

Ten Things to Know About the 2013 North Carolina Legislative Session

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The North Carolina General Assembly has completed its 2013 session after passing a two-year budget and considering hundreds of bills on a variety of topics. Here are some highlights from this year's session:

Significant changes were made in the State tax code.

Corporate income and personal income tax rates were reduced, the estate tax was eliminated, the motor fuels tax was capped and the coverage of the State sales tax was expanded to include service contracts, live entertainment and movies. More changes are possible in next year's session.

The State unemployment insurance program was overhauled.

The State's unemployment insurance program was changed to address a deficit owed to the federal government by lowering the amount of maximum weekly benefits, reducing the maximum benefit period and temporarily increasing payments due from employers, among other things.

The State's approach to economic development is changing.

Legislators gave Governor McCrory some authority to move forward with his plan to privatize many of the economic development functions performed by the Department of Commerce. They also phased out State funding for the seven regional economic development commissions (Commerce leaders have indicated they will seek to create eight new regional prosperity zones to spur economic development) and shifted much of the funding and programs for rural economic development to the Department.

State K12 education policy continues to change.

Legislators made a number of changes to education policy and funding, including giving more spending flexibility to local school systems, mandating teaching cursive writing and multiplication tables and reducing funding for teacher assistants. They also created an advisory board for charter schools, funded a program for scholarships for lower income children attending nonpublic schools and set a goal of having all educational materials be digital by 2017.

State spending will grow slightly.

General Fund spending (non-transportation funding) rises slightly over the next two fiscal years. Appropriated funds are \$20.6 billion for FY 2014 and \$21 billion for FY 2015 versus \$20.2 billion for the recently completed FY 2013. Much of the increased spending is due to Medicaid.

Medicaid is top of mind for State leaders.

Medicaid spending has exceeded projections for a number of years and as part of his effort to address this issue, the Governor has indicated support for a move to Medicaid managed care. This and other ideas to reform the State's Medicaid program will likely be presented in a report from the Department of Health and Human Services due to the Legislature in early 2014. Legislators, with support of the Governor, decided not to expand Medicaid coverage for North Carolinians. In addition, the State's new Medicaid computer payment system (MMIS) went live on July 1.

Transportation funding could shift.

The Governor recommended an overhaul of State transportation priorities and the Legislature enacted many of his recommendations. Part of the new approach will fund projects in competitive pools based on factors including travel time, congestion and economic competitiveness.

Environmental policy is becoming more business friendly.

A number of bills to lessen environmental regulation of business were passed. They include provisions to streamline the permitting process, amend the State rulemaking process and ease permit restrictions for the construction of terminal groins on the coast.

The move to privatize State services continues.

In addition to a possible move toward Medicaid managed care and the changes in economic development, Legislators passed bills encouraging privatization in other areas, such as transportation and information technology.

Local government authority was reduced.

Legislators took a number of actions to shift authority away from local governments. These include establishing a regional commission to oversee operation of the Charlotte airport and merging the Asheville water system into a metropolitan sewer district.

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The next regular session of the General Assembly will begin in May 2014. Legislators will be in Raleigh during the interim, however, working on various tax and policy matters in study and oversight committees, which often produce recommendations that are enacted in the next session.

For more information, contact a member of the Brooks Pierce government affairs team at 919.839.0300 or 336.373.8850.

***Elizabeth Biser and Chris McClure are not licensed to practice law and they do not provide legal advice.**

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