

NCLGBA

N.C. Association of County Commissioners Government Relations Update



Click to ed

December 7, 2011

Rebecca Troutman, NCACC IGR Director



Looking Back 2011 Legislative Session – Impacts on Counties

Click to edit Master subtitle style



State Budget H200 Overall

- \$19.7B total
 - \$2.5B deficit managed via fees, cuts, policy changes, improving revenues
 - Lets expire temporary sales tax & income tax surcharge
 - Keeps corporate tax rate & retains ADM Fund provision
- Historic consideration & adoption
 - Senate changes proposal to reflect House priorities
 - House votes to concur—no conference committee
 - House & Senate vote to override gubernatorial veto
- House & Senate leadership honor pledge to avoid cost shifts to counties
- Generally accepts governor's cuts to county programs, but rejects governor's shifts



H200 County Education Impacts

- Sets county lottery funds at \$100M
 - Allocates per pupil; no provision allowing county lottery funds for teachers
 - Budget tech corrections (H22) enables any school debt service to qualify
- Rejects governor's shift of school & community college workers' comp costs, school bus replacements & tort costs
 - Transfers \$35M to purchase school buses in FY12; cuts \$20M non-recurring in Year 2
- Cuts \$13M recurring and \$79M one-time in textbooks
- Increases flexibility cut by \$124M to \$429M total



H200 Education Reforms

- Smaller grades 1-3 class sizes
- Longer school calendar (+5 days)
- Investigates pay-for-performance
- Restores teachers' assistants
- Transfers More at Four to DHHS & cuts \$16M



H200 Health & Human Services

- Reduces cuts in community mental health to \$20M Year 1
 - Forces LMEs to spend down fund balances to replace add. \$25M cut year 1
 - Begins implementation of statewide 1915 (b)(c) waiver
- State aid to county DSS administration (\$5.5 million) eliminated
- Smart Start cut by 20%
- Accepts House's lower rebase for Medicaid in Year 2 while lowering provider rate cuts and keeps optional services



H200 Natural & Economic Resources

- Clean Water Trust Fund appropriations reduced from \$100M to \$11.25M
- Soil & Water and Forestry are transferred from DNER to Agriculture
- Resets state/county sharing of food and lodging inspections fees to 10/90 to replace state aid to counties
- Eliminates funding for e-NC Authority



H200 Justice & Public Safety

- Increases several judicial fees and establishes statewide Misdemeanor Confinement Fund (H642)
- DA support staff scaled back; eliminates 61 magistrate positions over 2 years; voluntary RIF of 200 court positions
- Eliminates drug treatment courts
- Consolidates Corrections, Crime Control & Public Safety, and Juvenile Justice into Dept. of Public Safety



H200 General Government and Transportation

- Reduces state aid to libraries by 13% or \$2M
- Continues \$50M to Golden Leaf
 - Eliminates Health & Wellness Trust Fund
 - Restructures Tobacco Trust Fund
- Secondary road funding further reduced
- Shifts funding for resurfacing and bridge improvements
- Authorizes school districts to charge \$45 for drivers' education



Preserving County Tax Base

- X Repeal of land transfer tax – H92
- ✓ No property tax exemptions, exclusions
 - Proposals to increase homestead, exempt boats, increase disabled vets, expand religious org definitions stopped
 - NCACC negotiated H350 clarification of conservation land (exemption changed to deferral) & S486 release of subdivided lots denied for cause



Preserving County Authority

- Amend Bail Law/Pretrial Release Programs (S756)
 - Original eliminated pretrial release & unsecured bonds
- Property Owners Protection Act/Study (H652)
 - Original required strict construction of land use against the government
- Local Abuse of Authority Attorneys Fees (H687)
 - Original required court-ordered county payment of fees
- Zoning St. of Limit./Ag. Dist. Change (H806)
 - Original authorized zoning challenges in perpetuity



Promoting County Authority

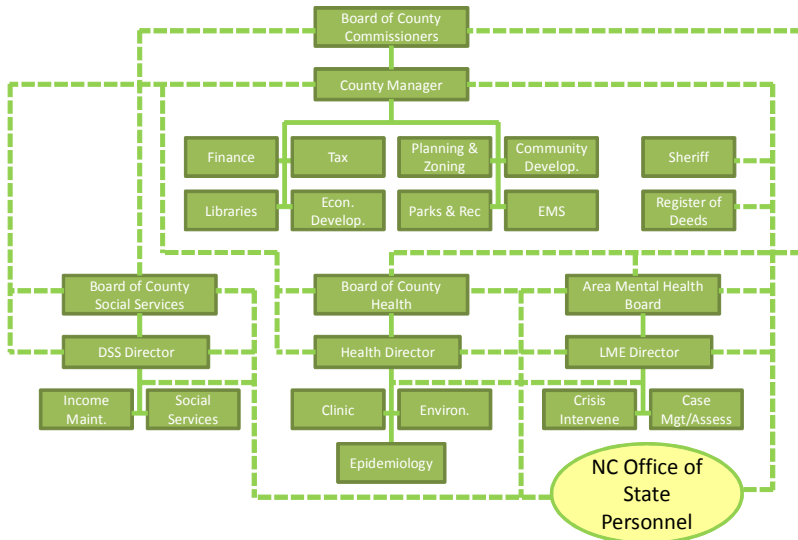
Local Human Services Administration

(S433)

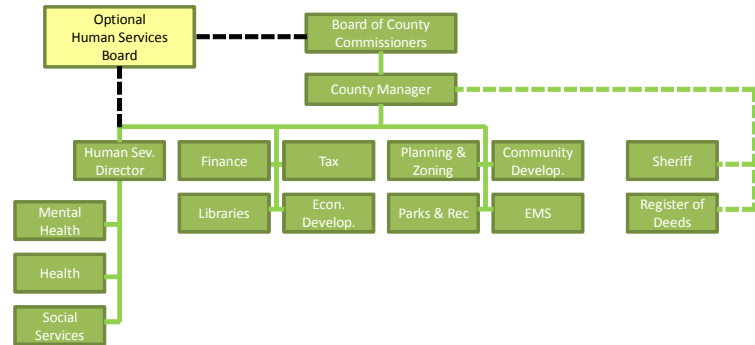
- Status: passed Senate 40/9; received favorable report in House HHS
- Key Elements:
 - Provides option to all boards of commissioners to restructure human services
 - Under BOC or create consolidated human services board
 - Current law only permits counties with pops. >425,000 to restructure
 - Streamlines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



Current Structure of NC County Government



S433 Optional Structure of NC County Government



Charter Schools (S8)

- Key Elements:
 - Removes 100 school cap in its entirety
 - Directs state board to adopt criteria for adequate performance, id charter schools with inadequate performance, & revoke charter if inadequate performance continues
- County changes included:
 - No new language authorizing county capital appropriations or sharing of county lottery funds



Annexation Reform Act of 2011 (H845)

- Key Elements:
 - Annexation can be stopped via petition of 60% of property owners
 - City must provide free water & sewer connections
- County changes included:
 - Water & sewer within 3.5 years
 - Board of Elections, not tax assessors, manage petition process
 - Notice to BOC when annexation crosses county lines



Where We Are Now - State of the Counties

Click to edit Master subtitle style



County Budget Status – Little Financial Improvement Seen

Based on annual NCACC Budget & Tax Survey

- 50 counties cut budget
- 21 counties increased property tax rate
- 39 counties under hiring freeze
- 29 counties reduced school \$
- 52 counties eliminated 600+ positions
- 24 counties laid off 126 employees



Counties Face Declining Tax Base

- 43 counties underwater
 - Cherokee = 131%
 - 10 counties > 110%
- Revals = property tax increases
 - Brunswick County = 13.75 cents
- Current law requires counties >75,000 to revalue at 115%



Counties Reset Budgets

- Budget cuts during recession and sluggish economy = \$1 billion (10%)
- Spending drops below \$10 billion statewide
 - Levels not seen since 2007



Counties Rely on Fund Balance

- 56 counties rely on fund balance to meet critical spending requirements
 - *One time option?*
 - Replacing lottery funding cuts
 - 68 counties use some or all of lottery \$ for school debt service



Counties Invest in Economic Development

- 67 counties invest in some economic development activities
 - 59 use incentives
 - 47 build/upgrade water & sewer
 - 44 build/upgrade industrial park facilities
 - 13 counties investigate broadband development
- What can the state do?
 - Incentives & infrastructure grants



State of the State's Economy

Eric Barry Edwards, subtitle style
NCGA Economist



State's General Fund Ok So Far

- 1st quarter – \$150 million or 3.4% above target
- Sales taxes up 10% baseline
 - Per capita collections \$160 v. \$180 2007
- Personal income collections up 4.8%
 - Yty jobs increased only by 8,300



Housing Continues Drag

- Dampens employment
 - 33% of job losses
- Dampens consumer spending
- Dampens relocation
 - Prospective residents can't sell houses



Economy as a Whole

- Recession chances increased since April
 - Shy of 50%
- GDP growth projections decreased since April
 - 2.5% or below thru 2011-12
- Job recovery several years off
 - 4qtr 2014 = 7.7%

Economists Lower US GDP Projections		
2011	2012	2013
1.8	2.4	2.7

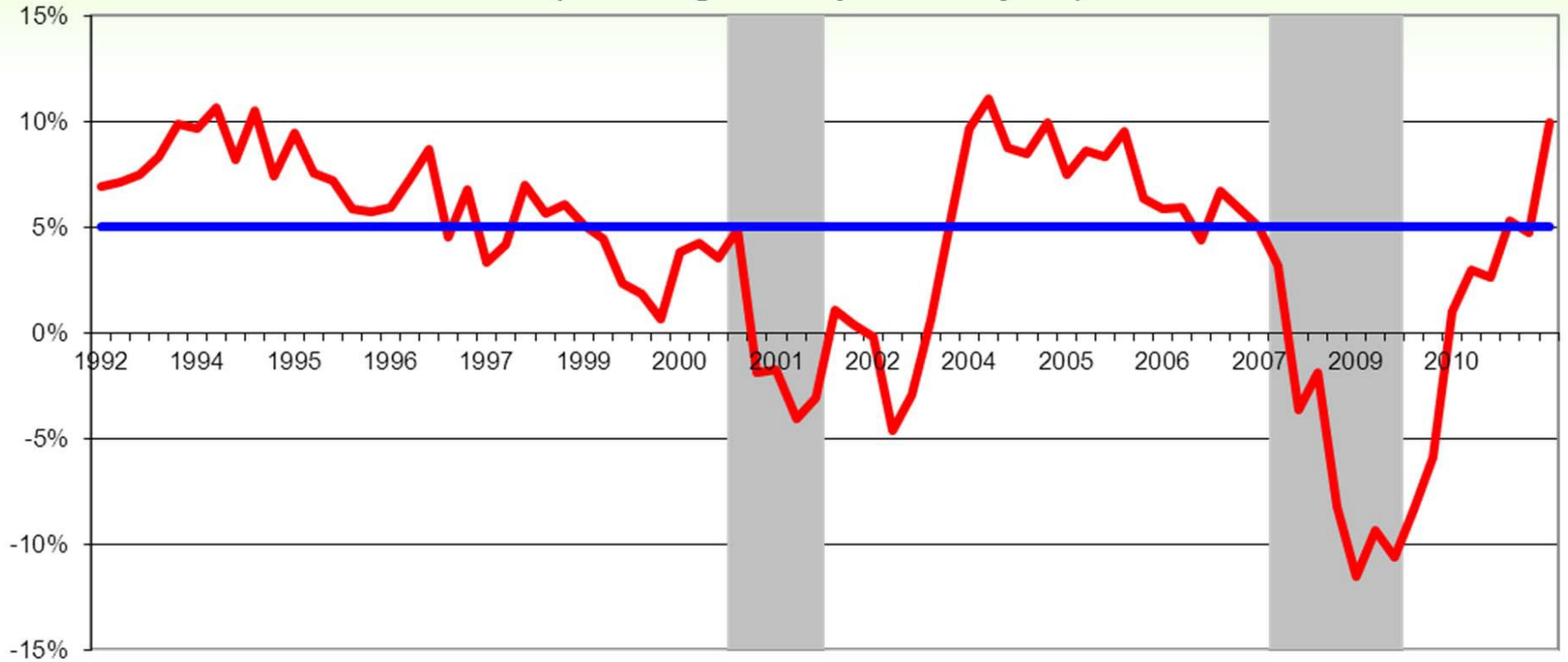


State Medicaid Over Budget

- State budget cuts dependent upon CMS approval
- Anticipate \$139 million deficit in state dollars
 - Budget provision allows cuts in provider rates and/or elimination of optional services
 - Discussion now on backfilling, or not, gap



Quarterly Baseline Sales Tax Collections (% change over previous year)



Change in Baseline Sales Tax Collections

12

10

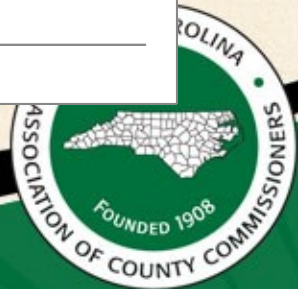
8

6

4

2

0



General Assembly in Action

Click to edit Master subtitle style



A Series of Mini-Sessions

- 4th mini-session since adjournment
- Items of substance
 - S433
- Reconvenes Feb 16, April 23
 - Limited scope to redistricting, veto overrides, election law bills
- Returning again for: Cherokee Compact?
Veto override?
- Short Session May 16



Legislative Studies

- Appropriations to begin meeting for early budget proposal
- Oversight committees to manage Medicaid deficit, LME governance
- LRCs to backfill studies bill



- Information Technology Operations Evaluation Advisory Comm
- Information Technology Oversight Comm
- Investment of State-Owned Funds Study Comn (2009)
- JOBS Study Commission is (2009)
- Judicial Consolidation Study Comm
- Justice & Public Safety Oversight Comm
- Legislative Research Commission
- Legislative Services Commission
- Life Cycle Cost Analysis Committee
- Local Government Committee
- Local Mass Transit Committee
- Lottery



What We're Watching

Click to edit Master subtitle style



Justice Reinvestment Act (H642)

What it is

- DoC/counties with jail capacity enter voluntary agreement for misdemeanants sentenced >90 days \leq 180 days
 - Current law requires misdemeanants sentenced > 90 days in state prisons
- New state fees enacted to seed fund for DoC to pay counties for housing
- Changes criminal justice partnership program



Justice Reinvestment Act (H642)

Where it's at

- Sheriff's Assn. identifying bed capacity & daily rates
 - Choosing pilots for Dec. 1 initiation
- State establishes oversight committee & core working group to hash out issues



Statewide Expansion of 1915 (b) (c) Waiver (H916)

What it is

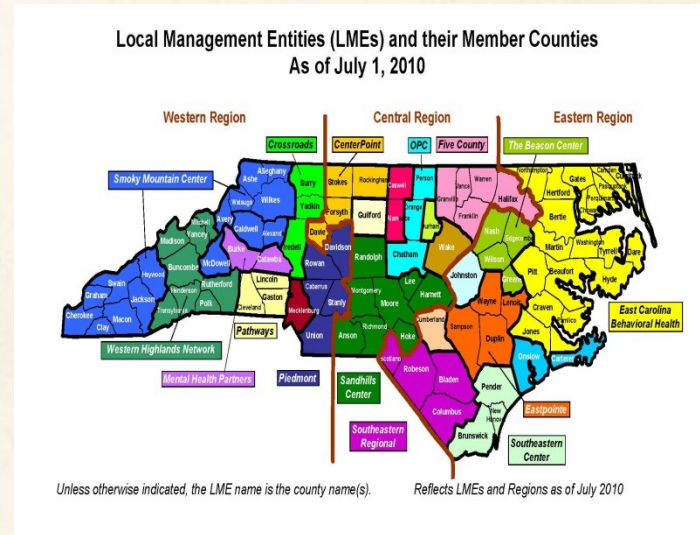
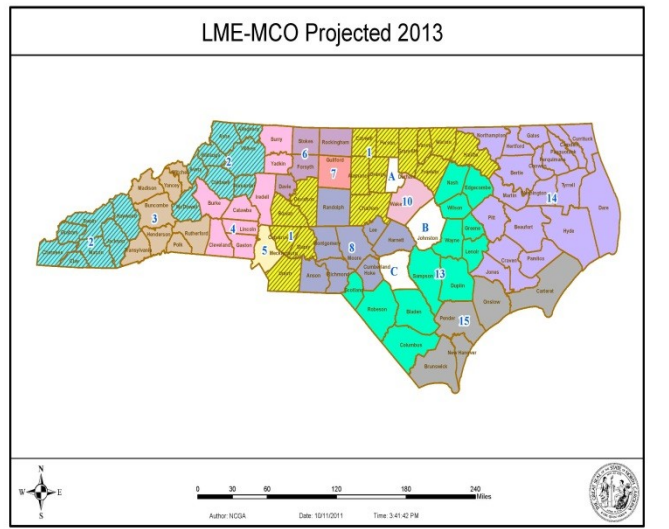
- Expands capitated model of care for all mental health area authorities & single county programs
- Increases population threshold to 300,000 7/1/12 & 500,000 7/1/13, requiring LME merger, interlocal agreement for lead LME
- County changes included:
 - Counties held harmless for cost overruns
 - Governance structure to be studied



Statewide Expansion of 1915 (b) (c) Waiver (H916)

Where it's at

- All LMEs have initiated waiver implementation plans
- Discussion of



Broadband Deployment - MCNC and BTOP

What it is

- 2 Rounds of Funding-Part of ARRA
- \$144M total, Including \$40M in private match
 - \$7.7M From MCNC Endowment
 - \$24M Golden LEAF
 - **\$0 State or County Investment**
- 82 mostly rural Counties – 69 fully or partially underserved
 - 1700 miles of new middle mile fiber
 - 800 miles of leases



Broadband Deployment - MCNC and BTOP

Where it's at

- Rd 1-405/412 miles complete – One year ahead
- Rd 2-120/1340 miles done-Spring 2013



Broadband Deployment - MCNC and BTOP

Need to consider

- Middle mile-not last mile
 - Need to build public/private partnerships to reach underserved areas in rural NC
 - Have to work with private sector
- Can't scale to meet consumer market
- Not MCNC mission



Legislative Commissions (H595)

What it is

- Creates Joint Legislative Committee on Local Government
 - Review & monitor lg capital projects >\$1M
 - For debt issuance & LGC approval
 - For projects excluding schools, jails, courthouse, & admin buildings
 - Any projects subject to review to be reported prior to 45 days before LGC
 - Commission may make interim reports on same w/ leg. recommendations



Legislative Commissions (H595)

Where it's at

- Initial meeting to discuss legislative charge
- Cities/counties submitting project lists
 - Don't submit schools, jails, courthouse, & admin buildings
 - \$750 million to be considered by LGC
 - Airports & hospitals big ticket
 - Water & sewer most numerous



State Pension Plan Solvency Reform Act (H927)

What it is

Impacts TSERS only; for state employees on or after 8/1:

- Increases vesting period from 5 to 10 years
- Increases retirement years of service from 5 to 10 years

For all plans:

- Creates Class 1 misdemeanor for improper receipt of decedent's retirement allowance



LGERS Retirement

- Refresh of valuation report means lower 2012 rate
 - Current rate = 6.88% of payroll
- 14 basis points available
 - 10 for ARC reduction = 6.74%
 - 4 for forgiving unfunded accrued liability
- Overfunded death benefit too



Preparing for Short Session

Click to edit Master subtitle style



Counties Getting Ready

- NCACC legislative goals review & strategies to complete
- Focus on grassroots
 - *Need your help!*
- Major issue is state budget
- *Local bills – work on them now*
- Tax reform, revisiting intergovernmental responsibilities?



Questions / Comments



Thank You!

