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Bulletin #11-15

Friday, May 6, 2011

WE SAID IT

"It is a great day at the General Assembly when you see former county commissioners stand up and defend county government so passionately." – NCACC Executive Director David F. Thompson after lengthy floor debate on the House budget this week saw many representatives speak for boosting lottery funds for counties and recognizing the importance of counties when discussing other amendments.

HOUSE BOOSTS COUNTY LOTTERY PROCEEDS TO \$98.7 MILLION

The N.C. House upped its lottery appropriation to counties during floor budget deliberations on Tuesday. An amendment to designate an additional \$43.5 million of lottery revenues to counties by Rep. Tim Moore (Cleveland) received overwhelming support. The House's budget bill now includes \$98.7 million for counties, which is still well short of the 40 percent required by statute but nearly double what had been included in the original House budget. All of the \$98.7 million is to be distributed on a per-pupil basis. We were especially appreciative of those members working the amendment, both on the floor and behind the scenes:

- Rep. Tim Moore is to be congratulated for offering the amendment to restore the \$43.5 million in county lottery funds.
- Rep. Bill Owens, an NCACC Past President, spoke eloquently on the original legislative commitment and the county pledge of lottery dollars for school debt service.
- Rep. Stephen LaRoque, one of the original sponsors of the initial lottery legislation, noted that the lottery would not have passed without a strong commitment to school construction funding.
- Rep. John Torbett, a former Gaston County commissioner, met with Speaker of the House Thom Tillis prior to session to press for additional dollars.
- Rep. Larry Bell, a former Sampson County commissioner, made note that his county passed a bond referenda based on receipt of lottery dollars.
- Rep. David Guice, a former Transylvania County commissioner, said that all three of his counties called asking for his support.

All in all, a number of former county commissioners rose up in support of additional lottery funding, while newly elected representatives spoke to specific county needs that they had heard from their counties. The House budget also eliminated some of the cost shifts to counties included in Governor Beverly Perdue's budget, and made the diversion of the corporate income tax for school capital needs only a temporary shift for the 2011-13 biennium and not permanent. A special provision similar to that authorized in this year's budget allows counties to permit their local school administrative units to use all or part of the county school construction lottery funds for classroom teachers.

The Senate began reviewing the budget as soon as it was approved by the House, and Senate action is anticipated next week, if it keeps to its calendar.

ANNEXATION REFORM BILL ADDS NEW GROUND

The House took up [H845](#) (Annexation Reform) this week, passing the bill out of the House Rules Committee on Monday night and then hearing the bill in House Finance on Thursday. The Finance Committee ran out of time and did not have an opportunity to vote on the bill before it adjourned. It is expected that debate will continue on Tuesday, May 10. The House version of the bill addresses two of the main concerns espoused by some of the anti-involuntary annexation groups: it gives citizens an opportunity to sign up to receive water and sewer services at no cost, and it gives citizens in the annexed area an opportunity to veto the annexation.

H845 requires municipalities to provide the installation of water and sewer connections to annexed residents at no charge if at least 50 percent of the property owners in the area to be annexed sign up for the service within 65 days of receiving notice of the annexation. It also provides a petition process by which citizens who live in the area to be annexed can protest the annexation. The bill requires the county tax assessor to mail a petition to the property owners in the affected area. If 60 percent of the property owners within the annexed area sign the petition and return it to the county tax assessor within 130 days of the adoption of the resolution, the annexation is stopped and the municipality must wait three years before it can try to annex the area again. Bill sponsors have referred to the petition section of the bill as the "voice" section, which addresses the desire by many anti-annexation groups to have greater input into involuntary annexation decisions. Many of the groups advocated for a straight referendum as the "voice" mechanism, but bill sponsors indicated in committee that the petition actually better captures the desires of those potentially being annexed. During the Finance Committee debate, Rep. Bill McGee (Forsyth) sponsored a successful amendment that requires the city to pay any costs incurred by the county tax assessor in meeting the notification requirements contained in the bill, including the costs for mailing and preparing the petition. The bill also requires cities to provide services within three and a half years (the Association's annexation reform legislative goal states three years).

BILL WOULD FAVOR CITIES IN LOCAL SALES TAX DISTRIBUTION

Wednesday marked the House's deadline for filing any remaining finance and appropriations bills, and there's clearly mischief at play in one of the late comers. [H917](#) (Modify Local Sales Tax City Distribution) would drastically lower county sales tax revenues – and conversely drastically increase city sales tax revenues – by rewriting the current apportionment formula. The current formula for both the per capita and ad valorem levy distribution sets the denominator as the sum of the county and its cities. For example, if the countywide population is 100,000, and the total city population is 50,000, the denominator would be 150,000 – ergo, the county would receive two-thirds of the sales tax receipts to support its 100,000 population and the city would receive one-third for its 50,000, under the per capita method of distribution. A similar apportionment is done under the ad valorem levy method of distribution.

The bill, sponsored by Rep. Susi Hamilton (New Hanover), would set the denominator as the countywide population, and limit the county portion to those residents living in the unincorporated area. In the above example, the county would receive only one-half of the sales taxes, even though it has to provide services to twice as many residents as its cities. And remember, county sales taxes are largely dedicated by law to school construction and also support such non-municipal programs as school operating expenses and health and human services – programs that are used by all residents. Boards of county commissioners, in all instances where a local sales tax has been implemented, have also been the governing body that took the heat for adopting the tax. Clearly such a radical departure from the current intergovernmental financial structure would force large county property tax increases across the board. The average county property tax per capita is \$632; the municipal property tax per capita is \$439.

Counties need to let their House members know of the harsh financial impacts this bill would engender, and calculate the increase in property taxes needed to recover these lost revenues.

BUILDUP BEGINS FOR COUNTY ASSEMBLY DAY

We hope that counties are finding the "Meeting in a Box" materials to be useful during their meetings with legislators in advance of County Assembly Day, which is scheduled for May 25. We are asking counties to keep us updated once you schedule your meetings and once you have concluded the meeting. A map and meeting materials are also available on our website at www.ncacc.org/legislation/virtualmeeting/index.html. We look forward to hearing your feedback on County Assembly Day. Visit www.ncacc.org/countyassemblyday.html for more information and to register.

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 more than 525 followers. Sign up to follow us at twitter.com/ncacc. You can also view our latest Twitter posts on the NCACC website

(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). "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 website to track bills of interest to county officials. Visit www.ncacc.org/legislation/about.html for updates on these and other bills we are tracking. Bills added this week include:

H888	Sales Tax Fairness Act	Tax and Finance
H896	Authorize Electronic Listing	Tax and Finance
H897	Funds For NC Fast	Health and Human Services
H907	Community Inclusion & Development Act	Intergovernmental Relations
H910	Gov't Health Plans/ Limited Abortion Coverage	Intergovernmental Relations
H916	Statewide Expansion Of 1915(B)/(C) Waiver	Health and Human Services
H917	Modify Local Sales Tax City Distribution	Tax and Finance
H922	Annexation Reform	Intergovernmental Relations

Bill: [H687](#)

Sponsors: Brawley (R103); Moffitt (R116); LaRoque (R10); Brubaker (R78)

Title: LOCAL ABUSE OF AUTHORITY ATTORNEYS FEES

Status: 05/04/2011 – First reading in the House

Comments: This bill would enable a plaintiff to recover attorneys fees in a successful civil action against a city or county if the "court finds that there was no statutory authority for any ordinance, resolution, or administrative action of that defendant, and that the action of the defendant city or county was an abuse of authority."

Bill: [S530](#)

Sponsor: Jackson (R10)

Title: PROHIBIT INVOLUNTARY ANNEXATION OF FARMS

Status: 05/03/2011 – First reading in the House

Position: Support

Category: Legislative Goal

Comments: This bill passed the Senate on April 28 and has been referred to the House Committee on Government. The bill would preempt existing farms from being annexed by a municipality unless the farm owner consents.

Bill: [S724](#)

Sponsors: Stein (D16); Tillman (R29)

Title: AN ACT TO IMPROVE PUBLIC EDUCATION

Status: 05/05/2011 – Reported by Senate committee

Comments: This bill would make several changes to the state's public school system that could have a financial impact on counties. It identifies lengthening the school year to 190 days for all students as a goal of the General Assembly –"funds permitting." It also directs the State Board of Education to study the academic requirements to graduate from high school for students that do not intend to pursue a college education and suggests that those students might need an additional year of school to prepare them for life after high school.

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

