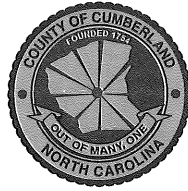


MARSHALL FAIRCLOTH  
Chairman

JIMMY KEEFE  
Vice Chairman

JEANNETTE M. COUNCIL  
KENNETH S. EDGE  
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BILLY R. KING  
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CUMBERLAND  
★ COUNTY ★  
NORTH CAROLINA

BOARD OF COMMISSIONERS

CANDICE WHITE  
Clerk to the Board

KELLIE BEAM  
Deputy Clerk

CUMBERLAND COUNTY BOARD OF COMMISSIONERS  
AND  
CUMBERLAND COUNTY LEGISLATIVE DELEGATION  
APRIL 24, 2012 - 7:30 AM  
ROOM 119, 117 DICK STREET, FAYETTEVILLE, NC  
SPECIAL MEETING

AGENDA

1. Welcome and Introductions
  2. NCACC 2012 Key Legislative Issue for Short Session:  
State Budget – Increase County Lottery Funds and Restore Mental Health Funding
  3. NCACC 2012 Key Legislative Issue for Short Session:  
Allow Human Services Administrative Flexibility
  4. NCACC 2012 Key Legislative Issue for Short Session:  
Authorize County Broadband/Public-Private Partnerships
  5. Discussion of Legislative Delegation's Position on Toll Roads Going Through  
Cumberland County
    - A. Reduced Toll Fees for Residents and Local Industry
  6. Discussion of Rutherford County's Resolution to Request the Governor to Secure Funds  
to Pay the Unpaid Principal of the Federal Unemployment Tax Act Loan Made to the  
State of North Carolina
  7. Informational Item: Resolution of the Election Boards Association of North Carolina to  
the Honorable Governor Beverly Purdue and Members of the N. C. General Assembly  
Requesting that the (Help Americans Vote Act) HAVA Funds be Included in this Year's  
Budgets and that Said Funds be Provided to the State Board of Elections for the Counties  
to Improve the Elections Process
  8. Informational Item: Snapshot of NCACC 2012 Budget and Tax Survey
  9. Open Discussion
- CC: James Martin, County Manager  
Amy Cannon, Deputy County Manager  
James Lawson, Assistant County Manager  
Sally Shutt, Communications and Strategic Initiatives Manager  
Rick Moorefield, County Attorney

## KEY ISSUE NO. 1: STATE BUDGET – INCREASE COUNTY LOTTERY FUNDS AND RESTORE MENTAL HEALTH FUNDING

The General Assembly will reconvene May 16 for its Short Session, with the primary goal of “tweaking” the second year’s budget. State revenue targets undergirding the second year budget are predicated on an improving economy, one accelerating faster than that experienced over the first six months of the current fiscal year. Failure to meet these revenue targets will require additional cuts over and above any included in the second year budget. For 2012-13, the second year budget includes an additional discretionary reduction of \$74 million, bringing the total discretionary cut over four years to \$500 million. What’s more, federal stimulus dollars will have largely dried up by 2012-13. In contrast, an improving revenue picture could direct more state resources to public education, and especially that of K-12.

Once again, the House will initiate budget action, and rumors suggest that a proposed budget may be introduced on the opening day of session. Of particular concern to counties is the level of funding from lottery revenues. Should lottery sales next year reflect those anticipated for this year, counties would be due \$170 million in lottery funds for school construction. The General Assembly appropriated only \$100 million for lottery funds in 2011-12, however.

Counties have had to draw down their fund balances this fiscal year to backfill lost lottery dollars. A continuing reliance on fund balances is neither fiscally sound nor financially feasible. Furthermore, 2011-12 will be the fourth consecutive year that the state has redirected county ADM school capital dollars to state public school operating expenses, leaving lottery revenues as the only state shared revenue source available for school construction and renovation expenses.

Restoration of state mental health dollars is also a critical community need, as statewide implementation of the capitated model of care is requiring unforeseen startup expenses. This change is forcing local management entities to merge and create larger entities that will provide services to a greater number of counties. While counties recognize that an LME’s governance board should be kept to a manageable number, continued county commissioner participation would ensure appropriate oversight over county-provided resources, represent the community voice in local mental health deliberations, and provide ongoing advocacy for mental health services.

*Contact: Rebecca Troutman, (919) 715-4360 or [rebecca.troutman@ncacc.org](mailto:rebecca.troutman@ncacc.org)*

## KEY ISSUE NO. 2: ALLOW HUMAN SERVICES ADMINISTRATIVE FLEXIBILITY

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KEY ISSUE NO. 2

Unlike in most other states, North Carolina counties are responsible for administering social services and public health, largely with county employees and largely at county expense. A General Assembly evaluation documented more than \$1 billion in social services administrative expenses alone, with the state's contribution being less than 3 percent and the county's share exceeding 50 percent.

The study concluded that all counties should be granted the flexibility, at their option, to restructure human services in order to reduce administrative costs and spans of control, enable a countywide vision of service delivery, and improve client services. Current state law requires counties to maintain separate boards of social services and health, which have department directors that have no reporting responsibilities to the county board of commissioners or county manager.

Mecklenburg and Wake were granted flexibility to restructure and consolidate human services, and have done so successfully for more than 25 years. S433 (Local Human Services Administration) passed the Senate in 2011 and is currently in the House Committee on Health and Human Services.

Contact: Rebecca Troutman, (919) 715-4360 or [rebecca.troutman@ncacc.org](mailto:rebecca.troutman@ncacc.org)

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KEY ISSUE NO. 3

**KEY ISSUE NO. 3:  
AUTHORIZE COUNTY BROADBAND/  
PUBLIC-PRIVATE PARTNERSHIPS**

The Association advocated for and had success in supporting legislation that was enacted to allow county grants to be given for the expressed purpose of entering into a public-private partnership to deploy high-speed internet to underserved parts of a county. H593, Allow County Grants for Broadband, was a local bill adopted only for Nash County. Viewed as a pilot project, the legislation received overwhelming bipartisan support from both chambers.

NCACC staff is working with legislative members and the House Select Committee on Public Private Partnership to give the same authority to all counties across the state. Counties need this expressed statutory authority to proceed with agreements to work with the private sector to spur the conversation about bringing high-speed internet infrastructure and operability to underserved areas of North Carolina. Please urge your legislative delegation to support the use of public-private partnerships for broadband capabilities.

*Contact: Kevin Leonard (919) 715-4369 or [kevin.leonard@ncacc.org](mailto:kevin.leonard@ncacc.org)*

**RESOLUTION TITLE: LEGISLATIVE REQUEST: TO REQUEST THE GOVERNOR TO SECURE FUNDS TO PAY THE UNPAID PRINCIPAL OF THE FEDERAL UNEMPLOYMENT TAX ACT LOAN MADE TO THE STATE OF NORTH CAROLINA**

**WHEREAS**, the Federal Unemployment Tax Act (FUTA, 26, U.S.C. ch. 23) imposes a federal employer tax used to help fund state workforce agencies which employers report annually via Internal Revenue Service Form 940. FUTA covers the federal share of the costs of administering the unemployment insurance and job service programs in every state. It also pays one-half of the cost of extended unemployment benefits (during periods of high unemployment) and provides for a fund from which states may borrow, if necessary, to pay benefits; and,

**WHEREAS**, states that exhaust unemployment insurance accounts have the opportunity of turning to the federal government for loans to pay unemployment benefits. Loaned unemployment benefits must be paid back by the state(s) with interest; and,

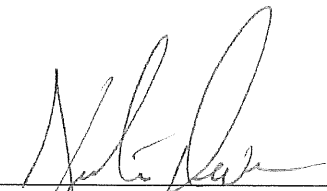
**WHEREAS**, the State of North Carolina received its first advance in February 2009, interest began to accrue in January 2011 on the unpaid principal, and the State currently owes more than \$2.5 billion. The State made its first interest payment of \$78.8 million in September 2011; another payment of approximately \$106 million is due in September 2012. The State will be penalized since the unpaid principal has not been paid in full and that will trigger a 0.3% reduction of the FUTA tax credit annually until the debt is paid; and,

**WHEREAS**, in these difficult economic times, the State has forwarded letters to North Carolina businesses passing along the 0.3% per employee charge with a payment deadline of January 31, 2012. This greatly disappoints business operators who have been struggling during this economic downturn.

**NOW, THEREFORE, BE IT RESOLVED** that the Rutherford County Board of Commissioners, while steadfastly supporting its local businesses in this dire economy, calls upon the Governor of the Great State of North Carolina and its General Assembly to immediately prepare a plan to furnish the funds to pay the principal on the unpaid loan and to retract the payment directive issued to businesses throughout the State as these businesses must maintain viable operations and jobs to support the families of this State.

**BE IT FURTHER RESOLVED** that copies of this resolution be forwarded to the Honorable Beverly Perdue, NC Governor; the Rutherford County Legislative Delegation to the NC General Assembly, the North Carolina Association of County Commissioners, and to the other 99 NC counties with our invitation to join us by adopting resolutions of their choice to support the businesses of North Carolina by retracting this mandate.

Adopted this the 2<sup>nd</sup> day of April, 2012.

  
\_\_\_\_\_  
Julius Owens, Chairman

ATTEST:

  
\_\_\_\_\_  
Clerk, Board of Commissioners

ELECTION BOARDS ASSOCIATION OF NORTH CAROLINA  
1525 Ben F. Herring Road (mailing address)  
La Grange, NC 28551-7249  
April 17, 2012

TO: County Managers:

At the Election Boards Association of NC (EBANC) meeting in Durham on April 4, 2012 the EBNAC membership approved a resolution on the **maintenance of effort** for the release of HAVA funds and the resolution was sent to the Honorable Governor Beverly Perdue and to the members of the North Carolina General Assembly.

The state requirement to receive the *maintenance of effort* HAVA funds is a state match. The match by the NC General Assembly is \$650,000 in order for the State of North Carolina to receive the \$4 million in *maintenance of efforts* HAVA funds. The counties and the quality of elections will suffer if the state match is not in the Governor's and the General Assembly's budget. The \$4 million on the *maintenance of effort* HAVA funds for North Carolina will be reverted back to the federal government if not used.

I have been directed by the members of the Election Boards Association of North Carolina to request that each Board of County Commissioners approve and send a similar resolution to Governor Perdue and to the members of the North Carolina General Assembly about the **maintenance of effort** requirement for the release of the HAVA funds.

Sincerely,

*Jack R. Hudson*, President  
Election Boards Association of NC  
828-883-8828

*Oscar E. Herring*, Secretary  
Election Boards Association of NC  
252-521-1098

Attachment  
Resolution on HAVA Funds

**A RESOLUTION OF THE  
ELECTION BOARDS ASSOCIATION OF NORTH CAROLINA  
TO THE  
HONORABLE GOVERNOR BEVERLY PERDUE  
AND  
MEMBERS OF THE NORTH CAROLINA GENERAL ASSEMBLY**

**WHEREAS**, the members of the Election Boards Association of North Carolina met on April 4, 2012 and request that an appropriation be included in the Governor's budget and in the General Assembly's budget to meet the "maintenance of effort" requirement for the release of HAVA funds; and

**WHEREAS:**

- A. the HAVA funds are vital to county budgets to administer elections; and
- B. the HAVA funds are needed to maintain voting equipment; and
- C. the HAVA funds are needed to be used as operational funds to operate absentee voting;

**NOW, THEREFORE, BE IT RESOLVED**, that the Election Boards Association of North Carolina request that the HAVA funds be included in this year's budgets and that said funds be provided to the State Board of Elections for the counties to improve the elections process.

**ADOPTED** this 4<sup>th</sup> day of April, 2012.

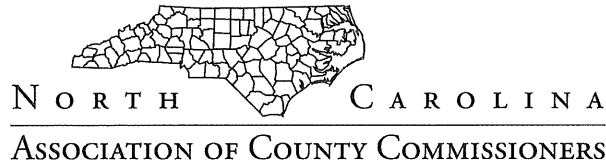
*Jack R. Hudson*

Jack R. Hudson (Transylvania County)  
President

**ATTEST**

*Oscar E. Herring*

Oscar E. Herring (Lenoir County)  
Secretary



North Carolina counties were greatly relieved and appreciative of the General Assembly's pledge to protect county budgets and programs during state budget deliberations and final budget action for 2012. Early on, legislative leaders emphasized that state budget problems should not be pushed down for local resolution. Counties respect and value this unique intergovernmental partnership enjoyed in North Carolina, a partnership strengthened by legislative recognition that the same economic pressures driving state budget gaps were driving county budget gaps as well.

To understand how counties managed continued declines in revenues, the North Carolina Association of County Commissioners used its annual budget and tax survey to capture county budget actions and areas of financial concern. What we learned through data analysis was that the third year of a faltering state economy and its anemic recovery took its toll once again on county budgets.

Counties continued to cut their overall year to year appropriations, reduced funding to schools, eliminated positions, cut employee benefits including salaries, laid off permanent employees and implemented employee furloughs. Counties have collectively carved more than \$1billion from local budgets since 2009, and are now spending less than \$10 billion statewide, a level not seen since 2007. Much like state government, counties have reset their budgets.

Of particular concern is an unprecedented decline in property values. Twenty-one counties increased their property taxes an average of 2.8 cents, while 37 counties reported a decrease in their overall assessed valuations. Based on information compiled by the N.C. Department of Revenue, 43 counties now have assessments on property values in excess of the average selling price, which will trigger automatic revaluations. Several counties undergoing revaluation are facing property tax rate increases just to maintain revenue neutrality. Brunswick County's revenue neutral rate was nearly 14 cents above its pre-revaluation rate.

<b>NCACC 2012 Budget and Tax Survey</b> <b>Snapshot of County Budget Reductions Taken with Adoption of 2011-12 Budget (n=100)</b>	
➤	50 counties cut budgets
➤	21 counties increased property taxes; avg increase of 2.8 cents
➤	39 counties implemented hiring freezes
➤	57 counties delayed or cancelled capital projects including schools, jails, courthouses, health & social services facilities; many delayed renovations & repairs
➤	29 counties reduced school appropriations
➤	52 counties eliminated positions; up from 39 last year; over 600 positions cut
➤	24 counties laid off existing workers, up from 14 last year; 126 county workers lost their jobs
➤	5 counties implemented mandatory furloughs

Not only did counties continue to shed jobs and employees, but existing employees saw decreases in their salaries, and benefits reductions such as no employer contributions to supplemental retirement.

Counties are also having to spend down their fund balances to cope with stagnant revenues, with 56 counties relying on fund balance to meet their budget requirements. One county reported using 38 percent



of its available fund balance. Clearly with sales tax collections way below historical collections, and property values in decline, reliance on fund balances is only a temporary stopgap measure, and replenishing fund balances will be difficult at best. This leaves North Carolina counties more susceptible to future revenue downturns or additional state cuts to county programs and services.

Twenty-eight counties relied on fund balances to backfill state cuts to the county lottery appropriation. Why was this backfill necessary? Sixty-eight counties reported using some or all of their lottery appropriations for school debt service, with 50 counties dedicating 100 percent of their lottery allocation to school debt service.

Speaking of state budget cuts, 65 counties reported local budget impacts from state budget actions, with lottery reductions, ADM funding diversion, and school operating cuts frequently cited as problematic. State program cuts in social services, health and libraries led to similar reductions in county services. Survey comments made it clear that counties cannot absorb state cuts with county dollars, and are choosing instead to reduce state services to maintain financial stability.

So what actions are counties taking to spur economic development? Seventy-six counties responded positively to moving forward one or more economic development activities in an effort to grow jobs and investment. Most frequent was the use of economic development incentives to stimulate job creation – 59 counties reported using incentives as a part of their economic development plans. Infrastructure followed closely, with 47 counties investing in water and sewer development, and 44 in industrial park construction or enhancements. Thirteen counties are investigating broadband development.

What can the state do to help? County respondents largely spoke to the tried and true, asking for continued assistance through state infrastructure investments and provision of monetary incentives.