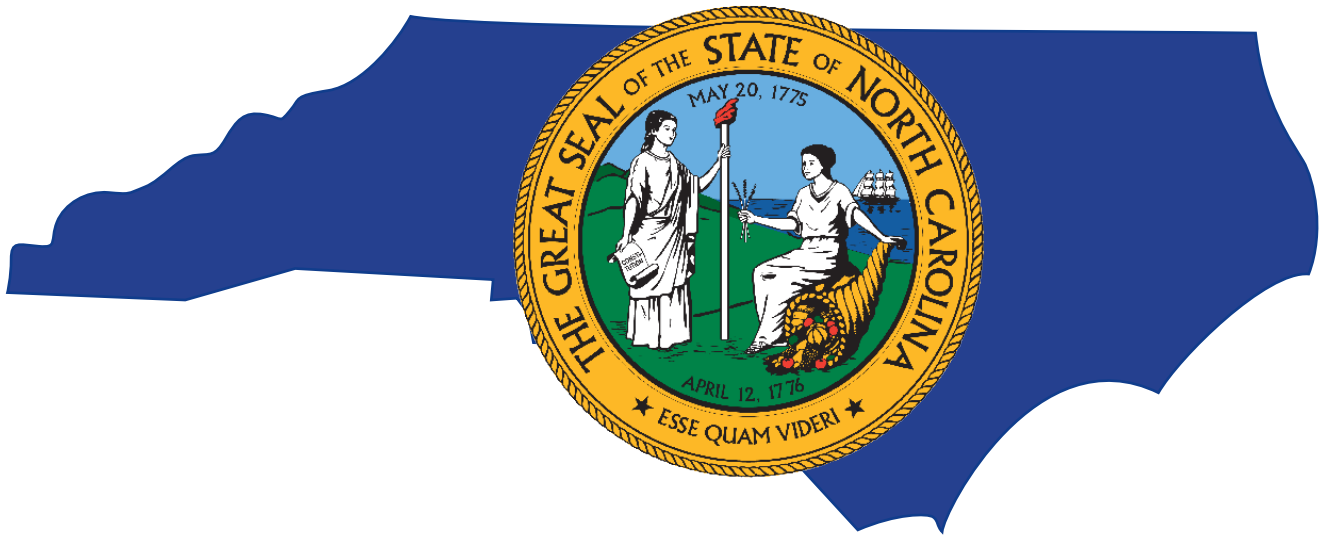


# INVESTING IN OUR FUTURE

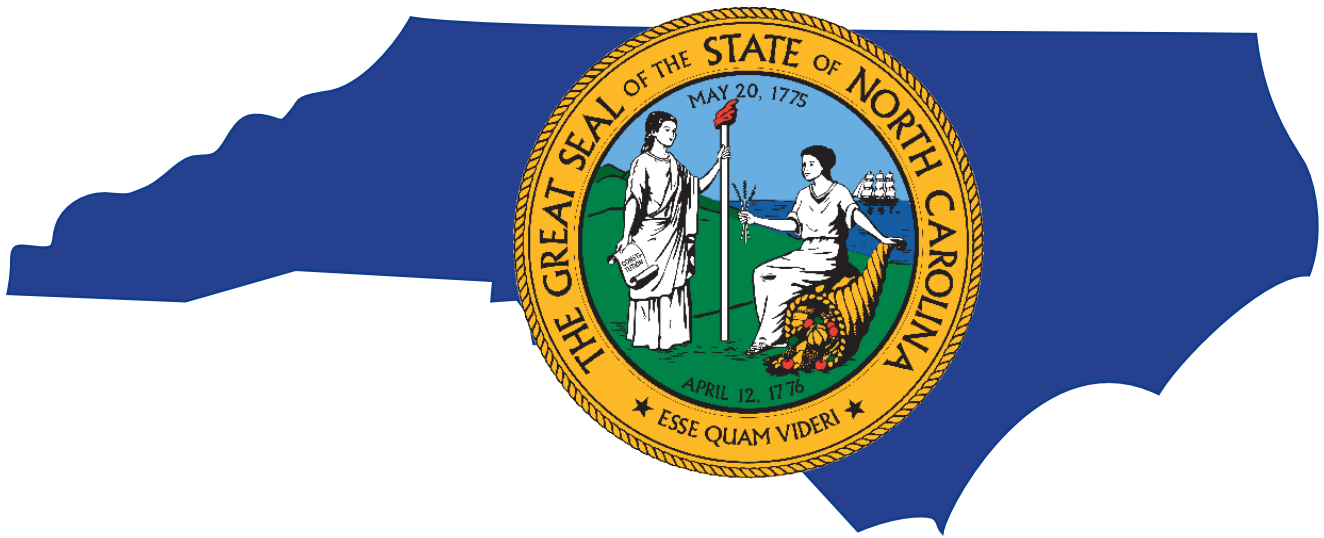


**RECOMMENDED ADJUSTMENTS**  
**2012 - 2013 North Carolina State Budget**

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**Beverly Eaves Perdue, Governor**





# **RECOMMENDED ADJUSTMENTS**

## **2012 - 2013 North Carolina State Budget**

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**Beverly Eaves Perdue, Governor**

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

Andy Willis, State Budget Director

[www.osbm.nc.gov/thebudget](http://www.osbm.nc.gov/thebudget)

May 2012



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# Introduction

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The purpose of this document is to summarize the governor's recommended state budget adjustments for fiscal year 2012-13. These recommended changes are based on the certified budget approved by the 2011 session of the General Assembly. Governor Perdue's priorities are listed in her transmittal letter, which precedes the overview of key recommendations for adjustments to the base budget (continuation budget).

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

A summary of General Fund recommendations by department/budget code for the entire state budget appears in table 2, "Governor's Recommended General Fund Budget, 2012-13." Summaries of recommendations for expenditures supported by the Highway Fund and the Highway Trust Fund for 2012-13 appear in table 3. A General Fund Balance Sheet appears in table 4.

Also included in this document are an analysis of the state's economic and financial outlook for 2012-13 and a comparison of the economic conditions in North Carolina to the nation. The most current revenue forecast is explained. Estimates of fund availability for the General Fund, Highway Fund, and Highway Trust Fund show the supporting basis for the recommended state budget (see tables 5, 6 and 7).

Three types of changes are usually included in the Governor's adjustments document: reductions, expansion, or technical adjustments. "Reductions" denotes recommended decreases to budgets that support current operations, while "Expansion" denotes new programs, expansion of existing programs, and salary and benefit increases. "Technical Adjustments" is a category for describing other pertinent changes, such as school-age populations or Medicaid enrollments, that necessitate a recommended change in the certified budget.

For each reduction, expansion and technical adjustment that is described, there is a listing of the resulting fiscal change, as well as the change in number of positions, when appropriate. Fiscal changes are categorized as "Requirements" or "Nonrecurring Requirements." They may also be categorized as "Receipts" or "Nonrecurring Receipts" to designate changes in departmental receipts. Always, "requirements" less "receipts" equals "appropriation."

A summary table for the revised recommended budget for 2012-13 is presented at the beginning of each department/budget code or section. In addition, there are summary tables for the items of change following each of the change types, i.e., reduction adjustments, expansion adjustments, and technical adjustments. At the end of each department/budget code or section, there is a table that summarizes all recommended changes.



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STATE OF NORTH CAROLINA  
OFFICE OF THE GOVERNOR

BEVERLY EAVES PERDUE  
GOVERNOR

May 10, 2012

The North Carolina Senate  
The Honorable Phil Berger, President Pro Tempore

The North Carolina House of Representatives  
The Honorable Thom Tillis, Speaker

The Citizens and Families of North Carolina

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

My short session budget adjustments reflect a state that is beginning to show signs of recovering from the worst economic climate since the Great Depression. Over the past three years, we took decisive action to head off severe financial crises that many other states have experienced. As the economy continues to move in a positive direction, we need to continue our long history of fiscal discipline, but also need to return to our tradition of **investing in our future**. State government performs a number of critical functions, including protecting public safety and locking up dangerous criminals, caring for the neediest and most vulnerable among us, and protecting the quality of North Carolina's clean air and clean water. My budget addresses all of these important areas, but I'd like to concentrate on three main priorities: education, jobs, and our veterans and military families.

Investing in education is among the most important things we can do. This budget reverses the education cuts that were imposed over the past year, and prevents the even deeper cuts that were scheduled for next year. These actions will help prepare our children to compete in the 21st century global economy by saving or creating more than 11,000 teacher, teacher assistant, and other education positions across North Carolina. I also invest in reducing class size in grades K through 3; provide funds for an innovative mobile technology initiative to empower teachers to help more children read at grade level; and take steps that will enable us to recruit, train, and retain teachers across North Carolina. We will also continue to invest in our innovative Career & College Promise program, which prepares high school students for a career or for college by enabling eligible students to earn college credit or career training credits while they're still in high school. These priorities are a must for a state that continues to grow. Our history of providing a great educational system from Pre-Kindergarten to University not only helps prepare our children for the future, but is also one of the best things we can do to attract companies to invest and create jobs here.

Secondly, my budget invests in initiatives designed to help companies create jobs. These efforts should enhance North Carolina's reputation as a national leader in recruiting new businesses and helping our existing companies grow and thrive. Job creation has been a priority over the past three years and our investments have made North Carolina a great place to do business. I am not content to rest on our great business climate alone, though. My budget contains a number of initiatives designed to stimulate economic growth and help

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companies create jobs for North Carolinians. In addition to credits to encourage small businesses to hire veterans and unemployed North Carolinians now, I also propose investments in high priority industries like manufacturing, the film and television production industry, biotechnology, and our energy sector. I won't be satisfied until there's a job for every North Carolinian who wants one.

It is essential that we both honor the sacrifice of our brave servicemen and women, and preserve and enhance North Carolina's well-earned reputation as the most military-friendly state in America. That's why my budget invests in a series of initiatives to support those who have served our nation. In addition to the credit for small businesses that hire returning veterans, my budget also invests in tuition assistance for veterans at community colleges and public universities in our state. Further, because children of active duty service members face unique challenges, my budget provides focused support for those students.

North Carolina is a national leader in fiscal management. Over the past three years, we have taken difficult actions that have allowed us to continue this tradition. Because of strong leadership and disciplined decisions, North Carolina continues to be one of only eight states to hold the coveted Triple-A credit rating from all three major bond rating agencies. Through April 2012, revenues are ahead of forecast, and we anticipate a revenue surplus of \$232 million this fiscal year. These additional dollars are reinvested in the aforementioned priorities. My budget also spends seven percent less per capita compared to five years ago. When adjusted for inflation, this results in a reduction of \$400 per person since fiscal year 2008. Finally, this budget continues to right-size state government. I have outlined over \$270 million in reductions and adjustments in non-education areas of the budget. Our fiscal philosophy and willingness to invest in the key areas of education and in improving the overall economy continues to be the envy of many other states.

We must continue to move North Carolina forward. This budget provides a clear path to do this by investing in education, job creation, and our veterans and military families. I stand ready to work with you to address these priorities to invest in our future. I look forward to working with you this session and with the citizens of this great state.

Sincerely,



Bev Perdue

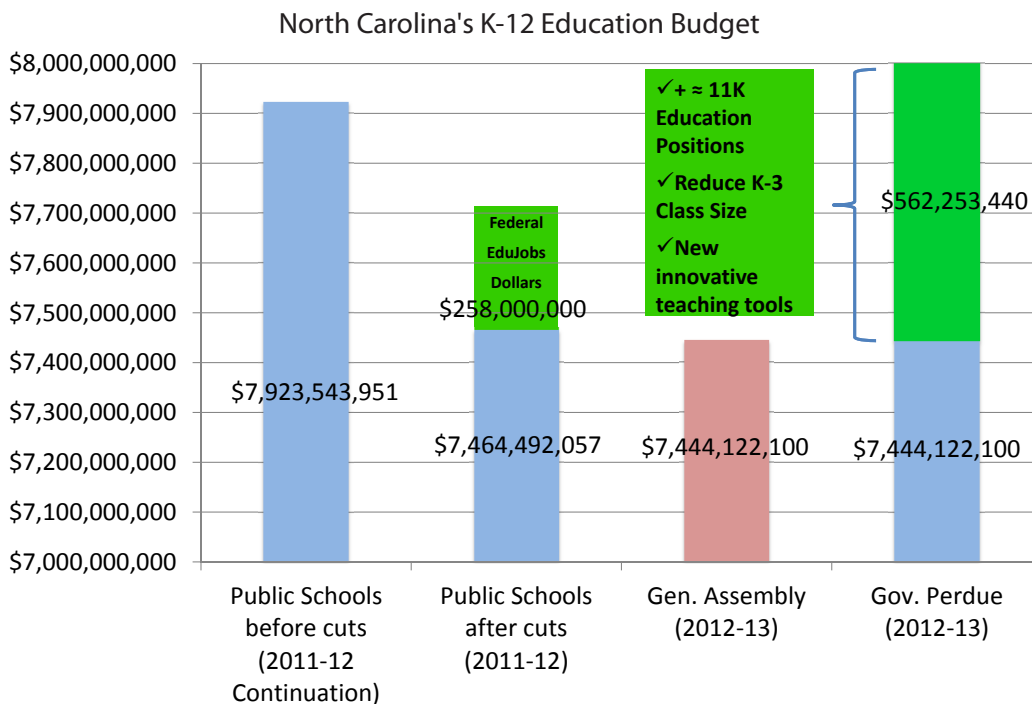


# Investing in *Our* Future: Supporting Education at Every Level

Investing in education is among the most important things state government can do. Not only does it prepare our children to compete in the 21st century global economy, but ensuring quality schools is an important economic development priority as well. CEOs thinking about investing or expanding in North Carolina care about education because it ensures them a pipeline of well-trained workers, and helps them attract and recruit top-quality employees who demand good schools for their children.

My priorities include:

- Ensuring that there are more caring adults to educate our children by reversing the deep cuts inflicted last year, and thereby saving or creating more than 11,000 education positions across North Carolina.
- Unfreezing the salary schedule and giving teachers and principals a pay increase for the first time in four years (1.8% for teachers and approximately 1.5% for school administrators).
- Lowering class size in grades K - 3.
- Increasing our commitment to early childhood education.
- Transforming the way we educate by investing in innovative new education solutions. One such powerful tool, already in place in approximately 480 schools across the state, helps teachers ensure that more children are able to read on grade level by the end of third grade.
- Recruiting, training and supporting teachers by restoring our investments in the Teaching Fellows program, the North Carolina Center for the Advancement of Teaching, and the Teacher Cadet program.
- Restoring funding for the Governor's Schools, NC School for the Deaf, Eastern School for the Deaf, and Governor Morehead School.
- Providing a net increase of more than \$53 million for the community college system.
- Investing more than \$145 million for North Carolina's public universities, including funds to help ensure that working families across North Carolina can afford to send their children to college, and funds to accelerate the development and launch of commercial products derived from university research.



## Investing in *Our* Future:

# Supporting Jobs and Economic Growth

North Carolina is consistently ranked as one of the most business-friendly states in America. Our well-trained and highly-motivated workforce makes North Carolina an ideal place for businesses to invest and expand. I am not content to rest on our great business climate alone, though. My budget contains a number of initiatives designed to stimulate economic growth and help companies create jobs for North Carolinians:

### Put People Back to Work

Put veterans and unemployed North Carolinians back to work with an initiative to encourage small businesses to hire post-911 veterans or unemployed North Carolinians now and retain them for at least a year.

### Support Small Businesses

In addition to the credit for small businesses that hire veterans and unemployed North Carolinians, I am also proposing a credit for angel investments in certain small businesses, a Small Business Startup Tax Credit, and a Research and Development Innovation Tax Credit. And I am proposing funding for the One NC Small Business Fund, which provides early-stage funding for small, high-growth, high-tech businesses across the state.

### Support Manufacturing and Other Key Industries

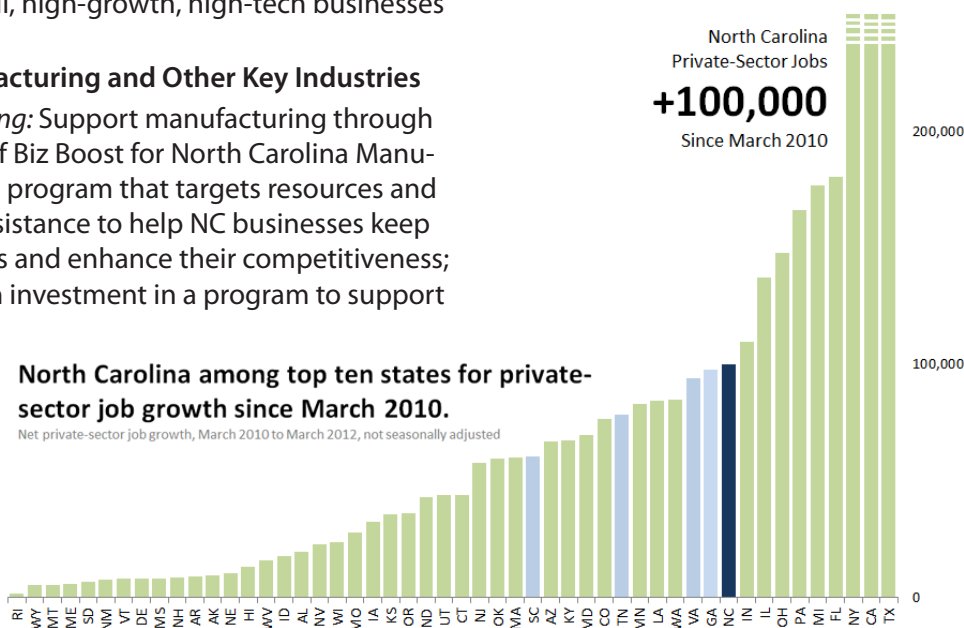
- Manufacturing:** Support manufacturing through expansion of Biz Boost for North Carolina Manufacturers—a program that targets resources and technical assistance to help NC businesses keep and add jobs and enhance their competitiveness; and through investment in a program to support

the activities of NC small manufacturing companies that are seeking to expand jobs by selling products in the global marketplace.

- Film Industry:** Institute a Film Industry Workforce Training program, which will provide funds to Cape Fear Community College and Forsyth Technical Community College to train up to 400 workers for production crews.
- Biotech:** Invest in the Biotechnology Strategic Growth Loan Fund to support technology-based, entrepreneurial companies with an already established technical proof-of-concept; and fund an AgBiotech Initiative to provide targeted funding for certain commercially relevant ag-biotech research projects in North Carolina.
- Energy:** Invest in an Energy Research and Green Jobs initiative to provide funds to Research Triangle Institute (RTI) to support energy research and green jobs; and invest in the North Carolina New Energy Production Initiative, which provides funds to promote energy production in North Carolina and in state and federal waters offshore, and explores new manufacturing opportunities linked to low natural gas prices.

### North Carolina among top ten states for private-sector job growth since March 2010.

Net private-sector job growth, March 2010 to March 2012, not seasonally adjusted



Source: US Department of Commerce, Bureau of Labor Statistics, Current Employment Statistics

NC Office of State Budget & Management

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## Investing in *Our Future*:

# Supporting our Military and their Families

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We must honor the sacrifice of our brave servicemen and women while preserving and enhancing North Carolina's well-earned reputation as the most military-friendly state in America. That is why my budget invests in initiatives that enhance educational and job opportunities for those who have served our nation. My budget also provides funds to improve the quality-of-life in communities where military installations are located. These initiatives include:

### **Educational Opportunities**

- Provide tuition assistance by classifying certain military veterans (and their dependents) as resident students for tuition purposes. To qualify for resident tuition, a military veteran must have been last stationed at a military installation in North Carolina and honorably discharged on or after July 1, 2011.
- Fund Student 2 Student, a program of the Military Child Education Coalition that connects military-connected and civilian students in middle and high school to assist with transition and peer support. Working with school leaders, session participants train individuals within their school to implement the strategies effective in assisting military-connected students with school success.
- Establish regional military counselors that perform military culture training for counselors, teachers and administrators, provide deployment support to schools, assist with crisis intervention, connect students with community agencies, and provide information on student opportunities, such as summer camps and college scholarships.
- Direct additional funds to the National Guard to provide tuition assistance to all eligible soldiers and airmen.

### **Job Opportunities**

- Encourage small businesses to hire veterans and unemployed North Carolinians by providing a

credit of up to \$5,000 to companies that hire post-911 veterans or persons unemployed for greater than 180 days.

- Provide funds to restore the 2011-12 reduction made to the Military Business Center at Fayetteville Technical Community College. This program works with communities and companies to develop and obtain federal business opportunities, including the U.S. military at North Carolina military installations.
- Support the hiring of additional faculty at UNC-W for the Accelerated Nursing Program. This 16-month program, based in Onslow County, will be targeted towards non-nursing baccalaureate holders who are veterans, military personnel, or the spouses of military personnel. The program provides a faster pathway towards careers in nursing and serves the community by increasing the supply of qualified nursing professionals.

### **Help for Military Base Communities**

- Re-establish the Military Morale and Welfare fund, a grants program for military installations throughout the state to provide community service and quality of life programs for military members and their families.
- We will continue to fight on behalf of all of North Carolina's military installations. Funds are provided to assist with Base Realignment and Closure (BRAC) preparation by providing funding that will enable military communities to plan and position themselves favorably in preparation for potential future BRAC actions and/or Federal budget actions that impact North Carolina installations. Funds will support community planning, strategic communication, training range encroachment, and other items that may be identified in coordination with military and Department of Defense leadership.





# *Economic Priorities and Budget Summary*

*for 2012-13*

Table 1  
**Recommended General Fund Budget by Function  
2012-13**

	2012-13 Recommended	%
Education	\$11,741,637,497	56.2%
General Government	416,693,475	2.0%
Health and Human Services	4,631,493,709	22.2%
Justice and Public Safety	2,325,168,844	11.1%
Natural and Economic Resources	417,225,121	2.0%
Transportation	0	0.0%
Capital Improvements	13,678,000	0.1%
Debt Service	710,696,719	3.4%
Reserves and Adjustments	650,493,400	3.1%
<b>Total General Fund Budget</b>	<b>\$20,907,086,765</b>	<b>100.0%</b>

Figure 1  
**Recommended General Fund Budget by Function  
2012-13**

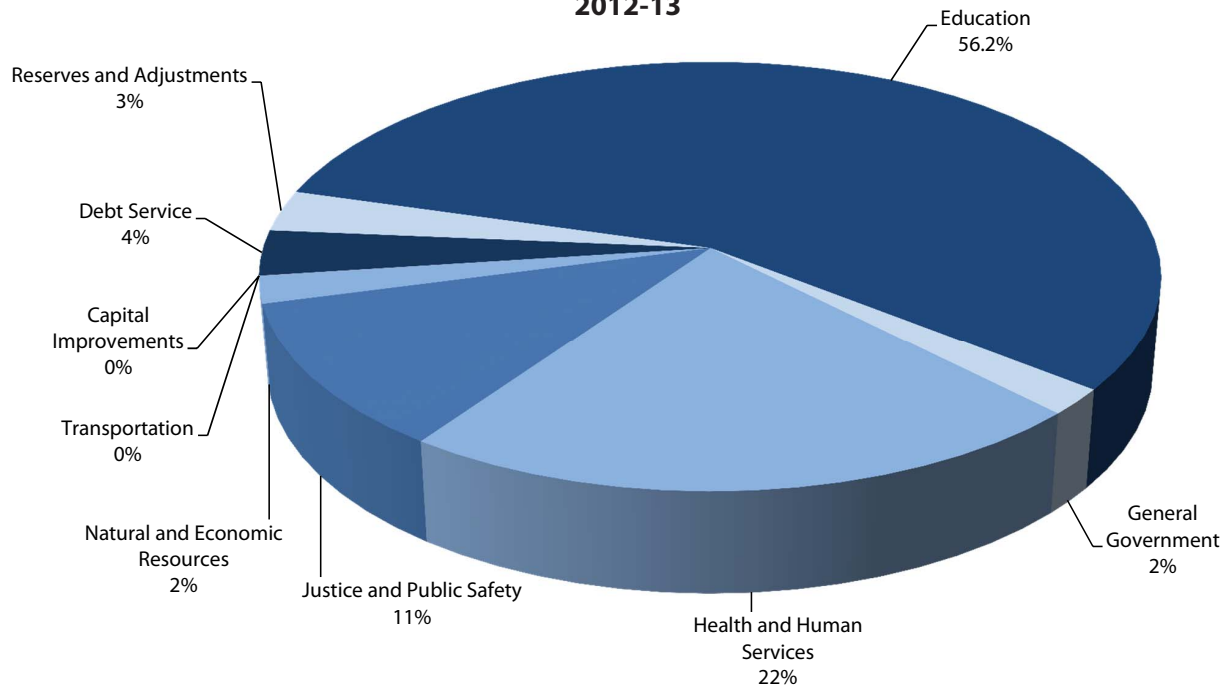


Table 2  
Governor's Recommended General Fund Budget, FY 2012-2013

Budget Code	Function	FY 2012-13 Approved Certified Budget		Reductions		Appropriation Supported Positions		Continuation/Expansion		Net Change	FY 2012-13 Recommended Appropriation	Net Position Change
		FY 2012-13	FY 2012-13	Recurring	Nonrecurring	Appropriation Supported Positions	Nonrecurring	Recurring	Nonrecurring			
13510	Public Education	\$ 7,444,122,100	(94,094,951)	-	-	-	-	-	-	\$ 562,253,440	8,006,375,540	-
16800	Community Colleges	985,000,000	(12,108,704)	-	-	-	-	1,000,000	-	53,504,897	1,038,504,897	-
16900	University System	2,551,672,898	-	-	-	-	-	2,349,358	-	145,084,362	2,696,757,060	231,700
	<b>Total Education</b>	<b>10,980,794,798</b>	<b>(106,203,655)</b>	-	-	-	-	<b>3,349,358</b>	-	<b>760,842,699</b>	<b>11,741,637,497</b>	<b>231,700</b>
	<b>General Government:</b>											
14100	Administration	66,353,073	(1,123,564)	-	-	-	-	28,820	-	10,121,098	76,474,171	7,000
13300	State Auditor	10,676,035	(160,141)	-	-	-	-	-	-	(160,141)	10,515,894	-
14800	Cultural Resources	61,697,001	(1,110,546)	-	-	-	-	1,250,000	-	139,454	61,836,455	-
14802	Cultural Resources - Roanoke Island	1,203,491	-	-	-	-	-	-	-	-	1,203,491	-
11000	General Assembly	50,104,208	(901,876)	-	-	-	-	2,572,506	-	1,670,630	51,774,838	31,600
13000	Governor's Office	4,741,157	(47,412)	-	-	-	-	-	-	(47,412)	4,693,745	-
13010	NC Housing Finance	9,673,051	(96,731)	-	-	-	-	-	-	(96,731)	9,576,320	-
13900	Insurance	36,393,921	(545,909)	-	-	-	-	1,000,000	-	454,091	36,848,012	-
13901	Insurance - Worker's Comp. Fund	2,623,654	-	-	-	-	-	-	-	-	2,623,654	-
13100	Lieutenant Governor	695,324	(41,423)	-	-	-	-	-	-	(41,423)	653,901	-
18210	Office of Administrative Hearings	4,142,258	(1,407,592)	-	-	-	-	2,406,357	-	(41,423)	4,100,835	57,000
14700	Revenue	78,199,538	(1,407,592)	-	-	-	-	-	-	998,765	79,198,303	-
13200	Secretary of State	10,654,563	(159,818)	-	-	-	-	663,936	-	(159,818)	10,494,745	-
18025	State Board of Elections	5,126,603	(51,266)	-	-	-	-	1,276,558	-	612,670	5,739,273	-
13005	State Budget and Management (OSBM)	5,846,663	(58,487)	-	-	-	-	-	-	1,100,000	7,066,734	5,000
13085	OSBM-Special Appropriations	440,612	-	-	-	-	-	-	-	1,100,000	1,540,612	-
14160	Controller's Office	28,368,957	(425,534)	-	-	-	-	-	-	1,100,000	27,943,423	-
13410	State Treasurer	6,621,750	(66,218)	-	-	-	-	-	-	(66,218)	6,555,532	-
13412	State Treasurer - Retirement / Benefits	17,812,114	-	-	-	-	-	-	-	-	17,812,114	-
	<b>Total General Government</b>	<b>401,375,973</b>	<b>(6,196,517)</b>	-	-	-	-	<b>2,128,820</b>	-	<b>15,317,502</b>	<b>416,693,475</b>	<b>100,600</b>
	<b>Health and Human Services:</b>											
14410	Central Administration	44,577,987	(4,357,544)	-	-	-	-	8,579,266	-	13,220,524	57,998,511	(26,884)
14411	Aging	37,019,667	-	-	-	(27,84)	-	4,875,649	-	4,875,649	41,895,316	1,000
14420	Child Development	266,102,933	-	-	-	-	-	43,184,601	-	43,184,601	309,287,534	5,000
14430	Public Health	157,538,834	(900,000)	-	-	-	-	11,726,775	-	10,826,775	168,365,609	19,000
14440	Social Services	186,183,068	(9,079,116)	-	-	-	-	-	-	(9,079,116)	177,103,952	-
14445	Medical Assistance	2,907,276,302	(33,751,743)	-	-	(14,000,000)	-	124,881,512	-	107,557,158	3,014,833,460	-
14446	Child Health	83,717,865	(2,802,057)	-	-	-	-	-	-	(2,802,057)	80,915,808	-
14450	Services for the Blind	8,372,886	(168,336)	-	-	-	-	176,895	-	(168,336)	8,204,550	-
14460	Mental Health/DD/SAS	710,712,232	(8,497,935)	-	-	-	-	15,144,059	-	6,823,019	717,535,251	373,100
14470	Health Service Regulation	16,133,031	-	-	-	-	-	1,892,559	-	1,892,559	18,025,590	-
14480	Vocational Rehabilitation	37,528,128	-	-	-	-	-	-	-	-	37,528,128	-
	<b>Total Health and Human Services</b>	<b>4,455,162,933</b>	<b>(59,556,731)</b>	<b>(14,000,000)</b>	<b>(14,000,000)</b>	<b>(27,84)</b>	<b>208,811,398</b>	<b>41,076,109</b>	<b>41,076,109</b>	<b>176,330,776</b>	<b>4,631,493,709</b>	<b>371,260</b>
	<b>Justice and Public Safety:</b>											
14550	Public Safety	1,694,715,876	(20,321,499)	-	-	(8,178,500)	-	1,588,806	-	(8,576,508)	1,686,139,368	245,000
12000	Judicial	435,141,107	-	-	-	-	-	8,893,777	-	8,893,777	444,034,884	44,000
12001	Judicial - Indigent Defense	112,748,733	-	-	-	-	-	-	-	-	112,748,733	-
13600	Justice	80,864,138	(1,400,000)	-	-	-	-	2,721,222	-	1,381,721	82,245,859	29,000
	<b>Total Justice and Public Safety</b>	<b>2,323,469,854</b>	<b>(21,721,499)</b>	<b>(8,178,500)</b>	<b>(8,178,500)</b>	<b>(4,000)</b>	<b>29,949,684</b>	<b>1,649,305</b>	<b>1,649,305</b>	<b>1,698,990</b>	<b>2,525,168,844</b>	<b>318,000</b>
	<b>Natural and Economic Resources:</b>											
13700	Agriculture & Consumer Services	62,198,634	(2,100,000)	-	-	-	-	2,405,449	-	305,449	62,504,083	8,750
14600	Commerce	33,250,463	(636,159)	-	-	-	-	3,025,000	-	20,100,713	53,351,176	3,500
14601	Commerce - State Aid	73,080,423	(1,331,360)	-	-	(568,640)	-	13,814,747	-	23,525,000	96,605,423	-
14300	Environment and Natural Resources	148,148,105	(17,221,179)	-	-	-	-	778,821	-	12,164,447	160,312,552	183,200
14305	Wildlife Resources Commission	17,221,179	(335,000)	-	-	-	-	-	-	443,821	17,665,000	-
14301	Clean Water Management Trust	11,250,000	(300,000)	-	-	-	-	-	-	(300,000)	11,250,000	-
13800	Labor	15,835,887	-	-	-	-	-	-	-	-	15,835,887	-
	<b>Total Natural &amp; Economic Resources</b>	<b>360,985,691</b>	<b>(4,702,519)</b>	<b>(568,640)</b>	<b>(568,640)</b>	<b>(2,125)</b>	<b>20,660,889</b>	<b>40,849,700</b>	<b>40,849,700</b>	<b>56,239,430</b>	<b>417,225,121</b>	<b>195,460</b>
14222	Transportation	-	-	-	-	-	-	-	-	-	-	-
	<b>Net Agency</b>	<b>18,521,785,249</b>	<b>(198,380,921)</b>	<b>(22,747,140)</b>	<b>(22,747,140)</b>	<b>(80,09)</b>	<b>1,142,504,166</b>	<b>89,053,292</b>	<b>89,053,292</b>	<b>1,010,429,397</b>	<b>19,532,218,646</b>	<b>1,217,020</b>
19600	Capital Improvements	-	-	-	-	-	-	-	-	-	13,678,000	-

**Governor's Recommended General Fund Budget, FY 2012-2013**

Budget Code	Function	FY 2012-13 Approved Certified Budget		Reductions		Appropriation Supported Positions		Continuation/Expansion		Net Change	FY 2012-13 Recommended Appropriation	Net Position Change
		19420	19425	Recurring	Nonrecurring	Recurring	Nonrecurring	Recurring	Nonrecurring			
	<b>Debt Service:</b>											
19420	General Debt Service	759,984,974	-	(50,904,635)	-	-	-	-	-	(50,904,635)	709,080,339	-
19425	Federal Reimbursement	1,616,380	-	-	-	-	-	-	-	1,616,380	1,616,380	-
	<b>Total Debt Service</b>	<b>761,601,354</b>	<b>-</b>	<b>(50,904,635)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(50,904,635)</b>	<b>710,696,719</b>	<b>-</b>
	<b>Reserves and Adjustments:</b>											
19001	Contingency and Emergency Reserve	5,000,000	-	-	-	-	-	-	-	-	5,000,000	-
19004	Salary Adjustment Reserve	-	-	-	-	-	-	-	-	-	-	-
1900x	Severance Reserve	27,400,000	-	-	(6,500,000)	-	-	-	-	(6,500,000)	20,900,000	-
19013	Job Development Incentive Grants Reserve	35,576,758	-	-	(35,576,758)	-	-	-	-	-	-	-
19xxx	Continuation Review Reserve	121,105,840	-	-	-	-	-	-	-	-	161,798,636	-
1900x	Compensation Adjustment, Performance Pay Reserve	7,000,000	-	-	-	37,000,604	-	3,692,182	-	40,692,786	7,000,000	-
1900x	Automated Fraud Detection Development	500,000	-	-	-	-	-	-	-	-	500,000	-
19043	Controller - Fraud Detection Development	102,151,104	-	-	-	-	-	-	-	-	102,151,104	-
19044	IT Initiative	6,158,142	-	-	-	-	-	-	-	-	6,158,142	-
19047	Retirement Rate Adjustment Reserve	336,000,000	-	(63,251,200)	-	-	-	-	-	(63,251,200)	272,748,800	-
19xxx	Judicial Retirement System Reserve	7,800,000	-	-	-	61,069,800	-	-	-	68,869,800	7,800,000	-
19xxx	Fireman and Rescue Squad Pension Fund	5,366,928	-	-	-	-	-	-	-	-	5,366,928	-
19xxx	Reserve for Payment to Escheat Fund	-	-	-	-	-	-	-	-	-	-	-
	<b>Total Reserves and Adjustments</b>	<b>654,658,772</b>	<b>-</b>	<b>(63,251,200)</b>	<b>(42,076,758)</b>	<b>98,070,404</b>	<b>-</b>	<b>3,692,182</b>	<b>-</b>	<b>(3,565,372)</b>	<b>650,493,400</b>	<b>-</b>
<b>Total</b>		<b>\$ 19,937,449,375</b>	<b>\$ -</b>	<b>(312,536,756)</b>	<b>(64,823,898)</b>	<b>1,240,574,570</b>	<b>(80.09)</b>	<b>106,423,474</b>	<b>1,297.11</b>	<b>\$ 969,637,390</b>	<b>20,907,086,765</b>	<b>1,217.02</b>

Table 3

**Governor's Recommended Highway Fund and Highway Trust Fund Budget  
2012-13**

Function	FY 2012-13 Approved Certified Budget	Reductions		Other Continuation/Expansion		FY 2012-13 Recommended Appropriation	Net Change	Net Position Change
		Recurring	Nonrecurring	Appropriation Supported Positions	Recurring			
DOT Administration	85,412,594	-	-	-	8,992,030	5,041,271	14,033,301	99,445,895
<i>Division of Highways</i>								
Administration	34,836,793	-	-	-	-	-	-	34,836,793
Construction	86,339,067	-	-	-	-	-	-	86,339,067
Maintenance	1,249,514,751	(144,681,735)	(5,848,500)	-	794,439	-	(149,735,796)	1,099,778,955
Planning and Research	4,055,402	-	-	-	-	-	-	4,055,402
OSHA Program	372,792	-	-	-	-	-	-	372,792
Ferry Operations	43,538,132	-	-	-	2,500,000	532,000	3,032,000	46,570,132
<i>State Aid</i>								
Municipalities	90,187,224	(912,604)	-	-	-	-	(912,604)	89,274,620
Public Transportation	90,551,575	-	-	-	-	-	-	90,551,575
Airports	22,311,031	-	-	-	-	-	-	22,311,031
Railroads	21,701,153	-	-	-	-	-	-	21,701,153
Governor's Highway Safety Program	273,093	-	-	-	-	-	-	273,093
Division of Motor Vehicles	43,004,042	-	-	-	48,171,552	88,110	48,259,662	91,263,704
Other State Agencies	273,919,396	(207,961)	-	-	12,228,330	-	12,020,369	285,939,765
Reserves and Transfers	731,42,955	(50,561,947)	-	-	5,110,015	-	(45,451,932)	27,691,023
Capital Improvements	15,000,000	-	-	-	-	625,000	625,000	15,625,000
<b>Total Highway Fund</b>	<b>2,134,160,000</b>	<b>(196,364,247)</b>	<b>(5,848,500)</b>	<b>-</b>	<b>77,796,366</b>	<b>6,286,381</b>	<b>(118,130,000)</b>	<b>2,016,030,000</b>
Administration	47,107,200	(1,516,320)	-	-	-	-	(1,516,320)	45,590,880
<i>Construction</i>								
Intrastate System	487,503,034	(18,505,930)	-	-	-	-	(18,505,930)	468,997,104
Urban Loop System	212,957,986	(7,483,027)	-	-	-	-	(7,483,027)	205,474,959
Secondary Roads	49,320,944	(2,143,020)	-	-	-	-	(2,143,020)	47,177,924
State Aid to Municipalities	54,043,432	(1,941,703)	-	-	-	-	(1,941,703)	52,101,729
<i>Bonds</i>								
Bond Redemption	61,646,984	-	-	-	-	-	-	61,646,984
Bond Interest	19,834,559	-	-	-	-	-	-	19,834,559
NC Turnpike Authority	81,500,000	-	-	-	-	-	-	81,500,000
NC Mobility Fund	-	-	-	-	-	-	-	-
DOT Prioritization Reserve	45,000,000	-	-	-	-	-	-	45,000,000
Transfer to the Highway Fund	400,000	-	-	-	-	-	-	400,000
Transfer to the General Fund	27,595,861	-	-	-	-	-	-	27,595,861
<b>Total Highway Trust Fund</b>	<b>1,086,910,000</b>	<b>(31,590,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(31,590,000)</b>	<b>1,055,320,000</b>

Table 4

**Governor's Recommendation General Fund Balance Sheet, FY 2012-13**

<b>Brief Description</b>	<b>FY 2012-13</b>
<b>Availability</b>	
<u>Credit Balance:</u>	
Unappropriated Balance	\$ 41,232,325
Overcollections	232,500,000
Reversions	122,500,000
Medicaid Provider Payments in FY 2011-12	(200,000,000)
<i>Subtotal Credit Balance</i>	\$ 196,232,325
<u>Base Revenues</u>	\$ 19,944,500,000
<u>Revenue Changes:</u>	
Reinstate 0.75% Sales Tax Increase (effective 7-1-12)	\$ 760,000,000
Small Business Jobs Credit, Extend Various Tax Sunsets	(3,000,000)
<i>Subtotal Revenue Changes</i>	\$ 757,000,000
<u>Other Revenue</u>	\$ 9,600,000
<b>Total Recommended Availability</b>	<b>\$ 20,907,332,325</b>
<b>Expenditures</b>	
<u>Recurring Base Budget</u>	\$ 19,937,449,375
<u>Reductions:</u>	
Non-Education Reductions	\$ (114,924,406)
Other Technical Reductions	(156,232,593)
<i>Subtotal Reductions</i>	\$ (271,156,999)
<u>Non-Education Expansion</u>	\$ 454,951,690
<u>Education Net Change:</u>	
Public Education	\$ 562,253,440
Community Colleges	53,504,897
University System	145,084,362
NC Pre-Kindergarten	25,000,000
<i>Subtotal Education</i>	\$ 785,842,699
<b>Total Recommended Expenditures</b>	<b>\$ 20,907,086,765</b>
<b>General Fund Balance</b>	<b>\$ 245,560</b>



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*Investing in **Our** Future:*

***Economic Outlook  
and Revenue Forecasts***

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# Economic Outlook

## National Economic Forecast

- Economic signs for 2012 are encouraging, although GDP growth will likely slow initially in 2012 before accelerating later in the year and into 2013.
- The U.S. labor market finished 2011 and started 2012 strongly. Employment growth is expected to slow compared to the early 2012 pace, but register modest 1.6% and 1.7% growth in 2012 and 2013.
- Consumer spending has picked up as pent-up demand has fueled spending increases, notably in the auto sector. However, high debt burdens, elevated oil prices, and housing market struggles will not allow consumer spending to drive the economic recovery in 2012 and 2013. Spending is expected to fall slightly to 2.1% in 2012 from 2.2% in 2011.
- Housing demand is strengthening and starts are expected to improve modestly during 2012. Prices are beginning to stabilize, but are still expected to fall slightly in 2012.

## North Carolina Economic Forecast

- North Carolina's economy is improving, although growth is expected to slow modestly in early 2012 before picking up momentum into 2013.
- The North Carolina labor market has exhibited signs of improvement. Since February 2010, the private sector has added 108,800 jobs (see Figure 3). North Carolina's total employment is forecast to grow 1.6% in 2012 and 1.8% in 2013, about the same as the national employment forecast.
- The unemployment rate, currently at 9.7%, is expected to fall to 9.4% by the end of 2012.
- Real private earnings are up more than 5% since early 2009 (see Figure 2). Wages, the largest component of earnings and a key revenue forecast variable, are forecast to grow approximately 4% in 2012 and 2013.
- After being hit extremely hard during the recession, North Carolina manufacturing posted a small job gain in 2011. Manufacturing is forecast to expand 1.8% and 2.4% in 2012 and 2013.
- Employment gains will likely be led by the professional and business services sector, which is projected to grow 2.5% in 2012 and 3.9% in 2013.
- The consistent education and health services sector is expected to expand 2.1% and 1.3% in 2012 and 2013, respectively.
- Job losses in construction have been particularly difficult to reverse. However, the sector is expected to stabilize in 2012 and grow 2.2% in 2013 as the housing market accelerates.
- After remaining relatively flat in 2011, housing starts are expected to grow near 20% over the next several years.

Figure 2

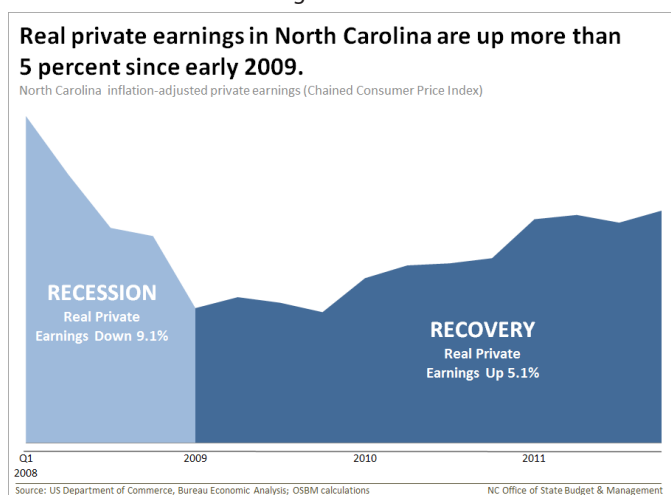
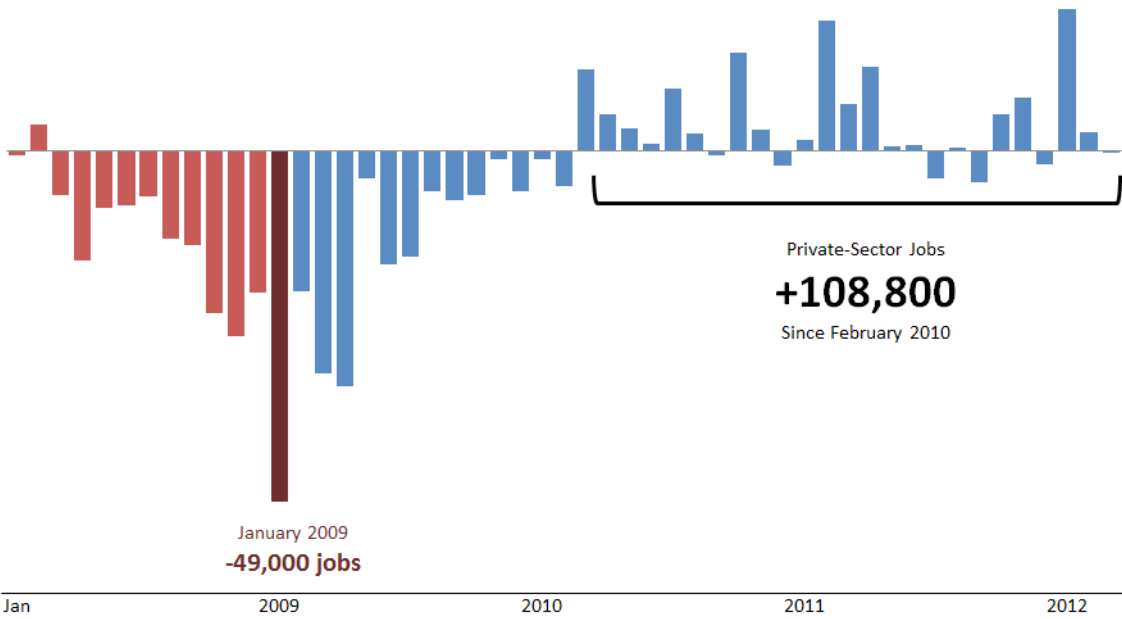


Figure 3

## North Carolina's economy has added nearly 110,000 new private-sector jobs over past 25 months.

Change in North Carolina monthly private, non-farm employment, seasonally adjusted

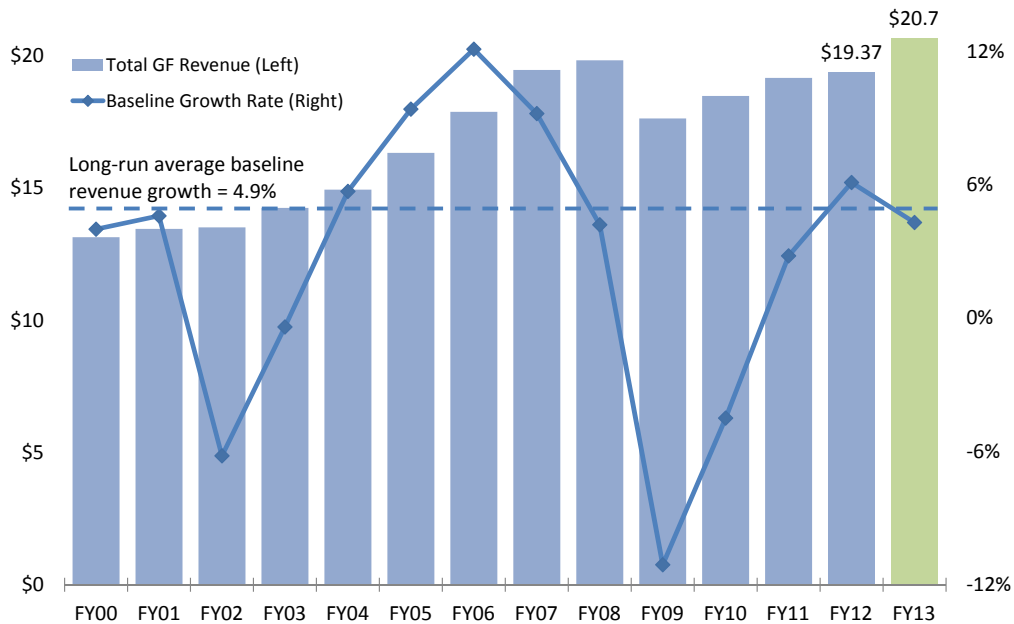


Source: US Department of Commerce, Bureau of Labor Statistics, Current Employment Statistics NC Office of State Budget & Management

Figure 4

## Total General Fund Revenue: Fiscal Year 2000 to 2013

Billions of current-year dollars (left axis); Year-over-year percent change (right axis)



Note: Baseline revenue growth measures economy-based changes in annual revenue, controlling for tax-law changes

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# General Fund Revenue Forecast

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About half of North Carolina's total revenue originates from tax collections and other sources comprising the General Fund. The other half consists of funds from the federal government, highway funds, the Education Lottery, and other receipts and fees (e.g., tuition). General Fund revenues are primarily derived from three sources: individual income tax, corporate income tax, and the sales and use tax. Other important sources include franchise, insurance, alcohol and other miscellaneous taxes. In addition, nontax revenue, such as earnings from investment of state funds, supports the General Fund.

General Fund revenue improved in 2011-12 as the economy continues to slowly gain momentum. The General Fund revenue forecast anticipates growth to slow modestly in 2012-13. Specific highlights of the forecast include:

- General Fund revenue is expected to register 6.2 % base growth in 2011-12, slightly above last year (see Figure 4). By the end of 2011-12, General Fund revenue collections are expected to total \$19,374.4 million, \$232.5 million above the budgeted forecast.
- Reflecting a modest pace of recovery, General Fund revenue is forecasted to post 4.3 % base growth in 2012-13, down slightly from

2011-12 growth. Table 5 details this forecast adjusted for recommended revenue changes.

- Individual income tax collections, North Carolina's single largest revenue source, are expected to grow 4.8% in 2011-12, \$401.5 million above the budgeted forecast. Growth is expected to fall to 3.1% in 2012-13 as the full year impact from the Small Business Tax Relief Package is realized.
- Sales and use tax collections, which comprise nearly one-third of General Fund revenue, are estimated to finish slightly below the budgeted forecast in 2011-12. Boosted by the Governor's recommendation to reinstate the state sales tax rate at 5.5% (increases the current rate by 0.75%) and an improved labor market, sales and use tax collections are expected to grow 18.4% in 2012-13.
- Corporate collections are forecast to grow 4.2% in 2011-12, outpacing budgeted expectations by \$56.2 million as business profits were higher than anticipated. Reflecting an improving business climate and the historic volatility of this revenue source, corporate tax collections are expected to increase 1.8% in 2012-13.

Table 5

## General Fund Revenue by Fiscal Year: Recent History and Forecast

	2008-09	2009-10	2010-11	2011-12	2011-12	2011-12	2012-13	2012-13	Percent	2012-13	Percent
	Actual	Actual	Actual	Budget	Revised	Change	Budget	Revised	Change	Budget	Change
<b>Tax Revenue</b>											
Individual Income	9470.2	9047.6	9734.9	9800.1	10201.5	4.8	10232.0	10517.1	3.1		
Sales and Use	4677.9	5565.0	5872.0	5293.1	5254.1	-10.5	5534.3	6218.9	18.4		
Corporate Income	835.5	1197.9	1013.5	1000.2	1056.4	4.2	1058.0	1075.0	1.8		
Franchise	651.9	724.5	607.5	649.9	599.1	-1.4	687.6	615.2	2.7		
Insurance	466.6	486.8	480.1	510.9	487.9	1.6	532.4	511.1	4.8		
Beverage	228.5	282.3	275.2	296.6	287.6	4.5	312.3	293.2	1.9		
Inheritance	104.3	71.9	23.8	64.0	57.5	142.0	92.2	83.5	45.2		
Licenses	37.5	39.2	41.3	43.7	43.2	4.5	45.2	44.5	3.0		
Tobacco Products	227.1	251.7	265.3	260.2	268.4	1.2	253.9	262.8	-2.1		
Mill Machinery	32.9	31.9	32.5	34.1	36.3	11.7	34.7	36.8	1.4		
Piped Natural Gas	34.2	33.8	31.0	35.0	28.5	-8.1	34.5	29.1	2.1		
Gift	12.3	12.0	3.0	0.0	0.0	n.a.	0.0	0.0	n.a.		
Miscellaneous	0.0	0.0	0.0	0.0	1.0	n.a.	0.0	1.0	n.a.		
<b>Total Tax Revenue</b>	<b>16778.9</b>	<b>17744.7</b>	<b>18380.1</b>	<b>17987.7</b>	<b>18321.5</b>	<b>-0.3</b>	<b>18817.1</b>	<b>19688.2</b>	<b>7.5</b>		
<b>Nontax Revenue</b>											
Investment Income	113.3	40.8	26.3	59.4	15.8	-39.9	76.7	21.6	36.7		
Judicial Fees	191.2	216.9	225.8	279.6	248.6	10.1	279.6	258.7	4.1		
Disproportionate Share Receipts	100.0	125.0	135.0	115.0	115.0	-14.8	115.0	115.0	0.0		
Insurance Department	76.5	69.6	67.5	71.4	69.7	3.3	73.5	73.7	5.7		
Miscellaneous	201.6	312.3	232.0	531.9	310.0	33.6	509.9	304.4	-1.8		
<b>Total Nontax Revenue</b>	<b>682.6</b>	<b>764.7</b>	<b>686.6</b>	<b>860.4</b>	<b>759.1</b>	<b>10.6</b>	<b>866.4</b>	<b>773.4</b>	<b>1.9</b>		
<b>Transfers</b>											
Highway Fund	147.5	108.5	17.0	76.7	76.7	351.2	27.6	27.6	-64.0		
Highway Trust Fund	17.6	17.6	72.9	20.2	217.1	197.8	24.1	212.3	-2.2		
<b>Total Transfers</b>	<b>165.1</b>	<b>126.1</b>	<b>89.9</b>	<b>97.0</b>	<b>293.8</b>	<b>226.8</b>	<b>239.9</b>	<b>239.9</b>	<b>-18.4</b>		
<b>Total General Fund Revenue</b>	<b>17626.6</b>	<b>18635.5</b>	<b>19156.6</b>	<b>19141.9</b>	<b>19374.4</b>	<b>1.1</b>	<b>19923.5</b>	<b>20701.5</b>	<b>6.8</b>		

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

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# Highway Fund Revenue

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## Current Fiscal Year Update

Fiscal year 2011-12 revenues are expected to exceed last year's totals by 7.8%. Despite this growth, revenue is expected to finish 3.1% below the official forecast as the excise tax on motor fuels and motor fuel consumption remained lower than expected. Specifically, motor fuel consumption is anticipated to fall 1.7% after consecutive years of flat to small increases. Licenses and fees are expected to finish 0.5% ahead of fiscal year 2011-12, but slightly below forecast.

## Fiscal Year 2012-13 Revenue Projections

Projected revenue for fiscal year 2012-13 is expected to exceed fiscal year 2011-12 levels by 2.7%. The forecast is impacted by the Governor's recommendation to cap the state gas tax at 37.5 cents per gallon beginning in July 2012. The cap is expected to save North Carolina motorists approximately \$63 million in fiscal year 2012-13. Motor fuel consumption is also expected to decline slightly as gas prices are anticipated to remain elevated and the motor fleet continues to become more fuel efficient. Licenses and fees are expected to increase 1.3% over revised revenue projections for fiscal year 2011-12. This change is fueled by increases in domestic and international truck registrations as the economic recovery continues to gain traction.

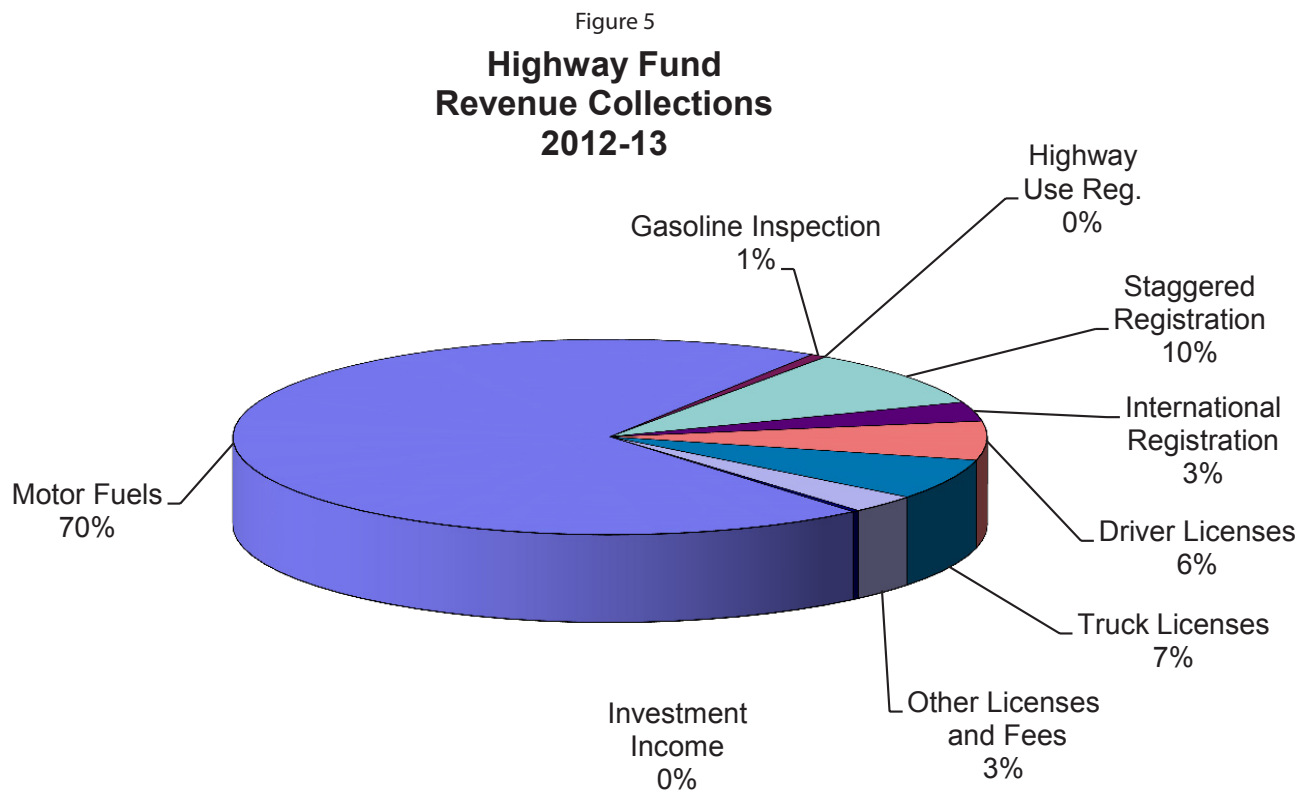


Table 6

**Highway Fund Revenue**

Actuals and Estimates

(\$ Millions)

Source	2008-09 Actual	2009-10 Actual	2010-11 Actual	2011-12 Budget	2011-12 Revised	Percent Change	2012-13 Budget	2012-13 Revised	Percent Change
<b><u>Motor Fuels Tax</u></b>									
Motor Fuels	1,115.0	1,143.6	1,227.4	1,418.1	1,368.3	11.5%	1,519.5	1,413.7	3.3%
Gasoline Inspection	13.7	14.1	14.1	14.1	14.0	-0.7%	14.3	13.8	-1.2%
Highway Use Reg.	0.2	0.3	0.3	0.2	0.2	-35.5%	0.2	0.2	-20.0%
Total Motor Fuel Taxes	1,128.9	1,158.0	1,241.8	1,432.4	1,382.5	11.3%	1,533.9	1,427.7	3.3%
<b><u>Licenses and Fees</u></b>									
Staggered Registration	195.9	189.1	196.2	189.6	191.7	-2.3%	189.9	192.0	0.2%
International Registration Plan	62.1	58.7	60.8	68.4	62.2	2.3%	69.9	64.6	3.9%
Driver Licenses	129.7	126.5	126.8	126.6	127.8	0.8%	127.3	129.6	1.4%
Truck Licenses	134.0	128.1	131.7	138.0	134.3	1.9%	141.0	135.6	1.0%
Other Licenses and Fees	63.7	56.0	56.2	64.2	58.7	4.5%	66.3	60.6	3.1%
Total Licenses and Fees	585.3	558.5	571.7	586.8	574.7	0.5%	594.4	582.3	1.3%
<b><u>Investment Income</u></b>	24.4	15.2	7.7	6.0	6.1	-20.6%	6.0	6.0	-2.1%
<b>Total Highway Fund Availability</b>	1,738.6	1,731.7	1,821.2	2,025.2	1,963.3	7.8%	2,134.3	2,016.0	2.7%

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

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# Highway Trust Fund Revenue

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## Current Fiscal Year Update

Fiscal year 2011-12 revenues are expected to exceed last year's levels by 6.4%. Despite registering solid growth, revenue is expected to finish fiscal year 2011-12 slightly below the official forecast as the excise tax on motor fuels and motor fuel consumption remained lower than anticipated. Following a year of relatively flat growth, motor fuel consumption is anticipated to fall 1.7% in fiscal year 2011-12. Driven by an improving economy and consumer sentiment, the highway use tax is expected to increase 2.9% over fiscal year 2010-11 levels and 2.0% above forecast. Title registrations are expected to slightly exceed the budgeted target.

## Fiscal Year 2012-13 Revenue Projections

Projected revenue for fiscal year 2012-13 is expected to outpace revised fiscal year 2011-12 by 2.3%. The fiscal year 2012-13 forecast is impacted by the Governor's recommendation to cap the state gas tax at 37.5 cents per gallon beginning in July 2012. The cap is expected to save North Carolina motorists approximately \$63 million in fiscal year 2012-13. Motor fuel consumption is also expected to decline slightly as gas prices are anticipated to remain elevated and the motor fleet continues to become more fuel efficient. The highway use tax is expected to increase 1.3% over revised fiscal year 2011-12 as the economy and consumer spending continues to improve. Title registrations are also expected to post modest gains.

Figure 6  
**Highway Trust Fund  
Revenue Collections**  
2012-13

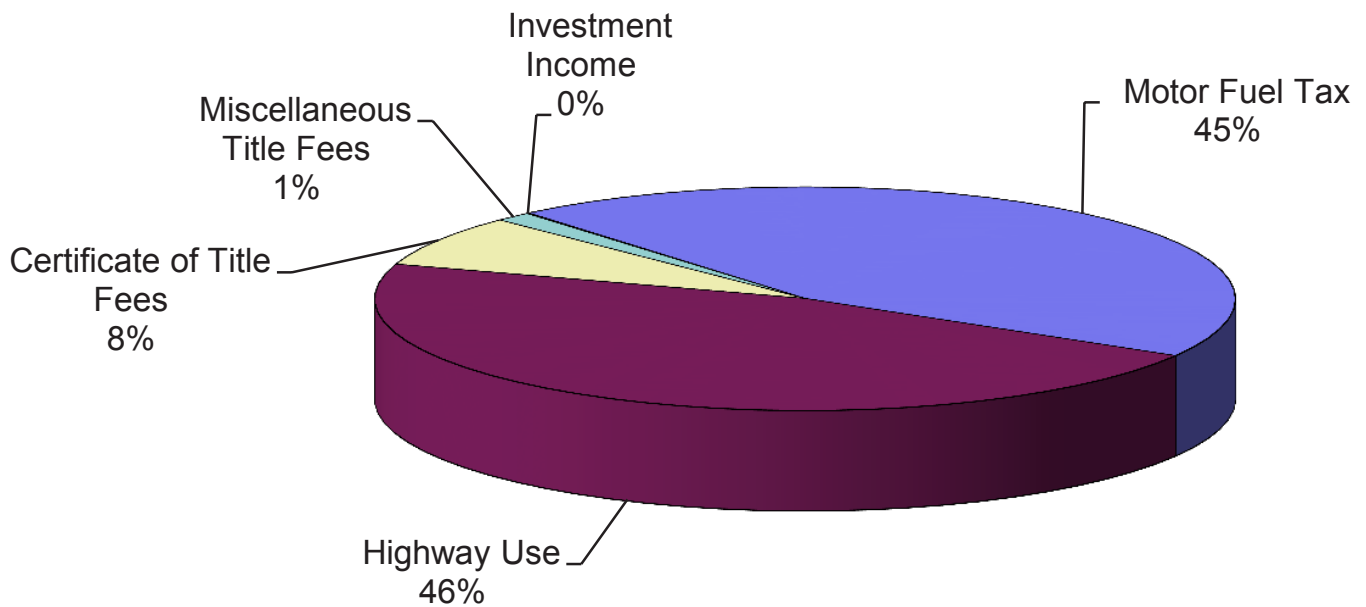


Table 7  
**Highway Trust Fund Revenue**  
 Actuals and Estimates  
 (\$ Millions)

Source	2008-09	2009-10	2010-11	2011-12	2011-12	Percent	2012-13	2012-13	Percent
	Actual	Actual	Actual	Budget	Revised	Change	Budget	Revised	Change
<b>Fuel Taxes and Fees</b>									
Motor Fuel Tax	\$ 377.5	\$ 381.9	\$ 409.6	\$ 472.7	\$ 456.1	11.3%	\$ 506.5	\$ 471.2	3.3%
Highway Use	441.4	440.5	470.1	474.3	483.7	2.9%	485.0	490.0	1.3%
Certificate of Title Fees	72.1	72.6	76.0	77.4	77.0	1.3%	79.1	78.6	2.1%
Miscellaneous Title Fees	13.9	13.1	13.2	15.0	13.8	4.9%	15.3	14.5	5.0%
Subtotal	\$ 904.9	\$ 908.1	\$ 968.9	\$ 1,039.4	\$ 1,030.6	6.4%	\$ 1,085.9	\$ 1,054.3	2.3%
<b>Interest on Investments</b>									
	\$ 0.9	\$ 1.0	\$ 1.0	\$ 1.0	\$ 1.3	32.1%	\$ 1.0	\$ 1.0	-23.1%
<b>Total Highway Trust Fund Availability</b>	\$ 905.8	\$ 909.2	\$ 969.9	\$ 1,040.4	\$ 1,031.9	6.4%	\$ 1,086.9	\$ 1,055.3	2.3%

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



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## Investing in **Our** Future:

# Education

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### Public Education

- Restores \$503 million LEA flex cut, which retains/reinstates an estimated 9,800 teachers, teacher assistants, and other school-based positions.
- Reduces class size in grades K-3, providing 1,671 additional teachers to maximize achievement in the early grades.
- Restores the legislative cut to elementary school diagnostics to ensure basic deficiencies in reading are addressed before students move to middle school.
- Approves \$7.5 million to provide diagnostics in grades 8-12 to identify students in need of assistance, and guide individualized student instructional strategies to ensure students graduate career and college ready.
- Reinstates mentoring funds to support 1st and 2nd year teachers in order to accelerate skill and knowledge development.

### Community Colleges

- Restores \$55 million to the community colleges from the management flexibility reductions.
- Provides funds to allow honorably discharged veterans to qualify for resident tuition if last stationed in North Carolina and discharged on or after July 1, 2011.
- Appropriates \$1 million for film industry workforce training courses for production crews in North Carolina.

### University System

- Approves \$17.4 million to fully fund the enrollment growth request of 680 additional students for 2012-13.
- Provides \$35 million for UNC Need-Based Financial Aid to restore aid for needy students that had been provided in 2010-11 but not funded in 2011-13.
- Provides funds to allow honorably discharged veterans to qualify for resident tuition if last stationed in North Carolina and discharged on or after July 1, 2011.
- Establishes a UNC performance accountability fund of \$8 million, which includes retention, graduation, efficiency and financial measures, targets, and results prominently displayed on UNC System public websites.
- Provides \$5 million to recruit and retain critical faculty positions across the UNC System.
- Creates a NC Teacher Institute, housed at the NCSU Friday Institute, to establish a state-wide network of online and in-person high-quality, comprehensive professional development for teachers.



**Public Education (13510)**

<b>Total Appropriations and Positions</b>				
	<b>2012-13 Certified</b>	<b>Net Recommended Expansion and Reduction</b>	<b>2012-13 Recommended</b>	<b>Percent Change</b>
Requirements	\$9,855,223,491	\$562,253,440	\$10,417,476,931	5.7 %
Receipts	<u>2,411,101,391</u>	-	<u>2,411,101,391</u>	0.0 %
Appropriation	<u>\$7,444,122,100</u>	<u>\$562,253,440</u>	<u>\$8,006,375,540</u>	7.6 %
Positions	1,065.352	-	1,065.352	0.0 %

**Appropriation Items -- Recommended Adjustments**

**Technical Adjustments**

2012-13

**State Public School Fund**

**1. Average Teacher Salary Adjustment**

Budgeted average annual salaries are revised using 2011-12 sixth pay period salaries as the base. This adjustment is made annually after reviewing budgeted salary projections for all certified personnel. Typically, because of turnover in these positions, the actual salaries are lower than budgeted salaries, and savings can be realized without reducing teacher salaries.

**Appropriation (\$85,670,329)**

**2. Average Daily Membership (ADM) Adjustment**

This appropriation ensures adequate funding for positions and instructional supplies that are allocated to LEAs based on ADM. ADM is currently budgeted for 1,480,991 in 2011-12 and 1,494,877 projected for 2012-13. Recent data result in an overall net decrease of 2,084 from the 2012-13 projected ADM. Total funded ADM for 2012-13 is 1,492,793.

**Appropriation (\$6,423,088)**

**Total Recommended Technical Adjustments**

**Recurring**

Requirements	(\$92,093,417)
Receipts	-
Appropriation	<u>(\$92,093,417)</u>
Number of Positions	-

**Nonrecurring**

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

**Reductions**

2012-13

**Reductions**

**1. 10th Grade Writing Test**

This item eliminates the 10th grade writing test to be replaced by the high school diagnostic assessments, which provide more detailed student-specific results across multiple subjects to guide instruction. The Governor recommends that these savings are redirected to fund EXPLORE (8th grade), PLAN (10th grade), ACT (11th grade), and WORKKEYS (12th grade Career and Technical Education).

**Appropriation (\$2,001,534)**

**Total Recommended Reductions**

**Recurring**

Requirements	(\$2,001,534)
Receipts	-
<hr/>	
Appropriation	(\$2,001,534)
Number of Positions	-

**Nonrecurring**

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

**Expansion**

2012-13

**State Public Fund**

The following strategies will ensure that classrooms and schools are staffed with effective teachers, teacher assistants, and other school-based personnel essential to student success and safety.

**1. Restore Local Education Agency (LEA) Flexibility Adjustment**

Substantial position losses in public schools have resulted from the flexibility reductions taken by the legislature. This item restores the reduction with the goal to protect school-based jobs and maintain class size to increase student achievement. This restoration retains or reinstates an estimated 9,800 teacher, teacher assistant, and other school-based positions. This has been

partially managed with the federal dollars from the Education Jobs grant that expires September 30, 2012, potentially forcing teacher position losses that would result in increased class size.

**Appropriation \$503,067,940**

## **2. Salary Increase for Teachers and LEA Employees**

Public school employee salaries have been frozen since 2009-10. This item provides 25% of the cost of a salary step for certified personnel, including teachers, principals, counselors, etc. and a 1.8% salary increase for noncertified employees. The remaining cost for this salary increase appears in the Statewide Reserves Section of this document.

**Appropriation \$21,903,108**

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## **Maximize Student Achievement**

The Governor is committed to using technology to transform the way we educate our children and help ensure that children can read on grade level by the end of third grade. The following strategies increase support for individualized instruction for students so they remain on grade level and graduate ready for a career, college, or technical training.

### **1. Reduce Class Size in Grades K-3**

This item reduces class size in grades K-3 by one and provides 1,671 additional teachers. Current ratios are 1:18 in kindergarten and 1:17 in grades 1-3.

**Appropriation \$92,885,877**

### **2. Diagnostics-Elementary**

This item restores the recurring reduction that eliminated support for reading diagnostics taken by the General Assembly in Session Law 2011-145 for 2011-12. The recommended appropriation supports professional development for teachers in reading strategies and the purchase of mobile assessment devices. This initiative is critical to the delivery of key instructional intervention strategies to personalize instruction and improve student reading achievement. These funds also support the renewal of student subscriptions for the data and assessments in the 480 pilot schools and the purchase of student subscriptions in an additional 182 schools with a performance composite of less than 80%.

**Appropriation \$10,000,000**

### **3. Diagnostics-Grades 8-12**

Funding is provided for EXPLORE (8th grade), PLAN (10th grade, the ACT (11th grade), and WORKKEYS (grade 12 Career and Technical Education). The results of these assessments provide information that can guide the use of individualized student instructional strategies in English, Writing, Math and Science to ensure students are career and college ready. EXPLORE, administered to 8th graders, is aligned to the Common Core and assesses students' knowledge and skills to be successful in high school. PLAN is a diagnostic assessment that identifies areas of needed improvement and is a strong predictor of success on the ACT. The ACT is considered an accurate gauge of school achievement and career and college readiness. Results can also be used to identify students in need of assistance and to guide instruction to ensure adequate preparation for college and careers. WORKKEYS, administered to 12th graders who have completed a four-course CTE sequence, measures the acquisition of skills critical to job success. Full implementation of this initiative will lead to a decreased need for developmental courses in higher education. The total cost of this item is offset by \$2 million realized from the elimination of the 10th grade writing test.

**Appropriation \$7,500,000**

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### Teacher Recruitment, Training, and Support

Delivery of the following initiatives will integrate technology with other research-based best practices to promote efficiencies and ensure that teachers receive the professional development both face to face and virtually, as well as support to acquire and apply 21st century skills in the classroom.

#### 1. Teaching Fellows

The Teaching Fellows program provides scholarships to talented high school graduates in order to recruit high-performing students into the teaching profession. Historically, the program has awarded 500 new scholarships per year. There are currently approximately 2,000 Teaching Fellows scholars pursuing a teacher education degree at 17 public or private university and college campuses across the state. The Teaching Fellows program was enacted by the General Assembly in 1986. The 2011 General Assembly eliminated funds for this program beginning in 2012-13. The Governor recommends restoring the funding to ensure continuation of this program that enables the state to recruit talented teachers for North Carolina classrooms.

**Appropriation    \$3,475,000**

#### 2. Mentoring

These funds are allocated so that 1st and 2nd year teachers, and 1st year instructional support personnel can receive mentors in order to accelerate skill and knowledge acquisition, ultimately promoting student achievement. The General Assembly eliminated this funding on a nonrecurring basis for 2010-11 and a recurring basis for 2011-13. It is recommended that recurring funding be fully restored so that beginning teachers receive the kind of instructional support necessary to be successful in the classroom.

**Appropriation    \$9,214,190**

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

NCCAT provides professional development to North Carolina teachers and school administrators. Opportunities include beginning teacher seminars to reduce attrition and strengthen instructional practices that accelerate student learning; renewal seminars to support retention of highly qualified, skilled teachers; and advanced seminars to increase innovation and the application of best practices in the classroom--all with the ultimate purpose of increasing student academic achievement. This item restores the funding for personnel and operating reductions enacted by the 2011 General Assembly.

**Appropriation    \$3,000,000**

#### 4. Teacher Cadet

The Teacher Cadet curriculum provides high school juniors and seniors interested in the teaching profession a preview of all facets of the classroom, school, and broader education system. Student involvement in content, application, and observation in various settings allows participants to make an informed commitment to the pursuit of a teaching credential. As a result, this curriculum can serve as a model for teacher recruitment. State support for this program was eliminated by the 2011 General Assembly. This item fully restores the reduction.

**Appropriation    \$127,500**

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### **K-12 Support for Military Students**

North Carolina, with six major military installations and the fourth largest number of military personnel in the nation, is a member of the Interstate Compact on Education Opportunities for Military Families, along with 10 other states. The Governor is committed to maintaining North Carolina's status as the most military-friendly state in America. The following initiatives provide focused support for the unique needs of military students.

#### **1. Student 2 Student**

This initiative, a program of the Military Child Education Coalition, connects military-connected and civilian students in middle and high school to assist with transition and peer support. Funding supports the attendance of two students, two adult advisors, and one School Liaison Officer from each school at a train the trainer session. Working with school leaders, session participants train additional individuals within their school to implement the strategies effective in assisting military-connected students with school success. This appropriation funds 30 total locations in 16 local school administrative units (LEAs) at a cost of \$17K per location. Nine LEAs (Bladen, Carteret, Lee, Moore, Sampson, Scotland, Pender, Richmond, and Robeson) receive funding for one high school; seven LEAs (Craven, Cumberland, Harnett, Hoke, Onslow, Pasquotank, and Wayne) receive funding for one high school and two additional locations for high schools and/or middle schools. The LEAs will distribute funds to individual schools based on a combination of the highest active duty military-connected ADM students and demonstrated need.

**Appropriation      \$510,000**

#### **2. Regional Military Counselors**

Regional military counselors perform military culture training for counselors, teachers and administrators, provide deployment support to schools, assist with crisis intervention, connect students with community agencies, and provide information on student opportunities, such as summer camps and college scholarships. Funds in the amount of \$240,000 were initially appropriated for four counselors, one each in Cumberland, Craven, Onslow, and Wayne counties in Session Law 2007-323. This initiative funds five additional military counselors: two for Onslow County schools, and 3 for Cumberland County schools due to the large population of military-connected students in these districts.

**Appropriation      \$315,188**

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### **Department of Public Instruction**

#### **1. Residential Schools**

The residential schools received a \$5.5 million legislative reduction for fiscal year 2012-13. This partial restoration of \$3.5 million will assist the Department of Public Instruction (DPI) in keeping all three residential schools (NC School for the Deaf, Eastern School for the Deaf, and Governor Morehead School) open, restoring personnel and operating reductions. Continued operation of the schools will also require DPI to collect rental fees and cut vacant positions at the schools to ensure there is adequate budget for this purpose. A special provision allows the department to retain and expend the rental receipts specifically for the purpose of operating the schools, but prohibits the use of these receipts for administrative expenditures incurred by the department.

**Appropriation      \$3,500,000**

**2. Governor's Schools**

This five week residential program for academically or intellectually gifted North Carolina high school students is the oldest in the nation. Rising seniors are taught and mentored by scholars and artists from across the country. This item restores the legislative reduction taken in Session Law 2011-145. The Department is permitted to charge tuition to cover expenses associated with operating the schools on the Meredith and Salem College campuses.

**Appropriation      \$849,588**

**Total Recommended Expansion**

**Recurring**

Requirements	\$656,348,391
Receipts	-
<hr/>	
Appropriation	\$656,348,391
Number of Positions	-

**Nonrecurring**

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

**Total Recommended Adjustments for  
 Public Education  
 2012-13**

**Recurring**

Requirements	\$562,253,440
Receipts	-
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Appropriation	\$562,253,440
Number of Positions	-

**Nonrecurring**

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



## The University of North Carolina (160xx)

<b>Total Appropriations and Positions</b>				
	<b>2012-13 Certified</b>	<b>Net Recommended Expansion and Reduction</b>	<b>2012-13 Recommended</b>	<b>Percent Change</b>
Requirements	\$3,950,861,106	\$145,669,043	\$4,096,530,149	3.7 %
Receipts	<u>1,399,188,408</u>	<u>584,681</u>	<u>1,399,773,089</u>	0.0 %
Appropriation	<u>\$2,551,672,698</u>	<u>\$145,084,362</u>	<u>\$2,696,757,060</u>	5.7 %
Positions	37,416.440	231.700	37,648.140	0.6 %

### Appropriation Items -- Recommended Adjustments

#### Expansion

2012-13

#### Strengthening Our Universities

##### 1. Restore Management Flexibility Reduction

It is recommended that the scheduled additional management flexibility reduction in 2012-13 be restored to the University of North Carolina.

**Appropriation**      **\$9,184,767**

##### 2. Enrollment Growth

This recommendation fully funds the requirements for regular term and distance education enrollment growth in the university system. The projected growth over the 2011-12 budgeted student FTE of 200,696 is 680 FTE (0.3%) in 2012-13. Combined total increases to receipts and appropriation provide funding for an additional 88 faculty FTE.

**Requirements**      **\$24,294,287**

**Receipts**      **\$6,859,482**

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**Appropriation**      **\$17,434,805**

##### 3. UNC Performance Accountability Funding

These funds shall be used to incentivize, reward, and enable UNC institutions to meet established performance goals. Performance goals shall include retention, graduation, efficiency and financial measures. Performance targets and data shall be prominently displayed on the UNC System public website and on each institution's public website.

**Appropriation**      **\$8,000,000**

**4. Faculty Recruitment and Retention Fund**

Outstanding faculty is the lifeblood of any great university. The Faculty Recruitment and Retention Fund has had a significant impact on the recruitment and retention of outstanding faculty at each of the UNC institutions. Since 2006-07, more than 300 faculty have been retained or recruited. The growing competitiveness of the academic job market requires that these efforts be continued.

**Appropriation                      \$5,000,000**

**5. Building Reserves**

Funding shall be allocated for essential costs associated with the operation and maintenance of facilities scheduled to open in 2012-13 at UNC institutions.

Appalachian State University	180,668
Number of Positions - Recurring	3.000
East Carolina University	3,547,550
Number of Positions - Recurring	47.500
Fayetteville State University	337,691
Number of Positions - Recurring	11.800
North Carolina State University	2,350,056
Number of Positions - Recurring	30.000
UNC-Greensboro	54,590
Number of Positions - Recurring	.800
UNC-Wilmington	331,730
Number of Positions - Recurring	8.800

**Appropriation                      \$6,802,285**

Appalachian State University	80,208
East Carolina University	899,737
Fayetteville State University	135,965
North Carolina State University	996,196
UNC-Greensboro	48,944
UNC-Wilmington	102,308

**Appropriation - Nonrecurring                      \$2,263,358**

**Number of Positions                      101.900**

**6. NCSU Hunt Library**

North Carolina State University's James B. Hunt Jr. Library will serve as an intellectual and social forum for the research-oriented campus. As NCSU's second library, it will greatly expand the university's ability to serve the community's academic needs while taking advantage of Centennial Campus's focus on science and technology. Funding shall support operations and 27 new FTE to fully staff the facility, which will house two million additional volumes.

<b>Appropriation</b>	<b>\$2,011,328</b>
<b>Number of Positions</b>	<b>27,000</b>

**7. Special Focus Institutions**

These funds shall be appropriated to three smaller institutions specializing in liberal arts, performing arts, science and math. These institutions may use these funds to enhance their curriculum and campus offerings. The UNC School of the Arts shall use \$50,000 to emphasize their School of Filmmaking as a center of excellence.

UNC Asheville	1,556,495
UNC School of the Arts	2,485,144
NC School of Science and Mathematics	1,636,268

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<b>Appropriation</b>	<b>\$5,677,907</b>
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**8. Improving Retention and Graduation Rates**

The University of North Carolina is increasingly focused on ensuring that students entering UNC graduate with a meaningful degree. Funding for the three UNC institutions listed below shall be focused on 1st year, underrepresented and transfer students. Programs may include advising, retention, summer bridge, supplemental instruction and similar initiatives.

North Carolina Central University	782,650
UNC-Pembroke	330,694
Winston-Salem State University	526,661

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<b>Appropriation</b>	<b>\$1,640,005</b>
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UNC-Pembroke	86,000
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<b>Appropriation - Nonrecurring</b>	<b>\$86,000</b>
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**9. NC Teacher Institute at the Friday Institute for Education Innovation**

Training great teachers is critical to providing an education that enables our children to compete in the global economy. The North Carolina Teacher Institute shall establish a statewide network of online and in-person high-quality, comprehensive professional development for teachers so that they will have the knowledge and skills necessary to use 21st century tools and resources to teach 21st century content. This network shall include professional development programs that focus on teaching strategies for teachers with a priority on literacy, mathematics, science and technology integration. The NC Teacher Institute will be housed at the Friday Institute for Education Innovation at North Carolina State University and shall be advised by a teacher advisory council composed of practicing teachers.

**Appropriation \$4,500,000**

**10. Restore Funds to the Center for Public Television**

This recommendation restores funds to the University of North Carolina Center for Public Television (UNC-TV) on a recurring basis. This program was subject to continuation review by the department per directions of the NC General Assembly in 2011-12.

**Requirements \$10,583,340**

**Receipts \$25,199**

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**Appropriation \$10,558,141**

**Number of Positions 102.800**

**11. NC Research and Education Network (NCREN)**

This recommendation restores the funding for the NC Research and Education Network to its 2010-11 level.

**Appropriation \$500,000**

**12. Salary Increase**

This item provides 25% of the cost for the 1.8% salary increase for UNC System employees. The remaining cost of this salary increase appears in the Statewide Reserves section of this document.

**Appropriation \$11,576,469**

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**Need-Based Financial Aid**

**1. UNC Need-Based Financial Aid**

One of the Governor's priorities is ensuring that working families have access to an affordable education for their children. The need for financial aid targeted towards students with middle-income families was identified in a 1997-1998 study. This need has become greater over time because of the rising costs of education and recessionary effects on family income. A \$35 million nonrecurring appropriation was provided in 2010-11. The Governor recommends restoring these funds to serve students who have a demonstrated need for financial aid.

**Appropriation \$35,000,000**

**2. Need-Based Scholarships for Private College Students**

One of the Governor's priorities is ensuring that working families have access to an affordable education for their children. Additional funds are appropriated for the Need-based Scholarships for Students Attending Private Institutions of Higher Education. These funds shall be awarded to North Carolina resident students who have demonstrated financial need. The 2011 General Assembly created this program to replace the Legislative Tuition Grant and the State Contractual Scholarship Fund.

**Appropriation                      \$4,500,000**

**Building Our Economic Future**

**1. NC Research Campus**

An additional \$3 million shall be appropriated to the NC Research Campus in Kannapolis. Of these funds, \$310,000 shall be used to pay for the rental costs of space leased at the Campus by Appalachian State University. The remaining funds shall be used to hire additional researchers and provide necessary equipment and supplies. Seven UNC institutions are involved in collaborative research at the NC Research Campus, and this funding will increase the state's total annual commitment to \$26.3 million.

**Appropriation                      \$3,000,000**

**2. UNC Research Commercialization Fund**

The Governor wants to help ensure that research at our public universities can be turned into jobs for North Carolinians. The discoveries and innovations of UNC researchers have great potential value in the global marketplace. UNC shall use funds to support activities that accelerate the development and launch of commercial products derived from university research. Competitive funds shall be awarded to support proof of concept activities and other related costs for commercial opportunities that demonstrate potential economic benefits for North Carolina.

**Appropriation                      \$2,000,000**

**3. Joint School of Nanoscience and Nanoengineering**

The Governor is committed to growing 21st century jobs and supporting scientific research. The innovative fields of nanoscience and nanoengineering will play important roles in the 21st century economy. This item completes funding for the Joint School of Nanoscience and Nanoengineering (JSNN) between UNC-G and NC A&T. Funding shall be used for research personnel, supplies, and equipment. NC A&T will also use this funding to conduct outreach activities on behalf of JSNN.

**Appropriation                      \$2,000,000**

**4. Charlotte Informatics Partnership**

The capture, analysis, and dissemination of large data sets is critical to 21st century business and research. The Charlotte Informatics Partnerships (CIP) coordinates informatics efforts between UNC-Charlotte and business leaders in banking, energy and healthcare. Expansion funding shall expand CIP efforts through the hiring of key faculty members in the College of Computing and Informatics.

**Appropriation                      \$1,500,000**

**5. ECSU School of Aviation**

The aviation industry is a vital part of the regional economy in Northeastern North Carolina. The Elizabeth City State University School of Aviation shall use additional funding to create a new flight school, expanding its ability to provide a qualified avionics workforce. Funds will provide the necessary faculty and equipment needed for this program expansion.

**Appropriation                      \$563,591**

**6. FSU Geospatial Analysis Instructional and Networking Laboratory**

The Geospatial Analysis, Instructional, and Networking (GAIN) Laboratory would serve as the nucleus of geospatial know-how used to disseminate training, nurture research, and provide technical support to students, staff, and faculty. Fayetteville State University has hired two geospatial sciences faculty members to lead the research and learning initiatives. These recommended funds will allow FSU to purchase needed technology and equipment and to hire a post-doctoral research associate.

**Appropriation \$370,500**

**7. WCU Rapid Product Realization**

Western Carolina University's Center for Rapid Product Realization partners the manufacturing industry and entrepreneurs with the research and testing resources available at WCU. Mutually beneficial cooperation allows students to gain experience with product development and businesses to spend less time between idea and assembly line. Funding shall be used to hire research faculty and purchase equipment enhancements that will benefit partnerships with regional businesses.

**Appropriation \$300,000**

**8. Center for Design Innovation Digital Technologies Pilot**

The Center for Design Innovation is a collaborative effort of the UNC School of the Arts, Winston-Salem State University, and Forsyth Technical Community College that facilitates design-focused creativity, research and entrepreneurial activity. These funds shall be used to develop a 5-year pilot program to instruct students in specialized software techniques at the center. This program shall build upon the existing courses at the partnering institutions. Program activities will include workshops, internships and mentoring for students. Students would begin in high school, transfer to Forsyth Technical Community College, and complete a four-year degree at the Center. Once this program is established, it may be considered for approval as a career pathway in Career and College Promise.

**Appropriation \$400,000**

**Promoting Healthy Citizens**

**1. UNC-W Accelerated Nursing Program**

This 16-month program, based in Onslow County, shall be targeted towards non-nursing baccalaureate holders who are veterans, military personnel, or the spouses of military personnel. The program provides a faster pathway towards careers in nursing and serves the community by increasing the supply of qualified nursing professionals. UNC-Wilmington may use funds to hire additional faculty to create and implement this program.

**Appropriation \$415,206**

**2. ASU College of Health Sciences**

Appalachian State University's College of Health Sciences and Allied Professions was created through the consolidation of five existing health-related programs. The College prepares students for one of many careers in the growing healthcare industry. Funding shall be used to enhance program offerings.

**Appropriation \$500,000**

**3. ECU Brody School of Medicine Cardiovascular Sciences**

These funds shall be provided to East Carolina University's Brody School of Medicine. The School shall enhance their ability to conduct basic and translational research on cardiovascular disease, and to develop educational outreach programs to promote and encourage the awareness and prevention of cardiovascular disease throughout rural eastern North Carolina.

**Appropriation**                      **\$1,000,000**

**4. UNC Chapel Hill School of Medicine Expansion**

Funds are recommended to expand the size of the medical school classes at UNC Chapel Hill's School of Medicine to address the shortage of physicians in North Carolina. These students would complete their first two basic science years in Chapel Hill, and the second two years in Charlotte or Asheville. The goal will be to train physicians who will practice in North Carolina's rural and under-served communities in needed specialties.

**Appropriation**                      **\$1,000,000**

**Supporting Military Communities**

**1. Resident Tuition for Military Veterans and Dependents**

In recognition of their service and to maintain North Carolina's status as the most military-friendly state in America, the Governor recommends classifying certain military veterans (and their dependents) as resident students for tuition purposes. To qualify for resident tuition, the military veteran must have been last stationed at a military installation in North Carolina and honorably discharged on or after July 1, 2011.

**Requirements**                                      -

**Receipts**                                      **(\$6,300,000)**

**Appropriation**                      **\$6,300,000**

**2. UNC Partnership for National Security**

The UNC Partnership for National Security's activities include degree program development for service members and the defense industry; short courses, training, and subject matter expertise exchange; science and technology product development; and scholar support (internships for UNC system students, faculty research, senior service college fellows). This recommendation will finish the expansion of the UNC at Fort Bragg program and will create a similar program at Camp Lejeune. These funds would also further develop faculty and student advising capabilities to assist the Special Operations community.

**Appropriation**                      **\$1,000,000**

**Total Recommended Expansion**

**Recurring**

Requirements	\$143,319,685
Receipts	584,681
	<hr/>
Appropriation	\$142,735,004
Number of Positions	231.700

**Nonrecurring**

Requirements	\$2,349,358
Receipts	-
	<hr/>
Appropriation	\$2,349,358
Time Limited Positions	-

**Total Recommended Adjustments for  
 The University of North Carolina  
 2012-13**

**Recurring**

Requirements	\$143,319,685
Receipts	584,681
	<hr/>
Appropriation	\$142,735,004
Number of Positions	231.700

**Nonrecurring**

Requirements	\$2,349,358
Receipts	-
	<hr/>
Appropriation	\$2,349,358
Time Limited Positions	-



## Community Colleges (16800)

<b>Total Appropriations and Positions</b>				
	<b>2012-13 Certified</b>	<b>Net Recommended Expansion and Reduction</b>	<b>2012-13 Recommended</b>	<b>Percent Change</b>
Requirements	\$1,421,697,248	\$29,707,805	\$1,451,405,053	2.1 %
Receipts	<u>436,697,248</u>	<u>(23,797,092)</u>	<u>412,900,156</u>	(5.4)%
Appropriation	<u>\$985,000,000</u>	<u>\$53,504,897</u>	<u>\$1,038,504,897</u>	5.4 %
Positions	191.000	-	191.000	0.0 %

## Appropriation Items -- Recommended Adjustments

### Technical Adjustments

2012-13

#### Colleges - State Aid

##### 1. Adjust Regular Term Enrollment Growth Funding

This recommendation adjusts the funding for regular-term enrollment growth to reflect the decline in total enrollment at community colleges. The spring semester 2011-12 census from the North Carolina Community College System shows a total enrollment decrease of 2,663 full-time equivalent (FTE) students below the 2011-12 budgeted enrollment of 251,017. The 2012-13 budgeted enrollment is 248,354 FTEs, a 1.1% decrease below 2011-12. Curriculum enrollment decreased by 1,567 FTEs (or -0.8%), continuing education enrollment by 831 FTEs (or -2.8%), and basic skills enrollment by 265 FTEs (or -1.2%). The 2011 General Assembly originally budgeted funds in 2012-13 for an estimated growth of an additional 3,672 FTE. This recommendation eliminates this additional funding and also reduces budgeted tuition receipts to reflect the total receipt collections anticipated from actual 2012-13 student enrollment.

<b>Requirements</b>	<b>(\$31,705,796)</b>
<b>Receipts</b>	<b>(\$19,597,092)</b>
<b>Appropriation</b>	<b>(\$12,108,704)</b>

#### Total Recommended Technical Adjustments

##### Recurring

Requirements	(\$31,705,796)
Receipts	(19,597,092)
Appropriation	(\$12,108,704)
Number of Positions	-

**Nonrecurring**

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

**Expansion**

2012-13

**Supporting Our Military Communities**

**1. Resident Tuition for Military Veterans and Dependents**

In recognition of their service and to maintain North Carolina's status as the most military-friendly state in America, the Governor recommends classifying certain military veterans (and their dependents) as resident students for tuition purposes. To qualify for resident tuition, the military veteran must have been last stationed at a military installation in North Carolina and honorably discharged on or after July 1, 2011.

<b>Requirements</b>	-
<b>Receipts</b>	<b>(\$4,200,000)</b>
<hr/>	
<b>Appropriation</b>	<b>\$4,200,000</b>

**Strengthening Our Community Colleges**

**1. Restore Management Flexibility Cut**

It is recommended that funds be restored to North Carolina's community colleges. The North Carolina Community College System has received management flexibility budget reductions since 2009-10. The Governor supports investing in community colleges so they can develop tomorrow's workforce.

<b>Appropriation</b>	<b>\$55,000,000</b>
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**2. Salary Increase**

The Governor recommends a 1.8% salary increase for community college employees. This recommendation would provide 25% of the funds needs for this salary increase. The remaining cost of this salary increase appears in the Statewide Reserves section of this document.

<b>Appropriation</b>	<b>\$5,288,601</b>
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**Building Our Economic Future**

**1. Military Business Center**

In support of the Governor's longstanding commitment to build the state's defense and aerospace economy, the Governor recommends funds to restore the 2011-12 reduction made to the Military Business Center at Fayetteville Technical Community College. The Military Business Center works with communities and companies to develop and obtain federal business opportunities, including the US military at NC military installations.

<b>Appropriation</b>	<b>\$125,000</b>
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**2. Film Industry Workforce Training**

The film, television, and commercial industry is booming in North Carolina and creating jobs and stimulating economic growth. This recommendation will evenly distribute funds to Cape Fear Community College and Forsyth Technical Community College to train up to 400 workers for production crews. These funds shall be used to develop short-term courses in ten specific skills areas, including set construction; set dressing and props; and work with paint and plaster, wardrobe, cameras, grip, and on-set electrical work, and production office support. These courses will be taught by local film industry professionals and shall be targeted towards production crews of television shows or motion pictures being filmed in North Carolina.

**Appropriation - Nonrecurring      \$1,000,000**

**Total Recommended Expansion**

**Recurring**

Requirements	\$60,413,601
Receipts	(4,200,000)
	\$64,613,601
Appropriation	\$64,613,601
Number of Positions	-

**Nonrecurring**

Requirements	\$1,000,000
Receipts	-
	\$1,000,000
Appropriation	\$1,000,000
Time Limited Positions	-

**Total Recommended Adjustments for  
 Community Colleges  
 2012-13**

**Recurring**

Requirements	\$28,707,805
Receipts	(23,797,092)
	\$52,504,897
Appropriation	\$52,504,897
Number of Positions	-

**Nonrecurring**

Requirements	\$1,000,000
Receipts	-
	\$1,000,000
Appropriation	\$1,000,000
Time Limited Positions	-



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*Investing in Our Future:*

## *General Government*

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- Invests in our military service members and their families through grants to military installations that support community service and quality of life programs, and through funding to enable military base communities to plan and position themselves favorably in preparation for potential base realignment and closure (BRAC) actions.
- Compensates citizens who are verified victims of the state's former Eugenics Board program, which involuntarily sterilized North Carolinians during the 20th century, and continues operations of the N.C. Justice for Sterilization Victims Foundation, which provides ongoing outreach and clearinghouse services to eugenics victims.
- Staffs the Department of Revenue appropriately to ensure the quality and accuracy of revenue collections, and helps citizens using the Combined Motor Vehicle Registration Renewal and Property Tax Collection System.
- Restores funds needed for the public to visit and enjoy historic Tryon Palace and the state's Transportation Museum.
- Improves the state's voting system by matching federal funds available to North Carolina through the Help America Vote Act.
- Achieves savings throughout general government agencies through a flexibly managed, tiered approach that considers each agency's level of resources.

General Assembly   Office of the Governor   Office of State Budget and Management  
North Carolina Housing Finance Authority   Office of the Lieutenant Governor  
Department of Secretary of State   Office of the State Auditor   Department of State Treasurer  
Department of Insurance   Department of Administration   Office of the State Controller  
Department of Revenue   Department of Cultural Resources   Roanoke Island Commission  
State Board of Elections   Office of Administrative Hearings



**General Assembly (11000)**

**Total Appropriations and Positions**

	<b>2012-13 Certified</b>	<b>Net Recommended Expansion and Reduction</b>	<b>2012-13 Recommended</b>	<b>Percent Change</b>
Requirements	\$51,652,065	\$3,897,796	\$55,549,861	7.5 %
Receipts	<u>1,547,857</u>	<u>2,227,166</u>	<u>3,775,023</u>	143.9 %
Appropriation	<u>\$50,104,208</u>	<u>\$1,670,630</u>	<u>\$51,774,838</u>	3.3 %
Positions	287.250	31.600	318.850	11.0 %

**Appropriation Items -- Recommended Adjustments**

**Reductions**

2012-13

**1. Management Flexibility Reserve**

This recommendation achieves savings throughout general government agencies through a flexibly managed, tiered approach that considers each agency's level of resources. This represents a 1.8% reduction for this agency.

**Appropriation (\$901,876)**

**Total Recommended Reductions**

**Recurring**

Requirements	(\$901,876)
Receipts	-
Appropriation	(\$901,876)
Number of Positions	-

**Nonrecurring**

Requirements	-
Receipts	-
Appropriation	-
Time Limited Positions	-

**Expansion**

2012-13

**1. Learning Resources and Subscriptions**

This recommendation restores funding eliminated by the 2011 General Assembly for Legislative Library Learning Resources and Subscriptions.

**Requirements - Nonrecurring** **\$175,800**

**Receipts - Nonrecurring** **\$175,800**

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**Appropriation - Nonrecurring** **-**

**2. Restore Operating Budget in Information Systems Division**

This recommendation restores funding eliminated by the 2011 General Assembly for the Information Systems Division.

**Requirements - Nonrecurring** **\$2,051,366**

**Receipts - Nonrecurring** **\$2,051,366**

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**Appropriation - Nonrecurring** **-**

**3. Restore Facilities Services in Building and Maintenance Division**

This recommendation restores funds to the Building and Maintenance Division on a recurring basis. This program was subject to continuation review by the General Assembly's Fiscal Research Division in FY 2011-12.

**Appropriation** **\$2,572,506**

**Number of Positions** **31.600**

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**Total Recommended Expansion**

**Recurring**

Requirements **\$2,572,506**

Receipts **-**

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Appropriation **\$2,572,506**

Number of Positions **31.600**

**Nonrecurring**

Requirements **\$2,227,166**

Receipts **2,227,166**

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Appropriation **-**

Time Limited Positions **-**



**Total Recommended Adjustments for  
General Assembly  
2012-13**

**Recurring**

Requirements	\$1,670,630
Receipts	-
<hr/>	
Appropriation	\$1,670,630
Number of Positions	31.600

**Nonrecurring**

Requirements	\$2,227,166
Receipts	2,227,166
<hr/>	
Appropriation	-
Time Limited Positions	-

**Office of the Governor (13000)**

**Total Appropriations and Positions**

	<b>2012-13 Certified</b>	<b>Net Recommended Expansion and Reduction</b>	<b>2012-13 Recommended</b>	<b>Percent Change</b>
Requirements	\$5,438,279	(\$47,412)	\$5,390,867	(0.9)%
Receipts	<u>697,122</u>	-	<u>697,122</u>	0.0 %
Appropriation	<u>\$4,741,157</u>	<u>(\$47,412)</u>	<u>\$4,693,745</u>	(1.0)%
Positions	62.717	-	62.717	0.0 %

**Appropriation Items -- Recommended Adjustments**

**Reductions**

2012-13

**1. Management Flexibility Reserve**

This recommendation achieves savings throughout general government agencies through a flexibly managed, tiered approach that considers each agency's level of resources. This represents a 1% reduction for this agency.

**Appropriation (\$47,412)**

**Total Recommended Reductions**

**Recurring**

Requirements	(\$47,412)
Receipts	-
Appropriation	<u>(\$47,412)</u>
Number of Positions	-

**Nonrecurring**

Requirements	-
Receipts	-
Appropriation	-
Time Limited Positions	-

**Total Recommended Adjustments for  
Office of the Governor  
2012-13**

**Recurring**

Requirements	(\$47,412)
Receipts	-
<hr/>	
Appropriation	(\$47,412)
Number of Positions	-

**Nonrecurring**

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

**Office of State Budget and Management (13005)**

**Total Appropriations and Positions**

	<b>2012-13 Certified</b>	<b>Net Recommended Expansion and Reduction</b>	<b>2012-13 Recommended</b>	<b>Percent Change</b>
Requirements	\$6,100,484	\$1,218,071	\$7,318,555	20.0 %
Receipts	<u>251,821</u>	-	<u>251,821</u>	0.0 %
Appropriation	<u>\$5,848,663</u>	<u>\$1,218,071</u>	<u>\$7,066,734</u>	20.8 %
Positions	59.000	5.000	64.000	8.5 %

**Appropriation Items -- Recommended Adjustments**

**Reductions**

2012-13

**1. Management Flexibility Reserve**

This recommendation achieves savings throughout general government agencies through a flexibly managed, tiered approach that considers each agency's level of resources. This represents a 1% reduction for this agency.

**Appropriation (\$58,487)**

**Total Recommended Reductions**

**Recurring**

Requirements	(\$58,487)
Receipts	-
Appropriation	(\$58,487)
Number of Positions	-

**Nonrecurring**

Requirements	-
Receipts	-
Appropriation	-
Time Limited Positions	-

**Expansion**

2012-13

**1. Improve Medicaid Budget Analysis and Monitoring**

The Governor recommends targeting resources to projecting both reimbursements and expenditures for Medicaid. Evaluating assumptions and projections regarding the increasing eligible population as well as changing demographics of the Medicaid population are two areas requiring attention. The addition of two analysts to provide in depth budget analysis, projection, and monitoring is recommended to ensure that sufficient focus is directed to this increasingly important driver of the State budget.

**Appropriation**    **\$239,474**  
**Number of Positions**    **2.000**

**2. Ensure Adequate Support for IT Applications**

The Governor recommends increased funding to support IT operations for statewide budget and management activities, including ongoing operation of the State's new Integrated Budget Information System (IBIS). During previous budget cycles, OSBM's IT operating budget has been reduced to unrealistically low levels, limiting OSBM's ability to maintain mission critical systems and replace outdated technology. In addition to core budget functions, OSBM's applications provide capabilities for revenue and expenditure forecasting, demographic and economic analysis, improved transparency and accountability in state government, internal auditing, regulatory analysis, and better overall management of State government operations and financial resources.

**Appropriation**    **\$945,366**  
**Number of Positions**    **2.000**

**3. Increase Internal Audit Capacity**

The Governor recommends an increase of one Auditor to enhance OSBM's audit capacity as a means of ensuring service to smaller agencies as well as the larger, more complex agencies without their own internal auditing staff, such as the Department of Commerce.

**Appropriation**    **\$91,718**  
**Number of Positions**    **1.000**

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**Total Recommended Expansion**

**Recurring**

Requirements	\$1,276,558
Receipts	-
<hr/>	
Appropriation	\$1,276,558
Number of Positions	5.000

**Nonrecurring**

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

**Total Recommended Adjustments for  
Office of State Budget and Management  
2012-13**

**Recurring**

Requirements	\$1,218,071
Receipts	-
	<hr/>
Appropriation	\$1,218,071
Number of Positions	5.000

**Nonrecurring**

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

## OSBM - Reserve for Special Appropriation (13085)

### Total Appropriations and Positions

	2012-13 Certified	Net Recommended Expansion and Reduction	2012-13 Recommended	Percent Change
Requirements	\$440,612	\$1,100,000	\$1,540,612	249.7 %
Receipts	-	-	-	
Appropriation	<u>\$440,612</u>	<u>\$1,100,000</u>	<u>\$1,540,612</u>	249.7 %
Positions	-	-	-	

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## Appropriation Items -- Recommended Adjustments

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### Expansion

2012-13

#### 1. Military Morale and Welfare Fund

The Governor recommends re-establishing this program of grants to military installations throughout the state to provide community service and quality of life programs for military members and their families.

**Appropriation - Nonrecurring \$500,000**

#### 2. Base Realignment and Closure (BRAC) Preparation

The Governor understands how important our military communities are to North Carolina. The Governor recommends funding to support the efforts of the State and military base communities to plan and position themselves favorably in preparation for potential future BRAC actions and/or Federal budget actions that could impact NC installations. Funds will support community planning, strategic communication, training range encroachment, and other items that may be identified in coordination with military and Department of Defense leadership.

**Appropriation - Nonrecurring \$500,000**

#### 3. Reserve for Sterilization Victims Appeals Process: NC Industrial Commission

The Governor recommends establishing a reserve fund to cover additional costs incurred by the North Carolina Industrial Commission to review and determine appeals claims by Sterilization Victims under G.S. 143-291.

**Appropriation - Nonrecurring \$100,000**

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**Total Recommended Expansion**

**Recurring**

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

**Nonrecurring**

Requirements	\$1,100,000
Receipts	-
	<hr/>
Appropriation	\$1,100,000
Time Limited Positions	-

**Total Recommended Adjustments for  
 OSBM - Reserve for Special Appropriation  
 2012-13**

**Recurring**

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

**Nonrecurring**

Requirements	\$1,100,000
Receipts	-
	<hr/>
Appropriation	\$1,100,000
Time Limited Positions	-



## North Carolina Housing Finance Agency (13010)

### Total Appropriations and Positions

	2012-13 Certified	Net Recommended Expansion and Reduction	2012-13 Recommended	Percent Change
Requirements	\$9,673,051	\$30,503,269	\$40,176,320	315.3 %
Receipts	-	<u>30,600,000</u>	<u>30,600,000</u>	
Appropriation	<u>\$9,673,051</u>	<u>(\$96,731)</u>	<u>\$9,576,320</u>	(1.0)%
Positions	-	-	-	

### Appropriation Items -- Recommended Adjustments

#### Reductions

2012-13

#### 1. Management Flexibility Reserve

This recommendation achieves savings throughout general government agencies through a flexibly managed, tiered approach that considers each agency's level of resources. This represents a 1% reduction for this agency.

**Appropriation (\$96,731)**

#### Total Recommended Reductions

##### Recurring

Requirements	(\$96,731)
Receipts	-
Appropriation	<u>(\$96,731)</u>
Number of Positions	-

##### Nonrecurring

Requirements	-
Receipts	-
Appropriation	-
Time Limited Positions	-

**Expansion**

2012-13

**1. National Mortgage Settlement - Housing Finance Agency**

This recommendation appropriates \$30.60 million from the National Mortgage Settlement to be provided to the North Carolina Housing Finance Agency to be distributed as follows: (1) \$19.12 million to be allocated to housing counseling providers to ensure that North Carolina homeowners receive the benefits due under this Consent Judgment, and to ensure the availability of homeownership and foreclosure prevention counseling services in North Carolina; (2) \$11.47 million to be allocated to legal services providers in North Carolina for legal representation and assistance to North Carolinians in foreclosure or other housing or lending-related matters.

<b>Requirements - Nonrecurring</b>	<b>\$30,600,000</b>
<b>Receipts - Nonrecurring</b>	<b>\$30,600,000</b>
	<hr/>
<b>Appropriation - Nonrecurring</b>	<b>-</b>

**Total Recommended Expansion**

**Recurring**

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

**Nonrecurring**

Requirements	\$30,600,000
Receipts	30,600,000
	<hr/>
Appropriation	-
Time Limited Positions	-

**Total Recommended Adjustments for  
North Carolina Housing Finance Agency  
2012-13**

**Recurring**

Requirements	(\$96,731)
Receipts	-
<hr/>	
Appropriation	(\$96,731)
Number of Positions	-

**Nonrecurring**

Requirements	\$30,600,000
Receipts	30,600,000
<hr/>	
Appropriation	-
Time Limited Positions	-

**Office of the Lieutenant Governor (13100)**

**Total Appropriations and Positions**

	<b>2012-13 Certified</b>	<b>Net Recommended Expansion and Reduction</b>	<b>2012-13 Recommended</b>	<b>Percent Change</b>
Requirements	\$695,324	\$0	\$695,324	0.0 %
Receipts	—	—	—	
Appropriation	<u>\$695,324</u>	<u>\$0</u>	<u>\$695,324</u>	0.0 %
Positions	8.000	-	8.000	0.0 %

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## Department of Secretary of State (13200)

### Total Appropriations and Positions

	2012-13 Certified	Net Recommended Expansion and Reduction	2012-13 Recommended	Percent Change
Requirements	\$11,519,000	(\$159,818)	\$11,359,182	(1.4)%
Receipts	<u>864,437</u>	-	<u>864,437</u>	0.0 %
Appropriation	<u>\$10,654,563</u>	<u>(\$159,818)</u>	<u>\$10,494,745</u>	(1.5)%
Positions	176.750	-	176.750	0.0 %

## Appropriation Items -- Recommended Adjustments

### Reductions

2012-13

#### 1. Management Flexibility Reserve

This recommendation achieves savings throughout general government agencies through a flexibly managed, tiered approach that considers each agency's level of resources. This represents a 1.5% reduction for this agency.

**Appropriation (\$159,818)**

### Total Recommended Reductions

#### Recurring

Requirements	(\$159,818)
Receipts	-
Appropriation	<u>(\$159,818)</u>
Number of Positions	-

#### Nonrecurring

Requirements	-
Receipts	-
Appropriation	-
Time Limited Positions	-

**Total Recommended Adjustments for  
Department of Secretary of State  
2012-13**

**Recurring**

Requirements	(\$159,818)
Receipts	-
<hr/>	
Appropriation	(\$159,818)
Number of Positions	-

**Nonrecurring**

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

**Office of the State Auditor (13300)**

**Total Appropriations and Positions**

	<b>2012-13 Certified</b>	<b>Net Recommended Expansion and Reduction</b>	<b>2012-13 Recommended</b>	<b>Percent Change</b>
Requirements	\$16,593,145	(\$160,141)	\$16,433,004	(1.0)%
Receipts	<u>5,917,110</u>	_____ -	<u>5,917,110</u>	0.0 %
Appropriation	<u>\$10,676,035</u>	<u>(\$160,141)</u>	<u>\$10,515,894</u>	(1.5)%
Positions	180.000	-	180.000	0.0 %

**Appropriation Items -- Recommended Adjustments**

**Reductions**

2012-13

**1. Management Flexibility Reserve**

This recommendation achieves savings throughout general government agencies through a flexibly managed, tiered approach that considers each agency's level of resources. This represents a 1.5% reduction for this agency.

**Appropriation (\$160,141)**

**Total Recommended Reductions**

**Recurring**

Requirements	(\$160,141)
Receipts	-
Appropriation	<u>(\$160,141)</u>
Number of Positions	-

**Nonrecurring**

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

**Total Recommended Adjustments for  
Office of the State Auditor  
2012-13**

**Recurring**

Requirements	(\$160,141)
Receipts	-
<hr/>	
Appropriation	(\$160,141)
Number of Positions	-

**Nonrecurring**

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



**Department of State Treasurer (13410)**

**Total Appropriations and Positions**

	<b>2012-13 Certified</b>	<b>Net Recommended Expansion and Reduction</b>	<b>2012-13 Recommended</b>	<b>Percent Change</b>
Requirements	\$44,574,188	\$1,016,001	\$45,590,189	2.3 %
Receipts	<u>37,952,438</u>	<u>1,082,219</u>	<u>39,034,657</u>	2.9 %
Appropriation	<u>\$6,621,750</u>	<u>(\$66,218)</u>	<u>\$6,555,532</u>	(1.0)%
Positions	357,440	1.000	358,440	0.3 %

**Appropriation Items -- Recommended Adjustments**

**Reductions**

2012-13

**1. Management Flexibility Reserve**

This recommendation achieves savings throughout general government agencies through a flexibly managed, tiered approach that considers each agency's level of resources. This represents a 1% reduction for this agency.

**Appropriation (\$66,218)**

**Total Recommended Reductions**

**Recurring**

Requirements	(\$66,218)
Receipts	-
Appropriation	(\$66,218)
Number of Positions	-

**Nonrecurring**

Requirements	-
Receipts	-
Appropriation	-
Time Limited Positions	-

**Expansion**

2012-13

**1. State and Local Government Finance Division (SLGFD) System Automation Project**

This recommendation authorizes the SLGFD to use previously collected fees to support the implementation of an automated debt management system.

<b>Requirements</b>	<b>\$200,419</b>
<b>Requirements - Nonrecurring</b>	<b>\$881,800</b>
<b>Receipts</b>	<b>\$200,419</b>
<b>Receipts - Nonrecurring</b>	<b>\$881,800</b>
<hr/>	
<b>Appropriation</b>	<b>-</b>
<b>Number of Positions</b>	<b>1.000</b>

**Total Recommended Expansion**

**Recurring**

Requirements	\$200,419
Receipts	200,419
<hr/>	
Appropriation	-
Number of Positions	1.000

**Nonrecurring**

Requirements	\$881,800
Receipts	881,800
<hr/>	
Appropriation	-
Time Limited Positions	-

**Total Recommended Adjustments for  
Department of State Treasurer  
2012-13**

**Recurring**

Requirements	\$134,201
Receipts	200,419
<hr/>	
Appropriation	(\$66,218)
Number of Positions	1.000

**Nonrecurring**

Requirements	\$881,800
Receipts	881,800
<hr/>	
Appropriation	-
Time Limited Positions	-

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

<b>Total Appropriations and Positions</b>				
	<b>2012-13 Certified</b>	<b>Net Recommended Expansion and Reduction</b>	<b>2012-13 Recommended</b>	<b>Percent Change</b>
Requirements	\$17,812,114	\$0	\$17,812,114	0.0 %
Receipts	_____ -	-	=	
Appropriation	<u>\$17,812,114</u>	<u>\$0</u>	<u>\$17,812,114</u>	0.0 %
Positions	-	-	-	

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## Department of Insurance (13900)

### Total Appropriations and Positions

	2012-13 Certified	Net Recommended Expansion and Reduction	2012-13 Recommended	Percent Change
Requirements	\$43,267,178	\$454,091	\$43,721,269	1.0 %
Receipts	<u>6,873,257</u>	-	<u>6,873,257</u>	0.0 %
Appropriation	<u>\$36,393,921</u>	<u>\$454,091</u>	<u>\$36,848,012</u>	1.2 %
Positions	410.100	-	410.100	0.0 %

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## Appropriation Items -- Recommended Adjustments

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### Reductions

2012-13

#### 1. Management Flexibility Reserve

This recommendation achieves savings throughout general government agencies through a flexibly managed, tiered approach that considers each agency's level of resources. This represents a 1.5% reduction for this agency.

**Appropriation (\$545,909)**

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### Total Recommended Reductions

#### Recurring

Requirements	(\$545,909)
Receipts	-
Appropriation	<u>(\$545,909)</u>
Number of Positions	-

#### Nonrecurring

Requirements	-
Receipts	-
Appropriation	-
Time Limited Positions	-

**Expansion**

2012-13

**1. Consumer Protection Fund Reserve**

Advocating on behalf of consumers is one of the most important functions of state government. This recommendation will fund a reserve that will enable the Department to pay expenses incurred while contesting rate filings and conducting rate hearings. Funding would cover costs of actuarial and economic consultants, and legal counsel in the review and analysis of automobile, worker's compensation and property rate filings.

**Appropriation - Nonrecurring \$1,000,000**

**Total Recommended Expansion**

**Recurring**

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

**Nonrecurring**

Requirements	\$1,000,000
Receipts	-
	<hr/>
Appropriation	\$1,000,000
Time Limited Positions	-

**Total Recommended Adjustments for  
 Department of Insurance  
 2012-13**

**Recurring**

Requirements	(\$545,909)
Receipts	-
	<hr/>
Appropriation	(\$545,909)
Number of Positions	-

**Nonrecurring**

Requirements	\$1,000,000
Receipts	-
	<hr/>
Appropriation	\$1,000,000
Time Limited Positions	-

## Insurance - General Fund Direct (13901)

### Total Appropriations and Positions

	<b>2012-13 Certified</b>	<b>Net Recommended Expansion and Reduction</b>	<b>2012-13 Recommended</b>	<b>Percent Change</b>
Requirements	\$2,623,654	\$0	\$2,623,654	0.0 %
Receipts	-	-	-	
Appropriation	<u>\$2,623,654</u>	<u>\$0</u>	<u>\$2,623,654</u>	0.0 %
Positions	-	-	-	

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## Department of Administration (14100)

### Total Appropriations and Positions

	2012-13 Certified	Net Recommended Expansion and Reduction	2012-13 Recommended	Percent Change
Requirements	\$108,694,839	\$10,121,098	\$118,815,937	9.3 %
Receipts	<u>42,341,766</u>	-	<u>42,341,766</u>	0.0 %
Appropriation	<u>\$66,353,073</u>	<u>\$10,121,098</u>	<u>\$76,474,171</u>	15.3 %
Positions	530.115	7.000	537.115	1.3 %

## Appropriation Items -- Recommended Adjustments

### Reductions

2012-13

#### 1. Management Flexibility Reserve - Administration

This recommendation achieves savings throughout general government agencies through a flexibly managed, tiered approach that considers each agency's level of resources. This represents a 1.8% reduction for this agency.

**Appropriation (\$1,060,827)**

#### 2. Management Flexibility Reserve - Office of State Personnel

This recommendation achieves savings throughout general government agencies through a flexibly managed, tiered approach that considers each agency's level of resources. This represents a 1% reduction for this agency.

**Appropriation (\$62,737)**

### Total Recommended Reductions

#### Recurring

Requirements	(\$1,123,564)
Receipts	-
Appropriation	<u>(\$1,123,564)</u>
Number of Positions	-

#### Nonrecurring

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



**Expansion**

2012-13

**1. Sterilization Continuation of Operations**

As part of the Governor's "Justice for Sterilization Victims" initiative, the Governor recommends that the N.C. Justice for Victims of Sterilization Foundation (JVSF) be extended for five additional years (through June 30, 2017). JVSF verifies victims who were sterilized by the State and oversees the compensation program. In addition, the JVSF will carry out an outreach campaign to ensure that victims learn about the compensation program, and that an ongoing program of education and memorialization is developed to ensure future generations know about this period in the State's history.

**Appropriation** \$353,298  
**Number of Positions** 5.000

**2. Sterilization Compensation**

As Governor of the first state in America to advocate compensation for sterilization victims, the Governor recommends that every living victim sterilized by the North Carolina Eugenics Board, after verification by the Justice for Victims of Sterilization Foundation, be awarded compensation in the amount of \$50,000. Victims must come forward no later than December 31, 2015 in order to be eligible for compensation and to allow time for verification research. Compensation shall be exempt from all state taxes and shall not affect the individual's ability to participate in federal or state benefits programs. Of this amount, \$300,000 is targeted to developing a network of mental health supportive services, an outreach campaign, and traveling exhibit. This recommendation represents the first installment over a four-year period to compensate victims of the NC State Eugenics Board.

**Appropriation** \$10,300,000

**3. Restore Martin Luther King, Jr. Grants**

The Governor recommends restoring grants to non-profit organizations throughout the State that support the legacy of Dr. Martin Luther King, Jr.

**Appropriation** \$42,465

**4. Building Reserve for Public Health Lab**

The Governor recommends additional funding for the maintenance of the new state-of-the-art lab to ensure building systems are properly supported to meet the critical public health and medical examiner requirements. Additional building system contracts and supplies, as well as a full time site manager are needed to oversee a very complex building that has a broader mission than the current laboratory (with the addition of the Office of the Chief Medical Examiner). Professional oversight and specific support by contract are essential to maintaining this critical and complex operation. Refer to the companion recommendation in the Department of Health and Human Services, Division of Public Health budget.

**Appropriation** \$428,361  
**Appropriation - Nonrecurring** \$28,820  
**Number of Positions** 1.000

**5. Create Internal Audit/Management Analysis Function**

Fiscal oversight and internal controls are priorities of the Governor. The Governor recommends creating an Internal Audit function within the Secretary's Office to ensure continuous improvement and integrity of the operation.

**Appropriation** \$91,718  
**Number of Positions** 1.000

**Total Recommended Expansion**

**Recurring**

Requirements	\$11,215,842
Receipts	-
	<hr/>
Appropriation	\$11,215,842
Number of Positions	7.000

**Nonrecurring**

Requirements	\$28,820
Receipts	-
	<hr/>
Appropriation	\$28,820
Time Limited Positions	-

**Total Recommended Adjustments for  
 Department of Administration  
 2012-13**

**Recurring**

Requirements	\$10,092,278
Receipts	-
	<hr/>
Appropriation	\$10,092,278
Number of Positions	7.000

**Nonrecurring**

Requirements	\$28,820
Receipts	-
	<hr/>
Appropriation	\$28,820
Time Limited Positions	-

## Office of the State Controller (14160)

### Total Appropriations and Positions

	2012-13 Certified	Net Recommended Expansion and Reduction	2012-13 Recommended	Percent Change
Requirements	\$30,126,552	(\$425,534)	\$29,701,018	(1.4)%
Receipts	<u>1,757,595</u>	_____ -	<u>1,757,595</u>	0.0 %
Appropriation	<u>\$28,368,957</u>	<u>(\$425,534)</u>	<u>\$27,943,423</u>	(1.5)%
Positions	181.759	-	181.759	0.0 %

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## Appropriation Items -- Recommended Adjustments

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### Reductions

2012-13

#### 1. Management Flexibility Reserve

This recommendation achieves savings throughout general government agencies through a flexibly managed, tiered approach that considers each agency's level of resources. This represents a 1.5% reduction for this agency.

**Appropriation (\$425,534)**

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### Total Recommended Reductions

#### Recurring

Requirements	(\$425,534)
Receipts	-
Appropriation	<u>(\$425,534)</u>
Number of Positions	-

#### Nonrecurring

Requirements	-
Receipts	-
Appropriation	-
Time Limited Positions	-

**Total Recommended Adjustments for  
Office of the State Controller  
2012-13**

**Recurring**

Requirements	(\$425,534)
Receipts	-
<hr/>	
Appropriation	(\$425,534)
Number of Positions	-

**Nonrecurring**

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

## Department of Revenue (14700)

### Total Appropriations and Positions

	2012-13 Certified	Net Recommended Expansion and Reduction	2012-13 Recommended	Percent Change
Requirements	\$111,420,584	\$1,168,630	\$112,589,214	1.0 %
Receipts	<u>33,221,046</u>	<u>169,865</u>	<u>33,390,911</u>	0.5 %
Appropriation	<u>\$78,199,538</u>	<u>\$998,765</u>	<u>\$79,198,303</u>	1.3 %
Positions	1,417.250	59.000	1,476.250	4.2 %

## Appropriation Items -- Recommended Adjustments

### Reductions

2012-13

#### 1. Management Flexibility Reserve

This recommendation achieves savings throughout general government agencies through a flexibly managed, tiered approach that considers each agency's level of resources. This represents a 1.8% reduction for this agency.

**Appropriation (\$1,407,592)**

#### Total Recommended Reductions

##### Recurring

Requirements	(\$1,407,592)
Receipts	-
Appropriation	(\$1,407,592)
Number of Positions	-

##### Nonrecurring

Requirements	-
Receipts	-
Appropriation	-
Time Limited Positions	-

**Expansion**

2012-13

**1. Permanent positions for processing tax returns**

The Department's core business process, preparing tax returns, is currently handled by 11-month temporary staff. This recommendation is focused on ensuring that tax returns and refunds are processed quickly, and provides adequate funding to shift temporary employees to permanent, full-time employment so staff will be available to open mail and process tax returns throughout the year.

<b>Appropriation</b>	<b>\$1,695,351</b>
<b>Number of Positions</b>	<b>40.000</b>

**2. Permanent funds to reconcile NC-3 and W-2 Data Paper Filings**

This recommendation provides funding for additional staff required to key data into a database that reconciles NC-3s filed by employers with W-2s filed by employees. The Department expects this initiative to collect \$72-\$75 million in additional revenue for the State.

<b>Appropriation</b>	<b>\$711,006</b>
<b>Number of Positions</b>	<b>17.000</b>

**3. MotoTax Project**

This recommendation will provide support staff for the Combined Motor Vehicle Registration Renewal and Property Tax Collection System. Additional staff positions will provide Help Desk support to customers utilizing the system. These positions will be supported by Highway Fund receipts transferred to the Department from the Department of Transportation (DOT). Refer to the companion recommendation in the Department of Transportation budget.

<b>Requirements</b>	<b>\$169,865</b>
<b>Receipts</b>	<b>\$169,865</b>

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<b>Appropriation</b>	<b>-</b>
<b>Number of Positions</b>	<b>2.000</b>

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**Total Recommended Expansion**

**Recurring**

Requirements	\$2,576,222
Receipts	169,865
<hr/>	
Appropriation	\$2,406,357
Number of Positions	59.000

**Nonrecurring**

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

**Total Recommended Adjustments for  
Department of Revenue  
2012-13**

**Recurring**

Requirements	\$1,168,630
Receipts	169,865
	<hr/>
Appropriation	\$998,765
Number of Positions	59.000

**Nonrecurring**

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

**Department of Cultural Resources (14800)**

**Total Appropriations and Positions**

	<b>2012-13 Certified</b>	<b>Net Recommended Expansion and Reduction</b>	<b>2012-13 Recommended</b>	<b>Percent Change</b>
Requirements	\$64,410,441	\$139,454	\$64,549,895	0.2 %
Receipts	<u>2,713,440</u>	-	<u>2,713,440</u>	0.0 %
Appropriation	<u>\$61,697,001</u>	<u>\$139,454</u>	<u>\$61,836,455</u>	0.2 %
Positions	700.103	-	700.103	0.0 %

**Appropriation Items -- Recommended Adjustments**

**Reductions**

2012-13

**1. Management Flexibility Reserve**

This recommendation achieves savings throughout general government agencies through a flexibly managed, tiered approach that considers each agency's level of resources. This represents a 1.8% reduction for this agency.

**Appropriation (\$1,110,546)**

**Total Recommended Reductions**

**Recurring**

Requirements	(\$1,110,546)
Receipts	-
Appropriation	<u>(\$1,110,546)</u>
Number of Positions	-

**Nonrecurring**

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



**Expansion**

2012-13

**1. Partially Restore Reductions to Tryon Palace**

The Governor recommends partially restoring budget reductions to ensure the operation of the historic Tryon Palace. The funding level will save 17 appropriated positions, including key staff roles in security, garden maintenance, front line historic interpreters, and Tryon Palace maintenance. This recommendation will enable Tryon Palace to offer public programs six days per week and provide the opportunity to continue to grow revenues through admission receipts, retail sales, private event rentals, memberships, and fundraising.

**Appropriation \$850,000**

**2. Partially Restore Reductions to the Transportation Museum**

The Governor recommends partially restoring funding reductions to the Transportation Museum to maintain operating hours, existing special event programs, and to ensure adequate building and grounds maintenance. This recommendation will enable the Transportation Museum to maintain the current level and quality of public programming in a safe environment six days a week.

**Appropriation \$400,000**

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**Total Recommended Expansion**

**Recurring**

Requirements	\$1,250,000
Receipts	-
	<hr/>
Appropriation	\$1,250,000
Number of Positions	-

**Nonrecurring**

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

**Total Recommended Adjustments for  
Department of Cultural Resources  
2012-13**

**Recurring**

Requirements	\$139,454
Receipts	-
	<hr/>
Appropriation	\$139,454
Number of Positions	-

**Nonrecurring**

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

## Roanoke Island Commission (14802)

### Total Appropriations and Positions

	<b>2012-13 Certified</b>	<b>Net Recommended Expansion and Reduction</b>	<b>2012-13 Recommended</b>	<b>Percent Change</b>
Requirements	\$1,203,491	\$0	\$1,203,491	0.0 %
Receipts	-	-	-	
Appropriation	<u>\$1,203,491</u>	<u>\$0</u>	<u>\$1,203,491</u>	0.0 %
Positions	-	-	-	

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## State Board of Elections (18025)

### Total Appropriations and Positions

	2012-13 Certified	Net Recommended Expansion and Reduction	2012-13 Recommended	Percent Change
Requirements	\$5,220,796	\$612,670	\$5,833,466	11.7 %
Receipts	<u>94,193</u>	-	<u>94,193</u>	0.0 %
Appropriation	<u>\$5,126,603</u>	<u>\$612,670</u>	<u>\$5,739,273</u>	12.0 %
Positions	51.000	-	51.000	0.0 %

## Appropriation Items -- Recommended Adjustments

### Reductions

2012-13

#### 1. Management Flexibility Reserve

This recommendation achieves savings throughout general government agencies through a flexibly managed, tiered approach that considers each agency's level of resources. This represents a 1% reduction for this agency.

**Appropriation (\$51,266)**

### Total Recommended Reductions

#### Recurring

Requirements	(\$51,266)
Receipts	-
Appropriation	(\$51,266)
Number of Positions	-

#### Nonrecurring

Requirements	-
Receipts	-
Appropriation	-
Time Limited Positions	-

**Expansion**

2012-13

**1. Restore Maintenance of Effort Funds to Tap Help America Vote Act (HAVA) Funds**

Spending an additional \$663,936 of state funds will enable North Carolina to access over \$4 million in federal funding that will help ensure a fair and efficient election process. The Governor recommends restoring state Maintenance of Effort funds required for accessing Help America Vote Act (HAVA) funds. The funds will be used primarily to support hardware and software licensing agreements for voting machines across the state. The funds will also support upgrades to the statewide voter registration database (SEIMS) and to replace the counties' election tabulation Unity servers.

**Appropriation \$663,936**

**Total Recommended Expansion**

**Recurring**

Requirements	\$663,936
Receipts	-
<hr/>	
Appropriation	\$663,936
Number of Positions	-

**Nonrecurring**

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

**Total Recommended Adjustments for  
 State Board of Elections  
 2012-13**

**Recurring**

Requirements	\$612,670
Receipts	-
<hr/>	
Appropriation	\$612,670
Number of Positions	-

**Nonrecurring**

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

## Office of Administrative Hearings (18210)

### Total Appropriations and Positions

	2012-13 Certified	Net Recommended Expansion and Reduction	2012-13 Recommended	Percent Change
Requirements	\$4,200,742	(\$41,423)	\$4,159,319	(1.0)%
Receipts	<u>58,484</u>	-	<u>58,484</u>	0.0 %
Appropriation	<u>\$4,142,258</u>	<u>(\$41,423)</u>	<u>\$4,100,835</u>	(1.0)%
Positions	40.000	-	40.000	0.0 %

## Appropriation Items -- Recommended Adjustments

### Reductions

2012-13

#### 1. Management Flexibility Reserve

This recommendation achieves savings throughout general government agencies through a flexibly managed, tiered approach that considers each agency's level of resources. This represents a 1% reduction for this agency.

**Appropriation (\$41,423)**

### Total Recommended Reductions

#### Recurring

Requirements	(\$41,423)
Receipts	-
Appropriation	<u>(\$41,423)</u>
Number of Positions	-

#### Nonrecurring

Requirements	-
Receipts	-
Appropriation	-
Time Limited Positions	-

**Total Recommended Adjustments for  
Office of Administrative Hearings  
2012-13**

**Recurring**

Requirements (\$41,423)

Receipts -

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Appropriation (\$41,423)

Number of Positions -

**Nonrecurring**

Requirements -

Receipts -

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Appropriation -

Time Limited Positions -





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*Investing in **Our** Future:*

## *Health and Human Services*

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- Supports senior citizens by funding services that enable them to remain in their homes and communities, prevent elder abuse, help family care givers, and provide essential medication management.
- Invests in Smart Start early childhood services that reach children in communities all across the state.
- Builds capacity to meet mental health needs in local communities, fully funds the state's new safety net hospital, and extends crisis services to people with developmental disabilities.
- Continues health and wellness initiatives aimed at preventing tobacco use and connecting the uninsured with millions of dollars in free or reduced medications.
- Fully funds the state's Medicaid program, and contains costs through improved patient care, smart financing and continuing successful efforts to crack down on fraud, waste, abuse and overpayments.
- Achieves savings throughout the department largely by identifying administrative efficiencies and budget improvements, not by cutting essential health and human services.

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Department Summary    Central Management and Support    Aging and Adult Services  
Division of Child Development and Early Education    Office of Education Services    Division of Public Health  
Division of Social Services    Division of Medical Assistance    NC Health Choice  
Division of Mental Health/Developmental Disabilities/Substance Abuse Services  
Divisions of Services for the Blind, Deaf and Hard of Hearing  
Division of Health Services Regulation    Division of Vocational Rehabilitation

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## Department of Health and Human Services (144xx)

### Total Appropriations and Positions

	2012-13 Certified	Net Recommended Expansion and Reduction	2012-13 Recommended	Percent Change
Requirements	\$17,697,877,744	\$134,694,173	\$17,832,571,917	0.8 %
Receipts	<u>13,242,714,811</u>	<u>(41,636,603)</u>	<u>13,201,078,208</u>	(0.3)%
Appropriation	<u>\$4,455,162,933</u>	<u>\$176,330,776</u>	<u>\$4,631,493,709</u>	4.0 %
Positions	16,751.770	371.260	17,123.030	2.2 %

### Total Recommended Technical Adjustments

#### Recurring

Requirements	\$98,327,624
Receipts	(9,187,991)
Appropriation	<u>\$107,515,615</u>
Number of Positions	-

#### Nonrecurring

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

### Total Recommended Reductions

#### Recurring

Requirements	(\$135,495,539)
Receipts	(77,858,512)
Appropriation	<u>(\$57,637,027)</u>
Number of Positions	(27.840)

**Nonrecurring**

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

**Total Recommended Expansion**

**Recurring**

Requirements	\$132,420,023
Receipts	33,043,944
	<hr/>
Appropriation	\$99,376,079
Number of Positions	399.100

**Nonrecurring**

Requirements	\$39,442,065
Receipts	(1,634,044)
	<hr/>
Appropriation	\$41,076,109
Time Limited Positions	-

**Total Recommended Adjustments for  
 Department of Health and Human Services  
 2012-13**

**Recurring**

Requirements	\$95,252,108
Receipts	(54,002,559)
	<hr/>
Appropriation	\$149,254,667
Number of Positions	371.260

**Nonrecurring**

Requirements	\$39,442,065
Receipts	12,365,956
	<hr/>
Appropriation	\$27,076,109
Time Limited Positions	-

## Division of Central Management and Support (14410)

### Total Appropriations and Positions

	2012-13 Certified	Net Recommended Expansion and Reduction	2012-13 Recommended	Percent Change
Requirements	\$130,308,601	\$12,925,411	\$143,234,012	9.9 %
Receipts	<u>85,730,614</u>	<u>(295,113)</u>	<u>85,435,501</u>	(0.3)%
Appropriation	<u>\$44,577,987</u>	<u>\$13,220,524</u>	<u>\$57,798,511</u>	29.7 %
Positions	396.250	(26.840)	369.410	(6.8)%

## Appropriation Items -- Recommended Adjustments

### Reductions

2012-13

#### 1. ITS Rate Reduction

This recommendation reduces funds for ITS services due to a rate reduction for computer data processing charges.

<b>Requirements</b>	<b>(\$1,886,862)</b>
<b>Receipts</b>	<b>(\$839,113)</b>
<b>Appropriation</b>	<b>(\$1,047,749)</b>

#### 2. Budget Receipts

This recommendation replaces state appropriation due to the implementation of a cost-allocation plan for the Office of Property and Construction and the Office of Public Affairs. These offices currently have no cost-allocation plan in place.

<b>Requirements</b>	<b>-</b>
<b>Receipts</b>	<b>\$544,000</b>
<b>Appropriation</b>	<b>(\$544,000)</b>

#### 3. Department Wide Administrative Efficiencies

This recommendation reduces the Department of Health and Human Services budget due to consolidation of DHHS offices, expired contracts, elimination of seat management funds, elimination of positions that have been vacant for two years or more, and reorganizations. This reduction reserve will be established within the Division of Central Management and Support, but the efficiencies apply to all divisions of the department.

<b>Appropriation</b>	<b>(\$2,765,795)</b>
<b>Number of Positions</b>	<b>(27.840)</b>

**Total Recommended Reductions**

**Recurring**

Requirements	(\$4,652,657)
Receipts	(295,113)
	<hr/>
Appropriation	(\$4,357,544)
Number of Positions	(27,840)

**Nonrecurring**

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

**Expansion**

2012-13

**1. Medication Assistance Program**

This recommendation provides funding to continue Medication Assistance Program (MAP) grants to 59 sites across the state. Funding to support MAP for state fiscal year 2011-12 was provided on a one-time basis from the former Health and Wellness Trust Fund allocation.

**Appropriation      \$1,704,033**

**2. CheckMeds NC**

This recommendation provides funding to continue the CheckMeds NC program. Funding to support CheckMeds for state fiscal year 2011-12 was provided on a one-time basis from the former Health and Wellness Trust Fund allocation.

**Appropriation      \$1,695,379**  
**Number of Positions      1,000**

**3. Restore Division of Information Resource Management Contracts**

This recommendation restores funds for the Division of Information Resource's contracts on a recurring basis. This program was subject to continuation review by the department per the direction of the NC General Assembly.

**Appropriation      \$5,599,390**

**4. Support Non-Profit Organizations**

This recommendation provides non-recurring funding for non-profit organizations that were previously supported through federal funds. Due to a reduction in federal block grant availability, federal support is no longer available. The following organizations will receive funding: Boys and Girls Club - \$2,500,000; Maternity Homes - \$943,002; Children's Advocacy Centers - \$375,000; ALS Association Jim "Catfish" Hunter Chapter - \$400,000; Easter Seal Society/UCP NC - \$188,263; Prevent Blindness - \$150,000; NC Inter-Agency Council for Coordinating Homeless Programs - \$250,000; and Food Banks - \$3,773,001.

**Appropriation - Nonrecurring      \$8,579,266**

**Total Recommended Expansion**

**Recurring**

Requirements	\$8,998,802
Receipts	-
	<hr/>
Appropriation	\$8,998,802
Number of Positions	1.000

**Nonrecurring**

Requirements	\$8,579,266
Receipts	-
	<hr/>
Appropriation	\$8,579,266
Time Limited Positions	-

**Total Recommended Adjustments for  
 Division of Central Management and Support  
 2012-13**

**Recurring**

Requirements	\$4,346,145
Receipts	(295,113)
	<hr/>
Appropriation	\$4,641,258
Number of Positions	(26.840)

**Nonrecurring**

Requirements	\$8,579,266
Receipts	-
	<hr/>
Appropriation	\$8,579,266
Time Limited Positions	-

## Division of Aging and Adult Services (14411)

### Total Appropriations and Positions

	2012-13 Certified	Net Recommended Expansion and Reduction	2012-13 Recommended	Percent Change
Requirements	\$92,362,746	\$5,153,426	\$97,516,172	5.6 %
Receipts	<u>55,343,079</u>	<u>277,777</u>	<u>55,620,856</u>	0.5 %
Appropriation	<u>\$37,019,667</u>	<u>\$4,875,649</u>	<u>\$41,895,316</u>	13.2 %
Positions	57.500	1.000	58.500	1.7 %

## Appropriation Items -- Recommended Adjustments

### Expansion

2012-13

#### 1. Project CARE (Caregiver Alternatives to Running on Empty)

Project CARE is a nationally recognized best practice that supports families caring for persons with Alzheimer's and dementia. The Governor recommends recurring funds to sustain Project CARE for approximately 800 families in 40 counties. Services include counseling, training and educational resources, and respite services. It is a cost effective alternative to institutional care.

**Requirements** **\$555,555**

**Receipts** **\$55,555**

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**Appropriation** **\$500,000**

#### 2. Protect Vulnerable Adults System Pilot

Many North Carolinians 60 and older have been or are at-risk of abuse, neglect and exploitation. The Governor recommends funding to support a three year pilot of the Vulnerable Adult Protective Services System. The system will expand the target population identified in G.S. 108A. Further, the system will provide a broader array of services and preventative role of local Division of Social Services offices. The system will be piloted by 6 counties selected through a request for proposal (RFP) process. The request includes 1 FTE to revise administrative rules and develop competency based training, community education programs, and a data collection system.

**Appropriation** **\$2,375,649**

**Number of Positions** **1.000**



**3. Home and Community Care Block Grant**

One of the Governor's top priorities is helping seniors to delay or avoid institutional care and live independently in their communities. That is why the Governor recommends funding for the Home and Community Care Block Grant. Services are authorized by county commissioners and typically include nutrition and in-home care. The funds will reduce the estimated wait list of 18,000 by 1,500.

<b>Requirements</b>	<b>\$2,222,222</b>
<b>Receipts</b>	<b>\$222,222</b>
	<hr/>
<b>Appropriation</b>	<b>\$2,000,000</b>

**Total Recommended Expansion**

**Recurring**

Requirements	\$5,153,426
Receipts	277,777
	<hr/>
Appropriation	\$4,875,649
Number of Positions	1.000

**Nonrecurring**

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

**Total Recommended Adjustments for  
 Division of Aging and Adult Services  
 2012-13**

**Recurring**

Requirements	\$5,153,426
Receipts	277,777
	<hr/>
Appropriation	\$4,875,649
Number of Positions	1.000

**Nonrecurring**

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

## Division of Child Development and Early Education (14420)

### Total Appropriations and Positions

	2012-13 Certified	Net Recommended Expansion and Reduction	2012-13 Recommended	Percent Change
Requirements	\$671,627,310	\$43,184,601	\$714,811,911	6.4 %
Receipts	<u>405,524,377</u>	-	<u>405,524,377</u>	0.0 %
Appropriation	<u>\$266,102,933</u>	<u>\$43,184,601</u>	<u>\$309,287,534</u>	16.2 %
Positions	295.750	5.000	300.750	1.7 %

### Appropriation Items -- Recommended Adjustments

#### Expansion

2012-13

#### Early Childhood Education Initiatives

Early childhood education plays a critical role in preparing children for success in elementary school and beyond. The Governor focuses on early childhood education as the "ready" component of her "Ready, Set, Go!" initiative.

##### 1. Restore Funding to Smart Start

This recommendation restores funding for the Smart Start program, which the General Assembly reduced by 20 percent. These funds will be used by the North Carolina Partnership for Children to increase the capacity of the state's early childhood education system.

**Appropriation \$18,184,601**

##### 2. NC Pre-Kindergarten

This recommendation restores funding for the NC Pre-Kindergarten program, which the General Assembly reduced by 20 percent. These funds will be used by local communities across the state to increase the capacity of the state's early childhood education system.

**Appropriation \$25,000,000**

**Number of Positions 5.000**

#### Total Recommended Expansion

##### Recurring

Requirements	\$43,184,601
Receipts	-
Appropriation	<u>\$43,184,601</u>
Number of Positions	5.000

**Nonrecurring**

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

**Total Recommended Adjustments for  
 Division of Child Development and Early Education  
 2012-13**

**Recurring**

Requirements	\$43,184,601
Receipts	-
	<hr/>
Appropriation	\$43,184,601
Number of Positions	5.000

**Nonrecurring**

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

## Division of Public Health (14430)

### Total Appropriations and Positions

	2012-13 Certified	Net Recommended Expansion and Reduction	2012-13 Recommended	Percent Change
Requirements	\$796,104,592	\$10,826,775	\$806,931,367	1.4 %
Receipts	<u>638,565,758</u>	-	<u>638,565,758</u>	0.0 %
Appropriation	<u>\$157,538,834</u>	<u>\$10,826,775</u>	<u>\$168,365,609</u>	6.9 %
Positions	2,042.490	19.000	2,061.490	0.9 %

## Appropriation Items -- Recommended Adjustments

### Reductions

2012-13

#### 1. Eliminate Local Health Department Accreditation Contract

This recommendation eliminates a contract with the University of North Carolina's Institute for Public Health. State-based accreditation efforts duplicate a national program that is available for local health departments to pursue accreditation.

**Appropriation (\$300,000)**

#### 2. Reduction Operating and Contract Funds

This recommendation reduces contractual funds that have been unobligated or unspent within the Division of Public Health.

**Appropriation (\$600,000)**

### Total Recommended Reductions

#### Recurring

Requirements	(\$900,000)
Receipts	-
Appropriation	<u>(\$900,000)</u>
Number of Positions	-

#### Nonrecurring

Requirements	-
Receipts	-
Appropriation	-
Time Limited Positions	-

**Expansion** 2012-13

**1. Tobacco Prevention and Cessation**

This recommendation provides funding to continue tobacco prevention and cessation efforts that were previously supported by the Health and Wellness Trust Fund, including the TRU media campaign, community-based TRU grants, and Quitline. Funding to support these efforts for state fiscal year 2011-12 was provided on a one-time basis.

**Appropriation \$10,000,000**  
**Number of Positions 4.000**

**2. State Public Health Lab and Office of Chief Medical Examiner**

This recommendation provides operating funds and positions for the new State Public Health Lab and Office of Chief Medical Examiner facility. Ten months is budgeted for state fiscal year 2012-13 because the facility will not be fully operational until September 2012.

**Appropriation \$1,155,666**  
**Number of Positions 12.000**

**3. Restore Regional Offices**

This recommendation restores funds to Environmental Health regional offices on a recurring basis. This program was subject to justification review by the General Assembly's Fiscal Research Division in FY 2011-12.

**Appropriation \$221,109**  
**Number of Positions 3.000**

**4. High Risk Pregnancy Program at East Carolina School of Medicine**

This recommendation provides funding to support the operation of a high-risk maternity clinic to improve the birth outcomes of women in eastern North Carolina.

**Appropriation \$350,000**

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**Total Recommended Expansion**

**Recurring**

Requirements	\$11,726,775
Receipts	-
<hr/>	
Appropriation	\$11,726,775
Number of Positions	19.000

**Nonrecurring**

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

**Total Recommended Adjustments for  
Division of Public Health  
2012-13**

**Recurring**

Requirements	\$10,826,775
Receipts	-
<hr/>	
Appropriation	\$10,826,775
Number of Positions	19.000

**Nonrecurring**

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

## Division of Social Services (14440)

### Total Appropriations and Positions

	2012-13 Certified	Net Recommended Expansion and Reduction	2012-13 Recommended	Percent Change
Requirements	\$1,613,355,256	(\$13,472,335)	\$1,599,882,921	(0.8)%
Receipts	<u>1,427,172,188</u>	<u>(4,393,219)</u>	<u>1,422,778,969</u>	(0.3)%
Appropriation	<u>\$186,183,068</u>	<u>(\$9,079,116)</u>	<u>\$177,103,952</u>	(4.9)%
Positions	412.000	-	412.000	0.0 %

## Appropriation Items -- Recommended Adjustments

### Reductions

2012-13

#### 1. Foster Care Caseload Reduction

Recently implemented changes in the Foster Care Program emphasizing in-home services and reunification with families and relatives have resulted in a reduction in the foster care caseload. In addition, changes in the placement cost for high need foster care children has resulted in budget savings. All children who need foster care services will be served.

**Requirements (\$10,771,469)**

**Receipts (\$4,097,118)**

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**Appropriation (\$6,674,351)**

#### 2. Improved Provision of Adoption Vendor Payment Services

Savings are achieved through changes in policy and better oversight of the vendor payment program, which ensures that appropriate non-medical, non-Medicaid reimbursable goods or services, such as special camps and tutoring, are provided for special needs adoptive children. This reduction does not result in any reduction to appropriate services for special needs adoptive children.

**Requirements (\$2,700,866)**

**Receipts (\$675,217)**

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**Appropriation (\$2,025,649)**

**3. FMAP Change for IV-E Child Welfare Services**

Savings are achieved through the change in the Federal Medical Assistance Percentage from 65.28% to 65.51%, effective October 1, 2012.

	<b>Requirements</b>	-
	<b>Receipts</b>	<b>\$379,116</b>
		<hr/>
	<b>Appropriation</b>	<b>(\$379,116)</b>
<hr/>		
<b>Total Recommended Reductions</b>		
<b>Recurring</b>		
Requirements		(\$13,472,335)
Receipts		(4,393,219)
		<hr/>
Appropriation		(\$9,079,116)
Number of Positions		-
<b>Nonrecurring</b>		
Requirements		-
Receipts		-
		<hr/>
Appropriation		-
Time Limited Positions		-

**Total Recommended Adjustments for  
 Division of Social Services  
 2012-13**

<b>Recurring</b>	
Requirements	(\$13,472,335)
Receipts	(4,393,219)
	<hr/>
Appropriation	(\$9,079,116)
Number of Positions	-
<b>Nonrecurring</b>	
Requirements	-
Receipts	-
	<hr/>
Appropriation	-
Time Limited Positions	-



## Division of Medical Assistance (14445)

### Total Appropriations and Positions

	2012-13 Certified	Net Recommended Expansion and Reduction	2012-13 Recommended	Percent Change
Requirements	\$12,417,280,842	\$86,638,683	\$12,503,919,525	0.7 %
Receipts	<u>9,510,004,540</u>	<u>(20,918,475)</u>	<u>9,489,086,065</u>	(0.2)%
Appropriation	<u>\$2,907,276,302</u>	<u>\$107,557,158</u>	<u>\$3,014,833,460</u>	3.7 %
Positions	390.250	-	390.250	0.0 %

## Appropriation Items -- Recommended Adjustments

### Technical Adjustments

2012-13

#### 1. Medicaid Rebase Adjustment

This item rebases the Medicaid budget to adjust for changes in the number of recipients, utilization or consumption of services, changes in reimbursement for services where CMS sets the rate or reimbursement policy (i.e., Medicare Part A, B and D), Federally Qualified Health Centers and Hospice, and changes in the Federal Medicaid Assistance Percentage (FMAP).

<b>Requirements</b>	<b>\$109,435,319</b>
<b>Receipts</b>	<b>-</b>
<b>Appropriation</b>	<b>\$109,435,319</b>

### Total Recommended Technical Adjustments

#### Recurring

Requirements	\$109,435,319
Receipts	-
Appropriation	\$109,435,319
Number of Positions	-

#### Nonrecurring

Requirements	-
Receipts	-
Appropriation	-
Time Limited Positions	-

**Reductions**

2012-13

**Program Integrity**

**1. Provider Fraud, Waste, and Abuse Detection and Prevention**

As part of the Governor's aggressive efforts to crack down on fraud, waste and abuse, savings are achieved through continued and enhanced Program Integrity activities that will identify providers who fraudulently provide or bill for Medicaid services. Stricter federal guidelines for enrollment of providers, along with additional screening of initial applications for enrollment, will avoid costs. Providers who meet certain criteria will undergo prepayment reviews prior to submitting claims, resulting in less fraudulent and erroneous claims.

<b>Requirements</b>	<b>(\$7,385,075)</b>
<b>Receipts</b>	<b>(\$4,833,531)</b>
<hr/>	
<b>Appropriation</b>	<b>(\$2,551,544)</b>

**2. Recipient Fraud, Waste, and Abuse Detection and Prevention**

As part of the Governor's aggressive efforts to crack down on fraud, waste and abuse, savings are achieved through continued and enhanced Program Integrity activities including new enrollment procedures that electronically verify financial information from bank, credit unions and other financial institutions where the recipient has or may have accounts.

<b>Requirements</b>	<b>(\$3,991,011)</b>
<b>Receipts</b>	<b>(\$2,766,617)</b>
<hr/>	
<b>Appropriation</b>	<b>(\$1,224,394)</b>

**3. SmartCard Technology**

As part of the Governor's aggressive efforts to crack down on fraud waste and abuse, it is recommended that paper Medicaid cards be replaced with SmartCards that include photographs and other enabling technology to ensure that only individuals eligible for Medicaid receive Medicaid services. The SmartCard will allow authentication that the person presenting the Medicaid card is the Medicaid recipient, while ensuring secure communications and data storage throughout the authentication process.

<b>Requirements</b>	<b>(\$14,471,780)</b>
<b>Receipts</b>	<b>(\$9,471,780)</b>
<hr/>	
<b>Appropriation</b>	<b>(\$5,000,000)</b>

**4. VA Benefits Verification**

Savings will be achieved by ensuring that individuals who are eligible for VA benefits receive them from the Veteran's Administration. Medicaid will continue to cover appropriate medical services that the VA does not cover.

<b>Requirements</b>	<b>(\$2,894,356)</b>
<b>Receipts</b>	<b>(\$1,894,356)</b>
<hr/>	
<b>Appropriation</b>	<b>(\$1,000,000)</b>

**Financing**

**1. Restructure Some Fee for Service Payment Rates**

In order to modernize how providers are paid and improve care for recipients, fee for service payment rates for several services will be converted to all inclusive or fixed rates for episodes of care. Payments will be for a period of time or a diagnosis rather than fee for service payments.

<b>Requirements</b>	<b>(\$5,644,935)</b>
<b>Receipts</b>	<b>(\$3,668,299)</b>
<hr/>	
<b>Appropriation</b>	<b>(\$1,976,636)</b>

**2. Pharmacy Improvements**

Savings will be achieved through the implementation of a specialty pharmacy for hemophilia drugs. Additional savings will come from increased use by facilities of a federal drug pricing program known as the 340B pricing program that allows clinics and other facilities to purchase prescription drugs at a reduced cost.

<b>Requirements</b>	<b>(\$3,975,046)</b>
<b>Receipts</b>	<b>(\$2,583,140)</b>
<hr/>	
<b>Appropriation</b>	<b>(\$1,391,906)</b>

**3. Modify Private Duty Nursing Rate**

The Private Duty Nursing payment rates will be adjusted to reflect a different rate for Registered Nurses and Licensed Practical Nurses.

<b>Requirements</b>	<b>(\$3,413,861)</b>
<b>Receipts</b>	<b>(\$2,208,061)</b>
<hr/>	
<b>Appropriation</b>	<b>(\$1,205,800)</b>

**4. Expand Capitation Program for High Tech Imaging**

This recommendation expands the capitation program for high tech imaging and ultra sounds to include outpatient cardiac imaging services in order to avoid unnecessary utilization of these services.

<b>Requirements</b>	<b>(\$4,795,140)</b>
<b>Receipts</b>	<b>(\$3,138,419)</b>
<hr/>	
<b>Appropriation</b>	<b>(\$1,656,721)</b>

**5. Maintain 2012 Effective Rate Reduction**

This recommendation maintains the current rate reduction that was implemented in the fall of SFY 11-12 in order to achieve the targeted savings equal to a 2% rate reduction for the entire state fiscal year.

<b>Requirements</b>	<b>(\$38,463,923)</b>
<b>Receipts</b>	<b>(\$25,174,638)</b>
	<hr/>
<b>Appropriation</b>	<b>(\$13,289,285)</b>

**6. CHIPRA Bonus**

In SFY 2011-12, the state earned a bonus from the Center for Medicare and Medicaid Services (CMS) for its efforts to keep children healthy by providing continued coverage for children in Health Choice and Medicaid as a result of implementing measures that reduce the administrative burden on families enrolling children in these programs. The Governor fully expects the Division of Medical Assistance to receive this bonus again. The amount is contingent on enrollment growth and the number of states that qualify for the bonus.

<b>Requirements - Nonrecurring</b>	<b>-</b>
<b>Receipts - Nonrecurring</b>	<b>\$14,000,000</b>
	<hr/>
<b>Appropriation - Nonrecurring</b>	<b>(\$14,000,000)</b>

**Improve Patient Care**

**1. CCNC Home Health Services Initiative**

Continuing the Governor's emphasis on the medical home model for improved care, CCNC will implement in their networks an initiative to manage home health services that ensures the provision of medically appropriate services, thereby resulting in better care for recipients and cost savings.

<b>Requirements</b>	<b>(\$12,895,680)</b>
<b>Receipts</b>	<b>(\$8,440,223)</b>
	<hr/>
<b>Appropriation</b>	<b>(\$4,455,457)</b>

**Total Recommended Reductions**

**Recurring**

Requirements	(\$97,930,807)
Receipts	(64,179,064)
	<hr/>
Appropriation	(\$33,751,743)
Number of Positions	-

**Nonrecurring**

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

**Expansion**

2012-13

**1. Medicaid 1915 (i) Options - Modification of PCS Eligibility Policies**

To maximize choice and ensure that citizens get quality care in the most appropriate setting, it is recommended that funding be provided to implement the Medicaid 1915(i) Option for Personal Care Services (PCS). Comparable services will be provided to individuals regardless of living arrangement. The provision of PCS will be based on diagnosis code and Activity of Daily Living (ADL) needs to ensure the most appropriate amounts of services are provided to individuals eligible for PCS.

<b>Requirements</b>	<b>\$44,706,782</b>
<b>Receipts</b>	<b>\$29,260,589</b>
	<hr/>
<b>Appropriation</b>	<b>\$15,446,193</b>

**2. Repayment of 2009 Federal Overdraw**

The Governor recommends non-recurring funding to pay the remaining debt from the State's overdraw of federal Medicaid funds from the period October 1, 2008 through June 2009. This amount includes principal and interest for the final three payments due.

<b>Appropriation - Nonrecurring</b>	<b>\$30,427,389</b>
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**Total Recommended Expansion**

**Recurring**

Requirements	\$44,706,782
Receipts	29,260,589
	<hr/>
Appropriation	\$15,446,193
Number of Positions	-

**Nonrecurring**

Requirements	\$30,427,389
Receipts	-
	<hr/>
Appropriation	\$30,427,389
Time Limited Positions	-

**Total Recommended Adjustments for  
Division of Medical Assistance  
2012-13**

**Recurring**

Requirements	\$56,211,294
Receipts	(34,918,475)
	<hr/>
Appropriation	\$91,129,769
Number of Positions	-

**Nonrecurring**

Requirements	\$30,427,389
Receipts	14,000,000
	<hr/>
Appropriation	\$16,427,389
Time Limited Positions	-

## NC Health Choice (14446)

### Total Appropriations and Positions

	2012-13 Certified	Net Recommended Expansion and Reduction	2012-13 Recommended	Percent Change
Requirements	\$349,143,630	(\$14,738,777)	\$334,404,853	(4.2)%
Receipts	<u>265,425,765</u>	<u>(11,936,720)</u>	<u>253,489,045</u>	(4.5)%
Appropriation	<u>\$83,717,865</u>	<u>(\$2,802,057)</u>	<u>\$80,915,808</u>	(3.3)%
Positions	2.000	-	2.000	0.0 %

## Appropriation Items -- Recommended Adjustments

### Technical Adjustments

2012-13

#### 1. Health Choice Rebase

This recommendation rebases the Health Choice budget to adjust for changes in the number of recipients, the utilization or consumption of services, and changes in the Federal Medicaid Assistance Percentage (FMAP). The policy of open enrollment will continue in FY 12-13, with the expectation that all eligible children will be served, and it is projected that enrollment will increase approximately 5.5% to approximately 153,000 children.

<b>Requirements</b>	<b>(\$11,107,695)</b>
<b>Receipts</b>	<b>(\$9,187,991)</b>
<b>Appropriation</b>	<b>(\$1,919,704)</b>

### Total Recommended Technical Adjustments

#### Recurring

Requirements	(\$11,107,695)
Receipts	(9,187,991)
Appropriation	(\$1,919,704)
Number of Positions	-

#### Nonrecurring

Requirements	-
Receipts	-
Appropriation	-
Time Limited Positions	-

**Reductions**

2012-13

**Financing**

**1. Restructure Some Fee for Service Payment Rates**

In order to modernize how providers are paid and improve care for recipients, fee for service payment rates for several services will be converted to all inclusive or fixed rates for episodes of care. Payments will be for a period of time or a diagnosis rather than fee for service payments.

<b>Requirements</b>	<b>(\$90,366)</b>
<b>Receipts</b>	<b>(\$68,407)</b>
<hr/>	
<b>Appropriation</b>	<b>(\$21,959)</b>

**2. Pharmacy Improvements**

Savings will be achieved through the implementation of a specialty pharmacy for hemophilia drugs. Additional savings will come from increased use by facilities of a federal drug pricing program known as the 340B pricing program. This program allows clinics and other facilities to purchase prescription drugs that are used for treatment at the clinic or facility at a reduced cost.

<b>Requirements</b>	<b>(\$73,811)</b>
<b>Receipts</b>	<b>(\$55,875)</b>
<hr/>	
<b>Appropriation</b>	<b>(\$17,936)</b>

**3. Modify Private Duty Nursing Rate**

The Private Duty Nursing payment rates will be adjusted to reflect a different payment rate for Registered Nurses and Licensed Practical Nurses.

<b>Requirements</b>	<b>(\$414,288)</b>
<b>Receipts</b>	<b>(\$313,616)</b>
<hr/>	
<b>Appropriation</b>	<b>(\$100,672)</b>

**4. Maintain 2012 Effective Rate Reduction**

This recommendation maintains the current rate reduction that was implemented in the fall of SFY 11-12 in order to achieve the targeted savings equal to a 2% rate reduction for the entire state fiscal year.

<b>Requirements</b>	<b>(\$2,855,782)</b>
<b>Receipts</b>	<b>(\$2,161,827)</b>
<hr/>	
<b>Appropriation</b>	<b>(\$693,955)</b>



**Improve Patient Care**

**1. CCNC Home Health Services Initiative**

CCNC will implement an initiative to manage home health services that ensures the provision of medically appropriate services.

<b>Requirements</b>	<b>(\$196,835)</b>
<b>Receipts</b>	<b>(\$149,004)</b>
<hr/>	
<b>Appropriation</b>	<b>(\$47,831)</b>

**Total Recommended Reductions**

**Recurring**

Requirements	(\$3,631,082)
Receipts	(2,748,729)
<hr/>	
Appropriation	(\$882,353)
Number of Positions	-

**Nonrecurring**

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

**Total Recommended Adjustments for  
 NC Health Choice  
 2012-13**

**Recurring**

Requirements	(\$14,738,777)
Receipts	(11,936,720)
<hr/>	
Appropriation	(\$2,802,057)
Number of Positions	-

**Nonrecurring**

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

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

### Total Appropriations and Positions

	2012-13 Certified	Net Recommended Expansion and Reduction	2012-13 Recommended	Percent Change
Requirements	\$32,504,870	\$0	\$32,504,870	0.0 %
Receipts	<u>24,131,984</u>	<u>168,336</u>	<u>24,300,320</u>	0.7 %
Appropriation	<u>\$8,372,886</u>	<u>(\$168,336)</u>	<u>\$8,204,550</u>	(2.0)%
Positions	316.250	-	316.250	0.0 %

### Appropriation Items -- Recommended Adjustments

#### Reductions

2012-13

#### 1. Division of Services for the Deaf and Hard of Hearing Administration

The Division of Services for the Deaf and Hard of Hearing (DHH) and its 7 regional resource centers provide services to promote effective communication of deaf, hard of hearing, and deaf-blind clients. The division's programs and services and most of its administrative costs are funded through the Telecommunications Relay Trust Fund. This recommendation would fully fund administration through the trust fund.

<b>Requirements</b>	-
<b>Receipts</b>	<b>\$168,336</b>
<b>Appropriation</b>	<b>(\$168,336)</b>

#### Total Recommended Reductions

##### Recurring

Requirements	-
Receipts	168,336
Appropriation	(\$168,336)
Number of Positions	-

##### Nonrecurring

Requirements	-
Receipts	-
Appropriation	-
Time Limited Positions	-

**Total Recommended Adjustments for  
Divisions of Services for the Blind, Deaf, and Hard of  
Hearing  
2012-13**

**Recurring**

Requirements	-
Receipts	168,336
	<hr/>
Appropriation	(\$168,336)
Number of Positions	-

**Nonrecurring**

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

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

Total Appropriations and Positions				
	2012-13 Certified	Net Recommended Expansion and Reduction	2012-13 Recommended	Percent Change
Requirements	\$1,398,921,673	\$4,076,389	\$1,402,998,062	0.3 %
Receipts	<u>688,209,441</u>	<u>(2,746,630)</u>	<u>685,462,811</u>	(0.4)%
Appropriation	<u>\$710,712,232</u>	<u>\$6,823,019</u>	<u>\$717,535,251</u>	1.0 %
Positions	11,277.780	373.100	11,650.880	3.3 %

### Appropriation Items -- Recommended Adjustments

#### Reductions

2012-13

#### 1. Local Management Entities Administrative Savings Due to Transition to Managed Care Organizations

The transition of Local Managed Entities (LME) to Managed Care Organizations (MCO) will be accompanied by a change in methodology in determining a LME/MCO's administrative budget. The administrative budget will no longer be based on population, but rather a percentage of the LME/MCO's community services dollars and will include a risk reserve. The change in methodology will produce an administrative savings. The recommendation will not reduce service availability.

<b>Requirements</b>	<b>(\$14,908,658)</b>
<b>Receipts</b>	<b>(\$6,410,723)</b>
<b>Appropriation</b>	<b>(\$8,497,935)</b>

#### Total Recommended Reductions

##### Recurring

Requirements	(\$14,908,658)
Receipts	(6,410,723)
Appropriation	(\$8,497,935)
Number of Positions	-

\*This budget code also includes the Division of State Operated Healthcare Facilities.

**Nonrecurring**

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

**Expansion**

2012-13

**1. Crisis Services - Local In-Patient Bed Capacity**

The Governor has a long-standing commitment to building community mental health capacity so people can access services near their homes. Through the purchase of local in-patient beds, clients will be able to access services in their home community and receive better integration and continuity of care. In addition, local in-patient bed capacity will reduce the demand on state psychiatric facilities.

**Appropriation      \$10,000,000**

**2. Crisis Services - Systemic, Therapeutic, Assessment, Treatment, and Respite Teams (START)**

The Governor recommends funding to enhance the statewide crisis service system by expanding coverage of the START program, a specialized crisis intervention for individuals with intellectual/development disabilities that includes respite services. Funding will improve response times, avoid over-utilization of state facilities, and reduce length of stay in hospital emergency rooms.

**Requirements      \$2,400,000**

**Receipts              \$552,000**

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**Appropriation      \$1,848,000**

**3. New Cherry Hospital**

Authorized by Session Law 2006-66, the new Cherry Hospital in Goldsboro will provide psychiatric care for residents of the state's 38 eastern counties beginning April 1, 2013. This request will fully staff the hospital's expanded bed capacity, which will increase by 124 to 314 beds. The annualized cost will be \$13.1 million (state appropriation).

**Requirements      \$6,249,637**

**Requirements - Nonrecurring      \$335,410**

**Receipts              \$2,953,578**

**Receipts - Nonrecurring      \$158,515**

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**Appropriation      \$3,472,954**

**Number of Positions      373.100**

**Total Recommended Expansion**

**Recurring**

Requirements	\$18,649,637
Receipts	3,505,578
	<hr/>
Appropriation	\$15,144,059
Number of Positions	373.100

**Nonrecurring**

Requirements	\$335,410
Receipts	158,515
	<hr/>
Appropriation	\$176,895
Time Limited Positions	-

**Total Recommended Adjustments for  
 Division of Mental Health/Developmental  
 Disabilities/Substance Abuse Services  
 2012-13**

**Recurring**

Requirements	\$3,740,979
Receipts	(2,905,145)
	<hr/>
Appropriation	\$6,646,124
Number of Positions	373.100

**Nonrecurring**

Requirements	\$335,410
Receipts	158,515
	<hr/>
Appropriation	\$176,895
Time Limited Positions	-

## Division of Health Service Regulation (14470)

### Total Appropriations and Positions

	2012-13 Certified	Net Recommended Expansion and Reduction	2012-13 Recommended	Percent Change
Requirements	\$58,897,788	\$100,000	\$58,997,788	0.2 %
Receipts	<u>42,764,757</u>	<u>(1,792,559)</u>	<u>40,972,198</u>	(4.2)%
Appropriation	<u>\$16,133,031</u>	<u>\$1,892,559</u>	<u>\$18,025,590</u>	11.7 %
Positions	517,000	-	517,000	0.0 %

## Appropriation Items -- Recommended Adjustments

### Expansion

2012-13

#### 1. Nursing Home Licensure and Certification Funds

This recommendation provides funds to replace lost receipts from civil fines and penalties assessed against nursing homes. New federal regulations and guidance no longer allow these funds to be used for state positions. As the receipts were being utilized on a non-recurring basis, the replacement funding is on a non-recurring basis.

<b>Requirements</b>	-
<b>Receipts - Nonrecurring</b>	<b>(\$1,792,559)</b>
<b>Appropriation - Nonrecurring</b>	<b>\$1,792,559</b>

#### 2. Study to Analyze/Develop Transparency in Hospital Billing

The Governor, recognizing the complexity of current hospital billing, recommends that the North Carolina Institute of Medicine (NCIOM) study, analyze, and develop recommendations for greater transparency in hospital billing that will lead to better patient understanding of health care costs.

<b>Requirements - Nonrecurring</b>	<b>\$100,000</b>
<b>Receipts - Nonrecurring</b>	-
<b>Appropriation - Nonrecurring</b>	<b>\$100,000</b>

**Total Recommended Expansion**

**Recurring**

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

**Nonrecurring**

Requirements	\$100,000
Receipts	(1,792,559)
	<hr/>
Appropriation	\$1,892,559
Time Limited Positions	-

**Total Recommended Adjustments for  
 Division of Health Service Regulation  
 2012-13**

**Recurring**

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

**Nonrecurring**

Requirements	\$100,000
Receipts	(1,792,559)
	<hr/>
Appropriation	\$1,892,559
Time Limited Positions	-



**Division of Vocational Rehabilitation Services (14480)**

**Total Appropriations and Positions**

	<b>2012-13 Certified</b>	<b>Net Recommended Expansion and Reduction</b>	<b>2012-13 Recommended</b>	<b>Percent Change</b>
Requirements	\$137,370,436	\$0	\$137,370,436	0.0 %
Receipts	<u>99,842,308</u>	-	<u>99,842,308</u>	0.0 %
Appropriation	<u>\$37,528,128</u>	<u>\$0</u>	<u>\$37,528,128</u>	0.0 %
Positions	1,044.500	-	1,044.500	0.0 %

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## *Investing in Our Future:*

# *Justice and Public Safety*

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### **Public Safety**

- Supports the soldiers and airmen by restoring tuition assistance for the North Carolina National Guard that was cut in FY 2009-10.
- Maximizes federal funds in support of Tarheel Challenge by fully funding the state's match requirements.
- Invests the funds necessary to effectively implement the Justice Reinvestment Act by supporting additional probation and parole officers and other staff to process and supervise the increase in offenders requiring mandatory community supervision.
- Provides operating funds and additional personnel for the recent expansion of VIPER, the statewide voice radio communications system for fire, rescue, and law enforcement agencies.
- Restores funds to the State Highway Patrol for basic training schools, the graduates of which become State Highway Patrol Troopers.

### **Justice**

- Expands the Internet Crimes against Children Response Team to protect North Carolina's children in response to an increase in the number of sexual abuse reports received from the National Center for Missing and Exploited Children.
- Expands the Methamphetamine Team to address increases in meth labs and trafficking activities.
- Expands the State Bureau of Investigation's laboratory capacity in the Triad lab and the Western lab to process DNA and toxicology submissions.
- Supports the appropriation of the National Mortgage Settlement for purposes outlined in the Consent Order, including the addition of time-limited positions in the NC SBI to expand its accounting and financial investigative ability and in DOJ's Consumer Protection Division to increase its efforts to investigate and pursue financial fraud and unfair and deceptive trade practices.

### **Judicial**

- Supports the appropriation of the National Mortgage Settlement for purposes outlined in the Consent Order, including funds to the Administrative Office of the Courts to expand prosecution of lending and financial crimes among prosecutorial districts.



**Judicial Branch (12000)**

**Total Appropriations and Positions**

	<b>2012-13 Certified</b>	<b>Net Recommended Expansion and Reduction</b>	<b>2012-13 Recommended</b>	<b>Percent Change</b>
Requirements	\$438,172,254	\$15,583,777	\$453,756,031	3.6 %
Receipts	<u>3,031,147</u>	<u>6,690,000</u>	<u>9,721,147</u>	220.7 %
Appropriation	<u>\$435,141,107</u>	<u>\$8,893,777</u>	<u>\$444,034,884</u>	2.0 %
Positions	5,819.375	44.000	5,863.375	0.8 %

**Appropriation Items -- Recommended Adjustments**

**Expansion**

2012-13

**1. Unfreeze Pay Plans**

It is recommended that the pay plan increases for assistant clerks, deputy clerks and magistrates be reinstated.

**Appropriation \$6,028,084**

**2. Restore Family Court**

This recommendation restores funds to Family Court on a recurring basis. This program was subject to continuation review by the department per the direction of the NC General Assembly.

**Appropriation \$2,865,693**

**Number of Positions 44.000**

**3. National Mortgage Settlement - Conference of District Attorneys**

This recommendation appropriates \$6.69 million awarded to North Carolina as a result of the National Mortgage Settlement. Consistent with the Settlement, funds are recommended for the Administrative Office of the Courts to administer a program of grants among the prosecutorial districts in North Carolina for the purpose of expanding prosecution of lending and financial crimes, expanding prosecution and investigative abilities in those areas, and obtain training related to lending and financial crimes.

**Requirements - Nonrecurring \$6,690,000**

**Receipts - Nonrecurring \$6,690,000**

**Appropriation - Nonrecurring -**

**Total Recommended Expansion**

**Recurring**

Requirements	\$8,893,777
Receipts	-
	<hr/>
Appropriation	\$8,893,777
Number of Positions	44.000

**Nonrecurring**

Requirements	\$6,690,000
Receipts	6,690,000
	<hr/>
Appropriation	-
Time Limited Positions	-

**Total Recommended Adjustments for  
 Judicial Branch  
 2012-13**

**Recurring**

Requirements	\$8,893,777
Receipts	-
	<hr/>
Appropriation	\$8,893,777
Number of Positions	44.000

**Nonrecurring**

Requirements	\$6,690,000
Receipts	6,690,000
	<hr/>
Appropriation	-
Time Limited Positions	-

## Judicial Branch - Indigent Defense (12001)

### Total Appropriations and Positions

	<b>2012-13 Certified</b>	<b>Net Recommended Expansion and Reduction</b>	<b>2012-13 Recommended</b>	<b>Percent Change</b>
Requirements	\$123,143,498	\$0	\$123,143,498	0.0 %
Receipts	<u>10,394,765</u>	-	<u>10,394,765</u>	0.0 %
Appropriation	<u>\$112,748,733</u>	<u>\$0</u>	<u>\$112,748,733</u>	0.0 %
Positions	470.100	-	470.100	0.0 %

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## Department of Justice (13600)

### Total Appropriations and Positions

	2012-13 Certified	Net Recommended Expansion and Reduction	2012-13 Recommended	Percent Change
Requirements	\$119,395,956	\$9,347,800	\$128,743,756	7.8 %
Receipts	<u>38,531,818</u>	<u>7,966,079</u>	<u>46,497,897</u>	20.7 %
Appropriation	<u>\$80,864,138</u>	<u>\$1,381,721</u>	<u>\$82,245,859</u>	1.7 %
Positions	1,239.401	29.000	1,268.401	2.3 %

## Appropriation Items -- Recommended Adjustments

### Reductions

2012-13

#### 1. Management Flexibility Reserve

A management reserve is recommended to provide the Department of Justice the flexibility to manage this adjustment to minimize the impact on programs, services and activities that are core to the department's mission.

**Appropriation (\$1,083,921)**

#### 2. Insurance Funding for SBI Arson Investigative Expenses

It is recommended to fund shift four General Fund supported positions from the SBI Arson Investigation Unit to receipt support from the Insurance Regulatory Fund.

**Requirements -**

**Receipts \$316,079**

**Appropriation (\$316,079)**

**Number of Positions (4.000)**

### Total Recommended Reductions

#### Recurring

Requirements (\$1,083,921)

Receipts 316,079

Appropriation (\$1,400,000)

Number of Positions (4.000)



**Nonrecurring**

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

**Expansion**

2012-13

**1. DNA Unit Expansion - Triad Area Laboratory**

To address an increase in DNA submissions, it is recommended that the Greensboro Crime Laboratory be expanded to manage forensic biology/DNA submissions currently processed in the Raleigh Crime Laboratory. In FY 2011, the Raleigh lab received 3,359 DNA submissions, a 40% increase since 2009. Approximately 20% of DNA submissions received are from the counties served by the Triad.

<b>Appropriation</b>	<b>\$1,087,884</b>
<b>Number of Positions</b>	<b>12.000</b>

**2. Toxicology Expansion - Western Laboratory**

Increased funding is recommended to establish a toxicology unit at the Western Regional Laboratory to address an increase in toxicology submissions as well as an increase in laboratory analysts' court hours due to the Melendez-Diaz court decision, which decided the lab analysts affidavits reciting test results may not be admitted absent the testimony of the analyst. Currently, submissions originating from counties with in the Western Lab's region are processed in either the Greensboro or Raleigh laboratories.

<b>Appropriation</b>	<b>\$558,814</b>
<b>Number of Positions</b>	<b>6.000</b>

**3. Methamphetamine Team Expansion**

The Governor remains focused on combatting the scourge of methamphetamines in North Carolina. Additional funding is recommended for the expansion of the Department of Justice's Methamphetamine Team to help address increases in meth labs and trafficking activities as well as take a more proactive approach to trafficking and manufacturing investigations. The number of seized meth labs has increased from 197 in FY 2008 to 344 in FY 2011.

<b>Appropriation</b>	<b>\$595,834</b>
<b>Number of Positions</b>	<b>9.000</b>

**4. SBI Internet Crimes Against Children Response Team**

Due to an increase in social media sites and more internet service providers, the number of sexual abuse reports received from the National Center for Missing and Exploited Children has risen steadily over the past few years from 800 cases in 2010 to 1,800 in 2011 to a NC DOJ estimate of 4,000 in 2012. The Governor believes that we must be vigilant in protecting North Carolina's children. It is recommended that additional funding be provided to expand the Internet Crimes Against Children Response Team. The SBI's Computer Crimes Unit, the leader of NC's Internet Crimes Against Children Task Force, is responsible for the management and investigation of child exploitation and sexual abuse reports received from the National Center for Missing and Exploited Children.

<b>Appropriation</b>	<b>\$478,690</b>
<b>Appropriation - Nonrecurring</b>	<b>\$60,499</b>
<b>Number of Positions</b>	<b>6.000</b>

**5. National Mortgage Settlement - State Bureau of Investigation**

This recommendation appropriates \$2.87 million awarded to North Carolina as a result of the National Mortgage Settlement. Consistent with the Settlement, funds are recommended to establish five time-limited positions in the North Carolina State Bureau of Investigation to expand its accounting and financial investigative ability and its expertise to investigate financial and lending crimes. Funds are expected to be expended over five years.

<b>Requirements - Nonrecurring</b>	<b>\$2,870,000</b>
<b>Receipts - Nonrecurring</b>	<b>\$2,870,000</b>

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<b>Appropriation - Nonrecurring</b>	<b>-</b>
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**6. National Mortgage Settlement - Consumer Protection Division**

This recommendation appropriates \$4.78 million awarded to North Carolina as a result of the National Mortgage Settlement. Consistent with the Settlement, funds are recommended to establish 7.5 time-limited FTEs in the North Carolina Department of Justice to enable its Consumer Protection Division to hire attorneys, investigators, financial accountants and other specialists and staff as needed in order to increase its efforts to investigate and pursue cases related to financial fraud and unfair or deceptive trade practices in mortgage lending and financial services, and to assure public awareness of consumers' eligibility for relief under the Consent Judgment and address consumer needs for information. Funds are expected to be expended over five years.

<b>Requirements - Nonrecurring</b>	<b>\$4,780,000</b>
<b>Receipts - Nonrecurring</b>	<b>\$4,780,000</b>

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<b>Appropriation - Nonrecurring</b>	<b>-</b>
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**Total Recommended Expansion**

**Recurring**

Requirements	\$2,721,222
Receipts	-
<hr style="width: 100%;"/>	
Appropriation	\$2,721,222
Number of Positions	33.000

**Nonrecurring**

Requirements	\$7,710,499
Receipts	7,650,000
	<hr/>
Appropriation	\$60,499
Time Limited Positions	-

**Total Recommended Adjustments for  
 Department of Justice  
 2012-13**

**Recurring**

Requirements	\$1,637,301
Receipts	316,079
	<hr/>
Appropriation	\$1,321,222
Number of Positions	29.000

**Nonrecurring**

Requirements	\$7,710,499
Receipts	7,650,000
	<hr/>
Appropriation	\$60,499
Time Limited Positions	-

## Department of Public Safety (14550)

<b>Total Appropriations and Positions</b>				
	<b>2012-13 Certified</b>	<b>Net Recommended Expansion and Reduction</b>	<b>2012-13 Recommended</b>	<b>Percent Change</b>
Requirements	\$1,924,127,506	(\$8,501,663)	\$1,915,625,843	(0.4)%
Receipts	<u>229,411,630</u>	<u>74,845</u>	<u>229,486,475</u>	0.0 %
Appropriation	<u>\$1,694,715,876</u>	<u>(\$8,576,508)</u>	<u>\$1,686,139,368</u>	(0.5)%
Positions	23,056.210	245.000	23,301.210	1.1 %

### Appropriation Items -- Recommended Adjustments

#### Reductions

2012-13

#### Department Wide Reductions

##### 1. Management Flexibility Reserve

A management reserve is recommended to provide the Department of Public Safety the flexibility to manage this adjustment to minimize the impact on programs, services and activities that are core to the department's mission.

<b>Requirements</b>	<b>(\$7,553,500)</b>
<b>Requirements - Nonrecurring</b>	<b>(\$7,553,500)</b>
<b>Receipts</b>	-
<b>Receipts - Nonrecurring</b>	-
<b>Appropriation</b>	<b>(\$15,107,000)</b>
<b>Number of Positions</b>	<b>(20.000)</b>

##### 2. Reduce Miscellaneous Operating Expenses

It is recommended that various operating expenses be reduced as follows: Office Supplies - \$900k (R); Data Processing Supplies - \$150k (R); Carpentry and Hardware - \$625k (NR); Office Equipment - \$960k (R); LAN Equipment - \$700k (R); PC Software - \$150k (R); Contractual Services - \$150k (R); Telephone Service - \$650k (R); Travel - \$964,946 (R); Consolidate Data Switch Capabilities - \$250k (R)

<b>Requirements</b>	<b>(\$4,874,946)</b>
<b>Requirements - Nonrecurring</b>	<b>(\$625,000)</b>
<b>Receipts</b>	-
<b>Receipts - Nonrecurring</b>	-
<b>Appropriation</b>	<b>(\$5,499,946)</b>

**Division of Adult Correction**

**1. Eliminate the Bridge Program**

The Bridge Program provides training to young non-violent inmates to assist in firefighting efforts as directed by the Forest Service. Since the program is not core to the Division of Adult Correction's operations, it is recommended that the program be eliminated.

<b>Appropriation</b>	<b>(\$318,208)</b>
<b>Number of Positions</b>	<b>(7.000)</b>

**2. Reduce Funding for Contracted Hospital and Medical Provider Services**

In an effort to contain inmate medical costs S.L. 2011-0145, Section 18.10(a) required the Department of Correction to reimburse providers and facilities providing approved inmate medical services outside the correctional facility the lesser amount of either a rate of seventy percent (70%) of the provider's then-current prevailing charge or two times the then-current Medicaid rate for any given service. As a result of this change, a reduction in contracted medical services is recommended.

<b>Appropriation</b>	<b>(\$5,900,000)</b>
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**3. Increase Transfer from Interstate Compact Receipts**

The Interstate Compact Fund is established within the Division of Adult Correction as a non-reverting, interest bearing special revenue account. Moneys in the fund are used to supplement available Department funds for the administration of the compact. The current application fee of \$250 has resulted in an increase in receipts generated. It is recommended that these additional funds be budgeted to help offset costs related to the compact.

<b>Requirements</b>	-
<b>Receipts</b>	<b>\$74,845</b>
<b>Appropriation</b>	<b>(\$74,845)</b>

**4. Reduce Budget for Bedding**

The Division of Adult Correction is in the process of replacing cotton mattresses with vinyl mattresses eliminating the need for mattress covers. Therefore it is recommended that the budget for bedding supplies be reduced.

<b>Appropriation</b>	<b>(\$100,000)</b>
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**5. Replicate OPUS System on Agency Server**

Currently agency staff access the Offender Population Unified System (OPUS) database via the ITS mainframe. Each time a staff person accesses the system, the Department is charged for the CPU usage. Replicating the data on an agency server with interval updates will reduce the number of times departmental staff access the ITS server and reduce associated ITS charges.

<b>Appropriation</b>	<b>(\$1,500,000)</b>
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**Total Recommended Reductions**

**Recurring**

Requirements	(\$20,246,654)
Receipts	74,845
Appropriation	(\$20,321,499)
Number of Positions	(27.000)

**Nonrecurring**

Requirements	(\$8,178,500)
Receipts	-
	<hr/>
Appropriation	(\$8,178,500)
Time Limited Positions	-

**Expansion**

2012-13

**Justice Reinvestment Act Implementation**

**1. Funding for Justice Reinvestment Act Related Items**

The Justice Reinvestment legislation, which went into effect on January 1, 2012, requires mandatory supervision of felons who in the past were not supervised following their release from prison. It is estimated that approximately 15,000 additional offenders will require supervision. Positions will be needed to process and supervise these additional offenders. The following three expansion items are directly related to this increase in responsibility.

Community Correction - Post Release Probation/Parole Officers and Support Staff

The Governor recommends additional probation/parole officers to supervise the increase in offenders requiring mandatory community supervision in an effort to reduce recidivism and the inmate population. Additional officers will also prevent the caseloads from exceeding the National Institute of Corrections (NIC) recommended limit and the statutory goal of no more than 60 offenders per officer. Funds are also recommended to maintain the NIC recommended span of control for CPPOs to PPOs at 1 to 7. In addition, staff will be required in the Combined Records office to address the increased workload and need for quick turnaround time on the audit of inmate records received from the Courts.

8,654,140

Number of Positions - Recurring

172,000

Community Correction - Judicial Service Coordinators

The JSC positions process court intake duties of new probation cases and are responsible for interviewing and placement of offenders sentenced to community service. In addition the JSCs carry caseloads of unsupervised community service offenders and monitor their progress. Based on the success of the JSCs in achieving the 2008 National Institute of Corrections' North Carolina specific recommendation of freeing probation parole officers (PPO) from court duty to focus on offender supervision, it is recommended that the 13 current time-limited JSCs be maintained and funding for an additional 40 JSCs be provided. This recommendation represents the minimal number JSC positions needed to assume court processing duties in counties where PPOs have the highest offender caseloads and are performing JSC duties. These additional JSC positions will relieve officers from spending a significant amount of their time covering court proceeding instead of supervising offenders out in the communities.

2,502,574

Number of Positions - Recurring

53,000

Parole Commission - Additional Staff

Implementation of the Justice Reinvestment Act is expected to increase the number of inmate cases that require Parole Commission review by 12,000 to 14,500 annually. This large increase in reviews will result in a much higher number of daily reviews for violation/revocation by the Commission. The current average revocation rate for parolees and for post-release cases is 55%. The increase in cases reviewed at the current revocation

1,089,589

rate would result in 7,000 to 10,000 additional violations for review each year. The work demands for administration and field staff will increase significantly as hearings for partial revocations of post-release supervision are added to the Commission's work load. This expansion request will provide staffing to adequately manage the increase in cases and reviews.

Number of Positions - Recurring	24,000
<hr/>	
<b>Appropriation</b>	<b>\$12,246,303</b>
Community Correction - Post Release Probation/Parole Officers and Support Staff	672,582
Community Correction - Judicial Service Coordinators	231,438
Parole Commission - Additional Staff	99,786
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<b>Appropriation - Nonrecurring</b>	<b>\$1,003,806</b>
<b>Number of Positions</b>	<b>249,000</b>

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**Division of Law Enforcement**

**1. Operating Funds for Emergency Operations Center**

It is recommended that operating funds for utilities, security, janitorial services, repairs and maintenance be provided to cover costs related to the opening of the new State Emergency Operations Center.

<b>Appropriation</b>	<b>\$386,148</b>
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**2. Viper Support Positions and Equipment**

In the event of an emergency situation, it is essential that fire, police and other first responders have the ability to communicate across multiple technological networks. It is recommended that additional resources be provided to help maintain and support the VIPER network. These funds add personnel to augment the current staff as well as operating funds for utility, insurance and other contractual services. As of March 2012, the total number of projected sites is 242, with 186 sites completed, 33 fully funded sites in various stages of completion and 23 being planned for construction.

<b>Requirements</b>	<b>\$2,294,151</b>
<b>Requirements - Nonrecurring</b>	<b>\$585,000</b>
<b>Receipts</b>	-
<b>Receipts - Nonrecurring</b>	-
<hr/>	
<b>Appropriation</b>	<b>\$2,879,151</b>
<b>Number of Positions</b>	<b>13,000</b>

**3. Security Officers and Telecommunication Staff**

An increase to the number of available law enforcement officers and telecommunication staff of the State Capitol Police is recommended to provide adequate staffing to perform the agency's law enforcement mission and goal of providing a safe and secure environment for public officials, state employees and visitors within the State Government Complex.

<b>Appropriation</b>	<b>\$424,795</b>
<b>Number of Positions</b>	<b>10.000</b>

**4. State Highway Patrol Basic Schools**

We must adequately train law enforcement personnel that protect families across North Carolina. It is recommended that funding be restored to provide the State Highway Patrol with sufficient funds to hold two basic schools of 59 cadets in each school annually. Graduates from the patrol basic schools are placed into vacant trooper positions.

<b>Appropriation</b>	<b>\$2,376,007</b>
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**North Carolina National Guard**

**1. Restore Full Cash Match for Tarheel Challenge**

Tarheel Challenge, a quasi-military program that has shown tremendous results for drop-outs or expellees, receives federal grant funds that require a state match. The current Federal/State cost share is 75/25. In an effort to maximize federal receipts, it is recommended that additional funds be appropriated for the State match.

<b>Appropriation</b>	<b>\$107,281</b>
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**2. Tuition Assistance for National Guard**

As part of the governor's efforts to make North Carolina the most military friendly state in America, and to look after those who serve, it is recommended that funds cut in FY 2009-10 to the National Guard to provide tuition assistance to all eligible soldiers and airmen be restored. On average, approximately 1,170 applications are processed each year.

<b>Appropriation</b>	<b>\$500,000</b>
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**Total Recommended Expansion**

**Recurring**

Requirements	\$18,334,685
Receipts	-
	<hr/>
Appropriation	\$18,334,685
Number of Positions	272.000

**Nonrecurring**

Requirements	\$1,588,806
Receipts	-
	<hr/>
Appropriation	\$1,588,806
Time Limited Positions	-



**Total Recommended Adjustments for  
Department of Public Safety  
2012-13**

**Recurring**

Requirements	(\$1,911,969)
Receipts	74,845

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Appropriation	(\$1,986,814)
Number of Positions	245.000

**Nonrecurring**

Requirements	(\$6,589,694)
Receipts	-

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Appropriation	(\$6,589,694)
Time Limited Positions	-



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## Investing in *Our Future*:

# Natural and Economic Resources

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### Commerce and State Aid

- Provides \$8 million to the One NC Fund to recruit new jobs and investment to North Carolina and enhance the State's competitive position when recruiting national and international business and industry projects.
- Provides state funds to Research Triangle Institute (RTI) to match a federal grant for energy research and green jobs.
- Restores \$2.5 million in recurring funds to the seven Regional Economic Development Commissions.
- Provides \$500,000 to support the activities of NC small manufacturing companies seeking to expand jobs by selling products in the global marketplace.
- Expands the Biz Boost program to cover more small- to medium-sized North Carolina based manufacturing companies.
- Continues support of the One NC Small Business Fund to provide early-stage funding for small, high-growth, high-tech businesses across the state.
- Provides continued appropriations to support the retention of quality jobs and large-scale capital investment through the Job Maintenance and Capital Development Fund (JMAC).
- Provides business marketing funds to market and promote North Carolina as a destination for businesses, nationally and internationally, that are seeking to invest and create jobs.
- Provides funds to the Departments of Commerce and Environment and Natural Resources to support the development of programs and laws promoting the production of energy in North Carolina and in state and federal waters off shore.
- Increases funds to the Strategic Growth Loan program to enable the Biotechnology Center to support an additional promising North Carolina company that has an established technical proof-of-concept and requires further support for company expansion .
- Provides targeted funding for at least four commercially relevant ag-biotech research projects in North Carolina through the Biotechnology Center's Research Grant program.
- Provides grant funding to the Rural Economic Development Center (REDC) for critically needed water and wastewater projects located in rural counties and to fund crisis projects in which a public drinking water supply is contaminated with pollutants that constitute an acute health hazard or a public drinking water supply facing the loss of its water supply due to the depletion of ground water or surface water sources.
- Expands the REDC's Rural Jobs Fund to increase grants to local governments for local economic development projects involving existing or new businesses that will directly result in new private sector jobs .

Department of Agriculture and Consumer Services

Department of Labor

Department of Commerce

Commerce - General State Aid

Department of Environmental and Natural Resources

DENR - Clean Water Management Trust Fund

Wildlife Resources Commission

### **Environment and Natural Resources**

- Provides the required 20% state match money of \$9,879,200 for the Drinking Water State Revolving Funds in order to leverage \$49,396,000 in federal funds.
- Provides the required 20% state match money of \$5,101,400 for the Clean Water State Revolving Funds in order to leverage \$25,410,000 in federal funds.
- Provides \$13.7 million for the State's share of civil works projects, such as dredging, navigation, flood control, aquatic weed control, beach protection, and stream restoration. State dollars will leverage \$36.2 million in federal funds and \$20.4 million in local funds.

## Department of Agriculture and Consumer Services (13700)

### Total Appropriations and Positions

	2012-13 Certified	Net Recommended Expansion and Reduction	2012-13 Recommended	Percent Change
Requirements	\$90,611,898	\$305,449	\$90,917,347	0.3 %
Receipts	<u>28,413,264</u>	-	<u>28,413,264</u>	0.0 %
Appropriation	<u>\$62,198,634</u>	<u>\$305,449</u>	<u>\$62,504,083</u>	0.5 %
Positions	1,135.350	8.750	1,144.100	0.8 %

## Appropriation Items -- Recommended Adjustments

### Reductions

2012-13

#### Agency-wide

##### 1. Management Flexibility Reserve

A management flexibility reserve is recommended to provide the Department of Agriculture and Consumer Services the flexibility to manage this adjustment to minimize the impact on programs, services and activities that are core to the department's mission.

**Appropriation (\$1,175,625)**

#### North Carolina Forest Service

##### 1. Young Offenders Program - BRIDGE

It is recommended that the Young Offenders Conservation Program (BRIDGE) and associated positions be eliminated.

**Appropriation (\$924,375)**  
**Number of Positions (10.000)**

### Total Recommended Reductions

#### Recurring

Requirements	(\$2,100,000)
Receipts	-
Appropriation	(\$2,100,000)
Number of Positions	(10.000)

**Nonrecurring**

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

**Expansion**

2012-13

**Markets**

**1. Southeast NC Ag Multi Purpose Pavilion Operating Reserve**

The Governor recommends appropriations to support the operation of the Southeast NC Ag Multi Purpose Pavilion that celebrated its grand opening on April 17, 2012. The 60,000 square foot pavilion will be used for equine, livestock, and trade show events.

<b>Appropriation</b>	<b>\$392,200</b>
<b>Number of Positions</b>	<b>3.000</b>

**2. Winery Promotion**

The Governor is focused on creating jobs in priority industries in NC. This recommendation provides funding to promote North Carolina wineries and tourism related to wineries. Funding should be evenly split between the Vinifera Group and the Muscadines Group.

<b>Appropriation</b>	<b>\$1,000,000</b>
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**Soil and Water Conservation**

**1. Restore Regional Office**

This recommendation restores funds for Soil and Water Conservation positions that were once housed in the Department of Environment and Natural Resources Regional Offices on a recurring basis. This program was subject to justification review by the General Assembly's Fiscal Research Division in FY 2011-12.

<b>Appropriation</b>	<b>\$651,019</b>
<b>Number of Positions</b>	<b>9.750</b>

**Markets**

**1. Restore Lumberton Ag Center and Farmers Market**

This recommendation restores funds to the Lumberton Ag Center and Farmers Market on a recurring basis. This program was subject to justification review by the General Assembly's Fiscal Research Division in FY 2011-12.

<b>Appropriation</b>	<b>\$362,230</b>
<b>Number of Positions</b>	<b>6.000</b>

**Total Recommended Expansion**

**Recurring**

Requirements	\$2,405,449
Receipts	-
	<hr/>
Appropriation	\$2,405,449
Number of Positions	18.750

**Nonrecurring**

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

**Total Recommended Adjustments for  
 Department of Agriculture and Consumer Services  
 2012-13**

**Recurring**

Requirements	\$305,449
Receipts	-
	<hr/>
Appropriation	\$305,449
Number of Positions	8.750

**Nonrecurring**

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

## Department of Labor (13800)

### Total Appropriations and Positions

	2012-13 Certified	Net Recommended Expansion and Reduction	2012-13 Recommended	Percent Change
Requirements	\$32,024,225	(\$300,000)	\$31,724,225	(0.9)%
Receipts	<u>16,187,338</u>	-	<u>16,187,338</u>	0.0 %
Appropriation	<u>\$15,836,887</u>	<u>(\$300,000)</u>	<u>\$15,536,887</u>	(1.9)%
Positions	406.250	-	406.250	0.0 %

## Appropriation Items -- Recommended Adjustments

### Reductions

2012-13

#### Department-Wide

##### 1. Management Flexibility Reserve

This recommendation reduces funding department-wide. The department has the flexibility to manage this adjustment to minimize the impact on programs, services, and activities that are core to the department's mission.

**Appropriation (\$300,000)**

#### Total Recommended Reductions

##### Recurring

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

##### Nonrecurring

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



**Total Recommended Adjustments for  
Department of Labor  
2012-13**

**Recurring**

Requirements (\$300,000)

Receipts -

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Appropriation (\$300,000)

Number of Positions -

**Nonrecurring**

Requirements -

Receipts -

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Appropriation -

Time Limited Positions -

## Department of Environment and Natural Resources (14300)

<b>Total Appropriations and Positions</b>				
	<b>2012-13 Certified</b>	<b>Net Recommended Expansion and Reduction</b>	<b>2012-13 Recommended</b>	<b>Percent Change</b>
Requirements	\$288,705,163	\$28,280,255	\$316,985,418	9.8 %
Receipts	<u>140,557,058</u>	<u>16,115,808</u>	<u>156,672,866</u>	11.5 %
Appropriation	<u>\$148,148,105</u>	<u>\$12,164,447</u>	<u>\$160,312,552</u>	8.2 %
Positions	3,105.474	183.210	3,288.684	5.9 %

### Appropriation Items -- Recommended Adjustments

#### Reductions

2012-13

#### Administration

##### 1. Administrative Salary Reserve Reduction

It is recommended that the administrative salary reserve for the Secretary's Office be reduced.

**Appropriation (\$182,685)**

#### Aquariums

##### 1. Replace General Fund Appropriation

This recommendation replaces General Fund appropriation with a one-time transfer of cash balance from Aquariums' Special Fund.

**Requirements -**

**Receipts - Nonrecurring \$119,455**

**Appropriation - Nonrecurring (\$119,455)**

#### Department-Wide

##### 1. Eliminate Appropriation for Rent and Leases

This recommendation eliminates rental and lease cost for divisions that were located in lease spaces. The divisions have moved to the Archdale Building or to the Green Square Office Building.

**Appropriation (\$323,298)**

#### Marine Fisheries

##### 1. Replace General Fund Appropriation

This recommendation replaces General Fund appropriation with a one-time transfer of cash balance from Advance License Sales Receipts.

<b>Requirements</b>	-
<b>Receipts - Nonrecurring</b>	<b>\$67,414</b>
<hr/>	
<b>Appropriation - Nonrecurring</b>	<b>(\$67,414)</b>

**Museum of Natural Sciences**

**1. Reduce Temporary Wages and Operating Funds**

It is recommended that appropriated funds for temporary wages and operating funds at the Museum of Natural Sciences and the Nature Research Center be reduced.

<b>Appropriation</b>	<b>(\$208,809)</b>
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**Parks and Recreation**

**1. Budget Over-Realized Receipts**

This recommendation directs the department to budget over-realized receipts collected from various fees on a non-recurring basis.

<b>Requirements</b>	-
<b>Receipts - Nonrecurring</b>	<b>\$381,771</b>
<hr/>	
<b>Appropriation - Nonrecurring</b>	<b>(\$381,771)</b>

**Regional Office**

**1. Shift Rent and Lease**

This recommendation shifts appropriated rent and lease cost to various receipts and grants for the divisions that are located at the Regional Office.

<b>Requirements</b>	-
<b>Receipts</b>	<b>\$3,200</b>
<hr/>	
<b>Appropriation</b>	<b>(\$3,200)</b>

**Waste Management**

**1. Shift Positions to Receipts**

It is recommended that 0.25 FTE of the Division Director and 0.25 FTE of an Accounting Technician's salary be shifted to Hazardous Waste Fees. In addition 0.25 FTE of the Division Director's salary will be shifted to Underground Storage Tank Fees.

<b>Requirements</b>	-
<b>Receipts</b>	<b>\$85,130</b>
<hr/>	
<b>Appropriation</b>	<b>(\$85,130)</b>
<b>Number of Positions</b>	<b>(.750)</b>

**Water Quality**

**1. Shift Positions to Receipts**

It is recommended that two positions be fund shifted to a contract paid from receipts within the Water Resources Division.

<b>Requirements</b>	-
<b>Receipts</b>	<b>\$100,000</b>
<hr/>	
<b>Appropriation</b>	<b>(\$100,000)</b>
<b>Number of Positions</b>	<b>(2.000)</b>

**Water Resources**

**1. Reduce operating funds**

It is recommended that state appropriated operating funds be reduced.

<b>Appropriation</b>	<b>(\$50,000)</b>
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**Zoological Park**

**1. Shift Positions to Receipts**

It is recommended that eight General Fund positions be shifted to Admissions Receipts.

<b>Requirements</b>	-
<b>Receipts</b>	<b>\$378,238</b>
<hr/>	
<b>Appropriation</b>	<b>(\$378,238)</b>
<b>Number of Positions</b>	<b>(8.000)</b>

**Total Recommended Reductions**

**Recurring**

Requirements	(\$764,792)
Receipts	566,568
<hr/>	
Appropriation	(\$1,331,360)
Number of Positions	(10.750)

**Nonrecurring**

Requirements	-
Receipts	568,640
<hr/>	
Appropriation	(\$568,640)
Time Limited Positions	-

**Expansion**

2012-13

**Administration**

**1. E-Forms and Automated Workflow**

This recommendation appropriates funds to implement the statewide mandate in H.B. 200 that requires the State Controller's Office to coordinate the use of enterprise electronic forms and digital signatures capability for automated workflow. The erosion and sedimentation control plan review and inspections program has been identified as the agency's pilot for this automation.

<b>Appropriation</b>	<b>\$248,373</b>
<b>Number of Positions</b>	<b>1.000</b>

**Department-Wide**

**1. Shale Gas Positions**

The Governor is pursuing energy policies that will create jobs, reduce costs for businesses and families, and lessen our reliance on foreign oil -- all while protecting North Carolina's natural reserves. The Governor recommends funds to support the establishment of three positions and associated operating expenses to work on the next phase of developing a shale gas regulatory program. The state's existing regulations for oil and gas development are outdated and inadequate when compared to the modern oil and gas industry. Positions will be located in the Divisions of Land Resources, Water Quality, and Waste Management and will provide the staff necessary to protect and safeguard human health and the environment and ensure oil and gas production is done safely in NC.

<b>Appropriation</b>	<b>\$288,053</b>
<b>Appropriation - Nonrecurring</b>	<b>\$9,700</b>
<b>Number of Positions</b>	<b>3.000</b>

**Land Resources**

**1. NC/SC Boundary Funds**

This recommendation provides funds to complete the resurvey of the NC/SC boundary from Scotland County to the coast, and to properly mark the boundary line between the states. This section of the boundary was originally surveyed in 1735-1737. Over time the line markers have disappeared, leading to jurisdictional confusion for landowners and businesses along the border.

<b>Appropriation - Nonrecurring</b>	<b>\$50,000</b>
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**Marine Fisheries**

**1. Fisheries Management -At-Sea Observer Program**

On April 6, 2012, the Atlantic Sturgeon was added to the Endangered Species List, which limits the number of allowed takes and requires observer coverage. The dockside value of these gill net and trawl fisheries to commercial fishermen is over \$35 million annually. This recommendation appropriates the necessary funds to establish 16 additional full-time positions and six 11-month temporary positions to support the mandatory at-sea observer program for statewide fisheries that could see interactions from either sturgeon or sea turtles.

<b>Appropriation</b>	<b>\$1,526,071</b>
<b>Number of Positions</b>	<b>16.000</b>

**Regional Offices**

**1. Restore Regional Offices**

This recommendation restores funds to the Regional Offices on a recurring basis. This program was subject to justification review by the General Assembly's Fiscal Research Division in FY 2011-12.

<b>Appropriation</b>	<b>\$11,752,250</b>
<b>Number of Positions</b>	<b>173.960</b>

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**Reserves and Special Funds**

**1. Drinking Water State Revolving Fund Match**

As part of the Governor's longstanding effort to ensure NC has clean, safe water, this recommendation provides the required 20% state match money of \$9,879,200 for the Drinking Water State Revolving Funds in order to leverage \$49,396,000 in federal funds. The Department will utilize receipts through a special provision that allows the legislature to convert existing receipt funds from the Drinking Water Reserve. The Drinking Water State Revolving Fund provides low and zero interest loans to water systems in order to provide safe and adequate water supplies for the citizens and visitors to the state served by public water systems. The federal dollars also support activities for technical assistance, well head protection, capacity development and loan program administration.

<b>Requirements</b>	<b>\$9,879,200</b>
<b>Receipts</b>	<b>\$9,879,200</b>

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<b>Appropriation</b>	<b>-</b>
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**2. Clean Water State Revolving Fund Match**

As part of the Governor's longstanding effort to ensure North Carolina has clean, safe water, this recommendation provides the required 20% state match money of \$5,101,400 for the Clean Water State Revolving Funds in order to leverage \$25,410,000 in federal funds. The Department will utilize receipts from interest generated from federal grant money as a one-time match per approval from EPA. The Clean Water State Revolving Fund provides low-interest loans to assist in the funding of wastewater treatment facilities and projects associated with estuary and nonpoint source programs.

<b>Requirements</b>	<b>\$5,101,400</b>
<b>Receipts</b>	<b>\$5,101,400</b>

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<b>Appropriation</b>	<b>-</b>
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**Water Quality**

**1. Ferrymon Program**

As part of the Governor's longstanding effort to ensure North Carolina has clean, safe water, this recommendation provides funds on a non-recurring basis for the FerryMon Program, which evaluates water quality in the Pamlico Sound and its tributary rivers using equipment attached to ferry vessels.

<b>Appropriation - Nonrecurring</b>	<b>\$190,000</b>
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**Total Recommended Expansion**

**Recurring**

Requirements	\$28,795,347
Receipts	14,980,600
	<hr/>
Appropriation	\$13,814,747
Number of Positions	193.960

**Nonrecurring**

Requirements	\$249,700
Receipts	-
	<hr/>
Appropriation	\$249,700
Time Limited Positions	-

**Total Recommended Adjustments for  
 Department of Environment and Natural Resources  
 2012-13**

**Recurring**

Requirements	\$28,030,555
Receipts	15,547,168
	<hr/>
Appropriation	\$12,483,387
Number of Positions	183.210

**Nonrecurring**

Requirements	\$249,700
Receipts	568,640
	<hr/>
Appropriation	(\$318,940)
Time Limited Positions	-

**DENR - Clean Water Management Trust Fund (14301)**

**Total Appropriations and Positions**

	<b>2012-13 Certified</b>	<b>Net Recommended Expansion and Reduction</b>	<b>2012-13 Recommended</b>	<b>Percent Change</b>
Requirements	\$11,250,000	\$0	\$11,250,000	0.0 %
Receipts	-	-	-	
Appropriation	<u>\$11,250,000</u>	<u>\$0</u>	<u>\$11,250,000</u>	0.0 %
Positions	-	-	-	

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## Wildlife Resources Commission (14350)

### Total Appropriations and Positions

	2012-13 Certified	Net Recommended Expansion and Reduction	2012-13 Recommended	Percent Change
Requirements	\$17,221,179	\$443,821	\$17,665,000	2.6 %
Receipts	-	-	-	
Appropriation	<u>\$17,221,179</u>	<u>\$443,821</u>	<u>\$17,665,000</u>	2.6 %
Positions	-	-	-	

## Appropriation Items -- Recommended Adjustments

### Reductions

2012-13

#### Agency-wide

##### 1. Management Flexibility Reserve

A management flexibility reserve is recommended to provide the Wildlife Resources Commission the flexibility to manage this adjustment to minimize the impact on programs, services and activities that are core to the department's mission.

**Appropriation (\$335,000)**

#### Total Recommended Reductions

##### Recurring

Requirements	(\$335,000)
Receipts	-
Appropriation	<u>(\$335,000)</u>
Number of Positions	-

##### Nonrecurring

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

**Expansion**

2012-13

**Conservation Education**

**1. Restore Conservation Education**

This recommendation restores funds to Conservation Education on a recurring basis. This program was subject to continuation review by the department per the direction of the NC General Assembly.

**Appropriation \$778,821**

**Total Recommended Expansion**

**Recurring**

Requirements	\$778,821
Receipts	-
Appropriation	\$778,821
Number of Positions	-

**Nonrecurring**

Requirements	-
Receipts	-
Appropriation	-
Time Limited Positions	-

**Total Recommended Adjustments for  
 Wildlife Resources Commission  
 2012-13**

**Recurring**

Requirements	\$443,821
Receipts	-
Appropriation	\$443,821
Number of Positions	-

**Nonrecurring**

Requirements	-
Receipts	-
Appropriation	-
Time Limited Positions	-

## Department of Commerce (14600)

### Total Appropriations and Positions

	2012-13 Certified	Net Recommended Expansion and Reduction	2012-13 Recommended	Percent Change
Requirements	\$89,867,426	\$31,612,472	\$121,479,898	35.2 %
Receipts	<u>56,616,963</u>	<u>11,511,759</u>	<u>68,128,722</u>	20.3 %
Appropriation	<u>\$33,250,463</u>	<u>\$20,100,713</u>	<u>\$53,351,176</u>	60.5 %
Positions	427.790	3.500	431.290	0.8 %

## Appropriation Items -- Recommended Adjustments

### Reductions

2012-13

#### Department-Wide

##### 1. Management Flexibility Reserve

This recommendation reduces funding department-wide. The department has the flexibility to manage this adjustment to minimize the impact on economic development initiatives and industry retention and recruitment efforts.

**Appropriation (\$324,400)**

#### Industrial Commission

##### 1. Budget Over-Realized Receipts

This recommendation budgets over-realized receipts and reduces the General Fund appropriation in a like amount.

**Requirements -**

**Receipts \$75,000**

**Appropriation (\$75,000)**

**Policy/Research**

**1. Fund Shift Position**

This recommendation fund shifts 0.50 of a position to employment security receipts and reduces General Fund appropriations in a like amount.

<b>Requirements</b>	-
<b>Receipts</b>	<b>\$36,759</b>
<hr/>	
<b>Appropriation</b>	<b>(\$36,759)</b>
<b>Number of Positions</b>	<b>(.500)</b>

**Commerce Finance**

**1. NC BRIM**

This recommendation replaces General Fund appropriations for NC BRIM with funds that were transferred to Commerce from a cash balance that existed when the e-NC Authority was abolished.

<b>Requirements</b>	-
<b>Receipts</b>	<b>\$200,000</b>
<hr/>	
<b>Appropriation</b>	<b>(\$200,000)</b>

**Total Recommended Reductions**

**Recurring**

Requirements	(\$324,400)
Receipts	311,759
<hr/>	
Appropriation	(\$636,159)
Number of Positions	(.500)

**Nonrecurring**

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

**Expansion**

2012-13

**JobsNOW Initiative**

North Carolina is consistently ranked as one of the most business friendly states in America. However, almost every other state is using incentives to attract business investment, and North Carolina must remain competitive. The following are some of the Governor's priorities for attracting businesses to invest and create jobs and for encouraging our existing businesses to expand.

**1. Funding for One NC Fund**

This recommendation will provide funds to recruit new jobs and investment to North Carolina as part of the JobsNOW Initiative. Additional appropriation is recommended for the One NC Fund to enhance the competitive position of North Carolina when recruiting national and international business and industry projects.

**Appropriation - Nonrecurring \$8,000,000**

**2. Funding for One NC Small Business Fund**

As part of the JobsNOW Initiative, additional appropriation is recommended for the One NC Small Business Fund to provide early-stage funding for small, high-growth, high-tech businesses across the state. State funds are used to match federal Small Business Innovation Research and Small Business Technology Transfer grants to help home-grown businesses commercialize innovative technologies and create jobs.

**Appropriation - Nonrecurring \$2,500,000**

**3. Expand Biz Boost for North Carolina Manufacturers**

This item provides for the North Carolina Commissioner of Small Business to expand the Biz Boost program to cover more small- to medium-sized North Carolina based manufacturing companies. The Biz Boost program identifies North Carolina businesses in all regions of the state that face challenges in the current economic climate and targets resources and technical assistance to help them keep and add jobs and enhance their competitiveness.

**Appropriation - Nonrecurring \$1,000,000**

**Job Maintenance and Capital Development Fund**

**1. Funding for Job Maintenance and Capital Development Fund**

This recommendation provides continued appropriations to support the retention of quality jobs and large-scale capital investment through the Job Maintenance and Capital Development Fund (JMAC). This incentive program provides annual grants to qualifying businesses located in economically distressed counties that meet annual performance requirements, including job retention, wage minimums, and capital investment. These funds will provide \$3 million each to Goodyear and Bridgestone and \$1.5 million to Domtar for meeting their performance criteria.

**Appropriation - Nonrecurring \$7,500,000**

**Division of Community Assistance**

**1. Community Development Block Grant**

This recommendation provides a cash match for federal funds to support the administration of the Community Development Block Grant program that provides local communities with resources to address a wide range of unique community development needs throughout the state. These positions will assist local governments to implement and expend grant funds in a timely fashion and reduce the backlog of unspent grants allocated to North Carolina.

<b>Appropriation</b>	<b>\$171,273</b>
<b>Number of Positions</b>	<b>2.000</b>

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**Department Wide**

**1. Commerce Business Marketing Funds**

This recommendation provides funding to be used by the Department of Commerce to market and promote North Carolina as a destination for businesses, nationally and internationally, that are seeking to invest and create jobs. Funds will support the state's business expansion and recruitment efforts and marketing efforts aimed at growing jobs in the state.

<b>Appropriation</b>	<b>\$250,000</b>
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**State Energy Office**

**1. North Carolina New Energy Production Initiative**

The Governor is pursuing energy policies that will create jobs, reduce costs for businesses and families, and lessen our reliance on foreign oil-all while protecting North Carolina's natural resources. These funds will be used to support the development of programs and laws promoting the production of energy in North Carolina and in state and federal waters offshore. Funds will be used to explore new manufacturing opportunities linked to low natural gas prices.

<b>Appropriation - Nonrecurring</b>	<b>\$600,000</b>
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**2. Tennessee Valley Authority Settlement**

This recommendation appropriates \$11.2 million awarded to North Carolina as a result of the Consent Decree entered into by the State in State of Alabama, et al. v. Tennessee Valley Authority. Funds are recommended to be used to establish a grant program for environmental mitigation projects of the types specified in the Consent Decree. Funds are expected to be expended over five years.

<b>Requirements - Nonrecurring</b>	<b>\$11,200,000</b>
<b>Receipts</b>	<b>\$11,200,000</b>

<b>Appropriation</b>	<b>-</b>
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**International Trade Division**

**1. Small Business Global Manufacturing Export Support**

This recommendation provides funds to support the activities of North Carolina small manufacturing companies seeking to expand jobs by selling products in the global marketplace. Funds will be used to help small manufacturers market products and access customers in key international markets, including China, Europe, India and South America.

<b>Appropriation - Nonrecurring</b>	<b>\$500,000</b>
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**Office of Science and Technology**

**1. Restore Office of Science and Technology**

This recommendation restores funds to the Office of Science and Technology on a recurring basis. This program was subject to continuation review by the department per the direction of the NC General Assembly.

<b>Appropriation</b>	<b>\$215,599</b>
<b>Number of Positions</b>	<b>2.000</b>

**Total Recommended Expansion**

**Recurring**

Requirements	\$636,872
Receipts	11,200,000
	<hr/>
Appropriation	(\$10,563,128)
Number of Positions	4.000

**Nonrecurring**

Requirements	\$31,300,000
Receipts	-
	<hr/>
Appropriation	\$31,300,000
Time Limited Positions	-

**Total Recommended Adjustments for  
 Department of Commerce  
 2012-13**

**Recurring**

Requirements	\$312,472
Receipts	11,511,759
	<hr/>
Appropriation	(\$11,199,287)
Number of Positions	3.500

**Nonrecurring**

Requirements	\$31,300,000
Receipts	-
	<hr/>
Appropriation	\$31,300,000
Time Limited Positions	-

## Commerce - General State Aid (14601)

Total Appropriations and Positions				
	2012-13 Certified	Net Recommended Expansion and Reduction	2012-13 Recommended	Percent Change
Requirements	\$73,080,423	\$23,525,000	\$96,605,423	32.2 %
Receipts	-	-	-	
Appropriation	<u>\$73,080,423</u>	<u>\$23,525,000</u>	<u>\$96,605,423</u>	32.2 %
Positions	-	-	-	

### Appropriation Items -- Recommended Adjustments

#### Expansion

2012-13

#### JobsNOW State Aid to Non-State Entities

##### 1. Regional Economic Development Commissions

Restores \$2.5 million in recurring funds to the seven Regional Economic Development Commissions.

**Appropriation \$2,500,000**

##### 2. Energy Research and Green Jobs

The Governor is pursuing energy policies that will create jobs, reduce costs for businesses and families, and lessen our reliance on foreign oil-all while protecting NC's natural resources. This recommendation provides state funds to Research Triangle Institute (RTI) to match a federal grant for energy research and green jobs.

**Appropriation - Nonrecurring \$500,000**

#### Rural Economic Development Center

##### 1. Rural Jobs Fund

This recommendation expands the Rural Jobs Fund to increase grants to local governments for local economic development projects involving existing or new businesses that will directly result in new private sector jobs. Grants require a dollar for dollar match and are based upon a maximum of \$500 per new job created. In FY 2011-12, the Rural Center provided 16 grants totaling \$4,150,113 which leveraged \$32,065,385 in other funds and resulted in a total investment of \$796,306,499 and total job commitments of 1,959 at a total cost per job of \$2,118.

**Appropriation - Nonrecurring \$15,000,000**

##### 2. Critical Water and Sewer Needs

This recommendation provides grant funding for critically needed water and wastewater projects located in rural counties and to fund crisis projects in which a public drinking water supply is contaminated with pollutants that constitute an acute health hazard or a public drinking water supply is facing the loss of its water supply due to the depletion of ground water or surface water sources. Approximately 50 communities will be served with these funds, resulting in at least a 2.5:1



leveraging of other grant/loan/local dollars, and are expected to generate 1,800 construction-related jobs in the areas where the infrastructure improvements take place.

**Appropriation - Nonrecurring \$5,000,000**

**NC Biotechnology Center**

**1. Biotechnology Strategic Growth Loan Fund**

Growing 21st century jobs and supporting NC entrepreneurs is among the Governor's top priorities. This recommendation increases funds to the Strategic Growth Loan (SGL) program to enable the Center to support an additional promising North Carolina company. The SGL program matches angel group or venture capital investments to fund technology-based, entrepreneurial companies that have already established technical proof-of-concept and require further corporate development support for company expansion.

**Appropriation \$225,000**

**2. AgBiotech Initiative**

This recommendation provides targeted funding for at least four commercially relevant ag-biotech research projects in North Carolina. Biotechnology Research Grants support competitive and peer-reviewed research projects that have the potential to strengthen biotechnology research, development and commercialization at academic and non-profit research institutions in North Carolina.

**Appropriation \$300,000**

**Total Recommended Expansion**

**Recurring**

Requirements	\$3,025,000
Receipts	-
<hr style="width: 100%;"/>	
Appropriation	\$3,025,000
Number of Positions	-

**Nonrecurring**

Requirements	\$20,500,000
Receipts	-
<hr style="width: 100%;"/>	
Appropriation	\$20,500,000
Time Limited Positions	-

**Total Recommended Adjustments for  
Commerce - General State Aid  
2012-13**

**Recurring**

Requirements	\$3,025,000
Receipts	-
	<hr/>
Appropriation	\$3,025,000
Number of Positions	-

**Nonrecurring**

Requirements	\$20,500,000
Receipts	-
	<hr/>
Appropriation	\$20,500,000
Time Limited Positions	-

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*Investing in Our Future:*

# *Transportation*

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- Provides approximately \$63 million in taxpayer savings in fiscal year 2012-13 by capping the state gas tax rate at 37.5 cents per gallon.
- Reduces the negative impact on working families living on the coast by placing a moratorium on the collection of increased tolls and new tolls on ferry routes as directed by the General Assembly. This recommendation will restore \$2.5 million in budget reductions to the Ferry Division.
- Invests \$14.5 million in receipt supported funds for information technology initiatives that will complete the development of a computer system that will facilitate combined motor vehicle registration and collection of county vehicle property taxes by the Division of Motor Vehicles.





## Highway Fund (84210)

<b>Total Appropriations and Positions</b>				
	<b>2012-13 Certified</b>	<b>Net Recommended Expansion and Reduction</b>	<b>2012-13 Recommended</b>	<b>Percent Change</b>
Requirements	\$3,416,806,307	(\$96,354,871)	\$3,320,451,436	(2.8)%
Receipts	<u>1,282,646,307</u>	<u>21,775,129</u>	<u>1,304,421,436</u>	1.7 %
Appropriation	<u>\$2,134,160,000</u>	<u>(\$118,130,000)</u>	<u>\$2,016,030,000</u>	(5.5)%
Positions	13,071.500	99.000	13,170.500	0.8 %

### Appropriation Items -- Recommended Adjustments

#### Reductions

2012-13

#### Technical Adjustments

##### 1. Annual Required Contribution (ARC) Overfunding

The second year of the biennium has \$2.8 million allocated from the Highway Fund that is in excess of the Annual Required Contribution (ARC). It is recommended that contribution rates be left in place and used to fund the retiree cost of living adjustment.

**Appropriation (\$2,848,000)**

#### Mandated Adjustments

##### 1. Statutory Adjustment - Powell Bill Program

In accordance with G.S.136-41.1, an adjustment to the Powell Bill program is required based on the estimated gallons of motor fuel sold outlined in the revised Highway Fund revenue estimate for FY 2012-13.

**Appropriation (\$912,604)**

##### 2. Statutory Adjustment - System Preservation

It is recommended that funds eliminated during the 2011-13 biennial budget be restored to the Leaking Underground Storage Tank (LUST) program. The funds were redirected to the System Preservation Program through G.S.119-18(b).

**Appropriation (\$3,548,330)**

#### Maintenance

##### 1. Primary Maintenance

It is recommended that funds for Primary maintenance be reduced to align overall requirements for the Highway Fund with projected revenues for fiscal year 2012-13.

**Appropriation (\$22,733,126)**

**Appropriation - Nonrecurring (\$935,760)**

**2. Secondary Maintenance**

It is recommended that funds for Secondary maintenance be reduced to align overall requirements for the Highway Fund with projected revenues for fiscal year 2012-13.

<b>Appropriation</b>	<b>(\$34,099,690)</b>
<b>Appropriation - Nonrecurring</b>	<b>(\$1,403,640)</b>

**3. Contract Resurfacing**

It is recommended that funds for Contract Resurfacing be reduced to align overall requirements for the Highway Fund with projected revenues for fiscal year 2012-13.

<b>Appropriation</b>	<b>(\$54,463,361)</b>
<b>Appropriation - Nonrecurring</b>	<b>(\$2,280,915)</b>

**4. System Preservation**

It is recommended that funds for System Preservation be reduced to align overall requirements for the Highway Fund with projected revenues for fiscal year 2012-13.

<b>Appropriation</b>	<b>(\$29,837,228)</b>
<b>Appropriation - Nonrecurring</b>	<b>(\$1,228,185)</b>

**Transfers to Other State Agencies**

**1. Department of Public Instruction - Driver Education**

A reduction in funding for the Driver Education Program is recommended for fiscal year 2012-13 based on a reduction in the 9th grade Average Daily Membership (ADM).

<b>Appropriation</b>	<b>(\$207,961)</b>
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**Total Recommended Reductions**

**Recurring**

Requirements	(\$148,650,300)
Receipts	-
Appropriation	(\$148,650,300)
Number of Positions	-

**Nonrecurring**

Requirements	(\$5,848,500)
Receipts	-
Appropriation	(\$5,848,500)
Time Limited Positions	-

**Expansion**

2012-13

**Mandated Adjustments**

**1. Restore Funding for Leaking Underground Storage Tank (LUST) Program**

It is recommended that funds for the Leaking Underground Storage Tank Fund (LUST) program through G.S. 119-18(b) that were eliminated during the 2011-13 biennial budget be restored.

**Appropriation \$3,548,330**

**2. Statutory Adjustment - Leaking Underground Storage Tank (LUST)**

In accordance with G.S. 119-18(b), an adjustment to this program is required based on revised Highway Fund revenue projections for the Gasoline Inspection Fee for FY 2012-13.

**Appropriation \$450,000**

**3. Statutory Adjustment - Maintenance Program**

In accordance with G. S. 136-44.2A and further updated in HB 200, an adjustment to this program is required based on the estimated gallons of motor fuel sold outlined in the revised Highway Fund revenue estimate for FY 2012-13.

**Appropriation \$794,439**

**Ferry Division**

**1. Restore Funding for Tolling Cuts**

The General Assembly required DOT to increase tolls on existing routes and establish new tolls on two untolled routes. The Governor directed DOT to impose a moratorium on the collection of new ferry tolls. This recommendation restores funds to the Ferry Division in an effort to reduce the negative impact on working families on the coast.

**Appropriation \$2,500,000**

**2. EPA Zero Discharge Requirement**

Funds are recommended to implement mandatory EPA requirements (FRL-9289-5) to retrofit four ferries with sewage shore stations that will discharge into the municipal waste system and reduce the risk of sewer spillage into open waters.

**Appropriation - Nonrecurring \$532,000**

**Division of Motor Vehicles**

**1. Driver License Continuation Review**

It is recommended that recurring funding for the Driver License program be restored based on successful completion of a Continuation Review directed by the General Assembly.

**Appropriation \$47,713,947**

**2. DMV - HB 1779 - Combined Registration and Tax Collection System**

Receipt supported funds are recommended for the pre-implementation staffing costs required for the Vehicle Services Section. This Section will be responsible for delivering services to the public related to the Combined Registration and Tax Collection System scheduled to come on line July 1, 2013.

<b>Requirements</b>	<b>\$4,564,253</b>
<b>Receipts</b>	<b>\$3,466,780</b>
<b>Receipts - Nonrecurring</b>	<b>\$1,097,473</b>
<hr/>	
<b>Appropriation</b>	<b>-</b>
<b>Number of Positions</b>	<b>79.000</b>

**3. Strengthen Collections Methods for Liability Insurance Penalties**

Recommend funds to strengthen the process for collecting outstanding Liability Insurance penalties resulting from violations of lapse of insurance coverage. State Auditors have identified this as a deficiency within the program.

<b>Appropriation</b>	<b>\$104,368</b>
<b>Appropriation - Nonrecurring</b>	<b>\$14,760</b>
<b>Number of Positions</b>	<b>2.000</b>

**4. Hearing Section Staffing**

Funds are recommended to provide additional resources in the Adjudication/Problem Resolution Unit required to maintain existing workload at a level established by the Association of Motor Vehicle Administrators. Guidelines require that records be updated within a certain timeframe and court actions be processed in a timely manner to ensure revocations are in effect as directed.

<b>Appropriation</b>	<b>\$194,270</b>
<b>Appropriation - Nonrecurring</b>	<b>\$40,750</b>
<b>Number of Positions</b>	<b>5.000</b>

**5. Medical Review Program Staffing**

Funds are recommended to provide additional resources to ensure that citizens issued driver licenses are medically safe to drive. The request is also inclusive of medical requirements review for the CDL waiver program.

<b>Appropriation</b>	<b>\$158,967</b>
<b>Appropriation - Nonrecurring</b>	<b>\$32,600</b>
<b>Number of Positions</b>	<b>4.000</b>

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**Administration**

**1. Fiscal - HB 1779 - Combined Registration and Tax Collection System**

Receipt supported funds are recommended for the pre-implementation staffing costs required for the Fiscal Section/DMV Revenue Accounting Unit. This Unit will be responsible for services associated with collecting and recording revenue for the Combined Registration and Tax Collection System scheduled to come on line July 1, 2013.

<b>Requirements</b>	<b>\$752,604</b>
<b>Receipts</b>	<b>\$630,798</b>
<b>Receipts - Nonrecurring</b>	<b>\$121,806</b>
<hr/>	
<b>Appropriation</b>	<b>-</b>
<b>Number of Positions</b>	<b>9.000</b>

**2. IT - HB 1779 - Combined Registration and Tax Collection System**

Receipt supported funds are recommended for the Information Technology Section to continue the development of the Combined Registration and Tax Collection System scheduled to come on line July 1, 2013.

<b>Requirements</b>	<b>\$14,558,272</b>
<b>Receipts</b>	<b>\$2,267,963</b>
<b>Receipts - Nonrecurring</b>	<b>\$12,290,309</b>
<hr/>	
<b>Appropriation</b>	<b>-</b>

**3. IT - Increased Information Technology Funds**

Fund are recommended for increased WAN telecommunication charges and computer data processing that exceed current budgeted amounts; payable monthly to Information Technology Services.

<b>Appropriation</b>	<b>\$7,204,030</b>
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**4. IT - SAP Hosting**

Funds are recommended to transition and re-platform NCDOT's SAP environment to ITS. The project is part of a larger effort to comply with SB 200 and leverage the State Data Centers and improve the hosting to comply with State security guidelines.

<b>Appropriation</b>	<b>\$1,788,000</b>
<b>Appropriation - Nonrecurring</b>	<b>\$5,041,271</b>

**Capital Improvements**

**1. Land Purchase - Maintenance Yard**

Funds are recommended to purchase a suitable parcel to relocate the Alleghany county maintenance yard due to a construction project that will require the demolition of the existing maintenance yard.

<b>Appropriation - Nonrecurring</b>	<b>\$150,000</b>
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**2. Ferry Division - Construct Currituck Operations Building and Welcome Center**

Funds are recommended for the construction of an Operations Building and Welcome Center to accommodate those travelling between Currituck County's mainland and Knott's Island. The federal share of the project costs is 80% and the state matching requirement is 20%.

<b>Requirements - Nonrecurring</b>	<b>\$2,375,000</b>
<b>Receipts - Nonrecurring</b>	<b>\$1,900,000</b>
	<b>\$475,000</b>

**Agency Reserves**

**1. Reserve for Continuation Review - Driver License Program**

It is recommended that recurring funds be transferred to the DMV-Driver License program after successful completion of a Continuation Review of the program as directed by the General Assembly.

<b>Appropriation</b>	<b>(\$47,713,947)</b>
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**2. Reserve for Legislative Salary Increase**

It is recommended that funds be appropriated to increase salaries of State agency employees funded with Highway Fund appropriations by 1.8%. This builds on \$4.9 million already in the 2011-13 budget.

<b>Appropriation</b>	<b>\$3,112,393</b>
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**3. Reserve for Retirement Contribution (Retiree COLA)**

It is recommended that a 1.9% cost-of-living adjustment be provided to retirees of the Teachers' and State Employees' Retirement System that are funded from Highway Fund appropriations.

<b>Appropriation</b>	<b>\$1,997,622</b>
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**Transfers to Other State Agencies**

**1. DPI - Civil Penalties**

Funds are recommended to increase the appropriation for collections of civil penalties within the Highway Fund that are transferred to DPI. Actual revenue collections exceed the current appropriation, requiring an increase in budgeted funds.

<b>Appropriation</b>	<b>\$7,880,000</b>
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**2. DPS - State Match Funds for Motor Carrier Safety Assistance Program (MCSAP)**

It is recommended that additional funds be provided for the state match required for the MCSAP Grant. The state match is 20%, and there are insufficient funds appropriated to provide the match for the federal grant that is awarded annually on a formula basis. The program is administered by the Department of Public Safety, State Highway Patrol.

<b>Appropriation</b>	<b>\$350,000</b>
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**Total Recommended Expansion**

**Recurring**

Requirements	\$49,957,548
Receipts	6,365,541
	<hr/>
Appropriation	\$43,592,007
Number of Positions	99.000

**Nonrecurring**

Requirements	\$8,186,381
Receipts	15,409,588
	<hr/>
Appropriation	(\$7,223,207)
Time Limited Positions	-

**Total Recommended Adjustments for  
 Highway Fund  
 2012-13**

**Recurring**

Requirements	(\$98,692,752)
Receipts	6,365,541
	<hr/>
Appropriation	(\$105,058,293)
Number of Positions	99.000

**Nonrecurring**

Requirements	\$2,337,881
Receipts	15,409,588
	<hr/>
Appropriation	(\$13,071,707)
Time Limited Positions	-

## Highway Trust Fund (84290)

<b>Total Appropriations and Positions</b>				
	<b>2012-13 Certified</b>	<b>Net Recommended Expansion and Reduction</b>	<b>2012-13 Recommended</b>	<b>Percent Change</b>
Requirements	\$1,086,910,000	(\$31,590,000)	\$1,055,320,000	(2.9)%
Receipts	-	-	-	
Appropriation	<u>\$1,086,910,000</u>	<u>(\$31,590,000)</u>	<u>\$1,055,320,000</u>	(2.9)%
Positions	-	-	-	

### Appropriation Items -- Recommended Adjustments

#### Reductions

2012-13

#### 1. Statutory Adjustment - Intrastate System

An adjustment consistent with statutory formulas is recommended to the appropriation for the intrastate system. The adjustment is required to update the allocation based on revised revenue estimates for the Highway Trust Fund for fiscal year 2012-13.

**Appropriation (\$18,505,930)**

#### 2. Statutory Adjustment - Urban Loops

An adjustment consistent with statutory formulas is recommended to the appropriation for urban loops construction. The adjustment is required to update the allocation based on revised revenue estimates for the Highway Trust Fund for fiscal year 2012-13.

**Appropriation (\$7,483,027)**

#### 3. Statutory Adjustment to Aid to Municipalities Allocation

An adjustment consistent with statutory formulas is recommended to the appropriation for state aid to municipalities (Powell Bill). The adjustment is required to update the allocation based on revised revenue estimates for the Highway Trust Fund for fiscal year 2012-13.

**Appropriation (\$1,941,703)**

#### 4. Statutory Adjustment - Secondary Roads

An adjustment consistent with statutory formulas is recommended to the appropriation for secondary roads construction. The adjustment is required to update the allocation based on revised revenue estimates for the Highway Trust Fund for fiscal year 2012-13.

**Appropriation (\$2,143,020)**

#### 5. Statutory Adjustment - Program Administration

An adjustment consistent with statutory formulas is recommended to the appropriation for program administration. The adjustment is required to update the allocation based on revised revenue estimates for the Highway Trust Fund for fiscal year 2012-13.

**Appropriation (\$1,516,320)**

**Total Recommended Reductions**

**Recurring**

Requirements	(\$31,590,000)
Receipts	-
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Appropriation	(\$31,590,000)
Number of Positions	-

**Nonrecurring**

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

**Total Recommended Adjustments for  
 Highway Trust Fund  
 2012-13**

**Recurring**

Requirements	(\$31,590,000)
Receipts	-
	<hr/>
Appropriation	(\$31,590,000)
Number of Positions	-

**Nonrecurring**

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

## Turnpike Authority Budget Changes (64208)

### Total Appropriations and Positions

	<b>2012-13 Certified</b>	<b>Net Recommended Expansion and Reduction</b>	<b>2012-13 Recommended</b>	<b>Percent Change</b>
Requirements	\$889,407,326	\$0	\$889,407,326	0.0 %
Receipts	<u>889,407,326</u>	-	<u>889,407,326</u>	0.0 %
Appropriation	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	
Positions	27.000	-	27.000	0.0 %

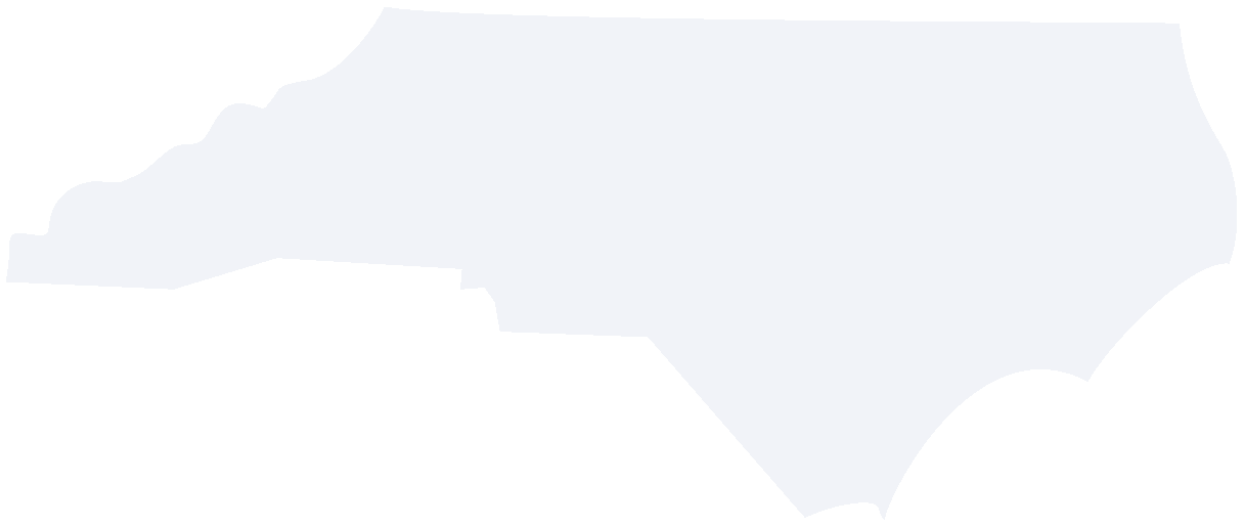
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Investing in **Our** Future:

# Capital Improvements

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General Fund

Non-General Fund





## Capital Improvements - General Fund (19600)

### Total Appropriations and Positions

	2012-13 Certified	Net Recommended Expansion and Reduction	2012-13 Recommended	Percent Change
Requirements	\$0	\$13,678,000	\$13,678,000	
Receipts	-	-	-	
Appropriation	<u>\$0</u>	<u>\$13,678,000</u>	<u>\$13,678,000</u>	
Positions	-	-	-	

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## Appropriation Items -- Recommended Adjustments

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### Expansion

2012-13

#### Natural and Economic Resources

##### 1. Water Resources Projects

The Governor recommends funds for the State's share of civil works projects, such as dredging, navigation, flood control, aquatic weed control, beach protection, and stream restoration. State dollars will leverage \$36.2 million in federal funds and \$20.7 million in local funds.

**Appropriation - Nonrecurring \$13,678,000**

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#### Total Recommended Expansion

##### Recurring

Requirements	-
Receipts	-
Appropriation	-
Number of Positions	-

##### Nonrecurring

Requirements	\$13,678,000
Receipts	-
Appropriation	\$13,678,000
Time Limited Positions	-

**Total Recommended Adjustments for  
Capital Improvements - General Fund  
2012-13**

**Recurring**

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

**Nonrecurring**

Requirements	\$13,678,000
Receipts	-
	<hr/>
Appropriation	\$13,678,000
Time Limited Positions	-

### Capital Improvements - Non-General Fund (404xx)

**Summary of Recommended Changes:** Capital projects funded entirely from non-General Fund sources must be authorized by the General Assembly pursuant to G.S. 143C-8-7. The Governor recommends authorization of the following capital projects funded from non-General Fund sources.

<b>Total Appropriations and Positions</b>				
	<b>2012-13 Certified</b>	<b>Net Recommended Expansion and Reduction</b>	<b>2012-13 Recommended</b>	<b>Percent Change</b>
Requirements	\$0	\$25,831,143	\$25,831,143	
Receipts	-	<u>25,831,143</u>	<u>25,831,143</u>	
Appropriation	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	
Positions	-	-	-	

### Appropriation Items -- Recommended Adjustments

**Expansion**

2012-13

**Department of Public Safety**

**1. NC National Guard - Training Site Improvements**

The Governor recommends the use of federal receipts to fund five capital improvement projects located at training sites at Camp Butner and Fort Bragg: (1) Motor Pool Expansion at Fort Bragg (\$20,000), (2) Permanent Classroom at Camp Butner (\$50,000), (3) Big Top Sitework and Concrete Pads at Camp Butner (\$200,000), (4) Construct West Perimeter Road at Camp Butner (\$50,000), and (5) IT Building at Camp Butner (\$300,000). These projects will assist in providing the needed facilities to support the mission of the NC National Guard.

<b>Requirements - Nonrecurring</b>	<b>\$620,000</b>
<b>Receipts - Nonrecurring</b>	<b>\$620,000</b>
<b>Appropriation - Nonrecurring</b>	<b>-</b>

**2. NC National Guard - Aviation Facilities Improvements**

The Governor recommends the use of federal receipts to fund three capital improvement projects located at aviation facilities in Morrisville and Salisbury: (1) Power Assessment of 449th Tactical Operations Center in Morrisville (\$25,000), (2) Fire Bucket Storage Building Design in Salisbury (\$75,000), and (3) Concrete Apron Replacement in Salisbury (\$500,000). These projects will assist in providing needed facilities to support the mission of the NC National Guard.

<b>Requirements - Nonrecurring</b>	<b>\$600,000</b>
<b>Receipts - Nonrecurring</b>	<b>\$600,000</b>
<b>Appropriation - Nonrecurring</b>	<b>-</b>

**3. NC National Guard - Logistics Facilities Improvements**

The Governor recommends the use of federal receipts to complete five capital improvement projects located at NC National Guard Logistic Facilities: (1) Field Maintenance Shop #18 Crane Upgrade in Kinston (\$70,000), (2) Mobilization and Training Equipment Site (MATES) IFTE Test Facility Utilities Upgrade at Fort Bragg (\$30,000), (3) Field Maintenance Shop #10 Add Electrical Outlets in Red Springs(\$50,000), (4) MATES Office Trailer at Fort Bragg (\$60,000), and (5) MATES Concrete Parking Area at Fort Bragg (\$100,000). These projects will assist in providing needed facilities to support the mission of the NC National Guard.

<b>Requirements - Nonrecurring</b>	<b>\$310,000</b>
<b>Receipts - Nonrecurring</b>	<b>\$310,000</b>
<hr/>	
<b>Appropriation - Nonrecurring</b>	<b>-</b>

**4. NC National Guard - Readiness Centers Improvements**

The Governor recommends the use of federal receipts to complete two capital improvement projects located at readiness centers (armories) in Lexington and Mocksville: (1) Motor Pool Lighting in Lexington (\$25,000), and (2) Motor Pool Expansion in Mocksville (\$15,000). These projects will all assist in providing needed facilities to support the mission of the NC National Guard.

<b>Requirements - Nonrecurring</b>	<b>\$40,000</b>
<b>Receipts - Nonrecurring</b>	<b>\$40,000</b>
<hr/>	
<b>Appropriation - Nonrecurring</b>	<b>-</b>

**5. Juvenile Justice - Career Technical Education Center - Stonewall Jackson Y.D.C.**

Anti-Gang Grants funding is recommended for the construction of a prefabricated or modular building to house the horticulture and small engine repair programs at Stonewall Jackson Youth Development Center.

<b>Requirements - Nonrecurring</b>	<b>\$163,332</b>
<b>Receipts - Nonrecurring</b>	<b>\$163,332</b>
<hr/>	
<b>Appropriation - Nonrecurring</b>	<b>-</b>

**6. Juvenile Justice - Track and Field Facility - Stonewall Jackson Y.D.C.**

Cannon Fund grant receipts are recommended to construct a new track with bleachers and restrooms at Stonewall Jackson Youth Development Center.

<b>Requirements - Nonrecurring</b>	<b>\$161,046</b>
<b>Receipts - Nonrecurring</b>	<b>\$161,046</b>
<hr/>	
<b>Appropriation - Nonrecurring</b>	<b>-</b>

**7. Adult Correction - Correction Enterprise - Storage Shelters, Statewide**

Correction Enterprise receipts are recommended to develop a site plan and purchase pre-fabricated storage sheds, or materials to erect site-built small sheds, at various facilities as need arises for additional storage of equipment and materials. Each shed would cost less than \$25,000.

<b>Requirements - Nonrecurring</b>	<b>\$51,765</b>
<b>Receipts - Nonrecurring</b>	<b>\$51,765</b>
	<hr/>
<b>Appropriation - Nonrecurring</b>	<b>-</b>

**Information Technology Services**

**1. Lighting Upgrades - 3700 Wake Forest Road Facility**

Cash Reserves in the Office of Information Technology Services Internal Services Fund are recommended to replace the lighting infrastructure at the 3700 Wake Forest Road building, which was originally installed in 1971 when the building was constructed. The current lights are soon to be out of manufacture. Also, there are no lighting controls other than on and off switches, which are extremely non-energy efficient. The scope of work will include new wiring, engineering services to re-lamp the building to be more efficient, and the addition of a controls system to better manage the amount of electricity that is wasted due to lights being constantly turned on.

<b>Requirements - Nonrecurring</b>	<b>\$780,000</b>
<b>Receipts - Nonrecurring</b>	<b>\$780,000</b>
	<hr/>
<b>Appropriation - Nonrecurring</b>	<b>-</b>

**Department of Agriculture**

**1. Markets Division - Parking Improvements/Expansion**

Enterprise funds are recommended to improve and expand the existing parking facilities at the Raleigh Farmers Market.

<b>Requirements - Nonrecurring</b>	<b>\$200,000</b>
<b>Receipts - Nonrecurring</b>	<b>\$200,000</b>
	<hr/>
<b>Appropriation - Nonrecurring</b>	<b>-</b>

**2. Markets Division - Wholesale Dock Enclosure**

Enterprise funds are recommended to enclose the existing wholesale docks at the Raleigh Farmers Market. The wholesale markets industry is requiring that wholesale produce docks be enclosed for food safety and cold chain purposes.

<b>Requirements - Nonrecurring</b>	<b>\$750,000</b>
<b>Receipts - Nonrecurring</b>	<b>\$750,000</b>
	<hr/>
<b>Appropriation - Nonrecurring</b>	<b>-</b>

**3. Research Stations Division - Phase II Greenhouse Expansion - Additional Funding**

Timber receipts are recommended to construct a second greenhouse and additional storage space at the Tidewater Research Station. Over the past several years the demand for greenhouse space to grow plants and conduct research has expanded beyond the capacity of the current facility.

<b>Requirements - Nonrecurring</b>	<b>\$200,000</b>
<b>Receipts - Nonrecurring</b>	<b>\$200,000</b>

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**Appropriation - Nonrecurring** -

**4. Research Stations Division - Phase II - Calf Barn Construction**

Timber receipts are recommended to construct a calf handling facility that is needed to support ongoing research at the Piedmont Research Station. When completed, the facility will allow calves produced from the dairy herd to remain on site as part of feeding trials and other research projects that support the dairy industry as determined necessary by research faculty at North Carolina State University.

<b>Requirements - Nonrecurring</b>	<b>\$150,000</b>
<b>Receipts - Nonrecurring</b>	<b>\$150,000</b>

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**Appropriation - Nonrecurring** -

**5. Research Stations Division - Forest Road Construction**

Timber receipts are recommended to construct a carefully planned road system within the 800+ acres of forestland located at the Tidewater Research Station. The new road system will allow access for forest management, including timber harvesting, site preparation, reforestation, intermediate stand treatments, and leased hunting.

<b>Requirements - Nonrecurring</b>	<b>\$150,000</b>
<b>Receipts - Nonrecurring</b>	<b>\$150,000</b>

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**Appropriation - Nonrecurring** -

**6. State Fair - Campus HVAC Improvements**

Enterprise funds are recommended to complete HVAC improvements at multiple facilities on the fairgrounds in order to replace aging components and improve efficiency and reliability.

<b>Requirements - Nonrecurring</b>	<b>\$2,500,000</b>
<b>Receipts - Nonrecurring</b>	<b>\$2,500,000</b>

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**Appropriation - Nonrecurring** -

**7. State Fair - Campus Infrastructure Improvements**

Enterprise funds are recommended to construct new sewer lines and electrical lines, provide new storm water and lighting infrastructure, and lay new pavement at the fairgrounds in order to increase efficiency and address safety concerns.

<b>Requirements - Nonrecurring</b>	<b>\$3,000,000</b>
<b>Receipts - Nonrecurring</b>	<b>\$3,000,000</b>
	<hr/>
<b>Appropriation - Nonrecurring</b>	<b>-</b>

**8. State Fair - Renovations to Existing Buildings**

Enterprise funds are recommended for roof replacements and other repairs at multiple facilities on the fairgrounds in order to address safety concerns and to prevent the further deterioration of buildings.

<b>Requirements - Nonrecurring</b>	<b>\$3,000,000</b>
<b>Receipts - Nonrecurring</b>	<b>\$3,000,000</b>
	<hr/>
<b>Appropriation - Nonrecurring</b>	<b>-</b>

**9. State Fair - Hunt Horse Complex Site Repairs and Improvements**

Enterprise funds are recommended for repairs and improvements at the Hunt Horse Complex, including laying new pavement in the stalls, providing new lighting in the barns, and improving drainage.

<b>Requirements - Nonrecurring</b>	<b>\$3,000,000</b>
<b>Receipts - Nonrecurring</b>	<b>\$3,000,000</b>
	<hr/>
<b>Appropriation - Nonrecurring</b>	<b>-</b>

**Department of Cultural Resources**

**1. NC Maritime Museum Gallants Channel Multi-Use Facility**

This project involves the construction of a new 5,000 square foot single story multi-use facility that will directly support the programming and events of the North Carolina Maritime Museum, Friends of the Maritime Museum Programs, the junior sailing educational programs, provide restroom and shower facilities to transient boaters, and serve as a regional cultural venue for communities of eastern North Carolina. Funding provided by the Friends of the Maritime Museum Capital Campaign is recommended to pay for this project.

<b>Requirements - Nonrecurring</b>	<b>\$1,115,000</b>
<b>Receipts - Nonrecurring</b>	<b>\$1,115,000</b>
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<b>Appropriation - Nonrecurring</b>	<b>-</b>

**2. NC Museum of Art Trail Improvements**

This project will provide improvements to the North Carolina Museum of Art's Park trail. The project will include construction of a new 2000 linear foot section of asphalt trail, modifications to several trail intersections for safety, and new landscaping along the trail. Funding provided by the N.C. Museum of Art Foundation is recommended to pay for this project.

<b>Requirements - Nonrecurring</b>	<b>\$370,000</b>
<b>Receipts - Nonrecurring</b>	<b>\$370,000</b>
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<b>Appropriation - Nonrecurring</b>	<b>-</b>

**3. Duke Homestead State Historic Site - Picnic Shelter**

This project provides for the construction of a new picnic shelter at Duke Homestead State Historic Site. The new shelter will create a covered area for school groups and other visitors, as well as providing a space for mock tobacco auctions and other site events. The project will also include site walkway improvements to make the shelter handicap accessible from the existing parking area. Funding provided by the Education and History Corporation at Duke Homestead is recommended to pay for this project.

<b>Requirements - Nonrecurring</b>	<b>\$175,000</b>
<b>Receipts - Nonrecurring</b>	<b>\$175,000</b>
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<b>Appropriation - Nonrecurring</b>	<b>-</b>

**Department of Environment and Natural Resources**

**1. Sound Side Dock and Education Gazebo at Roanoke Island Aquarium**

Funds provided through a Coastal Recreational Fishing License Grant and matching receipts from the North Carolina Aquariums admission are recommended to design and construct a public sound side fishing/kayak launching dock with an education station and staging area. The water and land side areas will contain rest benches, public education platforms and kiosks, educational signage, kayak storage, and visitor viewing walkways. The land required for this project is owned by the State of North Carolina.

<b>Requirements - Nonrecurring</b>	<b>\$350,000</b>
<b>Receipts - Nonrecurring</b>	<b>\$350,000</b>
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<b>Appropriation - Nonrecurring</b>	<b>-</b>



**2. NC Zoo - Solar Pointe Restrooms**

This project involves the construction of a new restroom facility needed at an existing picnic area that is rented to the public, inside the NC Zoological Park. The closest restroom to this site currently is over 500 feet away at the North America Entrance plaza. This project will provide men's, women's and family restrooms under one roof, along with a small storage room for supplies. Funding from the Special Zoo Fund is recommended to pay for this project.

<b>Requirements - Nonrecurring</b>	<b>\$400,000</b>
<b>Receipts - Nonrecurring</b>	<b>\$400,000</b>
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<b>Appropriation - Nonrecurring</b>	<b>-</b>

**North Carolina Wildlife Resources Commission**

**1. Wildlife Resources Commission Land Purchases**

The Governor recommends that grants and other receipts available to the Wildlife Resources Commission be used to continue the acquisition of tracts of land for inclusion in the agency's game land management program.

<b>Requirements - Nonrecurring</b>	<b>\$3,750,000</b>
<b>Receipts - Nonrecurring</b>	<b>\$3,750,000</b>
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<b>Appropriation - Nonrecurring</b>	<b>-</b>

**2. Table Rock Hatchery Building Replacement**

U.S. Department of the Interior grant funds and other agency receipts are recommended to replace two buildings at Table Rock State Fish Hatchery. This project will replace two old and inefficient buildings with one new hatchery building. The new design will allow for more efficient use of space, water, and technologies to meet the agencies production goals at this hatchery.

<b>Requirements - Nonrecurring</b>	<b>\$75,000</b>
<b>Receipts - Nonrecurring</b>	<b>\$75,000</b>
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<b>Appropriation - Nonrecurring</b>	<b>-</b>

**3. Watha Hatchery Building Replacement**

U.S. Department of the Interior grant funds and other agency receipts are recommended to replace three existing modular residences at the Watha State Fish Hatchery with new site-built residences.

<b>Requirements - Nonrecurring</b>	<b>\$300,000</b>
<b>Receipts - Nonrecurring</b>	<b>\$300,000</b>
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<b>Appropriation - Nonrecurring</b>	<b>-</b>

**4. Construction of New Fishing Access Areas**

U.S. Department of the Interior grant funds and other agency receipts are recommended to construct new fishing access areas in order to meet public demand.

<b>Requirements - Nonrecurring</b>	<b>\$240,000</b>
<b>Receipts - Nonrecurring</b>	<b>\$240,000</b>
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<b>Appropriation - Nonrecurring</b>	<b>-</b>

**5. Construction of New Boating Access Areas**

U.S. Department of the Interior and/or Department of Homeland Security grant funds and other agency receipts are recommended to construct new boating access areas to meet public demand for access to the state's waters.

<b>Requirements - Nonrecurring</b>	<b>\$800,000</b>
<b>Receipts - Nonrecurring</b>	<b>\$800,000</b>
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<b>Appropriation - Nonrecurring</b>	<b>-</b>

**6. Renovations of Existing Boating Access Areas**

U.S. Department of the Interior and/or Department of Homeland Security grant funds and other agency receipts are recommended to make major repairs and renovations to existing boating access areas to meet public demand for access to the state's waters.

<b>Requirements - Nonrecurring</b>	<b>\$800,000</b>
<b>Receipts - Nonrecurring</b>	<b>\$800,000</b>
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<b>Appropriation - Nonrecurring</b>	<b>-</b>

**7. Americans with Disabilities Act Initiative for Existing Boating Access Areas**

U.S. Department of the Interior and/or Department of Homeland Security grant funds and other agency receipts are recommended to make renovations at existing boating access areas in order to make all of them 100% compliant with Americans with Disabilities Act requirements by the 2015-16 fiscal year. Additional authorizations will be necessary beginning with the 2013-14 fiscal year.

<b>Requirements - Nonrecurring</b>	<b>\$280,000</b>
<b>Receipts - Nonrecurring</b>	<b>\$280,000</b>
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<b>Appropriation - Nonrecurring</b>	<b>-</b>

**8. Infrastructure Repairs and Renovations**

Agency receipts are recommended to make repairs and renovations to existing agency infrastructure, including game land management areas and roof replacement on major agency buildings, such as administrative headquarters, agency education centers, and agency depots. In conjunction with agency missions, goals and strategic action plan to provide the state resources, the agency is tasked with funding the upkeep of its entire infrastructure throughout the state. Projects will be discussed and approved by OSBM before being established under this category.

<b>Requirements - Nonrecurring</b>	<b>\$1,500,000</b>
<b>Receipts - Nonrecurring</b>	<b>\$1,500,000</b>
	<hr/>
<b>Appropriation - Nonrecurring</b>	<b>-</b>

**Total Recommended Expansion**

**Recurring**

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

**Nonrecurring**

Requirements	\$25,831,143
Receipts	25,831,143
	<hr/>
Appropriation	-
Time Limited Positions	-

**Total Recommended Adjustments for  
 Capital Improvements - Non-General Fund  
 2012-13**

**Recurring**

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

**Nonrecurring**

Requirements	\$25,831,143
Receipts	25,831,143
	<hr/>
Appropriation	-
Time Limited Positions	-



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Investing in **Our** Future:

***Reserves, Debt Service  
and Other Adjustments***

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General Fund



## Reserves, Debt Service, and Other Adjustments - General Fund (190xx)

Total Appropriations and Positions				
	2012-13 Certified	Net Recommended Expansion and Reduction	2012-13 Recommended	Percent Change
Requirements	\$1,460,283,434	(\$48,696,958)	\$1,411,586,476	(3.3)%
Receipts	<u>44,623,308</u>	<u>5,773,049</u>	<u>50,396,357</u>	12.9 %
Appropriation	<u>\$1,415,660,126</u>	<u>(\$54,470,007)</u>	<u>\$1,361,190,119</u>	(3.8)%
Positions	-	3,000	3,000	

### Appropriation Items -- Recommended Adjustments

#### Reductions

2012-13

#### Technical Adjustments

##### 1. Annual Required Contribution (ARC) Overfunding

The second year of the biennium has \$63.3 million allocated from the General Fund that is in excess of the Annual Required Contribution (ARC). It is recommended that contribution rates be left in place and used to fund the retiree cost of living adjustment.

**Appropriation (\$63,251,200)**

##### 2. Debt Service Requirements

It is recommended that debt service appropriations be reduced based on lower than originally anticipated payments for 2012-13.

**Appropriation (\$50,904,635)**

##### 3. Job Development Incentive Grants Reserve

It is recommended that the reserve for Job Development Incentive Grants (JDIG) be reduced based on anticipated payments for 2012-13.

**Appropriation - Nonrecurring (\$6,500,000)**

##### 4. Continuation/Justification Review Reserve

Reinstates the budgets of programs reviewed by the General Assembly's Fiscal Research Division (Justification Reviews) or state agencies (Continuation Reviews).

**Appropriation - Nonrecurring (\$35,576,758)**

**Total Recommended Reductions**

**Recurring**

Requirements	(\$114,155,835)
Receipts	-
	<hr/>
Appropriation	(\$114,155,835)
Number of Positions	-

**Nonrecurring**

Requirements	(\$42,076,758)
Receipts	-
	<hr/>
Appropriation	(\$42,076,758)
Time Limited Positions	-

**Expansion**

2012-13

**State-Funded Employee Compensation Increases**

**1. Salary Increase for All State Employees**

It is recommended that funds be appropriated to increase salaries of State-funded public school system employees, community college employees, university system employees, and State agency employees. This builds on \$121 million already in 2011-13 budget. This also includes a non-recurring \$3.7 million for certified school personnel at the top of the salary schedule. 1. Teacher Salary Schedule Employees - step (1.8%). Administrators - step (1.5%). 2. Community Colleges, Universities, and State Agency Employees - 1.8% annual increase.

<b>Appropriation</b>	<b>\$37,000,604</b>
<b>Appropriation - Nonrecurring</b>	<b>\$3,692,182</b>

**Retirement System**

**1. Retirement Contribution (Retiree COLA)**

It is recommended that a 1.9% cost-of-living adjustment be provided to retirees of the Teachers' and State Employees' Retirement System and to retirees of the Consolidated Judicial Retirement System.

<b>Appropriation</b>	<b>\$61,069,800</b>
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**State Health Plan (Administration)**

**1. Pharmacy Benefit Program**

This item authorizes implementation and associated administrative fees for Medicare Part D Employer Group Waiver Plan (EGWP) for administration of the State Health Plan's Medicare Primary members' prescription drug benefit. This includes staffing of three FTEs in the Pharmacy Benefit Section of the Health Plan to implement the program. Conversion to EGWP is projected to reduce cost of drug coverage for Medicare retirees by \$19 million per year and reduce liability for future retiree health benefits by \$6 billion. State Health Plan budget code 28410 is administratively part of the Department of State Treasurer.

<b>Requirements</b>	<b>\$5,773,049</b>
<b>Receipts</b>	<b>\$5,773,049</b>
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<b>Appropriation</b>	<b>-</b>
<b>Number of Positions</b>	<b>3.000</b>
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**Total Recommended Expansion**

**Recurring**

Requirements	\$103,843,453
Receipts	5,773,049
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Appropriation	\$98,070,404
Number of Positions	3.000

**Nonrecurring**

Requirements	\$3,692,182
Receipts	-
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Appropriation	\$3,692,182
Time Limited Positions	-

**Total Recommended Adjustments for  
Reserves, Debt Service, and Other Adjustments -  
General Fund  
2012-13**

**Recurring**

Requirements	(\$10,312,382)
Receipts	5,773,049
	<hr/>
Appropriation	(\$16,085,431)
Number of Positions	3.000

**Nonrecurring**

Requirements	(\$38,384,576)
Receipts	-
	<hr/>
Appropriation	(\$38,384,576)
Time Limited Positions	-