

# Short Session of the North Carolina General Assembly Fuller Than Your Tall Latte

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June 22, 2016



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This year's short session of the North Carolina General Assembly is well underway. Though the session might turn out to be short in length (stay tuned!), it has not been short on excitement, surprise, or debate. **This week, we're following three headline-grabbing issues: the state government budget, online legal services, and revisions to the state's many regulations.**

## It's All About the Dollars

During the short session, held in even-numbered years, the General Assembly typically amends and updates the base budget enacted the year before. This revised budget (which usually is a larger budget and therefore is called the "expansion budget"), reflects new spending priorities and adjustments for revenue shortfalls or surpluses. The legislature's goal is to finalize the expansion budget by the end of the fiscal year on June 30th. Sometimes, the deadline is missed, in which case the legislature will enact a continuation budget to keep the government open while the final budget deal is negotiated.

The House finalized its version of the expansion budget on May 19th with the Senate following shortly thereafter on June 3rd, triggering the beginning of final budget negotiations between the two chambers. Last week, there were several lengthy meetings between the House and Senate Appropriations Committee chairs to hammer out the differences behind closed doors. There is still some uncertainty as to when we can expect to see the final budget, but we expect a final compromise document will be released within the next couple of weeks and should be finalized by the second week of July. But, unexpected issues and challenges can come up at any time that will delay the finalization of the budget. **Before the formal votes on the House and Senate budgets began, Republican leaders settled on a budget cap of \$22.2 billion for the expansion budget. Arriving at a total spending figure turns out to be easier than agreeing on how that amount gets spent.**

## Can You Spare a Dime for a COLA?

One of the more contentious spending priorities is the cost of living adjustment, or COLA, for retired state employees. Because the retiree COLA affects the budgets of every state department, reaching a compromise figure is critical to finalizing the final budget. The House has proposed a 1.6% increase in the pension payments received by state retirees while the Senate has chosen not to provide a retiree COLA. The Senate leaders' rationale is based in large part on fears that the COLA would make it more difficult to fund the state's pension system.

## How Should the Budget Prioritize Teacher Pay?

Like the COLA, House and Senate leaders proposed different teacher pay plans. The Senate's budget proposed raising average teacher pay to \$55,000 within the next two years. This figure represents an average compensation increase of 6.5% statewide. The House's budget called for an increase in teacher pay, although more conservative than the Senate's, at 4.1% on average. In addition the amount of the increase, Senate and House negotiations are also focused on whether pay raises should be targeted or across the board. For example: Should beginning teachers or veteran teachers should receive the most benefit? Should a pay raise be more about rewarding performance or retaining experienced teachers? **We see a situation where legislators grapple with whether to prioritize an attractive starting salary to recruit high quality educators to the state or a compensation increases for veteran teachers while also giving significant increases to mid-career teachers.**

### **Online Legal Services Zoom Back**

In 2015, the House and Senate approved a new regulatory plan that would allow some legal services to be provided through online (and mostly out-of-state) companies. Differing versions of House Bill 436 - Unauthorized Practice of Law Changes were passed by the House and the Senate in 2015, but the bill spent months in a conference committee where stakeholders negotiated final revisions. The legislation redefines what it means to "practice law" by exempting online services that provide users with blank legal documents that they can purchase and print. Online legal form companies must register with the State Bar each year, provide a disclaimer that the documents available through their services are not a substitute for legal advice, and have a licensed North Carolina attorney review each type of document available for purchase. All customer service complaints will have to be reported to the State Bar as well.

Even though the bill was passed by the General Assembly unanimously, the concept of an online service assisting citizens with legal needs still drew criticism. Senator Warren Daniel, an attorney from Morganton, told the media that in his opinion, "It would be penny-wise and pound-foolish to rely on a Web-based legal service to prepare any significant life document. That's my free legal advice for the week." We expect Governor McCrory to sign the bill soon.

### **Regulatory Overhaul**

A hallmark of the Republican majority's current tenure at the legislature has been the annual introduction of regulatory reform legislation. The sponsors hope to provide regulatory relief to citizens and businesses by scaling back or adjusting government regulations. Each chamber generally introduces at least one regulatory reform bill annually to kick start negotiations and the process typically concludes with one of those bills, containing provisions provided by both chambers, becoming enacted.

House Bill 169 - The Regulatory Reduction Act of 2016 (H169) is the Senate's proposed regulatory reform bill this year. (H169 began life as a House Bill to limit motor vehicle emissions inspections, but the Senate re-purposed it into this year's regulatory reform act.) The Senate's bill proposes the elimination of the state's computer and television recycling program pursuant to recommendations resulting from a recent North Carolina Department of Environmental Quality study. Currently in North Carolina, certain electronics are banned from landfills and must be recycled, a program that is partially funded by the manufacturers of these electronics. Another prong of the Senate's bill is the plan to reduce the number of counties that must conduct motor vehicle emissions inspections and also reduce the number of motor vehicles each county is required to inspect.

Senate Bill 303 - The Regulatory Reform Act of 2016 is the House's proposed regulatory reform bill this session. Similar to H169, S303 began as a Senate bill with a different purpose, but was rewritten to become

the House's regulatory reform act. Unlike the Senate regulatory reform bill that faced heavy criticism from the minority party, the House's legislation was passed unanimously. If enacted, the bill would impose a new statute of limitations for local governments to bring actions pertaining to land use restrictions. S303 would also give local governments three years to bring suit. The House has proposed in S303 a study of how buffers affect intermittent streams in North Carolina. It is unclear how the results of the study will impact future legislation. The legislation also contains restrictions governing the proximity of wind turbines to military bases because these turbines can interfere with military aviation activities. A similar provision to protect military operations is included in House Bill 763 – The Military Operations Protection Act of 2016.

The budget, online legal services, and regulatory reform are only three of many policy and spending issues the General Assembly is wrestling with this year. We expect the legislators to do all they can to compromise and finalize their legislative agenda by second week of July. But, legislators cannot control everything, and we would not be surprised to see the legislative session run a little longer. Ward and Smith, P.A.'s team of attorneys and lobbyists is engaged with these and other issues for our clients on a daily basis. We look forward to seeing where the legislature will end up, and we will keep you posted on what happens next.

Our comments and observations are based on our extensive network of contacts and daily meetings in the General Assembly, but we are not speaking for any client, and we are not providing any political or legal advice. If you would like to consult with one of Ward and Smith's government relations team members about a particular issue, please contact Whitney Christensen at 919.277.9113 or [wcchristensen@wardandsmith.com](mailto:wcchristensen@wardandsmith.com).

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Madeline Hurley, Ward and Smith's government relations assistant, contributed to the publication of this blog.

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