



Governor Pat McCrory's 2016-17 Budget

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April 27, 2016



Rebuilding North Carolina

January 2013

9.4% unemployment

\$2.5 billion unemployment insurance debt

Personal tax rate = 7.75%

Corporate tax rate = 6.9%

4 years of Medicaid budget shortfalls

Today

5.5% unemployment, 275K jobs added

Unemployment insurance debt paid off, reserve of \$1 billion

Personal tax rate = 5.499% (1/1/17)

Corporate tax rate = 4.0%

3 years of Medicaid within budget

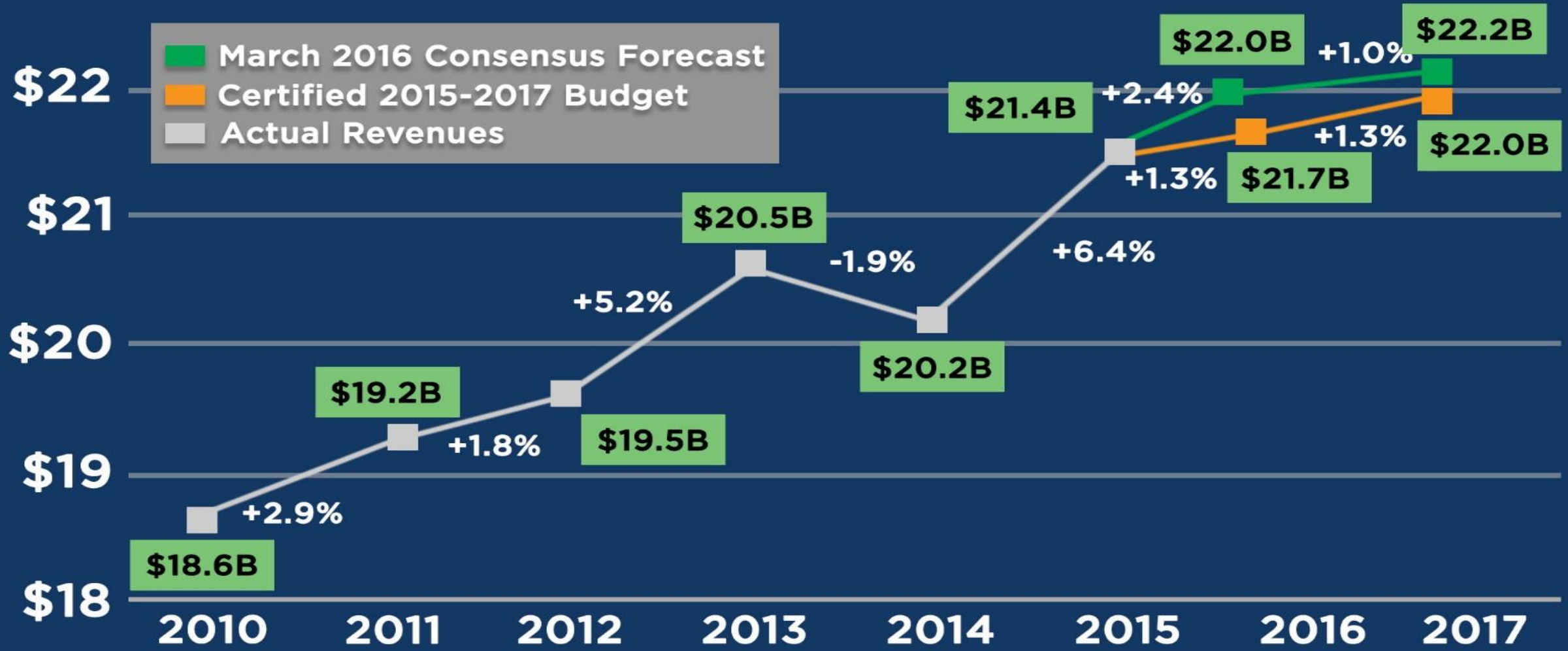


Fiscal Discipline

- **Balanced budget**, consistent with state constitution
- Maintain **structural integrity**, no non-recurring dollars spent on recurring expenses
- **No new taxes** or fee increases
- Budget grows **more slowly than inflation and population**
- **AAA bond rating** from all three major ratings agencies



CONSENSUS REVENUE FORECAST REVISED UPWARD BY \$237 MILLION



SOURCE: OSBM and NC Fiscal Research Division data and projections

Invests an additional **\$300 million** in the rainy day fund bringing to an all-time-high of **\$1.4 billion**



YEAR-END SAVINGS RESERVE BALANCE (MILLIONS) AND PERCENT OF PRIOR-YEAR BUDGET



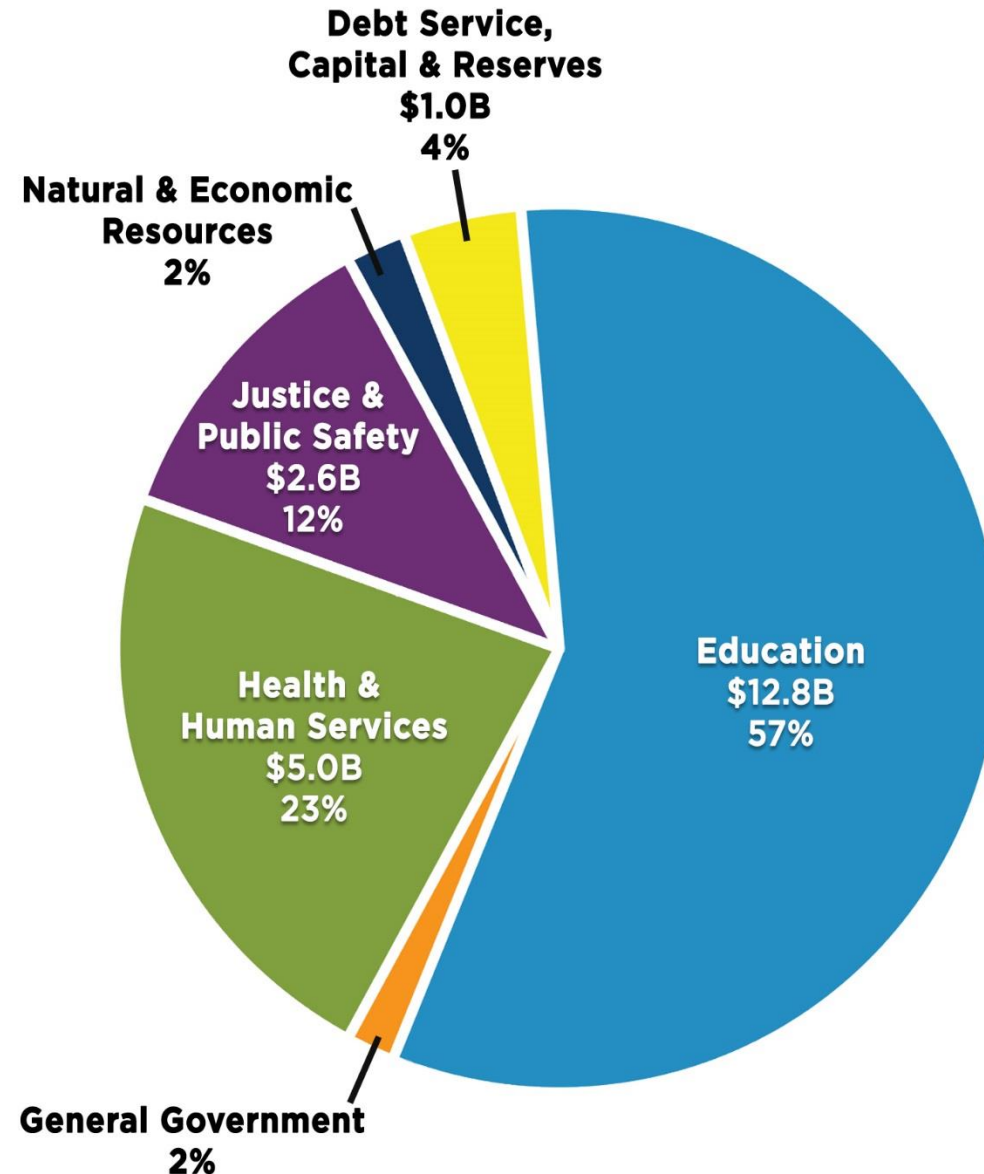
Note: All balances as of end of fiscal year, except for \$250 million transfer authorized by S.L. 2015-280 included in FY 2014-15 balance.

Spending Where It Matters Most

FY 2016-17 General Fund
Appropriations =

\$22.3 billion

- Education is 70% K-12, 22% university system, and 8% community colleges
- Health and Human Services is more than 70% Medicaid
- Justice and Public Safety is 73% Public Safety (law enforcement & corrections), 25% Judicial, and 2% Justice
- General Government and Natural and Economic Resources combine to comprise nearly 4% of all appropriations

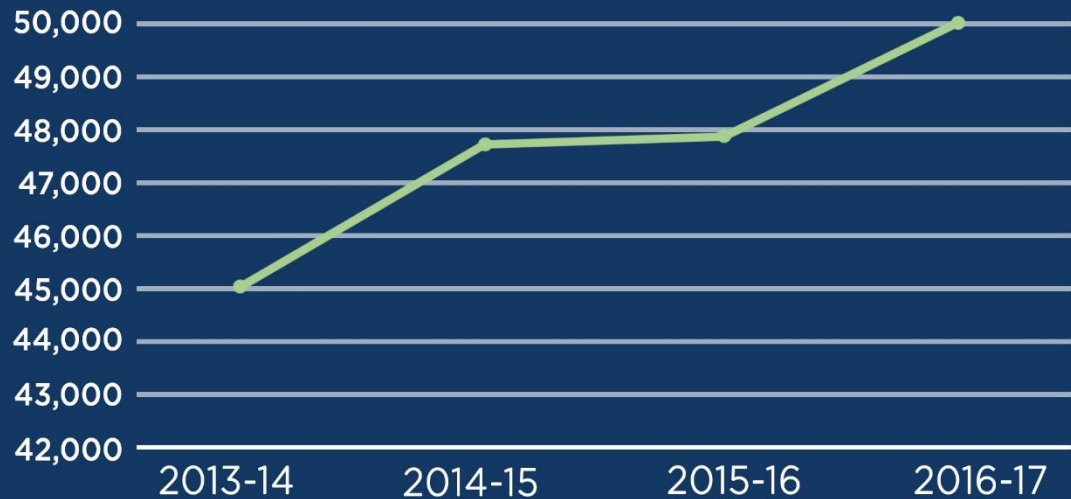


Total Employee Compensation

Most of our \$22.3 billion
General Fund budget
or nearly
\$15 billion
goes to pay salaries
and benefits



NC TEACHER COMPENSATION TRENDS



SOURCE: Source: 2016 DPI Highlights of the NC Public School Budget

- Boosts average teacher pay to **more than \$50,000**
- More than **\$426 million** in new funding for teacher compensation
- Average **5 percent** pay increase for teachers
- Average **3.5 percent** bonus for teachers



Teacher Pay Plan Statistics

Increases average teacher salary by **\$2,313** bringing average teacher pay to **\$50,244**

When considering health and retirement, total compensation will equal **\$67,432**

Approximately **80,000** or nearly **85%** of teachers will receive a salary increase

Holding all other states constant, North Carolina would rank **32nd** in teacher pay under this plan (based on latest NEA data)

All **153,000** state supported school employees will receive a bonus

Teachers and principals: **3.5% bonus**

All other school employees: **3% bonus**



Teacher Compensation



A 3rd year teacher in Asheville made \$39,701 this year.

Under Gov. McCrory's plan, this teacher will make \$41,051 next year.



A teacher with 24 years of experience in Clay County made \$47,250 this year.

Under Gov. McCrory's plan, this teacher will make \$51,100 next year.



A teacher with 30 years of experience in Craven County made \$53,050 this year.

Under Gov. McCrory's plan, this teacher will make \$57,300 next year.

Rewarding State Employees



\$27 million
increase to the salary
adjustment fund for a
total of nearly
\$40 million
to recruit and retain
the best and brightest

\$196 million
to provide an average
3 percent
bonus for state
government's most
valuable asset, its
employees

Justice and Public Safety Pay Increases



- **\$10 million** for Correctional Officer pay increases
- Average **5 percent** pay increase for:
 - State Bureau of Investigation Agents
 - Alcohol Law Enforcement Agents
 - Assistant District Attorneys
 - Assistant Public Defenders
- Experience-based pay increase for eligible:
 - State Highway Patrol Troopers
 - Assistant and Deputy Clerks
 - Magistrates

Investing in Education: Pre-K - 12



RESPECTING AND REWARDING TEACHERS

- \$426 million
- Average 5 percent pay increase boosting average pay to \$50,000
- Average 3.5 percent bonus
- \$6 million differentiated pay pilot



RECRUITING NEW TEACHERS

- \$2 million
- New scholarship program to recruit science and math teachers
- 300 scholarships



EXPANDING OPPORTUNITY FOR SPECIAL NEEDS STUDENTS

- \$6 million
- Expands to serve an additional 300 students



MODERNIZING CLASSROOMS

- \$29 million
- Digital content and professional development
- Connecting all classrooms to robust WiFi by 2018



INVESTING IN CLASSROOM RESOURCES

- \$10 million
- Expands funding for classroom supplies and equipment



EXPANDING PRE-K

- \$4 million
- Expands Pre-K to serve an additional 800 at-risk 4 year olds
- Brings total Pre-K budget to \$148 million

Investing in Education: Higher Education

BRODY SCHOOL OF MEDICINE AT ECU

- \$8 million
- Recurring funding to stabilize medical education

EXCEPTIONAL FACULTY RECRUITMENT

- \$3 million
- Increases funding to recruit and retain exceptional faculty at UNC System campuses



COMMUNITY COLLEGE STUDENT SUCCESS

- \$16.7 million
- Provides support services to ensure community college students graduate with a credential or degree

MATH, SCIENCE AND HEALTH SCHOLARSHIPS

- \$5 million
- Establishes new merit scholarship program for students pursuing Math, Science and Health degrees at our universities

HBCU INTERNSHIP PROGRAM

- \$183,000
- Expands the program to connect more students with prospective private-sector employers

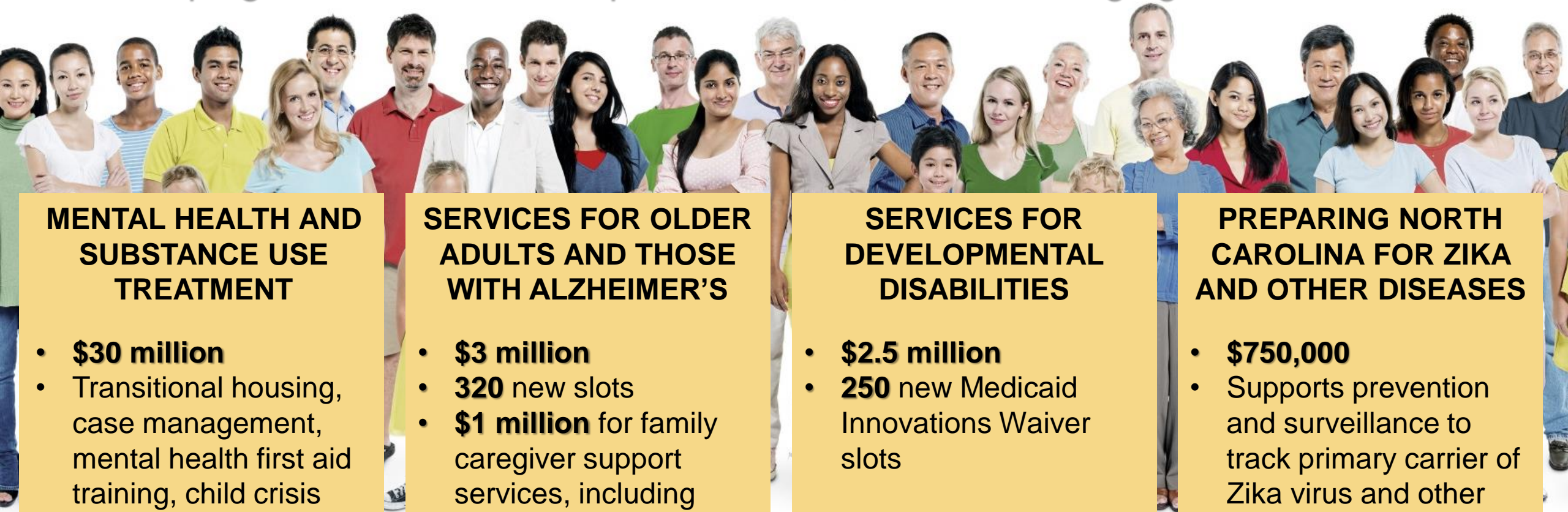


COMMUNITY COLLEGE EQUIPMENT

- \$7.5 million
- Upgrades equipment to train students for the 21st century workforce

Encouraging a Healthy North Carolina

Helping those who can't help themselves, while encouraging those who can



MENTAL HEALTH AND SUBSTANCE USE TREATMENT

- **\$30 million**
- Transitional housing, case management, mental health first aid training, child crisis centers and tools to combat addiction

SERVICES FOR OLDER ADULTS AND THOSE WITH ALZHEIMER'S

- **\$3 million**
- **320** new slots
- **\$1 million** for family caregiver support services, including respite care

SERVICES FOR DEVELOPMENTAL DISABILITIES

- **\$2.5 million**
- **250** new Medicaid Innovations Waiver slots

PREPARING NORTH CAROLINA FOR ZIKA AND OTHER DISEASES

- **\$750,000**
- Supports prevention and surveillance to track primary carrier of Zika virus and other vector borne diseases

Expanding Career Opportunities



INNOVATION TO JOBS

\$5 million

Increased investment in early stage commercial ventures and leveraging entrepreneurial talent



AGRI-BUSINESS

\$2.3 million

Funds the Food Manufacturing Task Force recommendations and the Farmland Preservation Trust Fund



MAIN STREET PROGRAM

\$1 million

Additional funding to revitalize small town main streets



NCWORKS APPRENTICESHIP

\$500,000

Expands apprenticeship opportunities allowing students to learn while they earn

Strengthening Transportation System

DRIVING CHANGE AT THE DMV

\$3.8 million

for additional driver license examiners to improve customer service and decrease wait times

MAINTAINING SAFE AND CLEAN ROADS

\$27.5 million

increase in funding to maintain roads, enhance safety and reduce congestion

BUILDING NEW ROADS

\$30 million

increase for new transportation projects in the state's 10-year plan

Keeping North Carolina Safe

PROMOTING SAFER SCHOOLS

- **\$2.8 million**
- Statewide deployment of anonymous tip reporting application
- Emergency management professionals to assist local school districts to implement school safety plans

LEVERAGING TECHNOLOGY TO FIGHT CRIME

- **\$4.6 million** to detect and prevent prisoner access to cell phones
- **\$1.3 million** to safeguard law enforcement communication and improve emergency response

IMPROVING CRIMINAL JUSTICE SYSTEM

- **\$2.5 million** to establish specialty courts, such as drug treatment courts
- **\$2.2 million** to significantly reduce the State Crime Lab backlog
- **\$1.4 million** to open the Western Crime Lab

Overview: K-12 Public Education

	2015-16 Certified	2016-17 Certified	2016-17 Recommended	% Change 2015-16 Certified
Requirements	\$12,718,847,989	\$12,647,946,284	\$13,232,795,774	4.0%
Receipts	\$4,202,078,692	\$4,228,501,663	\$4,269,662,147	1.6%
GF Appropriation	\$8,516,769,297	\$8,419,444,621	\$8,963,133,627	5.2%

Highlights of Investments

- Invests \$259 million to increase average teacher pay by 5%, bringing average teacher salary above \$50,000 for the first time in state history.
- Provides an average 3.5% bonus for teachers and principals including a \$5,000 bonus for our veteran teachers with more than 24 years of service.
- Fully funds 2016-17 projected ADM of 1,543,518 (increase of 11,437 ADM for charter schools and a decrease of 5,562 ADM for LEAs).
- Provides \$29 million of lottery funds to empower schools to trade textbooks for tablets and builds on our commitment to position North Carolina as one of the first states in the nation to connect all classrooms to robust Wi-Fi by 2018.

Overview: NC Community College System

	2015-16 Certified	2016-17 Certified	2016-17 Recommended	% Change 2015-16 Certified
Requirements	\$1,475,442,941	\$1,480,340,859	\$1,496,664,868	1.4%
Receipts	\$406,375,943	\$ 414,445,339	\$ 397,968,602	-2.1%
GF Appropriation	\$1,069,066,998	\$1,065,895,520	\$1,098,696,266	2.8%

Highlights of Investments

- Provides \$16.7 million in locally-determined support services to help ensure students complete their degree or credential.
- Adds \$7.5 million to upgrade instructional equipment to train students for today's jobs.
- Fully funds two new multi-campus sites: Durham Tech's Orange County campus and Mitchell Community College's Mooresville campus (\$1 million recurring).
- Supports development of a uniform system of competency-based education efforts to grant students credit for prior learning and life experiences.

Overview: University of North Carolina

	2015-16 Certified	2016-17 Certified	2016-17 Recommended	% Change 2015-16 Certified
Requirements	\$4,463,610,618	\$4,400,355,967	\$4,535,577,146	1.6%
Receipts	\$1,717,048,040	\$1,717,048,040	\$1,751,360,110	2.0%
GF Appropriation	\$2,746,562,578	\$2,683,307,927	\$2,784,217,036	1.4%

Highlights of Investments

- Provides \$5 million of lottery funds for a new Math, Science, and Health Degree Merit Scholarship program for resident students.
- Creates a \$2 million Math and Science Teacher Recruitment Scholarship program providing 300 students with awards up to \$6,500.
- Fully meets the need for UNC enrollment which is projected to increase by 3,125 FTE (1.5%) in 2016-17.
- Enhances the UNC Faculty Recruitment and Retention Reserve with an additional \$3 million for campuses to recruit and retain exceptional faculty.
- Provides \$6 million of lottery funds to leverage technology and data analytics to improve student completion rates with a focus on “part-way home,” military-affiliated, and other non-traditional students.

Overview: General Government and IT

	2015-16 Certified	2016-17 Certified	2016-17 Recommended	% Change 2015-16 certified
Requirements	\$570,294,570	\$551,796,198	\$583,399,057	2.3%
Receipts	\$178,610,467	\$175,889,598	\$186,046,497	4.2%
GF Appropriation	\$391,684,103	\$375,906,600	\$397,352,560	1.5%

Highlights of Investments

- Supports the Innovation to Jobs Initiative through:
 - \$2.5 million for the Rallying Investors and Skilled Entrepreneurs for NC (NC RISE) program
 - \$2.5 million for the University Innovation Commercialization Grant Program
- Connects military veterans with jobs via a new disabled veteran cyber security apprenticeship program (\$600,000)
- Protects the public against identity theft by investing \$3 million to create a multilayer identity verification platform in the Department of Revenue
- Invests \$5.5 million in the Community Living Housing Fund to increase access for individuals with disabilities
- Honors our veterans by ensuring NC Veterans Cemeteries are adequately staffed (\$400,000)
- Increases transparency of voter and campaign finance data (\$592,687) and expands elections outreach (\$336,030)

Overview: Justice and Public Safety

	2015-16 Certified	2016-17 Certified	2016-17 Recommended	% Change 2015-16 certified
Requirements	\$2,698,516,304	\$2,698,516,119	\$2,797,049,115	3.7%
Receipts	\$195,603,616	\$197,678,616	\$209,218,616	7.0%
GF Appropriation	\$2,502,912,688	\$2,500,837,503	\$2,587,830,499	3.4%

Highlights of Investments

- Provides \$21.3 million in targeted pay raises for criminal justice professionals including correctional officers, SBI and ALE agents, assistant district attorneys, assistant public defenders and step increases for eligible state troopers, magistrates and assistant and deputy clerks of court.
- Invests \$2.8 million to enhance the safety of our children while at school.
- Enhances prison security and public safety through \$4.6 million to deter prisoner access and use of cell phones.
- Improves law enforcement communications through a \$1.3 million replacement of the operating system for the Voice Interoperability Plan for Emergency Responders (VIPER) network.
- Provides \$3.5 million to reduce case backlogs at the State Crime Lab and establish the Western Crime Lab.
- Reduces backlog of payments to attorneys who represent indigent clients through an additional \$3.5 million.

Overview: Natural and Economic Resources

	2015-16 Certified	2016-17 Certified	2016-17 Recommended	% Change 2015-16 certified
Requirements	\$770,385,087	\$772,484,629	\$822,916,221	6.8%
Receipts	\$304,450,663	\$301,788,791	\$329,688,596	8.3%
GF Appropriation	\$465,934,424	\$470,695,838	\$493,227,625	5.9%

Highlights of Investments

- Promotes North Carolina as a preferred tourist destination with an additional \$3.3 million for marketing.
- Implements \$1.3 million in recommendations of the Governor’s Food Manufacturing Task Force to promote and develop the food manufacturing industry.
- Preserves and protects family farms with a \$1 million investment in the Farmland Preservation Trust Fund.
- Improves safety at downtown Raleigh attractions by adding \$300,000 for four law enforcement positions.
- Revitalizes small town main streets with \$1 million in matching grants for local governments.

Overview: Health and Human Services

	2015-16 Certified	2016-17 Certified	2016-17 Recommended	% Change 2015-16 certified
Requirements	\$19,638,246,062	\$20,169,173,124	\$19,659,270,343	0.1%
Receipts	\$14,507,696,536	\$14,901,577,516	\$14,615,575,694	0.7%
GF Appropriation	\$5,130,549,526	\$5,267,595,608	\$5,043,694,649	-1.7%

Highlights of Investments

- Invests \$30 million to implement the recommendations of the Governor’s Task Force on Mental Health and Substance Use.
- Adds \$4 million to expand Medicaid and state services to older adults, including those with Alzheimer’s disease and their caregivers.
- Expands Medicaid services for people with developmental disabilities, adding \$2.5 million for community services.
- Invests \$8.6 million to implement improvements in the state’s child protection system and \$4 million in lottery proceeds to expand NC Pre K.
- Prepares NC to respond to Zika Virus and other vector borne diseases by adding \$750,00.

Overview: Transportation

	2015-16 Certified	2016-17 Certified	2016-17 Recommended	% Change 2015-16 certified
Requirements	\$4,528,827,778	\$4,509,830,945	\$4,599,994,796	1.6%
Receipts	\$1,268,499,649	\$1,180,994,796	\$1,180,994,796	-6.9%
GF Appropriation	\$3,260,328,129	\$3,328,836,149	\$3,419,000,000	4.9%

Note: The Chart above excludes duplicate receipts and requirements

Highlights of Investments

- Provides an additional \$27.5 million for highway maintenance activities.
- Builds on the largest transportation investment in two decades by adding nearly \$30 million for transportation projects.
- Provides funding for additional driver license examiners to improve customer service and decrease wait times in high traffic DMV locations.

Overview: Capital & Statewide Reserves

- **Repairs & Renovation Funds: \$155 million**
- **Department of Environmental Quality**
 - Provides \$7.96 million for the State's share of Water Resource Projects
 - Leverages \$25.4 million in federal funds
- **Salary Adjustment Fund**
 - Provides funding to continue the implementation of a new market-aligned salary structure for state agencies. The structure will adjust salaries in state job classifications where employee pay is below market value, not competitive in the marketplace, and where the State is having difficulty recruiting and retaining the best and brightest employees.

An American flag is waving in the foreground, and a lighthouse is visible in the background against a clear blue sky.

QUESTIONS

An electronic version of Governor McCrory's budget will be available on the Office of State Budget and Management website:

osbm.nc.gov