

**Summary of Governor's Budget Recommendations for FY 2011-13**

#	Brief Description	FY 2011-12	FY 2012-13
1	Base Revenues	18,822,630,000	19,884,080,000
2			
3	<b>Potential Appropriations</b>		
4	Recurring Base Budget (adjusts for federal recovery & nonrecurring funds)	20,820,687,612	20,817,534,214
5			
6	<u>Mandatory Base Adjustments:</u>		
7	Medicaid	0	252,685,225
8	Debt Service	(9,567,995)	76,853,698
9	Public School Enrollment (classroom only)	38,274,686	110,572,117
10	Community Colleges Enrollment (classroom only)	17,876,863	31,459,644
11	UNC System Enrollment (classroom only)	23,269,550	44,270,678
12	UNC System Building Reserves	18,531,614	29,233,551
13	Department of Correction Building Reserves	10,000,000	25,000,000
14	State Government Building Reserves	7,000,000	14,000,000
15	<b>Subtotal</b>	<b>105,384,718</b>	<b>584,074,913</b>
16			
17	<u>Expansion Adjustments:</u>		
18	State Health Plan (7.1% premium increase)	117,082,047	250,907,532
19	Retirement System Contribution (fund ARC over two years; 15-year amortization)	115,000,000	230,000,000
20	Severance Reserve	30,000,000	0
21	Other Items	56,757,620	32,457,930
22	<b>Subtotal</b>	<b>318,839,667</b>	<b>513,365,462</b>
23			
24	Total Potential Appropriations	21,244,911,997	21,914,974,589
25			
26	<b>Estimated Shortfall</b>	<b>(2,422,281,997)</b>	<b>(2,030,894,589)</b>
27			
28	<u>Measures to Balance</u>		
29	<b>Credit Balance</b>		
30	<u>Prior Year/Current Year Reductions Already Implemented:</u>		
31	Actual Credit Balance at June 30, 2010 (result of 5% reduction holdback)	111,000,000	0
32	Reversions at June 30, 2011 (result of 3.5% reduction holdback)	406,018,097	0
33	<b>**Subtotal Prior Year/Current Year Reductions</b>	<b>517,018,097</b>	
34	Revenue Overcollections in FY 2010-11	156,300,000	0
35	Invest in North Carolina Construction and Repairs Jobs	(75,000,000)	0
36	Transfer to Savings Reserve Account (Rainy Day Fund)	(150,000,000)	0
37	Rebuild Mental Health Trust Fund	(75,000,000)	0
38	Establish Consolidation and Efficiency Incentive Fund	(25,000,000)	0
39	Invest in Community Colleges Equipment for Worker Training Efforts	(25,000,000)	0
40	<b>Subtotal Credit Balance</b>	<b>323,318,097</b>	<b>0</b>
41			

42	<b>Additional Reductions:</b>		
43	Reduction for Public Education (hold teachers and assistants harmless; net 3.8% reduction)	(357,061,035)	(357,559,669)
44	Reduction for Community Colleges (net 4.9% reduction with tuition)	(73,123,536)	(73,123,536)
45	Community Colleges Tuition (\$5.50 per hour)	(25,309,268)	(25,309,268)
46	Reduction for UNC System (net 6.0% reduction with tuition)	(271,373,332)	(271,373,332)
47	Medicaid Provider Assessment	(60,183,120)	(62,798,614)
48	Medicaid Reduction (fraud; program integrity; targeted service & reimbursement adjustments)	(73,448,815)	(104,658,642)
49	Other DHHS Reductions	(87,908,233)	(81,413,038)
50	Justice & Public Safety Agencies	(94,605,575)	(94,605,575)
51	Environment & Natural Resources Agencies	(53,081,318)	(48,910,313)
52	General Government Agencies	(34,445,791)	(34,451,691)
53	Clean Water Management Trust Fund	(50,000,000)	(50,000,000)
54	State Government Reset (reorganization/procurement changes)	(13,192,658)	(45,565,558)
55	State Health Plan (benefit changes, provider savings, & employee preference premiums)	(89,082,047)	(137,907,532)
56	Employee Retirement Incentive Program	(59,549,172)	(148,480,560)
57	<b>Subtotal Additional Reductions</b>	<b>(1,342,363,900)</b>	<b>(1,536,157,328)</b>
58			<b>71.9%</b>
59			
60	<b>Revenues:</b>		
61	Continue 0.75% Sales Tax (reduces current rate by 0.25%)	826,600,000	863,800,000
62	Small Business Tax Relief (effective 1-1-11)	(65,000,000)	0
63	Reduce Corporate Income Tax Rate to Lowest in Southeast (from 6.9% to 4.9%, eff. 1-1-12)	(115,000,000)	(303,000,000)
64	Raise Cap on Qualified Business Venture Credit	(2,000,000)	(2,000,000)
65	Energy Efficiency Building Home Tax Credit (\$1,500 per home credit, HERO standards)	0	(3,300,000)
66	<b>Subtotal Revenues</b>	<b>644,600,000</b>	<b>555,500,000</b>
67			<b>26.9%</b>
68	<b>Other Measures:</b>		
69	Repeal Corporate Tax Transfer Permanently	72,000,000	75,000,000
70	Department of Revenue -- Accounts Receivable Program	25,000,000	25,000,000
71	Disproportionate Share Receipts	15,000,000	15,000,000
72	<b>Subtotal Other Measures</b>	<b>112,000,000</b>	<b>115,000,000</b>
73			<b>5.1%</b>
74			
75	<b>Total Options to Balance</b>	<b>2,422,281,997</b>	<b>2,206,657,328</b>
76			
77	<b>Total Recommended Appropriations</b>	<b>19,902,548,097</b>	<b>20,378,817,261</b>
78			
79	<b>Revised Balance</b>	<b>0</b>	<b>175,762,739</b>
80			

### Per Capita Budget Changes Since 2008-09

Fiscal Year	Certified Budget	Population on July 1	Per Capita Spending	% Change from 2008-09
2008-09	21,355,967,199	9,247,173	2,309	
2009-10	22,113,897,166 (budget Governor inherited in 2009 long session)			
2011-12	19,902,548,097	9,656,822	2,061	-11%

Notes:

1. FY 2011-12 recommended budget is \$1.5 billion less than FY 2008-09 budget even after NC has grown by over 400,000 people; added 5,000 students in k-12 classrooms; 52,000 students in community colleges; and 12,000 students in the UNC System.
2. FY 2011-12 budget spends 11% less per capita than FY 2008-09 and is actually \$2.2 billion less than the budget Governor Perdue inherited to begin the 2009 long session.

## Summary of Other Expansion Items for FY 2011-13

#	Brief Description	FY 2011-12	FY 2012-13
1	<b>Education</b>		
2	ECU Dental School Accreditation	3,500,000	5,000,000
3			
4	<b>Health &amp; Human Services</b>		
5	Adoption Assistance Payments	1,067,088	802,398
6	NC Fast Implementation	9,592,332	9,592,332
7	Project C.A.R.E.	500,000	500,000
8			
9	<b>Natural &amp; Economic Resources</b>		
10	Commerce -- One NC Fund	10,000,000	0
11	Commerce -- Job Maintenance & Capital Development Fund	8,500,000	0
12	Commerce -- Continue Indian Economic Development Initiative	90,000	90,000
13	DENR -- Clean Water Revolving Loan Match	7,354,600	7,354,600
14	DENR -- Drinking Water Revolving Loan Match	7,118,600	7,118,600
15			
16	<b>General Government</b>		
17	Revenue -- Tax Information Management System (TIMS)	3,000,000	0
18	OSBM Reserve -- Land Buffer for Military Expansion	1,000,000	1,500,000
19			
20	<b>Justice &amp; Public Safety</b>		
21	Justice -- SBI Training and Standards Improvements	500,000	500,000
22			
23	<b>Capital Improvements</b>		
24	DENR Water Resources Projects	4,535,000	0
25			
26	<b>Total</b>	56,757,620	32,457,930

**FY 2011-13 Targeted Revenue Changes Eliminated These Reduction Options**

<b>#</b>	<b>Brief Description</b>	<b>Amount</b>	<b># of Positions</b>
1	<b>Education</b>		
2	Increase Class Size by 2 Students in Grades 3-12	(190,300,000)	(3,456)
3	Fund Teacher Assistants in Kindergarten and 1st Grade Only	(268,559,196)	(9,027)
4	Additional 2.5% Reduction to UNC System	(66,479,911)	(500)
5	Additional 2.5% Reduction to Community Colleges	(26,913,275)	(516)
6	Subtotal	<u>(552,252,382)</u>	<u>(13,499)</u>
7			
8	<b>Health &amp; Human Services</b>		
9	Reduce Community Mental Health Funds	(47,800,000)	
10			
11	<b>Total</b>	<u>(600,052,382)</u>	<u>(13,499)</u>

<b>Summary of Governor's Jobs and Economic Development Recommendations for FY 2011-13</b>				
<b>(Includes Estimated Fiscal Impact in FY 2011-13 and Number of Jobs Created Over 3 Years)</b>				
<b>#</b>	<b>Proposal</b>	<b>Brief Summary</b>	<b>Fiscal Impact</b>	<b># of Jobs</b>
1	Corporate Income Tax Reduction from 6.9% to 4.9%	Reduces NC's corporate income tax rate by 30%, making our rate the lowest in the Southeast and third lowest in the nation.	418,000,000	5,573
2	Small Business Tax Relief	Unemployment insurance tax credit	65,000,000	1,300
3	Mobility Fund	Fund to address critical congestion bottlenecks and improve state's logistics capabilities.	76,811,999	1,459
4	Repairs and Renovations Reserve	Funds to repair university and state government buildings.	75,000,000	1,500
5	One NC Fund	"Seal the deal" funds that are critical to the recruitment of competitive industry projects.	10,000,000	200
6	Job Maintenance and Capital Development Fund	Retention of jobs and large-scale capital investment in economically distressed areas.	8,500,000	0
7	<b>Total</b>		<b>653,311,999</b>	<b>10,033</b>