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## Senate Bill 257, Appropriations Act of 2017

### Information of Interest, but Not Specific to a Rural Counts Strategy

- Budget for 2017-18 = \$22.9 billion (budget for 2016-17—the current year—is \$22.5 billion)
- Projected surplus for the current year: \$580 million
- Senate's budget is about \$600 million less than the Governor's proposed budget
- Major tax changes included in the budget bill will:
  - Lower the personal income tax rate from 5.49% to 5.35% in 2018
  - Lower the corporate tax rate from 3% to 2.75% in 2018
  - Expand the standard deduction
  - Change the mortgage interest deduction cap
  - Change the child tax credit to a deduction
- The budget provides \$12 billion in total salaries and benefits for education personnel
- Adds \$130.9 million in 2018 and \$360.8 million in 2019 for teacher salaries
- Adds \$28 million in 2018 and \$33.6 million in 2019 for principals and assistant principals
- Other education workers receive \$750 or a 1.5% (whichever is larger) salary increase
- Adds \$11.1 million in 2018 and \$10 million in 2019 for textbooks & digital materials (for \$66.6 million total in 2018)
- Provides a total of \$829,209/year for geographically isolated schools to obtain needed instructional staff (an increase of \$506,000/year) (criteria for schools is defined in the bill)
- Changes the funding source for drivers' education and provides \$25.8 million to reimburse cost of instruction, up to \$275, on successful acquisition of learner's permit. (For schools that provide reduction/waiver of fees, the school may apply for the reimbursement.)
- Adds \$1 million/year to support NCA&T's doctoral programs
- Adds \$2.8 million in FY '18 and \$2 million in FY '19 to stabilize enrollment funding at Elizabeth City State University
- Prohibits transfers of funds out of the category set aside for limited English proficiency, for textbooks and digital resources, (and creates restrictions on transferring funding between dollars set aside for K-5 and grades 6-12)
- Permits "highly qualified" teaching graduates to be paid at higher levels than entry-level. Those highly qualified teaching graduates who agree to teach in low-performing schools or who teach in STEM or special education, may be paid at even higher levels.
- Creates bonuses for teachers based on the performance of their students in advanced placement and International Baccalaureate, and for teachers of students who obtain industry certifications/credentials. Bonuses also would be available to third-grade reading teachers.
- Community college system is directed to study the costs of workforce training and academic instruction and report by September on the factors that affect instructional costs including specialized equipment faculty salaries and space. The results may

- include recommendations on calculating tiered funding rates and classifications of courses by tiers.
- Incorporates the language from S 594 (Family/Child Protection & Accountability Act), which reforms the state's child welfare system and requires the state develop a plan for regional systems of social services departments.
  - Specifies that funds from the settlement with Volkswagen (clean diesel) are to be used to encourage job growth, with a priority for small businesses. Any funding received for replacement or repowering of vehicles is to emphasize parts manufactured in the state. No funds are to be spent until the plan for expending them is approved by the General Assembly.
  - Creates a Coastal Storm Damage Mitigation Fund that will cost-share efforts to remediate beach and dune system damages from coastal storms.
  - Establishes a special effort to promote the shellfish industry that includes the NC Policy Collaboratory convening stakeholders as part of a study to determine how to sustain the industry, developing a Shellfish Mariculture Plan, and working with the NC Economic Development Partnership to develop a state Oyster Trail and a state Oyster Festival.
  - Creates new Department of Adult Correction and Juvenile Justice by taking elements of the Department of Public Safety.
  - Establishes a moratorium on permitting new wind energy facilities pending completion of a study of the needs of military installations for training, operations, and readiness. The study results are due by June 2019.
  - Establishes a Workforce Housing Loan Program in the Housing Finance Agency. The program will aid developments for low-income housing.
  - Transfers the Human Relations Commission from the Department of Administration to the Civil Rights Division of the Office of Administrative Hearings.
  - Provides \$150 million for disaster recovery (mostly from Hurricane Matthew)— \$80 million is targeted to match available federal funding and \$70 million will provide additional funding to meet the needs identified in the previous (December 2016) act to aid disaster victims. (These funds do not revert.) Total for FY'18 is \$350,928,370.
  - Moves On-site Water Protection Branch from DHHS (Public Health) to DEQ— includes well construction and on-site subsurface waste programs.

## Budget Provisions Potentially Aiding Rural Counts Strategies

### *Rural Counts Strategy #1: Innovation in Education and Workforce Development*

- Transfers the apprenticeship program from Commerce to Community Colleges and renames the program ApprenticeshipNC. Funds ApprenticeshipNC at \$1,350,315 in FY '18 and \$850,315 in FY'19.
- Continues and expands pilot program for five teacher assistants/year/district to get up to \$4500/year tuition reimbursement to pursue teaching degrees— counties in expanded pilot are Anson, Ashe, Avery, Beaufort, Duplin, Franklin, Jones, Moore, Nash, Randolph, Richmond, Scotland, Stanly, Watauga, and Yancey (plus four urban counties). Adds \$315,000/year— \$427,500 is total /year
- Reinstates NC Teaching Fellows program and provides \$6 million. Creates loan program for STEM and special education fields. Provides up to \$8250/year for tuition, fees and books, forgivable if recipient teaches in NC.
- Adds \$1.1 million and \$1.8 million to NC Works Career Coaches—new totals are \$2.1 million in FY'18 and \$2.8 million in FY'19.
- Reserves \$11 million in FY'19 for NC Promise Tuition (supports increased enrollment at the universities offering \$500/semester tuition).

- Creates a Needs-Based Public School Capital Fund for new school construction in Tier-1 and Tier-2 counties. The fund may provide up to \$10 million per year to a single county and requires a local match. Budget allocates \$75 million from the Lottery proceeds to finance the new program.
- Budget also allocates \$100,000,000 from the Lottery for the Public School Building Capital Fund.
- Creates a new Coding and Mobile Application Grant Program to provide \$400,000 for schools to develop industry partnerships to design and implement computer science, coding, and mobile application development curriculum programs for middle- and high-school students
- Directs \$6 million/year for the creation of an Extended Learning and Integrated Student Supports Grant Program for at-risk students.
- Beginning in July of 2017, the State Board of Education may reimburse new teachers for their initial teaching license fee.
- Creates a Future Teachers of NC program to operate cooperatively between selected universities and high schools to develop and deliver programs that will encourage high-school students to become teachers.
- Permits certain veterans to qualify for in-state tuition

#### *Rural Counts Strategy #2: Stabilize and Transform Rural Health Care*

- Provides \$3 million/year at UNC School of Medicine to support 15 new medical student slots
- Provides \$8 million increase in FY'18 & \$13.4 Million in FY'19 for the Western School of Medicine in Asheville— total for FY'18 is \$11.0 million and \$16.4 million in FY'19 (Western School is a partnership between MAHEC & UNC-CH Med school)
- Funds new medical residency programs in Duplin, Halifax, Carolina East, and Ahoskie— \$162,857 in FY'18 & \$803,804 in FY'19
- Adds \$4 million/year for sustainability of ECU's medical school
- Community Health Grants—increases grants by \$7.5 million/year (new total is \$15 million/year). Provides grants to community health centers, rural health centers, federal qualified health centers, free clinics, providers in rural and medically underserved communities.
- Provides \$1.2 million/year to enhance software for the Controlled Substance Reporting System (to aid in combating opioid addiction).
- Permits Rural Health to combine three loan repayment programs and use the funding to aid primary care providers and general surgeons practicing in critical access hospitals, plus expand to include eligible providers using telemedicine in rural and underserved areas. (Section 11A.9)
- Expands members and renames the Prescription Drug Abuse Advisory Committee as the Opioid and Prescription Drug Abuse Advisory Committee that is to develop and implement a statewide strategic plan to combat the problem of opioid and prescription drug abuse.
- Provides \$100,000/year to purchase opioid antagonists to reverse drug overdoses. Antagonists are to be provided to law enforcement (\$25,000 of the total) and to the NC Harm Reduction Coalition (\$75,000) to serve individuals and families.
- Directs the Board of Governors to look at establishing a School of Health Sciences and Health Care at UNC-Pembroke.
- Allocates \$1.8 million for pilot projects to treat opiate overdose in Wilmington, Jacksonville, Hickory, and in Gaston, Moore, Mitchell, and Watauga counties. The pilots

will develop quick response teams to treat overdose victims who are not receiving follow-up treatment.

*Rural Counts Strategy #5: Expand and Upgrade Transportation and Natural Gas Infrastructure*

- Creates new (DOT) Mobility Modernization Fund— provides a \$40 million/year (non-recurring) new fund for immediate need construction projects—60% of the funds are divided among the 14 divisions for high-impact construction projects, 25% for safety and mobility (includes congestion), and 15% for economic development (about \$6 million)
- Establishes Corridor Development Unit to aid MPOs and RPOs in defining projects
- Adds \$140 million in FY'18 & \$181 million in FY'19 to the Strategic Transportation Investment Program, bringing the total to \$1.356 billion in FY'18 and \$1.397 billion in FY'19

*Rural Counts Strategy #7: Strengthen Homegrown Manufacturing*

- Provides \$2 million to NCSU to develop innovative manufacturing process for biopharmaceuticals

*Rural Counts Strategy #8: Develop Opportunities for Agriculture and Natural Resources, including Biotechnology and Value-Added Food Processing*

- The budget funds a Food Processing Innovation Center at the NC Research Campus (Kannapolis) \$5.1 million in FY'18, and \$700K in FY'19. The budget also provides \$29 million/year for UNC to fund programs at the NC Research Campus.
- Increases funding to NCSU Cooperative Extension by \$3.5 million/year (new total is \$43 million/year)
- Increases money for international marketing of agricultural products by \$500,000/year (recurring)—new total is \$9.1 million/year
- Increases funding for food marketing by \$250,000 (non-recurring)/year—\$9.1 million/year is new total
- Appropriates \$12.9 million to the Biotechnology Center. The funds are provided for job creation activities (\$2.9 million), science and commercialization activities (\$8.7 million), and center operations (\$1.29 million).

*Rural Counts Strategy #10: Stabilize and Leverage Rural Development Funding, Capacity Building, and Technical Assistance*

(Funding for partners in aiding rural economic & community development)

- Provides additional funding for Tobacco Trust Fund—\$663,335/year (recurring)—new total is \$2.6 million/year
- Adds \$1 million in FY'18 for Agricultural Development and Farmland Preservation Trust Fund—new total for FY'18 is \$3.6 million
- Creates Rural Touring Arts Grant Program—\$125,000/year (recurring) to reach Tier-1 & -2 counties
- Provides \$15 million/year in reserves for Film & Entertainment Grant Fund

- Funding for Golden LEAF doubles from \$10 million/year to \$20 million
- Adds \$2.67 million to the Rural Development Division's funding (bringing the total available to \$15.5 million)
- Adds \$3.76 million (plus \$10 million in receipts) to the Industrial Finance
- Adds a new position for Outdoor Recreation Recruiting
- Adds \$1,261,405 for JMAC
- Adds \$3 million for advertising by the Economic Development Partnership
- Adds \$3.5 million to the Clean Water Management Trust Fund for 2018 (\$2.6 million is to purchase 1,100 acres adjacent to gamelands acquired in previous year). The total for CWMTF for 2018 is \$17.3 million.
- Reduces the incentive funding to align with projected needs for JDIG (reduces by \$4,163,999, leaving \$67.6 million) and One NC (reduces by \$8,956,374, leaving \$43,626)
- Creates a new Site and Building Development Fund in Commerce to provide loans to local governments. The loans are to be used for acquisition and development of facilities (buildings, utilities, roads, permitting, etc.) and loan rates vary based on the economic development tiers (with Tier-1 counties eligible for 0% interest). Budget adds \$2,498,968 for the Site and Building Development Fund and directs an additional \$10 million transfer from the Utility Account to provide \$12.5 million for 2018.
- Provides \$10 million/year in CDBG funding for neighborhood revitalization through the Department of Commerce. Other allotments of CDBG funds will go to Commerce for economic development projects (\$10.7 million/year) and to the Department of Environmental Quality for infrastructure projects (\$21.7 million/year). The CDBG funding is contingent on receiving federal funds.
- Provides \$950,000 for downtown revitalization projects. Funds are directed to Bath (\$200,000), Emerald Isle (\$100,000), Haw River (\$100,000), Walnut Cove (\$90,000), King (\$90,000), Liberty (\$70,000), Gibsonville (\$60,000), Ramseur (\$60,000), Burlington (\$50,000), Graham (\$50,000), Maysville (\$40,000), Trenton (\$20,000) and Pollocksville (\$20,000). Additional revitalization and downtown development projects were provided allotments: \$100,000 for farmer's and artisan's markets in Washington, \$180,000 to Mount Olive (to aid agriculture program at Mount Olive University), \$30,000 for the Textile Heritage Museum in Glencoe, and \$1.5 million for a challenge grant to High Point.
- Main Street Solutions will receive \$450,000. Projects in two towns (Pembroke and Lumberton) will receive \$350,000.

## **Additional Items of Interest**

- Eliminates the Office of Science & Technology (in Commerce)
- Eliminates over 40 people in DEQ.
- Eliminates recurring funding for the Governors' school—to run on receipts. Establishes the Legislative School for Leadership and Public Service for academically gifted high-school students. The summer residential program is to provide a course of study on leadership development and public service. (This program will replace the Governor's School program, beginning in July of 2018.)
- Reduces DPI operating funds by 25% (-\$13,159,778/year)
- Eliminates funding for Small Farms Program (\$237,661/year removed)—provides outreach & education to small, limited resource farmers
- Designates increased funding for Opportunity Scholarships through 2027-28
- Re-directs funding for 13 DPI positions (named in the bill) to fund K-3 reading assessments.

- Places limitations on the per diem & expenses for members of the State Board of Education
- Prohibits use of state funds for the State Board of Education to hire private counsel
- Reduces allotments of funds for Cooperative Innovative High Schools located in economic development Tier-3 counties, by 25% in FY '18 and by 50% in FY '19
- Eliminated "Federal Legislative Programs Coordinator" in the Governor's Office
- Removed \$200,000 previously allocated for food deserts and "prohibited any funds being used to increase the availability of fresh agricultural products in food deserts in NC."
- Reduces funding for the Biotechnology Center by 5% (\$680,000/year)
- Eliminates the ability of school boards to sue county boards of commissioners
- Sets aside \$300K for the Board of Governors to hire up to 3 staff members.
- Sets aside \$3.5 million in funds to match private dollars for the NC Policy Collaboratory at UNC
- Provides \$100,000 for the NC Policy Collaboratory to develop a predictive analysis tool to assess municipal water and sewer infrastructure in the state.

### **Bills Incorporated (in whole or in part) in Senate Budget (S 257)**

S 331 Military Operations Protection Act

S 366 Responsible Wind Energy Implementation

S 359 Community Health Centers Grant Program/Funds

H 387/S 498 Corner Store Initiative

S 325 Billion Dollar Middle Class Tax Cut

S 594 Family/Child Protection & Accountability Act

S 591 Site & Building Development Fund