Advocacy Goal Achievements

• **GOAL:** Support legislation that will provide sufficient funding at the state level for incentive programs such as a competitive film incentive program, state historic preservation tax credits and the Main Street Solutions program.

Passage of HB 399 Extend Tax Credits/Other Finance Changes extended the state Historic Preservation Tax Credit through Jan. 1, 2024, as it had been scheduled to expire at the end of this year. The legislation is seen as crucial to economic development projects in many North Carolina towns and cities.

• **GOAL:** Seek legislation to ensure that the amount of Powell Bill funds appropriated by the state are sustained and distributions to municipalities are increased and will grow.

Although the General Assembly and Governor could not agree on a larger state budget, they did approve a transportation-focused budget bill, HB 100 DOT Budget for 2019-2021 Biennium, that would increase Powell Bill funding in the 2020-21 fiscal year. The $7,375,000 increase is restricted to those municipalities with populations of 200,000 or less.

• **GOAL:** Seek legislation to boost funding availability for public transit and transportation programs.

HB 100 DOT Budget for 2019-2021 Biennium restores $8.5 million in cuts made last year to the State Maintenance Assistance Program (SMAP) for public transportation, bringing recurring funding back to $32.5 million. The same legislation provides an additional $53 million for commercial and general aviation airports.
• GOAL: Support legislation providing additional post-employment benefits to public employees only if it includes a funding mechanism to fully support the cost and support the study of existing post-employment benefits to ensure last employers are not burdened.

As filed, separate House and Senate bills, HB 278 and SB 179, would have mandated that municipalities provide and pay for a new retirement benefit for firefighters, called a “special separation allowance.”

But HB 278 Study Parity for First Responders was converted into a bill to study the proposed retirement benefit, along with potential alternatives and the effects on the retirement system. The study bill passed the House but not the Senate.

• GOAL: Support a system of spirituous liquor sales that maintains local control and preserves the local revenue stream.

After a number of bills were filed which had the potential to undermine local control of ABC sales and even privatize liquor sales, legislators ultimately approved only modest changes that will have little effect on existing local systems and their revenue streams. SB 11 ABC Regulation and Reform focused mostly on ABC laws enforcement, while SB 290 ABC Regulatory Reform Bill restricts the creation of new ABC Boards and makes other revisions such as allowing tastings at ABC stores and relaxes laws on consumptions of alcohol at distilleries.

• GOAL: Support measures, such as additional funding, to enhance cities’ ability to meet federal and state stormwater control mandates.

The General Assembly’s $196 million disaster relief package, HB 200, that passed in the final days of session included a $15 million allocation to Golden Leaf Foundation to provide grants to local governments with an eligible use of those funds being the repair, replacement, construction, or improvement of stormwater infrastructure that was damaged as a result of Hurricane Matthew, Florence, Michael, or Dorian.

• GOAL: Oppose legislation that shifts to taxpayers the costs of overseeing development and completing development-initiated infrastructure.

The League succeeded in preserving in law current responsibilities for developers to pay their fair share. In one bill, SB 313 Perf. Guar. to Streamline Afford. Housing, League negotiations led to language that allows local governments to determine the amount of any financial guarantee required to be paid by developers to assure completion of required infrastructure. This provision meant that taxpayers would not be left bailing out failed developments. Efforts to ensure developers paid for water system upgrades necessitated by development continued as the League succeeded in halting the progress of HB 873 System Development Fee/Clarify Time of Change. That bill would have relieved developers of their responsibility to pay for system upgrades in certain situations.
BILL SUMMARIES

Bills that have received action since the publication of the 2019 End of Session Bulletin
Since publication of the End of Session Bulletin in early September, the General Assembly has come back into brief, reconvened sessions to take action on legislation that it deemed critical, including consideration of bills vetoed by the Governor. The following bill summaries, with bill numbers and titles linked, are those that received action since that earlier publication and are of importance to municipalities.

As with the earlier End of Session Bulletin, each bill number and title is accompanied by a designation to explain its status. 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, with an override of his veto, or as a local bill over which the Governor has no say.
- **Vetoed**: Bills vetoed by the Governor, with that veto not overridden by the General Assembly.
- **Ratified**: Passed by the General Assembly but not yet acted upon by the Governor.
- **In Conference Committee**: Both the House and Senate have approved different versions of the bill, and are now negotiating through differences for a final bill.
- **Passed House**: Passed the House but not voted on by the Senate.
- **Passed Senate**: Passed the Senate but not voted on by the House.
- **Not Passed**: Legislation not taken up by either full chamber.

The 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 Public and Government Affairs team or visit the League’s bill tracking site.
The General Assembly ended its work in 2019 without a full state budget for the 2019-2020 fiscal year becoming law. The budget passed by the House and Senate in HB 966 in June was vetoed by Governor Roy Cooper soon afterward, and while the House voted to override that veto in controversial fashion in September, the Senate never attempted an override vote of its own. Instead, the legislature passed a series of “mini-budgets” that largely replicated less controversial sections of HB 966. Two of those with impacts to municipalities were HB 100 and SB 429, now S.L. 2019-231 and S.L. 2019-224, respectively. HB 100 provided funding to the Department of Transportation for a wide variety of initiatives. Among the most directly impactful to municipalities were a restoration of cuts previously made to the State Maintenance Assistance Program (SMAP), which helps fund public transportation operations around the state, and the achievement of a League goal of increasing Powell Bill funds. The 5 percent increase ($7.375 million) in FY2020-21 comes with the restriction that those funds only be distributed to municipalities with a population of 200,000 or less. SB 429 dealt with disaster recovery funding. In addition to providing direct grants to numerous municipalities, it also provided millions in funding for entities like the N.C. Office of Recovery and Resiliency and the Golden L.E.A.F. for programs such as local government mitigation buyouts and buyout assistance, cash flow assistance grants and loans for local governments, and infrastructure repair and replacement.

Since the publishing of our End of Session Bulletin, each chamber presented bills to address additional disaster relief needs. The House presented their package of disaster relief and resiliency proposals in HB 1023 – which was a $258 million package that included many suggestions by the Division of Emergency Management, N.C. Office of Recovery and Resiliency (NCORR), and other agencies. The House’s proposal would tap the state’s Rainy-Day Reserves for the money.

The Senate, using a previously unrelated House bill as its vehicle for additional disaster dollars, HB 200 2019 Storm Recovery Act, directed that the money come from the state’s existing General Fund and mostly focused on providing matching funds for federal dollars. HB 200 bill would appropriate $132 million to match federal grants and provide additional dollars for road repairs.

The agreed-to conference package that passed both chambers settled on a $196 million disaster relief package, and was signed into law by Governor. In that bill, provisions of interest to municipalities were:

- A $15 million allocation to Golden Leaf to provide grants to local governments and non-profits who may have missed other deadlines for disaster relief funding.
- Allowing local governments to use the State’s list of pre-qualified contractors for bidding on disaster recovery contracts in order to expedite the recovery process.
- A $10 million allocation to NCORR to be used as flexible local government loans to assist with cash flow issues while awaiting reimbursement.
- A $5 million allocation to NCORR to provide flexible local government grants to assist communities impacted by Hurricane Dorian.


HB 399 was approved and signed into law by the governor on Nov. 1 after the state budget, which included a similar provision, had been vetoed. The bill extends the state Historic Preservation Tax Credit, scheduled to expire at the end of the year, through Jan. 1, 2024. The original bill had included some enhancements to the tax credit, but those were dropped in the measure given final approval by both the House and Senate. The House decided to move the separate bill in the aftermath of the gubernatorial veto of the budget bill. That movement came as the N.C. Mayors Association and N.C. Metropolitan Mayors Coalition approved a joint resolution and sent joint letters urging legislators to approve the extension and not allow it to become entangled in budget negotiations. The extension achieves a key League advocacy goal. HB 852 would have provided an additional 5 percent tax credit for the renovation of school buildings that continued to be used for an educational purpose. The legislation passed the House in late October, but was not acted on by the Senate.

**HB 959 Exempt Cemetery Property** (Reps. Strickland, Saine, K. Hall) – Not Passed

HB 959 would make changes to the statutes governing property tax exemptions for property set apart for burial purposes. Under the bill, the owner of such property that no longer qualifies as burial property would forfeit the tax exemption and be subject to past taxes and interest. The legislation received approval by a House committee in October, and was even calendared for consideration by the full House, but ultimately was withdrawn before a floor vote could occur.


In August, the N.C. Department of Transportation announced that it would be pausing a number of projects around the state and laying off temporary and contract workers due to a cash crunch caused by natural disaster response and payment of settlements related to the state’s Map Act. As a result, addressing this funding shortfall became a top priority of legislators as the 2019 session headed toward adjournment. House members made an effort to assist DOT with HB 967, but the ultimate vehicle for dealing with these issues was SB 356. The bill made additional funds available to DOT through measures such as the authorization of the sale of Build NC bonds, appropriations for disaster relief, and the removal of a required repayment of a loan from the state’s General Fund. It also established a reserve fund for disaster purposes, limits the amount of DOT funds available for Map Act payments, and establishes new reporting requirements for DOT. It also requires the State Auditor to conduct a performance audit of DOT by March 1, 2020.
Traditionally, legislators end their legislative sessions in part by passing a “technical corrections” bill, such as SB 419. The House proposed this bill in the waning days of the 2019 Long Session’s regular meeting schedule, proposing numerous changes affecting municipalities and originating from specific local concerns. Section 8 likely responds to a vote earlier this year by the Durham City Council to deny a local charter school’s request to borrow school capital funds. Even though such borrowing does not involve the government’s finances, federal tax regulations require a governmental unit with jurisdiction over the charter school to approve bond issuances. Section 8 of SB 419 would change that governmental oversight from the local government to the State Superintendent of Public Instruction. Elsewhere in this bill, Section 18 would benefit the Wilmington-area metropolitan transportation planning organization (MPO) by having the N.C. Department of Transportation indemnify both the City of Wilmington and the MPO from expenses related to MAP Act legal claims. Courts found the future transportation corridor planning restrictions allowed by the MAP Act to be unconstitutional. Wilmington and the MPO serving its region needed the legal protections offered in Section 18 because they were unique among the state’s MPOs in having the ability to designate future transportation corridors under the now-repealed MAP Act. Legislators may consider this bill in a future reconvened session in the coming months, and if history is any indication, they will add provisions to this bill before final passage.


SB 557 addressed a variety of tax provisions in the state, including an increase in the standard deduction for income tax filers in N.C. The provision with the most direct impact on local government revenues dealt with the sales tax on online purchases. Since Nov. 1, 2018, most online sellers have been required to collect and remit sales and use tax on purchases made by N.C. residents, largely mirroring the South Dakota law ruled constitutional by the U.S. Supreme Court in its Wayfair decision. However, sales tax was not required to be collected by “marketplace facilitators” – sites such as Etsy and eBay, for instance – that were providing a platform for online sales but not making sales directly. This law closes that loophole, which will apply the state and local sales and use tax to more N.C. sales and provide an increase in state and local sales tax revenues as a result.

SB 578 Reduce Franchise Tax/Expand Film Grants (Sen. Sawyer) – Vetoed

This legislation was approved in late October, but then vetoed by Gov. Roy Cooper over opposition to provisions cutting the corporate franchise tax. Other bill provisions would have modified the state’s Film and Entertainment Grant Fund by reducing the spending thresholds in order for film and television production companies to qualify for the grants, meaning more productions could have received the grants – a change that supporters say would have led to more film activity in the state.
Local Bills


Each legislative session, a number of noncontroversial annexation and de-annexation measures are approved by General Assembly, although in some years some proposals opposed by local officials are also considered. HB 181 and SB 270 were both noncontroversial bills supported by local officials which de-annexed property in the affected jurisdictions, and both received final action since publication of the End of Session Bulletin.

General Government


Since the publishing of our End of Session Bulletin, an agreed-to conference report for HB 29 was approved by both chambers and signed by the Governor. HB 29 addresses the expediency in which sexual assault kits are tested and establishes processes and protocols for testing untested kits. The law requires law enforcement agencies to notify the North Carolina State Crime Lab of an arrest or conviction resulting from a hit in the Combined DNA Index System and appropriates funds to the Department of Justice to cover costs associated with implementing the law.

HB 283 Connor’s Law (Reps. B. Jones, Bell, Moore, Hastings) – Law – SL 2019-228

Since the publishing of our End of Session Bulletin, an agreed-upon conference report for HB 283 was approved by both chambers and signed by the Governor that would increase the line of duty death benefit for emergency personnel when the death was found to be caused by murder or an intentional harmful act of another person. The legislation is retroactive to July 1, 2016.

HB 633 Strengthen Criminal Gang Laws (Reps. Davis, Faircloth, McNeill, Richardson) – In Conference

HB 633 would revise the Criminal Gang Nuisance Abatement Act and the Criminal Gang Suppression Act. Among other things, it amends who may be a defendant in a nuisance action to include a criminal gang and any criminal gang member who associates with other gang members. It also amends what action a court may take upon finding a public nuisance to allow the court to order any person not to associate with other persons associated with a criminal gang and to divest themselves of any involvement or interest, direct or indirect, in a criminal gang. It also makes changes to conform with recent “Raise the Age modifications.” Since the publishing of our End of Session Bulletin, the Senate has appointed conferees to work with the House to find agreed to language; however, no conference report has been released.
Planning & Land Use

**SB 315 North Carolina Farm Act of 2019** (Sens. B. Jackson, Sanderson, Johnson) – In Conference Committee

Since the publishing of our End of Session Bulletin, an agreed-to conference report appeared for SB 315 -- a large package of various agricultural related reforms. The majority of legislative discussions this session regarding SB 315 has focused on a proposal to regulate hemp production and sale in the state through the implementation of a state hemp program. Debates and controversy centered around whether to define non-psychoactive smokable hemp as marijuana due to law enforcement and prosecutorial concerns as to whether probable cause searches and prosecution for marijuana possession would be hindered if smokable hemp was legal. The conference report included a compromise between the chambers to make smokable hemp illegal until June 1, 2020. The Senate voted to approve this new version of the bill, but concern over a section exempting shooting sports from county zoning rules prompted the House to withdraw the conference report and send the bill back to committee.

**SB 553 Regulatory Reform Act of 2019** (Sens. Sanderson, Wells) – Vetoed

Since the writing of our End of Session Bulletin, a new conference report for SB 553 -- this Session’s large package of regulatory reforms -- was revealed and passed by both chambers. However, the Governor vetoed the bill and a veto override vote has yet to take place. The conference report included the following provisions of interest to municipalities:

- An increase in the dollar threshold for contracts that are exempted from the public officer or public employee conflict-of-interest-prohibitions that limit benefits from contracts of their public agency.
- A provision that affects waste accumulation as it relates to the Fire Prevention Code, requiring the Building Code Council to amend the Fire Prevention Code to allow doorstep garbage and recycling containers under specific conditions.
- Authorization of a city or county to establish a process to permit temporary event venues.
- Clarifications of landfill life-of-site franchise requirements to allow for “substantial compliance.”
- Provisions to address the financial viability of certain water and wastewater utilities based on their infrastructure need, including creating a new grant program entitled the “Viability Utility Reserve Fund” – which appeared in multiple other bills this Session
- A study of the methods used to determine the fair market value of outdoor advertising signs as it relates to property tax purposes.
- A prohibition of cities from requiring masonry curtain walls or masonry skirting from being installed on manufactured homes located on land leased to the homeowner.
- A Division of Emergency Management study of the needs of law enforcement and first responders to improve access to the interstate system.
- The addition of aquaculture to an existing list of uses — such as general farming, pasture, outdoor plant nurseries, horticulture, forestry, mining, wildlife sanctuary, game farm, and other similar agricultural, wildlife, etc. — that are allowable in flood hazard areas.
Environment & Utilities


Legislators from both parties filed numerous bills this session intended to beef up the state’s nascent broadband infrastructure grant program, called the Growing Rural Economies with Access to Technology (G.R.E.A.T.) program. The program went into effect last year to boost rural broadband opportunities, though it did not consider municipalities to be eligible parties for funds. When legislators reached a stalemate to override the Governor’s veto of the annual state budget, they pulled out an increased appropriation for this program that was in the vetoed budget and placed it into HB 387. Now signed into law by Gov. Cooper, HB 387 increased the G.R.E.A.T. program’s annual funding by $5 million, for a total of $15 million annually, and made the funding permanent. Further, HB 387 made various changes to the grant program’s design, such as requiring wireless providers applying for grants to submit proof that the proposed area could be served using wireless technology.


Since the writing of our End of Session Bulletin, the legislature passed two bills to address the need of utilities that are either taken over by the Local Government Commission (LGC) or have their charter revoked by the General Assembly. SB 691 became law first and allowed existing funds from the Wastewater Reserve and the Drinking Water Reserve to provide grants to the LGC to fund operating deficits of a public water or wastewater system that the LGC has taken over. In June, the legislature passed HB 336 which suspended the Town of Eureka’s charter for five years and gave the state treasurer control of its assets. Since the passage of SB 691, the State Water Infrastructure Authority has used the law to grant $200,000 in emergency funding to the LGC for their operations of the Town of Eureka.

Additionally, legislators made additions to the Department of Natural and Cultural Resources agency bill, SB 433. As passed, SB 433 included tweaks to the process provided in SB 691 to provide emergency funds when a water or wastewater utility is operating at a deficit, and would incorporate the emergency operating funds concept as an additional use of the Viable Utility Reserve fund (if it becomes law). The Viable Utility Reserve fund, which passed the General Assembly in two vetoed bills (HB 966 2019 Appropriations Act and SB 553 Regulatory Reform Act of 2019), would provide grants to assist utilities in becoming self-sustaining and merging into regional systems. The proposal was the result of a yearlong legislative study that focused on the more than $17 billion of water and sewer infrastructure needs statewide. SB 433 also directs the N.C. Policy Collaboratory to inventory certain fire retardant foam used by local government fire departments and to create a process for collecting and disposing of the foam that is no longer in use. Fire retardant foams have been linked to the presence of certain perfluoroalkyl and polyfluoroalkyl substances (PFAS chemicals) found in drinking water supplies.
The League’s Public and Government Affairs Team embodies the organization’s ideal of, “Working as one. Advancing all.” We are working on your behalf to make sure that the concerns of all North Carolina cities and towns are represented at the General Assembly, before state agencies during the regulatory processes, and wherever policies are considered that affect the state’s municipalities. If you have any questions, please do not hesitate to contact any team member.

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