



Legislative Bulletin

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Did You Know?

A black and white photograph showing a close-up of two hands writing on a piece of paper with a pen. The hands are positioned as if they are working together on a document. The background is slightly blurred.

Cities are North Carolina's job-creators, and last month, **unemployment decreased** in every metropolitan statistical area in the state, continuing a trend of increasing employment over the past year.

Legislature Continues Discussion of Property Tax; House Committee to Meet on February 18

Legislators have continued their discussions of local property taxes over the past month, with the **House Select Committee on Property Tax Reduction and Reform** holding its most recent meeting on January 14. During this meeting, committee members heard local government representatives, including NCLM. Chris Nida, NCLM Director of Technical Assistance for Cities, **outlined** for legislators the importance of property tax revenues in funding critical municipal services such as public safety and transportation. In a typical city, those two priorities account for over 60% of general fund expenses, according to League data.

The NCLM presentation also discussed the differences between a city's general fund—the place where property taxes are directed—and enterprise funds, such as water funds, which receive fees for the services they provide. The committee also heard a **similar perspective** from the NC Association of County Commissioners (NCACC), which emphasized the property tax as a key revenue source to support education, public safety, and health and human services. Both the League and NCACC presentations pointed out the pressures local governments now face from dramatic inflation over the past five years, which has raised costs for equipment and materials,

as well as employee salaries and benefits.

Legislators' questions during the meeting focused on the burden that rising property taxes place on those on fixed incomes, particularly seniors and disabled veterans. Several legislators also reported examples of excess local spending. The House Select Committee will meet again on **February 18**, though the agenda for this meeting is still not public. We expect that the committee will hold 1-2 more meetings before possibly recommending changes for consideration by the full House in mid-April.

Also, this week, Senate President Pro Tem Phil Berger announced the creation of a working group of Senate leaders to examine and recommend property tax reforms. Not structured as a formal committee at this point, the group includes Senate Appropriations Chairs Sens. Brent Jackson (R-Sampson) and Michael Lee (R-New Hanover), Finance Chairs Sens. Dave Craven (R-Randolph) and Tom McInnis (R-Moore), along with Sens. Lisa Barnes (R-Nash), Jim Burgin (R-Harnett), Steve Jarvis (R-Davidson), Chris Measmer (R-Cabarrus), Tim Moffitt (R-Henderson), and Benton Sawrey (R-Johnston). At this time, the group has no specific agenda or scheduled meetings.

With these efforts underway in both chambers, local government advocacy on the importance of property tax-funded services in your community is timely as this committee considers future recommendations. Please take time to reach out to your legislators over the coming weeks. The talking points below provide a starting point for these conversations, but please include examples from your community.

- Public safety spending among North Carolina cities and towns generally exceeds 40% of their general fund budgets. Any significant cuts to property taxes will damage the ability to keep North Carolina communities and their residents safe.
- That spending level on public safety is even higher in the state's nine largest cities, which together account for roughly 3 million residents, with an average of 47% of general fund expenditures going to police, fire, and other public safety services. In those cities, spending on public safety has risen by an average of more than 6% annually since 2022.
- Since 2020, cities and towns – just like families and private businesses – have faced substantial cost increases due to rising inflation. Those costs include higher salaries for workers like police officers, firefighters, sanitation workers, and building inspectors who are on the ground in communities every day, as well as increased costs for roads and bridges.
- Property taxes are the only substantial sources of funding over which municipalities have direct control. Reductions in this revenue source leave city officials with limited options to fund critical services.

Changes Made to State Health Plan Impacting Local Governments

After a meeting of the State Health Plan Board of Trustees in December, NCLM staff met with the State Treasurer's office to discuss charges to local governments participating in the State Health Plan. The outcome of the discussion, consistent with the presentation at the December meeting, is that the State Health Plan will request that the General Assembly approve a new 2.4% charge, as a percentage of salary, for active

local government employees under the State Health Plan.

This charge was the same proposal that was included in legislation enacted in July 2025. Lawmakers later paused the charge for FY 2026, partly in response to concerns expressed by local government participants in the State Health Plan who had already adopted budgets for that fiscal year.

The proposed charge is detailed in the [presentation](#) from the State Health Plan's December 2025 meeting and reflects its budget request to the Office of State Budget and Management and the General Assembly. The local government discussion is found on slides 18 and 19.

Employer Pension Contribution Rate Approved

Pension system contribution rates for local government employers will rise for FY26-27, in keeping with [a policy](#) intended to provide for predictable budgeting year after year. The [Local Governmental Employees' Retirement System Board](#) voted to approve the rates at its January 29 meeting (background document [here](#)). The rates that employers must pay differ for law enforcement officers (LEOs) and all other "general" employees. Therefore, for FY26-27, the Board-approved general employee rate is 15.10 percent, while the LEO rate is 17.10 percent. Please note that both rates can vary from unit to unit due to adjustments for the death benefit contribution made for both groups of employees and due to the "court cost offset" provided for the LEO rate. The state retirement system will individually communicate your city's specific contribution rates.

This year's approved rates come at levels set under a [rate stabilization policy](#) adopted in 2021. The policy went into effect in FY22-23 and runs for five years. Last month's vote implements the last rate determined pursuant to this five-year policy. The policy was developed using actuarial data, and it dictated that the rates should rise every year. Those predictable increases shielded the rates from potentially large swings that might otherwise occur due to investment gains and losses experienced from year to year.

Looking ahead to the next iteration of that policy, the League continues to advocate for changes that will lower the amounts that cities must pay in pension costs. [These changes](#) include recommendations for revised actuarial policies made in a [League-commissioned actuarial study](#). The LGERS Board adopted many of those recommendations at this meeting as well, setting the stage to formulate the next five-year policy by April. The League appreciates the Board members' support of these changes, which will set the pension system on a path to lowering future employer contributions while still keeping the system appropriately funded.

The League has also supported State Treasurer Briner's move toward more balanced pension system investments. His office's pension investment advisors spoke to that point at the recent LGERS Board meeting, sharing the positive news that 2025 investment earnings doubled the assumed rate of return and came in at 13 percent. If investments continue to beat expectations in future years by a similar margin, those earnings will relieve the pressure on local governments in funding the pension system.

Annual State Debt Report Published

The State Debt Affordability Advisory Committee has published its annual, statutorily-required report assessing the state's ability to issue debt for capital expenditures. The report models debt capacity and affordability in the state's general and transportation funds for the upcoming 10 years. The report shows that the state has an outstanding debt of \$7.36 billion and a General Fund debt capacity of \$1.9 billion in each of the next 10 years, consistent with the Committee's target of maintaining a debt service-to-revenue ratio of less than 4%.

State Treasurer Brad Briner, who chairs the Committee, noted that the report and the Committee's policies provide methodologies for managing debt and protecting the State's triple "A" bond ratings from all three major ratings agencies. The full report, which is delivered to the Governor and the General Assembly, is available online [here](#).

State Receives Additional Helene Recovery Funds While FEMA Reform Remains Topic of Discussion

In the two years since Hurricane Helene devastated areas across Western North Carolina, those in the affected communities have waited for federal funds to arrive. While they have received some of the requested funds, the pace has been slow and not commensurate with the need. Based on numbers compiled by the Governor's Recovery Office for Western North Carolina (GROW), the federal government has allocated a total of \$7 billion in federal awards and disbursements for disaster recovery efforts, representing approximately 12 percent of the total damage western North Carolina suffered. The most recent funding was [announced on January 14](#) by the Department of Homeland Security and allocated \$116 million for various recovery and resiliency projects across Western North Carolina.

State and local leaders have continued their advocacy for additional funding for Helene-related recovery, with Governor Josh Stein and Western North Carolina Advisory Committee Co-Chairs Asheville Mayor Esther Manheimer and Senator Kevin Corbin, traveling to Washington, DC, to meet with the state's Congressional delegation and [present a \\$13.5 billion appropriation request](#) that would include \$1.77 billion for the USDOT, primarily to keep repairing North Carolina's roads; \$8.37 billion from HUD, primarily to support more homeowners in repairing and rebuilding their homes; \$1.99 billion from FEMA, primarily in forgivable loans to help local governments stay afloat as recovery continues to strain their finances; and, \$540 million from the EPA, primarily to restore water infrastructure systems.

Mayor Manheimer continued her advocacy on behalf of Asheville over the past two years, speaking on a recent panel at the [US Conference of Mayors 94th Winter Meetings in Washington, DC](#), about recovery and resiliency with other mayors who had experienced other types of disasters or crisis events.

Coupled with the discussion of recovery funding is also a focus on reforms to the Federal Emergency Management Administration (FEMA). Reform discussions have been fueled by President Donald Trump's statements about closing FEMA and shifting all disaster-response responsibilities to the states. The President convened a [FEMA Review Council](#) in January 2025, and the group is expected to issue recommendations in March. Concurrent with this work has been the development of the [FEMA Reform Act of 2025 \(H.R. 4669\)](#) in Congress by the Chair and Ranking Member of the House Transportation and Infrastructure Committee. This legislation would enact comprehensive reforms to FEMA while retaining its structure and elevating it to a cabinet-level Department that is directly responsible to the President. It has received a favorable report from the Committee, but has yet to be considered by the full House or Senate.

In late January, NCLM President Martha Sue Hall and Executive Director Rose Vaughn Williams participated in a meeting with lead staffers to the bill's sponsors and provided the League's perspective on the opportunities the bill would create for North Carolina municipalities. It is unclear if H.R. 4669 will receive consideration during this Congress, but we will provide additional details as they become available.



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