

# The North Carolina State Budget



**Michael F. Easley**  
**Governor**

**2002-2003**  
**Recommended Adjustments**

*The North Carolina State Budget 2002-2003 Recommended Adjustments*

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*The North Carolina State Budget 2002-2003 Recommended Adjustments* to the 2001-2003 Biennium is available on line at [www.osbm.state.nc.us](http://www.osbm.state.nc.us). For any further information please contact the appropriate administrator from the Office of State Budget and Management, at 20320 Mail Service Center, Raleigh, North Carolina 27699-0320, (919) 733-7061.

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# Table of Contents

Page

I.	General Fund.....	1
	<u>Revenue</u> .....	1
	<u>Education</u>	
	Public Education.....	7
	Community Colleges .....	15
	University of North Carolina .....	21
	<u>General Government</u>	
	Department of Administration.....	29
	Office of Administrative Hearings .....	32
	Department of State Auditor.....	33
	Office of the State Controller.....	34
	Department of Cultural Resources.....	34
	Department of Cultural Resources-Roanoke Island Commission .....	38
	State Board of Elections .....	38
	General Assembly.....	39
	Office of the Governor.....	39
	Office of State Budget and Management.....	40
	North Carolina Housing Finance .....	40
	Department of Insurance.....	41
	Office of the Lieutenant Governor.....	41
	Department of Revenue .....	42
	Rules Review Commission.....	43
	Department of Secretary of State.....	43
	Department of State Treasurer.....	46
	<u>Health and Human Services</u>	
	Department of Health and Human Services .....	47
	<u>Justice and Public Safety</u>	
	Department of Correction .....	80
	Department of Crime Control and Public Safety.....	88
	Department of Judicial/Administrative Office of the Courts.....	90
	Department of Justice .....	92
	Office of Juvenile Justice.....	95
	<u>Natural and Economic Resources</u>	
	Department of Agriculture and Consumer Services .....	97
	Department of Commerce.....	102
	Department of Commerce-State Aid .....	106
	Department of Environment and Natural Resources .....	107
	DENR-Clean Water Management Trust Fund.....	112
	Department of Labor.....	112

**Table of Contents (Continued)**

	Page
II. Transportation.....	116
III. Statewide Reserves, Compensation, and Other Appropriations .....	118
IV. Capital Improvements.....	122
V. Additional Budget Recommendations Alternative Economic Scenario .....	124
VI. Summary of Statute Revisions and/or Special Provisions.....	126

**Text Tables**

Table 1. General Fund Revenue, 2001-2003 .....	3
Table 2. Recommended Availability and Appropriations .....	4
Table 3. Recommended Changes to FY 2002-2003 General Fund Budget.....	5

## 2002-2003 Recommended Adjustments

### I. General Fund

#### Revenue

##### Revenue for 2002-03 Under Current Law

A sharp increase in the rate of growth in the U.S. economy growth in the first quarter of 2002 was heralded as a clear sign that the recent recession had ended. Although the 5.8 % jump in real Gross Domestic Product (GDP) was positive news, it was largely the result of the swing in inventories and good weather. The slowing of the inventory runoff in the January - March quarter accounted for 3.1 percentage points of the growth. Consumer spending, which remained healthy throughout 2001, rose 3.5% in the first quarter, despite the drop in auto sales. Capital spending dropped 5.7 %, due mostly to plunging nonresidential construction. Residential construction jumped 15.7%, aided by the balmy weather nationwide.

More recent comments, however, indicate that the U.S. economic recovery may be stalling:

- Consumer sentiment fell in April, indicating that retail spending may be slowing.
- Housing sales dropped in March for both new and existing homes.
- Durable goods orders dropped 0.6% in March, increasing the hesitancy of manufacturers to add to their payrolls.
- The stock market has drifted lower on disappointing earnings reports.
- A shortfall in federal tax receipts in April will increase the federal fiscal 2002 deficit.

Although the consensus forecast calls for real economic growth in the 3.5% range over the next year, the downside risks continue to dominate. The largest risk to the U.S. and North Carolina economies centers on the political instability in the Middle East and world oil prices. Our economy is less dependent on oil (per unit of GDP) compared to the early 1970s, but another “oil shock” could well derail the emerging U.S. and world recoveries.

Given the high level of uncertainty about our economic future and our lack of reserves at the state level, it is appropriate to adopt a tightly conservative rate of growth in General Fund revenue for 2002-03 at this time. Projected General Fund net collections are assumed to grow at a modest 1.5% rate during 2002-03 (\$13.4 billion in 2002-03, up from a projected \$13.2 billion in 2001-02).

**2002-2003 Recommended Adjustments  
General Fund - Revenue - Continued**

Recommended Additions to 2002-03 Revenue

The following additions to baseline revenue availability are recommended:

	<u>Additional Revenue</u>
1. Adjust Annual Highway Trust Fund Transfer	\$80,000,000
2. Use of 2001-02 Highway Fund Credit Balance	30,000,000
3. One-time Use of Highway Trust Fund	100,000,000
4. Transfer from the Tobacco Trust Fund	40,000,000
5. Defer Certain Revenue Reductions	68,900,000
6. Increase Court Fees by \$10/Other Miscellaneous Fees	26,112,896
7. Project Collect Tax	10,000,000
8. Suspend Local Government Reimbursement	333,400,000

Table 1. provides the projected net revenue collections for 2002-03, including the above recommended revenue additions.

**2002-03 Recommended Adjustments  
General Fund - Revenue - Continued**

**Table 1  
General Fund Revenue  
(\$Millions)**

	<u>2000-01 Actual</u>	<u>2001-02 Projected</u>	<u>2002-03 Projected</u>
Tax Revenue:			
Inheritance	\$ 123.2	\$ 112.2	\$ 120.0
Licenses	3.0	26.9	45.8
Cigarette	42.0	41.1	39.9
Soft Drink	0.1	-	-
Franchise	580.4	435.4	330.5
Income Tax:			
Individual	\$ 7,391.3	\$ 7,152.6	\$ 7,313.1
Corporate	<u>460.3</u>	<u>362.7</u>	<u>550.4</u>
Subtotal	\$ 7,851.6	\$ 7,515.3	\$ 7,863.5
Sales and Use			
Beverage	\$ 172.7	\$ 174.6	\$ 170.4
Gift	20.3	14.1	10.9
Freight Car Lines	0.5	0.5	0.5
Insurance	305.8	330.8	366.9
Piped Natural Gas	37.2	37.3	39.7
Miscellaneous	<u>0.8</u>	<u>0.6</u>	<u>0.6</u>
Total Tax Revenue	\$ 12,573.1	\$ 12,488.5	\$ 13,150.5
Nontax Revenue:			
Investment Income	\$ 170.9	\$ 132.0	\$ 115.3
Judicial Fees	109.3	109.8	120.9
Disproportionate Share Receipts	109.1	107.0	107.0
Insurance Department	43.6	45.5	46.6
Miscellaneous*	<u>262.2</u>	<u>515.5</u>	<u>155.4</u>
Total Nontax Revenue	\$ 695.2	\$ 909.8	\$ 545.2
Transfers:			
Highway Fund	\$ 13.6	\$ 14.5	\$ 45.3
Highway Trust Fund	<u>170.0</u>	<u>171.7</u>	<u>352.4</u>
TOTAL General Fund Revenue	<u>\$ 13,451.9</u>	<u>\$ 13,584.5</u>	<u>\$ 14,093.4</u>

\*Includes funds generated by budgetary actions to balance the 2000-01 and 2001-02 budgets. For 2001-02, miscellaneous nontax contains an estimated \$376.1 million in funds necessary to balance at June 30, 2002 (\$95.1 million in inventory tax reimbursements, \$114.0 million of state-shared taxes, \$80.0 million additional transfer from the Highway Trust Fund, \$62.0 million transfer from Tobacco Settlement funds, and \$25.0 million in Special Funds/Trust Funds).

Columns may not add due to rounding

Table 3

## Recommended Changes to the FY 2002-2003 General Fund Budget

Function	FY 2002-03	Reductions		Entitlement/ ADM Adjustment	Expansion		Net	FY 2002-03	Position
	Beginning Certified Appropriation	Recurring	Nonrecurring		Recurring	Nonrecurring	Changes	Recommended Appropriation	Changes
<b>Health and Human Services:</b>									
Central Administration	\$ 48,008,705	\$ (3,134,244)	\$ -	\$ -	\$ 28,065,300	\$ -	24,931,056	\$ 72,939,761	(13.00)
Aging	29,531,910	(584,160)	-	-	-	-	(584,160)	28,947,750	-
Child Development	68,384,075	(3,761,805)	-	-	2,600,000	-	(1,161,805)	67,222,270	(5.50)
Smart Start	220,674,321	(16,501,983)	-	-	-	-	(16,501,983)	204,172,338	(0.70)
Education Services	69,581,525	(3,726,899)	-	-	-	-	(3,726,899)	65,854,626	(75.00)
Public Health	107,434,083	(6,915,017)	-	-	-	-	(6,915,017)	100,519,066	(5.45)
Social Services	194,763,531	(12,730,733)	-	-	-	-	(12,730,733)	182,032,798	(56.00)
Medical Assistance	2,219,446,892	(135,228,204)	-	109,723,210	-	-	(25,504,994)	2,193,941,898	-
Child Health	37,487,142	-	-	-	-	-	-	37,487,142	-
Services for the Blind	10,168,115	(243,013)	-	-	-	-	(243,013)	9,925,102	(1.00)
Mental Health/DD/SAS	581,068,627	(41,498,589)	-	-	-	-	(41,498,589)	539,570,038	(52.50)
Facility Services	15,442,236	(1,563,587)	-	-	-	-	(1,563,587)	13,878,649	(6.00)
Vocational Rehabilitation	42,088,956	(3,022,522)	-	-	-	-	(3,022,522)	39,066,434	(20.00)
<b>Total Health &amp; Human Services</b>	<b>3,644,080,118</b>	<b>(228,910,756)</b>	<b>-</b>	<b>109,723,210</b>	<b>30,665,300</b>	<b>-</b>	<b>(88,522,246)</b>	<b>3,555,557,872</b>	<b>(235.15)</b>
<b>Natural and Economic Resources:</b>									
Agriculture & Consumer Services	55,268,040	(5,266,229)	-	-	-	-	(5,266,229)	50,001,811	(85.00)
Commerce	44,280,374	(4,880,047)	(700,000)	-	-	500,000	(5,080,047)	39,200,327	(18.00)
Commerce - State Aid to Nonstate Entities	16,561,217	(1,821,734)	(250,000)	-	-	-	(2,071,734)	14,489,483	-
Environment and Natural Resources	158,722,700	(17,517,213)	-	-	-	-	(17,517,213)	141,205,487	(148.43)
Clean Water Management Trust Fund	70,000,000	(30,000,000)	-	-	-	-	(30,000,000)	40,000,000	-
NC Housing Finance	5,300,000	(583,000)	-	-	-	-	(583,000)	4,717,000	-
Labor	15,117,906	(1,661,383)	-	-	-	-	(1,661,383)	13,456,523	(20.75)
<b>Total Natural and Economic Resources</b>	<b>365,250,237</b>	<b>(61,729,606)</b>	<b>(950,000)</b>	<b>-</b>	<b>-</b>	<b>500,000</b>	<b>(62,179,606)</b>	<b>303,070,631</b>	<b>(272.18)</b>
<b>Justice and Public Safety:</b>									
Correction	930,964,916	(33,683,132)	(37,926,230)	-	8,269,786	-	(63,339,576)	867,625,340	267.00
Crime Control & Public Safety	28,493,506	(2,760,074)	-	-	2,500,000	-	(260,074)	28,233,432	(18.00)
Judicial	305,465,135	(11,000,669)	-	-	-	-	(11,000,669)	294,464,466	(43.50)
Judicial - Indigent Defense	68,867,771	-	-	-	-	-	-	68,867,771	-
Justice	73,785,584	(2,645,475)	(619,800)	-	-	-	(3,265,275)	70,520,309	(34.00)
Juvenile Justice	142,554,017	(13,129,278)	-	-	-	-	(13,129,278)	129,424,739	(187.00)
<b>Total Justice and Public Safety</b>	<b>1,550,130,929</b>	<b>(63,218,628)</b>	<b>(38,546,030)</b>	<b>-</b>	<b>10,769,786</b>	<b>-</b>	<b>(90,994,872)</b>	<b>1,459,136,057</b>	<b>(15.50)</b>
<b>General Government:</b>									
Administration	61,563,497	(6,272,837)	-	-	-	-	(6,272,837)	55,290,660	(84.00)
State Auditor	11,864,673	(1,299,099)	-	-	-	-	(1,299,099)	10,565,574	(9.00)
Cultural Resources	59,427,419	(6,567,429)	-	-	-	-	(6,567,429)	52,859,990	(71.75)
Cultural Resources - Roanoke Island	1,859,463	(207,930)	-	-	-	-	(207,930)	1,651,533	-
General Assembly	39,553,848	(4,362,870)	-	-	-	-	(4,362,870)	35,190,978	-
Governor's Office	5,442,905	(598,019)	-	-	-	-	(598,019)	4,844,886	(9.00)
Insurance	23,527,552	-	-	-	0	-	0	23,527,552	-
Insurance - Worker's Compensation Fund	4,500,000	-	(2,500,000)	-	-	-	(2,500,000)	2,000,000	-
Lieutenant Governor	669,545	(72,149)	-	-	-	-	(72,149)	597,396	(1.50)
Office of Administrative Hearings	2,795,155	(305,963)	-	-	-	-	(305,963)	2,489,192	(4.00)
Revenue	77,955,704	(1,720,000)	-	-	-	-	(1,720,000)	76,235,704	-
Rules Review Commission	325,795	(35,724)	-	-	-	-	(35,724)	290,071	(0.10)
Secretary of State	8,286,850	-	-	-	-	-	0	8,286,850	-
State Board of Elections	3,186,269	(95,514)	-	-	-	-	(95,514)	3,090,755	-
State Budget and Management (OSBM)	5,354,938	(526,400)	-	-	-	-	(526,400)	4,828,538	(8.00)
OSBM - Special Appropriations	3,080,000	-	-	-	-	-	0	3,080,000	-
Office of State Controllor	11,523,868	(1,034,877)	-	-	-	-	(1,034,877)	10,488,991	(5.00)
State Treasurer	7,216,817	-	-	-	0	-	0	7,216,817	-
State Treasurer - Retirement / Benefits	12,379,780	(4,200,000)	-	-	-	-	(4,200,000)	8,179,780	-
<b>Total General Government</b>	<b>340,514,078</b>	<b>(27,298,811)</b>	<b>(2,500,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(29,798,811)</b>	<b>310,715,267</b>	<b>(192.35)</b>
<b>Transportation</b>	<b>13,393,341</b>	<b>(1,473,492)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,473,492)</b>	<b>11,919,849</b>	<b>-</b>

Table 3

Recommended Changes to the FY 2002-2003 General Fund Budget

Function	FY 2002-03	Reductions		Entitlement/ ADM Adjustment	Expansion		Net	FY 2002-03	Position
	Beginning Certified Appropriation	Recurring	Nonrecurring		Recurring	Nonrecurring	Changes	Recommended Appropriation	Changes
Education:									
Public Schools	5,868,676,303	(102,751,156)	(29,000,000)	28,989,435	26,892,380	79,832,000	3,962,659	5,872,638,962	366.00
Public Instruction - Administration	53,512,243	(3,568,263)	-	-	-	-	(3,568,263)	49,943,980	(15.00)
Community Colleges	610,262,261	(29,994,783)	-	-	29,518,419	1,000,000	523,636	610,785,897	-
System Office - Administration	32,933,198	(1,896,845)	-	-	-	-	(1,896,845)	31,036,353	(13.00)
University System	1,757,044,817	(127,978,796)	(2,666,533)	-	84,105,005	-	(46,540,324)	1,710,504,493	(522.37)
UNC - General Administration	41,276,013	(3,154,515)	-	-	-	-	(3,154,515)	38,121,498	(5.50)
<b>Total Education</b>	<b>8,363,704,835</b>	<b>(269,344,358)</b>	<b>(31,666,533)</b>	<b>28,989,435</b>	<b>140,515,804</b>	<b>80,832,000</b>	<b>(50,673,652)</b>	<b>8,313,031,183</b>	<b>(189.87)</b>
<b>Net Agency Changes</b>	<b>14,277,073,538</b>	<b>(651,975,650)</b>	<b>(73,662,563)</b>	<b>138,712,645</b>	<b>181,950,890</b>	<b>81,332,000</b>	<b>(323,642,678)</b>	<b>13,953,430,860</b>	<b>(905.05)</b>
Debt Service:									
General Debt Service	352,266,860	(37,105,542)	-	-	-	-	(37,105,542)	315,161,318	-
Federal Reimbursement	1,155,948	-	-	-	-	-	-	1,155,948	-
<b>Total Debt Service</b>	<b>353,422,808</b>	<b>(37,105,542)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(37,105,542)</b>	<b>316,317,266</b>	<b>-</b>
Reserves & Adjustments:									
Contingency and Emergency Reserve	5,000,000	-	-	-	-	-	-	5,000,000	-
Compensation Increase Reserve	193,842,000	(4,247,868)	-	-	51,000,000	-	46,752,132	240,594,132	-
Salary Adjustment Reserve	500,000	-	-	-	-	-	-	500,000	-
ITS Rate Reduction Reserve	(4,000,000)	(2,414,318)	-	-	-	-	(2,414,318)	(6,414,318)	-
Reserve - HIPAA Implementation	-	-	-	-	-	3,000,000	3,000,000	3,000,000	-
Health Plan Reserve	200,000,000	(12,621,872)	-	-	-	-	(12,621,872)	187,378,128	-
Retirement Rate Reduction Reserve	(243,267,720)	(142,300,000)	-	-	-	-	(142,300,000)	(385,567,720)	-
Efficiency Commission Recommendations	-	(25,000,000)	-	-	-	-	(25,000,000)	(25,000,000)	-
Mental Health/DD/SAS Trust Fund Reserve	-	-	-	-	-	10,000,000	10,000,000	10,000,000	-
Severance & Discontinued Service Reserve	-	-	-	-	-	5,000,000	5,000,000	5,000,000	-
<b>Total Reserves &amp; Adjustments</b>	<b>152,074,280</b>	<b>(186,584,058)</b>	<b>-</b>	<b>-</b>	<b>51,000,000</b>	<b>18,000,000</b>	<b>(117,584,058)</b>	<b>34,490,222</b>	<b>-</b>
Capital:									
Capital Improvements	-	-	-	-	-	39,078,000	39,078,000	39,078,000	-
<b>Total Capital</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>39,078,000</b>	<b>39,078,000</b>	<b>39,078,000</b>	<b>-</b>
<b>Total General Fund Budget</b>	<b>\$ 14,782,570,626</b>	<b>\$ (875,665,250)</b>	<b>\$ (73,662,563)</b>	<b>\$ 138,712,645</b>	<b>\$ 232,950,890</b>	<b>\$ 138,410,000</b>	<b>\$ (439,254,278)</b>	<b>\$ 14,343,316,348</b>	<b>(905.05)</b>

## 2002-2003 Recommended Adjustments

### Public Education

#### Recommended Adjustments

2002-03

**1. Revise Average Daily Membership**

Positions, textbooks, instructional equipment, and supplies allocated to the public schools are budgeted on the basis of average daily membership (ADM) of students in the classroom. Budgeted ADM was 1,301,048 for 2001-02 and 1,318,170 for 2002-03. The revised budgeted ADM for 2002-03 is 1,326,865, which is a 8,695 net increase. Budgeted ADM for 2002-03 is based on the higher of 2001-02 actual ADM or 2002-03 projected ADM by local school system.

Receipts from the Highway Fund to be transferred to the Department of Public Instruction for the Driver Education program are adjusted by \$1,249,069 due to a projected increase in ADM in the ninth grade.

Requirements	\$ 30,238,504
Receipts	<u>1,249,069</u>
Appropriation	\$ 28,989,435

#### Recommended Reductions

##### Department of Public Instruction

**1. Department of Public Instruction Reduction**

A 10% reduction in personnel and nonpersonnel budget line items is recommended for the Department of Public Instruction. These reductions include the Education Management, Financial and Business Services, Information and Technology Services and Instructional and Accountability Services budget purposes. This reduction includes the elimination of 15 positions in the department.

Number of Positions	(3,568,264) (15.0)
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**2002-2003 Recommended Adjustments  
General Fund – Public Education - Continued**

**Recommended Reductions**

<b>Department of Public Instruction - Continued</b>		<u><b>2002-03</b></u>
<b>2. Reduction in Transfers and Reserves</b>		
A 10% reduction is recommended for the following departmental transfers and reserves: the Public School Forum of North Carolina, Communities In Schools, Schools Attuned, Teacher Cadet Program, NC Network, and Children’s Trust Fund.		\$ (233,230)
<b>3. Reduction in Department of Public Instruction’s Salary Reserve</b>		
It is recommended that the Department of Public Instruction’s salary reserve be reduced by 50%. Salary reserve consists of the annual remaining salary funds when positions are filled at lower levels than budgeted.		(52,509)
 <b>Public Schools</b> 		
<b>4. Average Annual Salary Adjustment</b>		
An adjustment is recommended to revise the budgeted average annual salaries including principals and assistant principals using actual 2001-02 sixth pay period salaries as the base. This adjustment is made annually after reviewing budgeted salary projections for all certified personnel. Typically, because of turnover in these positions, the actual salaries are lower than budgeted salaries and a reduction is made accordingly. This adjustment does not reduce any salary paid to certified personnel.		(22,788,638)
<b>5. Delay School Bus Replacement</b>		
A revision to the school bus replacement schedule is recommended for 2002-03. With this adjustment, the total 2002-03 budget for school bus purchases will be \$10,015,377. The department will purchase approximately 161 buses during 2002-03.		(20,000,000) NR

NR - Nonrecurring

**2002-2003 Recommended Adjustments  
General Fund – Public Education - Continued**

**Recommended Reductions**

<b>Public Schools - Continued</b>		<b>2002-03</b>
<b>6. School Breakfast Program</b>	The 1999 Session of the General Assembly provided \$1,100,000 for a new kindergarten school breakfast program, which began in January 2000. During the 2000 Session of the General Assembly, additional funds were provided to annualize the school breakfast program for all kindergarten students, regardless of income. The students in this program did not include students who were eligible for free or reduced lunch. It is recommended that the School Breakfast Program funding be reduced to reflect actual expenditures.	\$ (200,000)
<b>7. Uniform Education and Reporting System (UERS)</b>	It is recommended the Department of Public Instruction extend the implementation schedule for its new statewide reporting system, Window of Information into Student Education (NCWISE) of the Uniform Education and Reporting system (UERS). A nonrecurring reduction is recommended for UERS/NCWISE.	(5,000,000) NR
<b>8. Noninstructional Support Reduction</b>	A reduction is recommended for Noninstructional Support in the State Public School Fund (SPSF). The reduction will reduce the clerical and custodial support allotment to the Local School Administrative Units. Approximately 90% of the Noninstructional Support budget funds clerical and custodial support positions. The remaining 2002-03 budget will be \$256,453,571 after this reduction and the ADM revision.	(46,088,466)
<b>9. Eliminate Textbooks Inflationary Increase</b>	Elimination of the 2002-03 5% inflationary increase for textbooks is recommended. The 2001-02 inflationary increase will not be affected by the adjustment. The 2002-03 budget for textbooks will be \$72,237,136 after this adjustment.	(3,423,312)

NR – Nonrecurring

**2002-2003 Recommended Adjustments  
General Fund – Public Education - Continued**

**Recommended Reductions**

<b>Public Schools - Continued</b>	<b>2002-03</b>
<p><b>10. Eliminate Inflationary Increase for Instructional Supplies and Equipment</b> Elimination of the 2002-03 5% inflationary increase for instructional supplies, materials, and equipment is recommended. The 2001-02 3% inflationary increase will not be affected by the adjustment. The budget for instructional supplies, materials, and equipment for 2002-03 will be \$58,355,184 after this adjustment.</p>	\$ (6,185,968)
<p><b>11. Combine TAC and Staff Development Allotments</b> It is recommended that the Technical Assistance Centers (TAC) and the Staff Development allotment budgets be combined and a reduction taken. The 2002-03 Staff Development budget will be \$8,704,044 after this adjustment.</p>	(3,017,317)
<p><b>12. Mentor Pay</b> A reduction is recommended for mentor pay for teachers who serve as mentors to first and second year teachers in North Carolina. This adjustment more accurately reflects the actual expenditures for mentor pay.</p>	(1,000,000)
<p><b>13. Central Office Administration</b> A reduction is recommended for the Central Office Administration allotment for Local School Administrative Units (LEA). The 2002-03 budget for Central Office Administration will be \$98,821,628 after this reduction and the ADM adjustment.</p>	(3,292,328)
Number of Positions	(50.0)
<p><b>14. Assistant Principals</b> A reduction is recommended for the School Building Administrators allotment for Local School Administrative Units. This reduction would eliminate 166 Assistant Principal positions. The 2002-03 budget for School Building Administrators will be \$ 223,113,486 after this reduction.</p>	(9,255,127)
Number of Positions	(166.0)

**2002-2003 Recommended Adjustments  
General Fund- Public Education – Continued**

**Recommended Reductions**

<b>Public Schools - Continued</b>		<u>2002-03</u>
<b>15. Testing Appropriations Reduction</b>	A reduction in the state funding for testing is recommended. These funds will be replaced with federal grants, which are designed to strengthen the capacity of local educational agencies and schools to provide all students the opportunity to increase educational achievement.	\$ (5,000,000)
<b>16. Transportation Reduction</b>	A nonrecurring reduction is recommended for the transportation allocations to the LEAs. These funds support the mechanics, garage operations, fuel costs, parts, bus drivers' salaries and fringe benefits and other operational costs for school bus operations. After this reduction and the ADM adjustment, \$241,863,084 will remain in the transportation budget.	(4,000,000) NR
<b>Total Recurring Reductions</b>		
Requirements		\$(104,251,156)
Receipts		<u>-</u>
Appropriation		\$(104,251,156)
Number of Positions		(231.0)
<b>Total Nonrecurring Reductions</b>		
Requirements		\$ (29,000,000)
Receipts		<u>-</u>
Appropriation		\$ (29,000,000) NR

NR - Nonrecurring

**2002-2003 Recommended Adjustments  
General Fund- Public Education – Continued**

**Recommended Expansion**

2002-03

**1. School-Based Incentive Awards Under the ABCs Program**

The ABCs initiative directs that each year a school must assure that the students receive a year's worth of education for a year of instruction. According to G.S. 115C-105.36, incentive awards will be given when a school either meets or exceeds the projected levels of improvement in student performance. In accordance with State Board of Education policy, incentive awards in schools that achieve higher than expected improvement may be up to \$1,500 for each teacher and certified personnel and \$500 for each teacher assistant.

In accordance with State Board of Education policy, incentive awards in schools that meet the expected improvements may be up to \$750 for each teacher and certified personnel and \$375 for each teacher assistant. One-time funds in the amount of \$98 million were appropriated in the 1998 Short Session for those awards to be earned in the 1998-99 school year and awarded in July 1999. The 1999 General Assembly provided \$140 million. The 2001 General Assembly provided \$93.1 million in one-time funding for the ABC bonuses for schools meeting or exceeding expected growth during the 2000-01 school year. Non-recurring funds in the amount of \$79,832,000 are recommended for awards earned in the 2001-02 school year and awarded in July of 2002. Funding for the school-based incentive awards is included in the Education Lottery Proposal.

\$ 79,832,000 NR

**2. Class Size Reduction**

In an effort to improve student performance, funds in the amount of \$26,242,380 for 582 teachers are recommended to achieve an average class size of 18 students in every first grade classroom in 2002-03. It is the intent that class size be reduced to 18 for grade 2 in 2003-04 and in 2004-05 for grade 3. Funding for this class size reduction is included in the Education Lottery Proposal.

26,242,380

NR - Nonrecurring

**2002-2003 Recommended Adjustments  
General Fund- Public Education – Continued**

**Recommended Expansion**

	<u>2002-03</u>	
<b>3. Teaching Fellows Program</b>		
Funds are recommended to increase the number of participants in the Teaching Fellows Program operated by the Public School Forum of North Carolina. The Teaching Fellows Program began in 1987 and currently provides a \$6,500 per year scholarship for four years to 400 high school seniors each year. Upon acceptance of the scholarship, the recipient agrees to teach for four years in a North Carolina public school or three years in a low-performing school. Funds in the amount of \$650,000 are recommended for the Teaching Fellows Program to add 100 scholarships in 2002-03. The total number of scholarships will be 500 for high school seniors in 2002-03.	\$ 650,000	
<b>4. Teacher Assistant Scholarships</b>		
Additional appropriation is recommended to provide additional scholarship funds for teacher assistants who take community college courses that are prerequisites for teacher certification programs. Approximately 50 additional scholarships will be available for the 2002-03 fiscal year.	200,000	
<b>Total Recurring Expansion</b>		
Requirements	\$ 27,092,380	
Receipts	-	
Appropriation	<u>\$ 27,092,380</u>	
<b>Total Nonrecurring Expansion</b>		
Requirements	\$ 79,832,000	
Receipts	-	
Appropriation	<u>\$ 79,832,000</u>	NR

NR - Nonrecurring

**2002-2003 Recommended Adjustments  
General Fund- Public Education – Continued**

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**TOTAL Recommended Adjustments for Public Education  
(including Reductions and Expansion)**

	<u>2002-03</u>	
<b>TOTAL Recurring Adjustments</b>		
Requirements	\$ (46,774,275)	
Receipts	<u>1,249,069</u>	
Appropriation	\$ (48,023,344)	
Number of Positions	(231.0)	
<b>TOTAL Nonrecurring Adjustments</b>		
Requirements	\$ 50,832,000	
Receipts	<u>-</u>	
Appropriation	\$ 50,832,000	NR

NR - Nonrecurring

## 2002-2003 Recommended Adjustments

### Community Colleges

#### Recommended Reductions

##### Community College System Office

2002-03

#### 1. Position and Operating Budget Reductions

The following reductions in the North Carolina Community College System Office budget are recommended. In the Executive Division a reduction of 2.5 positions totaling \$109,356 and operating line items totaling \$32,475 is recommended. The elimination of three vacant and three filled positions (\$225,429) and the reduction of operating line items (\$267,668) are recommended for the Administration Division. Salary reserve (\$27,328), a vacant processing assistant position (\$29,096), and operating line items (\$44,397) are recommended for reduction in the Business and Finance Division. A reduction is recommended in the Academic and Student Services Division. Three positions will be eliminated (\$133,017) and operating line items (\$64,334) will be reduced. In the Economic and Workforce Development Division it is recommended that 1.5 positions totaling \$61,027 be eliminated and operating line items totaling \$51,172 be reduced. A fire training coordinator position will be transferred to the Academic and Student Services Division consistent with item 12 below.

\$ (1,045,299)  
(13.0)

Number of Positions

#### 2. Reduce Excess Salary Reserve

The 2000 Session of the General Assembly appropriated \$225,000 for salary adjustments within the Community College System Office. It is recommended that the unexpended balance of \$6,462 be eliminated. It is also recommended that 50% of remaining salary reserve balances in the Executive, Administration, and Academic and Student Services Divisions be reduced for a savings of \$50,705.

(57,167)

#### 3. State Board Reserve Adjustment

The State Board Reserve is limited by statute to funding feasibility studies, pilot projects, start-up of new programs, and innovative ideas. It is recommended that the \$800,000 appropriation for the State Board Reserve be reduced by 10% for a savings of \$80,000.

(80,000)

**2002-2003 Recommended Adjustments  
General Fund – Community Colleges – Continued**

**Recommended Reductions**

**Community College System Office - Continued**

2002-03

**4. College Information System**

A \$714,379 reduction in the College Information System (CIS) budget is recommended. Training reductions totaling \$511,572 and implementation contract staff reductions totaling \$202,807 are recommended. After this adjustment the 2002-03 CIS budget will be \$14.3 million.

\$ (714,379)

**Community Colleges**

**5. Special Allotments**

Special allotments are provided to community colleges that have programs designated by the General Assembly as high cost. A \$357,221 reduction in the appropriation for special allotments is recommended.

(357,221)

**6. Community Service Grant**

The Community Service Grant provides funds for colleges to offer free hobby and leisure courses. The Community Service grant is recommended for a \$500,000 reduction.

(500,000)

**7. Summer Term “Other Costs”**

The 2000 Session of the General Assembly appropriated \$7,177,623 for summer term curriculum instruction as a supplement to regular curriculum enrollment funding. A \$452,190 reduction in the “other cost” budget for this supplement is recommended.

(452,190)

**8. Human Resource Development**

The Human Resource Development (HRD) program provides employment, training, counseling, and assistance for individuals seeking job placement. The 2001 General Assembly directed that participants in the HRD program be allowed to take fee waived HRD classes under the Continuing Education Master Course list. For the first time, HRD classes will be funded by the Occupational Continuing Education formula budget. Therefore it is recommended that the HRD allotment be reduced by \$1.5 million.

(1,510,483)

**2002-2003 Recommended Adjustments  
General Fund – Community Colleges – Continued**

**Recommended Reductions**

2002-03

**9. Maintenance of Plant**

A state supplement of \$787,877 is provided to five colleges that have an out-of-county headcount on the main campus greater than 50% of the total student headcount. The Maintenance of Plant appropriation supplements local funding for maintenance and operation of college facilities. It is recommended that the state supplement be reduced by 25%.

\$ (196,969)

**10. Compensatory Education**

The Compensatory Education appropriation provides course offerings for adults with documented mental retardation. Courses such as language, math, social science, community living, health, consumer education, and vocational education are provided. The appropriation for Compensatory Education was reduced by \$150,537 in 2001-02. A similar reduction is recommended in 2002-03.

(150,000)

**11. Faculty Upgrade**

The appropriation for faculty upgrade provides funds for professional development for community college faculty. It is recommended that professional development funds be reduced by \$507,067.

(507,067)

**12. Consolidate Fire Training Regions**

The Criminal Justice Regional Planning and Training Program was consolidated from six regions to three regions in 2001-02. It is recommended that a similar reorganization occur for the fire training regions. The eight fire training regional coordinating centers will be reduced to three regions and one position transferred to become the system office coordinator. The Community College System Office will determine the regions.

(272,484)

**2002-2003 Recommended Adjustments  
General Fund – Community Colleges– Continued**

**Recommended Reductions**

2002-03

- |   |              |
|---|--------------|
| <p><b>13. Multi-Campus Allotment</b><br/>A multi-campus college functions as a convenience location in the service area to provide appropriate population and geographic access for community outreach, testing, faculty/staff offices, and instruction. At least one associate degree must be offered; and comprehensive support functions, including library, financial aid, and student service support, must be provided at each campus site. While multi-campus colleges receive regular formula funding for the full-time equivalent (FTE) students generated at each site, a multi-campus allotment is also provided as a supplement for additional support positions and operating costs. It is recommended that this supplement be reduced by 25%.</p> | \$ (412,500) |
| <p><b>14. Eliminate Radio Subsidy</b><br/>It is recommended that the public radio subsidy be eliminated. Colleges shall utilize non-state funds to provide these services.</p>  | (299,824)    |
| <p><b>15. Eliminate Supplemental Nursing Student Support</b><br/>Nursing student enrollment generates FTE formula funding that provides for faculty, academic/student support services and operating supplies and materials. A supplemental nursing allotment provides additional resources for nursing programs. Elimination of this supplement is recommended.</p>  | (80,000)     |
| <p><b>16. Equipment</b><br/>It is recommended that the equipment budget be reduced by \$1.5 million. Colleges may utilize other unexpended equipment funds, including the equipment reserve and the Employment Security Commission Employment and Training Account equipment balance.</p>   | (1,500,000)  |
| <p><b>17. Institutional and Academic Support Supplement</b><br/>A reduction of \$18.8 million is recommended in the formula budget (base and enrollment allotments) for administration, support, and operating supplies. The base allotment will be reduced by \$140,420 per college for a total of \$8.1 million. The enrollment allotment will be reduced by \$10.6 million. It is also recommended that \$2.9 million be reduced from the academic support supplement budget.</p>  | (21,756,045) |

**2002-2003 Recommended Adjustments  
General Fund – Community Colleges – Continued**

**Recommended Reductions**

2002-03

**18. Overrealized Receipts**

Analysis of the tuition and fee budget indicates that receipts will be overrealized in 2001-02. It is recommended that \$2 million of excess receipts be budgeted on a continuing basis to offset appropriation.

Requirements	\$ -
Receipts	<u>2,000,000</u>
Appropriation	\$ (2,000,000)

**Total Recurring Reductions**

Requirements	\$ (29,891,628)
Receipts	<u>2,000,000</u>
Appropriation	\$ (31,891,628)
Number of Positions	(13.0)

**Recommended Expansion**

**1. Enrollment Changes**

It is recommended that the 2002-03 budgeted enrollment be increased over the 2001-02 budgeted enrollment of 153,985 full time equivalent (FTE) by the three year average budgeted growth rate of 5.8%. Curriculum enrollment is recommended to increase 6.2% or 7,412 FTE; Continuing Education enrollment is recommended to increase 2.9% or 521 FTE; and Basic Skills enrollment is recommended to increase 7.0% or 1,098 FTE. The revised 2002-03 budgeted enrollment will be 162,979 FTE. Funding for enrollment is included in the Education Lottery Proposal.

Consistent with G.S. 115D-5, the State Board of Community Colleges may provide for the equitable distribution of state funds for enrollment growth among the several institutions. This includes the allocation of funds for both instruction, student services, and management operations of the institution. The distribution of enrollment growth funds through the “State Aid Formula Allocation” may be determined by the State Board to insure sufficient student services are provided for each community college.

Requirements	\$ 36,070,883
Receipts	<u>6,552,464</u>
Appropriation	\$ 29,518,419

**2002-2003 Recommended Adjustments  
General Fund – Community Colleges – Continued**

**Recommended Expansion**

2002-03

**2. Teacher Preparation Endowment**

It is recommended that \$1 million of nonrecurring funds be appropriated to match a \$1 million donation to create an Endowment for Teacher Preparation in the North Carolina Community College System. A fund shall be created in the Community College Trust Fund, Budget Code 66800, to account for this appropriation. The State Board of Community Colleges shall adopt rules and policies for the disbursement of these funds. Funding for the teacher preparation endowment is included in the Education Lottery Proposal.

\$ 1,000,000 NR

**Total Recurring Expansion**

Requirements	\$ 36,070,883	
Receipts	<u>6,552,464</u>	
Appropriation	\$ 29,518,419	

**Total Nonrecurring Expansion**

Requirements	\$ 1,000,000	
Receipts	<u>-</u>	
Appropriation	\$ 1,000,000	NR

**TOTAL Recommended Adjustments for Community Colleges  
(including Reductions and Expansion)**

**TOTAL Recurring Adjustments**

Requirements	\$ 6,179,255	
Receipts	<u>8,552,464</u>	
Appropriation	\$ (2,373,209)	
Number of Positions	(13.0)	

**TOTAL Nonrecurring Adjustments**

Requirements	\$ 1,000,000	
Receipts	<u>-</u>	
Appropriation	\$ 1,000,000	NR

NR - Nonrecurring

## 2002-2003 Recommended Adjustments

### The University of North Carolina

#### Recommended Reductions

UNC General Administration		<u>2002-03</u>
<b>1. Operating Efficiencies</b>		
In an effort to facilitate efficiencies at UNC General Administration (UNC-GA), a reduction in the operating budget for fiscal year 2002-03 is recommended. This reduction will reduce funds in non-personnel budgets for administrative travel, equipment, furniture replacement, and membership dues. Through budget flexibility UNC-GA has the authority to make the necessary budgetary adjustments to accommodate the reduction.		\$ (1,751,294)
<b>2. Position Reductions</b>		
A reduction in positions is recommended for UNC-GA. This reduction will eliminate 4 SPA positions and 1.5 EPA positions as recommended by UNC-GA.		(234,965)
Number of Positions		(5.5)
<b>3. Temporary and Contract Wages</b>		
A reduction in temporary and contract wages is recommended for UNC-GA.		(218,256)
<b>4. UNC – Inter-Institutional Transfers</b>		
A 5% reduction in the funds that support system-wide UNC programs is recommended. These programs include technology and distance education, work-study matching, minority presence grants, and other system-wide programs. This also includes a \$150,000 reduction to the Strategic Initiates Reserve.		(699,885)
<b>5. UNC- Related Educational Programs</b>		
A 5% reduction in the funds appropriated to related educational programs is recommended. These funds are pass-through funds that are used for various scholarship, financial aid, and loan programs. These programs include aid to private colleges, aid to private medical schools, UNC Board of Governors medical and dental scholarships, need based financial aid, incentive scholarships, and other aids and grants.		(5,678,295)

**2002-2003 Recommended Adjustments  
General Fund – University of North Carolina – Continued**

**Recommended Reductions**

**UNC General Administration - Continued**

2002-03

**6. MCNC Contract**

It is recommended that the General Fund appropriation for the Microelectronics Center for North Carolina be reduced. MCNC may charge a fee for service to UNC institutions for MCNC usage.

\$ (950,000)

**UNC Campuses and Affiliates**

**7. Current Operations Efficiencies**

In an effort to facilitate efficiencies at the constituent institutions of The University of North Carolina and affiliates, a reduction in the operating budgets for fiscal year 2002-03 is recommended. This reduction will reduce funds in non-personnel budgets for supplies, materials, equipment, membership dues, printing, postage, staff development, and travel. The 1990 Session of the General Assembly established Special Responsibility Constituent Institutions (SCRIs) and granted budget flexibility to constituent institutions with this status. Therefore, SRCIs have the authority to make the necessary budgetary adjustments to accommodate the reduction required by each campus. This recommendation does not include UNC-GA Inter-Institutional Transfers and Related Education, UNC Hospitals, or the North Carolina School of Science and Mathematics (NCSSM).

(26,203,045)

**8. Reserves for Operating New Facilities**

As a result of adjustments to schedules in constructing or renovating facilities at the constituent institutions throughout the University system and the NCSSM, funds that had been appropriated for facilities operations in 2002-03 are recommended for a nonrecurring reduction.

(2,666,533) NR

NR - Nonrecurring

**2002-2003 Recommended Adjustments  
General Fund – University of North Carolina – Continued**

**Recommended Reductions**

<b>UNC Campuses and Affiliates - Continued</b>		<u>2002-03</u>
<b>9. Position Reductions</b>		
A reduction in positions is recommended for the constituent institutions of The University of North Carolina and affiliates except for UNC-Hospitals and the NCSSM. This reduction will eliminate 556.95 SPA positions and 495.82 EPA positions as recommended by the constituent institutions of The University of North Carolina and affiliates and is consistent with the Governor’s priority to protect the classroom, as no permanent faculty will be eliminated.		\$ (51,365,142)
Number of Positions		(1,052.77)
<b>10. Temporary and Contract Wages</b>		
A reduction in temporary and contract wages is recommended for the constituent institutions of The University of North Carolina. This does not include the North Carolina School of Science and Mathematics or UNC Hospitals.		(1,800,956)
<b>11. UNC Hospitals</b>		
A 5% reduction in appropriation to the UNC Hospitals is recommended. This reduction eliminates 12 SPA positions.		(2,030,000)
Number of Positions		(12.0)
<b>12. North Carolina School of Science and Mathematics</b>		
The 2001 Session of the General Assembly extended budget flexibility to the North Carolina School of Science and Mathematics (NCSSM). Therefore, the NCSSM has the authority to make the necessary budgetary adjustments to accommodate the recommended 2% reduction in appropriation.		(235,364)

**2002-2003 Recommended Adjustments  
General Fund – University of North Carolina – Continued**

**Recommended Reductions**

**UNC Campuses and Affiliates - Continued**

**2002-03**

**13. Tuition Increase**

In support of recommendations by the Board of Governors’ Task Force on Tuition Policy, an 8% tuition increase for in-state students and a 12% increase for out-of-state students at the 16 University of North Carolina campuses is recommended. The percentage increases apply to total tuition, including campus-initiated increases and increases for campus enhancements that have been approved in the past. Implementation of these recommendations would result in increased receipts in 2002-03 of \$39,966,108.

Requirements	\$ -
Receipts	<u>39,966,108</u>
Appropriation	\$ (39,966,108)

**Total Recurring Reductions**

Requirements	\$ (91,167,202)
Receipts	<u>39,966,108</u>
Appropriation	\$(131,133,310)
Number of Positions	(1,070.27)

**Total Nonrecurring Reductions**

Requirements	\$ (2,666,533)
Receipts	<u>-</u>
Appropriation	\$ (2,666,533) NR

**Recommended Expansion**

**1. Schedule of Priorities:**

General Statute 116-11(9) requires the Board of Governors (BOG) of the University of North Carolina to “develop, prepare, and present to the Governor, Advisory Budget Commission, and the General Assembly a single, unified recommended budget for all of public senior education.” Funds requested for expansion, new programs and activities, increases in enrollment, remedying deficiencies, etc. are to be itemized in priority order, and any funds appropriated for the priority schedule are to be in a lump sum.

NR - Nonrecurring

**2002-2003 Recommended Adjustments**  
**General Fund – University of North Carolina – Continued**

**Recommended Expansion**

2002-2003

In response to the Board of Governors’ 2002-03 “Schedule of Priorities,” the following items are recommended:

**Line 1a - Enrollment Changes**

**Regular Term Enrollment Increase**

Regular Term Enrollment projections from the Board of Governors indicate an increase in enrollment for 2002-03 over the current budgeted 141,272 full-time equivalent (FTE) students. Based upon the Board’s estimate, enrollment in the University is projected to increase by 5,506 FTE or 3.9% to 146,778 FTE in 2002-03. This represents an increase in student credit hours (SCHs) from 3,743,204 in 2001-02 to 3,897,328 in 2002-03. The recommended increase of \$54,554,262 is to support this enrollment growth after accounting for an expected increase in receipts of \$16,796,576. The requirements amount includes a hold-harmless of \$1,262,688 for UNCA, ECSU and WSSU. Funding for the Regular Term Enrollment increase is included in the Education Lottery proposal.

Requirements	\$ 71,350,838
Receipts	<u>16,796,576</u>
Appropriation	\$ 54,554,262
Number of Positions	449.5

**Line 1a - Enrollment Changes**

**Distance Education Enrollment Increase**

Enrollment projections from the Board of Governors indicate an increase in distance education enrollment for 2002-03 over the current budgeted student credit hours (SCHs). Additional funds of \$12,248,880 are recommended to support enrollment growth in distance education programs. This recommended increase represents an increase in funded distance education student credit hours from 97,610 in 2001-02 to 126,402 in 2002-03. This is the appropriation needed after accounting for an expected increase in receipts of \$1,988,675 in 2002-03. Funding for the Distance Education Enrollment increase is included in the Education Lottery proposal.

Requirements	\$ 14,237,555
Receipts	<u>1,988,675</u>
Appropriation	\$ 12,248,880
Number of Positions	92.9

**2002-2003 Recommended Adjustments**  
**General Fund – University of North Carolina – Continued**

**Recommended Expansion**

2002-2003

**Line 1b – Need - Based Student Financial Aid Plan**

A Task Force on Student Financial Aid estimated that the aggregate amount of unmet need for UNC resident students in 1997-98 was at least \$143 million and recommended funding for a new UNC Grant Program to help students with financial need. The program was partially funded with an appropriation of \$8.9 million in 2001-02, which when combined with \$1.3 million appropriated in 1999-2000 and \$5 million in 2000-01, is currently being used to make grants to qualifying freshmen, sophomores, and some juniors during the 2001-02 year. The program requires that eligibility requirements for the new grants include a “self-help” expectation of at least \$4,500 per student and that federal Pell grants and tax credits be used first to meet students’ needs. Funds are recommended to fully fund the Need-Based Student Financial Aid Plan, as requested by the Board of Governors.

\$ 13,129,074

**Line 1e – Focused Growth Institutions – Special Needs**

In April 1998 the Board of Governors of the University of North Carolina adopted a ten-year enrollment plan that would enable the University to serve significant enrollment growth projected over the following decade. The Board of Governors’ plan targets enrollment growth in underutilized campuses in the system. As a result, seven campuses developed strategies that would enable them to grow by 20% by fall 2003 and by up to 50% over the coming decade. The seven campuses are Elizabeth City State University, Fayetteville State University, North Carolina Agricultural and Technical State University, North Carolina Central University, the University of North Carolina at Pembroke, Western Carolina University and Winston-Salem State University. The 2001 Session of the General Assembly appropriated \$2,247,850 of the Board of Governors’ request of \$3,121,534 to assist in this effort and be used for assessment of needs, better operating efficiencies through economies of scale, physical facilities management, faculty improvement, and development capacity.

Funds in the amount of \$873,684 are recommended to fully fund the Board of Governors’ request for Focused Growth Institutions – Special Needs from \$2,247,850 to \$3,121,534.

873,684

**2002-2003 Recommended Adjustments  
General Fund – University of North Carolina – Continued**

**Recommended Expansion**

2002-2003

**Line 3 – North Carolina TEACH**

NC TEACH (Teachers of Excellence for All Children) is a statewide lateral entry teacher licensure program developed jointly by the State Board of Education and the Board of Governors' of the University of North Carolina, with funding from Title II of the Higher Education Act. North Carolina TEACH was developed in response to Senate Bill 1125 and prepares mid-career professionals to transition into teaching. The program prepares teachers for all grades and disciplines, but includes a focus on areas of critical shortage in North Carolina. Funds in the amount of \$800,000 are recommended to prepare a minimum of 500 teachers.

\$ 800,000

**2. Aid to Students Attending North Carolina Private Colleges and Universities – Enrollment Changes**

The program "Aid to Students Attending Private Colleges and Universities" is composed of: the Legislative Tuition Grant (LTG) and the State Contractual Scholarship Fund (SCSF). The LTG provides a payment of \$1,800 to private institutions for each North Carolina resident undergraduate student, which is credited directly to the student's account. The SCSF makes available \$1,100 to each institution for each full-time equivalent (FTE) North Carolina undergraduate resident student, which is then provided as scholarships to needy North Carolina students attending private colleges.

It is recommended that the amount of the LTG be increased by \$1,560,946 to allow for an increase of 1,091 full-time North Carolina undergraduate resident students. It is also recommended that the amount for the SCSF be increased by \$688,159 to allow for an 883 FTE increase in North Carolina undergraduate resident students. Funding for the Aid to Students Attending North Carolina Private Colleges and Universities Enrollment change is included in the Education Lottery proposal.

2,249,105

**2002-2003 Recommended Adjustments  
General Fund – University of North Carolina – Continued**

**Recommended Expansion**

2002-2003

**3. North Carolina School of Science and Mathematics**

Recurring funds in the amount of \$250,000 are recommended in lieu of the \$850 per student activity fee approved by the Board of Trustees of the North Carolina School on Science and Mathematics. These funds will be used for academic projects, equipment and supplies, athletics, student conferences, residence hall needs, transportation, and other student related activities.

\$ 250,000

**Total Expansion**

Requirements	\$ 102,890,256
Receipts	<u>18,785,251</u>
Appropriation	\$ 84,105,005
Number of Positions	542.40

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**TOTAL Recommended Adjustments for University of North Carolina  
(including Reductions and Expansion)**

**TOTAL Recurring Adjustments**

Requirements	\$ 11,723,054
Receipts	<u>58,751,359</u>
Appropriation	\$ (47,028,305)
Number of Positions	(527.87)

**TOTAL Nonrecurring Adjustments**

Requirements	\$ (2,666,533)
Receipts	<u>-</u>
Appropriation	\$ (2,666,533) NR

NR - Nonrecurring

**2002-2003 Recommended Adjustments  
General Fund - Continued**

**Department of Administration**

**Recommended Reductions**

		<u>2002-03</u>
<b>1. Office of the Secretary</b>		
	Eliminate one position in Intergovernmental Relations and change the funding source for one position to receipt support. Eliminate one position in the ADA Office, one position in the Public Information Office and one position in the Historically Underutilized Business Office (HUB). The operating budget in HUB also will be reduced.	\$ (253,176)
	Number of Positions	(5.0)
<b>2. Office of Fiscal Management</b>		
	Eliminate one filled and one vacant position and reduce the Office's operating budget.	(77,857)
	Number of Positions	(2.0)
<b>3. Human Resources Management</b>		
	Eliminate two filled positions.	(108,037)
	Number of Positions	(2.0)
<b>4. Management Information Systems</b>		
	Employee education expenses will be eliminated.	(2,250)
<b>5. Agency for Public Telecommunications</b>		
	The Agency for Public Telecommunications will be eliminated; this action eliminates 16 filled and two vacant positions.	(1,066,448)
	Number of Positions	(18.0)
<b>6. Mail Service Center</b>		
	The operating budget for information technology will be reduced by performing the service in-house.	(18,368)
<b>7. Office of State Construction</b>		
	Eliminate five vacant positions. Operating expenses related to computer/data processing services will be reduced by performing these services in-house.	(361,033)
	Number of Positions	(5.0)

**2002-2003 Recommended Adjustments  
General Fund - Administration - Continued**

**Recommended Reductions**

	<u>2002-03</u>
<b>8. State Property Office</b>	
Eliminate two vacant positions. Operating expenses related to computer/data processing services will be reduced by performing these services in-house.	\$ (90,910)
Number of Positions	(2.0)
<b>9. State Building Commission</b>	
State Building Commission meetings will be reduced to quarterly and meeting related expenses reduced.	(18,000)
<b>10. Facility Management Division</b>	
Eliminate 10 vacant and one filled position and reduce the repair budget.	(1,525,261)
Number of Positions	(11.0)
<b>11. Purchase and Contract Division</b>	
Eliminate five vacant positions and reduce the budgets for equipment and operating expenses.	(428,303)
Number of Positions	(5.0)
<b>12. N.C. Council for Women</b>	
Eliminate one filled Communications Director position.	(45,953)
Number of Positions	(1.0)
<b>13. Displaced Homemakers Program</b>	
Eliminate one filled Central Region Director position and switch operating funds to receipt support.	(69,657)
Number of Positions	(1.0)
<b>14. N. C. Human Relations Commission</b>	
Eliminate one vacant Program Assistant position.	(31,618)
Number of Positions	(1.0)

**2002-2003 Recommended Adjustments  
General Fund - Administration - Continued**

**Recommended Reductions**

	<u>2002-03</u>
<b>15. Martin Luther King Commission</b> Reduce operating supplies and expenses.	\$ (5,234)
<b>16. Youth Advocacy and Involvement Office</b> Eliminate 10 filled and one vacant position. This action eliminates the State Government Internship Program and the Governor's Advocacy Council on Children and Youth. Number of Positions	(839,955) (11.0)
<b>17. Division of Veterans Affairs</b> The budget for the Veterans Scholarship Program will be reduced equal to the average amount reverted for the last three years.	(250,000)
<b>18. Domestic Violence Program</b> Eliminate one filled Community Development Specialist position through reorganization. Number of Positions	(50,317) (1.0)
<b>19. Board of Ethics</b> The operating budget will be reduced.	(11,000)
<b>20. Governor's Advocacy Program for Persons With Disabilities</b> Eliminate one vacant Attorney II position. Number of Positions	(62,379) (1.0)
<b>21. N.C. Commission on Indian Affairs</b> Eliminate one vacant Processing Assistant position. Number of Positions	(29,779) (1.0)

**2002-2003 Recommended Adjustments  
General Fund - Administration - Continued**

**Recommended Reductions**

	<b>2002-03</b>
<b>22. Office of State Personnel</b>	
Eliminate nine vacant and eight filled positions. This action affects services to agencies/universities, local governments and state and local government employees.	\$ (927,302)
Number of Positions	(17.0)

**TOTAL Recommended Adjustments for Department of Administration**

<b>TOTAL Recurring Adjustments</b>	
Requirements	\$ (6,272,837)
Receipts	<u>                    -</u>
Appropriation	\$ (6,272,837)
Number of Positions	(84.0)

**Office of Administrative Hearings**

**Recommended Reductions**

**1. Reduction of Positions, Support Cost, and Increase Budgeted Receipts**

It is recommended that four positions in the Office of Administrative Hearings be eliminated, that anticipated federal receipts of \$22,500 be budgeted, that the requirement on providing free copies of the NC Register be eliminated, and that the administrative support cost budget (supplies, travel, equipment, etc.) be reduced.

Requirements	\$ (283,463)
Receipts	<u>                    22,500</u>
Appropriation	\$ (305,963)
Number of Positions	(4.0)

**TOTAL Recommended Adjustments for Office of Administrative Hearings**

<b>TOTAL Recurring Adjustments</b>	
Requirements	\$ (283,463)
Receipts	<u>                    22,500</u>
Appropriation	\$ (305,963)
Number of Positions	(4.0)

**2002-2003 Recommended Adjustments  
General Fund - Continued**

**Office of State Auditor**

**Recommended Reductions**

	<b>2002-03</b>
<b>1. Reduction of Printing and Training Funds</b>	
The Office of State Auditor will reduce printing costs by printing more items internally and posting information on the electronic publication system. The department will also reduce the training budget for its auditors.	\$ (28,830)
<b>2. Reduction of Staff, Equipment and Contract Funds</b>	
It is recommended that G.S. 143B-168.14(b), which requires annual Smart Start audits, be changed to a cycle to be determined by the State Auditor. In changing from a mandatory annual audit to a more flexible audit cycle, the State Auditor will be able to reduce \$360,606 in contractual service cost. The Auditor's office will also reduce \$500,000 in contractual funds used to support financial, performance, investigative, and information system audits. A reduction of \$25,395 will be taken in funds set aside for computer replacement. The Field Audit Division will also reduce its staff by nine positions with an overall reduction of salary and fringe benefits of \$ 384,268.	(1,270,269)
Number of Positions	(9.0)

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**TOTAL Recommended Adjustments for Office of State Auditor**

<b>TOTAL Recurring Adjustments</b>	
Requirements	\$ (1,299,099)
Receipts	-
Appropriation	\$ (1,299,099)
Number of Positions	(9.0)

**2002-2003 Recommended Adjustments  
General Fund - Continued**

**Office of State Controller**

**Recommended Reductions**

**2002-03**

**1. Positions, Data Processing, and Support Cost Reductions**

The Office of State Controller is eliminating five positions generating a reduction of \$232,270 in salary and fringe benefits. The office will reduce its operational budget (supplies, equipment, travel, and ITS support) by \$202,607. In addition the office will update certain reports less frequently producing a savings of \$600,000. The savings will be realized in lower data processing costs charged by ITS due to less demand for ITS computer services.

Number of Positions

\$ (1,034,877)  
(5.0)

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**TOTAL Recommended Adjustments for Office of State Controller**

**TOTAL Recurring Adjustments**

Requirements  
Receipts  
Appropriation  
Number of Positions

\$ (1,034,877)  
-  
\$ (1,034,877)  
(5.0)

**Department of Cultural Resources**

**Recommended Reductions**

**1. Office of the Secretary**

Eliminate 3.75 vacant positions and discontinue the North Carolina Awards Program.

Number of Positions

\$ (143,276)  
(3.75)

**2. Administrative Services**

Eliminate one vacant position and reduce funding for the purchase of computers, software and servers.

Number of Positions

(131,001)  
(1.0)

**2002-2003 Recommended Adjustments  
General Fund - Cultural Resources - Continued**

**Recommended Reductions**

		<u>2002-03</u>
<b>3. Historical Resources – Administration</b>		
	Eliminate one filled position and reduce funding for First Flight Centennial by \$89,839.	\$ (168,941)
	Number of Positions	(1.0)
<b>4. Historical Publications</b>		
	Eliminate one position, funding for computer software, temporary staff, suspend out-of-state travel, and reduce in-state travel. In addition, funding for printing will be reduced and some publications will be delayed.	(81,257)
	Number of Positions	(1.0)
<b>5. Archives and Records Management</b>		
	Eliminate four vacant positions and three filled positions. Funding for travel, equipment, archival and micrographic supplies and holdings maintenance will be reduced. Support for temporary personnel will be eliminated as well as out-of-state travel funds. The state’s participation in the 3-state Electronic Records Project will be reduced or eliminated. Funding for employee education and training will be cut by one third. Funding for furniture, replacement of aging equipment, and computers will be reduced. A vehicle assigned to the Outer Banks History Center will be returned to Motor Fleet Management.	(370,139)
	Number of Positions	(7.0)
<b>6. State Historic Sites</b>		
	Reductions will be made in temporary salaries that will affect 142 temporary personnel. Three vacant positions and seven filled positions will be eliminated, exhibition funds will be cut by 57%, and site brochures will not be regularly printed.	(767,855)
	Number of Positions	(10.0)
<b>7. Tryon Palace</b>		
	Four vacant positions and three filled positions will be eliminated. Operating funds will be reduced. The New Bern Academy Museum and the Hollister House will be closed to the public, and garden lectures will be eliminated. Attempts will be made to find private funding to continue these operations.	(194,778)
	Number of Positions	(7.0)

**2002-2003 Recommended Adjustments  
General Fund - Department of Cultural Resources - Continued**

**Recommended Reductions**

	<u>2002-03</u>
<b>8. State Capitol/Visitor Center</b> One filled position will be eliminated and the operating budget will be reduced. Number of Positions	\$ (53,380) (1.0)
<b>9. N.C. Maritime Museum (Beaufort and Southport)</b> One vacant and one filled position will be eliminated. Number of Positions	(119,682) (2.0)
<b>10. Historic Preservation</b> Nine filled positions will be eliminated. Number of Positions	(162,514) (9.0)
<b>11. Western Office</b> One vacant position will be eliminated and operating expenses will be reduced. Number of Positions	(37,554) (1.0)
<b>12. Museum of History</b> Eight vacant positions will be eliminated and operating expenses will be reduced. Number of Positions	(612,736) (8.0)
<b>13. Museum of Art</b> Six vacant and four filled positions will be eliminated along with a reduction in operating expenses. Number of Positions	(432,343) (10.0)
<b>14. Arts Council</b> Funding will not be provided to 190 organizations previously receiving grants. Funding for the Lost Colony and Shakespeare Festival will be reduced by 4%.	(680,868)

**2002-2003 Recommended Adjustments  
General Fund - Department of Cultural Resources - Continued**

**Recommended Reductions**

	<u>2002-03</u>
<b>15. N.C. Symphony</b>	
One vacant position that works in the box office will be eliminated.	\$ (37,852)
Number of Positions	(1.0)
<b>16. Grants in Aid to the Arts</b>	
Ten concerts in eastern and western North Carolina will be eliminated. Concerts within a 60-mile radius of Raleigh will be consolidated into concerts in Raleigh. Four concerts in western North Carolina will be consolidated into one regional performance. Four education concerts in eastern North Carolina will be consolidated into one regional performance. Two additional concerts in remote counties will be eliminated. Funding for the Vagabond School of Drama and the North Carolina Arts Society will have a reduction of 4% in their grants.	(231,552)
<b>17. State Library Services</b>	
Eliminate six vacant and three filled positions. Temporary positions will be eliminated, public services/circulation of videos to state employees will be eliminated, and other operating expenses will be reduced.	(514,087)
Number of Positions	(9.0)
<b>18. Statewide Library Programs</b>	
Reduce funding for public library services in all 100 counties by 11%.	(1,827,614)

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**TOTAL Recommended Adjustments for Department of Cultural Resources**

**TOTAL Recurring Adjustments**

Requirements	\$ (6,567,429)
Receipts	<u>-</u>
Appropriation	\$ (6,567,429)
Number of Positions	(71.75)

**2002-2003 Recommended Adjustments  
General Fund - Continued**

**Department of Cultural Resources  
Roanoke Island Commission**

**Recommended Reductions**

2002-03

**1. Operating Budget**

It is recommended that a reduction of 11% be made in the funding to the Roanoke Island Commission.

\$ (207,930)

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**TOTAL Recommended Adjustments for Department of Cultural Resources -  
Roanoke Island Commission**

**TOTAL Recurring Adjustments**

Requirements

\$ (207,930)

Receipts

-

Appropriation

\$ (207,930)

**State Board of Elections**

**Recommended Reductions**

**1. Administration**

Reduce the operating budget by \$95,514.

\$ (95,514)

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**TOTAL Recommended Adjustments for State Board of Elections**

**TOTAL Recurring Adjustments**

Requirements

\$ (95,514)

Receipts

-

Appropriation

\$ (95,514)

**2002-2003 Recommended Adjustments  
General Fund - Continued**

**General Assembly**

**Recommended Reductions**

2002-03

**1. Reduction in Administrative Budget**

It is recommended that an 11% recurring reduction be made in the General Assembly's operating budget.

\$ (4,362,870)

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**TOTAL Recommended Adjustments for General Assembly**

**TOTAL Recurring Adjustments**

Requirements

\$ (4,362,870)

Receipts

-

Appropriation

\$ (4,362,870)

**Office of the Governor**

**Recommended Reductions**

**1. Positions**

It is recommended that nine positions in the Office of the Governor be eliminated.

\$ (416,888)

Number of Positions

(9.0)

**2. Dues to National Associations**

It is recommended that the budget for dues paid to national associations be reduced.

(181,131)

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**TOTAL Recommended Adjustments for Office of the Governor**

**TOTAL Recurring Adjustments**

Requirements

\$ (598,019)

Receipts

-

Appropriation

\$ (598,019)

Number of Positions

(9.0)

**2002-2003 Recommended Adjustments  
General Fund - Continued**

**Office of State Budget and Management**

**Recommended Reductions**

**2002-03**

**1. Office of State Budget and Management**

It is recommended that eight positions be eliminated and the operating budget reduced.

Number of Positions

\$ (526,400)  
(8.0)

**TOTAL Recommended Adjustments for Office of State Budget and Management**

**TOTAL Recurring Adjustments**

Requirements

Receipts

Appropriation

Number of Positions

\$ (526,400)  
-  
\$ (526,400)  
(8.0)

**North Carolina Housing Finance Agency**

**Recommended Reductions**

**1. Housing Finance**

It is recommended that the General Fund appropriation to the Housing Finance Agency be reduced by 11%. The Housing Finance Agency requests that the reduction be applied to the federal HOME program in 2002-2003 because the agency believes that it can shift other funding to maintain the required match ratio.

\$ (583,000)

**TOTAL Recommended Adjustments for North Carolina Housing Finance Agency**

**TOTAL Recurring Reductions**

Requirements

Receipts

Appropriation

\$ (583,000)  
-  
\$ (583,000)

**2002-2003 Recommended Adjustments  
General Fund - Continued**

**Department of Insurance – Direct Appropriation**

**Recommended Reductions**

	<b>2002-03</b>	
<b>1. Volunteer Safety Workers' Compensation Fund</b>		
It is recommended that funding for the Volunteer Safety Workers' Compensation Fund be reduced.	\$ (2,500,000)	NR

**TOTAL Recommended Adjustments for Department of Insurance – Direct Appropriation**

<b>TOTAL Nonrecurring Adjustments</b>		
Requirements	\$ (2,500,000)	
Receipts	-	
Appropriation	\$ (2,500,000)	NR

**Office of the Lieutenant Governor**

**Recommended Reductions**

<b>1. Administration</b>		
It is recommended that 1.5 vacant positions be eliminated.	\$ (72,149)	
Number of Positions	(1.5)	

**TOTAL Recommended Adjustments for Office of the Lieutenant Governor**

<b>TOTAL Recurring Adjustments</b>		
Requirements	\$ (72,149)	
Receipts	-	
Appropriation	\$ (72,149)	
Number of Positions	(1.5)	

NR - Nonrecurring

**2002-2003 Recommended Adjustments  
General Fund - Continued**

**Department of Revenue**

**Recommended Reductions**

	<u>2002-03</u>
<p><b>1. Computer Efficiencies</b> The Department of Revenue has not purged any data from the Integrated Tax Administration System (ITAS) since implementation. A structured purge will significantly reduce the ITS disk storage requirements and reduce monthly storage costs producing a savings of \$500,000. The department will also improve the processing of the ITAS application software. Computer programs will be rewritten in order to process jobs more efficiently and require less computer run time. The frequency in which jobs are run will be reduced, and jobs/reports that are no longer needed will be eliminated. These measures will produce a savings of \$200,000.</p>	\$ (700,000)
<p><b>2. Elimination of Rent on Training Facility</b> The department will terminate a lease for an off-site training facility.</p>	(20,000)
<p><b>3. Reduction of Temporary Salaries and Benefits</b> The department will reduce its temporary salaries and related fringe benefits line items by \$1,000,000.</p>	(1,000,000)

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**TOTAL Recommended Adjustments for the Department of Revenue**

<b>TOTAL Recurring Adjustments</b>	
Requirements	\$ (1,720,000)
Receipts	<u>-</u>
Appropriation	\$ (1,720,000)

**2002-2003 Recommended Adjustments  
General Fund - Continued**

**Rules Review Commission**

**Recommended Reductions**

2002-03

<b>1.</b>	<b>Reduction of Administrative Support Cost and Work Hours</b>	
	It is recommended that the General Assembly change G.S. 150B-21.9(b), which states that the Rules Review Commission will meet monthly to every other month. This action will result in a saving of an estimated \$22,733 in board per diem and travel reimbursement. The commission will also reduce its general operating budget for supplies and equipment by \$6,495, and reduce the hours worked by permanent staff to generate an additional \$6,496.	\$ (35,724)
	Number of Positions	(0.1)

**TOTAL Recommended Adjustments for Rules Review Commission**

<b>TOTAL Recurring Adjustments</b>		
Requirements		\$ (35,724)
Receipts		-
Appropriation		\$ (35,724)
Number of Positions		(0.1)

**Department of Secretary of State**

**Recommended Reductions**

<b>1.</b>	<b>Authentication Section Rate Change</b>	
	The authentication section within the Secretary of State's Office provides North Carolina documents (birth and marriage certificates) used by foreign countries in the adoption of children by North Carolina citizens. G.S. 147-37 requires a cost of \$10 per document, even when the cost of producing a second copy is minimal.	

**2002-2003 Recommended Adjustments  
General Fund - Secretary of State - Continued**

**2002-03**

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**Authentication Section Rate Change - Continued**

Since many of these foreign countries are requiring an authentic second copy, the department proposes reducing the cost of each additional copy needed for foreign adoptions to \$5 per copy. The estimated reduction in General Fund revenue is \$30,000. The fee per copy was increased in 1999 from \$6.25 to \$10. Decreased receipts will not be reflected in the Secretary of State's budget and, therefore, not reflected as a need in additional appropriation. Changes to revenue will be reflected in General Fund availability.

**2. Corporations Division Rate Change**

For a \$5 fee, the Corporations Division provides a certified copy of any document on file with the Division. The department proposes changing G.S. 55-1-22(a)(25), c(2), 55A-1-22(a)(26), c(2), 57C-1-22(a)(24), c(2) and 59-1-1106(7) to a \$15 per certificate fee for paper and a \$10 per certificate fee for electronic certificates. The fee has been unchanged since 1989. An estimated \$175,000 will be generated from this fee increase. Increased receipts will not be reflected in the Secretary of State's budget and reflected as a reduction in appropriation. Changes to revenue will be reflected in General Fund availability.

**3. Securities Rate Change**

The department is proposing to raise the registration fee in four areas to their maximum limit as established in Administrative Code. G.S. 78A-17(9,17) and G.S. 78A-31(b) covers three types of limited security offerings, Rule 504, 505 and 506 securities. Administrative code allows the maximum charge for all three to be \$150, and raising these fees to the maximum would generate an estimated \$293,125 in additional General Fund revenue. The fourth fee increase will be an additional \$10 on the registration fee for investment adviser representatives. G.S. 78C-17(b) will have to be amended to change the annual registration rate to \$55, which is the same rate as for securities salesmen. This change would produce an estimated \$133,230 in additional General Fund revenue. Increased receipts will not be reflected in the Secretary of State's budget and therefore, not reflected as a reduction in appropriation. Changes to revenue will be reflected in General Fund availability.

**2002-2003 Recommended Adjustments  
General Fund - Secretary of State - Continued**

**Recommended Reductions**

2002-03

**4. Notary Public Commission Rate Change**

The department will increase the fee for Notary Public Commission by amending Chapter 10A of the General Statutes to increase the notary commission fee from \$30 to \$40. The fee will affect individuals applying for an appointment/reappointment to Notary Public Commission for a five-year appointment. The fee was last increased in October of 1999 by \$5. An estimated \$400,000 will be generated from this fee increase. Increased receipts will not be reflected in the Secretary of State's budget and therefore, not reflected as a reduction in appropriation. Changes to revenue will be reflected in General Fund availability.

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**TOTAL Recommended Adjustments for Department of Secretary of State**

**TOTAL Recurring Adjustments**

Requirements	\$	-
Receipts		-
Appropriation	\$	-

**2002-2003 Recommended Adjustments  
General Fund - Continued**

**Department of State Treasurer  
Fire and Rescue Squad Retirement System**

**Recommended Reductions**

2002-03

**1. Reduction of State Contribution to the Fire and Rescue Squad Retirement System**

It is recommended that a recurring reduction be made in the Fire and Rescue Squad Workers Pension Fund. Based upon actuarial calculations, this action can be taken without affecting the stability of the fund.

\$ (4,200,000)

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**TOTAL Recommended Adjustments for Department of State Treasurer - Fire and Rescue Squad Retirement System**

**TOTAL Recurring Adjustments**

Requirements

\$ (4,200,000)

Receipts

-

Appropriation

\$ (4,200,000)

**2002-2003 Recommended Adjustments  
General Fund - Continued**

**Department of Health and Human Services**

**Entitlement Adjustment**

**Division of Medical Assistance**

**2002-03**

**1. Division of Medical Assistance Increase**

An entitlement adjustment of \$35,591,284 has been made to the Medicaid budget. The entitlement adjustment is based on forecasted need of \$109,723,210 minus savings of \$74,131,926 that will result from departmental initiatives including, but not limited to, contracting for services or reducing rates, defining efficient providers, establishing prospective rates, applying Medicaid policy to all crossovers and reducing expenditures for prescription drugs.

Requirements	\$ 134,044,966
Receipts	<u>98,453,682</u>
Appropriation	\$ 35,591,284

**Recommended Reductions**

**Central Administration**

**1. Abolish Positions**

It is recommended that 12 vacant positions and one filled position be eliminated in the Department of Health and Human Services (DHHS) Central Administration. Two positions, one vacant and one filled, will be abolished in the DHHS Controllers Office and 11 vacant positions will be abolished in the Division of Information Resource Management. These reductions will not have an adverse impact on the department.

Requirements	\$ (550,700)
Receipts	<u>(167,450)</u>
Appropriation	\$ (383,250)
Number of Positions	(13.0)

**2002-2003 Recommended Adjustments**  
**General Fund - Department of Health and Human Services - Continued**

**Recommended Reductions**

**Central Administration - Continued**

2002-03

**2. Reduce Administrative Costs**

It is recommended that the Office of Research, Demonstrations, and Rural Health Development reduce expenditures for travel, supplies and equipment. The office will pursue federal grant funding to offset this reduction.

Requirements	\$ (76,243)
Receipts	<u>(28,134)</u>
Appropriation	\$ (48,109)

**3. Eliminate Community Primary Care Grant Program**

It is recommended that the Primary Care Grant Program administered by the Office of Research, Demonstrations, and Rural Health Development be eliminated. This grant program was established to develop after-hours primary health care for Medicaid recipients. The office did not allocate any of this funding in FY 2001-02. Utilizing the existing base of rural health centers, the office will target other funding sources to those areas of greatest need.

Requirements	\$ (160,000)
Receipts	<u>(41,600)</u>
Appropriation	\$ (118,400)

**4. Reduce Loan Repayment Incentive/Service Bonus Funds**

It is recommended that Loan Repayment Incentive Funding administered through the Office of Research, Demonstrations, and Rural Health Development be reduced. To participate in this program, primary care physicians, such as dentists, must work in state and federally funded centers in Health Professional Shortage Areas. These Areas are scored to determine eligibility of physicians for federal loan repayment. To offset this reduction, the office will focus efforts on ensuring that the scores given to these Areas enhance primary care physicians' chances of receiving federal loan repayment.

Requirements	\$ (810,811)
Receipts	<u>(210,811)</u>
Appropriation	\$ (600,000)

**2002-2003 Recommended Adjustments  
General Fund - Department of Health and Human Services - Continued**

**Recommended Reductions**

**Central Administration - Continued**

**2002-03**

**5. Reduce Aid for Clinic Construction**

It is recommended that Aid for Clinic Construction administered through the Office of Research, Demonstrations, and Rural Health Development be reduced. The program has enabled the office to assist communities with building and equipping primary medical practices throughout under served rural areas. \$350,000 will remain available to support these activities, and the office will work with private foundations to offset the recommended reduction.

\$ (75,000)

**6. Reduce Rural Health Center Operational Funding**

It is recommended that the Rural Health Clinic Operational Subsidy Program administered through the Office of Research, Demonstrations, and Rural Health Development be reduced by 5.4%. These funds are used to reimburse rural health centers for the care of uninsured medically indigent patients and to cover operational losses in small rural health centers. The office will examine ways to increase operational efficiencies and will look for other funding sources in an attempt to offset the recommended reduction.

(150,000)

**7. Information Technology Convenience Contractor Reductions**

It is recommended that the Division of Information Resource Management (DIRM) reduce funding for information technology convenience contractors. The department will absorb activities within existing resources.

Requirements	\$ (2,549,978)
Receipts	<u>(790,493)</u>
Appropriation	\$ (1,759,485)

**2002-2003 Recommended Adjustments  
General Fund - Department of Health and Human Services - Continued**

**Recommended Reductions**

**Division of Aging**

2002-03

**1. Reduce Appropriations for Home and Community Care Block Grant**

The Home and Community Care Block Grant provides services to persons aged 60 years and older to include skilled home care, in-home aide services, adult day care, home-delivered and congregate meals, transportation and other services. It is recommended that appropriations be reduced in an amount equal to 1.5% of total availability. This reduction will be partially offset by federal administrative funds to be allocated for these services.

Requirements	\$ (415,733)
Receipts	<u>(41,573)</u>
Appropriation	\$ (374,160)

**2. Senior Center Development and Outreach Reduction**

Senior Center Development and Outreach funds support senior center staff and activities. Federal and state funds are budgeted for this purpose. It is recommended that appropriations be reduced. This reduction will not jeopardize federal funds available for this purpose and is approximately 7% of total funds budgeted in 2001-02.

(200,000)

**3. Operating Costs Reduction**

These funds support administrative costs within the division. A reduction of less than 1% of the division's total administrative budget is recommended.

(10,000)

**Division of Child Development**

**1. Abolish Positions**

It is recommended that three vacant positions and two-and-a-half filled positions be abolished in the Division of Child Development. The workload associated with these positions will be absorbed within available resources.

(259,861)

Number of Positions	(5.5)
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**2002-2003 Recommended Adjustments  
General Fund - Department of Health and Human Services - Continued**

**Recommended Reductions**

**Division of Child Development - Continued**

**2002-03**

- |           |   |              |
|-----------|---|--------------|
| <b>2.</b> | <p><b>Reduce Child Care and Development Fund State Match</b><br/>It is recommended that the Division of Child Development reduce Child Care and Development Fund state match by \$500,000. Approximately 278 children in families with parents who are working or enrolled in an educational program, and whose family income does not exceed 75% of the state median income, will remain on county waiting lists for childcare subsidy as a result of this reduction.</p>  | \$ (500,000) |
| <b>3.</b> | <p><b>Eliminate Early Start Funds</b><br/>It is recommended that the Division of Child Development eliminate state funding for the Early Start Program. Early Start is a federally funded program for children birth to two years of age. Program funding is used for subsidy and parental support activities. The General Assembly reduced state funding for Early Start by \$549,478 in the 2001 legislative session. Only \$56,286 remained in the FY 2001-02 certified budget. The Division of Child Development did not expend any of the remaining funds in FY 2001-02; therefore, there should be no impact.</p> | (56,286)     |
| <b>4.</b> | <p><b>Reduce Funding for Legal Services</b><br/>It is recommended that funding utilized to provide administrative support for the Division of Child Development's criminal record checks process be eliminated. Section 21.2 of Session Law 2001-424 required the Department of Health and Human Services to centralize and coordinate all criminal records checks required by law. This reduction should be offset through a more efficient departmental approach to criminal records checks processes.</p>  | (33,658)     |
| <b>5.</b> | <p><b>Reduce Funding for National Criminal Record Checks</b><br/>It is recommended that funding to reimburse the State Bureau of Investigation for national records checks on childcare employees who have lived outside of North Carolina in the past five years be reduced to reflect the average actual annual reimbursement of \$97,000.</p>  | (12,000)     |

**2002-2003 Recommended Adjustments  
General Fund - Department of Health and Human Services - Continued**

**Recommended Reductions**

**Division of Child Development - Continued**

**2002-03**

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**6. T.E.A.C.H. Program**

It is recommended that state appropriations certified in the Division of Child Development budget to fund the Teacher Education and Compensation Helps program be eliminated. T.E.A.C.H. pays for scholarships for childcare teachers and center administrators to take classes at community colleges in order to meet educational requirements. The average cost to assist a T.E.A.C.H. scholarship recipient meet his/her educational goals is \$519. Funding for this program is included in the Education Lottery proposal.

\$ (2,600,000)

**7. Touching the Lives of Children Program**

It is recommended that state funding certified in the Division of Child Development budget to fund Touching the Lives of Children, Inc. be eliminated. Touching the Lives of Children, Inc. is a private, non-profit agency that trains volunteers to provide one-on-one learning assistance to children who have been identified as being at-risk of school failure. Other sources will be sought to replace this funding.

(300,000)

**8. Smart Start**

It is recommended that Smart Start funding be reduced by 7.5%.

- Reduce Division of Child Development Administrative funding to support Smart Start program by \$33,750. The Division of Child Development will abolish seven-tenths of a position and will absorb additional workload within existing resources.
- Reduce funding for Division of Child Development automated systems that help support Smart Start activities by \$42,009. This funding is used to maintain the childcare subsidy reimbursement system and the Child Care Facilities website used by parents, county agencies and childcare providers. The department will have to absorb the additional workload within existing resources.

**2002-2003 Recommended Adjustments  
General Fund - Department of Health and Human Services - Continued**

**Recommended Reductions**

**Division of Child Development - Continued**

**2002-03**

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**Smart Start (Continued)**

- Reduce Smart Start Professional Development Funds by \$15,000. These funds are used in a variety of ways to help childcare employees improve their educational qualifications. \$185,000 will remain in the budget to support these activities.
- Reduce funding for Smart Start evaluation by \$37,500. Legislation requires the annual evaluation of Smart Start funded activities. The Frank Porter Graham Child Development Center at UNC-Chapel Hill performs the evaluation. \$462,500 in recurring funding will remain to support this activity.
- Reduce funding for North Carolina Partnership for Children (NCPC) by \$362,094. NCPC is responsible for fiscal and programmatic integrity of Smart Start.  
Reduce local partnership funding by \$16,011,630. Smart Start funding used to support eligible children is a critical portion of the state match used for Temporary Assistance to Needy Families grant and the Child Care Development fund. The Division of Child Development and the North Carolina Partnership for Children will ensure that compliance with state match and maintenance of effort requirements for receipts of federal funds is maintained.

Number of Positions

\$ (16,501,983)  
(0.7)

**2002-2003 Recommended Adjustments  
General Fund - Department of Health and Human Services - Continued**

**Recommended Reductions**

**Office of Education Services**

**2002-03**

**1. Eliminate Auditory Learning Program**

The Auditory Learning Center is a non-profit organization that provides staff development and training to teachers, early interventionists, and other professionals serving children with hearing loss and their families. The center also provides direct speech and language services to approximately four children on average and their families each week. Existing staff within the Office of Education Services can absorb the staff development services previously provided by the Auditory Learning Center. The direct services can be provided through the Office of Education Services or local school districts. It is recommended that appropriations for this contract be eliminated.

\$ (200,000)

**2. Reduce Individualized Education Program (IEP)  
/Individualized Family Service Plan (IFSP) Contracts**

These personal service contracts are designed to provide related services as required by a student's Individualized Education Program and Individualized Family Service Plan. As site-based services are reduced and itinerant services are increased, the child's home Local Education Agency (LEA) will provide for these related services. The program will also try to combine costs through Request for Proposals to help offset this reduction. It is recommended that state appropriations for contractual services across all programs and schools be reduced.

(100,000)

**3. Abolish Central NC School for the Deaf Maintenance Staff and Operating Budget**

The Central School for the Deaf closed in June 2001. The property and some office spaces on the campus have continued to be maintained. Beginning July 1, 2002 there will not be a need for the office space. It is recommended that state appropriations for the maintenance staff and operating budget be eliminated.

(381,632)

Positions

(4.0)

**2002-2003 Recommended Adjustments  
General Fund - Department of Health and Human Services - Continued**

**Recommended Reductions**

**Office of Education Services - Continued**

**2002-03**

- |  |                             |
|--|-----------------------------|
| <p><b>4. Reduce Appropriation for Capital Improvement</b><br/>The reserves for capital improvements projects are no longer needed since one of the projects has been completed and the other project was eliminated due to Hurricane Floyd recovery fund needs. It is recommended that state appropriations for the reserve for capital improvement projects be eliminated.</p>  | <p>\$ (701,665)</p>         |
| <p><b>5. Reduce the Operating Budgets</b><br/>This reduction will target approximately 2% of the operating budgets in both the residential schools and the pre-school programs. The equipment and supplies line items will specifically be reduced. Because the Office of Education was able to salvage supplies and equipment from the closure of the Central School last year, the need for refurbishment and replacement will not be at the same rate previously funded. It is recommended that state appropriations be reduced in the operating budgets for the residential schools and pre-school programs.</p> | <p>(200,143)</p>            |
| <p><b>6. Reduce Residential Life and other Eastern School Positions</b><br/>The positions at the Eastern School for the Deaf were created to serve a much larger population of students. These vacant positions are not essential to services for the current student population. The residential student population would, with this reduction, be unable to increase beyond the current capacity of 160 students without an impact on services. It is recommended that state appropriations be reduced for the Eastern School positions.</p> <p style="padding-left: 40px;">Number of Positions</p>                | <p>(716,267)<br/>(35.0)</p> |
| <p><b>7. Reduce Central Preschool Staff and Operating Budget</b><br/>A reduction is recommended in the Central Preschool Program budget to include program staff and operating funds as a result of the transition of pre-school (3-5 year olds) services for deaf and hard of hearing to the Local Education Agencies (LEA). With the remaining positions and operating funds, there still will be the ability to establish home based and itinerant services. It is recommended that state appropriations be reduced in the Central Preschool Program.</p> <p style="padding-left: 40px;">Number of Positions</p>  | <p>(333,228)<br/>(9.0)</p>  |

**2002-2003 Recommended Adjustments  
General Fund - Department of Health and Human Services - Continued**

**Recommended Reductions**

**Office of Education Services - Continued**

**2002-03**

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**8. Reduce Residential Life and Other Western North Carolina School for the Deaf Positions**

These positions were originally allocated based on 200 or more children to be served on campus. There has been an average of 140 students each year for more than five years. Due to the closing of two buildings and the opening of a new residential building, several residential positions can be eliminated. With this reduction, the number of students who can be educated residentially at the Western School for the Deaf will be limited to no more than the average of 140 per year. It is recommended that state appropriations be reduced in the Western School for the Deaf.

Number of Positions

\$ (362,625)  
(13.0)

**9. Reduce Governor Morehead School Preschool Staff and Operating Budget**

This reduction will not directly impact the Governor Morehead School Preschool Program for children aged birth-2 years. Due to the changes in state and federal law, the Department can no longer draw down federal funds for services for the 3-5 year old population. These students are being transitioned to Local Education Agencies (LEA). The department reports that this reduction may have a small impact on the site-based campus pre-school program. It is recommended that state appropriations be reduced in the Governor Morehead School Preschool budget.

Number of Positions

(641,763)  
(10.0)

**10. Reduce Governor Morehead School Residential Life Positions**

These positions were created to staff a residential program of more than 100 students. Currently 68 students are in the residential program, and no increase in student population is projected. Four positions can be abolished with no adverse impact on the residential program. It is recommended that state appropriations be reduced in the Governor Morehead School budget.

Number of Positions

(89,576)  
(4.0)

**2002-2003 Recommended Adjustments**  
**General Fund - Department of Health and Human Services - Continued**

**Recommended Reductions**

**Division of Public Health**

2002-03

**1. Maximize Federal Receipts**

The department's efforts to increase receipts from the federal Ryan White Act Grant for training of personnel performing HIV counseling, testing and referral services has generated additional federal receipts. It is recommended that these receipts be budgeted to support services and that appropriations be reduced.

Requirements	\$ -
Receipts	<u>38,845</u>
Appropriation	\$ (38,845)

**2. Maximize Medicaid Receipts**

The department's efforts to increase receipts from federal funding sources have generated additional Medicaid receipts for contracting with non-profit agencies, medical centers and health departments to deliver services to patients with sickle cell disease and their families (\$42,096); to coordinate community care services for disabled and/or high-risk infants (\$90,000); to deliver specialized nursing in intensive maternal, fetal and neonatal care in the Perinatal Outreach and Education Training Program (\$281,257); for oral health care provided to Medicaid-eligible children through dental hygienists in local health departments (\$662,107); and for non-direct services provided by the Division of Public Health, Women and Children's section (\$400,000). It is recommended that these receipts be budgeted to support services and that appropriations be reduced.

Requirements	\$ -
Receipts	<u>1,475,460</u>
Appropriation	\$ (1,475,460)

**3. Maximize Federal Receipts**

The department's efforts to increase a federal Immunization Grant have generated additional federal receipts. It is recommended that these receipts be budgeted to support these activities and that appropriations be reduced.

Requirements	\$ -
Receipts	<u>66,659</u>
Appropriation	\$ (66,659)

**2002-2003 Recommended Adjustments  
General Fund - Department of Health and Human Services - Continued**

**Recommended Reductions**

**Division of Public Health - Continued**

2002-03

**4. Revenue Enhancement in State Center for Health Statistics**

The department's efforts to increase federal receipts from mandated vital statistics data transfers to the National Center for Health Statistics, under a contract with the State for the Vital Statistics Cooperative Program, have generated additional receipts. The department has also generated additional receipts in the Behavioral Risk Factor Surveillance System from fees paid by agencies which submit public health data survey questions to the division. The questions produce county-specific estimates for the ten largest counties. It is recommended that these receipts be budgeted and that appropriations be reduced.

Requirements	\$ -
Receipts	<u>146,190</u>
Appropriation	\$ (146,190)

**5. Maximize Federal Receipts**

Efforts to increase federal support for the Hepatitis B Vaccine School Site Initiative are expected to generate additional federal receipts. Since 1995, greater than 70% of today's sixth graders have received hepatitis B vaccine in the school setting. This initiative, scheduled to conclude in 2004-05, assures that adolescents are protected against the hepatitis B virus prior to the time of highest risk. It is recommended that receipts be budgeted and appropriations be reduced.

Requirements	\$ -
Receipts	<u>604,800</u>
Appropriation	\$ (604,800)

**2002-2003 Recommended Adjustments  
General Fund - Department of Health and Human Services - Continued**

**Recommended Reductions**

**Division of Public Health - Continued**

2002-03

**6. Revenue Enhancement – Public Health Laboratory**

New receipts will be generated in the Newborn Screening/Clinical Chemistry Program from fees (\$10.00 per specimen) paid by hospital and other health care providers for specimens submitted for testing to the State Laboratory of Public Health. This program supports every child born in the State with testing for 32 life threatening metabolic conditions. This would make the program entirely receipt-supported. Currently, \$1,236,498 of the \$2,236,498 budget for the program is from Medicaid receipts. It is recommended that these receipts be budgeted to support functions in the laboratory and appropriations be reduced accordingly.

Requirements	\$ -
Receipts	<u>1,000,000</u>
Appropriation	\$ (1,000,000)

**7. Terminate Contract for T-Cell Testing of HIV Patients**

The contract with Lab Corps, Inc. provides testing to local health departments for CD4 (T-cell) count. This count is indicative of the strength of a person’s immune system and is used to gauge the progress of the HIV disease. One-fourth of the 87 health departments, with two counties accounting for over half of the costs, utilize the services of the contractor. With the termination of this contract, patients will be referred to local HIV primary care or hospital infections disease clinics. It is recommended that state appropriations for this contract be eliminated.

(30,000)

**8. Terminate Dysplasia Clinic Contracts**

Dysplasia of the cervix is a pre-cancerous condition. In FY 2001-02 six clinics, dispersed across the state, provided services for approximately 700 low income women diagnosed with dysplasia. With the termination of the contract, it is expected that these women will continue to receive services from regional tertiary care center dysplasia clinics. The department reports that these clinics should continue to enroll and treat patients regardless of income and independent of state subsidy. It is recommended that appropriations be eliminated for these contracts.

(334,700)

**2002-2003 Recommended Adjustments  
General Fund - Department of Health and Human Services - Continued**

**Recommended Reductions**

**Division of Public Health - Continued**

**2002-03**

- 9. Terminate Wake Forest University Infant Follow-up Contract**  
The Division of Public Health contracts with Wake Forest University for follow-up monitoring of intensive care nursing for infants admitted to neonatal intensive care. This contract provides medical follow-up, clinical and technical assistance to the division on statewide follow-up activities, and collection of data about the health and development of infants after discharge from neonatal intensive care. This is not a contract for provision of direct services. The contract collects data about the health and development of infants after discharge from neonatal intensive care units. It is recommended that state appropriations be eliminated.
- \$ (155,130)
- 10. Reductions in the Division of Public Health, Women's and Children's Branch**  
The division contracts for training, program evaluation and support to direct care such as bed locator service and community transition coordination. The funding for contracting totals \$ 2,943,323. It is recommended that appropriations for contracting be reduced. The department reports that it will carefully review contracts to minimize adverse impacts to programs.
- (1,413,780)
- 11. Closure of the Dusty Trades Program**  
The Dusty Trades Program was established in 1935 by the General Assembly as part of the Workers' Compensation Act. The program screens chest x-rays for the presence of occupational lung diseases, asbestos and silicosis. Companies submit x-rays and pay a fee for review of x-rays. Receipts comprise approximately one-ninth of the total program budget. The number of reportable diseases has declined significantly through the years, and employee concerns are addressed by Workers' Compensation and health insurance. Corresponding changes to G.S. 97 (60-76) will be made. It is recommended that appropriations be eliminated, thus closing the program.
- |                     |                 |
|---------------------|-----------------|
| Requirements        | \$ (193,780)    |
| Receipts            | <u>(28,375)</u> |
| Appropriation       | \$ (165,405)    |
| Number of Positions | (4.0)           |

**2002-2003 Recommended Adjustments  
General Fund - Department of Health and Human Services - Continued**

**Recommended Reductions**

**Division of Public Health - Continued**

**2002-03**

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**12. Closure of the Prescription Drug Assistance Program**

The Prescription Drug Assistance Program operated by the Division of Public Health purchases medications for treatment of hypertension, angina, arrhythmia, heart failure and diabetes for low-income persons 65 years of age and older with incomes less than or equal to 150% of federal poverty. This program is fully state supported. The Health and Wellness Trust Fund will fund a new Senior Drug Program effective in the 2002-03 fiscal year. The criteria for the Senior Drug Program insures that all current clients served by the Prescription Drug Program for the Elderly will be eligible for and enrolled in the program. With establishment of the new Senior Drug Program, there will no longer be a need for the Prescription Drug Assistance Program. Should the effective date for the start-up of this new program be delayed, the Health and Wellness Trust Fund will fund the Prescription Drug Assistance Program at the current level until the new program is operational. It is recommended that appropriations be eliminated.

\$ (470,000)

**13. Reduce the Chronic Renal Disease Purchase of Medical Care**

Chronic renal disease services are center dialysis, home dialysis, inpatient hospital dialysis, pharmaceuticals and incidental supplies. Clients whose net family income is less than or equal to 65% of federal poverty meet financial eligibility criteria. Thirty-nine licensed renal dialysis facilities contract with the state to serve an estimated 2,400 clients. The program is 100% State supported and for a number of years has not spent total availability. It is recommended that appropriations be reduced by an amount equal to historical reversion each year in the Chronic Renal Disease Purchase of Medical Care Program.

(300,000)

**2002-2003 Recommended Adjustments  
General Fund - Department of Health and Human Services - Continued**

**Recommended Reductions**

**Division of Public Health - Continued**

**2002-03**

- |  |  |             |
|--|--|-------------|
| <b>14. Position Reduction in the Speech and Hearing Program</b>  |  |             |
| The Division of Public Health has restructured the Speech and Hearing Program. Part-time audiologist and processing assistant positions are vacant and can be eliminated without adversely affecting direct services delivery or operation of the Newborn Hearing Screening Program. It is recommended that these positions be abolished.  |  | \$ (51,868) |
| Number of Positions  |  | (1.45)      |
| <br><b>15. Operating Cost Reduction – Children and Youth Branch</b>  |  |             |
| It is recommended that a total of \$52,180 be reduced from the operating budget used to pay for honorariums, registration, food services, educational supplies, office furniture and printing.   |  | (52,180)    |
| <br><b>16. Reduction in the Children with Special Needs Genetic Health Care Program</b>  |  |             |
| The program purchased a special formula for women prior to pregnancy with phenylketonuria (PKU), a hereditary metabolic disorder characterized by brain damage and mental retardation. The formula is now purchased from the budgets of two other programs – Women, Infants, and Children (WIC) and Purchase of Medical Care for Children with Special Needs. It is recommended that appropriations that have historically remained unspent be reduced. In addition, it is recommended that unencumbered funds in the Children’s Service Coordination Program be reduced. The impact of both reductions is negligible and will not affect children’s services. |  | (110,000)   |

**2002-2003 Recommended Adjustments  
General Fund - Department of Health and Human Services - Continued**

**Recommended Reductions**

**Division of Public Health - Continued**

2002-03

**17. Reduce Intensive Home Visitation Program**

The Intensive Home Visitation Program funds thirteen projects, including local health departments and other providers, at varying levels of need. Reduction in appropriation will be mitigated, in part, by integration of successful elements into existing care coordination programs and use of Medicaid funding for Maternity Care Coordination and Child Services Coordination home visiting initiatives. Reductions in appropriations will be further mitigated by close cooperation of the division with the Center for Child and Family Policy at Duke University on a recently acquired grant from the Duke Endowment, Families First, that will focus on intensive home visiting and other evidence-based services that prevent child abuse and neglect. The division has also secured a two-year grant from the Governor's Crime Commission. As a result of these new opportunities to continue intensive home visitation program initiatives, one position and operating costs remain in the division to work as a liaison to these new initiatives. It is recommended that appropriations be reduced.

\$ (500,000)

**Division of Social Services**

**1. Operating Costs Reduction**

This recommendation reduces state appropriations utilized to support operational costs such as travel, printing and equipment purchases. Savings can be realized through increased coordination and cost cutting measures to prioritize necessary expenditures.

Requirements	\$ (500,000)
Receipts	<u>(450,000)</u>
Appropriation	\$ (50,000)

**2002-2003 Recommended Adjustments  
General Fund - Department of Health and Human Services - Continued**

**Recommended Reductions**

**Division of Social Services - Continued**

2002-03

**2. Resident Evaluation Services Contracts**

The purpose of Resident Evaluation Services is to determine the appropriate level of care and needed services for applicants and recipients in adult care homes subsidized by Special Assistance. The Resident Assessment Evaluation Services program, authorized in 1999-00, is not yet operational, and elimination of funding is recommended. The department will plan, however, to provide an assessment of mental health needs and services to comply with standards set forth by federal Pre Admission Screening and Annual Resident Reviews (PASARR) of residents admitted to adult care homes, even with this reduction.

Requirements	\$ (3,127,897)
Receipts	<u>(2,065,860)</u>
Appropriation	\$ (1,062,037)

**3. Eliminate positions for Resident Evaluation Services**

Funding for the Resident Evaluation Services program is recommended for elimination in Resident Evaluation Services Contracts identified above. It is further recommended that four positions, two vacant and two filled, associated with the program be abolished and appropriations reduced accordingly.

Requirements	\$ (290,788)
Receipts	<u>(183,026)</u>
Appropriation	\$ (107,762)
Number of Positions	(4.0)

**2002-2003 Recommended Adjustments  
General Fund - Department of Health and Human Services - Continued**

**Recommended Reductions**

**Division of Social Services - Continued**

**2002-03**

**4. State Maternity Home Fund**

This fund currently pays for maternity home care for approximately 175 low income women annually who are unable to remain in their own homes during the prenatal period and who are experiencing problem pregnancies. It is recommended that appropriations be reduced to an amount needed to match federal Child Welfare Services, Title IV-B funds. To continue serving an average population of 175 individuals, county departments of social services may utilize Temporary Assistance for Needy Families (TANF) and Social Services Block Grant (SSBG) funds to purchase this care. In addition, the Department will consider capping per diem rates, which now range from \$63 per day to \$117 per day, at SFY 2002 levels.

\$ (876,708)

**5. Adult Care Home Case Management Reduction**

County departments of social services determine if residents in adult care homes, who receive Special Assistance subsidy, are eligible for Medicaid reimbursement for enhanced personal care services. Enhanced personal care services are for residents needing extensive assistance with personal care activities and require prior approval to ensure Medicaid reimbursement. The department reports that a streamlined process to provide prior Medicaid approval will be developed to replace the current prior authorization process. It is recommended that appropriations be eliminated.

Requirements	\$ (6,156,864)
Receipts	<u>(4,617,648)</u>
Appropriation	\$ (1,539,216)

**6. Operating Costs Reduction**

It is recommended that state appropriations for travel, association fees, conferences, equipment purchases and printing be reduced in the Children's Services section. The section is making required forms available in automated form decreasing the need for printing.

Requirements	\$ (332,000)
Receipts	<u>(232,000)</u>
Appropriation	\$ (100,000)

**2002-2003 Recommended Adjustments  
General Fund - Department of Health and Human Services - Continued**

**Recommended Reductions**

**Division of Social Services - Continued**

**2002-03**

**7. Children's Services Position Reductions**

The Children's Services Section will reorganize. This restructuring will abolish management positions and increase span of control. It is recommended that nine positions be abolished and appropriations be reduced accordingly.

Requirements	\$ (454,719)
Receipts	<u>(287,007)</u>
Appropriation	\$ (167,712)
Number of Positions	(9.0)

**8. Family Resource Center Reduction**

Family Resource Centers are private non-profit agencies located in neighborhoods from which a disproportionate number of child abuse reports are received and from which a disproportionate number of children enter foster care. These centers work through agreements with county departments of social services and provide parenting improvement services, youth educational achievement services, as well as HIV education and awareness to high-risk families and children. Centers are funded from federal Child Welfare Services Title IVB, Smart Start funds and local sources, as well as state appropriations. The Division will examine new available federal funds from Child Welfare Services, Title IVB to offset this reduction. It is recommended that state appropriations be reduced.

(1,765,000)

**9. Child Caring Institutions**

Child Caring Institutions are private foster care agencies. State funds have been appropriated to assist approximately 75 facilities in an effort to offset unrecovered costs of care. Child Caring Institutions are also funded from federal Social Services Block Grant and Child Welfare Services Title IV-E. It is recommended that state appropriations be reduced. The reduction in state appropriation comprises approximately 9% of federal and state funding provided in SFY 2001-02.

(2,800,000)

**2002-2003 Recommended Adjustments  
General Fund - Department of Health and Human Services - Continued**

**Recommended Reductions**

**Division of Social Services - Continued**

**2002-03**

**10. Child Support Enforcement Training Contract**

The contract to provide training on demand to state operated and local child support offices ended in January 2002. Child Support Enforcement central office staff has assumed responsibility for training. It is recommended that appropriations be reduced.

Requirements	\$ (1,925,599)
Receipts	<u>(1,283,706)</u>
Appropriation	\$ (641,893)

**11. Elimination of Child Support Enforcement Help Desk Contract**

This recommended reduction eliminates the state appropriations for contracted Child Support Enforcement Help Desk function. The Help Desk assists local Child Support Enforcement staff to resolve questions related to child support policy and case management procedures and speeds service delivery. The contracted service ended January 2002. The function will be absorbed by the division.

Requirements	\$ (689,520)
Receipts	<u>(459,680)</u>
Appropriation	\$ (229,840)

**12. Child Support Enforcement Backlog Appropriation**

This recommended reduction eliminates state appropriations intended to reduce backlog (cases without court orders) in state operated child support offices in urban counties. The backlog of cases is being addressed through restructuring of case handling procedures, restructuring of state staff, and additional attention to processing cases through the court.

Requirements	\$ (4,500,000)
Receipts	<u>(3,000,000)</u>
Appropriation	\$ (1,500,000)

**13. Operating Costs Reduction**

It is recommended that state appropriations be reduced in Child Support Enforcement administrative funds including travel, postage, purchases, and supplies.

Requirements	\$ (225,000)
Receipts	<u>(150,000)</u>
Appropriation	\$ (75,000)

**2002-2003 Recommended Adjustments  
General Fund - Department of Health and Human Services - Continued**

**Recommended Reductions**

**Division of Social Services - Continued**

2002-03

**14. Ohio State Treasurer Contract**

This recommended reduction eliminates state appropriations for a Child Support Enforcement contract with a consortium of states, led by Ohio, to address public awareness of child support enforcement services.

Requirements	\$ (61,795)
Receipts	<u>(40,785)</u>
Appropriation	\$ (21,010)

**15. Abolish Positions**

Thirty-five vacant Child Support Enforcement positions have been frozen since January 2001. Reduction in state appropriations is recommended as functions have been absorbed by existing staff. It is also recommended that two vacant and two filled Economic Independence positions in the division be abolished.

Requirements	\$ (1,162,969)
Receipts	<u>(655,373)</u>
Appropriation	\$ (507,596)
Number of Positions	(39.0)

**16. Operating Cost Reduction**

It is recommended that state appropriations be reduced for travel, purchasing, and printing costs in the Economic Independence section and the division's central office. Documents are accessible on the web, and this reduces the cost of printing. Travel is prioritized to focus on more serious local operational and programmatic problems. Reductions in the central office do not have a direct impact on counties.

Requirements	\$ (2,164,786)
Receipts	<u>(1,082,393)</u>
Appropriation	\$ (1,082,393)

**2002-2003 Recommended Adjustments  
General Fund - Department of Health and Human Services - Continued**

**Recommended Reductions**

**Division of Social Services - Continued**

2002-03

**17. Abolish Positions**

This recommended reduction would abolish two vacant and two filled positions from the division's central office. Duties and responsibilities have been assumed by other division staff. This will have no adverse impact on operations.

Requirements	\$ (255,412)
Receipts	<u>(142,546)</u>
Appropriation	\$ (112,866)
Number of Positions	(4.0)

**18. Local Support**

Regional offices were consolidated by the General Assembly in FY 2001-02. This recommended reduction eliminates the remaining state appropriations in fund 1120.

Requirements	\$ (602,869)
Receipts	<u>(511,169)</u>
Appropriation	\$ (91,700)

**Division of Medical Assistance**

**1. 5% Rate Reduction for Optical Service Providers**

It is recommended that the Division of Medical Assistance reduce rates for Optical Service Providers by 5%. This reduction is commensurate with the reduction to physician, chiropractor, and podiatrist reimbursement rates enacted by the General Assembly in the 2001 session.

Requirements	\$ (632,735)
Receipts	<u>(429,895)</u>
Appropriation	\$ (202,840)

**2002-2003 Recommended Adjustments  
General Fund - Department of Health and Human Services – Continued**

**Recommended Reductions**

**Division of Medical Assistance - Continued**

**2002-03**

**2. Community Alternative Program for the Disabled Adults at  
FY 2003 Certified Budget Level**

It is recommended that the Division of Medical Assistance hold the Community Alternatives Program for Disabled Adults (CAP-DA) to the FY 2003 certified budget level. CAP-DA is a home and community based waiver program for individuals who are 18 years of age or older who live in a private residence and are at risk of institutionalization. To contain spending the Division of Medical Assistance will reduce the average monthly cost limit on services to 70% of the average nursing facility rate, and limit in-home aide services to no more than 115 hours per month. CAP-DA is one of the fifteen most expensive categories of Medicaid services.

Requirements	\$ (52,179,698)
Receipts	<u>(35,452,061)</u>
Appropriation	\$ (16,727,637)

**3. Community Alternative Program for the Mentally Retarded at  
FY 2003 Certified Budget Level**

It is recommended that Division of Medical Assistance hold the Community Alternatives Program for the Mentally Retarded/Developmentally Disabled (CAP-MR/DD) to the FY 2003 certified budget level. CAP MR/DD is a home and community based waiver program for individuals who would otherwise require care in an Intermediate Care Facility for the Mentally Retarded/Developmentally Disabled. CAP-MR/DD is one of the fifteen most expensive categories of Medicaid services.

Requirements	\$ (73,530,485)
Receipts	<u>(49,958,266)</u>
Appropriation	\$ (23,572,219)

**2002-2003 Recommended Adjustments  
General Fund - Department of Health and Human Services – Continued**

**Recommended Reductions**

**Division of Medical Assistance - Continued**

**2002-03**

**4. Reduce Rate for Case Management**

It is recommended that the Division of Medical Assistance reduce the case management rate by 25% for all categories of service. The reduction shall apply to case management for the Community Alternative Programs (AIDS, Children, MR/DD and DA), but savings in these programs only are to be reinvested in direct client services. For this reason, the reduction associated with this recommendation does not reflect the savings that will be realized from the application of this rate reduction to the Community Alternative Programs.

Requirements	\$ (24,395,711)
Receipts	<u>(16,679,369)</u>
Appropriation	\$ (7,716,342)

**5. Close Asset Loopholes for Aged and Disabled**

It is recommended that the Division of Medical Assistance consider real property held under a life estate or tenancy in common as a countable asset when determining eligibility for Medicaid coverage. In addition, the division will consider equity value in income producing property adopting the Supplemental Security Income (SSI) method for aged, blind and disabled. These actions will close a loophole that exists when individuals change the type of ownership of real property for purposes of becoming eligible for Medicaid. It would also make the treatment of assets consistent with SSI regulations.

Requirements	\$ (9,446,334)
Receipts	<u>(6,418,053)</u>
Appropriation	\$ (3,028,281)

**6. Close Asset Loophole for Personal Care Services**

It is recommended that the Division of Medical Assistance impose transfer of assets penalties for applicants or recipients who reside at home and receive personal care services. During the penalty period the individual is ineligible to receive personal care services at home but otherwise remains eligible for Medicaid benefits. This action

**2002-2003 Recommended Adjustments  
General Fund - Department of Health and Human Services – Continued**

**Recommended Reductions**

**Division of Medical Assistance - Continued**

**2002-03**

**Close Asset Loophole for Personal Care Services - Continued**

would ensure that penalties imposed for a transfer of assets for persons receiving services at home are consistent with those imposed for persons receiving services in nursing homes.

Requirements	\$ (1,321,336)
Receipts	<u>(897,377)</u>
Appropriation	\$ (423,959)

**7. ACCESS II/III Cost Containment**

It is recommended that the Office of Research, Demonstrations, and Rural Health Development, in coordination with the Division of Medical Assistance, direct its ACCESS II/III resources toward managing high risk patients. ACCESS I/II pays local doctors to coordinate care for patients and encourages patients to use primary care facilities rather than seeking higher cost services.

Requirements	\$ (29,400,113)
Receipts	<u>(19,975,113)</u>
Appropriation	\$ (9,425,000)

**Division of Services for the Blind and Division of Deaf and Hard of Hearing**

**1. Reduce Special Assistance for the Blind**

The Special Assistance for the Blind Program provides financial assistance to individuals who live in adult care homes or specialized community based residential settings. The current budget for the program is approximately \$1.3 million, \$645,807 of which is state appropriation. The historical demand for services falls well short of budgeted resources. As a result, the Program's budget can be reduced with no decrease in services. Therefore, it is recommended that the budget be reduced to correspond to the historical level of utilization. It should be noted that this is an entitlement program, and funds would have to be identified if the demand for services or the rate paid for domiciliary care increases significantly.

Requirements	\$ (316,000)
Receipts	<u>(158,000)</u>
Appropriation	\$ (158,000)

**2002-2003 Recommended Adjustments  
General Fund - Department of Health and Human Services - Continued**

**Recommended Reductions**

**Division of Services for the Blind and Division of Deaf and Hard of Hearing - Continued**

2002-03

**2. Reduce Medical Eye Care and Independent Living Services**

The Medical Eye Care Program provides a wide array of eye care services. The services include: examinations, treatment, and surgery; glaucoma screenings; low vision evaluations and aids; and eye care education. Given the availability of other program resources to treat glaucoma, the division will de-emphasize glaucoma screenings. Access to eye care literature will occur via the internet. In addition, a Nurse Care Consultant position, vacant since August 2000, will be abolished. Finally, a very modest reduction is recommended for the Independent Living Services program.

\$ (64,000)  
(1.0)

Number of Positions

**3. Cost Allocation of Telecommunications Access of NC**

The Telecommunications Access of NC program provides telephone accessibility, facilitates video conferencing, and equipment loans for financially needy deaf, hard of hearing, and/or blind clients. The telecommunications initiative is funded through an 11 cent per telephone line fee, charged to all consumers. It is recommended that the appropriation be reduced in the Adult Deaf and Hard of Hearing Central Administration Office and replaced by income generated through cost allocation for the Telecommunications Access of North Carolina Program. No adverse impact on services or fee increase is anticipated.

Requirements

\$ -  
21,013

Receipts

Appropriation

\$ (21,013)

**Division of Mental Health, Developmental Disabilities and Substance Abuse Services**

**1. Child and Family State Facilities Reductions**

Recurring reductions in the administrative budgets of Wright School and the Eastern Adolescent Treatment Program are recommended. Salary reserve will be reduced in addition to the following line item budgets: temporary wages, building repair, travel, and employee education. No direct impact on services is anticipated.

(45,451)

**2002-2003 Recommended Adjustments  
General Fund - Department of Health and Human Services - Continued**

**Recommended Reductions**

**Division of Mental Health, Developmental Disabilities and  
Substance Abuse Services - Continued**

**2002-03**

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**2. Adult Mental Health State Facilities Reductions**

The adult mental health facilities include four (4) psychiatric hospitals (Broughton, Cherry, Dorothea Dix and John Umstead Hospitals) and the NC Special Care Center. The collective state support for these institutions totals approximately \$200 million. It is recommended that support for the facilities be reduced by \$1.5 million, a reduction of less than 1%. The recommendations would reduce facilities' administrative budgets, eliminate thirty-four (34) vacant positions, and close the five (5) bed tuberculosis unit at Cherry Hospital. The impact of the reductions will be limited to the placement of one to two non-compliant tuberculosis patients in a more appropriate setting that will not compromise public health.

\$ (1,531,714)  
(34.0)

Number of Positions

**3. Mental Retardation State Facilities Reductions**

The state's mental retardation facilities include Black Mountain Center, Caswell Center, Murdoch Center, O'Berry Center, and Western Carolina Center. The total state appropriation for the facilities is approximately \$19.0 million. It is recommended that state appropriated support of the facilities be trimmed 1.3%, or \$247,262. The reductions would eliminate 4.5 vacant positions and some existing salary reserve. No significant adverse impacts are anticipated with these reductions.

(247,262)  
(4.5)

Number of Positions

**4. Substance Abuse State Facilities Reductions**

The state provides facility-based substance abuse services through the division's three alcohol and drug abuse treatment centers (ADATC) located in Greenville, Butner, and Black Mountain. Collectively, the budgets of the ADATCs total approximately \$12.5 million in state appropriations. It is recommended that the ADATC's budgets be reduced by approximately 1.5%. The recommendation will reduce administrative budgets, downgrade 3 and eliminate 14 positions, 12 of which provide dietary service that will be outsourced. No deterioration in substance abuse or dietary services is anticipated.

(184,818)  
(14.0)

Number of Positions

**2002-2003 Recommended Adjustments  
General Fund - Department of Health and Human Services - Continued**

**Recommended Reductions**

**Division of Mental Health, Developmental Disabilities and  
Substance Abuse Services - Continued**

**2002-03**

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**5. Increase Institutional Receipts**

Where applicable, the department can bill third party insurance providers for services provided to clients of the State's mental health, developmental disabilities and substance abuse facilities. Current projections show continued growth in patient receipts. Therefore, it is recommended that these receipts be budgeted to support patient services and that appropriations be adjusted accordingly.

Requirements

\$ -

Receipts

1,000,000

Appropriation

\$ (1,000,000)

**6. Central Office Administrative Reductions**

It is recommended that the division's Central Office administrative budget be reduced. Reductions will be taken in the travel, equipment and supplies line items, and a modest reduction in the area of contracted services. The reduction will not adversely impact State maintenance of effort required by federal regulations.

(121,262)

**7. Area Program Reductions**

It is recommended that state support of the 38 Area Programs, which provide community-based mental health developmental disabilities and substance abuse services, be reduced by \$38,368,082. Area Programs will be required to submit reduction plans to the Division. The division will ensure that critical functions and federal and State requirements are met. It is anticipated that administrative budgets and service budgets for patients with lower level needs either will be reduced or terminated. Patients with the greatest need will continue to be served.

(38,368,082)

**2002-2003 Recommended Adjustments  
General Fund - Department of Health and Human Services - Continued**

**Recommended Reductions**

<b>Division of Facility Services</b>		<u><b>2002-03</b></u>
<b>1. Reduction in Appropriations for Contractual Services</b>	The Division of Facility Services contracts with Solucient to obtain discharge data from hospitals and ambulatory surgical facilities. The data are used by the State Center for Health Statistics and the division in developing reports and in review of Certificate of Need (CON) applications. To generate savings, it is recommended that appropriations be reduced.	\$ (54,000)
<b>2. Contract: Sheps Center, UNC-CH</b>	The Division of Facility Services contracts with the Cecil G. Sheps Center, UNC-CH, which provides analysis of discharge data gathered by hospitals and ambulatory surgical facilities. The data and analysis are used in the development of the State Medical Facilities Plan. To generate savings, it is recommended that state appropriations for this contract be eliminated.	(90,731)
<b>3. Contract: Poison Control Center</b>	The Poison Control Center is located at the Carolina Medical Center, Charlotte, and receives approximately 85,000 calls annually. State appropriations total \$1,236,492. The Center received \$1,000,000 in expansion funds in 1999-2000. Prior to this expansion, state support for the center was about 15% of the overall costs of maintaining the statewide program. To generate savings it is recommended that state appropriations be reduced.	(742,370)
<b>4. Contract: Department of Justice</b>	The division contracts with the Department of Justice. It is recommended that state appropriations supporting this contract be reduced. This reduction will eliminate one currently filled paralegal position in the N.C. Department of Justice.	(35,974)

**2002-2003 Recommended Adjustments  
General Fund - Department of Health and Human Services - Continued**

**Recommended Reductions**

**Division of Facility Services - Continued**

**2002-03**

**5. Reduce Miscellaneous Contracts**

A reduction in state appropriations is recommended for funds that support a contract for hospital trauma certification and various other activities throughout the division. Hospital trauma certification fees are paid by the hospitals and can be budgeted upon receipt. In addition, the division has historically under-expended and reverted these funds. To generate savings it is recommended that appropriations be reduced.

Requirements	\$ (208,333)
Receipts	<u>(108,333)</u>
Appropriation	\$ (100,000)

**6. Reduce Operating and Travel Costs**

These funds are used primarily to purchase computer equipment, provide employee registration fees, and other employee expenses. Additional funds support travel related expenses for staff. Historically some of these funds have reverted. It is recommended that appropriations be reduced.

Requirements	\$ (530,770)
Receipts	<u>(254,770)</u>
Appropriation	\$ (276,000)

**7. Staff Reduction**

This recommended reduction abolishes two vacant positions and four filled positions. Vacant positions reside in the Construction and Mental Health Licensure section. The four filled positions reside in the Office of Emergency Medical Services.

Requirements	\$ (272,588)
Receipts	<u>(8,076)</u>
Appropriation	\$ (264,512)
Number of Positions	(6.0)

**2002-2003 Recommended Adjustments  
General Fund - Department of Health and Human Services - Continued**

**Recommended Reductions**

<b>Division of Vocational Rehabilitation</b>		<u><b>2002-03</b></u>
<b>1. Abolish Vacant Positions</b>		
	The Division of Vocational Rehabilitation has carefully evaluated its structure and resource allocation and identified 20 vacant positions that can be eliminated without significant impact on direct services. It is recommended that the 20 positions be abolished and appropriations adjusted accordingly.	\$ (700,000)
	Number of Positions	(20.0)
<b>2. Reduce Administrative Budget</b>		
	A recurring reduction in equipment, supplies and travel is recommended. The division reports that there will be no significant adverse impact on operations with this reduction.	(400,000)
<b>3. Reduce Direct Client Services Budget</b>		
	The division plans to redirect and more carefully structure its interpretation of case services in view of diminishing budgets from state sources. As a result, new policies have been recently implemented or will be implemented in the near future. These new policies include: verification of client income; clarification on the use of family assets in determining client eligibility for services; increased emphasis on the use of benefits such as Pell Grants to assist with payment of tuition; emphasis on transferable work skills to find employment instead of retraining; and needs testing for determining eligibility for training and educational support. The division plans to focus services on those with significant disabilities. The division reports that an anticipated increase in its federal allocation, in addition to the redirection of case policies, will allow a reduction in appropriations without a significant decrease in the number of persons served. It is recommended that appropriations be reduced.	(1,922,522)
<b>Total Recurring Reductions</b>		
	Requirements	\$(297,234,805)
	Receipts	<u>(142,455,975)</u>
	Appropriations	\$(154,778,830)
	Number of Positions	(235.15)

**2002-2003 Recommended Adjustments  
General Fund - Department of Health and Human Services - Continued**

**Recommended Expansion and Alternative Source of Funding**

**Central Administration**

**2002-03**

**1. More at Four Pre-Kindergarten Program**

The More at Four Pre-Kindergarten Program is a voluntary pre-kindergarten initiative to prepare at-risk four-year-olds for success in school. During the 2001-02 school year, grants were awarded to 28 communities, which include 34 counties throughout the western, piedmont, and eastern regions. One hundred sixty-six classrooms served 1,621 children. An additional 2,800 children are projected to be served in 2002-03. More at Four will be phased- in over five years to reach the estimated 40,000 four-year-old children in the state who are at risk for school failure. Funding for the More at Four program is included in the Education Lottery proposal.

\$ 28,065,300

**2. T.E.A.C.H. Program**

The Teacher Education and Compensation Helps (T.E.A.C.H.) program pays for scholarships for child care teachers and center administrators to take classes at community colleges in order to meet educational requirements. The average cost to assist a T.E.A.C.H. scholarship recipient meet his/her educational goals is \$519. Funding is included in the Education Lottery proposal.

2,600,000

**Total Recommended Expansion and Alternative Source of Funding**

Requirements	\$ 30,665,300
Receipts	<u>-</u>
Appropriations	\$ 30,665,300

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**TOTAL Recommended Adjustments for Department of Health and Human Services  
(including Entitlement Adjustment, Reductions and Expansion and Alternative Source of Funding)**

**TOTAL Recurring Adjustments**

Requirements	\$(132,524,539)
Receipts	<u>(44,002,293)</u>
Appropriation	\$ (88,522,246)
Number of Positions	(235.15)

**2002-2003 Recommended Adjustments  
General Fund - Continued**

**Department of Correction**

**Recommended Reductions**

**2002-03**

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**Additional General Fund Receipts**

**1. Increase Probation Supervision Fee**

It is recommended that the Supervision Fee rates charged to offenders while under probation, parole or post release supervision be increased from the current amount of \$20 a month to \$30 a month. The additional \$4,458,811 generated from this fee in receipts would be deposited into the state's General Fund availability. This change will require statutory revision.

**2. Community Service Work Program**

It is recommended that the fee charged to offenders who are court ordered to the Community Service Work Program be increased from \$100 to \$120. This will provide an additional \$1,007,400 to the state's General Fund availability. This change will require statutory revision.

Any change to revenue will be reflected in General Fund availability. Increased/decreased receipts will not be reflected in the department's budget and therefore not reflected as a reduction/increase in appropriation needed. Changes to revenue will be reflected in General Fund availability.

**3. Lapsed Salary Savings**

The Department of Correction generates over \$57 million in lapsed salaries during the fiscal year. Over \$40 million is dedicated to cover areas of the budget which are not adequately funded. It is recommended that \$17.1 million in lapsed salaries be applied as a non-recurring reduction.

\$ (17,145,181) NR

**4. Non Salary Reductions**

It is recommended that equipment, maintenance, travel and related operating expenses be reduced. Only the most critical or emergency needs will be supported during the fiscal year. This is a non-recurring reduction.

(18,621,049) NR

NR – Nonrecurring

**2002-2003 Recommended Adjustments  
General Fund – Correction - Continued**

**Recommended Reductions**

		<u>2002-03</u>
<b>5. Convert MIS Contracts</b>	It is recommended that the Office of Management Information Systems convert 4 contractual positions to full time state employment, which would create a cost savings. Effective July 1, 2002.	
	Number of Positions	\$ (355,155) 4.0
<b>6. Reduction in Central Engineering Budget</b>	It is recommended that the contractual Central Engineering budget be reduced on a non-recurring basis.	(450,000) NR
<b>7. Auto, Truck and Bus Reductions</b>	It is recommended that vehicle replacements be reduced on a non-recurring basis.	(1,000,000) NR
<b>8. Reduce Operational Cost of Office of Staff Development and Training</b>	It is recommended that the operating budget for the Office of Staff Development and Training be reduced. Two positions will be eliminated.	
	Number of Positions	(181,063) (2.0)
<b>9. Eliminate the Criminal Justice Partnership Program</b>	It is recommended that state funds which support county operated programs for probationers and parolees be eliminated. Individual counties may continue to fund these programs, utilizing county funding. This change will require statutory revision.	
	Number of Positions	(8,803,797) (12.0)
<b>10. Reduce Department of Administration Vehicle Usage</b>	It is recommended that 27 Department of Administration vehicles be reduced for the Division of Community Corrections.	(88,452)

NR - Nonrecurring

**2002-2003 Recommended Adjustments  
General Fund – Correction - Continued**

**Recommended Reductions**

2002-03

<b>11. Close Blue Ridge Correctional Center</b>	It is recommended that the Blue Ridge Correctional Center in Burke County be closed, effective July 1, 2002. Blue Ridge's cost per inmate day is the fourth highest among all Division of Prisons facilities. This recommendation also eliminates the BRIDGE program, a cooperative effort with the Department of Environment and Natural Resources, where inmates engage in fire fighting activities. Blue Ridge is a 72-bed minimum custody facility.	\$ (1,154,683)	
Number of Positions		(35.0)	
<b>12. Close Gates Correctional Center</b>	Consistent with the recommendations of the Governmental Performance Audit Committee (GPAC) to improve the efficient allocation of correctional resources, Gates Correctional Center is recommended for closure, effective July 1, 2002. This is an 82-bed minimum custody facility.	(935,245)	
Number of Positions		(28.0)	
<b>13. Abolish 17 Lieutenants at Large Facilities</b>	In order to minimize management and administrative costs, it is recommended that 17 Lieutenant positions be eliminated at large Division of Prison facilities. This is effective July 1, 2002.	(564,779)	
Number of Positions		(17.0)	
<b>14. Reduce Division of Prisons Inmate Clothing Budget</b>	It is recommended that issue of inmate clothing be reduced from 7 changes to 4 changes a week. This does not apply to inmates whose work assignments include kitchen duty, road squads and related intensive work functions.	(500,000)	
<b>15. Increase Welfare Fund Receipts</b>	It is recommended that Welfare Fund receipts be used to offset the need for state appropriations. This is a non-recurring proposal.		
Requirements		\$ -	
Receipts		400,000	
Appropriation		\$ (400,000)	NR

NR – Nonrecurring

**2002-2003 Recommended Adjustments  
General Fund – Correction - Continued**

**Recommended Reductions**

	<u>2002-03</u>
<b>16. Abolish 9 Division of Prisons Management Positions</b>	
It is recommended that 9 management positions in the Division of Prisons be eliminated, effective July 1, 2002.	\$ (481,971)
Number of Positions	(9.0)
<b>17. Increase County Safekeeper Per Diem Charges</b>	
Currently, county and local law enforcement agencies may house suspects, before trial, in state prison facilities for security and medical reasons for a charge of \$18 a day. It is recommended that county payments of \$18 per day be increased by an additional \$22 a day for a total per diem of \$40. This would bring the safekeeper per diem charges to the same amount that the Department of Correction pays counties for jail backlog. This will require statutory revision.	
Requirements	\$ -
Receipts	861,630
Appropriation	<u>\$ (861,630)</u>
<b>18. Abolish Five Chaplains</b>	
It is recommended that 5 chaplain positions in the Division of Prisons be abolished, effective July 1, 2002.	(196,766)
Number of Positions	(5.0)
<b>19. Close IMPACT Boot Camp Programs</b>	
It is recommended that this structured sentencing sanction for male probationers, located in Hoffman and Morganton, be eliminated. A total of 941 offenders completed the program in fiscal year 2000-01. Recent studies have indicated that this program is not cost effective. This will require statutory revision.	(4,157,652)
Number of Positions	(108.0)
<b>20. Cancel Evergreen Substance Abuse Contract</b>	
It is recommended that this substance abuse treatment program for 75 male inmates be eliminated, effective July 1, 2002.	(1,335,961)
<b>21. Abolish 9 Department of Correction Management Positions</b>	
It is recommended that 9 Department of Correction management positions be eliminated effective July 1, 2002.	(515,267)
Number of Positions	(9.0)

**2002-2003 Recommended Adjustments  
General Fund – Correction - Continued**

**Recommended Reductions**

2002-03

**22. Eliminate State Aid and Pass Through Funding**

Over several years, the General Assembly has provided funding for several non-profit organizations that do not represent the core mission of the Department of Correction. The following state aid funding is recommended for elimination:

a.)	Summit House	\$ 1,256,942	
b.)	John Hyman	\$ 225,000	
c.)	Harriet House	\$ 275,000	
d.)	State Aid to Women at Risk	\$ 250,000	\$ (2,006,942)

**23. Eliminate Contract with Energy Committed to Offenders (ECO)**

It is recommended that the contract for this minimum custody halfway house for 20 female inmates be eliminated, effective July 1, 2002.

(355,616)

**24. Eliminate House Arrest Program**

Effective July 1, 2002, it is recommended that the Department of Correction operated house arrest program for offenders placed on probation and parole be eliminated. Currently, there are 906 offenders on electronic monitoring. There would be 14 positions eliminated.

(1,277,479)

Number of Positions

(14.0)

**25. Reduce Cost of Mobile Surgery Unit**

It is recommended that the statewide contract for the mobile surgery unit be reduced to more adequately reflect usage rates.

(617,610)

**26. Abolish 8 Maintenance Positions**

It is recommended that 8 Division of Prisons maintenance positions be abolished, effective July 1, 2002.

(281,593)

Number of Positions

(8.0)

**27. Abolish Parole Commission Positions**

It is recommended that 5 positions in the Parole Commission be eliminated, effective July 1, 2002.

(226,108)

Number of Positions

(5.0)

**2002-2003 Recommended Adjustments  
General Fund – Correction - Continued**

**Recommended Reductions**

	<u>2002-03</u>	
<b>28. Close Rowan Diagnostic Center</b>		
It is recommended that the Division of Prisons Rowan diagnostic center be closed, effective July 1, 2002. All male misdemeanants would be processed at the Neuse diagnostic center in Goldsboro.	\$ (144,598)	
Number of Positions	(5.0)	
<b>29. Reduce Substance Abuse Programs</b>		
It is recommended that state funded substance abuse programs in minimum custody be retained and that funding for inpatient substance abuse treatment in medium and close custody be eliminated, with the exception of the DART-Wayne and DART-Western Youth programs. This is effective July 1, 2002. Federally funded inpatient treatment programs will remain.	(3,113,606)	
Number of Positions	(95.0)	
<b>30. Reduce Funding of Drug Screening Laboratories</b>		
It is recommended that the operational funding of Division of Community Corrections drug-screening laboratories be reduced.	(162,216)	
<b>31. Reduce UNC Health Care Payments to the Medicaid Rate</b>		
It is recommended that inmate payments provided to UNC Health Care not exceed the Medicaid rate.	(1,639,777)	
<b>32. Inmate Disciplinary Fees</b>		
It is recommended that the Division of Prisons inmate disciplinary fees be adjusted to reflect the projected collections.		
Requirements	\$ -	
Receipts	<u>150,000</u>	
Appropriation	\$ (150,000)	
<b>33. Alien Assistance Receipts</b>		
North Carolina receives federal funds to help fund the cost of housing illegal aliens who are inmates in the prison system. Receipts are anticipated to increase, allowing for a reduction to the General Fund.		
Requirements	\$ -	
Receipts	<u>310,000</u>	
Appropriation	\$ (310,000)	NR

NR – Nonrecurring

**2002-2003 Recommended Adjustments  
General Fund – Correction - Continued**

**Recommended Reductions**

	<u>2002-03</u>
<b>34. Medical Cost Containment Measures</b>	
The Division of Prisons will consolidate medical services at 8 smaller prisons to larger prisons and provide other cost containment measures.	\$ (3,575,166)
Number of Positions	48.0
<b>Total Recurring Reductions</b>	
Requirements	\$ (32,671,502)
Receipts	<u>1,011,630</u>
Appropriation	\$ (33,683,132)
Number of Positions	(300.0)
<b>Total Non-Recurring Reductions</b>	
Requirements	\$ (37,216,230)
Receipts	<u>710,000</u>
Appropriation	\$ (37,926,230)

**Recommended Expansion**

<b>1. Operating Funds for Scotland 1,000 Bed Facility</b>	
It is recommended that operating funds be provided to support the opening of a new 1,000 lease purchase build prison facility located in Scotland County. This facility is scheduled to be completed in May 2003.	6,810,046
Number of Positions	417.0
<b>2. Operating Funds for Anson (Lanesboro) 1,000 Bed Facility</b>	
It is recommended that operating funds be provided to support the opening of a new 1,000 lease purchase build prison facility located in Anson County. This facility is scheduled to be completed in September 2003.	967,793
Number of Positions	138.0

**2002-2003 Recommended Adjustments  
General Fund – Correction - Continued**

**Recommended Expansion**

	<u>2002-03</u>	
<b>3. Operating Funds for Alexander 1,000 Bed Facility</b>		
It is recommended that operating funds be provided to support the opening of a new 1,000 lease purchase build prison facility located in Alexander County. This facility is scheduled to be completed in January 2004.	\$ 491,947	
Number of Positions	12.0	
<b>Total Recurring Expansion</b>		
Requirements	\$ 8,269,786	
Receipts	<u>-</u>	
Appropriation	\$ 8,269,786	
Number of Positions	567.0	
<hr/>		
<b>TOTAL Recommended Adjustments for Department of Correction (including Reductions and Expansion)</b>		
<b>TOTAL Recurring Adjustments</b>		
Requirements	\$ (24,401,716)	
Receipts	<u>1,011,630</u>	
Appropriation	\$ (25,413,346)	
Number of Positions	267.0	
<b>TOTAL Nonrecurring Adjustments</b>		
Requirements	\$ (37,216,230)	
Receipts	<u>710,000</u>	
Appropriation	\$ (37,926,230)	NR

NR – Nonrecurring

**2002-2003 Recommended Adjustments  
General Fund - Continued**

**Department of Crime Control and Public Safety**

**Recommended Reductions**

**2002-03**

**1. Eliminate Vacant Positions**

It is recommended that 11 vacant positions be eliminated throughout the Department of Crime Control and Public Safety. These vacancies are located in the following divisions:

3 Positions - Secretary's Office

3 Positions - National Guard

4 Positions - Emergency Management

1 Position - Division of Alcohol and Law Enforcement

Number of Positions

\$ (455,670)  
(11.0)

**2. Reduce 7 Vacant ALE Sworn Agent Positions**

It is recommended that 7 vacant sworn agent positions located in the Division of Alcohol and Law Enforcement be eliminated, effective July 1, 2002.

Number of Positions

(330,247)  
(7.0)

**3. Reduce Excess Personnel and Benefits Costs in the Division of Victim's Compensation**

In fiscal year 2001-02, the General Assembly directed the transfer of the Community Services Work Program from the Department of Crime Control and Public Safety to the Department of Correction. After the transfer was complete, a leftover balance of \$395,428 in excess salary reserve and personnel related costs remained in the Division of Victims' Compensation. It is recommended that this excess balance be eliminated.

(395,428)

**4. Reduce Operating and Non-Salary Expenses**

It is recommended that operating expenses and related non-salary line items for supplies and program administration be reduced by 11% throughout the department.

(1,554,973)

**2002-2003 Recommended Adjustments  
General Fund - Crime Control and Public Safety - Continued**

**Recommended Reductions**

	<u>2002-03</u>
<b>5. Increase Boxing Commission Receipts</b>	
It is recommended that increased receipts related to Boxing Commission licensing activities be budgeted to offset the need for state appropriations. These are existing receipts that are not currently budgeted in the Department of Crime Control and Public Safety.	
Requirements	\$ -
Receipts	<u>23,756</u>
Appropriation	\$ (23,756)
 <b>Total Recurring Reductions</b>	
Requirements	\$ (2,736,318)
Receipts	<u>23,756</u>
Appropriation	\$ (2,760,074)
Number of Positions	(18.0)

**Recommended Expansion**

<b>1. Increase Funding for Crime Victims</b>	
Over the past two years, the amount of crime victim's compensation claims has exceeded available funding, creating extensive delays in victim payments. It is recommended that \$2.5 million in expansion funding be provided to address the needs of the Victim's Compensation program.	2,500,000
 <b>Total Recurring Expansion</b>	
Requirements	\$ 2,500,000
Receipts	<u>-</u>
Appropriation	\$ 2,500,000

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**TOTAL Recommended Adjustments for Department of Crime Control and Public Safety  
(including Reductions and Expansion)**

<b>TOTAL Recurring Adjustments</b>	
Requirements	\$ (236,318)
Receipts	<u>23,756</u>
Appropriation	\$ (260,074)
Number of Positions	(18.0)

**2002-2003 Recommended Adjustments  
General Fund - Continued**

**Administrative Office of the Courts**

**Recommended Reductions**

	<u>2002-03</u>
<p><b>1. Sentencing Services Program</b> It is recommended that funding for the Sentencing Services Program be eliminated, effective July 1, 2002. Number of Positions</p>	<p>\$ (5,846,570) (33.5)</p>
<p><b>2. Drug Treatment Court Program</b> It is recommended that funding for the Drug Treatment Court Program be eliminated, effective July 1, 2002. There are currently 10 counties that have drug court. Number of Positions</p>	<p>(1,140,780) (8.0)</p>
<p><b>3. Dispute Settlement Centers</b> It is recommended that funding for the dispute settlement centers be eliminated, effective July 1, 2002. There are currently 27 community dispute settlement centers in North Carolina.</p>	<p>(1,603,120)</p>
<p><b>4. Sentencing and Policy Advisory Commission</b> It is recommended that two positions in the Sentencing and Policy Advisory Commission be eliminated, effective July 1, 2002. Number of Positions</p>	<p>(110,199) (2.0)</p>
<p><b>5. Reduce Salary Reserves</b> It is recommended that salary reserve be reduced in various funds.</p>	<p>(1,000,000)</p>
<p><b>6. Reduce Contractual Services</b> It is recommended that contractual services be reduced in various funds.</p>	<p>(500,000)</p>
<p><b>7. Reduce Operating Budget</b> It is recommended that operating funds be reduced throughout the department.</p>	<p>(800,000)</p>

**2002-2003 Recommended Adjustments  
General Fund - Administrative Office of the Courts - Continued**

**Recommended Reductions**

2002-03

**8. Increase Court Fees**

It is recommended that General Court fees for criminal cases and infractions be increased by \$10, effective October 1, 2002. The additional \$9,582,510 generated would be deposited to the state's General Fund availability. This change will require statutory revision.

**9. Seat Belt Fee Increase**

It is recommended that seat belt infractions be subject to court fees, effective October 1, 2002. The additional \$10,094,175 generated would be deposited to the state's General Fund availability. This change will require statutory revision.

**Total Recurring Reductions**

Requirements	\$ (11,000,669)
Receipts	<u>-</u>
Appropriation	\$ (11,000,669)
Number of Positions	(43.5)

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**TOTAL Recommended Adjustments for the Administrative  
Office of the Courts**

Requirements	\$ (11,000,669)
Receipts	<u>-</u>
Appropriation	\$ (11,000,669)
Number of Positions	(43.5)

**2002-2003 Recommended Adjustments  
General Fund - Continued**

**Department of Justice**

**Recommended Reductions**

		<u>2002-03</u>	
<b>1. Inspector General Elimination</b>			
	The General Assembly eliminated the Inspector General program in fiscal year 2001-02. It is recommended that the remaining balance of the program be eliminated.	\$ (120,000)	
<b>2. Eliminate Positions</b>			
	It is recommended that 34 positions be eliminated throughout the Department of Justice. These positions are located in the following divisions:		
	Criminal Justice Training & Standards: 10 positions		
	Legal Services: 15 positions		
	Other vacant positions: 9 positions	(1,444,775)	
	Number of Positions	(34.0)	
<b>3. Attorney General Association Reduction</b>			
	It is recommended that dues for the National Association of Attorneys General be withheld for one year.	(19,800)	NR
<b>4. Eliminate Library and Learning Resource College</b>			
	It is recommended that the continuing legal education (CLE) program for public lawyers be eliminated. CLE credits may still be obtained through the N.C. Bar Association or area law schools.	(100,000)	
<b>5. Operational Expenditure Reductions</b>			
	It is recommended that a reduction be applied to various supply, equipment and non-salary related line items.	(523,500)	
<b>6. Delay SBI Accreditation Payment</b>			
	It is recommended that payment to a national accreditation authority be withheld for one year. This national organization provides accreditation for SBI law enforcement activities.	(50,000)	NR

NR – Nonrecurring

**2002-2003 Recommended Adjustments  
General Fund – Justice - Continued**

**Recommended Reductions**

	<u>2002-03</u>	
<b>7. Delay Training Academy Cycle</b>		
It is recommended that the SBI training academy be delayed for one year to provide a non-recurring reduction in expenditures.	\$ (50,000)	NR
<b>8. SBI Automobile Reduction</b>		
It is recommended that the budget for SBI automobiles be reduced on a non-recurring basis.	(500,000)	NR
<b>9. SBI Uniform Allowance Reduction</b>		
It is recommended that SBI agents no longer be provided with a uniform allowance.	(117,200)	
<b>10. SBI Overtime Reduction</b>		
It is recommended that the SBI overtime budget be reduced.	(300,000)	
<b>11. Eliminate Background Check Exemptions</b>		
It is recommended that exemptions from the \$14 North Carolina fingerprint check for prospective lawyers and adoptive parents be eliminated. Annually, this would eliminate the exemption to over 1,000 prospective lawyers and 1,700 adoptive parents. This can be done without any effect on public safety.		
Requirements	\$ -	
Receipts	<u>40,000</u>	
Appropriation	\$ (40,000)	
<b>Total Recurring Reductions</b>		
Requirements	\$ (2,605,475)	
Receipts	<u>40,000</u>	
Appropriation	\$ (2,645,475)	
Number of Positions	(34.0)	
<b>Total Nonrecurring Reductions</b>		
Requirements	\$ (619,800)	
Receipts	<u>-</u>	
Appropriation	\$ (619,800)	NR

NR - Nonrecurring

**2002-2003 Recommended Adjustments  
General Fund – Justice - Continued**

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**TOTAL Recommended Adjustments for Department of Justice  
(including Reductions and Expansion)**

	<u>2002-03</u>	
<b>TOTAL Recurring Adjustments</b>		
Requirements	\$ (2,605,475)	
Receipts	<u>40,000</u>	
Appropriation	\$ (2,645,475)	
Number of Positions	(34.0)	
<b>TOTAL Nonrecurring Adjustments</b>		
Requirements	\$ (619,800)	
Receipts	<u>-</u>	
Appropriation	\$ (619,800)	NR

NR – Nonrecurring

**2002-2003 Recommended Adjustments  
General Fund - Continued**

**Department of Juvenile Justice & Delinquency Prevention**

**Recommended Reductions**

**2002-03**

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**1. Youth Development Center Bed Reduction**

It is recommended that operating funds for Youth Development Centers be reduced. The population in Youth Development Centers has decreased by approximately 214 clients in the past year.

\$ (7,433,822)  
(140.0)

Number of Positions

**2. Relocation of Umstead & Buncombe Detention Centers**

Umstead and Buncombe Detention Centers are 8-bed facilities that are in close proximity to Youth Development Centers and thus, the juveniles can be relocated to those Centers. Umstead Detention is rented from the Department of Health and Human Services. Buncombe Detention is owned by the state but will be returned to the county. The department will save funds by maximizing resources.

(1,482,424)  
(36.0)

Number of Positions

**3. Multi-Purpose Homes Closing**

It is recommended contracts be cancelled for three 8-bed multi-purpose group homes (Alamance County, Macon County, Randolph County). The juveniles will be reevaluated for new placement within the department.

(1,500,000)

**4. Administrative Division Reduction**

It is recommended that administrative offices be relocated to state-owned facilities to save funds. The department will also begin charging indirect costs on grants to offset administrative expenses. Travel and supply budgets will also be reduced.

(919,871)  
(3.0)

Number of Positions

**5. Food Service Receipts**

The department will implement food service programs in the detention centers that will result in federal reimbursement for the free lunch program. Receipts will be closely monitored (with a receipt-supported position) as they are closely tied to population.

Requirements  
Receipts  
Appropriation

\$ -  
350,000  

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\$ (350,000)

**2002-2003 Recommended Adjustments  
General Fund - Juvenile Justice & Delinquency Prevention - Continued**

**Recommended Reductions**

	<u>2002-03</u>
<b>6. Court Counselors' Travel &amp; Position Reduction</b>	
It is recommended that the travel budget in this division be reduced by 15%. Eight vacant positions will be eliminated.	\$ (600,000)
Number of Positions	(8.0)
<b>7. Various Grant Programs</b>	
These pass-through items to non-profit agencies are reduced by 11%.	
Communities in Schools (CIS):	\$49,500
Boys and Girls Clubs:	\$44,000
Project Challenge:	\$16,500
Cumberland Juvenile Assessment:	\$16,500
Teen Court:	\$53,753
Governor's One-on-One:	\$195,929
	(376,182)
<b>8. Juvenile Crime Prevention Councils (JCPC)</b>	
This program is recommended for a two percent (2%) reduction.	(466,979)
<b>Total Recurring Reductions</b>	
Requirements	\$ (12,779,278)
Receipts	<u>350,000</u>
Appropriation	\$ (13,129,278)
Number of Positions	(187.0)

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**TOTAL Recommended Adjustments for Department of Juvenile Justice and Delinquency Prevention (including Reductions and Expansion)**

<b>TOTAL Recurring Adjustments</b>	
Requirements	\$ (12,779,278)
Receipts	<u>350,000</u>
Appropriation	\$ (13,129,278)
Number of Positions	(187.0)

**2002-2003 Recommended Adjustments  
General Fund - Continued**

**Department of Agriculture and Consumer Services**

**Recommended Reductions**

		<u>2002-03</u>
<b>1. Administrative Services</b>		
	Eliminate one Accounting Clerk IV position in the Division of Administrative Services.	\$ (37,674)
	Number of Positions	(1.0)
<b>2. Public Affairs</b>		
	Reduce the Ag in the Classroom Program in the Division of Public Affairs.	(98,750)
<b>3. Human Resources</b>		
	Eliminate one clerical support position in the Division of Human Resources.	(28,420)
	Number of Positions	(1.0)
<b>4. Aquaculture Development</b>		
	Eliminate one Office Assistant IV and one Administrative Secretary in the Aquaculture Development Program.	(69,675)
	Number of Positions	(2.0)
<b>5. Poultry Grading and Regulation</b>		
	Eliminate three positions and shift funding for three positions in the enforcement of the N.C. Egg Law and Administrative Code to the Food and Drug Division.	(260,724)
	Number of Positions	(6.0)
<b>6. Emergency Programs</b>		
	Eliminate one position in the Division of Emergency Programs.	(42,744)
	Number of Positions	(1.0)

**2002-2003 Recommended Adjustments  
General Fund - Agriculture and Consumer Services - Continued**

**Recommended Reductions**

	<u>2002-03</u>
<b>7. Markets</b>	
Eliminate appropriations to the Western North Carolina (WNC) Community Development Association (\$70,000), Raleigh Farmers Market (\$40,343), and the WNC Agriculture Center (\$184,099), (includes two vacant positions). Eliminate outlying marketing offices in Kinston and Roseboro and one filled position and four vacant positions in the Raleigh Office. Eliminate four filled positions, and downsize the Farmers Market and Agricultural Center in Lumberton and reduce operating funds for Seafood Marketing.	\$ (892,963)
Number of Positions	(11.0)
<b>8. Livestock Marketing</b>	
Eliminate one Swine Marketing Specialist position in the Livestock Marketing Division.	(64,253)
Number of Positions	(1.0)
<b>9. State Farm Operations</b>	
Eliminate the Caswell Farm in Kinston and adjust receipts to more realistically reflect the actual revenues from farm operations based upon actual revenues received in past years.	
Requirements	\$ (1,125,155)
Receipts	<u>(1,125,155)</u>
Appropriation	\$ -
Number of Positions	(17.0)
<b>10. Agronomic Services</b>	
Eliminate one Processing Assistant III position and one Nemetology Technician in the soil testing lab and institute new fees for processing soil samples.	
Requirements	\$ (59,296)
Receipts	<u>43,000</u>
Appropriation	\$ (102,296)
Number of Positions	(2.0)

**2002-2003 Recommended Adjustments**  
**General Fund - Agriculture and Consumer Services - Continued**

**Recommended Reductions**

	<b>2002-03</b>
<b>11. Federal-State Coop Report</b>	
Eliminate two positions in the Agricultural Statistics Division, one of which is a data entry position and the other collects information for reports. Also shift funding for one position in the print shop to the N.C. State Fair.	
Requirements	\$ (69,830)
Receipts	34,740
Appropriation	\$ (104,570)
Number of Positions	(3.0)
<b>12. Commercial Feed and Pet Foods</b>	
Increase inspection fees from \$3 to \$10 that will impact local mills and out of state firms making mainly livestock feeds. Increase inspection fees from \$30 to \$50, which mainly will impact pet food companies that sell product in less than 5 lb. amounts.	
Requirements	\$ -
Receipts	96,706
Appropriation	\$ (96,706)
<b>13. Commercial Fertilizer</b>	
Eliminate one Fertilizer Administrator, two Chemistry Technicians, and one Agriculture Research Technician position.	(165,091)
Number of Positions	(4.0)
<b>14. Pesticide Control</b>	
Eliminate one Assistant Commissioner position, six pesticide positions, reduce operating funds, and increase fees for licenses, registration, and inspections.	
Requirements	\$ (466,723)
Receipts	957,634
Appropriation	\$ (1,424,357)
Number of Positions	(7.0)

**2002-2003 Recommended Adjustments**  
**General Fund - Agriculture and Consumer Services - Continued**

**Recommended Reductions**

		<u>2002-03</u>
<b>15. Food, Drug and Cosmetic</b>	Eliminate three positions in the Food Program and increase the fee for retail and wholesale frozen dessert inspection certificates.	
	Requirements	\$ (89,762)
	Receipts	<u>23,242</u>
	Appropriation	\$ (113,004)
	Number of Positions	(3.0)
<b>16. Veterinary Services</b>	Institute new fees for laboratory diagnostic services and increase existing fees. Eliminate five positions in the Veterinary Division. Eliminate two positions and close the Poultry Diagnostic Laboratory located in Robbins, N. C.	
	Requirements	\$ (272,952)
	Receipts	<u>259,204</u>
	Appropriation	\$ (532,156)
	Number of Positions	(7.0)
<b>17. Weights and Measures Inspection</b>	Eliminate two positions in the Weights and Measures Inspection Division and increase fees for calibrations and laboratory test within the division.	
	Requirements	\$ (75,078)
	Receipts	<u>31,209</u>
	Appropriation	\$ (106,287)
	Number of Positions	(2.0)
<b>18. Seed Testing</b>	Eliminate one Seed Laboratory Technician position and increase fees for commercial seed industries.	
	Requirements	\$ (26,104)
	Receipts	<u>96,660</u>
	Appropriation	\$ (122,764)
	Number of Positions	(1.0)

**2002-2003 Recommended Adjustments**  
**General Fund - Agriculture and Consumer Services - Continued**

**Recommended Reductions**

	<u>2002-03</u>
<b>19. Plant Protection</b>	
Eliminate one Plant Pest Specialist position and one Entomologist position in the Plant Protection Division and increase fees for inspection and registrations in the nursery and garden center and apiary industries.	
Requirements	\$ (92,911)
Receipts	<u>74,169</u>
Appropriation	\$ (167,080)
Number of Positions	(2.0)
<b>20. Distribution of USDA Donated Food</b>	
Shift funding for one Storeroom Manager position in the Distribution Program.	
Requirements	\$ -
Receipts	<u>35,120</u>
Appropriation	\$ (35,120)
Number of Positions	(1.0)
<b>21. Agriculture Finance Administration</b>	
Shift funding for the Director's position from appropriations to receipts. This salary is set by the General Assembly. This change would make the Authority totally supported from interest earned on the loans of the program.	
Requirements	\$ -
Receipts	<u>104,595</u>
Appropriation	\$ (104,595)
Number of Positions	(1.0)
<b>22. Reserves and Transfers</b>	
Reduce the reserve for completed capital improvement projects that have not been started and eliminate turfgrass research and education.	(262,285)
<b>23. Research Stations Operations</b>	
Eliminate 10 positions at research stations and operating line items in the budget.	(343,753)
Number of Positions	(10.0)

**2002-2003 Recommended Adjustments  
General Fund - Agriculture and Consumer Services - Continued**

**Recommended Reductions**

	<b>2002-03</b>
<b>24. Property and Construction</b>	
Shift funding for one engineer position in Property and Construction to N.C. State Fair receipts.	
Requirements	\$ -
Receipts	60,390
Appropriation	\$ (60,390)
Number of Positions	(1.0)
<b>25. Analytical Administration</b>	
Eliminate one vacant Processing Assistant position in Analytical Administration.	(30,572)
Number of Positions	(1.0)

**Total Recommended Adjustments for Department of Agriculture and Consumer Services**

<b>Total Recurring Adjustments</b>	
Requirements	\$ (4,574,715)
Receipts	691,514
Appropriation	\$ (5,266,229)
Number of Positions	(85.0)

**Department of Commerce**

**Recommended Reductions**

<b>1. Administration</b>	
Eliminate the vacant Director of Community Involvement position (\$87,153) and reduce operating funds.	\$ (225,859)
Number of Positions	(1.0)

**2002-2003 Recommended Adjustments  
General Fund - Department of Commerce - Continued**

**Recommended Reductions**

		<u>2002-03</u>	
<b>2. Executive Aircraft</b>			
	It is recommended that the Bell B206L-3 helicopter be sold and associated operating expenses eliminated. Additional reductions in operating funds are also recommended.		
	Requirements	\$ (121,489)	
	Receipts	<u>700,000</u>	NR
	Appropriation	\$ (821,489)	
<b>3. Science and Technology</b>			
	Eliminate an Education Consultant II position.	(66,626)	
	Number of Positions	(1.0)	
<b>4. Management Information Systems</b>			
	Eliminate a Telecommunications Equipment Technician I position (\$46,876) and reduce operating funds.	(126,258)	
	Number of Positions	(1.0)	
<b>5. Policy and Research</b>			
	Reduce operating funds.	(45,663)	
<b>6. Marketing and Customer Service</b>			
	Reduce funds for advertising.	(131,931)	
<b>7. Business and Industry</b>			
	Eliminate two Economic Developer positions (\$155,918, one vacant and one filled), and two Administrative Assistant positions (\$76,687, one vacant and one filled). It is also recommended that operating funds be reduced and transfers to the Global Transpark be eliminated.	(660,697)	
	Number of Positions	(4.0)	
<b>8. International Trade</b>			
	Eliminate a vacant Office Assistant IV position (\$28,326) and reduce operating funds.	(292,467)	
	Number of Positions	(1.0)	

NR-Nonrecurring

**2002-2003 Recommended Adjustments  
General Fund - Department of Commerce - Continued**

**Recommended Reductions**

	<u>2002-03</u>
<b>9. Travel and Tourism</b>	
Eliminate a vacant Development Officer position (\$45,912) and three Tourism Development Officer positions (\$136,964) A reduction in operating funds and tourism grants is also recommended.	\$ (951,180)
Number of Positions	(4.0)
<b>10. Welcome Centers</b>	
Reduce operating funds.	(99,714)
<b>11. Wanchese</b>	
Eliminate a vacant Community Development Specialist II position (\$69,976) and reduce operating funds.	(71,945)
Number of Positions	(1.0)
<b>12. Commerce Finance</b>	
Eliminate a vacant Industrial Finance Specialist II position (\$53,384). A reduction in operating funds and funds for Industrial Development grants is also recommended.	(268,889)
Number of Positions	(1.0)
<b>13. Community Assistance</b>	
Eliminate a vacant Drafting Technician II position (\$42,298) and three vacant Community Development Planner positions (\$167,982). A reduction in funding for Council of Governments and reduced operating funds is also recommended.	(386,272)
Number of Positions	(4.0)
<b>14. Industrial Commission</b>	
Budget over-realized receipts to reduce appropriations and increase fees for Compromise Settlement Agreements from \$200 to \$215.	
Requirements	\$ -
Receipts	<u>724,307</u>
Appropriation	\$ (724,307)

**2002-2003 Recommended Adjustments  
General Fund - Department of Commerce - Continued**

**Recommended Reductions**

	<u>2002-03</u>	
<b>15. Reserves and Transfers</b>		
Reduce funding to the seven Regional Economic Development Partnerships by 11%.	\$ (706,750)	
<b>Total Recurring Reductions</b>		
Requirements	\$ (4,155,740)	
Receipts	<u>724,307</u>	
Appropriation	\$ (4,880,047)	
Number of Positions	(18.0)	
<b>Total Nonrecurring Reductions</b>		
Requirements	\$ -	
Receipts	<u>700,000</u>	
Appropriation	\$ (700,000)	NR

**Recommended Expansion**

<b>1. Economic Development Initiative</b>		
An appropriation is recommended to provide for services and expenses related to the recruitment of film productions to North Carolina.	\$ 500,000	NR
<b>Total Nonrecurring Expansion</b>		
Requirements	\$ 500,000	NR
Receipts	<u>-</u>	
Appropriation	\$ 500,000	NR

NR - Nonrecurring

**2002-2003 Recommended Adjustments  
General Fund - Department of Commerce - Continued**

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**TOTAL Recommended Adjustments for Department of Commerce  
(including Reductions and Expansion)**

	<b>2002-03</b>	
<b>TOTAL Recurring Adjustments</b>		
Requirements	\$ (4,155,740)	
Receipts	<u>724,307</u>	
Appropriation	\$ (4,880,047)	
Number of Positions	(18.0)	
<b>TOTAL Nonrecurring Adjustments</b>		
Requirements	\$ 500,000	
Receipts	<u>700,000</u>	
Appropriation	\$ (200,000)	NR

**Department of Commerce - State Aid**

**Recommended Reductions**

1. **Biotechnology Center**  
 Reduce the General Fund appropriation to the Biotechnology Center by 11%. Also, budget \$250,000 in non-recurring revenue to be refunded by recipients of grants that were made in prior fiscal years and the recipients did not expend all of the grants.
 

Requirements	\$ (689,751)	
Receipts	<u>250,000</u>	NR
Appropriation	\$ (939,751)	
  
2. **Rural Economic Development Center (REDC)**  
 Reduce the General Fund appropriation to the REDC by 11%. (559,982)

NR-Nonrecurring

**2002-2003 Recommended Adjustments  
General Fund - Department of Commerce - State Aid - Continued**

**Recommended Reductions**

2002-03

**3. State Aid to Non-State Entities**

Reduce the General Fund appropriation to five non-profit organizations by 11%. These five organizations are:

\$ (572,000)

- Land Loss Prevention Project
- N.C. Coalition of Farm and Rural Families
- N.C. Institute of Minority Economic Development
- N.C. Minority Support Center
- N.C. Community Development Initiative
- N.C. Association of Community Development Corporations

**TOTAL Recommended Adjustments for Department of Commerce - State Aid**

**Total Recurring Adjustments**

Requirements	\$ (1,821,733)
Receipts	-
Appropriation	\$ (1,821,733)

**Total Nonrecurring Adjustments**

Requirements	\$ -
Receipts	250,000
Appropriation	\$ (250,000) NR

**Department of Environment and Natural Resources**

**Recommended Reductions**

**1. Administration**

This action will abolish 9.25 vacant positions and one filled position and reduce operating budgets in department administration and in regional offices. It will also reduce funds that are transferred to Rivernet, Wildlife Resources, Grassroots Science Programs, and to the Partnership for the Sounds.

\$ (2,009,708)  
(10.3)

Number of Positions

NR-Nonrecurring

**2002-2003 Recommended Adjustments  
General Fund - Environment and Natural Resources - Continued**

**Recommended Reductions**

		<u>2002-03</u>
<b>2. Air Quality</b>		
	This action will shift funding for nine positions in the Division of Air Quality. This action will make the division totally receipt supported.	\$ (509,146)
	Number of Positions	(9.0)
<b>3. Aquariums</b>		
	This action will abolish four vacant positions and reduce operating and equipment line items in the division.	
	Requirements	\$ (316,216)
	Receipts	<u>1,100,000</u>
	Appropriation	\$ (1,416,216)
	Number of Positions	(4.0)
<b>4. Coastal Management</b>		
	This action will shift funding for 2.5 positions and reduce operating support within the division.	(166,844)
	Number of Positions	(2.5)
<b>5. Environmental Education</b>		
	This action will abolish one filled position and operating support in the division.	(44,188)
	Number of Positions	(1.0)
<b>6. Environmental Health and Radiation Protection</b>		
	This action will abolish 3.6 vacant, one filled, and shift funding for 6.7 positions and reduce grant funds to counties in the division.	
	Requirements	\$ (1,139,955)
	Receipts	<u>400,000</u>
	Appropriation	\$ (1,539,955)
	Number of Positions	(11.3)

**2002-2003 Recommended Adjustments  
General Fund - Environment and Natural Resources - Continued**

**Recommended Reductions**

	<u>2002-03</u>
<b>7. Forest Resources</b>	
This action will abolish seven vacant supervisory and administrative positions and reduce operating funds. This includes contractual funds for aerial tankers, seasonal and overtime wages, and transfer to the Forest Development Fund.	
Requirements	\$ (2,649,722)
Receipts	<u>440,000</u>
Appropriation	\$ (3,089,722)
Number of Positions	(7.0)
<b>8. Land Resources</b>	
This action will abolish two positions in Geological and Geodetic Survey, shift funding for 15.75 positions to receipts in the Sedimentation Program, and reduce operating line item budgets within the division.	(959,564)
Number of Positions	(17.8)
<b>9. Marine Fisheries</b>	
This action will abolish six positions, shift funding for three positions, and reduce operating line item budgets within the division. It will also reduce the Fishery Resource Grant Program.	
Requirements	\$ (1,767,759)
Receipts	<u>142,500</u>
Appropriation	\$ (1,910,259)
Number of Positions	(9.0)
<b>10. Museum of Natural Sciences</b>	
This action will abolish seven vacant positions and reduce operating line items in temporary salaries, security, printing, travel, educational supplies and equipment. The reduction will also affect the Museum of Forestry.	(532,348)
Number of Positions	(7.0)

**2002-2003 Recommended Adjustments  
General Fund - Environment and Natural Resources - Continued**

**Recommended Reductions**

	<u>2002-03</u>
<b>11. Parks and Recreation</b>	
This action will abolish 29 filled positions, four vacant positions, and shift funding for one position to receipts. Singletary Lake Group Camps, Lake James State Park, and Waynesborough State Park will be closed. A reduction in seasonal wages will close selected parks for two days per week. Grant funding in the Adopt-A-Trails Program will be reduced.	\$ (1,398,759)
Number of Positions	(34.0)
<b>12. Pollution Prevention and Environmental Assistance</b>	
This action will shift funding for 2.13 positions to receipts and reduce operating line item budgets within the division.	(120,713)
Number of Positions	(2.1)
<b>13. Soil and Water Conservation</b>	
This action will abolish one filled position, one vacant position, reduce another to half-time, and reduce operating line item budgets. It will also reduce the Agriculture Cost Share Program by \$794,000.	(1,071,247)
Number of Positions	(2.5)
<b>14. Waste Management</b>	
This action will abolish two vacant positions and shift funding for four positions to receipts and reduce operating line item budgets within the division.	
Requirements	\$ (353,632)
Receipts	\$30,812
Appropriation	\$ (384,444)
Number of Positions	(6.0)

**2002-2003 Recommended Adjustments  
General Fund - Environment and Natural Resources - Continued**

**Recommended Reductions**

	<u>2002-03</u>
<b>15. Water Quality</b>	
This action will abolish three vacant positions and shift funding for 12 positions to receipts and reduce operating line item budgets within the division.	\$ (1,440,313)
Number of Positions	(15.0)
<b>16. Water Resources</b>	
This action will abolish two vacant positions and reduce operating line item budgets within the division.	(205,360)
Number of Positions	(2.0)
<b>17. Zoological Park</b>	
This action will abolish 7.5 vacant positions, a half-time filled position, and reduce equipment and vehicle line items within the budget.	
Requirements	\$ (574,714)
Receipts	<u>143,713</u>
Appropriation	\$ (718,427)
Number of Positions	(8.0)

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**TOTAL Recommended Adjustments for Department of Environment and Natural Resources**

<b>Total Recurring Adjustments</b>	
Requirements	\$ (15,260,188)
Receipts	<u>2,257,025</u>
Appropriation	\$ (17,517,213)
Number of Positions	(148.4)

**2002-2003 Recommended Adjustments  
General Fund - Continued**

**Department of Environment and Natural Resources  
Clean Water Management Trust Fund (Budget Code 14301)**

**Recommended Reductions**

2002-03

**1. Clean Water Management Trust Fund**

It is recommended that the appropriation to the Clean Water Management Trust Fund be reduced by \$30 million. The total amount currently in the budget for 2002-2003 is \$70 million, and this reduction will leave the budget at \$40 million for fiscal year 2002-2003.

\$ (30,000,000)

**TOTAL Recommended Adjustments for Department of Environment and Natural Resources - Clean Water Management Trust Fund**

**TOTAL Recurring Adjustments**

Requirements	\$ (30,000,000)
Receipts	<u>-</u>
Appropriation	\$ (30,000,000)

**Department of Labor**

**Recommended Reductions**

**1. Commissioner's Office**

Eliminate four administrative/legal positions (\$246,603), reduce salary reserve (\$4,410), and reduce operating funds (\$9,500).

\$ (260,513)

Number of Positions	(4.0)
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**2002-2003 Recommended Adjustments  
General Fund - Labor - Continued**

**Recommended Reductions**

	<u>2002-03</u>
<b>2. Administrative Services</b>	
Eliminate an Agency Legal Specialist position (\$53,832), eliminate one part-time Personnel Technician position (\$27,586), convert one Accounting Technician position (\$36,553) from appropriation to receipt supported, and reduce operating support (\$15,583).	
Requirements	\$ (97,001)
Receipts	<u>36,553</u>
Appropriation	\$ (133,554)
Number of Positions	(2.75)
<b>3. Information Office</b>	
Reduce operating funds.	(12,063)
<b>4. Information Technology</b>	
Reduce operating funds.	(33,228)
<b>5. Elevator and Amusement Device</b>	
Budget over-realized receipts/elevator fees to reduce General Fund appropriation.	
Requirements	\$ -
Receipts	<u>131,934</u>
Appropriation	\$ (131,934)
<b>6. Mine and Quarry</b>	
Reduce operating funds.	(10,000)
<b>7. Wage and Hour</b>	
Eliminate a Public Information Assistant and a Wage and Hour Investigator (\$69,102) and reduce operating funds (\$68,803).	
	(137,905)
Number of Positions	(2.0)
<b>8. Workplace Retaliatory Discrimination</b>	
Reduce operating funds.	(62,289)

**2002-2003 Recommended Adjustments  
General Fund - Labor - Continued**

**Recommended Reductions**

	<u>2002-03</u>
<b>9. Agricultural Safety and Health</b>	
Convert one Safety Officer position (\$20,588) from appropriation to receipt supported and reduce operating support (\$9,887).	
Requirements	\$ (9,887)
Receipts	<u>20,588</u>
Appropriation	\$ (30,475)
Number of Positions	(.5)
<b>10. OSHA</b>	
Eliminate two vacant clerical positions, a vacant Industrial Hygiene Inspector, and three supervisory positions (\$305,782). Convert two positions (\$57,771) from appropriation to receipt supported, and reduce operating support (\$327,414).	
Requirements	\$ (633,196)
Receipt	<u>57,771</u>
Appropriation	\$ (690,967)
Number of Positions	(8.0)
<b>11. Bureau of Labor Statistics</b>	
Eliminate a Data Control Clerk position that is 50% supported from appropriations.	
Requirements	\$ (24,486)
Receipts	<u>(12,093)</u>
Appropriation	\$ (12,393)
Number of Positions	(.5)
<b>12. Private Personnel Service</b>	
Eliminate an Investigator and a Program Assistant (\$81,289) and reduce operating support (\$14,411).	(95,700)
Number of Positions	(2.0)
<b>13. Arbitration/Conciliation</b>	
Eliminate operating funds.	(2,677)

**2002-2003 Recommended Adjustments  
General Fund - Labor - Continued**

**Recommended Reductions**

	<u>2002-03</u>
<b>14. Apprenticeship</b>	
Eliminate a vacant Office Assistant position (\$28,005) and reduce operating funds (\$19,680).	\$ (47,685)
Number of Positions	(1.0)

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**TOTAL Recommended Adjustments for Department of Labor**

<b>TOTAL Recurring Adjustments</b>	
Requirements	\$ (1,426,630)
Receipts	<u>234,753</u>
Appropriation	\$ (1,661,383)
Number of Positions	(20.75)

**2002-2003 Recommended Adjustments**

**II. Transportation**

**General Fund Recommended Reductions 14222 State Aid**

2002-03

**1. Aviation Grants**

General Fund appropriations support grants to cities, counties and airport authorities for the purposes of providing funds to support extending runways, widening runways, adding runways, hangar construction and other needs at local airports.

It is recommended that appropriations be reduced to affect a savings in General Fund appropriations.

\$ (1,347,500)

**2. Global TransPark Authority**

The Global TransPark is located in Lenoir County near the City of Kinston, North Carolina. The main purpose of the TransPark is to provide flexible and efficient cargo processing facilities with simultaneous air and ground access.

It is recommended that appropriations be reduced to affect a savings in General Fund appropriations.

(125,992)

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**TOTAL Recommended Adjustments for Department of Transportation**

**TOTAL Recurring Adjustments**

Requirements

\$ (1,473,492)

Receipts

-

Appropriation

\$ (1,473,492)

**2002-2003 Recommended Adjustments  
Transportation - Continued**

**HIGHWAY TRUST FUND  
Fiscal Year 2002 - 03**

<u>AVAILABILITY</u>	<u>Certified FY 2002 - 03</u>	<u>Recommended FY 2002- 03</u>
Motor Fuel Tax Revenue	\$ 298,473,000	\$ 287,120,000
Highway Use Tax	614,822,000	579,430,000
Certificates of Title	84,223,000	81,050,000
Miscellaneous Title Fees	12,604,000	12,230,000
Treasurer's Investments	<u>22,152,000</u>	<u>15,000,000</u>
<b>TOTAL AVAILABILITY</b>	<b><u>\$ 1,032,274,000</u></b>	<b><u>\$ 974,830,000</u></b>
 <u>EXPENDITURES</u>		
Trust Fund Administration	\$ 36,073,189	\$ 25,771,243
Construction Allocation:		
Intrastate system	\$ 487,983,396	\$ 348,111,325
Urban Loops	197,320,162	140,761,722
Secondary Roads	<u>87,296,412</u>	<u>71,260,712</u>
Total Construction	\$ 772,599,970	\$ 560,133,759
State Aid to Municipalities	\$ 51,200,841	\$ 36,524,998
Transfer to the General Fund:		
Existing Transfers	\$ 172,400,000	\$ 172,400,000
Recurring Increase	-	80,000,000
Nonrecurring Increase	<u>-</u>	<u>100,000,000</u>
Total Transfer to General Fund	\$ 172,400,000	\$ 352,400,000
<b>TOTAL EXPENDITURES</b>	<b><u>\$ 1,032,274,000</u></b>	<b><u>\$ 974,830,000</u></b>

## 2002-2003 Recommended Adjustments

### III. Statewide Reserves, Compensation, and Other Appropriations

#### Recommended Adjustments

2002-03

**1. Compensation Increases - Public Education Salary Schedule Employees**

Additional funds are recommended to provide compensation increases to teachers, instructional support and school-based administrators. Recommended increases for each group of employees are listed below.

\$ 51,000,000

Teachers and Instructional Support Personnel	1.84% average
State Agency Teachers	1.84% average
School of Science and Math Faculty	1.84% average
Principals and Assistant Principals	1.89% average

**2. Statewide Reserve for Compensation Increases Provided in 2001 Session**

Funds remaining in the Reserve for 2001-02 increases are not needed, and it is recommended that they be reduced from the 2002-03 budget.

(4,247,868)

**3. Statewide Reserve for Health Plan Increases Provided in 2001 Session**

Funds remaining in the Reserve for 2001-02 premium increases are not needed, and it is recommended that they be reduced from the 2002-03 budget.

(12,621,872)

**2002-2003 Recommended Adjustments**  
**Statewide Reserves, Compensation, and Other Appropriations - Continued**

**Recommended Adjustments**

2002-03

**4. Retirement Rate Adjustments**

Based on information provided by the actuary, it is recommended that the employer's contribution rate to the State Employees' Retirement System be reduced from 1.97% to 0% and contributions to the Consolidated Judicial Retirement System be reduced from 14.05% to 11.32% in 2002-03. This rate reduction allows for the recognition of past gains within the systems as identified by the actuary.

\$(142,300,000)

**5. Debt Service Requirements**

It is recommended that funds for debt service on bonds be reduced due to revised requirements for principal and interest payments as well as increased receipts.

(37,105,542)

**6. Efficiency and Program Effectiveness Improvements**

Governor Easley has appointed a Commission to Promote Government Efficiency and Savings on State Spending, chaired by James B. Hyler, Vice-Chairman of First Citizens Bank and Chairman of North Carolina Citizens for Business and Industry. It is anticipated that the commission will recommend at least \$25 million in savings to the General Fund beginning in 2002-03. The Commission is expected to vote on recommendations to the Governor and the General Assembly for the short session at its next meeting on May 23, 2002.

(25,000,000)

**7. Information Technology Services Rate Reduction**

It is recommended that funds paid by state agencies to the Office of Information Technology Services be reduced based on savings being generated by rate reductions in computer services.

(2,414,318)

**8. Health Insurance Portability and Accountability Act (HIPAA)**

It is recommended that funds be provided for statewide implementation of the federal Health Insurance Portability and Accountability Act. The act establishes national standards and requirements for the transmission, storage and handling of certain electronic health care data.

\$ 3,000,000 NR

NR-Nonrecurring

**2002-2003 Recommended Adjustments  
Statewide Reserves, Compensation, and Other Appropriations - Continued**

**Recommended Adjustments**

2002-03

**9. Mental Health/Developmental Disabilities/Substance Abuse Services Trust Fund**

To sustain the momentum of Mental Health System Reform, the Governor recommends that \$10 million in non-recurring funds be appropriated to the interest-bearing, non-reverting reserve created in Session Law 2001-424, section 21.58(a). Funds would be used to 1) enhance community based services and facilitate compliance with the Supreme Court decision in *Olmstead v. L.C.*; 2) bridge funding to provide services to clients during transitional periods such as the closing of state facilities; and 3) capital funds for the construction, repair and renovation of state facilities.

10,000,000 NR

**10. Severance and Discontinued Service Reserve**

Funds are recommended to provide transitional benefits for state employees whose positions are eliminated and who are unable to secure employment in another state position.

5,000,000 NR

**TOTAL Recommended Adjustments for Statewide Reserves, Compensation, and Other Appropriations (Including Reductions and Expansion)**

**TOTAL Recurring Adjustments**

Requirements	\$(172,689,600)
Receipts	-
Appropriation	\$(172,689,600)

**TOTAL Nonrecurring Adjustments**

Requirements	\$ 18,000,000
Receipts	-
Appropriation	\$ 18,000,000 NR

NR-Nonrecurring

**2002-2003 Recommended Adjustments  
General Fund - Continued**

**IV. Capital Improvement**

**Recommended Expansion**

**2002-03**

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**1. Water Resources Development and Watershed Projects**

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

\$ 34,578,000

**2. Detoxification of PCB Landfill in Warren County**

This will provide funds to continue cleanup work on the PCB Landfill in Warren County.

4,500,000

**TOTAL Appropriation for Capital Improvement**

\$ 39,078,000

## 2002-03 Recommended Adjustments

### V. Additional Budget Recommendations Alternative Economic Scenario

As mentioned in the Revenue section, the consensus forecast calls for 3.5% real economic growth over the next year. The planning assumption for the Governor's budget, however, is that there will be no economic growth next year. The planning assumption is used because the volatility in General Fund revenues over the last 20 months has been unprecedented.

There is the possibility that revenue collections in the coming months may provide enough evidence to increase the economic growth assumption to 2% (each 1% growth nets an additional \$121.4 million). If this assumption evolves, the Governor would provide funds to increase salaries for teachers and state employees as well as earmark monies to the Savings Reserve Account (Rainy Day Fund).

	<u>2002-03</u>
<b>1% Economic Growth</b>	<b>\$ 121,400,000</b>
<b>1. Compensation Increases</b>	
Funds are recommended to provide a 1% recurring compensation increase to all state employees including Public Education Salary Schedule employees, as well as employees subject to the State Personnel Act, Judicial employees, General Assembly employees and other employees exempt from the State Personnel Act.	80,800,000
<b>2. Savings Reserve Account (Rainy Day Fund)</b>	
It is recommended that funds be earmarked to the Savings Reserve Account to rebuild the state's reserves. The Savings Reserve Account monies were used to balance the fiscal year 2001-02 shortfall.	40,600,000 NR

NR-Nonrecurring

**2002-03 Recommended Adjustments**  
**Additional Budget Recommendations Alternative Economic Scenario - Continued**

	<u>2002-03</u>
<b>2% Economic Growth</b>	<b>\$ 121,400,000</b>
<b>1. Compensation Increases for Non Public Education Salary Schedule Employees</b>	
Funds are recommended to provide a .5% recurring compensation increase to all state employees subject to the State Personnel Act, Judicial employees, General Assembly employees and other employees exempt from the State Personnel Act.	25,400,000
<b>2. Savings Reserve Account (Rainy Day Fund)</b>	
It is recommended that funds be earmarked to the Savings Reserve Account to rebuild the state's reserves. The Savings Reserve Account monies were used to balance the fiscal year 2001-02 shortfall.	96,000,000 NR

**N. C. Office of State Budget and Management**  
**VI. Summary of Statute Revisions and/or Special Provisions**  
**Related to Items Presented in Governor's Recommended Budget**  
**For Fiscal Year 2002-2003**

Department/Item	Statute Revisions/ Special Provision	Description/Comment
<b><u>Health and Human Services:</u></b>		
<b><u>Public Health</u></b>		
Closure of Dusty Trades Program	Revision to Statute	G. S. 97-60 through 97-76 and G. S. 130-A-5(5)
<b><u>Medical Assistance</u></b>		
Community Alternatives Programs for Mentally Retarded/Disabled Adults	Special Provision	Require the CAP/MR/DD and CAP/DA Programs to serve the maximum number of persons within the funds available
ACCESS II/III Cost Containment	Special Provision	Require quarterly reports from DHHS on the Cost effectiveness of ACCESS II/III
Contracting for Goods and Services by Volume Purchase Plans and Single Source Procurement	Special Provision	Contracting for Goods and Services by Volume Purchase Plans and Single Source Procurement. May undertake cost containment programs in accordance with Section 21.24 (a-b) of S.L. 2001-424.
Efficient Provider for Long-Term Care	Special Provision	Quarterly Expenditure Status Report Submission
Close Asset Loophole in Transfer for Aged and Disabled	Special Provision	Apply federal transfer of assets policies to tenancy-in-common, or as non-homesite property made "income producing"
Prescription Drugs	Special Provision	Implement cost containment measures
<b><u>Natural and Economic Resources:</u></b>		
<b><u>Agriculture &amp; Consumer Services</u></b>		
Agronomics Services	Revision to Statute	106-22(17)
Food, Drugs, and Cosmetics	Revision to Statute	106-284.34, 143-452, 143-448, 143-455, 143-442, 106-254
Plant Protection	Revision to Statute	106-660, 106-50.31, 106-92.7, 106-277.28, 106-420,106-638
Weights and Measures	Revision to Statute	81-A-11
Veterinary Services	Revision to Statute	19A-27,28,29, 80-57, 106-168.4, 106-307.1, 106-416, 106-418.11, 106-6.1, 106-542
<b><u>Environment and Natural Resources</u></b>		
Environmental Health/Radiation Protection	Revision to Statute	104E-9, 104E-19
Forest Resources	Revision to Statute	113A-178
Marine Fisheries	Revision to Statute	113-173, 113-168.2
Waste Management	Revision to Statute	130A-294.1
Land Resources	Revision to Statute	113A-54.2
<b><u>Justice and Public Safety:</u></b>		
<b><u>Correction</u></b>		
Increase Probation Supervision Fee	Revision to Statute	G. S. 15A-1343 (c1) Increase from \$20/month to \$30/ month
Eliminate Criminal Justice Partnership Program	Repeal of Statute	G. S. 143B-273
Increase County Safekeeper Per Diem	Revision to Statute	G. S. 162-39 (c) Increase by \$22/day
Close IMPACT Program	Repeal of Statute	G. S. 15A-1343.1 and G. S. 1343(b1) (2a)
Community Service Work Program	Revision to Statute	G. S. 143B-475.1 Increase Fee from \$100 to \$120
Reducing Substance Abuse Programs at Medium and Close Custody Facilities	Revision to Statute	G. S. 143B-262.1
Eliminate Electronic House Arrest Program	Revision to Statute	G. S. 15A-1340.1 and 15A-1343
Reduce UNC Health Care Payments to Medicaid Rate	Special Provision	Reimbursement for medical services for inmates shall not exceed medicaid rate
<b><u>Judicial</u></b>		
Seat Belt Fee Increase 10/1/02	Statute Revision	G. S. 20-135.2A(e)
Increase Court Fees 10/1/02	Statute Revision	G. S. 7A-304
Sentencing Service Program	Statute Revision	G. S. 7A-770
Drug Treatment Court Program	Statute Revision	G. S. 7A-790
Dispute Settlement Centers	Statute Revision	G. S. 7A-38.5

**N. C. Office of State Budget and Management**  
**VI. Summary of Statute Revisions and/or Special Provisions**  
**Related to Items Presented in Governor's Recommended Budget**  
**For Fiscal Year 2002-2003**

Department/Item	Statute Revisions/ Special Provision	Description/Comment
<b><u>Justice</u></b>		
Eliminate Background Check Exemptions	Statute Revision	G. S. 114-19.3
<b><u>General Government:</u></b>		
<b><u>State Auditor</u></b>		
Smart Start Audits - Audit Cycle	Statute Revision	Change 143B-168.14(b) Smart Start Audits from annual audits to an audit cycle determined by the State Auditor
<b><u>Office of Admin.Hearings</u></b>		
No free copies of NC Register	Statute Revision	G.S. 150B-21.24
<b><u>Rules Review Comm.</u></b>		
Reduction of Administrative Support and Work Hours	Statute Revision	G.S. 150B-21.9(b) and 143B-30.1
<b><u>Secretary of State</u></b>		
Notary Public Commission Fee (5 yr cycle)	Statute Revision	Change Chapter 10A-4(6) to allow for a \$10 increase.
Limited Securities Trading (504, 505, and 506 Rule)	Statute Revision	Amend Administrative code for 504,505, 506 securities to allow the maximum allowable under present statute, 78A-17(9,17) & 78A-31(b)
Investment Adviser Representative Fee	Statute Revision	Change GS 78C-17(b) to allow for a \$10 increase
Certified Documents Fee	Statute Revision	Change GS 55-1-22(a), c(2), 55A-1-22(a)26, c(2), 57c-1-22(c)(24), c(2) and 59-1106(7) to allow for increase fee for electronic and hard copy certifications
Certification for Foreign Adoptions (2nd copy)	Statute Revision	Change GS 147-37: Reduce fee for 2nd copy from \$10 to \$5
<b><u>Office of State Controller</u></b>		
Overpayment Audits	Special Provision	Continue contract looking into inadvertent overpayments by state agencies to vendors as a result of pricing errors, neglected rebates and various other related errors.
<b><u>Transportation</u></b>		
Increase Transfer Amount from Highway Trust Fund to General Fund	Statute Revision	G. S. 105-187.9
<b><u>Education</u></b>		
<b><u>Public Schools</u></b>		
Class Size Reduction	Special Provision	Funds appropriated to reduce class size in grade 1 to 1:18 in 2002-03.
Litigation Reserve	Special Provision	Funds in the State Board of Education's Litigation Reserve that are not expended or encumbered on June 30, 2002, shall not revert on July 1, 2002, but shall remain available for expenditure until June 30, 2003.
<b><u>Community Colleges</u></b>		
Teacher Preparation Endowment	Special Provision	The State Board of Community Colleges shall adopt rules and policies for the \$1 million Teacher Preparation Endowment