

Economic Development

Recommendation

Provides \$166 million to address North Carolina’s economic development needs, with an emphasis on supporting site development to attract major employers, bolstering technical support for job seekers and small businesses, and providing relief to communities in need.

Table 1: Allocation of Funds for Economic Development

	Recurring	Nonrecurring
Site Development	\$500,000	\$131,000,000
Small Business Support	\$3,000,000	\$28,490,000
QVC Fire Relief and Resiliency		\$2,750,000
Grand Total	\$3,500,000	\$162,240,000

Statement of Need

To remain economically competitive, North Carolina needs tailored investments that meet the needs of both large and small employers as well as communities recovering from crisis. These needs include:

- Businesses looking to expand often seek out prepared sites for an expedited process to opening new facilities. Communities need competitive, high-potential properties with desired infrastructure to attract these companies.¹
- Data show that between January and April 2020, small business sales in North Carolina dropped at least 20%. In addition, 70% of the state’s small businesses were concerned about long term financial hardships. Nationwide, small businesses remain 63% below pre-pandemic levels as of November 2021.^{2,3}
- A 2021 survey found that 66% of women and minority businesses that had to shut their doors in 2020 may not re-open.⁴
- The QVC fire in Edgecombe County killed one person and left over 2,000 individuals unemployed in the surrounding community.

Recommendation Detail

Site Development

Invests \$131.5 million nonrecurring to cultivate sites and provide related infrastructure to attract businesses to North Carolina. These funds will be used as follows:

- **Site Identification, Evaluation, and Review:** Provides \$1 million nonrecurring to engage a national site selection and/or an engineering firm through a competitive bid process to evaluate sites and identify up to ten major sites and megasites that will be the most competitive in advanced manufacturing site selection searches. This funding also provides the Department of

¹ Area Development. [“How Certified Sites Can Expedite the Site Selection Process for Expanding Companies.”](#)

² Carolina Across 100. [“The State of North Carolina’s Small Business During COVID-19 Pandemic.”](#)

³ Federal Reserve Banks. [“2022 Small Business Credit Survey.”](#)

⁴ VOA News. [“Black-Owned Businesses Aim for Post-Pandemic Rebound.”](#)

Environmental Quality an additional \$500,000 recurring for surge support to manage in a timely way its environment reviews and address any needs for site development.

- **Site Acquisition:** Provides \$50 million nonrecurring for grants to local governments or a partnership of local governments for the acquisition of a newly identified or existing major site or megasite for up to 85% of the property's purchase price.
- **Public Infrastructure to Sites and On-site Preparation:** Provides \$50 million nonrecurring for grants to local governments or a partnership of local governments with publicly owned sites to construct or improve public infrastructure to those sites. Funds may also be used for on-site preparation including clearing, grading, or other related expenses necessary to meet the needs of prospective major employers.
- **Sites in Distressed Communities:** Funds \$10 million nonrecurring for grants to local governments or a partnership of local governments to complete the certification process for or make improvements to public infrastructure to sites in distressed communities.
- **Infrastructure Investments on Radio Island:** Establishes a \$20 million nonrecurring General Fund reserve for infrastructure on Radio Island. The North Carolina State Ports Authority and the Departments of Commerce and Transportation will administer investments that best attract business tenants to the island.

Small Business Support

Provides \$3 million recurring and \$28.5 million nonrecurring to the Department of Commerce (DOC) to enhance statewide support for small businesses that continue to recover from the COVID-19 pandemic. All the recurring funds and \$20.5 million of nonrecurring funds will be transferred to entities that provide targeted small business assistance statewide.

- **Small Business Support and HUB Incubation:** Provides \$5 million nonrecurring to both the National Institute of Minority Economic Development (The Institute) and the Carolina Small Business Fund (CSBF) to ensure support for minority and women-owned small businesses. In addition, funds are provided to invest an additional \$2 million nonrecurring in the Institute to establish the Center for Entrepreneurship and \$1 million recurring in the CSBF to meet the all-time-high demand for financial and technical assistance.
- **Talent Retention in Key Industries:** Provides \$2 million recurring and \$8.5 million nonrecurring to the state's business assistance organizations, including the Small Business Technology Development Center, the NC Community Colleges' Small Business Center, the Economic Development Partnership of North Carolina, and NC State's Industry Expansion Solutions to increase the competitiveness of small and mid-size businesses and ensure they attract and retain highly skilled talent.
- **One North Carolina Small Business Program:** Provides \$6 million nonrecurring to DOC for early-stage technology development grants for small businesses, expanding the program to increase the number of the state's small businesses which can access funds.
- **Mentorship and Funding for Energy Related Startups:** Invests \$2 million nonrecurring for a DOC program to facilitate the development and deployment of clean energy, energy efficiency, and related technologies and products across the state.

QVC Fire Relief and Resiliency

Provides \$2.75 million nonrecurring to cover costs associated with the QVC fire as well as to provide support services and equipment to the communities directly impacted by the incident.

- **Edgecombe County Loss Coverage:** Provides \$1 million to reimburse Edgecombe County for emergency service response costs associated with the QVC fire and post-fire clean up as well as for the expected loss of FY 2021-22 tax revenue due to the detriment of the QVC property.
- **QVC Employee Support:** Provides \$250,000 to support former QVC employees affected by the fire by matching the United Way Tar River Region's (UWTRR) Edgecombe/Rocky Mount Employee Assistance Fund. UWTRR works with local nonprofit agencies and programs to ensure that donations and other aid are used to provide food assistance, financial stability for housing, utilities, and other individual and family supports to meet the priority needs of QVC employees, regardless of their county of residence.⁵
- **Enhanced Resiliency:** Provides \$1.5 million to Edgecombe County for fire fighting vehicles and equipment to enhance emergency responsiveness.

Expected Impact

By enhancing site readiness and providing needed small business assistance, these investments will boost both North Carolina's commercial competitiveness and its environment for existing businesses.

Expected impacts include:

- Identification of the most competitive, large-scale industrial sites statewide.
- Improvements at major sites and megasites that will increase their competitive profile to prospective tenants.
- Certification of ten industrial sites in distressed communities, making them more attractive to expanding businesses.
- More than 1,000 hours of counseling and assistance per year to new and existing small businesses statewide.
- Support and enhanced resiliency to the community directly affected by the QVC fire.

⁵ [United Way Tar River Region's \(UWTRR\) Edgecombe/Rocky Mount Employee Assistance Fund.](#)

Expand North Carolina’s Workforce

Recommendation

Provides over \$120 million to address North Carolina’s labor shortage, with an emphasis on supporting priority populations, investing in successful workforce development programs and pilots, recruiting and retaining early childhood educators so parents can stay in the workforce, and increasing the number of healthcare workers statewide.

Table 1: Allocation of Funds to Expand North Carolina’s Workforce

	Recurring	Nonrecurring
Workforce Development	\$55,100,000	\$20,300,000
Healthcare Workers	\$15,000,000	\$30,000,000
Grand Total	\$70,100,000	\$50,300,000

Statement of Need

Over the coming decades, North Carolina must navigate shifting demographics that will impact the state’s workforce. Impacts of some of these changes, such as an increasing number of retirees and fewer working-age adults, are already being felt. The most immediate issues include:

- North Carolina’s 2021 women’s labor force participation rate remains 1.9% below its pre-pandemic high in 2019, and childcare issues were cited by almost half of workers with children younger than 18 as a reason for leaving a job, according to a 2021 Pew survey.^{1,2}
- According to the NC Business Pulse Survey, 65% of employers had concerns about adequate staffing levels at their business in March 2022.³
- Marginalized populations face a much higher unemployment rate than average and thus need greater support. In March 2022, the national unemployment rate was 3.6% while the African American unemployment rate was 6.2%.⁴
- In North Carolina, and nationwide, there are longstanding concerns about the shortage of healthcare professionals, especially in the nursing professions. The Cecil G. Sheps Center for Health Services Research forecasts that, by 2033, North Carolina will face a shortage of 12,500 Registered Nurses and over 5,000 Licensed Practical Nurses.⁵ Burnout from the pandemic, an aging workforce, and challenging working environments all exacerbate the shortage of bedside nurses.⁶

¹ U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics, 2021 and 2019 annual averages

² <https://www.pewresearch.org/fact-tank/2022/03/09/majority-of-workers-who-quit-a-job-in-2021-cite-low-pay-no-opportunities-for-advancement-feeling-disrespected/>

³ NC Department of Commerce, Labor & Economic Analysis Division. North Carolina Business Pulse Survey, March 2022. <https://analytics.nccommerce.com/pulse-survey/>

⁴ U.S. Bureau of Labor Statistics, Unemployment Rate [UNRATE], <https://fred.stlouisfed.org/series/UNRATE>, April 27, 2022. U.S. Bureau of Labor Statistics, Unemployment Rate - Black or African American [LNU04000006], <https://fred.stlouisfed.org/series/LNU04000006>, April 28, 2022.

⁵ NC Nursecast – North Carolina Nursing Supply & Demand Model. Available at: <https://ncnursecast.unc.edu/key-findings/>.

⁶ <https://www.northcarolinahealthnews.org/2022/03/02/within-a-decade-nc-could-see-nursing-shortage-of-more-than-21000/>.

Tackling these issues will help North Carolinians return to work and secure good-paying jobs and ensure employers can find the skilled workers they need to succeed.

Recommendation Detail

Workforce Development

Provides \$75 million to the Department of Commerce (DOC), Division of Health and Human Services (DHHS), NC Business Committee for Education (NCBCE), NC Community College System (NCCCS), and Department for Agriculture and Consumer Services (DACs) for both new and existing workforce development programs to bolster services provided and better target priority populations.

- **Job Ready & Other Support Services for Priority Populations:** Provides nearly \$10 million recurring to expand work-based learning grants and increase staffing resources to better support priority populations, including reentry and justice-involved individuals, seasoned workers, people of color, and rural and underserved communities.
- **Workforce Development Outreach and Awareness and Data Enhancements:** Invests \$2.3 million nonrecurring to offer communications and outreach grants for the state's workforce development boards and to encourage usage of one of the existing state workforce portals, e.g., NCcareers.org. This package also provides \$450,000 recurring for technology to better share information, manage projects, and align with DOC's grants management platform.
- **Child Care Subsidy Rate Floor and Increased Supply of Childcare for Working Parents:** Includes \$18.5 million recurring to provide a statewide rate floor in the childcare subsidy program for childcare centers and family childcare homes in lower wealth counties. In addition, \$26 million is invested in the NC Child Care WAGE\$ program to ensure the program is available statewide and raises average pay, helping attract early childhood educators, minimize turnover, and increase continuity of care in the classroom.⁷ Lastly, this package invests \$10 million nonrecurring to develop or assess the feasibility of expanding early childhood development centers (CDCs) on community college campuses and to enhance existing campus-based CDCs. Community college-based CDCs will increase professional development opportunities for the childcare workforce while also providing additional childcare options to support students completing their degree programs.⁸
- **Rural Works Program Pilot:** Provides \$8 million nonrecurring to NCBCE to implement the three-year Rural Works program pilot, an expanded version of the successful Surry-Yadkin Works program that helps provide work-based learning opportunities, including internships and pre-apprenticeships from middle school through high schools, across ten counties.
- **Small Farms – Agribusiness Internship:** Provides \$200,000 recurring to DACs's Small Farm Division for ten annual internships that provide an opportunity to work directly on farms or within the agricultural industry.

Healthcare Workers

Invests \$45 million to address shortages in North Carolina's healthcare workforce by expanding training capacity in the UNC System, community colleges, and private colleges and universities. System Presidents and their associated boards will allocate funds based on requests from Chancellors/Presidents and campuses. The North Carolina Independent Colleges and Universities will

⁷ The NC Childcare WAGE\$ program is shown in the Ensuring a Sound Basic Education and Living Wage justification narratives.

⁸ The Hope Center, #RealCollege 2021: Basic Needs Insecurity during the ongoing pandemic, March 2021. <https://hope4college.com/wp-content/uploads/2021/03/RCReport2021.pdf>

allocate the funds for private colleges and universities. Funds can be customized by constituent institutions (e.g., bolstering facility capacity for trainees, increasing the numbers of health faculty and staff, providing student support, investing in equipment and lab space, etc.). Table 2 provides the allocation of funds.

Table 2: Allocation of Funds for Healthcare Workforce

	Recurring	Nonrecurring
Community Colleges	\$5,000,000	\$10,000,000
Private Colleges and Universities	\$5,000,000	\$10,000,000
UNC System	\$5,000,000	\$10,000,000
Total	\$15,000,000	\$30,000,000

Expected Impact

These proposals aid the state’s new and existing businesses by equipping North Carolinians for high-quality, well-paid jobs, and provide the support needed for a labor pool that includes parents and seasoned workers. Expected impacts include:

- Enhanced services to an additional 10,800 jobseekers each year through expansion of services for priority populations.
- Decreased turnover of the childcare workforce by up to 9%. Statewide Early Childhood Education turnover in 2019 was 21% compared to WAGE\$ participants’ rate of 12%.
- Expansion of the successful Surry-Yadkin Works program to ten counties with the potential to impact over 500 students per year through work-based learning opportunities benefiting both employers and students.
- Increased capacity for training healthcare professionals across North Carolina’s institutions of higher education, helping to tackle the projected shortage of 17,500 nurses statewide by 2033.

Compensation

Recommendation

Provides \$691 million recurring and \$863 million nonrecurring to increase compensation and provide retention bonuses for all state employees and state-funded local employees and to give retirees a cost-of-living adjustment. Recommendations address the major issues facing the state workforce: loss in purchasing power, a competitive marketplace for labor, and employee retention.

Table 1: Compensation Funds

	Recurring	Nonrecurring
Employee Purchasing Power	\$477,813,500	
Compensation Increases for most state-supported employees	\$258,918,500	
Increases for Educators and School-based Administrators ¹	\$209,895,000	
Master's Pay for Educators	\$9,000,000	
Competitive Marketplace for Labor	\$165,148,000	
Labor Market Adjustment Fund	\$162,618,000	
Salary to Market Range Minimum	\$2,530,000	
Employee Retention		\$827,000,000
Retention Bonus		\$705,000,000
Additional Teacher and School-based Administrator Bonus		\$122,000,000
Retiree Cost of Living Adjustment	\$48,673,500	\$35,964,000
Grand Total	\$691,635,000	\$862,964,000

Statement of Need

Across all types and sectors of employment, the labor market has been extremely volatile since the onset of the COVID-19 pandemic. North Carolina state government is not immune to those trends.

- Private sector wages have grown by over 5% in the past year, compared to 2.7% for state and local governments, making it harder for state government to compete for talent².
- Total state and local government employment was down 3.7% in January 2022 relative to February 2020; the private sector has experienced a 1.7% decline over the same period³.
- In 2021, the turnover rate for state agencies increased from a long-standing average of approximately 11% annually to 16%. Turnover for first year state employees exceeded 36%.
- Inflation rose to 8.5% for the period from March 2021 to March 2022, reducing the purchasing power of state employees⁴.
- The Consumer Price Index for the southern region of the US is up 9.1%⁵.
- A national survey by the Mission Square Research Institute, released January 27, 2022, found that 52% of state and local workers were considering changing jobs, retiring, or leaving the workforce.⁶

¹ Educators includes Teachers and Instructional Support Personnel

³ [Pew Research](#)

³ Ibid.

⁴ [Bureau of Labor Statistics](#)

⁵ [Bureau of Labor Statistics](#)

⁶ [Mission Square Research Institute](#)

Recommendation Detail

Employee Purchasing Power

- **Compensation Increase:** Funds an additional 2.5% across-the-board salary increase for most state employees and state-funded local employees, including employees of state agencies and the University of North Carolina (UNC) system, state-funded local community college employees, and state-funded non-certified personnel, principals, and central office staff within public schools. These funds build upon the 2.5% legislative increase provided in S.L. 2021-180, resulting in a total increase of 5% in FY 2022-23.
- **Additional Increase for Law Enforcement Officers (LEO) and Health Professionals:** Provides funding for an additional salary increase of 2.5% for LEO and health professionals within state agencies and the UNC system. This increase is in addition to both the 2.5% across-the-board salary increase and the 2.5% increase provided in SL 2021-180.
- **Educator and Assistant Principal Compensation Increase:** Adjusts the Teachers Salary Schedule to ensure all educators receive at least a 7.5% increase over the biennium, on par with state employees. Salary increases include state agency teachers who are paid in accordance with the statewide teacher salary schedule. In addition, the proposed teacher salary schedule minimizes plateaus for veteran teachers and increases starting pay to \$36,600. Assistant principal compensation is tied to the teacher salary schedule, thus their salaries increase accordingly. The recommended FY 2022-23 salary schedule is provided in Table 2 at the end of this summary.
- **Educator Master's Pay:** Provides \$9 million to reinstate Master's pay for educators who have or obtain a relevant Master's degree.

Competitive Marketplace for Labor

- **Labor Market Retention and Adjustment Reserve:** Provides 2% of payroll to allow agencies, including state agencies, the UNC system, and community colleges, to address specific labor market concerns unique to their staffing needs. Agencies can use these funds to address turnover, equity, and compression and to adjust salaries to better compete for and retain talent.
- **Salary to Market Range Minimum:** Provides funding to bring all employees to the minimum of newly established pay grade salary ranges. Mercer Consulting, in consultation with the Office of State Human Resources, has updated all salary ranges and reassessed position range assignments to better align with market wage rates. Assuming a total compensation increase of 5% for FY 2022-23, Mercer has calculated approximately 1,855 positions will be below the new salary minimums. Of these, 1,128 are General Fund supported; the total cost to bring the General Fund supported employees to the new minimums, including benefits, is just over \$2.5 million.

Employee Retention

- **Retention Bonuses:** Repeats and increases the FY 2021-22 pandemic bonuses provided in SL 2021-180, providing bonuses to all state employees and local employees regardless of funding source. These funds will be used to provide a \$1,500 bonus to all state employees and local employees making more than \$75,000 and a \$2,000 bonus to:
 - Employees with an annual salary of less than \$75,000, including employees of public schools such as bus drivers, school nutrition staff, and locally-funded employees,
 - Law enforcement officers,
 - Employees in the Department of Public Safety, Division of Juvenile Justice or the Department of Correction and Rehabilitation, with job duties requiring frequent in-person contact, or

- Employees of the Department of Health and Human Services in a position at a 24-hour residential or treatment facility

To be most effective at retaining employees, the retention bonus will be paid in two equal installments, the first in October 2022 to employees continuously employed since July 1, 2022, and the second in April 2023 to employees continuously employed since October 1, 2022. The bonus shall be adjusted pro rata for otherwise eligible part-time employees.

- **Teacher and School-based Administrator Retention Bonus:** Continues and expands the FY 2021-22 bonus funded through the Elementary and Secondary School Emergency Relief Fund, providing an additional \$1,000 bonus to all teachers and instructional support personnel as well as assistant principals and principals regardless of funding source. This increases the total bonuses a teacher can expect to receive to \$3,000 during FY 2022-23. As with the retention bonus, this bonus shall be paid half in October 2022 and half in April 2023.

Expected Impact

These proposals will support the state's workforce by offering targeted increases in compensation.

Expected impacts include:

- Providing approximately 145,000 employees with a 5% total compensation increase in FY 2022-23, helping keep up with rising private-sector compensation.
- Giving agencies flexible funds to target compensation increases where they are most needed. Agencies will be able to raise the wages of experienced staff to prevent the loss of valuable knowledge. They will also be able to raise the salary offerings of open positions to attract talent.
- Increased retention by rewarding employees who remain with their current employer.
- Increased retention of experienced educators by investing in veteran educator salaries and removing plateaus in the educator salary schedule.

Table 2: Annual Statewide Teacher Salary Schedule Comparison

Years of Exp.	Current FY 2021-22	SL 2021-180 FY 2022-23	Recommended FY 2022-23
0	35,460	35,920	36,600
1	36,470	36,940	37,600
2	37,480	37,970	38,600
3	38,490	38,990	39,600
4	39,510	40,020	40,600
5	40,520	41,050	41,250
6	41,530	42,070	42,150
7	42,550	43,100	43,500
8	43,560	44,130	44,500
9	44,570	45,150	45,500
10	45,590	46,180	46,500
11	46,600	47,210	47,500
12	47,610	48,230	48,500
13	48,620	49,250	49,500
14	49,640	50,290	51,000
15	50,650	51,310	52,000
16	50,650	51,310	52,950
17-18	50,650	51,310	53,750
19-20	50,650	51,310	54,000
21-22	50,650	51,310	54,250
23-24	50,650	51,310	54,500
25-26	52,680	53,360	54,750
27-28	52,680	53,360	55,900
29-30+	52,680	53,360	56,500

Living Wage

Recommendation

Increasing wages for all North Carolinians is vital to the state's economic growth as well as quality of life for residents. The Governor's Recommended Budget includes recommendations aimed at increasing wages for essential caretakers, including those who work in Skilled Nursing Facilities and the early childhood educator workforce. In addition, the budget extends the \$15 per hour minimum wage for permanent state employees to temporary and seasonal workers and to employees paid through state contracts. The total cost of these proposals is \$113.3 million.

Table 1: Living Wage Allocation of Funds

	Recurring
Nursing Home Rate Increases	\$60,000,000
Child Care WAGE\$ Program ¹	\$26,000,000
Temporary and Seasonal Employees	\$2,250,000
Employees Paid by State Contract Reserve	\$25,000,000
Grand Total	\$113,250,000

Statement of Need

During the COVID-19 pandemic, the country has gone through a childcare and elder care workforce crisis:

- Nationally, childcare providers made an average of \$13.22 per hour in 2021, while the median wage for all workers was \$22 per hour.²
- In North Carolina, a starting assistant teacher in a childcare facility made an average of \$10 per hour in 2019.³
- In North Carolina, employment in childcare centers fell by 3,276 between February 2020 and February 2022, a decline of 8.7%.⁴
- Nationally, nursing assistants at Skilled Nursing Facilities made an average of \$15.99 per hour in 2021, while the median wage for all workers was \$22 per hour.⁵
- Nationally, approximately 420,000 employees at residential care facilities left the workforce between February 2020 and January 2022, a decline of 12.2%.⁶
- Only about one of every five North Carolina nursing homes meet the recommended staffing threshold, compared to one out of every four homes nationally.

North Carolina has more than 1.3 million workers making less than \$15 per hour, including some state employees. In FY 2018-19, the state committed to a statewide minimum salary for full-time permanent state employees of \$31,200, which is equivalent to \$15 per hour. In FY 2021-22, the state extended the

¹ The NC Child Care WAGE\$ program is shown in the Ensuring a Sound Basic Education and Workforce justification narratives. The \$26 million recurring in funding is accounted for as part of the Comprehensive Remedial Plan.

² [U.S. Bureau of Labor Statistics](#)

³ [2019 North Carolina Early Care and Education Workforce Study](#)

⁴ [NCDHHS Dashboard](#)

⁵ [U.S. Bureau of Labor Statistics](#)

⁶ [Federal Reserve Economic Data](#)

\$15 per hour minimum wage to all local public school and community college employees effective in FY 2022-23. However, some temporary and seasonal state workers are still paid less than \$15 per hour.

Recommendation Detail

- **Nursing Home Rate Increases:** Increases the reimbursement rate paid to Skilled Nursing Facilities, making a portion of the temporary COVID-19 increase permanent. A minimum of 80% of the funding should be used to increase the rate of pay to direct care workers. The total cost of this program is \$60 million.
- **NC Child Care WAGE\$ Program:** Provides educational attainment-based salary supplements for early childhood educators, to better attract and retain highly qualified staff who are essential to early childhood programs. These funds will allow this successful program to expand statewide to provide wage supplements to early childhood teachers in all 100 counties.
- **Temporary and Seasonal Workers Employees:** Brings temporary and seasonal employees up to \$15/hour. Data provided by Temporary Solutions and other state agencies shows that there are about 900 employees paid by the state that are currently making less than \$15 per hour. The total cost to bring state agency and University of North Carolina employees to \$15 per hour is approximately \$2.25 million.
- **Employees Paid by State Contracts:** Establishes a Living Wage for Contracts Reserve with an initial balance of \$25 million. Agencies may access the reserve when renewing contracts that directly fund employees. When contracts are renewed, agencies would require that all employees paid with state funds be paid at least \$15 per hour. The rollout of a living wage for state contractors will necessarily be in stages, as any change in compensation will occur as contracts come up for renewal.

Expected Impact

Funds will help increase wages for those making less than a living wage. Expected impacts include:

- Increasing wages in nursing homes and childcare facilities to support quality care for the elderly and young children.
- Raising minimum pay for over 900 temporary and seasonal state agency and University of North Carolina employees.
- Raising minimum pay for workers paid by state contract funds.