



2017 NC Budget Highlights

By June 22, the NC House and Senate are expected to adopt a compromise budget that makes changes to the base budget (continuation budget) for agencies and programs for the next two fiscal years. The following items are among those that address the Rural Counts strategies for fiscal year 2017-2018 and fiscal year 2018-2019.

1) Education & Workforce Development

Rural Schools

- 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 \$15 million (in Tier 1 counties) per year to a single county and requires a local match. The budget provides \$30 million in FY '18 and \$75 million in FY'19 from Lottery proceeds to finance the new program.
- Creates a new Coding and Mobile Application Grant Program to provide \$400,000 in FY '18 and \$800,000 in FY'19 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.
- Creates a Joint Legislative Task Force on Education Finance Reform that will examine the manner the state finances public elementary and secondary education and look at other models for financing and then develop a new funding model based on a weighted student formula. The task force report is due by October 2018 (similar to H 6 and S 9).
- Provides \$4,200,000 in FY '18 and \$700,000 in FY '19 for a competitive grants program to extend career and technical education into the 6th and 7th grades.
- Permits local boards of education to establish Business Advisory Councils to aid the board in providing career and technical education that will meet the needs of the

community. (Additional language specifies the membership, duties, and appointment procedures for the advisory councils.)

- Adds \$11.2 million in FY '18 for textbooks and digital materials, bringing the total available to \$66.8 million.

Teachers

- Continues and expands a pilot program for up to five teacher assistants/district to receive up to \$4,500/year tuition reimbursement to pursue teaching degrees (while still working as teacher assistants). Counties in the expanded pilot are Anson, Beaufort, Bertie, Duplin, Edenton-Chowan, Edgecombe, Franklin, Halifax, Moore, Nash-Rocky Mount, Northampton, Randolph, Richmond, Scotland, Tyrrell, Vance, and Washington (plus two urban counties). Total funding is \$427,500/year.
- Provides funding (\$245,000/year) to reimburse first time applicants for a teaching license the cost of their application 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. Provides \$278,500/year to fund the program.
- Re-establishes the Teaching Fellows Program with \$450,000 in FY '18 and \$6 million in FY '19. Forgivable loans of up to \$8,250/year will be available to prospective STEM and special education teachers.

Community Colleges

- Authorizes Community Colleges to assess instruction and related costs for workforce-related training course and provides funding (\$2.5 million in FY '19) for Community Colleges to aid colleges starting high-cost workforce training programs.
- Creates the Board of Postsecondary Education Credentials to review and develop a system to link government, community organizations, and postsecondary education with business, industry, and corporations to identify workforce skills and training needs. In addition, the board is to identify alternative methods, such as on-the-job training, and

the types of credentials needed to certify levels of competence. Community Colleges will provide \$350,000/year for this board to carry out its work.

- Transfers the Apprenticeship NC program to Community Colleges (from Commerce) and provides \$850,315/year for the program.
- Appropriates \$200,000 in FY '18 for a collaboration between Community Colleges and the construction industry to address workforce training needs in the construction industry.

Universities

- Increases (by \$1 million) funding in FY '18 for innovative research programs in six priority areas. The Research Opportunity Initiative will have \$4 million in FY'18 (\$3 million in FY '19).
- Adds \$11 million in FY '19 to fund enrollment growth in the NC Promise program (\$500/semester tuition at three UNC-system institutions), bringing the revised appropriation to \$51 million.
- Permits certain veterans to qualify for in-state tuition.
- The Board of Governors for the UNC system is to study the feasibility of establishing three programs at Winston-Salem State University – physician assistant, chiropractic medicine, and basic law enforcement training—and report its finding by March 2018.
- Provides \$2.8 million in FY '18 and \$2 million in FY'19 to stabilize enrollment at Elizabeth City State University.
- Adds \$2.5 million/year to support doctoral programs at NC A&T.
- Adds \$1.5 million in FY '19 (bringing the total to \$1.8 million) for Cheatham-White Scholarships at NCCU and NC A&T.

Workforce Development

- Adds \$1.1 million in FY' 18 and \$1.8 million in FY '19 for NC Works Career Coaches (brings total for FY'18 to \$2.1 million and FY '19 to \$2.8 million).
- Adds \$2 million in FY '18 for short-term workforce training programs to prepare students for industry credentials.

2) Health Care

Health Systems

- Increases funding by \$7.5 million/year for community health centers, rural health centers, federally qualified health centers, free clinics, and other providers in rural and medically underserved communities. Brings the total available to \$15 million/year.
- Rural Health may combine three loan repayment programs for medical, dental, and psychiatric providers practicing in state hospitals or rural or medically underserved areas and also use the funds for general surgeons practicing in critical access hospitals and providers who use telemedicine in rural and underserved areas.
- Adds \$200,000/year to provide medications for indigent and uninsured persons, bringing the total available to \$2.1 million/year.
- Allocates \$350,000/year to continue the Community Paramedicine Pilot program that expands the role of paramedics to divert persons to community alternatives instead of non-emergency visits to hospital emergency rooms. Three pilot programs are funded in New Hanover, McDowell, and Wake counties.

Education

- Appropriates \$1 million to increase the number of medical student slots at UNC School of Medicine.
- The UNC Board of Governors is to study the feasibility of establishing a School of Health Sciences and Health Care at UNC-Pembroke to serve the region and its health care needs.

- Provides \$8 million increase in FY '18 and \$7.6 million increase in FY '19 for the Western School of Medicine in Asheville, a total appropriation of \$11 million in FY '18 and \$10.6 million in FY '19. (The Western School of Medicine is a partnership between MAHEC and the UNC-Chapel Hill Medical School.)
- Adds \$4 million/year to stabilize funding for the Brody School of Medicine at ECU. (ECU Health Affairs will receive \$74.4 million in FY '18 and \$75 million in FY '19.)
- Funds planning and initial implementation of new medical residency programs to increase the number of health care providers in rural and underserved areas. The budget provides \$162,857 in FY '18 and \$803,804 in FY '19 to initiate programs in Duplin, Halifax, Ahoskie, and Carolina East.
- Creates a legislative oversight subcommittee to examine and report on the use of state funds to support medical education and medical residency programs, including information about shortage areas and medical needs of the state.

Opioids

- Provides \$1.839 million/year to develop and implement software for the Controlled Substance Abuse Reporting System (that tracks opioids).
- Adds \$100,000/year to purchase opioid antagonists.
- Funds (\$250,000/year) a pilot project in Wilmington to establish a quick response team to address the needs of opioid and heroin overdose victims who are not getting follow-up treatment.
- For FY'18, LME/MCOs are to use 86 percent of the funds provided for Alcohol and Substance Use Disorder Treatment Services to purchase inpatient treatment services for alcohol and substance abuse services in order to increase services to individuals in need of opioid treatment.
- Allots \$17 million in FY '18 to provide inpatient behavioral health beds, expanding capacity to serve rural areas. (Caldwell County, Mission Health, Cape Fear Valley Medical

Center, Good Hope Hospital [Harnett County], and Onslow County are among the initial recipients.)

- Expands and renames the Prescription Drug Abuse Advisory Committee to become the Opioid and Prescription Drug Abuse Advisory Committee.

3) Accessible & Affordable Broadband

(No specific changes to the base [continuation] budget for this area)

4) Water and Wastewater Infrastructure

- Directs \$21.725 million/year in CDBG funding to provide infrastructure (subject to the availability of federal funding).
- The Legislative Research Commission is directed to study the use of public enterprise funds (such as water and wastewater system revenues) for purposes not related to the enterprise systems and recommend if legislation is needed to ensure proper maintenance and improvements are made to the water and sewer systems.
- Adds \$4.4 million to the Clean Water Management Trust Fund for FY '18, bringing the total for the fiscal year to \$18.3 million. Of the funding for FY'18, \$545,000 is reserved for a planned land acquisition and \$2.6 million is directed to purchase 1,100 acres of gamelands adjacent to a previous purchase. The appropriation for FY '19 is \$14.3 million.

5) Transportation & Natural Gas Infrastructure

Strategic Transportation Investments Program (STIP)

- Increases funding for Strategic Transportation Investments (STI) by \$139.7 million in FY '18 and by \$180.5 million in FY '19. The revised appropriation for FY '18 is \$1.36 billion and for FY '19, the appropriation is \$1.4 billion.

- Creates a new budget category for Mobility/Economic Development/Small Construction projects funded at \$50 million/year (from the Highway Fund). The money will be divided with \$24 million allotted among the 14 highway divisions for high-impact construction projects (such as intersections); \$20 million will go to the SPOT Mobility program for safety and mobility (congestion reduction) projects; and \$6 million will be set aside for economic development projects on a statewide level. (This new category replaces previous funds for access/service roads, economic development, and small urban construction and increases the total amount available.)

Bridges

- Creates a new Bridge Preservation program funded with \$80 million in FY '18 and \$85 million in FY '19 to maximize the lifespan of bridges.
- Provides \$38 million/year to replace deficient bridges.

Ports

- Establishes a new State Ports Authority Fund in the Highway Trust Fund and provides \$45 million/year for modernizations.

Planning

- Permits DOT to enter into agreements with local governments to expedite projects currently programmed in the transportation improvement plan or to provide preliminary engineering for projects not currently programmed, but included in preceding plans.
- Creates a new Corridor Development Unit in DOT (Planning and Programming) to assist Metropolitan Planning Organizations (MPOs) and Rural Transportation Planning Organizations (RPOs) in defining projects in long-range planning documents. (The unit is created by reorganizing existing staff.)
- Directs DOT to provide matching funds for qualifying MPOs and RPOs for (federal State Planning and Research Program Grants. Eligibility and percentage of matching funds is determined by economic development tiers.

6) Entrepreneurship & Small Business Development

(No specific changes to the base [continuation] budget for this area)

7) Homegrown Manufacturing

(No specific changes to the base [continuation] budget for this area)

8) Agriculture & Natural Resources

Food Manufacturing

- Creates the Food Science Innovation Advisory Board to study and make recommendations to the General Assembly about increasing employment and private capital investment in food manufacturing (with emphasis on rural and economically distressed areas); increasing the use of NC-produced ingredients, products and equipment; and increasing the number and economic value of food manufacturing entrepreneurs and companies in NC (with priority given to rural and economically distressed areas).
- Funds a Food Processing Innovation Center at the NC Research Campus [Kannapolis] with \$5.1 million in FY '18 and \$700,000 in FY '19.
- Appropriates \$250,000 in FY '18 to the NC Center for Viticulture and Enology for training, research, and other assistance to the wine industry.
- Provides \$2 million for NCSU to participate in a collaborative effort to accelerate the development of innovation manufacturing processes for biopharmaceutical products. Funds will support the Biomanufacturing Training and education Center and provide the match for a grant from NIST. A related \$500,000 appropriation for the Center will help train and fill 500 positions in the industry.

Organizational Funding

- Increases funding for NCSU Cooperative Extension by \$700,000/year, bringing the total funding to \$39.2 million/year.
- Appropriates \$13.6 million/year to the Biotechnology Center. The funds are provided for job creation activities (\$2.9 million), science and commercialization activities (\$8.8 million), and center operations (\$1.86 million).

Marketing

- Increases money for international marketing of agricultural products by \$773,461 in FY '18 and by \$300,000 in FY '19.
- Increases funding for food marketing by \$250,000 in FY '18.
- Increases funding for domestic marketing of agricultural products by \$523,461 in FY '18.

Food Deserts

- Appropriates \$250,000 for FY '18 to increase the availability of fresh agricultural products in food deserts (Healthy Food Small Retailers program).

Aquaculture

- Provides \$1 million in FY '18 for oyster sanctuaries, increasing the available funds to \$1.4 million in FY '18. In FY '19, funding is \$850,000.
- Appropriates \$150,000 for the Division of Marine Fisheries to contract a study of the state's shellfish industry and make recommendations on how to restore and achieve economic stability for the industry. The funding includes the development of a Shellfish Mariculture Plan.

9) Regional Collaboration & Partnerships

(No specific changes to the base [continuation] budget for this area)

10) Rural Development Funding, Capacity Building, & Technical Assistance

Organizational Funding

- Adds \$7.5 million/year for Golden LEAF.
- Provides additional funding (\$900,000 in FY '18) for the Tobacco Trust Fund. The new total for FY '18 is \$2.9 million and \$2 million in FY '19.
- Adds \$2 million in FY '18 for the Agricultural Development and Farmland Preservation Trust Fund. The new total for FY '18 is \$4.6 million and \$2.6 million is allocated for FY '19.
- Creates a new position in Commerce for Outdoor Recreation Recruitment and promotion of the outdoor recreation industry.
- Adds \$1,261,405 for Job Maintenance and Capital Development (JMAC).
- Adds \$3 million for tourism advertising and marketing by the Economic Development Partnership.
- Adds \$1.9 million for domestic and international marketing by the Economic Development Partnership.

Economic Development Incentives

- Reduces the incentive funding for FY '18 to align with projected needs for JDIG (reduces by \$4,163,999, leaving \$67.6 million) and for One NC (reduces by \$8,956,374, leaving \$43,626).

Downtown & Neighborhood Revitalization

- Provides \$950,000 for downtown revitalization and economic development projects that are specified in the text of the budget bill.

- The Main Street Solutions program will receive \$500,000 in FY '18 to provide matching grants for downtown revitalization efforts.
- Directs \$10 million/year in CDBG funding to neighborhood revitalization and \$10.737 million/year in CDBG funding to economic development projects. (These allocations are subject to the availability of federal funds. The CDBG Infrastructure funding is noted with Strategy 4.)

Industrial Sites

- Creates the NC Ready Sites Fund and provides \$2 million in FY '18 to grant to local governments to fund public infrastructure to serve large publically-owned/controlled industrial sites to attract employers.

Cultural Resources

- Creates the Rural Touring Arts Grant Program, providing \$75,000/year to reach Tier 1 and Tier 2 counties.
- Adds \$3.2 million to the Parks and Recreation Trust Fund in FY '18, bringing the available funding for PARTF to \$19.7 million in '18. The total for FY '19 is \$16.2 million.

Other Items of Interest to Rural Advocates

Hurricane Matthew

- Provides \$100 million for supplemental disaster recovery funding.

Social Services

- Establishes a reserve (\$61,439 in '18 and \$3.2 million in '19) to implement the Family/Child Protection and Accountability Act (H 630/S 594) to make reforms to the child welfare system.

Housing

- The Housing Finance Agency will receive funding for the Workforce Housing Loan program to aid in the development of low-income housing units in the state. The HFA will receive \$16 million in funding from a settlement with Moody's Corporation, augmented by state appropriations of \$3.9 million in FY '18 and \$20 million in FY '19.
- Provides \$150,000 to implement the Competitive Energy Solutions for NC Bill H 589 if it passes.

Taxes

- Lowers the personal income tax rate to 5.25% in 2019
- Increases the standard deduction in 2019
- Converts the child tax credit to a deduction in 2018
- Reduces the franchise tax
- Repeals the sales tax on mill machinery

Miscellaneous

- Adds \$15 million in FY '18 and \$31 million in FY '19 for the Film and Entertainment Grant Fund. The total available for FY '18 will be \$33.6 million.
- The budget transfers the Industrial Commission from the Department of Commerce to the Department of Insurance.
- The budget specifies the Museum of Science will use the economic development tier designations in awarding grants to museums. The Museum of Science is to reserve \$750,000 for Tier 1 and \$600,000 for Tier 2 counties. The section further establishes the maximum grant amounts for projects in each tier.