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Bulletin #09-19

Thursday, June 4, 2009

## FOOD FOR THOUGHT

*The House Education Committee gave a favorable report to a Senate bill ([S386](#)) that requires counties to report on their anticipated expenditures of revenues from the Public School Capital Building Fund; the House Appropriations Committee appears intent on following the recommendation of the Senate to eliminate the corporate tax revenue dedicated to the PSCBF – a loss to counties of about \$60 million a year. That should make filing the reports a little easier.*

## HOUSE BUDGET TO CONTAIN REVENUE PACKAGE?

With more and more groups clamoring against possible draconian cuts in state services and programs, particularly in education and mental health, House budget writers may be considering a revenue package to help make up for some of the more than \$4 billion revenue shortfall the state is facing. Several media outlets reported earlier this week that the House could be considering a revenue package ranging from \$500 million to \$1.5 billion. It is not known if the House is favoring the approach that has been proposed in the Senate (to expand the sales tax base to include some services), the approach included by Governor Beverly Perdue in her budget (an increase in sin taxes), some combination of the two, or something entirely different altogether.

One avenue that House budget writers appear to be considering to generate additional revenue is through new fees. Some of the special provisions being considered by the various committees include an additional fee on some real estate transactions to generate additional revenues. The Justice and Public Safety Appropriations Subcommittee is considering a proposal that would add \$10 to the existing fee on Deeds of Trust, Mortgages and Cancellation of Deeds of Trust and Mortgages, with \$9 of the additional revenue going to the Statewide Emergency Management Fund. The General Government Appropriations Subcommittee is looking at a \$5 fee on all real estate transactions, with the proceeds going to the State Board of Elections for its operations. The JPS Committee is looking at adding an initial fee of \$200 to sheriff's "justice officers" when they first complete the in-service training required by the North Carolina Criminal Justice Education and Training Standards Commission, and a \$100 fee when a sheriff's officer seeks to be re-certified, which must be done annually. Those impacted would include deputies, jailers, jail administrators and telecommunicators. A companion reduction in the JPS money report would reduce the CJ training standards division by \$4 million the first year and \$8.1 million the second year.

## JPS APPROPRIATIONS SUBCOMMITTEE STILL LOOKING AT INMATE SHIFT

The Justice and Public Safety Appropriations Subcommittee is still considering the possibility of requiring counties to house misdemeanants who have sentences of up to 180 days – a move that would save the state millions of dollars but would wreak havoc on already over-crowded county jails. The committee is also considering eliminating the \$18 per day reimbursement for counties housing state prisoners sentenced to 90 days or less. Eliminating the reimbursement would save the state approximately \$10 million a year. If the state does extend the length of time counties must hold inmates and eliminates the reimbursements for holding these inmates, the loss to counties would be significant. The state currently reimburses counties \$40 per day for inmates who are held for more than 90 days (those payments totaled about \$2 million for 2007-08), and many counties have contracts with the U.S. Marshals Service to house federal detainees at a much higher per diem. The additional state inmates would preclude many

counties from offering space to the Marshals, eliminating a potential way for counties to recoup some of their costs of operating a jail.

The latest money report from the committee also showed a 10 percent cut to the Criminal Justice Partnership Program and a 15 percent reduction in Juvenile Crime Prevention Councils.

## PROPERTY TAX DEFERRAL BILL FOR HOMEBUILDERS ON THE MOVE

A bill that would enable a homebuilder to defer property taxes on improvements was approved by the House Commerce Committee on Wednesday. **H852**, Defer Tax on Builders' Inventory, allows a homebuilder to defer property taxes owed as the result of the increased value of land after a homebuilder has built a residence on the land. The homebuilder can defer paying the increased property taxes for up to three years (was originally five years). If the house is sold after three years, the homebuilder would be liable to pay the deferred taxes. The homebuilder would have to apply for the deferral, and the tax collector would be responsible for mailing a notice of how much is owed in deferred taxes and interest by Sept. 1 of each year to each person participating in the program. The bill was amended in committee to include a sunset of July 1, 2012, and to limit the deferral to three years. It is now being touted as a way to help homebuilders through the downturn in the real estate market as a result of the national recession. The bill is sponsored by Reps. Margaret Dickson (Cumberland), Harold Brubaker (Randolph), Hugh Holliman (Davidson) and William Wainwright (Craven).

## STATE HEALTH PLAN REQUIRED TO REIMBURSE PROVIDERS FOR EMS SERVICES

A House bill that eliminates reimbursements for members of the State Health Plan for ambulance services provided by either a city- or county-owned or franchised ambulance provider has passed the Senate. **H439**, State Health Plan/Taxpayer Recovery Act, sponsored by Reps. Dale Folwell (Forsyth), Dr. Bob England (Rutherford), Pat Hurley (Randolph) and Larry Hall (Durham), requires the reimbursement be given directly to the service provider. The Association had a similar legislative goal in 2007-08 to require all insurers to make the reimbursement payment for ambulance services directly to the provider and not the recipient of the service.

## 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:** **SB52**

**Sponsor:** Soles (D8)

**Title:** VARIOUS LOCALITIES ENERGY DEV. INCENTIVES

**Status:** 06/03/2009 – Ratified in the Senate

**Comments:** This bill enables all cities and counties to provide incentives for developers that reduce energy consumption. Counties "may adopt ordinances to grant a density bonus, make adjustments to otherwise applicable development requirements, or provide other incentives to a developer or builder within the county or municipality and its extraterritorial planning jurisdiction if the developer or builder agrees to construct new development or reconstruct existing development in a manner that the county or municipality determines, based on generally recognized standards established for such purposes, makes a significant contribution to the reduction of energy consumption." The bill rewrites local legislation that passed in 2007 and 2008 that applied to Cabarrus County and several municipalities and makes it statewide.

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**Bill:** **SB386**

**Sponsor:** Clodfelter (D37)

**Title:** MAKE BEST USE OF CORPORATE TAX REVENUE

**Status:** 06/02/2009 – House Committee on Appropriations

**Comments:** This bill requires each county and the LEAs within that county to submit to the Department of Public Instruction a report of anticipated expenditures of both the corporate tax and lottery portions of the Public School Building Capital Fund, including the following information: (1) The amount of funds allocated to the county that the county does not anticipate requesting during the next fiscal year for capital outlay projects, debt payments, technology equipment purchases, or other approved uses; (2) a listing of planned future uses of funds from the Public School Building Capital Fund, including capital projects, debt payments, technology equipment purchases, or other approved uses, for which the county is accumulating funds; (3) the fiscal year in which the county plans to use the funds for each of the planned future uses; and (4) the estimated amounts of funds from the Public School Building Capital Fund that the county plans to use for each of the planned future uses. It passed the Senate on May 7 and received a favorable report from the House Education Committee on June 2. It has been referred to the House Appropriations Committee.

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**Bill:** [SB871](#)

**Sponsor:** Clodfelter (D37)

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

**Status:** 05/27/2009 – House Committee on Appropriations

**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 and was given a favorable report by the House Finance Committee on May 27.

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**Bill:** [SB1027](#)

**Sponsor:** Rand (D19)

**Title:** ZONING CHANGE/PROPERTY OWNER NOTICE

**Status:** 06/04/2009 – Reported by House committee

**Comments:** A committee substitute of this bill that passed the Senate on May 13 alleviates the NCACC's concerns by exempting counties from the notification provisions of the bill. The bill was given a favorable report by the House Ways and Means/Broadband Connectivity Committee on May 28 and by the Judiciary II Committee on June 4.

**David F. Thompson, Executive Director**  
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