



NC Spirits Association

Legislative Report
May23, 2025

Since the House and Senate will be on break next week, there will be no legislative report for the week of May 26. The next legislative report will be published on Friday, June 6, 2025.

The House worked this week on its version of the state budget bill. Portions of the bill were unveiled end of last week, and reviewed in various budget subcommittees. Monday the full House budget was released. The bill made its way through several committees on Tuesday, and was discussed by the full House on Wednesday and Thursday.

The bill passed with bipartisan support, 93-20 in the first of two required votes, and 86-20 on its third reading. The bill now goes to the Senate, where it is expected to be sent to a conference committee of House and Senate budget negotiators, to work through the differences and attempt to reach a compromise budget bill. It is unclear whether a budget compromise will be reached by the end of the state's fiscal year, June 30.

Rep. Kelly Hastings Announces Retirement

Kelly Hastings, who represents Gaston and Cleveland counties in North Carolina District 110 in the state House of Representatives, will not seek re-election when his term ends in 2026. After 16 years in the General Assembly, Hastings said that, among other reasons, he is primarily not seeking re-election because he wanted to put a term limit on himself. He added that he will be 65 when his current term ends, the drive to Raleigh is four hours from his home in Cherryville, and he would like to make up for missed time with family in the coming years.

Hurricane Relief Bill Passes House

Legislators are working on a new bill to help western North Carolina recover from Hurricane Helene. House leaders are proposing spending over \$465 million in a bill filed Wednesday. The bill, if passed, would bring total spending to \$1.85 billion, according to House Republicans. Senate leaders, meanwhile, included \$700 million for Helene relief in their budget proposal, as opposed to running a separate bill on disaster relief.

Here's what's in the new House bill:

- \$70 million to match critical federal recovery programs.
- \$60 million to give grants up to \$100,000 per eligible small business
- \$50 million for local governments' capital needs

- \$12.5 million for parks, museum and library repairs
- \$30 million to rebuild private roads and bridges
- \$30 million for debris removal, including agricultural debris
- \$25 million to help rebuild destroyed schools and \$8 million for damaged schools
- \$25 million for airport infrastructure improvements
- \$25 million to repair farm infrastructure, including fences, barns, greenhouses and farm roads
- \$20 million for flood mitigation grants that will help rebuild at-risk infrastructure
- \$20 million to support volunteer organizations
- \$18 million to provide \$50,000 grants to fire and EMS stations
- \$15 million to help the Forest Service fight wildfires

The North Carolina House unanimously approved the bill Thursday and sent it to the Senate for consideration.

NC REINS Act Considered in the Senate

A bill intended to increase oversight of expensive regulations grew more restrictive Wednesday with the financial impact threshold that triggers a review changing from \$1 million in a year to \$1 million in a span of five years. The Senate Regulatory Reform Committee effectively incorporated the Senate's proposed version of a North Carolina REINS act into a similar bill sent over after House passage. REINS — or Regulations from the Executive in Need of Scrutiny — acts are meant to provide greater scrutiny of the costs of regulations and rules adopted by agencies, commissions, boards and other bodies. House Bill 402, as approved by the committee, would require a fiscal note under the Administrative Procedure Act for all rules with an aggregate financial impact of \$1 million on all persons affected by the rule over five years, according to the Legislature's bill analysis division. Any proposed rule meeting that threshold would need to be adopted by a vote of at least two thirds of all members present and voting. Permanent rules with an aggregate financial cost of \$10 million over a five-year period would need to be adopted by a unanimous vote. If a rule is required by federal law, it can be adopted by a vote of at least two thirds. The was before the committee for discussion only.

The House and Senate adjourned on Friday and will reconvene on Monday, June 2, 2025.

House Version of the State Budget Bill

Overview

The House version of the state budget bill would provide raises for teachers and state employees. North Carolina's first-year teachers could have the highest salaries in the Southeast, if the state House's budget plan becomes law. State employees would receive raises of 2.5% in the coming year. Public school teachers would receive an average raise of 8.7% over two years. That includes increasing the starting teacher pay to \$48,000 for the coming fiscal year and \$50,000 the following year. That would mean in two years, the total starting pay for teachers, including supplements, would be \$56,593. The national average starting teacher pay is \$46,526, according

to the National Education Association. Public school personnel not paid on a teacher salary schedule would receive raises of 2.5% in the coming year. The House budget also restores extra pay for teachers who have master's degrees. Retired state employees would receive a 1% bonus as a cost of living adjustment in the first year and a 2% COLA bonus in the second year.

The House budget proposal increases the standard income tax deduction by \$500 for taxpayers filing as single, or by \$1,000 for couples filing jointly. The bill also keeps planned individual income tax reductions, which would lower the rate to 3.99% next year. Both the House and Senate would trigger further reductions in the rate based on the amount of revenue the state collects. However, the House's revenue triggers would be higher than the Senate's proposal.

The House version of the state budget bill contains the following finance and tax related provisions:

- Make personal income tax changes that would: Increase the rate reduction trigger amounts, which would reduce the likelihood of an automatic rate reduction in future years.
- Increase the standard deduction, effective for taxable years beginning on or after January 1, 2026.
- Create a deduction for the first \$5,000 received as tips, effective for taxable years beginning on or after January 1, 2026.
- Institute a "back-to-school" sales tax holiday for the first weekend in August, effective beginning in August 2026.
- Modify the distribution of sports wagering revenue by reducing the share of revenue received by the General Fund and the North Carolina Major Events, Games, and Attractions Fund while increasing the share of revenue distributed to North Carolina public university athletic departments and the NC Youth Outdoor Engagement Commission, effective July 1, 2025.
- Deduct 85% of annual operating costs of the Voice Interoperability Plan for Emergency Responders (VIPER) System managed by the North Carolina Highway Patrol from local sales tax proceeds, with a cap of 1% on year-over-year growth.
- Make changes related to the Medicaid hospital assessments that would: Make freestanding psychiatric hospitals eligible to receive increased Medicaid reimbursements, known as Healthcare Access and Stabilization Program or "HASP" reimbursements, funded through increased hospital assessments on freestanding psychiatric hospitals, contingent upon federal approval.
- Make other Medicaid hospital assessment adjustments.
- Require gross premiums tax revenue amounts that are used to pay for the State share of costs of NC Health Works Medicaid coverage to be transferred from the Department of Revenue to a Special Fund in the Department of Health and Human Services rather than to the General Fund.

The House version of the state budget bill contains the following spending provisions:

Education items:

- Increase funding by \$10 million for special-education students.
- Provide \$10 million to train middle school teachers on the science of reading, a phonics-based approach that's now used in elementary schools.
- Provide \$500,000 to study HVAC (heating, ventilation and air conditioning) solutions in Wake County. Several district schools have had to close early due to HVAC problems.
- Require elementary schools to begin providing visual arts and performing arts courses to all students.
- Prohibit schools from denying students the regular school meal if they have too much debt in their meal account.
- Require school districts to post online the salaries of their central office employees.
- Require schools to develop policies limiting the use of cellphones by students in class.
- Office on diversity in contracting would close

Public safety provisions:

- Directs the Department of Adult Correction to eliminate around 400 vacant positions
- Keep the N.C. Innocence Inquiry Commission in place, but rename it the N.C. Postconviction Review Commission.
- More than \$5 million for "Rounds tracking software" to keep track of and document prison staff interactions with inmates in solitary confinement.
- \$3.5 million in one-time funding to provide state prisons with body scanners to prevent contraband from being smuggled inside.
- \$1.5 million in recurring funds to expand the Local Reentry Council program that helps people with housing, employment, transportation, and other basic needs after leaving prison.
- The elimination of nearly 98 health services positions in DAC that have been vacant for more than a year
- Cutting funding for the Department of Justice's Criminal Justice Fellows scholarship program by \$564,000, leaving a budget of \$100,000.
- Eliminating \$2 million in funding for a grant program that provided medically assisted treatment in jails for people with opioid use disorder.
- More than \$4 million to buy body cameras for officers of Alcohol Law Enforcement and the State Highway Patrol, and support data storage for those cameras.
- \$1 million in recurring funds for eight additional positions at the State Bureau of Investigation to support it as a standalone, independent agency.
- \$50 million in one-time grant funding for the Center for Safer Schools, which is now housed under the State Bureau of Investigation, "to support students in crisis, school safety training, and the purchase of safety equipment."

Health care provisions:

- Terminates Medicaid coverage of weight management drugs, including the popular GLP-1 drugs, beginning Oct. 1, 2025.
- Requires the Department of Health and Human Services (DHHS) to achieve savings of at least \$10 million each year through the elimination of vacant positions.
- Eliminates the Office of Health Equity within DHHS.

Other notable cuts and changes in the House budget:

- Like the Senate budget, the House budget would abolish the Office for Historically Underutilized Businesses, which includes 12 full-time positions. The office works to increase diversity in state purchasing and contracts.
- \$5.4 million in cuts to vacant state employee jobs in the area known as general government, which includes agencies like the Department of Administration. The vacancy rate statewide is about 20%.
- \$500 million from NC Innovation would be transferred to the state Helene fund. That's the same amount the nonprofit has been awarded over the past two years to help UNC System researchers convert promising concepts into revenue-generating businesses.
- The budget would keep the state's motor fleet managers from buying vehicles for the next year.
- A statue of the late Rev. Billy Graham would be added to the State Capitol grounds, contingent on private funding.

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

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