CHARLOTTE.

CITY MANAGER'S OFFICE
M E M O R A N D U M

June 4, 2010

TO: Curt Walton, City Manager
Ron Kimble, Deputy City Manager

FROM: Dana Fenton, Intergovernmental Relations Manager

SUBJECT: **Week 3 State Legislative Update**

HOT TOPIC

House of Representatives approved their version of the State budget early Friday, June 4. The budget now goes back to the Senate for concurrence. Undoubtedly the Senate will reject the House amendments so that the bill can go to conference.

A notable difference between the Senate and House versions was that the House included a modified version of the Mobility Fund proposed by the Governor while the Senate did not. The House version includes enough funding from Highway Trust Fund transfers to widen I-85 north of the Yadkin River Bridge while the Governor's proposal included both transfers and fee increases to fund the Yadkin River Bridge replacement, more interstate maintenance and supplemental Powell Bill funds. Mobility Funds would not be subject to the Equity Formula, which is good for Charlotte as Equity Formula funding tends to minimize the amount of transportation funding needed for high growth areas.

Both House and Senate budgets count on the federal government extending the enhanced federal Medicaid match for an additional six months which would provide $490 million for North Carolina in FY 2011. At this point, the Congress has not approved the extension. Nationwide 26 states have adopted budgets that count on the extension being granted. If the Congress does not appropriate the funds, then the State will have to make deeper reductions to its budget that will likely have consequences upon local governments.

DEVELOPING ISSUES

- Broadband (SB 1209 - Hoyle)

The Senate is preparing to pass on Monday, June 7 a substitute version of the broadband bill introduced by Senator Hoyle. The substitute calls for a study of how local governments may

compete with private telecommunications providers in the provision of cable television and internet services to businesses and residents. The substitute places a moratorium on local governments using debt not requiring a vote of the public to finance the purchase, maintenance and repair of a "communication system" that enable cable television and Internet service to be provided to residents and businesses. The definition of a "communication system" has been written to exclude internal governmental networks similar to what the City of Charlotte is envisioning for the proposed public safety broadband system. There are several exemptions from the moratorium for those localities that have already started to develop or have been operating such systems, and those that need the funding in order to match federal grants. The moratorium will be in place while the Revenue Laws Study Committee examines the issue and until a bill passed during the 2011 session becomes effective or if a bill is not enacted the adjournment of the 2011 session.

- Towing from Private Lots (SB 1136 - Rucho)

Senator Rucho introduced SB 1136 to strengthen regulation of towing from private lots in certain localities, including Charlotte, and added Mecklenburg County to the list of localities covered by the statute. Bill was introduced in reaction to a vehicle parked without permission in a private lot in Huntersville which was towed to the towers lot in Shelby. Due to the distance, the owner was unable to pick up the vehicle for a considerable amount of time. Bill would require signs to display name and phone number of towing company, prevent transport of vehicle more than 15 miles away from place of removal and limit fees charged to those that are "reasonable". The provision over the fees conflicts with City ordinance that establishes rates towers may charge for private towing, which staff has discussed with the Senator. A proposed amendment has been drawn up for the Senator to consider that allows the City to continue setting the rate towers may charge for such services. There is also a house companion measure HB 1866. SB 1136 will be heard Wednesday, June 9.

- 911 (HB 1691 - Faison)

Legislation was introduced to make several changes to the 911 statutes that govern how funds received from the State for the receiving of emergency calls may be used and their distribution methods. The expanded uses of funds will be beneficial to the City. The North Carolina League of Municipalities supports the expanded uses of funds. However another provision reverting from a statutory based per capita method of distribution to a formula developed by the 911 Board would insert a level of uncertainty into the annual budgeting process. The City receives approximately $4.8 million per year from the fund. HB 1691 will be head Wednesday, June 9.

- Interbasin Transfers (SB 1169 - Clodfelter / HB 1765 - Gibson)

Bills were introduced by Senator Clodfelter and Representative Gibson of Anson County at the request of the Environmental Resource Commission to authorize the Department of Environment and Natural Resources to use injunctive relief to ensure compliance with Interbasin Transfer laws. According to State staff, injunctive relief is already authorized for the enforcement of air and water quality standards so an extension of such relief to interbasin transfer issues is merely a "clarification" of existing law. However, the provision of water to customers is substantially different from the violation of air and water quality standards. City staff is working with stakeholders from other regions and State staff to seek a greater understanding of the issues involved and possible alternative remedies for violations.

- ABC Reform (SB 1112 - Vaughan / HB 1717 – M. Lucas)

Companion bills were introduced to reform local Alcoholic Beverage Control systems. HB 1717 will be heard Tuesday, June 8. The issue for the City is ensuring current streams of revenue from such activities continue.

- Sales Tax on Accommodations (SB 1185 – Hartsell / HB 1828 – Luebke)

Companion bills introduced to clarify that the sales tax on hotel accommodations is based on the sales price paid by the consumer regardless of whether it is paid to the hotel or to a third party. Third party providers such as Hotel.Com charge and remit sales taxes on the amount the third party pays for rooms instead of the amount the consumer pays for rooms resulting in lower revenues remitted to local governments. The issue for the City is that it would receive additional revenue if this legislation is enacted.

LEGISLATIVE AGENDA

- Business Privilege License Tax

At this point in time, legislation has not been filed impacting the City's ability to collect the Business Privilege License Tax. While it has been reported that some members would desire to address this issue in the short session, there is a greater desire to adopt a state budget before the end of June and adjourn shortly thereafter while addressing this and other tax issues in 2011.

- Annexation

2009 HB 524, which was passed by the House on July 23, 2009 and sent to the Senate, was rereferred by the Senate from Senate Finance to Senate Rules and Operations of the Senate.

- Retention of State's Minimum 50% of Non Federal match on Transit Projects

No action taken on this issue.

- State Participation in Non Federal Transit Projects

No action taken on this issue.

- State Maintenance Funding on Rail Transit Projects

No action taken on this issue.

- Charlotte Firefighters Retirement System

City requested legislation has been filed. The bills numbers are HB 1934 (M. Alexander) and SB 1336 (Graham). HB 1934 was reported favorably out of House Local Government I and was re-referred to House Pensions and Retirement. HB 1934 will be heard in House Pensions and Retirement on Wednesday, June 9.

- Law Enforcement Officers Emergency Fund

City requested legislation introduced in House by Rep. M. Alexander (HB 1935) and introduced in Senate by Senator Graham (SB 1402). HB 1935 was reported favorably out of House Local Government I and was re-referred to House Pensions and Retirement. HB 1935 will be heard in House Pensions and Retirement on Wednesday, June 9.