



Bulletin #14-10

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Movement remains slow on budget, Sales tax legislation proposed

SLOW PROGRESS CONTINUES AT GENERAL ASSEMBLY

Again this week, state House members other than budget negotiators stayed at home while the House held no-vote skeleton sessions. The Senate did hold a few committees and move some legislation, but discussions on the state budget and Medicaid reform made little progress.

The Senate moved off its position on 11 percent teacher pay raises, dropping the amount to eight percent and reducing the number of cuts to teacher assistants and the number of people no longer eligible for Medicaid. The House gave this new offer a lukewarm reception, and no further public offers from either chamber have emerged.

Medicaid reform discussions continued in two Senate Rules committee meetings, and the committee passed H1181 North Carolina Medicaid Modernization on the second day. As with the budget, the House and Senate Medicaid reform plans remain far apart. It appears these two major policy issues are the main barriers to the General Assembly resolving their differences and adjourning the 2014 legislative session.

SENATE PROPOSES UNEXPECTED LOCAL SALES TAX LEGISLATION

The Senate Finance committee on Tuesday rolled out changes to H1224, adding language that drastically revises local sales tax authority to a bill addressing economic development. The additions to *Local Sales Tax for Education/Econ. Dev. Changes* eliminate a one-quarter cent sales tax authority in one part of the statute and add the same in another, and caps all counties except for two that have 2.75% tax rates at 2.5%.

As currently drafted, the bill repeals Article 46 of state tax statutes, eliminating that one-quarter sales tax available for general use as determined by the county commissioners except for counties that have already enacted it. It also creates a new article with authority for a one-half cent sales tax for education purposes, defined as school construction (including debt service), teacher salaries, and community college funding. Finally, it increases the one-quarter cent sales tax for public transit in Article 43 to one-half for all counties, but specifically prohibits a county from enacting both the designated education and transit taxes, forcing counties to choose one or the other. The practical effect of these changes combined is a shift of the one-quarter sales tax from general use to education or public transit uses only, limiting flexibility for counties. However, it does open a quarter-cent tax previously only available for transit to education purposes also.

The bill passed committee and was scheduled to be heard by the full Senate yesterday. However, concerns raised by counties and other interested parties have caused legislators to reconsider the current version of the bill. Senate leadership removed the bill from the calendar and sent it back to the Finance committee for further review. NCACC advocacy staff will continue to work on this issue to prevent any harmful effects to counties.

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

