

ALERTS

North Carolina Legislative Report - July 6, 2012

July 2 - July 6, 2012

On the Floor

The final two days of session for the first GOP controlled General Assembly in over 100 years provided fireworks just before the Fourth of July. In a historic, marathon session on Monday, the House and Senate overrode three gubernatorial vetoes. There was plenty of deal-making happening to help ensure the votes were there for the veto-overrides to happen. Tuesday afternoon after retiring House members had said their final goodbyes, the two chambers adjourned *sine die*.

Major bills with floor action this week:

S847- GSC Technical Corrections/Other Changes (Sent to the Governor)- Although the bill started out with only technical corrections recommended by the General Statutes Commission, the bill was used in the waning days of session to add in provisions needed to gain votes on other bills in the chamber, including a \$60 million tax-credit extension for the film industry.

H462- Contingency Contracts for Audits/Assessments (Sent to the Governor)- A bill with the intent to outlaw contingency contracts on audits and tax assessments; was later amended in S847 as a part of a compromise between the stakeholders of the issue. Section 61.5 of S847 contains the compromise and states that the Treasurer shall not renew any contingency fee-based contracts for these services after October 1, 2012. It also states that, from July 1, 2013, until July 1, 2015, cities and counties shall not renew any contingency fee-based contracts for these services.

S187- Modifications/ 2012 Appropriations Act (Sent to Governor)- An act to make technical, clarifying, and other modifications to the current operations and capital improvements appropriations acts.

Veto Overrides:

S416 Amend Death Penalty Procedures (Passed by both chambers notwithstanding the governor's objection)- Amends the 2009 Racial Justice Act

S820 Clean Energy and Economic Security Act (Passed by both chambers notwithstanding the governor's objection) - Legalizes the process of hydraulic fracturing but requires future legislative action before permits can be issued.

H950 Modify 2011 Appropriations Act (Passed by both chambers notwithstanding the governor's objection)- Adjusts the second year of the two year budget passed last summer.

Other major bills:

H457- Municipal Electric Utilities/Rate Hearings (Sent to the Governor)

H953- Amend Environmental Laws (Sent to the Governor)

H1234- 2012 Appointments Bill (Session Law 2012-141)

Committee Highlights

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

House Finance Committee

The House Finance Committee met late Monday night to make additions to a technical corrections bill (S847) that included provisions that helped gain support from Democrats on veto override votes. A provision added into the bill late Monday extended a \$60 million tax credit for the film industry and an extra 5 days of vacation time for state employees. Those two additions to the bill were aimed at securing votes from Rep. Susi Hamilton (D-New Hanover) and Rep. Darren Jackson (D-Wake) on the budget and fracking override votes.

In the News

Duke Merger Questions

Pressure is building on Duke Energy to explain why it ousted Bill Johnson as CEO this week, as former Progress Energy board members break their silence and express outrage at what they term a calculated deception. At the same time, the N.C. Utilities Commission - which last week approved the merger between Charlotte-based Duke and Raleigh-based Progress with the understanding that Johnson would be Duke's CEO - is internally deliberating whether to investigate whether Duke officials lied about their intentions. Meanwhile, a leading Wall Street credit rating firm put Duke on a watch list for a potential credit downgrade in the wake of Johnson's exit. Johnson's abrupt resignation, announced Tuesday, raises questions about Duke's internal stability, planning and management, Standard & Poor's Financial Services said Wednesday. Scores of former Progress executives were recruited by Johnson, with many moving to Charlotte this week for their new jobs.

Horse Trading

A final budget technical corrections bill included a few sweeteners that may have been critical to obtaining the necessary Democratic votes to override Gov. Beverly Perdue's veto of the budget bill and hydraulic fracturing legislation. A key provision gave state employees an additional five days of annual leave. Prior to voting for the

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budget override, Rep. Darren Jackson, D-Wake, had noted how many state employees lived in his district. He wasn't alone among those Democrats voting for the budget. The district of Rep. Marion McLawhorn, D-Pitt, is also home to East Carolina University faculty and other workers. "We're glad to see the legislature did something in the last hours to boost morale," said Artis Watkins of the State Employees Association of N.C. "People would rather have had their paychecks changed more, but that wasn't going to happen." Another provision shifted \$2 million to the Rural Center and \$1 million to regional economic development commission. Those changes were seen as critical to keep the support of Reps. Jim Crawford, D-Granville; Bill Brisson, D-Bladen; and Dewey Hill, D-Columbus.

Fracking Override

Republicans successfully overrode Gov. Bev Perdue's veto of a fracking bill during a quick vote taken just after 11 p.m. Monday. Republican lawmakers had worked into the night trying to round up enough votes to override the veto. They took a break at around 10:30 p.m. to vote on legal changes that are believed to have convinced some wavering Democrats to switch sides and join the Republicans. After that vote the lawmakers filed back into the House gallery for the historic fracking vote. The legislation is regarded by Republicans as a landmark overhaul that would reshape the state's energy landscape by clearing the way to the creation of a natural gas production industry. Just a handful of lawmakers spoke on the fracking legislation before the House took its late-night vote. Republican Paul Stam of Apex said fracking is safe and reliable. "The sky will not fall," he said. Republicans were still several votes short just 90 minutes before the vote and it remained unclear until the last minute whether they would have enough support to override the veto.

Climate Change

After a wide-ranging debate on the validity of climate-change science Tuesday, state lawmakers agreed to ban any state agencies from making policies on sea level change until 2016. The House approved the bill in a 68-46 partisan vote. With the Senate's approval Monday, it now moves to Gov. Bev Perdue. The measure is a watered-down version of the original legislation to put strict limits on the state's use of climate change data, which drew international attention and made the state a punch line on a late-night comedy show. Republican lawmakers had sought to quash a March 2010 report from scientists with the Coastal Resources Commission that projected a 20-to-55-inch rise by the end of the century, disputing the science because it would hurt coastal development. Under the new language in House bill 819, the commission must re-evaluate its study and consider scientific literature debunking rising water levels and the economic cost to the state if it prohibits development based on sea-level regulations.

Film Incentives

Extension of North Carolina's film incentives package likely won't hurt the state's prospects when it comes to attracting new television and film projects, but it doesn't guarantee that studios such as Marvel will be returning customers, state and local film officials say. New Hanover Rep. Danny McComas, a Republican, has said an extension could help the state score the sequel to Marvel Studios' 2011 film "Captain America: The First Avenger." The studio is filming "Iron Man 3" at Wilmington's EUE/Screen Gems Studios and other locations in the state through October. State Film Office spokesman Guy Gaster said he does not know if the extension will tip the scales in the state's favor for "Captain America." He also did not know when a decision

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on where the movie will film would be made.

Lake Cleanup

The North Carolina Senate has passed a bill that will delay pollution controls to protect Jordan Lake by two years. They also struck down a bill that would have forced cities to provide water and sewer services to all property owners within their urban growth areas. The bill to postpone pollution preventions passed 69-49 early Tuesday morning and now heads to the governor. The Senate voted 15-25 against the water mandate bill late Monday night. The bill pushes back an August 2012 deadline to 2014 for new developers to comply with environmental agreements set in 2009 to protect Jordan Lake. Supporters argue pollution from the developments won't feed much into the lake and the regulations are too stringent. Opponents say the pollution controls are needed immediately to protect drinking water.

Cash Incentives

In a controversial decision, the city of Charlotte will pay a defense manufacturer \$875,000 -- along with \$732,000 in city and county tax rebates -- to bring an aerospace headquarters to Charlotte. In addition to the city and county incentives, the state is kicking in \$2.5 million, as part of a One North Carolina grant. Hartford, Conn.-based United Technologies announced plans in 2011 to buy Charlotte-based Goodrich Corp, a manufacturer of aerospace parts and technology for civilian and military planes. United Technologies has said it will combine Goodrich with another business, Hamilton Sundstrand, for a new aerospace division office. The company considered Northern Virginia, West Palm Beach, Fla., and Charlotte. The city said the company picked Charlotte in part because of money the city offered. United Technologies, in an email to the Observer, also said the "aerospace talent at Goodrich" was a primary reason for the move.

Energy Merger

Duke Energy says it has completed its merger with Progress Energy of Raleigh, forming the nation's largest electric company. But Charlotte-based Duke said Tuesday that Progress CEO Bill Johnson has left the company by what it said was "mutual agreement." The board of directors of the new \$32 billion company chose Duke CEO Jim Rogers as president and chief executive. The Charlotte Observer reported that Johnson had said last month that he was looking for a house in Charlotte and planned to start work at the new corporate headquarters Monday. Duke won federal approval for the merger on June 8. The North Carolina Utilities Commission voted in favor of the deal last week. South Carolina's Public Service Commission approved an agreement Monday.

Democratic Support

Over the years, Andy Griffith -- who died at his home in Manteo Tuesday at the age of 86-- was active in Democratic politics, especially for former Governors. Jim Hunt and Mike Easley and former Senate leader Marc Basnight. In 1977, Griffith hosted an inauguration festival for the newly elected Hunt. In 1984, he stumped for Hunt in Eastern North Carolina and taped political ads for the governor's unsuccessful bid to unseat Republican U.S. Sen. Jesse Helms. A number of Democrats tried to recruit Griffith to challenge Helms in 1990, even going as far as printing "Run Andy Run" bumper stickers. Despite the lobbying effort, Griffith never seriously considered running.

Political Positioning

Democratic U.S. Rep. Larry Kissell, whose rural North Carolina district has become even more Republican, is bucking his party again in two high-profile congressional votes. Last week, Kissell was one of 17 Democrats who voted with Republicans to hold Attorney General Eric Holder in criminal contempt of Congress. And next week, he plans to vote with them again to repeal President Barack Obama's health care law. "I've heard from hundreds and hundreds of people from my district about their opposition to the health care law," Kissell told the The Charlotte Observer.

Sitting Out

Hayden Rogers is joining a flurry of North Carolina congressional candidates breaking with party ranks by skipping the Democratic National Convention in Charlotte and not endorsing Barack Obama. The Asheville Citizen-Times reports that Rogers said his "sole focus is on running for Congress." "I will be concentrating my time and energy on reaching out to as many voters as possible," he said. Rogers, who wants to represent District 11, will face the winner of a July 17 Republican runoff. The other Democratic candidates taking the same approach, U.S. Reps. Mike McIntyre and Larry Kissell, are in some of the most conservative districts in the state since redistricting.