



The Governor's 2014-15 Recommended Budget Adjustments

Governor Pat McCrory



Art Pope

State Budget Director

Office of State Budget and Management

May 15, 2014



General Fund Availability

Brief Description	FY 2014-15 Recommended
Budget Availability	
<u>Beginning Credit Balance:</u>	
Unappropriated Balance Remaining From Previous Year	323,693,704
Anticipated Over (Under) Collections from FY 2013-14	(445,400,000)
Anticipated Reversions for FY 2013-14	290,000,000
Supplemental Medicaid Appropriations*	0
Subtotal Unreserved Fund Balance	<u>168,293,704</u>
Transfer to Savings Reserve Account	(42,073,426)
Transfer to Repair and Renovations Account	(42,073,426)
Subtotal Statutory Reserve Allocation	<u>(84,146,852)</u>
Subtotal Credit Balance	84,146,852
<u>Base Revenue (consensus revenue forecast)</u>	20,962,767,811
<u>Revenue Changes:</u>	
Department of Revenue Out-of-State Sales Tax Collection	40,000,000
FICA Transfer	4,000,000
Subtotal Revenue Changes	<u>44,000,000</u>
Total Availability	21,090,914,663
Total Recommended Appropriations	20,990,267,640
General Fund Balance	<u><u>100,647,023</u></u>



Comparison to FY 2013-14 Enacted Budget

Brief Description	FY 2013-14 Enacted	FY 2014-15 Recommended	Difference (\$)	Difference (%)
Availability				
<u>Beginning Credit Balance:</u>				
Unappropriated Balance	213,432,877	323,693,704	110,260,827	51.7%
Anticipated Over (Under) Collections	537,441,075	(445,400,000)	(982,841,075)	-182.9%
Anticipated Reversions	290,742,586	290,000,000	(742,586)	-0.3%
Supplemental Medicaid Appropriations	(308,100,000)	0	308,100,000	-100.0%
Subtotal Unreserved Fund Balance	733,516,538	168,293,704	(565,222,834)	-77.1%
Transfer to Savings Reserve Account	(232,537,942)	(42,073,426)	190,464,516	-81.9%
Transfer to Repair and Renovations Account	(150,000,000)	(42,073,426)	107,926,574	-72.0%
Subtotal Statutory Reserve Allocation	(382,537,942)	(84,146,852)	298,391,090	-78.0%
Subtotal Credit Balance	350,978,596	84,146,852	(266,831,744)	-76.0%
<u>Base Revenue (consensus revenue forecast)</u>	20,603,482,753	20,962,767,811	359,285,058	1.7%
<u>Revenue Changes:</u>				
Department of Revenue Out-of-State Sales Tax Collection		40,000,000		
FICA Transfer		4,000,000		
Subtotal Revenue Changes		44,000,000		
Total Availability	20,954,461,349	21,090,914,663	136,453,314	0.7%
Total Recommended Appropriations	20,630,767,645	20,990,267,640	359,499,995	1.7%
General Fund Balance	323,693,704	100,647,023	(223,046,681)	-68.9%



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Anticipated Reversions	0	290,000,000	290,000,000	n.a.
Supplemental Medicaid Appropriations	0	0	0	n.a.
Subtotal Unreserved Fund Balance	323,693,704	168,293,704	(155,400,000)	-48.0%
Transfer to Savings Reserve Account	(37,122,346)	(42,073,426)	(4,951,080)	13.3%
Transfer to Repair and Renovations Account	(12,751,137)	(42,073,426)	(29,322,289)	230.0%
Subtotal Statutory Reserve Allocation	(49,873,483)	(84,146,852)	(34,273,369)	68.7%
Subtotal Credit Balance	273,820,221	84,146,852	(189,673,369)	-69.3%
<u>Base Revenue (consensus revenue forecast)</u>	21,153,767,811	20,962,767,811	(191,000,000)	-0.9%
<u>Revenue Changes:</u>				
Department of Revenue Out-of-State Sales Tax Collection		40,000,000		
FICA Transfer		4,000,000		
Subtotal Revenue Changes		44,000,000		
Total Availability	21,427,588,032	21,090,914,663	(336,673,369)	-1.6%
Total Recommended Appropriations	20,998,801,208	20,990,267,640	(8,533,568)	0.0%
General Fund Balance	428,786,824	100,647,023	(328,139,801)	-76.5%



Budget Recommendations for FY 2014-15

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Recommended Appropriations	
Authorized Budget	20,998,801,208
<u>Fiscal Responsibility:</u>	
Additional Transfer to Savings Reserve Account	7,926,574
Additional Transfer to Repair and Renovations Account	7,926,574
Medicaid Risk Reserve	50,000,000
Subtotal Fiscal Responsibility	<u>65,853,148</u>
<u>Net Change by Subcommittee:</u>	
Education	
Public Education	46,358,028
Community Colleges	16,866,780
University System	(49,398,097)
Health and Human Services	(122,592,860)
General Government	1,941,928
Natural and Economic Resources	4,561,239
Justice and Public Safety	28,433,112
Statewide Reserves	1,702,070
Debt Service	(9,340,916)
Capital	7,082,000
Subtotal Net Change by Subcommittee	<u>(74,386,716)</u>
Total Recommended Appropriations	20,990,267,640
General Fund Balance	<u>100,647,023</u>
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Percent Change from FY 2013-14	1.7%



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*FY 2013-14 Enacted column uses actual over (under) collections and reversions from FY 2012-13



Comparison to FY 2014-15 Enacted Budget

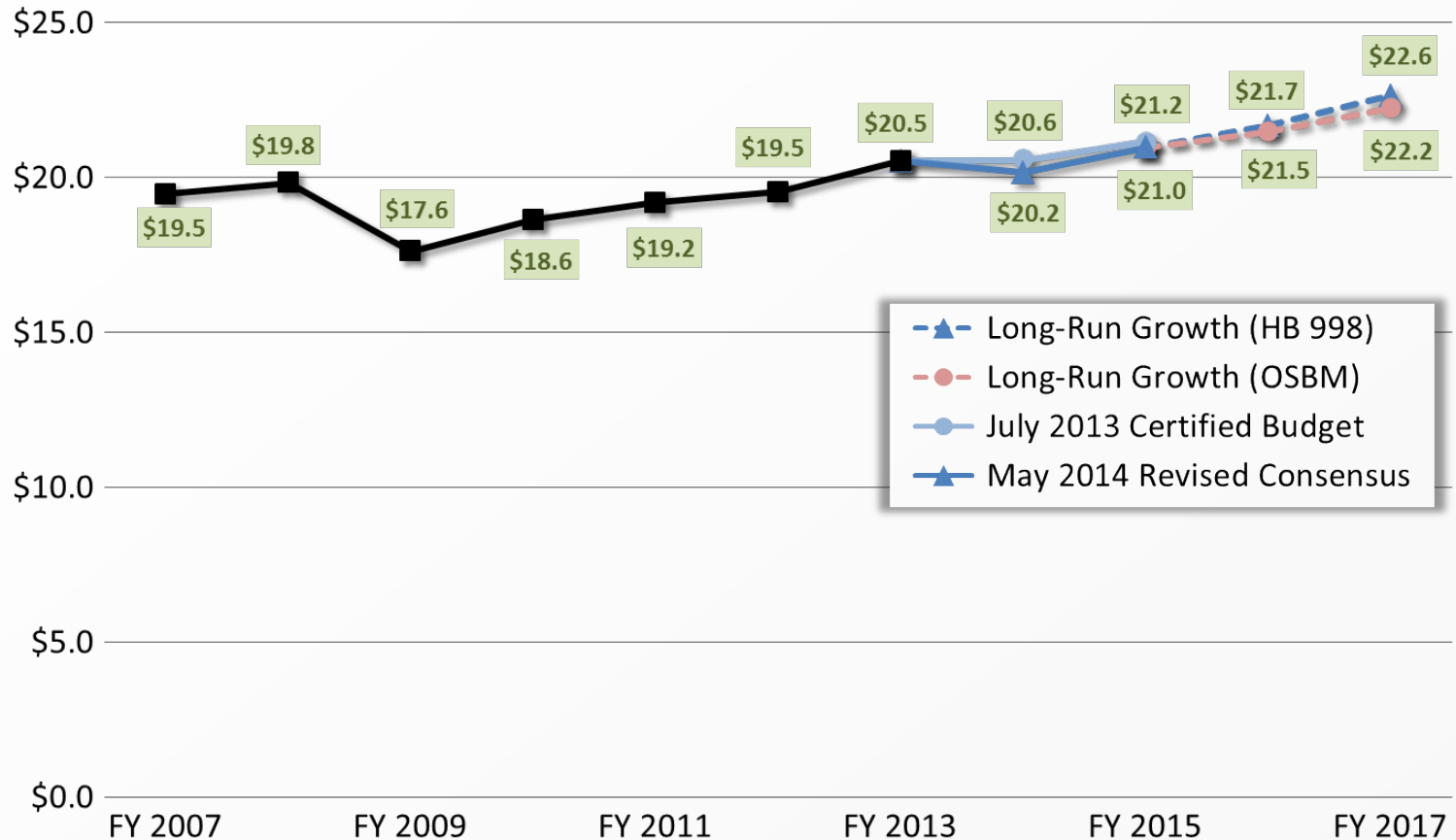
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Key Drivers of Availability: Revenue

Scenarios for General Fund Revenue Forecast

Billions of Current-Year Dollars



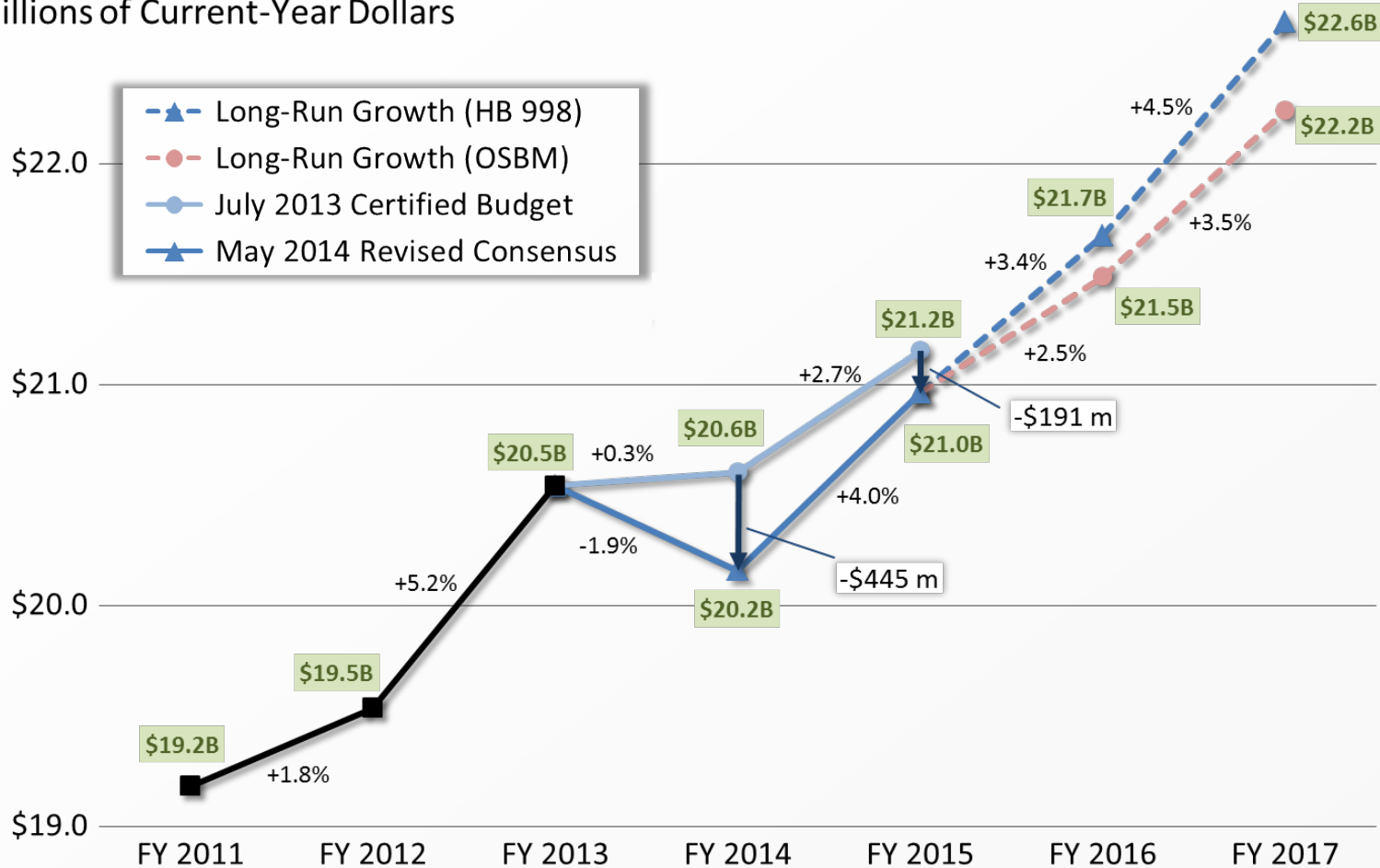
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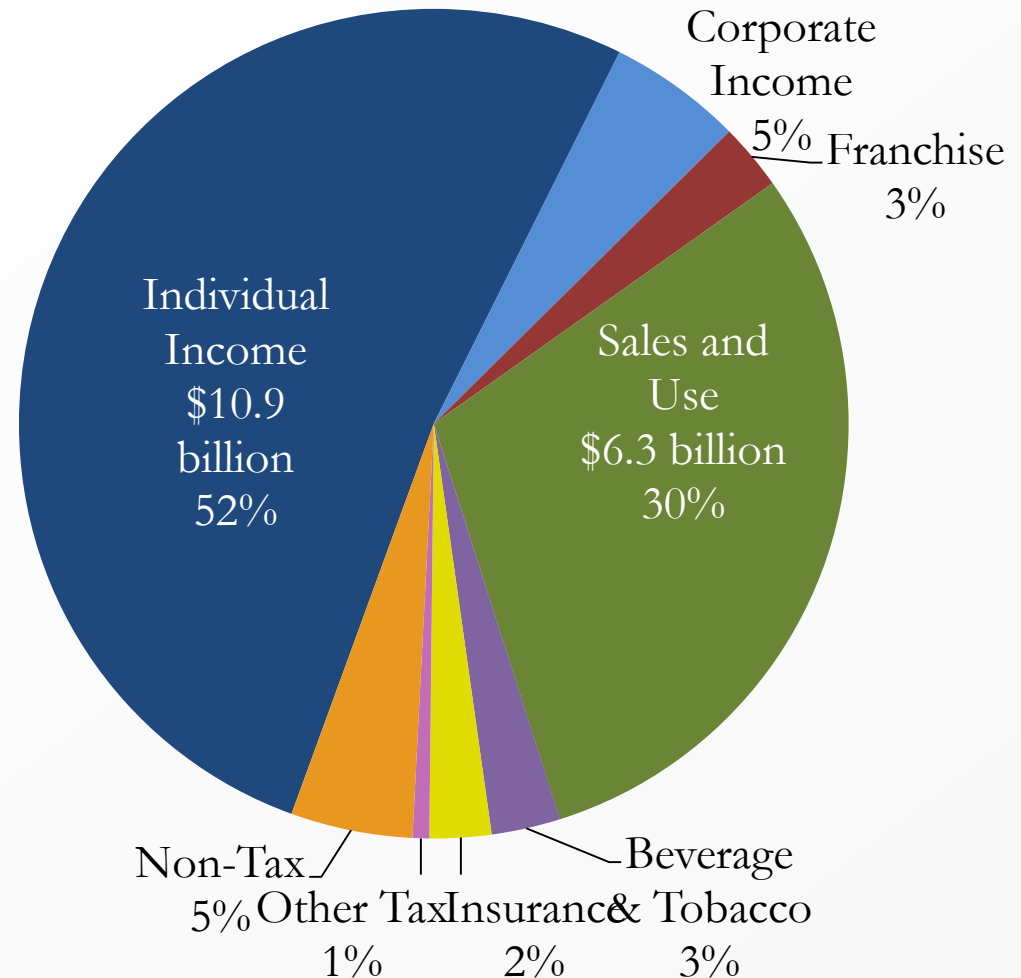
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General Fund Revenue by Source

FY 2014-15 General Fund Revenues = \$21.0 billion

- Individual income tax - comprises more than half of all General Fund revenues
- Sales and use tax - comprises more than one quarter of total General Fund revenues
- All other taxes combined comprise 14% of total General Fund revenues
- Non-tax revenue sources comprise remaining 5%





Key Drivers of Availability: Medicaid/Reversions

*Supplemental Medicaid Appropriations

- Projected Medicaid FY 2013-14 budget shortfall is approximately \$70 million
- Expected to be billed to Medicaid after June 30 for services provided in FY 2013-14
- Cash remaining in DHHS (not included in \$290 million statewide reversion estimate) will be carried forward to FY 2014-15 to cover anticipated FY 2013-14 claims that will be billed after June 30
- Federal share of late June drug rebates will be carried forward to repay the federal government in July

Reversions

- \$290 million estimate based on survey of agency expectations
- Consistent with FY 2012-13 actual reversions (\$291 million)



General Fund Appropriations

Recommended Appropriations

Authorized Budget 20,998,801,208

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Total Recommended General Fund Appropriations **20,990,267,640**

General Fund Balance **100,647,023**



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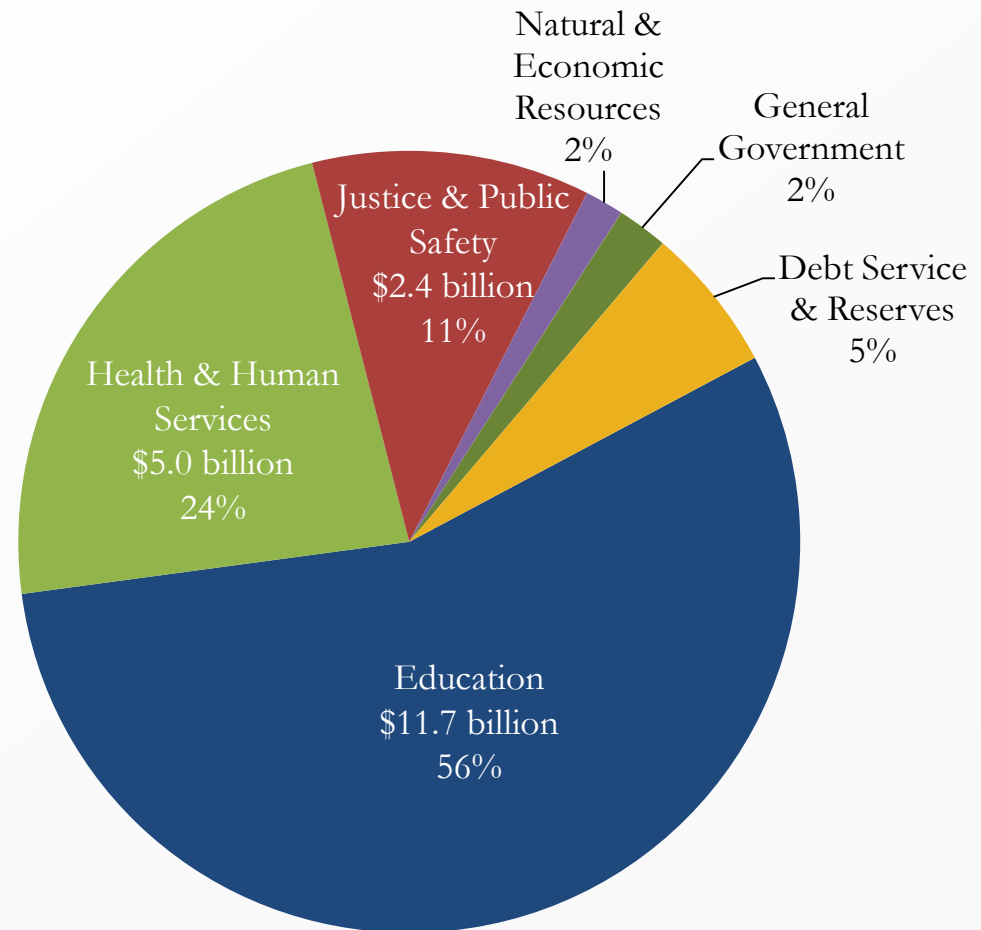
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General Fund Appropriations by Subcommittee

FY 2014-15 General Fund Appropriations = \$21.0 billion

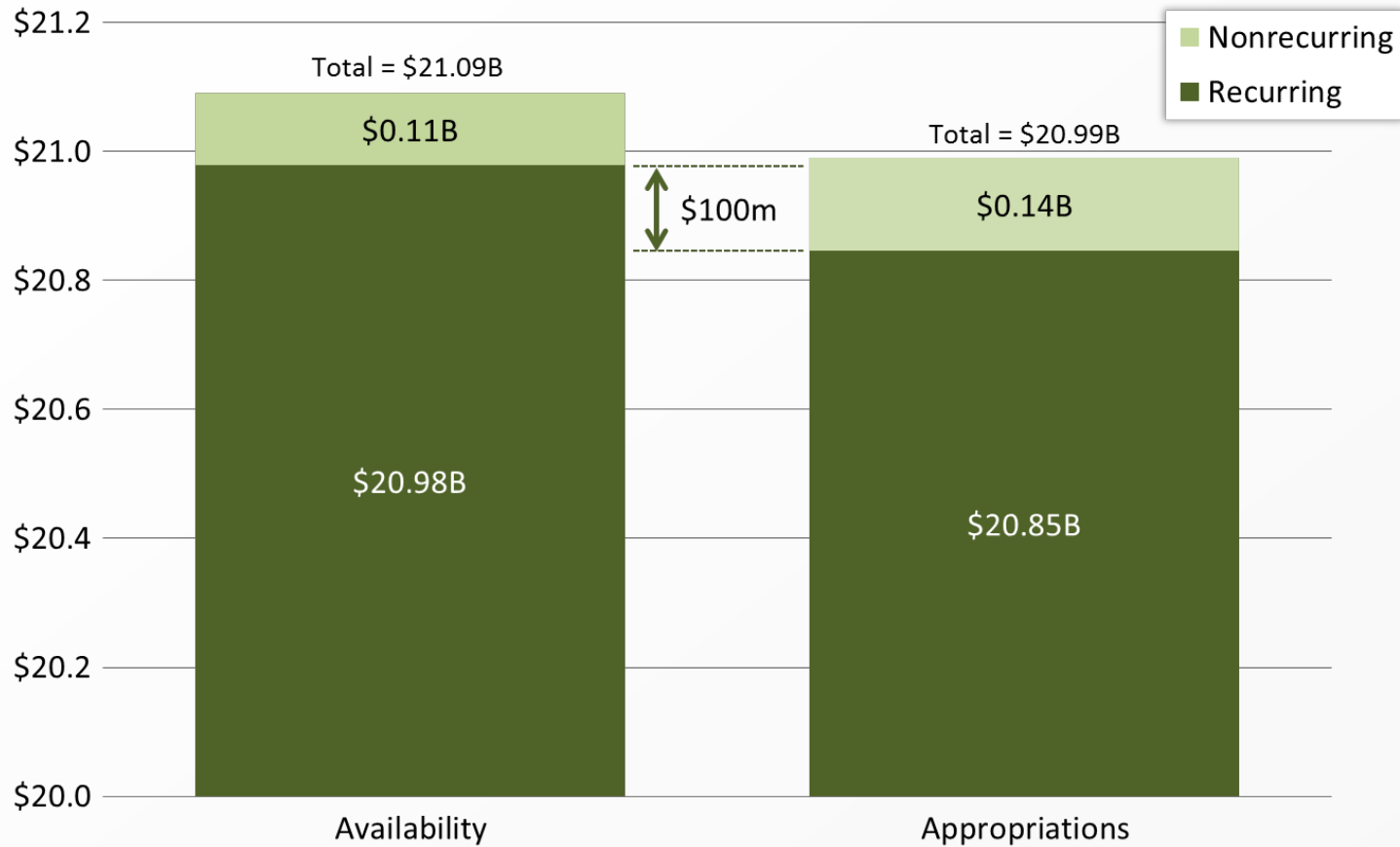
- Education-related spending - more than half of all appropriations (56%)
- Health & Human Services - nearly one-quarter of all appropriations, with Medicaid accounting for more than two-thirds of HHS spending
- Justice & Public Safety - less than one-eighth of total appropriations
- General Government and Natural & Economic Resources - comprises 1/25th of all appropriations





General Fund Budget: Recurring v. Nonrecurring

Recurring Availability Exceeds Recurring Appropriations by More than \$100 million
Billions of Current-Year Dollars



FY 2014-15 Governor's Recommended Budget



Highlights: Public Education

	2012-13 Actual	2013-14 Certified	2014-15 Certified	Recommended Adjustment	2014-15 Recommended	% Change from 2013-14	% Change from 2014-15
Requirements	\$9,804,398,812	\$11,168,933,698	\$11,308,116,403	\$79,014,034	\$11,387,130,437	2.0%	0.7%
Receipts	\$2,064,365,645	\$3,302,973,049	\$3,262,014,781	\$32,629,006	\$3,294,643,787	-0.3%	1.0%
GF Approp.	\$7,740,033,167	\$7,865,960,649	\$8,046,101,622	\$46,385,028	\$8,092,486,650	2.9%	0.6%

- \$162 million for salary increases for teachers and other school employees
 - Starting teacher pay raised by 7.1% to \$33,000 and funds the step increase
- \$9.8 million from Education Lottery receipts for Career Pathways pilot program directed at retaining quality teachers who take on increased responsibilities
- \$23 million from Education Lottery receipts for textbooks, a 100% increase
- \$18.7 million to continue master's degree salary for teachers 1) who have taken a course towards the master's degree as of July 1, 2013 and 2) who achieve the degree at any time and are in teaching in field of their master's degree



Highlights: NCCCS

	2012-13 Actual	2013-14 Certified	2014-15 Certified	Recommended Adjustment	2014-15 Recommended	% Change from 2013-14	% Change from 2014-15
Requirements	\$1,458,457,154	\$1,446,956,448	\$1,442,715,567	\$5,835,560	\$1,448,551,127	0.1%	0.4%
Receipts	\$422,203,748	\$425,660,981	\$426,228,100	(\$11,031,220)	\$415,196,880	-2.5%	-2.6%
GF Approp.	\$1,036,253,406	\$1,021,295,467	\$1,016,487,467	\$16,866,780	\$1,033,354,247	1.2%	1.7%

- \$18.6 million provides a \$1,000 salary and benefit increase for community college employees
- \$16.8 million reinvested from reduction in remedial course enrollments into programs targeted to close the skills gap
- \$1.9 million appropriated to offset the anticipated tuition waived for military veterans who served at least four years, are within two years of exiting service, have been stationed in and reside in or have Home of Record in NC at time of enrollment



Highlights: UNC System

	2012-13 Actual	2013-14 Certified	2014-15 Certified	Recommended Adjustment	2014-15 Recommended	% Change from 2013-14	% Change from 2014-15
Requirements	\$4,256,834,231	\$4,150,831,095	\$4,148,800,495	(\$67,277,142)	\$4,081,523,353	-1.7%	-1.6%
Receipts	\$1,604,986,881	\$1,567,782,825	\$1,548,898,786	(\$17,879,045)	\$1,531,019,741	-2.3%	-1.2%
GF Approp.	\$2,651,847,350	\$2,583,048,270	\$2,599,901,709	(\$49,398,097)	\$2,550,503,612	-1.3%	-1.9%

- \$33.4 million provides a \$1,000 salary and benefit increase for UNC System employees
- \$5 million from Education Lottery receipts establishes NC SERV, a financial aid program for military veterans who served at least four years, are within two years of exiting service, have been stationed in and reside in or have Home of Record in NC at time of enrollment
- \$3 million will assist UNC campuses with transitioning laboratory research to the marketplace



DHHS: Budget Overview

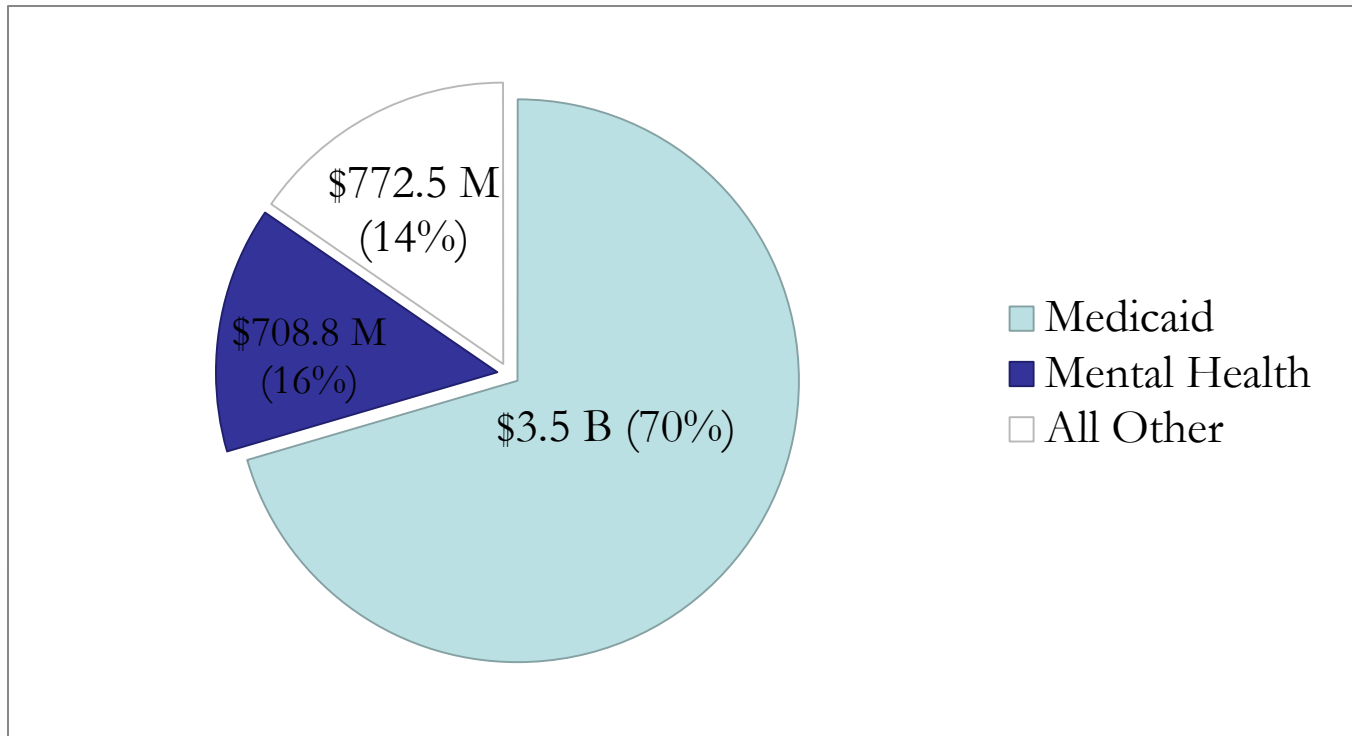
	2012-13 Actual	2013-14 Certified	2014-15 Certified	Recommended Adjustment	2014-15 Recommended	% Change from 2013-14	% Change from 2014-15
Requirements	\$17,896,294,301	\$18,381,623,666	\$18,749,006,470	\$ 70,376,829	\$18,819,443,299	2.38%	0.4%
Receipts	\$12,891,308,763	\$13,387,835,343	\$13,611,391,895	\$ 192,969,689	\$13,804,361,584	3.11%	1.4%
GF Appropriation	\$ 5,004,985,538	\$ 4,993,788,323	\$ 5,137,674,575	\$ (122,592,860)	\$ 5,015,081,715	0.43%	(2.4)%

Includes:

- *Medicaid and Health Choice*
- *Social Services*
- *Mental Health*
- *Public Health*
- *Child Development and Early Education*
- *Vocational Rehabilitation*
- *Central Administration*
- *Aging and Adult Services*
- *Services for the Blind, Deaf and Hard of Hearing*
- *Health Services Regulation*



Medicaid and Mental Health account for 86% of the DHHS General Fund appropriations in the Governor's Recommended 2014-15 Budget



Recommended appropriations total \$5B



Recommended changes for all of DHHS net to a savings of \$122.6 million

	2014-15 Certified GF Appropriation	Net Change	Revised 2014-15 Certified GF Appropriation
Health and Human Services			
Central Management and Support	76,301,328	(2,642,150)	73,659,178
Aging and Adult Services	54,342,341	28,890	54,371,231
Child Development and Early Education	254,314,609	(37,488,213)	216,826,396
Public Health	141,941,587	(2,953,983)	138,987,604
Social Services	176,558,432	1,104,174	177,662,606
Medical Assistance	3,608,119,091	(74,441,942)	3,533,677,149
NC Health Choice	57,747,933	(9,749,000)	47,998,933
Mental Health, DD, SAS	704,985,988	3,828,910	708,814,898
Health Service Regulation	16,411,479	(61,000)	16,350,479
Blind and Deaf / Hard of Hearing Services	8,178,618	59,830	8,238,448
Vocational Rehabilitation	38,773,169	(278,376)	38,494,793
Total	5,137,674,575	(122,592,860)	5,015,081,715

Recommended state share of salary increases are included in these totals



DHHS Savings

\$42M in refinancing existing programs without reducing services

- *\$22 million in Federal block grants and Education Lottery proceeds for NC Pre K*
- *\$15 million in Federal block grants for subsidized child care and state administration*
- *\$3.8 million in drug rebates and federal funding for Aids Drug Assistance Program*

\$75M from additional provider assessments to match federal funds with no reduction to Medicaid services

- *\$59.6 million by having mental health local management entities/ managed care organizations participate in the assessment program*
- *\$15 million by increasing the state's share of the current hospital assessment program*

\$28 million in efficiencies and updated budget estimates (such as Health Choice, State/County Special Assistance and various administrative savings)

Total DHHS General Fund savings of \$145M



Investments in Health and Human Services

Targeted to at-risk children, mental health services, core public health infrastructure, and Medicaid

- \$6M for employee pay raises
- \$2.7M for improved oversight of child welfare programs
- \$5M to support the growing caseload of children in foster care
- \$3.6M for NC Pre K to enhance school readiness of at-risk 4-year-olds
- \$10.7M redirected to finance state facilities providing in-patient care
- \$6.1M in federal funds to improve mental health crisis services and the Governor's Substance Abuse Prevention and Treatment Initiative
- \$1.3M to improve public services through the Office of Chief Medical Examiner and Vital Records agency
- \$1M to begin Medicaid reform

Total DHHS General Fund increases of \$23M, plus savings are reinvested and federal and other receipts leveraged for priorities

Net change in DHHS General Fund appropriations is (\$122M)



Medicaid 2014-15 Budget as Enacted in Session Law 2013-360

Medicaid	Requirements	Receipts	Appropriations
Enacted 2013-14 Budget	13,071,194,944	9,609,244,825	3,461,950,119
Enacted 2014-15 Budget	13,476,334,404	9,868,225,313	3,608,109,091
Increase 2014-15 over 2013-14	405,139,460	258,980,488	146,158,972
	3.1%	2.7%	4.2%

Enacted budget for 2014-2015 is \$13.4B, \$3.6B in state General Fund appropriation

- Includes rebase increase of \$123M
- Overall net increase of \$146M
- Represents a 4.2% increase over 2013-14 budget

The State's investment in Medicaid has grown from \$3.1B in 2012-13 enacted budget to \$3.6B in the 2014-15 enacted budget, or \$506M



Medicaid Assumptions and Methods

2013-14 (Current Year) Estimated Shortfall

- Uses latest financial data available through March 2014 and estimates 4Q expenditures based on 3-year historical average
- Assumes net \$205 million budget shortfall inclusive of the backlog of claims and enrollment (\$70 million state share)
- Assumes no 2014-15 budget impact because unspent cash from 2013-14 will be carried forward into the new fiscal year

Federal share of late June drug rebates will be carried forward to repay the Federal government in July



Medicaid Assumptions and Methods

2014-15 Medicaid Estimate

- Uses 2014-15 enacted budget of \$3.6B as the baseline and accounts for the estimated 2013-14 \$70M shortfall
- Annualizes savings and increases implemented in 2013-14
- Assumes full funding for 71,000 Health Choice children moved to Medicaid
- Expects lower than budgeted ACA enrollment growth/woodworking
- Adjusts for federal matching percentage updates from 65.78 to 65.88

Estimate is based on limit data available at the time of budget submission



Medicaid Summary

With the 2014-15 enacted budget as a baseline, adjustments to state appropriations are proposed

Salaries and Benefits DMA employees	167,240
Shared Savings	6,199,607
Medicaid Reform	1,000,000
Adjust Private Duty Nursing Rates	(1,150,000)
MH Drug Prior Authorization	(6,000,000)
LME/MCO Assessment	(59,555,995)
Hospital Assessment Increase	(15,102,794)
	<hr/>
Net Changes	(74,441,942)
	<hr/>

Unknowns and Variables

- Accuracy of the backlog estimate; impact of growth (five year average annual total requirements Medicaid growth is 2.8%; enacted budget allows 3.1%); overall data limitations

Governor's budget recommends a \$50M statewide Medicaid Risk Reserve to allow for variance in estimating and potential growth greater than anticipated in Medicaid spending.



General Government: Budget Overview

TOTAL GENERAL GOVERNMENT GENERAL FUND BUDGETS

	2012-13 Actual	2013-14 Certified	2014-15 Certified	Recommended Adjustment	2014-15 Recommended	% Change from 2013-14	% Change from 2014-15
Requirements	\$570,885,064	\$589,202,597	\$581,404,942	\$40,938,014	\$622,342,956	5.6%	7.0%
Receipts	\$172,209,627	\$164,443,752	\$162,622,827	\$38,996,086	\$201,618,913	22.6%	24.0%
GF Approp.	\$398,675,437	\$424,758,845	\$418,782,115	\$1,941,928	\$420,724,043	-0.9%	0.5%

Includes Departments and Offices of:

*Administration, State Human Resources ,
State Controller, General Assembly, Governor,
State Budget and Management, Housing Finance Agency,
Lieutenant Governor, Secretary of State, State Auditor,
State Treasurer, Insurance, Revenue, Cultural Resources,
Roanoke Island Commission, State Board of Elections,
Administrative Hearings*



General Government Priorities

- \$3.6 million for \$1,000 Salary and Benefit increase for agency employees
- Restores \$.5 million for the Tryon Palace historic site
- \$3 million Challenge Grant for hull repairs on Battleship North Carolina
- Funds Youth Advocacy and Involvement Office at FY13-14 level
- Funds Historically Underutilized Business Program at FY13-14 level

Increases in Receipt supported activities:

- \$18.3 million for Veteran's Nursing Homes in Black Mountain and Kinston
- \$10.2 million for upgrade of the Tax Information Management System (TIMS)
- \$7.0 million to establish Guilford Call Center to improve tax services for citizens



NER: Budget Overview

	2012-13 Actual	2013-14 Certified	2014-15 Certified	Recommended Adjustment	2014-15 Recommended	% Change from 2013-14	% Change from 2014-15
Requirements	\$ 633,032,734	\$ 653,774,754	\$ 657,092,452	\$ 8,883,944	\$ 665,976,396	1.87%	1.35%
Receipts	\$ 277,617,353	\$ 282,526,784	\$ 280,384,338	\$ 4,322,705	\$ 284,707,043	0.77%	1.54%
GF Approp.	\$ 355,415,381	\$ 371,248,970	\$ 376,708,114	\$ 4,561,239	\$ 381,269,353	2.7%	1.21%

Includes:

- *Agriculture and Consumer Services*
- *Labor*
- *Environment and Natural Resources*
- *Wildlife Resources Commission*
- *Commerce*
- *Commerce - State Aid*



- \$3.6 million for a \$1,000 salary and benefits increase for all General Fund supported positions in the NER areas

Department of Agriculture and Consumer Services

- Endorses a recommendation from NC Government Efficiency and Reform project to transfer the Animal Welfare section and the Spay and Neuter Program to the Law Enforcement Division of the Department and Public Safety - \$622 k reduction
 - Allow a greater emphasis on enforcement activities and enhanced coordination with local law enforcement
 - Maintain collaboration between animal cruelty prevention and enforcement efforts



Department of Environment and Natural Resources

- \$1.2 million recurring and \$596,000 non-recurring funds to effectively monitor coal ash ponds throughout the state
 - Recurring funding for 19 FTE's and operating funds
 - Non recurring funding for laboratory and field equipment
 - Allows for increased inspection, reporting, and enforcement of environmental protections
- \$1.3 million for statewide aquatic weed control measures aimed at protecting drinking water, lakes and waterways
- \$3.5 million for the Noncommercial Leaking Underground Storage Tank Fund Program



Department of Commerce

- Reorganize the Department of Commerce and create a Public Private Partnership (PPP) for Economic Development, effective July 1
 - Provides for a streamlined Department of Commerce
 - PPP will have the flexibility to provide marketing, recruitment, and job creation support for existing and new businesses in the state
 - Awarding of public funds for Economic Development by the Department of Commerce
 - Results in anticipated recurring savings of 5% or \$921,015
- \$3 million for statewide support of small businesses
 - State matching funds for federal contracts for the One N.C. Small Business Program
 - Competitive local grants for the Main Street Solutions Fund
- \$300,000 transfer from the Community College System to allow the fee for participation in the Apprenticeship Program to be waived for FY 2014-15



JPS: Budget Overview

	2012-13 Actual	2013-14 Certified	2014-15 Certified	Recommended Adjustment	2014-15 Recommended	% Change from 2013-14	% Change from 2014-15
Requirements	\$2,609,053,583	\$2,667,322,617	\$2,622,053,872	\$ 30,075,320	\$2,652,129,192	-0.57%	1.15%
Receipts	\$ 304,345,016	\$ 298,647,424	\$ 281,947,424	\$ 1,642,208	\$ 283,589,632	-5.04%	0.58 %
GF Appropriation	\$2,304,718,567	\$2,368,675,193	\$2,340,106,448	\$ 28,433,112	\$2,368,539,560	-0.01%	1.22%

Includes:

- *Judicial*
- *Judicial – Indigent Defense*
- *Justice*
- *Department of Public Safety*



- \$27.2 million for a \$1,000 salary and benefits increase for all General Fund supported positions in the JPS areas

Judicial Branch

- \$6.5 million for a one-step salary increase based on the current statutory pay plan for eligible Deputy Clerks, Assistant Clerks and Magistrates that have been frozen for several years; employees on the plan not eligible for a step increase will receive a \$1,000 salary and benefits increase

Judicial Branch (Indigent Defense)

- \$3.5 million non recurring funding for FY 2014-15 to help address a shortfall of funds and facilitate more timely payments for private assigned counsel that represent Indigent clients



Department of Justice

- \$689,000 recurring and \$546,000 non recurring funding for expansion of crime labs to improve efficiency and turnaround time for law enforcement
 - Enhance DNA testing capability at the Western Crime Lab (10 FTE's)
 - Enhance Toxicology testing capabilities at the Triad and Western State Crime labs
- \$229,000 in funds for investigative activities that are core to the mission of the Department of Justice
 - Funds for investigation and response to cyber threats against children (3 FTE's)



Department of Public Safety

- \$1.5 million for a partial step increase for State Highway Patrol troopers not at the top of their pay range that have been frozen for several years; all other troopers will receive a \$1,000 salary and benefits increase
- \$1.8 million in non recurring funding to purchase 100 additional vehicles for new Probation/Parole officers funded during the 2013 legislative session; funds will be transferred to the Department of Administration, Motor Fleet Management Division to purchase the vehicles for lease to DPS
- \$15.9 million for FY 2014-15 and \$25 million in annualized savings for FY 2015-16 from operating efficiencies throughout the department, and the continued modification of prison staffing and operating budgets for a number of prison facilities to more appropriate levels based on current operational needs of the prisons



Transportation: Budget Overview

	2012-13 Actual	2013-14 Certified	2014-15 Certified	Recommended Adjustment	2014-15 Recommended	% Change from 2013-14	% Change from 2014-15
Requirements	\$8,308,289,447	\$4,450,329,584	\$4,307,617,851	\$ 141,183,014	\$4,421,800,865	(0.64)%	2.65%
Receipts	\$3,905,654,322	\$1,296,451,785	\$1,285,907,351	\$ (256,486)	\$1,285,650,865	(0.83)%	(0.02)%
HF & HTF Appropriation	\$4,402,635,125	\$3,153,877,799	\$3,021,710,500	\$ 114,439,500	\$3,136,150,000	(0.56)%	3.79%

Does not include duplication in requirements and receipts for project related costs.

Includes:

- *Highway Fund*
- *Highway Trust Fund*
- *Turnpike Authority*



Highway Fund

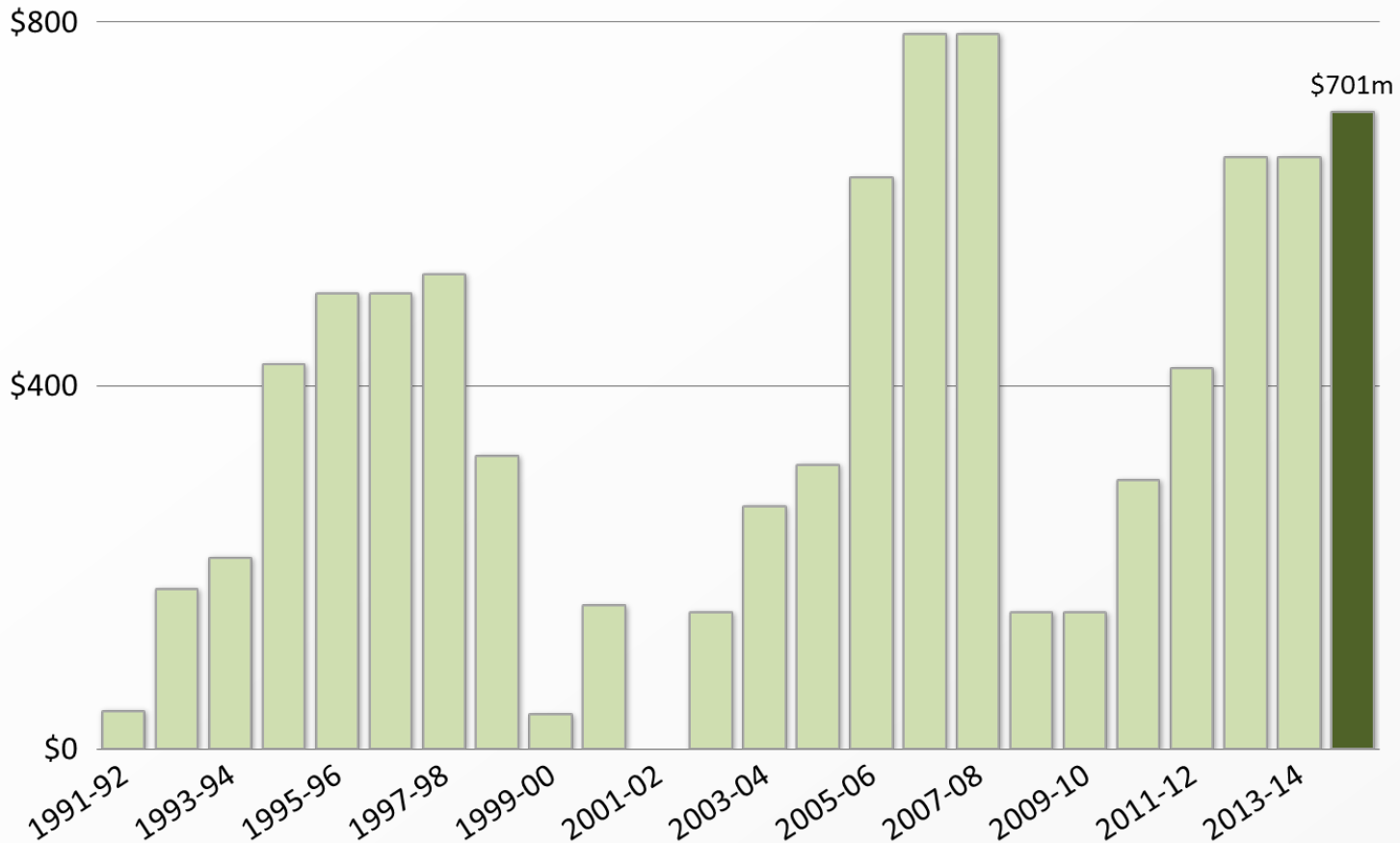
- \$7.5 million for a \$1,000 salary and benefits increase for all Highway Fund supported positions in the Department and other state agencies supported with Highway Fund appropriations
- Redirects \$30 million in Highway Fund appropriations, generated from efficiencies identified in other programs, to support other Transportation priorities
- Provides an additional \$43 million for FY 2014-15 over the enacted budget for 2013-14 for the Highway Maintenance Program
 - Facilitates the continued support for a well maintained, multimodal transportation infrastructure
- Continued modernization and improved customer service improvements for citizens that conduct business with the Division of Motor Vehicles
 - Adding additional resources at the Division's Call Center to answer questions from citizens
 - Substantial technology upgrade resulting in access to DMV services through multiple avenues, including smartphones, kiosks, and tablets
 - Replacement of critical DMV mainframe computer applications that fail to meet current business needs



Savings Reserve Account Balances

Budget Includes \$50 million for Savings Reserve Account

Year-End Savings Reserve Balance in Millions of Current-Year Dollars



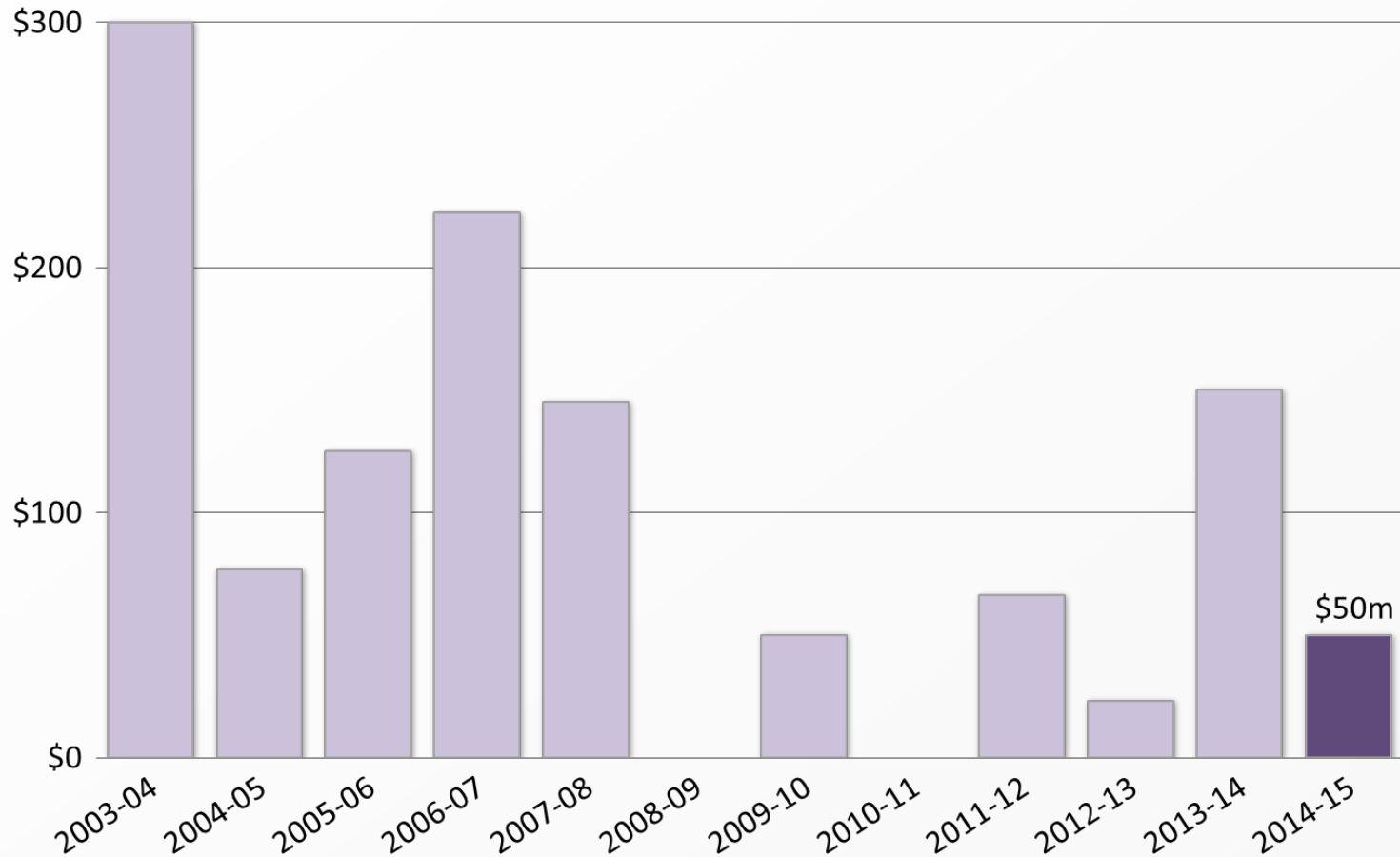
Note: 1) FY 2013-14 balance as of March 31, 2014; all others as of end of fiscal year.



Repair & Renovations Account

Budget Includes \$50 million for Repair & Renovations

Millions of Current-Year Dollars





Information Technology Reserve

- Preserves capacity for statewide IT oversight, enterprise planning and requirements development
- Delays \$8.6 million of planned infrastructure projects to meet State's fiscal requirements
 - Identified infrastructure projects that could be delayed
 - Allows time for more detailed planning and requirements development for FY15-16 project implementation.



Summary: Salaries & Benefits

- Raises starting teacher pay by 7.1% to \$33,000 and funds the step increase.
- Teachers who move to steps 8-36 in the 2014-15 school year will receive an experience-based step increase ranging from 2% to 4.3%.
- Funds a partial salary-step increase for State Highway Patrol troopers not at the top of their pay range.
- Provides eligible magistrates and clerks a salary-step increase.
- Most State employees receive a \$1,000 salary and benefit increase.

2014-15

Teachers and Principals Salary & Benefit Increases	\$ 108,385,094
State Highway Patrol Partial Step Increase	\$ 1,486,030
Magistrates & Clerks Special Pay Raise	\$ 6,475,252
Most State Employees, NCCCS, and LEA non-certified - \$1,000 Salaries & Benefit Increase	<u>\$ 146,603,952</u>
	\$ 262,950,328



Summary: Salaries & Benefits

	2014-15
Teachers & Principals	\$ 108,385,094
Public School System & DPI – Non-Teachers	\$ 53,844,080
Community College System	\$ 18,556,950
UNC System	\$ 33,443,940
General Government	\$ 3,656,950
Health and Human Services	\$ 6,009,660
State Highway Patrol Partial-Step Increase	\$ 1,486,030
Magistrates & Clerks Step Increase	\$ 6,475,252
Justice and Public Safety – Other Personnel	\$ 27,483,132
Natural and Economic Resources	<u>\$ 3,609,240</u>
TOTAL	\$ 262,950,328



Reserves: Salaries & Benefits

- Salary and benefit increases budgeted directly to departments and agencies.
- Funds an increase to the TSERS annual retirement contribution rate.
- Provides a 1.9% cost-of-living adjustment to retirees of TSERS and Consolidated Judicial Retirement System.
- Realigns a General Fund reserve to help provide a salary and benefit increase for State employees.

Retirement System Annual Contribution	\$ 7,210,000
1.9% Cost-of Living Adjustment for Retirees	\$ 70,000,000
Reserve for Future Benefit Needs	(\$56,400,000)



QUESTIONS ????

**Electronic version of Governor McCrory's budget can be located at the
Office of State Budget and Management website:**

osbm.nc.gov