



NCGA 2022 Legislative Session Budget and Fiscal Policy Highlights

Executive Summary

On July 1, 2022, the General Assembly enacted Session Law 2022-74 (H.B. 103), [Current Operations Appropriations Act of 2022](#) (2022 Appropriations Act). It makes substantial modifications to the Fiscal Year (FY) 2022-23 State budget, as well as some changes to the FY 2021-22 State budget. It provides \$27.9 billion in net FY 2022-23 General Fund appropriations, which is \$1.8 billion above the FY 2021-22 amount (as adjusted by S.L. 2022-74), a 7.0% increase. The FY 2022-23 revised net General Fund appropriations are \$922 million greater than the FY 2022-23 appropriations provided in S.L. 2021-180, [Current Operations Appropriations Act of 2021](#) (2021 Appropriations Act).

The 2022 Appropriations Act supports a number of priorities, including compensation increases for educators and State employees, reservation of billions of dollars for significant Statewide purposes, and additional investment in State and local capital and infrastructure. Specific investments include:

- \$369 million to augment the FY 2022-23 **salary increases** enacted in the 2021 Appropriations Act **for State Employees and State-funded local employees**.
 - **Most state agency employees will receive a 3.5% pay increase, with teachers receiving a 4.2% increase on average.**
 - **Noncertified public school employees** (e.g. bus drivers, teaching assistants, custodians) **will receive the greater of 4% or an increase to \$15/hour.**
- \$66 million for **labor market salary adjustments** to address specific staffing issues by providing targeted salary increases to recruit and retain employees.
- \$36 million to increase a budgeted one-time FY 2022-23 **retiree supplement** from 3% to 4%.
- \$876 million in new reservations for **Economic Development Projects**, including \$450 million for a new **Economic Development Transformative Project**, \$225 million for reimbursement to a recipient of an existing **JDIG Transformative Project**, and \$112 million for an **Economic Development High-Yield Project**.
- \$500 million in additional funds transferred into the **Savings Reserve Account**, which when combined with the \$1.13 billion already reserved for FY 2022-23 in the 2021 Appropriations Act, will bring the total balance to its highest-ever level of \$4.75 billion.
- \$945 million in total FY 2022-23 reservations (an additional \$570 million more than originally directed in the 2021 Appropriations Act) to the **State Emergency Response and Disaster Relief Reserve**. From the Reserve, \$216 million is appropriated for disaster recovery for previous major weather events as well as mitigation efforts to prepare the State for future flooding and other natural disasters.
- \$600 million in State funds as well as \$233 million in new federal infrastructure support is appropriated for **Water and Wastewater Infrastructure Projects** throughout the State. When including other funds appropriated in the FY 2021-2023 fiscal biennium, over \$2.5 billion has been made available for water and wastewater infrastructure.
- \$3.2 billion in mandatory and discretionary funding is transferred to the **State Capital and Infrastructure Fund** to support a number of previously authorized capital projects as well as an additional \$300 million for updating the **Downtown Capital Complex** and \$250 million for an **Inflationary Adjustment Reserve** that will defray potential cost overruns in State agency capital projects.
- \$431 million in Lottery and other State funds is provided for the **Needs-Based Public School Capital Fund**, to increase the number of school construction and renovation grants available to low-wealth counties.

Appropriations by Area

The FY 2022-23 State Budget includes \$27.9 billion in net General Fund appropriations to State agencies. The following table summarizes all net General Fund appropriations by area:

Table 1: FY 2022-23 Net General Fund Appropriations

Area Committee & Reserves	Amount	%
Education	\$16,478,743,928	59.1%
Health & Human Services	\$6,552,524,071	23.5%
Agriculture, Natural & Economic Resources	\$770,135,238	2.8%
Justice & Public Safety	\$3,466,965,687	12.4%
General Government	\$559,447,538	2.0%
Information Technology	\$74,388,512	0.3%
Statewide Reserves	-	0.0%
Net General Fund Appropriations	\$27,902,204,974	100.0%

Note: Does not include funds provided to the State Capital and Infrastructure Fund, nor other appropriations made in non-General Fund budget codes.

In addition to these net General Fund appropriations, the 2022 Appropriations Act also appropriates all other State Funds, which includes federal funds, fees, tuition, and other departmental receipts. The following table summarizes all State Fund appropriations by area:

Table 2: All FY 2022-23 State Fund Appropriations

Area Committee & Reserves	Amount	%
Education	\$21,163,279,556	37.8%
Health & Human Services	\$27,943,735,398	50.0%
Agriculture, Natural & Economic Resources	\$1,252,989,897	2.2%
Justice & Public Safety	\$3,799,820,565	6.8%
General Government	\$1,020,388,360	1.8%
Information Technology	\$94,922,167	0.2%
Statewide Reserves	\$649,265,711	1.2%
Total General Fund Budget	\$55,924,401,654	100.0%

Note: Does not include funds provided to the State Capital and Infrastructure Fund, nor other appropriations made in non-General Fund budget codes.

General Fund Revenue Picture

The Fiscal Research Division (FRD) and the Office of State Budget and Management estimate General Fund revenue through a consensus revenue forecasting process. The initial forecast is used to estimate revenue for the entire fiscal biennium. A Consensus Forecast Revision (Revision) was released in May 2022 and the revised figures were used to update both the projected FY 2021-22 and FY 2022-23 revenues included in the 2022 Appropriation Act. The Revision directed an upward adjustment of \$4.2 billion in FY 2021-22 and \$2.0 billion in FY 2022-23 above the previously budgeted General Fund revenues. FRD's report released along with the Revision noted that the "State's economy has recovered from the depths of the pandemic-induced recession more quickly than anticipated in the June 2021 forecast and is now in the expansion phase of the business cycle."

The significant increase in expected FY 2021-22 revenue collections was primarily driven by individual income tax collections, including final and extension payments. Further, wage growth and the strong job market produced unexpected increases in individual income tax withholdings. Changes in the predicted timing of some individual income tax refunds also impacted the FY 2021-22 revenue forecast. Sales tax and corporate income tax collections also significantly exceeded the previous forecast. Ultimately, actual FY 2021-22 revenue exceeded the May 2022 revised forecast amount by \$557.5 million, for a total increase of approximately \$4.8 billion above the budgeted FY 2021-22 net General Fund revenue total.

The Revision also adjusts budgeted FY 2022-23 General Fund revenue upwards by almost \$2.0 billion, significantly less than the increase realized in the prior fiscal year. FRD's report explains that the smaller revision was due to an expectation that while some of the higher income growth in FY 2021-22 will be reflected in FY 2022-23 revenue, "The strength in individual and corporate income tax revenue in the current year was partially due to income considered one-time in nature and is unlikely to recur in the upcoming fiscal year." Further, the report explains that "The forecast for FY 2022-23 envisions slower economic growth as the current outlook faces significant headwinds. There is an elevated risk of recession during the forecast period given geopolitical uncertainty and evolving monetary policy by the Federal Reserve to address high inflation. Despite this risk, the forecast for the upcoming fiscal year does not foresee a near-term recession."

The tax law changes enacted in the 2022 Appropriations Act and described below are expected to reduce General Fund revenue by approximately \$200 million in FY 2022-23, primarily due to a transfer from the General Fund to the Highway Fund. FY 2022-23 General Fund revenue is projected to be \$30.5 billion.

Finance Overview and Changes

The 2022 Appropriations Act changes several aspects of the State's tax laws. The most significant modification did not alter the anticipated amount of collected tax revenues, but instead modified their distribution. The Act directs a portion of proceeds generated from net sales and use taxes collected at the general rate of tax (2% in FY 2022-23, 4% in FY 2023-24, and 6% annually thereafter) to be transferred to the Highway Fund and/or the Highway Trust Fund for transportation needs. This change is projected to reduce General Fund revenue by \$193.1 million in FY 2022-23, with Highway Fund revenue increasing by the same amount that year.

Other less substantial tax law changes are also made in the 2022 Appropriations Act. The Act expands the personal income tax exclusion of retirement pay to include such benefits earned from service in all uniformed services, thereby providing the exemption to persons that worked for the National Oceanic and Atmospheric Administration (NOAA) and the U.S. Public Health Service (USPHS). The expansion of the exemption is effective for taxable years beginning on or after January 1, 2022, and it is projected to reduce General Fund revenue by \$1.6 million in Fiscal Year 2022-23. In addition, the Act exempts certain purchases of equipment, including conveyor systems, made by interstate air and ground couriers from state sales and use tax. The exemption also applies to related parts and accessories and is effective for purchases made on or after July 1, 2022. This change is projected to reduce General Fund revenue by \$6.3 million in Fiscal Year 2022-23.

Reserves and General Fund Availability

North Carolina's budget policy-related statutes require annual revenue reservations into the Savings Reserve and State Capital and Infrastructure Fund (SCIF) under most circumstances. The 2022 Appropriations Act meets and exceeds the required minimum reservations for these two purposes. In addition, it reserves funds for 14 other purposes for a total of over \$9 billion in FY 2022-23 reservations. The following table provides additional detail about all reservations made in the 2022 Appropriations Act:

Table 3: FY 2022-23 Reservations from the General Fund (\$ in Millions)

Reserve Name	Amount Reserved	Amount Approp.	Purpose
State Capital and Infrastructure Fund*	\$3,182.2	\$2,921.8	Provides funds for State and local government capital improvements and various local projects.
Savings Reserve	\$1,634.0	-	Reserves funds for Rainy Day scenarios.
Medicaid Transformation Reserve	\$246.0	\$111.9	Provides funding for Medicaid claims and various Medicaid Transformation projects.
Medicaid Contingency Fund	\$151.1	-	Reserves funds for future appropriation if Medicaid costs exceed the amount budgeted.
Information Technology Project Reserve	\$184.0	\$75.1	Provides funds for the NC HealthConnex system and other information technology projects.
State Emergency and Disaster Response Fund*	\$945.2	\$216.0	Reserves funds for future disaster recovery and mitigation needs and provides funds for current disaster recovery purposes.
Economic Development Project Reserve*	\$876.0	\$856.0	Provides funding for marketing and various economic development projects, a portion of which is conditional upon projects meeting certain requirements.
World University Games Reserve	\$25.0	-	Reserves funds for costs associated with the World University Games should NC be selected to host.
Housing Reserve	\$205.0	\$205.0	Provides funds for the Workforce Housing Loan Program and the Dare County Affordable Housing Project.
Local Project Reserve	\$80.1	\$80.1	Provides funding for a wide variety of projects at the local level.
Federal Infrastructure Match Reserve	\$106.0	\$10.7	Provides funds for federal Infrastructure Investment and Jobs Act State match requirements.
Retiree Supplement Reserve	\$36.0	\$36.0	Provides funds for a cost-of-living retiree supplement of 1%, separate from the 3% already budgeted in FY 2022-23.
Needs Based Public School Capital*	\$100.0	\$100.0	Provides funds to assist counties with their critical public school building capital needs.
Clean Water & Drinking Water Reserve*	\$326.0	\$326.0	Provides funding for wastewater and drinking water infrastructure.
Stabilization and Inflation Reserve	\$1,000.0	-	Reserves funds for costs associated with inflation and other measures necessary to stabilize the State economy.
Unfunded Liability Solvency Reserve	\$10.0	-	Reserves funds for additional contributions to the State retirement system and Retiree Health Benefit Fund.
Total, Reserves	\$9,106.6	\$4,938.6	

*Additional Detail provided elsewhere in this Brief

Availability Statement

The enacted State Budget provides net General Fund appropriations of \$27.9 billion in FY 2022-23. The remainder of this Brief will review major funding actions taken in the 2022 Appropriations Act and related legislation. Appendix A provides a General Fund Availability Statement that reflects the anticipated availability of revenues prior to the beginning of FY 2022-23 and details actions taken by the General Assembly, including tax changes, reservations of revenues, and appropriations.

Salaries and Benefits

Salary Adjustments

The 2022 Appropriations Act appropriates an additional \$368.9 million in FY 2022-23 to augment the salary increases enacted in the 2021 Appropriations Act for State employees and State-funded local employees. When combined with the \$383.8 million in salary increases appropriated in the 2021 Appropriations Act for FY 2022-23, the total net appropriation for FY 2022-23 salary increases is \$752.7 million.

Most State employees and Community College employees receive a 3.5% across-the-board salary increase with the potential to receive additional salary increases from Labor Market Salary Reserve (LMSR) funds appropriated to their respective agency. The LMSR funds are equal to approximately 1% of the agency’s respective salary base and are provided to allow agencies the discretion to target larger salary increases to priority positions. Employees in positions that either have a salary set in law or are paid based on an experience-based salary schedule receive a 4.5% across-the-board salary increase but are ineligible for LMSR funded salary increases.

The table below summarizes the FY 2022-23 salary increases for each respective major employee group:

Table 4: FY 2022-23 Salary Increases by Employee Group

Employee Group		Across-the-Board Increase	Labor Market Salary Reserve Eligible	Other
State Employees	Most State Agency Employees	3.5%	1%	N/A
	Salaries Set in Law (e.g. Council of State, Judges, Clerks of Court, etc.)	4.5%	Not Eligible	N/A
	Experience-Based Salary Schedule*	4.5%	Not Eligible	N/A
	University Employees	3.5%	1%	N/A
Community Colleges	Community College Employees	3.5%	1%	N/A
Public Schools	Teachers/Instructional Support	2.5%-7.2% (4.2% average)	Not Eligible	\$70 million (~1% avg.) additional teacher supplements
	Assistant Principals	Tied to Teacher Schedule (3.4% average)	Not Eligible	N/A
	Principals	4%	Not Eligible	N/A
	Noncertified Personnel (e.g. Bus Drivers, TAs, custodians)	See Other	Not Eligible	Greater of 4% or an increase to \$15/hour
	Central Office	4%	Not Eligible	N/A

*Impacted personnel are: Correctional Officers, Probation and Parole Officers, State Highway Patrol, State Bureau of Investigation, Alcohol Law Enforcement, Assistant and Deputy Clerks of Court and Magistrates.

In addition to the pay increases summarized in the table, Educator Value-Added Assessment System (EVAAS) bonuses are reinstated for FY 2022-23 based on growth scores from the 2021-22 school year. EVAAS bonuses were temporarily suspended at the outset of the COVID-19 pandemic due to data issues, and those funds were repurposed in FY 2021-22 for across-the-board bonuses for teachers and principals.

Benefits Adjustments

The 2022 Appropriations Act provides an allocation of \$36.0 million to the Retiree Supplement Reserve to provide an additional 1.0% one-time supplement (bonus) in the fall of 2022 to State retirees. This supplement is in addition to the 3.0% one-time supplement provided for the fall of 2022 in the 2021 Appropriations Act, for a total supplement of 4.0%.

State Emergency Response and Disaster Relief Program (SERDRF)

The 2022 Appropriations Act transfers \$945 million into the SERDRF, of which \$216 million is appropriated for various disaster recovery, flood mitigation, and emergency preparedness purposes. Factoring in these appropriations and prior transfers into the SERDRF, it will have a \$742 million unappropriated balance.

The appropriated disaster recovery and flood mitigation funds are distributed for use across several agencies, including but not limited to:

- Up to \$125 million to the Department of Health and Human Services to cover COVID-19 expenses expected to be reimbursed by the Federal Emergency Management Agency (FEMA) at 100% of costs. Once FEMA reimbursement is made, funds will be returned to the SERDRF.
- \$15 million to the State Match Fund at the Division of Emergency Management (NCEM) to cover the State's share of FEMA Public Assistance costs related to the COVID-19 pandemic.
- \$10 million to NCEM for recovery from Tropical Storm Fred. This includes \$5 million for private road and bridge repair (in addition to the \$15 million already appropriated for this purpose in the 2021 Appropriations Act) and \$5 million for debris removal and public infrastructure repair.
- \$46.6 million in directed grants to local governments and non-profits for flood mitigation and resiliency projects.
- \$6.5 million to the Department of Natural and Cultural Resources to provide a directed grant to the North Carolina Coastal Federation for living shorelines projects at Black Duck Island, Hammocks Beach State Park, Fort Macon State Park, and Pine Knoll Shores Aquarium.
- \$10 million in additional funding for the Tropical Storm Fred and April 2021 Freeze Disaster Crop Loss Assistance programs (\$5 million each). These programs received a total of \$50 million in the 2021 Appropriations Act. The budget also expands the list of counties eligible for these programs.

Major Budget Issues of Interest

The remainder of this Budget Brief will provide additional detail on certain major topic areas addressed in the 2022 Appropriations Act. These sections will not provide an exhaustive review for each area, but instead will offer highlights of significant funding actions.

Education

This Budget Brief previously detailed increased appropriations for the salaries and benefits of education personnel, which is the largest investment within the education section of the 2022 Appropriations Act. However, the Act also provides significant funding to other education priorities.

School Safety

The 2022 Appropriations Act includes targeted funding increases in the Department of Public Instruction (DPI) and the University of North Carolina (UNC) budgets to support school safety efforts:

- An increase of \$32.0 million in nonrecurring funds for the School Safety Grants Program, providing a total of \$41.7 million nonrecurring in FY 2022-23 for grants. These grants may be used to support students in crisis, school safety training, and safety equipment in schools.

- An increase of \$15.0 million in recurring funds to the School Resource Officer grant program, bringing the annual total available for the program to \$33.0 million. Additionally, a provision in the 2022 Appropriations Act modifies the program requirements to reduce the matching requirements for schools in low-wealth areas to \$1 in local funds for every \$4 in State funds. Other schools will continue to match \$1 in local funds to \$2 in State funds.
- A study by the Center for Safer Schools about current practices in threat assessment and school safety, as well as suggestions for additional measures and funding needed.
- A one-time appropriation of \$5.0 million to support cybersecurity and bomb threat preparedness at UNC's six Historically Minority-Serving Institutions.

Elementary and Secondary Education

The 2022 Appropriations Act establishes a \$227 million nonrecurring Public School Contingency Reserve (Contingency Reserve). This Contingency Reserve was necessary to enable DPI to have sufficient budget authority to fulfill its funding obligations to public school units (PSUs). While the 2021 Appropriations Act provided sufficient net General Fund appropriations authority to carry out the General Assembly's funding directives for PSUs and DPI, some administrative actions taken by DPI created one-time costs not foreseen when the 2021 Appropriations Act was enacted. In the summer of 2021, DPI discontinued the use of a computer system which facilitated 12-month installment pay for 10-month public school employees. This action required public schools to offer installment pay via payroll deduction, resulting in DPI incurring additional costs in FY 2021-22 that would otherwise have been incurred in FY 2022-23.

As a result, DPI requested additional budgetary authority to enable the agency to meet all of its funding commitments to public school units. Prior to drawing any funds from the Contingency Reserve, DPI must fully expend its FY 2021-22 net General Fund appropriation, except for certain funds designated for carryforward, and must properly budget and expend all receipts collected during FY 2021-22. Any unused funds from the Contingency Reserve will revert to the General Fund.

The 2022 Appropriations Act also provides additional nonrecurring funds to offset increased fuel costs impacting school districts, with \$32.0 million to be distributed to public schools incurring additional fuel costs for their transportation programs. In addition, a \$2.8 million reserve is provided to help meet the increased fuel expenses within driver training programs.

Another major priority of the 2022 Appropriations Act is continued support for K-12 students' school choice options. The North Carolina State Education Assistance Authority (NCSEAA) is part of the UNC system and administers all K-12 school choice scholarship programs. The State's largest K-12 school choice program is the Opportunity Scholarship Program (OSP), which provides private school scholarships to K-12 students based on household income eligibility. In this regard, the 2022 Appropriations Act:

- Increases the income eligibility level that a household may have for a student to be eligible for an Opportunity Scholarship, raising it from 175% to 200% of the income level needed to qualify for the federal National School Lunch Program's reduced-price meals starting in the 2023-24 academic year.
- Provides NCSEAA \$56.0 million recurring for the Opportunity Scholarship Grant Reserve in FY 2022-23 to meet anticipated program demand. This is in addition to the \$30.0 million recurring already provided for FY 2022-23 in the 2021 Appropriations Act for additional OSP awards.
- Provides \$16.3 million to the Personal Education Student Accounts Program, which is a K-12 scholarship program for children with disabilities. This is in addition to the \$10.6 million recurring increase already provided for FY 2022-23 in the 2021 Appropriations Act, for a total increase of \$26.9 million in FY 2022-23.

Higher Education

In addition to compensation increases for higher education personnel, the 2022 Appropriations Act adjusts the budgets for community college and UNC institutions based on their enrollment changes. Of note, the budget provides an additional \$38.1 million recurring to UNC constituent institutions based on a new enrollment funding formula that was adopted by the UNC

Board of Governors. A portion of the funds provided is for summer term student credit hours, which historically have not generated State funding.

Health and Human Services

The 2022 Appropriations Act provides additional funds to support vital services strained by the COVID-19 pandemic, including services that support vulnerable populations, pre-kindergarten services, and services provided by the Office of the Chief Medical Examiner (OCME).

Medicaid

The 2022 Appropriations Act includes several items intended to address projected Medicaid cost increases and extend relief to providers impacted by the pandemic. \$147.8 million in nonrecurring funding is provided to continue higher COVID reimbursement rates for nursing homes and personal care services. This total includes \$52.8 million in FY 2021-22 appropriations for higher reimbursements that were maintained during the last three months of FY 2021-22 despite a projected Medicaid budget deficit, as well as \$95.0 million to continue the higher reimbursement rates for the first several months of FY 2022-23.

In addition to funding for provider rate increases, the 2022 Appropriations Act provides an additional \$83.6 million for FY 2022-23 Medicaid rebase needs. Medicaid rebase appropriations address higher enrollments during the pandemic, the potential for significant increases in prescription drug costs, and the likely end to the enhanced federal Medicaid match available during the national COVID-19 public health emergency. When factoring in the \$562.5 million provided in the 2021 Appropriations Act for FY 2022-23 anticipated Medicaid rebase costs, the revised FY 2022-23 total appropriation for Medicaid rebase is \$646.1 million.

Other Health and Human Services Priorities

The 2022 Appropriations Act also provides \$7.4 million for the State and County Special Assistance (SA) program, which supports individuals who require an adult care home level of care. Of this amount, \$5.4 million supports increased eligibility limits for the SA in-home program initiated in the 2021 Appropriations Act, and \$2.0 million is directed to begin annual adjustments based on Social Security increases to the SA income eligibility limits in January 2023, one year earlier than initially planned.

In addition, the 2022 Appropriations Act provides \$4.8 million recurring to OCME to address an increasing number of deaths that require medical investigation and to work through case backlogs. The funding creates seven new Forensic Pathologist positions to perform additional autopsies and increases the rates paid for transporting the deceased.

Lastly, the Act provides \$9.0 million to increase monthly NC Pre-K reimbursement rates by an additional 5%. Private NC Pre-K providers received a 2% increase in reimbursement rates in FY 2021-22 and were slated to receive an additional 2% increase in FY 2022-23. Factoring in the additional \$9.0 million, those provider rates are 9% higher than the FY 2020-21 rates.

Capital Investments

State Capital and Infrastructure Fund (SCIF) Allocations

The 2022 Appropriations Act provides an additional \$782.2 million over the amount provided in the 2021 Appropriations Act from General Fund revenues to the State Capital and Infrastructure Fund. It also transfers \$12.0 million from the Job Development Investment Grant and \$8.0 million from the One North Carolina Fund into the SCIF and appropriates or reserves all \$802.2 million in FY 2022-23.

The newly available SCIF revenues support a variety of capital-related activities. Of particular note, the 2022 Appropriation Act authorizes an additional \$288.6 million in capital projects for the Downtown Government Complex and a total of \$16.2 million in capital projects for the UNC system. SCIF project authorizations allow projects to commence that will take more than the length of the biennium to complete. Appropriation of the additional SCIF revenues for those projects may only be made for the FY 2022-23 budget, in keeping with the duration of the 2022 Appropriations Act; projects with a projected life cycle beyond FY 2022-23 will require additional appropriations in future years from projected SCIF revenues. Total SCIF

authorizations in appropriations acts represent full estimated project costs, including funds the General Assembly intends to appropriate in future biennia to complete projects. The following chart summarizes both the FY 2022-23 SCIF-funded appropriations in the 2021 Appropriations Act and new FY 2022-23 SCIF-funded appropriations made in the 2022 Appropriations Act.

Table 5: SCIF Budget Appropriations by Area (\$ millions)

Area	Original FY 2022-23	2022 Approp. Act	Revised FY 2022-23
State Debt Service	\$637.8	-	\$637.8
State Debt Elimination/Avoidance	\$58.0	-	\$58.0
State Agency Repairs & Renovations	\$200.0	-	\$200.0
UNC System Repairs & Renovations	\$250.0	-	\$250.0
State Agency Capital Projects	\$244.4	\$294.0	\$538.4
UNC System Capital Projects	\$302.5	\$16.2	\$318.7
Water Resources Development Projects	\$35.2	-	\$35.2
Land and Water Trust Fund	\$37.5	-	\$37.5
Parks and Recreation Trust Fund	\$37.5	-	\$37.5
Capital Project Inflationary Reserve	-	\$250.0	\$250.0
Downtown Government Complex Reserve	-	\$10.4	\$10.4
GREAT Grant Program (Broadband)	\$15.0	\$5.0	\$20.0
Personnel/Transfers	-	\$5.7	\$5.7
Airports	\$11.5	\$38.1	\$49.6
Community Colleges	\$177.8	\$24.0	\$201.8
Courthouses	\$15.5	\$12.0	\$27.5
Dams	-	\$0.6	\$0.6
Historic Sites	-	\$1.3	\$1.3
Hospitals	-	\$7.8	\$7.8
K-12 Athletic Facilities	-	\$7.8	\$7.8
Parks and Recreation	-	\$5.6	\$5.6
Other Non-State Entities	\$136.7	\$123.7	\$260.4
Total, Net SCIF Appropriations/Reserves	\$2,159.5	\$802.2	\$2,961.7

Public School Capital

The 2022 Appropriations Act provides \$278 million in additional support to the Needs-Based Public School Capital Fund in FY 2022-23 to increase the number of school capital grants that may be awarded by the Department of Public Instruction to counties for public school facilities. Funds are provided from the following sources:

- Additional FY 2022-23 Education Lottery Fund revenue from Revised Forecast - \$55 million
- Projected surplus FY 2021-22 Education Lottery Fund revenue - \$123 million
- Public School Needs-Based Capital Reserve - \$100 million

When combined with the \$153.3 million appropriated to the Needs-Based Public School Capital Fund in the 2021 Appropriations Act, the anticipated total funding available for school capital grants in FY 2022-23 is approximately \$431.3

million. Total school capital funding included in the 2022 Appropriations Act including the \$100 million appropriated to the Public School Capital Fund and \$50 million to the Public School Repair and Renovation Fund is approximately \$581.3 million.

Water and Wastewater Infrastructure

The 2022 Appropriations Act makes substantial investments in programs targeting clean water and drinking water infrastructure. It allocates \$611.5 million for water and wastewater infrastructure from federal State Fiscal Recovery Fund (SFRF) proceeds and from the State's Clean Water and Drinking Water Reserve. These funds support grants to local government units and nonprofit water corporations for the planning, design, and construction of critical drinking water and wastewater infrastructure. Grants may also be awarded for asset inventory and assessment needs in order to encourage utilities to become more viable and proactive in the management and financing of their systems. In addition, the budget appropriates \$223 million from federal Infrastructure Investment and Jobs Act (IIJA) program funding for comparable purposes. The total available in FY 2022-23 for water and wastewater infrastructure funding is \$863 million. Combined with the \$1.6 billion in water and wastewater funds appropriated in the 2021 Appropriations Act, the amount available for water and wastewater infrastructure grants for the biennium is roughly \$2.5 billion.

Parks and Land Conservation

The 2021 Appropriations Act provided \$61.7 million in FY 2022-23 for the Parks and Recreation Trust Fund (PARTF) from the General Fund and from the SCIF. For the NC Land and Water Fund (NCLWF), the amount was \$64.7 million. The 2022 Appropriations Act did not increase the overall appropriation for either PARTF or NCLWF. However, it replaces nonrecurring funds with recurring funds for both programs, which means that these programs will have more funding in FY 2023-25, barring any future appropriations adjustments. The revised recurring appropriation for both of these grant programs is \$24.2 million.

Economic Development

The 2022 Appropriations Act appropriates \$876 million from the Economic Development Project Reserve, a reserve newly created to support one-time costs associated with major economic development projects in the State. These nonrecurring funds will be allocated for the following economic development activities, provided that the intended recipients satisfy program requirements:

- \$450 million for site work, road work, and other infrastructure development for the location of the VinFast electric automobile plant at the Triangle Innovation Point megasite in Chatham County.
- \$225 million in additional support for the Toyota electric vehicle battery plant at the Guilford-Randolph megasite.
- \$112.5 million for site work, road work, and other infrastructure development to support the location of a manufacturing business in Chatham County which must invest at least \$4.8 billion dollars at the site and create at least 1,800 jobs.
- \$15 million to retain the headquarters of a collegiate sports employer in the State.
- \$7 million for the Site Infrastructure Development Fund (SIDF) to enhance the State's agreement with the United States Golf Association.
- \$5 million to expand the Job Maintenance and Capital Development (JMAC) program from seven to eight agreements.

In addition, the 2022 Appropriations Act appropriates \$1 million nonrecurring to the Department of Commerce for a new competitive grant program at the Economic Development Partnership of NC (EDPNC) to help local governments identify and develop megasites suitable for advanced manufacturing.

Justice and Public Safety

The 2022 Appropriations Act makes several notable investments in Justice and Public Safety (JPS) operations:

- **Court Positions:** The Act creates and funds the costs (\$12.0 million recurring/\$225,000 nonrecurring) associated with 158 new positions across the Judicial Branch to address workload deficiencies. The new positions consist of 83 Deputy Clerks, 10 Assistant Clerks, 38 Judicial Support Staff, 13 Magistrates, 11 Assistant District Attorneys, two Assistant Public Defenders, and one Administrative Assistant.
- **Crime Lab Positions:** The Act creates and funds the costs (\$428,000 recurring) associated with four additional Crime Lab Scientist positions in the Department of Justice, in addition to the eight provided in the 2021 Appropriations Act, for a net of 12 new scientist positions at the State Crime Lab for the biennium.
- **Community Corrections:** The Act provides \$1.9 million for specialized mental health and reentry Probation and Parole Officers. The 19 FTE will support the needs of offenders on community supervision with persistent mental health and substance abuse issues and facilitate access to services and programs that support successful reentry.
- **Juvenile Facilities:** The 2017 Juvenile Justice Reinvestment Act (Raise the Age) expanded the scope of juvenile jurisdiction, thereby increasing the number of juveniles served in detention and youth development centers. The 2022 Appropriations Act provides for 83 FTE to staff and operate the 60-bed Rockingham Youth Development Center and 39 FTE to staff and operate the 24-bed Perquimans Detention Center. Total funding for these juvenile facilities is \$5.7 million.

Affordable Housing and Housing Assistance

The 2022 Appropriations Act includes \$235 million in total funding for affordable housing and housing assistance across the State. \$205 million of the total is provided from a newly-established Housing Reserve and the other \$30 million is provided from the General Fund.

The majority of the funding, \$225 million, is appropriated on a nonrecurring basis for the production of affordable housing units, including \$190 million to the NC Housing Finance Agency (HFA) for the Workforce Housing Loan Program (WHLP). The WHLP provides 0% interest loans for multi-family housing developments that receive federal low-income housing tax credits. This program helps reduce rents for families and individuals with low and moderate incomes. Of the \$190 million for the WHLP, \$170 million from the Housing Reserve must be used to address funding gaps in previously awarded projects caused by the COVID-19 pandemic. Due to federal SFRF guidelines that were not well-suited to the WHLP program structure, these funds replace the original appropriation made using SFRF funds in the 2021 Appropriations Act. The 2022 Appropriations Act also includes \$35 million from the Housing Reserve to the Office of State Budget and Management for affordable housing production in Dare County. Similarly, these funds replace the original appropriation of SFRF funds in the 2021 Appropriations Act.

Lastly, the 2022 Appropriations Act includes a \$10 million nonrecurring appropriation to the HFA for the NC Housing Trust Fund (HTF). The HTF is the State's most flexible resource for housing. It is used across the State for a variety of housing needs including new construction, small rehabilitation projects, supportive housing, accessibility modifications, and emergency repairs.

Funding for Volunteer Fire and Rescue/Emergency Medical Services (EMS) Departments and Units

The General Assembly appropriated a total of \$46.1 million over the 2021-23 Fiscal Biennium to provide financial assistance to volunteer fire departments and rescue/EMS units across the State.

Base Allocation Grants

In recognition of the revenue losses resulting from the COVID-19 pandemic, the 2021 Appropriations Act appropriated a total of \$8.0 million nonrecurring in FY 2021-22 from federal SFRF funds to the Department of Insurance (DOI) to provide grants to eligible volunteer fire departments for equipment purchases and capital improvements. Volunteer fire departments (certified by DOI) with no more than six paid full time equivalent positions were eligible for base allocation grants of \$10,000. No local match was required and DOI was required to make grants no later than August 1, 2022.

The 2022 Appropriations Act provides an additional \$1.5 million nonrecurring in FY 2022-23 for base allocation grants to ensure that all eligible departments that applied by July 1, 2022, will receive a grant.

Supplemental Grants

The 2022 Appropriations Act appropriates \$36.6 million nonrecurring to supplement the base allocation grants to volunteer fire departments and expand program eligibility to include volunteer rescue/EMS units. The funding will provide grants of \$35,000 to help mitigate revenue losses resulting from the COVID-19 pandemic, to be used at local discretion. No local match is required, and grants are to be made as soon as practicable but no later than October 1, 2022.

Transportation

The 2022 Appropriations Act provides a total of \$4.8 billion in FY 2022-23 from the Highway Fund and Highway Trust Fund for transportation operations, maintenance, and construction. The transportation revenues are comprised of motor fuels tax, highway use tax, Division of Motor Vehicles fees, and highway short-term lease tax. These revenues are projected to increase in FY 2022-23 by \$248.9 million, or 5.7%, over previously budgeted levels, primarily due to increases in fuel and vehicle costs. As part of the Act, the General Assembly also increased Department of Transportation (DOT) revenues by \$193.1 million in FY 2022-23 by transferring 2% of sales tax revenues from the General Fund to the Highway Fund. The percentage of sales tax transferred to DOT increases to 4% (estimated \$401.2 million) in FY 2023-24 and permanently to 6% (estimated \$628.3 million) in FY 2024-25.

Increased revenues are appropriated for maintenance and construction of roads, and modes of travel in FY 2022-23, including the following items:

- \$109.8 million nonrecurring for right-of-way purchases in cases where project delays create a hardship for the property owner.
- \$135 million nonrecurring to renegotiate construction contracts due to the impact of inflation.
- \$33.1 million in additional recurring funds, for a total of \$615.7 million, to the General Maintenance Reserve for road maintenance.
- \$25 million in additional recurring funds, for a total of \$100 million, for capital projects at commercial services airports.
- In addition, the 2022 Appropriations Act appropriates \$342 million in additional federal funds received from the Infrastructure Investment and Jobs Act for highway construction, bridges, the Appalachian Development Highway System, electric vehicle charging infrastructure, airports, and transit.

Appendix A: FY 2022-23 General Fund Availability Statement

	<u>FY 2022-23</u>
1 Unappropriated Balance Remaining FY 2021-22	2,380,495,252
2 Revised FY 2020-21 Overcollections	(17,853,808)
3 Anticipated Reversions	200,000,000
4 Anticipated FY 2021-22 Overcollections	4,241,300,000
5 Additional FY 2021-22 Medicaid Appropriations	(52,800,000)
6 FY 2021-22 Public School Contingency Reserve	<u>(227,000,000)</u>
7 Beginning Unreserved Fund Balance	6,524,141,444
8	
9 Revised Consensus Revenue Forecast	
10 Tax Revenue	
11 Personal Income	15,472,500,000
12 Sales and Use	10,382,800,000
13 Corporate Income	1,155,500,000
14 Franchise	690,900,000
15 Insurance	1,033,500,000
16 Alcoholic Beverages	552,500,000
17 Tobacco Products	270,200,000
18 Other Tax Revenues	<u>202,900,000</u>
19 Subtotal, Tax Revenue	29,760,800,000
20	
21 Non-Tax Revenue	
22 Judicial Fees	222,800,000
23 Investment Income	60,900,000
24 Disproportionate Share	161,500,000
25 Master Settlement Agreement	144,600,000
26 Insurance	116,100,000
27 Other Non-Tax Revenue	<u>242,900,000</u>
28 Subtotal, Non-Tax Revenue	948,800,000
29	
30 Total, Revised Net Revenue	30,709,600,000
31	
32 Adjustments to Tax Revenue	
33 Personal Income Tax Changes	
34 NOAA and USPHS Retirement Pay Exclusion	(1,600,000)
35 Sales and Use Tax Changes	
36 Interstate Air and Ground Carriers Exemption	(6,300,000)
37 Highway Fund Transfer	<u>(193,100,000)</u>
38 Subtotal, Adjustments to Tax Revenue	(201,000,000)
39	

Appendix A: FY 2022-23 General Fund Availability Statement, continued

FY 2022-23

40	Statutorily Required Reservations of Revenue	
41	State Capital and Infrastructure Fund	(1,365,500,000)
42	Subtotal, Statutorily Required Reservations of Revenue	(1,365,500,000)
43		
44	Reserves	
45	State Capital and Infrastructure Fund	(1,816,706,484)
46	Savings Reserve	(1,634,006,722)
47	Medicaid Transformation Reserve	(246,000,000)
48	Medicaid Contingency Fund	(151,140,063)
49	Information Technology Project Reserve	(184,000,000)
50	State Emergency and Disaster Response Fund	(945,198,500)
51	Economic Development Reserve	(876,000,000)
52	World University Games Reserve	(25,000,000)
53	Housing Reserve	(205,000,000)
54	Local Project Reserve	(80,114,572)
55	Federal Infrastructure Match Reserve	(106,000,000)
56	Retiree Supplement Reserve	(35,954,763)
57	Needs-Based Public School Capital Reserve	(100,000,000)
58	Clean Water and Drinking Water Reserve	(325,980,444)
59	Stabilization and Inflation Reserve	(1,000,000,000)
60	Unfunded Liability Solvency Reserve	(10,000,000)
61	Subtotal, Reserves	(7,741,101,548)
62		
63	Other Adjustments to Availability	
64	Adjustment to Transfer from State Treasurer	230,739
65	Adjustment from Insurance Regulatory Fund	1,059,767
66	Subtotal, Other Adjustments	1,290,506
67		
68	Revised Total General Fund Availability	27,927,430,402
69		
70	Less General Fund Net Appropriations	27,902,204,974
71		
72	Unappropriated Balance Remaining	25,225,428

Appendix B: Teacher Salary Schedule Comparison

Current Years of Experience	FY 2021-22	FY 2022-23	Schedule Increase	FY 2022-23 %Δ w/Step Increase
0	\$3,546	\$3,700	4.3%	7.2%
1	\$3,647	\$3,800	4.2%	6.9%
2	\$3,748	\$3,900	4.1%	6.7%
3	\$3,849	\$4,000	3.9%	6.5%
4	\$3,951	\$4,100	3.8%	6.3%
5	\$4,052	\$4,200	3.7%	6.1%
6	\$4,153	\$4,300	3.5%	5.9%
7	\$4,255	\$4,400	3.4%	5.8%
8	\$4,356	\$4,500	3.3%	5.6%
9	\$4,457	\$4,600	3.2%	5.5%
10	\$4,559	\$4,700	3.1%	5.3%
11	\$4,660	\$4,800	3.0%	5.2%
12	\$4,761	\$4,900	2.9%	5.0%
13	\$4,862	\$5,000	2.8%	4.9%
14	\$4,964	\$5,100	2.7%	4.8%
15	\$5,065	\$5,200	2.7%	2.7%
16	\$5,065	\$5,200	2.7%	2.7%
17	\$5,065	\$5,200	2.7%	2.7%
18	\$5,065	\$5,200	2.7%	2.7%
19	\$5,065	\$5,200	2.7%	2.7%
20	\$5,065	\$5,200	2.7%	2.7%
21	\$5,065	\$5,200	2.7%	2.7%
22	\$5,065	\$5,200	2.7%	2.7%
23	\$5,065	\$5,200	2.7%	2.7%
24	\$5,065	\$5,200	2.7%	6.6%
25+	\$5,268	\$5,400	2.5%	2.5%

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.
- % Δ (w/Step Increase) column displays the increase a teacher with referenced experience level in FY 2021-22 will receive under revised schedule if continuing to work as a teacher in FY 2022-23 (e.g. A teacher with 5 years of experience in FY 2021-22 would be paid a base salary of \$4,300 monthly from State funds compared to their current base pay of \$4,052 ($\$4,300/\$4,052 = 6.1\%$)).

Appendix C: Estimated Allocations from Teacher Supplement Assistance Allotment

County	Amount per State-Funded Teacher	Total County Allocation
Alamance	\$1,384	\$2,949,603
Alexander	\$ 3,813	\$1,648,882
Alleghany	\$ 5,000	\$ 721,692
Anson	\$ 5,000	\$1,317,082
Ashe	\$ 2,934	\$ 773,957
Avery	\$ 2,401	\$ 427,349
Beaufort	\$ 2,683	\$1,423,325
Bertie	\$ 5,000	\$ 904,554
Bladen	\$ 4,958	\$1,746,015
Brunswick	\$ 940	\$ 999,497
Buncombe	\$ 874	\$2,224,874
Burke	\$ 2,120	\$2,167,104
Cabarrus	\$ 1,002	\$3,321,182
Caldwell	\$ 2,232	\$2,272,772
Camden	\$ 5,000	\$ 976,012
Carteret	\$ 1,090	\$ 756,006
Caswell	\$ 5,000	\$1,072,980
Catawba	\$ 1,311	\$2,545,205
Chatham	\$ 1,366	\$1,124,216
Cherokee	\$ 3,343	\$ 989,269
Chowan	\$ 5,000	\$ 890,777
Clay	\$ 4,976	\$ 615,835
Cleveland	\$ 2,165	\$2,778,113
Columbus	\$ 4,077	\$2,635,879
Craven	\$ 1,703	\$1,864,671
Cumberland	\$ 1,311	\$6,029,178
Currituck	\$ 1,718	\$ 625,457
Dare	\$ 1,115	\$ 486,937
Davidson	\$ 1,374	\$2,820,884
Davie	\$ 2,694	\$1,281,878
Duplin	\$ 3,176	\$2,673,422
Durham	\$ -	\$ -
Edgecombe	\$ 4,332	\$2,160,828
Forsyth	\$ 1,085	\$4,914,284
Franklin	\$ 2,182	\$1,612,058
Gaston	\$ 1,235	\$3,351,541
Gates	\$ 5,000	\$ 850,368
Graham	\$ 5,000	\$ 630,393
Granville	\$ 2,515	\$1,429,848
Greene	\$ 5,000	\$1,382,672

County	Amount per State-Funded Teacher	Total County Allocation
Guilford	\$ -	\$ -
Halifax	\$ 3,864	\$1,915,494
Harnett	\$ 1,738	\$3,130,248
Haywood	\$ 1,806	\$1,131,822
Henderson	\$ 1,239	\$1,465,793
Hertford	\$ 5,000	\$1,138,307
Hoke	\$ 3,285	\$2,430,189
Hyde	\$ 5,000	\$ 346,871
Iredell	\$ 1,028	\$2,253,227
Jackson	\$ 1,562	\$ 519,863
Johnston	\$ 1,175	\$3,848,137
Jones	\$ 5,000	\$ 514,110
Lee	\$ 2,498	\$2,209,358
Lenoir	\$ 3,932	\$2,885,729
Lincoln	\$ 1,548	\$1,588,713
Macon	\$ 1,804	\$ 728,720
Madison	\$ 3,863	\$ 953,750
Martin	\$ 5,000	\$1,352,085
McDowell	\$ 2,958	\$1,617,673
Mecklenburg	\$ -	\$ -
Mitchell	\$ 5,000	\$ 810,816
Montgomery	\$ 3,694	\$1,141,570
Moore	\$ 1,244	\$1,313,570
Nash	\$ 2,070	\$2,473,544
New Hanover	\$ 875	\$1,957,651
Northampton	\$ 5,000	\$ 593,478
Onslow	\$ 1,396	\$3,332,177
Orange	\$ 1,125	\$1,859,548
Pamlico	\$ 5,000	\$ 624,592
Pasquotank	\$ 3,477	\$1,493,551
Pender	\$ 1,760	\$1,459,749
Perquimans	\$ 5,000	\$ 763,222
Person	\$ 3,217	\$1,263,032
Pitt	\$ 1,531	\$3,176,261
Polk	\$ 3,313	\$ 668,202
Randolph	\$ 1,665	\$2,931,011
Richmond	\$ 5,000	\$2,943,921
Robeson	\$ 2,695	\$4,988,127
Rockingham	\$ 2,277	\$2,253,072
Rowan	\$ 1,475	\$2,384,815
Rutherford	\$ 2,336	\$1,551,084
Sampson	\$ 3,058	\$2,840,208

County	Amount per State-Funded Teacher	Total County Allocation
Scotland	\$ 5,000	\$2,756,115
Stanly	\$ 2,572	\$1,934,353
Stokes	\$ 3,363	\$1,753,964
Surry	\$ 2,606	\$2,403,771
Swain	\$ 5,000	\$ 905,609
Transylvania	\$ 2,097	\$ 634,538
Tyrrell	\$ 5,000	\$ 328,677
Union	\$ 856	\$2,944,409
Vance	\$ 4,330	\$2,018,436
Wake	\$ -	\$ -
Warren	\$ 4,504	\$ 751,807
Washington	\$ 5,000	\$ 521,625
Watauga	\$ 1,443	\$ 609,741
Wayne	\$ 2,049	\$3,251,972
Wilkes	\$ 2,539	\$1,987,333
Wilson	\$ 2,344	\$2,078,659
Yadkin	\$ 4,023	\$1,900,433
Yancey	\$ 4,648	\$ 968,673

Notes:

- Taxable property and effective tax rate information used for this analysis is based on FY 2021-22 data from NCDOR. Anson County data from NCDOR is from FY 2020-21 due to lack of updated information for FY 2021-22 when this analysis was performed.
- Median household income used in this analysis is based on US Census 2020 SAIPE.
- The amount an individual teacher will receive from each county's allocation will vary depending on decisions of the respective local school board and charter school ADM within the county.

For additional information, please contact:

Joint Budget Development Team

Jennifer Hoffmann Jennifer.Hoffmann@ncleg.gov

Deborah Landry Deborah.Landry@ncleg.gov

Brian Matteson Brian.Matteson@ncleg.gov

John Poteat John.Poteat@ncleg.gov

Fiscal Research Division

NC General Assembly

300 N. Salisbury St., Suite 619

Raleigh, North Carolina 27603-5925

(919) 733-4910

<https://sites.ncleg.gov/frd/>