



INTRODUCTION

As we expected, the Short Session is already in high gear during the first full week. The House rolled out its budget proposal in the various Appropriation Subcommittees on Thursday and the Senate continued to tackle several controversial issues. The two annexation bills that were approved by the Senate were heard by the House on the first vote, with the final vote to be on Tuesday, and are expected to be approved by wide margins. One of the bills would limit involuntary annexations in the future unless over 50% of the residents of the area being annexed approve of the annexation. This bill applies statewide and, therefore, is subject to a veto by the Governor's Office. The other bill would prohibit annexations that have already been approved by 9 different municipalities from going forward. This bill is considered a local bill, so it is not subject to a veto by the Governor, and will become effective after it is approved by the House.

The other legislation that moved this week was the Eugenics bill that would reimburse those who were involuntarily sterilized in North Carolina in the amount of \$50,000. This idea has been spearheaded by Representative Womble for over 10 years and both the Governor and the Speaker of the House, Thom Tillis, have also recently supported this effort so that it looks like these payments will finally happen.

We are still hearing that both chambers would like to finalize the budget and conclude their business so that they can wrap up the session by July 4th. This not only means a very intense 6 or 7 weeks, but also means that legislators and staff have been saying "no" to ideas that folks want to deal with during the session. We are all hearing a lot of "we can handle that during the long session" next year as the list of items that the Legislature wants to tackle is short.



NORTH CAROLINA GROUND WATER ASSOCIATION



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BILLS OF INTEREST

HOUSE BILL 1024, Unemployment Insurance Changes, is identical to Senate Bill 828, summarized below in this legislative report. **Introduced by Representatives Howard and Starnes and referred to the House Finance Committee.**

HOUSE BILL 1030, Accountability for Taxpayer Investment Act, would require state agencies and certain non-state entities that receive state funding to develop, implement, and maintain information systems that provide uniform, program-level accountability information regarding the programs operated by those agencies. This information would have to be easily accessible to North Carolina citizens. This legislation was recommended by the Legislative Research Committee on Efficiencies in State Government. **Introduced by Representatives Blackwell, Avila, and Hager and referred to the House Finance Committee.**

HOUSE BILL 1036, DOT/DENR Study Expedite Water Quality Regulations, would direct the Department of Transportation and the Department of Environment and Natural Resources to study the feasibility of expediting State water quality-related regulation monitoring and implementation, in order to expedite construction of transportation projects in the State. The DOT and DENR would report the results of the study to the Joint Legislative Transportation Oversight Committee on or before December 1, 2012. **Introduced by Representative Torbett and referred to the House Transportation Committee.**

HOUSE BILL 1042, Establish Efficiency & Cost-Savings Commission, would establish the Joint Legislative Efficiency and Cost Savings in State Government Study Commission to study whether there are obsolete programs, cost-reduction opportunities or existing funds that can be redirected to meet new and changing demands for public services. The Commission would make an interim report to the 2013 General Assembly and a final report to the 2014 Regular Session of the General Assembly. **Introduced by Representatives Blackwell, Avila, Hager, and Crawford and referred to the House Rules Committee.**

HOUSE BILL 1043, ETJ Restriction, would prohibit a city from extending its extraterritorial powers into any area for which the county at that time has adopted and is enforcing a zoning ordinance. **Introduced by Representatives LaRoque and Moffitt and referred to the House Government Committee.**

HOUSE BILL 1052, Mechanics Liens/Payment Bond Reforms, would make various amendments to the state mechanics lien, tax lien, and payment bond laws. Some of the amendments include:

- defining “contractor,” “first tier subcontractor,” “second tier subcontractor,” and “third tier subcontractor”;
- requiring service of a copy of the claim of lien on real property upon the record owner of the real property claimed to be subject to the claim of lien, and upon the contractor through which subrogation is being asserted, if applicable, in order to perfect a claim of lien;
- revising the forms for claims of lien, and partial and final lien waivers;
- providing that in an action to enforce a claim of lien on real property a former owner of the improved property at the time the lien arose, who holds no ownership interest in the property at the time the action is commenced, and against whom the plaintiff seeks no relief, is not a necessary party to the action;

- allowing an owner, contractor, or subcontractor against whose interest the lien upon funds is claimed to make, receive, use, or collect payments thereon and may use such proceeds in the ordinary course of its business until a lien claimant gives notice of a claim of lien upon funds in writing to the obligor;
- providing that a person who makes a false written statement about the amount due subject to a claim for unfair and deceptive trade practice; and
- making it a Class 1 misdemeanor for a person to knowingly sign or direct another person to sign such a written statement.

Introduced by Representative Stevens and referred to the House Judiciary Subcommittee B.

HOUSE BILL 1054, Clean Energy and Economic Security Act, is identical to Senate Bill 820, summarized in the May 22, 2012, legislative report. **Introduced by Representatives Hager, Gillespie, K. Alexander, and R. Moore and referred to the House Environment Committee.**

HOUSE BILL 1064, Shale Gas/Development Regulation Program/Legislative Oversight. This legislation is the alternative to the "fracking" bill filed in the Senate and is considered the "go-slow" bill that follows the recommendations of DENR and requires more study and regulations. The bill would (1) extend the study of oil and gas exploration in the state, including the use of horizontal drilling and hydraulic fracturing for that purpose; (2) direct the Department of Environment and Natural Resources to formulate specific legislative recommendations for regulation of the use of horizontal drilling and hydraulic fracturing; (3) require enhanced consumer and landowner protections in connection with leases executed for the exploration and extraction of oil or gas; (4) establish the Joint Legislative Commission on Energy Policy with legislative oversight of all matters related to oil and gas exploration and development in the state and other energy-related issues; and (5) provide \$300,000 for three full-time permanent positions in DENR dedicated to hydraulic fracturing matters, one in the Division of Land Resources, one in the Division of Water Quality, and one in the Division of Waste Management. **Introduced by Representatives Gillespie and Stone and referred to the House Environment Committee.**

HOUSE BILL 1116, Small Business Jobs Credit, would provide a tax credit for small businesses that create jobs equal to 6.2% of the wages upon which taxes are withheld paid to the person that holds the eligible new job for the 12-month period beginning when the job was first created, regardless of whether that entire period was within the taxable year. The amount of the credit allowed per eligible new job could not exceed \$5,000, and the taxpayer could not claim more than \$200,000 in total credits. To be eligible for the tax credit, the business could have no more than 500 full-time employees in this State at the beginning of the taxable year and have had employed 5 or more full-time employees on December 31, 2011. The new job would have to pay wages, upon which taxes are withheld, of at least \$20,000 over the first 12-month period. **Introduced by Representative Wray and referred to the House Commerce and Job Development Committee.**

SENATE BILL 828, Unemployment Insurance Changes, would amend certain provisions of North Carolina's unemployment insurance laws to ratify the effects of the Governor's Executive Order No. 113, which the bill contends was issued and acted upon by the executive branch in a manner contrary to the rule of law, to allow extended benefits to be paid, including:

- extending the three-year look back period for unemployment insurance from January 1, 2012 to January 1, 2013;
- clarifying and expanding the definition of "discharge for misconduct connected with the work," including adding intentional acts or omissions evidencing disregard of the

employer's interest or standards of behavior that the employer has a right to expect or has explained orally or in writing to the employee or evidencing careless or negligence behavior of such degree as to manifest equal disregard

- decreasing from 30 days to 10 days from the delivery of the notice of the filing of a claim against the employer's account to protest the claim;
- providing that the appeals referee, hearing officer, or other employee assigned to make the decision may either accept or reject the stipulation, and authoring the parties to appeal the decision to the Board of Review if the stipulation is rejected; and
- defining a "newly hired employee" as "(i) an employee who has not previously been employed by the employer and (ii) an employee who was previously employed by the employer but has been separated from such prior employment for at least 60 consecutive days," in order to comply with federal law.

Introduced by Senators Rucho and Hartsell and referred to the Senate Finance Committee.

SENATE BILL 851, Boards & Commissions Efficiency Act of 2012, would seek to improve the efficiency of state government by abolishing certain state boards, commissions, and committees, and reorganizing the membership of others. The bill would eliminate the Drought Management Advisory Council and reduce the Environmental Management Commission from 13 to 7 members. **Introduced by Senators Brown, Rouzer, and Soucek and referred to the Senate Program Evaluation Committee.**

SENATE BILL 864, Mechanics Liens/Payment Bond Reforms, is identical to House Bill 1052, summarized above in this legislative report. **Introduced by Senator Brunstetter and referred to the Senate Judiciary I Committee.**

SENATE BILL 877, Accountability for Taxpayer Investment Act, is identical to House Bill 1030, summarized above in this legislative report. **Introduced by Senators Hise and Soucek and referred to the Senate Program Evaluation Committee.**

SENATE BILL 879, Establish Efficiency & Cost-Savings Commission, is identical to House Bill 1042, summarized above in this legislative report. **Introduced by Senators Hise and Soucek and referred to the Senate Program Evaluation Committee.**

HOUSE BUDGET

The House rolled out most of its budget provisions on Thursday without paying much attention to the proposal that the Governor formulated. The Governor continues to advocate for a 3/4 cent sales tax increase that the Republicans reject on its face. In fact, the Republican leadership has stated that not only will they not raise taxes as part of the budget, but they are also not going to implement new fees (this has been used in the past to raise revenue without being called a tax) The subcommittees - Justice and Public Safety, Health and Human Services, General Government, Transportation and Environment and Natural Resources - all approved their specific drafts on Thursday. Next week the full Appropriations Committee and the Finance Committee will meet to review the entire budget and consider amendments, although the majority party established very strict rules for what amendments are eligible which restricts what the members can try to change. These meetings usually take all day and it is not unheard of to have 60-70 amendments considered. We do not expect that many during this short session, since many of the reductions in the budget are minor and there are several big issues that are in contention - funding for education, closing the Medicaid gap, family planning funding and a

study on hospital billing, just to name a few. We expect the budget to be approved next week and that the Senate will move quickly to enact their own proposal the following week to allow them to adjourn by their goal of July 4th.

The House proposed budget for Health and Human Services includes the restoration of funding for three positions formerly located in DENR regional offices and transferred to DHHS in the Environmental Health Office. These are the State private well positions that the North Carolina Ground Water Association has supported and we requested the restoration of these positions. We will continue to work on this issue so that this provision remains in the final budget.

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