

NC Legislative Update: April 5, 2019

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This week saw hundreds of new bills filed as the Senate reached its bill filling deadline. In total, 672 bills have been filed in the Senate. The House has filed 626 bills, but has until April 23rd to continue introducing new legislation. The next deadline to meet is the May 9th crossover date, in which bills must pass to the opposite chamber to be eligible for consideration. The Senate has indicated that Certificate of Need (CON) reform will be pushed again this year, with multiple bills filed to repeal the law.

The House advanced legislation this week to allow alcohol sales at college sporting events if approved by the school's board of trustees, but the bill was met with opposition by the Christin Action League, who believe that the bill will encourage more students to consume alcohol.

Longtime Labor Commissioner Cherie Berry announced this week that she will not run for re-election in 2020, leaving that Council of State seat open for newcomers. She was first elected to the position in 2000, and gained recognition for her picture on the inspection certificate in elevators across the State, which led to her affectionately being referred to as the "Elevator Queen."

Senate Tax Reduction Act of 2019

Senate Finance Committee chairs filed the Tax Reduction Act of 2019 this week. The bill increases the personal income tax standard deduction for all filing statuses, lowers the franchise tax, makes changes to market based sourcing, and suspends certain taxes for out-of-state companies when entering the State in response to a disaster. The franchise tax change would lower the rate from \$1.50 per \$1,000 of valuation to \$1 per \$1,000. Bill Sponsor Senator Hise said that the ultimate goal is to eventually repeal the franchise tax all together. The bill is estimated to reduce revenue by \$140 million a year by the second year. The General Assembly has taken numerous steps over the last few sessions to reduce taxes. These moves have been met with criticism by some who believe that the cuts are at the expense of higher state employee salaries and investments in education. In previous recommended budgets, Governor Cooper sought to prevent a scheduled corporate tax rate cut from becoming effective, but was

unsuccessful.

WRAL: <https://www.wral.com/major-business-tax-cut-pitched-in-legislature/18305240/>

Federal Indictments

North Carolina Republican Chairman Robin Hayes and several high-profile campaign donors have been indicted in documents that were unsealed this week. The indictments reveal a bribery scheme to funnel money into State Insurance Commissioner Mike Causey's campaign account in exchange for relaxed regulatory oversight and staff changes. The indictments claim that Greg Lindberg and his associates John Gray and John Palermo donated money to the State Republican Party, which was then transferred to Causey's campaign under the pretense that he would alter an investigation into their insurance company dealings. Causey alerted the FBI and cooperated in the investigation, and the indictments reveal several recorded conversations. Robin Hayes is accused of facilitating the money transfer and communications, and is also charged with three counts of lying to the FBI. Lindberg gained attention recently as the largest campaign donor in the state, giving more than \$5 million to various politicians of both parties. Hayes has since relinquished control of the Republican Party.

WRAL: <https://www.wral.com/nc-gop-chairman-major-political-donor-indicted-in-alleged-bribery-scheme/18300166/>

Bill of Indictment: <https://www.documentcloud.org/documents/5788183-Lindberg-indictment.html#document/p4/a491812>

Teacher School Supplies Bill

Senate Bill 580: Classroom Supplies to Teachers was filed this week and seeks to address reports of teachers having to spend their own money on school supplies. Bill sponsors Senators Wells, Ballard, and Tillman announced the bill alongside State Education Superintendent Mark Johnson and numerous House members. The bill would allocate \$400 to every teacher and would be available through an app called Classwallet. The bill has drawn criticism for not investing new money in the school supply budget, but simply rerouting \$37 million of the existing \$47 million school supply budget. Senator Wells claims that this is because school systems have misspent the money in the past.

WRAL: <https://www.wral.com/bill-would-give-teachers-400-to-buy-supplies-but-two-nc-teachers-of-the-year-don-t-support-it/18302161/>

House Passes State Health Plan Bill

The House approved a bill this week to study the State Health Plan (SHP) and delay Treasurer Folwell's efforts to move the plan to a reference-based reimbursement rate tied to a percentage of the Medicare fee schedule. The bill faces opposition from the State Employees Association of North Carolina (SEANC) who believes the Treasurer's plan will prevent future premium increases. 36 House Republicans and Democrats voted against the bill, claiming that the State is overpaying for services and that price transparency is needed. Opponents cited an actuarial note attached to the bill, which reported a large impact to the budget. Providers warn that cutting the reimbursement will put many facilities

in the red and force them to close. The bill sponsors reiterated these concerns, and cited unintended consequences as reasons to study alternatives, like patient management, to reduce costs and still provide access to care. Before the bill passed, it was amended to give the Treasurer a vote on the study committee and to limit new members from being added.

WRAL: <https://www.wral.com/bill-blocking-state-health-plan-changes-clears-house/18303198/>

2019 Session Laws

The following 11 bills have become law this session:

- SB 7: Bipartisan Ethics Appointments
- SB 75: Restore Ct. of Appeals Membership
- SB 77: Ag Disaster Fund/Certain Counties
- SB 214: Ensure Orderly 2019 Elections
- SB12: Fill Certain Vacancies/Alexander & Burke Co.
- SB56: Revenue Laws Technical Changes
- SB 4: Extend Terms of 2 Members/Coastal Carolina CC
- SB 272: Zoning for University Facilities-Durham
- SB 6: Dare County/CC Construction Funds
- SB 162: Loan Origination/Late Payment Charge Changes
- HB 263: Fill Vacancies/Modify 2018 Appointments

More about Nexsen Pruet's North Carolina Public Policy Team

In addition to providing Government Affairs Services, the Nexsen Pruet Public Policy team provides attorneys and clients with a newsletter summarizing the week's activities and conveying the inner workings of the legislative process and state government in Raleigh during the legislative session. Please feel free to pass this along to your clients or other interested parties. If you would like to receive the update in your inbox, please email shernandez@nexsenpruet.com to be added to the list. If you are interested in learning more about how Nexsen Pruet can help you achieve your public policy goals and acquiring legislative representation in North Carolina or South Carolina, please reach out to Sandy Sands at ssands@nexsenpruet.com or Ross Barnhardt at rbarnhardt@nexsenpruet.com.