



# 2023 - 2024 Senate Budget Report

## NCACC Analysis and Highlights

### Overview

The North Carolina Senate released their proposed version of the state budget on Monday afternoon. Topline figures and highlights include: net appropriations of \$29.8 billion this year and \$30.9 billion next year; doubling the Stabilization and Inflationary Reserve to a total of \$1.9 billion; increasing the state's rainy day fund by \$250 million to a total of \$5 billion; state employee raises of 5% over the biennium, with teachers receiving 4.5% and starting teacher pay increasing by almost 11% over that same time period.

The House is expected not to concur, which will set up the conference committee process between the two chambers. They will meet to negotiate differences before finalizing a budget to send to Governor Cooper. As a reminder, once a state budget is passed and enacted this year, Medicaid expansion will occur statewide.

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

#### Broadband

- **\$3.75M** each year of the biennium to supplement existing administrative capacity in support of high-speed internet efforts.
- **\$12.5M** in each year of the biennium for an awareness campaign with targeted community-based efforts and digital literacy offerings.

#### Capital/Infrastructure

##### Lottery

K-12 capital funding = 43.3% of appropriated lottery proceeds. Distribution of lottery funds are as follows:

- **\$100M** in Public School Building Capital Fund.
- **\$254M** 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)

- **\$8.3M** matching federal funds for Water Resources Development Projects which include navigation, water management, flood mitigation, and beach renourishment.
- **\$100M** in each year of the biennium for new construction and repairs and renovations for community college facilities.

#### Public Education

##### K-12 Schools

- **\$4.8M** in each year of the biennium in additional funds to increase all tiers of the Small County Supplemental Funding allotment.
- **\$16.7M** in each year of the biennium for the Low-Wealth Counties Supplemental Funding and At-Risk Student Services allotments resulting from changes in local factors like per-capita income and number of students living in poverty.
- School Safety Appropriations
  - **\$35M** 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.
  - **\$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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## NCACC Analysis and Highlights

### Public Education (Continued)

#### K-12 Schools (Continued)

- Compensation
  - **\$99M** in 2023-24 and **\$152.6M** in 2024-25 to increase teacher salaries by 4.5% over the biennium.
- Non-budget related policy provisions of note:
  - Expands the Opportunity Scholarship Program (private school vouchers) to make all students and families in North Carolina eligible to receive a scholarship regardless of family income. Award amounts are determined on a sliding scale based on income. Ramps of funding for the program over the course of the next several years to eventually reach over \$500M per year by 2031-2032.
  - 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.
  - Requires career exploration and development plans for middle and high school students.

#### University System/Community Colleges

- Compensation
  - **\$32M** in 2023-24 for a 2.5% salary increase with an additional **\$64M** in 2024-25 for an additional 2.5% salary increase.
- **\$19.5M** in each year of the biennium for healthcare, nursing, and other health related workforce development programs.
- Both the House and Senate budget include funding for UNC Chapel Hill's new School of Civic Life and Leadership. However, the Senate budget would cut funding to the School of Government and the School of Law by **\$5M** each over the next two fiscal years.

#### Non-Budget Related Policy Provisions of Note

- Requires that the President of North Carolina Community Colleges be confirmed by the General Assembly.

### Tax and Finance

- Reduces the state personal income tax rate from 4.99% to 2.49% by 2030 (Sec. 42.1)
- Reduces State and local sales tax revenue by extending or expanding existing tax exemptions and by creating new exemptions; the total loss to local governments statewide is estimated to be \$1.4M in FY 2023-24 and \$1.8m in FY 2024-25:
  - Expands the existing exemption for aircraft repair parts and accessories to apply to additional aircraft (Sec. 42.12).
  - Extends the sunset for the existing exemption for commercial aviation fuel by 6 years (Sec. 42.13).
  - Expands the existing exemption for fuel and other supplies used by freight-bearing vessels that travel the ocean; the expanded language would also apply to vessels that travel inland and intracoastal waterways (Sec. 42.14).
  - Creates a sales tax exemption for breast pumps and related accessories and supplies (Sec. 42.16).
- Creates an 8% gross receipts tax on peer-to-peer car rentals and credits the revenue to the Highway Fund (Sec. 42.17).
- Changes the excise tax rate on smokeless tobacco from 12.8% of cost price to \$0.43 per ounce and expands the tax base to include alternative nicotine products (Sec. 42.18).
- Requires counties who are issuing bond referenda to state on the ballot that new bonds may result in property tax increases.



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### Health and Human Services

- Enacts **Medicaid Expansion**.
- **\$1.5B** of non-recurring funds from the federal "sign-on" bonus for expanding Medicaid, including:
  - **\$370M** for NC Care Initiative between ECU and UNC Health systems that will feature the construction of 3 regional health clinics and rightsizing existing parts of their health systems.
  - **\$96M** for rural loan repayment incentive programs for primary care and behavioral health providers.
  - **\$60M** for start-up costs and expansion of healthcare programs at community colleges.
  - **\$20M** for UNC-Pembroke's new healthcare-oriented programs.
- **\$110M** to increase behavioral health provider rates on a recurring basis.
- **\$60M** recurring in each year for direct care worker wage increases.
- **\$3.9M** in 2023-24 and **\$5M** in 2024-25 to the North Carolina Collaboratory for competitive grants to UNC constituent institutions for opioid abatement research and development projects.
- **\$15M** in each year of the biennium for the Free and Charitable Clinics to provide care to low-income families and individuals across the state.
- Significant Certificate of Need reform, including repealing the CON requirements for mobile MRI machines, linear accelerators, physician office-based vascular access for hemodialysis, and kidney disease treatment centers.
- Repeals CON for ambulatory surgical centers and facilities with MRI machines in counties with a population under 125,000 that do not have a hospital.
- **\$44M** recurring to additional services for children in foster care.
- **\$750,000** to implement standardized, trauma informed assessments for children in the child welfare system.

### Non-Budget Related Policy Provisions of Note

- Requires the Department of Health and Human Services to issue a request for proposals to establish a statewide specialty plan for children and families in foster care. Provisions are identical to those in [Senate Bill 156/House Bill 340 Medicaid Children and Families Specialty Plan](#).
- Make numerous changes to laws governing the restructuring of LME-MCOs including giving the DHHS secretary broad authority to assume control of an LME-MCO that is failing financially or failing to provide services to clients in the catchment area.

### Agriculture, Natural Resources, and Environment

#### Food Security

- **\$20.1M** in each year of the biennium for farmland preservation.
- **\$6M** each year to be distributed to six food banks across the state.
- **\$4M** to the NC Food Hub Collaborative to support aggregation, distribution, and marketing of locally sourced food to customers.
- **\$10M** to the NC Foundation for Soil and Water Conservation for cost share grants to support the development of fertilizer production activities on farms utilizing liquid waste management systems.
- Pesticide Disposal Assistance Program increased to **\$300,000** each year for cost-free assistance to farmers and homeowners in the safe collection and lawful disposal of banned, outdated, or unwanted pesticides.
- **\$18.9M** for a new NC Agriculture Manufacturing and Processing Initiative to incentivize the development of food processing facilities across the state.



# 2023 - 2024 Senate Budget Report

## NCACC Analysis and Highlights

### **Agriculture, Natural Resources, and Environment (Continued)**

#### **Economic/Workforce Development**

- **\$94M** into the Labor Market Adjustment Reserve (LMAR) for salary adjustments.
- Increases funding for the Strategic Transportation Investments Prioritization Program by **\$469.75M** in the first year and **\$604.5M** in the second year to prioritize and fund large transportation projects across the state.
- **\$400M** each year on the replacement and preservation of bridges.
- Directs the Economic Development Partnership of North Carolina to expand its study of mega sites to include sites with fewer than 1,000 acres.
- **\$10M** to support local governments conducting due diligence on the new mega sites identified in the study funded last year, and making those sites shovel ready.
- **\$30M** in additional funds for the State Rural Infrastructure Grant Program for the building reuse category.

#### **Environment**

- **Increased** water quality permit fees, sewer system extension permit fees, pre-construction notification permit fees, state stormwater program fees, and others to hire and retain staff at the Department of Environmental Quality to accelerate the permitting timeline.
- **\$20M** for the Streamflow Rehabilitation Assistance Program (StRAP) for the ongoing maintenance and restoration of streams across the state in support of flood mitigation efforts.
- **\$241M** in the first year and **\$231M** in the second year to address clean water, including emerging compounds, PFAS, and lead line remediation.
- **\$26M** in 2023-24 and **\$6M** in 2024-25 to the North Carolina Collaboratory to fulfill the requirements of the Water Safety Act of 2023. Funding provided for this purpose is intended for programs related to the management of aqueous film-forming foams containing PFAS, other PFAS-related research, and research deemed important to the state by the collaboratory.
- **\$20M** for grants to local governments for coastal storm damage mitigation projects
- **\$1.5M** from the SCIF for federal match for Cape Fear River Basin flood mitigation.
- **\$911,667** from the SCIF for federal match for Carolina Beach Coastal Storm Damage Mitigation (CSDM).
- **\$107,667** from the SCIF for federal match for Dan River Regional Water Supply.
- **\$750,000** from the SCIF for federal match for Holden Beach CSDM.
- **\$2M** from the SCIF for federal match for the National Resource Conservation Service – Environmental Quality Incentives Program. These are cost-share grants to local governments to match water resource development funds.
- **\$1.5M** from the SCIF for federal match for the Ocean Isle CSDM project
- **\$6M** from the SCIF to provide matching grants to local governments to implement water resource development projects.

### **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).
- **\$233,250** in each year of the biennium for positions at the Sheriffs' Education and Training Standards Commission.

#### **Public Safety**

- **\$5M** in each year of the biennium to increase the number of Volunteer Fire Department Fund grants awarded to eligible volunteer fire departments.



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## NCACC Analysis and Highlights

### Justice and Public Safety (Continued)

#### Emergency/Resiliency

- **\$20M** to NC Emergency Management to establish a new program to provide grants for disaster relief and mitigation as well as transportation mitigation projects.
- **\$5M** to NC Emergency Management for flood studies, risk assessment, and building mitigation strategies for unstudied streams and mapping non-encroachment areas across the state.
- **\$5M** to NC Emergency Management to create a grant program to improve local disaster shelter infrastructure.
- **\$2.5M** in each year of the biennium to supplement the federal Emergency Management Planning Grant program due to decreases in federal funding availability.
- **\$2.1M** in 2023-24 for the Capacity Building Competitive Grant Program, which provides grants to local emergency management offices to improve responses to emergencies and disasters.
- **\$5.2M** in each year of the biennium for the North Carolina National Guard Local Cyber Security Joint Task Force Positions for 24 positions to be located across the state to support local governments and critical infrastructure partners in their response to cyber-attacks and related threats. These positions are part of the joint cyber security task force partnership with North Carolina Emergency Management.

#### Non-Budget Related Policy Provisions of Note

- Expands the counties eligible for the Criminal Justice Fellows Program to counties with a population of less than 230,000 (previously limited to counties with a population of 200,000 or less).

### 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.

### Veterans Affairs

- **\$1M** each year of the biennium for county veterans offices across the state.
- **\$500,000** in 2023-24 and **\$1M** in 2024-25 for 8 Veteran Services Officer positions, four Administrative Associate positions and associated operating costs to establish 2 regional offices to provide direct services to veterans in the 2 congressional districts where no regional office exists.

### Both House and Senate Budgets Contain the Following Policy Provisions:

- Medical Freedom/COVID-19 Vaccinations: Discrimination against persons based on COVID-19 vaccination status would not be allowed.
- Remote Charter Schools: Enables the ability for charter schools to include or be solely based on remote enrollment/learning.
- Raise Mandatory Retirement Age for Appellate Judges: No justice or judge of the Supreme Court or Court of Appeals may continue in office beyond the last day of the month in which the justice or judge becomes 76 years old. However, they may apply to become an emergency justice via an express letter to the governor as long as they meet certain criteria.
- Prohibit Cap and Trade Requirements for Carbon Dioxide (CO<sub>2</sub>) emissions: No state agency, governor, or the Department of Environmental Quality, may require certain public utilities to engage in carbon offset programs.
- Prohibition of State or Regional Emissions Standards for Motor Vehicles: Prohibits any requirements on controlling emissions on new motor vehicles.



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### **The Senate Did NOT Include the Following House Policy Provisions in Their Proposal:**

- Make State Bureau of Investigation Independent Department: Insulates SBI from political interference.
- Transfer State Crime Lab to Independent State Bureau of Investigation: The state crime lab would be transferred from the Department of Justice to be under the SBI.
- Limitations on State Funds for Abortions: Prevents state funds from being used in the performance or in support of the administration of an abortion unless certain exemption criteria are met, such as the mother's life being in danger or the pregnancy being the result of rape.
- SBE/Prohibit ERIC Membership: Make it so that NC may not become a member of the Electronic Registration Information Center, Inc.
- 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.
- 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.
- Class Size Cap in 4th and 5th Grade: Caps class size in grades 4 and 5 to 24 students.