



Bulletin #14-01

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Short Session begins with flurry of activity



A view from the House Chamber as the 2014 Short Session begins.

Photo by Casandra Skinner

The General Assembly convened its 2014 Short Session on Wednesday by honoring NASCAR Hall of Fame Inductees in both House and Senate chambers. Four new faces are in the Senate for 2014: Sens. Jeff Jackson (Mecklenburg), Terry Van Duyn (Buncombe), Valerie Foushee (Orange) and Joyce Krawiec (Forsyth). New House members are Graig Meyer (Orange), Robert T. Reives (Lee) and Roger Younts (Davidson).

A flurry of bill filings and introductions accompanied the two legislative days thus far, with 150 bills recorded through Thursday. While most of these reflect study committee legislative recommendations, others show individual legislator priorities for consideration in the 2014 session.

House Finance called its first meeting Thursday morning, to consider and report favorably a proposed committee substitute to the Omnibus Tax Law Changes ([H1050](#)), in keeping with recommendations of the Revenue Laws Study Committee. While the 56 page bill largely clarifies and tweaks the Tax Simplification and Reduction Act of 2013 ([H998](#)), it also repeals municipal authority to impose privilege license taxes and substitutes instead municipal authority to impose a local business tax of up to \$100 on each business location within municipal boundaries. A similar repeal of a county's very limited privilege license authority is also included—all told counties collect less than \$500,000 annually in privilege license taxes.

A county legislative goal would be realized should [H1050](#) move forward — beginning in July 2015, N.C. Department of Revenue would assume the listing and appraisal functions for cell towers and other wireless facilities on behalf of counties and cities, similar to that done now for other telecommunication services.

Bill filed to accomplish counties' No. 1 priority

A bill that would accomplish the No. 1 legislative goal for counties for 2014 was filed this week by Rep. Bryan Holloway of Stokes County. [H1107](#) (Restore Lottery \$ for School Construction) would increase the appropriation of lottery funds to counties to 27 percent for 2014-15 and restore the full 40

percent allocation to counties by 2016-17. It also directs that counties receive any excess lottery revenues each year beginning with the 2014-15 fiscal year.

In addition to Rep. Holloway, Reps. Jason Saine, John Bell and Bert Jones are prime sponsors for the legislation. The bill has received strong bi-partisan support. As of early Friday afternoon, Reps. Mark Brody, Debra Conrad, Elmer Floyd, Rick Glazier, Ken Goodman, George Graham, Mike Hager, Julia Howard, Pat Hurley, Donny Lambeth, Allen McNeill, Annie Mobley, Larry Pittman, Michael Speciale, Ken Waddell, Harry Warren, Michael Wray and Roger Younts had signed on as co-sponsors. The NCACC is urging all county officials to contact their House members over the weekend and ask them to sign on as a co-sponsor. Under House rules, co-sponsors can be added to the bill until 5 p.m. on Tuesday.

“Restoring the statutes that designate 40 percent of lottery funds to counties for school construction and increasing the appropriation for 2014-15 is counties’ No. 1 legislative goal for this session,” said NCACC Executive Director David F. Thompson. “Funds from the lottery are the only remaining state support for public school capital needs. Counties need the lottery revenues to help keep up with the demand for new construction and renovations to existing facilities to meet the needs of a modern education system.”

When the lottery was passed, counties were designated to receive 40 percent of the proceeds each year, plus a share of any excess proceeds. Counties have not received the full 40 percent or any of the excess proceeds for each of the past four fiscal years. The Legislature has capped the county appropriation at \$100 million for each of the past three years. For the 2013-14 fiscal year, the \$100 million appropriation represents barely more than 20 percent of lottery proceeds – roughly half of what counties were intended to receive.

In 2013 the General Assembly also removed the statute that specified counties as a beneficiary of lottery revenues and permanently eliminated the share of the state corporate income tax that was designated to county school construction needs.

Governor’s budget shifts workers’ compensation costs, more misdemeanants to counties

Governor McCrory released his recommended budget adjustments to “tweak” the second year of the state’s biennial budget on Wednesday, the opening day of the 2014 Short Session. The budget includes Gov. McCrory’s earlier salary proposal to increase base pay for teachers serving up to seven years – from \$30,800 to \$33,000 – and also recommends increasing salaries for longer-serving teachers an average of 2 to 4.3 percent.

Of interest to counties, the governor maintains lottery funds for school construction at \$100 million. He also proposes shifting the workers’ compensation claims payment for state-funded school employees to local school boards, prohibiting the use of state funds to support claims from events occurring on or after July 1, 2014. A similar proposal was recommended, and rejected, in 2011. Counties, then and now, remain concerned that these unforeseen liabilities may be pushed down to counties as schools struggle to meet these unknown costs.

While counties now pay for the workers’ compensation costs for county-funded school employees, along with other employee benefits such as retirement and health, a possible shifting of benefits cost for state-funded employees to counties would set a very troubling precedent. Counties have grave concerns about assuming this liability for employees that they do not hire, train or supervise. The governor’s budget also proposes to shift workers’ compensation claims for state-funded community college employees to local community colleges with a similar prohibition from using state dollars. Counties currently have no funding responsibilities for community college employees. The budget proposal would also shift claims payment for local school tort claims, mainly arising from school bus accidents.

The governor’s budget would redirect all misdemeanants, including DWI misdemeanants, from state prisons to county jails under the Statewide Misdemeanant Confinement Fund (SMCF) program. Currently, counties house misdemeanants serving less than 90 days in county jails at county expense. Misdemeanants, excluding those with DWI offenses, serving 91-180 days may be housed voluntarily by counties, with daily support from the SMCF. The governor recommends assigning all

misdemeanants to counties, with those new misdemeanants serving greater than 180 day sentences being added to the SMCF. New misdemeanants serving sentences for DWI would also be included. The N.C. Sheriffs Association, who oversees the SMCF, reports that current funding streams and fund balances would support these new county jail inmates for several years before the current revenue stream would be insufficient to support these new responsibilities.

For more highlights from [Gov. McCrory's budget proposal](#) please visit the NCACC website.

Fracking bill includes provision to limit property tax increases

Legislation that originated from the Energy Policy Commission was filed Thursday by Sens. Bob Rucho, Buck Newton and Andrew Brock. [S786](#) (Energy Modernization Act) largely focuses on the hydraulic fracturing industry but contains a provision in Section 18 to limit county property tax revenue increases to no more than 8 percent from the prior fiscal year. Such a limitation is unprecedented in North Carolina. At this point, no House companion has been filed, but that is likely to occur early next week. The House Public Utilities and Energy committee, where such a bill would be assigned, has scheduled a meeting for Wednesday at noon.

In addition to the revenue cap, the bill invalidates local ordinances that prohibit or have the effect of prohibiting oil and gas exploration, development and production activities (Section 13), exempts the value of real property attributable to the presence of energy minerals from taxation until a permit to drill has been issued (Section 17), and contains numerous other provisions to include:

- exempting oil and gas regulations from certain parts of the state rule review and approval process;
- requiring the state Department of Environment and Natural Resources to retain trade secret information and setting out parameters for disclosure of such to emergency responders;
- establishing requirements for notification of subsurface owners before drilling;
- abolishing the current Mining and Energy Commission, creating the Oil and Gas Commission, and reconstituting the former Mining Commission;
- addressing potential contamination of water supplies;
- levying a state severance tax on the removal of energy minerals from the soil and water of the state and prohibiting local taxes on the same;
- requiring numerous studies on matters relating to the exploration and production of energy sources in North Carolina.

Interim study committees file legislation

The first week of the Short Session typically features a lot of legislation that was approved by the various committees that met during the interim between the Long Session and the Short Session. Here is a brief list of some of this legislation that counties will need to keep an eye on during the next few weeks:

[H1034/S747](#) (Volunteer Fire and Rescue Finances PED)

[H1043](#) (Prequalification Update)

[H1058/S756](#) (PED Study of Water and Sewer Systems)

[H1081/S765](#) (Reform Agency Review of Engineering Work)

[H1099](#) (Unmanned Aircraft Regulation)

[H1104](#) (Study Oversight/Conflicts of int./Foster Care)

[H1105](#) (Local Erosion Programs/Takeover Existing Plans)

[H1106](#) (Erosion Control Designer Certification)

[H1110](#) (Improve Oversight of Public Guardianship)

[S734](#) (Authority to adopt Certain Ordinances)

[S737](#) (Amend Isolated Wetland Regulation)

[S738](#) (Clarify Gravel Under Stormwater Laws)

[S739](#) (Amend Hotel Carbon Monoxide Alarm Requirement)

[S743](#) (NC Econ. Dev. Partnership Modifications)

Legislative Bulletin

The NCACC will distribute its Legislative Bulletin each Friday while the General Assembly is in session. Previous editions of the bulletin are available on the [NCACC Website](#) or at the Legislative Bulletin blog.

This Week at the General Assembly resumes broadcasting

The NCACC is once again creating a weekly video report that summarizes county issues at the General Assembly. This Week at the General Assembly is available on the Association's YouTube channel (www.youtube.com/ncacc1908) every Friday afternoon. The program is also provided to PEG channels across the state.

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

