

# Bumpy Road to Start the Legislative Session in North Carolina

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**Jones Street is like a gravel road right now – BUMPY!** Just a month ago, in a rare move, the General Assembly called itself into session for one day to enact House Bill 2 which is now referred to as the “Bathroom Bill”. The new law has generated overwhelming negative press and has hit a nerve down at the Building. Opposition *and* supporters of the new law are responding loudly and angrily; this will be a tough place to get work done this year.

You can view the text of [HB 2 here](#); the summary prepared by the drafting lawyers [here](#); [HB 946](#) filed this week by House Democrats to repeal House Bill 2 [here](#); and we’re hearing the Senate Republican Caucus may discuss allowing for a statewide referendum on the law. The “sin wagon” has been driving around the block all week. I have never seen more vitriol in my 20 years on Jones Street.

**Welcome to the opening week of the 2016 Legislative Short Session.** Historically, the short session convenes in even-numbered years to adjust the biennial budget. Lately it’s included a full budget process plus a continuation of the prior year’s session with consideration of substantive bills – a free-for-all.

## Midterm Departures

This year we see an unusually high number of midterm departures. Replacement members are selected by a committee of the county political party of the departing member with proportional representation in the case of multiple county districts.

## Next Steps on Tax Reform

Republican tax reform architect Sen. Bob Rucho, who is retiring after this term, says this year’s state income tax reform bill will only include provisions to raise the standard deduction. This week the Senate acted on [SB 726- Internal Revenue Code Update](#) – which is nearly the same bill as passed last year but includes a provision allowing teachers to deduct up to \$250 for out-of-pocket classroom expenses (\$1.7 million) and income received as a result of wrongful imprisonment (\$20,000). The provision causing controversy requires homeowners with forgiven mortgage debt to pay sales tax on that amount even after a short sale. The Senate also passed [SB 729 – Various Changes to the](#)

[Revenue Laws](#) which includes minor and technical tax law changes. Both bills await House consideration.

## **Toll Lanes**

Two bills were filed this week by Mecklenburg County legislators to halt the controversial project to build toll lanes on Interstate 77 that broke ground late last year. Both [HB 950](#), introduced by Rep. Tricia Cotham, and [HB 954](#), introduced by Rep. Charles Jeter, would cancel the contract with I-77 Mobility Partners, a subsidiary of Cintra. By canceling the contract, the state would be required to pay a penalty that's estimated to cost up to \$300 million.

Opposition to the toll lanes has peaked due to concerns over a 50-year non-compete clause in the contract that makes it difficult for the state to build new free lanes on I-77 and news that Cintra declared bankruptcy over its Texas SH 130 toll road. While several local governments oppose the project, the Charlotte Regional Transportation Planning Organization voted to endorse the project.

If either bill makes it through the House, it's not clear the Senate will take it up. Senate President Pro Tempore Phil Berger stated last week that he sees no need for significant changes to the contract. Governor McCrory and the Department of Transportation have said they are moving forward with the toll lanes because the Charlotte Regional Transportation Planning Organization asked for them.

## **State Lottery**

The Governor's Budget proposes spending part of the \$62 million in unanticipated lottery ticket sales receipts on his education priorities including spending \$5.8 on 300 additional Opportunity Scholarships.

## **Certificate of Need**

House leadership continues to say they won't consider CON repeal at this time but the Senate is ready to move ahead and we're hearing they may send a CON repeal or partial repeal to the House with an implementation plan that takes the long view.

**We're starting to see where the trades to wrap-up session this summer will be.**

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