



North Carolina Spirits Association

Legislative Report
June 21, 2024

North Carolina Legislature Passes Bill on Protests, Mask Regulations, and Campaign Finance

This week the House and Senate passed a controversial bill introducing new civil and criminal penalties for protesters, altering public mask-wearing laws for health reasons, and loosening regulations on political groups known for "dark money" contributions. Saturday June 22 is the Governor's deadline to sign or veto the bill, or it would become law without his signature.

House Bill 237 passed the legislature with significant debate. The bill includes measures to prevent protesters from using COVID-era mask rules to hide their identities and increases penalties for demonstrations that block roads. It also introduces changes to campaign finance laws, allowing state political parties to receive funds from Super PACs, which can accept unlimited donations from various sources while keeping donors anonymous.

Proponents argue that the bill addresses the misuse of mask rules and the need for stricter penalties to maintain public order. They also believe the campaign finance changes will create a more level playing field in elections by allowing state parties to access additional funding sources.

Critics, including government ethics advocates, argue that the changes will reduce transparency in political donations, making it harder to track the influence of money in elections. They also express concern that the increased penalties for protesters could suppress democratic rights.

The bill's combination of protester penalties, mask regulations, and campaign finance changes has drawn significant attention, reflecting broader debates about public safety, transparency, and the influence of money in politics.

North Carolina General Assembly Faces Budget Stalemate Amid Republican Disagreements

The North Carolina General Assembly, controlled by Republicans, is in a budget stalemate. The outcome could impact state employee raises, public school funding, private school scholarships, and child care grants. The House passed its budget proposal this week, and the Senate will debate its version of the budget Monday evening. Both chambers are far apart on spending, with disagreements over additional spending now versus increasing the state's savings. There are varying statements about how far apart the two chambers are, from \$30 million to \$600 million. If no new budget is passed, the state will follow the previously enacted two-year budget. Historical budget disputes have been common, even within the same party.

NC GOP Proposes Constitutional Amendments and Election Law Changes Amid Criticism

Republican lawmakers advanced legislation this week containing three constitutional amendments for the Nov. 5 ballot, focusing on voter ID, voter eligibility, and income taxes. These amendments would require voter ID for mail-in voting, clarify that only citizens can vote, and lower the maximum income tax to 5%. Critics argue these changes are largely symbolic and aim to boost conservative voter turnout. Additionally, the Senate Republicans proposed a bill to implement changes to election laws, including requiring AI disclosures in political ads, signature verification for mail-in ballots, and restrictions on local government election methods. The amendments and the bill passed the Senate Elections Committee despite opposition from Democrats, who view them as efforts to entrench existing Republican laws and increase Republican control.

North Carolina Senate Revives Medical Marijuana Effort by Amending Hemp Regulation Bill

In an effort to legalize medical marijuana in North Carolina, state senators added the language of the NC Compassionate Care Act (Senate Bill 3) to House Bill 563, which regulates hemp and bans certain unregulated drugs often referred to as “gas station heroin.” The Compassionate Care Act permits medical marijuana use for conditions such as cancer, ALS, Parkinson’s, epilepsy, and PTSD, and establishes a licensing system. This strategy follows previous unsuccessful attempts to pass similar legislation in the House. The current bill, House Bill 563, also restricts hemp sales to those over 21 and adds kratom, xylazine, and tianeptine to the controlled substances list. The bill passed the Senate Judiciary Committee, Senate Rules Committee; and Thursday passed the full Senate on its second reading with a bipartisan vote of 33-9. The bill should be considered again in the Senate Monday evening. The bill’s future in the House remains uncertain.

NC House Passes Budget with Focus on Private School Vouchers, State Employee Raises, and Childcare Funding

The North Carolina House passed a one-year budget that funds private school vouchers, raises state employee salaries, and allocates money for childcare centers. The \$31.8 billion budget includes \$460 million for private school vouchers over two years, \$350 million for Medicaid, \$225 million for raises for teachers and state employees, \$180 million for NC State's Poe Hall, and \$150 million for road construction for a Toyota factory in Randolph County. Four Democrats joined all present Republicans in voting for the proposal.

The GOP-controlled Senate, which has its own \$31.4 billion budget proposal, has criticized the House budget for spending too much. The Senate's plan does not include additional raises beyond those set in the previous year's budget. Key differences between the proposals include funding levels and allocation priorities.

The House budget increases most state worker raises to 4%, with 9% raises for probation, parole, and corrections officers. Teachers would see an average raise of 4.4%. Democrats criticized the budget for prioritizing private schools over public education and childcare. Business interests

warned about a funding cliff for childcare as federal funds expire, but the House budget supports childcare at 75% of COVID-era levels.

House Committee Approves Legislation to Hold PFAS Manufacturers Accountable for Water Cleanup Costs

North Carolina's top environmental regulator could mandate manufacturers of "forever chemicals" (PFAS) to fund water system cleanup upgrades if their discharges contaminate drinking water beyond acceptable levels. This legislation, advanced by a state House committee, was championed by Republican lawmakers from the Wilmington area, where PFAS discharges into the Cape Fear River have led public utilities to spend heavily on filtration.

Representative Ted Davis emphasized that it is unfair for ratepayers to bear these costs, and the bill aims to hold the responsible companies accountable. The measure, supported by both parties, would authorize the Department of Environmental Quality (DEQ) to order responsible PFAS manufacturers to cover the necessary costs for contamination removal.

The bill particularly affects The Chemours Co., identified for long-term PFAS discharges from its Fayetteville Works plant, which were not widely known until 2017. The bill also stipulates that public water systems must reduce customer water rates if they receive reimbursement for abatement costs.

PFAS chemicals, used in non-stick coatings, firefighting foam, and water-resistant clothing, have been linked to health risks due to their persistence in the environment. The bill sets action standards based on the U.S. Environmental Protection Agency's maximum contaminant levels for six PFAS types, including GenX.

Despite Chemours' efforts to mitigate PFAS release, including investments in containment measures, the company and other industry groups oppose the bill. They argue against its retroactive application to expenses since early 2017.

The bill would need to pass both the House and Senate and receive support from Democratic Gov. Roy Cooper's administration, which has historically backed measures to hold PFAS manufacturers accountable.

This Week at the General Assembly

It was a busy week at the General Assembly, with the House releasing its budget on Monday night amid a stalemate with the Senate. The House budget swiftly passed through three committees in one day and was voted on the House floor Wednesday and Thursday. In contrast, the Senate's budget, at only 46 pages or 17% the size of the House budget, focused solely on the state's most pressing budgetary needs. The legislature faces a large multimillion dollar impasse, with Senator Berger and Speaker Moore each declaring the other's budget "dead on arrival."

With next week likely to be the last week of the session, at least for the foreseeable future, both chambers are working quickly to pass all necessary bills before wrapping up their legislative work.

The legislature adjourned on Thursday and will reconvene on Monday June 24.

ABC Omnibus Bill

Proponents of the ABC Omnibus bill, Senate Bill 527, are still working behind the scenes to attempt to move this bill before the end of the 2024 legislative session. We understand certain agreements have been reached to remove the more controversial provisions, in order to have the bill move forward. We should receive an updated version of the bill next week, and we will assist the bill sponsors to have the bill considered and hopefully adopted next week.

ABC Warehouse

House and Senate leadership, budget chairs and commerce and ABC committee chairs continue to meet and discuss the possible funding for a new ABC state warehouse. We hear progress is being made and we remain optimistic that if there is a state budget bill this year, the legislature will provide funding in some capacity for the construction of a new ABC warehouse. Since budget negotiations have hit an impasse, it is unclear whether the legislature will adopt a budget bill for the 2024-2025 fiscal year. But we will continue to advocate for funding for a new ABC warehouse.

For more information about legislation described in the legislative reports, feel free to contact us at mfrazier@nexsenpruet.com or dferrell@nexsenpruet.com, or at (919) 573-7421. Information is also available on the General Assembly's website: www.ncleg.gov.

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