



NCGA 2019 Legislative Session Budget and Fiscal Policy Highlights

Fiscal Brief

August 6, 2020

Executive Summary

For the 2019 Regular Session, the General Assembly passed a comprehensive Current Operations Appropriations Act ([House Bill 966](#)) for the 2019-2021 fiscal biennium, which the Governor vetoed on June 28, 2019. The House of Representatives overrode the veto on September 11, 2019, but the Senate did not override the veto during the 2019 Regular Session. Consequently, H966 was not enacted.

In addition to H966, the General Assembly passed separate, subject-related budget and finance bills. Some of these bills contained sections of H966 with minimum to no modifications. In total, the General Assembly passed, and the Governor signed into law, 21 individual supplemental appropriations bills and a Base Budget bill as enacted in [S.L. 2019-242 \(H111\), 2019-2021 Base Budgets/Certain Agencies](#).

Before S.L. 2019-242 was enacted, agencies were allowed to operate under temporary budgetary authority granted by the State Budget Act ([G.S. Chapter 143C](#)). Session Law 2019-242 put in place a budget for every State agency for the duration of the biennium. Any appropriations provided to agencies in prior or subsequent legislation was in addition to the amounts provided in the base budget. The appropriations in the Base Budget bill totaled \$23.90 billion for FY 2019-20 and \$23.98 billion for FY 2020-21.

The General Assembly provided salary increases for most State employees, step increases for teachers and assistant principals, and additional funds for the State's retirement and health plan systems. Other appropriations bills provided funds targeted at specific programs and activities such as "Raise the Age", an initiative to prevent older youths from automatically being charged as adults in many crimes; school and prison safety; disaster recovery; and broadband expansion.

This fiscal brief summarizes availability and budget legislation enacted during the 2019 Regular Session and significant budget items included in H966 that were not enacted. It does not take into account any subsequent impact on revenue or expenditures from the Coronavirus Disaster of 2020.

Revenue, Other Availability, and Adjustments

The Fiscal Research Division (FRD) and the Office of State Budget and Management (OSBM) estimate General Fund Revenue through a consensus revenue forecasting process. General Fund Revenue for FY 2018-19 exceeded the session-adjusted revenue forecast by \$896.7 million (3.7% above the adjusted forecast). Primarily, the tax revenue increase was driven by better than expected growth in the Individual Income tax, Corporate taxes, and Sales tax. In total, net tax collections exceeded expectations by \$818.9 million while Non-Tax revenue for FY 2018-19 exceeded forecast by \$77.8 million. The non-tax collections increase was primarily due to an increase in investment income on cash holdings (up \$46.4 million).

The consensus forecast for the 2019-2021 biennium was produced in February 2019, prior to the release of the Governor's biennium budget proposal. The General Fund revenue forecast was revised in May 2019 and again in September. The September revised consensus forecast, after incorporating tax law changes made during the session, totaled \$25,069.8 million for FY 2019-20 and \$26,036.0 million for FY 2020-21.

Building on the growth noted above for FY 2018-19, the September 2019 consensus forecast for FY 2019-20 projected a \$1,139.7 million (4.8%) increase over the FY 2017-18 certified budget. Individual Income tax was expected to increase by \$325.4 million as a result of improvements in wage and salary income plus continued growth in business and investment income. Sales tax collections were expected to increase by \$578.4 million as a result of changes to both federal and State tax laws impacting online sales. Non-Tax collections were projected to increase by \$77.2 million.

Unreserved Fund Balance:

The State's FY 2018-19 Unreserved Fund Balance was \$1.8 billion prior to legislative adjustments. The \$1.8 billion was derived from:

- \$646 million from the FY 2017-18 Unappropriated Balance Remaining,
- \$287 million in Reversions, and
- \$897 million in Revenue Over-Collections.

After an adjustment of \$120 million for the [Highway Storm Recovery Act, S. L 2019-15](#), the remaining Unreserved Fund Balance available for appropriation was \$1.7 billion.

Adjustments to General Fund Revenue and Other Availability:

In the 2019 legislative session, actions by the General Assembly reduced revenues for the two years of the biennium by \$17.9 million and \$54.9 million, respectively. These net reductions to availability were due to State tax law changes enacted in [S.L. 2019-246, Various Finance Law Changes](#) and [S.L. 2019-237, Extend Tax Credits/Other Finance Changes](#), as well as changes to Non-Tax transfers made in [S.L. 2019-209, Pay Increases/State Employees](#). The most significant changes were:

- Increasing the standard deduction for Individual Income taxpayers effective with the 2020 tax year;
- Modifying Corporate taxes by enacting market-based sourcing and modifying the definition of a holding company;
- Establishing Sales tax collection requirements for marketplace facilitators; and
- Extending various credits and exemptions from the Sales tax and the Individual and Corporate Income taxes.



General Fund Availability^{1,3}

	Total FY 2019-20	Total FY 2020-21
1 Unappropriated Balance	645,592,678	2,257,388,701
2 Actual/Projected Reversions	287,029,354	200,000,000
3 Actual Over Collections	896,662,617	-
4 S.L. 2019-15, Highway Fund Recovery Act	(120,000,000)	-
5 Beginning Unreserved Fund Balance	1,709,284,649	2,457,388,701
6		
7 Tax Revenues		
8 Personal Income	13,110,400,000	13,700,300,000
9 Sales and Use	8,141,200,000	8,486,500,000
10 Corporate Income	732,600,000	787,600,000
11 Franchise	749,700,000	769,900,000
12 Insurance	565,300,000	579,800,000
13 Alcoholic Beverage	411,500,000	425,700,000
14 Tobacco Products	256,200,000	254,900,000
15 Other Tax Revenues	132,700,000	136,400,000
16 Subtotal, Tax Revenues	24,099,600,000	25,141,100,000
17 Non-tax Revenues		
18 Judicial Fees	228,800,000	225,300,000
19 Investment Income	167,200,000	168,300,000
20 Disproportionate Share	165,300,000	130,000,000
21 Master Settlement Agreement	136,200,000	131,800,000
22 Insurance	87,800,000	90,100,000
23 Other Non-tax Revenues	202,800,000	204,300,000
24 Subtotal, Non-tax Revenues	988,100,000	949,800,000
25		
26 Total, Net Revenue	25,087,700,000	26,090,900,000
27		
28 Adjustments to Tax Revenues: 2019 Session¹		
29 Corporate Income Tax Changes	(1,000,000)	3,500,000
31 Personal Income Tax Changes	(80,300,000)	(180,900,000)
32 Sales and Use Tax Changes	62,100,000	132,200,000
33 Historic Rehabilitation Tax Credit Extension	-	(4,500,000)
35 Dry Cleaning Solvent Tax Extension	-	(8,000,000)
36 Subtotal, Adjustments to Revenue	(19,200,000)	(57,700,000)
37		
38 Statutory Reservations of Tax Revenues		
39 Savings Reserve	(36,555,000)	(150,450,000)
40 Subtotal, Statutory Reservations of Tax Revenues	(36,555,000)	(150,450,000)
41		
42 Other Adjustments to Availability: 2019 Session		
43 Judicial Fee Increases-S.L. 2019-243, Admin. of Justice Changes	724,418	1,448,835
44 Transfer from Department of Insurance	1,249,541	2,700,421
45 Transfer from Department of Treasurer	41,913	91,132
46 S.L. 2019-230, Growing GREAT	(15,000,000)	(15,000,000)
47 S.L. 2019-251, DOT Cash and Accountability	(64,000,000)	-
48 Subtotal, Other Adjustments to Availability	(76,984,128)	(10,759,612)
49		
50 Total, Adjustments	(132,739,128)	(218,909,612)
51		
52 Revised Total General Fund Availability	26,664,245,521	28,329,379,089
53		
54 Less Net General Fund Appropriations - Enacted		
55 S.L. 2019-192, Federal Funding, as amended	6,023,842	15,223,842
56 S.L. 2019-208, Correctional Facility Employee Salary	(35,914,734)	(56,829,468)
57 S.L. 2019-209, State Employees Salaries	(239,220,554)	(572,705,157)
58 S.L. 2019-210, SHP Salaries	(3,600,000)	(7,200,000)
59 S.L. 2019-211, SBI/ALE Salaries	(2,680,000)	(3,360,000)
60 S.L. 2019-221, Standing Up for Rape Victims Act of 2019	(3,000,000)	(3,000,000)
61 S.L. 2019-222, School Safety Funds, Programs, & Rpts.	(38,833,333)	(29,800,000)
62 S.L. 2019-223, Prison Safety/TANF Plan/Clarifications	(4,471,149)	-
63 S.L. 2019-224, Disaster Recovery-2019 Budget Provisions	-	-
64 S.L. 2019-229, Raise the Age Funding, as amended	(28,878,616)	(43,402,450)
65 S.L. 2019-231, DOT Budget for 2019-2021 Biennium	-	-
66 S.L. 2019-235, Comm. Colleges Budget/2019-2021 Biennium	(28,216,988)	(25,436,606)
67 S.L. 2019-239, Combat Absentee Ballot Fraud	(1,156,004)	(44,923)
68 S.L. 2019-242, 2019-2021 Base Budget/Certain Agencies	(23,900,304,471)	(23,981,490,408)
69 S.L. 2019-247, Teacher Step Act	(16,300,000)	(16,300,000)
70 S.L. 2019-250, Storm Recovery/Var. Budget Corrections	(74,304,813)	(8,856,125)
71 S.L. 2019-251, DOT Cash and Accountability	(36,000,000)	-
72 S.L. 2020-1, Scholarships of Children of Wartime Veterans	-	-
73 Subtotal Net General Fund Appropriations- Enacted²	(24,406,856,820)	(24,733,201,295)
74		
75 Unappropriated Balance Remaining as of January 14, 2020³	2,257,388,701	3,596,177,794

¹Includes all 2019 Regular Session budget and finance Session Law. Does not reflect any items in House Bill 966 that were not included in 2019 Session Law.

²The totals represented in the availability statement are the accurate amounts for each Session Law listed. If charts included other sections of the brief indicate a different amount, it was caused by a timing issue. If the base budget bill (S.L. 2019-242) was enacted after the subject-related bill then amounts may vary.

³All availability and expenditure amounts are prior to any adjustments for COVID-19.

Salaries and Benefits

The General Assembly enacted multiple bills in the 2019 Session that affected salaries and benefits of State employees and State-funded local employees¹. The cumulative cost of these adjustments totaled \$297.7 million in FY 2019-20 and \$656.4 million in FY 2020-21. The changes include:

- A 2.5% across-the-board salary increase for State agency employees in each year of the biennium, totaling \$73.2 million in FY 2019-20 and \$146.8 million in FY 2020-21.
- \$15 million to provide salary supplements to correctional employees working in prisons with vacancy rates over 20%,
- \$2 million to place law enforcement officers of the State Bureau of Investigation and Alcohol Law Enforcement on the experience-based salary schedule established for the Highway Patrol,
- \$15 million to provide an average 6.2% salary increase for public school principals,
- Full funding of the actuarially-determined employer contribution to the State retirement systems, which required appropriations of \$113.4 million in FY 2019-20 and \$269.1 million in FY 2020-21,
- Appropriations of \$75.8 million in FY 2019-20 and \$205.2 million in FY 2020-21 to increase State Health Plan (SHP) employer premiums, which includes increased contributions to cover retirees in the SHP, and
- Five special annual leave days for State employees, excluding UNC employees.

Disaster Recovery

[S.L. 2019-224, Disaster Recovery - 2019 Budget Provisions](#), became law on September 18, 2019. The legislation included items related to disaster recovery from H966. Unused or reimbursed funds from previous disaster recovery projects totaling \$18.5 million were combined with \$94.1 million from the Florence Disaster Recovery fund for a total of \$112.6 million in spending.

[S.L. 2019-250, the Storm Recovery/Var. Budget Corrections Act](#), became law on November 18, 2019. This bill, sometimes referred to as “the Dorian Package,” contained disaster recovery items for all four major storms to hit North Carolina since 2016 – Hurricanes Matthew, Florence, Michael, and Dorian. This is the eighth disaster recovery package passed by the General Assembly since December 2016. The aggregate funding included in these packages totals approximately \$1.4 billion in State support for disaster recovery efforts. This bill also permits State agencies that received funding under any of the previous disaster recovery acts to reallocate unexpended and unobligated funds from one disaster to another, provided that the funds remain with the original agency and are used for the same program or purpose. For example, the bill permits unobligated funds originally appropriated to the Division of Emergency Management for short-term housing needs related to Hurricane Matthew to be reallocated to cover short-term housing needs related to Hurricane Dorian, or any future storm.

2019 Budget-Related Session Law Summaries

[S.L. 2019-192 \(H961\), Ensuring Authorization of Federal Funds](#) - Appropriates federal block grant funds for Department of Health and Human Services’ (DHHS) divisions and programs and for the Department of Commerce for the fiscal biennium ending June 30, 2021. It also appropriates \$3.5 million to the Department of Environmental Quality (DEQ) to match an anticipated increase of \$17.5 million in federal dollars for the State Revolving Fund loan programs to fund drinking water projects, wastewater treatment facilities, and projects associated with estuaries and nonpoint source pollution.

¹ S.L. 2019-208, S.L. 2019-209, S.L. 2019-210, S.L. 2019-211, S.L. 2019-247

The bill as enacted included funding for the DHHS Suicide Prevention Lifeline, but these funds were subsequently removed from the bill for technical reasons and funded on a recurring basis (\$348,558) in S.L. 2019-242, 2019-2021 Base Budgets/Certain Agencies.

Source of Funds	FY 2019-20		FY 2020-21	
Federal Block Grants - DHHS	\$951,723,357	R	\$951,774,607	R
Federal Block Grant - Commerce	\$48,330,196	R	\$48,330,196	R
Net General Fund - DEQ	\$3,476,158	R	\$3,476,158	R

S.L. 2019-203 (H99/S78), Transfer ALE/Move Boxing Advisory Commission – Transfers the Boxing Advisory Commission from the Department of Public Safety (DPS) to the Department of Commerce. It also transfers to the Department of Commerce: one administrative support position with \$65,304 in related funding, and the funds in the State Boxing Revenue Account. As part of the transfer, the Commission is renamed “the Boxing Commission.” Lastly, the bill moves the Alcohol Law Enforcement (ALE) Branch from within the State Bureau of Investigation to become a new division of DPS.

Source of Funds	FY 2019-20		FY 2020-21	
Net General Fund	-	R	-	R

S.L. 2019-208 (H609), Salary Increases/Adult Correctional Employees - Appropriates recurring funds to DPS to provide State adult correctional facility employees a 2.5% across-the-board salary increase in each year of the 2019-21 fiscal biennium and a one-time award of five special annual leave days credited on July 1, 2019. The bill also appropriates \$15 million to provide annual salary supplements of at least \$2,500 to correctional employees who work in prison facilities with vacancy rates of 20% or more.

Source of Funds	FY 2019-20		FY 2020-21	
Net General Fund	\$35,914,734	R	\$56,829,468	R

S.L. 2019-209 (H226) Pay Increases/State Employees – Appropriates recurring funds for a 2.5% salary increase in each year of the fiscal biennium for most State employees, excluding university employees and employees of State-operated schools, and provides a one-time award of five special annual leave days credited on July 1, 2019. Salary increases and special annual leave days for law enforcement officers of the State Highway Patrol, Alcohol Law Enforcement, and State Bureau of Investigation, as well as correctional employees, are provided in separate legislation discussed subsequently in this fiscal brief. Local government employees paid with State funds, such as employees and teachers of local boards of education and local community college employees, are excluded from the pay increases in this legislation. The bill also sets new retirement and State Health Plan contribution rates in each year of the biennium and appropriates funds to pay for those increased contributions.

Source of Funds	FY 2019-20		FY 2020-21	
Net General Fund	\$239,220,554	R	\$572,705,157	R
Net Highway Fund	\$9,805,035	R	\$22,327,533	R

S.L. 2019-210 (H126/S210), Pay Increases/State Highway Patrol - Appropriates recurring funds to DPS for a 2.5% salary increase in each year of the fiscal biennium for the State Highway Patrol and provides a one-time award of five special annual leave days credited on July 1, 2019.

Source of Funds	FY 2019-20	FY 2020-21
Net General Fund	\$3,600,000 R	\$7,200,000 R

S.L. 2019-211 (H777), Pay Increases/SBI & ALE - Appropriates recurring funds to the Department of Public Safety to provide salary increases to law-enforcement officers of the State Bureau of Investigation (SBI) and officers of Alcohol Law Enforcement (ALE). For eligible employees, the salary increase equals the greater of 2.5% in each year of the biennium or a salary increase based on the implementation of an experience-based salary schedule tied to the Highway Patrol salary schedule. The average salary increase for SBI/ALE law-enforcement officers placed on the experience-based schedule is 14%. The bill also provides these employees a one-time award of five special annual leave days credited in July 1, 2019.

Source of Funds	FY 2019-20	FY 2020-21
Net General Fund	\$2,680,000 R	\$3,360,000 R

S.L. 2019-221 (H29), Standing Up for Rape Victims Act of 2019 - Appropriates \$3 million in nonrecurring funds to the Department of Justice (DOJ) in each year of the 2019-2021 fiscal biennium for testing of untested sexual assault examination kits.

Source of Funds	FY 2019-20	FY 2020-21
Net General Fund	\$3,000,000 NR	\$3,000,000 NR

S.L. 2019-222 (H75), School Safety Funds, Programs, and Reports - Appropriates funds to the Department of Public instruction (DPI) and the Department of Public Safety for the costs associated with implementing the bill's school safety provisions, as follows:

- \$20,000,000 in recurring funds for FY 2019-20 and \$23,000,000 in recurring funds for FY 2020-21 to improve student mental health by increasing the number of school mental health support personnel,
- \$6,100,000 in nonrecurring funds for FY 2019-20 to purchase safety equipment for school buildings and for related training,
- \$4,500,000 in nonrecurring funds for FY 2019-20 to allow qualifying public school units to contract with community partners that provide training to help students develop healthy responses to trauma and stress,
- \$4,500,000 in nonrecurring funds for FY 2019-20 to allow qualifying public school units to contract with community partners that provide evidence-based crisis services to students,
- \$3,000,000 in recurring funds for FY 2019-20 and \$6,000,000 in recurring funds for FY 2020-21 to employ and train school resource officers, and
- \$533,333 in recurring funds and \$200,000 in nonrecurring funds for FY 2019-2020 and \$800,000 in recurring funds for FY 2020-21 for eight full-time equivalent positions for sworn agents at the State

Bureau of Investigation. These agents will support the Behavioral Threat Assessment (BETA) program and work to identify potential threats to schools and houses of worship.

Source of Funds	FY 2019-20	FY 2020-21
Net General Fund	\$23,533,333 R	\$29,800,000 R
Net General Fund	\$15,300,000 NR	- NR

S.L. 2019-223 (S118/H108), *Prison Safety/TANF State Plan/Clarifications* – Appropriates nonrecurring funds to DPS for FY 2019-20 for the costs associated with implementing increased prison safety measures including \$400,000 to purchase additional stab-resistant vests and exterior carriers for certified prison staff; \$730,937 to erect security netting over prison fence lines to deter and intercept contraband; \$216,750 to purchase additional handheld metal detectors to reduce contraband in prison facilities; \$675,360 to purchase customizable key lock boxes throughout prison facilities; and \$2,448,102 for information technology security equipment upgrades. The bill also made clarifying changes to the TANF State Plan.

Source of Funds	FY 2019-20	FY 2020-21
Net General Fund	\$4,471,149 NR	- NR

S.L. 2019-224 (S429/H529), *Disaster Recovery – 2019 Budget Provisions* – Appropriates an additional \$94,103,000 in nonrecurring funds to the Hurricane Florence Disaster Fund. Highlights include:

- \$6,400,000 to the North Carolina Community College System Office to offset the full-time equivalent (FTE) losses at affected community colleges due to enrollment declines caused by Hurricane Florence,
- \$5,000,000 for mitigation buyouts, relocations, buyout assistance to local governments, and infrastructure repairs in order to serve homeowners and communities that would otherwise be eligible for federal Community Development Block Grant – Disaster Recovery (CDBG-DR) funding, but that are outside of the federally designated "most impacted, most distressed" counties,
- \$8,000,000 for the State Acquisition and Relocation Fund which provides gap funding to storm survivors related to buyouts to move families out of floodplains,
- \$9,000,000 to assist financially distressed local governments with staff support and to provide grants and loans to local governments in disaster areas that need immediate cash flow assistance,
- \$4,500,000 to Golden L.E.A.F. to provide grants to governmental entities and 501(c)(3) organizations to repair, replace, construct, or improve infrastructure or equipment damaged as a result of Hurricane Florence as well as to construct or improve infrastructure to support hazard mitigation,
- \$1,000,000 for a grant program to support volunteer organizations that provide disaster recovery services,
- \$1,000,000 to support the North Carolina Search and Rescue Program, and
- \$2,000,000 to develop a pilot program to help pay for the cost of up to two years' flood insurance for eligible applicants and eligible properties.

Source of Funds	FY 2019-20	FY 2020-21
Hurricane Florence Disaster Recovery Reserve (Net General Fund)	(\$94,102,000) NR	-
Hurricane Florence Disaster Recovery Fund	\$112,603,000 NR	-

S.L. 2019-229 (H1001/S407), Raise the Age Funding – Appropriates \$32.7 million for FY 2019-20 and \$47.4 million for FY 2020-21 to implement the “Raise the Age” law that goes into effect December 1, 2019. Selected highlights include:

- \$4.25 million in recurring funds for FY 2019-20 and \$6.7 million in recurring funds for FY 2020-21 to provide additional funding for county-level Juvenile Crime Prevention Councils,
- \$5 million for FY 2019-2020 and \$8.7 million for FY 2020-21 to establish 97 Juvenile Court Counselor positions that will act as the primary point of contact for juveniles and their families as the juveniles move through the juvenile justice system,
- \$6.85 million for FY 2019-20 and \$11.1 million for FY 2020-21 to provide additional funding for contracts for community-based and residential programs for juveniles who have been adjudicated delinquent, and
- Appropriates funds for training and consulting for private assigned counsel through Indigent Defense Services (\$109,131) and various legal positions such as district court judges and assistant district attorneys through the Administrative Office of the Courts (\$3,709,464).

The bill also increases the number of full-time assistant district attorneys allowed in certain prosecutorial districts and adjusts the number of district court judges allowed in certain district court districts.

Funding to annualize the 65 full-time equivalent (FTE) positions in the Court Services section of the Division of Juvenile Justice, which was originally appropriated in this bill, was subsequently removed for technical reasons and funded on a recurring basis (\$3,892,394) in S.L. 2019-242, *2019-2021 Base Budgets/Certain Agencies*.

Source of Funds	FY 2019-20	FY 2020-21
Net General Fund - AOC	\$1,705,443 R	\$3,577,506 R
	\$62,455 NR	\$69,503 NR
Net General Fund - IDS	\$87,681 R	\$109,131 R
Net General Fund - DPS	\$26,874,517 R	\$43,538,704 R
	\$4,040,914 NR	NR

S.L. 2019-230 (H387/S310), Growing G.R.E.A.T. – Transfers \$15 million annually for the next 10 years to the State Capital and Infrastructure Fund (SCIF). This transfer is then annually appropriated within the SCIF to support the Growing Rural Economies with Access to Technology program. The bill also makes several technical and substantive changes to the GREAT program.

Source of Funds	FY 2019-20	FY 2020-21
Net General Fund via SCIF	\$15,000,000 R	\$15,000,000 R

S.L. 2019-231 (H100), DOT Budget for 2019-2021 Biennium – This bill appropriates the Department of Transportation’s operating budget of \$3.9 billion for FY 2019-20 and \$4.1 billion in FY 2020-21, net of federal and agency receipts. Selected Highlights include:

- Provides an additional \$166 million over the biennium to the General Maintenance Reserve to address critical maintenance needs.
- Provides funds to create a \$75 million formula-based annual grant program for commercial services airports.

- Appropriates an additional \$17 million over the biennium for North Carolina’s rail infrastructure, including overhauling locomotives for the Piedmont and Carolinian trains and funding local train station repairs and commuter rail improvements.
- Provides nearly \$8 million over the biennium to support the DMV headquarters’ move to Rocky Mount and to pay for the new lease.
- Provides funds for the State License Plate Agency relocation. Requires the DMV to consider a lease or purchase for its new location in the City of Raleigh.
- Increases private License Plate Agencies’ compensation by 28% over the biennium for services provided on behalf of the State.
- Provides an additional \$8.6 million annually for the State Maintenance Assistance Program (SMAP), an operating assistance program for fixed-route transit systems.
- Provides an additional \$7.4 million in FY 2020-21 for municipalities with populations of 200,000 or less to maintain road infrastructure.
- Provides an additional \$130 million over the biennium for highway and transportation construction projects out of Highway Trust Fund.

Source of Funds	FY 2019-20	FY 2020-21
Net Highway Fund	\$ 2,279,496,909 R	\$ 2,376,267,500 R
	\$ 23,803,091 NR	\$ 32,232,500 NR
Net Highway Trust Fund	\$ 1,599,700,000 R	\$ 1,656,800,000 R

S.L. 2019-235 (S61), *Community Colleges Budget/2019-21 Biennium* – Appropriates funds for the North Carolina Community College System consistent with the funding appropriated in H966. Some of the items funded include:

- \$12 million to fund workforce development and continuing education courses at a level equivalent to curriculum courses,
- \$1.7 million in FY 2019-20 and \$2.3 million in FY 2020-21 in additional funding for the Career Coaches program, which places community college employees in partnering high schools to provide career and college counseling, and
- \$2.2 million to support the establishment of multi-campus centers at the Forsyth Tech Transportation Campus, the RTP Campus of Wake Technical Community College, the Scotland County Campus of Richmond Community College, and the Aviation Campus of Guilford Technical College.

Source of Funds	FY 2019-20	FY 2020-21
Net General Fund	\$19,236,995 R	\$13,456,969 R
Net General Fund	\$13,456,969 NR	\$10,000,000 NR

S.L. 2019-237 (H399), *Extend Tax Credits/Other Finance Changes* – Makes several changes to North Carolina’s tax laws. Primary highlights include:

- Allows taxpayers age 70.5+ to roll over distributions tax-free from Individual Retirement Accounts to charitable nonprofits beginning 2019.
- Provides a tax deduction for State economic incentive grants, effective for 2019.

- Extends the sunset date of the State’s Historic Rehabilitation Tax Credit to include expenses incurred by January 1, 2024.
- Reinstates the Mill Rehabilitation Tax Credit for a project that meets certain conditions.
- Extends the sunset date for an existing sales tax exemption for qualifying airlines until January 1, 2024.
- Extends the sunset date for existing sales tax exemptions and refunds for the motorsports industry until January 1, 2024.
- Extends the sunset date for the dry-cleaning solvent tax and the annual transfer from General Fund sales tax revenue into the Dry-Cleaning Solvent Cleanup Fund until 2030.
- Maintains the Insurance Regulatory Fee at 6.5% for calendar year 2020.

In addition to the tax law changes, this bill appropriates funds to the Department of Revenue from the Collections Assistance Fee Special Fund. The sum of \$12.5 million nonrecurring for FY 2019-20 is appropriated for tax system operations and maintenance upgrades and the sum of \$4.4 million nonrecurring for each year of the 2019-21 fiscal biennium is appropriated to contract with a third-party vendor to perform identity theft and tax fraud analysis using the Government Data Analytics Center (GDAC).

Source of Funds	FY 2019-20		FY 2020-21	
Collections Assistance Fee Special Fund	\$4,400,000	NR	\$4,400,000	NR
Collections Assistance Fee Special Fund	\$12,500,000	NR	-	

S.L. 2019-239 (S683), *Combat Absentee Ballot Fraud* – Makes several substantive changes to State elections law such as enhancing the penalties for certain violations of the law regarding absentee ballots, restoring the last Saturday of early voting and providing pre-paid postage for the return of mail-in absentee ballots for elections held in 2020. Funds are appropriated for the State Board of Elections at levels equivalent to those that would have been provided by House Bill 966. The bill also appropriates \$3 million in nonrecurring federal Help America Vote Act funds in each year of the biennium to modernize the Statewide Elections Information Management System.

Source of Funds	FY 2019-20		FY 2020-21	
Net General Fund	(\$10,084)	R	\$44,923	R
Net General Fund	\$1,166,088	NR	-	NR

S.L. 2019-242 (H111), *2019-2021 Base Budgets/Certain Agencies* – Appropriates the FY 2019-20 and FY 2020-21 Base Budgets as submitted by the Governor in February 2019, with exception of a proposed \$3 million increase to the Department of Justice budget that was not included in S.L. 2019-242. These appropriations totaled \$23.90 billion in FY 2019-20 and \$23.98 billion in FY 2020-21. Whereas agencies had previously been authorized to spend funds under temporary authority granted by the State Budget Act, this bill puts in place a budget for every State agency for the duration of the biennium. Any appropriations provided to agencies in other bills will be in addition to the amounts provided in the “Base Budget bill.”

Source of Funds	FY 2019-20		FY 2020-21	
Net General Fund	\$23,900,304,471	R	\$23,981,490,408	R

S.L. 2019-246 (S557/H537), Various Finance Law Changes – Makes multiple changes to the State’s tax laws. Most significantly, it increases the standard deduction for individual income taxes effective 2020; enacts market-based sourcing and modifies the definition of a holding company; and changes the sales tax laws to require marketplace facilitators to collect and remit sales tax under certain circumstances, effective February 1, 2020. In addition, it makes technical changes to some recently-enacted tax provisions.

S.L. 2019-247 (H377), Teacher Step Act – Establishes the FY 2019-20 Teacher Monthly Salary Schedule that mirrors the salary schedule from FY 2018-19. Teachers and instructional support personnel would receive applicable salary increases based on years of experience. In other words, a teacher with 13 years of creditable experience on the FY 2018-19 salary schedule would now be placed at the 14th step of the identical salary schedule in FY 2019-20. The bill also establishes a principal salary schedule that provides an average 6.2% increase to principals and creates a new \$30,000 annual supplement for up to 40 low-performing schools to recruit principals paid on the “exceeds growth” column of the principal salary schedule. The bill appropriates \$16.3 million recurring to the Department of Public Instruction to support the cost of increases to the principal salary schedule and a principal recruitment supplement.

S.L. 2019-250 (H200), 2019 Storm Recovery/Various Budget Corrections – Provides hurricane recovery funding, makes technical corrections to other bills, and alters existing statewide budget policy. In terms of recovery funding, the bill:

- Transfers \$121.5 million from the Savings Reserve and appropriates the funds for recovery efforts. Of the total, \$70.8 million represents the required State match of federal monies for Hurricane Florence; \$33.2 million represents the State match for Hurricanes Michael, Matthew and Dorian; and \$17.5 million represents the State match for the Clean Water State Revolving Fund and the Drinking Water State Revolving Fund.
- Appropriates \$59.0 million in nonrecurring funds for resiliency and disaster response, as follows:
 - \$5 million for the State Emergency Response and Disaster Relief Fund to address future emergencies.
 - \$15 million to NC Office of Recovery and Resiliency to provide flexible local government loans to assist distressed communities impacted by Hurricanes Matthew and Florence (\$10 million) and flexible local government grants to assist distressed communities impacted by Hurricane Dorian (\$5 Million).
 - \$15 million for Golden L.E.A.F., Inc., to provide grants to governmental entities and non-profits. The funds may be used to repair, replace, construct, or improve infrastructure or equipment damaged as a result of Hurricane Matthew, Florence, Michael, or Dorian, as well as to construct or improve infrastructure to support hazard mitigation.
 - \$5 million to the Department of Agriculture and Consumer Services, Division of Soil and Water Conservation, for stream debris removal.
 - \$5.2 million to Elizabeth City State University for repairs to academic and residential buildings damaged by Hurricane Dorian.
 - \$1.7 million to the Department of Public Instruction as a directed grant to Hyde County for Ocracoke School repairs necessitated by Hurricane Dorian.
 - \$1.8 million to the Office of State Budget and Management to provide a directed grant to Hyde County for construction of a pump station and related watershed restoration infrastructure for the Lake Mattamuskeet watershed.
 - \$50,000 to the Department of Environmental Quality for repair, restoration, and related environmental disaster recovery activities at the Department’s Coastal Reserves.
 - \$500,000 to the Wildlife Resources Commission for two grant programs to be administered by the Outdoor Heritage Advisory Council.

Source of Funds	FY 2019-20		FY 2020-21	
Savings Reserve	(\$121,585,594)	NR	-	-
Hurricane Florence Disaster Recovery Fund	\$70,812,336	NR	-	-
State Emergency Response and Disaster Relief Fund	\$38,173,258	NR	-	-
Net General Fund	\$1,857,813	R	\$2,253,125	R
	\$85,047,000	NR	\$6,603,000	NR

The bill also enacts substantive changes to statewide budget policy that are identical to changes found in H966. The most significant of these provisions clarifies that State funds are to be deposited in the Treasury unless otherwise authorized by the General Assembly. Finally, the bill corrects technical issues in other enacted appropriations bills.

S.L. 2019-251 (S356), DOT Cash and Accountability —Addresses cash management challenges at the Department of Transportation (DOT) in several ways, including:

- For FY 2019-20, the bill authorizes the issuance and sale of \$400 million in Build NC Bonds, which is \$100 million more than what is provided for in the Build NC Bond Act.
- Directs DOT to loan \$100 million from Highway Trust Fund to Highway Fund by transferring \$50 million by February 1, 2020 and \$50 million by May 1, 2020. The loan repayment schedule must be approved by the Department of the State Treasurer.
- Creates a Transportation Emergency Reserve to hold \$125 million in funds for use by the Department for presidentially-declared major disasters. Initial funding of \$64 million is appropriated from General Fund. Going forward, the Department shall fund the reserve annually by July 30 to maintain the Reserve’s balance at \$125 million.
- Limits annual Map Act damages to \$150 million. The Map Act was enacted in 1987 and allowed NCDOT to reserve highway corridors for future development. The 2016 Kirby vs. NCDOT North Carolina Supreme Court decision held that the Map Act restricted rights to improve, develop, and subdivide. Since FY 2015-16, NCDOT has paid out over \$540 million in Map Act claims.
- Amends the statute governing interest on Map Act claims filed on or after January 1, 2020 to be simple interest until the date of the satisfaction of the judgement.
- Removes the requirement that DOT repay a \$90 million loan from the General Fund made in S.L. 2019-15.

Appropriates \$36 million from General Fund to DOT for disaster relief.

Source of Funds (millions) FY 2019-20	General Fund		New NC Build Bond Authorization	
Creation of Emergency Reserve	\$64,000,000	NR		
Loan Forgiven (Loan Authorized in S.L. 2019-15)	\$90,000,000	NR		
Hurricane Dorian Assistance	\$36,000,000	NR		
NC Build - Additional Authorization			\$100,000,000	NR
Total	\$190,000,000	NR	\$100,000,000	NR