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House Approves \$32 Billion Budget Plan

On Thursday, House members approved their version of [SB 257 Appropriations Act of 2025](#), which differed significantly from the one the Senate approved on April 17. The House's version includes multiple items of interest to municipalities, most of which were discussed in last week's Bulletin and are provided below.

- **Aid to Municipalities (Powell Bill):** Unlike the Senate, which proposed a \$50 million cut to Powell Bill funds, along with funding restrictions for municipalities with populations greater than 150,000, House appropriators recommended keeping the funding for the program at \$185 million for the next fiscal year. They did include the provision capping the funds for Raleigh and Charlotte at the levels those cities received in 2020-2021, which has been in place for multiple budget cycles.
- **Abolish the Office for Historically Underutilized Businesses:** In their General Government package, House appropriators propose abolishing the Office for Historically Underutilized Businesses (HUB) in the Department of Administration. This office has worked to advocate for HUB firms, certify them, and monitor compliance with state regulations requiring that various government entities engage with HUB firms in their contracting. Because this provision is almost identical to what was proposed by the Senate, it is deemed not to be in controversy and would be added to any final budget proposal without needing negotiation by the conference committee.
- **Water/Wastewater Provisions:** In the budget's Agriculture, Natural, and Economic Resources section, House lawmakers propose spending the state's matching funds required to draw down federal funds under the clean drinking water and clean water programs. The funding for these critical infrastructure programs is not in controversy between the House and Senate and is likely to make it into the final version of the state budget as proposed.
- **Regional Economic Development Reserve:** House appropriators set aside \$600 million into this reserve fund, with speculation that they would intend to use it on directed grants to local communities for infrastructure investments, similar to prior budgets this decade.

One interesting note is that, like the Senate budget, the House's appropriations package received votes from Democratic members. In the House, the budget passed its second reading by a 93-20 vote and its third reading by an 86-20 vote, meaning it received 27 and 25 Democratic votes, respectively. The bill now moves to the conference committee process, where members of both chambers will meet to resolve the differences between the two budget versions.

Legislators will not be in session next week, as both chambers take a Memorial Day recess. It is unclear what impact the support from some Democrats for both the House and Senate proposals will have on the negotiations. The conference committee will need to develop a consensus plan that they think can ultimately garner a veto-proof majority in each chamber, a feat in the House requiring at least one Democratic vote to protect against a potential veto from Governor Stein. Time will tell if both chambers can unite when some of their key priorities are at significant odds.

Legislators Consider Additional Helene Recovery Funds

With the state budget shifting to negotiations between the House and Senate, lawmakers returned their attention to Hurricane Helene recovery this week. On Thursday, House leaders released and voted on [HB 1012 Disaster Recovery Act of 2025 – Part II](#), a \$464.7 million proposal funded primarily from monies recouped from the NCInnovation Fund. The proposal included funding for many of the same programs outlined in a plan Governor Josh Stein released earlier in the week, though at lower levels.

HB 1012 was approved by a unanimous vote and now moves to the Senate, where further negotiations could occur as part of the appropriations conference committee process. House budget writers consistently indicated that they preferred the next Helene recovery funding package to come in the form of a standalone bill, in contrast to their Senate colleagues, who included Helene relief funding in their budget proposal.

The House action on HB 1012 followed a Helene-focused press conference held by Gov. Stein in Asheville Monday, where he proposed [an additional \\$891 million spending measure](#), including revenue support for western N.C. local governments of \$40 million. According to the governor's office, the package was designed to address the needs of state-level programs for the next six months. The Governor's plan also proposed other local government and nonprofit funding that would be made available under federal matching grant programs. This proposal followed the \$1.43 billion previously appropriated by the General Assembly and approximately \$1.45 billion received from the federal government.

Also on Thursday, House and Senate members heard from the Governor's Recovery Office for Western NC (GROW NC) about the [status of the recovery effort](#). More than 100 people died from the Helene, which is estimated to have caused \$60 billion in damage and recovery needs.

Law Enforcement Special Separation Allowance Bill Advances in General Assembly

A bipartisan measure to help North Carolina communities retain experienced law enforcement officers is moving quickly through the General Assembly, with strong backing from legislative leaders. [HB 50/SB 320 LEO Special Separation Allowance Options](#) would establish an alternative special separation allowance for state and local law enforcement officers (LEOs) with at least 30 years of credible service. Under the proposal, officers could choose between the existing separation allowance and a new option that allows them to continue serving beyond 30 years without forfeiting benefits.

Under current law, officers who work beyond 30 years lose a year of separation allowance for each additional year of service. The proposed change would allow LEOs to defer their allowance until retirement without penalty. For example, an officer who reaches 30 years of service at age 50 would receive 12 years of benefits (until age 62). If that officer continues working until age 55, they would still receive the full 12-year benefit, with payments extending to age 67.

Senate President Pro Tem Phil Berger has publicly endorsed the measure and made a rare appearance before the [Senate Pensions and Retirement and Aging committee](#) to present the bill, highlighting its significance. The legislation has already passed the House and cleared key Senate committees. A full Senate vote is expected in the coming weeks before the bill heads to the Governor's desk.

State Treasurer's Investment Authority Bill One Step Closer to Becoming Law

This week, legislation to overhaul how North Carolina manages its public pension investments took a significant step forward. [HB 506/SB 709 2025 State Investment Modernization Act](#), recommended by State Treasurer Brad Briner, would transition the state's investment management from the current sole fiduciary model, where the Treasurer is solely responsible, to a new, independent North Carolina Investment Authority.

This five-member board would oversee investments for state and local government pension funds and other assets. The Authority's members would include the Treasurer and appointees from the House Speaker, Senate President Pro Tem, Governor, and State Treasurer, each required to have at least 10 years of investment management experience and to meet strict conflict-of-interest and ethical standards. Supporters argue the change is needed because North Carolina's investment performance has lagged behind peer states in recent years, in part due to the limitations of the sole fiduciary model. The new structure is designed to bring more professional oversight to improve investment returns.

State Treasurer Brad Briner spoke in support of the bill before the [Senate Pensions and Retirement and Aging committee](#), which passed unanimously. With the Senate's approval, the bill will now be considered by a conference committee to resolve the differences between the House and Senate versions before arriving at the Governor's desk.

Governor, Congressional Delegation Push FEMA Reforms

As Western North Carolina still deals with the aftermath and rebuilding following Hurricane Helene, Governor Josh Stein and the North Carolina Congressional delegation members have taken on a broader endeavor: targeted reform of the Federal Emergency Management Administration (FEMA). North Carolina has relied on the services provided by and facilitated through FEMA as we have recovered from natural disasters.

On May 15, Governor Stein sent a [letter](#) to the President's FEMA Review Council, a group co-chaired by Secretary of Homeland Security Kristi Noem and Secretary of Defense Pete Hegseth. In it, the Governor outlined numerous potential reforms, including creating a new block grant program that could provide immediate funding for recovery as opposed to the current reimbursement model, the allowance for pre-approved action plans to allow for quicker response to small disasters, and many other technical changes in areas like resiliency planning and other recovery program modifications. This letter mirrored a [letter](#) that Governor Stein, Co-Chair of the Presidentially-appointed, bipartisan [Council of Governors](#), sent on the same day with Council Co-Chair Virginia Governor Glenn Youngkin. A bipartisan group of North Carolina Congressional members has also sent numerous [letters](#) to the FEMA Review Council and President Trump over the past month.

Additionally, NCLM President Martha Sue Hall and Executive Director Rose Vaughn Williams were in Washington, DC, this week as part of a National League of Cities Presidential fly-in. They moderated a discussion on FEMA reform that had numerous Congressional staff in attendance.



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