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THE FY2012-13 FINAL BUDGET:

Underfunding Vital Investments in Education, Health, Environment, and Infrastructure

BY BRENNER ERFORD BURCH, TAZRA MITCHELL, AND ALLAN FREYER

EXECUTIVE SUMMARY

- The \$20.2 billion state budget proposed by the legislative final committee for fiscal year 2012-2013 (FY2012-13) increases total state spending by \$242.4 million, or 1.2 percent, over the \$19.9 billion continuation budget.
- Governor Perdue vetoed the final budget, and the General Assembly overrode the veto on July 2, 2012.
- The final budget increases gross total availability over base tax and non-tax revenues by \$817.1 million by taking \$75.5 million in cash balances from non-General Fund sources - including \$45 million from the One NC Fund and \$14 million from the Teaching Fellow Trust Fund - as well as diverting \$3.8 million to the General Fund from Golden LEAF, transferring \$239.9 million to the General Fund from the Highway and Highway Trust funds, and claiming \$9.6 million in General Fund restitution from the National Mortgage Settlement.
- The final budget reduces gross availability by depositing \$146.3 million in state savings accounts, extending three tax sunsets - including the state's film production tax credit - and creating a new tax deduction at a cost of \$5.8 million. It also adjusts for the non-sale of \$25 million in state assets, and pays \$154 million toward North Carolina's \$280.5 million current-year Medicaid shortfall. This leaves the final budget with net General Fund availability of \$486 million over base tax and non-tax revenues.
- The final budget reduces the \$503 million in recurring cuts to school districts by \$143.3 million, leaving a recurring LEA Adjustment of \$360 million. However, the net increase to the state's K-12 public school budget is only \$62 million, and when accounting for the loss of \$259 million in federal recovery funding next year, public schools across North Carolina will have to operate with \$190 million less in FY2012-13 than they had in FY2011-12.
- The final budget restores \$194.2 million in funding to the Medicaid program, which significantly reduces but does not eliminate the program's projected \$243 million shortfall for FY2012-13.
- The final budget takes no significant actions to address the state's growing structural budget deficit, and as such it provides neither short-term nor long-term relief from growing budget pressures in key areas of state investment necessary to supporting full economic recovery.

Overview

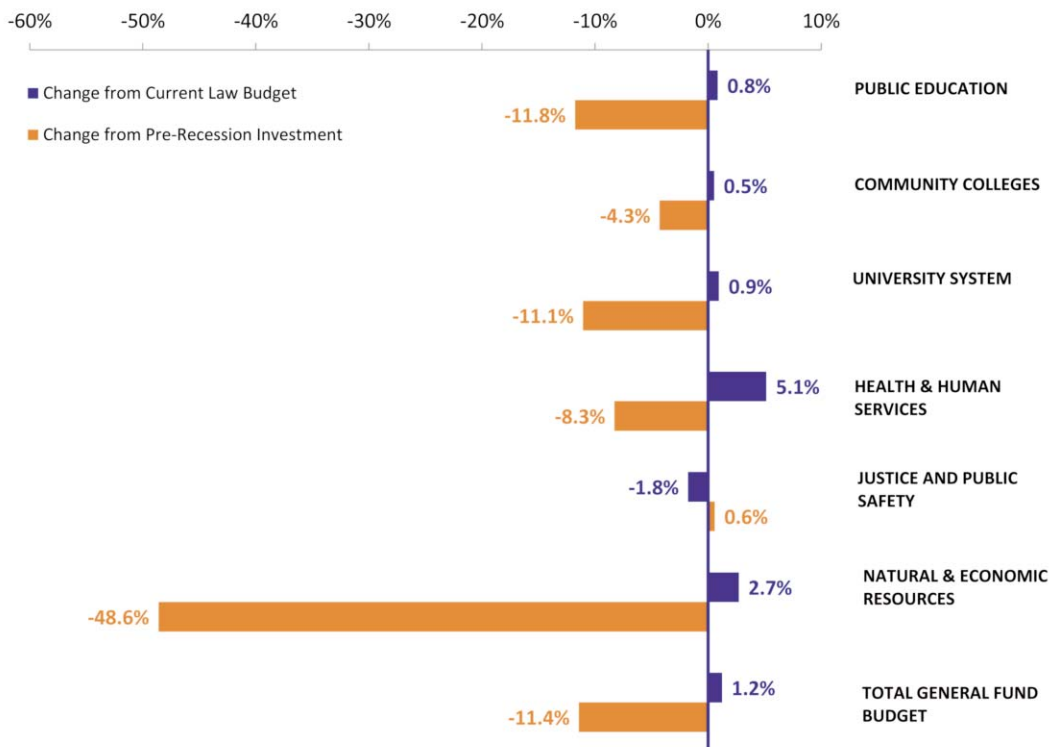
The final state budget marks a midpoint between the austerity of the \$20.1 billion Senate budget and the \$20.3 billion House budget. As in both legislative budgets passed this year, it raises no new revenue, and as such it continues to underfund key state investments in education, health, safety, and infrastructure that are vital to North Carolina's struggling economy.

Although the final budget increases spending by 1.2 percent over the continuation budget, when compared to state spending before the Great Recession it reflects a tremendously diminished baseline budget – one that has resulted in fewer teachers in classrooms, aging and out-of-date textbooks, skyrocketing tuition rates for students at public colleges and universities, higher costs for accessing the courts, and widespread disrepair in the state's transportation infrastructure.

The chart below places the final budget in context of the continuation budget and state spending before the Great Recession (FY2007-08, adjusted for inflation). From an overall fiscal standpoint, the final budget continues in the same direction as the one set in the 2011 legislative session. As such, it will continue to significantly underfund the education, well-being, and safety of all North Carolinians.

The final budget spends 1.2% more than continuation budget, but 11.4% less than pre-recession state budget (FY2007-08 adjusted).

FIGURE 1: The final budget would spend 1.2% more than continuation budget, but 11.4% less than pre-recession state budget (FY2007-08 adjusted)



How Does the Legislature Pay for Its Budget?

The final budget is built on the expectation of base revenues of \$18.9 billion – primarily from the state personal income tax, sales tax, and corporate income tax – and non-tax revenues (excluding transfers from transportation funds) of \$773 million, totaling \$19.7 billion. The budget’s spending side requires \$20.2 billion – \$242 million more than the continuation budget. As a result, the budget required \$475.3 million in additional funding in order to achieve balance.

FIGURE 2: THE FINAL FY2012-13 BUDGET

	FY2012-13
Pre-Recession Budget (FY2007-08, Inflation-Adjusted)	\$ 22,783,606,634
FY 12-13 Certified Approved Budget	\$ 19,937,449,375
<i>Recurring Adjustments</i>	\$ 174,007,994
<i>Nonrecurring Adjustments</i>	\$ 68,405,115
Total FY 12-13 General Fund Appropriations	\$ 20,179,862,484
% Change from Pre-Recession Budget	-11.4%
% Change from Certified Approved Budget	1.2%

The final budget raises a total of \$817.1 million in gross General Fund availability over base tax and non-tax revenues. This total includes a \$232.5 million revenue surplus, \$205.5 million in anticipated state agency reversions, \$239.9 million in transfers from the Highway Fund and

Highway Trust Fund,¹ \$98 million in other fund transfers and adjustments to availability, and \$41.3 million in unappropriated funds from FY2011-12.

The final budget then reduces availability by \$331.1 million in gross pre-budget expenditures. The budget reduces gross availability over base revenues as follows:

- \$154 million paid toward the current-year Medicaid shortfall²
- \$123.2 million deposited in the state’s Rainy Day Fund
- \$23.2 million deposited in the Repairs and Renovations Reserve Account
- \$25 million downward adjustment for the non-sale of state assets
- \$3.2 million to extend an existing sales tax refund for passenger air carriers that purchase fuel in North Carolina
- \$800,000 to extend the state’s Work Opportunity Tax Credit
- \$1.8 million to create a \$250 tax deduction for the purchase of educational supplies by educators

Net of all adjustments to availability, the final budget supplements \$19.7 billion in base tax and non-tax revenues with \$486 million in one-time General Fund availability, raising total General Fund availability to \$20.2 billion.

CREDIT BALANCE (ONE-TIME MONEY)

The final budget uses a net current-year credit balance of \$479.2 million, consisting of a \$232.5 million revenue surplus, \$205.5 million in anticipated state agency reversions, and \$41.2 million in unappropriated funds. While this year’s modest revenue surplus is fully attributable to stronger-than-expected personal income tax collections, the data necessary to fully understand what drove this surplus is not available at the time of this publication. In keeping with a slow and uneven state economic recovery, state sales tax collections are projected to come in slightly below projections, as are state corporate income taxes.

BALANCE TRANSFERS

The final budget makes sizeable transfers to the General Fund from non-General Fund sources. Not including transfers from transportation funding sources, the final budget includes \$79.2 million in non-General Fund balance transfers. This includes \$45 million

from the One NC Fund, \$14 million from the Teaching Fellows Trust Fund, \$14 million from the Information Technology Internal Service Fund, \$3.8 million in diverted Master Settlement Agreement funds for the Golden LEAF Foundation, and \$2.5 million from the E-Commerce Cash Reserve.

EDUCATION LOTTERY SURPLUS

The final budget uses the projected \$42 million education lottery surplus to increase appropriations to UNC Need-Based Financial Aid by \$25.6 million and decrease the LEA Adjustment recurring cut in the K-12 education budget by \$16.4 million.³ Lottery revenues other than the surplus will remain as appropriated in the 2011 legislative budget – \$220.6 million for class size reduction, \$63.1 million for NC Pre-K, \$100 million for the Public School Building Capital Fund, \$30.5 million for community college need-based scholarships, and \$10.7 million for UNC Need-Based Financial Aid.

The Revenue Plan

The final budget does not raise any new revenue to address North Carolina's myriad and growing budget pressures, including annual enrollment growth in both K-12 and post-secondary schools, the loss of remaining federal recovery dollars currently supporting more than 5,000 classroom jobs in K-12 public schools, and the needs of a growing and rapidly aging state population. Furthermore, it keeps in place a \$336 million business tax exemption passed in the 2011 budget that is available to firms of any size, whether or not those firms are employers. The final budget, as in both legislative budgets, does not amend this costly and ineffective tax expenditure – exempting the first \$50,000 in non-passive business income for a business of any kind – or restrict it to certain types of firms, such as small businesses or employers. In a late technical amendment to the budget, North Carolina's existing film tax credit was extended for an additional year. This credit, which is estimated to cost \$60 million per year.

There are four tax-related provisions in the final budget – the extension of the film tax credit, an extension of the state Work Opportunity Tax Credit, an extension of an existing annual sales tax refund for passenger air carriers that purchase fuel within the state, and a special provision creating a tax refund for public and non-public school teachers who purchase educational supplies with their own money.

FILM TAX CREDIT EXTENSION

The final budget was amended late in the legislative process to extend North Carolina's existing film tax credit through tax year 2015. This change – which was included in the final budget as part of a last-minute deal in exchange for a key vote to override the Governor's veto – will continue to reduce state revenue availability by \$60 million per year. While this tax credit's impact on site selection could be interpreted as evidence that film subsidies have "worked", more rigorous economic research has demonstrated that credits like it generate little economic return for the loss in state revenues. The most extensive study of film subsidies was conducted in Massachusetts, where researchers found that residents enjoyed only 16 percent of the compensation paid to employees working on film productions. Most importantly, research has shown that film subsidies do not generate revenue to offset their initial cost. Estimates of revenue gains range from just \$0.07 to \$0.28 for every dollar spent on this tax credit.⁴

WORK OPPORTUNITY TAX CREDIT

The final budget extends North Carolina's Work Opportunity Tax Credit (WOTC) at an estimated cost of \$800,000 in FY2012-13. The state credit is equal to 6 percent of the federal WOTC, which is a tax credit available to private, for-profit businesses that hire individuals from "target groups" that have consistently faced significant barriers to

employment. Eligible hires include recipients of Temporary Assistance to Needy Families benefits, Supplemental Nutrition Assistance Program (food stamps) recipients, high-risk youth, and veterans who are unemployed and/or have disabilities. The objective of the federal and state tax credits is to enable persons in these target groups to become employed and self-sufficient and to encourage employers to hire from these groups by reducing their federal income tax liability.⁵ The state portion of the WOTC is set to expire on January 1, 2012, but the final budget extends the credit through tax year 2013.

EXTENSION OF SALES TAX REFUND FOR PASSENGER AIR CARRIERS

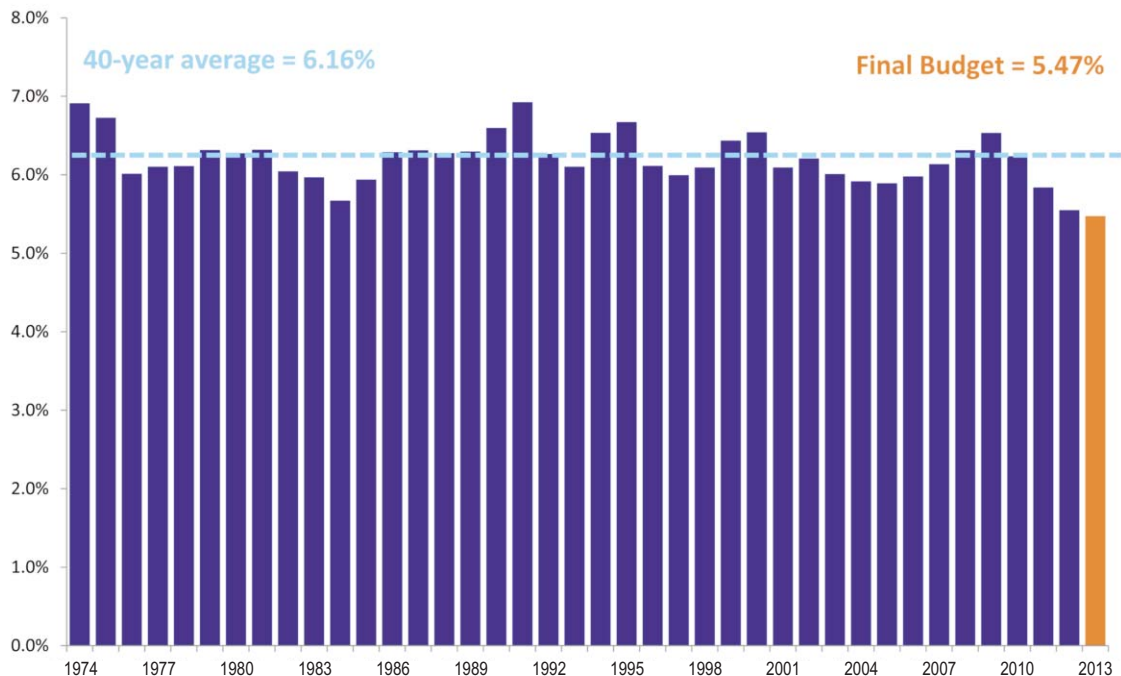
Under current law, passenger air carriers are allowed an annual sales tax refund for tax paid on fuel purchases in excess of \$2.5 million.⁶ This refund was created by lawmakers who were concerned that commercial airlines may choose not to refuel while on the ground in North Carolina airports due to regional variations in fuel prices. The refund was set to expire on January 1, 2013 but is extended under the final budget.

TAX EXEMPTION FOR SCHOOL SUPPLIES PURCHASED BY TEACHERS

The final budget creates a new \$250 income tax deduction for educational supplies—books, computers, software, and supplementary materials—purchased by teachers at public and non-public schools with their own money. The cost of the deduction is estimated at \$1.8 million annually and will be available for eligible filers starting in tax year 2012.⁷ This tax break will be available to individuals teaching in non-public school settings, including home schools. It is noteworthy that the state budget for textbooks and instructional materials for the state’s public schools was cut by \$92 million in FY2011-12 and an additional \$4.3 million (\$96.3 million, total) in FY2012-13. This provision was included in the Senate budget but not the House budget, and it is one of the special provisions taken from the Excellent Public Schools Act (see Public Education in the next section).

FIGURE 3: General Fund spending as a percent of North Carolina’s economy would fall to a new 40-year low under the final budget

Total General Fund Appropriations as a percent of State Personal Income



The Spending Plan

The final budget increases total General Fund spending by \$242.2 million, or 1.2 percent, over the continuation budget. The greatest share of expansion spending will take place in the Health and Human Services budget, which is increased by \$228.7 million, or 5.1 percent, over the continuation budget. The final budget also reduces the projected \$243 million Medicaid shortfall for FY2012-13 by restoring a net \$194.2 million to the Division of Medical Assistance – a 6.7-percent increase over the continuation budget but still \$59 million less than agency estimates of what is needed to meet the program’s obligations in the coming year.

In historical context, the final budget does not constitute any significant increase in overall state spending as a share of the North Carolina economy. Over the past 40 years, average General Fund spending as a share of North Carolina's economy has averaged 6.16 percent. The final budget increases state spending as a share of the state's economy to 5.47 percent—just 0.05 percent over the continuation budget—and makes FY2012-13 the year of North Carolina’s lowest overall state General Fund spending in four decades.

PUBLIC EDUCATION

The final budget increases net spending on K-12 public schools by \$62.4 million, or 0.8 percent, from the continuation budget. It reduces the Local Education Agency (LEA) Flexibility Adjustment – a massive recurring cut to the K-12 public school budget that is set to increase to \$503 million under the continuation budget – by \$143.3 million,

FIGURE 4: EDUCATION APPROPRIATIONS

	FY2012-13 Continuation Budget	FY2012-13 House Recommended	FY2012-13 Senate Recommended	Final FY2012-13 Budget	Change from Continuation Budget	% Change from Continuation
Public Instruction	\$ 7,444,122,100	\$ 7,692,234,560	\$ 7,478,264,218	\$ 7,506,553,067	\$ 62,430,967	0.5%
Community Colleges	\$ 985,000,000	\$ 995,000,000	\$ 980,822,477	\$ 990,165,000	\$ 5,165,000	-0.4%
UNC System	\$ 2,551,672,698	\$ 2,562,230,839	\$ 2,575,718,169	\$ 2,575,781,169	\$ 24,108,471	0.9%
TOTAL	\$ 10,980,794,798	\$11,249,465,399	\$ 11,034,804,864	\$ 11,072,499,236	\$ 91,704,438	0.5%

changing the total recurring cut from \$503 million to \$360 million effective in FY2012-13. The final budget also appropriates \$27 million to implement the first year of changes under the Excellent Public Schools Act,⁸ parts of which are included as special provisions in the K-12 education budget.

FINAL BUDGET DOESN'T REPLACE LOST FEDERAL FUNDING, LEAVES SCHOOLS WITH \$190 MILLION LESS TO SPEND NEXT YEAR

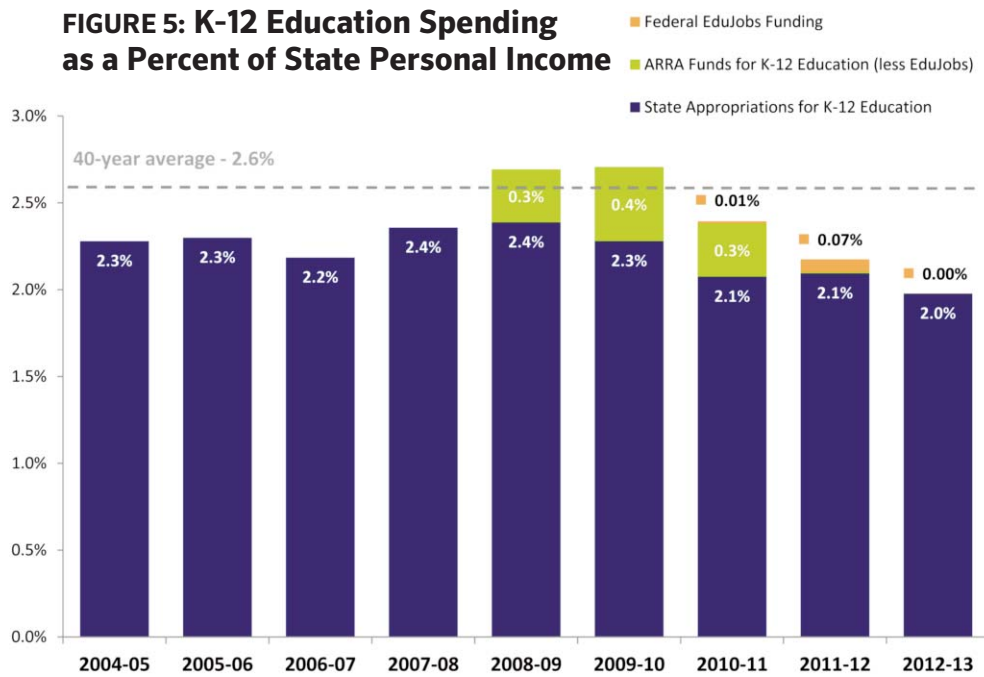
The final budget does not address the impending loss of \$259 million in remaining federal EduJobs money in FY2012-13.⁹ This money, allocated by Congress through the American Recovery and Reinvestment Act of 2009 (ARRA), reduced the impact of the recession on classrooms by supplanting state General Fund appropriations for public education from FY2008-09 through FY2011-12.

North Carolina school districts used 92 percent of the federal funds to support classroom jobs over the course of the Great Recession and recovery to date, and recent data from the Department of Public Instruction indicates that these funds currently support 5,449 public-school jobs statewide.¹⁰ The final budget does not replace these funds and would likely force many districts

across North Carolina to cut school jobs. Last year’s cuts to the state public education budget resulted in the loss of 915 teacher jobs and 2,042 teacher-assistant jobs.^{11,12}

Net of the final budget’s reduction of the LEA adjustment, total operational funding – inclusive of both state and federal funds – for public schools will be \$190 million less this year than in FY2011-12.¹³

FIGURE 5: K-12 Education Spending as a Percent of State Personal Income



Furthermore, the final budget provides \$4.7 million in funding for the state’s three residential schools serving special-needs students, restoring 65 percent of the \$7.2 million cut from these schools’ funding in the 2011 state budget. The final budget also cuts the state allotment for textbooks by \$4.3 million, which in combination with the \$92 million cut made in the 2011 budget results in \$96.3 million less for textbooks in FY2012-13.

EXCELLENT PUBLIC SCHOOLS ACT

The final budget includes multiple special provisions from Senate Bill 795, the Excellent Public Schools Act.¹⁴ While the Senate budget included the entirety of this legislation, the final budget does not include provisions that would end teacher career status and eliminate public financing for the election of the State Superintendent of Public Instruction. However, all other Excellent Public Schools Act provisions with measurable fiscal impacts are included in the final budget, and an expansion appropriation of \$27 million is made to implement these provisions in FY2012-13 – an amount \$6.9 million short of the estimated \$33.9 million cost of first-year implementation of the changes. A fiscal estimate of the K-3 literacy improvement provisions suggested that \$9.3 million would be needed in FY2012-13 to provide a kindergarten entry reading assessment and \$23.6 million to perform formative diagnostic reading assessments for all students in grades K-3, as well as \$1.1 million to solicit input from stakeholders on developing statewide plans and providing technical assistance to LEAs to implement the program locally.¹⁵

Over the last 40 years, state spending on K-12 public education has averaged 2.6 percent of state personal income. Under the final budget, lawmakers commit only 2.0 percent of North Carolina personal income to the state’s public schools – an amount 23 percent lower than North Carolina’s historic annual funding commitment to public education.

COMMUNITY COLLEGES

The final budget increases funding for community colleges by \$5.2 million, or 0.5 percent, over the continuation budget. The final budget provides \$5 million in one-time money for a new initiative called the NC Back-to-Work program, which will enable out-of-work North Carolinians to acquire credentials for new careers¹⁶ – an important component to the career pathways model that North Carolina should strive to bring to scale.¹⁷ However, given that the program does not have recurring funding, it is unknown whether a single year’s investment can truly address the challenges of workers facing a persistent shortage of jobs in the midst of significant economic transformation.

The final budget does not eliminate the additional tuition increase of \$2.50 per credit out included in the continuation budget, which will raise tuition per credit hour to \$66.50. This constitutes a 58-percent increase in tuition since FY 2008-09.¹⁸ Rising tuition for students can become a barrier to achieving educational goals, especially for low-income and adult students. The final budget does, however, eliminate the \$5 fee increase per continuing education course.

The ability of community colleges to deliver quality and innovative skills training and education is dependent on the resources at the institutions. In the final budget, just 5 percent of the management flexibility cut is restored with recurring money. The State Board of Community Colleges will need to find \$83 million in reductions across the 58 community colleges in the system.

An important special provision in the final budget changes performance measures and accountability funding in the community colleges to institute concrete measures of student progress and success. Performance measures and accountability funding¹⁹ are important tools that can help state leaders understand community colleges' progress in preparing workers for the jobs of the future. However, instituting those measures requires robust data systems; effective bridge, developmental and job training programs; student supports; and more in order to support individual student - and widespread economic - success. All these things require adequate state investment, which the final budget does not provide.

UNIVERSITY SYSTEM

The final budget increases spending on the UNC System by \$24 million, or 0.9 percent, over the continuation budget. Nonetheless, state investments in the UNC System remain 11 percent below pre-recession levels, even though demand for North Carolinians with bachelor's degrees is projected to increase significantly.²⁰

The final budget increases funding for enrollment growth by \$1.3 million, which is sufficient to cover the projected increase of 780 full-time equivalent students over last year's estimates. It also restores \$18.6 million to the UNC need-based grant program. Additionally, the final budget uses \$25.6 million in one-time lottery surplus funds to restore a portion of spending on financial aid, raising the amount of total lottery funding to \$36.3 million. UNC General Administration has estimated that 3,700 students at its constituent universities will receive need-based grants if the full \$35 million is available.

Faculty and facilities at institutions of higher education are key to providing a state-of-the-art education. The final budget provides an additional \$3 million in recurring funding to the Faculty Recruiting and Retention Fund, which UNC System schools use to remain competitive in the global market for top talent. The final budget also allocates \$9 million - of which \$7 million is recurring - to building funding reserves that will provide for the operation and maintenance of new or renovated UNC buildings.

A noteworthy special provision in the UNC budget directs the NC General Assembly's Fiscal Research Division to perform a study of the tuition surcharge mandated last year and its effect on student achievement and graduation. The tuition surcharge represents a 50-percent increase for students who fail or do not drop a course and take more than 110 percent of the credit hours necessary to achieve a baccalaureate degree. Understanding the impact of this financial cost on student completion will be important to determining whether such punitive measures can support students' success.

HEALTH AND HUMAN SERVICES

The final budget increases spending on health and human services by \$228.7 million, or 5.1 percent, from the continuation budget. Multiple agencies under the Department of Health and Human Services will be required to absorb unspecific management flexibility cuts under this budget, with the Division of Central Management Support directed to cut \$34.3 million, or 76.9 percent, of its operating budget under the plan.

FIGURE 6: HEALTH AND HUMAN SERVICES APPROPRIATIONS

	FY2012-13 Continuation Budget	FY2012-13 House Recommended	FY2012-13 Senate Recommended	Final FY2012-13 Budget	Change from Continuation Budget	% Change from Continuation
Central Management & Support	\$ 44,577,987	\$ 46,085,628	\$ 15,880,642	\$ 45,885,628	\$ 1,307,641	2.9%
Aging Division	\$ 37,019,667	\$ 38,519,667	\$ 72,319,667	\$ 87,019,667	\$ 50,000,000	135.1%
Child Development	\$ 266,102,933	\$ 280,602,933	\$ 256,102,933	\$ 262,602,933	\$ (3,500,000)	-1.3%
Public Health	\$ 157,538,834	\$ 178,309,229	\$ 162,616,284	\$ 168,923,612	\$ 11,384,778	7.2%
Social Services	\$ 186,183,068	\$ 177,103,952	\$ 186,183,068	\$ 177,103,952	\$ (9,079,116)	-4.9%
Medical Assistance	\$ 2,907,276,302	\$ 3,037,547,318	\$ 3,136,851,344	\$ 3,101,448,568	\$ 194,172,266	6.7%
NC Health Choice	\$ 83,717,865	\$ 81,710,435	\$ 83,717,865	\$ 81,710,435	\$ (2,007,430)	-2.4%
Services for the Blind	\$ 8,372,886	\$ 8,204,550	\$ 8,372,886	\$ 8,204,550	\$ (168,336)	-2.0%
Mental Health / DD / SAS	\$ 710,712,232	\$ 714,295,816	\$ 713,958,186	\$ 695,515,251	\$ (15,196,981)	-2.1%
Health Service Regulation	\$ 16,133,031	\$ 17,925,590	\$ 16,133,031	\$ 17,925,590	\$ 1,792,559	11.1%
Vocational Rehabilitation	\$ 37,528,128	\$ 37,528,128	\$ 37,528,128	\$ 37,528,128	\$ -	0.0%
TOTAL HHS APPROPRIATIONS	\$ 4,455,162,933	\$ 4,617,833,246	\$ 4,689,664,034	\$ 4,683,868,314	\$ 228,705,381	5.1%

CHILD DEVELOPMENT

The final budget reduces net state spending on child development by \$3.5 million, or 1.3 percent, from the continuation budget. It does not restore any of the \$37 million in cuts to NC Pre-K that were made in the 2011 legislative budget, but it does not include a special provision from the Senate budget that would have directed the Division of Child Development and Early Education to spend \$11.3 million out of its total FY2012-13 appropriation on NC Pre-K.

The final budget supplants \$7 million in state funding for Smart Start with federal funding through the Child Care and Development Fund, but it also includes \$3.5 million in new funds for testing literacy efforts in certain local programs.

AGING AND ADULT SERVICES

The final budget will increase appropriations to the Division of Aging and Adult Services by \$50 million since this state agency will be tasked with administering a series of actions to transition mentally ill individuals inappropriately housed in group homes to more appropriate, supportive community settings. While \$10.3 million of this new appropriation is recurring, the remaining \$37.9 million is non-recurring.

The final budget uses \$10.3 million in recurring state appropriations to establish a reserve fund, called the Transitions to Community Living Fund, within the Division of Aging and Adult Services to facilitate implementation of a plan to transition individuals with severe mental illness to community living arrangements, including establishment of a rental assistance program. The amount of this reserve is the U.S. Department of Justice’s estimate of what will be needed for the first year of a multi-year settlement addressing the department’s findings on North Carolina’s inappropriate housing of mentally ill adults in adult care homes rather than community settings.

A separate reserve fund will be established with \$39.7 million in non-recurring funds to provide “temporary, short-term assistance” to adult care and group homes as they move toward the state’s Transitions to Community Living Plan. This money will pay monthly stipends to adult care and group homes for residents no longer eligible to receive Medicaid-reimbursable personal care services (PCS) but for whom a community placement has not yet been arranged. This portion of funding for mental health reform may have an institutional bias because it is clearly tied to the organizations that serve mentally ill individuals rather than to the individuals themselves.

MEDICAID

While legislation separate from the final budget has partially addressed the current-year \$280.5 million Medicaid shortfall,²¹ the full shortfall is not paid off by the final budget. Notably, though, the final budget funds the Medicaid rebase with \$212.5 million in

recurring money. The rebase is a biannual adjustment made to the Medicaid program that is intended to keep pace with projected enrollment growth, changes in service consumption, drug prices, changes in federal clinical and financial policies, and other inflationary pressures beyond the control of the Division of Medical Assistance. This change comes closest to closing the projected \$243 million funding gap in the program for FY2012-13 of all legislative budget proposals offered this year. The Medicaid budget also assumes \$59 million in savings through Community Care of North Carolina (CCNC), the state's managed care program.

As in the Senate budget, the final budget makes a major change to eligibility standards for personal care services that could leave as many as 40,000 Medicaid-eligible individuals without the supports they need to live independently in their own communities and homes.²² Personal care services are provided to Medicaid-eligible individuals who require assistance with Activities of Daily Living (ADLs) such as eating, dressing, bathing, toileting, and mobility. Under current standards, the state will pay for an individual to receive personal care services if he requires assistance with 2 ADLs and requires "extensive assistance" with at least one of those two, or if the individual needs "limited assistance" with 3 ADLs. The final budget eliminates the standard for individuals that need "limited" assistance with 3 ADLs, which is the category under which most Medicaid beneficiaries qualify for personal care services.

PUBLIC HEALTH

The final budget increases appropriations to the Division of Public Health by \$11.4 million, or 7.2 percent, over continuation. It provides non-recurring funding for several programs formerly operated with support from the Health and Wellness Trust Fund (HWTF), which was eliminated in the 2011 budget, including prescription assistance programs CheckMeds (\$1.7 million) and the Medication Assistance Program (\$1.7 million). The public health budget also provides \$4.9 million to county health departments to perform a wide array of wellness initiatives, including tobacco prevention and cessation programs that formerly received considerably more financial support from the HWTF. The final budget replaces lost federal block grant funding for services to rape victims with \$200,000 in General Fund dollars and funds the East Carolina University High-Risk Maternity Clinic with \$375,000 in non-recurring funds.

**MENTAL HEALTH,
DEVELOPMENTAL
DISABILITIES, AND
SUBSTANCE ABUSE**

The Senate budget cuts funding for the Division of Mental Health, Developmental Disabilities, and Substance Abuse (MH/DD/SAS) by \$15.2 million, or 2.1 percent, from the continuation budget.²³ The budget continues a \$20 million recurring reduction to community service funding, leaving \$345 million in appropriations for local management entities (LMEs) to purchase community-based mental health services for clients. The final budget reduces the LMEs' administrative budget by \$8.5 million on a recurring basis, and it provides funding for the new Cherry Hospital and to expand capacity by 19 beds at Broughton Hospital. Pass-through funding of \$2.3 million for drug treatment courts is eliminated in this budget.

**JUSTICE AND PUBLIC
SAFETY**

The final budget reduces funding for Justice and Public Safety by \$41.2 million, or 1.8 percent, from the continuation budget. Nearly \$33 million in cuts to Justice and Public Safety agencies are management flexibility cuts, which allow the agencies themselves to determine where reductions are taken. The final budget makes no changes to the continuation budget for the Office of Indigent Defense Services.

**DEPARTMENT OF PUBLIC
SAFETY**

The final budget cuts funding for the Department of Public Safety (DPS) by \$32.2 million, or 1.9 percent, from the continuation budget. This includes a \$26.3 million management flexibility cut, diversion of \$5 million in one-time funds from the Statewide Misdemeanor Confinement Fund to offset a reduction to the Treatment for Effective Community Supervision program, and closure of the Edgecombe Youth Development Center. DPS also receives the Geodetic Survey Section from the Department of Natural and Environmental Resources.

FIGURE 7: JUSTICE AND PUBLIC SAFETY APPROPRIATIONS

	FY2012-13 Continuation Budget	FY2012-13 House Recommended	FY2012-13 Senate Recommended	Final FY2012-13 Budget	Change from Continuation Budget	% Change from Continuation
Public Safety	\$ 1,694,715,876	\$ 1,679,193,043	\$ 1,659,278,368	\$ 1,662,484,741	\$ (32,231,135)	-1.9%
Judicial	\$ 435,141,107	\$ 436,313,762	\$ 430,861,758	\$ 432,806,800	\$ (2,334,307)	-0.5%
Judicial - Indigent Defense	\$ 112,748,733	\$ 112,748,733	\$ 112,748,733	\$ 112,748,733	\$ -	0.0%
Justice	\$ 80,864,138	\$ 74,725,380	\$ 74,489,075	\$ 74,196,634	\$ (6,667,504)	-8.2%
TOTAL	\$ 2,323,469,854	\$ 2,302,980,918	\$ 2,277,377,934	\$ 2,282,236,908	\$ (41,232,946)	-1.8%

DEPARTMENT OF JUSTICE

The final budget cuts funding for the Department of Justice (DOJ) by \$6.7 million, or 8.2 percent, from the continuation budget. This includes a \$1.6 million management flexibility cut to DOJ and shifts \$3 million of one-time money from Departmental receipts to fund operations. The Consumer Protection Division within DOJ loses all state funding and becomes fully receipt-supported, affecting 17 positions that will be eliminated unless adequate funding materializes.

JUDICIAL

The final budget cuts funding for the Administrative Office of the Courts (AOC) by \$2.3 million, or 0.5 percent, from the continuation budget. Notable changes include a \$5 million management flexibility cut to AOC, use of funds from the National Mortgage Settlement to offset a \$200,000 reduction to Final of District Attorneys administration budget, and removal of the Family Court program from continuation review.

NATURAL AND ECONOMIC RESOURCES

The final budget increases total spending on Natural and Economic Resources by \$9.8 million, or 2.7 percent, over the continuation budget. However, this increase obscures the fact that total spending on Natural and Economic Resources (NER) has fallen 48.6 percent below pre-recession levels. Major changes made in the final budget include moving the Division of Soil and Water and the NC Forestry Service to the Department of Agriculture and Consumer Services and moving the Division of Environmental Health to the Department of Health and Human Services.

In the final budget, spending and policy changes continue to disproportionately impact rural North Carolina. The NC Rural Center—a key player in promoting economic development in the state’s rural areas—receives a 15 percent budget cut in the final budget, most of which would be taken from funding that helps small communities upgrade their industrial infrastructure. In combination with last year’s 90 percent funding cut to the Clean Water Management Trust Fund—the state’s single largest resource for financing rural water projects—these cuts to the Rural Center will dramatically reduce the ability of small communities in rural North Carolina to make capital investments in water, sewer, and other industrial infrastructure necessary for industrial development and job creation.

FIGURE 8: NATURAL AND ECONOMIC RESOURCES APPROPRIATIONS

	FY2012-13 Continuation Budget	FY2012-13 Governor's Recommended	FY2012-13 House Recommended	FY2012-13 Senate Recommended	Change from Continuation Budget	% Change from Continuation
Agriculture and Consumer Services	\$ 62,198,634	\$ 62,504,083	\$ 111,774,658	\$ 107,993,258	\$ 45,794,624	73.6%
Commerce	\$ 33,250,463	\$ 53,351,176	\$ 49,460,665	\$ 45,301,053	\$ 12,050,590	36.2%
Commerce - State Aid	\$ 30,151,984	\$ 33,151,984	\$ 31,785,022	\$ 27,308,944	\$ (2,843,040)	-9.4%
Environment and Natural Resources	\$ 148,148,105	\$ 160,312,552	\$ 103,279,160	\$ 106,254,560	\$ (41,893,545)	-28.3%
Wildlife Resources Commission	\$ 17,221,179	\$ 17,665,000	\$ 17,700,000	\$ 17,655,576	\$ 434,397	2.5%
NC Biotechnology Center	\$ 17,551,710	\$ 18,076,710	\$ 17,551,710	\$ 17,200,676	\$ (351,034)	-2.0%
Rural Economic Development Center	\$ 25,376,729	\$ 45,376,729	\$ 25,376,729	\$ 18,369,194	\$ (7,007,535)	-27.6%
Clean Water Management Trust Fund	\$ 11,250,000	\$ 11,250,000	\$ 11,250,000	\$ 11,250,000	\$ -	0.0%
Labor	\$ 15,836,887	\$ 15,536,887	\$ 15,836,887	\$ 15,520,149	\$ (316,738)	-2.0%
TOTAL	\$ 360,985,691	\$ 417,225,121	\$ 384,014,831	\$ 366,853,410	\$ 5,867,719	1.6%

**AGRICULTURE AND
CONSUMER SERVICES**

Similar to both House and Senate proposals, the final budget increases the Department's total appropriation by \$47.4 million, or 76 percent, over the continuation budget. This increase is attributable to shifting two major divisions from the Department of Environment and Natural Resources (DENR) —the NC Forest Service and the Division of Soil and Water Conservation—to the Department. These two divisions serve primarily regulatory functions, and it remains unknown whether the consumer-oriented Department will be able to provide the same level of oversight in these areas as has been done through DENR.

**DEPARTMENT OF
ENVIRONMENT AND
NATURAL RESOURCES**

The final budget shifts the Division of Environmental Health—the agency tasked with regulating the health impacts of industrial activity—to the Department of Health and Human Services' Division of Public Health. The proposal also shifts the Geodetic Survey—the official land, boundary, and geographic survey—to the Division of Emergency Management in the Justice and Public Safety budget. The final budget also restores the \$12.6 million appropriation for DENR field offices, all of which were eliminated in the 2011 legislative budget, but shifts those offices and their employees to other agencies. As a result of these changes and an unspecified 2 percent management flexibility cut, the final budget cuts DENR funding by 27 percent from continuation levels.

Additionally, the final budget incorporates a Senate proposal that makes several policy changes to the Clean Water State Revolving Fund and the Drinking Water State Revolving Fund in an effort to ensure that state dollars are available this year to meet the federal Environmental Protection Agency match for these programs. In doing so, the provision corrects technical timeline-related errors in last year's budget that left the state's matching obligation a full year in arrears.

**CLEAN WATER
MANAGEMENT TRUST
FUND**

The final budget incorporates a provision from the House budget that converts the Fund's appropriation from a recurring to a non-recurring basis and requires that the fund prioritize grants to projects involving military buffers. Additionally, the final budget cuts the Fund's total appropriation to \$10.75 million, a \$500,000 reduction from continuation and an \$89.3 million cut from levels established in statute prior to the 2011 legislative budget. These changes will virtually eliminate the Fund's ability to finance rural water infrastructure redevelopment projects on the scale originally intended.

COMMERCE

The final budget increases the budget for the Department of Commerce by \$7.5 million, or 22.5 percent, over the continuation budget. The largest portions of this increase come from a \$7.5 million non-recurring increase to the Jobs Maintenance and Capital (JMAC) incentive program for large-employer investment. Other key spending changes included a 2 percent flexibility cut, which reduces the agency's budget by \$665,000, restoration of the Commerce Office of Science & Technology, and a \$500,000 non-recurring appropriation to support the state's military bases. The budget also combines the Commerce Energy Office and the Commerce Community Assistance Division and eliminates the position for the Assistant Secretary for Community Assistance.

Additionally, the final budget adopts a Senate provision that authorizes the Employment Security Reserve Fund to spend \$2.5 million on administration costs. It appropriates \$1 million from the Worker Training Fund for OpportunityNC, a workforce development program designed to give unemployed workers on-the-job training and hiring preferences at private businesses. The final budget also transfers \$20 million from this reserve fund to the Department of Commerce to assist with the agency's merger with the Employment Security Commission.

As in the Senate proposal, the final budget targets the One NC Fund—a discretionary economic development incentive program—for significant policy and spending changes, including a transfer of \$45 million from the One NC Fund cash balance to

increase overall General Fund availability. Furthermore, the final budget requires One NC to report quarterly on incentive disbursements and commissions a Commerce study to determine the minimum funding level required to implement the program. Interestingly, the final budget drops a Senate earmark of \$6 million in General Fund appropriations for an unspecified economic development project and instead includes \$5 million set-aside within the OneNC Fund for a similarly unspecified project.

The final budget also incorporates House and Senate budget language that alters reporting, liability, and compliance requirements for all incentive programs while capping future-year incentive obligations to \$14 million per year. In line with these provisions, the final budget appropriates \$9 million in recurring funds to One NC to meet existing obligations arising from previously-signed incentive deals.

COMMERCE STATE AID

The final budget reduces state pass-through funding to nonprofits promoting economic development by \$1.2 million, or 4 percent, in the Commerce Department's State Aid budget. Included in these reductions are \$1.3 million in recurring and \$28,000 in non-recurring flexibility cuts across all pass-through funds - a 4.4 percent reduction from continuation. The final budget also eliminates \$2.24 million in recurring funding for the Biofuels Center of North Carolina, the nonprofit tasked with developing the state's biofuels industry. This cut is equal to half of the center's budget. However, the final budget supplants state funding for the Center with \$2.24 million in one-time funds from the state's environmental damage settlement with the Tennessee Valley Authority.

The final budget also increases funding for regional economic development partnerships by \$1.3 million in non-recurring funds. However, the final budget adopts Senate language that eliminates the recurring appropriation for the Eastern Regional Partnerships and replaces it with one-time funding provided by interest off Global Transpark Zone loans. The Eastern Regional Partnership's former appropriation is then redistributed to the other six regional partnerships. The budget also incorporates a House provision that takes \$56,000 from the Piedmont Triad Regional Partnership appropriation and gives this money to the Montgomery County Economic Development Commission.

Additional one-time earmarks include a \$500,000 appropriation to Johnson & Wales University for an unspecified purpose and a \$500,000 appropriation to RTI International to match US Department of Energy grant funds for energy-related research.

Also in the State Aid budget, the budget for the NC Biotechnology Center is cut by \$351,000, or 2 percent, while the Wildlife Resources Commission's budget is increased by 2.5 percent due to the restoration of \$778,000 in funding for the Conservation Education Program.

RURAL ECONOMIC DEVELOPMENT CENTER

The final budget cuts the NC Rural Center's budget by \$3.8 million, or 15 percent, from the continuation budget. This cut includes \$507,535 in flexibility cuts and \$3.2 million in operating cuts.

(continued on page 14)

FINAL BUDGET SPENDS TVA DOLLARS IN WESTERN NC, SUPPLANTS GENERAL FUNDING FOR BIOFUELS

North Carolina will receive \$11.2 million over the next five years from a Tennessee Valley Authority

(TVA) settlement with the U.S. Environmental Protection Agency over Clean Air Act violations at a

number of TVA coal-fired power plants in states bordering western North Carolina. In the agreement, the stated intent of these funds is to support renewable energy projects in the region most affected by TVA coal-fired plant violations – namely, western North Carolina. Funds from this settlement were first

available in 2011, but since North Carolina did not request funding in that year, a total of \$4.5 million representing the first two years of settlement disbursements is included in the final budget. Half of these funds will be allocated to the Energy Office within the Department of Commerce for the Biofuels Center of North Carolina, and the other half will go to the Department of Agriculture for the purpose of encouraging the agricultural and forestry sectors to use and produce renewable energy and carbon sequestration. A late amendment to the budget

technical corrections bill also increases the Department of Agriculture’s discretion in awarding these funds, so that while western North Carolina counties will enjoy prioritization, counties outside that region will still technically be eligible for – and could receive – these funds.

The Commerce portion of TVA settlement funds will be used to fund the Biofuels Center of North Carolina, a nonprofit economic development entity located in Oxford that seeks to develop a long-term biofuels industry in North Carolina. However, the final budget

would supplant \$2.25 million, or 50 percent, of state appropriations to the Biofuels Center with TVA settlement money. Although it is within the General Assembly’s discretion to fund the center using TVA money in future years, such an action would remove continuing state support for this economic development tool. Since nascent industries need reliable support over the long term in order to expand, thrive, and profit, the final budget puts the biofuels industry on an equally uncertain path into the future.²⁴

TRANSPORTATION

The final budget includes a \$3.1 billion transportation budget, which constitutes a funding cut of nearly \$120.5 million, or 3.7 percent, from the continuation budget.²⁵ The transportation budget is supported by revenue from the Highway Fund and Highway Trust Fund, which receive revenue generated by the state’s gas tax, highway use tax, and Division of Motor Vehicle fees. The final budget appropriates \$2 billion to the Highway Fund and \$1.1 billion to the Highway Trust Fund.

Budget cuts to Transportation stem in part from a revised revenue forecast that estimated a revenue shortfall due to declining fuel consumption as well as from budget writers’ anticipation of a 37.5 cents cap on the state’s gas tax for FY2012-13.

GAS TAX CAP WOULD UNDERMINE NC’S STRAINED TRANSPORTATION INFRASTRUCTURE

The final budget caps the state’s gas tax at 37.5 cents for FY2012-13. The gas tax, which accounts for more than half of state revenues dedicated for transportation projects, is currently set at 38.9 cents per gallon, and because it is adjusted twice a year to reflect changes in the average wholesale price of gas, it is expected to drop to 37.7 cents this

month (July 2012).²⁶ A cap on the overall gas tax rate would be a short-sighted policy proposal that has huge long-term costs and minimal benefits. Capping the gas tax is estimated to cost the transportation budget \$81.6 million in FY2012-13,²⁷ but the average motorist will only save approximately \$11 at the pump as a result of the cap.²⁸

To build and maintain a reliable transportation system that is efficient and safe, lawmakers need to maintain revenue sources, like the gas tax, that generate adequate funding to address growing strains on North Carolina’s transportation infrastructure as well as the current backlog of stressed roads, bridges, and railroads.

HIGHWAY FUND

The final budget cuts funding for Highway Fund programs by \$113.1 million, or 5.3 percent, from the continuation budget and eliminates a net total of 22 positions. Compared to the continuation budget, the final budget makes \$87.6 million in additional cuts to primary and secondary road programs. The final budget also changes the construction of secondary roads to be subject to a statewide prioritization plan rather than the existing equity formula. The budget also cuts Highway Fund state aid to municipalities by nearly \$1 million.

The final budget eliminates the Public Transportation Division's New Starts Program and shifts \$25 million in its unexpended fund balance to the LYNX Blue Line Extension project. It reduces public transportation grants by \$1.9 million. Funding for fixed-guideway projects, commonly referred to as commuter and light rail, will now compete with highway and road projects for funding from the Highway Trust Fund.

The final budget levies tolls on all ferries in the state with three exceptions: the Hatteras-Ocracoke ferry and the Knotts Island ferry remain exempt from tolls per current state law and the Cherry Branch/Minnesott Beach route is toll-free for FY2012-13, but not beyond.

HIGHWAY TRUST FUND

The final budget cuts funding for Highway Trust Fund programs by nearly \$16.6 million, or 1.5 percent, from the continuation budget. The final budget provides a \$45 million recurring appropriation and a \$32.5 million non-recurring appropriation to the Mobility Fund, which was created in 2010 to fund high-priority transportation projects aimed at easing congestion and enhancing connectivity. This year, \$63 million in Mobility Funds will come from non-recurring cuts to the planned Garden Parkway and Mid-Currituck Bridge toll projects, which will not be ready to expend the funds in FY2012-13.

Other notable Highway Trust Fund cuts include a \$9.3 million reduction to the interstate system, \$3.8 million less for urban loops, and \$1 million less to both state aid to municipalities and the secondary road system. The budget appropriates \$2 million to advance and supplement project studies related to the Mid-Currituck Bridget project.

CONCLUSION

This budget, which falls far short of investing adequately in North Carolina's educational systems and infrastructure, does so in order to preserve a costly and ineffective \$336 million tax giveaway to wealthy North Carolinians and large corporations set in place by the 2011 legislative budget. Policymakers could have made much better choices and, by raising revenue and investing adequately in education, health, and infrastructure, set North Carolina on a much stronger path to recovery.

- 1 As in the House budget, the Senate budget would transfer \$248 million from funds within the state's transportation budget to increase General Fund availability. While approximately \$188 million of that transfer is to support the State Highway Patrol (which was shifted over to the Justice and Public Safety budget last year), the remaining money would go to other purposes. This practice is contrary to a 2007 General Assembly resolution that budget writers would phase out the use of transportation funds to increase General Fund availability by FY2013-14. While this accounting practice makes this change look like increased General Fund spending, it is offset by a commensurate decrease in the Transportation budget and as such has no net economic impact.
- 2 The final budget would pay for \$154 million, or 75 percent, of the \$205.5 million current-year Medicaid shortfall with General Fund dollars. S.L. 2012-002 directs the State Controller to pay the remaining \$51.5 million with \$29 million in funds from within the Department of Health and Human Services and \$21 million in unanticipated federal CHIPRA bonus receipts.
- 3 Lottery surplus appropriations to the LEA Adjustment are one-time only, and effectively supplant General Fund dollars that will be needed to keep the LEA Adjustment at \$360 million in FY2013-14 and beyond.
- 4 Tannenwald, Robert, December 9, 2010. State Film Subsidies: Not Much Bang for Too Many Bucks. Center on Budget and Policy Priorities: Washington DC.
- 5 NC Division of Employment Security <http://www.ncesci.com/business/savemoney/wotc.asp>
- 6 See NCGS § 105-164.14A
- 7 Detail on cost drivers and estimates are not provided in the money report for House Bill 950, Modify 2011 Appropriations Act, and have been taken from the legislative fiscal note for Senate Bill 795, Excellent Public Schools Act (version 3). Available at <https://docs.google.com/viewer?url=http%3A%2F%2Fncleg.net%2FSessions%2F2011%2FFiscalNotes%2FSenate%2FPDF%2FSFN0795v3.pdf>
- 8 See Senate Bill 795, Excellent Public Schools Act. Available at <http://ncleg.net/gascripts/BillLookUp/BillLookUp.pl?Session=2011&BillID=795&submitButton=Go>
- 9 See Burch, Brenna, May 2012. Time to Step Up: With Federal Recovery Funds Gone, State Lawmakers Must Recommit to Funding Public Education with General Fund Appropriations. BTC Brief: NC Justice Center, Raleigh, NC and McLenaghan, Edwin, September 2011. North Carolina's Disappearing Educators. BTC Brief: NC Justice Center, Raleigh, NC.
- 10 See Department of Public Instruction calculation of net impact of conference budget by district at <http://www.ncpublicschools.org/docs/fbs/budget/conferenceadjustment12-13.xls>

- 11 BTC Just the Facts: Real Solutions Require Real Facts. NC Justice Center: Raleigh, NC. Available at <http://www.ncjustice.org/?q=btc-just-facts-real-solutions-require-real-facts>
- 12 See Burch, Brenna, May 2012. Time to Step Up: With Federal Recovery Funds Gone, State Lawmakers Must Recommit to Funding Public Education with General Fund Appropriations. BTC Brief: NC Justice Center, Raleigh, NC and McLenaghan, Edwin, September 2011. North Carolina's Disappearing Educators. BTC Brief: NC Justice Center, Raleigh, NC.
- 13 See BTC analysis of public school budget impact at <http://74.220.215.210/~ncjustic/sites/default/files/justreleasedbudget2.jpg>
- 14 See Part VII.A. Excellent Public Schools Act in House Bill 950, version 5. Available at <http://ncleg.net/Sessions/2011/Bills/House/HTML/H950v5.html>
- 15 Detail on cost drivers and estimates are not provided in the money report for House Bill 950, Modify 2011 Appropriations Act, and have been taken from the legislative fiscal note for Senate Bill 795, Excellent Public Schools Act (version 3). Available at <https://docs.google.com/viewer?url=http%3A%2F%2Fncleg.net%2FSessions%2F2011%2FFiscalNotes%2FSenate%2FPDF%2FSFN0795v3.pdf>
- 16 Sirota, Alexandra Forter, August 2011. BTC BRIEF: Credentials Count Towards Completion Targets - Skills Training for North Carolina's Workforce and a Stronger Economy. NC Justice Center: Raleigh, NC. Available at <http://www.ncjustice.org/?q=node/922>
- 17 Freyer, Allan and Sabine Schoenbach, January 2012. The Career Pathways Model. BTC Report: NC Justice Center, Raleigh, NC.
- 18 Sirota, Alexandra and Brenna Burch, April 2012. Underpreparing for the Future: North Carolina's Divestment in Post-Secondary Education. BTC Brief: NC Justice Center, Raleigh, NC.
- 19 Sirota, Alexandra, May 24, 2012. An Accountability Tool for Student Success. Available at <http://pulse.ncpolicywatch.org/2012/05/24/an-accountability-tool-for-student-success/>
- 20 Carnevale, Anthony P, Nicole Smith and Jeff Strohl, June 2010. "Help Wanted: Projections of Jobs and Education Requirements through 2018." Center on Education and the Workforce, Georgetown University.
- 21 S.L 2012-002, Payment of 2012 Medicaid Costs. Available at <http://ncleg.net/gascripts/BillLookUp/BillLookUp.pl?Session=2011&BillID=5797>
- 22 Estimate by Disability Rights of North Carolina based on current eligibility standards.
- 23 Funding to address the inappropriate housing of individuals with mental illness in adult care homes is included in the Aging and Adult Services section of the conference budget.
- 24 Freyer, Allan, June 11, 2012. Senate Budget Takes One Step Forward, Two Steps Back with TVA Settlement Money. Budget and Tax Center: North Carolina Justice Center, Raleigh, NC. Available at <http://pulse.ncpolicywatch.org/2012/06/11/senate-budget-takes-one-step-forward-two-steps-back-with-tvasettlement-money/#more-36597>
- 25 At the time of this publication, the status of House Bill 1077 was pending in the House Chamber. HB 1077 would make two changes to the transportation section of the budget if it were to be enacted. First, HB 1077 would transfer \$500,000 in non-recurring funds from the Reserve for General Maintenance in the Highway Fund to the Ferry Division in the Highway Fund. Second, HB 1077 would transfer \$2 million from the Highway Trust Fund that is designated for the purposes of studying the Mid-Currituck Bridget project to the Highway Fund, and more specifically, to the Ferry Division. As such, the overall appropriations and corresponding percent changes from the continuation budget to the Highway Fund and Highway Trust Fund would change accordingly if HB 1077 were to become law.
- 26 Leslie, Laura. "Gas Tax Cap Means Fewer Road Repairs." June 2012. WRAL News. Available here: <http://www.wral.com/news/state/nccapitol/story/11163589/>
- 27 According to a fiscal memo for a proposed committee substitute to HB 142, the Fiscal Research Division estimates that capping the gas tax at 37.5 cents for FY2012-13 would reduce Highway Fund revenues by \$61.2 million and Highway Trust Fund revenues by \$20.4 million.
- 28 Author's calculation using average motorist data provided by the Fiscal Research Division.

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