

On May 31, 2019, the Senate gave final approval to its proposed State of North Carolina budget for the 2019-2021 biennium. The proposed budget is in [HB 966](#) (note: page numbers below refer to Edition 5 of HB 966). The most recent available version of the “money report,” which provides additional detail on budget appropriations, can be found [here](#). A number of the Senate proposals support the legislative priorities League member cities and towns voted to be part of [the 2019-2020 Municipal Advocacy Goals](#), and we thank the budget writers for supporting municipal interests in the budget proposal. Among the key proposals addressing municipal goals in the Senate budget were:

- Clarification regarding the application of the sales tax to online sales, which will ensure that the state and local sales tax on sales made over the Internet is collected and remitted by the seller;
- The creation and funding of a Viable Utility Reserve, which will provide grants to local governments to assist them in assessing the condition of their water and wastewater infrastructure;
- Providing disaster recovery funding, including funds to assist local governments with cash flow issues in the wake of natural disasters; and
- Funding for grant programs utilized by local governments, such as the Clean Water and Drinking Water state revolving funds, Clean Water Management Trust Fund, and Parks and Recreation Trust Fund.

Details on these proposals, along with many others impacting cities and towns around the state, can be found below, along with the page number they can be found on in the Senate budget and/or money report (*note: page numbers alone refer to the text of HB 966; lettered and numbered pages refer to the money report*). You can also see a comparison of the Governor’s budget proposal and the House budget proposal in [this spreadsheet](#). Visit [the Advocacy section of the NCLM website](#) to track how the budget and other legislation impacting municipalities progresses through the 2019 legislative session.

Statewide Items

- Transfers \$46.8 million to the Hurricane Florence Disaster Recovery Fund and appropriates these funds to various areas, including:
 - \$5 million to the Office of Recovery and Resiliency for grants and loans to local governments in disaster areas to assist with cash flow issues during disaster recovery;
 - \$10 million to the Department of Environmental Quality for disaster-related infrastructure and cleanup, including water and wastewater infrastructure; and
 - \$1 million to the Office of State Budget and Management for a direct grant to the City of Greensboro for tornado damage recovery projects (E 43-44)
 - Funding for a directed grant to the Town of Morehead City for creek renovation and dredging (E 44)

- Clarifies that the state and local sales tax applies to “marketplace facilitators,” which will increase local sales tax revenues by ensuring that the local sales tax applies to all online sales and is collected by the seller (p. 318)
- Defines an “accommodation facilitator” that markets and/or lists a property for rental, clarifies what taxes and fees apply to rentals made through an accommodation facilitator, and requires such facilitators to file an annual report detailing properties marketed and rented through the facilitator (p. 321)
- Extends the sunset of the historic rehabilitation tax credit for 4 years, to January 1, 2024 (p. 330)

Education

- No direct municipal impacts in this section of the budget

General Government

- Appropriates \$10 million each year in nonrecurring funds in FY19-20 and FY20-21 to the Workforce Housing Loan Program to assist with the development of multi-family affordable housing units across the state (F 78)
- Appropriates \$2.5 million to the Department of Commerce to provide matching grants to nonprofits to fund the planning and construction of affordable housing projects ([Amendment](#))
- Appropriates \$100,000 to the Town of Huntersville to study and abate the cause of frequent cases of ocular melanoma in the area ([Amendment](#))

Health & Human Services

- Directs \$500,000 of the funds appropriated to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services (Division), to be used in each year of the biennium for the continuation of the medication-assisted opioid use disorder treatment pilot program (p. 151)

Information Technology

- Provides an additional \$15 million in recurring funds in each year of the biennium for the GREAT program, which provides grants to broadband providers in rural areas of North Carolina; local governments are not eligible for grants from this program (G 9)

Justice & Public Safety

- Provides funding needed for positions required to fully implement the Juvenile Justice Reinvestment Act, also known as the Raise the Age law (begins on E 7)
- Provides funding for the Criminal Justice Fellows Program, which provides certain individuals with forgivable community college loans in order to pursue a law enforcement career in a rural North Carolina county. Also expands county eligibility to include

counties with less than 125,000 people or are designated as a development tier one area (E 23, p 235)

- Provides \$11.4 million for service and software contracts, and updates to the statewide VIPER system (E 37)
- Provides additional funding to support the State Search and Rescue Program, which helps fund search and rescue teams made up of local government employees (E 41, 43)

Natural & Economic Resources

- Appropriates \$48.3 million in Community Development Block Grant (CDBG) funds, including \$10 million for neighborhood revitalization, \$11 million for economic development, and \$25.7 million for infrastructure (p. 184)
- Codifies the creation of the Golden LEAF Foundation (p. 186)
- Reduces the qualifying expenses feature-length films and television series must meet in order to be eligible for grants from the Film and Entertainment Grant Fund, and allows the fund to spend up to \$1 million in each year of the biennium to support projects of students of a film program in the state (p. 189)
- Directs \$4.2 million of water and infrastructure grant funds appropriated to the Division of Water Infrastructure for water and wastewater projects in 7 local governments, and appropriates \$15 million for a 0 percent interest loan to the City of King for a wastewater system (pp. 194-195)
- Reallocates \$1.6 million originally appropriated to the PFAS Recovery Fund to four specified projects, including construction of a public water supply well in the Town of Maysville (p. 197, D 54)
- Writes into law many of the provisions of SB 536 Water/Wastewater Public Enterprise Reform, including the creation of a Viable Utility Reserve to issue grants to local governments and establishment of a process to assist in the identification of distressed local government utilities, but does not include a water and wastewater surcharge to fund the grant program; appropriates \$7.5 million in the first year of the biennium and \$10 million in the second year of the biennium to fund the Viable Utility Reserve (p. 198, D 47)
- Appropriates \$7.5 million in PARTF funds to 5 specific projects, including construction in downtown Raleigh of a public sculpture park to honor the role of African-Americans in the North Carolina's struggle for freedom, provided that \$1.7 million in non-State funds are raised to match the appropriation (p. 214)
- Appropriates funds to provide a State match for more than \$32 million in federal funds for a variety of water resources development projects (p. 288)
- Provides funding for a directed grant to Bessemer City for a Business Accelerator Program (D 28)
- Reduces funds transferred to the One NC, JDIG, and JMAC funds on a nonrecurring basis based on projected expenditures for the 2019-2020 fiscal year (D 34)

- Reduces the net appropriation to the Film Grant program and makes part of the appropriation to the fund nonrecurring, while transferring some of the fund's cash balance to other areas of the budget; appropriates a total of \$30 million to the fund for each year of the 2019-2021 biennium (D 35-37)
- Provides the required state match needed to draw down additional funds in the Clean Water and Drinking Water state revolving funds (D 55-56)
- Increases funds available to Clean Water Management Trust Fund through transfers from the Department of Commerce Special Fund (D 77, 85)
- Increases funds available for Parks and Recreation Trust Fund grants through transfers from the Department of Commerce Special Fund (D 86)

Transportation

- Maintains Powell Bill funding at \$147.5 million in each year of the biennium (pp. 11)
- Creates a Transportation Emergency Reserve to be used for providing relief and assistance from the effects of an emergency upon appropriation by the General Assembly, and funds the Reserve with 50 percent of the year-end credit balance in the Highway Fund, subject to certain limitations (p. 297)
- Requires the Department of Transportation to submit a report on Metropolitan Planning Organization and Rural Transportation Planning Organization voting power distribution by March 15, 2020 (p. 299)
- Codifies the Mobility/Modernization Fund (p. 301)
- Effective January 1, 2020, sets new fee amounts for certain electric vehicles and plug-in hybrid vehicles (p. 304)
- Provides additional funding to support commercial airports, for a total appropriation of \$75 million in each year of the biennium (J 28)
- Allocates \$658,000 in FY19-20 for repairs at the Global TransPark (J 30)
- Increases funding to the Strategic Transportation Investments Program (STIP) by \$20.9 million in the first year of the biennium and \$109.5 million in the second year of the biennium, for total appropriations of \$1.38 billion in FY19-20 and \$1.47 billion in FY20-21 (J 40)

Capital Improvements – General Fund

- Funds transferred to areas of municipal interest in this section of the budget (H 1) noted in other areas of this summary.

Statewide Proposals of Note

- Raises the salaries of state workers by 2.5 percent in each year of the biennium, and provides teachers with a salary increase of 3.5 percent over the two years of the biennium in addition to annual bonuses (pp. 263-271)