



Session heads toward finish line

In what everyone anticipates and hopes is the second-to-last week of the 2013 legislative session, probably the main issue delaying adjournment passed both chambers. The tax reform bill has been ratified and presented to the Governor, clearing the way for completion of the state budget act and the wrap-up of any remaining policy legislation. A tentative schedule has the budget bill placed on the General Assembly's website over the weekend and has votes being held on Tuesday and Wednesday, with a possible Thursday adjournment.

Tax reform moves forward

The House and Senate passed [H998](#) (Tax Simplification and Reduction Act) and presented it to the Governor Wednesday. It would add service warranties and amusements to the general sales tax base, would eliminate certain sales tax exemptions, and would repeal sales tax holidays. The tax reform package would set a cap on non-profit sales tax refunds at \$45 million, with a local limit of \$13.3 million—no nonprofits are reported to be impacted at this level at this time. The bill leaves intact the municipal privilege license authority, but does direct the Revenue Laws Study Committee to study privilege license authority. Along with that, the impacts to nonprofits should sales tax refunds be eliminated will be included. While few services were added to the sales tax base, Revenue Laws has been charged with studying the feasibility of expanding the sales tax base to additional services.

The corporate tax set-aside for school construction, known as the ADM Fund, would be permanently repealed—counties have not had access to this revenue stream since 2009. The corporate tax rate would see a step down to 5 percent, with further reductions based on triggers should net general fund revenue targets be realized. The tax package caps the gas tax for two years and repeals the estate tax.

H998 significantly restructures the personal income tax—a standard rate of 5.8 percent begins January 2014, with a further decrease to 5.75 percent the year following. A cap on mortgage interest and property taxes is set at \$20,000 for itemized deductions with no limitation on charitable contributions. The standard deduction is set at \$15,000 (married filing jointly) while the personal exemption is eliminated. Tax credits largely sunset as scheduled or are eliminated with the exception of the child tax credit. The \$50,000 business income deduction is eliminated in 2014.

All told, H998 will reduce general fund availability by \$86.6 million in 2013-14 and by \$650 million in 2017-18.

County omnibus bill sees significant action

[S372](#) (Omnibus County Legislation) passed its last legislative vote Monday and has gone to the Governor for his signature. This bill increases the informal Department of Transportation bid limit from \$1.2 million to \$2.5 million, requires DENR to notify a board of county commissioners before issuing a permit for biosolids application in that county, and directs a study of the Payment in Lieu of Taxes issue. Special thanks goes to Sen. Jim Davis of Macon County, the bill sponsor, and Rep. Pat

McElraft of Carteret County, the House companion sponsor, for ably shepherding this bill through the process. Your advocates are pushing hard to get the remaining legislation affecting our goals to the finish line!

Electronic notice bill heard in revised form

The local bill to allow counties to publish legal notices by electronic means, in lieu of or in addition to publication in the newspaper, has been revised to apply only to Guilford County and any municipality located therein. The proposed committee substitute for [S287](#) (Notice Publication by Guilford County Local Governments), sponsored by Sen. Trudy Wade (Guilford), was heard Thursday morning in the House Rules Committee. NCACC Deputy Director Kevin Leonard testified before the committee in support of the bill, arguing that more people now get their information through electronic media and that counties can achieve even greater transparency through the use of electronic notice. After a lengthy discussion, the Rules Committee meeting was adjourned without a vote on S287. The committee, however, is expected to take it up for a vote early next week.

Inmate Medical Bill passes second reading in House

The bill to contain counties' inmate medical costs was heard in the House this week after being loaded up with several other unrelated pieces of legislation. Provisions pertaining to the appointment of district court judges, operating hours for Registers of Deeds offices, environmental laws, and private rights of action against notaries were added to the original language of [S321](#) (Contain Counties' Inmate Medical Costs). The bill as amended passed second reading in the House and will be heard on third reading early next week. With regard to the inmate medical portion of bill, the NCACC advocacy team continues to try to resolve concerns related to language inserted in the bill at the request of hospitals. When the bill finally reaches the Senate, it remains to be seen whether it will concur with the House's changes.

Design build bill receives favorable report

Another county goal moved forward this week, with [H857](#) (Design-Build/Public-Private Partnership Construction Contract) being given a favorable report in Senate Finance on Wednesday, after successful negotiation between counties and contractors regarding reporting requirements on the benefits of using non-traditional versus traditional construction methods. This bill would authorize all counties the option of using design-build or entering into public-private partnership contracts for construction of public infrastructure projects. A slight additional tweaking needed in the language prevented the bill from being considered on the Senate floor this week, with it being re-calendared for July 23. Counties thank Rep. Dean Arp (Union) for his leadership on bringing all stakeholders to consensus on this new construction authority.

School construction bill amended

The local bill allowing boards of county commissioners to own, site and construct school facilities has been changed to apply solely to Wake County. After [S236](#) (Counties Responsible for School Construction) failed to receive a favorable report in the House Government Committee last week, the bill was re-referred to the House Rules Committee, where its fate remains uncertain. The bill sponsor, however, found another vehicle for the legislation in [H726](#) (formerly No School Funding Loss/Tier 1 & 2 Counties). That bill was stripped and the language of S236 was inserted into the bill. This revised bill was made applicable only to Wake County. H726 (currently Wake County Commissioners Responsible for School Construction) received a favorable report in Senate Rules and was heard Friday morning on the Senate floor. The bill passed second reading, but an objection to third reading forced the bill to Tuesday's calendar.

Other legislation of interest to counties see action

After receiving almost no debate in any of the three committees in which it was heard or during the full Senate vote, [S305](#) (DMV Commission Contract Changes), which increases fees paid by counties to DMV contract license plate agents for collection of vehicle property tax, generated two extensive debates on the House floor. Several representatives said they had heard from commissioners and various county staff concerned about the cost. The bill passed its first House vote, but not overwhelmingly. An objection to the final vote carried the bill over to the next day, during which three House members offered amendments to reduce the impact to counties. One by Rep. Sarah Stevens (Surry) delayed the fee increase for one year while the matter was studied, and one by Rep. Jeff Elmore (Wilkes) put a sunset on the higher fee. Each of these amendments failed after much discussion. A final amendment by Rep. Michael Speciale (Craven) that leaves the fees in place but directs the legislature to study contractor fees passed. After this change, the bill passed its second House vote with much more support. Rep. David Lewis (Harnett), who ran the bill on the House floor, worked with both parties to try to reach a compromise that was amenable to all. The vote breakdown for this bill (and all bills) is available on the [General Assembly website](#). Once passage occurred in the House, the bill was sent directly to the Senate and placed on the Senate calendar for immediate consideration. The measure was agreed to without any debate and was sent to the Governor for his signature. It is likely that once the required study occurs and the results are reported to the General Assembly next year, counties will have another opportunity to revisit this discussion and attempt to adjust fees paid to private license plate agencies.

The regulatory reform issue has appeared in a number of different bills, but seems to have settled in [H74](#) (Regulatory Reform Act of 2013). It encompasses legislation from a number of House and Senate bills, but no longer has the provisions that were of most concern to local governments:

- Language prohibiting counties and municipalities from enacting environmental regulations more stringent than state or federal regulations has been removed.
- Also removed is a provision repealing the protest petition right of residents concerning zoning decisions.
- Lastly, a provision was removed that would have prohibited a county from bringing a zoning violation against a property owner if the use causing the violation was in effect before the zoning requirement was in place and the county does not discover the violation before 10 years have passed.

The bill passed the Senate and now goes back to the House for concurrence.

Rep. Dean Arp is tweaking language to [H392](#) (Warrant Status/Drug Screen Public Assistant Clients), a combined House and Senate measure to verify the criminal history and suspected drug use of certain public assistant applicants and recipients. In keeping with federal law, fleeing felons on probation or parole violators are not entitled to food stamps or temporary assistance—H392 puts in place processes to verify criminal histories. Further, H392 calls on the N.C. Department of Health and Human Services to require a drug test of each temporary assistance client suspected of drug use. Costs of the test are borne by the suspected drug user, with these costs reimbursed for those showing negative drug screening results.

Rep. Arp has been careful to limit county cost exposure to any new eligibility requirements—the bill expressly limits criminal history checks to the extent permitted by allocated county and state resources. Counties are not required to allocate funds for the program. County social services can currently access state criminal histories free of charge, and it is understood that the NCFAS program will be modified to generate this check automatically. There has been some concern over a Senate amendment that outlines the process for a federal criminal background check, which requires a set of fingerprints and a fee (currently \$38) for accessing federal information. While county social services may request a federal criminal background check, nothing compels them to do so.

Other bills of interest

Bill: H607

Sponsors: Jones (R65); Burr (R67)

Title: REQUIRE USE OF PAPER BALLOTS

Comments: This bill was converted to a study that directs the Joint Legislative Elections Oversight Committee to examine whether or not elections should be conducted with paper ballots. In addition, the bill prohibits the state or counties from purchasing elections systems that do not produce paper ballots until Aug. 15, 2014.

Bill: S463

Sponsors: Woodard (D22); McKissick (D20)

Title: JAIL DORMITORY MINIMUM STANDARDS

Position: Support

Category: Legislative Goal

Comments: This bill would accomplish the NCACC legislative goal to reduce "detention center space requirements in existing and new detention center facilities in all counties in North Carolina, consistent with the language in N.C. G.S. 153A-221." The bill passed the Senate on May 15 with a stipulation that the requirements applied only to counties with a minimum population of 250,000. The House amended the bill to make it applicable to all counties and added a new section to make it a felony for an inmate to escape from a county detention facility while being held on a felony charge or as a result of being convicted of a felony. It has been re-referred to the House Rules Committee.

Bill: H321

Sponsors: McGrady (R117); McElraft (R13); Graham, G. (D12); Speciale (R3)

Title: AMEND LOCAL SOLID WASTE PLANNING

Comments: This bill would accomplish an NCACC legislative goal to "eliminate requirement for a 10-year solid waste management plan" by eliminating G.S. 130A-309.09A(b). It also adds several items that must be included in the required annual report, including a "description of the disaster debris management program," descriptions of scrap tires and white goods procedures and information on how the entity tries to prevent "illegal disposal and management of litter." The bill was approved by the House on April 15.

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