

Improving Public Education, Early Education, and Child Care

Recommendation

Commits to North Carolina's future by investing \$2.3 billion in public education, early learning, and child care. This budget raises average teacher pay by 11% and makes starting teacher pay the highest in the Southeast. Invests in innovations that improve student outcomes, and supports kids' safety, health, and well-being at school. Strengthens the state's child care and early education infrastructure by updating child care subsidy rates to meet federal standards and setting a subsidy reimbursement rate floor to address statewide disparities. Bolsters NC Pre-K reimbursement rates to begin to stabilize child care programs and retain qualified teachers. Eases financial pressures on working families by providing meaningful tax relief as working families manage rising costs, including child care and housing.

Item	Agency	FY 2026-27	
		Recurring	Nonrecurring
Support, Recruit, and Retain			
1 Teacher and Instructional Support Salaries	DPI	\$734,368,000	
2 Master's Pay	DPI	\$10,000,000	
3 School-Based Administrator Salaries	DPI	\$28,789,000	
4 Teachers and Education Employees Bonuses	various		\$255,810,000
5 Teacher Supply Stipend	DPI		\$30,000,000
6 Support for Low-Performing Districts	DPI	\$4,500,000	
7 NC Center for the Advancement of Teaching	DPI	\$922,000	
8 Beginning Teacher Support Program	DPI	\$500,000	\$750,000
Subtotal – Support, Recruit, and Retain		\$779,079,000	\$286,560,000
Advance Educational Excellence and Innovation			
9 Exceptional Children Funding	DPI	\$63,450,653	\$33,434,785
10 Devices for Students	DPI		\$100,000,000
11 Advanced Teaching Roles	DPI	\$40,003,000	
12 Middle Grades Literacy and Diagnostic Assessments	DPI	\$16,807,000	\$24,566,508
13 IT Infrastructure	DPI	\$12,347,500	\$45,000,000
14 Enrollment Contingency Reserve	DPI		\$12,500,000
15 Innovative Learning Opportunities	DPI	\$3,755,000	
16 Residential Schools for the Deaf and Blind	various	\$2,969,106	\$435,598
Subtotal – Advance Educational Excellence and Innovation		\$139,332,259	\$215,936,891
Improve Student Safety and Well-Being			
17 School Resource Officer Allotment	DPI	\$50,000,000	
18 School Health Personnel	DPI	\$32,135,000	
19 School Safety Grants	SBI		\$20,000,000
20 Behavioral Threat Assessment Management System	SBI		\$500,000
21 School Facilities and Repair and Renovation	various		\$136,181,062
Subtotal – Improve Student Safety and Well-Being		\$82,135,000	\$156,681,062

Item	Agency	FY 2026-27	
		Recurring	Nonrecurring
Keep Families and Children Fed			
22	Universal School Breakfast at No Cost to Students	DPI	\$85,300,000
23	State Aid to Counties	DHHS	\$63,000,000
24	Sustaining the SNAP Program	DHHS	\$11,841,452 \$68,305
25	SNAP Accuracy and Error Reduction	DHHS	\$10,028,461 \$2,890,917
26	SUN Bucks	DHHS	\$10,000,000
Subtotal – Keep Families and Children Fed			\$117,169,913 \$65,959,222
Stabilize Child Care and Early Education and Improve Affordability for Families			
27	Child Care Subsidy Compliance and Rate Floor	DHHS	\$80,000,000
28	NC Pre-K Program Investment	DHHS	\$11,000,000
29	Working Families Tax Cut		\$240,000,000
30	Refundable Child and Dependent Care Tax Credit		\$55,000,000
31	Back-to-School Sales Tax Holiday		\$29,900,000
Subtotal – Stabilize Child Care and Early Education and Improve Affordability for Families			\$415,900,000
Total			\$1,533,616,172 \$725,137,175
Grand Total			\$2,258,753,347

Statement of Need

- Approximately 84% of North Carolina’s children rely on public schools, but the state ranks second to last nationally in K–12 funding and spends \$5,660 less per student than the U.S. average.¹
- North Carolina struggles to keep effective educators and recruit new ones, and teacher turnover is nearly 10%, with starting teacher attrition increasing by more than 50% in the past five years.²
- Starting teacher pay ranks 45th in the nation and 11th out of 12 Southeastern states.
- Average teacher pay in North Carolina ranks 43rd in the nation, lower than all our neighboring states. It also falls more than 25% short of the earnings of college-educated workers in comparable fields.^{3,4}
- Ninety-one of 115 school districts serve more students with disabilities than the current funding formula supports.
- More than three quarters of districts report they cannot afford to replace devices as they age.⁵
- Literacy underpins every academic subject, but 70% of fourth graders and 73% of eighth graders are below proficient in reading.⁶

¹ Education Law Center. “[Making the Grade 2025.](#)” Ranked list includes all 50 states and Washington, DC.

² NC DPI. 2023-24 [State of the Teaching Profession in North Carolina.](#)

³ OSBM projections based on NEA data.

⁴ Education Policy Institute. “[The Teacher Pay Penalty Reached a Record High in 2024.](#)”

⁵ NC State Board of Education: [Statewide Trends in Student Digital Learning Access.](#) January 2026.

⁶ [DPI Press Release,](#) January 2025.

- A quarter of North Carolina districts — mostly rural communities — have no school psychologist at all, and many have not had one for years.⁷
- The Department of Public Instruction’s most recent Facility Needs Survey identified nearly \$13 billion in needs over a five-year period, a 62% increase over the previous survey.⁸ Local education agencies (LEAs) reported \$5.2 billion in need for new schools, \$1.7 billion for building additions, and \$5.5 billion to renovate existing facilities.
- Counties are struggling with severe Division of Social Services (DSS) staffing shortages, rising caseloads, and delayed eligibility and protective-services decisions — creating inconsistent service delivery and slowing critical responses for children, families, and vulnerable adults.
- More than 60% of North Carolina’s 1.5 million public school students — about 900,000 children — lose access to a critical source of weekday nutrition when the school year ends, contributing to significantly higher summer food insecurity for households with school-age children.⁹
- More than 1.2 million people in our state struggle with food insecurity, including roughly 394,000 children — about one in six children.¹⁰ When students arrive at school hungry, they are less able to focus, less likely to stay healthy, and more likely to fall behind.
- Public Law No.119-21 (HR 1) enacted federal policy changes beginning in October 2026 and will reduce the federal administrative cost share of the Supplemental Nutrition Assistance Program (SNAP) from 50% to 25%. HR 1 also requires states to pay a portion of the benefit costs for the first time in the history of SNAP. If SNAP payment error rates are above 6% starting in 2027, which is likely given recent error rates near or above 10%, the new federal policy could require up to \$420 million in annual state appropriations by FY 2027-28 to sustain the program.¹¹
- On average, there is only one licensed child care slot available for every five families who need one. There have been 262 net closures of licensed child care programs in North Carolina since the state last passed a comprehensive budget.
- In 2024, 60% of child care center directors and family child care owners/operators reported they were experiencing a staffing shortage.
- The US experienced more than 20% inflation since North Carolina conducted the 2021 Child Care Market Rate Study (MRS), but families still receive child care subsidies based on that outdated data. In 2024, child care costs were almost 14% of the median income in North Carolina, and inflation for child care has outpaced general inflation in recent years. Families also face rising costs in other areas, including housing, food, and health care.
- Ninety-seven percent of all occupations pay more than what early educators earn, and 43% of early educators use SNAP, Medicaid, or other social safety net programs.¹²
- Large across-the-board tax cuts disproportionately benefit high-income households and out-of-state corporate shareholders while providing comparatively little relief to most North Carolina working families.

⁷ School Health Personnel Profession Entry. [Report to the North Carolina General Assembly](#). January 2024.

⁸ [DPI Five-Year K-12 Facility Needs Report: 2020-21 Facility Needs Survey](#).

⁹ NC Department of Public Instruction, [NC SUN Meals Programs Offer Free Food, Fitness, Farm to Summer, Fun for Youth](#).

¹⁰ [NCDHHS State Action Plan for Nutrition Security 2023-24](#).

¹¹ Congressional Research Service, [Supplemental Nutrition Assistance Program \(SNAP\) and Related Nutrition Programs in P.L. 119-21: An Overview](#).

¹² UC Berkeley Center for the Study of Child Care Employment, [Early Childhood Workforce Index 2024](#).

- Prices for educational books and supplies rose rapidly in 2024 and remain 10% higher than in early 2024, putting extra strain on the budgets of families with school-age children.

Recommendation Detail

Support, Recruit, and Retain

Governor Stein’s Recommended Budget raises starting teacher pay to the highest level in the Southeast and boosts average teacher pay by 11%. It eliminates the pay plateau for teachers with 15 to 24 years of service and restores master’s pay for educators who hold or earn an advanced degree in the subject they teach. Assistant principals and school health staff receive salary increases tied to the updated schedule, and principals, central office staff, and non-certified personnel all receive 2.5% raise in each year of the biennium. All state employees and local education employees receive a \$1,000 bonus, plus an additional \$500 bonus for employees with an annual salary of less than \$75,000.

Better pay alone will not fix the workforce pipeline. Teachers need support to grow in their practice and stay in the profession. The budget strengthens professional learning through expanded offerings at the NC Center for the Advancement of Teaching — including training in content, instructional methods, mental health, and STEM. It also invests in coaching, systems support, and capacity building for high-poverty and low-performing schools and districts, where staff shortages and turnover hit the hardest. These investments help schools stabilize their teams, strengthen instruction, and improve student success.

To reduce the personal financial strain on educators, the budget also includes a \$300 tax-deductible supply stipend to offset out-of-pocket costs teachers cover for classroom materials.

Advance Educational Excellence and Innovation

All students deserve the services required for them to learn and thrive — and that includes individualized supports, therapies, and specialized instructional resources for students with disabilities. This budget adopts a new tiered funding model for exceptional children that directs resources based on the intensity of services each student requires. By ensuring that state dollars follow real student needs, the model reduces funding inequities, strengthens districts’ capacity to provide mandated services, and better supports exceptional children.

Ensuring strong teaching and learning starts with investing in proven educational innovation and providing educators with the tools and resources they need. This budget helps provide every student with a working device, backed by high-speed internet access and the network protections schools need to operate safely.

Teacher shortages remain a serious challenge across the country, and North Carolina continues to back strategies that amplify the impact of great educators. Advanced Teaching Roles create opportunities for excellent teachers to stay in the classroom while taking on leadership that increases their pay and expands their reach to more students. Research shows the model improves student performance — particularly in math — and this budget brings additional districts into the program for FY 2026–27.

This budget strengthens the state’s early-grades literacy work by investing in diagnostic tools for grades 4-5, targeted intervention plans for middle school students, and training for all middle grade core

teachers. These investments help schools quickly identify students who need extra support and deliver instruction that will boost comprehension across subjects.

North Carolina also operates three residential schools that serve deaf and blind students in Morganton, Raleigh, and Wilson. This budget strengthens those campuses by investing in improved security measures, modern digital infrastructure, and critical capital improvements needed to support students safely and effectively.

Improve Student Safety and Well-Being

Every parent and guardian wants to know their child is safe at school. The budget ensures that middle schools have school resource officers who are trained in child development, behavioral health, and trauma-informed practices — giving them the tools to safeguard students while also supporting their well-being.

The budget further invests in school health personnel, including additional nurses, counselors, social workers, and psychologists. Research consistently shows that these roles help reduce absences and disciplinary issues and contribute to improved academic outcomes.

The budget also enhances statewide school safety initiatives by funding targeted security upgrades — such as cameras, door locks, fencing, and detection equipment — and by supporting a pilot system for behavioral threat assessment. These efforts, administered through the State Bureau of Investigation and the Center for Safer Schools, help school districts strengthen prevention, monitoring, and response capabilities.

The budget makes meaningful capital investments to ensure students and educators have safe, modern, and fully supported learning environments. It provides \$115 million from the State Capital and Infrastructure Fund to repair and renovate public school facilities across the state, addressing long-standing infrastructure needs and helping districts create healthier, more functional spaces for teaching and learning. More than \$19 million is invested in the state's residential schools for deaf and blind students, strengthening campuses that serve some of North Carolina's most vulnerable learners. And more than \$2 million supports the NC Center for the Advancement of Teaching, enabling it to expand high-quality professional learning and better equip educators to meet the needs of their students.

Keep Families and Children Fed

The investments in this budget improve the access of families and children in North Carolina to healthy, fresh food.

Governor Stein's budget ensures every public school student can eat breakfast at no cost. Free school breakfast will close the gap for the nearly 190,000 students in non-Community Eligibility Provision (CEP) schools who currently may not receive free morning meals. Research shows that universal free breakfast improves student health, learning, and behavior.

The budget provides \$63 million to reinforce local social services capacity by giving counties flexible resources to address severe workforce shortages and rising service demands across child welfare, adult protective services, and food and nutrition services. HR 1 will place an increased burden on county social

service offices. Sustained state investment helps counties hire and retain frontline staff, reduce delays in eligibility decisions and safety assessments, and maintain compliance with state and federal requirements.

This budget also strengthens food and nutrition security for children and families year-round through SNAP. Investments in automation and state-level staffing will help reduce SNAP payment errors, maintain compliance with new federal requirements, and avoid costly federal penalties — all while ensuring accurate and timely delivery of SNAP benefits. Sustaining SNAP administration through increased state cost-share keeps NC FAST and state and county operations functioning as federal support declines.

The SUN Bucks program brings in more than \$125 million in summer grocery benefits for more than 1 million children, including 900,000 public school students, during the summer. The Governor's Recommended Budget provides required administrative match funds to prevent summer hunger when school meals are unavailable.

Stabilize Child Care and Early Education and Improve Affordability for Families

The budget provides \$80 million, with \$20 million coming from block grant funding, to stabilize North Carolina's child care programs across the state by bringing outdated subsidy rates into federal compliance and establishing a statewide subsidy reimbursement rate floor for all ages. These rate increases will help keep tuition affordable for families and support competitive wages that recruit and retain qualified staff. Increasing subsidy rates will benefit not only the 55,000 children receiving child care subsidies each year but also their private-pay classmates who will not have to find new care if their provider is otherwise forced to go out of business.

North Carolina's child care subsidy rates are based on what families can afford to pay, not what it actually costs to provide quality care — and current subsidy reimbursement rates cover only about half of the actual cost of care. Further, reimbursement rates in rural counties are often hundreds of dollars per month lower than in urban counties, despite similar operational costs. Establishing a statewide subsidy rate floor would increase financial stability so child care programs can keep classrooms open and staffed, especially in low-income and rural counties.

High child care and dependent care costs often limit families' ability to secure consistent care for their children or dependents. The budget addresses this challenge by establishing a refundable Child and Dependent Care Tax Credit to help more families access the reliable, supportive care their kids need.

With the rising cost of basic necessities for working families, including housing, groceries, transportation, and utilities, more families are struggling to make ends meet — even when working full time. To address these affordability challenges, this budget recommends a Working Families Tax Credit, a targeted, refundable credit equal to 10% of the federal Earned Income Tax Credit, which will boost the incomes of low- and moderate-income workers. This credit helps families better afford essentials and strengthens workforce participation by rewarding work and reducing financial barriers for working households.

To address the burden of child care costs for working families with young children, this budget adopts a refundable Child and Dependent Care Tax Credit. Nearly two of every three children age five years and

younger live in families where all available parents are in the workforce, and providing those families with support for child care expenses helps parents remain employed, improves long-term economic stability, and addresses affordability challenges.

Seasonal expenses add another layer of financial stress, especially for families preparing their children for school. Restoring the Back-to-School Sales Tax Holiday provides direct, predictable relief by eliminating sales tax on essential school-related purchases. Reinstating this holiday helps parents manage these annual spikes in costs, reduces financial pressure, and ensures students have the materials they need to start the year ready to learn.

Expected Impact

- Sets the starting salary for new teachers at the top of all Southeastern states, bringing it to at least \$56,338 with state and local supplements.
- Delivers an average pay increase of 11% for current teachers and eliminates the mid-career pay plateau, with full details in the FY 2026-27 salary schedule shown in the table below.
- Reinstates a 10% salary supplement for more than 1,000 educators who hold qualifying master's degrees in their instructional areas.
- Provides all state employees and local education employees with a \$1,000 bonus, plus an additional \$500 bonus for employees with an annual salary of less than \$75,000.
- Funds a new tiered funding formula for all eligible students with disabilities, including those previously left unfunded in 91 districts exceeding the 13% cap.
- Maintains a statewide 1:1 student-device program by funding laptop replacements on a four-year refresh cycle.
- Expands the state's early-grade literacy work through eighth grade by providing evidence-based reading training for more than 23,000 middle-grade teachers and aligning intervention supports for struggling readers.
- Strengthens school safety by establishing an allotment for school resource officer positions in middle schools, combining new and existing funds to fund 535 positions.
- Invests in student well-being by adding 360 school health professionals, including counselors, nurses, psychologists, and social workers.
- Protects schools by providing grants for safety equipment, including weapons detection, security cameras, and exterior locks and fences.
- Guarantees every public school student access to a free breakfast each school day.
- Provides flexible, targeted state funding to help counties address severe DSS workforce shortages, reduce caseload backlogs, improve service timeliness and quality, and stabilize essential services for children, families, and adults.
- Sustains the state's SNAP program, which provides \$2.8 billion in federally funded benefits to low-income individuals and families to help afford nutritious food.
- Provides \$40 per month in SUN Bucks grocery benefits per eligible child for three months to more than 1 million children to address the summer food gap families face when school is not in session.
- Brings child care subsidy rates into federal compliance and helps child care providers stay open by providing reimbursements closer to the true cost to deliver quality care.
- Increases NC Pre-K reimbursement rates by 6% in all settings.

- Benefits an estimated one in six households with the Working Families Tax Credit, providing an average credit of \$350.
- Provides relief to an estimated one in five North Carolina families with children under 18 through the refundable Child and Dependent Care Tax Credit, with an average credit size of \$250.
- Saves families with school-age children an estimated \$60 per year on back-to-school supplies and clothing by reinstating the back-to-school sales tax holiday.¹³

Annual Statewide Teacher Salary Schedule Comparison

Years of Experience	FY2025-26: Current	FY2025-26: Proposed	FY2026-27: Proposed
0	41,000	46,300	53,120
1	41,750	46,900	53,320
2	42,500	47,500	53,550
3	43,250	48,100	53,780
4	44,000	48,700	54,010
5	44,750	49,300	54,240
6	45,720	49,900	54,470
7	46,630	50,500	54,700
8	47,530	51,100	54,930
9	48,440	51,700	55,160
10	49,350	52,300	55,390
11	50,250	52,900	55,620
12	51,160	53,500	55,850
13	52,060	54,100	56,080
14	52,970	54,700	56,310
15	53,880	55,200	56,540
16	53,880	55,200	56,770
17	53,880	55,200	57,000
18	53,880	55,800	57,230
19	53,880	55,800	57,460
20	53,880	55,800	57,690
21	53,880	56,400	57,920
22	53,880	56,400	58,150
23	53,880	56,400	58,380
24	53,880	57,300	58,610
25+	55,950	57,300	58,750

¹³ National Retail Federation. "Back-to-School Season Begins Early for Majority of Shoppers" [Link](#)