



2023 - 2024 House Budget Report

NCACC Analysis and Highlights

Overview

The North Carolina House of Representatives released their proposed state budget on Wednesday. Earlier this month, House and Senate leaders came to an agreement on the amount the General Assembly plans to spend over the next two years, announcing a 6.5% budget increase to \$29.7 billion this year and then another 3.75% increase to \$30.8 billion next year. This year, lawmakers had an additional \$3.25 billion at their disposal due to higher-than-expected tax revenue. With massive shortages of teachers and state workers – and some agencies reporting as many as one in four state jobs vacant – the House has prioritized trying to address those workforce issues. Teachers would receive an average 10.2% raise over both years of the proposed budget. State workers would receive raises of 7.5% over two years, with 4.25% in the first year and 3.25% in the second year.

Highlights of the [budget special provisions](#), as well as the accompanying [money report](#), include:

Broadband

- **\$3.75M** in each year of the biennium to supplement existing administrative capacity in support of high-speed internet efforts.

Capital/Infrastructure

Lottery

K-12 capital funding = 38.5% of appropriated lottery proceeds. Distribution of lottery funds are as follows:

- **\$100M** in Public School Building Capital Fund.
- **\$208M** FY23-24 in Needs-Based Public School Capital Fund.
- **\$50M** FY23-24 in the recently created Public School Repair & Renovation Fund.
 - Each county will receive equal annual allocations to be used for enlargement, improvement, expansion, repair, or renovation of classroom facilities at public school buildings, but may not be used for retirement of indebtedness.

The budget also increases the maximum grant awards in the Needs-Based Public School Capital Fund to \$40 million for an elementary school, \$50 million for a middle school, or \$60 million for a high school.

State Capital and Infrastructure Fund (SCIF)

- **\$1 billion** over both years of the biennium for water and wastewater projects across the state.
- **\$225M** reserved in the Capital Project Inflationary Reserve for cost escalation of authorized state agency and UNC system capital projects.
- **\$13.3M** matching federal funds for Water Resources Development Projects which include navigation, water management, flood mitigation, and beach renourishment.
- **\$150M** in each year of the biennium for new construction and repairs and renovations for community college facilities.

Public Education

K-12 Schools

- School Safety Appropriations
 - **\$20M** in each year of the biennium for the school safety grants program to support students in crisis, school safety training, and the purchase of safety equipment.
 - **\$900,000** in 2023-24 for the Center for Safer Schools to conduct a school safety awareness campaign and continue contracts to conduct threat assessment team development.
 - **\$850,000** in each year of the biennium for the Center for Safer School's anonymous tip line, which facilitates anonymous reporting of school safety threats.



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Public Education (Continued)

K-12 Schools (Continued)

- Compensation
 - **\$386M** in 2023-24 for a 4.25% salary increase with an additional \$682M in 2024-25 for an additional 3.25% salary increase.
 - **\$70M** in each year of the biennium to provide additional teacher supplement funds in most counties.
 - **\$8M** in each year of the biennium to restore advanced degree salary supplements for public school personnel.
 - **\$4.7M** in each year of the biennium to provide additional salary increases for bus drivers (in addition to the above salary increases).
- **\$60M** in each year of the biennium for additional teacher assistants for fourth grade classes.
- **\$20M** in 2023-24 and **\$25M** in 2024-25 to increase all tiers of the Small County supplemental funding allotment.
- Non-budget related policy provisions of note:
 - Allows program enhancement teacher allotment dollars to be used for program enhancement teachers in grades K-12 (currently K-5).
 - Requires all middle and high school students to complete a career development plan.
 - Caps class size in grades 4 and 5 to 24 students.
 - Requires the Department of Public Instruction to develop a model for funding children with disabilities services on the basis of the reported cost of the services provided.

Community Colleges

- Compensation
 - **\$55M** in 2023-24 for a 4.25% salary increase with an additional **\$97M** in 2024-25 for an additional 3.25% salary increase.
- **\$7.1M** in each year of the biennium for the Rural Broadband Initiative to improve broadband access at all 47 rural community colleges.
- **\$5.5M** in 2023-24 to expand apprenticeship opportunities for youth ages 16 to 25 in high-demand fields, including surveying, engineering, and construction, at small businesses located in Tier 1 and Tier 2 counties.
- **\$15M** in 2023-24 to waive all state registration fees for continuing education and workforce development courses.
- **\$15M** each year of the biennium to assist community colleges in starting programs in high-demand career fields that require significant start-up funds. Colleges pay for a certain percentage of program costs based on the total enrollment of full-time equivalent students.
- \$20M in each year of the biennium to allocate to colleges to develop and expand courses that lead to a degree or credential in healthcare-related fields.

Tax and Finance

- Reduces state personal income tax revenue by:
 - Reducing the personal income tax rate from 4.6% to 4.5% in 2024;
 - Increasing the standard deduction;
 - Increasing the child deduction by 20% per child;
 - Creating tax credits for child adoption and organ and bone marrow donation.
- Reduces state and local sales tax revenue by creating or extending the duration of multiple sales tax exemptions. NCACC estimates the statewide revenue loss to local governments to be \$7.1 million in year 1 and \$8.6 m in year 2.
- Reduces state tax income from the franchise tax by lowering the rate gradually over 5 years.



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Health and Human Services

- **\$37M** from the ARPA Temporary Savings Fund for grants to incentivize health care providers to practice in rural and underserved communities (**\$25M**) and to provide grants to stabilize rural hospitals (**\$12M**).
- Increases reimbursement rates for subsidized child care: **\$43.9M** from COVID-19 relief block grants in 2023-24 and the first quarter of 2024-25 and **\$24M** recurring after that.
- Provides slightly more than **\$50M** in recurring funds to county departments of social services for additional administrative costs associated with eligibility determinations associated with the expansion of Medicaid.
- **\$18.2M** in recurring funding to the state's Innovations waiver program to expand access to services for individuals with intellectual and developmental disabilities. Also provides **\$176M** in recurring funds to increase wages of direct care workers who provide these services.
- Nearly **\$24M** to implement a comprehensive Medicaid reimbursement for federally qualified health centers and rural health clinics.
- Slightly more than **\$190M** non-recurring in 2023-24 and nearly **\$29M** recurring in 2024-25 for Medicaid fee-for-service claims.
- **\$44.8M** in 2023-24 and **\$104M** in 2024-25 to the Healthcare Access and Stabilization Program to increase Medicaid managed care hospital reimbursements.
- **\$375M** in 2023-24 and **\$315M** in 2024-25 to support the transition to Medicaid managed care and the Healthy Opportunities Pilot program.
- **\$8.9M** to the Department of Health and Human Services from the multi-state opioid settlement to award competitive grants to non-profits to address the opioid epidemic.
- **\$300K** to the North Carolina Administrative Office of the Courts to study implementation of statewide recovery courts.
- **\$15M** recurring to local health departments to expand communicable disease testing, surveillance, detection and prevention activities.
- **\$1.5M** to replace the County Reimbursing System which is used to determine the cost allocation of federal administration funding.
- **\$5.1M** in 2023-24 and **\$10.2M** 2024-25 for assistance to foster care parents who are not licensed but are caring for a relative.
- Increased federal funding transferred from the TANF block grants to the SSBG block grant for county departments of social services, but decreases federal SSBG funding, resulting in **\$1.3M** decrease overall.

Agriculture, Natural Resources, and Environment

Food Security

- **\$50M** to the NC Agriculture Manufacturing and Processing Initiative (NCAMPI) to provide cost share grants to new and expanding agricultural manufacturing facilities for site development, infrastructure costs, building construction, and equipment.

Economic/Workforce Development

- An extra **\$1 billion** for transportation projects.
- **\$400M** for other economic work — most of it aimed at creating new "megasite" properties around the state.
- **\$12.5M** in each year of the biennium for vocational training workforce grants.

Environment

- **\$300,000** in each year of the biennium to the Pesticide Disposal Assistance Program (PDAP) which provides cost-free assistance to farmers and homeowners in the safe collection and lawful disposal of banned, outdated, or unwanted pesticides.
- **\$30.8M** this year and **\$30.8M** next year to address PFAS.



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Agriculture, Natural Resources, and Environment (Continued)

Environment (Continued)

- Total of **\$119.6M** this year and **\$119.6M** next year for clean water grants through the Federal Infrastructure and Investment Act.
- **\$1.6M** in FY 2023-24 and **\$1.1M** in FY 2024-25 for Division of Environmental Assistance and Customer Service grants to local governments for recycling and waste reduction programs.
- **\$1.5M** for the Cape Fear River Basin flood mitigation project.
- **\$3.6M** for the Carolina Beach Coastal Storm Damage Mitigation project.
- **\$750,000** for the Holden Beach Coastal Storm Damage Mitigation project.
- **\$1.5M** for the Ocean Isle Coastal Storm Damage Mitigation project.
- **\$141,667** for the Dan River Regional Water Supply Project.
- **\$4M** for cost-share grants to local governments through the National Resource Conservation Service.
- **\$6M** to provide matching grants to local governments to implement water resource development projects throughout the state.

Justice and Public Safety

Justice

- **\$427,000** in each year of the biennium to the Criminal Justice Education and Training Standards Commission to assist implementation of the North Carolina Law Enforcement Accreditation Program (NCLEA).
- **\$311,000** in each year of the biennium for positions at the Sheriffs' Education and Training Standards Commission.

Public Safety

- **\$200M** in each year of the biennium for directed grants to local law enforcement supporting workforce development and officer health and safety.
- **\$4M** in 2023-24 additional funds to increase the number of Volunteer Fire Department Fund grants awarded to eligible volunteer fire departments.

Emergency/Resiliency

- **\$25M** in 2023-24 for the Transportation Infrastructure Resiliency Grant Program.
- **\$20M** in 2023-24 for the Streamflow Rehabilitation Assistance Program.
- **\$10M** in 2023-24 for the Resilient Coastal Communities Program.

Non-Budget Related Policy Provisions of Note

- Requires Administrative Office of the Courts to study existing judicially managed accountability and recovery courts (JMARC), including those drug treatment courts and JMARC. Study to include funding sources and local interest for additional JMARC.

Elections

- **\$253,238** in each year of the biennium for additional Election Specialist II positions to provide support to local boards of elections.
- **\$300,000** in each year of the biennium to continue providing local boards of elections access to the State Elections Information Management System.

Other Provisions of Note

COVID-19 Vaccinations: Discrimination against persons based on COVID-19 vaccination status would not be allowed.

Schools in All Zoning Districts: Requires local government development regulations provide that a school is a permitted use as a matter of right in all zoning districts and no development regulation for any zoning district may require a school to only be located on a site contiguous to a state-maintained road or highway.



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Other Provisions of Note (Continued)

Prohibit Private Monetary Donations in Elections: Prevents the State Board of Elections, any county board of elections, and any county commissioners from accepting private monetary donations for conducting elections, including employing individuals on a temporary basis. Does not apply to zoning districts dedicated to industrial purposes.

Prohibition of State or Regional Emissions Standards for Motor Vehicles: Prohibits any requirements on controlling emissions on new motor vehicles.

Reduce Number of Counties Subject to Emissions Inspections: Removes all previous counties required to have motor vehicle emissions inspections performed and replaces with Mecklenburg County.

Expand Eligibility and Revise Administration for Opportunity Scholarships: Expands eligibility for opportunity scholarships, no longer requiring children to attend public school before being eligible for the scholarships.

Selection of Instructional Materials: Local school boards will select and adopt instructional materials for courses in elementary and secondary school.