

# ALERTS

## North Carolina Legislative Report - May 18, 2012

May 14 - May 18, 2012

### *On the Floor*

The General Assembly began the "short" legislative session this past Wednesday and finished up legislative business Thursday afternoon. The General Assembly will go back into session on Monday at 7 PM.

Here are the bills that moved in the House and Senate this week:

#### **S797 - Ensure Timely Payment of 2012 Medicaid Costs** (Passed 3rd reading and has been sent to the House)

This bill directs the Department of Health and Human Services to spend an additional \$205,500,000 in funding to fill a gap in NC's Medicaid program. The shortfall was caused by directed cuts from the General Assembly last year that have not yet been authorized by the federal government.

#### **S582 - Authorize Indian Gaming/Revenue** (Passed by a vote of 33-14 and has been sent to the House)

Earlier this year, the Governor authored a new Tribal and Gaming compact with the Eastern Band of Cherokee Indians that would allow class III gaming on Indian properties. This bill codifies that agreement and legislates that the revenue owed to the State generated by the new gaming options will be used towards education funding.

#### **H5 - Local De-annexation** (Passed 2nd reading by a vote of 31-14. Awaiting 3rd reading in Senate before going to House)

This bill repeals nine involuntary annexations from across the state and puts a 12-year ban on the stated areas being involuntarily annexed from the enactment date. The nine annexations are from Kinston, Lexington, Rocky Mount, Wilmington, Asheville/Biltmore Lake, Marvin, Southport, Goldsboro, and Fayetteville/Gates Four.

#### **H925 - Annexation Reform 2** (Passed 2nd reading, awaiting 3rd reading in Senate before going to House)

This bill is a response to the ruling by a Wake County judge that parts of the original annexation reform bill are unconstitutional. The fixes in this bill require an area to be annexed to have a referendum of all voters who live in the area and for that referendum to pass by a 50% majority vote. Should the annexation referendum fail, the area shall not be involuntarily annexed for at least three more years and still must pass the referendum.

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**S799 – Repair Guilford Local Act** (Passed 47-0 and has been sent to the House)

This bill seeks to remedy issues found by a federal court in a local act relating to election of the board of commissioners of Guilford County.

***Committee Meeting Highlights***

**Joint Regulatory Reform Committee** – The Joint Regulatory Reform Committee met this week and recommended the adoption of the newly crafted Regulatory Reform Act of 2012 and the Boards and Commissions Efficiency Act of 2012. The Regulatory Reform bill includes various reforms such as reestablishing the Joint Legislative Administrative Procedure Oversight Committee, making changes to the Administrative Procedures Act, directs the Department of Environment and Natural Resources to track and report on permit processing times and amends the rules governing the duration of permits for sanitary landfills. The Boards and Commissions Efficiency Act reduces or eliminates certain boards and commissions.

**House Appropriations Subcommittee Meetings** – A number of House Subcommittees met and reviewed budget options and a timeline for the House budget process during the short session. House Subcommittees will start voting on budget options next week.

To view more information about each House Subcommittee meeting, please click on the relevant committee below.

House Appropriations Subcommittee on Education

**Education Money** – House Republicans voted in a private meeting this week to use some of the \$121.1 million currently set aside in next year's budget for employee merit raises instead to fortify K-12 schools. Rep. George Cleveland, an Onslow County Republican, confirmed the GOP House caucus vote to use part of the merit-pay money to help compensate for the lost federal aid and to give state employees one-time bonuses.

House Appropriations Subcommittee on General Government

**Senate Judiciary 1 Committee** – J1 met to discuss three bills regarding emergency management. H843, H489 and S798 all address various aspects of emergency management in North Carolina. The most comprehensive of the bills is H843 which has a stated purpose to "set forth the authority and responsibility of the Governor, State agencies, and local governments in prevention of, preparation for, response to, and recovery from natural or man-made emergencies or hostile military or paramilitary action."

**Senate Finance Committee, Wednesday** – The Finance Committee took up two annexation bills on the first day of the Short Session. H5 was the first annexation bill discussed and is known as the "Local De-annexation" bill, which provides a legislated relief for nine different areas across North Carolina who are fighting their involuntary annexation into a local town or city. Under the proposed bill, the nine listed areas would be safe from involuntary annexation for 12 years. H925, or Annexation Reform 2, is the fix for the first

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annexation bill which had parts ruled unconstitutional by a Wake County judge. The new plan makes it illegal for a city to annex an area without first holding a referendum with 50% of the proposed area of annexation voting in favor of the annexation. Any resident of the proposed area is eligible to vote and should the referendum fail, the area would be barred from involuntary annexation for three years.

**Joint Legislative Transportation Oversight Committee** - The Transportation Oversight Committee met to discuss eight pieces of legislation. Seven made it out of the Committee with favorable reports, including: Division of Motor Vehicles requests, a bill to increase Public-Private Partnerships with Tolling Authority, a Turnpike Authority data collection privacy bill, a reciprocity agreement authorization bill, updates to Department of Transportation statutes and a strengthening of the Board of Transportation Ethics Policy bill. One proposed piece of legislation discussed was not recommended out of committee: a bill that would exempt all new-purchase vehicles from safety and emissions inspections for three years.

**Legislative Research Commission** - The Legislative Research Commission met this week to consider and vote on proposed legislation studied by the various committees of the LRC. The Commission most notably took up a proposed bill that would legalize the natural gas drilling method also known as fracking. Proposed legislation approved by the committee will be filed in the General Assembly and may be considered during the short session.

**Fracking Moves Forward** - The state's prospects for fracking gained speed Wednesday with the advance of a bill that would legalize the natural gas drilling method within two years. But the bill, sponsored by Republican Sen. Bob Rucho of Mecklenburg County, is not universally accepted even within the GOP-controlled legislature, and will compete with an alternate fracking proposal pushed by sponsor Rep. Mitch Gillespie, a McDowell County Republican, who promises to pack it with public protections that underscore the anxieties surrounding the issue. The passage of fracking legislation this summer would give birth to a natural gas drilling industry in North Carolina, even though lawmakers insist that the first wells are not likely to be drilled for at least several years. The technologies used to extract natural gas - horizontal drilling and hydraulic fracturing - are currently illegal in North Carolina.

### *In the News*

**Lawmakers Return** - Legislators got back to making laws Wednesday with a running start on some of the state's most controversial issues. House budget writers are preparing to present their spending plans to the public after weeks of behind-the-scenes work. Onshore drilling for natural gas will move quickly and will face votes over the first few weeks. A plan to close a Medicaid budget shortfall also will see early action. A Senate committee on Wednesday debated a bill allowing live poker, blackjack and other table games at the Eastern Band of Cherokee Indians' casino.

**Major Issues On The Move** - A short session and a long to-do list pushed state lawmakers to act quickly upon their return to Raleigh on Wednesday, moving forward with a divisive gambling compact with the Cherokee Indians and a measure to scrape together money to pay the state's Medicaid bills. A cacophony of dissent greeted the lawmakers, as more than 100 demonstrators from labor unions and liberal groups thumped empty pots and pans for a solid 15 minutes to protest the Republican leaders, prompting a conservative group to

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distribute earplugs. Likewise, Democrats are worried about why Republicans are pushing the pace and what other issues will hit the fast-track.

**Big Money in Governor's Race** - The North Carolina Governor's race between Democrat Walter Dalton and Republican Pat McCrory is likely to be a money magnet for outside groups who see it as the GOP's best chance to pick up a governorship this year. Both national parties, conservative super PACs, anti-tax groups and labor unions are likely to pour money into North Carolina, the largest state holding a Governor's race in 2012. Some campaign strategists estimate at least \$20 million will be spent between now and November trying to determine who will be the next occupant of the executive mansion. More than \$15 million was spent in the Governor's race in the general election four years ago.

**Governor's Race Competitive** - A new poll shows the North Carolina governor's race is much closer than expected, with Republican Pat McCrory holding a 6-point edge over Democratic rival Walter Dalton. The survey, released Tuesday, is the first of the general election and shows Dalton whittling a double-digit deficit from a poll two months ago. McCrory gets 46 percent support compared to 40 percent for Dalton, according to a survey of 666 voters by Public Policy Polling. About 13 percent of voters remain undecided, according to the poll conducted days after the May 8 primary.

**DNC Housing** - With about three months to go before the Democratic National Convention comes to town, demand for local housing during the event is on the rise, said Andy Pressley, president of MECA Properties. And he expects it to keep growing. "Corporate America is coming to this town. And we need more housing in the center city," said Pressley, whose firm is helping Fortune 500 companies find lodging for employees. Pressley said he's leased more than 100 condos and a "couple dozen" single-family homes in or near uptown.

**Fight Over Nuke Plant Bill** - Consumer, environmental and anti-nuclear advocates said Monday they will fight proposed state legislation allowing Duke Energy to more easily pass costs of a new nuclear plant on to N.C. customers. Duke wants N.C. lawmakers to allow it to recoup nuclear pre-construction and financing costs without filing a lengthy general rate case. The bill would instead let utilities adjust rates annually to recover those costs, something South Carolina, Georgia and Florida already allow.

**Tax Proposal** - Together NC, a coalition of more than 100 nonprofits, businesses, unions and trade associations, proposed \$1 billion in sales and state income tax increases to restore job and program cuts. The proposal goes beyond the 3/4-cent sales tax increase Gov. Bev Perdue proposed last week. Together NC suggested raising the sales tax by one penny and adding an 8.5 percent tax bracket for households earning more than \$1 million a year.

**Record-Setting NC Exports** - Gov. Bev Perdue said Monday that North Carolina exports surged eight percent to a record high of \$27 billion during 2011. North Carolina saw growth in most of its export sectors, with manufacturing continuing to dominate. North Carolina's top 10 export sectors accounted for 79 percent of the 2011 shipments.

**Unemployment Benefits** - The N.C. Chamber wants the state to rein in future unemployment benefits and issue bonds to pay off the \$2.4 billion in debt the state owes the federal government - money that it borrowed

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to pay benefits to jobless workers. Both measures would require action by the legislature. The Chamber is the lead advocate for the state's business interests and wields considerable clout. The current system is a "jobs killer" because of the higher unemployment taxes that the state's employers must pay, said Chamber lobbyist Gary Salamido.

**Annexation Reform** – The state Senate voted overwhelmingly to repeal Fayetteville's recent forced annexation of Gates Four and let voters determine when municipalities can incorporate their neighborhoods. The two annexation bills that the Senate preliminarily approved await final votes next week before they move to the House, where they are likely to pass.

**Medicaid Fix** – The state Senate voted 47-0 to fill a \$205 million shortfall in North Carolina's Medicaid health insurance program for the poor and disabled. Under a measure that will now go to the House, the Department of Health and Human Services will be able to move money from other sources, including money set aside for building repairs and funds left unspent from across state government at the end of the year.

**Senate Approves Cherokee Gambling Bill** – North Carolina lawmakers on Wednesday began weighing whether to allow live-dealer card games at the state's only casino rather than the video machines that are now offered. The legislation, which was introduced and passed in the Senate the same day, would validate changes reached in November to a gambling compact between the Eastern Band of Cherokee Indians and Gov. Beverly Perdue.

**Guilford Lines Head to House** – State Sen. Bob Rucho filed a bill that would "remedy infirmities" found by the federal court in the re-drawing of district lines for Guilford County commissioners elections. The bill followed a ruling in February by a federal judge who halted filing in the Guilford County Board of Commissioners races. U.S. District Court Judge William Osteen Jr. said a redistricting law that would leave nearly 43,000 voters without representation on the county board caused constitutional problems.

### *Upcoming Committee Meetings*

Mon, May 21, 2012

- 10:00 AM Task Force on Fraud Against Older Adults
- 7:00 PM Session Convenes (House)
- 7:00 PM Session Convenes (Senate)

Tue, May 22, 2012

- 8:30 AM Appropriations Subcommittee on Justice & Public Safety (House)
- 9:00 AM Appropriations Subcommittee on Education (House)
- 9:00 AM Appropriations Subcommittee on Natural & Economic Resources (House)
- 9:00 AM Appropriations Subcommittee on Transportation (House)

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- 9:30 AM Rep. Tolson/Press Conference
- 10:00 AM
  - Judiciary II (Senate);
  - Modify Move Over Law. (H345);
  - Habitual Misdemeanor Larceny. (H54);
  - Utilities Commission/Criminal Records Check. (H340)
- 10:00 AM Rep. Avila - Right On Crime Initiative
- 2:00 PM OR 30 MINUTES AFTER SESSION
  - Judiciary (House);
  - Eugenics Compensation Program. (H947)

Wed, May 23, 2012

- 9:00 AM Appropriations Subcommittee on General Government (House)
- 10:00 AM
  - Education/Higher Education -- CORRECTED (Senate);
  - Nutrition Stds./All Foods Sold at School. (H503);
  - Excellent Public Schools Act. (S795)
- 11:00 AM Rep. Alma Adams - People of Color Day

Thu, May 24, 2012

- 9:00 AM Appropriations Subcommittee on General Government (House)
- 10:00 AM
  - Environment (House);
  - Amend Irrigation Contractors' Licensing Laws. (S405)
- 10:00 AM Senate Judiciary II