



Bulletin #07-10

Thursday, March 29, 2007

FOOD FOR THOUGHT

"They've got their budgeting priorities out of whack." – Tim Kent, executive vice president of the North Carolina Association of Realtors, on why counties are struggling to deal with the state's rapid growth.

REALTORS BEGIN MEDIA CAMPAIGN AGAINST LAND TRANSFER TAX

As expected, the Raleigh-based lobbyists for the North Carolina Association of Realtors (NCAR) began a media blitz this week aimed at stopping the General Assembly from granting counties the authority for a land transfer tax, which would be used to fund infrastructure needs. The campaign includes television and radio commercials, yard signs, bumper stickers and a Web site centered around the theme that the "N.C. home tax" is a "bad idea."

According to Tim Kent, executive vice president of NCAR, the fiscal struggles being faced by counties are not due to the state's explosive growth, but are rather due to county commissioners' poor budgeting practices. "Taxing and budgeting, whether it's on the state level or whether it's on the local level, it's a matter of priorities," Kent said in an interview broadcast March 29 on State Government Radio. When asked what message he would say to commissioners who are struggling to fund new infrastructure needs caused by their growing communities, Kent said: "To those county commissioners, I would say you need to summon up the collective courage to create the kind of budget that creates the kind of priorities you need for your system. We've done a number of studies across the state in places like Mecklenburg County and Union County which shows not only that growth more than pays for itself, but we've also been able to establish that the cost of government, the administration of government, is exceeding the rate of growth and inflation. So they've got their budgeting priorities out of whack."

BILL GRANTS COUNTIES LOCAL-OPTION 1 PERCENT LAND TRANSFER TAX, MORE LOCAL BILLS

Sen. Bob Atwater (Chatham) filed [S1516](#), Local Option Land Transfer Taxes, to grant land transfer tax authority of up to 1 percent to all counties who do not already have a land transfer tax by a local act. The tax could only be levied if voters approve it in a local referendum. The bill does not require counties to share any of the proceeds with municipalities. Several local revenue bills were filed this week, including local-option land transfer taxes for Tyrrell County ([H1175](#)) and Avery County ([H1180](#)), a half-cent sales tax for Sampson County ([H1158](#)) and New Hanover County ([H1212](#)), and a 1-cent sales tax for Wayne County ([H1216](#)). All bills require a voter referendum except for Sampson's and Avery's, both of which would grant the board of commissioners the authority to implement the respective tax with a resolution. [H1218](#) would grant Brunswick County impact fee authority.

FISCAL MODERNIZATION COMMISSION RECOMMENDATIONS SHOW UP IN BILL

How does no Medicaid burden, a local-option 1 percent land transfer tax and authority for a prepared meals tax and room occupancy taxes sound? Sen. Dan Clodfelter (Mecklenburg) filed [S1529](#) this week, representing the findings of the State-Local Fiscal Modernization Study Commission's efforts. The bill grants counties several new revenue authorities and relieves counties of their Medicaid burden. To help the state meet its increased Medicaid obligation, counties would forfeit to the state the Article 44 sales tax and the state would also increase the cigarette tax from 1.75 cents per cigarette to 3.75 cents.

RAND FILES MEDICAID RELIEF PLAN

Sen. Tony Rand (Cumberland) filed his long-anticipated Medicaid relief plan earlier this week. [S1484](#) calls for counties to give up the Article 40 (half-cent, per capita) sales tax and half of the Article 39 (1-cent, point-of-distribution) to the state in exchange for the state taking over the county Medicaid burden. If passed, this would generate approximately \$1 billion of new revenue for the state to assume an estimated \$517 million of Medicaid costs. Under the proposed legislation, the state allows the quarter-cent sales tax that is set to expire on June 30 actually expire, and counties must hold cities harmless for lost revenues based on how much revenue the cities received in 2006-07 from the lost sales taxes. In addition, counties would be given the authority to enact – by resolution – a replacement sales tax of up to 1 cent in quarter-cent increments. This new sales tax would be distributed by point of distribution. Counties would not have to share the revenue from the new sales tax with cities. Rand's bill has a companion in the House, [H1140](#), filed by Rep. Pryor Gibson (Anson).

BILLS OF INTEREST

The Association has created a section on its Web site to track bills of interest to county officials. Visit www.ncacc.org/legislation/about.html for updates on key legislation, including the bills listed below.

Bill: [HB1203](#)

Sponsors: Yongue (D46); Holliman (D81); Johnson (R83); Carney (D102)

Title: PUBLIC SCHOOL BOND ACT OF 2007

Status: 03/28/2007 – Filed in the House

Category: Priority Goal

Comments: The county-by-county allocations in this bill are substantially similar to S1144 (Hoyle) but include one notable distinction. Like S1144, the bill divides the \$2 billion into three pots – 50 percent is divided up by ADM, 25 percent to counties experiencing ADM growth over the last five years, and 25 percent to "low wealth" counties. Unlike S1144, this bill requires counties to match their proceeds designated in the distributions based on ADM or High Growth. Counties who receive a distribution from the low-wealth pot do not have to match the proceeds they receive from that pot, but they do have to match the proceeds from the other two pots. The formula used to determine the county match is 3 cents times the county's ability-to-pay rank for every \$1 of allocated bond proceeds. The "county's ability-to-pay rank is its rank in the ranking of counties from lowest to highest county wealth as a percentage of State average wealth made by the State Board of Education for the 2006-2007 fiscal year pursuant to Section 7.6 of S.L. 2005-276."

Bill: [HB1233](#)

Sponsors: Gibson (D69); Allen, L. (D49); Harrison (D57)

Title: SOLID WASTE MANAGEMENT ACT OF 2007

Status: 03/28/2007 – Filed in the House

Comments: This bill represents a major shift in solid waste policy in the state in that it is not prompted by any changes to federal law. It forces counties to go to smaller landfills but its requirements make county landfills cost-prohibitive. The basic goal of the bill is to turn North Carolina from a net importer of solid waste to a net exporter. Among many changes, the bill increases the tipping fee to \$2 per ton, requires double liners instead of single liners, requires liners for construction and demolition landfills and requires leache collection systems.

Bill: [SB1180](#)

Sponsors: Dalton (D46)

Title: NO MONETARY EXACTION FOR DEVELOPMENT

Status: 03/22/2007 – Senate Committee On Finance

Comments: This bill would restrict counties from exacting monetary contributions from developers as part of an Adequate Public Facilities Ordinance (APFO).

– NCACC Legislative Team