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Bulletin #10-04

May 28, 2010

FOOD FOR THOUGHT

The state's ongoing budget crisis has caused several legislators to rethink the state's ban on video poker. A bill was filed in the Senate this week ([S1407](#)) that would reinstitute video poker and make the state lottery commission responsible for regulating the industry. Revenues from the video gaming machines would be used for developing a vocational training program at one high school in each school district, to improve the nutritional value of food offered by each school, and to help build schools. With lottery sales at an all-time high, the state appears to be looking at diversifying its portfolio of games of chance. Prior to the state ban on video poker, the Association had a legislative goal advocating the abolishment of video poker machines.

911 BILL SCHEDULED FOR NEXT WEEK

[H1691](#) (Use of 911 Funds) has been scheduled for a hearing in the House Public Utilities Committee on Wednesday, June 2. The Association has been working with committee members and representatives of telephone companies to develop a bill that would give local governments greater representation on the state 911 Board and also give counties more flexibility in the use of revenues generated by the 911 fee – two long-standing NCACC legislative goals. Currently, counties can only use the 911 fund revenues on the equipment needed to receive the phone call. Counties have been seeking additional flexibility for the use of the funds for many years and appear to have worked out a compromise that will allow the funds to be used for any equipment needed within the walls of the PSAP (Public Safety Answering Point). If the bill passes out of the utilities committee, it then must go to the House Finance Committee before it is sent to the House floor, then to the Senate.

HOUSE KEEPS BUDGET EXPRESS ON SCHEDULE, DIVERTS SOME LOTTERY FUNDS

The State Budget Express stuck to its accelerated timetable this week, as the House Appropriations subcommittees reported out their recommendations for consideration by the full House next week. School construction lottery funding remains a concern to counties. The House Appropriations Subcommittee on Education voted to change the statutory set-aside for school construction from 40 percent of net proceeds to 27.2 percent, using all of the expected growth in next year's lottery sales plus \$17.2 million of county lottery funding to protect classroom teachers. Total losses to counties would exceed \$46 million, on top of the lost ADM school capital funds of more than \$200 million already taken in the 2009-11 biennial budget. The House may also propose a special provision similar to the Senate's that would permit counties to use any or all of the remaining \$130 million in school construction lottery funding for classroom teachers. The Senate budget appropriated the full 40 percent statutory set aside for school construction (\$176.5 million). Both budget proposals direct some of the excess 2009-10 lottery funds (\$32 million) to those counties with effective tax rates below the statewide average. This would provide all counties with the same per pupil allocation

of school construction lottery funds for 2009-10. While the Senate's special provision allocates 2010-11 dollars on a per pupil basis as well, we do not know if the House is considering a similar change to the statutory allocation.

The House Appropriations Subcommittee on Health and Human Services does not fully restore the \$40 million in state-funded community mental health services, opting instead for an \$18.8 million transfer from DPI. It also does not include the \$12 million to continue investing in local in-patient bed capacity. Both of these items were included in the budget proposals made by Governor Beverly Perdue and the Senate. We understand that this is a high priority of the subcommittee and hope that the full Appropriations Committee, or the conference committee, can fully restore this funding. The subcommittee also rejected the restructuring of the Medicaid-funded personal care services included in the spending plans from the governor and Senate, adding yet another major item for conference committee deliberation if the full House Appropriations Committee accepts the recommendation.

The House Appropriations Subcommittee on Natural and Economic Resources proposes redirecting to the general fund the portion of the scrap tire disposal and white goods taxes that currently go to state reserve accounts. Based on our reading, this change would not disrupt the proceeds of these taxes that go directly to counties, but would take away roughly \$3.7 million in grant funds largely available to counties.

The House Appropriations Justice and Public Safety Subcommittee voted Thursday to re-establish the community work crews that were eliminated by the state last year. Earlier versions of the subcommittee's proposed budget would have re-established the program on a receipt supported basis. The provision was amended Thursday to appropriate state funds for 45 correctional officer positions to supervise the community work crews, which provide services to local governments. The subcommittee did not consider raising the 90-day limit for misdemeanants to be housed in county jails or eliminating the \$40 per day payment for backlogged state prisoners in county jails.

WATER BILLS STARTING TO FLOW

Three bills emanating from the Legislative Study Commission on Water and Wastewater Infrastructure moved out of the House Committee on Water Resources and Infrastructure on Wednesday. [H1743](#) (DENR/LGC Evaluate Water System Operations) asks the Department of Environment and Natural Resources and the Local Government Commission to take several steps to monitor the fiscal soundness of each public water and wastewater treatment system by making sure that each system generates "sufficient revenue to cover the costs associated with proper operation of the system, including the costs of maintenance, repair, and replacement of collection, treatment, and distribution infrastructure." The agencies would specifically be charged with reviewing grant applications to make sure that any required local matches are being paid for with local funds and not another grant. The agencies could conceivably order a water system to increase its rates if it determines that the system is not generating sufficient revenue to cover costs.

[H1744](#) (Modify Water Funding Priorities) attempts to standardize the criteria for loans or grants. It adds a regionalization criteria to give additional priority points to a project that provides "for the orderly coordination of local actions relating to public water and wastewater systems, or to help realize economies of scale in regional public water and wastewater systems through consolidation, merger, or interconnection of public water and wastewater systems." In systems in which regionalization is not practical due to topography or other factors, such as a lack of local governments with which to partner, the project "shall be given the same priority for regionalization as a project that includes regionalization." The bill also clarifies that "leaking waterlines are a priority for both water quantity and water quality purposes." H1743 and H1744 have been referred to the Committee on Environment and Natural Resources.

[H1745](#) (Survey Ag. Water Infrastructure Needs) directs the Department of Agriculture and Consumer Services and the Division of Soil and Water Conservation to work with the N.C. Farm Bureau Federation and other interested parties to "develop a plan that will identify agricultural water infrastructure needs that are not accounted for in the surveys of water infrastructure needs conducted by the United States Environmental Protection Agency." The plan will include a "mechanism for reporting the results of the data gathered to the General Assembly" and "methods to identify current and future agricultural water use needs and methods to ensure that those needs are met." The plan is to be finalized and reported to the Legislative Study Commission on Water and Wastewater Infrastructure by Nov. 1, 2010. H1745 was referred to the Committee on Agriculture.

TECHNICAL CORRECTIONS BILL MAKES FAVORABLE CHANGE FOR COUNTIES

The Revenue Laws Technical Corrections bill ([S1177](#)) moved forward with approval of a revised version in Senate Finance on Wednesday, and Senate floor approval on second reading on Thursday. There are a couple of items of importance to counties. Section 12 amends the Article 39 sales tax administrative language, the statute that all local sales taxes reference for levy and administrative purposes, to permit the collection of local sales taxes to begin on the first day of any calendar quarter, as long as the county has given at least 60 days notice to the Department of Revenue. This will permit counties that are considering, or that recently passed, the one-fourth cent Article 46 sales tax to accelerate its collection. Current language limits collection starts to either Jan. 1 or July 1 and requires a 90-day notice to DoR. Section 22(d.) extends the implementation date of the combined motor vehicle property tax and registration system by two years until July 1, 2013. Section 22 also clarifies other property tax language.

THIS WEEK AT THE GENERAL ASSEMBLY

The Association's weekly video report includes an interview with Director of Government Relations Kevin Leonard on pending ABC and 911 legislation and a tribute to NCACC Legislative Counsel Jim Blackburn, who announced last week he would be retiring from full-time work with the Association as of June 30, 2010. The report is on the Association's YouTube channel (www.youtube.com/ncacc1908).

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.

Bill: H2048

Sponsors: Barnhart (R82); Johnson (R83)

Title: CABARRUS PUBLIC HEALTH FUNDS

Progress: 1st Chamber: Referred to Committee

Status: 05/27/2010 – House Committee On Health

Comments: This bill would generate funds for the Cabarrus County Public Health Department from the county's Article 39 sales tax. The Department of Revenue would distribute \$2.22 per county resident per month to the Department of Health. This bill is not supported by the Cabarrus County Board of Commissioners.

Bill: S1348

Sponsor: East (R30)

Title: COUNTY TEMPORARY FLEXIBILITY/LOTTERY FUNDS

Progress: 1st Chamber: Referred to Committee

Status: 05/24/2010 – Senate Committee On Appropriations/Base Budget

Comments: This bill would expand the Senate's 2010-11 budget provision that authorizes counties to use lottery funds for school needs other than capital. This bill would give counties the additional flexibility through June 30, 2013.

Bill: S1381

Sponsor: Clodfelter (D37)

Title: MODIFY ADVERT OF TAX LIEN FOR DELINQUENCIES

Progress: 1st Chamber: Referred to Committee

Status: 05/26/2010 – Senate Committee On Finance

Comments: This bill would allow Mecklenburg and Wake counties to forego advertising tax liens in a newspaper and instead post the required information on the county's Web site.

Bill: S1385

Sponsor: McKissick (D20)

Title: STUDY/WATER QUALITY COST SHARE

Progress: 1st Chamber: Referred to Committee

Status: 05/26/2010 – Senate Committee On Appropriations/Base Budget

Comments: This bill creates a Legislative Study Commission on Water Quality Cost Share. The commission would consist of 18 members, including one representative from the NCACC. The commission would study the "costs and benefits of improving water quality in reservoirs, rivers, and other water resources shared by local governments. In its study the Commission shall consider the water quality issues for local governments located both upstream and downstream from water resources, the wastewater treatment standards that local governments both upstream and downstream must meet, the cost of complying with water quality and wastewater treatment standards, and the benefits received by local governments by complying with those standards. The Commission shall also consider possible alternatives to the current rate structure, treatment programs, and technology used by the State and local governments with regard to water quality and wastewater treatment."

– **David F. Thompson, Executive Director**
– **Kevin Leonard, Director of Government Relations**