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**Bulletin #11-03**

**Feb. 11, 2011**

## **SUBCOMMITTEES ON APPROPRIATIONS CONTINUE JOINT MEETINGS**

State Government 101 was on display at the joint Appropriations subcommittees this week. Fiscal staff provided an overview of agency services and noted what recent legislative actions have occurred impacting those programs. State agency officials followed with their synopses of state departmental activities. Per discussion in Health and Human Services (HHS), the House Appropriations subcommittees will receive their area spending targets next week, along with the governor's budget proposal. As a reminder, the House initiates the budget process this biennium, although the House and Senate have pledged to work together in crafting a spending plan. Spending targets by area – HHS, justice and public safety, natural and economic resources, etc. – set a spending cap on programs and state agencies within that area and help guide committee members in their review of budgets and possible reductions. HHS also announced that two days of public hearings on budget priorities would be held in the following week.

## **UNCHARTERED TERRITORY**

The Senate Education/Higher Education Committee continued debating a bill this week that would drastically overhaul the state's system of charter schools. Currently, the state limits charter schools to no more than 100 across the state. As filed, **S8** (No Cap on Number of Charter Schools) would simply remove the cap. But the committee has been debating a 30-plus page committee substitute version with amendments that makes numerous changes, including several that would have a significant impact on school funding provided by county governments. Among changes the committee is considering are allowing counties the option to fund the capital needs of charter schools and requiring counties to provide direct current expense funding to the charter schools instead of through the LEA.

## **GOVERNOR ANNOUNCES STATE BUDGET DEFICIT REDUCED BY \$1B**

Governor Beverly Perdue announced Wednesday that the state's projected budget deficit for the next fiscal year had dropped by \$1 billion, from \$3.7 billion to \$2.7 billion. In a video released on [YouTube](#), Governor Perdue said that savings from efficiencies in the healthcare system for state employees and reductions in Medicaid fraud had combined with an improving economic outlook to whittle away almost 30 percent of the state's pending budget deficit. "We are really seeing an improved economic outlook," Governor Perdue said. "I am over-the-top happy to announce that the estimated budget shortfall for this biennium has dropped by 30 percent." Perdue has been invited to the General Assembly on Feb. 14 to deliver her annual State of the State address. She is expected to unveil her state budget proposal next week as well.

## **INCREASED REVENUE GROWTH EXPECTED FOR BIENNIUM**

The General Assembly's Fiscal Research Division and the Office of State Budget and Management annually agree to a

consensus revenue forecast to undergird budget projections. Per a Feb. 9 Fiscal Research Division memorandum, the forecast envisions excess collections for this fiscal year (\$156.4 million), to help offset revenue losses next fiscal year. The state's key revenue sources have shown six months of positive revenue growth, including anticipated sales tax growth at nearly 6 percent above budget. A higher revenue base this year leads to a higher revenue base for next year, and coupled with higher forecast growth rates, the earlier estimate of \$700 million in 2011-12 revenue growth has now nearly doubled to \$1.3 billion. Sales tax collections are forecast to increase by 5.3 percent next year, and the overall growth rate of all revenues is projected at 4.5 percent.

## S13 MOVES FORWARD WITH HOUSE'S THIRD READING

Perdue also hinted that she may veto a bill that is being pushed by Senate and House Republicans that directs the governor to reduce spending for 2010-11 by \$400 million. The Legislature's plan (**S13** – Balanced Budget Act of 2011) diverts several pots of money to the state's general fund, including the One NC Fund, the Parks and Recreation Trust Fund and the Golden Leaf Fund. The bill diverts \$1.8 million from the Agricultural Development and Farmland Preservation Trust Fund. The Trust Fund receives \$2 million in recurring funding; the NCACC's top agricultural legislative goal seeks to maintain funding for the Trust Fund. Democrats in the House and Senate have raised objections about taking away the economic development incentive funds, and Governor Perdue hinted this week that she may veto the bill over those concerns. The bill passed third reading in the House on Thursday and will be sent to Governor Perdue for her action.

## SENATE ANNEXATION MORATORIUM BILL GETS FIRST HEARING

Bills related to municipal involuntary annexation started to move through committee this week. **S27**, which calls for a temporary moratorium on annexation, was heard in the Senate Local Government Committee on Tuesday, but no action was taken. The bill is scheduled to be heard next week, and a vote is expected. While the statewide annexation debate continues to make its way through the Legislature, House members are addressing this from the local level as well. Two additional local bills were heard in the House General Government Committee on Thursday (**H5** – Kinston Annexation Repealed, and **H37** – Lexington Annexations Repealed.) These bills repeal involuntary annexations that are currently in progress. The legislation will move out of committee and is anticipated to pass the full House next week. The Association has a legislative goal about annexation reform and is advocating for improvements to the state's current annexation laws, but the goal does not address a moratorium.

## CHECK US OUT ON YOUTUBE, TWITTER AND FACEBOOK

The Association has several ways members can receive up-to-date legislative information. The NCACC's Twitter feed has nearly 400 followers. Sign up to follow us at [twitter.com/ncacc](https://twitter.com/ncacc). You can also view our latest Twitter posts on the NCACC Web site ([www.ncacc.org](http://www.ncacc.org)). If you are on Facebook, search for "NCACC" and click on the "Like" button to receive our updates. The Association posts breaking news on both the Twitter and Facebook pages. The Association is also creating weekly legislative video reports for the NCACC's YouTube Channel ([www.youtube.com/ncacc1908](https://www.youtube.com/ncacc1908)). "This Week at the General Assembly" will be posted each Friday afternoon and will feature interviews with legislators and NCACC staff, reports on legislation impacting counties and updates on county legislative priorities.

## 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](http://www.ncacc.org/legislation/about.html) for updates on these and the rest of the bills we are tracking. Bills added this week:

Bill	Short title	Subject matter area
<b>H45</b>	Accelerate Cleanup of Industrial Properties	Environment

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**Bill:** **H84**

**Sponsors:** Insko (D56); Farmer-Butterfield (D24); Brisson (D22)

**Title:** EXPAND INPATIENT PSYCHIATRIC BEDS/FUNDS

**Status:** 02/10/2011 – Filed in the House

**Scheduled:** 02/14/2011 – House Calendar, 6:30 p.m., House Chamber

**Comments:** This bill would appropriate nearly \$40 million for 2011-12 to purchase 50 additional local inpatient psychiatric beds or bed days. This would help achieve the Association's priority legislative goal to "ensure adequate mental health funding."