

The proposed State budget for Fiscal Year 2018-19 was made available the evening of Monday, May 28, 2018. Below is the League's initial analysis of that budget, focusing primarily on items directly of impact to municipalities. Based on the process currently outlined, the budget as released will be voted on without changes later this week.

Note: All references to sections and p. numbers below refer to the legislative text of the budget bill, Senate Bill 99, which can be found here:

https://www.ncleg.net/Sessions/2017/Budget/2018/S99-CCSMMxr-2_v2.pdf.

Any references to the Committee Report can be found in this document:

https://www.ncleg.net/Sessions/2017/Budget/2018/conference_committee_report_2018_05_28.pdf.

KEY PROVISIONS

- Allows municipalities to expend property tax revenues to “supplement funding for elementary and secondary public education that benefits the residents of the city;” also allows local boards of education, charter schools, regional schools, and laboratory schools to request appropriations directly from a municipality; all of these changes are effective July 1, 2018 (Sections 38.8.(a)-(i), p. 257)
- Keeps Powell Bill funding consistent at total annual statewide appropriation of \$147.5 million (Committee Report, J 7)
- Provides millions of dollars in direct appropriations to specific municipalities, as detailed below

ADDITIONAL ITEMS

Transportation

- Prohibits any light rail project from receiving State funding until “all non-State funding necessary to construct the project” has been secured (Section 34.7.(a), p. 179)
- Makes changes to the area of law requiring cities to reimburse schools for any required municipal street improvements by prohibiting cities from making any zoning, rezoning, or permit request conditional on the waiver of that reimbursement; this statutory change is effective retroactive to August 1, 2017 (Section 34.18.(a)-(c), p. 183)

Commerce

- Makes changes to requirements for incentives and maximum grant amounts for “transformative” projects within the Job Development Investment Grant (JDIG) program (Section 15.1.(a)-(g), p. 135)
- Eliminates certain adjustments to economic development tier ranking system, including the adjustment for small population counties that designates them as Tier One and the adjustment that allows a Tier One designation automatically for two consecutive years; begins a move toward indexing counties’ economic performance by requiring the Department of Commerce to measure counties’ relative performance on economic distress factors, along with an offer of assistance to counties on how to improve their performance (Section 15.2.(a), p. 139); (Section 15.2.(f), p. 141)
- Makes certain changes to the Film and Entertainment Grant Fund, including reducing the maximum investment required to receive money from the fund for theatrical and television movies, and increasing the maximum amounts of the fund that can be awarded to films and television series (Section 15.4.(a), p. 141)
- Transfers \$5 million from the Industrial Development Fund Utility Account to the Coastal Storm Damage Mitigation Fund (Section 15.6.(a), p. 142)
- Provides more than \$3.08 million in downtown revitalization grants to 46 municipalities specified in the bill (Section 15.8.(a), p. 143)
- Provides an additional \$150,000 in economic development grants to 2 municipalities specified in the bill (Section 15.8.(b), p. 144)
- Provides \$924,000 for specific economic development projects in 7 municipalities (Committee Report, D 68)

Disaster Recovery

- Transfers \$60 million to the State Emergency Response/Disaster Relief Reserve and appropriates the money to a variety of disaster recovery activities, including \$10 million to the Golden LEAF for infrastructure grants to local governments and 501(c)(3) nonprofit corporations and \$3.6 million to the Department of Environmental Quality for continuation of landslide mapping (Section 5.6.(a)-(b), p. 11)

Department of Environmental Quality

- Changes related to the state's ability to address emerging contaminants, such as those related to the GenX concerns in the southeastern portion of the state, are included here, including additional funding for the Department of Environmental Quality and others; Section 13.1.(r) makes changes to the documentation National Pollutant Discharge Elimination System (NPDES) permit holders must submit at the time of their application for such a permit (Section 13.1.(a)-(r), p. 122)
- Diverts \$2 million of the funds credited to the Inactive Hazardous Sites Cleanup Fund for the assessment and remediation of pre-1983 landfills to fund the remediation activities at the Charlotte Motor Speedway in Cabarrus County (Section 13.2, p. 127)
- Specifies that nearly \$2.6 million appropriated to the Division of Water Infrastructure for water and sewer infrastructure grants be allocated to 4 municipalities for specified water and sewer system projects (Section 13.4, p. 128)
- Increases the amount of funding for aquatic weed control projects from \$500,000 to \$1 million (Section 13.6, p. 128)
- Extends the timeframe for studies and potential rules changes for Jordan Lake and Falls Lake (Section 13.8.(a)-(e), p. 130)
- Provides \$5 million for a grant to the Resource Institute, Inc. for the purpose of working with coastal local governments and engineering firms "to explore opportunities for the development and implementation of emerging techniques that can extend the useful life of beach nourishment projects" (Section 13.9.(a)-(b), p. 132)
- Directs that the funds appropriated this year for the Coastal Storm Damage Mitigation Fund be allocated to a specific project: a "locally sponsored project that is (i) derived from a regional management plan and formal interlocal agreement and (ii) authorized under a multidecade, programmatic permit authorization issued to the local sponsor" (Section 13.10.(a)-(b), p. 133)
- Creates as a special fund in the State Treasury the "Volkswagen Litigation Environmental Mitigation Fund" to handle funds received as part of the consent decree resolving litigation involving Volkswagen (Section 13.11.(a)-(c), p. 133)

Information Technology

- Appropriates \$10 million to the Broadband Infrastructure Office to begin the GREAT Program for development of broadband infrastructure in rural areas; entities eligible to apply for grants from the program are private providers of broadband services, including cooperatively organized entities (Section 37.1(a)-(b), p. 219-225) (Conference Report, G 6)

Finance

- Makes various changes and clarifications to sales tax definitions, including those related to the repair, maintenance, and installation services; the changes are not projected to have a significant impact on the amount of sales tax revenue collected by the State and local governments (Sections 38.5.(a)-(y) p. 238)

Agricultural and Natural Resources

- Provides the increased State funding necessary to draw down from the federal government an additional \$5 million for the Clean Water State Revolving Fund and an additional \$14 million for the Drinking Water State Revolving Fund (Committee Report, D 7)
- Provides 5 municipalities with a total of \$1.275 million in grants for water and sewer-related project (Committee Report, D 7)
- Provides 2 municipalities with a total of \$115,000 in grants for historic and rehabilitation projects (Committee Report, D 21)
- Provides an additional \$4 million to the Parks and Recreation Trust Fund, for a revised FY2018-19 appropriation of \$20.2 million (Committee Report, D 24)
- Provides 17 municipalities with a total of almost \$2.3 million in grants for various park projects (Committee Report, D 24)
- Provides an additional \$4 million to the Clean Water Management Trust Fund, for a revised FY2018-19 appropriation of \$18.3 million (Committee Report, D 28)

Justice and Public Safety

- Diverts some of the funding originally appropriated for body-worn camera grants to a school safety training simulator at Samarcand Training Academy (\$75,000), and for the Sheriff's Association to implement a statewide sex offender database (\$500,000). The remaining body-worn camera funding will now be distributed by the Governor's Crime Commission as grants only to local and county law enforcement in counties with less than 75,000 people. Grant recipients will no longer have to match each dollar of grant money received. (Section 16.7.(a), p.145)
- Directs the Department of Public Safety to conduct an annual survey of local, State, and federal users of Voice Interoperability Plan (VIPER) to track and measure user satisfaction and feedback (Section 16B.1.(c)); shifts \$16.5 million to upgrade and support VIPER (Section 16B.2, p. 147)
- Establishes a new Criminal Justice Fellows Program to provide forgivable loans to individuals pursuing Applied Associate Degrees in Criminal Justice at community colleges; recipients must work in an eligible criminal justice profession in counties with less than 75,000 people, for at least four out of five years following graduation. Eligible criminal justice professions include local sworn law enforcement officers, correctional officers maintained by local governments, and law enforcement telecommunicators (Section 17C-20 through 23, p.149-152)
- Provides that just over \$25 million of disaster recovery funding in the Emergency Management and National Guard Public Safety Budget will be spent for State-funded hazard mitigation, relocation gap funding, and flood insurance subsidies (Conference Report, E-9)

General Government

- Directs the secretary of the Local Government Commission to prescribe that the Finance Officer of each city and county report the total revenue received from building inspections, by type, and the total expenditures paid from all revenues received, by type, in semi-annual financial statements (Section 21.1.(a), p.162-163); inspections revenues and expenditures will also be incorporated as line items in IT projects to assist local governments in accounting and financial management (Section 21.1.(b), p.163)
- Provides \$1.31 million for grants-in-aid to municipalities for fire departments, law enforcement, and other municipal projects (Section 26.3, p. 168-170)

OVERALL SUMMARY

- Provides an average 6.5 percent pay raise for teachers
- Provides most state employees with a 2 percent salary increase
- Includes a one-time cost-of-living supplement for retirees of the state, legislative, and judicial retirement systems