



INTRODUCTION

After years without a new comprehensive budget, our state officially has a new state budget! Gov. Cooper signed his first budget into law since taking office in 2017 after a roller coaster of negotiations. Although it did not expand Medicaid as the Governor had hoped, it does extend Medicaid benefits for low-income mothers for up to a year after a child is born, and it provides raises and bonuses to teachers and other state employees. "While I believe it is a budget of some missed opportunities and misguided policy, it is also a budget we desperately need at this unique time in the history of our state," Gov. Cooper said.

The budget passed both chambers with strong bi-partisan support. Senate Bill 105, 2021 Appropriations Act, passed the House 104-10, with 40 Democrats voting in favor alongside all of their Republican colleagues. The budget passed the Senate 41-7, with 7 Democrats voting in support, as well. It's been a long road to get this budget done and House budget writer Rep. Donny Lambeth compared it to "a fine wine that was months or years in the aging process."

See below for some of the key budget items and policies that were included in this highly-anticipated budget compromise.

CAMPAIGN ANNOUNCEMENTS

In light of the newly drawn maps and as primaries move closer, many politicians are currently considering their next move. Some have announced their retirement, while others have decided to run for new roles, like for a seat in Congress. Here are the official announcements from last week:

- Democratic 1st District Congressman G.K. Butterfield announces his retirement at the end of his term in December 2022. Rep. Butterfield has served this eastern district for nearly 18 years. Senator Don Davis of Pitt County has said he would likely run for this seat. Under the new maps, this district will now become the 2nd Congressional District and is identified as a "toss-up" race for either party.
- Rep. Rachel Hunt of Charlotte will run for state Senate. She will be running in southeastern Mecklenburg County, which is currently represented by Sen. Jeff Jackson who is running for U.S. Senate.



NORTH CAROLINA COLLEGE OF EMERGENCY PHYSICIANS



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- State Senator Wiley Nickel of Wake County will run for U.S. Rep. David Price's seat in North Carolina's new 6th Congressional District. Rep. Gale Adcock of Cary will be running for his seat in the state Senate.
- State Senator Valerie Foushee of Orange County will also run for Congress in North Carolina's new 6th Congressional District. Rep. Graig Meyer will run for her seat in the state Senate.
- While his announcement is not yet official, we can confirm that Rep. John Szoka will be running for Congress in North Carolina's newly created 4th Congressional District which contains Cumberland, Johnston, Sampson, most of Harnett, and part of Wayne counties.

ELECTION BILLS PASS HOUSE

Three elections-related bills passed the House floor on party-line votes this week. Senate Bill 326, the Election Day Integrity Act, would require absentee ballots to be received by the time polls closed on Election Day, or else they would not be counted. Under current law there is a three-day grace period for absentee ballots to be received and counted, so long as they are postmarked on or before Election Day. Senate Bill 725, Prohibit Private Money in Elections Administration, was in response to private donations in the past election, specifically donations from Facebook founder Mark Zuckerberg. Zuckerberg's foundation donated over \$400 million across the nation to help conduct elections while in a pandemic. Under this bill, private donations could not be used to pay poll workers or used for other election expenses. House Bill 259, Election Integrity Act, would require that all new voting systems and software be manufactured in the United States. It would also require court officials to send the names of people who get out of jury duty by claiming that they are not citizens to the State Board of Elections so that they can be removed from voter rolls. Democratic members argued against these bills and the overall concept that our elections are not safe and secure. Some Democratic members voiced their frustration with these bills being presented when they felt like the parties were just starting to come together with the state budget. Rep. Richardson suggested all three bills were being used for political games and later campaign ads, as he suspected Republicans knew these bills would ultimately be vetoed by the Democratic Governor. "Let's don't use this stuff to shoot at one another," Rep. Richardson said. "What we're doing now is not helpful. It is not going to bring North Carolina together."

LEGISLATIVE SCHEDULE

We can expect a light week this week, as legislators celebrate Thanksgiving and the passing of a state budget! Speaker Moore announced on the floor that he expects the House to return on Monday, November 29th to begin finishing up their work for this session. He suggested that it remains unclear just how much longer they will be in session to carry out the remainder of their business, but it sounded like the hope was to be done in one to two more weeks upon their return on the 29th.

BUDGET

Here are some of the key highlights in the budget:

Total Spend

- This budget totals \$25.9 billion in spending for this fiscal year and \$27 billion for the 2022-2023 fiscal year.
- The state's Rainy-Day Fund balance will grow to \$4.25 billion at the end of the biennium.

Salaries

- Includes a 5% pay raise for most state employees and an average 6.7% pay raise for teachers over the biennium.
- Increases the minimum wage for all non-certified personnel and community college staff to \$15 per hour beginning next year.
- Provides bonuses for most teachers using federal funds.
- Provides bonuses for all state employees using federal funds.
- As part of the response to Leandro, this budget includes \$100 million in recurring funds for a new state-funded teacher salary supplement focused on low-wealth counties to help alleviate some of the inequities between high-wealth counties and low-wealth counties in recruiting teachers.

Capital/Infrastructure

- Provides \$6 billion to the State Capital and Infrastructure Fund over the biennium to fund infrastructure projects and pay down debt.
- Sets to provide annual contributions to capital and infrastructure projects and related debt to around \$16.1 billion over the next decade.
- Includes \$84 million to Elizabeth City State University for a residence hall, sky bridge, dining facility, and flight school.
- Includes \$215 million for construction of a new Brody School of Medicine.
- Provides \$1 billion for broadband expansion.

Taxes

- **Conforms the state tax treatment of Paycheck Protection Act loans to federal law, resolving a long-running issue between the chambers and allows for deductibility of qualified business expenses paid for by PPP loan proceeds. This is an issue our firm worked on throughout this session to ensure that these loans were treated fairly.**
- Lowers the personal income tax rate from 5.25% to 3.99% over six years, starting with 4.99% in 2022.
- Sets out to gradually eliminate corporate income tax starting in 2025 and ending in 2031.
- Increases the zero-tax bracket to \$25,500.
- Increases child tax deduction by \$500 per child.
- Eliminates state income tax on military pensions.

Education

- Adds an additional \$1.5 billion above the base budget over the biennium in recurring funds for K-12 education.
- Arranges for a \$528 million transfer over the biennium from the N.C. Education Lottery to the Needs-Based Public School Capital Building Fund, \$200 million to the Public School Capital Fund, and \$80 million into a newly created repair and renovations fund.
- Adds Fayetteville State University to the N.C. Promise program, which guarantees \$500 in-state tuition per semester at participating schools.

Other Items

- Provides a 5% supplement for state retirees over the biennium.
- Appropriates remaining 2020 HAVA funds (for Elections) to enhance technology and improve cybersecurity.

- Revises Emergency Management Act to require a vote of the Council of State to extend a statewide emergency beyond 30 days, starting January 1, 2023.
- Prohibits the Attorney General from settling lawsuits that involve the General Assembly without leadership’s approval.
- Provides \$283 million to support deepening and expanding the Wilmington Harbor.
- Creates a Joint Legislative Study Committee on Access to Healthcare that will study and report to the General Assembly in the 2022 Session on Healthcare Access and Medicaid Expansion.

Below are more items of interest to the North Carolina College of Emergency Physicians:

While Medicaid expansion was not included in the budget, it does create an 18-member joint legislative study committee on health care access and Medicaid expansion. The budget extends Medicaid eligibility for pregnant women with incomes equal to or less than 196% of the federal poverty guidelines for 12 months postpartum. The budget also makes significant investments to support Medicaid transformation.

We are also pleased to report that the budget did not include the balanced billing language included in the proposed Senate budget. Our team worked hard throughout the budget process (almost an entire year!) to make sure this harmful legislation was not included.

Additional provisions include:

- Just over \$430 million to the Medicaid Transformation Fund over the next fiscal year
- **Requires LME-MCOs to reimburse hospitals for services provided to Medicaid patients in the emergency department for behavioral health services after 30 hours**
- \$215 million for the construction of a new Brody School of Medicine
- \$36 million for local health departments for communicable disease prevention
- Creates a \$10 million grant program hospitals can apply for to expand telepsychiatry services to outpatient settings — such as primary care offices
- \$10 million in recurring funds for group home stabilization
- \$1.8 million for group homes
- 1,000 new Innovations slots
- Resumes funding for the adult and pediatric TBI pilot
- Increases rates for increased wages for ICFs, HCBS and private duty nursing
- \$1.5 million to East Carolina University’s NC-STeP program to provide more psychiatric consultations to patients showing up in emergency rooms across the state in mental health distress
- \$25 million to Forsyth and Mecklenburg Counties to “aid in assisting individuals who are experiencing a behavioral health crisis by diverting the individuals from the local hospitals to more appropriate settings to address those individuals’ needs”
- \$50 million to establish electronic patient records at all state-operated health care facilities
- \$4 million in funds from the sale of the Dorothea Dix hospital property fund to open more inpatient beds to treat people with mental illness
- \$16.5 million from the opioid settlement fund to address opioid addictions issues throughout the state
- Modifies previous appropriations from American Rescue Plan Act funds to include \$102.5 million for immunization and vaccines for children and \$3.7 million for family violence prevention and services

BILL UPDATES

HOUSE BILL 259, Election Integrity Act, was amended in the House Rules Committee to:

- require the clerk of superior court to also retain the age or date of birth provided by each person who requests to be excused from jury duty on the basis of disqualification;
- direct the State Board of Elections, in its review and report of jury duty disqualifications based on US citizenship, to exclude a person's name from the report if determined that the individual is a US citizen (was, persons who since attained US citizenship). Now requires the State Board to furnish its investigation of a prospective juror who voted prior to becoming a US citizen to the relevant county board(s) of election, in addition to the district attorney for prosecution;
- require the State Board of Elections to adopt rules establishing post-election audit processes to be used by counties following each election, including means of testing, assessing, and reporting the accuracy of the votes cast and counted;
- require county boards to report as required by the rules adopted by the State Board of Elections;
- direct that the State Board of Elections conduct a post-election audit of one-third of the counties following each general and municipal election, with counties required to provide the State Board full access to all documents, records, voting systems, and other necessary materials;
- prohibit counties from being selected for auditing in two consecutive elections, and requires that at least one county with a population of above 375,000 persons is included in each post-election audit by the State Board of Elections.

The bill as amended was approved by the House Rules Committee and the full House and has been sent to the Senate Rules Committee.

HOUSE BILL 978, Modifications to 2021 Appointments Bill, would amend various appointments, including Dr. William G. Way, Jr., of Wake County to the North Carolina Institute of Medicine Board of Directors for a term beginning January 1, 2022, and expiring December 31, 2025. **The bill was approved by the House and will next be considered by the Senate Rules Committee.**

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