



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

July 25, 2014

TO: Ron Carlee, City Manager
Ron Kimble, Deputy City Manager

FROM: Dana Fenton, Intergovernmental Relations Manager

SUBJECT: Week 11 State Legislative Report

In order to position the General Assembly to adjourn as soon as possible, the Senate held a full week of floor sessions and committee meetings. Among the measures the Senate heard in committee and voted out was the Local Sales Tax Options / Economic Development Changes (HB 1224) legislation that would preclude Mecklenburg County from holding the ¼% sales tax referendum this November. HB 1224 was sent back to the House where it has been referred to the House Finance Committee. The Senate also took up the North Carolina Medicaid Modernization Act (HB 1181) and added provisions that create a new Department of Medical Benefits to administer Medicaid programs and transition the program from a traditional fee-for-service to a full-risk capitated system that provides a set amount of money for care per patient. The full-risk capitated system is intended to make Medicaid expenditures more predictable. HB 1181 is scheduled for its final Senate vote on Monday, July 28. The full House returned on Thursday for two full days of committee meetings and floor sessions. Among the measures taken up by the House was the annual end-of-session Technical Corrections bill, which raised expectations that the end of the session is closer. Pivoting to the FY 2015 State budget, budget conferees have been meeting. Pay raises for teachers, funding of teacher assistant positions, and Medicaid eligibility issues are still the primary and most expensive sticking points.

High priority issues the City is following are as follows:

LYNX Blue Line Extension: The House version of the budget (SB 744) maintains funding for the Public Transportation Division of the NC Department of Transportation and its programs, including the State share of construction funding for the LYNX Blue Line Extension, at currently approved levels. The Senate budget, on the other hand, would reduce Division recurring expenditures by 4%, which would potentially affect funding directed to the Charlotte Area Transit System for the State Maintenance Assistance Program that underwrites a portion of

operating expenses and the aforementioned State share of construction of the LYNX Blue Line Extension.

For background, the 2012 General Assembly agreed to fund the State share of construction of the LYNX Blue Line Extension at a rate of \$25 million per year until it had met its obligation under the Grant Contract entered into with the NC Department of Transportation. At the rate of \$25 million per year, the State will have met its commitment in FY 2023. Any diminution of the State commitment could impact the financial model for the project approved by the Local Government Commission in April 2013 and the construction schedule that has revenue service starting in 2017. The City supports the House position that maintains the Public Transportation Division budget at currently appropriated levels.

Film Production Credit: The current film production credit program, which was enacted in 2010 and has catapulted North Carolina into the top tier of film producing States, will expire on January 1, 2015. Both the House and Senate have proposed establishing a Film & Entertainment Grant Fund, which unfortunately is widely considered to be a diminution of the State's commitment to the industry and that will not enable North Carolina to retain its standing as a top tier film producing State. Funding for the Film & Entertainment Grant Fund is a subject of the FY 2015 budget conference committee (SB 744). The City supports retention of the current film production program.

Other issues the City is monitoring include:

Coal Ash Management Act of 2014: SB 729 is in conference committee. The Senate rejected House changes to office the new coal ash commission in DENR due to a perception of "coziness" between the two entities and provisions allowing coal ash pond cleanup dates to be pushed back.

Regulatory Reform Act of 2014: Since the House passed its version of regulatory reform (SB 734) in late June the Senate referred SB 734 to the Senate Ways and Means Committee where it has not been acted upon. Sections of highest importance to the City include DOT Condemnation Changes / Costs and Appeal, Clarify when a County or Municipality May Enact Zoning Ordinances Related to Design and Aesthetic Controls, and Repeal Supermajority Effect of Protest Petitions.

The City is following other sections of SB 734 including clarification of the professional engineer exemption, notice to property owners of right of way transfers, notice to chronic violators of public nuisance ordinances, planning and zoning requirements for fraternities and sororities, and various building code requirements. SB 734 also calls for studies of publication of post-arrest images, ethics requirements for certain city officials, and building codes.

2014 Amend Environmental Laws: SB 38 is a 2013 crossover bill that contains various environmental related measures including the recommendation from the Environmental Review Commission to repeal the unanimous vote requirement for certain local environmental ordinances. SB 38 also contains provisions related to agency review of engineering work, wetlands, and definition of gravel. SB 38 passed the House and was sent back to the Senate for

concurrence, but the Senate instead is holding it in the Clerk's Office

Health and Safety Regulatory Reform: Since SB 493 passed the House last week and sent it back to the Senate for concurrence; the Senate did not hold a vote of concurrence and instead referred SB 493 to the Senate Ways and Means Committee. SB 493 contains health and safety regulatory reform measures. Sections of interest to the City include health insurance coverage for autism and pharmacy benefits, and animal euthanasia requirements.

Tree Removal, Replacement and Preservation: There has been no action on the Agriculture and Forestry Awareness Commission requested legislation to prohibit local governments from regulating the "removal, replacement, and preservation of trees on private property within its jurisdiction" since HB 1191 (Dixon) was introduced early in the "short" session. Considerable opposition to this proposal has been generated from all over the State. It is expected that the tree related provisions in sections 2 and 3 will be removed if and when the bill is heard in the House Agriculture Committee. North Carolina local elected officials from towns and cities received assurances on Town Hall Day, June 4, that these sections would be removed from the bill. The City supports removal of sections 2 and 3 from HB 1191.

State Stormwater Programs: The Building Reutilization for Economic Development Act (HB 201) would prohibit State level stormwater runoff rule requirements that "require private property owners to install new or increased stormwater controls for (i) preexisting development or (ii) redevelopment activities that do not remove or decrease existing stormwater controls." While the prohibition does not impact the authority for the City's Post-Construction Controls ordinance, it does set up a situation where the City's stormwater regulations are more stringent than State regulations. The City's stormwater regulations, however, are largely driven by federal water quality requirements that are much more stringent than State requirements. The Senate passed HB 201 and the House concurred with the changes. HB 201 is being sent to the Governor for consideration.