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**From:** North Carolina League of Municipalities <NCLM@mail.ncm.org>  
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## Legislative Session Winds Down

The General Assembly approved a crush of bills this week, as it began its more recent trend of a session end without end. Legislators left town Thursday after passing [an adjournment resolution](#) calling for them reconvene on six dates later in the year: July 10, July 29, September 9, October 8, November 19 and December 11. How much business they conduct on those reconvening dates is yet to be determined.

What is clear is that legislators left Raleigh without a comprehensive budget adjustment deal, as the House and Senate were unable to overcome major disagreements about overall spending levels. Legislators did approve two smaller spending measures, [SB 332 2023 Appropriation Act Changes](#) and [SB 357 Adjustments to the 2023 Appropriations Act](#), which along with the two-year budget approved last year, will determine state budgeting for the immediate future. Significantly for cities and towns, SB 357 shifts state American Rescue Plan dollars designated for local infrastructure by replacing it with state General Fund dollars. The move eliminates looming spending deadlines required of the federal dollars. This change, along with an appropriation of \$67 million for child care, are the only significant budgetary actions to be approved pending the reconvening dates.

Legislators also approved a proposed amendment to the state constitution, which will be put to voters in November, to clarify existing constitutional language that only US citizens can vote in the state. In addition, they overrode three vetoes of bills by Gov. Roy Cooper. Those bills changed election disclosure laws, mask wearing, rules affecting juveniles tried in adult courts and vegetation-cutting regulations affecting billboards. Finally, some of the legislation considered this week affected municipalities.

You can read about those bills below, and read more about the legislative session's temporary adjournment [here](#).

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## Local ETJ Changes to Become Law

Municipal extra-territorial jurisdictions (ETJ) continued to be a topic of concern as the legislative short session saw the end of its regular order of business this week. Among the blizzard of legislative activity, legislators finalized changes to the extra-territorial jurisdictions (ETJ) for the City of Southport and the City of King's Mountain. [HB 909 Various Local Provisions I.](#), will reduce King Mountain's extra-territorial jurisdiction (ETJ) from 2 miles to 1 mile beyond its contiguous corporate limits. Meanwhile, [HB 911 Various Local Changes II.](#) will totally remove Southport's authority to exercise its ETJ. The Southport provision originated in a different bill that was heard in several committees before ending up in this omnibus measure. Earlier this month, Southport officials spoke against the change and remain opposed to the bill. Local bills do not go before the Governor for his signature, so both bills will now become law on their respective effective dates.

These changes come on the heels of [SB 675 Land Use Clarifications and Changes.](#), filed during the 2023 long session, that would remove municipal ETJs from all counties with less than 50,000 in population. Though there was no effort to revive SB 675 this year, legislators continue to express interest in the removal of ETJ authority. NCLM's Government Affairs team will continue to monitor this issue, but we encourage municipal officials to discuss the value of ETJ with your local legislators.

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## Building Code Regulatory Reform Omnibus Bill Clears the General Assembly

The House and Senate have voted to approve a final version of this year's building code omnibus bill. [SB 166 2024 Bldg. Code Regulatory Reform.](#) establishes and reorganizes the Commercial Building Code Council and makes several changes to the code and other development regulations. While the bill moved quickly through the House during the first few days of the short session, it did not receive its final approval until this week. The bill now heads to the Governor, where it awaits his signature or veto stamp.

Throughout the session, League members and the NCLM Government Affairs team advocated for critical changes that preserve municipal authority and protect local revenue streams. Provisions of note for cities and towns include:

- **Section 1.1:** Prohibits a local government from requiring an existing customer to install a backflow preventer unless a hazard determination is made by the utility or the state.

- **Section 1.4:** Requires local governments to perform initial residential building plan review concurrently with other state, federal, and local development review processes. This section also imposes a refund for a portion of permit application fees for building permits not initially reviewed within 20 business days, a change from the bill's original version which imposed the refunds after 15 days.
- **Section 1.5:** Clarifies a local government may not withhold a building permit or certificate of occupancy for development improvements not yet completed, unless determined to be a public safety issue. The section also clarifies that public safety issues do not include landscaping or street lighting.
- **Section 1.12:** Requires local governments to conduct an inspection of improvements subject to a performance guarantee within 30 days of a request. If the local government and developer disagree whether the improvements meet local specifications, a developer may obtain a certification under an engineer's seal attesting the improvement meets the local specifications.
- **Section 2.1:** Prohibits a local government from adopting local fire prevention code standards beyond those required by the Residential Code.
- **Section 3.4:** Establishes the Building Code Permit Technician Certification program for local permit techs.
- **Section 3.6:** Clarifies that local government officials shall not make administrative decisions on the scope of work covered by architect or engineer seals of design affixed to plans.
- **Section 4.48:** Clarifies that, for the purposes of local stormwater programs, artificial turf is not considered built-upon area.
- **Section 4.9:** Prohibits public water and sewer systems from imposing unauthorized conditions for residential development. Those conditions, often negotiated during the conditional rezoning process, could not be imposed through utility development agreements. Another provision restricts local governments from using unauthorized conditions as metrics for a scoring or preference system to allocate water and sewer among residential development applicants.

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## Summerfield De-annexation

Despite complaints from House members – including a few who voted for the measure – the chamber gave final approval Thursday to the controversial de-annexation of property in the Town of Summerfield. The final 72-39 vote in the House for [HB 909 Various Local Provisions I](#) came after an initial vote and debate a day earlier in which several House members weighed in both on the de-annexation and the Senate's decision to put the provision into a more wide-ranging local bill. Other bill provisions included local measures both sought by cities and counties, and some opposed by them.

The House floor debate occurred on the same day that about three dozen people from Summerfield protested in front of the Legislative Buildings. Those favoring the measure

argued that the Guilford County town provides few services, effectively making it a “paper town.” They added that legislators should take a hard look at the service levels of “paper towns,” typically described as those with low numbers of services and often created to stave off past annexation efforts by larger cities. Summerfield officials have argued against state intrusion into their local affairs and cite the desire of residents to remain a community of single-family homes on larger lots. The de-annexation legislation was the result of a developer who wished to build a multi-family home development in the town, and town decisions that had effectively blocked the developer’s plans.

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## Limited Stormwater Exemption Passes

Legislators gave final approval on Thursday to a wide-ranging bill affecting farm regulations, including a measure creating a stormwater fee exemption for agricultural operations. [SB 355 North Carolina Farm Act of 2024](#) now goes to Gov. Roy Cooper to be signed into law. The stormwater provision was included in the bill only after League-suggested language intended to ensure that the exemption only applied to true farming operations. The bill, as originally written, prohibited cities and counties from imposing stormwater utility fees on properties used for “bona fide farm properties.” Because of the broad statutory definition of that term, NCLM staff was able to work with bill sponsors to establish some additional parameters requiring owners claiming the exemption to show actual proof of using the property for farm operations.

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## New Rules for Signs, Delivery of Permits and Radars pass in Reg Reform Bill

Amendments to a larger regulatory reform bill passed by the General Assembly this week would affect local governments in various ways, including requiring compensation of business owners when local sign ordinances lead to the removal of on-premise advertising signs. [SB 607 Regulatory Reform Act of 2024](#) now goes to Gov. Roy Cooper to be signed into law.

The sign-related [amendment](#) added to the bill as it worked its way through the legislature this week would require that cities and towns pay business owners for the cost of an on-premise sign and for its replacement when an updated sign ordinance causes a current sign to be nonconforming and leads to its removal. The House added that amendment and others. The legislation and its additions will also require cities to implement policies to send various permits issued by the city via mail or email if the recipient consents to email delivery, potentially necessitating a change in business practices for cities and towns. Another provision prohibits the assessment of certain fees related to drone operations and the installation of advanced air mobility radar systems to detect drones.

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# Senate Approves Bill Affecting Municipal Elections

The Senate gave its final approval to a bill change that could have far-reaching effects for municipalities in the state as they seek to make governance and election changes. [SB 88 Various Election Changes](#), among other changes, would limit local authority to make changes affecting the way local representation occurs.

The change provides that, in situations where the General Assembly altered the form of government of a city via a local act, that city would be prohibited from changing its form of government until after the next federal census is conducted after the local act goes into effect. The limitations would involve all those listed under [G.S. 160A-101](#), which currently authorizes municipalities to alter their form of government in various ways, including length of council terms, number of council members, type of elections and even how mayors are selected.

During floor debate this week, Sen. Julie Mayfield of Asheville proposed an [amendment](#) attempting to preserve the authority of the local elected officials and local voters to make election changes. The amendment was tabled, a procedural move that essentially amounts to a vote to defeat it while cutting off debate. Although the bill passed the full Senate by a 28-19 vote, it was not taken up by the House. The NCLM Government Affairs team continues to encourage your feedback on the bill and urges you to contact your legislative delegation with feedback as well.

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# Water System Scoring Provision Sent to the Governor

A bill that would have initially prohibited the use of preference scoring systems to allocate water and sewer capacity has been approved by the General Assembly, but only after a League-negotiated change that keeps those scoring system in place, though with some limitations. [SB 607 Regulatory Reform Act of 2024](#) was approved in the final rush of legislative activity on Thursday afternoon and now heads to the Governor's desk.

In the final version of the bill, water and sewer utilities will retain the ability to use a preference scoring system, however any scoring system cannot consider building design elements, minimum square footage, parking requirements, or additional fire apparatus access roads. NCLM staff also negotiated changes to clarify that any element authorized by law can be included in a utility agreement, and outlines elements that cannot be included, which are already not allowed under current law like building design elements, land use restrictions, and unauthorized impact fees.

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# General Assembly Votes to Make Local Elections Partisan in Forsyth County

The General Assembly this week passed into law a change that will mandate that local municipal elections in Forsyth County be partisan. [HB 1064 Various Local Provisions III](#) was approved despite opposition from local municipal leaders in the county. Informed of the bill language earlier this month, Forsyth County mayors quickly drafted and distributed a letter to members of the Senate Rules Committee to urge their opposition to the bill and also spoke in opposition during a committee hearing. Although the outcome was not favorable, the feedback that the Forsyth County mayors offered prompted a robust conversation around the importance of collaboration with local elected officials regarding issues that affect their communities.

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## New Laws Take Effect

[Ten laws will take effect](#) as the new fiscal year begins July 1, including [SB 677 Surveyors Right of Entry/Expedite Commercial Building](#), which establishes new rules intended to expedite the permitting process for commercial and multifamily building permits. Notably, the law requires local governments to review and issue a decision on eligible permit applications within 45 days of submission, with limited exceptions. The law also authorizes local governments to contract with licensed engineers and architects to perform third-party plan review of commercial and multifamily development plans. This provision also allows permit applicants to contract with an appropriately licensed architect or engineer for review if the local government fails to complete the review in time. There [are several other provisions](#) in the legislation that may impact your city or town and we encourage you to carefully review the law in its entirety.

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## C-PACE Financing Bill Clears Final Hurdle

A last-minute change to legislation authorizing C-PACE financing, which affects how commercial property owners can pay for upfront costs of certain energy efficiency projects, adds an unrelated provision allowing for the release of highly treated wastewater into low flow streams. [SB 802 C-PACE Program](#) was approved by both the House and Senate and now goes to Gov. Roy Cooper.

C-PACE, as provided by SB 802, is a financing tool that allows commercial property owners to finance the upfront cost for qualified energy and energy efficiency projects. Repayment of the amount financed would be secured by an assessment imposed on the improved property by a participating municipality. The C-PACE lien would be inferior to all prior and subsequent state, local, and federal taxes, or liens and superior to all other liens on the property.

In the final bill no city would be obligated to participate. For cities who choose to participate, they will require approval from county commissioners and would delegate to all billing and collection duties to the C-PACE financier.

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## Legislative Bulletin Schedule Note

NCLM's Legislative Bulletin will not publish next week, due to the July 4 holiday and the General Assembly being temporarily adjourned. We will be back the following week, bringing you the full range of news on the policy front affecting cities and towns.

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