Final Budget Agreement

Late Monday, September 14, the House and Senate announced a final budget agreement. The latest budget Continuing Resolution expires Friday, September 18. The Senate voted to approve the budget along party lines on Tuesday and Wednesday. Because of the House rule that the budget be made public 3 days before a House vote, the House will not vote until Thursday and Friday, so Governor McCrory will need to have his pen ready to sign!

The good news for United Ways is what is NOT in the budget. The proposed cap on charitable deductions is not included in the final budget. The proposed change to nonprofit sales tax refunds is not included. The proposed Taxpayer Protection Act (also known as TABOR, "Taxpayer Bill of Rights") is not included. Details on the budget are below.

- Individual income tax deductions: There is no cap on deductions, including the charitable tax deduction, in the final budget. The Medical expense deduction is also restored in the final budget.
- Personal Income Tax Rate Changes: Reduces the personal income tax rate from 5.75 to 5.5 percent beginning in 2016 and exempts the first $15,500 of
income from state personal income tax.
- Maintains Corporate Income Tax rate reduction trigger (Current forecast has us hitting the trigger in 2016 dropping rate to 3%).
- Expands the sales tax to cover car repairs and appliance installations starting in FY2016-2017. The new sales tax revenue will be distributed county-by-county under a plan in the final budget.

Health and Human Services

Division of Central Management

- $250k to establish Office of Program Evaluation, Reporting and Accountability Establishes an Office within the Department of Health and Human Services to evaluate effectiveness and efficiency of programs as Directed by the Secretary, Governor and as requested by the General Assembly. The House had proposed $500k, $250k was included in the final budget.

Division of Aging and Adult Services

- $970k NR to HCCBG, restores some of the money cut in previous years. This was a House only item and is included in the final budget.

Division of Child Development and Early Education

- Child care subsidy: The budget agreement partially restores access to child care assistance, making it possible for more families to get good child care for their children while they work or go to school. Specifically, the budget redefines “family income unit,” so that the income of relative caregivers, like grandparents, doesn’t count against a child’s eligibility. The budget also reestablishes a prorated parent fee for part-time child care. Additionally, the budget raises the market rate for child care providers in Tier 1 and Tier 2 counties for infant and young toddler care, so rural providers in these counties can re-establish more costly infant care slots, now in a shortage.
- NC Pre-K funding: The Senate budget would have resulted in the loss of 520 NC Pre-K slots. The final budget follows the House proposal, which included $2.3M in state funding and an additional $2.7M of lottery funding to retain those slots.
- Smart Start, NC Pre-K, and Child Care Subsidy Merger: The Senate budget directed the Program Evaluation Division to contract with a third party to develop a plan for merging Smart Start, NC Pre-K, and Child Care Subsidies. The plan was required to be complete by March 1, 2016. The final budget follows the House proposal, directing a subcommittee to study early childhood and family support programs, including the Child Care Subsidy program, NC Prekindergarten program (NC Pre-K), and the Smart Start program. The subcommittee is directed to develop a proposal for a statewide plan that addresses how to meet county or regional needs of
children by county or region. The subcommittee shall submit a report on the proposed statewide plan to the Joint Legislative Oversight Committee on Health and Human Services on or before April 1, 2016, at which time the subcommittee shall terminate.

Division of Social Services

- The final budget funds the Senate proposal to extend foster care to age 21.
- $1.3 mil increase for Successful Transition of Youths in Foster Care: Provides funds to support a demonstration project with services provided by Youth Villages to improve outcomes for youth ages 17-21 years who transition from foster care through implementation of outcome-based Transitional Living Services. This provision was in the House budget only but was included in the final budget.

Division of Mental Health, Developmental Disabilities and Substance Abuse Services

- Community Paramedicine Pilot Project: the final budget provides $350k to implement 3 pilot projects focused on expanding the role of paramedics to allow for community-based initiatives designed to avoid nonemergency use of hospital emergency rooms. The House had proposed a lower level of funding, $225k, to assess and transport persons with a mental health or substance abuse crisis to a non-hospital setting such as a behavioral health urgent care center.
- The final budget also creates a Dorothea Dix Hospital Property Fund to increase the availability of short-term behavioral health inpatient services around the State and to increase inpatient bed capacity for short-term care of individuals experiencing an acute mental health, substance abuse, or developmental disability crisis. Moneys in the Property Fund shall be allocated or expended only upon an act of appropriation by the General Assembly. The provision directs DHHS to develop a plan by April 1, 2016 to use up to $25 mil to produce 150 new behavioral health inpatient beds with several specified components.

Division of Medical Assistance

- CCNC: The Senate proposed eliminating the CCNC contract. The final budget maintains the CCNC contract. However, the budget also includes a "Medicaid Transformation Enactment Contingency." If a Medicaid Reform plan does not pass by March 1, 2016, the current Primary Care Case Management program through Community Care of North Carolina (CCNC) will be discontinued. The savings from discontinuing the program will be used for increasing Primary care physician rates (this includes OB/GYNs) to the Medicare rate and funding local health departments continued services related to the Care Coordination for Children program.
- Medicaid Reform: The final budget includes $5 mil for for planning and reform of the Medicaid program to shift utilization risk from the State under
a capitated model. The actual Medicaid Reform plan will proceed via separate legislation.

Education

- Teacher Salaries: Senate proposed increasing starting teacher pay from $33,000 to $35,000 per year, and granted an experience-based step increase for eligible educators earning a year of creditable experience, and to ensure that all educators, assuming no change in credentials, are paid at least their FY 2014-15 compensation. The House provides across the board increases. The final budget increases starting pay form $33k to $35k; an experience-based step increase for educators earning a year of creditable experience; and a sixth tier for school psychologists, speech pathologists and school audiologists. Funds are also provided for a $750 one-time bonus for educators and to ensure that bonuses received in FY 2014-15 are continued as appropriate.
- The Senate reduced TA funding by $57.5mil in 2016 and $166mil in 2017. The final budget funds Teacher Assistants at the same level as last year, but restricts the use of funds for TAs only.
- $20 mil to add 1st and 2d graders to summer reading camps in furtherance of the Read to Achieve legislation.

General Government

- $29.118 mil for the Housing Finance Agency was proposed in the House budget. The final budget only includes $12.5 for the WHLP, and $1.5 mil in the second year for the HOME Match.
- ABLE Act funding for Treasurers office. The final budget includes funding for four positions to implement the ABLE Act.
- Additional $200k to SBOE for VIVA. The Senate proposed $100k but the final budget includes $200k.