



HOUSE BILL 317: Adjustments to the 2023 Appropriations Act.

2023-2024 General Assembly

Committee:	Senate Appropriations/Base Budget	Date:	June 19, 2024
Introduced by:		Prepared by:	Lisa Wilks
Analysis of:	PCS to First Edition H317-CSNEfa-9		Bryan Hedrick Staff Attorneys*

OVERVIEW: *The Proposed Committee Substitute (PCS) for House Bill 317 modifies the Current Operations Appropriations Act of 2023 (S.L. 2023-134) and makes other changes in the budget operations of the State.*

BILL ANALYSIS: The PCS does the following:

- **Sections 1.1 and 1.2** reflect the Title and Introduction of the PCS.
- **Section 2.1** reflects General Fund appropriations for the 204-2025 fiscal year.
- **Section 2.2** reflects General Fund availability for the 2024-2025 fiscal year, establishes and sets forth reductions to and transfers and appropriations from various reserves, and restricts the transfer to the Unfunded Liability Solvency Reserve.
- **Section 3.1** reflects appropriations from the State Highway Fund for the 2024-2025 fiscal year.
- **Section 3.2** reflects availability for the State Highway Fund for the 2024-2025 fiscal year.
- **Section 3.3** reflects appropriations from the State Highway Trust Fund for the 2024-2025 fiscal year.
- **Section 3.4** reflects availability for the State Highway Trust Fund for the 2024-2025 fiscal year.
- **Section 4.1** appropriates receipts required to be used to pay legislatively mandated salary increases and employee benefits.
- **Section 4.2** requires OSBM to consult with NCPRO to identify \$10M in unspent State Fiscal Recovery Fund (SFRF) funds from the Long Leaf Scholarship 2022 Graduates project, as the project is complete and all eligible students have been served.
- **Section 4.3** replaces the \$800M in funding appropriated for the 2021-2022 fiscal year and 2022-2023 fiscal year from the SFRF with General Fund money. The projects to be funded are unaffected.
- **Section 5.1** provides a one-year extension for directed grants appropriated in S.L. 2022-74 (2022 Appropriations Act) for the 2022-2023 fiscal year, that would revert at the end of the 2023-2024 fiscal year, to the end of the 2024-2025 fiscal year.
- **Section 5.2** eliminates \$60M in recurring funds in the Education Enrollment Reserve, with additional funding to support budget requirements associated with education enrollment changes provided in the NCCCS, DPI, and UNC budgets.
- **Section 5.3** eliminates \$450K in nonrecurring funds in the Pending Legislation Reserve.
- **Section 5.4** reduces funds from the Future Building Reserve and notes that those funds are appropriated elsewhere to support the opening of Randall Library at the University of North

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Legislative Drafting
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House 317 PCS

Page 2

Carolina at Wilmington, Joiner Hall and other buildings at the North Carolina School of Science and Mathematics Morganton campus, and the Office of the State Fire Marshall's Emergency Training Facility in Stanly County.

- **Section 6.1** enacts the Teacher Salary Schedule for 2024-2025 and authorizes an average three percent (3%) raise.
- **Section 6.2** enacts the Principal Salary Schedule for 2024-2025 and authorizes an average three percent (3%) raise.
- **Section 6.3** authorizes bonuses for principals in the 2024-2025 fiscal year.
- **Section 6.4** authorizes salaries for assistant principals in the 2024-2025 fiscal year and continues to tie those salaries to the Teacher Salary Schedule plus nineteen percent (19%), which amounts to an average two and three-tenths percent (2.3%) raise.
- **Section 6.5** authorizes a three percent (3%) raise for central office employees and an associated increase in maximum salaries.
- **Section 6.6** authorizes a three percent (3%) raise for noncertified personnel.
- **Section 6.7** adjusts funds to the Community College System to account for an increase in enrollment.
- **Section 6.7A** provides funds to the Community College System to create funding parity between Workforce Continuing Education (WCE) and Curriculum programs.
- **Section 6.7B** provides funds from the Education Reserve to the Community College System to community colleges with eligible enrollment increases that exceed budgeted enrollment levels.
- **Section 6.8** makes technical statutory changes and adjusts funding in the State Public School Fund to accommodate the transition to an arrears-based funding model.
- **Section 6.9** provides additional funds to the ADM Contingency Reserve to fund growing public school units that exceed the allotted enrollment for the unit.
- **Section 6.10** updates the Advanced Teaching Roles program by (i) setting participation expansion rates, (ii) clarifying duties regarding State salary supplements, (iii) adjusting the timeline for plan development and grant approval, (iv) extending the time period for use of grant funds, (v) adding a reporting requirement, and (vi) ordering a study on the student-to-teacher ratio accountability system, and (vii) making technical changes and reorganizing the program statutes for clarity.
- **Section 6.11** provides funds to the Board of Governors of The University of North Carolina to account for enrollment funding changes in resident student credit hours.
- **Section 6.12** provides funds to the Board of Governors of The University of North Carolina to account for enrollment funding changes related to performance outcome measures of student success, affordability, and productivity.
- **Section 6.13** provides funds to the Board of Governors of The University of North Carolina to offset enrollment-related funding losses experienced by East Carolina University, UNC-Asheville, UNC-Greensboro, UNC-Pembroke, and Winston-Salem State University.
- **Section 6.14** provides funds to the Board of Governors of The University of North Carolina to operate and maintain Randall Library at UNC at Wilmington and Joiner Hall and other buildings at the NC School of Science and Mathematics at Morganton.
- **Section 6.15** allocates funds from the Education Reserve to the State Education Assistance Authority for additional funds for opportunity scholarships in the 2024-2025 school year; appropriates \$215.46M in recurring funds to the Opportunity Scholarship Grant Fund Reserve in the 2024-2025 fiscal year and further modifies the statutory appropriation schedule for the Opportunity Scholarship Grant Fund Reserve in future years. (The revised net appropriation in

House 317 PCS

Page 3

the 2024-2025 fiscal year to the Opportunity Scholarship Grant Fund Reserve would equal \$570M.)

- **Section 6.15A** allows the State Education Assistance Authority to allocate unused administrative costs set aside for opportunity scholarships for additional actual costs of administering of the Personal Education Student Accounts for Children with Disabilities Program.
- **Section 6.16** appropriates an additional \$24.7M in recurring funds for the North Carolina Personal Education Student Accounts for Children with Disabilities Program in the 2024-2025 fiscal year and in future years.
- **Section 6.17** provides funds to the Board of Governors of The University of North Carolina to support tuition grants for high school graduates of the North Carolina School of Science and Mathematics and the North Carolina School of the Arts who attend a UNC constituent institution.
- **Section 7.1** appropriates \$259M in recurring funds and \$100M in nonrecurring funds to the Division of Health Benefits for the Medicaid rebase to account for certain changes in Medicaid program costs.
- **Section 7.2** directs the Division of Health Benefits to retain \$80M of the savings generated from the federal incentive associated with Medicaid expansion during the 2024-2025 fiscal year. The funds are to be used for the Medicaid program instead of being transferred to the ARPA Temporary Savings Fund.
- **Section 7.3** updates the amount of the nontax revenue Medicaid receivables in the 2024-2025 fiscal year to reflect more accurate available information.
- **Section 7.4** allows flexibility in expending ARPA funds allocated for early childhood technology infrastructure before the 9/30/24 deadline.
- **Section 7.5** appropriates \$136.5M in funding for the continuation of the compensation grants portion of the Child Care Stabilization Grants from federal Child Care & Development Block Grant funds (\$25.5M) and receipts from the Child Care Reserve (\$111M), established in Section 2.2(c), to provide four quarters of reduced grants.
- **Section 7.6** specifies that the budget for the Division of Health Benefits is reduced by \$19.3M to conform with the statutory calculation of the gross premiums tax offset amount based on actual, rather than estimated, tax data.
- **Section 8.1** provides funds from the Economic Development Project Reserve for water and sewer expenditures in Chatham County.
- **Section 9.1** appropriates \$12M to the Office of Indigent Defense Services to ensure timely payments to attorneys representing indigent clients. Without this funding, it is likely that there would need to be a payment freeze at some point in the 2024-2025 fiscal year for these attorneys, who would then have to wait until the 2025-2026 fiscal year to be paid for their services.
- **Section 9.1A** appropriates \$1M to the Administrative Office of the Courts for the Guardian ad Litem program to increase the hourly rate paid to contract attorneys.
- **Section 9.2** transfers \$10M in nonrecurring funds from the State Fiscal Recovery Fund to DPS to use for repairing or replacing structurally deficient VIPER System towers; and appropriates \$1.8M in recurring funds from the General Fund to DPS to use for costs related to the operation of the VIPER network.
- **Section 9.3** appropriates \$1.9M in recurring funds to support State-level provisions and State-level operations for the Division of Emergency Management due to reduced federal receipts.
- **Section 10.1** makes changes to the Completing Access to Broadband program at the Department of Information Technology involving the county match portion in the program.

House 317 PCS

Page 4

- **Section 10.2** codifies the State process for evaluating and distributing federal funds for the federal Broadband Equity, Access, and Deployment grant program with the Department of Information Technology and allows the Department to spend federal dollars intended for digital literacy.
- **Section 11.1** directs OSBM to transfer all remaining Emergency Rental Assistance funds to the Housing Trust Fund. The projects funded by the Housing Finance Agency using these funds shall comply with the United States Department of the Treasury's Emergency Rental Assistance guidelines.
- **Section 11.2** removes the requirement that a veteran buried in a North Carolina veterans cemetery must be a resident of NC, which change is required in order for NC to receive future federal funds for veterans cemeteries. It also appropriates budgeted receipts from the U.S. Department of Veterans Affairs' Veterans Cemetery Grant Program for additional cremation and burial spaces at Eastern Carolina, Coastal Carolina, and Sandhills Veterans Cemeteries.
- **Section 11.3** appropriates \$4.85M in recurring funds to the Office of State Fire Marshal to support the operations of the Emergency Training Facility in Stanly County, including nine full-time employees.
- **Section 12.1** makes updates to the State's employer contributions rates budgeted for retirement and related benefits for the 2024-2025 fiscal year needed to address increased funding requirements for the North Carolina National Guard Pension Fund.
- **Section 14.1** provides that the \$150M in funds transferred from the Economic Development Project Reserve to the Department of Transportation shall be used for the megasite industrial park in Randolph County.
- **Sections 16.1 – 16.5** reflect the various miscellaneous boilerplate provisions.

EFFECTIVE DATE: **Section 16.6**, except as otherwise provided, makes the PCS for HB 317 effective July 1, 2024.

**Staff Attorneys with the Legislative Drafting Division substantially contributed to this summary.*