



# North Carolina Spirits Association

Legislative Report  
May 26, 2023

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## North Carolina Governor Declares State of Emergency for Public Education

Democratic Governor Roy Cooper of North Carolina has declared a “state of emergency” for public education in response to what he calls "extreme legislation" promoted by Republican state lawmakers. This is not a state of emergency like may be declared after a severe weather event. Governor Cooper accuses the Republicans of starving public schools and damaging education by cutting taxes and increasing funding for private school vouchers. He urges the public to voice their opposition to these changes before they are implemented in the state budget. Republican legislative leaders, who hold a supermajority, are negotiating a budget deal for the next two years without needing Governor Cooper's support. Governor Cooper plans to hold public events to rally support against the Republican proposals. The Senate budget proposes a 4.5% increase in average teacher pay over the next two years, while the House GOP budget suggests a 10.2% increase. Governor Cooper advocates for an 18% raise. The Senate budget also expands the Opportunity Scholarship program for K-12 private schools, which could cost traditional public schools \$200 million in state funding. Republican leaders argue that the expansion offers education options for all children, while Governor Cooper criticizes it for draining funds from public schools.

## NC Senate Proposes Over \$1 Billion for NCInnovation to Drive Academic Research into Start-up Success

The North Carolina Senate has proposed allocating over \$1 billion in their budget to a single organization called NCInnovation, aimed at transforming academic research into successful start-up ventures. The organization was founded by a group of business leaders who recognized the struggle of North Carolina's research universities, particularly those outside the Triangle region, in commercializing their innovative ideas. NCInnovation, led by CEO Bennet Waters, aims to address the funding gap between federal research grants and the stage where projects become commercially viable. They plan to provide grants, mentoring, and other services to help researchers bridge this gap, partnering with universities such as East Carolina University and North Carolina A&T State University to identify research with commercial potential.

Both the House and Governor Roy Cooper have included \$50 million in their budgets for NCInnovation, demonstrating bipartisan support for the initiative. However, the Senate is proposing a much larger allocation of \$1.43 billion, which has raised concerns among some lawmakers, who questions the substantial funding request when there are other pressing needs in the state. Senate leader Phil Berger defends the investment, stating that the state's revenue surplus justifies the allocation and that the organization will use the returns from an endowment to sustain its operations without further government support. The Senate plans to maintain

oversight by appointing board members and retains the ability to reclaim the funds if dissatisfied with the results.

While NCInnovation has garnered support from influential figures, including retired Truist CEO Kelly King and UNC System President Peter Hans, its exemption from the state's open meetings and public records law has raised concerns. Waters defers questions about the exemption to legislative budget writers, emphasizing the need for confidentiality in certain aspects of the organization's work due to the competitive nature of research and development.

The exact amount of funding that NCInnovation will receive from the state will be determined through negotiations between House and Senate leaders as they work towards a final compromise budget for the Governor's approval.

### **Controversial North Carolina Bill on Health Insurer Regulations Advances in Senate**

House Bill 346 has advanced in the North Carolina Senate, stirring both support and opposition. The bill aims to reduce regulations on Blue Cross Blue Shield of North Carolina, the state's largest health insurer, allowing it to compete more freely. Critics argue that the bill would enable the insurer to transfer billions of dollars from policyholders to a new deregulated company. Under the proposed legislation, Blue Cross Blue Shield would establish a holding company exempt from certain regulations, granting it greater flexibility in asset transfers, investments, and spending. Detractors claim this could lead to the diversion of nonprofit value to for-profit purposes without adequate oversight. The bill also raises concerns about an end-run around the state's 1998 conversion law, which mandates that Blue Cross must leave its value in a nonprofit charitable foundation if it becomes a for-profit entity. Supporters argue that the bill seeks to level the playing field for health service corporations and stimulate investment and job creation in North Carolina.

The bill passed the Senate Commerce and Insurance Committee Wednesday but faces opposition from Republican Insurance Commissioner Mike Causey, who believes it undermines patient rights and could lead to increased premiums. The bill has gained traction in the legislature but has not received unanimous support from state officials, with Attorney General Josh Stein expressing reservations initially but later agreeing to support the legislation with amendments that aim to maintain the conversion law, protect policyholders, and preserve the authority of the insurance commissioner. Treasurer Dale Folwell supports Insurance Commissioner Causey's position.

### **NC House to Consider Medical Marijuana Legalization Bill: Compassionate Care Act**

The North Carolina House will consider a medical marijuana legalization proposal, known as the "Compassionate Care Act," next Tuesday morning. The bill, which was previously passed by the Senate with bipartisan support, allows for medical marijuana use statewide but does not permit recreational use or cover conditions like chronic pain. The proposal includes limited permits and new regulations. Last year, a similar bill passed the Senate but did not progress in the House. However, there has been a shift in opinion among House members, with some acknowledging potential benefits of medical marijuana, particularly for conditions such as post-traumatic stress

disorder. House Speaker Tim Moore has expressed optimism about the bill's prospects, emphasizing the need for "reasonable controls" and avoiding excessive proliferation of marijuana dispensaries. The bill is sponsored by both Republican and Democratic senators, who believe it will provide access to medical marijuana while ensuring public safety through regulations.

### **North Carolina Senate Advances Proposal for Legalized Mobile Sports Gambling with Stricter Regulations and Higher Tax Rate**

A Senate proposal for legalized mobile sports gambling in North Carolina has passed the Senate Commerce and Insurance Committee. The bill would impose an 18% tax rate on gross wagering revenue for sports wagering operators, up from the 14% tax rate in the House version of the bill. It allows in-person sports betting at sporting venues, in addition to betting through mobile apps. The Senate and House have been collaborating on the changes, with the Senate version being more stringent. The bill expands the list of college athletic departments receiving funds from sports gambling proceeds and allows wagering on horse racing. Operators would need to disclose their partnerships and history of job creation and investment in the state as a part of the application process. Some critics oppose the expansion of state-sanctioned gambling in North Carolina, while other discussions have taken place regarding video gaming terminals and potential casinos in the state.

### **This Week at the General Assembly**

This week, legislators returned with committee meetings set for Tuesday and Wednesday. The Senate had a relatively light day Thursday, while the House had no business scheduled for Thursday. Undoubtedly, legislators were eagerly anticipating the upcoming long Memorial Day Weekend.

Now that the crossover deadline has passed, legislators have shifted their attention to the crucial task of advancing their bills through the opposing chamber. On the policy side, the focus revolved around two significant items in Senate committees: sports betting and the Blue Cross Blue Shield bill. Both received favorable reports from the Senate Commerce and Insurance Committee and will move forward in other committees next week.

Looking ahead to next week, the House is set to deliberate on the Senate's Medical Cannabis bill, which did not move forward in the House during the 2022 legislative short session. However, it seems highly likely that the bill will now pass and be enacted into law. Additionally, budget meetings have commenced among the sub-committee chairs and will continue throughout the upcoming week.

The House and Senate adjourned on Thursday and will reconvene on Tuesday May 30.

### **BILL STATUS**

**House Bill 512, Forgivable Loans/HBCU Supplemental Funding**, was considered in the House Commerce Committee on Tuesday. The bill would legalize video gaming terminals (or video lottery terminals) and use the revenue to create a forgivable loan program for community college students and to fund initiatives at HBCUs. Within five years there could be 20,000 terminals in bars,

restaurants or other businesses with an ABC permit across the state, according to an analysis by the legislature's Fiscal Research Division. Those machines could generate more than \$1 billion in net income by 2027-28 with the state receiving \$438 million, according to the analysis. The committee discussed the bill but did not take a vote.

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