



North Carolina Spirits Association

Legislative Report
March 17, 2023

The State Budget

Democratic Governor Roy Cooper revealed his budget proposal last Wednesday, saying his major focus is “strengthening education, with historic investments, from cradle to career.” Governor Cooper wants to raise pay by an average of 18% over the next two years for North Carolina teachers and principals, and by 9.5% for other education workers like bus drivers. As the state budget is a two-year spending plan, this is the last big budget that Governor Cooper, in his second term, will be part of. In even-numbered years, there is a smaller budget bill with generally minor spending adjustments. Both House Speaker Tim Moore and Senate leader Phil Berger have said they expect the legislature’s state budget bill to be sent to Governor Cooper as early as mid-June. The fiscal year covered by the budget starts July 1.

In past years, Governor Cooper has pushed for significant raises for teachers and state employees, as well as Medicaid expansion. Expanding the health insurance program to hundreds of thousands more low-income people now has majority support on all sides, and the Senate voted overwhelmingly Tuesday in favor of a Medicaid expansion deal. But expansion won’t take effect unless the budget does — which adds pressure to pass a budget.

Governor Cooper’s proposed state budget includes \$1.8 billion to recruit and retain teachers, and a \$46,000 starting salary for teachers by the second year of the two-year budget. It would also restore additional pay for teachers with master’s degrees, which Republicans eliminated. Governor Cooper is calling for 8% across-the-board pay increases for state employees over two years. Budget Director Kristin Walker said the current state employee vacancy rate is 23.4%. The proposal also includes additional days of leave for state employees and retention pay rather than longevity pay. For both teachers and state employees, Governor Cooper’s proposal provides a \$1,500 retention bonus for those making less than \$75,000, or \$1,000 for those making more than \$75,000.

Governor Roy Cooper opposes reducing the corporate income tax rate and recommends a personal income tax cut for families making less than \$200,000 a year to reach 3.99% by 2027, while taxpayers earning more than \$200,000 would remain at the 4.75% rate. The individual income tax rate in North Carolina is already scheduled to be phased down to 3.99% after 2026 for everyone. Both Senator Berger and Speaker Moore are considering additional tax reductions in the upcoming budget.

Governor Cooper's budget proposal was heard in the Joint Budget Appropriations committee last Thursday. The House working on its budget bill first, followed by the Senate in May. A compromise budget will then be passed and sent to Governor Cooper. Republican leaders,

criticized Cooper's proposal as "reckless" and question the increased spending. Senator Berger expects the budget to stay on schedule, with the Senate budget including raises for teachers and state employees. Both Speaker Moore and Senator Berger agreed to increase spending by 6.5% next year and 3.75% in the second year. In comparison, Cooper's budget proposes an 18% increase in the first year and 3.9% in the second year.

This Week at the General Assembly

Last Monday, Representative Jason Saine (R-Lincoln) introduced House Bill 347, which would legalize sports wagering in North Carolina. Last year a similar measure failed to pass the House by one vote on the House floor. If enacted this year, North Carolina residents would be able to participate in sports betting without going to a casino or out-of-state. The bill would allow sports wagering through digital apps, with only professional and college sports being eligible for wagering. Participants must be at least 21 years old. Currently, only gambling through the N.C. Education Lottery, on Native American land, or low-stakes bingo and raffle games for charity are legal in North Carolina. Proponents argue that legalizing sports betting would boost revenue, create jobs, and increase tourism. The bill has several steps to pass before becoming law, but if successful, North Carolina would join over 15 other states in legalizing sports wagering.

Last Tuesday, a hectic schedule of simultaneous and back-to-back committee meetings took place in the House and Senate, where various policy bills were debated and passed. The Senate approved Medicaid Expansion during second and third readings on Tuesday and Wednesday, with only two opposing votes from Senator Sanderson (R) and freshman Senator Settle (R). It now moves to the House for concurrence before heading to the Governor for his signature. Interestingly, Rep. Ben Moss (R) has changed his stance on Medicaid Expansion, reversing his previous support and announcing his opposition. It remains to be seen whether his decision will sway other wavering Republicans to change their votes as well. However, the bill sponsors do not anticipate enough dissent to alter the ultimate outcome.

The legislature adjourned on Thursday and will reconvene on Monday March 20.

***Prepared By: David P. Ferrell, Esq. – NC Spirits Association Lobbyist
NEXSEN PRUET PLLC
4141 Parklake Ave, Suite 200
Raleigh, North Carolina 27612
Telephone: (919) 573-7421
dferrell@nexsenpruet.com
www.nexsenpruet.com***