

# ALERTS

## North Carolina Legislative Report - March 14, 2014

March 1-14, 2014

The General Assembly has officially completed its business for the 2013 long session. The 2014 short session will begin on Wednesday, May 14, 2014. The MVA Public Affairs Legislative Report on North Carolina will be distributed bi-weekly to keep you up to date on the latest legislative issues facing the state during the interim.

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### *Committee Reports*

#### **Joint Legislative Education Oversight Committee**

The Joint Legislative Education Oversight Committee held its fifth meeting of the interim on Tuesday, March 4. The meeting kicked off with a presentation from the Department of Public Instruction (DPI) on charter schools. Joel Medley, Director of the Office of Charter Schools at DPI, discussed the history of charter applications and gave an overview of the process. Eric Hall, CEO and President of Communities in Schools, gave an overview of the organization and its work in North Carolina. Julia Adams with the ARC of NC followed with a presentation on vocational and secondary educational opportunities for students with disabilities. Walter McDowell and Brenda Berg with BEST NC, a group of businesses in the state dedicated to improving education, provided background on the organization and its legislative priorities. The meeting wrapped up with a discussion on NC Guaranteed Admission Program (NC GAP) by Kate Henz, UNC-General Administration, Claire Kirby, UNC Charlotte and Dr. Sharon Morrissey with the Community College System. The Committee will hold its next meeting Tuesday, April 8.

#### **Joint Legislative Commission on Energy Policy**

The JLC on Energy Policy met on Tuesday, March 4. Lieutenant Governor Dan Forest gave a report on the activity of the Energy Policy Council. Don van der Vaart, Energy Policy Director at DENR, gave a report on the development of a regional interstate offshore energy policy compact.

Following that presentation, Dee Jones, COO with DOA, and Derek Graham, Transportation Services Section Chief at DPI, followed up on a January presentation regarding the addition of a propane fuel option to the State's school bus bidding form.

Michael Hannah, Senate Tax Counsel, and Heather Fennell, Commission Counsel, gave the final presentation which covered severance taxes in other states.

#### **Joint Legislative Administrative Procedure Oversight Committee**

**NORTH CAROLINA LEGISLATIVE REPORT - MARCH 14, 2014**

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The Joint Legislative Administrative Procedure Oversight Committee met on Tuesday, March 4. The Committee began by continuing its review of State entities that have full or partial exemptions from the rulemaking provisions of the Administrative Procedure Act. At this meeting, the Committee heard presentations from the State Board of Elections, the Department of Transportation, the Department of Health and Human Services, and the Department of Revenue. Each agency sought to explain the reasons for and justify their partial exemptions from the rulemaking process. Committee members had few questions about these partial exemptions. The Committee also heard from a representative of the Landscape Contractor's Registration Board about issues raised with respect to that Board. Two specific issues were raised: 1) Concerns that a licensed general contractor is required for landscaping projects with a cost of more than \$30,000, and 2) Issues related to the Board's authority to register, but not license or otherwise regulate, individuals as landscape contractors.

**Joint Legislative Oversight Committee on Unemployment Insurance**

The Joint Legislative Oversight Committee on Unemployment Insurance met on Wednesday, March 5. Will Collins, Special Assistant for Workforce Development at the Department of Commerce, reported on the Vision Plan developed by the Division of Workforce Solutions, the progress on the Division in realigning local service offices, and the status of a Memorandum of Understanding between the Division of Workforce Solutions and the Division of Employment Security that will require people applying for unemployment benefits to be engaged with the Division of Workforce Solutions. Dale Folwell, Assistant Secretary of Commerce and head of the Division of Employment Services, then presented on five separate issues. First, Secretary Folwell reported that the State continues to make progress on paying down the UI Trust Fund debt to the federal government. The balance of that debt currently stands at \$1.77 billion, down from \$1.84 billion a month ago. The Division expects the balance to be below \$1 billion by the end of June and for the full amount of the debt to be repaid by November 1, 2015. Secretary Folwell next reported on progress made with respect to reducing a backlog in unemployment benefits claims. Backlogs in lower-level and higher-level appeals have been significantly reduced. While there remain significant backlogs with initial adjudication of claims, the Division has seen substantial improvement in the accuracy of those initial adjudications. Next, Secretary Folwell reported on efforts to recapture unemployment benefits inappropriately issued to federal employees during the federal government shutdown last fall. Approximately half of those benefits have been recaptured to date. Recapture efforts have been hampered by a lack of responsiveness from the federal government. Fourth, Secretary Folwell spoke about the use of debit cards to issue unemployment benefits. Most states allow for the issuance of debit cards as it is seen as a necessary alternative when direct deposit of funds is impracticable because a recipient does not have a bank account. The costs of using debit cards are less than the costs of issuing checks in those cases. Finally, Secretary Folwell explained the decision of the Division to change its practices with respect to providing daily access to notices of public hearings.

**Joint Legislative Oversight Committee on Information Technology**

The Joint Legislative Oversight Committee on Information Technology held a meeting on Thursday, March 6. After opening remarks, Chris Estes, State Chief Information Officer (CIO), presented on unmanned aircraft systems (UAS). During the 2013 session, the General Assembly directed the CIO to study the potential use of UAS by government agencies. In his presentation, Estes highlighted potential uses and provided the Committee with funding numbers and legislative considerations. Aaron Wienshienk, Deputy CIO, followed

**NORTH CAROLINA LEGISLATIVE REPORT - MARCH 14, 2014**

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with a presentation on two-factor authentication. Randy Barnes, Chief Financial Officer (CFO), Office of the State CIO, briefed members on the status of the agency desktop remediation and grants management program. Phillip Price, DPI CFO, briefed members on Home Base, a statewide program that allows teachers, students and parents to access assignments, curriculum and other resources online. Phil Emer with the Friday Institute for Educational Innovation, presented on student data uses and privacy. Dee Jones with the Department of Administration discussed E-Procurement and Funding. State Auditor Beth Wood ended the meeting with an overview of the recent IT audit. The Committee will hold its next meeting on April 3 in Charlotte.

**Joint Legislative Economic Development and Global Engagement Oversight Committee**

The Joint Legislative Economic Development and Global Engagement Oversight Committee met on Thursday, March 6. The Committee heard several presentations on the State's competitiveness with other states in terms of innovation and efforts under way at the University system and other entities in the State to foster innovation within North Carolina. Key concerns were ways in which the State can help bridge the gap between research conducted in the State and commercialization of products developed from that research. The Committee then heard updates on the progress of the Economic Development Partnership of North Carolina, the public-private partnership that will take over some responsibilities for business and industry recruitment and State marketing efforts. The entity has now submitted its application for 501(c)(3) status to the IRS. Finally, the Committee heard about the progress of the Rural Economic Development Division in administering grants that were formally administered by the Rural Center.

**Joint Legislative Oversight Committee on Health and Human Services, Subcommittee on Mental Health**

The Joint Legislative Oversight Committee on Health and Human Services, Subcommittee on Mental Health met on Friday, March 7 to review and approve its report to the full Oversight Committee. The Subcommittee made the following findings and related recommendations:

- The Mental Health Subcommittee should continue to examine the State's behavioral health issues and needs.
  - Extend the Subcommittee on Mental Health through January 31, 2015.
- There is insufficient collaboration and coordination among the various divisions within the Department of Health and Human Services (DHHS) that have a significant impact on the State's behavioral health system.
  - DHHS should improve communication and coordination among these divisions.
- Community-based crisis service programs are cost-effective alternatives to emergency departments and long-term hospitalization.
  - The State should increase outpatient crisis stabilization and treatment options.
  - The General Assembly should appropriate funds to increase facility-based crisis services.
  - The General Assembly should appropriate funds to pilot a behavioral health observation unit in Eastern North Carolina.
  - DHHS should develop a plan for a comprehensive array of outpatient treatment and crisis prevention and intervention services that are available statewide.

**NORTH CAROLINA LEGISLATIVE REPORT - MARCH 14, 2014**

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- There is an insufficient inventory of licensed adult psychiatric inpatient beds.
  - DHHS should assess needs and recommend options to increase psychiatric and substance abuse inpatient services.
  - The State should develop and implement incentives to increase the inventory of licensed inpatient psychiatric services.
  - The Program Evaluation Division should study whether the certificate of need process is a barrier to the provision of more inpatient services.
- There is an insufficient inventory of licensed child/adolescent psychiatric inpatient beds.
  - The State should expand and target three-way contract funding to increase the number of licensed child/adolescent psychiatric inpatient beds.
  - DHHS should develop other strategies to increase the number of licensed child/adolescent psychiatric inpatient beds.
  - DHHS should track and separately report on the inventory of licensed child and adolescent psychiatric inpatient beds.
  - The Program Evaluation Division should study whether the certificate of need process is a barrier to the provision of more inpatient services.
- Judicial actions affect the availability of beds in the State-operated psychiatric hospitals.
  - The General Assembly should establish a study committee to examine the impact of judicial actions on State psychiatric hospitals.
  - The Program Evaluation Division should study the impact of involuntary commitments and incapacity-to-proceed orders on the State psychiatric hospitals.
- There is an insufficient behavioral health workforce to meet current and future service demands.
  - The State should expand the telepsychiatry program.
  - The General Assembly should appropriate funds to establish two addiction psychiatry fellowships at East Carolina University.
  - The State should fully implement the 2008 Mental Health Commission Workforce Development Plan.
- There is inadequate outcome data available for the State-operated Alcohol and Drug Treatment Centers.
  - DHHS should develop meaningful outcome measures on the impact of the services and treatment offered at these centers.

**Joint Legislative Oversight Committee on Health and Human Services, Subcommittee on Public Guardianship**

The Joint Legislative Oversight Committee on HHS Public Guardianship Subcommittee held its third and final meeting of the interim on Monday, March 10. Jan Paul (NCGA Research Division) presented the Subcommittee's final report. The report included the Subcommittee's findings and recommendations as well as draft legislation relating to status reports filed by guardians with the clerk of superior court. The Subcommittee unanimously approved the report.

**NORTH CAROLINA LEGISLATIVE REPORT - MARCH 14, 2014**

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**Environmental Review Commission**

The Environmental Review Commission (ERC) met on Wednesday, March 12. The meeting included reports and proposals from the Stormwater Working Group, the Water and Sewer Working Group, the Review of Engineering Working Group, and the Environmental Ordinance Working Group. Following presentations from the working groups, legislative staff provided an overview of the history of the Yadkin River Hydroelectric Project. The ERC will hold its last meeting of the interim in April.

**Joint Legislative Oversight Committee on Health and Human Services**

The Joint Legislative Oversight Committee on Health and Human Services met on Wednesday, March 12. Secretary Aldona Vos gave opening remarks for the Department. During her remarks, Vos told the Committee that the State will have a tough time meeting an important food stamp deadline of March 31. The number of backlogged cases has rebounded to 1,975 around the state. Vos told the Committee that she will resume sending out daily updates on progress on the backlog and that she will update lawmakers on progress next week.

Then members of the Research Division staff and Legislative Drafting Division staff presented subcommittee reports.

Amy Jo Johnson, Research Division, and Lisa Wilks, Legislative Drafting Division, gave a presentation on the Certified Nurse Midwives Subcommittee final report. Staff reviewed the seven findings in the report. There was a good amount of member discussion during this presentation and some members insisted they needed to take a closer look at increasing patient protections in any final legislation.

Jan Paul, Research Division, gave the presentation on the Impact of Mental Health Reforms on Public Guardianship Subcommittee final report.

Denise Thomas, Fiscal Research Division, gave the presentation on the Mental Health Subcommittee final report. Denise reviewed the Subcommittee charge and the final report recommendations. She discussed the common theme of pyramid of care (community based care at bottom with hospital care at top). After the presentation, Senator Tucker and Representative Avila both stated the need to reuse Cherry Hospital in eastern North Carolina.

The Committee then heard a variety of updates regarding public health matters. Danny Staley, Deputy Director and COO for the Vision of Public Health within DHHS gave a presentation on the revised statewide oral health strategic plan.

Dr. Kevin Ryan, Chief of the Women's and Children's Health Section within DHHS gave an update on the implementation of reductions to children's developmental series agencies.

During the information technology updates portion of the meeting, Joe Cooper, CIO for DHHS, gave an update on NC Tracks and reviewed the detailed plan for MH/DD/SAS health care information system project.

**NORTH CAROLINA LEGISLATIVE REPORT - MARCH 14, 2014**

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Dave Richard, Director of the Division of Mental Health within DHHS gave an update on LME/MCO consolidation. Richard said that they are continuing to move forward with the Mecklenburg/Cardinal transition.

Richard also stated that mergers are a part of Medicaid reform. He believes four regions will improve quality care and create higher quality LME/MCOs. It also will assist with services flexibility and administrative consistency which will prove healthier outcomes for consumers. Richard discussed that DHHS oversight over MCOs is a crucial DHHS function. He also emphasized the importance of working with LME, MCOs, providers and patients to make sure they are moving in the right direction.

Representative Justin Burr (R-Montgomery) asked if they need legislation to assist with this transition. Richard stated that he would like to sit down and discuss the issue with House and Senate leadership.

Dr. Robin Cummings, Deputy Secretary of Health Services and Medicaid Transformation/Acting State Health Director for DHHS, gave several Medicaid related updates. Cummings discussed the February N.C. Medicaid Reform Advisory Group meeting and stated that DHHS will be ready to present its proposal on March 17.

DHHS staff then reviewed contracts supporting NC Medicaid operations. Navigant Healthcare is working with DMA to retool the program integrity and audit programs. Navigant also is working with staffing structure, evaluating technology and assisting with organization structure as well.

Alvarez and Marsal are tasked with assisting with budget forecasting, cash management and data issues that have been major hurdles.

Acting State Medicaid Director Sandy Terrell gave an update on Medicaid eligibility extension related to MAGI. Terrell said DHHS is working with CMS regarding workload issues faced by counties processing Medicaid applications. Many of the same county workers are struggling to get through the food stamp backlogs in NC FAST, so it's a major issue across North Carolina. Terrell told the Committee the State is asking the federal government to allow it to recertify cases under current state rules in its old Medicaid system. Terrell stated that this waiver would not cost the State any additional money and it would only help alleviate administrative burdens to help meet the deadline.

DHHS gave an update on development of new regional base rates for hospitals and an update on the implementation of behavioral health clinical integration activities with CCNC.

The next JLOC on HHS will meet on March 26 and focus on Medicaid.

**Revenue Laws Study Committee**

The Revenue Laws Study Committee met on Wednesday, March 12. The Committee began by hearing educational presentations on the tax compliance requirements relating to operators of specialty markets and on the basics of the JDIG and One NC programs – two of the largest economic development incentive grant programs in the State. The Committee then heard an update from a subcommittee appointed to look at the issue of compensation of license plate agents (LPAs). The Subcommittee recommended an increase in the compensation paid by local governments to LPAs for the services they perform with respect to the collection of property taxes on motor vehicles. Legislative staff then presented three pieces of draft legislation. The first

**NORTH CAROLINA LEGISLATIVE REPORT - MARCH 14, 2014**

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proposal would amend the State's excise tax laws, largely making technical or administrative changes. The second proposal would limit the ability of a city to impose a local business privilege tax. The third proposal was requested by the Department of Revenue and would a) require the filing of all State tax returns and the payment of all State taxes as a condition for holding most alcoholic beverage control permits and b) increase the amount that the Department could spend annually on locator services from \$150,000 to \$500,000.

***In the News***

Winston-Salem Journal: Duke Energy says it will move coal ash ponds at Dan River

News & Observer: UNC system amends budget request after Art Pope's concerns

Citizen-Times: Democrats set date to pick Nesbitt replacement

New & Observer: GOP firm American Insights adds to NC polling scene

Observer: Charlotte needs better-trained workers to compete globally, leaders say at summit

News & Observer: Raleigh and NC will try hashing out another Dix lease agreement

WRAL: Dem primary warms up in 2nd Congressional District

AP: 2 governors, lawmakers say goodbye to Sen. Nesbitt

News & Observer: State Democrats promote Casey Mann to executive director post

WRAL: Doors could close at historic NC Dem HQ

Observer: Race on for Thom Tillis' seat

News & Observer: Seniors' advocacy group endorses Rouzer

WRAL: Affordable Care Act could challenge NC budget

***Calendar***

**Mon, March 17, 2014**

1:00 PM

**House Committee on Unmanned Aircraft Systems (LRC)(2013)**

1228/1327 LB

**NORTH CAROLINA LEGISLATIVE REPORT - MARCH 14, 2014**

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2:00 PM

**North Carolina Educator Effectiveness and Compensation Task Force**

544 LOB

**Tue, March 18, 2014**

9:00 AM

**Committee on Market Based Solutions and Elimination of Anti-Competitive Practices in Health Care (LRC) (2013)**

643 LOB

10:00 AM

**Committee on Civilian Credit for Military Training and State Adjutant General Selection Criteria (LRC)(2013)**

544 LOB

11:00 AM

**Press Conference -Rep. Hall**

Press Room LB

1:00 PM

**Joint Study Committee on the Affordable Care Act and Implementation Issues (2013)**

643 LOB

2:00 PM

**Committee on Omnibus Foster Care and Dependency (LRC)(2013)**

414 LOB

**Wed, March 19, 2014**

9:00 AM

**NORTH CAROLINA LEGISLATIVE REPORT - MARCH 14, 2014**

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**Committee on Jordan Lake (LRC)(2013)**

544 LOB

10:00 AM

**Joint Legislative Program Evaluation Oversight Committee**

643 LOB

12:00 PM

**House Study Committee on Education Innovation (2013) -- CORRECTED**

Plymouth, NC (see below)

1:00 PM

**Purchase and Contract Study Committee (2013)**

544 LOB

**Thu, March 20, 2014**

9:30 AM

**Committee on the Assessment of Regulated and Non-Regulated Industry Utility Fees (LRC)(2013)**

544 LOB

10:00 AM

**Committee on Common Core State Standards (LRC)(2013)**

643 LOB

1:00 PM

**Committee on Cultural and Natural Resources (LRC)(2013)**

643 LOB

**Mon, March 24, 2014**

**NORTH CAROLINA LEGISLATIVE REPORT - MARCH 14, 2014**

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1:00 PM

House Committee on Food Desert Zones (LRC)(2013)

544 LOB

**Wed, March 26, 2014**

10:00 AM

Child Fatality Taskforce - Perinatal Health Committee

1027/1128 LB

10:00 AM

Joint Legislative Oversight Committee on Health and Human Services

643 LOB

**Thu, March 27, 2014**

9:00 AM

Joint Legislative Commission on Governmental Operations

643 LOB

**Fri, March 28, 2014**

9:00 AM

Agriculture and Forestry Awareness Study Commission

DuPont State Recreational Forest

**Mon, March 31, 2014**

10:00 AM

House Committee on Treasurer Investment Targets and State Employee Retirement Options (LRC)(2013)

**NORTH CAROLINA LEGISLATIVE REPORT - MARCH 14, 2014**

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1027/1128 LB

**Tue, April 01, 2014**

10:00 AM

**Joint Legislative Administrative Procedure Oversight Committee**

544 LOB

**Thu, April 03, 2014**

9:00 AM

**Joint Legislative Oversight Committee on Information Technology**

UNC Charlotte, PORTAL Building, Charlotte, NC

10:00 AM

**Joint Legislative Economic Development and Global Engagement Oversight Committee**

643 LOB

**Fri, April 04, 2014**

9:00 AM

**Joint Legislative Transportation Oversight Committee**

1027/1128 LB

**Mon, April 07, 2014**

10:00 AM

**Child Fatality Task Force**

1027/1128 LB

**Tue, April 08, 2014**

**NORTH CAROLINA LEGISLATIVE REPORT - MARCH 14, 2014**

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10:00 AM

**Joint Legislative Education Oversight Committee**

643 LOB

**Wed, May 14, 2014**

12:00 PM

**Session Convenes (House)**

House

12:00 PM

**Session Convenes (Senate)**

Senate

**Thu, May 22, 2014**

8:00 AM

**Skin Cancer Screening**

1124/1224 LB