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Bulletin #09-21

Thursday, June 18, 2009

BUDGET CONFEREES APPOINTED; SIZE OF TAX PLAN DEBATED

The Senate and House have each appointed their budget conferees to begin the process of hammering out the final details of the state's spending plan for 2009-11. The Senate's list includes four co-chairs – Sens. Linda Garrou (Forsyth), Charles Albertson (Duplin), Charlie Dannelly (Mecklenburg) and A.B. Swindell (Nash) – and 32 members. The House's list includes 14 co-chairs and 88 members. Among the co-chairs in the House are Reps. Mickey Michaux (Durham), Paul Luebke (Durham), William Wainwright (Craven), Jennifer Weiss (Wake), Bill Owens (Pasquotank) and Hugh Holliman (Davidson). The two chambers will have less than two full weeks to hammer out a plan that can be approved by both chambers if they are to have a budget in place by the start of the next fiscal year. One of the big-ticket items in controversy is the size of any new revenue package. The House budget included a plan to generate about \$780 million in new revenues by adding a quarter cent to the sales tax, increasing the income tax on high-income individuals and expanding the sales tax base to include a few services. The Senate never adopted a revenue plan, but Sen. Dan Clodfelter (Mecklenburg) had been pushing for a greater expansion of the sales tax base to generate about \$500 million in new revenues while lowering the overall sales tax rate. In an article in *The News & Observer* of Raleigh on Thursday, Sen. David Hoyle (Gaston) said the Senate's revenue plan had been altered to expand the sales tax to even more services to increase revenues by as much as \$1 billion in 2009-10, and \$1.4 billion for 2010-11. Governor Beverly Perdue weighed in on the debate Wednesday and said she preferred a tax package that would generate at least \$1 billion to \$1.5 billion annually to help the state avoid significant cuts to education.

HOUSE PROVISION EXPANDS REQUIREMENT THAT COUNTIES PROVIDE SPACE FOR PROBATION OFFICES

A special provision in the House budget expands the requirement that counties provide office space for probations. Currently, G.S. 15-209 requires each county with a probation officer to "provide in or near the courthouse suitable office space for such probation officer." The special provision rewrites G.S. 15-209 to state that counties in which a probation office exists "shall provide in or near the courthouse suitable office space for such office," meaning that counties could be obligated to provide office space for more than just probation officers. This attempt to broaden the statute could shift additional state employees to county office space beyond the currently required probation officers. The Association is working to clarify that the expansion only includes the probation officers and their support staff. As the Senate and House conferees deliberate the budget, it is important that you express concern to them over this change in language contained in the House version of the budget.

IMPLEMENTATION DATE DEFERRED ON HOMEBUILDERS' DEFERRAL BILL

Homebuilders will have to wait a year before they can start applying for a property tax deferral program on unsold properties. The Association has worked successfully to delay the implementation of **H852** (Defer Tax on Builders' Inventory) for one year amid concerns that making the deferral program available immediately would cause counties to lose millions of dollars in property tax revenues that have already been budgeted for 2009-10. The bill is sponsored by Reps. Harold Brubaker (Randolph), William Wainwright (Craven), Hugh Holliman (Davidson) and Margaret Dickson (Cumberland). 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 (was originally five years). If the house is sold, or if the house has been unoccupied for five years, the homebuilder would be liable to pay the deferred taxes. The negotiated version, which has yet to be

introduced as a committee substitute, will push the implementation date back to July 1, 2010, with a sunset of July 1, 2013.

E911 STUDY BILL COULD PROVIDE OPPORTUNITY FOR COUNTIES

A study to expand the use of E911 funds could be just the vehicle that counties need as they seek broader uses of the fees collected by telephone companies. Legislators appear favorable to giving counties additional flexibility to spend the fees that are collected and distributed to PSAPs (Public Safety Answering Points). **H1480**, sponsored by Rep. Lucy Allen (Franklin), would create a "House Select Committee on the Use of 911 Funds" which "shall examine the use of the 911 Funds." Among the charges to the committee would be to "consider expanding the uses of the 911 Funds by PSAPs to provide a funding mechanism to account for the broad spectrum of needs of the PSAPs." The Association appreciates the support of Rep. Allen as well as that of Sen. Doug Berger (Warren) who has championed this issue on the Senate side.

HOUSE CONSIDERING ANNEXATION APPROACH

The House subcommittee that is currently examining that chamber's annexation bills hopes to have one bill that addresses all the differing points of view, possibly as early as Thursday afternoon. The House Judiciary II Committee was scheduled to take up several annexation bills in its meeting, which was to convene 15 minutes after the House's floor session ended. The NCACC continues to actively seek the following revisions in annexation law:

- 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.

COUNTIES SEEK TO HOLD EMPLOYEE RETIREMENT BENEFITS HARMLESS

Several counties have incorporated mandatory employee furloughs as a cost-savings measure into their 2009-10 budgets, while others instituted furloughs as a way to make it through the current fiscal year. As a result, counties are seeking a bill that would give counties the option of making the full contributions to the employees' retirement fund to make sure that employees of retirement age within the next few years will not have their retirement income impacted by the furloughs. A bill has already been passed to protect state employees. The state instituted mandatory furloughs for many state employees during the 2008-09 budget year to reduce costs.

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: HB682

Sponsors: Guice (R113)

Title: ADJUST CONFLICT THRESHOLD

Status: 06/16/2009 – Passed in the Senate

Comments: This bill increases the conflict threshold for small local governments from \$12,500 to \$20,000 for "medically related services" and from \$25,000 to \$40,000 for other goods or services within a 12-month period.

Bill: HB1031

Sponsors: Carney (D102); Goforth (D115); Dollar (R36); Folwell (R74)

Title: BLDG. STDS./PRE-K CLASSES IN PUBLIC SCHOOLS

Status: 06/12/2009 – Presented to the Governor

Comments: This bill enables a public school that voluntarily applies for a child-care facility license to "use an existing or newly constructed classroom in a public school for three- and four-year-old preschool students without modifications to

the classroom or building if the classroom: (1) Has at least one toilet and one sink for hand washing; (2) Meets kindergarten standards for overhead light fixtures; (3) Meets kindergarten standards for floors, walls, and ceilings; and (4) has floors, walls, and ceilings that are free from mold, mildew, and lead hazards." This bill passed both the House and Senate and has been presented to Governor Beverly Perdue.

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