



# Legislative Bulletin

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## The Weekly Recap

**WHAT HAPPENED:** It was a boisterous week in North Carolina politics. For one, making national headlines, Rep. Tricia Cotham of the N.C. House [switched her political affiliation](#) from Democratic to Republican, a move her former party decried as it gave the latter a powerful supermajority in the General Assembly. Meanwhile, the House [gave final approval](#) to its biennial budget proposal and sent it over to the Senate for review as a number of bills we've been tracking also saw movement. It was a busy week for bill filing too, as it marked the Senate's final filing deadline.

**WHAT IT MEANS:** The Senate's filing deadline generally means no new bills out of that chamber this session. In all, senators filed 745 bills, with 284 of them filed just this week. Both of the chambers are now on a spring break from legislating, but bill-filing is expected to continue, as the House's final filing deadlines approach near the end of the month. The House so far has 590 filed bills. For the Republican Party, the addition of Rep. Cotham means the GOP has greater potential in the General Assembly to approve the bills it wants and can override vetoes from Democratic Gov. Roy Cooper. Rep. Cotham, just before her party switch, was one of a few House Democrats to vote in favor of the chamber's state budget draft this week. We have more information below in this Bulletin about the budget and what it means for North Carolina cities and towns.

**ON TAP:** With the House budget proposal now in the Senate's hands, the Senate is developing its own draft for near-future release. While it won't be a word-for-word copy of the House plan, it may share several elements. We've already pointed out that the House plan continues a theme of support in areas like infrastructure. Infrastructure spending in the House plan would include roughly \$1 billion in additional money on roads and transportation in the next fiscal year, while state aid to cities for transportation would increase by 10 percent with a total Powell Bill allocation of \$170 million. More details follow below as we monitor developments on this and several other bills of interest to cities and towns, covering

topics like extra-territorial jurisdiction, heirs property, transportation money, water rates and more.

**THE SKINNY:** While the legislature's power-dynamic headlines carried the week, there's plenty of news for cities and towns in the budget and in individual bills that saw activity. Read on for the most relevant details to municipalities.

## House Approves State Budget Plan

The state House this week gave approval to [its \\$29.8 billion state budget plan](#) as a handful of Democrats joined with majority-party Republicans in the vote. The bill, which now goes to the Senate for consideration, continues to invest heavily in infrastructure important to municipalities. It would also put more money into efforts to improve law enforcement recruitment and training, as well as housing – two key priorities outlined by NCLM members in their Legislative Goals for the current legislative biennium.

Infrastructure spending would include roughly \$1 billion in additional money on roads and transportation in the next fiscal year, while state aid to cities for transportation would increase by 10 percent with a total Powell Bill allocation of \$170 million. Another \$300 million would go to the Viable Utility Reserve for distressed systems, \$600 million for water and sewer infrastructure grants, and \$100 million for storm water projects.

In addition to those items, House members would put over \$100 million toward parks funding, including the N.C. Parks and Recreation Trust Fund, \$200 million in economic development site preparedness funds and spend \$100 million on airport capital projects.

The state's Workforce Housing Loan Program would receive \$35 million, while \$20 million would be directed to local law enforcement agencies to support workforce development initiatives.

The House budget includes a number of policy provisions, with two of particular importance to municipalities. One would make the State Historic Preservation Tax Credit permanent, after several years of expiring "sunsets" of the law and extensions. Another would preempt local zoning rules to allow schools to be sited in any zoning district, the only exception being those in industrial districts where existing uses would create traffic or other "usage" issues.

You can find a comprehensive listing of budget items affecting cities and towns [here](#).

With the House approval, the Senate will begin budget work in earnest now, with the two chambers working out a final agreement once the Senate plan is approved. That both chambers now enjoy so-called supermajorities, coming after a party switch by a House member earlier this week, lessens the leverage of Gov. Roy Cooper and his ability to use veto power to alter or stop a legislative budget bill.

## Both Chambers Reintroduce Heirs Property Act

A top legislative goal of city officials advanced this week with the reintroduction of [HB 588/SB 548 Uniform Partition of Heirs Property Act](#). Heirs property is family-owned land that is passed down without a will or other mechanism that conveys clear title. Without clear title, the heirs are unable to sell the land, obtain a mortgage, or secure FEMA or other types of assistance to repair homes after a natural disaster, which may contribute to the influx of abandoned and vacant homes across the state. Heirs property is also vulnerable to forced sales by investors or even other joint owners.

The Uniform Partition of Heirs Property Act seeks to modify the procedure for partitioning and selling such properties to better balance the interest of all heirs. Once the properties are partitioned and/or sold, the potential rises for them to be occupied again, satisfying a key legislative goal of city officials this session to revitalize vacant and abandoned property and help address local housing needs. The act has been enacted in at least fourteen other states and was passed by the House last year as [HB 367](#) before stalling in the Senate.

## Transportation Revenue Bill Advances

A measure supporting a main legislative goal of city officials -- increased transportation funding -- advanced when the Senate Transportation Committee voted unanimously to report [SB 354 NC TEN](#) favorably this week. The bill would raise an additional \$70 million in annual revenue for transportation projects in the state. If passed, the bill would raise registration fees on electric vehicles and hybrids from \$140.25 to \$180, remove the \$2,000 cap on the highway use tax, and enact a new fee on ride sharing. League staff continues to engage lawmakers on SB 354 as it would fulfill a key NCLM legislative goal for the biennium by increasing transportation funding. The bill now heads for the Senate Finance Committee.

## Extra-Territorial Jurisdiction Eliminated Among Numerous New Development, Land-Use Bills

The Senate took aim at cities' extra-territorial jurisdiction this week, proposing to eliminate the authority among other development bills filed in advance of that chamber's bill-filing deadline. [SB 675 Land Use Clarification and Changes](#), would eliminate municipal extraterritorial jurisdictions (ETJ), a tool that has been used to maintain balance between urban centers and the rural areas of the state for nearly 75 years. The proposal would also require municipalities to permit, either by right or via a special use permit, the siting of schools in areas zoned for commercial use. The League has produced a helpful [explainer on why ETJ matters](#).

In another consequential land-use action, senators filed [SB 667 Regulation of Short-Term Rentals](#) on Thursday. The proposal broadly prohibits municipalities from regulating short-term rentals in their communities and classifies short-term rentals as a residential use. However, the bill does allow cities the option to require operators to obtain a permit that may limit the number of occupants and occupant vehicles. The bills also provides that the short-term rental operator, or an authorized agent, must be within a 50-mile radius of the unit while it is being occupied.

*The League staff requests your feedback on both of the above proposals. Please send to Government Affairs Associate Derrick Applewhite at [dapplewhite@nclm.org](mailto:dapplewhite@nclm.org).*

Another bill of note, [HB 562 Addressing the Workforce Housing Crisis](#), was filed in the House and resembles the [Senate bill](#) that establishes a statewide mandate for local

communities to allow “workforce housing developments,” a new type of residential development not subject to local planning and zoning regulations. The NCLM Government Affairs staff have prepared a [quick fact sheet](#) for municipal officials to reference on the matter.

While much of the attention is focused on limiting local decision-making, legislators this week introduced [SB 463 Home Inspectors Lic. Mods./Code Qual. Bd.](#), which would grant permission for the N.C. Department of Insurance to develop an apprenticeship program to provide training in enforcement of the North Carolina Building Code. The program is supported by recommendations made in [Local Governments Responding: The Housing Crisis in North Carolina](#), a report that provides a detailed look at what is happening related to housing in the fastest growing communities of North Carolina.

## **Water System Rate-Making Authority Curtailed Under New Proposal**

A new Senate proposal introduced Thursday would curtail the rate-making authority of local water systems. Section 3 of [SB 515 Water and Sewer Affordability](#) would direct the rates charged to customers outside of a local government’s jurisdiction to be calculated using one of two statutory methods. Generally, the first method would limit the out-of-town rates to the in-town rates plus a surcharge of no more than 25 percent on those rates. In the alternative, SB 515 would allow a local system to set a higher rate if it held a public hearing and could demonstrate that the higher rates were “just and equitable.” Separately, the bill would create new rules for the sale of a public water system to a private water provider.

## **House Local Government Committee Takes Up Budget Hearing, Closed Session Bills**

The House Local Government Committee focused on local government meeting procedures when advancing two measures this week. The first, [HB 273 Local Government Budget Process](#), was heavily amended from introduction and would place additional requirements on some cities when developing their annual budgets. The amended version of HB 273 would require cities on the unit assistance list (UAL) to hold a budget hearing, prior to adopting a budget ordinance, that included certain revenue and budgetary information. Additionally, towns on the UAL that are proposing to raise the ad valorem property tax rate would be required to notify by mail all property owners in the jurisdiction. Further, the amended bill would place a similar requirement upon public enterprise funds (including water, sewer, and solid waste utilities) operated by cities on the UAL. However, these utilities would be able to notify customers of rate increases through their normal billing communications rather than a separate mailing. The original version of the bill would have placed these mailing requirements on the majority of towns and cities in the state. City officials appreciate bill sponsor Rep. Matthew Winslow taking into account the concerns they raised with the original version of this bill. The House Rules Committee will hear the bill next.

Separately, the Committee also advanced [HB 445 Closed Session Reminder](#) at its Tuesday meeting. The League worked with bill sponsor Rep. Winslow on concerns municipalities had raised about the bill as introduced, and thanks him for considering the feedback. The committee substitute incorporated city officials’ recommended

changes. Under the revised bill, prior to entering closed session, a local board chair must remind all board members to keep their discussion during the closed session to the publicly stated, permissible purpose. Then, the revised bill directs the chair to state whether the closed session complied with closed session laws, once the meeting returns to open session. This bill heads next to the House Judiciary 1 Committee.

## **Bill Gives Whistleblower Protection to Law Enforcement**

Law enforcement officers would receive job protections for making whistleblower reports under a proposal filed in both the House and Senate this week. [HB 589/SB 534 Protect Whistleblower LEOs from Retaliation](#) shields officers that disclose a wide range of activity to agencies, such as observing an excessive use of force or other prohibited activities. After making those reports, under the bill, an officer shall not be terminated, disciplined, or otherwise retaliated against for making the report. The proposed bill constricts local personnel management, and for that reason, city officials have opposed similar proposals in past sessions.

## **Changes to Firefighter Background Checks Clear Committee**

A bill to making changes to how fire departments comply with a requirement to conduct criminal history record checks for current and future members of fire departments passed the House Judiciary 3 Committee this week. [HB 378 Firefighters Criminal History Record Checks](#) would change who is responsible within a department for complying with the background check requirement and allow for North Carolina residents of more than five years to receive a background records check without fingerprints.

During last year's short session, the legislature passed, as part of S.L. 2022-8, a requirement for a criminal history record check for all applicants for paid or volunteer positions with a fire department. This mandate caused compliance issues for many municipal and volunteer fire departments. League staff members have been working with the bill sponsors to smooth out these unintended complications from last year's legislation and expect continued changes as this measure progresses through the legislative process. The bill will next be heard by the House Rules Committee.

## **Proposal Assists Local Governments with Sales Tax Paperwork**

[SB 581 County and City Sales Tax Exemption](#), filed Tuesday, would assist local governments by eliminating a sales tax paperwork exercise they now undertake. The paperwork is required because while local governments do not have sales tax liability on their purchases, they must still pay it upfront and then submit a request for those amounts to be repaid by the state. The bill bypasses this process and instead makes the local government purchases exempt from sales tax altogether. Items purchased by a city for its own use or purchased by a contractor or subcontractor to use in locally funded projects would be eligible for the exemption under this bill.

# Water Permitting Focus of Senate Bill

## Filing Deadline

In advance of their last bill filing deadline of the long session, senators filed several bills regarding wastewater and stormwater permitting. First, the newly filed [SB 673 Water and Wastewater Regulatory Relief Act](#) would allow alternative peak daily sewage flow calculations and modify approval procedures for inter- and intra-basin water transfers. Then, [SB 684 Stormwater Program Revisions](#) would place shot clocks on the approval of stormwater permits by the North Carolina Department of Environmental Quality (DEQ) and allow applicants to choose who will review stormwater permits, including local governments with this jurisdiction. Presumably, these “delegated” local government programs would follow the same time restrictions for review and issuance of those stormwater permits as the bill applied to DEQ.

## Legislature's Municipal Caucus Meets

### With NCLM Board Members

In its first formal event, the legislature's Municipal Caucus -- the 38 current lawmakers who have prior municipal government experience -- met with members of the NCLM Board of Directors at a reception on Wednesday. The caucus is co-chaired by Sen. Michael Lazzara (former Jacksonville mayor pro-tem and past NCLM president), Sen. Gale Adcock (former Cary council member), Rep. Steve Ross (former Burlington mayor), and Rep. James Roberson (former Knightdale mayor). The caucus exists to create an opportunity and open environment for legislators with previous local government experience to offer education about the state-city partnership and share information and ideas about legislation that will impact local governments. This reception helped forge relationships that can bring greater awareness to how legislative decisions practically affect services at the local level.



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