



Bulletin #07-22

Thursday, June 21, 2007

## FOOD FOR THOUGHT

*"If anybody believes the state can just take over Medicaid – \$500 million and 10 to 12 percent growth – and not have to have some revenue by which we can do that, if anybody believes that, it just won't work. We've got a real challenge in trying to work through this, trying to help the counties and trying to help ourselves to make sure we all stay solvent."*  
– Sen. David Hoyle (Gaston), chairman of the Senate Finance Committee, during discussion of Sen. Tony Rand's Medicaid proposal.

### SENATE, HOUSE LEADERS SEEK PERMANENT COUNTY MEDICAID RELIEF STRATEGY THAT'S WORKABLE AND WINNABLE

A new Senate proposal for permanent and complete county Medicaid relief was unveiled Thursday in Senate Finance in the form of a proposed committee substitute for **S1484** (the current online version of S1484 at the General Assembly's Web site will not reflect the substitute language). The proposed substitute would phase out county Medicaid costs over three years, excluding administrative costs, starting Jan. 1, 2008. The plan calls for counties to cede five-eighths of a penny of local sales taxes (Article 44 and one-fourth of the Article 40), the county deed stamp tax, the ADM corporate tax set aside, and county beer and wine revenues. Counties would be required to hold cities harmless for their sales tax losses at the 2006-07 level. For revenue replacement, counties would be authorized by resolution or referendum to enact an additional half-cent sales tax, distributed point of delivery and excluding food. Seventy-five percent of this additional sales tax revenue must be dedicated to county infrastructure needs. Any county whose net revenue stream exceeds county Medicaid relief in the first two years of the swap would be held harmless and receive an additional \$100,000. No committee action was taken – committee chairs noted that discussion of the bill would resume at the next committee meeting, scheduled for Monday, June 25.

House leaders continue to perfect their strategy for permanent and complete county Medicaid relief and intend to provide Medicaid relief without requiring a county tax increase. No proposed legislation has been released but, at last check, their plan called for a five-year phaseout of county Medicaid relief, coupled with a corresponding phaseout of a county revenue stream to support additional state Medicaid costs. Counties would cede the deed stamp tax, ADM monies, half-cent sales tax (Article 44), and the food portion of 1 penny of the per capita sales tax (Articles 40 and 42). Again, these revenues would be ceded to the state as the state needed them to offset county Medicaid relief. Counties would be required to hold cities harmless for their sales tax losses.

New county revenue authority, not replacement revenue authority, would come from authorization to levy either a 0.4 percent land transfer tax or a quarter-cent sales tax, at county option and subject to voter referendum. The House plan is predicated on continuing the state's quarter-cent sales tax, scheduled to sunset next Friday, and continuing the upper income personal income tax bracket, albeit at a reduced rate. Both plans would resume taxing annuities and would provide for an earned income tax credit – the House would implement a refundable plan while the Senate would limit it to a tax credit.

Senate and House leadership continue to meet daily, and often more frequently, to hammer out a compromise between these two proposals. We remain very hopeful that a consensual strategy for permanent county Medicaid relief that is both workable and winnable is in the offing. In the meantime, we ask that our counties remain in constant contact with their House and Senate members, encouraging their support for permanent county Medicaid relief.

We also wish to publicly express our appreciation to those legislative leaders who have been at the forefront of county Medicaid relief efforts and ask that our county officials do the same when communicating with their representatives. We do not think it prudent or constructive to squabble about minor details of any relief proposal still under

development; we encourage our members to focus on a larger vision that improves and clarifies the intergovernmental partnership.

With that in mind, your city officials may come out in opposition to the Senate's most recent proposal since the sales tax hold harmless provision for cities does not contain a growth factor. While we can understand their concerns, we recognize that any proposal is just that, a proposal. Again, our focus, collectively, should be on the larger policy implications that benefit and sustain the community at large. Our sister cities can rest assured, despite any suggestion otherwise, that a county hold harmless provision will be honored by their county partners.

### **HOMESTEAD EXEMPTION INCOME THRESHOLD INCREASED**

The House unanimously passed a bill Wednesday that increases the income threshold to qualify for the Homestead Exemption from \$19,000 to \$25,000. The increase would be effective beginning July 1, 2009. **H1499**, which is a committee substitute, does not change the amount of the exemption itself, and it retains the annual indexing factors already in place. Changing the Homestead Exemption has been a major push in the General Assembly this year due to rapidly rising property values in many counties. This modest change is a reasonable approach to the issue. The Association adopted a legislative goal to support a study to examine the impacts of rising property values on citizens eligible for the Homestead Exemption.

### **STATE POSSIBLY EYEING LOCAL E911 REVENUES**

**H1755**, which would standardize all e-911 monthly service charges – both wireline and wireless – at the current wireless charge of 70 cents or below may be heard in the Senate Finance Committee next week. Rumors have been circulating that state officials are interested in utilizing some of the local revenues to fund a statewide emergency communications network. The Association will vigorously oppose any such attempt to divert local revenues for a state use.

### **GETTING PERSONAL**

The latest salvo from the group opposing Association efforts to enable local officials to let citizens vote on a land transfer tax is directed at efforts by those local elected officials to improve the quality of life in their communities through economic development. In letters signed by the executive vice president of the North Carolina Association of Realtors and dated last week, the Association of County Commissioners and League of Municipalities are singled out as having "the audacity to complain about a lack of revenue to pay for the growth that is a direct result of their incentives policies." One letter claims that "the local politicians are talking out of both sides of their mouths." Local officials are not alone in being to blame, according to one letter. "North Carolina doesn't have a problem with revenue," it states. "It's a matter of setting priorities and making sure that we efficiently budget our tax dollars." Specifically, a Durham County commissioner is attacked by name for Durham's economic development efforts.

As stated in Legislative Bulletin #07-21, we believe that the vast majority of realtors understand the need for adequate public infrastructure as well as the need to improve the quality of life in their communities through economic development. We believe they are honest, public-spirited members of their communities, like the elected officials working hard to improve the lives of people in those communities. We do not believe these folks support the kind of personal attacks described above – attacks that have the effect of making the attackers appear petty and small minded.

### **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](http://www.ncacc.org/legislation/about.html) for updates on key legislation, including the bills listed below.

**Bill:** **HB107**  
**Sponsors:** Justus (R117); Warren, E. (D8); Johnson (R83); Spear (D2)  
**Title:** ABANDONED CEMETERIES  
**History:** 06/20/2007—G Presented to the Governor 6/20/2007.  
**Comments:** This bill creates explicit definitions for abandoned and public cemeteries to help county commissioners and local historic groups keep track of these burial sites, many of which are being threatened by development. County commissioners are supposed to create lists of these cemeteries. The bill also allows families or fraternal groups to set up trusts with the county clerk of court to pay for cemetery upkeep. The family must contribute at least \$5,000

to the clerk of court to generate the funds needed to maintain the grave sites. The Department of Cultural Resources has requested two positions that would be responsible for improving efforts to collect the data from commissioners and other groups. The bill passed the House and Senate unanimously and has been ratified by the governor.

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**Bill:** HB1587  
**Sponsors:** Brubaker (R78); Howard (R79); Saunders (D99); Holliman (D81)  
**Title:** THE LOCAL GOV'T FAIR COMPETITION ACT  
**History:** 06/07/2007—H Reported favorably by committee substitute.  
06/07/2007—H Re-referred To House Committee On Finance.  
**Position:** Oppose  
**Comments:** Several major Internet technology companies, including Google and Intel, have joined the fight against H1587. A Google representative sent a letter to House Speaker Joe Hackney earlier this week to express the company's opposition. Intel representatives also sent letters to oppose establishing barriers to public-sector Internet networks. Alcatel-Lucent, which is based in Raleigh, and Tropos Networks are also opposing the bill. These companies say the bill would prevent cities from working with public sector firms to create local Internet networks. H1587 attempts to prevent cities from providing both wired and wireless communication services – i.e., cable TV, telephone, and broadband Internet services – by requiring a special election to be held prior to providing services, and places numerous restrictions on system operations.

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**Bill:** SB487  
**Sponsors:** Hoyle (D43)  
**Title:** EXTEND FISCAL REPORT DEADLINE/BD OF AWARDS  
**History:** 06/21/2007—H Passed 2nd & 3rd Reading.  
**Position:** Support  
**Category:** Legislative Goal  
**Comments:** This bill would extend the life of the commission by one year to May 1, 2008, and would also authorize the commission to make interim reports. Identical to H1566. The House amended the bill to include a section on appointments to the Board of Awards, which is not related to the study commission. The bill was passed by the House on June 21 and was sent back to the Senate for its concurrence.

– NCACC Legislative Team