

June 29, 2015

Dear Senator Brown,

Thank you for your public service to our great state. I am continually impressed by how you juggle the duties of your elected office with responsibilities to your families and your full time work.

As the fiscal year comes to a close, I'd like to encourage you to complete your legislative work soon. In March our administration delivered a conservative and balanced budget to the General Assembly when we had a projected \$271 million deficit. It is now the end of June and we have a projected \$400 million surplus.

While I have signed a number of important and worthy measures, there are many outstanding issues that have yet to be resolved. The primary purpose of the Long Session is the timely delivery of the State budget. The longer we go without a budget, the greater the uncertainty for businesses, individuals, and local governments across North Carolina. The State budget is not the only budget in play throughout North Carolina. The majority of local governments passed a budget weeks ago with the assumption that we would follow by July 1.

While 40 state legislatures have passed budgets, our legislature has been in Raleigh almost six months and now there are efforts under way to extend the session into September or even October. While your thorough and thoughtful debate is appreciated, the people of North Carolina cannot continue to wait as that honorable work turns into negotiation tactics that stall our progress.

During the past several weeks, I have had positive dialogue with legislative leaders; however, there remains major separation between not only the two chambers but also between the legislative and the executive branch. Let me reiterate where our administration stands on issues that are most important to our hard-working citizens.

- Regarding the continuing budget resolution, I support a simple one month resolution, to July 31st. Given that it has been nearly four months since we delivered our budget, and has been six since the General Assembly came into session; and given that many states with significantly greater budget problems have already completed their work, we believe 30 days is sufficient for completion of the work that the people sent us here to do.
- Regarding priorities for the budget process separate from the continuing resolution, I strongly support building our rainy day reserves to a minimum of six percent. It's imperative that we prepare for any potential downturn. The state recommends local governments maintain eight percent in reserves.
- In addition, it's imperative that we have a comprehensive and long-term economic development plan which is why we introduced our NC Competes proposal six months ago. I urge you to remove this legislation from the budget process and pass a clean bill as soon as possible. A comprehensive plan will

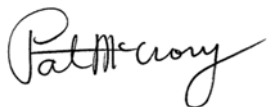
include a long-term extension of the JDIG without a cap and without other unnecessary restrictions that only tie our hands, to the delight of our competitors. Another key component of this plan is the reinstatement of historic preservation tax credits which are vital to North Carolina's small towns. Our neighbors in South Carolina recently increased their historic preservation tax credit by 150%. I would also consider single sales factor apportionment, phased in over three years, which benefits businesses already in North Carolina as well as potential new businesses. Additionally, our Innovation to Jobs initiative will connect the leading-edge research being conducted at our world class universities with the capital and expertise to turn that research into high-paying jobs. As the national economy improves, businesses are actively looking for states to invest in. The legislature's indecision on a firm and sustainable economic development plan is putting North Carolina at a competitive disadvantage for jobs that our Department of Commerce is recruiting now.

- Local school districts are making hiring decisions for the coming year right now. It's important to provide funding certainty to them now while also giving schools the flexibility to hire the classroom teachers and teacher assistants needed to provide an outstanding education for children across our state.
- In the fall of 2014, our administration began discussing a plan to address our state's transportation and infrastructure needs. As part of a comprehensive solution to jumpstart this plan, I announced the Connect NC bond proposal in my State of the State address in February. It's time for the legislature to follow this plan and allow the voters to decide on these important investments. North Carolina is now the ninth most populous state and we cannot afford to ignore our transportation and infrastructure needs any longer.
- As everyone agrees, Medicaid reform is overdue. We have proposed physician-led reform that puts patients first, controls costs for taxpayers and incentivizes health care providers to coordinate care. We believe that reform should focus on delivery of services, not on rearranging the boxes on a government organizational chart that also gives authority to an unaccountable board.
- While the ink is barely dry on the tax reform we approved together in 2013, now is not the time to implement major changes to our tax code. Businesses need certainty and continuity and we must give tax reform time to work. I do support other minor corrections like reinstating the medical deduction for seniors.
- Regarding another tax proposal being discussed, let me be clear: I will not support any effort to redistribute sales tax dollars from one county to another. This is not a State tax; this is a local tax and any forced change will result in a tax increase for millions of our citizens and businesses from the coast to the mountains.

Our team and I remain committed to working with each of you through this process and look forward to continued discussions. I welcome your calls or visits at any time.

Thank you again for your service and dedication to the citizens of North Carolina.

Sincerely,

A handwritten signature in black ink, appearing to read "Pat McCrory". The signature is written in a cursive, flowing style.

Governor Pat McCrory