



INTRODUCTION

The legislature has continued business at a slower pace following the heavy schedules for both chambers during Crossover and the release of the House's proposed budget. With the House having passed its version of the budget, the Senate has been spending most of their time crafting theirs. Senate leadership held a press conference Tuesday morning laying out the broad outlines of their plan (see below). The Senate is expected to vote on their budget by the end of the week, and once the Senate approves their version, negotiations between the chambers will begin in earnest. All involved understand, of course, that Gov. Cooper is likely to veto the plan if it does not include a plan to expand Medicaid and other priorities his office has detailed. With enough Democratic votes to sustain a veto, Republicans will be hoping to include spending and provisions that entice Democratic support. This may be difficult as only one House member voted for the budget, so expect the final product to include provisions that are popular enough with the public to make voting against the budget politically problematic.

In the coming weeks, as the Senate passes its budget and the cross-chamber negotiations are underway, action on bills will likely be slow and sparse. Both chambers have an incentive to hold the other's legislation "hostage" until negotiations are complete. While this may make strategic sense, it can be maddening to policymakers whose bills are stuck, and to the groups advocating for needed changes to the law that will likely have to wait a few more weeks to see movement. If this session follows the pattern of previous years, once the budget is done, the legislative "floodgates" will open and committee calendars will fill up quickly.

Highlights of the Senate budget (from Sen. Berger's press office):

RAISES

- Raises for all teachers. Veteran teachers would receive a bonus of up to \$1,000 annually. The average teacher raise, excluding bonuses, would be 3.5 percent over two years.



APARTMENT ASSOCIATION OF NORTH CAROLINA



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- Correctional officer raises of 5 percent over two years, plus at least \$7,500 in salary supplements for facilities with the highest employee vacancy rates.
- Most full-time State employees would receive a 5 percent raise over two years. In the House budget, aside from teachers and principals, most State employees would receive just a 1 percent raise.

EDUCATION

- \$1.3 billion in additional spending for public education over two years.
- Funding for 100 new school psychologists.
- \$4.8 billion across three accounts for school construction and maintenance over 10 years, starting immediately.

HEALTH

- No Medicaid Expansion or NC Expansion is included in the budget
- Certificate of Need changes, which are opposed by the House, are included in the budget
- Less funding for Medicaid Transformation and Group Home funding is provided in the Senate version

PUBLIC SAFETY AND JUSTICE

- Funding to eliminate the backlog in processing rape kits within two years.
- Funding to implement “Raise the Age,” which would increase from 16 to 18 the age at which teenagers are treated as adults for nonviolent crimes.

TAXES AND RAINY-DAY FUND

- Increases standard tax deduction to \$21,000 and decreases franchise tax. No information was available about how much the franchise tax would decrease.
- \$1.1 billion to the Rainy-Day Fund over two years. Berger’s release said state economists estimate the fund needs at least \$2.6 billion to withstand a recession.

NEW CAPITOL MONUMENT TO AFRICAN AMERICANS

- \$2.5 million to construct a monument on the State Capitol grounds in downtown Raleigh honoring the contributions of African Americans.

BILL UPDATES

HOUSE BILL 646, ID Approval/Flex Muni One-Stop, was amended in the Senate Redistricting and Elections Committee to amend the criteria to be met before the State Board of Elections may approve the use of student or employee identification cards, including requiring that the entity certify in detail (was, explain in detail) the process used to ensure that the photo is of that student/employee to whom the identification card is issued and requiring the State Board to publish sample identification cards for each participating university and college and each participating State or local government entity or charter school. **The bill as amended was approved by the Senate Redistricting and Elections Committee, the Senate Rules Committee, and the full Senate. The bill has been sent back to the House to consider the changes made to the bill by the Senate.**

SENATE BILL 553, Regulatory Reform Act of 2019, was amended in the Senate Agriculture/Environment/Natural Resources Committee to:

- amend the statute that provides an exception for certain public officers from the prohibition against public officers or employees benefiting from public contracts by increasing the maximum allowable contract amount in a 12-month period under the exception from \$40,000 to \$60,000 for contracts for goods or services (other than medically related services) between the village, town, city, county social services board, county or city board of education, local health board or area mental health, developmental disabilities and substance abuse board, or public hospital and one of its officials; and
- require that Section 2902.6 of the NC Building Code and Table 403.1 of the Plumbing Code be implemented to no longer require drinking fountains for an occupant load of 30 or fewer, only require one water closet for business occupancies with an occupational load of 30 or fewer, and no longer require a service sink for business and mercantile occupancies with an occupant load of 30 or fewer, and direct the Building Code Council to adopt rules to amend Section 2902.6 of the Building Code and Table 403.1 of the Plumbing Code consistent with this provision.

The bill as amended was approved by the Senate Agriculture/Environment/Natural Resources Committee and will next be considered by the Senate Rules Committee.

SENATE BILL 622, Tax Reduction Act of 2019, as approved by the Senate, would make the following tax law changes:

- increase the standard deduction 3.75% - it would increase the standard deduction by \$750 for married filing jointly taxpayers, to \$20,750; by \$563 for head of household taxpayers, to \$15,563; and by \$375 for single taxpayers, to \$10,375;
- allow an income exclusion for distributions from IRAs to charities by taxpayers age 70½ or older;
- reduce the franchise tax rate from \$1.50 to \$1.00 over two years, and eliminate one of the three franchise tax bases by the method requiring a corporation to determine 55% of its appraised value as determined for ad valorem taxation of all real and tangible personal property in North Carolina;
- require a multistate corporation to calculate its sales factor, for apportionment purposes, based on the percentage of income attributed to the consumption of products and services in the North Carolina marketplace;

- obligate a "marketplace facilitator" that meets the same threshold applicable to remote retailers to calculate, collect, and remit sales tax on a third-party seller's behalf (this is the tax on internet sales);
- allow an income tax deduction for amounts received as a JDIG, JMAC, or OneNC grant;
- extend the following sunsets for four years: historic rehabilitation tax credit; sales tax exemption and refund for professional motorsports racing teams or related members of a team; sales tax exemption for aviation gasoline and jet fuel sold to an interstate air business; and
- provide tax and regulatory relief for nonresident businesses and nonresident employees that perform disaster-related work during a disaster response period at the request of a public utility or a public communications provider; and
- allow the Secretary of Revenue to issue a temporary license to an importer, exporter, distributor, or transporter of motor fuel in response to a disaster declaration.

The bill as amended was approved by the Senate and will next be considered by the House Rules Committee.

LEGISLATION ENACTED

HOUSE BILL 130, Allow Game Nights, allows an exempt organization to conduct a game night at a qualified facility. The legislation:

- defines an exempt organization as an organization that has been in continuous existence for at least five years and that is exempt from taxation under section 501(c)(3), 501(c)(4), 501(c)(5), or 501(c)(6) of the United States Internal Revenue Code;
- defines game night as a specific event at which games of chance are played and prizes are awarded by raffle and that is sponsored by or on behalf of an exempt organization for the primary purpose of raising funds for the exempt organization or is sponsored by an employer or trade association;
- allows each regional or county chapter of an exempt organization to conduct game nights independently of its parent organization, provided that the regional or county chapter has been in continuous existence for at least five years;
- makes it a Class 2 misdemeanor to conduct a game night in violation of the statutes, and provides that, in addition to any fine that may be imposed, an exempt organization convicted of a violation may not conduct a game night for a period of one year from the date of the conviction;
- require an application for a game night permit to be submitted to the Alcohol Law Enforcement Headquarters at least 30 days in advance of the date for the game night event;
- specifies the information that must be included in the permit application;
- requires a separate application for each game night event, and charges for a fee of \$100 for each permit;
- limits the number of game night events conducted or sponsored by an exempt organization to four events per year and to not more than a period of five hours each per event and no more than one game night event in any quarter of a calendar year that begins January 1;
- prohibits the operation of a game night event between the hours of 2:00 A.M. and 12:00 noon Monday through Saturday or between the hours of 2:00 A.M. and 2:00 P.M. Sunday;
- provides that no games at a game night event may be played for cash or a cash prize, and requires prizes to be awarded only through a raffle;

- prohibits the cost of the prizes and expenses to operate the game night event, excluding the cost of food, beverages, and entertainment, from exceeding the proceeds derived from the event;
- specifies that only the following games are allowed: roulette; blackjack; poker; craps; simulated horse race; or merchandise wheel of fortune;
- allows an employer, with 25 or more employees, to hold a game night event for employees and guests or a trade association, with 25 or more members, to hold a game night event for its members and guests, and for persons to participate in a game night conducted pursuant to this section, provided all of the following conditions are met: there is no cost or charge to the attendees; the employer or trade association obtains a permit and pays the required fee; and the game night event is held at a qualified facility;
- provides for the registration, possession, and transportation of gaming equipment;
- includes a permit procedure for game night vendors;
- provides that these provisions may not be construed to authorize the possession, transportation, or use of any slot machine, video gaming machine, or electronic machine or device as prohibited by statute; and
- directs the Department of Public Safety to: (1) report to the 2020 Regular Session of the General Assembly detailing the administration of game night event permits, including the total number of applications received by permittee type, the total number of permits issued, the number of ABC violations reported at establishments that hosted game night events, and any other information the Department deems appropriate; and(2) provide a recommendation as to whether the General Assembly should modify this act and submit any recommended proposed legislation to the 2020 Regular Session of the General Assembly.

Effective: June 1, 2019.

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