



INTRODUCTION

This week kicked off with Governor McCrory delivering his first State of the State speech to a joint session of the legislature Monday night. McCrory, North Carolina's first Republican governor in 20 years, delivered his speech to the first legislature fully controlled by his party in 140 years. Partly as a result of this, the speech at times resembled a political rally more than a sober assessment of where we stand, with lines like "borrowing from Washington with no idea or plan on how to pay for it ends with this administration" garnering raucous responses from the GOP lawmakers, and several of their more conservative Democratic colleagues.

McCrory laid out a vision for his administration guided by the "Three Es" - "economy, education and efficiency in state government," emphasizing more choice for parents of public school students, lower taxes on businesses, and reforming state government with a focus on customer service. He also used the podium to defend two of the biggest, and most controversial, measures before the legislature - a reform of the unemployment insurance system that will lower maximum benefits while allowing the state to pay back federal debt four years early; and a rejection of an expansion of the state's Medicaid program, which would cover roughly 500,000 North Carolinians and be paid for mostly by the federal government, but which opponents say could cost the State roughly \$1 billion over the first 5 years of expansion. Rebuttals to McCrory were offered by House Democratic leader Larry Hall of Durham and Senate Democratic Whip Josh Stein of Raleigh, both of whom urged the Governor to consider the unemployed and uninsured who would be affected by these measures.

After summations and dissections of the Governor's State of the State were complete, a majority of the media attention and much of the water-cooler discussions at the legislature revolved around a trio of minor bills that saw action this week - each of which was notable, and somewhat comical, in its own right. A bill to clarify the State's indecent exposure laws, specifically in response to a series of mass topless protests in the city of Asheville, became known as the "nipple ban" and inspired several colorful exchanges as it moved through the House committee process. Another bill, the "Opossum Right-



NORTH CAROLINA GROUND WATER ASSOCIATION



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to-Work Act,” settled the question of whether Brasstown, NC’s “Possum Drop” New Years Eve celebration can be continued legally. Yet another bill, which would have legalized the use of medicinal marijuana sparked some serious testimony (and not-so-serious gatherings on the Capital grounds) before being defeated by the first committee to hear it.

Despite these bills getting most of the attention, other major pieces of legislation were continuing to move. Governor McCrory signed the legislature’s Unemployment Insurance reforms into law. The measure blocking the state from enacting the Obamacare Medicaid expansion – which had been passed by the Senate and then the House with some minor changes – ended up in a joint Conference Committee when those changes were rejected by the Senate. A bill to reform the state’s tax code, which would eliminate the state’s Earned Income Tax Credit for poorer families, was passed by the House. Another that would eliminate the state’s estate tax was passed by the House Finance committee. A bill to end the state’s moratorium on hydraulic fracturing for natural gas, or “fracking,” passed a key Senate committee. Meanwhile, all of the Joint Appropriations subcommittees continued meeting to orient new members to the process and specific agencies, programs, and departments whose budgets will be decided in the months to come. Hanging over everything is the issue of tax reform, and the question of what form it will take once the behind-the-scenes negotiations conclude.

New bills continue to be filed by the dozen every day, and bill drafting staff are working tirelessly to translate various members’ priorities into legislative language. Not all these bills will be as exciting or newsworthy as the three heard this week, but as we’ve seen, many will have far greater impact. Large or small, of course, we will continue to track them all.

BILLS OF INTEREST

HOUSE BILL 115, State Minimum Wage/Inflation Increases, would require the minimum wage to be increased on January 1, 2014, and then on January 1st of each consecutive year by the increase in the cost of living for the previous year. The increase in the cost of living would be measured by the percentage increase of the consumer price index as calculated by the U.S. Department of Labor. **Introduced by Representative Adams and referred to the House Commerce and Job Development Committee.**

HOUSE BILL 120, Building Inspections/Local Consistency, would prohibit local governments from requiring regular, routine inspections of one- and two-family dwellings that are in addition to the inspections required by the North Carolina Building Code, unless prior approval is obtained from the North Carolina Building Code Council. The Council would be required to review all applications for additional inspections requested by a local government and to approve or disapprove the additional inspections in a timely manner. These provisions would not limit the authority of the local government to require inspections in unforeseen or unique circumstances that require immediate action.

The bill also would clarify that the Building Code Council may *periodically* revise and amend the State Building Code, either on its own motion or upon application from any citizen, State agency, or political subdivision of the State. In addition to these periodic revisions or amendments, the Council would be required to revise the State Building Code: Residential Code for One- and Two-Family Dwellings, including provisions applicable to the NC Energy Code, NC Electrical Code, NC Fuel Gas Code, NC Plumbing Code, and NC Mechanical Code every six years. These revisions would become effective the first day of January of the following year,

with at least six months between the adoption and effective dates. The first six year revision would become effective January 1, 2019. The Council would revise the provisions of the State Building Code applicable to all other buildings and structures at least every three years, with the first three year revision to become effective January 1, 2016. The Council would be directed to publish in the North Carolina Register and post on its website North Carolina specific commentaries providing explanatory material on Code provisions no later than the effective date of the revisions. All Code interpretations made by staff of the Department or the Council would be published in the North Carolina Register at least twice a year and posted on the Council's website within two business days of issuance. **Introduced by Representatives Hager, W. Brawley, Cotham, and Arp and referred to the House Regulatory Reform Subcommittee on Local Government.**

HOUSE BILL 136, Bernard Allen Fund Modifications, would modify provisions of the Bernard Allen Memorial Emergency Drinking Water Fund, including:

- allowing the Fund to pay for (1) more frequent testing if the concentration of one or more contaminants in a private drinking water well is increasing over time and there is a significant risk that the concentration of a contaminant will exceed the drinking water action levels within a three-year period, (2) additional testing to confirm the results of a previous test, and (3) monitoring of filtration systems used in connection with temporary or permanent alternative drinking water supplies;
- increasing the amount that Department may disburse from the Fund from no more than \$10,000 to no more than \$50,000 per household or other service connection, if the Department provides an alternative drinking water supply by extension of a waterline;
- providing that, for projects where more than 10 residences are eligible for alternative water supplies, no more than one-third of the total cost of the project may be paid from the Fund; and
- requiring the Department, in disbursing monies from the Fund for replacement water supplies, to give priority to circumstances in which a well is contaminated as the result of non-naturally occurring groundwater contamination in the area over circumstances in which a well has naturally occurring contamination.

Introduced by Representatives Samuelson, McElraft, and McGrady and referred to the House Environment Committee.

Senate Bill 97, Property Tax/Deannexation, would require a local government to release or refund property taxes in any area that was part of the municipality for six months or less and then deannexed, if no notice of the tax has been sent to the taxpayer. **Introduced by Senator Goolsby and referred to the Senate Finance Committee.**

SENATE BILL 102, Public Infrastructure Oversight Commission, would establish the Joint Legislative Public Infrastructure Oversight Commission to examine public infrastructure issues and make ongoing recommendations to the General Assembly on ways to promote comprehensive and coordinated local, regional, and State planning and investment in public infrastructure. The Commission would (1) inventory the assessments conducted by State agencies, local governments, and other entities; (2) develop a comprehensive statewide policy that includes short-term and long-term solutions for meeting critical infrastructure needs; (3) identify dedicated sources of funding and methods to leverage private capital, including the creation of an infrastructure bank, to finance those needs; and (4) report annually by April 1 to the Chairs of the House and Senate Appropriations and Finance Committees and the Governor, including any legislation needed to implement its recommendations. **Introduced by Senator Hartsell and referred to the Senate Rules Committee.**

SENATE BILL 103, Amend Petition and Method for Critical Assessments, would amend the laws regarding special assessments for critical infrastructure by requiring cities and counties to establish an assessment method that will most accurately assess each lot or parcel of land subject to the assessments according to the benefits conferred upon it by the project for which the assessment is made. Cities and counties could provide that the benefits conferred are measured on the basis of use being made on the lot or parcel of land and provide for adjustments of assessments upon a change in use, if the total amount of all assessments is sufficient to pay the costs of the project after the adjustments have been made.

The bill also would amend the provisions regarding when a city or county may impose a special assessment by clarifying the method for determining whether a petition has been signed by a majority of owners and whether the assessed value represented by those signing the petition constitute at least 66% of the assessed value of all real property to be assessed. An owner who holds title to a parcel of real property alone would be treated as having one vote each and an owner who shares title to a parcel of real property with one or more other owners would have a vote equal to one vote multiplied by a fraction. **Introduced by Senator Hartsell and referred to the Senate Finance Committee.**

SENATE BILL 108, Building Inspections/Local Consistency, is identical to House Bill 120, summarized above in this legislative report. **Introduced by Senators Apodaca, Hunt, and Ford and referred to the Senate Commerce Committee.**

SENATE JOINT RESOLUTION 109, Citizens United Response, would request that Congress propose an amendment to the United States Constitution to overturn the United States Supreme Court ruling in *Citizens United v. Federal Election Commission* concerning corporate campaign spending. **Introduced by Senator Kinnaird and referred to the Senate Rules Committee.**

SENATE BILL 112, Amend Environmental Laws 2013, is identical to House Bill 94, summarized in the February 15, 2013, legislative report. **Introduced by Senator Jackson and referred to the Senate Agriculture/Environment/Natural Resources Committee.**

SENATE BILL 113, DENR Support for Regional Water Supply System, is identical to House Bill 89, summarized in the February 15, 2013, legislative report. **Introduced by Senator Jackson and referred to the Senate Agriculture/Environment/Natural Resources Committee.**

SENATE BILL 127, Customer Service, Economic Development, and Transportation, would establish seven geographically uniform administrative regions across the state to consolidate State agency regional offices where feasible and to establish a one-stop source in each region for citizens and businesses seeking State services. The bill would require each of the following entities to conduct a self-study of (i) how their processes for customer and regulated client services and their existing regional alignments and online services may be most efficiently and economically aligned with the new regions, and (ii) how their programs and activities at the regional level may be best coordinated with other State agencies and entities to create one-stop regional services for citizens and businesses: (1) the Department of Transportation; (2) the Department of Environment and Natural Resources; (3) each of the four regional economic development commissions (the Western North Carolina Regional Economic Development Commission, North Carolina's Northeast Commission, the Southeastern North Carolina Regional Economic Development Commission, and North Carolina's Eastern Region Development Commission); and (4) each of the three remaining regional economic development partnerships

(the Charlotte Regional Partnership, Inc., the Piedmont Triad Regional Partnership, and the Research Triangle Regional Partnership). The bill also would establish the Study Commission on Regionalization Conformity to study and develop recommendations to implement the alignment of the regional divisions of the Department of Transportation, the Department of Environment and Natural Resources, and the seven regional commissions and partnerships, and to review the self-studies submitted by these entities. The Study Commission would submit an interim report to the 2014 Session of the General Assembly, and a final report to the 2015 Session. **Introduced by Senator Brown and has not yet been assigned to a committee.**

BILL UPDATES

HOUSE BILL 4, UI Fund Solvency & Program Changes. This legislation to overhaul the state's employment security system was signed into law by the Governor on February 19, 2013, and makes a variety of amendments and clarifying changes to the state's employment security laws including:

- identifying the four funds to be used to administer the provisions of the Employment Security Law: (1) the Employment Security Administration Fund; (2) the Supplemental Employment Security Administration Fund; (3) the Unemployment Insurance Fund; and (4) the Unemployment Insurance Reserve Fund;
- detailing contributions and payments by employers to the Unemployment Insurance Fund;
- replacing the current stepped tax schedules with an equation based on a reserve ratio to determine an employer's State Unemployment Tax Act (SUTA) contribution rate;
- imposing a surtax on employers required to contribute to the UI Fund that is equal to 20% of the contribution due; however, the tax would be suspended if the Unemployment Trust Fund has at least \$1 billion;
- provisions regarding the administration and collection of contributions, and the administration of employer accounts;
- setting the maximum weekly benefit at \$350 (the previous maximum was over \$500);
- providing for minimum and maximum duration of benefits tied to the current unemployment rate in the State that would be reduced substantially from the previous length of weekly benefits;
- allowing for the attachment and garnishment of fraudulent overpayment; and
- creating the Joint Legislative Oversight Committee on Unemployment Insurance to study and review all unemployment insurance matters, workforce development programs, and reemployment assistance efforts of the State. The Committee could report its findings and recommendations to any regular session of the General Assembly, and include any legislation needed to implement a recommendation.

Effective: July 1, 2013, and makes changes to (1) unemployment benefits or claims for benefits filed on or after July 1, 2013; (2) require an account balance by an employer that is a governmental entity or a nonprofit organization and that elects to finance benefits by making reimbursable payments in lieu of contributions apply to advance payments payable for calendar quarters beginning on or after July 1, 2013; and (3) the determination and application of the contribution rate apply to contributions payable for calendar quarters beginning on or after January 1, 2014.

HOUSE BILL 84, Enact Medical Cannabis Act. This bill that would have legalized the use of medicinal marijuana was heard in the House Rules Committee on Wednesday, February 20th, and was given an “unfavorable” report. This was an unusual vote and means that the bill and the substance of the bill may no longer be considered this session. The House leadership announced that they took this action to defeat the bill to stop the calls, emails, and letters that they were receiving about the issue.

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