

LEGISLATIVE OUTLOOK

Leaders in some of the state's key industries sat down to discuss issues they'll be monitoring in the upcoming legislative session. Incentives and new tactics for addressing the dire shortage of employees are at the top of the list. Expanding training programs at high schools and community college could be part of the solution. Also, expect to see a continued push for expanding Medicaid, changes in the state's alcohol distribution system and more effective public-private partnerships.

Photography by Bryan Regan

PANELISTS



Peter Gwaltney
CEO,
North Carolina Bankers Association



Tim Kent
executive director, North Carolina Beer
& Wine Wholesalers Association



Steve Lawler
president and CEO,
North Carolina Healthcare Association

North Carolina Beer & Wine Wholesalers Association, North Carolina Healthcare Association, State Employees Association of North Carolina and NC Bankers Association sponsored the discussion. It was moderated by Colin Campbell, editor of *N.C. Tribune* and *Business North Carolina*. It was edited for brevity and clarity.

TELL US ABOUT YOUR TOP ISSUES AND GOALS ENTERING THE 2023 LEGISLATIVE SESSION.

SALAMIDO: North Carolina is growing and attracting business. We have good balanced policies, but we have more jobs than we do people. So the question is how do we create and align our education and talent supply and workforce systems to not only train our young people for these jobs, but how do we address the adult learning community? Veterans and spouses of veterans? What do we do with “second chance” hiring? How do we address the folks who, through the pandemic, have reassessed their jobs? How do we get them trained and educated for the jobs of today and tomorrow?

We also want to preserve and protect the tax climate that we have

and all those things that go into the cost of a job. We’re watching the regulatory sides of the Regional Greenhouse Gas Initiative and the new executive order the governor put out about trucks. There’s great innovation. We think innovation does best when it has limited government regulation around it. We’ve got to do better in the state on finding solutions for small businesses to come together. Businesses want to take care of their people, and they want to provide health care. They want to be competitive. The state is continuing to diversify our transportation infrastructure as we’re growing along with other infrastructure pieces like water, sewer and broadband, and computer hardware.

As we attract these larger businesses, what are we doing to make sure that those small businesses can thrive? We always have to take a look at the franchise tax, for lack of a better description, it’s a statewide property tax, everybody pays before they sell one thing on their own. So we are continuing to look at making that competitive and eventually, get rid of it all together. We want to stay competitive on our personal income taxes. On the corporate income tax side, we’re pretty competitive right now.

THE CHAMBER RECENTLY WROTE AN OP-ED ON POTENTIAL CHANGES TO FUNDING ROADS AND TRANSPORTATION BECAUSE OF CONCERNS OVER THE GAS TAX. WHAT’S THE SOLUTION THERE?

SALAMIDO: The more diversified, the better and the less reliant you are on one or two or three things. So we had some good success last year, allocating a percentage of (vehicle-related) sales tax receipts to transportation funding was a big win. I think looking at an access user fee is a good idea. But there are a lot of good options out there. How do we look at public private partnerships? There aren’t enough resources for the government to do it all alone. So how do we structure those public-private partnerships differently?

So we had some good success last year, allocating a percentage of sales tax receipts to transportation funding was a big win.

WHAT’S HAPPENING OF NOTE IN YOUR WORK, STEVE?

LAWLER: We’re coming off a three-year, unprecedented event in health care. The pandemic showed the stress



Gary Salamido

president and CEO,
NC Chamber



Dave Simpson

president and CEO,
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Ardis Watkins

executive director, State Employees
Association of North Carolina

and pure volume of work within the field. So folks who had thought about retiring, they decided that it was just time to do so. Our top priority is making sure that we have a way to recruit and retain the best talent. That means creating a workforce environment that's safe and healthy. Right now health care organizations have the highest incidence of workplace violence, more than any other business minus the prison system.

When we have programs to recruit and retain the best kids coming out of school, there's a really high likelihood of them staying in state. So it takes working with local school systems to really elevate STEM programs that get kids interested in science and health care and working to provide scholarships for those kids.

Stabilizing our current health care ecosystem is really important. These past three years have been the most difficult three years in the history of health care in North Carolina. You know, right now, you know, the average operating margin for hospitals is almost negative 4%. So there are significant pressures on hospitals and health systems financially.

We look for innovative ways to support hospitals to ensure that they're able to continue to be an active part of that community, especially in rural communities where many hospitals are the top three employers.

Medicaid expansion is really important. It creates coverage for 600,000 North Carolinians. It brings millions of dollars into the state, that we can purpose for jobs. There's

also a program at the federal level, the Healthcare Access Protection Program, which allows the state to draw down additional federal dollars.

We know that when people are healthier, health care costs less. We're able to keep dollars in their pocket, and we're able to help employers reduce the cost of care as well.

WHAT PROSPECTS DO YOU SEE FOR MEDICAID EXPANSION THIS YEAR?

LAWLER: We're grateful for leadership in the House and Senate for introducing Medicaid expansion into their budgets and their conversations in 2022. So we're encouraged. We're going into 2023 committed to working with our elected officials to find pathways to get that done.

IT TAKES compassion.

To the men and women working as nurses in North Carolina's hospitals and health systems, thank you for your devotion to providing the best possible care to your patients and communities. We know nothing will stop you from bringing as much healing and hope as you can to the people of our state. And for that, we are grateful.

A message from the healthcare providers and health systems of North Carolina.

ON THE HOSPITAL STABILITY ISSUE, ARE THERE THINGS THAT THE LEGISLATURE SHOULD BE DOING TO HELP RURAL HOSPITALS?

LAWLER: I think taking advantage of the things that worked during the public health emergency and making that standard practice is really important. Telehealth is really an added value as we found out for small communities and allows those small communities to deliver high quality care. So investments in kind of laying that last mile of (broadband) wire are really important, and then making sure that telehealth is available and funded from a payment parity perspective. Medicaid expansion will help create sustainability in the future for those small hospitals.

DAVE, IT SOUNDS LIKE THE WORKFORCE IS PROBABLY GOING TO BE A BIG ISSUE FOR THE CONSTRUCTION INDUSTRY.

SIMPSON: It is a huge one. We've been involved with two tricked-out tractor trailers that will visit with 40,000 students in North Carolina next year and with similar efforts in South Carolina, pushing construction and other skills that people are not necessarily going to get at four-year colleges but make for a really good career.

And I'd like to point out that on Nov. 8, voters approved every referendum for construction on the statewide ballots — about \$4.7 billion total. And everybody wants to live in North Carolina and South

Carolina. You can drive throughout the Carolinas and see tower cranes on building sites and orange traffic cones in the work zones all over the place, and utility work is booming.

We need to get people into the workforce and get them excited about doing what needs to be done. The legislature was very generous to us, awarding to our CAGC Foundation \$5.5 million to help with the workforce shortage in the construction industry. We will use that for a statewide training effort focused on minorities, with help from the community colleges.

I will say community colleges are doing an outstanding job in North Carolina in offering training and I'm starting to feel momentum is picking up.

One thing that I'm a little concerned about and we haven't yet



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NORTH CAROLINA

On behalf of beer & wine distributors across the state—family-owned companies that employ more than 6,000 people—we look forward to engaging constructively with our state legislators to develop alcohol policy that promotes responsible behavior and ensures fairness in a competitive marketplace.



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taken a position on it, is the medical marijuana issue. We are concerned about the prospect of people perhaps being legally able to use marijuana, and they're working on job sites.

TIM, WHAT ARE WE LOOKING AT ON THE ALCOHOL, BEER AND WINE REGULATORY FRONT?

KENT: The hospitality industry took a big hit during the pandemic, like so many other industries. And thankfully, things are returning to normal, but the kinds of challenges that we face, you can boil them down to workforce, fuel prices and supply chain. We're having trouble hiring CDL (commercial driver's license) drivers and retaining CDL drivers in a highly competitive situation. Companies like Amazon and others are hiring them up. We have record prices right now for diesel, which is another big challenge.

We've worked very closely with Rep. Tim Moffitt, who is soon to be a senator. He has been very active trying to modernize the alcohol and liquor system in the state. And in doing it in a responsible way to make things more efficient. Three bills that were passed in the last session [that led to] 40 different changes made to the alcohol laws. I would expect that there's going to be one or more omnibus bills in the next two years. Rep. Moffitt primarily wants to make the ABC liquor system more efficient, and make it more capable to meet growing consumer demand. He's made a couple of trips to Kentucky during the off-season to try to become more fluent on what are some of the challenges facing distillers and liquor supply system.

There's a very old ABC warehouse, located out in Garner that is just

absolutely overloaded and incapable of meeting all of the needs of the system right now. So I think there's probably going to be some talk about modernizing the existing warehouse system or building a new one. The [alcohol] system generates \$650 million a year for state and local governments. And if you have a more efficient system, it can produce more money for the state. So I think that's where we're going to be focused.

What we don't want is disruption. Because there's been enough disruption since March of 2020. We would like to have things settled and let us do our work and help provide the products to 20,000 retail permittees. We've got a vibrant system across the state with more than 400 craft breweries and 200 wineries. We've got a growing distilling business. We just need to let people operate.

ARDIS, WHAT DOES THE STATE EMPLOYEE LANDSCAPE LOOK LIKE?

WATKINS: It's the same refrain of not being able to get people to take jobs. Vacancy rates are high. At prisons it's over 50%. There are some prisons with a Sonic (burger store) down the road where you can make the same or better money. So why would you put your life on the line? Not that the work at Sonic is easy, but it's less dangerous.

The overall [state employment] vacancy rate is around 20%. That affects not only the rest of the state employees who are supposed to (pick up extra work), it affects every taxpayer. They're paying taxes and getting 20% less services.

We do hope to continue to build that bridge to business to realize we all have to work together because

without a solid infrastructure you won't have successful businesses. Certainly in prisons and in health and human services facilities, but even when you get on an elevator, you need state employees to not only be there and not have too many vacancies, but you need them to be adequately compensated and respected.

And I know union is a bad word. We're an advocacy group for workers. Workers in business need to get together. Employers need to do what they can with their resources to treat employees in a way that makes them not get more training and leave. They need to want to stay and give a valuable contribution.

There are jobs where the state is paying a perfectly competitive wage. There are definitely some large gaps and again, we keep coming back to prisons because that's, I think, what gets the most attention. We are woefully lacking compared to any other state. I'm thankful to Sen. (Phil) Berger because a few years ago, they gave some law enforcement benefits to correctional officers. But we need to complete that process and get them recognized properly as law enforcement across the board. These are some of the toughest jobs in this state. We're going to have to get some serious retention bonuses in some of these agencies.

LAWLER: Just to tack on to that, I think mental health is a priority for everyone. Our mental health system in North Carolina is broken. We have an opportunity coming off a pandemic, to think differently and say how can we change this to make this better, versus exhaling, and just going back to the way that it was before. On any given day, you've got HHS employees that are dealing with behavioral health patients who are

showing up to work and concerned for their own safety. But even more tragic, we've got hundreds of people sitting in emergency departments, including children, that are there for days at a time waiting for placement. So I think it's the collective work of all North Carolinians to build a better behavioral health system that has better access to care. Medicaid expansion helps with that. But a lot of it is funding and making sure we've got the right dollars going to the right place.

WHAT IS THE N.C. BANKERS ASSOCIATION LOOKING AT THIS YEAR?

GWALTNEY: I'm glad to go last, because we're all so interconnected. The banking industry in North

Carolina is really the backbone of our economy. Our banks only do as well as the local economies and the broader North Carolina economy, so we stand shoulder to shoulder with the NC Chamber on these larger economic issues and public policy issues. We're one of the major banking states in the country and Charlotte is the second-largest banking center, so we are very involved in advocacy at the national level. Most banking policy is affected at the national level in Congress and in the federal regulatory agencies. In our state legislature, we are more focused on what we refer to as technical bills. They're important to bankers and customers, because our banking laws have to keep up with innovations technology and

changes in how customers want to work with banks. We also work closely with our state regulator, the Office of Commissioner of Banks, and our top priority in this session will be the nomination and confirmation of our banking commissioner. That's a four-year position nominated by the governor, confirmed by the Senate. We have a great commissioner in Katherine Bosken. We'll be working for her reconfirmation as well as a basket of technical bills. North Carolina has always had very progressive banking laws. It's why we are a major banking state, so we're always looking at being right where we need to be to make sure that we're attractive for banks to want to do business here. We have 87 banks doing business in the state from some



State Employees Association of North Carolina

State employees, retirees, and their families make up 10% of North Carolina's population. We're proud to work to protect and enhance their earning power, benefits, and retirement security — all of which directly impact the state's economic prosperity.

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of the nation's largest banks to very small banks, and 43 of those banks are headquartered here. More than half of the banks in our state have come from out of state to acquire North Carolina banks, because they want to participate in this economy. They want it to be where there's growth. And that's why these larger economic issues, whether it's transportation, education, early childhood reading, and health care are all important to us, because our banks are only as strong as our economy.

LET'S TALK ABOUT THE STATE BUDGET. WHAT ARE YOUR PRIORITIES?

SALAMIDO: It is continuing to invest in our education and talent supply system, our K-12 education, making sure our young people can read by third grade. If they can't read, nothing else matters. We look at our high schools and how to get our young people trained. How do we prepare our young people for a post-secondary career of their choice, whatever that looks like.

We talked about it a little bit earlier, getting creative on all types of infrastructure and putting in long-term plans. The state did a great job with the STIP (State Transportation Improvement Program). That same

methodology can be used for water and sewer or broadband.

WATKINS: We always have to have a (State) Health Plan fund and that plan is marching towards potentially being in the red in about three years. So we have to try to make sure we get enough money for the health plan and to fund the retirement system.

For years, if you took a job with the state, you knew that you weren't gonna make as much, but the benefits made up for that. But that's not turning out to be the case for our newer retirees. They're seeing their retirement look a lot different than they had ever envisioned.

I'm not sure exactly how it will play on the budget, but the issue we're all having in terms of workers, finding workers and getting jobs filled. A lot of that seems to be wrapped around younger workers and what they're looking for versus what we're all used to providing. Things like health care or retirement benefits are not necessarily doing the trick. So we're having to try to figure out how to reinvent ourselves. So that's part of the work we want to do with the legislature is figure out what kind of things in the budget we can do to make public state employment look more attractive to some of the younger workers.

KENT: The one budget issue we have would be making some sort of investment in the ABC system to get a warehouse that is more efficient, more modernized to address consumer demand. We're less involved on the appropriation side and more involved on the finance side. We're concerned about tax law, both as it affects personal income and corporate levels, but also the excise tax. We deliver \$160 million dollars a year back to the state so we work with the Revenue Department and the finance chairs on those issues.

DAVE, ARE THERE MORE THINGS THAT CAN BE DONE AT THE STATE LEVEL TO HELP GET MORE PEOPLE INTERESTED IN CONSTRUCTION JOBS?

SIMPSON: Anything that can be done to get the high schools and the community colleges focused on what work is out there to get them to provide the badly needed work is smart ball. I just came back from a national construction meeting, and one of the speakers said that there are 10 million job openings in the United States right now – and 7 million people at home who could work but are choosing not to. It's just mind boggling. We've got all these needs here. And we're all representing industries and

businesses and organizations that do great things for the public and for safety and our quality of life. And we need to be able to get people plugged in to making careers out of rewarding opportunities.

STEVE, ARE THERE MAJOR BUDGET INITIATIVES YOU WOULD LIKE TO SEE?

LAWLER: Well, I think, picking up on Medicaid expansion, hospitals have said that we will take on the responsibility for the non-federal share, which, you know, is significant, it's close to half a billion dollars a year in commitment that hospitals are making to get that across the finish line. So those two things are important because they impact behavioral health and impact jobs. Health care makes up 6% of the

GDP. So as we think about it, how do we protect that 6% and make sure it's there for today and tomorrow and future generations?

I think we need targeted funding within our community colleges, to help underwrite the education for people that we need in specific sectors. There are states in the country, where if you're going into health care, or if you're going into a state agency that requires a community college degree, your education is paid for, and it's paid back by years of service. So I think we need that kind of forward thinking.

GWALTNEY: I'm all about investing in things that are working. We are blessed in North Carolina to have a great community college system. One in particular is Blue Ridge Community College in Henderson County. They have a number of apprenticeship

programs, ranging from construction to banking. They reach into the high schools, talk about careers, show students what's available to them, and then those students can get jobs as apprentices in the industries they've chosen while they pursue their education. It's a brilliant model that should be replicated.

WATKINS: But at the same time, our community college faculty salaries are among the lowest in the country, and by a significant amount. And so if you want to excite young people, you have to have an overall solid program. And I think we've just been reluctant to the extent we're going to have to bite the bullet and make some significant investments. We definitely need to fund our university system properly as well. ■

North Carolina bankers are helping our neighbors start and grow their businesses, achieve their dreams, and enrich their communities.

In North Carolina, banks provide jobs for **86,639** employees and serve more than **4.6 million** customers across the state. Over the past year, North Carolina banks have made **732,000** small business loans totaling more than **\$10 billion**.

North Carolina banks are the cornerstones of our communities. To learn more about North Carolina's banking industry, visit www.ncbankers.org.

A photograph of three people in a meeting. A woman and a man are looking at a document on a table, while another man is pointing at it. There are coffee mugs and sticky notes on the table.

STRONG BANKS, STRONG COMMUNITIES