

## Governor Cooper Vetoes 2019 Budget Bill

“This is a bad budget with the wrong priorities. We should be investing in public schools, teacher pay and health care instead of more tax breaks for corporations.” This was Governor Cooper’s formal explanation for vetoing the 2019 Appropriations Act he received from the House and Senate.

Two budget items that stand out for health and human services include a substantial cut in recurring administrative dollars for NC DHHS and the proposal to move the offices of NC DHHS to Granville County.

In recent years, the General Assembly has handed NC DHHS “Management Flexibility Reductions” that were non-recurring (one-time) cuts. The General Assembly required NC DHHS to find \$15 million non-recurring for each State Fiscal Year (SFY) 2017 and 2018 but also gave DHHS some leeway to determine where the reductions were taken. The difference this year is: 1) it is a larger cut focused on their administration and oversight; and, 2) it is a recurring cut that will leave a hole in the budget. The 2019 budget calls for a \$30.66 million recurring reduction in this fiscal year that increases to a \$42.7 million recurring reduction in SFY2021. Investopedia defines *recurring* costs as, “recurring general and administrative operating expenses are the normal, ongoing expenses required for operating a company in the company's chosen line of business.” Investopedia further defines *non-recurring* as “extraordinary or one-time” expenses.

The General Assembly coupled this budget proposal with language requiring NC DHHS to move its central functions to Granville County. “SECTION 39.2.(m) The Department of Administration shall select land located in Granville County suitable for the relocation of the Department of Health and Human Services facilities at the Dix Campus in Raleigh.” This one-sentence budget provision, included in the Capital Improvement and Repairs and Renovations Appropriations portion of the budget, would call for moving many of the thousands of staff that NC DHHS employees from the offices on the Dorothea Dix campus in Raleigh to Granville County. Legislators are saying that this would stimulate the economy in a rural area of the state. The NC DHHS Secretary has expressed concern that the move would make it difficult to retain and recruit staff and for staff to travel back and forth for meetings with other State departments. The agreement around the sale of the Dorothea Dix property does require that DHHS eventually move from the grounds.

July 1<sup>st</sup> marked the beginning of the new State Fiscal Year 2020. Because a new budget was not passed, the budget as of June 30, 2019 will remain in effect until they do pass a budget. First things first, the House and Senate will have to vote on the Governor's veto. Because Republicans no longer have that super majority to handily override vetoes, the veto may very well remain in effect. That will send the members of the joint conference committee on the budget back to negotiations to develop a budget that will not be vetoed.