

## Old North State Report



June 28, 2019

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### State Budget Update

House and Senate GOP leaders released their \$24 billion compromise budget on Monday after two weeks of conference meetings to negotiate differences in spending priorities between the two chambers. While an agreement has been reached between the House and Senate, it does not incorporate proposals from the Governor. This, according to Senate leader Phil Berger, is because budget writers have not received specific proposals from the Governor despite having asked for them for weeks. Governor Cooper and top Democrats dispute this claim, insisting they've provided feedback making it clear that Medicaid expansion is essential to the budget process. At the beginning of the legislative session, Cooper said without Medicaid expansion, he would not sign a budget sent to him by the legislature. Indeed, this compromise budget does not include expansion, thus causing a great deal of contention between the GOP and Democratic caucuses, and between the GOP legislative leadership and the Governor. So, what does the \$24 billion compromise budget offer? Key provisions include:

- Salary increases for teachers (3.9%) and state employees (5%)
- \$14.2 billion for public education
- \$244 million to build a new administrative facility in Granville County for DHHS employees currently working at the Dix Park location in Raleigh
- \$15 million to help extend broadband internet access to remote rural areas of the state

- One-time cost of living supplement for state retirees
- Franchise tax reductions
- Fully funds State Health Plan requirements and Retirement System requirements over the biennium
- Expands the Home and Community Care Block Grant
- Additional \$5.4 million in FY 2019-20 and \$16.3 million in FY 2020-21 for the addition of 1,000 Innovation Waiver slots
- Reductions of \$7.5 million in single stream funding to LME/MCOs
- \$1.8 million in NR funds for group homes
- \$22.9 million SFY 2019-20 and \$39.6 million SFY 2020-21 for the implementation of “Raise the Age” legislation
- \$11.1 million over the biennium for NC HealthConnex

The spending package passed both chambers on Thursday and has now been sent to the Governor. Links to the compromise budget Conference Report (CR) and Conference Committee Substitute (CCS) are as follows:

Conference Report HB966

<https://webservices.ncleg.net/ViewBillDocument/2019/5190/2/H966-BD-NBC-5900>

Conference Committee Substitute HB966

<https://webservices.ncleg.net/ViewBillDocument/2019/5190/0/H966-PCCS30485-LRxr-3>

### **Gov. Cooper Will Veto the Budget**

At a morning press conference, NC Governor Roy Cooper announce that he will veto the appropriations bill, which will send it back to the GOP-controlled legislature, forcing the potential for a veto override in order for the budget to become law. Unlike two years ago, the Republicans no longer hold super-majorities in either the House or Senate, thus making veto overrides anything but guaranteed. Constitutionally, a 3/5 majority is required in each chamber in order to override a veto. The threshold in the Senate is much more obtainable – 30 of the 50 members are needed. In the House, that threshold is more difficult, with 72 of the 120 members needed. On Thursday, both chambers passed the compromise budget, almost entirely along party lines – Senate: 33-15, with two excused absences, both Dem / House: 64-49, with 7 excused absences, 5 Dem and 2 Rep. With Cooper exercising his veto power, the Senate will likely have the necessary votes to override. In the House, GOP leadership is aiming for 7 – that is the number of Democrats who will need to cross party lines and vote with the Republican Caucus in order to successfully override the Governor’s veto, a task that is uphill to say the least. Should an override attempt fail, several scenarios are possible – 1) one or both of the legislative bodies go home, and the state operates under a “continuing resolution” provided for under the current budget, 2) the legislature can send a piecemeal budget to the Governor over the next several months and have budgetary items addressed in segments, or piece by piece, or 3) all parties, the House, Senate and Governor, can come to the table and start from scratch on another compromise plan. The Governor has a press conference scheduled for Friday morning, so we may know sooner rather than later which direction the budget journey is headed.

### **Medicaid Expansion**

NC Governor Roy Cooper said at the beginning of the current legislative session that his top priority would be that of Medicaid expansion. House and Senate GOP leaders countered with a unified message that expansion would not happen this year. Fast forward almost six months, and the GOP-led legislature released a compromise budget absent of Medicaid expansion, just as promised. The result, extreme contention between House/Senate budget writers and the Governor. The divide is great, and it has led to a stall in budget negotiations between legislative leaders and Gov. Cooper. In an effort to address the calls for a discussion on Medicaid expansion, in addition to other HHS-related issues, a provision was added to the compromise budget mandating a special “healthcare” session be convened this fall. While GOP leaders haven’t committed to allowing Medicaid expansion be a part of that special session, they have said they are open to the possibility. There is also potential for HB655 to be heard during the special healthcare session later this year (should the budget pass and the provision providing for that special session become law). HB655, “NC Health Care for Working Families,” would close the coverage gap for low-income families allowing them to obtain affordable health care. The bill includes a work requirement, along with an additional provision mandating participation in “health and wellness” activities. The legislation has strong bipartisan support in the House, but the Senate appears to be united in opposition to anything that would “expand” Medicaid. Rep. Donny Lambeth, primary sponsor of HB655, said the proposal is not Medicaid expansion, but rather a program that would function as a private insurance plan managed by Medicaid providers. Lambeth added, “We see this as an alternative to close the coverage gap.” Whether an outright discussion on Medicaid expansion, or the opportunity to debate HB655 which would close the coverage gap with stipulations, GOP legislative leaders say they are committed to a special healthcare session later this year.

**NOTE: Due to the 4th of July Holiday there will be no Old North State Report published next week.**

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