

FY 2021-23 CONFERENCE BIENNIAL BUDGET HIGHLIGHTS

The FY 2021-22 proposed budget of \$25.9 billion represents a **4.3% increase** over the comparable enacted FY 2020-21 budget (excludes debt service, adjusts for recurring items funded with NR receipts, and CRF Offset in FY 2020-21). The FY 2022-23 proposed budget of \$27.0 billion represents a **4.1% increase** over the proposed FY 2021-22 budget.

Selected Statewide Highlights include:

- Transfers an **additional \$2.3 billion into the Savings Reserve Account**, which when combined with the existing cash balance, will bring the total anticipated balance to **\$4.25 billion in 2023**.
- Provides **compensation increases of 5% for most State employees over the biennium** totaling \$516.1 million in FY 2021-22 and \$899.9 million in FY 2022-23. This includes \$32.1 million to implement an experience-based salary schedule for Correctional Officers and an additional 18.1 million to implement an experience-based salary schedule for Probation Parole Officers in Adult Correction.
- Creates a new **\$100 million** public school funding allotment to provide funding to low-wealth counties to increase pay for teachers and instructional support personnel.
- Implements a **\$13/hour minimum wage in FY 2021-22 and a \$15/hour minimum wage in FY 2022-23** for local employees of public schools and community colleges.
- Also, **provides bonuses of \$1,000** for all state employees and local education employees and an **additional \$500 bonus for certain employees** totaling \$545 million from federal State Fiscal Recovery Funds.
- **Fully funds State Health Plan** requirements and **Retirement System** requirements over the biennium and provides up to **\$215 million** in federal COVID-19 funding to reimburse the State Health Plan for COVID-19 expenses.
- **Reduces the personal income tax rate from 5.25% to 3.99%** over 6 years and makes various changes to deductions to further reduce taxes on individuals.
- Simplifies and **reduces the franchise tax** base for corporations that have significant real and personal property investments in the State and **phases out the corporate income tax** over 6 years, beginning in 2025.
- **Provides \$900 million** for repairs and renovations for **State agencies** and the **UNC System**.
- **Authorizes \$878 million** in capital projects for **State agencies**, **\$1.0 billion** in capital projects for the **UNC System** and **\$400 million** in capital for **Community Colleges**.
- **Provides \$1.0 billion** in new federal funding to the **State's broadband expansion initiatives**.

- **Budgets \$5.7 billion** in federal State Fiscal Recovery Funds in FY 2021-22 and an additional \$20 million in FY 2022-23. Also, **budgets \$1.4 billion** in other federal grant funding from the American Rescue Plan Act in FY 2021-22.
- **Transfers \$800 million** to the **State Emergency Response and Disaster Relief Reserve** and **appropriates \$411.8 million for disaster recovery** from previous events and mitigation efforts to prepare the State for future flooding and other natural disasters. This includes **\$124.4 million for Tropical Storm Fred relief**.

Special Provisions

- **(Sec. 6.3)** Adds a reporting requirement regarding the cost of State support for **high-school students enrolled in the Career & College Promise program.**

Public Instruction

Committee Report Items

- **(Pages B28 and B29, Items 73 and 74)** Provides funding to fund the increase in the **average salary of various public school positions and the average daily membership (ADM) adjustments** (\$65.6 million R).
- **(Page B29, Items 75 and 76)** Provides NR reserves for **students with disabilities (\$25 million) and the ADM contingency reserve (\$10 million)** due to fluctuations in student enrollment related to the COVID-19 pandemic (\$35 million NR in FY 2021-22).
- **(Page B29, Item 80)** Creates a new allotment for **School Psychologists and provides \$9 million to hire 115** additional school psychologist positions (\$40.9 million R).
- **(Page B30, Item 81)** Provides funding to **raise the cap on the children with disabilities allotment** from 12.75 percent of ADM to 13 percent of ADM and increases the per-student amount (\$13.1 million R).
- **(Page B30, Item 84)** Provides funds for a **Charter School Transportation Grant Program** (\$2.4 million R).
- **(Page B31, Item 89)** Provides funding for **School Safety Grants** for: Safety Equipment, Students in Crisis, and Safety Training (\$9.7 million NR in each year of the biennium).
- **(Page B31, Item 91)** Provides funding to carry out the activities of S.L. 2021-8, **the Excellent Public Schools Act of 2021** (\$6.5 million NR in FY 2021-22 and \$5.5 million NR in FY 2022-23).
- **(Page B33, Item 104)** Provides funding for the statewide educational response to the COVID-19 pandemic as part of the **Elementary and Secondary School Emergency Relief (ESSER) III program** (\$338.7 million NR in FY 2021-22).
- **(Page B33, Item 107)** Provides additional funds for **school connectivity**, matching an increase in federal funds (\$4.6 million R).
- **(Page B37, Item 127)** Provides funds for the **School Business System Modernization project**, which includes an ERP for increased efficiency in payroll, human resources, and expenditure tracking (\$48.8 million NR in FY 2021-22 and \$37.9 million NR in FY 2022-23).
- **(Page B38, Item 129)** Creates the **Public School Building R&R fund** to provide each county with funds for repairs and renovations of K-12 facilities. (\$30 million R in FY 2021-22 and \$50 million R in FY 2022-23).

Special Provisions

- **(Sec. 7.12)** Authorizes the use of the **Special State Reserve Fund to cover extraordinary transportation** costs for high-needs children with disabilities and establishes a reserve to cover extraordinary transportation costs for homeless and foster children.
- **(Sec. 7.13) Transitions from the Innovative School District model** by eliminating the designation of new schools and setting parameters for the transfer of Southside-Ashpole Elementary School back to Robeson County Schools.
- **(Sec. 7.23) Holds ADM harmless** for the FY 2021-22 school year. DPI will not reduce funding for any public school unit whose actual ADM is lower than anticipated.
- **(Sec. 7.30)** Directs the Center for Safer Schools to establish a **training center for school safety**.
- **(Sec. 7.67) Eliminates the required payroll substitute deduction** for teachers who provide a reason for taking personal leave on days other than teacher workdays.

University of North Carolina (UNC)

Committee Report Items

- **(Page B48, Item 145)** Allocates Fiscal Recovery Funds to Project Kitty Hawk to **establish a public-private partnership for digital learning courses** (\$97 million NR in FY 2021-22).
- **(Page B48, Item 147)** Provides funding for **enrollment growth** at the constituent institutions of the University of North Carolina (\$67 million R).
- **(Page B48, Item 148)** Provides funding for the **operation and maintenance of newly completed building** projects at UNC institutions (\$26 million R, and \$2.8 million NR in FY 2021-22).
- **(Page B48, Items 149 and 150)** Provides funding to **the NC Promise Tuition Plan** (\$15.0 million R in FY 2021-22 and \$20.0 million R in FY 2022-23) and additional funds to **include Fayetteville State University** in the program beginning the FY 2022-23 academic year (\$11.5 million R in FY 2022-23).
- **(Page B50, Item 157)** Allocates Fiscal Recovery Funds to the State Education Assistance Authority for **need-based grants** to high school graduates who attend community college (\$25.5 million NR in FY 2021-22).
- **(Page B50, Item 159)** Provides additional funding to The University of North Carolina **Need-Based Financial Aid Program** (\$6.3 million R).
- **(Page B51, Item 163)** Provides funding for a **four-year tuition grant** for students graduating from the North Carolina School of Science and Mathematics or the UNC School of the Arts High School Academic Program who enroll at a UNC institution (\$1.75 million R in FY 2021-22 and \$3.5 million R in FY 2022-23).
- **(Page B53, Item 171)** Allocates Fiscal Recovery Funds to North Carolina private colleges and universities to **mitigate the impact of the COVID-19 pandemic** (\$51 million NR in FY 2021-22).

- **(Page B53, Items 172 and 173)** Allocates Fiscal Recovery Funds for **need-based scholarships** for certain disabled veterans and their family members (\$13 million NR in FY 2021-22).
- **(Pages B53 and B54, Items 174 and 175)** Provides additional funding for **the Opportunity Scholarship Program** (\$19 million NR in FY 2021-22 and \$30 million R in FY 2022-23).
- **(Page B54, Items 176 and 177)** Provides additional funding for **Personal Education Savings Accounts** (\$3 million R in FY 2021-22 and \$9.7 million R in FY 2022-23) and for **the Special Education Scholarship for Children with Disabilities** (\$2 million R in FY 2021-22 and \$6 million R in FY 2022-23).
- **(Page B56, Items 184 and 186)** Allocates Fiscal Recovery Funds for **research related to the COVID-19 pandemic** (\$48 million NR in FY 2021-22).
- **(Page B56, Item 187)** Provides funding to the North Carolina Policy Collaboratory to implement the **requirements of the 2021 Water Safety Act** (\$14.2 million NR and \$100,000 R in FY 2021-22).
- **(Pages B60, B65, and B70, Items 197, 206, and 216)** Provides funding for the Engineering North Carolina's Future initiative to **support the engineering colleges at NC State University, UNC Charlotte, and NC A&T University** (\$20 million NR in FY 2021-22 and \$15 million NR in FY 2022-23).
- **(Page B66, Item 208)** Provides funding to **UNC Asheville** to improve **student enrollment and outcomes** (\$5 million R)
- **(Page B70, Item 214)** Provides additional funding for **NC A&T's Doctoral Programs** (\$5.5 million R in FY 2021-22 and \$7.5 million R in FY 2022-23).
- **(Page B79, Item 229)** Provides additional funding for **the North Carolina School of Science and Math–Morganton campus** (\$2.6 million R and \$1.3 million NR in FY 2021-22, and \$6.4 million R and \$350,000 NR in FY 2022-23).

Special Provisions

- **(Sec. 8.7)** Allows UNC constituent institutions to consider those **who receive full athletic scholarships as residents** for all purposes, including tuition, beginning in the FY 2021-22 academic year.
- **(Sec. 8.10)** Outlines the requirements of the North Carolina Policy Collaboratory **under the 2021 Water Safety Act** related to the study and management of harmful water-based chemicals.
- **(Sec. 8.15)** Makes modifications to **the carryforward authority** for UNC constituent institutions.
- **(Sec. 8A.2)** **Combines the three scholarships for public higher education** into one new North Carolina Need-Based Scholarship Program for Public Colleges and Universities, which will be a forward-funded scholarship program.
- **(Sec. 8A.3)** Makes **modifications to Opportunity Scholarship Program** including changes to the award value and income eligibility.
- **(Sec. 8A.3)** **Combines the Special Education Scholarship for Children with Disabilities and Personal Education Savings Accounts** into one new program in FY 2022-23.

Highlights of the Health and Human Services Budget

The Conference Budget for Health and Human Services in FY 2021-22 includes net appropriations of \$5.77 billion, which is \$219.8 million above the base budget for FY 2021-22, a 4.0% increase. FY 2022-23 includes net appropriations of \$6.32 billion, \$771.8 million above the base budget. This is a 13.9% increase. The highlights of the Health and Human Services budget adjustments follow below.

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Division of Aging and Adult Services

- (Page C7, Item #6) **Provides \$15.0 million from the State Fiscal Recovery Fund for rapid rehousing services** for individuals and families at risk of homelessness due to the COVID-19 pandemic.
- (Page C9, Item #14) **Increases funding for the Home and Community Care Block Grant** to expand services for older adults and their unpaid primary care givers (\$3.6 million R in FY 2021-22 and \$5.8 million R in FY 2022-23).

Central Management and Support

- (Page C19, Item #36) **Provides \$15.0 million from the State Fiscal Recovery Fund to the North Carolina Association of Free & Charitable Clinics** to support member clinics throughout the State.
- (Page C19-C20, Items #37, #38, and #39) **Provide \$12.5 million from the State Fiscal Recovery Fund to support telehealth and telepsychiatry efforts.** The total includes \$10.0 million for a Virtual Behavioral Health Service grants program, \$1.5 million for the North Carolina Statewide Telepsychiatry Program (NC-STeP), and \$1.0 million for a school-based virtual health pilot program.
- (Pages C20-C21 and C26, Items #43, #44, #79, and #80) **Provide funding for NC FAST operations and maintenance and system development activities,** including child welfare case management and infrastructure modernization (\$20.0 million R in General Fund in each year of the biennium, as well as \$39.7 million NR in FY 2021-22 and \$38.4 million NR in FY 2022-23 from the Medicaid Transformation Reserve).
- (Page C21, Item #45) **Provides \$12.7 million R in FY 2021-22 and \$13.3 million R in FY 2022-23 for Medicaid Enterprise System** operations and maintenance.
- (Page C22, Item #52) **Budgets federal American Rescue Plan Act (ARPA) funds to support COVID-19 testing and mitigation in small rural hospitals** (\$4.9 million NR in FY 2021-22).

- (Page C22, Item #54) **Provides \$4.0 million NR in FY 2021-22 for the Rural Health Loan Assistance Repayment Program** for loan repayment incentives to recruit doctors, physician assistants, dentists, nurse practitioners, and certified nurse midwives to rural areas.

Division of Child Development and Early Education

- (Page C33, Item #87) **Provides \$20.0 million for start-up and capital grants for child care centers and NC Pre-K classrooms from the State Fiscal Recovery Fund.**
- (Page C34, Item #92) **Provides \$10.0 million R each year of the biennium for Smart Start.**
- (Page C35, Item #94) **Increases the NC Pre-K rates for child care centers by 2% in FY 2021-22 and by an additional 2% in FY 2022-23** with the intent that the funds be used to increase the salaries of teachers working in child care centers to address the disparities in teacher salaries among those working in child care centers compared to those working in public schools or Head Start centers (\$1.7 million R in FY 2021-22 and \$3.5 million R in FY 2022-23).
- (Page C36, Item #102) **Budgets federal Child Care and Development Fund block grant funds for child care services and supports** (\$502.8 million NR provided through ARPA). The funds will be used for:
 - subsidized child care services (between \$206.0 million and \$215.0 million),
 - modernizing early childhood technology infrastructure (\$50.0 million to \$59.0 million),
 - copays for families receiving subsidized child care (covered through December 2021) (\$30.0 million), and
 - workforce initiatives, including teacher recruitment and retention efforts (up to \$207.8 million).

Division of Health Benefits

- (Page C45, Item #113) **Recognizes \$274.8 million NR in savings from the enhanced federal match on home and community-based services (HCBS)** available from ARPA. The savings will be placed into a new HCBS Fund (Page C45, Item #114) and used **to enhance, strengthen, and expand Medicaid HCBS**. Money from the HCBS Fund will support the State share of costs to:
 - **Add at least 1,000 Innovations waiver slots and 114 slots in the Community Alternatives Program for Disabled Adults** waiver program (Page C45, Items #115, #116, and #117),
 - **Increase wages for HCBS direct care workers**, with the goal of getting these workers to a wage of at least \$15 per hour (Page C45, Item #118),
 - **Increase the Medicaid reimbursement rate for private duty nursing** (Page C45, Item #119),
 - **Expand the State-County Special Assistance In-Home program** by aligning the income eligibility level with the Special Assistance Adult Care Home program beginning July 1, 2022 (Page C46, Item #120), and

- **Support the Transitions to Community Living Initiative**, which assists Medicaid beneficiaries with mental illness in transitioning from institutions to community settings in accordance with the U.S. Department of Justice Olmstead Settlement (Page C46, Item #121).

By the end of the biennium, the State will have spent nearly \$180 million on HCBS enhancements and initiatives using the savings placed in the HCBS Fund. The Fund will continue to support HCBS enhancements through March 31, 2024. Beginning April 1, 2024, ongoing State costs for the enhancements will be paid through an increase in hospital assessments.

- (Page C46, Item #122) **Provides \$10.0 million R in FY 2021-22 and \$21.8 million R in FY 2022-23 to increase the wages of direct care workers working in intermediate care facilities for individuals with intellectual disabilities (ICF/IID).**
- (Page C49, Item #133) **Provides funds for the Medicaid and NC Health Choice rebase** (\$33.4 million R/NR in FY 2021-22 and \$562.6 million R in FY 2022-23). The funds support projected changes to enrollment, service utilization, prices, and federal match, as well as the transition to managed care. The rebase for FY 2022-23 is higher due to the anticipated termination of the enhanced federal COVID-19 match in the first year of the biennium.
- (Page C49, Item #134) **Authorizes State funding from the Medicaid Transformation Fund to support IT upgrades, contracts, and initiatives needed for the State’s transition to managed care on July 1, 2021, including funds for the Healthy Opportunities program.** The State share of project costs, \$133.1 million NR in FY 2021-22 and \$119.0 million NR in FY 2022-23, will be transferred from the Medicaid Transformation Fund. The projects and initiatives must be approved as qualifying needs by the Office of State Budget and Management before State funding from the Medicaid Transformation Fund can be expended.
- (Page C49, Item #135) **Extends Medicaid coverage from 60 days postpartum to 12 months postpartum and broadens Medicaid coverage for pregnant women to include the full set of Medicaid services.** The State share of costs for the extension, \$12.5 million R in FY 2021-22 and \$50.8 million R in FY 2022-23, will be generated through an increase in hospital assessments. The program begins April 1, 2022, and sunsets March 31, 2027.
- (Page C49, Item #136) **Provides funds to enable the parents of children temporarily placed in the child welfare system to retain Medicaid benefits** as long as the parents are making reasonable efforts to comply with their court-ordered reunification plans (\$8.1 million R in FY 2021-22 and \$18.0 million R in FY 2022-23).

Division of Mental Health, Developmental Disabilities and Substance Abuse Services

- (Page C72, Item #173) **Provides \$12.6 million in temporary funding assistance for ICF/IID providers from the State Fiscal Recovery Fund.** Funds will go towards increased

reimbursements for intermediate care facilities for individuals with intellectual disabilities services.

- (Page C72, Item #174) **Provides \$25.0 million for behavioral health crisis partnerships in Forsyth and Mecklenburg counties from the State Fiscal Recovery Fund.** Funds will go towards partnership programs between the applicable county and its local hospital system, local behavioral health crisis centers, local emergency services providers, and local management entity/managed care organization (LME/MCO) in order to divert individuals from hospital emergency rooms.
- (Page C76, Item #192) **Provides funds to complete the phased implementation of the Transition to Community Living Initiative (TCLI)** in each year of the biennium (\$15.1 million R). Funding ensures compliance with the 2012 US Department of Justice settlement by helping transition individuals into housing slots, increasing the number of referrals to supported employment, and assisting more individuals in Assertive Community Treatment.
- (Page C78, Item #200) **Provides funds for operating costs at Broughton Hospital** (\$5.65 million R in each year).
- (Page C82, Item #212) **Provides funds for electronic health record development** at State operated healthcare facilities (\$20.0 million NR in FY 2021-22 and \$30.0 million NR in FY 2022-23).
- (Page C82, Item #214) **Provides funds for incentivizing the development of Medicaid services to support the needs of recipients living in community-based group homes and establishing new rate and funding models and methodologies** (\$10.0 million R in each year).
- (Page C85, Item #237) **Provides \$13.0 million R in each year of the biennium for the Division of State Operated Healthcare Facilities to rectify a chronic budget shortfall** by reducing overbudgeted receipts across various State healthcare facilities.
- (Page C87, Item #243) **Provides funds for opioid abatement and remediation initiatives** funded by the State's recent opioid settlement with McKinsey and Co. (\$15.7 million NR in FY 2021-22 and \$812,250 NR in FY 2022-23). A new Opioid Abatement Fund is established to hold the settlement receipts, and funds will be used to cover the legal costs of the case and to remediate the harms caused to the State by the opioid epidemic.

Division of Public Health

- (Page C96, Item #249) **Provides \$36.0 million from the State Fiscal Recovery Fund for local health departments** to expand communicable disease surveillance, detection, control, and prevention activities to address COVID-19 and other communicable disease challenges exacerbated by the COVID-19 pandemic.

- (Page C96, Item #250) **Provides \$150.0 million from the State Fiscal Recovery Fund for Lead and Asbestos Remediation in Schools and Child Care Facilities.**
- (Page C100, Items #265 and #266) **Provide an additional \$2.1 million in FY 2021-22 and \$3.3 million in FY 2022-23 for grant programs for pregnancy centers.**
- (Page C100, Item #267) **Provides \$3.2 million NR in each year of the biennium for the expansion of the Continuum of Care Pilot Program.** The purpose of the statewide continuum of care program includes expansion and operation of the Human Coalition Pregnancy Support Program to provide community outreach, consultations, and support and care coordination for women experiencing under-supported pregnancies.
- (Page C101-C102, Items #272 and #276) **Budget a total of \$89.7 million in federal ARPA receipts to support the State and local public health workforce.** The total includes \$62.3 million to support COVID-19 prevention, preparedness, response, and recovery initiatives – including school-based health services – and \$27.4 million to support Disease Intervention Specialists to address COVID-19 and other infectious diseases.
- (Page C101, Items #273, #274, and #275) **Budget an additional \$35.8 million in federal ARPA receipts to support the detection and mitigation of COVID-19.** The total includes approximately \$20.2 for detection and mitigation in confinement facilities, \$1.4 million for detection and mitigation in populations experiencing homelessness, and \$14.2 million for Nursing Home and Long-term Care Facility Strike Teams.
- (Page C102, Item #277) **Budgets federal ARPA receipts to support Statewide COVID-19 Vaccination Efforts** (\$102.5 million NR in FY 2021-22).
- (Page C103, Item #281) **Provides funds for youth tobacco and nicotine dependence prevention activities** funded by the State’s recent settlement with Juul Labs. A new Youth Electronic Nicotine Dependence Abatement Fund is established to hold the settlement receipts, and \$11.0 million NR from the Fund will be used in FY 2021-22 for cessation, prevention, data monitoring, and other evidence-based activities targeted at youth and young adults.

Division of Social Services

- (Page C121, Item #299) **Provides \$48.0 million from the State Fiscal Recovery Fund to reduce the negative economic impact of the COVID-19 pandemic on facilities that serve Special Assistance (SA) recipients.** Funding will provide a monthly payment of \$125 per SA recipient beginning July 2021.
- (Page C122, Item #304) **Provides \$10.0 million R/NR in FY 2021-22 and \$5.0 million R in FY 2022-23 for child advocacy centers** across the State.

- (Page C128, Items #329 and #331) **Increase adoption assistance and foster care rates** beginning January 1, 2022 (total of \$5.3 million R in FY 2021-22 and \$5.4 million R in FY 2022-23).
- (Page C128, Item #332) **Provides \$6.0 million NR in FY 2021-22 and \$12.0 million NR in FY 2022-23 to cover a loss in federal receipts from the Family First Prevention Services Act,** which limits Title IV-E funding for congregate care to 14 days starting October 1, 2021.
- (Page C130, Item #340) **Increases the personal needs allowance for SA recipients** from \$46 to \$70 a month, effective January 1, 2022 (\$2.0 million R in FY 2021-22 and \$2.7 million R in FY 2022-23).
- (Page C133, Item #366) **Provides \$900,000 R in each year of the biennium for up to 15 FTEs to staff the regional supervision support model** directed by S.L. 2017-41 and a statewide child protective services hotline.

Special Provisions

Division of Aging and Adult Services

- (Section 9A.3A) **Expands the State-County Special Assistance (SA) In-Home program** by establishing the SA In-Home program as a State entitlement and increasing the SA In-Home income eligibility limit to match the SA Adult Care Home (ACH) income eligibility limit. This program change is intended to create parity between the SA ACH program and the SA In-Home program.

Division of Health Benefits

- (Section 9D.13A) **Increases Medicaid hospital assessments to fund the extension of postpartum benefits beginning April 1, 2022, and the home and community-based service enhancements beginning April 1, 2024.** The increases are implemented through the addition of two new components to the assessment formula.
- (Section 9D.22) **Requires DHHS to develop a clinical coverage policy and assign a billing code for Medicaid coverage of behavioral health services provided after the first 30 hours in a hospital setting for beneficiaries awaiting discharge to a more appropriate setting.** The new Medicaid covered services and rates must be implemented by July 1, 2022.

Division of Public Health

- (Section 9G.6A) **Requires implementation of new newborn screenings within three years of being added to the national Recommended Uniform Screening Panel (RUSP).** DHHS must report on new conditions to be added to the program and the status and reason for a delay of more than three years.

Division of Social Services

- (Section 9I.15) **Requires the Division of Social Services to deploy the child welfare case management component of NC FAST statewide before October 1, 2022** and provides timelines by which the Division must release a request for proposal and enter into a contract for at least one significant augmentation to the child welfare component.

Highlights of the Agriculture, Natural, and Economic Resources (AgNER) Budget

The Conference Budget for AgNER in FY 2021-22 includes net appropriations of \$754.8 million, which is \$134.0 million above the base budget, a 21.58% increase. FY 2022-23 includes net appropriations of \$734.5 million, which is \$113.6 million above the base budget, an 18.30% increase. In addition to net General Fund appropriations, the Conference Budget allocates \$2.1 billion from the State Fiscal Relief Fund to AgNER programs. The highlights of the AgNER adjustments are as follows:

Department of Agriculture and Consumer Services (DACS)

Committee Report Items

- (Page D9, Items 6-14) Provides \$128.8 million from the State Fiscal Recovery Fund for various programs to address the impact of the COVID-19 pandemic, including **funding for food banks, and meat, swine, and dairy producers.**
- (D12, Items 32-33) Provides the Forest Service with additional **emergency response equipment**, an airplane tanker, and a helicopter. (\$9 million nonrecurring).
- (Page D13, Item 37) Provides \$670,000 recurring and \$8 million nonrecurring each year for **Farmland Preservation.**
- (Page D13, Item 38) Fully funds the operating requirements for the new Steve Troxler **Agricultural Sciences Center.** (\$2.4 million recurring).
- (Page D13, Item 39) Provides \$951,000 recurring and \$2.5 million nonrecurring each year for the **Tobacco Trust Fund.**

Department of Commerce (Commerce)

Committee Report Items

- (Page D26, Items 64-68; Page D34, Items 76-81; Page D45, Items 125-128) Provides \$187.7 million from the State Fiscal Recovery Fund for various programs to address the impact of the COVID-19 pandemic, including funding for **Rural Downtown Transformation Grants, workforce assistance, and travel, tourism, and business marketing.**
- (Page D35, Items 82-83) Provides funds to the **NC Biotechnology Center** for job training, and grants and loans, including early-stage loans for NC agricultural technology companies. (\$1 million recurring; \$2.5 million nonrecurring in the first year and \$1 million nonrecurring in the second year).
- (Page D35, Item 84) Provides additional funds to the **High Point Furniture Market.** (\$500,000 recurring; \$50,000 nonrecurring each year)
- (Page D46, Item 134) Provides funds for **a new e-sports industry grant fund to encourage e-sports events in the State.** (\$5 million recurring).

Special Provisions

- (Section 11.8) **Increases the annual cap for the One NC fund and sets aside funds for tier three counties** with total employment below 115,000.

Department of Environmental Quality (DEQ)

Committee Report Items

- (Page D57, Items 147-150) Provides \$1.7 billion from the State Fiscal Recovery Fund for **water, sewer, and stormwater grants**.
- (Page D59, Items 160-162) Provides additional funds to **enhance support of the Marine Patrol**. (\$631,000 recurring; \$292,000 nonrecurring in the first year)
- (Page D61, Items 173 and 179) Provides seven new positions and operating costs to address **emerging compounds**, like PFAS. (\$686,000 recurring).
- (Page D62, Items 184 and 186) Provides eight new positions and operating costs to **address dam safety and landslide mapping**. (\$824,000 recurring).

Special Provisions

- (Section 12.10) **Creates a Dam Safety Emergency Fund** to provide the Department with resources to repair or remove dams in danger of failing.
- (Section 12.14) **Creates a new stormwater grant program** to provide funding to local governments for projects that will improve or create infrastructure for controlling stormwater quantity or quality.

Department of Natural and Cultural Resources (DNCR)

Committee Report Items

- (Page D91-D92, Items 237-256) Provides \$40 million from the State Fiscal Recovery Fund for **water and sewer projects at the State Parks**. An additional \$56.2 million is provided for various programs, including support for attractions, like the **Zoo and Aquariums**, with significant receipt losses due to the COVID-19 pandemic.
- (Page D94, Item 264) Provides recurring funding for **historic sites maintenance** (\$1 million recurring).
- (Page D100, Item 309) Fully funds the operating requirements for **State Parks** that have been recently expanded or improved (\$2.1 million recurring and \$877,000 nonrecurring in the first year, increased to \$3.5 million recurring in the second year).
- (Page D100, Items 311 and 315, Page D108, Item 322, and Page D109, Item 325) Provides additional funding for **Parks and Recreation Trust Fund and NC Land and Water Fund grants**. (\$45.5 million nonrecurring each year for PARTF grants, and \$48.5 million nonrecurring in the first year and \$51.5 million nonrecurring in the second year for NCLWF grants).

Department of Public Safety (DPS)

Committee Report Items

- **(Page E43, Items 88 and 89) State Fiscal Recovery Funds for Law Enforcement:** Provides State Fiscal Recovery Funds for VIPER equipment upgrades and the Computer Aided Dispatch system at the Highway Patrol: \$30.4 million in FY 2021-22.
- **(Page E43, Items 90 & 91) State Fiscal Recovery Funds for Reentry:** Provides State Fiscal Recovery Funds to Juvenile Justice and Community Corrections for reentry services: \$3.5 million in FY 2021-22.
- **(Page E44, Items 97 and 98) Criminal Justice Information Network (CJIN) Transfer and Domestic Violence Notification System:** Transfers CJIN from DIT to DPS and provides funding for the commission to establish an electronic monitoring program for pre-trial domestic violence defendants: \$3.6 million in FY 2021-22 and FY 2022-23.
- **(Pages E47 and E48, Items 123, 125, 127, 128, and 131) Equipment for State Law Enforcement:** Provides funds to the ALE, SCP, SHP, and SBI to purchase equipment, including protective equipment to respond to civil disturbances, automotive personnel carriers, a helicopter, crime scene mapping equipment, radios, and other tactical equipment: \$30.9 million in FY 2021-22.
- **(Page E48, Item 132) SBI Human Trafficking:** Provides funds to the SBI to combat human trafficking: \$259k in FY 2021-22 and \$1.0 million in FY 2022-23 with 8 FTE.
- **(Page E49, Item 136) Department of Adult Correction:** Provides funds to establish a separate Department of Adult Correction within the Governor's Cabinet, including Prisons, Community Corrections, and Correction Enterprises: \$2.0 million in FY2022-23 with 16 FTE.
- **(Page E49, Item 137) Establish the Division of Juvenile Justice:** Provides funds to establish Juvenile Justice as a standalone division within DPS: \$1.4 million in FY 2022-23 with 13 FTE.
- **(Pages E43, E49, and E50, Items 92, 138, and 143) Inmate Medical Budget Shortfall:** Provides State Fiscal Recovery Funds and General Fund appropriations to address a structural budgetary deficit in inmate medical fund codes, including prison pharmacy, authorized amounts are: \$33.4 million in FY 2021-22 and \$68.4 million in FY 2022-23.
- **(Page E49, Item 139) Long-Term Care Facility at Central Prison:** Provides funding for staff and operations for a long-term care facility at Central Prison: \$4.8 million in FY 2021-22 with 35 FTE and \$7.2 million in FY 2022-23 with 77 FTE.
- **(Page E50, Item 147) Community Corrections:** Provides funding for additional community corrections positions and operational support. Positions include probation and parole officers, field officers, and social workers: \$2.6 million in FY 2021-22 and \$2.4 million in FY 2022-23 with 32 FTE.
- **(Page E49, Item 141) Misdemeanant Inmate Litter Crew Pilot Project:** Transfers funding from the Highway Fund and provides additional General Fund appropriations for a pilot project to increase reimbursements to sheriffs who form litter crews with misdemeanants serving their sentence in county jails: \$1.0 million in FY 2021-22 and \$2.5 million in FY 2022-23.
- **(Page E50, Item 144) Critical Safety Improvements in Prisons:** Provides funding to address safety at prison facilities: \$2.8 million in each year of the biennium.

- **(Page E47, Item 119) Support Team Assisted Response (STAR):** Provides funds to establish STAR pilot programs in three counties, supporting citizens and law enforcement with mobile teams of mental health clinicians and paramedics to handle low-level incidents and connect people with needed services: \$990k in FY 2021-22.
- **(Page E51, Item 148) Competitive Emergency Management Grants:** Provides funding to the Division of Emergency Management (NCEM) for a competitive grant program for local emergency management offices in counties with a population at or below 210,000: \$3.0 million in FY 2021-22 and \$5 million in FY 2022-23.
- **(Page E51, Item 150) State Search and Rescue:** Provides funding to NCEM to support the State Search and Rescue program: \$2.0 million in each year of the biennium.
- **(Page E51, Item 153) North Carolina Office of Recovery and Resiliency Positions:** Provides funding for resiliency positions at NCORR: \$357k in each year of the biennium with 3 FTE.
- **(Page E52, Item 159) Tarheel Challenge Positions:** Provides funding for the NCNG Tarheel Challenge program to support 37 new positions to comply with federal regulations. The positions are 75% federally funded: \$542k in each year of the biennium with 37 FTE.

Special Provisions

- **(Section 19C.9) Establishes a new Department of Adult Correction** within the Governor's cabinet that will include a Division of Prisons and a Division of Community Supervision and Reentry (formerly Community Corrections). **Also establishes a stand-alone Division of Juvenile Justice** within DPS.
- **(Section 19A.7) Transfers the Boxing Commission** from the Department of Commerce to the Department of Public Safety as an independent commission and renames the Commission to the North Carolina Boxing and Combat Sports Commission (NCBCSC).
- **(Section 19E.4) Expands veteran employment preference for State jobs** to include members of the National Guard.
- **(Section 19E.6) Revises the Emergency Management Act** to clarify the Governor's role.

General Assembly (NCGA)

Committee Report Items

- **(Page F73, Item 138)** Provides **ARP funds to support the legislature’s response to the COVID-19 pandemic**, including improvements in information technology (IT) and the legislative complex (\$21.8 M nonrecurring in FY 2021-22, including \$2.35 M for premium pay and bonuses to essential workers; \$11 M for staff resources; \$8 M for broadband/other technology improvements and committee room enhancements; and \$450,000 to offset revenue losses in legislative food services revenue).

Housing Finance Agency (HFA)

Committee Report Items

- **(Page F89, Item 159)** Provides ARP funds for the **Workforce Housing Loan Program** (\$170 M nonrecurring in FY 2021-22).

Department of Insurance (DOI)

Committee Report Items

- **(Page F109, Item 187)** Provides ARP funds to for a **\$10,000 base grant** to each eligible unit to help **mitigate revenue losses to the volunteer fire departments** across the State due to the impact of the COVID-19 pandemic (\$8 M nonrecurring in FY 2021-22).

Special Provisions

- **(Section 30.2)** Modifies current law to waive the existing **Volunteer Fire Department Grant Fund** program’s local matching requirements for grants to purchase firefighter equipment.
- **(Section 30.3)** **Suspends collections** of worker’s compensation premiums **from members of participating local fire and rescue units**. Payments of claims resulting during the biennium will be paid from the special fund cash balance.

Department of Military & Veterans Affairs (DMVA)

Committee Report Items

- **(Page F138, Item 243)** Provides funds to continue support for various activities focused on **maintaining the military presence and defense industry** across the State (\$1 M nonrecurring in FY 2022-23; S.L. 2020-24 appropriated an additional \$2 M nonrecurring for FY 2020-21).
- **(Page F140, Item 247)** Provides additional funds to **increase the number of scholarships awarded** to eligible children of disabled veterans (\$2 M recurring from the Escheat Fund).

Highlights of the Conference Capital Budget

The Conference Budget for Capital in FY 2021-22 includes net appropriations of \$3.7 billion. FY 2022-23 includes net appropriations of \$2.2 billion. The highlights of the Capital adjustments follow below.

6 S H F L D O 3 U R Y L V L R Q V

- **Sec. 5.7.(a)** The Conference budget changes the SCIF funding formula to now include:
 - a) For FY 2021-22, the sum \$1.30 billion transferred from the General Fund;
 - b) For FY 2022-23, the sum of \$1.35 billion transferred from the General Fund;
 - c) For FY 2023-24, the sum of \$1.39 billion transferred from the General Fund;
 - d) For FY 2024-25, the sum of \$1.44 billion transferred from the General Fund;
 - e) For FY 2025-26, the sum of \$1.1 billion transferred from the General Fund;
 - f) For each fiscal year after FY 2025-26, the transfer shall be increased 3.5% over the amount from the preceding fiscal year.
- **Sec. 40.1.(d)** Comprehensive list provided by the UNC System Office of all repair and renovation projects funded in the Conference budget.
- **Sec. 40.1.(e)** Allocation list for all Community Colleges funded in the Conference budget. This list reflects the same allocation schedule in House Bill 966.

Committee Report Items

- **(Page H7, Items 6-7) \$288 million for the reduction of State debt** (\$258 million for the remaining Connect NC bonds left to be issued; \$30 million for the remaining balance owed to the federal government for the Falls Lake Recreation Area).
- **(Page H7, Item 9) \$1.2 billion** - State Agency repairs and renovations funding (6-year schedule).
- **(Page H7, Item 10) \$1.5 billion** - Comprehensive list provided by the UNC System Office of all repair and renovation projects (6-year schedule).
- **(Page H8, Items 13-60) Authorizes \$878.3 million in other capital projects for State agencies** (\$308 million of which is appropriated in FY 2021-22 and \$210.6 million of which is appropriated in FY 2022-23).
- **(Page H12, Items 61-83) Authorizes \$1.0 billion in other capital projects for the UNC System** (\$279.8 million of which is appropriated in FY 2021-22 and \$302.5 million of which is appropriated in FY 2022-23).
- **(Page H14, Item 84) Funds Water Resources Development Projects at \$79.7 million** (\$44.5 million in FY 2021-22 and \$35.2 million in FY 2022-23).
- **(Page H14, Item 85) Provides \$75 million in funding for the Land and Water Trust** (\$37.5 million in FY 2021-22 and \$37.5 million in FY 2022-23).

- **(Page H14, Item 86) Provides \$75 million in capital for PARTF** (\$37.5 million in FY 2021-22 and \$37.5 million in FY 2022-23).
- **(Page H14, Items 88-105) Provides \$154.6 million in capital for Airports** (airports specified in the committee report).
- **(Page H15, Item 106) Provides \$200 million in capital for Community Colleges** (\$100 million is appropriated in FY 2021-22 and \$100 million is appropriated in FY 2022-23. The aggregate amount authorized over 4 years is \$400 million).
- **(Page H15, Items 107-151) Provides an additional \$294.9 million in capital for specific Community College projects** (\$217.2 million appropriated in FY 2021-22 and \$77.8 million appropriated in FY 2022-23).
- **(Page H19, Items 152-169) Provides \$149.5 million in capital for Courthouses** (courthouses specified in the committee report).
- **(Page H21, Items 170-177) Provides \$63.1 million in capital for Dam repairs** (dams specified in the committee report).
- **(Page H21, Items 178-187) Provides \$55.9 million in capital for hospitals** (hospitals specified in the committee report).
- **(Page H22, Items 188-209) Provides \$20.8 million in capital for Historic sites across the State** (sites specified in the committee report)
- **(Page H24, Items 210-229) Provides \$44.0 million in capital for K-12 Athletic Facilities** (\$31.4 million specified for projects in the committee report).
- **(Page H26, Items 230-293) Provides an additional \$87.4 million in capital for specific parks and recreation projects.** (projects specified in the committee report)
- **(Page H32, Items 294-585) Provides \$643.1 million in other capital grants to non-State entities** (\$518.9 million in FY 2021-22 and \$122.7 million in FY 2022-23).
- **(Page H56, Items 586-709) Provides \$119 million in capital for local government infrastructure grants.**

Salaries Summary

State Employees and Community College Employees

The Conference budget appropriates a total of \$516.1 million in FY 2021-22 and \$899.9 million in FY 2022-23 in additional net appropriations to provide salary increases for State employees and State-funded local employees. Specifically:

- A 2.5% across-the-board increase in each year of the biennium for most State employees and University employees.
- A 2.5% salary increase for all Community College staff in each year of the biennium..
- \$32.1 million to implement an experience-based salary schedule for Correctional Officers in Adult Correction (approximately 7% average increase) and an additional \$5.2 million to alleviate salary compression for other certified staff in Adult Correction.
- \$18.1 million to implement an experience-based salary schedule for Probation/Parole Officers resulting in an average increase of approximately 17%.
- Eliminates \$15 million for salary supplements provided to correctional personnel in prisons with high vacancy rates in FY 2022-23.
- \$8.7 million in FY 2021-22 and \$12.3 million FY 2022-23 to create a Community College Faculty Recruitment/Retention Fund.
- \$5 million to increase funding of the UNC Faculty Recruitment/Retention Fund.
- Increases the minimum wage for Public School and Community College employees to \$13/hour in FY 2021-22 and \$15/hour in FY 2022-23.
- \$811,000 for pay increases and position classification adjustments for judicial support staff based on the priorities of the Administrative Office of the Courts.
- \$305,000 to increase salary supplements for certified staff at residential schools managed by the Department of Public Instruction.

Teachers and Instructional Support Personnel

The Conference budget appropriates \$83 million in FY 2021-22 and \$167 million in FY 2022-23 to provide salary increases associated with changes to the teacher salary schedule. Each existing experience level of the base teacher salary schedule is increased by 1.3% in each year of the biennium. Including step increases, the average teacher salary increase is approximately 2.5% in each year of the biennium. In addition to changes to the salary schedule, the Conference budget proposal provides:

- \$100 million to increase salary supplements provided to teachers and instructional support personnel employed in counties with less ability to provide local salary supplements. The amount of funding provided varies depending on the county's tax base, median household income, and effective tax rate. Counties with a tax base in excess of \$40 billion are excluded from this allotment.
- Provides funding for a matching recruitment bonus (1:1, State/Local) for teachers accepting employment in school systems that receive funding from the small county or low-wealth allotments. The maximum State-funded bonus is \$1,000.
- Provides a \$1,000 bonus to teachers that have received training associated with COVID-19 from federal ESSER funds in FY 2021-22.
- Adds \$350 per month (\$3,500 annually) to the salary schedule for school psychologists, audiologists, and speech pathologists.
- Adds \$100 per month (\$1,000 annually) to the salary schedule for school counselors.

- Revises personal leave costs for teachers allowing them to avoid paying for substitutes for using personal leave.
- Provides an across-the-board bonus of \$300 from repurposed funds previously appropriated for performance bonuses that cannot be paid due to COVID-19 related data issues.
- In total, most teachers will receive an aggregate bonus of \$1,500 (SFRF bonus) + \$300 (repurposed EVAAS bonuses) + \$1,000 (ESSER bonus) = \$2,800 in FY 2021-22.
- On a percentage basis, in FY 2021-22, the average teacher will receive:
 - Changes to teacher salary schedule (including steps) – 2.5%
 - Teacher Supplement Assistance Allotment – 1.7%
 - SFRF bonus – 2.7%
 - ESSER bonus – 1.8%
 - Repurposed EVAAS bonuses – 0.5%
 - **Total – 9.2%**

Other Public School Personnel

The Conference budget provides \$68.7 million in FY 2021-22 and \$190.7 million in FY 2022-23 for salary increases to non-teacher public school employees. Specifically, the Conference proposal:

- Noncertified Personnel - a pay increase that is the greater of 2.5% or increase to \$13/hour in FY 2021-22 and another increase in FY 2022-23 that is the greater of 2.5% or increase to \$15/hour.
- Central Office – 2.5% across-the-board increase in each year of the biennium.
- Principals:
 - 2.5% increase to the salary schedule in each year of the biennium.
 - Across-the-board \$1,800 bonus from funding for performance bonuses that can't be paid due to COVID caused data quality issues.
- Assistant Principals – pay remains tied to the base teacher salary schedule + 19%.

American Rescue Plan – Premium Pay Bonuses

The Conference budget appropriates \$545 million in FY 2021-22 from the State Fiscal Recovery Fund to provide premium pay bonuses to State employees and local education employees, regardless of funding source. The maximum bonus an employee could receive is \$1,500. The bonuses are provided as follows:

- \$1,000 for State employees and local education employees
- An additional \$500 for the same employees if they meet one of the following criteria:
 - Annual salary is less than \$75,000
 - Is a law enforcement officer
 - Works in the Division of Adult Correction and Juvenile Justice and had frequent in-person contact
 - Works in a position at a 24-hour residential or treatment facility operated by DHHS

The Conference budget also appropriates \$133 M from the State Fiscal Recovery Fund for bonuses to direct care workers employed by providers that participate in the following Medicaid programs and who worked at least 1,000 hours in a direct care setting since the beginning of the pandemic:

- Community Alternatives Program for Children (CAP/C)
- Community Alternatives Program for Disabled Adults (CAP/DA)
- North Carolina Innovations waiver
- Traumatic Brain Injury (TBI) waiver
- Personal care services (PCS) providers

- Intermediate care facilities for individuals with intellectual disabilities (ICF/IIDs)
- Home health providers
- Nursing homes
- Behavioral health residential facilities, residential treatment facilities, psychiatric residential treatment facilities, medical management and crisis stabilization facilities, and facilities providing inpatient substance use disorder treatment

It is estimated that these funds would be sufficient to support a bonus of approximately \$2,000 per eligible worker.

Benefits Summary

The Conference budget provides additional net appropriations of \$308.3 M in FY 2021-22 and \$521.9 M in FY 2022-23 to support increasing costs associated with benefits provided to State-funded employees, provide a 2.0% retiree supplement in FY 2021-22 and a 3.0% retiree supplement in FY 2022-23. In summary, the Conference budget provides the following:

- \$174.9 M in FY 2021-22 and \$270.7 M in FY 2022-23 to increase employer premiums to the State Health Plan for active employees.
- \$60.7 M in FY 2021-22 and \$142.1 M in FY 2022-23 to increase contributions to State retirement systems and the Retiree Health Benefit Fund for retiree medical benefits.
- \$72.8 M in FY 2021-22 and \$109.1 M in FY 2022-23 to provide a 2.0% one-time supplement (bonus) in fall 2021 and another 3.0% supplement in fall 2022 to State retirees.
- Up to \$101 M from the State Fiscal Recovery Fund and up to \$114 M from remaining funds in the Coronavirus Relief Fund to reimburse the State Health Plan for COVID-19 testing, treatment, and vaccination administration.

The Conference budget also transfers \$40.0 M in FY 2021-22 and \$10.0 M in FY 2022-23 to the Unfunded Liability Solvency Reserve, which will be used to increase contributions to State retirement systems and the Retiree Health Benefit Fund.

Appendices:

- A. Teacher Salary Schedule Comparison
- B. Correctional Officer Salary Schedule
- C. Probation/Parole Office Salary Schedule
- D. SHP/SBI/ALE Salary Schedule
- E. Estimated Allocations from Teacher Supplement Assistance Allotment

A. Teacher Salary Schedule

Current Years of Experience	FY 2020-21 "A" Schedule	FY 2021-22	Schedule Increase	FY 2021-22 %Δ w/Step Increase	Intended FY 2022-23	FY 2022-23 %Δ w/Step Increase v. FY 2020-21
0	\$ 3,500	\$ 3,546	1.3%	4.2%	\$ 3,592	8.5%
1	\$ 3,600	\$ 3,647	1.3%	4.1%	\$ 3,694	8.3%
2	\$ 3,700	\$ 3,748	1.3%	4.0%	\$ 3,797	8.2%
3	\$ 3,800	\$ 3,849	1.3%	4.0%	\$ 3,899	8.0%
4	\$ 3,900	\$ 3,951	1.3%	3.9%	\$ 4,002	7.9%
5	\$ 4,000	\$ 4,052	1.3%	3.8%	\$ 4,105	7.7%
6	\$ 4,100	\$ 4,153	1.3%	3.8%	\$ 4,207	7.6%
7	\$ 4,200	\$ 4,255	1.3%	3.7%	\$ 4,310	7.5%
8	\$ 4,300	\$ 4,356	1.3%	3.7%	\$ 4,413	7.4%
9	\$ 4,400	\$ 4,457	1.3%	3.6%	\$ 4,515	7.3%
10	\$ 4,500	\$ 4,559	1.3%	3.6%	\$ 4,618	7.2%
11	\$ 4,600	\$ 4,660	1.3%	3.5%	\$ 4,721	7.1%
12	\$ 4,700	\$ 4,761	1.3%	3.4%	\$ 4,823	7.0%
13	\$ 4,800	\$ 4,862	1.3%	3.4%	\$ 4,925	6.9%
14	\$ 4,900	\$ 4,964	1.3%	3.4%	\$ 5,029	4.7%
15	\$ 5,000	\$ 5,065	1.3%	1.3%	\$ 5,131	2.6%
16	\$ 5,000	\$ 5,065	1.3%	1.3%	\$ 5,131	2.6%
17	\$ 5,000	\$ 5,065	1.3%	1.3%	\$ 5,131	2.6%
18	\$ 5,000	\$ 5,065	1.3%	1.3%	\$ 5,131	2.6%
19	\$ 5,000	\$ 5,065	1.3%	1.3%	\$ 5,131	2.6%
20	\$ 5,000	\$ 5,065	1.3%	1.3%	\$ 5,131	2.6%
21	\$ 5,000	\$ 5,065	1.3%	1.3%	\$ 5,131	2.6%
22	\$ 5,000	\$ 5,065	1.3%	1.3%	\$ 5,131	2.6%
23	\$ 5,000	\$ 5,065	1.3%	1.3%	\$ 5,131	6.7%
24	\$ 5,000	\$ 5,065	1.3%	5.4%	\$ 5,131	6.7%
25+	\$ 5,200	\$ 5,268	1.3%	1.3%	\$ 5,336	2.6%

Notes:

- Reflects base “A” teacher salary schedule and does not include any of the various State or locally-funded salary supplements.
- Schedule Increase column displays the increase in the monthly salary amount for an experience-level compared to the same experience-level from the prior fiscal year.
- % Change (w/Step) column displays the increase a teacher with referenced experience level in FY 2020-21 will receive under revised schedule if continuing to work as teacher in upcoming biennium.

B. Correctional Officer Salary Schedule

Years of Experience	FY 2021-22			FY 2022-23		
	COI	COII	COIII	COI	COII	COIII
0	\$33,130	\$34,220	\$36,598	\$33,958	\$35,076	\$37,513
1	\$35,449	\$36,615	\$39,160	\$36,335	\$37,530	\$40,139
2	\$37,576	\$38,812	\$41,510	\$38,515	\$39,782	\$42,548
3	\$39,455	\$40,753	\$43,586	\$40,441	\$41,772	\$44,676
4	\$41,033	\$42,383	\$45,329	\$42,059	\$43,443	\$46,462
5	\$42,264	\$43,654	\$46,689	\$43,321	\$44,745	\$47,856
6+	\$43,109	\$44,527	\$47,623	\$44,187	\$45,640	\$48,814

C. Probation/Parole Office Salary Schedule

Years of Experience	FY 2021-22	FY 2022-23
0	40,000	41,000
1	42,600	43,665
2	45,369	46,503
3	48,318	49,526
4	51,459	52,745
5	54,804	56,173
6+	58,366	59,824

D. SHP/SBI/ALE Experience-Based Salary Schedule

Years of Experience	FY 2021-22	FY 2022-23
0	47,384	48,569
1	50,464	51,726
2	53,744	55,088
3	57,237	58,669
4	60,957	62,482
5	64,919	66,543
6+	69,139	70,868

E. Estimated Allocations from Teacher Supplement Assistance Allotment

County	Teacher Supplement Assistance (per State Funded Teacher)	Estimated County Allocation (Supplement + Benefits)
Alamance County	\$ 777	\$ 1,592,803
Alexander County	\$ 2,119	\$ 885,923
Alleghany County	\$ 3,345	\$ 437,691
Anson County	\$ 3,578	\$ 983,385
Ashe County	\$ 1,672	\$ 449,897
Avery County	\$ 1,458	\$ 283,724
Beaufort County	\$ 1,540	\$ 823,261
Bertie County	\$ 4,250	\$ 790,895
Bladen County	\$ 2,603	\$ 953,462
Brunswick County	\$ 549	\$ 567,884
Buncombe County	\$ -	\$ -
Burke County	\$ 1,199	\$ 1,210,937
Cabarrus County	\$ 640	\$ 2,011,442
Caldwell County	\$ 1,269	\$ 1,284,662
Camden County	\$ 4,212	\$ 766,857
Carteret County	\$ 675	\$ 451,311
Caswell County	\$ 3,591	\$ 802,381
Catawba County	\$ 759	\$ 1,456,282
Chatham County	\$ 775	\$ 581,217
Cherokee County	\$ 2,037	\$ 600,263
Chowan County	\$ 4,072	\$ 722,186
Clay County	\$ 2,870	\$ 341,758
Cleveland County	\$ 1,234	\$ 1,585,435
Columbus County	\$ 2,060	\$ 1,337,459
Craven County	\$ 955	\$ 1,053,325
Cumberland County	\$ 776	\$ 3,461,150
Currituck County	\$ 957	\$ 326,880
Dare County	\$ 747	\$ 314,016
Davidson County	\$ 813	\$ 1,661,326
Davie County	\$ 1,487	\$ 812,868
Duplin County	\$ 1,678	\$ 1,366,247
Durham County	\$ -	\$ -
Edgecombe County	\$ 2,544	\$ 1,302,012
Forsyth County	\$ 619	\$ 2,831,971
Franklin County	\$ 1,310	\$ 947,200
Gaston County	\$ 732	\$ 1,994,775
Gates County	\$ 4,250	\$ 750,825
Graham County	\$ 4,250	\$ 522,939

Granville County	\$	1,510	\$	897,030
Greene County	\$	4,250	\$	1,152,237
Guilford County	\$	-	\$	-
Halifax County	\$	2,341	\$	1,201,807
Harnett County	\$	1,023	\$	1,812,621
Haywood County	\$	971	\$	608,181
Henderson County	\$	715	\$	826,979
Hertford County	\$	4,250	\$	993,662
Hoke County	\$	1,923	\$	1,449,602
Hyde County	\$	3,033	\$	227,520
Iredell County	\$	574	\$	1,259,335
Jackson County	\$	930	\$	313,861
Johnston County	\$	706	\$	2,313,115
Jones County	\$	4,250	\$	457,146
Lee County	\$	1,459	\$	1,287,550
Lenoir County	\$	2,143	\$	1,574,119
Lincoln County	\$	829	\$	831,145
McDowell County	\$	1,025	\$	558,643
Macon County	\$	2,737	\$	1,087,946
Madison County	\$	4,250	\$	976,128
Martin County	\$	1,809	\$	505,811
Mecklenburg County	\$	-	\$	-
Mitchell County	\$	3,293	\$	565,976
Montgomery County	\$	2,191	\$	640,188
Moore County	\$	734	\$	775,343
Nash County	\$	1,176	\$	1,444,374
New Hanover County	\$	532	\$	1,139,399
Northampton County	\$	3,474	\$	534,054
Onslow County	\$	818	\$	1,927,306
Orange County	\$	647	\$	1,072,065
Pamlico County	\$	3,379	\$	411,890
Pasquotank County	\$	1,928	\$	846,218
Pender County	\$	1,049	\$	836,861
Perquimans County	\$	3,582	\$	498,896
Person County	\$	1,878	\$	728,075
Pitt County	\$	903	\$	1,862,039
Polk County	\$	1,800	\$	357,085
Randolph County	\$	934	\$	1,642,103
Richmond County	\$	2,786	\$	1,684,791
Robeson County	\$	1,571	\$	2,955,155
Rockingham County	\$	1,370	\$	1,354,754
Rowan County	\$	885	\$	1,450,356
Rutherford County	\$	1,307	\$	878,087

Sampson County	\$	1,715	\$	1,627,971
Scotland County	\$	3,672	\$	1,864,169
Stanly County	\$	1,375	\$	1,011,858
Stokes County	\$	1,827	\$	952,747
Surry County	\$	1,405	\$	1,261,494
Swain County	\$	2,953	\$	536,976
Transylvania County	\$	1,113	\$	319,538
Tyrrell County	\$	4,250	\$	316,160
Union County	\$	490	\$	1,623,345
Vance County	\$	2,482	\$	1,127,320
Wake County	\$	-	\$	-
Warren County	\$	2,669	\$	439,259
Washington County	\$	4,250	\$	470,393
Watauga County	\$	855	\$	356,895
Wayne County	\$	1,207	\$	1,935,440
Wilkes County	\$	1,454	\$	1,152,950
Wilson County	\$	1,410	\$	1,274,239
Yadkin County	\$	2,260	\$	1,003,625
Yancey County	\$	2,474	\$	519,520
TOTAL			\$	100,000,000

Highlights of the Transportation Budget

Highway Fund

The Conference Budget for Department of Transportation's operations and maintenance activities in FY 2021-22 includes net appropriations of \$2.63 billion, which is \$265.6 million above the base budget. This is an 11.3% increase. FY 2022-23 includes net appropriations of \$2.6 billion, which is \$23.0 million less than the amount of the Conference Budget for FY 2021-22 and a less than 1% decrease.

Highway Trust Fund

The Highway Trust Fund net appropriations for FY 2021-22 total \$1.6 billion, which is \$104.8 million less than the base budget. This is a 6.3% decrease. FY 2022-23 includes net appropriations of \$1.7 billion, which is \$176.3 million higher than the amount in the Conference Budget for FY 2021-22. This is a 11.4% increase.

Revenue Forecast

- Combined Highway Fund and Highway Trust Fund **revenues are projected to increase** by approximately **17.2% in FY 2021-22** from Certified Budget for FY 2020-21 and by another **3.7% in FY 2022-23**. Total of Highway Fund and Highway Trust Fund is approximately \$4.2 billion in FY 2021-22 and \$4.3 billion in FY 2022-23.
- The increased revenue is due to:
 - Increase in collections of motor fuel taxes, highway use taxes and DMV fees.
 - Additionally, approximately \$70 million is being transferred from the General Fund to the Highway Fund in each year of the biennium for **short-term car rental tax collections**, per direction in this act.

Committee Report Items

- (Page J25, Items 7-13) Provides additional funds for **highway maintenance** and **highway preservation** activities. Total of funds available is \$1.7 billion in each year of the biennium. The total increase of funds over the biennium is \$346 million over the base budget.
 - Bridge Programs, \$344 million annually
 - Pavement Preservation and General Maintenance, over \$627 million annually
 - Contract Resurfacing, \$570.6 million annually
 - Roadside Environmental, \$120 million annually
- (Page J26, Item 14) Provides an additional \$50 million for small construction projects within the **Contingency Fund** account; the total amount available for FY 2021-22 is \$62 million and \$12 million for FY 2022-23.
- (Page J26, Item 19) Provides additional funds of \$11.8 million for the **Powell Bill**, money to municipalities for construction and maintenance of municipal roads and bridges. The total amount available is \$154.9 million in each year of the biennium for municipalities.
- (Page J27, Item 21) Provides \$7.5 million in FY 2021-22 and \$10.4 million in FY 2022-23 to **renovate and replace** DOT buildings, maintenance shops, and improve or replace facilities. Of these funds, the General Fund's State Capital and Infrastructure Fund (SCIF) will pay for \$10.5 million of these projects over the biennium.

- (Page J28, Item 27) Provides \$3 million in FY 2021-22 in State Fiscal Recovery Funds from the American Rescue Plan Act for **extended service at DMV Driver License offices** across North Carolina.
- (Page J29, Items 34-37) Provides \$19 million in FY 2021-22 in **American Rescue Plan Act funds for Federal Transit Administration (FTA) grants** to assist with rural operating, training and technical assistance, intercity transit, and trips for the elderly and persons with disabilities.
- (Page J30, Item 40) Provides \$16 million over the biennium for **capital projects at the Global TransPark**, including a fuel storage facility and terminal renovation.
- (Page J30-J31, Items 42-43) Provides \$2 million in each year of the biennium to **general aviation airports** by eliminating vacant positions and funding 14 permanent positions previously funded through the grant program.
- (Page J32-J33, Items 49-64) Provides \$56.3 million in FY 2021-22 and \$57.2 million in FY 2022-23 to create an organized operating budget for the entire **Ferry Division**. This is a \$14.5 million net increase over the biennium that fully funds ferry operations.

Special Provisions

- (Sec. 41.3) Revises the statutory requirement so that DOT must have no more than an average of \$2 billion cash balance during first three months of the calendar year, in order to issue **Build NC Bonds** during the biennium.
- (Sec. 41.10) Limits the use of the **Salary Adjustment Fund** to DMV employees who did not receive an increase from DOT's Salary Pilot Program and who do not have any active disciplinary actions.
- (Sec. 41.15) Modifies the **Ferry Division's budget** to separate capital from operations spending and removes the Division's authority to overdraft their budget.
- (Sec. 41.29) Provides a general authorization to DMV for the **online renewal of DMV-issued credentials**, including permits, licenses, and registrations.
- (Sec. 41.49) Eliminates **vacant positions** that have been unfilled for greater than four years across DOT.

Highlights of the Finance Provisions

The Finance Provisions in the Conference Budget reduce General Fund revenue by \$1,325.7 million in FY 2021-22 and by \$1,990.3 million in FY 2022-23. The highlights of the Finance section provisions follow below:

Personal Income Tax Reduction (Section 42.1) – Reduces the Personal Income tax rate from 5.25% to 3.99% over 6 years; increases the standard deduction to \$25,500 (MFJ); increases the child deduction by \$500 and expands eligibility for the child deduction to more families. The changes are effective for taxable years beginning on or after January 1, 2022.

Eliminate Tax on Military Pension Income (Section 42.1A) – Exempts most military retirement income from taxation effective January 1, 2021.

Phase Out Corporate Income Tax (Section 42.2) – Phases out the Corporate Income tax over 6 years beginning in 2025.

Franchise Tax Reduction and Simplification (Section 42.3) – Simplifies the franchise tax base calculation and, for some taxpayers, reduces the amount of franchise tax due, by eliminating the two tax bases calculated using property values. This change is effective for taxable years beginning on or after January 1, 2023 and applicable to the calculation of franchise tax reported on the 2022 and later corporate income tax returns.

Conform to Federal Tax Treatment for PPP Loans and Related Business Assistance/IRC Update (Section 42.4) – Updates the reference to the Internal Revenue Code to April 1, 2021, and conforms to:

- The permanent 7.5% federal medical expense deduction threshold.
- The deductibility of expenses using funds from forgiven PPP loans and from similar pandemic-related loan and grant programs.

This section decouples from various provisions consistent with previous State practice.

Reduce Impact of Federal SALT Cap by Allowing Certain Pass-throughs to Elect to Pay Tax at The Entity Level (Section 42.5) – Allows pass-through entities to elect to pay the State income taxes at the entity level, which is not subject to the federal state and local tax cap of \$10,000. This change is effective for taxable years beginning on or after January 1, 2022.

Create Separate State Net Operating Loss Calculation for Individual Income Tax Purposes (Section 42.6) – Creates a separate North Carolina NOL calculation to more closely align to the calculation of North Carolina taxable income. This change is effective for taxable years beginning on or after January 1, 2022.

Extend the Time to Complete an Eligible Project under the Mill Rehabilitation Tax Credit Programs (Section 42.7) – Reenacts the Mill Rehabilitation/Railroad Tax Credit and extends the time to complete previously eligible mill rehabilitation projects and rehabilitation railroad station projects.

Expand and Extend Historic Rehabilitation Credit (Section 42.7A) – Expands the Historic Rehabilitation Tax Credit to include historic schools and extends the tax credit through 2030.

Limit Gross Premiums Tax on Surety Bonds (Section 42.8) – Limits the gross premiums tax on surety bonds for bail bonds to the amount remitted by the surety bondsman to the bond insurer. This change is effective for taxable years beginning on or after January 1, 2022.

Modify Excise Tax on Cigars and Clarify Delivery Sales and Remote Sales of Tobacco Products (Section 42.9) – Subjects all cigars, whether sold online or in-person, to the existing rate of excise tax, which is 12.8% of the cost price per cigar, and places a cap on the excise tax in the amount of 30¢ per cigar. The section also adjusts the percentage of Other Tobacco Product tax revenue that goes to the University Cancer Research Fund to hold that Fund’s revenue stable. This section would become effective July 1, 2022 and would apply to sales or purchases occurring on or after that date.

Credit Short-term Vehicle Rental Proceeds to Highway Fund (Section 42.10) – Credits to the Highway Fund the proceeds from the alternate highway use tax that is levied on short-term vehicle rentals and on vehicle subscriptions. Currently, only the first \$10 million of these proceeds goes to the Highway Fund, and the remainder goes to the General Fund.

Graduate Late Payment Penalties (Section 42.11) – Replaces the flat 10% penalty assessed for failure to pay a tax when due with a graduated amount, effective July 1, 2022.

Property Tax Exemptions (Section 42.12) – Exempts the following property from the local property tax base, effective for taxes imposed for taxable years beginning on or after July 1, 2022: i) vaccines held by private medical practices, and ii) burial property owned and held for purposes of sale or rental, or sale of burial rights therein.

Revenue Laws Technical, Clarifying, and Administrative Change (Section 42.13) – Makes technical, clarifying, and administrative changes to the tax law, as recommended by the Department of Revenue.