I. **Governor Perdue’s Budget Priorities**

II. Summary of FY 2011-13 Budget

III. General Fund Revenue

IV. Major Recommendations

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

2. Career and college ready students
   - Totally protect state-funded public school teachers and teacher assistants from reductions.
   - Provide sufficient resources to ensure access to higher education opportunities.
   - Consolidate existing high school transition programs to enable eligible students to complete one year of higher education before they graduate at no cost.
3. **State government reset**
   - Reorganize and restructure state government to provide more streamlined services while reducing layers of management and administrative costs.
   - Eliminate duplicative, underperforming and non-core programs.
   - Implement private sector principles in areas that improve efficiency and effectiveness.
   - Get rid of government rules and regulations that do not make sense.

4. **Fiscal responsibility and sustainability**
   - Spend one-time monies on one-time expenses.
   - No new programs and no accounting gimmicks.
   - Authorize no new debt.
   - Allocate additional funds to the Savings Reserve Account (Rainy Day Fund).
I. Governor Perdue’s Budget Priorities
II. Summary of FY 2011-13 Budget
III. General Fund Revenue
IV. Major Recommendations
V. Summary
# General Fund Balance Sheet

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

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

- Allocation of FY 2011-12 Appropriation by Subcommittee
I. Governor Perdue’s Budget Priorities
II. Summary of FY 2011-13 Budget
III. General Fund Revenue
IV. Major Recommendations
V. Summary
FY 2010-11 General Fund Revenue Update

• $65 million above budget through January
  – 0.6% above expected revenue
  – Revenue has exhibited signs of improvement in most important revenue categories

• $156 million surplus expected in FY 2010-11
  – $19.134 billion vs. $18.978 billion budgeted
  – 0.8% above budgeted revenue; 2.7% increase compared to last year
Withholding, sales tax collections, and employment growing again
(year-over-year percent change)
Economic Outlook: 2011-13

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

<table>
<thead>
<tr>
<th></th>
<th>FY 2011-12</th>
<th>FY 2012-13</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wages</td>
<td>5.4%</td>
<td>5.2%</td>
</tr>
<tr>
<td>Nonfarm Employment</td>
<td>1.9%</td>
<td>2.4%</td>
</tr>
<tr>
<td>Profits</td>
<td>4.1%</td>
<td>3.9%</td>
</tr>
<tr>
<td>Retail Sales</td>
<td>6.3%</td>
<td>5.2%</td>
</tr>
</tbody>
</table>

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

Source: Global Insight
General Fund Revenue Forecast

Total General Fund Revenue and Baseline Growth Rates:

FY 2000 to FY 2013
Consensus Forecast for General Fund Revenue

FY 2011-12

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

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

Source: OSBM and Fiscal Research Division Consensus Forecast
Individual Income Tax
• 4.2% growth

Sales Tax
• 5.3% growth

Corporate Income Tax
• 2.2% growth
Consensus Forecast for General Fund Revenue

**FY 2012-13**

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

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

Source: OSBM and Fiscal Research Division Consensus Forecast
Individual Income Tax
• 5.6% growth

Sales Tax
• 4.5% growth

Corporate Income Tax
• 8.6% growth

FY 2010-11
FY 2011-12
FY 2012-13
(baseline year-over-year percent change)
## Revenue Changes: Overview

### Projected General Fund Revenue Changes:

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

*All figures in millions of dollars.*
Major Revenue Changes

• Continue Sales Tax at 5.5%
  – Reduces current rate by 0.25%
  – $827 million in FY 2011-12
  – $864 million in FY 2012-13

• Lower Corporate Income Tax Rate
  – Reduce rate from 6.9% to 4.9%
  – Lowest in Southeast region at 4.9%
  – $(115) million in FY 2011-12
  – $(303) million in FY 2012-13

• Small Business Tax Relief
  – Expands refundable unemployment insurance tax credit for tax year 2011
  – Credit equal to 50% of the unemployment insurance tax paid by employers with gross receipts less than $2.5 million
  – $(65) million in FY 2011-12
I. Governor Perdue’s Budget Priorities
II. Summary of FY 2011-13 Budget
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IV. Major Recommendations

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

<table>
<thead>
<tr>
<th></th>
<th>2011-12 Base Budget</th>
<th>2011-12 Recommended</th>
<th>% Change</th>
<th>2012-13 Base Budget</th>
<th>2012-13 Recommended</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Public Schools</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Requirements</td>
<td>$10,419</td>
<td>$10,075</td>
<td>-3%</td>
<td>$10,419</td>
<td>$10,101</td>
<td>-3%</td>
</tr>
<tr>
<td>Receipts</td>
<td>$2,496</td>
<td>$2,502</td>
<td>0.2%</td>
<td>$2,496</td>
<td>$2,502</td>
<td>0.2%</td>
</tr>
<tr>
<td>Appropriations</td>
<td>$7,923</td>
<td>$7,573</td>
<td>-4%</td>
<td>$7,923</td>
<td>$7,599</td>
<td>-4%</td>
</tr>
<tr>
<td><strong>UNC System</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Requirements</td>
<td>$4,358</td>
<td>$4,174</td>
<td>-4%</td>
<td>$4,357</td>
<td>$4,195</td>
<td>-4%</td>
</tr>
<tr>
<td>Receipts</td>
<td>$1,470</td>
<td>$1,516</td>
<td>3%</td>
<td>$1,470</td>
<td>$1,525</td>
<td>4%</td>
</tr>
<tr>
<td>Appropriations</td>
<td>$2,888</td>
<td>$2,658</td>
<td>-8%</td>
<td>$2,887</td>
<td>$2,670</td>
<td>-8%</td>
</tr>
<tr>
<td>Appropriations¹</td>
<td>$2,888</td>
<td>$2,706</td>
<td>-6%</td>
<td>$2,887</td>
<td>$2,718</td>
<td>-6%</td>
</tr>
<tr>
<td><strong>Community Colleges</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Requirements</td>
<td>$1,459</td>
<td>$1,413</td>
<td>-3%</td>
<td>$1,459</td>
<td>$1,427</td>
<td>-2%</td>
</tr>
<tr>
<td>Receipts</td>
<td>$356</td>
<td>$396</td>
<td>11%</td>
<td>$356</td>
<td>$405</td>
<td>14%</td>
</tr>
<tr>
<td>Appropriations</td>
<td>$1,103</td>
<td>$1,017</td>
<td>-8%</td>
<td>$1,103</td>
<td>$1,022</td>
<td>-7%</td>
</tr>
<tr>
<td>Appropriations¹</td>
<td>$1,103</td>
<td>$1,042</td>
<td>-6%</td>
<td>$1,103</td>
<td>$1,047</td>
<td>-5%</td>
</tr>
</tbody>
</table>

*All figures in millions of dollars.*

1. Net of Tuition
## Education: Enrollment Changes

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

*Figures are FTE/ADM*

1. From FY 2010-11
2. From FY 2011-12
Allocation for Education

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

- Public Schools: 67%
- UNC System: 24%
- Community Colleges: 9%
Governor Perdue’s Education Budget

• Protects K-12 teachers and teacher assistants from reductions

• Provides $41 million to serve an additional 9,712 community college students and 2,337 university students

• Consolidates existing high school transition programs into Career and College Promise enabling eligible students to receive a 2-year college degree tuition free
<table>
<thead>
<tr>
<th>Education: Budget Reductions</th>
<th>FY 2011-12</th>
<th>FY 2012-13</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Reductions:</td>
<td>$777 million</td>
<td>$849 million</td>
</tr>
<tr>
<td>Public Education</td>
<td>$389 million</td>
<td>$435 million</td>
</tr>
<tr>
<td>UNC System</td>
<td>$284 million</td>
<td>$302 million</td>
</tr>
<tr>
<td>Community Colleges</td>
<td>$104 million</td>
<td>$112 million</td>
</tr>
</tbody>
</table>
Reduction Highlights: Public Education

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

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

- Management flexibility reduction of 3% ($32.3 million)
- Restructures the curriculum and continuing education funding formulas ($25 million)
- Tuition increase of $176 annually ($25.3 million)
- Administrative efficiencies ($9 million)
- Eliminates eight specialized centers and programs ($3.8 million)
<table>
<thead>
<tr>
<th>Education: Budget Increases</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Increases:</strong></td>
</tr>
<tr>
<td>Public Education</td>
</tr>
<tr>
<td>UNC System</td>
</tr>
<tr>
<td>Community Colleges</td>
</tr>
</tbody>
</table>
Increase Highlights: Public Education

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

• Ensures adequate funding for *instructional costs associated with enrollment growth*
  – Provides for 2,337 additional students in 2011-12 and 2,115 additional students in 2012-13

• Funds essential costs associated with the *operation and maintenance of facilities* scheduled to open in 2011-12
Increase Highlights: NCCCS

• Ensures adequate funding for **instructional costs associated with enrollment growth**
  – Provides for 9,712 additional students in 2011-12 and 7,283 additional students in 2012-13

• Directs $25 million from the statewide credit balance be used to provide essential equipment vital to **retraining the state’s workforce**
IV. Major Recommendations

A. Education

B. Health and Human Services

C. Natural and Economic Resources/Capital

D. Transportation

E. General Government

F. Justice and Public Safety

G. State Government Reset

H. Statewide Reserves
## HHS: Budget Overview

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

*All figures in millions of dollars.*
Allocation for Health and Human Services

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

- Medical Assistance: 67.3%
- Child Development: 5.0%
- MH/DD/SAS: 15.1%
- Central Administration: 1.7%
- Health Choice: 1.7%
- Social Services: 4.0%
- Child Development: 5.0%
- Public Health: 3.1%
- Aging: 0.8%
- VR: 0.8%
- HSR: 0.3%
- Blind/Deaf: 0.2%
- VR: 0.8%
## General Fund Appropriation Changes for Medicaid vs. all other programs

### FY 2011-12:

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

All figures in millions of dollars.

### FY 2012-13:

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

All figures in millions of dollars.
• **Total Reductions:**

  FY 2011-12 - $223.6 million
  FY 2012-13 - $254.2 million
• **Medicaid Savings** ($133 million; $167 million)
  
  – *Reduce fraud, waste and abuse* and improve program integrity ($16 million; $23 million)
  
  – Provider assessments ($60 million; $63 million)
  
  – Modify optional and mandatory services ($16 million; $25 million)
  
  – Targeted *rate reductions* ($8 million; $9 million)
  
  – Modify drug pricing and pharmacy services ($16 million; $19 million)
  
  – Health homes ($17 million; $28 million)
• All Other Savings ($90 million; $87 million)
  – **Reduce, eliminate or modify** programs and services ($42 million; $35.5 million)
  – **Reduce salaries and administrative costs** ($23 million; $26.5 million)
  – **Maximize revenues** and other savings ($25 million)
Reduction Highlights: HHS (cont.)

- Eliminate non-core child care subsidy services and modify post secondary education benefits ($8.3 million)
- **Reduce Smart Start** funding by 5 percent ($9.4 million)
- Flexible administrative reduction and eliminate 25 positions department-wide ($1 million)
- **Maximize block grants** for mandatory social services ($7 million)
- Reduce Local Management Entity (LME) administrative funding by 5 ($3.3 million)
- Fund aid to local health departments at historic level ($6.8 million)
- **Reduce administrative costs** in child development service agencies ($2.5 million, 10 positions)
- Reduce Vocational Rehabilitation Independent Living by targeting services to clients at lower incomes ($1.7 million)
• **Total Increases:**
  
  FY 2011-12 - $11 million  
  FY 2012-13 - $263 million  

• Mandatory continuation adjustments  
  – Adoption Assistance ($1 million; $800,000)  
  – Medicaid rebase ($0; $252 million)
• **Medicaid Rebase** ($0; $252 million)

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

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*All dollars in millions.*
Increase Highlights: HHS (cont.)

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

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

<table>
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All figures in millions of dollars.

1. **Includes:**
   - Commerce
   - Commerce - State Aid (Biotech, REDC and other pass-throughs)
   - Agriculture and Consumer Services
   - Labor
   - Environment and Natural Resources
   - Clean Water Management Trust Fund
Allocation of FY 2011-12 GF Appropriation for NER ($407.1 million)

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

- **Total Reductions:**

  FY 2011-12 - $107.3 million
  FY 2012-13 - $109.9 million

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All figures in millions of dollars.
Department of Commerce

• Eliminates Three Programs
  – Industrial Development Fund ($320,000)
  – Oregon Inlet Maintenance Funds ($248,000)
  – State Energy Funds to Universities ($2.7 million)

• Closes Welcome Centers two days/week ($600,000)

• Reduces Funds to 13 Non-State Entities ($7.3 million)
  – Rural Center, Biotech, Biofuels Center, Community Develop Initiative,
    Inst of Regenerative Medicine, etc.
Department of Agriculture and Consumer Services

• Transfer **Research Stations & Farms** to NCSU ($10.2 million)
  – Reduce by $1.5 million FY 2011-12; $3 million FY 2012-13
  – Transfer $8.7 million FY 2011-12; $7.1 million 2012-13

• Transfer **Farmland Preservation Trust Fund** ($2 million)
  – Reduce by $500,000
  – Transfer $1.25 million to DENR for conservation easements
  – Transfer $250,000 to Rural Center for Agricultural Development Projects

• 10% Management Flexibility Cut ($5.2 million)
Department of Labor

• Eliminates Positions and Salary Reserve
  – OSH (11 FTE and $600,000)
  – Mine and Quarry (2 positions and $143,000)
  – Wage and Hour (3 positions and $214,000)
  – Apprenticeship ($81,000)

• Reduces Operating Budget ($384,000)

• Budget Receipts ($323,000)
Department of Environment and Natural Resources

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

- Closures ($3.7 million)
  - State Parks two days/week
  - Two Educational State Forests
  - Museum of Forestry – delays reopening for two years
  - Marine Fisheries’ Columbia office

- Clean Water Management Trust Fund ($50 million)
Increase Highlights: NER

• **Total Increases:**
  FY 2011-12 - $34.6 million
  FY 2012-13 - $16.1 million

**Department of Commerce**

• $10 million (nonrecurring) – One NC Fund
• $8.5 million (nonrecurring) – Jobs Maintenance and Capital Development Program (JMAC)
Department of Environment and Natural Resources

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

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

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

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*All figures in millions of dollars.*
Transportation: Funding Sources, FY 2011-12

All figures in millions of dollars.

1. Highway Fund Sources – 75% MFT, DMV fees, Investment Earnings
2. Highway Trust Fund Sources – 25% MFT, HUT, Title fees, Investment Earnings
Transportation: Use of Funds, FY 2011-12

All figures in millions of dollars.

NC Turnpike Authority 19%
Maintenance 19%
State Aid 11%
Reserves & Other Agency Transfers 7%
Agency Administration 4%
Debt Service 3%
Ferry & Other Programs 1%
NC Mobility Fund 1%
Construction 32%
Division of Motor Vehicles 3%
Reduction Highlights: Highway Fund

• **Total Reductions:**
  - FY 2011-12 - $26 million
  - FY 2012-13 - $33 million

• Reduces *salary and operating funds* for department-wide administration (7.5 positions and $9.7 million)

• Savings from *internal consolidations/eliminations* (41 positions and $1 million)
Reduction Highlights: Highway Fund (cont.)

- Reduces **small construction funds** ($1.1 million)
- Reduces **multi-modal transportation funds** ($6.9 million)
Reduction Highlights: Highway Trust Fund

• **Total Reductions:**
  
  FY 2011-12 - $0
  
  FY 2012-13 - $0
Reduction Highlights: NC Turnpike Authority

• **Total Reductions:**
  
  FY 2011-12 - $800,000

  FY 2012-13 - $800,000

• Reduces **operating funds** for administration of the Turnpike Authority supported from Highway Trust Fund administration receipts by 18%
Increase Highlights: Highway Fund

- **Total Increases:**
  - FY 2011-12 - $118 million
  - FY 2012-13 - $188 million

- Increases **highway maintenance funds** ($83 million; $105 million)

- Adjusts funds as **statutorily required** for LUST fund, state aid to municipalities (Powell Bill) and secondary roads construction ($830,000; $4.4 million)
Increase Highlights: Highway Fund (cont.)

- Provides **state match funds** for competitive discretionary federal grants for the Rail Program ($3 million; $7 million)

- Nonrecurring funds for **repair, replacement, and maintenance of ferry vessels** ($2 million; $30 million)

- Nonrecurring funds for **critical life safety repairs, and renovations of field facilities** ($15 million)

- Provides funds for two **commercial driver license dedicated skills testing sites** ($240,000, $225,000)
Increase Highlights: Highway Trust Fund

• **Total Increases:**
  
  FY 2011-12 - $63 million  
  FY 2012-13 - $48 million  

• **Statutory Adjustments** to Allocations
  
  • Intrastate System - $36 million; $28 million  
  • Urban Loops Construction - $14 million; $11 million  
  • Aid to Municipalities (Powell Bill) - $4 million; $3 million  
  • Secondary Roads Construction - $6 million; $3 million  
  • Program Administration - $3 million; $2 million  
  • Transfer to General Fund - $0; $115,000
IV. Major Recommendations

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

## 2011-12

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*All figures in millions of dollars.*
• Allocation of FY 2011-12 Appropriation for General Government ($430.5 million)
• **Total Reductions:**
  - FY 2011-12 - $36 million
  - FY 2012-13 - $37 million

• **Generally includes:**
  - Reorganize and restructure state government to provide more streamlined services while reducing layers of management and administrative costs
  - Reduction to operating accounts agency-wide
  - Reduction to grants and programs to match actual expenditure levels
  - Position and program eliminations
  - Shifting various expenditures from appropriation to receipt support
• **Reorganizes and consolidates** agency functions in the Department of Administration ($1.6 million, 28 positions)
  
  - *Includes Purchasing and Contracts, Facilities Management, Historically Underutilized Businesses, Youth Advocacy and Involvement, State Property and Veterans Affairs*

• **Delays filling intern positions** and reduces budgeted salaries for temporary and legislative assistants in the General Assembly ($1.8 million)

• Transfers support for **Home Protection Program** from appropriation to Federal receipts in the Housing Finance Agency ($2.1 million)
Reduction Highlights: GG (cont.)

- Converts Local Government Division to receipt support in the Department of State Treasurer ($3.3 million, 36 positions)

- Converts additional collection positions to receipt support from the Collection Assistance Fee in the Department of Revenue ($1.1 million, 20 positions)

- Consolidates, reorganizes, and eliminates layers of management in the Department of Cultural Resources ($1.8 million, 38 positions)
Increase Highlights: GG

• **Total Increases:**
  
  FY 2011-12 - $11 million  
  FY 2012-13 - $16 million  

• Provides continued funding for the **Tax Information Management System** in the Department of Revenue ($3 million, nonrecurring)

• Provides state agency **building reserve** ($7 million; $14 million)

• Provides **land buffer for military expansion** ($1 million; $1.5 million, nonrecurring)
IV. Major Recommendations

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

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*All figures in millions of dollars.*
### Justice

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### Administrative Office of the Courts

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### Indigent Defense Services

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*All figures in millions of dollars.*
Allocation for Justice and Public Safety

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

- Indigent Defense (6%)
- Juvenile Justice (6%)
- Courts (21%)
- Justice (4%)
- Crime Control (1%)
- Correction (62%)
Reduction Highlights: JPS

- **Total Reductions:**
  - FY 2011-12 - $101 million
  - FY 2012-13 - $111 million

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

- **Reduces administrative services** in the Judicial Branch-AOC ($4 million, 54 positions)

- **Eliminates** Camp Woodson Program in the DJJDP ($1 million, 20 positions)

- Closes Swannanoa Youth Development Center in DJJDP ($1.4 million, 26 positions)

- **Eliminates funding** for double celling at Pamlico Correctional Facility (2.1 million, 57 positions)
Reduction Highlights: JPS (cont.)

• **Eliminates positions** in the Department of Correction through increased efficiency, consolidation, and reorganization ($2.9 million, 77 positions)

• Department-wide savings from **Justice Reinvestment Act recommendations** ($12 million; $27 million)

• **Eliminates positions** in the Department of Crime Control and Public Safety ($1 million, 15 positions)
Total Increases:

FY 2011-12 - $12 million
FY 2012-13 - $26 million

Provides operating reserves for new facilities in Department of Corrections ($10 million ; $25 million)

Provides funding to improve, enhance and strengthen SBI training standards ($500,000)
IV. Major Recommendations

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

• Eliminates funding for 68 nonessential programs saving taxpayers $142 million
• Reduces another 71 programs, saving $442 million
• Recommends 37 reorganizations and consolidations that eliminate 488 administrative and middle management positions while saving $78 million
• Sets aside $25 million for a new Consolidation and Efficiency Incentive Fund to encourage local governments and nonprofits to reorganize, consolidate or regionalize services
• Reduces **middle management and support staff** (21 positions, $1.6 million savings)
• Transfers all Cabinet **HR staff** to Management and Administration and reduce (92 positions, $4.1 million savings)
• Statewide **procurement reform** ($30 million savings)
Department of Public Safety

- Reduces **middle management and support staff** (60 positions, $4 million savings)
- **Program efficiencies** ($3 million savings)
• Reduces **middle management and support staff** (53 positions, $400,000 savings)
• Additional $3.5 million in federal funds could be directed toward **employment programs**
IV. Major Recommendations

A. Education
B. Health and Human Services
C. Natural and Economic Resources/Capital
D. Transportation
E. General Government
F. Justice and Public Safety
G. State Government Reset
H. Statewide Reserves
• **Employee Retirement Incentive Program**
  
  – Saves $59 million in FY 2011-12 and $145 million in FY 2012-13
  
  – $10,000 one-time payment if eligible for full retirement benefits
  
  – $20,000 one-time payment if eligible for reduced retirement benefits
  
  – Savings assume a 30 percent reduction of salaries and benefits and associated FTE
• **State Health Plan**
  
  – Increase for **State Health Plan Contribution** to keep plan structurally sound ($117 million; $250 million)
  
  – Plan modifications save $89 million in FY 2011-12 and $137 million in FY 2012-13
    
    • PPO 70/30 plan at no cost to employee or retiree
    • PPO 80/20 plan-monthly premium of $21.40 for individual coverage
    • Medicare retirees would pay monthly premium of $16 for individual coverage
Statewide Reserves: Retirement System

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

- Creates **Severance Reserve** for state employees who are reduced in force during the biennium ($30 million)
- Increases **Rainy Day Fund** balance to $300 million ($150 million)
I. Governor Perdue’s Budget Priorities
II. Summary of FY 2011-13 Budget
III. General Fund Revenue
IV. Major Recommendations
V. Summary
• Closes cumulative budget **shortfall of $4.4 billion** over two years.

• Measures to balance include:
  – $300 million in **prior and current year reductions** already implemented
  – $2.9 billion in additional **spending reductions**
  – **Targeted revenue** and other recommendations totaling $1.4 billion over two years to protect education and job creation programs.

• Ratio of reductions to revenues exceeds 70 percent to 30 percent.

• Most **state programs face a 7 percent to 15 percent reduction** when compared to last year’s recurring funding levels.

• Prudently allocates an additional $150 million to state’s **Rainy Day Fund** raising its balance to $300 million.
1. Jobs and Economic Recovery

   — **Reduces tax burden** for corporations and small businesses by almost $500 million to help create 10,000 jobs over the next three years.

   — **Lowers corporate income tax rate** to 4.9 percent, making it the lowest in the Southeast and third lowest in the country.

   — Provides $65 million **unemployment insurance tax credit** to 135,000 small businesses.

   — Invests $75 million to put in-state construction and repair companies back to work.

   — Sets aside $25 million to upgrade equipment and technology needs in our community college system to support **workforce retraining efforts**.
2. Career and College – Ready, Set, Go

- Protects public school teachers and teacher assistants.
- Provides $41 million to serve an additional 9,712 community college students and 2,337 university students.
- Consolidates existing high school transition programs enabling eligible students to complete one year of higher education by the time they graduate from high school.
- Net reduction to education agencies is 3.9 percent for public schools; 4.9 percent for community colleges; and 6.0 percent for the UNC System.
3. **State Government Reset**
   - Saves $3.2 billion throughout state government.
   - Eliminates 68 *nonessential programs*, reduces another 71 programs, and recommends 37 *reorganizations and consolidations* for a total savings of $584 million and elimination of over 5,800 positions.
   - Implements an **Employee Retirement Incentive Program** that will save $208 million and eliminate at least 900 positions statewide.
   - **Consolidates 14 executive branch agencies into 8** and overhauls the state’s procurement system.
   - Sets aside $25 million for a new **Consolidation and Efficiency Incentive Fund** to encourage local governments and nonprofits to reorganize, consolidate or regionalize services.
4. **Fiscal Responsibility and Sustainability**

- FY 2011-12 budget is **$1.5 billion less** than the FY 2008-09 budget, while population has grown by over 400,000 citizens.
- **Spends 11 percent less per capita** than it did three years ago and has **14,000 fewer state government positions**.
- Authorizes no new debt.
- Spends one-time monies on one-time expenses.
- Contains no accounting gimmicks.
- Makes tough decisions to continue our tradition as a national leader in fiscal management and one of only eight states to hold **Triple A bond rating** from all major bond rating companies.
FY 2011-13
Presentation of Governor Perdue’s Recommended Budget

Prepared by:
The Office of State Budget and Management
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