



General Government Subcommittee 2014-15 Fiscal Year Budget Highlights

Fiscal Brief

October 9, 2014

The North Carolina General Assembly House and Senate Appropriations Subcommittees on General Government (Gen Gov) develop and recommend the budget for 17 State agencies and offices: Department of Administration, Office of State Auditor, Department of Cultural Resources (including the Roanoke Island Commission), General Assembly, Governor’s Office, Housing Finance Agency, Department of Insurance, Lieutenant Governor’s Office, Office of Administrative Hearings, Office of State Human Resources, Department of Revenue, Secretary of State, State Board of Elections, Office of State Budget and Management, Office of State Controller, State Ethics Commission, and Department of State Treasurer.

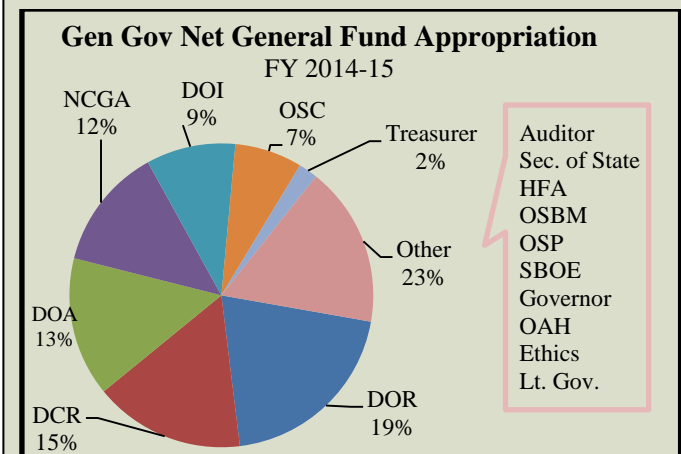
Actual and Certified Expenditures and Receipts¹

	<u>Actual FY 2011-12</u>	<u>Actual FY 2012-13</u>	<u>Actual FY 2013-14</u>	<u>Certified FY 2014-15</u>
Expenditures	894,315,005	721,441,342	651,119,660	724,079,287
Less: Receipts	485,018,231	319,539,476	264,787,714	265,611,535
Net General Fund Appropriations	\$409,296,774	\$401,901,866	\$386,331,947	\$427,467,752
Positions (FTE)	4,501.2	4,445.2	4,262.9	4,484.6

¹ Department and office level budgets and FTE information is provided at the end of this budget brief.

Budget Overview

The certified FY 2014-15 net General Fund appropriation or Gen Gov is \$427 million, an increase of 2.5 percent increase over the General Fund budget enacted by the General Assembly in 2013. The budget funds approximately 4,300 full-time equivalent positions (FTE).¹ The chart below shows the percentage appropriated by agency or office.



S.L. 2014-100, Appropriations Act of 2014 (S.B. 744), (Appropriations Act) appropriates \$427 million for the 17 General Government agencies and offices. Legislative adjustments increase the budgets by approximately \$10.6 million above the FY 2014-15 Certified Budget enacted during the 2013 session. The Joint Conference Committee Report also includes reductions to information technology contracts, elimination of positions, maximization of receipts, and reductions to operating budgets. This brief provides a summary of adjustments enacted for the FY 2014-15 budgets for Gen Gov agencies and offices.

Agency Specific Changes

Department of Insurance (DOI)

The Appropriations Act reduces DOI appropriations by \$850,000 through budgeting receipts of \$200,000, eliminating 7.8 vacant and filled positions and reducing the operating budget of the Office of State Fire Marshal by \$200,000.



Effective January 2015, the Insurance Regulatory Fee increases by 0.5 percent to 6.5 percent annually. This fee is paid by insurers based upon the total amount of premiums collected. DOI uses this revenue to regulate the insurance industry, in addition to other uses allowed under State law. Section 20.2 of the Appropriations Act adds the North Carolina Industrial Commission's activities related to Workers' Compensation as an allowable use of this fee. In FY 2014-15, the additional fee is expected to generate approximately \$1.2 million, \$2.4 million when annualized.

Department of Cultural Resources (DCR)

The Appropriations Act reduces DCR's personal services budget by \$240,000, eliminates four positions and makes adjustments to the budgets of several historic sites and museums throughout the State.

Tryon Palace's budget increases \$3 million on a recurring basis. The Roanoke Island Commission (RIC), previously an independent commission, is now fully under the purview of DCR and its General Fund support is reduced by 2 percent. The budget also reduces funding for the Museum of History by 2 percent and prohibits DCR from achieving budget reductions by closing the Mountain Gateway Museum.

The budget reduces library grants by 2 percent or \$284,000 and caps FY 2014-15 grants at \$400,000. Wake and Mecklenburg Counties' grants previously exceeded \$400,000 (Section 19.2 of S.L. 2014-100).

State Board of Elections (SBOE)

The budget funds three new investigator positions for SBOE. These positions will investigate election fraud and discrepancies in voter registration and will pursue prosecution for violations of election laws.

Department of Revenue (DOR)

Receipts from the Collections Assistance Fee are appropriated to fund a second taxpayer assistance call center in Greensboro and upgrade technology at the current call center in Rocky Mount.

The Appropriations Act provides funds to DOR for maintenance of the Tax Information Management System (TIMS), a collections case management system, and e-service upgrades. Section 7.5 of the Appropriations Act repeals DOR's authority to use increased revenue or cost savings for replacement of the current tax administrative system and instead requires that all future funding be specifically appropriated by the General Assembly.

Department of Administration (DOA)

The revised FY 2014-15 budget reduces DOA's operating budget to reflect actual spending primarily within the Facilities Management Division, reducing various utility and contract line-items by \$1.5 million on a recurring basis.

The Appropriations Act eliminates two programs:

- The Grant in Aid to County Veterans Service Offices is eliminated for a recurring savings of \$138,000. The program provided flexible grants to counties offering Veterans Service Officers and ninety counties participated in the program.
- The Youth Involvement Division's Students Against Destructive Decision Making program is also eliminated. This program provided education and outreach related to drug, alcohol, teen suicide, teen violence, and other risky behaviors that involve youth.

The Appropriations Act corrects four of DOA's special fund budgets including the State Veterans Trust Fund, Motor Fleet Management Fund, State Parking Fund, and Temporary Solutions. The budget realigns the budget for Temporary Solutions to account for additional receipts resulting from Executive Order #4 which requires State agencies to utilize Temporary Solutions for temporary staffing needs. The newly established Joint Legislative Committee on General Government will conduct a thorough analysis of the operations and cost to agencies of Temporary Solutions.



Housing Finance Agency (HFA)

The Appropriations Act establishes a new housing program called the Workforce Housing Loan Program, and provides \$10 million to the program on a non-recurring basis. The program will provide loans to entities to create low-income residential units across the State. The program is modeled after the State's Low-Income Housing Tax Credit, which will expire at the end of calendar year 2014.

Department of State Treasurer (DST)

The Appropriations Act increases the Investments Division General Fund budget by \$2.6 million, providing \$1.6 million to establish ten additional positions to manage investment contracts for a variety of asset classes previously managed by a third party intermediary. The Treasurer currently spends an estimated \$20 million annually on such investment contracts. The remaining \$1 million creates a compensation reserve to increase Investment Division staff salaries to market rates. A corresponding appropriation of \$700,000 is made from agency receipts to cover Investments Division staff not funded with a General Fund appropriation. Receipts within the Investments Division are from State investments under management.

The Appropriations Act appropriates funding for two additional positions to help monitor and investigate pension fraud and abuse. The positions will

implement S.L. 2014-88, Fiscal Integrity/Pension-Spiking Prevention (H.B. 1195), which addresses pension spiking and fraud. For more information, please see the Salaries and Benefits FY 2014-15 Budget Highlights.

Various Special Funds

The Appropriations Act redirects approximately \$12 million in nonrecurring funds from a variety of Special Funds to increase General Fund Availability including:

- \$2.1 million from the E-Commerce Reserve (within DOA). The Reserve supports the State's electronic procurement system. Receipts in the Reserve are proceeds from a charge on goods purchased through the system.
- \$5.4 million from the Blount Street Properties Fund (within DST). The budget eliminates the Fund. The Fund received proceeds from the sale of the Blount Street Properties that were to be used for the upkeep and repair of the Governor's Mansion.
- \$5.3 million from the Federal Insurance Contribution Act (FICA) Savings Fund. About \$16 million remains in the Fund above FY 2014-15 operating costs.

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Actual and Certified Expenditures and Receipts by Agency

Department of Administration¹

	Actual <u>FY 2011-12</u>	Actual <u>FY 2012-13</u>	Actual <u>FY 2013-14</u>	Certified <u>FY 2014-15</u>
Expenditures	100,473,609	105,773,636	121,661,871	126,960,284
Less: Receipts	39,039,109	44,602,675	56,017,090	61,678,067
Net General Fund Appropriations	\$61,434,501	\$61,170,960	\$65,644,781	\$65,282,217
Positions (FTE)	540.98	537.63	529.89	520.8

¹DOA includes the budgets for the Office of State Human Resources and the State Ethics Commission.

State Auditor

	Actual <u>FY 2011-12</u>	Actual <u>FY 2012-13</u>	Actual <u>FY 2013-14</u>	Certified <u>FY 2014-15</u>
Expenditures	15,300,775	15,441,029	14,819,716	16,854,271
Less: Receipts	3,854,759	5,439,207	5,215,908	5,482,004
Net General Fund Appropriations	\$11,446,016	\$10,001,822	\$9,603,808	\$11,372,267
Positions (FTE)	180.0	170.0	172.0	172.0

Department of Cultural Resources

	Actual <u>FY 2011-12</u>	Actual <u>FY 2012-13</u>	Actual <u>FY 2013-14</u>	Certified <u>FY 2014-15</u>
Expenditures	76,676,966	73,032,155	70,985,310	72,013,225
Less: Receipts	11,039,795	9,434,028	7,749,648	8,316,273
Net General Fund Appropriations	\$65,637,171	\$63,598,127	\$63,235,662	\$63,696,952
Positions (FTE)	700.1	663.9	673.9	669.9

General Assembly

	Actual <u>FY 2011-12</u>	Actual <u>FY 2012-13</u>	Actual <u>FY 2013-14</u>	Certified <u>FY 2014-15</u>
Expenditures	67,915,278	57,347,555	53,185,763	53,714,349
Less: Receipts	13,880,209	2,821,404	1,008,755	1,616,655
Net General Fund Appropriations	\$54,035,069	\$54,526,151	\$52,177,008	\$52,097,694
Positions (FTE)	326.0	318.9	315.3	315.3



Office of the Governor

	Actual <u>FY 2011-12²</u>	Actual <u>FY 2012-13</u>	Actual <u>FY 2013-14</u>	Certified <u>FY 2014-15</u>
Expenditures	326,046,846	5,866,006	6,489,240	8,077,504
Less: Receipts	320,889,602	790,717	1,096,676	860,127
Net General Fund Appropriations	\$5,157,244	\$5,075,289	\$5,392,564	\$7,217,377
Positions (FTE)	62.7	59.6	52	52.2

²FY 2011-12 actual expenditures and revenues include federal American Recovery and Reinvestment Act and Race to the Top funds that were received by the Governor's Office and distributed to other agencies. A separate budget code was established for these grants, effective FY 2012-13. The new budget code is 13001 and contains a total budget of \$103 million for FY 2014-15.

Housing Finance Agency

	Actual <u>FY 2011-12</u>	Actual <u>FY 2012-13</u>	Actual <u>FY 2013-14</u>	Certified <u>FY 2014-15</u>
Expenditures	9,673,051	1,608,417	8,308,412	18,241,954
Less: Receipts	-	-	-	-
Net General Fund Appropriations	\$9,673,051	\$1,608,417	\$8,308,412	\$18,241,954
Positions (FTE)	-	-	-	-

Department of Insurance

	Actual <u>FY 2011-12</u>	Actual <u>FY 2012-13</u>	Actual <u>FY 2013-14</u>	Certified <u>FY 2014-15</u>
Expenditures	47,525,100	64,535,342	49,478,572	60,407,729
Less: Receipts	12,556,622	29,057,579	13,797,611	22,695,407
Net General Fund Appropriations	\$34,968,478	\$35,477,764	\$35,680,961	\$37,712,322
Positions (FTE)	410.1	417.1	408.1	400.3

Lieutenant Governor

	Actual <u>FY 2011-12</u>	Actual <u>FY 2012-13</u>	Actual <u>FY 2013-14</u>	Certified <u>FY 2014-15</u>
Expenditures	768,110	587,872	623,851	671,307
Less: Receipts	2	10,007	9	-
Net General Fund Appropriations	\$768,108	\$577,865	\$623,842	\$671,307
Positions (FTE)	9.0	3.0	6.0	6.0



Office of Administrative Hearings

	Actual <u>FY 2011-12</u>	Actual <u>FY 2012-13</u>	Actual <u>FY 2013-14</u>	Certified <u>FY 2014-15</u>
Expenditures	5,825,593	7,339,418	6,474,345	6,847,440
Less: Receipts	1,817,926	3,305,004	2,312,502	1,782,492
Net General Fund				
Appropriations	\$4,007,668	\$4,034,413	\$4,161,843	\$5,064,948
Positions (FTE)	40.0	40.0	45.0	45.0

Roanoke Island Commission

	Actual <u>FY 2011-12</u>	Actual <u>FY 2012-13</u>	Actual <u>FY 2013-14</u>	Certified <u>FY 2014-15</u>
Expenditures	1,805,236	903,241	450,000	441,000
Less: Receipts	-	-	-	-
Net General Fund				
Appropriations	\$1,805,236	\$903,241	\$450,000	\$441,000
Positions (FTE)	-	-	-	-

General Fund appropriations for the Roanoke Island Commission are transferred to a special fund. All expenses for the Commission, including personnel, are expended from the special fund. In FY 2012-13, there were 35 full-time equivalent positions supported by special fund.

Department of Revenue

	Actual <u>FY 2011-12</u>	Actual <u>FY 2012-13</u>	Actual <u>FY 2013-14</u>	Certified <u>FY 2014-15</u>
Expenditures	104,571,688	108,057,386	108,075,480	127,169,608
Less: Receipts	28,522,546	31,610,081	31,818,370	47,790,299
Net General Fund				
Appropriations	\$76,049,142	\$76,447,305	\$76,257,110	\$79,379,309
Positions (FTE)	1,416.3	1,410.3	1,427.3	1,470.3

Secretary of State

	Actual <u>FY 2011-12</u>	Actual <u>FY 2012-13</u>	Actual <u>FY 2013-14</u>	Certified <u>FY 2014-15</u>
Expenditures	11,405,729	11,726,069	11,538,002	11,675,805
Less: Receipts	1,442,508	198,051	165,099	61,625
Net General Fund				
Appropriations	\$9,963,221	\$11,528,018	\$11,372,903	\$11,600,706
Positions (FTE)	176.8	176.8	173.8	171.8



State Board of Elections

	Actual <u>FY 2011-12</u>	Actual <u>FY 2012-13</u>	Actual <u>FY 2013-14</u>	Certified <u>FY 2014-15</u>
Expenditures	6,225,311	5,061,863	5,437,440	6,015,935
Less: Receipts	1,527,808	403,973	116,079	161,876
Net General Fund Appropriations	\$4,697,503	\$4,657,890	\$5,321,362	\$5,854,059
Positions (FTE)	51.0	51.0	52.5	57.5

Office of State Budget and Management

	Actual <u>FY 2011-12</u>	Actual <u>FY 2012-13</u>	Actual <u>FY 2013-14</u>	Certified <u>FY 2014-15</u>
Expenditures	14,705,355	8,197,591	7,734,225	7,744,505
Less: Receipts	8,689,265	2,807,623	1,263,891	262,914
Net General Fund Appropriations	\$6,016,090	\$5,389,967	\$6,470,334	\$7,481,591
Positions (FTE)	59.0	58.3	58.3	58.3

Office of State Budget & Management - Special Appropriations

	Actual <u>FY 2011-12</u>	Actual <u>FY 2012-13</u>	Actual <u>FY 2013-14</u>	Certified <u>FY 2014-15</u>
Expenditures	1,940,612	1,879,000	4,912,000	1,675,000
Less: Receipts	-	-	-	-
Net General Fund Appropriations	\$1,940,612	\$1,879,000	\$4,912,000	\$1,675,000
Positions (FTE)	-	-	-	-

Department of the State Treasurer

	Actual <u>FY 2011-12</u>	Actual <u>FY 2012-13</u>	Actual <u>FY 2013-14</u>	Certified <u>FY 2014-15</u>
Expenditures	47,633,251.98	46,008,906	44,934,742	50,622,344
Less: Receipts	41,166,096.81	39,610,979	37,384,094	40,933,108
Net General Fund Appropriations	\$6,467,155	\$6,397,927	\$7,550,648	\$9,689,236
Positions (FTE)	358.9	359.9	358.9	368.9



State Controller

	Actual FY 2011-12	Actual FY 2012-13	Actual FY 2013-14	Certified FY 2014-15
Expenditures	29,491,163.00	30,740,736	28,140,942	29,909,002
Less: Receipts	968,002.00	1,031,280	1,068,805	1,400,463
Net General Fund Appropriations	\$28,523,161	\$29,709,456	\$27,072,137	\$28,508,539
Positions (FTE)	179.8	178.8	173.8	169.0

Fire, Rescue Squad, and National Guard Pensions; Line of Duty Death Benefit

	Actual FY 2011-12	Actual FY 2012-13	Actual FY 2013-14	Certified FY 2014-15
Expenditures	17,517,114	27,172,084	23,179,042	21,484,274
Less: Receipts	-	-	-	-
Net General Fund Appropriations	\$17,517,114	\$27,172,084	\$23,179,042	\$21,484,274
Positions (FTE)	-	-	-	-

Change in FTE, FY 2014-15

General Government	Vacant	Filled	Receipts	New	Transfer	Change
Administration	(9.0)	-	-	-	-	(9.0)
Auditor	-	-	-	-	-	-
Controller	(2.0)	(2.8)	-	-	-	(4.8)
Cultural Resources	(4.0)					(4.0)
Housing Finance Agency	-	-	-	-	-	-
Lieutenant Governor	-	-	-	-	-	-
Office of Administrative Hearings	-	-	-	-	-	-
Revenue	(9.0)	(1.0)	1.0	57.0	-	48.0
Secretary of State	(2.0)	-	-	-		(2.0)
Treasurer	-	-	-	12.0	-	12.0
General Assembly	-	-	-	-	-	-
Governor's Office	-	-	-	-	-	-
Insurance	(4.0)	(3.8)	-	-	-	(7.8)
Elections	-	-	-	3.0	-	3.0
State Budget and Management	(1.0)	-	-	-	-	(1.0)

*Administration includes the Office of State Human Resources and the State Ethics Commission