



North Carolina Association of County Commissioners

Memorandum

TO: Members of the North Carolina General Assembly
FROM: Kevin Leonard, NCACC Executive Director
DATE: MARCH 31, 2020
RE: Report to the Continuity of State Operations Working Group
House Select Committee on COVID-19

The NCACC was asked to provide information about on-going county response efforts and considerations for current and future needs arising from the COVID-19 pandemic. Thank you for seeking county input. The following information is for your information and review. Additional information may be forthcoming as the pandemic and response continues.

WHAT'S HAPPENING IN COUNTIES RIGHT NOW?

Key Points:

- **Counties are Carrying Out Mandated Functions & Services as an "Arm of the State"**
- **Many are Directly Related to the COVID-19 Pandemic Response**
 - Public Health; Social Services; Emergency Management
- **And Other Mandated Functions Must Continue and Are Adapting**
 - Register of Deeds; County Jails; Courts; Elections; Property Appraisals; Water and Sewer Services; Mental Health; Schools

WHAT IS NEEDED NOW TO HELP COUNTIES CONTINUE THIS WORK?

Key Points:

- **Need Supplies - Access to Personal Protective Equipment (PPE)**
- **Flexibility with Personnel Laws**
- **Flexibility with Open Meeting Laws and Remote Participation**
- **Broadband Solutions for Remote Work and School**

WHAT WILL COUNTIES NEED IN THE COMING MONTHS?

Key Points:

- **Economic Development Stimulus for Local Businesses**
- **Economic Stabilization for County Budgets**
- **Regulatory Changes/Flexibility**
- **Budget Timelines/LGC Guidelines**
- **Open Meetings/Public Hearing Law Reforms**

WHAT IS NEEDED NOW TO HELP COUNTIES CONTINUE THIS WORK?

Key Points:

- **Need Supplies - Access to Personal Protective Equipment (PPE)**
- **Flexibility with Personnel Laws**
- **Flexibility with Open Meeting Laws and Remote Participation**
- **Broadband Solutions for Remote Work and School**

Need Supplies - Access to Personal Protective Equipment (PPE)

- County Public Health Departments and Social Service Departments are literally one of the first lines of defense in this public health crisis. They are struggling to serve citizens with limited access to Personal Protective Equipment (PPE) as they must closely interact with the people they serve while attempting to maintain new social distancing mandates. Sometimes it is impossible to do.
- This includes county Child Protection Services and Adult Protective Services staff, who are required to perform their critical work and often cannot waive face-to-face interactions. They are doing so with limited access to PPE and trying to abide by social distancing requirements.
- County EMS and public safety officers are working to maintain order and take care of those who have medical emergencies. At the same time, it is the duty of county leaders to protect them from becoming sick themselves. Creating this balance sometimes presents challenges.

Flexibility with Personnel Laws

- Tens of thousands of North Carolinians are employed by a county. Both the county government and the school system (for which the county bears significant financial responsibility) are two of the top employers in every county in the state. Often, they are the top two employers in the county.
- Many of these approximately 70,000 county employees are carrying out front line work like public health services and emergency management operations during this crisis.
- County staff who work with critical public infrastructure, such as water and sewer plants, and solid waste facilities, must continue operations so that the public is continually served. This has required a new look at personnel policies when contemplating mandatory stay at home orders, and back-up plans for a sick workforce.
- The federal government continues to respond to the economic impact of COVID-19, and so are counties. They are extending leave to employees, developing creative ways to provide childcare so the essential county employees can continue to work, and working to move employees around if possible to perform the most needed job functions. While the federal government continues to work through and pass legislation, based on some of the legislation already passed, governmental employers are not eligible to receive social security tax credits for emergency paid sick leave and emergency FMLA under the Families First Coronavirus Response Act, for example. So, while counties are required to provide this emergency leave to employees and are quickly working to do so, they will not receive the tax credit benefit that private employers do.

Flexibility with Open Meetings Laws and Remote Participation

- As public bodies, counties must comply with open meetings laws and public comment requirements. County boards around the state are working to find creative, reasonable solutions to continue meeting in compliance with the open meetings law while providing access for the public as well.
- While the law does allow public bodies some ability to meet the current social distancing and other public health measures, there is a lack of clarity around mechanisms to vote remotely and allow for public comment and participation.
- To assist counties to provide funds for economic development purposes, a request to temporarily modify the public notice period in GS 158-7.1. Expenditures under GS 158-7.1 not included in the annual budget must provide notice and wait 10 days before holding a public hearing. Temporarily shortening this public notice period would allow counties to move the process forward more quickly.

Broadband Solutions for Remote Work and School

- Many county school children were already struggling with online connectivity, and now public schools are closed and all students have a need for online learning and access. Many counties, mainly rural counties, have significant challenges with accessing high-speed internet. Counties want to help the private sector build permanent or temporary infrastructure to get their internet services to the school children who now have to work from home.
- County Boards of Commissions and other county public bodies are having to create new methods and creative ways to adapt the public meeting laws, learning to meet electronically or finding new ways that allow public transparency and/or public comment via video or telephonic methods. The need for reliable high-speed access is great.
- With a statewide stay-at-home order now in place, many employees are required to work remotely when they are able. However, the patchwork of coverage across the state limits the ability of some employees and businesses to adapt to this new reality.

WHAT WILL COUNTIES NEED IN THE COMING MONTHS?

Key Points:

- **Economic Development Stimulus for Local Businesses**
- **Economic Stabilization for County Budgets**
- **Regulatory Changes/Flexibility**
 - **Budget Timelines/LGC Guidelines**
 - **Open Meetings/Public Hearing Law Reforms**

Economic Development Stimulus for Local Businesses

- Counties thrive when there is a strong local economy. County leaders are critically aware and desire that significant assistance be given to local businesses, particularly small businesses that are community-based. This could come in the form of state and federal stimulus funding as well as flexible regulatory changes. Counties request that the state allow as much flexibility for use of these funds so that county leaders have a chance to help navigate this assistance in the appropriate direction.

Economic Stabilization for County Budgets

- As explained in the Economic Support Working Group meeting, postponing income tax collection will shift revenue from the 2019-20 fiscal year to the 2020-21 fiscal year. This is the same challenge for counties when it comes to any sales tax delay. Sales tax makes up 14-20% of a county's budget. The economic impact of COVID-19 will likely severely reduce sales tax revenues, and the full impact is unknown.
- Last fiscal year, of the \$3.5 billion in local sales tax revenue distributed to local governments, \$2.3 billion was distributed to counties. Many counties are developing or have largely completed their budget preparation for the 2020-21 fiscal year. The economic and budget impact will be significant to counties, both because sales tax revenues will drop and if there is uncertainty about the expected distribution schedule.
- Counties will be hard pressed to balance their budgets, as they're required to do, for fiscal year 2020-21. They are also responsible for taking care of their employees, continuing to provide state mandated services, and perhaps most importantly, will need to work even harder to recover and get county operations, infrastructure, and capacity going again after this crisis recedes.
- Property tax rates and collections will also be impacted. At a time when counties will most need property tax revenue to provide mandated services, many will relax collection efforts on delinquent bills and may adjust property tax rates in response to the crisis.
- Counties will also need flexibility for vehicle inspection requirements prior to registration renewal to minimize the impact to tag and tax revenue, a cash flow that counties rely on to meet budget.
- Many counties are also suspending water and sewer service disconnection for nonpaying customers during this pandemic, and are, as a result, absorbing those costs. Utility service is necessary during this public health crisis, but counties cannot sustain this budget loss.

Regulatory Changes/Flexibility

Budget Timelines/LGC Guidelines

- Counties will need flexibility for budget deadlines and audit ramifications imposed under the Local Government Budget and Fiscal Control Act, as well as request their budgeted and expected revenue streams be maintained. Some counties with a scheduled 2021 reappraisal on an eight-year cycle may also need flexibility as property values will be negatively impacted.
- Counties are also responsible for public school facilities and allocated \$1.3 billion in 2019-20 alone for capital outlay and debt payments for public schools. This is in addition to the more than \$3 billion in local current expense funding county governments provide to school systems each year. While GS 115C-429 requires the local board of education to submit its entire budget to the board of county commissioners by May 15, there will be uncertainty in the timing and what to include in the budget. The county will, in turn, be challenged to know its full revenue picture and may be unable to pay for all of the local board of education's needs and requests.

Open Meetings/Public Hearing Law Reforms

- As stated above, there is a lack of clarity around mechanisms to vote remotely and allow for public comment and participation.
- To assist counties to provide funds for economic development purposes, a request is made to temporarily modify the public notice period in GS 158-7.1. Expenditures under GS 158-7.1 not included in the annual budget must provide notice and wait 10 days before holding a public hearing. Temporarily shortening this public notice period would allow counties to move the process forward more quickly.