

Brooks Pierce Capital Dispatch: Updates from the NC General Assembly and Governor's Office, June 25, 2021

06.25.2021

This week, the Senate passed its version of the budget bill and Legislators agreed on an unemployment bill.

Senate Budget Bill

The Senate this week passed its version of the biennial budget bill (S 105). The bill now goes to the House, which has announced a target date of July 23 to pass its version of the bill. Although a new budget bill will not be enacted by the end of the state's fiscal year on June 30, state government operations will continue with spending at the FY 21 recurring funding levels.

Here are key provisions from the Senate bill:

Some Spending Highlights

- Spends \$25.7 billion for FY 22 and \$26.6 billion for FY 23
- Allocates \$4.3 billion over two years to the State Capital Infrastructure Fund
- Replenishes the state's reserves, including the Rainy Day Fund
- Allocates \$2.8 billion for transportation investments and \$1.2 billion for road resurfacing
- Fully funds the UNC System's repairs and renovations request over the next four years
- Provides \$400 million to state agencies for repairs and major renovations
- Funds stream debris removal at \$138 million

Tax Changes

- Increases zero-tax bracket to \$25,500
- Cuts personal income tax rate from 5.25% to 3.99% by 2026, starting with 4.99% in 2022
- Increases the child tax deduction by \$500 per child
- Eliminates the state corporate income tax over five years beginning with tax year 2024
- Eliminates the NC property base of covered businesses from the franchise tax calculations

Salaries and Benefits

- Gives a 3% raise over the biennium for most state employees, including teachers and UNC/ community college employees
- Provides bonuses for all state employees using federal funds and gives an additional across-the-board teacher bonus of \$300

K-12 Education

- Appropriates \$10.4 billion in FY 22 and \$10.5 billion in FY 23, an increase of a half-billion state dollars to public school education
- Appropriates \$459 million over the biennium from the North Carolina Education Lottery to the Needs-Based Public School Capital Building Fund and \$200 million to the Public School Capital Fund

Information Technology

- Allocates nearly \$700 million in federal funding for rural broadband, plus \$30 million over the biennium using state funds to the NC GREAT program
- Allocates \$10 million for cybersecurity risk management
- Provides \$600,000 for Department of Employment Security program integrity

Justice and Public Safety

- Allocates \$10 million for testing of new rape kits and clearing the state's rape kit backlog
- Creates a new Department of Correction and a separate Division of Juvenile Justice and Division of Community Supervision and Reentry within the Department of Public Safety

Agriculture and the Environment

- Allocates \$1 billion of federal ARPA funds to local governments for water and sewer
- Provides \$100 million in federal funding to create a new program to assist local governments with storm water infrastructure and management
- Allocates \$40 million in federal funds to North Carolina food banks
- Provides \$50 million in federal funding for rural downtown transformation grants
- Transfers \$2.7 million to the Film and Entertainment Grant special fund

Health and Human Services

- Allocates almost \$40 million of federal funds to long-term care facilities that care for low-income residents and residents with developmental disabilities
- Extends Medicaid benefits to eligible postpartum mothers from 60 days to 12 months
- Directs \$8.5 million of federal funds to free and charitable clinics
- Provides \$3 million for loan repayment incentives to recruit doctors and other healthcare professions to rural areas

Unemployment compensation

Both houses this week passed a bill (S 116) containing a conference committee report related to unemployment compensation and child care expenses. Among other things, the bill ends a \$300-a-week federal supplement currently included in unemployment checks. This federal supplement is scheduled to end in September even if this bill is not enacted. The bill also contains \$250 million in child care subsidies and would require unemployment claimants to meet work search requirements.

For more information, contact a member of the Brooks Pierce Government Affairs Team.

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