



Bulletin #14-07

Friday, June 27, 2014

## Stalled budget talks lead House to take new approach

With little progress on Senate and House budget negotiations, the House introduced and unanimously approved alternative legislation – **S3** (2014 Budget Modifications/Pay Raises/Other Changes) – to tweak the second year of the state’s biennial budget, with a focus on teacher and state employee salary increases.

Immediately following Wednesday’s press conference featuring Governor McCrory and Speaker Thom Tillis, the House convened its Appropriations Committee to consider its second budget proposal to raise teacher pay on average by 5 percent, guaranteeing a minimum teacher’s salary of \$33,000, providing a \$1,000 pay increase to state employees, and awarding a 1.44% COLA increase to state retirees. All told, roughly \$440 million would be set aside for salary and COLA enhancements.

All teachers and state employees would be granted an additional week of vacation. Also included is the Governor’s Career Pathways Pilot Program to establish differentiated pay for teachers based on performance and responsibilities.

Funding for salary enhancements comes from reduced transfers to state reserves, from an expected increase in state lottery revenues based on current advertising regulations, and from \$361 million in 2014-15 spending reductions that have been agreed to by both chambers thus far in their respective budget proposals under **S744**. For example, the proposal to shift all misdemeanants to county jails through the voluntary Statewide Misdemeanant Confinement Program would continue under **S3**, as the budget reductions reflecting this statutory change are included in both the Senate and House spending proposals.

County lottery funds at \$100 million should continue. New funding is set aside to manage coal ash cleanup oversight and monitoring, as well as to restore additional pay to teachers for graduate and advanced degree work. What’s not included are those other expansion items in agreement in both houses, including the state funding enhancements in county child protective and welfare services.

But also not included is the House’s problematic special provision that would force the outsourcing of non-emergency Medicaid transportation management, effectively removing Medicaid funding for North Carolina’s national model of coordinated human services transportation. The bill also omits the Senate and House proposal to step down the net \$500,000 Medicaid benefit, as enacted in the 2007 Medicaid relief swap.

Speaking of Medicaid, and the principal source of contention between the Senate and the House, **S3** sets aside \$134 million in a Medicaid reserve to manage any potential overruns.

In essence, all budget provisions and budget amounts as adopted in last year’s 2013-15 biennial budget would remain in effect, with only a few changes to the overall spending plan for next year.

While the Senate’s initial reaction was less than positive, it spent its time on Thursday trying to understand the differences in the Senate v. House projected spending needs for Medicaid. Senate Appropriations invited State Budget Director Art Pope to explain gubernatorial methodology for Medicaid forecasts, with a rare debate between General Assembly fiscal staff and state budget staff held in committee.

## Governor signs jail dormitory standards bill

Governor McCrory signed [S463](#) (Jail Dormitory Minimum Standards) into law on Tuesday. The bill accomplishes the NCACC legislative goal to “Request the reduction of detention center space requirements in existing and new detention center facilities in all counties in North Carolina.”

## Regulatory Reform efforts continue to evolve

The legislative effort known as “Regulatory Reform” continues to evolve as it moves through various chambers and committees. The House this week took what was two bills and split them into three – the environmental bill that emerged last week, a health and safety bill, and a final piece of legislation containing all remaining provisions in the regulatory reform category that it had decided to advance.

The piece of legislation containing the most provisions of interest or concern to counties is [S734](#) (Regulatory Reform Act of 2014). Several provisions affect the building code official statutes. Section 3.15 of the bill amends the definition of “willful misconduct, gross negligence, or gross incompetence” to add certain actions by a code official, some of which would be very open to interpretation. These include violations for enforcement of a requirement in an area not specified in the requirement, to refuse to allow an alternative construction method if approved by the code, and for enforcement of a requirement when the code official has knowledge that it is more stringent than one in the code. The legislation also limits the number of inspections of structures in progress that a local government may require, and directs the Building Code council to study the authority granted to inspectors and to study alternate construction methods.

Last year, legislation passed that exempted bona fide farms from the jurisdiction of municipal extraterritorial jurisdiction. This created problems for the farms regarding eligibility for federal flood insurance. [S734](#) resolves this by making bona fide farms subject to county floodplain ordinances, thus ensuring eligibility for the National Flood Insurance Program.

The language from last year’s [H150](#) (Zoning/Design & Aesthetic Controls), which severely limits local governments’ ability to set design and aesthetic standards for one and two-family dwellings, is inserted into the bill. In other provisions, it establishes additional notification requirements for right-of-way designation transfers, repeals the municipal protest petition statutes, and directs the State Ethics Commission and the UNC School of Government to study whether local elected officials should be subject to greater ethics disclosure requirements.

Health and Safety Regulatory Reform ([S493](#)) reduces regulations on limited foodservice establishments and allows the use of natural spring water at a restaurant co-located on the same property as the spring. It also adds recordkeeping and other requirements for animal euthanasia technicians. The House has passed all three bills and sent them to the Senate, but with so many changes, the Senate may decline to agree with the House bills. As an indication of this, [S38](#) (Amend Environmental Laws 2014) is being held in the clerk’s office and has not been calendared for a hearing.

## Elections Omnibus Bill emerges in House

The House Elections committee took [S403](#), an unneeded bill, and turned it into Omnibus Election Clarifications. While mostly technical and clarifying, it does contain several substantive provisions. It passed the House this week and awaits action by a Senate committee.

The bill provides that someone cannot file as a candidate in a party primary unless the person has been affiliated with that party for at least 90 days from the date of filing that person’s notice of candidacy. Current law reads that a potential candidate must file at least 90 days before the filing date of the office.

The legislation also requires that a special election called by a county must be held at the same time as a state or county general election, prohibiting it from being held during a municipal election. It changes the filing of candidate Statements of Economic Interest to have them submitted directly to the State Ethics Commission, instead of to the local boards of elections, which simply transfer them to the SEC.

## Bills of Interest

Bill: [H1099](#)

**Sponsors:** Torbett (R108); Setzer (R89)

**Title:** UNMANNED AIRCRAFT REGULATION

**Comments:** The revised bill was passed by the House on June 25. The bill enhances criminal penalties for interference with manned aircraft by UAS and for unlawful possession and use of UAS. It also clarifies the public gathering exception for law enforcement purposes and further allows law enforcement officials to use UAS to conduct surveillance in an area that is within an officer's plain view. The revised bill contains a new provision limiting the use of infra-red or other thermal imaging technology, except for scientific, wildlife and vegetation investigations, as well as mapping purposes. The bill further authorizes local governments to adopt ordinances regulating the use of the local government property for the launch and recovery of UAS. H1099 was sent to the Senate by special message.

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**Bill:** [S78](#)

**Sponsors:** Hartsell (R36)

**Title:** LAW ENFORCEMENT PRIVACY/PUBLIC WEB SITES

**Comments:** This bill requires each county to create a process by which law enforcement officers and district attorneys may request the removal of personal, identifying information from tax records made available to the public on an internet website. A House Judiciary Committee amended the bill to include various other non-elected public officials and to require removal from all websites maintained by the county, including the Register of Deeds website. The bill was taken up by the House on June 26. Several members expressed concerns about the bill. Rep. Skip Stam argued that the requirement would place a significant unfunded mandate on counties, costing them millions of dollars to implement. Rep. Nathan Ramsey inquired as to whether the requirement would expose counties to liability if something were missed. In response to the issues raised, the bill sponsor, Rep. Chris Malone, moved to withdraw the bill from the calendar and place it on the calendar for June 30. The Association is working with legislators and other interested parties to address our concerns and minimize any negative impacts to counties.

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**Bill:** [S793](#)

**Sponsors:** Tillman (R29); Cook (R1)

**Title:** CHARTER SCHOOL MODIFICATIONS

**Comments:** The amended bill was approved by the House on June 26 and sent back to the Senate. The bill contains many revisions to the state's charter school laws, including a provision that would allow a charter school to ask for additional information from the LEA regarding the transfer of the per pupil share of the local current expense.

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

