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**Subject:** REP. RODNEY W. MOORE'S CAPITAL REPORT - June 24, 2013

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Mecklenburg County



For Immediate Release

June 24, 2013

**REP. RODNEY W. MOORE'S CAPITAL REPORT**

After a tumultuous week of budget and tax reform, the State Legislature prepares for both proposals to enter their final phases. With countless hours of hearings and debates behind them, legislative leaders have taken up the state budget behind closed doors for the next two weeks. On Monday night, the Senate rejected the House budget proposal. This move will prompt the formation of a "conference committee," which is comprised of designated legislators from both chambers to work on the differences between the House and Senate spending plans. Conference committees usually meet privately and are not required to meet publicly during the process. The new fiscal year will begin on July 1.

If the budget is not completed by the new fiscal year, measures will be put into place to continue spending in the short term until a final budget bill has been worked out.

On Tuesday afternoon, lawmakers divided off into a number of closed meetings as they prepare to create a tax package. Unlike others plans presented by the House and previous Senate proposals, it doesn't extend the state sales tax, but it could potentially tax Social Security income. The bill was pulled from consideration before Senate members could debate it however, House Speaker Thom Tillis and Senate President Pro Tem Berger predicted a deal could be reached sometime this week.

Both the House and Senate leaders are attempting to negotiate a consensus plan based off of two very different approaches. Included below are a few highlighted differences between both chambers' tax plans:

- **Social Security:** The Senate would impose a state tax on Social Security checks for those with other income sources

## Income sources.

- **Tax cuts:** The House would reduce the current personal income tax rate to a flat 5.9 percent in 2014, while the Senate would reduce it to 5.25 percent in 2015. The House also keeps a 5.4 percent corporate income tax rate while the Senate gradually eliminates it over four years.
- **Deductions:** The Senate plan removes all itemized deductions, such as mortgage interest and charitable contributions. The House allows unlimited charitable contributions and caps real estate deductions at \$25,000.
- **Cost:** The Senate plan would slow government spending much more than the House plan. The reduction in state tax revenue under the Senate plan would equal \$1.3 billion in fiscal year 2017-2018.

The NC House has temporarily put the brakes on a measure allowing the Department of Transportation to raise the speed limit on some highways to 75 mph. Although it has already been approved by the Senate, House Democrats have expressed skepticism regarding safety concerns for drivers. The bill now heads back to the Transportation committee after Thursday's debate on the House floor indicated that it would most likely fail a vote in the chamber.

Gov. McCrory has officially signed a bill to abolish of the Racial Justice Act, which allowed convicted murderers to have their sentences reduced to life in prison if they could prove racial bias influenced the outcome of their cases. This repeal will now restart the death penalty in our state. Despite this final move, House Democrats remain firm in our argument that the Racial Justice Act was a landmark law that allowed justice to be fairly displayed in our North Carolina's courtroom and judicial system.

Lastly, the Wake County school system has hired James Merrill to be its new school superintendent. He has served as the superintendent for Virginia Beach city public schools, and previously worked in Wake County schools from 1984 until 2000 as one of former Superintendent Jim Surratt's top lieutenants. James Merrill begins his new position on August 1.

### **Budget process enters final stages**

**The North Carolina House approved a budget last week that would chart the wrong path for North Carolina, according to a new brief released by the NC Budget and Tax Center. Similar to their colleagues in the Senate, the House leadership was intent on including tax cuts for the wealthy and profitable corporations in their budget at the expense of everyone else. The result is a budget that falls far short of meeting the needs of children, working families and communities across major**

**budget areas. These figures represent the net tax changes of the House tax plan plus the repeal of the estate tax. Even worse, 95 percent of taxpayers, on average, would see their taxes go up in addition to cuts in vital public services under the House's formula for "prosperity."**

**<http://www.ncpolicywatch.com/2013/06/19/budget-process-enters-final-stages/#sthash.4mgWri5N.dpuf>**

**NC Senate delays final vote on tax plan**

NC Senate delays final vote on tax plan

The state Senate tabled a vote on a new tax plan. The bill is being held in hopes of reaching a compromise with the House, before it gets sent back to them. As it stands, the plan would lower individual income tax rates while gradually repealing corporate taxes. It tentatively passed along party lines last week. The plan would cut taxes by billions. Republicans say it doesn't reach far enough. Supporters of the plan said it will offer needed relief for North Carolinians and businesses, but opponents said it caters to the wealthy.

[http://charlotte.news14.com/content/top\\_stories/695452/nc-senate-delays-final-vote-on-tax-plan](http://charlotte.news14.com/content/top_stories/695452/nc-senate-delays-final-vote-on-tax-plan)

### **Social Security tax bill could be political minefield for NC Republicans**

The Senate is pushing a bill to impose a state tax on some Social Security income. As Republicans continue to work behind the scenes to strike a tax deal, Social Security is one major sticking point between the House and Senate bills – and a thorny political problem. Senate leaders, in an unusual step, sent the tax legislation tentatively approved last week back to a committee Wednesday while they negotiate with House lawmakers and Gov. Pat McCrory to find a compromise measure before the end of session.

<http://www.newsobserver.com/2013/06/19/2976611/bill-that-would-tax-social-security.html#storylink=cpy>

### **SB 306: McCrory signs bill to repeal Racial Justice Act & resume death penalty**

Gov Pat McCrory has signed into law a repeal of a landmark act that allowed convicted murderers in North Carolina to reduce sentences to life in prison if they could prove racial bias. McCrory signed a bill Wednesday intended to restart the death penalty in a state that hasn't executed an inmate since 2006. The Racial Justice Act of 2009 was already weakened last year by restricting the use of statistics to prove prejudice. The bill has bitterly divided Democrats and Republicans.

### **SB 709: NC House sends speed limit hike back to committee**

A bill opening the door to 75 mph speed limits on some highways in North Carolina was sent back to a House committee Thursday after lawmakers put off a vote over safety concerns. The House debated the measure at length but decided to return it to the Transportation Committee. The Senate already passed the bill, which would allow the Department of Transportation to raise the speed limit from 70 to 75 on highways and interstates if studies proved the change was safe.

### **HB 269: Senators question grants for special-needs students**

Senators expressed skepticism Wednesday over legislation that would provide grants of up to \$6,000 a year to families of special-needs students to pay for therapy outside of public schools. The Senate Education Committee didn't vote on House Bill 269, and Chairman Sen. Jerry Tillman said he wants more information about the cost of the proposal. The bill, passed last month by the House, sets aside more than \$3.6 million in the 2013-14 school year to reimburse families who enroll their special-needs children in private schools for the psychological, speech, occupational or other therapy provided to the students.

### **SB 328: Repeal of landfill restrictions gets first Senate nod**

The state Senate on Thursday gave key approval to legislation that would roll back restrictions on landfills in North Carolina. Senate Bill 328 passed its second reading 28-18. A final vote is expected next week before it heads to the House. The measure would allow landfills 1,500 feet away from National Wildlife

Refuges or state parks instead of the current buffer of 2 to 5 miles and would drastically limit the statutory reasons for which the Department of Environment and Natural Resources could refuse to issue a permit for one.

[SB 515](#): The Price of Protection: Who should pay to clean Jordan Lake?

Jordan Lake, a sprawling, 46,000-acre manmade lake in Chatham and Durham counties, serves as both a water supply for about 300,000 people and a recreational area for more than a million residents around the Triangle and state. From the beginning, the lake has struggled with pollution and water quality problems, but lawmakers continue to debate about who should pay to clean the lake.

**Jim Merrill is good choice for Wake superintendent**

**The appointment of Jim Merrill, 62, was announced Tuesday. He began his career 40 years ago as an English teacher in Winston-Salem/Forsyth County schools and moved through the Wake County system, ultimately becoming associate superintendent. He was then and remains an affable fellow who smiles easily and speaks softly. In a public forum featuring three finalists, Merrill was at ease with all questions and thankfully kept his use of education jargon (an affliction of some veteran administrators) to a minimum.**

ON THE FLOOR

[H 476](#) Rewrite Underground Damage Prevention Act

06/20/2013 House accepts amendment, Passes 2<sup>nd</sup> and 3<sup>rd</sup> Readings and Ordered Engrossed

[H 700](#) Omnibus State IT Governance Changes

6/20/2013 Received From Senate, Received To Concur Senate Committee Substitute

[H 817](#) Strategic Transportation Investments

6/19/2013 Concurred on 3<sup>rd</sup> Reading, Order Enrolled, Ratified, Presented to Governor on 6/19/2013

[H 998](#) Tax Simplification and Reduction Act

6/19/2013 Withdrawn from Calendar, Re-referred to Committee on Finance

[S 76](#) Domestic Energy Jobs Act

6/20/2013 House Conference Committee Appointed

## [S 127](#) Economic Development Modifications

6/20/2013 Withdrawn from Committee, Re-referred to Committee on Commerce and Job Development, Reported Favorable Committee Substitute, Re-referred to Committee on Appropriations Subcommittee on Natural and Economic Resources

## [S 328](#) Solid Waste Management Reform Act of 2013

6/20/2013 Passed 2<sup>nd</sup> Reading

### COMMITTEE MEETINGS

#### Senate Commerce Committee

On Tuesday, June 18, the Senate Commerce Committee met and approved three bills. [H 56](#), Amend State Contract Review Laws, would create a Contract Management Section within the Department of Administration and put in place additional procedures with respect to the negotiation, approval, execution, and monitoring of most state contracts. [H 201](#), Reinstate 2009 Energy Conservation Codes, would reinstate the 2009 North Carolina Energy Conservation Code for commercial buildings and repeal the portions of the 2012 North Carolina Energy Conservation Code that apply to commercial buildings. Upon the recommendation of the Homebuilders Association, the bill would not affect the provisions of the 2012 North Carolina Energy Conservation Code that apply to residential buildings. [H 700](#), Omnibus State IT Governance Changes, would a) require the biennial State Information Technology Plan to include all projects subject to review and would repeal the \$500,000 threshold for required review, b) permit the State CIO to require agencies to engage private counsel and subject matter experts for IT projects in excess of \$5 million, c) allow money to be appropriated from the Information Technology Fund to support the Office of the State CIO, and d) allow the State CIO to appoint more than one deputy chief.

#### Senate Finance Committee

The Senate Finance Committee met on Wednesday, June 19, and approved a large number of bills. First, the Senate approved a number of House local bills without any discussion or debate. Those bills were: [H 143](#), Eden Payment in Lieu of Taxes; [H 229](#), Holden Beach/Canal Dredging District Fee; [H 234](#), Clarify Pender County ABC Laws; [H 261](#), Kannapolis/Deannexation; [H 302](#), Repeal Kannapolis Annexation; [H 412](#), Eden/Duke Energy/Annexation Agreement; [H 421](#), Marshville Deannexation; [H 526](#), Chadbourne Voluntary Annexation; [H 553](#), Amend Carteret Co. Occupancy Tax; and [H 567](#), Lumberton Deannexation. Next, the Senate turned to several Senate public bills. [S 18](#), Amend Locksmith License Act/Raise Fee Ceiling, would require individuals providing locksmith services to institutions to be licensed locksmiths, prohibit the possession of locksmith tools by unlicensed individuals, expand the definition of locksmith services, and make modifications with respect to fees and costs assessed by the Locksmith Board. [S 305](#), DMV Commission Contract Changes, would increase the amount of compensation paid by cities and counties to tag agents as compensation for their duties with respect to collecting fees and taxes. [S 328](#), Solid Waste Management Reform Act of 2013, would a) extend the duration of permits for landfills to thirty years, b) modify the Department of Environment and Natural Resources' authority to issue and transfer permits for solid waste management facilities, c) modify certain requirements governing landfills, d) modify requirements for financial responsibility applicable to applicants and permit holders, e) amend the rule governing collection and transport of solid waste to require that containers be "leak-resistant" rather than "leak-proof", and f) define the term "leachate" and clarify that it excludes liquid adhering to tires of vehicles.

leak-proof , and 1) define the term "leachate" and clarify that it excludes liquid adhering to tires of vehicles leaving sanitary landfills. [S 407](#), Electronic Vehicle Lien/Title, would require DMV to implement a statewide electronic lien system for dealing with security interests and certificate of title data under the motor vehicle statutes. All of these bills were approved.

## Senate Education Committee

The Senate Education Committee met Wednesday to take up a pair of bills for discussion purposes and vote on one House bill. [H 249](#), Substitute Teacher Deduction/Personal Leave, requires local LEA's to refund the substitute deduction to teachers taking personal leave if no substitute is hired. H 249 received a favorable report in committee and passed the Senate with a vote of 47-0. The two bills up for discussion were [S 474](#), Net-Zero Schools, and [H 269](#), Children w/Disabilities Scholarship Grants.

## House Agriculture Committee

The House Agriculture Committee passed two bills out of committee this week. [S 639](#), Board of Agriculture Modifications, seeks to clarify the authority of the Board of Agriculture over plants. [S 638](#), NC Farm Act of 2013, seeks to make various changes to laws impacting farming including limiting the liability of farm animal activity sponsors as a result of inherent risks of farm animal activities, limiting the personal information that the Department of Agriculture may disclose about its animal health programs and expanding the agricultural dam exemption to the Dam Safety Act. S 638 has been re-referred to the House Judiciary B Subcommittee.

## House Environment Committee

The House Environment Committee passed four bills out of committee this week. [S 205](#), Eliminate Unnecessary Testing/Animal Waste, seeks to eliminate unnecessary soil testing requirements in animal waste management plans. [S 341](#), Amend Interbasin Transfer Law, seeks to establish an expedited process for the modification of interbasin transfer certificates and for the issuance of interbasin transfer

certificates in the central coastal plain capacity use area as well as the coastal area counties. [S 372](#), Omnibus County Legislation, seeks to require notice and an opportunity for comment from county boards when permits for land application of waste within that county are issued by the Environmental Management Commission. It also seeks to increase the threshold for Department of Transportation informal bid procedures and clarify that the department's policy concerning participation by disadvantaged minority-owned and women-owned businesses apply to contracts using those procedures. Finally, this bill would study state payments in lieu of taxes of public lands. This bill has been re-referred to the House Transportation Committee. [S 151](#), Coastal Policy Reform Act of 2013, seeks to amend Marine Fisheries laws, amend the law governing the construction of terminal groins and amend CAMA permitting laws. There were several changes to this bill during committee debate. The version that passed out of the House Environment Committee keeps the cap at four terminal groins instead of allowing an unlimited number of terminal groins to be built near coastal inlets. The committee-passed version also removed language in the Senate bill that an inlet management plan would be necessary for a project to address sea-level rise.

## House Public Utilities Committee

The House Public Utilities Committee met Wednesday to take up one bill from the Senate. The committee heard [S 379](#), Expansion of Natural Gas in Rural Areas, which was modified from its original language to

address natural gas availability in rural areas. S 379 would provide various incentives to facilitate new and expanded natural gas service to rural areas of the state. Under the new bill, economic development funds could be used to cover cost associated with natural gas infrastructure expansion for certain agriculture projects. S 379 received a favorable report from the committee and was referred to House Finance.

## House Education Committee

The House Education Committee met Tuesday to take up four bills. [H 831](#), Education Services for Children in PRTFs, authorizes the State Board of Education to allocate funds to Private Psychiatric Residential Treatment Facilities. H 831 was given a favorable report in committee. After leaving committee, it was pulled from the House floor and re-referred to House Appropriations. [S 168](#), Clarify Education Reporting Requirements, repeals certain reporting requirements to the State Board of Education and clarifies education program requirements. S 168 received a favorable report in committee and passed the House by a vote of 104-1. [S 231](#), Modify Duties/Advisory Council on Indian Education, modifies the duties of the state advisory council on Indian education. S 231 received a favorable report in committee and passed the House by a vote of 113-0. It has been placed on the Senate calendar for concurrence on Monday, June 24. [S 557](#), NC Pre-K Funding Pilot, creates a pilot program for the funding of the NC Prekindergarten program and directs the Division of Child Development and Early Education to report back to the General Assembly by January 31, 2014. S 557 received a favorable report and was referred to House Finance.

## House Commerce Committee

The House Commerce and Jobs Development Committee met on Wednesday, June 19 to consider [S 127](#), Economic Development Modifications. That bill would authorize the Department of Commerce to enter into a public-private partnership to fulfill many of its economic development functions. In addition, it would create eight regional Collaboration for Prosperity Zones throughout the state and require that state agencies co-locate liaison personnel at a central facility in each zone in order to provide better customer service to citizens and business. The bill would also eliminate state funding for the seven regional economic development commissions and would repeal the statutes establishing four of those commissions (the remaining three are private nonprofits). The bill was approved by the committee.

## House Finance Committee

The House Finance Committee met on Wednesday, June 19 to consider multiple bills. [H 476](#), Rewrite Underground Damage Prevention Act, rewrites the law with respect to responsibilities for identifying underground utility infrastructure in order to minimize damage to that infrastructure. [H 563](#), Foreign Trade Zone/Expand Def. of Pub Corp, would amend the definition of a public corporation to include a corporate municipal instrumentality of one or more states. This will allow several northeastern counties to participate in the foreign trade zone around the Port of Norfolk. [H 680](#), Jump-Start Our Business Start-Ups Act, would provide a limited exemption to securities laws for start-ups that a) are located in North Carolina and raising money from North Carolina residents only, b) are seeking total investment of \$2 million or less, and c) do not accept individual investments of more than \$2,000. [S 71](#), Amend Irrigation Contractors Licensing Laws, would require continuing education for irrigation contracts, increase fees, and make clarifying changes to the licensing laws. [S 103](#), Amend Assessments for Infrastructure Needs, would sunset the authority of local governments to levy special assessment bonds, adjust the assessments to reflect individual benefits, and clarify the owner approval needed for special assessment bonds. [S 368](#) Inmates Prescriptions/Pistol Permits would increase the fee imposed on prisoners for prescription drugs and provide that the fee for a pistol permit is due when an application is filed rather than when a permit is issued. [S 490](#),

Exclude Custom Software from Property Tax, would clarify that customizations to software made by a business for their own use would not be subject to property tax. All of these bills were approved by the committee. [H 565](#), Amend Real Estate Appraisers' Laws/Fees, would amend the laws with respect to real estate appraisers to comply with federal requirements. After a great deal of discussion with respect to whether the state should conform to guidelines adopted by a national association, the bill was pulled.

## Tax Reform

After being the subject of a whirlwind of activity the previous week (final approval of a package in the House on June 10 and preliminary approval of a different package in the Senate on June 13), tax reform efforts stalled this week. In the Senate, [H 998](#), Tax Simplification and Reduction Act, was removed from the calendar before receiving final approval and was sent back to the Senate Finance Committee. The Senate, House, and Governor all stated that efforts were underway to craft compromise legislation before a package received final approval in the Senate. There is no indication where those negotiations are headed or when a bill might be back before the Senate. A Senate Finance Committee meeting has been scheduled for Tuesday, June 25, but this bill is not on the agenda at this time. While there were numerous differences between the House and Senate versions from last week, key sticking points appeared to be:

1. Revenue availability – The Senate package would reduce General Fund availability by \$173.8 million in 13-14 and \$523.2 million in 14-15. The House package (when repeal of the estate tax is included, which the House has approved in a separate bill) would reduce General Fund availability by \$4.7 million in 13-14 and \$353.4 million in 14-15. By 17-18, the Senate package would reduce General Fund availability by \$1.38 billion while the House package would reduce General Fund availability by \$571 million.
2. Nonprofit refunds – The Senate package would phase in a cap on non-profit refunds while the House package would make no changes with respect to this issue.
3. Social Security – The Senate package would tax Social Security benefits to the same extent they are taxed under federal law, while the House package would maintain a complete exemption for Social Security benefits.
- 4. Itemized deductions – The Senate package would eliminate all itemized deductions for individual income tax while the House package would retain itemized deductions for charitable contributions and, to a limited extent, for mortgage interest expense and taxes on real property.**

## LEGISLATIVE CALENDAR

### **Mon, June 24, 2013**

- 4:00 PM **Finance (Public Hearing) (House)** 544 LOB  
Municipal Services. ([S315](#))
- 7:00 PM **Session Convenes (House)** House
- 7:00 PM **Session Convenes (Senate)** Senate

### **Tue, June 25, 2013**

- 8:30 AM **Appropriations/Base Budget (Senate)** 643 LOB



PREA Compliance. (PCS presented for Continuing Resolution) ([H585](#))

- 10:00 AM **Judiciary I (Senate)** 1027/1128 LB  
Modify Medicaid Subrogation Statute. ([H982](#))
- 10:00 AM **Health and Human Services (House)** 544 LOB  
Health Curriculum/Preterm Birth. ([S132](#))  
Choice of Hearing Aid Specialist. ([S248](#))  
LME/MCO Enrollee Grievances & Appeals. ([S553](#))
- 10:00 AM **Education (House)** 643 LOB  
UNC/Cherokee Language. ([S444](#))  
NC Public Charter School Board. ([S337](#))  
Student Organizations/Rights & Recognition. ([S719](#))
- 11:00 AM **Agriculture/Environment/Natural Resources (Senate)** 544 LOB  
Amend Environmental Laws 2013. ([H94](#))  
Tobacco Growers Assessment Act. ([H816](#))
- 12:00 PM **State and Local Government (Senate)** 1124/1224 LB  
Blue Monday Shad Fry. ([H241](#))  
Adopt Dublin Peanut Festival. ([H917](#))  
Allow ROW Usage in Central Business Districts. ([H192](#))  
Winston-Salem/Seismic Codes. ([H318](#))  
WS/FC School Board Vacancies. ([H196](#))  
Grifton/Deannexation. ([H191](#))  
Robeson County Drainage District. ([H441](#))  
Wilmington Charter/Civil Service Commission. ([H544](#))  
Lee County Elections. ([H490](#))
- 12:00 PM **Transportation (House)** 643 LOB  
Vintage Auto Inspections. ([S344](#))  
Motorcycle Safety Act. ([S353](#))  
Registration of Petroleum Device Technicians.-AB ([S454](#))  
Prohibit Aftermarket HID Headlights. ([S493](#))  
Clarify ATV Definition. ([S501](#))  
Authorize Various Special Plates. ([S571](#))  
Motor Vehicle Safety Inspector Law Change. ([S717](#))
- 1:00 PM **Finance (Senate)** 544 LOB  
Public Contracts/Project Labor. ([H110](#))  
Unclaimed Property Program Improvements. ([H257](#))  
Buncombe Cty Sales Tax Use Expansion. ([H334](#))  
Limited Lines Travel Insurance. ([H340](#))  
Courts/Procedure and Fee Amendments-AB ([H343](#))

Dept. of Public Safety Changes-AB ([H362](#))  
Chiropractic Assistant Certification/Fee-AB ([H371](#))  
Camden Local Stormwater Fees. ([H404](#))  
Buncombe Culture & Rec. Authority. ([H418](#))  
Robbinsville Occupancy Tax. ([H493](#))  
Lease Purchase of Real Property/Comm. Coll. ([H754](#))  
Public Contracts/Construction Methods/DB/P3. ([H857](#))  
Graham Occupancy Tax Changes. ([S136](#))  
Amend Nursing Home Administrator Act/Fees. ([S488](#))  
No Income Tax Withholding on H2A Workers. ([S640](#))

1:00 PM **Agriculture (House)**

643 LOB

Wildlife Resources Comm. Penalty Changes. ([S636](#))

**Wed, June 26, 2013**

10:00 AM **Judiciary Subcommittee B (House)**

421 LOB

NC Farm Act of 2013. ([S638](#))

Safe Harbor/Victims of Human Trafficking. ([S683](#))

Amend Firearm Restoration Law. ([H618](#))

10:00 AM **Regulatory Reform (House)**

643 LOB



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2 Attached Images



