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Bulletin #09-22

Thursday, June 25, 2009

FOOD FOR THOUGHT

"I think that is critically important and I will join with you when you think the time is right. You've got to have revenue other than the property tax." – Governor Beverly Perdue speaking on alternative revenues for counties during a meeting of the Governor's Local Government Advisory Council on June 22.

REVENUE PROPOSALS KEEP STATE BUDGET AT BAY

House and Senate budget negotiators have agreed to the amount of a financing package that would result in \$900 million in new taxes for the 2009-10 fiscal year and \$1.3 billion for the 2010-11 fiscal year, but there doesn't appear to be much agreement on a specific tax proposal. The House budget plan included a quarter-cent sales tax increase, an income tax hike for high-income individuals, and an expansion of the sales tax base to include a few services. The Senate never adopted a revenue plan, but a package backed by Sen. Dan Clodfelter (Mecklenburg) called for a broad expansion of the sales tax base and a reduction in the overall state sales tax rate. As Clodfelter explained to County Assembly Day attendees, the plan would cede 0.1 percent of the local sales tax rate to the state and would cease state sharing of certain revenues. Governor Beverly Perdue, meanwhile, has been traveling the state in an effort to build public support for \$1.5 billion in new tax revenues. Earlier this week, the Senate passed an open-ended continuing budget resolution that funds state spending at 85 percent of current levels.

PERDUE MEETS WITH LOCAL GOVERNMENT OFFICIALS

Governor Beverly Perdue met June 22 with members of her Local Government Advisory Council and touched on a variety of subjects, including the ongoing phase out the county Medicaid share and alternative revenues for counties. The council consists of the governor and county and city officials. NCACC First Vice President Joe Bryan (Wake County) and Past President Terry Garrison (Vance), and Commissioners Breden Blackwell (Cumberland), Kay Cashion (Guilford), Jennifer Roberts (Mecklenburg) and Ronnie Smith (Martin) represented counties at the meeting. While discussing the state of the budget, the governor said she would resist any efforts to undo the plan agreed to by counties and state officials to phase out the county Medicaid match. She also told county officials that she was a willing partner in the fight for alternative revenue options.

HOMEBUILDERS' DEFERRAL BILL MOVES ON TO HOUSE FLOOR

A committee substitute for [H852](#) (Defer Tax on Builders' Inventory) received a favorable report from the House Finance Committee on Wednesday and was scheduled for a floor vote Thursday. The bill, sponsored by Reps. Harold Brubaker (Randolph), William Wainwright (Craven), Hugh Holliman (Davidson) and Margaret Dickson (Cumberland), would allow 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. In its original form, the legislation would have led to the loss of millions of dollars in property tax revenues that counties had already budgeted for 2009-10. The substituted version alleviates some of the Association's concerns with the bill by pushing back the implementation date to July 1, 2010, and retaining a three-year sunset date of July 1, 2013. 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 bill must still be approved by the Senate.

COUNTIES SEEK TO HOLD EMPLOYEES HARMLESS FOR RETIREMENT BENEFIT LOSS DUE TO FURLOUGHS

S658, introduced by Sen. Bob Atwater (Chatham), was favorably considered in the House Pensions and Retirement Committee this week and now includes a provision sought by the NCACC to hold county employees harmless for any loss of retirement benefits due to being furloughed. Ordinarily, an employee's retirement benefits are based on the amount of earned income; without the authority granted in this bill, an employee who is furloughed could see a reduction in retirement benefits due to the loss of income. The bill authorizes a local government employer, at their option, to consider furloughed employees to still be in active service for purposes of computation of retirement benefits. Employers that opt to use this provision must pay both the employee and employer contributions to the retirement system. The provision applies to local government furloughs on or after Jan. 1, 2009.

MEETING CANCELLATIONS STALL HOUSE ANNEXATION BILL

More than 20 amendments have been proposed for **H524**, the House's vehicle for omnibus changes to the state's annexation laws, but a Wednesday meeting of the committee considering the bill was canceled – just as it was on Tuesday. The House Judiciary II Committee again scheduled a meeting for Thursday, 15 minutes after the floor session ends. The current version of the proposed committee substitute for H524 accomplishes a large part of the Association's annexation goal, in that it increases the standards for urbanizing areas, it establishes June 30 following the date of adoption of the annexation ordinance as the effective date for an involuntary annexation, and it requires the provision of water and sewer services within three years. The bill does not require a referendum for an involuntary annexation in areas where public services are already in place, nor does it require cities to reimburse counties for the loss of sales tax due to an annexation. However, it does require a five-year finance plan and gives significant oversight responsibilities to the NC Local Government Commission. Following consideration of the planned amendments, the House Judiciary II committee will vote, and if favorable, the bill will be serially referred to the House Finance Committee for additional consideration. The NCACC will continue working toward accomplishment of our annexation goal as the bill moves forward.

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: **SB468**

Sponsor: McKissick (D20)

Title: AUTHORIZE INSURANCE FOR FORMER EMPLOYEES

Status: 06/24/2009 – Senate Committee On Rules and Operations of the Senate

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 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. A House Committee on Pensions and Retirement substitute gives the county the option of paying the premiums in their entirety, paying part of the premium and having the former officer or employee pay the rest, or requiring that the former officer or employee pay the full premium. Counties that participate in the State Health Plan would not be allowed to offer this benefit through the SHP, but could offer it outside of the SHP. The House passed the bill on June 23 and sent it back to the Senate.

Bill: **SB754**

Sponsor: Clodfelter (D37)

Title: CHANGES FOR BONDS AUTHORIZED UNDER ARRTA

Related: 2009:HB841

Status: 06/22/2009 – Chaptered Session Laws

Comments: This new law directs the State Board of Education to serve as the stage agency to administer the state's portion of the Qualified School Construction Bonds that were included in the ARRA. DPI is charged with developing an application for counties and school districts wishing to issue a QSCB and for awarding the state's allocation. School districts that received a direct allocation are asked to coordinate with DPI regarding their utilization of their allocation. Governor Beverly Perdue signed the bill June 19.