



Bulletin #13-19
Friday, June 7, 2013

COUNTIES SEEK RESTORATION, PROTECTION OF LOTTERY FUNDS IN HOUSE BUDGET

County Commissioners across the state are contacting their House members this week and urging them to protect the county share of lottery proceeds and to increase the appropriation for 2013-14. Counties could permanently lose millions of dollars in school construction funding if a proposal in the Senate's budget plan becomes law. The state budget adopted by the Senate removed the statutory language that counties receive 40 percent of lottery proceeds each year for school capital needs.

"Without this clear legislative intent, counties would be forced to compete every year with all other state general fund needs for a share of the lottery proceeds," said NCACC Executive Director David F. Thompson. "The revenues from the education lottery now represent the only ongoing state support for public school construction. Taking away this revenue stream would require counties to either reduce other services or increase property taxes to pay for existing debt service."

In addition to eliminating the designated county share, the Senate budget proposal reduced the county appropriation for 2013-14 for the fourth consecutive year and permanently eliminated the county share of the corporate income tax (ADM Fund). Counties are supposed to receive 40 percent of lottery proceeds, which would amount to approximately \$190 million for 2013-14. The Senate budget appropriates to counties \$100 million.

Over the past four years, counties have lost nearly half a billion dollars in state support for public school construction, all while the state's school population continues to grow faster than most of the rest of the nation. The state has shifted more than \$200 million of county lottery proceeds to other educational uses while also diverting the county share of the corporate income tax that is dedicated to school construction needs.

Restoring lottery funds for school construction to the statutory requirement was voted by N.C. counties as the No. 2 legislative priority for the 2013-14 biennium.

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

Year	Lottery \$ received	40%	Difference	ADM loss	Total loss
2009-10	\$147.2	\$147.2	\$0.0	\$60.5	\$60.5
2010-11	\$113.7	\$176.5	\$62.8	\$64.5	\$127.3
2011-12	\$100.0	\$170.0	\$70.0	\$72.1	\$142.1
2012-13	\$100.0	\$176.5	\$76.5	\$74.8	\$151.3
Totals	\$460.9	\$670.2	\$209.3	\$271.9	\$481.2

HOUSE COMMITTEE APPROVES INMATE MEDICAL BILL

In an up and down roller-coaster ride for the counties' principal goal in the justice and public safety arena, **S321** (Contain County Inmate Medical Costs) was pulled unexpectedly from the House floor on Thursday by House Rules Chairman Tim Moore and sent to the Rules Committee. Rep. Moore said he wanted to have time to address some concerns expressed by the N.C. Hospital Association. This action followed on the heels of unexpected but very welcomed committee action on

This Week at the General Assembly

Watch the latest episode of This Week at the General Assembly on the NCACC's [YouTube Channel](#). The show is uploaded each Friday afternoon and features a recap of the week's news from the Legislature as well as interviews with key state lawmakers and Association lobbyists. The program is also broadcast on many PEG channels across the state.

the bill on Wednesday, in which Rep. Leo Daughtry (Johnston) won Judiciary B's unanimous approval to move the bill forward. The bill was passed unanimously by the Senate in April.

Rep. Moore has assured the NCACC and a number of legislators who are former county commissioners, including House floor sponsor Rep. Nathan Ramsey (Buncombe), that he has no problem with the bill and asked NCACC staff to work with the Hospital Association. We encourage our counties to contact their House members over the weekend and ask them to speak with House leadership to move forward this critical county issue.

SENATE CONCURS WITH HOUSE CHANGES TO MEDICAID WAIVER BILL

The Senate concurred with House changes to S208 (Effective Operation of 1915 (b)/(c) Waiver) on Thursday. The legislation will now be sent to Gov. McCrory for his approval. The bill has several provisions that impact counties. It requires that the DHHS Secretary must approve any county's decision to withdraw from an LME/MCO to join another one and sets forth criteria that must be met. It also creates a County Commissioner Advisory Board that consists of one commissioner from each county in the LME/MCO. The advisory board "shall meet on a regular basis, and its duties shall include serving as the chief advisory board to the area authority and to the director of the area authority on matters pertaining to the delivery of services for individuals with mental illness, intellectual or other developmental disabilities, and substance abuse disorders in the catchment area. The county commissioner advisory board serves in an advisory capacity only to the area authority, and its duties do not include authority over budgeting, personnel matters, governance, or policymaking of the area authority." The bill does not remove the limit of 21 board members for each LME/MCO, however. It also directs that any fund balance remaining when an area authority dissolves "shall be transferred to the area authority contracted to operate the 1915(b)/(c) Medicaid Waiver in the catchment area of the dissolved area authority." Previously, the fund balance was to be returned to the counties involved on a pro rata basis.

FRACKING BILL SPRINGS TO LIFE

After sitting quietly in the House for three months, **S76** (Domestic Energy Jobs Act), emerged this week in the House Commerce and Job Development committee in a very different form. Major provisions of the new version are:

- allows DENR to issue permits for hydraulic fracturing activities beginning on March 1, 2015, but the permits are not valid until the legislature takes affirmative action to allow them;
- requires a study of a severance tax sufficient to cover costs incurred by the state and local governments;
- requires the Mining and Energy Commission to recommend an appropriate impact fee or carve out of a severance tax to address local government impacts;
- moves some MEC reporting dates from Oct. 1 of this year to March 1, 2014;
- requires a study and recommendations on a restitution fund to protect landowners from fraud;
- establishes a stronger civil penalty and creates a criminal penalty for landmen who violate the registry requirements or engage in fraud, and makes the affected agreements with landowners null and void.

The bill passed the House Environment committee and then was approved by the full House on Friday. It will go back to the Senate, which will likely have strong feelings about the breadth of changes made in the other chamber.

BILLS OF INTEREST

The Association maintains a [section on its website](#) to track bills of interest to county officials. For past editions of the Legislative Bulletin, visit the NCACC's Legislative Bulletin Blog at www.ncacc.org/Blog.aspx?CID=3.

Bill: [H248](#)

Sponsors: Conrad (R74); Fulghum (R49); Cleveland (R14); Blust (R62)

Title: TAXPAYER DEBT INFORMATION ACT

Comments: This bill will require counties to provide more information about the total cost of a bond referendum to include estimated interest costs. The bill amends G.S. 159-55 to provide that when a bond order is introduced, the finance officer or some other officer designated by the governing board is to file a statement with the clerk that estimates the amount of interest that will be paid on the bonds and summarizes the assumptions on which the estimated interest calculations are based. The bill passed the Senate Finance Committee on June 6.

Bill: [H707](#)

Sponsors: Millis (R16); McElraft (R13); Warren, H. (R77); Tine (D6)

Title: ENSURE SAFE NAVIGATION CHANNELS

Position: Support

Category: Legislative Goal

Comments: This bill would address the NCACC goal to "Explore and authorize use of alternate, sustainable revenue options and

funding sources for beach, inlet and waterway maintenance." The legislation would direct the Department of Environment and Natural Resources to "assist local governments in their pursuit of general permit authorizations from the [U.S. Army Corps of Engineers] to allow the local governments to dredge shallow draft navigation channels to depths and according to project designs authorized on the date this act becomes law" and to "assist local governments in their pursuit of individual permits under the State Coastal Area Management Act permits issued by the Corps to allow the dredging of shallow draft navigation channels to depths greater than authorized on the date this act becomes law and to allow the placement of dredged materials on beaches." The bill passed the Senate on June 6 and will go back to the House for concurrence.

Bill: [H765](#)

Sponsor: Dixon (R4)

Title: JURY INSTRUCTIONS FOR SCHOOL BUDGET DISPUTE

Comments: This bill specifies what instructions should be given to a jury in the event that a local board of education and a board of county commissioners cannot agree on the amount of county funding for the public school systems. Current law allows the jury only to consider "what amount of money is needed from sources under the control of the board of county commissioners to maintain a system of free public schools." The revised bill requires the judge or jury to consider "the facts as to the following in order to maintain a system of free public schools as defined by State law and State Board of Education policy: (i) the amount of money legally necessary from all sources and (ii) the amount of money legally necessary from the board of county commissioners. In making the finding, the judge or the jury shall consider the educational goals and policies of the State and the local board of education, the budgetary request of the local board of education, the financial resources of the county and the local board of education, and the fiscal policies of the board of county commissioners and the local board of education." The bill passed the House on May 13 and passed the Senate Judiciary I Committee on June 6.

Bill: [S411](#)

Sponsors: Rabon (R8); Harrington (R43)

Title: ETHICS REQUIREMENTS FOR MPOS/RPOS

Comments: This bill adds certain ethics disclosure requirements to "voting members" of Metropolitan Planning Organizations (MPO) and Rural Planning Organizations (RPO), including the filing of a statement of economic interest, but does not require them to be covered by the State Ethics Act unless they are also a member of the State Transportation Board. A revised bill was passed by the House on June 5 and will be sent back to the Senate for concurrence.

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



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