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Subject: LEGISLATIVE UPDATE
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North Carolina LEGISLATIVE POLICY UPDATE July 2015



state capital



Much has happened since our last update at the beginning of June. The House and Senate voted to override the two bills vetoed by the Governor - SB 2, Magistrates Recusals for Civil Ceremonies, and HB 405, Property Protection Act. The Senate approved a very different version of the state budget, which has been rejected by the House. Both chambers took a week-long recess around the July 4th holiday, after passing a Continuing Resolution to keep the state government operating at the (approximately) current level until an agreement can be reached. The Continuing Resolution is for 45 days, expiring August 14. It includes salary raises for beginning teachers, funding for school enrollment growth, allows drivers education to continue within existing funds, and directs Medicaid to prepare State Plan Amendments if directed in both versions of the budget bill (e.g. TBI waiver).

Budget Summary

As we communicated to you during the consideration of the Senate budget, the Senate passed a very different version of the state budget on June 18. Below is a summary of key provisions and some suggested talking points on issues of concern to United Way of North Carolina. The final budget will now be negotiated between the House and Senate conferees, which have not yet been appointed.

We will send an alert as soon as conferees have been appointed.

United Way Agenda Items:

Strengthening the Nonprofit Sector:



- The Senate proposes lowering the existing cap on nonprofit sales tax refunds from the current \$45mil to \$1mil by 2020.
- The tax plan also proposes a \$20k cap on all itemized deductions, including charitable contributions, mortgage interest, property taxes paid, medical expenses, investment interest, job expenses, and all other allowable federal itemized deductions. This would effectively eliminate state tax incentives for charitable giving. Many taxpayers would reach the \$20,000 cap from the total of their other deductions, so they would have no state tax incentive to make charitable contributions. Furthermore, because the state standard deduction would go up (to \$17,500 in 2016, increasing to \$18,500 by 2020), there would be very little tax benefit for any individuals to itemize their deductions on state taxes.

[To read the Center for Non-Profits Analysis of impact of itemized deduction cap on charitable giving](#)

call-to-action.jpg

[6-29-15 \(1\) click here](#)



- Please consider contacting [your legislator](#) today to express how important the charitable deduction is to your United Way and the work you do in the community. According to the NC Center for Nonprofits, North Carolina taxpayers make \$5.9 billion in charitable deductions annually.
- Several House members, including Representatives Lewis, Dobson, Saine, and Setzer spoke at a press conference organized by the NC Center for Nonprofits to discuss their support of an unlimited charitable deduction under state law. [Please consider calling or emailing their offices today](#) to say THANK YOU for supporting North Carolina's nonprofits.



Education:

- Teacher Salaries: Both the House and Senate increase starting teacher pay from \$33,000 to \$35,000 per year, as well as increases for experienced teachers, although the Senate increase is more modest.
- The House proposed funding to maintain the current levels of Teacher Assistants. The Senate budget reduces funding for TAs, \$57mil in '15-16 (up to 5,289 TAs) and \$166mil in '16-17 (8,592 TAs, including those lost in the first year).
- The Senate budget reduces class size in grades K-3 by one student per teacher in FY16 and two students per teacher in FY17 (for grades 1-3 only). This is funded by an \$80M allocation in FY16 and a \$192M allocation in FY17.

Financial Stability:

Child care subsidy: The Senate failed to include two key provisions that were in the House budget that would expand access to high-quality child care. Specifically, Senate budget writers did not increase income eligibility for children in grades K-3 to 200% of the Federal Poverty Level and they did not reinstate the prorated fee for partial day care.



o [Contact your legislators today](#) and ask them to support working families by encouraging the House provisions to increase income eligibility for children in grades K-3 to 200% of the Federal Poverty Level and to reinstate the prorated fee for partial day care. Affordable, quality child care is a key factor in achieving financial stability for working families.



Health:

- The big news in Health and Human Services is the House and Senate plans to reform the Medicaid program. The House has proposed its plan in HB 372, described below in the legislation summary section, while the Senate included its plan in the budget. The two plans differ on the type of entity that will manage patient care, state oversight, timeline, and what type of service and recipient that will be covered under the new Managed Care program. However, leadership in both chambers have made clear their intent to pass some sort of compromise this session, so stay tuned for further news.

UPDATE ON LEGISLATION

Financial Stability

[HB 556/SB 367](#), **Achieving a Better Life Experience "ABLE" Act** (Avila, Haynes, Lambeth, Meyer/Barringer, Hise, Apodaca). This legislation seeks to set up a state authority for these investment accounts recently approved under federal law that allow families to use a tax-deferred savings account to save for the care of people with disabilities. The Senate included the language for implementation in the budget along with the funds necessary to implement. In the House, HB 556 was approved by the full House this week and has been referred to the Senate Finance committee.

Health

[HB 372](#), **2015 Medicaid Modernization** (Dollar, Lambeth, B Brown, Jones). The House approved its proposal for Medicaid Reform on June 24. The House proposes a transition to Medicaid Managed Care led by Provider Led Entities, each covering at least 30,000 enrollees. This House proposal would also carve-out behavioral health care through LME/MCOs, Pharmacy, Dental and Dual eligible. It was approved by a

105-6 vote in the House with Republican Reps. Bishop, Blackwell, Blust, Burr, Ford, and Holloway voting against.

[SB 423, Foster Care Family Act](#) (Barringer, Harrington, Tucker). SB 423 enacts changes to normalize family life and reduce stigma for youth in foster care. It also includes several supports that would assist families and children, including reducing barriers for foster children to obtain drivers licenses; providing access to liability insurance for foster families to cover foster children; and allows DHHS permission to explore a Medicaid 1915(c) waiver for children with serious emotional disturbances. The bill was signed by the Governor on July 2.

[SB 676, Autism Insurance](#) (Apodaca, Krawiec). SB 676 would require health insurers to provide coverage for the treatment of Autism Spectrum Disorders in North Carolina. After passing the full Senate, the bill was approved by the House Insurance committee on June 30 and has now been referred to the House Rules committee.



Voting

[HB 836, Elections Modifications](#) (Bishop, Fraley). HB 836 went into a conference committee between the House and Senate with a few uncontroversial elections measures including submitting absentee voter list by electronic submission, and extending the time frame to require paper ballots to 2019. [More...](#)

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