



Recommended Budget FY 2026-27

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Integrity

Innovation

Teamwork

Excellence

Curiosity



What This Budget Achieves for North Carolina

- ▲ Provides solid foundation on both revenue and expenditure side for the years ahead
- ▲ Invests in teachers and public schools
- ▲ Invests in state workforce – particularly law enforcement and healthcare
- ▲ Invests in programs that help our residents, support continued economic growth, and maintain North Carolina's status as a destination

Topics

- NC Outlook
- Revenues & Fiscal Policy
- Budget Priorities
- Q&A

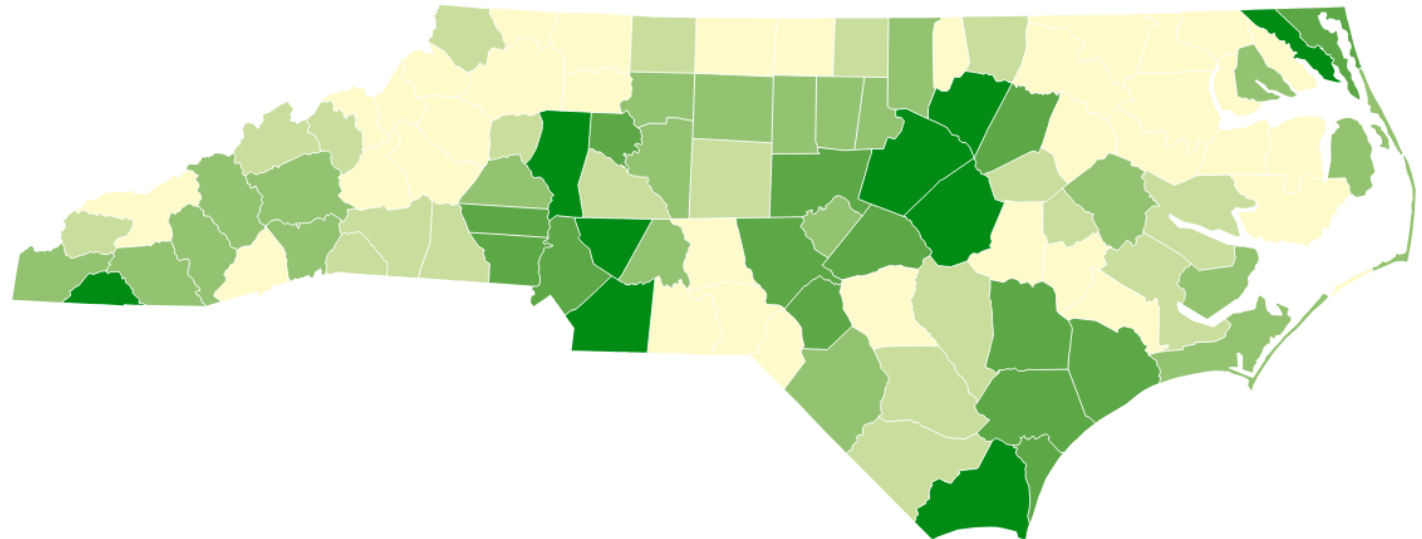
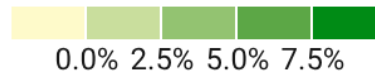


Four demographic trends to watch

1. NC on track to become **7th largest** state by early 2030s
2. **Growth rate slowing** from first half of decade
3. Growth strongest around **urban/suburban** areas and **retirement** areas
4. 1/3 of **rural counties** projected to have **fewer people** in 2030 than today

Projected Population Change, 2025-2030

Percent Change

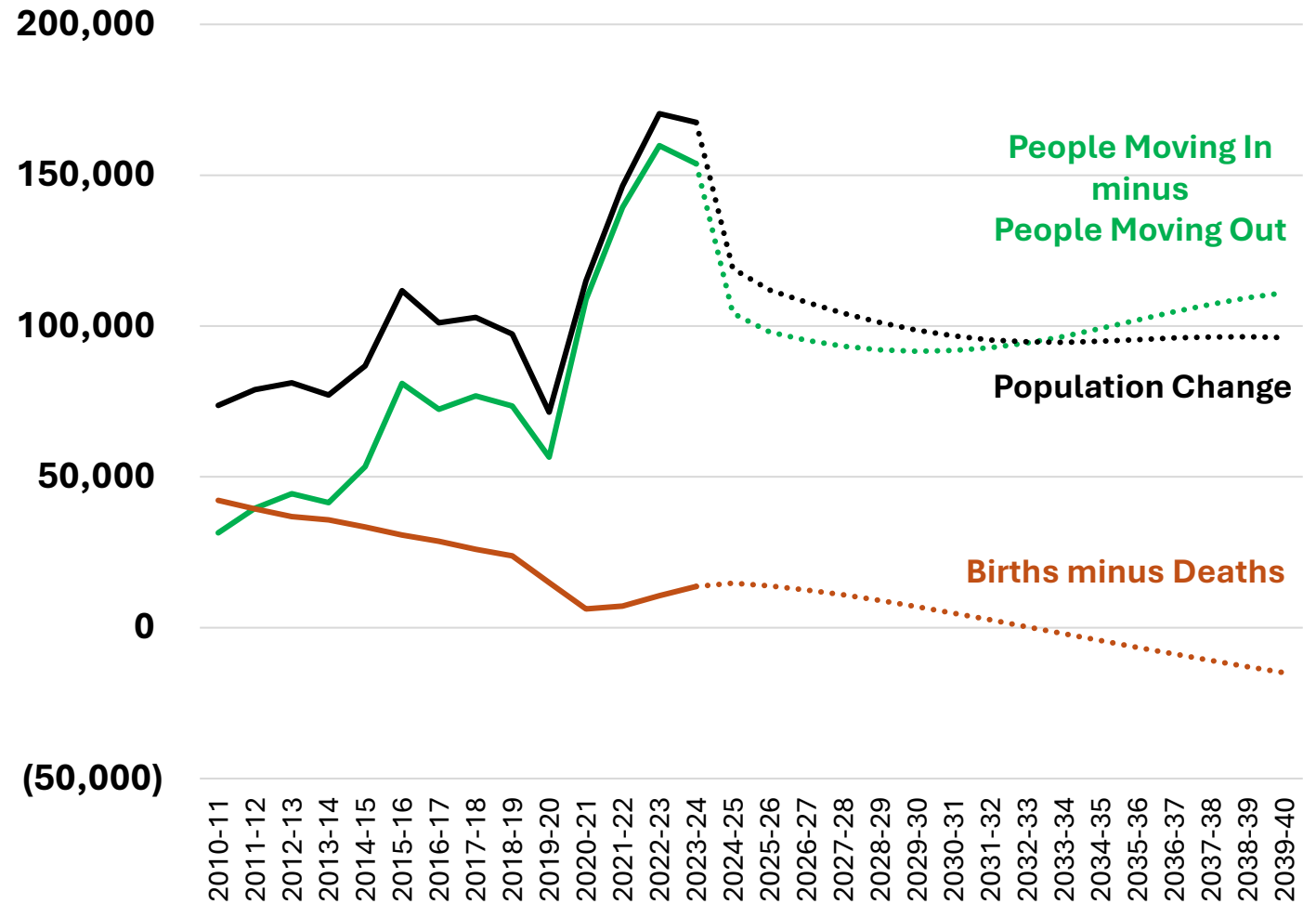


Map: NC Office of State Budget & Management • Source: NCOSBM, Vintage 2025 Population Projections • Created with Datawrapper



Population growth relies on attracting new residents

- Top destination for people moving within the US
- Migration accounts for 94% of post-2020 growth
- Deaths will exceed births starting around 2033



Source: NC OSBM Vintage 2024 Population Estimates & Vintage 2025 Population Projections



Moderate economic growth expected over next 15 months

Corporate profits

Record-level profits expected to moderate next year



Inflation

High energy prices to lift inflation in near term



Wages & Jobs

Employment and wage growth slowing



Consumers

Consumer spending stable, gap by income level



Uncertainty

High levels of economic uncertainty



REVENUES AND FISCAL POLICY



Consensus Revenue Forecast and Governor Recommended Revenue

Consensus Revenue Forecast

FY 2025-26

\$35.08B

FY 2026-27

\$34.72B

Governor Stein's Revenue Plan

FY 2025-26

\$35.08B

FY 2026-27

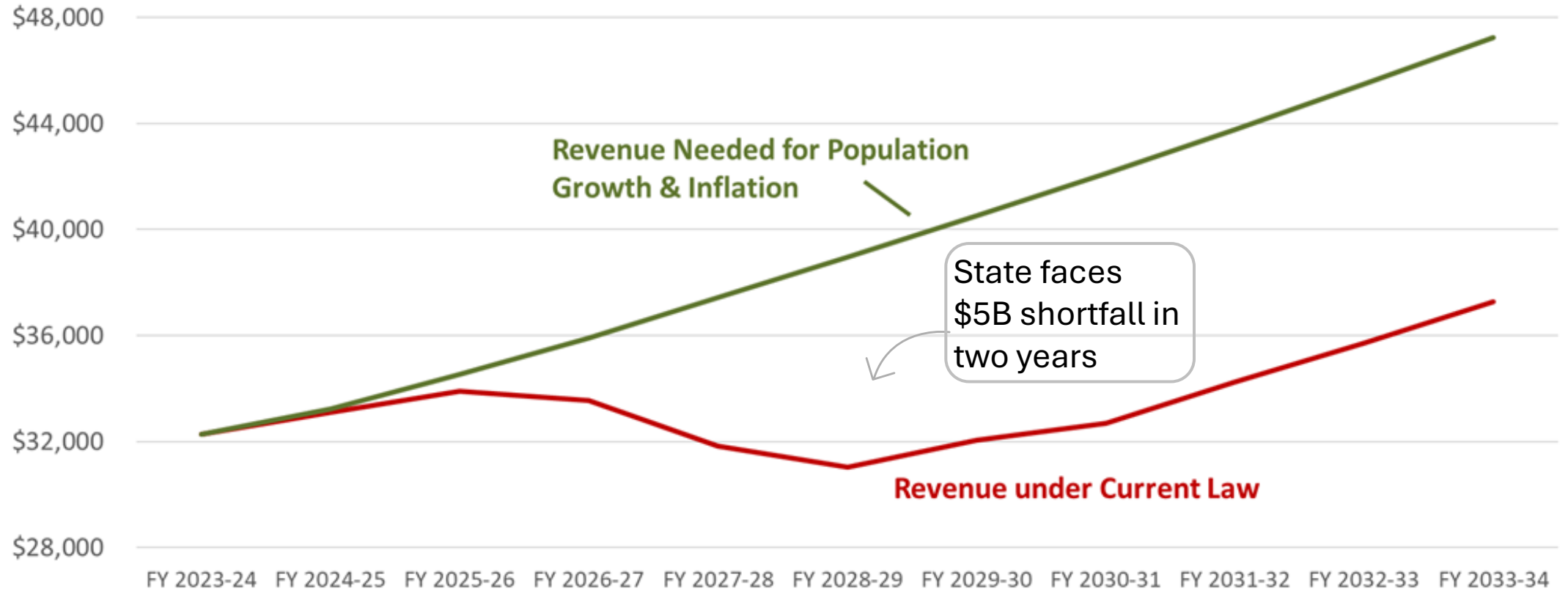
\$35.24B



Current Revenue Insufficient for Population Growth & Inflation

General Fund Revenue Projections

Revenues in millions



Notes: GF revenue projections equal to March 2026 consensus forecast revenues for FY 2025-26 and FY 2026-27 and OSBM projections for subsequent years, less statutory transfers to the SCIF and Savings Reserve/ULSR. . Population + Cost Inflation projections start at FY 2023-24 levels and grow with projected population growth and projected inflation as measured by the price index for state and local government consumption expenditures.



Freeze PIT at 3.99% and CIT at 2.0%

Working Families Tax Credit

- Refundable
- 10% of federal EITC
- Average credit of \$350

Increase Standard Deduction

- Raises standard deduction by \$500-\$1,000

Child & Dep. Care Tax Credit

- Refundable
- Average credit of \$250

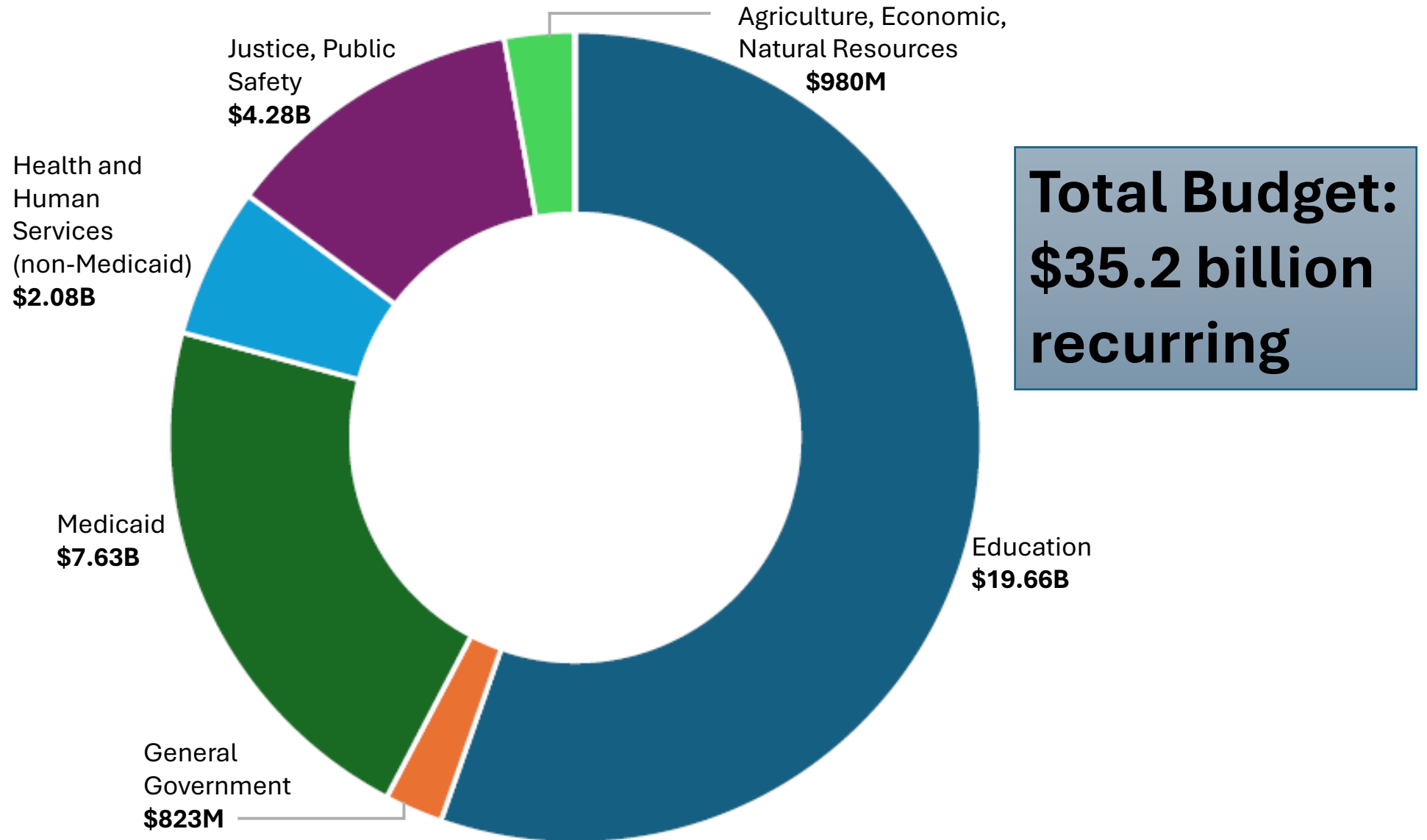
Restore School Supply Sales Tax Holiday

- ✓ **No one will pay a higher tax rate than they do now**
- ✓ **Working families will have more money**
- ✓ **Stabilizes state finances**

Revenue plan is

1. Built on lowest tax rates we've had in generations
2. Responsible
3. Targeted

Fiscal Stability and Opportunity





Major Areas of Investment

- Continuation Budget - \$1.4 billion
 - State Health Plan requirements
 - Education enrollment growth
 - Medicaid rebase
- State & UNC Workforce Compensation - \$1 billion
- Teacher Raises & Bonuses - \$1 billion
- Priority areas across public education, child care, public safety, and workforce development
- Ongoing Capital and R&R



Fiscal Responsibility

	Balance
Savings Reserve	\$3,711 million
State Emergency Response & Disaster Relief	\$531 million
Medicaid Contingency	\$500 million
Wilmington Harbor Enhancements	\$283 million
Information Technology Reserve	\$102 million
Economic Development Project Reserve	\$609 million
Federal Infrastructure Match Reserve	\$29 million
Contingency and Emergency Fund	\$10 million
Other Reserves (Opioid Abatement, ARPA)	\$62 million

\$5.8 billion
in Reserves for future needs

- Budget leaves \$500M unspent on bottom line
- And adds:
 - ✓ \$500M to restore depleted SERDRF
 - ✓ \$10M to Contingency and Emergency Fund
 - ✓ Recurring funding for State Property and School Property Insurance Funds

PRIORITIES FOR FY 2026-27



Top 5 Agency Requests

- Salary funding; getting vacancies filled
- Replace lost, recurring federal funds for critical services
- Modernize computer systems & ensure cybersecurity
- Core operating funds
- Funds to open and operate new buildings and facilities



State Workforce & Teachers

- 5% pay increase for **all state employees** - 2.5% in each year
- \$1,000 bonus for **all state employees**, plus \$500 for salaries <\$75k
- 2.5% supplement for **retirees** in each year
- 15% pay increase for **law enforcement, correctional officers, nurses and healthcare techs** – 10% year 1, 5% year 2
- **Teacher pay** –11% average raise + most receive \$1,500 bonus
 - Starting salary to top in Southeast
 - Eliminates 10-year pay plateau for experienced teachers
 - Restores master's pay
 - Administrators and school staff also receive raises

Keeping North Carolina Strong

Improving Public Education, Early Education, and
Child Care

Putting More Money in Working Families' Pockets

Building a Strong Economy and Workforce

Keeping NC Safe and Healthy

Modernizing Government



Improving Public Education, Early Education & Childcare

Recruit & Retain Educators - \$1B

- In addition to pay increases...Advanced Teaching Roles, stipend for supplies, support for new teachers



Increased child care reimbursement and NC Pre-K rates

- Improves wages and stability of child care access
- Current child care reimbursement disadvantages rural areas



Student Success Initiatives

- Middle grades literacy, replacement devices, new formula for exceptional students



Student Safety and Wellbeing

- More SROs and health personnel, universal school breakfast





Putting More Money in Working Families' Pockets

Tax reductions + fiscal stability

To improve spending power of working families

Enhanced Unemployment Insurance Benefits

- Max weekly benefit - \$495
- Max duration – 20 weeks
- Lowers taxes for employers
- Creates *Strategic WorkForce Training fund (SWFT)*



Building a Strong Economy and Workforce

Propel NC \$40.3M

Training in high-demand skills and aligned with business needs

**PROPEL
NC**

Free Community College for students pursuing credentials for high-need skills



Apprenticeships

ApprenticeshipNC

Rural youth apprenticeships

Fields like aviation, manufacturing, state government

APPRENTICESHIP NC
NC COMMUNITY COLLEGES

Economic Development

Invests in rural economic development, small businesses, NC Career Centers

**NC
works**



Keeping North Carolinians Safe and Healthy

Behavioral Health

- Opens two more behavioral health units
- More co-response units in rural areas

Law Enforcement Support

- Funding to fight crime: fentanyl use, Medicaid fraud, computer crimes, cold cases, vape shops unit
- Body cameras and VIPER

Community Safety

- Safety grants for schools & nonprofits
- Opioid use disorder treatment
- Clean and safe drinking water
- Reentry and violence prevention grants

Medicaid Rebase

- \$728M FY 2026-27
(\$1,047M total recurring)



Nutrition and Family Stability

- State match for **SUN Bucks** groceries for the summer - \$5M
- Free breakfast for all students

Supporting the Administration of HR1

Budgets \$26M for the state; \$64M for County Departments of Social Services

- For administration of federally-mandated work requirements and 6-month redeterminations for the Medicaid Expansion population
- Does not use General Fund

Provides an additional \$63 million to county DSS offices to assist with increased workloads

SNAP policy changes - \$18M

- *Increased share for SNAP administration, efforts to reduce error rates*



Customer-facing Service Improvements

- DMV improvements
- Citizen portal for services
- Fill critical vacancies

Digital Enhancements

- Cybersecurity
- IT system stabilization & modernization
- AI initiatives

Efficiencies and Savings

- Eliminate 3+ year vacancies not at facilities
- Sell excess state property
- Improve procurement – cost avoidance and real budget savings

Capital Investments

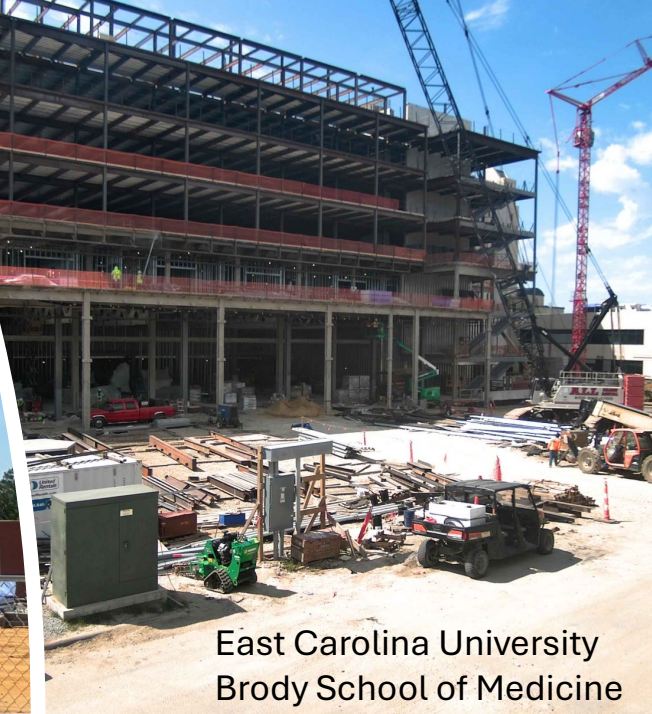
SCIF Highlights

Capital Projects

- \$539 million for 69 state agency projects
- \$385 million for 29 UNC projects

Repairs and Renovations

- \$300 million - state agencies
- \$300 million - UNC
- \$115 million – public schools



East Carolina University
Brody School of Medicine

Elizabeth City State University
Aviation building





Transportation Highlights

DMV Improvements

- \$11 million - expands staffing and hours for DMV services
- \$9.5 million - expand or create DMV offices in high-need areas
- System modernization and enterprise reform to streamline operations and ensure safety

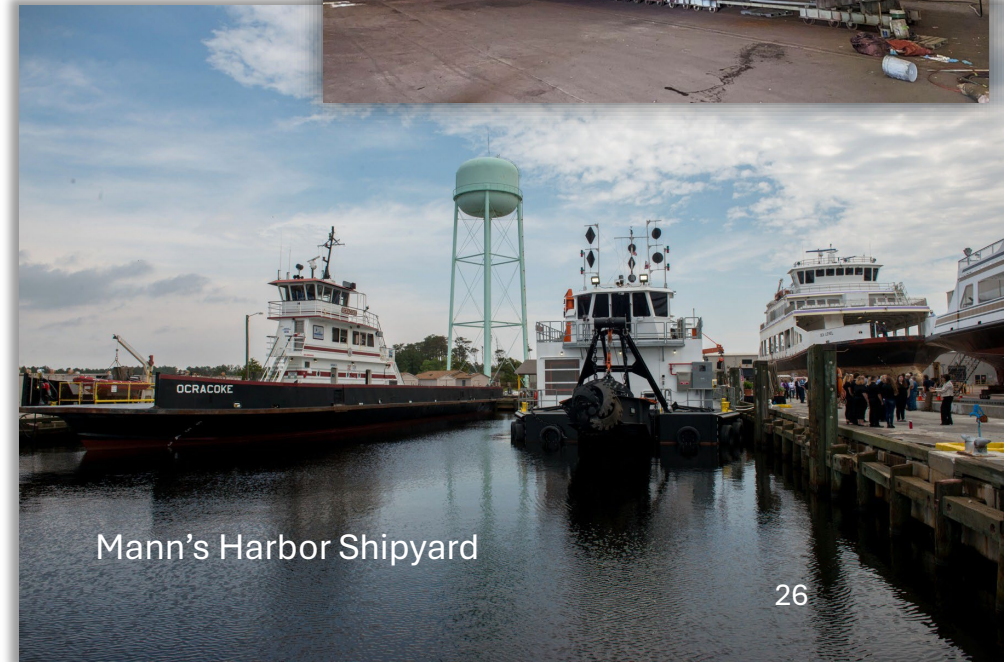
Ferry Division

- \$16 million - Water infrastructure, electrical, and air systems improvements at Mann's Harbor Shipyard



Highway Trust Fund

- STIP - \$122.4 million



Mann's Harbor Shipyard



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