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Subject: REP. RODNEY W. MOORE'S CAPITAL REPORT - July 22, 2013

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REP. RODNEY W. MOORE'S CAPITAL REPORT

The legislator is moving at a rapid pace as we approach the end of session. We expect to handle a lot of very important legislation this week, including the final passage of a state budget. The budget was released on Friday and will be voted on this week. It is also anticipated that the legislature will adjourn by Wednesday or Thursday. That means some very important issues, like voter ID and early voting, are also expected to be voted on next week. My office will keep you updated, but please don't hesitate to call or email and let us know if there is an issue you would like to talk about.

Highlights from the Budget include:

- No pay raises or step increases for State employees, including highway patrol and teachers
- Teacher tenure abolished
- Takes lottery funds dedicated to education and Golden LEAF funds dedicated to economic development in the rural areas of the state and to health services and puts them into the General Fund, permanently
- Cuts over 4,000 classroom teachers
- Cuts over 3,800 Teacher Assistants in FY 13-14 and 3,500 in FY 14-15
- Reduces ADM funding due to Vouchers
- Cuts Instructional Support Personnel
- Reduces allotment for Limited English Proficiency
- Continues phase out of Teaching Fellows Program and the NC Center for Advancement of Teaching
- Increases Tuition in the Community Colleges
- Cuts UNC Need-Based grants
- Cuts almost \$100M in rural economic development and puts back less than \$15M

- Continues cuts to the rural areas of the State by eliminating the Secondary Roads program in the Highway Trust Fund and transferring funds to the Strategic Prioritization Program for congested, urban areas
- Closes correctional facilities in Bladen, Duplin, Robeson, Wayne, and Western Youth (685 positions)
- Closes Lenoir Youth Development Center and Richmond and Buncombe Detention Centers (more than 89 positions)
- Cuts 50 positions at Johnston Correctional Institution
- Reduces funding for Prisoner Legal Services; appropriates funds for private attorneys to represent
- Eliminates the State grant to Butner Public Safety (\$1.75M both years)
- Cuts Wildlife Resources Commission
- HAVA matching funds – to draw down \$4M of HAVA federal funds
- Reduces funding for three state-funded alcohol- and substance abuse-treatment centers
- Reduces funding for early intervention—children’s development services
- Reduces funds for mental health prescription drugs
- Cuts Services for inpatient hospital, dental, optical, podiatry, hearing aids, personal care services, nursing homes, adult care homes and drugs by setting up a “shared savings plan”
- Reduces the maximum number of doctor visits for Medicaid recipients from 22 per year to 10 per year
- Limits in-home rehabilitation visits to three per year
- Increases copayment for non-institutional health care services

[HB 998](#): Republican Tax Plan

On Wednesday the House gave final approval to the final version of the Republican tax plan. Under this tax scheme, out-of-state corporations and millionaires receive huge tax breaks while middle class and working families pay more. The bill removes the ability of taxpayers to deduct retirement savings from their taxes. The bill increases the sales tax on electricity, contract services and even trips to the movies. All of these new taxes make it harder at a time when many families are still struggling to make ends meet. In addition, their tax plan removes a targeted tax cut for small businesses, meaning many small businesses will see their taxes go up. The tax plan that passed clearly reflects the misplaced priorities of the Republican majority.

Key components of H 998, Tax Simplification and Reduction Act, include the following:

- Individual income tax:
 - The elimination of tax brackets with progressively higher rates in favor of a single, flat rate.
 - The reduction of the tax rate to 5.8% in 2014 and 5.75% thereafter.
 - The elimination of personal exemptions.
 - An increase in the standard deduction to \$15,000 for a married couple filing a joint return, \$12,000 for a head of household, and \$7,500 for a single individual or a married individual filing separately

- Separately.
- A limitation on itemized deductions. A taxpayer would be allowed itemized deductions for 100% of the federal deduction for charitable contributions and for up to \$20,000 (combined) for mortgage interest expense and real property taxes.
- An elimination of the deduction for retirement income – other than Social Security benefits, benefits under the Railroad Retirement Act of 1937, or benefits that are tax-exempt under the *Bailey* line of cases (retirement benefits for certain government retirees).
- An elimination of the deduction for severance wages, the deduction for compensation received as a result of erroneous conviction, and the deduction for net business income.
- An increase in the child tax credit for lower-income taxpayers.
- The elimination of numerous tax credits.
- Corporate income tax:
 - A reduction of the tax rate to 6% in 2014 and 5% beginning in 2015. Further permanent reductions are possible in 2016 and 2017 if certain General Fund revenue targets are met.
 - An extension of the sunset for the research and development tax credit.
 - The elimination of numerous tax credits.
 - The elimination of the earmarking of a portion of corporate income tax receipts for public school construction purposes.
- Sales and use tax:
 - An increase in the rate of tax on sales of modular homes and manufactured homes to the State general rate (currently 4.75%). No local rate would apply.
 - An increase in the rate of tax on sales of electricity to the combined general rate (currently 7%) and the repeal of a special franchise tax on electric power companies.
 - The imposition of the sales tax on sales of piped natural gas at the combined general rate (currently 7%) and the repeal of the piped natural gas excise tax.
 - The imposition of State and local sales taxes (currently ranging from a total of 6.75% to 7.5% depending on the county) on admission charges for live performances, movies, and other attractions such as museums, gardens, exhibits, or show. The privilege taxes on admissions for live performances and movies are repealed.
 - The imposition of State and local sales taxes (currently ranging from a total of 6.75% to 7.5% depending on the county) on service contracts
 - The elimination of sales tax exemptions for nutritional supplements sold by chiropractors, meals sold in higher educational facilities, newspapers sold by street vendors or door-to-door delivery, and certain bakery items.
 - The elimination of the “Back to School” and “Energy Star” sales tax holidays.
 - The limitation of the exemptions for certain items sold to farmers so that the exemptions apply only when the farmer had gross income of at least \$10,000 from farming operations in the previous year.
 - A limitation of \$45 million on the amount of an annual sales and use tax refund to individual nonprofit entities.
 - The extension of economic development sales tax refund provisions for large passenger air carriers and motorsports teams and sanctioning bodies.
- Estate tax:
 - The repeal of the State estate tax.
- Motor fuels tax:
 - A cap on the motor fuels tax at the rate of 37.5 cents per gallon until July 1, 2015.
- Corporate franchise tax:
 - Despite numerous proposals to revamp the corporate franchise tax, no changes were made to this tax.

This bill came back over to the House this week from the Senate. When it was first voted on in the House I opposed it because it allowed concealed carry permits in bars and on college campuses. The Senate kept those provisions and added a new section that would eliminate background checks on handgun purchases in North Carolina. Under current law, individuals buying handguns are required to get a permit from their local county sheriff. This permit ensures local law enforcement has conducted a background check and that the potential gun owner is qualified to own the gun.

The House voted not to concur with this Senate's version, meaning that the handgun permit is likely going to be a point of contention between the House and the Senate. The North Carolina's Sheriffs Association has come out against the Senate version of the bill. Reasonable background checks help keep guns out of the hands of criminals and the mentally ill. I support keeping the current permitting procedure for these purchases.

[SB 81](#) – Charlotte Douglas International Airport

Continuing a theme that has been prevalent this session, House Republicans voted against local control and for the state to seize local assets. This time the target was the Charlotte airport. Under this bill the airport would no longer be controlled by the city of Charlotte. Control and management would move to a regional authority. The airport has been controlled by the city of Charlotte for more than 70 years.

In other news in relation to the Charlotte Douglas International Airport, the city of Charlotte fired Aviation Director Jerry Orr on Thursday, according to former city council member Stan Campbell and former Mayor Richard Vinroot.

But city officials said Orr had resigned his job by proclaiming himself director of the new Charlotte Airport Authority before it was in effect.

The move came the same day the N.C. legislature passed a bill to shift Charlotte's airport to an independent authority, a move later blocked when a judge signed a temporary restraining preventing the law from going into effect.

Orr still believes he is director of the airport authority, but acknowledged that the legal status of the authority is in question.

The bill sets out seven qualifying forms of photo ID. But they do not include university-issued IDs, like the House allowed for University of North Carolina system and community college students when it passed a bill three months ago.

The Senate also removed from its list those cards issued by local governments, for police, firefighters and other first responders, and for people receiving government assistance. Someone who doesn't present an approved ID could cast a provisional ballot, but would have to return to an elections office with an ID for the vote to count.

Potential voters would still be able to get special state identification cards through the Division of Motor Vehicles. The cards would be still free for people at least 70 years old, the blind, homeless and people already registered to vote but don't have an acceptable ID. People could use an expired ID card if it was valid when the person was at least 70, too.

The Senate bill does direct the State Board of Elections to educate the public on the photo ID requirement but deletes a House provision creating an advisory board to help with the effort. The bill would direct poll workers starting with the May 2014 primary to ask voters if they have a qualifying ID, but they could still vote without one until January 2016.

State Immigration Reform Fizzles

After more than a year of work, House leaders have given up on a bill that would have made big changes to state immigration laws, including allowing driving permits for people in the country illegally.

[House Bill 786](#) was turned into a study bill by a floor amendment during debate Tuesday.

The bill would have allowed police to verify anyone's immigration status "where there is reasonable suspicion that the person is not lawfully present in the U.S.," said sponsor Rep. Jonathan Jordan, R-Ashe.

It also would have increased penalties for the manufacture or possession of fake IDs and for identity theft, and it called for the forfeiture of any vehicle being driven by anyone without a license or restricted permit, driving without insurance or driving on a revoked license.

Editorial: McCrory Breaks Promise on Abortion

On Friday, N.C. Gov. Pat McCrory reneged on his promise not to allow further restrictions on abortions in the state. Yes, he did some fancy footwork, dancing around his broken promise, telling reporters that a "recent House version (of proposed legislation) allows the medical professionals at the Department of Health and Human Services to write the rules which will ensure women's safety." And he added that he would still veto a Senate version that opponents said would close virtually all abortion clinics in the state.

But McCrory isn't fooling anyone but himself with this parsing. The House bill varies little from the Senate version other than making a couple of concessions.

The House bill still makes it harder and more costly for abortions to be performed, and makes access more difficult. It requires doctors to remain present for an entire surgical abortion. The physician also must be present when a woman takes the first dose for a chemically induced abortion.

COMMITTEE MEETINGS

Regulatory Reform

The Senate unveiled a new version of [H 74](#) last week, combining components of previous reform bills to create the Regulatory Reform Act of 2013. After multiple stops in Senate Rules and lengthy debate on the floor, H 74 was given approval by a vote of 26-7. H 74 now heads to the House for a concurrence vote. It is expected that the House will not concur with the Senate changes, resulting in a conference committee being appointed to iron out the differences between the two chambers.

Senate Finance Committee

On Tuesday, July 16, the Committee met and approved eight bills. [H 191](#), Grifton Deannexation, and [H 493](#), Robbinsville/Graham Occupancy Tax, were local bills that passed easily. H 191 has now passed both chambers and awaits ratification. H 493 has now passed the full Senate and will be sent back to the House for concurrence. [H 14](#), Rev Laws Technical, Clarifying, & Admin. Chg, does as the title suggests. That bill has now passed the full Senate and has been sent back to the House for concurrence. [H 194](#), Allow PAVE Certification/Veterinary License, would add the Program for the Assessment of Veterinary Education Equivalence (PAVE) as a program that a graduate from a nonaccredited college of veterinary medicine must successfully complete in order to practice veterinary medicine in North Carolina. The bill has now been ratified and awaits action by the Governor. [H 399](#), Amend Laws Pertaining to DHHS.-AB, would make changes to statutes pertaining to child abuse, neglect and dependency, Medicaid, and public health, as requested by the Department of Health and Human Services. The bill has now passed the full Senate and has been sent back to the House for concurrence. [H 476](#), Rewrite Underground Damage Prevention Act, would repeal the State's existing Underground Damage Prevention Act and enact a new Underground Utility Safety and Damage Prevention Act. The bill has now passed the full Senate and has been sent back to the House for concurrence. [H 857](#), Public Contracts/Construction Methods/DB/P3, would authorize public contracts to utilize the design-build method or public-private partnership construction contracts. The bill has been placed on the Senate calendar for Tuesday, July 23. [H 936](#), Wildlife Poacher Reward Fund, would establish a Wildlife Poacher Reward Fund to pay rewards to individuals who report information to law enforcement authorities resulting in the arrest and conviction of persons who commit serious wildlife violations. The bill has now passed the full Senate and has been sent back to the House for concurrence. The Committee also heard [S 522](#), New Markets Jobs Act, but took no action on that bill. S 522 would allow a tax credit equal to 58% of the amount invested through federally-recognized development entities in small businesses with less than 500 employees in high-poverty counties. The statewide total investment that could qualify for the tax credit is \$333 million. No further action is currently scheduled on S 522.

On Wednesday, July 17, the Committee met and approved three bills. [H 269](#), Children w/Disabilities Scholarship Grants, would create the special education scholarship grants for children with disabilities in lieu of a tax credit currently offered. The bill has now passed the full Senate and will be sent back to the House for concurrence. [S 538](#), Result from DOR Inaction on Review Requests, would grant a taxpayer's request for a refund or remove a proposed assessment by operation of law, with some exceptions, if the Department of Revenue fails to issue a final determination within the 9-month time limit. The bill has now passed the full Senate and will be sent to the House. [H 565](#), Amend Real Estate Appraisers' Laws/Fees, would amend the real estate appraisers licensing laws by increasing the educational requirements for certification as a residential real estate appraiser and requiring registered appraisal management companies to maintain a \$25,000 surety bond. The bill has now passed the full Senate and will be sent back to the House for concurrence.

On Thursday, July 18, the Committee met and approved one bill. [S 581](#), Establish Historical Boilers Licensing Act, would require individuals that operate historical boilers in public to be licensed, create new

certification standards for the operation historical boilers that differ from the standards currently required for all boilers, and remove the certification of historical boilers from the North Carolina Board of Boiler and Pressure Vessels Rules that is part of the Department of Labor and create the new Historical Boilers Licensing Board in the Department of Agriculture. The bill has now passed the full Senate and will be sent to the House.

House Finance Committee

On Tuesday, July 16, the Committee approved three bills, heard one bill without taking a vote, and disapproved one bill. [S 454](#), Registration of Petroleum Device Technicians-AB, would clarify the authority of the Gasoline and Oil Inspection Board to regulate petroleum device technicians. The bill has now been ratified and awaits action by the Governor. [S 305](#), DMV Commission Contract Changes, would increase the amounts paid by local governments to motor vehicle registration contractors (tag agents) for services provided by those entities and would set up a governance structure going forward. The bill has now passed both chambers and awaits ratification and action by the Governor. [S 485](#), UNC/Report/E-Commerce/Improvements, would eliminate a duplicative reporting requirement regarding personal service contracts for The University of North Carolina, allow the Board of Governors to provide for the implementation and expansion of e-commerce infrastructure, and clarify the property tax status of certain improvements on University land that are owned by social organizations. The bill has now been ratified and awaits action by the Governor. [H 437](#), Create NC Veterans Fund & Tax Return Checkoff, would create an check-off on the individual income tax return whereby a taxpayer could donate part of his or her income tax refund to a newly created NC Veterans Fund to provide services for veterans. The bill was displaced from the calendar on concerns about the ability of the State to administer the new program. [H 880](#), Roofing Contractors/Consumer Protection, would have required the licensure of roofing contractors. The bill was not approved by the Committee.

On Wednesday, July 17, 2013, the Committee met and approved five bills. [H 618](#), Amend Firearm

Restoration Law, would adjust the time periods a person must wait after conviction of certain crimes before petitioning for the restoration of firearm rights. The bill has been placed on the House calendar for Tuesday, July 23. [S 379](#), Exp. of Natural Gas & Propane for Agriculture, would authorize the use of economic development incentive funds to support new and expanded natural gas and propane gas service for agricultural projects. The bill has now passed both chambers and awaits ratification and action by the Governor. [S 547](#), Energy Savings Contracting Amendments, would amend the procedures in place for guaranteed energy savings contracts with government agencies. The bill has been preliminarily approved by the full House and is on the House calendar on Monday, July 22, for final approval. [S 558](#), Treasurer's Investments, would adjust the limitations on certain types of investments held by the State Treasurer. The bill has been placed on the House calendar for Tuesday, July 23. [S 18](#), Amend Locksmith License Act/Raise Fee Ceiling, would put in place more strict requirements with respect to licensed locksmiths and would increase fees that may be charged by the licensing board. The bill has been placed on the House calendar for Monday, July 22.

On Thursday, July 18, 2013, the Committee met and approved one bill. [S 420](#), UI Laws Administrative Changes, makes numerous technical, clarifying, and administrative changes to the unemployment insurance laws related to the changes made earlier in the session. The bill has now been passed by the full House and is currently on the Senate calendar for concurrence on Tuesday, July 23.



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2 Attached Images

