



Progress - The Beginning of the End!

Over the past week the sense of progress toward a budget deal was palpable at the General Assembly, though exactly how much progress was being made and how quickly was anyone's guess (excepting the few main budget negotiators and their staff, who weren't showing their hands). Progress was made on issues from charter schools and red light cameras to local sales tax rate caps and the annual Technical Corrections bill, easing the sense of gridlock that has defined the past few weeks. The Governor made an appearance in the House Rules committee as he continued meeting with leaders and members of both chambers' majority caucuses. Gov. McCrory repeated his threat to veto a budget with more than a 6% raise for teachers (and the accompanying cuts to Medicaid and/or Teaching Assistant positions). The Senate moved ahead with their version of Medicaid Reform, which is opposed by the House, the Governor and most health care professional associations.

The House held a rare Friday session to finalize work on a few major bills, which raised hopes that the session was truly winding down, then late Saturday night House Speaker Tillis and Senate President Pro Tem Berger announced a deal had been reached on the main budget framework. From what's been reported it seems the House and Senate have agreed to a 7% raise for teachers, no cuts to Teaching Assistant positions and a \$135 million cut to Medicaid spending. The remaining details of the budget will still need to be worked out, and negotiators continued their work throughout the weekend. The budget will likely be unveiled in the middle of this week, with votes on the floor potentially stretching into the weekend or the early part of next week.

Compromise on other major issues, particularly Medicaid reform, coal ash cleanup, local tax rates, film incentives and regulatory reform is more elusive, though deals may well have been struck on some or all of those issues as part of the budget negotiations. Whether session ends this week or more time is needed to complete work on those and other remaining policy issues it seems clear the end, or at least the beginning of the end of this "short" session



**NORTH CAROLINA COLLEGE
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FOR MORE INFORMATION:

Colleen Kochanek
NCCEP Legislative Counsel
P.O. Box 12946
Raleigh, NC 27605
919.747.9988

colleen@kochaneklawgroup.com
www.kochaneklawgroup.com

is upon us. As we've mentioned this time of year is always exciting, unpredictable and can be dangerous, as provisions that may not otherwise have a chance of passage tend to be added to policy bills and the budget, so constant vigilance is required. We will be keeping a close eye on everything that moves as session works to a close, and will keep you posted as things progress.

Note: This week legislative analysts revealed the tax cuts passed last year will cost the state \$680 million this year, a 43% increase from the original \$475 million estimated cost. Next year the cost is expected to be \$890 million, also up from the \$680 million projection. While the state's reserves will cover the difference this year, it's become clear the difficult task of finding funds to cover all the legislature's priorities will only become more challenging in the coming years, and the budget battles we've seen this year may grow even more intense.

BILL UPDATES

HOUSE BILL 1133, Technical and Other Corrections. This bill was the vehicle for the annual technical corrections bill that includes many technical amendments, but also a variety of substantive law changes. The bill was heard in the House Rules Committee and on the House floor where additional amendments were made. The provisions of the bill with the amendments include amending the provisions regarding standing of the Speaker of the House of Representatives and the President Pro Tempore of the Senate, as agents of the State, to intervene on behalf of the General Assembly as a party in any judicial proceeding challenging a North Carolina statute or provision of the North Carolina Constitution. The bill would provide that the procedure for interventions at trial level in State court will be set forth in Rule 24 of the Rules of Civil Procedure and the procedure for interventions at the appellate level in State court will be by motion in the appropriate appellate court or by any other relevant procedure set forth in the Rules of Appellate Procedure. **The bill as amended was approved by the House and will next be considered by the Senate Rules Committee.**

HOUSE BILL 1181, North Carolina Medicaid Modernization. This bill was amended in the Senate Rules Committee and on the Senate floor to:

- amend the principal building blocks of Medicaid reform to allow authorized capitated health plans to work in collaboration with the LME/MCOs created to serve the Medicaid population;
- amend various deadlines for Medicaid reform, including providing that the new legislative oversight committee created to oversee Medicaid and NC Health Choice programs will be created when the bill becomes law, and requiring the Department of Medical Benefits to submit its initial report on reform plan details by April 1, 2015;
- add to the list of those who may not serve on the Board of the Department of Medical Benefits;
- require the Department to develop and present to the General Assembly *and the Office of State Budget and Management* by January 1 of each year, beginning in 2016, specified information regarding enrollment growth and enrollment mix for the Medicaid and NC Health Choice programs;
- prohibit a board member from accepting employment, or entering into a contract, with an entity that would have provided services to the Board for one year following the expiration of service on the Board; and
- prohibit the Board or the Department from entering into any contract with an entity to provide a health plan if any of the specified conditions apply.

The bill remains on the Senate floor for a final vote.

HOUSE BILL 1224, Local Sales Tax Options/Economic Development Changes. This bill was amended in the Senate Finance Committee and on the Senate floor to limit the total local government sales and use tax rate to two and one-half percent. The revenue could be used for local public transportation systems, public education needs, or general purposes with limitations. **The bill as amended was approved by the Senate and will next be considered by the House Finance Committee.**

- Colleen Kochanek
NCCEP Legislative Counsel
P.O. Box 12946
Raleigh, NC 27605
919.747.9988
colleen@kochaneklawgroup.com
www.kochaneklawgroup.comⁱ

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