

12-5-00  
Faculty Senate  
meeting

**East Carolina University  
2000-01 Phase I Reallocation Summary**

Total Phase I Reallocations \$9,052,994

Distributions:

University-wide (indirect support of Academic operations)

• Construct Bioenergetic Facility for HHP	\$ 500,000
• Renovate Building to Free Up Austin for Faculty Offices	1,750,000
• VOA Site Commissioning	<u>18,000</u>
	2,268,000

University-wide (other purposes)

• Tuition Revenue Contingency	500,000
• Utility Shortfall	1,100,000
• Rehab of Acquired Buildings	500,000
• Property Acquisitions	455,985
• Misc. Other Unbudgeted Expenses & Reserves	<u>611,015</u>

Total University-wide 5,435,000

Information Technology 1,078,053

Academic Affairs:

• Summer Theatre Subsidy	20,700
• Faculty Workstation Supplement	100,000
• NSF Matching Grant for Chemistry	260,000
• Other Academic Programs	<u>1,119,300</u>
Total	<u>1,500,000</u>

Research and Graduate Studies	89,000
Health Sciences	250,000
Administration and Finance	200,000
Student Life	101,000
Institutional Advancement	150,000
Chancellor's Division	<u>249,941</u>

**TOTAL** \$9,052,994



**East Carolina University**  
**UNC 2001-02 Budget Request**

	<u>Academic Affairs</u>	<u>Health Affairs</u>
2000-01 Continuation Budget	\$169,909,916	\$49,546,591
Continuation Budget Adjustments	<u>2,169,736</u>	<u>181,347</u>
2001-02 Continuation Budget	<u>172,079,652</u>	<u>49,727,938</u>
Expansion Requests:		
Faculty Salary Competitiveness	2,808,891	--
6% Faculty Salary Increase	5,636,355	1,762,704
Enrollment Increase	(351,974)	--
"Hold Harmless"	351,974	--
Libraries	1,100,000	420,000
ECU Transition to Doc II	1,460,000	--
Campus-Initiated Tuition Increase	2,400,000	45,000
Math and Science Educ. Pre-College Center at ECU	100,000	--
Agromedicine Research	506,593	--
IT Expansion:		
User & PC Support	380,603	
Support Services	309,620	
Student PC Support	55,515	
Network Maintenance	251,812	
IT Training	148,258	
Faculty Development Lab (one-time)	91,336	
Student Portal Design	192,000	
Student Portal Hardware (one-time)	113,125	
Student Portal Staff	77,500	
Research Computing	<u>300,000</u>	
Total 2001-02 Expansion Request	<u>15,931,608</u>	<u>2,227,704</u>
Total Proposed Budget for 2001-02	<u>\$188,011,260</u>	<u>\$51,955,642</u>
 R&R – 6 Year (State)	 <u>\$42,780,000</u>	
6 Year (Self Liquidating)	<u>\$77,426,400</u>	

Note: Additional funds for ECU may be included elsewhere in UNC-wide requests.



# Budget shortage grows

North Carolina's loss of another tax case to the tune of \$59 million brings the deficit to \$210 million. Officials are seeking ways to come up with the money.

By AMY GARDNER  
STAFF WRITER

North Carolina has lost yet another court battle with taxpayers — this time, a \$59 million battle with two major automobile companies — and is struggling to find the money in a state spending plan already strapped for cash.

The litigation brings the state's total budget shortfall this fiscal year to roughly \$210 million, and is forcing budget officials to tighten spending across state government. The current spending plan, which went into effect July 1, totals \$14 billion.

"It's a \$60 million hole in the budget," said Sabra Faires, an assistant secretary of revenue. She told lawmakers about the litigation Wednesday.

Marvin Dorman, Gov. Jim Hunt's top budget officer, said he hopes to close most of the gap by doing what he did in the wake of costly Hurricane Floyd — ask all state agencies to send back a portion of their operating money for the year.

But that could be difficult in departments facing their own potential shortfalls, including the Department of Health

and Human Services, which is seeing its Medicaid costs soar beyond expected levels, Dorman said.

"We've been identifying sources of money that we could use to help balance the budget," he said. "That effort is ongoing."

The financial difficulties also could bode ill for the next state budget, which lawmakers and Gov.-elect Mike Easley will start to put together in January. Easley made a number of ambitious campaign promises, including lowering elementary school class sizes. The legislature also must come up with hundreds of millions of dollars to start paying off the debt on a \$3.1 billion bond initiative for higher edu-

cation approved by voters last week. There may not be money to do it all.

Lawmakers learned the details of the court cases at a committee meeting Wednesday. They were troubled to hear of yet another budget shortage — and angered that they had been given little advance warning.

"We weren't notified that this was even looming," said Sen. Marc Basnight, a Democrat from Manteo and the Senate's president pro tem.

At issue is a complicated case involving the state's taxation of certain car loans financed by automobile companies. The tax in question is the privilege tax — a tax for the "privilege" of doing business in North Carolina — and it has been repealed for all but a few types of business.

North Carolina argued it could tax Chrysler Financial Corp. and Ford Motor Credit Co. because they were financing cars sold in North Carolina. The lending companies argued they were improperly taxed because they themselves don't do business in North Carolina. Superior Court judges agreed with the companies in separate cases — Chrysler in Mecklenburg County last February, and Ford in Wake County in August.

The state lost an appeal of the Chrysler decision to the N.C. Court of Appeals, and its petition to the state Supreme Court was denied. After that, the state withdrew its appeal of the Ford decision.

The Department of Revenue paid Chrysler nearly \$21 million in taxes — about \$6 million of it in interest — last month. It will pay Ford \$38 million, including nearly \$13 million in interest, on Friday.

The \$59 million liability smacks

North Carolina with the third such tax judgment in recent years. A pair of earlier court decisions forced the state to pay back \$1.2 billion in taxes improperly collected from the pensions of government retirees and from stockholders in out-of-state companies.

Faires said the privilege tax case, although expensive, is not on the same scale because it does not challenge the constitutionality of the tax itself, as the first two cases did.

"This is your run-of-the-mill tax case which happens to involve a lot of money," she said. "This is one taxpayer saying, 'We don't think we owe the tax,' and the state saying, 'You do.' ... I'm not saying it's not news, but it's not in the same league as those class-action lawsuits."

The cases widen an already wide budget gap this year, fueled by two previous developments: the delay of \$120 million in income tax refunds from the last fiscal year to the current one; and a too-rosy projection of revenues for the first quarter of this fiscal year. North Carolina took in about \$30 million less than expected in July, August and September, Dorman said.

He and other budget analysts attributed that \$30 million shortfall to unexpectedly low income- and sales-tax revenues. But they said there is enough time left in the spending calendar to make up for that portion of the problem.

"It's still early in the year," said David Crofts, a fiscal analyst for the General Assembly. "That revenue forecast might be remedied."