



Bulletin #09-14

Thursday, April 30, 2009

## COUNTIES MAKE THEIR VOICES HEARD

More than 200 county officials from across North Carolina converged on the General Assembly on Wednesday to lobby legislators on a variety of issues of importance to counties. Sen. Dan Clodfelter (Mecklenburg) and Rep. Paul Luebke (Durham), each of whom serve as a chair of their chamber's Finance Committee, addressed the assemblage. Sen. Clodfelter gave a detailed analysis of the proposal that Senate Finance Committee leadership is touting to modernize the state's tax system. "We decided it would be best to just start over and decide what kind of revenue system North Carolina needs in a 21<sup>st</sup> century economy," Clodfelter said. Sen. Clodfelter and Rep. Luebke each answered questions from county commissioners on a variety of proposed bills, including legislation that would transfer the responsibility for secondary roads to counties ([S758](#)), a bill that would repeal the combined vehicle registration-property tax system ([S996](#)) and the governor's ability to redirect local revenues to balance the state budget. Many county officials, including all of the NCACC officers and many other members of the Board of Directors, spent Wednesday morning lobbying members of the General Assembly on these bills and others issues of importance to counties. Of particular concern to many counties, given the continuing bad news regarding state revenues, is the security of state-shared revenues devoted to public school capital needs.

## GOVERNOR PERDUE TAKES FURTHER STEPS TO BALANCE BUDGET

The "April surprise," the state's reckoning of the personal income tax and other tax payments due on or before April 15, was anything but pleasant. With reports of personal income tax payments 40 percent below that collected last April, the Office of State Budget and Management has revised upward the state's projected 2008-09 deficit from \$2.2 billion to \$3.2 billion – 15 percent of the total \$21.4 billion budget. With only two months left in the fiscal year, Governor Perdue issued Executive Order 11 on Tuesday, implementing a flexible furlough program for all state employees, including teachers. All employee salaries will be reduced by 0.5 percent, in exchange for 10 hours of leave, saving the state \$65 million. Furthermore, she is capturing more special funds, tapping the state's Savings Reserve Account, and spending federal recovery dollars to net an additional \$1 billion. No word yet if the May lottery payment for school construction is endangered.

## BILL DELAYING PROPERTY REVALUATIONS CLEARS HOUSE COMMITTEE

A bill that would allow counties to rescind property revaluation resolutions cleared the House Local Government Committee on Wednesday. [H1530](#) is sponsored by Rep. Nelson Cole and has been re-referred to the House Finance Committee. After the downturn in the real estate market that began last year, some residents in counties that had undergone revaluation felt the new values did not accurately reflect current market conditions. A handful of counties attempted to rescind their revaluations after they had already adopted the new values but were told by the Department of Revenue, after an option from the Attorney General, that they had no legal ability to rescind a revaluation. The bill only impacts revaluations that went into effect Jan. 1, 2009, and the bill impacts only counties that advanced its revaluation earlier than the eight-year cycle required by the state. The bill, if approved, would give the Board of Commissioners the option to rescind the revaluation and use the values from the last valuation provided that the board "adopts a resolution rescinding advancement of the general reappraisal and promptly forwards a copy of the resolution to the Department of Revenue." The resolution must also state that the Board of Commissioners will schedule the county's next reappraisal no later than the eighth year after the previous reappraisal. In addition, counties must take action before a budget has been submitted to the governing board, meaning counties must decide whether or not to delay implementing the new tax values before June 1.

## HOUSE COMMITTEE PASSES PUBLIC RECORDS BILL

The House Judiciary I Committee approved a bill Thursday that would require the payment of "reasonable attorneys' fees" if a local government loses an open records lawsuit, with a few exceptions, and creates an Open Government branch in the Attorney General's Office that could provide fee-based mediation services for any open records

disputes. [H1134](#), sponsored by Reps. Deborah Ross (Wake), William Wainwright (Craven), Winkie Wilkins (Person) and Margaret Dickson (Cumberland), now goes to the House Finance Committee. NCACC General Counsel Jim Blackburn spoke in opposition to the bill, saying that the Association and others had negotiated “in good faith four years ago to change the attorneys’ fees provision, and we thought that struck the right balance in giving the judge some discretion to award fees.” Blackburn also pointed out that another bill that could save local governments thousands of dollars per year by eliminating the requirement that public hearing notices be advertised in newspapers is running into resistance because newspapers do not want to lose the revenue they receive from the ads. “On one hand, we are being asked to subsidize the newspapers, and on the other hand, we are being asked to pay their attorneys’ fees,” Blackburn said.

## SENATE COMMITTEE RESTORES RESTRICTIONS TO SMOKING BAN

The Senate Health Care Committee voted Wednesday to restore some of the restrictions to the statewide smoking ban that had been adopted by the House. The committee deleted an amendment added by the House that would have permitted smoking in establishments where children under age 18 are barred from working or frequenting, such as bars. [H2](#), sponsored by Reps. Jennifer Weiss (Wake), Hugh Holliman (Davidson), Rick Glazier (Cumberland) and Jeff Barnhart (Cabarrus), authorizes local governments to adopt local laws governing smoking that are more restrictive than state law and requires local health departments to enforce the article’s provisions and rules to implement the article. Local health directors would be authorized to impose certain administrative penalties on owners, managers, or operators of public places and places of employment who violate the Article’s provisions, but these violations are not punishable as criminal violations. The bill was to be debated by the Senate on April 30 but was taken off the calendar and rescheduled for May 6.

## 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:** [H934](#)

**Sponsors:** Tucker (D4)

**Title:** LOCAL EMPLOYEES’ RETIREMENT SYSTEM COLAS

**Comments:** This bill would provide a COLA of 1 percent for beneficiaries of the Local Governmental Employees’ Retirement System. The bill was approved by the House Pensions and Retirement Committee on April 29 and has been referred to the House Finance Committee. The pension fund has enough actuarial gains to provide the 1% cost of living increase for 2009-10, but a spokesperson for the Treasurer’s Office said that the fund could not sustain the increase for 2010-11 based on current returns.

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**Bill:** [H1476](#)

**Sponsors:** Glazier (D45); Blue (D33)

**Title:** GOV. IMMUNITY/ADEQUACY OF REMEDIES

**Comments:** This bill would greatly curtail a local government’s ability to claim governmental immunity. It passed the House Ways and Means /Broadband Connectivity and has been referred to the House J-II Committee. One of the bill’s primary sponsors, Rep. Dan Blue (Wake), is chair of the J-II Committee.

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**Bill:** [S871](#)

**Sponsors:** Clodfelter (D37)

**Title:** USE PRE-STIMULUS FMAP FOR MC HOLD HARMLESS

**Comments:** This bill clarifies that the state, when determining the hold harmless payments made to counties from the Medicaid swap for fiscal years 2008-09, 2009-10, and 2010-11 are made without regard to the state’s increased FMAP that is contained in the Stimulus package. The bill was approved by the Senate on April 30.

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