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FOOD FOR THOUGHT

Beginning with the November 2009 general election, nine counties have placed the quarter-cent sales tax issue on the ballot, and seven have been successful, including all three counties – Duplin, New Hanover and Onslow – that had the issue on the May 4 ballot. Prior to November 2009, only two of the previous 33 referendums had been successful. Voters in 15 counties have approved the measure.

NEW SCHEDULE FOR LEGISLATIVE BULLETIN

This is the first edition of the Legislative Bulletin for 2010, which is published each week while the General Assembly is in session. This year, the Bulletin will be published on Friday instead of Thursday afternoon so that we can offer complete coverage of the entire week at the General Assembly. In addition, please be sure to check out the weekly video legislative update that we will post on the NCACC's YouTube Channel (www.youtube.com/ncacc1908) each Friday afternoon, beginning next week.

BASNIGHT, HACKNEY TO SPEAK AT COUNTY ASSEMBLY DAY

Two of the most influential legislators in the state will address attendees at the Association's annual County Assembly Day, which will be held in Raleigh on Wednesday, May 19. Speaker of the House Joe Hackney (Orange) and Senate President Pro Tem Marc Basnight (Dare) will address attendees in the morning, and a panel discussion on the "state" of state politics will follow. In the afternoon, NCACC staff will provide an overview of the most current legislative issues. Registration for the event opens at 9 a.m., and the program begins at 9:30 a.m. Visit the NCACC Web site at www.ncacc.org/countyassemblyday.html for registration information.

ABC STUDY COMMITTEE SUPPORTS LOCAL CONTROL

Earlier this year, a joint legislative study committee was formed to address the need for reform to the Alcoholic Beverage Control (ABC) system. Under the current system, local governments receive approximately \$60 million annually in revenue disbursements, appoint the ABC board members and have control over the location of stores. The initial threat of privatization has been delayed at least through the short session, but will likely be revisited. The legislation initially proposed in committee included provisions that the Association opposed, including a requirement that all local ABC boards give 2 percent of gross receipts back to the state ALE Division for statewide law enforcement. This would have deprived local governments of approximately \$14 million and would have impacted the ability of ABC boards to use local law enforcement officers for alcohol enforcement.

In addition, initial proposals would have required ABC board members and employees to be subject to the State Ethics Act. The Association's representative on the study committee, Hertford County Commissioner Howard Hunter, worked with Sen. Dan Blue (Wake) and Rep. Pryor Gibson (Anson) to successfully argue for amendments that addressed both of these key issues when the committee held its final meeting May 5. The amended recommendation eliminates the provision that pertained to the 2 percent gross receipts and provides that local ABC board members and employees must comply with the Local Government Ethics Act,

rather than the state requirements. We expect this bill to be heavily debated and further amendments are likely during the session. The Association will continue to closely follow the developments of the ABC reform bill.

STATE BUDGET UPDATE

Senate and House appropriations committee and subcommittee chairs continue to meet daily in anticipation of moving a state budget through the legislative process before the end of the fiscal year. The General Assembly has set an aggressive timetable. The Senate plan is to have its version of the budget out and voted on by May 20. Conversations with Senate leadership indicate they are on schedule.

In an effort to protect classroom employees from cuts, we understand legislators are considering redirecting some of the county lottery proceeds that would otherwise be available for school construction to classroom operating expenses. Legislators are discussing using \$100 million of the \$176 million net lottery proceeds for classroom operations. The loss of \$100 million in school construction funds would magnify the \$200 million loss of school construction funds counties absorbed when the General Assembly redirected the corporate tax set aside to backfill budget cuts in education for the current biennium.

It is uncertain how the \$100 million would be redirected. Some speculate that the boards of county commissioners would decide whether their lottery allocations would be used in the classroom or on the classroom; others speculate that the local education agency would make this decision. The Association has concerns about further cuts in school construction funds and is working with legislative leaders to further understand how this proposal would impact counties. The cost of school construction is at a historical low, making this an opportune time for counties to consider making these investments in infrastructure.

We will continue to monitor other developments in the budget and review Senate subcommittee reports as they release their recommended cuts. Of particular interest to counties will be the Justice and Public Safety subcommittee's recommendation related to reimbursements to counties for housing misdemeanants in county jails.

HOUSE COMMITTEE RECOMMENDS FLEXIBILITY IN USE OF 911 FUNDS

In its final meeting April 26, the House Select Committee on the Use of 911 Funds recommended that use of the 911 Fund "should be expanded to allow for additional uses by Public Safety Answering Points (PSAPs)" – including radios for first responders. Flexibility in the use of E-911 funds is the Association's No. 1 Justice and Public Safety legislative goal and has been a goal since 1995. The committee's recommendations also include a restructuring of the state's 911 Board – also an NCACC goal – to provide additional local government representation.

The House Select Committee met five times over the past four months and heard presentations from multiple county officials, including Pasquotank County Manager Randy Keaton, Franklin County Emergency Communications Director Christy Shearin and Catawba County Assistant Manager Lee Worsley, on the importance of expanding the uses of E-911 fees. The recommendation on restructuring the 911 Board calls for eight local government members and eight telecommunications industry members. A county manager representative is among the recommended local government members.

LOCAL BILL DEADLINES ANNOUNCED

The General Assembly is expected to move fast in 2010, and local officials should be prepared to move quickly if they pursue any local legislation. Wednesday, May 19, is the deadline for legislators to submit local bills to the Bill Drafting Division. The subsequent deadline for local bills to be introduced in the House of Representatives or filed for introduction in the Senate is 4 p.m. on Wednesday, May 26. Local bills must be accompanied by a certificate signed by the principal sponsor stating that no public hearing will be required or asked for by a member on the bill, that the bill is noncontroversial, and that the bill is approved for introduction by each House and Senate member whose district includes the area to which the bill applies.

YOU WIN SOME, YOU LOSE SOME

The Revenue Laws Study Committee, a joint committee of Senate and House members that reviews North Carolina's revenue laws between legislative sessions, completed its work Wednesday and adopted a series of recommendations to present to the 2010 General Assembly. The recommendations include a number of items of interest or concern to counties.

The Association worked with committee staff to revise the local sales tax implementation date to allow faster implementation after voters approve a new sales tax. Current statutory language only allows counties to implement a local sales tax on either January 1 or July 1, and requires a 90-day advance notice to the N.C. Department of Revenue. The committee recommendation would allow

a county to begin collecting the new sales tax on the first day of a calendar quarter, and would reduce from 90 days to 60 days the advance notice requirement.

The draft legislation also reclassifies online travel companies (OTCs) as retailers and requires them to report the actual and total room rental price to the hotelier, thereby ensuring that the total sales and occupancy taxes are paid by the hotelier. Counties and cities would potentially gain about \$4 million per year in increased revenue.

In a continuing effort to improve tax administration and collection, the committee recommended legislation to expand the debt setoff collection program to all tax refunds, including corporate taxes. This would give counties another avenue to collect from delinquent taxpayers. Community colleges would also be authorized to use the debt setoff program.

Of concern to the Association is the Revenue Laws Committee's recommendation to narrowly expand the present use value (PUV) system to permit current owners of PUV agricultural land to acquire non-eligible land and place it immediately under PUV. The PUV owner would have to begin using the new land as agricultural land within one year of acquisition to maintain PUV status. County tax assessors and legislative fiscal staff estimate minimal fiscal impact to the counties, but the Association remains concerned about continued erosion of the county property tax base.

Also of concern to the Association is the committee's recommendation to limit future financing of broadband system infrastructure to financing by general obligation debt, thereby requiring approval by referendums. Certificates of participation would no longer be an option for financing broadband access. Municipalities affected by these restrictions argued that in other states with such financing restrictions, private providers have waged expensive media campaigns to defeat the required referendum. The Association is concerned about limiting available financing options for public services of such critical importance to the business and education communities. The committee's recommendations also continue study of public communications systems.

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