

Legislative Update

N.C. Local Government Auditing, Reporting and Review

June 6, 2019



**WORKING AS ONE.
ADVANCING ALL.**

Agenda



- Legislative Overview
- Key Bills & Issues
- NCLM Update
- Questions/Discussion

Overview



- Legislature convened in January
- 22 session laws as of June 4
- Budget currently being negotiated between House & Senate
- What happens next?

Local Finance



- S.L. 2019-19 (HB 233) State Auditor/Local Finance Officer Amends
 - Requires local governments to have a finance officer at all times, and allows contracting with outside entities (including CPAs) to fulfill the finance officer roles and duties
 - Allows the Local Government Commission to require training of local finance officers, or require a local government to contract with an outside entity, if there is an internal control finding in the entity's audit

Utilities



- SB 536/HB 570 Water/Wastewater Public Enterprise Reform
 - Requires SWIA & LGC to develop criteria to determine a distressed unit of local government and requires those units to take certain actions
 - Establishes Viable Utility Fund to assist water and wastewater systems in becoming sustainable
 - Establishes process for merger or dissolution of water and wastewater systems and encourages interlocal cooperation between systems



Senate Budget



- HB 966 2019 Appropriations Act (May 31)
 - Includes most of SB 536 provisions, plus state funding of \$17.5 million over 2 years
 - Clarifies application of sales tax to online transactions
 - Provides disaster recovery funding, including funds to assist local governments with cash flow issues
 - Extends historic rehabilitation tax credit through Jan. 1, 2024





Senate Budget Highlights of Interest to Counties

Education

- Authorizes \$1.67 billion from State Capital and Infrastructure Fund to K-12 schools for new construction, renovations and repairs through the 2028-29 fiscal year
- Authorizes \$500 million from SCIF to community college system for new construction, renovations and repairs through the 2028-29 fiscal year
- \$100 million in lottery proceeds each year of the biennium for the Public School Building Capital Fund
- \$95 million in lottery proceeds in 2019-20 and \$109 million in lottery proceeds in 2020-21 for the Needs-Based Public School Capital Fund
- Repeals ability for local boards of education to sue boards of county commissioners over appropriations made by the county to the public school capital outlay fund





Senate Budget Highlights of Interest to Counties

JPS and Disaster Recovery

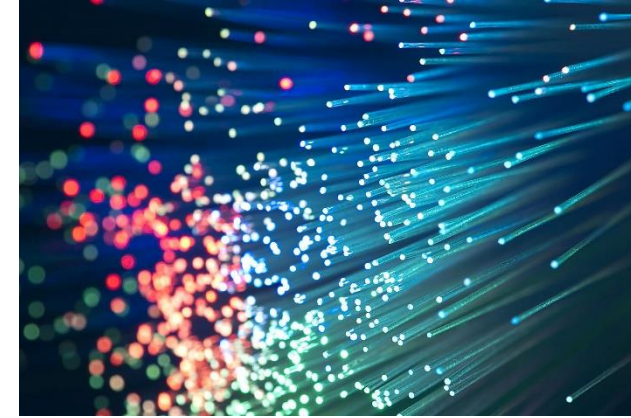
- \$64 million to implement “Raise the Age” including court positions, costs associated with transportation, funding for additional bed space and funding for Juvenile Prevention Councils
- Funds “future disaster studies” by the NC Policy Collaboratory for \$2 million
- Appropriates \$5 million for the North Carolina Office of Recovery and Resiliency to assist financially distressed local governments
- Provides \$10 million to the Department of Environmental Quality for “disaster related infrastructure”
- Appropriates \$1 million for grants to assist jails in four counties in providing addiction treatment



Senate Budget Highlights of Interest to Counties

HHS and Broadband

- Appropriates \$210 million from the Medicaid Transformation Reserve to prepare for transition to Medicaid managed care, beginning Nov. 1, 2019 in 27 counties and Feb. 1, 2020 in remaining 73 counties
- Delays deployment of child welfare and aging components of NC FAST in counties that are not pilot counties until at least Oct. 1, 2019
- Increases state-county special assistance personal needs rate and the foster care and adoption assistance rates; Counties are required to pay 50% of the cost of these programs
- Does not increase funds for local health department communicable disease programs
- Transfers \$15 million recurring from the State Capital and Infrastructure Fund for the GREAT grant for rural broadband



House Budget



- HB 966 2019 Appropriations Act (May 3)
 - Provides an additional \$29.5 million in Powell Bill funding over 2 years
 - Clarifies application of sales tax to online transactions
 - Provides disaster recovery funding, including funds to assist local governments with cash flow issues
 - Extends historic rehabilitation tax credit through Jan. 1, 2024





House Budget Highlights of Interest to Counties



Education

\$100M for the Public School Building Capital Fund

\$67.5M for the Needs-Based Public School Capital Fund

Health and Human Services

\$100M for NC FAST improvements

\$430M from a reserve fund to help implement Medicaid Transformation

Broadband

Increases GREAT grant funds and expands eligible areas for private providers to deploy grants but with limitations



House Budget Highlights of Interest to Counties

Justice and Public Safety

- Appropriates the remaining \$84.7M of the Hurricane Florence Disaster Recovery Reserve including \$13M for local governments
- \$30M for costs associated with Raise the Age including court positions, increased bed capacity, transportation, and JCPCs
- Requires marketplace sellers to collect and remit sales tax



Local Sales Tax



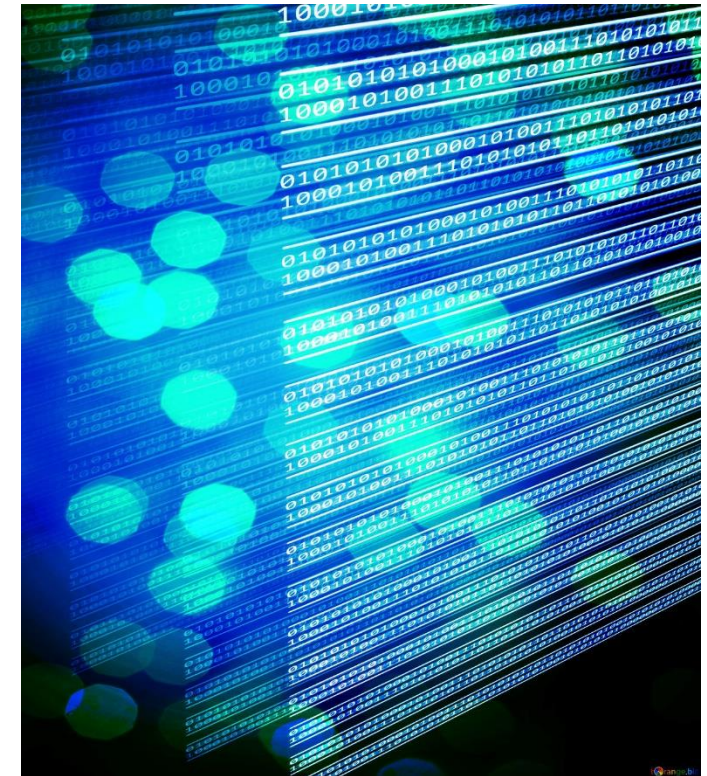
- SB 650 Simplifying NC Local Sales Tax Distribution
 - Makes several changes to local sales tax distribution, including eliminating statutory adjustment factors and shifting the counties to a 50-50 per capita-point of sale distribution system
 - Had not yet been scheduled for hearing as of June 4



Broadband



- HB 431 FIBER NC Act
 - Clarifies that local governments have the authority to invest in the construction of fiber networks and lease those networks to a private provider
- S.L. 2019-17 (SB 310) Electric Co-op Rural Broadband Services
 - Makes it easier for Electric Membership Co-ops to form and operate separate business entities that provide broadband service, and allows the use of existing electric easements held by an EMC to be used for telecommunication purposes



Alcohol



- HB 971 Modern Licensure Model for Alcohol Control
 - Would end state ABC system in favor of privatized system overseen by a new state commission
 - Would abolish local ABC boards and apply a new tax and revenue structure to the sale of liquor in the state
 - No hearing yet scheduled as of June 4



Employment Benefits



- HB 278 Study Parity for First Responders
 - Will study provision of a firefighters special separation allowance similar to that currently received by police
- HB 520 Firefighters Fighting Cancer Act &
HB 622 Provide WC for PTSD in First Responders
 - Both impact workers' compensation payments and have already passed House



Property Tax Legislation

SB 416: Recruit and Retain Volunteer Firefighters

25% property tax exclusion for qualifying volunteer firefighters on primary residence; did not pass crossover but monitoring

SB 578: Property Tax Exemption for Farm Equipment

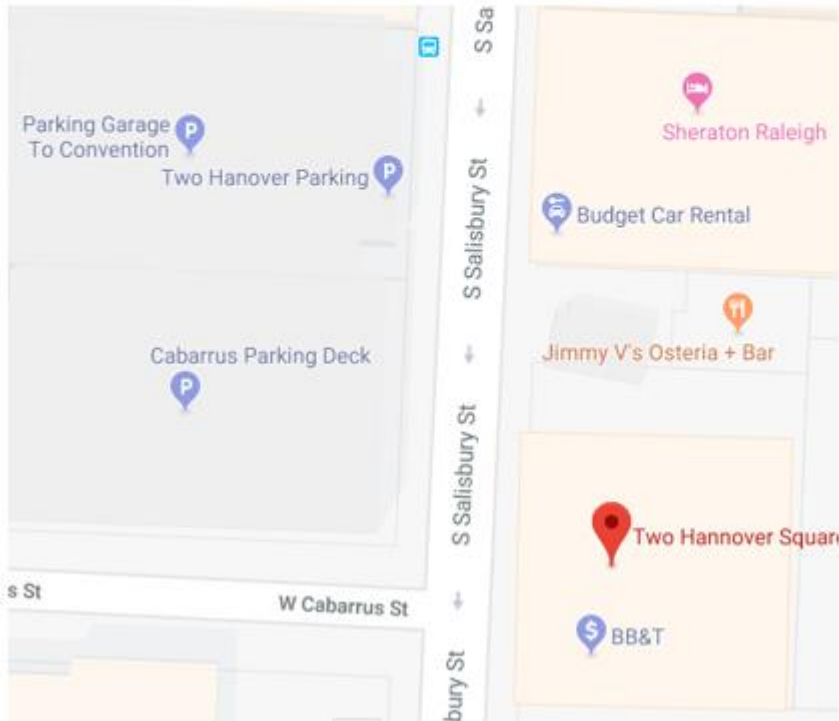
Provides exemption for 80% of appraised value of personal property owned by qualifying farmer; estimated loss of \$20-30 million statewide; did not pass crossover but monitoring

Several other property tax exemption bills that impact disabled veterans and solar property did not pass crossover; continue to monitor

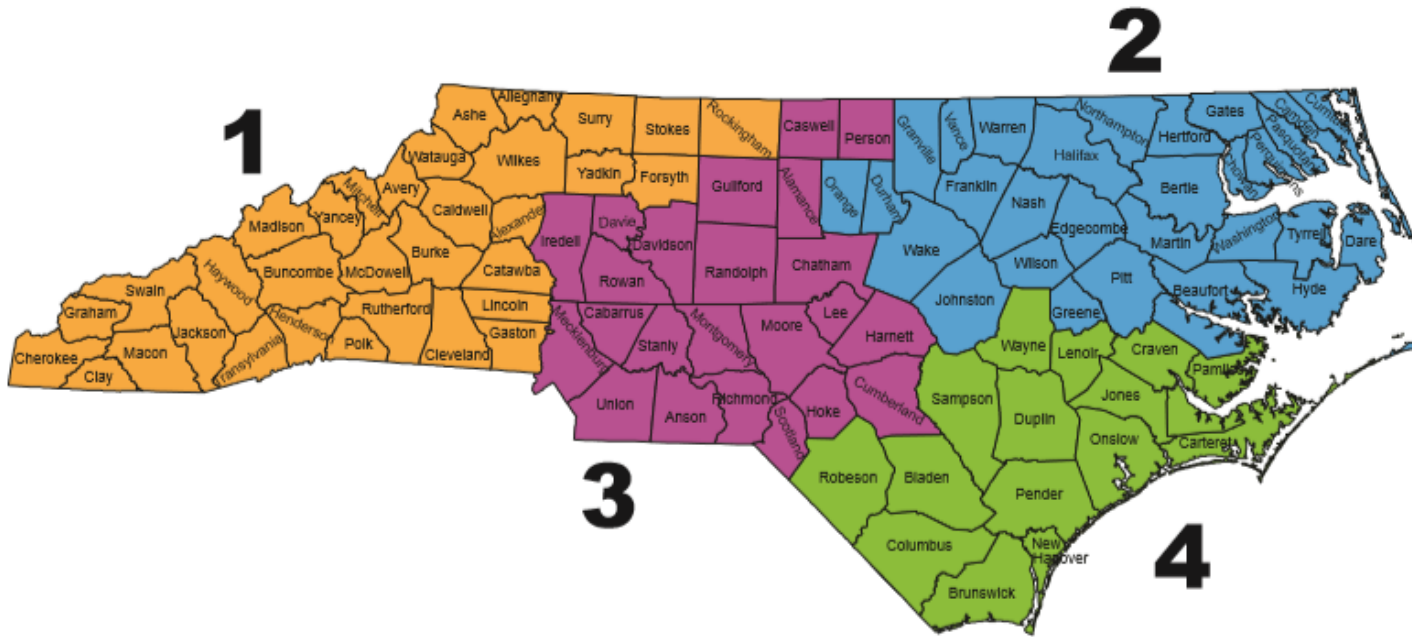
New League Office



434 Fayetteville St.
Raleigh, NC 27601



NCLM Municipal Operations Field Territories



Municipal Operations Consultants

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Questions?



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