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Cal Horton

From: Beau Mills [BMILLS@ncim.org]
Sent: Monday, March 18, 2002 4:48 PM
To: Azaffron@ci.carrboro.nc.us; keith.holliday@ci.greensboro.nc.us; rwright@ci.hickory.nc.us; sklut@ci.salisbury.nc.us; gdlang@mindspring.com; charlesmeeker@parkerpoe.com; Kevin Foy; billbell@udicdc.org; allen.joines@wachovia.com
Cc: RMorgan@ci.carrboro.nc.us; BColeman@ci.cary.nc.us; mconner@ci.durham.nc.us; gmcgee@ci.hickory.nc.us; dtrem@ci.salisbury.nc.us; bills@ci.winston-salem.nc.us; LORISC@cityofws.org; allenr@raleigh-nc.org; Manager; Michelle Lewis; Josephparkerbarbour2@yahoo.com
Subject: Metro Coalition Budget Task Force



March 20 - Draft Task Force recs.doc Mayors May Sue
Agenda.doc (4... (418 KB) 03-09-02 Durha... State Budget Task Force -

Attached is the information generated from our meeting in Durham 10 days ago (and a news article on the meeting).

Also attached is the draft agenda for the full Coalition meeting on Wednesday March 20 at the Coates Local Government Center (League office).

Call if you have any questions.

Regards,
Beau Mills
919.715.7895
mobile 919.218.0012
www.ncmetros.org



Building livable cities
for NC's future

NC Metropolitan Coalition

215 North Dawson Street, Raleigh, NC 27603, PO Box 3069 (27602-3069), Phone (919) 715-7895, Fax (919) 733-9519

EXECUTIVE COMMITTEE

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Mayor, Fayetteville

Director

William A. (Beau) Mills
phone: (919) 715-7895
fax: (919) 733-9519
bmills@ncm.org
www.ncmetros.org

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Board of Director's Meeting

State Budget

March 20, 2002

10:30 – 2:30pm

Albert Coates Local Government Center

10:30am

Welcome

Coalition Chairman, Mayor McCrory

Quick Update - Metro Alliance lunch meeting with urban chambers of commerce - Mayor McCrory

Introductions and city updates

Each city representative should give a short update on the impacts of the Governor's action on their city and citizens – 1-2 minutes each.

11:10am

Mayor's Budget Task Force Report

Task Force co-chairs - Mayors Bell and Joines

Discussion

12:00

Working Lunch

Buffet lunch – return to meeting room

12:30

Discuss the Coalition Strategy on the State Budget

Recommendations to the Governor

Potential for Legal Action

2:00

Press Availability – Lobby of Coates Building



NC

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Metropolitan Coalition State Budget Task Force Items for Discussion by Full Coalition – March 20, 2002

The NC Metropolitan Coalition joins the NC League of Municipalities and the NC Association of County Commissioners in opposing the Governor's escrow of local revenues to balance the state's FY01/02 budget. When the Coalition members met with the Governor on February 13 the Governor invited the local government representatives to identify other options to meet his obligation to balance the state budget. In response to the Governor's invitation, the Coalition formed a State Budget Task Force to review other options and help develop information for the full Coalition to consider at a special March 20 meeting.

The first finding of the Task Force was that the Governor had other options available to him instead of escrowing the local government funds. Given that he had these other options, the Task Force suggests the Coalition call on the Governor to release the local revenues and use some or all of the other sources that are legally and readily available to him.

Below are sources of funds that the Metropolitan Coalition's State Budget Task Force found that could be used individually, *or combined*, as alternatives to the Governor's escrow of \$209 million of local revenues. The list is in no particular order and the total funds available in each category are simply estimates that would require careful study with the Governor's staff and are included for illustrative purposes.

Tobacco Settlement funds – both Health and Tobacco Funds

The tobacco settlement was based on reimbursing state taxpayers for medical costs (Medicaid) associated with tobacco use. Preliminary research indicates that the Governor has access to between - \$150 million and \$200 million combined from these two funds available this year. Each of these funds represents 25% of the state's share of the Tobacco Settlement. The remaining 50% is designated the Golden Leaf Foundation – which the Governor would have difficulty tapping without legislation. The tobacco settlement also requires additional payments to the state next year.

\$150-200 million available

Economic Development Fund

The FY'01/'02 appropriation to the NC Dept of Commerce included a new \$15 million as discretionary funds for the Governor to use for economic development. The FY'00/'01 budget for this category was \$1 million. These funds are directly available to the Governor.

\$15 million appropriation to the Governor

Highway Trust Fund

The Highway Trust Fund carries a balance of at least \$544 million. In addition, there are commitments and programs from the Highway Trust Fund that could be delayed without impacting construction of roads, transit projects or jeopardize federal matching projects. The Task Force believes funds could be either borrowed or transferred without delaying projects currently in the TIP. For example supplementary funds have been set-aside from the Trust Fund for non-TIP project planning and traffic signal improvements.

At least \$90 million based on just the signalization and project planning alone

University Overhead Receipts

The overhead receipts represent funds that the institutions of higher learning get from grants and contracts (primarily from the federal government) based on the costs of overhead. These overhead receipts are for indirect costs such as maintenance and personnel staff and facilities costs, such heat and lights. These costs are paid by state appropriations and the theory is that research grant receipts to cover overhead costs could be used to offset any additional funds the Governor order reverted from the universities.

These funds are not directly accessible to the Governor, but he could revert funds from educational institutions based on some percentage of the overhead receipts.

\$80 million estimated receipts

Floyd Funds

The Governor has identified \$150 million in the Floyd fund that could be borrowed to balance this year's budget, but he did not include them on the balance sheet as of yet. Additionally, the mayors have suggested a careful analysis of the remaining

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program funds to ensure their continued need. It is suggested that local governments in the impacted areas be involved in the analysis.

\$150 million suggested by the Governor as available this year with repayment required

Sale of Assets

There are state real estate properties that could be offered for sale that could generate funds, which the Governor could designate to balance the budget. The transaction time for such sales could be overcome by using the funds to repay another source that could be borrowed in the short term (Floyd or Highway Trust Fund). Sale of state property requires Council of State approval.

Total is hard to estimate without inventory but the potential is great