



Office of State Budget and Management  
*Balancing Needs - Improving Government*



# FY 2011-13 Presentation of Governor Perdue's Recommended Budget

*Prepared by:*

*The Office of State Budget and Management*

*February 17, 2011*



- I. Governor Perdue's Budget Priorities**
- II. Summary of FY 2011-13 Budget
- III. General Fund Revenue
- IV. Major Recommendations
- V. Summary



# Governor Perdue's Budget Priorities

## 1. Jobs and economic recovery

- Keep North Carolina competitive as a destination for new and expanding businesses.
- Reduce the tax burden for corporations and small businesses.
- Invest in infrastructure to put in-state construction and repair companies back to work.
- Upgrade equipment and technology needs to enhance our workforce retraining efforts.

## 2. Career and college ready students

- Totally protect state-funded public school teachers and teacher assistants from reductions.
- Provide sufficient resources to ensure access to higher education opportunities.
- Consolidate existing high school transition programs to enable eligible students to complete one year of higher education before they graduate at no cost.



# Governor Perdue's Budget Priorities (cont.)

## 3. State government reset

- Reorganize and restructure state government to provide more streamlined services while reducing layers of management and administrative costs.
- Eliminate duplicative, underperforming and non-core programs.
- Implement private sector principles in areas that improve efficiency and effectiveness.
- Get rid of government rules and regulations that do not make sense.

## 4. Fiscal responsibility and sustainability

- Spend one-time monies on one-time expenses.
- No new programs and no accounting gimmicks.
- Authorize no new debt.
- Allocate additional funds to the Savings Reserve Account (Rainy Day Fund).



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# General Fund Balance Sheet

	<u>2011-12</u>	<u>2012-13</u>
Base Revenues	18,823	19,884
<b><u>Potential Expenditures</u></b>		
Base Budget	20,821	20,817
<b>Mandatory Base Budget Adjustments</b>		
Medicaid	0	253
Debt Service	(9)	77
Public Schools Enrollment	38	111
Higher Education Enrollment	41	75
UNC System and State Government Building Reserves	35	68
<i>Subtotal: Base Budget Adjustments</i>	<u>105</u>	<u>584</u>
<b>Supplemental Adjustments</b>		
State Health Plan	117	251
Retirement System	115	230
Severance Reserve	30	0
Other	57	33
<i>Subtotal: Supplemental Adjustments</i>	<u>319</u>	<u>514</u>
Total Potential Expenditures	21,245	21,915
<b>Balance</b>	<b>(2,422)</b>	<b>(2,031)</b>



# General Fund Balance Sheet (cont.)

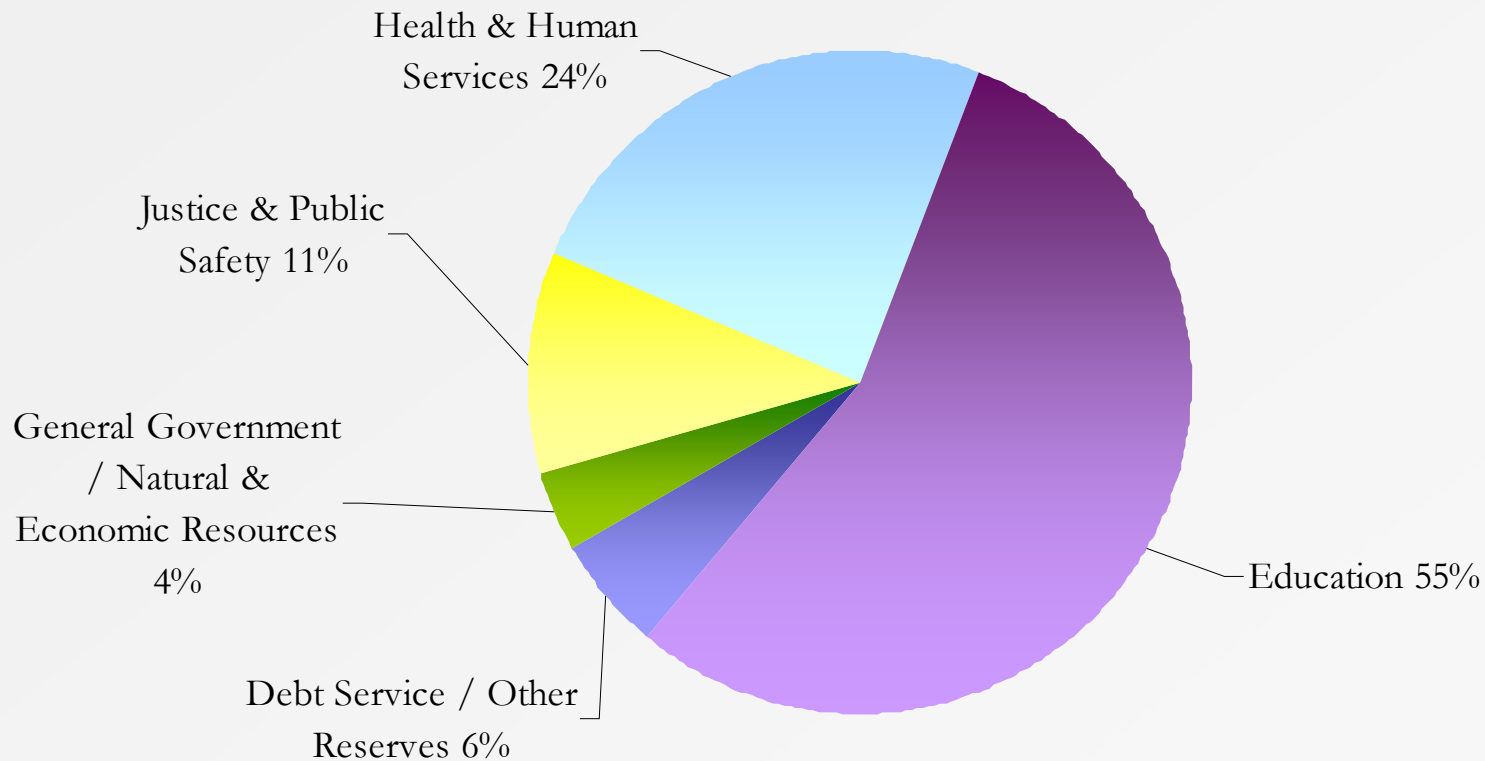
## Measures to Balance

	<u>2011-12</u>	<u>2012-13</u>
<b>Credit Balance</b>		
Funds Left on Table	0	0
Actual Credit Balance at June 30, 2010 (prior year reductions)	111	0
Reversions from 2010-11 (current year reductions)	406	0
Revenue Overcollections FY 2010-11	156	0
Invest in North Carolina Construction and Repair Jobs	(75)	0
Transfer to Savings Reserve Account (Rainy Day Fund)	(150)	0
Rebuild Mental Health Trust Fund	(75)	0
Establish Consolidation and Efficiency Incentive Fund	(25)	0
Invest in Community Colleges Equipment and Technology	(25)	0
<i>Subtotal: Credit Balance</i>	323	0
Reductions (Balances 72% of Shortfall)	(1,342)	(1,536)
Revenue Changes (Balances 27% of Shortfall)	645	556
Other Changes (Balances 5% of Shortfall)	112	115
Total Measures to Balance	2,422	2,207
Total Recommended Expenditures	19,903	20,379
<b>Revised Balance</b>	<b>0</b>	<b>176</b>



# GF Budget Allocation by Subcommittee

- Allocation of FY 2011-12 Appropriation by Subcommittee







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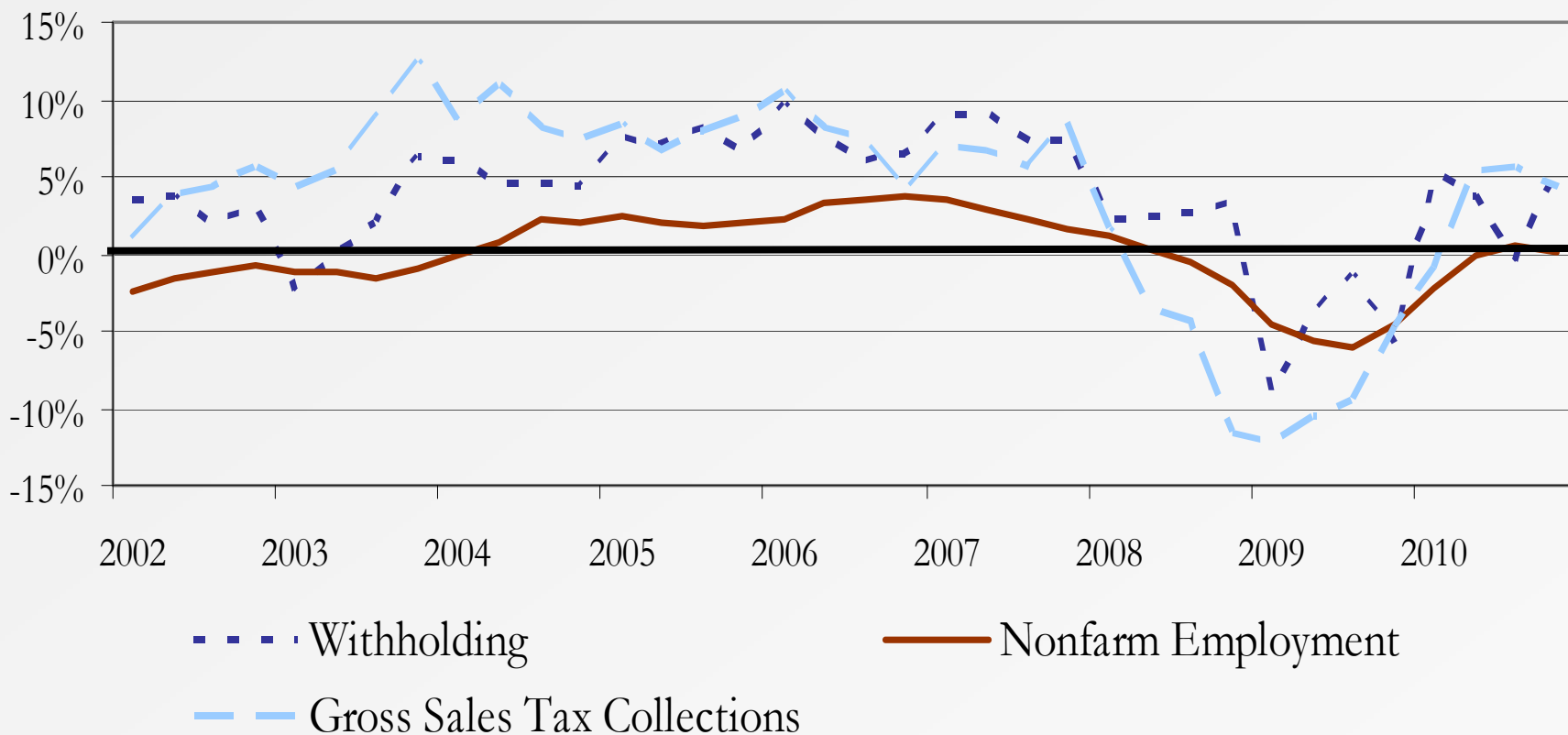
# FY 2010-11 General Fund Revenue Update

- \$65 million above budget through January
  - **0.6% above expected revenue**
  - Revenue has exhibited signs of improvement in most important revenue categories
- \$156 million surplus expected in FY 2010-11
  - \$19.134 billion vs. \$18.978 billion budgeted
  - **0.8% above budgeted revenue**; 2.7% increase compared to last year



# Income Tax/Sales Tax Collections Improving

**Withholding, sales tax collections, and employment growing again**  
(year-over-year percent change)





# Economic Outlook: 2011-13

- Key economic indicators suggest modest growth in FY 2011-12 and FY 2012-13

## *Year-over-year Growth In North Carolina (forecast):*

	<i>FY 2011-12</i>	<i>FY 2012-13</i>
Wages	5.4%	5.2%
Nonfarm Employment	1.9%	2.4%
Profits	4.1%	3.9%
Retail Sales	6.3%	5.2%

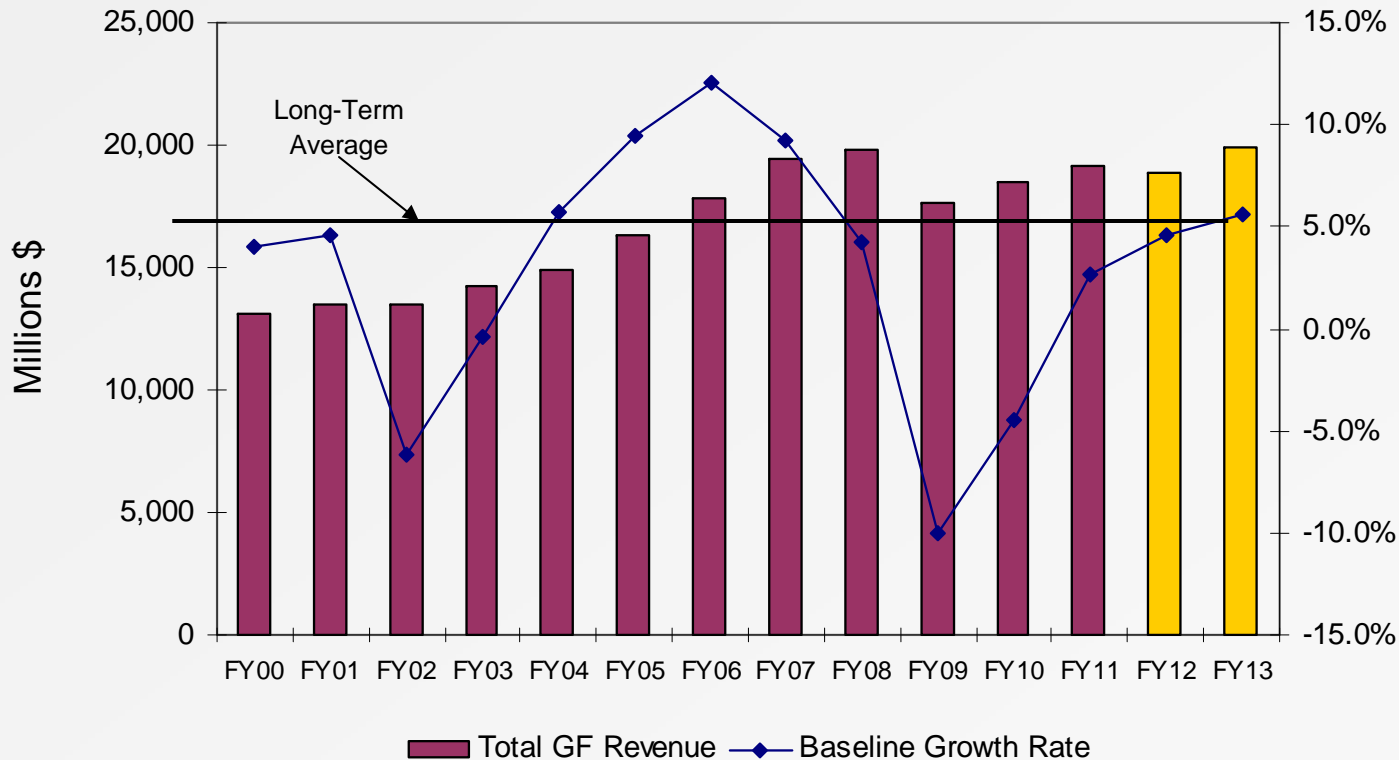
Source: Global Insight



# General Fund Revenue Forecast

## Total General Fund Revenue and Baseline Growth Rates:

FY 2000 to FY 2013



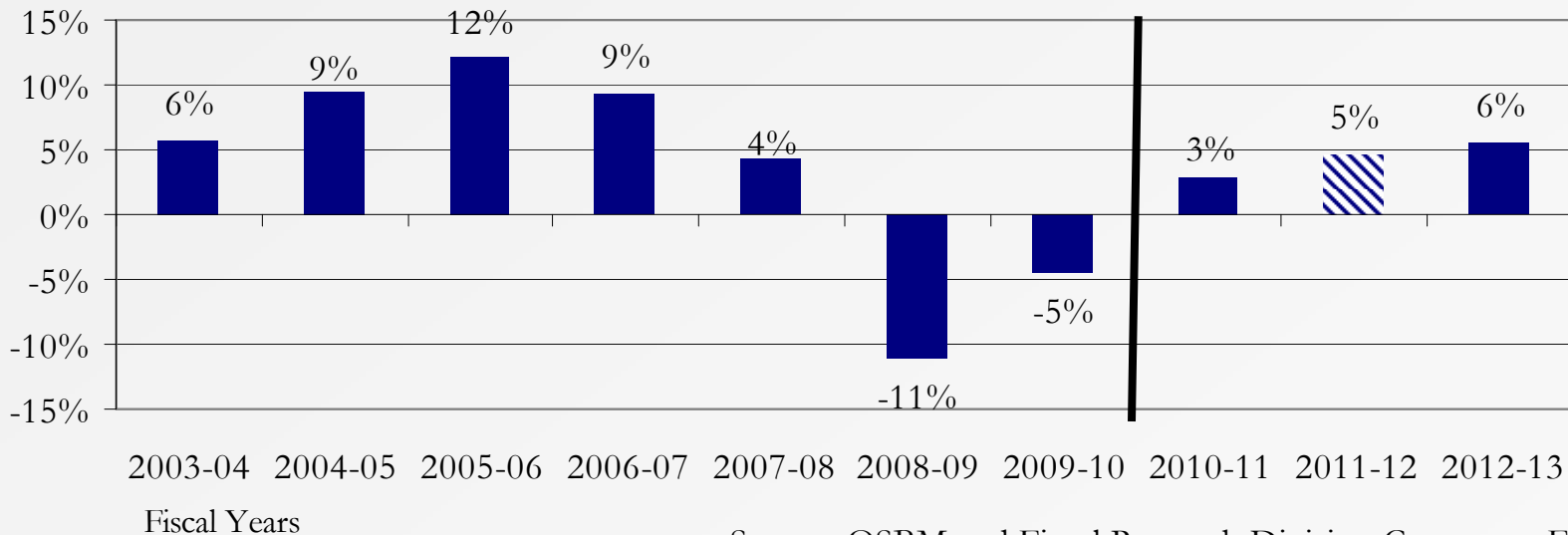


# Consensus Forecast for General Fund Revenue

## FY 2011-12

- Total: \$18.8 billion, **modest growth (4.6%)**
- Economic and revenue recovery builds momentum toward end of 2011

*General Fund Revenue Growth (baseline year-over-year percent change)*



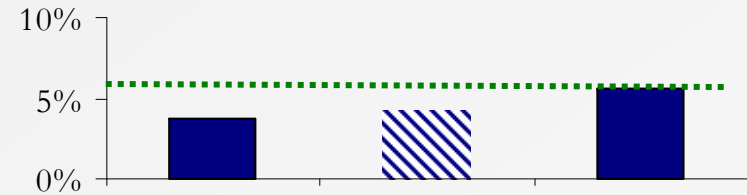
Source: OSBM and Fiscal Research Division Consensus Forecast



# FY 2011-12 Forecast by Revenue Source

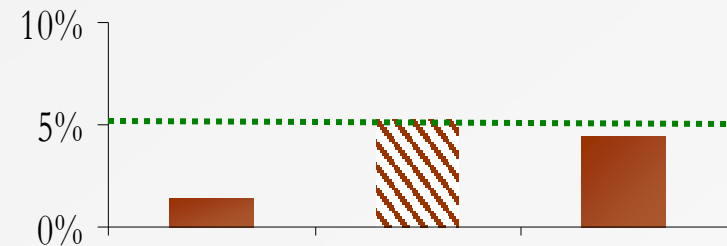
## Individual Income Tax

- 4.2% growth



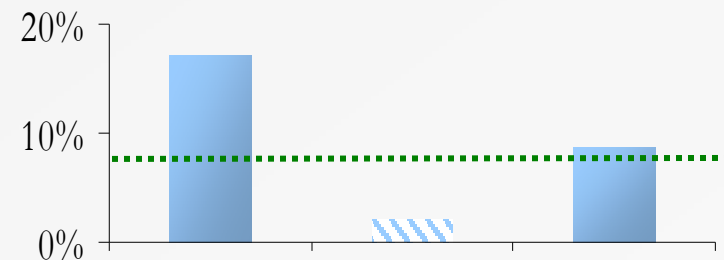
## Sales Tax

- 5.3% growth



## Corporate Income Tax

- 2.2% growth



*(baseline year-over-year percent change)*

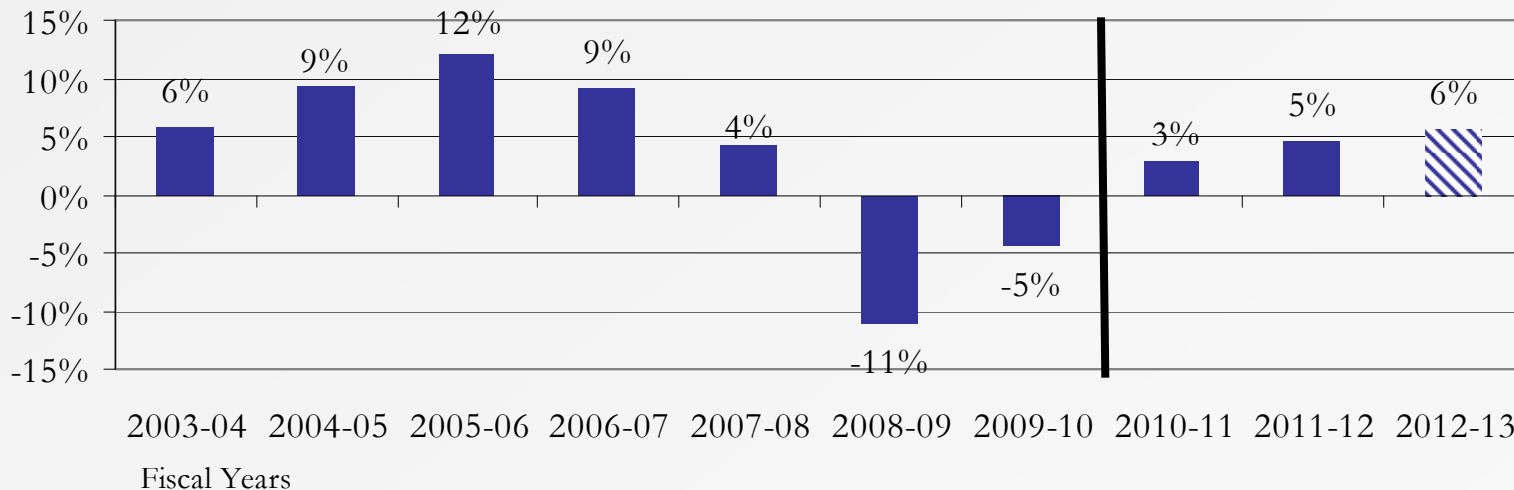


# Consensus Forecast for General Fund Revenue

## FY 2012-13

- Total: \$19.9 billion, **5.5% growth**
- Slightly above average growth as recovery accelerates

*General Fund Revenue Growth (baseline year-over-year percent change)*



Source: OSBM and Fiscal Research Division Consensus Forecast





# FY 2012-13 Forecast by Revenue Source

## Individual Income Tax

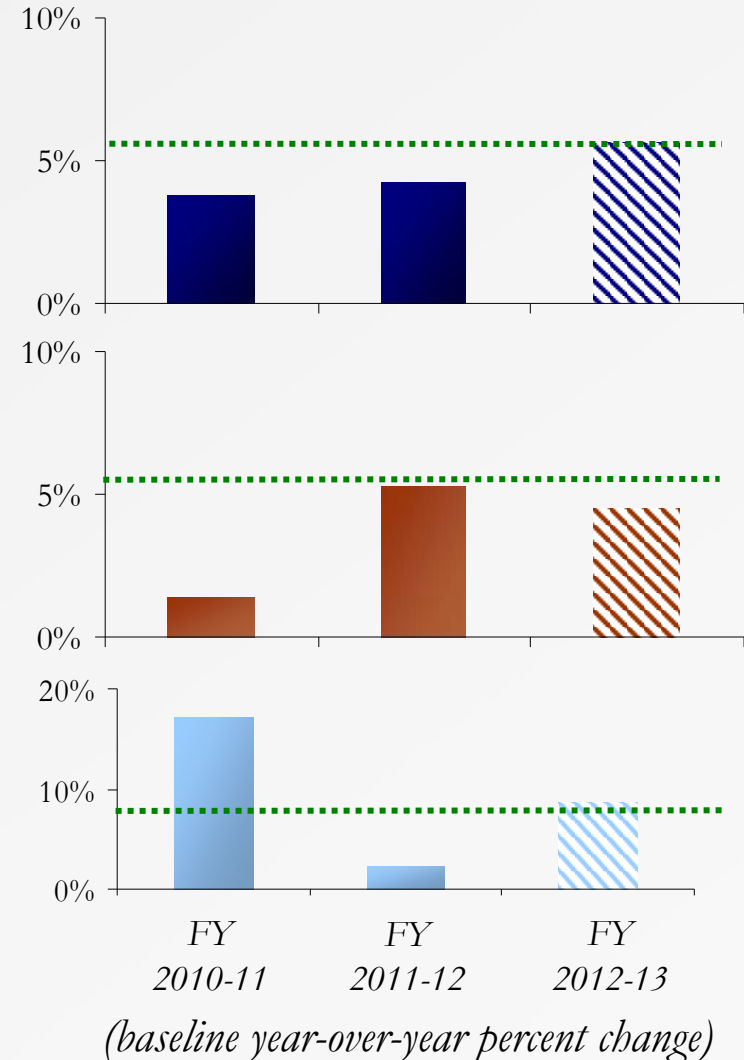
- 5.6% growth

## Sales Tax

- 4.5% growth

## Corporate Income Tax

- 8.6% growth





# Revenue Changes: Overview

## *Projected General Fund Revenue Changes:*

	<i>FY 2011-12</i>	<i>FY 2012-13</i>
Continue Sales Tax at 5.5%	\$827	\$864
Reduce Corporate Income Tax	\$(115)	\$(303)
Repeal Corporate Tax Transfer Permanently	\$72	\$75
Small Business Tax Relief	\$(65)	\$ -
Accounts Receivable Program	\$25	\$25
Raise Cap on QBV Credit	\$(2)	\$(2)
Disproportionate Share Allocation	\$15	\$15
Energy Efficiency Tax Credit	\$ -	\$(3)
<b>Net Revenue Effect</b>	<b>\$757</b>	<b>\$671</b>

*All figures in millions of dollars.*



# Major Revenue Changes

- Continue Sales Tax at 5.5%
  - **Reduces current rate by 0.25%**
  - \$827 million in FY 2011-12
  - \$864 million in FY 2012-13
- Lower Corporate Income Tax Rate
  - Reduce rate from 6.9% to 4.9%
  - **Lowest in Southeast region at 4.9%**
  - \$(115) million in FY 2011-12
  - \$(303) million in FY 2012-13
- Small Business Tax Relief
  - **Expands refundable unemployment insurance tax credit for tax year 2011**
  - Credit equal to 50% of the unemployment insurance tax paid by employers with gross receipts less than \$2.5 million
  - \$(65) million in FY 2011-12



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## IV. Major Recommendations

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- B. Health and Human Services
- C. Natural and Economic Resources/Capital
- D. Transportation
- E. General Government
- F. Justice and Public Safety
- G. State Government Reset
- H. Statewide Reserves



# Education: Budget Overview

	2011-12 <i>Base Budget</i>	2011-12 <i>Recommended</i>	% <i>Change</i>	2012-13 <i>Base Budget</i>	2012-13 <i>Recommended</i>	% <i>Change</i>
<b>Public Schools</b>						
Requirements	\$10,419	\$10,075	-3%	\$10,419	\$10,101	-3%
Receipts	\$2,496	\$2,502	0.2%	\$2,496	\$2,502	0.2%
Appropriations	\$7,923	\$7,573	-4%	\$7,923	\$7,599	-4%
<b>UNC System</b>						
Requirements	\$4,358	\$4,174	-4%	\$4,357	\$4,195	-4%
Receipts	\$1,470	\$1,516	3%	\$1,470	\$1,525	4%
Appropriations	\$2,888	\$2,658	-8%	\$2,887	\$2,670	-8%
Appropriations <sup>1</sup>	\$2,888	\$2,706	-6%	\$2,887	\$2,718	-6%
<b>Community Colleges</b>						
Requirements	\$1,459	\$1,413	-3%	\$1,459	\$1,427	-2%
Receipts	\$356	\$396	11%	\$356	\$405	14%
Appropriations	\$1,103	\$1,017	-8%	\$1,103	\$1,022	-7%
Appropriations <sup>1</sup>	\$1,103	\$1,042	-6%	\$1,103	\$1,047	-5%

*All figures in millions of dollars.*

*1. Net of Tuition* 22



# Education: Enrollment Changes

	<i>FY</i> <i>2010-11</i>	<i>FY</i> <i>2011-12</i>	<i>%</i> <i>Change</i> <sup>1</sup>	<i>FY</i> <i>2012-13</i>	<i>%</i> <i>Change</i> <sup>2</sup>
Public Schools	1,475,668	1,480,991	0.4%	1,494,877	0.9%
UNC	198,359	200,696	1.2%	202,811	1.1%
Community Colleges	243,854	253,566	4.0%	260,849	2.9%

*Figures are FTE/ADM*

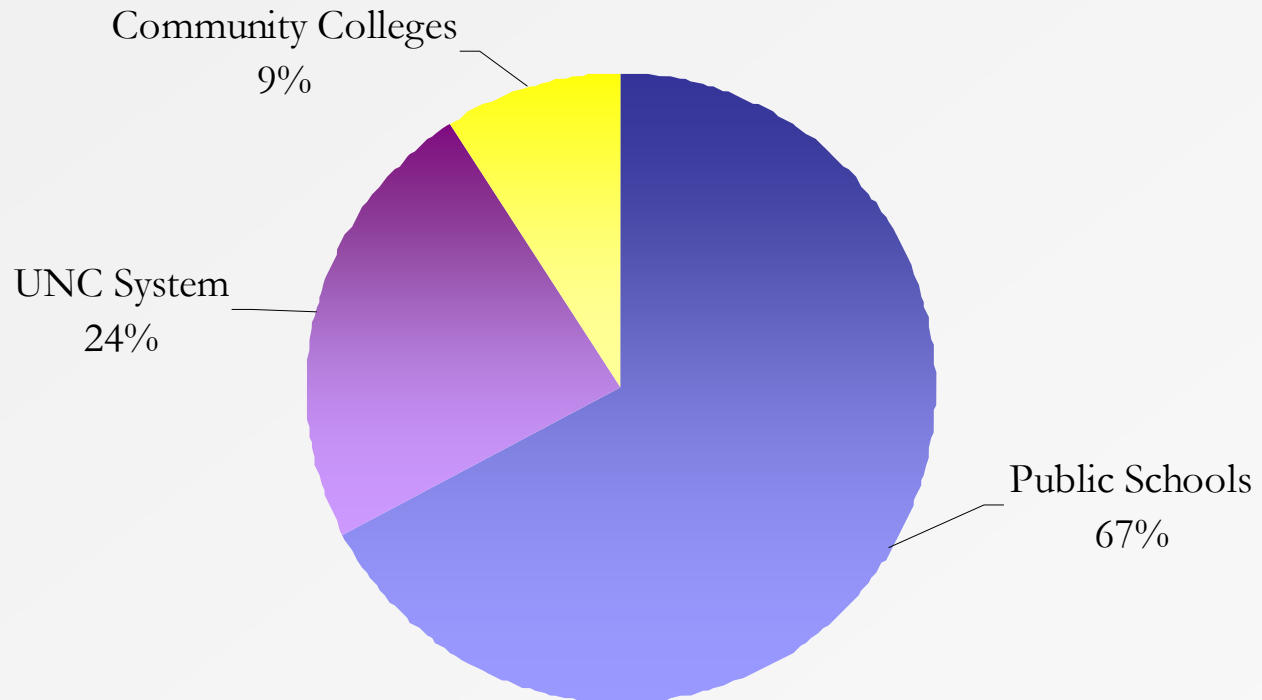
*1. From FY 2010-11*

*2. From FY 2011-12*



# Allocation for Education

- Allocation of FY 2011-12 GF Appropriation for Education (\$11.2 billion)







# Governor Perdue's Education Budget

- **Protects K-12 teachers and teacher assistants** from reductions
- Provides \$41 million to serve an additional 9,712 community college students and 2,337 university students
- Consolidates existing high school transition programs into **Career and College Promise** enabling eligible students to receive a 2-year college degree tuition free



# Education: Budget Reductions

	<u>FY 2011-12</u>	<u>FY 2012-13</u>
<b>Total Reductions:</b>	<b>\$777 million</b>	<b>\$849 million</b>
Public Education	\$389 million	\$435 million
UNC System	\$284 million	\$302 million
Community Colleges	\$104 million	\$112 million



# Reduction Highlights: Public Education

- Funding for Workers' compensation (\$34.6 million), school bus replacement (\$56.8 million) and tort claims (\$4.6 million) will become a local responsibility
- Reduces the non-instructional support allotment by 15% (\$59.5 million)
- Reduces the transportation allotment by 10% (\$40 million)
- Reduces textbooks by \$40 million, leaving a balance of \$75 million available for textbook adoptions and replacements
- Reduces the Central Office allotment by 10% (\$10.7 million)
- Reduces the Department of Public Instruction by 10.2% (\$4.4 million)
- Eliminates funds for nonprofits (\$13.6 million)



# Reduction Highlights: UNC System

- Management flexibility reduction of 9.5% for UNC campuses and General Administration (\$252.6 million)
- Reduces UNC Hospital transfer by 25% (\$11 million)
- Aid to Private Colleges reduction of \$6.7 million from the Legislative Tuition Grant program (the need-based State Contractual Scholarship program is held harmless)
- Eliminates redundant funding for higher education locations (\$500 thousand)



# Reduction Highlights: NCCCS

- Management flexibility reduction of 3% (\$32.3 million)
- Restructures the curriculum and continuing education funding formulas (\$25 million)
- Tuition increase of \$176 annually (\$25.3 million)
- Administrative efficiencies (\$9 million)
- Eliminates eight specialized centers and programs (\$3.8 million)



# Education: Budget Increases

	<u>FY 2011-12</u>	<u>FY 2012-13</u>
<b>Total Increases:</b>	<b>\$110 million</b>	<b>\$228 million</b>
Public Education	\$38 million	\$111 million
UNC System	\$54 million	\$86 million
Community Colleges	\$18 million	\$31 million



# Increase Highlights: Public Education

- Ensures adequate funding for **instructional costs associated with enrollment growth**
  - Average daily membership enrollment (ADM) increases 5,323 in 2011-12 and 13,886 in 2012-13
  - Funding increases by \$38.3 million in FY 2011-12 and \$110.6 million in FY 2012-13.



# Increase Highlights: UNC System

- Ensures adequate funding for **instructional costs associated with enrollment growth**
  - Provides for 2,337 additional students in 2011-12 and 2,115 additional students in 2012-13
- Funds essential costs associated with the **operation and maintenance of facilities** scheduled to open in 2011-12





# Increase Highlights: NCCCS

- Ensures adequate funding for **instructional costs associated with enrollment growth**
  - Provides for 9,712 additional students in 2011-12 and 7,283 additional students in 2012-13
- Directs \$25 million from the statewide credit balance be used to provide essential equipment vital to **retraining the state's workforce**



## IV. Major Recommendations

- A. Education
- B. Health and Human Services**
- C. Natural and Economic Resources/Capital
- D. Transportation
- E. General Government
- F. Justice and Public Safety
- G. State Government Reset
- H. Statewide Reserves



# HHS: Budget Overview

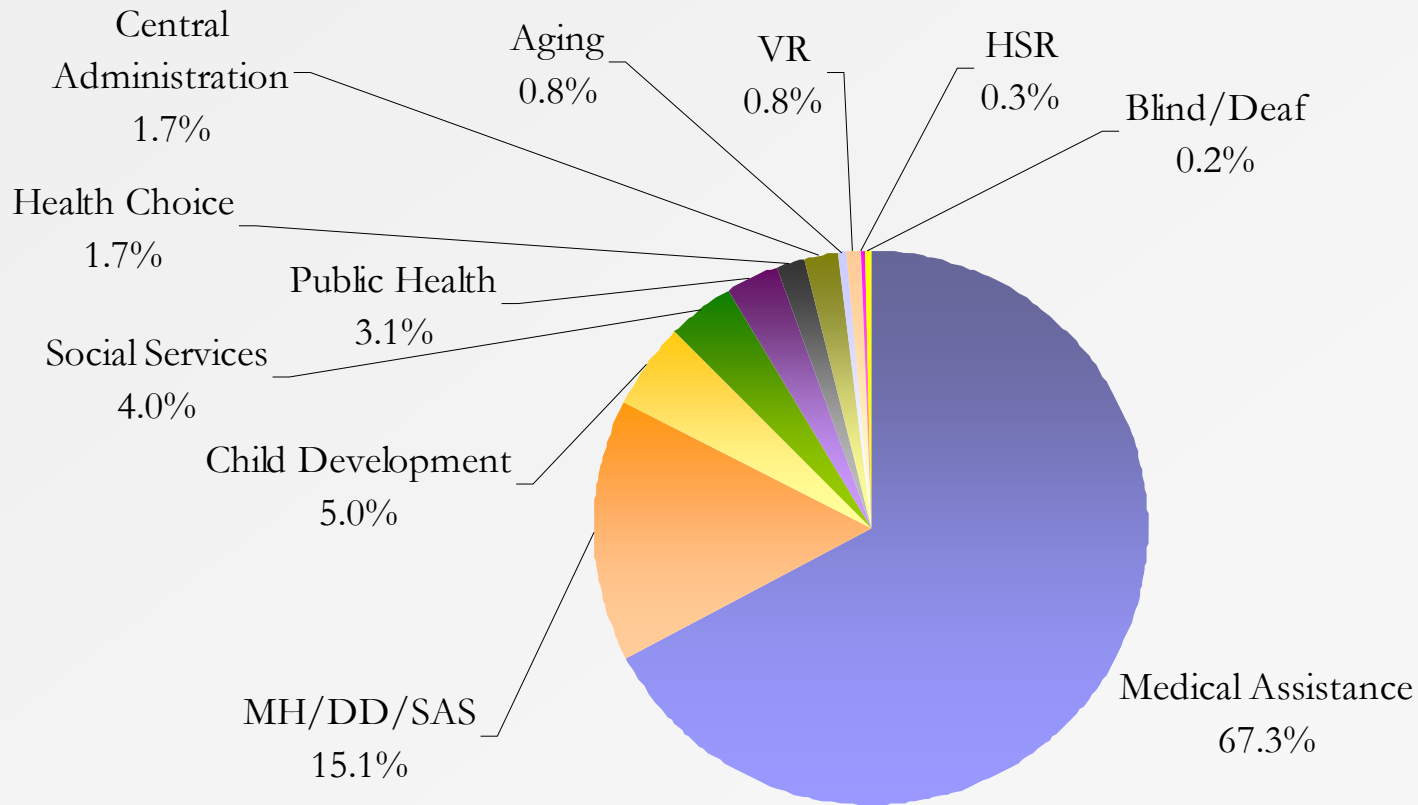
	<i>2011-12 Base Budget</i>	<i>2011-12 Recommended</i>	<i>% Change</i>	<i>2012-13 Base Budget</i>	<i>2012-13 Recommended</i>	<i>% Change</i>
<b>Health and Human Services</b>						
Requirements	\$17,909	\$18,319	2%	\$17,899	\$19,103	7%
Receipts	\$12,981	\$13,604	5%	\$12,971	\$14,166	9%
Appropriations	\$4,927	\$4,715	-4%	\$4,928	\$4,937	0.2%

*All figures in millions of dollars.*



# Allocation for Health and Human Services

- Allocation of FY 2011-12 GF Appropriation for HHS (\$4.7 billion)





# HHS: Budget Overview

## General Fund Appropriation Changes for Medicaid vs. all other programs

### FY 2011-12:

	<i>Base Budget</i>	<i>Decreases</i>	<i>Increases</i>	<i>Recommended</i>	<i>% Change</i>
Medicaid	\$3,314	(\$133)	\$0	\$3,181	-4.0%
All Other	\$1,613	(\$90)	\$11	\$1,534	-4.9%
Total	\$4,927	(\$223)	\$11	\$4,715	-4.3%

### FY 2012-13:

	<i>Base Budget</i>	<i>Decreases</i>	<i>Increases</i>	<i>Recommended</i>	<i>% Change</i>
Medicaid	\$3,314	(\$167)	\$252	\$3,399	2.6%
All Other	\$1,614	(\$87)	\$11	\$1,538	-4.7%
Total	\$4,928	(\$254)	\$263	\$4,937	0.2%

*All figures in millions of dollars.*



# Reduction Highlights: HHS

- **Total Reductions:**

FY 2011-12 - \$223.6 million

FY 2012-13 - \$254.2 million



# Reduction Highlights: HHS (cont.)

- **Medicaid Savings** (\$133 million; \$167 million)
  - **Reduce fraud, waste and abuse** and improve program integrity (\$16 million; \$23 million)
  - Provider assessments (\$60 million; \$63 million)
  - Modify optional and mandatory services (\$16 million; \$25 million)
  - Targeted **rate reductions** (\$8 million; \$9 million)
  - Modify drug pricing and pharmacy services (\$16 million; \$19 million)
  - Health homes (\$17 million; \$28 million)



## Reduction Highlights: HHS (cont.)

- All Other Savings (\$90 million; \$87 million)
  - **Reduce, eliminate or modify** programs and services (\$42 million; \$35.5 million)
  - **Reduce salaries and administrative costs** (\$23 million; \$26.5 million)
  - **Maximize revenues** and other savings (\$25 million)





# Reduction Highlights: HHS (cont.)

- Eliminate non-core **child care subsidy services** and modify post secondary education benefits (\$8.3 million)
- **Reduce Smart Start** funding by 5 percent (\$9.4 million)
- Flexible **administrative reduction** and eliminate 25 positions department-wide (\$1 million)
- **Maximize block grants** for mandatory social services (\$7 million)
- Reduce Local Management Entity (LME) administrative funding by 5 (\$3.3 million)
- Fund aid to **local health departments** at historic level (\$6.8 million)
- **Reduce administrative costs** in child development service agencies (\$2.5 million, 10 positions)
- Reduce Vocational Rehabilitation Independent Living by targeting services to clients at lower incomes (\$1.7 million)



# Increase Highlights: HHS

- **Total Increases:**

FY 2011-12 - \$11 million

FY 2012-13 - \$263 million

- **Mandatory continuation adjustments**

- Adoption Assistance (\$1 million; \$800,000)

- Medicaid rebase (\$0; \$252 million)



## Increase Highlights: HHS (cont.)

- **Medicaid Rebase** (\$0; \$252 million)

Adjusts the budget for growth in number of eligible recipients, changes in consumption and mix of services, reimbursement for cost based providers and service

	<u>2011-12</u>	<u>2012-13</u>
Eligibles	1,558,000	1,617,000
Total Spending	\$10,375	\$10,947
State Funds	\$3,208	\$3,461

*All dollars in millions.*



## Increase Highlights: HHS (cont.)

- **NC FAST** (\$9.5 million, nonrecurring each year)
- Project CARE (\$500,000)
- Earmarks \$75 million from year end credit balance for the **Mental Health Trust Fund**
- Authorizes continued use of agency receipts for the **MMIS replacement project**
- Establishes a reserve for operations and staffing of the **new Public Health Lab**



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# NER: Budget Overview

	2011-12 <i>Base Budget</i>	2011-12 <i>Recommended</i>	% <i>Change</i>	2012-13 <i>Base Budget</i>	2012-13 <i>Recommended</i>	% <i>Change</i>
<b>Natural and Economic Resources (NER)<sup>1</sup></b>						
Requirements	\$713	\$642	-10%	\$713	\$621	-13%
Receipts	\$233	\$235	0.9%	\$233	\$235	0.9%
Appropriations	\$480	\$407	-15%	\$480	\$386	-20%

*All figures in millions of dollars.*

1. *Includes:*

*Commerce*

*Commerce - State Aid (Biotech, REDC and other pass-throughs)*

*Agriculture and Consumer Services*

*Labor*

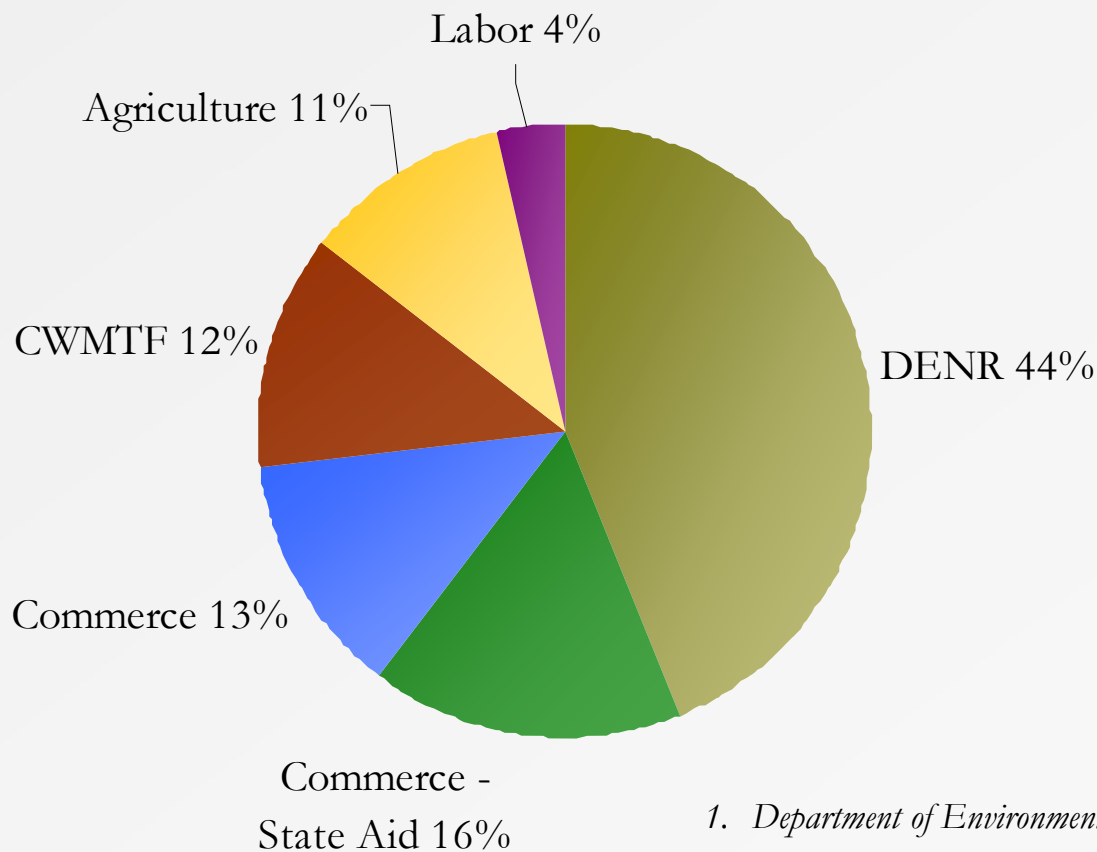
*Environment and Natural Resources*

*Clean Water Management Trust Fund*



# Allocation for Natural and Economic Resources

Allocation of FY 2011-12 GF Appropriation for NER (\$407.1 million)



1. Department of Environment and Natural Resources
2. North Carolina Clean Water Management Trust Fund



# Reductions Highlights: NER

- Total Reductions:**

FY 2011-12 - \$107.3 million

FY 2012-13 - \$109.9 million

	<i>FY 2011-12 Reduction</i>	<i>% change</i>	<i>FY 2012-13 Reduction</i>	<i>% change</i>
Commerce	\$4.9	-13%	\$6.4	-16%
Com-State Aid	\$7.3	-10%	\$7.3	-10%
Agriculture	\$7.4	-12%	\$9.3	-15%
Labor	\$1.8	-11%	\$1.9	-12%
DENR	\$25.6	-14%	\$26.4	-14%
CWMTF	\$50.0	-50%	\$50.0	-50%

*All figures in millions of dollars.*





# Reduction Highlights: NER (cont.)

## Department of Commerce

- Eliminates Three Programs
  - Industrial Development Fund (\$320,000)
  - Oregon Inlet Maintenance Funds (\$248,000)
  - State Energy Funds to Universities (\$2.7 million)
- Closes Welcome Centers two days/week (\$600,000)
- Reduces Funds to 13 Non-State Entities (\$7.3 million)
  - Rural Center, Biotech, Biofuels Center, Community Develop Initiative, Inst of Regenerative Medicine, etc.



# Reduction Highlights: NER (cont.)

## Department of Agriculture and Consumer Services

- Transfer **Research Stations & Farms** to NCSU (\$10.2 million)
  - Reduce by \$1.5 million FY 2011-12; \$3 million FY 2012-13
  - Transfer \$8.7 million FY 2011-12; \$7.1 million 2012-13
- Transfer **Farmland Preservation Trust Fund** (\$2 million)
  - Reduce by \$500,000
  - Transfer \$1.25 million to DENR for conservation easements
  - Transfer \$250,000 to Rural Center for Agricultural Development Projects
- 10% Management Flexibility Cut (\$5.2 million)



# Reduction Highlights: NER (cont.)

## Department of Labor

- Eliminates Positions and Salary Reserve
  - OSH (11 FTE and \$600,000)
  - Mine and Quarry (2 positions and \$143,000)
  - Wage and Hour (3 positions and \$214,000)
  - Apprenticeship (\$81,000)
- Reduces Operating Budget (\$384,000)
- Budget Receipts (\$323,000)



# Reduction Highlights: NER (cont.)

## Department of Environment and Natural Resources

- Eliminates 8 Programs (\$3.1 million)
  - Division of Environmental Health - WaDE; Mosquito Control Aid Funds; On-Site Quality Assurance
  - Division of Marine Fisheries - Oyster Sanctuary; Shellfish Mapping
  - Division of Soil and Water Conservation - Cooperative Soil Survey; Animal Waste Mgmt Systems Pilot
  - Division of Water Quality - Well Drillers Program



# Reduction Highlights: NER (cont.)

## Department of Environment and Natural Resources

- Closures (\$3.7 million)
  - State Parks two days/week
  - Two Educational State Forests
  - Museum of Forestry – delays reopening for two years
  - Marine Fisheries' Columbia office
- Clean Water Management Trust Fund (\$50 million)



# Increase Highlights: NER

- **Total Increases:**

FY 2011-12 - \$34.6 million

FY 2012-13 - \$16.1 million

## Department of Commerce

- \$10 million (nonrecurring) – One NC Fund
- \$8.5 million (nonrecurring) – Jobs Maintenance and Capital Development Program (JMAC)



# Increase Highlights: NER (cont.)

## Department of Environment and Natural Resources

- \$7.1 million - Drinking Water State Revolving Fund
- \$7.4 million – Clean Water State Revolving Fund
- \$1.25 million – Farmland Preservation Trust Fund’s conservation easement programs



# Increase Highlights: Capital

## Capital Improvements

- Repairs and Renovations Reserve (\$75 million earmark from year-end credit balance)
- Water Resources Development Projects (\$4.5 million)





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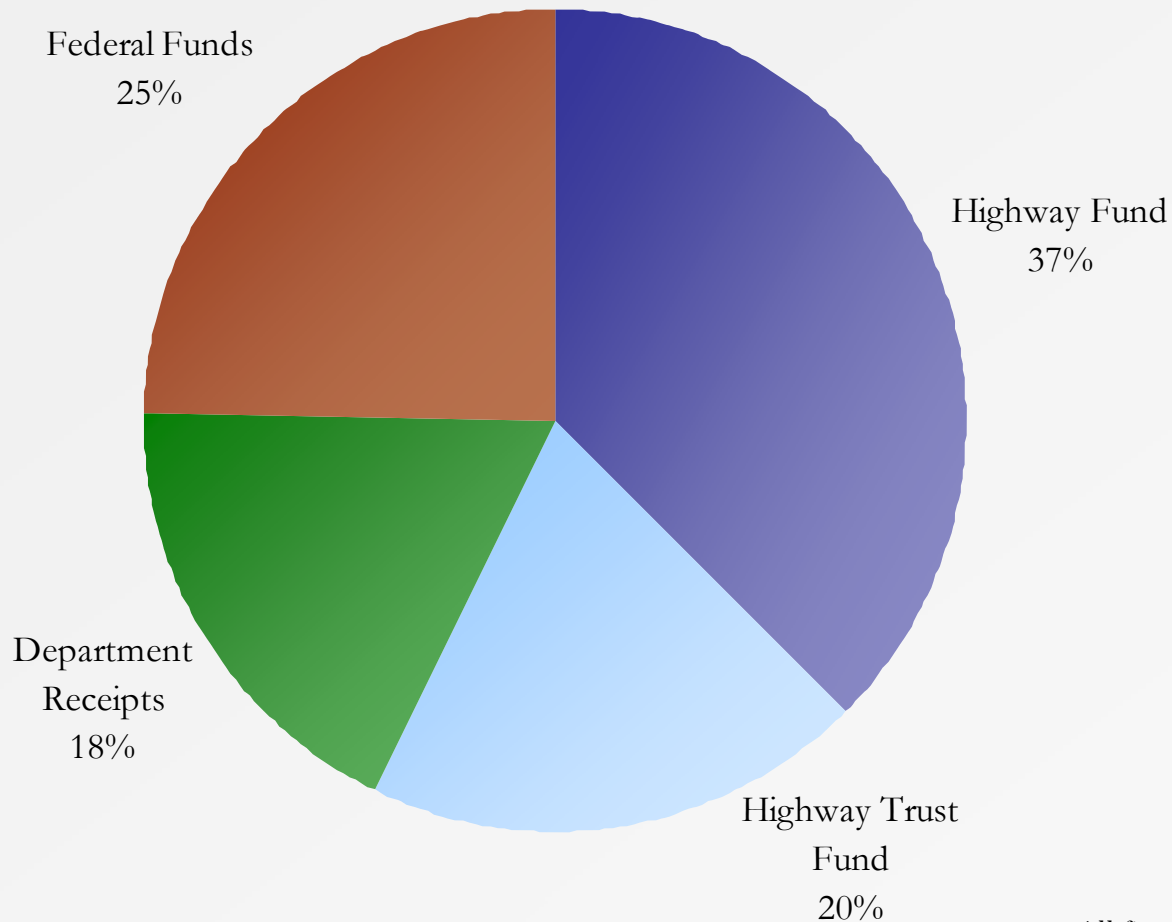
# Transportation: Budget Overview

	<i>2011-12 Base Budget</i>	<i>2011-12 Recommended</i>	<i>% Change</i>	<i>2012-13 Base Budget</i>	<i>2012-13 Recommended</i>	<i>% Change</i>
<b>Transportation</b>						
Requirements	\$4,899	\$5,055	3%	\$4,836	\$5,039	4%
Receipts	\$2,159	\$2,159	0%	\$2,041	\$2,041	0%
Appropriations	\$2,740	\$2,896	6%	\$2,795	\$2,998	7%

*All figures in millions of dollars.*



# Transportation: Funding Sources, FY 2011-12

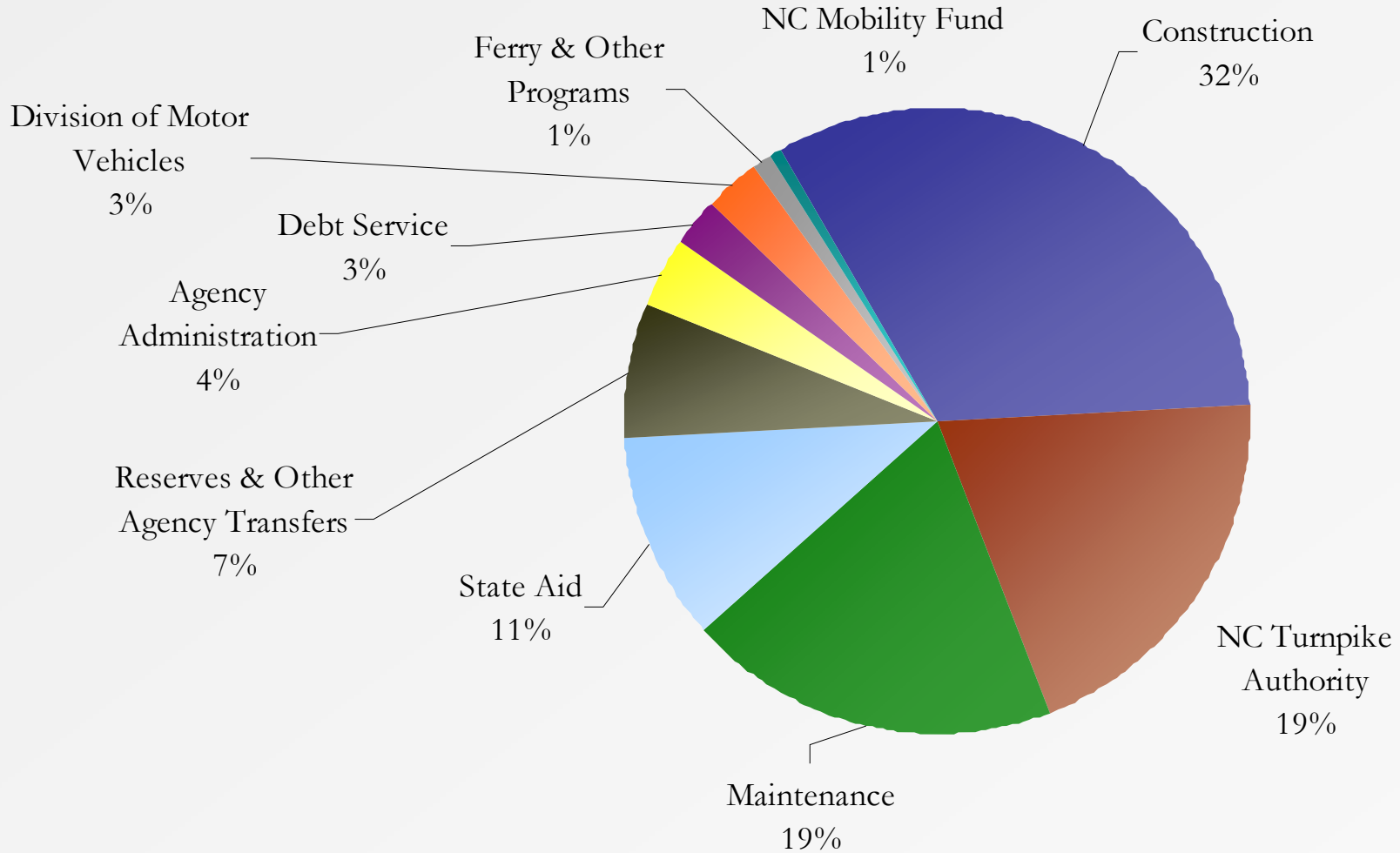


*All figures in millions of dollars.*

1. Highway Fund Sources – 75% MFT, DMV fees, Investment Earnings
2. Highway Trust Fund Sources – 25% MFT, HUT, Title fees, Investment Earnings



# Transportation: Use of Funds, FY 2011-12



*All figures in millions of dollars.*



# Reduction Highlights: Highway Fund

- **Total Reductions:**

FY 2011-12 - \$26 million

FY 2012-13 - \$33 million

- Reduces **salary and operating funds** for department-wide administration (7.5 positions and \$9.7 million)
- Savings from **internal consolidations/eliminations** (41 positions and \$1 million)



## Reduction Highlights: Highway Fund (cont.)

- Reduces **small construction funds** (\$1.1 million)
- Reduces **multi-modal transportation funds** (\$6.9 million)



# Reduction Highlights: Highway Trust Fund

- **Total Reductions:**

FY 2011-12 - \$0

FY 2012-13 - \$0



# Reduction Highlights: NC Turnpike Authority

- **Total Reductions:**

FY 2011-12 - \$800,000

FY 2012-13 - \$800,000

- Reduces **operating funds** for administration of the Turnpike Authority supported from Highway Trust Fund administration receipts by 18%





# Increase Highlights: Highway Fund

- **Total Increases:**

FY 2011-12 - \$118 million

FY 2012-13 - \$188 million

- Increases **highway maintenance funds** (\$83 million; \$105 million)
- Adjusts funds as **statutorily required** for LUST fund, state aid to municipalities (Powell Bill) and secondary roads construction (\$830,000; \$4.4 million)



## Increase Highlights: Highway Fund (cont.)

- Provides **state match funds** for competitive discretionary federal grants for the Rail Program (\$3 million; \$7million)
- Nonrecurring funds for **repair, replacement, and maintenance of ferry vessels** (\$2 million; \$30 million)
- Nonrecurring funds for **critical life safety repairs, and renovations of field facilities** (\$15 million)
- Provides funds for two **commercial driver license dedicated skills testing sites** (\$240,000, \$225,000)



# Increase Highlights: Highway Trust Fund

- **Total Increases:**

  - FY 2011-12 - \$63 million

  - FY 2012-13 - \$48 million

- **Statutory Adjustments** to Allocations

  - Intrastate System - \$36 million; \$28 million
  - Urban Loops Construction - \$14 million; \$11 million
  - Aid to Municipalities (Powell Bill) - \$4 million; \$3 million
  - Secondary Roads Construction - \$6 million; \$3 million
  - Program Administration - \$3 million; \$2 million
  - Transfer to General Fund - \$0; \$115,000



## IV. Major Recommendations

- A. Education
- B. Health and Human Services
- C. Natural and Economic Resources/Capital
- D. Transportation
- E. General Government**
- F. Justice and Public Safety
- G. State Government Reset
- H. Statewide Reserves



# General Government: Budget Overview

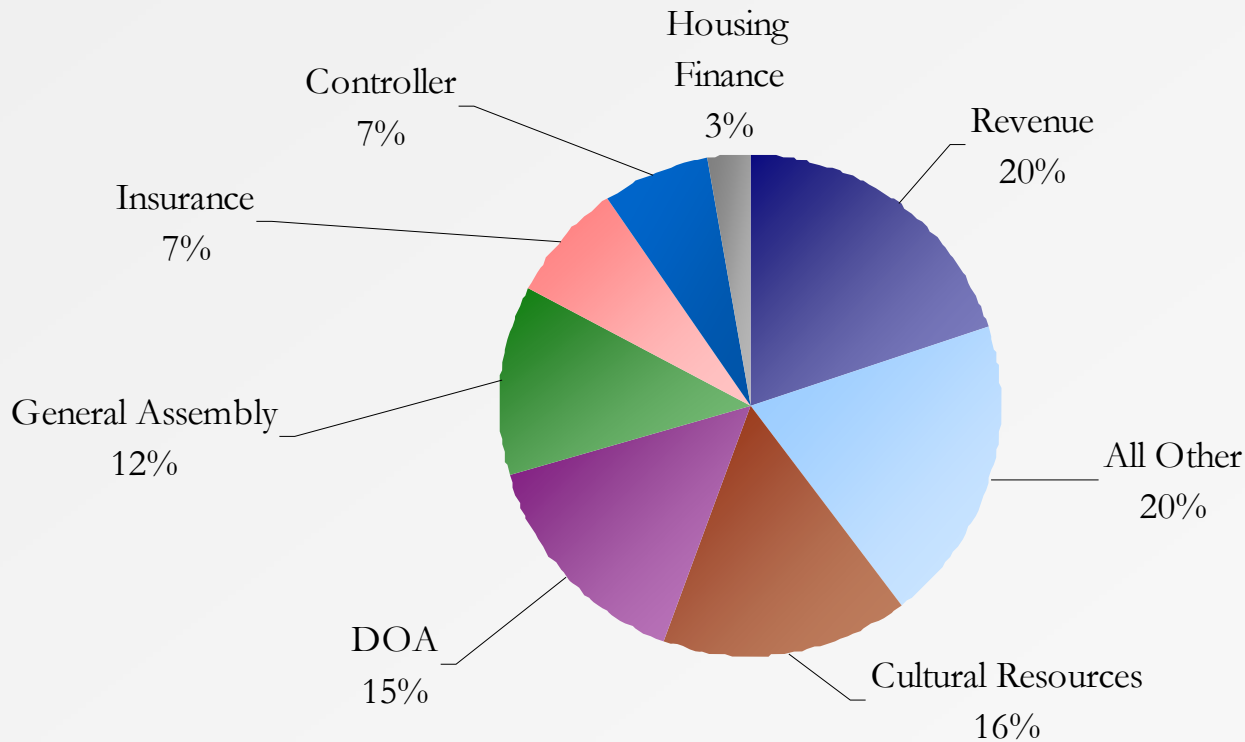
	<i>2011-12 Base Budget</i>	<i>2011-12 Recommended</i>	<i>% Change</i>	<i>2012-13 Base Budget</i>	<i>2012-13 Recommended</i>	<i>% Change</i>
<b>General Government</b>						
Requirements	\$593	\$568	-4%	\$590	\$568	-4%
Receipts	\$137	\$137	0%	\$135	\$135	0%
Appropriations	\$456	\$431	-6%	\$455	\$433	-5%

*All figures in millions of dollars.*



# Allocation for General Government

- Allocation of FY 2011-12 Appropriation for General Government (\$430.5 million)





# Reduction Highlights: GG

- **Total Reductions:**

FY 2011-12 - \$36 million

FY 2012-13 - \$37 million

- **Generally includes:**

- Reorganize and restructure state government to provide more streamlined services while reducing layers of management and administrative costs
- Reduction to operating accounts agency-wide
- Reduction to grants and programs to match actual expenditure levels
- Position and program eliminations
- Shifting various expenditures from appropriation to receipt support



## Reduction Highlights: GG (cont.)

- **Reorganizes and consolidates** agency functions in the Department of Administration (\$1.6 million, 28 positions)
  - *Includes Purchasing and Contracts, Facilities Management, Historically Underutilized Businesses, Youth Advocacy and Involvement, State Property and Veterans Affairs*
- **Delays filling intern positions** and reduces budgeted salaries for temporary and legislative assistants in the General Assembly (\$1.8 million)
- Transfers support for **Home Protection Program** from appropriation to Federal receipts in the Housing Finance Agency (\$2.1 million)





## Reduction Highlights: GG (cont.)

- Converts Local Government Division to receipt support in the Department of State Treasurer (\$3.3 million, 36 positions)
- Converts additional collection positions to receipt support from the Collection Assistance Fee in the Department of Revenue (\$1.1 million, 20 positions)
- Consolidates, reorganizes, and eliminates layers of management in the Department of Cultural Resources (\$1.8 million, 38 positions)



# Increase Highlights: GG

- **Total Increases:**

FY 2011-12 - \$11 million

FY 2012-13 - \$16 million

- Provides continued funding for the **Tax Information Management System** in the Department of Revenue (\$3 million, nonrecurring)
- Provides state agency **building reserve** (\$7 million; \$14 million)
- Provides **land buffer for military expansion** (\$1 million; \$1.5 million, nonrecurring)



## IV. Major Recommendations

- A. Education
- B. Health and Human Services
- C. Natural and Economic Resources/Capital
- D. Transportation
- E. General Government
- F. Justice and Public Safety**
- G. State Government Reset
- H. Statewide Reserves



# JPS: Budget Overview

	<i>2011-12 Base Budget</i>	<i>2011-12 Recommended</i>	<i>% Change</i>	<i>2012-13 Base Budget</i>	<i>2012-13 Recommended</i>	<i>% Change</i>
<b>Corrections</b>						
Requirements	\$1,458	\$1,403	-4%	\$1,455	\$1,409	-3%
Receipts	\$36	\$36	0%	\$36	\$36	0%
Appropriations	\$1,422	\$1,367	-4%	\$1,419	\$1,373	-3%
<b>Juvenile Justice and Delinquency Prevention</b>						
Requirements	\$158	\$147	-7%	\$158	\$146	-8%
Receipts	\$7	\$7	0%	\$7	\$7	0%
Appropriations	\$151	\$140	-7%	\$151	\$139	-8%
<b>Crime Control and Public Safety</b>						
Requirements	\$214	\$212	-1%	\$214	\$212	-1%
Receipts	\$180	\$180	0%	\$180	\$180	0%
Appropriations	\$34	\$32	-6%	\$34	\$32	6%

*All figures in millions of dollars.*



# JPS: Budget Overview (cont.)

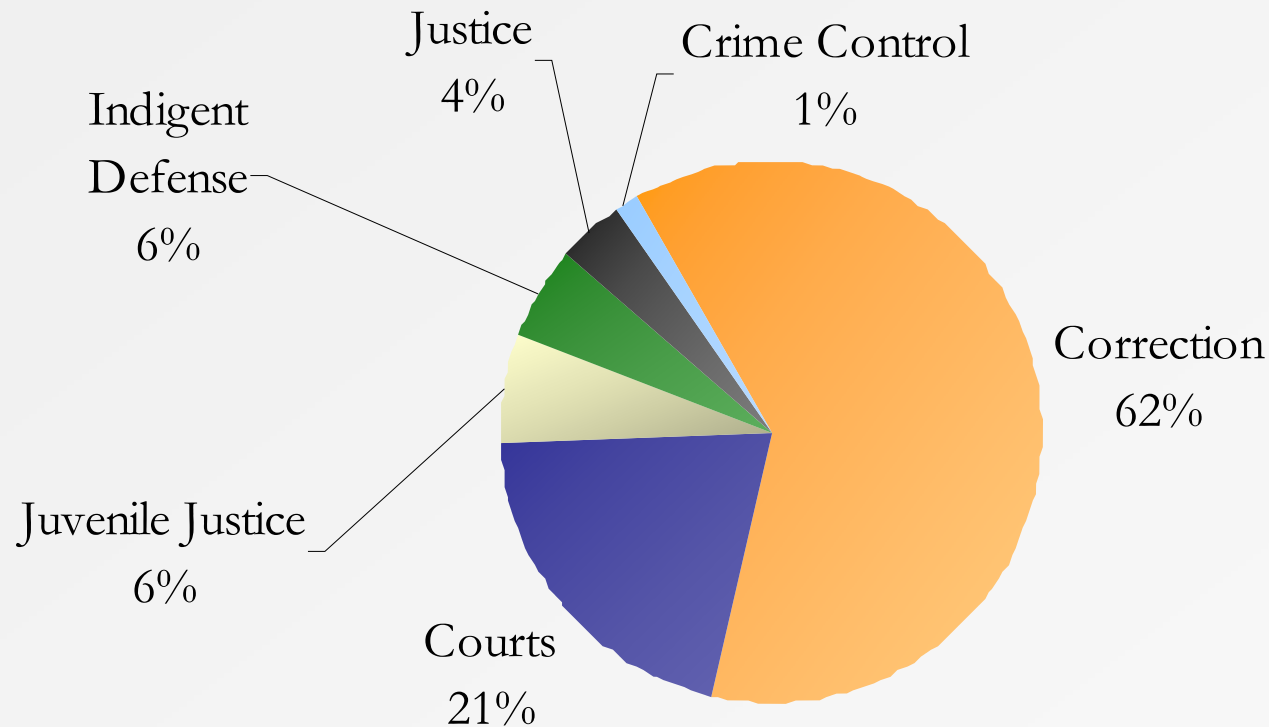
	<i>2011-12 Base Budget</i>	<i>2011-12 Recommended</i>	<i>% Change</i>	<i>2012-13 Base Budget</i>	<i>2012-13 Recommended</i>	<i>% Change</i>
<b>Justice</b>						
Requirements	\$127	\$122	-4%	\$127	\$121	-5%
Receipts	\$38	\$38	0%	\$38	\$38	0%
Appropriations	\$89	\$84	-6%	\$89	\$83	-7%
<b>Administrative Office of the Courts</b>						
Requirements	\$480	\$464	-3%	\$480	\$461	-4%
Receipts	\$3	\$3	0%	\$3	\$3	0%
Appropriations	\$477	\$461	-3%	\$477	\$458	-4%
<b>Indigent Defense Services</b>						
Requirements	\$133	\$133	0%	\$133	\$133	0%
Receipts	\$10	\$10	0%	\$10	\$10	0%
Appropriations	\$123	\$123	0%	\$123	\$123	0%

*All figures in millions of dollars.*



# Allocation for Justice and Public Safety

- Allocation of FY 2011-12 Appropriation for JPS (\$2.2 billion)





# Reduction Highlights: JPS

- **Total Reductions:**

  - FY 2011-12 - \$101 million

  - FY 2012-13 - \$111 million

- Generally includes:

  - Reorganize and restructure state government to provide more streamlined services while reducing layers of management and administrative costs
  - Reduction to operating accounts agency-wide
  - Reduction to grants and programs to match actual expenditure levels
  - Position and program eliminations
  - Fund-shifting various expenditures to receipt support



## Reduction Highlights: JPS (cont.)

- **Reduces administrative services** in the Judicial Branch-AOC (\$4 million, 54 positions)
- **Eliminates** Camp Woodson Program in the DJJDP (\$1 million, 20 positions)
- Closes Swannanoa Youth Development Center in DJJDP (\$1.4 million, 26 positions)
- **Eliminates funding** for double celling at Pamlico Correctional Facility (2.1 million, 57 positions)





## Reduction Highlights: JPS (cont.)

- **Eliminates positions** in the Department of Correction through increased efficiency, consolidation, and reorganization (\$2.9 million, 77 positions)
- Department-wide savings from **Justice Reinvestment Act recommendations** (\$12 million; \$27 million)
- **Eliminates positions** in the Department of Crime Control and Public Safety (\$1 million, 15 positions)



# Increase Highlights: JPS

- **Total Increases:**

FY 2011-12 - \$12 million

FY 2012-13 - \$26 million

- Provides operating reserves for **new facilities** in Department of Corrections (\$10 million ; \$25 million)
- Provides funding to improve, enhance and **strengthen SBI training standards** (\$500,000)



## IV. Major Recommendations

- A. Education
- B. Health and Human Services
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- H. Statewide Reserves

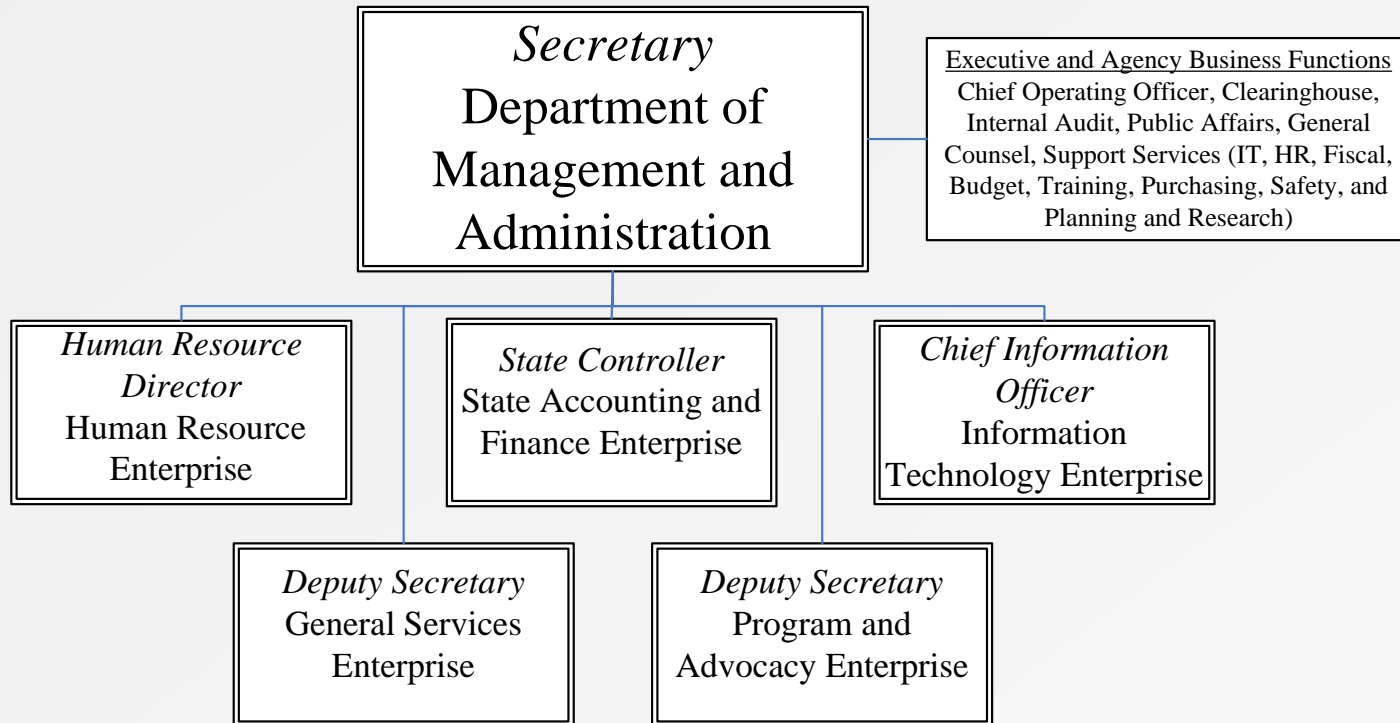


# State Government Reset: Highlights

- Eliminates funding for 68 **nonessential programs** saving taxpayers \$142 million
- Reduces another 71 programs, saving \$442 million
- Recommends 37 **reorganizations and consolidations** that eliminate 488 administrative and middle management positions while saving \$78 million
- Sets aside \$25 million for a new **Consolidation and Efficiency Incentive Fund** to encourage local governments and nonprofits to reorganize, consolidate or regionalize services



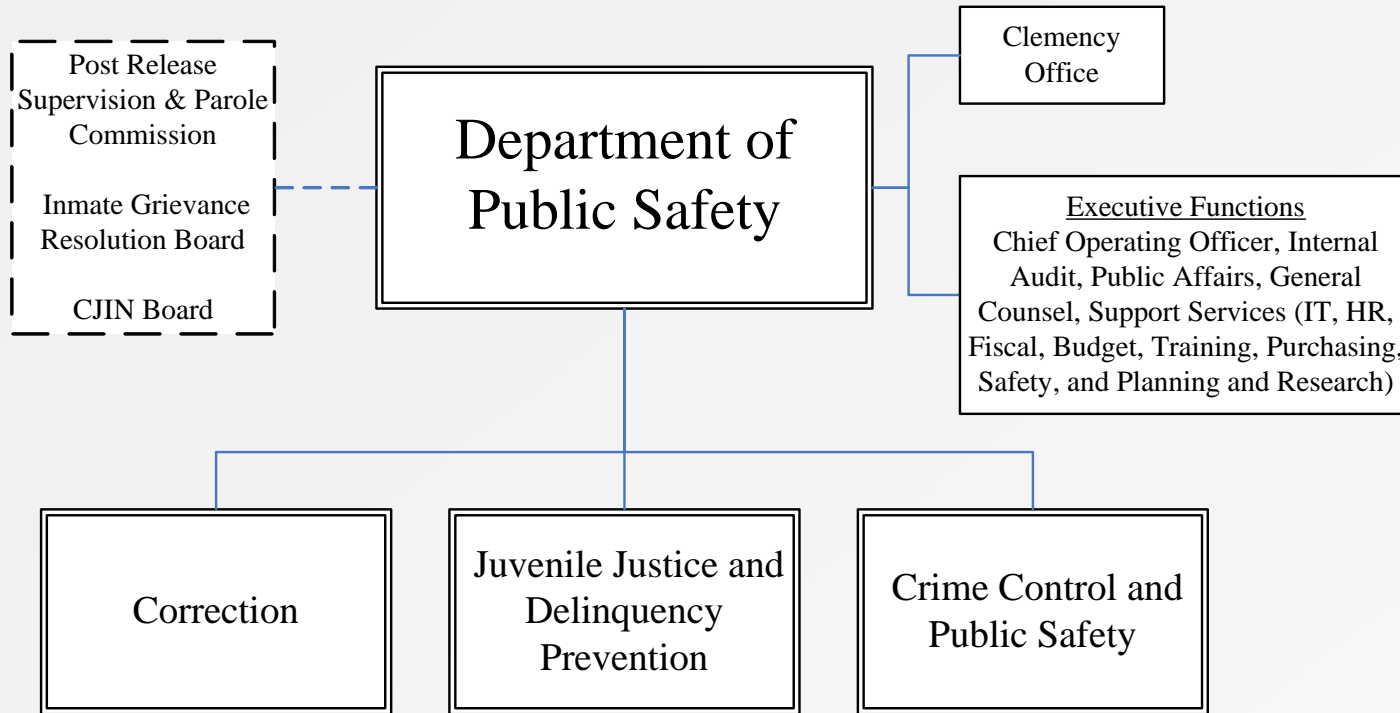
# Department of Management and Administration



- Reduces **middle management and support staff** (21 positions, \$1.6 million savings)
- Transfers all Cabinet **HR staff** to Management and Administration and reduce (92 positions, \$4.1 million savings)
- Statewide **procurement reform** (\$30 million savings)



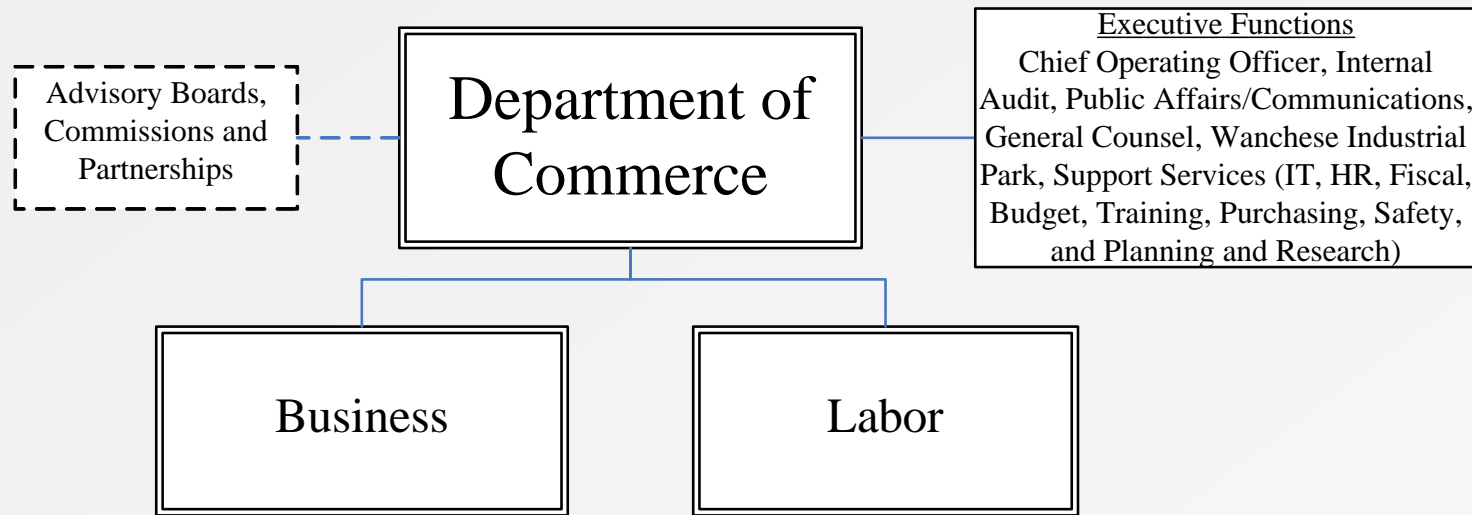
# Department of Public Safety



- Reduces **middle management and support staff** (60 positions, \$4 million savings)
- **Program efficiencies** (\$3 million savings)



# ESC into Department of Commerce



- Reduces **middle management and support staff** (53 positions, \$400,000 savings)
- Additional \$3.5 million in federal funds could be directed toward **employment programs**



## IV. Major Recommendations

- A. Education
- B. Health and Human Services
- C. Natural and Economic Resources/Capital
- D. Transportation
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- **Employee Retirement Incentive Program**
  - Saves \$59 million in FY 2011-12 and \$145 million in FY 2012-13
  - \$10,000 one-time payment if eligible for full retirement benefits
  - \$20,000 one-time payment if eligible for reduced retirement benefits
  - Savings assume a 30 percent reduction of salaries and benefits and associated FTE



# Statewide Reserves: State Health Plan

- **State Health Plan**

- Increase for **State Health Plan Contribution** to keep plan structurally sound (\$117 million; \$250 million)
- Plan modifications save \$89 million in FY 2011-12 and \$137 million in FY 2012-13
  - PPO 70/30 plan at no cost to employee or retiree
  - PPO 80/20 plan-monthly premium of \$21.40 for individual coverage
  - Medicare retirees would pay monthly premium of \$16 for individual coverage



# Statewide Reserves: Retirement System

- **Retirement System Contribution** (\$115 million; \$230 million)
  - Fund Annual Required Contribution (ARC) over two years
  - Transition to 15 year amortization period
  - Employer contribution rate increases from 4.93% to 6.04% in FY 2011-12 and to 7.15% in FY 2012-13
  - Employer contribution rate increases by 113% over 4 years (from 3.36% to 7.15%)



# Statewide Reserves: Other Items

- **Other Increases**

- Creates **Severance Reserve** for state employees who are reduced in force during the biennium (\$30 million)
- Increases **Rainy Day Fund** balance to \$300 million (\$150 million)



- I. Governor Perdue's Budget Priorities
- II. Summary of FY 2011-13 Budget
- III. General Fund Revenue
- IV. Major Recommendations
- V. Summary**



# Summary: Budget Overview

- Closes cumulative budget **shortfall of \$4.4 billion** over two years.
- Measures to balance include:
  - \$300 million in **prior and current year reductions** already implemented
  - \$2.9 billion in additional **spending reductions**
  - **Targeted revenue** and other recommendations totaling \$1.4 billion over two years to protect education and job creation programs.
- Ratio of reductions to revenues exceeds 70 percent to 30 percent.
- Most **state programs face a 7 percent to 15 percent reduction** when compared to last year's recurring funding levels.
- Prudently allocates an additional \$150 million to state's **Rainy Day Fund** raising its balance to \$300 million.



# Summary: Governor's Budget Priorities

## 1. Jobs and Economic Recovery

- **Reduces tax burden** for corporations and small businesses by almost \$500 million to help create 10,000 jobs over the next three years.
- **Lowers corporate income tax rate** to 4.9 percent, making it the lowest in the Southeast and third lowest in the country.
- Provides \$65 million **unemployment insurance tax credit** to 135,000 small businesses.
- Invests \$75 million to put in-state construction and repair companies back to work.
- Sets aside \$25 million to upgrade equipment and technology needs in our community college system to support **workforce retraining efforts**.



# Summary: Governor's Budget Priorities

## 2. Career and College – Ready, Set, Go

- Protects public school **teachers and teacher assistants**.
- Provides \$41 million to serve an additional 9,712 community college students and 2,337 university students.
- **Consolidates existing high school transition programs** enabling eligible students to complete one year of higher education by the time they graduate from high school.
- Net reduction to education agencies is 3.9 percent for public schools; 4.9 percent for community colleges; and 6.0 percent for the UNC System .





# Summary: Governor's Budget Priorities

## 3. State Government Reset

- Saves \$3.2 billion throughout state government.
- Eliminates 68 **nonessential programs**, reduces another 71 programs, and recommends 37 **reorganizations and consolidations** for a total savings of \$584 million and elimination of over 5,800 positions.
- Implements an **Employee Retirement Incentive Program** that will save \$208 million and eliminate at least 900 positions statewide.
- **Consolidates 14 executive branch agencies into 8** and overhauls the state's procurement system.
- Sets aside \$25 million for a new **Consolidation and Efficiency Incentive Fund** to encourage local governments and nonprofits to reorganize, consolidate or regionalize services.



# Summary: Governor's Budget Priorities

## 4. Fiscal Responsibility and Sustainability

- FY 2011-12 budget is **\$1.5 billion less** than the FY 2008-09 budget, while population has grown by over 400,000 citizens.
- **Spends 11 percent less per capita** than it did three years ago and has **14,000 fewer state government positions**.
- Authorizes no new debt.
- Spends one-time monies on one-time expenses.
- Contains no accounting gimmicks.
- Makes tough decisions to continue our tradition as a national leader in fiscal management and one of only eight states to hold **Triple A bond rating** from all major bond rating companies.



# FY 2011-13 Presentation of Governor Perdue's Recommended Budget

*Prepared by:*

*The Office of State Budget and Management*

*February 17, 2011*