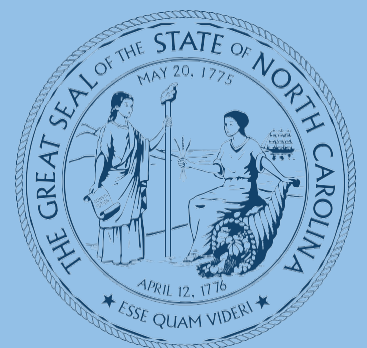


SUPPORT *for a*
Determined North Carolina





**STATE OF NORTH CAROLINA
OFFICE OF THE GOVERNOR**

ROY COOPER
GOVERNOR

August 26, 2020

The North Carolina Senate
The Honorable Phil Berger, President Pro Tempore

The North Carolina House of Representatives
The Honorable Tim Moore, Speaker

The People of North Carolina

Dear Mr. President, Mr. Speaker, Members of the General Assembly and Fellow North Carolinians:

North Carolina is facing unprecedented challenges as we confront the once-in-a-lifetime threat of the COVID-19 pandemic and its impact on our economy. North Carolinians are clear-eyed about the future we face: this virus remains a threat until a vaccine and treatments are developed, and we must continue to prevent its spread, heal those who are sick, and support families whose livelihoods are impacted by the disease.

But this pandemic has not relieved us of our responsibility to tackle long-term issues facing our state. Natural disasters such as this pandemic do not conceal our weaknesses, they expose them. Extending healthcare to working families, investing in education and infrastructure, and addressing disparities that existed well before COVID-19 still need our attention and our action.

We can battle the disease while building for the future, responsibly. Accordingly, in April of this year my budget office issued directions to state agencies and universities to reduce expenditures, including leaving vacant positions unfilled, freezing salary adjustments, limiting purchases, and limiting travel.

With responsibility in mind, I present to you recommendations for the FY 2020-21 state budget and for the remaining federal Coronavirus Relief Funds (CRF). As the federal government dawdles in the face of a global crisis, we must take action immediately to meet the moment.

- We must improve access to quality health care, help prevent spread of COVID-19, and boost our economy by expanding Medicaid as 38 states have already done.
- We must increase our state unemployment benefits, which are among the stingiest in the country, by extending the maximum number of weeks from 12 to 24 and upping the maximum benefit to \$500 per week.
- We must support educators who are doing more than ever to teach, feed, and care for our children. In the absence of recurring funds to give them a much-deserved raise, we must give them bonus compensation reflective of their evolving responsibilities.
- We must meet the state's constitutional responsibility to provide a sound basic education to every North Carolina child by investing in support for Children with Disabilities, Disadvantaged and At-Risk Students, and the Teaching Fellows program.

- We must continue to build our COVID-19 response with more testing, tracing, and prevention efforts, while also investing in world-class development of vaccines and treatments in North Carolina.
- We must bridge the digital learning gap and bring opportunities to rural areas by expanding internet access, improving health care, and investing in rural infrastructure.
- We must help struggling families and businesses weather the storm of COVID-19 with rental and utilities assistance.
- We must plan for the future by taking advantage of historically low interest rates to make deep investments in infrastructure with building 21st century schools, more housing, and improving water and sewer infrastructure.

I, along with my entire administration, look forward to working with you to move North Carolina forward.

Sincerely,

A handwritten signature in black ink that reads "Roy Cooper". The signature is written in a cursive, flowing style.

Roy Cooper

**Governor's Recommended Budget Adjustments for FY 2020-21
General Fund Operating Budget**

	FY 2020-21
1 Budget Availability	
2 Unappropriated Balance from Prior Fiscal Year	1,471,080,411
3 Reservations & Other Adjustments	
4 Growing GREAT Program (SL 2019-230)	(15,000,000)
5 Funding for Workforce Housing Loan Program (SL 2020-28)	20,000,000
6 Beginning Unreserved Balance	1,476,080,411
7	
8 Consensus Revenue Forecast for FY 2020-21 (May 2020)	23,466,300,000
9	
10 Current FY 2020-21 General Fund Availability	24,942,380,411
11	
12 Current Enacted FY 2020-21 General Fund Appropriations	24,485,107,717
13	
14 Current Balance	457,272,694
15	
16 <u>Recommended Adjustments to Budget Availability</u>	
17 Opportunity Scholarships	85,000,000
18 Technical Adjustment - Revised Debt Service Needs	17,000,000
19 Subtotal	102,000,000
20	
21 Revised Balance	559,272,694
22	
23 Total Budget Availability	25,044,380,411
24	
25 Recommended Adjustments	
26 <u>Education Employees Compensation (support those excluded in Long Session)</u>	
27 Teachers and Principals - \$2,000 Bonus	230,000,000
28 Noncertified Public School Employees - \$1,000 bonus	50,000,000
29 UNC System and Community Colleges Employees - \$1,500 bonus	80,000,000
30 Subtotal	360,000,000
31	
32 <u>Critical Support for North Carolinians</u>	
33 Ensuring a Sound Basic Public Education (Leandro)	50,000,000
34 Disaster Recovery - Recent Hurricanes & Earthquake	86,500,000
35 Financial Backbone Replacement Project	5,000,000
36 Local Government Commission Financial Assistance Fund	5,000,000
37 One North Carolina Fund (Capital Improvement Project)	18,000,000
38 Repairs and Renovations (R&R)	10,000,000
39 Building Reserves	14,553,941
40 Other Critical Needs in State Agencies	10,218,753
41 Subtotal	199,272,694
42	
43 <u>Rebuilding and Strengthening Our Economy</u>	
44 Closing the Healthcare Coverage Gap starting January 2021	
45 Immediate Health Infrastructure Limited Obligation Bond - \$988m	
46 Education, Housing, Water/Sewer General Obligation Bond - \$4.3b	
47 Unemployment Insurance Benefit Changes	
48	
49 Total Adjustments	559,272,694
50	
51 Total Recommended Budget	25,044,380,411

General Fund (1XXXX)

	FY 2020-21 Recommended			
	R Changes	NR Changes	Adjustments	
Ensuring a Sound Basic Public Education				
1 A Sound Basic Public Education				
Provides \$50 million as part of the state's commitment to providing a sound basic education for all students. Funding will be used to serve the highest needs students, schools, and school districts, including expanding funding for Children with Disabilities, Disadvantaged and At-Risk Students, and English-language learners.	Req \$	- \$	50,000,000 \$	50,000,000
Provides funding to expand the Teaching Fellows program, the College Advising Corps, and to ensure students are college and career ready. Invests \$12.3M in North Carolina's early education system to increase NC Pre-K rates to more closely reflect true costs and increases funding to Smart Start to support children from birth to age five and their families. These funds are combined with additional funding provided from the Coronavirus Relief Fund to ensure that students most impacted by COVID-19 receive a sound basic education.	Rec \$	- \$	- \$	-
	App \$	- \$	50,000,000 \$	50,000,000
	FTE			0.000
Department of Health and Human Services				
2 Medicaid Coverage Gap				
Expands Medicaid eligibility to cover more than 600,000 additional individuals and secure our share of federal resources that will inject over \$4 billion in direct spending into our state. This expansion will create over 37,000 jobs, bolster North Carolina's hospitals, and support a healthier, more resilient population. No existing general fund tax dollars are needed to support the expansion. Instead, the non-federal share of expansion costs is covered by provider contributions.	Req \$	2,089,088,292 \$	- \$	2,089,088,292
	Rec \$	2,089,088,292 \$	- \$	2,089,088,292
	App \$	- \$	- \$	-
	FTE			0.000
University of North Carolina				
3 Opportunity Scholarship Program				
Makes a nonrecurring reduction to unobligated funds for the Opportunity Scholarship private school voucher program but ensures sufficient funding is available to continue support for every student who is currently receiving a voucher.	Req \$	- \$	(85,000,000) \$	(85,000,000)
	Rec \$	- \$	- \$	-
	App \$	- \$	(85,000,000) \$	(85,000,000)
	FTE			0.000
Salaries and Benefits				
4 Teacher, Instructional Support, and School-based Administrator Bonuses				
Provides a one-time \$2,000 bonus to teachers, instructional support personnel (IS), and principals and assistant principals (SBAs) employed on October 1, 2020. These employees did not receive increases, other than a step increase, in FY 2019-20 and FY 2020-21. The bonus shall be paid in December 2020 and shall not be considered compensation for retirement purposes.	Req \$	- \$	230,000,000 \$	230,000,000
	Rec \$	- \$	- \$	-
	App \$	- \$	230,000,000 \$	230,000,000
	FTE			0.000
5 Noncertified Local Education Agency Employee Bonuses				
Provides a one-time \$1,000 bonus to non-certified school personnel employed on October 1, 2020. Non-certified school personnel did not receive an increase in FY 2019-20 or FY 2020-21. The bonus shall be paid in December 2020 and shall not be considered compensation for retirement purposes.	Req \$	- \$	50,000,000 \$	50,000,000
	Rec \$	- \$	- \$	-
	App \$	- \$	50,000,000 \$	50,000,000
	FTE			0.000
6 UNC and NC Community College System Bonuses				
Provides a one-time \$1,500 bonus to UNC System and NC Community College personnel employed on October 1, 2020. UNC System and Community College personnel did not receive an increase in FY 2019-20 or FY 2020-21. The bonus shall be paid in December 2020 and shall not be considered compensation for retirement purposes.	Req \$	- \$	80,000,000 \$	80,000,000
	Rec \$	- \$	- \$	-
	App \$	- \$	80,000,000 \$	80,000,000
	FTE			0.000
Local Government Commission				
7 Local Government Financial Assistance Fund				
Provides funds for a reserve fund for the Local Government Commission (LGC) at the Department of State Treasurer, in order to provide essential services to local governments on the Unit Assistance List. This fund would only be accessed if the LGC takes action under statute to assume financial control of the government unit. It also provides \$480,528 for four receipt-supported positions to meet the LGC's increased workload.	Req \$	480,528 \$	5,000,000 \$	5,480,528
	Rec \$	480,528 \$	- \$	480,528
	App \$	- \$	5,000,000 \$	5,000,000
	FTE			4.000
North Carolina Pandemic Recovery Office				
8 OSBM - North Carolina Pandemic Recovery Office (NCPRO)				
Supports NCPRO operations for 6 months past federal reporting deadlines to maintain legislatively mandated programs and operations. General Fund support for this office is required because federal Coronavirus Relief Funds must be expended by December 30, 2020 but reporting, audit, and compliance activities will continue after the December expenditure deadline.	Req \$	- \$	1,088,668 \$	1,088,668
	Rec \$	- \$	- \$	-
	App \$	- \$	1,088,668 \$	1,088,668
	FTE			0.000
State Match for Disaster Recovery				
9 State Match for Disaster Recovery				
Provides state matching funds for FEMA Recovery Programs for disasters including, but not limited to, Hurricanes Matthew, Florence, Dorian, and Isaias, and to repair and rebuild homes and businesses in the town of Sparta and Alleghany County in the aftermath of the August 9, 2020, earthquake.	Req \$	- \$	86,500,000 \$	86,500,000
	Rec \$	- \$	- \$	-
	App \$	- \$	86,500,000 \$	86,500,000
	FTE			0.000

	R Changes	NR Changes	Adjustments
Reserves			
10 Information Technology - NC Financial Backbone Replacement			
Provides funds to continue development of the statewide Enterprise Resource Planning system for accounting, cash management, and other financial functions.	Req \$ -	\$ 5,000,000	\$ 5,000,000
	Rec \$ -	\$ -	\$ -
	App \$ -	\$ 5,000,000	\$ 5,000,000
			FTE 0.000
11 One NC Funds			
Provides funds to the One NC fund to support economic development projects.	Req \$ -	\$ 18,000,000	\$ 18,000,000
	Rec \$ -	\$ -	\$ -
	App \$ -	\$ 18,000,000	\$ 18,000,000
			FTE 0.000
12 Repair and Renovation Reserve			
Provides funds to support the repair and renovation of state facilities.	Req \$ -	\$ 10,000,000	\$ 10,000,000
	Rec \$ -	\$ -	\$ -
	App \$ -	\$ 10,000,000	\$ 10,000,000
			FTE 0.000
13 Building Reserves			
Provides funds to operate new facilities opening, including Broughton Hospital, new UNC System facilities, and the long-term inmate medical care facility.	Req \$ -	\$ 14,553,941	\$ 14,553,941
	Rec \$ -	\$ -	\$ -
	App \$ -	\$ 14,553,941	\$ 14,553,941
			FTE 0.000
14 Debt Service Adjustment			
Reduces debt service expenditures for FY2020-21 to reflect reduced interest rates and cash flow needs.	Req \$ -	\$ (17,000,000)	\$ (17,000,000)
	Rec \$ -	\$ -	\$ -
	App \$ -	\$ (17,000,000)	\$ (17,000,000)
			FTE 0.000
Other Critical Items			
15 DPS - Juvenile Detention Center Beds			
Provides funds to the Department of Public Safety (DPS) for additional juvenile detention beds needed across the state since the implementation of Raise the Age on December 1, 2019. These funds will support operations at juvenile detention centers, including those owned and operated by certain counties.	Req \$ -	\$ 4,800,000	\$ 4,800,000
	Rec \$ -	\$ -	\$ -
	App \$ -	\$ 4,800,000	\$ 4,800,000
			FTE 0.000
16 DPS - Alcohol Law Enforcement Relocation			
Funds the relocation and establishment of independent offices for DPS, Division of Alcohol Law Enforcement's headquarters and eight district offices.	Req \$ -	\$ 500,000	\$ 500,000
	Rec \$ -	\$ -	\$ -
	App \$ -	\$ 500,000	\$ 500,000
			FTE 0.000
17 DOJ - Support Critical Agency Operations			
Provides \$1.5 million to support processing of sexual assault kits, crime lab operations, the Criminal Justice Fellows program, and legal division positions to promotes more effective representation of state interests and strengthen the criminal justice system.	Req \$ -	\$ 1,500,000	\$ 1,500,000
	Rec \$ -	\$ -	\$ -
	App \$ -	\$ 1,500,000	\$ 1,500,000
			FTE 0.000
18 IDS - Private Assigned Counsel Fund			
Funds the Office of Indigent Defense Services (IDS)'s Private Assigned Counsel fund, ensuring equal access to legal representation in judicial districts without public defender offices.	Req \$ -	\$ 1,500,000	\$ 1,500,000
	Rec \$ -	\$ -	\$ -
	App \$ -	\$ 1,500,000	\$ 1,500,000
			FTE 0.000
19 DOA - Transition Funding for Statewide-Elected Offices			
Provides funds to the Department of Administration (DOA) to fund all transition activities for statewide-elected officials.	Req \$ -	\$ 500,000	\$ 500,000
	Rec \$ -	\$ -	\$ -
	App \$ -	\$ 500,000	\$ 500,000
			FTE 0.000
20 DOA - Special Projects Management Team			
Funds temporary staff members to manage capital projects within the downtown complex and for agencies that have capital needs but do not have a full-time capital position. Most immediately, these positions will help manage the Department of Environmental Quality's Reedy Creek Lab renovation and expansion and the Department of Health and Human Services relocation from the Dorothea Dix Campus.	Req \$ -	\$ 250,000	\$ 250,000
	Rec \$ -	\$ -	\$ -
	App \$ -	\$ 250,000	\$ 250,000
			FTE 0.000

	R Changes	NR Changes	Adjustments
21 DMVA - Increase to the NC Scholarship for Children of Wartime Veterans			
Provides an increase to the Department of Military and Veterans Affairs (DMVA)'s NC Scholarship for Children of Wartime Veterans (GS 143B-1223) program, which awards scholarships to the children of veterans who are deceased, disabled, combat or POW/MIA. Scholarships are awarded to students attending NC schools.	Req \$	-	\$ 80,085
	Rec \$	-	-
Funding would allow the scholarship to keep pace with the rising cost of education and a 3% increase in tuition at the UNC System. Additional receipts are budgeted in the special fund.	App \$	-	\$ 80,085
	FTE		0.000
Total Change to Requirements	\$ 2,089,568,820	\$ 457,272,694	\$ 2,546,841,514
Total Change to Receipts	\$ 2,089,568,820	\$ -	\$ 2,089,568,820
Total Change to Net Appropriation	\$ -	\$ 457,272,694	\$ 457,272,694
Total Change to Full-Time Equivalent (FTE)			4.000
Recommended Net Appropriation Changes (Recurring + Nonrecurring)	\$	457,272,694	
Recommended Total FTE Changes			4.000

Special Fund (2XXXX)

	FY 2020-21 Recommended		
	R Changes	NR Changes	Adjustments
Other Critical Items			
1 HFA - Community Living Housing Fund			
Transfers the unexpended year-end balance in DHHS's Transitions to Community Living Fund to Housing Finance Agency (HFA)'s Community Living Housing Fund, as required by GS 122E-3.1. HFA uses the funds to provide permanent, community-based housing for people with disabilities, which helps the state meet requirements of the Olmstead settlement with the U.S. Department of Justice.	Req \$	- \$	8,524,272 \$
	Rec \$	- \$	8,524,272 \$
	CFB \$	- \$	- \$
	FTE		0.000
2 DOR - Critical IT Operations and Maintenance			
Transfers receipts from the Collection Assistance Fee to the General Fund to support Department of Revenue (DOR) tax filing systems and allow individuals and businesses to file individual and corporate income, franchise, and partnership taxes electronically. This item also funds maintenance, support, and upgrades for DOR hardware and software.	Req \$	- \$	12,500,000 \$
	Rec \$	- \$	- \$
	CFB \$	- \$	(12,500,000) \$
	FTE		0.000
3 DOA - E-Procurement IT System Upgrade			
Increases expenditures to upgrade the e-procurement system and to develop or acquire a vendor performance management tool to track vendor quality and performance.	Req \$	- \$	5,250,000 \$
	Rec \$	- \$	- \$
	CFB \$	- \$	(5,250,000) \$
	FTE		0.000
4 DOA - Transfer from E-Procurement Fund to State Property Office IT System			
Transfers \$1.5 million from the E-Procurement Special Fund to the General Fund to fund a third-party service contract with the State Property Office to develop and implement a new real estate information system.	Req \$	- \$	1,500,000 \$
	Rec \$	- \$	- \$
	CFB \$	- \$	(1,500,000) \$
	FTE		0.000
5 DOA - Parking Systems Upgrades			
Increases expenditures to replace current end-of-life parking systems that are no longer supported nor Payment Card Industry (PCI) compliant. Failure to be PCI compliant creates security vulnerabilities and the potential for fines. Funds can also be used for maintenance, restriping, and repainting of faded markings in state parking decks.	Req \$	- \$	1,990,000 \$
	Rec \$	- \$	- \$
	CFB \$	- \$	(1,990,000) \$
	FTE		0.000
6 DOA - Purchasing and Contract Training Program			
Increases expenditures to fund the Purchasing and Contract Division's contract with a competitively selected educational learning consultant to assist redesigning and redeploying the state e-procurement training program.	Req \$	- \$	1,600,000 \$
	Rec \$	- \$	- \$
	CFB \$	- \$	(1,600,000) \$
	FTE		0.000
7 DMVA - Increase to the NC Scholarship for Children of Wartime Veterans (Escheats)			
Provides for an increase to the NC Scholarship for Children of Wartime Veterans (GS 143B-1223) program, which awards scholarships to children of veterans who are deceased, disabled, combat or POW/MIA. Scholarships are awarded to students attending NC schools. Funding would allow the scholarship to keep pace with the rising cost of education and a 3% increase in tuition at the UNC System. Additional funds are budgeted in the General Fund.	Req \$	267,629 \$	- \$
	Rec \$	267,629 \$	- \$
	CFB \$	- \$	- \$
	FTE		0.000
8 DMVA - Funds for Opening Kernersville State Veterans Home			
Provides funding for the initial staffing and opening of a new State Veterans Home in Kernersville, NC. Staffing will begin four months prior to the opening, which is scheduled for July 2021.	Req \$	- \$	2,000,000 \$
	Rec \$	- \$	2,000,000 \$
	CFB \$	- \$	- \$
	FTE		0.000
Total Change to Requirements	\$	267,629	\$ 33,364,272
Total Change to Receipts	\$	267,629	\$ 10,524,272
Total Change to Fund Balance	\$	-	\$ (22,840,000)
Total Change to Full-Time Equivalent (FTE)			0.000
Recommended Fund Balance Changes (Recurring + Nonrecurring)	\$		(22,840,000)
Recommended Total FTE Changes			0.000

**Governor's Recommended Budget Adjustments
Coronavirus Relief Fund (CRF)**

	Must be Expended by Dec. 30, 2020
<u>1 CRF Availability</u>	
2 Remaining Unallocated Balance	552,402,617
3 Reallocate Transportation (S.L. 2020-4)	300,000,000
4 Reallocate State Agency Revenue Replacement (S.L. 2020-4)	20,000,000
5 Reallocate Capital Transfer (S.L. 2020-81)	31,500,000
6 Reallocate Golden LEAF (S.L. 2020-4)	62,500,000
7 Interest Earned	12,000,000
8 Total CRF Availability	978,402,617
9	
<u>10 Recommended Expenditures</u>	
11 Local Government Assistance	200,000,000
12 Critical Public Health Services	
13 Testing and Tracing	25,000,000
14 Prevention Efforts	15,000,000
15 Mental Health and Resilience	30,000,000
16 Rural and Historically Marginalized Populations	50,000,000
17 Early Childhood Services	40,000,000
18 Aging Adults	15,000,000
19 Supporting Education	
20 Public Schools - at-risk students, connectivity, mental health, PPE	132,000,000
21 UNC System - testing, PPE, sanitation, quarantining	75,000,000
22 Community Colleges - testing, PPE, sanitation, online learning supports	30,000,000
23 Private Colleges - emergency needs	5,000,000
24 Rebuilding and Strengthening Our Economy	
<u>25 Infrastructure</u>	
26 Highspeed Internet Access	50,000,000
27 Rural Revitalization	5,000,000
<u>28 Workforce and Business Development (bring back PPE jobs)</u>	
29 Community College's Equipment (workforce, healthcare, & first responders)	25,000,000
30 PPE-NC Initiative	17,500,000
31 Innovation and Manufacturing Program	5,000,000
<u>32 Business Assistance and Development</u>	
33 Small Business Rent, Mortgage, and Utilities Relief Program (Commerce)	27,500,000
34 Small Business Impact Program (DOA/HUB/NC PRO)	18,000,000
35 Agriculture Producers	29,500,000
36 NC Board of Science, Tech., & Innovation - One NC Small Business Program	8,000,000
<u>37 Innovations in Testing and Vaccine Research and Development</u>	
38 UNCCH Rapid Testing for Large Populations	25,000,000
39 Duke Vaccine Research and Development	2,000,000
40 Other Critical Items	
41 Nutrition Programs (Ag, Public Schools, Community Non-Profits)	50,000,000
42 PPE Stockpile	48,902,617
43 Museums, Zoo, & Cultural Attractions Stabilization (from business disruption)	20,000,000
44 Parks and Trails for Health (PATH)	20,000,000
45 Hotel to Homes	5,000,000
46 Andrea Harris Taskforce Recommendations	5,000,000
47	
48 Total Recommended Expenditures	978,402,617

COVID-19 Recovery Act (23013)

		FY 2020-21 Recommended		
		R Changes	NR Changes	Adjustments
Supporting Education				
1 Strengthening Public Schools in Pandemic				
Provides funding to the Department of Public Instruction to assist Public School Units in responding to COVID-19 and ensure students most impacted by COVID-19 receive a sound basic education. Funds may be used to purchase PPE and cleaning and sanitation supplies and equipment; transport meals and instructional materials and devices; provide services for exceptional children; increase access to internet connectivity; invest in the NC Education Corps to provide tutoring to vulnerable students and help close the achievement gap; and other mission critical needs.	Req \$	-	\$ 132,000,000	\$ 132,000,000
	Rec \$	-	\$ 132,000,000	\$ 132,000,000
	CFB \$	-	-	-
	FTE			0.000
2 UNC System Pandemic Response				
Provides funds to effectively respond to COVID-19 impacts including coronavirus testing, quarantine spaces, facility sanitation PPE, online learning supports, and other pandemic needs as they arise.	Req \$	-	\$ 75,000,000	\$ 75,000,000
	Rec \$	-	\$ 75,000,000	\$ 75,000,000
	CFB \$	-	-	-
	FTE			0.000
3 NC Community College System Pandemic Response				
Provides funds to effectively respond to COVID-19 impacts including coronavirus testing, quarantine spaces, facility sanitation/modification & PPE, online learning supports, part-time faculty to reduce class size, and other pandemic needs as they arise.	Req \$	-	\$ 30,000,000	\$ 30,000,000
	Rec \$	-	\$ 30,000,000	\$ 30,000,000
	CFB \$	-	-	-
	FTE			0.000
4 NC Independent Colleges Pandemic Response				
Provides funds to effectively respond to COVID-19 impacts, including coronavirus testing, quarantine spaces, facility sanitation, PPE, online learning supports, and other pandemic needs as they arise.	Req \$	-	\$ 5,000,000	\$ 5,000,000
	Rec \$	-	\$ 5,000,000	\$ 5,000,000
	CFB \$	-	-	-
	FTE			0.000
Critical Public Health Services				
5 Supporting Rural and Historically Marginalized Populations				
Provides funding to DHHS to address health disparities exacerbated by COVID-19 in rural and underserved communities, including research, community engagement through local organizations and Community Health Workers, and wraparound supports such as nutrition assistance, medication delivery, and transportation to facilitate social distancing efforts.	Req \$	-	\$ 50,000,000	\$ 50,000,000
	Rec \$	-	\$ 50,000,000	\$ 50,000,000
	CFB \$	-	-	-
	FTE			0.000
6 Stabilizing Early Childhood Services				
Provides additional funding to DHHS to support childcare providers through the provision of PPE, sanitizing supplies, early educator bonus payments, and operational grants to offset revenue losses due to business disruptions, enrollment declines, and reduced capacity.	Req \$	-	\$ 40,000,000	\$ 40,000,000
	Rec \$	-	\$ 40,000,000	\$ 40,000,000
	CFB \$	-	-	-
	FTE			0.000
7 Supporting Mental Health and Resilience				
Provides additional funds to DHHS for crisis services to respond to significant increases in mental health stressors due to the pandemic. Additional services may include telehealth services and supports, crisis intervention training for law enforcement, inpatient services for the uninsured, and services and training programs to assist children suffering from pandemic-related trauma.	Req \$	-	\$ 30,000,000	\$ 30,000,000
	Rec \$	-	\$ 30,000,000	\$ 30,000,000
	CFB \$	-	-	-
	FTE			0.000
8 Expanding Testing, Contact Tracing, and Analyzing Trends				
Expands DHHS funding for public and private initiatives for COVID-19 testing, contact tracing, and trends tracking and analysis.	Req \$	-	\$ 25,000,000	\$ 25,000,000
	Rec \$	-	\$ 25,000,000	\$ 25,000,000
	CFB \$	-	-	-
	FTE			0.000
9 Protecting and Serving Aging Adults				
Funds expansion of DHHS efforts to reduce the incidence and spread of COVID-19 in nursing homes, intermediate care facilities for individuals with intellectual disabilities, and long-term care facilities, including staff support and the deployment of skilled technical assistance teams to provide on-site consultation in evidence-based infection control procedures to understaffed facilities.	Req \$	-	\$ 15,000,000	\$ 15,000,000
	Rec \$	-	\$ 15,000,000	\$ 15,000,000
	CFB \$	-	-	-
	FTE			0.000
10 Expanding Prevention Efforts to Combat COVID-19				
Provides funding to DHHS for public health efforts to prevent and control the spread of COVID-19, including public communication and education on proven practices for infection control and technical assistance to businesses, schools, and other entities.	Req \$	-	\$ 15,000,000	\$ 15,000,000
	Rec \$	-	\$ 15,000,000	\$ 15,000,000
	CFB \$	-	-	-
	FTE			0.000

	R Changes	NR Changes	Adjustments
Local Government Aid and Assistance			
11 Coronavirus Relief Aid For Local Governments			
Provides \$200 million in aid for local governments, with \$150M provided directly to local governments based on a pro-rata apportionment, and directs counties to allocate 25% of their funds to municipalities. The NC Association of County Commissioners and the NC League of Municipalities will each administer a \$25M grant program based on need, usage, plans, and ability to spend the funds. Counties and municipalities may use these funds for programs such as mortgage, rental, and/or utility assistance grants to residents; non-congregate housing needs; food security grants to nonprofits, houses of worship, and community organization; and childcare assistance.	Req \$	- \$ 200,000,000	\$ 200,000,000
	Rec \$	- \$ 200,000,000	\$ 200,000,000
	CFB \$	-	-
	FTE		0.000
Infrastructure			
12 Highspeed Internet Access Expansion			
Establishes a \$50 million emergency grant program administered by the Department of Information Technology's Broadband Infrastructure Office to efficiently address a diverse range of short-term needs in order to expand highspeed internet access across the state. The program funds projects that bring connectivity to communities most lacking in service, enabling them to promote business development, telework, utilize telemedicine, and learn online in response to COVID-19. Eligible projects include, but are not limited to, targeting strategically-located state towers and fiber connections, transmission equipment, and engineering and security studies; deploying infrastructure and equipment to bring tower projects online; providing direct aid to shovel-ready infrastructure projects; funding the "Building a New Digital Economy in North Carolina" (BAND-NC) program; launching a pilot program at North Carolina's ten Historically Black Colleges and Universities and UNC-Pembroke to increase digital access and inclusion; and establishing a Broadband Subscription Assistance pilot program to provide financial assistance to residents who cannot afford broadband.	Req \$	- \$ 50,000,000	\$ 50,000,000
	Rec \$	- \$ 50,000,000	\$ 50,000,000
	CFB \$	-	-
	FTE		0.000
13 Rural Revitalization			
Provides funds to the Department of Commerce (DOC) to establish direct investment partnerships with rural downtown development organizations to help local governments, downtowns, and main street districts recover and respond to COVID-19 business interruption. Target partners include approximately 50 nonprofit organizations that act as Main Street program administrators and work in collaboration with local governments on rural downtown revitalization. Funds will be used for projects with a direct connection to the COVID-19 emergency and include but are not limited to, renovating buildings to safely prepare for new tenants or altered business operations; retrofitting building or public gathering layouts to enable social distancing; support for open businesses needing to adapt their business models due to COVID-19; streetscaping to encourage social distancing; and distributing PPE to businesses or residents of downtown areas.	Req \$	- \$ 5,000,000	\$ 5,000,000
	Rec \$	- \$ 5,000,000	\$ 5,000,000
	CFB \$	-	-
	FTE		0.000
Business Assistance and Development			
14 NC Small Business Commercial Rent, Mortgage, and Utility Relief Program			
Combines with other funding to create a \$50 million relief program administered by DOC to support establishments in the hospitality, leisure, and other industries that experienced business disruption due to COVID-19. Relief funds would cover up to four months of rent, mortgage, and utility expenses.	Req \$	- \$ 27,500,000	\$ 27,500,000
	Rec \$	- \$ 27,500,000	\$ 27,500,000
	CFB \$	-	-
	FTE		0.000
15 NC Small Business Impact Grant Program			
Combines with other funding to create a \$33 million grant and technical assistance program intended for Historically Underutilized Businesses (HUB). The program will be administered by NCPRO and run by the Carolina Small Business Development Fund and The Institute to help small businesses impacted by COVID-19 who have not been able to receive enough funds needed to survive the pandemic. Businesses can apply for up to two funding rounds and must be registered with the NC HUB Office, share a similar profile to a HUB-certified business, or show evidence of starting a HUB process.	Req \$	- \$ 18,000,000	\$ 18,000,000
	Rec \$	- \$ 18,000,000	\$ 18,000,000
	CFB \$	-	-
	FTE		0.000
16 One NC Small Business Program			
Provides funds to DOC's Office of Science, Technology, and Innovation to offer early-stage technology development grants for small businesses that receive federal awards from the Small Business Innovative Research program or the Small Business Technology Transfer program.	Req \$	- \$ 8,000,000	\$ 8,000,000
	Rec \$	- \$ 8,000,000	\$ 8,000,000
	CFB \$	-	-
	FTE		0.000
17 Assistance for Agriculture Producers			
Provides funds to the Department of Agriculture and Consumer Services (DACs) for direct agriculture assistance to address needs from the COVID-19 pandemic. Eligible uses include expansion of the Small Meat and Processors Assistance Program to meet unmet demand and include seafood processors; emergency grants for certain milk producers; direct aid for independent livestock producers to cover the cost of delayed slaughter and processing of market animals; and direct aid to county agricultural fairs for operating safely.	Req \$	- \$ 29,500,000	\$ 29,500,000
	Rec \$	- \$ 29,500,000	\$ 29,500,000
	CFB \$	-	-
	FTE		0.000

		R Changes	NR Changes	Adjustments
Workforce and Business Development				
18 NC Community College System Healthcare, First Responder, and Workforce Programs				
Provides equipment for healthcare workforce and first responder programs, which includes but is not limited to, simulation mannequins, medication carts, automated external defibrillators, driving simulators, and physical ability equipment.	Req \$	- \$	25,000,000	\$ 25,000,000
	Rec \$	- \$	25,000,000	\$ 25,000,000
	CFB \$	- \$	- \$	-
	FTE			0.000
19 PPE-NC Initiative				
Provides funding for NCPRO to administer to entities involved in establishing NC as a leader in PPE production, The PPE-NC Initiative is a partnership with Catawba Valley's Manufacturing Solutions Center, Gaston Community College's Textile Technology Center, and the private sector to create a launch pad for prototyping and testing reusable PPE products for entrepreneurs and existing manufacturers.	Req \$	- \$	17,500,000	\$ 17,500,000
	Rec \$	- \$	17,500,000	\$ 17,500,000
	CFB \$	- \$	- \$	-
	FTE			0.000
20 NC COVID-19 Innovation and Manufacturing Program				
Funds DOC's Office of Science, Technology, and Innovation to administer a competitive grant program that incents NC businesses to develop and manufacture products to address the COVID-19 pandemic, including critical supplies and equipment, tests and diagnostics, vaccines, gene therapies, and other treatments needed by NC and its healthcare system.	Req \$	- \$	5,000,000	\$ 5,000,000
	Rec \$	- \$	5,000,000	\$ 5,000,000
	CFB \$	- \$	- \$	-
	FTE			0.000
Innovations in Testing and Vaccines				
21 UNC-Chapel Hill COVID-19 Testing Research				
Funds necessary equipment and research to address existing obstacles in rapid COVID-19 screening to increase reliable rapid testing capacity.	Req \$	- \$	25,000,000	\$ 25,000,000
	Rec \$	- \$	25,000,000	\$ 25,000,000
	CFB \$	- \$	- \$	-
	FTE			0.000
22 Duke University Human Vaccine Institute				
Provides funding to support research and development of rapid, low-cost COVID-19 testing and a safe and effective vaccine for the public. Funds supplement the \$15 million appropriated in SL 2020-4.	Req \$	- \$	2,000,000	\$ 2,000,000
	Rec \$	- \$	2,000,000	\$ 2,000,000
	CFB \$	- \$	- \$	-
	FTE			0.000
Other Critical Items				
23 Direct Assistance to Food Banks and Nutrition Programs				
Provides direct aid to food banks, emergency feeding organizations, and community organizations for food and nutrition assistance. Includes \$15 million to DACS to provide direct aid to NC's ten emergency feeding organizations and provides DACS funds to purchase packaging, handling, and transportation equipment to address an over 50% increase in tonnage of USDA food assistance due to COVID-19. This also provides \$15M in supplemental support to address food insecurity for school age children and underserved communities. These funds will be administered by NCPRO and The Conservation Fund's Resource Communities Program.	Req \$	- \$	50,000,000	\$ 50,000,000
	Rec \$	- \$	50,000,000	\$ 50,000,000
	CFB \$	- \$	- \$	-
	FTE			0.000
24 Strategic State Stockpile				
Provides initial funding to establish the Strategic State Stockpile of PPE and testing supplies for addressing the COVID-19 pandemic. The Division of Public Health and the Division of Health Service Regulation within DHHS, in conjunction with the Division of Emergency Management within DPS, have developed a plan for creating and maintaining a Strategic State Stockpile of PPE and testing supplies.	Req \$	- \$	48,902,617	\$ 48,902,617
	Rec \$	- \$	48,902,617	\$ 48,902,617
	CFB \$	- \$	- \$	-
	FTE			0.000
25 Parks and Trails for Health (PATH)				
Provides funds to the Department of Natural and Cultural Resources (DNCR) to address needs at State Parks and Trails caused by high demand and record visitation levels due to COVID-19. Eligible uses include, but are not limited to, trail construction, increased trail maintenance, safety and health maintenance needs, updates at public-facing facilities, temporary employees for cleaning and safety, and other uses that promote health and safety with the state parks.	Req \$	- \$	20,000,000	\$ 20,000,000
	Rec \$	- \$	20,000,000	\$ 20,000,000
	CFB \$	- \$	- \$	-
	FTE			0.000
26 Stabilizing Museums, Zoo, and Cultural Attractions due to Business Disruption				
Provides \$20 million in direct aid to support COVID-19-related business disruptions by Arts Councils statewide and by various statewide support foundations. \$10 million will be distributed on a per capita basis, similar to the Grassroots Arts Grants, to Arts Councils in all 100 counties to respond to COVID-19. An additional \$10M is for business disruption grants to organizations such as the NC Symphony Foundation, the NC Museum of Art Foundation, the NC Zoo Society, the NC Aquariums Society, the Friends of the Museum of Natural Sciences, the Museum of History Associates, the NC Transportation Museum Foundation, and the Tryon Palace Foundation. Program will be administered by DNCR.	Req \$	- \$	20,000,000	\$ 20,000,000
	Rec \$	- \$	20,000,000	\$ 20,000,000
	CFB \$	- \$	- \$	-
	FTE			0.000

	R Changes	NR Changes	Adjustments
27 Andrea Harris - Assistance for Taskforce-Identified COVID-19 Needs			
Provides \$5 million to DOA to fund COVID-19 related needs in healthcare, health and financial literacy, and economic development in communities of color. Targeted initiatives will likely include, but are not limited to, creating public broadband zones in rural communities with concentrations of African American, American Indian, and Hispanic/Latinx populations; producing awareness materials for COVID-19 prevention, vaccine education, and access to vaccine mapping; and providing financial assistance for isolation and quarantine support to combat the spread of COVID-19.	Req \$	- \$ 5,000,000	\$ 5,000,000
	Rec \$	- \$ 5,000,000	\$ 5,000,000
	CFB \$	- \$	-
	FTE		0.000
28 Hotel to Home			
Provides funding to NCPRO to administer the "Hotel to Home" pilot in central NC, which enables the organization Reinvestment Partners to acquire hotels for converting into permanent affordable housing after the public health crisis abates or for providing supportive bridge and recuperative housing.	Req \$	- \$ 5,000,000	\$ 5,000,000
	Rec \$	- \$ 5,000,000	\$ 5,000,000
	CFB \$	- \$	-
	FTE		0.000
Total Change to Requirements	\$	- \$ 978,402,617	\$ 978,402,617
Total Change to Receipts	\$	- \$ 978,402,617	\$ 978,402,617
Total Change to Fund Balance	\$	- \$	-
Total Change to Full-Time Equivalent (FTE)			0.000
Recommended Fund Balance Changes (Recurring + Nonrecurring)	\$		-
Recommended Total FTE Changes			0.000

Special Provision Summaries

The Governor's recommended FY 2020-21 budget adjustments include the provisions summarized below.

Statewide

Flexibility in Coronavirus Relief Fund Allocations

Provides flexibility in the use of federal Coronavirus Relief Funds (CRF) appropriated to mitigate and respond to COVID-19 by notwithstanding G.S. 143C-5-2 and G.S. 143C-6-4. The North Carolina Pandemic Recovery Office (NCPRO), in consultation with the Director of the Budget, may reallocate CRF funds to address emerging COVID-19 response needs and to maximize the use of federal funds. This recommendation is consistent with the directive in S.L. 2020-4, Sec. 1.4 to maximize federal funds use and ensure the state expends all CRF funds by December 30, 2020 per federal guidelines. This recommendation is consistent with S.L. 2009-451, Sec. 6.6C, which provided flexibility for American Recovery and Reinvestment Act receipts.

Appropriate Additional and Expected Federal Funds

Appropriates additional federal receipts anticipated in FY 2020-21 to ensure efficient use of federal funds, including funds received from COVID-19 grants and receipts not yet specified.

Suspend the UI Tax Formula through 2022

Suspends the statutory formula in GS 96-9.2 that increases unemployment insurance tax rates. This recommendation would prevent any formula-driven tax increases.

Amend Pension Rules to Protect Furloughed Employees Upon Retirement

Holds employees who have been furloughed during the COVID-19 crisis harmless at the time of retirement.

Extend NCPRO

Extends NCPRO, which SL 2020-4, Section 4.3 authorizes through April 30, 2021. This provision authorizes the office for six months past the final federal reporting requirement.

Education

ADM Hold Harmless

Holds Public School Units financially harmless if average daily membership declines during the 2020-21 school year due to the COVID-19 pandemic.

Principal Hold Harmless

Holds principals financially harmless to changes in average daily membership during the 2020-21 school year due to the COVID-19 pandemic.

Leandro - Teaching Fellows

Increases the pipeline of diverse, well-prepared teachers by expanding the North Carolina Teaching Fellows program.

- Expands the Teaching Fellows program to all UNC System institutions.
- Expands eligible certification areas beyond STEM and special education to address significant vacancies.
- Expands the reduced payback period to Fellows who teach in high-poverty schools, not just schools that are low performing, to incentivize Fellows to teach in those schools.
- Develops targeted recruitment strategies to improve opportunities for talented candidates of color to be Teaching Fellows.

Leandro - Increase Local Education Agency (LEA) Budgetary Flexibility

Allows transfers to or from the following allotment categories:

- Academically & Intellectually Gifted
- At Risk Student Services/Alternative Schools
- Children with Disabilities
- Classroom Materials, Supplies and Equipment
- Disadvantaged Student Supplemental Funding
- Cooperative Innovative High Schools
- Limited English Proficiency
- Low Wealth Supplemental Funding
- Position/MOE Allotments
- Non-Instructional Support
- Small County Supplemental Funding
- Textbooks
- Transportation

Leandro – Combine At-Risk Student Services/Disadvantaged Student Supplemental Fund (DSSF) Allotments

Transfers the At-Risk Student Services/Alternative Schools allotment funding into the DSSF allotment, provided that no district receives a decrease in combined funding; eliminates restriction prohibiting districts from spending more than 35 percent of their DSSF allotment on salary supplements; expands allowable uses of the DSSF allotment to incorporate activities allowed under the current at-risk allotment.

Health & Human Services

Monies from the Medicaid Transformation Fund to DHHS for NC FAST

Appropriates \$26.4M for NC FAST, for which funds were transferred from the Medicaid Transformation Fund, but not explicitly appropriated in SL 2020-88.

Health and Human Services Block Grants

Appropriates DHHS block grants per Section 2A.1 of SB 168.

Medicaid Expansion

Amends Medicaid eligibility to expand coverage to individuals at or below 138% of the Federal Poverty Level.

Accounting for Medicaid Receivables as Nontax Revenue

Budgets an additional \$48M in nontax revenue for FY 2020-21 due to delays in federal reductions to the Disproportionate Share Hospital allotment.

Justice & Public Safety

Authority to Use Private Assigned Counsel (PAC) Funds to Establish Public Defender Positions

Allows Indigent Defense Services (IDS) to transfer up to \$1 million from the PAC Fund to create up to ten positions in existing public defender offices. IDS expects an increase in cases due to the COVID-19 pandemic, resulting in additional need for public defenders.

Natural & Economic Resources

CDFIs Small Business Assistance Grants and Support

Directs the unused portion of CRF funds appropriated to Golden L.E.A.F. for the Rapid Recovery Loan program to be used by community development financial institutions (CDFIs) to provide small business grants and to fortify CDFI balance sheets weakened by COVID-19-related business disruptions. A grant program is allowable per federal guidelines and will allow the funds to stay in North Carolina rather than being returned to the federal government.

In addition, all standard boilerplate and general programmatic provisions necessary to implement these recommendations should be included.

Investing in Health Infrastructure

Investing \$988 million through a special indebtedness bond to improve North Carolina's healthcare infrastructure and respond to the immediate demands of the COVID-19 pandemic.

Public Health and Healthcare Accessibility

The Immediate Health Infrastructure Bond targets \$713 million to address North Carolina's public health and healthcare accessibility needs by investing:

- \$250 million to expand highspeed internet access in rural and other under-served parts of the state, ensuring greater online access to health professionals (e.g. online medical visits) and improving access to online education. The importance of both have been highlighted during the COVID-19 crisis.
- \$249 million to relocate the Department of Health and Human Services from the current Dorothea Dix Park.
- \$31 million to add health isolation facilities at state hospitals and corrections facilities.
- \$63 million for regional public health labs across North Carolina.
- \$120 million for renovations and expansion, including:
 - \$20 million for the Longleaf Neuro-Medical Treatment Center.
 - \$50 million for the Alcohol Drug Abuse Treatment Centers.
 - \$50 million for of the state's primary environmental testing location, Reedy Creek Lab.

Vaccine Development and Public Health

The bond also recommends \$275 million for projects supporting vaccine development and public health led by the University of North Carolina system, including:

- \$180 million for the UNC Chapel Hill Clinical and Translational Research Center at the UNC School of Medicine.
- \$50 million for the Drug Discovery Laboratory and Science Research Unit at North Carolina Agricultural & Technical State University.
- \$40 million for the Public Health Research Center at UNC Charlotte.
- \$5 million for the Winston-Salem State University Center for Excellence for Elimination of Health Disparities.

Investing in Education and Infrastructure

Investing \$4.3 billion in North Carolina's infrastructure through the issuance of voter-approved bonds addresses a consequential portion of the state's identified capital needs, while also providing a fiscal stimulus to temper the economic effects of the COVID crisis. Judicious fiscal management has maintained North Carolina's AAA credit rating, which, together with access to unprecedented low interest rates, enables affordable investment in key priorities – public schools, universities and community colleges, water and sewer systems, and affordable housing – while maintaining a prudent level of debt service and substantial debt capacity.

Securing North Carolina's economic and fiscal future by:

Protecting North Carolina's AAA credit rating - The Department of the State Treasurer has calculated the State of North Carolina has \$11 billion in General Fund debt capacity. This proposal, combined with the immediate health infrastructure bond recommendation, uses slightly less than 50% of the state's debt capacity, leaving substantial capacity to deal with future needs. Further, the state is retiring existing debt rapidly and interest rates are at historically low levels (approximately 1.5%), making sensible levels of borrowing highly affordable.

Providing fiscal stimulus - Each \$1m investment sustains or creates up to 13 direct jobs and 28 indirect jobs, counteracting the slowdown in private sector demand for construction arising from the COVID-19 crisis.

Delivering value for money - Due to low interest rates and a slowdown in demand in the construction sector, the cost of construction is expected to be lower than during periods of economic expansion.

Supporting small and medium size businesses - Small and medium size businesses are a key driver of long-term economic growth and are likely to most damaged by the COVID crisis. Supporting these businesses buffers our economic future.

Invest NC Bond (General Obligation Bonds)

Places a \$4.3 billion General Obligation Bond on the November 2021 ballot to ask voters to address key infrastructure needs across the state including:

- **\$2 billion for school construction** to build and renovate K-12 public schools. Half of the funds to be distributed as a base amount for all counties, and the other half to be distributed based on school-age population and relative wealth.
- **\$800 million for water and sewer infrastructure** to address the nearly \$17 billion needed in repairs and upgrades across the state. Reliable, resilient water and sewer systems are essential for public health and economic development.
- **\$500 million for UNC System facilities** to help meet \$4 billion in identified needs across the system.
- **\$500 million for Community College system** to buoy the vital role Community Colleges will play in an economic recovery from COVID-19 by providing new skills for the existing workforce and educating and training the next generation.
- **\$500 million for affordable housing** to respond to the affordable housing needs across the state exacerbated by COVID-19.

Boosting Unemployment Benefits

Increasing Maximum Duration to 24 Weeks and Raise Maximum Weekly Benefit to \$500

To provide much-needed support to North Carolinians who are out of work through no fault of their own, the Governor proposes to:

- Increase the maximum duration of regular unemployment insurance benefits from 12 weeks¹ to 24 weeks for new claims filed on or after October 1st;
- Increase the maximum weekly benefit from \$350 to \$500 for new claims filed on or after October 1st; and
- Suspend any potential formula-driven unemployment insurance tax increases through 2022.

The proposal would move North Carolina from being tied with Florida for the lowest benefit duration in the country to 7th lowest. It would rank the state 21st highest on maximum weekly benefit, rather than 11th lowest in the nation.^{2, 3}

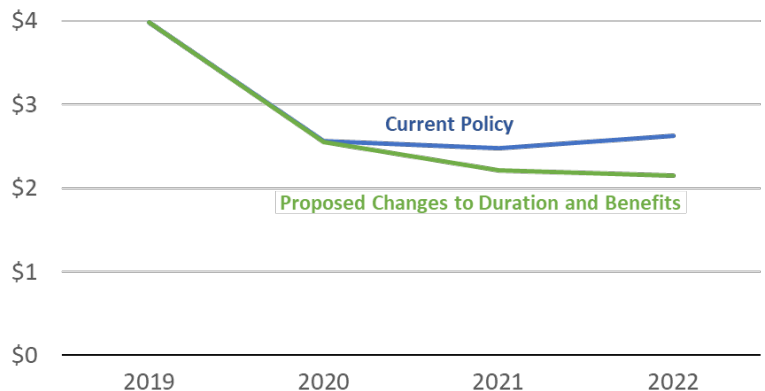
Even before the COVID-19 pandemic, nearly half of workers eligible for unemployment insurance benefits exhausted those benefits before finding a new job.⁴ The benefits laid-off workers received averaged less than 40% of their earnings prior to losing their job,⁵ making it difficult to make ends meet while looking for a new job.

Without an increase in the maximum duration of benefits, workers laid off in October through December will likely be eligible for only 18 weeks of state and federal benefits, versus 30-39 weeks for workers laid off between January and mid-July, due to the expiration of additional federal unemployment programs at the end of this year. Individuals who exhaust their benefits will likely face a state labor market struggling to produce enough new jobs. Increasing the duration of state benefits to 24 weeks would provide these laid-off workers with up to 36 weeks of state and federal benefits until the state's labor market improves.

Ensuring Costs of Benefit Improvements Are Financially Sustainable

Through 2022, this proposal would increase payments for regular state unemployment insurance benefits by an estimated \$410-\$480 million.⁶ Under anticipated economic conditions, the state's Unemployment Insurance Trust Fund ("Trust Fund") would remain above \$2 billion dollars. Suspending the statutory formula that increases unemployment insurance tax rates should the Trust Fund balance fall below roughly \$2.4-\$2.5 billion would prevent any potential formula-driven tax increase until after an economic recovery is well underway.

NC UI Trust Fund Balance Under Anticipated Economic Conditions
Projected Year-End Trust Fund Balance in Billions of Dollars



Source: OSBM calculations using modified IHS-Markit forecasts and US DOL and DES data

¹ If the state unemployment rate remains between 8.1% and 8.5%, on average, from July through September, the maximum duration of state benefits will increase from the current maximum of 12 weeks to 18 weeks for new claims filed on or after January 1, 2020.

² US Department of Labor. Comparison of State Unemployment Laws 2019. <https://oui.doleta.gov/unemploy/comparison/2010-2019/comparison2019.asp>

³ Center for Budget and Policy Priorities. Policy Basics: How Many Weeks of Unemployment Compensation Are Available? <https://www.cbpp.org/research/economy/policy-basics-how-many-weeks-of-unemployment-compensation-are-available>

⁴ US Department of Labor. Quarterly UI Data Summary. https://oui.doleta.gov/unemploy/data_summary/DataSum.asp

⁵ US Department of Labor. State UI Replacement Rates. https://oui.doleta.gov/unemploy/repl_ratio/repl_ratio_rpt.asp

⁶ Estimates assume a gradual recovery in the state labor market and are subject to change as economic outlook and UI data is revised.

Closing the Healthcare Coverage Gap

Closing the Coverage Gap for Healthier North Carolinians

Recommends expanding Medicaid to provide access to affordable health insurance to more than 600,000 additional individuals, including veterans, families with children, and others. Medicaid expansion would provide coverage for many individuals who have lost their jobs due to the COVID-19 pandemic.

Expansion would benefit everyone, as it lowers health care costs for consumers as well as employers who buy health insurance. In fighting the opioid epidemic that continues to ravage our communities, Medicaid expansion would play a critical role, providing coverage for substance abuse services.

Medicaid expansion doesn't just benefit individuals; it helps rural hospitals keep their doors open by paying for services that hospitals must provide regardless of insurance status. Hospitals face serious financial pressures in the wake of COVID-19, but these problems are not new. Uncompensated care threatens the sustainability of these critical lifelines. Medicaid expansion would bolster rural hospitals and help address inequities in care around our state.

Investing in a Healthier Economy

Medicaid expansion injects more than \$4 billion into our economy, which spurs business activity and creates jobs. Medical providers and healthcare workers on the frontline benefit from increased stability in their place of employment. In turn, the money they spend ripples throughout the economy. A 2019 study by The Center for Health Policy Research at The George Washington University estimated the additional infusion to North Carolina's economy would create 37,200 jobs and increase Gross State Product by \$2.9 billion. The increased economic activity translates into tax revenues; state tax revenues would increase by \$200 million annually, while county tax revenues would increase by \$43 million annually. Crucially, this positive impact is felt across all counties, including rural ones.

Saving Existing General Fund Appropriations by Expanding Medicaid

Saves the state \$63 million annually by expanding Medicaid. When states expand Medicaid, they typically save money in other areas because more services currently being provided using state dollars become paid for by Medicaid. Many individuals who are uninsured and receiving mental health or substance abuse services through the state could qualify for Medicaid. Health insurance coverage supports individuals' overall health and allows them regular access to medical care. Also, inmates who need inpatient hospital care could be covered by Medicaid. And 5,000 individuals already on Medicaid could be covered at a higher federal match rate.

No State Dollars Needed to Expand Medicaid

Requires no state dollars, as the federal government pays 90% of the costs and the rest is paid by provider contributions. The Affordable Care Act sets the federal match rate for the expansion population at 90%; this provision is in federal statute indefinitely and is not scheduled to be reduced. The remaining 10% would be covered through provider contributions in a currently utilized system already familiar to providers. Federal law restricts the amount providers can contribute, but North Carolina is well below federal limits and would remain so even with Medicaid expansion.

Leandro: Ensuring a Sound Basic Public Education

The Supreme Court of North Carolina, in its landmark *Leandro v. State of North Carolina* decision, affirmed the fundamental right of every child to have the opportunity to receive a sound basic public education. The Court also ruled that North Carolina was not meeting this constitutional requirement.

Upon taking office in 2017, Governor Cooper and the plaintiffs partnered to ensure that the state meets its constitutional obligations. The plaintiffs and the state recommended the court appoint an outside consultant, WestEd, to determine how North Carolina can provide a quality education to every child. In addition, the Governor created the Commission on Access to Sound Basic Education. After the Commission approved WestEd's recommendations in late 2019 and early 2020, Judge W. David Lee, as part of a consent order signed in January 2020, required the parties to submit an action plan outlining steps the state needs to take in FY 2021 to address the issues identified by WestEd. The short-term plan was submitted to the judge on June 15, 2020.

To assist the state in accomplishing the steps in this plan, the Governor's Recommended Budget includes \$394.7 million in funding for FY 2020-21 to improve teacher quality and support, provide additional resources for students with the greatest need, increase Local Education Agency (LEA) budgetary flexibility, ensure students are college and career ready, and strengthen the early education system.

Recommendations

Provide Bonuses for School Personnel (\$280,000,000 GF)

Provides a one-time \$2,000 bonus to teachers, instructional support personnel, principals, and assistant principals and a one-time \$1,000 bonus to non-certified school personnel.

Expand Teaching Fellows (\$1,000,000 GF)

Increases the pipeline of diverse, well-prepared teachers by providing funding to support up to 250 Teaching Fellows for the 2021-22 academic year (90 additional Fellows), broadening eligible certification areas, extending the reduced payback period to Fellows who teach in high-poverty schools, improving opportunities for talented candidates of color, and expanding program support and enhancement.

Provide High-Quality Mentoring and Support for Teachers (\$2,000,000 CRF)

Expands support and mentoring for first-year teachers, focusing on beginning teachers in low-performing schools, high-poverty schools, and districts which have been particularly affected by COVID-19.

Increase Disadvantaged Student Supplemental Funding (DSSF)/Combine DSSF and At-Risk Allotments (\$24,000,000 GF)

Invests additional funding for the DSSF allotment, and eliminates the current restriction prohibiting districts from spending more than 35 percent of their DSSF allotment on salary supplements. Transfers the At-Risk Student Services/Alternative Schools allotment funding into the DSSF allotment and expands allowable uses of the DSSF allotment to incorporate activities allowed under the current at-risk allotment.

Expand Funding for Exceptional Children (\$6,200,000 GF, \$17,000,000 CRF)

Increases funding for the Children with Disabilities allotment and allocates funding to Department of Public Instruction for grants to Public School Units for Exceptional Children who lost critical services due to COVID-19 related issues.

Increase Limited English Proficiency Funding (\$4,848,500 GF)

Provides additional funding for the Limited English Proficiency allotment to increase the percentage of an LEA's English Learners receiving supplementary funding.

Develop School Based Mental Health Policy (\$16,500,000 CRF)

Allocates funding to each Public School Unit to develop and implement a plan to promote student mental health and well-being, as required by SL 2020-7. COVID-19 has impacted students' social and emotional needs, increasing the need for effective mental health supports.

Establish the NC Education Corps (\$10,000,000 CRF)

Provides stipends to recent high school and college graduates and other community members to support students and educators in high-poverty schools. Education Corp members may provide tutoring to vulnerable students and those most impacted by COVID-19 to help close the achievement gap, serve as mentors or classroom aides, or provide technical support to families needing assistance with remote learning technologies.

Expand College Advising Corps (\$1,100,000 GF)

Provides matching funds to the College Advising Corps to expand the placement of college advisers in low wealth districts in North Carolina public schools.

Provide Funding for NROC Subscription to Support College Career Ready Graduate (CCRG) Courses in Collaboration with NC Community College System (\$551,500 GF)

Provides funding for NROC subscription and professional development for high school educators for College Career Ready Graduate courses in collaboration with the NC Community College System. Funding will provide remediation for the approximately 18,000 high school seniors who qualify to help them become college and career ready prior to graduation.

Increase Pre-K Admin and Reimbursement Rate (\$7,300,000 GF)

Increases the reimbursement rate by 2%. The state reimbursement rate has not increased since 2012 and NC Pre-K classrooms operate on razor thin margins in both the public school and private center settings. In addition, the Governor's Recommended Budget also increases the administrative rate to 10% to improve oversight, monitoring, and support of NC Pre-K programs.

Smart Start (5,000,000 GF)

Invests \$5M in Smart Start to improve supports for children aged birth to five in all 100 counties and to better prepare them for school.

Bonuses for Early Educators (\$19,200,000 CRF)

Provides a one-time bonus to teachers and staff (based on education/certification) at open private childcare programs to help retain these individuals in the early educator workforce. This is the first step to increasing the volume and quality of the early educator pipeline.

Supporting Local Governments with Coronavirus Relief Funds

Provides \$200 million to support local governments statewide. \$150 million is recommended for counties, with a requirement they allocate 25% to municipalities. In addition, \$25 million each is provided to the North Carolina Association of County Commissioners and the North Carolina League of Municipalities to administer a needs-based grant program for communities hardest hit by COVID-19.

\$150 million to Local Governments Allocated on a Per Capita Basis

The \$150 million for local governments is allocated on a per capita basis with counties directed to allocate at least 25% of their funds to municipalities in their jurisdiction.

Table 1 presents county estimates for the \$150 million allocation. This allocation excludes Guilford, Mecklenburg, and Wake Counties because the US Treasury allocated \$481 million on a pro-rata basis directly to Charlotte (\$154.6M), Guilford (\$93.7M), Mecklenburg (\$39.2M), and Wake (\$194M) counties.

Local Options for Using Coronavirus Relief Funds

The NC Pandemic Recovery Office has identified four program areas to help local governments efficiently and effectively use CRF funds.

1. **At Home (Rent/Mortgage Assistance)** Fund a grant program to assist individuals with rent or mortgage payments who can demonstrate hardship because of COVID-19. Priority should be given to applicants at immediate or imminent risk of eviction. Counties could also award grants or set up their own non-congregate shelters to respond to outbreaks in farmworker camps, homeless shelters, or other congregate settings.
2. **Lights On (Utility Assistance)** Provide funds for grants to assist people with their utility bills (water, sewer, power). People applying for these grants should certify their hardship is a result of COVID-19.
3. **Food on the Table (Food Security)** Award grants to local non-profits, houses of worship, and community organizations to provide food to those in need.
4. **Safe Children (Child Care)** Provide funds for child-care assistance, including:
 - Direct grants to parents/caregivers who need childcare because of school closures or economic hardship due to the coronavirus emergency.
 - Grants to childcare providers who can show COVID-related business interruptions or decline in enrollment, or who need funding to safely restart their business.

\$50 million for a Local Government Grant Program

The North Carolina Association of County Commissioners and the North Carolina League of Municipalities would each administer a competitive \$25 million grant program to help communities most impacted by COVID-19. To receive funds from this grant program, applicants must present a plan for expenditures, need for the funds as evidenced by community spread and financial impact, and the ability to use the funds before December 30, 2020.

Table 1: Summary of Coronavirus Relief Fund County Allocations

County	Allocation	County	Allocation	County	Allocation
ALAMANCE	\$3,289,822	FRANKLIN	\$1,352,443	ORANGE	\$2,881,614
ALEXANDER	727,740	GASTON	4,357,647	PAMLICO	246,986
ALLEGHANY	216,146	GATES	224,395	PASQUOTANK	772,902
ANSON	474,447	GRAHAM	163,822	PENDER	1,223,865
ASHE	527,954	GRANVILLE	1,173,075	PERQUIMANS	261,289
AVERY	340,745	GREENE	408,906	PERSON	766,420
BEAUFORT	912,057	GUILFORD	0	PITT	3,507,831
BERTIE	367,722	HALIFAX	970,591	POLK	402,210
BLADEN	635,067	HARNETT	2,639,015	RANDOLPH	2,788,281
BRUNSWICK	2,771,843	HAYWOOD	1,209,445	RICHMOND	870,039
BUNCOMBE	5,069,181	HENDERSON	2,278,823	ROBESON	2,535,163
BURKE	1,756,128	HERTFORD	459,522	ROCKINGHAM	1,766,317
CABARRUS	4,200,908	HOKE	1,071,979	ROWAN	2,757,636
CALDWELL	1,594,906	HYDE	95,817	RUTHERFORD	1,300,895
CAMDEN	210,906	IREDELL	3,528,481	SAMPSON	1,233,006
CARTERET	1,348,328	JACKSON	852,746	SCOTLAND	675,843
CASWELL	438,697	JOHNSTON	4,062,840	STANLY	1,218,935
CATAWBA	3,096,557	JONES	182,803	STOKES	884,828
CHATHAM	1,445,310	LEE	1,199,004	SURRY	1,393,161
CHEROKEE	555,300	LENOIR	1,085,855	SWAIN	276,971
CHOWAN	270,605	LINCOLN	1,671,238	TRANSYLVANIA	667,342
CLAY	217,971	MACON	888,030	TYRRELL	77,942
CLEVELAND	1,900,950	MADISON	695,930	UNION	4,655,171
COLUMBUS	1,077,296	MARTIN	422,220	VANCE	864,333
CRAVEN	1,982,308	MCDOWELL	435,514	WAKE	0
CUMBERLAND	6,511,541	MECKLENBURG	0	WARREN	382,938
CURRITUCK	538,823	MITCHELL	290,421	WASHINGTON	224,744
DARE	718,269	MONTGOMERY	527,372	WATAUGA	1,090,280
DAVIDSON	3,252,946	MOORE	1,957,874	WAYNE	2,389,720
DAVIE	831,553	NASH	1,830,131	WILKES	1,327,736
DUPLIN	1,140,042	NEW HANOVER	4,550,639	WILSON	1,587,589
DURHAM	6,239,422	NORTHAMPTON	378,125	YADKIN	731,039
EDGECOMBE	998,966	ONslow	3,841,570	YANCEY	350,682
FORSYTH	7,419,561				