



Tax & Finance

1. Seek opportunities to support the passage of the federal e-fairness legislation.

Background: A federal effort in recent years has sought to establish a nationwide system for the taxing of purchases made via the Internet. Currently states and municipalities are owed sales taxes for Internet purchases, but they have no authority to collect these taxes. Federal legislation establishing a process for collecting these taxes would provide cities and towns with additional revenue and require that Internet purchases are treated the same as purchases at brick-and-mortar stores.

2. Seek legislation to provide municipalities with additional enforcement authority for ensuring the collection of room occupancy taxes owed on short-term rentals.

Background: Short-term rentals of privately-owned properties are becoming increasingly popular in North Carolina and nationwide. Companies such as AirBNB have used their websites to more easily facilitate such rentals. Concerns about the proliferation of these rentals have been expressed by residents and by owners of bed and breakfasts and other similar businesses. There has also been concern expressed by city officials as to whether such rentals are paying the occupancy taxes required under North Carolina law. The committee expressed interest in a legislative goal that provide cities with additional tools for collecting the occupancy tax on short-term rentals.

3. Seek legislation to allow room occupancy tax revenues to be used to fund municipal service and infrastructure costs in order to support travel and tourism.

Background: Occupancy taxes in North Carolina are created through local laws. They can vary from jurisdiction to jurisdiction, but the use of occupancy taxes are generally limited to being at least primarily spent on direct tourism promotion. Local governments have expressed interest in having greater flexibility as to how to spend their occupancy tax revenues. When a local bill to allow the City of Jacksonville to spend a greater percentage of its occupancy tax revenues on a capital project was considered in the General Assembly this year, it received pushback from House members and representatives of the tourism development industry. Such legislation may be more likely to receive consideration if any use occupancy tax revenues are expanded to can be directly connected to drawing additional visitors to a jurisdiction.



4. Seek legislation to provide municipalities with additional locally-controlled revenue options.

Background: Following recent legislative changes, the local property tax is the only municipally-controlled revenue source in North Carolina. That means that if local governing boards determine that there is a need to generate additional revenue for municipal operations, they are left with little choice but raising property taxes. The League has made additional local revenue flexibility a priority in recent years, both as a general goal and with specific proposals for generating additional revenue at the local level.

5. Seek legislation to modernize and reform local property tax statutes.

Background: As noted above, the property tax is the only locally-controlled revenue source in North Carolina. Many of the statutes related to the property tax in North Carolina were written in the 1970s and have received little revision since then. Properties owned by nonprofit organizations are frequently exempted from paying property tax under the theory that they are providing charitable benefits to the community. Some property owned by nonprofit organizations today may not have as direct a tie to the nonprofit's charitable activities. Reforms to the property tax statutes could help ensure that similar property is taxed similarly and that local governments are receiving all of the property taxes to which they are legally entitled.

6. Support legislation which defends the fiscal integrity of the Local Government Employees' Retirement System and its defined benefit structure, promotes reasonable pension reforms that are prospective in nature, and meets the needs of local employees, employers, and retirees.

Background: Various aspects of the state and local retirement systems have been discussed at the General Assembly in recent years. In 2015 there were rumors that legislation would be filed that would significantly overhaul the retirement systems in the state. Recently there have been discussions among some legislators and outside observers regarding the allocation of retirement system assets and the assumed rate of return for retirement system investments. The local government retirement system in particular is one of the best-funded in the country, and League members have long viewed a well-funded and stable retirement system as a key tool for attracting and retaining local government employees.

7. Seek legislation requiring verification that property tax payments are current before any new deed is recorded for a property.

Background: It currently varies from county to county whether it must be verified that property tax payments are current before a new deed for a piece of property is recorded. In



the counties where this is not the case, municipalities are often left with an unpaid tax bill and little recourse for collecting these unpaid taxes from the owner. Standardizing this process across the state would ensure that all municipalities are able to collect the property taxes they are owed before a property is sold.

8. Seek legislation to alter the current statutes governing distribution of local sales taxes by requiring a one-year delay in implementation when a county changes its method of distributing sales tax revenue.

Background: Currently counties may decide how sales taxes returned to them by the state are distributed among the local governments in their jurisdiction. They may choose from two methods – population (per capita) and property tax levy (ad valorem). Many, but not all, counties choose the method that results in the most revenue for the county. Oftentimes one method may be more favorable for some municipalities in a county while less favorable for other municipalities.

Counties may change the method of distribution in April of every year. When they make this change, it goes into effect for the fiscal year beginning on July 1. This gives municipalities little time to plan for the impact of such a change.

9. Support legislation providing sufficient state-level funding for incentive programs and maintaining grant and tax credit programs related to state and local economic development.

Background: In addition to state-level incentives, a number of state grants and tax credits also help to draw economic development projects to local communities. This goal adds support for those programs generally to a goal regarding state-level economic development incentives.

10. Support legislation that invests in a competitive film incentive program, robust state historic preservation tax credits, and the Main Street Solutions fund.

Background: In recent years, significant changes have been proposed to both the state's program for supporting the film industry and for state historic preservation tax credits. One behalf of its members, the League has been a strong supporter of these programs that benefit local economies across the state. The Main Street Solutions fund is another state-level fund which helps fund assistance for economic development in North Carolina's cities and towns. This goal would express specific support for each of these three programs.

11. Support legislation providing sufficient incentive funding at the state level to ensure that North Carolina can compete for economic development projects.



Background: State and local incentives are a key part of almost every economic development discussion. Economic development professionals say that state incentives are necessary to help attract major economic development projects that are considering states around the country. The level of incentive funding and the geographic location of where incentives are provided has been a continued source of discussion at the General Assembly in recent years.

General Government

1. **Support legislation that will provide funding for state-level incentive programs necessary to grow jobs and the economy.**

Background: Cities and towns have long supported programs and incentives that grow the economy and grow jobs, such as the Historic Tax Credit, and the Film Incentive grant program. These funds are positive investments that benefit the entire state.

2. **Oppose legislation that interferes with local management or ownership of local assets.**

Background: The Core Municipal Principles address the preservation of municipal authority, but do address the preservation of the management and ownership of local assets. In recent years legislation has removed ownership and control of assets paid for by municipal taxpayers.

3. **Support legislation that would allow municipalities to supplement ABC law enforcement efforts.**

Background: Present law states that “Instead of hiring local ABC officers, a local board may contract to pay its enforcement funds to a sheriff’s department, city police department, or other local law-enforcement agency for enforcement of the ABC laws within the law-enforcement agency’s territorial jurisdiction.” This goal proposes changing the law so that a local board may supplement its ABC law enforcement efforts by allowing those Boards with ABC officers to also contract with a local police department to supplement enforcement efforts.

4. **Support municipal authority over municipal personnel issues.**

Background: Some employee organizations have sought changes in the law in the past that would limit a city or town’s ability to discharge an employee the town believed needed to be fired. This goal would oppose legislation that would limit a city or town’s ability to set its own standards for discharging an employee.



5. Support legislation that provides for municipal elections to be determined by local municipal authority.

Background: In 2016 the legislature passed a bill (SL 2016-109), which stated that “It is the intent of the General Assembly to provide for even-numbered year municipal elections, effective with the 2020 election cycle”. The legislation also authorized a study of how the state might move municipal elections to even-numbered years and to make recommendations to the 2017 General Assembly. Municipal election cycles are set by statute now, and have been since the early 1970’s. Present law requires that they be held in odd-numbered years. Some municipalities have asked their legislators to run local bills to change the election year for their municipality. Cities and towns would prefer the legislature not change this law statewide, but only make changes by local bills as requested by the cities and towns.

6. Support legislation to revise the tier method of measuring levels of economic distress to focus on the causes of distress and taking sub-county data into account.

Background: A tier system is used by the state Department of Commerce to rank the counties that would be deemed to be most in need for grants and investments. There has been proposed legislation that would eliminate the present economic development tier system and propose a new system and similar bills are expected in the future. Under the present system, a county may be ranked as a more prosperous area even though some cities in that county are very poor. Cities and towns believe that, if and when a new tier system is created, sub-county data needs to be utilized so that help can go to those poorer areas within a more prosperous county. Cities and towns would also believe the causes of the economic distress need to be taken into consideration.

7. Support a formula- based Strategic Transportation Investment program.

Background: This goal does not address what the formula for the STI should be, but focuses on the fact that cities and towns support a formula based program that sets priorities based on what is best for the state, not based on politics. Cities and towns invest money based on the plan that is created by the STI. It is very costly if the General Assembly steps in with legislation to change that plan after planning and investment has begun.

Planning & Environment

1. Seek legislative and administrative changes to the STIP process that give local conditions increased weight in the allocation of transportation funds.

Background: This goal seeks both statutory changes and changes made by NC DOT to the state’s transportation prioritization process. With the agency wrapping up its fourth round of project prioritization since the Strategic Transportation Investment Prioritization (STIP) legislation made the selection process more data-driven in 2013, calls to reform that process



have increased. Many legislative observers expect proposals to make changes to this law in 2017 that would direct more funding to rural areas than under current formulas.

This goal recommendation intentionally avoids asking to shift the way money is allocated to regions. Instead, the goal seeks to make changes to how projects are scored once the pot of funding has been divided among regions. Of particular importance, the subcommittee stressed that increasing the influence of local officials in project prioritization would benefit all cities and towns in the state, both large and small.

2. Seek legislation to increase state-level funding for municipal infrastructure needs.

Background: This goal encompasses all state-level funding requests the League members make for infrastructure, including funding for water/sewer, stormwater, transportation, beach renourishment, inlet dredging, and parks. The broad wording allows for a variety of funding mechanisms, such as grant programs or statewide bonds. Therefore, the League would have maximum flexibility to work within the current political environment to secure funding for this broad array of purposes.

3. Support state programs that encourage entrepreneurs to develop new uses for recyclable materials.

Background: In making this recommendation, the committee acknowledged that in the current political climate, taking an incentive-based approach to encouraging recycling made the most sense for a League policy recommendation. This goal recognizes that for some materials, the recycling markets remain low or non-existent. If recyclable materials had more uses, they would become more valuable. In turn, local government efforts to encourage recycling of those products would increase if the collection grew a municipality's bottom line.

4. Seek legislative and administrative changes to allow spending of non-entitlement CDBG funds on a wider array of allowable purposes.

Background: This goal seeks to allow the State to direct non-entitlement CDBG funds to more purposes. Right now, North Carolina directs nearly all non-entitlement CDBG funds to water and sewer projects. However, federal law allows CDBG funds to be spent on a larger number of projects than N.C. law allows. If this goal was achieved, some of the State's funds would be diverted to other purposes, such as housing.



Regulatory

1. **Support legislation that recognizes that management of a public utility is best determined by the local owning entity due to their consideration of financing, engineering, and regulatory responsibilities.**

Background: This goal is to support local utility control. In the past, there have been legislative proposals attempting to limit control over a variety of utility decision making. These limits have been in regards to rates, connections, materials, or resulted from enterprise tensions with the development community. (Examples: Asheville Water, piping preference, and legislation requiring Durham to provide water and sewer to a specific development).

2. **Support legislation that gives deference to community water systems in order to support growth and economic development and to address needs established in their 50 year water supply plans.**

Background: This goal addresses the topic of water allocation and recognizes that water supply is often a growth planning and economic development tool for municipalities. Additionally, since there is not a legal right to the water utilities use to provide drinking water, this goal states that deference should be given to the withdrawals of community water systems, especially to allow them to address the needs established their required 50 year water supply plans.

3. **Support solutions addressing established use impairments in waters that are based on current site-specific data and analysis, assign responsibility proportionate to the source, and equitably hold accountable all contributors.**

Background: This year the Senate proposed measures to continue to study existing State Nutrient Management Strategies, which would have resulted in possible repeal of existing rules. While the final measure that passed only affects the Jordan Lake and Falls Lake rules, this may be an issue that continues to arise. The goal lists factors to consider when addressing nutrient impairment of waters on a statewide level. The committee determined it also provides a clear stance for when existing strategies are called into question. The goal strikes a good balance by stating that policymaking to address nutrient impairment should:

- Be specific to a water body
- Be based on actual impairment
- provide solutions that are scientifically proven to work
- hold everyone that contributes to the problem accountable



Goals Recommended by the NCLM Board of Directors

1. Support legislation to bolster the state's mental health treatment resources, including resources and solutions to lessen the strain on sworn law enforcement officers when providing custody of individuals in crisis.
2. Support providing cost of living adjustments for Local Government Employees Retirement System retirees that can be funded through pension system investment gains.

Core Municipal Principle Amendments

1. ***Core Municipal Principle on "Authority"***: The committee recommended adding the following language to the explanation: The League supports a broad construction of municipal powers and applications thereof, and therefore stands opposed to legislation preempting municipal authority and to measures designed to otherwise erode local control of significant municipal issues.

Background: This additional language recognizes that cities would like to retain not only the authority to govern their communities and provide services, but also, that cities have the tools they need ("*applications* of municipal powers") to govern and provide services

2. ***Core Municipal Principle on "Liability"***: The committee recommended adding the following language to the explanation: "The League opposes proposals placing inequitable and burdensome liability upon municipalities, including measures that seek to erode well-established principles of immunity or other defenses.

Background: This additional word enhances the Core Principle by stressing that liability should apply equally to all levels of government. For example, now, local governments risk the liability of paying attorney's fees for actions outside the scope of their authority, a punishment that does not apply to other subdivisions of government.

3. ***Core Municipal Principle on "Regulation"***: The committee recommended changing the following language in the Principle: "Support science-fact-based, equitable, cost-effective, flexible regulatory solutions."



Background: This tweak to the Core Principle broadens it beyond its current focus on environmental (science-based) regulations. If adopted as proposed, the Core Principle would encompass other types of non-science-based regulations with which municipalities must comply.

4. ***Core Municipal Principle on “Authority”.*** The committee voted to change the wording of the principle that said “Preserve EXISTING municipal authority” so that it now reads “Preserve municipal authority”.

Background: The legislature has pre-empted the authority of cities and towns multiple times in the past years. Therefore, the committee felt this change appropriate.