



Bulletin #07-11

Thursday, April 5, 2007

FOOD FOR THOUGHT

According to research by the Institute for Emerging Issues at N.C. State University, 166 consumer services are taxed by at least one state. On average, states tax 55 consumer services. North Carolina taxes only 33 consumer services, one of the lowest amounts in the nation. "We have one of the narrowest tax bases on the sales tax side in the country," said Roland Stephens, the assistant director for research and policy at the IEI.

PLOP PLOP, FIZZ FIZZ, OH WHAT (MEDICAID) RELIEF THIS IS!

One of the most significant pieces of Medicaid relief legislation ever is expected to be filed next week. The bill will institute a permanent cap on county Medicaid costs at 2005-06 levels and will provide additional funds for targeted relief for the hardest-hit counties. This mirrors the strategy approved by the Association Board of Directors at its Feb. 7 meeting, and NCACC legislative team members have since worked this approach with General Assembly members.

The bill is being spearheaded by Rep. Bill Owens (D-Pasquotank), a past president of the Association and current chair of the House Rules Committee. Other primary sponsors include Reps. Mickey Michaux (D-Durham) and Doug Yongue (D-Scotland), both of whom are House Appropriations co-chairs, and House Minority Leader Paul Stam (R-Wake). This bill is receiving widespread, bi-partisan support. As of Thursday afternoon, more than 100 members of the House had agreed to sign on as co-sponsors. The Association wants all 120 members to sign the bill.

The Association urges all county commissioners and officials to contact their House members over the Easter holiday and make sure they have already signed or will sign this proposal. If your member has already signed, please thank them for their support and encourage them to make sure this bill becomes reality. This legislation is particularly significant due to the amount of support from key members in both parties, the amount of relief it provides to counties (the cost for the cap alone is projected to be \$91 million for 2007-08 and approximately \$150 million for 2008-09) and the stature of the co-sponsors. Here are some key points to remember:

- The cap provides immediate and PERMANENT relief to all 100 counties
- The targeted relief provides additional funds to counties who are hardest hit by the Medicaid burden
- The state is providing this relief without requiring any kind of revenue swap or redistribution of existing revenues from counties
- Capping county costs NOW will eventually make it easier for the state to assume the entire county Medicaid burden

LOTTERY REDISTRIBUTION BILL FAILS IN HOUSE FINANCE

A bill that would have altered the way county proceeds from the North Carolina Education Lottery are distributed was narrowly defeated Thursday in the House Finance Committee. **H9** would have required that the 40 percent share of lottery proceeds earmarked for county school construction be divvied up among counties entirely by Average Daily Membership. The current legislation requires 65 percent of the county proceeds to be divided up among all counties by ADM, with the remaining 35 percent going to counties that have an effective tax rate higher than the state average. The bill would also have changed the date for which counties could use the funds to "retire indebtedness incurred for school construction projects incurred on or after" from Jan. 1, 2003, to Jan. 1, 2000.

HOUSE BUDGET PLANS HEATING UP

Appropriation subcommittees were given further marching orders this week regarding a time frame for budget preparation. Subcommittee co-chairs must report by April 11 to the full chairs their subcommittees' preliminary House

and Senate agreements on the governor's budget priorities, based on committee member recommendation. The House co-chairs will present their recommended packet to their respective committees April 11, followed by a hearing of all statewide House appropriations bills April 12. By April 19, House appropriation subcommittees must finalize their "money report," a line item listing of expansion items and recommended reductions. On April 23, the subcommittee will debate and finalize recommendations for special provisions to accompany the money report items. A draft budget bill should be ready for review by the full House appropriations committee beginning April 30, with final House floor action by May 4.

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: [HB1317](#)
Sponsors: Warren, E. (D8)
Title: ONE-CENT LOCAL OPTION SALES TAX
Status: 04/05/2007 – House Committee On Finance
History: 04/04/2007—H Filed in the House.
04/05/2007—H Referred To House Committee On Finance.
Position: Support w/Amendments
Priority: High
Category: Priority Goal
Comments: This bill would provide counties a local-option one-cent sales tax to be used for public school capital outlay, community college plant fund or other infrastructure needs, including road construction and mental health. The bill requires a public referendum but does not require counties to share proceeds with municipalities. This bill would likely have to be amended to include a distribution to cities for their infrastructure needs for it to gain enough support in the Legislature. The additional sales tax does not apply to food.

– NCACC Legislative Team