



Nonprofit Provisions in the State Budget for FY2023-2025

Revised: October 6, 2023

Category	Budget Provision or Appropriation
Total spending	<ul style="list-style-type: none"> • \$29.7 billion in FY 2023-24 and \$30.8 billion in FY 2024-24
Medicaid expansion	<ul style="list-style-type: none"> • Enables Medicaid expansion to begin once budget is enacted. Medicaid expansion will begin on December 1, 2023. • An earlier version would have required passage of separate legislation to allow for casino gambling by June 30, 2024 for Medicaid expansion to begin.
Nonprofit sales tax refunds	<ul style="list-style-type: none"> • Preserves nonprofit sales tax refunds but does not convert them to the process to point-of-sale exemption.
Sales tax changes for continuing care retirement communities	<ul style="list-style-type: none"> • Creates a sales tax exemption for sales by nonprofit continuing care retirement communities to their resident, excluding alcohol sales and makes a variety of tax law changes to adjust for this sales tax change.
Incentives for charitable giving	<ul style="list-style-type: none"> • Does not include any new broad state tax incentives for charitable giving. • Does not reinstate the conservation tax credit.
Tax deductions (including charitable deduction)	<ul style="list-style-type: none"> • Makes no changes to the standard deduction and state child tax deduction. • Keeps the charitable deduction uncapped.
Tax rates	<ul style="list-style-type: none"> • Reduces the individual income tax rate from 4.6% to 4.5% in 2024, from 4.5% to 4.25, and to 3.99% starting in 2026. • Provides that the individual income tax rate will drop by 0.50% each year between 2027 and 2034 –with the rate not dropping below 2.49% - if the state meets certain revenue targets for the prior fiscal year. • Caps the franchise tax, a tax on many businesses in the state. Nonprofits are fully exempt from paying franchise tax. • Overall, the income tax rate changes and franchise tax changes are projected to reduce state revenue by \$795 million over the next two years. Once the income tax rate goes down to 2.49%, state revenue could drop by \$7 billion per year.
Labor laws	<ul style="list-style-type: none"> • Prohibits local governments from adopting or imposing labor laws differing from statewide laws. This means that counties, cities, and towns cannot create higher minimum wage requirements that \$7.25 per hour, cannot raise the overtime salary threshold beyond the threshold set by the U.S. Department of Labor under the Fair Labor Standards Act, cannot set maximum working hour requirements for employers, and cannot require nonprofits and other employers to provide paid time off.
Nonprofit salaries	<ul style="list-style-type: none"> • Includes a requirement that nonprofits may not spend more than \$140,000 per year in state funds on any individual's salary. This salary cap has been set at \$120,000 since 2015, and this provision would adjust the amount for inflation.
Disbursement of grants and appropriations to nonprofits	<ul style="list-style-type: none"> • Provides that one-time state grants and appropriations to nonprofits of \$100,000 or less may be disbursed as a single payment and that larger grants or appropriations may be disbursed as monthly or quarterly payments. • Requires state agencies to pay out these grants or appropriations as soon as possible and no later than 100 days after the state budget is enacted. • One-time funds to nonprofits do not revert to the state (if unused) until June 30, 2026.

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Unexpended grants	<ul style="list-style-type: none"> Provides that nonprofits that have not spent the full amount of their direct appropriations from the FY 2021-23 budget or from American Rescue Plan Act funds by June 30, 2023 do not need to return these funds to the state.
Electronic signatures	<ul style="list-style-type: none"> Requires the General Statutes Commission to study removing state law requirements for pen-and-ink signatures. Many nonprofits find that pen-and-ink signature requirements can slow down the process of signing state contracts.
Lobbying fees	<ul style="list-style-type: none"> Doubles the fees for registered lobbyists and lobbyist principals from \$250 per year to \$500 per year. This creates additional expenses for nonprofit that lobby.
Legislative Building access	<ul style="list-style-type: none"> Would allow registered lobbyists to purchase “fast passes” to bypass security checkpoints at the Legislative Building and Legislative Office Building. Lobbyists would be charged a fee of up to \$2,000 per two years for these “fast passes.” While these “fast passes” could help ensure that lobbyists are able to advocate more fully and effectively by not missing meetings, the \$2,000 price tag could be prohibitive for many nonprofits, putting these organizations at a disadvantage in their advocacy work.
Legislative investigations of nonprofits	<ul style="list-style-type: none"> Gives the Joint Legislative Oversight Committee on Governmental Operations (GovOps) broad authority to investigate any nonprofit with a state grant, contract, or appropriation. This change give GovOps the authority to make burdensome information requests of many nonprofits and to have access to nonprofits’ facilities. Nonprofits and their staff or board who don’t comply with requests for information or access to their facilities could be subject to criminal penalties.
Legislative records	<ul style="list-style-type: none"> Allows legislators to choose to exclude their documents and communications from public records requirements. This change will significantly reduce transparency about legislative operations and about businesses and nonprofits that influence legislative action.
Nonprofit earmarks	<ul style="list-style-type: none"> Includes a variety of appropriations for specific nonprofits (click on the link for the full list of nonprofits receiving appropriations in the budget). The Center estimates that 644 nonprofits named in the budget will receive a total of about \$1.515 billion over the next two years.
Competitive grants for nonprofits through the N.C. Department of Health and Human Services (DHHS)	<ul style="list-style-type: none"> Eliminates the competitive grant program for nonprofits through DHHS. Provides direct appropriations for most of the nonprofits that typically receive grant funding through this program.
Free and charitable clinics	<ul style="list-style-type: none"> Provides \$11.2 million in one-time funding (over two years) to free and charitable clinics. Provides funding for several individual free and charitable clinics.
Smart Start	<ul style="list-style-type: none"> Requires 19% matching funds for local Smart Starts. Limits administrative costs (statewide) for partnerships for children to 10% of total funding. Provides \$1.5 million per year (\$3 million over the biennium) in one-time funding for Smart Starts for the Dolly Parton’s Imagination Library program. This additional funding does not provide support for the staffing and administrative costs to run the expanded program. Does not provide additional recurring funding for Smart Starts.
Child care and early childhood	<ul style="list-style-type: none"> Does not increase the child care subsidy, although this was included in a separate bill that has been enacted into law. Provides \$1.8 million in one-time funding to establish the Tri-Share Child Care pilot program as a public-private partnership between the NC Department of Health and Human Services and the nonprofit NC Partnership for Children. The pilot program would seek to improve access to affordable, high quality child care for working families – including nonprofit workers – by splitting the costs of child care equally between employers, employees, and the state. Makes far fewer investments in child care and early childhood programs than nonprofit advocates are seeking.

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Nonprofit hospitals	<ul style="list-style-type: none"> • Makes it easier for government-run hospitals to acquire nonprofit hospitals. • Provides funding for a variety of individual nonprofit hospitals.
Pregnancy care nonprofits	<ul style="list-style-type: none"> • Provides \$6.25 million per year (\$12.5 million over the biennium) in recurring funding to the Carolina Pregnancy Care Fellowship to support crisis pregnancy centers. • Provides \$1.55 million per year (\$3 million over the biennium) to the Human Coalition. • Codifies a provision that prohibits the state from contracting nonprofits or other entities that perform abortions for family planning services, pregnancy prevention, or adolescent parenting services. • Provides funding for a variety of individual crisis pregnancy centers.
Child advocacy centers	<ul style="list-style-type: none"> • Provides \$3 million per year (\$6 million over the biennium) in additional funding to child advocacy centers.
Food security nonprofits	<ul style="list-style-type: none"> • Provides \$6.1 million per year (\$12.2 million over the biennium) in one-time funding to food banks, including \$100,000 per year for administrative costs. • Provides \$6.1 million per year (\$12.2 million over the biennium) in one-time funding to food banks, including \$100,000 per year for administrative costs. • Provides \$3 million per year in recurring funding plus \$3 million in additional one-time funding in FY2023-24 to pay for reduced price breakfasts and lunches in schools. While this funding does not go to nonprofits, it complements the work of many organizations working in food security and with low-income families.
Arts ,cultural, museum, and science nonprofits	<ul style="list-style-type: none"> • Provides \$2.5 million per year in additional recurring funding (\$5 million over the biennium) for grassroots arts programs. This funding would only be available to arts organizations in 96 counties (excluding Buncombe, Durham, Mecklenburg, Union, and Wake counties). • Provides funding for a variety of individual arts and cultural nonprofits and nonprofit museums.
Legal services nonprofits	<ul style="list-style-type: none"> • Makes attorneys working for Legal Aid of North Carolina ineligible for NC Legal Education Assistance Fund (NC LEAP), which provides student loan forgiveness for lawyers. • Provides \$300,000 per year (\$600,000 over the biennium) in additional one-time funding for the NC Legal Education Assistance Foundation.
Educational nonprofits	<ul style="list-style-type: none"> • Clarifies that private (mostly nonprofit) K-12 schools may offer remote education. • Provides funding for a variety of individual educational nonprofits.
Opportunity Scholarships	<ul style="list-style-type: none"> • Significantly expands this scholarship program for students at private (mostly nonprofit) K-12 schools. Starting in the 2024-25 school year, virtually all North Carolina families would be eligible for Opportunity Scholarships, potentially creating cost-savings for nonprofit K-12 schools and increasing the number of families that can afford to send their children to nonprofit K-12 schools. • Allows (but does not require) nonprofit K-12 schools that participate in the Opportunity Scholarship program to use cash basis accounting.
Economic development nonprofits	<ul style="list-style-type: none"> • Provides \$500 million (over two years) in additional one-time funding for NC Innovation, Inc. and adds a variety of governance, accountability, and clawback requirements for NC Innovation. • Increases the annual state funding for the Golden LEAF Foundation from \$17.5 million to \$25 million and provides \$10 million in one-time funding to Golden LEAF for a shell building pilot program. • Removes a requirement that the Golden LEAF Foundation must consult with the NC General Assembly on the organization's annual budget and gives Golden LEAF more flexibility in amending its articles of incorporation and bylaws. • Provides funding for several individual economic development nonprofits.
NC Office of State Budget and Management	<ul style="list-style-type: none"> • Provides funding for an additional grants management position, which could help address some of the challenges nonprofits have experienced with state grants and contracts.

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NC Council for Women and Youth Involvement	<ul style="list-style-type: none"> Provides funding for an upgrade to the grants management system and for an additional grants management position. This may help nonprofits that receive state grants and contracts through the agency.
Volunteer fire departments and volunteer rescue squads	<ul style="list-style-type: none"> Provides \$13 million in one-time funding for volunteer fire departments across the state. Provides funding for a variety of individual volunteer fire departments.
Elections provisions	<ul style="list-style-type: none"> Provides \$2.7 million in one-time funding to the NC State Board of Elections for training and education programs around the new voter ID requirement. A separate state law was enacted earlier this year that prohibits the NC State Board of Election and local boards of elections from receiving contributions from nonprofits to assist with their elections operations.
Parks and trail programs	<ul style="list-style-type: none"> Provides \$25 million in one-time funding for the Great Trails Program. Provides \$5 million in one-time funding for the Complete the Trails grants program. Provides \$12 million in one-time funding (over two years) to Conserving Carolina for the Saluda Grade corridor trail.
Human trafficking nonprofits	<ul style="list-style-type: none"> Provides \$500,000 per year (\$1 million over the biennium) in recurring funding to create a new competitive grant program for nonprofits providing services to victims of human trafficking.
Domestic violence and sexual assault programs	<ul style="list-style-type: none"> Provides \$500,000 in new recurring funding in FY2023-24 and \$750,000 in new recurring funding in FY2024-25 for the domestic violence grants program. Provides \$500,000 in new recurring funding in FY2023-24 and \$750,000 in new recurring funding in FY2024-25 for the sexual assault grants program.
YMCAs	<ul style="list-style-type: none"> Provides \$1.875 million per year (\$3.75 million over the biennium) in one-time funding for YMCAs for teen mental health programs. Provides funding for a variety of individual YMCAs.

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