



# NORTH CAROLINA GENERAL ASSEMBLY

2023 Session

## Legislative Fiscal Note

**Short Title:** 2024 Appropriations Act.  
**Bill Number:** House Bill 263 (Second Edition)  
**Sponsor(s):** Rep. Arp, Rep. Saine, and Rep. Lambeth

Note: This document only addresses the the finance-related portions of the bill.

### FISCAL IMPACT OF HB 263, V.2 (\$ in millions)

	<u>FY 2024-25</u>	<u>FY 2025-26</u>	<u>FY 2026-27</u>	<u>FY 2027-28</u>	<u>FY 2028-29</u>
<b>State Impact</b>					
General Fund Revenue	(2.5)	(1.9)	(1.9)	(1.9)	(1.9)
Medicaid Hospital Receipts	23.6	10.3	10.3	10.3	10.3
Medicaid Federal Receipts	-	19.1	19.1	19.1	19.1
<u>Less Expenditures (Medicaid)</u>	<u>-</u>	<u>29.4</u>	<u>29.4</u>	<u>29.4</u>	<u>29.4</u>
<b>General Fund Impact</b>	<b>21.1</b>	<b>(1.9)</b>	<b>(1.9)</b>	<b>(1.9)</b>	<b>(1.9)</b>

### FISCAL IMPACT SUMMARY

The following sections summarize the fiscal impact of the bill.

Section 4.6 reduces State General Fund revenues by \$2.5 million in FY 2024-25 and annually thereafter because it changes the distribution formula of sports wagering tax revenues.

Sections 9E.9 and 9E.10 increase departmental receipts for the State Medicaid program by a total of \$23.6 million in FY 2024-25 only. The receipts will be generated from two one-time additions to existing hospital assessments.

Section 9E.11 provides for the inclusion of freestanding psychiatric hospitals in the Healthcare Access and Stabilization Program (HASP), which provides enhanced Medicaid reimbursements for services provided to Medicaid managed care enrollees. The hospital assessment statutes are amended to have freestanding psychiatric hospitals pay an assessment that will support the nonfederal share needed for the reimbursement increases. If approved by the federal Centers for Medicare and Medicaid Services (CMS), the program will increase hospital receipts by an estimated \$10.3 million annually and federal Medicaid receipts by \$19.1 million annually. These departmental receipts will be offset by an equivalent amount of spending for the increased

reimbursements, and there would be no net General Fund impact on Medicaid. The program would generate approximately \$570,000 annually in additional gross premiums tax revenues for the General Fund beginning in FY 2025-26.

## FISCAL ANALYSIS

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The following provides additional details related to the bill's estimated fiscal impacts.

**Section 4.6-Sports Wagering Changes.** The bill expands the list of sports eligible for sports betting in the State to include professional bull riding. FRD is unable to estimate any potential increase in sports wagering tax revenues due to data limitations related to wagering on this sport but anticipates any such increase to be minimal.

This section also makes changes to the distribution of sports wagering tax revenue that remains available after certain statutory allocations are made.<sup>1</sup> These changes include:

- Increasing the distribution to the North Carolina Youth Outdoor Commission from \$1 million to \$6 million beginning in FY 2024-25. The Commission is to use this additional \$5 million for educational field trips and constructing outdoor educational structures; and
- Reducing the distribution to the NC Major Events, Games, and Attractions Fund from 30% to 25% and reallocating this 5% (\$5.6 million) equally to six UNC constituent institutions to support their collegiate athletic departments (Appalachian State University, East Carolina University, NC Agricultural and Technical State University, NC State University, UNC-Chapel Hill, and UNC-Charlotte). This modification does not change the amounts UNC constituent institutions receive from other allocations or distributions in the sports betting legislation.<sup>2</sup>

The net results of the sports wagering changes are expected to reduce General Fund revenues by \$2.5 million in FY 2024-25 and in subsequent fiscal years.

**Section 9E.9-Ensure Medicaid Receipts for NC Health Works Implementation Costs.** This section adds a one-time \$12.8 million collection of hospital receipts for the health advancement hospital assessment structure. The additional hospital receipts will replace funds from a Medicaid expansion start-up assessment that expired before it became law. The departmental receipts will help to support the nonfederal share of costs for the Medicaid program.

The additional \$12.8 million collection will be imposed on the first day of the next assessment quarter after the act becomes law.

**Section 9E.10-Ensure Certain Medicaid Receipts.** This section adds a one-time \$10.75 million collection for the modernized hospital assessment structure. The funds replace a portion of the \$43.0 million in additional receipts the State is no longer generating through its acute care disproportionate share hospital (DSH) plan that was discontinued due to the higher hospital

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<sup>1</sup> The allocations occurring prior to the formula distribution include allocations to the Department of Revenue for costs of collections, the Department of Health and Human Services for problem gambling activities, funds for 13 constituent UNC institutions athletic programs and the NC Outdoor Council for grants.

<sup>2</sup> S.L. 2023-42, Sports Wagering/Horse Racing Wagering (HB 347).

reimbursements available through Medicaid expansion and HASP. The Medicaid expansion assessments collect \$10.75 million per quarter to replace the DSH plan receipts, but the expansion assessment was only in place for the last three fiscal quarters of FY 2023-24. This assessment would recover the quarterly amount for the first quarter of FY 2023-24. The departmental receipts will help to support the nonfederal share of costs for the Medicaid program.

The additional \$10.75 million collection will be imposed on the first day of the next assessment quarter after the act becomes law.

**Section 9E.11- Medicaid HASP Reimbursement for Psychiatric Hospitals.** This section extends participation in HASP to freestanding psychiatric hospitals, pending approval from CMS. If approved, psychiatric hospitals would be eligible for enhanced Medicaid reimbursements for services provided to Medicaid managed care enrollees, with the nonfederal share of the costs for reimbursement increases provided through an assessment on the freestanding psychiatric hospitals. Assessment receipts would be used to draw down the federal Medicaid match and would then be spent in support of the increased reimbursements. There would be no General Fund impact on the Medicaid program.

Once HASP is implemented for the freestanding psychiatric hospitals, the Department of Health and Human Services (DHHS) estimates the psychiatric hospitals would be assessed approximately \$10.3 million annually, enabling the State to draw down \$19.1 million in additional federal Medicaid receipts. The additional hospital and federal receipts would be offset by \$29.4 million in annual Medicaid spending for the enhanced reimbursements.

Because the additional reimbursements would pass through Medicaid managed care entities, there would be an increase in gross premiums tax collections of approximately \$570,000 annually. It is anticipated that the gross premiums tax revenue increase would not begin until FY 2025-26.

## **TECHNICAL CONSIDERATIONS**

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N/A

## **DATA SOURCES**

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Consensus Revenue Forecast; N.C. Department of Revenue; N.C. Department of Health and Human Services.

## **LEGISLATIVE FISCAL NOTE – PURPOSE AND LIMITATIONS**

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This document is an official fiscal analysis prepared pursuant to Chapter 120 of the General Statutes and rules adopted by the Senate and House of Representatives. The estimates in this analysis are based on the data, assumptions, and methodology described in the Fiscal Analysis section of this document. This document only addresses sections of the bill that have projected direct fiscal impacts on State or local governments and does not address sections that have no projected fiscal impacts.

**CONTACT INFORMATION**

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Questions on this analysis should be directed to the Fiscal Research Division at (919) 733-4910.

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June 18, 2024



**Signed copy located in the NCGA Principal Clerk's Offices**