

State of North Carolina



Governor Michael F. Easley's Executive Budget Summary For The Fiscal Year 2004-05

Prepared by
Office of State Budget and Management
May 2004

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Summary of Governor Easley's Budget Adjustments for FY 2004-05

Budget Overview

I. Governor Easley's Budget Goals

The Governor's Budget supports three major goals:

1. Strengthening fiscal discipline through a cap on state spending growth and rebuilding our reserves;
2. Improving the Economy to grow jobs and investment; and
3. Making progress in Education at all levels.

II. Governor Easley's Strategic Budget Development Plan

The Governor's priorities, which guided budget development, included:

- Developing a structurally sound, balanced budget, without any new taxes;
- Maintaining our conservative fiscal management practices, including replenishment of the Savings Reserve Account (Rainy Day Fund);
- Restraining the growth of state government;
- Providing tax relief for businesses to stimulate job growth and for full phase-in of marriage penalty tax relief and increase in the child tax credit;
- Improving the economic well-being and quality of life for all North Carolinians;
- Expanding education opportunities, especially for children;
- Making North Carolina's communities safer;
- Protecting vital health and human services; and
- Preserving and enhancing our environment.

III. The Current Budget Climate

North Carolina's unemployment rate is the lowest it has been in nearly three years, and our net job growth has outpaced the nation in the past 12 months. Through April 2004, revenues are on track to close ahead of forecast for the first time since 1998-99. During the current fiscal year, state agencies have maintained fiscal discipline keeping expenditures below appropriated levels. In addition, Governor Easley instructed the Office of State Budget and Management to reduce allotments to state agencies by two percent throughout the current fiscal year further promoting fiscal constraint and ensuring emergency reserves. As a result of these conservative practices in managing our fiscal resources, North Carolina was recognized as one of the top four fiscally managed states in the nation, and the bond rating houses continue to provide the state with Aaa bond ratings.

However, increased collections and prudent management of existing resources does not provide the state with sufficient resources to fully fund all of the demands placed upon the state. Continued growth in spending due to increased enrollments at all levels of education, increased health care and Medicaid costs, and increased debt service to finance higher education facility construction, among others, challenges the state to improve efficiency and reduce costs wherever possible.

The Governor's recommended adjustments for FY 2004-05 are the result of many months of meetings and negotiation. They reflect the Governor's and the state's priorities. While there are reductions recommended in most agencies' budgets, every effort was made to minimize any impact on the quality of core services delivered by each agency. As has been the case over the past three years, State agency heads will continue to insure that the agencies continue to provide the highest level of services for our citizens in the most efficient manner possible.

IV. Fiscal Discipline

The Governor's budget recommendations continue the principles that have guided throughout this process: budget discipline; investments in education, health, and public safety; and smart, targeted strategies to bring jobs and investment to our state. This budget holds spending increases below the Governor's recommended cap on spending growth and contains no tax increases.

The Governor's recommended General Fund budget for FY 2004-05 is \$15,861.2 million, which represents a 5.5 percent increase over 2003-04 (excluding one-time federal operating funds and capital funds).

Short Term Discipline

The Governor's Budget continues to demonstrate his commitment to both short and long term fiscal discipline. The Governor's budget adjustments continue to be based on conservative revenue estimates. At 5.5 percent projected economic growth, the Governor has maintained his commitment to a conservative revenue forecast.

The Governor recognizes the value of adequate resources for emergencies and has recommended that an additional \$105 million be placed in the Savings Reserve Fund (Rainy Day Fund) in addition to the existing balance of \$150 million.

Long Term Discipline

The Governor continues to emphasize the importance of structural budgetary soundness in North Carolina's budget process. Last year, the Governor proposed capping annual general fund spending growth at the ten-year average of personal income growth. This year, that would represent an allowable 5.6 percent increase. The Governor's recommended budget adjustments are approximately \$13 million below the proposed cap.

V. Summary of Recommended Expenditures

In developing his budget adjustment recommendations, Governor Easley began by reviewing the continuation budget proposals from all state agencies. The FY 2004-05 continuation budget adopted by the 2003 General Assembly was \$700 million more than the budget for FY 2003-04. The primary sources of the increase included public education enrollment, Medicaid, employee health premiums, retirement system contributions and debt service on bonds. Following the budget goals outlined above, Governor Easley identified approximately \$700 million of priority expansion items. The gap between expected revenues and proposed continuation budget adjustment recommendations for FY 2004-05 totaled approximately \$670 million. Governor Easley closes this gap by making budget reductions of approximately \$350 million to state agencies, revenue growth and using unspent monies available at the end of the current fiscal year. The Governor's final budget recommendation is \$15,861 million for FY 2004-05. The original budget plans provided to Governor Easley when he took office in January 2001 were \$14,996 million for FY 2001-02 and \$15,681 million for FY 2002-03. Governor Easley's proposed budget for FY 2004-05 is only one percent more than the budget provided to him for FY 2002-03, despite the two year difference.

Expenditures by Program Area

1. Jobs and Economic Development

Governor Easley proposes emergency 2003-04 appropriations to the One North Carolina Fund (\$20 million) and to the New and Expanding Industry Program (\$4.1 million). All funds in these programs have been committed, and there are immediate demands for the resources to bring jobs and investment to North Carolina.

The Governor's fiscal plan also provides over \$48 million in substantial tax relief to encourage job creation and investment. Specifically, the plan includes:

- Exempting the first \$20,000 of corporate income from taxation by tax year 2005. This exemption will reduce revenues by \$32.9 million in 2004-05 and will eliminate the entire corporate income tax liability for over half of corporations that currently pay the tax when fully phased in. It will effectively reduce the rate by 1 percent for 80 percent of businesses.
- Reforming the research and development (R & D) tax credit to allow all companies that perform R & D to take advantage of the credit and to target the benefit to North Carolina activity, especially for small companies, companies in rural areas, or companies cooperating with North Carolina universities. The Governor's plan also increases the cap on qualified business venture tax credits from \$6 to \$9 million in the 2004 tax year.
- Conforming to federal tax changes to benefit military families and small businesses that are creating health savings accounts.

The Governor's budget also invests substantial resources in programs to support small and mid-sized businesses. The Small Business Technology Development Center (SBTDC) will receive additional funds (\$1.6 million) to provide technical support and develop accelerator capacity.

North Carolina State University's Manufacturing Extension Partnership, which has been devastated by federal budget cuts, will receive support for engineers to serve small and mid-sized manufacturers across the state. Community college worker training programs will receive increased funding with reduced restrictions in order to maximize benefits of the program (\$5.6 million). The Department of Commerce will expand its ServiCenter activities statewide and will create a Small Business Ombudsman. Businesses will improve their efficiency by having the ability to take advantage of a statewide express permitting program from the Department of Environment and Natural Resources, which has been piloted successfully in the Wilmington and Raleigh regions.

The budget also has new resources for emerging industries. The Biotechnology Center will receive an additional \$5 million to support operations across the state, invest in start-up companies, and carry out other recommendations of the recent biotechnology report. North Carolina State University and North Carolina Central University will receive operating money for their components of the Biotechnology Jobs Training Network. The Board of Science and Technology will begin work on plans regarding nanotechnology and homeland security clusters (\$300,000).

2. Education Opportunities

Since 2000-01, enrollment at all levels of North Carolina's education system have increased. Governor Easley leads the state in promoting educational opportunities for all North Carolinians. Under the Governor's leadership, the state's investment in education continues to grow. During his tenure in office, investment from pre-kindergarten through the university has increased by approximately \$450 million.

Governor Easley's proposed budget for FY 2004-05 continues to make progress in education. The Governor's budget adjustments include full funding for public school Average Daily Membership increases (net \$19.4 million) as well as higher education enrollment increases, including the UNC system (\$64.7 million), private colleges and universities (\$2.6 million), and the community college system (\$20 million). In addition, funds are included to hire additional teachers to reduce class size in the third grade from one teacher per 22 students to one teacher per 18 pupils (\$50.5 million) and to support an additional 2,000 slots to prepare at-risk four-year-old children for success in school through the *More at Four* program (\$9.1 million). The budget also provides funds for the annual step increase for public school teachers, plus an additional 0.5 percent (\$62.2 million), and for ABC bonuses earned in the 2003-04 school year (\$108 million). Finally, funds (\$2.2 million) are included to create a new high school program that will allow students to attend high school for an additional year to pursue a technical or vocational career while completing a high school diploma and an associate's degree.

The Governor does not recommend any tuition increases to offset the increases in higher education enrollment. In addition, where targeted reductions have to be made, the Governor recommends that individual university campuses and community colleges be given management flexibility to determine where best to make reductions that do not harm the classroom.

3. Vital Health and Human Services

The Governor's budget recommends additional funding for Health Choice (\$9.1 million), which will allow all eligible children to receive health care insurance. In addition, expansion funds are recommended for child care subsidies (\$12 million) that will prevent termination of services for children currently receiving service, additional monies for the Mental Health Trust Fund (\$8.5 million) to facilitate the progress toward mental health reform, and funds for the HIV AIDS Drug Assistance Program (\$4.2 million) to reduce the backlog of individuals qualifying for assistance. Finally, monies are provided to hire an additional 100 public school nurses (\$5 million) as well as to assist counties in investigating reports of child abuse (\$5 million).

4. Courts and Public Safety

This budget recommends funds to hire additional deputy clerk positions due to increased court system workload, to pay for court-ordered interpreter services, and to replace outdated trial court equipment (\$5.8 million). In addition, funds are provided to reduce the backlog of payments for private lawyers who represent indigent criminal defendants (\$13 million). Finally, additional funds are recommended to operate prisons coming on line (\$3.6 million), to support the Crime Victims' Compensation Program (\$1.2 million), to provide additional supervision and services to adjudicated juveniles (\$3.7 million), and to combat the illegal methamphetamine operations in North Carolina (\$700,000).

5. General Government

The Governor's recommended budget adjustments include funds for the Museum of the Arts (\$1 million), Arts Council (\$358,000), Digital Archives (\$200,000), Museum of the Albemarle operating funds (\$363,000) and NC Live (\$550,000). Funding for NC Live enables the State Library to provide a systematic, ongoing training program for library staff statewide to ensure that they have the skills necessary to assist library patrons throughout the state. In addition, the budget recommends additional monies for domestic violence programs (\$300,000), to support the Historically Underutilized Business Office (\$200,000) and to assist Indian communities with economic development initiatives (\$300,000). Finally, start up funds (\$500,000) are provided to operate a 90 bed state veteran's nursing home in Salisbury.

6. Employee Benefits

The Governor's budget recommends over \$250 million in 2004-05 to support employee benefit programs. Specifically, it authorizes a 2.0 percent recurring pay increase, as well as an additional \$250 one-time compensation bonus, for state employees not included on the teacher salary schedule. In addition, this proposal recommends an additional 2.0 percent recurring increase for Community College System faculty and professional staff. The budget also provides \$15 million to repay funds withheld from the Retirement System in 2000-01 due to the budget crisis. Finally, the Governor's budget recommends a 2.0 percent cost-of-living adjustment for state government retirees.

7. Capital Improvements

The budget includes \$22.9 million to match federal and local funds for water resources development projects, \$15 million to support the development of the North Carolina Motor Sports Testing and Research Complex, \$4.7 million to construct electronic intrusion systems at several prison facilities, \$2.0 million to replace the crane rail system at the Port of Wilmington, \$3.5 million to match federal funds related to clean water projects, \$1.0 million to replace the Caldwell County armory, \$300,000 to expand the cemetery for veterans in Jacksonville and \$4,000 for the Memorial to the Combat Wounded.

8. Savings Reserve Account (Rainy Day Fund)

The Governor's budget also earmarks an additional \$105 million from General Fund availability in 2004-05 to the Savings Reserve Account (Rainy Day Fund), bringing the total to \$255 million.

VI. Economic Outlook for North Carolina for 2004-05

North Carolina's economy is now on track to reestablish employment gains and overall economic growth in 2004-05. Non-farm employment is forecast to rise by 1.7 percent, its best showing since 2000. The beleaguered manufacturing sector is one of the main reasons for the state economy's recent malaise, and that will not change in 2004-05. Fortunately, the annual flood of manufacturing job losses will decrease from 6.3 percent and 5.5 percent in 2002-03 and 2003-04, respectively, to a slightly less painful 1.2 percent in 2004-05.

The services sectors, on the other hand, will continue strong recoveries, with professional and business services leading the way. Job growth in education and health and leisure services will be more modest, but still fairly strong. Trade, transportation, and utilities will be held back by weakness in retail trade, but job gains will advance due to strength in transportation and warehousing. The construction and finance sectors will also contribute to an improved labor market in 2004-05.

A declining rate of unemployment bodes well for wage gains in 2004-05. The average non-farm wage is forecast to grow by 4.0 percent. With employment and wages accelerating, total personal income in North Carolina will expand by an estimated 5.5 percent. This figure remains unchanged from the estimate used to project economic growth for 2004-05 in the budget enacted in June 2003.

Revenue

As the North Carolina economy steadily improved, General Fund tax revenue growth outperformed the authorized forecast during 2003-04. Over the first half of the year, consumers remained in a spending mood, pushing sales and use tax collections ahead of budget expectations. The third fiscal quarter was marked by strong corporate income tax net collections. April is the most important month for General Fund tax revenue as individuals submit their final income tax returns. In marked

contrast to recent experience, April 2004 saw a noticeable upturn in individual income tax final payments, eclipsing the budget estimate by \$64 million. By year-end 2003-04, it is currently projected that total General Fund revenue (including non-tax receipts and transfers from the Highway Fund and Highway Trust Fund) will exceed the authorized budget by \$198.3 million.

The current North Carolina economic forecast continues to validate the baseline revenue growth rate of 5.5 percent that was assumed in the authorized budget for 2004-05. Recognizing the improved revenue situation for 2003-04, revenue availability for 2004-05 is therefore adjusted upward by \$200.0 million.

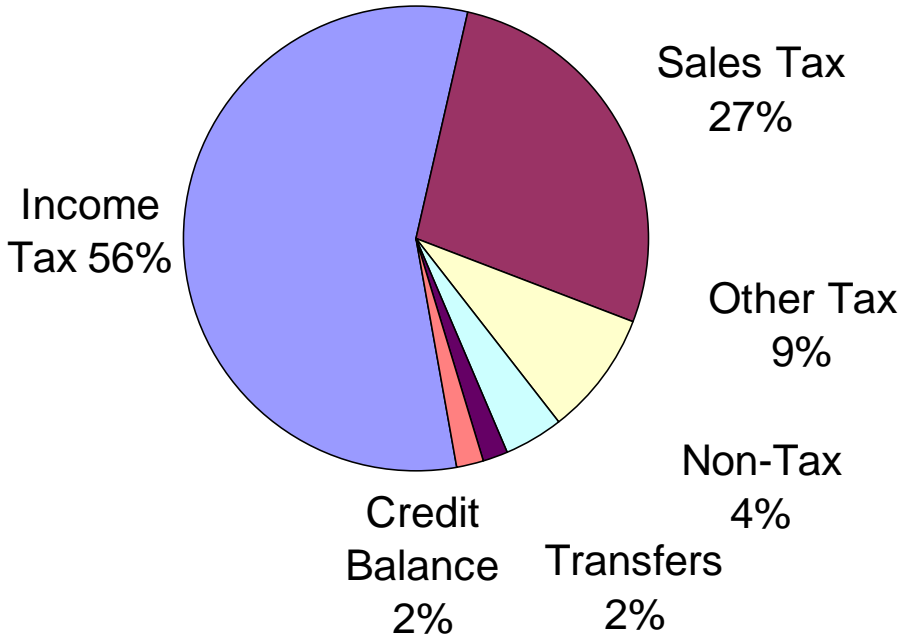
Conclusion

The Governor's recommended adjustments reflect his fiscally conservative approach to budgeting. Throughout his recommended budget, the Governor's commitment to education, economic development, health, our citizen's safety, and the environment is evidenced by his recommendations for funding for these priorities. Timely action on the Governor's recommendations by the General Assembly will enable North Carolina to continue on the path to economic recovery.

**CHARTS
&
TABLES**

Governor Easley's Recommended General Fund Budget for FY 2004-05: Breakdown of Revenues and Appropriations by Area

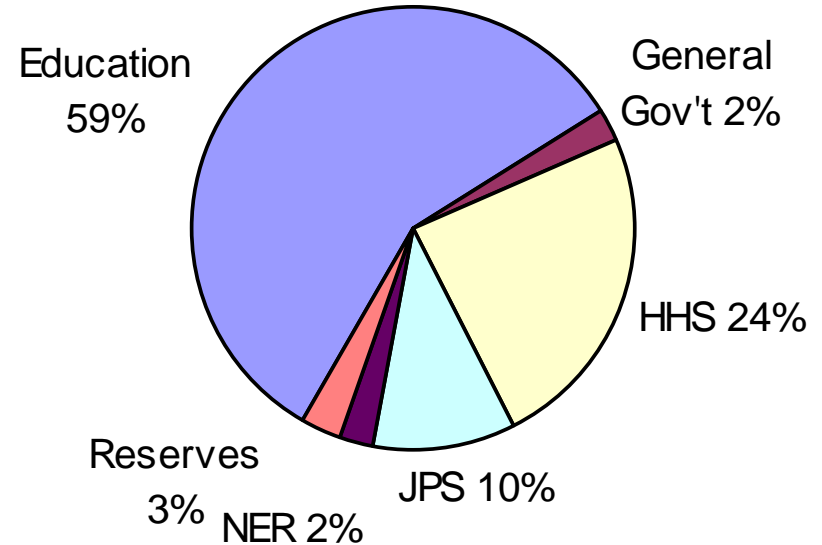
Where it Comes From ...



Revenues:

Income Tax	\$8,936.5
Sales Tax	\$4,346.2
Other Tax	\$1,366.8
Non-Tax	\$638.1
Transfers	\$258.8
Credit Balance	\$314.9
Total	\$15,861.3 million

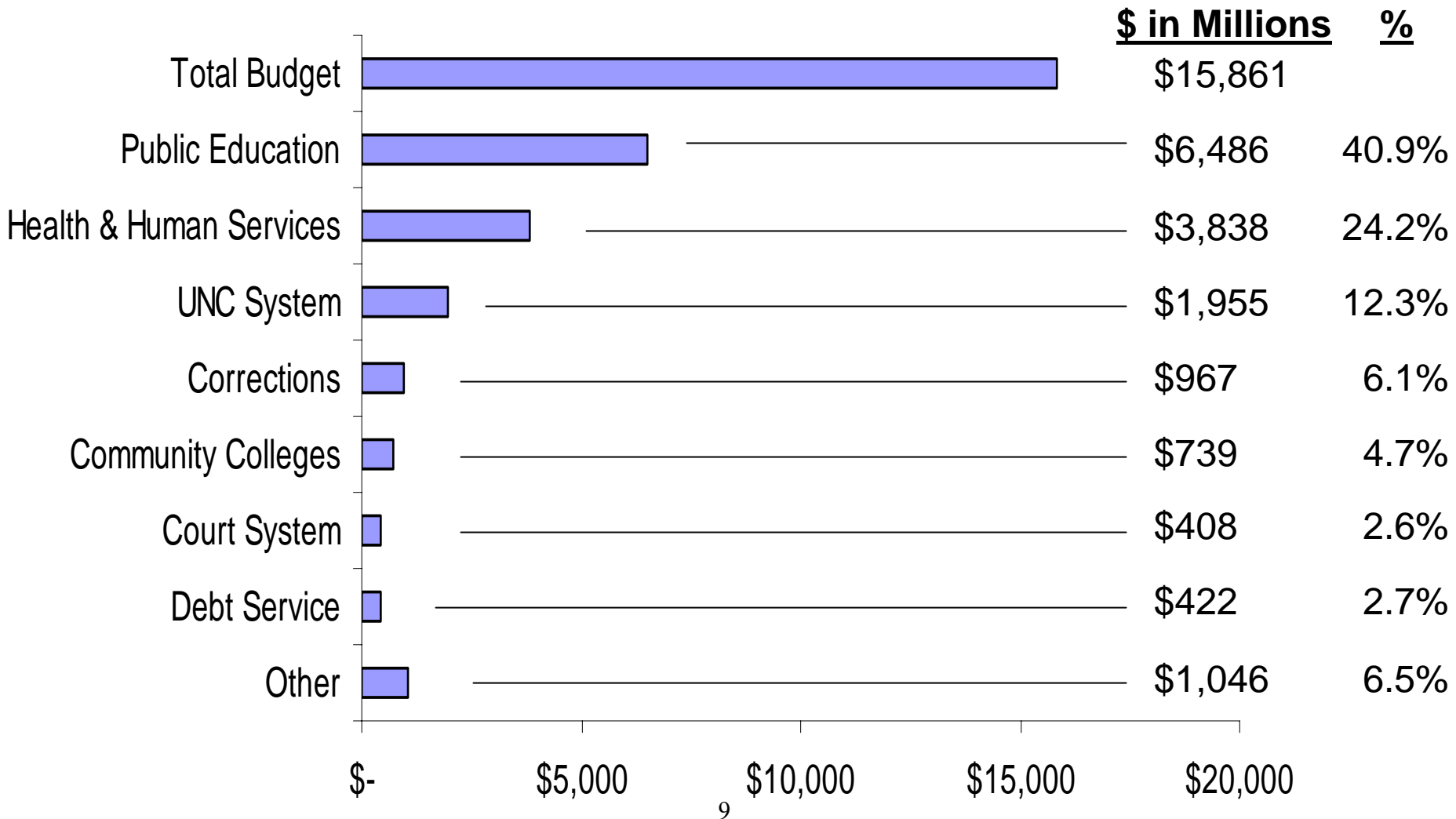
...Where it Goes



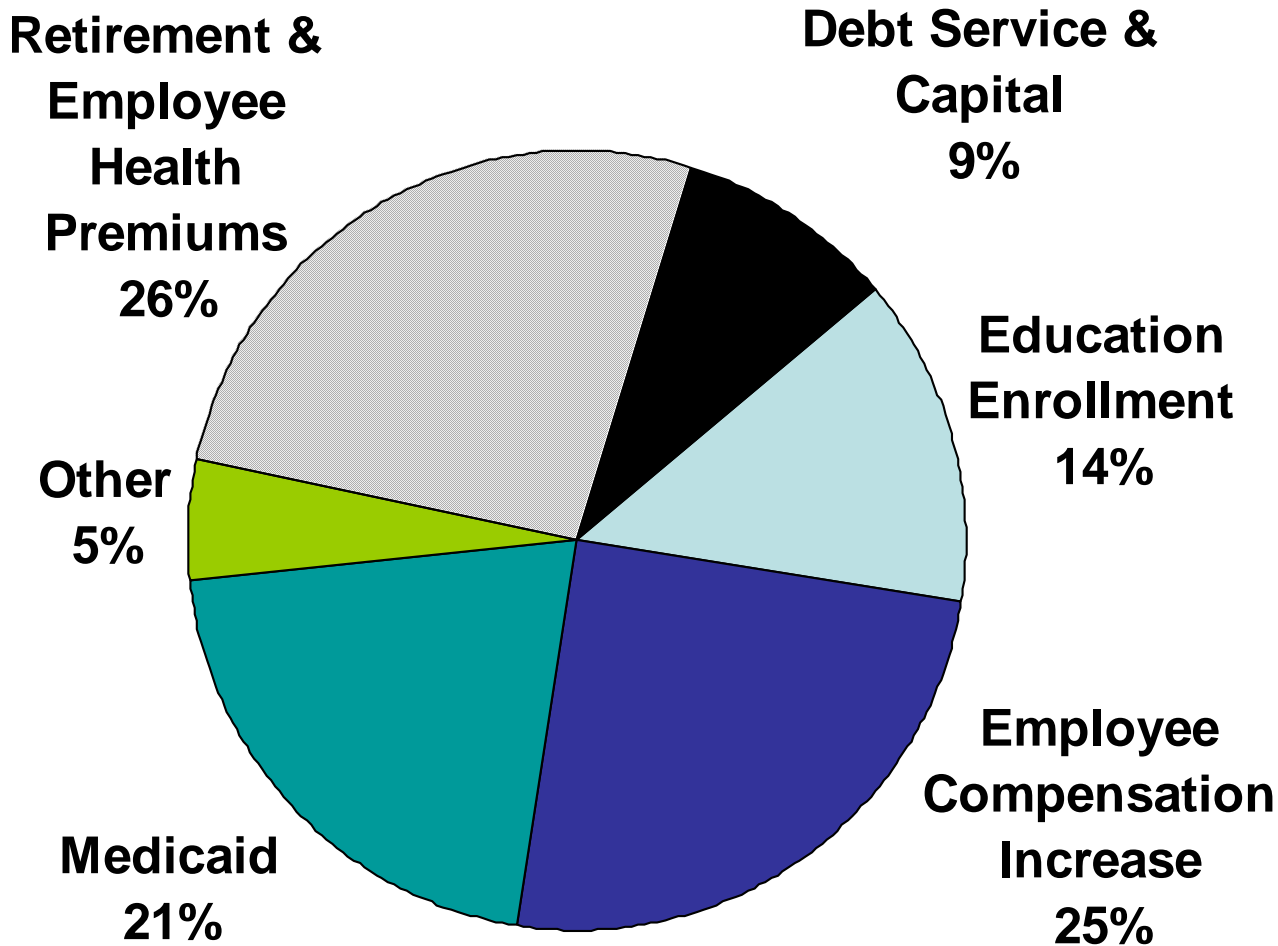
Appropriations:

Education	\$9,180.0
General Government	\$344.7
Health & Human Services	\$3,838.0
Justice & Public Safety	\$1,643.2
Natural & Economic Resources	\$353.1
Reserves	\$502.2
Total	\$15,861.2 million

Governor Easley's Recommended Budget for FY 2004-05: *Breakdown of Expenditures by Area*



Governor Easley's Recommended Budget for FY 2004-05: Summary of Budget Increases Over FY 2003-04

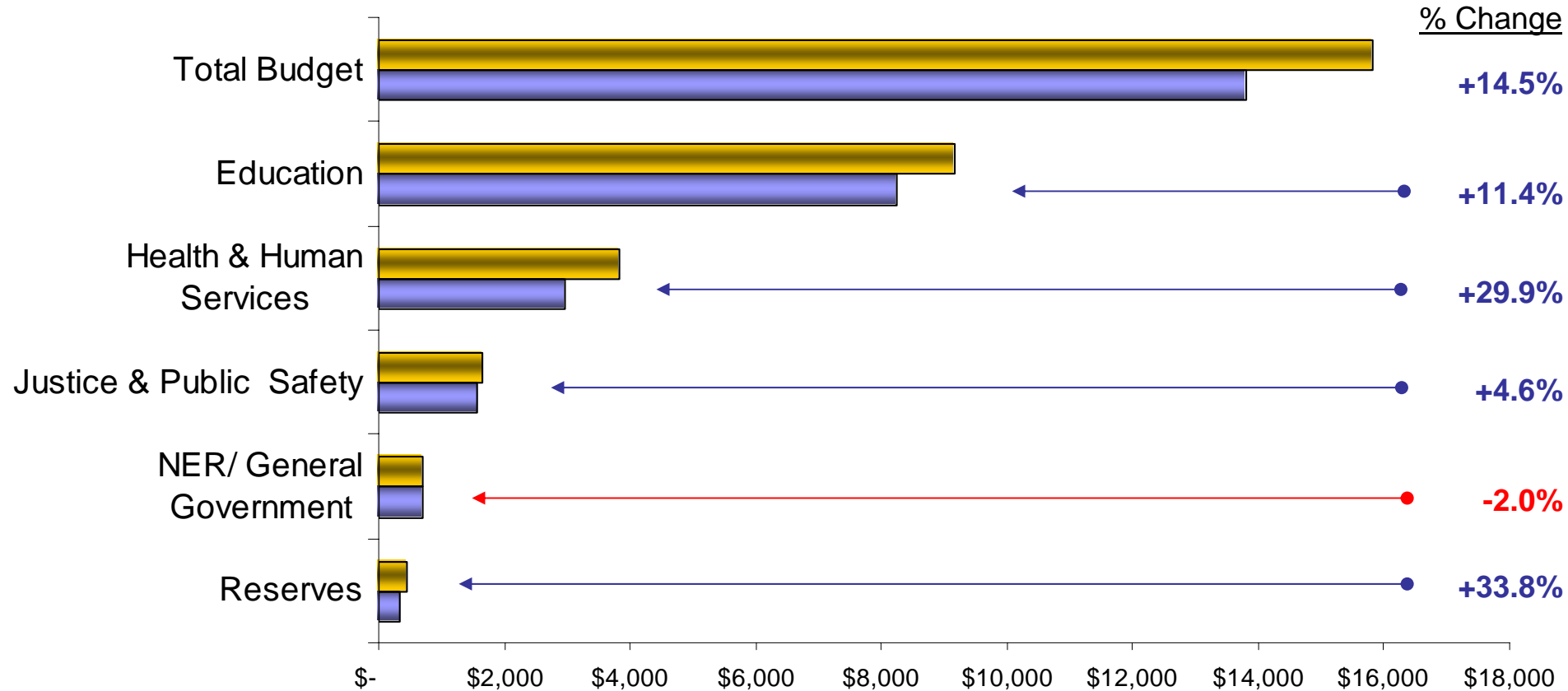


\$ in Millions	
Education Enrollment:	\$119
Medicaid:	\$182
Retirement & Employee Health Systems:	\$231
Employee Compensation Increases:	\$220
Debt Service & Capital:	\$80
Other:	\$44
TOTAL INCREASES*:	\$876

*Totals are calculated after recommended reductions and exclude one-time federal operating funds.

General Fund Operating Budget

FY 2000-01 vs. Governor Easley's FY 2004-05 Budget

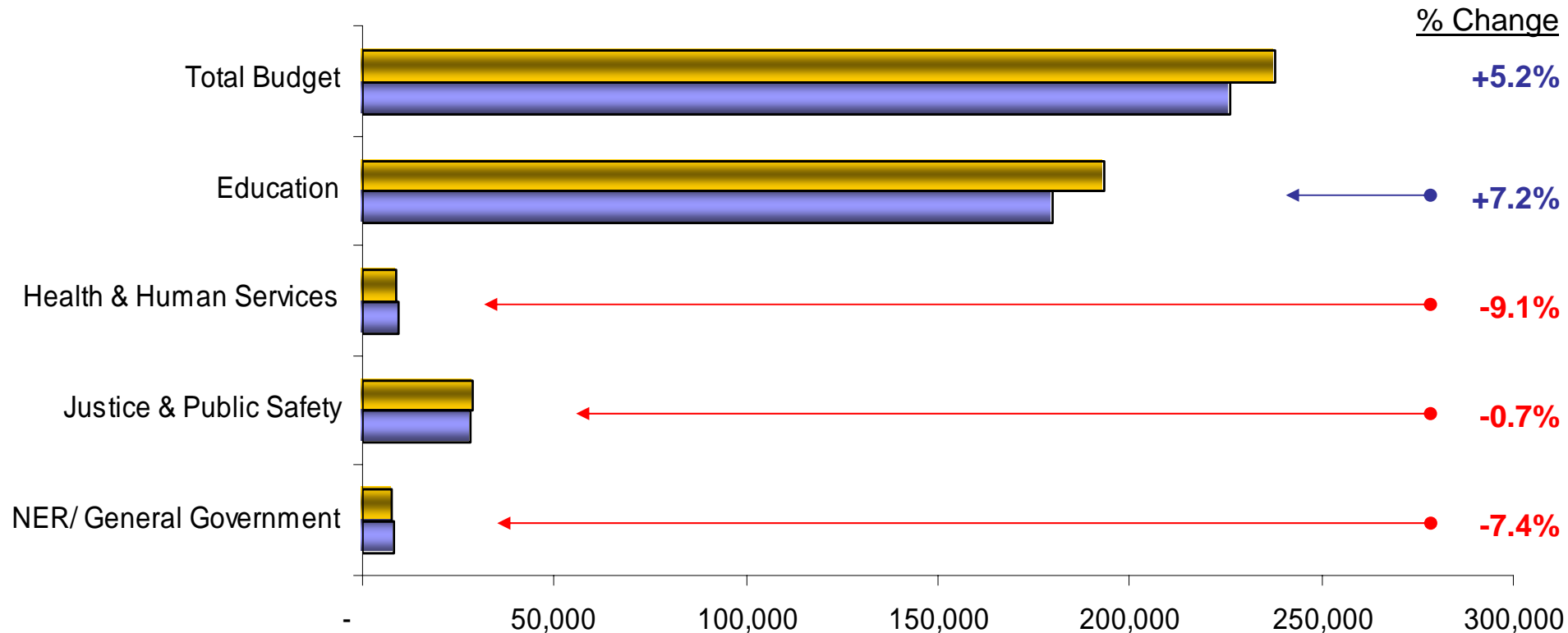


	Reserves	NER/ General Government	Justice & Public Safety	Health & Human Services	Education	Total Budget
04-05	\$455	\$698	\$1,643	\$3,838	\$9,180	\$15,814
00-01	\$340	\$712	\$1,571	\$2,954	\$8,238	\$13,815

(\$ in Millions)

Note: Population growth and inflation over the same period is approximately 15.2%

Changes in General Fund Supported Positions FY 2000-01 vs. Governor Easley's FY 2004-05 Budget



	NER/ General Government	Justice & Public Safety	Health & Human Services	Education	Total Budget
04-05	7,855	28,447	8,767	193,089	238,158
00-01	8,487	28,247	9,649	180,079	226,462

(Position Counts)

North Carolina Office of State Budget and Management		
Summary of Recommended Availability for FY 2004-05		
Line		
#	Description	FY 2004-05
1	<u>Budget Availability</u>	
2		
3	Composition of Beginning Unreserved Credit Balance:	
4		
5	Unappropriated Balance from FY 2003-04	\$ 145,664,254
6	One NC Fund -- Emergency Appropriation in FY 2003-04	(20,000,000)
7	NEIT Program -- Emergency Appropriation in FY 2003-04	(4,100,000)
8	Reversions	100,000,000
9	Overcollections	198,300,000
10	Credit to Savings Reserve Account (Rainy Day Fund)	(104,966,064)
11	Subtotal Unreserved Credit Balance	314,898,191
12		
13	Base Revenue Forecast (5.5% economic growth)	15,394,520,837
14	Adjustment to Base Revenue Forecast (Overcollections)	200,000,000
15		
16	Tax Reductions:	
17		
18	IRC Conformity	(1,800,000)
19	Sales Tax Exemption Major Projects	(1,800,000)
20	Research and Development Tax Credit	(11,600,000)
21	Qualified Business Venture Tax Credit (affects FY 2005-06)	-
22	Small Business Tax Break (exempt first \$20,000 of income)	(32,900,000)
23	Subtotal Tax Reductions	(48,100,000)
24		
25	Total Budget Availability	15,861,319,028

North Carolina Office of State Budget and Management		
Summary of Recommended Expenditures for FY 2004-05		
Line #	Description	FY 2004-05 Amount
1	Summary of Expenditures	
2	Certified Budget	\$ 15,505,328,288
3		
4	Recommended Budget Reductions	(348,014,308)
5		
6	Education Expansion Items:	
7	ADM Adjustment (net of average salary adjustment)	19,435,854
8	UNC Enrollment	64,691,225
9	UNC Financial Aid (\$21.3m from Escheats)	-
10	Private Colleges Enrollment and Financial Aid	4,200,000
11	Community Colleges Enrollment	20,066,137
12	Community Colleges Equipment	7,500,000
13	ABC Bonuses	108,000,000
14	UNC Distinguished Chairs	6,000,000
15	LEA Assistance to High Priority LEA's	4,500,000
16	Professional Development for Teachers and Principals	2,750,000
17	Class Size Reduction (3rd grade, ratio 1:18)	50,467,765
18	Learn and Earn	2,207,299
19	School of the Arts Building Reserve Adjustment	115,031
20	North Carolina Schools Attuned Program	500,000.00
21	More-at-Four Program (additional 2,000 slots)	9,057,202
22	Subtotal	299,490,513
23		
24	Health and Human Services Expansion Items:	
25	Children's Health Insurance Program (CHIP)	9,052,824
26	Child Care Subsidies (additional \$10m from federal block grants)	12,000,000
27	School Nurses	5,000,000
28	Mental Health Trust Fund	8,500,000
29	Aid to Counties for Child Welfare Services	5,000,000
30	Methamphetamine Services	426,519
31	NC FAST	1,500,000
32	HIV AIDS Drug Assistance Program	4,200,000
33	Mold Remediation Services	400,000
34	MMIS Implementation	5,000,000
35	Subtotal	51,079,343
36		
37	Economic Development Expansion Items:	
38	One NC Fund (\$20m emergency appropriation in FY 03-04)	-
39	Biotechnology Initiative:	
40	North Carolina Biotechnology Center	5,000,000
41	Biomanufacturing Training Education Center (NCSU)	500,000
42	Bioprocessing Research Insitute (NCCU)	500,000
43	Nanotechnology/Homeland Development	300,000
44	Manufacturing Extension Partnership (NCSU)	500,000
45	Business Marketing and Tracking:	

North Carolina Office of State Budget and Management		
Summary of Recommended Expenditures for FY 2004-05		
Line #	Description	FY 2004-05 Amount
46	Business ServiCenter	225,768
47	I-26 West Welcome Center	181,048
48	Economic Development Information System	450,000
49	U.S. Open 2005	500,000
50	Focused Industrial Training / NEIT (also \$4.1m in FY 03-04)	5,600,000
51	Small Business Technology Development Centers	1,600,000
52	Subtotal	15,356,816
53		
54	Court System and Public Safety Items:	
55	Indigent Defense Requirements	13,000,000
56	Court System Requirements and Personnel	5,774,491
57	Correction Security Staff and Equipment	3,628,463
58	Emergency Management Response Personnel	251,577
59	Crime Victims' Compensation Fund	1,200,000
60	Butner Public Safety - Fire Truck	280,000
61	SBI Lab Positions for Rape Kits	106,484
62	SBI Meth Positions	700,000
63	Criminal Justice Information Network	344,445
64	Juvenile Justice	3,712,011
65	Subtotal	28,997,471
66		
67	Other Expansion Items:	9,097,873
68		
69	Employee Benefits Items:	
70	Teacher's Salary Increase (step plus additional 0.5%)	62,200,000
71	State Employees Pay Increase 2.0% / \$250 one-time bonus	146,250,000
72	Community Colleges Faculty Pay Plan (additional 2%)	12,800,000
73	Retirement System COLA 2.0% and Payback	31,065,000
74	Subtotal	252,315,000
75		
76	Capital Expenditures:	
77	Water Resources Projects	22,870,000
78	DENR Match Funds	1,776,680
79	Caldwell County Armory Replacement	975,000
80	Veterans Cemetery - Jacksonville Expansion	300,000
81	Memorial to Combat Wounded	4,000
82	Department of Correction - Electronic Intrusion Systems	4,685,000
83	North Carolina Motorsports Testing and Research Complex	15,000,000
84	State Ports - Crane Rail Replacement	2,000,000
85	Subtotal	47,610,680
86		
87	Total Expansion Items	703,947,696
88		
89	Total Recommended Expenditures	\$ 15,861,261,676

Governor's Recommended Changes to FY 2004-2005 General Fund Budget

Budget Code	Function	FY 2004-05 Authorized Appropriation	Reductions		Agency Expansion		Appropriation Supported Positions	Net Change	FY 2004-05 Recommended Appropriation	Net Position Change	
			Recurring	Nonrecurring	Recurring	Nonrecurring					
Education:											
13510	Public Education	\$ 6,034,995,183	\$ (39,300,659)	\$ (31,625,500)	-	\$ 76,148,418	\$ 108,462,500	2.50	\$ 113,684,759	\$ 6,148,679,942	2.50
16800	Community Colleges	660,199,222	(13,131,457)	-	-	25,666,137	7,500,000	-	20,034,680	680,233,902	-
160xx	University System	1,822,426,657	(28,476,229)	(5,734,555)	-	76,906,256	4,450,000	-	47,145,472	1,869,572,129	-
	Total Education	8,517,621,062	(80,908,345)	(37,360,055)	-	178,720,811	120,412,500	2.50	180,864,911	8,698,485,973	2.50
General Government:											
14100	Administration	52,583,907	(537,770)	-	-	1,496,100	755,000	7.00	1,713,330	54,297,237	7.00
18210	Office of Administrative Hearings	2,411,797	(24,874)	-	-	-	-	-	(24,874)	2,386,923	-
13300	State Auditor	10,293,801	(228,057)	-	(4.00)	-	-	-	(228,057)	10,065,744	(4.00)
18025	State Board of Elections	4,915,939	(49,506)	-	-	-	-	-	(49,506)	4,866,433	-
14160	Office of State Controller	9,719,451	(99,429)	-	-	-	-	-	(99,429)	9,620,022	-
14800	Cultural Resources	54,088,598	(421,973)	-	(2.00)	2,312,096	500,000	15.00	2,390,123	56,478,721	13.00
14802	Cultural Resources - Roanoke Island	1,636,559	(32,731)	-	-	-	-	-	(32,731)	1,603,828	-
11000	General Assembly	44,971,305	-	(921,318)	-	141,739	-	-	(779,579)	44,191,726	-
13000	Governor's Office	4,826,503	(99,037)	-	-	68,086	-	-	(30,951)	4,795,552	-
13005	State Budget and Management (OSBM)	4,216,110	(84,322)	-	(1.00)	234,138	13,520	2.00	163,336	4,379,446	1.00
13085	OSBM - Special Appropriations	3,130,000	-	-	-	-	-	-	-	3,130,000	-
13010	NC Housing Finance	4,750,945	-	-	-	-	-	-	-	4,750,945	-
13900	Insurance	23,187,587	(238,302)	-	-	-	-	-	(238,302)	22,949,285	-
13901	Insurance - Worker's Comp. Fund	2,600,000	-	-	-	-	-	-	-	2,600,000	-
13100	Lieutenant Governor	601,722	-	-	-	29,661	-	1.00	29,661	631,383	1.00
14700	Revenue	75,174,094	-	(1,503,088)	-	500,000	-	-	(1,003,088)	74,171,006	-
18300	Rules Review Commission	310,454	(3,185)	-	-	-	-	-	(3,185)	307,269	-
13200	Secretary of State	7,756,198	(110,389)	-	(1.00)	-	-	-	(110,389)	7,645,809	(1.00)
13410	State Treasurer	7,577,784	(155,196)	-	-	483,940	-	5.00	328,744	7,906,528	5.00
13412	State Treasurer - Retirement / Benefits	7,481,179	-	-	-	-	-	-	-	7,481,179	-
	Total General Government	322,233,933	(2,084,771)	(2,424,406)	(8.00)	5,265,760	1,268,520	30.00	2,025,103	324,259,036	22.00
Health and Human Services:											
14410	Central Administration	80,968,433	(225,000)	-	-	8,041,037	6,016,165	3.00	13,832,202	94,800,635	3.00
14411	Aging	27,685,838	-	-	-	-	-	-	-	27,685,838	-
14420	Child Development	259,210,693	-	-	-	12,000,000	-	-	12,000,000	271,210,693	-
14424	Education Services	31,670,076	(257,138)	-	(5.00)	-	-	-	(257,138)	31,412,938	(5.00)
14430	Public Health	123,448,895	(1,200,000)	-	-	9,671,361	150,000	7.50	8,621,361	132,070,256	7.50
14440	Social Services	189,029,268	(7,667,106)	-	-	5,205,158	1,500,000	1.00	(961,948)	188,067,320	1.00
14445	Medical Assistance	2,449,169,963	(88,609,970)	-	-	-	-	-	(88,609,970)	2,360,559,993	-
14446	Child Health	55,432,822	-	-	-	9,052,824	-	-	9,052,824	64,485,646	-
14450	Services for the Blind	9,387,008	-	-	-	-	-	-	-	9,387,008	-
14460	Mental Health/DD/SAS	580,423,098	(199,273)	-	-	-	-	-	(199,273)	580,223,825	-
14470	Facility Services	12,256,792	-	-	-	-	-	-	-	12,256,792	-
14480	Vocational Rehabilitation	40,834,858	(479,294)	-	(12.00)	-	-	-	(479,294)	40,355,564	(12.00)
	Total Health and Human Services	3,859,517,744	(98,637,781)	-	(17.00)	43,970,380	7,666,165	11.50	(47,001,236)	3,812,516,508	(5.50)
Justice and Public Safety:											
14500	Correction	959,947,282	(3,749,236)	(13,239,260)	-	2,239,002	1,389,461	163.00	(13,360,033)	946,587,249	163.00
14900	Crime Control & Public Safety	28,139,010	(212,076)	-	-	1,796,022	280,000	12.00	1,863,946	30,002,956	12.00
12000	Judicial	311,499,694	-	-	-	2,474,491	3,300,000	52.00	5,774,491	317,274,185	52.00
12001	Judicial - Indigent Defense	71,019,451	-	-	-	5,000,000	8,000,000	-	13,000,000	84,019,451	-
13600	Justice	71,459,312	(743,649)	-	-	806,484	-	21.00	62,835	71,522,147	21.00

Governor's Recommended Changes to FY 2004-2005 General Fund Budget

Budget Code	Function	FY 2004-05 Authorized Appropriation	Reductions		Agency Expansion		Appropriation Supported Positions	Net Change	FY 2004-05 Recommended Appropriation	Net Position Change	
			Recurring	Nonrecurring	Recurring	Nonrecurring					
14060	Juvenile Justice	130,585,498	-	-	-	3,600,000	112,011	64.00	3,712,011	134,297,509	64.00
	Total Justice and Public Safety	1,572,650,247	(4,704,961)	(13,239,260)	-	15,915,999	13,081,472	312.00	11,053,250	1,583,703,497	312.00
	Natural and Economic Resources:										
13700	Agriculture & Consumer	48,616,369	(750,000)	-	(5.00)	725,000	-	4.00	(25,000)	48,591,369	(1.00)
14600	Commerce	34,336,301	(339,516)	-	(1.00)	398,016	1,258,800	9.00	1,317,300	35,653,601	8.00
14601	Commerce - State Aid	21,764,087	-	-	-	5,000,000	-	-	5,000,000	26,764,087	-
14300	Environment and Natural Resources	152,798,010	(2,909,246)	-	(21.00)	350,000	1,028,161	31.00	(1,531,085)	151,266,925	10.00
14301	Clean Water Management Trust	62,000,000	-	-	-	-	-	-	-	62,000,000	-
13800	Labor	13,274,104	(265,482)	-	(3.00)	-	-	-	(265,482)	13,008,622	(3.00)
	Total Natural & Economic Resources	332,788,871	(4,264,244)	-	(30.00)	6,473,016	2,286,961	44.00	4,495,733	337,284,604	14.00
14222	Transportation	11,402,800	(228,056)	-	-	-	-	-	(228,056)	11,174,744	-
	Net Agency	14,616,214,657	(190,828,158)	(53,023,721)	(55)	250,345,966	144,715,618	400.00	151,209,705	14,767,424,362	345.00
19600	Capital Improvements	-	-	-	-	-	47,610,680	-	47,610,680	47,610,680	-
	Debt Service:										
19420	General Debt Service	503,682,683	(26,648,480)	(57,000,000)	-	-	-	-	(83,648,480)	420,034,203	-
19425	Federal Reimbursement	1,155,948	-	-	-	460,432	-	-	460,432	1,616,380	-
	Total Debt Service	504,838,631	(26,648,480)	(57,000,000)	-	460,432	-	-	(83,188,048)	421,650,583	-
	Reserves and Adjustments:										
19001	Contingency and Emergency Reserve	5,000,000	-	-	-	-	-	-	-	5,000,000	-
19003	Compensation Increase Reserve	45,550,000	(900,000)	-	-	173,300,000	47,950,000	-	220,350,000	265,900,000	-
19004	Salary Adjustment Reserve	4,500,000	-	-	-	-	-	-	-	4,500,000	-
19039	Reserve - HIPPA Implementation	-	-	-	-	-	-	-	-	-	-
19049	Mental Health/DD/SAS Trust Fund Reserve	-	-	-	-	-	8,500,000	-	8,500,000	8,500,000	-
19043	Health Plan Reserve	118,225,000	(900,000)	-	-	-	-	-	(900,000)	117,325,000	-
19047	Retirement Rate Adjustment (Retiree Hlth Benefit)	33,000,000	(6,900,000)	-	-	-	-	-	(6,900,000)	26,100,000	-
19047	Retirement Rate Adjustment Reserve	154,200,000	-	-	-	16,065,000	-	-	16,065,000	170,265,000	-
19008	Retirement Payback Reserve	-	-	-	-	-	15,000,000	-	15,000,000	15,000,000	-
19047	Retirement Rate Adjustment (Retiree Hlth. Benefit)	36,800,000	-	-	-	-	-	-	-	36,800,000	-
190xx	Senate Bill 100 Compliance	-	(11,813,949)	-	-	-	-	-	(11,813,949)	(11,813,949)	-
19010	DOA-State Surplus Real Property System Reserve	-	-	-	-	-	-	-	-	-	-
19047	Retirement Rate Adjustment Reserve (Death Benefit/Disability/Court)	(13,000,000)	-	-	-	-	-	-	-	(13,000,000)	-
	Total Reserves and Adjustments	384,275,000	(20,513,949)	-	-	189,365,000	71,450,000	-	240,301,051	624,576,051	-
	Total	\$ 15,505,328,288	\$ (237,990,587)	\$(110,023,721)	(55.00)	\$ 440,171,398	\$ 263,776,298	400.00	\$ 355,933,388	\$ 15,861,261,676	345.00

Budgeted Positions (FTE) Funded From General Fund Appropriations
FY 2000-01 vs. Governor's Recommended FY 2004-05 Budget

State Agencies & Departments	December 2000	December 2001	December 2002	December 2003	Changes FY 04-05	Revised Total	% Change
Education							
<u>Local Education -- (State Funded)</u>							
Community College System	12,761	12,880	13,934	15,103	-	15,103	18.4%
Public Schools	138,617	139,503	142,876	147,243	-	147,243	6.2%
Subtotal Local Education	151,378	152,383	156,810	162,346	-	162,346	7.2%
UNC System	28,194	28,344	29,041	30,294	-	30,294	7.4%
Public Instruction (State Adm.)	346	327	301	301	3	304	-12.3%
Community Colleges (State Adm.)	161	158	148	145	-	145	-9.9%
Subtotal State Administration	507	485	449	446	3	449	-11.5%
Total Education	180,079	181,212	186,300	193,086	3	193,089	7.2%
Justice & Public Safety							
Administrative Office of the Courts	5,457	5,463	5,460	5,479	52	5,531	1.4%
Justice	1,124	1,110	1,088	1,086	21	1,107	-1.5%
Juvenile Justice & Delinq. Prev.	2,135	2,092	1,882	1,875	64	1,939	-9.2%
Correction	18,999	19,063	18,845	19,389	163	19,552	2.9%
Crime Control and Public Safety	532	484	306	306	12	318	-40.2%
Justice & Public Safety	28,247	28,212	27,581	28,135	312	28,447	0.7%
Health and Human Services	9,649	9,155	8,904	8,772	(6)	8,767	-9.1%
Natural & Economic Resources							
Agriculture & Consumer Services	1,125	1,090	960	944	(1)	943	-16.2%
Labor	354	307	266	260	(3)	257	-27.3%
Environment & Natural Resources	2,412	2,400	2,290	2,298	10	2,308	-4.3%
Commerce	388	381	360	360	8	368	-5.2%
Natural & Economic Resources	4,279	4,178	3,876	3,862	14	3,876	-9.4%
General Government							
General Assembly	420	438	447	448	-	448	6.7%
Governor	70	69	60	60	-	60	-14.5%
State Budget & Management	93	59	55	52	1	53	-43.0%
Office of the Lt. Governor	9	10	9	9	1	10	5.6%
Secretary of State	192	176	174	171	(1)	170	-11.6%
Office of the State Auditor	172	173	175	170	(4)	166	-3.5%
State Treasurer	69	69	66	65	5	70	1.4%
Insurance	347	349	365	340	-	340	-2.0%
Administration	759	729	665	627	7	634	-16.5%
Office of the State Controller	96	92	87	86	-	86	-10.7%
Revenue	1,183	1,210	1,189	1,216	-	1,216	2.7%
Cultural Resources	730	721	677	655	13	668	-8.5%
State Board of Elections	20	20	20	20	-	20	0.0%
Office of Administrative Hearings	44	42	39	37	-	37	-15.9%
Rules Review Commission	4	4	4	4	-	4	0.0%
General Government	4,208	4,161	4,032	3,958	22	3,980	-5.4%
Grand Total	226,462	226,918	230,693	237,813	345	238,158	5.2%

