



HOUSE BILL 128: Referendum for Certain Local Debt

**This Bill Analysis
reflects the contents
of the bill as it was
presented in
committee.**

2015-2016 General Assembly

Committee:	House Local Government, if favorable, Finance, if favorable, Elections	Date:	April 15, 2015
Introduced by:	Rep. Speciale	Prepared by:	R. Erika Churchill Committee Counsel
Analysis of:	PCS to First Edition H128-CSST-9		

SUMMARY: *The proposed committee substitute for House Bill 128 would establish a process by which voters of a county or city could petition to require a referendum prior to the county or city obligating the county or city for payment of capital debt exceeding five million dollars.*

CURRENT LAW: Voter initiated referendums are not provided for by the North Carolina Constitution, or by general statute.

Capital projects involve acquiring, constructing, and maintaining the facilities and other capital infrastructure needed to perform public services of the county or city. Generally, capital projects have a useful life of multiple years. For financing of capital projects, at least five general methods of borrowing money are available to counties and cities:

- General obligation bonds.
- Revenue bonds.
- Special obligation bonds.
- Project development financing bonds.
- Installment financing.

The Local Government Commission (LGC) oversees fiscal oversight for units of local government, including counties and cities, including approval of bond issuances. The LGC also usually sells the bonds on behalf of the unit of government when they are issued. The LGC may also play a significant role in installment financing in certain instances. Additionally, general obligation bonds must be approved by the voters of the unit of government, as they pledge the full faith and credit of the unit of government.

BILL ANALYSIS: The PCS would subject any anticipated obligation of more than \$5 million for the acquisition, erection, construction, alteration or repair of any buildings or land by a county or city to a voter initiated referendum, unless the anticipated obligation is for one of the following reasons:

- To comply with federal law.
- To comply with State law.
- To comply with an order of the court.
- For a water or wastewater system.

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Whenever a county or city determines the capital expenditure is needed, the county or city would be required to publish a notice of intent to encumber the funds for at least 30 days prior to finalizing the encumbrance. During that 30 days, a petition demanding a referendum may be submitted to the clerk to the board. The petition would have to be signed by at least 10% of the registered voters of the county or city, but not by less than 25 voters. The petition must be verified by the county board of elections within 15 working days, unless that time period included an election. If the petition is verified to have sufficient voter signatures, the governing board of the county or city must set a date for a special election to have the referendum on the encumbrance. Special elections may be held only at the following times:

- At the same time as any other State or county general election.
- At the same time as the primary election in any even-numbered year.
- At the same time as any other election requiring all the precincts in the county to be open.
- At the same time as a municipal general election, if the special election is within the jurisdiction of the municipality only.

Upon completion of the election, if a majority of the votes are for the encumbrance, the county or city may enter into the obligation. If a majority of the votes are against the encumbrance, the county or city may not encumber the county or city, and may not initiate the same or a substantially similar project for at least 12 months.

EFFECTIVE DATE: Effective July 1, 2015, and applies to capital expenditures entered into on or after that date.