Appropriation	<u>\$10,840,918</u>	<u>\$11,248,482</u>	3.8 %
Positions	189.000	189.000	0.0 %

**Appropriation Items -- Recommended Adjustments**

**Expansion**

2006-07

**Field Audit Division**

**1. Lease for Fayetteville Branch Office**

Funding is recommended for the Fayetteville Branch Office to obtain new office space and move from the Office of the Clerk of Court, which is one of the agencies audited by the State Auditor. Audit standards prohibit accepting rent free office space from audited entities.

**Appropriation \$19,064**

**2. Agency Network Troubleshooting Software**

Funding is recommended for software to assist the auditor in identifying network issues accurately. The "Network Performance Monitoring Service" will be purchased from ITS.

**Appropriation \$38,500**

**3. Business Intelligence Software and Data Warehousing**

Funding is recommended for the Business Intelligence Software and Data Warehousing Project to be deployed as part of the Statewide Business Infrastructure Project.

**Appropriation \$150,000**

**Appropriation - Nonrecurring \$200,000**

**Total Recommended Expansion**

**Recurring**

Requirements	\$207,564
Receipts	-
<hr/>	
Appropriation	\$207,564
Number of Positions	-

**Nonrecurring**

Requirements	\$200,000
Receipts	-
<hr/>	
Appropriation	\$200,000
Number of Positions	-

**Total Recommended Adjustments for  
Office of the State Auditor  
2006-07**

**Recurring**

Requirements	\$207,564
Receipts	-
<hr/>	
Appropriation	\$207,564
Number of Positions	-

**Nonrecurring**

Requirements	\$200,000
Receipts	-
<hr/>	
Appropriation	\$200,000
Number of Positions	-

**Department of State Treasurer (13410)**

**Total Appropriations and Positions**

	<b>2006-07 Certified</b>	<b>2006-07 Recommended</b>	<b>Percentage Change</b>
Requirements	\$37,867,279	\$38,525,257	1.7 %
Receipts	<u>29,571,436</u>	<u>29,947,630</u>	1.3 %
Appropriation	<u>\$8,295,843</u>	<u>\$8,577,627</u>	3.4 %
Positions	325.000	334.000	2.8 %

**Appropriation Items -- Recommended Adjustments**

**Expansion**

2006-07

**Retirement Systems Division**

**1. Additional Staff Positions**

Funding is recommended for six additional positions and operational support to enable the division to fulfill its fiduciary responsibilities and provide the membership and fellow governmental agencies with an acceptable level of service.

<b>Requirements</b>	<b>\$228,523</b>
<b>Requirements - Nonrecurring</b>	<b>\$8,000</b>
<b>Receipts</b>	<b>\$228,523</b>
<b>Receipts - Nonrecurring</b>	<b>\$8,000</b>
<b>Appropriation</b>	<b>-</b>
<b>Number of Positions</b>	<b>6.000</b>

**Investment Management Division**

**1. Bloomberg Portfolio Order Management System (POMS)**

Funding is recommended for the annual fee to Bloomberg Portfolio Order Management System (POMS) for the Long Term and Short Term Investment Funds. The POMS system was previously included in the base fee, but Bloomberg started charging for this service as the functionality and support need increased. This action would provide uninterrupted service.

<b>Appropriation</b>	<b>\$80,000</b>
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**Escheat Fund Administration**

**1. Staffing Request**

Funding is recommended for three new positions in the Escheats Division. These positions include a Securities Analyst to maintain securities, locate owners, and sell stock on a monthly basis, and two Unclaimed Property Auditors to perform audits of unclaimed property holders to ensure their compliance with G.S. 116B.

<b>Requirements</b>	<b>\$135,671</b>
<b>Requirements - Nonrecurring</b>	<b>\$4,000</b>
<b>Receipts</b>	<b>\$135,671</b>
<b>Receipts - Nonrecurring</b>	<b>\$4,000</b>
<b>Appropriation</b>	<b>-</b>
<b>Number of Positions</b>	<b>3.000</b>

**Information Services**

**1. Core Banking System Maintenance**

Funding is recommend for the annual support and maintenance required for the statewide Core Banking System.

<b>Appropriation</b>	<b>\$201,784</b>
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**Total Recommended Expansion**

**Recurring**

Requirements	\$645,978
Receipts	364,194
Appropriation	\$281,784
Number of Positions	9.000

**Nonrecurring**

Requirements	\$12,000
Receipts	12,000
Appropriation	-
Number of Positions	-

**Total Recommended Adjustments for  
Department of State Treasurer  
2006-07**

**Recurring**

Requirements	\$645,978
Receipts	364,194
	_____
Appropriation	\$281,784
Number of Positions	9.000

**Nonrecurring**

Requirements	\$12,000
Receipts	12,000
	_____
Appropriation	-
Number of Positions	-

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

**Total Appropriations and Positions**

	<b>2006-07 Certified</b>	<b>2006-07 Recommended</b>	<b>Percentage Change</b>
Requirements	\$8,651,457	\$8,651,457	0.0 %
Receipts	_____ -	_____ -	
Appropriation	<u>\$8,651,457</u>	<u>\$8,651,457</u>	0.0 %
Positions	-	-	

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**Department of Insurance (13900)**

**Total Appropriations and Positions**

	<b>2006-07 Certified</b>	<b>2006-07 Recommended</b>	<b>Percentage Change</b>
Requirements	\$32,620,431	\$33,218,334	1.8 %
Receipts	<u>4,509,849</u>	<u>4,509,849</u>	0.0 %
Appropriation	<u>\$28,110,582</u>	<u>\$28,708,485</u>	2.1 %
Positions	400.550	407.550	1.7 %

**Appropriation Items -- Recommended Adjustments**

**Expansion**

2006-07

**Office of the Fire Marshal**

**1. Receipts Supported Positions Conversion**

It is recommended that the funding source for three positions established in 2005-06 be converted to appropriation support and that sufficient operational support be provided. This action will enable the division to assign on-site inspections in a timely manner to continue reducing the backlog that has resulted in increased construction costs. This action will provide consistency within the division's budget.

<b>Appropriation</b>	<b>\$295,789</b>
<b>Appropriation - Nonrecurring</b>	<b>\$18,000</b>
<b>Number of Positions</b>	<b>3.000</b>

**Technical Services**

**1. Communication Specialists**

Funding is recommended to establish four additional Communication Specialist positions to the call center operations to assist citizens with questions and complaints on Medicare, Medicare Advantage, and Medicare Prescription Drug Plans. This action will enable the division to decrease the wait time and answer more calls while helping the citizens of North Carolina to make more informed decisions regarding Medicare health care products.

<b>Appropriation</b>	<b>\$260,114</b>
<b>Appropriation - Nonrecurring</b>	<b>\$24,000</b>
<b>Number of Positions</b>	<b>4.000</b>



**Total Recommended Expansion**

**Recurring**

Requirements	\$555,903
Receipts	-
<hr/>	
Appropriation	\$555,903
Number of Positions	7.000

**Nonrecurring**

Requirements	\$42,000
Receipts	-
<hr/>	
Appropriation	\$42,000
Number of Positions	-

**Total Recommended Adjustments for  
Department of Insurance  
2006-07**

**Recurring**

Requirements	\$555,903
Receipts	-
<hr/>	
Appropriation	\$555,903
Number of Positions	7.000

**Nonrecurring**

Requirements	\$42,000
Receipts	-
<hr/>	
Appropriation	\$42,000
Number of Positions	-

**Insurance - Volunteer Safety Workers' Compensation Fund (13901)**

**Total Appropriations and Positions**

	<b>2006-07 Certified</b>	<b>2006-07 Recommended</b>	<b>Percentage Change</b>
Requirements	\$4,500,000	\$4,500,000	0.0 %
Receipts	_____ -	_____ -	
Appropriation	<u>\$4,500,000</u>	<u>\$4,500,000</u>	0.0 %
Positions	-	-	

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**Department of Administration (14100)**

**Total Appropriations and Positions**

	<b>2006-07 Certified</b>	<b>2006-07 Recommended</b>	<b>Percentage Change</b>
Requirements	\$85,309,781	\$92,281,413	8.2 %
Receipts	<u>26,491,308</u>	<u>27,771,122</u>	4.8 %
Appropriation	<u>\$58,818,473</u>	<u>\$64,510,291</u>	9.7 %
Positions	702.635	723.355	2.9 %

**Appropriation Items -- Recommended Adjustments**

**Expansion**

2006-07

**State Construction**

**1. HUB Contractor Academies**

The Governor recommends funding for the HUB Contractor Academy program. HUB academies provide opportunities for minority contractors to learn strategies for successful participation in public construction projects.

<b>Appropriation</b>	<b>\$400,000</b>
<b>Number of Positions</b>	<b>1.000</b>

**State Capital Police**

**1. Telecommunicator Position**

An additional position is recommended to support the statewide alarm computer system that is monitored and managed by the State Capital Police 24 hours a day, 7 days a week. Currently, sworn officers have to be utilized to monitor the system.

<b>Appropriation</b>	<b>\$31,843</b>
<b>Number of Positions</b>	<b>1.000</b>

**Facility Management Division**

**1. Additional HVAC Positions**

The Governor requests additional positions within the HVAC Section of the Division of Facility Management. Currently, the existing staff is covering 392,857 square feet of office space per employee while the industry standard is 200,000 square feet per employee. This request will bring the total per employee to 305,555 square feet.

<b>Appropriation</b>	<b>\$198,331</b>
<b>Number of Positions</b>	<b>4.000</b>

**2. Paint Shop Establishment**

It is recommended that the Department of Administration be provided funding to establish a small paint shop staffed by two positions. These individuals will perform small paint jobs and help coordinate informal bids for larger projects. Currently, all painting jobs are done by contracted services.

<b>Appropriation</b>	<b>\$80,117</b>
<b>Number of Positions</b>	<b>2.000</b>

**3. Building Repairs**

Additional funding is recommended to provide for small repairs to aging and deteriorating state buildings. Areas covered would include painting, plumbing, electrical, carpentry, AC systems, and general building repair.

<b>Appropriation</b>	<b>\$321,552</b>
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**4. Increase for Utility and Fuel Expenses**

Due to the rising cost of utilities and fuel, it is recommended that the Department of Administration receive additional funding to cover the increased cost of electrical, natural gas, propane, and gasoline expenses. The department pays for the electrical and heating services for the downtown governmental complex.

<b>Appropriation - Nonrecurring</b>	<b>\$1,330,000</b>
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**North Carolina Ethics Board**

**1. Program Expansion**

The Governor is committed to maintaining the public trust of the people of North Carolina in their elected and appointed officials. In order to strengthen the public's trust, the Governor recommends additional funding for the North Carolina Ethics Board.

<b>Appropriation</b>	<b>\$401,871</b>
<b>Appropriation - Nonrecurring</b>	<b>\$21,000</b>
<b>Number of Positions</b>	<b>4.000</b>

**State Property Office**

**1. State Property Surplus Property Disposal System**

In Session Law 2003-284, the department was instructed to develop a State-Owned Real Property Disposal System. The Governor recommends funding for the establishment of this system.

<b>Appropriation - Nonrecurring</b>	<b>\$400,000</b>
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**NC Council for Women/Domestic Violence Commission**

**1. Domestic Violence Staffing**

The Governor recommends five full-time support staff for the regional offices. This will assure that all regional directors will have full-time support staff so that they can continue to provide services to the counties they serve.

<b>Appropriation</b>	<b>\$148,175</b>
<b>Number of Positions</b>	<b>5.000</b>

**2. Domestic Violence Center Fund**

It is recommended that additional funding be made available to fund grants for domestic violence programs. Grants will be awarded from the Domestic Violence Center Fund pursuant to G.S. 50.9.

<b>Appropriation</b>	<b>\$350,000</b>
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**Division of Veterans Affairs**

**1. Increase Funding for Veterans Scholarship Program**

Additional funding is being recommended to support the Veterans Scholarship program. The program has experienced a 20 percent increase in the number of students over the last two years. In addition to the enrollment increase, UNC System's room and board costs have increased as well as tuition for both the UNC System and the community college system. 76.4 percent of the Veterans Scholarship Program is supported by the state's Escheat Fund for need based students.

<b>Requirements</b>	<b>\$1,584,000</b>
<b>Receipts</b>	<b>\$1,210,176</b>
<b>Appropriation</b>	<b>\$373,824</b>

**2. Request Three Additional Positions for Division of Veteran Affairs**

As the veteran population continues to grow, there has been a greater demand placed on the Veterans Affairs field offices in the state. The Governor recommends three additional positions to meet this need. One position will be placed in Durham and one in Asheville. The third position is a Training Officer, who will travel the state training county service officers on electronic claims filing, accessing Veterans Affairs files, and researching Court of Veterans Appeals cases.

<b>Appropriation</b>	<b>\$120,671</b>
<b>Appropriation - Nonrecurring</b>	<b>\$5,175</b>
<b>Number of Positions</b>	<b>3.000</b>

**Commission on Indian Affairs**

**1. Economic Development Initiative**

It is recommended that the Commission of Indian Affairs hire two Economic Development Specialists and an Executive Director to continue work on the NC Indian Economic Development Initiative.

<b>Appropriation</b>	<b>\$172,989</b>
<b>Number of Positions</b>	<b>3.000</b>

**Office of State Personnel**

**1. International Employment Specialist**

The Governor recommends establishing a full-time International Employment Specialist. The position will ensure compliance with federal laws and regulations regarding the employment of foreign nationals.

<b>Appropriation</b>	<b>\$78,915</b>
<b>Number of Positions</b>	<b>1.000</b>

**2. EEO Diversity and Special Emphasis Project Management**

It is recommended that funding be provided to support the mission to provide leadership and support to agencies and universities in diversity efforts and independently to investigate documented complaints.

<b>Appropriation</b>	<b>\$106,596</b>
<b>Number of Positions</b>	<b>1.000</b>

**3. State Business Infrastructure Program--Integrate Personnel Information**

It is recommended that funding be provided for data warehousing integration with the State Personnel System.

<b>Appropriation</b>	<b>\$250,000</b>
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**4. Mediation Training Staff**

It is recommended that an additional position be provided for the mediation program. Mediation has been shown to be a cost effective way of dealing with employee grievances.

<b>Appropriation</b>	<b>\$54,645</b>
<b>Number of Positions</b>	<b>1.000</b>

**5. Receipt Supported Position - NC Flex Program**

The NC Flex program has experienced significant growth over the past few years. The program is now expanding to community colleges and possibly the school system. Additional staffing is recommended to provide services necessary for the program's administration and implementation.

<b>Requirements</b>	<b>\$69,638</b>
<b>Receipts</b>	<b>\$69,638</b>

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<b>Appropriation</b>	<b>-</b>
<b>Number of Positions</b>	<b>1.000</b>

**Governor's Advocacy Council for Persons with Disabilities**

**1. Redesignation to Non-Profit Organization**

It is recommended that the Governor's Advocacy Council for Persons with Disabilities be shifted to a nongovernmental organization. Funds will cover the severance pay for the 26 employees that will be moved out of state government employment. Of the 26 employees, 6.28 positions are supported through appropriations, and the remainder are supported through federal funds.

<b>Appropriation - Nonrecurring</b>	<b>\$846,114</b>
<b>Number of Positions</b>	<b>(6.280)</b>

**Total Recommended Expansion**

**Recurring**

Requirements	\$4,369,343
Receipts	1,279,814
	\$3,089,529
Appropriation	\$3,089,529
Number of Positions	20.720

**Nonrecurring**

Requirements	\$2,602,289
Receipts	-
	\$2,602,289
Appropriation	\$2,602,289
Number of Positions	-

**Total Recommended Adjustments for  
Department of Administration  
2006-07**

**Recurring**

Requirements	\$4,369,343
Receipts	1,279,814
	\$3,089,529
Appropriation	\$3,089,529
Number of Positions	20.720

**Nonrecurring**

Requirements	\$2,602,289
Receipts	-
	\$2,602,289
Appropriation	\$2,602,289
Number of Positions	-

**Office of the State Controller (14160)**

**Total Appropriations and Positions**

	<b>2006-07 Certified</b>	<b>2006-07 Recommended</b>	<b>Percentage Change</b>
Requirements	\$10,251,496	\$10,251,496	0.0 %
Receipts	<u>206,985</u>	<u>206,985</u>	0.0 %
Appropriation	<u>\$10,044,511</u>	<u>\$10,044,511</u>	0.0 %
Positions	85.750	85.750	0.0 %

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**Department of Revenue (14700)**

**Total Appropriations and Positions**

	<b>2006-07 Certified</b>	<b>2006-07 Recommended</b>	<b>Percentage Change</b>
Requirements	\$100,500,544	\$103,101,640	2.6 %
Receipts	<u>19,827,294</u>	<u>21,068,330</u>	6.3 %
Appropriation	<u>\$80,673,250</u>	<u>\$82,033,310</u>	1.7 %
Positions	1,456.500	1,513.500	3.9 %

**Appropriation Items -- Recommended Adjustments**

**Expansion**

2006-07

**Information Technology**

**1. IT Staffing**

Funding is recommended for two additional IT staff to cover systems applications development, mainframe applications development, PC/desktop hardware/software support, business analysis, and computer operations.

<b>Appropriation</b>	<b>\$174,024</b>
<b>Number of Positions</b>	<b>2.000</b>

**2. Security for Taxpayer Operating System**

It is recommended that the department receive funding to address the security issues of the taxpayer operating system form raised in the 2004 Statewide Security Assessment.

<b>Appropriation - Nonrecurring</b>	<b>\$750,000</b>
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**Personal Taxes**

**1. Staffing for Tax Hearings**

It is recommended that a position be added to assist with the increase in administrative tax hearings resulting from increased taxpayer activities brought about by Project Collect Tax and Project Tax Compliance.

<b>Appropriation</b>	<b>\$59,279</b>
<b>Appropriation - Nonrecurring</b>	<b>\$5,580</b>
<b>Number of Positions</b>	<b>1.000</b>

**Documents and Payments**

**1. Additional Support for Division**

It is recommended that four positions be added to process the increase in payments resulting from increased collection activities brought about by Project Collect Tax and Project Compliance.

<b>Appropriation</b>	<b>\$129,927</b>
<b>Appropriation - Nonrecurring</b>	<b>\$22,400</b>
<b>Number of Positions</b>	<b>4.000</b>

**William S. Lee Tax Credit Program**

**1. Additional Support for William S. Lee Tax Credit Program**

The application fee that helps support the William S. Lee program is not sufficient to fund all the needed personnel. It is recommended that the lack of receipts be augmented by appropriation that adequately supports the program.

<b>Appropriation</b>	<b>\$112,624</b>
<b>Number of Positions</b>	<b>2.000</b>

**Taxpayer Call Center**

**1. Taxpayer Assistance and Collection Center Staffing**

It is recommended that the department convert 30 temporary positions to 30 permanent positions and add an additional 17 permanent positions. The total cost of the conversion and new positions is \$1,641,036. Part of the cost will be covered by an existing \$400,000 budgeted in temporary wages, which will be moved from the temporary line item to salaries. The remaining \$1,241,036 will come from receipts from the 20 percent fee charged in relation to Project Collect.

<b>Requirements</b>	<b>\$1,139,201</b>
<b>Requirements - Nonrecurring</b>	<b>\$101,835</b>
<b>Receipts</b>	<b>\$1,241,036</b>

<b>Appropriation</b>	<b>-</b>
<b>Number of Positions</b>	<b>47.000</b>

**Unauthorized Substance Tax**

**1. Additional Tax Enforcement Agent and Lease Space**

It is recommended that one new law enforcement tax agent be added to the Unauthorized Substance (USUB) Tax Division in the Department of Revenue. In addition, the USUB Tax Division is being relocated to an office outside the Revenue Building. Additional funding is being recommended to cover the cost of rent.

<b>Appropriation</b>	<b>\$94,319</b>
<b>Appropriation - Nonrecurring</b>	<b>\$11,907</b>
<b>Number of Positions</b>	<b>1.000</b>

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**Total Recommended Expansion**

**Recurring**

Requirements	\$1,709,374
Receipts	1,241,036
	<hr/>
Appropriation	\$468,338
Number of Positions	57.000

**Nonrecurring**

Requirements	\$891,722
Receipts	-
	<hr/>
Appropriation	\$891,722
Number of Positions	-

**Total Recommended Adjustments for  
Department of Revenue  
2006-07**

**Recurring**

Requirements	\$1,709,374
Receipts	1,241,036
	<hr/>
Appropriation	\$468,338
Number of Positions	57.000

**Nonrecurring**

Requirements	\$891,722
Receipts	-
	<hr/>
Appropriation	\$891,722
Number of Positions	-

**Department of Cultural Resources (14800)**

**Total Appropriations and Positions**

	<b>2006-07 Certified</b>	<b>2006-07 Recommended</b>	<b>Percentage Change</b>
Requirements	\$71,274,299	\$75,526,901	6.0 %
Receipts	<u>8,357,152</u>	<u>8,357,152</u>	0.0 %
Appropriation	<u>\$62,917,147</u>	<u>\$67,169,749</u>	6.8 %
Positions	735.285	767.285	4.4 %

**Appropriation Items -- Recommended Adjustments**

**Expansion**

2006-07

**Office of the Secretary**

**1. Additional Personnel Analyst**

Funding is recommended for an additional personnel analyst position to allow the Human Resources Office to manage more efficiently newly mandated programs, such as career banding and the new HR/Payroll system.

<b>Appropriation</b>	<b>\$44,909</b>
<b>Number of Positions</b>	<b>1.000</b>

**2. Facility Construction Engineer Position**

Funding is recommended to establish a capital projects facility construction engineer to design facilities, perform design reviews, monitor construction, and inspect and manage renovations and new construction projects throughout the state.

<b>Appropriation</b>	<b>\$49,210</b>
<b>Number of Positions</b>	<b>1.000</b>

**3. Attorney III Position**

An attorney for the department is recommended. The attorney will be located in the Department of Justice and the department will support the position with this recommended appropriation. The focus of this position will be administrative law matters involving personnel, procurement and contracting, organizational development, and historical document and artifact recovery.

<b>Appropriation</b>	<b>\$106,578</b>
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**Administrative Services**

**1. Accountant Position**

Funding is recommended for an Accountant I position to help the department meet legally mandated and grant specific accounting and reporting requirements in a timely manner.

<b>Appropriation</b>	<b>\$42,533</b>
<b>Number of Positions</b>	<b>1.000</b>

**Archives and History Administration**

**1. Cultural Sharing and Caring Program**

Funding is recommended for the creation of the Cultural Sharing and Caring Program. This program will be designed to enhance the teaching and learning of history, arts, and culture in North Carolina by providing for the creation of several education initiatives and expansion of established programs. The funding will bring cultural performances into schools and communities in every county of the state.

<b>Appropriation</b>	<b>\$2,000,000</b>
<b>Number of Positions</b>	<b>4.000</b>

**State Historic Sites**

**1. Fire and Burglary Protection**

Funding is recommended to provide for the installation and maintenance of fire and/or intrusion alarm systems throughout the state and to provide enhanced security at Fort Fisher and the North Carolina Transportation Museum.

<b>Appropriation</b>	<b>\$201,832</b>
<b>Number of Positions</b>	<b>2.000</b>

**Historic Preservation**

**1. Eastern Office-Humber House**

Funding is recommended to support the operations of the Eastern Office located in the Humber House in Greenville.

<b>Appropriation</b>	<b>\$13,940</b>
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**Office of State Archaeology**

**1. Queen Anne's Revenge Archaeology Project**

Funding is recommended to sustain archaeological and historical research on the shipwreck believed to be Blackbeard's Queen Anne's Revenge. The need to recover and preserve the Queen Anne's Revenge materials is most important because of frequent hurricanes and ocean current actions that erode the site and displace and destroy artifacts and ship remains.

<b>Appropriation</b>	<b>\$247,040</b>
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**Museum of Art**

**1. Monet and Egyptian Treasures Exhibits**

Funding is recommended for the payment of the required venue fee for the Egyptian Art exhibit and costs associated with bringing the Monet exhibition to the Museum.

**Appropriation - Nonrecurring \$225,000**

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**North Carolina Symphony**

**1. Symphony Education Program**

Funding is recommended to support the North Carolina Symphony's education programs throughout the state. These funds will allow the symphony musicians and conductors to reach more children and adults by creating partnerships with the North Carolina Community College System, develop master classes, increase access to teachers, and provide hands-on opportunities for children. This recommendation converts nonrecurring appropriation to recurring.

**Appropriation \$325,000**

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**Department-wide**

**1. Conversion of Temporary Positions to Permanent Positions**

Funding is recommended to convert 20 temporary positions to permanent positions. The permanent positions will provide the department with a more stable work force for the History Museum, Queen Anne's Revenge, Tryon Palace, Maritime Museum, and historic sites.

**Appropriation \$672,816**

**Number of Positions 20.000**

**2. Reserve for Utility and Fuel Costs**

A reserve is recommended for projected increased costs for electricity, natural gas, and propane for the state historic sites and other facilities located throughout the state.

**Appropriation - Nonrecurring \$123,744**

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**Statewide Programs and Grants**

**1. Digital Preservation Program (State Library)**

Appropriation is recommended to assist state agencies in understanding and participating in digital preservation efforts to collect, manage, and preserve digital publications and other records of government for long-term public access.

**Appropriation \$200,000**

**Number of Positions 3.000**

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**Total Recommended Expansion**

**Recurring**

Requirements	\$3,903,858
Receipts	-
<hr/>	
Appropriation	\$3,903,858
Number of Positions	32.000

**Nonrecurring**

Requirements	\$348,744
Receipts	-
<hr/>	
Appropriation	\$348,744
Number of Positions	-

**Total Recommended Adjustments for  
Department of Cultural Resources  
2006-07**

**Recurring**

Requirements	\$3,903,858
Receipts	-
<hr/>	
Appropriation	\$3,903,858
Number of Positions	32.000

**Nonrecurring**

Requirements	\$348,744
Receipts	-
<hr/>	
Appropriation	\$348,744
Number of Positions	-

**Roanoke Island Commission (14802)**

**Total Appropriations and Positions**

	<b>2006-07 Certified</b>	<b>2006-07 Recommended</b>	<b>Percentage Change</b>
Requirements	\$1,783,374	\$1,783,374	0.0 %
Receipts	_____ -	_____ -	
Appropriation	<u>\$1,783,374</u>	<u>\$1,783,374</u>	0.0 %
Positions	-	-	

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**State Board of Elections (18025)**

**Total Appropriations and Positions**

	<b>2006-07 Certified</b>	<b>2006-07 Recommended</b>	<b>Percentage Change</b>
Requirements	\$8,597,378	\$8,740,657	1.7 %
Receipts	<u>3,528,071</u>	<u>3,528,071</u>	0.0 %
Appropriation	<u>\$5,069,307</u>	<u>\$5,212,586</u>	2.8 %
Positions	21.000	42.000	100.0 %

**Appropriation Items -- Recommended Adjustments**

**Expansion**

2006-07

**Administration**

**1. Contract Position to Appropriation Conversion**

Funding is recommended to convert a contracted IT Project Manager position to appropriation support.

<b>Appropriation</b>	<b>\$102,299</b>
<b>Number of Positions</b>	<b>1.000</b>

**2. Receipts Supported Position Conversion**

It is recommended that the funding source for the Governmental Accounts Auditor position established in 2003-04 be converted to appropriation support. This action will provide consistency within the division's budget.

<b>Appropriation</b>	<b>\$40,980</b>
<b>Number of Positions</b>	<b>1.000</b>

**Computerized Voter Registration**

**1. Time Limited Positions (TLP) Conversion**

It is recommended that 19 time limited positions be converted to permanent positions. This action will enable the State Board of Elections to continue to meet the mandates of S.L. 2005-323.

<b>Appropriation</b>	<b>-</b>
<b>Number of Positions</b>	<b>19.000</b>

**Total Recommended Expansion**

**Recurring**

Requirements	\$143,279
Receipts	-
<hr/>	
Appropriation	\$143,279
Number of Positions	21.000

**Nonrecurring**

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

**Total Recommended Adjustments for  
State Board of Elections  
2006-07**

**Recurring**

Requirements	\$143,279
Receipts	-
<hr/>	
Appropriation	\$143,279
Number of Positions	21.000

**Nonrecurring**

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

## Office of Administrative Hearings (18210)

### Total Appropriations and Positions

	<b>2006-07 Certified</b>	<b>2006-07 Recommended</b>	<b>Percentage Change</b>
Requirements	\$3,089,726	\$3,454,726	11.8 %
Receipts	<u>120,014</u>	<u>120,014</u>	0.0 %
Appropriation	<u>\$2,969,712</u>	<u>\$3,334,712</u>	12.3 %
Positions	43.000	45.000	4.7 %

## Appropriation Items -- Recommended Adjustments

### Expansion

2006-07

#### Administration and Operations

##### 1. Operational Support and Reduction of Unrealized Receipts

The budgeted receipts for the sale of the NC Register have not been realized because it is available on the Internet at no charge. Additional funds are needed for employee educational expenses to obtain certification training for Civil Rights Investigators and to supplement CLE training for attorneys. Funding is recommended for these purposes.

**Appropriation      \$45,000**

##### 2. Administrative Law Judge Positions

Two additional Administrative Law Judges are needed for the increased case filings. Funding is recommended for these positions and additional space to hold hearings.

**Appropriation      \$312,000**

**Appropriation - Nonrecurring      \$8,000**

**Number of Positions      2.000**

#### Total Recommended Expansion

##### Recurring

Requirements	\$357,000
Receipts	-
Appropriation	<u>\$357,000</u>
Number of Positions	2.000

**Nonrecurring**

Requirements	\$8,000
Receipts	-
<hr/>	
Appropriation	\$8,000
Number of Positions	-

**Total Recommended Adjustments for  
Office of Administrative Hearings  
2006-07**

**Recurring**

Requirements	\$357,000
Receipts	-
<hr/>	
Appropriation	\$357,000
Number of Positions	2.000

**Nonrecurring**

Requirements	\$8,000
Receipts	-
<hr/>	
Appropriation	\$8,000
Number of Positions	-

**Department of Health and Human Services (144xx)**

**Total Appropriations and Positions**

	<b>2006-07 Certified</b>	<b>2006-07 Recommended</b>	<b>Percentage Change</b>
Requirements	\$14,631,353,225	\$14,402,005,681	(1.6)%
Receipts	<u>10,366,413,097</u>	<u>10,191,976,629</u>	(1.7)%
Appropriation	<u>\$4,264,940,128</u>	<u>\$4,210,029,052</u>	(1.3)%
Positions	18,113.490	18,516.490	2.2 %

**Total Recommended Technical Adjustments**

**Recurring**

Requirements	(\$428,571,429)
Receipts	(211,924,776)
Appropriation	<u>(\$216,646,653)</u>
Number of Positions	-

**Nonrecurring**

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

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**Total Recommended Reductions**

**Recurring**

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

**Nonrecurring**

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

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**Total Recommended Expansion**

**Recurring**

Requirements	\$159,486,559
Receipts	36,788,199
	<hr/>
Appropriation	\$122,698,360
Number of Positions	403,000

**Nonrecurring**

Requirements	\$39,737,326
Receipts	700,109
	<hr/>
Appropriation	\$39,037,217
Number of Positions	-

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**Total Recommended Adjustments for  
 Department of Health and Human Services  
 2006-07**

**Recurring**

Requirements	(\$269,084,870)
Receipts	(175,136,577)
	<hr/>
Appropriation	(\$93,948,293)
Number of Positions	403.000

**Nonrecurring**

Requirements	\$39,737,326
Receipts	700,109
	<hr/>
Appropriation	\$39,037,217
Number of Positions	-

**Division of Central Management and Support (14410)**

**Total Appropriations and Positions**

	<b>2006-07 Certified</b>	<b>2006-07 Recommended</b>	<b>Percentage Change</b>
Requirements	\$233,202,541	\$240,823,020	3.3 %
Receipts	<u>114,321,622</u>	<u>185,972,779</u>	62.7 %
Appropriation	<u>\$118,880,919</u>	<u>\$54,850,241</u>	(53.9)%
Positions	672.250	672.250	0.0 %

**Appropriation Items -- Recommended Adjustments**

**Technical Adjustments**

2006-07

**1. Reprogram More at Four to Lottery Proceeds**

It is recommended that the current 2006-07 total certified budget for More at Four be reprogrammed to Lottery proceeds, consistent with legislation establishing and directing the use of proceeds from the N.C. Education Lottery. The General Fund money that has been fronted for this purpose is redirected to pay for increased public school teacher salaries.

<b>Requirements</b>	-
<b>Receipts</b>	<b>\$66,646,653</b>
<b>Appropriation</b>	<b>(\$66,646,653)</b>

**Total Recommended Technical Adjustments**

**Recurring**

Requirements	-
Receipts	66,646,653
Appropriation	(\$66,646,653)
Number of Positions	-



**Nonrecurring**

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

**Expansion**

2006-07

**Department of Health and Human Services**

**1. Child and Family Support Teams**

Additional funds are recommended for the Governor's Child and Family Support Teams to connect at-risk students and families to appropriate behavioral and social services. Local social services care coordinators will train school-based professionals to identify at-risk students and employ strategies to deal with behavioral health issues.

1. Division of Mental Health, Developmental Disabilities, and Substance Abuse Services	523,638
2. Division of Social Services	720,804

<b>Appropriation</b>	<b>\$1,244,442</b>
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**Central Administration**

**1. Funding for the Office of Medicaid Management Information Services (OMMIS)**

Approval is recommended to use up to \$5,004,504 from the Medicaid Trust Fund to match federal funding for OMMIS, which provides central management support for the design, development, and implementation of a new Medicaid Management Information System (MMIS). System development complies with the federal mandate from the Centers for Medicare and Medicaid Services (CMS) to rebid and update the Medicaid claims payment system. The state receives federal funding for 90% of the costs of MMIS design, development, and implementation and 75% for the operational costs.

<b>Requirements</b>	<b>\$5,004,504</b>
<b>Receipts</b>	<b>\$5,004,504</b>

<b>Appropriation</b>	<b>-</b>
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**2. Public Awareness of Safe Surrender of Infants**

Funds are requested to provide for radio ads, billboards, print ad campaigns, posters, and brochures to inform the public of the Safe Surrender Act (S.L. 2001-291).

<b>Appropriation</b>	<b>\$100,000</b>
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**3. Reserve for Utility and Fuel Costs**

It is recommended that nonrecurring funding be provided to address increasing utility and fuel costs.

**Appropriation - Nonrecurring \$1,271,533**

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**Total Recommended Expansion**

**Recurring**

Requirements	\$6,348,946
Receipts	5,004,504
	<hr/>
Appropriation	\$1,344,442
Number of Positions	-

**Nonrecurring**

Requirements	\$1,271,533
Receipts	-
	<hr/>
Appropriation	\$1,271,533
Number of Positions	-

**Total Recommended Adjustments for  
Division of Central Management and Support  
2006-07**

**Recurring**

Requirements	\$6,348,946
Receipts	71,651,157
	<hr/>
Appropriation	(\$65,302,211)
Number of Positions	-

**Nonrecurring**

Requirements	\$1,271,533
Receipts	-
	<hr/>
Appropriation	\$1,271,533
Number of Positions	-

**Division of Aging and Adult Services (14411)**

**Total Appropriations and Positions**

	<b>2006-07 Certified</b>	<b>2006-07 Recommended</b>	<b>Percentage Change</b>
Requirements	\$77,341,817	\$80,341,817	3.9 %
Receipts	<u>47,846,678</u>	<u>47,846,678</u>	0.0 %
Appropriation	<u>\$29,495,139</u>	<u>\$32,495,139</u>	10.2 %
Positions	58.000	58.000	0.0 %

**Appropriation Items -- Recommended Adjustments**

**Expansion**

2006-07

**1. Home and Community Care Block Grant**

Funds are recommended to increase the Home and Community Care Block Grant to reduce the waiting list for services. The funds will be allocated to the Area Agencies on Aging.

**Appropriation \$3,000,000**

**Total Recommended Expansion**

**Recurring**

Requirements	\$3,000,000
Receipts	-
Appropriation	<u>\$3,000,000</u>
Number of Positions	-

**Nonrecurring**

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

**Total Recommended Adjustments for  
Division of Aging and Adult Services  
2006-07**

**Recurring**

Requirements	\$3,000,000
Receipts	-
	<hr/>
Appropriation	\$3,000,000
Number of Positions	-

**Nonrecurring**

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

**Division of Child Development (14420)**

**Total Appropriations and Positions**

	<b>2006-07 Certified</b>	<b>2006-07 Recommended</b>	<b>Percentage Change</b>
Requirements	\$558,855,024	\$589,320,537	5.5 %
Receipts	<u>291,498,225</u>	<u>291,498,225</u>	0.0 %
Appropriation	<u>\$267,356,799</u>	<u>\$297,822,312</u>	11.4 %
Positions	273.750	283.750	3.7 %

**Appropriation Items -- Recommended Adjustments**

**Expansion**

2006-07

**1. Child Care Subsidy**

The Governor recommends funds to reduce the child care waiting list. The funds will be used to serve 2,939 more children than were served in 2005-06, bringing the number of children served in 2006-07 to 99,444.

**Appropriation \$20,000,000**

**2. Smart Start**

The Governor recommends \$10 million in recurring funds for local Smart Start initiatives, including subsidized child care.

**Appropriation \$10,000,000**

**3. Improve Regulatory Oversight**

The Governor recommends providing funds for ten new positions, effective October 1, 2006, including eight licensing consultants, one supervisor, and one support position. The additional staff will monitor child care facilities, increasing the number of unannounced visits from 500 to 5,000 annually.

**Requirements \$453,222**

**Requirements - Nonrecurring \$12,291**

**Receipts -**

**Receipts - Nonrecurring -**

**Appropriation \$465,513**

**Number of Positions 10.000**

**Total Recommended Expansion**

**Recurring**

Requirements	\$30,453,222
Receipts	-
	<hr/>
Appropriation	\$30,453,222
Number of Positions	10.000

**Nonrecurring**

Requirements	\$12,291
Receipts	-
	<hr/>
Appropriation	\$12,291
Number of Positions	-

**Total Recommended Adjustments for  
Division of Child Development  
2006-07**

**Recurring**

Requirements	\$30,453,222
Receipts	-
	<hr/>
Appropriation	\$30,453,222
Number of Positions	10.000

**Nonrecurring**

Requirements	\$12,291
Receipts	-
	<hr/>
Appropriation	\$12,291
Number of Positions	-

**Office of Education Services (14424)**

**Total Appropriations and Positions**

	<b>2006-07 Certified</b>	<b>2006-07 Recommended</b>	<b>Percentage Change</b>
Requirements	\$36,541,659	\$37,370,207	2.3 %
Receipts	<u>2,259,764</u>	<u>2,259,764</u>	0.0 %
Appropriation	<u>\$34,281,895</u>	<u>\$35,110,443</u>	2.4 %
Positions	628.875	651.875	3.7 %

**Appropriation Items -- Recommended Adjustments**

**Expansion**

2006-07

**1. Early Intervention Teachers for the Deaf and Hard of Hearing**

Funding is recommended for eight teachers (effective October 1, 2006) to increase the intensity of direct early intervention services provided to children who are deaf and hard of hearing and to meet the needs of those newly referred.

<b>Requirements</b>	<b>\$293,493</b>
<b>Receipts</b>	<b>-</b>
<b>Appropriation</b>	<b>\$293,493</b>
<b>Number of Positions</b>	<b>8.000</b>

**2. Early Intervention Teachers for the Blind and Visually Impaired**

Funding is recommended for five teaching positions and one Orientation and Mobility Specialist (all effective October 1, 2006) to meet direct service needs of visually impaired children statewide who are served through the Governor Morehead Early Intervention Program and Preschool.

<b>Appropriation</b>	<b>\$233,533</b>
<b>Number of Positions</b>	<b>6.000</b>

**3. Language Interpreters**

Funding is recommended for four interpreters (effective October 1, 2006): one at North Carolina School for the Deaf in Morganton, one at Governor Morehead School for the Blind in Raleigh, and two at Eastern North Carolina School for the Deaf in Wilson.

<b>Requirements</b>	<b>\$121,771</b>
<b>Receipts</b>	<b>-</b>
<hr/>	
<b>Appropriation</b>	<b>\$121,771</b>
<b>Number of Positions</b>	<b>4.000</b>

**4. Dormitory Supervisors at North Carolina School for the Deaf in Morganton**

Funding is recommended to add two Resident Life Attendants (effective October 1, 2006) at the North Carolina School for the Deaf in Morganton to provide adequate supervision and increased safety for children living in the school's dormitory, Main Hall.

<b>Appropriation</b>	<b>\$39,730</b>
<b>Number of Positions</b>	<b>2.000</b>

**5. Housekeeper at North Carolina School for the Deaf in Morganton**

Funding is recommended to add a Housekeeper position (effective October 1, 2006) to handle routine services at the North Carolina School for the Deaf in Morganton.

<b>Appropriation</b>	<b>\$20,358</b>
<b>Number of Positions</b>	<b>1.000</b>

**6. Behavior Specialists for Eastern North Carolina School for the Deaf**

Funding is recommended to establish two Behavior Programming Technicians at Eastern North Carolina School for the Deaf (effective October 1, 2006). The school has an increasing number of students with multiple disabilities, especially behavioral and emotional disorders, including autism. Increasing from three to five behavior programming technicians will allow for one-on-one supervision when necessary, reduce instructional disruptions, and increase safety in instructional and residential settings.

<b>Appropriation</b>	<b>\$45,663</b>
<b>Number of Positions</b>	<b>2.000</b>

**7. Telemedicine for Children in Residential Schools**

Funding is recommended to implement telemedicine programs at the Western North Carolina School for the Deaf in Morganton and at Governor Morehead School for the Blind in Raleigh. Telemedicine, which is successfully operational at Eastern North Carolina School for the Deaf, brings daily medical care directly to the students in their school setting, using existing student health center nurses and a link to the Department of Pediatrics and the Telemedicine Center at Brody School of Medicine at East Carolina University. Telemedicine improves pediatric health care and improves student attendance. Of the funds recommended, nonrecurring appropriations of \$50,000 (or \$25,000 per school) will establish the T-1 phone line link with ECU, and recurring appropriations of \$24,000 (or \$12,000 per school) will cover ongoing line charges.

<b>Appropriation</b>	<b>\$24,000</b>
<b>Appropriation - Nonrecurring</b>	<b>\$50,000</b>



**Total Recommended Expansion**

**Recurring**

Requirements	\$778,548
Receipts	-
	<hr/>
Appropriation	\$778,548
Number of Positions	23.000

**Nonrecurring**

Requirements	\$50,000
Receipts	-
	<hr/>
Appropriation	\$50,000
Number of Positions	-

**Total Recommended Adjustments for  
Office of Education Services  
2006-07**

**Recurring**

Requirements	\$778,548
Receipts	-
	<hr/>
Appropriation	\$778,548
Number of Positions	23.000

**Nonrecurring**

Requirements	\$50,000
Receipts	-
	<hr/>
Appropriation	\$50,000
Number of Positions	-

**Division of Public Health (14430)**

**Total Appropriations and Positions**

	<b>2006-07 Certified</b>	<b>2006-07 Recommended</b>	<b>Percentage Change</b>
Requirements	\$618,055,603	\$648,623,645	4.9 %
Receipts	<u>467,241,107</u>	<u>477,503,405</u>	2.2 %
Appropriation	<u>\$150,814,496</u>	<u>\$171,120,240</u>	13.5 %
Positions	1,832.555	2,035.555	11.1 %

**Appropriation Items -- Recommended Adjustments**

**Expansion**

2006-07

**1. Pandemic Influenza Planning**

The Governor recommends funding the state match for federal funds (25% federal / 75% state) to purchase and store flu antiviral medication for the state's first responders. Approximately 10,000 doses can be purchased.

<b>Requirements - Nonrecurring</b>	<b>\$250,000</b>
<b>Receipts - Nonrecurring</b>	<b>\$60,000</b>
<b>Appropriation - Nonrecurring</b>	<b>\$190,000</b>

**2. School Nurse Funding**

The Governor recommends funds to permanently fund 65 time-limited school nurse positions previously funded by onetime federal block grants.

<b>Requirements</b>	<b>\$3,250,000</b>
<b>Receipts</b>	<b>-</b>
<b>Appropriation</b>	<b>\$3,250,000</b>

**3. Early Intervention**

The Governor recommends funds to expand the children's Early Intervention Program and eliminate the waiting list. The number of children referred to the program has increased 270%. The increase is due in part to the new federal Child Abuse and Treatment Act, which requires referral to the Early Intervention Program for all children for whom abuse or neglect has been substantiated. No federal funds were provided to support this mandate. Positions are effective October 1, 2006.

<b>Requirements</b>	<b>\$9,663,316</b>
<b>Receipts</b>	<b>\$2,602,208</b>
	<hr/>
<b>Appropriation</b>	<b>\$7,061,108</b>
<b>Number of Positions</b>	<b>196.000</b>

**4. Universal Vaccine Program**

The Governor recommends funds to provide two additional vaccines (influenza and pertussis booster) as recommended by the Centers for Disease Control.

<b>Requirements</b>	<b>\$13,423,460</b>
<b>Receipts</b>	<b>\$6,897,365</b>
	<hr/>
<b>Appropriation</b>	<b>\$6,526,095</b>

**5. Health Disparities Initiative**

The Governor recommends funds for the Community-Focused Eliminating Health Disparities Initiative (CFEHD). The program will provide grants-in-aid to faith-based and community-based organizations to close the gap in the health status of African-Americans, Hispanics/Latinos, and American Indians. The focus will be on reducing infant mortality, HIV/AIDS and other sexually transmitted infections, cancer, diabetes, homicides, and motor-vehicle deaths. The requested positions will be effective October 1, 2006.

<b>Appropriation</b>	<b>\$2,080,406</b>
<b>Number of Positions</b>	<b>2.000</b>

**6. Dental Preventive Services**

The Governor recommends reestablishing the dental program in the schools to help children at risk for tooth decay. Funds will be used to reinstitute the fluoride mouth rinse program (FMR) in schools with a high proportion of low income children. To manage the delivery of services, a Program Manager I position is requested with an October 1, 2006, effective date.

<b>Appropriation</b>	<b>\$648,938</b>
<b>Number of Positions</b>	<b>1.000</b>

**7. Private Well Water Safety Program**

Additional funding is recommended for the State Laboratory of Public Health to test private well water due to increased enforcement of well construction standards. Three new positions and money for equipment and supplies are required. Fees will be charged and are the source for the anticipated receipts. Positions are effective October 1, 2006.

<b>Requirements</b>	<b>\$820,488</b>
<b>Requirements - Nonrecurring</b>	<b>\$226,000</b>
<b>Receipts</b>	<b>\$702,725</b>
<b>Receipts - Nonrecurring</b>	<b>-</b>
<hr/>	
<b>Appropriation</b>	<b>\$343,763</b>
<b>Number of Positions</b>	<b>3.000</b>

**8. Expanded Surveillance, Investigation, and Control of Tick-Borne Infections**

The Governor recommends funding a comprehensive program to understand better the impact of tick-borne infections on the population. An additional Nurse Consultant is needed for surveillance, epidemiologic, laboratory investigation, and diagnosis of human tick-borne infections. Additional funds are needed for equipment and supplies. The position will be effective October 1, 2006.

<b>Appropriation</b>	<b>\$205,434</b>
<b>Number of Positions</b>	<b>1.000</b>

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**Total Recommended Expansion**

**Recurring**

Requirements	\$30,092,042
Receipts	10,202,298
<hr/>	
Appropriation	\$19,889,744
Number of Positions	203.000

**Nonrecurring**

Requirements	\$476,000
Receipts	60,000
<hr/>	
Appropriation	\$416,000
Number of Positions	-

**Total Recommended Adjustments for  
Division of Public Health  
2006-07**

**Recurring**

Requirements	\$30,092,042
Receipts	10,202,298
	<hr/>
Appropriation	\$19,889,744
Number of Positions	203.000

**Nonrecurring**

Requirements	\$476,000
Receipts	60,000
	<hr/>
Appropriation	\$416,000
Number of Positions	-

**Division of Social Services (14440)**

**Total Appropriations and Positions**

	<b>2006-07 Certified</b>	<b>2006-07 Recommended</b>	<b>Percentage Change</b>
Requirements	\$1,358,662,839	\$1,395,570,891	2.7 %
Receipts	<u>1,167,983,554</u>	<u>1,190,205,060</u>	1.9 %
Appropriation	<u>\$190,679,285</u>	<u>\$205,365,831</u>	7.7 %
Positions	766.000	766.000	0.0 %

**Appropriation Items -- Recommended Adjustments**

**Expansion**

2006-07

**1. Federal Budget Impact on Foster Care Services**

Funds are requested for the state's share of anticipated increased costs for foster care due to the federal Budget Reconciliation Act. The law requires that people who care for their relatives' children must now become licensed and thereby eligible for foster care maintenance payments. When relatives decline to become licensed, county social services departments will lose federal Title IV-E administrative funds for social worker costs. Approximately 2,300 children in foster care are currently placed with unlicensed relatives.

<b>Requirements</b>	<b>\$5,872,260</b>
<b>Receipts</b>	<b>\$3,831,505</b>
<b>Appropriation</b>	<b>\$2,040,755</b>

**2. Foster Care and Adoption Assistance Payments**

Funds are recommended to eliminate a chronic deficiency in the budget for foster care and adoption assistance payments. Contributing factors include a 7% growth from 2004 to 2005 in the number of children placed in foster care, increasing behavioral health needs of the children, and longer stays in foster care as a result of behavioral problems. The number of children receiving adoption assistance payments increased by more than 9% from 2004 to 2005. Overall, children are being adopted earlier and qualifying for adoption assistance payments longer. Costs incurred by child placement agencies and child care institutions can no longer be used as a third party match to draw down federal funds.

<b>Requirements</b>	<b>\$28,108,290</b>
<b>Receipts</b>	<b>\$17,901,392</b>

**Appropriation \$10,206,898**

**3. Child Support Enforcement Call Center**

Funds are requested to replace the Voice Response Unit and upgrade the telephone system for the Child Support Enforcement Call Center in Martin County. The center will receive over nine million calls this year from custodial and noncustodial parents seeking information about payment records, amounts owed, amounts paid, appointments, court dates, proceeding outcomes, and other important information. The current system was installed in 1999 and because of age and obsolescence cannot be fully covered by maintenance agreements.

<b>Requirements - Nonrecurring</b>	<b>\$2,927,502</b>
<b>Receipts - Nonrecurring</b>	<b>\$640,109</b>
<b>Appropriation - Nonrecurring</b>	<b>\$2,287,393</b>

**4. Paternity Testing for Child Support Enforcement**

Funds are requested to maintain the existing funding level for paternity testing expenses. The new federal Budget Reconciliation Act reduces the federal financial participation (FFP) from 90% to 66% for paternity testing in child support cases.

<b>Requirements</b>	<b>-</b>
<b>Receipts</b>	<b>(\$151,500)</b>
<b>Appropriation</b>	<b>\$151,500</b>

**Total Recommended Expansion**

**Recurring**

Requirements	\$33,980,550
Receipts	21,581,397
Appropriation	\$12,399,153
Number of Positions	-

**Nonrecurring**

Requirements	\$2,927,502
Receipts	640,109
Appropriation	\$2,287,393
Number of Positions	-

**Total Recommended Adjustments for  
Division of Social Services  
2006-07**

**Recurring**

Requirements	\$33,980,550
Receipts	21,581,397
	<hr/>
Appropriation	\$12,399,153
Number of Positions	-

**Nonrecurring**

Requirements	\$2,927,502
Receipts	640,109
	<hr/>
Appropriation	\$2,287,393
Number of Positions	-



**Division of Medical Assistance (14445)**

**Total Appropriations and Positions**

	<b>2006-07 Certified</b>	<b>2006-07 Recommended</b>	<b>Percentage Change</b>
Requirements	\$10,312,444,582	\$9,883,873,153	(4.2)%
Receipts	<u>7,561,235,423</u>	<u>7,282,663,994</u>	(3.7)%
Appropriation	<u>\$2,751,209,159</u>	<u>\$2,601,209,159</u>	(5.5)%
Positions	383.250	383.250	0.0 %

**Appropriation Items -- Recommended Adjustments**

**Technical Adjustments**

2006-07

**1. Revised Medicaid Forecast**

The Governor recommends a reduced state appropriation for the Medicaid program, based on an increase in the federal matching rate, an increase in anticipated state Medicaid savings resulting from the Medicare drug plan, and a revised forecast for 2006-07.

<b>Requirements</b>	<b>(\$428,571,429)</b>
<b>Receipts</b>	<b>(\$278,571,429)</b>
<b>Appropriation</b>	<b>(\$150,000,000)</b>

**Total Recommended Technical Adjustments**

**Recurring**

Requirements	(\$428,571,429)
Receipts	(278,571,429)
Appropriation	(\$150,000,000)
Number of Positions	-

**Nonrecurring**

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

**Total Recommended Adjustments for  
Division of Medical Assistance  
2006-07**

**Recurring**

Requirements	(\$428,571,429)
Receipts	(278,571,429)
	<hr/>
Appropriation	(\$150,000,000)
Number of Positions	-

**Nonrecurring**

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

**NC Health Choice (14446)**

**Total Appropriations and Positions**

	<b>2006-07 Certified</b>	<b>2006-07 Recommended</b>	<b>Percentage Change</b>
Requirements	\$196,868,437	\$196,868,437	0.0 %
Receipts	<u>144,985,535</u>	<u>144,985,535</u>	0.0 %
Appropriation	<u>\$51,882,902</u>	<u>\$51,882,902</u>	0.0 %
Positions	2.000	2.000	0.0 %

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

**Total Appropriations and Positions**

	<b>2006-07 Certified</b>	<b>2006-07 Recommended</b>	<b>Percentage Change</b>
Requirements	\$25,602,673	\$25,602,673	0.0 %
Receipts	<u>15,921,453</u>	<u>15,921,453</u>	0.0 %
Appropriation	<u>\$9,681,220</u>	<u>\$9,681,220</u>	0.0 %
Positions	309.000	309.000	0.0 %

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

**Total Appropriations and Positions**

	<b>2006-07 Certified</b>	<b>2006-07 Recommended</b>	<b>Percentage Change</b>
Requirements	\$1,038,512,538	\$1,127,645,933	8.6 %
Receipts	<u>435,955,883</u>	<u>435,955,883</u>	0.0 %
Appropriation	<u>\$602,556,655</u>	<u>\$691,690,050</u>	14.8 %
Positions	11,670.050	11,833.050	1.4 %

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**Appropriation Items -- Recommended Adjustments**

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**Expansion**

2006-07

**Mental Health System Reform**

Reforming the mental health system to deliver services in client-appropriate settings requires addressing both community services and state institutions, which are the safety net of the service system. To respond to the continuing challenges of reform, the Governor recommends the following:

**1. Expand Community Capacity**

Funding is requested to expand community-based services capacity. The request includes funding for child and adult substance abuse services, child and adolescent crisis services and supports, and transitional support for residents of the state's psychiatric hospitals.

**Appropriation \$16,000,000**

**2. Funding for the Mental Health Trust Fund**

Consistent with G.S. 143-15.3D, funding is requested for program start-up and operating support to provide cost-effective community treatment services. Funds will be used to promote improved physician access, community-based hospital beds, 24-hour emergency response, and mobile crisis services.

**Appropriation - Nonrecurring \$15,000,000**

**3. Funding for Information Technology and Equipment for the Central Regional Psychiatric Hospital**

Funding is requested to support the Central Regional Psychiatric Hospital's information technology infrastructure, including network wiring, hardware, and a personal duress alarm system for staff. The request includes \$1.6 million in nonrecurring funds for medical equipment. In S.L. 2003-314, the General Assembly authorized construction of the hospital. The positions are effective January 1, 2007.

**Appropriation \$1,706,461**

**Appropriation - Nonrecurring \$20,000,000**

**Number of Positions 3.000**

**4. Operating Funds for ADATC Renovations**

Operating funds are requested for legislatively authorized renovations of the three alcohol drug abuse treatment centers (ADATC) of the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services. The expanded detoxification capacity will provide a more appropriate treatment setting for substance abusers and reduce the demand for state psychiatric hospital admissions. The budget request is based on anticipated renovation completion dates and is portion payable. The full, annualized operating cost is \$8.5 million.

**Appropriation \$5,191,815**

**Number of Positions 159.000**

**1. Developmental Therapies for Developmentally Disabled Clients**

The Governor recommends funding for Developmental Therapies, a state-funded replacement service for approximately 1,740 developmentally disabled clients who will not qualify for other Medicaid-supported programs. This expansion, coupled with realignment of about \$7 million in the Medicaid budget, will continue services for 5,500 persons with developmental disabilities who were threatened with loss of services due to changes in federal policy and cuts in federal support.

**Appropriation \$29,435,119**

**1. Initiatives for Healthy Families**

The Governor requests funding to help address threats to the well-being of North Carolina's families. The initiatives will target pregnant women and women with dependent children who are at increased risk of mental health and substance abuse problems due to domestic violence or substance abuse. Funding will support client participation in mental health and substance abuse services, local management entity staff training, and program evaluation. Funding is also requested to support a six-bed adolescent substance abuse residential program for young women and their infants. The residential program will support positive birth outcomes, help maintain the family unit, and reduce reliance on foster care. The requested position is effective October 1, 2006. The full, annualized cost is \$2.6 million.

**Appropriation \$1,800,000**

**Number of Positions 1.000**

**Total Recommended Expansion**

**Recurring**

Requirements	\$54,133,395
Receipts	-
<hr/>	
Appropriation	\$54,133,395
Number of Positions	163.000

**Nonrecurring**

Requirements	\$35,000,000
Receipts	-
<hr/>	
Appropriation	\$35,000,000
Number of Positions	-

**Total Recommended Adjustments for  
Division of Mental Health/Developmental  
Disabilities/Substance Abuse Services  
2006-07**

**Recurring**

Requirements	\$54,133,395
Receipts	-
<hr/>	
Appropriation	\$54,133,395
Number of Positions	163.000

**Nonrecurring**

Requirements	\$35,000,000
Receipts	-
<hr/>	
Appropriation	\$35,000,000
Number of Positions	-

**Division of Facility Services (14470)**

**Total Appropriations and Positions**

	<b>2006-07 Certified</b>	<b>2006-07 Recommended</b>	<b>Percentage Change</b>
Requirements	\$46,773,214	\$46,773,214	0.0 %
Receipts	<u>30,813,748</u>	<u>30,813,748</u>	0.0 %
Appropriation	<u>\$15,959,466</u>	<u>\$15,959,466</u>	0.0 %
Positions	481.000	481.000	0.0 %

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**Division of Vocational Rehabilitation (14480)**

**Total Appropriations and Positions**

	<b>2006-07 Certified</b>	<b>2006-07 Recommended</b>	<b>Percentage Change</b>
Requirements	\$128,492,298	\$129,192,154	0.5 %
Receipts	<u>86,350,105</u>	<u>86,350,105</u>	0.0 %
Appropriation	<u>\$42,142,193</u>	<u>\$42,842,049</u>	1.7 %
Positions	1,036.750	1,040.750	0.4 %

**Appropriation Items -- Recommended Adjustments**

**Expansion**

2006-07

**Vocational Rehabilitation**

**1. Assistive Technology Waiting List**

Due to decreased federal funding and increasing demand from disabled clients, the North Carolina Assistive Technology Program (NCATP) has a significant waiting list for services and equipment loans. To address the problem, four direct-care positions and additional equipment are requested. The positions are effective October 1, 2006.

<b>Appropriation</b>	<b>\$699,856</b>
<b>Number of Positions</b>	<b>4.000</b>

**Total Recommended Expansion**

**Recurring**

Requirements	\$699,856
Receipts	-
Appropriation	<u>\$699,856</u>
Number of Positions	<u>4.000</u>

**Nonrecurring**

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

**Total Recommended Adjustments for  
Division of Vocational Rehabilitation  
2006-07**

**Recurring**

Requirements	\$699,856
Receipts	-
	<hr/>
Appropriation	\$699,856
Number of Positions	4.000

**Nonrecurring**

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

**Judicial Branch (12000)**

**Total Appropriations and Positions**

	<b>2006-07 Certified</b>	<b>2006-07 Recommended</b>	<b>Percentage Change</b>
Requirements	\$347,497,137	\$373,655,958	7.5 %
Receipts	<u>1,736,727</u>	<u>1,736,727</u>	0.0 %
Appropriation	<u>\$345,760,410</u>	<u>\$371,919,231</u>	7.6 %
Positions	5,283.430	5,533.180	4.7 %

**Appropriation Items -- Recommended Adjustments**

**Expansion**

2006-07

**Administration**

**1. Technology Initiatives**

It is recommended that funding be provided to support the following technology initiatives: 1) current rewrite of obsolete processing systems for clerks and district attorney/public defender cases, including required data clean-up to implement a statewide warrant repository (NCAWARE); 2) new initiatives related to eCourt, civil eFiling, electronic payments, and electronic traffic court; and 3) maintenance and enhancement of existing applications including eCitation and Casewise/Jwise. It is also recommended that 28 new information technology staff positions be established to support these initiatives. These positions will have an effective date of 7/1/06.

<b>Appropriation</b>	<b>\$4,500,000</b>
<b>Appropriation - Nonrecurring</b>	<b>\$1,000,000</b>
<b>Number of Positions</b>	<b>28.000</b>

**2. Open File Discovery Project**

Due to the recent passage of legislation requiring open discovery in criminal cases, there is need for an evidence tracking automated system that will register the articles of evidence, track their use, and verify that the articles have been disclosed to the appropriate parties as required by law. It is recommended that funding be provided to develop this system. Funding is also recommended for seven new positions to support the development and maintenance of this system: one Applications Analyst Programmer II, one Applications Analyst Programmer III, one LAN Support Specialist, one WAN Engineer III, one Database Administrator, and two Computer Support Specialists. These positions will have an effective date of 7/1/06.

<b>Appropriation</b>	<b>\$1,781,345</b>
<b>Appropriation - Nonrecurring</b>	<b>\$1,373,878</b>
<b>Number of Positions</b>	<b>7.000</b>

**Appellate**

**1. New Court of Appeals Positions**

To address increases in the Appellate workload and to expedite parental termination of rights cases, it is recommended that funding be provided for one new Staff Attorney I and one new Appellate Clerk I. These positions will have an effective date of 10/1/06.

<b>Appropriation</b>	<b>\$81,743</b>
<b>Appropriation - Nonrecurring</b>	<b>\$14,467</b>
<b>Number of Positions</b>	<b>2.000</b>

**2. Justice Building Renovation**

Renovations for the Justice Building are scheduled to continue into fiscal year 2006-07, but currently funds for the temporary relocation of staff are only budgeted for fiscal year 2005-06. It is recommended that nonrecurring funds be provided to continue the lease payments needed for the temporary relocation. Also recommended are nonrecurring funds for moving expenses once the renovations are complete. In addition, recurring funds are recommended for office space needed due to staffing increases since the renovations began.

<b>Appropriation</b>	<b>\$32,000</b>
<b>Appropriation - Nonrecurring</b>	<b>\$480,000</b>

**Trial Courts**

**1. New Deputy Clerk Positions**

Additional deputy clerks are needed to address significant increases in certain types of cases such as foreclosures and estate cases. It is recommended that funding be provided for 75 new Deputy Clerks. These positions will have an effective date of 10/1/06.

<b>Appropriation</b>	<b>\$1,985,850</b>
<b>Appropriation - Nonrecurring</b>	<b>\$184,350</b>
<b>Number of Positions</b>	<b>75.000</b>

**2. New District Court Judge Positions**

It is recommended that funding be provided for seven new District Court Judges to allow for more efficient operation of the Trial Court Division and to devote more needed resources to family and domestic violence cases. These positions will have an effective date of 10/1/06.

<b>Appropriation</b>	<b>\$686,438</b>
<b>Appropriation - Nonrecurring</b>	<b>\$78,008</b>
<b>Number of Positions</b>	<b>7.000</b>

**3. New Magistrate Positions**

It is recommended that funding be provided for six new magistrates. These positions are needed to meet the magistrate staffing levels set forth in G.S. 7A-133. The new positions will be located in rural areas with limited coverage and in urban areas with increasing caseloads. These positions will have an effective date of 10/1/06.

<b>Appropriation</b>	<b>\$180,734</b>
<b>Appropriation - Nonrecurring</b>	<b>\$24,984</b>
<b>Number of Positions</b>	<b>6.000</b>

**4. New District Court Judicial Support Staff**

It is recommended that funding be provided for five new District Court judicial support staff positions (Judicial Assistant I). These positions are needed to support the recently established judgeships, expansion of family mediation, and other arbitration and mediation efforts. These positions will have an effective date of 10/1/06.

<b>Appropriation</b>	<b>\$150,634</b>
<b>Appropriation - Nonrecurring</b>	<b>\$19,080</b>
<b>Number of Positions</b>	<b>5.000</b>

**5. Expansion of Custody Mediation Program**

It is recommended that funding be provided to expand the Custody Mediation Program into the final remaining Judicial Districts, as required by G.S. 7A-494(a). This expansion will require the establishment of 7.75 new support staff, with an effective date of 10/1/06.

<b>Appropriation</b>	<b>\$418,556</b>
<b>Appropriation - Nonrecurring</b>	<b>\$38,912</b>
<b>Number of Positions</b>	<b>7.750</b>

**6. Expansion of Drug Treatment Court**

It is recommended that additional recurring funds be provided for statewide Drug Treatment Court operations (\$49,992). It is also recommended that funding be provided for three new Drug Treatment Court Program Case Coordinators to allow for expansion of current Drug Treatment Court Programs. These positions will have an effective date of 7/1/06.

<b>Appropriation</b>	<b>\$238,092</b>
<b>Appropriation - Nonrecurring</b>	<b>\$17,562</b>
<b>Number of Positions</b>	<b>3.000</b>

**7. New Guardian ad Litem Program Staff**

To address significant increases in caseloads for the Guardian ad Litem Program, it is recommended that funding be provided for eight new positions: five Program Supervisors, one Program Assistant, one Volunteer Recruitment and Retention Specialist, and one Administrative Specialist. These positions will have an effective date of 10/1/06.

<b>Appropriation</b>	<b>\$340,787</b>
<b>Appropriation - Nonrecurring</b>	<b>\$24,000</b>
<b>Number of Positions</b>	<b>8.000</b>

**8. Recurring Funds for Family Court Program**

Nonrecurring funds were appropriated for fiscal year 2005-06 to establish a Family Court Program in Judicial District 10, Wake County. It is recommended that recurring funds be provided to continue the operations of the Wake County Program.

<b>Appropriation</b>	<b>\$175,000</b>
<b>Number of Positions</b>	<b>2.000</b>

**9. Interpreter Fee Payments**

The current budget for interpreter fees is insufficient to support the total expenditures for this service, which must be provided as required by statute. It is recommended that funding be provided to fund fully these interpreter fee payments.

<b>Appropriation</b>	<b>\$775,000</b>
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**Equipment and Other Reserves**

**1. Critical Equipment Needs**

It is recommended that nonrecurring funds be provided to replace essential technology and office equipment that is six years or older. Nonrecurring funds are also recommended for the replacement of audio machines in District Court and for telephone systems that are ten years or older. In addition, recurring funds are recommended for the continued replacement of outdated equipment and systems.

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

**Appropriation - Nonrecurring \$3,800,000**

**2. Equipment for New Courthouses**

It is recommended that funding be provided for new telephone systems and LAN equipment for the new courthouses located in Clay and Harnett counties.

**Appropriation - Nonrecurring \$110,000**

**Offices of the District Attorneys**

**1. New Prosecutors and Support Staff**

To reduce an increasing case backlog and to process cases in a more timely manner, it is recommended that funding be provided for 90 new Assistant District Attorneys and nine Victim-Witness/Legal Assistants. These positions will have an effective date of 10/1/06.

**Appropriation \$5,731,277**

**Appropriation - Nonrecurring \$416,124**

**Number of Positions 99.000**

**Total Recommended Expansion**

**Recurring**

Requirements	\$18,577,456
Receipts	-
	<hr/>
Appropriation	\$18,577,456
Number of Positions	249.750

**Nonrecurring**

Requirements	\$7,581,365
Receipts	-
	<hr/>
Appropriation	\$7,581,365
Number of Positions	-

**Total Recommended Adjustments for  
Judicial Branch  
2006-07**

**Recurring**

Requirements	\$18,577,456
Receipts	-
	<hr/>
Appropriation	\$18,577,456
Number of Positions	249.750

**Nonrecurring**

Requirements	\$7,581,365
Receipts	-
	<hr/>
Appropriation	\$7,581,365
Number of Positions	-

**Judicial Branch - Indigent Defense (12001)**

**Total Appropriations and Positions**

	<b>2006-07 Certified</b>	<b>2006-07 Recommended</b>	<b>Percentage Change</b>
Requirements	\$96,832,288	\$103,045,888	6.4 %
Receipts	<u>8,183,874</u>	<u>8,183,874</u>	0.0 %
Appropriation	<u>\$88,648,414</u>	<u>\$94,862,014</u>	7.0 %
Positions	299.000	299.000	0.0 %

**Appropriation Items -- Recommended Adjustments**

**Expansion**

2006-07

**Indigent Person Attorney**

**1. Attorney Fee Payments for Indigent Defense**

Nonrecurring funds are recommended for unpaid attorney fee applications from fiscal year 2005-06 that need to be carried over to fiscal year 2006-07 due to a funding shortfall. In addition, recurring funds are recommended to address projected growth in attorney fee applications for fiscal year 2006-07 and future years.

**Appropriation \$2,000,000**  
**Appropriation - Nonrecurring \$2,500,000**

**2. NC Prisoner Legal Services, Inc. Contract**

It is recommended that funding be provided to allow for inflationary increases for the contract with Prisoner Legal Services, Inc. (PLS). Current operating costs for this contract are higher than the total contract amount, creating an operating shortfall for PLS.

**Appropriation - Nonrecurring \$122,438**

**3. Hourly Rate for Private Assigned Counsel**

The current hourly rate for private assigned counsel for capital cases is \$85, which was set in 1993. It is recommended that funding be provided to increase this hourly rate to \$95 at the trial, appellate, and post-conviction levels.

**Appropriation \$1,591,162**



**Total Recommended Expansion**

**Recurring**

Requirements	\$3,591,162
Receipts	-
<hr/>	
Appropriation	\$3,591,162
Number of Positions	-

**Nonrecurring**

Requirements	\$2,622,438
Receipts	-
<hr/>	
Appropriation	\$2,622,438
Number of Positions	-

**Total Recommended Adjustments for  
Judicial Branch - Indigent Defense  
2006-07**

**Recurring**

Requirements	\$3,591,162
Receipts	-
<hr/>	
Appropriation	\$3,591,162
Number of Positions	-

**Nonrecurring**

Requirements	\$2,622,438
Receipts	-
<hr/>	
Appropriation	\$2,622,438
Number of Positions	-

**Department of Justice (13600)**

**Total Appropriations and Positions**

	<b>2006-07 Certified</b>	<b>2006-07 Recommended</b>	<b>Percentage Change</b>
Requirements	\$100,038,168	\$104,864,948	4.8 %
Receipts	<u>21,340,897</u>	<u>21,595,917</u>	1.2 %
Appropriation	<u>\$78,697,271</u>	<u>\$83,269,031</u>	5.8 %
Positions	1,257.246	1,277.246	1.6 %

**Appropriation Items -- Recommended Adjustments**

**Expansion**

2006-07

**Law Enforcement - SBI**

**1. SBI Staff Expansion**

It is recommended that funding be provided for twelve positions to address the significant demand for investigative and forensic analyses not provided by other North Carolina law enforcement agencies. These positions include: four sworn Drug Chemists and one non-sworn Drug Chemistry Technician for the growing number of drug sample submissions; two Field Agents to combat methamphetamine trafficking; one Field Agent and one non-sworn Forensic Analyst for the Computer Crimes Unit; two Field Agents to focus on public corruption and financial crimes; and one non-sworn Molecular Geneticist to further expedite the processing of DNA evidence and to expand the types of DNA evidence analyzed by the Crime Laboratory.

<b>Appropriation</b>	<b>\$906,318</b>
<b>Appropriation - Nonrecurring</b>	<b>\$582,992</b>
<b>Number of Positions</b>	<b>12.000</b>

**2. Replacement of Statewide Automated Fingerprint Identification System**

The North Carolina Statewide Automated Fingerprint Identification System (SAFIS) is a vital informational resource that serves over 500 law enforcement agencies. This system was last upgraded in 1998 and much of the equipment is obsolete and in need of replacement. Funding is recommended to replace central hardware for the SBI, the Department of Correction, and the Mecklenburg County Sheriff's Department. It is also recommended that funding be provided to replace key equipment currently used by local government agencies

statewide to ensure compatibility. In addition, one Application Development Project Supervisor position is needed to support technical implementation and to provide maintenance.

<b>Appropriation</b>	<b>\$72,180</b>
<b>Appropriation - Nonrecurring</b>	<b>\$1,891,588</b>
<b>Number of Positions</b>	<b>1.000</b>

**3. Lab Expansion**

It is recommended that funding be provided for the lease purchase of two diesel generators and cubicle furniture to accommodate personnel relocating from Blount Street to Buildings 17 and 18 on the SBI's Garner Road campus. This is the first of a three-year equipment installment purchase.

<b>Appropriation</b>	<b>\$220,000</b>
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**4. Business Recovery Site**

S.L. 2003-404 requires that state agencies vacate their Blount Street facilities so that the buildings may be converted to private ownership. DOJ presently houses both its primary and backup computer centers at its Blount Street offices. For security reasons, a separate business recovery site to house the backup center must be operational before DOJ moves its primary computer center to the SBI's Garner Road campus. It is recommended that funding be provided for telecommunication charges and IT services charges for this business recovery site.

<b>Appropriation</b>	<b>\$353,676</b>
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**Legal Services**

**1. Attorney Positions**

Caseloads for DOJ's Appellate and Law Enforcement Liaison Sections have significantly increased in recent years. Funding is recommended for one Attorney II position and one Attorney III position for the Appellate Section and for one Attorney II position for the Law Enforcement Liaison Section to assist existing staff in handling these workload increases.

<b>Appropriation</b>	<b>\$238,757</b>
<b>Appropriation - Nonrecurring</b>	<b>\$13,200</b>
<b>Number of Positions</b>	<b>3.000</b>

**2. Sex Offender Registry Upgrade**

The state's Sex Offender Registry allows residents to obtain information on the addresses of convicted sex offenders in North Carolina. Increased public demand has necessitated additional resources and staff for the registry. It is recommended that funding be provided to upgrade the registry to include Geographic Information System (GIS) mapping of offenders and public email notification capabilities. One Applications Analyst Programmer position and one Business Test Analyst position are recommended to aid in the upgrade and maintenance of the Registry.

<b>Requirements</b>	<b>\$393,697</b>
<b>Receipts</b>	<b>\$255,020</b>

<b>Appropriation</b>	<b>\$138,677</b>
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**Number of Positions 2.000**

**3. Tort Claim Positions**

DOJ has seen an increase in the demand for tort claim processing services. 2,672 claims were opened by seven adjusters in the last calendar year, an average of 381 claims per adjuster. Funding is recommended for one Tort Claim Adjuster position to assist in handling this increased demand. It is also recommended that funding be provided for one Attorney I position to minimize fraud and abuse related to tort claim processing.

**Appropriation \$145,572**  
**Appropriation - Nonrecurring \$8,800**  
**Number of Positions 2.000**

**4. Receipt-Supported Attorney Position**

It is recommended that one receipt-supported Attorney III position be established to provide legal services to the Department of Cultural Resources. This position will focus on administrative law matters involving personnel, procurement and contracting, organizational development, and historical document and artifact recovery. This position will be supported by receipts from the Department of Cultural Resources.

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**Total Recommended Expansion**

**Recurring**

Requirements	\$2,330,200
Receipts	255,020
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Appropriation	\$2,075,180
Number of Positions	20.000

**Nonrecurring**

Requirements	\$2,496,580
Receipts	-
	<hr/>
Appropriation	\$2,496,580
Number of Positions	-

**Total Recommended Adjustments for  
Department of Justice  
2006-07**

**Recurring**

Requirements	\$2,330,200
Receipts	255,020
	2,075,180
Appropriation	\$2,075,180
Number of Positions	20.000

**Nonrecurring**

Requirements	\$2,496,580
Receipts	-
	2,496,580
Appropriation	\$2,496,580
Number of Positions	-

## Department of Juvenile Justice and Delinquency Prevention (14060)

### Total Appropriations and Positions

	2006-07 Certified	2006-07 Recommended	Percentage Change
Requirements	\$149,663,764	\$152,724,616	2.0 %
Receipts	<u>10,790,598</u>	<u>10,790,598</u>	0.0 %
Appropriation	<u>\$138,873,166</u>	<u>\$141,934,018</u>	2.2 %
Positions	1,872.500	1,938.500	3.5 %

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### Appropriation Items -- Recommended Adjustments

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#### Expansion

2006-07

#### Department Management

##### 1. Positions for Administration Division

Funding is recommended for four positions to improve operations within DJJDP's Administration Division. These include one Auditor position to evaluate the cost effectiveness of programs, one Policy Compliance Generalist to track policy compliance, one Chief Records Officer to create a centralized records system, and one Departmental Purchasing Agent to provide support for purchasing and contractual functions.

<b>Appropriation</b>	<b>\$221,268</b>
<b>Appropriation - Nonrecurring</b>	<b>\$14,000</b>
<b>Number of Positions</b>	<b>4.000</b>

##### 2. Reserve for Utility and Fuel Costs

It is recommended that nonrecurring funding be provided to address increasing utility and fuel costs from prior year hurricanes and other recent events.

<b>Appropriation - Nonrecurring</b>	<b>\$251,826</b>
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##### 3. MIS Positions

It is recommended that funding be provided for one Computing Consultant IV and two Computing Consultant V positions to provide support for DJJDP's technical services operations. The responsibilities of these positions are currently being performed by contractors that are funded through lapsed salaries.

<b>Appropriation</b>	<b>\$224,811</b>
<b>Number of Positions</b>	<b>3.000</b>

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**Department-Wide**

**1. Textbook Purchases**

To ensure that all juveniles committed to DJJDP facilities are receiving an education consistent with the standard state curriculum, it is recommended that funding be provided for the purchase of additional textbooks.

**Appropriation \$50,000**

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**Intervention and Prevention**

**1. Juvenile Crime Prevention Councils (JCPCs)**

To increase the availability of diversion and disposition resources proven to be effective in reducing recidivism, funding is recommended to provide additional community services through the Juvenile Crime Prevention Councils.

**Appropriation \$500,000**

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**Special Initiatives**

**1. Eckerd Wilderness Camps/Methodist Homes for Children**

It is recommended that funding be provided to increase the number of Eckerd beds under contract from 326 to 346 per day and to account for inflationary increases needed for the Methodist Homes for Children service contract. 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 referred from juvenile court services. Methodist Homes provides long-term treatment and a safe transition between institutional confinement and a youth's local community.

**Appropriation \$916,168**

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**Youth Development Centers**

**1. Operating Reserve and Positions for New Treatment Model**

The department is scheduled to open five new Youth Development Centers by the end of calendar year 2007. Funding is recommended to establish an operating reserve for these new facilities. Included in this reserve is funding for 59 new positions and for training and reclassification of existing staff as the department transitions to the new therapeutic treatment model.

**Appropriation \$882,779**

**Number of Positions 59.000**

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**Total Recommended Expansion**

**Recurring**

Requirements	\$2,795,026
Receipts	-
<hr/>	
Appropriation	\$2,795,026
Number of Positions	66.000

**Nonrecurring**

Requirements	\$265,826
Receipts	-
<hr/>	
Appropriation	\$265,826
Number of Positions	-

**Total Recommended Adjustments for  
 Department of Juvenile Justice and Delinquency  
 Prevention  
 2006-07**

**Recurring**

Requirements	\$2,795,026
Receipts	-
<hr/>	
Appropriation	\$2,795,026
Number of Positions	66.000

**Nonrecurring**

Requirements	\$265,826
Receipts	-
<hr/>	
Appropriation	\$265,826
Number of Positions	-



**Department of Correction (14500)**

**Total Appropriations and Positions**

	<b>2006-07 Certified</b>	<b>2006-07 Recommended</b>	<b>Percentage Change</b>
Requirements	\$1,079,474,513	\$1,111,003,904	2.9 %
Receipts	<u>30,982,011</u>	<u>30,982,011</u>	0.0 %
Appropriation	<u>\$1,048,492,502</u>	<u>\$1,080,021,893</u>	3.0 %
Positions	20,375.500	20,536.500	0.8 %

**Appropriation Items -- Recommended Adjustments**

**Reductions**

2006-07

**Prisons**

**1. Delayed Opening of 40-Cell Segregation Buildings**

The 40-cell segregation buildings at Orange and Caldwell Correctional Centers were originally scheduled for completion in fiscal year 2006-07. These facilities are now scheduled for completion in fiscal year 2007-08, eliminating the need for the operating reserves that were budgeted for fiscal year 2006-07. Nonrecurring reductions are recommended as follows: 1) \$380,809 for Orange Correctional Center, and 2) \$523,621 for Caldwell Correctional Center.

**Appropriation - Nonrecurring (\$904,430)**

**Total Recommended Reductions**

**Recurring**

Requirements	-
Receipts	-
Appropriation	-
Number of Positions	-

**Nonrecurring**

Requirements	(\$904,430)
Receipts	-
Appropriation	(\$904,430)
Number of Positions	-

**Expansion**

2006-07

**Alcohol and Chemical Dependency**

**1. Clinical Substance Abuse Supervisor Positions**

S.L. 2005-431, Amend Substance Abuse Laws, sets new certification and supervision standards for substance abuse professionals. Two new Clinical Substance Abuse Supervisors (Clinical Administrator IV) are recommended to assist the department in complying with these new standards.

<b>Appropriation</b>	<b>\$121,957</b>
<b>Appropriation - Nonrecurring</b>	<b>\$9,021</b>
<b>Number of Positions</b>	<b>2.000</b>

**2. Residential Substance Abuse Treatment Programs**

Expiring in fiscal year 2006-07 are federal grants that support Residential Substance Abuse Treatment (RSAT) clinical staff and programs at the NC Correctional Institution for Women and Morrison Correctional Institution. It is recommended that funding be provided to continue support for these staff and programs.

<b>Appropriation</b>	<b>\$930,122</b>
<b>Number of Positions</b>	<b>25.000</b>

**3. DART-Cherry Substance Abuse Positions**

It is recommended that funding be provided for five new Substance Abuse Worker positions at the DART-Cherry facility. A Division of Prisons audit of the staffing pattern at this facility concluded that these positions are needed to provide adequate supervision for residents on all shifts.

<b>Appropriation</b>	<b>\$166,745</b>
<b>Appropriation - Nonrecurring</b>	<b>\$22,365</b>
<b>Number of Positions</b>	<b>5.000</b>

**Community Corrections**

**1. Sex Offender Monitoring**

It is recommended that funding be provided to implement active and passive Global Positioning Systems (GPS) monitoring for the most serious convicted sex offenders.

<b>Appropriation</b>	<b>\$1,236,448</b>
<b>Appropriation - Nonrecurring</b>	<b>\$70,770</b>
<b>Number of Positions</b>	<b>5.000</b>

**Department Management**

**1. Medical Claims Management Positions**

It is recommended that funding be provided for two new Medical Claims Management (Reimbursement Officer II) positions. These two new positions will allow the department to reorganize the section to operate more efficiently, and they will also provide needed staff to identify duplicate claims and work with medical providers on rate reductions.

<b>Appropriation</b>	<b>\$88,927</b>
<b>Appropriation - Nonrecurring</b>	<b>\$9,167</b>
<b>Number of Positions</b>	<b>2.000</b>

**2. Information Technology Security Positions**

The 2004 Statewide Security Assessment gave the department a low rating and recommended that it have a formal Information Technology (IT) Security Office. It is recommended that funding be provided for two new IT Security Positions (an IT Manager and a Networking Analyst) to improve computer and network security and allow for the establishment of an IT Security Office.

<b>Appropriation</b>	<b>\$161,588</b>
<b>Appropriation - Nonrecurring</b>	<b>\$9,167</b>
<b>Number of Positions</b>	<b>2.000</b>

**3. Reserve for Utility and Fuel Costs**

It is recommended that nonrecurring funding be provided to address increasing utility and fuel costs resulting from prior year hurricanes and other recent events.

<b>Appropriation - Nonrecurring</b>	<b>\$9,610,759</b>
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**Prisons**

**1. Operating Reserve for Tabor Correctional Institution**

Tabor Correctional Institution is scheduled for completion in February of 2008. It is recommended that an operating reserve be established for this facility.

<b>Appropriation</b>	<b>\$95,504</b>
<b>Appropriation - Nonrecurring</b>	<b>\$144,000</b>
<b>Number of Positions</b>	<b>10.000</b>

**2. Capacity Increase at Minimum and Medium Custody Facilities**

The Division of Prisons does not have sufficient capacity to meet the inmate population increases projected by the NC Sentencing and Policy Advisory Commission. To meet the projected capacity needs, it is recommended that funding be provided to increase capacity by 246 at three medium custody facilities (Brown Creek, Harnett, and Lumberton) and by 222 at three minimum custody facilities (Dan River, Tillery, and Tyrrell).

<b>Appropriation</b>	<b>\$1,458,336</b>
<b>Appropriation - Nonrecurring</b>	<b>\$864,069</b>
<b>Number of Positions</b>	<b>36.000</b>

**3. Inmate Medical Care**

Recurring funds are recommended to address recent significant increases in inmate medical care expenses due to higher service charges and inmate medical visit volumes.

**Appropriation \$15,000,000**

**4. Security Threat Group Unit**

Federal grants that support the Security Threat Group unit at Foothills Correctional Institution will be expiring in fiscal year 2006-07. This program is targeted at inmates with gang affiliations and works to reduce gang violence through a series of programs that focus on cognitive behavior changes. It is recommended that funding be provided to continue support for this program.

**Appropriation \$256,292**

**Number of Positions 11.000**

**5. Positions for New Enterprise Janitorial Plant**

Correction Enterprises is opening a new janitorial products plant at Warren Correctional Institution to replace the current plant in Harnett County. The Harnett facility is inside the fence, whereas the Warren facility will be outside the fence and, therefore, less secure. It is recommended that funding be provided for eight new Correctional Officers and one new Correctional Sergeant to provide the needed security for the new facility.

**Appropriation \$131,355**

**Appropriation - Nonrecurring \$42,510**

**Number of Positions 9.000**

**6. Positions for Central Pharmacy**

Prescription volumes have increased 62 percent over the last six years at the Division of Prisons Central Pharmacy with no increase in staff. It is recommended that funding be provided for four additional positions to address both current staffing needs and future needs as new prisons open this fiscal year. The positions include two Pharmacy Technicians, one Pharmacist, and one Stock Supervisor.

**Appropriation \$173,299**

**Appropriation - Nonrecurring \$5,100**

**Number of Positions 4.000**

**7. Nurse and Medical Records Clerk Positions**

It is recommended that funding be provided for 25 Licensed Practical Nurses (LPN's) and 25 Medical Records Clerks. These positions would aid the Division of Prisons in meeting the nursing standards adopted by the division. In addition, the positions would provide relief for professional nurses, who could devote more time to those duties that require higher skill levels.

**Appropriation \$1,758,320**

**Appropriation - Nonrecurring \$68,000**

**Number of Positions 50.000**

**Total Recommended Expansion**

**Recurring**

Requirements	\$21,578,893
Receipts	-
<hr/>	
Appropriation	\$21,578,893
Number of Positions	161.000

**Nonrecurring**

Requirements	\$10,854,928
Receipts	-
<hr/>	
Appropriation	\$10,854,928
Number of Positions	-

**Total Recommended Adjustments for  
Department of Correction  
2006-07**

**Recurring**

Requirements	\$21,578,893
Receipts	-
<hr/>	
Appropriation	\$21,578,893
Number of Positions	161.000

**Nonrecurring**

Requirements	\$9,950,498
Receipts	-
<hr/>	
Appropriation	\$9,950,498
Number of Positions	-

**Department of Crime Control and Public Safety (14900)**

**Total Appropriations and Positions**

	<b>2006-07 Certified</b>	<b>2006-07 Recommended</b>	<b>Percentage Change</b>
Requirements	\$51,125,106	\$55,088,847	7.8 %
Receipts	<u>15,971,618</u>	<u>15,966,618</u>	0.0 %
Appropriation	<u>\$35,153,488</u>	<u>\$39,122,229</u>	11.3 %
Positions	484.500	514.500	6.2 %

**Appropriation Items -- Recommended Adjustments**

**Expansion**

2006-07

**Administration**

**1. Federal Grants Administration Position**

It is recommended that funding be provided for a Federal Grants Accountant (Accountant II) to ensure compliance with federal reporting and control requirements. Currently, the department has only one full-time permanent position dedicated to federal grants accounting.

<b>Appropriation</b>	<b>\$63,731</b>
<b>Appropriation - Nonrecurring</b>	<b>\$4,000</b>
<b>Number of Positions</b>	<b>1.000</b>

**2. Information Technology Positions**

The department currently has no full-time permanent information technology (IT) project managers on staff. These responsibilities are currently met using contractors. It is recommended that funding be provided for one Business and Technology Specialist and one Business and Technology Analyst to ensure that all projects are tracked properly and comply with the requirements set forth in S.L. 2004-129, Improve State IT Efficiency and Project Management.

<b>Appropriation</b>	<b>\$164,112</b>
<b>Number of Positions</b>	<b>2.000</b>

**National Guard**

**1. Operation ROTC**

When soldiers are deployed overseas, many families become temporarily single-parent households and are faced with new demands. It is recommended that funding be provided

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.

**Appropriation \$500,000**

**2. New Deputy Division Director Position**

It is recommended that funding be provided for a Deputy Division Director for the NC National Guard. This position is needed to assist with day-to-day operations and management of federal activities given the substantial increase in duties and responsibilities of the Division Director.

**Appropriation \$96,080**

**Number of Positions 1.000**

**Butner Public Safety**

**1. Operations and Maintenance**

It is recommended that funding be provided to meet basic operating and maintenance needs for Butner Public Safety. The budget for Butner Public Safety has been affected by previous budget cuts, inflationary increases, and overbudgeted receipts.

**Requirements \$98,680**

**Receipts (\$5,000)**

**Appropriation \$103,680**

**Emergency Management**

**1. Planning, Response, and Recovery Capabilities**

It is recommended that funding be provided to enhance emergency management planning, response, and recovery capabilities. The recommended funding will support existing warehouse and logistics operations as well as 11 managerial positions in the Public Assistance, Individual Assistance, and Hazard Mitigation Sections, all of which are currently funded with nonrecurring federal disaster funds. The recommended funding will also support 13 new positions to perform needed functions within the division (one Business Officer I, one Administrative Assistant I, two Emergency Management Plans Supervisors, six Emergency Management Planner I's, and three Office Assistant IV's).

**Appropriation \$1,456,371**

**Number of Positions 24.000**

**2. Urban Search and Rescue and Swiftwater Rescue Capabilities**

North Carolina's Urban Search and Rescue and Swiftwater Rescue teams are unable to meet the current National Incident Management System qualification standards. Future federal funding of emergency management operations may be jeopardized if these standards are not met this year. It is recommended that funding be provided for the needed training and equipment to meet and maintain compliance with these standards.

**Appropriation \$627,400**

**3. HAZMAT Regional Response Teams**

There are currently seven HAZMAT Regional Response Teams in the state. One of these teams receives no dedicated state appropriation, and all of the teams lack sufficient operating

budgets for items such as rising insurance premiums and equipment replacement. To ensure adequate statewide coverage for hazardous material emergencies, it is recommended that funding be provided to support these operating needs of the HAZMAT teams.

**Appropriation**                      **\$156,956**

**Victim and Justice Services**

**1. Victims Compensation**

There is a continuing backlog of Victims Compensation claims due to insufficient funding and shortage of staff to properly investigate and examine claims received. To address this backlog, it is recommended that funding be provided for payment of claims (\$700,000) and for two new positions: a Law Enforcement Specialist and a Processing Assistant V (\$96,411).

<b>Appropriation</b>	<b>\$792,411</b>
<b>Appropriation - Nonrecurring</b>	<b>\$4,000</b>
<b>Number of Positions</b>	<b>2.000</b>

**Total Recommended Expansion**

**Recurring**

Requirements	\$3,955,741
Receipts	(5,000)
<hr/>	
Appropriation	\$3,960,741
Number of Positions	30.000

**Nonrecurring**

Requirements	\$8,000
Receipts	-
<hr/>	
Appropriation	\$8,000
Number of Positions	-



**Total Recommended Adjustments for  
 Department of Crime Control and Public Safety  
 2006-07**

**Recurring**

Requirements	\$3,955,741
Receipts	(5,000)
	<hr/>
Appropriation	\$3,960,741
Number of Positions	30.000

**Nonrecurring**

Requirements	\$8,000
Receipts	-
	<hr/>
Appropriation	\$8,000
Number of Positions	-



**Department of Agriculture and Consumer Services (13700)**

**Total Appropriations and Positions**

	<b>2006-07 Certified</b>	<b>2006-07 Recommended</b>	<b>Percentage Change</b>
Requirements	\$74,289,632	\$75,341,971	1.4 %
Receipts	<u>23,256,748</u>	<u>22,988,248</u>	(1.2)%
Appropriation	<u>\$51,032,884</u>	<u>\$52,353,723</u>	2.6 %
Positions	1,173.750	1,185.750	1.0 %

**Appropriation Items -- Recommended Adjustments**

**Expansion**

2006-07

**Research Stations and State Farms**

**1. Reduce Research Station Receipts**

The replacement of unrealized receipts with appropriations is recommended. The Research Stations have transitioned the production farms to research farms. As a result of this transition, the receipts have decreased. The problem has grown worse due to declining commodity prices and increased costs of inputs for research. In order to continue successful research at all of the farms a decrease in budgeted receipts is required.

<b>Requirements</b>	-
<b>Receipts</b>	<b>(\$350,000)</b>
<b>Appropriation</b>	<b>\$350,000</b>

**Emergency Programs**

**1. Emergency Programs Expansion**

To address the current threat of diseases, such as Avian Influenza, Exotic New Castle, Bovine Spongiform Encephalopathy, and any other emerging or potential Foreign Animal Diseases (FAD), it is recommended that three receipt-supported positions be shifted to appropriation to ensure the availability of a recurring source of funding for these positions.

<b>Appropriation</b>	<b>\$250,000</b>
<b>Number of Positions</b>	<b>3.000</b>

**Food and Drug Protection**

**1. Food Safety**

The inspection and survey programs of the Food and Drug Protection Division are key factors in allowing our citizens to enjoy a safe food supply. With the establishment of five additional personnel, the division can incorporate food defense into the existing food safety programs. The expansion will result in increased inspections and survey samples for the Chemistry and Microbiological Laboratory staff. Therefore, the establishment of five additional positions is recommended.

<b>Appropriation</b>	<b>\$263,500</b>
<b>Number of Positions</b>	<b>5.000</b>

**Meat and Poultry Inspection**

**1. Food Safety and Security Mandates**

As mandated by the USDA, the Department of Agriculture and Consumer Services must provide on-site inspection at slaughter and processing establishments. At slaughter establishments, an inspector must be present throughout the slaughter process. At processing establishments, an inspector must be present at some period each day the plant operates. The increasing number of plants exceeds the current number of available inspectors. Therefore, funding is recommended for 50 percent of three meat inspector positions on a recurring basis to match USDA funding.

<b>Requirements</b>	<b>\$163,000</b>
<b>Receipts</b>	<b>\$81,500</b>
<b>Appropriation</b>	<b>\$81,500</b>
<b>Number of Positions</b>	<b>3.000</b>

**Plant Protection**

**1. Export Certification Program**

Funding is recommended to establish an Export Certification Specialist position required to respond to the increased demand for issuance of phytosanitary certificates in North Carolina.

<b>Appropriation</b>	<b>\$58,323</b>
<b>Number of Positions</b>	<b>1.000</b>

**Reserves and Special Funds**

**1. Reserve for Utility and Fuel Cost**

Due to the rise in fuel cost, a reserve is established to help offset the increased cost of natural gas and propane, fuel oil, and gasoline.

<b>Appropriation - Nonrecurring</b>	<b>\$317,516</b>
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**Total Recommended Expansion**

**Recurring**

Requirements	\$734,823
Receipts	(268,500)
<hr/>	
Appropriation	\$1,003,323
Number of Positions	12.000

**Nonrecurring**

Requirements	\$317,516
Receipts	-
<hr/>	
Appropriation	\$317,516
Number of Positions	-

**Total Recommended Adjustments for  
Department of Agriculture and Consumer Services  
2006-07**

**Recurring**

Requirements	\$734,823
Receipts	(268,500)
<hr/>	
Appropriation	\$1,003,323
Number of Positions	12.000

**Nonrecurring**

Requirements	\$317,516
Receipts	-
<hr/>	
Appropriation	\$317,516
Number of Positions	-

**Department of Labor (13800)**

**Total Appropriations and Positions**

	<b>2006-07 Certified</b>	<b>2006-07 Recommended</b>	<b>Percentage Change</b>
Requirements	\$27,159,328	\$27,699,328	2.0 %
Receipts	<u>12,724,403</u>	<u>12,814,403</u>	0.7 %
Appropriation	<u>\$14,434,925</u>	<u>\$14,884,925</u>	3.1 %
Positions	432.000	435.500	0.8 %

**Appropriation Items -- Recommended Adjustments**

**Expansion**

2006-07

**Operating Funds for Administrative Division**

**1. Operating Funding**

It is recommended that the Department of Labor receive additional operational funding to aid in its statutory responsibilities of inspections, investigating complaints, and occupational and health safety.

<b>Requirements</b>	<b>\$340,000</b>
<b>Receipts</b>	<b>\$90,000</b>
<b>Appropriation</b>	<b>\$250,000</b>

**Mine and Quarry Division**

**1. Restore Appropriation for Mine and Quarry Division**

During the last session, the Mine and Quarry Division was changed from full appropriation to a mix of appropriation and receipts from a new fee. This change has caused a hardship for small mine operations across the state. Also, the fee is not bringing in enough funds to support the division. It is recommended that the fee be abolished and the division be changed back to support by appropriations.

<b>Appropriation</b>	<b>\$200,000</b>
<b>Number of Positions</b>	<b>3.500</b>

**Total Recommended Expansion**

**Recurring**

Requirements	\$540,000
Receipts	90,000
<hr/>	
Appropriation	\$450,000
Number of Positions	3.500

**Nonrecurring**

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

**Total Recommended Adjustments for  
Department of Labor  
2006-07**

**Recurring**

Requirements	\$540,000
Receipts	90,000
<hr/>	
Appropriation	\$450,000
Number of Positions	3.500

**Nonrecurring**

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

## Department of Environment and Natural Resources (14300)

### Total Appropriations and Positions

	2006-07 Certified	2006-07 Recommended	Percentage Change
Requirements	\$280,386,294	\$295,594,288	5.4 %
Receipts	<u>111,935,205</u>	<u>115,918,171</u>	3.6 %
Appropriation	<u>\$168,451,089</u>	<u>\$179,676,117</u>	6.7 %
Positions	3,352.130	3,411.130	1.8 %

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## Appropriation Items -- Recommended Adjustments

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### Expansion

2006-07

#### Environmental Health - Onsite Wastewater

##### 1. Private Well Water Safety Program

In rural areas, almost all private water supply wells serve individual homes or groups of homes too small to be regulated under the NC Drinking Water Act. The improper location, construction, operation, repair, maintenance and abandonment of private wells, and the improper installation and repair of pumps and pumping equipment, can adversely affect the quality of drinking water for well-users, create safety hazards and create a conduit for groundwater contamination. Consistent with its duty to protect the public health and safety and to protect the state's resources, the Division of Environmental Health intends to regulate private wells to provide for proper location, construction, operation, repair, maintenance and abandonment and to regulate the installation and repair of pumps and pumping equipment used with private wells. Therefore, funding is recommended to establish five positions to serve as technical support and enforcement assistance to 100 counties as they enforce statewide private water supply well construction standards. The funding will also provide nonrecurring pass through incentive funds to local health departments to provide start up funds for counties that do not currently have well construction programs.

<b>Appropriation</b>	<b>\$1,071,079</b>
<b>Appropriation - Nonrecurring</b>	<b>\$27,550</b>
<b>Number of Positions</b>	<b>5.000</b>

##### 2. Protection of Drinking Water Supplies - Fees Increase

State and federal law require public water systems to provide safe drinking water. Existing shortfalls in staffing levels has resulted in decreasing levels of service and oversight and has threatened the ability to protect the quality of North Carolina's waters used for drinking. Funding is recommended to provide 19 additional staff for field responses; complaint investigation; inspections; technical assistance; rule implementation; training; compliance oversight; laboratory support; and review and approval of engineering plans, water systems management plans and capacity



development documents. The revenue for support of these positions is proposed by an increase in the annual operating permit fees.

<b>Requirements</b>	<b>\$1,301,165</b>
<b>Receipts</b>	<b>\$1,001,165</b>
<hr/>	
<b>Appropriation</b>	<b>\$300,000</b>
<b>Number of Positions</b>	<b>19.000</b>

**Administration**

**1. Coastal Recreational Fishing License Implementation**

Senate Bill 1126 was signed into law in September 2005 and requires the North Carolina Division of Marine Fisheries (DMF) to issue a Coastal Recreational Fishing License (CRFL) to persons who fish recreationally in North Carolina coastal waters, effective January 1, 2007. The funding is recommended to establish two positions to facilitate the issuance of the licenses and to meet the additional workload.

<b>Appropriation</b>	<b>\$375,000</b>
<b>Number of Positions</b>	<b>2.000</b>

**Coastal Management**

**1. Coastal Habitat Protection Compliance Positions**

Funding is recommended to establish four Compliance Coordinator positions, one to be placed in each Division of Coastal Management district to provide compliance and enforcement services in a uniform and consistent manner. This request is in response to the 1997 Fisheries Reform Act, which required the Department of Environment and Natural Resources (DENR) to develop a Coastal Habitat Protection Plan to enhance and restore coastal fisheries.

<b>Appropriation</b>	<b>\$249,757</b>
<b>Appropriation - Nonrecurring</b>	<b>\$27,770</b>
<b>Number of Positions</b>	<b>4.000</b>

**Land Quality**

**1. Sediment and Erosion Control Expansion**

Sedimentation is a primary source of water pollution. Failure to install and maintain adequate erosion and sediment control measures is a leading cause of sedimentation pollution. North Carolina is presently undergoing tremendous growth in commercial and residential land disturbing activities that can potentially cause sedimentation damage to waterways. The establishment of seven receipt supported positions will provide improved monitoring of land disturbing activities, increased technical assistance, provide incentives for more local government involvement, encouraging development of improved methods of sediment

control and monitoring the effectiveness of sediment control. The positions will be supported through an increase in fees.

<b>Requirements</b>	<b>\$466,336</b>
<b>Receipts</b>	<b>\$466,336</b>
<hr/>	
<b>Appropriation</b>	<b>-</b>
<b>Number of Positions</b>	<b>7.000</b>

**Waste Management**

**1. Hazardous Waste Facility Fees**

Fee increases are needed to maintain current program activity levels to protect public health and the environment from risks presented by the mismanagement of hazardous waste. Federal grant funding has been either flat or declining for the past five fiscal years resulting in the transfer of positions and/or the inability to fill vacant positions. As a result, the ability to inspect hazardous waste generators to ensure compliance and the ability to obtain environmental cleanups at facilities that have contaminated soil, groundwater, and surface water has been curtailed. The increase in fees will support the establishment of two positions to ensure compliance.

<b>Requirements</b>	<b>\$192,675</b>
<b>Receipts</b>	<b>\$192,675</b>
<hr/>	
<b>Appropriation</b>	<b>-</b>
<b>Number of Positions</b>	<b>2.000</b>

**Water Quality**

**1. Maintain the Basinwide Information Management Systems (BIMS) in DWQ**

The Basinwide Information Management System (BIMS) is the result of Water Quality Division efforts to consolidate essential regulatory agency data into one database. The BIMS project has laid the foundation the Division needs to implement customer-friendly public access to water quality compliance information, timelier submittal of agency information to the Legislature, and to stronger agency oversight activities. Funding is recommended for three additional positions that will maintain and update the system to ensure its long-term viability. The positions will be supported through an increase in water quality fees.

<b>Requirements</b>	<b>\$259,067</b>
<b>Receipts</b>	<b>\$234,092</b>
<hr/>	
<b>Appropriation</b>	<b>\$24,975</b>
<b>Number of Positions</b>	<b>3.000</b>

**2. Water Quality Fee Increase to meet DWQ Operational Needs**

The Division of Water Quality is responsible for managing programs that ensure the protection of North Carolina's valuable water resources. These programs include regulating activities for which permits are required under the Federal Water Pollution Control Act (Clean Water Act) and the State's Water Pollution Control Statutes. The current program is funded by a combination of state appropriations, federal grants and fee receipts. The current federal budget constraints are creating a loss in grant funding to implement programs. The result of the foregoing is a need to increase fees to support the operations of the State's clean water program, including activities such as wastewater

and stormwater permitting and inspection activities and the overall management of the data to ensure efficient and effective use of the staff resources. The increase in fees will support the establishment of three positions for the Basinwide Information Management System (BIMS) and three wastewater treatment plant consultants.

<b>Requirements</b>	<b>\$500,208</b>
<b>Receipts</b>	<b>\$500,208</b>
<b>Appropriation</b>	<b>-</b>
<b>Number of Positions</b>	<b>3.000</b>

**Soil and Water Conservation**

**1. NC Agriculture Cost Share Technical Assistance**

Recurring funding is recommended to provide support for cost-shared funds to soil and water conservation districts and counties for technical assistance needed to install quality Best Management Practices through the Agriculture Cost Share Program. The funds are used for salaries and operating expenses for 121 Agriculture Cost-Share Technicians in 96 local soil and water conservation districts who do the planning and oversee installations of agriculture BMP's.

<b>Appropriation</b>	<b>\$333,778</b>
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**2. NC Agriculture Cost Share - Financial Assistance**

Funding is recommended to enable the local Soil and Water Conservation Districts to assist 100 additional producers per year to install best management practices (BMPs) on private working agriculture lands to improve water quality.

<b>Appropriation</b>	<b>\$400,000</b>
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**3. Extend CREP Program to other watersheds**

Funding is recommended to provide recurring funding to support the expansion of the Conservation Reserve Enhancement Program (CREP) into additional watersheds in need of riparian buffers and restored wetlands. With additional watersheds eligible for enrollment, the state will be more likely to achieve the full potential for the CREP and take advantage of the \$221 million of federal funding committed for CREP in North Carolina.

<b>Appropriation</b>	<b>\$500,000</b>
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**Reserves and Special Funds**

**1. Reserve for Utility and Fuel Cost**

Due to the rise in fuel cost, a reserve is established to help offset the increased cost of natural gas and propane, fuel oil and gasoline.

<b>Appropriation - Nonrecurring</b>	<b>\$1,280,752</b>
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**2. Drinking Water State Revolving Fund Match**

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.

<b>Appropriation</b>	<b>\$2,909,820</b>
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**3. Wastewater Treatment Plant State Revolving Fund Match**

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

<b>Appropriation</b>	<b>\$3,160,852</b>
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**Solid Waste Management**

**1. Permitting and Compliance/Enforcement Staffing**

A fee increase is recommended to enable the establishment of seven additional solid waste positions. The increase in staffing will allow each of the seven regional offices to have two compliance/enforcement positions. The positions will provide adequate coverage across the State to deal effectively with the growing number of illegal disposal sites.

<b>Requirements</b>	<b>\$1,088,490</b>
<b>Receipts</b>	<b>\$1,088,490</b>
<b>Appropriation</b>	<b>-</b>
<b>Number of Positions</b>	<b>14.000</b>

**DFR Forestry Field Organization**

**1. Forest Development Program (FDP) Funding Increase**

The Forest Development Program (FDP) was developed to encourage private woodland owners to reforest their land after harvest, and to plant trees on idle or unproductive land. This request supports an increase in funding for cost-share assistance to private landowners as an incentive for them to plant trees.

<b>Appropriation</b>	<b>\$563,695</b>
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**Inactive Hazardous Sites Cleanup**

**1. Funds for Inactive Hazardous Sites Cleanup Fund**

Currently, there are seventy (70) contaminated inactive hazardous sites that do not have financially viable responsible parties available to pay for remedying the problem. Based on the average cost to address three orphan priority sites recently, a total of \$8,005,950 will be needed to address the 45 orphan sites that have more immediate exposure concerns. A proposed fee of \$2.00 per ton would provide a means of addressing this problem.

<b>Requirements</b>	<b>\$500,000</b>
<b>Receipts</b>	<b>\$500,000</b>
<b>Appropriation</b>	<b>-</b>

**Total Recommended Expansion**

**Recurring**

Requirements	\$13,871,922
Receipts	3,982,966
<hr/>	
Appropriation	\$9,888,956
Number of Positions	59.000

**Nonrecurring**

Requirements	\$1,336,072
Receipts	-
<hr/>	
Appropriation	\$1,336,072
Number of Positions	-

**Total Recommended Adjustments for  
Department of Environment and Natural  
Resources  
2006-07**

**Recurring**

Requirements	\$13,871,922
Receipts	3,982,966
<hr/>	
Appropriation	\$9,888,956
Number of Positions	59.000

**Nonrecurring**

Requirements	\$1,336,072
Receipts	-
<hr/>	
Appropriation	\$1,336,072
Number of Positions	-

**DENR - Clean Water Management Trust Fund (14301)**

**Total Appropriations and Positions**

	<b>2006-07 Certified</b>	<b>2006-07 Recommended</b>	<b>Percentage Change</b>
Requirements	\$100,000,000	\$100,000,000	0.0 %
Receipts	_____ -	_____ -	
Appropriation	<u>\$100,000,000</u>	<u>\$100,000,000</u>	0.0 %
Positions	-	-	

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**Department of Commerce (14600)**

**Total Appropriations and Positions**

	<b>2006-07 Certified</b>	<b>2006-07 Recommended</b>	<b>Percentage Change</b>
Requirements	\$88,275,553	\$109,622,381	24.2 %
Receipts	<u>51,547,288</u>	<u>53,647,288</u>	4.1 %
Appropriation	<u>\$36,728,265</u>	<u>\$55,975,093</u>	52.4 %
Positions	442.930	452.930	2.3 %

**Appropriation Items -- Recommended Adjustments**

**Expansion**

2006-07

**Division of Policy and Research-Economic Development**

**1. Additional Staffing for Policy, Research, and Strategic Planning**

This request provides additional staffing for the Division in order to strengthen North Carolina's ability of strategic research and planning for economic development. A recent study found that competing states have relatively larger operations.

<b>Appropriation</b>	<b>\$300,000</b>
<b>Number of Positions</b>	<b>4.000</b>

**MIS Division**

**1. Additional Staff for MIS**

An additional position is recommended to provide the resources needed to develop and maintain a better web site for the department. This will allow business and decision makers doing research via the web to have access to up-to-date information.

<b>Appropriation</b>	<b>\$70,819</b>
<b>Appropriation - Nonrecurring</b>	<b>\$5,000</b>
<b>Number of Positions</b>	<b>1.000</b>

**Local Planning and Management**

**1. Small Towns Main Street Program- Expansion into Western NC**

Recent economic changes have led to vacancies and general decline in the downtown core of many smaller towns throughout the state. It is recommended that a community development planner be added to assist western NC communities to begin rebuilding their downtowns. The program already exists in eastern NC with the help of a Z. Smith Reynolds grant.

<b>Appropriation</b>	<b>\$71,310</b>
<b>Number of Positions</b>	<b>1.000</b>

**Administrative Services**

**1. Pass Through Monitoring Position and Administrative Support Cost**

It is recommended that an Auditor II be added to assist the department in monitoring the many pass through funds that flow through Commerce every year in order to comply with new audit requirements. Additionally, it is recommended that Administrative services receive an increase in operational funding.

<b>Appropriation</b>	<b>\$150,000</b>
<b>Number of Positions</b>	<b>1.000</b>

**Industrial Commission**

**1. Replace Electronic Document System**

It is recommended that funding be provided to aid in the replacement of the failing Electronic Document Management system. The system is 25 years old and is a legacy mainframe database program.

<b>Requirements - Nonrecurring</b>	<b>\$3,600,000</b>
<b>Receipts - Nonrecurring</b>	<b>\$2,100,000</b>
<b>Appropriation - Nonrecurring</b>	<b>\$1,500,000</b>

**One North Carolina Fund**

**1. Industrial Recruitment Competitive Fund**

The Governor recommends having recurring funding be made available to the One NC Fund as recommended by the General Assembly. Funds will be used to offset the cost of developing infrastructure and other permissible costs associated with newly locating or expanding, high growth, high value operations throughout the state.

<b>Appropriation</b>	<b>\$10,000,000</b>
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**One North Carolina Small Business Program**

**1. Small Business Innovation and Technology Incentive Program**

The Governor recommends funding the Federal Small Business Innovation Research (SBIR)/ Small Business Technology Transfer Research (STTR) matching program. The program is incentive funding to encourage small, innovative NC business to apply for federal Small Business innovation grants. The state program will supply the matching funds required in the acceptance of the federal grant. The 2005 Budget Bill authorized this program but did not provide new funding.

**Appropriation \$5,000,000**

**Marketing and Customer Services**

**1. Promoting North Carolina as a Business Destination**

Increase advertising dollars to market North Carolina. Funding will pay for traditional advertising in business publications, public relations outreach, marketing materials, national and international industry trade show, and conference participation.

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

**Tourism, Film, and Sports Development**

**1. Motor Sports Program**

The Governor recommends funding to help promote motor sports in North Carolina.

**Appropriation - Nonrecurring \$250,000**

**Local Planning and Management**

**1. NC 21st Century Communities Program**

The NC 21st Century Program's goal is to identify communities that are experiencing challenges relative to economic stability and to help them become more competitive in the global economy.

**Appropriation \$274,699**  
**Number of Positions 3.000**

**2007 U.S. Women's Open**

**1. U.S. Women's Open**

Funds are recommended for promotion of the 2007 Women's Open, which will be played in Southern Pines.

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

**Total Recommended Expansion**

**Recurring**

Requirements	\$17,366,828
Receipts	-
<hr/>	
Appropriation	\$17,366,828
Number of Positions	10.000

**Nonrecurring**

Requirements	\$3,980,000
Receipts	2,100,000
<hr/>	
Appropriation	\$1,880,000
Number of Positions	-

**Total Recommended Adjustments for  
Department of Commerce  
2006-07**

**Recurring**

Requirements	\$17,366,828
Receipts	-
<hr/>	
Appropriation	\$17,366,828
Number of Positions	10.000

**Nonrecurring**

Requirements	\$3,980,000
Receipts	2,100,000
<hr/>	
Appropriation	\$1,880,000
Number of Positions	-

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

**Total Appropriations and Positions**

	<b>2006-07 Certified</b>	<b>2006-07 Recommended</b>	<b>Percentage Change</b>
Requirements	\$47,358,087	\$49,358,087	4.2 %
Receipts	-	-	
Appropriation	<u>\$47,358,087</u>	<u>\$49,358,087</u>	4.2 %
Positions	-	-	

**Appropriation Items -- Recommended Adjustments**

**Expansion**

2006-07

**North Carolina Biotechnology Center**

**1. Continue Current Funding Level for NC Biotechnology Center**

During SFY 2006, the North Carolina Biotechnology Center received non-recurring funding of \$1,500,000. The Governor recommends making these funds recurring in SFY 2007.

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

**2. Support of Regional Offices**

The Governor is recommending funding to support the Biotechnology Center's regional offices. The regional offices allow staff to provide direct assistance and to strengthen community capabilities for biotechnology research, education, company development and recruitment, and job creation.

**Appropriation \$500,000**

**Total Recommended Expansion**

**Recurring**

Requirements	\$2,000,000
Receipts	-
Appropriation	<u>\$2,000,000</u>
Number of Positions	-

**Nonrecurring**

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

**Total Recommended Adjustments for  
Commerce - State Aid to Non-State Entities  
2006-07**

**Recurring**

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

**Nonrecurring**

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

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# Recommended Appropriations

Transportation

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Highway Fund

Highway Trust Fund

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## Department of Transportation

### Overview

Funds totaling \$3.8 billion for 2006-07 are required to support North Carolina's transportation program. Approximately \$1.7 billion, or 45%, will be provided from the Highway Fund. The Highway Trust Fund will add approximately \$1.2 billion or 31% this fiscal year.

Departmental receipts will add an additional \$5 million with federal funds totaling \$890 million. The General Fund will provide \$23.5 million if required to hold the Highway Fund and Highway Trust Fund harmless from capping the variable portion of the Motor Fuels Tax at the January 1, 2006 rate for 2006-07.

Summaries of the total transportation program showing the source of funding and activities supported appear below. Details about funding from the Highway Fund and the Highway Trust Fund follow the summary.

Table 10  
**North Carolina Transportation Program**  
2006-07

	Highway Fund	Highway Trust Fund	Department Receipts	Federal Funds	Total
Department of Transportation					
Administration	\$ 84,305,914	\$ 7,761,140	\$ 311,000	\$ -	\$ 92,378,054
Division of Highways					
Administration	30,632,164	23,120,989	486,112	-	54,239,265
Construction	179,189,500	1,042,162,634	-	838,880,000	2,060,232,134
Maintenance	855,127,857	-	-	-	855,127,857
Planning and Research	4,280,000	-	-	17,120,000	21,400,000
OSHA Program	425,000	-	-	-	425,000
Ferry Operations	21,264,811	-	-	-	21,264,811
State Aid					
Municipalities	94,089,500	69,881,824	-	-	163,971,324
Public Transportation	75,866,447	-	-	10,000,000	85,866,447
Airports	15,295,066	-	-	15,478,062	30,773,128
Railroads	20,299,903	-	-	-	20,299,903
Governor's Highway Safety	293,118	-	-	4,609,283	4,902,401
Division of Motor Vehicles	97,636,438	4,396,910	4,212,093	4,053,680	110,299,121
Other State Agencies	230,186,648	400,880	-	-	230,587,528
Reserves and Transfers	58,247,634	-	-	-	58,247,634
Transfer to General Fund	-	57,486,602	-	-	57,486,602
Uncommitted Trust Fund Admin.	-	10,419,021	-	-	10,419,021
Total Operating	1,767,140,000	1,215,630,000	5,009,205	890,141,025	3,877,920,230
Grand Total <sup>1</sup>	<u>\$1,767,140,000</u>	<u>\$1,215,630,000</u>	<u>\$ 5,009,205</u>	<u>\$890,141,025</u>	<u>\$ 3,877,920,230</u>

<sup>1</sup> Highway Fund total includes \$17.6 million transfer from GF to hold HF harmless from capping variable component of Motor Fuels Tax at the January 1, 2006 rate for 2006-07.

Highway Trust Fund total includes \$5.7 million transfer from GF to HTF to hold HTF harmless from capping variable component of Motor Fuels Tax at the January 1, 2006 rate for 2006-07.

Figure 19  
**Funding Sources**

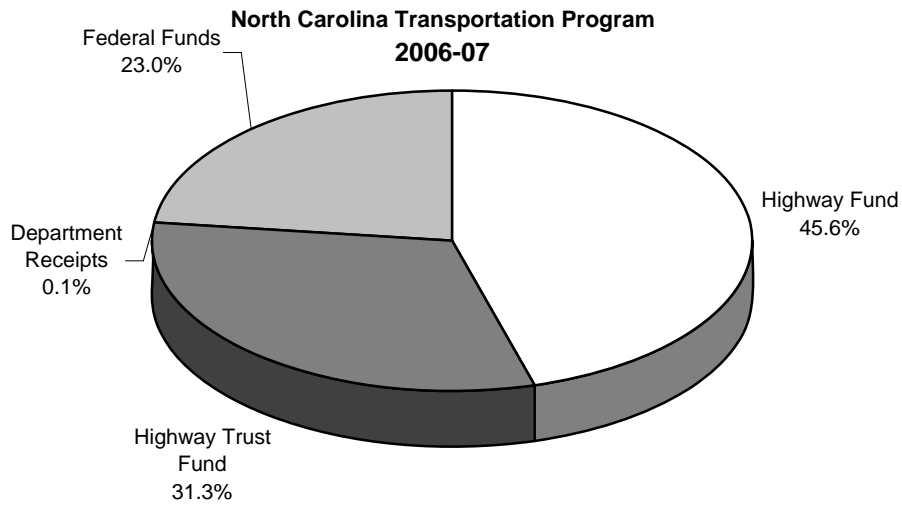
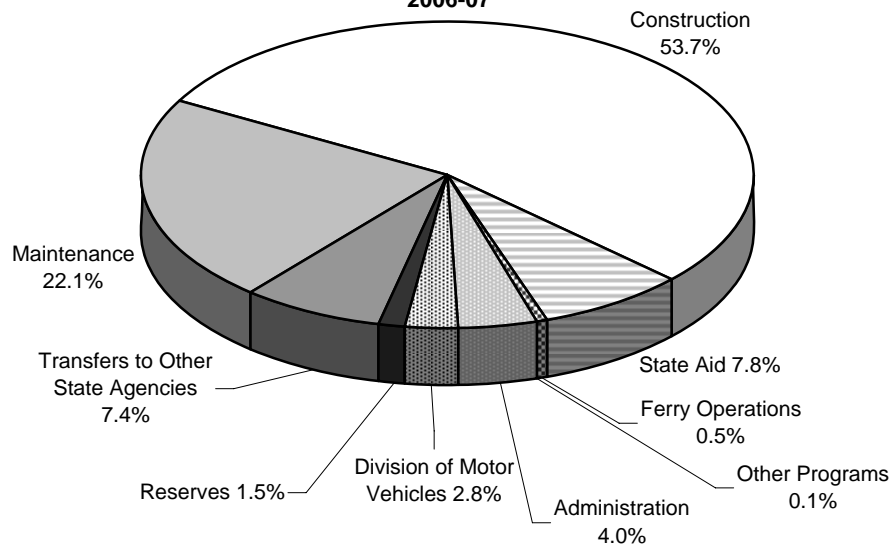


Figure 20  
**Appropriations**  
**North Carolina Transportation Program  
2006-07**





## Highway Fund Budget Changes (84210)

### Total Appropriations and Positions

	2006-07 Certified	2006-07 Recommended	Percentage Change
Requirements	\$2,493,335,476	\$2,721,566,547	9.2 %
Receipts	<u>954,426,547</u>	<u>954,426,547</u>	0.0 %
Appropriation	<u>\$1,538,908,929</u>	<u>\$1,767,140,000</u>	14.8 %
Positions	-	-	

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## Appropriation Items -- Recommended Adjustments

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### Technical Adjustments

2006-07

#### Reserves and Transfers

##### 1. Crime Control and Public Safety

An increase is recommended in the Highway Fund appropriation to correct a continuation budget funding deficit for the Department of Crime Control and Public Safety. The Highway Fund dollars support the Highway Patrol and commercial vehicle enforcement activities.

**Appropriation      \$3,273,666**

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#### Total Recommended Technical Adjustments

##### Recurring

Requirements	\$3,273,666
Receipts	-
Appropriation	<u>\$3,273,666</u>
Number of Positions	-

##### Nonrecurring

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

**Expansion**

2006-07

**Mandated Adjustments**

**1. Statutory Adjustment to Leaking Underground Storage Tank Fund**

In accordance with G.S. 105-119.18(a) and (b), an adjustment is required to the appropriation for the Leaking Underground Storage Tank Fund to bring the allocation in line with current Highway Fund revenue projections for the gasoline inspection fee.

**Appropriation (\$150,000)**

**2. Statutory Adjustment to Aid to Municipalities Allocation**

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

**Appropriation \$1,439,500**

**3. Statutory Adjustment to Secondary Roads Construction Allocation**

In accordance with G.S. 136-44.2A, an adjustment based on the estimated gallons of motor fuel sold is necessary to bring the allocation for secondary roads construction in line with current revenue projections.

**Appropriation \$1,439,500**

**Maintenance**

**1. Contract Resurfacing**

Increased funds for contract resurfacing are recommended to address growing needs for highway asphalt overlays as pavement conditions continue to degrade due to increased lane mileage and vehicle miles traveled. An increase in the cost of highway construction materials has reduced the number of miles resurfaced each year.

**Appropriation \$82,853,280**

**2. System Preservation**

Funds are recommended for highway maintenance activities that preserve and extend the life of infrastructure assets, including pavements, bridges, and traffic signal systems.

**Appropriation \$57,481,289**

**Weigh Station Improvements**

**1. Automated Weigh Stations**

An appropriation is recommended to provide partial funding for weigh station improvements identified in a 2005 statewide feasibility study. The study concluded that \$97.4 million is required between 2006 and 2013 to implement the proposed recommendations.

**Appropriation -**

**Appropriation - Nonrecurring \$12,824,782**

**Small Construction**

**1. Economic Development**

Funding is recommended to restore \$28 million in nonrecurring funds approved in 2005-06 for economic development, spot safety, or transportation improvement projects. An additional \$10 million is recommended for statewide projects.

**Appropriation \$38,000,000**

**Public Transportation**

**1. Reduction in New Starts Program Funding**

It is recommended that public transportation funding for the state's New Starts program be reduced for 2006-07. The reduction is recommended in anticipation of decreased expenditures, primarily due to the delayed Triangle Transit Authority commuter rail project.

**Appropriation -**

**Appropriation - Nonrecurring (\$23,400,000)**

**2. Statewide Grant Program**

Increased state funding for public transportation is recommended to match increased federal funds provided by the latest federal transportation reauthorization bill. Federal funds cannot be utilized without committed state and/or local matching funds.

**Appropriation \$3,000,000**

**Appropriation - Nonrecurring \$2,400,000**

**3. Urban and Regional Program**

An increase is recommended for the State Maintenance Assistance Program (SWAP), which helps regional, urban, and small urban areas pay for public transportation fixed-route and dial-a-ride services that are not covered by federal funding.

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

**4. Urban/Regional Bus and Facility Program**

An increase is recommended for the Urban/Regional Bus and Facility Program, which helps local governments match federal transit administration grants from the latest federal transportation reauthorization bill.

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

**5. Realign Rural Program Funding**

Consolidation of public transportation funding is recommended for several small rural programs. The one resulting large rural capital program will provide greater funding flexibility, decrease total dollars by realigning fund availability with actual needs, enable leveraging of additional federal funds, and increase funds for rural operations on a recurring basis. The total public transportation funding available for rural transit is unchanged.

**Appropriation -**

**Aeronautics**

**1. Rural Airport Development**

Funding is recommended to supplement the current State Aid to Airports Program to assist rural airports with capital improvement projects.

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

**Rail Program**

**1. Piedmont and Carolinian Operations**

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

**Appropriation      \$1,198,750**

**2. Grants to Short-Line Railroads**

Funds are recommended to continue and double the 2005-06 \$1 million nonrecurring appropriation for short-line railroad companies. The funds will be used as rehabilitation project grants to strengthen North Carolina's short-line infrastructure.

**Appropriation      \$2,000,000**

**Division of Motor Vehicles**

**1. Driver License Mobile Units**

Funding is recommended to purchase two additional driver license mobile units. As recommended in a 2005 performance audit, the mobile units provide licensing and vehicle registration services to areas of the state where population and transaction volumes do not warrant full-time offices and where the use of one-person offices creates a security risk.

**Appropriation      \$69,000**

**Appropriation - Nonrecurring      \$391,000**

**2. License Plate Recall**

Funds are recommended to replace old license plates that are in poor condition and that often provide limited visibility to law enforcers. License plates were last recalled in 1990. A continuous license plate recall system is also recommended.

**Appropriation      \$889,971**

**Appropriation - Nonrecurring      \$338,330**

**3. Customer Traffic Management System**

Funds are recommended to install automated queuing systems in 32 additional driver license offices throughout the state. The systems allow for improved customer service to citizens and have already been installed in 27 high-volume driver license offices.

**Appropriation      \$32,000**

**Appropriation - Nonrecurring      \$448,000**

**Information Technology**

**1. Department of Transportation Information Technology Requests**

A Highway Fund appropriation is requested for the following information technology projects that have been reviewed and approved by the State CIO.

**1. Server Consolidation**

Consolidating and replacing existing servers with larger-capacity servers is recommended for more economical operations and management. A number of the existing servers are no longer under warranty, and some have older versions of operating systems that are no longer under vendor support.

1,000,000

**2. Microsoft Office Enterprise Agreement**

Funding is recommended to replace MS Office 97, the current department standard, with a newer version to facilitate consistency with external customers and partners.

1,500,000

	<b>Appropriation</b>	<b>\$2,500,000</b>
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**Reserves and Transfers**

**1. Salary Increase**

Funds are recommended to provide a 4% recurring salary increase for all employees in the Department of Transportation and other state agencies whose positions are paid from the Highway Fund.

**Appropriation**      **\$19,500,000**

**2. Retirement System Contributions**

Funding is recommended for a 3.7% cost-of-living adjustment (COLA) for retirees of the Teachers' and State Employees' Retirement System.

**Appropriation**      **\$2,500,000**

**3. Salary Adjustment Reserve**

Increased funding is recommended for the salary adjustment reserve for the Department of Transportation to implement mandated career bandings and other range revisions as directed by the Office of State Personnel.

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

**4. Adjust Driver Education Funding**

An increase is recommended in the Highway Fund appropriation transferred to the Department of Public Instruction for driver education to allow for a projected increase in Average Daily Membership (ADM) in the ninth grade for 2006-07.

**Appropriation**      **\$457,971**

**5. State Highway Patrol**

Highway Fund appropriations are recommended to fund the following State Highway Patrol requests:

1. Shift Temporary Positions to Permanent Positions

Replace 17 temporary State Highway Patrol employees with permanent employees. This change will eliminate the need for temporary employee training and improve performance and efficiency as employee competencies grow.

552,501

2. VIPER Support Personnel

Provide two additional personnel to support and maintain the Voice Interoperable Communications Plan for Emergency Responders (VIPER) infrastructure.

144,058

3. VIPER Network Expansion

Continue the expansion of the VIPER voice radio network for public safety agencies.

-

4. Additional Troopers

Establish ten additional State Trooper positions for assignment to areas with the highest volumes of service calls. Licensed drivers have increased 26.5% since 1994, but trooper positions have increased by only 6.9%.

547,163

**Appropriation \$1,243,722**

1. VIPER Support Personnel

64,834

2. VIPER Network Expansion

10,000,000

3. Additional Troopers

435,476

**Appropriation - Nonrecurring \$10,500,310**

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**Total Recommended Expansion**

**Recurring**

Requirements \$221,454,983

Receipts -

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Appropriation \$221,454,983

Number of Positions -

**Nonrecurring**

Requirements \$3,502,422

Receipts -

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Appropriation \$3,502,422

Number of Positions -

**Total Recommended Adjustments for  
Highway Fund Budget Changes  
2006-07**

**Recurring**

Requirements	\$224,728,649
Receipts	-
	<hr/>
Appropriation	\$224,728,649
Number of Positions	-

**Nonrecurring**

Requirements	\$3,502,422
Receipts	-
	<hr/>
Appropriation	\$3,502,422
Number of Positions	-

Table 11  
**Condition of the Highway Fund**  
2006-07

	2005-06 Appropriated	2006-07 Authorized	Net Changes Recommended	2006-07 Recommended
<b>Availability</b>				
Beginning Credit Balance				
Appropriation Reversions	\$ 10,490,000	\$ -	\$ -	\$ -
Overrealized Revenue	-	-	-	-
Subtotal	10,490,000	-	-	-
Transfer from General Fund <sup>1</sup>	-	-	17,662,725	17,662,725
State Highway Fund Revenue	1,627,520,000	1,697,940,000	51,537,275	1,749,477,275
Total Availability	1,638,010,000	1,697,940,000	69,200,000	1,767,140,000
<b>Expenditures and Commitments</b>				
Expended and Reserved	1,638,010,000	1,538,908,929	228,231,071	1,767,140,000
Ending Credit Balance	\$ -	\$ 159,031,071	\$ (159,031,071)	\$ -

<sup>1</sup> Transfer being made to hold HF harmless from capping variable component of Motor Fuels Tax @1-1-06 rate for 2006-07.



Table 12

### Changes to the Highway Fund Budget FY 2006-07

	2005-06 Appropriated	2006-07 Authorized	Recommende d	2006-07 Recommended
DOT-General Administration	\$ 82,254,119	\$ 81,805,914	\$ 2,500,000	\$ 84,305,914
Highway Division Administration	30,621,612	30,632,164	-	30,632,164
Federal Aid Match - Planning and Research	4,280,000	4,280,000	-	4,280,000
<b>Construction Program</b>				
State Secondary System	91,910,000	92,650,000	1,439,500	94,089,500
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 Const.	35,000,000	7,000,000	38,000,000	45,000,000
Total Construction Program	167,010,000	139,750,000	39,439,500	179,189,500
<b>Maintenance Program</b>				
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	186,208,316	186,208,316	82,853,280	269,061,596
System Preservation	-	-	57,481,289	57,481,289
General Maintenance Reserve	239,432,391	149,511,140	-	149,511,140
Total Maintenance Program	804,714,539	714,793,288	140,334,569	855,127,857
<b>Ferry Operations</b>				
State Aid to Municipalities	21,264,811	21,264,811	-	21,264,811
State Aid to Railroads	91,910,000	92,650,000	1,439,500	94,089,500
State Aid for Public Transportation	17,308,153	17,101,153	3,198,750	20,299,903
Airports	66,466,447	89,866,447	(14,000,000)	75,866,447
Asphalt Plant Cleanup	11,634,198	13,295,066	2,000,000	15,295,066
Governor's Highway Safety Program	425,000	425,000	-	425,000
Division of Motor Vehicles	293,118	293,118	-	293,118
Total Department of Transportation	96,047,914	95,468,137	2,168,301	97,636,438
Total Department of Transportation	1,394,229,911	1,301,625,098	177,080,620	1,478,705,718
<b>Transfers to Other State Agencies</b>				
Agriculture	4,115,930	4,234,921	-	4,234,921
Revenue	4,873,784	4,877,766	-	4,877,766
State Treasurer	-	-	-	-
Public Instruction-Driver Education	31,867,200	32,059,200	457,971	32,517,171
CCPS - Highway Patrol	175,534,211	166,804,276	15,017,698	181,821,974
DENR - LUST Trust Fund	6,010,286	6,337,313	(150,000)	6,187,313
DHHS - Chemical Test	546,826	547,503	-	547,503
Total-Other State Agencies	222,948,237	214,860,979	15,325,669	230,186,648
<b>Reserves and Transfers</b>				
Salary Adjustment	650,000	650,000	1,000,000	1,650,000
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
Weigh Station Improvments	-	-	12,824,782	12,824,782
Reserve for Visitor's Centers	400,000	400,000	-	400,000
Global Transpark	1,600,000	1,600,000	-	1,600,000
Reserve for Legislative Increase	10,364,000	10,364,000	19,500,000	29,864,000
Reserve for Health Insurance Adjustment	5,070,000	6,661,000	-	6,661,000
Reserve for Disability Income Plan	13,500	13,500	-	13,500
State Employee Reserve	842,658	842,658	-	842,658
Employer's Contribution to Retirement	1,037,494	1,037,494	2,500,000	3,537,494
Employer's Contribution to Death Benefit	54,200	54,200	-	54,200
Total Reserves	20,831,852	22,422,852	35,824,782	58,247,634
Total Current Operations	1,638,010,000	1,538,908,929	228,231,071	1,767,140,000
Capital Improvements	-	-	-	-
Total Highway Fund Appropriation	<u>\$ 1,638,010,000</u>	<u>\$ 1,538,908,929</u>	<u>\$ 228,231,071</u>	<u>\$ 1,767,140,000</u>

## Highway Trust Fund Budget Changes (84290)

### Total Appropriations and Positions

	2006-07 Certified	2006-07 Recommended	Percentage Change
Requirements	\$1,135,940,000	\$1,215,630,000	7.0 %
Receipts	-	-	
Appropriation	<u>\$1,135,940,000</u>	<u>\$1,215,630,000</u>	7.0 %
Positions	-	-	

## Appropriation Items -- Recommended Adjustments

### Reductions

2006-07

#### 1. Transfer of Funds to the General Fund

An adjustment consistent with statutory formulas is recommended to the funds previously appropriated to be transferred to the General Fund to reflect revised revenue estimates for the Highway Trust Fund for 2006-07.

**Appropriation (\$176,407)**

#### 2. Reduction in Transfer of Additional Funds to the General Fund

It is recommended that the transfer of an additional \$80 million to the General Fund be restored to the Highway Trust Fund for 2006-07. The transfer was implemented as an effort to recover a portion of the loss of sales tax revenue on motor vehicles realized by the General Fund. The loss of revenue started when the Highway Trust Fund was created in 1989.

**Appropriation - Nonrecurring (\$80,000,000)**

#### 3. Reduce Transfer to General Fund to Allow for Loan Repayment

It is recommended that the transfer from the Highway Trust to the General Fund authorized by G.S. 105-187.9 be reduced by \$115 million for 2006-07. The \$115 million represents the outstanding balance on the \$125 million loan made from the Highway Trust Fund to the General Fund in 2002-03.

**Appropriation - Nonrecurring (\$115,000,000)**

**Total Recommended Reductions**

**Recurring**

Requirements	(\$176,407)
Receipts	-
<hr/>	
Appropriation	(\$176,407)
Number of Positions	-

**Nonrecurring**

Requirements	(\$195,000,000)
Receipts	-
<hr/>	
Appropriation	(\$195,000,000)
Number of Positions	-

**Expansion**

2006-07

**1. Funds for Intrastate System**

An adjustment consistent with statutory formulas is recommended to the previous appropriation for the Intrastate System. This adjustment reflects the impact of an \$80 million reduction in the transfer to the General Fund, repayment of outstanding loan balance of \$115 million from the General Fund, and revised revenue estimates for the Highway Trust Fund for 2006-07.

**Appropriation \$169,102,879**

**2. Funds for Urban Loops**

An adjustment consistent with statutory formulas is recommended to the previous appropriation for Urban Loops Construction. This adjustment reflects the impact of an \$80 million reduction in the transfer to the General Fund, repayment of outstanding loan balance of \$115 million from the General Fund, and revised revenue estimates for the Highway Trust Fund for 2006-07.

**Appropriation \$68,378,162**

**3. Funds for Aid to Municipalities**

An adjustment consistent with statutory formulas is recommended to the previous appropriation for State Aid to Municipalities (Powell Bill). This adjustment reflects the impact of an \$80 million reduction in the transfer to the General Fund, repayment of outstanding loan balance of \$115 million from the General Fund, and revised revenue estimates for the Highway Trust Fund for 2006-07.

**Appropriation \$17,742,836**

**4. Funds for Secondary Roads Construction**

An adjustment consistent with statutory formulas is recommended to the previous appropriation for Secondary Roads Construction. This adjustment reflects the impact of an \$80 million reduction in the transfer to the General Fund, repayment of outstanding loan balance of \$115 million from the General Fund, and revised revenue estimates for the Highway Trust Fund for 2006-07.

**Appropriation \$16,462,310**

**5. Funds for Program Administration**

An adjustment consistent with statutory formulas is recommended to the funds previously appropriated for Highway Trust Fund Administration. This adjustment reflects the impact of an \$80 million reduction in the transfer to the General Fund, repayment of outstanding loan balance of \$115 million from the General Fund, and revised revenue estimates for the Highway Trust Fund 2006-07.

**Appropriation \$3,180,220**

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**Total Recommended Expansion**

**Recurring**

Requirements \$274,866,407

Receipts -

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Appropriation \$274,866,407

Number of Positions -

**Nonrecurring**

Requirements -

Receipts -

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Appropriation -

Number of Positions -

**Total Recommended Adjustments for  
Highway Trust Fund Budget Changes  
2006-07**

**Recurring**

Requirements	\$274,690,000
Receipts	-
	-
Appropriation	\$274,690,000
Number of Positions	-

**Nonrecurring**

Requirements	(\$195,000,000)
Receipts	-
	-
Appropriation	(\$195,000,000)
Number of Positions	-

Table 13  
**Condition of the Highway Trust Fund**  
**2006-07**

	<b>2005-06</b>	<b>2006-07</b>	<b>Net Changes</b>	<b>2006-07</b>
	<b>Appropriated</b>	<b>Authorized</b>	<b>Recommended</b>	<b>Recommended</b>
<b>Availability</b>				
Beginning Credit Balance				
Appropriation Reserves	\$ -	\$ -	\$ -	\$ -
Highway Trust Fund Revenue	1,093,230,000	1,135,940,000	(41,197,575)	1,094,742,425
Transfer from General Fund <sup>1</sup>	-	-	5,887,575	5,887,575
Total Availability	\$ 1,093,230,000	\$ 1,135,940,000	\$ (35,310,000)	\$ 1,100,630,000
<b>Expenditures and Commitments</b>				
Expended and Reserved	840,671,883	883,276,991	159,866,407	1,043,143,398
Transfer to General Fund <sup>2</sup>	252,558,117	252,663,009	(195,176,407)	57,486,602
Total Expenditures and Commitments	\$ 1,093,230,000	\$ 1,135,940,000	\$ (35,310,000)	\$ 1,100,630,000
Ending Credit Balance	\$ -	\$ -	\$ -	\$ -

<sup>1</sup>Transfer being made to hold HTF harmless from capping variable component of Motor Fuels Tax at the January 1, 2006 rate for 2006-07.

<sup>2</sup>Transfer required by G.S. 105-187.9 (includes reduction of \$115 million to allow for repayment of outstanding loan balance from 2002-03).

Table 14  
**Recommended Highway Trust Fund Appropriations**  
**2006-07**

	<b>2005-06</b>	<b>2006-07</b>	<b>Net Changes</b>	<b>2006-07</b>
	<b>Appropriated</b>	<b>Authorized</b>	<b>Recommended</b>	<b>Recommended</b>
<b>Department of Transportation</b>				
Maximum Allowance for Administration	\$ 41,295,740	\$ 42,918,720	\$ 3,180,220	\$ 46,098,940
<b>Construction Allocation</b>				
Intrastate System	472,112,366	496,924,658	169,102,879	666,027,537
Urban Loop System	190,902,579	200,935,637	68,378,162	269,313,799
Secondary Roads	86,825,599	90,358,988	16,462,310	106,821,298
State Aid to Municipalities	49,535,599	52,138,988	17,742,836	69,881,824
Transfer to the General Fund <sup>1</sup>	252,558,117	252,663,009	(195,176,407)	57,486,602
Total Highway Trust Fund	\$ 1,093,230,000	\$ 1,135,940,000	\$ 79,690,000	\$ 1,215,630,000

<sup>1</sup>Transfer required by G.S. 105-187.9 (includes reduction of \$115 million to allow for repayment of outstanding loan balance from 2002-03).

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# Recommended Appropriations

Capital Improvements

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General Fund

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## Capital Improvements - General Fund (19600)

### Total Appropriations and Positions

	2006-07 Certified	2006-07 Recommended	Percentage Change
Requirements	\$0	\$764,144,532	
Receipts	-	<u>434,691,232</u>	
Appropriation	<u>\$0</u>	<u>\$329,453,300</u>	
Positions	-	-	

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## Appropriation Items -- Recommended Adjustments

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### Expansion

2006-07

#### General Government

##### 1. Cultural Resources - Museum of Art Expansion

The Governor recommends that funds be provided for design and construction of a 126,000 square foot expansion of the existing Museum of Art building. Partial design and construction funds of \$10,000,000 were appropriated in 2005. With approximately a quarter million visitors annually, the museum is often crowded and lacks adequate exhibition space to showcase the state's art collection, including a new gift of Rodin sculptures.

**Appropriation - Nonrecurring \$40,000,000**

##### 2. Cultural Resources - Horne Creek Visitors Center

Funds are recommended for a 1,600 square foot public picnic area, reception facility with offices, and restrooms at the Horne Creek Historic Site. A temporary trailer currently serves as the visitor center, which provides inadequate space for visitor services, public restrooms, and office space.

**Appropriation - Nonrecurring \$378,700**

**3. Administration - Asheville and Kinston Veterans Affairs Nursing Homes**

It is recommended that the state provide funding for the 35% state match for the construction of two 100-bed nursing homes to provide skilled care for the state's veterans. The remaining 65% will be provided by a federal grant. Approximately 40% of the state's 770,000 veterans are over the age of 65, and many are projected to require long-term health care in the near future.

<b>Requirements - Nonrecurring</b>	<b>\$25,066,395</b>
<b>Receipts - Nonrecurring</b>	<b>\$16,293,095</b>
	<hr/>
<b>Appropriation - Nonrecurring</b>	<b>\$8,773,300</b>

**4. Information Technology Services - Data Center**

Funds are recommended for land acquisition, design, and construction of a backup data center for critical business programs. The data center will also provide disaster recovery services now handled by an out-of-state vendor.

<b>Appropriation - Nonrecurring</b>	<b>\$24,841,300</b>
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**Justice and Public Safety**

**1. Crime Control and Public Safety - Emergency Operations Center and Access Road**

The Governor recommends funding for design and construction of a new Emergency Operations Center (EOC) and provision of a new access road. The facility would be housed within the lower level of the new National Guard Readiness Center (estimated federal funds for the National Guard Readiness Center equal \$30 million). The building of a new federally funded National Guard Readiness Center provides an opportunity for the state to obtain an adequately sized EOC at a fraction of the cost of building a new stand alone facility or a renovated facility in another state owned building.

<b>Appropriation - Nonrecurring</b>	<b>\$8,500,000</b>
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**2. Crime Control and Public Safety - Marion Transportation Center**

The North Carolina Department of Correction intends to reclaim one of its buildings currently being used by the Department of Crime Control and Public Safety (DCCPS). Funds are recommended for a new parking lot needed to house a portion of DCCPS's motor vehicle fleet now on DOC property. McDowell County will donate land for the project.

<b>Appropriation - Nonrecurring</b>	<b>\$222,700</b>
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**3. Correction - Gatehouse/Security Drive (Morrison)**

It is recommended that funds be provided for renovation of the perimeter security fence system at Morrison Correctional Institution. Modifications include an electronic intrusion detection system, a paved chase road, parking area improvements, renovations to administration and operations buildings, and utility relocations. The modifications will result in the reduction of guard posts required for perimeter security. Design and construction will be completed using Department of Correction forces.

<b>Appropriation - Nonrecurring</b>	<b>\$2,986,200</b>
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**4. Juvenile Justice and Delinquency Prevention - Safety/Security Fixtures and Furnishings**

Funds are recommended for installation of safety/security fixtures and furnishings at five new Youth Development Centers (Cabarrus, Lenoir, Edgecombe, Chatham and Guilford).

<b>Appropriation - Nonrecurring</b>	<b>\$500,000</b>
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**Natural and Economic Resources**

**1. North Carolina Ports Authority - Container Cranes**

Capital funds are recommended for the Port of Wilmington to purchase two new container cranes. This project is necessary to meet the NCSPA strategic goal to increase container volume by 100% by mid 2007. This project is partially funded by receipts.

<b>Requirements - Nonrecurring</b>	<b>\$24,122,000</b>
<b>Receipts - Nonrecurring</b>	<b>\$16,622,000</b>
<b>Appropriation - Nonrecurring</b>	<b>\$7,500,000</b>

**2. Agriculture - Expansion/Renovation to Rollins Laboratory**

Funds are recommended for planning and design for a comprehensive study of the Animal Disease Diagnostic Laboratory System to determine the needs that must be addressed in an expansion. The expansion would provide space for additional staff needed to implement the requisite Quality Assurance program (AAVLD mandate). Part of the laboratory would be built to serve as a bioterrorism and foreign animal disease outbreak test area for response to such events.

<b>Appropriation - Nonrecurring</b>	<b>\$1,250,000</b>
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**3. Agriculture - Constable Lab Renovation**

Funds are recommended for renovations to the Constable Lab. Work stations that prepare samples need better ventilation because of hot acid fumes and a humidity reduction coil to prevent the interruption of procedures because of high moisture. The floor needs replacement because of 29 years of fertilizer and acid-base residue and moisture buildup. A stand-by generator is needed to provide power to continue essential lab functions and preserve lab samples in the event of a power outage.

<b>Appropriation - Nonrecurring</b>	<b>\$537,500</b>
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**4. Agriculture - Oxford Complex Planning and Design**

Funds are recommended for planning and design of the North Carolina Agriculture and Consumer Services Oxford Lab. Renovation and expansion of the complex will facilitate bio-agriculture research and the co-location of U.S.D.A. operations (avian flu research). The expansion would provide space for needed additional staff, as well as spur economic development in the area. Part of the laboratory would be built to serve as a bioterrorism and foreign animal disease outbreak test area for response to such events.

<b>Appropriation - Nonrecurring</b>	<b>\$1,000,000</b>
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**5. DENR - Water Resources Development Projects**

Funds are recommended for the state's share of civil works projects for navigation, flood control, drainage, and beach protection. The costs of these projects are shared by the federal government and/or local governments using a statutory formula. (Requirements are estimated pending federal budget approval.)

<b>Requirements - Nonrecurring</b>	<b>\$106,412,000</b>
<b>Receipts - Nonrecurring</b>	<b>\$87,912,000</b>
<b>Appropriation - Nonrecurring</b>	<b>\$18,500,000</b>

**6. DENR - Division of Water Quality Laboratory Modular Office Building**

It is recommended that funds be made available to purchase and erect a modular office building to relieve overcrowding at the Chemistry Lab by relocating offices currently occupying laboratory space.

**Appropriation - Nonrecurring**                      **\$257,100**

**7. DENR - Zoo - Children's Discovery Center**

Funds are recommended to demolish much of the temporary Australian exhibit and replace it with a permanent Children's Discovery Center featuring interactive and educational exhibits. The Center will serve 100,000 school children annually. The zoo depends on new exhibits to encourage attendance and generate receipts used for maintenance and operations. The North Carolina Zoological Society has committed \$1 million in private funds for this project.

**Requirements - Nonrecurring**                      **\$2,500,000**

**Receipts - Nonrecurring**                                      **\$1,000,000**

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

**8. DENR - Zoo - Exhibit Storage Shed**

Funds are recommended for the construction of a 1,700 square foot metal storage shed to protect equipment and building materials from weather damage and theft. The storage shed will save the zoo approximately \$30,000 a year in equipment losses from theft. The storage area will also provide the zoo with sufficient space to store repair materials purchased in bulk, thus realizing additional savings.

**Appropriation - Nonrecurring**                      **\$452,800**

**9. DENR - Nature Resource Center**

Funding is recommended for the construction of a 79,400 square foot annex of the Museum of Natural Sciences. An appropriation of \$10,000,000 would be combined with \$40,000,000 of non-appropriated funds raised by the Friends of the Museum. The Nature Resource Center will engage teachers, students, and the general public in scientific research in an interactive environment.

**Requirements - Nonrecurring**                      **\$50,000,000**

**Receipts - Nonrecurring**                                      **\$40,000,000**

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**Appropriation - Nonrecurring**                      **\$10,000,000**

**10. DENR - Office Building**

Capital funding is recommended for the acquisition, planning, design, and construction of a 250,000 square foot office building for DENR employees on Blue Ridge Road in Raleigh. Currently, approximately 636 DENR employees are in leased space (including the Parker Lincoln Building). Leases will expire in three years, and this facility will provide space to relocate these employees and DENR employees now in the downtown complex.

**Appropriation - Nonrecurring**                      **\$50,005,300**

**11. DENR - Hickory Nut Gorge State Park Land Acquisition (Chimney Rock Tract)**

The Governor recommends funds to purchase land to expand the Chimney Rock tract in Hickory Nut Gorge State Park. The land acquisition is part of the North Carolina Million Acres Initiative, which set a goal of permanently preserving one million acres of open space by 2009.

**Appropriation - Nonrecurring      \$15,000,000**

**12. DENR - Forest Resources District 9 Headquarters Complex**

Design and construction of a new district facility is recommended for District 9. The facility would provide an integral county office on a new site in Sylva to be provided by Southwestern Community College. The facility will consist of office space, a maintenance shop, storage areas, and a refrigerated area for seedlings.

**Appropriation - Nonrecurring      \$2,164,500**

**13. Commerce - Wanchese Seafood Industrial Park**

It is recommended that funds be provided for construction of an 1,844 square foot office addition to the main building of the Wanchese Industrial Park. This addition would provide office space to relieve overcrowding.

**Appropriation - Nonrecurring      \$519,500**

**UNC System - Board of Governors**

**1. NCSU Engineering Complex III**

Capital funding is recommended for the NCSU Engineering Complex Phase III. The project will allow for the continued relocation of the College of Engineering to Centennial Campus. The 166,700 square-foot facility will meet the needs of the Departments of Mechanical and Aerospace Engineering and Biomedical Engineering. \$8,700,000 was appropriated for planning and design for this project in 2005.

**Appropriation - Nonrecurring      \$61,000,000**

**2. UNC-Wilmington School of Nursing**

Capital funding is recommended for the new UNC-Wilmington School of Nursing. This 80,000 square foot facility will allow for the expansion of the School of Nursing and related programs to support the projected increases in undergraduate and graduate programs. The current space does not allow for expansion. The new space will provide modern classrooms, laboratories, simulation spaces, faculty offices, and various support spaces for the School of Nursing. \$2,600,000 was appropriated for planning funds for this project in 2005.

**Appropriation - Nonrecurring      \$27,000,000**

**3. NC-CAT Ocracoke Island Station Renovation Phase III**

The historic Ocracoke Island Station is being renovated for use by the North Carolina Center for Advancement of Teachers. Funding for Phase I (\$6,725,499) is included in the 2003-04 Repair and Renovation COPs; funding for Phase II (\$1,456,699) is from the 2004-05 Repair and Renovation Reserve. This request would provide furnishings and equipment to complete the project for opening in the fall of 2006.

**Appropriation - Nonrecurring      \$737,000**

**4. UNC-Charlotte Center City Classroom Building**

A new Center City Classroom Building is recommended at UNC-Charlotte. The new general classroom building will house mostly graduate and professional education programs. It will provide space to the Belk College of Business, the College of Architecture, and the Lee

College of Engineering. In addition, the building will be tailored to meet the needs of continuing education students and professionals working and living in the Charlotte-Mecklenburg region. The building is critical to the university's need to keep pace with projected growth.

**Appropriation - Nonrecurring**      **\$45,827,400**

**Projects Financed with Special Indebtedness (COPs)**

**1. DHHS Public Health Laboratory/Office of Chief Medical Examiner**

Capital Funds are recommended for the construction of a new 203,834 square foot building for the state public health lab and Office of Chief Medical Examiner. The existing public health lab facility in the Bath building is a leased facility that is in need of major renovations. A bioterrorism testing laboratory is located in a modular facility across from the Bath Building and will have to move because of the Blount Street development. The Office of Chief Medical Examiner is currently housed in the Bullit-Brinkhous Building at the UNC School of Medicine. Each building has a layout that is inefficient and too small for the current needs of the Division of Public Health. COPs would be authorized in the amount of \$101,000,000 to fund project.

**Requirements - Nonrecurring**      **\$101,000,000**

**Receipts - Nonrecurring**      **\$101,000,000**

**Appropriation - Nonrecurring**      **-**

**2. Correction - Regional Medical Center and Mental Health Center**

Funding is recommended for design and construction of a 120-bed Regional Medical Center and a 200-cell Mental Health Center at North Carolina's Central Prison in Raleigh. The construction of the medical and mental health facilities is considered critical to support the medical and mental health treatment of violent inmates. The project constitutes Phases II and III of the approved Central Prison Master Plan (March 1998) and is a recommendation in the Department of Correction Healthcare Plan (Nov. 1996). The funding breakdown for the project is \$144,000,000 in Certificates of Participation and \$7,864,137 from receipt sources.

**Requirements - Nonrecurring**      **\$151,864,137**

**Receipts - Nonrecurring**      **\$151,864,137**

**Appropriation - Nonrecurring**      **-**

**Projects Financed with Revenue Bonds**

**1. Department of Administration - McDowell Street Parking Deck**

Funds are recommended to construct a 1,200 space parking deck across from the Administration Building in Raleigh. The parking deck is needed to relieve overcrowding in existing parking decks in the downtown government complex and to replace parking lost by the Blount Street redevelopment project. It is recommended that revenue bonds be used to

fund this project. Debt service will be paid from parking fees generated by the deck and other downtown parking.

<b>Requirements - Nonrecurring</b>	<b>\$20,000,000</b>
<b>Receipts - Nonrecurring</b>	<b>\$20,000,000</b>
	<hr/>
<b>Appropriation - Nonrecurring</b>	<b>-</b>

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**Repair and Renovation Reserve**

It is recommended that \$200,000,000 from the FY 2005-06 credit balance be allocated to the Repair and Renovation Reserve Account.

**1. OSBM Repair and Renovations Reserve**

Of the funds in the Reserve for Repairs and Renovations for the 2006-07 fiscal year, it is recommended that \$108,000,000 (54%) be allocated to the Office of State Budget and Management for repairs and renovations pursuant to G.S. 143-15.

**2. UNC Board of Governors Repair and Renovations Reserve**

Of the funds in the Reserve for Repairs and Renovations for the 2006-07 fiscal year, it is recommended that \$92,000,000 (46%) be allocated to the Board of Governors of the University of North Carolina for repairs and renovations pursuant to G.S. 143-15.

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**Total Recommended Expansion**

**Recurring**

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

**Nonrecurring**

Requirements	\$764,144,532
Receipts	434,691,232
	<hr/>
Appropriation	\$329,453,300
Number of Positions	-

**Total Recommended Adjustments for  
Capital Improvements - General Fund  
2006-07**

**Recurring**

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

**Nonrecurring**

Requirements	\$764,144,532
Receipts	434,691,232
	<hr/>
Appropriation	\$329,453,300
Number of Positions	-



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# Recommended Appropriations

Reserves, Debt Service, and Other Adjustments

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General Fund

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

### Total Appropriations and Positions

	2006-07 Certified	2006-07 Recommended	Percentage Change
Requirements	\$1,631,866,711	\$2,390,072,903	46.5 %
Receipts	<u>64,500,000</u>	<u>64,500,000</u>	0.0 %
Appropriation	<u>\$1,567,366,711</u>	<u>\$2,325,572,903</u>	48.4 %
Positions	-	52.750	

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## Appropriation Items -- Recommended Adjustments

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### Reductions

2006-07

#### Debt Service

##### 1. Adjust Debt Service Requirements

It is recommended that General Fund appropriations for debt service be reduced due to revised cash flow requirements as well as revised estimates for principal and interest payments.

**Appropriation - Nonrecurring (\$50,000,000)**

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#### Total Recommended Reductions

##### Recurring

Requirements	-
Receipts	-
Appropriation	-
Number of Positions	-

##### Nonrecurring

Requirements	(\$50,000,000)
Receipts	-
Appropriation	(\$50,000,000)
Number of Positions	-

**Expansion**

2006-07

**Employee Benefits**

**1. State-Funded Employee Compensation Increases**

It is recommended that funds be appropriated to increase salaries of state-funded public school system employees, community college employees, university system employees, and state agency employees.

- Teacher Salary Schedule Employees - step plus \$2,250 flat increase to equal an average 8% increase.
- Community Colleges Salary Increases - 4% annual salary increase for full-time permanent employees of local community college institutions supported by the state. Also provides funds for an additional 4% average salary increase for community college faculty and professional staff.
- State Agency and University Salary Increases - 4% annual salary increase for full-time permanent employees of agencies, departments, and universities.

<b>Appropriation</b>	<b>\$585,761,473</b>
<b>Appropriation - Nonrecurring</b>	<b>\$8,775,417</b>

**2. Retirement System Contribution - COLA for Retirees**

It is recommended that a 3.7% cost-of-living adjustment be provided to retirees of the Teachers' and State Employees' Retirement System. This adjustment is funded in part with actuarial gains within the retirement system.

<b>Appropriation</b>	<b>\$48,000,000</b>
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**3. Retirement System Payback**

It is recommended that \$30 million be appropriated to continue the repayment of funds withheld from the retirement system in 2000-01 due to the budget crisis.

<b>Appropriation - Nonrecurring</b>	<b>\$30,000,000</b>
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**4. Salary Adjustment Fund**

It is recommended that additional funds be appropriated to the Salary Adjustment Fund. This fund provides salary adjustments for job groups with state salaries that are not competitive in the market place and increases where the state is having difficulty recruiting and retaining employees. This recommendation is coordinated with a special provision that establishes the fund.

<b>Appropriation</b>	<b>\$20,000,000</b>
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**5. Extend Fair Minimum Wage for Noncertified Public School Employees**

It is recommended that funds be provided to support a minimum salary of at least \$20,112 for all state funded noncertified public school employees and to support proportionate increases to employees working schedules requiring less than 40 hours a week.

<b>Appropriation</b>	<b>\$8,582,073</b>
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**Information Technology**

**1. BEACON - HR/Payroll System Replacement**

Funds were provided in 2005-06 to begin replacing the state's aging personnel and payroll

systems. This appropriation supports phase one of the project, which includes funds for system integration, staff training, software maintenance, and ITS data charges.

<b>Appropriation</b>	<b>\$7,260,523</b>
<b>Appropriation - Nonrecurring</b>	<b>\$34,527,880</b>
<b>Number of Positions</b>	<b>50.750</b>

**2. Reserve for Innovative IT Projects**

It is recommended that a special Innovative Technology Reserve be established in the Office of State Budget and Management. This reserve would fund innovative information technology projects proposed by state departments that provide a real dollar return to the state through increased productivity and efficiency. This request is coordinated with a special provision that establishes the fund.

<b>Appropriation</b>	<b>\$3,000,000</b>
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**3. Information Technology Attorney Positions**

It is recommended that two attorney positions be established to assist with complex information technology procurements.

<b>Appropriation</b>	<b>\$298,826</b>
<b>Number of Positions</b>	<b>2.000</b>

**Statewide Reserves**

**1. Reserve for Disaster Expenses as Authorized in G.S. 166A**

It is recommended that funds be appropriated to the Disaster Relief Reserve for emergency preparation and response, for the required non-federal cost share of federal emergency and disaster assistance programs, and for state disaster assistance programs as authorized in G.S. 166A.

<b>Appropriation - Nonrecurring</b>	<b>\$50,000,000</b>
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**2. Reserve for Legal Expenses**

It is recommended that a reserve for legal expenses be established in the Office of State Budget and Management. Reserve funds may be used for lawsuits involving the state when, in accordance with G.S. 147-17, the Attorney General advises the Governor that it is impracticable for the office to provide legal services, or for litigation requiring specialized expertise, or where a conflict of interest prevents the Attorney General's office from representing the state.

<b>Appropriation - Nonrecurring</b>	<b>\$2,000,000</b>
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**3. Reserve for Heating and Cooling Assistance**

It is recommended that \$10 million be appropriated to assist needy families with heating and cooling bills associated with higher utility and fuel costs.

<b>Appropriation - Nonrecurring</b>	<b>\$10,000,000</b>
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**Total Recommended Expansion**

**Recurring**

Requirements	\$672,902,895
Receipts	-
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Appropriation	\$672,902,895
Number of Positions	52.750

**Nonrecurring**

Requirements	\$135,303,297
Receipts	-
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Appropriation	\$135,303,297
Number of Positions	-

**Total Recommended Adjustments for  
Reserves, Debt Service, and Other Adjustments -  
General Fund  
2006-07**

**Recurring**

Requirements	\$672,902,895
Receipts	-
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Appropriation	\$672,902,895
Number of Positions	52.750

**Nonrecurring**

Requirements	\$85,303,297
Receipts	-
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Appropriation	\$85,303,297
Number of Positions	-