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Bulletin #10-05

June 4, 2010

HOUSE FINALIZES BUDGET, CLOCK TICKING ON CONFEREES

The State Budget Express remained on track this week, as the House of Representatives passed its budget early Friday morning. The House and Senate will choose conferees next week, and the two sides will have three and a half weeks to hammer out the differences between the spending plans adopted by the two chambers and get a final budget in place. While speculation continues that the General Assembly plans to get out of town quickly, possibly before the July 4 holiday weekend, there are some stark differences between the two budget proposals that will have to be ironed out over the next three weeks.

Like the Senate, the House gives counties flexibility to spend county lottery proceeds on classroom teachers, but only if requested by the local school board. However, the House does take approximately \$46.5 million in county lottery revenues, effectively reducing the county share of lottery proceeds from the statutorily mandated 40 percent to just over 27 percent.

The House budget also makes dramatic changes to the statewide 1915 b/c waiver program, limiting expansion to just one new program and keeping Piedmont Behavioral Healthcare (PBH) from expanding. Two LMEs have expressed an interest in merging with PBH, which is using the 1915 b/c waiver to help curtail Medicaid costs while maximizing local flexibility. The Department of Health and Human Services is also directed to study the impact of the waiver program on the developmentally disabled and on Intermediate Care Facilities for the Mentally Retarded (ICF/MR). The House does not eliminate the personal care services program and replaces it with more targeted services, but does require an independent assessment of client need for services.

The House budget takes \$2 million in grant funds from the scrap tire and white goods tax for the state's general fund. The House budget includes a broadband task force to study the issue of local governments partnering with private industry to offer broadband services to citizens and pushes back by two years the implementation date of mandatory well testing to October 2012.

The House does not agree with the Senate plan to transfer environmental health from the Department of Environment and Natural Resources to DHHS. A more detailed version of the House budget proposal will be available on the NCACC Web site early next week.

The House passed several budget amendments Thursday during floor debate, including one that will allow charter schools to receive lottery funds for use in the classroom, but not for capital needs.

NCACC SUPPORTS NEW 911 BILL TO BE HEARD IN HOUSE COMMITTEE

H1691 (Use of 911 Funds) has been rescheduled for a hearing in the House Public Utilities Committee on Wednesday, June 9. Originally scheduled for June 2, the bill was postponed due to the House budget process. The Association has been working with committee members and representatives of telephone companies to develop a bill that would result in greater representation for

local governments 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. The Association encourages commissioners to contact their legislative members and ask for their support of the new version of the 911 bill. The bill would allow 911 revenues to be used for all equipment located within the 911 center building, a one-time expenditure of 50 percent of the current 911 fund balance to be used on any public safety need and increase local representation on the State 911 Board to create parity between local government and telecommunications representatives.

Currently, counties can only use 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. If the bill is approved by the utilities committee, it will be referred to the House Finance Committee before it is sent to the House floor and then to the Senate.

ABC REVISIONS WOULD GIVE STATE MORE AUTHORITY

The bill to reform the ABC system is currently undergoing revisions that would allow the State ABC Commission the authority to promulgate rules regarding profitability, customer service, and store appearance and operating efficiency. Once these rules are established, the Commission would have the authority to determine that an ABC Board is not in compliance with the rules and require the appointing authority to work with the Commission to develop an improvement plan.

If the Commission decides the local ABC Board has not complied with the improvement plan within six to 12 months, the Commission could step in and close the store or Board, or force a merger with another ABC Board. This could mean that the ABC Commission could seize the assets of a local ABC Board for noncompliance with rules that have yet to be determined. It also means that a profitable county ABC Board could be forced to merge with an insolvent city or other county ABC Board. The Association is working to take any rules regarding profitability out of this proposed bill and to limit the state authority over counties and local ABC Boards as much as possible.

HOUSE FINANCE LOOKING AT COMMERCIAL BREEDING LEGISLATION

The House Finance Committee is set to review a Senate bill that will grant additional tools to county animal controls officers to address concerns about commercial breeding facilities. [S460](#) (Commercial Dog Breeder Regulation) passed the Senate and moved through the House Commerce Committee in 2009. Sponsored by Sen. Don Davis (Wayne), the bill defines “commercial breeder” as a business or businesses that own and maintain 15 or more female dogs for breeding and 30 or more puppies for sale.

The current legislation requires commercial breeding operations to register, pay a \$50 fee, and provide a statement that their operations are in full compliance with standards for commercial breeding operations established by the state Board of Agriculture. Currently there are no standards for such operations. The intent is that standards will mirror current standards for kennels. If commercial breeders do not register and adhere to the proposed standards, the animal control officer may assess fines and penalties. Animal control facilities may use the current bond and forfeiture statute if they are required to house the animals for any period of time. NCACC wants to make certain that counties are financially held harmless in this legislation.

The Association has been working with members of the House Finance Committee and county animal control officers to refine the bill to address county concerns about costs and other issues. The bill is expected to be heard in the House Finance committee within the next couple of weeks.

SENATE APPROVES CONTINUATION OF BROADBAND STUDY

The Senate this week approved on second reading a revised version of legislation to direct the Revenue Laws Study Committee to examine issues related to local government owned and operated communication systems. [S1209](#), introduced by Sen. David Hoyle (Gaston), originally would have prohibited local governments from financing communications systems through non-voted debt. The bill is scheduled to be voted on for third reading on Monday. The Senate Finance Committee rewrote the bill to continue the Revenue Laws Study Committee’s study of the issue but to prohibit non-voted debt until passage of legislation recommended by the Study Committee or the adjournment of the 2011 legislative session, whichever comes first. The bill also provides a series

of exemptions from this moratorium. It would not apply to local governments that had undertaken financing of a communication system or contracted for a high-speed broadband Internet feasibility study by June 1, 2010. It would not apply to a local government that files an application by Dec. 1, 2010, with the Local Government Commission for approval of a contract to finance a communication system. The moratorium would not apply to recipients of federal grants where the local government was providing matching funds, or to a local government chosen by Google for its Fiber Project.

The bill also authorizes the Revenue Laws Study Committee co-chairs "to appoint an advisory subcommittee and to ask the Local Government Commission to designate an individual to participate in the subcommittee's deliberations." The subcommittee is also to include individuals who are not legislators, including representatives of private providers, cities that operate cable and electric power systems and the North Carolina League of Municipalities. Following Senate approval of the bill on Thursday, S1209 was sent to the House.

BILLS OF INTEREST

The Association maintains 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: H382

Sponsors: Wainwright (D12); Farmer-Butterfield (D24); Martin (D34)

Title: AUTHORIZE VOLUNTARY MEDICAL REGISTRY PROGRAM

Related: 2009:SB258

Progress: 2nd Chamber: Referred to Committee

Status: 03/31/2009 – Senate Committee On Health Care

Scheduled: 06/09/2010 – Senate Committee On Health Care, 11:00 a.m., 544 LOB.

Comments: The bill asks the state emergency management program to establish a model registry for use by cities and counties to identify medically fragile persons who would be in need of special assistance during an emergency or disaster. Any health information obtained would be considered confidential and would not be covered under public information statutes. It authorizes cities and counties to coordinate the voluntary registration of functionally and medically fragile persons. The changes are part of a series of recommendations from the Joint Select Committee on Emergency Preparedness and Disaster Management Recovery. This bill passed the House in March 2009 and is scheduled to be heard in the Senate Committee on Health Care on June 9.

Bill: H1249

Sponsors: England (D112); Harrell, T. (D41)

Title: HOMEBUILDER PROPERTY TAX DEFERRAL CHANGE

Progress: 2nd Chamber: Passed

Status: 06/02/2010 – Passed in the Senate

Comments: This bill would expand the eligibility for a home builder to qualify for the temporary tax deferral granted to finished but unsold houses that passed last session (H852 - Defer Tax on Builders' Inventory). This bill would make any unsold, finished house "owned by the builder or a business entity of which the builder is a member, as defined in G.S. 105-277.2" eligible for the property tax deferral program. The legislation that passed last session is written in such a way that only an individual builder who is also the sole owner of the property can qualify for the deferral.

Bill: S887

Sponsor: Vaughan (D27)

Title: AMEND ELECTRONICS RECYCLING LAW

Related: 2009:H1426

Progress: 2nd Chamber: Referred to Committee

Status: 05/18/2009 – House Committee On Environment and Natural Resources

Scheduled: 06/08/2010 – House Committee On Environment and Natural Resources, 12:00 noon, 643 LOB

Comments: This bill rewrites the electronics recycling law that was passed in 2008 to clarify that computer manufacturers and television makers are only responsible for recycling equipment used by individuals for home use and not from commercial users.

Bill: S1212

Sponsor: Clodfelter (D37)

Title: LOCAL GOV'T. OTHER POST-EMPLOYMENT BENEFITS

Progress: 1st Chamber: Passed

Status: 06/02/2010 – Passed in the Senate

Comments: This bill repeals the Local Government Other Post-Employment Benefits (OPEB) Fund that was created in 2007 to enable the State Treasurer to manage funds contributed by local governments to provide OPEB benefits for employees. The bill instead allows local governments to create individual OPEB Trust Funds to be managed by the state treasurer. The bill also provides that funds deposited by a Local Government Other Post-Employment Benefits Trust, as well as interest or other investment income earned from those funds is to be prorated and credited to the contributing trust based on the contributed amounts and figured according to sound accounting principles. The act is effective July 1, 2010.