

**Governor's 2011-2013 Budget Proposal**  
**February 17, 2011**

The Governor held a press conference this morning to release her biennium budget. The following link is provided: [http://www.osbm.state.nc.us/files/pdf\\_files/2010\\_budget.pdf](http://www.osbm.state.nc.us/files/pdf_files/2010_budget.pdf) She is proposing a state budget of \$19.9 billion for 2011-2012. One of the major tax issues is the one cent temporary tax that is being reduced by 0.25 percent (5.5 percent state sales tax) which provides \$826.6 million in revenue). The Governor has proposed to cut the Corporate Tax rate from 4.9 percent to 6.9 percent with lost revenues to the state of \$115 million. She is adding an the unemployment insurance tax credit for small businesses costing \$65 million and repeals the Corporate Tax transfer for public school construction of \$72 million in revenue and remits it to the General Fund. The budget includes the \$400 million holdback funds from state agencies in 2010-2011, but not the other reversions (\$400 million) passed in Senate Bill 13, Balanced Budget Act of 2011, which the Governor has not signed yet.

Education funding in public schools is budgeted to \$7.57 billion, which includes \$404 million in recurring cuts for K-12. The Governor is not proposing any cuts for teachers and teacher assistants. Her cuts include the following areas: Workers Compensation is eliminated for state employees (local responsibility), Tort Claims payments (school bus accident injuries and claims) are transferred to Department of Justice and then the responsibility of local governments, Central Office-10 percent reduction (140 positions), Instructional Support-5 percent cut (290 positions), School Building Administration-7.5 percent (380 positions), Textbooks 34.6 percent reduction, Non-instructional Support-15 percent cut (1700 positions), Transportation Operations-10 percent cut (1,900 positions), School Bus Replacement by the State is eliminated, School Technology is cut 100 percent, and Staff Development is cut 100 percent. A retirement incentive of \$10,000 with unreduced benefits and a \$20,000 incentive with reduced benefits (estimate of 170 positions to be eliminated) is being proposed. DPI management flexibility cut of 10.2 percent (40 positions), More at Four program- 5 percent cut and other cuts to programs and non-profits that flow through DPI such as Teach for America, Teacher Academy NCCAT etc.... The Driver Education Program is not being cut from the Highway Trust Fund, but the ADM is adjusted by \$133,468 cut, for fewer eligible students.

The State proposes to consolidate all Human Resources functions, eliminating 92 positions and saving \$2.7 million. The Employment Security Commission is moved to the Department of Commerce. Statewide there is an Employee Retirement Incentive program for all state employees, with the hope of eliminating 894 positions in state government over the next two years. The employer contribution rate for the retirement system would increase from 4.93 percent to 6.04 percent and 7.15 percent over the next two years. The State Health plan will require a 7.1 percent premium increase (\$115 million in state funds). To account for these funds the Governor proposes to require a premium for state employees using the 80/20 Plan. The State Health Plan for employees with 70/30 Plan will require no premium cost. Active employees and non-Medicare retirees enrolled in 80/20 Plan would pay a monthly premium of \$21.50 for individual coverage, while Medicare retirees enrolled in the 80/20 plan would pay a monthly premium of \$16 for individual coverage. If there is a RIF for state employees \$30 million in severance pay is set aside.