END OF SESSION BULLETIN

2026

NCLM
NC LEAGUE OF MUNICIPALITIES

WORKING AS ONE.
ADVANCING ALL.

DEAR LEAGUE MEMBERS,

The 2026 legislative short session proved a difficult one for North Carolina cities and towns, as electoral politics and predictions of close November races led to decisions that, while perhaps politically popular, could put long-term strains on municipal services.

After several years of beating back proposals that would have damaged local land-use planning authority, the General Assembly this year approved measures likely to increase litigation and financial risks for local government as changes provide developers more avenues to challenge land-use decisions. Legislators also agreed to put a measure before voters in the fall that could set the stage for future restrictions from Raleigh on property tax increases.

Legislators planned to return to Raleigh for brief re-convenings during the remainder of the calendar year, with a November session the most likely to result in substantial legislation.

The year did mark the first time that the General Assembly had approved a comprehensive, updated state budget since 2023. While the budget bill includes the land-use planning provisions mentioned above, it also provides dozens of directed grants to communities for various infrastructure projects. In total, 188 municipal projects are provided appropriations under “Special Appropriations” sections, totaling $67,706,394. Other key items affecting cities and towns include $1,750 bonuses for all sworn local law enforcement officers in the state, as well as keeping state Powell Bill road money distributions stable at $186 million.

NCLM staff, acting in concert with municipal officials, were able to mitigate or stave off some other detrimental land-use planning legislation. As legislators continue to meet this year, and as they return next year for a new legislative “long session,” there will be new opportunities to engage with them to adjust some of legislation approved this year, make the case for the importance of local control over property taxes as a source of local revenue, and seek support for other proposals that enhance our communities for the betterment of our residents.

Local officials working hand in hand with League staff must continue to effectively work to maintain our residents’ unique visions for each of our cities and towns.

We thank you all for your commitment to work in this way to make your own city or town a better place for your residents, and to make our state, as a whole, a better place to live, work and raise families.

We present this document to you to provide a detailed account of the legislative session and the legislative actions that affect cities and towns across North Carolina.

Sincerely,

The Officers of the League’s Board of Directors

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MUNICIPAL-RELATED LEGISLATION IN THE NEWS

STATE BUDGET APPROVED

For the first time since 2023, state legislators approved a revised state budget. For North Carolina's cities and towns, the $31.3 billion spending plan will provide dozens of directed grants to various communities for infrastructure projects. In total, 188 municipal projects are provided appropriations under "Special Appropriations" sections, totaling $67,706,394. Other key items affecting cities and towns include $1,750 bonuses for all sworn local law enforcement officers in the state, as well as keeping state Powell Bill road money distributions stable at $186 million.

The plan, though, includes a handful of land-use and building permit provisions that could create more barriers for local planning. These include measures that could increase litigation and financial risks for local government as changes provide developers more avenues to challenge land-use decisions.

PROPERTY TAX AMENDMENT

Facing a tough election climate, legislative majorities in the General Assembly decided to put a constitutional amendment before voters this fall that will allow the legislature to establish limits on property tax increases in the future. Assuming voters approve the ballot measure, the change could set the stage for future proposals that could negatively impact the ability of cities and towns to provide services for their residents. The proposed constitutional change could result in a significant shift in local fiscal authority. Property taxes remain the primary revenue source that cities and towns rely on to fund core services such as police and fire protection, street maintenance, parks and development oversight.

Lawmakers also enacted legislation delaying implementation of scheduled property reappraisals in several counties. Counties that conducted revaluations last year, for use in 2026, will not be permitted to use those updated values for taxation in the 2026-27 fiscal year, delaying the effects of higher assessments on property owners.

LAND-USE REGULATIONS: GRANNY FLATS AND PARKING MINIMUMS

A number of land-use planning proposals were considered in the General Assembly this year, with some making it into law, while others failed to gain support. A seemingly perennial issue — a state mandate to require that cities of certain sizes allow accessory dwelling units, or "granny flats," in all residential districts — was eventually passed. The same omnibus regulatory reform bill included a change allowing more residential building in commercial and industrial zoned areas for larger cities and towns. With opposition from cities and towns, Senate and House negotiators did decide to drop a permitting shot clock provision that would have shortened the time span in which cities could act on certain permit applications. Regarding accessory dwelling units, the proposal had appeared in legislation as a potential solution to housing affordability even though many of the state's larger cities and towns already allow ADUs by right in many areas.

Separately, legislators approved legislation to undo local parking minimums associated with certain types of development. They did exempt a number of coastal counties from the change. As mentioned earlier, they also included several land-use regulation provisions in the state budget, increasing the potential for litigation and local taxpayer liability for land-use decision-making. As legislators plan to reconvene in November, the opportunity to make changes to these measures may be possible.

HOMELESS ENCAMPMENTS

Legislators approved a controversial measure requiring cities and towns to police and regulate homeless encampments, potentially putting new strains on local law enforcement. Supporters say the legislation will require that public spaces are kept safe; detractors say the state provides no resources to accomplish that goal and that it will not reduce homelessness.

The legislation would require municipalities to clear homeless encampments in public spaces, but approve a temporary location for homeless camps on municipal property under certain circumstances. Local governments would have to provide restroom facilities, water and public safety personnel in those instances. Gov. Josh Stein vetoed the bill, and legislators did not attempt to override that veto when they met in July and August.

BILL SUMMARIES

WORKING AS ONE. ADVANCING ALL.

BILL SUMMARY — OVERVIEW

Over the course of the 2026 session of the North Carolina General Assembly, the League's Government Affairs Team tracked dozens of bills that had implications for cities and towns, with many of those having significant effects. While the number of bills considered was somewhat limited, large omni-bus measures as well as more narrowly focused bills had significant impacts on municipal development oversight, budgeting and service operations.

The General Assembly will be reconvening a handful of times throughout the rest of the year, with a post-election session in November potentially leading to another round of substantial legislation. Nonetheless, this document should represent the bulk of legislative acts affecting cities and towns during the 2026 legislative session.

You will find summaries of bills below, including descriptions of how they could affect the governance of cities and towns and some of the political considerations that affected their ultimate outcome. The bill numbers and titles are linked below. The bill links will take you to actual copies of the bill on the General Assembly website. Beside each bill title, there is a designation explaining the status of the bill.

The designations indicate the following:

Law: Passed by the General Assembly and now Session Law, either with the Governor's signature, with the Governor's inaction regarding the bill, with an override of his veto, or as a local bill or constitutional amendment over which the Governor has no say.

Passed House: Passed the House but not voted on by the Senate.

Passed Senate: Passed the Senate but not voted on by the House.

In Conference: Approved by both chambers, but with changes that have not yet been resolved by the two chambers.

Not Passed: Legislation not approved by either full chamber.

Ratified: Approved by the General Assembly but not yet acted on by the Governor as of the publication date.

Vetoed: Vetoed by the Governor, and currently not overridden by both legislative chambers.

BILL CATEGORIES

TAX & FINANCE

LOCAL BILLS

GENERAL GOVERNMENT

PLANNING & LAND USE

ENVIRONMENT & UTILITIES

If you do not see a bill summarized that you are interested in, please contact any member of the League's Government Affairs team.

TAX & FINANCE

[HB 169 Haywood/Cherokee/Leland Occ. Tax. Mods.] (Rep. Pless) — Passed Senate

House Bill 169 is a local bill that impacts multiple local governments regarding their occupancy taxes: Haywood County is authorized to levy a higher occupancy tax and required to make changes to the structure of its tourism development authority; Cherokee County is authorized to make similar changes to its tourism development authority; and Leland is given additional authority to spend its occupancy tax revenue. The bill passed nearly unanimously in the House and Senate, but Senate changes mean that the bill has not yet been passed into law. As of this writing, the House had not yet voted to accept those changes, although it also had not formally rejected them.

HB 198 ABC Omnibus of 2026 (Reps. Miller and Pyrtle) — In Conference

While largely a technical and administrative alcohol regulation bill, some provisions in this legislation would directly affect municipalities, particularly those that have established or are considering social districts as a downtown economic development tool. The bill clarifies that businesses located within a social district that are not themselves licensed to sell mixed beverages could nevertheless allow patrons to bring in and consume mixed drinks purchased from another permitted business within the district. It was argued the change would provide greater flexibility for downtown merchants and make social districts more attractive for visitors and businesses.

The legislation also included provisions affecting local ABC operations and permit administration, along with a proposal authorizing the ABC Commission to finance and construct a new automated state warehouse.

Unlike some of the broader alcohol modernization bills considered this session, HB 198 did not make major changes to municipal zoning authority or substantially alter the distribution of local alcohol tax revenues. Instead, the provisions most relevant to municipalities focused on making social districts more flexible and improving the administration of the state's ABC system. At adjournment, the House and Senate had not reached agreement on the bill, leaving it in conference.

HB 240 Currituck/NH Beach Towns/J'ville OT (Rep. Carver) — Law — SL 2026-7, effective June 18, 2026

House Bill 240 is a local bill that impacts five local governments: Currituck County, the towns of Carolina Beach, Kure Beach, and Wrightsville Beach ("New Hanover Beach Towns"), and the City of Jacksonville. Currituck County will lose some discretion in making "tourism-related" capital expenditures (see also related SB 484). The New Hanover Beach Towns gain some flexibility through an authorization to spend occupancy tax revenue on seasonal ocean rescue and lifeguards, as well as police and fire overtime pay related to festivals and special events. Finally, Jacksonville received a ten-year extension on the authority to use occupancy tax, running through 2037. This bill passed the House and Senate on nearly unanimous votes and became law on June 18, 2026.

HB 921 ABC & Gaming Omnibus Bill (Reps. Pickett, Pyrtle, and Cairns) — Not Passed

A major package of changes to the state's alcohol laws failed to pass. The bill contained multiple changes affecting alcohol regulation, gaming activities, raffles, mobile bars and ABC operations, the most significant proposal for local governments involved the creation of a new distribution system for premixed cocktails. The bill would have allowed these products to be sold in grocery stores, convenience stores and other traditional retail outlets rather than being sold only through state ABC stores.

HB 1032 Repeal Two Percent Local Grocery Tax (Reps. Chesser, Paré, Reeder, and Schietzelt) — Not Passed

House members presented a proposal to exempt groceries from local sales tax, thereby repealing the state's 2% local grocery tax. HB 1032 would strip all of the existing statutory authority for the tax and removes any of the special references to county referendums for increased food taxes that would relate to grocery products. This proposal has been introduced in previous sessions, though it has yet to receive much traction. The bill was referred to a House committee but did not receive a hearing during this session.

HB 1042 Affordable Housing Exemption Mods. (Reps. Paré, Howard, Setzer, and Schietzelt) — Passed House

Following the work of the House Select Committee on Property Tax Reduction and Reform during the legislative interim, the committee's leaders presented legislation to address an issue identified during the group's work: "affordable housing" providers using a tax loophole to limit their overall property tax liability on properties. HB 1042 is in response to a 2013 decision by the North Carolina Court of Appeals granting a low-income housing project in Mitchell County, owned by a for-profit limited liability company but controlled by a nonprofit, a property tax exemption. As an example of the harm this loophole has caused, local governments in Wake County have lost millions in property tax revenue, and it has not resulted in the creation of additional affordable housing.

The bill received unanimous approval from the House, but the Senate chose not to consider the bill before adjournment.

HB 1089 Const. Amend. Property Tax Levy Limit (Reps. Echevarria, Howard, Setzer, and Paré) — Law — SL 2026-5, effective various dates

In one of the more significant actions this session, legislators placed a constitutional amendment on the November 2026 ballot that would direct the General Assembly to enact "general laws limiting the amount by which the levy of taxes on property may increase." In lay terms, this means that if voters approve the amendment, legislators will be empowered to enact legislation limiting the amount by which property tax levies may increase. The votes in both chambers went nearly along party lines. In the House, two members who switched their party affiliation this session from Democrat to Unaffiliated joined all Republicans in voting for the amendment, which passed that chamber 73-46. In the Senate, Democratic Sen. Dan Blue joined Republicans in approving the amendment by a 31-15 margin.

This amendment grew out of the work of the House Select Committee on Property Tax Reduction and Reform, which met during the legislative interim. The League and other stakeholders opposed the proposal due to potential effects on local budgets and the ability of locally-elected officials to respond to the service needs of their residents.

HB 1092 Reform NC Property Tax (Reps. Ager, Longest, Buansi, and Johnson-Hostler) — Not Passed; HB 1122 Expand Disabled Veteran Prop. Tax Exclusion (Reps. Crawford, Pittman, Ager, and Alston) — Not Passed; HB 1179 Senior Property Tax Relief Modernization Act (Reps. Rubin, Ager, Cervania, and Carney) — Not Passed; HB 1181 Property Tax Modifications (Reps. Cervania and Rubin) — Not Passed; SB 798 Elderly Prop. Tax Appreciation Exclusion (Sen. Waddell) — Not Passed; SB 898 Citizens' Tax Relief Circuit Breaker Mods. (Sens. Murdock, Mohammed, and Salvador) — Not Passed

In an effort to respond to rising costs for North Carolinians, a bipartisan group of legislators in the House and Senate introduced numerous bills carving out new or modifying existing exemptions and "circuit breakers" within the state's property tax system for a variety of select groups. This included changes to the state's homestead exemption (HB 1092, HB 1179, HB 1181, and SB 898), the elderly and disabled resident exemption (HB 1179, HB 1181, and SB 798), and the disabled veteran exemption (HB 1122). Other proposals would have created exemptions related to a property's area median income (AMI) (HB 1092) and updated exemptions for properties owned by nonprofit entities (HB 1092). Additionally, many of these bills (SB 898, HB 1092, HB 1179, and HB 1181) appropriate money to the NC Association of County Commissioners to support programs to educate citizens about property tax exemptions or improve the appraisal/reappraisal processes.

None of these bills gained traction, though, with all remaining in committees in their chambers of origin.

SB 474 Adjust Counties/Reappraisal Moratorium (Sens. Berger, Moffitt, and Jarvis) — Law — SL 2026-47, effective July 8, 2026; SB 889 Property Tax Reappraisal Moratorium (Sens. Berger, Jackson, and Jarvis) — Law — SL 2026-8, effective various dates

While the House Select Committee on Property Tax Reduction and Reform focused their property tax efforts on local property tax limitations, Senate leadership began work on temporary moratoriums on property tax reappraisals scheduled for 2026. SL 2026-8 prohibits the following counties (and cities within them) from using their updated property tax reappraisals, which were set to be used for the first time in the 2026 budget cycle: Anson, Bladen, Buncombe, Davidson, Guilford, Harnett, Onslow, Pender, and Scotland. When it became law on June 18, it required the affected local governments to redo their FY26-27 budgets using the prior property valuations, a significant disruption to local services and communities. The bill received strong bipartisan votes in both the Senate and House.

Following the passage of SL 2026-8, legislators approved SL 2026-47, which modified the language of the original bill, requiring that the property tax moratorium only apply to counties that do not have populations less than 12,000; are within 3 years of their sales assessment ratio changing, and have a population under 150,000; have levied a property tax rate over 95 cents per $100 in the prior four years; or are in counties impacted by Hurricane Helene.

Both bills received generally bipartisan votes and were ultimately signed by Gov. Josh Stein.

SB 484 Clarify Tourism-Related Expenditures (Sens. Moffitt, Daniel, and Britt) — Law — SL 2026-15, effective June 22, 2026

In response to a 2026 decision by the NC Supreme Court (Costanzo v. Currituck County), the House Finance Committee advanced legislation intended to constrain local governments' authority to spend room occupancy tax revenue. The Court's decision upheld Currituck County's expenditures for public safety, largely based on the county's determination that the doubling of population during summer tourist season justified the spending on public safety, and that this would attract tourists to the area.

The legislation generally prohibits spending occupancy tax revenue on "services ordinarily provided by a city for its residents" and specifically prohibits the following spending categories: 1) solid waste collection or disposal; 2) water supply, distribution, or treatment; 3) fire protection; 4) law enforcement, public safety services, or emergency services; 5) affordable housing; and 6) education. The bill passed the House and Senate nearly unanimously and was signed into law by Gov. Josh Stein on June 22, 2206. These new restrictions apply to expenditures of occupancy tax proceeds collected on or after that date.

SB 992 Truth in Taxation (Sens. Ford, B. Newton, and McInnis) — Passed Senate

After moving through Senate committees and passing the Senate in less than 10 calendar days, this "Truth in Taxation" bill failed to pass the House before lawmakers adjourned in August. The bill would apply to the local government budget process following a general reappraisal of real property, whenever the local government intends to adopt a property tax rate that is higher than the revenue neutral rate. In that case, the bill would require an additional published notice and mailed notice to all taxpayers in a local government jurisdiction. Initially, the bill allowed for a consolidated mailing by the county clerk to the County board of Commissioners, but that was removed from the bill by a Senate committee. Under the current version, each municipality and county must publish and mail the required notice informing every property owner that the governing board may adopt a rate higher than the revenue neutral rate. The bill remains pending in the House and is eligible for consideration during the November session.

SB 1074 Eden/Mills River/Guilford Art. 46 Local Act (Sen. Berger) — Law — SL 2026-26, effective various dates

While this bill included provisions affecting Eden and Mills River, the most significant provision for local governments was a section addressing Guilford County's proposed 0.25% sales tax. Lawmakers approved changes to both the referendum language voters will see on the ballot and the formula governing how revenue from the tax would be distributed if approved.

The Guilford provisions highlight a recurring theme at the General Assembly, with lawmakers increasingly weighing in on local revenue proposals before they reach the ballot. By adjusting the referendum structure and revenue distribution plan, legislators sought to refine how Guilford County could use a potential new funding source for local needs and infrastructure investments.

LOCAL BILLS

HB 116 Jacksonville Annexation & Conforming Changes (Rep. B. Jones) — Law — SL 2026-56, effective various dates; SB 817 Annex Various Military Property/Jacksonville (Sen. Lazzara) — Not Passed

The General Assembly again took up the issue of Jacksonville's relationship with the military installations that surround the city. Both SB 817 and HB 116 sought to annex portions of Marine Corps Base Camp Lejeune, Marine Corps Air Station New River and facilities at Stones Bay into the City of Jacksonville. While the Senate proposal stalled, lawmakers ultimately approved the annexation through HB 116. Supporters argued the change better aligns municipal boundaries with the community served by Jacksonville.

HB 117 OIB/Topsail Beach Parking Fees (Rep. Iler) — Law — SL 2026-23, effective June 25, 2026

Coastal communities continued to seek greater flexibility in how they manage revenue generated from paid parking. HB 117 allows Ocean Isle Beach and Topsail Beach to use proceeds from on-street parking in the same manner as revenue from off-street parking facilities. The change provides additional flexibility to address infrastructure, public safety and other municipal needs associated with growing seasonal tourism populations.

HB 1035 Various Local Election Changes III (Rep. Humphrey) — Law — SL 2026-18, effective various dates; SB 876 Various Local Provisions X (Sen. Ford) — Law — SL 2026-25, effective various dates; HB 1038 At-Large Elections/Jacksonville City Council (Reps. Gable and Shepard) — Not Passed

State legislators continued their effort to reshape municipal elections across North Carolina through a series of local election bills affecting dozens of communities, with some approved despite local opposition. The measures moved a number of municipalities from odd-year election cycles to even-numbered years, modified terms of office, changed election methods and updated procedures for filling vacancies. Among the more significant changes, SB 876 moves Kannapolis municipal elections and Albemarle municipal elections to even-numbered years and shifts the city to partisan elections.

Lawmakers also considered HB 1038, which would have eliminated Jacksonville's ward-based city council districts and required all six council members to be elected at-large. Reps. Gable and Shepard argued the proposal would create a more unified election system, while critics raised concerns about reducing neighborhood representation on the council. The bill ultimately did not advance.

SB 214 Various Local Provisions VII (Sen. Sawrey) — Law — SL 2026-2, effective various dates; SB 811 Various Local Provisions VIII (Sens. Daniel, Moffitt, and Mayfield) — Law — SL 2026-22, effective various dates

Near the end of session, lawmakers approved several omnibus local government bills containing a mix of annexation, deannexation, extraterritorial jurisdiction (ETJ) changes and municipal boundary provisions that affect municipalities across the state. While many of the provisions were supported locally, others reflected state intervention in local boundaries.

SB 214 removed properties from the corporate limits of Southport, Yadkinville and Kannapolis, modified ETJ boundaries affecting Yadkinville and Sunset Beach, and removed East Spencer's cap on satellite annexations. SB 811 included a similar collection of local government provisions, removing the satellite annexation cap for Bailey, Weaverville and Cherryville, deannexing properties from several municipalities, and limiting development authority by the Village of Walnut Creek.

GENERAL GOVERNMENT

HB 171 Equality in State Agencies/Prohibition on DEI (Reps. B. Jones, N. Jackson, Lowery, and Eddins) — Vetoed

A key part of the Republican party platform coming into 2025 was to restrict or prohibit efforts in state and local government to promote diversity, equity, and inclusion (DEI). After heated debate in the House and Senate, a veto by Gov. Josh Stein and an override vote in the House, House Bill 171 has yet to become law, as the Senate has yet to hold an override vote. Sponsored by top leaders in the House and co-sponsored by roughly three-dozen Republican House members, the legislation ranked as one of the most contentious and politically charged issues considered during the legislative session. The bill would enact broad prohibitions on spending public money on DEI initiatives, or using DEI in hiring, employment, or contracting. Penalties for violations are severe: a $10,000 civil penalty against a person who violates the new law and potential removal from office through the existing Local Government Commission removal authority. In addition, the new law would require local governments to attempt to recoup unlawful expenditures associated with DEI and authorize civil actions by "any person" to stop perceived violations, with an award of attorneys' fees and costs should that person prevail.

House Bill 171 is now pending in the Senate on the question of whether to override the governor's veto. That vote would make the bill law notwithstanding the governor's veto, but it requires a three-fifths majority of the Senate. The next likely opportunity for the Senate to take that vote would be during the November reconvening of the General Assembly.

HB 199 Authorize Municipal Deannexation (Reps. Carson Smith, Budd, Pyrtle, and Logan) — Passed House

In a somewhat surprising move coming late during the legislative session, the House Finance Committee advanced legislation that would establish a municipal-level procedure for removing property from the municipal limits. The legislation was motivated by the rise in requests from cities for local legislation for the deannexation of property, which is presently the only legal mechanism available to remove parcels from the municipality's jurisdiction.

The legislation provides three procedures for deannexation: 1) initiated by resolution of the municipal governing board; 2) upon a petition for a voter referendum signed by 25% of the property owners and its successful passage; and 3) by ordinance in response to a citizen petition. Regardless of the procedure, there are various requirements for notice and public hearing, and specific provisions that would allow the city to determine whether to continue services and to recoup infrastructure costs related to services extended to the area that is proposed for deannexation. Finally, the legislation establishes a procedure for appealing the city's decision to the Superior Court for further review.

HB 437 Drug-Free Zones/Unauthorized Public Camping (Reps. Rhyne, Chesser, and Pickett) — Vetoed

This bill, championed by a national conservative think tank and impacting how local governments address homelessness, was a two-part bill that combined the original HB 437 Establish Drug-Free Homeless Service Zones and HB 781 Unauthorized Public Camping & Sleeping, both of which were passed by the House in 2025. HB 437 prohibits local governments from allowing people to sleep or camp on public land within their jurisdictions regularly and would allow the designation of a specific public place for camping, provided certain detailed requirements are met. The language of the bill generally aligns with President Donald Trump's 2025 Executive Order 14321, which outlines response strategies to address homelessness.

The bill passed both chambers along partisan lines, with only a limited number of House Democrats voting in favor. Gov. Josh Stein vetoed the bill on July 8, stating in his veto message, "I have long called for funding to crack down on drug trafficking, invest in behavioral health, and expand affordable housing options — because homelessness and substance misuse are real problems that deserve real solutions, not this bill." Legislators have not considered an override vote at this time.

HB 481 Pay Exceptions/Special Separation Allowance (Rep. Davis) — Law — SL 2026-33, effective July 2, 2026

Legislators took important steps in increasing law enforcement pay and benefits through both the 2026 budget and legislation passed over the past two years. Provisions that modify eligibility and re-employment provisions for the Special Separation Allowance available to state and local law enforcement officers was signed into law in July and provided clarifications to previous legislation passed in 2025. The change in HB 481 protects the special separation allowance of officers who retire and later return to work and then retire a second time for an employer in the same retirement system.

HB 958 Election Law Changes (Reps. Blackwell and Stevens) — Vetoed

While most attention focused on changes to voter identification, campaign finance and election administration, one provision of HB 958 Election Law Changes could have an impact on municipalities across the state. The legislation moves the municipal primary election date earlier in the election calendar to better accommodate expanded early voting periods, absentee ballot requirements and other state and federal election deadlines that have been added in recent years. Election administrators have increasingly expressed concern about the shrinking amount of time available between primaries and general elections, and supporters say the change provides greater flexibility for counties to meet those requirements. Gov. Josh Stein vetoed the bill and the General Assembly did not immediately override the veto, meaning it will not affect the upcoming election.

HB 1094 Ferry Div. Audit/DOT Omnibus (Reps. Iler and Shepard) — Law — SL 2026-46, effective various dates

This legislation represents this session's annual omnibus proposal to address a variety of programs under the purview of the Department of Transportation. SL 2026-46 included numerous provisions of little to no interest to municipalities, including an audit of the state's ferry system, as well as a myriad of studies and process changes across the department and the Division of Motor Vehicles. Of particular interest to municipalities, though, the legislation authorizes 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. This section takes effect on December 1, 2026.

Both chambers gave this legislation almost unanimous support, and Gov. Josh Stein signed it on July 7.

SB 257 2026 Appropriations Act (Sens. Jackson, Hise, and Lee) — Law — SL 2026-41; various effective dates; HB 56 2026 Budget Technical Corrections (Reps. Pare, Loftis, Zenger, and Tyson) — Law — SL 2026-42; various effective dates

For the first time since 2023, state legislators approved a comprehensive revision and update to the state's budget. Shortly after doing so, legislators then made various adjustments and corrections to the budget. As noted in other sections of this bulletin, the two-bill package that makes up the state budget included various policy changes that are not related to state spending. Of note, the following spending items were included in the budget:

- One-time bonus pay of $1,750.00 for all full-time sworn law enforcement officers.
- Recovery spending for communities impacted by Hurricane Helene through various programs totaling approximately $700 million.
- Hundreds of directed grants for local governments and nonprofit organizations.
- Holding Powell Bill funding for street maintenance at $186 million.
- Adjustments to the Growing Rural Economies with Access to Technology (GREAT) Fund to support middle-mile fiber projects for coastal communities.
- Shifting additional appointment authorities for various state boards and commissions from the governor to other executive branch elected offices, or to the General Assembly.
- Elimination of over 1,000 state government positions that are determined to be "longterm vacancies"
- Gov. Josh Stein signed both bills into law, despite expressing concern with a number of provisions, including provisions he termed "hostile to local governments."

PLANNING & LAND USE

HB 372 Home-Based Business Fairness Act (Reps. Johnson, Chesser, Rhyne, and Schietzelt) — Law — SL 2026-51, effective July 7, 2026

Lawmakers approved HB 372 Home-Based Business Fairness Act, prohibiting cities from banning certain no-impact home-based businesses or requiring owners to obtain permits, licenses, rezonings, variances or other local approvals to operate them. The law still allows for local governments to impose narrowly tailored regulations related to public health and safety, compatibility with surrounding residential uses, and compliance with state and federal law. The law does not override private deed restrictions, covenants or homeowners' association rules that may limit such activities.

HB 1072 Affordable Housing Infrastructure Development (Reps. Bell, Reives, Humphrey, and Cunningham) — Not Passed

HB 1072 is a rare bipartisan proposal, bringing together House Rules Committee Chairman John Bell and House Democratic Leader Robert Reives as primary sponsors, joined also by Republican Representative Chris Humphrey and Unaffiliated Representative Carla Cunningham. The bill would appropriate $50 million in state funds to establish a revolving loan fund at the North Carolina Housing Finance Agency to support affordable housing development. These loans would be directed towards providing below-market interest rate loans to builders for land acquisition, predevelopment (permit fees, land surveys, environmental due diligence, soil testing, and engineering and site planning), as well as infrastructure costs (water, sewer, utility, stormwater, and road development, and site clearing and grading).

While the bill garnered support from a bipartisan group of 55 representatives, it was referred to the House Housing and Development Committee but did not receive a vote during the session.

HB 1103 Allow Implementation of Chatham Co. UDO (Rep. Reives) — Not Passed; SB 587 Wake Surfing Safely (Sens. Lazzara and Sawrey) — Passed House; SB 1074 Eden/Mills River/Guilford Art. 46 Local Act (Sen. Berger) — Law — SL 2026-26, effective various dates; SB 807 Restore Down-Zoning Auth./Woodfin (Sen. Mayfield) — Not Passed; SB 828 Restore Down-Zoning Auth./Various Counties (Rep. Burgin) — Not Passed; SB 833 Restore Down-Zoning Auth./Meck. & Others (Sen. Mohammed) — Not Passed; SB 1075 Restore Down-Zoning Auth./Military Counties (Sens. Brinson and Lazzara) — Not Passed

A variety of bills considered this session sought to address local land-use regulation and zoning authority following the fallout from the 2024 downzoning law that severely curtailed local governments' ability to rezone property. Although the bill did not advance, HB 1103 would allow Chatham County's adopted Unified Development Ordinance to be implemented despite the 2024 downzoning law. SB 587, which originally contained League-negotiated language that would restore local zoning authority while protecting private property rights, was gutted by the House, with the replacement language addressing wakeboard surfing. The Senate unanimously approved a local bill (SB 1074) that would remove an exemption from the law previously granted to the town of Mills River, which had been poised to adopt a new zoning code just after the 2024 downzoning bill became law. The act also includes provisions related to the City of Eden annexation agreement. Similarly, SB 807, SB 828, SB 833 and SB 1075 sought to restore local authority to initiate certain down-zonings that were restricted under state law. None of these measures received final legislative approval.

SB 257 2026 Appropriations Act (Sens. Jackson, Hise, and Lee) — Law — SL 2026-41 effective various dates

Buried deep inside the General Assembly's 634-page budget bill were a number of changes to planning and land use law. Many of the provisions were not considered by committees during the session and were added to the budget as "special provisions," apparently just hours before the legislation was finalized. The following provisions related to planning and land use became law through the budget this year:

- **Section 39.5(a)** allows appeals from zoning administrators' decisions to proceed directly to Superior Court without being considered by local boards of adjustment; allows associations of development permit applicants to participate in appeals as a party; and increases the time in which to bring those appeals from one to three years;
- **Section 39.5(b)–(d)** increases the time for filing a legal action to challenge most zoning decisions, including a development regulation, a Unified Development Ordinance, a zoning map amendment, and text adoption or amendments from one to three years.
- **Section 39.5(e)** requires that, upon written request of a development permit applicant, planning and zoning staff provide a written determination as to the applicability or interpretation of an ordinance, which is then binding upon the local government.
- **Section 39.5(g)** expands the permit choice and vesting rights for development applicants related to conditional zoning approvals, rezoning approvals and stormwater permits.
- **Section 39.5(h)** requires that attorneys' fees be awarded to the prevailing party in any action challenging a zoning or development decision under G.S. 160D-1403.1.
- **Section 13.3(a)** establishes a Building Codes and Interpretations Bureau to be housed in the Department of Labor, as a combination of what is currently three agencies, the Office of the State Fire Marshal, the Building Code Council, and the Residential Code Council.

As noted elsewhere in this bulletin, Gov. Josh Stein signed the bill into law, despite expressing concern with provisions he termed "hostile to local governments."

SB 445 Regulatory Reform Act of 2026 (Sen. Jarvis) — Law — SL 2026-59; effective various dates; SB 1047 Regulatory Reform Act of 2026 (Sen. Jarvis) — Passed Senate

Two versions of the annual "reg reform bill" were considered during this year's session.

Senate Bill 445, which was approved, included detailed limitations on window glazing requirements for street façade windows, increased the vesting period for site-specific vesting plans from two to five years, extended vesting rights during a declared state of emergency, allowed residential use by-right in commercial and light industrial districts (only cities with a population of 80,000 or more, located in a county with a population of 1 million or more), required the allowance of at least one accessory dwelling units in single family zoning district (only cities with a population of 50,000 or greater, and not in a coastal areas), and required the publication of a development fee schedule with a right to sue cities for failure to comply. This bill became law on August 11, 2026, with the signature of Gov. Josh Stein.

Senate Bill 1047 failed to pass, but a number of the provisions included in this bill were enacted through other legislation, such as SB 445 (summarized above) and the state budget act (summarized elsewhere in this bulletin). The provisions included in the bill related to "permit shot clocks" was not among them. These shot clock provisions would have applied to most zoning decisions, including imposing time limits on staff and governing boards. The failure to meet those deadlines would result in an automatic approval of the application. The stalling of these provisions will protect local governments' ability to make carefully considered zoning decisions, but the "shot clock" concept remains eligible for consideration in the November session.

SB 695 Incent Development Finance District Funding (Sens. Lazzara and Johnson) — Law — SL 2026-12, effective July 1, 2027

This legislation allows developers to defer 90% of property taxes on qualified improvements within local government-approved incentive districts. SL 2026-12 aims to spur development and grow the property tax base in target areas across the state. The effective date of the legislation is delayed, applying to taxes imposed for taxable years beginning on or after July 1, 2027. Both chambers passed the legislation by nearly unanimous margins, and Gov. Josh Stein signed it on June 22.

SB 730 Ratepayer Protection Act (Sen. Jarvis) — Passed House

A wide-ranging bill related to regulating data centers failed to gain approval at the General Assembly this session. This legislation was mostly focused on protecting Duke Energy customers from costs incurred to provide electrical service to data centers. However, it also included a number of provisions relevant to local governments, such as new site assessment requirements before authorizing construction of a data center, a new requirement that the Department of Environmental Quality adopt water use standards for data centers that mandate a "closed loop" system, and prohibiting local governments from using eminent domain authority or offering economic development incentives to site a data center. The bill as originally filed and passed in the Senate had nothing to do with data center restrictions. The Senate has not acted on the revised bill.

SB 1039 Construction Inspection Efficiency Act (Sens. Chaudhuri and Lee) — Not Passed

This legislation would allow property owners, permit holders, contractors and authorized agents to use certified private construction inspectors or registered private construction inspection firms if a local inspection department failed to conduct a requested inspection within 10 business days or by an agreed-upon date. The bill established qualification, registration, reporting, conflict-of-interest and fee requirements for private inspectors and inspection firms. The bill was referred to the Senate Rules Committee and has received no further action.

ENVIRONMENT & UTILITIES

HB 376 Water/Wastewater Affordability & Capacity Act (Reps. Brody, Zegner, and Riddell) — Law — SL 2026-32, effective various dates

House Bill 376, as initially introduced, was related to regulation of wells and septic tanks. By the time it became law in July, it had become a wide-ranging bill related to wells and septic tanks and water and wastewater utilities more generally, including those operated by local governments. Among other things, the legislation changes the procedural and decision-making requirements when a local government proposes to sell its water or sewer system to a private company; allows a local government utility to establish higher rates, fees, and charges for customers that are outside its jurisdictional boundaries than those paid by customers inside its boundaries; and alters the "built-upon area" definition change for stormwater control that applies when a property is redeveloped, such that the existing development built upon area would be excluded and not require additional stormwater control measures related to that area. Lawmakers enacted that stormwater provision twice within a few days' time, once through this bill and once through HB 162, which the General Assembly then repealed (see related, HB 162).

SB 257 2026 Appropriations Act (Sens. Jackson, Hise, and Lee) — Law — SL 2026-41, effective various dates

The state budget plan adopted by the General Assembly includes a number of changes to laws regulating the environment and utilities, and the funding decisions that affect governmental operations related to them. These include the following:

- **Section 8.9-8.29** provides authorization and funding to support research into PFAS and 1,4dioxine and other "emerging contaminants," and creates a fund under the State Water Infrastructure Authority (SWIA) to provide grants to local governments to respond to these contaminants.
- **Section 5.11** clarifies the authority of cities to own water resources as a part of a public enterprise.
- **Sections 12.5 and 12.6** establish moratoriums and studies on Inter-basin Transfers (IBT) in the Catawba River and the Cape Fear River Basins. These nearly identical provisions impose a moratorium on IBT certificates being issued for certain sized transfers that are in the Catawba and Fear Cape Rivers. The Catawba moratorium was initially imposed last year, but the Cape Fear moratorium became law through the budget this year.

SB 1076 Rocky Mount/Louisburg Utility Rev./Advisory (Sens. Barnes, Newton, and Moffitt) — Law — SL 2026-27, effective various dates

Legislators approved SB 1076 Rocky Mount/Louisburg Utility Rev./Advisory, which imposes new restrictions on the use of municipal utility revenues in the City of Rocky Mount and the Town of Louisburg. The act prohibits Rocky Mount from transferring electric and natural gas utility revenues to other municipal funds through Jan. 1, 2029, and requires excess utility revenues to be used for utility operations, debt reduction or rate reductions. The legislation also establishes a nine-member Rocky Mount Public Utilities Advisory Committee to provide citizen review and recommendations regarding utility budgets, rates, capital projects and proposed fund transfers.

The law similarly prohibits Louisburg from transferring electric utility revenues to other municipal funds and repeals authority allowing electric rate revenues to be used for economic development projects.

APPENDIX I

NCLM Government Affairs Team

WORKING AS ONE. ADVANCING ALL.

NCLM GOVERNMENT AFFAIRS TEAM

The League's Government Affairs Team embodies the organization's ideal of "Working as one. Advancing all." We are working on your behalf to ensure that the concerns of all of North Carolina's cities and towns are represented at the North Carolina General Assembly, and wherever public policy affects the state's municipalities. If you have any questions, please do not hesitate to contact any team member.

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