



NCACC Report on 2018 Appropriations Act

The NC General Assembly rapidly approved a state budget for fiscal year 2019, moving from the public release of the proposed budget bill to its final legislative approval on June 1 in just five days. Foregoing multiple traditional procedural steps, the legislative budget chairs and leadership unveiled the document in the form of a “conference report,” an unamendable bill negotiated by a smaller group of legislators and presented simultaneously to the full House and Senate for votes.

Most significantly for counties, the [2018 Appropriations Act](#) included a provision to increase lottery funds for school capital, which aligns with NCACC’s top legislative priority. The Needs-Based Public School Capital Fund grew from \$30 million this fiscal year to \$117 million next year (last year’s budget had appropriated only \$75 million for 2019). This brings the total combined amount of lottery proceeds directed toward school capital to 29 percent on a non-recurring basis. Details on that change and other items of interest to counties follow.

On June 6th, Governor Roy Cooper vetoed the budget act. The vetoed budget will return to the legislature for a potential override vote. If overridden, the budget act will become law July 1st.

Education

- Allocates \$100 million from lottery proceeds to the Public School Building Capital Fund.
- Allocates \$117 million from lottery proceeds to the Needs-Based Public School Capital Fund, which is awarded to Tier 1 and 2 counties through a competitive grant process, an increase over the projected \$75 million in last year’s budget:
 - Allows grants from this fund to be used for public school operational leases;
 - Directs the grant funds to be disbursed through a series of payments based on project progress;
 - Requires a county receiving grant funds to enter into an agreement with the Department of Public Instruction outlining the use of grant funds.
- Continues to fund non-instructional support personnel from lottery revenue (\$386 million), and uses \$21 million in lottery resources to fund Local Education Agency transportation needs in FY 2018-19.
- Appropriates an additional \$35 million to address school safety issues as follows:
 - \$10 million grants for school mental and behavioral health positions;
 - \$3 million for training school-based mental health professionals;
 - \$5 million in funding for a statewide student anonymous tip mobile application;
 - \$12 million in funding for School Resource Officers;
 - \$3 million for equipment and capital facility improvements;
 - \$2 million for community partners to assist students in crisis.
- Provides an average 6.5 percent pay raise to teachers.



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- Reduces the average daily membership requirement for a county containing a military base to qualify for the Low-Wealth supplemental funding from 23,000 to 17,000.
- Increases allocated average daily membership requirement to qualify for small county supplemental funding from 3,200 to 3,300.
- Extends the Joint Legislative Education Finance Reform Task Force to October 2019.
- Provides \$11.9 million to maintain funding for textbooks and digital resources at 2017 levels.
- Appropriates \$14.6 million to community colleges for increased funding for short-term continuing education and workforce development leading to industry credentials.
- Authorizes cities to use property taxes to fund the capital and operational needs of public schools, including charter schools, lab schools, and regional schools:
 - The local board of education or charter school may request appropriations directly from a city;
 - Cities may earmark any funds allocated for specific uses or specific schools;
 - Funds appropriated from cities to a school within city limits may be used for capital or operating expenses, including financial or operating leases for real property, or for any other specific uses directed by the city;
 - City funds may not be used to incur debt for the purchase of real property and cities may not pledge their taxing power for this purpose.
 - Funds appropriated from a city to a school outside of city limits follow city residents who attend that school and may be used to supplement operational funding or for other specific uses directed by the city.

This new authorization for cities to fund public schools generates various unanswered questions concerning the relationship between counties, cities, and school boards, and the funding of local schools.

Health and Human Services

- Funds four new positions and contract costs to help with county Medicaid eligibility audits beginning January 2019; changes the audit frequency from annually to rotating once every three years unless a county is under a corrective action plan.
- Funds two new positions to implement the training and certification program for county staff using NCFASST outlined in FY 2017-18 budget. These positions will be hired in February 2019 with the program start-date of March 2019.
- Expands last year's study of Medicaid coverage for county ambulance transports to alternative care locations. The study will include whether this coverage should be part of prepaid health plan contracts related to Medicaid transformation.
- Reduces single-stream funding to the Local Management Entity/Managed Care Organizations (LME/MCO) by an additional \$438,041 recurring and approximately \$16.6



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million non-recurring. The total reductions in year two are now approximately \$36.4 million recurring and \$71.2 million non-recurring.

- Creates a new law governing LME/MCO financial security allowing the NC Department of Health and Human Services to calculate solvency ranges on a quarterly basis. The law further specifies triggers for developing and executing a corrective action plan if an LME/MCO violates solvency rules.
- Repeals the existing 17 member Child Well-Being Transformation Council and replaces it with a new 25 member Child Well-Being Transformation Council to explore challenges and opportunities in collaborating on child welfare and protection issues across state, local, and nonprofit entities. Counties will be represented on the council by a director of a county department of social services appointed by the Governor.
- Shifts \$10 million of Dorothea Dix Hospital Property Funds from DHHS to DPI for grants to public schools for additional school mental health personnel.

Adjustments to Block Grants

- Uses \$50 million in federal Temporary Assistance for Needy Families (TANF) block grants to replace state funds to cover expanded NC Pre-K funding.
- Increases TANF block grant funds by about \$7 million for county child services programs and child welfare training.
- Uses \$1 million in TANF funds to increase Social Services Block Grant funds available for Child Advocacy Centers.
- Combines \$987,309 in additional Social Services Block Grants with local match funds to provide additional adult guardianship services in conjunction with county departments of social services.
- Shifts an additional \$800,000 on top of the \$2.2 million shifted last year from federal Maternal and Child Health Block Grants from local public health departments to an earmarked project in two counties, further impacting delivery of mandated local services and increases county costs.

Public Safety

- Transfers \$16.5 million from the State Misdemeanant Confinement Fund to fund upgrades for the Voice Interoperability Plan for Emergency Responders (VIPER).
- Adds an additional \$1.8 million to last years \$37.6 million for court services related to Raise the Age legislation.
- Provides \$22 million for across the board 4 percent salary increase for certain prison workers.
- Appropriates \$15 million from the State Misdemeanant Confinement Fund for technology to enhance prison security.



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Disaster Relief

- Provides \$30.5 million for disaster preparation efforts including:
 - \$25 million for hazard mitigation, relocation gap funding, and flood insurance subsidies;
 - \$2.3 million to support state Search and Rescue teams;
 - \$2.84 million for river gauges and dam inundation mapping to aid in flood prevention.
- Directs \$14.5 million non-recurring from the State Emergency Response/Disaster Relief Reserve to pull down federal funds and \$10 million from the fund to Golden LEAF to provide infrastructure grants to communities.
- Provides \$700,000 from the State Emergency Response/Disaster Relief Reserve to purchase Forest Service emergency response equipment.

Information Technology and Broadband

- Creates new \$10 million grant managed in the state's Broadband Infrastructure Office to help with broadband access in tier 1 counties;
 - Grants will go to private internet service providers and cooperative entities including energy co-ops;
 - Grants will be awarded based on a scoring system that rewards larger scale projects that bring higher speeds to unserved areas;
 - Limits county use of broadband lease agreements to "competitively neutral" projects that "shall not be used to subsidize the provision of competitive service."

Economic Development

- Eliminates the adjustment factors in the tier system that automatically place some counties in development Tier 1, and removes the automatic adjustment applied to certain small counties.
- Lowers thresholds for economic development incentives to help attract projects leading to large scale, transformative investment.
- Appropriates \$1 million for the One NC Small Business Fund for early-stage technology development grants for small businesses.
- Appropriates \$2.5 million to the Carolina Small Business Development Fund to provide small business loans and financial training to start-ups and existing businesses and lending services to community-based organizations.

Environment; Natural Resources

- Provides \$4 million in additional non-recurring funds to the Clean Water Management Trust Fund.



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- Increases funds for the Clean Water State Revolving Fund by \$1 million to draw down \$5 million in federal funds.
- Increases funds for the Drinking Water State Revolving Fund by \$2.7 million to draw down \$14 million in federal funds.
- Appropriates \$5 million to the Coastal Storm Damage Mitigation Fund established last year to help prepare for and remediate damage to beaches and dunes. The funds will come from the Utility Account in the Department of Commerce.
- Provides \$4 million in additional non-recurring funds to the Parks and Recreation Trust Fund.
- Creates a new law allowing the state to intervene to stop discharge of certain contaminants including GenX, and covering alternative water supplies for affected properties. Also, provides funding for positions, equipment, sampling, testing and oversight to the Department of Environmental Quality, the Cape Fear Public Utility Authority, and the NC Policy Collaboratory at UNC-Chapel Hill.
- Appropriates \$13 million non-recurring to the Agricultural Development and Farmland Preservation Trust Fund.
- Increases funding for aquatic weed control projects from \$500,000 to \$1 million.

Miscellaneous

- Authorizes counties to waive penalties when taxes are paid late during a declared disaster if the tax office is closed and the US Postal Service did not provide service to the taxpayer's address.
- Requires the Administrative Office of the Courts to report annually on the implementation of the notice of waiver of costs to government entities directly affected by court cost waivers allowed under GS 7A-304.
- Requires local government finance officers to include in their semiannual report of financial information the total revenues received from building inspections, by type, and the total expenditures paid from all revenues received, by type.