



INTRODUCTION

Last week was extremely intense as up to 17 committee meetings happened each day with 30-50 bills being considered in those committees. As members and lobbyists tried to get their bills through one chamber before the cross-over deadline, we heard some similar phrases over and over:

“it needs some work but if we can just get it through we will work on it on the other side”

“we will meet with stakeholders on the other side”

“we know there are a lot of questions but if we could just get it through”

“don’t let the perfect be the enemy of the good”

Many bills clearly had problems that legislators promised to work on when the bill arrived in the Senate or House but their fate is unclear. Whether the other chamber will be willing to take up these issues will depend on whether legislators on the other side are willing to move the bill and fight for it.

Last week, the House also finalized and approved their budget proposal, which we have summarized later in this legislative report. The budget moved quickly through the process and although there were a lot of amendments proposed, the main controversy was the Democrats efforts to include Medicaid Expansion in the budget, which was defeated by the majority Republicans. The budget now goes to the Senate and they will create their own version of the budget before the House and Senate work out their differences.

Although the cross-over deadline was on the 9th, the House finished their business and will not return until next week. The Senate is scheduled to meet on the 8th to go through a full calendar but there are no committee meetings scheduled so we expect their business to be completed on the 8th. This is first time I have ever seen either chamber finish moving bills BEFORE the actual cross-over deadline.



NORTH CAROLINA ELECTRONIC SECURITY ASSOCIATION



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BILLS OF INTEREST

HOUSE BILL 904, Identity Theft Protection Act/Changes, would make a variety of changes to the Identity Theft Protection Act to:

- require consumer reporting agencies to create and maintain a shared website and toll-free number that a consumer can contact to request a security freeze and actions related to a security freeze;
- prohibit a consumer reporting agency from charging a fee to put a security freeze in place, remove a freeze, or lift a freeze, unless expressly authorized;
- require any business that owns or licenses personal information of residents of North Carolina or any business that conducts business in North Carolina that owns or licenses personal information in any form (whether computerized, paper, or otherwise) to: (1) implement and maintain reasonable security procedures and practices, appropriate to the nature of the personal information and the size, complexity, and capabilities of the business, to protect the personal information from unauthorized access, destruction, use, modification, or disclosure; and (2) provide notice to all persons affected by a security breach and to the Consumer Protection Division of the Attorney General's Office as soon as practicable but not later than 30 days after discovery of the breach or reason to believe a breach has occurred;
- exclude from the term *personal information*: electronic identification numbers or e-mail names or addresses unless it includes any required security code, access code, or password that would allow access to an individual's financial account or resources or other personal information; Internet identification names; parent's legal surname prior to marriage; and a password, unless the business is aware that this information would permit access to a person's financial account or resources or other personal information;
- provide that, if notice of a security breach is provided to any affected person or agency pursuant to HIPAA, then notice must also be provided to the Consumer Protection Division in the Office of the Attorney General;
- require a consumer reporting agency to offer to provide appropriate identity theft prevention and mitigation services such as credit monitoring at no cost to the consumer for not less than 48 months, if the consumer receives notice or is the subject of a security breach by a consumer reporting agency, and the consumer's personal information was held by a consumer reporting agency;
- prohibit a person from obtaining, using, or seeking the consumer report or credit score of a consumer in connection with an application for credit without the written, verbal, or electronic consent of the consumer; and
- amend the definition of *identifying information* to include: (1) health insurance policy number, subscriber identification number, or any other unique identifier used by a health insurer or payer to identify the person; and (2) any information regarding the individual's medical history or condition, medical treatment or diagnosis, or genetic information, by a health care professional.

Introduced by Representatives Saine, Jones, and Reives and referred to the House Commerce Committee.

HOUSE BILL 929, Gaming Commission, would create the North Carolina Gaming Commission to establish and oversee the operation of gaming in this State, and provide for the regulation of sports fantasy leagues. **Introduced by Representatives Warren, Hardister, Saine, and Hunter and referred to the House Commerce Committee.**

HOUSE BILL 934, Right to Try Adult Stem Cell Treatments, would expand the Right to Try Act to provide access to investigational adult stem cell treatments for patients diagnosed with a terminal or chronic illness. **Introduced by Representatives Blackwell, Lambeth, Murphy, and Reives and referred to the House Health Committee.**

HOUSE BILL 944, Protect the Integrity of NC Elections Act, would: (1) provide funds for three additional compliance investigator positions and two data analyst positions with the North Carolina State Board of Elections; (2) require county boards of elections to maintain a record of who is requesting or delivering a request form for absentee application and ballots; and (3) make it a Class 2 misdemeanor to sell or attempt to sell a completed written request form for an absentee application and ballot or condition its delivery upon payment. **Introduced by Representatives Ball, Lewis, Warren, and Dahle and referred to the Elections and Ethics Law Committee.**

HOUSE BILL 954, Qualified Disabled Veteran/10% Preference, would require that a ten percent (10%) preference be given to each qualified disabled veteran business bidding on a contract to be let by the governing body of a State agency, department, or institution. The preference would be calculated by deducting ten percent (10%) of the lowest responsible, responsive bid of all bids submitted from the bid of each qualified disabled veteran business. A qualified disabled veteran business would be a business that is fifty-one percent (51%) or more owned by one or more qualified disabled veterans, as defined. The bill would provide \$25,000 to the Department of Administration, Purchase and Contract Division, to implement these provisions. **Introduced by Representatives Jarvis, Horn, and Potts and referred to the House Homeland Security, Military, and Veterans Affairs Committee.**

HOUSE BILL 957, Small Business Income Tax Relief, is identical to House Bill 277, summarized in the March 12, 2019, Legislative Report. **Introduced by Representatives Farmer-Butterfield and Cunningham and referred to the House Finance Committee.**

HOUSE BILL 962, Lease-Purchase Agreement Act, would enact the North Carolina Lease-Purchase Agreement Act to:

- define a lease-purchase agreement as an agreement for the use of personal property by a consumer for an initial period of four months or less that contains automatic periodic renewals with each payment after the initial period, no provision obligating the consumer to continue use of the property beyond the initial period, and a provision allowing the consumer to become the owner of the property;
- provide that an agreement meeting these requirements is exempt from statutes related to a home solicitation sale, a closed-end installment loan, a security interest, or a consumer credit sale;
- require the lessor to make specified disclosures including the attributes of the payments, a clear statement of the terms of the agreement, and a statement that the consumer may terminate the agreement without penalty;
- prohibit lease-purchase agreements from containing a confession of judgment, a negotiable instrument, a security interest, a wage assignment, a waiver of claims or defenses by the consumer, or an authorization to enter the consumer's premises for repossession purposes; and
- establish the Consumer Lease-Purchase Information Fund in the Office of Consumer Protection of the Department of Justice, which would be used to provide information and education to consumers regarding the disclosure obligations.

Introduced by Representative Szoka and referred to the House Judiciary Committee.

HOUSE BILL 994, Top Four Open Primary/Elections, would establish a process for the election of certain offices through an open primary, sometimes referred to as a nonpartisan blanket primary or nonpartisan preliminary election, which would be followed by a general election conducted by ranked-choice voting. Ranked-choice voting is a system of election whereby voters rank candidates in order of preference used to avoid vote splitting and a spoiler outcome when support is divided among similar candidates. The system generally proceeds after an initial tabulation of the first-preference votes. Candidates with the fewest first-preference votes would be eliminated and votes redistributed to candidates that voters have marked as their next preferences. The bill would provide \$410,000 to the State Board of Elections for the implementation, education, and training needed in the development of the ranked-choice election. **Introduced by Representatives Morey, Hawkins, and Russell and referred to the House Elections and Ethics Law Committee.**

HOUSE BILL 1010, Criminal Law Reform, is identical to Senate Bill 584, summarized in the April 19, 2019, Legislative Report. **Introduced by Representatives Riddell and Morey and referred to the House Judiciary Committee.**

SENATE BILL 673, N.C. Citizens Redistricting Commission, would amend the State Constitution, if approved by the qualified voters of the State at the primary election in March 2020, to create a 15-member Citizens Redistricting Commission with membership divided among persons affiliated with the two major political parties and persons who are politically unaffiliated. The Citizens Redistricting Commission would adopt districting plans for members of the General Assembly and the U.S. House of Representatives, and, if the Commission could not agree to adopt any districting plan, it would appoint a special master to draw the plan. **Introduced by Senators Smith, Foushee, and Van Duyn and referred to the Senate Rules Committee.**

BILL UPDATES

HOUSE BILL 74, Carry Forward Tip Line App. Funds. The previous provisions of this bill were removed in the House Rules Committee and replaced with a new bill that would allow the Department of Public Instruction to carry forward funds allocated for the anonymous safety tip line application for the 2019-2020 fiscal year. The 2018 budget appropriated \$5 million in nonrecurring funds to support an anonymous safety tip line application for all public schools. Those funds could be used for development of statewide school safety initiatives and infrastructure, including interagency collaboration related to school safety and associated personnel, equipment, and technology. **The bill as amended was approved the House Rules Committee and the full House and will next be considered by the Senate.**

HOUSE BILL 724, Truth in Caller ID Act, was amended in the House Rules Committee to expand the definitions of the terms *telephone solicitation* and *unsolicited telephone call* to also include text communications in addition to voice communications. **The bill as amended was approved by the House Rules Committee and will next heard by the full House.**

SENATE BILL 569, Fair Contracts, was amended in the Senate Judiciary Committee to establish as void and against public policy any contract agreement for engineering, architectural, landscape architectural or surveying services purporting to require that one party to the agreement indemnify,

hold harmless, or defend the other party, its independent contractors, agents, employees, or any other person or entity. The bill would exempt a promise or agreement providing only for indemnification for damages or expenses to the extent resulting from the negligence, recklessness, or intentionally wrongful conduct of the promisor, its employees, agents, or other persons utilized by the promisor in the performance of the contract. **The bill as amended was approved by the Senate Judiciary and Rules Committees and will next be considered by the full Senate.**

SENATE BILL 572, S Corp Pro Se Representation in Court, was amended in the Senate Judiciary Committee to specify that S Corporations may represent themselves and appear in any court of this State using a non-attorney representative who is an owner of the business entity, if the owner's interest in the business entity is at least 25%. **The bill as amended was approved by the Senate Judiciary Committee and will next be considered by the Senate Rules Committee.**

BUDGET

On April 29th, House posted its version of the budget online, and began moving it through the committee process the next day. The budget quickly moved from the Appropriation Subcommittees, through the Appropriations Committee and to the House Floor in one week. The budget includes increased spending on school safety measures, such as hiring school resource officers and mental health professionals. It also includes funding for testing of the State's backlog of untested evidence in rape cases, and upgrades to buildings throughout the UNC System including the UNC-Chapel Hill business school and the medical school at ECU. The proposed budget includes tax changes that would raise the standard deduction for personal income taxpayers by 3.75 percent, and would reduce franchise taxes on businesses. The budget also gives an additional \$5 million a year to state-run treatment programs and for the development of new programs to help tackle the opioid crisis. After more than fifty proposed amendments and many hours of debate, the budget was approved by the House and sent on to the Senate, which will craft its own version. Once the Senate passes their version of the budget, the two chambers will negotiate a compromise version to send to the Governor, who has indicated he will likely veto it if it does not include Medicaid Expansion (which is unlikely). Given the gains Democrats made in each chamber during the last election, they have enough votes to sustain the Governor's veto, all of which sets up a potentially protracted and contentious budget process over the weeks and months to come.

The budget would:

- provide that an agency is not required to consult with the Joint Legislative Commission on Governmental Operations prior to establishing or increasing a fee to the level authorized or anticipated, and allow an agency to adopt an emergency rule to establish or increase a fee as authorized if the adoption of a rule would otherwise be required under Article 2A of Chapter 47 150B of the General Statutes;
- require the Superintendent of Public Instruction to establish the 2019 School Safety Grants Program (Program) to improve safety in public school units by providing grants for (i) school resource officers, (ii) services for students in crisis, (iii) school safety training, (iv) safety equipment in schools, and (v) additional school mental health support personnel;
- provide that, in addition to permitted waivers of competition, the requirements of competitive bidding do not apply to information technology contracts and procurements: (1) in cases of pressing need or emergency arising from a security incident; (2) in the use

of master licensing or purchasing agreements governing the Department's acquisition of proprietary intellectual property; or (3) in the procurement of cybersecurity and infrastructure security products, consistent with Best Value procurement principles;

- require \$3.64 million from the State Capital and Infrastructure Fund to be allocated to the Department of Revenue for security improvements at various locations throughout the State;
- provide \$3 million this year and \$6.1 million next year for the purchase of safety equipment for school buildings and related training;
- provide \$1.4 million this year and \$2.5 million next year to the Carolina Small Business Development Fund to provide small business loans and financial training to start-ups and existing businesses and lending services to community-based organizations;
- provide funding for an additional Building Code Inspector position within the Office of the State Fire Marshal to assist with local government inspections upon request; and
- provide \$300,000 in each of the next two years for improvements to security at the Department of Revenue. Improvements would include enhanced surveillance and building security, increased protection of agency assets, and provide greater safety protection for employees.

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