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Subject: REPRESENTATIVE RODNEY W. MOORE'S RALEIGH REPORT - August 5, 2014 - End of 2013-2014 Session

Date: Tue, Aug 5, 2014 4:13 pm

Attachments: image001.png (74K), image003.jpg (14K)



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For Immediate Release

August 5, 2014

REPRESENTATIVE RODNEY W. MOORE'S RALEIGH REPORT

Final Budget Lacks Long-term Commitment to Raising Teacher Pay to the National Average

The House and Senate Republicans have agreed to a new budget deal without presenting a sustainable vision for the future of North Carolina. The 2014 appropriations bill does not address the teacher pay crisis in our state and inadequately rewards our most experienced teachers. The budget also increases the cut to the UNC system by nearly \$12 million bringing the 2014-2015 cut to over \$80 million dollars. Last year's tax giveaways to millionaires, out-of-state corporations, and special interest simply guarantee that deep cuts to public education will continue in the coming years. That is why there was bi-partisan opposition against this budget because of the fiscal irresponsibility and the lack of a long-term commitment to raising teacher pay to the national average to ensure our best teachers remain in the classroom.

Coal Ash

In extremely disappointing news, the Republican members in the Senate could not reach an agreement on coal ash and adjourned without adopting a conference report. They instead kick the can down the road and said they would reconsider legislation in November. Passing legislation to clean-up after the disastrous coal ash spill in January should have been one of the first bills we sent to the Governor this session. I will continue to fight to ensure our drinking water is safe and that Duke Energy does not pass the cost of cleaning up North Carolina's coal ash ponds onto their consumers.

[No Health Insurance for Low Income NC Workers](#)

The main reason behind this is that federal subsidies are not applicable to their incomes because they aren't high. At the same time, they are not included in the present Medicaid scheme in North Carolina because their incomes are relatively higher as compared to other candidates. What needs to be noted here is that the workers include disabled and low-income citizens. There are approximately 689,000 adults in the state who are uninsured and more than half of them are working in jobs that are very crucial from the point of view of the state's economy. These citizens fall into what has been termed as the "Medicaid Gap."

[Tillis Defunds the Democrats](#)

House Democratic Leader Larry Hall (D-Durham) has been much in the news this week. After a year and a half of trying to be dignified, trying to air their grievances through the proper channels, trying not to appear like 'sore losers', House Dems are finally coming out and saying they're sick of being suppressed by the Republican majority. Hall has come out accusing Speaker of the House Thom Tillis of defunding the House Democratic Caucus as a retaliation for Democrat's questioning of the new legislative building rules that were clearly aimed at stifling Moral Monday. He says that he was told he would be defunded if he did not "apologize" to House Republican leaders for questioning the building rules changes.

Budget agreement paves way for adjournment

The General Assembly released its conference report on the 2015 state budget ([S744](#)) last Wednesday night, with appropriations and special provisions largely favorable to counties. The budget includes maintained lottery funds for county school construction needs at \$100 million. The conference report accepted the House's special provision to prohibit county lottery funds from being pledged officially for debt services, but does not exclude debt service as one of the uses of school construction lottery dollars. New lottery language eliminates the Lottery Oversight Committee while setting up a Joint Legislative Lottery Oversight Committee.

The budget provides roughly \$14 million in state-funded enhancements to county child welfare services and excludes the House proposal to contract out non-emergency Medicaid transportation — huge wins for counties.

With a session focus on teacher salary increases, the final compromise includes an average 7 percent increase for all teachers. The budget increases teacher beginning pay to \$33,000 and restructures the teacher salary schedule from 37 steps to six, with \$50,000 for 25-plus years of service. All non-certified school employees, including central office staff, will receive a \$500 raise. The budget keeps teachers' assistants largely intact, although the TA allotment is reduced to reflect actual local spending practices.

State and community college employees would receive a recurring \$1,000 salary increase and five additional days of vacation, with state retirees receiving a 1% COLA.

The conference report accepts Senate and House plans to phase out the \$500,000 net

Medicaid Relief Swap benefit to counties. This benefit, not the hold harmless itself, would be phased out by \$125,000 each year over four years. The 21 counties who gave up more in sales taxes than they have received in Medicaid relief would still be held harmless.

All state misdemeanants, including DWI offenders, will now be housed in county jails through the voluntary Statewide Misdemeanant Confinement Fund program. SMCP was created in 2011 as a part of the Justice Reinvestment Act to lower state prison populations and increase community probation oversight. The JRA increased court fees in order to establish a fund managed by the N.C. Sheriffs' Association to reimburse counties that voluntarily agree to accept state prisoners within available jail bed capacity. Several state prisons would close or be repurposed to reflect lower state prison populations. SBI would transfer to the Department of Public Safety, but the state's crime lab will remain in the Department of Justice.

Most state agencies see small cuts in their continuation budgets — Department of Public Instruction, for example, would be cut 10 percent. These funds, additional Medicaid payment cuts, and retention of reserve fund transfers provide resources for teacher and state employee increases and other expansion items.

County sales tax bill revived, then revised

The Senate adopted the conference committee report for [H1224](#) (*Local Sales Tax Options/Econ. Devpt. Changes*) Thursday night. This bill would grant more flexibility to counties in the use of existing sales tax authority. Counties may elect to levy up to .5% in 1/4 cent increments for education, public transit, and/or general public purposes, with voter approval. These sales tax levies do not apply to food sales and are not shared with cities.

Six counties (Mecklenburg, Wake, Guilford, Forsyth, Orange and Durham) currently have authority to levy up to 2.75 cents in sales taxes, with one-half cent dedicated to transit purposes. Orange and Durham have already levied the one-half cent transit tax in addition to the Article 46 general purpose quarter-cent sales tax, putting their local rate at 2.75 cents. Mecklenburg has levied the half-cent transit tax. The remaining 94 counties currently have existing authority to levy 2.5 cents, but one-quarter penny must be used for transit purposes.

This bill expands the use of the transit tax for all counties. For the 27 counties that have previously enacted the Article 46, the bill allows another quarter-cent that can be designated for transit needs, public education needs or general purposes. For the counties that have not approved the Article 46 or the transit tax, they may consider a half-cent for any of these purposes, or either two quarter-cent sales taxes for two of the three uses.

Like earlier versions of the bill, the conference report caps overall county sales tax levies at 2.5 cents. The legislation grandfathers in Orange and Durham, who will be allowed to stay at 2.75 cents. Wake, Mecklenburg, Guilford and Forsyth will be capped at 2.5 cents unless their voters approve the Article 46 quarter-cent sales tax prior to Dec. 31, 2014. Guilford and Mecklenburg have already scheduled a referendum on the Article 46 for November, and Wake is considering it.

The conference report is on the House calendar today, but as of publication deadline, the House had not taken up the bill. It contains other crucial measures for economic development and revenue laws technical corrections.

Below is a chart that depicts these new options; each quarter-cent raises about \$250 million statewide.

Tax Levy	Tax Amount	Restrictions on Use
County Sales & Use Tax for Public Education Art. 43A	New levy Up to .5%	Public school capital or indebtedness; teacher or teachers' assistants' salaries or teacher supplements; community college financial support
Local Government Sales and Use Taxes for Public Transportation Art. 43	Restructured Levy Up to .5% (was at .25% for all counties except Durham, Forsyth, Guilford, Mecklenburg, Orange & Wake with .5% levy)	Public transportation systems only—bill does not change current use restrictions
One-Quarter Cent (1/4¢) or One-Half Cent (1/2¢) County Sales and Use Tax Article 46	Restructured levy Up to .5% (was at .25%)	Any public purpose

House, Senate approve elections law revisions

The House and Senate this week adopted the final conference report on [S403](#) (Omnibus Elections Clarifications). The legislation requires that a special election called by a county must be held at the same time as a state or county general election, at the same time as a primary, or any other time all precincts are open, 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. 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.

GOVERNOR'S DESK

Last week, the Governor signed H 1033, Special Assessment/Dam Repair; H 1195, Fiscal Integrity/Pension-Spiking Prevention; and H 625, Zoning/Health Care Structure into law.

He has also indicated that he plans to sign the new budget into law.

Lastly, the Governor issued Executive Order 62, which directs the Department of Natural Resources to “continue to implement all regulations and laws.” Included in the Governor’s [press release](#) are the following directives:

Begin groundwater assessments of coal ash ponds at all 14 of Duke Energy’s facilities. These assessments are the first step toward closure of the ash ponds.

Take steps necessary to authorize the dewatering ponds at four priority facilities – Riverbend, Asheville, Sutton and Dan River.

Hire additional staff resources to handle the increased workload of the items above.

ON THE FLOOR

Last week, the Senate passed H 1181, NC Medicaid Modernization; H 1193, Retirement Technical Corrections Act of 2014; H 272, DOT/DMV Changes #2; H 366, NC Farm Act of 2014; H 1133, Technical and Other Corrections; S 885, UNC BOG Vacancy Election; H 884, Dropout Prev./Recovery Pilot Charter School; S 883, Mitigation Buffer Rule/Wastewater Treatment; H 1086, NC and SC Rail Compact; H 1145, Insurance and Registration for Mopeds; S 163, Reclaimed Water as a Source Water; S 648, NC Commerce Protection Act of 2014; S 853, Business Court Modernization; S 884, 2014 President Pro Tem’s Appointments; H 1224, Local Sales Tax Options/Econ. Dept. Changes; S 403, Omnibus Election Clarifications; S 744, Appropriations Act of 2014; and S 881, Adjournment.

The House approved the following bills: S 883, Mitigation Buffer Rules/Wastewater Treatment; H 366, NC Farm Act of 2014; H 884, Dropout Prev./Recovery Pilot Charter School; H 1145, Insurance and Registration for Mopeds; S 193, Modify P3 Ethics Reporting Requirements; S 859, Cities/Regulation of Vacation Rentals; and S 648, NC Commerce Protection Act of 2014.

The House also approved conference reports for H 272 DOT/DMV Changes #2; S 853, Business Court Modernization; and H 1054, Spindale/Cape Fear Sewer Fee Collection. In addition, the House has reconsidered a vote earlier in the week and has now concurred in the Senate’s version of H 1133, Technical and Other Corrections. Finally, the House approved S 763, Revenue Laws Tech. Changes and Other Changes.

COMMITTEE REPORTS

Senate Rules Committee

The Committee met several times last week. On Tuesday, July 29, two bills were passed out of committee. H 1133, Technical and Other Corrections, seeks to make technical corrections to the General Statutes and session laws, as recommended by the General Statutes Commission. It also makes additional technical changes to the General Statutes and session laws. H 272, DOT/DMV Changes #2, seeks to make changes to a variety of DMV/DOT related matters.

On Wednesday, July 30, two bills were voted out of Committee. H, 761, the Regulatory Reform Act of 2014, seeks to provide further regulatory relief to the citizens of North Carolina by providing various administrative reforms, eliminating unnecessary regulations and modernizing outdated regulations. H 884, Dropout/Prevention/Recovery Pilot Charter School, creates a Dropout Prevention and Recovery Pilot Program with a charter school.

On Thursday, the Committee passed three bills. S 881, Adjournment Sine Die, is a joint resolution providing for the adjournment of the 2013 regular session of the General Assembly to a date certain and limiting the matters that may be considered upon reconvening. When the Senate and House adjourn on Saturday, they stand adjourned to reconvene on Thursday, August 14 at Noon. During this time, only matters in conference, bills relating to state litigation matters and bills returned by the Governor with his objections can be considered. When the Senate and House adjourn on Friday, August 15, they are adjourned to reconvene on November 17. During this time, only bills related to Medicaid, matters in conference, bills relating to state litigation matters, bills returned by the Governor with his objections and a joint resolution adjourning the regular session of the General sine die can be considered. S 884, 2014 Pro Tem Appointments, makes appointments to various public offices upon the recommendation of the President Pro Tem. H 1086, NC and SC Rail Compact, seeks to establish the North Carolina and South Carolina Rail Compact.

Senate Select Committee on UNC Board of Governors

The Committee met twice on Tuesday, July 29. The Committee voted in favor of S 884, UNC BOG Vacancy Elections, which is a resolution electing Anna Spangler Nelson to the UNC Board of Governors.

House Finance Committee

The Committee met twice on Wednesday, July 30. During the morning meeting, the Committee recommended that the House not concur with Senate changes to H 1224, Local Sales Tax Options/Econ Dept. Changes (which made changes with respect to various economic development programs and counties' ability to levy local sales taxes) and H 366, NC Farm Act of 2014. (The House has since agreed to conference reports on modified versions of each of these bills).

During the afternoon meeting, the Committee approved S 763, Revenue Laws Technical Changes. The Committee made several changes to the bill that would have modified eligibility for the renewable energy tax credit and would have modified and extended the tax credits for historic rehabilitation. The bill received preliminary approval by the full House, but ultimately the credit modifications/extensions were not enacted.

CALENDAR

11:00 AM

Rep. Grier Martin - Press Conference

Press Room LB

Please remember that you can listen to committee meetings and press conferences on the General Assembly's website at www.ncleg.net. Once on the site, select "Audio," and then make your selection – House Chamber, Senate Chamber, Appropriations Committee Room or Press Conference Room. A schedule of committee meetings and other events is also available on the website.

2 Attached Images

