



**Bulletin #07-05**

**Thursday, Feb. 22, 2007**

## **FOOD FOR THOUGHT**

*"If not for the land transfer tax, we would fall further behind in our school capital needs and would have to raise our property tax." – Dan Scanlon, Currituck County manager*

### **EASLEY DEMANDS IMMEDIATE ACTION ON MEDICAID RELIEF**

County Medicaid relief was the very first question posed to Gov. Mike Easley at his press conference Feb. 22 when he unveiled his 2007-09 biennium budget proposal. The governor reiterated his charge to the State and Local Fiscal Modernization Study Commission, asking for a recommendation on county Medicaid relief to be made next month. Easley said that local governments must come to a consensus on how state and local responsibilities, including Medicaid, are to be divided. If no consensus is reached, his office will develop a Medicaid relief plan.

During his State of the State address to the General Assembly on Feb. 19, Gov. Easley demanded action to address the county Medicaid issue for struggling counties and called on legislators to "face and fix this problem, this session."

"If any of our counties are weak, then all of us are weaker for it," Easley said. "We have to work together to help those low-wealth counties that are struggling with the high cost of Medicaid. And I know that the [State and Local Fiscal Modernization Study Commission] is working hard on a solution. They are due to make a recommendation to us next month. But if we don't get a timely and reasonable recommendation, we will offer our own plan. But one way or another, we need to face and fix this problem, this session."

Easley's budget proposal did not include any funds for a statewide school construction bond, but the governor did include funds for a \$250 million bond for water and sewer needs.

Another Medicaid relief proposal was introduced this week. Sen. Andrew Brock (Davie) introduced legislation that would phase out the county Medicaid share over a five-year span. [S213](#) is similar to [H57](#), filed by Rep. Julia Howard, but does not cap county costs at 2005-06 levels as does H57.

### **SCHOOL BOND PROPOSAL AFLOAT**

A coalition called Education: Everybody's Business has been pushing a \$2 billion school bond proposal, as has the North Carolina School Boards Association. No legislation has been formally introduced yet, but at least one proposal for distribution of the bond funds is making the rounds of the General Assembly. According to this proposal, the bond funds would be split into three pots – \$999 million for all counties (except Tyrrell and Hyde) based on Average Daily Membership, \$499.5 million for counties who have had any growth in ADM from 2002 to 2007 – again distributed via ADM (71 counties would qualify for this pot) – and \$499.5 million for "Low Wealth" counties – again distributed via ADM (70 counties would also qualify for this pot). Tyrrell and Hyde counties, due to the small size of their school systems, would each receive \$1 million but would not receive any distribution from the other pots. There appears to be a lot of support for a state school bond among legislators, but the distribution formula will likely generate a lot of discussion and will be an ongoing debate throughout the session.

## **HOMESTEAD PROPERTY TAX RELIEF**

Although no legislation has been introduced, discussion continues on the concept of providing property tax relief on the homestead of permanent residents. The issue has been fueled primarily by taxpayer sticker shock flowing from revaluations in counties with rapidly appreciating real estate. Numerous relief plans have been mentioned, including treating the homestead of a permanent resident as a separate class of property for tax purposes, creating income-based relief programs, capping the appraised rate of appreciation on a particular property, and providing a flat exemption on all residences. Each solution contains its own set of issues, but underlying each proposal is the loss of county revenues.

## **SENATE LOCAL BILL DEADLINE IS NEXT WEEK**

The deadlines to have local bills to bill drafting are Tuesday, Feb. 27, at 3 p.m. in the Senate and Tuesday, March 20, at 4 p.m. in the House.

## **BILLS OF INTEREST**

The Association has created a special section on its Web site to track bills of interest to county officials. Please visit [www.ncacc.org/legislation/about.html](http://www.ncacc.org/legislation/about.html) frequently for updates on key legislation.