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Budget Surpluses Could Turn Into Revenue Declines

While state budget officials last week projected a budget surplus in the current fiscal year, North Carolina's revenue picture looks less rosy in the years ahead, potentially putting a damper on the substantial infrastructure investments enjoyed by cities and towns in recent years.

[The Associated Press reported late last week](#) that budget officials working for Gov. Josh Stein and analysts in the General Assembly predict that tax collections will outpace budgeted spending by \$544 million by the close of the current fiscal year. But those surpluses may turn into a decline in tax collections by the start of the 2026-27 fiscal year, according to the consensus budget forecast.

Governor Stein and Legislative Democrats have criticized additional personal and corporate income tax cuts as a prime cause for a potential decline in state revenues, while a spokesperson for Senate leader Phil Berger called Stein's statement's "fearmongering." You can read the full article [here](#).

Policymakers Continue Focus on Helene Recovery

Winter weather delayed action this week on a relief package for western North Carolina, legislation dubbed "[Disaster Recovery Act of 2025 – Part I](#)." The \$500 million package includes funds for home reconstruction and repairs, assistance for farmers, support for reconstructing bridges and roads, debris removal, repair to state facilities, and grants for volunteer organizations and fire departments. The bill is now scheduled for House consideration on February 25.

In other action, the State Dept. of Commerce will begin holding public hearings to develop a plan for disbursing \$1.4 billion in federal disaster relief. Of those funds,

Asheville will receive \$225 million directly and other local governments would be eligible for funding that flows through the state agency.

Federal regulations require development of an action plan by April 15, 2025. A key decision point will be whether to implement specific projects or programs at the state level, distribute funds to local governments for projects, or some combination of the two.

Details on the public hearings and the state's proposed action plan can be found at the [NC Department of Commerce's Disaster Recovery website](#). A helpful overview of the administrative process from the UNC School of Government is also available [here](#). Local governments are encouraged to participate in the development of the action plan.

Housing Affordability Back on Legislative Agenda

A House committee will again turn its attention to housing affordability next week when the North Carolina Home Builders Association is expected to present to the group. The House Committee on Regulatory Reform meeting on Tuesday follows last month's release of a [National Association of Home Builders report](#) showing that building permit fees, impact fees and water and sewer inspection fees make up roughly 3 percent of home costs, even as those regulatory costs continue to be a focus in North Carolina. The report showed that all site work, including permitting fees, made up 7.6 percent of total construction costs, with construction costs accounting for 64.4 percent of the total home sales costs. Nationwide, homebuilders and developers enjoyed an average profit of 11 percent on the total home sales cost.

[A separate report by the NAHB](#) found that permitting and other fees were far down the list of homebuilders' concerns, with interest rates, inflation and buyer sentiment topping the list. Meanwhile, The News & Observer of Raleigh on Sunday focused on whether potential tariffs placed on Canadian goods could cause building material costs to rise. Read that article [here](#).

NC Mayor's Association Meeting

Last week, the NC Mayors Association membership convened in Chapel Hill for two days of networking and learning. Mayors in attendance got the chance to share the exciting work going on in their communities, allowing everyone to better understand how to help each other. The Mayors welcomed former Sen. Mike Woodard who shared an inside perspective on how to best interact and connect with your legislators. The

session included valuable insight for mayors to use in their relationship-building going forward.

Leslie Mozingo, CEO/Owner of Strategics Consulting, shared updates on the Trump Administration and what changes local governments can expect in the near future. Additionally, David Webb from Gov. Josh Stein's Intergovernmental Affairs office detailed the state-level intergovernmental operations under Stein's administration. North Carolina State Treasurer Brad Briner also joined the group to share how the treasurer's office can enable the success of cities and towns. The NC Mayors Association sends a special thanks to all the special guests.

Thank you to all the mayors who joined the meeting in Chapel Hill! And thank you to the Reception and Dinner sponsor, North Carolina CLASS!

WINTER MEETING PHOTO ALBUM

Legislative Goals Approved

After a lengthy member-driven process, member cities and towns have chosen the Legislative Goals for the 2025-26 legislative biennium. NCLM thanks all municipal representatives who were involved in this process, whether you served on the NCLM Legislative Policy committee, took part in the numerous in-person or virtually listening sessions soliciting ideas, or assisted your city or town in the final electronic voting to select the list of 10 goals to be pursued. Here are the goals, for your consideration, in both a [single-page listing](#) and a [two-page document](#) providing context for each goal.

This process ultimately involved 197 individuals representing 154 municipalities, and that broad participation is so important as we now begin the work of seeking approval of the goals before the North Carolina General Assembly. We hope that you take the opportunity to discuss these proposals with your legislators at an appropriate time. Your involvement in NCLM's advocacy efforts is so vital to our success.

ONE PAGE GOALS

TWO PAGE GOALS



WORKING AS ONE. ADVANCING ALL.

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