It is mid-August and the legislature is still in full swing so we are back with another legislative update. The legislature passed another Continuing Resolution after it became clear that the two chambers would not reach an agreement by the August 14 deadline of the prior Continuing Resolution. The new Continuing Resolution, **SB 560**, extends the Continuing Resolution to August 31; and directs a policy change in both budget versions regarding child care subsidy eligibility. We expect work on the budget to intensify in the coming days.

**United Way Agenda Items:**

**TABOR (Taxpayer Bill of Rights)**

The Senate proposed a controversial constitutional amendment last week that, if passed, would effect the work that we do and endanger the fiscal stability of North Carolina. **SB 607**, now called the Taxpayer Protection Act, would amend the North Carolina Constitution in three ways:

1. **It would establish a maximum 5% individual income tax rate.** Currently, the state constitution sets the maximum rate at 10%, and the present income tax rate is 5.75%.
2. **It would limit growth of state spending to the total of inflation plus state population growth, not need.** Of particular concern is the negative budget impact decreasing funding for health and human services.
3. **It would create an Emergency Savings Reserve Fund that could only be spent upon the vote of two-thirds of the House and two-thirds of the Senate.**

The bill passed the Senate with the 3/5 majority vote necessary for proposed Constitutional amendments. The House reception has been cool thus far but we are very concerned that this could be used as a negotiating point as we wind down the session.

**United Way of North Carolina Board of Directors** are sending a letter to all members of the North Carolina legislature. Please prepare communication from your local United Way Board to urge your elected officials not to take up SB 607.

**Talking Points:**

- A constitutional mandate limiting revenue and growth will prevent the state from making future strategic investments in local communities and
will undermine the collaborative public private partnership of seeking solutions to today's most complex issues.

- SB 607 will restrain the state's ability to respond to the needs of its citizens. A negative budget impact will result in decreasing health and human services to those in need. Under the newly proposed formula, spending can only grow based on population and inflation, not need. This strategy provides no room for the state to respond to vulnerable populations and working families struggling to keep up with inflation.

- Many communities are still recovering from the recession and reducing the income tax rate cap is premature. Strategic investments are needed in schools and roads, which will improve our economy in the long run.

- Prompt response during times of disaster could be difficult with a 2/3 majority requirement for use of the rainy-day fund.

- TABOR has been presented to 30 states who declined participation with the exception of Colorado, who has now suspended the policy due to negative impact.

Thank you to everyone who has contacted legislators and written Letters to the Editor about the harmful effects of a cap on itemized deductions, including charitable deductions. House leadership has remained strong in its opposition to such a cap and the Senate did not include the provision in its latest version of economic development and tax legislation (HB 117). We are hopeful that this will not be included in the final budget.

**HB 229, Church Tax Exemption/Driving Privileges** (McNeill, Shepard, Riddell, Pierce). HB 229, now signed into law as S.L. 2015-185, exempts buildings owned by a qualified religious body and land occupied by the building from local property tax if: The building is intended to be wholly and exclusively used by its owner for religious purposes upon completion; The building is "under construction" which requires a building permit and continues until the earlier of: 90 days after a certificate of occupancy is issued or 180 days after the end of active construction.

**HB 482, Employee Misclassification Reform** (Pendleton, Blust, Szoka, Bishop). HB 482 would create new penalties for nonprofits and businesses that improperly classify their workers as independent contractors rather than employees. Nonprofits that misclassify their employees and fail to provide benefits such as workers' compensation or unemployment insurance benefits could face fines ($1,000 per misclassified worker) and could be barred from state contracts for five years. The bill would give nonprofits and businesses a year to voluntarily self-report worker misclassification to avoid penalties. Our partners at the North Carolina Center for Nonprofits are concerned that nonprofits could be penalized for not providing workers' compensation insurance for uncompensated board officers. HB 482 has been approved by the House.

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**Financial Stability:**

Child Care Subsidy: **SB 560**, the latest budget Continuing Resolution,
revises the child care subsidy eligibility policy to exclude a nonparent caretaker relative’s (grandparent’s) income in determining eligibility. This language was in both budget versions. There are two remaining provisions under consideration that were included in the House budget but not the Senate budget: one re-establishes the prorated copayment for families in need of part-time care, and another that raises eligibility to 200% of the federal poverty level for children up to third grade. United Way of North Carolina supports both provisions.

**HB 556, Achieving a Better Life Experience "ABLE" Act** (Avila, Haynes, Lambeth, Meyer). HB 556 was signed into law this week and is S.L. 2015-203. House Bill 556 authorizes the establishment of the Achieving a Better Life Experience (ABLE) Trust Fund, administered by the ABLE Board of Trustees under the state Treasurer, to assist and encourage the contribution of private funds to accounts from which specified expenses may be paid for individuals with disabilities. These accounts will allow individuals with disabilities to save and pay for certain expenses without endangering federal benefits.

**Health:**

**HB 372, Medicaid Transformation/HIE/Primary Care/Funds** (Dollar, Lambeth, Brown, Jones). The Senate removed the proposed Medicaid Reform policy from the budget in an effort to hasten agreement on the state budget and move this policy separately. This latest version of Medicaid Reform proposes a new Department of Medicaid in the executive branch that would be separate from the Department of Health and Human Services to oversee Medicaid, and a Medicaid program administered through private insurers and Provider Led Entities (PLEs). All Medicaid services and populations will be covered, but LME/MCO services (MH/DD/SA) would be a pass through in the first 5 year contract period. It would also eliminate the state contract with Community Care of North Carolina. Full implementation is required 12 months after the plan is approved by the federal government. HB 372 has been approved by the Senate. It will now go to the House for a concurrence vote.

**SB 423, Foster Care Family Act** (Barringer, Harrington, Tucker). SB 423, now signed into law as S.L. 2015-135, enacts changes to normalize family life and reduce stigma for youth in foster care. It also enacts 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.

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