



Bulletin #13-08
Friday, March 22, 2013

School construction lottery funding to counties below statutory amount

Gov. Pat McCrory's proposed budget appropriated only \$100 million of the estimated \$450 million in lottery proceeds for 2013-2014 to county school construction needs, and permanently eliminated the county share of the corporate income tax (\$75 million per year for each of the next two years). Counties are supposed to receive 40 percent of the lottery proceeds each year, which would amount to \$180 million for 2013-2014. As a result of the reduced lottery appropriation and the elimination of the corporate income tax, counties will receive only \$100 million instead of a potential \$255 million in state support for public school construction. "If this budget passes, the revenues from the education lottery will be the only ongoing state support for public school construction each year, and the percentage that counties receive is less and less each year," said NCACC Executive Director David F. Thompson. "I am especially concerned that 64 counties have pledged some or their entire lottery proceeds for existing school debt service. When the lottery was created, legislators encouraged counties to dedicate their lottery proceeds for debt service to accommodate the state's rapidly growing school population and to begin addressing the backlog of school capital needs so we can continue to provide a quality learning environment for our children."

If the budget proposal is approved, it will mark the fourth consecutive year that the county share of lottery proceeds has been reduced significantly (see chart), and it will be the fifth straight year that counties have received none of the funds from the corporate income tax. Restoring lottery funds for school construction to the statutory requirement was voted by N.C. counties as the No. 2 legislative priority for 2013-14 biennium.

County Assembly Day 2013

The NCACC has designated May 22, 2013, as County Assembly Day. **Registration** is now open for the event. County officials must pre-register by May 15 to get the early rate of \$95. After May 15, county officials must register on-site at \$125.



Lottery/Corporate Income Tax Appropriations since 2009-10 (in millions)

Year	Lottery \$ rec.	40% amount	Difference	% Lottery rec.	ADM loss	Total loss
2009-10	\$147.2	\$147.2	\$0.0	100.0%	\$60.5	\$60.5
2010-11	\$113.7	\$176.5	\$62.8	64.4%	\$64.5	\$127.3
2011-12	\$100.0	\$170.0	\$70.0	58.8%	\$72.1	\$142.1
2012-13	\$100.0	\$176.5	\$76.5	56.7%	\$74.8	\$151.3
2013-14	\$100.0	\$180.0	\$80.0	55.5%	\$75.0	\$155.0
Totals	\$560.9	\$850.2	\$289.3	66.0%	\$346.9	\$636.2

County omnibus bill introduced

County Caucus Senate Co-Chair Jim Davis, a former Macon County Commissioner, introduced a bill this week that would address four county legislative priorities. **S372** (Omnibus County Legislation) is co-sponsored by Sen. Tommy Tucker, a former Union County Commissioner. The bill would require the Environment Management Commission to solicit comments from a county when the commission is considering an application to treat an area with "sludge resulting from operation of a wastewater treatment facility." The Association has a legislative goal to "Authorize some county oversight of bio-solids application." The bill also extends to \$2.5 million from \$1.2 million the threshold for informal contracts for NCDOT projects. The NCACC has a goal to "Increase informal let bid threshold for NCDOT local projects." The bill also creates a "State Payment in Lieu of Taxes Study Commission" that would consist of 13 members, six of whom would be recommended by the NCACC. The Commission would study "the development of a State payment in lieu of taxes for

State properties, including wildlife and games lands." The NCACC has a goal to "Compensate counties for property acquired by the state and removed from the ad valorem tax base." The bill would also establish a 13-member "e911 Study Commission" that would include six members based on the recommendations of the NCACC. The Commission will study "the e911 fee structure, its use to support local 911 activities, and the structure of statewide e911 oversight." Both commissions would issue their reports prior to the convening of the 2014 Short Session. The NCACC has a goal to "Seek legislation to expand county governments' use of 911 funds, protect and enhance current funding streams and maintain full operational flexibility and autonomy."

State budget proposal addresses several county goals

Governor Pat McCrory released the first budget proposal of his administration on March 20, recommending \$20.6 billion in general fund expenditures for 2013-14, roughly \$400 million higher than the 2012-13 certified budget. In his transmittal letter, Gov. McCrory continued his State of the State priorities of economy, education and efficiency. A near doubling of the state's rainy day reserve is proposed, bringing the reserve to 4 percent of the state's general fund by biennial's end. The state's repair and renovation fund would increase as well, with new reserves established for Medicaid, information technology and salary adjustments. Off-budget state revenues would be swept into the general fund, including solid waste, scrap tire and white goods grant funds (not the counties' direct allocations), with smaller appropriations made directly to fund activities that are currently receipt-supported. Golden Leaf and Parks and Recreation trust funds would be redirected for general fund availability. The proposal leaves \$131 million on the table in year one and \$332 million in year two.

Based on a consensus forecast between the General Assembly's Fiscal Research Division and the N.C. Office of State Budget and Management, the governor's budget includes modest revenue growth of 3.6 percent (historical growth averages 5 percent). Baseline sales tax growth for 2013-14 is projected at a modest 3 percent, given that 2012-13 collection projections are not expected to meet budgeted levels. The governor's budget repeals the state inheritance tax, but leaves his personal and corporate tax reform proposals for later presentation in concert with legislative tax reform efforts.

No new dollars are provided for community mental health services, although \$3.8 million is set aside in year one to begin implementation and development design for the U.S Department of Justice settlement on inappropriate institutional placement of the mentally ill. Likewise, no funding is set aside to manage the adult -care home transition issues.

Gov. McCrory recommends restoration of drug courts (an NCACC legislative goal) and expanded funding for probation and parole and state crime labs (NCACC legislative goals). Local government receipts will support improvements in the Department of Revenue's automation targeted at local government programs, including upgrades to the AFIR reporting system and implementation of audit software. The budget also includes state funds needed to draw down federal HAVA (Help America Vote Act) funds (an NCACC legislative goal) but reduces state aid to libraries by 4.8 percent (\$658,000) with a special provision that limits funding to small and medium-sized county systems.

The NCACC has posted [an in-depth analysis](#) of the state budget on our website.

Bills filed to extend county hold harmless payments

Two bills were filed this week that would address the NCACC's legislative goal to extend the hold harmless payments for local governments whose expected Article 44 sales tax revenues were not equal to the amount they would have received for the reimbursement from the repealed intangibles tax. [H389](#) (Restore hold harmless sales tax funds) is sponsored by Reps. Bryan Holloway, Julia Howard, Bert Jones and Justin Burr and would extend the hold harmless payments for local governments for four years, phasing down the payments in 25 percent increments each year, through August 2016. Local governments would receive the full reimbursement in August 2013, 75 percent of the reimbursement in August 2014, 50 percent in August 2015 and 25 percent in August 2016. This bill is a companion to [S307](#), sponsored by Sens. Ralph Hise, Warren Daniel and Chad Barefoot. Rep. Winkie Wilkins also filed [H373](#) (Extend state hold harmless sales tax funds), which would extend the full payments for another two years. The 2004 Appropriations Act amended G.S. 105-521 by guaranteeing hold harmless payments through 2012 for local governments. The 2012-13 payment is scheduled to be the last unless additional legislation is passed. The Article 44 hold harmless payments are approximately \$15 million, and these funds are an important source of revenue for the economically distressed counties and municipalities that receive them.

Senate Bill filed to revise state tax code

A bi-partisan bill was filed Thursday in the Senate that attempts to modernize the state tax code. The plan is sponsored by Sen. Dan Clodfelter, a Democrat from Mecklenburg County, and includes Sen. Fletcher Hartsell, a Republican from Cabarrus County, and Sen. Bob Rucho, a Republican from Mecklenburg County, as co-sponsors. The legislation says that "North Carolina's current tax structure undermines the State's competitive position and acts as a deterrent to new business investment and the creation of new jobs" and that the state's tax code has "not been comprehensively revised

since the Great Depression.” The basic gist of the plan is to simplify corporate and individual taxes and to expand the sales tax base to include more services, such as landscaping or repair, and to include tickets to entertainment events, such as movies or sporting events. The NCACC will provide a more comprehensive review of the plan and its potential impacts to county revenues next week.

Bills of Interest

The Association maintains a section on its website to track bills of interest to county officials. Visit

Bill: [S340](#)

Sponsors: Apodaca (R48); Harrington (R43)

Title: TANF FUNDS FOR BOYS AND GIRLS CLUBS

Progress: 1st Chamber: Referred to Committee

Comments: This bill sets up a \$2.5 million grant fund in the Department of Health and Human Services. The funds will be pulled from the state's federal Temporary Assistance to Needy Families (TANF) Block Grant funds. The Department shall award funds to the Boys and Girls Clubs across the State in order to "implement programs that improve the motivation, performance, and self-esteem of youth and to implement other initiatives that would be expected to reduce school dropout and teen pregnancy rates."

Bill: [S342](#)

Sponsors: Newton (R11); Soucek (R45); Tarte (R41)

Title: AMEND GUN LAWS

Progress: 1st Chamber: Referred to Committee

Comments: This bill attempts to clarify exceptions to the state's concealed carry laws. The bill allows an owner with a concealed weapon permit to carry the weapon into an eating establishment or restaurant unless the owner of the restaurant has "posted a conspicuous notice prohibiting the carrying of a concealed handgun on the premises in accordance with G.S. 14-415.11(c)." In addition, it clarifies when local governments can ban concealed weapons in parks and recreation facilities by defining the facilities as following: "(1) An athletic field, including any appurtenant facilities such as restrooms, during an organized athletic event if the field had been scheduled for use with the municipality or county office responsible for operation of the park or recreational area; (2) A swimming pool, including any appurtenant facilities used for dressing, storage of personal items, or other uses relating to the swimming pool; (3) A facility used for athletic events, including, but not limited to, a gymnasium." The bill excludes greenways, designated bike or walking paths and open areas.

Bill: [S347](#)

Sponsors: Hartsell (R36)

Title: STUDY UNIFIED PUBLIC HEALTH SYSTEM

Progress: 1st Chamber: Referred to Committee

Comments: This bill directs the DHHS to conduct a study of the current public health delivery system in N.C. with six specific components to be included in the study. The study would have to compare the state's publicly financed health services to that of at least 12 other states, describe available public health indicators, evaluate the state's publicly financed health service delivery structure, including public health education programs, evaluate the governance structure of public health and mental health, evaluate how state policymakers are informed about health needs and deficiencies and make recommendations for "public strategies and innovations to capitalize on North Carolina's strengths and opportunities for remedying weaknesses and for protecting against threats to health." The study would have to be completed by May 1, 2013.

- Johanna Reese, Government Relations Director
- David F. Thompson, Executive Director



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