

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2023

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HOUSE BILL 200

Short Title: LGC Toolkit III.-AB (Public)

Sponsors: Representatives Miller, Penny, and Carson Smith (Primary Sponsors).  
*For a complete list of sponsors, refer to the North Carolina General Assembly web site.*

Referred to: Local Government, if favorable, Finance, if favorable, Rules, Calendar, and  
Operations of the House

February 27, 2023

1 A BILL TO BE ENTITLED  
2 AN ACT MAKING STATUTORY CHANGES AFFECTING THE OPERATIONS OF THE  
3 LOCAL GOVERNMENT COMMISSION IN THE DEPARTMENT OF THE STATE  
4 TREASURER.

5 The General Assembly of North Carolina enacts:

6 **SECTION 1.** G.S. 153A-82 reads as rewritten:  
7 **"§ 153A-82. Powers and duties of manager.**

8 (a) The manager is the chief administrator of county government. The manager is  
9 responsible to the board of commissioners for the administration of all departments of county  
10 government under the board's general control and has the following powers and duties:

11 ...  
12 (9) The manager shall receive a minimum of six clock hours of education upon  
13 the occurrence, or within six months of the occurrence, of any of the  
14 following:  
15 a. The Local Government Commission is exercising its authority under  
16 Article ~~10-11~~ of Chapter 159 of the General Statutes with respect to  
17 the county.  
18 b. The county has received a ~~unit~~-letter from the Local Government  
19 Commission due to a deficiency in complying with Chapter 159 of the  
20 General Statutes.

21 ...."  
22 **SECTION 2.** G.S. 159-11 reads as rewritten:  
23 **"§ 159-11. Preparation and submission of budget and budget message.**

24 ...  
25 (d) The budget officer shall include in the budget a proposed financial plan for each  
26 intragovernmental service fund, as required by G.S. 159-13.1, and information concerning  
27 capital ~~projects and projects, grant projects projects, and settlement agreement projects~~  
28 authorized or to be authorized by project ordinances, as required by G.S. 159-13.2.

29 ...."  
30 **SECTION 3.** G.S. 159-13.2 reads as rewritten:

31 **"§ 159-13.2. Project ordinances.**

32 (a) Definitions. – Unless otherwise provided, the following definitions shall apply in this  
33 section:



\* H 2 0 0 - V - 1 \*

(1) ~~In this section "capital project" means a~~ Capital project. – A project financed in whole or in part by the proceeds of bonds or notes or debt instruments or a project involving the construction or acquisition of a capital asset.

(2) ~~"Grant project" means a~~ Grant project. – A project financed in whole or in part by revenues received from the federal and/or State government or other grant ~~or settlement funds~~ source for operating or capital purposes as defined by the grant contract.

(3) Settlement agreement project. – A project financed in whole or in part by revenues received from a settlement agreement.

(b) Alternative Budget Methods. – A local government or public authority may, in its discretion, authorize and budget for a capital ~~project or a project,~~ grant project-project, or settlement agreement project either in its annual budget ordinance or in a project ordinance adopted pursuant to this section. A project ordinance authorizes all appropriations necessary for the completion of the project and neither it nor any part of it need be readopted in any subsequent fiscal year. Neither a bond order nor an order authorizing any debt instrument constitutes a project ordinance.

(c) Adoption of Project Ordinances. – If a local government or public authority intends to authorize a capital ~~project or a project,~~ grant project-project, or settlement agreement project by a project ordinance, it shall not begin the project until it has adopted a balanced project ordinance for the life of the project. A project ordinance is balanced when revenues estimated to be available for the project equal appropriations for the project. A project ordinance shall clearly identify the project and authorize its undertaking, identify the estimated revenues that will finance the project, and make the appropriations necessary to complete the project. A local government or public authority may incur obligations and make disbursements authorized by the budget appropriations before receiving estimated revenues and may use available fund balance from the general fund or enterprise fund associated with the project to fund the disbursements.

...

(f) Inclusion of Project Information in Budget. – Each year the budget officer shall include in the budget information in such detail as he or the governing board may require concerning each ~~grant project or capital project~~ capital project, grant project, or settlement agreement project (i) expected to be authorized by project ordinance during the budget year and (ii) authorized by previously adopted project ordinances which will have appropriations available for expenditure during the budget year."

**SECTION 4.** G.S. 159-25 reads as rewritten:

**"§ 159-25. Duties of finance officer; dual signatures on checks; internal control procedures subject to Commission regulation.**

...

(d) The Local Government Commission has the authority to require any finance officer or any other employee who performs the duties of a finance officer to participate in training related to the powers, duties, and responsibilities of the finance officer under any of the following circumstances: (i) the Commission is exercising its authority under Article ~~10~~ 11 of this Chapter with respect to the employing local government or public authority, (ii) the employing local government or public authority has received a ~~unit~~ letter from the Commission due to a deficiency in complying with this Chapter, (iii) the employing local government or public authority has an internal control material weakness or significant deficiency in the most recently completed financial audit, or (iv) the finance officer fails to annually meet or attest to the minimum qualifications of the position, as established by the Commission. The training may be provided by the Commission, the School of Government at the University of North Carolina, the North Carolina Community College System, the North Carolina League of Municipalities, the North Carolina Association of County Commissioners, or other qualified sources at the choice of the governing board and upon the prior approval of the Commission. When the Commission requires

1 a finance officer or other employee to participate in training as authorized in this subsection, the  
2 Commission shall notify the finance officer or other employee and the employing local  
3 government or public authority of the required training. Upon completion of the required training  
4 by the finance officer or other employee, the employing local government or public authority  
5 shall submit, in writing, to the Commission proof that the training requirements have been  
6 satisfied.

7 (e) The Local Government Commission may require any local government or public  
8 authority to contract with outside entities in accordance with the terms of subdivision (9) of  
9 subsection (a) of this section if the local government or public authority has received a ~~unit~~-letter  
10 from the Commission due to a deficiency in complying with this Chapter or the local government  
11 or public authority has an internal control finding in the most recently completed financial audit."

12 **SECTION 5.** G.S. 159-26 reads as rewritten:

13 **"§ 159-26. Accounting system.**

14 ...

15 (b) Funds Required. – Each local government or public authority shall establish and  
16 maintain in its accounting system such of the following funds and ledgers as are applicable to it.  
17 The generic meaning of each type of fund or ledger listed below is that fixed by generally  
18 accepted accounting principles. [The funds and ledgers are as follows:]

19 ...

20 (2) Special Revenue Funds. – One or more separate funds shall be established for  
21 each of the following classes: (i) functions or activities financed in whole or  
22 in part by property taxes voted by the people, (ii) service districts established  
23 pursuant to the Municipal or County Service District Acts, and (iii) grant  
24 project ~~ordinances~~, or settlement agreement project ordinances. If more than  
25 one function is accounted for in a voted tax fund, or more than one district in  
26 a service district fund, or more than one grant project or settlement agreement  
27 project in a project fund, separate accounts shall be established in the  
28 appropriate fund for each function, district, or project.

29 ...."

30 **SECTION 6.** G.S. 159-28 reads as rewritten:

31 **"§ 159-28. Budgetary accounting for appropriations.**

32 (a) Incurring Obligations. – No obligation may be incurred in a program, function, or  
33 activity accounted for in a fund included in the budget ordinance unless the budget ordinance  
34 includes an appropriation authorizing the obligation and an unencumbered balance remains in  
35 the appropriation sufficient to pay in the current fiscal year the sums obligated by the transaction  
36 for the current fiscal year. No obligation may be incurred for a capital ~~project or a project~~, grant  
37 ~~project-project~~, or settlement agreement project authorized by a project ordinance unless that  
38 project ordinance includes an appropriation authorizing the obligation and an unencumbered  
39 balance remains in the appropriation sufficient to pay the sums obligated by the transaction.  
40 Nothing in this section shall require a contract to be reduced to writing.

41 ...

42 (b) Disbursements. – When a bill, invoice, or other claim against a local government or  
43 public authority is presented, the finance officer shall either approve or disapprove the necessary  
44 disbursement. If the claim involves a program, function, or activity accounted for in a fund  
45 included in the budget ordinance or a capital ~~project or a project~~, grant ~~project-project~~, or  
46 settlement agreement project authorized by a project ordinance, the finance officer may approve  
47 the claim only if both of the following apply:

48 ...."

49 **SECTION 7.(a)** G.S. 159-29 reads as rewritten:

50 **"§ 159-29. Fidelity bonds.**

(a) The finance officer shall give a true accounting and faithful performance bond with sufficient sureties in an amount to be fixed by the governing board. A person may not be appointed as a finance officer if the person is unable to obtain the bond required by this section. The premium on the bond shall be paid by the local government or public authority. The amount of the bond fixed by the governing board may not be less than the greater of the following:

(1) Fifty thousand dollars (\$50,000).

(2) An amount equal to ten percent (10%) of the ~~unit's~~ annually budgeted funds, expenditures of the local government or public authority, up to a maximum bond amount of one million dollars (\$1,000,000). The amount of annually budgeted expenditures includes the amount of total expenditures, excluding transfers to other funds, in annually budgeted funds such as the general fund and enterprise funds but does not include project ordinances adopted under G.S. 159-13.2, intragovernmental service funds, and trust or custodial funds. For purposes of determining the minimum bond amount under this subdivision, the amount of annually budgeted expenditures shall be those expenditures included in the initial annual budget ordinance, excluding any interim budget ordinances, adopted by the local government or public authority under G.S. 159-8(a).

(b) Each officer, employee, or agent of a local government or public authority who handles or has in his custody more than one hundred dollars (\$100.00) of the ~~unit's~~ local government's or public authority's funds at any time, or who handles or has access to the inventories of the ~~unit~~ local government or public authority, shall, before being entitled to assume his duties, give a faithful performance bond with sufficient sureties payable to the local government or public authority. A person who is unable to secure the bond required by this section cannot assume the duties for which a bond is required under this section. The governing board shall determine the amount of the bond, and the ~~unit~~ local government or public authority may pay the premium on the bond. Each bond, when approved by the governing board, shall be deposited with the clerk to the board.

...."

**SECTION 7.(b)** This section applies to bonds purchased or renewed on or after January 1, 2023.

**SECTION 8.** G.S. 159-148 reads as rewritten:

**"§ 159-148. Contracts subject to Article; exceptions.**

...

(b) This Article shall not apply to:

...

(4) Contracts for the purchase, lease, or lease with option to purchase of motor ~~vehicles~~ vehicles, as defined in G.S. 20-4.01. This exemption shall not apply to ~~units~~ any of the following:

a. Units included on the most recently published Unit Assistance List issued by the Department of State Treasurer where the contract amount equals or exceeds fifty thousand dollars (\$50,000).

b. Motor vehicles exempt from registration under G.S. 20-51.

c. Vehicles, machinery, or equipment used for agricultural, horticultural, grounds maintenance, or landscaping purposes, including riding lawn mowers.

d. Heavy equipment, as defined in G.S. 153A-156.1."

**SECTION 9.** G.S. 159G-23 reads as rewritten:

**"§ 159G-23. Priority consideration for loan or grant from Wastewater Reserve or Drinking Water Reserve.**

1 The considerations for priority in this section apply to a loan or grant from the Wastewater  
2 ~~Reserve or Reserve~~, the Drinking Water ~~Reserve~~, ~~Reserve~~, or the Viable Utility Reserve. The  
3 Division of Water Infrastructure must consider the following items when evaluating applications:

4 ...

5 (15) Local Government Commission assumption of control. – Whether the Local  
6 Government Commission has exercised its authority under Article 11 of  
7 Chapter 159 of the General Statutes to assume control of the financial affairs  
8 of an applicant."

9 **SECTION 10.** G.S. 159G-31 reads as rewritten:

10 **"§ 159G-31. Entities eligible to apply for loan or grant.**

11 ...

12 (d) A local government unit is eligible to apply for a grant from the Viable Utility  
13 Reserve. For purposes of eligibility for such a grant, multiple county water and sewer districts  
14 created in a county pursuant to Article 6 of Chapter 162A of the General Statutes shall be  
15 considered a single local government unit.

16 ...."

17 **SECTION 11.** G.S. 159G-45 reads as rewritten:

18 **"§ 159G-45. Assessment of local government units; assistance.**

19 ...

20 (b1) For purposes of conducting the assessment and identification of distressed units under  
21 this section, the Authority and the Commission shall consider multiple county water and sewer  
22 districts created in a county pursuant to Article 6 of Chapter 162A of the General Statutes as a  
23 single local government unit.

24 ...."

25 **SECTION 12.** G.S. 159G-36 reads as rewritten:

26 **"§ 159G-36. Limits on loans and grants.**

27 ...

28 (d) Viable Utility Reserve Recipient Limit. – Grants under the Viable Utility Reserve are  
29 limited as follows:

30 ...

31 (2) Grants for the purpose set forth in G.S. 159-32(d)(6) to any single local  
32 government unit shall not ~~(i)~~ exceed seven hundred fifty thousand dollars  
33 (\$750,000) in any fiscal year and ~~(ii)~~ be awarded for more than three  
34 consecutive fiscal years."

35 **SECTION 13.** G.S. 160A-148 reads as rewritten:

36 **"§ 160A-148. Powers and duties of manager.**

37 (a) The manager shall be the chief administrator of the city. The manager shall be  
38 responsible to the council for administering all municipal affairs placed in the manager's charge  
39 by the council, and shall have the following powers and duties:

40 ...

41 (9) The manager shall receive a minimum of six clock hours of education upon  
42 the occurrence, or within six months of the occurrence, of any of the  
43 following:

44 a. The Local Government Commission is exercising its authority under  
45 Article ~~10~~ 11 of Chapter 159 of the General Statutes with respect to  
46 the city.

47 b. The city has received a ~~unit~~ letter from the Local Government  
48 Commission due to a deficiency in complying with Chapter 159 of the  
49 General Statutes.

50 ...."

SECTION 14. Part 3 of Article 7 of Chapter 160A of the General Statutes is amended by adding a new section to read:

**"§ 160A-155.1. Required training for certain administrators.**

(a) If the council delegates its authority to administer municipal affairs to a person designated by the council as the town administrator or another title, that person shall receive a minimum of six clock hours of education upon the occurrence, or within six months of the occurrence, of any of the following:

(1) The Local Government Commission is exercising its authority under Article 11 of Chapter 159 of the General Statutes with respect to the city.

(2) The city has received a letter from the Local Government Commission due to a deficiency in complying with Chapter 159 of the General Statutes.

(3) The city has an internal control material weakness or significant deficiency in the most recently completed financial audit.

(4) The city is included on the most recently published Unit Assistance List issued by the Department of State Treasurer.

(b) The education required by subsection (a) of this section shall incorporate fiscal management and the requirements of Chapter 159 of the General Statutes. The education may be provided by the Local Government Commission, the School of Government at the University of North Carolina, the North Carolina Community College System, the North Carolina League of Municipalities, the North Carolina Association of County Commissioners, or other qualified sources at the choice of the council and upon the prior approval of the Local Government Commission. The city clerk shall maintain a record verifying receipt of the education by the town administrator, or whatever title designated, and shall provide this information, upon request, to the Secretary of the Local Government Commission."

SECTION 15. G.S. 160A-850 reads as rewritten:

**"§ 160A-850. Effect of merger or dissolution.**

...

(d) The Commission shall certify that all applicable provisions of subsection (a) of this section have been met and, not less than 30 days thereafter, the Commission shall submit the certification, resolution of transfer and dissolution, and legal references to all transfers of real property to the Secretary of State and the Legislative Library."

SECTION 16. Section 3 of S.L. 2016-45, as amended by Section 1 of S.L. 2019-29, reads as rewritten:

**"SECTION 3.** This act becomes effective July 1, 2016, and expires ~~June 30, 2023.~~June 30, 2026."

SECTION 17. Section 1.5(g) of S.L. 2019-29 reads as rewritten:

**"SECTION 1.5.(g)** This section becomes effective July 1, 2019, and expires ~~June 30, 2024.~~June 30, 2026."

SECTION 18. Except as otherwise provided, this act is effective when it becomes law.