

# spotlight

No. 433 – April 17, 2012

## BUDGET FOR GROWTH

*JLF plan redirects funds, cuts taxes to create jobs*

**KEY FACTS:** • For the last 30 years North Carolina has seen spending grow three times faster than population and inflation.

- Implementing a new tax system for North Carolina, JLF's consumption-based USA Tax of 6 percent would remove the personal, corporate, and inheritance taxes. Applying the free market spending priorities within JLF's alternative budget would save nearly \$500 million in the next budget year and more than \$1 billion over two years while dropping the sales tax to 4 percent and reducing the franchise tax 60 percent in fiscal year 2014-15.

- Removing state aid for special interests and non-government functions would save the state more than \$80 million and redirect that to the Savings and Reserves account.

- The bottom-line spending figure for JLF's 2013-14 General Fund budget plan is \$20.1 billion, \$490 million less than the governor's proposal. JLF would decrease General Fund spending by 0.2 percent, compared to McCrory's 2.2 percent increase. Total state spending would decrease in both plans.

- In the second year of the two-year budget plan, JLF's proposal would spend \$560 million less than McCrory's plan. General Fund spending is \$1.05 billion less in the Locke Foundation plan than in the McCrory plan over the course of the two-year budget cycle.

- This budget offers 19 specific policy recommendations in K-12 education, early childhood programs, public safety, Medicaid, transportation, and state employee benefits. Among them: eliminate class size mandates, revise NC Pre-K income eligibility criteria to target children with the greatest needs, re-establish drug courts, divert mentally ill individuals into community-based care rather than jails, cut Medicaid services not required by the federal government, and require state employees to pay a portion of their health care premiums.

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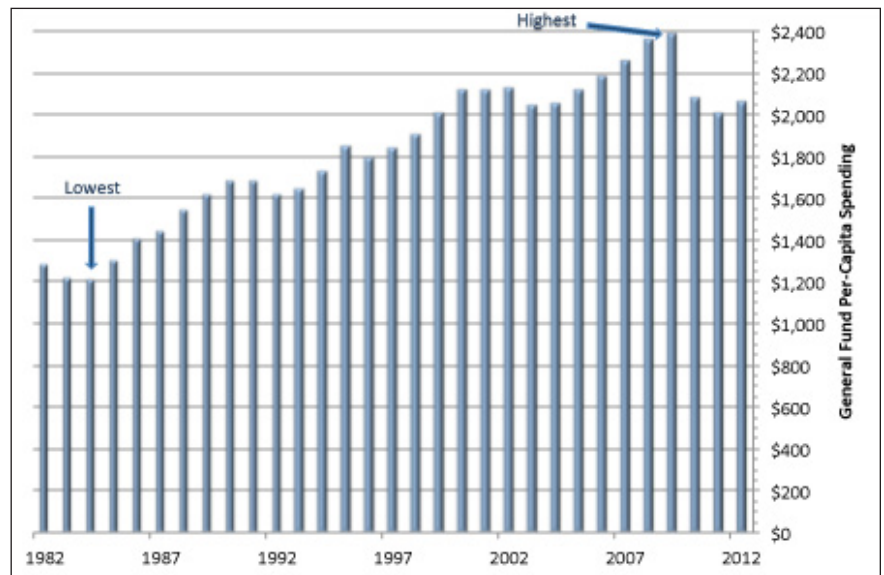
The convening of the 2013 session of the General Assembly was a momentous event in North Carolina's recent history. For the first time in over a century, Republicans had control of both houses in the legislature and the governor's office. This change in power came with great expectations of a more efficient and transparent state government.

The change in budgeting philosophy is apparent in Gov. Pat McCrory's recommended budget for the next biennium. Compared to FY 2012-13, the governor recommends increasing General Fund spending by 2 percent in 2013-14 and by 4 percent in 2014-15, or \$440.7 million and \$1,173.5 million. When looking at total state spending, which includes highways and federal spending, the budget decreases spending by 4 percent for FY 2013-14 and then returns to spending levels similar to FY 2012-13. Normally one would question why the governor is proposing an increase in spending when there are debts to be paid and unfunded liabilities that need additional attention. The increases in spending, however, are not seen in the departments, but rather in increases to reserves, debt payment, and capital improvements of almost 70 percent compared to 2012-13 levels.

The increase in reserves, along with other budget recommendations, should lead taxpayers to a sigh of relief, as the last 30 years, from 1982 through 2012, have seen spending grow three times faster than population and inflation in North Carolina. Per capita General Fund appropriations (using constant 2012 dollars) hit their peak in 2009 at \$2,377 from a low point in 1984 of \$1,207.

The John Locke Foundation is carrying on its tradition, started in 1995, of offering an alternative to the governor's budget recommendation. Our approach to this year's alternative budget is particularly mindful of the dismal economic climate in North Carolina. The state's unemployment rate is one of the highest in the nation, as the state's slow recovery from the Great Recession continues. This budget proposal represents our best efforts to apply simple, yet firm, principles of limited government, free enterprise, and fiscal conservatism in assessing and offering an alternative to the budget that Gov. McCrory has proposed.

**Figure 1: North Carolina General Fund Per-Capita Spending, 1982-2012<sup>1</sup>**



## Guiding Principles of Fiscal Responsibility

### *What the State Constitution Requires*

The Constitution of North Carolina opens with a “Declaration of Rights” that establishes “essential principles of liberty and free government.” Article 1 begins by reiterating the opening phrase of the U.S. Declaration of Independence. But the N.C. Declaration adds an important clarifier. In addition to Thomas Jefferson’s original list (borrowed from John Locke) — the rights to “life, liberty and the pursuit of happiness” — North Carolina’s Constitution points out that all persons are “endowed by their creator with the right to the enjoyment of the fruits of their labor.” It is incumbent upon North Carolina officials, when formulating tax and budget policies, to see to it that this right is preserved. The state is obligated to perform its basic functions efficiently while leaving to the people as much of the “fruits of their labor” as possible to use for their own “enjoyment.”

Other provisions of the state constitution have served as guides in composing our proposal to reorient state budget policy. For example, Article 1, Section 34 states, “perpetuities and monopolies are contrary to the genius of a free state and shall not be allowed.” Programs that grant exclusive franchises or limit consumer choice to government-run service providers run afoul of this principle. In Article V, Section 2, the constitution requires that “the power of taxation shall be exercised in a just and equitable manner, for public purposes only . . .” This clause helped guide our tax-reform package, which eliminates special preferences for private interests, as well as the identification of programs that state taxes should not fund — i.e. those that are primarily local or private responsibilities.

Finally, we took note of Article 1, Sections 35 and 36. These provisions serve to establish a constitutional preference for limited government. “A frequent recurrence to fundamental principles is absolutely necessary to preserve the blessings of liberty,” the constitution states. “The enumeration of rights in this Article shall not be construed to impair or deny others retained by the people.” State government, in other words, is not empowered to do whatever it wants to do. Rather, it is constrained to perform its constitutional functions — to maintain law and order and to ensure the availability of true public goods — and otherwise to leave North Carolinians alone to pursue their own interests and solve their own problems without state encroachment.

### **The “R”s of Fiscal Responsibility in North Carolina**

These constitutional provisions led us to construct the following set of criteria for evaluating state programs:

#### *Reform Entitlement Programs*

State programs to provide cash assistance, medical care, or other services to the disadvantaged exist to provide a basic “safety net.” Even philosophers of limited government such as John Locke have justified such programs as necessary to ensure order and protect public assets and spaces. But these programs must be carefully structured to minimize dependency and encourage personal responsibility. When the state pays nursing home bills for the parents of the middle class, subsidizes the day care of affluent families, and perpetuates social pathologies such as out-of-wedlock births, it strays far from its constitutional foundations.

#### *Require More User Responsibility*

It is inappropriate to require those who receive core state services, such as law enforcement or public education, to cover a significant share of the cost of those services. Under our state constitution, citizens are entitled to such services. But the programs or services of many other state agencies are not constitutional entitlements or responsibilities. If the state is to continue involvement in these enterprises, it should ask those who benefit to shoulder more of the responsibility of paying for them.

#### *Redirect Spending to Higher-Priority Uses*

Setting better priorities for existing tax revenues is a constitutional obligation. This category of savings includes the elimination of recently enacted increases in existing programs and preventing the creation of new ones. During a time of fiscal distress, in which policymakers find it difficult to fund obligations already in place, it makes little sense to incur new obligations. Another way to apply this principle is by sorting out which expenditures within a given department or agency are central to the core mission and which are not.

#### *Revive Free Enterprise*

For many years North Carolina has prided itself on leading the region and the nation in economic growth. This trend is no longer evident. The recent recession had a stronger impact on North Carolina than on many other states,

and jobless rates in North Carolina remain among the highest in the nation. Responding to these challenges, some policymakers have concluded that state government should take a more active role in attracting investment and guiding development through tax credits, cash subsidies, and other incentive programs. This is a serious mistake. There is scant empirical evidence to support the proposition that incentives create economic growth that would not otherwise have occurred. The available public policy research on state economic development does suggest that overall tax rates, especially the marginal rates on individual and corporate income, do have a measurable impact on state economic growth rates.

### *Restore Civil Society*

Nonprofits and charities form a “third” or “independent” sector that delivers important services and benefits that neither governments nor profit-seeking businesses can deliver as effectively. The state should be careful not to supplant these institutions of civil society.

### *Reduce Biases in the Tax Code*

Like most states, North Carolina has developed its state tax code in a piecemeal fashion rather than using a clear set of tax reform principles to build a coherent and efficient system. As a result, various special rates, exemptions, exclusions, deductions, and credits litter the code. JLF’s USA Tax proposal eliminates many of the biases and inefficiencies in our current tax system, while the spending reduction that we propose allows for reductions in both the sales tax and the franchise tax.

## **Overview**

Our proposal calls for a reduction in spending and an increased contribution to the savings reserve account of more than \$400 million in 2013-14 and more than \$700 million in 2014-15.

The most significant of the differences between our budget and the McCrory proposal relates to the decision-making process. Like those of his predecessors, McCrory’s plan often funds or increases funding for programs that cater to specific interests. Our plan took some of these programs and operations, such as the Museum of History and the NC

**Table 1: 2013-2015 General Fund Budgets: McCrory vs. JLF Budget (\$ Millions)<sup>2</sup>**

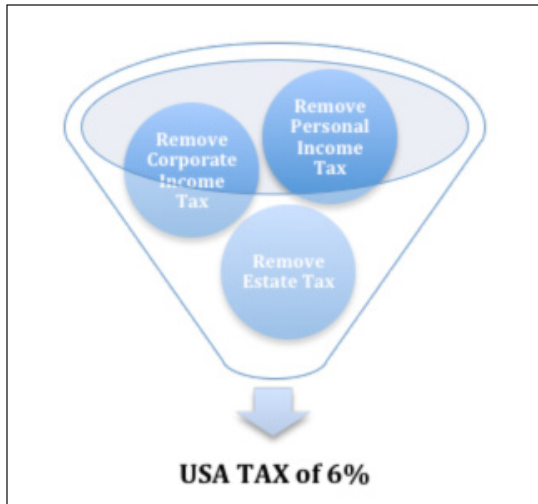
<i>Spending Category</i>	<i>2012-2013 Authorized</i>	<i>McCrory 2013-2014</i>	<i>Y to Y % Change</i>	<i>McCrory 2014-2015</i>	<i>Y to Y % Change</i>	<i>John Locke 2013-2014</i>	<i>Y to Y % Change</i>	<i>John Locke 2014-2015</i>	<i>Y to Y % Change</i>
Public Education	7,844.6	7,899.8	0.7%	8,119.8	2.8%	7,871.1	0.3%	8,091.1	2.8%
Community Colleges	1,040.4	1,026.8	-1.3%	1,035.8	0.9%	1,001.0	-3.8%	1,008.0	0.7%
UNC System	2,663.6	2,520.6	-5.4%	2,556.6	1.4%	2,520.6	-5.4%	2,556.6	1.4%
Health and Human Services	4,700.7	4,758.9	1.2%	4,964.3	4.3%	4,559.8	-3.0%	4,756.1	4.3%
Judicial	573.7	578.4	0.8%	573.7	-0.8%	572.4	-0.2%	572.7	0.1%
Justice	77.8	76.4	-1.8%	74.0	-3.0%	70.4	-9.4%	70.3	-0.2%
Public Safety	1,714.4	1,708.8	-0.3%	1,713.1	0.2%	1,700.9	-0.8%	1,705.2	0.3%
Natural & Economic Resources	270.5	264.5	-2.2%	250.3	-5.4%	215.1	-20.5%	209.6	-2.5%
Commerce	112.5	67.8	-39.7%	67.1	-1.0%	11.3	-90.0%	13.4	19.1%
General Government	413.9	430.3	4.0%	417.7	-2.9%	390.1	-5.8%	371.5	-4.8%
<b>Subtotal Operating Expenses</b>	<b>19,412.1</b>	<b>19,332.4</b>	<b>-0.4%</b>	<b>19,772.4</b>	<b>2.3%</b>	<b>18,912.7</b>	<b>-2.6%</b>	<b>19,354.4</b>	<b>2.3%</b>
Reserves, Debt & Capital Improvements	748.9	1,269.3	69.5%	1,562.1	23.1%	1,269.3	69.5%	1,562.1	23.1%
<b>Subtotal General Fund Budget</b>	<b>20,161.0</b>	<b>20,601.7</b>	<b>2.2%</b>	<b>21,334.5</b>	<b>3.6%</b>	<b>20,181.9</b>	<b>0.1%</b>	<b>20,916.6</b>	<b>3.6%</b>

References: The Governor’s Recommended Budget, McCrory, March 2013, pgs 6-9, <http://osbm.nc.gov/thebudget>, JLF Alternative Budget 2013



Maritime Museum, and reduced overall funding allowing those facilities to find savings in efficiency or increase user fees to cover lost state aid. Other programs were removed from the state budget completely, such as the Partnership for the Sounds, Biofuels of NC, the Rural Economic Development Center, and the High Point Furniture Market in the hope that state money can be spent on statewide operations instead of special interests in certain locations.

We have adjusted both total availability and state tax revenue in a number of ways (see Appendix). For example, we propose ending the transfer of funds from the Highway and Highway Trust Funds to the General Fund. North Carolina's highways have gone too many years without the proper funding, particularly for maintenance. Our budget takes the governor's proposed \$218 million and \$215 million transfers for each fiscal year and redirects them to the Highway Trust Fund while shifting responsibility for the Highway Patrol back to the General Fund.



In addition to the changes mentioned above, we also call for a comprehensive overhaul of the state tax system, which introduces a new form of revenue generation for the state. Our plan is based on a consumption-based tax known as an Unlimited Savings Allowance, or USA, Tax. This tax proposal would replace the revenue from the personal, corporate income, and estate taxes with a USA tax of 6% while lowering the existing sales tax to 4.5 percent on a revenue-neutral basis. The growth effect of this proposal for North Carolina's real gross domestic product is estimated to be about \$4 billion in 2013 and approximately \$5.8 billion by 2017. This economic growth will produce an estimated 10,000 jobs in 2013 and nearly 14,000 by 2017. All of these estimates assume no changes in revenue to the state, and therefore no reductions in spending directly related to the tax change.<sup>3</sup> Additional

savings from realigning priorities in General Fund spending allow for an additional half-percent cut in the sales tax, down to 4 percent, and a 60 percent reduction in the franchise tax for fiscal year 2014-15. Details of how the tax plan is incorporated and how savings would be generated can be found in Appendix B.

### Policy Highlights

As previously noted, this budget proposal starts with a set of guiding principles. The focus is on directing scarce resources to areas where government has a role and where those revenues can be most effectively allocated. Our proposed spending and policy changes are attempts to make government more transparent and accountable to taxpayers.

#### *K-12 Education*

North Carolina's public schools enroll just under 1.5 million pupils in over 2,500 schools and have an overall budget just shy of \$12 billion in state, local, and federal funds. When legislators discuss spending, they typically focus on General Fund education expenditures, forgetting to mention that around 35 percent of the total education budget comes from federal and local dollars. North Carolina spent approximately \$8,500 per K-12 student in federal, state, and local operating funds in 2012. When average spending for buildings and other capital costs are included, the total cost of public education in the state exceeds \$9,000 per student.<sup>4</sup>

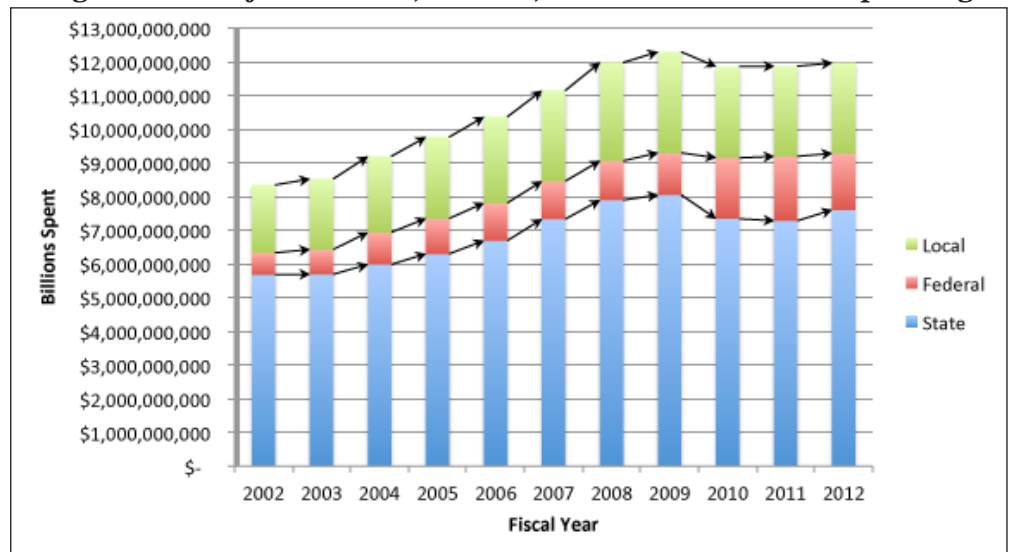
#### Recommendations:

- Change distribution allocation to school districts from complicated formulas to block grants or weighted student funding. This would allow districts to have the freedom to spend funds according to the unique needs

and circumstances of their communities.

- Eliminate class size mandates. School districts should have the authority to set class sizes according to needs and available resources.
- Recognize that there is no such thing as ‘free money’ from the federal government. Legislators should refuse to accept any federal grant that imposes an extraordinary burden on school administrators or interferes with the duties and responsibilities of classroom teachers.

**Figure 2: Unadjusted State, Federal, and Local Education Spending**



*Child Care Subsidies, More at Four, and Smart Start*

In 2012, the House Select Committee on Early Childhood Education Improvement met to discuss changes to North Carolina’s pre-kindergarten programs. One of their key recommendations was to change the income eligibility criteria for NC Pre-K. This budget supports that recommendation and expands upon it in an effort to use these allocated funds to the most significant effect.

Policy changes stem from a substantial body of empirical evidence that suggests that children in the most destitute circumstances benefit most from state-provided preschool education and services. As household incomes rise, the measurable benefits of pre-kindergarten programs for children decline.<sup>5</sup> Changing NC Pre-K eligibility requirements to focus primarily on low-income children is a sound, research-based policy.<sup>6</sup>

Recommendations:

- Revise the income eligibility criteria to target children with the greatest needs. Using the free-lunch eligibility to 130 percent of the Federal Poverty Level, rather than state median income, as the income standard would allow consistency of eligibility criteria with other Pre-K programs, such as Head Start. This would lessen confusion and increase participation of children with the greatest needs.
- Raise the percentage of students who must meet the NC Pre-K income requirement from 80 percent, ideally to 100 percent. This would also provide more consistency among programs.
- If a carve-out does continue to be used for children who do not meet the income eligibility requirement, narrow the number of factors that may qualify a child for NC Pre-K. For example, the system may eliminate one or more of the following factors: identified/documentated disabilities, developmental delays, chronic health conditions, and non-English speaking family members. Risk factors that should remain include: homelessness or unstable housing; child history of foster care; history of abuse, neglect, or family violence; and active duty, injured, or killed military duty parent.

*Public Safety and Prison Systems*

On January 1, 2012, a new Department of Public Safety was created by the consolidation of three agencies: Department of Correction, Department of Crime Control and Public Safety, and Department of Juvenile Justice and Delinquency Prevention. Savings were incorporated into the Justice Reinvestment Act of 2011 through the elimination of administrative positions and the closing of deteriorated facilities; some more reforms should be made to save additional funds in the North Carolina prison system. The Right on Crime statement of principles, based on Texas’s effective model of reform, demands more cost-effective approaches that enhance public safety. The John Locke Foundation agrees with these principles, and we use them as our base for public safety recommendations.<sup>7</sup>

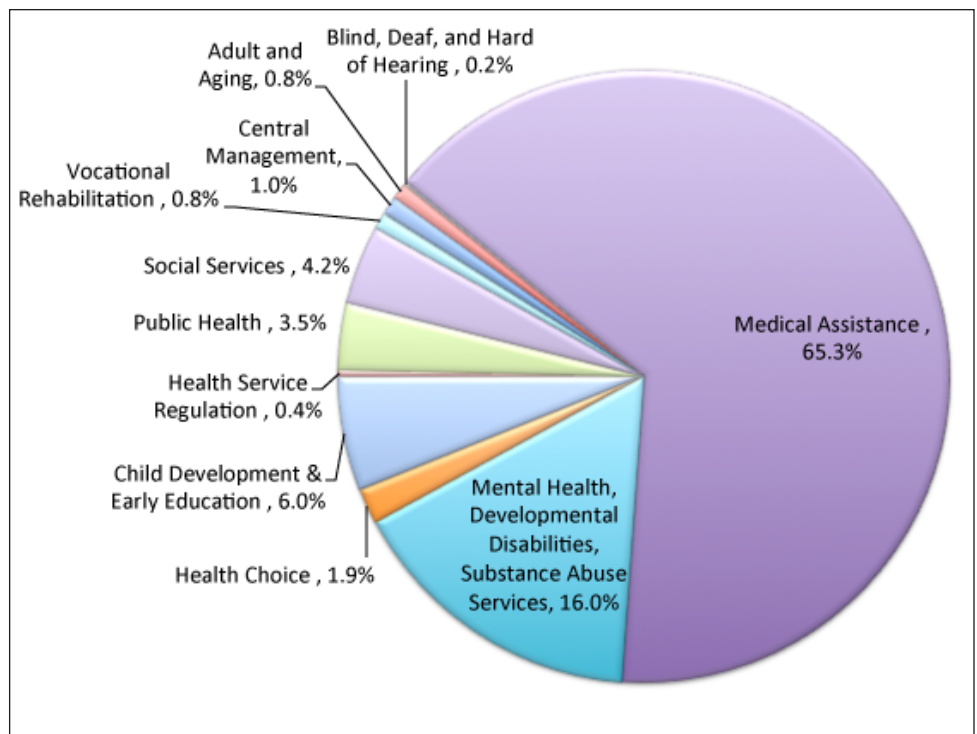
Long-term prison sentences need to be reserved for hardened criminals. This can be achieved through the incorporation of additional drug courts and mental illness diversion. These two structures are explicitly designed to identify people with drug/substance abuse or mental illness in the criminal justice system and put them in appropriate treatment centers. Offenders who are eligible for either of these programs are typically arrested for non-violent acts. With appropriate treatment, they can often return to society and become law abiding and productive citizens. Research has been done in each of these areas and shows that these systems of rehabilitation provide long-term benefits for state prison systems in both lower costs and better outcomes.

Since the first drug court was created in America in 1989, there have been eighteen rigorous cost/benefit studies that have found average cost savings of \$4,000 to \$12,000 per client.<sup>8</sup> During the 2009-10 fiscal year, 21 adult and four juvenile drug treatment courts served 1,881 people;<sup>9</sup> estimates show that it would have cost \$4.9 million to process those people in traditional courtrooms instead of the drug treatment courts.<sup>10</sup> A person with mental illness will spend two to five times longer in jail, and average 15 months more in prison, than an offender without mental illness who is convicted of the same crime.<sup>11</sup> Reforms in these two areas have potential for long-term savings but less immediate impact.

Recommendations:

- Maintain North Carolina’s commitment to fighting crime while reserving prison for violent and repeat offenders.
- Divert mentally ill individuals into community-based care rather than jails, starting with crisis intervention teams and other pre-booking interventions.
- Re-establish drug courts and allow those with drug/substance abuse to receive necessary treatment.

**Figure 3: FY2012-2013 Net Department of Social Services General Fund Appropriation<sup>12</sup>**



*Medicaid*

North Carolina’s Medicaid system is funded with both federal and state monies. This health insurance program for low-income people covers children, elderly, blind, disabled, and others who are eligible to receive federal assistance.

North Carolina’s state taxpayers pay about 34 percent<sup>13</sup> of the state’s Medicaid costs, with federal taxpayers paying the remainder for the 1.6 million enrolled individuals. Medicaid has grown significantly over the last two

decades and now consumes 26 percent<sup>14</sup> of North Carolina’s total spending. This figure will continue to grow due to the open-ended reimbursement of state spending through a federal match. North Carolina’s Medicaid program has one of the most expensive per enrollee costs in the Southeast, spending approximately 53 percent more than Georgia and 18 percent more than South Carolina.<sup>15</sup> Due to the Obamacare timetable in 2014 and forced state compliance, North Carolina’s legislature took action by passing and signing into law Senate Bill 4. This bill prohibited the state from operating a state-run partnership exchange and it precluded the expansion of Medicaid coverage in North Carolina.

Recommendations:

- Cut unnecessary services currently offered but not federally required, and effectively utilize services offered via taxpayer dollars. Federal health care legislation maintenance-of-effort requirements mean the state cannot restrict eligibility, and reductions in payments to doctors will also face additional scrutiny from Washington.
- Enact changes to long-term care (nursing, adult, and home care) by encouraging private long-term care insurance and reducing the number of people and services eligible for Medicaid payments. This has been and currently is the largest portion of the Medicaid budget.
- Change the way the federal government provides Medicaid dollars to North Carolina by shifting from the current match program to a federal block grant. A block grant would allow the state to know exactly how much funding will be provided and remove the incentive to expand coverage.

*Transportation*

In 1989, the Highway Trust Fund was created partly by raising and transferring the sales tax on cars. In conjunction with this new fund, a transfer was established between the Highway Trust Fund and the General Fund to negate the lost tax revenue.<sup>17</sup> In recent years the amount of transfer has declined, and Gov. McCrory’s budget proposal stops the transfer completely beginning in FY 2013-14. Our budget proposal stops the transfer from the Highway Trust Fund and also ends the transfer from the Highway Fund, allowing all motor taxes to be used on transportation costs.

In FY 2013-14, more than \$218 million will be transferred from the General Fund into the Highway Trust Fund for additional construction and maintenance of roads and bridges in North Carolina. Of this figure, \$196 million is funding for the Highway Patrol, which will be moved and now operate within the General Fund. The Highway Patrol offers many services that are not handled under the Department of Transportation. Highway funds should

<i>State Only</i>	<i>1981-82</i>	<i>1991-92</i>	<i>2001-02</i>	<i>2011-12</i>	<i>Since '82</i>
Total Expenditures	\$1,995	\$2,985	\$4,011	\$5,247	+163%
General Fund Only	\$1,191	\$1,717	\$2,194	\$2,006	+68%
<i>State &amp; Local</i>	<i>1981-82</i>	<i>1991-92</i>	<i>2001-02</i>	<i>2008-09</i>	<i>Since '82</i>
Total Expenditures	\$3,258	\$4,672	\$6,482	\$7,181	+120
K-12 Education	\$884	\$1,177	\$1,397	\$1,592	+80
Higher Education	\$478	\$606	\$749	\$885	+85
<b>Health &amp; Welfare (mostly Medicaid)</b>	<b>\$687</b>	<b>\$1,240</b>	<b>\$2,000</b>	<b>\$2,231</b>	<b>+225</b>
Highways	\$232	\$342	\$439	\$358	+54
Public Safety & Law	\$269	\$414	\$553	\$619	+130%
North Carolina expenditure data divided by population and adjusted for inflation using GDP deflator. Latest Census data available for state & local expenditure combined was for the 2008-09 fiscal year.					



be spent solely on highways and transportation costs and not on services the Highway Patrol offers not related to transportation. In FY 2014-15 the amount transferred will be more than \$215 million.

Recommendations:

- Fully implement McCrory’s budget decision to stop the annual transfer of funds from the Highway Trust Fund to the General Fund. This amount has been shrinking in recent years, but has diverted much-needed funds from highway construction and maintenance.
- Stop the annual transfer of funds from the Highway Fund to the General Fund and move the Highway Patrol to the General Fund, as their responsibilities are not solely transportation related.
- Do not raise the already high gas tax. North Carolina’s excise gas tax is the highest of any state in the Southeast and the 8th highest in the nation.
- End the disproportionate funding of mass transit. Transportation funding should be based on the way people travel, not cities’ attempts to compel citizens to use public transportation or live in high-density communities.
- End state funding of rail systems in the Triangle and Triad, and repeal the half-cent local-option sales tax authorization for rail transit.

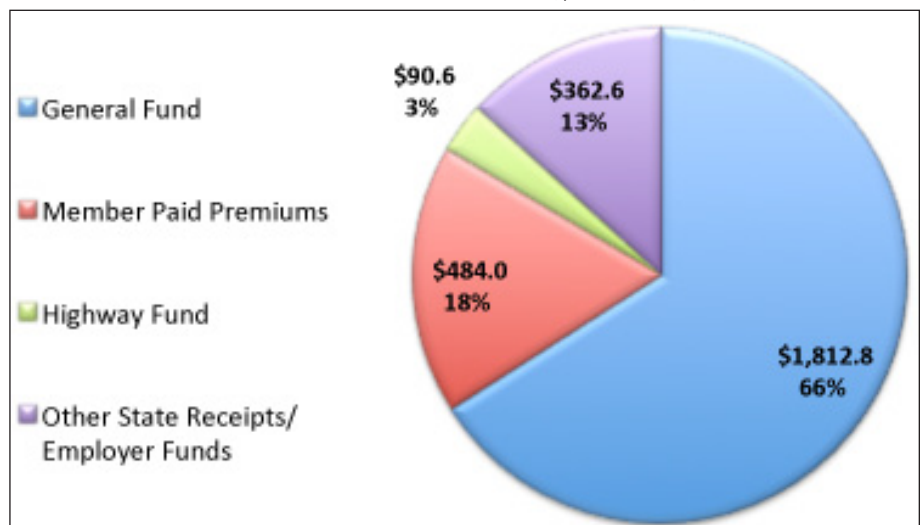
*Employee Benefits (Pensions and Health Insurance)*

Every year North Carolina issues \$4 billion in pension checks to more than 820,000 current and former public employees.<sup>18</sup> Of this, 600,378 are eligible for or receiving the state’s retirees’ health care benefits.<sup>19</sup> At the end of fiscal year 2010, these pension and health care funds had a combined total of \$35.39 billion in unfunded liabilities for future payments to public retirees. Not only is the state offering these services with unfunded dollars, but the State Health Care Benefits system was only 2.4 percent funded at the end of 2011.

With an aging workforce and accelerating number of retirements, the state’s obligations to these two funds continue to grow. The state faces lower investment rates of return, lower funding levels of liabilities, and rising healthcare costs. The number of retirees in the Teachers’ and State Employees’ Retirement System grew from 112,490 in 2002 to 171,786 in 2012, an increase of 59,296 retirees or 53 percent in the last ten years. While more are retiring from the public sector, the state has been expanding, hiring an additional 317,906 employees, a 7 percent increase during the same ten-year period.<sup>21</sup>

The Future of Retirement Study Commission recommended some changes to alleviate the state’s future debt burden. Thankfully some of these changes have been implemented and these systems decreased unfunded liabilities by approximately \$3.192 billion between 2010 and 2011. The state accomplished this by changing vesting periods, transitioning to a prescription drug benefit plan through an approved Employer Group Waiver Plan, and starting a longer-term investment strategy for excess funds.<sup>22</sup>

**Figure 4: FY 2011-2012 State Health Plan Premium Contributions (\$ Millions)<sup>20</sup>**



Recommendations:

- Give state employees an optional 401(k)-like defined contribution retirement plan, and change the existing defined benefit plan to be less generous. That would allow money that is set aside to accrue returns rather than making promises now without the money to match them.
- State employees should pay a portion of their health insurance premiums, and the state health plan should move to a defined contribution insurance plan with high deductibles and a health savings account (HSA).

**Overall**

The John Locke Foundation's alternative budget saves more than \$800 million from projected spending, eliminates existing taxes, and through the USA Tax creates a new tax system for individuals and businesses. Furthermore, it ends targeted tax breaks for favored companies and industries and sets North Carolina state government on a fiscally sustainable path.

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## Endnotes

1. Author's calculations.
2. The Governor's Recommended Budget, McCrory, March 2013, pages 6-9, [osbm.nc.gov/thebudget](http://osbm.nc.gov/thebudget).
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4. Terry Stoops, Public School Finance, John Locke Foundation, Agenda 2012, [www.johnlocke.org/agenda2012](http://www.johnlocke.org/agenda2012).
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6. David Deming, "Response: Expanding Access", *Boston Review*, September/October 2012, [bostonreview.net/BR37.5/ndf\\_david\\_deming\\_social\\_mobility.php](http://bostonreview.net/BR37.5/ndf_david_deming_social_mobility.php).
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8. The North Carolina Court System, Program History, January 2012, [nccourts.org/Citizens/CPrograms/DTC/History.asp](http://nccourts.org/Citizens/CPrograms/DTC/History.asp).
9. North Carolina Administrative Office of the Courts, 2011 Annual Report on North Carolina's Drug Treatment Courts, March 1, 2011, [nccourts.org/Citizens/CPrograms/DTC/Documents/NDlegRp2011.pdf](http://nccourts.org/Citizens/CPrograms/DTC/Documents/NDlegRp2011.pdf).
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16. John Hood, "A Stronger Fiscal Foundation", *Our Best Food Forward*, John Locke Foundation, 2012, page 73.
17. North Carolina General Statutes 105-164.44D - Reimbursement for sales tax exemption for purchases by the Department of Transportation. The amount of sales and use tax revenue that is not realized by the General Fund as the result of the sales and use tax exemption in G.S. 105-164.13 for purchases by the Department of Transportation shall be transferred from the Highway Fund to the General Fund in accordance with this section. This direct transfer is made in lieu of eliminating the Department of Transportation's sales and use tax exemption to alleviate the administrative and accounting burden that would be placed on the Department of Transportation by eliminating the exemption.
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19. The Financial State of North Carolina, Institute for Truth in Accounting, May 25, 2012, [truthinaccounting.org/uploads/files/50%20State/2010\\_FSOS.pdf](http://truthinaccounting.org/uploads/files/50%20State/2010_FSOS.pdf).
20. NC Treasurer "Annual Report to the People of North Carolina, fiscal year 2011-2012", page 85, "The General Assembly does not appropriate funds directly to the State Health Plan. Instead, it provides funds to state agencies, universities, community colleges, local school systems and the retirement system to pay an "employer contribution" or monthly premium on behalf of employees and retirees. As such, the State Health Plan is 100 percent receipt-supported, with premium receipts, including employer contributions and amounts paid by employees and retirees for their own and dependent coverage, representing approximately 97 percent of total revenues in fiscal year 2011-12. While the General Assembly does not appropriate funds directly to the State Health Plan, the State's General Fund is the primary source of funding for employer contributions."
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## Appendix A: John Locke Foundation FY 2013-2015 Budget Proposal

	Starting Amount FY 2013-2014	Changes	Final FY 2013-2014	Percent Change	Starting Amount FY 2014-2015	Changes	Final FY 2014-2015	Percent Change
<b>Education</b>								
Public Instruction	7,984,924,757	(113,075,211)	7,871,849,546	-1.42%	8,111,097,830	(75,273,056)	8,035,824,774	-0.93%
Community Colleges	1,037,430,475	(74,475,217)	962,955,258	-7.18%	1,037,430,475	(77,475,217)	959,955,258	-7.47%
The University System	2,709,551,807	(188,907,531)	2,520,644,276	-6.97%	2,737,874,470	(181,313,904)	2,556,560,566	-6.62%
<b>Total Education</b>	<b>11,731,907,039</b>	<b>(376,457,959)</b>	<b>11,355,449,080</b>	<b>-3.21%</b>	<b>11,886,402,775</b>	<b>(334,062,177)</b>	<b>11,552,340,598</b>	<b>-2.81%</b>
<b>General Government</b>								
General Assembly	52,845,390	(1,033,493)	51,811,897	-1.96%	52,845,390	(991,204)	51,854,186	-1.88%
Office of the Governor	5,539,743	(419,693)	5,120,050	-7.58%	5,541,825	(419,693)	5,122,132	-7.57%
Office of State Budget and Management	7,049,706	(49,000)	7,000,706	-0.70%	7,132,217	(49,000)	7,083,217	-0.69%
North Carolina Housing Finance Authority	9,408,417	(9,408,417)	0	-100.00%	9,408,417	(9,408,417)	0	-100.00%
Office of the Lieutenant Governor	444,047	144,534	588,581	32.55%	444,047	140,534	584,581	31.65%
Department of Secretary of State	11,845,185	(303,354)	11,541,831	-2.56%	11,845,185	(303,354)	11,541,831	-2.56%
Office of the State Auditor	11,013,547	0	11,013,547	0.00%	11,013,547	0	11,013,547	0.00%
Department of State Treasurer	30,030,132	1,286,800	31,316,932	4.29%	30,030,132	175,215	30,205,347	0.58%
Department of Insurance	41,078,247	(1,244,978)	39,833,269	-3.03%	41,087,867	(1,244,978)	39,842,889	-3.03%
Department of Administration	68,316,992	(2,584,521)	65,732,471	-3.78%	68,241,992	(12,565,269)	55,676,723	-18.41%
Office of the State Controller	29,279,290	(153,320)	29,125,970	-0.52%	29,279,290	(153,320)	29,125,970	-0.52%
Department of Revenue	80,031,575	(828,619)	79,202,956	-1.04%	80,031,575	(848,279)	79,183,296	-1.06%
Department of Cultural Resources	63,626,477	(16,342,167)	47,284,310	-25.68%	63,629,480	(23,517,194)	40,112,287	-36.96%
Roanoke Island Commission	1,058,757	(1,058,757)	0	-100.00%	1,058,757	(1,058,757)	0	-100.00%
State Board of Elections	5,213,445	293,124	5,506,569	5.62%	5,213,445	293,124	5,506,569	5.62%
Office of Administrative Hearings	4,335,464	286,350	4,621,814	6.60%	4,350,431	54,931	4,405,362	1.26%
<b>Total General Government</b>	<b>421,116,414</b>	<b>(31,415,511)</b>	<b>389,700,903</b>	<b>-7.46%</b>	<b>421,153,597</b>	<b>(49,895,661)</b>	<b>371,257,936</b>	<b>-11.85%</b>



## Appendix A: John Locke Foundation FY 2013-2015 Budget Proposal

	Starting Amount FY 2013-2014	Changes	Final FY 2013-2014	Percent Change	Starting Amount FY 2014-2015	Changes	Final FY 2014-2015	Percent Change
<b>Health and Human Services</b>								
Central Management and Support	54,028,354	(7,244,929)	46,783,425	-13.41%	54,718,515	(819,891)	53,898,624	-1.50%
Aging and Adult Services	54,443,196	(1,571,897)	52,871,299	-2.89%	54,443,196	(1,571,897)	52,871,299	-2.89%
Division of Child Development and Early Education	259,254,083	(157,033,467)	102,220,616	-60.57%	259,254,083	(157,033,467)	102,220,616	-60.57%
Division of Public Health	156,784,502	(16,000,000)	140,784,502	-10.21%	156,784,502	(16,000,000)	140,784,502	-10.21%
Division of Social Services	170,629,904	2,153,528	172,783,432	1.26%	170,629,904	2,153,528	172,783,432	1.26%
Division of Medical Assistance	3,069,576,810	142,503,510	3,212,080,320	4.64%	3,083,576,810	349,089,554	3,432,666,364	11.32%
NC Health Choice	80,131,026	(16,225,263)	63,905,763	-20.25%	80,131,026	(30,126,415)	50,004,611	-37.60%
Divisions of Services for the Blind, Deaf, and Hard of Hearing	8,178,618	0	8,178,618	0.00%	8,178,618	0	8,178,618	0.00%
Mental Health/Developmental Disabilities/Substance Abuse Services	706,797,747	6,825,151	713,622,898	0.97%	706,797,747	(10,691,397)	696,106,350	-1.51%
Division of Health Services Regulation	16,761,992	(9,452,819)	7,309,173	-56.39%	16,761,992	(9,452,819)	7,309,173	-56.39%
Division of Vocational Rehabilitation	39,284,143	(10,000)	39,274,143	-0.03%	39,284,143	(10,000)	39,274,143	-0.03%
<b>Total Health and Human Services</b>	<b>4,615,870,375</b>	<b>(56,056,186)</b>	<b>4,559,814,189</b>	<b>-1.21%</b>	<b>4,630,560,536</b>	<b>125,537,196</b>	<b>4,756,097,732</b>	<b>2.71%</b>
<b>Justice and Public Safety</b>								
Judicial Branch	458,416,996	(418,110)	457,998,886	-0.09%	458,416,996	(178,771)	458,238,225	-0.04%
Judicial Branch - Indigent Defense	114,505,898	(76,789)	114,429,109	-0.07%	114,505,898	(18,900)	114,486,998	-0.02%
Department of Justice	77,773,575	(7,345,567)	70,428,008	-9.44%	80,773,575	(10,491,451)	70,282,124	-12.99%
Department of Public Safety	1,722,061,784	(21,161,188)	1,700,900,596	-1.23%	1,732,859,184	(27,611,858)	1,705,247,326	-1.59%
<b>Total Justice and Public Safety</b>	<b>\$2,372,758,253</b>	<b>(29,001,654)</b>	<b>\$2,343,756,599</b>	<b>-1.22%</b>	<b>\$2,386,555,653</b>	<b>(38,300,980)</b>	<b>\$2,348,254,673</b>	<b>-1.60%</b>

**Appendix A: John Locke Foundation FY 2013-2015 Budget Proposal**

	<b>Starting Amount FY 2013-2014</b>	<b>Changes</b>	<b>Final FY 2013-2014</b>	<b>Percent Change</b>	<b>Starting Amount FY 2014-2015</b>	<b>Changes</b>	<b>Final FY 2014-2015</b>	<b>Percent Change</b>
<b>Natural and Economic Resources</b>								
Department of Agriculture and Consumer Services	108,918,334	(18,058,539)	90,859,795	-16.58%	108,918,334	(18,058,539)	90,859,795	-16.58%
Department of Labor	16,196,339	(1,347,871)	14,848,468	-8.32%	16,196,339	(1,347,871)	14,848,468	-8.32%
Department of Environment and Natural Resources	109,140,591	(17,685,334)	91,455,257	-16.20%	109,220,682	(23,225,185)	85,995,497	-21.26%
Wildlife Resources Commission	18,476,588	(589,609)	17,886,979	-3.19%	18,476,588	(589,609)	17,886,979	-3.19%
Department of Commerce	93,184,256	(81,900,185)	11,284,071	-87.89%	95,424,256	(81,982,212)	13,442,044	-85.91%
<b>Total Natural and Economic Resources</b>	<b>345,916,108</b>	<b>(119,581,539)</b>	<b>226,334,569</b>	<b>-34.57%</b>	<b>348,236,199</b>	<b>(125,203,416)</b>	<b>223,032,783</b>	<b>-35.95%</b>
<b>Subtotal Agency Budgets</b>	<b>\$19,487,568,189</b>	<b>\$(612,512,849)</b>	<b>\$18,875,055,340</b>	<b>-3.14%</b>	<b>\$19,672,908,760</b>	<b>\$(421,925,039)</b>	<b>\$19,250,983,722</b>	<b>-2.14%</b>
<b>Reserves, Debt Service, Capital Improvements and Other Adjustments</b>	<b>756,149,861</b>	<b>480,502,435</b>	<b>1,236,652,296</b>	<b>63.55%</b>	<b>756,149,861</b>	<b>759,587,881</b>	<b>1,515,737,742</b>	<b>100.45%</b>
<b>TOTAL GENERAL FUND</b>	<b>\$20,243,718,050</b>	<b>\$(132,010,414)</b>	<b>\$20,111,707,636</b>	<b>-0.65%</b>	<b>\$20,429,058,621</b>	<b>\$337,662,843</b>	<b>\$20,766,721,464</b>	<b>1.65%</b>

## Appendix B: General Fund Availability FY 2014 and FY 2015

	FY 2013-2014	FY 2014-2015
Unreserved Credit Balance	213,432,878	145,237,204
Anticipated Over-collections and Reversions FY 12-13	227,600,000	-
Savings Reserve Account	(200,000,000)	(145,237,204)
Medicaid Funding Required for FY 12-13	(123,100,000)	-
Repairs and Renovations Reserve Account	(117,932,878)	-
<b>Beginning Unreserved Fund Balance</b>	<b>\$0</b>	<b>\$0</b>
<b>Tax Revenue</b>		
Individual Income	11,211,200,000	11,796,400,000
Sales and Use	5,491,000,000	5,735,100,000
Corporate Income	1,099,100,000	1,181,100,000
Franchise	677,900,000	687,500,000
Insurance	507,600,000	516,700,000
Beverage	317,400,000	329,100,000
Inheritance	52,000,000	57,000,000
Licenses	44,600,000	45,800,000
Tobacco Products	261,600,000	257,300,000
Mill Machinery	34,400,000	34,500,000
Piped Natural Gas	25,600,000	26,900,000
Gift	-	-
Miscellaneous	1,100,000	1,100,000
<b>Revenues Based on Existing Tax Structures</b>	<b>\$19,723,500,000</b>	<b>\$20,668,500,000</b>
<b>Non-Tax Revenue</b>		
Investment Income	10,800,000	11,100,000
Judicial Fees	256,400,000	257,900,000
Disproportionate Share	110,000,000	109,000,000
Insurance	75,300,000	76,200,000
Other Non-Tax Revenues/Miscellaneous	390,500,000	385,300,000
Highway/Highway Trust Fund Transfers	218,100,000	215,900,000
<b>Total Non-Tax Revenue</b>	<b>\$1,061,100,000</b>	<b>\$1,055,400,000</b>
<b>Total General Fund Availability</b>	<b>\$20,784,600,000</b>	<b>\$21,723,900,000</b>

	FY 2013-2014	FY 2014-2015
<b>Adjustments to Availability</b>		
Unlimited Savings Allowance (USA Tax)*	12,651,300,000	13,336,347,368
Individual Income	(11,211,200,000)	(11,796,400,000)
Corporate Income	(1,099,100,000)	(1,181,100,000)
Inheritance	(52,000,000)	(57,000,000)
Reduce Sales and Use Tax from 4.75% to 4.0%	(867,000,000)	(905,542,105)
Reduce Franchise tax by 60%	-	(412,500,000)
Remove Highway Transfer and redirect to Highway Trust Fund	(218,100,000)	(215,900,000)
Repeal Public School Building Capital Fund Transfer	75,000,000	75,000,000
Retention of Golden LEAF Funds	65,000,000	65,000,000
Remove Special Treatment of Pension Benefits	32,500,000	65,000,000
Parks and Recreation Trust Fund	27,500,000	27,500,000
Master Settlement Agreement Funds	25,000,000	25,000,000
Repeal Sales Tax Holiday	11,700,000	11,700,000
Natural Heritage Trust Fund	9,900,000	9,900,000
Tax Severance Pay as Compensation	6,750,000	13,500,000
Repeal NC Public Campaign Fund	4,125,171	-
Solid Waste Trust Fund	4,011,000	4,011,000
Scrap Tire Disposal Account	2,675,291	2,675,291
Transfer from NC Flex FICA Funds	2,000,000	-
White Goods Management Account	1,217,796	1,217,796
Repeal NC Political Parties Financing Funds	1,064,582	-
Establish Tax-Me-More Fund for Voluntary Donations	1,000	5,000
<b>Subtotal Adjustments to Availability</b>	<b>\$(527,655,160)</b>	<b>\$(931,585,650)</b>
<b>Revised General Fund Availability</b>	<b>\$20,256,944,840</b>	<b>\$20,792,314,350</b>
<b>Less: General Fund Appropriations</b>	<b>\$(20,111,707,636)</b>	<b>\$(20,766,721,464)</b>
<b>Appropriated Balance Remaining</b>	<b>\$145,237,204</b>	<b>\$25,592,887</b>

The USA Tax is the tax plan proposed by the John Locke Foundation. This proposal is a revenue neutral plan which includes the estimated revenue of personal income, corporate, and estate tax along with the .25% reduction in sales and use tax for first year revenue estimates in which the respective taxes will be eliminated along with any tax credits associated. Details of the JLF tax plan can be found in "First In Freedom", the foundation's most recent book.

### Appendix C: Education

Base Budget Item	Recommendation	FY 2013-2014	FY 2014-2015
Public Schools - Starting Budget		\$7,984,924,757	\$8,111,097,830
Executive & Administrative Functions	Reduce 10%; focus funds on classroom	(412,940)	(412,940)
Education Innovations	End GF Appropriation	(1,412,940)	(1,412,939)
Office of Early Learning	Reduce funding to 2012 levels	(423,681)	(423,681)
Educator Quality and Recruitment	End GF Appropriation, receipt funded only	(755,758)	(755,758)
Maintenance	Reduce 5% for efficiency savings	(512,943)	(512,943)
Local Administration	Reduce 10%; focus funds on classroom	(9,490,147)	(9,520,147)
Education Innovations	Reduce 5% for efficiency savings	(1,404,191)	(1,404,191)
Local Education Supplemental Benefits	Reduce 5% for efficiency savings	(11,609,444)	(11,609,444)
Transfers	Reduce 5% for efficiency savings	(1,425,326)	(1,425,326)
Beginnings for Parents Grant	End pass-through	(919,730)	(919,730)
Enrollment Growth	Average Daily Membership (ADM) Adjustment	11,241,807	11,811,549
Salary Adjustment	Technical Correction	(11,873,083)	(11,980,756)
Tarheel ChalleNge Academy	Program moved to Dept. Public Safety, removal will not count towards Education total	(767,719)	(767,719)
Textbooks	Restore previously removed funding	58,250,000	76,500,000
Instructional Supplies/Materials	Restore previously removed funding	9,443,104	34,936,054
Teacher Assistants	Reduce funding and refocus on K-1	(117,123,733)	(117,123,733)
Limited English Proficiency	Budgeted amount is higher than usage, adjustment	(3,000,000)	(3,000,000)
School Technology Fund	One time funding with excess receipts in lieu of State Public School Fund	(25,950,674)	0
Small County Reserve	Remainder of balance from last FY budget appropriation	(1,555,885)	(1,555,885)
State Public School Fund	Reduce allocation	(5,025,426)	(6,553,965)
NCCAT - NC Center for Advancement of Teaching	Remove appropriations	(2,219,222)	(3,219,222)
Teaching Fellows Scholarship	Eliminate program phase out	(3,095,000)	(6,190,000)
Teaching Fellows Fund	Remove remaining available funds to close fund	(1,300,000)	0
EPSA - Excellent Public Schools Act	Remove GF appropriation, user responsibility	0	(28,000,000)
ACT - American College Testing Assessments	Full implementation of ACT tests in 8th and 10th grade	7,500,000	7,500,000
Net Change		(113,075,211)	(75,273,056)
<b>TOTAL APPROPRIATIONS</b>		<b>\$7,871,849,546</b>	<b>\$8,035,824,774</b>



## Appendix C: Education

Base Budget Item	Recommendation	FY 2013-2014	FY 2014-2015
Community Colleges - Starting Budget		\$1,037,430,475	\$1,037,430,475
NC Back-To-Work Program	Eliminate special funding	(1,800,000)	(1,800,000)
Marine Technology Program at Cape Fear CC	End GF Appropriation	(669,805)	(669,805)
Virtual Learning Community Development Center	Eliminate special funding	(650,000)	(650,000)
Child Care Grants	End GF Appropriation	(1,838,215)	(1,838,215)
Textile Technology Center at Gaston College	End GF Appropriation	(353,954)	(353,954)
Minority Male Mentoring	Eliminate funding	(1,090,324)	(1,090,324)
Enrollment Growth	Implement new formula to calculate enrollment	(20,002,263)	(20,002,263)
Retirement Incentives	Full-Time Faculty only	(15,189,563)	(15,189,563)
Customized Training	Apply carryover from last FY, remove excess	(2,000,000)	0
Tuition	Tuition increase for resident and non-resident students	(6,157,474)	(6,157,474)
Senior Citizen Tuition	Charge same tuition for students, regardless of age	(970,000)	(970,000)
Continuing Education	Increase rates for courses by \$5 each	(664,509)	(664,509)
Administration - Clerical	Remove one clerical position at each college	(2,480,138)	(2,480,138)
BioNetwork Centers	Charge fees to cover cost	(597,000)	(597,000)
Data Connectivity	Main campuses only	(647,972)	(647,972)
Botanical Laboratory at Fayetteville Technical CC	End GF Appropriation	(264,000)	(264,000)
Advertising	End GF Appropriation	(100,000)	(100,000)
Technical Education Equipment and Infrastructure	Increase tuition, use distance learning	(14,000,000)	(14,000,000)
Performance-Based Funding	End GF Appropriation	(5,000,000)	(10,000,000)
Net Change		(74,475,217)	(77,475,217)
<b>TOTAL APPROPRIATIONS</b>		<b>\$962,955,258</b>	<b>\$959,955,258</b>
University System - Starting Budget		\$2,709,551,807	\$2,737,874,470
Program Consolidation	Consolidate duplicate degree programs	0	(1,900,000)
Management	Eliminate middle management positions	(43,800,000)	(36,000,000)
Instruction	Improved transfer between UNC campuses, efficiency of teaching methods	(15,800,000)	(21,100,000)
Non-Resident Tuition	Increase tuition for non-residents by 12.3% and 6% depending on school	(54,100,000)	(54,100,000)
Administration	Operational efficiencies will save from previous expenditures	(10,000,000)	(15,000,000)
Addition to McNair Hall	Project cancelled and building reserve not needed	(150,185)	(150,185)
Management	Remove inefficiencies and create savings in operating budget	(66,900,000)	(79,800,000)
Non-Resident Scholarship Tuition	Apply same tuition rate for all non-residents, regardless of scholarship status	(8,580,000)	(8,775,000)
Need-Based Financial Aid	Shift portion from Escheats Fund to General Fund, not Lottery	(1,088,627)	0
Utility Budgets	Reduce utility budgets that exceeded actual expenditures	(8,088,719)	(8,088,719)
Strategic Directions Plan	Student resources to achieve bachelor's degree within UNC System	19,600,000	43,600,000
Net Change		(188,907,531)	(181,313,904)
<b>TOTAL APPROPRIATIONS</b>		<b>\$2,520,644,276</b>	<b>\$2,556,560,566</b>

## Appendix D: General Government

Base Budget Item	Recommendation	FY 2013-2014	FY 2014-2015
General Assembly - Starting Budget		52,845,390	52,845,390
Committee Reserves	Reduce appropriation	(473,703)	0
Floater	Reduce employment costs and wages	(422,905)	(640,864)
Food Service	10% price increase for legislative cafeteria and snack bars	(90,000)	(90,000)
Furniture	Reduce appropriation	0	(35,000)
Information Systems Division	Reduce appropriation	(46,885)	(40,080)
Operating Expenses	Reduce appropriation	0	(31,500)
Parking	Charge fees to cover cost	0	(30,000)
Session Subsistence	Reduce long-session by one week in mid-July	0	(123,760)
Net Change		(1,033,493)	(991,204)
<b>TOTAL APPROPRIATIONS</b>		<b>51,811,897</b>	<b>51,854,186</b>
Office of the Governor - Starting Budget		5,539,743	5,541,825
Operating Expenses	Reduce appropriation	(369,693)	(369,693)
Membership Fees	End GF appropriation for advocacy organization	(50,000)	(50,000)
Net Change		(419,693)	(419,693)
<b>TOTAL APPROPRIATIONS</b>		<b>5,120,050</b>	<b>5,122,132</b>
State Budget and Management - Starting Budget		7,000,706	7,083,217
Net Change		0	0
<b>TOTAL APPROPRIATIONS</b>		<b>7,000,706</b>	<b>7,083,217</b>
State Budget and Management, Special Appropriation - Starting Budget		49,000	49,000
NC Humanities Council	End GF Appropriation, user responsibility	(49,000)	(49,000)
Net Change		(49,000)	(49,000)
<b>TOTAL APPROPRIATIONS</b>		<b>0</b>	<b>0</b>
Housing Finance Agency - Starting Budget		9,408,417	9,408,417
North Carolina Housing Trust Fund	End GF Appropriation; restore civil society	(7,800,000)	(7,800,000)
HOME Program Match		(1,608,417)	(1,608,417)
Net Change		(9,408,417)	(9,408,417)
<b>TOTAL APPROPRIATIONS</b>		<b>0</b>	<b>0</b>
Office of the Lieutenant Governor - Starting Budget		444,047	444,047
Employees	Add communications director and constituent services/administrative assistant	112,519	112,519
Furniture	One-time appropriation	4,000	0
Operating Budget	Increase appropriation to fund additional activities by new employees	28,015	28,015
Net Change		144,534	140,534
<b>TOTAL APPROPRIATIONS</b>		<b>588,581</b>	<b>584,581</b>

### Appendix D: General Government

Base Budget Item	Recommendation	FY 2013-2014	FY 2014-2015
Department of Secretary of State - Starting Budget		11,845,185	11,845,185
Operating Budget	Reduce GF appropriation for overall savings	(148,093)	(148,093)
Employees	Remove attorney position	(80,331)	(80,331)
Vacant Positions	Remove two positions vacant for over a year	(74,930)	(74,930)
Net Change		(303,354)	(303,354)
<b>TOTAL APPROPRIATIONS</b>		<b>11,541,831</b>	<b>11,541,831</b>
Office of the State Auditor - Starting Budget		11,013,547	11,013,547
Net Change		0	0
<b>TOTAL APPROPRIATIONS</b>		<b>11,013,547</b>	<b>11,013,547</b>
Department of State Treasurer, Operations - Starting Budget		6,851,090	6,851,090
Employees	Positions are receipt supported	(45,416)	(45,416)
Employees	Remove position vacant for three years	(38,221)	(38,221)
Banking Division	Information Technology allocation efficiency	(70,000)	(70,000)
Banking Division	Reduce usage of temporary services	(25,000)	(25,000)
Banking System	Upgrade software, hardware, licenses	1,465,437	353,852
Net Change		1,286,800	175,215
<b>TOTAL APPROPRIATIONS</b>		<b>8,137,890</b>	<b>7,026,305</b>
State Treasurer, Retirement for Fire & Rescue Squad Workers & Line of Duty Death Benefits - Starting Budget		23,179,042	23,179,042
Net Change		0	0
<b>TOTAL APPROPRIATIONS</b>		<b>23,179,042</b>	<b>23,179,042</b>
Department of Insurance - Starting Budget		41,078,247	41,087,867
Employees	Remove nine positions vacant for over a year	(560,589)	(560,589)
Contributions Amount	Reduce appropriation	(323,654)	(323,654)
Operating Expenses	Reduce appropriation	(360,735)	(360,735)
Net Change		(1,244,978)	(1,244,978)
<b>TOTAL APPROPRIATIONS</b>		<b>39,833,269</b>	<b>39,842,889</b>

## Appendix D: General Government

Base Budget Item	Recommendation	FY 2013-2014	FY 2014-2015
Department of Administration - Starting Budget		68,316,992	68,241,992
Commission on Indian Affairs	End GF appropriation; advocacy	(361,558)	(361,558)
Ethics Commission	Reduce appropriation 5%	(59,330)	(59,330)
Human Relations Commission	End GF appropriation; advocacy	(707,271)	(707,271)
NC Council for Women	End GF appropriation, fund through private sponsors and donations	(689,526)	(689,526)
Office of State Personnel	Keep Operating expenses at 2011 levels	(1,128,736)	(1,053,736)
Youth Advocacy and Involvement Office	End GF appropriation, shift some responsibilities	(526,252)	(526,252)
Displaced Homemakers	End GF appropriation, fund through private sponsors and donations	(292,390)	(292,390)
Facilities Maintenance	Outsource, save 15%	(4,333,903)	(4,333,903)
Historically Underutilized Businesses (HUBSCO)	End GF appropriation; advocacy	(636,366)	(636,366)
Martin Luther King Commission	End GF appropriation, function of civil society	(23,378)	(23,378)
Sexual Assault Program	End GF appropriation, fund through private sponsors and donations	(2,893,190)	(2,893,190)
State Construction Office	Streamline and outsource	(20,693)	(20,693)
Veterans Affairs	Realign and Reduce Scholarships	(500,000)	(500,000)
Veterans Aid to Counties	End GF appropriation; redundant program	(138,000)	(138,000)
Compensation	Victims of State's Eugenics Program	10,000,000	0
Employees	Move 9.85 State Construction FTEs from receipts to appropriations	923,546	923,546
Management	Add one FTE for management analysis	94,720	94,720
Office of Justice for Sterilization Victims	Continues operating expenses appropriation	123,748	0
Reserve	End GF appropriation for reserve no longer needed	(32,942)	(32,942)
Transfer	E-Commerce Fund monies transferred for operating of Purchase and Contract Division	(1,200,000)	(1,200,000)
Transfer	ITS consolidation of Veteran's Affairs' Field Offices	(183,000)	(115,000)
Net Change		(2,584,521)	(12,565,269)
<b>TOTAL APPROPRIATIONS</b>		<b>65,732,471</b>	<b>55,676,723</b>
Office of the State Controller - Starting Budget		29,279,290	29,279,290
Employees	Remove vacant position	(78,320)	(78,320)
Operating Expenses	Reduce appropriation	(45,000)	(45,000)
Information Technology	Reduce appropriation	(30,000)	(30,000)
Net Change		(153,320)	(153,320)
<b>TOTAL APPROPRIATIONS</b>		<b>29,125,970</b>	<b>29,125,970</b>
Department of Revenue - Starting Budget		80,031,575	80,031,575
Employees	Shift nine positions to receipt funded	(378,346)	(378,346)
Employees	Remove eighteen vacant positions	(1,098,925)	(1,098,925)
Employees	Add one FTE auditor in Sales and Use Tax Division	102,513	95,483
Employees	Add two FTE auditors in the Income Tax Division	202,657	190,027
Operating Expenses	Shift more to receipt funded	(55,440)	(55,440)
Security	Increase security coverage within revenue building	398,922	398,922
Net Change		(828,619)	(848,279)
<b>TOTAL APPROPRIATIONS</b>		<b>79,202,956</b>	<b>79,183,296</b>



## Appendix D: General Government

Base Budget Item	Recommendation	FY 2013-2014	FY 2014-2015
Department of Cultural Resources - Starting Budget		63,626,477	63,629,480
Historic Sites	Close sites, change operating hours, cover 25% of cost with donations and/or fees	(1,816,539)	(1,816,539)
Brand Strategy	End GF appropriation	0	0
Museum of Art	Cover 25% of cost with increased donations and/or fees	(1,515,062)	(1,515,062)
NC Arts Council	End GF appropriation; restore civil society	(7,408,092)	(7,408,092)
NC Symphony	End GF appropriation; user responsibility	(2,047,580)	(2,047,580)
Tryon Palace	Cover 50% of cost with donations, fees, and sponsors	(1,077,598)	(1,077,598)
Archives and History	Remove funding for Confederate Cemetery	(2,500)	(2,500)
Historic Preservation	Transfer 10% to receipt funded	(95,346)	(95,346)
Historical Publications	Cover 15% of cost with increased donations and/or fees	(63,140)	(63,140)
Museum of History	Cover 15% of cost with increased donations and/or fees	(861,974)	(8,619,737)
NC Maritime Museum	Cover 15% of cost with increased donations and/or fees	(832,480)	(249,744)
State Capitol	Reduce funding 15%	(50,849)	(50,849)
Statewide Library Programs	Consolidate Administration, find efficiencies	(8,909)	(8,909)
Public Libraries	Reduce state aid by 4.8%	(657,517)	(657,517)
Technical Correction	Error in Archives and Records and Historic Preservation budget	95,419	95,419
Net Change		(16,342,167)	(23,517,194)
<b>TOTAL APPROPRIATIONS</b>		<b>47,284,310</b>	<b>40,112,287</b>
Roanoke Island Commission - Starting Budget		1,058,757	1,058,757
Roanoke Island Commission	End GF appropriation; user responsibility	(858,757)	(858,757)
Roanoke Island Commission Arts fund	End GF appropriation; user responsibility	(200,000)	(200,000)
Net Change		(1,058,757)	(1,058,757)
<b>TOTAL APPROPRIATIONS</b>		<b>0</b>	<b>0</b>
State Board of Elections - Starting Budget		5,213,445	5,213,445
Administration	Reduce appropriation 10% and find efficiencies	(97,748)	(97,748)
Help America Vote Act (HAVA)	IT upgrade and temporary employees to execute	390,871	390,871
Net Change		293,124	293,124
<b>TOTAL APPROPRIATIONS</b>		<b>5,506,569</b>	<b>5,506,569</b>
Office of Administrative Hearings - Starting Budget		4,335,464	4,350,431
Employees	Remove one vacant position	(67,325)	(67,352)
Employees	Reduce contracts for temporary staffing	(15,493)	(15,493)
Information Technology	Update computer technology for Case Management System	310,950	131,308
Information Technology	Update the rules tracking system and website design	58,218	6,468
Net Change		286,350	54,931
<b>TOTAL APPROPRIATIONS</b>		<b>4,621,814</b>	<b>4,405,362</b>

## Appendix E: Health and Human Services

Base Budget Item	Recommendation	FY 2013-2014	FY 2014-2015
Central Management and Support - Starting Budget		54,028,354	54,718,515
Community Health Grants	No new grants in FY2013-15	(1,127,501)	(1,127,501)
Health Net Grants	End appropriation recurring item begun in 2007	(4,800,000)	(4,800,000)
Migrant Workers Health Grants	Eliminate program	(551,650)	(551,650)
NC Council on Developmental Disabilities	End GF appropriation for advocacy	(138,053)	(138,053)
NC Farmworker Health	Keep program receipt funded as in 2011	(2,732)	(2,732)
Physician Loan Repayment Program	Eliminate Program begun in 2006	(2,500,000)	(2,500,000)
Rural Health programs	Reduce appropriations 25%, redirect to priorities	(1,286,651)	(1,286,651)
NC Care Line	Eliminate six administrative positions	(339,787)	(339,787)
NC FAST	Improve information technology system for federal exchange	0	864,655
Operating Efficiencies	Reduce appropriation	(332,830)	(332,830)
Public Services	Department of Justice settlement, reduce inappropriate institutionalization of the seriously mental ill	3,834,275	9,394,658
Net Change		(7,244,929)	(819,891)
<b>TOTAL APPROPRIATIONS</b>		<b>46,783,425</b>	<b>53,898,624</b>
Aging and Adult Services - Starting Budget		54,443,196	54,443,196
Long-Term Care Ombudsman	Duplicate program, shift responsibilities to Department of Insurance where funding is sufficient	(694,347)	(694,347)
Special Assistance Administration	Duplicate program, Medicaid will cover responsibilities	(323,176)	(323,176)
Senior Games	End GF appropriation, encourage volunteer/private support	(53,519)	(53,519)
Management	Remove outsourcing seat management operations	(855)	(855)
Project C.A.R.E	End GF appropriation	(500,000)	(500,000)
NetChange		(1,571,897)	(1,571,897)
<b>TOTAL APPROPRIATIONS</b>		<b>52,871,299</b>	<b>52,871,299</b>
Division of Child Development & Early Education - Starting Budget		259,254,083	259,254,083
Contracts	End pass-through	(8,109,877)	(8,109,877)
Smart Start	Eliminate ineffective, redundant program	(150,692,835)	(150,692,835)
Teacher Scholarship	End GF Appropriation	(3,800,000)	(3,800,000)
Administrative	Reduce appropriation	(2,624,189)	(2,624,189)
Block Grants	Shift from state funded positions to federal block grant funding	(900,000)	(900,000)
Management	Remove outsourcing seat management operations	(38,125)	(38,125)
NC Pre-K	Expand coverage to include 5,000 at-risk four-year-olds	9,131,559	9,131,559
Net Change		(157,033,467)	(157,033,467)
<b>TOTAL APPROPRIATIONS</b>		<b>102,220,616</b>	<b>102,220,616</b>
Division of Public Health - Starting Budget		156,784,502	156,784,502
ADAP Drug Purchases	Remove excess appropriation	(8,000,000)	(8,000,000)
Early Intervention	Remove excess appropriation	(8,000,000)	(8,000,000)
Net Change		(16,000,000)	(16,000,000)
<b>TOTAL APPROPRIATIONS</b>		<b>140,784,502</b>	<b>140,784,502</b>

## Appendix E: Health and Human Services

Base Budget Item	Recommendation	FY 2013-2014	FY 2014-2015
Division of Social Services - Starting Budget		170,629,904	170,629,904
Food Banks	Use private donations and shift to charity care	(1,000,000)	(1,000,000)
NC Reach	Continue program through private donations	0	0
Administration	Discontinue Child Welfare Multiple Response System Conference	(1,066,123)	(1,066,123)
County Child Welfare Services	County support for NC FAST	4,826,346	4,826,346
Management	Remove outsourcing seat management operations	(606,695)	(606,695)
Net Change		2,153,528	2,153,528
<b>TOTAL APPROPRIATIONS</b>		<b>172,783,432</b>	<b>172,783,432</b>
Division of Medical Assistance - Starting Budget		3,069,576,810	3,083,576,810
Drug Management	Require prior authorization of mental health drugs	(5,422,990)	(11,258,127)
Health Homes	Remove enhanced matching funds	(3,757,682)	(3,757,682)
Hospital Assessment Retention	Change state retention from set amount to percentage of retention	(60,000,000)	(60,000,000)
Hospital Outpatient Services	Reduce hospital cost settlements from 80% of cost to 70% of cost	(25,693,412)	(35,559,682)
Medicaid Contracts	Calculate necessary growth from prior year	11,000,000	11,000,000
Medicaid Copayments	Increase copayments \$0.90 for most services	(3,308,100)	(4,962,150)
Medicaid Cost Settlements	Calculate necessary growth from prior year	18,000,000	18,000,000
Medicaid Rebase	Calculate necessary growth from prior year	185,000,000	390,000,000
MMIS	Reduce audits and claims during transition	4,828,664	0
Payment Rates	Differentiate payment rates for private duty nursing services	(1,142,970)	(2,372,805)
Transfer	Transfer children under 133% of poverty level from Health Choice to Medicaid	23,000,000	48,000,000
Net Change		142,503,510	349,089,554
<b>TOTAL APPROPRIATIONS</b>		<b>3,212,080,320</b>	<b>3,432,666,364</b>
NC Health Choice - Starting Budget		80,131,026	80,131,026
Drug Management	Require prior authorization of mental health drugs	(277,405)	(572,563)
Hospital Outpatient Services	Reduce hospital cost settlements from 80% cost to 70% of cost	(547,858)	(753,852)
Technical Correction	Reduce appropriation to reflect actual expenditures	(2,800,000)	(2,800,000)
Transfer	Transfer children under 133% of poverty from Health Choice to Medicaid	(12,600,000)	(26,000,000)
Net Change		(16,225,263)	(30,126,415)
<b>TOTAL APPROPRIATIONS</b>		<b>63,905,763</b>	<b>50,004,611</b>
Divisions of Services for the Blind, Deaf, and Hard of Hearing - Starting Budget		8,178,618	8,178,618
Net Change		0	0
<b>TOTAL APPROPRIATIONS</b>		<b>8,178,618</b>	<b>8,178,618</b>

## Appendix E: Health and Human Services

Base Budget Item	Recommendation	FY 2013-2014	FY 2014-2015
Mental Health/Developmental Disabilities/Substance Abuse Services - Starting Budget		706,797,747	706,797,747
Adult Community Substance Abuse Program	Do not expand non-governmental contracts past 2012 levels	(337,891)	(337,891)
Child Community Substance Abuse Program	Shift all services to receipt funded	(79,388)	(79,388)
Traumatic Brain Injury Services	Repeal program begun in 2008	(133,995)	(133,995)
Administrative	Change in calculation of budget through internal transitions	(15,228,245)	(15,228,245)
Broughton Hospital	Medical Equipment, furniture and IT infrastructure for new hospital	23,020,934	5,088,122
Gambling Fund	Reduce appropriation	(416,264)	0
Net Change		6,825,151	(10,691,397)
<b>TOTAL APPROPRIATIONS</b>		<b>713,622,898</b>	<b>696,106,350</b>
Division of Health Services Regulation - Starting Budget		16,761,992	16,761,992
Adult Care Licensure and Certification	End state licensure, allow private accreditation	(4,342,785)	(4,342,785)
Health Care Licensure and Certification	End state licensure, allow private accreditation	(212,799)	(212,799)
Jails and Detention Licensure and Certification	End state licensure, allow private accreditation	(163,582)	(163,582)
Mental Health Licensure and Certification	End state licensure, allow private accreditation	(3,660,902)	(3,660,902)
Nursing Home Licensure and Certification	End state licensure, allow private accreditation	(1,072,751)	(1,072,751)
Net Change		(9,452,819)	(9,452,819)
<b>TOTAL APPROPRIATIONS</b>		<b>7,309,173</b>	<b>7,309,173</b>
Division of Vocational Rehabilitation - Starting Budget		39,284,143	39,284,143
Administration	Reduce appropriation, find efficiencies	(10,000)	(10,000)
Net Change		(10,000)	(10,000)
<b>TOTAL APPROPRIATIONS</b>		<b>39,274,143</b>	<b>39,274,143</b>

### Appendix F: Justice and Public Safety

Base Budget Item	Recommendation	FY 2013-2014	FY 2014-2015
Judicial Branch - Starting Budget		458,416,996	458,416,996
Conferences	Eliminate Conference of District Attorneys and Clerk's Conference	(387,812)	(387,812)
Drug Treatment Courts	Replace previously stripped funding	3,364,456	3,653,187
Employees	Reduction in staff	(3,500,000)	(3,500,000)
Magistrates	Fund one additional magistrate in 16 counties to minimize after hours work	776,496	727,104
State Bar	Reduce appropriation, end earmark pass-through	(671,250)	(671,250)
Net Change		(418,110)	(178,771)
<b>TOTAL APPROPRIATIONS</b>		<b>457,998,886</b>	<b>458,238,225</b>
Judicial Branch, Indigent Defense - Starting Budget		114,505,898	114,505,898
Employees	Remove 3.25 positions through partnership with School of Government	(258,634)	(258,634)
Information Technology	Modernize case management system	413,045	470,934
Prisoner Legal Services	Reduce appropriation to reflect actual expenditures	(231,200)	(231,200)
Net Change		(76,789)	(18,900)
<b>TOTAL APPROPRIATIONS</b>		<b>114,429,109</b>	<b>114,486,998</b>
Department of Justice - Starting Budget		77,773,575	80,773,575
DNA Crime Lab equipment	One-time increase for replacement/modernization	573,000	0
Employees	Transfer attorneys and support staff to agencies served	(7,450,319)	(9,933,759)
Employees	Remove vacant positions	(947,698)	(947,698)
State Bureau of Investigation	Additional agents for cyber threats against children	479,450	390,006
Net Change		(7,345,567)	(10,491,451)
<b>TOTAL APPROPRIATIONS</b>		<b>70,428,008</b>	<b>70,282,124</b>

### Appendix F: Justice and Public Safety

Base Budget Item	Recommendation	FY 2013-2014	FY 2014-2015
Department of Public Safety - Starting Budget		1,722,061,784	1,732,859,184
Governor's Crime Commission	End GF appropriation	(788,998)	(788,998)
Inmate Education	Reduce appropriation for temporary teachers and eliminate holiday work	(11,214)	(11,214)
Litter Crews	Shift remaining appropriations to receipt funded	(210,394)	(210,394)
Prison Dental Health	Reduce spending to 2012 levels, use medical shoos to shift expenditure	(414,268)	(414,268)
Administrative	Reduce appropriation	(579,244)	(579,244)
Bladen Correctional Center	Close prison and end GF appropriation	(1,969,779)	(2,499,168)
Contract Services	Reduce appropriation	(1,500,000)	0
Duplin Correctional Center	Close prison and end GF appropriation	(3,759,729)	(4,101,522)
Employees	Remove nine positions from auxiliary support	(772,853)	(772,853)
Employees	Remove two positions from the Secretary's Office	(292,866)	(292,886)
Employees	Remove vacant positions	(952,582)	(952,582)
First Responders	Increase staff to support Voice Interoperability Plan for Emergency Responders (VIPER)	3,405,471	2,825,471
Highway Patrol	Increase gasoline budget due to gas prices	3,677,292	3,677,292
Highway Patrol Communication Centers	Consolidate eight centers to five	(1,887,305)	(1,887,305)
Highway Patrol Warehouses	Consolidate warehouses for vehicles and equipment	(191,474)	(191,474)
Justice Reinvestment Act	106 FTEs in 2014 and 217 FTEs in 2015 to reduce caseloads to 60 offenders per officer	7,131,028	14,290,721
Justice Reinvestment Act	Post-release supervision and parole of felons	706,949	858,490
Morrison Correctional Institution	Complete enhanced security technology	(24,202)	(404,911)
Operating Expenses	Reduce appropriation due to efficiencies found from consolidation FY2012	(2,000,000)	(2,000,000)
Prison Health Services	Shift with Medicaid for treatment and perform on-site	(6,000,000)	(6,000,000)
Richmond Detention Center	End GF appropriation, close center	(407,074)	(407,074)
Robeson Correctional Center	Close prison and end GF appropriation	(3,625,960)	(3,955,592)
State Trooper Technology	Upgrade state trooper database	626,000	626,000
State Trooper Technology	Upgrade in-vehicle computer	1,050,640	0
Supplies	Reduce appropriation to actual expenditures	(36,000)	(36,000)
Tabor Correctional Institution	Remove operating expenses for dormitory construction delay	(529,424)	0
Wayne Correctional Institution	Close prison and end GF appropriation	(3,014,444)	(7,234,666)
Western Youth Institution	Close prison and end GF appropriation	(7,953,209)	(16,312,132)
Youth Community Program Funds	End earmark pass-through	(737,549)	(737,549)
Youth Development Center Operating expenses	Reduce operating budget to actual expenditures	(100,000)	(100,000)
Net Change		(21,161,188)	(27,611,858)
<b>TOTAL APPROPRIATIONS</b>		<b>1,700,900,596</b>	<b>1,705,247,326</b>



### Appendix G: Natural and Economic Resources

Base Budget Item	Recommendation	FY 2013-2014	FY 2014-2015
Department of Agriculture and Consumer Services - Starting Budget		108,918,334	108,918,334
Agronomic Services	End GF appropriation	(3,231,810)	(3,231,810)
Commercial Feed/Pet Food	End GF appropriation	(645,381)	(645,381)
Commercial Fertilizer Analysis	End GF appropriation	(568,040)	(568,040)
Markets	End GF appropriation, user responsibility	(6,461,435)	(6,461,435)
Pesticide Control & Analysis	End GF appropriation	(250,172)	(250,172)
Plant Protection	End GF appropriation	(3,415,048)	(3,415,048)
Public Affairs	Reduce appropriation, 15 percent	(58,707)	(58,707)
Employees	Remove vacant positions	(1,427,946)	(1,427,946)
Management	Reduce appropriation, efficiency	(2,000,000)	(2,000,000)
Net Change		(18,058,539)	(18,058,539)
<b>TOTAL APPROPRIATIONS</b>		<b>90,859,795</b>	<b>90,859,795</b>
Department of Labor - Starting Budget		16,196,339	16,196,339
Apprenticeship and Training	End GF Appropriation	(847,871)	(847,871)
Inspection Fees	Increase fees to reduce appropriation needed	(500,000)	(500,000)
Net Change		(1,347,871)	(1,347,871)
<b>TOTAL APPROPRIATIONS</b>		<b>14,848,468</b>	<b>14,848,468</b>
Department of Environment and Natural Resources - Starting Budget		109,140,591	109,220,682
Aquariums	Reduce appropriation 25%, shift to more donations and user fees	(1,838,095)	(1,838,095)
Coastal Management	Shift all salaries to receipt supported	(824,629)	(824,629)
Museum of Natural Science	Reduce appropriation 25%, shift to more donations and user fees	(2,992,867)	(2,992,867)
NC Zoo	Reduce appropriation 25%, shift to more donations and user fees	(2,650,920)	(2,670,177)
Shellfish Sanitation	End GF appropriation	(1,821,965)	(1,821,965)
State Parks	Reduce appropriation 15%, shift to more donations and user fees	(3,689,115)	(3,683,565)
Employees	Move to receipt supported	(19,422)	(19,422)
Clean Water Fund Match	Require 20% match for federal fund match	5,000,000	0
Drinking Water Fund Match	Require 20% match for federal fund match	1,255,720	0
Employees	Remove vacant positions	(1,008,610)	(1,008,610)
Information Technology	Reduce appropriation, efficiency	(284,262)	(284,262)
Marine Fisheries	Reduce appropriation and remove one FTE	(364,788)	364,788
Operating Budget	Reduce appropriation, efficiency	(365,293)	(365,293)
Operating Budget	Remove community planner position	(95,331)	(95,331)
Storage Tank Program	Fund through GF, do not allow highway funds to transfer	3,500,000	3,500,000
Water Quality	End GF appropriation due to 2011 law change	(251,236)	(251,236)
Water Resources	Move 5.4 FTEs to receipt supported	(484,521)	(484,521)
Net Change		(6,935,334)	(12,475,185)
<b>TOTAL APPROPRIATIONS</b>		<b>102,205,257</b>	<b>96,745,497</b>
DENR, Clean Water Management Trust Fund - Starting Budget		0	0
Clean Water Management Trust Fund	End GF appropriation, allow groups to operate on their own	(10,750,000)	(10,750,000)
Net Change		(10,750,000)	(10,750,000)
<b>TOTAL APPROPRIATIONS</b>		<b>(10,750,000)</b>	<b>(10,750,000)</b>

### Appendix G: Natural and Economic Resources

Base Budget Item	Recommendation	FY 2013-2014	FY 2014-2015
Wildlife Resources Commission - Starting Budget		18,476,588	18,476,588
Employees	Remove vacant positions	(589,609)	(589,609)
Net Change		(589,609)	(589,609)
<b>TOTAL APPROPRIATIONS</b>		<b>17,886,979</b>	<b>17,886,979</b>
Department of Commerce - Starting Budget		33,469,442	33,469,442
Broadband Incentive	End GF appropriation, budget and tax fairness	0	0
Canadian Strategic Trade Event	Fund entire event with private sponsors	0	0
Follow-Up System for Accountability	End GF appropriation, 2013 law removed funding	0	0
Industrial Commission	Reduce appropriation to 2012 funding levels	(348,996)	(348,996)
International Trade Division	End GF appropriation, close overseas offices	(2,453,896)	(2,453,896)
Job Maintenance and Capital Development Program (JMAC)	End GF appropriation, budget and tax fairness	0	0
Main Street Solutions	End GF appropriation, budget and tax fairness	0	0
One NC Small Business Program	End GF appropriation, budget and tax fairness	0	0
Strategic Economic Growth Plan	End GF appropriation, budget and tax fairness	0	0
Wanchese Seafood Industrial Park	End GF appropriation	(143,131)	(143,131)
Business/Industry Development	End GF appropriation	(1,168,382)	(1,168,382)
Industrial Finance Center	End GF appropriation	(439,976)	(439,976)
Marketing/Customer Service	End GF appropriation	(1,168,382)	(1,168,382)
Tourism, Film and Sports Development	End GF appropriation, budget and tax fairness	(9,490,286)	(9,490,286)
Welcome Centers	End GF appropriation	(1,916,795)	(1,916,795)
Community Assistance Program	Realign with actual expenditures and shift employee from full to temporary	(43,481)	(43,481)
Employees	Remove four positions	(408,758)	(408,758)
JDIG Utility Account Fund	Departmental cost shifting	(5,000,000)	(5,000,000)
Office of Information Technology Services (OITS)	Restore funding for position, increase appropriation	75,000	75,000
Operating Expenses	Shift activities to be receipt funded	(205,786)	(205,786)
Operating Expenses	Realign with actual expenditures	(395,674)	(395,674)
Net Change		(23,108,543)	(23,108,543)
<b>TOTAL APPROPRIATIONS</b>		<b>10,360,899</b>	<b>10,360,899</b>

### Appendix G: Natural and Economic Resources

Base Budget Item	Recommendation	FY 2013-2014	FY 2014-2015
Commerce, General State Aid - Starting Budget		59,714,814	61,954,814
Biofuels Center of NC	End GF appropriation, set priorities	(2,063,035)	(2,063,035)
Grassroots Science Museum	End GF appropriation, fund with fees and donations/sponsors	(2,558,085)	(2,558,085)
Institute for Regenerative Medicine	End GF appropriation, budget and tax fairness	(7,649,897)	(7,649,897)
Johnson and Wales University	End GF appropriation, budget and tax fairness	(500,000)	(500,000)
NC Biotechnology Center	End GF appropriation, set priorities	(17,200,676)	(17,200,676)
NC Institute of Minority Economic Development	End GF appropriation, budget and tax fairness	(2,046,080)	(2,046,080)
NC Minority Support Center	End GF appropriation, budget and tax fairness	(2,543,021)	(2,543,021)
NC Rural Economic Development Center	End GF appropriation, set priorities	(16,619,194)	(16,619,194)
Partnership for the Sounds	End GF appropriation, budget and tax fairness	(391,408)	(391,408)
Research Triangle Institute International	End GF appropriation, budget and tax fairness	(500,000)	(500,000)
Ag in the Classroom	End GF appropriation, set priorities	(21,175)	(21,175)
FFA Foundation	End GF appropriation, set priorities	(35,855)	(35,855)
Grassroots Science Museum Governmental	End GF appropriation, set priorities	(214,958)	(214,958)
High Point Furniture Market	End GF appropriation, budget and tax fairness	(655,472)	(655,472)
Council of Governments	Reduce GF appropriation	(82,026)	(164,053)
Land Loss Prevention Project	End GF appropriation, budget and tax fairness	(575,050)	(575,050)
NC Association of Community Development Corporations	Repeal 2007 expansion, budget and tax fairness	(797,102)	(797,102)
NC Community Development Initiative	End GF appropriation, budget and tax fairness	(3,806,180)	(3,806,180)
NC Farm Bureau Foundation for Agriculture in the Classroom, Inc.	End GF appropriation, budget and tax fairness	(21,175)	(21,175)
NC Indian Economic Development Initiatives, Inc.	End GF appropriation, budget and tax fairness	(86,004)	(86,004)
North Carolina Agricultural Foundation, Inc.	End GF appropriation, budget and tax fairness	(35,855)	(35,855)
Regional Economic Development Commissions	End GF appropriation, budget and tax fairness	(389,394)	(389,394)
<b>TOTAL APPROPRIATIONS</b>		<b>(58,791,642)</b>	<b>(58,873,669)</b>
Net Change		923,172	3,081,145

## Appendix H: Reserves, Debt Service, Capital Improvements, and Other Adjustments

Base Budget Item	Recommendation	FY 2013-2014	FY 2014-2015
General Fund - Starting Budget		756,149,861	756,149,861
Repair and Renovation Reserve	Reserve for state buildings and UNC system buildings	32,067,122	150,000,000
Information Technology Reserve	Reserve for critical IT infrastructure and security	27,000,000	32,000,000
Retirement System Contribution	Increase State's contribution to TSERS and consolidate Judicial Retirement System	36,100,000	36,100,000
Teachers and State Employees	Increase pay for teachers and state employees by 1%	135,700,000	135,700,000
Teachers and State Employees Retirees	Adjust cost-of-living for teacher and state employee retirees by 1%	35,000,000	35,000,000
State Health Plan	Increase yearly appropriation by estimated 4.7% premium each year	45,000,000	136,200,000
Severance Reserve	Severance payments to state employees during reduction in force	7,500,000	0
Savings Reserve Account	Additional amount will be to bring total over \$800 million	0	69,174,764
Salary Adjustment Reserve	Salary adjustments for state salaries not competitive in market place	20,000,000	20,000,000
Natural Heritage Trust Fund	Shift cost from outside GF, remove appropriation for grants and aid	4,230,000	4,230,000
Parks and Recreation Trust Fund	Shift cost from outside GF, remove appropriation for grants and aid	15,500,000	15,500,000
Solid Waste Trust Fund	Shift cost from outside GF, remove appropriation for grants and aid	2,462,000	2,462,000
Scrap Tire Program	Shift cost from outside GF, remove appropriation for grants and aid	1,079,717	1,079,717
Job Development and Investment Grants (JDIG)	Eliminate	0	0
One North Carolina Fund	Eliminate	0	0
Medicaid Risk Reserve	In response to having larger than expected Medicaid payments	90,000,000	90,000,000
Department of Justice Legal Positions Reserve	Transfer of positions and operations from Department to respective agencies	7,450,319	9,933,759
NC Government Efficiency and Reform Project (NC GEAR)	Efficiency project to transform government	2,000,000	2,000,000
Disaster Relief Reserve	Reserve for severe weather destruction	10,000,000	10,000,000
Debt Service Requirements	Additional debt payments based on cash flow	9,413,277	10,207,641
Net Change		480,502,435	759,587,881
<b>TOTAL APPROPRIATIONS</b>		<b>1,236,625,296</b>	<b>1,515,737,742</b>

**Appendix I: JLF Transportation Availability FY2014 and FY2015 (\$ in Millions)**

<b>Highway Fund</b>		<b>FY 2013-2014</b>	<b>FY 2014-2015</b>	<b>Highway Trust Fund</b>		<b>FY 2013-2014</b>	<b>FY 2014-2015</b>
<b>Beginning Credit Balance:</b>				<b>Beginning Credit Balance:</b>			
Unappropriated Balance from FY 2012-13		0		Unappropriated Balance from FY 2012-13		0	0
Anticipatd Reversions from FY 12-13		0	0	Anticipatd Reversions from FY 12-13		0	0
Anticipated Overcollections from FY2012-13		0	0	Anticipated Overcollections from FY2012-13		0	0
<b>Anticipated Beginning Unreserved Credit Balance</b>		<b>\$0</b>	<b>\$0</b>	<b>Anticipated Beginning Unreserved Credit Balance</b>		<b>\$0</b>	<b>\$0</b>
<b>Tax Revenue</b>				<b>Tax Revenue</b>			
Motor Fuels		1,368.2	1,316.1	Motor Fuels		456.1	438.7
Gasoline Inspection		13.8	13.2	Highway Use		550.2	565.3
Highway Use		0.3	0.3	<b>Subtotal</b>		<b>\$1,006.3</b>	<b>\$1,004.0</b>
<b>Subtotal</b>		<b>\$1,382.3</b>	<b>\$1,329.6</b>				
<b>Non-Tax Revenue</b>				<b>Non-Tax Revenue</b>			
Staggered Registration		194.6	197.6	Certificate of Title Fees		83.7	85.3
International Registration Plan		65.7	68.0	Miscellaneous Title Fees		14.7	15.1
Driver Licenses		122.5	123.8	Investment Income		1.0	1.0
Truck Licenses		131.6	132.4	Redirect Highway Transfer from GF		218.1	215.9
Other Licenses and Fees		36.5	37.0	<b>Subtotal</b>		<b>\$317.5</b>	<b>\$317.3</b>
Investment Income		4.0	4.0				
<b>Subtotal</b>		<b>\$554.9</b>	<b>\$562.8</b>				
<b>Total Highway Fund Availability</b>		<b>\$1,937.2</b>	<b>\$1,824.4</b>	<b>Highway Trust Fund Availability</b>		<b>\$1,323.8</b>	<b>\$1,321.3</b>
<b>Recommended Appropriations:</b>				<b>Recommended Appropriations:</b>			
Original Certified Budget		1,696.2	1,692.3	Original Certified Budget		1,118.6	1,152.0
Recommended Reductions		(77.6)	(78.0)	Recommended Reductions		(300.6)	(302.2)
Recommended Expansion		318.6	278.1	Recommended Expansion		505.8	471.5
<b>Total Appropriations Recommended</b>		<b>\$1,937.2</b>	<b>\$1,892.4</b>	<b>Total Appropriations Recommended</b>		<b>\$1,323.8</b>	<b>\$1,321.3</b>
<b>Total Ending Balance</b>		<b>\$0.0</b>	<b>\$0.0</b>	<b>Total Ending Balance</b>		<b>\$0.0</b>	<b>\$0.0</b>

**Appendix J: Transportation**

<b>Base Budget Item</b>	<b>Recommendation</b>	<b>FY 2013-2014</b>	<b>FY 2014-2015</b>
<b>Highway Fund - Starting Budget</b>		<b>1,696,197,124</b>	<b>1,692,322,459</b>
Maintenance	Implement Hartgen/Reason proposals in priority-setting, contracting	(69,500,000)	(69,500,000)
Planning and Administration	Implement Hartgen/Reason proposals in long-range planning, operations	8,400,000	8,400,000
Economic Development	Implement Hartgen/Reason proposal to fund growth-enhancing projects	21,200,000	15,000,000
Driver Education	Reduce appropriation, expecting less 9th grade ADM	(625,322)	(595,583)
Construction	Remove pass-through	(7,000,000)	(7,000,000)
High Point Furniture Market	End GF appropriation, fund with private sponsors	0	(500,000)
Division of Highways Employees	Remove vacant positions	(426,426)	(426,429)
Reserve for Maintenance	Restore nonrecurring funds and reallocate other funds to high priorities	59,094,845	14,865,469
System Preservation	Restore nonrecurring funds and reallocate other funds to high priorities	102,000,000	102,000,000
Contract Resurfacing	Restore nonrecurring funds and reallocate other funds to high priorities	81,000,000	81,000,000
Contingency Program	Reallocate funding from Small Urban Program	2,000,000	2,000,000
Commercial Driver License (CDL) Facility	Additional driver's license examiners	247,590	231,190
Vehicle Registration, Credit Card Payment Fees	Support through user fees, remove appropriation	6,380,290	6,380,290
Information Technology	Replace mainframe applications	8,832,000	13,798,400
Division of Motor Vehicles	Reallocate funding to add weekend office hours, improve service	1,430,465	963,829
Capital, Repair and Renovation	Repair Department-owned facilities	18,055,500	19,937,700
Ferry Vessels	Support through user fees, remove appropriation	1,150,000	-
Security	Contract security for seven DOT buildings	303,896	303,896
Appalachian Regional Commission	Fiscal Division	278,099	278,099
Employees	Increase salary for employees by 1% supported by Highway Fund	3,801,845	3,801,845
Retiree	Increase cost of living by 1% supported by Highway Fund	1,000,000	1,000,000
Retirement System	Increase to retirement system supported by Highway Fund	1,200,000	1,200,000
Health Plan	Covers employees supported by Highway Fund	2,200,000	6,900,000
<b>TOTAL APPROPRIATIONS</b>		<b>241,022,782</b>	<b>200,038,706</b>
<b>NET Change</b>		<b>1,937,219,906</b>	<b>1,892,361,165</b>
<b>Highway Trust Fund - Starting Budget</b>		<b>1,118,600,000</b>	<b>1,152,000,000</b>
Transportation Improvement Program	Implement Hartgen/Reason proposal to defer low-priority projects	(200,000,000)	(200,000,000)
Transportation Improvement Program	Implement Hartgen/Reason proposal to build projects incrementally	(100,000,000)	(100,000,000)
Transportation Improvement Program	Implement Hartgen/Reason proposal to fund major projects separately	100,000,000	100,000,000
Interstate 95	Implement Hartgen/Reason proposal to begin I-95 improvements	150,000,000	150,000,000
Construction	Implement Hartgen/Reason proposal to improve safety on rural roads	100,000,000	100,000,000
Construction	Speed up other high-priority interstate, intrastate projects	155,800,000	121,500,000
Program Administration	Reduce allocation to align with revenue	(619,200)	(2,236,800)
<b>TOTAL APPROPRIATIONS</b>		<b>205,180,800</b>	<b>169,263,200</b>
<b>NET Change</b>		<b>1,323,780,800</b>	<b>1,321,263,200</b>