



## House and Senate Stare Down Budget Differences

The House and Senate rolled out competing budget plans this week after failing to agree to an overall spending target, a difference typically resolved early the budget negotiation process. The disagreement over spending – with the House proposing spending roughly \$290 million more than the Senate – sets up the possibility of a lengthy stalemate between the two chambers.

Nonetheless, the House approved its plan, [HB 263 2024 Appropriations Act](#), in a 68-36 vote on Thursday. After unveiling [the Senate plan](#), chamber leaders sent it to their Appropriations Committee.

As the week began, Senate leader Phil Berger threatened to go home without any adjustments to the two-year budget approved in 2023, and the Senate bill is a heavily-scaled down spending plan that focuses on only a few priorities. Those include adding money to a private school voucher program, putting additional dollars into child care and spending more on Medicaid. Left out of the Senate plan: Additional raises for teachers and state employees (on top of those already scheduled to go into effect in the next fiscal year); about \$200 million in regional economic develop funds sought by the House; and \$80 million for state employee retiree COLAs.

While the \$31.7 billion House budget plan includes several proposals affecting cities and towns, the Senate bill contains very few. Significantly for the state’s municipalities, both proposals would shift \$887 million in federal American Rescue Plan dollars approved in 2021 for local infrastructure projects and replace the funding with state dollars. The change would eliminate a 2026 federal spending deadline for those

projects, many of them requiring substantial planning, engineering and administrative oversight as they move forward.

Other provisions in the House plan significant for cities and towns would:

- Provide for a study by the NC Collaboratory at UNC-Chapel Hill of PFAS treatment and strategies to assist in meeting EPA standards for the so-called forever chemicals.
- Remove \$35 million for a previously mandated Dare County affordable housing project and put that money into the state Housing Trust Fund.
- Put an additional \$40 million in the municipal Powell Bill street maintenance fund, bringing the revised appropriation to \$225.9 million.
- Provide \$65 million in additional money to the Strategic Transportation Improvement Program, based on a projected increase in revenues.
- Provide additional funding for the state Parks and Recreation Trust Fund, the Great Trails State Program and NC Land and Water Fund. Combined, the three programs would now receive \$73.5 million.
- Require that local ordinances in effect when a billboard was erected dictate the rules under which it could be replaced when a billboard is relocated due to state Department of Transportation right-of-way acquisition.

With the possibility of a budget impasse, it is unclear whether these provisions will become law. The new fiscal year will begin July 1.

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## Legislators Advance Omnibus Local Bills

Two local omnibus bills advanced this week as legislators scrambled to achieve various priorities before the legislative short session wraps up. The two bills include measures both requested by municipalities and not requested. [HB 909 Various Local Provisions I](#) provides a host of notable provisions, including the de-annexation of properties from Kannapolis and Summerfield, as well as the Washington-Warren Airport from the City of Washington. Additionally, the bill would reduce the City of King Mountain's extra-territorial jurisdiction (ETJ) from two miles to one mile beyond its contiguous corporate limits. These local provisions originated from several other bills filed during the 2023 long session and earlier in the short session. Some of the de-annexations were not widely supported by local officials impacted by the changes.

The second bill, [HB 911 Various Local Provisions II](#), contains provisions to de-annex properties from municipal boundaries in Boiling Spring Lakes and Newport. The bill would also establish residency districts for elections in the Town of Northwest and totally remove ETJ authority from the City of Southport, a move not supported by Southport officials. However, a few provisions supported by local officials within the bill include Henderson City Council vacancy clarifications, the removal of the satellite annexation cap from Laural Park, and an allowance for Woodfin to bill stormwater fees with property taxes.

Both bills received the approval of the [Senate State and Local Committee](#) and the [Senate Rules Committee](#) before being passed on an initial vote by the full Senate. Assuming the bills pass a second vote on the Senate floor, it will move back to the House for consideration.

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## **Elections Bill Change Could Have Far Reaching Impact on Municipalities**

A Senate committee on Thursday gave its 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](#) primarily deals with various changes to state laws governing absentee ballots. Before approving the legislation, the Senate Redistricting and Elections Committee added [an amendment](#) limiting local authority to make changes affecting the way local representation occurs.

The amendment 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.

The amendment effectively paralyzes the power of local governments who have been subjected to local acts, without specifically identifying: (1) how far back the local act had to occur; and (2) if there must be a similarity between the alteration made in the local act and any desired alteration in the future. Local acts can be, and often are, introduced at the urging of a municipality, but there are also times where local acts are introduced without a request from or knowledge of local elected officials. If approved as is, the bill could cement changes made years earlier, even as circumstances change.

The bill now moves to the Senate Rules Committee for consideration. The NCLM Government Affairs team encourages your feedback on the bill and urges you to contact your legislative delegation with feedback as well.

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## **Revised Bill Retains Utility Scoring Systems**

Water and sewer utilities will retain the right to use performance scoring systems and utility agreements under an agreement negotiated by NCLM staff. [HB 385 Various Energy/Environment Changes](#), with the negotiated changes included, is expected to be voted on next week. The original bill would have completely prohibited the use of preference scoring systems to allocate water and sewer capacity and included broad

and vague limitations on what water and sewer utilities can include in residential utility agreements.

The revised bill, unveiled in the Senate Judiciary Committee this week, will allow utilities to retain the ability to use a preference scoring system, but cannot include scoring for building design elements, minimum square footage, parking requirements or additional fire apparatus access roads. It is expected that an additional amendment will be included next week to clarify that residential utility agreements can include any element already allowed by law.

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