



July 10, 2026 | nclm.org

Legislators, Bulletin Break

With state legislators taking a break until July 27, this Bulletin will also pause publication until they return to Raleigh.

The legislative break is a good time to renew communications with your local House and Senate members, thanking them for legislation they pushed that benefited your community, and otherwise explaining to them the impacts of other recent legislation on your city or town. You may wish to mention the impacts of the regulatory reform proposals still under consideration by both chambers. Legislators will likely vote on a negotiated bill when they return later this month, pulling together provisions from both [SB 445 Regulatory Reform Act of 2026](#) and [SB 1047 Regulatory Reform Act of 2026](#). Read more about these provisions in [our June 26 Bulletin](#).

This week's Bulletin focuses on actions Governor Josh Stein took this week on bills the legislature passed and then sent to him for his consideration. In addition to our reports below regarding his action on the state budget and a homelessness bill, Stein also signed into law this week numerous other pieces of legislation affecting cities. Notably, among the eighteen bills he signed into law this week were [HB 162 Parking Lot Reform/Stormwater Control](#), [HB 1094 Ferry Div. Audit/DOT Omnibus](#), and [SB 474 Adjust Counties/Reappraisal Moratorium](#), all detailed in [last week's Bulletin](#).

Plans for Law Enforcement Bonuses

Legislation of Interest

[SB 257/SL 2026-41 Appropriations Act of 2026](#)

Plans for distributing a one-time \$1,750 bonus for local law enforcement officers came more into focus this week. The recently enacted [state budget](#) tasked the State Bureau of Investigation (SBI) with distributing those bonuses to local governments (Sec. 41.3, pg. 537), and the agency told League staff that it will provide official guidance on the process soon.

SBI officials also previewed to League staff what local governments should expect. First, the process will likely start with each local government sending the SBI a list of all sworn law enforcement officers who were employed by that jurisdiction on June 30, 2026. Officers who retired prior to that date are ineligible for the bonus. Municipalities can get a head start on this process now by compiling a list of sworn officers who were employed on June 30, 2026.

Once the SBI has verified the officers' employment status, the agency will mail each local government a check. Local governments, in turn, would then disperse the bonuses to their own officers individually.

Governor Stein Signs State Budget

Legislation of Interest

[SB 257/SL 2026-41 Appropriations Act of 2026](#)

Governor Josh Stein signed the state budget, [SB 257/SL 2026-41 Appropriations Act of 2026](#), into law this week, marking the first time North Carolina has enacted a comprehensive budget update since 2023. The \$34 billion spending package passed by wide margins in the House and Senate, and includes raises for teachers and state employees, continues pre-established tax cuts, and includes numerous non-budget policy items.

While Gov. Stein [noted](#) several provisions that he found objectionable, he ultimately signed the bill. In doing so, he cited multiple positive steps taken by legislators, including community college investments, funding for the DMV's operational improvements, and new support for child care and summer food programs for children.

Democrats in the General Assembly were divided on the budget, citing the elimination of low-income legal services funded through the State Bar and of about 1,000 state government positions. Nonetheless, enough of them joined Republicans in voting for the bill, making veto unlikely to be sustained.

Details on the spending plan were included in [last week's Bulletin](#).

What Remains on the Legislative Agenda?

Legislation of Interest

[SB 445 Regulatory Reform Act of 2026](#)

Who Votes Next: Conference Committee

[SB 1047 Regulatory Reform Act of 2026](#)

Who Votes Next: Conference Committee

[HB 921 ABC & Gaming Omnibus Bill](#)

Who Votes Next: Senate

[HB 171 Equality in State Agencies/Prohibition on DEI](#)

Who Votes Next: Senate

[SB 992 Truth in Taxation](#)

Who Votes Next: House

[HB 56/SL 2026-42 2026 Budget Technical Corrections](#)

Who Votes Next: SL 2026-42

In the waning days of the legislative session, several major bills failed to make it across the finish line. The reasons for each issue vary, and these bills or topics remain eligible for later action by the General Assembly.

Here is a summary of the issues left on the agenda:

- **Regulatory Reform:** Two versions of the annual regulatory reform package, [SB 445 Regulatory Reform Act of 2026](#) and [SB 1047 Regulatory Reform Act of 2026](#), stalled in final negotiations between the House and Senate. Some of those issues were incorporated into the state budget, and the remainder are largely reforms to land use and zoning laws that impact cities, such as permit shot clocks and changes to vested rights and permit choice law.
- **ABC Bill:** A major package of changes to the state's alcohol laws failed to pass in the final days of the session. The sticking point over [HB 921 ABC & Gaming Omnibus Bill](#) seems to be a new warehouse for storing beverages, an issue that has significant controversy swirling around it. The proposal would also allow retail grocery stores to sell pre-mixed cocktails, currently sold only through state ABC stores.
- **DEI Veto:** After the House overturned Gov. Stein's veto of [HB 171 Equality in State Agencies/Prohibition on DEI](#), the bill is now pending a

final vote in the Senate. This bill is the third in a package of bills that follows the federal government's directives to end diversity, equity, and inclusion (DEI) programs. This bill would eliminate DEI programs in state and local government, and while the Senate would likely have sufficient votes to override the governor's veto, the outcome will depend on how many Republican members return to Raleigh at the same time.

- **Truth in Taxation:** The House slowed action on [SB 992 Truth in Taxation](#) in the final week of session. The bill applies whenever a city or town is considering a budget that includes a tax rate higher than the revenue-neutral rate following a county revaluation year. Of particular concern is the bill's requirement that the city send a mailed notice to all property owners, an enormous expense, in addition to the current newspaper publication requirements.
- **Budget and Other Technical Corrections:** The ink was barely dry on the budget bill when talk began of making various corrections to it and other bills. While that happens each year as a common practice, this year's rapid budget development and lengthy budget document make the challenge greater. The first of these bills was [HB 56/SL 2026-42 2026 Budget Technical Corrections](#), which was signed by the Governor this week, but lawmakers are expected to take up further corrections later this year.

Governor Vetoes Public Camping Bill

Legislation of Interest

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

Who Votes Next: [Vetoed](#)

On Wednesday, Governor Josh Stein vetoed legislation requiring local governments to prevent public camping. [HB 437 Drug-Free Zones/Unauthorized Public Camping](#) was passed in the waning days of the recent session and would prohibit local governments from allowing people to regularly sleep or camp on public land within their jurisdictions, while allowing municipalities to designate specific public camping areas if detailed statutory requirements are met. During Senate consideration, lawmakers adopted amendments requested by NCLM to provide additional time for local governments to comply with the law and clarify notice requirements before litigation could occur.

The bill passed both chambers along veto-proof margins, meaning lawmakers could attempt an override vote when they reconvene later in the month.

In his [veto message](#), Governor Stein said the bill would create a significant unfunded mandate for local governments - "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."



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