CHARLOTTE.

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

June 1, 2012

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

FROM: Dana Fenton, Intergovernmental Relations Manager

SUBJECT: **State Legislative Update**

The North Carolina General Assembly finished the third week of its short session yesterday. The House has sent an amended state budget to the Senate, and approved the annexation bills sent over by the Senate. The Senate will be considering an adjournment resolution (S955) that has an adjournment date of June 19.

Reminder: NCLM Town Hall Day is on Wednesday, June 6. As of today, the following Council members have indicated their intentions to attend:

Mayor Pro Tem Patrick Cannon
Councilmembers Claire Fallon, Beth Pickering, Patsy Kinsey, James Mitchell, LaWana Mayfield, Warren Cooksey and Andy Dulin

HOT TOPIC

State Budget (H950) – House passed and sent to Senate $20.3 billion amended budget for FY 2013. In effort to backfill approximate $150 million shortfall in transportation revenues in FY 13, the budget reduces several transportation programs including public transportation by additional 3% and Powell Bill funding for local roads. Shortfall is caused by declining sales of motor fuels due to increased fuel efficiency ($88 million) and capping of the state motor fuels tax at 37.5 cents per gallon ($63 million). Impact to CATS State Maintenance Assistance Program receipts in FY 13 is in $375,000 to $400,000 range. CATS checking with NCDOT to confirm that 3% reduction to New Starts program will not impact cash flow from State for Blue Line Extension. Statewide reduction to Powell Bill funding is approximately $1.5 million. Budget also approves policy changes to Mobility Fund that would enable funding over the next ten years to several regional projects of statewide importance including I-77 HOT lanes, CSX/NS Grade Separation, I-485 HOT lanes, and US 74 widening.

DEVELOPING ISSUES

Annexation Reform 2 (H925) – Passed House and sent to Governor for signature. Bill replaces protest petition method found unconstitutional by court ruling in March with requirement that proposed involuntary annexations be put to a vote of the registered voters residing in the proposed annexation areas. If more than 50% of those voting reject the annexation, then the municipality may not proceed with the annexation ordinance or begin a new involuntary annexation in that area for a period of three years. With such a requirement in place, very few, if any, involuntary annexations will pass. Some legislators are predicting that the number of annexations legislated by the General Assembly will increase as a result of this bill.

Local Deannexations (H5) – Passed the House and enacted into law. Targets the five localities that filed suit against the State and another four localities that 2011 legislation subjected pending and past annexations to the protest petition method by deannexing portions of those localities. The affected localities are Cities of Kinston, Lexington, Rocky Mount, Wilmington, Asheville, Southport, Goldsboro and Fayetteville, and village of Marvin. Several times during debate in committee and on the floor, proponents of the measure described H5 as "punishment" to the localities that brought the suit.

Extraterritorial Jurisdiction (H1043 - LaRoque) – This proposed legislation from House Select Committee on Extraterritorial Jurisdiction (ETJ) governs how prospective ETJ areas are established. Bill does not appear to impact current ETJ areas like what the City of Charlotte has in place. Referred to House Government Committee.

Condemnation/ Protect Homeowners with Underwater Mortgages (H960 – Moffitt, Brawley, R. Moore, Earle) – H960 is recommendation of House Select Committee on State Owned Assets, which heard from NCDOT that due to the housing recession some homeowners of "underwater" properties being condemned for transportation projects would have to pay the mortgage company substantial sums of their own money to satisfy a mortgage because the courts would only award up to the fair market value in such actions. H960 would provide that for a two year period ending July 1, 2014 the value of the mortgage would be taken into consideration by the courts. Since the City utilizes this same section of code being amended for "quick take" condemnations by authority of SL 2001-304, right-of-way acquisition costs for City utility, transportation and economic development projects could increase above projections if any of the property being acquired through "quick take" is underwater. Staff is working with Representative Brawley in seeking amendments to limit bill to full takes of residential properties. This bill, as written, will impact the Blue Line Extension project, which has a right-of-way acquisition budget in excess of $100 million, most of which will be expended on acquisitions over the next two years. H960 reported out of House Banking Committee and is on second and third reading on House floor on Monday, June 4.