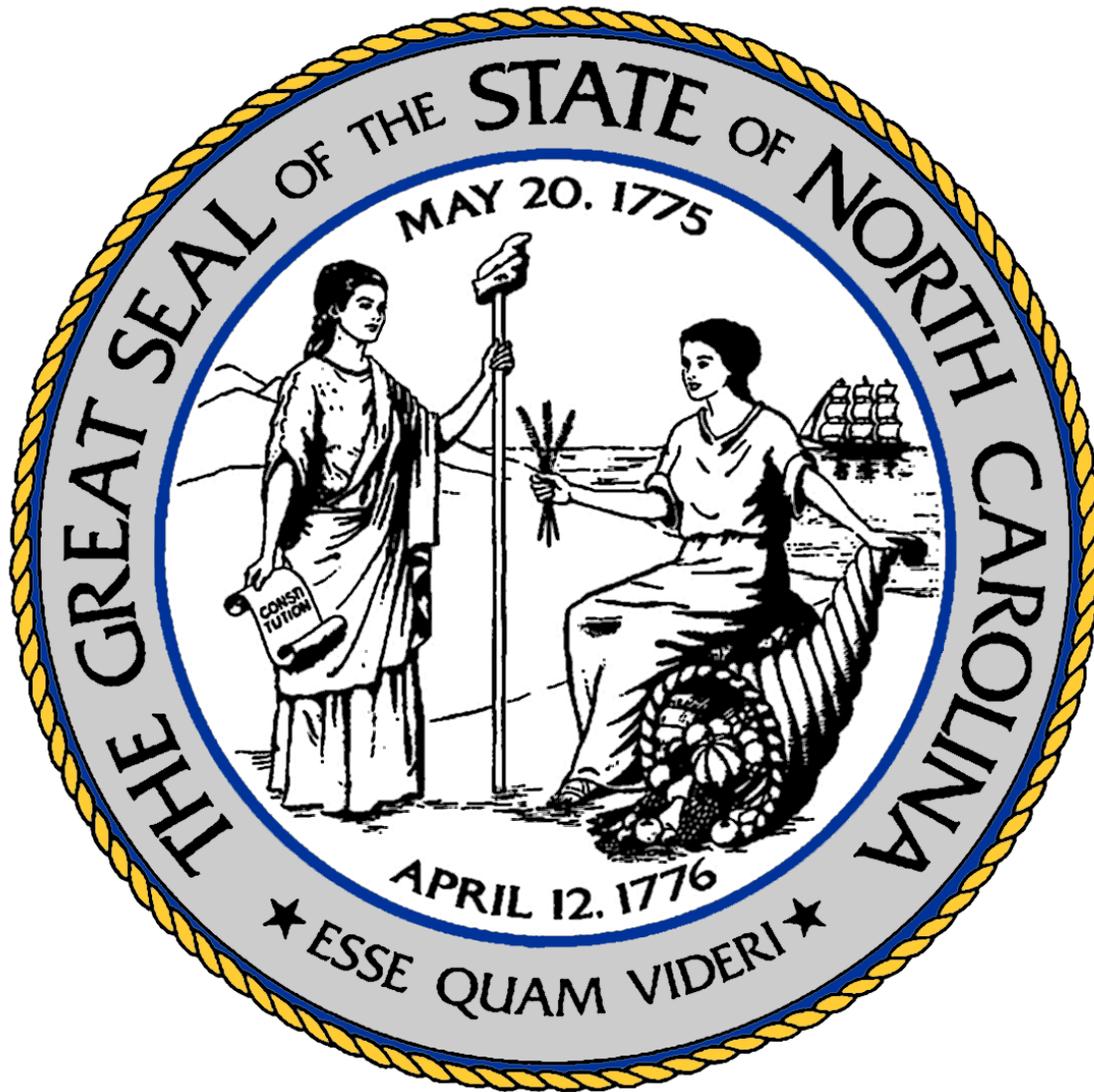


The North Carolina State Budget _____

RECOMMENDED ADJUSTMENTS

_____ 2010-2011



Beverly Eaves Perdue
Governor

The North Carolina State Budget

RECOMMENDED ADJUSTMENTS

2010-2011

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

www.osbm.state.nc.us

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April 2010



State of North Carolina Office of the Governor

Beverly Eaves Perdue
Governor

April 20, 2010

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

The North Carolina House of Representatives
The Honorable Joe Hackney, Speaker

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

My short session budget adjustments reflect a state facing continued fiscal challenges. Even as our economy is showing signs of recovery, families across our state still worry about what the future holds. Like businesses and families statewide, North Carolina government is doing what it must do in these tough economic times -- tightening its belt, scrutinizing every expenditure, and taking care of the basics.

Managing the 2008-09 shortfall and balancing the 2009-11 biennial budget were challenging, but the state's leadership rose to the occasion. A series of early, proactive steps to address the shortfall and the difficult decisions we made to keep the budget in balance won praise from the bond rating agencies. As a result, North Carolina continues to be one of only seven states to hold a AAA bond rating.

This budget makes strategic investments that will help create 35,000 jobs over the next three years while continuing my commitment to strong fiscal responsibility. It closes a \$1.2 billion budget gap which results from lower than anticipated revenues and growth in entitlement requirements. This gap is closed by implementing over \$950 million in spending reductions and utilizing \$550 million of additional federal Medicaid funds. It prudently earmarks \$100 million to replenish the state's Rainy Day Fund.

Most programs face a five to seven percent reduction when compared to FY 2009-10 funding levels. This is in addition to the ten percent reduction in last year's budget, bringing total reductions to more than fifteen percent since I took office. Even in difficult times, however, I believe it is critical that we invest in areas that are core to North Carolina's values. That is why my budget focuses on:

- Jobs and Economic Recovery
- Career and College -- Ready, Set, Go
- Setting Government Straight
- Healthy and Safe Communities

Jobs and Economic Recovery

My number one priority is to create jobs. This budget provides \$86 million for several key investments around assistance to small businesses and infrastructure that will help create 35,000 jobs over the next three years. Specifically, it includes \$15 million for the “Back to Work” Incentive Fund which will provide a direct rebate to small businesses that hire long-term unemployed workers. A separate graduated tax credit will be provided to businesses that create jobs in the highest unemployment counties. This budget also renews the \$250 per person credit for small businesses that provide health insurance to their employees. Additional recommendations to spur small business growth include enacting the Small Business Start-Up Credit which provides capital gains relief to businesses as well as conforming to the Federal HIRE Act provision that allows businesses to expense up to \$250,000 in investments. My budget also extends and raises the cap of the Qualified Business Venture Credit which provides a capped incentive for angel investing in cutting edge industry sectors.

This budget invests \$22 million in a new, innovative North Carolina Mobility Fund that will be used to address critical congestion bottlenecks and to improve our logistics capabilities. The Fund would not impact the current equity formula and would be linked to statewide economic goals. The first scheduled project is the completion of the I-85 north section of the Yadkin River Bridge. Future funds will be available for all state transportation modes including roads, aviation, ports, transit and rail. My budget also includes \$2 million for the Main Street Program which provides grants to communities to revitalize downtown areas and \$3 million to match private monies through the Rural Center’s building reuse grant program.

My budget recommendations solidify North Carolina as a national leader in recruiting new businesses and growing existing businesses. It includes \$15 million for the One NC Fund which to date has helped create 46,920 jobs and \$7.8 billion in investment throughout the state. The budget provides \$5 million to strengthen North Carolina’s efforts in the biotech, ag-biotech, and biofuels industries, \$1.5 million for new and emerging companies through investments in the Small Business Innovation Research matching grant program, and \$0.5 million for Green Business jobs.

My budget provides an additional \$1.5 million to promote North Carolina as a business and tourism destination, as well as \$1.0 million to improve the economic viability of small family farms. It also includes \$1.0 million to guarantee a portion of small business loans supported through the Self-Help Credit Unions across our state. Finally, \$150,000 is earmarked to develop the “In-Source” Supplier Network to encourage North Carolina businesses to buy and sell to one another.

Career and College – Ready, Set, Go

Even in these tough economic times, I remain committed to transforming our public school classrooms and recruiting and retaining quality teachers. This budget makes a series of targeted reductions to k-12 that are designed to create savings while having as little impact on students as possible. Many allotment formulas are held at 2009-10 levels or reduced based on updated headcount data. The budget recommends many administrative efficiencies and allows Local Education Agencies (LEAs) leaders the flexibility to choose where savings can be implemented. It also mandates LEAs to maximize the use of federal ARRA, Title I, Title II, IDEA and potential Jobs Legislation funds as well as managing through attrition before they can eliminate any filled positions. All k-3 classrooms, including both teachers and teacher assistants, are to be held harmless from the flexibility reduction.

My budget is further committed to recruiting and retaining quality teachers. Monies are included (\$61 million) for the experienced-based step for teacher salary schedule employees to ensure that North Carolina does not fall farther behind our goal to reach the national average. In addition, teachers and state employees are being paid back for the salary reduction taken to balance the FY 2008-09 budget. The budget provides \$39 million for diagnostic assessments in grades k-3 and grade 5, so we can get to kids before they fall behind in school. These funds would be used to purchase hand-held devices for each teacher to allow for immediate student-specific feedback regarding mastery of math and science concepts. It also recommends \$2 million to support diagnostic assessments in math, science, reading and writing for students in grades 8 and 11. Finally, my budget provides \$11 million for North Carolina Virtual Public Schools which will serve an estimated 43,000 enrollees next year. This program provides access to courses not offered in a student's school that support credit recovery, graduation and accelerated learning opportunities.

The investments we make in our current and future workforce are more important than ever during tough economic times. My budget provides an additional \$85 million to meet enrollment demands in the community college system. This represents a 15.8% increase over 2009-10, approximately 34,118 full-time equivalent students. It also includes \$5.6 million for enrollment increases in the UNC System and \$14 million to support campus buildings coming on line 2010-11.

In addition, my budget takes steps toward fulfilling the "College Promise" of accessible higher education for everyone. It includes an additional \$35 million for need-based financial aid in the UNC system which will cover approximately 4,600 new students. The budget also provides \$6.5 million to expand need-based financial aid support for community college students. This additional aid, combined with increased Pell Grant awards, will minimize cost increases for needy students.

Healthy Communities

One of the greatest challenges in this budget is preserving the safety net for those citizens who are most vulnerable in these economic times. Overall, state Medicaid expenditures are projected to grow \$430 million next fiscal year in response to rising caseloads and costs in the weak economic recovery. When federal Medicaid stimulus funds run out in 2011-12, additional state funds to hold Medicaid services constant will exceed \$1.1 billion. In order to begin closing this long term gap, my budget makes targeted Medicaid reductions through enhanced fraud and utilization management efforts while protecting core direct health care services as much as possible.

My budget restores the \$40 million community mental health reduction which occurred in 2009. It includes \$12 million to purchase additional local private hospital beds for mental health patients who require short term care. An additional \$8.5 million is recommended for the State Children's Health Insurance Program, which will provide health insurance for an additional 8,100 children from working families. The budget includes \$14 million for the AIDS Drug Assistance Program in order to reopen the program to new enrollees at or below 125% of federal poverty line. Monies are recommended (\$9 million) to allow for targeted reimbursement to adult care homes that provide acute personal care services. Finally, my budget expands the nationally recognized Project CARE Program by \$1 million which will allow 500 additional families to receive respite care services for loved ones with dementia.

Safe Communities

My budget invests an additional \$10 million for the Criminal Justice Law Enforcement Automated Data Services (CJLEADS) project that will merge all criminal data records into one interactive and comprehensive system. CJLEADS provides law enforcement and court system personnel more reliable

and real-time information. These funds will be used to fully implement the Wake County pilot and expand to North Carolina's seven major metropolitan areas, covering over half of the state's population. Additional monies will be provided next year to take the project statewide by 2012. My budget also provides \$5 million to expand the VIPER system which ensures that first responders on the ground are adequately equipped to communicate with one another during emergency situations. I am exploring innovative options to build and equip this system statewide over the next four years. Monies are included to raise probation and parole officer salaries one pay grade in order to improve the recruitment and retention of officers. Finally, the budget establishes statewide capacity for law enforcement to collect DNA at the time of the arrest. This is a top priority of county sheriffs.

Setting Government Straight

This budget reinforces my commitment to make government more efficient, accountable and transparent. It reduces or eliminates more than 70 programs that are duplicative, costly, inefficient or nonessential, saving taxpayer's \$190 million. My initiative to crack down on Medicaid fraud, waste and abuse is estimated to save over \$35 million in 2010-11. Specific actions include establishing Medicaid SWAT teams that complete on-site investigations; using innovative technology to detect fraud; and hiring the personnel to prosecute fraud. Moreover, this budget provides necessary funding to mandate prepayment reviews for questionable providers to stop fraud and abuse before it happens. New program and service management improvements in Medicaid are estimated to save \$150 million next year. These actions include reforming in-home personal care services, expanding the preferred drug list and establishing a copayment for nonemergency hospital visits. Finally, my budget begins the elimination, consolidation and centralization of North Carolina's 342 boards and commissions and takes steps to continue the process of consolidating executive branch agencies and services.

As part of my administration's commitment to increasing transparency and accountability, the budget provides funding to archive cabinet agency emails as public records for 10 years. Monies are appropriated to the Board of Elections to increase the reliability of campaign finance disclosure reports. In addition, it earmarks funds to the Ethics Commission to improve the personal and financial disclosure system.

Conclusion

My budget provides a blueprint for a balanced budget. It relies on difficult, but necessary and responsible decisions about prioritizing the services that North Carolina state government provides to its 9.5 million citizens. It solidifies our position as the state with the "top business climate" and preserves core education, health and public safety services as much as possible. And most importantly, it adheres to our tradition as a national leader in fiscal management and protects our AAA bond rating and reputation.

Sincerely,

A handwritten signature in black ink, appearing to read "Bev Perdue". The signature is written in a cursive, flowing style.

Bev Perdue

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Preface

The *North Carolina State Budget: Recommended Adjustments, 2010-2011* 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.

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Introduction

The purpose of this document is to summarize the Governor's recommended state budget adjustments for fiscal year 2010-11. These recommended changes are based on the certified budget approved by the 2009 session of the General Assembly. Governor Perdue's priorities are listed in her transmittal letter, which precedes the overview of key recommendations for adjustments to the base budget (continuation budget).

Included in this publication are recommendations for expenditures from the General Fund, Highway Fund, and the Highway Trust Fund. Recommended expenditures for capital improvements and for reserves, debt service, and other adjustments are also included.

A summary of General Fund recommendations by department/budget code for the entire state budget appears in Table 2, "Governor's Recommended General Fund Budget, 2010-11." Summaries of recommendations for expenditures supported by the Highway Fund and the Highway Trust Fund for 2010-11 appear in Table 3.

Also included in this document are an analysis of the state's economic and financial outlook for 2010-11 and a comparison of the economic conditions in North Carolina to the nation. The most current revenue forecast is explained. Estimates of fund availability for the General Fund, Highway Fund, and Highway Trust Fund show the supporting basis for the recommended state budget (see Tables 4, 5 and 6).

Three types of changes are usually included in the Governor's adjustments document: reductions, expansion, or technical adjustments. "Re-

ductions" 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 reduction, expansion and technical adjustment 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 2010-11 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.

Economic Priorities and Budget Summary

Economic Priorities and Budget Summary

for 2010-11

Governor Perdue's priorities include the following:

- Jobs and Economic Recovery
- Career and College - Read, Set, Go!
- Safe and Healthy Communities
- Setting Government Straight

Figure 1

Recommended Appropriation for General Fund Operating Budget, 2010-11

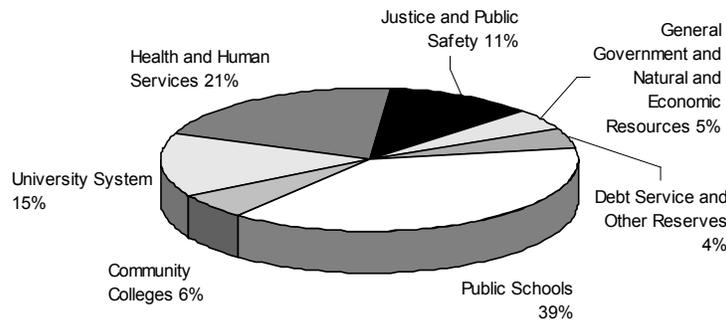


Table 1

Recommended General Fund Budget, 2010-11 Appropriations (\$ millions)

	Authorized FY 2009-10	Recommended FY 2010-11	Percent Change 2009-10 to 2010-11	Percent of Total Operating Budget
Public Schools	\$7,545	\$7,398	-2.0%	39%
Community Colleges	1,012	1,086	7.3%	6%
University System	2,740	2,789	1.8%	15%
Total Education	11,297	11,273	-0.2%	59%
Health and Human Services	3,906	3,953	1.2%	21%
Justice and Public Safety	2,212	2,179	-1.5%	11%
General Government and Natural and Economic Resources	883	903	2.3%	5%
Debt Service and Other Reserves	695	700	0.7%	3%
Total Operating Budget	\$19,010	\$19,139	0.7%	100%
Capital Improvements	5	11	120.0%	
Total General Fund Budget	\$19,015	\$19,150	0.7%	

Table 2
Governor's Recommended General Fund Budget, FY 2010-2011

Budget Code	Function	FY 2010-11 Approved Budget		Reductions		Agency Expansion		Appropriation Supported Positions	Net Change	FY 2010-11 Recommended Appropriation	Net Position Change
		Approved Budget	Certified Budget	Recurring	Nonrecurring	Recurring	Nonrecurring				
13510	Education										
13510	Public Education	\$ 7,360,833,223	\$ (297,431,390)	\$ (72,858,931)	\$ (3,369,367)	\$ 32,124,120	\$ 23,338,000	36.00	-\$ (3,148,828,201)	\$ 7,046,005,022	36.00
16800	Community Colleges	1,012,467,778	(67,461,162)	(1,450,000)	(746,955)	11,424,346	-	(7.00)	32,282,306	1,044,750,084	(7.00)
1600x	University System	2,656,552,008	(105,175,409)	-	(39,812)	89,773,596	58,080,989	(1.00)	42,678,176	2,699,230,184	183.00
	Total Education	11,029,853,009	(470,067,961)	(87,358,931)	(3,369,367)	256,140,184	81,418,989	(44.00)	(239,867,719)	10,789,985,290	140.00
	General Government										
14100	Administration	67,446,884	(3,369,367)	-	(400,000)	1,436,977	220,100	(19.20)	(1,712,290)	65,734,594	(7.20)
13300	State Auditor	13,255,123	(746,955)	(442,756)	(63,800)	-	-	(6.00)	(746,955)	12,508,168	(6.00)
14800	Cultural Resources	73,249,990	(2,454,424)	(99,532)	(307,026)	-	-	(9.50)	(2,897,180)	70,352,810	(9.50)
14802	Cultural Resources - Roanoke Island	1,990,632	(39,812)	(69,532)	(1,897,136)	-	-	-	(139,344)	1,851,288	-
11000	General Assembly	56,584,484	(2,731,696)	-	(1,796,372)	-	-	-	(2,731,696)	53,852,788	-
13000	Governor's Office	6,067,739	(303,400)	-	-	-	-	(3.00)	(303,400)	5,764,339	(3.00)
13010	NC Housing Finance	14,608,417	-	-	-	-	-	-	-	14,608,417	-
13900	Insurance	32,242,706	(1,796,372)	-	-	-	-	(2.00)	(1,796,372)	30,446,334	(2.00)
13901	Insurance - General Fund Direct	1,561,846	-	(400,000)	-	-	-	-	(400,000)	1,161,846	-
13100	Lieutenant Governor	931,703	(63,800)	-	(63,800)	-	-	-	(63,800)	867,903	-
18210	Office of Administrative Hearings	4,111,476	(307,026)	-	(307,026)	-	-	(2.00)	(307,026)	3,804,450	(2.00)
14700	Revenue	87,790,970	(1,897,136)	(700,000)	(700,000)	3,747,600	2,370,558	(25.00)	3,521,022	91,311,992	26.00
13200	Secretary of State	11,451,488	(537,958)	-	(537,958)	100,000	457,129	(5.00)	(537,958)	10,913,530	(5.00)
18025	State Board of Elections	6,221,208	(262,394)	-	-	-	-	(2.00)	294,735	6,515,943	(1.00)
13005	State Budget and Management (OSBM)	6,407,809	(342,416)	-	-	-	-	(3.00)	407,584	6,815,393	(3.00)
13085	OSBM-Special Appropriations	4,161,125	-	-	-	-	-	-	-	4,161,125	-
14160	Controller's Office	23,188,207	(300,000)	(605,137)	-	9,000,000	500,000	(4.00)	8,594,863	31,783,070	26.50
13410	State Treasurer	17,565,400	(422,191)	-	-	-	-	(4.00)	(422,191)	17,143,209	(4.00)
13412	State Treasurer - Retirement / Benefits	10,804,671	-	-	-	-	-	-	-	10,804,671	-
	Total General Government	439,641,878	(15,574,947)	(2,247,425)	(2,247,425)	14,284,577	5,047,787	(84.70)	1,509,992	441,151,870	9.80
	Health and Human Services										
14410	Central Management and Support	74,172,339	(3,830,405)	(561,000)	-	100,000	-	(2.00)	(4,291,405)	69,880,934	(2.00)
14411	Aging	37,282,029	-	-	-	1,000,000	-	-	(17,009,838)	38,282,029	-
14420	Child Development	269,183,962	(17,009,838)	(280,000)	-	-	-	(1.00)	(1,287,310)	252,174,124	(11.00)
14424	Education Services	36,844,718	(1,007,310)	-	-	-	-	-	6,777,031	35,557,408	-
14430	Public Health	160,515,329	(7,400,601)	-	-	11,177,632	3,000,000	-	(12,655,513)	167,292,360	-
14440	Social Services	208,589,483	(11,202,976)	(1,452,537)	-	-	-	(33.00)	(394,083,299)	195,933,970	(33.00)
14445	Medical Assistance	2,720,196,757	(255,228,178)	(578,419,834)	-	389,564,713	50,000,000	-	8,467,643	2,326,113,458	-
14446	NC Health Choice	81,964,241	(114,550)	-	-	8,542,543	39,650	-	(614,064)	90,431,884	3.00
14450	Services for the Blind and Deaf	8,649,731	(463,636)	(150,428)	-	-	-	-	33,072,692	8,035,667	-
14460	Mental Health/DD/SAS	664,695,955	(2,462,103)	-	-	12,534,795	23,000,000	(2.00)	(2,478,879)	697,768,647	-
14470	Health Service Regulation	17,914,125	(760,125)	(1,718,754)	-	-	-	(8.00)	(3,316,000)	15,435,246	(8.00)
14480	Vocational Rehabilitation	41,020,173	(1,316,000)	(2,000,000)	-	-	-	-	37,704,173	37,704,173	-
	Total Health and Human Services	4,321,028,842	(300,795,722)	(584,582,553)	(584,582,553)	422,919,683	76,039,650	(56.00)	(386,418,942)	3,934,609,900	(53.00)
	Justice and Public Safety										
14500	Correction	1,326,492,230	(35,005,357)	(23,372,000)	-	11,325,802	1,500,000	(32.00)	(45,551,555)	1,280,940,675	749.00
14900	Crime Control and Public Safety	33,718,963	(1,446,000)	-	-	627,000	-	(3.00)	(819,000)	32,899,963	(3.00)
12000	Judicial	463,753,479	(5,916,294)	(3,300,000)	-	2,235,185	-	-	(9,216,294)	454,537,185	-
12001	Judicial - Indigent Defense	120,132,010	(264,200)	(142,031)	-	1,191,614	264,670	-	(2,802,152)	121,960,964	-
13600	Justice	88,652,538	(3,058,436)	(1,200,000)	-	3,521,954	-	(20.00)	(5,852,393)	85,850,386	15.00
14060	Juvenile Justice	147,183,945	(9,374,347)	-	-	-	-	(21.00)	-	141,331,552	41.00
	Total Justice and Public Safety	2,179,933,165	(55,064,634)	(28,014,031)	(28,014,031)	18,901,555	1,764,670	(76.00)	(62,412,440)	2,117,520,725	802.00

Table 3
Governor's Recommended Highway Fund and Highway Trust Fund Budget
 2010-11

Function	FY 2010-11 Certified Budget	Reductions				Expansion				Net Change	2010-11 Recommended Appropriation	Net Position Change
		Recurring	Nonrecurring	Appropriation Supported Positions	Appropriation Supported Positions	Recurring	Nonrecurring	Appropriation Supported Positions	Appropriation Supported Positions			
DOT Administration	80,925,142	-	-	-	-	679,289	865,000	-	-	1,544,289	82,469,431	-
<i>Division of Highways</i>												
Administration	33,393,855	-	-	-	-	-	-	-	-	-	33,393,855	-
Construction	81,580,824	-	-	-	-	3,840,718	-	-	-	3,840,718	85,421,542	-
Maintenance	938,245,641	(3,698,277)	-	-	-	-	-	-	-	(3,698,277)	934,547,364	-
Planning and Research	4,055,402	-	-	-	-	-	-	-	-	-	4,055,402	-
OSHA Program	355,389	-	-	-	-	-	-	-	-	-	355,389	-
Ferry Operations	29,726,209	-	-	-	-	4,805,311	-	-	-	4,805,311	34,531,520	-
State Aid												
Municipalities	87,840,220	(785,319)	-	-	-	-	-	-	-	(785,319)	87,054,901	-
Public Transportation	75,793,962	-	-	-	-	-	-	-	-	-	75,793,962	-
Airports	17,291,543	-	-	-	-	-	-	-	-	-	17,291,543	-
Railroads	17,101,153	-	-	-	-	2,000,000	4,325,000	-	-	6,325,000	23,426,153	-
Governor's Highway Safety Program	352,325	-	-	-	-	-	-	-	-	-	352,325	-
Division of Motor Vehicles	101,527,804	-	-	-	-	192,351	352,272	5,000	-	544,623	102,072,427	5,000
Other State Agencies	251,192,145	(40,000)	(1,300,000)	-	-	38,021,964	-	-	-	36,681,964	287,874,109	-
Reserves and Transfers	20,268,386	-	-	-	-	930,050	2,701,641	-	-	3,631,691	23,900,077	-
Capital Improvements	-	-	-	-	-	-	-	-	-	-	-	-
Total Highway Fund	1,739,650,000	(4,523,596)	(1,300,000)	-	-	50,469,683	8,243,913	5,000	-	52,890,000	1,792,540,000	5,000
Administration	44,140,320	-	-	-	-	371,520	-	-	-	371,520	44,511,840	-
Construction												
Intrastate System	391,723,281	-	-	-	-	4,995,162	-	-	-	4,995,162	396,718,443	-
Urban Loop System	127,444,319	-	-	-	-	2,019,836	-	-	-	2,019,836	129,464,155	-
Secondary Roads	61,908,548	(170,627)	-	-	-	94,583,983	-	-	-	94,583,983	61,737,921	-
NC Mobility Fund	-	-	-	-	-	-	-	-	-	-	94,583,983	-
State Aid to Municipalities	43,885,918	-	-	-	-	524,109	-	-	-	524,109	44,410,027	-
Bonds												
Bond Redemption	54,030,000	-	-	-	-	-	-	-	-	-	54,030,000	-
Bond Interest	25,962,750	-	-	-	-	-	-	-	-	-	25,962,750	-
NC Turnpike Authority	99,000,000	-	-	-	-	-	-	-	-	-	99,000,000	-
Transfer to the General Fund	72,894,864	(22,000,000)	-	-	-	-	-	-	-	(22,000,000)	50,894,864	-
Total Highway Trust Fund	920,990,000	(22,170,627)	-	-	-	102,494,610	-	-	-	80,323,983	1,001,313,983	-

Table 4
Recommended Availability and Appropriation
General Fund
2010-2011

Description	2010-2011 Recurring	2010-2011 Non-recurring	2010-2011 Total
Budget Availability			
Beginning Credit Balance:			
Unappropriated Balance from Senate Bill 202	\$ -	\$ 83,171,017	\$ 83,171,017
Anticipated Reversions from FY 2009-10	-	-	-
Credit to Savings Reserve	-	-	-
Credit to Repair and Renovation Reserve	-	-	-
Anticipated Beginning Unreserved Credit Balance	\$ -	\$ 83,171,017	\$ 83,171,017
Recommended Budgeted Revenue:			
Tax Revenue	\$ 18,298,339,016	\$ -	18,298,339,016
Non-tax Revenue	564,535,527	-	564,535,527
Highway Fund Transfer	50,800,000	-	50,800,000
Highway Trust Fund Transfer	17,600,000	-	17,600,000
Disproportionate Share Receipts	135,000,000	-	135,000,000
Total General Fund Revenue	19,066,274,543	-	19,066,274,543
Total Availability	19,066,274,543	83,171,017	19,149,445,560
Recommended Appropriations:			
Original Certified Budget	20,887,434,932	(1,327,670,356)	19,559,764,576
Recommended Reductions	(881,066,903)	(708,802,940)	(1,589,869,843)
Recommended Expansion	771,260,863	408,289,964	1,179,550,827
Total Appropriations Recommended	20,777,628,892	(1,628,183,332)	19,149,445,560
Total Ending Balance	\$ (1,711,354,349)	\$ 1,711,354,349	\$ -

Table 5
**Recommended Availability and Appropriations
 Highway Fund
 2010-2011**

Description	2010-2011 Recommended
Budget Availability	
Beginning Credit Balance:	
Unappropriated Balance from FY 2009-10	-
Anticipated Reversions from FY 2009-10	-
Anticipated Overcollections from FY 2009-10	-
Anticipated Beginning Unreserved Credit Balance	-
Recommended Budgeted Revenue:	
Tax Revenue	1,193,710,000
Non-tax Revenue	598,830,000
Total Highway Fund Revenue	1,792,540,000
Total Availability	1,792,540,000
Recommended Appropriations:	
Original Certified Budget	1,739,650,000
Recommended Reductions	(5,823,596)
Recommended Expansion	58,713,596
Total Appropriations Recommended	1,792,540,000
Total Ending Balance	\$ -

Table 6

**Recommended Availability and Appropriations
Highway Trust Fund
2010-2011**

Description	2010-2011 Recommended
Budget Availability	
Beginning Credit Balance:	
Unappropriated Balance from FY 2009-10	\$ -
Anticipated Reversions from FY 2009-10	-
Anticipated Overcollections from FY 2009-10	-
Anticipated Beginning Unreserved Credit Balance	-
Recommended Budgeted Revenue:	
Tax Revenue	838,380,000
Non-tax Revenue	162,933,983
Total Highway Trust Fund Revenue	1,001,313,983
Total Availability	1,001,313,983
Recommended Appropriations:	
Original Certified Budget	920,990,000
Recommended Reductions	(22,170,627)
Recommended Expansion	102,494,610
Total Appropriations Recommended	1,001,313,983
Total Ending Balance	\$ -

Major Budget Recommendations

by Subject Area

Fiscal Responsibility

Education

General Government

Health and Human Services

Justice and Public Safety

Natural and Economic Resources

Transportation

Teachers and State Employees

Fiscal Responsibility

Major Recommendations

Saving and investing for the future

- Deposits \$102 million in the Rainy Day Fund, thereby increasing the balance to \$252 million.
- Provides an additional \$86 million for key small business and infrastructure investments that will help create 35,000 jobs over the next three years.

Making government more effective and efficient

- Recommends another \$950 million in reductions on top of the \$2 billion taken last year.

- Reduces or eliminates more than 70 state programs that are duplicative, costly or non-essential.

Living within our means

- Reduces original FY 2010-11 budget by \$410 million or 2.1%.
- Spends 5.0% less per capita than FY 2008-09.
- Authorizes no additional indebtedness in FY 2010-11.

Education

Major Recommendations

Public Education

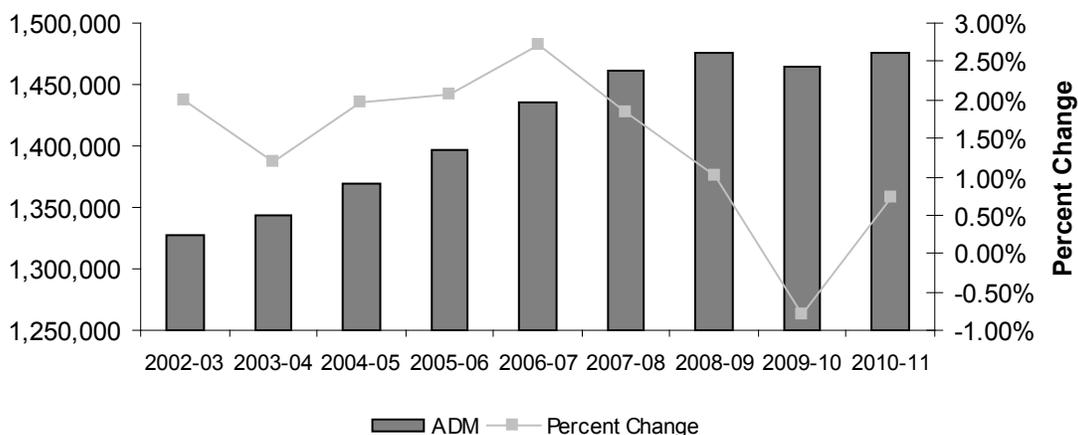
Career and College – Ready, Set, Go!

Governor Perdue’s budget provides resources to meet individual student needs and to ensure that students graduate prepared for a career, 2-year or 4-year college, or technical training. Major budget recommendations are:

- Provide \$39 million for diagnostics in grades K-3 and 5 to ensure that basic deficiencies in reading and math are addressed before students move to middle school.
- Provide \$1.4 million recurring for diagnostics in reading, writing, science, and math in grades 8 and 11. The State Board of Education shall maximize the use of federal funds to implement an academic boot camp to address basic deficiencies and ensure that students graduate college and career ready.
- Implement the funding formula adopted by the State Board of Education for the North Carolina Virtual Public School. This supports an estimated 25% enrollment growth and an average student course enrollment cost of \$324.
- Provide an LEA flexibility reduction to be allocated based upon average daily membership. LEAs shall use federal funds, including funds received from the federal recovery act as well as teacher attrition to mitigate this reduction.
- Budget \$36.6 million in additional lottery receipts to support K-3 class size.
- Reduce the central office appropriation by 5% and the assistant principal appropriation by \$8.9 million.
- Reduce the Department of Public Instruction’s budget by \$11 million and 36 positions.

Figure 2

Average Daily Membership Budgeted NC Public Schools



Average Daily Membership is the number of days in membership for all students divided by the number of school days in a particular term (school month or school year).

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

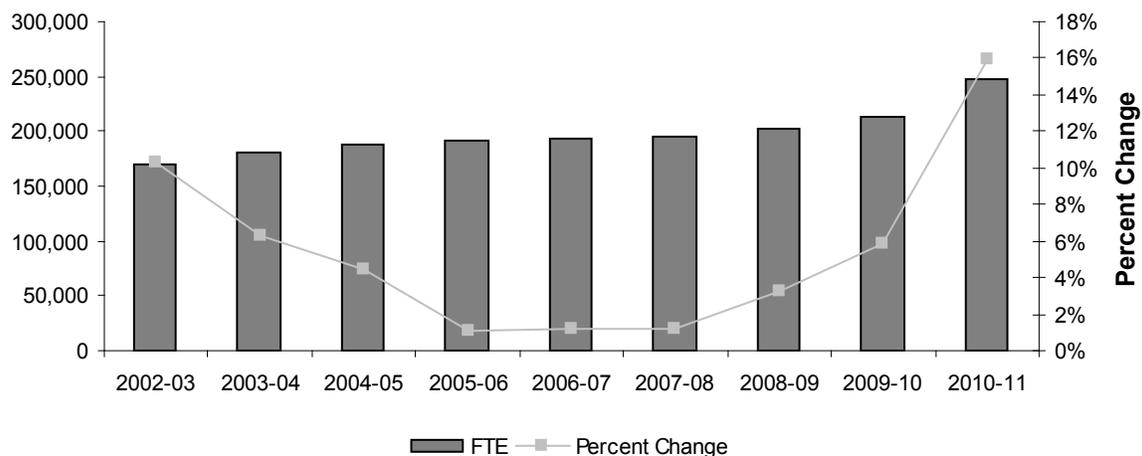
Community Colleges
Career and College – Ready, Set, Go!
JobsNOW

The Governor’s community college budget focuses on meeting the workforce and educational needs of tens of thousands of new community college students. Major budget recommendations include:

- Fund the unprecedented 16% enrollment growth of 34,000 additional students.
- Appropriate \$6.5 million for the need-based financial aid program, a 46% increase, to continue the investment toward meeting the Governor’s Career and College Promise goal for all students graduating prepared for a career.
- Approve a recurring \$2.5 million JobsNOW investment to address equipment and technology needs at the colleges to reduce program waiting lists and meet the training needs.
- Raise tuition by \$8 per credit hour to meet the instructional needs of the colleges and provide Career and College Promise financial aid. Twenty percent of the funds generated are set aside to fund need-based financial aid. Via the need-based aid and Federal Pell grant programs, needy students will be held harmless from the tuition increase.
- Provide a 3.5% community college flexibility reduction. The colleges will use this flexibility to make reductions in areas based upon the best interests of each college.
- Budget \$10 million of overrealized tuition and fee receipts.

Figure 3

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



Curriculum FTE is the annual total of fall and spring semester FTE -- the traditional college course-defined students (16 credit hrs/semester). Continuing Education FTE is the annual total of spring, summer, and fall (in that sequence). Continuing Education and Basic Skills FTE are calculated as those courses occurring during the same time period as semesters, although they may be of varying duration and not confined specifically to that semester.

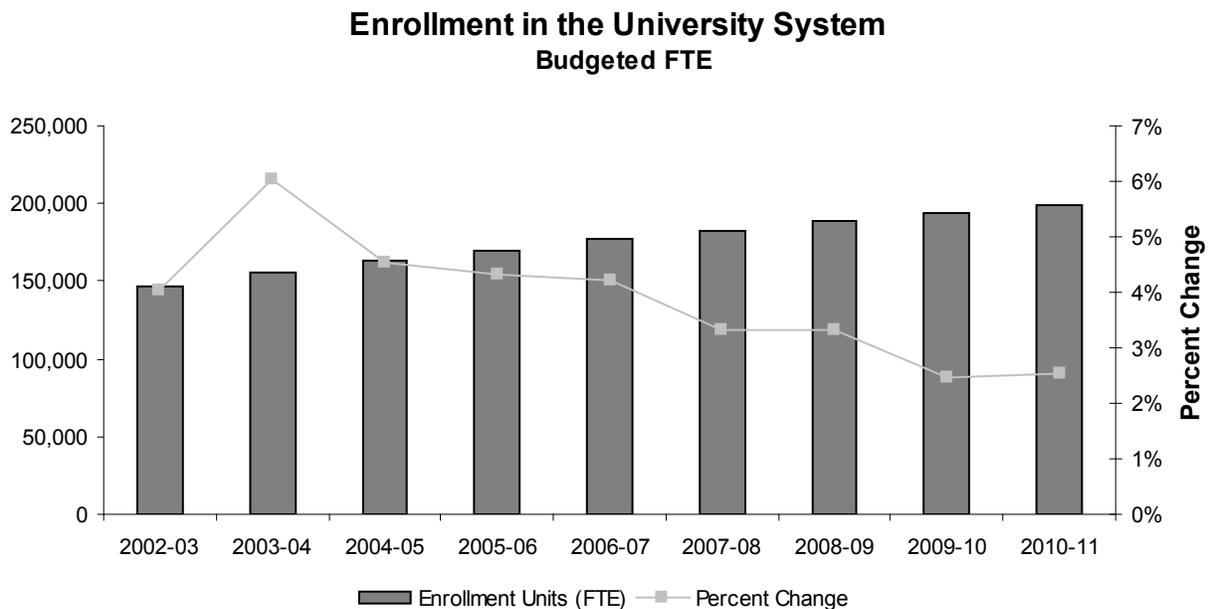
Source: NCCCS System Office

University System

The Governor's budget continues to provide access for North Carolinians at a cost that is reasonable and affordable by fully funding enrollment growth and Career and College Promise need-based financial aid. Highlights of the budget recommendations are listed below:

- Provide full funding for the Career and College Promise UNC Need-Based Financial Aid request of \$35 million to continue the expansion of this UNC grant program to ensure that all eligible students shall receive a grant and will hold recipients harmless from the increases in the cost of education.
- Restore \$35 million to the campus budgets to allow all UNC Board of Governor approved campus-initiated tuition increases be implemented for 2010-11 and the receipts retained and expended by each campus.
- Approve \$5.6 million to fully fund the enrollment growth request of 441 additional students over the 4,485 student increase already funded for 2010-11.
- Appropriate \$14 million to support operating costs of new and renovated buildings completed in 2009-11.
- Provide a flexibility reduction of approximately 2.4% for UNC General Administration. The UNC System President and the UNC Board of Governors have the flexibility to implement this reduction.
- Provide a UNC campus flexibility reduction of approximately 3.9%. The campuses will use this flexibility to make reductions in areas based upon the best interests of each campus.

Figure 4



The UNC enrollment data measures budgeted FTEs.

NOTE: FTEs were calculated based on converted student credit hours from 2003-04 to 2010-11.

Source: UNC General Administration

General Government

Major Recommendations

Setting Government Straight - Good Government Package

Good Government - Provides \$997,600 to fund the good government package for the NC State Ethics Commission and State Board of Elections, which sets stronger ethical requirements for state employees, elected officials, and boards and commissions. Major recommendations include:

State Ethics Commission

- Provides \$133,508 for Online Statement of Economic Interest (SEI). This initiative supports the design, implementation, training and technological support for an online/electronic personal and financial interest disclosure system (the Statement of Economic Interest or "SEI"). This new online system will provide filers with a modern, accessible means of complying with the legal disclosure requirements of the Ethics Act while simultaneously providing more open and transparent access to critical public information.
- Provides \$189,706 for prompt complaint investigations and request for advice.
- This initiative supports the addition of one attorney, one paralegal position, and access to an online legal research tool to ensure timely investigation of complaints and prompt response to requests for advice.
- Provides \$104,386 for resources to monitor compliance with the gift ban for good government. This initiative funds two paralegal positions to administer issues relative to good government.
- Provides \$100,000 funding for contractual services to assist with various requirements of the good government package.
- Provides \$20,000 for the on-line education program. This initiative completes ongoing

efforts to develop an online education program to help public officials comply with the mandatory ethics and lobbying law education requirements and ensure timely and convenient access to relevant Executive Orders and other ethics information.

State Board of Elections

- Provides \$450,000 for the development of campaign finance software. This initiative begins the development, installation, maintenance, and support of campaign finance software to improve the ease and reliability of filing, reporting, and auditing of campaign finance disclosure reports. In addition to the non-recurring costs for the technology support, this initiative funds the addition of an attorney position to support, maintain, and sustain the efforts of the Campaign Finance Division.

Supporting Our Military Members

- Sustain the \$750,000 funding for military grants to military installations. These grants fund community service and quality of life programs for military families in North Carolina.

Corporate Settlement Initiative (Resolution Initiative II)

- Provides funds to resolve outstanding disputes with businesses that owe taxes to the State. Many Corporations were notified in the fall of 2009 during the Initial Resolution Initiative. Many companies responded, but chose not to participate in the program. This second initiative will target corporations that have outstanding tax liabilities. Resolution Initiative II will collect an estimated \$110 million in additional tax revenue.

Health and Human Services

Major Recommendations

The Governor's recommended budget for health and human services implements aggressive initiatives aimed at controlling costs in the Medicaid program while preserving critical services; seeks to identify, eliminate and prevent fraud, waste and abuse; and targets scarce expansion funding to our State's most vulnerable citizens. The Governor's budget also provides much needed funding for mental health services. Governor Perdue's priorities are:

Measures Aimed at Controlling Medicaid Costs

- In the area of Managed Care, \$45 million in savings are achieved from activities of Community Care of North Carolina, the Medicaid managed care program, through enhanced care management activities and increased accountability and transparency. Savings of \$1.6 million will occur by expanding an innovative capitated behavioral health program to additional areas of the state.
- Through utilization controls and prior authorization, the Governor's budget includes \$21 million in savings from independent assessments for high-cost services; \$1.4 million in prior approval activities for high-cost drugs; and \$4.3 million in savings from various improvements in managing optional Medicaid services.
- By implementing emergency room co-payments for non-emergencies, \$2.7 million in savings result from better use of the emergency room and encouraging visits to a "medical home."

Attacking Fraud, Waste, and Abuse

- Governor Perdue has launched an initiative to crack down on Medicaid fraud, waste,

abuse, and over utilization that will result in \$36 million in savings to the state. Activities include Medicaid SWAT teams for on-site investigations, strengthening Medicaid fraud laws, innovative technology to detect fraud and abuse, and prepayment reviews for questionable providers. In addition, new technology will catch potential fraud and abuse prior to the payment, to achieve cost avoidance savings.

- Savings will be achieved by implementing an electronic payment system for child care subsidy services. Eliminating paper attendance records maintained and submitted by child care facilities for payment will reduce the incidence of inaccurate payments and create efficiencies in county administration, saving taxpayers \$9.3 million.

Providing Services to Vulnerable Populations

Governor Perdue recommends additional funding of \$8.5 million to allow NC Health Choice to provide health insurance to all eligible children who apply for coverage. The recommended budget anticipates that enrollment will reach 143,035 by June 2011, providing health care to an additional 8,096 children.

- People enrolled in the AIDS Drug Assistance Program (ADAP) as of July 1, 2010 can continue receiving medications as a result of the Governor's \$14 million recommended expansion budget. Eligible individuals with incomes up to 125% of the federal poverty level who are on the waiting list as of July 1 will also be enrolled and receive care.
- The Governor's budget provides support to seniors. New funding of \$1,000,000 will expand Project C.A.R.E. to provide respite

to caregivers of people with dementia. The program targets rural, elderly, and minority families and is a cost effective alternative to institutional care.

- Special Olympics will receive \$100,000 in recurring funds in Governor Perdue's budget.
- A Childhood Immunization Account funded from assessments to state insurers is recommended by the Governor in order to purchase, store, distribute, and provide quality assurance for vaccines approved by the Centers for Disease Control.

Mental Health Services

The Governor's budget will invest \$52 million to support the development of the community based system of care, including funds for local crisis beds.

- The Governor's budget restores community services funding. New funding of \$23 million will support community based mental health, developmental disabilities, and substance abuse services. In addition, anticipated TANF ARRA funds (\$17 million) will be budgeted to support TANF eligible expenditures, freeing state funds to further support community services.
- Local in-patient bed capacity is improved with new funds of \$12 million recommended to add bed capacity by approximately 50 beds.
- Governor Perdue recommends new funding of \$534,795 for training of direct care staff in order to improve residential care in state facilities.

Justice and Public Safety

Major Recommendations

Enhancing Supervision of Offenders

- Appropriate \$1.5 million to improve the recruitment and retention level of Probation and Parole Officers by reallocating this position class to a higher pay grade level.

CJLEADS - Criminal Justice Law Enforcement Automated Data Services

- Provide \$9.5 million to expand the Governor's investment in a system that will integrate data and provide up-to-date criminal justice information in a centralized location for use by state and local government criminal justice professionals. These funds are needed for operational support and maintenance, to complete implementation of the Wake County pilot program, and to begin expansion statewide.

VIPER (Voice Interoperability Plan for Emergency Responders)

- Provide \$4.7 million state match funds to continue the VIPER Interoperable Communication Network Development for the Public Safety Interoperability Communications (PSIC) grant from the U. S. Department of Commerce awarded to the State Highway Patrol Program. The PSIC grant will be used to assist in the further development of the VIPER interoperable communication network.

Catching Violent Criminals

- Provide \$700,000 for a felony arrestee DNA forensic specialist and statewide training budget. The DNA forensic specialist will provide quality control, random sampling and analysis of DNA samples at the time of arrest. This initiative in the first year alone is projected to resolve up to 100 cold cases, including homicides, rapes, and other violent crimes. This request also provides training funds for local law enforcement agencies on standard DNA collection procedures.

Assisting Victims of Crime

- Provide \$27,000 to restore funding for the NC Victims Assistance Network Program, which promotes the rights and needs of crime victims by educating NC citizens and public policy leaders about the devastating impact that crime has on our society.

Natural and Economic Resources

Major Recommendations

The Governor's budget contains significant investments in job creation and retention initiatives, small business assistance proposals, and business and industry recruitment programs that are designed to keep North Carolina competitive and increase economic opportunities for all our citizens and businesses. Combined with the "JobsNOW Back to Work Incentive Fund" and other tax incentives (see Economy and Revenue section for details) as well as the creation of a Mobility Fund in the Department of Transportation, the Governor's budget offers a comprehensive approach to spur economic recovery and growth in North Carolina.

Statewide support for small businesses

The Governor's recently announced JobsNOW Small Business Package includes the following funding that flows to, or through, the Department of Commerce.

- "InSource NC" – \$150,000 to help North Carolina businesses find the goods and services they need from other North Carolina businesses, through web-based buyer-supplier networks.
- Main Street Solutions – \$2 million to expand support for small businesses in the downtown districts of small Main Street and micropolitan communities through competitive local grants.
- North Carolina Tourism Promotion – \$1 million to support the state's small business tourism economy by increasing investment in marketing and advertising of North Carolina as a national tourism destination.
- N.C. Farm Innovation Fund - \$1 million to provide cost-shared assistance programs to help small family farm businesses improve

energy efficiency, access new markets, and cultivate new value-added products.

- One N.C. Small Business Fund - \$1.5 million to help North Carolina businesses capitalize on federal Small Business Innovation Research/Small Business Technology Transfer contracts by providing a matching state grant.
- N.C. Small Business Assistance Fund - \$1 million to help small businesses access credit by a loan loss reserve that guarantees a portion of SBA loans provided through participating lending institutions.
- Home Grown Jobs Initiative – \$3 million to make rural communities more competitive in attracting new and expanding businesses by developing business sites through the Building Reuse and Restoration Program.
- Energy Research and Green Jobs – \$500,000 to provide state funds to Research Triangle Institute to match federal funds for energy research and green jobs.

Keeping North Carolina Competitive

The Governor's budget also contains funds to cultivate new investment, foster international trade, and encourage the expansion of existing business.

- One NC Fund - \$15 million to increase the competitive position of North Carolina in recruiting industry projects that create new jobs and economic development opportunities.
- Regional Economic Development Commissions - \$2.6 million to restore a portion of the Commissions' funding on a recurring basis to ensure continued economic development

marketing, and travel and tourism promotion at the local level.

- Business Recruitment and N.C. Product Marketing Funds - \$1,000,000 to increase the visibility and awareness of North Carolina as a business destination through targeted marketing, and to promote North Carolina products both nationally and internationally.
- International Trade - \$200,000 on a recurring basis to create additional export opportunities for North Carolina companies in Asian and South American markets, and increase North Carolina investment interest from Asian and South American companies.
- Biotechnology Center - \$3 million to create jobs in the emerging field of Agriculture Biotechnology and to attract and grow jobs in early stage biotechnology businesses.
- Biofuels Center - \$2 million to support the development of jobs, businesses, and research in the emerging biofuels industry.

Infrastructure Development and Capital

The Governor's budget also focuses on creating jobs through core infrastructure development by providing \$13.5 million in state match for the Clean Water Revolving Loan and Grant Fund. These funds will leverage \$67.5 million in federal funds to provide low-interest loans for water supply and wastewater treatment construction and improvement projects.

The Governor's budget also appropriates \$11.2 million for the state's share of civil works projects, creating jobs through navigation, flood control, drainage, and beach protection projects. The costs of these projects are shared by the federal and/or local governments. Total project costs are \$50.4 million, including \$37.7 million from federal/local matching funds.

Transportation

Major Recommendations

Governor Perdue is extremely committed to investing funds in infrastructure projects to facilitate economic growth. Restoring and maintaining the state's transportation infrastructure and promoting public transit initiatives are key components.

The Governor's budget recommendations include funds to establish the NC Mobility Fund. The fund will provide a dedicated source of transportation revenues for projects of statewide significance that are linked to statewide economic goals. The funds will be available for all transportation modes, including aviation, ports, transit and rail. Critical congestion bottlenecks will be addressed and North Carolina's logistics capabilities will be improved. The NC Mobility Fund will not be included in the equity formula, thus relieving the load placed on regional transportation plans when they have to bear the burden of large statewide projects.

Total funding of \$3.8 billion is recommended in support of North Carolina's Transportation Program for fiscal year 2010-11. Over 75% of the funding is recommended for construction, maintenance, and public transportation activities throughout the state.

Figures 7 and 8 show the distribution of funding sources and appropriations for North Carolina's Transportation Program for fiscal year 2010-11.

Major Transportation Program Recommendations

- Provide \$94.6 million to establish the NC Mobility Fund for multi-modal transportation projects of statewide significance that are linked to statewide economic goals.

- Return \$22 million in funding to the transportation program by further reducing the annual transfer from the Highway Trust Fund to the General Fund to be used for the NC Mobility Fund.
- Provide \$4.8 million in additional funds for ferry operations to ensure the current service levels are maintained.
- Provide \$4.3 million in rail funding for construction of the Pembroke Northeast Bypass project. Completion of this project will facilitate improved multi-modal access to southeast North Carolina, linking the states military bases with state ports.
- Approve \$2 million for short-line railroad rehabilitation projects.
- Provide \$2 million for projects aimed at making government operations more effective and efficient through investment in information technology projects that streamline program operations.
- Dedicate \$1.6 billion, or 44% of total program resources, for the construction program.
- Provide \$934 million (24%) of total program resources for highway maintenance activities throughout the state.

Figure 5
Funding Sources
 North Carolina Transportation Program
 2010-11

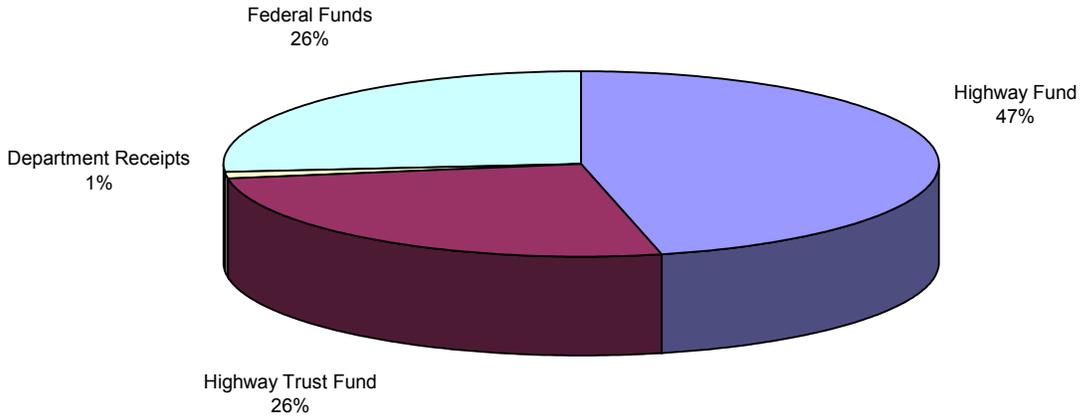
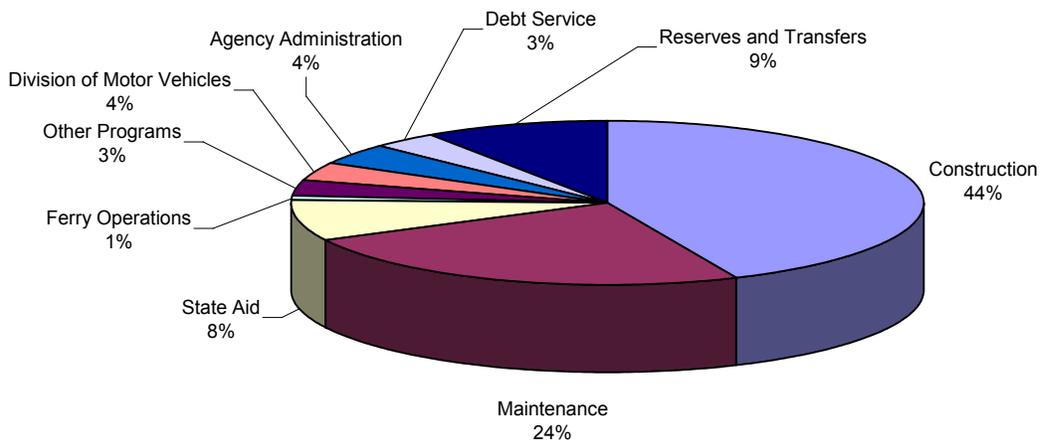


Figure 6
Appropriations
 North Carolina Transportation
 Program 2010-11



Teachers and State Employees

Major Recommendations

- Provide a 0.5% one-time bonus to all state-funded employees, to hold them harmless for the salary reduction taken to balance the budget in FY 2008-09.
- Provide step increases for teacher salary schedule employees. This includes an average 1.83% increase for teachers and instructional support personnel, and an average 1.6% increase for administrators. Teachers and administrators at the top of the salary schedule will receive a one-time bonus.
- Award bonus leave to all state employees, except for those paid on the Teacher Salary Schedule. Employees would receive 32 hours of bonus leave, including 24 hours of flexible bonus leave and eight (8) hours of required bonus leave to be taken on December 23, 2010.
- Allocate \$20 million to the Teachers' and State Employees' Retirement System.

Economy and Revenue

by Topic

Economy

Outlook for the Nation and State

Revenue

General Fund Revenue Forecast

Highway Fund Revenue

Highway Trust Fund Revenue

Economy

Outlook for the Nation and State

The national economy improved

The U.S. economy started to improve in the second half of 2009 and carried momentum into 2010. Consumers are spending again, but are not in a position to lead the recovery. The transition to job growth is underway after two years of declines, representing a significant step in the recovery. Housing activity has been mixed due to tax-induced fluctuations, yet should improve on a sustained basis as employment improves.

Real Gross Domestic Product (GDP) posted gains during 2009-10

The value of all goods and services produced within the U.S., adjusted for inflation, surged to 5.6% as 2009 closed, up from 2.2% growth in the 3rd quarter. Since the strong 4th quarter was boosted by massive inventory reductions, GDP growth is expected to slow (2.4%) in the 1st quarter of 2010.

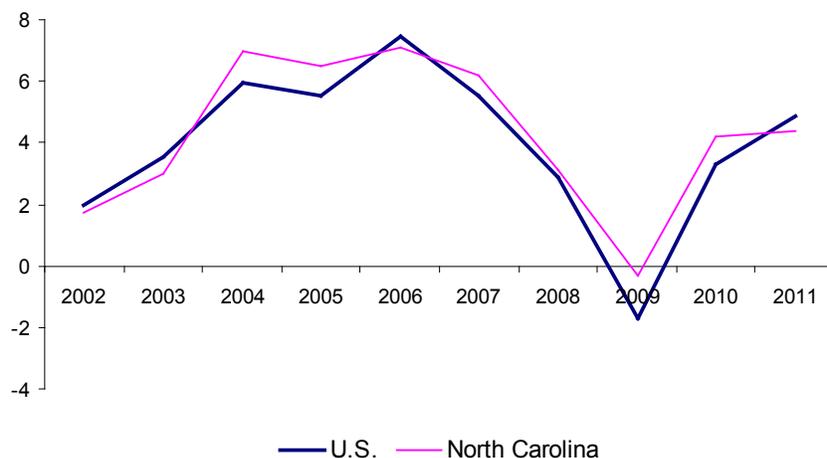
Labor market showed signs of improvement

After beginning 2009-10 at a 3.1% job decline pace, payroll employment has improved slowly and is expected to register slightly positive growth in the 1st quarter of 2010. Manufacturing and construction industries continue to suffer the largest losses, while education and health services accounted for solid job gains. The unemployment rate started 2009-10 at 9.6%, but has slightly ticked upward to 9.7%.

Housing boosted by tax breaks

For the first several months of 2009-10, home sales jumped as homebuyers took advantage of the homebuyers' tax credit. The improvement has reversed, however, as the underlying housing market remains fragile. After sizeable declines over the past years, housing starts have remained flat during the first nine months of 2009-10.

Figure 7
State Income Keeps Pace With U.S.
Percentage Growth in Personal Income



Source: Global Insight, U. S. Census Bureau

Consumer spending improved

While consumers still face a high debt burden, lower wages, and lower wealth, consumer spending held up relatively well in the 1st quarter of 2010. Specifically, spending is expected to register 3.1% growth in the 1st quarter, the best performance in three years.

North Carolina's economy stabilizes

The national recession took firm hold of North Carolina's economy during 2009. Since the start of the recession in December 2007, North Carolina has lost 280,000 nonfarm jobs. Employment declines peaked in the 3rd quarter, registering a 6.2% decline compared to the previous year. However, the labor market improved throughout 2009-10. Since the start of the current fiscal year, total nonfarm payrolls have decreased only slightly, and in recent months posted small job gains. The unemployment rate began 2009-10 at 11.0%, 1.6% above the national rate, but edged up to 11.1% in March, 1.4% above the national rate.

Service sector recorded solid employment gains

As North Carolina's traditional industries continue to struggle, the service sector has become the strength of the economy. Since the start of 2009-10, professional and business services

experienced a solid resurgence in employment (10,400) as the financial services industry rebounded. During this same period, education and health services continued its consistent expansion (8,400), while leisure and hospitality services posted a small gain (300).

Manufacturing employment losses moderated

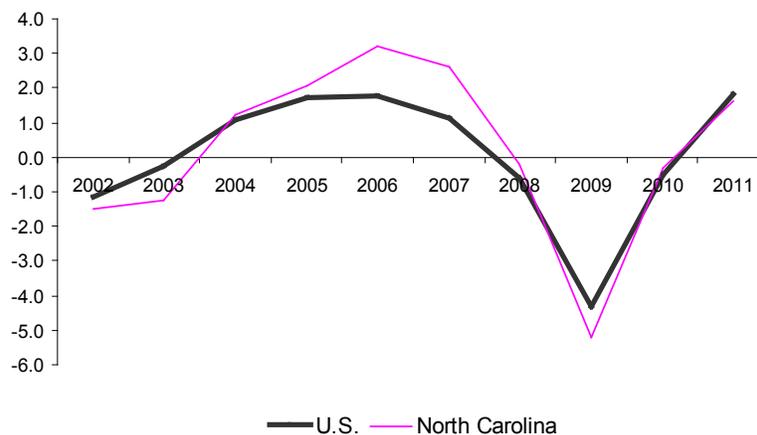
After a brief period of slower job declines in 2005 and 2006, the rate of job losses in the manufacturing sector picked up again during 2009. However, the 4th quarter of 2009 and 1st quarter of 2010 suggest the steep declines may be moderating as employment remained relatively flat. The textiles, furniture, and machine industries continue to suffer the largest job losses, while food manufacturing and apparel have fared better.

Housing results were mixed

Since North Carolina did not have the run-up in housing prices that occurred in many other parts of the country, it was slower to feel the effects of the recession. This situation changed, however, as housing starts fell significantly during the second half of 2008 and 2009, and employment in the construction industry suffered huge losses. Recent news suggests the housing market may be improving as the 4th quarter of 2009 and 1st

Figure 8

State Employment Expected To Track U.S. Percentage Growth in Nonagricultural Employment



Source: Global Insight, U. S. Census Bureau

quarter of 2010 registered small quarterly gains in housing starts. While construction employment continues to decline, the pace of job losses is slowing.

Outlook for the Remainder of 2009-10 and 2010-11

Mild rebound expected in U.S. economy

Economic recovery appears underway; however the pace of improvement is likely to be slower than previous recoveries from deep recessions. Hiring rates are still low but should improve slowly. The unemployment rate will remain high as hiring lags improvement in output. While consumer spending is expected to improve, its growth will be subdued as it is restrained by slow growth in wages and salaries. In addition, the magnitude of the boost from the federal stimulus is anticipated to diminish. Highlights of the economic outlook include:

- After ending 2009 on an inventory-fueled boost, real GDP is expected to register 3.0% growth in 2010 and 2011.
- Following two consecutive years of sizeable job declines, nonfarm payrolls are expected to decline another 0.5% in 2010 before rebounding to 1.8% growth in 2011. The unemployment rate is projected to decrease to 9.0% by 2011.
- Inflation is expected to be 1.9% in 2010 before edging up to 2.0% in 2011. Core inflation, which excludes food and energy, is expected to ease slightly in 2010 before rising modestly in 2011.
- After 4 years of declines, housing starts are projected to increase moderately in 2010 before a sizeable bounce back in 2011.
- Consumer spending is estimated to grow 2.4% in 2010, well above the 0.6% decline in 2009, as consumer confidence increases. Spending will rise to 2.7% in 2011 as the recovery gains momentum.
- Following a 9.7% decline in 2009, industrial production is expected to increase 5.1% in 2010 and 4.7% in 2011 as the demand for manufacturing output strengthens.

Improved economy expected in North Carolina

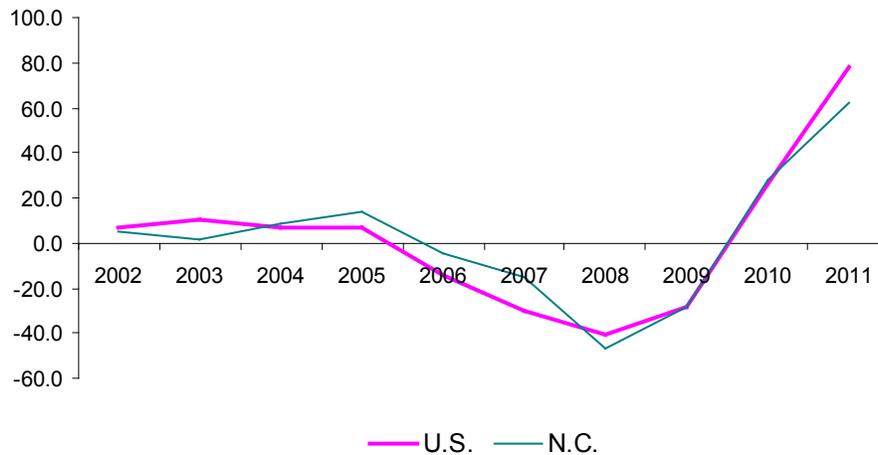
The North Carolina economy is expected to continue its slow recovery in 2010 and 2011. Despite some signs of improvement, employment growth will remain low in 2010 before improving in 2011. The services sector, specifically education and health services and professional and business services, should register solid gains. The job losses in manufacturing are expected to moderate while construction employment is projected to rebound again in 2011. Highlights of projections for North Carolina's economy include:

- Reflecting the general economic improvement, personal income is expected to grow 4.2% in 2010 and 4.4% in 2011 (see Figure 7).
- While employment is expected to decline in 2010, it is likely to keep pace with the national average (see Figure 8). Nonfarm employment is forecast to decline 0.3% in 2010 before rebounding to 1.6% growth in 2011.
- The unemployment rate will move down slowly as some workers who had given up looking for jobs return to the labor force when the job market improves. The unemployment rate is projected to be 10.7% in 2010 and 9.6% in 2011.
- Fueled by a rebound in the financial industry, employment gains will be led by the professional and business services sector. Professional and business services is forecast to expand 5.3% in 2010 and 7.6% in 2011.
- One of the only sectors to register positive job growth over the past two years, education and health services sector employment is expected to grow 1.3% in 2010 and 2.4% in 2011.
- Construction employment is expected to decline 7.8% in 2010, significantly better than the 20% decline experienced in 2009. Construction employment will grow 3.2% in 2011 as the housing market continues to turn around.

- Since the beginning of the 2007 national recession, the state has lost 102,900 (19.3%) manufacturing jobs. While losses accelerated during the recession, North Carolina's manufacturing employment losses are projected to slow in 2010. Specifically, manufacturing employment is forecast to decline 1.8% in 2010 before growing 2.1% in 2011.
- North Carolina escaped some of the nation's housing market troubles, but it has not been completely immune. Housing starts fell significantly in 2008 and 2009, but are projected to improve in 2010 before jumping significantly in 2011 (see Figure 9).

Figure 9

Sharp Increase in Housing Starts
Percentage Change in Single-Family Housing Starts



Source: Global Insight, U. S. Census Bureau

Revenue

General Fund Forecast

About half of North Carolina's total revenue originates from tax collections. 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 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 revenue, such as earnings from investment of state funds, supports the General Fund. (See Figure 10.)

General Fund revenue forecast reflects modest rebound in North Carolina

A cautious revenue outlook for 2009-10 collections has helped North Carolina avoid the magnitude of budget shortfalls affecting many other states this year. Through the first nine months of 2009-10, General Fund revenue collections were slightly below target. More specifically, General Fund revenues (including nontax receipts and transfers from the Highway Trust Fund) total \$13,744.0 million, \$730.0 million above 2008-09 and \$55.7 million below expectations through March. By the end of 2009-10, it is currently projected that General Fund revenue collections will total \$18,535.7 million, \$391.0 million below the budgeted forecast.

Reflecting a slowly recovering economy, baseline General Fund revenue growth is expected to be a modest 2.7% in 2010-11, down from the 3.3% growth anticipated last year. General fund revenue for fiscal year 2010-11 is adjusted down by \$702.9 million. Tables 7 and 8 detail this revised estimate for fiscal year 2010-11, adjusted for the recommended revenue changes. The major tax changes are discussed below. Tables 7 and 8 also show the projected general fund revenue for

fiscal year 2009-10 and the certified budgeted revenue for fiscal years 2009-11.

For each of the major categories of general fund revenue, the current performance and fiscal year 2010-11 baseline forecast is discussed below, along with any recommended tax changes.

Individual income taxes

Net individual income tax receipts totaled \$6,991.3 million through the first three quarters of fiscal year 2009-10, about \$100.6 million below the official estimate. For 2009-10, a decline of 3.2% over the previous fiscal year is expected.

While individual income taxes are expected to fall in 2009-10, collections will be stronger than last year's 13.1% historic decline. The decline is driven by the struggling labor market and slow wage growth. Employers continued to shed jobs through the first two quarters of the fiscal year, but have recently shown signs of improvement. While the 1st quarter of 2010 yielded slightly better results, wage growth is expected to remain sluggish.

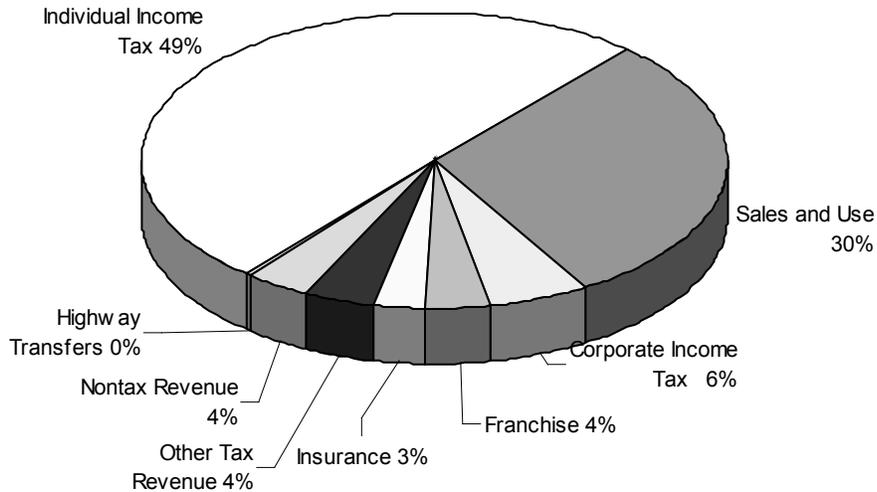
As the recovery takes hold and the hiring rate picks up, North Carolina's employment and wage growth is expected to rise in 2010-11. Reflecting this forecast, baseline individual income tax collections are expected to grow 3.0% in 2010-11.

Sales and use taxes

After a historic decline during 2008-09, consumer spending has remained subdued during 2009-10 as the rebound in employment and wages was weaker than anticipated. Through the first three quarters of 2009-10, sales and use tax collections were \$146.8 million below the official forecast, which planned for a significant slowdown. Sales and use tax receipts of \$5,304.5 million are expected for the fiscal year, about 5.8% below budgeted projections.

Figure 10

General Fund Revenue
Revised Estimates for 2010-11



Consumers remain hamstrung by high debt burdens, depleted wealth, tight credit, and slower growth in wages and salaries. While fiscal stimulus has helped boost spending, it will likely provide less support during 2010-11. Translated into sales and use revenue collections, baseline sales collection growth is projected to be only 1.5% in 2010-11.

Corporate income taxes

Following a dramatic drop in corporate collections last year, business profits returned in the second half of 2009 and early 2010. Through the first three quarters of 2009-10, improved profitability helped corporate collections exceed the official forecast. This strong performance was also boosted by the Department of Revenue's settlement initiative, which generated \$270 million more than anticipated. Corporate collections are expected to total \$1,351.9 million in 2009-10, over \$300 million above forecast.

Corporate profitability is projected to remain positive through 2011. Reflecting this forecast and the historical volatility of this revenue source, baseline corporate income tax receipts are expected to increase by a modest 3.6%.

Major tax changes

Small Business Tax Relief – Recognizing the key role small business plays in job creation, economic development, and investment, targeted tax relief for small business is recommended as part of the JobsNOW Small Business Assistance Package. In aggregate, these tax relief efforts will save North Carolina small businesses \$15.8 million in 2010-11. Highlights of the tax incentives include:

- Small Business Start-Up Tax Relief - This incentive encourages investment in innovative small businesses by allowing favorable capital gains treatment of the founding interests in the business. This credit would take effect for tax years beginning on or after January 1, 2011. There is no fiscal impact estimated for 2010-11.
- Qualified Business Venture Credit - This existing tax credit encourages entrepreneurial business investments and is scheduled to sunset on December 31, 2010. The Governor recommends reauthorizing the credit and raising the cap from \$7.5 million to \$8.0 million to spur additional investment.

Table 7
General Fund Revenue
Detailed Revised Estimates for 2009-10 and 2010-11
(\$mil)

	2009-10 Budgeted	2009-10 Estimated	2010-11 Budgeted	2010-11 Estimated
<u>Tax Revenue</u>				
Individual Income	\$ 9,514.2	\$ 9,170.7	\$ 9,952.4	\$ 9,587.5
Corporate Income	1051.1	1351.9	965.4	1101.6
Sales and Use	5,628.6	5,304.5	6,015.1	5,695.2
Franchise	622.0	708.7	633.1	686.4
Insurance	487.3	478.6	509.6	494.5
Tobacco Products	247.5	244.9	255.8	251.4
Beverage	287.9	282.3	281.2	277.2
Inheritance	113.1	78.8	121.9	95.1
Licenses	35.1	40.0	36.9	41.9
Mill Machinery	32.3	32.4	33.9	33.4
Piped Natural Gas	36.1	33.9	37.2	34.2
Gift	0.0	11.2	0.0	0.0
Miscellaneous	0.0	0.0	0.0	0.0
<i>Total Tax Revenue</i>	\$ 18,055.2	\$ 17,738.0	\$ 18,842.3	\$ 18,298.3
<u>Nontax Revenue</u>				
Investment Income	67.2	39.6	93.1	57.5
Judicial Fees	247.8	219.6	259.8	253.5
Disproportionate Share	125.0	125.0	100.0	135.0
Receipts				
Insurance Department	77.7	64.8	81.9	67.0
Miscellaneous	227.6	222.6	171.4	186.5
<i>Total Nontax Revenue</i>	\$ 745.3	\$ 671.6	\$ 706.2	\$ 699.5
<u>Transfers</u>				
Highway Fund	108.5	108.5	72.8	50.8
Highway Trust Fund	17.6	17.6	17.6	17.6
<i>Total Transfers</i>	\$ 126.1	\$ 126.1	\$ 90.4	\$ 68.4
Total General Fund Revenue	\$ 18,926.7	\$ 18,535.7	\$ 19,639.0	\$ 19,066.3

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

** Net of tax cut proposals*

-
- **Small Business Health Insurance Credit** - This incentive provides a credit of \$250 per employee to businesses with fewer than 25 employees if the business provides health insurance to employees making under \$45,000. The credit was previously enacted and expired this year. The Governor recommends reauthorizing the credit, saving small businesses an estimated \$5.0 million in 2010-11.
 - **Tax Break for Equipment Purchases** - This benefit allows qualifying businesses to expense more of the cost of business machinery and equipment, instead of depreciating it over a number of years. This change saves small businesses an estimated \$2.8 million in 2010-11.

High Unemployment Hiring Incentive - To encourage job creation in high unemployment areas, an additional \$2,000 credit would be included for job creation in counties with unemployment rates 125% or more above the state average. The credit would be effective starting January 1, 2011 for tax years 2011 and 2012. Taxpayers will save an estimated \$0.3 million in 2010-11.

Conform to Federal HIRE Act - The Governor recommends conformity to the Federal HIRE Act. Among other provisions, the Act provides employers with financial incentives for hiring unem-

ployed workers and retaining those workers for at least one year. Because this change increases North Carolina taxable income, it will generate an estimated \$4.9 million in 2010-11. When considered in combination with the "JobsNOW Back To Work Incentive Fund" (see Expansion items in the Reserves section) hiring incentive, North Carolina small businesses will save an estimated \$15.1 million in 2010-11.

Refund for Motorsports Aviation - To help continue the state's leadership position in the motorsports industry, the Governor recommends continuing the existing refund of sales taxes paid on aviation fuel used in motorsports event travel. This benefit is scheduled to expire on January 1, 2011. Extending the refund will save taxpayers an estimated \$0.1 million in 2010-11.

Continue Phase-out of the Highway Trust Fund Transfer - To help address critical congestion bottlenecks and improve the state's logistics capabilities, the transfer from the Highway Trust Fund is recommended to decrease by \$22.0 million in 2010-11.

Table 8

General Fund Revenue
Summary Revised Estimates for 2009-10 and 2010-11, Showing Changes
(\$mil)

	2009-10	2009-10		2010-11	2010-11		Percent
	Budgeted	Estimated	Difference	Budgeted	Estimated	Difference	Change
							2009-10 to
							2010-11
Individual Income Tax	9,514	9,171	(343)	9,952	9,587	(365)	4.5%
Sales and Use	5,629	5,305	(324)	6,015	5,695	(320)	7.4%
Corporate Income Tax	1,051	1,352	301	965	1,102	136	-18.5%
Franchise	622	709	87	633	686	53	-3.1%
Insurance	487	479	(9)	510	495	(15)	3.3%
Other Tax Revenue	752	724	(28)	767	733	(34)	1.3%
Nontax Revenue	745	672	(74)	706	700	(7)	4.2%
Highway Transfers	126	126	0	90	68	(22)	-45.8%
<i>Total Revenues</i>	<i>18,927</i>	<i>18,536</i>	<i>(391)</i>	<i>19,639</i>	<i>19,066</i>	<i>(573)</i>	<i>2.9%</i>
Unreserved Credit Balance					83		
<i>Total Availability</i>					<i>19,149</i>		

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

Revenue

Highway Fund

The Highway Fund receives support from three revenue sources. The primary source is the excise tax on motor fuels, of which the Highway Fund receives seventy-five percent. The second source is licenses and fees collected by the Division of Motor Vehicles. The third source is interest earned on investments of Highway Fund cash balances held by the State Treasurer. Figure 11 shows the percentages of the various components of the Highway Fund revenue collections projected for fiscal year 2010-11.

Highway Fund Forecast

Fallout from the recession continues to influence consumer and business confidence even as signs of a recovery begin to take shape. Total Highway Fund revenues continue to decline for fiscal year 2009-10 but not as rapidly as experienced in fiscal year 2008-09. As of March 2010, year-to-date total revenues are off budgeted revenues by \$12.6 million (or 1%). In light of inclement weather throughout February and into March,

revenue collections appear to be stabilizing over the past two months. Revised total Highway Fund tax revenues are expected to fall short of certified revenue by \$9.2 million (or 0.5%) for fiscal year 2009-10. Revised Highway Fund tax revenues are expected to rebound in fiscal year 2010-11 by \$53 million (or 3%).

Motor Fuels Excise Tax

The motor fuel excise tax is computed in January and in July of each fiscal year. The new rate is based on a six-month weighted average of the wholesale price of gasoline and diesel motor fuels. By actions of the 2007 General Assembly, the excise tax on motor fuel was set at a rate of 29.9 cents a gallon for the period of July 1, 2007 through June 30, 2009. By actions of the 2009 General Assembly, this cap was repealed and a floor instituted. For the period of July 1, 2009 through June 30, 2011, the motor fuel excise tax rate may not fall below 29.9 cents per gallon. The January 2010 reset of the excise tax on mo-

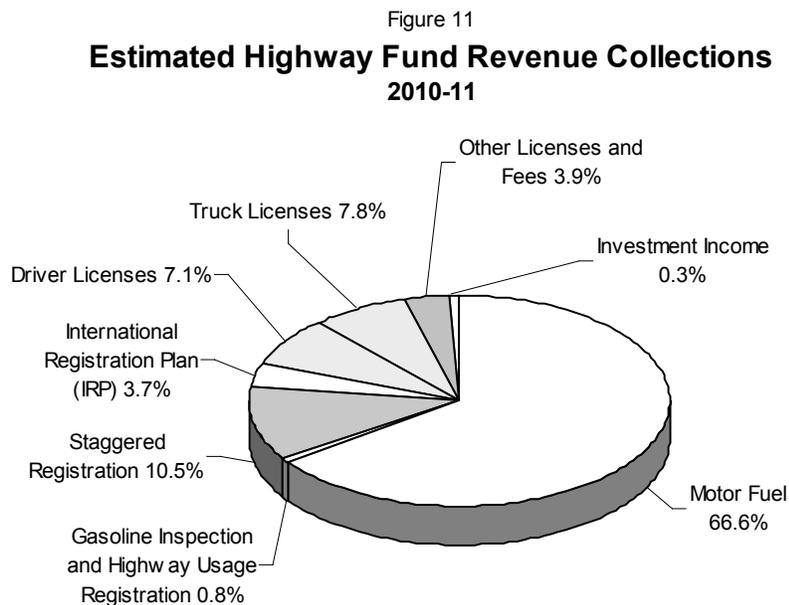


Table 9
Highway Fund Revenue
Revised Estimates for 2009-10 and 2010-11
(\$ Millions)

Source	2009-10 Certified	2009-10 Revised	(diff)	% Change	2010-11 Certified	2010-11 Revised	(diff)	% Change
Motor Fuels Tax								
Motor Fuels	\$ 1,108.46	\$ 1,129.90	\$ 21.44	1.9%	\$ 1,099.75	\$ 1,180.14	\$ 80.39	7.3%
Gasoline Inspection	13.44	\$ 13.90	0.46	3.4%	13.40	13.41	0.01	0.1%
Highway Use Reg.	0.21	\$ 0.30	0.09	43%	0.16	0.16	-	0.0%
Total Motor Fuel Taxes	\$ 1,122.11	\$ 1,144.10	\$ 21.99	2.0%	\$ 1,113.31	\$ 1,193.71	\$ 80	7.2%
Licenses and Fees								
Staggard Registration	\$ 202.22	\$ 193.50	\$ (8.72)	-4.3%	\$ 205.60	\$ 188.06	\$ (17.53)	-8.5%
International Registration Plan	65.19	58.70	(6.49)	-10.0%	66.62	66.62	-	0.0%
Driver Licenses	135.92	128.60	(7.32)	-5.4%	137.69	127.76	(9.93)	-7.2%
Truck Licenses	137.68	130.90	(6.78)	-4.9%	140.71	140.71	-	0.0%
Other Licenses and Fees	67.40	58.10	(9.30)	-13.8%	69.67	69.67	-	0.0%
Total Licenses and Fees	\$ 608.41	\$ 569.80	\$ (38.61)	-6.3%	\$ 620.29	\$ 592.83	\$ (27.46)	-4.4%
Investment Income	\$ 6.00	\$ 13.40	\$ 7.40	123.3%	\$ 6.00	\$ 6.00	\$ -	0.0%
Total Highway Fund Availability	\$ 1,736.52	\$ 1,727.30	\$ (9.22)	-0.5%	\$ 1,739.60	\$ 1,792.54	\$ 52.95	3.0%

* Revised Estimate based on tentative collections through March 2010.

tor fuels increased from 29.9 cents to 30.3 cents a gallon. This increase has influenced revenue collections by 1%. At the same time, taxable gallons have increased by 1.1%. Revised total motor fuel excise tax collections for fiscal year 2009-10 are expected to increase by \$21 million (or 2%). Revised Highway Fund motor fuel tax collections are estimated to increase \$80 million (or 7%) in fiscal year 2010-11.

Licenses and Fees

Lingering effects of the recession appear to continue to impact staggered registrations, truck registrations, driver licenses, and certain miscellaneous fees. In-state truck and international truck registrations (IRP) are clearly showing signs of a slow recovery, and both are expected to decline or experience flat revenue growth into fiscal year 2010-11. The same expectations apply to staggered registrations and driver license renewals in fiscal year 2010-11. It appears that consumers will continue to cut back on the number of vehicles maintained for highway use and drivers will reduce license renewals. Households and businesses are trying to minimize the cost associated with maintaining and insuring passenger and commercial vehicles for highway use until

both household and business incomes show signs of improvement.

Investment Income

Through the first nine months of fiscal year 2009-10, current interest earnings on investments held with the State Treasurer exceeded certified revenues by \$7 million. Revised investment income for fiscal year 2009-10 is expected to exceed certified revenues by \$7.4 million. Investment earnings are not expected to show an increase in fiscal year 2010-11.

Revenue Availability

The revised revenue available for distribution under the Highway Fund for fiscal year 2010-11 is estimated to be \$1,792.5 million or \$52.9 million over certified revenues for the same period. (see Table 9).

Revenue

Highway Trust Fund

The Highway Trust Fund, established in 1989, receives support from four sources. The primary source is the highway use tax, or sales tax, on vehicle sales. The second source is the excise tax on motor fuels. The Highway Trust Fund receives twenty-five percent of this excise tax. The third source is fees on certificates of title and other miscellaneous titles. The final source is the interest earned from investments of the Highway Trust Fund cash balances held by the State Treasurer. Figure 12 shows the percentages of the various components of the Highway Trust Fund revenue collections projected for fiscal year 2010-11.

Highway Trust Fund Forecast

Fallout from the recession continued to influence consumer and business confidence even as signs of a recovery began to take shape. Total Highway Trust Fund revenues continued to decline for most of fiscal year 2009-10 but not as rapidly as

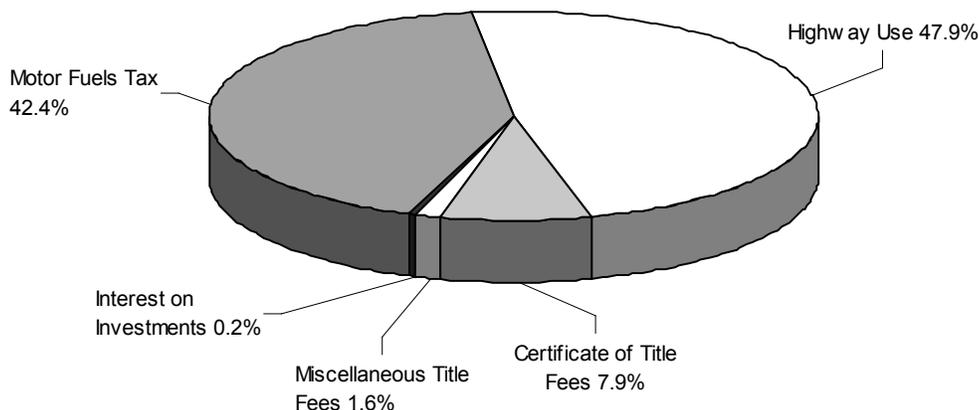
experienced in fiscal year 2008-09. In light of the inclement weather throughout February and into March, revenue collections appear to be stabilizing over the past two months. Revised total Highway Trust Fund tax revenues are expected to exceed certified revenue by \$6.5 million or 0.8% for fiscal year 2009-10. Revised Highway Trust Fund tax revenues are expected to increase slightly in fiscal year 2010-11 by \$7.7 million or 0.9%.

Highway Use Tax

Highway use tax collections appear to be strengthening. For the majority of fiscal year 2009-10, highway use tax collections have struggled to meet the monthly budget forecast. In March 2010, monthly revenue collections exceeded budget forecast by \$7 million or 21%. This monthly increase pushed year-to-date collections to \$3.0 million or 1% above budgeted revenue projections. September 2010 also pro-

Figure 12

Highway Trust Fund Revenue 2010-11



duced similar results, however most of which can be attributed to the federal government's cash-for-clunkers program. In September, the increase in use tax collections was \$4 million or 9% above monthly budgeted revenue projections. Revised use tax collections are expected to exceed certified revenues by \$3.0 million or 1% for fiscal year 2009-10. Revised use tax collections, for fiscal year 2010-11, are expected to fall short of certified revenues by \$17.5 million or 4%.

Motor Fuels Excise Tax

The motor fuel excise tax is computed in January and in July of each fiscal year. The new rate is based on a six-month weighted average of the wholesale price of gasoline and diesel motor fuels. By actions of the 2007 General Assembly, the excise tax on motor fuel was set at a rate of 29.9 cents a gallon for the period of July 1, 2007 through June 30, 2009. By actions of the 2009 General Assembly, this cap was repealed and a floor instituted. For the period of July 1, 2009 through June 30, 2011 the motor fuel excise tax rate may not fall below 29.9 cents per gallon. The January 2010 reset of the excise tax on motor fuels increased from 29.9 cents to 30.3 cents a gallon. This increase has influenced revenue collections by 1%. At the same time, taxable gallons have increased by 1.1%. Revised total motor fuel excise tax collections for fiscal year 2009-10 are expected to increase by \$8 million or 2%. Revised Highway Trust Fund motor fuel tax collections are estimated to increase \$27 million or 7% in fiscal year 2010-11.

Miscellaneous Title Fees

Certificates of title and other miscellaneous title fee collections generally trend up or down with highway use tax collections. For the majority of fiscal year 2009-10, certificate of title fee collections have struggled to meet the monthly budget forecast. In March 2010, monthly revenue collections exceed budget forecast by \$0.9 million or 13%. For the same period, the loss in monthly miscellaneous title fees went from \$199,000 in February to \$25,000 in March. Revised total combined title fee collections are estimated to fall below certified revenues by \$3.8 million or 4.3% in fiscal year 2009-10. Revised total combined title fee collections are estimated

to fall below certified revenues by \$1.7 million or 2% in fiscal year 2010-11.

Investment Income

Highway Trust Fund cash balances held with the State Treasurer are used to pay more frequent expenses associated with contractual activity. The monthly interest earnings are subject to more variable principal balances. Through the first nine months of fiscal year 2009-10, current interest earnings on investments held with the State Treasurer have fallen short of certified revenues by \$0.6 million. Revised investment income for fiscal year 2009-10 is expected to fall short of certified revenues by \$0.6 million. Investment earnings for fiscal year 2010-11 are not expected to show a significant increase.

Transfers to General Fund

Prior to the creation of the Highway Trust Fund in 1989, the sales or use tax from the retail sale and the long-term lease of motor vehicles was collected under General Fund revenues. In order to hold the General Fund harmless, an annual distribution is made from the Highway Trust Fund revenue collections to the General Fund. By actions of the 2008 General Assembly, the annual distribution will be reduced each year until the transfer to the General Fund is phased out. For fiscal year 2009-10, the transfer is \$108.5 million. For fiscal year 2010-11, the transfer is \$50.8 million.

Highway Trust Fund Revenue Availability

The additional revenue available for distribution under the Highway Trust Fund for fiscal year 2010-11 is estimated to be \$7.7 million. The revenue available for distribution under the North Carolina Mobility Fund for fiscal year 2010-11 is estimated to be \$72.6 million. (See Tables 10 and 11).

North Carolina Mobility Fund

The North Carolina Mobility Fund is created within the Highway Trust Fund. It is funded by reducing the transfer from the Highway Trust fund to the General Fund and increasing certain motor vehicle related fees. The purpose of the Fund is to create a dedicated source of revenue that can be

used for projects that have statewide significance and are linked to statewide economic goals. The revenue available to the North Carolina Mobility Fund in fiscal year 2010-11 is \$72.6 million. Table 11 shows the various fee schedules used to fund the North Carolina Mobility Fund for fiscal year 2010-11.

Table 10
Highway Trust Fund Revenue
 Revised Estimates for 2009-10 and 2010-11
 (\$ Millions)

Source	2009-10 Certified	2009-10 Revised	(diff)	% Change	2010-11 Certified	2010-11 Revised	(diff)	% Change
<u>Fuel Taxes and Fees</u>								
Motor Fuel Tax	\$369.5	\$377.4	\$7.9	2%	\$366.6	\$393.4	\$26.8	7%
Highway Use	421.6	424.6	\$3.0	1%	462.5	445.0	(\$17.5)	-4%
Certificate of Title Fees	74.0	71.7	(\$2.3)	-3%	75.5	73.7	(\$1.8)	-2%
Miscellaneous Title Fees	14.8	13.3	(\$1.5)	-10%	15.1	15.2	\$0.2	1%
Subtotal	\$879.9	\$887.0	\$7.1	0.8%	\$919.6	\$927.3	\$7.7	0.8%
<u>Interest on Investments</u>	\$1.4	0.8	(\$0.6)	-43%	\$1.4	\$1.4	\$0.0	0%
Subtotal Highway Trust Fund	\$881.3	\$887.8	\$6.5	0.7%	\$921.0	\$928.7	\$7.7	0.8%
Transfers to General Fund	\$108.5	\$108.5	\$0.0		\$50.8	\$50.8	\$0.0	
Total Highway Trust Fund	\$772.8	\$779.3	\$6.5	0.8%	\$870.2	\$877.9	\$7.7	0.9%
Proposed Fee Adjustment, NC Mobility Fund						\$72.6		
Total Highway Trust Fund Availability	\$772.8	\$779.3	\$6.5	0.8%	\$870.2	\$950.5	\$80.3	9%

* Revised Estimate based on tentative collections through March 2010.

Table 11
North Carolina Mobility Funding
Proposed Fee Adjustment
(Annual Basis)

**Proposed Changes in Fee Collections Dedicated to the
North Carolina Mobility Fund**

	Revenue Adjustment (millions)
Drivers License Fees	
Copies of Drivers License Records	
<i>Increase the fee 25%</i>	\$ 17.0
Staggered Registrations	
Automobiles and Light Truck Registrations	
<i>Increase fees 25%</i>	\$ 48.9
International Registration Plan (IRP)	
Trucks Used in Interstate Commerce	
<i>Increase various Interstate Motor Carrier Fees</i>	\$ 3.1
Registration Fees	
Miscellaneous Registration Fees under the Highway Trust Funds	
<i>Increase fees 33%</i>	\$ 3.6
Total Fee Adjustment to Support NC Mobility Fund	\$72.6

Recommended Adjustments

Education

Public Education

The University of North Carolina

Community Colleges

Public Education (13510)

Total Appropriations and Positions				
	2010-11 Certified	Net Recommended Expansion and Reduction	2010-11 Recommended	Percent Change
Requirements	\$10,202,479,287	(\$278,189,555)	\$9,924,289,732	(2.7)%
Receipts	<u>2,841,646,064</u>	<u>36,638,646</u>	<u>2,878,284,710</u>	1.3 %
Appropriation	<u>\$7,360,833,223</u>	<u>(\$314,828,201)</u>	<u>\$7,046,005,022</u>	(4.3)%
Positions	792.702	(36.000)	756.702	(4.5)%

Appropriation Items -- Recommended Adjustments

Technical Adjustments

2010-11

State Fiscal Stabilization Fund

1. Education Stabilization Fund -Career and Technical Education (CTE)

This adjustment temporarily reduces the CTE allotment by \$54.6 million nonrecurring to meet the allocation requirements of the Education Stabilization Fund (ESF). This reduction will be offset dollar for dollar by the appropriation of the federal Education Stabilization Fund (ESF). The ESF will be distributed via the State's primary funding formulae.

Appropriation - Nonrecurring (\$54,658,931)

2. Lottery Receipts Adjustment

The Education Lottery Commission projects an increase in lottery receipts for 2010-11.

Requirements -

Receipts \$36,638,646

Appropriation (\$36,638,646)

Total Recommended Technical Adjustments

Recurring

Requirements	-
Receipts	36,638,646
	<hr/>
Appropriation	(\$36,638,646)
Number of Positions	-

Nonrecurring

Requirements	(\$54,658,931)
Receipts	-
	<hr/>
Appropriation	(\$54,658,931)
Time Limited Positions	-

Reductions

2010-11

State Public School Fund

1. Average Teacher Salary Adjustment

Revise budgeted average annual salaries using actual 2009-10 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 savings can be realized without reducing teacher salaries.

Appropriation (\$44,950,676)

2. Average Daily Membership (ADM) Adjustment

This appropriation ensures adequate funding for positions and instructional supplies that are allocated to the LEAs based on ADM. ADM is currently budgeted for 1,464,914 in 2009-10 and 1,478,785 projected ADM for 2010-11. Recent data result in an overall net decrease of 3,127 from the 2010-11 projected ADM. Total funded ADM for 2010-11 is 1,475,668.

Appropriation (\$4,980,046)

3. Average Daily Membership (ADM) Contingency Reserve

This adjustment reduces the ADM Contingency Reserve by 50%.

Appropriation (\$2,618,501)

4. Transportation Average Daily Membership Adjustment

Transportation ADM is budgeted for the biennium. The second year of the biennium provides an opportunity to adjust the budgeted ADM based on allotted rather than projected ADM. This item decreases the transportation budget by \$5 million to align with this ADM adjustment.

Appropriation (\$5,000,000)

5. Exceptional Children Headcount Adjustment

This recommended adjustment revises the budgeted funding for pre-school and school-age children with disabilities based on an average of the Exceptional Children Headcount adjustments made in recent fiscal years based on students served. This does not reduce the per student funding.

Appropriation (\$6,000,000)

6. Local Education Agency (LEA) Flexibility Adjustment

This item adjusts the state aid to LEAs. When administering this reduction, LEAs shall maximize the use of federal funds including those received through the American Recovery and Reinvestment Act, Title I, IDEA, Title II and new Jobs Legislation being debated in Congress. LEAs shall also manage through attrition to the maximum extent possible when implementing this reduction. LEAs shall ensure that the allocation of teachers, teacher assistants, and class size requirements in grades K-3 remains unchanged. The State Board of Education shall distribute this reduction based on average daily membership (ADM).

Appropriation (\$135,000,000)

7. Central Office Administration

This is a dollar allotment to the LEAs that will be reduced by 5%.

Appropriation (\$5,400,000)

8. Assistant Principals

Assistant Principals are currently funded in grades K through 12 at a rate of one month of employment (MOE) for every 80 ADM; or one 10-month Assistant Principal for every 800 students. The recommended adjustment will fund one 10-month Assistant Principal for every 863 students in grades K-12, or one MOE for every 86.3 ADM.

Appropriation (\$8,908,472)

9. Instructional Support Personnel

This adjustment reduces the Instructional Support Personnel allotment category by 2%.

Appropriation (\$7,167,477)

10. At-Risk Allotment Adjustment

The goal of this allotment is to provide services to students who are at-risk of school failure and for dropping out prior to graduation. Priority uses of these funds are instructional and instructional support personnel, and in-school and after-school remediation. This adjustment eliminates expenditures for clerical and custodial personnel from this allotment in the amount of \$6.4 million. In addition, a portion of this allotment category supports School Resource Officers (SROs). Funds are allotted to LEAs based on a specified salary and benefits amount of \$37,838. It is recommended that only the actual salary and benefits amount be supported with these funds, reducing the allotment category by \$1.2 million.

Appropriation (\$7,634,652)

11. Disadvantaged Student Supplemental Funding (DSSF)

This item eliminates the hold harmless clause which began in 2005-06 that dedicated \$22.5 million to the 16 original LEAs.

Appropriation (\$1,975,008)

12. Low Wealth Supplemental Funding

This adjustment will maintain the low wealth appropriation at the 2009-10 level.

Appropriation (\$10,081,042)

13. Small County Supplemental Funding Reserve

This item eliminates the Small County Supplemental Funding Reserve. This does not reduce the 2010-11 allotments to the LEAs.

Appropriation (\$2,000,000)

14. Instructional Supplies and Equipment

This adjustment provides a 3% inflationary increase to the instructional supplies and equipment allotment category rather than the 6% inflationary increase requested.

Appropriation (\$2,685,716)

15. Child and Family Support Teams

This item adjusts the Child and Family Support Teams 2010-11 budget by \$2.5 million. An appropriation balance of \$9.1 million will continue to support this initiative.

Appropriation (\$2,500,000)

16. Supplementary Breakfast

The supplementary breakfast that is currently made available to non-needy Kindergarteners across the state is eliminated. This reduction does not impact students who are eligible for free and reduced meals; these students will remain fully funded.

Appropriation (\$2,017,761)

17. School Bus Replacement

This item delays the 2010-11 school bus replacement for one year. A \$1 million balance would remain available to support emergency replacement needs.

Appropriation - Nonrecurring (\$11,900,000)

18. NC WISE

NC WISE is deployed and is in operations and maintenance phase, reducing the budgetary needs by \$2 million. This adjustment also includes a \$5 million nonrecurring reduction of the cash balance. The remaining balance would support the hardware and reporting projects that are critical to the schools and are near completion. Savings will be reinvested to support the Governor's Career and College-Ready, Set, Go! initiative, student diagnostics in grades K-3 and grade 5.

Appropriation (\$2,000,000)

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

Department of Public Instruction

1. Agency Operating Funds

This adjustment reduces agency operating funds by the same amount that the Department of Public Instruction has held in reserve and that has remained unexpended for 2009-10.

Appropriation (\$2,375,850)

2. Department Information Technology (IT)

Eliminate 26 positions and one contractor in order to find efficiencies and reduce redundancy. The reduction includes departmental NC WISE positions, Offices of the Chief Information Officer (CIO), Chief Technology Officer (CTO), Technology Business Services, and Project Management. NC WISE has been deployed, reducing the need for personnel. The IT Operations and Connectivity areas shall be excluded from this reduction. IT Operations provides critical support functions to the local school administrative units (LEAs) and to the agency including systems administration, desk top support, applications support, and the NC WISE service desk. Connectivity personnel provide LEA assistance to ensure that that e-rate revenues are realized.

Appropriation (\$2,828,444)

Number of Positions (26.000)

3. Academic Services and Instructional Support

Eliminate 10 positions in Academic Services and Instructional Support, thereby reducing redundant positions and functions. The District and School Transformation area shall be exempted from any reduction in personnel.

Appropriation (\$1,080,000)

Number of Positions (10.000)

4. More at Four

The Task Force on Early Childhood Education and Care identified savings in the More at Four budget by defining and capping administrative costs claimed by contractors. These savings allow the More at Four budget to be reduced by 4% or \$3.2 million without affecting services to children.

Appropriation (\$3,240,466)

5. Legacy

Funds were appropriated on a nonrecurring basis in three phases; 2006-07, and each year of the 2007-09 biennium to enable the department to bring information technology applications into compliance with the statewide architecture requirements. The total appropriation for this purpose was \$6 million. This recommended reduction eliminates the cash balance for this project which has been completed.

Appropriation - Nonrecurring (\$1,300,000)

6. North Carolina Center for the Advancement of Teaching (NCCAT)

This adjustment represents a 4% reduction to the 2010-11 NCCAT budget of \$5.9 million.

Appropriation (\$236,529)

Pass-Through Funds

1. Non-State Entities

This adjustment represents a 4% reduction to each of the following entities: a Communities in Schools reduction of \$57,870, a \$5,100 reduction to Science Olympiad, and a Tarheel Challenge reduction of \$49,134.

Appropriation (\$112,104)

Total Recommended Reductions

Recurring

Requirements	(\$260,792,744)
Receipts	-
<hr/>	
Appropriation	(\$260,792,744)
Number of Positions	(36,000)

Nonrecurring

Requirements	(\$18,200,000)
Receipts	-
<hr/>	
Appropriation	(\$18,200,000)
Time Limited Positions	-

Expansion

2010-11

Career and College-Ready, Set, Go!

1. North Carolina Virtual Public Schools (NCVPS)

This item supports the NCVPS funding formula adopted by the State Board of Education, which relies on general fund appropriation due to the supplemental nature of the NCVPS courses. The recommended increase will support a 25% increase in student enrollments in the 2010-11 school year and an average per course enrollment cost of \$324. These funds may not be used to create positions or for the administration of NCVPS.

Appropriation **\$10,994,157**

2. Student Diagnostics Grades K-3 and Grade 5

A nonrecurring appropriation of \$21.2 million will provide teachers with the tools they need to diagnose student skill levels in reading and math. The costs include the purchase of a hand-held diagnostic device for teachers in grades K-3 and grade 5, and teacher training to use the devices, interpret data, and develop instructional strategies for students. The technology provides immediate student-specific feedback regarding student skills mastery and allows teachers to immediately address areas of need for individual students. The recurring appropriation supports the annual software subscription fee for each student in grades K-3 and grade 5.

Appropriation **\$17,737,556**

Appropriation - Nonrecurring **\$21,238,000**

3. Student Diagnostics and Intervention Initiative Grades 8 and 11

Support student diagnostics in math, science, reading, and writing for all students in grades 8 and 11. The State Board of Education is directed to maximize the use of federal funds to implement an academic boot camp for students requiring remediation to ensure that they graduate college and career ready.

Appropriation **\$1,392,407**

4. Education Value-Added Assessment System (EVAAS)

This item provides \$2 million to support EVAAS: \$750,000 will provide all teachers with value-added monitoring tools; and \$1.25 million will support the statewide web application that includes student projections. These tools and services will be available at the teacher, school, and district levels.

Appropriation \$2,000,000

5. New Schools Project

This item will provide funds to the New Schools Project to provide direct support to teachers and administrators for the delivery and evaluation of professional development services in the Early Colleges and redesigned high schools. The New Schools Project shall report the specific outcomes and how this work implements the Governor's Career and College-Ready, Set, Go! Initiative to the Office of the Governor and State Board of Education by March 1, 2011.

Appropriation - Nonrecurring \$500,000

6. Dropout Prevention Grants

This nonrecurring appropriation supports dropout prevention grants to be disseminated to entities that are selected by the Dropout Prevention Committee. Projects awarded grant funding should address those elements most highly correlated with students leaving school prior to graduation.

Appropriation - Nonrecurring \$1,500,000

7. Governor's School

A \$500 per student tuition charge for Governor's School participation was instituted for 2010-11. This item provides funds to assist needy students for whom the tuition charge may present a hardship. LEAs should identify other funding sources to support future participation of needy students.

Appropriation - Nonrecurring \$100,000

Total Recommended Expansion

Recurring

Requirements	\$32,124,120
Receipts	-
	<hr/>
Appropriation	\$32,124,120
Number of Positions	-

Nonrecurring

Requirements	\$23,338,000
Receipts	-
	<hr/>
Appropriation	\$23,338,000
Time Limited Positions	-

**Total Recommended Adjustments for
Public Education
2010-11**

Recurring

Requirements (\$228,668,624)

Receipts 36,638,646

Appropriation (\$265,307,270)

Number of Positions (36.000)

Nonrecurring

Requirements (\$49,520,931)

Receipts -

Appropriation (\$49,520,931)

Time Limited Positions -

The University of North Carolina (160xx)

Total Appropriations and Positions				
	2010-11 Certified	Net Recommended Expansion and Reduction	2010-11 Recommended	Percent Change
Requirements	\$3,972,352,497	\$18,053,433	\$3,990,405,930	0.5 %
Receipts	<u>1,315,800,489</u>	<u>(24,624,743)</u>	<u>1,291,175,746</u>	(1.9)%
Appropriation	<u>\$2,656,552,008</u>	<u>\$42,678,176</u>	<u>\$2,699,230,184</u>	1.6 %
Positions	36,828.810	183.000	37,011.810	0.5 %

Appropriation Items -- Recommended Adjustments

Technical Adjustments

2010-11

State Fiscal Stabilization Fund

1. Education Stabilization Fund

This adjustment increases UNC nonrecurring funding by \$54.6 million to meet the allocation requirements of the Education Stabilization Fund.

Appropriation - Nonrecurring \$54,658,931

Total Recommended Technical Adjustments

Recurring

Requirements -

Receipts -

Appropriation -

Number of Positions -

Nonrecurring

Requirements \$54,658,931

Receipts -

Appropriation \$54,658,931

Time Limited Positions -

Reductions

2010-11

UNC - General Administration

1. UNC-TV Analog to Digital Transition

UNC-TV was able to accomplish the transition from analog to digital by the June 2009 deadline. As a result, UNC-TV anticipates a reduction in utility costs of approximately 35%.

Appropriation (\$632,140)

2. Administrative and Maintenance Reductions

A reduction is recommended in administrative, maintenance, training, and computer replacement expenses. It is also recommended that the budget be reduced for the Center for School Leadership Development Information Technology personnel reduction implemented in 2009-10.

Appropriation (\$104,884)

Number of Positions (1,000)

3. NC Research Education Network (NCREN)

It is recommended that NCREN reduce replacement costs for data equipment and video network electronics by lengthening the life-cycle and implementing cost saving measures for network connections and videoconferencing support.

Appropriation (\$135,880)

4. Management Flexibility

It is recommended that UNC-General Administration enact additional cost saving measures as determined by the UNC System President and the Board of Governors. This reduction represents a 2.4% decrease to the UNC-General Administration budget.

Appropriation (\$1,036,983)

UNC Hospital, Campus and System-Wide Reductions

1. UNC Hospitals Operating Funds

A 3.9% reduction to the transfer from the General Fund to the UNC Hospitals operating fund is recommended. Due to higher interest and investment gains as well as increased operating income, the 2009-2010 net income (as of 2/28/10) is \$83.8 million, an increase of \$205.9 million over the same time period in 2008-09.

Appropriation (\$1,716,463)

2. NC Legislative Tuition Grant (LTG) Rate Reduction

A 3.9% reduction to the LTG rate (from \$1,850 to \$1,778 per FTE) is recommended.

Appropriation (\$1,172,542)

3. Reserve for Distance Education/Capacity Enhancement

Distance education is currently included in the enrollment growth model; consequently, the redundant distance education reserve account is eliminated.

Appropriation (\$651,483)

4. Eliminate Reserve for Information Technology

It is recommended that the residual balance remaining from a \$10 million recurring appropriation in 1999-00 be removed.

Appropriation (\$755,917)

5. Management Flexibility - UNC Campuses

A management flexibility reduction is recommended for all UNC constituent institutions. In allocating this reduction, campuses shall consider faculty workload adjustments, restructuring of research activities, reduction in middle management or senior academic and administrative officer positions, elimination of low-performing or redundant programs, shifting programs or positions to receipt-funding where possible, and other staff and operational efficiencies. When implementing personnel reductions, campuses are encouraged to abolish vacant positions first. Institutions shall not reduce funds appropriated for financial aid, faculty recruiting and retention, building reserves, or the high school initiative. This reduction represents a 3.9% average decrease to campus level budgets.

Appropriation (\$98,969,117)

Total Recommended Reductions

Recurring

Requirements	(\$105,175,409)
Receipts	-
<hr style="width: 100%;"/>	
Appropriation	(\$105,175,409)
Number of Positions	(1,000)

Nonrecurring

Requirements	-
Receipts	-
<hr style="width: 100%;"/>	
Appropriation	-
Time Limited Positions	-

Expansion 2010-11

Career and College - Ready, Set, Go!

1. Career and College Promise - Need-Based Financial Aid

Expansion of the Need-Based Financial Aid program is recommended to serve approximately 4,600 new students (FTE). The higher FTE count is based on enrollment growth and increased student need resulting from difficult economic conditions. Funds will also cover tuition and fee increases as approved by the Board of Governors and increases in other costs (room, board, books, transportation, etc.) based on historical data. The recommendation will continue the investment toward meeting the Governor's goal that all students graduating be prepared for a career, two-year or four-year college, or technical training.

Appropriation \$34,856,563

2. Enrollment Growth

It is recommended that enrollment growth funding be increased to fully fund an additional 4,926 FTE (2.5%). The 2010-11 certified budget already contains an increase of \$53.4 million for an additional 4,485 FTE (2.3%) over the 193,433 FTE budgeted in 2009-10. This increase represents the incremental difference (441 FTE or 0.2%).

Requirements	\$15,788,372
Receipts	\$10,151,558
	<hr/>
Appropriation	\$5,636,814

Other Expansion Priorities

1. Campus Initiated Tuition Increases (CITI)

This item eliminates the tuition rates enacted in the 2009 Session and restores the associated 2010-11 appropriation reduction. Tuition receipts currently budgeted for UNC general operations are replaced with general fund appropriation to allow targeted use of tuition receipts. Tuition rates (CITI) approved by the UNC Board of Governors for 2010-11 shall be implemented. Of the revenue generated by the CITI, 51% will be used for need-based financial aid, 25% will be directed toward initiatives for improving graduation and retention rates, and the balance will be used by campuses to meet other critical needs.

Requirements	-
Receipts	(\$34,776,301)
	<hr/>
Appropriation	\$34,776,301

2. Faculty Recruiting & Retention Fund

An increase is recommended to expand the Faculty Recruiting and Retention Fund. Additional resources for faculty salary increases will bolster efforts by the UNC System President to recruit and retain faculty in critical need areas.

Appropriation	\$1,000,000
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3. Small Special Focus Schools

Since smaller special focus campuses have limited access to alternative funding sources, it is recommended that funding be restored for (1) the high school initiative at the UNC School of the Arts so that resident high school students may continue to attend free of charge; and (2) educational supplies inflation to allow the North Carolina School of Science and Math to replenish perishable science supplies.

North Carolina School of Science and Math	80,851
UNC School of the Arts	201,165
	<hr/>
Appropriation	\$282,016

4. ECU Dental School Accreditation

An increase is recommended to continue implementation of the ECU Dental School. Additional funds will be used to recruit dental school faculty and staff, continue curriculum development, and purchase technical equipment. Classes are scheduled to begin in Fall 2011.

Appropriation \$1,000,000

5. Building Reserves

Increased funding is recommended to support operating costs of new and renovated buildings completed in 2009-11. Recurring funding will meet 60% of the need for ongoing costs such as security, maintenance and housekeeping. Nonrecurring funding will supply 40% of the requested vehicles, equipment and furnishings needed to make the new facilities fully operational.

Appropriation \$12,220,902

Appropriation - Nonrecurring \$1,922,058

Number of Positions 184,000

6. The Soldier Institute for Regenerative Medicine

In order to attract federal investment in the Soldier Institute for Regenerative Medicine at Piedmont Triad Research Park, it is recommended that the State provide funds to the Wake Forest Institute for Regenerative Medicine at Wake Forest University. Research will focus on treatment of soldier wounds by creating major tissue reconstruction for limbs, fingers and toes; facial reconstruction; and skin burn repair. This program will be implemented as specified by S.L. 2007-323.

Appropriation - Nonrecurring \$1,500,000

Total Recommended Expansion

Recurring

Requirements	\$65,147,853
Receipts	(24,624,743)
Appropriation	<u>\$89,772,596</u>
Number of Positions	184,000

Nonrecurring

Requirements	\$3,422,058
Receipts	-
Appropriation	<u>\$3,422,058</u>
Time Limited Positions	-

**Total Recommended Adjustments for
The University of North Carolina
2010-11**

Recurring

Requirements (\$40,027,556)

Receipts (24,624,743)

Appropriation (\$15,402,813)

Number of Positions 183.000

Nonrecurring

Requirements \$58,080,989

Receipts -

Appropriation \$58,080,989

Time Limited Positions -

Community Colleges (16800)

Total Appropriations and Positions				
	2010-11 Certified	Net Recommended Expansion and Reduction	2010-11 Recommended	Percent Change
Requirements	\$1,315,582,138	\$107,423,000	\$1,423,005,138	8.2 %
Receipts	<u>303,114,360</u>	<u>75,140,694</u>	<u>378,255,054</u>	24.8 %
Appropriation	<u>\$1,012,467,778</u>	<u>\$32,282,306</u>	<u>\$1,044,750,084</u>	3.2 %
Positions	220.000	(7.000)	213.000	(3.2)%

Appropriation Items -- Recommended Adjustments

Technical Adjustments

2010-11

1. Curriculum Tuition Increase

Tuition rates charged for students enrolled in curriculum courses shall be increased by \$8 per credit hour. Of the tuition revenue raised, 20% will be set aside to increase need-based financial aid for community college students. The remaining tuition will be used to support the instructional needs of each community college.

Requirements	-
Receipts	\$32,440,740
Appropriation	(\$32,440,740)

2. Overrealized Tuition Receipts

The recommended amount budgeted for tuition and fees is increased to more accurately reflect anticipated receipts. These additional receipts are expected to be available because 2009-10 enrollment has exceeded budgeted levels and additional enrollment growth is anticipated in 2010-11.

Requirements - Nonrecurring	-
Receipts - Nonrecurring	\$10,000,000
Appropriation - Nonrecurring	(\$10,000,000)

3. One-Time Increase in Federal Literacy Receipts

Due to the correction of a calculation error, North Carolina will receive a one-time increase in literacy funds equal to \$4.5 million in 2010-11. This recommendation would reduce the state appropriation by an equal amount for 2010-11 only.

Requirements - Nonrecurring	-
Receipts - Nonrecurring	\$4,500,000
<hr/>	
Appropriation - Nonrecurring	(\$4,500,000)

4. Restore Community Re-entry Education

Funding shall be restored to provide community re-entry education opportunities. This funding was removed in 2010-11 while these opportunities were undergoing a legislative continuation review. Educational opportunities shall be limited to those Basic Skills and continuing education courses that ensure adequate literacy and job skills to pursue a productive life. Curriculum courses and instruction at federal and local facilities shall not be offered.

Appropriation	\$19,810,787
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Total Recommended Technical Adjustments

Recurring

Requirements	\$19,810,787
Receipts	32,440,740
<hr/>	
Appropriation	(\$12,629,953)
Number of Positions	-

Nonrecurring

Requirements	-
Receipts	14,500,000
<hr/>	
Appropriation	(\$14,500,000)
Time Limited Positions	-

Reductions 2010-11

System Office

1. Eliminate System Office Positions

This recommendation eliminates four vacant and three filled positions in the Community College System Office. The duties of these positions shall be eliminated or absorbed by other System Office employees.

Appropriation	(\$575,022)
Number of Positions	(7.000)

2. Move Position to Receipt Support

This recommendation shifts one Education Consultant entirely to proprietary school receipts. This position oversees the activities that generate these receipts. This position was shifted partially to proprietary school receipts in 2009-10.

Requirements	-
Receipts	\$60,747
<hr/>	
Appropriation	(\$60,747)

3. General Education Development (GED) Program

The General Education Development (GED) program shall be supported entirely by receipts. It is recommended that the fees assessed to individuals taking the GED test be increased to \$15 for the initial test and \$5 for each time the test is re-taken. These fees will be used to support the costs of administering the tests, including scoring the tests and printing the GED certificates.

Requirements	-
Receipts	\$118,992
<hr/>	
Appropriation	(\$118,992)

4. Reduce System Office Operating Budget

It is recommended that the System Office operating budget be reduced. These reductions will include travel, training, information technology, advertising, the State Board Reserve, and other operating expenses.

Advertising	(150,000)
State Board Reserve	(160,000)
Other Operational Efficiencies	(158,764)
<hr/>	
Appropriation	(\$468,764)

Colleges - State Aid

1. Fayetteville Technical Community College Botanical Laboratory

The remaining appropriation for the botanical laboratory at Fayetteville Technical Community College shall be eliminated. These funds were first received in 2003-04 and were used to start up a botanical laboratory in cooperation with the Cape Fear Botanical Gardens. Fayetteville Tech has the only horticulture program in the North Carolina Community Colleges that is supported by a special appropriation.

Appropriation	(\$264,000)
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2. Hickory Metro Higher Education Center

The Hickory Metro Higher Education Center at Catawba Valley Community College shall be combined with the NC Center for Engineering and Technology, also located in Hickory and administered through Appalachian State University.

Appropriation	(\$264,833)
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3. Management Flexibility Reduction - State Aid

A flexibility reduction of \$33.3 million shall be made to give the State Board of Community Colleges the discretion to identify specific reduction in the State Aid budget. This amount reflects a 3.5% reduction of the 2010-11 budget. The State Board of Community Colleges shall distribute the flexibility reduction based upon FTE or another method that accounts for the unique needs of specific colleges. Each college has the flexibility to adjust their budget to implement this reduction, but shall not reduce funds appropriated for financial aid, small business centers, and equipment.

Appropriation (\$33,268,064)

Total Recommended Reductions

Recurring

Requirements	(\$34,840,683)
Receipts	179,739
<hr/>	
Appropriation	(\$35,020,422)
Number of Positions	(7,000)

Nonrecurring

Requirements	-
Receipts	-
<hr/>	
Appropriation	-
Time Limited Positions	-

Expansion

2010-11

Career and College - Ready, Set, Go!

1. Fully Fund Regular Term Enrollment Growth

This recommendation fully funds the regular term enrollment growth at community colleges. The 2010-11 budget currently includes \$41.1 million for enrollment growth, and this recommendation will fund the remaining costs. The spring semester 2009-10 census from the NC Community College System shows a total enrollment increase of 34,118 full-time equivalents (FTEs) students above the 2009-10 budgeted enrollment of 213,472. The 2010-11 budgeted enrollment is 247,590 FTEs, a 15.8% increase over 2009-10. Curriculum enrollment increased by 28,964 FTEs (or 17.1%), continuing education enrollment by 3,161 (or 11.8%), and basic skills enrollment by 1,993 FTEs (or 10.1%).

Requirements	\$113,061,847
Receipts	\$28,020,215
<hr/>	
Appropriation	\$85,041,632

2. Equipment and Technology

It is recommended that \$2.5 million be appropriated to help address equipment and technology needs in the community colleges. These funds will help reduce program waiting lists and meet technology training needs, thereby supporting quality education and training community college students for today's workforce.

Appropriation \$2,500,000

3. Career and College Promise - Expand Need-Based Financial Aid

Twenty percent (20%) of the tuition increase recommended in this budget shall be used to expand need-based financial aid for community college students. This additional aid may be combined with increased Pell Grant awards to minimize cost increases to community college students. This recommendation will continue the investment toward meeting the Governor's goal for all students graduating prepared for a career, 2-year or 4-year college or technical training.

Appropriation \$6,488,188

4. Small Business Centers

As part of the Governor's JobsNOW initiative, it is recommended that the reduction made to the Small Business Centers in the 2009-10 budget be restored.

Appropriation \$402,861

Total Recommended Expansion

Recurring

Requirements	\$122,452,896
Receipts	28,020,215
	<hr/>
Appropriation	\$94,432,681
Number of Positions	-

Nonrecurring

Requirements	-
Receipts	-
	<hr/>
Appropriation	-
Time Limited Positions	-

**Total Recommended Adjustments for
Community Colleges
2010-11**

Recurring

Requirements	\$107,423,000
Receipts	60,640,694
	<hr/>
Appropriation	\$46,782,306
Number of Positions	(7.000)

Nonrecurring

Requirements	-
Receipts	14,500,000
	<hr/>
Appropriation	(\$14,500,000)
Time Limited Positions	-

Recommended Adjustments

General Government

General Assembly

Office of the Governor

Office of State Budget and Management

North Carolina Housing Finance Authority

Office of the Lieutenant Governor

Department of Secretary of State

Office of the State Auditor

Department of State Treasurer

Department of Insurance

Department of Administration

Office of the State Controller

Department of Revenue

Department of Cultural Resources

Roanoke Island Commission

State Board of Elections

Office of Administrative Hearings

General Assembly (11000)

Total Appropriations and Positions				
	2010-11 Certified	Net Recommended Expansion and Reduction	2010-11 Recommended	Percent Change
Requirements	\$57,844,584	(\$2,731,696)	\$55,112,888	(4.7)%
Receipts	<u>1,260,100</u>	-	<u>1,260,100</u>	0.0 %
Appropriation	<u>\$56,584,484</u>	<u>(\$2,731,696)</u>	<u>\$53,852,788</u>	(4.8)%
Positions	332.000	-	332.000	0.0 %

Appropriation Items -- Recommended Adjustments

Reductions

2010-11

1. Reduce Budgeted Days during Interim

This reduction brings the projected days in line with the average number of days temporary staff are working and the average number of days members are traveling during the Interim. This reduction does not impact the number of days temporary staff are authorized to work, nor does it impact the number of days members are authorized to travel during the Interim.

Appropriation (\$1,241,331)

2. Reduce Budget Weeks of Session

This reduction brings the projected number of weeks in line with the average number of weeks of Session for the past three short session fiscal years. This impacts the number of weeks temporary staff are funded full-time and the number of weeks members' subsistence and travel are funded during the session.

Appropriation (\$621,163)

3. Reduce Non-Personnel Budget of Information Systems Division

Reductions will come from operating accounts such as purchased services, supplies, and property, plant and equipment lines. The reductions will not have any impact on personal services such as salaries or longevity pay.

Appropriation (\$96,350)

4. Reduce Reserves for Legislative Services Commission

Appropriations for Legislative Service Commission (LSC) studies will be reduced. Funding of the LSC will be allocated from funds available to the General Assembly. This reduction does not impact the abilities of the Commission.

Appropriation (\$648,203)

5. Reduce Contractual Services of the Performance Evaluation Division

This reduction limits availability of funds since actual contractual services costs were less than previously budgeted.

Appropriation (\$124,649)

Total Recommended Reductions

Recurring

Requirements (\$2,731,696)

Receipts -

Appropriation (\$2,731,696)

Number of Positions -

Nonrecurring

Requirements -

Receipts -

Appropriation -

Time Limited Positions -

**Total Recommended Adjustments for
 General Assembly
 2010-11**

Recurring

Requirements (\$2,731,696)

Receipts -

Appropriation (\$2,731,696)

Number of Positions -

Nonrecurring

Requirements -

Receipts -

Appropriation -

Time Limited Positions -

Office of the Governor (13000)

Total Appropriations and Positions				
	2010-11 Certified	Net Recommended Expansion and Reduction	2010-11 Recommended	Percent Change
Requirements	\$6,499,981	(\$303,400)	\$6,196,581	(4.7)%
Receipts	<u>432,242</u>	_____ -	<u>432,242</u>	0.0 %
Appropriation	<u>\$6,067,739</u>	<u>(\$303,400)</u>	<u>\$5,764,339</u>	(5.0)%
Positions	63.717	(3.000)	60.717	(4.7)%

Appropriation Items -- Recommended Adjustments

Reductions

2010-11

1. Reduce Operating Budget

This recommendation reduces the operating budget to the FY 2009-10 projected expenditure level, which will have minimal impact on program service delivery.

Appropriation (\$177,200)

2. Eliminate Positions

This recommendation eliminates three positions by streamlining workload and redistributing tasks among existing positions, which will have minimal impact on program service delivery.

Appropriation (\$126,200)

Number of Positions (3.000)

Total Recommended Reductions

Recurring

Requirements	(\$303,400)
Receipts	-
<hr/>	
Appropriation	(\$303,400)
Number of Positions	(3.000)

Nonrecurring

Requirements	-
Receipts	-
<hr/>	
Appropriation	-
Time Limited Positions	-

**Total Recommended Adjustments for
 Office of the Governor
 2010-11**

Recurring

Requirements	(\$303,400)
Receipts	-
<hr/>	
Appropriation	(\$303,400)
Number of Positions	(3.000)

Nonrecurring

Requirements	-
Receipts	-
<hr/>	
Appropriation	-
Time Limited Positions	-

Office of State Budget and Management (13005)

Total Appropriations and Positions				
	2010-11 Certified	Net Recommended Expansion and Reduction	2010-11 Recommended	Percent Change
Requirements	\$6,730,034	\$407,584	\$7,137,618	6.1 %
Receipts	<u>322,225</u>	_____ -	<u>322,225</u>	0.0 %
Appropriation	<u>\$6,407,809</u>	<u>\$407,584</u>	<u>\$6,815,393</u>	6.4 %
Positions	66.000	(3.000)	63.000	(4.5)%

Appropriation Items -- Recommended Adjustments

Reductions

2010-11

1. Reduce Operating Budget

This recommendation will reduce the operating budget to FY 2008-09 actual and FY 2009-10 projected expenditure levels, which will not impact service delivery.

Appropriation (\$35,797)

2. Eliminate Vacant Positions

This recommendation eliminates three vacant positions but produces no program impact due to the consolidation and reassignment of workload.

Appropriation (\$306,619)

Number of Positions (3.000)

Total Recommended Reductions

Recurring

Requirements (\$342,416)

Receipts _____ -

Appropriation (\$342,416)

Number of Positions (3.000)

Nonrecurring

Requirements	-
Receipts	-
	<hr/>
Appropriation	-
Time Limited Positions	-

Expansion

2010-11

Setting Government Straight

1. Email Archiving System

As part of Governor Perdue's commitment to increased transparency, this recommendation provides funding to implement Executive Order 18. This EO requires that executive branch emails sent to and from state government accounts be retained and archived as public records for 10 years.

Appropriation - Nonrecurring \$750,000

Total Recommended Expansion

Recurring

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

Nonrecurring

Requirements	\$750,000
Receipts	-
	<hr/>
Appropriation	\$750,000
Time Limited Positions	-

**Total Recommended Adjustments for
Office of State Budget and Management
2010-11**

Recurring

Requirements	(\$342,416)
Receipts	-
	<hr/>
Appropriation	(\$342,416)
Number of Positions	(3.000)

Nonrecurring

Requirements	\$750,000
Receipts	-
	<hr/>
Appropriation	\$750,000
Time Limited Positions	-

OSBM - Reserve for Special Appropriation (13085)

Total Appropriations and Positions				
	2010-11 Certified	Net Recommended Expansion and Reduction	2010-11 Recommended	Percent Change
Requirements	\$4,161,125	\$750,000	\$4,911,125	18.0 %
Receipts	-	-	-	
Appropriation	<u>\$4,161,125</u>	<u>\$750,000</u>	<u>\$4,911,125</u>	18.0 %
Positions	-	-	-	

Appropriation Items -- Recommended Adjustments

Expansion

2010-11

1. Military Morale and Welfare Fund

This recommendation sustains historical grants to military installations to provide community service and quality-of-life programs for military members and families.

Appropriation - Nonrecurring \$750,000

Total Recommended Expansion

Recurring

Requirements	-
Receipts	-
Appropriation	-
Number of Positions	-

Nonrecurring

Requirements	\$750,000
Receipts	-
Appropriation	\$750,000
Time Limited Positions	-

**Total Recommended Adjustments for
OSBM - Reserve for Special Appropriation
2010-11**

Recurring

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

Nonrecurring

Requirements	\$750,000
Receipts	-
	<hr/>
Appropriation	\$750,000
Time Limited Positions	-

North Carolina Housing Finance Agency (13010)

Total Appropriations and Positions				
	2010-11 Certified	Net Recommended Expansion and Reduction	2010-11 Recommended	Percent Change
Requirements	\$14,608,417	\$0	\$14,608,417	0.0 %
Receipts	-	-	-	
Appropriation	<u>\$14,608,417</u>	<u>\$0</u>	<u>\$14,608,417</u>	0.0 %
Positions	-	-	-	

Office of the Lieutenant Governor (13100)

Total Appropriations and Positions				
	2010-11 Certified	Net Recommended Expansion and Reduction	2010-11 Recommended	Percent Change
Requirements	\$931,703	(\$63,800)	\$867,903	(6.8)%
Receipts	-	-	-	
Appropriation	<u>\$931,703</u>	<u>(\$63,800)</u>	<u>\$867,903</u>	(6.8)%
Positions	12.000	-	12.000	0.0%

Appropriation Items -- Recommended Adjustments

Reductions

2010-11

1. Reduce Vacant Position Salary

This recommendation reduces salary reserve from vacant positions, which will produce minimal impact in service delivery.

Appropriation (\$63,800)

Total Recommended Reductions

Recurring

Requirements (63,800)

Receipts -

Appropriation (\$63,800)

Number of Positions -

Nonrecurring

Requirements -

Receipts -

Appropriation -

Time Limited Positions -

**Total Recommended Adjustments for
Office of the Lieutenant Governor
2010-11**

Recurring

Requirements (\$63,800)

Receipts -

Appropriation (\$63,800)

Number of Positions -

Nonrecurring

Requirements -

Receipts -

Appropriation -

Time Limited Positions -

Department of Secretary of State (13200)

Total Appropriations and Positions				
	2010-11 Certified	Net Recommended Expansion and Reduction	2010-11 Recommended	Percent Change
Requirements	\$12,188,949	(\$537,958)	\$11,650,991	(4.4)%
Receipts	<u>737,461</u>	-	<u>737,461</u>	0.0 %
Appropriation	<u>\$11,451,488</u>	<u>(\$537,958)</u>	<u>\$10,913,530</u>	(4.7)%
Positions	188.750	(5.000)	183.750	(2.6)%

Appropriation Items -- Recommended Adjustments

Reductions

2010-11

1. Reduce Publications Program

This recommendation eliminates hard-copy printing of the North Carolina Manual and the Directory of State and County Officials since both are available online. The Publications Director position, which has significant involvement in printing these documents, would also be eliminated.

Appropriation (\$175,000)
Number of Positions (1.000)

2. Reduce Operating Budget

This recommendation reduces operating budgets department-wide to the 08-09 actual and projected 09-10 expenditure levels, which will have minimal impact on program service delivery. The impacted divisions are General Administration, Corporations, Uniform Commercial Code, and Securities. Impacted expenditure accounts include: travel, equipment, communication, other services, and administrative overhead.

Appropriation (\$221,750)

3. Eliminate Positions

This recommendation eliminates four vacant Processing Assistant IV positions in the General Administration, Corporations, and Uniform Commercial Code divisions.

Appropriation (\$141,208)
Number of Positions (4.000)

Total Recommended Reductions

Recurring

Requirements	(\$537,958)
Receipts	-
<hr/>	
Appropriation	(\$537,958)
Number of Positions	(5.000)

Nonrecurring

Requirements	-
Receipts	-
<hr/>	
Appropriation	-
Time Limited Positions	-

**Total Recommended Adjustments for
 Department of Secretary of State
 2010-11**

Recurring

Requirements	(\$537,958)
Receipts	-
<hr/>	
Appropriation	(\$537,958)
Number of Positions	(5.000)

Nonrecurring

Requirements	-
Receipts	-
<hr/>	
Appropriation	-
Time Limited Positions	-

Office of the State Auditor (13300)

Total Appropriations and Positions				
	2010-11 Certified	Net Recommended Expansion and Reduction	2010-11 Recommended	Percent Change
Requirements	\$17,848,930	(\$746,955)	\$17,101,975	(4.2)%
Receipts	<u>4,593,807</u>	_____ -	<u>4,593,807</u>	0.0 %
Appropriation	<u>\$13,255,123</u>	<u>(\$746,955)</u>	<u>\$12,508,168</u>	(5.6)%
Positions	196.000	(6.000)	190.000	(3.1)%

Appropriation Items -- Recommended Adjustments

Reductions

2010-11

Department-Wide

1. Reduce Operating Budget

This recommendation reduces operating budgets department-wide to the 08-09 actual and projected 09-10 expenditure levels, which will have a minimal impact on program service delivery. The impacted programs are Support Services (\$80,000) and the Field Audit Division (\$237,000); and impacted expenditures include travel, training, and administrative overhead.

Appropriation (\$317,000)

2. Eliminate Positions

This recommendation eliminates six vacant positions in the Field Audit Division, representing a three percent (3%) decrease in the total position count. Six Assistant State Auditor positions are being eliminated, which have been vacant at least 110 days.

Appropriation (\$429,955)
Number of Positions (6.000)

Total Recommended Reductions

Recurring

Requirements	(\$746,955)
Receipts	-
<hr/>	
Appropriation	(\$746,955)
Number of Positions	(6.000)

Nonrecurring

Requirements	-
Receipts	-
<hr/>	
Appropriation	-
Time Limited Positions	-

**Total Recommended Adjustments for
 Office of the State Auditor
 2010-11**

Recurring

Requirements	(\$746,955)
Receipts	-
<hr/>	
Appropriation	(\$746,955)
Number of Positions	(6.000)

Nonrecurring

Requirements	-
Receipts	-
<hr/>	
Appropriation	-
Time Limited Positions	-

Department of State Treasurer (13410)

Total Appropriations and Positions				
	2010-11 Certified	Net Recommended Expansion and Reduction	2010-11 Recommended	Percent Change
Requirements	\$48,852,922	(\$422,191)	\$48,430,731	(0.9)%
Receipts	<u>31,287,522</u>	-	<u>31,287,522</u>	0.0 %
Appropriation	<u>\$17,565,400</u>	<u>(\$422,191)</u>	<u>\$17,143,209</u>	(2.4)%
Positions	352.940	(4.000)	348.940	(1.1)%

Appropriation Items -- Recommended Adjustments

Reductions

2010-11

Department-Wide

1. Operating Efficiencies

This recommendation streamlines operating budgets department-wide to the 08-09 actual and projected 09-10 expenditure levels, which will have minimal impact on program service delivery. The impacted programs are Investment Management (\$187,000), Local Government Operations (\$54,000), and Financial Operations (\$17,000); and impacted expenditures include financial audit services, travel, contractual services, and administrative overhead accounts.

Appropriation (\$258,000)

2. Eliminate Positions

This recommendation eliminates three filled Administrative Support positions in the Local Government Operations Division and one filled Administrative Support position in the Financial Operations Division, representing a decrease of one percent (1%) in the total position count.

Appropriation (\$164,191)

Number of Positions (4.000)

Total Recommended Reductions

Recurring

Requirements	(\$422,191)
Receipts	-
<hr/>	
Appropriation	(\$422,191)
Number of Positions	(4.000)

Nonrecurring

Requirements	-
Receipts	-
<hr/>	
Appropriation	-
Time Limited Positions	-

**Total Recommended Adjustments for
 Department of State Treasurer
 2010-11**

Recurring

Requirements	(\$422,191)
Receipts	-
<hr/>	
Appropriation	(\$422,191)
Number of Positions	(4.000)

Nonrecurring

Requirements	-
Receipts	-
<hr/>	
Appropriation	-
Time Limited Positions	-

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

Total Appropriations and Positions				
	2010-11 Certified	Net Recommended Expansion and Reduction	2010-11 Recommended	Percent Change
Requirements	\$10,804,671	\$0	\$10,804,671	0.0 %
Receipts	-	-	-	
Appropriation	<u>\$10,804,671</u>	<u>\$0</u>	<u>\$10,804,671</u>	0.0 %
Positions	-	-	-	

Department of Insurance (13900)

Total Appropriations and Positions				
	2010-11 Certified	Net Recommended Expansion and Reduction	2010-11 Recommended	Percent Change
Requirements	\$39,212,662	(\$1,796,372)	\$37,416,290	(4.6)%
Receipts	<u>6,969,956</u>	-	<u>6,969,956</u>	0.0 %
Appropriation	<u>\$32,242,706</u>	<u>(\$1,796,372)</u>	<u>\$30,446,334</u>	(5.6)%
Positions	418.100	(2.000)	416.100	(0.5)%

Appropriation Items -- Recommended Adjustments

Reductions

2010-11

Department-Wide

1. Operating Efficiencies

This recommendation streamlines operating budgets department-wide to the 08-09 actual and projected 09-10 expenditure levels, which will have minimal impact on program service delivery. Impacted programs and expenditures include: Administration (\$45,216); Company Services (\$183,594); Technical Services (\$290,407); Public Services (\$335,105); and Office of the State Fire Marshal (\$690,767); and a reduction to the travel, equipment, code sales book printing, and administrative overhead accounts.

Appropriation (\$1,545,089)

Company Services Division

1. Eliminate Filled and Vacant Positions

This recommendation eliminates one vacant administrative assistant position and one filled actuary position in the Company Services Division, representing a decrease of less than one percent (1%) in the total position count.

Appropriation (\$251,283)
Number of Positions (2.000)

Total Recommended Reductions

Recurring

Requirements	(\$1,796,372)
Receipts	-
<hr/>	
Appropriation	(\$1,796,372)
Number of Positions	(2.000)

Nonrecurring

Requirements	-
Receipts	-
<hr/>	
Appropriation	-
Time Limited Positions	-

**Total Recommended Adjustments for
 Department of Insurance
 2010-11**

Recurring

Requirements	(\$1,796,372)
Receipts	-
<hr/>	
Appropriation	(\$1,796,372)
Number of Positions	(2.000)

Nonrecurring

Requirements	-
Receipts	-
<hr/>	
Appropriation	-
Time Limited Positions	-

Insurance - General Fund Direct (13901)

Total Appropriations and Positions				
	2010-11 Certified	Net Recommended Expansion and Reduction	2010-11 Recommended	Percent Change
Requirements	\$1,561,846	(\$400,000)	\$1,161,846	(25.6)%
Receipts	-	-	-	
Appropriation	<u>\$1,561,846</u>	<u>(\$400,000)</u>	<u>\$1,161,846</u>	(25.6)%
Positions	-	-	-	

Appropriation Items -- Recommended Adjustments

Reductions

2010-11

Volunteer Safety Workers' Compensation Fund

1. Reduce Transfer to Volunteer Safety Workers' Compensation Fund

This recommendation reduces the General Fund transfer to the Volunteer Safety Workers' Compensation Fund by \$400,000 on a nonrecurring basis. The fund currently has a cash balance in excess of \$5 million, which is sufficient to cover projected revenue shortfalls in FY 2010-11. The shortfall in revenue for FY 2009-10 through March 31 is approximately \$1.2 million.

Appropriation - Nonrecurring (\$400,000)

Total Recommended Reductions

Recurring

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

Nonrecurring

Requirements	(\$400,000)
Receipts	-
<hr/>	
Appropriation	(\$400,000)
Time Limited Positions	-

**Total Recommended Adjustments for
 Insurance - General Fund Direct
 2010-11**

Recurring

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

Nonrecurring

Requirements	(\$400,000)
Receipts	-
<hr/>	
Appropriation	(\$400,000)
Time Limited Positions	-

Department of Administration (14100)

Total Appropriations and Positions				
	2010-11 Certified	Net Recommended Expansion and Reduction	2010-11 Recommended	Percent Change
Requirements	\$105,338,820	(\$1,100,234)	\$104,238,586	(1.0)%
Receipts	<u>37,891,936</u>	<u>612,056</u>	<u>38,503,992</u>	1.6 %
Appropriation	<u>\$67,446,884</u>	<u>(\$1,712,290)</u>	<u>\$65,734,594</u>	(2.5)%
Positions	600.657	(7.200)	593.457	(1.2)%

Appropriation Items -- Recommended Adjustments

Reductions

2010-11

Department-wide

1. Reduce Operating Budget

This recommendation reduces the operating budget to FY 2008-09 and FY 2009-10 projected expenditure levels, which will have minimal impact on program service delivery.

Appropriation **(\$1,017,924)**

2. Replace State Funds with Receipts

This recommendation shifts funding for 9.6 positions and some operating costs from appropriations to receipts, which will have no impact on program service delivery.

Requirements -

Receipts **\$612,056**

Appropriation **(\$612,056)**

3. Eliminate Vacant and Filled Positions

This recommendation eliminates nine vacant and seven filled positions by streamlining workload, reorganizing tasks, and reassigning positions to other functions. Of the seven filled positions, two positions are planned currently for reassignment to other areas within the Department of Administration. Management flexibility to identify other reassignment options and specific positions is necessary to implement this reduction. The Office of State Construction shall be included in this recommendation.

Appropriation **(\$1,129,928)**

Number of Positions **(16.000)**

4. Fund Domestic and Sexual Violence Organization Grants at FY 2009-10 Expenditure Levels

The recommended reduction provides grant funding to domestic and sexual violence organizations at the FY 2008-09 actual and FY 2009-10 projected expenditure levels, which will have minimal impact on services.

Appropriation (\$409,236)

5. Consolidate Youth Employment and Advocacy Functions

This recommendation consolidates youth employment programs already in the Governor's Office (the Governor's Page Program and AmeriCorps) with the State Internship Program and Youth Legislative Assembly programs in the Department of Administration. A total of \$505,284, including five positions, will be transferred from the Youth Advocacy and Involvement Office to the Governor's Office. One position in the Governor's Constituent Services Office will be dedicated to support youth-related issues. The Students Against Destructive Decisions (SADD) program (\$113,853 including 1.8 positions) will be transferred to the Department of Public Instruction.

Appropriation (\$200,223)

Number of Positions (3.200)

Total Recommended Reductions

Recurring

Requirements	(\$2,757,311)
Receipts	612,056
<hr/>	
Appropriation	(\$3,369,367)
Number of Positions	(19.200)

Nonrecurring

Requirements	-
Receipts	-
<hr/>	
Appropriation	-
Time Limited Positions	-

Expansion

2010-11

1. Facility Management Operating Reserves for Newly Expanded NC Museum of Art

This recommendation provides funding for special needs repair contracts, utilities, and 8.0 maintenance positions for the NC Museum of Art building and grounds.

Appropriation \$1,109,477

Number of Positions 8.000

Setting Government Straight

1. Good Government Package

This recommendation supports several initiatives for the State Ethics Commission to ensure good government practices, including the design, implementation, training, and technological support for an online/electronic personal and financial interest disclosure system (Statement of Economic Interest or 'SEI').

Appropriation \$327,500
Appropriation - Nonrecurring \$220,100
Number of Positions 4.000

Total Recommended Expansion

Recurring

Requirements	\$1,436,977
Receipts	-
	\$1,436,977
Appropriation	\$1,436,977
Number of Positions	12.000

Nonrecurring

Requirements	\$220,100
Receipts	-
	\$220,100
Appropriation	\$220,100
Time Limited Positions	-

**Total Recommended Adjustments for
 Department of Administration
 2010-11**

Recurring

Requirements	(\$1,320,334)
Receipts	612,056
	(\$1,932,390)
Appropriation	(\$1,932,390)
Number of Positions	(7.200)

Nonrecurring

Requirements	\$220,100
Receipts	-
	\$220,100
Appropriation	\$220,100
Time Limited Positions	-

Office of the State Controller (14160)

Total Appropriations and Positions				
	2010-11 Certified	Net Recommended Expansion and Reduction	2010-11 Recommended	Percent Change
Requirements	\$24,043,896	\$8,594,863	\$32,638,759	35.7 %
Receipts	<u>855,689</u>	-	<u>855,689</u>	0.0 %
Appropriation	<u>\$23,188,207</u>	<u>\$8,594,863</u>	<u>\$31,783,070</u>	37.1 %
Positions	198.000	26.500	224.500	13.4 %

Appropriation Items -- Recommended Adjustments

Reductions

2010-11

1. Eliminate Positions

The department will abolish positions that equate to \$260,000 in recurring appropriation.

Appropriation (\$260,000)
Number of Positions (4.000)

2. Reduce Operating Budget

This recommendation reduces operating budgets to the 08-09 actual and projected 09-10 expenditure levels, which will have a minimal impact on service delivery. The impacted expenditure accounts include: supplies, financial/audit services, and other services.

Appropriation (\$40,000)

3. Remaining cash balance

This reduction comes from the remaining cash balance in budget code 24160.

Appropriation - Nonrecurring (\$605,137)

Total Recommended Reductions

Recurring

Requirements	(\$300,000)
Receipts	-
Appropriation	<u>(\$300,000)</u>
Number of Positions	(4.000)

Nonrecurring

Requirements	(\$605,137)
Receipts	-
	<hr/>
Appropriation	(\$605,137)
Time Limited Positions	-

Expansion

2010-11

1. Criminal Justice Law Enforcement Automated Data Services (CJ LEADS)

CJ LEADS is a statewide information technology project that is designed to merge state criminal data records into one streamlined, comprehensive system. It will assist law enforcement and the courts by providing the information needed to protect communities from crime. These funds are needed for operational support and maintenance, to complete implementation of the Wake County pilot program, and to begin expansion statewide.

Appropriation	\$9,000,000
Appropriation - Nonrecurring	\$500,000
Number of Positions	30.500

Total Recommended Expansion

Recurring

Requirements	\$9,000,000
Receipts	-
	<hr/>
Appropriation	\$9,000,000
Number of Positions	30.500

Nonrecurring

Requirements	\$500,000
Receipts	-
	<hr/>
Appropriation	\$500,000
Time Limited Positions	-

**Total Recommended Adjustments for
Office of the State Controller
2010-11**

Recurring

Requirements	\$8,700,000
Receipts	-
	<hr/>
Appropriation	\$8,700,000
Number of Positions	26.500

Nonrecurring

Requirements	(\$105,137)
Receipts	-
	<hr/>
Appropriation	(\$105,137)
Time Limited Positions	-

Department of Revenue (14700)

Total Appropriations and Positions				
	2010-11 Certified	Net Recommended Expansion and Reduction	2010-11 Recommended	Percent Change
Requirements	\$117,396,062	\$4,988,327	\$122,384,389	4.2 %
Receipts	<u>29,605,092</u>	<u>1,467,305</u>	<u>31,072,397</u>	5.0 %
Appropriation	<u>\$87,790,970</u>	<u>\$3,521,022</u>	<u>\$91,311,992</u>	4.0 %
Positions	1,532.250	26.000	1,558.250	1.7 %

Appropriation Items -- Recommended Adjustments

Reductions

2010-11

1. Convert Property Tax Division to Receipt Support

This reduction replaces state appropriations by using property tax receipts to support the Property Tax Fund (1629).

Requirements	-
Receipts	\$1,467,305
Appropriation	(\$1,467,305)
Number of Positions	(17.000)

2. Eliminate Call Recording Funds

The department was authorized to spend up to \$700,000 of sales tax collections to implement a call recording system at the Taxpayer Assistance Call Center. The recording system was not implemented because cost estimates exceeded the availability of funds. This reduction will not impact services provided at the Taxpayer Assistance Call Center.

Appropriation - Nonrecurring (\$700,000)

3. Eliminate Positions

This recommendation eliminates eight positions that have been vacant for more than a year. Elimination of these positions will not impact service delivery.

Appropriation	(\$429,831)
Number of Positions	(8.000)

Total Recommended Reductions

Recurring

Requirements	(\$429,831)
Receipts	1,467,305
<hr/>	
Appropriation	(\$1,897,136)
Number of Positions	(25,000)

Nonrecurring

Requirements	(\$700,000)
Receipts	-
<hr/>	
Appropriation	(\$700,000)
Time Limited Positions	-

Expansion

2010-11

1. Licenses for tax imaging system

This request is for 639 additional software licenses, which will provide a total of 900 licenses for use by 1,500 employees. These licenses will allow employees to access taxpayer return images via their workstation PCs. The software is used by auditors, revenue officers, and other department employees.

Appropriation - Nonrecurring \$613,440

2. Corporate Settlement Initiative (Resolution Initiative II)

This initiative aims to resolve outstanding disputes with businesses that owe taxes to the State. Corporations were notified in the fall of 2009 during the initial Resolution Initiative. Many companies responded, but chose not to participate in the program. This second initiative will target corporations that have outstanding tax liabilities. This initiative will collect an estimated \$110 million in additional tax revenue.

Appropriation \$3,700,000

Appropriation - Nonrecurring \$300,000

Number of Positions 51,000

3. Modernization of 1040 e-file Platform

The IRS modernized its electronic filing program by allowing federal-state joint e-filing submissions. This will allow the IRS and its state partners to electronically receive taxpayer transactions in the exact same format. The modernized file-sharing program between the IRS and DOR can only work if the sending application has the same file layout.

Appropriation \$47,600

Appropriation - Nonrecurring \$1,457,118

Total Recommended Expansion

Recurring

Requirements	\$3,747,600
Receipts	-
<hr/>	
Appropriation	\$3,747,600
Number of Positions	51.000

Nonrecurring

Requirements	\$2,370,558
Receipts	-
<hr/>	
Appropriation	\$2,370,558
Time Limited Positions	-

**Total Recommended Adjustments for
 Department of Revenue
 2010-11**

Recurring

Requirements	\$3,317,769
Receipts	1,467,305
<hr/>	
Appropriation	\$1,850,464
Number of Positions	26.000

Nonrecurring

Requirements	\$1,670,558
Receipts	-
<hr/>	
Appropriation	\$1,670,558
Time Limited Positions	-

Department of Cultural Resources (14800)

Total Appropriations and Positions				
	2010-11 Certified	Net Recommended Expansion and Reduction	2010-11 Recommended	Percent Change
Requirements	\$81,714,596	(\$2,002,733)	\$79,711,863	(2.5)%
Receipts	<u>8,464,606</u>	<u>894,447</u>	<u>9,359,053</u>	10.6 %
Appropriation	<u>\$73,249,990</u>	<u>(\$2,897,180)</u>	<u>\$70,352,810</u>	(4.0)%
Positions	770.825	(9.500)	761.325	(1.2)%

Appropriation Items -- Recommended Adjustments

Reductions

2010-11

1. Reduce Operating Budget

This recommendation reduces the operating budgets in various programs to the FY 2008-09 actual and the FY 2009-10 projected expenditure levels, which will have minimal impact on program service delivery.

Appropriation	(\$1,060,878)
Appropriation - Nonrecurring	(\$442,756)

2. Shift Positions and Operating Costs to Receipt Support

This recommendation shifts support for 12.69 positions and operating costs from appropriations to receipts, which will have no impact on program service delivery.

Requirements	-
Receipts	\$894,447
Appropriation	(\$894,447)

3. Eliminate Positions

This recommendation provides the Department of Cultural Resources with the management flexibility to eliminate up to 9.5 positions through consolidation and reassignment of work tasks, in order to ensure minimal impact on program service delivery.

Appropriation	(\$499,099)
Number of Positions	(9.500)

Total Recommended Reductions

Recurring

Requirements	(\$1,559,977)
Receipts	894,447
<hr/>	
Appropriation	(\$2,454,424)
Number of Positions	(9.500)

Nonrecurring

Requirements	(\$442,756)
Receipts	-
<hr/>	
Appropriation	(\$442,756)
Time Limited Positions	-

**Total Recommended Adjustments for
 Department of Cultural Resources
 2010-11**

Recurring

Requirements	(\$1,559,977)
Receipts	894,447
<hr/>	
Appropriation	(\$2,454,424)
Number of Positions	(9.500)

Nonrecurring

Requirements	(\$442,756)
Receipts	-
<hr/>	
Appropriation	(\$442,756)
Time Limited Positions	-

Roanoke Island Commission (14802)

Total Appropriations and Positions				
	2010-11 Certified	Net Recommended Expansion and Reduction	2010-11 Recommended	Percent Change
Requirements	\$1,990,632	(\$139,344)	\$1,851,288	(7.0)%
Receipts	-	-	-	
Appropriation	<u>\$1,990,632</u>	<u>(\$139,344)</u>	<u>\$1,851,288</u>	(7.0)%
Positions	-	-	-	

Appropriation Items -- Recommended Adjustments

Reductions

2010-11

1. Reduce Fund Transfer to the Roanoke Island Commission

This recommendation reduces the operating budget supported through appropriated funds to the FY 2008-09 actual and FY 2009-10 projected expenditure levels, which will have minimal impact on service delivery.

Appropriation (\$39,812)
Appropriation - Nonrecurring (\$99,532)

Total Recommended Reductions

Recurring

Requirements	(\$39,812)
Receipts	-
Appropriation	<u>(\$39,812)</u>
Number of Positions	-

Nonrecurring

Requirements	(\$99,532)
Receipts	-
Appropriation	<u>(\$99,532)</u>
Time Limited Positions	-

**Total Recommended Adjustments for
Roanoke Island Commission
2010-11**

Recurring

Requirements	(\$39,812)
Receipts	-
	<hr/>
Appropriation	(\$39,812)
Number of Positions	-

Nonrecurring

Requirements	(\$99,532)
Receipts	-
	<hr/>
Appropriation	(\$99,532)
Time Limited Positions	-

State Board of Elections (18025)

Total Appropriations and Positions				
	2010-11 Certified	Net Recommended Expansion and Reduction	2010-11 Recommended	Percent Change
Requirements	\$9,769,843	\$294,735	\$10,064,578	3.0 %
Receipts	<u>3,548,635</u>	-	<u>3,548,635</u>	0.0 %
Appropriation	<u>\$6,221,208</u>	<u>\$294,735</u>	<u>\$6,515,943</u>	4.7 %
Positions	62.000	(1.000)	61.000	(1.6)%

Appropriation Items -- Recommended Adjustments

Reductions

2010-11

1. Reduce Operating Budget

This recommendation reduces Administrative and Campaign Finance telecommunications and LAN supply accounts with minimal impact on services.

Appropriation (\$138,181)

2. Eliminate Positions

This recommendation eliminates two filled positions through reassignment of work tasks and technology improvements, which will have minimal impact on program service delivery.

Appropriation (\$124,213)

Number of Positions (2.000)

Total Recommended Reductions

Recurring

Requirements	(\$262,394)
Receipts	-
Appropriation	<u>(\$262,394)</u>
Number of Positions	(2.000)

Nonrecurring

Requirements	-
Receipts	-
	<hr/>
Appropriation	-
Time Limited Positions	-

Expansion

2010-11

1. Provide Matching Funds for the Help America Vote Act (HAVA) Grant Application

This recommendation provides the 5% match required for a \$2.1 million federal HAVA grant application. Anticipated HAVA funds would provide for partial payment of the maintenance and licensing of voting equipment or full payment for the replacement of batteries that are approaching the end of anticipated life (2012) in the 12,000 pieces of voting equipment used in the State.

Appropriation - Nonrecurring \$107,129

Setting Government Straight

1. Good Government Package

As part of the Good Government Package, this recommendation initiates the development, installation, maintenance, and support of campaign finance software to improve the ease and reliability of filing, reporting, and auditing campaign finance disclosure reports. This recommendation from the Board of Elections adds an attorney position to support, maintain, and sustain efforts of the Campaign Finance Division.

Appropriation \$100,000
Appropriation - Nonrecurring \$350,000
Number of Positions 1.000

Total Recommended Expansion

Recurring

Requirements	\$100,000
Receipts	-
<hr/>	
Appropriation	\$100,000
Number of Positions	1.000

Nonrecurring

Requirements	\$457,129
Receipts	-
<hr/>	
Appropriation	\$457,129
Time Limited Positions	-

**Total Recommended Adjustments for
 State Board of Elections
 2010-11**

Recurring

Requirements	(\$162,394)
Receipts	-
<hr/>	
Appropriation	(\$162,394)
Number of Positions	(1.000)

Nonrecurring

Requirements	\$457,129
Receipts	-
<hr/>	
Appropriation	\$457,129
Time Limited Positions	-

Office of Administrative Hearings (18210)

Total Appropriations and Positions				
	2010-11 Certified	Net Recommended Expansion and Reduction	2010-11 Recommended	Percent Change
Requirements	\$4,166,335	(\$178,342)	\$3,987,993	(4.3)%
Receipts	<u>54,859</u>	<u>128,684</u>	<u>183,543</u>	234.6 %
Appropriation	<u>\$4,111,476</u>	<u>(\$307,026)</u>	<u>\$3,804,450</u>	(7.5)%
Positions	41.000	(2.000)	39.000	(4.9)%

Appropriation Items -- Recommended Adjustments

Reductions

2010-11

1. Eliminate Vacant Positions

This recommendation eliminates two vacant positions and shifts the performance of work tasks to temporary employees, which will have minimal impact on program service delivery.

Appropriation	(\$178,342)
Number of Positions	(2.000)

2. Shift Position to Receipt Support

This recommendation shifts funding for the Agency Attorney to receipt support, which will have no impact on program service delivery.

Requirements	-
Receipts	\$128,684
Appropriation	(\$128,684)

Total Recommended Reductions

Recurring

Requirements	(\$178,342)
Receipts	128,684
<hr/>	
Appropriation	(\$307,026)
Number of Positions	(2.000)

Nonrecurring

Requirements	-
Receipts	-
<hr/>	
Appropriation	-
Time Limited Positions	-

**Total Recommended Adjustments for
 Office of Administrative Hearings
 2010-11**

Recurring

Requirements	(\$178,342)
Receipts	128,684
<hr/>	
Appropriation	(\$307,026)
Number of Positions	(2.000)

Nonrecurring

Requirements	-
Receipts	-
<hr/>	
Appropriation	-
Time Limited Positions	-

Recommended Adjustments

Health and Human Services

Department Summary

Central Management and Support

Aging and Adult Services

Division of Child Development

Office of Education Services

Division of Public Health

Division of Social Services

Division of Medical Assistance

NC Health Choice

Mental Health/Developmental Disabilities/
Substance Abuse Services

Division of Health Services Regulation

Division of Vocational Rehabilitation

Department of Health and Human Services (144xx)

Total Appropriations and Positions				
	2010-11 Certified	Net Recommended Expansion and Reduction	2010-11 Recommended	Percent Change
Requirements	\$16,318,905,735	\$809,905,195	\$17,128,810,930	5.0 %
Receipts	<u>11,997,876,893</u>	<u>1,196,324,137</u>	<u>13,194,201,030</u>	10.0 %
Appropriation	<u>\$4,321,028,842</u>	<u>(\$386,418,942)</u>	<u>\$3,934,609,900</u>	(8.9)%
Positions	18,421.310	(53.000)	18,368.310	(0.3)%

Total Recommended Technical Adjustments

Recurring

Requirements	\$1,514,644,727
Receipts	1,134,080,014
Appropriation	<u>\$380,564,713</u>
Number of Positions	-

Nonrecurring

Requirements	\$86,417,645
Receipts	614,837,479
Appropriation	<u>(\$528,419,834)</u>
Time Limited Positions	-

Total Recommended Reductions

Recurring

Requirements	(\$895,204,746)
Receipts	(594,409,024)
	<hr/>
Appropriation	(\$300,795,722)
Number of Positions	(56.000)

Nonrecurring

Requirements	(\$2,818,203)
Receipts	3,344,516
	<hr/>
Appropriation	(\$6,162,719)
Time Limited Positions	-

Total Recommended Expansion

Recurring

Requirements	\$80,707,172
Receipts	38,352,202
	<hr/>
Appropriation	\$42,354,970
Number of Positions	3.000

Nonrecurring

Requirements	\$26,158,600
Receipts	118,950
	<hr/>
Appropriation	\$26,039,650
Time Limited Positions	-

**Total Recommended Adjustments for
Department of Health and Human Services
2010-11**

Recurring

Requirements	\$700,147,153
Receipts	578,023,192
	<hr/>
Appropriation	\$122,123,961
Number of Positions	(53.000)

Nonrecurring

Requirements	\$109,758,042
Receipts	618,300,945
	<hr/>
Appropriation	(\$508,542,903)
Time Limited Positions	-

Division of Central Management and Support (14410)

Total Appropriations and Positions				
	2010-11 Certified	Net Recommended Expansion and Reduction	2010-11 Recommended	Percent Change
Requirements	\$252,667,029	(\$4,229,241)	\$248,437,788	(1.7)%
Receipts	<u>178,494,690</u>	<u>62,164</u>	<u>178,556,854</u>	0.0 %
Appropriation	<u>\$74,172,339</u>	<u>(\$4,291,405)</u>	<u>\$69,880,934</u>	(5.8)%
Positions	712.250	(2.000)	710.250	(0.3)%

Appropriation Items -- Recommended Adjustments

Reductions

2010-11

1. Direct After Hours NC CARE LINE Calls to Martin County Call Center

This recommendation implements efficiencies in the NC CARE LINE by changing the hours of operation to regular business hours, and transfers after hour calls to the Martin County call center. Only 20% of calls occur after hours; 100% of callers will still be served.

Appropriation (\$257,004)

Number of Positions (2.000)

2. Reduce Community Health Grants

Community Health Grants are recommended for reduction. Grant funds totaling \$700,000 were not distributed in SFY 2010 due to the revenue shortfall. Funding has varied from year to year. This reduction option would mean that centers entering their third (and final) year of programmatic support will have to compete for new funding rather than be assured of the third year of funding.

Appropriation (\$1,050,775)

3. Budget Over-Realized Receipts in DHHS Controller's Office

It is recommended that over-realized receipts are budgeted in the DHHS Controller's Office. The over-realized receipts will offset state appropriation.

Requirements -

Receipts \$1,362,201

Appropriation (\$1,362,201)

4. Reduce Key Program Rental Subsidy Payments

Key Program rental subsidy payments are recommended for a nonrecurring reduction. There will not be an impact to the program since construction delays have resulted in 187 units not being ready for occupancy in SFY 2011.

Appropriation - Nonrecurring **(\$561,000)**

5. Eliminate CCNC Grant Funds

It is recommended that CCNC grant funds be eliminated because these grants were primarily used for infrastructure projects rather than current CCNC initiatives that target specific program areas. Related matching funds are also reduced.

Requirements **(\$367,667)**

Receipts **(\$183,833)**

Appropriation **(\$183,834)**

6. Reduce Operating Funds in The Office of Rural Health and Community Care (ORHCC)

Operating funds in ORHCC have not been spent because of state budget shortfalls; therefore, it is recommended that the funds be reduced.

Appropriation **(\$39,430)**

7. Reduce DHHS IT Charges Paid to ITS

It is recommended that a reduction occur to the ITS services budget. This recommendation will not impact DHHS's ability to pay ITS bills because the reduction is a result of ITS rate reductions, local Child Support Enforcement offices paying their IT costs (pursuant to Section 10.46A.(a) of Session Law 2009-451), and less mainframe and data storage usage. Related matching funds are also reduced.

Requirements **(\$2,053,365)**

Receipts **(\$1,116,204)**

Appropriation **(\$937,161)**

Total Recommended Reductions

Recurring

Requirements (\$3,768,241)

Receipts 62,164

Appropriation (\$3,830,405)

Number of Positions (2,000)

Nonrecurring

Requirements	(\$561,000)
Receipts	-
	<hr/>
Appropriation	(\$561,000)
Time Limited Positions	-

Expansion

2010-11

1. Grant-in-Aid to the Special Olympics

A grant-in-aid is recommended for North Carolina Special Olympics.

Appropriation \$100,000

Total Recommended Expansion

Recurring

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

Nonrecurring

Requirements	-
Receipts	-
	<hr/>
Appropriation	-
Time Limited Positions	-

**Total Recommended Adjustments for
Division of Central Management and Support
2010-11**

Recurring

Requirements (\$3,668,241)

Receipts 62,164

Appropriation (\$3,730,405)

Number of Positions (2.000)

Nonrecurring

Requirements (\$561,000)

Receipts -

Appropriation (\$561,000)

Time Limited Positions -

Division of Aging and Adult Services (14411)

Total Appropriations and Positions				
	2010-11 Certified	Net Recommended Expansion and Reduction	2010-11 Recommended	Percent Change
Requirements	\$89,859,310	\$1,111,111	\$90,970,421	1.2 %
Receipts	<u>52,577,281</u>	<u>111,111</u>	<u>52,688,392</u>	0.2 %
Appropriation	<u>\$37,282,029</u>	<u>\$1,000,000</u>	<u>\$38,282,029</u>	2.7 %
Positions	57.000	-	57.000	0.0 %

Appropriation Items -- Recommended Adjustments

Expansion

2010-11

1. Senior Services - Expand Project C.A.R.E. (Caregiver Alternatives to Running on Empty)

Project C.A.R.E. is a nationally recognized respite care program for caregivers of people with dementia. The program targets rural, elderly, and minority families and is a cost effective alternative to institutional care. These funds will expand the program to approximately 20 counties and provide consultation, referral, and respite care for more than 500 additional families.

Requirements	\$1,111,111
Receipts	\$111,111
Appropriation	\$1,000,000

Total Recommended Expansion

Recurring

Requirements	\$1,111,111
Receipts	111,111
<hr/>	
Appropriation	\$1,000,000
Number of Positions	-

Nonrecurring

Requirements	-
Receipts	-
<hr/>	
Appropriation	-
Time Limited Positions	-

**Total Recommended Adjustments for
 Division of Aging and Adult Services
 2010-11**

Recurring

Requirements	\$1,111,111
Receipts	111,111
<hr/>	
Appropriation	\$1,000,000
Number of Positions	-

Nonrecurring

Requirements	-
Receipts	-
<hr/>	
Appropriation	-
Time Limited Positions	-

Division of Child Development (14420)

Total Appropriations and Positions				
	2010-11 Certified	Net Recommended Expansion and Reduction	2010-11 Recommended	Percent Change
Requirements	\$597,562,877	(\$17,009,838)	\$580,553,039	(2.8)%
Receipts	<u>328,378,915</u>	-	<u>328,378,915</u>	0.0 %
Appropriation	<u>\$269,183,962</u>	<u>(\$17,009,838)</u>	<u>\$252,174,124</u>	(6.3)%
Positions	300.750	-	300.750	0.0 %

Appropriation Items -- Recommended Adjustments

Reductions

2010-11

1. Implement Electronic Payment System for Child Care Subsidy

It is recommended that the budget be adjusted to reflect cost savings achieved through implementation of an electronic payment system for child care subsidy services. Eliminating paper attendance records maintained by child care facilities and submitted for payment is expected to reduce expenditures from administrative activities and also to reduce the occurrence of fraudulent and inaccurate payments by an estimated \$6,000,000. Similarly, less manual processing and increased efficiencies at the county level will reduce the administrative expense to counties; therefore, a reduction from 5% to 4% administrative overhead is recommended, saving \$3,277,519.

Appropriation (\$9,277,519)

2. Smart Start Funding

This recommendation reduces state funds for Smart Start by 4%. It is further recommended that the State funding reduction hold harmless funding for child care subsidy.

Appropriation (\$7,732,319)

Total Recommended Reductions

Recurring

Requirements	(\$17,009,838)
Receipts	-
Appropriation	<u>(\$17,009,838)</u>
Number of Positions	-

Nonrecurring

Requirements	-
Receipts	-
	<hr/>
Appropriation	-
Time Limited Positions	-

**Total Recommended Adjustments for
 Division of Child Development
 2010-11**

Recurring

Requirements	(\$17,009,838)
Receipts	-
	<hr/>
Appropriation	(\$17,009,838)
Number of Positions	-

Nonrecurring

Requirements	-
Receipts	-
	<hr/>
Appropriation	-
Time Limited Positions	-

Office of Education Services (14424)

Total Appropriations and Positions				
	2010-11 Certified	Net Recommended Expansion and Reduction	2010-11 Recommended	Percent Change
Requirements	\$38,913,916	(\$1,287,310)	\$37,626,606	(3.3)%
Receipts	<u>2,069,198</u>	-	<u>2,069,198</u>	0.0 %
Appropriation	<u>\$36,844,718</u>	<u>(\$1,287,310)</u>	<u>\$35,557,408</u>	(3.5)%
Positions	604.875	(11.000)	593.875	(1.8)%

Appropriation Items -- Recommended Adjustments

Reductions

2010-11

1. Suspend On-Site Summer School Programs

As a cost saving measure, the department has suspended on-site summer school programs. Programs continue to be provided to children at central locations near their homes and through distance technology. It is recommended that on-site summer school be suspended for SFY 2011.

Appropriation - Nonrecurring (\$280,000)

2. Reduce Residential Services from Five to Four Nights

Historically, residential services have been offered five nights, Sunday through Thursday. As a cost savings measure, the department eliminated Sunday night, bringing students to campuses Monday morning. It is recommended that the cost saving measure be adopted on a permanent basis.

Appropriation (\$619,558)

3. Eliminate Central Office Position

This recommendation more efficiently operates the Office of Education Services by eliminating one filled position and distributing those duties to the existing staff.

Appropriation (\$104,761)

Number of Positions (1.000)

4. Reduce Food Service Staff

The Department of Public Instruction's Child Nutrition section, using USDA staffing standards, audited the three school's food service operations. The audit determined that based on the current student population, food service operations are overstaffed. To more efficiently meet the dietary needs of students, it is recommended that 10 filled food service positions be eliminated.

Appropriation (\$282,991)
Number of Positions (10.000)

Total Recommended Reductions

Recurring

Requirements	(\$1,007,310)
Receipts	-
	-
Appropriation	(\$1,007,310)
Number of Positions	(11.000)

Nonrecurring

Requirements	(\$280,000)
Receipts	-
	-
Appropriation	(\$280,000)
Time Limited Positions	-

**Total Recommended Adjustments for
 Office of Education Services
 2010-11**

Recurring

Requirements	(\$1,007,310)
Receipts	-
	-
Appropriation	(\$1,007,310)
Number of Positions	(11.000)

Nonrecurring

Requirements	(\$280,000)
Receipts	-
	-
Appropriation	(\$280,000)
Time Limited Positions	-

Division of Public Health (14430)

Total Appropriations and Positions				
	2010-11 Certified	Net Recommended Expansion and Reduction	2010-11 Recommended	Percent Change
Requirements	\$765,331,434	\$7,377,031	\$772,708,465	1.0 %
Receipts	<u>604,816,105</u>	<u>600,000</u>	<u>605,416,105</u>	0.1 %
Appropriation	<u>\$160,515,329</u>	<u>\$6,777,031</u>	<u>\$167,292,360</u>	4.2 %
Positions	2,083.550	-	2,083.550	0.0 %

Appropriation Items -- Recommended Adjustments

Reductions

2010-11

1. NC Universal Vaccines for Children Initiative

It is recommended that a Childhood Immunization Account be established and funded from assessments to state insurers in order to purchase, store, distribute and provide quality assurance for vaccines approved by the Centers for Disease Control and Prevention (CDC). Funding the state receives from the federal government will continue to supply health care providers with vaccines needed to immunize children enrolled in Medicaid, the uninsured, and some special populations. General fund appropriations currently used to purchase and distribute vaccine needed to immunize all other children can be replaced by the Childhood Immunization Account for six months in fiscal 2011-12 and fully replaced beginning in 2013 as a result of this recommendation.

Appropriation (\$6,400,000)

2. Perinatal Outreach and Family Resource Line Contract Eliminations

As a result of budget cuts enacted for the current fiscal year, the Division of Public Health has eliminated the Perinatal and Neonatal Outreach and Education Training program and the Family Health Resource Line (calls are now received through the DHHS CARE-LINE). This recommendation eliminates the balance of state funds associated with those contracts.

Appropriation (\$400,601)

3. Medicaid Funding for WIC Metabolic Foods

This recommendation budgets federal Medicaid funding that can be earned by the WIC program to cover the cost of metabolic foods provided to Medicaid eligible children.

Requirements	-
Receipts	\$600,000
<hr/>	
Appropriation	(\$600,000)

Total Recommended Reductions

Recurring

Requirements	(\$6,800,601)
Receipts	600,000
<hr/>	
Appropriation	(\$7,400,601)
Number of Positions	-

Nonrecurring

Requirements	-
Receipts	-
<hr/>	
Appropriation	-
Time Limited Positions	-

Expansion

2010-11

1. AIDS Drug Assistance Program

This recommendation continues serving people in the AIDS Drug Assistance Program (ADAP) who are enrolled as of July 1, 2010. It will also allow eligible individuals (up to 125% of the federal poverty level) on the waiting list as of July 1 to be enrolled. To the degree that total funding available to the ADAP program allows, additional people will be enrolled.

Appropriation	\$11,177,632
Appropriation - Nonrecurring	\$3,000,000

Total Recommended Expansion

Recurring

Requirements	\$11,177,632
Receipts	-
<hr/>	
Appropriation	\$11,177,632
Number of Positions	-

Nonrecurring

Requirements	\$3,000,000
Receipts	-
	<hr/>
Appropriation	\$3,000,000
Time Limited Positions	-

**Total Recommended Adjustments for
 Division of Public Health
 2010-11**

Recurring

Requirements	\$4,377,031
Receipts	600,000
	<hr/>
Appropriation	\$3,777,031
Number of Positions	-

Nonrecurring

Requirements	\$3,000,000
Receipts	-
	<hr/>
Appropriation	\$3,000,000
Time Limited Positions	-

Division of Social Services (14440)

Total Appropriations and Positions				
	2010-11 Certified	Net Recommended Expansion and Reduction	2010-11 Recommended	Percent Change
Requirements	\$1,615,889,853	(\$14,002,976)	\$1,601,886,877	(0.9)%
Receipts	<u>1,407,300,370</u>	<u>(1,347,463)</u>	<u>1,405,952,907</u>	(0.1)%
Appropriation	<u>\$208,589,483</u>	<u>(\$12,655,513)</u>	<u>\$195,933,970</u>	(6.1)%
Positions	775.000	(33.000)	742.000	(4.3)%

Appropriation Items -- Recommended Adjustments

Reductions

2010-11

1. Change State Participation in State Adult Care Home Specialist Fund

Monies in the State Adult Care Home Specialist Fund are allocated to counties based on the number of licensed adult care homes in order to support monitoring and inspection efforts performed by local departments of social services staff. The non-federal share is split between the state and counties, 40% and 10% respectively. The proposal would evenly distribute the non-federal share at 25%.

Requirements	-
Receipts	\$525,000
Appropriation	(\$525,000)

2. Reduce Child Support Program Through State to County Transition

The Division of Social Services is in the process of transitioning 16 Child Support offices from State to local county operation and management. Effective July 1, 2010, savings achieved through completion of this transition, as well as attainment of greater efficiencies within the organization, including increased usage of electronic fund transfers for child support payments, will result in savings to the State.

Appropriation	(\$1,282,777)
Number of Positions	(33.000)

3. Division Administrative Efficiencies

This reduction is a result of savings achieved through administrative efficiencies and an increase in online and electronic training and materials distribution.

Appropriation	(\$120,000)
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4. Reduce NC REACH Underutilized Funding

NC REACH provides post-secondary scholarship support to young people who were adopted from DSS foster care after age 12 or aged out of NC foster care at age 18. The reduction suggested for this program reflects funds that have historically not been used by the NC REACH scholarship program.

Appropriation (\$500,000)

5. Federal Funding for Farmers' Market EBT Contract

This reduction replaces State funding with access to federal grant funds that provide Food and Nutrition Services recipients with the ability to utilize electronic benefit transfer (EBT) cards at State Farmers' Markets.

Appropriation (\$192,166)

6. Eliminate Child Advocacy Center Funding

Eliminate State funding of duplicative services provided through 22 accredited Child Advocacy Centers because those services are also provided through local departments of social services.

Appropriation (\$375,000)

7. Change Permanency Planning State Match

Permanency Planning services for children, including activities to support foster care, adoption and child protective services, are supported through a 75% + 25% match with federal IV-B1 funding, of which the 25% is currently paid by the State. It is recommended that the required match of 25% for permanency planning services be transferred to the local departments of social services.

Appropriation (\$682,512)

8. Reduce Funding Authorization to Counties

This recommendation makes permanent a reduction of the funding authorizations provided to counties for Foster Care/Adoption IV-E, Child Protective Services-State and Child Protective Services IV-E, and adult care home case management. This funding was not provided in 2009-10, and adult care home case management funding has been underspent over the past five years.

Appropriation (\$2,540,896)

9. Eliminate Non-Funded Child Welfare Contracts

This reduction eliminates funding for four contracts/activities that are not currently being funded and makes that action permanent. Funding would be eliminated for multiple response system and adoption conferences, grant-in-aid services contracts, and methamphetamine training.

Appropriation (\$1,238,821)

10. State County Special Assistance (SA) Program

The State County Special Assistance Program assists older and disabled adults with the cost of living in licensed adult care homes. Currently, there are two divisions with Special Assistance Programs - Social Services and Services for the Blind. It is recommended that Special Assistance-Blind be absorbed by the larger Social Services Program and the program be reduced to the anticipated level of expenditure for SFY 2011. (See Divisions of Services for the Blind, Deaf and Hard of Hearing # 2 for a companion reduction.)

Requirements	(\$6,650,000)
Receipts	(\$3,325,000)
<hr/>	
Appropriation	(\$3,325,000)

11. Recovery Funds for Foster Care and Adoption Assistance

This recommendation continues enhanced federal participation for Title IV-E adoption and foster care assistance payments. Federal reimbursement for these programs is tied to the Medicaid FMAP cost sharing rate.

Requirements - Nonrecurring	-
Receipts - Nonrecurring	\$1,452,537
<hr/>	
Appropriation - Nonrecurring	(\$1,452,537)

12. End School-Based Child and Family Teams Pilot

The School-Based Child and Family Team Pilot was a 2007 initiative to integrate low wealth schools and at-risk students with the local social services and mental health systems. Pilot funding has supported 12 team facilitators employed by local DSS offices. (See Division of Mental Health, Developmental Disabilities, and Substance Abuse Services #1 for a companion reduction). Due to the limited implementation of the program and difficulty in keeping the positions filled, it is recommended that funding for the pilot be eliminated.

Appropriation	(\$420,804)
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Total Recommended Reductions

Recurring

Requirements	(\$14,002,976)
Receipts	(2,800,000)
<hr/>	
Appropriation	(\$11,202,976)
Number of Positions	(33,000)

Nonrecurring

Requirements	-
Receipts	1,452,537
<hr/>	
Appropriation	(\$1,452,537)
Time Limited Positions	-

**Total Recommended Adjustments for
Division of Social Services
2010-11**

Recurring

Requirements	(\$14,002,976)
Receipts	(2,800,000)
<hr/>	
Appropriation	(\$11,202,976)
Number of Positions	(33.000)

Nonrecurring

Requirements	-
Receipts	1,452,537
<hr/>	
Appropriation	(\$1,452,537)
Time Limited Positions	-

Division of Medical Assistance (14445)

Total Appropriations and Positions				
	2010-11 Certified	Net Recommended Expansion and Reduction	2010-11 Recommended	Percent Change
Requirements	\$11,050,514,861	\$781,968,444	\$11,832,483,305	7.1 %
Receipts	<u>8,330,318,104</u>	<u>1,176,051,743</u>	<u>9,506,369,847</u>	14.1 %
Appropriation	<u>\$2,720,196,757</u>	<u>(\$394,083,299)</u>	<u>\$2,326,113,458</u>	(14.5)%
Positions	433.250	-	433.250	0.0 %

Appropriation Items -- Recommended Adjustments

Technical Adjustments

2010-11

Medicaid Rebase Adjustments

1. Medicaid Rebase

Funds are recommended for the Medicaid rebase for SFY 2010-11. Funds are needed for a 5.6% growth in eligibles above current levels, and adjustments for consumption, new services and mix of services, and inflation for providers whose reimbursement is cost based. The Medicaid rebase does not include funds for inflationary increases for other providers.

Requirements	\$1,514,644,727
Requirements - Nonrecurring	\$165,837,479
Receipts	\$1,134,080,014
Receipts - Nonrecurring	\$115,837,479
Appropriation	\$430,564,713

2. FMAP Extension for Six Months

It is anticipated that Congress will pass a law extending the enhanced FMAP for Medicaid for another six months; therefore, appropriation is reduced based on an extension of the FMAP through June 2011.

Requirements	-
Receipts - Nonrecurring	\$499,000,000
Appropriation - Nonrecurring	(\$499,000,000)

3. Savings from Medicare Part D Payments for 12 Months

The Centers for Medicare and Medicaid Services (CMS) announced savings from the American Recovery and Reinvestment Act for prescription drug payments that Medicaid pays to the federal government. These payments cover a portion of the prescription drug costs for dual eligible individuals under Medicare Part D.

Requirements - Nonrecurring	(\$79,419,834)
Receipts - Nonrecurring	-
<hr/>	
Appropriation - Nonrecurring	(\$79,419,834)

Total Recommended Technical Adjustments

Recurring

Requirements	\$1,514,644,727
Receipts	1,134,080,014
<hr/>	
Appropriation	\$380,564,713
Number of Positions	-

Nonrecurring

Requirements	\$86,417,645
Receipts	614,837,479
<hr/>	
Appropriation	(\$528,419,834)
Time Limited Positions	-

Reductions

2010-11

Setting Government Straight: Fraud, Waste, and Abuse Activities

1. Program Integrity Section Initiatives

Governor Perdue has launched an initiative to crack down on Medicaid fraud, waste, abuse, and overutilization. The initiatives will result in savings to the state. Activities include Medicaid SWAT teams for on-site investigations, strengthening Medicaid fraud laws, innovative technology to detect fraud and abuse, and prepayment reviews for questionable providers. In addition, new technology will catch potential fraud and abuse prior to the payment in order to achieve cost avoidance savings.

Requirements	(\$120,626,710)
Receipts	(\$84,438,697)
<hr/>	
Appropriation	(\$36,188,013)

2. Savings from Additional Staff at the Attorney General's Office (AGO) Medicaid Investigative Unit

Governor Perdue has recommended doubling the Medicaid Investigative Unit staff at the AGO to expand the prosecution of Medicaid fraud and abuse. Additional staff will ensure increased prosecution and additional Medicaid funds recovered from fraudulent providers, resulting in General Fund savings.

Requirements	(\$3,333,333)
Receipts	(\$2,333,333)
<hr/>	
Appropriation	(\$1,000,000)

3. Lock Narcotics Users Into a Single Pharmacy/Doctor

It is recommended that narcotics users be locked into a single pharmacy and single doctor to prevent pharmacy and doctor shopping and narcotics abuse.

Requirements	(\$2,010,000)
Receipts	(\$1,407,000)
<hr/>	
Appropriation	(\$603,000)

Setting Government Straight: Community Care of North Carolina (CCNC) Initiatives

1. Savings from CCNC Activities

As part of its agreement to achieve greater savings, CCNC is currently increasing and expanding its care management programs in several key areas. These areas include mental health; the aged, blind, and disabled population; and pharmacy. Improvements are also being made to CCNC's informatics center in the areas of data integration, data analytics, and reporting. In addition to these care management improvements, over the next several months CCNC will transform to a more centralized organization with increased accountability, transparency, and improved care management across the state, resulting in increased performance and cost savings.

Requirements	(\$150,000,000)
Receipts	(\$105,000,000)
<hr/>	
Appropriation	(\$45,000,000)

Setting Government Straight: Program Management Improvements

1. Collect Supplement Rebates from Mental Health Drugs/Manage Off Label Use

It is recommended to collect supplemental rebates on mental health drugs on Medicaid's preferred drug list. In addition, savings will come from managing off label use of atypical antipsychotic drugs to ensure appropriate use. Off label use is the practice of prescribing drugs for a use other than what has been approved by the FDA.

Requirements	(\$31,666,667)
Receipts	(\$22,166,667)
<hr/>	
Appropriation	(\$9,500,000)

2. Expand Capitated Behavioral Health Pilot Program to Additional Local Management Entities (LMEs)

The division is current reviewing proposals from LMEs to expand the Piedmont Behavioral Health pilot to other areas of the state. It is expected that additional LMEs will participate in the program. Implementation is expected to occur on January 1, 2011, which will result in savings in these program areas.

Requirements	(\$5,202,000)
Receipts	(\$3,641,400)
<hr/>	
Appropriation	(\$1,560,600)

3. Eliminate Reimbursement of 'Never Events' in Hospital Inpatient Settings

It is recommended that Medicaid eliminate reimbursement of 'never events' in hospital inpatient settings. 'Never events' are certain types of medical issues that develop or are acquired while a person is in a hospital, but should have been prevented. Medicare stopped reimbursing for 'never events' in October of 2008. This recommendation follows Medicare updated reimbursement policy.

Requirements	(\$15,000,000)
Receipts	(\$10,000,000)
<hr/>	
Appropriation	(\$5,000,000)

4. Expand the Health Insurance Premium Payment (HIPP) Program

It is recommended that the HIPP Program be expanded. Through the HIPP Program, Medicaid pays for employer-based health insurance costs on behalf of Medicaid-eligible individuals when it is less expensive than Medicaid coverage.

Requirements	(\$10,000,000)
Receipts	(\$7,000,000)
<hr/>	
Appropriation	(\$3,000,000)

5. Copayment Changes

This recommendation increases current copayment amounts to a maximum of \$3.40. The new copayment amounts will also be expanded to local health departments and outpatient behavioral health services. In addition, a \$6.80 copayment will be implemented for nonemergency hospital ER visits.

Requirements	(\$15,101,348)
Receipts	(\$10,570,944)
<hr/>	
Appropriation	(\$4,530,404)

6. Administrative Efficiencies Through Contract Reductions

It is recommended that savings be achieved through administrative efficiencies. The savings come from contract reductions.

Requirements	(\$600,833)
Receipts	(\$420,583)
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Appropriation	(\$180,250)

7. Pharmacy Program Improvements

It is recommended that various improvements occur in the pharmacy program. They include collecting drug rebates on certain prescription drug claims (\$3.6 M); stopping reimbursement for lost prescriptions (\$252,000); requiring prior approval on brand drugs when 'medically necessary' is written on the prescription (\$938,700); creating a specialty drug network for dispensers of certain high cost drugs (\$316,040); requiring prior approval on all requests for the drug Synagis (\$376,253); and eliminating the ineffective FORM pharmacy program (\$83,103).

Requirements	(\$18,553,653)
Receipts	(\$12,987,557)
<hr/>	
Appropriation	(\$5,566,096)

8. Dental Program Improvements

It is recommended that various improvements be made in the dental program to generate costs savings.

Requirements	(\$56,607)
Receipts	(\$39,625)
<hr/>	
Appropriation	(\$16,982)

9. Durable Medical Equipment (DME) Program Improvements

The recommended budget includes two improvements for DME. First, the Division of Medical Assistance is seeking through a competitive bidding process to select one provider of incontinence supplies, resulting in savings through bulk purchasing (\$1,654,714). Second, it is recommended that Medicaid no longer cover high-tech adult orthotics and prosthetics when lower-tech alternatives exist or when medical necessity does not demand the higher-tech device (\$204,716).

Requirements	(\$6,198,100)
Receipts	(\$4,338,670)
	<hr/>
Appropriation	(\$1,859,430)

10. Eliminate Maternal Outreach Workers (MOW) Program

Maternal outreach workers complement the Maternal Care Coordination program provided by Local Health Departments (case management for pregnant women). It is expected that maternal care coordinators will be able to pick up the workload currently provided by MOWs.

Requirements	(\$976,580)
Receipts	(\$683,606)
	<hr/>
Appropriation	(\$292,974)

11. Implement Independent Assessments on High-Cost Services

This recommendation adds independent assessments to high-cost services. Prior to the service being delivered, an independent assessment will be conducted to ensure the proper utilization of services. In addition, targeted rate reductions and other measures may be implemented to achieve the necessary savings.

Requirements	(\$70,000,000)
Receipts	(\$49,000,000)
	<hr/>
Appropriation	(\$21,000,000)

Medicaid Policy Changes

1. Improved Utilization Management for Optional Services

Various optional service changes are recommended. They include maintaining adult podiatry services for individuals with diabetes or vascular disease only (\$535,436); eliminating adult optical 'refraction only' services to be consistent with Medicare reimbursement (\$121,677); reducing the maximum number of visits for adult ST, PT, OT, and respiratory therapy (RT) to three visits/year (\$1,507,110); and no longer allowing reimbursement of ST, PT, OT, and RT services when provided at the same time as other home care Medicaid services (\$112,500). In addition, the division shall develop a plan that includes limits and prior approval on outpatient optional services for improved utilization management (\$2,065,647).

Requirements	(\$14,474,567)
Receipts	(\$10,132,197)
	<hr/>
Appropriation	(\$4,342,370)

2. Reform In-Home Personal Care Services (PCS)

This recommendation reforms the in-home PCS program in order to provide care for individuals who are at risk of needing institutional care. Reform includes the elimination of in-home PCS services for adults and the creation of a new program for adults with the most intense needs. Some of these individuals are currently enrolled in the PCS Plus program (those requiring extensive assistance with three or more ADLs). A portion of the individuals in regular in-home PCS that have the highest need for in-home support will also be included. The expansion of the PCS Plus into a new program will ensure those individuals that do not qualify for nursing home care and have the greatest need will receive appropriate service in their homes.

Requirements	(\$199,350,690)
Receipts	(\$139,545,483)
	<hr/>
Appropriation	(\$59,805,207)

3. Private Duty Nursing Changes

This recommendation transitions adult private duty nursing recipients to a new Community Alternatives Program (CAP) technology waiver. The program will continue to serve children; however, it is recommended that independent assessments be conducted for children that receive the service.

Requirements	(\$4,326,860)
Receipts	(\$3,028,802)
	<hr/>
Appropriation	(\$1,298,058)

4. Enhanced Mental Health Changes

The division is in the process of modifying the community support team services that are scheduled to take effect on July, 1, 2010. The recommendation also includes a delay in implementing peer support from 7/1/10 to 1/1/11.

Requirements	(\$136,666,667)
Receipts	(\$95,666,667)
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Appropriation	(\$41,000,000)

5. Coverage for Emergency Adult Dental Care

This recommendation limits adult dental coverage to emergency care only. With this policy change, covered services will include emergency exams; diagnostic x-rays; urgent care extractions; biopsies; excision of tumors; repair of soft tissue wounds; treatment of fractures; and a portion of adjunctive services, such as general anesthesia and IV sedation, hospital calls, and therapeutic drug administration.

Requirements	(\$38,829,870)
Receipts	(\$27,180,909)
<hr/>	
Appropriation	(\$11,648,961)

6. Reduce Number of Visits Before Prior Approval for Outpatient Mental Health Services for Children

Currently 26 outpatient mental health service visits are allowed per year for children before prior approval is required for additional service authorizations. This recommendation lowers the number of visits allowed before prior authorization is required to 16.

Requirements	(\$3,111,823)
Receipts	(\$2,178,276)
<hr/>	
Appropriation	(\$933,547)

7. Eliminate Coverage of Certain Types of Surgery

It is recommended that coverage of certain types of surgery be eliminated, including breast reduction and mastopexy (breast lift) surgery (\$23,420); panniculectomy surgery (\$12,328); and surgery for severe obesity (\$89,400).

Requirements	(\$417,160)
Receipts	(\$292,012)
<hr/>	
Appropriation	(\$125,148)

8. Cover Prenatal Vitamins

It is recommended that coverage of prescription vitamins and minerals be eliminated, except for prescription prenatal vitamins.

Requirements	(\$2,590,460)
Receipts	(\$1,813,322)
	<hr/>
Appropriation	(\$777,138)

Total Recommended Reductions

Recurring

Requirements	(\$849,093,928)
Receipts	(593,865,750)
	<hr/>
Appropriation	(\$255,228,178)
Number of Positions	-

Nonrecurring

Requirements	-
Receipts	-
	<hr/>
Appropriation	-
Time Limited Positions	-

Expansion

2010-11

1. Adult Care Home Funds

Funds are recommended to develop and implement a 1915(c) Medicaid Assisted Living waiver for individuals that reside in adult care homes that meet skilled nursing level of care and currently receive State County Special Assistance (SCSA). The waiver will allow for a targeted reimbursement based on acuity levels for the personal care services provided in adult care homes.

Requirements	\$30,000,000
Receipts	\$21,000,000
	<hr/>
Appropriation	\$9,000,000

Total Recommended Expansion

Recurring

Requirements	\$30,000,000
Receipts	21,000,000
	<hr/>
Appropriation	\$9,000,000
Number of Positions	-

Nonrecurring

Requirements	-
Receipts	-
	<hr/>
Appropriation	-
Time Limited Positions	-

**Total Recommended Adjustments for
 Division of Medical Assistance
 2010-11**

Recurring

Requirements	\$695,550,799
Receipts	561,214,264
	<hr/>
Appropriation	\$134,336,535
Number of Positions	-

Nonrecurring

Requirements	\$86,417,645
Receipts	614,837,479
	<hr/>
Appropriation	(\$528,419,834)
Time Limited Positions	-

NC Health Choice (14446)

Total Appropriations and Positions				
	2010-11 Certified	Net Recommended Expansion and Reduction	2010-11 Recommended	Percent Change
Requirements	\$341,973,201	\$25,193,829	\$367,167,030	7.4 %
Receipts	<u>260,008,960</u>	<u>16,726,186</u>	<u>276,735,146</u>	6.4 %
Appropriation	<u>\$81,964,241</u>	<u>\$8,467,643</u>	<u>\$90,431,884</u>	10.3 %
Positions	1.000	3.000	4.000	300.0 %

Appropriation Items -- Recommended Adjustments

Reductions

2010-11

1. Sole Source Optical Supplies to the Department of Correction's Nash Optical

Consistent with current practice in Medicaid, it is recommended that the division issue a sole source contract for optical supplies for NC Health Choice (NCHC) to the Department of Correction's Nash Optical.

Requirements	(\$458,200)
Receipts	(\$343,650)
Appropriation	(\$114,550)

Total Recommended Reductions

Recurring

Requirements	(\$458,200)
Receipts	(343,650)
Appropriation	(\$114,550)
Number of Positions	-

Nonrecurring

Requirements	-
Receipts	-
<hr/>	
Appropriation	-
Time Limited Positions	-

Expansion

2010-11

1. NC Health Choice Transition Staff

Based on findings from the OSBM study of NCHC staffing, three staff are recommended to transition the administration of NC Health Choice to the division. The staff includes two time-limited employees for clinical policy and provider enrollment and one permanent employee for program integrity activities.

Requirements	\$79,300
Requirements - Nonrecurring	\$158,600
Receipts	\$59,475
Receipts - Nonrecurring	\$118,950
<hr/>	
Appropriation	\$59,475
Number of Positions	3.000

2. Expand NC Health Choice Enrollment

The Governor recommends expanding NCHC to fund anticipated enrollment growth to ensure that all children seeking coverage are served. Projected enrollment is expected to reach 143,035 by June 2011, allowing an additional 8,096 children to be served.

Requirements	\$25,414,129
Receipts	\$16,891,411
<hr/>	
Appropriation	\$8,522,718

Total Recommended Expansion

Recurring

Requirements	\$25,493,429
Receipts	16,950,886
	<hr/>
Appropriation	\$8,542,543
Number of Positions	3.000

Nonrecurring

Requirements	\$158,600
Receipts	118,950
	<hr/>
Appropriation	\$39,650
Time Limited Positions	-

**Total Recommended Adjustments for
 NC Health Choice
 2010-11**

Recurring

Requirements	\$25,035,229
Receipts	16,607,236
	<hr/>
Appropriation	\$8,427,993
Number of Positions	3.000

Nonrecurring

Requirements	\$158,600
Receipts	118,950
	<hr/>
Appropriation	\$39,650
Time Limited Positions	-

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

Total Appropriations and Positions				
	2010-11 Certified	Net Recommended Expansion and Reduction	2010-11 Recommended	Percent Change
Requirements	\$34,355,020	(\$575,614)	\$33,779,406	(1.7)%
Receipts	<u>25,705,289</u>	<u>38,450</u>	<u>25,743,739</u>	0.1 %
Appropriation	<u>\$8,649,731</u>	<u>(\$614,064)</u>	<u>\$8,035,667</u>	(7.1)%
Positions	317.000	-	317.000	0.0 %

Appropriation Items -- Recommended Adjustments

Reductions

2010-11

1. Budget Over-Realized Vending Receipts

It is recommended that over-realized vending receipts be budgeted to support the Division of Services for the Blind's Independent Living and Medical Eye Care Programs. The budgeting of these receipts is consistent with G.S. 111-43.

Requirements	-
Receipts	\$155,829
Appropriation	(\$155,829)

2. Consolidate Special Assistance Payment Systems

The State County Special Assistance Program assists older and disabled adults with the cost of living in a licensed adult care homes. Currently, two divisions operate SA payment systems - Social Services and Services for the Blind. It is recommended that the payment systems be consolidated. Special Assistance-Blind will be absorbed by the larger payment system in Social Services. (See Division of Social Services reduction #10.)

Requirements	(\$575,614)
Receipts	(\$287,807)
Appropriation	(\$287,807)

3. Budget Over-Realized Receipts

The Division of Services for the Blind's Rehabilitation Program provides services to visually impaired individuals with the goal of employment. The Social Security Administration pays the division for successful employment outcomes of clients. It is recommended that these receipts be budgeted on a non-recurring basis. The budgeting of receipts will result in a corresponding reduction in state appropriation.

Requirements	-
Receipts - Nonrecurring	\$150,428
Appropriation - Nonrecurring	(\$150,428)

4. Budget Agency Receipts

The Division of Services for the Deaf and Hard of Hearing is largely supported by receipts from the Telecommunications Relay Trust Fund. Based on an update of its cost allocation plan, the division will earn additional receipts. It is recommended that the receipts be budgeted on a recurring basis, which will result in a corresponding decrease in state appropriation.

Requirements	-
Receipts	\$20,000
Appropriation	(\$20,000)

Total Recommended Reductions

Recurring

Requirements	(\$575,614)
Receipts	(111,978)
Appropriation	(\$463,636)
Number of Positions	-

Nonrecurring

Requirements	-
Receipts	150,428
Appropriation	(\$150,428)
Time Limited Positions	-

**Total Recommended Adjustments for
Divisions of Services for the Blind, Deaf, and Hard of
Hearing
2010-11**

Recurring

Requirements (\$575,614)

Receipts (111,978)

Appropriation (\$463,636)

Number of Positions -

Nonrecurring

Requirements -

Receipts 150,428

Appropriation (\$150,428)

Time Limited Positions -

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

Total Appropriations and Positions				
	2010-11 Certified	Net Recommended Expansion and Reduction	2010-11 Recommended	Percent Change
Requirements	\$1,338,317,886	\$34,745,000	\$1,373,062,886	2.6 %
Receipts	<u>673,621,931</u>	<u>1,672,308</u>	<u>675,294,239</u>	0.2 %
Appropriation	<u>\$664,695,955</u>	<u>\$33,072,692</u>	<u>\$697,768,647</u>	5.0 %
Positions	11,561.930	-	11,561.930	0.0 %

Appropriation Items -- Recommended Adjustments

Reductions

2010-11

1. End School-Based Child and Family Teams Pilot

It is recommended that this program be eliminated due to its limited implementation and difficulty in keeping the positions filled.

Requirements	(\$1,080,000)
Receipts	(\$556,362)
Appropriation	(\$523,638)

2. Convert Whitaker School to Psychiatric Residential Treatment Facility (PRTF)

The Whitaker School is a secured 18 bed long term care facility that serves emotionally disturbed children ages 13 to 17 years old. This recommendation converts the school to a psychiatric residential treatment facility, which is more medically oriented and a Medicaid reimbursable service.

Requirements	-
Receipts	\$1,938,465
Appropriation	(\$1,938,465)

Total Recommended Reductions

Recurring

Requirements	(\$1,080,000)
Receipts	1,382,103
	<hr/>
Appropriation	(\$2,462,103)
Number of Positions	-

Nonrecurring

Requirements	-
Receipts	-
	<hr/>
Appropriation	-
Time Limited Positions	-

Expansion 2010-11

1. Increase Local In-Patient Bed Capacity

Funding is recommended to continue the development of local crisis response through the purchase of local in-patient bed capacity. These funds support the purchase of an estimated 50 beds. Local in-patient care affords clients the opportunity to receive services in their home community and better integration of care.

Appropriation **\$12,000,000**

2. Improve Quality of Care in Residential Facilities

To improve the quality of care of clients in the division's residential facilities, funding is recommended to support the training of facility staff. An emphasis will be placed on training direct care staff and front line leaders. Training will include current treatment modalities, medication administration, therapeutic communication, clinical and legal aspects of documentation, and cultural awareness.

Requirements **\$825,000**

Receipts **\$290,205**

Appropriation **\$534,795**

3. Restore Community Service Funding

In the 2009 Session, the General Assembly adopted a \$40 million one-time reduction to community mental health, developmental disabilities, and substance abuse services. This recommendation restores funding for FY 2010-11. It includes non-recurring state appropriation (\$23 million) and anticipated TANF ARRA monies (\$17 million) that will be budgeted in the department to support qualifying expenditures, thereby generating state funds to fully restore community service funding.

Appropriation - Nonrecurring **\$23,000,000**

Total Recommended Expansion

Recurring

Requirements	\$12,825,000
Receipts	290,205
<hr/>	
Appropriation	\$12,534,795
Number of Positions	-

Nonrecurring

Requirements	\$23,000,000
Receipts	-
<hr/>	
Appropriation	\$23,000,000
Time Limited Positions	-

**Total Recommended Adjustments for
 Division of Mental Health/Developmental
 Disabilities/Substance Abuse Services
 2010-11**

Recurring

Requirements	\$11,745,000
Receipts	1,672,308
<hr/>	
Appropriation	\$10,072,692
Number of Positions	-

Nonrecurring

Requirements	\$23,000,000
Receipts	-
<hr/>	
Appropriation	\$23,000,000
Time Limited Positions	-

Division of Health Service Regulation (14470)

Total Appropriations and Positions				
	2010-11 Certified	Net Recommended Expansion and Reduction	2010-11 Recommended	Percent Change
Requirements	\$57,703,129	(\$69,241)	\$57,633,888	(0.1)%
Receipts	<u>39,789,004</u>	<u>2,409,638</u>	<u>42,198,642</u>	6.1 %
Appropriation	<u>\$17,914,125</u>	<u>(\$2,478,879)</u>	<u>\$15,435,246</u>	(13.8)%
Positions	523.000	(2.000)	521.000	(0.4)%

Appropriation Items -- Recommended Adjustments

Reductions

2010-11

1. Replace Nursing Home Licensure and Certification Section Appropriation with Receipts

It's recommended to replace appropriation with federal receipts in the Nursing Home Licensure and Certification Section on a nonrecurring basis. The receipts come from civil monetary penalties assessed against nursing homes.

Requirements - Nonrecurring	-
Receipts - Nonrecurring	\$1,741,551
<hr/>	
Appropriation - Nonrecurring	(\$1,741,551)

2. Home Base Licensure and Certification Staff/Close Lexington Office

Licensure and certification staff that work in the Lexington Office will become home based, and the Lexington office will close. Savings will result from eliminating operating costs and two administrative staff. Included in this recommendation is funding for one-time costs associated with home-basing staff.

Appropriation	(\$92,038)
Appropriation - Nonrecurring	\$22,797
Number of Positions	(2.000)

3. Collect Medicaid Receipts in the Home Care Licensure and Certification Section

Since home care agencies are Medicaid providers, Medicaid receipts are an allowable source of funds to support licensure and certification activities. Therefore, it is recommended that the division collect federal Medicaid receipts in the Home Care Licensure and Certification Section, offsetting state appropriation.

Requirements	-
Receipts	\$104,739
<hr/>	
Appropriation	(\$104,739)

4. Establish Fee for Adult Care Home Medication Aide Testing

It is recommended that a \$25 fee be established for the testing of adult care home medication aides to help defray the cost of administering the tests.

Requirements	-
Receipts	\$110,575
<hr/>	
Appropriation	(\$110,575)

5. Establish Fees for Adult Care Home Administrator Testing and Certificate Renewals

It is recommended that fees be established for adult care home administrator testing and certificate renewals. The fees will be \$50 for the adult care home administrator test and \$30 for the renewal of adult care home administrator certificates. Certificate renewals occur every two years.

Requirements	-
Receipts	\$35,240
<hr/>	
Appropriation	(\$35,240)

6. Make Jails and Detention Section Receipt Supported

It's recommended that the Jails and Detention Section become 100% receipt supported. Annual fees will be \$420/facility and \$17.50/bed.

Requirements	-
Receipts	\$417,533
<hr/>	
Appropriation	(\$417,533)

Total Recommended Reductions

Recurring

Requirements	(\$92,038)
Receipts	668,087
<hr/>	
Appropriation	(\$760,125)
Number of Positions	(2.000)

Nonrecurring

Requirements	\$22,797
Receipts	1,741,551
<hr/>	
Appropriation	(\$1,718,754)
Time Limited Positions	-

**Total Recommended Adjustments for
 Division of Health Service Regulation
 2010-11**

Recurring

Requirements	(\$92,038)
Receipts	668,087
<hr/>	
Appropriation	(\$760,125)
Number of Positions	(2.000)

Nonrecurring

Requirements	\$22,797
Receipts	1,741,551
<hr/>	
Appropriation	(\$1,718,754)
Time Limited Positions	-

Division of Vocational Rehabilitation Services (14480)

Total Appropriations and Positions				
	2010-11 Certified	Net Recommended Expansion and Reduction	2010-11 Recommended	Percent Change
Requirements	\$135,817,219	(\$3,316,000)	\$132,501,219	(2.4)%
Receipts	<u>94,797,046</u>	_____ -	<u>94,797,046</u>	0.0 %
Appropriation	<u>\$41,020,173</u>	<u>(\$3,316,000)</u>	<u>\$37,704,173</u>	(8.1)%
Positions	1,051.700	(8.000)	1,043.700	(0.8)%

Appropriation Items -- Recommended Adjustments

Reductions 2010-11

1. Reduce Basic Support Program

The Aid and Public Assistance portion of the Basic Support Case Services program procures goods and coordinates services to assist eligible individuals to obtain and retain employment including counseling, training, tools, and initial stock for small businesses, as well as transportation and personal assistance. This reduction recommends reducing the Basic Support program through a general fund reduction.

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

2. Reduce Independent Living Program Budget and Staff

The Independent Living program reduces institutionalization of persons with significant disabilities and maximizes community living for those citizens and their families by providing services to increase independence and employment. This recommendation reduces overmatched state funds within the Independent Living program, in addition to the elimination of eight Recreational Therapist positions, six of which are filled and will be re-assigned to equivalent vacant positions within the Division.

Appropriation (\$1,316,000)
Number of Positions (8.000)

Total Recommended Reductions

Recurring

Requirements	(\$1,316,000)
Receipts	-
<hr/>	
Appropriation	(\$1,316,000)
Number of Positions	(8.000)

Nonrecurring

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

**Total Recommended Adjustments for
 Division of Vocational Rehabilitation Services
 2010-11**

Recurring

Requirements	(\$1,316,000)
Receipts	-
<hr/>	
Appropriation	(\$1,316,000)
Number of Positions	(8.000)

Nonrecurring

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

Recommended Adjustments

Justice and Public Safety

Judicial Branch

Judicial Branch - Indigent Defense

Department of Justice

Department of Juvenile Justice and
Delinquency Prevention

Department of Correction

Department of Crime Control and Public Safety

Judicial Branch (12000)

Total Appropriations and Positions				
	2010-11 Certified	Net Recommended Expansion and Reduction	2010-11 Recommended	Percent Change
Requirements	\$466,795,039	(\$9,216,294)	\$457,578,745	(2.0)%
Receipts	<u>3,041,560</u>	-	<u>3,041,560</u>	0.0 %
Appropriation	<u>\$463,753,479</u>	<u>(\$9,216,294)</u>	<u>\$454,537,185</u>	(2.0)%
Positions	6,350.425	-	6,350.425	0.0 %

Appropriation Items -- Recommended Adjustments

Reductions

2010-11

1. Reduce Technology Services Program

It is recommended that the Technology Services budget be reduced by 8%, which will have a minimal impact on program services.

Appropriation (\$2,616,294)

2. Establish a Management Reserve

It is recommended that a management reserve be established to provide the Administrative Office of the Courts the flexibility to determine where reductions can be made.

Appropriation (\$3,300,000)

Appropriation - Nonrecurring (\$3,300,000)

Total Recommended Reductions

Recurring

Requirements	(\$5,916,294)
Receipts	-
<hr/>	
Appropriation	(\$5,916,294)
Number of Positions	-

Nonrecurring

Requirements	(\$3,300,000)
Receipts	-
<hr/>	
Appropriation	(\$3,300,000)
Time Limited Positions	-

**Total Recommended Adjustments for
 Judicial Branch
 2010-11**

Recurring

Requirements	(\$5,916,294)
Receipts	-
<hr/>	
Appropriation	(\$5,916,294)
Number of Positions	-

Nonrecurring

Requirements	(\$3,300,000)
Receipts	-
<hr/>	
Appropriation	(\$3,300,000)
Time Limited Positions	-

Judicial Branch - Indigent Defense (12001)

Total Appropriations and Positions				
	2010-11 Certified	Net Recommended Expansion and Reduction	2010-11 Recommended	Percent Change
Requirements	\$130,343,529	\$1,828,954	\$132,172,483	1.4 %
Receipts	<u>10,211,519</u>	-	<u>10,211,519</u>	0.0 %
Appropriation	<u>\$120,132,010</u>	<u>\$1,828,954</u>	<u>\$121,960,964</u>	1.5 %
Positions	449.750	-	449.750	0.0 %

Appropriation Items -- Recommended Adjustments

Reductions

2010-11

1. Reduce Operating Budget

It is recommended that the operating budget be reduced on a recurring basis in the following categories: Temporary Personnel (\$185,000); Registration Fees (\$1,000); Travel (\$67,700); Communications (\$4,000); Other Various Operating (\$6,500). This reduction will realign the FY 2010-11 budget to the FY 2008-09 actual and FY 2009-10 projected expenditure spending levels.

Appropriation (\$264,200)

2. Reduce the North Carolina Prisoner Legal Services (PLS) Program

It is recommended that the North Carolina Prisoner Legal Services Program be reduced by 5%.

Appropriation -

Appropriation - Nonrecurring (\$142,031)

Total Recommended Reductions

Recurring

Requirements (\$264,200)

Receipts -

Appropriation (\$264,200)

Number of Positions -

Nonrecurring

Requirements	(\$142,031)
Receipts	-
	<hr/>
Appropriation	(\$142,031)
Time Limited Positions	-

Expansion

2010-11

1. Restore the Sentencing Services Program

As part of the Governor's Safe Communities package, this recommendation would restore funding to the Sentencing Services program, which is currently under a continuation review.

Appropriation \$2,235,185

Total Recommended Expansion

Recurring

Requirements	\$2,235,185
Receipts	-
	<hr/>
Appropriation	\$2,235,185
Number of Positions	-

Nonrecurring

Requirements	-
Receipts	-
	<hr/>
Appropriation	-
Time Limited Positions	-

**Total Recommended Adjustments for
Judicial Branch - Indigent Defense
2010-11**

Recurring

Requirements	\$1,970,985
Receipts	-
	<hr/>
Appropriation	\$1,970,985
Number of Positions	-

Nonrecurring

Requirements	(\$142,031)
Receipts	-
	<hr/>
Appropriation	(\$142,031)
Time Limited Positions	-

Department of Justice (13600)

Total Appropriations and Positions				
	2010-11 Certified	Net Recommended Expansion and Reduction	2010-11 Recommended	Percent Change
Requirements	\$123,654,320	(\$533,303)	\$123,121,017	(0.4)%
Receipts	<u>35,001,782</u>	<u>2,268,849</u>	<u>37,270,631</u>	6.5 %
Appropriation	<u>\$88,652,538</u>	<u>(\$2,802,152)</u>	<u>\$85,850,386</u>	(3.2)%
Positions	1,296.746	15.000	1,311.746	1.2 %

Appropriation Items -- Recommended Adjustments

Reductions

2010-11

1. Reduce Operating Budget

It is recommended that the operating budget be reduced in the following areas: Computer Software (\$300,000 R); Communications and Data Processing (\$200,000 R); Registration Fees (\$45,000 R); Vehicle Replacement (\$400,000 R and \$600,000 NR); Computer Equipment (\$100,000 R); Office Furniture (\$25,000 NR); Other Equipment (\$25,000 NR); Pension Benefits Claims (\$50,000 NR); Other Expenses (\$100,000 NR); Scientific and Medical Equipment (\$200,000 NR); Other DP Equipment (\$200,000 NR); Repair Services (\$75,000 R); Travel and Other Expenses (\$75,000 R); and Membership and Subscription Dues (\$42,000 R). This reduction will realign the FY 2010-11 budget to the FY 2008-09 actual and FY 2009-10 projected expenditure levels.

Appropriation (\$1,237,000)
Appropriation - Nonrecurring (\$1,200,000)

2. Eliminate Positions

It is recommended that positions vacant more than 90 days be eliminated.

Appropriation (\$1,271,436)
Number of Positions (20.000)

3. Eliminate the NC Legal Education Assistance Fund Program

It is recommended that the NC Legal Education Assistance Fund (LEAF) program be eliminated.

Appropriation (\$375,000)

4. Reduce Salary Reserve

It is recommended that the balance in salary reserve be reduced, which will have minimal impact on program service delivery.

Appropriation (\$175,000)

Total Recommended Reductions

Recurring

Requirements (\$3,058,436)

Receipts -

Appropriation (\$3,058,436)

Number of Positions (20,000)

Nonrecurring

Requirements (\$1,200,000)

Receipts -

Appropriation (\$1,200,000)

Time Limited Positions -

Expansion

2010-11

1. Safe Communities: Felony Arrestee DNA Forensic Specialist and Training

It is recommended that funding be provided to establish a Felony Arrestee DNA Forensic Specialist who will provide quality control, random sampling and analysis of DNA samples collected at the time of arrest. This request also includes funding to provide training for local law enforcement agencies on standard DNA collection procedures.

Appropriation \$550,000

Appropriation - Nonrecurring \$150,000

Number of Positions 1.000

2. Medicaid Fraud Criminal Investigation Team

It is recommended that funding be provided to expand the Medicaid Fraud Criminal Investigation Team. The expanded unit will consist of sworn investigators, attorneys, program assistants, financial investigators, and administrative support personnel. This investigative unit will be responsible for obtaining convictions of community service providers that commit fraud, recovering restitution and civil penalties for the benefit of the Medicaid Program and the Civil Forfeiture Fund, and deterring fraud.

Requirements	\$2,566,455
Requirements - Nonrecurring	\$458,678
Receipts	\$1,924,841
Receipts - Nonrecurring	\$344,008
	<hr/>
Appropriation	\$756,284
Number of Positions	34.000

Total Recommended Expansion

Recurring

Requirements	\$3,116,455
Receipts	1,924,841
	<hr/>
Appropriation	\$1,191,614
Number of Positions	35.000

Nonrecurring

Requirements	\$608,678
Receipts	344,008
	<hr/>
Appropriation	\$264,670
Time Limited Positions	-

**Total Recommended Adjustments for
Department of Justice
2010-11**

Recurring

Requirements \$58,019

Receipts 1,924,841

Appropriation (\$1,866,822)

Number of Positions 15.000

Nonrecurring

Requirements (\$591,322)

Receipts 344,008

Appropriation (\$935,330)

Time Limited Positions -

Department of Juvenile Justice and Delinquency Prevention (14060)

Total Appropriations and Positions				
	2010-11 Certified	Net Recommended Expansion and Reduction	2010-11 Recommended	Percent Change
Requirements	\$155,761,585	(\$5,852,393)	\$149,909,192	(3.8)%
Receipts	<u>8,577,640</u>	-	<u>8,577,640</u>	0.0 %
Appropriation	<u>\$147,183,945</u>	<u>(\$5,852,393)</u>	<u>\$141,331,552</u>	(4.0)%
Positions	1,820.040	41.000	1,861.040	2.3 %

Appropriation Items -- Recommended Adjustments

Reductions

2010-11

1. Eliminate the Woodson Wilderness Camp

It is recommended that the Woodson Wilderness Camp be closed, resulting in the elimination of 21 positions. Youth participating in this short-term voluntary pre-release program will remain at a youth development center until they are eligible for release.

Appropriation (\$1,016,041)
Number of Positions (21.000)

2. Reduce the Eckerd Wilderness Camp Program

It is recommended that the Eckerd Wilderness Camp Program be reduced by 155 beds. A reduction in the program will result in youth being placed in other alternative to detention programs or in a youth development center.

Appropriation (\$7,634,231)
Number of Positions -

3. Close the Macon County Multi-Purpose Home

It is recommended that the Macon County Multi-Purpose Home be closed due to lower capacity utilization relative to the other programs.

Appropriation (\$600,000)
Number of Positions -

4. Eliminate Direct Appropriation for the Juvenile Assessment Center

The Juvenile Assessment Center receives a direct appropriation as well as grant funding provided through the Juvenile Crime Prevention Council. It is recommended that the direct appropriation be eliminated.

Appropriation	(\$124,075)
Number of Positions	-

Total Recommended Reductions

Recurring

Requirements	(\$9,374,347)
Receipts	-
Appropriation	(\$9,374,347)
Number of Positions	(21,000)

Nonrecurring

Requirements	-
Receipts	-
Appropriation	-
Time Limited Positions	-

Expansion

2010-11

1. Restore Samarkand Youth Development Facility

It is recommended that funding for the Samarkand Youth Development Center be restored. This action provides the Department with needed bed capacity to accommodate system fluctuations and allow youth to remain close to their home communities.

Appropriation	\$3,521,954
Number of Positions	62,000

Total Recommended Expansion

Recurring

Requirements	\$3,521,954
Receipts	-
<hr/>	
Appropriation	\$3,521,954
Number of Positions	62.000

Nonrecurring

Requirements	-
Receipts	-
<hr/>	
Appropriation	-
Time Limited Positions	-

**Total Recommended Adjustments for
 Department of Juvenile Justice and Delinquency
 Prevention
 2010-11**

Recurring

Requirements	(\$5,852,393)
Receipts	-
<hr/>	
Appropriation	(\$5,852,393)
Number of Positions	41.000

Nonrecurring

Requirements	-
Receipts	-
<hr/>	
Appropriation	-
Time Limited Positions	-

Department of Correction (14500)

Total Appropriations and Positions				
	2010-11 Certified	Net Recommended Expansion and Reduction	2010-11 Recommended	Percent Change
Requirements	\$1,372,584,639	(\$35,931,461)	\$1,336,653,178	(2.6)%
Receipts	<u>46,092,409</u>	<u>9,620,094</u>	<u>55,712,503</u>	20.9 %
Appropriation	<u>\$1,326,492,230</u>	<u>(\$45,551,555)</u>	<u>\$1,280,940,675</u>	(3.4)%
Positions	20,461.000	749.000	21,210.000	3.7 %

Appropriation Items -- Recommended Adjustments

Reductions

2010-11

1. Reduce Inmate Medical Costs

It is recommended that inmate medical costs be linked to the Medicare and Medicaid fee schedules in order to generate cost savings.

Appropriation (\$20,500,000)

2. Eliminate Pass-Through Funding

Pass-through funding to the following programs is eliminated: Our Children's Place (\$109,500); Summit House (\$1,108,161); Women at Risk (\$262,500); and Harriet's House (\$206,250).

Appropriation (\$1,686,411)

3. Shift Positions to Receipts

It is recommended that four appropriated positions in the Department of Correction Controller's Office that support prison canteen functions be shifted to canteen receipts in the Inmate Welfare Fund. This recommendation will have no impact on program service delivery.

Requirements -

Receipts \$182,500

Appropriation (\$182,500)

Number of Positions (4.000)

4. Reduce Criminal Justice Partnership Program (CJPP)

This recommendation reduces CJPP funding by \$1.1 million non-recurring. This recommendation will not impact service delivery but will eliminate the ability to make supplemental discretionary grants to participating agencies. These discretionary grants are usually used to purchase non-programmatic items such as furniture and supplies.

Appropriation - Nonrecurring (\$1,100,000)

5. Increase Community Service Work Program Fee

It is recommended that the one time Community Service Work Program fee be increased by \$75 from the current amount of \$225 to the new amount of \$300.

Requirements -

Receipts \$3,211,800

Appropriation (\$3,211,800)

6. Increase Federal Incarceration Receipts

This federal program makes funds available to states for the purpose of recouping costs associated with incarcerating undocumented aliens. The department anticipates future funding from this program will exceed its current budget; therefore, it is recommended that budgeted receipts be increased.

Requirements - Nonrecurring -

Receipts - Nonrecurring \$872,000

Appropriation - Nonrecurring (\$872,000)

7. Reduce Operating Budget

It is recommended that the following operating budget reductions be made on a recurring basis: ITS Billing Charges (\$200,000); Miscellaneous Contractual Services in Community Corrections (\$50,000); Inmate and Officer Clothing (\$500,000); Vehicle Replacement (\$1,250,000); Fuel Oil (\$500,000); and Other (\$54,757). It is also recommended that the following operating budget reductions be made on a non-recurring basis: Inmate and Officer Clothing (\$500,000); Supplies (\$800,000); Equipment (\$800,000); Vehicle Replacement (\$1,500,000); Computers (\$300,000); and Inmate Food (\$1,000,000). These reductions are not anticipated to have any impact on service delivery.

Appropriation (\$2,554,757)

Appropriation - Nonrecurring (\$4,900,000)

8. Modify Close Custody Inmate Transfers

This recommendation would reduce transfers of close custody inmates from weekly to every other week, thereby reducing fuel consumption. This reduction will not have any impact on program services.

Appropriation (\$74,150)

9. Reduce Budgeted Longevity

This recommendation would reduce the Department's longevity budget on a non-recurring basis. This reduction will not have any impact on the longevity program based upon projected retirements in 2010-11.

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

10. Increase Probation/Parole Supervision Fees

It is recommended that the monthly Probation/Parole Supervision Fee be increased from \$30 per month to \$40 per month.

Requirements	-
Receipts	\$5,353,794
	<hr/>
Appropriation	(\$5,353,794)

11. Establish a Management Reserve

It is recommended that a management reserve be established to provide the Department of Correction the flexibility to determine where reductions can be made.

Appropriation - Nonrecurring	(\$15,000,000)
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12. Modify Inmate Drug Testing Frequency

This recommendation would reduce the drug testing frequency standard for inmates. It will not have an adverse impact on program service delivery.

Appropriation	(\$130,000)
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13. Eliminate Positions

This recommendation eliminates 18 positions through increased efficiency, consolidations, and reorganization.

Appropriation	(\$862,392)
Number of Positions	(18.000)

14. Consolidate Division of Community Corrections (DCC) Drug Lab Operations

This recommendation would consolidate the current five DCC drug labs into four locations. This reduction will not have an adverse impact on service delivery.

Appropriation	(\$142,973)
Number of Positions	(3.000)

15. Reorganize Victim Services

This recommendation increases efficiency by consolidating all Department of Correction Victim Services into one section.

Appropriation	(\$148,013)
Number of Positions	(4.000)

16. Standardize Chaplain Deployment

This recommendation establishes standards for the use of full time chaplains in medium and minimum custody prisons. The threshold for a full time chaplain in a medium custody prison will be set at 600 inmates and the threshold for minimum custody prisons will be 800 inmates.

Appropriation	(\$158,567)
Number of Positions	(3.000)

Total Recommended Reductions

Recurring

Requirements	(\$26,257,263)
Receipts	8,748,094
<hr/>	
Appropriation	(\$35,005,357)
Number of Positions	(32,000)

Nonrecurring

Requirements	(\$22,500,000)
Receipts	872,000
<hr/>	
Appropriation	(\$23,372,000)
Time Limited Positions	-

Expansion 2010-11

Safe Communities

1. Operating Reserve for Central Prison Hospital and Mental Health Facility

The Central Prison Hospital and Mental Health Facility is scheduled for completion in August of 2011. It is recommended that an operating reserve be established for this facility.

Appropriation	\$6,767,918
Appropriation - Nonrecurring	\$774,843
Number of Positions	554,000

2. Operating Reserve for North Carolina Correctional Institute for Women Mental Health Facility

The North Carolina Correctional Institute for Women Mental Health Facility is scheduled for completion in August of 2011. It is recommended that an operating reserve be established for this facility.

Appropriation	\$3,000,017
Appropriation - Nonrecurring	\$725,157
Number of Positions	227,000

3. Probation/Parole Officer Position Reallocation from Pay Grade 68 to Pay Grade 69

Part of the Governor's Safe Communities package, this recommendation will provide the funds necessary to reallocate 1,467 Probation/Parole Officers from a pay grade 68 to a pay grade 69, as was previously authorized by the State Personnel Commission. This request would address significant recruitment and retention issues for these positions. This recommendation would become effective on January 1, 2011.

Appropriation	\$1,557,867
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Total Recommended Expansion

Recurring

Requirements	\$11,325,802
Receipts	-
<hr/>	
Appropriation	\$11,325,802
Number of Positions	781.000

Nonrecurring

Requirements	\$1,500,000
Receipts	-
<hr/>	
Appropriation	\$1,500,000
Time Limited Positions	-

**Total Recommended Adjustments for
 Department of Correction
 2010-11**

Recurring

Requirements	(\$14,931,461)
Receipts	8,748,094
<hr/>	
Appropriation	(\$23,679,555)
Number of Positions	749.000

Nonrecurring

Requirements	(\$21,000,000)
Receipts	872,000
<hr/>	
Appropriation	(\$21,872,000)
Time Limited Positions	-

Department of Crime Control and Public Safety (14900)

Total Appropriations and Positions				
	2010-11 Certified	Net Recommended Expansion and Reduction	2010-11 Recommended	Percent Change
Requirements	\$157,911,859	(\$819,000)	\$157,092,859	(0.5)%
Receipts	<u>124,192,896</u>	-	<u>124,192,896</u>	0.0 %
Appropriation	<u>\$33,718,963</u>	<u>(\$819,000)</u>	<u>\$32,899,963</u>	(2.4)%
Positions	640.875	(3.000)	637.875	(0.5)%

Appropriation Items -- Recommended Adjustments

Reductions

2010-11

1. Fund Rape Victims Assistance Program at Current Year Expenditure Level

Funding for the Rape Victims Assistance Program will be maintained at the anticipated FY2009-10 expenditure level. This recommendation will have no impact on program service delivery.

Appropriation (\$1,300,000)

2. Eliminate Vacant Positions

The department will abolish the salary and fringe benefits of positions that equate to \$146,000 in recurring appropriation.

Appropriation (\$146,000)

Number of Positions (3.000)

Total Recommended Reductions

Recurring

Requirements	(\$1,446,000)
Receipts	-
Appropriation	<u>(\$1,446,000)</u>
Number of Positions	(3.000)

Nonrecurring

Requirements	-
Receipts	-
	<hr/>
Appropriation	-
Time Limited Positions	-

Expansion

2010-11

Safe Communities

1. Restore National Guard Funding

It is recommended that a portion of the continuation budget decrease for the 2009-11 biennial budget be restored to allow the state to match and draw down federal funds needed for National Guard Armory maintenance.

Appropriation \$600,000

2. Restore Funding to the North Carolina Victims Assistance Network (NCVAN)

Part of the Governor's Safe Communities package, this recommendation would restore funding to the North Carolina Victims Assistance Network, which had funding reduced by the General Assembly in the 2009-11 biennial budget.

Appropriation \$27,000

State Highway Patrol

1. Provide State Matching Funds to Continue VIPER Interoperable Communications Network Development

Part of the Governor's Safe Communities package, this recommendation would provide \$4.7 million in state matching funds for the Public Safety Interoperability Communications (PSIC) grant from the U.S. Department of Commerce received by the State Highway Patrol. The PSIC grant will be used to assist in the further development of the VIPER interoperable communications network.

Total Recommended Expansion

Recurring

Requirements	\$627,000
Receipts	-
<hr/>	
Appropriation	\$627,000
Number of Positions	-

Nonrecurring

Requirements	-
Receipts	-
<hr/>	
Appropriation	-
Time Limited Positions	-

**Total Recommended Adjustments for
 Department of Crime Control and Public Safety
 2010-11**

Recurring

Requirements	(\$819,000)
Receipts	-
<hr/>	
Appropriation	(\$819,000)
Number of Positions	(3.000)

Nonrecurring

Requirements	-
Receipts	-
<hr/>	
Appropriation	-
Time Limited Positions	-

Recommended Adjustments

Natural and Economic Resources

Department of Agriculture and
Consumer Services

Department of Labor

Department of Environmental and Natural
Resources

DENR - Clean Water Management Trust Fund

Department of Commerce

Commerce - General State Aid

Department of Agriculture and Consumer Services (13700)

Total Appropriations and Positions				
	2010-11 Certified	Net Recommended Expansion and Reduction	2010-11 Recommended	Percent Change
Requirements	\$87,943,855	(\$3,715,558)	\$84,228,297	(4.2)%
Receipts	<u>27,384,247</u>	<u>523,620</u>	<u>27,907,867</u>	1.9%
Appropriation	<u>\$60,559,608</u>	<u>(\$4,239,178)</u>	<u>\$56,320,430</u>	(7.0)%
Positions	1,172.800	(18.000)	1,154.800	(1.5)%

Appropriation Items -- Recommended Adjustments

Reductions

2010-11

1. Eliminate Positions

This recommendation eliminates eight vacant positions in various divisions, and two filled positions in the Budget and Finance and Information Technology divisions.

Appropriation	(\$575,123)
Number of Positions	(10.000)

2. Reduce Operating Budget

This recommendation reduces operating budgets department-wide. Impacted divisions include Budget and Finance, Agriculture Statistics, Emergency Programs, Pesticides, Food and Drug, Weights and Measures, Plant Industry, Markets, and Research Stations. Impacted expenditure accounts include furniture, miscellaneous contractual services, scientific equipment, rent, travel, and advertising.

Appropriation	(\$1,361,563)
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3. Close Rose Hill Lab

This recommendation closes the Rose Hill Lab in an effort to increase efficiency since this is the least active and oldest lab facility. Elimination of this lab will streamline laboratory processes and eliminate an underperforming facility.

Appropriation	(\$467,391)
Number of Positions	(5.000)

4. Reduction in Egg Law Program

This recommendation reduces the Egg Law Program. Remaining program staff will focus on investigations and consumer complaints.

Appropriation	(\$151,481)
Number of Positions	(3,000)

5. Increase License, Exam, and Certification Fees

This recommendation increases license fees, from \$50 to \$75, for Commercial Ground Applicators, Aerial Pilots, Aerial Apprentices, Pesticide Dealers, and Pest Control Consultants. Exam and certification fees for each classification will also increase.

Requirements	-
Receipts	\$403,620
Appropriation	(\$403,620)

6. Increase Structural Pest Exam and Certification Fees

This recommendation increases fees for certified applicator and license exams, structural licenses, structural certified applicator cards, and registered technician cards.

Requirements	-
Receipts	\$100,000
Appropriation	(\$100,000)

7. Budget Additional Phytosanitary Fees in Plant Industry Division

This recommendation budgets additional receipts that the department anticipates will be generated by issuing 100 additional certificates next fiscal year.

Requirements	-
Receipts	\$20,000
Appropriation	(\$20,000)

8. Management Flexibility Reduction

This recommendation reduces funding department-wide. The department has the flexibility to manage this adjustment to minimize the impact on programs, services, and activities that are core to the department's mission.

Appropriation	(\$1,160,000)
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Total Recommended Reductions

Recurring

Requirements	(\$3,715,558)
Receipts	523,620
<hr/>	
Appropriation	(\$4,239,178)
Number of Positions	(18.000)

Nonrecurring

Requirements	-
Receipts	-
<hr/>	
Appropriation	-
Time Limited Positions	-

**Total Recommended Adjustments for
 Department of Agriculture and Consumer Services
 2010-11**

Recurring

Requirements	(\$3,715,558)
Receipts	523,620
<hr/>	
Appropriation	(\$4,239,178)
Number of Positions	(18.000)

Nonrecurring

Requirements	-
Receipts	-
<hr/>	
Appropriation	-
Time Limited Positions	-

Department of Labor (13800)

Total Appropriations and Positions				
	2010-11 Certified	Net Recommended Expansion and Reduction	2010-11 Recommended	Percent Change
Requirements	\$31,695,648	(\$872,196)	\$30,823,452	(2.8)%
Receipts	<u>14,294,785</u>	<u>347,192</u>	<u>14,641,977</u>	2.4 %
Appropriation	<u>\$17,400,863</u>	<u>(\$1,219,388)</u>	<u>\$16,181,475</u>	(7.0)%
Positions	420.750	(.500)	420.250	(0.1)%

Appropriation Items -- Recommended Adjustments

Reductions

2010-11

Department-Wide

1. Reduce Salary Reserve

This recommendation reduces Salary Reserve in the following programs: Apprenticeship (\$227,911); Administration (\$7,722); Wage and Hour Division (\$27,717); and Workplace Safety and Health (\$25,167).

Appropriation (\$288,517)

2. Reduce Operating Budget

This recommendation reduces operating budgets department-wide to projected FY 09-10 expenditure levels in order to minimize the impact on the current level of service. Impacted programs include: Administration (\$14,199); Wage and Hour Division (\$12,495); Employment Discrimination Division (\$11,601); and Workplace Safety and Health Division (\$20,384). Impacted expenditures include travel, building repairs, equipment purchases, and administrative overhead.

Appropriation (\$58,679)

3. Management Flexibility Reserve

This recommendation reduces funding department-wide. The department has the flexibility to manage this adjustment to minimize the impact on programs, services, and activities that are core to the department's mission.

Appropriation (\$525,000)

Workplace Safety and Health

1. Replace State OSHA Funds with Federal OSHA Receipts

This recommendation increases Federal OSHA receipts for the Workplace Safety and Health program by transferring appropriation out of a 100% State-supported OSHA fund to a federal matching fund.

Requirements	-
Receipts	\$320,800
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Appropriation	(\$320,800)

Commissioner's Office

1. Shift Position to Receipt Support

This recommendation replaces General Fund appropriations with receipt funds for a 0.5 FTE administrative support position in the Commissioner's Office. Receipts will be generated by the Elevator and Amusement Device Bureau, the Boiler Bureau, and the OSH Division.

Requirements	-
Receipts	\$26,392
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Appropriation	(\$26,392)
Number of Positions	(.500)

Total Recommended Reductions

Recurring

Requirements	(\$872,196)
Receipts	347,192
<hr/>	
Appropriation	(\$1,219,388)
Number of Positions	(.500)

Nonrecurring

Requirements	-
Receipts	-
<hr/>	
Appropriation	-
Time Limited Positions	-

**Total Recommended Adjustments for
Department of Labor
2010-11**

Recurring

Requirements (\$872,196)

Receipts 347,192

Appropriation (\$1,219,388)

Number of Positions (.500)

Nonrecurring

Requirements -

Receipts -

Appropriation -

Time Limited Positions -

Department of Environment and Natural Resources (14300)

Total Appropriations and Positions				
	2010-11 Certified	Net Recommended Expansion and Reduction	2010-11 Recommended	Percent Change
Requirements	\$321,598,717	\$1,772,197	\$323,370,914	0.6 %
Receipts	<u>131,199,361</u>	<u>1,888,409</u>	<u>133,087,770</u>	1.4 %
Appropriation	<u>\$190,399,356</u>	<u>(\$116,212)</u>	<u>\$190,283,144</u>	(0.1)%
Positions	3,427.963	(49.523)	3,378.440	(1.4)%

Appropriation Items -- Recommended Adjustments

Reductions

2010-11

Administration

1. Eliminate Positions

It is recommended that two filled positions be eliminated.

Appropriation	(\$177,773)
Number of Positions	(2.000)

Aquariums

1. Reduce Operating Budget and Shift Aquarium Special Events and Rental Program

It is recommended that funding for various operating accounts (2xxx-5xxx) be reduced. In addition it is recommended that the appropriation for all events and rental activities be shifted to receipt support.

Requirements	(\$304,297)
Receipts	\$410,000
Appropriation	(\$714,297)

Coastal Management

1. Eliminate Position and Reduce Operating Budget

It is recommended that one vacant position be eliminated and that various operating accounts be reduced by 7%.

Appropriation	(\$85,812)
Number of Positions	(1.000)

2. Shift Position and Operating Expenses to Receipts

It is recommended that .50 appropriated position and various operating expenses be shifted to Express Permitting Receipts.

Requirements	-
Receipts	\$59,684
Appropriation	(\$59,684)
Number of Positions	(.500)

Environmental Health

1. Consolidate Childhood Lead Poisoning Prevention Program

It is recommended that the Childhood Lead Poisoning Prevention Program be consolidated with the Adult Blood Lead Surveillance section in the Department of Health and Human Services. This program is closely aligned with public health and would allow local health departments to work with a single state agency on matters related to lead poisoning.

Appropriation	(\$141,730)
Number of Positions	(1.000)

2. Consolidate Public Health Pest Management Program

It is recommended that the Public Health Pest Management Program be consolidated with the DHHS Epidemiology Communicable Disease Section as these programs share related goals of reducing the spread of disease through surveillance, educational programs and control activities. As part of the consolidation proposal, excess mosquito control grant funds are being reduced to historical expenditure levels. The two programs work closely on the control of mosquito, tick and animal-borne diseases.

Appropriation	(\$303,199)
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3. Eliminate Positions and Reduce Operating Budget

It is recommended that two filled and two vacant positions be eliminated. In addition it is recommended that funding for various operating budgets be reduced by 7%.

Appropriation	(\$324,580)
Number of Positions	(4.000)

4. Reduce Aid-to-County Contracts

It is recommended that the appropriation to the local health departments to run the food and lodging inspection program be reduced from \$6,000 to \$4,000. The reduction represents a 33% decrease to the total program budget.

Appropriation	(\$200,000)
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5. Eliminate WaDE Program

Eliminate the appropriation for the WaDE program and its two associated positions. The program is duplicative with efforts of the local health departments. The program was established to identify and eliminate discharges from straight pipes and failing septic systems in 23 western counties. Much of the activity initially fell to the WaDE staff; however in recent years much of the activity has shifted to the local health departments.

Appropriation	(\$131,088)
Number of Positions	(2.000)

6. Shift Position to Receipts

It is recommended that one appropriated position be shifted to a federal grant.

Requirements	-
Receipts	\$43,990
Appropriation	(\$43,990)
Number of Positions	(1.000)

Forest Resources

1. Eliminate Rendezvous Educational State Forest

It is recommended that the appropriation for the Rendezvous Educational State Forest be eliminated due to low attendance. The elimination of funds will eliminate one position and fund shift one position to receipts. The property will remain part of the state forest.

Requirements	(\$55,891)
Receipts	\$56,237
Appropriation	(\$112,128)
Number of Positions	(2.000)

2. Reduce Operating Budget

It is recommended that the operating budgeting for the Division of Forest Resources be reduced.

Appropriation	(\$2,720,520)
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3. Reduce Temporary Wages

It is recommended that funding for temporary positions be reduced by 7%.

Appropriation	(\$268,252)
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Land Resources

1. Reduce Operating Budget

It is recommended that the funding for various operating accounts be reduced by 7%.

Appropriation	(\$96,443)
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2. Reduce Funding for Contracts and Grants

It is recommended that funds appropriated for contracts be eliminated. One contract has ended and the funds are no longer needed. In addition, funds appropriated to support workshops and educational outreach on sedimentation and erosion control are reduced.

Appropriation (\$64,660)

3. Shift Position to Receipts

It is recommended that 1.083 appropriated positions be shifted to receipts.

Requirements -

Receipts \$44,431

Appropriation (\$44,431)

Number of Positions (1.083)

4. Eliminate Aid to Cities, Towns and Counties for Local Erosion

It is recommended that funds appropriated to assist local counties, cities and towns in starting local erosion and sedimentation programs be eliminated.

Appropriation (\$101,357)

Marine Fisheries

1. Reduce Fishery Resource Grant

It is recommended that pass-thru funding to North Carolina State University for the Sea Grant's Fishery Resource Grant be reduced.

Appropriation (\$300,000)

2. Reduce Operating Budget

It is recommended that funding for various operating accounts (2xxx-5xxx) be reduced across the agency by 7%.

Appropriation (\$757,826)

3. Shift Positions to Receipts

It is recommended that three appropriated positions be shifted to federal grants.

Requirements -

Receipts \$132,836

Appropriation (\$132,836)

Number of Positions (3.000)

Museum of Natural Sciences

1. Reduce Operating Budget

It is recommended that funding for various operating accounts be reduced by 7%.

Appropriation (\$372,216)

2. Reduce Temporary Wages

It is recommended that the budget for temporary wages be reduced by 7%.

Appropriation **(\$183,688)**

Natural Resources Planning and Conservation

1. Shift Position to Receipts and Reduce Operating Budget

It is recommended that 0.15 of an appropriated position be shifted to the Natural Heritage Trust Fund. In addition, it is recommended that the budget for various operating accounts be reduced by 7%.

Appropriation **(\$22,305)**

Number of Positions **(.150)**

2. Shift Conservation Information and Incentives Program to Receipts

It is recommended that the appropriation for the Conservation Information and Incentives Program be eliminated, and program funding be shifted to the Natural Heritage Trust Fund Support.

Requirements **-**

Receipts **\$312,213**

Appropriation **(\$312,213)**

Number of Positions **(5.500)**

Parks and Recreation

1. Eliminate Positions and Reduce Operating Budget

It is recommended that eight vacant positions be eliminated and the funding for various operating accounts be reduced.

Appropriation **(\$1,981,429)**

Number of Positions **(8.000)**

2. Reduce Temporary Wages

It is recommended that the budget for temporary wages be reduced by 7%.

Appropriation **(\$123,798)**

3. Adopt-A-Trail

It is recommended that the Adopt-A-Trail program become 100% receipt supported.

Appropriation **(\$108,000)**

Pollution Prevention and Environmental Assistance (PPEA)

1. Eliminate the Division and Move Programs to Customer Service Center

This reduction will eliminate four filled positions in the division to achieve administrative efficiencies and will move one position from PPEA Program funding to the Customer Service Center.

Appropriation	(\$255,848)
Number of Positions	(4,000)

2. Shift Position to Receipts

It is recommended that .69 of an appropriated position be shifted to the Solid Waste Management Trust Fund.

Requirements	-
Receipts	\$52,754

Appropriation	(\$52,754)
Number of Positions	(.690)

Regional Office

1. Eliminate Positions

It is recommended that two filled positions be eliminated.

Appropriation	(\$75,067)
Number of Positions	(2,000)

Soil and Water Conservation

1. Reduce Operating Budget

It is recommended that funding for various operating accounts be reduced by 7%.

Appropriation	(\$25,862)
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2. Reduce Ag Cost Share

It is recommended that the appropriation for the Agricultural Cost Share Program be reduced by 7%.

Appropriation	(\$535,711)
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3. Reduce Conservation Reserve Enhancement Program (CREP)

It is recommended that the appropriation for the Conservation Reserve Enhancement Program (CREP) be reduced by 50%.

Appropriation	(\$289,640)
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4. Reduce Matching Funds to Local Conservation Districts

It is recommended that matching funds to local conservation districts be reduced by \$100. Each district would still receive \$3,900 for operating costs to deliver the state cost share program.

Appropriation	(\$10,000)
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Waste Management

1. Shift Positions and Operating Budget to Receipts

It is recommended that 3.10 positions and various operating accounts (2xxx-5xxx) be shifted to Mercury Pollution Prevention Fees.

Requirements	-
Receipts	\$165,405
<hr/>	
Appropriation	(\$165,405)
Number of Positions	(3.100)

2. Increase Hazardous Waste Fees

It is recommended that hazardous waste facility fees be increased from \$444 per inspection to \$666 per inspection. The hazardous waste facility fees have not been increased since 1994.

Requirements	-
Receipts	\$80,000
<hr/>	
Appropriation	(\$80,000)

Water Quality

1. Eliminate Positions and Reduce Operating Budget

It is recommended that 9.50 filled positions and 1 vacant position be eliminated. In addition it is recommended that the funding for various operating accounts (2xxx-5xxx) be reduced by 7%.

Appropriation	(\$541,067)
Number of Positions	(10.500)

2. Shift Positions to Receipts

It is recommended that eight appropriated positions be shifted to federal grants.

Requirements	-
Receipts	\$442,875
<hr/>	
Appropriation	(\$442,875)
Number of Positions	(8.000)

Water Resources

1. Eliminate Vacant Position and Reduce Operating Budget

It is recommended that one vacant position be eliminated. In addition, it is recommended that various operating accounts (2xxx-5xxx) be reduced by 7%.

Appropriation	(\$287,134)
Number of Positions	(1.000)

Zoological Park

1. Reduce Operating Budgets

It is recommended that funding for various accounts be reduced.

Appropriation (\$846,980)

Reserves and Special Funds

1. Reduce Grassroots Science Museum

It is recommended that pass-through funding for the Grassroots Science Museum be reduced by 7%.

Appropriation (\$238,820)

2. Reduce Partnership for the Sound

It is recommended that pass-through funding to the Partnership for the Sound be reduced by 7%.

Appropriation (\$35,483)

Total Recommended Reductions

Recurring

Requirements (\$11,966,476)

Receipts 1,800,425

Appropriation (\$13,766,901)

Number of Positions (60,520)

Nonrecurring

Requirements -

Receipts -

Appropriation -

Time Limited Positions -

Expansion

2010-11

Division of Forest Resources

1. Young Offenders Forest Conservation Program (BRIDGE)

It is recommended that funding for the Young Offenders Forest Conservation Program (BRIDGE) that was in continuation review be restored.

Appropriation \$912,524

Number of Positions 10,000

Division of Land Resources

1. Dam Safety Fee Increase

It is recommended that the State Dam Safety Program be expanded by adding one time-limited Environmental Engineer position to manage and conduct dam safety inspections for the 48 newly acquired power utility dams. The Dam Safety Law was amended in 2009 to give the Dam Safety Program jurisdiction over these new dams associated with fossil fuel power plants.

Requirements - Nonrecurring	\$87,984
Receipts - Nonrecurring	\$87,984
Appropriation - Nonrecurring	-
Number of Positions	1.000

2. Characterization of Natural Gas and Petroleum Potential in NC

It is recommended that a Hydro/Geologist position be established to work on the characterization of natural gas and petroleum potential in the Mesozoic basins (Deep River) in North Carolina.

Appropriation	\$138,165
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Reserves and Special Funds

1. Drinking Water State Revolving Fund Match

Funding is recommended to meet the annual 20% state match requirement to leverage federal funds for the Drinking Water State Revolving Fund. The state match is required by federal statute to be used directly for infrastructure loans.

Appropriation - Nonrecurring	\$6,201,872
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2. Wastewater State Revolving Fund Match

Funding is recommended to meet the annual 20% state match requirement to leverage federal funds for the Wastewater Treatment Plant State Revolving Fund, which is a condition of the EPA capitalization grants for the program. In addition to the amount appropriated, \$935,271 in interest earned through the State Revolving Loan Fund in the Division of Water Quality will be utilized to support the required state match.

Appropriation - Nonrecurring	\$6,398,128
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Total Recommended Expansion

Recurring

Requirements	\$1,050,689
Receipts	-
<hr/>	
Appropriation	\$1,050,689
Number of Positions	11.000

Nonrecurring

Requirements	\$12,687,984
Receipts	87,984
<hr/>	
Appropriation	\$12,600,000
Time Limited Positions	-

**Total Recommended Adjustments for
 Department of Environment and Natural Resources
 2010-11**

Recurring

Requirements	(\$10,915,787)
Receipts	1,800,425
<hr/>	
Appropriation	(\$12,716,212)
Number of Positions	(49.520)

Nonrecurring

Requirements	\$12,687,984
Receipts	87,984
<hr/>	
Appropriation	\$12,600,000
Time Limited Positions	-

DENR - Clean Water Management Trust Fund (14301)

Total Appropriations and Positions				
	2010-11 Certified	Net Recommended Expansion and Reduction	2010-11 Recommended	Percent Change
Requirements	\$50,000,000	\$0	\$50,000,000	0.0 %
Receipts	-	-	-	
Appropriation	<u>\$50,000,000</u>	<u>\$0</u>	<u>\$50,000,000</u>	0.0 %
Positions	-	-	-	

Department of Commerce (14600)

Total Appropriations and Positions				
	2010-11 Certified	Net Recommended Expansion and Reduction	2010-11 Recommended	Percent Change
Requirements	\$94,019,637	\$23,264,375	\$117,284,012	24.7 %
Receipts	<u>53,104,428</u>	<u>707,162</u>	<u>53,811,590</u>	1.3 %
Appropriation	<u>\$40,915,209</u>	<u>\$22,557,213</u>	<u>\$63,472,422</u>	55.1 %
Positions	444.570	(9.750)	434.820	(2.2)%

Appropriation Items -- Recommended Adjustments

Reductions

2010-11

Department-Wide

1. Eliminate Filled and Vacant Positions

This recommendation eliminates 5 vacant positions and 3.75 filled positions, representing a two percent (2%) decrease in the total position count. The programs affected include: Administration (1 FTE); Policy Research and Strategic Planning (1 FTE); Business and Industry (2 FTE); Welcome Centers (3.75 FTE); and Commerce Finance (1 FTE).

Appropriation	(\$398,087)
Number of Positions	(8.750)

2. Reduce Operating Budget

This recommendation reduces operating budgets department-wide to projected FY 09-10 expenditure levels in order to minimize the impact on the current level of service. Impacted programs include: Administration (\$18,793); Science and Technology Division (\$22,382); MIS Division (\$61,366); Policy Research and Strategic Planning (\$20,200); Business and Industry Division (\$29,108); Tourism (\$126,236); Wanchese (\$30,404); and the Division of Community Assistance (\$746).

Appropriation	(\$309,235)
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3. Management Flexibility Reserve

This recommendation reduces funding department-wide. The department has the flexibility to manage this adjustment to minimize the impact on economic development initiatives and industry retention and recruitment efforts.

Appropriation	(\$500,000)
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Industrial Commission

1. Shift Operating Expenses to Receipt Support

It is recommended that \$429,863 in operating expenses be shifted from appropriation to receipt support for the Industrial Commission. These expenses will be supported through over-realized fee receipts collected by the Industrial Commission.

Requirements	-
Receipts	\$429,863
<hr/>	
Appropriation	(\$429,863)

State Energy Office

1. State Energy Plan Program

This recommendation streamlines operations at University-based Energy Centers and shifts training funding from appropriations to federal funds.

Requirements	-
Receipts	\$277,299
<hr/>	
Appropriation	(\$277,299)

Wanchese Seafood Industrial Park

1. Eliminate Oregon Inlet Maintenance Program

It is recommended that the Oregon Inlet Maintenance Program be eliminated as the program's goals appear to duplicate the efforts of the NC Division of Water Resources. Oregon Inlet is currently maintained by the US Army's Corps of Engineers and the NC Division of Water Resources works to get federal funds for maintaining NC waterway projects.

Appropriation	(\$248,327)
Number of Positions	(1.000)

Statewide Marketing

1. Eliminate Funding for Tourism Promotion Grants

This recommendation eliminates state funding for tourism promotion grants that provide matching grant funds for local promotional efforts. None of the money designated for these grants was spent in FY 08-09 and none is projected to be spent in FY 09-10.

Appropriation	(\$129,976)
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Total Recommended Reductions

Recurring

Requirements	(\$1,585,625)
Receipts	707,162
<hr/>	
Appropriation	(\$2,292,787)
Number of Positions	(9.750)

Nonrecurring

Requirements	-
Receipts	-
<hr/>	
Appropriation	-
Time Limited Positions	-

Expansion

2010-11

JobsNOW Initiative

1. Funding for One NC Fund

To recruit new jobs and investment to North Carolina as part of the JobsNOW Initiative, additional appropriation is recommended for the One NC Fund to enhance the competitive position of North Carolina when recruiting national and international business and industry projects. The current balance of available funds will likely be exhausted by early May.

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

2. Funding for One NC Small Business Fund

As part of the JobsNOW Initiative, additional appropriation is recommended for the One NC Small Business Fund to create jobs in small entrepreneurial businesses across the state and to enhance the number and competitiveness of their applications for federal Small Business Innovation Research and Small Business Technology Transfer grant funding.

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

JobsNOW Small Business Package

1. Funding for Main Street Solutions

To support and sustain small businesses in the downtown districts of Main Street and micropolitan communities as part of the Governor's JobsNOW Small Business Package, additional appropriation is recommended for the Main Street Solutions Fund to fund competitive local grants that create jobs and enhance the bottom lines of small downtown businesses.

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

2. **Tourism Marketing**

To stimulate North Carolina's small business tourism economy as part of the Governor's JobsNOW Small Business Package, additional funding is recommended for marketing, advertising, recruitment, and promotion to attract out-of-state vacationers to North Carolina and to encourage North Carolinians to vacation inside the state. A 2005 Longwoods International study on North Carolina tourism promotion found that the state realizes a 15 to 1 return on investment of tax dollars for this purpose.

Appropriation - Nonrecurring \$1,000,000

3. **"In Source NC" Network**

To encourage and expand in-state business-to-business transactions as part of the Governor's JobsNOW Small Business Package, an appropriation is recommended to develop university-based buyer-supplier networks within emerging and established industry clusters inside the state. These buyer-supplier networks would be modeled on an existing network developed and operated through the NCSU College of Textiles.

Appropriation - Nonrecurring \$150,000

Job Maintenance and Capital Development Fund

1. **Funding for Job Maintenance and Capital Development Fund**

To encourage the retention of quality jobs and large-scale capital investment, continued appropriation is recommended for the Job Maintenance and Capital Development Fund (JMAC), an incentive program that provides annual grants to qualifying businesses located in economically distressed counties.

Appropriation - Nonrecurring \$4,000,000

Business and Industry Division

1. **Business Recruitment and North Carolina Product Marketing**

To attract more businesses to locate operations in North Carolina and to increase the sales of North Carolina exports, including agricultural commodities, additional funding is recommended to promote the state as a top location for business and to promote the sales of North Carolina products abroad.

Appropriation - Nonrecurring \$1,000,000

International Trade Division

1. **International Trade Support**

To create additional export opportunities for NC companies in Asian and South American markets and to increase North Carolina investment interest from Asian and South American companies, additional funding for this purpose is recommended for the International Trade Division.

Appropriation \$200,000

Total Recommended Expansion

Recurring

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

Nonrecurring

Requirements	\$24,650,000
Receipts	-
<hr/>	
Appropriation	\$24,650,000
Time Limited Positions	-

**Total Recommended Adjustments for
 Department of Commerce
 2010-11**

Recurring

Requirements	(\$1,385,625)
Receipts	707,162
<hr/>	
Appropriation	(\$2,092,787)
Number of Positions	(9.750)

Nonrecurring

Requirements	\$24,650,000
Receipts	-
<hr/>	
Appropriation	\$24,650,000
Time Limited Positions	-

Commerce - General State Aid (14601)

Total Appropriations and Positions				
	2010-11 Certified	Net Recommended Expansion and Reduction	2010-11 Recommended	Percent Change
Requirements	\$53,723,061	\$13,200,000	\$66,923,061	24.6 %
Receipts	-	-	-	
Appropriation	<u>\$53,723,061</u>	<u>\$13,200,000</u>	<u>\$66,923,061</u>	24.6 %
Positions	-	-	-	

Appropriation Items -- Recommended Adjustments

Expansion

2010-11

JobsNOW Small Business Package

1. Small Business Assistance Fund

To increase small business access to credit as part of the Governor's JobsNOW Small Business Package, an appropriation is recommended to support the Small Business Assistance Fund in the Rural Economic Development Center. The Fund leverages third party funding to create a loan loss reserve that provides additional guarantees for SBA-backed loans made to eligible small businesses through participating lending institutions.

Appropriation - Nonrecurring \$1,000,000

JobsNOW Investment in Innovation

1. Biotechnology Center

To create jobs in the emerging field of Agricultural Biotechnology and to attract and grow jobs in early stage biotechnology businesses, appropriation is recommended for the NC Biotechnology Center's Agricultural Biotechnology Initiative (\$30 Billion in Ten Years), for company and job stimulus programs, and for science and technology grants and loans.

Appropriation - Nonrecurring \$3,000,000

2. Biofuels Center

To support the development of jobs, businesses and research in the emerging biofuels industry, funding is recommended to continue the programs and operations of the Biofuels Center of North Carolina, including grants, administration, and partnerships with other biofuels entities.

Appropriation - Nonrecurring \$2,000,000

3. Funding for Family Farm Opportunity and Innovation Fund

This recommendation designates appropriation to the Rural Economic Development Center for the Family Farm Opportunity and Innovation Fund to develop cost-shared assistance programs to help small family farm businesses improve energy efficiency, access new markets, and develop new value-added products. Funds allocated under this line item should be used to leverage maximum additional funding from third parties.

Appropriation - Nonrecurring \$1,000,000

JobsNOW State Aid to Non-State Entities

1. Regional Economic Development Commissions

The appropriation for the Regional Economic Development Commissions was changed from recurring to nonrecurring for FY 2008-09 while the commissions underwent an assessment by the General Assembly's Program Evaluation Division. It is recommended that funding for the commissions be restored on a recurring basis at 45% of the FY 2008-09 funding levels.

Appropriation \$2,600,000

2. Indian Economic Development Initiative

To spur economic development and create jobs in rural Indian communities, funding is recommended to continue the work of the North Carolina Indian Economic Development Initiative.

Appropriation - Nonrecurring \$100,000

3. Energy Research and Green Jobs

Provides State funds to the Research Triangle Institute (RTI) to match Federal grant for energy research and green jobs.

Appropriation - Nonrecurring \$500,000

Rural Economic Development Center

1. Home Grown Jobs Initiative

To strengthen the capacity of rural communities to compete for and attract new and expanding businesses, additional funding is recommended for the Rural Economic Development Center's Building Reuse and Restoration Program.

Appropriation - Nonrecurring \$3,000,000

Total Recommended Expansion

Recurring

Requirements	\$2,600,000
Receipts	-
<hr/>	
Appropriation	\$2,600,000
Number of Positions	-

Nonrecurring

Requirements	\$10,600,000
Receipts	-
<hr/>	
Appropriation	\$10,600,000
Time Limited Positions	-

**Total Recommended Adjustments for
 Commerce - General State Aid
 2010-11**

Recurring

Requirements	\$2,600,000
Receipts	-
<hr/>	
Appropriation	\$2,600,000
Number of Positions	-

Nonrecurring

Requirements	\$10,600,000
Receipts	-
<hr/>	
Appropriation	\$10,600,000
Time Limited Positions	-

Recommended Adjustments

Transportation

Highway Fund

Highway Trust Fund

Turnpike Authority

Highway Fund (84210)

Total Appropriations and Positions				
	2010-11 Certified	Net Recommended Expansion and Reduction	2010-11 Recommended	Percent Change
Requirements	\$2,838,032,928	\$52,890,000	\$2,890,922,928	1.9 %
Receipts	<u>1,098,382,928</u>	-	<u>1,098,382,928</u>	0.0 %
Appropriation	<u>\$1,739,650,000</u>	<u>\$52,890,000</u>	<u>\$1,792,540,000</u>	3.0 %
Positions	13,873.000	5.000	13,878.000	0.0 %

Appropriation Items -- Recommended Adjustments

Reductions

2010-11

Mandated Adjustments

1. 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 update the allocation for state aid to municipalities (Powell Bill) based on revised revenue estimates for the Highway Fund for fiscal year 2010-11.

Appropriation (\$785,319)

2. Statutory Adjustment to Leaking Underground Storage Tank Fund (LUST)

In accordance with G.S. 105-119(a) and (b), an adjustment is required to the appropriation for the Leaking Underground Storage Tank Fund to update the allocation based on revised revenue estimates for the Highway Fund for fiscal year 2010-11.

Appropriation (\$40,000)

Maintenance

1. Maintenance Funds

It is recommended that Highway Fund appropriations for maintenance of the state's highway infrastructure be reduced to align overall requirements for the Highway Fund with projected revenues for fiscal year 2010-11.

Appropriation (\$3,698,277)

Transfers to Other State Agencies

1. Department of Public Instruction - Drivers Education

A reduction in the funding for the Driver Education Program is recommended for fiscal year 2010-11 based on actual expenditures and historical reversion patterns for the program.

Appropriation - Nonrecurring (\$1,300,000)

Total Recommended Reductions

Recurring

Requirements	(\$4,523,596)
Receipts	-
<hr/>	
Appropriation	(\$4,523,596)
Number of Positions	-

Nonrecurring

Requirements	(\$1,300,000)
Receipts	-
<hr/>	
Appropriation	(\$1,300,000)
Time Limited Positions	-

Expansion

2010-11

Mandated Adjustments

1. 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 update the allocation for secondary roads construction based on revised revenue estimates for the Highway Fund for fiscal year 2010-11.

Appropriation \$3,840,718

Ferry Division

1. Maintain Current Level of Services

Additional operating funds are recommended for the Ferry Division to maintain their current level of services for fiscal year 2010-11. Operating funds were reduced for the 2009-11 biennium to balance the overall requirements for the Highway Fund with projected revenues.

Appropriation \$4,805,311

Rail Division

1. Grants to Short Line Railroads

Provide funds to the Rail Division for grants to short line railroad companies to fund rehabilitation projects that strengthen North Carolina's short line rail infrastructure.

Appropriation \$2,000,000

2. Pembroke Northeast Bypass Connector

Provide funds to the Rail Division for construction of the Pembroke Northeast Bypass project. Preliminary engineering, environmental documentation and right of way acquisition have been previously authorized and are underway for this project. The connector will provide improved multi-modal access to southeast North Carolina, linking the states military bases with State Ports.

Appropriation - Nonrecurring \$4,325,000

Division of Motor Vehicles

1. Medical Certification Compliance

Funds are recommended to allow the Division of Motor Vehicles to become compliant with new federal legislation that requires medical certification as part of the Commercial Driver License (CDL) process. All medical certificates for CDL applicants have to be reviewed to ensure they meet the medical requirements of the Federal Motor Carrier Safety Administration prior to issuance of a CDL.

Appropriation \$192,351

Appropriation - Nonrecurring \$7,550

Number of Positions 5,000

2. Law Enforcement Vehicle Expenses

Funds are recommended for motor fleet fees associated with specialized law enforcement vehicles assigned to the License and Theft Bureau within the Division of Motor Vehicles. The funds were reduced during the 2009-11 budget and are not sufficient to pay for currently assigned vehicles.

Appropriation - Nonrecurring \$344,722

Administration

1. IT - Payment Card Industry (PCI) Data Security Standard Compliance

Funding is recommended for an information technology project that will allow the department to upgrade their computer applications and supporting infrastructure that process payment cards to become compliant with new standards imposed by Master Card. Funding is requested for required hardware, software, and assessment services to maintain PCI compliance.

Appropriation \$135,000

Appropriation - Nonrecurring \$350,000

2. IT - Enterprise IP Telephone System

Funds are recommended to replace the existing Interactive Voice Response (IVR) hardware and applications and annual operating funds required for IT expenses with an upgraded telephone solution for the Division of Motor Vehicles. The current IVR system is no longer supported and is critical to the Division's ability to respond effectively to citizens' needs and deliver a high level of customer service via its call center. The Division's current telephone technology is outdated and ineffective, and the infrastructure cannot be updated to meet its future needs.

Appropriation **\$544,289**
Appropriation - Nonrecurring **\$515,000**

Agency Reserves

1. State Employees Payback

It is recommended that all employees paid from the highway fund receive a 0.5% one-time payback for the salary reduction taken to balance the budget in FY 2008-09.

Appropriation - Nonrecurring **\$2,701,641**

2. Retirement System Contribution

It is recommended that the State's contribution to the Teachers' and State Employees' Retirement System be increased in FY 2010-11. The increase represents the funds required for state employees that are paid from highway fund appropriations.

Appropriation **\$930,050**

Transfers to Other State Agencies

1. CC&PS-Provide Matching Funds to Continue VIPER Interoperable Communications Network Development

Funds are recommended to be transferred to Crime Control and Public Safety to provide matching funds for the Public Safety Interoperability Communications (PSIC) grant from the U.S. Department of Commerce received by the Highway Patrol. The PSIC grant will be used to assist in the further development of the VIPER interoperable communications network.

Appropriation **\$4,700,000**

2. Department of Public Instruction - Drivers Education

Funds are recommended to restore the recurring appropriation for the Driver Education Program based on findings of a continuation review of the program as directed by the 2009 Session of the General Assembly.

Appropriation **\$33,321,964**

Total Recommended Expansion

Recurring

Requirements	\$50,469,683
Receipts	-
<hr/>	
Appropriation	\$50,469,683
Number of Positions	5.000

Nonrecurring

Requirements	\$8,243,913
Receipts	-
<hr/>	
Appropriation	\$8,243,913
Time Limited Positions	-

**Total Recommended Adjustments for
 Highway Fund
 2010-11**

Recurring

Requirements	\$45,946,087
Receipts	-
<hr/>	
Appropriation	\$45,946,087
Number of Positions	5.000

Nonrecurring

Requirements	\$6,943,913
Receipts	-
<hr/>	
Appropriation	\$6,943,913
Time Limited Positions	-

Highway Trust Fund (84290)

Total Appropriations and Positions				
	2010-11 Certified	Net Recommended Expansion and Reduction	2010-11 Recommended	Percent Change
Requirements	\$920,990,000	\$80,323,983	\$1,001,313,983	8.7 %
Receipts	-	-	-	
Appropriation	<u>\$920,990,000</u>	<u>\$80,323,983</u>	<u>\$1,001,313,983</u>	8.7 %
Positions	-	-	-	

Appropriation Items -- Recommended Adjustments

Reductions

2010-11

1. Reduce Transfer to General Fund

It is recommended that the transfer from the Highway Trust Fund to the General Fund authorized by G.S. 105-187.9 be reduced by an additional \$22 million for FY 2010-11. This reinforces the Governor's pledge to eliminate this transfer by 2012.

Appropriation (\$22,000,000)

2. Statutory Adjustment to Secondary Roads Construction Allocation

An adjustment consistent with statutory formulas is recommended to the appropriation for secondary roads construction. The adjustment is required to update the allocation based on revised revenue estimates for the Highway Trust Fund for fiscal year 2010-11.

Appropriation (\$170,627)

Total Recommended Reductions

Recurring

Requirements	(\$22,170,627)
Receipts	-
Appropriation	<u>(\$22,170,627)</u>
Number of Positions	-

Nonrecurring

Requirements	-
Receipts	-
	<hr/>
Appropriation	-
Time Limited Positions	-

Expansion

2010-11

1. Establish North Carolina Mobility Fund

Notwithstanding G.S. 136-176(b), the recommended funds made available by further reducing the transfer from the Highway Trust Fund to the General Fund (\$22 million) and other dedicated revenue sources from motor vehicle fees (\$72.6 million) shall be used for the NC Mobility Fund. The funds will be available for all transportation modes and can only be utilized for the purposes outlined in an associated special provision that creates the fund. The request will facilitate establishment of a dedicated source of funding that can be used for projects that have statewide significance and are linked to statewide economic goals.

Appropriation \$94,583,983

2. Statutory Adjustment to Intrastate System Allocation

An adjustment consistent with statutory formulas is recommended to the appropriation for the intrastate system. The adjustment is required to update the allocation based on revised revenue estimates for the Highway Trust Fund for fiscal year 2010-11.

Appropriation \$4,995,162

3. Statutory Adjustment to Urban Loops Construction Allocation

An adjustment consistent with statutory formulas is recommended to the appropriation for urban loops construction. The adjustment is required to update the allocation based on revised revenue estimates for the Highway Trust Fund for fiscal year 2010-11.

Appropriation \$2,019,836

4. Statutory Adjustment to Aid to Municipalities Allocation

An adjustment consistent with statutory formulas is recommended to the appropriations for state aid to municipalities (Powell Bill). The adjustment is required to update the allocation based on revised revenue estimates for the Highway Trust Fund for fiscal year 2010.

Appropriation \$524,109

5. Statutory Adjustment to Program Administration Allocation

An adjustment consistent with statutory formulas is recommended to the appropriation for administration. The adjustment is required to update the allocation based on revised revenue estimates for the Highway Trust Fund for fiscal year 2010-11.

Appropriation \$371,520

Total Recommended Expansion

Recurring

Requirements	\$102,494,610
Receipts	-
<hr/>	
Appropriation	\$102,494,610
Number of Positions	-

Nonrecurring

Requirements	-
Receipts	-
<hr/>	
Appropriation	-
Time Limited Positions	-

**Total Recommended Adjustments for
 Highway Trust Fund
 2010-11**

Recurring

Requirements	\$80,323,983
Receipts	-
<hr/>	
Appropriation	\$80,323,983
Number of Positions	-

Nonrecurring

Requirements	-
Receipts	-
<hr/>	
Appropriation	-
Time Limited Positions	-

Turnpike Authority Budget Changes (64208)

	2010-11 Certified	Net Recommended Expansion and Reduction	2010-11 Recommended	Percent Change
Requirements	\$5,566,777	\$0	\$5,566,777	0.0 %
Receipts	<u>5,566,777</u>	-	<u>5,566,777</u>	0.0 %
Appropriation	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	
Positions	24.000	-	24.000	0.0 %

Recommended Adjustments

Capital Improvements

General Fund

Non-General Fund

Capital Improvements - General Fund (19600)

Total Appropriations and Positions				
	2010-11 Certified	Net Recommended Expansion and Reduction	2010-11 Recommended	Percent Change
Requirements	\$0	\$11,172,000	\$11,172,000	
Receipts	-	-	-	
Appropriation	<u>\$0</u>	<u>\$11,172,000</u>	<u>\$11,172,000</u>	
Positions	-	-	-	

Appropriation Items -- Recommended Adjustments

Expansion

2010-11

Natural and Economic Resources

1. DENR - Water Resources Projects

The Governor recommends funds for the state's share of civil works projects for dredging, navigation, and flood control. The costs of these projects are shared by federal and/or local governments using a statutory formula.

Appropriation - Nonrecurring \$11,172,000

Total Recommended Expansion

Recurring

Requirements	-
Receipts	-
Appropriation	-
Number of Positions	-

Nonrecurring

Requirements	\$11,172,000
Receipts	-
Appropriation	\$11,172,000
Time Limited Positions	-

**Total Recommended Adjustments for
Capital Improvements - General Fund
2010-11**

Recurring

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

Nonrecurring

Requirements	\$11,172,000
Receipts	-
	<hr/>
Appropriation	\$11,172,000
Time Limited Positions	-

Capital Improvements - Non-General Fund (404xx)

Summary of Recommended Changes: Capital projects funded entirely from non-General Fund sources must be authorized by the General Assembly pursuant to G.S. 143C-8-7.

Total Appropriations and Positions

	2010-11 Certified	Net Recommended Expansion and Reduction	2010-11 Recommended	Percent Change
Requirements	\$0	\$0	\$0	
Receipts	-	-	-	
Appropriation	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	
Positions	-	-	-	

Recommended Adjustments

Reserves, Debt Service, and Other Adjustments

General Fund

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

	Total Appropriations and Positions			
	2010-11 Certified	Net Recommended Expansion and Reduction	2010-11 Recommended	Percent Change
Requirements	\$1,176,309,585	\$235,515,586	\$1,411,825,171	20.0 %
Receipts	-	-	-	
Appropriation	<u>\$1,176,309,585</u>	<u>\$235,515,586</u>	<u>\$1,411,825,171</u>	20.0 %
Positions	-	-	-	

Appropriation Items -- Recommended Adjustments

Reductions

2010-11

1. Debt Service Requirements

It is recommended that debt service requirements be reduced based on lower than originally anticipated interest rates.

Appropriation (\$15,845,385)

2. Job Development Investment Grant (JDIG) Program

It is recommended that the continuation budget for the JDIG Program be reduced based on an updated payment schedule.

Appropriation - Nonrecurring (\$6,600,000)

3. Motorfleet Management Rate Adjustment

It is recommended that agency budgets be reduced to reflect savings that result from lowering motorfleet rates.

Appropriation (\$2,200,000)

Total Recommended Reductions

Recurring

Requirements	(\$18,045,385)
Receipts	-
Appropriation	<u>(\$18,045,385)</u>
Number of Positions	-

Nonrecurring

Requirements	(\$6,600,000)
Receipts	-
Appropriation	(\$6,600,000)
Time Limited Positions	-

Expansion

2010-11

1. JobsNOW: "Back to Work" Incentive Fund

It is recommended that \$15 million be appropriated to a "Back to Work" Incentive Fund for FY 2010-11. The incentive builds on the federal HIRE Act benefit to encourage additional hiring of unemployed workers. Specifically, this Fund would provide an immediate direct payment to small businesses (under 25 employees) that hire someone that has been out of work for at least two months.

Appropriation - Nonrecurring \$15,000,000

2. Teachers and State Employees Payback

It is recommended that all state-funded teachers and state employees receive a 0.5% one-time payback for the salary reduction taken to balance the budget in FY 2008-09.

Appropriation - Nonrecurring \$62,500,000

3. Teacher Salary Step to Stay Competitive

It is recommended that funds be appropriated to support the step for teacher salary schedule employees.

Appropriation \$55,164,175

Appropriation - Nonrecurring \$5,971,975

4. Retirement System Contribution

It is recommended that the State's contribution to the Teachers' and State Employees' Retirement System be increased in FY 2010-11.

Appropriation \$20,000,000

5. Bonus Leave for State Employees

It is recommended that all state employees, except those paid on the Teacher Salary Schedule, shall receive 32 hours of bonus leave. This would include 24 hours of flexible bonus leave and an additional 8 hours to be taken on Thursday, December 23, 2010.

6. Savings Reserve Account

It is recommended that a direct appropriation be made to replenish the state's Savings Reserve Account (Rainy Day Fund). These funds may also be used as a revenue buffer in the event the Federal Estate Tax is not extended for tax year 2010.

Appropriation - Nonrecurring \$101,524,821

Total Recommended Expansion

Recurring

Requirements	\$75,164,175
Receipts	-
<hr/>	
Appropriation	\$75,164,175
Number of Positions	-

Nonrecurring

Requirements	\$184,996,796
Receipts	-
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Appropriation	\$184,996,796
Time Limited Positions	-

**Total Recommended Adjustments for
 Reserves, Debt Service, and Other Adjustments -
 General Fund
 2010-11**

Recurring

Requirements	\$57,118,790
Receipts	-
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Appropriation	\$57,118,790
Number of Positions	-

Nonrecurring

Requirements	\$178,396,796
Receipts	-
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Appropriation	\$178,396,796
Time Limited Positions	-

