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Bulletin #11-05

Feb. 25, 2011

TWEET OF THE WEEK

"Late night in the legislative building. The Gov's budget raises taxes and shifts costs to Counties. Make sense to you? Not us." – @thomtillis (Speaker of the House Thom Tillis, Mecklenburg County). Follow @ncacc on Twitter for the latest legislative updates of importance to counties.

NCACC BOARD ADOPTS RESOLUTION OPPOSING COST SHIFT TO COUNTIES

At its Feb. 23 meeting, the NCACC Board of Directors adopted a resolution opposing any attempt to reduce county revenues for school capital needs or to shift additional costs to counties to balance the state budget. Below is the text of the resolution:

OPPOSING THE LOSS OF COUNTY SCHOOL CONSTRUCTION DOLLARS AND THE SHIFT OF STATE SCHOOL FUNDING RESPONSIBILITIES TO COUNTIES

WHEREAS, counties in North Carolina are statutorily responsible for providing public school facilities in North Carolina and contribute significant county funds for classroom expenses; and

WHEREAS, counties spend more than \$1.5 billion annually for public school capital needs and \$2.5 billion for public school operating expenses; and

WHEREAS, counties rely on local sales taxes, property taxes, the county share of lottery funds and the county share of the corporate income tax to help fund public school capital needs and have issued public debt based on these revenue streams; and

WHEREAS, counties have lost more than a quarter billion dollars in lottery and corporate income tax school construction funds over the current biennium; and

WHEREAS, the Governor's budget proposal permanently eliminates the county share of the corporate income tax and reduces the county lottery share by 75 percent, costing counties more than \$200 million per year in revenues dedicated to public school construction needs; and

WHEREAS, the budget proposal shifts responsibility to pay for replacement school buses (\$56.9 million per year) to counties; and

WHEREAS, the budget proposal also takes the unprecedented step of forcing counties to assume the workers' compensation costs for state-paid public school employees (\$34.6 million per year) and community college employees (\$1.7 million per year) and to fund school tort claims (\$4.6 million per year); and

WHEREAS, the budget proposal reflects an overall cost shift to counties of \$345 million in 2011-12 alone, requiring counties to raise property taxes to manage a loss of this magnitude;

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors of the North Carolina Association of County Commissioners, a voluntary membership organization of which all 100 counties in North Carolina are members, adamantly opposes the unfunded mandates and the loss of county revenues included in the Governor's budget proposal; and

FURTHER BE IT RESOLVED that copies of this resolution be transmitted to the members of the General Assembly to let them know of our opposition to these unprecedented changes in county responsibility and the use of county revenues to balance the state budget.

Adopted this the 23rd day of February 2011.

HOUSE, SENATE BUDGET WRITERS GET REDUCED SPENDING TARGETS

House and Senate Appropriations subcommittees on Wednesday received spending targets that set an overall spending cap on budget areas such as Education and Justice and Public Safety. Accompanying the spending targets was general guidance to the subcommittees to focus on core services and jettison or reduce ineffective programs, nonprofit funds, boards and commissions, vacant or temporary positions, and layers of management. No expansion requests are permitted and privatization, maximization of federal dollars, and cost recovery via fees are encouraged.

The Education area would see additional reductions of \$763 million over the governor's budget proposal, with an overall reduction in current levels at roughly 11 percent. County lottery funds would be a "full chairs" item, meaning the subcommittee could recommend where overall lottery funds would be spent but the full Appropriations chairs would make the final decision. More at Four and Smart Start could be consolidated or eliminated, education salary schedules could be based on performance, and university enrollment could be capped.

With Health and Human Services at \$379 million less than what the governor proposed, the fate of the Health and Wellness Trust Fund would remain with the full chairs. The subcommittee is encouraged to look at consolidation, copayments, facilities closings, and Medicaid parity with the State Health Plan as avenues for cuts.

Justice and Public Safety would have \$140 million less to spend than what is proposed in the governor's budget. The subcommittee is asked to consider the lowest cost of housing misdemeanants (state misdemeanants to counties?), facilities consolidation or closing, and inmate medical costs. The governor's proposal to consolidate Corrections, Juvenile Justice and Crime Control and Public Safety into a combined Department of Public Safety will also receive consideration.

Natural and Economic Resources would take a 21 percent reduction from what the governor proposed, with funding for the Clean Water Management Trust Fund, the Golden Leaf Fund, and the Tobacco Trust Fund delegated to the full chairs and outside of the subcommittee's spending targets. The subcommittee is asked to analyze where state regulations exceed federal requirements, the effectiveness of the state's economic development programs, whether matches to the Clean Water and Drinking Water Revolving Loans and funding for local water and sewer projects should continue, and what should happen with wildlife resources funds and the Parks and Recreation Trust Fund.

General Government will consider whether grant programs should be eliminated, whether local grant funds should be block-granted, and how telecommuting might be encouraged. Finally, Transportation is charged with redirecting at least \$100 million in current funds for maintenance and resurfacing, and is asked to evaluate whether its current funding model supports the right transportation programs and projects.

House and Senate leaders have stressed that the items cited above are only possibilities for exploration and that no decisions have been made as to what programs or services would be impacted.

With a total budget reported to be \$18.5 billion versus the governor's proposal of \$19.9 billion, House and Senate leadership continue to send a clear signal that the 1 percent sales tax will expire on schedule on June 30. And, what's encouraging, they continue to stress that the state's budget problems will not be pushed down to local governments (read-counties).

2011-12 State Budget Proposals by Spending Area	Education	Health & Human Services	Natural & Economic Resources	Justice & Public Safety	General Government
Governor's proposal (in millions)	\$11,247	\$4,715	\$407	\$2,207	\$431
House and Senate spending targets (in millions)	\$10,484	\$4,336	\$323	\$2,067	\$349
Difference (in millions)	-\$763	-\$379	-\$84	-\$140	-\$82
Percent difference	-7%	-8%	-21%	-6%	-19%

ANNEXATION BILL SENT BACK TO SENATE FINANCE AGAIN

For the second week in a row, a Senate bill that would establish a temporary moratorium on annexations was re-referred to the Senate Finance Committee after making its way to the Senate floor. [S27](#) (Involuntary Annexation Moratorium) was sent back to the Senate Finance Committee last week so that a fiscal analysis could be done and so that concerns from several municipalities with ongoing, non-controversial annexations could be addressed. The fiscal note concluded that there would be no cost to the state's general fund, but that the delay could cost municipalities an unspecified amount of revenue.

The committee passed a revised bill Tuesday that established several criteria that must be met in order for an ongoing annexation with an effective date of June 30, 2011 to continue, including that no legal challenges were filed against the annexation ordinance;

that the date for legal challenges to be filed has passed; and that the municipality has already "incurred or contracted to incur expenditures in excess" of \$5 million. The bill returned to the Senate floor the following day but was again re-referred to the Finance Committee.

The revised bill still 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.

SENATE PASSES REVISED CHARTER SCHOOLS BILL

After weeks of debate and revision, the Senate passed **S8** (No Cap on Charter Schools) on Feb. 24. The bill would open up charter schools to receive capital funding from counties. The bill would add a section to the lottery statutes to allow counties to provide funds received from the lottery to charter schools for capital needs on an Average Daily Membership basis, and it authorizes that property tax revenues can be used to fund charter school capital needs under G.S. 153A 149(c). The bill must still be passed by the House and signed by the governor before becoming law.

Counties have not requested this authorization and are concerned that allowing charter schools to ask for capital funds would impact already dwindling revenues available for public school facilities. Counties have lost more than \$250 million in lottery and corporate income tax revenues for the current biennium, and among the ideas being discussed to balance the state budget for 2011-13 are eliminating permanently the corporate income tax set-aside for school construction and reducing the county share of lottery proceeds from its statutory 40 percent.

The bill removes the cap of 100 charter schools that had been in existence since the state first allowed charter schools. It also established a separate 11-member North Carolina Public Charter Schools Commission to oversee the state's charter schools and act somewhat independently of the State Board of Education, which currently oversees charter schools. The State Board of Education could overrule a decision made by the Commission, but it would require a three-fourths vote by the Board of Education.

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
H167	Extend Assessment Refund Period	Tax and Finance
H168	Zoning/Agricultural Annexation Exemption	Agriculture
H171	Municipal Self-Annexations	Intergovernmental Relations
H175	Putting Students First/Local Control	Public Education
H177	Environmental Technical Corrections 2011	Environment
S93	Business Entity Changes	Tax and Finance
S96	Prohibit Request To Disclose Expunction	Intergovernmental Relations
S98	911 Call Transcripts	Intergovernmental Relations
S112	Disapprove Pharmacy Board Rule	Health and Human Services
S131	AOC Collection Assistance Fee	Tax and Finance

Bill: [H168](#)

Sponsors: Sanderson (R3); Cleveland (R14); Hill (D20)

Title: ZONING/AGRICULTURAL ANNEXATION EXEMPTION

Status: 02/24/2011 – House Committee On Government

Position: Support

Category: Legislative Goal

Comments: This bill doesn't prohibit annexation of an area of "agriculture interest" by a municipality but does provide a zoning exemption for that agriculture interest in the annexed area or the area included in a city's ETJ, which means that the municipality cannot regulate agriculture production if the property meets certain criteria. This bill would accomplish part of an Association Agriculture goal.

Bill: [S98](#)

Sponsors: McKissick (D20); Atwater (D18)

Title: 911 CALL TRANSCRIPTS

Status: 02/22/2011 – Filed in the Senate

Position: Support

Category: Legislative Goal

Comments: This bill allows a local government to protect the identity of those making certain 911 calls by allowing the content of the call to be released "in the form of a written transcript or altered voice reproduction." Current law requires that the actual recording of the phone call is a public record and must be released as is. Some jurisdictions have reported that citizens are

becoming afraid to use 911 to report criminal activity for fear of reprisal if their voice is recognized if the call is released to the public.

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

