

Building a Strong Economy and Workforce

Recommendation

Invests more than \$448 million in North Carolina's economy and workforce in FY 2026-27 to expand access to credentials and apprenticeships, strengthen workforce development services, grow the health care workforce, support early childhood care and education and housing to enable labor force participation, promote small-business growth and economic development, and improve financial security to jobseekers as they search for work. Connects North Carolinians to high-demand careers, addresses barriers to work, and supports employers, jobseekers, and communities across the state.

Item	Agency	FY 2026-27	
		Recurring	Nonrecurring
Strengthen Workforce Development			
1	NC Career Centers Support (SWFT)	DOC	\$15,000,000
2	Growing the Health Care Workforce	NCICU	\$10,000,000
3	Strengthening the Vocational Rehabilitation Workforce	DHHS	\$14,167,087
4	Statewide Recruitment Team (SWFT)	OSHR	\$1,627,758
5	NC Area Health Education Center Nursing Workforce Expansion (SWFT)	UNC	\$1,000,000
6	Workforce Development Public Awareness Campaign	DOC	\$1,000,000
7	Law Enforcement Training Instructors and Program Coordinator (SWFT)	DPS	\$381,436
Subtotal – Workforce Development			\$32,176,281
Grow Apprenticeships & Work-Based Learning			
8	NC Career Launch	DOC	\$4,000,000
9	ApprenticeshipNC (SWFT)	NCCCS	\$3,174,516
10	Work-Based Learning Grants for Small Businesses	DOC	\$2,500,000
11	State Apprenticeship Program (SWFT)	OSHR	\$2,000,000
12	Advanced Manufacturing Apprenticeship Pilot	DOC	\$1,500,000
13	Aviation Fellows Program	DOT	\$200,000
14	State Government Internship Program	DOA	\$1,056,603
Subtotal – Apprenticeships			\$9,056,603
Expand Credential Attainment			
15	Propel NC (SWFT)	NCCCS	\$40,291,805
16	Free Community College for High Demand Skills Training (SWFT)	NCCCS	\$17,245,665
17	NC Career Information System Modernization	DOC	\$1,500,000
18	Workforce Pell Grant Director (SWFT)	DOC	\$144,845
Subtotal – Credentials			\$57,682,315

Item	Agency	FY 2026-27	
		Recurring	Nonrecurring
Address Housing & Child Care Supply and Affordability			
19	Child Care Subsidy Compliance and Rate Floor	DHHS	\$80,000,000
20	NC Pre-K Program Investment	DHHS	\$11,000,000
21	Housing Trust Fund	HFA	\$35,000,000
22	Workforce Housing Loan Program	HFA	\$15,000,000
23	Local Government Grants	HFA	\$10,000,000
Subtotal – Housing & Child Care			\$91,000,000
Promote Economic Development			
24	One North Carolina Small Business Program	DOC	\$8,000,000
25	Rural Transformation Grants	DOC	\$5,000,000
26	NC Film & Entertainment Grant Program	DOC	\$10,000,000
27	Carolina Small Business Development Fund	DOC	\$2,500,000
28	Due Diligence Certified Sites Program	DOC	\$2,000,000
29	Southeast Crescent Regional Commission Assessment Fee	DOC	\$225,000
30	Domestic Marketing Operating – Got To Be NC	DACS	\$200,000
Subtotal – Economic Development			\$425,000
Enhance Unemployment Insurance and Implement Strategic WorkForce Training			
31	Enhancement Unemployment Insurance Benefits	DOC	\$110,000,000
32	Net Unemployment Insurance Business Tax Cut	DOC	\$42,500,000
Subtotal – Unemployment Insurance and SWFT			\$152,500,000
Total			\$339,158,112
Grand Total			\$448,250,715

Statement of Need

- North Carolina set a goal for 2 million North Carolinians to have an industry-valued credential or postsecondary degree by 2030. Today, 1.72 million North Carolinians have a degree or credential; however, North Carolina is still projected to fall short of its goal by 55,000 people.¹
- Year-over-year growth in apprenticeships continues to narrow the skills gaps for several key occupations, including architecture and engineering (+31%), construction (+95%), and computing and mathematical science (+33%).²
- About 65% of ApprenticeshipNC's (ANC) operations are supported by federal grants that are set to expire in June 2026.² Without replacement funding, ANC will have significantly less capacity to

¹ myFutureNC, [North Carolina's 2026 State of Educational Attainment Report](#).

² ApprenticeshipNC, [2024-2025 ApprenticeshipNC Annual Report](#).

provide technical assistance to training providers, register programs, and connect prospective participants to job training opportunities.

- Since 2017, NC Career Centers federal funding has fallen by 25%, equating to a loss of more than \$20 million for essential career support services across North Carolina.³
- The state projects a shortage of 12,500 registered nurses and 5,000 licensed practical nurses by 2033.⁴
- The Division of Employment and Independence for People (DEIPD) and Division of Services for the Blind (DSB) are unable to serve all eligible individuals due to high vocational rehabilitation counselor vacancy rates: 23% statewide and higher in rural areas.⁵
- Almost 8% of North Carolina's child care providers have closed since 2021. North Carolina has almost 260,000 fewer child care slots than children aged five and under who need them. At 55.6%, North Carolina has the fourth-highest percentage gap between the number of child care slots and the total number of children, trailing only Nevada, Hawaii, and Alaska.⁶
- The US experienced 20% inflation since North Carolina conducted the 2021 Child Care Market Rate Study (MRS), but families still receive subsidies based on that outdated data. Low reimbursement rates lead to low teacher pay, and 97% of occupations pay more than early educators. One in six early childhood educators earn less than the federal poverty level and 43% of early educators rely on SNAP, Medicaid, or other social safety net programs.⁷
- The 2021 child care subsidy rates put the state out of compliance with federal regulations that require the state to set rates based on the most recent MRS.
- Thirty-five percent (35%) of parents who experienced disruptions to their employment in 2024 reported leaving the workforce due to issues with child care. Gaps in child care access result in an estimated \$5.65 billion annual loss for NC's economy.⁸
- Median family income in NC was \$95,000 in 2025, far less than the \$120,000 in family income necessary to afford a median-priced home in the state.⁹
- North Carolina faces a gap of more than 760,000 housing units, especially affecting low- and moderate-income households.¹⁰ Affordability challenges persist, with rising median rents and home prices leading many households to spend more than 30% of their income on housing.¹¹ In 2025, teachers in 23 NC counties did not earn enough on average to afford the typical fair market rent where they work.¹²

³ US Department of Labor, [WIOA and WP-ES Program - State Statutory Formula Funding](#).

⁴ NC Department of Commerce, [Investing in North Carolina's Caregiving Workforce](#).

⁵ NC Department of Health and Human Services, Division of Employment and Independence and Division of Services for the Blind, Deaf, and Hard of Hearing.

⁶ University of Nebraska – Buffet Early Childhood Institute, [Child Care Gap](#).

⁷ UC Berkeley Center for the Study of Child Care Employment, [Early Childhood Workforce Index 2024](#).

⁸ NC Department of Commerce, [The Hidden Cost of Child Care Gaps in North Carolina's Economy](#).

⁹ US Department of Housing and Urban Development - HUD Exchange, [HOME Income Limits](#).

¹⁰ NC Housing Finance Agency, ["New Research Shows North Carolina Has a 764,000 Unit Housing Gap"](#).

¹¹ NC Housing Finance Agency, ["New Data, New Insights: NC Housing Snapshot Updated with Latest Data"](#).

¹² NC Housing Coalition, [County Profiles](#).

- From March 2023 to March 2024, small businesses in North Carolina accounted for 36,990 openings and 29,023 closings. Small businesses contributed a net increase of 52,820 jobs, or nearly 90% of the total net increase of jobs in the state.¹³
- Small businesses represented 99.6% of all businesses in North Carolina and employed 1.8 million workers in 2022, about 45% of the private-sector workforce, underscoring their critical role in sustaining the state's economy.¹⁴
- Many rural and smaller-metro counties continue to lag on core measures of economic strength, including wages, household income, employment, and educational attainment. The 30 North Carolina counties with the weakest results across those measures all lost population from 2010 to 2024, reinforcing the need for targeted workforce and economic development investments.¹⁵
- High due diligence costs, averaging \$130,000 per site, limit communities' ability to develop project-ready sites, reducing North Carolina's competitiveness. Since 2006, 14,415 Certified Sites have supported nearly 13,000 announced jobs and \$11 billion in investment, underscoring the risk of losing major projects without continued investment.¹⁶
- Businesses are facing rising costs from tariffs and a recent surge in energy prices, with a national survey of small businesses showing more than half listing inflation as their top concern.¹⁷
- Businesses are hiring at the lowest rates since the early 2010s, when the economy was recovering from the Great Recession.¹⁸
- North Carolina's strong recovery from the COVID-19 recession and continued expansion enabled the state's unemployment insurance (UI) trust fund balance to reach a new record high of \$5.8 billion. However, businesses are paying nearly three times as much in unemployment insurance taxes than laid-off workers claim in benefits, resulting in more funds sitting idle in a federal trust fund that could be deployed in North Carolina's economy.¹⁹
- Laid-off workers in 2025 received UI benefits that averaged only 28% to 34% of their earnings prior to losing their jobs, making it difficult to make ends meet while looking for work.²⁰
- More than half of North Carolina workers laid off through no fault of their own exhaust their UI benefits before finding a new job despite unemployment being below 4% for more than four years.²¹

Recommendation Detail

Strengthen Workforce Development

North Carolina leads the nation in workforce development because of its talented people.²² To maintain this competitive advantage, North Carolina must continue strengthening pathways that close skills gaps

¹³ US Small Business Administration – Office of Advocacy, 2025 [Small Business Profile: North Carolina](#).

¹⁴ US Small Business Administration – Office of Advocacy, 2025 [Small Business Profile: North Carolina](#).

¹⁵ NC Department of Commerce, [County Economic Vitality Index](#).

¹⁶ NC Department of Commerce, [North Carolina Certified Sites Annual Report 2024](#).

¹⁷ US Chamber of Commerce, [Small Business Index for Q1 of 2026](#).

¹⁸ US Bureau of Labor Statistics, [Hires: Total Nonfarm \[JTSHIR\]](#), retrieved from FRED, Federal Reserve Bank of St. Louis.

¹⁹ US Department of Labor, Employment and Training Administration. [Unemployment Insurance Data](#).

²⁰ US Department of Labor, Employment and Training Administration. [UI Replacement Rates Report](#).

²¹ US Department of Labor, Employment and Training Administration. [Unemployment Insurance Data](#).

²² ["North Carolina Named Number One in Workforce Development by Site Selection Magazine"](#).

and meet evolving economic development needs. Intentional investments that build a skilled workforce, support educational attainment, and connect people to emerging career opportunities are critical to ensure all North Carolinians can fully participate in the labor force.

North Carolina faces growing labor market demands across several key sectors, including advanced manufacturing, health care, education, and state government. For instance, a recent analysis projects the state will have a significant shortage of registered nurses and licensed practical nurses by 2033.²³ In response, Governor Stein's Recommended Budget invests in the nursing workforce by creating new training sites at the North Carolina Area Health Education Centers, recruiting more nursing instructors, and developing educational pathways for nurses to increase their skills. The budget also provides funding to the North Carolina Independent Colleges and Universities to educate more health care professionals, including physician assistants, nurses, and physical therapists.

This proposal includes more than \$14 million to strengthen the state's vocational rehabilitation workforce, reducing DEIPD and DSB's vacancy rates and addressing turnover. This investment will enable the state to draw down additional federal grant dollars, stabilizing the workforce and bolstering the capacity of community-based providers.

The Governor's Recommended Budget includes additional investments to support businesses, provide job training, and launch a workforce development public awareness initiative. Funds for NC Career Centers' Employer Services will help businesses recruit and retain skilled talent to fill critical workforce needs. Without sustained funding for NC Career Center services, employers will struggle to fill positions and individuals will spend more time on unemployment insurance, and priority populations, including veterans and individuals with disabilities, will lose access to services that connect them to jobs with family-sustaining wages. The Governor's Recommended Budget provides \$15 million to the Department of Commerce (DOC) for essential career support services. Complementary to this, DOC will also receive funding for a workforce development public awareness campaign to increase engagement with the state's workforce development services among both employers and jobseekers.

The budget establishes a Statewide Recruitment Team at the Office of State Human Resources to help qualified candidates build long-term careers in state government. Funds to the Department of Public Safety will meet the state's growing public safety needs by adding more instructors to train and certify law enforcement officers.

Grow Apprenticeships & Work-Based Learning

Apprenticeship programs enable North Carolina to develop the talent needed for high-demand sectors across the state. In FY 2024-25, North Carolina's state apprenticeship agency, ApprenticeshipNC (ANC), had more than 10,000 active registered apprenticeships. More than 3,000 employers and 16,000 apprentices benefited from on-the-job training, pre-apprenticeships, or apprenticeships.²⁴ ANC is a key partner in preparing tomorrow's workforce, but with federal grants expiring in June 2026, its capacity to provide technical assistance, register programs, and connect North Carolinians to job training

²³ NC Department of Commerce, [Investing in North Carolina's Caregiving Workforce](#).

²⁴ ApprenticeshipNC, [2024-2025 ApprenticeshipNC Annual Report](#).

opportunities will decline without stable funding. The Governor's Recommended Budget provides \$3.2 million necessary to sustain and expand ANC.

The budget includes additional work-based learning investments to narrow the skills gaps in the state's most critical workforce sectors, expanding apprenticeship programs and fellowships at the North Carolina Community College System (NCCCS), DOC, Department of Administration, Office of State Human Resources, and Department of Transportation. Work-based learning programs are essential to building a skilled and talented pipeline that meets the workforce needs of North Carolina's employers and small businesses.²⁵ More than \$2 million in funding to DOC will expand work-based learning grants to help small businesses recruit and retain talent.

Furthermore, NC Career Launch (NCCL) will establish a rural youth apprenticeship program across five regions based on the successful Surry-Yadkin Works model. DOC will administer the \$4 million investment in this program in conjunction with the NC Business Committee for Education and local stakeholders to develop and scale high-quality registered pre-apprenticeships for high school students. This innovative system will create career pathways in high-demand industries while providing support systems and information for employers, school districts, and students. After two years, local communities will be expected to take responsibility for the continued funding of these programs for school districts. With this funding, NCCL will increase registered pre-apprenticeship enrollment and pre-apprenticeship completions serving 1,000 participants and provide student support services, including a \$500 success stipend upon completion of the program. NCCL will also expand employer support, technical assistance, and professional development to provide comprehensive training for career counselors, career and technical education (CTE) instructors, and administrators.

Expand Credential Attainment

Governor Stein's Recommended Budget expands access to workforce training and resources that will lead to a degree or credential aligned with the state's high-demand sectors. NCCCS will begin implementing Propel NC, a new labor-market-driven funding model, to better prepare and connect students with high-demand, high-wage jobs. Additionally, Governor Stein recommends making community college tuition free for students pursuing non-degree, short-term workforce credentials in high-demand fields.

The budget funds a Workforce Pell Director at DOC, who will play a key role in facilitating the state's efforts to implement the federal Workforce Pell Program. Ensuring seamless coordination between federal, state, and industry partners is critical to providing even more access and financial assistance for students to obtain high-quality credentials and quickly enter the workforce. The budget will also modernize North Carolina's career information system at DOC to help users explore occupations, receive help with resumes, and attain the necessary credentials to pursue their career aspirations.

²⁵ NC Department of Commerce, ["Work-Based Learning Grants Help Upskill More Than 800 Small Business Employees Across North Carolina"](#).

Address Housing and Child Care Supply and Affordability

The Governor's Recommended Budget invests in supports to promote workforce participation. Child care is core economic infrastructure. This budget provides \$80 million (\$20 million of which is coming from block grant funding) to stabilize child care programs across the state by bringing outdated subsidy rates into federal compliance and establishing a statewide subsidy reimbursement rate floor. North Carolina's child care subsidy rates are based on what families can afford to pay, not the actual costs of 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. Adding 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. These rate increases will help keep tuition affordable for families but high enough to support wages that recruit and retain quality staff. Increasing the NC Pre-K reimbursement rate by 6% will likewise help providers stay open and provide essential early childhood education.

The budget's further investments in North Carolina's housing programs aim to expand affordable housing, preserve existing rental units, and support emergency home repairs, particularly for low-and-moderate income families, seniors, veterans, and people with disabilities. By leveraging federal and private resources, the Housing Trust Fund and Workforce Housing Loan Program will finance thousands of additional new and rehabilitated multifamily units across the state, including in hard-to-serve markets. Governor Stein's Recommended Budget also directs additional grants to local governments to incentivize higher-density zoning policies to increase housing supply and align local regulations with statewide housing goals. Collectively, these initiatives strengthen housing accessibility, promote long-term affordability, and generate economic benefits through construction and community development.

Promote Economic Development

Sustained investment in North Carolina's small businesses, rural economic development, and economic infrastructure is critical to maintaining economic growth, job creation, and statewide competitiveness. Small businesses, representing 99.6% of all businesses and employing 1.8 million residents, face ongoing barriers such as limited access to capital, commercialization challenges, and market reach, particularly in rural areas.

Governor Stein's Recommended Budget addresses these gaps by supporting programs like the One NC Small Business Program and the Carolina Small Business Development Fund, which provide early-stage funding, loans, and technical assistance to help businesses start, scale, and access new markets. Additional investments promote North Carolina agricultural products to strengthen rural economies, while expanded rural development funding targets disparities through improved access to capital and resources. Targeted industry support for film and entertainment will drive in-state spending and generate jobs. Complementing these efforts, the NC Certified Sites Program enhances economic infrastructure by preparing development-ready industrial sites, reducing project risk and timelines, and improving the state's ability to attract major investments in job-creating projects.

The budget also supports North Carolina's required annual assessment to the Southeast Crescent Regional Commission, preserving eligibility for at least \$4.5 million in federal State Economic and

Infrastructure Development grants that fund infrastructure, workforce, and economic development projects across 69 eligible counties — including 25 of the state’s most economically distressed — further strengthening rural communities and job creation.

Enhance Unemployment Insurance

North Carolina’s strong recovery from the COVID-19 recession enabled the state’s Unemployment Insurance (UI) Trust Fund to reach a record high balance of \$5.8 billion in April 2026. Despite this financial strength, North Carolina’s UI system lags most states in supporting laid-off workers. The state’s average weekly benefit of \$323 ranks 43rd nationally, and the maximum weekly benefit of \$350 has remained unchanged since 2013. As a result, UI benefits now replace only one-third of wages for the average laid-off worker, down from approximately half in 2013. Most other states’ UI benefits replace at least 44% of pre-layoff wages.

Additionally, North Carolina is tied for the shortest benefit duration in the nation at just 12 weeks. Thirty-four states provide at least 26 weeks of benefits.²⁶ North Carolina’s short benefit duration results in 56% of laid-off North Carolina workers exhausting their benefits before finding new employment, the highest exhaustion rate in the country.²⁷

The Governor’s recommended changes would adapt unemployment insurance benefits to better support laid-off workers and maintain consumer spending in areas hit by widespread layoffs. The maximum weekly benefit would increase from \$350 to \$495 for new claims filed on or after July 1, 2026, with annual inflation adjustments thereafter. This increase restores the purchasing power of the maximum weekly benefit to the same level as the last time policymakers changed the amount in 2013. The recommendation extends the maximum benefit duration from 12 weeks to 20 weeks when unemployment is low and from 20 weeks to 26 weeks during times of high unemployment.

Implement Strategic WorkForce Training (SWFT) fund

Creates the Strategic WorkForce Training (SWFT) fund to expand and improve the state’s labor supply. The SWFT fund is funded by pairing an assessment based on employers’ unemployment insurance (UI) taxes, which is offset by a UI tax credit that is 50% larger than the assessment for each employer.

DES will calculate the assessment as part of its annual employer tax rate assignments and set the percentage at the level necessary to raise \$85 million in the 2027 UI tax year. By statute, the total amount raised will grow by 3.5% each subsequent year. Each business’s UI taxes are then reduced by 50% more than the assessment. DES would suspend the SWFT assessment and UI tax reduction if the UI Trust Fund balance falls below \$1 billion.

Based on OSBM’s modeling of the Governor’s proposed changes to UI benefits and taxes, the UI Trust Fund balance will continue to grow under expected economic conditions and in the case of a mild

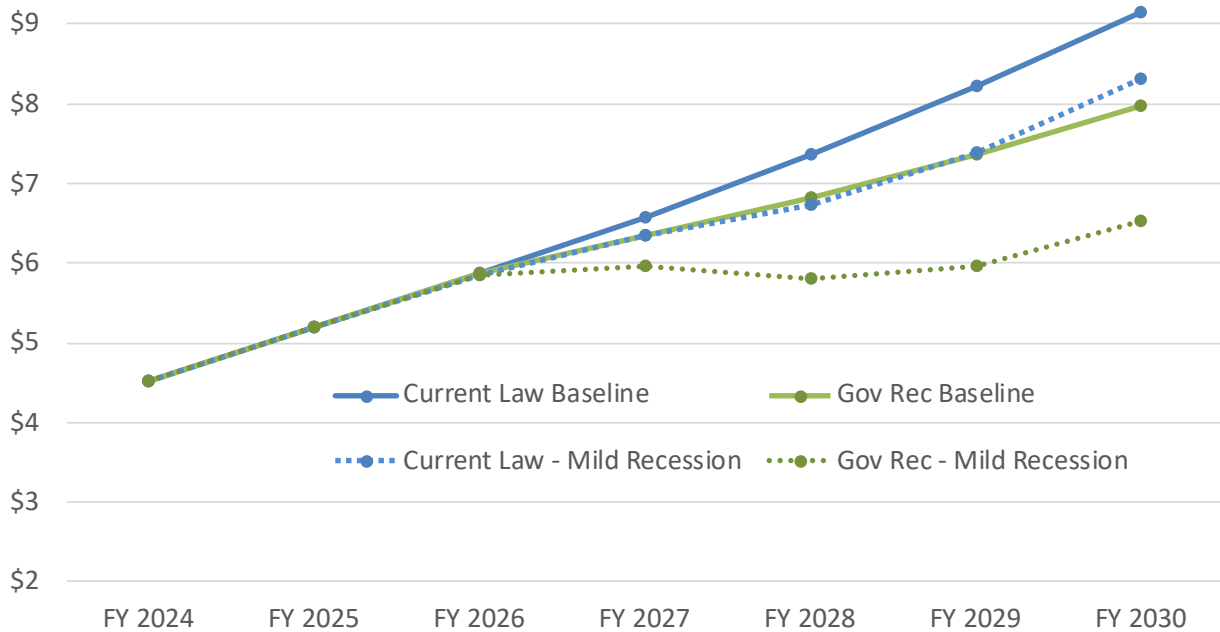
²⁶ Center on Budget and Policy Priorities, [“How Many Weeks of Unemployment Compensation Are Available?”](#), Updated April 2026.

²⁷ US Department of Labor, [“Unemployment Insurance Data Dashboard”](#) 2025.

recession (see figure). Even under a severe recession, the UI Trust Fund balance would remain at sustainable levels and begin growing as the economy recovers.

UI Trust Fund to Continue Growing Under Governor’s Recommended Policies

Projected Trust Fund Balance Under Policy and Economic Scenarios, Billions



Expected Impact

- Strengthens the state’s talent pipeline by sustaining and expanding apprenticeship programs to meet high-demand workforce needs across North Carolina.
- Improves North Carolina’s health care system by expanding nursing training sites, bolstering instructor recruitment and retention, and investing in skills development to address critical workforce shortages.
- Increases access to critical services for North Carolinians with disabilities (including individuals who are visually impaired, blind, or deaf), supporting their independent living and employment goals
- Supports small businesses by offsetting training costs and expanding access to work-based learning, enabling employers to recruit, train, and retain skilled talent while strengthening long-term workforce pipelines across the state.
- Expands youth apprenticeship opportunities, connecting high school students to high-demand careers and strengthening the state’s long-term workforce pipeline.
- Sustains essential NC Career Center’s Employer Services for more than 80,000 jobseekers and 20,000 employers annually.
- Builds a stronger public safety workforce through enhanced training and certifications.
- Promotes economic mobility by equipping North Carolinians with postsecondary degrees and credentials aligned with the state’s high-demand, high-wage jobs.

- Improves NCCareers.org, an online career services platform, to support 2 million users by 2027, accelerating job placements, reducing employer hiring gaps, and expanding access to career pathways.
- Establishes statewide approval and oversight capacity to process more than 80 anticipated Workforce Pell Grant Program applications annually and expands access to workforce-aligned training opportunities.
- Increases statewide participation in high-demand career pathways through investments in a statewide workforce awareness campaign.
- Keeps parents who want to work in the workforce by providing child care subsidy rates closer to the true cost of care and helping providers stay open. This will benefit not just the 55,000 children receiving subsidies each year but also their market-rate classmates who will not have to find new care if their provider closes due to insufficient revenue.
- Expands access to housing options for low-income families, seniors, veterans, and people with disabilities.
- Increases the availability of multifamily affordable housing in challenging markets.
- Boosts the growth of innovative small businesses in the technology industry through approximately 85 grants supporting new business formation, driving an estimated net gain of more than 180 jobs in that sector.
- Generates more than \$187 million of in-state spending and 5,700 jobs through film and entertainment productions by meeting existing contractual obligations and attracting future productions.
- Addresses economic disparities by expanding investments in community revitalization efforts and small business support in distressed, rural counties across North Carolina.
- Supports due diligence costs for approximately 10 certified sites, improving economic site readiness and competitiveness, with the potential to generate 1,000 to 2,000 new jobs and attract more than \$1 billion in capital investment.
- Reduces costs for North Carolina's businesses, supporting additional investment and hiring. Compared to current law, businesses will pay an estimated \$42.5 million less in net UI taxes in 2027.
- Continues to grow in the state's UI Trust Fund balance while cutting businesses' UI taxes, enhancing benefits, and investing in workforce development.
- Provides jobseekers with more financial security and allows them time to find positions that match their skills and offer higher wages.²⁸
- Helps local and regional economies stay afloat in times of widespread layoffs, keeping families out of poverty and supporting local businesses by sustaining consumer spending.²⁹

²⁸ Jason Faberman and Ali Haider Ismail, Chicago Fed, ["How Do Unemployment Benefits Relate to Job Search Behavior?"](#) June 2020.

²⁹ William J. Congdon and Wayne Vroman, Urban Institute. ["Extending Unemployment Insurance Benefits in Recessions: Lessons from the Great Recession"](#) February 2021.