



Bulletin #14-05

Friday, June 13, 2014

## House passes budget; negotiations with Senate to start soon

The House wrapped up its budget work Friday morning, passing a spending plan that has some significant differences from the version approved two weeks ago by the Senate. The budget (**\$744**) goes back to Senate, which is expected to reject the House's plan, setting the stage for conferees to meet over the next two weeks and hammer out the final spending plan.

Highlights for counties:

- The House followed the Senate and Governor's recommendations to appropriate \$100 million in county school construction lottery dollars, and did not restore the statutes dictating that counties are a beneficiary of lottery funds. The House included a new provision that would prohibit these funds from being pledged for debt authorized on or after July 1, 2014.
- The House agreed with the Senate to phase out the \$500,000 net Medicaid Relief Swap benefit to counties over the next four years. This benefit, not the hold harmless itself, would be phased out by \$125,000 each year over four years.
- The House accepts the Senate's plans to provide additional funding and oversight for county child protective services programs, but turns back the Senate's proposal to limit state-funded school nurses to Tier 1 counties.
- The House included a directive once again to the N.C. Department of Health and Human Services to contract for the statewide management of non-emergency Medicaid transportation. This could effectively disrupt an important funding stream to county human services transportation networks and lessen their efficient operation by separating Medicaid transports from all other human service trips. A 2011 budget provision called for a similar outsourcing of NEMT management, predicated on a cost/benefit analysis by NC-DHHS. Following an RFP process, several potential vendors submitted proposals—the lowest bid price of \$1.80 per member/per month for only one state region (the others at \$1.95) proved higher than our current statewide system at \$1.73. A national analysis showed North Carolina had the second-lowest rate of the 19 states responding. In light of the higher costs associated by outsourced management, and given the importance of maintaining the coordinated transportation network, NC-DHHS Secretary Wos last year informed the General Assembly that the department was unable to contract out NEMT management. We urge you to contact your House and Senate members and ask that they remove this provision (Section 12H.31).
- Like the Governor's and Senate's proposals, all state misdemeanants, including DWI offenders, would be housed in county jails through the voluntary Statewide Misdemeanant Confinement Fund program.
- Teacher salaries would increase on average by 5%, with all teachers making at least \$33,000. A special provision would allow school boards to use any state allotment funds to supplement teacher pay. All other state employees would receive a \$1,000 annual salary increase (\$1,236 with increased benefits) along with five additional vacation days.
- Like the Senate, the House did not shift workers' compensation claims payment for state-funded school employees or shift claims payment for local school tort claims, mainly arising from school bus accidents, to local school boards.
- The House largely rejects the Senate's plans for Medicaid reform, and does not cut teachers' assistants in grades 2 and 3. The SBI would be transferred to Public Safety; the State Crime Lab would remain in Justice. The county forestry contribution would remain as is.

- The House budget would authorize virtual charter school pilots – the lower of \$790 per student or the equivalent charter school per pupil via the LEA would go to these pilots. Committee discussion noted that \$790 is the lowest allocation by a single county—N.C.DPI records show seven counties whose general fund appropriations are below \$790, with \$408 per pupil being the lowest in 2012-13. An amendment was made to reflect this change.
- Another amendment as enacted would increase state regulation of puppy mills.

## Back-up PSAP bills moves forward in Senate

A Proposed Committee Substitute (PCS) for [S797](#) (911 Board/Back-up PSAP), sponsored by Sen. Andrew Brock, was approved by the Senate Finance Committee this week. This bill is the Senate companion bill to [H1148](#), which was referred to the House Appropriations Subcommittee on Information Technology but has not yet been given a hearing. The PCS makes several changes to the original bill. It strikes language that required each PSAP to “serve as a back-up PSAP,” and thus, the language as rewritten clarifies that each PSAP need only “have a plan and means for 911 call taking in the event 911 calls cannot be received and processed in the primary PSAP.” In addition, the PCS moves the effective date back to July 1, 2016, which will give each PSAP two years to comply with the back-up provisions before the 911 Board “may reduce, suspend, or terminate” its 911 Fund distributions. The PCS also includes language requested by the Department of Revenue to enhance its authority to collect prepaid 911 service charges and to allow the Department to carryover unspent administrative funds associated with that collection. The bill is scheduled to be heard on the Senate floor on Tuesday, June 17.

## Charter School modifications approved by Senate committee

Legislation that would make several changes to the laws governing charter schools was approved Thursday by the Senate Education/Higher Education Committee. A Proposed Committee Substitute (PCS) for [S793](#) (Charter School Modifications) modified a number of provisions in the original bill, which began as a recommendation from the Joint Legislative Oversight Committee on Education. Specifically, the revised bill eliminates the following:

- A provision requiring the Charter School Advisory Board to make written decisions on its recommendations for approval or denial of a charter school application and allowing an applicant to petition for review of a recommendation for denial.
- A provision requiring the State Board of Education (SBE) assess a \$1,000 fee for each initial and renewal charter application.
- A provision requiring the SBE to adopt rules in accordance with Chapter 150B regarding all aspects of charter school operations.
- A provision requiring the SBE to make final decisions on charter applications by June 15 of each calendar year.

The PCS does the following:

- It provides that a teacher employed by the board of directors of a charter school may serve as a non-voting member of the board.
- It requires the SBE to grant charter renewals for 10 years, unless the school has not provided financially sound audits for the prior three years or the school’s student academic performances for the past three years have not been comparable to those of students in the LEA in which the school is located.
- It clarifies that charter schools with the mission of single gender education may limit admission on the basis of gender.
- It provides that a charter school board and its board of directors are subject to the public records and open meetings laws of this state and clarifies that personnel records of charter school employees are subject to the public records laws in the same way as are those of employees of traditional public schools.
- It requires the SBE to adopt a competitive bid process for an entity to assume a charter school that has shown inadequate progress. The criteria adopted by the SBE must include

requirements that the entity have operated another charter school in North Carolina for five years; that the entity provide three years of financially sound audits for the school they are currently operating; and that the entity show the academic performances of students within the school are comparable to those of students in the local school administrative unit in which the school is located.

## School funding lawsuit moratorium bill flies through House, Senate

A local bill to prohibit the Union County Board of Education from filing a civil suit against the Board of County Commissioners to challenge the sufficiency of current expense and capital funds appropriated by the board sailed through both chambers this week. [H292](#) (Moratorium/Lawsuits for School Funds) was brought forward by Sen. Tommy Tucker in response to case in which a jury awarded the Union County Board of Education a \$91 million verdict against the Board of County Commissioners. The case is currently on appeal to the N.C. Court of Appeals.

The bill establishes a moratorium on such lawsuits for FY 2014-15 and 2015-16 and sets the amount that the Union County Board of Commissioners must appropriate to the school board for current expense and capital outlay for those years. The bill also requires the board of commissioners and the school board to establish a working group to develop a multi-year plan to address existing and ongoing capital needs of Union County.

While on the Senate floor, the bill was amended to include Gaston and Nash counties. The amendment sets the moratorium for Gaston and Nash to expire upon the adoption of a 2016-17 fiscal year budget by their boards of commissioners, but does not establish the amount that must be appropriated to the school boards during the interim. The bill passed both the Senate and the House. Because it is a local bill, it does not have to be signed – and cannot be vetoed – by the governor.

## Bill strengthens ethics enforcement for MPO/RPO members

Readers may recall that during the 2013 legislative session the NCACC (as requested by its members) helped clarify that local officials serving on Metropolitan Planning Organizations and Rural Planning Organizations were not subject to the State Ethics Act. They are, however required to submit Statements of Economic Interest (SEI) and real estate disclosure forms. This session has seen attempts to strengthen the penalties for failure to file such forms.

A revised version of [H1025](#) (DOT/DMV Changes) containing modifications to the law governing ethics requirements for those serving on MPOs and RPOs was approved by the Senate Transportation committee this week. The new language establishes an enforcement mechanism when voting members of MPOs and RPOs do not turn in the SEIs or real estate disclosure forms.

Under current law, those failing to file an SEI within 30 days of notification from the State Ethics Commission (SEC) are subject to a \$250 fine. The new provision adds the same fine for those failing to file the real estate disclosure. (This was intended to be included in previous legislation and was inadvertently left out.) In addition, the change removes most discretion from the SEC and says a fine “shall” be charged except in extenuating circumstances.

MPO and RPO members who fail to submit either form within 60 days of notification from the SEC of failure to file would be guilty of a Class I misdemeanor. The SEC is required to report the violation to the Attorney General for investigation and referral to the district attorney for possible prosecution. Members of other boards and commissions who are required to submit SEIs and fail to file are subject to a \$250 fine and removal from the board or commission on which they serve.

This same provision was added to the Senate budget as an amendment in the Senate Finance committee when that committee was debating the budget bill. It was not included in the House budget. Inclusion in [H1025](#) increases the chances it will receive final approval. The bill is scheduled to be heard by the full Senate Monday evening.

## Bills of Interest

**Bill:** [H348](#)

**Sponsors:** Faircloth (R61); McNeill (R78); Hardister (R59)

**Title:** PUBLIC SAFETY TECHNOLOGY/STATE ROW

**Comments:** This bill authorizes the Department of Transportation to "enter into agreements with municipalities, counties, and other governmental entities for the use of and encroachment upon the right-of-way of any road designated as part of the State highway system, for the installation and use of law enforcement, fire suppression service, emergency medical response service, and related public safety technology."

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**Bill:** [H573](#)

**Sponsors:** Jeter (R92); Samuelson (R104); Moore, R. (D99)

**Title:** STORMWATER MANAGEMENT FEE USES

**Comments:** This bill was passed by the Senate and has been sent to the Governor. It establishes criteria for a county to set up a stormwater program to "control and manage water quantity and flow in order to reduce the chances of loss of life and damage to property due to flooding." It applies to counties with a population of 910,000 or greater.

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**Bill:** [H1108](#)

**Sponsor:** Dixon (R4)

**Title:** DUPLIN BCC ELECTIONS/HARNETT VACANCIES

**Comments:** This is a local bill that impacts only the Harnett County Board of Commissioners and the Harnett County Board of Education. The bill impacts each board's ability to hire a county manager or Superintendent within seven months of the next changeover in the composition of the board due to an election. The bill states that the county or board of education can only make the hire if the vote to hire the person is unanimous. Neither the county nor the school board sought this restriction.

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**Bill:** [S463](#)

**Sponsors:** Woodard (D22); McKissick (D20)

**Title:** JAIL DORMITORY MINIMUM STANDARDS

**Position:** Support

**Category:** Legislative Goal

**Comments:** This bill would accomplish the NCACC legislative goal to reduce "detention center space requirements in existing and new detention center facilities in all counties in North Carolina, consistent with the language in N.C. G.S. 153A-221." The bill passed the Senate on May 15 with a stipulation that the requirements applied only to counties with a minimum population of 250,000. The House amended the bill to make it applicable to all counties and added a new section to make it a felony for an inmate to escape from a county detention facility while being held on a felony charge or as a result of being convicted of a felony. The bill was approved by the House on June 12 and has been sent back to the Senate for concurrence.

- Johanna Reese, Government Relations Director  
- David F. Thompson, Executive Director

