



**To:** County Managers, Finance Officers, Budget Directors  
**From:** Rebecca Troutman, Intergovernmental Relations Director  
**Date:** August 5, 2014  
**Subject:** County Analysis of Adopted 2014-2015 State Budget, [S744](#)

**Final budget appropriates \$100 million in lottery funds for county school construction needs but prohibits future pledge for debt security. Rejects proposal to require NC-DHHS contract for non-emergency Medicaid transports. Provides additional funds for child welfare programs.**

**Largely protects county budgets by rejecting governor's proposal to require local agencies to fund workers' comp costs of school and community college personnel and school bus tort claims. Phases out Medicaid benefit of \$500,000 over four years. Delays consideration of Medicaid reform until planned Nov. 17 session.**

One month into the state's 2014-15 fiscal year, the General Assembly finally completed work on the second year of the state's biennial budget, agreeing to total spending of \$21.1 billion after weeks of rancorous debate.

The final version of S744 is more in line with the House and Governor's recommendations for teacher pay funding and retaining Medicaid eligibility and services. Please find [here](#) a link to the state budget money report.

First and foremost, the budget follows all three (Governor, Senate, and House) budget recommendations to appropriate \$100 million in county school construction lottery dollars. Given the commitment to teacher salary increases and fewer state revenues than anticipated, county-focused advocacy on lottery funding helped keep these dollars in place. A new special provision accompanying the adopted lottery provision prohibits these funds from being pledged for debt authorized on or after July 1, 2014. This provision does not exclude debt service as one of the uses of county school construction lottery dollars. The Lottery Oversight Committee is eliminated and replaced with a joint legislative lottery oversight committee.

While counties pushed for a lottery allocation closer to the 40 percent of net proceeds originally guaranteed with the lottery's enactment, the adopted budget directs all new lottery proceeds to teachers and teachers' assistants, adding TAs as a new lottery category. While the Senate rejected the House's initial proposal to double the budget for lottery advertising, new consensus forecasts for lottery revenues and last-year lottery reversions provide \$116.2 million more in lottery proceeds than that originally budgeted. The \$100 million in school construction dollars equates to roughly 17 percent of budgeted proceeds to counties for school construction needs. The final budget excludes the House's proposal to enact new restrictions and disclaimers on lottery advertising.

The budget phases out the \$500,000 net Medicaid Relief Swap benefit to counties. This benefit, not the hold harmless itself, would be phased out by \$125,000 each year over four years. **The 21 counties who gave up more in sales taxes than they have received in Medicaid relief would still be held whole.**

When the Medicaid relief swap was enacted in 2007, counties ceded ½ cents in sales taxes – roughly \$500 million per year – to the state to offset its costs of assuming the county share of Medicaid, which was also roughly \$500 million a year. The counties also were required to hold their cities harmless for the loss of their sales taxes. Since some counties lost more in sales taxes than savings due to Medicaid relief, the 2007 General Assembly created a hold harmless formula to make sure all counties benefitted from the trade. Further, knowing that hold harmless formulas were estimates at best, and to ensure that all counties gained from Medicaid relief, the General Assembly set the hold harmless formula to guarantee at least a \$500,000 net benefit for each county.

The adopted budget provides additional funding and oversight for county child protective services (CPS) programs. These new funds and policies are in response to some child welfare incidents that endangered children under the care of county DSS agencies. State funding will replace expired federal child protective service funds and provide monies to enable all counties to comply with the recommended caseload of 10 cases per CPS worker. Additional state dollars would help keep children safe within their homes by augmenting in-home treatment. NC-DHHS would receive additional staff positions to increase county CPS oversight, and an independent evaluation of the child

welfare system would be ordered. The adopted budget also includes the House's plans for additional funding for mental health community crisis services, a NCACC legislative goal.

Counties are most appreciative of the General Assembly's rejection of a directive to NC-DHHS to contract for the statewide management of non-emergency Medicaid transportation (NEMT). If this provision had stood, we estimate an additional cost increase to the state of \$1.5 - \$3 million. Outsourcing management of this service is not only more costly, but would impede the efficient operation of county human services transportation networks by separating Medicaid transports from all other human service trips. North Carolina efficiently coordinates shared trips and trip expenses among an array of human service clients, including our veterans for services and medical appointments, our elderly citizens for shared meals, children in daycare, and Medicaid recipients. A separate and duplicate trip management service for Medicaid clients alone would end this effective cost and trip sharing.

A 2011 budget provision called for a similar outsourcing of NEMT management, predicated on a cost/benefit analysis by NC-DHHS. Following an RFP process, several potential vendors submitted proposals — the lowest bid price of \$1.80 per member/per month for only one state region (the others at \$1.95) proved higher than our current statewide system at \$1.73. A national analysis showed North Carolina had the second lowest rate of the 19 states responding. In light of the higher costs associated by outsourced management, and given the importance of maintaining the coordinated transportation network, NC-DHHS Secretary Aldona Wos informed the General Assembly that the department could not justify contracting out NEMT management.

The adopted budget also rejects the Senate's proposals to limit state-funded school nurses to Tier 1 counties and to increase county funding for county-sited forestry services. The adopted budget rejects shifting workers' compensation claims payment for state-funded school employees to local school boards, along with shifting claims payment for local school tort claims, mainly arising from school bus accidents. Budget language instructs the State Board of Education to develop injury prevention and return-to-work programs.

Like all three budget proposals, the adopted budget assigns all state misdemeanants, including DWI offenders, to county jails through the voluntary Statewide Misdemeanant Confinement Fund program (SMCP). SMCP was created in 2011 as a part of the Justice Reinvestment Act (JRA) to lower state prison populations and increase community probation oversight. The JRA increased court fees in order to establish a fund managed by the N.C. Sheriffs' Association to reimburse counties that voluntarily agree to accept state prisoners within available jail bed capacity. Several state prisons would close or be repurposed to reflect lower state prison populations.

Teacher salaries would increase on average by 7%, with all teachers earning \$33,000 - \$50,000 in a new 6-step pay schedule replacing the original 37-step plan. The new salary schedule folds teacher longevity pay into salaries, and all teachers shall receive the higher of the new salary schedule or the sum of the salary plus the 2013-14 longevity payment. Those teachers falling into the latter category are guaranteed at least a \$1,000 increase above their pay and 2013-14 longevity. Non-certified school employees and central administration staff receive a \$500 recurring salary increase. The budget keeps teachers' assistant (TA) allotment largely intact, although the TA allotment is reduced to reflect actual local spending practices.

All other state and community college employees receive a \$1,000 annual salary increase (\$1,236 with increased benefits), along with an extra five days of vacation. State retirees receive a 1% cost of living increase.

Most state agencies would see small cuts in their continuation budgets—the NC-Dept. of Public Instruction (DPI) would be cut 10%. Agency cuts, additional Medicaid payment cuts, temporary replacement of federal dollars for state funds, and retention of reserve fund transfers provide resources for teacher and state employee salary increases and other budget expansion items.

The adopted budget largely rejects the Senate's plans to tighten Medicaid eligibility and eliminate Medicaid services, although a special provision limits access to the Medicaid cost-override reserve fund until NC-DHHS submits for federal approval a plan to decouple Medicaid eligibility from state/county special assistance. The budget also tightens state/county special assistance for new clients going forward, if federal Medicaid eligibility remains in place. Additional Medicaid provider rate cuts are included, as is a restructuring of some Medicaid payment and assessment schedules.

The Senate and House could not agree on plans to transform the state Medicaid program, delaying further consideration until a planned Nov. 17 session. In the Senate's original budget proposal, the Senate signified its intent to explore managed care over fee for service payments. In its adoptions of H1181, it would rely on both

MCOs (Managed Care Organizations) and ACOs (Accountable Care Organizations) to implement full-risk **capitated health plans covering all Medicaid recipients and services by July 2018**. The Senate would set up a new organizational structure separate and apart from NC-DHHS to manage the state's Medicaid program with an eye to controlling program cost growth. The House's version of H1181 would encourage the development of ACOs (no MCOs) and transition the traditional fee-for-service model into provider-led **capitated health plans** for a majority of Medicaid beneficiaries. The ACO provider-led plans would be in place by July 2020, initially with limited risk for cost overruns but eventually transitioning into fully capitated health plans. The House would leave Medicaid within NC-DHHS but its initial budget proposal required that the Medicaid Director, within NC-DHHS, be appointed by the Governor with confirmation by the Legislature.

The following highlights those expansion and reduction items of interest to counties. Direct county impacts are set out in bold text.

## **Education**

As noted above, the budget increases teachers' salaries by 7% on average, raising beginning teachers' pay to \$33,000 and setting a new maximum of \$50,000. Teacher longevity pay would be folded into the newly restructured teacher salary schedule, collapsing 37 steps into 6. Unlike the Senate plan, teachers would not have to forgo tenure to receive the salary. The budget funds a decrease in class size in K-1.

The budget includes a new Small School funding formula, restoring cuts made last year and decreasing small school allotments as student populations increase to 3,200 students. Any LEAs losing small school allotment eligibility would be phased out over five years, and no eligible LEA's allotment will be reduced more than 20 percent below 2013-14. The budget excludes the Senate's special provision to consolidate by region, if feasible, the 25 smallest LEAs by 2020.

The budget **includes some funding for differentiated pay for effective teachers**, but **does not authorize** the governor's **Career Pathways program**. The budget restores **additional pay for graduate and advanced degree work** for those qualified to receive the supplement prior to this fiscal year or who had completed at least one course by August 2013.

The budget accepts the House's plans to authorize virtual charter school pilots—county funds of the lesser of \$790 per student or county per pupil funds made available to physical charter schools would go to these pilots. Committee discussion noted that \$790 was the lowest allocation by a single county—DPI records show seven counties whose general fund appropriations are below \$790, with \$408 per pupil being the lowest in 2012-13. NCACC shared these data with the bill sponsor, who drafted an amendment to limit county exposure to the lower of \$790 or the amount of per pupil funds made available to physical charter schools. New language is included to manage charter school dissolutions.

The budget includes the Senate's **cut of all drivers' education funding** in 2015-16, with instructions to **local school boards to take over drivers' ed funding through an increase in student fees**. The budget also includes the Lieutenant Governor's Education Endowment Fund to allow special license plate surcharges and tax refunds or payments to be used for teachers' compensation.

The State Board of Education in conjunction with NC-DHHS must ensure that children in private psych residential treatment facilities (PRTFs) receive appropriate educational services. PRTFs serving eligible children must have a facility-based school as a condition of license.

DPI is directed to study school bus transportation maintenance issues. DPI is also directed to respond to any superintendent or designee request for information within three business days. The Joint Legislative Education Oversight Committee (ED JLOC) must study reading assessments to meet the Read to Achieve Program. Schools must stock emergency EP (epinephrine auto-injectors) pens.

Community colleges would see additional funds to establish a fourth tier in the enrollment funding formula for healthcare and technical educational programs. Universities would be subject to an additional 3.3% funding reduction, although state funds are provided to pay for compensation increases. The ED JLOC must study the increasing cost of attending state universities and central university administrative plans for stabilizing Elizabeth City State University.

<b>Public Schools</b>	<b>Adopted</b>
<b>Maintain county lottery allocation at \$100 million, putting county share of education lottery funds at 17% v. original statutory requirement of 40%</b>	<b>\$100M</b>
Increase teacher pay; increase beginning teachers pay over 2 years to \$36,000 in 0-9 service years; provide 7% on avg to all	\$282.3M
Create Career Pathways through lottery funds for performance-based pay—budget begins differentiated rate pilots	\$1M
Revise small school funding formula to differentiate dollars based on district size	\$3.6M
Increase textbook allotment funding	\$905K
Lower classroom teacher allotment ratios by 1 student per teacher, grades K-1	\$41.9M
Restore education-based salary supplements for existing eligible employees	\$18.7M
Provide additional funding for Excellent Public Schools	\$6M
Eliminate ADM reduction for Opportunity Scholarships	\$11.8M
Reduce teacher assistant allotment to reflect actual LEA spending on TAs	(\$129.9M); \$24.8M nr
Ensure educational opportunities for children in private psych residential treatment facilities	\$3.2M
Replace TAs funding with lottery receipts	(\$113.3M)
Replace teacher funding with lottery receipts	(\$33.9M)
Reduce central office staff by 3%	(\$2.75M)
Reduce at-risk student allotment	(\$9.3M)
Reduce transportation allotment by 1%	(\$4.6M)
Shift merit pay for teachers to non-recurring funding	(\$10.2M); \$10.2M nr
Cut funding to DPI by 10%	(\$5M)

\*nr = non-recurring

<b>Community Colleges</b>	<b>Adopted</b>
Increase funding for higher cost programs	\$15.1M
Raise tuition by \$.50	(\$2.1M)

## Human Services

As noted earlier, the budget excludes a provision requiring NC-DHHS to issue a contract for the statewide management of non-emergency Medicaid transportation. It does direct NC-DHHS to study the efficacy of **reimbursing ambulance transports that divert mental health clients in crisis from hospital ERs to alternative care.**

In keeping with both Senate and House directives, the budget resets childcare subsidy eligibility based on federal poverty levels rather than 75 percent of the state's median income. Children up to age 5 and those with special needs will qualify at 200 percent of federal poverty standards—children age 6 to 12 will qualify at 133 percent. Current clients will continue their eligibility until their next redetermination. All families required to share in subsidy costs will be subject to a fee set at 10 percent of family income, regardless of family size, and co-payments will not be prorated for part-time care. Both the House and the Senate also redefine income unit to include stepparents and nonparent relative caretakers. NC-DHHS is directed to study care options for children ages 11 and 12. New state dollars increase the number of childcare slots and increase childcare market rates. Like the language codified in the governor's budget, local SmartStart partnerships will have to spend at least \$52 million for TANF and childcare block grant maintenance of effort requirements. Local partnerships are subject to biennial financial and compliance audits.

The budget initiates the "Child Protective Services Improvement Initiative" to enable all counties to manage an increasing CPS caseload by funding \$7.4 million to meet the state's recommended caseload of 10 cases per CPS worker (no mandated caseload requirements are outlined). Additional funding would be allocated for child welfare in-home services. NC-DHHS would receive 9 positions to increase oversight of county CPS functions. The budget calls for a **comprehensive evaluation of CPS functions and funding, including the performance of county DSS agencies, CPS caseload sizes, funding sufficiency, worker turnover and state monitoring and oversight.** NC-DHHS must study ways to reduce guardianship conflicts of interest. A pilot program would enhance coordination between

DSS, local law enforcement, and the court system, and must be coordinated with the Government Data Analytics Center.

County DSS agencies have **new required elements in their low-income home energy assistance block grant outreach plans.**

The budget changes the county childcare allocation formula, using 1/3 of new census data and limiting any increases from this formula change to only those counties who had waiting lists in 2013-14. Further changes occur in 2015-16 and are predicated on a county’s spending coefficient and 1/3 of new census data. Thereafter, new census data changes will be phased in over 6 years.

The budget calls on NC-DHHS to explore options to achieve the budget savings to the Childrens’ Development Service Agencies (CDSA) but such options do not including repealing the cut of 160 CDSA positions.

The budget rejects Senate plans to limit state funds for school nurses to those LEAs in Tier 1 counties. Laboratory well-testing fees would increase to \$74 for new and existing wells, but counties could pass these charges to well owners. The On-Site Water Protection Branch remains in the NC-DHHS Division of Public Health.

The Program Evaluation Division (PED) is asked to **study improvements to the medical examiner system** and the Division of Public Health must study and **recommend whether individual examiner fee increases are needed.** PED is also asked to study whether ABC payments for alcoholism and substance abuse should go to the State ABC Commission for its education initiatives.

The budget includes a special provision that would embody the mental health recommendations adopted by the Joint Legislative Oversight Committee of Health and Human Services Subcommittee on Mental Health. The budget also requires NC-DHHS to report on mental health budget shortfalls and action plans to address the shortfall, and **appropriates \$2.2 million to increase the number of crisis centers and crisis services.** While no provisions direct the further consolidation of LME/MCOs, a budget reduction in LME/MCO administration notes **seven or fewer** will be in operation by **fiscal year’s end.** NC-DHHS must implement a single Medicaid adjudication IT system for LMEs/MCOs. A new waiver, if authorized by the Legislature and by CMS (federal oversight agency for Medicaid), would **create 1,000 CAP DD slots each year for three years.** A special provision directs NC-DHHS, in coordination with NCACC, to develop a plan to resolve issues related to the county of origin for social services and public assistance programs.

As noted above, the budget largely maintains the current Medicaid eligibility standards, although a special provision tied to the allocation of the Medicaid shortfall reserve fund would require NC-DHHS to seek federal approval to **decouple Medicaid from State/County Special Assistance (SA).** The budget includes Senate language to limit **SA to only those residing within North Carolina for 90 days or more and setting eligibility for SA based on 100 percent of federal poverty, although the eligibility change is contingent upon CMS approval of retaining Medicaid coverage.** Current SA clients are grandfathered in. The budget rejects the Senate’s plans to eliminate coverage for the medically needy.

**Provider rates would be cut another 1% over and above those set forth in 2013-14. The budget authorizes a study to define a new limited personal care services (PCS) program and sets a moratorium on home care agency licenses.** NC-DHHS must prepare a plan to limit PCS growth to 2014-15 levels.

The budget retains a higher percentage of the hospital assessment but excludes a study by NC-DHHS to examine assessments on physicians. CMS denied N.C.’s request to impose new Medicaid assessments on LME/MCOs. The budget sets a statewide hospital base rate at \$2,788, and cost settles UNC hospitals at the same rate as others. UNC hospitals would once again be able to participate in the debt setoff program, although only for adjudicated claims for insured individuals. All Medicaid payments to providers must be published online within three months of the fiscal year close.

<b>Human Services</b>	<b>Adopted</b>
<b>Increase Pre-K slots—NCACC goal</b>	<b>\$5M nr</b>
<b>Reduce childcare waiting list—NCACC goal</b>	<b>\$4.6M for 1,000 slots; \$6.8M for market rates</b>
Replace state pre-K funds with federal TANF monies	(\$19.8M) nr

Replace state childcare funds with federal TANF & Child Care Development monies	(\$14M) nr
Change childcare eligibility requirements; set co-payments at 10% of family income; eliminate prorated co-payment for part-time care; applies to next redetermination	(\$11.4M)
Reduce state/county special assistance due to decreasing caseloads; similar county reduction	(\$4.2M)
Change eligibility for SA based on 100% of federal poverty; similar reduction to counties: grandfathers in existing clients	(\$378K)
Eliminate county Medicaid admin. funding	(\$1.7M)
Restore child welfare federal funding loss & fund county CPS at 1 worker/10 cases	\$7.4M
Increase state funding for child welfare in-home services	\$4.5M
Enhance oversight of county CPS functions	\$750K
Direct independent statewide examination of county CPS functions re performance, caseloads, administrative structure, funding, worker turnover, & system improvements	\$700K nr
Develop CPS pilot program to improve interagency coordination	\$300K nr
Increase foster care assistance payments	\$5M
Fund drug testing for TANF clients	\$219k; \$126k nr
Increase state funding for chief medical examiner; governor recommends increasing \$100 fees per examination to \$250 (80% paid by counties); budget calls for study of fee increase	\$1M
<b>Increase community-based crisis services—NCACC goal</b>	<b>\$2.2M</b>
Provide short-term supplemental asst. for group homes for clients losing PCS	\$2M nr
Reduce by 3% Home Care & Community BG	(\$970K)
<b>Medicaid Changes</b>	
Address Medicaid shortfall to reflect growth in enrollment & utilization, Affordable Care Act presumptive eligibility, shift of Health Choice kids to Medicaid, PCS increases, unpaid claims & application backlogs	\$136.5M for 2013-14
Establish Medicaid reserve account to manage unexpected cost overruns	\$186.4M
Implement 3.5% LME/MCO provider assessment	CMS denied plan
Require NC-DHHS cost savings for mental health drugs including prior authorization	(\$6M)
Decouple Medicaid eligibility from State/County Special Assistance	Medicaid reserve & CMS approval
Eliminate medically needy Medicaid coverage	Not included
Implement or increase Medicaid funding assessments for UNC physicians & other hospitals & reduces cost settlements for UNC outpatient services	(\$15.1M) hospital assessment; (\$10M) settlement
Reduce provider rates by 1% & 2.1% for DRGs	(\$7.2M)
Establish single base rate for hospitals	Not included
Restore nursing home rates	\$670K
Study optional program for personal care services	\$300K nr
Medicaid reform	Nov. 17 <sup>th</sup> session

### Justice and Public Safety (JPS)

As noted above, the budget accepts the Governor's plans to **house all misdemeanants in county jails**, under the voluntary Statewide Misdemeanant Confinement Program. Other significant JPS changes include a transfer of the SBI to NC-Dept. of Public Safety (DPS) with the SBI director's 8-year gubernatorial appointment confirmed by the General Assembly. The budget keeps the state's crime lab in Justice and orders a study of the merger of the state

crime lab and the office of medical examiner. Another transfer to DPS includes the ABC Commission and Warehouse. The budget excludes the both transfer of Animal Welfare from Ag (NC-Dept. of Agriculture) DPS and a House amendment to strengthen puppy mill regulation.

The budget includes the Senate proposal for a three-judge panel that would rule on challenges to legislative action and stipulates that when the Legislature hires counsel to defend its laws, that counsel will lead in court proceedings.

The Senate and House both **remove DPS’s limitation on community work crew fees.** The budget establishes a new hazmat fee to fund regional and statewide hazmat operations and to provide hazmat county grants. DPS may use the proceeds to establish an additional hazmat team in Moore and Lee counties to respond to any gas exploration and extraction emergencies.

<b>Justice and Public Safety</b>	<b>Adopted</b>
<b>Eliminate all misdemeanants from state prisons—estimates 1,000 new state prisoners in Statewide Misdemeanant Confinement Fund</b>	<b>(\$2.7M)</b>
Close state prisons, convert & consolidate prison operations <ul style="list-style-type: none"> <li>• Close Fountain Women’s Center in Nash, North Piedmont in Davidson</li> <li>• Consolidate Tillery &amp; Caledonia management in Halifax</li> <li>• Convert Eastern in Greene to female minimum custody</li> </ul>	(\$10.6M)
Create 2 facilities to house state prisoners subject to 90-day mandatory sentence, per Justice Reinvestment—in Burke & Robeson	\$4.4M
Fund Western Crime Lab construction (via 2/3s bonds) & create DNA forensics unit	\$267K

**Natural and Economic Resources (NER)**

Principle highlights in the **NER area are staffing to prepare state management of hydraulic fracturing, but no funding is made available to oversee coal ash ponds.** The budget rejects the Senate’s plans to require that counties fund a larger share of county-specific forestry programs.

New water and sewer grant funds are appropriated but a special provision requires local governments applying to NC-Dept. of Environment and Natural Resources (DENR) for water and sewer grants to certify that no funds from utility operations are used to subsidize the local government’s general fund. DENR and other agencies under NER must review every active federal grant and report on the source, amount, match and any conditions to receiving the grant. A new Commercial Fishing Resource Fund is established to develop sustainable fishing and is supported by increased commercial fishing license fees. The dredging fund could be used to manage aquatic weed control in lakes.

**Unobligated community development block grant funds (CDBG) can be used for homeless veterans’ services.** Commerce is directed to study the factors that may be used to make adjustments in tier designations.

As of this writing, the General Assembly does not extend the expiring Film Tax Credit program, but replaces it with a film grant program through a special provision and allocation of \$10 million. Likewise, the Legislature does not extend the Historic Rehabilitation Tax Credit. The budget does include funding for a new Jobs Catalyst program, but its authorizing language is contained in a separate and stalled bill.

<b>Natural and Economic Resources</b>	<b>Adopted</b>
<b>Increase county cost-share of county-sited forestry programs</b>	<b>No</b>
Increase fees charged to assist with forestry management plans to enable owner to qualify for present-use value	(\$762k)
<b>Increase funding for Farmland Preservation Trust Fund—NCACC goal</b>	<b>\$1M for military buffers</b>
Provide operating funds for shale gas but no funds for test well drilling	\$177k
Fund new staff to oversee permitting of coal ash ponds & landfills accepting coal ash, hire staff to inspect pond dams & monitor water quality, reserve fund for S729	No funds included
Create Outer Banks Land Management Fund to purchase land & dredge Oregon Inlet	SP directs DOA to negotiate to acquire federal land

Increase Clean Water Management Trust Fund	\$500K
Increase water & sewer grants for Tier 1 & 2 local governments	\$1M nr
Change Limited Resource Community Grants established in 2013-14 to begin 2014-15	Cuts 50% but makes recurring
Expand rural economic development grants	\$1.25M nr
Establish film grant program to replace expiring film tax credit	\$10M nr
Fund new Job Catalyst program; contingent on H1224	\$20M nr

### General Government/Transportation/Salary & Benefits

The budget limits the amount of state aid to libraries, setting a maximum grant of \$400,000. The state pension funds would be subject to private audit.

The budget does not address new ferry tolls recently set in place. It eliminates drivers' education funding in Transportation next fiscal year. NC-DoT must report on agreements with counties and cities to participate in road construction funding. Car owners can choose either a *First in Flight* or *First in Freedom* standard license plate. Local governments cannot procure or operate unmanned aircraft through 2015 without state CIO approval, and other regulations of unmanned aircraft are added to the state's aeronautics and criminal law and procedures statutes.

Benefit contributions for locally paid school employees would be 15.21 percent of salaries for retirement and related benefits and \$5,378 in health costs per non-Medicare eligible employee.

<b>General Govt/Transportation/Salary &amp; Benefits</b>	<b>Adopted</b>
<b>Reduce state aid to libraries by 2%; limit grants to \$400,000</b>	<b>(\$284K)</b>
<b>Eliminate funding for county veteran services</b>	<b>(\$138K)</b>
<b>Approve local sales tax funding of additional auditors in DoR to improve refund process</b>	<b>\$400K</b>
Create low-income housing loan program to encourage development of low-income housing	\$10M nr
Create pavement preservation program to increase road life expectancy	\$65M
Fund pay raise for state employees	\$1,000; 5 days of add. vacation
Fund COLA for state retirees	\$44M; 1 %

Several general special provisions are worth noting, including a pilot program to examine the extent to which DENR grant and special fund programs impact General Fund transparency and the level of unexpended UNC funds carried forward. The state's contingency fund can be called upon to cover state litigation fees, and the State Controller can temporarily use cash balances of any fund to meet cash flow needs.

Any new IT equipment meant for state agency data centers must be installed in the centralized ITS data centers, and all state agency business intelligence requirements must be implemented through the Government Data Analytics Center. The state's CIO must develop recommendations for consolidating GIS functions and determine whether there is a market for selling state GIS data. The CIO is also charged with implementing the Budget and Reporting Information Technology Expenditures (BRITE) tool and considering its expansion to other state agencies.