



North Carolina Spirits Association

Legislative Report
June 16, 2023

Governor Signs Bill for Health Insurer's Asset Transfer

North Carolina Governor Roy Cooper has signed a bill allowing Blue Cross and Blue Shield of North Carolina, the state's largest health insurer, to transfer its assets into a deregulated holding company. The move has raised concerns about transparency and accountability from some state officials, including Republican Insurance Commissioner Mike Causey and State Treasurer Dale Folwell. Causey argues that the bill could lead to higher premiums for consumers and enable Blue Cross NC to bypass regulations by transferring assets. Treasurer Folwell questions the need for the legislation, pointing out that Blue Cross lost its contract with the State Health Plan due to customer service issues. Despite these concerns, the bill received bipartisan support in the General Assembly and has now become law. Supporters believe it will help Blue Cross compete in the evolving healthcare industry while maintaining its commitment to the state.

Commission Recommends Governance Reforms for UNC System

A commission established by Governor Roy Cooper has released its recommendations for reforming the governance of the University of North Carolina (UNC) System. The commission, known as the Commission on the Governance of Public Universities, was tasked with evaluating board appointments to the UNC System Board of Governors and university trustees. Governor Cooper announced the recommendations during a press conference at the governor's mansion. The recommendations address concerns shared by Governor Cooper and others about political influence and lack of diversity in decision-making within the UNC System.

The Commission proposes increasing the size of the boards and introducing four new appointments for the governor to each university's board of trustees. Additionally, the minority party in the General Assembly would receive four new appointments to the UNC Board of Governors. State lawmakers would not lose any appointments in the proposed changes. The recommendations also suggest establishing a center for higher education governance at the UNC System and implementing a waiting period for lobbyists and lawmakers before joining a higher education board.

Former UNC System Presidents Tom Ross and Margaret Spellings, both sitting on the commission, emphasized that the recommendations are intended for future implementation after Governor Cooper's tenure. They described the recommendations as common-sense reforms that would ensure the universities and their governance represent the diverse stakeholders they serve.

Governor Cooper expressed a willingness to negotiate with Republican leaders regarding recent bills aimed at reducing his appointments to other state boards in exchange for considering the

commission's recommendations. However, it is ultimately up to the Republican-dominated General Assembly to take action on these suggestions. Senate leader Phil Berger stated that the General Assembly would only consider the recommendations if they align with the state constitution, which grants the General Assembly the authority to select trustees for the UNC System and other higher education institutions.

North Carolina Faces Debate Over Modernizing Building Code for Energy Efficiency

There is an ongoing debate in North Carolina regarding the modernization of the state's building code. The state Building Code Council, appointed by the governor, is advocating for changes that would mandate increased energy efficiency in new houses. However, the state legislature is attempting to delay the code updates.

The current building code in North Carolina is considered by many to be outdated, with sections dating back to 2009. Over the past two years, the Building Code Council has been working on drafting modern rules aligned with the 2021 international standards. These updates aim to reduce energy costs and lower climate pollution, aligning with Governor Roy Cooper's objectives.

The state House recently passed a bill that could block any code updates until 2031 and limit the governor's authority to appoint the council. The state Senate is currently considering a similar bill, which will be discussed in the Senate Finance Committee. The key point of contention is whether stricter energy efficiency standards, such as insulation, windows, and heating and cooling systems, should be imposed on home builders.

Proponents of the code changes argue that they would result in long-term cost savings for homeowners, especially as energy costs continue to rise. However, some Republican lawmakers and the North Carolina Home Builders Association claim that the increased energy efficiency requirements would add an average of \$20,000 to the cost of a new home, making them unaffordable. Alternatively, a study conducted by the federal Pacific Northwest National Laboratory for the council found that the updates would only increase costs by \$4,000 to \$5,000. Supporters of the code revisions believe that the energy savings achieved through the new standards would offset the higher upfront costs in a relatively short period.

Failure to update the building code would result in the loss of federal aid from programs that require compliance with modern energy codes. The Building Code Council was scheduled to vote on the updates, but the absence of a "fiscal note" from the state insurance department may lead to a delay until September. Additionally, homebuilders have proposed a competing resolution at the council that could limit the scope of the proposed modernization.

Governor Roy Cooper Signs Mobile Sports Betting Legislation

Governor Roy Cooper signed legislation that would legalize mobile sports betting in North Carolina into law last Wednesday, starting the process for regulators to implement the bill. House Bill 347 stated that mobile sports betting could commence as early as January 8, 2024, with the North Carolina Lottery Commission having up to one year from the law's enactment to establish the necessary infrastructure.

The bill signing took place at the Spectrum Center in Charlotte, the home of the NBA's Charlotte Hornets, which was among the eight venues in the state authorized to operate in-person sports books. Twelve mobile sports operators will be eligible to receive renewable licenses for a period of five years, each costing \$1 million. These operators would facilitate betting on professional, college, Olympic, and other sports through mobile and electronic devices for adult users. The bill received final approval from lawmakers on June 7.

The legislation had previously passed the House in March, but the Senate introduced several amendments, including an increase in the tax rate for operators and the inclusion of horse racing gambling. The Senate version passed on June 1, and the House concurred with the Senate's changes, giving its final approval on June 7.

While in-person sports betting was already permitted at three tribal casinos in North Carolina, the legalization of mobile sports betting made the state the 28th in the country to adopt such measures. The decision to legalize sports betting was enabled by a 2018 U.S. Supreme Court ruling that granted states the authority to determine their stance on the matter. A previous attempt to legalize mobile sports betting narrowly failed in the House by a single vote in 2022.

The eight venues granted permission for in-person sports books included PNC Arena in Raleigh, WakeMed Soccer Park in Cary, Bank of America Stadium and Spectrum Center in Charlotte, Charlotte Motor Speedway in Concord, North Wilkesboro Speedway, Sedgefield Country Club in Greensboro, and Quail Hollow Country Club in Charlotte. This move was expected to boost the appeal of these venues and attract more visitors.

Regarding the distribution of funds, the legislation designated various allocations from license fees and taxes. After accounting for expenses, the Department of Revenue and the Lottery Commission would distribute funds as follows:

- \$2 million annually to the Department of Health and Human Services for gambling addiction education and treatment programs.
- \$1 million annually to North Carolina Amateur Sports, which would provide grants to local governments or nonprofit organizations to expand youth sports participation. A single county could receive no more than 1% of the total funding.
- \$300,000 allocated to the athletic departments of Appalachian State, East Carolina, Elizabeth City State, Fayetteville State, North Carolina A&T, North Carolina Central, UNC-Asheville, UNC-Charlotte, UNC-Greensboro, UNC-Pembroke, UNC-Wilmington, Western Carolina, and Winston-Salem State.
- \$1 million to the North Carolina Heritage Advisory Council for grants aimed at assisting youth teams' travel to events or attracting events to North Carolina.

The remaining proceeds would be distributed as follows: 20% to the athletic departments of the aforementioned colleges and universities, 30% to the North Carolina Major Events, Games, and Attractions Fund, and 50% to the state's General Fund. The Major Events, Games, and Attractions Fund would provide grants to bring entertainment, musical, political, sporting, or theatrical events to the state's sports facilities and venues, with a limit of one event per year.

North Carolina Legislative Session Nears End Amid Budget Impasse and Remaining Priorities

The North Carolina legislative session is coming to a close, typically ending when the state budget is passed before the start of the new fiscal year on July 1. However, House and Senate Republican budget leaders are currently deadlocked over tax cuts and spending, indicating that budget negotiations could extend into July. Passing the budget is crucial because it triggers the implementation of a Medicaid expansion law and includes salary raises for state employees and teachers. In addition to focusing on passing a state budget bill by June 30, Republicans are focused on passing remaining legislative priorities. These include bills related to medical marijuana legalization, sweepstakes and/or casino gambling, and various health care reform issues. The House Republicans will hold a caucus meeting Tuesday to discuss these bills and assess support. The budget remains a major point of contention, particularly regarding tax changes and the allocation of reserves. The budget negotiation process may push the timeline into July, but even so, it would still be earlier than in previous years. If the budget passes beyond June 30, any raises included in it would still be retroactive. Following the budget, a separate session for redistricting is expected in the fall, which will involve drawing new congressional and General Assembly maps in preparation for the 2024 elections.

Proposal for Constitutional Amendment to Limit Legislative Sessions

A state senator in North Carolina is considering proposing a constitutional amendment to limit the length of legislative sessions for the North Carolina General Assembly. Unlike 39 other states, North Carolina currently does not have a set limit on the duration of its regular legislative sessions. The lack of a limit has been a source of frustration for lawmakers who find it difficult to plan ahead due to the unpredictable length of sessions. State Senator Jim Perry, a Republican, believes that implementing a session limit is a reasonable idea and plans to discuss it with other members of the General Assembly. He acknowledges that certain adjustments may need to be made, such as reducing the threshold required to convene additional sessions. Senate Leader Phil Berger, also a Republican, has previously supported session limits but no decisions have been made on advancing constitutional amendments at this point. To amend the state constitution, legislation would need to be passed by three-fifths of the House and Senate, followed by a majority vote from North Carolina residents. The Governor's involvement is not necessary for this process. The most recent amendments to the state constitution were approved by voters in 2018, covering topics such as hunting rights, crime victims' rights, income tax cap reduction, and voter ID requirements.

This Week at the General Assembly

It was an eventful week at the General Assembly as crucial progress was necessary in state budget negotiations. The budget writers continued working through each sub-budget, while the finance chairs focused on resolving tax and revenue changes to be incorporated into the budget.

Throughout this week, numerous committee meetings took place, but many committees are expected to conclude their work in the next two weeks. As a result, there will be a flurry of committee meetings during this period to ensure that the last round of policy bills successfully reaches the Governor before legislators shift their focus entirely to the budget.

In terms of policy developments, Senate Republicans introduced two election law reform bills Monday, followed by committee hearings on Wednesday and Thursday. Both bills are scheduled for floor discussions next week.

The Senate Education Committee deliberated on the Fairness in Women's Sports Act, which aims to prohibit biological males from participating in women's sports from middle school through college. This bill could be heard this week by the full Senate, and if it is approved, would be sent to the House for consideration.

On Thursday, the Senate remembered former Senator Stan Bingham by adopting a resolution in his honor and memory. Former Senator Bingham served as a member of the North Carolina Senate representing Davidson County from 2000-2016. Many of former Senator Bingham's family members were in attendance for the honor and heard current senators who served with him share some of their favorite memories of their former colleague.

The House and Senate adjourned on Thursday and will reconvene on Monday June 19.

ABC Omnibus Bill

The Senate did not consider the ABC Omnibus bill last week, and is still deciding on which provisions to include in the bill. It could be heard this Tuesday in the Senate Commerce Committee, or it could be the following week.

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