

End of Session Bulletin 2017 Long Session

July 26, 2017

NC LEAGUE OF MUNICIPALITIES

Fellow Municipal Officials of North Carolina,

Feel good. We've just had what was arguably the best legislative session for cities and towns in a decade, with the passage of many beneficial bills and the defeat of misguided or harmful proposals – with huge credit going directly to you. In concert with the League, you wrote, called, and met with your district's General Assembly members to keep them informed of how various bills would impact their constituents and businesses. Hundreds of you in March visited the Legislative Building with League-green ties and scarves for Town Hall Day, the League's signature day of advocacy, to carry a shared message about municipalities' role in jobs and economic growth. We were in the seats and at the podiums of committee meetings when important bills were being shaped. And, on numerous occasions throughout the session, our Legislative Action Committees alongside League staff visited with top lawmakers in Raleigh to keep the momentum.

You can't question the difference it made. Indeed, it even led to a rare floor-vote defeat of bad legislation that would have given the billboard industry damaging authority over local regulation of the placement, size and height of outdoor advertising. It's strikingly uncommon to see bills fail on the floor, and the wide 48-67 margin for this one was reverberant. During floor debate, many legislators highlighted the bill's potential to harm local control and development visions -- points you relayed to them during your constructive, relationship-building outreach. That kind of teamwork additionally helped a crucial revenue-flexibility proposal win a near-unanimous "aye" vote in the House Finance Committee -- in itself, a milestone. That's how it's done. And the examples are many. Beginning on page 13 of this document, you will find descriptions of many bills affecting municipalities and their outcomes for the 2017 legislative session.

We call the legislative session of an odd-numbered year a "Long Session," when the General Assembly starts afresh with local and statewide proposals and focuses on the time-consuming development of a new state budget. While some Long Sessions have nearly eclipsed the calendar year, lawmakers in 2017 were able to conclude regular business with an approved budget before the July 4 holiday (and in time for the new fiscal year, though with plans to gavel back in for brief sessions in August and September for special considerations). That budget is another positive mark for cities and towns. It invests in downtowns and in specific projects meant to help communities grow. It creates a new site fund to assist local governments' improvement of public infrastructure at publicly owned or controlled industrial sites. It refuels the state's film grant program. It provides needed additional funding to aid the ongoing recovery from 2016's natural disasters, including Hurricane Matthew. And much, much more.

The League was also instrumental in guarding against the potential negative impacts of bills, like the industry-backed measure concerning small cell wireless facilities and local regulation. Before the bill even moved, the League engaged in extensive negotiations to ensure that cities would retain oversight over matters of concern such as public safety, space between facilities, aesthetics and appearance, utility undergrounding policies, and historic districts. The League also negotiated other terms more favorable to cities than in the filed version of the bill.

One of the most talked-about items of the year for our members concerned the water- and sewer-growth related fees that local governments have collected for community and economic development. A series of recent court actions had thrown governments' authority to collect those vital fees into jeopardy and became the focus of a top advocacy goal for cities and towns this session. The League worked tirelessly with stakeholders on all sides of the issue to secure approval of legislation that assured local authority to collect these fees. It also limited potential liability from any future adverse court rulings on the matter. It was one of the most important changes of the session -- especially when you consider that the bill in question started out as a proposal to ban these fees altogether.

This isn't to say the session cruised along without bumps. Not every bill delivered a positive outcome. But to put it in context (magnified for greater detail on page 6 of this document), look at the advocacy goals that cities and towns set for this legislative biennium, which were in the interest specifically of better fiscal health and economic growth, municipal authority, and public infrastructure.

Your work with the League on those fronts is to be congratulated. Not only did you strengthen ties with lawmakers and each other, you contributed to good policy and promise for the future.

We thank our Governmental Affairs team, under the leadership of League Executive Director Paul Meyer and Associate Executive Director of Public and Government Affairs Rose Vaughn Williams, for their service during this session. Paul, Rose and their team are available and ready to assist you. Do not hesitate to contact the team members with any questions, for help in setting up meetings, or for other assistance that can further League goals and priorities. (Contact information can be found in/on page 65 of this document.) Each of us looks forward to continuing to work with you in the future pursuing a successful course for all North Carolina municipalities.

Sincerely,

The Officers of the League's Board of Directors



*Bob Matheny, 2017 NCLM
President, Mayor of Zebulon*



*Mike Lazzara, NCLM Vice-
President, Jacksonville Mayor
Pro-Tem*

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Legislative Session in Context

In each legislative session, the actions of state lawmakers and the proposals that they consider can be dictated by larger trends and forces that may have little to do with the majority of the statewide issues that they are attempting to address. The 2017 legislative session was no different. Even so, League staff and members still pursued the goals of cities and towns, sometimes with and sometimes against these stronger currents. Let's take a look at a few of those larger forces and how the League fared in coping with them.

HB 2, the “Bathroom Bill”

Since the passage of the so-called “Bathroom Bill” in 2016, the legislation, the business community's response to it, and legislative supporters' defense of it shaped a lot of ebb and flow of the General Assembly. While the League immediately opposed the bill on the grounds that it usurped local control, League staff also took steps to try to prevent other policy considerations of cities and towns from being affected by any blowback. Still, through one full annual legislative session, a portion of another, and two special legislative sessions, the politics of the bathroom bill often pushed aside other issues. Interestingly enough, the deal struck between legislative leaders and Gov. Roy Cooper on a partial repeal of the legislation came on Town Hall Day in March, forcing the governor to miss a scheduled appearance before League members. Once that deal was struck and the partial repeal bill passed, the issues surrounding the legislation slowly and largely faded into the background. By the end of the legislative session, for many legislative insiders, the effects of how that one bill affected so much of everything else that had occurred over the preceding year had become a distant memory.

Redistricting

State legislators came into this year's legislative session well aware that they would likely be drawing new legislative districts before the end of the year. The bigger question was whether the courts would force new elections under new districts immediately or in 2018. The threat of unknown districts has a way of making legislators a bit more cautious than they would otherwise be. A likely result was that some controversial legislative proposals – including harmful sanctuary city sanctions that could subject cities and towns to frivolous claims – were dropped from consideration. By the initial legislative adjournment at the end of June, the courts appeared unlikely to force legislative elections in 2017, but part of the reason that legislators decided to reconvene was because of the likelihood that they would be drawing new districts for 2018. And those new districts will almost certainly put some incumbent legislators in districts where their re-election prospects will be more difficult than in the past.

Rural and Urban

With a number of legislative leaders from more rural areas of the state, it should come as no surprise that they would raise policy proposals intended to stem trends, such as population loss, adversely affecting those areas. While that has occurred, the League has been emphasizing solutions that would benefit all areas of the state. We also have been making the point that damaging urban areas will ultimately damage rural areas and their residents too, and that the economic fate of all parts of North Carolina are woven together. It is a point that has begun to resonate, but how best to help reverse these tides – many of them global – pushing against rural North Carolina is a topic that will continue to be a legislative focus.

Municipal Gains

In this shifting and sometimes difficult environment, cities and towns enjoyed their most productive legislative session in many years. It wasn't easy, and as mentioned, there were still bills filed and a few which passed that were not good for cities and towns. Nonetheless, faced with a court decision that imperiled water and sewer development capacity use fees, also known as impact fees, a lot of hard work by League members and staff led to the overwhelming approval of legislation that authorized these fees going forward and limited potential legal liability for any previous fees charged. Legislation that would have severely restricted local oversight of billboards was defeated on the House floor vote, another indicator of how more legislators understand connections between local authority and pursuing decisions that make the most sense for local economies. In the area of small cell wireless technology, the League expressed concerns about aspects of legislation that sets the stage for placement of facilities in municipalities, but was at the table and helped craft improved bill language in a number of areas. And this year's budget bill makes investments in cities in a number of ways, including more direct grants for downtown redevelopment and the creation of new sources of money for infrastructure investment. Finally, the League also worked on legislation that could pave the way for some good results in the future. Legislation to provide for a municipal-only sales tax – which would help cities and towns to diversify their sources of revenue - cleared a House committee before being held up at the end of session. The League also worked on a bill to ease the way for public-private partnerships to bring high-speed Internet to more areas of North Carolina. Although it too didn't gain approval, this work and future efforts around the issue will hopefully set the stage for a solution that brings crucial, 21st Century infrastructure to a larger swath of North Carolina communities.

For more than 100 years, the League's mission has been to serve cities and towns on a variety of fronts and to advocate on their behalf....It is truly a privilege to play a part in building a brighter future for cities and towns all across North Carolina, and in turn, improve the lives of all North Carolinians. The diversity of our towns and cities is to be celebrated, and state policymakers need to see it for what it is – a strength that attracts an array of economic activity and provides residents with a choice of lifestyles and experiences. In many ways, this rich diversity of North Carolina cities and towns represents the embodiment of the freedom upon which this country was founded.

-NCLM Executive Director Paul Meyer



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Advocacy Goal Achievements

- **Goal: Seek legislation eliminating municipalities' repayment of water- and sewer-growth related fees ... and provide municipalities with the authority to assess going forward**

Passage of HB 436 Local Government/Regulatory Fees established clear authority for these development related capacity fees, and limited liability for municipalities with existing fees.



- **Goal: Seek legislation to increase state-level funding for municipal infrastructure needs**

Passage of SB 257, state budget bill, allocated more dollars for various transportation related programs, Site and Building Development Fund and the Clean Water Management Trust Fund, as well as creation of new N.C. Sites Ready Fund.



- **Support sufficient funding for competitive films incentives, historic preservation tax credits, and Main Street Solutions Fund**

Passage of SB 257, state budget bill, increased film grants and provided numerous individual grants for downtown development projects. Passage of SB 223 Exclude Tiers 1 & 2 From JDIG Cap also made more incentive funding available in some areas of the state.



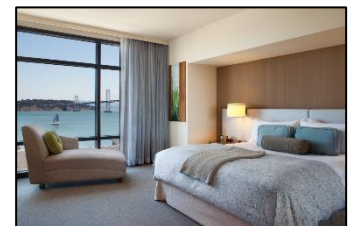
- **Support legislation defending the fiscal integrity of the Local Government Employees Retirement System**

SB 467 North Carolina Retirement Reform would have barred future local government employees from the defined benefits of LGERS, and put them instead in a defined contribution plan. It did not pass. HB 497 Retirement System 2 percent COLA/Funds would have initially included LGERS in cost-of-living adjustments beyond those supported by investment gains, but LGERS was dropped from the bill; numerous other bills affecting benefits and increasing costs did not pass.



- **Seek legislation to allow room occupancy tax revenues to have more flexibility**

SB 522 Omnibus Occupancy Taxes would allow new occupancy taxes for some cities and towns, and provide flexibility sought by the City of Jacksonville; a compromise bill passed the House, passed an initial vote in the Senate, and is expected to gain final approval when legislators reconvene in August.



Municipal - Related Legislation in the News

- **[HB 900 Safe Infrastructure & Low Property Tax Act](#)**

This bill would have established an option for municipal residents to approve a municipal-only sales tax to create local revenue flexibility.

Passed House Committee, did not receive floor vote

- **[HB 581 Revisions to Outdoor Advertising Law](#)**

Would have undermined local control – including the location of billboards

This legislation was defeated on the floor of the House after vigorous efforts in opposition by the League and other groups.

- **[HB 142 An Act to Reset S.L. 2016-3](#)**

This is the bill that repealed portions of HB 2, the so-called bathroom bill. It was approved in March, and helped clear the air for other policy considerations.

Passed into law

- **[HB 310 Wireless Communications Infrastructure Siting](#)**

This bill paves the way for the siting of new small cell wireless communication technology, including its placement in public rights-of-way. The League remained neutral on the bill, while negotiating with industry officials and legislators for protections related to public safety, aesthetics, and application and permitting process.

Passed into law

- **[SB 145 Government Immigration Compliance, HB 113 Pvt Action Local Compliance/Immigration Laws](#)**

These immigration related bills would have sought to punish any cities violating a 2015 state ban on sanctuary city policies despite no evidence that cities in North Carolina are violating the law. The League raised concerns that both bills, but particularly the House bill, could lead to frivolous claims against cities and towns, forcing them to spend local tax dollars defending complaints with no basis in fact.

Each bill passed their respective chamber, but not the other, so have not yet become law

- **[HB 243 Strengthen Opioid Misuse Prevent \(STOP\) Act](#)**

This legislation helps combat the opioid epidemic by, among other things, clearing the way for local law enforcement agencies to distribute an opioid antagonist to those at-risk of an overdose and grants them immunity from civil and criminal liability. The legislation comes as many municipalities have been active in forming task forces to fight the opioid epidemic.

Passed into law

- **SB 94 Elections Transparency, HB 64/SB 206 Municipal Elections in Even-Numbered Years, SB 285 Equal Representation for Asheville.**

The first three bills would have usurped local control over municipal elections by requiring either that all be held on a partisan basis or only in even-numbered years. The fourth bill required that Asheville change their elections from all at-large to all district-wide. League members, meanwhile, had adopted a Municipal Advocacy Goal that municipal elections be determined based on local municipal authority.

Three statewide bills failed. The Asheville local bill passed.

- **HB 68 BRIGHT Futures Act**

This legislation was intended to help facilitate public-private partnerships that would bring fiber optic connections and high-speed broadband to more areas of the state.

Passed the House, was not taken up by the Senate

- **SB 630/HB 564 Revise IVC Laws to Improve Behavioral Health, SB 181 First Responders Act of 2017**

These three bills, in part, would have helped to address concerns regarding the strains put on local law enforcement officers when providing custody to individuals in crisis, due to mental health issues and others.

The first bill passed the Senate; the second passed a House committee

- **HB 26 Workers' Comp/Approval of Disputed Legal Fees**

This bill came in response to a court case, Wilkes v. City of Greenville that could have created a legal assumption for all North Carolina employers, including municipalities, that a future medical condition is causally related to a past injury for which an employee was compensated. The bill would put the presumption back on the employee to demonstrate the link.

The bill was unanimously approved by both legislative chambers

- **HB 2 Provide Certain Property Tax Relief**

This bill began life as a measure giving a complete property tax exemption to disabled veterans and the spouses of surviving emergency personnel who had died in the line of duty, and would have done so with no state appropriation to hold local governments harmless from the revenue loss. It was altered to cap the exemption at \$100,000.

Passed the House, was not taken up by the Senate

Bill Summaries

Bills tracked by the Governmental Affairs
team throughout the 2017 Long Session

Bill Summary- Overview

Over the course of the 2017 session of the North Carolina General Assembly that concluded on June 30, the League’s Governmental Affairs Team tracked 367 bills in its online tracking system. Of those, 69 were deemed as being of “Critical” or “High” importance to cities. You will find summaries of many of those bills below, including descriptions of how key provisions affect the operation and governance of cities and towns, as well as the legislative politics that accompanied their consideration. The bill numbers and titles are linked below. The links will take you to each piece of legislation in the League’s bill tracking system. Beside each bill number and title is a designation: Law, Ratified, Eligible/Likely Eligible for Short Session, or Dead/Likely Dead.

The designations indicate the following:

- **Law:** Passed by the General Assembly and now Session Law, either with the Governor’s signature, the Governor’s inaction regarding the bill, or as a local bill over which the Governor has no say.
- **Ratified:** Passed by the General Assembly but not yet acted upon by the Governor (as July 24, 2017).
- **Eligible/Likely Eligible for Short Session:** Bills passed by either the House or Senate before the “crossover” deadline are eligible for consideration in the 2018 Short Session. Among the other bills eligible for consideration in 2018 are local bills, bills directly and primarily affecting the State budget, and bills primarily affecting any State or local pension or retirement system.
- **Dead/Likely Dead:** Bills that did not pass either the House or Senate typically are ineligible for consideration in the Short Session. It is not unprecedented, however, for seemingly dead bill language to appear in Short Session legislation.

Bills below are divided into five general categories: [Tax & Finance](#), [Local Bills](#), [General Government](#), [Planning & Land Use](#), and [Environment and Utilities](#). If you do not see a bill summarized that you are interested in, please contact any member of the League’s Governmental Affairs team or visit the League’s bill tracking site. A number of these bills address advocacy goals chosen by cities and towns as their top legislative priorities for 2017. For a full list of Municipal Advocacy Goals, see [Appendix II](#).



Tax & Finance/Budget

SB 467 North Carolina Retirement Reform (Sens. Wells, Rabon, and Rabin) – **Eligible/Likely Eligible Short Session**

SB 467 would switch the current retirement system model for all of the statewide pension systems, including the Local Government Employees Retirement System (LGERS), from a defined benefit system to a defined contribution system for new hires after July 1, 2018. It would not affect existing employees' pension structure. The bill received one discussion in the Senate Pensions Committee, but no vote was taken and lawmakers warned the changes could hamper employee recruitment and have fiscal impacts beyond those that the bill seeks to address. The bill would, as currently written, stand at odds to an advocacy goal that cities and towns set for this year to support legislation that defends the fiscal integrity of the Local Government Employees' Retirement System (LGERS) and its defined benefit structure, promotes reasonable pension reforms that are prospective in nature, and meets the needs of local employees, employers, and retirees.



Kim Hibbard, NCLM General Counsel

In discussions, bill sponsors cited the state's large, unfunded liability in providing pension and health benefits to state retirees and said this bill would address that. However, the bill would also close LGERS for new employees, despite LGERS being funded solely by local governments, their employees and system investment gains, meaning state funds are not at issue with LGERS. The League asked sponsors to provide an opportunity to gain consensus, gathering opinions for all affected stakeholders prior to such a large policy change.

HB 497 Retirement Systems 2 % COLAs/Funds (Reps. Jordan, Hurley, Strickland, and Malone) – **Eligible/Likely Eligible Short Session**

As originally proposed, HB 497 would have provided a 2 percent cost-of-living adjustment (COLA) to retirees in both the Local Government Employees Retirement System (LGERS) and the Teacher and State Employees Retirement System (TSERS). However, the House Pensions Committee removed mention of LGERS from a proposal. The League requested LGERS be removed because the LGERS Board already has the authority to grant a COLA to retirees; to

require one legislatively would be an unfunded mandate on local government employers. A legislatively mandated COLA of 2 percent would have meant that local governments' contribution rate for general employees would rise an additional .6 percent for FY2017-18 at a cost that would total more than \$250 million. Although this bill was not passed, the legislature provided state retirees a 1 percent COLA in the 2017 Appropriations Act and that did not affect local government retirees or employers.

HB 284 25-Year LEO Retirement Option (Reps. Murphy, McNeill, Rogers, and Malone) – Eligible/Likely Eligible Short Session/SB 199 Law Enforcement Officer Retirement/25 Years (Sens. Britt, Cook, and Sanderson) – Dead/Likely Dead

HB 284, which would provide an additional retirement option for law enforcement officers, passed the House this last week of the legislative session but was not taken up by the Senate. Under the bill, law enforcement officers could retire after 25 years of service, regardless of age, but would receive a reduced retirement benefit. The proposal would also allow the employer to offer and negotiate a separation buyout to an officer who chooses to retire prior to reaching eligibility for the special separation allowance. The League expressed appreciation to legislators for finding an additional retirement option that is revenue neutral for employers.

The House bill was one of two proposals that emerged this session regarding the pension benefits that officers would receive if they retire after 25 years of service, instead of 30 years. SB 199 would provide officers their full pension benefit after 25 years of service, which would have resulted in increased costs to the retirement system -- one that would be paid by employers through a significant increase in the contribution rate they pay to the pension system for officers. Additionally, this proposal would extend the period that a retiring officer would be eligible for that officer's special separation allowance -- a benefit that is unique to law enforcement and is used as a gap filler until social security benefits can be received. The cost of extending that benefit would be borne solely by the budget of the local government employer. The Senate bill was opposed by the League and received no consideration in the Senate.

HB 340 Firefighter Special Separation Allowance Firefighters/RSW (Reps. Dollar, Malone, Saine, and Clappitt) – Eligible/Likely Eligible Short Session/SB 355 Special Separation Allowance for Firefighters (Sen. Woodard) – Eligible/Likely Eligible Short Session/SB 396 Special Separation Allowance for Firefighters (Sens. Tarte and Horner) – Eligible/Likely Eligible Short Session

HB 340 would provide firefighters and rescue squad workers with an extra post-retirement benefit called a "special separation allowance" and passed the House without a funding mechanism to support the significant added cost to local governments. However, there was discussion by many legislators in committees of the substantial cost to local government employers and the need for there to be a way to fund the benefit.

Both SB 355 and SB 396 would provide a firefighter special separation allowance benefit similar to what was seen in HB 340. In all three bills, this benefit would be in addition to the firefighters' pension benefit and would serve as a gap-filler from the time of retirement until the age of social security eligibility. According to an actuarial analysis provided by the state for HB 340, the present total value of the additional benefit for local employees is \$298 million -- the cost of which is paid solely by the last employer. In remarks to the committee about the proposal, the League explained that without a funding mechanism this benefit is an unfunded legislative mandate on the local government employer, coming at a time when there have been many recent legislative constraints on municipalities' revenue authority. The League asked for a funding mechanism in the bill and requested support of additional revenue options for cities and towns. The Senate did not consider any of these bills.

[HB 183 Retirement Admin. Changes Act of 2017.- AB](#) (Reps. Collins, Ross, McNeill) – Law -- SL 2017-129 effective various dates/**[HB 115 Retirement Technical Corrections Act of 2017.-AB](#)** (Reps. Dulin, Ross, and McNeill) – Law -- SL 2017-125 effective July 20, 2017/**[HB 176 Pensions Integrity Act of 2017.- AB](#)** (Reps. Collins, Ross, McNeill) – Law -- SL 2017-128 effective various dates

The [North Carolina Department of State Treasurer](#) is the agency that oversees the administration of North Carolina's pension systems, including the Local Governmental Employees' Retirement System. Many of its requested legislative proposals that related to those pension systems passed in the last weeks of session. Much of the contents of HB 183 and HB 115 make various administrative changes to the laws governing those systems. HB 176 aimed to prevent and detect fraud, waste, and abuse and ensure fiscal integrity of the state pension systems. Among other provisions, it included an extension to the length of current interest-free payment plans for monies owed to the retirement system under the anti-pension spiking contribution-based benefit cap from 12 months to up to 15 months to provide for more time and allow payment plans to cross fiscal years. It additionally required that pension spiking reports that are currently required to be sent to chief financial officers also be transmitted to the governing board of the employing agency. The bill also set a floor on the employer contribution rates for state and local retirement systems, preventing employer contribution holidays to help ensure the systems remain well funded. There may be additional new proposals affecting the pension systems in the short session, since State and Local Retirement Systems are a topic that is specifically authorized for new legislation in 2018.

[HB 161 Divestment from Companies That Boycott Israel](#) (Reps. Ross, Szoka, and Hardister) – Ratified/**[SB 329 Divestment from Companies That Boycott Israel](#)** (Sens. Tucker, Gunn, and Brock) – Dead/Likely Dead

HB 161 prohibits companies that divest from Israel from contracting with state agencies, which includes political subdivisions of the state (such as local governments). It also amends the existing Sudan and Iran divestment statutes to all follow the same structure.

HB 904 North Carolina Rural Job Creation Fund (Reps. Ross, Goodman, Collins, Faircloth)—Dead/Likely Dead

Of all the economic development proposals offered in the Long Session, the one contained in HB 904 was perhaps the most complex. The measure, which only received one committee vote, created a new economic development program that used state appropriations as seed money to capitalize and match private funds, which in turn would be invested in rural businesses via loans. Contributing to its length, the bill set out parameters for the private investment funds, including required amounts raised, return on investments, number and types of jobs created, location of businesses, and repayment terms to the State. Finally, the measure proposed to appropriate \$50 million for a new state fund that would provide the seed money for these private investment funds.

SB 257 Appropriations Act of 2017 (Sens. Brown, Harrington, and B. Jackson) – Law – S.L. 2017-57 – effective various dates



(L-R) Pilot Mountain Commissioner Gary Bell, Albemarle Council Member Martha Sue Hall, Cornelius Police Chief Bence Hoyle

The State budget passed during this legislative session was much less contentious than the previous Long Session in 2015, when legislators needed multiple continuing resolutions to keep the state funded into the new fiscal year while they negotiated a budget agreement. This year, legislators presented their agreed-upon budget to Gov. Roy Cooper on June 22. He subsequently vetoed the budget on June 27, and by the next day both chambers had voted to override the governor's veto and the budget became law before the

new fiscal year began July 1. The budget was primarily a positive one for municipalities, including more than 100 local communities that received direct appropriations for projects in their jurisdictions. The League prepared [a spreadsheet detailing all of the municipal-related proposals](#) in the Senate, House, and final versions of the budgets. Among the budget provisions that should benefit municipalities across the state are continued funding for the Powell Bill; funding for grant programs such as the Clean Water Management Trust Fund, Parks and Recreation Trust Fund, and Film and Entertainment Grant Fund; and an exemption for cities from budget transparency requirements that were passed two years ago. Among areas of concern in the budget are a requirement that municipalities reimburse schools for any transportation improvements that a city or town mandates; restrictions on Powell Bill spending for sidewalk projects into which obstructions such as a mailbox or utility pole are built; and a study of local

government water and sewer rates and interfund transfers. More details on all of the budget provisions impacting municipalities can be found in [the League's breakdown](#).

[HB 522/SB 126](#) Change the LOST Adjustment Factor (Rep. Lewis/Sen. Brown) – Eligible for Short Session

Distribution of local sales taxes was a hot topic in the 2015-16 legislative session, and that discussion continued in 2017 with the filing of SB 126 and HB 522. Both bills would have eliminated so-called “adjustment factors” that are currently applied to local sales tax revenues derived from the ½-cent sales tax authority in Article 40 before they are distributed to counties. The result would have been a shift in local sales tax revenues, with some local governments gaining revenue as a result of the plan, and others seeing a reduction in sales revenues. SB 126 moved through the Senate shortly before the crossover deadline, but it was never considered by the House of Representatives. It remains eligible for consideration in 2018.

[HB 2](#) Provide Certain Property Tax Relief (Reps. Dollar, Saine, Hardister, and R. Turner) – Eligible for Short Session

As originally filed, HB 2 would have expanded the existing property tax exemption for disabled veterans to include the full value of their property. It also would have created a new property tax exemption for the surviving spouse of certain emergency personnel killed in the line of duty. Initial estimates were that these changes to the property tax exemptions would cost local governments upwards of \$25 million in revenue annually, with many of the losses concentrated in areas surrounding military installations. After cities and counties raised concerns that these changes could require local property tax increases, a later version of the bill that passed the House restricted the property tax exemption to the first \$100,000 of property value, and instituted a hold harmless payment from the state to local governments for any revenue reductions realized as a result of the change. The League appreciates House members responding to local government concerns. HB 2 was not heard by the Senate upon being received from the House and remains eligible for consideration in 2018.

[SB 170/SB 171/SB 172](#) Remove Limits on Light Rail Funding (Sen. Ford) – Eligible for Short Session

Each of these three bills would have removed a restriction on the amount of state funds that may be spent on light rail projects. SBs 171 and 172 also would have made varying changes to the caps on the amount of state and regional funds that may be spent on commuter rail or light rail projects. While none of these three bills received a hearing in the Senate, the cap on state funds that may be spent on light rail projects was repealed in the House's version of the budget. That repeal did not make it into the final version of the budget, though, so the cap on state funding for light rail projects remains in place.

HB 900 Safe Infrastructure & Low Property Tax Act (Reps. Ross and Saine) – Likely Eligible for Short Session

HB 900 was the League’s centerpiece legislation for this session and would have achieved a long-standing high-priority goal for League members. For years, municipalities have voiced their desire for additional revenue-raising tools at the local level to reduce volatility in revenues that results from having only the property tax as a municipally-controlled source of revenue. As initially filed, HB 900 would have allowed municipal governing boards to put before their local voters one of three possible revenue-raising tools, and only levy the chosen source of revenue if it were to be approved by the voters. With League support, the bill was amended as it made its way through the legislative process and eventually resulted in giving cities the authority to put before their voters a ¼-cent sales tax that would be levied only within municipal limits and for which all of the proceeds would be returned to the municipality. The revenues derived from the sales tax could only be used to improve public infrastructure or facilities, or for economic development purposes. HB 900 received near-unanimous approval from the House Finance Committee before being referred to the House Rules Committee, where it was scheduled to be heard late in the session before being removed from the calendar and never added back. The League thanks legislators – particularly Rep. Steve Ross – for their support of this legislation in the House, and we look forward to continuing to work to diversify municipal revenue sources in 2018 and beyond.

SB 81 Sales Tax Economic Nexus for Remote Sales (Sens. Tucker, Brock, and Tillman) – Eligible for Short Session

Under current law, states cannot collect sales and use taxes from retailers unless that retailer has a “physical presence” in the state. This puts local brick and mortar stores at a competitive disadvantage compared to online retailers who do not always charge and remit local sales taxes. League members have been supportive of efforts to level the playing field by allowing for the collection of sales taxes on online purchases, including a [Municipal Advocacy Goal](#) this year to support federal e-fairness legislation. SB 81 would have helped achieve such goals by expanding the definition of remote sales and clarifying the definition of “retailer” and the applicability of the sales tax. It also could have set North Carolina up to be involved in [litigation similar to that currently underway in South Dakota](#). SB 81 passed the Senate but was not heard by the House before this year’s adjournment.

HB 795/SB 660 Economic Development Incentives Modifications/SB 618 EDGE Committee Draft (Reps. Martin, Szoka, Ross, and Fraley/Sens. Brown, Britt, and Lee) – Likely Eligible for Short Session

A major point of discussion at the legislature in recent years has been the state’s system for assigning counties to economic development tiers and whether there was a better way to assess economic prosperity around the state. At the same time, some legislators have proposed changes

to the state’s Job Development Investment Grant (JDIG) program, including measures to limit the amount of this incentive money that would be available for the state’s most prosperous counties. Each of the three bills listed above attempted to address various aspects of the economic tier system and the state’s incentives program, including JDIG. Eventually, SB 660 emerged as the primary vehicle for these proposed changes. As it passed the Senate, among its many changes would have been a provision capping the amount of JDIG money that could go to Tier 3 areas at 50 percent of the total amount available, and a revision to the economic tier system to base it on each county’s performance in various economic indicators indexed against the performance of the State. A revised version of SB 660 that emerged from the House late in the session would have removed the cap on JDIG funds but made other changes to the tier system, including changing the number of counties in each tier and eliminating certain adjustment factors that can change a county’s tier designation. Some local governments around the state expressed concern about these changes and how they would affect their county’s current tier designation. This version of SB 660 was not voted on by the House before adjournment, leaving the issue of economic tiers and incentive funds for further consideration in 2018 and beyond.



Durham Mayor Bill Bell and Mayor Pro-Tem Cora Cole-McFadden at Town Hall Day 2017

[SB 223 Exclude Tiers 1 & 2 from JDIG Cap](#) (Sens. J. Jackson, Britt, and Newton) – Eligible for Ongoing Session

SB 223 began as a bill entitled “Habitual Felons/Clarify Previous Convictions” before going through several iterations and eventually emerging from a conference committee in its current form. That form – Exclude Tiers 1 & 2 From JDIG Cap – states that neither “transformative projects” (a term defined elsewhere in statute) nor

projects wholly in a Tier 1 or Tier 2 area (or a combination of those two areas) are subject to the single-year caps on funding from the Job Development Investment Grant program. While the House approved the conference report prior to adjournment, the Senate has not yet given its final approval, meaning the bill would likely be eligible to receive that final vote from the Senate in one of the upcoming sessions in calendar year 2017.

[HB 473/SB 358](#) Film & Entertainment Grant Fund Appropriation (Reps. Grange and Dulin/Sens. Lee and Lowe) – Eligible for Short Session

Both of these bills would have increased the State's appropriation to the Film and Entertainment Grant Fund to \$55 million on a recurring basis. This fund supports the production of film and television projects across the state, which is a key part of many local economies. Support for this fund was one of the League's [Municipal Advocacy Goals](#) this year. While neither of these bills received consideration this year, the State budget did appropriate \$15 million to the fund this fiscal year and \$31 million in FY2018-19. Including available fund balance, a total of \$33.6 million is projected to be available to the Film and Entertainment Grant Fund in FY2017-18.

SB 616 Limit Look-Back for Immaterial Irregularities (Sen. Davis) – Eligible for Short Session

SB 616 would make changes to the process by which counties could address issues regarding property that has not been appropriately taxed due to a failure on the part of the county levying the tax. Among those changes are a limitation of collection of back taxes to five years and applying interest on late payments only prospectively. SB 616 passed the Senate unanimously but was not considered by the House this year.

SB 69 Local Gov't Comm/Finance Officer Training (Sens. Davis and Tarte) – Law – S.L. 2017-105 – effective July 12, 2017

In 2016, the General Assembly authorized the Local Government Commission (LGC) to require local finance officers to attend training related to their powers, duties, and responsibilities, in certain instances when the LGC deemed it was necessary. S.L. 2017-105 requires the LGC to notify local employees of any training that is required of them, and requires the employer of those individuals to submit in writing to the LGC proof of those training requirements having been met. The League will continue to work closely with LGC to ensure the continued fiscal health of municipalities across North Carolina.

Local Bills

[HB 4 Fairmont/Voluntary Annexation](#) (Rep. Pierce) – Dead/Likely Dead

[HB 109/SB 103 Fayetteville Annexation](#) (Rep. Floyd/Sen. Clark) – Dead/Likely Dead

[HB 262/SB 261 Kannapolis Deannexation](#) (Rep. Ford/Sen. Brock) – Law – SL 2017-84

[SB 6/HB 255 Cornelius Annexation](#) (Sen. Tarte/Rep. Bradford) – Law -- SL 2017-70

[SB 105 Fairmont Vol. Annex; Troutman Land Use Reg.](#) (Sen. Britt) – Law – SL 2017-76

[SB 260 Wake Forest Annexation](#) (Sen. Barefoot) – Law – SL 2017-47

[SB 266 Durham and Walkertown Annexations](#) (Sen. McKissick) – Law – SL 2017-80

[SB 289 Various Deannexations](#) (Sen. Rabon) – Law – SL 2017-85

While a number of non-controversial bills involving annexation and de-annexation moved through the General Assembly, one controversial measure – SB 289 Various Deannexations –



(L-R) Franklin Mayor Bob Scoot, Winston-Salem Council Member Denise Adams, Shelby Council Member Dennis Bailey, members of NCLM Board of Directors

also passed during the session. The legislation, filed by Sen. Bill Rabon of Southport, came a year after he had filed a similar measure to de-annex three parcels in the Town of Sunset Beach. That 2016 legislation did not pass both chambers. The latest bill initially de-annexed just one of the parcels, home to a senior living facility that was the subject of the 2016 bill. Once the bill moved to the House, though, an additional provision was added to remove a neighborhood from the corporate limits of Kinston. The addition came without any warning to the Kinston City Council or discussion between the city staff and the neighborhood homeowners association.

Both the City and League raised objections, but the provision stood and the bill passed.

[HB 143 Sanford and Harnett Occupancy Tax](#) (Rep. Sauls) – Eligible/Likely Eligible

[HB 211 Increase Sampson Occupancy Tax](#) (Rep. Brisson) – Eligible/Likely Eligible

[HB 429 City of Saluda Occupancy Tax](#) (Rep. Henson) Eligible/Likely Eligible

[HB 444 Rowan County Occupancy Tax Changes](#) (Rep. Ford) – Eligible/Likely Eligible

[HB 531 Dare County Local Tax Clarification](#) (Rep. Boswell) Dead/Likely Dead

[SB 13 Sanford Occupancy Tax](#) (Sen. Rabin) Dead/Likely Dead

[SB 283 Modify Jacksonville Occupancy Tax](#) (Sen. Brown) – Dead/Likely Dead

[SB 552 Omnibus Local Occupancy Tax](#) (Sens. Tillman and Cook) – Eligible/Likely Eligible

Legislators ultimately combined various local occupancy tax measures into a single bill, SB 522, and both chambers agreed to allow changes sought by the other in how different localities could spend hotel occupancy tax revenues. That agreement came a year after a contentious end-of-session debate that caused legislators to walk away from occupancy tax legislation, a rift created

by very different philosophies between the House and Senate on occupancy tax spending rules. Despite the agreement this year, the Senate still failed to take a final vote necessary to put the compromise into law. However, that compromise conference report is likely to receive a final vote when the General Assembly reconvenes in early August. If so, the legislation would allow the City of Jacksonville to spend the proceeds of local occupancy taxes on infrastructure projects, within certain limitations. The Town of Saluda and the City of Sanford would be authorized to charge 3 percent occupancy taxes.

HB 398 Brunswick County/Municipal Meals Tax (Rep. Iler) – Dead/Likely Dead

This bill would have allowed either Brunswick County and/or individual municipalities within the county to levy a prepared meals tax of up to 0.5 percent. The tax could have been spent only on beach renourishment or infrastructure. The bill never moved through any committee and was not considered on the House floor.

HB 459 Carteret Local Option Sales Tax for Dredging (Rep. McElraft) – Eligible/Likely Eligible

This bill would allow Carteret County to levy a temporary ¼ cent sales tax, by referendum, for dredging and waterway maintenance. It was approved overwhelmingly by the House but not taken up by the Senate. Once the revenue raised by the tax reached \$20 million, the tax would expire.

HB 514 Permit Municipal Charter School/Certain Towns (Rep. Brawley) – Eligible/Likely Eligible

This legislation, approved by the House but not taken up by the Senate, would allow the Town of Matthews and Town of Mint Hill to organize and operate charter schools. Employees of the school would be considered municipal employees.

SB 122 Repeal Centerville Charter (Sen. Barefoot) – Law – SL 2017-43

This bill allowed the Town of Centerville, in Franklin County, to be dissolved and repeal its charter. The town of 89 residents decided to pursue the action after they said they did not want to levy property taxes to pay for administration and the sole service, street lighting, provided by the town.

SB 285 Equal Representation for Asheville (Sen. Edwards) – Law – SL 2017-83

This bill to require district elections for Asheville City Council seats was approved over the objections of local officials and as they planned to hold a referendum to hear determine voters' wishes on the issue. Asheville currently elects its city council on an at-large basis, which has led to complaints by GOP legislators that Republicans are effectively excluded in a city that is largely Democratic. The change will not affect the election of the mayor, who will still be chosen at-large.

General Government

[SB 94 Elections Transparency](#) (Sen. Rabin) – Eligible/Likely Eligible Short Session

[HB 64 Municipal Elections in Even Number Years](#) (Reps. Warren, Conrad, Bert Jones, and Collins) – Eligible/Likely Eligible Short Session/**[SB 206 Municipal Elections in Even Number Years](#)** (Sens. Edwards and Brown) – Eligible/Likely Eligible Short Session

Multiples bills mandating how municipal elections are conducted were proposed this Session -- running counter to the League's 2017-18 advocacy goal to "support legislation that provides for municipal elections to be determined by the local municipal authority." SB 94 would shift all local offices currently elected on a nonpartisan basis to partisan, affecting primaries and elections held on or after Jan. 1, 2018. The proposal would include municipal, board of education, and certain judicial seats. Current law provides that municipalities can hold either partisan or non-partisan elections and provides for the ability to change that method through legislation or in the municipality's charter.

Additionally, companion bills were filed in the House and Senate seeking to move all municipal elections to even-numbered years by 2022, aligning them with state and federal contests. HB 64 and SB 206 detail how the transition would happen and how it would impact elected officials' terms. Sponsors argued that the move would save on costs of running elections in odd-numbered years and increase voter participation. The League, however, expressed concern that requiring all municipalities to shift their elections as such could have unintended consequences, and that it should be for the individual municipality to decide. These bills came on the heels of a 2016 law that authorized a study of the issue, declaring that "it is the intent of the General Assembly to provide for even-numbered year municipal elections, effective with the 2020 election cycle." The result and recommendation of that study was due before the General Assembly convened this year, but the study was not carried out. While none of the three bills received any consideration by either chamber and therefore didn't technically "cross-over," any bills related to elections laws are eligible to be considered in the short session.



Cary Council Members Jack Smith and Ken George with Rep. Robert Reives (center)

HB 843 Municipal Election Schedule & Other Changes (Rep. Lewis) – Eligible/Likely Eligible Short Session/HB 528 Budget Technical Corrections (Reps. Millis and Torbett) – Ratified

Among other changes, HB 528 includes a provision to grant the executive director of the Bipartisan State Board of Elections and Ethics Enforcement flexibility in administering the 2017 municipal elections calendar by to reducing the canvass period. The League believes this authority could help to

address timing problems discovered by the State Board of Elections for some 2017 municipal election schedules. The House Elections and Ethics Law committee had previously considered HB 843, but it was never considered by the full House. Proposed adjustments in HB 843 included changes to certain primary dates and candidate filing dates and the elimination of the right to demand a second primary.

HB 165 Citizens Review Boards Established (Reps. R. Moore and Quick) – Dead/Likely Dead

HB 165 authorizes cities and counties to create citizen review boards for the purpose of investigating certain misconduct by law enforcement officers in that jurisdiction. Allows these boards to investigate complaints against law enforcement officers made by members of the public; review internal investigations, including personnel records; subpoena witnesses; compel the production of evidence; and make decisions on disciplinary actions, among other powers. This bill was referred to the House State and Local Government I Committee, but never received a committee hearing.

SB 456 Increase De-Escalation Training for LEOs (Sens. McKissick, Daniel, and Britt) – Dead/Likely Dead

SB 456 would add component to law enforcement training courses to train officers on how to de-escalate crisis situations, including those involving persons suffering with mental illness. The bill did not receive any consideration in the Senate.

HB 37 LEO Protection Act (Reps. Malone, Dollar, Conrad, and Jackson) – Eligible/Likely Eligible Short Session

HB 37 would protect municipal law enforcement officers who report improper or unlawful government activity from retaliation, limiting a law enforcement agency's ability to discharge an officer and running counter to the League's member goal of "Supporting municipal authority over municipal personnel issues." Stakeholders noted that the bill may encourage frivolous complaints by officers to avoid being disciplined. However, the bill passed the House with beneficial changes that required complaints be in writing, provided an exemption for law enforcement agencies that have retaliation policies/procedures, removed treble damages provisions, and made it a Class 2 misdemeanor to make a false report. The bill was not considered by the Senate.



Hundreds of municipal officials gathered for Town Hall Day 2017

SB 596 Protect Law Enforcement Officers (Sens. Barringer, Randleman, and Newton) – Dead/Likely Dead

SB 596 would create new rights and related causes of action for law enforcement officers who face retaliation—either from their supervisors or other law enforcement officers—for reporting in writing violations of the law; fraud; misappropriation of state and local government resources; substantial and specific danger to the public health and safety; and gross mismanagement, gross waste of monies, or gross abuse of authority. The bill did not receive any consideration in the Senate.

HB 181 First Responders Act of 2017 (Reps. Warren, Clampitt, Ford, and Potts) – Eligible/Likely Eligible Short Session

HB 181 includes many provisions beneficial to public safety officials, including one in the spirit of a League advocacy goal to reduce strain on law enforcement officers. Part III of the bill would allow company police to take custody of persons believed to be mentally ill and potentially harmful, until official transportation and placement is arranged. That's a change from the current practice, in which law enforcement officers are the ones taking custody, and are called to hospitals for that purpose. The League's board in October 2016 adopted a goal to support legislation that bolsters the state's mental health and intellectual/developmental disabilities treatment resources, including resources and solutions to lessen the strain on sworn law enforcement officers when providing custody of individuals in crisis.

Other provisions of interest include:

- The creation of a \$250 income tax deduction for a person who works as an unpaid member for a volunteer fire department, volunteer rescue department, or an EMS squad and attends at least 36 hours of training during the year.
- The creation of a property tax homestead tax exclusion for property of a surviving spouse who has not remarried of an emergency personnel officer who was killed in the line of duty.
- The expansion of the eligibility for assistance from a local firefighter relief fund by removing the requirement that a firefighter have served at least five years.
- The creation of new hate-crime considerations for offenses against emergency personnel.
- A study by DOT of ways to improve access of emergency personnel to the interstate system within the state for the benefit of public safety.

HB 388 Modernize Mutual Assistance Statutes (Reps. McNeil, Faircloth, and Meyer) – Eligible/Likely Eligible Short Session

HB 388 would allow the head of a local government law enforcement agency to provide temporary mutual aid to a requesting agency without specific authorization from the local governing board, unless the board adopted an ordinance specifically prohibiting or limiting such mutual aid. This would streamline the process by no longer requiring a city or county to pass a resolution to assist and have the agencies obtain a mutual aid agreement, reducing paperwork and potential liability involved when a law-enforcement agency provides assistance to another agency -- especially in a time of emergency.

HB 315 Kelsey Smith Act (Reps. Hurley, Faircloth, McNeill, and Williams) – Eligible/Likely Eligible Short Session

HB 315 would allow a law enforcement agency or public safety answering point, in certain emergency situations, to request a user's cell phone call location data from a wireless service provider. Offers immunity to wireless service providers in these situations, and creates a state-level database of emergency contact information for all wireless service providers registered to do business in the state. The proposal is meant to help find missing people where the length of time to obtain the information another way would significantly reduce the chance of preventing death or serious physical harm. The bill did not receive any consideration in the Senate.

HB 138 Revise Gang Laws (Reps. McNeill, Faircloth, Hurley, and R. Turner) – Ratified

HB 138 makes changes to the laws governing criminal gang activity to create criteria for classification of criminal gang membership, create a sentencing enhancement for certain crimes committed by gang members, and increase the penalties for certain gang-related offenses. The proposed bill was the result of an interim Justice and Public Safety subcommittee on gang statutes and made recommendations regarding changes to make the gang statutes more helpful to law enforcement and prosecution.

SB 630 Revise IVC Laws to Improve Behavioral Health (Sens. Hise, Krawiec, and Randleman) – Eligible/Likely Eligible Short Session/ **HB 564 Revise IVC Laws to Improve Behavioral Health** (Reps. Dobson, S. Martin, Lambeth, and Malone) – Dead/Likely Dead

Filed as companion bills, both SB 630 and HB 564 would revise the state's involuntary commitment (IVC) laws and contain provisions in the spirit of a League advocacy goal to reduce strain on law enforcement officers. SB 630 passed the Senate and will be eligible for consideration by the House in the short session. The bills among many other changes, would do the following:

- revise the process for law enforcement officials that take custody of and transport individuals subject to an involuntary commitment order to their first commitment examination;
- require local mental health management entities to formulate a local area crisis services plan for these custody and transportation services, developed through a stakeholder process that includes local law enforcement agencies;
- give more flexibility to law enforcement officers performing these duties in the event that the designated facility does not have commitment examiners available, allowing transport of the individuals to a wider array of facilities; and
- grant additional authority to cities and counties in formulating their plans for custody and transportation of these individuals.



Rep. Garland Pierce leads off a police issues forum the League held with the Legislative Black Caucus

HB 243 Strengthen Opioid Misuse Prevention (STOP) Act (Reps. Murphy, Davis, Malone, and Horn) – Law -- SL 2017-74 effective various dates/**SB 175 Strengthen Opioid Misuse Prevention (STOP) Act** (Sens. J. Davis, McInnis, and Rabon) – Eligible/Likely Eligible Short Session

The STOP Act, legislation to address the state's opioid crisis, received some of the strongest consensus of the session and was also a priority of the governor. HB 243 and SB 175 were filed as companion bills, and the House bill was what was ultimately

negotiated into law. HB 243 had more than half of the House's membership on its list of sponsors and received a unanimous final vote the last week of session. Local municipal officials are well aware of steep increase in opioid-related deaths and dependencies, and the League believes this legislation is an important step in addressing the crisis. The law includes a requirement on

prescribers and pharmacies to check the prescription database before prescribing opioids and allows local governments to support needle-exchange programs. Separately, the state's budget creates a pilot program in the Department of Public Safety, in conjunction with the City of Wilmington, to establish a Quick Response Team to work with qualifying local entities to address the needs of opiate and heroin overdose victims who are not getting follow-up treatment.

[HB 63 Citizens Protection Act of 2017](#) (Reps. Warren, Collins, Jordan, and Adams) – Eligible/Likely Eligible Short Session/**[SB 145 Government Immigration Compliance/Immigration Laws](#)** (Sen. Sanderson) – Eligible/Likely Eligible Short Session/**[SB 188 No Powell Bill Funds/Sanctuary Cities](#)** (Sen. Rabon) – Eligible/Likely Eligible Short Session/**[HB 113 Pvt Action Local Compliance/Immigration Laws](#)** (Reps. Cleveland, Conrad, Millis, and Speciale) – Eligible/Likely Eligible Short Session

Many proposals to financially penalize so-called "sanctuary cities" in North Carolina were considered this session, some of which would put local government funding in jeopardy if any person alleged a local government or its law enforcement agency was not in compliance with state immigration law – an unprecedented enforcement mechanism in North Carolina.

These four proposals follow similar attempts in the 2016 session to pass a bill to deter local governments from violating the legislation passed in 2015 that prevented cities from adopting ordinances or policies giving limited safe haven to undocumented immigrants (so called "sanctuary city" policies). Throughout consideration of the various proposals in 2016 and 2017, the League expressed to legislators that all municipalities were currently complying with the 2015 sanctuary city laws, so the passage of deterrence legislation wasn't necessary, especially when the proposals had the potential to use state and local taxpayer resources to investigate and defend baseless claims. Local, state, and national news outlets continue to report that there are no known sanctuary cities in North Carolina.

As proposed, HB 63 and SB 145 both lay out a process by which a local government may be stripped of certain state and local revenues -- such as Powell Bill funds or proceeds from beer and wine sales, video programming and telecommunications services, and piped natural gas -- if the state attorney general's office finds that a local government violated state laws related to local enforcement of federal immigration laws. However, an amendment, suggested by the League and offered by [Rep. John Faircloth](#) changed the language of HB 63 so that the revenues at issue would no longer be withheld for an entire fiscal year. Many of those revenues are spilt into multiple disbursements throughout the year; with the change, once a local government's action is corrected, the local government would be eligible to receive disbursements again. Under both bills structure, dubious allegations could consume investigatory time at the attorney general's office and threaten local revenues (completed unrelated to the issue the bill seeks to address) that drive important public services. HB 63 just received one committee meeting in the House; SB 145 passed the full Senate, but wasn't consider by the House. A separate but topically similar proposal, SB 188 was not taken up for consideration; it proposed to withhold Powell Bill funds

from a municipality if the DOT found it was in violation of the sanctuary city prohibitions put into law in 2015 – without detailing how the DOT would make that determination.

HB 113 would create a new private cause of action for any local government resident against their unit of local government when that person believes the local government did not comply with state laws related to acceptance of identity documents or enforcement of federal immigration laws. It would authorize an action for declaratory and injunctive relief and allow a court to impose a penalty against a local governmental unit that fails to comply with a court's order in these actions, up to \$10,000 per day. While the proposal does allow for the prevailing



Board Members attend 2016 Advocacy Goals Conference

party to be awarded attorney's fees and court costs payments, local governments are rightfully concerned that they would not be able to recover those costs from someone bringing a baseless claim. That proposal passed the House, but wasn't considered by the Senate.

HB 306 E-Verify Required – All Government Contracts (Reps. Millis, Cleveland, Conrad, and Collins) – Eligible/Likely Eligible Short Session

HB 306 would increase the number of E-Verify checks required of cities. Specifically, the bill would require that any contractor or subcontractor performing work pursuant to a contract with a unit of government, including municipalities, must utilize the federal E-Verify system to ascertain the work authorization of each employee of that contractor or subcontractor. Current E-Verify requirements are limited to contractors and subcontractors who employ 25 or more employees in the state. HB 306 would not change current law that E-Verify requirements do not apply to contracts solely for the purchase of goods, apparatus, supplies, materials, or equipment. HB 306 passed the House, but was not considered by the Senate.

HB 128 Prohibit Drone Use Over Prison/Jail (Reps. McNeill, Torbett, and Faircloth) – Ratified

HB 128 creates criminal offenses that make it unlawful to use an unmanned aircraft system ("drone") near prisons and jails, creating exceptions from the default distance restrictions. However, the facility can provide consent to a drone user to fly within restricted area; and there are exceptions for use of drones by authorized law enforcement, public utilities needing to make inspections (if notice is provided), and first responders or emergency management responding to an emergency.

HB 337 Unmanned Aircraft Systems Law Revisions (Rep. Torbett) – Law -- SL 2017-160 effective various dates/HB 94 Emergency Management Drone Use (Reps. Speciale, Pittman, Torbett, and Cleveland) – Eligible/Likely Eligible Short Session

HB 337 makes various changes to state laws governing unmanned aircraft systems (“drones”), including (1) repealing a limitation on the use of special imaging technology, (2) exempting use by emergency management agencies for emergency management purposes from state restrictions, and (3) aligning state law permitting requirements for commercial operation of unmanned aircraft systems with federal law (clarifying that state requirements cannot be more restrictive). The bill specifies the following as permissible emergency management functions: incident command, area reconnaissance, search and rescue, preliminary damage assessment, hazard risk management, and floodplain mapping. HB 94 included similar provisions related to emergency management agency use of drones, but was not considered by the Senate.

SB 155 ABC Omnibus Legislation (Sens. Gunn, Blue, and Harrington) – Law -- SL 2017-87 effective various dates

Known broadly as the “brunch bill,” SB 155 makes various changes to the Alcoholic Beverage Control Commission Laws, including allowing local governments to adopt ordinances to allow establishments that hold a “licensed premises’ permit issued under G.S. 18B-1001” to sell alcoholic beverages beginning at 10 a.m. on Sundays (instead of noon). Through discussions with the N.C. Retail Merchants Association and N.C. Restaurant and Lodging Association, the League provided cities and towns interested in allowing early sales in their jurisdiction a [model template ordinance](#). Other measures in the bill reflect the growth of the state's craft brewery and tap room industry.

HB 26 Workers’ Comp/Approval of Disputed Legal Fees (Reps. Watford, Zachary)—Law—S.L. 2017-124

Passed quickly late in session in response to the June 9 N.C. Supreme Court decision in [Wilkes v. City of Greenville](#), HB 26 restored long-standing law affecting the liability for both public- and private-sector employers in worker’s compensation cases. Specifically, the law ensured that an Industrial Commission worker’s compensation award did not create a presumption that future medical conditions of an employee were causally related to the compensable injury. However, the bill also allowed employees to request a hearing before the Commission to prove that their medical condition was, in fact, causally related to the compensable injury. The League worked with a large array of stakeholders as they crafted this final compromise, which completely replaced the language in the filed version of this bill.

HB 81 STI/Regional & Division Weighting (Rep. Torbett)—Eligible/Likely Eligible

This transportation proposal would achieve a policy goal selected by League members by revising the weight given to state transportation engineers and local officials when selecting

preferences for transportation projects funded through the State Transportation Improvement Program (STIP) process. If passed into law, this bill would address cities' desire for the STIP process to give local officials increased weight in the allocation of state transportation funds, thereby increasing local input in transportation project funding decisions. Specifically, the proposal would alter the current 50-50 split to a two-thirds/one-third breakdown, with the preferences of local officials weighing more. The proposed change in weight would affect input on both regional- and division-level projects evaluated in the STIP process.

HB 110 DOT/DMV Changes—Megaproject Funding (Reps. Torbett, Iler, Shepard)—Dead/Likely Dead

HB 219 Transportation Megaproject Funding (Rep. Torbett)—Dead/Likely Dead

SB 3 DOT/DMV Changes (Sens. Rabon, Harrington)—Eligible/Likely Eligible

Two different transportation bills—one of interest to cities, one not—became intertwined toward the end of this year's Long Session when the House added the megaproject transportation provisions of HB 219 to HB 110, which started out as an identical transportation agency bill to SB 3. When it was all said and done, the Senate killed the HB 219 megaproject language, which would have created a separate funding stream for statewide transportation projects. At the same time, the provisions from that bill related to the N.C. Department of Transportation (DOT), also contained in SB 3, remain eligible for consideration next session in the Senate bill. The House's megaproject proposal failed because the concept of a new fund for transportation projects "of statewide or regional significance" whose cost exceeds \$200 million proved too controversial for the Senate. That controversy existed primarily because the fund would have operated outside of the current State Transportation Investment Program (STIP) and would have received separate funding. Historically, the Senate has ardently supported keeping the STIP program intact and unaltered. Therefore, when the House approved HB 110 with the megaproject provisions included, the Senate used its procedural rules to bring the bill to a floor vote, which failed. Under Senate rules, once a bill fails in a floor vote, it may not receive further consideration for the remainder of session, in any form.

HB 198 City/County Authority (Rep. B. Richardson)—Law—S.L. 2017-81 effective June 29, 2017

SB 144 Fayetteville/Small Business Enterprise Pgm (Sen. Clark)—Dead/Likely Dead

This pair of bills addressed a top goal of the City of Fayetteville to establish a local bidding preference program for contracts awarded by the City to small businesses in the Fayetteville Metropolitan Statistical Area. The local bill became law upon the legislature's approval of HB 198, which amended the City's charter to authorize the establishment of a small business enterprise program to promote the development of small businesses in the City and enhance opportunities for small businesses to participate in City contracts.

HB 205 WC for Inmates/UI & WC/Newsprint Employees (Rep. McNeill)—Eligible/Likely Eligible for Ongoing Session

HB 432 Increase Teacher Supplement/Electronic Notice (Rep. McGrady)—Dead/Likely Dead

HB 572 Legal Notices/Require Internet Publication (Rep. Ross)—Dead/Likely Dead

SB 343 Legal Notices/Newsprint Employees (Sen. Wade)—Eligible/Likely Eligible

SB 435 Internet Publication of Legal Notices (Sen. Sanderson)—Dead/Likely Dead

After introducing numerous bills and negotiating right up until the final moments of the Long Session, legislators ultimately passed HB 205 as a compromise action affecting requirements for publication of public and legal notices in newspapers. Of most interest to cities, this compromise launched a pilot program in Guilford County that allowed all local governments within the county to publish their legal notices electronically on their own websites. This change would save those local governments the expense of paying for required advertising space in newspapers. HB 205 also contained many other provisions to which the newspaper industry objected, and consequently, Gov. Cooper vetoed the bill. The legislature may choose to override the veto in its August 3, 2017, ongoing session. The other bills listed in this group took differing approaches to the issue of electronic publication of public and legal notices. Notably, HB 432 authorized for the first time the ability for legal notices required for many private-sector transactions to be published electronically, on a county government website, with proceeds benefitting county governments and to be partially spent on paying local teacher supplements.

HB 220 State Infrastructure Bank Revisions (Rep. Torbett)—Dead/Likely Dead



Rep. Chuck McGrady (far right) and League President Bob Matheny attend a press conference on juvenile justice reform. Left of them are Reps. Kelly Alexander and Susan Martin.

This bill represented another proposal by Rep. John Torbett to increase transportation funding in the state. The bill proposed a new legal structure into which the General Assembly could direct federal and state dollars, for the purpose of lending to local governments to finance transportation projects. As imagined in this bill, the infrastructure bank would function as a revolving loan fund, with interest payments accruing and being re-loaned over time. The bill, which expanded

existing authority for the State Infrastructure Bank, only received one House committee hearing, and ultimately, the state budget eliminated the Bank completely in SB 257 Appropriations Act of 2017, Section 34.16A.

HB 257 Stanly County Municipalities/Contracts (Rep. Burr)—Dead/Likely Dead

This local bill, opposed by cities and towns due to its precedent-setting potential, would require approval of the Stanly County Commission for any interlocal agreement entered into by a municipality within the county with another unit of local government, if that other unit of local government was located wholly or primarily outside the county. The bill also would subject renewals of these contracts to county commission approval. This unprecedented measure would interfere with the towns' constitutional freedom to contract and would add an unnecessary step in the contracting process. Further, because the county commission approval would apply to agreements that the towns reached with other governmental entities outside the county, the measure would discourage regionalization and efficient delivery of local services. The bill did not receive a committee hearing in the Long Session.

HB 573 Vacant Building Receivership (Reps. Faircloth, Ross, Blust, Brockman)—Eligible/Likely Eligible

To give local governments another tool for addressing blight, HB 573 authorizes a new mechanism for cities above 30,000 in population at least partially located in economically distressed counties to address vacant buildings in their jurisdictions, when the current owners of those buildings failed to comply with court orders related to clean-up of the properties. The process laid out in the bill allows the city to petition a court for appoint of a receiver, who then has two years to either demolish, rehabilitate, or sell the property. The measure also contains related procedural and legal safeguards to the city, the receiver, and the property owner.

HB 602 Cities/Require Performance Guarantees (Rep. Dobson)—Dead/Likely Dead

This proposal aimed to address industrial blight and grew out of a situation in the western foothills where a business owner purchased old industrial sites around the region, demolished the buildings on them, stripped them for valuable materials such as copper, and then left the rubble in place with no further plans for development. To give cities more tools to guard against this situation in the future, HB 602 granted new authority to cities to require a performance guarantee for demolition and removal of all material from industrial properties.

HB 649/SB 406 Sweepstakes Control Act (Rep. Malone, Sen. Wells)—Dead/Likely Dead

HB 750 Gaming Commission/VLTs (Reps. Warren, Hardister)—Dead/Likely Dead

Legislators continued this session a nearly-annual tradition of introducing legislation to combat the persistence of electronic gaming machines across the state, introducing two measures to

provide more regulatory rigor to and oversight of the industry. The first bill, HB 649, would permit up to four electronic gaming machines or devices in a single establishment, presuming they were not otherwise prohibited by state law and that they complied with all applicable local land use laws, among other conditions. The second bill, HB 750, would institute a new statewide video sweepstakes regulatory scheme whereby the only legal terminals—and retail locations in which those terminals were located—were those licensed and regulated by the N.C. Gaming Commission (renamed under this bill from the N.C. State Lottery Commission). The more extensive of the two proposals, HB 750 applied a form of state-level land use regulations by prohibiting terminals in locations where the establishment was engaged exclusively in the business of housing such video sweepstakes machines. Otherwise, the proposal allowed terminals only in establishments with certain alcohol beverage permits that were more than 50 feet from a church or school. On the law enforcement side of this issue, HB 750 granted enforcement authority to a state-level agency, the Department of Public Safety’s Alcohol Law Enforcement Branch.

SB 77 Public Meetings/Records Law Violations (Sens. Cook, Sanderson)—Dead/Likely Dead

In response to an incident early in the administration of Gov. Cooper where a reporter was not allowed to attend a public meeting of an executive branch board, legislators introduced SB 77, which never received a hearing. The bill created a new misdemeanor offense to deny access to public meetings, as well as to deny access to public records “for purposes of inspection and examination” or copies of public records. It would have applied equally to state and local officials, and would have potentially criminalized their actions, including advice local government attorneys may give to their clients.

SB 292 Ord. Violation/No Auto Misdemeanor (Sens. Lee, J. Jackson, Britt)—Eligible/Likely Eligible

The League worked extensively with the sponsors of SB 292 to provide more flexibility for cities should this proposal, which changes current code enforcement practices, become law. As filed, the bill would have eliminated a current law that defaults punishment for violations of local ordinances as misdemeanors. Instead, SB 292 proposed to set that default enforcement level as civil penalties. Upon the League’s suggestion, the sponsors changed their original proposal to limit that switch to only a smaller subset of local ordinances listed in the bill. For the remaining local ordinances, city and county boards must affirmatively specify a criminal penalty in the ordinance for that penalty to apply.

SB 585 Study Intergovernmental Relations (Sen. Wells)—Dead/Likely Dead

Growing out of the HB2 controversy, SB 585 directed a legislative study of the relationship between the various levels of government in the country, including the federal government, the

State of North Carolina, and N.C. local governments. It included an examination of the limitations on the various levels of government, as well as their powers, and allowed for recommendations for legislation, constitutional amendments, and other actions.

[HB 668 Clarify Political Sign Ordinance Authority](#) (Rep. Brawley) – Eligible for Short Session

Municipalities are currently authorized to pass ordinances regarding the placement of political signs within their jurisdiction. However, any local ordinances only apply to streets maintained by the municipality. State regulations regarding political signs apply to all State roads and, in the absence of a local ordinance, all local roads within a municipality's jurisdiction. HB 668 would give municipalities the authority to enforce State law regarding political signs on State roads within their corporate limits and on their local roads if they have not passed their own local ordinance regarding political signs. HB 668 passed the House but was not considered by the Senate prior to adjournment, leaving it open for further consideration in 2018.

[HB 844 DOT/Traffic Signal Oversight](#) (Reps. Adams, Malone, and Torbett) – Eligible for Short Session

HB 844 would grant the N.C. DOT authority and supervision over electronic traffic signals on all public streets in the State. Among the powers DOT would be granted is the authority to assume control over any traffic signals operated by a local government that do not meet DOT standards, provided the local government does not rectify any issues within 60 days of receiving notice from DOT. HB 844 passed the House unanimously during crossover week but was not considered by the Senate prior to adjournment.

[HB 710 Private Parking/Immobilization Device](#) (Reps. Jordan and Setzer) – Eligible for Short Session

HB 710 would make various changes to the laws regarding the use of immobilization devices on vehicles unlawfully parked in privately owned or leased parking lots or spaces. Most significantly to League members, it would prevent any local government from passing an ordinance regulating the use of these devices in privately owned or leased parking lots or spaces. HB 710 passed the House but was not considered by the Senate prior to adjournment this year.

[HB 469 Regulation Fully Autonomous Vehicles](#) (Reps. Shepard and Torbett) – Law -- SL 2017-166 effective December 1, 2017/[SB 337 Regulation Fully Autonomous Vehicles](#) (Sens. Meredith, J. Davis, and McInnis) – Dead/Likely Dead

HB 469 creates new state law to regulate fully autonomous vehicles and makes changes to current motor vehicle law to reflect the availability of driverless motor vehicles. Changes include

an exemption from needing a driver's license, minor changes to passenger restraint laws, updates to criminal laws affecting motor vehicle operation, and requirements for insurance on and registration of the vehicle. The law also preempts local governments from regulating fully autonomous vehicles and their operation, other than regulation specifically authorized under Chapter 153A and Chapter 160A that is not specifically related to those types of motor vehicles.



Rep. Ed Hanes addresses League members and fellow legislators during a police panel that examined policy and potential legislation

SB 591 Site and Building Development Fund (Sens. Gunn, Horner, and McInnis) – Likely Eligible for Short Session

SB 591 would have created a “Site and Building Development Fund” that would have provided loans to local government units to assist in the development of sites and buildings, such as providing needed infrastructure to make sites suitable for commercial operations. The bill did not appropriate any funds for the program. While SB 591 did not receive legislative consideration, similar language and associated funding was included in both the House and Senate budgets. What was eventually included in the final budget agreement was an “N.C. Ready Sites Fund” and a \$2 million appropriation to the fund to assist local government units in funding the improvement of public infrastructure that serves publicly owned or publicly controlled industrial sites.

SB 338 Disaster Recovery Act of 2017 (Sens. Meredith, Britt, and Bishop) – Law – S.L. 2017-119 – effective July 18, 2017

This bill, which has been signed into law by the governor, specifies how \$100 million in Supplemental Disaster Recovery Funds appropriated by the State budget are to be spent. Perhaps of most interest to League members is \$30 million allocated to the Golden L.E.A.F. fund for grants to local governments and nonprofits. These grants must be used for infrastructure repair, replacement, and construction related to Hurricane Matthew, Tropical Storms Julia and Hermine, and the western wildfires. Additional specifications in the law are \$25 million for housing, \$20 million for agriculture, \$2.7 million for community colleges, and \$22.3 million for the State match for federal disaster assistance programs.

HB 797 Changes to Current BWC Law (Reps. Faircloth and McNeill) – Eligible/Likely Eligible Short Session/HB 599 Body-Worn Camera Recordings (Reps. Brockman, Quick, B. Richardson, and Alexander) – Dead/Likely Dead

HB 797 would add changes and clarifications to the [2016 body-worn camera law](#). Among other things, the bill would clarify when a city manager can access a recording -- authorizing the disclosure and release of law enforcement recordings for use by a city manager for administration or management purposes. When the law passed last year, legislators noted that an exception for release within a law enforcement agency for administrative purposes would allow for recordings to be released to a manager, but legal interpretations of that wording necessitated the clarification found in HB 797. During a lengthy floor debate in the House, a contentious amendment was narrowly approved to remove a provision from HB 797 that would have allowed disclosure to a city/town council or citizen review board under specific circumstances -- in a closed session and under a confidentiality agreement. The amendment was suggested because of worry that there was no guarantee that the confidentiality agreement would not be breached. HB 797 was approved by the House, but not considered by the Senate.

Other bills related to law enforcement recordings and body-worn cameras were filed, including HB 599 that would mandate that law enforcement officers that are located in counties with a population over 200,000 wear body-worn cameras during all interactions between the officer and the public -- with certain narrow exceptions. It also included procedures for officers to follow regarding use of body-worn cameras and would make all recordings available to any person upon request, with certain permissible redactions. Lastly, it included other procedures and regulations regarding handling of camera footage as well as officer responsibilities and discipline and would allow public bodies to review the footage in closed session. HB 599 did not receive legislative consideration.

HB 142 Reset of S.L. 2016-3 (Reps. Stevens and Jordan) – Law – SL 2017-4

After several unsuccessful attempts, legislative leaders and Gov. Roy Cooper struck a deal in late March to repeal major portions of 2016's HB 2, the so-called bathroom bill. The passage of the original legislation, requiring that those in government buildings and schools use only restrooms corresponding with the sex shown on their birth certificate, had set off a backlash of business losses and concert and convention cancellations. The League opposed the bill based on its usurpation of local authority. With that legislation in force, and an early standoff between governor and legislature over how to respond to the business losses, the early legislative session saw little movement of other bills. With the passage of HB 142, that changed. The new law still prohibits local governments, until Dec. 1, 2020, from passing ordinances affecting private employment practices or public accommodations. Still, upon signing the law, Governor Cooper noted that it does allow local governments more leeway in putting in place non-discrimination protections for employees and in contracting.

HB 280 Juvenile Justice Reinvestment Act (Rep. McGrady) – Eligible/Likely Eligible

This bill would raise the age at which individuals are assumed to be juveniles when being charged with a crime. Under the change, 16- and 17-year olds would be charged as juveniles, except for certain felony offenses. The legislation also would establish new law enforcement officer training and standards related to juvenile justice issues. The bill was approved overwhelmingly in the House, but was not taken up by the Senate.

Planning & Land Use

SB 131 Regulatory Reform Act of 2016-2017 (Sens. Wells, Cook, and Sanderson) – Law -- SL 2017-10 effective various dates

SB 131 would, among other things, institute a seven-year statute of limitations for enforcement of any local or state land-use regulations, beginning when a violation is "apparent" from a public right-of-way or in plain view from a place to which the public is invited. Within those seven years, the measure shortens the time frame for code enforcement to five years once the local government actually knows of the violation. The proposal contains one exclusion to this limitation, in the cases of enforcement of dangers to public health or safety. The original House version established three-year and six-year statutes of limitations respectively; the League is thankful to Rep. Sam Watford for his amendment extending these times.

Additionally, the bill contained the following provisions of interest to cities and towns:

- Directs N.C. Department of Environmental Quality (DEQ) to study exceedance of state buffer required by local governments
- Exempts landscaping material from stormwater built-upon-area calculations. This includes (but is not limited to) gravel, mulch, sand, and vegetation placed on areas that receive pedestrian or bicycle traffic or on portions of driveways and parking areas that will not be compacted by the weight of a vehicle -- such as the area between sections of pavement that support the weight of a vehicle.
- Removes various legislative reporting requirements, including one from 2014 that was onerous for local governments and related to their review process for engineering work.

HB 173 Revisions to Outdoor Advertising Laws (Reps. J. Bell, Shepard, McElraft, Wray)— Dead/Likely Dead

HB 578 Revisions to Outdoor Advertising Laws (Reps. Lewis, Saine, Goodman, Hanes)— Dead/Likely Dead

HB 579 Revisions to Outdoor Advertising Laws (Reps. Lewis, Saine, Goodman, Hanes)— Dead/Likely Dead

HB 580 Revisions to Outdoor Advertising Laws (Reps. Lewis, Saine, Goodman, Hanes)— Dead/Likely Dead

HB 581 Revisions to Outdoor Advertising Laws (Reps. Lewis, Saine, Goodman, Hanes)— Dead/Likely Dead

Legislators renewed efforts to pass legislation favorable to the billboard industry this session, sponsoring five separate proposals on the subject. The actions of city officials in reaching out to legislators regarding their opposition to these proposals ultimately led to a rare floor defeat of the consolidated measure, HB 581, by a wide 19-vote margin. Under House rules, this failed vote meant that none of the provisions of the bill could be considered in any other form for the remainder of the 2017-18 legislative biennium.

Broadly, each of the five bills sought to ease state and local regulations on billboards. Eventually, the provisions of HB 578-581 moved forward and were consolidated into HB 581, the defeated measure. Overall, that omnibus bill sought to eliminate most local control of billboards, allowing owners of existing billboards to relocate those signs—with no input or discretion by local officials—to any place in a city or town with a commercial or industrial zoning component, even without a condemnation action to force removal of the sign. In some cases, cities would have had to accept billboards in mixed-use residential and commercial areas that had no current billboards. Even more problematically, when relocating signs, HB 581 would have allowed billboard owners to make the signs taller, larger, and digital, even if local ordinances would otherwise prohibit those upgrades.

HB 252 Building Code Regulatory Reform (Reps. Brody, Riddell, Potts, R. Moore)— Law—S.L. 2017-130

This omnibus bill, advanced on behalf of the construction side of the development industry, contained one provision that requires action by cities and towns. That provision directs cities and counties to create an informal internal review process of local building inspectors' decisions. Intended to provide contractors and builders with transparent steps they can follow when they disagree with an inspector's decision, the measure lays out three minimum components of the internal review process. Then, HB 252 requires all local building inspection departments to submit a report on the implementation of this process, including how often it was used and the outcome of each review, each year for the next five years. The reports must go to the Joint Legislative Committee on Local Government by Jan. 15, beginning in 2018 and ending in 2022.

HB 310 Wireless Communications Infrastructure Siting (Reps. Saine, Torbett, Wray)— Ratified

In advance of more ubiquitous deployment of the latest wireless communications technology, called "small cell" wireless facilities, the legislature approved a comprehensive measure that contained procedures for and restrictions on local government regulation of those facilities. Small cell facilities typically consist of an antenna, utility pole, and ground-mounted equipment box, and are most often located in the public right-of-way. Similar legislative efforts occurred in state legislatures across the country this year, and the League engaged in extensive negotiations with wireless industry representatives to ensure that cities would retain oversight over matters of concern such as public safety, space between facilities, aesthetics and appearance, utility

undergrounding policies, and historic districts. The League also negotiated other terms more favorable to cities than in the filed version of the bill. This new law will likely require significant updates to local codes and permitting processes to accommodate the prescriptive procedures detailed in the bill.



*NCLM Associate Executive Director of Public and Government Affairs
Rose Vaughn Williams and Executive Director Paul Meyer*

HB 442 Justice for Rural Citizens Act
(Reps. Pittman, Boswell, Henson)—
Dead/Likely Dead

In what has become an annual tradition, House members introduced a measure again this session to eliminate all extra-territorial jurisdiction authority for municipalities. The bill, which did not advance or receive a committee hearing this session, also laid out a process for transitioning local governments to a non-ETJ status.

HB 507/SB 575 Land-Use Regulatory Changes (Reps. Jordan, J. Bell, Conrad, W. Richardson; Sens. Gunn, Wade, Krawiec)—
Eligible/Likely Eligible

In a repeat of the 2015-16 legislative biennium, House lawmakers approved a proposal backed by the N.C. Home Builders Association that proposed substantial changes in law that, among other things, would incentivize land-use litigation and burden taxpayers with the costs. HB 507 brought back proposals that failed to pass into law in 2016, thanks to intense advocacy from League members. This year's bill also added several brand-new provisions related to development permitting. Of particular concern, one new section of the bill would undermine the use of performance guarantees, meaning that local property taxpayers would pay the cost of failing infrastructure, and homebuyers would suffer the harms created by that failing infrastructure. The League spoke against this proposal in House committee hearings, and will oppose the bill if taken up by the Senate in 2018. The proposal stood as one of the development industry's top legislative priorities this session.

HB 590 Interior Design Profession Act (Reps. Riddell, McElraft, Saine, S. Martin)—
Eligible/Likely Eligible

This wide-ranging proposal sought to establish a framework for a voluntary registration of interior design professionals. Unlike interior decorators, interior designers work with architects and structural engineers in designing the interior layout of buildings, most often commercial and industrial uses. Of note to cities, the filed version of the bill required local governments to, when

denying any building permit, provide a written explanation to the applicant and include a copy of the ordinance or other basis for the decision. The League successfully requested removal of that provision, which did not appear in subsequent versions of the bill. And while the bill still contained a requirement for a local government to accept signed and sealed plans from registered interior design professionals related to a building code requirement affecting interior alteration or construction, local governments may review those plans just like other design professionals such as architects and engineers.

**[HB 794 Permitting Efficiency Act of 2017](#) (Reps. Stone, Saine, Bradford, Torbett)—
Eligible/Likely Eligible**

This significant proposal sought to fundamentally change local permit review and issuance processes by standardizing those process across jurisdictions statewide. Throughout consideration of this proposal by the House, the League worked closely with the bill sponsors to make improvements to the bill. HB 794 contained first-ever state-level procedural guidelines for cities and counties to follow when permitting construction-related activities such as grading, soil and erosion control, water and sewer, and driveway cuts. Activities covered by the bill included access to a city's electronic permit review system by outside agencies, cost recovery from the industry for an electronic permit review system, and mandatory reporting of permit issuance timelines and other performance metrics. The bill also addressed corollary issues related to off-site improvements and fee-in-lieu programs, placing certain limitations on both types of local regulations. Additionally, the bill also allowed the state's large- and mid-size cities to accept delegation of DOT construction approvals. And finally, in a measure aimed at state agencies, HB 794 required those agencies which review construction documents and issue permits to create an online system for submittal, review, and approval by 2020.

**[SB 296 Road Improvements Adjacent to Schools](#) (Sens. Tillman, McInnis, Curtis)—
Dead/Likely Dead**

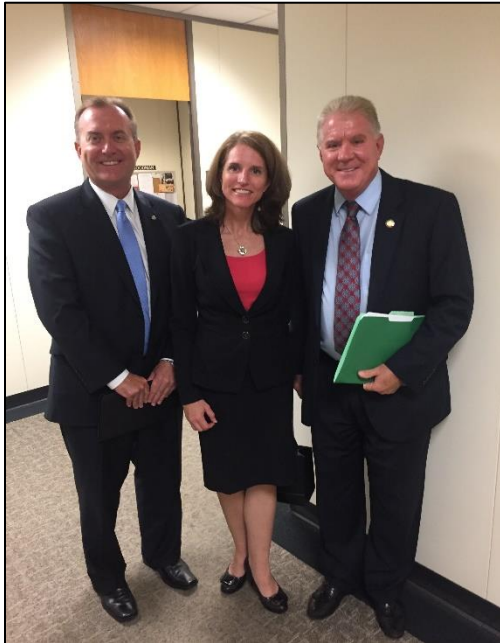
Continuing an initiative that charter school advocates that began in 2016, legislators proposed again this session to shift the costs of necessary street improvements related to schools from the schools themselves to either the state or municipal governments. And while SB 296 did not advance this session, the concepts it contained became law in the state budget, SB 257 Appropriations Act of 2017, Section 34.6A. That new law directed both cities and the DOT to pay for most transportation facility improvements required by the Department or a municipality during school construction, as well as right of way acquisition costs. The only exceptions to this new requirement were those improvements that were physically connected to a driveway on the school site that were also required for safe ingress and egress to the street system. Prior to the unveiling of the final budget agreement, previous versions of this proposal like SB 296 placed all responsibility for paying for the costs of these improvements on DOT. The new law applies to both public and charter schools.

HB 141/SB 92 Maintenance Bond for Subdivision Roads (Reps. Farmer-Butterfield, Murphy, S. Martin; Sens. Pate, D. Davis)—Dead/Likely Dead

HB 376 Subdivision Improvement Guarantee Changes (Reps. McGrady, Henson)—Eligible/Likely Eligible

HB 457/SB 373 Performance Guarantees/Subdivision Streets (Reps. Torbett, Iler, Hastings, Shepard; Sen. Meredith)—Eligible/Likely Eligible

Legislators responded to a rash of instances across the state where developers sold homes with substandard transportation improvements by proposing bills addressing the financial guarantee tools meant to cover the costs of fixing these problems. Of the bills filed on this topic, the one that received the most legislative attention—as well as the backing of the development industry—was HB 457. That bill did not affect cities, but laid out a complicated system by which counties could require performance guarantees for streets offered for dedication to the DOT. In some cases, the procedures outlined in HB 457 allowed release of the financial guarantee before roads were accepted by DOT. (Note that development interests sought different, but more detrimental to cities, changes for performance guarantees required by cities in HB 507 Land-Use



(L-R) Burlington Council Member Jim Butler, Cary Council Member Jennifer Robinson and Rep. Stephen Ross following committee approval of HB 900

Regulatory Changes, detailed elsewhere in this publication.) Other solutions to this problem that offered local governments more assurance than HB 457 came in HB 141/SB 92 (granting local governments new authority to require maintenance guarantees to cover the costs of maintaining subdivision roads in between the time of completion of those transportation improvements and the time they are added to the State highway system) and HB 376 (giving local governments more flexibility in spending the proceeds of a performance guarantee when the funds are insufficient to complete the required improvements).

SB 419 Planning/Development Changes (Sens. Lee, McKissick)—Eligible/Likely Eligible

After a stalled effort in the 2015-16 legislative biennium, the N.C. Bar Association again sought consideration this session of a large proposal that reorganized and moved all of the current planning-related statutes from Chapter 160A into a new proposed Chapter 160-D. A subcommittee of the Bar Association began rewriting these planning statutes nearly four years ago, seeking to simplify the organization of the current statutes while also codifying case law and making other consensus changes. At the time, League members provided extensive feedback on the proposal.

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SB 557 Annexation of Enclaves (Sens. Wells, Tucker)—Dead/Likely Dead

Addressing a frustrating consequence of the municipal annexation reforms earlier this decade, legislators this session introduced SB 557, a League-supported measure to offer a narrow, limited path for municipalities to annex small areas that are now completely surrounded by a municipality's jurisdiction. The bill renamed these areas from "doughnut holes" to "enclaves" and allowed cities and counties to better-address problems of public safety, transportation, and code enforcement in these areas. The filed version of the bill allowed municipalities to annex enclaves, defined as areas up to 60 acres that met other specifications listed in the bill. The measure also established procedures the municipality must follow to complete the annexation, including executing an interlocal agreement with the county commission(s) in which the municipality sat. Finally, the measure included details regarding property owner appeals of the governing boards' actions, as well as directions for reporting on the provision of services in that area to the Local Government Commission.

SB 642 Burden of Proof—Planning and Zoning (Sen. Newton)—Dead/Likely Dead

This bill, which contained many provisions that could not be legally reconciled, changed certain aspects of appeals to a local board of adjustment when hearing appeals of decisions regarding historic certificates of appropriateness or when making other quasi-judicial decisions. In both of these cases, the bill switched the burden of proof that the actual or proposed use of the property was consistent with a local ordinance from the petitioner to the local government. Then, it set a higher bar of clear and convincing evidence for the local government to rebut that presumption. And finally, it required the board of adjustment to hear these proceedings "de novo," meaning it must develop its own record of facts and evidence rather than relying on the record created for the decision being appealed. In response to significant concerns raised by attorneys representing both public and private interests, legislators switched gears and instead addressed the issue in a different way with a new provision in SB 16 Business & Agency Regulatory Reform Act of 2017, Section 21 (detailed elsewhere in this publication). That new proposal directed a study of the creation of a mediation and arbitration board that would serve as a mediator and arbitrator of disputes between local governments and owners or developers of property regarding regulation of the use or development of that property.

HB 3 Eminent Domain (Reps. McGrady, Lewis, Malone, and Goodman)/SB 34 Eminent Domain Const. Amendment (Sen. B. Jackson) – Likely Eligible for Ongoing Session

HB 10/SB 35 Eminent Domain Statutory Revisions (Sen. B. Jackson) – Likely Eligible for Short Session

As in previous sessions, legislators made multiple attempts to restrict the eminent domain power of local governments. In general, the aim of these attempts was to limit local government eminent domain powers to those situations involving public use of the property in question. Both

HB 3 (which passed the chamber it was introduced in) and SB 34 (which did not) would have achieved this via a constitutional amendment, which would have been presented to the voters of North Carolina. HB 10 and SB 35 would have done so through a variety of statutory changes. HB 10 was eventually converted to an unrelated study bill that passed the House and was not considered by the Senate, while SB 35 did not receive a hearing. As constitutional amendments, it is possible that HB 3 and SB 34 could be considered during the ongoing session in 2017.

HB 158 Special Assessments/Critical Infrastructure (Reps. Saine, Williams, Strickland, Reives) – Law -- SL 2017-40 effective June 21, 2017/SB 118 Special Assessments/Critical Infrastructure (Sens. Lee, Rabon, and Tucker) – Dead/Likely Dead

Companion bills filed in both chambers sought to provide development infrastructure flexibility with the House version progressing and becoming law. HB 158 extends existing assessment authorities to allow cities and counties to fund infrastructure projects for private development. Existing authority allows local governments, at the request of property owners, to levy a “special assessment” on property owners who request the installation of infrastructure such as roads and water or sewer lines. The proceeds from that assessment are used to pay back revenue bonds that the local government issues to finance the installation of the infrastructure. The new law allows developers who enter into an agreement with the county or city to pay for the infrastructure installation themselves. The local government would then use the special assessment to reimburse the developer for its investment. The League suggested language to ensure that the action is voluntary and that a local government would only owe the developer the revenue that the assessment produces, less any administrative costs. Provisions were added to allow a city or county to require that the developer provide a performance guarantee or bond through the adoption of a subdivision ordinance.

Environment & Utilities

[HB 632 Amend Mitigation Services Law](#) (Reps. Torbett, Lewis, and McGrady) – Eligible Short Session [HB 557 Mitigation Services Amendments](#) (Reps. Millis, McElraft, Bradford) – Dead/Likely Dead

Both HB 632 and HB 557 deal with state mitigation services laws that requires governments and private entities to mitigate for environmental harms caused by development activities. Current Federal and State law requires private and public developers (which include local governments) to avoid, minimize, and mitigate damage to wetlands and streams. One of the measures available to developers is the payment of fees into public or private programs that offset the actions of the developers with projects that restore, create, enhance, or preserve natural resources similar to those that were lost.

HB 632 is the result of extensive mitigation services stakeholder discussions from the interim that included the League, other public and private developers, private mitigation banks, the U.S. Army Corps of Engineers, the DOT, and the N.C. Division of Mitigation Services. The League participated in stakeholder discussions in hopes that the availability of mitigation credits from these public and private programs would remain strong in order for development projects to not be stalled. Under HB 632, credits from the public N.C. Division of Mitigation Services program would remain available and developers would be allowed to utilize land within a required riparian buffer to also satisfy other regulatory requirements. The bill also directs DEQ to revise its nutrient offset fee for the Jordan Lake watershed to reflect the differences in costs in the sub-watersheds.

HB 557 was opposed by the League because it would make significant changes to current mitigation services laws, limiting public and private developers to utilizing only private mitigation banks, unless doing so was not practicable. In that case, it would allow payment of a fee into the state's Ecosystem Restoration Fund or mitigation completed by the entity, which is a narrowed set of options as compared to current law. The bill would also phase out payments allowed to the Fund for land-disturbing activities in the Neuse and Cape Fear river basins, leaving only private mitigation banks as the mitigation credit option in those basins except for one exception granted to DOT. It would also allow a phase-out of the public option in other river basins at the discretion of DEQ. It would also change the manner of fee calculation for mitigation credits purchased from the Fund.

[HB 275 No Stormwater Fees on Taxiways or Runways](#) (Reps. Conrad, Torbett, Presnell, and Hunter) – Ratified

HB 275 exempts airports from paying stormwater utility fees for the impervious surface from runways and taxiways; the remainder of the airport that is comprised of an impervious surface

(such as a parking area) would still be taken into account. To qualify for the exemption, the airport must use the amount of money saved for attracting business to the airport. The bill also exempts runways and taxiways located on military property from paying the utility fee, without any qualification requirements. Both exemptions are for stormwater fees charged on or after January 1, 2018.

The League expressed opposition to HB 275 because of it stood as an unprecedented attempt to restrict a class of property from utility fees. Stormwater utilities use their collected fees to implement flood prevention efforts and other federal and state mandated stormwater management requirements that protect all private property. A major concern in providing any exemption to the utility fee is that it shifts the responsibility onto all the other utility ratepayers to make up the lost revenue. Stormwater fees are uniformly applied to all property (residential, commercial, industrial, public and institutional properties, church properties, public and private school properties, and publicly owned properties). If one property type is exempted the cost of the lost revenue will be borne by all other property owners. League affiliate organization the [Storm Water Association of North Carolina \(SWANC\)](#) spoke in opposition to the bill in committee and sent a [letter](#) to legislators explaining their concerns.



The Advocacy Goals Conference led to a strong 2017 agenda, shaped by municipal officials from around the state

HB 825 Protect NC Children From Lead Exposure (Reps. Warren, Faircloth, Horn, and Boswell) – Dead/Likely Dead

HB 825 would require water suppliers to test drinking water for the presence of lead at drinking water fountains in each school or child care facility in the water supplier's service area, using protocols and procedures specified in the bill. This would be a new requirement. The bill would allow water suppliers to charge fees to schools and child care facilities where sampling is conducted, to reflect

the actual sampling, analysis, and reporting costs.

HB 320 Study Electronic Recycling (Rep. Dixon) – Eligible/Likely Eligible Short Session

HB 320 directs the legislative Environmental Review Commission to study various aspects of recycling requirements for discarded computer equipment and televisions, including current market dynamics, disposal of cathode ray tube televisions, and other disposal options for electronics materials. The bill passed the House, but was not considered by the Senate.

HB 321 Study Solid Waste Disposal Tax (Rep. Dixon) – Eligible/Likely Eligible Short Session

HB 321 directs the legislative Environmental Review Commission to study use of the proceeds of the state's solid waste disposal tax, including past and future projects by the state and local governments that received proceeds. While the bill was only approved by the House and not considered by the Senate, an identical study provision was included in the Appropriations Act of 2017 (Sec. 13.5).

HB 56 Amend Environmental Laws (Reps. McElraft and Yarborough) – Eligible/Likely Eligible Short Session/SB 434 Amend Environmental Laws 2 (Sens. Sanderson, Cook, and Wells) – Eligible/Likely Eligible Short Session/HB 770 Amend Environmental Laws 3 (Reps. K. Hall, McElraft, B. Turner, and Harrison) – Eligible/Likely Eligible Short Session/SB 469 Amend Environmental Bills 4 (Sen. Brown) – Eligible/Likely Eligible Short Session/SB 539 Environmental Regulatory Reform Act of 2017 (Sens. Cook, Sanderson, and Brock) – Dead/Likely Dead/SB 16 Business & Agency Reg. Reform Act of 2017 (Sens. Wells, Barringer, and Daniel) – Eligible/Likely Eligible Short Session/HB 374 Business Freedom Act (Reps. McElraft, Howard, Johnson, and Hurley) – Eligible/Likely Eligible Short Session/SB 8 Bldg. Code Exempt/Airport Changes (Sens. Wells. Brown, Pate) – Law -- SL 2017-104 effective July 12, 2017

Although the legislative chambers proposed multiple large regulatory reform and environmental policy changes this session, they could only agree to a few provisions. Many of these provisions appeared in multiple bills, sometimes with minor changes to entice the other chamber to agree to the provision. Amendments to some of these proposals were still in play the last day of session, including a provision that would have limited local governments' ability to control by zoning the siting of asphalt plants. However, similar to the last legislative session, there were too many differences in what the chambers wanted to pass and none of the remaining regulatory reform packages succeeded in gaining final approval of the General Assembly.

Ultimately, two provisions of interest that were originally seen in the Senate's proposed version of HB 374 made up the majority of SB 8, which passed in a conference report on the last day of session. Those provisions were:

- A section to apply existing laws that restrict the state's stormwater program's regulation of airports (and land near airports) to local governments, restricting the ability to require stormwater control measures that promote standing water due to safety concerns over attracting birds, and requiring a local government to deem runways in compliance with water supply watershed management protection ordinances if certain measures of stormwater control are provided.
- A specific exemption to building code provisions that allows the City of Greensboro to complete a needed parking deck project.

The League monitored the multiple provisions that arose in at least one of the other regulatory reform bills that did not pass; however, with the breadth of the [adjournment resolution](#), many of the provisions could be considered in the August 2017 session. Some of the provisions that may be of interest to cities and towns include:

- A study of exempting riparian buffers from property tax.
- A study of the creation of a mediation and arbitration board that would serve as a mediator and arbitrator of disputes between local governments and owners or developers of property regarding regulation of the use or development of property.
- A study of the state's sedimentation and erosion control program and programs that have been delegated to local governments to examine how the programs could be more efficient and streamlined.
- A study of flood control measures to prevent flooding damage to persons and property in the Lower Neuse River Basin.
- A study of the regulatory, financial, and infrastructure burdens of communities east of Interstate 95 that may include: (1) the administrative burdens and increased costs due to unnecessary or duplicative environmental burdens, (2) the impacts on private property rights and land development due to land use and other restrictions imposed by local governments, (3) the impacts of underinvestment in necessary infrastructure to encourage and sustain economic development, and (4) any other relevant topic or issue.
- A provision creating a special fund for coastal storm damage preparation and mitigation.
- A provision regarding permitted water quality or solid waste disposal systems that clarifies that multiple contiguous properties under common ownership must be treated as a single property with regard to determination of the ground water compliance boundary, providing that they would also be treated as a single property for the purposes of establishing setbacks to property lines.
- Various provisions clarifying reporting of wastewater discharges, including one that would give DEQ the authority to extend wastewater discharge reporting requirements during extraordinary circumstances, including major floods, named storms, or extreme weather,



Sen. Jim Davis (right) meets with League members including Cary Council Member Ken George (left) to discuss municipal legislation

which make it impracticable to measure or otherwise collect data regarding a discharge. Legislators did pass [SB 131 Regulatory Reform Act of 2016-17](#) earlier in the 2017 session, and it included the so-called "non-controversial" reform provisions that had been previously considered in 2016 ([read more here](#)).

[HB 68/SB 65 BRIGHT Futures Act](#) (Reps. Szoka, Saine, S. Martin, Brendan Jones; Sen. Meredith)—Eligible/likely Eligible

Months of negotiations between local government and telecom interests followed [the splashy early-session debut](#) of the BRIGHT Futures Act, a bill that aimed to authorize public-private partnerships for broadband service. It would do so by allowing a local government to lease excess fiber capacity in a broadband network that the local government built for its own internal purposes. Then, the private-sector partner would utilize the local government's infrastructure, including for retail broadband services to homes and businesses. At their full potential, these partnerships would increase the availability of broadband in rural areas as well as underserved urban areas of the state. Local governments build these high-speed internal broadband networks to enhance public services, such as public safety communications, disaster relief, traffic signalization, and electric- or water-meter reading. The League believes that in its current form, the bill requires modifications to fully authorize local governments to participate in these partnerships.

[HB 351 Utilities/Rate Base/Fair Value Determination](#) (Reps. Watford, Collins)—Eligible/Likely Eligible

This measure was patterned off similar legislation in states across the country that sought to remove barriers for the sale of publicly-owned water and wastewater systems to private, for-profit operators. Promoted by private operators, this bill would give the private entity an alternate option for calculating the public system's value during rate determinations for the private entity made by the N.C. Utilities Commission.

[HB 396/SB 360 Municipal Broadband Service Area](#) (Reps. S. Martin, Farmer-Butterfield; Sens. Ballard, Smith-Ingram)—Ratified

[HB 510 Wilson/Provision of Communication Services](#) (Rep. Collins)—Dead/Likely Dead

House members representing Nash and Edgecombe counties introduced two different local measures this session to address the ramifications of legal decisions affecting public broadband service offered by the City of Wilson's Greenlight system to the Town of Pinetops and surrounding businesses. HB 396 ultimately became law and would allow continued gigabit service to those areas. However, the law directed Wilson to cease its service 30 days after the date retail service provided by a "competitive provider" was initiated. The competitive provider would not be required to offer a comparable level of service to Greenlight. Still, without this action, Wilson would not have been able to legally charge for the service at all due to restrictions

in state law. HB 510 took a different approach than this new law, and would only have allowed the City of Wilson to provide broadband service to these areas until October 6, 2017.

[HB 405 Impact Fees/Refund to Homeowners](#) (Rep. Stevens)—Dead/Likely Dead

[HB 406 Repeal Orange County Impact Fees](#) (Rep. Stevens)—Law—S.L. 2017-36

[HB 561/SB 555 Sanitary Districts/Impact Fees](#) (Rep. Wray, Sen. Bryant)—Dead/Likely Dead

Interest by legislators in the types and amounts of impact fees charged by local governments to developers piqued this session following the August 2016 N.C. Supreme Court decision in *Quality-Built Homes v. Town of Carthage*. While the League successfully negotiated a resolution to that issue in HB 436 (as detailed elsewhere in this publication), numerous related bills found varying levels of success this session. Of the three listed here, HB 406 became law and took away the authority of Orange County to charge school impact fees, a clear rebuke that showed legislative sentiment was not on the side of local government when these fees and their uses were not directly tied to the construction that they helped support. Meanwhile, HB 405 directed a refund of impact fees paid by a developer to a city or county to go instead to the homeowner, who in reality would have paid a portion or all of the fee as part of the purchase price of their home. And finally, HB 561/SB 555 would have clarified the law to allow sanitary districts to charge fees of new development for future water/sewer system upgrades. Before the passage of HB 436, that clarification would have ensured that the *Carthage* case did not impact the authority of sanitary districts.

[HB 436 Local Government/Regulatory Fees](#) (Rep. Stevens)—Law—S.L. 2017-138 Effective Oct. 1, 2017

[HB 624/SB 641 Uniform System Development Fees for Water](#) (Rep. McGrady, Johnson, Horn, Williams; Sens. Newton, Edwards, Sanderson)—Dead/Likely Dead

Cities achieved one of their top goals of the 2017 Long Session with the introduction of HB 624/SB 641 and the ultimate passage of HB 436, all bills that reduced cities' legal exposure to repay water and sewer growth-related fees charged in the past. All three bills also provided municipalities with the clear authority to assess these fees in the future. The issue became a pressing one for cities following the August 2016 N.C. Supreme Court decision in *Quality-Built Homes v. Carthage*, which found that cities did not have authority to charge these fees, and further, left them exposed to up to ten years of liability for past illegally charged fees.

Led by Sen. Paul Newton, the League for months negotiated the final consensus language in HB 436 with the N.C. Home Builders Association, the N.C. Association of County Commissioners, and other local government and development interests. The final product of those negotiations granted cities and counties authority to charge water and sewer "system development fees," with

extensive procedures that local utility systems must follow when calculating the fees and spending the subsequent revenues. The compromise gave local governments until July 1, 2018, to work through these new procedures and adopt fees under the new law. Additionally, the final agreement put in place a three-year statute of limitations to clarify that any past local government liability for illegally-charged fees went back only three years. And finally, the agreement applied these new procedures and authority to all types of publicly-owned and operated water/sewer systems, creating uniformity and representing a fair approach that balanced the interests of developers, local governments, and their existing tax and utility rate payers.

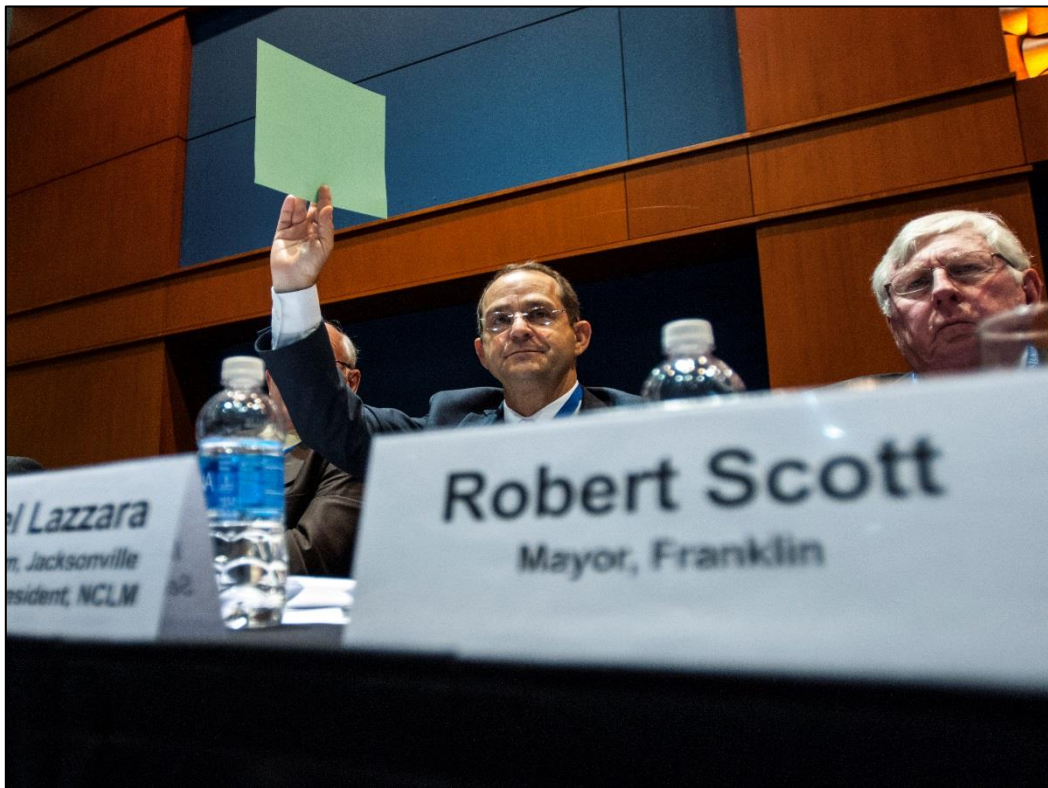
HB 503 Local Budgets/Public Enterprise Funds (Rep. Ford)—Dead/Likely Dead

This proposal restricted the payments from a public enterprise fund to a local government's general fund to only those expenditures for related debt service, a change that would fundamentally interfere with widely-accepted accounting practices followed by public enterprises. For example, that change would eliminate the authority for a local government to make payments for internal cost allocation between funds. The bill applied to all types of public enterprises, including those for water/sewer, electricity, and solid waste.

HB 718 Study Rates and Transfers/Public Enterprises (Rep. McGrady)—Eligible/Likely Eligible

Though HB 718 remains eligible for consideration in the Short Session, its contents became law as part of the state budget (SB 257 Appropriations Act of 2017, Section 24.3). That section of the budget mirrored edition 2 of HB 718. Growing out of a local water dispute in Henderson and Buncombe counties, the bill originally would have prohibited publicly-owned water and sewer systems from charging differential rates to customers inside and outside municipal boundaries unless approved by the Local Government Commission. Also, it would have originally restricted transfers of funds from a public enterprise fund to a local government's general fund, with certain allowances. The final law instead called for a study of the financial practices and funding of public enterprises, with a focus on water/sewer public enterprises. Specifically, the study would examine operators' methods for setting fees and their accounting controls. It would also explore potential legislation for proper funding of infrastructure and improvement, as well as proper monitoring of aging systems to ensure maintenance and repair needs of the system are met. If completed, the study would include consultation with the League and other local government stakeholders, with a report due prior to the 2018 Short Session, and another due prior to the 2019 Long Session.

Appendix I: All Bills Mentioned in Bulletin



NCLM Vice President and incoming 2018 President Michael Lazarra, Mayor Pro-Tem of Jacksonville (center) with fellow NCLM Board Member Bob Scott, Mayor of Franklin

Bill No	Title	Status	Bulletin Section
<u>HB 284</u>	25 Year LEO Retirement Option,	Eligible/Likely Eligible	Tax and Finance
<u>SB 155</u>	ABC Omnibus Legislation	Law	General Government
<u>HB 56</u>	Amend Environmental Laws	Eligible/Likely Eligible	Environment and Utilities
<u>SB 434</u>	Amend Environmental Laws 2	Eligible/Likely Eligible	Environment and Utilities
<u>HB 770</u>	Amend Environmental Laws 3	Eligible/Likely Eligible	Environment and Utilities
<u>SB 469</u>	Amend Environmental Bills 4	Eligible/Likely Eligible	Environment and Utilities
<u>HB 632</u>	Amend Mitigation Services Law	Eligible/Likely Eligible	Environment and Utilities
<u>SB 557</u>	Annexation of Enclaves	Dead/Likely Dead	Planning and Land Use
<u>SB 257</u>	Appropriations Act of 2017	Law	Tax and Finance
<u>SB 8</u>	Bldg. Code Exempt/Airport Changes	Law	Environment and Utilities
<u>HB 599</u>	Body-Worn Camera Recordings	Dead/Likely Dead	General Government
<u>HB 68/SB 65</u>	BRIGHT Futures Act	Eligible/Likely Eligible	Environment and Utilities
<u>HB 398</u>	Brunswick County/Municipal Meals Tax	Dead/Likely Dead	Local Bills
<u>HB 528</u>	Budget Technical Corrections	Ratified	General Government
<u>HB 252</u>	Building Code Regulatory Reform	Law	Planning and Land Use
<u>SB 642</u>	Burden of Proof—Planning and Zoning	Dead/Likely Dead	Planning and Land Use
<u>SB 16</u>	Business & Agency Reg. Reform Act of 2017	Eligible/Likely Eligible	Environment and Utilities
<u>HB 374</u>	Business Freedom Act	Eligible/Likely Eligible	Environment and Utilities
<u>HB 459</u>	Carteret Local Option Sales Tax for Dredging	Eligible/Likely Eligible	Local Bills
<u>HB 522/SB 126</u>	Change the LOST Adjustment Factor	Eligible/Likely Eligible	Tax and Finance
<u>HB 797</u>	Changes to Current BWC Law	Eligible/Likely Eligible	General Government
<u>HB 602</u>	Cities/Require Performance Guarantees	Dead/Likely Dead	General Government
<u>HB 63</u>	Citizens Protection Act of 2017	Eligible/Likely	General

		Eligible	Government
HB 165	Citizens Review Boards Established	Dead/Likely Dead	General Government
HB 198	City/County Authority	Law	General Government
HB 429	City of Saluda Occupancy Tax	Eligible/Likely Eligible	Local Bills
HB 668	Clarify Political Sign Ordinance Authority	Eligible/Likely Eligible	General Government
SB 6/HB 255	Cornelius Annexation	Law	Local Bills
HB 531	Dare County Local Tax Clarification	Dead/Likely Dead	Local Bills
SB 338	Disaster Recovery Act of 2017	Law	General Government
HB 161	Divestment from Companies That Boycott Israel	Ratified	Tax and Finance
SB 329	Divestment from Companies That Boycott Israel	Dead/Likely Dead	Tax and Finance
HB 110	DOT/DMV Changes	Dead/Likely Dead	General Government
SB 3	DOT/DMV Changes	Eligible/Likely Eligible	General Government
HB 844	DOT/Traffic Signal Oversight	Eligible/Likely Eligible	General Government
SB 266	Durham and Walkertown Annexations	Law	Local Bills
HB 795/SB 660	Economic Development Incentives Modifications	Eligible/Likely Eligible	Tax and Finance
SB 618	EDGE Committee Draft	Eligible/Likely Eligible	Tax and Finance
SB 94	Elections Transparency	Eligible/Likely Eligible	General Government
HB 94	Emergency Management Drone Use	Eligible/Likely Eligible	General Government
HB 3	Eminent Domain	Eligible/Likely Eligible	Planning and Land Use
SB 34	Eminent Domain Const. Amendment	Eligible/Likely Eligible	Planning and Land Use
HB 10/SB 35	Eminent Domain Statutory Revisions	Eligible/Likely Eligible	Planning and Land Use
SB 539	Environmental Regulatory Reform Act of 2017	Dead/Likely Dead	Environment and Utilities
SB 285	Equal Representation for Asheville	Law	Local Bills
HB 306	E-Verify Required – All Government Contracts	Eligible/Likely Eligible	General Government

SB 223	Exclude Tiers 1 & 2 from JDIG Cap	Eligible/Likely Eligible	Tax and Finance
SB 105	Fairmont Vol. Annex; Troutman Land Use Reg.	Law	Local Bills
HB 4	Fairmont/Voluntary Annexation	Dead/Likely Dead	Local Bills
HB 109/SB 103	Fayetteville Annexation	Dead/Likely Dead	Local Bills
SB 144	Fayetteville/Small Business Enterprise	Dead/Likely Dead	General Government
HB 473/SB 358	Film & Entertainment Grant Fund Appropriation	Eligible/Likely Eligible	Tax and Finance
HB 340	Firefighter Special Separation Allowance Firefighters/RSW	Eligible/Likely Eligible	Tax and Finance
HB 181	First Responders Act of 2017	Eligible/Likely Eligible	General Government
HB 750	Gaming Commission/VLTs	Dead/Likely Dead	General Government
SB 145	Government Immigration Compliance/Immigration Laws	Eligible/Likely Eligible	General Government
HB 405	Impact Fees/Refund to Homeowners	Dead/Likely Dead	Environment and Utilities
SB 456	Increase De-Escalation Training for LEOs	Dead/Likely Dead	General Government
HB 211	Increase Sampson Occupancy Tax	Eligible/Likely Eligible	Local Bills
HB 432	Increase Teacher Supplement/Electronic Notice	Dead/Likely Dead	General Government
HB 590	Interior Design Profession Act	Eligible/Likely Eligible	Planning and Land Use
SB 435	Internet Publication of Legal Notices	Dead/Likely Dead	General Government
HB 442	Justice for Rural Citizens Act	Dead/Likely Dead	Planning and Land Use
HB 280	Juvenile Justice Reinvestment Act	Eligible/Likely Eligible	General Government
HB 262/SB 261	Kannapolis Deannexation	Law	Local Bills
HB 315	Kelsey Smith Act	Eligible/Likely Eligible	General Government
HB 507/SB 575	Land-Use Regulatory Changes	Eligible/Likely Eligible	Planning and Land Use
SB 199	Law Enforcement Officer Retirement/25 Years	Dead/Likely Dead	Tax and Finance
SB 343	Legal Notices/Newsprint Employees	Eligible/Likely	General

		Eligible	Government
HB 572	Legal Notices/Require Internet Publication	Dead/Likely Dead	General Government
HB 37	LEO Protection Act	Eligible/Likely Eligible	General Government
SB 616	Limit Look-Back for Immaterial Irregularities	Eligible/Likely Eligible	Tax and Finance
HB 503	Local Budgets/Public Enterprise Funds	Dead/Likely Dead	Environment and Utilities
SB 69	Local Gov't Comm/Finance Officer Training	Law	Tax and Finance
HB 436	Local Government/Regulatory Fees	Law	Environment and Utilities
HB 141/SB 92	Maintenance Bond for Subdivision Roads	Dead/Likely Dead	Planning and Land Use
HB 557	Mitigation Services Amendments	Dead/Likely Dead	Environment and Utilities
HB 388	Modernize Mutual Assistance Statutes	Eligible/Likely Eligible	General Government
SB 283	Modify Jacksonville Occupancy Tax	Dead/Likely Dead	Local Bills
HB 396/SB 360	Municipal Broadband Service Area	Ratified	Environment and Utilities
HB 843	Municipal Election Schedule & Other Changes	Eligible/Likely Eligible	General Government
HB 64/SB 206	Municipal Elections in Even Number Years	Eligible/Likely Eligible	General Government
SB 188	No Powell Bill Funds/Sanctuary Cities	Eligible/Likely Eligible	General Government
HB 275	No Stormwater Fees on Taxiways or Runways	Ratified	Environment and Utilities
SB 467	North Carolina Retirement Reform	Eligible/Likely Eligible	Tax and Finance
HB 904	North Carolina Rural Job Creation Fund	Dead/Likely Dead	Tax and Finance
SB 552	Omnibus Local Occupancy Tax	Eligible/Likely Eligible	Local Bills
SB 292	Ord. Violation/No Auto Misdemeanor	Eligible/Likely Eligible	General Government
HB 457/SB 373	Performance Guarantees/Subdivision Streets	Eligible/Likely Eligible	Planning and Land Use
HB 514	Permit Municipal Charter School/Certain Towns	Eligible/Likely Eligible	Local Bills
HB 794	Permitting Efficiency Act of 2017	Eligible/Likely Eligible	Planning and Land Use

SB 419	Planning/Development Changes	Eligible/Likely Eligible	Planning and Land Use
HB 710	Private Parking/Immobilization Device	Eligible/Likely Eligible	General Government
HB 128	Prohibit Drone Use Over Prison/Jail	Ratified	General Government
SB 596	Protect Law Enforcement Officers	Dead/Likely Dead	General Government
HB 825	Protect NC Children From Lead Exposure	Dead/Likely Dead	Environment and Utilities
HB 2	Provide Certain Property Tax Relief	Eligible/Likely Eligible	Tax and Finance
SB 77	Public Meetings/Records Law Violations	Dead/Likely Dead	General Government
HB 113	Pvt Action Local Compliance/Immigration Laws	Eligible/Likely Eligible	General Government
HB 81	Regional & Division Weighting	Eligible/Likely Eligible	General Government
HB 469	Regulation Fully Autonomous Vehicles	Law	General Government
SB 337	Regulation Fully Autonomous Vehicles	Dead/Likely Dead	General Government
SB 131	Regulatory Reform Act of 2016-2017	Law	Planning and Land Use
SB 170/SB 171/SB 172	Remove Limits on Light Rail Funding	Eligible/Likely Eligible	Tax and Finance
SB 122	Repeal Centerville Charter	Law	Local Bills
HB 406	Repeal Orange County Impact Fees	Law	Environment and Utilities
HB 142	Reset of S.L. 2016-3	Law	General Government
HB 183	Retirement Admin. Changes Act of 2017	Law	Tax and Finance
HB 497	Retirement Systems 2 % COLAs/Funds	Eligible/Likely Eligible	Tax and Finance
HB 138	Revise Gang Laws	Ratified	General Government
SB 630	Revise IVC Laws to Improve Behavioral Health	Eligible/Likely Eligible	General Government
HB 564	Revise IVC Laws to Improve Behavioral Health	Dead/Likely Dead	General Government
HB 173	Revisions to Outdoor Advertising Laws	Dead/Likely Dead	Planning and Land Use
HB 578	Revisions to Outdoor Advertising Laws	Dead/Likely Dead	Planning and Land Use

HB 579	Revisions to Outdoor Advertising Laws	Dead/Likely Dead	Planning and Land Use
HB 580	Revisions to Outdoor Advertising Laws	Dead/Likely Dead	Planning and Land Use
HB 581	Revisions to Outdoor Advertising Laws	Dead/Likely Dead	Planning and Land Use
SB 296	Road Improvements Adjacent to Schools	Dead/Likely Dead	Planning and Land Use
HB 444	Rowan County Occupancy Tax Changes	Eligible/Likely Eligible	Local Bills
HB 900	Safe Infrastructure & Low Property Tax Act	Law	Tax and Finance
SB 81	Sales Tax Economic Nexus for Remote Sales	Eligible/Likely Eligible	Tax and Finance
HB 143	Sanford and Harnett Occupancy Tax	Eligible/Likely Eligible	Local Bills
SB 13	Sanford Occupancy Tax	Dead/Likely Dead	Local Bills
HB 561/SB 555	Sanitary Districts/Impact Fees	Dead/Likely Dead	Environment and Utilities
SB 591	Site and Building Development Fund	Eligible/Likely Eligible	General Government
HB 158	Special Assessments/Critical Infrastructure	Law	Planning and Land Use
SB 118	Special Assessments/Critical Infrastructure	Dead/Likely Dead	Planning and Land Use
SB 355	Special Separation Allowance for Firefighters	Eligible/Likely Eligible	Tax and Finance
SB 396	Special Separation Allowance for Firefighters	Eligible/Likely Eligible	Tax and Finance
HB 257	Stanly County Municipalities/Contracts	Dead/Likely Dead	General Government
HB 220	State Infrastructure Bank Revisions	Dead/Likely Dead	General Government
HB 243	Strengthen Opioid Misuse Prevention (STOP)	Law	General Government
SB 175	Strengthen Opioid Misuse Prevention (STOP)	Eligible/Likely Eligible	General Government
HB 320	Study Electronic Recycling	Eligible/Likely Eligible	Environment and Utilities
SB 585	Study Intergovernmental Relations	Dead/Likely Dead	General Government
HB 718	Study Rates and Transfers/Public Enterprises	Eligible/Likely Eligible	Environment and Utilities
HB 321	Study Solid Waste Disposal Tax	Eligible/Likely	Environment and

		Eligible	Utilities
HB 376	Subdivision Improvement Guarantee Changes	Eligible/Likely Eligible	Planning and Land Use
HB 649/SB 406	Sweepstakes Control Act	Dead/Likely Dead	General Government
HB 219	Transportation Megaproject Funding	Dead/Likely Dead	General Government
HB 624/SB 641	Uniform System Development Fees for Water	Dead/Likely Dead	Environment and Utilities
HB 337	Unmanned Aircraft Systems Law Revisions	Law	General Government
HB 351	Utilities/Rate Base/Fair Value Determination	Eligible/Likely Eligible	Environment and Utilities
HB 573	Vacant Building Receivership	Short Session	General Government
SB 289	Various Deannexations	Law	Local Bills
SB 260	Wake Forest Annexation	Law	Local Bills
HB 205	WC for Inmates/UI & WC/Newsprint Employees	Eligible/Likely Eligible	General Government
HB 510	Wilson/Provision of Communication Services	Dead/Likely Dead	Environment and Utilities
HB 310	Wireless Communications Infrastructure Siting	Ratified	Planning and Land Use
HB 26	Workers' Comp/Approval of Disputed Legal Fees	Law	General Government

Appendix II: Municipal Advocacy Goals



NCLM Board Members and fellow municipal officials attended numerous talks and meetings at CityVision 2016

Fiscal Health and Economic Growth

- Seek legislation to provide municipalities with additional locally-controlled revenue options.
- Seek legislation to allow room occupancy tax revenues to be used to fund municipal service and infrastructure costs in order to support travel and tourism.
- Seek legislation to alter the current statutes governing distribution of local sales taxes by requiring a one-year delay in implementation when a county or the legislature changes its method of distributing sales tax revenue.
- Support legislation that will provide sufficient funding at the state level for incentive programs such as a competitive film incentive program, robust state historic preservation tax credits, and the Main Street Solutions fund necessary to grow jobs and the economy.
- Support legislation to revise the tier method of measuring levels of economic distress to focus on the causes of distress and taking sub-county data into account.
- Support legislation to bolster the state's mental health and intellectual/developmental disabilities (I/DD) treatment resources, including resources and solutions to lessen the strain on sworn law enforcement officers when providing custody of individuals in crisis.
- Support legislation which defends the fiscal integrity of the Local Government Employees' Retirement System and its defined benefit structure, promotes reasonable pension reforms that are prospective in nature, and meets the needs of local employees, employers, and retirees.

Municipal Authority

- Support municipal authority over municipal personnel issues
- Support legislation that provides for municipal elections to be determined by local municipal authority.
- Oppose legislation that interferes with local management or ownership of local assets.

Public Infrastructure

- Seek legislation eliminating municipalities' repayment of water- and sewer- growth related fees that have been previously collected, and providing municipalities with the authority to assess the level of fees and charges necessary for continued growth and economic development in the future.
- Seek legislative and administrative changes to the STIP process that give local priorities increased weight in the allocation of transportation funds.
- Seek legislation to increase state-level funding for municipal infrastructure needs.
- Support legislation that recognizes that management of a public utility is best determined by the local owning entity due to their consideration of financing, engineering, and regulatory responsibilities.

Federal

- Seek opportunities to support the passage of the federal e-fairness legislation.



Appendix III: The League's Governmental Affairs Team



The League's Governmental Affairs Team is working on your behalf to make sure that the concerns of all North Carolina cities and towns are represented in the General Assembly, before state agencies during the regulatory process, and elsewhere. If you have any questions, please do not hesitate to contact any team member.

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