



2014 Legislative Session Summary

Introduction

The 2014 budget illustrates the difficulty of effectively investing in critical state services and infrastructure without adequate revenue. Given this lack of available revenue, we appreciate that the budget provided new funding to educate children in Psychiatric Residential Treatment Facilities (PRTFs) and a notable increase in funding for Child Protective Services, which has been an area of critical concern.

On the other hand, the outcomes for North Carolina children will be threatened in other priority areas where the budget fell short. Our future as a state depends on our ability to ensure that every child has the opportunity to achieve his or her full potential. This means adequately investing in public services and structures that provide children and families with the support they need from infancy through young adulthood.

One of the largest barriers for children successfully transitioning to adulthood is poverty. The experience of poverty impacts virtually every area of a child's life from health, to education, to future earning potential. According to the most recent KIDS COUNT Data Book, North Carolina has the 11th highest child poverty rate in the nation and ranks 34th in overall child well-being falling among the poorest performing states in key economic and social indicators.

Given the increase in child poverty and declining economic security, programs that support vulnerable children and their families during difficult economic times are essential. Unfortunately, the legislature did not reinstate the Earned Income Tax Credit (EITC), one of the most effective anti-poverty tools for working families. In 2012, the state EITC infused more than \$107 million dollars into local communities across the state, reaching more than 900,000 families and nearly 1.2 million children. In addition, eligibility restrictions and higher copayments for child care subsidies will leave many working families without quality, affordable child care options. Additional cuts to services for young children with disabilities and Medicaid reimbursement rates will have negative impacts on the health of our children.

North Carolinians understand the importance of investing in our infrastructure. For example, recent polls show that 68% of North Carolinians support paying more in taxes to ensure adequate funding for education. And yet, if recent tax cuts are fully implemented, North Carolina will lose over \$1 billion in the next fiscal year. To ensure our children have the opportunities they deserve, the legislature should consider options to enhance revenue moving forward.



A Strong Start—The first 2,000 days of a child's life have a lasting impact on later learning, health, and success.

Child care subsidies (NC CHILD LEGISLATIVE AGENDA ITEM)—Legislators made significant changes to eligibility and co-payments for child care subsidies, which will limit availability for families in need.

Subsidy eligibility is changed from 75% of state median income (about \$50,244 for a family of four) for all children birth to 12 to the following:

- Age 0-5 - 200% of Federal Poverty Level (FPL), or \$ 47,700 for a family of four.
- Age 6-12 - 133% of FPL, or \$31,721 for a family of four.
- Child with special needs of any age - 200% of FPL.

According to the Fiscal Research Division, 110,000 children received subsidy in 2012-2013. Under the new formula almost 12,000 of those children would no longer qualify as follows:

- 2,130 children aged birth to 5;
- 9,860 children aged 6 to 12;
- and 7 children 13 and over.

Legislators also made the following changes to child care subsidy co-payments:

- A flat assessment of 10% of family income will replace a sliding scale that was based on family size.
- Co-payments are no longer pro-rated for partial day care.
- (Note—Children receiving child care subsidy through Child Welfare, Child Protective Services, and Foster Care will continue to be exempt from the co-payment requirement.)

Early Intervention / Children's Developmental Service Agencies (NC CHILD LEGISLATIVE AGENDA ITEM)—The budget maintains the previous year's \$10M budget reduction and the elimination of 160 positions, but it does not include the mandated closure of four CDSAs that was in the Senate budget proposal. The \$10M funding cut and the loss of 160 positions will come from the 12 state-run CDSAs and will be achieved through the elimination of vacant positions according to DHHS. The loss of these positions represents a 20% reduction in positions for these agencies.

Healthy Babies Bundle (NC CHILD LEGISLATIVE AGENDA ITEM)—The budget maintains current levels of funding for the Healthy Babies Bundle, a package of infant mortality prevention programs:

- 17 Progesterone for high-risk pregnancies - \$52,000
- ECU High-Risk Maternity Clinic - \$375,000
- March of Dimes Preconception Health Campaign - \$350,000
- Perinatal Quality Collaborative of NC - \$350,000
- Safe Sleep Campaign - \$45,000

Flexibility Cut—The final budget included a \$16 million recurring flexibility cut to the Department of Health and Human Services (DHHS). The budget provisions prohibit DHHS from taking funds for direct services, though it is unclear how DHHS will define "direct services."



Stable Homes and Communities—Children thrive when they grow up in safe, stable, and nurturing environments.

Expanded Funding for Child Welfare—The final budget includes \$7.4 million in increased funding for Child Protective Services and \$4.5 million in increased funding for in-home services. Both of these areas have experienced a substantial loss in federal funding over the past years, so the additional funding is a needed and positive step forward.

Improving Child Welfare Services—The final budget bill included three items aimed at improving child welfare services in North Carolina:

- Child Protective Services Pilot Program—The budget allocates \$300K for a pilot program to improve outcomes for children served by child welfare. It's unclear where this pilot will take place, but it will be in coordination with the Government Data Analytics Center.
- Enhance Oversight of County Child Welfare Services - \$750K allocation
- Statewide Evaluation of Child Protective Services - \$700K allocation

Foster Care Assistance—The final budget included \$5 million in increased foster care assistance payments to support increased foster care enrollment.



Healthy Children—Healthy children perform better in school and in life. All children need access to high-quality and affordable health insurance, preventive health care, a medical home, and specialized services when necessary.

Medicaid Reform (NC CHILD LEGISLATIVE AGENDA ITEM)—The House and Senate introduced competing Medicaid reform plans that were not reconciled by the end of session. The General Assembly will attempt to find a compromise on Medicaid reform in the 2015 long session. NC Child will provide a thorough analysis of Medicaid reform options prior to the start of session.

Below is a brief summary of each chamber's proposal:

- [Senate Medicaid Proposal:](#)
 - Medicaid administration would be moved to a separate agency overseen by a seven-person board appointed by the legislature and the governor. No providers or consumers would serve on the board.
 - Medicaid would be fully capitated by 2018.
 - Coverage would be provided by private managed care companies and provider-led organizations.
 - The state would be divided into regions in which at least one, preferably more, Medicaid plan would be offered.
 - Physical and behavioral health would be integrated by 2016.
- [House Medicaid Proposal:](#)
 - Medicaid administration would remain within DHHS

- Provider-led organizations would manage and coordinate the majority of the Medicaid population.
- The system would be fully capitated by 2020.
- The integration of physical and behavioral would be studied.

Provider Rate Reduction—The state budget includes a 1% provider rate reduction. This reduction is in addition to the 3% rate reduction approved in last year's budget. We have concerns that providers will be less willing to serve Medicaid patients if rates continue to drop.

Tanning Bed Ban for Teens—Unfortunately, legislation that would ban the use of tanning beds by children under 18 was never given a vote in the Senate despite being passed on multiple occasions in the House.

Autism Insurance—Like the Tanning Bed Bill, legislation requiring insurance providers to cover Autism support was passed on two occasions by the state House and was never taken up by the Senate.

Interstate Chemical Clearinghouse—The budget's special provisions authorize the Department of Environment and Natural Resources to join the Interstate Chemicals Clearinghouse to access data that can be used for enhancing safety in the use of toxic chemicals.



Family Economic Security—Children living in financially secure families are more likely to succeed in school, stay healthy, and achieve economic self-sufficiency as adults.

Earned Income Tax Credit (NC CHILD LEGISLATIVE AGENDA ITEM)—The state Earned Income Tax Credit (EITC) is one of the most effective tools for pulling children and families out of poverty. Unfortunately, the state EITC expired at the end of 2013 and the legislature chose not to renew it.



High-Quality Education—High quality education, from pre-kindergarten through college and beyond, provides children with the best opportunity for long-term life success.

Teacher and teacher assistant funding—The most talked-about and controversial issue of this year's legislative session was around the teacher pay raise and how it would be financed. The Senate proposed an average 11% raise for teachers that would largely be funded by eliminating all teacher assistants in second and third grades. The House countered with a smaller pay raise, around 6%, but maintained current funding for teacher assistants.

The final budget included an average 5.5% pay raise for teachers that nears 7% when preexisting longevity pay is included. While there is no clear line-item in the budget, [funding for teacher assistants was reduced by \\$105 million according to the Department of Public Instruction.](#)

Public School Enrollment Growth—A largely unnoticed special provision in the budget absolves the state of its responsibility to automatically pay for public school enrollment growth, which could lead to larger class sizes in the future. This means that public schools will now have to compete with all other budgetary priorities in order to cover the costs associated with increasing enrollment.

Common Core Repeal—[Senate Bill 812](#) replaces Common Core with the North Carolina Standard Course of Study. While the bill technically repeals Common Core, the Academic Standards Review Commission and the State Board of Education are still allowed to use Common Core standards in the new North Carolina Standard Course of Study. In fact, Gov. McCrory said that he would sign the bill because "it does not change any of North Carolina's education standards."

Education Funding for Children in Psychiatric Residential Treatment Facilities (PRTFs)—The budget includes \$3.2M in funding for the education of children in Psychiatric Residential Treatment Facilities.

Read to Achieve Update—The legislature passed [House Bill 230](#), which makes updates and improvements to the state's Read to Achieve law. Specifically, House Bill 230:

- Directs the State Board of Education to provide, approve and establish achievement levels for several valid and reliable alternative assessments;
- Allows the student reading portfolio to begin to be compiled during the first half of the school year;
- Gives flexibility in providing for summer reading camps;
- Requires qualitative and quantitative data from the Kindergarten Entry Assessment;
- Clarifies the good cause exemptions from mandatory retention for Limited English Proficient students and Students with IEPs;
- Makes clear that parents/guardians make the final decision regarding a retained student's participation in reading camp, with at least one opportunity for students not attending to demonstrate proficiency prior to being retained; and,
- Clarifies that a student can be promoted anytime.

Charter Schools—The legislature approved [Senate Bill 793](#), which appears to shield management companies that run some for-profit charter schools from divulging salary information about their employees. The bill also does not include any prohibition on discriminating against gay and lesbian children and families.



Justice for Children—Adolescence is a time of tremendous opportunity. To maximize this opportunity, youth must be provided with appropriate guidance, a nurturing environment, and support.

Raise the Age (NC CHILD LEGISLATIVE AGENDA ITEM)—[House Bill 725](#), which raises the age of juvenile jurisdiction for all 16- and 17-year-olds charged with misdemeanors, passed the House on an overwhelming bipartisan vote (77 to 39). Unfortunately, the Senate failed to take up the bill, which means that a new bill needs to be introduced next session.

Indigent Defense Services (IDS) Administrative Funding—IDS administrative funding was cut by \$466,000, which will likely result in the loss of a key staff position within the Office of the State Juvenile Defender.