



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

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NEW LEGISLATION BASED ON CENTER RESEARCH WILL HELP PROTECT ELDERLY FROM FRAUD IN NC

Although schemes to rip off unsuspecting seniors are not new, what is new is the growing population of older adults in North Carolina, the increased sophistication of scams using the Internet, and the international scope of this crime.

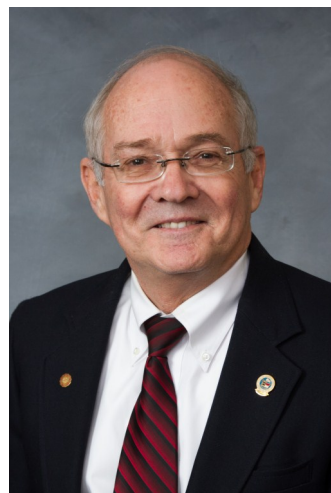
These scams take place statewide. For example, in Burke County, scam artists based in Jamaica have targeted older adults. One woman lost \$52,000. In Raleigh, a 92-year-old former Army colonel was bilked out of more than \$227,000 by home repair con artists. In Clinton, the caretakers of an elderly man took close to \$16,000 worth of jewelry, charged more than \$14,000 on his credit cards, stole his trailer, and hauled off his computer, refrigerator, and washing machine.

The stories of fraud committed against the elderly across this state are rampant and appalling. It is even more tragic when the fraud is carried out by relatives, family friends, or caregivers. Scammers do not discriminate, targeting elders of all socio-economic brackets, all races, both male and female. Some risk factors include being homebound, having memory impairments, possessing assets that are easily converted to cash, and the expectation that often seniors are just more polite.

The most recent data from the Federal Trade Commission shows 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 per capita. The Federal Trade Commission says that people over 50 account for almost one-half of all consumer fraud complaints, and more than a third of all identity theft complaints. These figures are likely to go up quickly as the huge Baby Boom generation started turning 65 in 2011. By 2020, 820,000 more Baby Boomers will turn 65 in North Carolina, so that's 820,000 more targets for scammers. The Center conducted research on this important issue and made recommendations to the legislature in *North Carolina Insight* in 2010.

In 2011, we were invited to testify before the Legislative Study Commission on Aging on our research and recommendations. The 2011 legislature then passed legislation creating a new Task Force on Older Adults within the Consumer Protection Division of the Attorney General's office.

That Task Force was chaired by Senator Stan Bingham (R-Davidson) and Representative Hugh Blackwell (R-Burke). It included representatives from the financial industry such as the NC Bankers Association, State Employees Credit Union, and Commissioner of Banks; from state agencies such as the Division of Aging and Adult Services and the State Treasurer's Office; from advocacy groups for the aging such as AARP and the Senior Tar Heel Legislature; from law enforcement groups such as the FBI, the NC Conference of District Attorneys, and the NC Chiefs of Police; and two of us from the NC Center for Public Policy Research.



Sen. Stan Bingham



Rep. Hugh Blackwell

The Task Force met throughout 2012 and came up with a multi-pronged approach that is designed to prevent fraud on the front end with the help of the banking, savings and loan, and credit union community, and to step up prosecution of fraud on the back end with the help of the NC Conference of District Attorneys and the Attorney General's office.

Sen. Bingham took the recommendations of the Task Force and sponsored Senate Bill 140 (signed into law as Session Law 2013-337 by Governor Pat McCrory) to protect against the financial exploitation of older adults. The bill passed the Senate 47-0 and was shepherded through the House by Rep. Blackwell with a vote of 111-1. This new legislation will increase the recognition of fraud committed against the elderly and work to prevent it, increase reporting when fraud is suspected, and increase the prosecution of those who would defraud or financially exploit the elderly. It also continues the work of the Task Force on Fraud Against Older Adults.

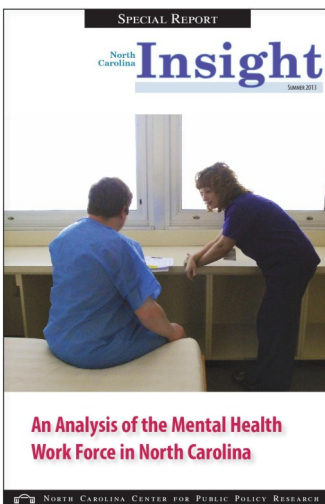
So whether it's fake home and roof repair schemes in Wake, Nash, and Wilson counties, or scammers in other countries using the Internet, or securities fraud targeting an Alzheimer's victim in Wake County, or a fake home health aide stealing money and checks in Mecklenburg County, or sweepstakes and lottery scams in Northeastern North Carolina, or a scam in your own hometown, the research of the Center and the work of the Task Force will help prevent fraud committed against the elderly and step up prosecution of fraud all across North Carolina.

CENTER RELEASES RESEARCH ON MENTAL HEALTH WORK FORCE IN NC

In 2008, the state released a report on the mental health work force in North Carolina, finding that basic information about the work force was not available, and therefore it was unable to compare the work force needs against the then-available staff and their skills. In August, the Center released data that will begin to fill that gap.

Mebane Rash, an attorney at the Center, says, "Imagine trying to build a company without basic work force information. The state employs more than 10,000 people in its mental health system, and yet until now basic data about the work force has been unavailable." For example, the state has been unable to evaluate whether its pipeline of workers is adequate, given the aging of the work force and the state's nursing shortage.

The Center's analysis of the mental health work force in North Carolina is part of our long-term evaluation of the state's efforts in mental health reform. The work force analysis is being conducted in two phases. Phase I is an analysis of the work force of the NC Division of Mental Health, Developmental Disabilities, and Substance Abuse Services (MH/DD/SAS) and also of the 14 state-operated facilities providing mental health, developmental disability, and substance abuse services. These facilities include three state psychiatric hospitals, three alcohol and drug abuse treatment centers (ADATCs), three developmental centers for people with intellectual and developmental disabilities, two residential programs for children, and three neuro-medical treatment centers (NMTCs). Research for Phase II of the Center's work force analysis will be conducted in 2013-14 and will include a survey of the state's managed care organizations (MCOs), as well as of mental health providers.



Key Findings

As of the summer of 2012, the NC Division of MH/DD/SAS employed 10,564 persons in 13 of the 14 state-operated facilities and in the state central office. The work force in the state-operated facilities (excluding the state central office) divides into eight broad job categories. The largest category is medical health, which contains 65 percent of the total work force. Overall, nursing aides account for 43 percent of the employees in the state-operated facilities.

Perhaps the Center's most important finding is that the state's mental health work force is aging, with Baby Boomers accounting for 48 percent of the work force. This means that almost half the state's mental health work force is nearing retirement.

Females comprise 70 percent of the work force in the state-operated facilities. When gender and race are combined, the single largest group in the work force is African-American women (36 percent). Due in part to the occupational composition of the work force, more than half of the work force in state-operated facilities (excluding the state central office), or 52 percent, possesses no more than a high school diploma.

Nursing Jobs in the Mental Health Work Force

Nursing jobs are the single largest category of employees in the state's mental health system. This branch employs 58 percent of the work force in state-operated facilities (excluding the state central office employees). The nursing job branch contains 5,982 employees divided into four broad occupational groups – nursing, psychiatric, and home health aides (4,469); registered nurses (1,641); nurse practitioners (335); and medical health services managers (17).

African-American workers account for 69 percent of all the aides in the state's mental health work force. These aide positions tend to require little formal education and pay relatively low wages. According to the U.S. Department of Labor, the median hourly wage for aides in North Carolina in 2011 was \$10.64. White workers account for much larger shares of the nurse practitioners (54 percent) and registered nurses (68 percent).

28 Counties in NC Do Not Have a Psychiatrist

The Sheps Center for Health Services Research at UNC-Chapel Hill also recently released data for 2011 on the number of psychiatrists in each of NC's 100 counties. Twenty-eight counties do not have a psychiatrist, and an additional 18 only have one psychiatrist. Seventy counties do not have a child psychiatrist, and an additional 14 have only one. And, only six counties have a geriatric psychiatrist. Finally, only five counties have addiction psychiatrists, and only 13 counties have physicians specializing in addiction and chemical dependency.

The 28 counties that do not have a psychiatrist are Alleghany, Anson, Ashe, Bertie, Bladen, Camden, Dare, Edgecombe, Franklin, Gates, Graham, Hoke, Hyde, Jackson, Jones, Macon, Madison, McDowell, Mitchell, Montgomery, Northampton, Pamlico, Scotland, Swain, Transylvania, Tyrrell, Warren, and Yancey.

The Center wishes to thank the NC GlaxoSmithKline Foundation and the Kate B. Reynolds Charitable Trust for their support for this project. Additional support for previous pieces of our work evaluating mental health reform came from The Cone Health Foundation, Reidsville Area Foundation, and John Rex Endowment.

The full Center report on the mental health work force is available on the Center's Website at <http://bit.ly/NCCPPRMHWF>. The Sheps Center data is available at <http://www.shepscenter.unc.edu/hp/prof2011.htm>.

LEGISLATION ENACTS CENTER INSIGHTS AND RECOMMENDATIONS TO IMPROVE MENTAL HEALTH SERVICES

One of the newest strategies of the state in mental health reform is the use of 3-way contracts between the state, local mental health management entities, and local hospitals. The purpose of these contracts is to buy bed space for mental health patients in short-term crisis at local hospitals, and also to keep those patients out of hospital emergency rooms and out of state psychiatric hospitals. The legislature appropriated \$38 million this year (FY 2013-14) for contracts in at least 22 hospitals.

The Center published its evaluation of this program in December 2012. Our research found that the state was not making timely payments to the local hospitals. For example, Cannon Memorial Hospital in Linville waited 7 months for payment. We also found that the local bed contracts were not available in all areas of the state, so we suggested that they be spread more evenly around the state, among other factors. Finally, we found that hospitals had a financial incentive to take patients that were the easiest to stabilize and discharge, so we noted that a tiered payment structure would provide more money to hospitals for taking the patients with tougher or more severe problems. We also recommended evaluation of the results under these contracts. All four of these insights and recommendations were included in 2013 legislation.

Another piece of good news in mental health policy is that the budget appropriates \$2 million a year for the next 2 years for a new statewide telepsychiatry program that will improve access to psychiatric care for patients in rural areas. This could particularly help in those 28 counties that have no psychiatrist.

REVIEW OF IMPORTANT ACTIONS BY THE 2013 LEGISLATURE (January 30 - July 26)

by Ran Coble

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

INTRODUCTION: HOW THIS LEGISLATURE IS DIFFERENT

Republicans have a supermajority (more than 3/5) in the legislature (33-17 in the Senate and 77-43 in the House), hold the Governor's office, and have a majority on the state Supreme Court – thus controlling all 3 branches of state government for the first time since 1898. 56%, or 95, of all 170 legislators weren't there just 3 years ago.

I. MAJOR CHANGES IN THE TAX LAWS PASSED BY THE 2013 NC GENERAL ASSEMBLY

- A. House Bill 998 (signed into law by the Governor as Session Law 2013-316) changes NC's **individual income tax** from a *graduated income tax* with 3 brackets ranging from 6% to a 7.75% tax rate (where the more you make in income, the more tax you pay) to a *flat tax* (where everyone pays the same tax rate, regardless of income). Thus, a taxpayer making NC's median income of \$41,750 will pay the same tax rate as a taxpayer making \$4 million. The flat tax rate will be 5.8% in 2014 and 5.75% in 2015. Personal income tax exemptions are replaced with increased standard deductions.
- B. The **corporate income tax** rate is cut from 6.9% to 6% in 2014 and to 5% in 2015.
- C. **Sales Tax:** The bill repeals 47 of the 318 existing deductions or credits, and it does not levy a **sales tax** on most services.
 - 1. Two of the original stated goals of the Republicans in tax reform were (1) to broaden the sales tax base by taxing services, and (2) to repeal all tax deductions and credits and simplify the tax code.
 - 2. The bill repeals the August **back-to-school sales tax holiday** beginning in 2014, and repeals the **Energy Star Appliance sales tax holiday**, which exempted energy-efficient appliances from sales tax.
- D. The bill repeals the **estate tax** retroactively to January 1, 2013 and caps the **gas tax** at 37.5 cents per gallon from 10/1/13 to 6/30/15.
- E. Legislation passed earlier in the session (HB 82, S.L. 2013-10) repeals the **Earned Income Tax Credit** for low- and moderate-income taxpayers, or the working poor.
- F. Governor Pat McCrory had asked that any tax legislation be **revenue neutral**, but the bill raises an estimated \$524 million **less revenue** over the next two Fiscal Years 2013-15, and about \$1.9 billion less in Fiscal Years 2015-18.

II. THE STATE BUDGET

A. **The Big Picture in a 340-Page Budget (Senate Bill 402, S.L. 2013-360)**

- 1. The total state budget for Fiscal Year 2013-14 is \$20.6 billion, \$400 million more than last year's budget – mostly due to growth in school enrollments, health care costs, and the total state population. Most of the increased spending goes to cover Medicaid costs.
- 2. State employees and teachers received no pay raises, but got 5 additional days of vacation.

B. **Education**

- 1. **Pre-Kindergarten:** The budget transfers \$12.4 million in education lottery funds to create slots in the NC Pre-K program. Following Gov. Beverly Perdue's one-time expansion in FY 2012-13, the number of Pre-K slots was 29,652. The total number of Pre-K slots in FY 2013-14 is 27,500.
- 2. **Public Schools:** The budget provides \$10.7 million to fully fund the projected growth in student enrollment, and it eliminates the previous requirement that local school districts cut spending and return part of their education money to the state by reducing specific allotments to local school districts.

However, the budget increases the student-teacher ratios in grades 4-12 that are used to determine total funding, which means local school districts may have to cut teacher positions. The budget also cuts funding for teacher assistants by \$120 million, or 21%, which is about 3,800 positions for FY 2013-14. NC now ranks 46th in the U.S. in average teacher pay, down from 27th six years ago.

The budget eliminates the 10% salary boost for teachers with advanced degrees who have not already earned the advanced degree in the 2013-2014 school year. The Governor and legislature may try to modify this in the 2014 short session by granting the pay increase for teachers who are already enrolled in graduate school. The budget also includes \$19 million to further implement Senate President Pro Tem Phil Berger's (R-Rockingham) Excellent Schools Act, which aims to ensure that all students read at grade level by the end of the third grade. The budget also includes \$10.2 million in FY 2014-15 for a new merit pay system. Special provisions in the budget (which change state laws unrelated to the budget, a practice long criticized by the Center) phase out teacher tenure by 6/30/18 and instead will have the state hire teachers on contracts ranging from 1-4 years.

3. **Community Colleges:** The budget changes the enrollment funding model, resulting in a \$20 million cut, but it appropriates \$4 million in one-time money to offset the effects of this change on the community colleges most affected.

The budget adds \$10 million for instructional equipment and \$4.8 million for retraining of the long-term unemployed.

It also increases tuition from \$69 per credit hour to \$71.50 per credit hour, which is a 56% increase since FY 2008.

4. **UNC System:** The budget orders UNC to cut \$66 million and implements an additional \$26 million in cuts proposed by UNC as part of its Strategic Directions Initiative. However, the budget does not appropriate the additional funds requested for other parts of that initiative.

The UNC Board of Governors already had increased tuition for in-state students by an average of 8.8% for the 2013-2014 academic year. The state budget mandates increases in tuition in 2014-15 for out-of-state undergraduate students by 12.3% at UNC-Chapel Hill, UNC-Wilmington, A&T State, and the School of the Arts; and increases out-of-state tuition by 6% at other UNC campuses except UNC-C and N.C. State. It also eliminates the \$15 million state subsidy for the UNC-CH Medical School.

C. **Health & Human Services**

1. The budget provides \$434 million to fund projected enrollment growth in Medicaid, with an additional \$50 million to cover enrollment growth anticipated under the federal Affordable Care Act. That act requires everyone to obtain health insurance, so Medicaid enrollment is projected to increase as those who are currently eligible for, but not enrolled in, Medicaid sign up. However, the budget cuts the number of doctor visits (from 22 to 10) that Medicaid will pay for, increases co-payments by patients, and lowers reimbursement rates paid to health care providers.
2. The Governor has proposed reforming Medicaid by having private companies and managed care organizations bid to run the program. The budget authorizes the Governor to develop a plan for changes in Medicaid.
3. The budget provides \$4.6 million for adult care and group home residents who become ineligible for Medicaid personal care services in 2013. It also cuts funding for the 3 state Alcohol and Drug Abuse Treatment Centers by \$4.9 million, or 12% each.
4. The budget provides \$10 million in compensation to be divided equally among the living victims of the state's eugenics program sterilizations (1929-74).



The budget appropriates \$2 million a year for the next 2 years for a new statewide telepsychiatry program to improve access to psychiatric care for patients in rural areas.

D. Commerce & Economic Development

1. The budget includes special provisions (changes in law unrelated to the budget) that allow the Governor to reorganize the Dept. of Commerce and create a public-private partnership that would take over much of the department's responsibilities for attracting new businesses and creating jobs. The Governor's final plan must be approved by the General Assembly.
2. The budget eliminates all state funding (\$16.6 million) for the NC Rural Economic Development Center and creates a new Division of Rural Economic Development within the Dept. of Commerce with \$11.3 million in funding.
3. The budget cuts funding for the NC Biotechnology Center by 27% (\$4.6 mil.) and eliminates state funding to 10 nonprofits that promote economic development for minorities and economically-distressed communities, including the NC Institute of Minority Economic Development, the NC Association of Community Development Corporations, the NC Community Development Initiative, Land Loss Prevention Project, Biofuels Center, and NC Indian Economic Development Initiative.

E. The Effect of the Budget on Rural Areas

1. The budget closes prisons in 4 rural counties (Bladen, Duplin, Robeson, and Wayne) and closes Western Youth Correctional Center in Burke County.
2. It reduces funding to 4 historic sites, 3 of which are in rural areas, and a museum in McDowell County.
3. In addition to eliminating state funding for the Rural Economic Development Center, the budget diverts funding that previously went to the Golden Leaf Foundation to the Tobacco Settlement Reserve Fund in the state's General Fund. Both the Rural Center and Golden Leaf Foundation made grants to projects in rural counties.
4. The Governor's Strategic Mobility Fund Initiative changes the funding formula in a way that makes it less likely that rural areas will receive as much funding for their road projects.
5. The legislature's decision not to expand Medicaid impacts rural hospitals' financial viability. For example, Vidant Health System in Eastern NC announced in September that it will close its hospital in Belhaven within 6 months, saying the decision was triggered by the state's decision not to expand Medicaid.

III. HOW GOVERNOR MCCRORY FARED ON HIS BUDGET AND LEGISLATIVE PRIORITIES

A. Succeeded

1. Passage of his Transportation Strategic Mobility Fund Initiative (HB 817, S.L. 2013-183), which changes the formula for funding roads.
2. Authorization to develop a plan that turns the Dept. of Commerce into a public-private partnership to recruit businesses and create jobs.
3. Authorization to develop a plan to change the Medicaid program by having companies and managed care organizations bid to run the program.
4. Passage of bill allowing changes in the state personnel system to give managers greater leeway to hire and fire. The bill also increases the number of positions exempt from the State Personnel Act from 1,000 to 1,500.
5. Passage of several education bills that give more attention to vocational education (SB 14, S.L. 2013-1), develop digital learning standards for teachers and administrators (HB 23, S.L. 2013-11), and shift funding from textbooks to digital materials (HB 44, S.L. 2013-12). The Governor also created a new N.C. Center for Safer Schools in March 2013.
6. Passage of legislation updating the state's information technology system with a \$60 million Reserve Fund.



7. The budget added \$232 million to the Rainy Day Fund and \$150 million for the Repairs and Renovations Fund in FY 2013-14.

B. Did Not Succeed

1. Did not get the 1% pay raise he requested for teachers and state employees.
2. Did not get the money he wanted to re-establish drug treatment courts.
3. Wanted to get “deeper into energy exploration;” he says, “This goal is not considered to be achieved.”
4. Wanted changes in the tax laws to be “revenue neutral” and produce at least the same amount of revenue as the state received last year, but the tax cuts substantially reduce future revenues.
5. The Governor vetoed 2 bills: (a) HB 392 would require drug testing for some welfare applicants and recipients, and (b) HB 786, the Reclaim NC Act, an immigration bill which, among other things, would allow agricultural employers to hire immigrant farmworkers for 9 months without going through the federal E-Verify program that verifies the workers are in the U.S. legally. **Both vetoes were overridden** in a special legislative session on September 3rd-4th and now become law.

IV. OTHER SIGNIFICANT LEGISLATION IN 2013

A. Other Significant Education Bills

1. **State Vouchers To Attend Private Schools:** (1) HB 269, S.L. 2013-364, provides \$3 million a year to fund state vouchers worth \$6,000/year for children with disabilities to attend private schools. (2) The state budget bill provides \$10 million to fund vouchers of \$4,200/year for families that meet income guidelines to use public money for private school tuition, beginning with the 2014-15 school year.
2. **Charter Schools:** The budget adds staff for the Office of Charter Schools, and SB 337, S.L. 2013-355, creates a new Charter School Advisory Board. Since the 2011 legislature lifted the 100-school cap on the number of charters allowed, the State Board of Education has approved 23 charter applicants for the 2013-14 school year, and as many as 26 more could open in 2014.

B. Changes in Elections, Voting, and Campaign Finance Laws

1. **Changes in Elections & Voting:** HB 589, S.L. 2013-381, institutes a new requirement requiring a photo ID in order to vote. It also:
 - Reduces the two-and-a-half-week early-voting period by one week; however, the bill requires counties to ensure that the same total number of early voting hours will be provided, either by extending the number of hours or by adding voting sites, or both;
 - Eliminates same-day voter registration during the early voting period;
 - Allows voters to be challenged by any registered voter of the county, rather than just a voter of the precinct in which the person is registered;
 - Prohibits counties from offering voting after 1 p.m. on the last Saturday before the election;
 - Prohibits counties from extending poll hours by one hour on Election Day even in extraordinary circumstances, such as in response to long lines;
 - Eliminates pre-registration for 16- and 17-year olds, who currently can pre-register to vote before they turn 18; and
 - Eliminates straight-ticket voting.
2. **Changes in Campaign Finance Laws:**
 - Increases the maximum-allowed campaign donation from \$4,000 to \$5,000 during each election, with this cap to be adjusted for inflation starting in 2015;
 - Loosens disclosure requirements on political campaign ads paid for by independent committees; and
 - Repeals “Stand by Your Ad,” which required candidates to appear in ads run by their campaigns.

3. **The new voting laws** also:
 - Move the state's Presidential primary from May to the first Tuesday after South Carolina's primary if S.C. holds its primary before March 15;
 - Ban paid voter registration drives; and
 - Repeal the publicly-funded election program for appellate court judges.
4. At North Carolina's annual forum of business CEOs, keynote speaker Colin Powell, a Republican and former U.S. Secretary of State and former Chairman of the Joint Chiefs of Staff of the military, criticized the changes in NC's voting laws, saying, "It immediately turns off a voting bloc the Republican Party needs. These kinds of actions do not build the base. It just turns people away. I want to see policies that encourage every American to vote, not make it more difficult to vote."

C. Bills Affecting the Poor

1. **Changes in Unemployment Insurance:** HB 4, S.L. 2013-2, will repay the federal government \$2.56 billion that NC has owed since 2/09, when the state's high unemployment rate forced the state to borrow to pay unemployment benefits for the first 26 weeks of unemployment. The bill also:
 - 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
Effectively ended extended federal unemployment insurance to more than 65,000 long-term unemployed
 - b. Levies temporary higher unemployment taxes on most employers
 - c. Requires the 19,000 employers who currently pay no unemployment tax to begin paying
 - d. The legislature has lowered unemployment insurance rates 5 times since 1993 and depleted the Unemployment Insurance Trust Fund.
2. **Repeal of State Earned Income Tax Credit (EITC):** HB 82, S.L. 2013-10, 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.
 - a. Under EITC, workers earning low wages receive a tax credit to offset their total state and local taxes. The law went into effect in 2007 but now will sunset at the end of 2013. 907,000 taxpayers claimed the credit in 2011. You have to be working in order to get the tax credit, and the credit is structured to encourage people to work more hours. 60% of recipients claim the credit for short periods of 1-2 years.
 - b. The EITC has lifted 293,000 people above the poverty line in the last two years. 1 in 5 people with incomes below \$41,000 used the credit.
 - c. NC has the 13th highest poverty level, based on the percentage of its population living below the federal poverty level.
 - d. President Reagan called the federal EITC the best anti-poverty, best pro-family, and best job creation measure to come out of Congress.
3. **Amendments to Consumer Finance Laws:** SB 489, S.L. 2013-162, raises the cap on consumer finance loans from \$10,000 to \$15,000. It increases the fees that lenders can charge on consumer finance loans, and it changes the interest rate structure for loans under \$10,000 to charge a 30% rate for a balance up to \$4,000, 24% on a balance between \$4,000-\$8,000, and 18% on a balance of \$8,000-\$10,000. Loans over \$10,000 will have an 18% rate.

D. Health Care

1. **Health Care Exchange:** SB 4, S.L. 2013-5, 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 714,000 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 494,010 uninsured, low-income (defined as a \$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, which would decline to 95% in 2017, and then to 90% in 2020 and thereafter.

21 other states opted out of expanding Medicaid, while 24 states are moving forward on expanding Medicaid. Other states are still deciding.

3. **Funds for Adult Care Homes:** HB 5, S.L. 2013-14, 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. The budget provides an additional \$4.6 million in FY 2013-14.
4. **Mental Health:** The budget increases funding for the three-way contracts between the state, local hospitals, and local mental health management authorities to \$38.1 million. These contracts are designed to provide short-term crisis care in local hospitals. The budget bill includes four of the Center's insights and recommendations: (a) to make more timely payments to local hospitals; (b) to implement a tiered payment system to encourage serving patients with more severe mental problems; (c) to award contracts more equitably across the state; and (d) to require reporting and evaluation of the results under the contracts (see page 3 for more information).

E. Regulatory Reform: HB 74, S.L. 2013-413, establishes a process for evaluating all rules and regulations that state agencies promulgate, based on laws passed by the General Assembly. All rules now must be reviewed every 10 years.

1. All agencies must now evaluate and report whether rules are

- Necessary and of interest to the public,
- Necessary but not of interest to the public, or
- Unnecessary.

If regulators can't make these determinations in a timely fashion, the rules will expire unless they are required by federal law.

2. Ironically, the bill on reducing the number of rules and regulations itself contains new rules, such as:
 - Letting bed-and-breakfast inns serve 3 meals a day;
 - Requiring carbon monoxide detectors at hotels; and
 - Clarifying methods for seizing venomous snakes.
3. Environmental groups objected to provisions in the bill that:
 - Let companies pollute the groundwater up to their facility's property line;
 - Allow landfills to be built closer to state game lands;
 - Require a unanimous vote if local governments want to enact environmental ordinances (on water and air quality, wildlife, public health, mining, and energy) that are more stringent than the state laws before 10/14;
 - Require that garbage trucks need only be leak-resistant, not leak-proof; and
 - Allow billboard owners to cut down more foliage around signs on interstate highway exit ramps and to rebuild aging billboards, including those in communities that have banned new steel structures.
4. The Governor had expressed concerns about the last 2 provisions in the bill, and he took the unusual step of issuing 2 Executive Orders muting their effects:
 - Executive Order #22 allows law enforcement officers to continue to cite leaking garbage trucks to protect public health and safety and the environment.
 - Executive Order #23 orders the N.C. Department of Transportation to consult with local officials before approving plans to clear-cut any plants around billboards.

F. Energy and Environmental Legislation

1. **Fracking**: SB 76, S.L. 2013-365, directs the Mining and Energy Commission to study:

- The feasibility of a coordinated permitting program and a single permit for shale gas exploration;
- The appropriate severance tax rate on fracking operations; and
- Registration requirements for the “landmen” who sign drilling leases with property owners.

The bill also creates a \$250 million offshore energy emergency cleanup fund to be funded by royalties and directs the Governor to work with governors in VA and SC on a regional strategy for offshore drilling and wind farms.

Other industry-friendly provisions that were deleted from the final bill and would have sped up fracking and exploration for shale gas would have:

- Lifted the state’s moratorium on fracking and on issuing drilling permits until all safety rules are written;
- Allowed energy companies to claim trade secrets exemptions and not disclose chemicals used in fracking; and
- Allowed injections of fracking waste fluids in deep wells.

Governor McCrory said that energy legislation was one of his policy objectives for the 2013 session that failed to pass. He said he might call a special legislative session on energy and economic development or bring bills back for the May 2014 session.

2. **Wind Energy**: HB 484, S.L. 2013-51, permits wind energy facilities to operate in NC.

3. **Delay of Jordan Lake Cleanup**: SB 515, S.L. 2013-395, delays for 3 years the implementation of rules designed to clean up Jordan Lake. SB 315, S.L. 2013-386, requires Durham to provide municipal services to a development that is projected to increase pollutants running into the lake. Jordan Lake is the drinking water source for about 300,000 North Carolinians.

4. **Natural Heritage Trust Fund & the Tax Credit for Land Conservation**: Abolished the separate Natural Heritage Trust Fund and transferred the remaining functions and fund balance to the greatly-reduced Clean Water Management Trust Fund. Also repealed the state income tax credit for land conservation.

5. **Renewable Energy Portfolio Standard**: An effort (HB 298) to repeal NC’s Renewable Energy Portfolio Standard and tax credits failed in the face of opposition from the growing solar industry (In 2012, NC’s solar industry was the 5th busiest in solar installations in the U.S.), hog farmers, and environmentalists. The renewable energy industry has added an estimated 20,000 job years in NC since 2007.

6. **Energy Efficient Building Codes**: Also failing was an effort (HB 201) to undo actions by the NC Building Code Council in 2011. The Council adopted more energy-efficient building codes for residential and commercial construction.

G. Abortion: SB 353, S.L. 2013-366, makes the following changes in abortion laws:

- Eliminates insurance coverage for abortions for city and county employees and for those covered by the state’s federal health insurance exchange under the Affordable Care Act;
- Authorizes state officials to regulate abortion clinics more strictly than they do now by meeting standards applicable to outpatient surgery centers;
- Requires a physician to be present for the first dose of an abortion-inducing drug;
- Prohibits abortions on the basis of the sex of the fetus; and
- Allows additional medical personnel to refuse to participate in abortions as a matter of conscience (doctors and nurses already can refuse).

SB 132, S.L. 2013-307, requires that health education classes for middle school students be taught that abortion is a risk factor for premature births, a matter of dispute among researchers.

Gov. McCrory signed both bills into law, despite promising in his campaign not to sign any legislation that restricts access to abortions.

H. Criminal Justice

1. **Repeal of the Racial Justice Act**: SB 306, S.L. 2013-154, repealed the Racial Justice Act of 2009, which allowed convicted murderers to use statewide or local statistics to argue that racial bias in court proceedings and jury selection was a significant factor in the decision to seek or impose the death penalty. If bias was proved, the sentence became a life sentence without parole instead of the death penalty, if a judge agreed. Republicans already had restricted the use of statistics to the local level with a 2012 law that also required other forms of evidence to overturn a death penalty ruling, before passing the full repeal in 2013.
2. **Child Abuse Laws**: HB 75, S.L. 2013-35 (Kilah's Law), HB 149, S.L. 2013-52 (Caylee's Law), HB 399, S.L. 2013-378, and SB 117, S.L. 2013-47 (Lily's Law), beef up existing child abuse laws. They increase penalties, define it as murder when a child is injured in the womb and dies after birth, and make failure to report a child's disappearance a criminal offense.
3. **Human Trafficking**: SB 122, S.L. 2013-33, adds human trafficking to the list of crimes that require registration as a sex offender. SB 683, S.L. 2013-368, creates a safe harbor for victims of human trafficking and for prostituted minors.
4. **Gun Laws**: HB 937, S.L. 2013-369, allows those with concealed carry gun permits to take their guns into bars and restaurants that serve alcohol and to parades and funerals. If they keep the weapons in a closed compartment in their locked vehicles, they also can carry guns onto school campuses – from kindergarten to college. The bill also restricts local governments from banning concealed handguns in parks and greenways, and requires sheriffs to keep the names of gun permit holders and applicants confidential. It increases penalties for some gun crimes and strengthens reporting and federal background checks. It also makes gun silencers legal for hunting.

I. Curb on Fraud Committed Against the Elderly: SB 140, S.L. 2013-337, is based on the Center's research and recommendations. It is designed to increase reporting, prevention, and prosecution of fraud committed against the elderly. It also continues the state Task Force on Fraud Against Older Adults under the Consumer Protection Division of the Attorney General's Office.

J. Proposed Amendment to the State Constitution: SB 399, S.L. 2013-300, submits to the voters a proposed amendment to the state Constitution that would allow a criminal defendant to waive the right to a jury trial when the prosecutor is not seeking the death penalty. The defendant would then be tried by a judge. The amendment will be on the Nov. 2014 ballot.

K. State Involvement in Issues That Traditionally Are Under Local Control:

1. **Charlotte Airport**: SB 81, S.L. 2013-272, and SB 380, S.L. 2013-358, transfer the Charlotte Douglas International Airport from the city's control to a regional authority.
2. **Wake County School Board**: SB 325, S.L. 2013-110, changes the terms and redraws election district lines for the Wake County Board of Education. The legislature did not pass other bills (HB 726 and early versions of SB 236) which would have given the Wake Board of County Commissioners control of school construction and land purchases for schools, instead of the Wake County School Board.
3. **Guilford County, Stanly County, and Lee County School Boards**: SB 317, S.L. 2013-361, reduces the size of the Guilford County School Board, redraws district lines, and makes the races partisan elections (most school board races are nonpartisan). It also redraws district lines and changes the number of members on the Stanly County School Board and Board of County Commissioners. HB 490, S.L. 2013-220, makes the elections for the Lee County Board of Education and Sanford City Council partisan races.
4. **Asheville Water System**: HB 488, S.L. 2013-50, transfers the City of Asheville's water supply and distribution system to a regional authority.

5. **Durham Development Project:** S.B. 315, S.L. 2013-386, overrules a vote by the Durham City Council, which had voted against an extension of utility service to a development project. The bill forces Durham to provide water and sewer service to a controversial development project near Jordan Lake called (Highway) 751 South.
6. **Central Carolina Community College Trustees:** HB 512, S.L. 2013-263, removes 4 members of the Board of Trustees for Central Carolina Community College in Sanford before their terms end and prevents them from immediately seeking re-election.
7. **No Local Regulation of Soft Drink Size:** HB 683, S.L. 2013-309, says that local governments may not regulate the size of soft drinks.
8. **Dorothea Dix Mental Hospital Property:** The Governor, legislative leaders, and the Raleigh Mayor and City Council agreed to allow a year (until April 2014) for the City of Raleigh and the state to renegotiate a lease that was signed in December 2012 at the end of Gov. Beverly Perdue’s administration that transferred the Dix property to the city for a destination park.
9. **No Additional Local Home Inspections:** HB 120, S.L. 2013-118, prohibits local governments from requiring any additional home inspections beyond those required by the NC Building Code, without getting prior approval from the NC Building Code Council.

L. New State Stuff: HB 830, S.L. 2013-189, adopts the megalodon shark tooth as the state fossil, the Virginia opossum as the state marsupial, the pine barrens tree frog as the state frog, the marbled salamander as the state salamander, the whirligig as the state folk art, and clay as the state art medium.

Unless other special legislative sessions are called by the Governor, the N.C. General Assembly will return for its 2014 “short session” at noon on Wednesday, May 14, 2014.

CENTER WINS ANOTHER NATIONAL AWARD FOR MOST DISTINGUISHED RESEARCH

For the 9th consecutive year, the Center won a prestigious national award from the Governmental Research Association (GRA), a nonpartisan group of 33 public policy nonprofits in 22 states. GRA organizations promote transparency in state and local budgets and provide information to citizens about the performance of government programs. The Center’s evaluation of the state’s efforts in mental health reform won an award for **Most Distinguished Research**.



Mebane Rash of the NC Center accepts the award from Kirstin Pryor of the Center for Governmental Research in New York, Chair of the Awards Committee

Special Thanks to Our Foundation and Corporate Contributors April - August 2013

It continues to be tough financially for nonprofits, so the Center greatly appreciates the generous support we receive from foundations. The Center would like to express our gratitude to **The A.J. Fletcher Foundation** for their grant of \$10,000 in precious general operating support. We also express our deep appreciation to the foundations, corporate contributors, and individuals listed below.

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