N.C. CENTER FOR PUBLIC POLICY RESEARCH

# From The Center Out

**The Newsletter of the North Carolina Center for Public Policy Research**
*Your source for nonpartisan research and analysis on state policy issues*
January-February-March-April 2013

## CENTER EVALUATES STATE PROGRAM TREATING MENTAL HEALTH PATIENTS AT LOCAL HOSPITALS

In December 2012, the Center released the first independent evaluation of a statewide initiative to purchase bed space and build capacity for mental health patients in crisis at local hospitals across North Carolina. The goal of the program is to increase the number of beds available for mental health patients, keeping them out of hospital emergency rooms and out of the state psychiatric hospitals.

North Carolina's ongoing reform of its mental health system is guided by a strategy of providing comprehensive services in local communities, reserving the state's three large psychiatric hospitals for patients needing long-term care. Achieving this, however, requires communities to have hospitals with psychiatric units capable of providing short-term inpatient care – care for people who are temporarily unstable, having a psychotic episode, are suicidal or pose a risk to others, or have relapsed in their substance abuse treatment.

In 2008, the legislature first funded "three-way contracts" between the state, local mental health management entities (also called LMEs), and hospitals across the state. LMEs are the local agencies responsible for managing the provision of mental health services in the area served. The three-way contracts were developed as a way of moving North Carolina closer to the comprehensive local service system envisioned under the state's 2001 mental health reform legislation.

Mebane Rash, an attorney and editor of the Center's journal, *North Carolina Insight*, said, "Many communities in North Carolina don't have enough beds for patients in crisis. Without enough beds, people turn to their local emergency rooms for help, or patients end up in local jails or state prisons." According to a report issued by N.C. Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, more than 135,000 people across the state were seen in a hospital emergency room for a mental health crisis in 2010.

And, a 2009 survey by NAMI-Wake County of all of North Carolina's 100 county sheriffs found that there were 32,339 transports of mentally ill residents by deputies to serve commitment papers, transport the person to the nearest medical facility, or transport the individual to the nearest hospital with available psychiatric beds. A total of 228,353 hours of deputy time were involved.

### Goals of the Three-Way Contracts for Various Stakeholders

The three-way contracts serve these goals for various stakeholders:

- *Patients* obtain mental health treatment closer to home, where support networks are already in place.
- *Hospitals* receive payment for treating patients who are otherwise uninsured.
- *Local Management Entities* are able to strengthen the continuum of care for those in crisis within their community.
- *The State* reduces short-term admissions to state psychiatric hospitals and saves money.

**The Center's Research Findings**

- The number of patients served under three-way bed contracts is almost as many served each year by the three state psychiatric hospitals combined.
- Readmission rates for people served under the contracts are lower than for those served in state hospitals.
- Short-term admissions (seven days or less) to state hospitals have dropped from 51 percent of total admissions in 2008-09 to 21 percent in 2011-12.
- The average length of stay in emergency departments for patients that were transferred to a community hospital was more than 12 hours shorter than the average length of stay for those that were transferred to a state psychiatric hospital.
- The average length of stay for patients served through the three-way contracts at all hospitals is less than seven days – as intended.

**The Center's Recommendations**

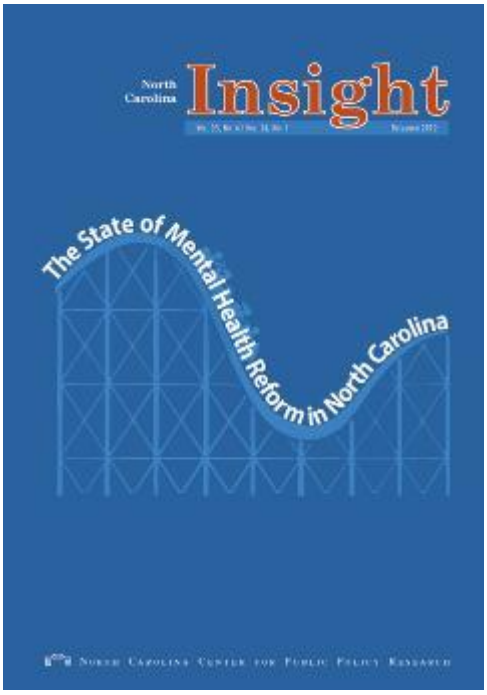
Based on our research on the three-way contracts, the Center made these four recommendations:

**Recommendation #1: The Center recommended that the Secretary of the N.C. Department of Health and Human Services develop a strategy to ensure timely payments under these contracts.** The timeliness of payments is a major concern for hospitals that could lead some local hospitals to terminate their contracts. While the state's problems with cash flows because of the Great Recession were the primary reason for earlier delays, billing lags from the local mental health management entities (LMEs) and slow payments by the state persist. For example, officials at Cannon Memorial Hospital in Linville said at a legislative hearing that they waited seven months to receive payment. In January 2013, the Joint Legislative Oversight Committee on Health and Human Services also recommended that the Department address the issue of delayed payments.

**Recommendation #2: The Center recommended that the N.C. Division of Mental Health, Developmental Disabilities, and Substance Abuse Services publicize that they have a designated staff person serving as a liaison for the three-way contracts, as well as publicize that they have a state working group for the three-way contracts that addresses clinical concerns.** It is important to local hospitals to have the state involved in these contracts. It signifies to them a longer-term state commitment, standardization across the contracts, and accountability for timely payments. However, local hospitals and LMEs currently don't know who to call. As a result, the state is viewed by many stakeholders as a distant partner, often involved only when there is a problem. Hospitals and LMEs also say that very little information is available about the state's working group. They would like regularly scheduled meetings, advance notice, and input on the agendas.

**Recommendation #3: The Center recommended that the N.C. Department of Health and Human Services require state psychiatric hospitals to open their existing training programs for their own state employees to the local community hospitals participating in the three-way contracts.** It is impractical for most community hospitals to operate their own psychiatric training programs. It also would be more expensive for the state to provide special training at the different local hospitals that currently participate in the contracts. But, the state psychiatric hospitals already provide their staff members with annual training and could open this training up to local employees participating in the three-way contracts. With local hospital staff trained to meet state standards, community hospitals would be better equipped to handle patients with mental illness and perhaps would be able to serve even more patients.

**Recommendation #4: The Center recommended that the N.C. Department of Health and Human Services develop outcome measures for this program.** Given the increased investment of state dollars in this program ($29.1 million last year), the three-way contracts now are established enough that program and patient outcomes should be identified, tracked, and reported annually. Outcomes measures should not only track numbers of patients served, but also whether the patients get better and do not have to be re-admitted again and again for treatment.

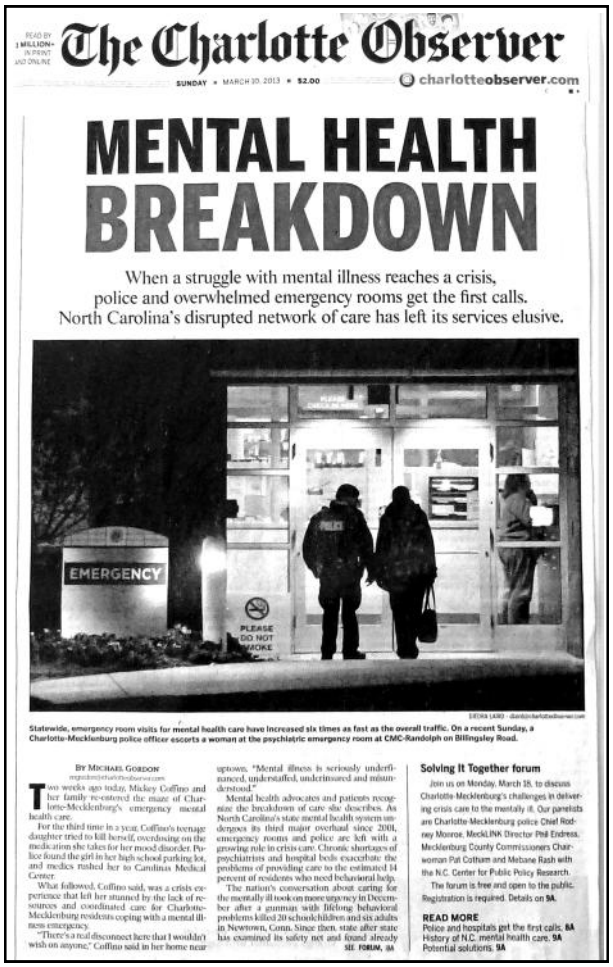



## The Center's Overall Study of Mental Health Reform

The Center's review of the state's program to buy bed space and build capacity for mental health patients in crisis at local hospitals was published in the latest edition of *North Carolina Insight*, the Center's journal. This research is part of our four-year study of mental health reform in North Carolina.

In another article in that same issue of *Insight*, the Center pointed out that significant changes in mental health policy have marked the last 12 years since the 2001 reform legislation. These include:

- **A new provider model**, called CABHAs or Critical Access Behavioral Health Agencies;
- **A new funding model**, the federal Medicaid waiver. The waiver will move the state from a fee-for-service model to a capitated model, where the state will pay a set amount of money each month for each consumer served.
- **A shift in the local governance model** for mental health services from 39 area mental health authorities to 23 local management entities to 11 managed care organizations;
- **A roller coaster ride of state funding** – from $581 million at the start of the reform effort in 2001-02 to a high of $743 million in 2008-09 to a low of $664 million in 2009-10; and
- **Shifts in leadership** in the state's Department of Health and Human Services and at the legislature further complicate this issue and compromise the stability of the system. More than 60 percent of the state's legislators in 2013 were not there just three years ago.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MENTAL HEALTH BREAKDOWN

When a struggle with mental illness reaches a crisis, police and overwhelmed emergency rooms get the first calls. North Carolina's disrupted network of care has left its services elusive.

Statewide, emergency room visits for mental health care have increased six times as fast as the overall traffic. On a recent Sunday, a Charlotte-Mecklenburg police officer escorts a woman at the psychiatric emergency room at CMC-Randolph on Billingsley Road.

BY MICHAEL GORDON

Two weeks ago today, Mickey Coffino and her family re-entered the maze of Charlotte-Mecklenburg's emergency mental health care.

For the third time in a year, Coffino's teenage daughter tried to kill herself, overdosing on the medication she takes for her mood disorder. Police found the girl in her high school parking lot, and medics rushed her to Carolinas Medical Center.

What followed, Coffino said, was a crisis experience that left her stunned by the lack of resources and coordinated care for Charlotte-Mecklenburg residents coping with a mental illness emergency.

"There's a real disconnect here that I wouldn't wish on anyone," Coffino said in her home near uptown. "Mental illness is seriously underfinanced, understaffed, underinsured and misunderstood."

Mental health advocates and patients recognize the breakdown of care she describes. As North Carolina's state mental health system undergoes its third major overhaul since 2001, emergency rooms and police are left with a growing role in crisis care. Chronic shortages of psychiatrists and hospital beds exacerbate the problems of providing care to the estimated 14 percent of residents who need behavioral help.

The nation's conversation about caring for the mentally ill took on more urgency in December after a gunman with lifelong behavioral problems killed 20 schoolchildren and six adults in Newtown, Conn. Since then, state after state has examined its safety net and found already

SEE FORUM, 8A

**Solving It Together forum**

Join us on Monday, March 18, to discuss Charlotte-Mecklenburg's challenges in delivering crisis care to the mentally ill. Our panelists are Charlotte-Mecklenburg police Chief Rodney Monroe, MeckLINK Director Phil Endress, Mecklenburg County Commissioners Chairwoman Pat Cotham and Mebane Rash with the N.C. Center for Public Policy Research.

The forum is free and open to the public. Registration is required. Details on 9A.

**READ MORE**

Police and hospitals get the first calls. 8A
History of N.C. mental health care. 9A
Potential solutions. 9A

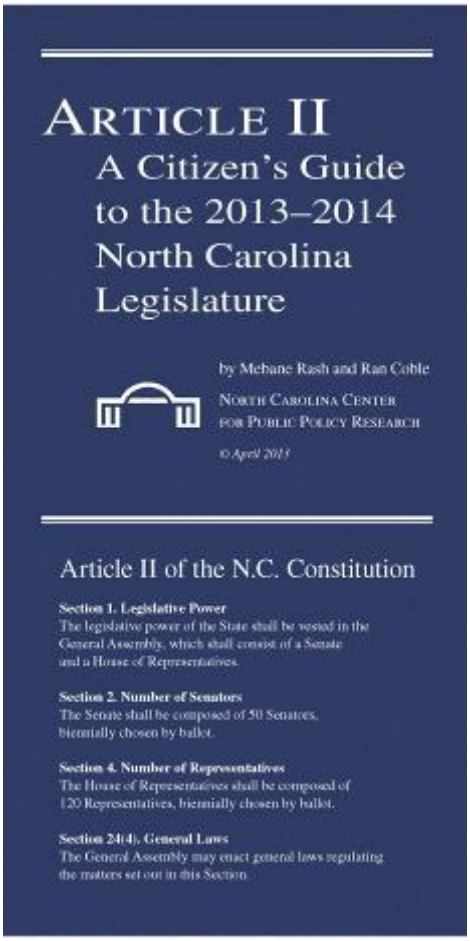
The Center's research evaluating the state's mental health reform efforts received news coverage in the state's largest newspapers, including front page coverage in *The Charlotte Observer*, as well as coverage in *The News & Observer* of Raleigh and statewide TV coverage on Time Warner Cable's news channels. *Insight* editor Mebane Rash also did radio interviews with talk show hosts from the mountains to the sea – with David Hurand at WCQS in Asheville, to Mike Collins of WFAE in Charlotte, to Jeff Tiberi at WUNC in Chapel Hill, to Tom Kearney at WPFT, Chris Fitzsimon at WRAL, and Barlow Herget at State Government Radio in Raleigh, to Lockwood Phillips at WJNC and WKFT in Jacksonville and Morehead City.

Then in March 2013, *The Charlotte Observer* and PNC Bank hosted a forum on mental health reform in Charlotte. More than 400 people attended the forum to discuss the challenges in delivering care for the mentally ill in crisis. Panelists included the Center's Mebane Rash (seen here on the right), Charlotte-Mecklenburg Police Chief Rodney Moore, MeckLINK director Phil Endress, Mecklenburg County Commission Chair Pat Cotham, and the Chief Medical Officer for Carolinas HealthCare System Roger Ray.

If you would like to watch the forum, here is a link: http://bit.ly/mentalhealthvideo

## A NEW CITIZENS' GUIDE TO THE LEGISLATURE

We'll soon publish the 19th edition of *Article II: A Guide to the 2013-2014 N.C. Legislature*, the most comprehensive legislative guide available. It contains biographical and voting information for each of the 170 legislators, as well as their committee assignments and counties in their districts. For legislators who served in the previous session, the guide will list five bills they introduced in 2011-12, their votes on 12 bills of statewide interest, and rankings of attendance and roll call participation, as well as a history of their effectiveness rankings.


ARTICLE II

A Citizen's Guide to the 2013–2014 North Carolina Legislature

by Mebane Rash and Ran Coble

North Carolina Center for Public Policy Research

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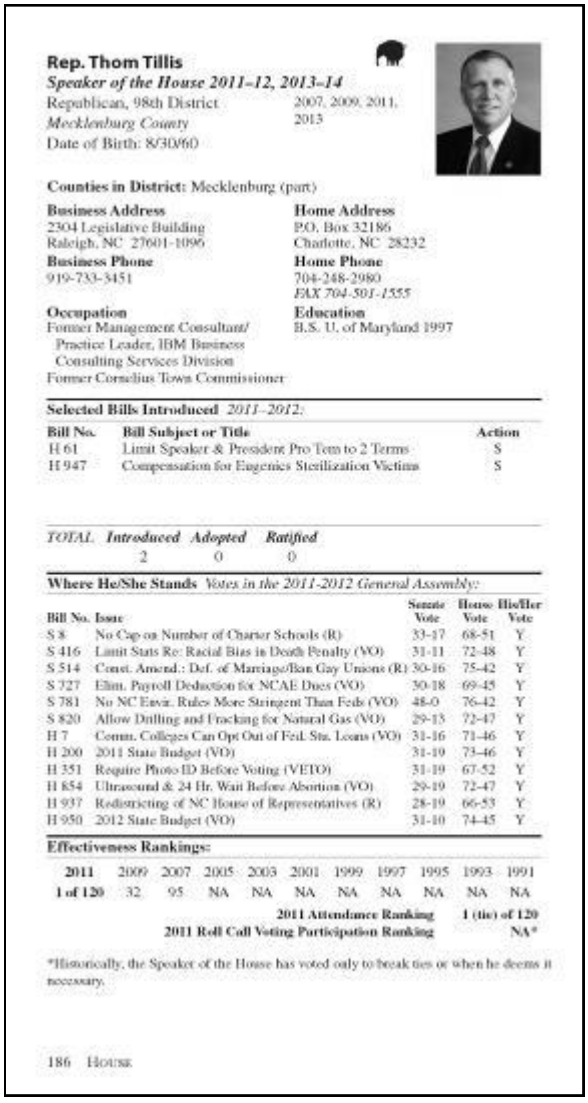
Article II of the N.C. Constitution

**Section 1. Legislative Power**
The legislative power of the State shall be vested in the General Assembly, which shall consist of a Senate and a House of Representatives.

**Section 2. Number of Senators**
The Senate shall be composed of 50 Senators, biennially chosen by ballot.

**Section 4. Number of Representatives**
The House of Representatives shall be composed of 120 Representatives, biennially chosen by ballot.

**Section 24(4). General Laws**
The General Assembly may enact general laws regulating the matters set out in this Section.


**Rep. Thom Tillis**
***Speaker of the House 2011–12, 2013–14***
Republican, 98th District — 2007, 2009, 2011, 2013
*Mecklenburg County*
Date of Birth: 8/30/60

**Counties in District:** Mecklenburg (part)

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**Occupation**
Former Management Consultant/ Practice Leader, IBM Business Consulting Services Division
Former Cornelius Town Commissioner

**Education**
B.S. U. of Maryland 1997

**Selected Bills Introduced** *2011–2012:*

| Bill No. | Bill Subject or Title | Action |
|---|---|---|
| H 61 | Limit Speaker & President Pro Tem to 2 Terms | S |
| H 947 | Compensation for Eugenics Sterilization Victims | S |

| *TOTAL* | *Introduced* | *Adopted* | *Ratified* |
|---|---|---|---|
| | 2 | 0 | 0 |

**Where He/She Stands** *Votes in the 2011-2012 General Assembly:*

| Bill No. | Issue | Senate Vote | House Vote | His/Her Vote |
|---|---|---|---|---|
| S 8 | No Cap on Number of Charter Schools (R) | 33-17 | 68-51 | Y |
| S 416 | Limit Stats Re: Racial Bias in Death Penalty (VO) | 31-11 | 72-48 | Y |
| S 514 | Const. Amend.: Def. of Marriage/Ban Gay Unions (R) | 30-16 | 75-42 | Y |
| S 727 | Elim. Payroll Deduction for NCAE Dues (VO) | 30-18 | 69-45 | Y |
| S 781 | No NC Enva. Rules More Stringent Than Feds (VO) | 48-0 | 76-42 | Y |
| S 820 | Allow Drilling and Fracking for Natural Gas (VO) | 29-13 | 72-47 | Y |
| H 7 | Comm. Colleges Can Opt Out of Fed. Stu. Loans (VO) | 31-16 | 71-46 | Y |
| H 200 | 2011 State Budget (VO) | 31-19 | 73-46 | Y |
| H 351 | Require Photo ID Before Voting (VETO) | 31-19 | 67-52 | Y |
| H 854 | Ultrasound & 24 Hr. Wait Before Abortion (VO) | 29-19 | 72-47 | Y |
| H 937 | Redistricting of NC House of Representatives (R) | 28-19 | 66-53 | Y |
| H 950 | 2012 State Budget (VO) | 31-10 | 74-45 | Y |

**Effectiveness Rankings:**

| 2011 | 2009 | 2007 | 2005 | 2003 | 2001 | 1999 | 1997 | 1995 | 1993 | 1991 |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 of 120 | 32 | 95 | NA | NA | NA | NA | NA | NA | NA | NA |

**2011 Attendance Ranking** — **1 (tie) of 120**
**2011 Roll Call Voting Participation Ranking** — **NA***

*Historically, the Speaker of the House has voted only to break ties or when he deems it necessary.

186 House

*Article II* is also available next week as an online publication, and you will be able to view the information on your favorite handheld device! Go to *www.nccppr.org* for more information.

**THE 2013 LEGISLATIVE SESSION**

**An Outline Summarizing and Analyzing Policy Issues Before the 2013 N.C. General Assembly prepared especially for the Center's Members**

## I. How This Legislature Is Different

Republicans have a supermajority (more than 3/5) in the legislature, hold the Governor's office, and have a majority on the state Supreme Court – controlling all 3 branches of state government for the first time since 1898

60% of all 170 legislators weren't there just 3 years ago

## II. GOVERNOR PAT McCRORY'S AGENDA

### A. Education:

1. **The Governor's Agenda**:
   a. More attention to **vocational education**, Senate Bill 14 (Session Law 2013-1) with 3 pathways to prepare for work, college, or both, and collaboration between 3 systems; Governor also plans to revive the Education Cabinet
   b. **Growth in charter schools**:
      (1) 24 new charters approved for Aug. 2013; 70 new charter applicants up for approval to open in Aug. 2014.
      (2) SB 337 and HB 443 would create an 11-member NC Public Charter School Board, with final approval over charter applicants instead of the State Board of Education. Also HB 291 would provide up to $25,000 in start-up loans to new charters.
   c. **Technology in Schools**: HB 44 (signed into law as S.L. 2013-12) & HB 45 begin the move from the state funding textbooks to digital materials by 2017. HB 23, signed into law as S.L. 2013-11 directs the State Board of Education to develop digital learning standards for teachers and administrators
   d. The Governor proposes **a new Center for Safer Schools** in his budget.
2. **The Legislature's Education Agenda:**
   a. Rep. Paul Stam and **Honest Lottery Act** (HB 156) – restricts the types of lottery games that can be offered
      The Governor supports restricting advertising to 0.5% of sales revenue and shifting money to school technology.
      Currently, spending on advertising is restricted to 1% of sales (=1% of $1.6 billion).
      Would require lottery ads to give odds of winning big prizes.
      Lottery currently provides $457 million of an $11 billion education budget (=4%)
      Under current law, lottery money goes to class size reduction, pre-kindergarten for at-risk kids, school construction, and college student aid; the Governor's budget would transfer some lottery money to digital learning and provide more money for pre-kindergarten.
   b. SB 361, **Excellent Public Schools Act** (part 2, since part 1 passed in 2012), sponsored by Senate President Pro Tem Phil Berger (R-Rockingham), would grade public schools on how well they meet student achievement goals, give teacher pay based on performance of students, limit the amount of class time that can be spent on end-of-grade tests, and end teacher tenure.
   c. **Vouchers** to parents of students in private and religious schools:
      HB 269 would give special education scholarship grants to students with disabilities, and HB 144 would give an income tax credit for children who are home-schooled.
   d. NC is now 48th in per pupil spending and 46th in teacher salaries.
3. **Higher Education:**
   The UNC System's Strategic Directions Initiative has a goal of increasing NC's college attainment rate (% of state population with a degree) from 26% to 32% by 2018; Gov. McCrory's budget provides $33 million for this in Fiscal Year 2013-2014.

**B. Changes in Tax Laws**

1. The Governor wants changes in the tax laws to be (a) revenue neutral, and (b) he wants to lower rates on **personal income tax** and **corporate income tax** to be more competitive with surrounding Southern states.
2. Sen. Bob Rucho (R-Mecklenburg)'s plan would eliminate the personal income tax (53% of total state revenue), eliminate the corporate income tax (6% of total state revenue), broaden the base on the **sales tax** (by taxing more services), and create a new **business license tax**.
   State Budget Director Art Pope expressed great concern about eliminating both income taxes and relying more on sales taxes, saying that would be "absolutely, no doubt regressive," and that the current tax system is "fairly balanced" now.
3. The House of Representatives may play the key role in changes in tax laws.
4. The Governor proposes to **eliminate the inheritance or estate tax** (SB 114 and HB 101), which is a tax on very large estates above $5.25 million per individual.
   The estate tax provides $52 million a year in revenue to the state and gives an incentive for people to make bequests to nonprofits.
   In 2010, only 123 estates in NC were subject to the estate tax, and in 2011, only 117 estates paid the tax. It is estimated that only 40 small businesses or farms will pay the estate tax in 2012.

**C. Efficiency and Transformation in State Government**

The Governor wants: To have a smaller state vehicle fleet with a better tracking system
To fix the state's information technology system
To change state personnel laws to get rid of "seat warmers"
To minimize reports
To develop a 25-year strategic plan for 4 areas of infrastructure: transportation
water
energy
communications

**D. Energy** – Gov. McCrory wants to get NC into the energy business.

1. He already has joined the Governors of VA and SC to request authority from federal government to explore for **offshore oil and gas** and share revenues. He wants to use these revenues to replace bridges, replenish beaches, and dredge NC ports.
2. **Domestic Energy Jobs Act:** SB 76 passed the Senate on Feb. 27th; it authorizes regulators to issue fracking permits in March 2015 after the rules are completed in Oct. 2014.
   NC's natural gas is estimated to be concentrated in Lee, Moore, and Chatham counties.
   Fracking is now done in 31 other states.
3. **Undo Renewable Energy Requirement:** Legislation that passed in 2007 requires that investor-owned electric utilities offset 12.5% of retail electric sales with renewable energy (wind, solar, geothermal, biomass, etc.) and energy efficiency by 2021.
   This spawned a surge of large solar farms, including a large one planned for Duplin County.
   HB 298, sponsored by Rep. Mike Hager (R-Rutherford), would freeze the requirement at the current 3%, and prohibit power companies from converting the costs of renewables beyond 3%.

**E. Health Care**

1. **Health Care Exchange:** Gov. McCrory signed SB 4 (S.L. 2013-5), which tells the federal government to run the health care exchange for NC, instead of having a state-run exchange (which 18 states have chosen), or a hybrid exchange. These exchanges are all online shopping centers. In NC, the exchange would cover 700,000 individuals and small businesses. Every state has to have an exchange under the national Affordable Care Act (Obamacare).
2. **NC's Decision Not To Expand Medicaid:** SB 4 also opts out of expanding Medicaid coverage to 536,000 uninsured, low-income ($15,282 income or less for an individual) adults in NC under the federal Affordable Care Act.
   The federal government would have paid 100% of the cost for the first 3 years, then decline to 95% in 2017, and finally to 90% in 2020 and thereafter.

13 other states opted out of expanding Medicaid.
8 Republican Governors have chosen to expand Medicaid: in Arizona (Gov. Brewer), Florida (Scott), Michigan (Snyder), Nevada (Sandoval), New Jersey (Christie), New Mexico (Martinez), North Dakota (Dalrymple), and Ohio (Kasich); 5 of these states also have Republican-controlled legislatures.
A poll in NC says 56% oppose the legislature's decision to block expansion of Medicaid, while 26% support the decision.

3. **Funds for Adult Care Homes:** HB 5 (signed into law as S.L. 2013-4) provides temporary funds to allow mentally disabled adults to live in group homes; the money is from a $39.7 million fund established by the 2012 legislature.
4. **Mental Health:** The Center's study of the state strategy to provide short-term crisis care in local hospitals found delays of 6 months or more in payments from the state to the hospitals. Our recommendation to improve timely payments by the state to local hospitals also was recommended by a legislative Oversight Committee.

## III. THE LEGISLATURE'S AGENDA

### A. Bills Affecting the Poor

1. **Changes in Unemployment Insurance:** (HB 4, signed into law as S.L. 2013-2) will repay the federal government $2.56 billion NC has owed since 2/09, when the state's high unemployement rate forced the state to borrow to pay unemployment benefits for the first 26 weeks.
   a. Reduces benefits: Cuts the maximum weekly benefit from $535/week to $350/week
      Lowers the number of weeks that the state will pay from 26 (43 states) to 12-20 weeks
   b. Levies temporary higher taxes on most employers (NC currently ranks 30th in this tax rate in US)
   c. Requires the 19,000 employers who currently pay no unemployment tax (those with no history of layoffs) to begin paying
   d. The legislature had lowered unemployment insurance taxes 5 times since 1993 and depleted the Trust Fund.
2. **2014 Repeal of State Earned Income Tax Credit** (**EITC**): HB 82, signed into law as S.L. 2013-10:
   The new NC law will reduce the EITC from 5% to 4.5% of the federal credit for the 2013 tax year and end the state EITC in 2014.
   Workers earning low wages get a tax credit to offset their total state and local tax contributions; the law went into effect in 2007 but was scheduled to sunset at the end of 2013.
   907,000 taxpayers claimed the tax credit in 2011. You have to work to get the tax credit, and the credit is structured to encourage people to work more hours. 60% of the recipients claim the credit for short periods of 1-2 years.
   The EITC has lifted 293,400 people above the poverty line. 1 in 5 people with incomes below $41,000 use the credit.
   NC has the 13th highest poverty level.
   President Reagan called the federal EITC the best anti-poverty, best pro-family, and best job creation measure to come out of Congress.
   A poll in NC says 42% oppose eliminating the Earned Income Tax Credit, while 30% support it.
3. **Proposal To Revive Payday Lending:** (SB 89): Payday lending was banned by NC General Assembly in 2001 because of extremely high interest rates of up to 390% on loans.
   Many borrowers take out 12 or more such loans a year.
   The average payday loan borrower pays $520 in fees on a $375 loan.

### B. Changes in Voting Laws

1. **Require Photo ID to vote:**
   The effect: A study by the NC State Board of Elections found that 613,000 currently-registered voters may not have a photo ID
   a. **Proponents:** Want to prevent fraud; e.g., a woman on Morrisville City Council attempted to vote twice in 2012
   b. Proponents say you have to show ID to cash a check or get on an airplane, but opponents say those are not constitutional rights, as voting is.

c. A poll in NC says 72% are in favor of requiring a photo ID to vote.
d. 34 states have voter ID laws, and 11 of those require a photo ID.
e. **Opponents** say it's a bill trying to suppress votes, especially by Democratic constituencies.
f. Most affected: Elderly (especially those who don't drive) are 26% of those without a photo ID
African Americans are 31% of those without a photo ID; Obama won 93% of African American vote.
Young people 18-25 are 16% of those without a photo ID; Obama won 60% of youth vote.
g. During the past 12 years, 1,032 cases of voter fraud have been referred by the NC State Board of Elections to local district attorneys for prosecution, but only 1 case involved impersonation of another voter – the type of fraud a photo ID is designed to stop. During those 12 years, more than 21 million ballots were cast, so fraud cases represent 4 thousandths of 1% of all votes cast.
h. Photo ID laws has been struck down by some courts (Texas and Wisconsin) and their implementation has been invalidated in SC and PA.

2. **Other possible changes in voting laws:**
a. **Ban straight ticket voting**: (SB 82, HB 185): 55% voted a straight Democratic ticket in 2012 vs. 43.5% who voted a straight Republican ticket
A poll in NC says 68% support having the option to vote a straight-party ticket, while 21% say this should not be an option.
b. HB 451 would **shorten the early voting** period by a week, **abolish same-day registration and voting** during the early voting period, **prohibit voting on Sunday**, and **end straight ticket voting**. SB 428 includes several of these same measures.

**C. Proposed Constitutional Amendments to NC Constitution:** 17 amendments proposed so far, including:
1. Right to work/secret ballot in vote on union representation (HB 6, HB 53)
2. Prevent government from using eminent domain powers for economic development purposes (HB 8)
3. Limit Speaker of the House and President Pro Tem of Senate to 2 two-year terms (HB 9)
4. Restrict limitations that may be placed on a person who holds a concealed carry gun permit (HB 246)
5. Have the Governor and Lieutenant Governor run as a team, as the President and Vice President do (HB 436)
6. Appoint instead of elect the Superintendent of Public Instruction (SB 12)
7. Limit growth in state budget to a formula based on inflation and population growth and require a 2/3 vote of legislature to exceed the previous year's spending ("Taxpayer Bill of Rights," HB 274)
8. A "Sunshine Amendment" to put open meetings and public records rights in the Constitution (SB 331)
9. Restrict the annexation ability of cities (HB 79)
10. Allow a person accused of any criminal offense to waive the right to a jury trial and instead be tried by a judge (SB 399)
11. Allow certain non-lawyers (sheriffs, magistrates, law enforcement officers, and clerks of Superior Court, with varying years of experience required) to serve as District Court judges (HB 397)

**D. Strip Current Appointees from State Boards and Commissions**
1. **SB 10**: The Senate version would remove all current members from 6 of the most powerful state boards and commissions with rulemaking authority – the Coastal Resources Commission, Environmental Management Commission, Wildlife Resources Commission, Industrial Commission, Lottery Commission, and Utilities Commission. The Senate bill takes away some of Governor's appointments and gives them to the legislature on 2 of these commissions and removes some of the Governor's appointments on a third. And, the bill would change the makeup of the Coastal Resources Commission – reducing the number of environmentalists and members with scientific expertise and increasing the number of business appointees. The Senate bill would terminate 14 other boards and commissions. The Senate version also would eliminate 12 special Superior Court Judges. The state Constitution says a judge cannot be removed except by impeachment.
2. **The House version** removed the provision eliminating the judges and pulled back on removing all members of the Industrial Commission and the Utilities Commission, choosing to shorten the appointees'

terms instead. It still fires more than 100 members of various commissions. The House bill also would remove all members of the Post-Release Supervision and Parole Commission and give the legislature more appointments to the State Personnel Commission. The House version terminates 15 other boards and commissions.

3. **Both versions** of the bill would give the legislature two new appointments to the Board of Transportation.
4. This bill marks the first major division between House and Senate Republicans. In 1982, the NC Supreme Court in *Wallace v. Bone* said it was unconstitutional for legislators to serve on executive branch boards. Advisory opinions by the Court and the Attorney General's Office also raised doubts about the legislature appointing non-legislators to policymaking boards in the executive branch.
5. **SB 10 is now in conference committee.**

## IV. GOV. PAT McCRORY'S PROPOSED BUDGET FOR FISCAL YEARS 2013-2014 AND 2014-2015

### A. Big Picture in a 324-Page Budget

1. Most agencies would be cut 1%-3% and 900 jobs would be cut; the state budget grows from $20.2 billion to $20.6 billion (because of growth in student population, health care costs, and overall population); the budget is still lower than state budget 5 years ago
2. 1% pay raise for state employees and teachers (costs $340 million) and 1% cost-of-living increase for retirees ($73 million)
3. The budget is relatively silent on the Governor's position on tax reform: (a) he wants to repeal the inheritance (estate) tax, which yields $52 million a year in revenue; and (b) he wants any changes in the individual and corporate income taxes and sales tax to be "revenue neutral" (yield the same amount of revenue as the current system).
4. No signature programs or initiatives: McCrory says he has structured his budget around his 3 priorities — the economy, education, and efficiency and transformation in state government

### B. Education

1. **Public schools**: increased funding for digital learning
   funding to hire 1,800 new teachers
   BUT cuts 3,000 teacher assistants
   The NC Association of Educators criticized this, saying it undermines the Republicans' goal of having all students read by the 3rd grade.
   $52.4 million for 5,000 pre-kindergarten slots over 2 years, accomplished partly through a transfer of lottery money
   $28 million for implementation of provisions of Senate President Pro Tem Phil Berger's Excellent Public Schools Act enacted in 2012: summer reading camps and reading plan for parents
2. **Community Colleges**: $28 million for new equipment and programs of high market demand
   The Community colleges are experiencing declining enrollment, after years of increasing enrollment.
3. **UNC System**: $33 million in FY 2013-2014 for UNC's new Strategic Directions Initiative, which is designed to increase the state's college attainment rate
   BUT $139 million cut overall (=5.4% cut )
   BUT this cut is partly offset by increased revenue from a tuition increase on <u>out-of-state</u> students (so the net cut to the UNC system is 2.9%)
   AND by $50 million earmarked for repairs and renovations in the UNC system.

### C. Efficiency and Transformation in State Government (Columnist Rob Christensen of *The News and Observer* calls the Governor's plan a budget "an accountant would love.")

1. $300 million for Repairs and Renovations Fund to help rebuild the state's core infrastructure and as the first step in a 25-year infrastructure plan; $50 million of this Fund is earmarked for the UNC system
2. Almost doubles the Rainy Day Fund from $413 million to $813 million
3. $20 million for Disaster Relief Reserve fund
4. $67 million for an Information Technology Systems Reserve

5. $20 million for a Pay Adjustment Reserve for pay increases and retention bonuses for key employees
6. Funding for his NC Government Efficiency and Reform (NC GEAR) project: He plans to reorganize the NC Dept. of Commerce first and later all of state government.

**D. Justice and Public Safety**

1. Creates a new Center for Safer Schools ($625,000): Since 2008, the number of guidance counselors, school psychologists, and social workers has declined, while the public school student population grew.
2. Closes 5 prisons in Bladen, Burke, Duplin, Robeson, and Wayne counties (saves $20 million)
3. Uses part of the prison closing savings to hire 323 probation officers and 16 post-release supervisors, and increase electronic monitoring to implement the Justice Reinvestment Act passed in 2012
4. Reinstates funding for local drug treatment courts,
5. Transfers almost ½ (210 of 444, or 47%) of the Attorney General's attorneys and support staff to 14 other agencies

**E. Environment**

Continues major cuts to environmental trust funds:

- Clean Water Management Trust Fund: cut from $100 million 3 years ago to $6.7 million
- Parks and Recreation Trust Fund: cut from $27.5 million to $15.5 million
- Natural Heritage Trust Fund: cut from $9.9 million to $4.23 million

**F. The Budget's Effect on Nonprofits**

1. The Golden Leaf Foundation's annual amount to be received under the tobacco lawsuit settlement, $65 million a year, would be transferred to the state's General Fund.
2. State-created nonprofits would be cut: Rural Economic Development Center: cut $10 million
   Biotechnology Center: cut $10 million
   Biofuels Center: cut $1 million
3. Various nonprofits receiving funding from the Dept. of Commerce for minority economic development, community development, etc. would be cut or eliminated, including the N.C. Assn. of Community Development Corporations, Land Loss Prevention Project, and NC Indian Economic Development Initiative.

**Winners in McCrory's Budget**

1. UNC System: $33 million for their Strategic Directions initiative
2. Citizens at Division of Motor Vehicles offices, who would have services available on Saturdays
3. Victims of state eugenics program sterilizations, who would be compensated
4. Medicaid: $575 million increase over 2 years
5. Those with estates over $5 million who won't pay the state inheritance/estate tax
6. Digital learning in schools
7. 5,000 children who would gain access to pre-kindergarten
8. Community colleges in need of new equipment for job training
9. Advocates of reserve funds for repairs and renovations, rainy days, and disaster relief

**Losers**

1. UNC System: cut by $139 million, but partly offset by tuition increase and repairs and renovations funds
2. Environmental trust funds
3. Employees at 5 prisons in 5 rural counties lose their jobs
4. Employees at 3 historic sites and 1 museum in 4 rural areas lose their jobs
5. Rural Economic Development Center and Golden Leaf Foundation, both of which make grants mostly in rural counties
6. Public financing of judicial campaigns and check-off contributions to political parties are abolished
7. State Lottery: some money is transferred to pre-K and digital learning, and advertising is curbed
8. NC Department of Justice
9. Legislators who lunch, as the price of meals would go up 10%

An electronic version of Gov. McCrory's budget is available at the N.C. Office of State Budget and Management's website at *http://osbm.nc.gov/thebudget*

## CENTER ELECTS 9 NEW BOARD MEMBERS AND OFFICERS FOR 2013

The Center announced the election of nine new members to its statewide 26-member Board of Directors. The Center also announced its officers for 2013.

**New Center Board Members**

Elected to the Center's statewide Board of Directors for three-year terms (2013-2015) were: Noel Allen of Raleigh, Phyllis Bosomworth of Elizabeth City, Steve Bowden of Greensboro, Steve Brechbiel of Durham, Jean Gordon Carter of Raleigh, Rhett Mabry of Charlotte, Horacio Sanchez of Durham, Joe Warner of Rocky Mount, and Chris William of Charlotte.

Allen is an attorney with the law firm of Allen Pinnix & Nichols and former Chair of the Elon University Board of Trustees. Bosomworth is the owner of Long and Foster Real Estate and President of the College of the Albemarle Foundation Board. Bowden is an attorney and former Board member of the Community Foundation of Greater Greensboro. Brechbiel is Senior Director of Community Relations for Quintiles, while Carter is an attorney specializing in estate planning and charitable giving with the law firm of Hunton and Williams LLP. Mabry is Vice President for The Duke Endowment and Co-Chair of the N.C. Network of Grantmakers. Sanchez is President and CEO of Resiliency Inc., a firm that provides training, consultation, and technology services to education, mental health, and juvenile justice agencies. Warner is a former City Councilman in Rocky Mount and retired franchise owner of MUZAK. William is a Senior Executive Consultant at Wells Fargo Wealth Management and host of the weekly PBS TV program, "Carolina Business Review."

"The Center's Board is carefully constructed to be representative of the citizens of North Carolina in terms of race and ethnicity, gender, region of the state, and political party affiliations," says Board Chair Leslie Walden of Chapel Hill. "We are very pleased to welcome these outstanding citizens and leaders to our Board."

Leslie Walden, Vice President, Public Affairs, NC Region, Fidelity Investments, and 2013 Chair of the Center's Board of Directors

**Officers Elected for 2013**

Walden was elected Chair of the Center's Board of Directors for 2013. She is Vice President of Public Affairs for the NC Region for Fidelity Investments. Also elected as officers for one-year terms were Betty Craven of Chapel Hill as Vice Chair, Tina Wilson of Apex as Secretary, and Bob Morrison of Asheboro as Treasurer. Craven is the President of The Warner Foundation, while Wilson is the Manager for Corporate Citizenship and Corporate Affairs for IBM Corporation. Morrison retired last year and is the former President and CEO at Randolph Hospital in Asheboro.

Other members of the Center's 26-member Board of Directors are Brian Buzby of Raleigh, John Davis III of Winston-Salem, Heather Graham of Durham, Lynn Holmes of Raleigh, David Miner of Cary, Cristina Morales of Charlotte, Tara Sandercock of Greensboro, Jo Anne Sanford of Raleigh, Allen Smart of Winston-Salem, Jack Stanley of Greensboro, Peggy Valentine of Winston-Salem, Doug Walker of Raleigh, and Larry Weiss of Asheville.

Buzby, Morrison, Sandercock, Sanford, Walden, and Wilson were re-elected to serve another term on the Center's Board. Board members normally serve staggered three-year terms, with a limit of two consecutive terms. Completing their service on the Board were John Bardo of Cullowhee, Joan Lipsitz of Pittsboro, Pat Martinez of Charlotte, Don Munford of Raleigh, Fred Stang of Chapel Hill, and Johnny Wilson of Greenville.

# Special Thanks to Our Foundation and Corporate Contributors
# September 2012 - March 2013

The Center is grateful to **The North Carolina GlaxoSmithKline Foundation** for their grant of $160,000 over two years for our study of key issues affecting North Carolina's rapidly-growing aging population. We also are grateful to **The Warner Foundation** for their grant of $40,000 over two years in precious general operating support. And, the Center thanks **The Park Foundation** for their grant of $10,000 in general operating support. Finally, we thank **The Cannon Foundation** and **The James G. Hanes Memorial Fund** for their grants of $25,000 and $5,000, respectively, for our study of key issues affecting North Carolina's rapidly-growing aging population

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### PROGRESS ON LEGISLATION TO REDUCE FRAUD AGAINST THE ELDERLY

Americans over 60 lose at least $2.9 billion annually to financial exploitation – ranging from simple home repair scams to identity theft to complex insurance swindles. The nonprofit Investor Protection Trust found that 84 percent of the experts who deal with financial exploitation said the problem of fraud committed against the elderly has worsened. And, according to the Federal Trade Commission, North Carolina already ranks 24th among the 50 states in the number of fraud complaints per capita and 23rd in the number of identity theft complaints.

The Center's Mebane Rash testifies before the Task Force on Fraud Against Older Adults.

In response to our 2010 research and testimony before the Legislative Study Commission on Aging, Sen. Stan Bingham (R-Davidson) sponsored legislation in the 2011 N.C. General Assembly that created a Task Force on Fraud Against Older Adults within the Consumer Protection Division of the Attorney General's office. The Task Force was charged to study ways to prevent and reduce fraud committed against the elderly.

In 2012, Sen. Bingham and Rep. Hugh Blackwell (R-Burke) served as Co-Chairs of the Task Force. Center director Ran Coble and *Insight* editor and attorney Mebane Rash were both appointed as members of the Task Force. The Task Force brought together key stakeholders in efforts to prevent fraud committed against the elderly, including staff from the N.C. Attorney General's office, N.C. Bankers Association representatives, the FBI, district attorneys, local law enforcement officials, AARP, and state and local agencies.

The Task Force met throughout 2012 and issued its final report with recommendations for legislation to the 2013 N.C. General Assembly. Those recommendations include working with banks to prevent fraud and working with the N.C. Conference of District Attorneys to prosecute fraud committed against the elderly. In 2013, the Center will continue to work to reach bipartisan consensus on a comprehensive approach that will protect our vulnerable seniors against fraud and identity theft. We are pleased to report that Senate Bill 140 was introduced by Sen. Bingham on February 28th and already has received a favorable report from the Senate Health Care Committee. It is now in the Senate Judiciary I Committee.

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