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PUBLISHERS NOTE:

NCLM offices will be closed on Friday, July 3, 2026, in recognition of the July 4 holiday. Offices will reopen on Monday, July 6.

General Assembly Approves State Budget

Legislation of Interest

[SB 257 Appropriations Act of 2026](#)

Who Votes Next: Governor

For the first time since 2023, state legislators have approved a revised state budget, a spending package that includes significant pay raises for teachers and state law enforcement, as well as a one-time \$1,750 bonus to all full-time sworn law enforcement officers in the state. [The \\$31.3 billion annual spending plan](#), approved on Thursday, will now go to Gov. Josh Stein, who can either sign the bill into law, veto it, or allow it to become law without his signature.

[SB 257 Appropriations Act of 2026](#) provides teachers with an average annual raise of 8 percent, law enforcement officers across various state agencies with significantly higher raises, and other state employees with 3 percent raises. It would lower personal state income taxes from 3.99 percent to 3.49 percent.

Significantly for communities in western North Carolina, the budget continues to direct money at Hurricane Helene recovery, with roughly \$700 million pulled from a state disaster recovery fund or in new appropriations going for state and local matches to federal disaster recovery programs,

local disaster recovery not eligible for federal money, housing assistance, and private road and bridge replacement.

For municipalities, the budget represents a mixed bag of priorities. It includes a handful of land-use and building permit provisions that could create more barriers for local planning. There are also dozens of directed grants to communities for various infrastructure projects.

Funding items and provisions that would affect municipalities and their operations include those that would do the following (with listed budget sections and page numbers):

- Provide for a \$1,750 bonus for every sworn local law enforcement officer employed on June 30, 2026. To be distributed by the SBI to local law enforcement agencies. Pro-rated for permanent part-time employees. **(Sec. 41.3, pg. 537)**
- Hold Powell Bill funds stable at roughly \$186 million for distribution to municipalities based on the existing funding formula. Charlotte and Raleigh's allocations under the program would continue to be capped at the levels from the 2020-2021 fiscal year. **(Sec. 43.4, pg. 571)**
- Require that if an MPO or RPO takes unilateral action to remove a statewide project from its Comprehensive Transportation Plan (CTP), or to prevent the project from being delivered or funded in the manner originally programmed in the CTP, and the Board of Transportation approves the removal or cancellation of the statewide project in accordance with G.S. 143B-350(f)(4), any local government that voted in favor of the action shall reimburse the Department for preliminary costs incurred by the Department in connection with the statewide project prior to removal. The provision also extends these requirements to local governments who voted in May, affecting the I-77 project, but grants a 90-day grace period for the passage of a subsequent resolution reinstating the project. **(Section 43.27(a)-(e), pgs. 605-606)**
- Provide for dozens of directed grants to non-state entities, including municipal capital improvement grants. In total, 188 municipal projects are provided appropriations under "Special Appropriations" sections, totaling \$67,706,394, the largest being a \$5 million grant to Greensboro for water and sewer infrastructure. The bill includes a reversion clause to revert unspent funds beginning in June 2029. **(Sec. 5.2(a)-(c), pgs. 20-21)**
- Make changes to local government land-use regulations that include adding administrative decisions to the zoning decisions that may be appealed and allowing direct court appeals without appeal to local boards of adjustment; allow membership associations of developers to participate in those appeals as a matter of right; extend the time for bringing such an appeal to three years; establish permit choice rights and add legislative decisions to the definitions of "development permit" and "land development regulation" under Chapter 143 of state statutes; adds mandatory award of attorneys' fees and costs to a party that successfully challenges a development decision; and prohibits local governments from withholding a permit or zoning approval due to the applicant's failure to enter into a contract with a labor organization. **(Sec. 39.5, pg. 526)**

- Modify the Local Government Finance Act to authorize options for local government to invest idle funds; require appropriations for economic development to be used for “purposes expressly allowed by law” and requires notification to the State Auditor of any economic development disbursement that exceeds \$25,000. **(Sec. 39.3, pg. 525)**
- Prohibit annexation of an area of at least 1,000 acres, which has the “essential characteristics of a municipality,” and has access to the same services as provided in a municipality. **(Sec. 39.4, pg. 526)**
- Create the Building Codes and Interpretations Bureau within the Department of Labor, consolidating the state Building Code Council, Residential Code Council, and Code Interpretations Section. The agency will be funded by new fees on building permits collected by local government planning offices and remitted to the department. **(Sec. 13.3, pg. 372)**
- Extend the moratorium enacted last year on interbasin transfers from the Catawba River from March 1, 2027, to August 1, 2028, and create a new moratorium on certain described transfers from the Cape Fear River. **(Secs. 12.5-12.6, pgs. 351-353)**
- Allocates \$422 million in federal Infrastructure Act funding to the State Drinking Water Reserve Fund.
- Provide \$46 million in Community Development Block Grant funding for economic development, infrastructure, neighborhood revitalization, and rural community development. **(Sec. 11.1, pg. 327)**
- Authorizes \$100 million in Housing Startup Reallocation, spending a portion of funds allocated for Hurricane Helene recovery.
- Reduces funding for the Parks and Recreation Trust Fund (PARTF) grant program.
- Allow the Department of Information Technology to use up to \$15 million in unencumbered funds from the Growing Rural Economies with Access to Technology (GREAT) Fund to award grants for middle-mile fiber projects that create network redundancies for barrier island communities. **(Sec. 40.7, pg. 536)**
- Allow the State Bureau of Investigation to provide a criminal record check to a city for a person who has applied for a license or permit through the city. **(Section 20.2, pg. 460)**
- Call for the North Carolina Collaboratory to conduct a number of studies affecting local government. These include a study examining the public safety impact on the legalization of fireworks; a comprehensive PFAS study that requires the cooperation and sampling data from local wastewater systems, both for their effluent and biosolids; and a study examining the effects of PFAS on firefighters. A separate provision establishes a data collection initiative via the UNC Kenan-Flagler School of Business to collect county-level economic data and provide it to policymakers, economic developers, and others, requiring local governments to cooperate with data collection. Finally, a provision would require local governments to fulfill data requests from the Collaboratory within 30 calendar days. **(Secs 8.9-8.29, pgs. 206-225)**
- Shift more appointments for various state boards from the Governor to the NC General Assembly and Council of State officeholders. These include changes to the Local Government Commission and the Local Government Employees Retirement System Board of Trustees, reducing municipal and county representation on both boards. **(Sec. 5.10, pg. 35-57)**

- Make clear that public enterprises can own all the components of a water system, not just the pipes. It lists items like dams, reservoirs, water intakes, and treatment facilities. **(Sec. 5.11, pg. 57)**
- Increase restitution paid for theft of metals like copper from infrastructure facilities, including emergency response and traffic control costs, along with costs paid by the system to keep customers happy. Creates new penalties for unauthorized possession of copper taken from infrastructure. **(Sec. 19.5, pg. 448)**

You can read more about the budget legislation [here](#) and [here](#).

House Approves Legislation Impacting Deannexation

Legislation of Interest

[HB 199 Authorize Municipal Deannexation](#)

Who Votes Next: House

By an almost unanimous vote, House members approved a bill Thursday that would establish new procedures for municipal deannexations. Through discussions earlier in the week in the [House Finance Committee](#) and the [House Rules Committee](#), the sponsors of [HB 199 Authorize Municipal Deannexation](#) outlined the process which would be established to accomplish deannexations at the local level either by petition, on the city's initiative, or through a petition and voter referendum process. Under current law, only the General Assembly can reduce the corporate limits of a city, something that it often does through local legislation.

The legislation creates a number of balanced and practical requirements for deannexing parcels, most of which aim to protect city taxpayers from paying for debt-financed infrastructure or creating problematic "donut holes," unincorporated areas surrounded by the city limits. While in those instances a deannexation would be prohibited, where allowed, the legislation allows for cities to recoup infrastructure costs on behalf of their taxpayers.

This legislation was the product of a bipartisan group of lawmakers: Republican Representatives [Steve Ross](#) and [Paul Scott](#), and Democrat Representative [Deb Butler](#). NCLM participated in the drafting of the legislation and commends the thoughtful approach these lawmakers have taken to these complex issues.

Legislature Takes Extended Recess Following Budget Passage

Legislation of Interest

[HJR 1244 Adjournment Resolution](#)

Who Votes Next: Ch. Res 2026-5

After giving final approval of their \$34 billion budget package, legislators approved an adjournment resolution that will keep them out of session for the next 25 days. Under the provisions of [HJR 1244 Adjournment Resolution](#), legislators will return to Raleigh on Monday, July 27, at 12:00 PM. While it is still unclear how long legislators will remain in session once they return, they will be able to consider most of the same issues and bills they considered during the short session, including bills that met the 2025 crossover deadline and those vetoed by Governor Stein.

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Legislative Round-Up

Legislation of Interest

[HB 162 Parking Lot Reform/Stormwater Control](#)

Who Votes Next: Governor

[HB 1094 Ferry Div. Audit/DOT Omnibus](#)

Who Votes Next: Governor

[HB 437 Drug-Free Zones/Unauthorized Public Camping](#)

Who Votes Next: Governor

[SB 992 Truth in Taxation](#)

Who Votes Next: House

[SB 474 Adjust Counties/Reappraisal Moratorium](#)

Who Votes Next: Governor

[SB 876 Various Local Provisions X](#)

Who Votes Next: Ch. SL 2026-25

[SB 1076 Rocky Mount/Louisburg Utility Rev./Advisory](#)

Who Votes Next: Ch. SL 2026-27

As legislators near the end of the short session, they have ramped up the pace on bill consideration, hearing a variety of bills during committee meetings and floor sessions this week. Below is a list of bills that would affect local governments.

Preemption of Parking Minimum Requirements – House members agreed to the Senate's changes to [HB 162 Parking Lot Reform/Stormwater](#)

Control, sending the bill to Governor Josh Stein. The bill includes provisions previously advanced over NCLM's objections that preempt local authority to require minimum off-street parking, thereby limiting cities' ability to ensure adequate public safety and service-vehicle access. Through committee amendments, 20 coastal counties were exempted, allowing municipalities in those counties to continue enforcing parking minimum requirements.

E-bike Authority – Legislators sent [HB 1094 Ferry Div. Audit/DOT Omnibus](#), a broad transportation bill, to the Governor on Thursday. One provision of note for local governments is an authorization for cities to regulate electric-assisted bicycles ("E-bikes"). The legislation establishes a standardized three-tier classification system and provides municipalities with clear authority to regulate e-bikes, addressing existing regulatory gaps.

Unauthorized Public Camping – [HB 437 Drug-Free Zones/Unauthorized Public Camping](#) has moved to Governor Stein after the House concurred with the Senate's changes this week. The bill prohibits local governments from allowing people to regularly sleep or camp on public property, but incorporates amendments requested by NCLM that provide additional time for local governments to comply and clarify notice requirements before litigation may be initiated. The legislation also permits local governments to designate a specific public place for camping if detailed statutory requirements are met.

Truth in Taxation – A bill establishing new procedures for notice when local governments are considering property tax increases awaits action by the House. [SB 992 Truth in Taxation](#) would require cities and towns to provide new mailed and published notices when proposing a property tax rate that exceeds the revenue-neutral rate following a reappraisal.

Adjustment to Revaluation Moratorium – Legislators approved [SB 474, Adjust Counties/Reappraisal Moratorium](#), this week, which will modify the counties and the municipalities within them that are subject to the recently enacted property tax reappraisal moratorium. Under the bill, Buncombe, Chowan, and Pamlico counties would be added to the moratorium, while Harnett and Scotland counties would be exempted. The bill is now on Governor Stein's desk.

Various Local Provisions – House and Senate leaders agreed on a new version of [SB 876 Various Local Provisions X](#) this week, after negotiations between both chambers. During the conference process, the legislation was expanded to include provisions making elections in the City of Albemarle and the City of Kannapolis partisan and moving elections in all 11 municipalities in Moore County to even-year partisan elections beginning in 2028. The bill also adds a 125-foot building height limitation for the City of Claremont, modifies voluntary annexation authority for the Town of Clayton, prohibits the City of Southport from establishing or expanding historic preservation districts, annexes a portion of NCDOT right-of-way into the

Town of Franklinton, and retains language creating a downzoning exemption for the Harnett Regional Jetport.

Municipal Utility Revenue Restrictions – Senators approved [SB 1076 Rocky Mount/Louisburg Public Utilities](#), this week. The bill would impose new restrictions on the use of municipal utility revenues in the City of Rocky Mount and the Town of Louisburg. For Rocky Mount, the bill would prohibit transfers of electric and natural gas utility revenues to other municipal funds, require excess revenues to be used for utility operations, debt reduction, or rate reductions, and establish a nine-member Public Utilities Advisory Committee to review utility budgets, rates, capital projects, and proposed fund transfers. Similar restrictions would apply to Louisburg by prohibiting transfers of electric utility revenues to other municipal funds and the use of electric rate revenues for economic development projects.



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