



STATE OF NORTH CAROLINA
OFFICE OF STATE BUDGET AND MANAGEMENT

MICHAEL F. EASLEY
GOVERNOR

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STATE BUDGET DIRECTOR

August 1, 2006

MEMORANDUM

TO: Senator Marc Basnight, President Pro-Tempore of the Senate
Representative Jim Black, Speaker of the House of Representatives

FROM: David McCoy

SUBJECT: Consultation on Items to be Reported to the Joint Legislative Commission on
Governmental Operations

Prior Reporting Requirement

In accordance with Session Law 2006-66, the Department of Correction may use up to \$1,000,000 during the 2006-07 fiscal year from funds available to provide the state match needed to receive federal grant funds. Attached to this memorandum is a request from the Department of Correction to use state match funds in the amount of \$132,554 on grant awards that were effective July 1, 2006.

Budget Deviations Under G.S. 143-23

State Board of Elections (Budget Code 18025, Fund 1300)

The State Board of Elections requests an increase of \$1,382,826 in the Computerized Voter Registration fund. The new center was set up in FY 2005-06 and moved from fund/center 1100-1001. Due to the fact that this program has grown and has a number of positions, it would be easier to account for these funds at the fund level. The deviation would occur in carrying forward 2006 funds from the new fund into fiscal year 2007.

North Carolina Department of Labor (Budget Code 13800, Fund 1110)

The Department of Labor requests transferring 2 ½ positions from Administrative Services and Wage and Hour Section to the Commissioner's Office. These positions are supervised by the Commissioner and the Department recommends that they be transferred to the Commissioner's Office. The positions include an Administrative Officer I, Deputy Secretary/ Commissioner, and an Executive Assistant.

North Carolina Department of Commerce (Budget Code 14600, Fund 1113)

Science and Technology has two individuals working under dual employment with the University of North Carolina at Chapel Hill. Under dual employment, the parent agency is the primary payroll entity. Since Commerce is the parent agency in this case, the Department requests increasing the budget to cover payment for the employees.

Department of Administration, Information Systems Division (Budget Code 14100, Fund 1241)

The Department of Administration, Management Information Systems, requests a budget deviation of \$175,665. The deviation results from a need to budget receipts from the Motor Fleet Management Division for three applications analyst programmer II positions for the MIS Office. These are time limited positions utilized to write and implement a new Motor Fleet Management computer system.

Department of Administration, Public Telecommunications (Budget Code 14100, Fund 1264)

The Department of Administration, Agency of Public Telecommunications, is requesting a budget deviation of \$1,380,767. The deviation results from a need to increase the budget for receipts to show anticipated receipts through June 30, 2006, including \$250,000 from the Community College System for BioNetwork media placements and \$1.6 million from the Department of Health and Human Services for media placements.

Department of Administration, State Property Office (Budget Code 14100, Fund 1412)

The Department of Administration, State Property Office, is requesting a budget deviation of \$31,656. The deviation results from the need to budget receipts from the Land Fund for a receipt supported Real Property Agent II position.

Department of Administration, State Capitol Police (Budget Code 14100, Fund 1623)

The Department of Administration, State Capitol Police, is requesting a budget deviation of \$121,184. The deviation results from an increase in the budget for the State Capitol Police due to increased security demands.

Department of Administration, State Veterans Home (Budget Code 14100, Fund 1772)

The Department of Administration, State Veterans Home, is requesting a budget deviation of \$2,202,884. The deviation results from the budget increase associated with the new State Veterans Nursing Home in Salisbury. The home is currently operating near capacity.

Department of Administration, Reserves and Transfers (Budget Code 14100, Fund 1900)

The Department of Administration, Reserves and Transfers, is requesting a budget deviation of \$4,105. The deviation results from receipt of earned indirect costs, to be transferred to the Office of Fiscal Management, Grants Management Section, to support personnel costs.

Department of Revenue, Administration (Budget Code 14700, Fund 1600)

The Department of Revenue's Administration Division is requesting a budget deviation of \$49,439. The deviation results from transferring a position from another Division and the hiring of a temporary employee. There is no increase in appropriations for the Department of Revenue.

Department of Revenue, Personnel (Budget Code 14700, Fund 1603)

The Department of Revenue, Office of Personnel, is requesting a budget deviation of \$5,354. The deviation results from the addition of temporary employees and benefits needed to fill in at crucial times of the year. There is no increase in appropriations for the Department of Revenue.

Department of Revenue, Motor Fuels (Budget Code 14700, Fund 1700)

The Department of Revenue, Motor Fuels, is requesting a budget deviation of \$429,630. The deviation results from an unexpected increase in travel and other expenses. Because this is a receipt supported fund there is no increase in the appropriations for the Department of Revenue.

Department of Cultural Resources, NC Maritime Museum (Budget Code 14800, Fund 1245)

The Department of Cultural Resources, NC Maritime Museum, is requesting a budget deviation of \$491,619. The deviation results from expenses and reimbursements from the Department of Transportation for the Tall Ships event held in Beaufort, North Carolina.

The Department of Environment and Natural Resources (Budget Code 14300, Fund 1310)

The Department of Environment and Natural Resources is requesting a deviation in the amount of \$526,781. The Division of Soil and Water Conservation receives funds for 319 grants from the Division of Water Quality. These funds are used for agricultural nutrient reduction programs in the soil and water conservation districts in the Tar-Pamlico River basin. Funds are also used for agriculture sediment initiatives in the Yadkin and Pee-Dee River basins as well as other programs to restore degraded waters.

The Department of Environment and Natural Resources (Budget Code 14300, Fund 1500)

The Department of Environment and Natural Resources is requesting a deviation in the amount of \$380,454. Funds are used to support the Wade Program and a water quality contract for onsite wastewater programs. Lapses salaries are also needed for tort claims payments.

The Department of Environment and Natural Resources (Budget Code 14300, Fund 1740)

The Department of Environment and Natural Resources is requesting a deviation in the amount of \$282,917. Funds are needed to support an agreement between Land Resources and Water Quality for erosion and sediment control. Lapsed salaries are also needed to pay workers' compensation claims.

The Department of Agriculture and Consumer Services (Budget Code 13700, Fund 1991) The North Carolina Department of Agriculture and Consumer Services requests a deviation in the amount of \$30,651. This change in the Indirect Cost Reserve is due to the increased number of grants awarded to the Department as well as the increased complexity of administrative and support activities associated with the grants.

Department of Crime Control and Public Safety – (Budget Code 14900, Fund 1110)

The Department of Crime Control and Public Safety requests a budget deviation totaling \$61,914. The deviation results from the budgeting of receipts from local law enforcement agencies for the reimbursement of equipment purchases. The Law Enforcement Support Services (LESS) program is able to purchase, at substantial savings, surplus federal equipment for these local agencies, and the local agencies subsequently reimburse the LESS program for these purchases.

North Carolina Community College System – (Budget Code 16800, Fund 1100)

The North Carolina Community College System (NCCCS) Office requests a budget deviation totaling \$448,734 to cover actual costs of 2006-07 salaries and benefits. The State Board of Community Colleges recommends that the “Program Auditing” function should be administered by the Executive Vice President and Chief Operating Officer.

Capital Improvements Funded from Non-General Fund Sources

North Carolina Central University – Security Camera Installation

NCCU requests to establish a new capital project to design and install a security camera and monitoring system for the New Education Building, Turner Law Building, Townes Science Building, and Farrison-Newton Communication Building. The project is estimated to cost \$400,000 and will be funded from Title III federal funds.

Fourth Quarter Receipt Report for The University of North Carolina

General Statute 143-27 states that receipts within the University of North Carolina realized in excess of budgeted levels shall be available, up to a maximum of ten percent (10%) above budgeted levels, for each Budget Code, in addition to appropriations. Receipts in excess of ten percent shall be reported to the Joint Legislative Commission on Governmental Operations within thirty days of the end of the quarter in which the receipts are received. Pursuant to G.S. 143-27, the following are being reported for the fourth quarter of fiscal year 2005-06.

1. The University of North Carolina at Charlotte, Budget Code 16050 had a certified receipts budget of \$70,246,312 as of June 30, 2006. Therefore, Budget Code 16050 was allowed to realize receipts up to \$77,270,943. The realized receipts in Budget Code 16050 as of June 30, 2006 were \$78,486,020. This exceeded the allowable amount by \$1,215,077. According to UNC-C, the major factors for the receipts deviation included resident and non-resident campus based tuition increases, an increase in summer school tuition students, increases in the amount and volume of education and technology fees, and additional continuing education receipts due to enrollment growth. A review of the budget revisions confirms the above reasons as the cause of the deviation.

2. North Carolina A&T, Budget Code 16070 had a certified receipts budget of \$42,512,055 as of June 30, 2006. Therefore, Budget Code 16070 was allowed to realize receipts of up to \$46,763,261. The realized receipts in Budget Code 16070 as of June 30, 2006 were \$50,028,634. This exceeded the allowable amount by \$3,265,373. According to NC A&T, the over-realization is attributed to growth in summer school enrollment, regular term enrollment growth and campus based tuition receipts. The summer school enrollment has shown a steady increase over the last three years and North Carolina A&T requested a permanent receipt increase for summer school in spring 2006 to more accurately account for the increased summer school enrollment. A review of the budget revisions confirms these factors contributing to the deviation.
3. North Carolina Central University, Budget Code 16090 had a certified receipts budget of \$28,596,216 as of June 30, 2006. Therefore, Budget Code 16090 was allowed to realize receipts of up to \$31,455,838. The realized receipts in Budget Code 16090 as of June 30, 2006 were \$31,858,262. This exceeds the allowable amount by \$402,424. According to NCCU, the main reason for the over-realized receipts was a large enrollment increase in Summer School sessions, a higher non-resident student FTE than budgeted, and an increase in the distance education program. A review of the budget revisions confirms the above reasons as the cause of the receipts deviation.

The Office of State Budget and Management has reviewed these items and recommends they be authorized pursuant to the General Statutes. Please let me know if you have any questions or concerns regarding any of the above.

dm:eg

cc: Lynn Muchmore, Fiscal Research Division Director