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Bulletin #09-18

Thursday, May 28, 2009

FOOD FOR THOUGHT

A bill co-sponsored by U.S. Rep. Virginia Foxx, who represents North Carolina's 5th District, would require Congress to more closely study the effects of unfunded mandates on everyone from consumers to state and local governments before passing such legislation, and then provide more comprehensive public information about those effects. N.C. Rep. Paul Luebke of Durham has also filed a bill that would require the state to study all of the current property tax exemptions and the effects on local units of government. For lawmakers – federal or state – who are considering shifting costs or mandating property tax breaks to counties, particularly during these tough economic times, any county manager or commissioner would be happy to share some facts about the impacts on counties – before those mandates become law. All you have to do is ask.

HOUSE BUDGET CUTS REVISED

House Appropriations subcommittees reviewed a new round of possible cuts Thursday, along with some special provisions that direct the funding, or lack thereof, of state and community services. Justice and Public Safety is considering a proposal to confine in county jails misdemeanants sentenced to six months or less – a move that would shift 1,700 inmates to county jails and cost counties as much as \$21 million. Current law limits jail confinement to misdemeanants serving sentences less than 90 days. Furthermore, the proposal would eliminate jail misdemeanant payments of \$18 per day, costing counties an estimated \$10 million in confinement reimbursements. On a more positive note, Criminal Justice Partnership Program funding would only be reduced by 10 percent – earlier proposals would have eliminated CJPP funding entirely. Juvenile Crime Prevention Council allocations would also be reduced by 7 percent.

In Health and Human Services, Mental Health would undergo cuts of \$175 million, including a \$74.4 million reduction in its continuation budget, a \$54 million cut in community services, and a \$5 million reduction in LME administrative funds. The cuts mean 465 state mental health divisional employee positions would be lost. Medicaid services and provider reimbursement rates would also be cut or curtailed substantially. The HHS Subcommittee continued its consideration of shifting child support office funding to those counties served by state regional CSE offices. An earlier plan to shift jail inspections to counties was no longer listed.

The Education Appropriations Subcommittee did not distribute a new version of its money report per se, but special provisions give some indication of the subcommittee's considered actions. Those counties receiving low-wealth funds that have a formulaic wealth calculation from 90 percent to 100 percent of the state average wealth would have their allotments cut in half the first year and eliminated entirely in the second year. Currently, all counties with wealth below the state average receive low-wealth funding allotments. Committee members did discuss the possibility of decreasing all allotments by 10 percent. Class sizes would be increased by two students until future funding is sufficient to reduce class sizes, and county ADM school construction funding would be diverted for the biennium. An earlier proposal to reduce the number of days in the school calendar is apparently off the table. The General Assembly's program evaluation division will study consolidating community college administration in lieu of consolidating Pamlico, Montgomery and Tri-County.

ANNEXATION: BEHIND THE SCENES

The NCACC wants to keep our members posted on progress related to our position on annexation. There are many approaches to annexation reform circulating in both chambers. The plentiful House bills are in the House Judiciary II Committee, until recently chaired by Sen. Dan Blue of Wake County. Some of the House bills are local bills; some are statewide comprehensive approaches to annexation reform. Blue was recently appointed to the N.C. Senate to fill the seat of late Sen. Vernon Malone, who died quite suddenly in late April. The Judiciary II Committee had been briefed

on the current annexation laws in preparation for its deliberations. Rep. Jimmy Love of Lee County has been appointed chairman of the committee. On the Senate side, the Finance Committee has appointed a subcommittee to study the four statewide annexation reform bills proposed in that chamber (see [LB #09-17](#)). The subcommittee has not yet announced its first meeting. The NCACC is actively seeking the following revisions in annexation law and assessing which of the bills provides the best vehicle to accomplish our goals:

- Require development of joint city/county utility service plans for areas cities want to annex;
- Require cities to reimburse counties for sales taxes lost due to annexation;
- Increase the urbanization standards in GS 160A-48 required for annexing property;
- For involuntary annexations, require a referendum if public services such as water/sewer and solid waste already exist;
- Require direct provision of water and sewer services within three years of an annexation;
- Provide an option for counties to continue to provide utilities to annexed areas;
- Establish June 30 following the date of adoption or final resolution of an appeal as the effective date for involuntary annexations.

PROPERTY TAX CUTS BEING CONSIDERED

Despite an economic slowdown that has caused county sales tax revenues to dwindle and property tax collections to drop, the General Assembly is considering several bills that would force counties to provide property tax breaks to select groups of citizens. The Association opposes any and all mandated property tax exemptions because they force more of the property tax burden to those who do not qualify for the exemptions.

[H1547](#) (Senior Automobile Property Tax Exclusion) creates an additional property tax exemption for seniors who qualify for the Homestead Exemption and who own an automobile. Qualifying individuals would be given a \$2,000 exemption from the “appraised value of one motor vehicle.” No fiscal note had been prepared to determine the cost to local governments for this tax break. The bill, sponsored by Rep. John Blust (Guilford), was given a favorable report Wednesday by the House Committee on Aging and has been re-referred to the House Finance Committee.

Another bill aimed at providing property tax breaks for seniors ([H1130](#) – Senior Prop 13 Property Tax Relief) was also heard in the House Aging Committee on Wednesday, but no action was taken. The bill, sponsored by Reps. Larry Womble (Forsyth) and Annie Mobley (Hertford), would institute a new classification of property tax relief for senior citizens, which requires approval from the state’s voters as a constitutional amendment. The bill would allow the state to institute an appraisal cap during a general reappraisal and would allow counties to “vary the increase of the growth in the assessed value of a permanent residence on the basis of whether the owner has occupied the property as a permanent residence for at least five years.” In addition, the bill establishes a “Senior Homestead Tax Relief” for seniors who are at least 70, have lived in the house as a permanent resident for at least five years and are residents of North Carolina. Homeowners meeting these requirements would be exempt from any increase in value as a result of a general reappraisal. This exemption would take place for reappraisals conducted after July 1, 2010. The bill sets the date for the constitutional amendment as Nov. 2, 2010. According to a fiscal note prepared by the General Assembly’s Fiscal Research Division, the cost to cities and counties would be approximately \$9.5 million of lost property tax revenue in 2011-12, \$18.4 million in 2012-13 and \$26.7 million in 2013-14.

[H1639](#) (Expand Disabled Vet Homestead Exclusion) would create an exemption for partially disabled veterans (defined as “a veteran who is not totally disabled and has a certification by the United States Department of Veterans Affairs or another federal agency that he or she has a service connected, permanent disability of thirty percent (30%) or greater.”). Partially disabled veterans meeting this requirement would receive an exemption of \$10,000 from their property value. No fiscal note had been prepared to estimate the cost to local governments. The bill is sponsored by Rep. Alice Underhill (Craven).

[H594](#) (Increase Disabled Vet Property Tax Exclusion) was given a favorable report by the House Committee On Homeland Security, Military, and Veterans Affairs last week and has been sent to the House Finance Committee. This bill, sponsored by Reps. Lorene Coates (Rowan), Fred Steen (Rowan), Arthur Williams (Beaufort) and Marvin Lucas (Cumberland), increases 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.

Several other property tax exemption bills have been introduced this session including [H396](#) (Raise Income Limit for Homestead Exclusion), which would increase the current income limit to qualify for the Homestead Exemption from \$25,000 to \$35,000. The General Assembly recently enacted legislation to increase the Homestead Exemption to \$25,000 and add an automatic annual adjustment for inflation. [H1629](#) (Modify Disabled Vet Property Tax Exclusion) would grant 100 percent property tax relief for honorably discharged disabled veterans. No fiscal note examining the potential impacts to cities and counties has been prepared for either of these bills.

AMENDMENT TO EXPAND E911 FEE USE FAILS IN CLOSE VOTE

In the Senate Commerce Committee on Thursday, Sen. Doug Berger (Warren) offered up an amendment to [H1180](#) (Consumer Choice and Investment Act of 2009) to expand county and city flexibility in using e911 fee revenues for a comprehensive e911 system. Despite Sen. Berger's eloquent arguments, seconded heartily by Sen. James Forrester (Gaston), whose local e911 expanded-use legislation has already passed the Senate unanimously, Senate Commerce defeated the proposed amendment by a 9 to 10 vote. We extend our public thanks and appreciation to Sen. Berger for pushing forward NCACC's top legislative priority in the justice and public safety arena, and to all the Senate Commerce committee members who supported his efforts.

HOUSE, SENATE CONSIDERING EXTENDING DEVELOPMENT PERMITS

The House and Senate have each unanimously passed bills that would create an extension period for previously approved building or development permits, including stream encroachment permits, flood hazard area permits, highway access permits, on-site wastewater disposal permits, wetlands permits, or determinations of master plan consistency, conformance or endorsement with state or regional plans, among others. [H1490](#) and [S831](#) (Extend Permits Regarding Land Development) began as companion bills, but each chamber made slight modifications to the bills in committee, meaning conferees will have to work out a final version. The period would cover permits that were in existence as of Jan. 1, 2007, or have since been granted, and would continue through Dec. 31, 2010. The running of the period of approval is suspended while the extension period is in effect and would begin again Jan. 1, 2011, but could not last beyond June 30, 2011. The bill does not affect permits issued by the federal government or any federal agency.

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: [SB141](#)

Sponsor: Snow (D50)

Title: LIMIT WELL WATER TESTING FOR VOC'S

Related: 2009:HB163

Status: 05/25/2009 – House Committee On Health

Position: Support

Category: Legislative Goal

Comments: The House Environment and Natural Resources Committee adopted a revised bill that instructs the Commission for Public Health to "adopt rules concerning when testing for volatile organic compounds in newly constructed private drinking water wells under G.S. 87-97 ... is required in order to protect public health." The General Assembly approved a bill in 2008 that required counties to test for a series of organic compounds. The change is scheduled to go into effect Oct. 1, 2009. The Association argued that the unfunded mandate greatly increases the cost of well testing and sought to restrict when the new tests would be required. The committee substitute pushes back the implementation date for the changes to Oct. 1, 2010, to give the Commission for Public Health time to adopt the new rules directing when the additional tests would be required. The Association has a legislative goal to "seek legislation limiting state mandated contaminant testing of private wells to naturally occurring chemicals, and authorizing local control over well testing for named petroleum-based pollutants."

Bill: [SB427](#)

Sponsor: Kinnaird (D23)

Title: RESTORE CONTRACT RIGHTS TO STATE/LOCAL

Related: 2009:HB750

Status: 03/05/2009 – Senate Committee On State and Local Government

Comments: The bill repeals the state's prohibition against collective bargaining and amends two other statutes to allow employees' and retirees' associations that engage in collective bargaining with the state to continue to use payroll deductions. The bill came up unexpectedly in the Senate State and Local Government Committee on May 26 because groups supporting the bill were visiting the Legislature, but no action was taken.

Bill: [SB468](#)

Sponsor: McKissick (D20)

Title: AUTHORIZE INSURANCE FOR FORMER EMPLOYEES

Status: 05/19/2009 – House Committee On Pensions and Retirement

Scheduled: 06/03/2009 – House Committee On Pensions and Retirement, 10:00 a.m., 415 LOB

Comments: This bill would make it legal for cities, counties and school boards to provide health insurance benefits for former officers (i.e. county commissioners, school board members or city council members, etc.). Many local governments are apparently offering this benefit to former officers even though a recent opinion by the Attorney General's Office concluded that they do not currently have the authority to do so. The bill has passed the Senate and was referred to the House Committee on Pensions and Retirement. The Senate added an amendment during floor debate that specified that for counties in the State Health Plan, the former officer or employee must pay for the cost of the insurance. There is now confusion as to whether the Senate intended for that restriction to apply to all counties, and not just those that are members of the State Health Plan.

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