CUMBERLAND COUNTY
NORTH CAROLINA

BOARD OF COMMISSIONERS

CUMBERLAND COUNTY BOARD OF COMMISSIONERS
AND
CUMBERLAND COUNTY LEGISLATIVE DELEGATION
MARCH 25, 2013 - 7:30 AM
ROOM 119, 117 DICK STREET, FAYETTEVILLE, NC
SPECIAL MEETING

AGENDA

1. Welcome and Introductions **(NO MATERIALS)**

2. NCACC 2013 Legislative Priority: Oppose Shift of State Transportation to Counties
Senator Wesley Meredith and Commissioner Kenneth Edge **(Pg. 4)**

3. NCACC 2013 Legislative Priority: Reinstate ADM and Lottery Funds for School Construction - Senator Ben Clark and Commissioner Kenneth Edge **(Pg. 5)**

4. NCACC 2013 Legislative Priority: Oppose Unfunded Mandates and Shifts to Counties
Representative John Szoka and Commissioner Marshall Faircloth **(Pg. 6)**

5. NCACC 2013 Legislative Priority: Ensure Adequate Mental Health Funding
Commissioner Billy King **(Pg. 7)**

6. NCACC 2013 Legislative Priority: Preserve the Existing Local Revenue Base
Representative Elmer Floyd and Commissioner Marshall Faircloth **(Pg. 8)**

7. NCACC 2013 Hot Topic: Inmate Medical Costs
Commissioner Jeannette Council **(Pg. 9)**

8. Other Items of Business

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

North Carolina Association of County Commissioners
2013 Legislative Priorities

100 Counties One State

UPDATED 2/18/13

Oppose shift of state transportation responsibilities

Oppose legislation to shift the state's responsibility for funding transportation construction and maintenance projects to counties. Counties cannot afford to assume costs for maintaining secondary roads and/or funding expansion projects. Unlike counties in other states, whose traditional funding responsibilities include secondary roads, North Carolina counties are responsible for the administration of local human services programs, and fund educational operating and capital expenses. The NCACC estimates that a transfer of secondary road maintenance responsibilities would cost counties more than $500 million annually.

Reinstate ADM & Lottery funds for school construction

Seek legislation to fully reinstate the Average Daily Membership funds and Lottery proceeds to the Public School Building Capital Fund. The Public School Building Capital Fund is housed in the N.C. Department of Public Instruction and is comprised of two sources of revenue: a set-aside from the corporate income tax, known as the ADM fund, which is allotted based on average daily membership (ADM) in each county; and 40 percent of the net proceeds from the N.C. Education lottery. Counties have relied on these funds to repay debt service for public school construction and renovation.

Oppose unfunded mandates and shifts of state responsibilities to counties

Oppose legislation that establishes new or expanded state mandates without a commensurate increase in state resources to support service provision. A continuing difficult state financial status may increase the likelihood of attempts to balance the state budget by shifting more responsibilities to counties without corresponding funds.

Ensure adequate mental health funding

Seek legislation to ensure that state-funded mental health, developmental disability, and substance abuse services are available, accessible and affordable to all residents and that sufficient state resources fund service provision costs inclusive of sufficient crisis beds and supportive housing. While North Carolina counties largely fund social services administration and health services, the state has been traditionally responsible for mental health expenses.

Preserve the existing local revenue base

Support legislation that recognizes the importance of county revenues and ensures that the existing tax base is maintained and preserved. Previous General Assembly actions have balanced the state budget by shifting some local funds to state use, which resulted in cuts in some county programs.

COUNTY CONNECTIONS

North Carolina Association of County Commissioners

2013 Legislative Hot Topics

100 Counties
One State

UPDATED 2/18/13

State Budget

Governor Pat McCrory has said that his first state budget proposal will be delivered to legislative leaders by mid-March. Once received, the General Assembly will begin to craft the state's $20 billion annual budget for the 2014 and 2105 fiscal years. Counties have a unique partnership with the state and deliver key services on behalf of the state such as education capital responsibilities, health and human services, and justice and public safety services. Any changes made in the state budget to revenues or responsibilities in these areas could have a fiscal impact on counties. Counties benefited from a pledge made by legislative leaders to not shift unfunded mandates to counties during the past budget cycle. Counties request that this pledge continue during the next budget cycle.

Motor Vehicle Property Tax

In 2005, the General Assembly unanimously voted to combine motor vehicle registration with property tax payments. The system has been delayed several times given the complex automation systems needed for operations but is ready to go live July 1, 2013. North Carolina is the only state that collects motor vehicle property taxes after license plate registration and renewal. It is estimated that once this system is up and running, counties will reap more than $50 million annually in currently uncollected property taxes on motor vehicles. The NCACC fully supports implementation of this program by July 2013.

Inmate Medical

Counties are obligated to provide adequate medical care to inmates incarcerated in jail facilities. Because inmates are typically in poorer health than the general population and are more likely to have chronic illnesses, costs associated with inmate medical care can be extremely burdensome. Exacerbating this fact is that counties often pay full price, or "rack rates," for inmate medical expenses, rather than discounted or negotiated network rates. The NCACC seeks legislation that would cap county reimbursement rates for in-patient medical care at that which is paid by the Department of Public Safety, Division of Adult Correction (DAC).

Nonemergency Medicaid Transport

North Carolina is recognized nationally for its coordinated system of community human services transit systems, which are largely managed by professional transit administrators under the oversight of county management. A special provision in the 2013 state budget directed the N.C. Department of Health and Human Services to develop and issue a request for proposals to privatize the management of NEMT services for Medicaid recipients. A statewide broker model is unlikely to drive down Medicaid transit costs and will likely cause client confusion and frustration, cost and trip duplication, and an added layer of bureaucracy.

Tax Reform

The General Assembly will be considering comprehensive tax reform this legislative session. Counties seek involvement in crafting reform efforts to protect local revenue streams and to ensure adequate future revenue growth and stability. North Carolina counties rely heavily on county-levied sales taxes to fund critical human services and public safety programs. Counties are required to set aside a sizable portion of the county sales tax revenues for school construction and capital needs, much of which is dedicated to school debt service. With an overreliance on property taxes to support community services (roughly 50 percent of total revenues), counties can ill afford to lose sales tax revenues or be restricted in the levy of sales taxes.

COUNTY CONNECTIONS

ITEM NO. 2

1.25 million or more are exempt from these limitations.

HHS-5: Oppose weakening of smoke-free restaurant and bars law.

Oppose any bill or amendment that weakens current statutory regulations requiring smoke-free restaurants and bars. The 2004 General Assembly enacted a comprehensive ban on smoking in all restaurants and bars and set up a regulatory framework to ensure compliance with the smoke-free requirements.

HHS-6: Increase Nursing Home Community Advisory Committee membership flexibility.

Seek legislation to provide greater flexibility in the membership of Nursing Home Community Advisory Committees. Per G.S. 131E-128, every county having a nursing home within its boundaries must establish a nursing home advisory committee to monitor nursing home care and resolve grievances of nursing home residents. As a part of its monitoring responsibilities, each advisory committee must visit each nursing home within its jurisdiction at least four times per year. Counties with four or more nursing homes must appoint NHCA subcommittees to manage this on-site workload. Advisory committees and subcommittees cannot include any members who are persons or family members with a financial interest in a home served by the committee, an employee or governing board member of such a home, or an immediate family member of a nursing home resident. These exclusions limit the number of interested parties wishing to serve on an NHCA, and counties throughout the state are having difficulty identifying persons to serve on these committees.

HHS-7: Increase childcare subsidies to reduce waiting lists and support funding for Smart Start and NC Pre-K.

Support an increase in childcare subsidies to ensure access to affordable childcare and support funding for early childhood and pre-kindergarten programs. Continuing state budget challenges have diminished state resources to backfill one-time federal dollars for childcare expenses and offset state cuts in childcare subsidies Smart Start and N.C. Pre-K. As of July 2012, nearly 37,500 children were waiting for childcare services, likely preventing their parents from remaining in, or joining, the workforce. Smart Start and N.C. Pre-K faced 20 percent state budget cuts in 2011, despite continued growth in the Pre-K population.

HHS-8: Increase Medicaid rates to cover costs.

Support a rate increase for Medicaid services to at least cover cost of service. In an effort to curb Medicaid costs, legislative actions over the past 10 years routinely show a Medicaid service-provider rate reduction or a reduction in the inflationary increases for reimbursement rates, increases to keep pace with medical inflation. Despite a 50 percent plus increase in Medicaid clients, fewer physicians are choosing to treat Medicaid clients given lower reimbursement rates than that offered under private insurance plans.

HHS-9: Support an increase in food and lodging inspection fees to cover costs.

Seek legislation to increase food and lodging inspection fees or authorize county governments to charge cost-based fees for restaurant and facility inspections. Unlike other inspection fees such as building inspections fees that can be set to recover costs, food and lodging inspection fees are set statutorily and do not reflect county costs of inspections operations and administration. The state collects the current fee, which is set at $75 per annual business inspection, and returns 66 percent of these revenues to the county of origin. Not only is this fee well below actual inspections costs, no additional fees are permitted should county inspectors need to revisit an individual business multiple times to ensure compliance with health and safety regulations.

HHS-10: Restore state funding of public health accreditation.

Seek legislation to restore state funding for the state-mandated accreditation program for county public health departments. G.S. 130A-34.1 requires all local public health departments to obtain and maintain accreditation, which examines a local health department's capacity to provide essential public health services, its facilities and administration, its staffs' competencies and training procedures or programs and its governance and fiscal management. The process includes a self-assessment, a site visit by a team of experts to clarify, verify, and amplify the information in the self-assessment and accreditation approval by the Local Health Department Accreditation Board, which is housed and staffed by UNC's Institute for Public Health. Failure to obtain and maintain accreditation by July 1, 2014, will jeopardize state and federal funding for public health services. The 2012 State Appropriations Act eliminated the $300,000 in recurring funding to support UNC administration of the public health accreditation program.

Intergovernmental Relations Legislative Goals

IGR-1 (amended): Oppose any shift of state transportation responsibilities to counties.

Oppose legislation to shift the state's responsibility for funding transportation construction and maintenance projects to counties. Counties cannot afford to assume costs for maintaining secondary roads and/or funding expansion projects. Unlike counties in other states, whose traditional funding responsibilities are secondary roads, North Carolina counties are responsible for the administration of local human services programs, and fund educational operating and capital expenses. The NCACC estimates that a transfer of secondary road maintenance responsibilities would cost counties more than $500 million annually. Some of the more rural counties would have to increase property taxes by as much as 30 cents to generate the amount of revenue needed to maintain the same level of service.

IGR-2: Allow more cost effective methods for second primary elections.

Support legislation to authorize alternatives to second primary elections that minimize excessive costs while protecting the integrity of the electoral process. The costs for second primary elections can be very high, especially when compared to voter turnout. New and expanded alternatives, similar to one-stop voting or limited early voting sites and schedules, should be explored and piloted for second primaries and run-off elections.

IGR-3: Maintain current requirements for county commission approval of Extraterritorial Jurisdictions (ETJ) designations and expansions.

Support legislation that maintains the current requirements for county approval of ETJ changes. With recently enacted changes to the annexation laws, ETJ will certainly be a focus of planning and growth. In certain jurisdictions with higher populations, current law calls for Board of County Commissioner approval for ETJs beyond any one-mile expansion. Counties would like to maintain that level of input and make sure that the county voice is included in further ETJ expansion.

ITEM NO. 3

NORTH CAROLINA

ASSOCIATION OF COUNTY COMMISSIONERS

NCACC Legislative Brief

Issue: Restore ADM Fund & Lottery Proceeds to Statutory Levels

Seek legislation to fully reinstate the Average Daily Membership funds and Lottery proceeds to the Public School Building Capital Fund.

Background: The Public School Building Capital Fund, the only state-shared funding source for school construction, is comprised of two sources of revenue: a set-aside from the corporate income tax, known as the ADM fund, which is allotted based on average daily membership (ADM) in each county; and 40 percent of the net proceeds from the N.C. Education lottery. Counties have pledged these funds to repay debt service for public school construction and renovation.

The General Assembly established the Public School Building Capital Fund in 1987 to assist county governments in meeting their public school building capital needs. These funds help build new schools, renovate existing structures, and enable information technology to be made available to students statewide. When the Education Lottery was enacted in 2005, 40 percent of the net proceeds were dedicated for county school construction funding, and counties were encouraged to dedicate this new funding stream to school debt service.

Since 2009, the General Assembly has redirected the ADM Fund's corporate income tax proceeds to offset state dollars for public school operations, costing counties from $50 to $100 million each year. Since 2010, the legislature has set the county lottery appropriation below the statutory 40 percent of net lottery proceeds, with the 2012 allocation appropriated at $100 million or 22.7 percent of expected net proceeds. The total loss for the past two biennia amount to nearly half a billion dollars in school construction funds. Counties are forced to delay school construction projects, use their emergency fund balances to make up the debt service losses, or reduce funding for other essential services.

Talking Points & Requested Action

- Counties on average spend 41 percent of their total budgets on public education, or $4 billion each year, with 2/3 of these monies directed at public school operating expense
- Counties have assumed some state-shared school funding responsibilities in recent years, such as the entirety of school utility costs
- 64 counties dedicate all or part of their lottery funds to school debt service, with 51 counties pledging 100 percent of their lottery allocation to school debt service
- The ADM fund was enacted in tandem with the manufacturers', retailers', and wholesalers' property tax exemption in an effort to offset county losses of these property tax revenues
- Counties seek restoration of the lottery proceeds at 40 percent of net lottery revenues and to keep the ADM corporate tax set-aside

For more information on this issue please contact: Rebecca Troutman at (919)715-4360 or rebecca.troutman@ncacc.org

ITEM NO. 4

NORTH CAROLINA

ASSOCIATION OF COUNTY COMMISSIONERS

NCACC Legislative Brief

Issue: Protect county funding streams in state budget deliberations

Monitor state budget negotiations to ensure that current funding levels remain for county programs, seek appropriations for specific county priorities, and ensure pledge to not shift state responsibilities to counties is maintained and respected.

Background: Governor Pat McCrory has said that his first state budget proposal will be delivered to legislative leaders by mid-March. Once received, the General Assembly will begin to craft the state's $20 billion annual budget for the 2014 and 2105 biennium, as state spending authority will lapse June 30. Traditionally the House and Senate take turns each biennium beginning the budgetary process. This year, the Senate will begin.

Legislative Appropriations committees have already started to hear the annual review of agency budgets, hearing directly from various Department Secretaries and Council of State heads. This orientation process is particularly vital this year given the amount of new members joining the House and Senate. The Appropriations Chairs have announced a budget adoption schedule that seeks to have a final state budget in place by early June.

Talking Points & Requested Action

- Counties have a unique partnership with the state and deliver key services on behalf of the state such as education capital responsibilities, health and human services, and justice and public safety services to name a few.
- We ask that state budget writers recognize this partnership and attempt to preserve current funding levels or increase funding levels when funds are available, specifically to areas that have been significantly cut during bad economic times, areas like lottery school construction funds.
- Federal dollars traditionally have been passed through to counties to fund direct services; budget writers should resist redirecting these funds to offset state administrative costs.
- Some cuts to state programs have been inevitable due to current economics. Counties request that the state not make up for these cuts by shifting any burdens to counties that result in unfunded mandates. In addition, counties ask for corresponding flexibility to make budgetary adjustments when necessary as a result of cuts in state funding or programs.

For more information on this issue please contact Rebecca Troutman at (919)715-4360 or rebecca.troutman@ncacc.org

ITEM NO. 5

NORTH CAROLINA

ASSOCIATION OF COUNTY COMMISSIONERS

NCACC Legislative Brief

Issue: Ensure Adequate Mental Health Funding

Seek legislation to ensure that state-funded mental health, developmental disability, and substance abuse services are available, accessible and affordable to all residents and that sufficient state resources fund service provision costs inclusive of sufficient crisis beds and supportive housing.

Background: While North Carolina counties largely fund social services administration and health services, the state has been traditionally responsible for mental health expenses. To minimize financial and risk exposure, the state is undertaking a massive restructuring of community mental health services, converting and merging existing local management entities into managed care organizations charged with overseeing a capitated model of funding. State budget cuts and federal policy changes have reduced statewide resources to support crisis services, chronic mental health management, and state psychiatric hospital capacity. Policy changes have shifted public guardianship responsibilities from LMEs to county social services staff.

Federal requirements and state policies have attempted to shift in-patient mental health care from state psych hospitals to community settings. Between 20005 and 2010, North Carolina lost roughly half of its state psych beds (700 beds lost). While the state has purchased local hospital beds set aside for the mentally ill, but additional funding is needed for increased bed capacity. Recent federal action to relocate adult care home residents suffering from mental illness to community-based housing will require increased and sustained state funding to build local supportive housing resources and wrap-around services.

Talking Points & Requested Action

- Recent state budget cuts have reduced state mental health funding by $20 million, with the anticipation that these funds will recur in 2013
- Additional funding is needed to purchase local psych bed capacity, to provide appropriate community placement for crisis services
- The state has entered into an agreement with the U.S. Department of Justice to build community housing and support services for 3,000 clients; state funding must be sustained to meet these new commitments

For more information on this issue please contact: Rebecca Troutman at (919)715-4360 or rebecca.troutman@ncacc.org

ITEM NO. 6

NORTH CAROLINA

ASSOCIATION OF COUNTY COMMISSIONERS

NCACC Legislative Brief

Issue: Protect County Revenues in State Tax Reform Efforts

Support legislation that recognizes the importance of county revenues and secures existing county resources as the state considers tax reform strategies.

Background: The General Assembly will be considering comprehensive tax reform this legislative session in order to make North Carolina's tax structure more economically competitive to those in the other Southeastern states and particularly those in our neighboring states. While the specifics of these changes to tax statutes are uncertain and likely to be fluid throughout the session, counties seek involvement in crafting reform efforts to protect local revenue streams and to ensure adequate future revenue growth and stability. A more streamlined and transparent tax code, ensuring revenue stability that is less reliant on volatile revenue streams, rewarding entrepreneurship and innovation, and improving a declining sales tax base are just a few of the possible measures offered up to promote income growth and wealth generation by growing the state's GDP.

North Carolina's sales tax base continues to narrow, with a smaller percentage of consumer income spent on goods subject to the sales tax. Based on consumer spending, those goods and services subject to the state sales tax base have shrunk from 56.5 percent in the 1970s to 37.1 percent in the 2010s. In order to keep up with a declining tax base, state sales tax rates have increased from 3 percent to 4.75 percent since 1991.

North Carolina counties rely heavily on county-levied sales taxes to fund critical human services and public safety programs. Counties are required to set aside a sizable portion of the county sales tax revenues for school construction and capital needs, much of which is dedicated to school debt service. With an overreliance on property taxes to support community services (roughly 50 percent of total revenues), counties can ill afford to lose sales tax revenues or be restricted in the levy of sales taxes. As state leaders consider tax reform efforts, a broadening of the county's revenue base by allowing for greater revenue options and modernization of property tax administration are of interest to county governments.

Talking Points & Requested Action

- State tax reform efforts must recognize and protect the importance of county levied sales taxes and other county revenues
- Counties should be involved in crafting reform efforts targeted at county revenue sources
- Static hold harmless formulas that don't address future growth trends may hamper county service provision
- A broader menu of county revenue options would enable counties to restructure revenue streams to more closely match the local economy

For more information on this issue please contact Rebecca Troutman at (919)715-4360 or rebecca.troutman@ncacc.org

ITEM NO. 7

NORTH CAROLINA

ASSOCIATION OF COUNTY COMMISSIONERS

NCACC Legislative Brief

Issue: Rising healthcare costs for inmates in county jails

Seek legislation to limit the amount that providers can charge counties for inmate medical care to no more than what is allowed by the Department of Correction.

Background: Counties are legally obligated under federal and state law to provide adequate medical care to inmates incarcerated in jail facilities during their period of incarceration. Because inmates are typically in poorer health than the general population and are more likely to have chronic illnesses, costs associated with inmate medical care can be extremely burdensome and can substantially deplete county budgets. Exacerbating this fact is that counties often pay full price, or "rack rates," for inmate medical expenses, rather than discounted or negotiated network rates.

To alleviate this financial strain on counties, the NCACC seeks legislation that would cap county reimbursement rates for in-patient medical care at that which is paid by the Department of Public Safety, Division of Adult Correction (DAC). In the 2011 Appropriations Act (S.L. 2011-145), the Legislature limited the rate at which DAC reimburses medical providers to the lesser of either 70 percent of the then-prevailing rate or two times the then-current Medicaid rate for any service.

Counties can further contain inmate medical costs if authorized to bill Medicaid for in-patient medical services provided to inmates who are Medicaid eligible, similar to the state Medicaid eligible prisoners. However, the N.C. Division of Medical Assistance has interpreted state law, specifically G.S. 153A-216, to preclude counties from utilizing Medicaid as a payer of inmate medical care. DMA's reasoning is that counties are statutorily obligated to pay inmate medical expenses and, thus, to bill Medicaid would violate the "payer of last resort" clause in the Medicaid rules. To address this additional issue, NCACC seeks legislation that would clarify county responsibilities so as to allow Medicaid billing for inmate inpatient medical care.

Talking Points & Requested Action

- Counties need ways to save taxpayer dollars by containing jail inmate medical costs.
- Counties request legislation that caps reimbursements to medical providers at the rate paid by DAC and that allows them to bill Medicaid for inmate medical care.

For more information on this issue please contact Casandra Skinner at (919)715-7665 or Casandra.Skinner@ncacc.org