



**2011 COUNTY ASSEMBLY DAY  
& LEGISLATIVE RECEPTION  
MAY 25 / RALEIGH**



County Assembly Day  
**WEDNESDAY, MAY 25, RALEIGH**

2011 Legislative  
Environment

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Executive Director



# New Game in Town

Number	House	Senate
Republicans	68	31
Democrats	52	19
New members	28	14
No. needed to override veto	72	30
Last time Republicans in majority	1994	1898



# Current Leadership



Sen. Phil Berger  
Senate President Pro Tem  
Republican



Governor  
Beverly Perdue  
Democrat



Rep. Thom Tillis  
Speaker of the House  
Republican



# 2011 Legislative Environment

897 REGISTERED  
LOBBYISTS

897 GROUPS  
REPRESENTED

1,707 bills filed as of May 23  
379 bills being tracked by NCACC

**22% OF BILLS  
IMPACT COUNTIES**

50 SENATORS

120 REPRESENTATIVES

Deadline:  
June 9: Crossover



# Back from the dead

Annexation Reform (H845 and S627)

Land Transfer Tax – repealed (H92)

Charter Schools Cap (S8)

Eminent Domain (H8)

Photo IDs (H351)

Early voting (H658)

Zoning authority (H806)

Building Moratoria (H332)



# 2011 Legislative Environment: Emerging Threats

Attacks on county revenues

ADM Funds (budget)

Lottery Proceeds (budget)

Homestead Exemption (H246)

Justice Reinvestment Act (H642)

Charter Schools (S8)

Fund balance attacks



# 2011 Legislative Environment: Opportunities

Consolidated Human Services (S433 – passed Senate)  
Annexation Reform (H845 – passed House; S627)  
Personnel Records (S554)  
911 Recordings (S98 – passed Senate)  
Citizen E-mail lists (S182) ✓  
In Rem Foreclosure Fees (S537 – passed Senate)



# Process for 2011-12 State Budget

- 1st Year of Biennium
  - Spending authority ends June 30
- Governor proposes ► House starts leg. budget process & amends ► Senate amends ► House/Senate appoints conference committee
- House & Senate have vowed to develop joint proposal



# 2011-12 State Budget

- Less revenue availability:
  - \$1.6 billion in stimulus funds
  - \$1.3 billion in 1% temporary sales tax & income tax surcharge
  - Other one-time items at \$200 million

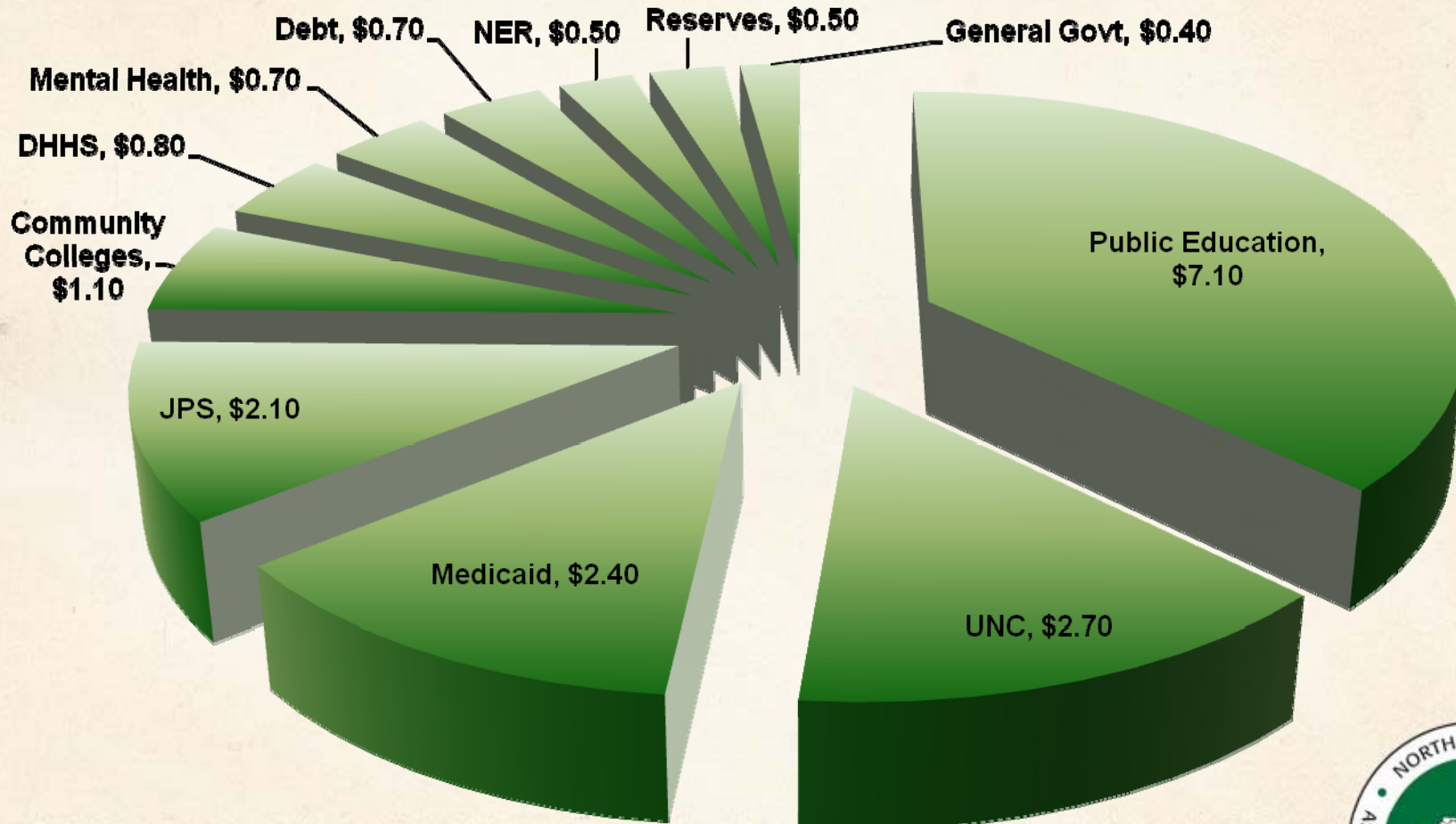


# How Big is The Gap?

- December estimate at \$3.7 billion
- GA/state budget office Feb. consensus at \$2.7 billion
  - \$600 million in higher growth anticipated
  - Higher current year collections
- Governor's budget estimates \$2.4 billion gap



# 2010-11 State Budget Where to Cut \$2.4 Billion?



# House & Senate Leadership Pledge.....



Sen. Phil Berger  
Senate President Pro  
Tem



Rep. Thom Tillis  
Speaker of the House



# House & Senate Leadership Pledge.....

- No shift to counties
- No taking of local revenues
- No extension of state temporary taxes



# Where Are We Now?

- Senate budget out this week
- April surprise provides \$24M
- Spending authority ends midnight June 30
- Conference report thumbs up, thumbs down



# Overall Concerns

- Advocates lobbying hard on Senate side to gain back funding cut by House
- Shifts are still in play
- Lottery/ADM Funds still at risk
- Misdemeanant transfer issue still not resolved
- Long way to June 30.
- 379 bills impacting counties still in Legislature.
- Longer yet to end of session.



# State Budget Update

## Where's the Money?



# H200 Senate Proposal Overall

- Senate leadership honors pledge to avoid cost shifts to counties except school buses
- Restores ADM Fund of \$72M for Year 1
- Like House, uncertainty regarding misdemeanants
- Generally accepts governor's cuts to county programs, but rejects governor's shifts



# Senate v. House Education

- Senate sets county lottery funds at \$100M; House restored \$43.5M for total = \$98.7M
  - Both allocates per pupil; Senate strips provision allowing county lottery funds for teachers
- Both reject governor's shift of school & community college workers' comp costs & tort costs
- Senate shifts school bus replacements to counties in year 2
  - Future county costs delayed with 400 buses purchased in year 1
  - House reduces bus purchases by \$20M each yr, nr
- Senate enacts ed reform via smaller 1-3 class sizes, longer school calendar, investigates pay for performance
- Senate budget slightly lesser cut in k-12 education
  - Funds one school district per county in year 2
  - Reduces & redefines small school allotment
  - Eliminates teachers' assts in grades 1-3 v. House grades 2-3
  - Transfers More at 4 to DHHS & cuts \$16M; same as House
- Higher cut to community colleges  
Lower cut to UNC



# Senate v. House Human Services

- Increases cuts by \$27M to \$493M, with \$386M cut in Medicaid
  - Senate eliminates optional Medicaid services including home infusion therapy, OTC drugs, optical, podiatry, adult PT, OT, and speech therapy, respiratory therapy, chiropractic svcs.
- No to governor's cut to county public health, yes to school nurses
- Yes to governor's other minor cuts, with Senate for LME admin cut of \$7.2M
- Cuts Smart Start \$37.6M & Senate dissolves NC Partnership for Children
  - Lessens county daycare admin cuts (NCACC goal)
- Budgets statewide implementation of mental health 1915 b/c waiver
  - Reduces LME admin costs by \$10M
  - Swaps state MH community dollars for LME fund balances of \$25M
  - Senate rejects \$20M 1-time
  - Rejects governor's \$75M mental health trust fund earmark



# Senate v. House Justice & Public Safety

- Contingent on Justice Reinvestment, both proposals shifts state misdemeanants to county jails with \$3.9M savings to state
  - Recommends additional county fees, & restricts judicial fee waiver
- Senate eliminates drug treatment & subjects family courts to continuation review—House subjects both to review
  - Both eliminate sentencing services
- Both studies consolidation of judicial & prosecutorial districts
- Senate cuts 151 FTE from district attorney support; House cuts 55
- Senate & House close Cabarrus, Durham & Haywood correctional centers
  - Senate closes Bladen
- Both accepts governor's restructuring & consolidation to Dept. of Public Safety
  - Senate transfers SBI, crime lab & Justice Academy to new dept.
  - Senate sets up 8 regional offices to house SBI, ALE, & HP



# Senate v. House

## Natural & Economic Resources

- Senate extends unemployment benefits
- Both eliminate statutory \$100M approp to Clean Water Management Trust Fund; Senate = \$12.5M; House = \$10M
  - Retains state match for fed. drinking & clean water funds
- House Subjects NER regional offices to continuation review; Senate says no
- Both transfers Environ Health to DHHS & moves functions to Ag.
- Both eliminate wastewater discharge elimination, on-site quality assurance, tick control, vector control, private well programs
- Both provide \$10M in One NC Fund, \$6M in JMAC
- Both temporarily divert some Parks & Rec. Trust Funds to general fund; Senate halves House diversion
- Senate permits private for profit water corp. to apply for grants
- Senate restricts DNER rule-making authority



# Senate v. House Proposal

## Transportation

- Both reduce DOT admin & seek greater privatization
- Both reduce funding for secondary roads & shift to maintenance; higher cuts in Senate
- Senate cuts public transportation funds
- Senate rejects House transfer of Urban Loop to Mobility Funds
  - Senate eliminates unencumbered & continuing gap funding for Mid-Currituck Bridge, Garden Parkway
    - Currituck Bridge funds used for school bus purchases
- Senate rejects House \$75 fee for drivers' ed
  - Subjects program to continuation review
- Senate tolls all ferries at lower fee cost
  - House exempts Ocracoke & Knotts Island

## General Government

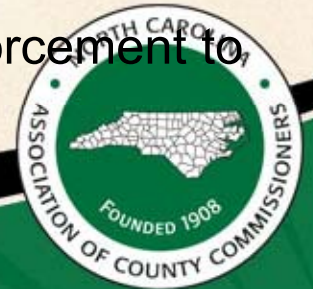
- Senate reduces state aid to libraries by 9% or \$1.4M; House cuts 15% of \$2.3M
- Senate closes Cape Fear & Albemarle Museums



# Senate v. House Proposal

## Policy Changes

- Both redirect Golden Leaf Foundation funds for biennium
- Both eliminate Health and Wellness Trust Fund
  - Senate transfers \$ to DHHS for teen wellness
- House eliminates Tobacco Trust Fund
- Both call for comprehensive review of state, university, and school compensation plans
  - Senate appropriates \$328M in year 2 for market & pay for performance
  - Senate prohibits employee furloughs except for budget emergency
  - Senate reduces UNC retirees' return to work to 3 months
- Ethics changes:
  - House transfers to State Ethics Commission Lobbyist Registration & Campaign Reporting from Sec. of State & Campaign Reporting Division from State Board of Elections
  - Senate creates new State Board of Elections & Ethics Enforcement to absorb divisions & responsibilities



# Senate v. House Tax Proposal

- House plan sets aside \$230M in tax relief, including corporate income tax reduction
  - Other details to come
- Senate sets \$186M & includes:
  - No reduction in corporate income tax
  - Temporary reduction in personal income tax brackets
    - ¼ point reduction in each bracket
    - AGI used as basis
  - Exempts 1st \$50,000 of small business income
  - Repeals Energy Star tax holiday, oyster shell recycling credit, sales tax exemption for chiropractor nutrition supplements



# State Budget Concerns

## County Lottery Funds & State Misdemeanants in County Jails



# County School Construction Lottery Funds

- Current law requires 40% net proceeds to counties = \$170M
- 2010-11 first year <40%
  - County funds to classroom & scholarships
- Counties pledge \$120M annual debt service
  - \$21M more for committed projects
- House ups govs \$55.2M to \$98.7M
- Senate provides \$100M + \$72.1M ADM funds



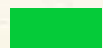
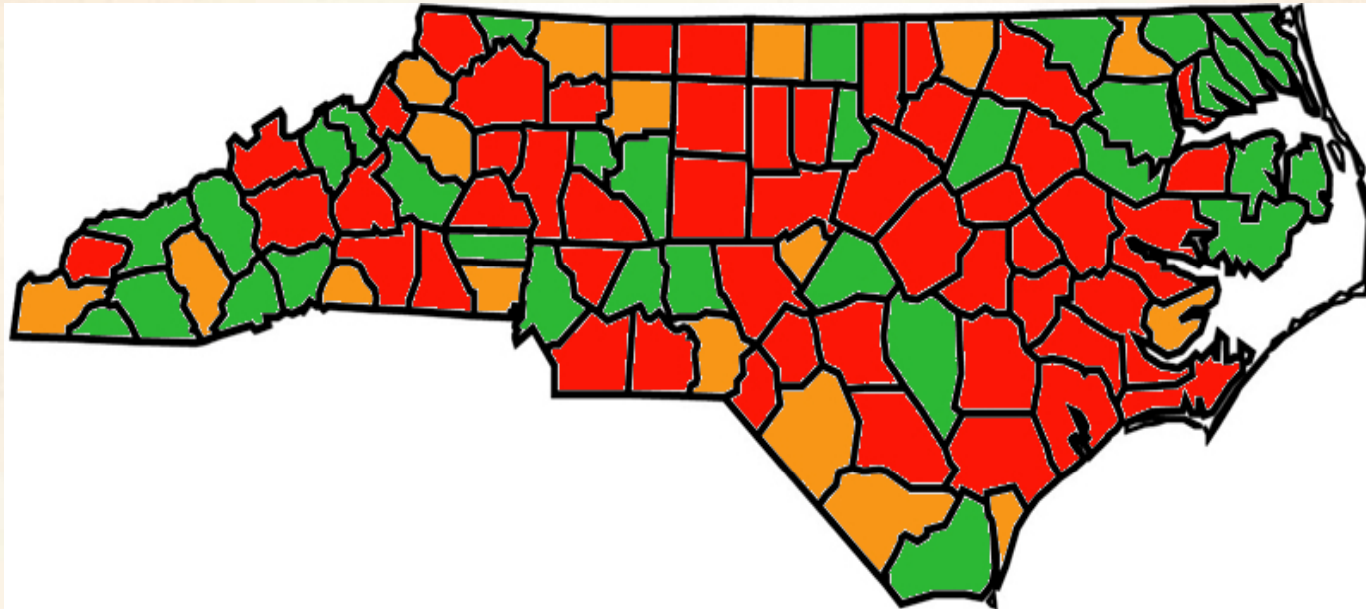
# State Misdemeanants in County Jails

- Current law requires misdemeanants sentenced > 90 days in state prisons
- Justice Reinvestment Act (H642)
  - Redefines sentence, lengthens jail sentence to 180 days
  - Allows “quick dips”
- County budget impacts - \$45M + shift



# Misdemeanants in County Jails

NCACC 2010 Jail Survey



Below 80% (33

counties)



# State Misdemeanants in County Jails

- County Proposal – Federal Model of Housing Inmates
  - Counties with capacity contract voluntarily with state to house state misdemeanants
  - State-collected criminal justice fees purchase voluntary county beds



# Next Steps?

- Senate Appropriations, Finance, Pensions meet today
- Senate Appropriations to finalize spending plan
- Senate to consider on floor next week
- Conference committee to be appointed?
- Conference report thumbs up, thumbs down
- Spending authority ends July 1
- Veto?



# Beyond the Budget...Legislative Hot Topics for Counties

- Personnel Records - S554
- Zoning Statute of Limitations - H806
- Human Services Flexibility - S433
- Annexation Reform - H845
- Electronic Notice - H472 & S773
- Special Election Dates – H366



# Personnel Records Technical Changes S554

- Status: Judiciary I
- Key Elements:
  - Corrects AG’s opinion on personnel records changes enacted via 2010 H961
    - Requires counties to provide written notice of dismissal where none now required – may interrupt “at will” status of current employees
    - Requires counties to provide past written notices without adequate “name clearing” hearing - creates constitutional issues with former employees
    - Requires counties to provide access to personnel records with unlimited look-back period



# Zoning Statute of Limitations H806

- Status: passed House 112-3; referred to Senate State & Local
- Key Elements:
  - Increases statute of limitations from 2 mos. to 1 year to challenge zoning ordinance
  - Allows subsequent owners of property to bring challenges; challenges in perpetuity?
  - Prohibits requiring 10+ acre lots to have road frontage or public water or sewer
    - Overturns court ruling in favor of county



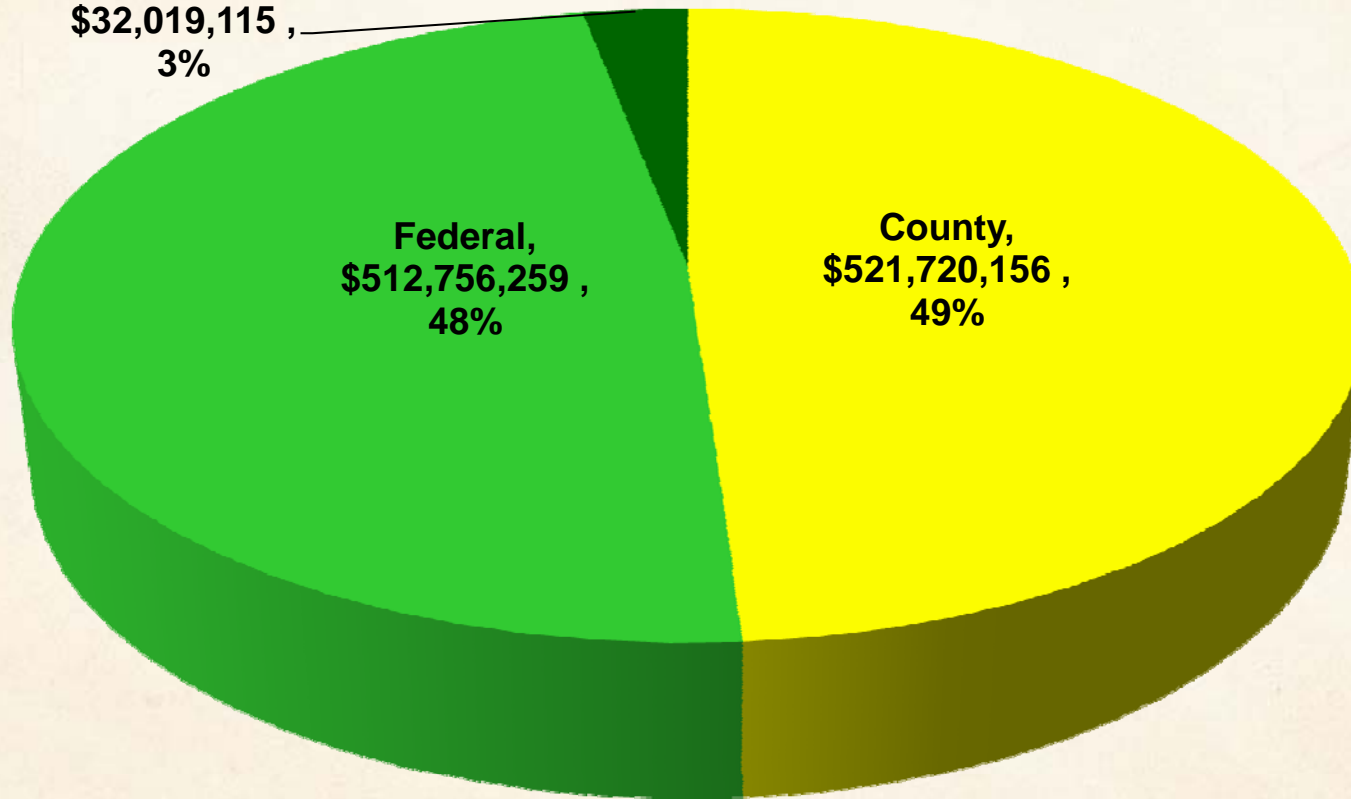
# Local Human Services Administration S433

- Status: passed Senate 40/9; referred to House HHS
- Key Elements:
  - Provides option to all boards of commissioners to restructure human services
    - Under BOC or create consolidated human services board
    - Current law only permits counties with pops. >425,000 to restructure
  - Streamlines county administration, improves client services, enables countywide vision across depts.
  - GA staff report recommends county flexibility



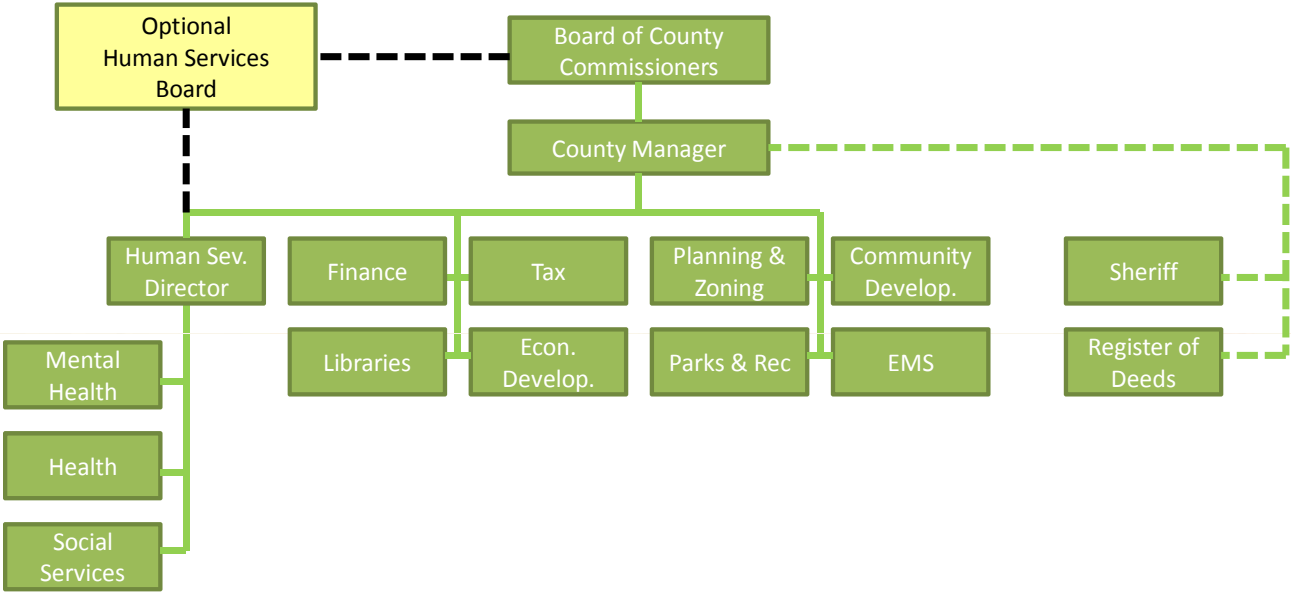
# Local Human Services Administration S433 – Why Counties?

**Counties Pay Most for DSS Administration**  
State,  
\$32,019,115 ,  
3%





# S433 Optional Structure of NC County Government



# Annexation Reform Act of 2011

## H845

- Status: Passed House 107/9, referred to Senate Finance
- Key Elements:
  - Annexation can be stopped via petition of 60% of property owners
  - City must provide free water & sewer connections
- County Changes Needed:
  - Reimbursement of lost sales tax
  - BOC approves annexation across county lines



# Electronic Notice H472 & S773

- Status: H472 to local bill; S773 Judiciary 1
- Key Elements:
  - Allows counties to post public notices on websites in lieu of newspaper ads
  - Taxpayer savings \$6M+ annually
  - Broadens access by:
    - Electronic archiving accessible 24/7
    - News access online > newspapers



# Special Election Dates

## H366

- Status: passed House 69-44; referred to Senate Judiciary 1
- Key Elements:
  - Prohibits counties & cities from holding special elections on dates other than general & May primary
  - Erodes county authority to focus community consideration & discussion to specific issue
  - No impact to state budget – all county funds



# Other Hot Topics

- Tax reform commissions proposed
- Redistricting a must

