



Bulletin #07-16

Thursday, May 10, 2007

SENATE WORKING ON PLAN TO PERMANENTLY END COUNTY MEDICAID SHARE

Sen. Dan Clodfelter (Mecklenburg) has devised an intriguing and workable plan that would provide 100 percent county Medicaid relief in exchange for a modest swap of county revenues whose total amounts fall short of county Medicaid costs. In exchange for a complete state takeover of the county Medicaid share, Sen. Clodfelter proposes the state to assume the per capita half of the Article 44 half-cent sales tax (the most recent sales tax enacted locally), one penny of the existing local sales tax on food (current local sales tax on food is at 2 percent), the corporate tax set aside for school construction, and the county beer and wine state-shared revenue. Counties would hold municipalities harmless for the loss of sales tax revenues, and the state would **hold any county harmless** if it relinquished more revenue than it receives in Medicaid savings. To manage local infrastructure demands, Sen. Clodfelter is also considering legislation to give all counties authority to enact any or all of the special revenue options available to one or more counties.

HOUSE BUDGET MEDICAID RELIEF AMENDMENTS FORTHCOMING

As part of the opening discussions of the House's budget proposal, Appropriations Co-Chair Phil Haire (Jackson) said that the House had discovered funds to provide an additional \$40 million in one-time Medicaid relief for counties for 2007-08, upping the total proposed relief for 2007-08 to \$100 million. Thanks go to the many county commissioners who called their legislators and to NCACC Past President Rep. Bill Owens (Pasquotank), county coalition leader Rep. Becky Carney (Mecklenburg) and other House members who were aware of the county Medicaid crisis and diligently searched for additional revenue. The House had not begun voting on the amendments when the Legislative Bulletin went to press. The House is scheduled to conduct its required second and third votes on the budget on Thursday and during the early morning hours Friday.

HOUSE BUDGET KEEPS 'TEMPORARY' TAXES, LOTTERY SHARE FOR SCHOOLS

Other items of interest to counties in the House budget include state employee pay raises – 5 percent for teachers and community college faculty, 4.44 percent for school principals, and a last-minute increase to 4.25 percent for all other state employees to be funded by eliminating state positions vacant for more than six months. Additional salary changes may be forthcoming during floor debate. The House's budget proposal also keeps in place two temporary taxes – a quarter-cent statewide sales tax and the 8.25 percent upper income tax bracket – that were set to expire July 1, thus setting up a potential showdown with Senate leaders who have said they want to see those taxes finally expire. Lower income workers and families could access an Earned Income Tax Credit equal to 5 percent of the federal EITC. Smaller tax changes are targeted at economic development opportunities.

The House budget kept the county share of lottery proceeds at 40 percent, but reduced the amount appropriated to the lottery fund to \$350 million. If the lottery generates \$350 million in proceeds in 2007-08, \$140 million would go to counties for school construction. The budget bill did not alter the distribution formula. NCACC's comprehensive analysis of the House budget proposal will be posted on the NCACC Web site early next week.

HOUSE VERSION OF LOCAL-OPTION LAND TRANSFER TAX FILED

H1982, "Local Option Land Transfer Tax," was filed May 8 by Rep. Jennifer Weiss (Wake). This bill would grant to all counties the authority to implement a local-option land transfer tax of up to 1 percent, provided the county does not already have the authority through a local act. The bill requires a public referendum, requires counties to share the proceeds with municipalities based on a per capita distribution, and requires the proceeds to be spent on public infrastructure needs. If a county has not enacted the tax by July 1, 2008, the bill grants the authority to municipalities. If a municipality enacts the land transfer tax prior to a county enacting the tax, it receives all the money from the land transfer tax generated within its borders. If a county later enacts the land transfer tax, the county would then have to hold the municipality harmless until its share of the countywide levy equals what it generated during the year prior to the county's enactment. Staff from the Association and the League of Municipalities worked with Rep. Weiss to develop this legislation. Many thanks to Rep. Weiss and co-sponsors Rep. Deborah Ross (Wake), Rep. Verla Insko (Orange), Rep. Paul Luebke (Durham) and Rep. Pricey Harrison (Guilford) for representing their constituents' interests and promoting the measure despite publicity campaign against the effort.

CELL TOWER BILL STILL GETTING BAD RECEPTION

A bill that would preempt local governments' ability to regulate cell towers continues to run into roadblocks in the Senate Commerce Committee. **S831**, sponsored by Sen. David Hoyle (Gaston), severely limits the ability of local governments to regulate the size, location and design of cell towers and other wireless facilities – including in residential districts. The 1996 Telecommunications Act specifically provides authority to local governments to regulate towers. The bill has been scheduled twice in the committee, but no action was taken on either occasion after committee members argued that the bill would greatly limit the ability of local communities to control the build-out of telecom towers. The bill is unacceptable for the Association in its current form. The Association urges county officials to please contact members of the Senate Commerce Committee to express your concern about this bill.

Chairman: Sen. R. C. Soles, Jr.

Vice Chairmen: Sens. David Hoyle and Tony Rand

Members: Sens. Tom Apodaca, Doug Berger, Phil Berger, Harris Blake, Julia Boseman, Walter Dalton, Katie Dorsett, Tony Foriest, James Forrester, Linda Garrou, Eddie Goodall, Steve Goss, Malcolm Graham, Kay Hagan, Neal Hunt, Jim Jacumin, John Kerr III, Vernon Malone, Floyd McKissick Jr., Martin Nesbitt Jr., Robert Pittenger, William Purcell, Larry Shaw, and Richard Stevens

CHANGES PROPOSED TO SCHOOL BUDGET DISPUTE RESOLUTION PROCESS

The House Education Committee this week approved legislation to expedite court proceedings that result from funding disputes between school boards and boards of county commissioners. **H1519**, introduced by Rep. Rick Glazier (Cumberland), would clarify that conclusion of a school year or fiscal year before a final court determination does not resolve the dispute or make the issue "moot." The bill would also prohibit a board of county commissioners from using any payment made to the school to reduce the county appropriation to the school administrative unit in later years. The bill was amended to specify that interest would be added to payment required by a final judgment only if interest is otherwise due by law. After being approved by the House Education Committee, H1519 was re-referred to the House Judiciary No. 2 Committee for further legal review.

CROSSOVER DEADLINE EXPECTED TO BE EXTENDED BY ONE WEEK

The Senate and House appear to have agreed to extend the crossover deadline a week to May 24. Bills that do not impact the state budget must pass the originating chamber by the crossover deadline in order to be considered during the 2007-08 biennium. The deadline was originally set for May 17. The House is about a week behind its self-imposed deadline to finish its budget deliberations.

LEGISLATIVE GOAL APPROVED IN SENATE FINANCE

S580, "State Treasurer/Local OPEB Investments," (Sen. Dan Clodfelter) was unanimously approved by the Senate Finance Committee on May 9 and will likely be considered by the Senate early next week. The bill would enable local governments to invest funds in a special trust fund to be housed at the State Treasurer's Office entitled the "Local Government Other Post-Employment Benefits Fund." Assets of the fund may be used to provide OPEB benefits only. Local governments participating in this fund are likely to receive higher rates of return than under local investment portfolios, thereby reducing OPEB pre-fund expenditures.

SOLID WASTE BILL SENT TO STAKEHOLDERS

S1492 (Sen. Dan Clodfelter) was read into the Senate Environment Committee and sent to a stakeholder process. The first meeting of the group was May 7 with 77 participants. The Association anticipates weekly meetings to continue throughout much of the session. The Association is participating in the stakeholder gatherings but remains opposed to the bill for a variety of reasons, including the imposition of a \$2.50 per ton tipping tax, as well proposed state interference in local autonomy related to landfill siting.

BILLS OF INTEREST

As the crossover deadline nears, action in both chambers is heating up. Several bills that would accomplish county legislative goals have seen activity in one chamber or the other in the past week. 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: [HB1957](#)
Sponsors: Dollar (R36)
Title: THE SCHOOL CONSTRUCTION BOND ACT OF 2007
Status: 05/08/2007 – House Committee On Rules, Calendar, and Operations of the House
Comments: This bill would direct all the proceeds from the lottery to pay off a \$3 billion school bond. The bond proceeds would be divided up among counties based on Average Daily Membership.

Bill: [HB2030](#)
Sponsors: Mobley (D5)
Title: MEDICAID COUNTY SHARE/PHASE OUT
Status: 05/09/2007 – Filed in the House
Position: Support
Priority: High
Category: Priority Goal
Comments: This bill would phase out the county Medicaid share over a period of several years, based on each county's ranking in the tier rankings. Tier 1 counties would have their share reduced to 9 percent of the state's share of Medicaid services costs, effective July 1, 2007. Effective July 1, 2009, Tier 1 counties would see their share reduced to 6 percent, while all other counties would see their share reduced to 12 percent. Non-Tier 1 counties would have their share further reduced to 9 percent on July 1, 2010. Beginning July 1, 2011, all counties would pay 6 percent. The share would be reduced to 3 percent beginning July 1, 2012, and 0 percent beginning July 1, 2013.

Bill: [SB1167](#)
Sponsors: Dorsett (D28)
Title: NOTIFY COUNTY BEFORE STATE LAND ACQUISITION
Status: 05/09/2007 – House Committee On Appropriations
Comments: This bill passed the Senate unanimously on May 7.

– NCACC Legislative Team