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Bulletin #09-20

Thursday, June 11, 2009

## FOOD FOR THOUGHT

*We have heard the argument during the development of the state budget that counties wouldn't need revenues from the Public School Capital Building Fund to build new schools since various proposals called for an increase in K-12 class sizes. The latest version of the House budget continues the state commitment to smaller class sizes in the lower grades, so counties will need those revenues after all, thank you.*

## HOUSE BUDGET PROPOSAL HEADS TO FLOOR

After several long nights to move the House's budget proposal forward, with more to come, **S202** makes it to the House floor today for the start of floor deliberations. Both House Appropriations and House Finance worked late into the night Tuesday to craft their respective components of a proposed spending and tax plan. House Finance approved a revenue package of greater than \$800 million via H1588 through a combination of tax rate increases, tax reporting changes, and sales tax base expansions to some services – we are awaiting clarification as to expected increases in local sales tax revenues should these expansions be adopted. As House Finance debated their finance plan, House Appropriations incorporated the expected additional monies into their version of S202 via a contingency reserve, and specified by broad category where those dollars would be used to restore proposed cuts.

After House Finance action Tuesday night, House Appropriations subcommittees met briefly on Wednesday to target the additional monies to specific line items that are slated for spending reductions. These funding restoration proposals are contingent upon passage of a tax package. Items of interest to counties include a proposal to restore community college tuition waivers for law enforcement and emergency personnel, full funding of school low wealth monies, a \$50 million restoration to state mental health services, and restoration of state aid to counties for social services. Millions in additional funds would be made available to public schools – a proposal to increase class size by two and three students was limited to grade 4 and above. By earlier action, \$9 of the \$18 payment per day for jailed misdemeanants was reinstated; we are continuing to work with the N.C. Sheriff's Association to restore funding for law enforcement certification. Please note that all items enumerated here are proposed only at this time and may be changed by House floor or conference committee action.

## HOMEBUILDERS TAX DEFERRAL BILL COSTLY TO COUNTIES

A bill to allow homebuilders to defer taxes on improvements made to property could result in counties across the state losing millions of property tax revenue that has already been budgeted for 2009-10. **H852** (Defer Tax on Builders' Inventory) is sponsored by Reps. Margaret Dickson (Cumberland), Harold Brubaker (Randolph), William Wainwright (Craven) and Hugh Holliman (Davidson). This bill 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 (originally five years). If the house is sold, if the homebuilder has received the deferral for three years, or if the house has been unoccupied for five 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.

The Association strongly opposes any attempt to erode the property tax base. Wake and Mecklenburg counties estimate the change would cost them more than \$3 million in revenue for 2009-10, while Johnston estimates a loss of

nearly \$1 million. In addition, software used by tax assessors is not equipped to manage a deferral program. The bill has an effective date of July 1, 2009, and builders will have up to 60 days to apply for the deferral, meaning that counties, cities and other tax districts could see a significant reduction of property tax revenues after their budget for 2009-10 has already been adopted.

## ON THE ROADS AGAIN?

While the House was debating [H148](#) (Congestion Relief/Intermodal Transport Fund), sponsored by Reps. Becky Carney (Mecklenburg), Deborah Ross (Wake), Bill McGee (Forsyth) and Lucy Allen (Franklin), an amendment was proposed to shift responsibility for funding the state's secondary road maintenance to counties. The amendment failed in the House, but now that the bill is being considered in the Senate Finance Committee, it appears that the amendment may rear its ugly head yet again. One of the Senate Finance co-chairs is Sen. Dan Clodfelter (Mecklenburg), who is also a co-sponsor of S758 (Transfer Secondary Roads to Counties), which would require counties to assume responsibility for building and maintaining secondary roads while providing some – but not sufficient – revenues to counties. The Association is adamantly opposed to any attempt to shift the responsibility for roads to counties.

## SENATE ACCEPTS HOUSE CHANGES TO S141

The Senate voted to concur with House changes to [S141](#) (Limit Well Water Testing for VOC's) on June 10. The bill partially accomplishes an Association 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.” The revised bill does not give the authority to counties but rather 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.” In 2008, the General Assembly approved a bill that required counties to test for a series of organic compounds beginning 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 new 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.

## EMERGENCY MANAGEMENT BILLS MOVE THROUGH SENATE

The Senate passed a series of House bills related to emergency management June 11. The changes are part of a series of recommendations from the Joint Select Committee on Emergency Preparedness and Disaster Management Recovery. [H377](#) (Authorize Emergency Management Certification Program) authorizes the Division of Emergency Management to establish a voluntary Emergency Management Certification Program for emergency management personnel. [H379](#) (Allows Mutual Aid Between State & Local Gov.) authorizes the governor to enter into mutual aid agreements with local governments and requires local governments who enter into mutual aid agreements with local governments in another state to ensure that the agreement is consistent with the state's Emergency Management program. [H380](#) (Strengthen Local Emergency Management) requires the Division of Emergency Management to review local emergency management plans at least biannually to ensure compliance with state and federal standards. It also allows counties to form joint emergency management agencies with other counties. Current law limits joint agencies to municipalities within a county's borders. It also removes the \$1,000 per year limit on financial assistance from the state and instead says that each county that forms an agency that meets federal and state requirements is eligible for “financial assistance, including State and federal funding appropriated for emergency management planning and preparedness, and for the maintenance and operation of a county emergency management program.” Each of the bills was sponsored by Reps. William Wainwright (Craven) and Grier Martin (Wake).

## 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:** [H239](#)

**Sponsors:** Gibson (D69); Bordsen (D63); Allen, L. (D49)

**Title:** RESTORE WATER QUALITY IN JORDAN RESERVOIR

**Related:** 2009: SB166

**Status:** 06/10/2009 – Reported by Senate committee

**Position:** Support

**Category:** Legislative Goal

**Comments:** This bill would accomplish the Association's legislative goal to seek "legislation eliminating required retrofitting by counties of existing development under rules impacting nutrient levels in existing watersheds." This bill is similar to H3 but it also adds the Cape Fear River Basin to the list of areas mentioned in the bill. The bill was referred to House Judiciary I Committee on May 5 without prejudice by the Environment and Natural Resources Committee. Environmentalists who supported the original rules changes that required counties to retrofit communities want at shorter time line and fewer exceptions to what the Environmental Management Commission can require of local governments and want to make sure the bill doesn't affect the EMC's authority under the Clean Water Act. The Senate Committee On Agriculture/Environment/Natural Resources approved a revised version of the bill on June 9, but it was withdrawn from the Senate calendar on June 10 and has been rescheduled for June 17.

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**Bill:** [H576](#)

**Sponsors:** Brisson (D22); Braxton (D10)

**Title:** REMOVE ENDORSEMENT FOR DENIED ACCESS LME

**Status:** 06/10/2009 – Reported by Senate committee

**Comments:** This bill allows LMEs to suspend the endorsement of a provider if that provider does not grant the LME access when it is investigating a complaint against the provider or in the event of an emergency.

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**Bill:** [H1530](#)

**Sponsors:** Cole (D65); Starnes (R87); Holloway (R91); Burr (R67)

**Title:** RESCIND ADVANCED PROPERTY TAX APPRAISAL

**Status:** 06/10/2009 – Reported by Senate committee

**Comments:** The Senate Finance Committee narrowed the scope of this bill to impact only the three counties - Stanly, Rockingham and Caldwell - that attempted to rescind a property revaluation earlier this year. This bill gives those counties the option to rescind the new set of values and return to the previous values, but it is only for the taxable year beginning July 1, 2009. It passed second reading in the Senate on June 11.

**David F. Thompson**, Executive Director  
**James B. Blackburn, III**, General Counsel