

**February 23, 2011**

# **Board Agenda Item #B-35-11**

## **Government Relations Update**

**Presenter: Kevin Leonard, Director of Government Relations**



## WHAT'S HAPPENING RIGHT NOW?

### **Kevin**

- Fast Pace of the Session
- Hot Topics

### **Rebecca**

- Governor's Budget

### **Amy**

- Annexation

### **Kevin**

- Charter Schools



# Governor's Budget Proposal

- \$19.9 billion in spending
  - \$1 billion higher than 2010-11 GF
  - Budget gap at \$2.4 billion
    - Lower Medicaid & employee health & retirement
    - Higher reversions & revenue growth
  - Keeps  $\frac{3}{4}$  of temporary sales tax (\$827 million)
  - Decreases corporate tax rate by 2 percentage points to 4.9%
    - Eliminates permanently corporate tax set aside for school construction
  - Cuts most state agencies 7-15%
    - <4% for public education or \$221 million



# Governor's Budget Proposal

- Uses county school construction lottery funding for teachers & scholarships
  - 10% of net proceeds v. 40% per statute = **(\$130 million)**
- Eliminates corporate tax set aside for school construction
  - **(\$72 million)** for 2011-12
- Shifts school bus replacement costs to counties **(\$56.9)**
- Shifts state-funded school employee costs to counties
  - Workers' compensation **(\$35 million)** & school torts **(\$4.6 million)**
  - Similar shift for community college employees' workers' compensation **(\$1.7 million)**



# Governor's Budget Proposal

- No shift of state misdemeanants to county jails
  - Does budget recommended Justice Reinvestment savings
- No shift of LME costs to counties
- No reduction in community mental health funding
- Sets aside \$75 million in mental health trust fund for local psych beds, housing



# Governor's Budget Proposal

- Consolidates 14 agencies into 8 depts
  - Consolidates Corrections, Juvenile Justice & Crime Control & Public Safety into Dept. of Public Safety
- Reduces middle management & admin functions
- Cuts upwards of 10,000 state & school employee positions
  - Up to 3,000 positions currently filled
  - Holds harmless teachers & teaching assts.
  - Offers 1-time retirement incentives



# Governor's Budget Proposal

## *NCACC legislative goals*

- ✓ Provide additional mental health funding for psych beds & maintain current community MH dollars
- ✓ Expedite NCFAST automation (\$9.6 million expansion)
- ✓ Oppose shift in secondary roads
- ✓ Protect local control of ABC system
- ✓ Oppose additional state inmates housed in county jails
- x Restore lottery & ADM funding for school construction (\$203.5 million reduction)
- x Maintain state aid to counties for DSS (\$5.5 million reduction)
- x Maintain childcare subsidies (\$9.4 million reduction)
- x Daycare administration at 5% (3% for \$6.1 million reduction)
- x Maintain Farmland Preservation Trust (\$500 k reduction)
- x Maintain existing ag research stations (closes 7 stations)



# Next Steps in Budget Process

- Appropriations subcommittees reviewing governor's proposal
- House to receive targets for spending
- House to complete budget by April 22
- Senate to complete budget by May 13
- General Assembly to adopt conference report June 1



# Annexation

- Involuntary annexation moratoriums (H9, S27)
  - H 9 – In House Judiciary Committee
  - S 27 – Passed Senate Finance and will go to Floor
  - Moratorium through June 30, 2012
  - Stays pending annexation litigation
- Local annexation repeal legislation (H5, H 56, S80/H133)
- Comprehensive annexation reform – implementing NCACC's goal



# NCACC Annexation Goal

- Require the development of joint utility service plans for urbanizing areas;
- Require cities to reimburse counties for loss of sales tax due to an annexation;
- Increase degree of urbanization required to annex property;
- Allow Board of Commissioners to request a referendum on any proposed involuntary annexation;
- Require direct provision of municipal water and sewer services to customers within three years of an annexation;
- Provide that counties have the option of continuing to provide utilities to annexed areas;



# NCACC Annexation Goal

- Set the effective date for involuntary annexations to be June 30 following the date of adoption or final resolution of an appeal;
- Prohibit municipalities from annexing across county boundaries without prior consent of the Board of Commissioners of the affected county;
- Support Sustainable Local Food Advisory Council's recommendation to prohibit municipal involuntary annexation or regulation of farm or forestry activities within a voluntary agricultural district or conservation district. (Agriculture Goal)



# SB 8 - No Cap on Number of Charter Schools

Sponsored by Senator Richard Stevens

## Issues:

- Operation Funding
- Property Tax
- Capital Funding

