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Bulletin #09-17

Thursday, May 21, 2009

HOUSE BUDGET TIMELINE UNVEILED; CUTS ARE TARGETED

House appropriation subcommittees began their arduous task of combing through pages and pages of potential funding and service cuts, trying to find an additional \$2 billion in savings to meet the lowered revenue projection targets. Many programs that impact counties are included on the myriad number of spreadsheets handed out to subcommittee members. The House Education Appropriations Subcommittee included the Senate's plan to divert the portion of the corporate income tax dedicated to school construction for the biennium, costing counties and schools more than \$120 million. Other cost-saving initiatives the committee is considering are eliminating third grade teaching assistants, expanding class size by two students, and cutting the length of the school year by five days for 2009-10 and 10 days for 2010-11.

In Health and Human Services, one proposal would shift all child support enforcement operations to counties by 2011. Currently, 16 state CSE offices serve 28 counties, while the other 72 counties provide CSE directly with county employees. State jail inspections would also be pushed down to county governments. For mental health, cuts being considered include further consolidation of LMEs from the current 24 to as few as 14 by withholding \$20 million in administrative dollars. House budget writers are also eyeing LME fund balances, and may force LMEs to spend down their fund balances or take them directly. A \$50 reduction in state-funded mental health services is also being considered.

On the Justice and Public Safety Subcommittee's list are the Criminal Justice Partnership Program and the jail misdemeanor payments to counties for housing inmates that are the state's responsibility. If funds for both of those are eliminated, counties could lose more than \$20 million annually. Furthermore, counties would be financially responsible for housing all probation and parole staff.

The Association will provide more information on our Web site about potential cuts and impacts to counties as the various appropriations subcommittees revise their lists.

ANNEXATION BILLS GETTING FURTHER SCRUTINY

The Senate Finance Committee, which is considering several annexation proposals, has decided to create a subcommittee to examine the proposals in-depth and come up with an omnibus piece of legislation. The Senate subcommittee will look at **S494** (Annexation/Meaningful Services and Oversight, sponsored by Sen. Larry Shaw of Cumberland), **S711** (Annexation Law Omnibus, sponsored by Sen. Dan Clodfelter of Mecklenburg), **S472** (Annexation Changes, sponsored by Sen. Tony Rand of Cumberland) and **S148** (Annexation Referendum, sponsored by Sen. Andrew Brock of Davie). The Senators appointed to the subcommittee are Sens. Shaw, Josh Stein (Wake), Floyd McKissick (Durham), Fletcher Hartsell (Cabarrus), Richard Stevens (Wake) and William Purcell (Scotland).

BILL TO DELAY PROPERTY REVALUATION APPROVED BY HOUSE

A bill that would allow a county to rescind an advanced reappraisal passed second reading by the House on Thursday, May 21. **H1530** (Rescind Advanced Property Tax Appraisal), sponsored by Rep. Nelson Cole (Rockingham), enables a county that has voluntarily advanced its reappraisal earlier than the eight-year cycle required by the state to rescind the new schedule of values and use the previous values. The county must adopt a resolution rescinding advancement of the general reappraisal and then specify in the resolution when it will conduct its next revaluation, which must be no later than eight years after its previous revaluation, as required by state law. The resolution must be adopted before any local government or public authority that levies property taxes on property

subject to the assessment submits a budget to its governing board utilizing the new values. Rep. Phillip Haire (Jackson) encouraged House members to talk with their county tax assessors and collectors over the weekend to see if there were any concerns. The bill is scheduled for its third reading on Tuesday, May 26.

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: HB311

Sponsors: Wainwright (D12); Yongue (D46); Johnson (R83); Glazier (D45)

Title: CONTINUE SCHOOL CONSTRUCTION FUNDING

Status: 05/19/2009 – Senate Committee on Finance

Comments: This bill eliminates the sunset on the earmarks for public school capital needs in the Articles 40 and 42 half-cent sales taxes. The 30 percent set-aside in Article 40 and the 60 percent set-aside in Article 42 would be made permanent.

Bill: HB594

Sponsors: Lucas, M. (D42); Coates (D77); Williams (D6); Steen (R76)

Title: INCREASE DISABLED VET PROPERTY TAX EXCLUSION

Related: 2009:SB177

Status: 05/20/2009 – House Committee on Finance

Comments: This bill would increase the Homestead Exemption for honorably discharged disabled veterans, or the surviving spouse of an honorably discharged disabled veteran, from \$45,000 to \$65,000. A fiscal note from the General Assembly estimates that the increased exemption would cost counties and municipalities approximately \$1.88 million per year in lost property tax revenue. It received a favorable report from the House Committee on Homeland Security, Military, and Veterans Affairs on May 20 and has been referred to the House Finance Committee. This bill is not subject to the crossover deadline.

Bill: HB1421

Sponsor: Wainwright (D12)

Title: ELECTION AMENDMENTS

Status: 05/20/2009 – Senate Committee on Judiciary I

Comments: This bill clarifies that counties are responsible for paying for coding voting equipment for the county board of elections and are responsible for maintaining the warranties and other maintenance contracts on their voting machines. The State Board of Elections has been paying for these services by using HAVA (Help America Vote Act) Funds since 2006, but according to State Board of Elections Director Gary Bartlett, the state's HAVA money is almost all spent. Bartlett said that the state likely has enough money to provide the funds for the 2009-10 fiscal year, but not enough to pay the entire cost for the 2010-11 year. Bartlett estimates the statewide annual costs are \$3 million for the maintenance and agreements, and \$400,000 for the ballot coding. This bill passed the House on May 13 and has been sent to the Senate Judiciary I Committee.

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