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Bulletin #11-04

Feb. 18, 2011

WHAT THEY'RE SAYING

"We're making a statement that there has to be shared pain among all of us." – Charlie Perusse, State Budget Director, in justifying shifting millions of dollars of responsibilities for school funding to counties.

BUDGET PROPOSAL SHIFTS COSTS TO AND TAKES FUNDS FROM COUNTIES

The budget proposal unveiled by Governor Beverly Perdue on Thursday would cause a major shift in how the state's public education system is funded and would force more responsibilities on county governments while reducing much-needed revenues to counties for school construction. The proposed budget shifts responsibility to counties to pay for replacement school buses (\$56.9 million) and takes the unprecedented step of forcing counties to assume the workers' compensation costs for state-paid public school employees (\$34.6 million) and community college employees (\$1.7 million). The proposal also reduces state-funded positions in the local public school systems for administration, academic support and other non-instructional support areas, which will put additional pressure on counties to fund these positions.

"Counties have been assured by lawmakers that the state will not attempt to balance its budget by pushing down unfunded mandates and additional responsibilities to counties or by taking county revenues," said NCACC Executive Director David F. Thompson [in a news release](#) issued Thursday afternoon. "The current budget proposal does both, and we will be working with the House and Senate to address our concerns."

Statutorily, counties are supposed to receive 40 percent of lottery proceeds for school capital needs. The proposed budget uses most of the county share of lottery proceeds for state education expenses and eliminates the county share of the corporate income tax dedicated to the Public School Building Capital Fund. These moves add up to a loss for counties of almost \$200 million per year in much-needed school construction funds. The budget proposal also shifts more social services administrative costs to counties, resulting in \$5.4 million of additional expenses for counties, and reduces state aid to public health departments by \$6.8 million.

Counties have lost more than \$260 million in school capital funds during the current biennium, and the budget proposal for the upcoming biennium would take away more than \$375 million from counties. Here is a year-by-year look at the revenue losses to counties.

2009-10 – state took ADM funds from counties (\$100 million loss to counties)

2010-11 – state took ADM funds from counties (\$100 million loss to counties) and reduced lottery appropriation from \$176 million to \$113 million (\$63 million loss to counties)

2011-12 – state ends ADM fund transfer from corporate income tax (\$72 million loss to counties) and reduces lottery

share to \$45 million (\$115 million loss to counties)

2012-13 – state ends ADM fund transfer from corporate income tax (\$75 million loss to counties) and reduces lottery share to \$45 million (\$115 million loss to counties)

Total losses for counties: \$640 million.

COUNTY COALITION HOLDS INAUGURAL MEETING

The inaugural meeting of the General Assembly's County Coalition was held Feb. 15. The County Coalition is made up of legislators who are also former county commissioners or managers and is co-chaired by Reps. Becky Carney (Mecklenburg) and Carolyn Justice (Pender). The meeting was well attended by both House and Senate members. NCACC Government Relations staff presented Coalition members with the Association Legislative Goals handbook and discussed the goals that have been adopted. The legislators were asked to review the NCACC goals and to consider sponsorship of bills to carry out these goals.

CHARTER SCHOOLS CAP AMENDED AND SENT TO FINANCE COMMITTEE

The Senate Education/Higher Education Committee met Wednesday to consider a proposed committee substitute (PCS) for **S8** (No Cap on Number of Charter Schools). The new PCS made a number of changes to the version previously discussed in committee. This version of the bill removed an earlier provision that would have required counties to transfer funding directly to charter schools. However, the PCS sill contains language that would allow counties to appropriate funds for capital needs to charter schools. Currently, there is no statutory authority for counties to provide capital funding to charter schools, and counties have not asked for this authority. Putting counties in the position to provide capital funding for charter schools represents another financial mandate that county commissioners will struggle with as they attempt to balance their own already tight budgets. The PCS was adopted and voted out of committee and has been sent to the Senate Finance Committee.

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 these and the rest of the bills we are tracking. Bills added this week include:

Bill	Short title	Subject matter area
H78	Evaluate efficacy of CABHA model	Health and Human Services
H79	Report On MH Services Provided By Hosp. ERs	Health and Human Services
H84	Expand Inpatient Psychiatric Beds/Funds	Health and Human Services
H87	Sunshine Amendment	Intergovernmental Relations
H92	Repeal Land Transfer Tax	Tax and Finance
H101	Broadband Parity For Counties & Cities	Intergovernmental Relations
H119	Amend Environmental Laws 2011	Environment
H122	Rev Laws Tech, Clarify, & Admin. Chngs	Tax and Finance
H123	Business Entity Changes	Tax and Finance
S64	Prohibit Boylston Creek Reclassification	Environment
S67	Sunshine Amendment	Intergovernmental Relations

Bill: [H87](#)

Sponsors: LaRoque (R10); Moore, T. (R111)

Title: SUNSHINE AMENDMENT

Status: 02/14/2011 – House Committee On Rules, Calendar, and Operations of the House

Comments: Thisbill would amend the N.C. Constitution and provide a constitutional right to government public records and open meetings. The bill provides that the amendment would be voted on in the November 2012 general election.

Bill: [S27](#)

Sponsors: Brock (R34); Newton (R11); Goolsby (R9)

Title: INVOLUNTARY ANNEXATION MORATORIUM

Status: 02/16/2011 – Senate Committee On Finance

Comments: This bill passed the Senate's State and Local Government Committee on Feb. 15 and was scheduled to be heard on the Senate floor on Feb. 16. The bill was withdrawn from the Senate calendar and re-referred to Senate Finance. The bill

prohibits involuntary annexation resolutions or ordinances pursuant to Parts 2 and 3 of Article 4A of GS Chapter 160A, until July 2, 2012, and would stay any annexation litigation brought pursuant to Parts 2 and 3 of Article 4A of GS Chapter 160A.

