

July 16, 2018

## 2018 Legislative Session Recap

The 2018 session might have been short, but it was highly consequential for children—both in terms of what happened and what didn't happen. Legislators missed big opportunities on early education funding and school safety, stopped short of making some harmful decisions on health care, and approved six constitutional amendments that will be on the ballot this fall, including one to cap the state income tax rate. Below is a summary of the most important decisions for kids from the 2018 legislative session.

### MISSED OPPORTUNITIES

#### Early Education Funding:

North Carolina legislators missed a historic opportunity to expand access to early childhood care and education in 2018. In the spring, Congress passed bipartisan legislation that provided states with the largest increase in history to help more working families afford high quality child care. *Of the \$74 million in new annual funding that North Carolina is projected to receive, the state budget redirects \$50 million for other purposes.* The remaining funds are used to provide access to child care and increase reimbursement rates for child care providers.

The impact of this decision is profound for children and working families. As of June 2018, 56,725 children were on a waiting list for child care assistance. New federal funding could have provided over 9,000 of these children with access to high-quality child care. Instead, only 3,700 additional children will gain access to child care under the approved budget.

Additionally, and as a result of the \$50 million funding swap, NC Pre-K is slated to lose \$50 million in state funding that will be replaced with \$50 million in federal funding. By making NC Pre-K more reliant on federal funding, legislators have weakened the financial stability of the program. State lawmakers have no control over federal funding decisions, which means the fate of NC Pre-K funding will largely be determined by future decisions of Congress.

#### School Safety

In the wake of the Parkland shooting, the state House convened an interim committee on school safety. The committee made a number of recommendations in advance of the legislative session, some very important such as training requirements for school resource officers, streamlining licensure requirements for school psychologists, and funding school support personnel to meet recommended staffing ratios.

Unfortunately, the legislature failed to act on the Committee's recommendations in a meaningful way. All of the policy recommendations from the School Safety Committee stalled in the Senate, and funding for school nurses, social workers, counselors, and psychologists is non-recurring, meaning that this funding will expire on June 30, 2019. This leaves school districts with only one year of guaranteed funding for these positions, which is unworkable from a management and budget perspective.

Overall, the legislature allocated \$35 million for school safety; here's how that funding breaks down:

#### Student Health:

\$10 million in Personnel Block Grants (school nurses, social workers, counselors, and psychologists)—

NON-RECURRING

\$3 million for training for students to deal with trauma and stress – NON-RECURRING

\$2 million for crisis services for students  
\$5 million for a statewide app that allows students to report potential threats

#### Physical Safety:

\$12 million for student resource officers  
\$3 million for School Facility Improvements (doors, cameras, etc.) and additional training opportunities for SROs. NON-RECURRING

#### **School Construction**

Legislators declined to put a bond measure on the ballot that would have generated \$1.9 billion for school construction. Population growth and deteriorating school buildings have led to \$8.1 billion in school construction needs, according to a 2016 Department of Public Instruction study. Students need safe and uncrowded facilities so that they can focus on learning. By failing to place this bond measure on the ballot, legislators missed an opportunity to take advantage of low interest rates and to avoid future increases in construction costs.

### **CRISES AVERTED**

While it's always great to see a good bill pass, sometimes it's just as important to stop bad proposals. Here are three that NC Child played a major role in during the legislative session.

#### **Suicide Prevention Lifeline**

Funding for the Suicide Prevention Lifeline was unexpectedly left out of the rushed budget bill (more on that below). The Lifeline receives an average of 5,000 calls per month from North Carolina children and adults in dire need of support. After an outcry from advocates provoked media attention, legislators found \$348K to fix this mistake in the technical corrections bill that passed before the end of session. The N&O has a [good rundown of the story here](#).

#### **Unregulated Health Plans Blocked by House!**

[House Bill 933](#) would have opened up North Carolina to unregulated health insurance plans that do not have to meet minimum standards for benefits, solvency, or enrollment. These plans would be allowed to discriminate against people with pre-existing conditions and cherry pick only the youngest and healthiest individuals. This cherry picking would lead to a sicker insurance marketplace, which would drive up premiums for individuals who don't want an unregulated plan or who can't qualify for one due to a pre-existing condition.

The bill passed the Senate, but was blocked in the House by a strong bipartisan majority largely due to an effective advocacy response. This is great news for NC's insurance market and individuals with preexisting conditions. For more on this, here's the [rundown from WRAL](#). Unfortunately, this means that the bill's important provisions to attract more school psychologists to NC also did not pass. We hope these provisions will be reconsidered in 2019.

#### **Work Requirements for Medicaid?**

During budget negotiations, we learned that legislative leaders were considering including work requirements for North Carolina's Medicaid population. Work requirements would result in thousands of parents losing health insurance in addition to a number of other consequences, including:

- Creating a costly administrative burden for state and local governments;

- Undermining efforts to fight the opioid crisis and increasing pressure on North Carolina's strained foster care system; and
- Hurting people with disabilities.

NC Child and other advocates worked with our allies in the State House to make sure this was not included in the final budget proposal. For more details on why this is a bad idea for North Carolina, [check out this letter](#) that we submitted to legislators with a coalition of allies.

## OTHER BILLS

### Income Tax Amendment

The legislature approved a constitutional amendment that will set a maximum state income tax rate of 7%, which will permanently restrict the funding available for education, health care, and other vital investments in our children. While 7% is a significant improvement from the initial proposal to cap the income tax at 5.5%, we remain deeply concerned about the long-term impact on our state. Voters will get the final say on this amendment in November.

### Medicaid Transformation

After months of internal wrangling, the legislature passed two bills that pave the way for the implementation of Medicaid managed care. [HB403](#) establishes the parameters for the BH / IDD Tailored plan in Medicaid managed care. Key provisions of the bill are as follows:

- The BH / IDD tailored plan will cover all services currently provided by LME / MCOs with significant exceptions (see page 2);
- LME / MCOs will continue to manage behavioral health services after capitated managed care begins until BH / IDD tailored plans become operational;
- BH / IDD tailored plans will go live one year after standard plans go live and LME / MCOs will be the only entities allowed to manage BH / IDD tailored plans for the first four-year contract terms;
- Recipients with "serious mental illness, a serious emotional disturbance, a severe substance use disorder, an intellectual/developmental disability, or who have survived a traumatic brain injury" are carved out until a BH / IDD tailored plans become operational (pages 3 and 4 outline the criteria for inclusion in this group);
- The number of statewide PHP contracts is increased from 3 to 4.

[HB156](#) includes provisions on licensing requirements for PHPs (managed care organizations), accountability tools for PHPs, and Advanced Medical Homes.

### Education Bills

[HB514](#) allows four Charlotte suburban towns to set up municipal charter schools. Critics of this plan say creating municipal charters in majority-white suburbs will lead to the re-segregation of schools. The bill has passed the House and Senate and is now law. Because it is a local bill, it did not need the governor's signature.

[HB986](#) was the omnibus education bill that passed near the end of session. It includes a number of provisions, including:

- A requirement for DPI to develop a mental health training program and suicide risk referral protocol.

- A provisions establishing more frequent and rigorous reporting about the implementation of cursive and multiplication table instruction standards;
- A requirement for school districts to move children who score a level five or higher on end-of-year testing to advanced placement classes. This change is in response to a study by the News and Observer showing that low-income children of color were often left out of advanced placement classes even when their test scores warranted such placement.

### **People First**

The legislature approved [SB768](#), which replaces archaic, insulting language in state statute (e.g. “mentally retarded” and “lunatic”) with “people first” language. For instance, state law now refers to someone with diabetes as “a person with diabetes” rather than “a diabetic.” This law is the result of the work of the North Carolina General Statutes Commission and was led by Sen. Tamara Barringer.

## **BUDGET OVERVIEW**

In an unprecedented departure from tradition, legislative leadership did not allow the budget to receive any public subcommittee discussion and amendments were not allowed during the floor debate in either the House or the Senate, because the budget bill was inserted into a “conference report,” which cannot be amended.

Advocates, departmental staff, rank-and-file legislators, and the media had no opportunity to vet the proposal prior to it being finalized. One consequence of this process was the aforementioned omission of funding for the Suicide Prevention Lifeline.

Below is a rundown of key items from the final budget bill:

### **Health and Human Services Budget**

#### *Public Health*

Smoking Cessation Programs--\$250K recurring for the Quitline and You Quit Two Quit, a smoking cessation program for pregnant women.

Youth Tobacco Prevention--\$250K non-recurring to develop strategies to prevent the use of emerging tobacco products.

Newborn Screening—The budget includes \$6.4 million (funded through Medicaid receipts) to cover the state’s Newborn Screening Program and to add 3 new tests to the screening panel.

#### *Child Development and Early Education*

NC Pre-K--\$50 million in state funding is replaced with \$50 million in federal funding. As mentioned above, this federal funding should have gone to expand early learning opportunities, not to fund existing programs. Furthermore, replacing state funding with federal funding for NC Pre-K weakens the program by making it vulnerable to fluctuations in federal block grants.

Child Care Subsidy Market Rates--\$9.75 million is allocated to increase subsidy reimbursement rates for children ages 3-5 in tier 3 counties. An additional \$3.675 million is allocated to increase reimbursement rates in Tier 1 and 2 counties to 100% of the 2015 Market Rate study. This basically matches the rates with the most expensive child care in those counties.

Child Care Subsidy Waitlist Reduction--\$19.575 million is allocated from federal block grants to reduce the wait list for child care subsidies by approximately 3700 slots.

*\*Context for these increases: While it's always good to increase rates and reduce the waiting list, legislators missed a huge opportunity by diverting the majority of new federal funding for early education to other parts of the budget.\**

Star Rated License—The special provisions direct DCDEE to create a new star-rated license system for children 0-2. The reasoning behind this decision is unclear.

#### *Social Services*

Child Advocacy Centers—\$1 million is allocated in federal block grants to support Child Advocacy Centers, which provide services to abused children.

#### *Mental Health / Developmental Disabilities / Substance Abuse*

LME / MCO Funding is cut by \$17 million.

Youth Tobacco Enforcement--\$300K in recurring funds are allocated to ALE to perform compliance checks. This funding and adequate compliance checks are necessary to maintain \$16 million in federal block grants.

#### *Medicaid and Health Choice*

Medicaid Rebase—There is no Medicaid rebase, which is unusual given the inevitable changes in enrollment and utilization. The Governor's budget did include a Medicaid rebase; it's unclear why this was omitted as it's not typically controversial.

#### **Education**

Teacher Pay--\$11.8 million is allocated to fund salary increases for teachers.

Principal Pay--\$12 million is allocated for a principal pay increase; \$418K is allocated for an assistant principal pay increase.

Math and Reading Performance Bonus Program--\$22.9 million is allocated to make the 4th-5th grade reading bonus program and the 4th-8th grade math bonus program recurring.

School Safety Funding--\$35 million is allocated for the school safety package released last week, though only \$5 million is recurring. The funding goes to expand the SRO grant program, to expand the anonymous tip line, and to create new grants to support students in crisis, school safety training, safety equipment, and school mental health personnel.

#### **Juvenile Justice**

Court Counselors—The budget provides partial year funding for 65 juvenile court counselors to support implementation of "Raise the Age."