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NC Rural Center's

# Jones Street Journal

The General Assembly has temporarily adjourned its 2017 Long Session on June 30, after passing a \$23 billion budget and several key pieces of legislation. What matters most for rural North Carolina? See our roundup of the session below to dig into what the budget holds, what legislation passed, and what we might see resurface when the regular session resumes on August 3.

## BUDGET OVERVIEW

### Positives

The Rural Center was pleased to see several items in the budget that we called for as part of our *Rural Counts* economic development platform.

#### **Strategy #1: Education & Workforce Development**

- Transfer of ApprenticeshipNC program from Department of Commerce to the Community College system. We believe this acknowledges the importance of apprenticeships for workforce development and shows a commitment to the success of these programs.

#### **Strategy #2: Health Care**

- \$7.5 million to the Office of Rural Health for community health centers, which brings the total available to \$15 million per year.
- Makes several commitments to opioid treatment and prevention, including a new Controlled Substance Abuse Reporting System, a pilot project in Wilmington to establish a quick response team to address the needs of victims, and increased funding for behavioral health beds at facilities serving rural areas.

#### **Strategy #5: Transportation**

- \$139.7 million to the Highway Fund for the Strategic Transportation Investments program, the new data-based scoring program to fund high-need statewide and regional projects.
- \$50 million to Highway Fund for construction projects that need to be immediately begun.
- \$118 million to Highway Fund's maintenance account for bridge preservation and replacement.
- \$45 million to State Ports Authority Fund for port modernization.

#### **Strategy #8: Agriculture & Natural Resources**

- Appropriates \$250,000 to increase the availability of fresh agricultural products in food deserts. This program, the Healthy Corner Store Initiative, was promoted by State Senator Don Davis at our Rural Day in May.

## Negatives

While the budget made modest increases in investments in areas important to rural economic development, the Rural Center was disappointed that General Assembly leadership did not use the budget to articulate a vision for strategically addressing some of the greatest issues of our time.

**Broadband** – while North Carolina has a strong “middle mile” fiber system reaching to anchor institutions such as schools and hospitals, we face great challenges in extending broadband to the “last mile” and serving citizens who need affordable broadband for school, work, and telemedicine. At the start of the 2017 session, there was much talk of finding a broad-based solution to what has been a decades-long issue in North Carolina. One piece of that solution, the BRIGHT Futures Bill, was stripped down and passed the House in a weaker form than it started, and then never saw the Senate. Governor Cooper’s proposed \$20 million allocation for helping small towns assess needs and solutions for broadband was not at all reflected in the final budget. The General Assembly missed an important opportunity to work on a bipartisan basis to find good answers for broadband this year.

**Health Insurance Coverage Gap** – there is a strong connection between the economic health of a community and the health of its people. The Rural Center has worked extensively throughout this session with health care organizations and service providers to communicate the links between economic development and rural health. A group of four Republican legislators introduced a bill this session to help close the coverage gap for working North Carolinians who currently do not qualify for Medicaid but do not earn enough to afford expensive healthcare premiums. The General Assembly budget could have incorporated these smart suggestions to help these hundreds of thousands of citizens, who are currently one health crisis away from personal and financial disaster. Closing the gap would have also created an economic boon for small towns in North Carolina. It would help rural hospitals – like Eden’s Morehead Memorial Hospital, which just filed for bankruptcy – keep afloat, it would add jobs to local economies, and it would aid in the economic stability of hardworking rural people. Again, a state-based solution to this gap was offered by the Carolina Cares legislation, but the state budget did not include any of those provisions. By not making an effort to close the insurance gap, we missed an opportunity to make a real difference in the lives of our people and the health of our economy.

**Business Development** – while the 2017-18 budget did make small steps toward helping entrepreneurs, supporting manufacturing, and catalyzing more bio-manufacturing in North Carolina, we are way past the time that the General Assembly needs to recognize and understand that job creation/new investment happens in three ways: recruitment, retention and new enterprise creation. As a state we invest most in recruitment, and 95% of the economic development conversation within the General Assembly is about recruitment. However, 95% of future jobs will come from the companies that are already in our communities (retention/expansion) and new enterprises yet to be established (entrepreneurship). Yet, as a state, we invest very little in building a successful and strong statewide strategy around retention and entrepreneurship. There is no other single thing we could do would make a greater impact on economic development in our rural communities.

**Earmarks** – one of the hallmark items in the 2017-18 budget was the use of earmarks to fund local projects in rural North Carolina. \$7.8 million in earmarks was allotted to the Commerce Department’s Rural Development Division alone, with tens of millions more in earmarks in other departments. The earmarks in the rural division amounted to 71% of the total dollars allocated to the division in this year’s budget. Some, maybe all, of these projects are strong and deserving of funding. The Rural Center’s issue is not with the projects themselves, but with the process by which they were funded. Rural economic

development cannot be legislated by earmark. Even if every earmarked project were fully deserving of funding, there were at least as many equally deserving projects across the state that had no opportunity to apply, be considered, or be awarded similar funds. The State of North Carolina has the offices and funding vehicles necessary to provide competitive grant processes for deserving local projects. We applaud legislators for supporting valuable projects, but we encourage them in future years to allocate funding to transparent, efficient processes that are open for consideration to all. In a time of increasingly restrained public resources, it is imperative for our state government to be as efficient and as transparent as possible with limited dollars.

**Definition of “Rural”** – leaders from both parties and in both the legislative and executive branches consistently discuss the need to support rural communities. Yet, the State of North Carolina has no working definition of what “rural” is. Legislation targeting rural communities often uses the Economic Tier System as a proxy for rural, defining rural as any Tier 1 or Tier 2 county. This definition borders on the absurd, classifying counties such as Guilford County – one of the most densely populated counties in the state – as “rural.” Rural could be defined in many ways; we might suggest using our method of population density, classifying as “rural” any county with fewer than 250 people per square mile. This would create a more accurate and helpful system than the Economic Tier definition that equates rural with economic distress. However rural may be ultimately defined, the Rural Center would actively work with legislators or executive departments to a create new and workable definition of “rural.” If our leaders truly care about serving rural communities, though, they must first clarify and define what “rural” is.

Please also review our [full budget summary](#) for a detailed overview of budget provisions grouped according to our Rural Counts priorities.

## MAJOR BILLS PASSED IN 2017

Besides the budget, several important pieces of legislation have passed this session. These include:

**Strengthen Opioid Misuse Prevention (STOP) Act ([S175, H243](#))** – extends standing orders for opioid antagonist to community health groups, improves opioid prescribing practices, strengthens controlled substances reporting systems, and appropriates \$10 million for each year of the biennium to increase availability of community-based treatment and recovery services. This legislation received broad bipartisan support and passed both houses unanimously. The Rural Center applauds such cooperation and hopes this provides a model for future bipartisan efforts.

**NC Farm Act ([S615](#))** – The bill includes 16 sections that address forestry and agricultural concerns ranging from abandoned livestock to modernizing forest ranger status. Most of the provisions address zoning and land use regulations. One provision clarifies agritourism as a bona fide farm purpose.

**Disaster Recovery Act ([S338](#))** – allocates \$100 million appropriated in the budget for disaster relief.

**Competitive Energy Solutions for NC ([H589](#))** – amends various laws related to energy policy; reforms state implementation of Public Utilities Regulatory Policy Act, creates competitive bidding process for new renewable energy resources, and authorizes leasing of 3<sup>rd</sup> party owned solar development.

**Telehealth Fairness Act ([H283](#))** – directs DHHS to recommend policies for telemedicine for consideration in the short session.

## WHAT'S NEXT

Lawmakers will return to Raleigh on Thursday, August 3, with some limitations on what they may consider. Top priorities will be laws vetoed by Governor Cooper and laws that have passed one house and are awaiting decisions by the other house. The General Assembly will also convene after Labor Day to address redistricting orders from the federal court system, and may convene yet again before November 15 to finish business for the year.

While it remains uncertain which bills might still be considered once session reconvenes, the following are bills the Rural Center sees as of great value and wishes to see passed, either this year or in future sessions:

**Exclude Tiers 1 and 2 from JDIG Cap ([S223](#))** – excludes projects in Tiers 1 and 2 from the cap on JDIG funds to ensure that smaller projects in more economically distressed counties can go forward when the use of JDIG money nears the cap on annual commitments.

**Economic Development Incentives Modifications ([H795, S660](#))** – makes changes to economic development incentives and to the use of development tiers and rankings. Changes proposed to JDIG, Utility Account, and calculation of development tiers.

**Carolina Cares ([H662](#))** – provides health coverage to residents who are ineligible for Medicaid but unable to afford health insurance by creating the Carolina Cares program. (Note: this did not pass either house of the GA, so is likely *not* to be further considered this session.)

**BRIGHT Futures Act ([S65, H68](#))** – creates an emphasis on digital infrastructure within state aid programs that address economic development infrastructure. Adds emphasis on rural areas.

**High Achieving Tuition Scholarships ([H132](#))** – establishes a new scholarship program for 2018-19 to aid in tuition costs for students in community colleges. Appropriates \$2 million to award scholarships to students who graduate with at least a 3.5 average and who apply for the program. (Note: this did not pass either house of the GA and is likely *not* to be further considered this session.)

**School Calendar Flexibility/CC ([H375](#))** – would allow local boards of education to align school calendars with the start of local community college, as long as the opening date is not earlier than August 15.

**School Calendar Flexibility Pilot Program ([H389](#))** – would allow 20 counties to participate in a 3-year pilot program in which the local education administrative unit could set opening and closing dates different from those now required by law. Commerce is to collect data on the economic impact on tourism for the pilot. Aim of the pilot is to determine if flexibility in calendar affects student achievement or summer internships and if specific communities are capable of supporting local calendar control.

We will continue working with legislators and advocates across the state to advance legislation that matters to our rural communities. To work with us, please [sign up](#) as a Rural Counts advocate today. You will receive occasional notices about action opportunities at the state and federal level, along with updates like this to help keep you informed.