Legislative Update and Hot Topics

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General Counsel, NCACC

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Legislative Counsel, NCACC

Top 5 Goals Adopted by NCACC Membership

• Oppose shift of state transportation responsibilities to counties
• Reinstate Average Daily Membership funds ($200M) & Lottery proceeds ($63M) to the Public School Building Capital Fund
• Ensure adequate mental health funding
  – Adequate state-funded acute psych beds, oppose closure of existing beds, maintain existing MH community services funding
• Preserve the existing local revenue base
• Authorize local revenue options
County Legislative Hot Topics

2010
- State Budget
- Use of 911 Funds
- Ethics & Campaign Reform
  - Public Records
- ABC System Modernization
- Water bills
- Animal Control
- Collective Bargaining

2011
- State Budget
- Broadband
- Annexation
- ABC System Modernization
- Transportation
- Public Records
- Moto-Tax
- Regulatory Reform

New Leadership, New Direction?
New Majority Announces Leadership

House
- Thom Tillis, Mecklenburg, Speaker
- Paul Stam, Wake, Majority Leader
- Dale Folwell, Forsyth, Speaker Pro Tem
- Harold Brubaker, Randolph, Jeff Barnhart, Cabarrus, Linda Johnson, Cabarrus, & Mitch Gillespie, McDowell - Appropriations Chairs
- Edgar Starnes, Caldwell, Mitchell Setzer, Catawba, & Julia Howard, Davie - Finance Chairs

Senate
- Phil Berger, Rockingham – President Pro Tem
- Harry Brown, Onslow – Majority Leader
- Tom Apodaca, Buncombe – Rules Chair
- Richard Stevens, Wake, Pete Brunstetter, Forsyth, & Neal Hunt, Wake – Appropriations Chairs
- Fletcher Hartsell, Cabarrus & Bob Rucho, Mecklenburg – Finance Chairs
New Majority Announces 100 Day Plan

- Balance state budget without raising taxes (S 13)
- Make tax rates competitive with other states
- Exempt NC from federal healthcare act (H 2, S 23)
- Keep right to work laws
- Reduce regulatory burdens on small businesses (S 17)
- Fund education in the classrooms
- Eliminate cap on charter schools (S 8)
- Require photo ID to vote
- Eminent domain constitutional amendment (H 8, S 37)
- End pay to play politics

New Legislation

- S 8 – Eliminate Cap on Charter Schools
- S 13 – Balanced Budget Act of 2011
- S 17 – Joint Regulatory Reform Comm.
- S 22 – APA Rules/Prohibit Increasing Cost
- H 8/S 37 – Eminent Domain
- H 30 – Wage Garnishment/Judgments
New Legislation Continued

- H 36 – Public Contracts/Illegal Immigrants
- H 41 – Tax Fairness in Education
- H 43 – Property Tax Appeals Efficiency
- H 9/S 27 – Involuntary Annexation Moratorium
  - H 5 – Repeal Kinston Annexation
  - H 37 – Repeal Lexington Annexations

House Deadlines

<table>
<thead>
<tr>
<th>Bill Type</th>
<th>To Bill Drafting by 4pm</th>
<th>Filed in House by 3pm Wednesdays</th>
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<tbody>
<tr>
<td>Bills recommended by study commissions</td>
<td>Tuesday, March 1</td>
<td>March 9</td>
</tr>
<tr>
<td>Bills requested by State agencies</td>
<td>Tuesday, March 8</td>
<td>March 16</td>
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<tr>
<td>Local Bills</td>
<td>Wednesday, March 16</td>
<td>March 30</td>
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<tr>
<td>Public Bills (Not appropriations or finance)</td>
<td>Thursday, March 24</td>
<td>April 6</td>
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<td>Appropriations and Finance</td>
<td>Wednesday, April 20</td>
<td>May 4</td>
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Senate Deadlines

<table>
<thead>
<tr>
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<tr>
<td>Local Bills and Resolutions</td>
<td>Tuesday, March 1</td>
<td>March 9</td>
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<tr>
<td>Public and Resolutions</td>
<td>Friday, March 11</td>
<td>March 23</td>
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</table>

Additional House/Senate Rules

- Crossover Deadline – Thursday, May 12
- Senate – No memorializing, commendation resolutions unless approved by Rules Chair or Committee
- House – No blank bills
- House – Members limited to 10 public bills
BUDGET ISSUES!

Resulting County Impacts over Last Biennium

- 2009-10 state budget cuts exceeded $200 million
- \( \frac{1}{4} \) billion in school capital dollars in biennium cuts
  - Loss of ADM, lottery
- Other cuts in criminal justice, health and human services, state grants
Impact to Counties

• NCACC Budget & Tax Survey documents continued budget cuts & tax increases
  – Only source of county budget snapshot
• 16 counties increase tax rate
  – Avg. of 3.3 cents
• 49 counties, of 97, cut budgets

Impact to Counties

• 25 counties, of 97 counties reporting, see decreased property valuations
• 31 of 100 counties see assessed value above market value
  – Unprecedented in 20+ years of calculating market to av ratio
• 2009-10 sales taxes nearly 5% below 2008-09
  – 2008-09 10% off 2007-08
  – Seeing slight gains in 2010-11
County Attorneys Winter Conference
NCACC Government Relations Update

County Personnel Cuts Continue

• 45 counties report hiring freeze
• 44 counties cut positions
  – 1000+ fewer positions, on top of 2009-10 cuts of 1000
• 14 counties laid off existing employees
  – 595 county workers lose jobs
• 7 counties implement mandatory furloughs
• Other actions include salary decreases, fewer paid holidays, decreased/stopped 401k

This Year’s Budget
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
    - Governor requesting agencies to ID up to 15% in cuts
    - Anticipate budget mid, late February
    - House & Senate vow 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
- Additional spending pressures:
  - Medicaid
  - School enrollment
  - Employee benefits—health & retirement
## 2011-12 State Budget

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
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<tr>
<td>Revenue availability 2010-11</td>
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<tr>
<td>• 1 cent sales tax expiring</td>
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<tr>
<td>• Personal/corporate income tax surcharge expiring</td>
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<td>• Other 1-time availability</td>
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<td>• Revenue growth estimate</td>
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<tr>
<td>Revenue availability 2011-12</td>
<td>$18.2 B</td>
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<tr>
<td>2010-11 budget</td>
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<td>• ARRA expiring</td>
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<td>• Other 1-time adjustments</td>
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<td>• Retirement contribution</td>
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<td>• Health plan contribution</td>
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<td>• Enrollment growth</td>
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<td>• Medicaid</td>
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<td>2011-12 budget</td>
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<th>Revenue availability</th>
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<tr>
<td>Budget demands</td>
<td>$21.9 B</td>
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<tr>
<td>Projected deficit</td>
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2010-11 State Budget
Where to Cut $3.7 Billion?

- Public Education, $7.10
- UNC, $2.70
- Medicaid, $2.40
- JPS, $2.10
- Community Colleges, $1.10
- Debt, $0.70
- Mental Health, $0.70
- NER, $0.50
- Reserves, $0.50
- General Govt, $0.40
- DHHS, $0.80
Department Options

• DHHS
  – Shift $2 - $26 M in LME administration to counties
  – Cut $21 - $41 M in state mental health funding
  – Cut $9 M in aging services
  – Cut $9 - $28 M in Smart Start
  – Eliminate school nurse funding
  – Reduce county administrative funding for day care, CPS, state aid to counties

Department Options

• DENR
  – Increase food and lodging fees
  – Close Rendezvous Mtn., Mt. Jefferson, Singletary Lake, Turnbull Creek
  – Close parks Tues. – Thurs.
  – Reduce ag. cost share program
  – Reduce water quality monitoring & services
Department Options

- Corrections
  - Eliminate misdemeanants’ admissions to prisons
    - Shift to county jails?
  - Eliminate work & litter crews
- AOC
  - Implement new fee structure

Fiscal Research Options

- Public Education
  - Adjust class sizes
  - Eliminate optional spending—salary supplements & capital (lottery?)
  - Review non-instructional staff (teacher assts?)
- Medicaid
  - Eliminate or reduce optional services—drugs, dental, nursing facilities, non-DR services
  - Reduce payments
Fiscal Research Options

- Corrections
  - Reform sentencing & probation—misdemeanants, habitual felons
- Compensation & Benefits
  - Change retirement, health plans

Silver Lining?

- Policy changes
- County restructuring of services
- County streamlining of programs, policies
Charter Schools

- Senate Bill 8, “No Cap on Number of Charter Schools” (22 pages)
  - Would change what counts as current expense
  - Capital Funds
  - No cap

Charter Schools

- Senate Subcommittee Assigned (Senators Preston, Tillman and Soucek, Stein, Graham, Stevens)

- Charter School Litigation
Workers Compensation

- **Reform workers' compensation** – Support legislation to reform North Carolina's workers' compensation system to reduce disability findings and open-ended streams of payment, to address the trend in favor of long-term disability findings, to diminish control over these findings on the part of claimants and their legal representatives, and to curtail adoption of rules that limit return-to-work efforts.

Comparative Fault

- **Oppose contributory negligence tort reform** – Oppose tort reform legislation that would overburden county budgetary constraints, unfairly shift fault to counties, or increase demand for court facilities.
Tax Litigation

- **Blue Ridge Mall v. Henderson County**
- Challenges the mass tax appraisal practices of counties.
- The mall claims that the correct capitalization rate was not applied to the income-producing property.
- Henderson County presented evidence of its initial assessments of land and buildings based on the statutory method mandated by N.C.G.S. § 105-317 as well as extensive evidence on the income and comparable sale methods performed after the initial assessment for this appeal.

- The Tax Commission
- Court of Appeals

Thank You!