

North Carolina Legislators Consider Spending and Policy Bills

June 29, 2020



The North Carolina General Assembly left Raleigh on June 26 after acting on several spending and policy bills. This Session was in addition to one held in [late April that focused on COVID-19 Relief](#)

Much of the recently completed Session focused on spending for fiscal year 2021, which begins July 1. The state faces a projected budget shortfall of over \$4B for fiscal year 2021, primarily due to the impact of the COVID-19 pandemic on the state's economy and tax collections. Before leaving Raleigh, members passed funding bills that stayed within the state Constitution's balanced budget requirement by, among other things, using federal funds and cutting spending. State leaders will have additional insight about the budget situation later this summer given the extension of tax payment deadlines until July 15 and the possibility of additional federal funding. Some of the bills discussed below are still being considered by Gov. Roy Cooper.

Education Funding

Money was appropriated to the three levels of education for enrollment purposes (\$101M for K-12 [HB 1071](#), \$41.5M for community colleges—[SB 816](#), and \$29M for UNC—[SB 817](#)). A bill ([SB 818](#)) was enacted that, among other things, provides \$350 bonus for K-12 teachers and instructional support personnel. This bill also encourages the Governor to provide an additional \$600 bonus using federal CARES Act funds. Bills were also passed for capital projects, including at University of North Carolina (UNC) campuses ([SB 813](#)) and to open the NC School of Science and Math campus in Morganton ([HB 1136](#)).

Economic Development

A bill ([SB 801](#)) appropriated \$2M to the Military Presence Stabilization Fund to sustain and maintain the state's military programs and activities by providing grants for local communities or military installations, updates to strategic planning, federal advocacy, and identification of measures to increase the military value of installations. These funds will also help

the state prepare for potential changes in military presence in North Carolina such as a future Base Realignment and Closure (BRAC) process.

A bill ([HB 1023](#)) allocated federal COVID-19 funds for various purposes including for cities and towns (this is in addition to a bill enacted in April --[HB 1043](#)--that allocated funds to counties but gave them discretion on sharing the funds with municipalities), support for the High Point Furniture Market, the NC Zoo, the Biotechnology Center, certain rural hospitals, and for a Job Retention Program for businesses and nonprofits.

NC DOT Budget and Governance

A bill ([HB 77](#)) was enacted to change the funding and governance of the NC Department of Transportation (DOT). It follows the release of a [performance audit](#) by State Auditor Beth Wood that was critical of the Department's finances and operation. The bill makes significant cuts within the DOT to balance the budget. The state is still hoping for federal flexibility of CARES Act funds that could result in an additional \$300M to DOT as directed in H1043, which was passed in the April Session. Regarding the governance reform, the new law alters the DOT Board membership to have the Governor appoint members for each of the 14 Highway divisions, and the Senate President Pro Tem and Speaker appoint three at-large members each. It adds additional oversight over DOT spending, including creating a Director of Transportation Budget at the Office of State Budget and Management.

Medicaid Transformation

North Carolina since 2015 has been on a path to move from fee-for-service Medicaid to a managed care system. RFP awards were made to managed care "prepaid health plans" (four statewide and one regional) in early 2019 to implement the system. Still, the transformation did not move forward due to a budget impasse between the Governor and Legislature over Medicaid expansion. [SB 808](#), among other things, seeks to begin the transformation by July 1, 2021. It also funds Medicaid services for the upcoming fiscal year and relocates the Department of Health and Human Services from the Dix property to another "suitable" site in Wake County.

COVID-19 Liability Limits

Bills were enacted that create liability limits related to COVID-19. [HB 118](#) creates limited immunity for individuals, companies, governments, and nonprofits, and [SB 208](#) creates limited immunity for institutions of higher learning for campus closures in the spring of 2020. A bill passed in the April Session ([SB 704](#), sec. 3D.7) provides limited immunity for health care facilities and providers.

State government operations

A bill ([SB 836](#)) was enacted to add \$300M to an earlier appropriated \$70M for "continuity of operations needs across state government." Many agencies have been stretched thin due to the virus, and this earmarking of federal funds coming into the state will assist their work. The use of funds includes salaries, overtime costs, and providing personal protective equipment at certain state facilities including mental health institutions, prisons, community corrections, juvenile facilities, and veterans homes, purchasing critical information technology equipment and software licenses, and enhancing telepresence services in public safety facilities and the court system. In addition, another bill [[SB 816](#), sec. 8(c)] designated \$645M of federal funds to provide funding across state government to offset a shortfall in state revenue.

"Reopening" Bills

Legislators considered a number of bills related to reopening businesses closed due to the Governor's Executive Orders. They included [HB 536](#) (businesses serving food or drink—vetoed by the Governor), [HB 594](#) (gyms and bars—vetoed by the Governor and House override vote failed), [HB 633](#) (businesses serving food or drink), [HB 795](#) (parks, public playgrounds, arcades, fairs), [H 806](#) (fitness facilities, gyms, health clubs), and [SB 599](#) (skating rinks and bowling alleys). A bill [S 105](#) amending laws on state of emergency declarations also passed. At this point, none of these bills have become law.

Legislative Schedule

Under their adjournment resolution ([SJR 870](#)), Legislators may return to Raleigh in early July for matters such as veto overrides. Once they adjourn on July 11, they will next convene Sept. 2 for a session focused on federal COVID-19 funding and regulations.

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