



Bulletin #06-03

Thursday, May 25, 2006

SENATE APPROVES ITS VERSION OF BUDGET WITHOUT MEDICAID RELIEF

The Senate this week approved and sent to the House a set of proposed changes to the state's 2006-07 budget. The proposed \$18.8 billion budget, more than 9 percent above the budget adopted last year, reflects a \$2.4 billion surplus. Despite the surplus, the Senate rejected pleas to provide relief for counties facing an increased burden imposed by state-imposed spending on Medicaid services.

Highlights of the Senate budget include:

- Reduction of the state sales tax from 4.5 percent to 4.25 percent on Jan. 1, 2007; (a half-cent sales tax imposed on a temporary basis in 2001 was scheduled to "sunset" in July 2007; this would accelerate half of this scheduled repeal).
- Reduction from 8.25 percent to 8 percent in the state's top income tax rate, also effective Jan. 1, 2007 (this tax was also set to "sunset" on July 1, 2007).
- A cap on gasoline taxes at current levels.
- Salary increases of 8 percent for teachers, 7 percent for school administrators, 5 percent for other school employees, 6 percent for university and community college faculty and 5 percent for state employees.
- \$104 million for community mental health services and funding for two new regional psychiatric hospitals.
- Funding for 231 new court positions.
- Restoration of \$44.3 million in school discretionary cuts.
- A two-year moratorium on construction of new landfills.
- An increase in the state's hourly minimum wage from \$5.15 to \$6.15.

REVISED LOTTERY DISTRIBUTION(S) PROPOSED

A number of bills introduced in the current legislative session would revise the formula for distribution of lottery proceeds or otherwise alter oversight of the state's fledgling program.

- [H1830](#), introduced by Rep. Bruce Goforth (Buncombe), [S1219](#), introduced by Sen. John Snow (Cherokee), [H1880](#), introduced by Rep. Mark Hilton (Catawba), would require that the 40 percent of net proceeds to be spent on school construction all be allocated on an Average Daily Membership (ADM) basis.
- [S1349](#), introduced by Sen. Neal Hunt (Wake), would increase from 40 percent to 90 percent the percentage of net proceeds spent on school construction, with all of the school construction funds to be allocated on an ADM basis.
- [S1221](#), introduced by Sen. Richard Stevens (Wake), [H1943](#), introduced by Rep. Carolyn Justus (Henderson), and [S1500](#), introduced by Sen. Tom Apodaca (Mecklenburg), would authorize a Constitutional Amendment to prevent lottery funds to be spent on education from supplanting other educational expenditures.
- [H1893](#), introduced by Rep. Bill Faison (Orange), would prevent supplanting of educational expenditures by statute.
- [H1991](#), introduced by Rep. Doug Yongue (Scotland), and [S1737](#), introduced by Sen. Walter Dalton (Rutherford), would require that tax revenues on lottery prizes be spent on equipment for community colleges.
- [S1503](#), introduced by Sen. Robert Holloman (Hertford), would set aside a portion of lottery proceeds for emergency repairs and renovations in low wealth counties.
- [S1365](#), introduced by Sen. Tony Rand (Cumberland), and [H2212](#), introduced by Rep. Bernard Allen (Wake), would establish lottery oversight commissions.

EMINENT DOMAIN PROPOSALS STIR CONTROVERSY

The House Judiciary #3 Committee this week discussed a proposal to tighten up laws that authorize state and local governments and others to exercise the power of eminent domain to condemn property. **H1965**, introduced by Reps. Bruce Goforth and Wilma Sherrill of Buncombe County, represents the recommendation of a Select Committee charged with studying North Carolina's eminent domain statutes in the aftermath of a controversial decision by the United States Supreme Court. The court upheld the exercise of eminent domain authority in a case involving the redevelopment of property in New London, Conn.

H1965 would limit the purposes for which the power of eminent domain could be exercised to further economic development financed with revenue bonds. Committee Chairman Rep. Ronnie Sutton (Robeson) announced that the committee would be expected to vote on **H1965** next week.

A number of other proposals have been introduced to restrict the exercise of the power of eminent domain:

- **H1854**, by Rep. Mitch Gillespie (McDowell), would authorize a Constitutional Amendment to prohibit condemnation for economic development.
- **S1222**, by Sen. Robert Pittenger (Mecklenburg), would authorize a Constitutional Amendment to prohibit condemnation of property to be conveyed to a private entity or for the purpose of expanding the tax base.
- **S1229**, by Sen. James Forrester (Gaston), and **S1324**, introduced by Sen. Fred Smith (Johnston), would authorize a Constitutional Amendment to prohibit condemnation for economic development.
- **H2213**, introduced by Rep. Paul Stam (Wake), would authorize a Constitutional Amendment to prohibit condemnation of property to be transferred to another private owner and to provide for prompt payment of "just compensation."
- **S1282** and **S1356**, both introduced by Sen. Fletcher Hartsell (Cabarrus), would require that land condemned and not used for its intended purpose be first offered to the original owner, "heirs, successors or assigns."
- **S1321**, introduced by Sen. Julia Boseman (New Hanover), would repeal statutory authority to condemn property for urban redevelopment.

James B. Blackburn, III, General Counsel
David F. Thompson, Executive Director