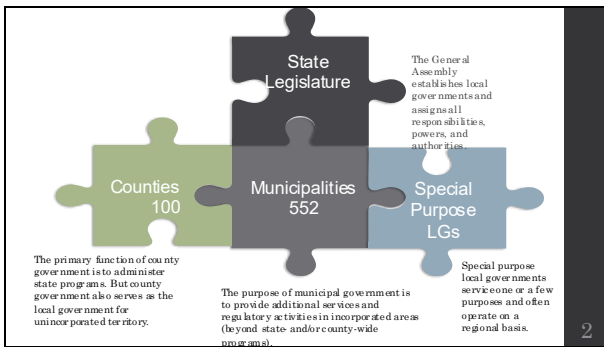
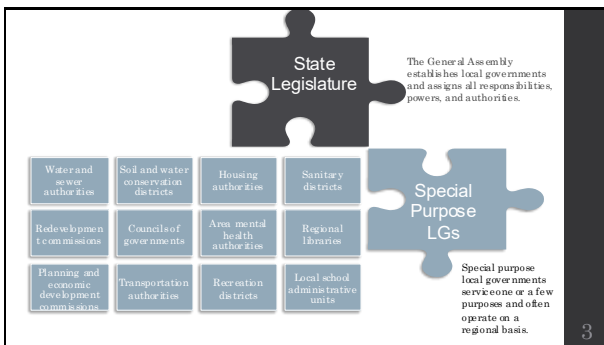
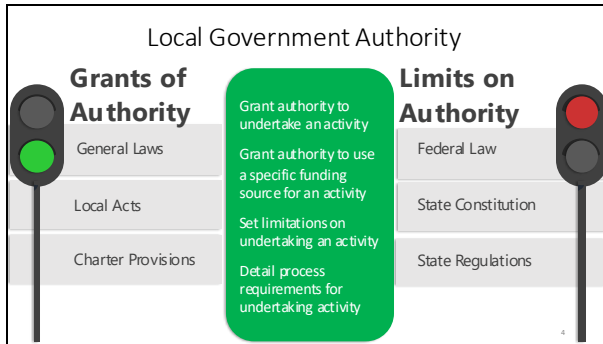


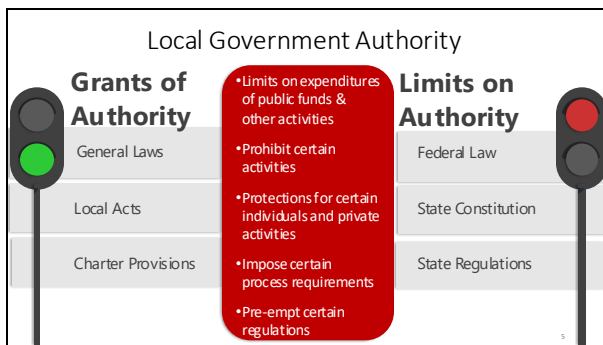
Roles and Responsibilities of Local Governments

- Ike McRee, Legislative Analysis Division
- Kevin Leonard, Executive Director, NC Association of County Commissioners
- Chris Nida, Director of Technical Assistance for Cities, NC League of Municipalities









What must municipalities do?

- Building code enforcement
- Municipalities incorporated after January 1, 1945 but before January 1, 2000 must provide at least two of the following services to receive State funds for streets:
 - Water distribution
 - Sewage collection or disposal
 - Garbage and refuse collection or disposal
 - Fire protection
 - Police protection
 - Street maintenance, construction or right-of-way acquisition
 - Street lighting

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What must municipalities do?

- Municipalities incorporated on or after January 1, 2000 must provide at least four of the following services to receive State funds for streets:
 - Police protection
 - Fire protection
 - Solid waste collection or disposal
 - Water distribution
 - Street maintenance
 - Street construction or right-of-way acquisition
 - Street lighting
 - Zoning

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What must counties do?

- | | |
|-----------------------------|---------------------------|
| • Law enforcement | • Social services |
| • Jail | • Public health |
| • Medical Examiner | • Mental health |
| • Court facilities | • Deed registration |
| • Building code enforcement | • Election administration |
| • Public school support | • Tax assessment |

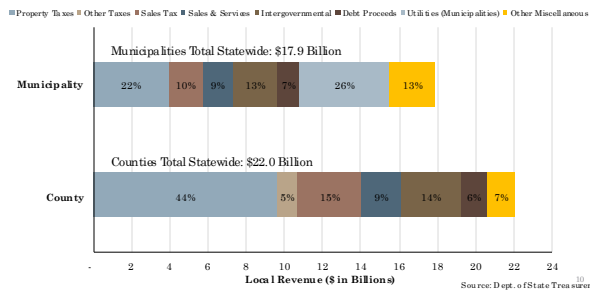
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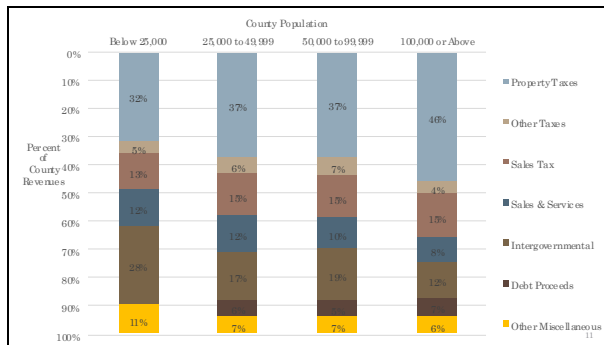
What both municipalities and counties may do

- | | |
|--------------------------|------------------------|
| • Ambulance | • Land use regulation |
| • Water | • Libraries |
| • Sewer | • Hospitals |
| • Solid waste collection | • Parks and recreation |
| • Solid waste disposal | • Tax collection |
| • Fire protection | • Animal control |
| • Law enforcement | |

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Local Revenue Sources, FY 2023-24





Use of Local Government Revenue

Property Tax

- Property tax proceeds can be used to support virtually any public purpose

Tax Levy Authority

- Local government property tax levy without voter approval and without restriction on the tax rate for a few activities
 - Municipalities – most important activity is debt service on general obligation debt.
 - Counties – includes the most important state mandated activities such as courts, elections, jails, social services, public schools, and debt service on general obligation debt.
- Local government property tax levy without voter approval but subject to combined rate limitation of \$1.50 per \$100 dollars of assessed valuation.
 - Most county and municipal functions fall within this group. A referendum may be conducted to modify the tax rate for all or some of the functions in this group.
- Referendum to levy a property tax on any function it may otherwise lawfully perform that is not already taxed under the authority detailed above.

Use of Local Government Revenue

Local Sales and Use Taxes

Article	Rate	Distribution	Restrictions	Shared with cities
Article 39	1% (1 cent)	Point of Origin		Yes
Article 40	0.5%	Per Capita	Counties: 10% for public school capital outlay or debt service payments	Yes
Article 42	0.5%	Point of Origin	Counties: 60% for school capital outlay/debt services	Yes
Article 46 -voter approval	.25%	Point of Origin		No
Article 43 Public Transportation Tax -voter approval	0.25% *Only a few jurisdictions levy additional tax pursuant to local act	Per Capita	Must fund public transportation systems	Yes, if they operate a public transportation system

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Use of Local Government Revenue

Local Sales and Use Tax

- Except for Article 46 quarter-cent tax, a county must divide the local sales and use tax proceeds among the local government units within its territory, either on a per capita (based on relative populations) or ad valorem (based on relative property tax levies) basis.
- Municipalities may use the proceeds of the Article 39, 40, and 42 taxes for any public purpose.

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Use of Local Government Revenue

Other Local Revenue Resources With Unrestricted Use for Any Lawful Purpose

Municipalities and Counties

- Rental Car Gross Receipts Tax
- Animal Tax
- Short-Term Heavy Equipment Tax
- Malt Beverage and Wine Retail License Tax

Municipalities

- Electricity Tax
 - Telecommunications Tax
 - Piped Natural Gas Tax
- (State taxes with local distribution)

Counties

- State Real Estate Transfer Tax

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Use of Local Government Revenue

Other Local Revenue Sources With Restricted Use

Municipalities and Counties

- General User Fees
- Public Enterprise Fees
- Regulatory Fees
- Statutory Fees
- Video Programming Services Taxes
- Solid Waste Tipping Tax
- 911 Charge
- Occupancy Taxes (Local Act)

Municipalities

- Motor Vehicle License Taxes
- Powell Bill Funds

Counties

- County Vehicle Registration Tax
- Disposal Taxes

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Property Taxes and the Role of Counties

Kevin Leonard, NCAACC Executive Director

January 14, 2026

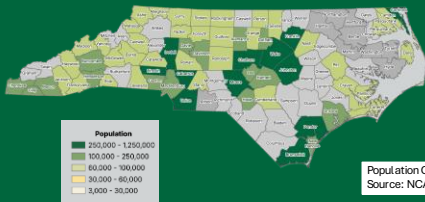
ncaacc.org

Agenda

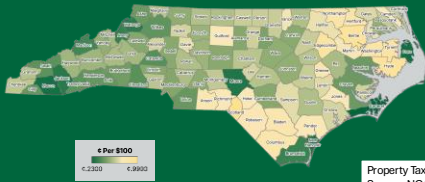


- What do counties look like?
- What do counties do?
- Where do counties get their revenue?
- How do counties disburse their revenue?
- What happens when county revenue declines?
- Why should residents care?

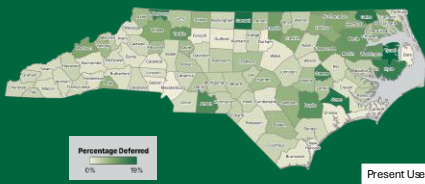
When You've Seen One County...




You've Seen...




One County

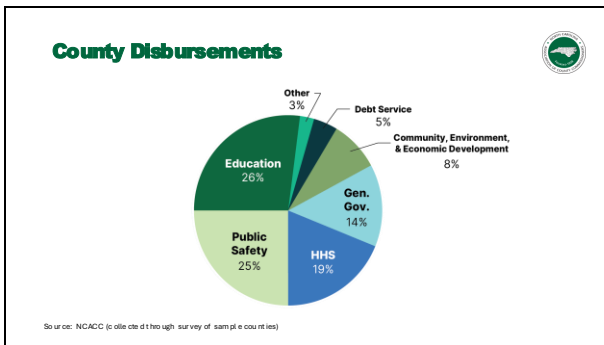




County government is often invisible when it's working well ...




-Kevin Leonard




What Counties Do...



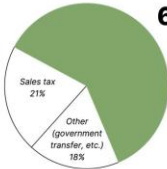
- Public Education
- Public Safety
- Public Health
- Social Services
- Infrastructure
- Fundamentals of Civic Life



Where County Revenue Comes From



Property Tax Revenue (Statewide Average)




61%
of general fund revenue for county services and programs comes from **property tax**.

Sales tax
21%

Other
(government transfer, etc.)
18%

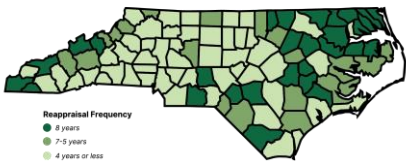
Source: N.C. Department of the State Treasurer



Revaluations

Counties must conduct revaluations at least every 8 years

51 counties conduct them more frequently



Reappraisal Frequency

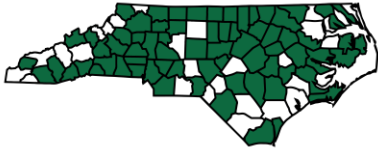
- 8 years
- 7-5 years
- 4 years or less

Source: N.C. Department of Revenue

Revaluations



71 Counties
completed
revaluation in
last 3 years



All of them
lowered their
tax rate

Source: N.C. Department of Revenue

What about revenue decline?



When property tax revenue drops, counties face difficult choices

- Cuts to sheriff's patrols or emergency response times
- Reduced public health capacity
- Longer wait times for social services
- Deferred building repairs and capital needs

Service cuts affect everyone – residents, businesses & economic growth

Checks and Balances



- Regular audits
- Oversight by the Local Government Commission.
- Monthly public meetings—sometimes twice a month.
- Open budget debates with public input.
- Elections

In Closing



- Property taxes aren't just revenue – they are the foundation of essential services
- Reform isn't a bad idea, but it must be done carefully
- Partnership with counties is essential



Thank You / Questions?

Kevin Leonard
Kevin.Leonard@ncacc.org

For more information about the North Carolina Association of County Commissioners (NCACC), visit ncacc.org

NORTH CAROLINA LEAGUE OF MUNICIPALITIES

House Select Committee on Property Tax Reduction and Reform
January 14, 2026



OUTLINE

- NCLM Overview
- Municipal Services
- General Fund vs. Enterprise Funds
- Trends



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NC LEAGUE OF MUNICIPALITIES

What is the League?

- An association of 540 of North Carolina's cities and towns
- The one-stop municipal shop for cities and towns, led by cities and towns
- The unified voice of the state's municipalities



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MUNICIPAL SERVICES

What Municipalities Do

- Police & Fire
- Roads & bridges, street lighting
- Parks, Housing, Land Use, Events
- Building Inspections
 - Only service mandated by law
- Water & Sewer, Solid Waste, Stormwater
 - Segregated enterprise funds (=not funded by property tax)



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MUNICIPAL SERVICES: ECONOMIC DEVELOPMENT

Cities are partners with NCGA in economic development

- Infrastructure: water & sewer, roads to sites
- Public safety: provide a safe place for business
- NC cities and towns contribute to North Carolina being the best state in the country for business



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GENERAL FUND VS. ENTERPRISE FUNDS

General Fund

- Funded primarily by property tax, sales tax
- Additional funds allocated to specific projects and purposes
 - Powell Bill (roads & bridges)
 - State-administered local taxes (beer & wine, etc.)
 - Intergovernmental transfers
 - Loan proceeds
 - Cost-based fees such as application fees, parks program fees, which are expected to recover costs (some required by statute, such as for building inspection fees)



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GENERAL FUND VS. ENTERPRISE FUNDS

Enterprise Funds

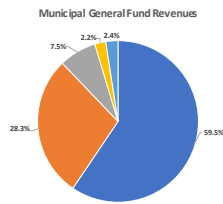
- Separate set of books from General Fund
- Operations that charge fees based on cost-of-service
- Generally expected to be self-supporting services
- Examples
 - Water
 - Sewer
 - Stormwater
 - Solid waste
 - Airports



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GENERAL FUND VS. ENTERPRISE FUNDS



Source: N.C. Department of Revenue, State of North Carolina, 2020

GENERAL FUND VS. ENTERPRISE FUNDS

General Fund Expenditures

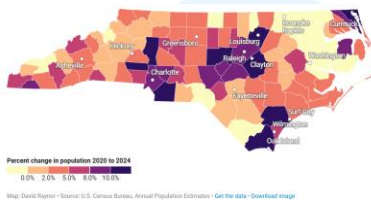
- Public safety typically largest area of expense (~50%+)
- With streets/public works, can be 60% of general fund or more
- Other expenditures typically consist of additional services (parks, zoning, etc.) as well as key support functions (finance, human resources, budget, etc.)



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TRENDS: UNEVEN POPULATION GROWTH

- Nine counties, led by Brunswick at 22.3%, saw double-digit growth since 2020.
- Sixteen counties have declined in population since 2020 (in yellow), most notably in the northeastern part of the state.



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TRENDS: INFLATION

Costs to Provide Services Increased Substantially This Decade

- Inflation raised prices
 - Police vehicles & equipment
 - Fire trucks
 - Road-building materials
 - Water treatment supplies
- Salaries and benefits



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HOW FAR DO PROPERTY TAX DOLLARS GO?

- Costs of providing services is rising, regardless of municipal size or location
- A "penny" on the tax rate doesn't tell the whole story
 - Key metric meaning \$0.01/\$100 of property value
 - Ex. A penny in Raleigh raised ~\$1.6 million last fiscal year
 - Ex. In Mocksville raised ~\$137,000
 - Ex. In Catawba raised ~\$17,500



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SUMMARY

- Property tax rate is the only revenue source that municipalities directly control and have the discretion to set
- Over 60% of municipal general funds are devoted to police, fire, and roads.
- Small towns are under tremendous pressure to keep pace with rising costs and changing demands from members of the community.
- Enterprise funds like utilities are not property tax funded and generally must charge a cost-based rate for services.



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Contact

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