

Brooks Pierce Capital Dispatch: Updates from the NC General Assembly and Governor's Office, July 11, 2022

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After considering its provisions for 10 days as provided in the North Carolina Constitution, Gov. Roy Cooper signed the budget bill into law today. This is the second consecutive budget he has signed after vetoing prior budget bills earlier in his term.

Governor Signs State Budget Bill

Today, Gov. Cooper signed the 2022 budget bill (H 103) that the General Assembly passed earlier with bipartisan support. The House passed the bill by 82 to 25 and the Senate passed it by 36 to 8.

The budget bill, among other things, alters the two-year budget (S.L. 2021-180) enacted in November 2021, which covered both FYs 22 and 23 (the "biennium").

Here are some highlights from the bill:

Overview

- Appropriates \$27.9 B for FY 23, a 7.2% increase from FY 22
- Adds funds to the state's Rainy Day Savings Fund to increase the balance to \$4.75 B at the end of FY 23
- Transfers \$1 B into a new Stabilization and Inflation Reserve for things such as cost overruns for state capital projects

Salaries

- Establishes a labor market salary reserve of \$80 M for state agencies to address staff shortages and help recruit and retain employees
- Provides a 3.5% pay raise for most state employees, (6% raise over the biennium) and an average increase of 4.2% for teachers (average 6.7% over the biennium). It also increases the starting salary for entry level teachers and provides funds for a state-funded teacher supplement
- Provides an additional 1% one-time retiree supplement for a total of 5% over the biennium

Education

- Funds an additional \$1 B over the FY 22 amount for a total of \$16.5 B for the three levels of education
- Provides \$3.9 M to cover the copays for students that qualify for reduced-price lunches
- Transfers \$431 M over the biennium from the N.C. Education Lottery to the Needs-Based Public School Capital Building Fund
- Creates a recurring \$250,000 grant for schools to purchase feminine hygiene products in schools

School Safety

- Provides an additional recurring \$15 M for the School Resource Officer Grant program, specifically for elementary and middle schools
- Provides an additional \$32 M for School Safety Grants to support students in crisis, school safety training and safety equipment in schools
- Allocates \$26 M to provide one school resource officer for each high school
- Provides \$5 M for cybersecurity and bomb threat preparedness at North Carolina's Historically Black Colleges and Universities

Capital/Infrastructure

- Provides \$883 M for water and wastewater infrastructure projects, bringing the total amount for the biennium to \$2.5 B
- Provides \$300 M to build a new Education Complex and Governor's Office in downtown Raleigh, and to renovate and demolish other downtown government buildings
- Provides \$250 M for a reserve to help defray cost overruns for state capital projects due to inflation
- Provides \$120.8 M in additional capital grants to local governments and non-profit entities

Other Items

- Redirects 2% of sales tax revenue for FY 23—approximately \$193.1 M—to the Highway Fund to support a variety of transportation purposes. This increases to 6% (an estimated \$600M annually) by FY 25
- Provides an additional \$5 M for GREAT Grants to expand broadband access in underserved areas, which raises the total to \$20 M recurring

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- Appropriates \$1.8 M from the federal Help America Vote Act (HAVA) grant to update and maintain voter lists and to continue enhancing election technology and security improvements
- Provides \$1 M to identify additional mega sites on which to site large economic development projects

Medicaid Expansion

It appears that Gov. Cooper and legislative leaders continue to discuss expansion of Medicaid insurance coverage although this topic was not part of the budget bill. Various sources indicate that progress toward an agreement is being made, but it is uncertain an agreement will occur this year.

Both houses passed versions of Medicaid expansion this summer. Gov. Cooper and Senate leader Phil Berger advocated for immediate expansion while the House approach was for the North Carolina Department of Health and Human Services (NC DHHS) to develop an expansion plan, discuss it with federal authorities this fall, and bring back a plan for a vote in December.

On June 2, the Senate passed a health care bill (H 149) that includes Medicaid expansion. It also includes items such as expanding scope of practice for certain nurses, using telehealth, addressing surprise medical billing, and changing the Certificate of Need law, which governs placement of certain medical facilities and equipment across the state. H 149 is pending in the House Rules Committee.

The House on June 28 passed its own version of Medicaid expansion (S 408). The bill is pending in the Senate Rules Committee. Speaker Tim Moore led the advocacy in favor of the House bill.

The House bill would create a Joint Legislative Committee on Medicaid Rate Modernization and Savings that would hear a Medicaid Modernization Plan to be developed by NC DHHS by Dec. 15, 2022. The bill outlines what should be in the plan such as coverage and funding details. The committee would make recommendations on the plan and the General Assembly would act on all or part of it on or after Dec. 16, 2022.

Adjournment

Under the adjournment resolution (S 917) passed by the General Assembly, members can return to Raleigh about once a month on "a date certain" for the remainder of 2022. The first such date is July 26. A limited number of topics, such as bills that the Governor has vetoed, appointment confirmations and conference committee reports, can be considered upon return. It is possible that an agreement on Medicaid expansion could surface as a conference committee report and

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therefore, be considered during one of these sessions.

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