

Governor Stein's Recommended Budget FY 2025-27

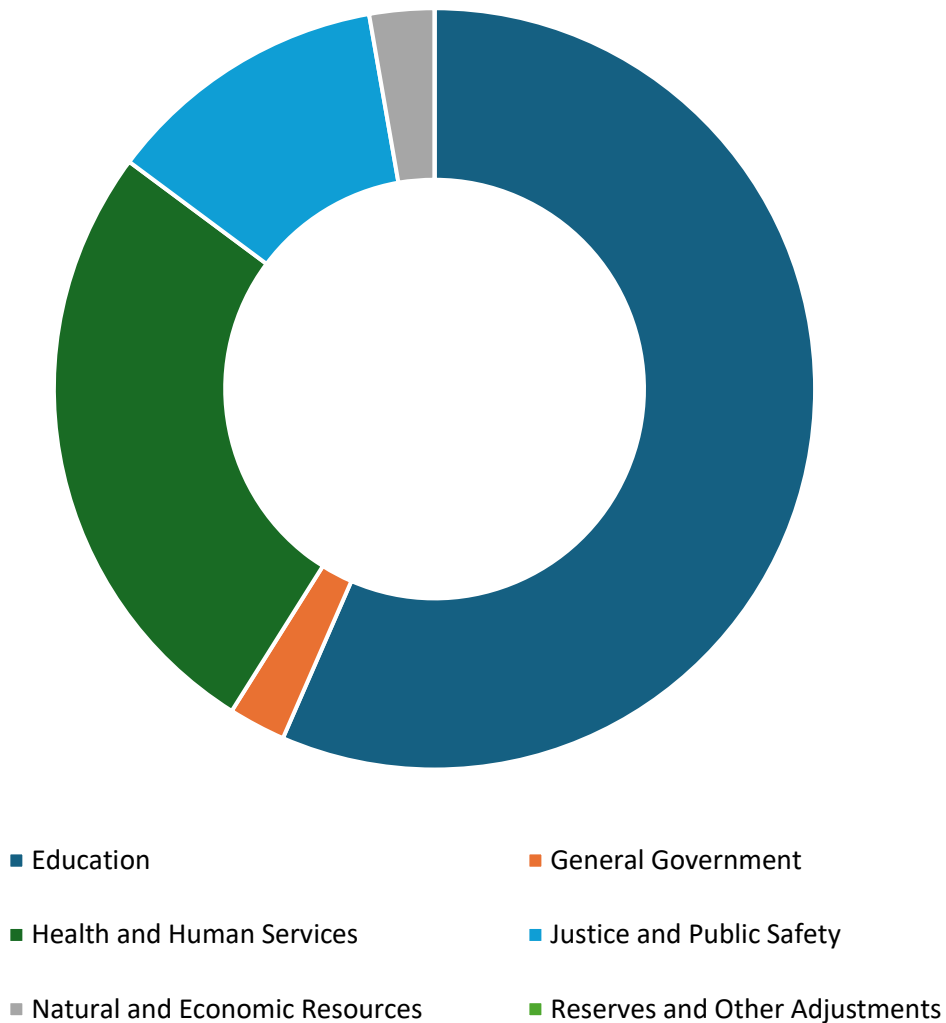
	FY 2025-26	FY 2026-27
Composition of Budget Availability		
Unappropriated Balance from Prior Fiscal Year	48,073,341	364,074,833
Overcollections FY 2024-25	543,900,000	-
Estimated Reversions FY 2024-25	300,000,000	-
Subtotal Estimated Current Beginning Unreserved Balance	891,973,341	364,074,833
Statutorily Required Reservations of Revenue		
State Capital and Infrastructure Fund	(1,120,000,000)	(1,159,200,000)
Unfunded Liability Solvency Reserve	(38,514,750)	(117,406,800)
Subtotal	(1,158,514,750)	(1,276,606,800)
Additional Investments to Reserves		
State Emergency Response and Disaster Relief Fund	(500,000,000)	-
Consensus Revenue Forecast		
Tax Revenue	33,388,800,000	32,657,100,000
Non-Tax Revenue	1,500,900,000	1,410,000,000
Subtotal	34,889,700,000	34,067,100,000
Adjustments to Revenue		
Maintain Personal Income Tax Rate at 4.25%	386,300,000	1,801,800,000
Maintain Lowest Corporate Tax Rate at 2.25%	68,400,000	166,200,000
Working Families Tax Credit - 20% of Federal Earned Income Tax Credit	(426,800,000)	(425,800,000)
Refundable Child and Dependent Care Tax Credit	(59,000,000)	(60,300,000)
Refundable Child Tax Credit	(23,000,000)	(23,000,000)
Sales Tax Back-to-School Holiday	(29,000,000)	(30,000,000)
PHP Gross Tax Revenue Offset (technical adjustment)	(78,035,000)	(75,623,000)
Subtotal	(161,135,000)	1,353,277,000
Adjustments to Availability		
Insurance Non-Tax Transfer	51,158,263	25,646,165
Revised General Fund Availability	34,013,181,854	34,533,491,198
Base Budget		
	31,327,542,055	31,380,112,835
Adjustments to Maintain Current Service Levels		
State Health Plan - 5% Growth	153,465,000	314,604,000
Medicaid Rebase	700,320,698	700,320,698
K-12 Enrollment	100,500,000	95,500,000
Community College Enrollment	75,798,320	75,798,320
UNC System Enrollment	46,400,000	46,400,000
Subtotal	1,076,484,018	1,232,623,018
Health and Human Services Investments		
Child Care & Pre-K Investments (+ add'l \$36.75M in FY 2025-26, +\$43.15M in FY 2026-27 from Lottery)	88,900,000	87,900,000
Medicaid - Healthy Opportunities, OB/GYN and Primary Care Rates, Oversight	213,414,549	247,994,338
All Other HHS Investments	60,793,118	96,136,027
Medicaid Expansion Bonus (ARPA Temporary Savings) FY 2024-25 and 2025-26	(167,553,417)	-
Subtotal	195,554,250	432,030,365
Education Investments		
Opp. Scholarships Moratorium - no awards for those over \$115k; no new vouchers	(783,820,000)	(495,620,000)
Teacher Pay - 1st in Southeast for starting pay; average 10.7% raise; Master's Pay	394,624,000	736,141,000
K-12 School Nutrition - Provide Free Breakfast; \$85.3M from lottery receipts	-	-
School Supplies Stipend for Teachers	30,000,000	30,000,000
K-12 Investments	264,014,060	274,501,860
Community Colleges - Propel NC	41,342,304	41,342,304
Free Community College for Workforce Credentialing Students	33,616,565	33,616,565
UNC Investments	69,274,129	61,701,335
Subtotal	49,051,058	681,683,064
State Workforce Investments		
All State Employees 2% COLA	226,528,000	226,528,000
Labor Market Adjustment Reserve for Targeted Employee Salary Increases	160,633,000	160,633,000
Corrections Officers, Law Enforcement Officers, and Nurses - additional 4.5%, 1%, and 1% respectively	50,614,000	50,614,000
Basic Law Enforcement Training Completion and Out of State Recruitment Bonuses	15,500,000	15,500,000
Retirees 2% Nonrecurring Adjustment	77,209,000	-
State Employee Bonus - \$1K to all General Fund employees	169,823,000	-
Subtotal	700,307,000	453,275,000
All Other Investments		
	300,168,640	170,033,732
Total Recommended Adjustments	2,321,564,966	2,969,645,179
Total Recommended Appropriations	33,649,107,021	34,349,758,014
Balance	364,074,833	183,733,184

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Table 2
Recommended General Fund Budget by Function
FY 2025-26

	FY 2025-26 Recommendation	% of General Fund Budget
Education	\$ 19,017,160,661	56.5%
General Government	\$ 819,263,172	2.4%
Health and Human Services	\$ 8,827,142,908	26.2%
Justice and Public Safety	\$ 4,059,912,935	12.1%
Natural and Economic Resources	\$ 925,627,345	2.8%
Reserves and Other Adjustments	\$ -	0.0%
Total General Fund Budget	\$ 33,649,107,021	100%

Figure 1
General Fund Recommended Budget by Function
FY 2025-26



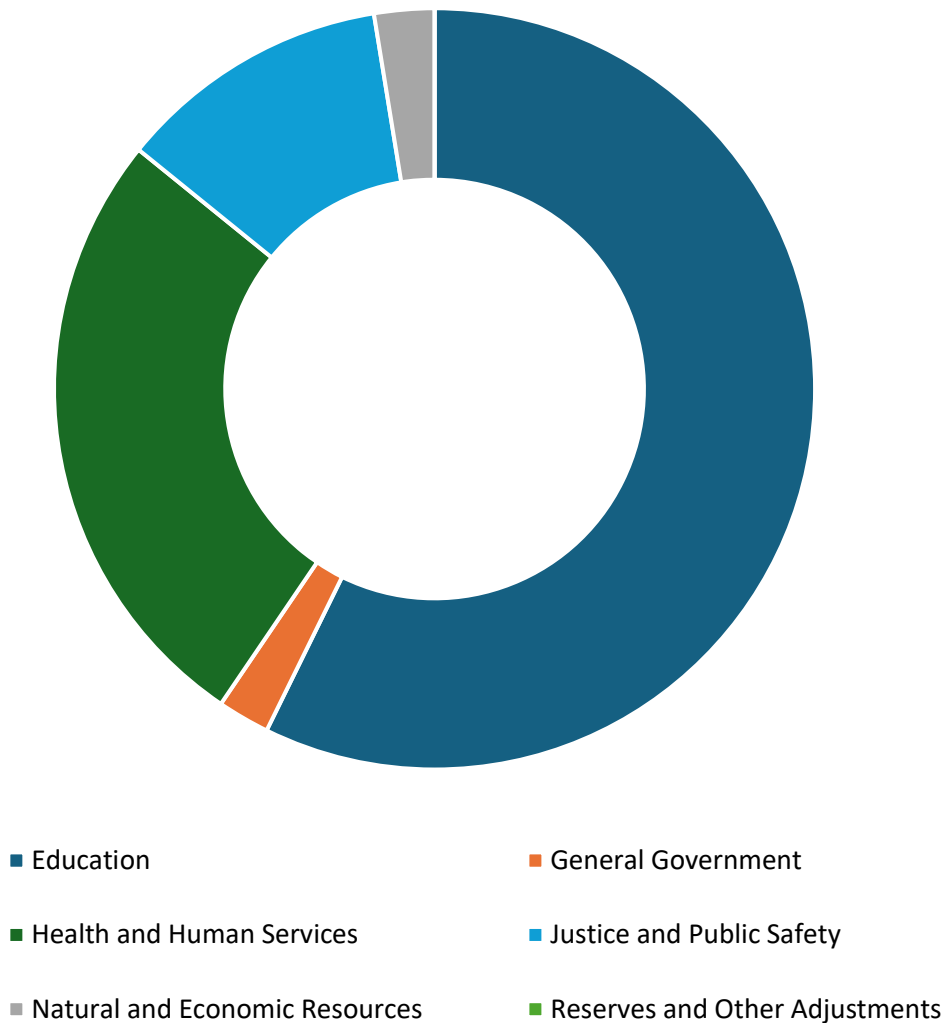
Budget Code	Function	2025-26 Base		Decrease		Increase		Net Change	Recommended Net Appropriation	Net Position Change			
		Budget		Recurring	Nonrecurring	Positions					Recurring	Nonrecurring	Positions
Natural and Economic Resources													
13700	Agriculture and Consumer Services - General	172,409,974		-	-	-	14,404,467	25,848,927	8.00	40,253,394	212,663,368	8.00	
13800	Labor - General Fund	25,642,417		-	-	-	1,848,116	631,324	4.00	2,479,440	28,121,857	4.00	
14300	Environmental Quality - General Fund	109,375,994		-	-	-	6,760,505	24,544,392	5.00	31,304,897	140,680,891	5.00	
14350	Wildlife Resources Commission - General Fund	16,859,961		-	-	-	672,122	819,378	-	1,491,500	18,351,461	-	
14600	Commerce - General	20,264,453		-	-	-	3,573,972	8,770,724	9.00	12,344,696	32,609,149	9.00	
14601	Commerce - General State Aid	19,655,810		-	-	-	-	-	-	-	19,655,810	-	
14602	Commerce Economic Development	158,348,245		-	-	-	2,900,000	5,000,000	-	7,900,000	166,248,245	-	
14800	Natural and Cultural Resources - General Fund	278,342,651		-	-	-	18,771,213	10,182,700	104.00	28,953,913	307,296,564	104.00	
Total Natural and Economic Resources		800,899,505		-	-	-	48,930,395	75,797,445	130.00	124,727,840	925,627,345	130.00	
Reserves and Other Adjustments													
19XXX	Reserves and Other Adjustments	42,206,909	(42,206,909)	-	-	-	-	-	-	(42,206,909)	-	-	
Total Reserves and Other Adjustments		(42,206,909)	(42,206,909)	-	-	-	-	-	-	(42,206,909)	-	-	
Total													
Total		31,327,542,055	(496,380,089)	(478,263,478)	-	-	2,753,132,558	543,075,975	316.50	2,321,564,966	33,649,107,021	316.50	

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Table 4
Recommended General Fund Budget by Function
FY 2026-27

	FY 2026-27 Recommendation	% of General Fund Budget
Education	\$ 19,672,403,187	57.3%
General Government	\$ 761,733,323	2.2%
Health and Human Services	\$ 9,045,952,351	26.3%
Justice and Public Safety	\$ 3,994,363,559	11.6%
Natural and Economic Resources	\$ 875,305,594	2.5%
Reserves and Other Adjustments	\$ -	0.0%
Total General Fund Budget	\$ 34,349,758,014	100%

Figure 2
General Fund Recommended Budget by Function
FY 2026-27



Budget Code	Function	2026-27 Base		Decrease		Increase		Net Change	Recommended Net Appropriation	Net Position Change		
		Budget		Recurring	Nonrecurring	Positions	Recurring				Nonrecurring	Positions
Natural and Economic Resources												
13700	Agriculture and Consumer Services - General	172,409,974	-	-	-	-	15,235,991	-	8.00	15,235,991	187,645,965	8.00
13800	Labor - General Fund	25,649,758	-	-	-	-	1,997,317	-	4.00	1,997,317	27,647,075	4.00
14300	Environmental Quality - General Fund	109,357,259	-	-	-	-	7,125,555	12,000,000	5.00	19,125,555	128,482,814	5.00
14350	Wildlife Resources Commission - General Fund	16,859,961	-	-	-	-	773,050	-	-	773,050	17,633,011	-
14600	Commerce - General	20,264,453	-	-	-	-	3,651,552	8,500,000	9.00	12,151,552	32,416,005	9.00
14601	Commerce - General State Aid	19,655,810	-	-	-	-	-	-	-	-	19,655,810	-
14602	Commerce Economic Development	158,348,245	-	-	-	-	2,900,000	-	-	2,900,000	161,248,245	-
14800	Natural and Cultural Resources - General Fund	278,408,070	-	-	-	-	19,918,599	2,250,000	104.00	22,168,599	300,576,669	104.00
Total Natural and Economic Resources		800,953,530	-	-	-	-	51,602,064	22,750,000	130.00	74,352,064	875,305,594	130.00
Reserves and Other Adjustments												
19XXX	Reserves and Other Adjustments	42,206,909	(42,206,909)	-	-	-	-	-	-	(42,206,909)	-	-
Total Reserves and Other Adjustments		42,206,909	(42,206,909)	-	-	-	-	-	-	(42,206,909)	-	-
Total												
Total		31,380,112,835	(558,842,140)	-	-	-	3,364,568,475	163,918,844	332.50	2,969,645,179	34,349,758,014	332.50

Table 6: Highway Fund and Highway Trust Fund Budget
2025-26 Adjustments

Function	2025-26 Base Appropriation	Decreases		Increases		Net Change	2025-26 Recommended Net Appropriation	Net Position Change
		Net Recurring	Net Nonrecurring	Net Recurring	Net Nonrecurring			
Highway Fund								
DOT Administration	141,558,209	-	-	1,750,000	-	1,750,000	143,308,209	-
Division of Highways								
Administration	38,287,904	-	-	200,000	-	200,000	38,487,904	-
Construction	77,543,078	-	-	-	-	-	77,543,078	-
Maintenance	\$2,189,464,355	-	-	41,733,977	-	41,733,977	2,231,198,332	-
Planning and Research	-	-	-	-	-	-	-	-
OSHA Program	358,030	-	-	-	-	-	358,030	-
Total Division of Highways	2,305,653,367	-	-	41,933,977	-	41,933,977	2,347,587,344	-
State Aid to Municipalities								
	185,875,000	-	-	-	-	-	185,875,000	-
Multi-Modal								
Airports	158,000,809	-	-	176,173	200,000	376,173	158,376,982	-
Bicycle	-	-	-	-	-	-	-	-
Ferry	61,897,728	-	-	11,000,000	19,653,445	30,653,445	92,551,173	-
Public Transportation	69,570,554	-	-	1,000,000	-	1,000,000	70,570,554	-
Railroads	45,367,607	-	-	4,000,000	-	4,000,000	49,367,607	-
Total Multi-Modal	334,836,698	-	-	16,176,173	19,853,445	36,029,618	370,866,316	-
Governor's Highway Safety Program								
Division of Motor Vehicles	351,695	-	-	250,000	-	250,000	601,695	4.00
Other State Agencies	159,828,513	-	-	5,356,087	8,603,975	13,960,062	173,788,575	56.00
Transfer to General Fund	18,281,615	-	-	-	-	-	18,281,615	-
Other Reserves	-	-	-	-	-	-	-	-
Capital Improvements	2,799,508	-	-	42,580,000	12,999,000	55,579,000	58,378,508	-
Total Highway Fund	3,149,184,605	-	-	108,046,237	48,169,158	156,215,395	3,305,400,000	60.00
Highway Trust Fund								
Administration								
	44,621,733	-	-	-	-	-	44,621,733	-
Construction								
Strategic Prioritization Program	\$2,184,548,414	-	-	43,754,000	-	43,754,000	2,228,302,414	-
Intrastate System	-	-	-	-	-	-	-	-
Urban Loop System	-	-	-	-	-	-	-	-
Secondary Roads	-	-	-	-	-	-	-	-
Total Construction	2,184,548,414	-	-	43,754,000	-	43,754,000	2,228,302,414	-
State Aid to Municipalities								
	-	-	-	-	-	-	-	-
Bonds								
Bond Redemption	76,580,000	-	-	-	-	-	76,580,000	-
Bond Interest	44,860,275	-	-	-	-	-	44,860,275	-
Total Bonds	121,440,275	-	-	-	-	-	121,440,275	-
NC Turnpike Authority								
Transfer to Ports	49,000,000	-	-	-	-	-	49,000,000	-
Other State Agencies	45,000,000	-	-	-	-	-	45,000,000	-
Transfer to Visitor's Centers	-	-	-	-	-	-	-	-
Uncommitted Trust Fund Admin	640,000	-	-	-	-	-	640,000	-
	495,578	-	-	-	-	-	495,578	-
Total Highway Trust Fund	2,445,746,000	-	-	43,754,000	-	43,754,000	2,489,500,000	-

Table 7: Highway Fund and Highway Trust Fund Budget
2026-27 Adjustments

Function	2026-27 Base Appropriation	Decreases		Increases		Net Change	2026-27 Recommended Net Appropriation	Net Position Change
		Net Recurring	Net Nonrecurring	Net Recurring	Net Nonrecurring			
Highway Fund								
DOT Administration	141,558,209	-	-	1,750,000	-	1,750,000	143,308,209	-
Division of Highways								
Administration	38,287,904	-	-	125,000	-	125,000	38,412,904	-
Construction	77,543,078	-	-	-	-	-	77,543,078	-
Maintenance	\$2,189,364,355	-	-	59,358,938	-	59,358,938	2,248,723,293	-
Planning and Research		-	-	-	-	-	-	-
OSHA Program	358,030	-	-	-	-	-	358,030	-
Total Division of Highways	2,305,553,367	-	-	59,483,938	-	59,483,938	2,365,037,305	-
State Aid to Municipalities	185,875,000	-	-	-	-	-	185,875,000	-
Multi-Modal								
Airports	159,500,809	-	-	188,429	200,000	388,429	159,889,238	-
Bicycle	-	-	-	-	-	-	-	-
Ferry	61,897,728	-	-	11,000,000	11,250,000	22,250,000	84,147,728	-
Public Transportation	69,570,554	-	-	1,000,000	-	1,000,000	70,570,554	-
Railroads	45,367,607	-	-	5,000,000	-	5,000,000	50,367,607	-
Total Multi-Modal	336,336,698	-	-	17,188,429	11,450,000	28,638,429	364,975,127	-
Governor's Highway Safety Program								
Division of Motor Vehicles	351,695	-	-	250,000	-	250,000	601,695	4.00
Other State Agencies	159,866,693	-	-	6,986,576	-	6,986,576	166,853,269	85.00
Transfer to General Fund	18,281,615	-	-	-	-	-	18,281,615	-
Other Reserves	-	-	-	-	-	-	-	-
Capital Improvements	2,799,508	-	-	48,675,000	-	48,675,000	51,474,508	-
Total Highway Fund	3,150,622,785	-	-	134,333,943	59,243,272	193,577,215	3,344,200,000	89.00
Highway Trust Fund								
Administration	44,621,733	-	-	-	-	-	44,621,733	-
Construction								
Strategic Prioritization Program	\$2,184,552,414	-	-	101,883,000	-	101,883,000	2,286,435,414	-
Intrastate System	-	-	-	-	-	-	-	-
Urban Loop System	-	-	-	-	-	-	-	-
Secondary Roads	-	-	-	-	-	-	-	-
Total Construction	2,184,552,414	-	-	101,883,000	-	101,883,000	2,286,435,414	-
State Aid to Municipalities	-	-	-	-	-	-	-	-
Bonds								
Bond Redemption	80,405,000	-	-	-	-	-	80,405,000	-
Bond Interest	41,031,275	-	-	-	-	-	41,031,275	-
Total Bonds	121,436,275	-	-	-	-	-	121,436,275	-
NC Turnpike Authority	49,000,000	-	-	-	-	-	49,000,000	-
Transfer to Ports	45,000,000	-	-	-	-	-	45,000,000	-
Other State Agencies	-	-	-	371,000	-	371,000	371,000	-
Transfer to Visitor's Centers	640,000	-	-	-	-	-	640,000	-
Uncommitted Trust Fund Admin	495,578	-	-	-	-	-	495,578	-
Total Highway Trust Fund	2,445,746,000	-	-	102,254,000	-	102,254,000	2,548,000,000	-

Table 8: Summary of General Fund Base Budget Adjustments, 2025-26

Budget Code	Function	2023-24 Actual	2024-25 Authorized	Base Budget Requirements	Base Budget Receipts	Base Budget	\$ Change from 2024-25 Auth	% Change from 2024-25 Auth	Base Budget Positions
Education									
13510	Public Instruction - General Fund	\$ 11,370,297,434	\$ 11,952,263,781	\$ 14,371,756,376	\$ 2,440,462,977	\$ 11,931,293,399	\$ (20,970,382)	(0.18) %	1,112,752
16800	NC Community College System - General Fund	\$ 1,424,165,806	\$ 1,582,147,873	\$ 1,961,916,208	\$ 379,955,931	\$ 1,581,960,277	\$ (187,596)	(0.01) %	239,000
160XX	University System	\$ 4,225,795,124	\$ 4,646,591,271	\$ 6,916,601,080	\$ 2,245,836,921	\$ 4,670,764,159	\$ 24,172,888	0.52 %	37,433,147
Total Education		\$ 17,020,258,364	\$ 18,181,002,925	\$ 23,250,273,664	\$ 5,066,255,829	\$ 18,184,017,835	\$ 3,014,910	0.02 %	38,784,899
General Government									
11000	General Assembly - General Fund	\$ 99,688,570	\$ 99,628,540	\$ 100,189,540	\$ 561,000	\$ 99,628,540	\$ -	0.00 %	604,060
13000	Governor's Office - General Fund	\$ 6,366,146	\$ 11,780,255	\$ 12,920,549	\$ 1,140,294	\$ 11,780,255	\$ -	0.00 %	50,000
13005	State Budget and Management - General Fund	\$ 11,304,611	\$ 11,609,418	\$ 12,715,820	\$ 1,106,402	\$ 11,609,418	\$ -	0.00 %	75,000
13010	NC Housing Finance Agency - Home Match	\$ 10,660,000	\$ 10,660,000	\$ 10,660,000	\$ -	\$ 10,660,000	\$ -	0.00 %	0,000
13050	Military and Veterans Affairs	\$ 13,299,721	\$ 11,595,697	\$ 8,847,078	\$ -	\$ 8,847,078	\$ (2,748,619)	(23.70) %	85,900
13085	OSBM-Special Projects	\$ 40,100,000	\$ 10,550,000	\$ 10,300,000	\$ -	\$ 10,300,000	\$ (250,000)	(2.37) %	0,000
13100	Lieutenant Governor - General Fund	\$ 1,274,468	\$ 1,343,596	\$ 1,343,596	\$ -	\$ 1,343,596	\$ -	0.00 %	9,000
13200	Secretary of State - General Fund	\$ 18,362,507	\$ 19,218,602	\$ 19,556,352	\$ 362,750	\$ 19,193,602	\$ (25,000)	(0.13) %	182,750
13300	State Auditor - General Fund	\$ 15,130,948	\$ 19,230,380	\$ 26,596,249	\$ 7,365,869	\$ 19,230,380	\$ -	0.00 %	159,000
13410	State Treasurer - General Fund	\$ 116,631	\$ 209,074	\$ 79,195,112	\$ 78,986,038	\$ 209,074	\$ -	0.00 %	413,400
13412	State Treasurer - Transfer Retirement System	\$ 22,652,208	\$ 24,044,657	\$ 24,044,657	\$ -	\$ 24,044,657	\$ -	0.00 %	0,000
13900	Insurance - General Fund	\$ 47,079,796	\$ 55,428,175	\$ 71,233,505	\$ 11,971,146	\$ 59,262,359	\$ 3,834,184	6.92 %	445,458
13902	Industrial Commission	\$ 3,777,738	\$ 7,777,513	\$ 18,471,704	\$ 4,357,425	\$ 14,114,279	\$ 10,336,766	273.64 %	141,700
14100	Administration - General Fund	\$ 65,218,938	\$ 67,411,405	\$ 78,827,446	\$ 11,416,041	\$ 67,411,405	\$ -	0.00 %	374,983
14111	Office of State Human Resources - General Fund	\$ 10,878,807	\$ 11,169,533	\$ 12,022,809	\$ 100,888	\$ 11,921,921	\$ 752,388	6.74 %	59,800
14160	State Controller - General Fund	\$ 35,071,072	\$ 35,979,329	\$ 37,109,798	\$ 1,130,469	\$ 35,979,329	\$ -	0.00 %	196,000
14660	Information Technology	\$ 81,238,768	\$ 79,330,631	\$ 76,806,553	\$ 475,922	\$ 76,330,631	\$ (3,000,000)	(3.78) %	135,750
14700	Revenue - General	\$ 117,198,821	\$ 120,796,379	\$ 193,746,894	\$ 72,934,239	\$ 120,812,655	\$ 16,276	0.01 %	1,452,386
18025	State Board of Elections - General	\$ 11,752,859	\$ 9,747,327	\$ 9,849,327	\$ 102,000	\$ 9,747,327	\$ -	0.00 %	65,000
18210	Office of Administrative Hearings	\$ 6,916,010	\$ 8,454,164	\$ 9,770,183	\$ 1,521,520	\$ 8,248,663	\$ (205,501)	(2.43) %	58,790
Total General Government		\$ 618,088,619	\$ 611,964,675	\$ 814,207,172	\$ 193,532,003	\$ 620,675,169	\$ 8,710,494	1.42 %	4,508,977
Health and Human Services									
14410	DHHS - Central Management and Support	\$ 213,527,313	\$ 224,086,403	\$ 386,789,352	\$ 171,031,163	\$ 215,758,189	\$ (8,328,214)	(3.72) %	1,025,500
14411	DHHS - Aging and Adult Services	\$ 53,413,466	\$ 53,613,965	\$ 163,808,680	\$ 111,082,482	\$ 52,726,198	\$ (887,767)	(1.66) %	80,000
14420	DHHS - Child Development and Early Education	\$ 235,792,916	\$ 340,335,666	\$ 932,502,679	\$ 638,489,749	\$ 294,012,930	\$ (46,322,736)	(13.61) %	349,000
14430	DHHS - Public Health	\$ 123,668,978	\$ 138,079,616	\$ 505,158,669	\$ 365,995,851	\$ 139,162,818	\$ 1,083,202	0.78 %	1,237,535
14435	Division of Child and Family Well Being	\$ 57,157,165	\$ 60,435,435	\$ 588,249,295	\$ 529,776,108	\$ 58,473,187	\$ (1,962,248)	(3.25) %	871,725
14440	DHHS - Social Services - General	\$ 251,275,662	\$ 238,890,127	\$ 2,233,805,158	\$ 1,996,907,896	\$ 236,897,262	\$ (1,992,865)	(0.83) %	372,000
14445	DHHS - Medical Assistance - General Fund	\$ 5,468,403,219	\$ 6,164,964,536	\$ 30,796,933,536	\$ 24,830,792,815	\$ 5,966,140,721	\$ (198,823,815)	(3.23) %	446,000
14450	DHHS - Services for the Blind/Deaf/Hard of Hearing	\$ 7,334,947	\$ 9,424,374	\$ 47,418,257	\$ 37,993,401	\$ 9,424,856	\$ 482	0.01 %	339,500
14460	DHHS - Mental Health/Developmental	\$ 808,217,493	\$ 847,899,836	\$ 1,836,974,082	\$ 994,893,697	\$ 842,080,385	\$ (5,819,451)	(0.69) %	10,685,644
14470	DHHS - Health Services Regulation	\$ 20,979,251	\$ 25,847,895	\$ 83,682,067	\$ 57,834,172	\$ 25,847,895	\$ -	0.00 %	585,500
14480	DHHS - Vocational Rehabilitation Services	\$ 42,410,434	\$ 43,965,741	\$ 190,289,974	\$ 146,712,229	\$ 43,577,745	\$ (387,996)	(0.88) %	978,000
Total Health and Human Services		\$ 7,282,180,845	\$ 8,147,543,594	\$ 37,765,611,749	\$ 29,881,509,563	\$ 7,884,102,186	\$ (263,441,408)	(3.23) %	16,970,404
Justice and Public Safety									
12000	Judicial - AOC - General Fund	\$ 752,642,693	\$ 790,733,404	\$ 793,702,159	\$ 1,209,807	\$ 792,492,352	\$ 1,758,948	0.22 %	6,600,450
12001	Judicial - AOC - Indigent Defense Services	\$ 150,609,380	\$ 167,698,712	\$ 174,952,913	\$ 13,994,851	\$ 160,958,062	\$ (6,740,650)	(4.02) %	733,000
13600	Justice - General Fund	\$ 65,551,905	\$ 66,782,597	\$ 117,269,701	\$ 50,114,998	\$ 67,154,703	\$ 372,106	0.56 %	857,500
14550	Public Safety - General Fund	\$ 671,874,973	\$ 637,765,987	\$ 839,711,970	\$ 194,619,487	\$ 645,092,483	\$ 7,326,496	1.15 %	5,208,424
15010	Adult Correction - General Fund	\$ 1,973,919,369	\$ 2,034,385,141	\$ 2,060,995,456	\$ 21,455,170	\$ 2,039,540,286	\$ 5,155,145	0.25 %	18,571,225
15020	State Bureau of Investigation General Fund	\$ 11,583,319	\$ 119,908,610	\$ 111,570,533	\$ 21,167,968	\$ 90,402,565	\$ (29,506,045)	(24.61) %	489,000
Total Justice and Public Safety		\$ 3,626,181,641	\$ 3,817,274,451	\$ 4,098,202,732	\$ 302,562,281	\$ 3,795,640,451	\$ (21,634,000)	(0.57) %	32,459,599

Budget Code	Function	2023-24 Actual	2024-25 Authorized	Base Budget Requirements	Base Budget Receipts	Base Budget	\$ Change from 2024-25 Auth	% Change from 2024-25 Auth	Base Budget Positions
Natural and Economic Resources									
13700	Agriculture and Consumer Services - General Fund	\$ 170,220,837	\$ 181,712,657	\$ 265,579,628	\$ 93,169,654	\$ 172,409,974	\$ (9,302,683)	(5.12) %	1,816,021
13800	Labor - General Fund	\$ 25,031,006	\$ 26,385,251	\$ 44,749,287	\$ 19,106,870	\$ 25,642,417	\$ (742,834)	(2.82) %	370,670
14300	Environmental Quality - General Fund	\$ 105,375,985	\$ 909,646,512	\$ 317,953,982	\$ 208,577,988	\$ 109,375,994	\$ (800,270,518)	(87.98) %	1,164,522
14350	Wildlife Resources Commission - General Fund	\$ 18,209,216	\$ 16,738,524	\$ 102,060,301	\$ 85,200,340	\$ 16,859,961	\$ 121,437	0.73 %	699,000
14600	Commerce - General	\$ 14,446,910	\$ 20,264,453	\$ 83,537,340	\$ 63,272,887	\$ 20,264,453	\$ -	0.00 %	180,234
14601	Commerce - General State Aid	\$ 29,380,810	\$ 85,105,810	\$ 19,655,810	\$ -	\$ 19,655,810	\$ (65,450,000)	(76.90) %	0.000
14602	Commerce Economic Development	\$ 130,213,054	\$ 158,348,245	\$ 158,468,245	\$ 120,000	\$ 158,348,245	\$ -	0.00 %	0.000
14800	Natural and Cultural Resources - General Fund	\$ 286,979,649	\$ 281,382,958	\$ 334,739,213	\$ 56,396,562	\$ 278,342,651	\$ (3,040,307)	(1.08) %	2,112,949
Total Natural and Economic Resources		\$ 779,857,467	\$ 1,679,584,410	\$ 1,326,743,806	\$ 525,844,301	\$ 800,899,505	\$ (878,684,905)	(52.32) %	6,343,396
Reserves									
19XXX	Statewide Reserves	\$ -	\$ 42,206,909	\$ 691,472,711	\$ 649,265,711	\$ 42,206,909	\$ -	0.00 %	0.000
Total Reserves		\$ -	\$ 42,206,909	\$ 691,472,711	\$ 649,265,711	\$ 42,206,909	\$ -	0.00 %	0.000
Total General Fund Operating Budget		\$ 29,326,566,936	\$ 32,479,576,964	\$ 67,904,304,834	\$ 36,618,969,688	\$ 31,327,542,055	\$ (1,152,034,909)	(3.55) %	99,067,275

Table 9: Summary of General Fund Base Budget Adjustments, 2026-27

Budget Code	Function	2023-24 Actual	2024-25 Authorized	Base Budget Requirements	Base Budget Receipts	Base Budget	\$ Change from 2024-25 Auth	% Change from 2024-25 Auth	Base Budget Positions
Education									
13510	Public Instruction - General Fund	\$ 11,370,297,434	\$ 11,952,263,781	\$ 14,371,796,766	\$ 2,440,462,977	\$ 11,931,333,789	\$ (20,929,992)	(0.18) %	1,112,752
16800	NC Community College System - General Fund	\$ 1,424,165,806	\$ 1,582,147,873	\$ 1,961,916,208	\$ 379,955,931	\$ 1,581,960,277	\$ (187,596)	(0.01) %	239,000
160XX	University System	\$ 4,225,795,124	\$ 4,646,591,271	\$ 6,968,005,261	\$ 2,245,836,921	\$ 4,722,168,340	\$ 75,577,069	1.63 %	37,433,147
Total Education		\$ 17,020,258,364	\$ 18,181,002,925	\$ 23,301,718,235	\$ 5,066,255,829	\$ 18,235,462,406	\$ 54,459,481	0.30 %	38,784,899
General Government									
11000	General Assembly - General Fund	\$ 99,688,570	\$ 99,628,540	\$ 100,189,540	\$ 561,000	\$ 99,628,540	\$ -	0.00 %	604,060
13000	Governor's Office - General Fund	\$ 6,366,146	\$ 11,780,255	\$ 12,920,549	\$ 1,140,294	\$ 11,780,255	\$ -	0.00 %	50,000
13005	State Budget and Management - General Fund	\$ 11,304,611	\$ 11,609,418	\$ 12,715,820	\$ 1,106,402	\$ 11,609,418	\$ -	0.00 %	75,000
13010	NC Housing Finance Agency - Home Match	\$ 10,660,000	\$ 10,660,000	\$ 10,660,000	\$ -	\$ 10,660,000	\$ -	0.00 %	0,000
13050	Military and Veterans Affairs	\$ 13,299,721	\$ 11,595,697	\$ 8,848,500	\$ -	\$ 8,848,500	\$ (2,747,197)	(23.69) %	85,900
13085	OSBM-Special Projects	\$ 40,100,000	\$ 10,550,000	\$ 10,300,000	\$ -	\$ 10,300,000	\$ (250,000)	(2.37) %	0,000
13100	Lieutenant Governor - General Fund	\$ 1,274,468	\$ 1,343,596	\$ 1,343,596	\$ -	\$ 1,343,596	\$ -	0.00 %	9,000
13200	Secretary of State - General Fund	\$ 18,362,507	\$ 19,218,602	\$ 19,556,352	\$ 362,750	\$ 19,193,602	\$ (25,000)	(0.13) %	182,750
13300	State Auditor - General Fund	\$ 15,130,948	\$ 19,230,380	\$ 26,596,249	\$ 7,365,869	\$ 19,230,380	\$ -	0.00 %	159,000
13410	State Treasurer - General Fund	\$ 116,631	\$ 209,074	\$ 79,240,553	\$ 79,031,479	\$ 209,074	\$ -	0.00 %	413,400
13412	State Treasurer - Transfer Retirement System	\$ 22,652,208	\$ 24,044,657	\$ 24,044,657	\$ -	\$ 24,044,657	\$ -	0.00 %	0,000
13900	Insurance - General Fund	\$ 47,079,796	\$ 55,428,175	\$ 71,339,489	\$ 12,077,130	\$ 59,262,359	\$ 3,834,184	6.92 %	445,458
13902	Industrial Commission	\$ 3,777,738	\$ 18,471,704	\$ 18,371,704	\$ 4,357,425	\$ 14,114,279	\$ 10,336,766	273.64 %	141,700
14100	Administration - General Fund	\$ 65,218,938	\$ 67,411,405	\$ 78,827,446	\$ 11,416,041	\$ 67,411,405	\$ -	0.00 %	374,983
14111	Office of State Human Resources - General Fund	\$ 10,878,807	\$ 11,169,533	\$ 12,045,335	\$ 100,888	\$ 11,944,447	\$ 774,914	6.94 %	59,800
14160	State Controller - General Fund	\$ 35,071,072	\$ 35,979,329	\$ 37,109,798	\$ 1,130,469	\$ 35,979,329	\$ -	0.00 %	196,000
14660	Information Technology	\$ 81,238,768	\$ 79,330,631	\$ 76,806,553	\$ 475,922	\$ 76,330,631	\$ (3,000,000)	(3.78) %	135,750
14700	Revenue - General	\$ 117,198,821	\$ 120,796,379	\$ 193,798,002	\$ 72,963,537	\$ 120,834,465	\$ 38,086	0.03 %	1,452,386
18025	State Board of Elections - General	\$ 11,752,859	\$ 9,747,327	\$ 9,849,327	\$ 102,000	\$ 9,747,327	\$ -	0.00 %	65,000
18210	Office of Administrative Hearings	\$ 6,916,010	\$ 8,454,164	\$ 9,784,250	\$ 1,521,520	\$ 8,262,730	\$ (191,434)	(2.26) %	58,790
Total General Government		\$ 618,088,619	\$ 611,964,675	\$ 814,447,720	\$ 193,712,726	\$ 620,734,994	\$ 8,770,319	1.43 %	4,508,977
Health and Human Services									
14410	DHHS - Central Management and Support	\$ 213,527,313	\$ 224,086,403	\$ 386,842,525	\$ 171,067,199	\$ 215,775,326	\$ (8,311,077)	(3.71) %	1,025,500
14411	DHHS - Aging and Adult Services	\$ 53,413,466	\$ 53,613,965	\$ 163,808,680	\$ 111,082,482	\$ 52,726,198	\$ (887,767)	(1.66) %	80,000
14420	DHHS - Child Development and Early Education	\$ 235,792,916	\$ 340,335,666	\$ 932,502,679	\$ 638,489,749	\$ 294,012,930	\$ (46,322,736)	(13.61) %	349,000
14430	DHHS - Public Health	\$ 123,668,978	\$ 138,079,616	\$ 505,161,041	\$ 365,996,216	\$ 139,164,825	\$ 1,085,209	0.79 %	1,237,535
14435	Division of Child and Family Well Being	\$ 57,157,165	\$ 60,435,435	\$ 588,314,286	\$ 529,776,108	\$ 58,538,178	\$ (1,897,257)	(3.14) %	871,725
14440	DHHS - Social Services - General	\$ 251,275,662	\$ 238,890,127	\$ 2,233,808,071	\$ 1,996,909,353	\$ 236,898,718	\$ (1,991,409)	(0.83) %	372,000
14445	DHHS - Medical Assistance - General Fund	\$ 5,468,403,219	\$ 6,164,964,536	\$ 30,796,937,437	\$ 24,830,792,815	\$ 5,966,144,622	\$ (198,819,914)	(3.22) %	446,000
14450	DHHS - Services for the Blind/Deaf/Hard of Hearing	\$ 7,334,947	\$ 9,424,374	\$ 47,427,172	\$ 38,001,826	\$ 9,425,346	\$ 972	0.01 %	339,500
14460	DHHS - Mental Health/Developmental	\$ 808,217,493	\$ 847,899,836	\$ 1,836,974,082	\$ 994,893,697	\$ 842,080,385	\$ (5,819,451)	(0.69) %	10,685,644
14470	DHHS - Health Services Regulation	\$ 20,979,251	\$ 25,847,895	\$ 83,689,613	\$ 57,841,718	\$ 25,847,895	\$ -	0.00 %	585,500
14480	DHHS - Vocational Rehabilitation Services	\$ 42,410,434	\$ 43,965,741	\$ 190,326,361	\$ 146,737,025	\$ 43,589,336	\$ (376,405)	(0.86) %	978,000
Total Health and Human Services		\$ 7,282,180,845	\$ 8,147,543,594	\$ 37,765,791,947	\$ 29,881,588,188	\$ 7,884,203,759	\$ (263,339,835)	(3.23) %	16,970,404
Justice and Public Safety									
12000	Judicial - AOC - General Fund	\$ 752,642,693	\$ 790,733,404	\$ 793,702,159	\$ 1,209,807	\$ 792,492,352	\$ 1,758,948	0.22 %	6,600,450
12001	Judicial - AOC - Indigent Defense Services	\$ 150,609,380	\$ 167,698,712	\$ 174,971,287	\$ 13,994,851	\$ 160,976,436	\$ (6,722,276)	(4.01) %	733,000
13600	Justice - General Fund	\$ 65,551,905	\$ 66,782,597	\$ 117,276,679	\$ 50,114,998	\$ 67,161,681	\$ 379,084	0.57 %	857,500
14550	Public Safety - General Fund	\$ 671,874,973	\$ 637,765,987	\$ 839,941,191	\$ 194,619,487	\$ 645,321,704	\$ 7,555,717	1.18 %	5,208,424
15010	Adult Correction - General Fund	\$ 1,973,919,369	\$ 2,034,385,141	\$ 2,061,651,669	\$ 21,455,170	\$ 2,040,196,499	\$ 5,811,358	0.29 %	18,571,225
15020	State Bureau of Investigation General Fund	\$ 11,583,319	\$ 119,908,610	\$ 111,570,533	\$ 21,167,968	\$ 90,402,565	\$ (29,506,045)	(24.61) %	489,000
Total Justice and Public Safety		\$ 3,626,181,641	\$ 3,817,274,451	\$ 4,099,113,518	\$ 302,562,281	\$ 3,796,551,237	\$ (20,723,214)	(0.54) %	32,459,599

Budget Code	Function	2023-24 Actual	2024-25 Authorized	Base Budget Requirements	Base Budget Receipts	Base Budget	\$ Change from 2024-25 Auth	% Change from 2024-25 Auth	Base Budget Positions
Natural and Economic Resources									
13700	Agriculture and Consumer Services - General Fund	\$ 170,220,837	\$ 181,712,657	\$ 265,579,628	\$ 93,169,654	\$ 172,409,974	\$ (9,302,683)	(5.12) %	1,816,021
13800	Labor - General Fund	\$ 25,031,006	\$ 26,385,251	\$ 44,756,628	\$ 19,106,870	\$ 25,649,758	\$ (735,493)	(2.79) %	370,670
14300	Environmental Quality - General Fund	\$ 105,375,985	\$ 909,646,512	\$ 317,938,352	\$ 208,581,093	\$ 109,357,259	\$ (800,289,253)	(87.98) %	1,164,522
14350	Wildlife Resources Commission - General Fund	\$ 18,209,216	\$ 16,738,524	\$ 102,060,301	\$ 85,200,340	\$ 16,859,961	\$ 121,437	0.73 %	699,000
14600	Commerce - General	\$ 14,446,910	\$ 20,264,453	\$ 83,537,340	\$ 63,272,887	\$ 20,264,453	\$ -	0.00 %	180,234
14601	Commerce - General State Aid	\$ 29,380,810	\$ 85,105,810	\$ 19,655,810	\$ -	\$ 19,655,810	\$ (65,450,000)	(76.90) %	0.000
14602	Commerce Economic Development	\$ 130,213,054	\$ 158,348,245	\$ 158,468,245	\$ 120,000	\$ 158,348,245	\$ -	0.00 %	0.000
14800	Natural and Cultural Resources - General Fund	\$ 286,979,649	\$ 281,382,958	\$ 334,804,632	\$ 56,396,562	\$ 278,408,070	\$ (2,974,888)	(1.06) %	2,112,949
	Total Natural and Economic Resources	\$ 779,857,467	\$ 1,679,584,410	\$ 1,326,800,936	\$ 525,847,406	\$ 800,953,530	\$ (878,630,880)	(52.31) %	6,343,396
Reserves									
19XXX	Statewide Reserves	\$ -	\$ 42,206,909	\$ 691,472,620	\$ 649,265,711	\$ 42,206,909	\$ -	0.00 %	0.000
	Total Reserves	\$ -	\$ 42,206,909	\$ 691,420,620	\$ 649,265,711	\$ 42,206,909	\$ -	0.00 %	0.000
	Total General Fund Operating Budget	\$ 29,326,566,936	\$ 32,479,576,964	\$ 67,999,344,976	\$ 36,619,232,141	\$ 31,380,112,835	\$ (1,099,464,129)	(3.39) %	99,067,275

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Five-Year Budget Outlook Based on Governor Stein's Recommendations

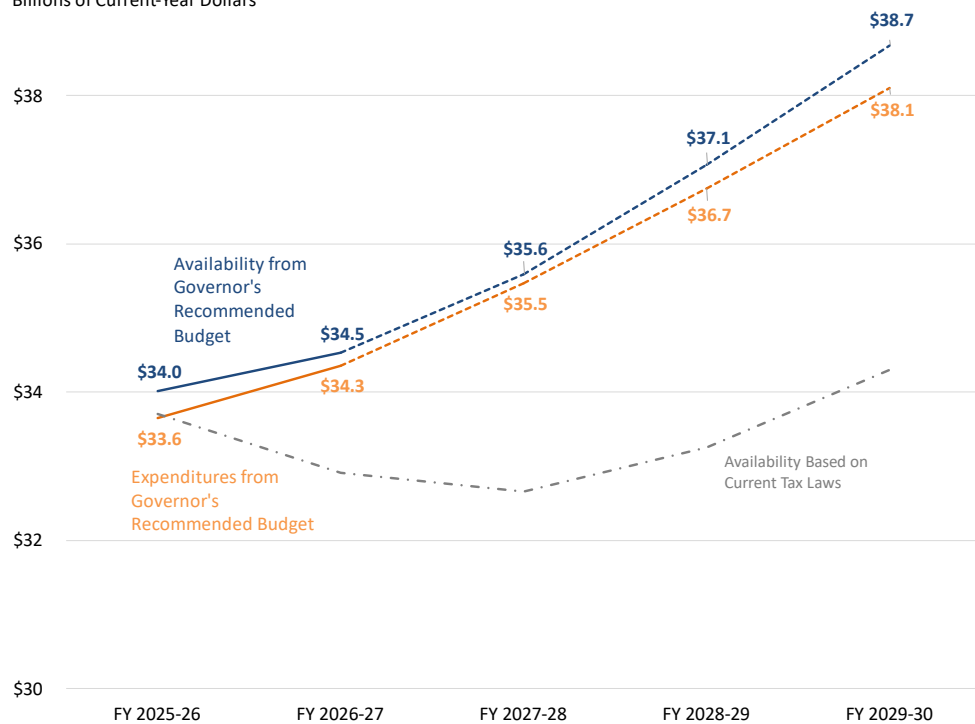
The following fiscal analysis presents a five-year forecast of revenues and expenditures for General Fund net appropriations pursuant to G.S. 143C-3-5(f)-6. The analysis includes Governor Stein's budget proposal and revenue recommendations, including maintaining the individual income tax rate at 4.25% and the corporate income tax rate at 2.25%.

Under current law and the consensus revenue forecast, the individual income tax rate will drop to 3.49% by 2027 and the corporate income tax rate will fall to 1% in 2028, reducing revenues by more than \$3.5 billion per year by FY 2027-28. Under the current tax law, including the income tax reductions that occur if revenues hit specific triggers,¹ revenues will be insufficient to sustain current services in the second half of this decade, assuming service costs rise with anticipated growth in population and inflation. Absent policies to increase state revenues, state policymakers may have few options other than making several billion dollars in reductions in expenditures to ensure a balanced budget.

Under Governor Stein's recommendation, as shown by the table and graph below, these projections show that availability will remain above expenditures throughout the five-year period.

General Fund Five -Year Revenue and Expenditure Forecast Based on Governor Stein's Recommended Budget

Billions of Current-Year Dollars



* Includes transfers to State Capital and Infrastructure Fund and Savings Reserve/Unfunded Liability Solvency Reserve per G.S. 143@-2.
Source: Governor's Recommended Budget; OSBM data and projections

¹ [Trigger statute](#)

Five-Year General Fund Forecast Based on Governor Stein's Budget Recommendations

(in millions)

	FY 2025-26 Proposed	FY 2026-27 Proposed	FY 2027-28 Estimate	FY 2028-29 Estimate	FY 2029-30 Estimate
Current Services Summary					
Revenue/Availability (Recommended)	34,013.2	34,533.5	35,583.9	37,066.0	38,672.3
Expenditures Base	31,327.5	31,380.1	34,218.2	35,465.8	36,750.2
Recommended New Expenditures	2,321.6	2,969.6	1,244.2	1,276.8	1,352.2
Expenditures Total	33,649.1	34,349.8	35,462.4	36,742.6	38,102.4
State Budget Surplus (+)/Shortfall (-)	364.1	183.7	121.5	323.3	569.9

The five-year forecast includes the following assumptions:²

- The first two years (FY 2025-26 and FY 2026-27) reflect the Governor's Recommended Budget as presented in this document.
- For the subsequent three fiscal years, OSBM used the following assumptions and growth factors using the Governor's FY 2026-27 Recommended Budget as the base:
 - Revenue is based on OSBM forecasts for tax and nontax revenue, which incorporate historical trends, economic forecasts, and revenue-law adjustments;
 - Availability also includes the effect of the statutory transfers to the State Capital and Infrastructure Fund (SCIF) per G.S. 143C-4-3-1 and the Savings Reserve and/or Unfunded Liability Solvency Reserve per G.S. 143C-4-2.
 - Enrollment in K-12 education is based on the State Demographer's projections for growth in the population age 5-18;
 - Community college and university enrollment growth uses 5-year historical average;
 - Medicaid enrollment growth employs a 5-year historical average growth in Consumer Price Index for Medical Care (CPI-Medical Care) to account for the fact that most medical services are now delivered in a managed-care setting; and
 - Agency budgets are adjusted for inflation and population growth based on a forecast of the Bureau of Economic Analysis's State and Local Government Consumption Chained Price Index combined with the State Demographer's 2024 vintage projections of NC population.
- For the "Availability Based on Current Tax Laws" line in the chart above, OSBM used the February 2025 Consensus revenue forecast through the end of the 2025-27 biennium and OSBM's February 2025 forecast for current-law revenues through FY 2029-30. The projections include the effect of the statutory transfers to the State Capital and Infrastructure Fund (SCIF) and the Savings Reserve and/or Unfunded Liability Solvency Reserve per G.S. 143C-4-2.

² Additional details and methodology are available from the Office of State Budget and Management.

Economic Outlook

Moderate Growth Expected Amid Policy Uncertainty

After surprisingly strong economic growth in 2024, the U.S. economy shows signs of moderation, with year-over-year real GDP growth at 2.5% in Q4 2024, down from 3.2% in Q4 2023.¹ This gradual cooling trend is expected to continue into 2025, with growth ultimately stabilizing near its long-run trend.

North Carolina's economy has mirrored these national patterns but with slightly faster growth in wages and consumer spending through 2024. NC wage growth is expected to cool in 2025 and 2026 and align more closely with national wage growth. Consumer spending is also expected to slow down in 2025 as households adjust expenditures in response to persistent price pressures.

Evidence suggests that recent and planned tariff increases could elevate short-term inflation while weakening economic growth in the medium-to-long term.² The post-pandemic economic recovery benefited from increased immigration, which expanded the labor force and contributed to economic growth.³ Anticipated changes to immigration policy could decrease net immigration by up to half.⁴ This reduction, combined with an aging population and increasing retirement rates, will lead to a significant deceleration in the growth of the state's labor force.

The Trump administration has pursued significant reductions in the federal workforce, contracts, and grants thus far. The House and Senate have also enacted budget resolutions calling for federal spending reductions of as much as \$2 trillion in the House resolution. Based on modeling of the 2013 federal spending reductions through sequestration, significant spending reductions could have a direct negative impact on short- and long-run economic growth.⁵ These federal cuts will affect the North Carolina economy to the extent they impact the federal workforce located in the state and funding for grants and contracts in North Carolina.

The House budget resolution also allows for an increase in federal budget deficits of up to \$2.8 trillion⁶ over the next ten years (\$3.4-\$4 trillion including interest costs) to extend expiring federal tax cuts and potentially adopt new tax cuts. While tax cuts would have a positive impact on businesses and consumer spending, increases in the federal deficit could put upward pressure on federal long-term borrowing costs, increasing interest rates for businesses and consumers and constraining economic activity and investment.

Helene Impacts

Hurricane Helene struck western North Carolina on September 27, 2024, causing an estimated \$59.6 billion in total damage and needs (\$44.4B direct, \$15.2B indirect and mitigation). Recovery costs include \$15.4 billion needed for housing repairs, temporary housing, and replacing personal property, with an estimated 74,000 homes damaged, and \$17.3 billion to repair transportation and utilities infrastructure. Major impacts also include \$15.9 billion in lost business revenue and structural damage to businesses

¹ U.S. Bureau of Economic Analysis, Real Gross Domestic Product, retrieved from FRED, Jan 30, 2025. [Release](#)

² Barbiero, Omar, and Hillary Stein. "The Impact of Tariffs on Inflation." Current Policy Perspectives, Federal Reserve Bank of Boston, 2025. [Link](#)

³ Federal Reserve Bank of Dallas, "Unprecedented U.S. Immigration Surge Boosts Job Growth, Output", [July, 2024](#)

⁴ Brookings Institution, "Immigration and the Macroeconomy in the Second Trump Administration", [December 2024](#)

⁵ Bipartisan Policy Center. "What is the Impact of the Defense Sequester on the Economy." [December 2013](#).

and nonprofits, with tourism seeing a sharp short-term decline, and \$4.9 billion impact to agriculture. Additionally, unemployment in December 2024 rose to as high as 7.3% in Helene-affected counties.⁶ Explore Asheville estimates local businesses in Asheville and Buncombe County lost \$585 million in visitor spending during the fourth quarter of 2024.⁷

In addition to substantial financial needs that remain unmet, the recovery will be prolonged due to unique challenges associated with the area's mountainous terrain and communities remaining isolated due to destroyed transportation infrastructure.

Hurricane Helene will continue to impact North Carolina's economy over the biennium and beyond. While lost tourism and business closures are likely to weigh heavily on economic recovery, rebuilding efforts will support economic activity and bolster business revenue and employment in western North Carolina.

Inflation, Tariffs, and Interest Rates

Inflation has decelerated significantly from its post-pandemic peak, with the Consumer Price Index (CPI) falling from just over 9% year-over-year in June 2022 to 3.0% year-over-year in January 2025. However, inflation progress towards the Federal Reserve's 2% target has stalled after falling steadily from mid-2022 through September 2024. Instead, price growth has accelerated modestly in recent months, with a 0.6 percentage point increase in the Consumer Price Index from September 2024 to January 2025. This indicates a possible reversal in the trend or at least a longer timeline than expected to reach the 2% target.⁸

Federal tariff policy is likely to continue to evolve through the biennium and will significantly affect the path of inflation. As of the first week of March, tariffs in effect and imminent include a total 20% tariff on imports from China, tariffs up to 25% on most imports from Canada and Mexico, with temporary exemptions for goods that satisfy USMCA requirements, and 25% tariffs on steel and aluminum scheduled to start on March 12.⁹ Although tariffs will likely increase through the biennium, the policy details and magnitude of the economic impact are unknown and depend on future policy decisions around tariff rates, affected products and countries, and how consumers, businesses, and other countries respond. Economists expect that higher effective tariff rates are likely to exert upward pressure on prices and decrease economic growth as price increases suppress or delay consumer spending and business investment. North Carolina imports constitute a larger share of state GDP than in many other states, meaning higher tariff rates are likely to disproportionately impact the state, along with other states in the Midwest and South.¹⁰

The federal funds rate, the interest rate controlled by the Federal Reserve's Federal Open Market Committee (FOMC), has also declined from its post-pandemic peak as part of the FOMC's response to high inflation and unsustainably low unemployment. Since September 2024, the FOMC has lowered the

⁶ NC Commerce, "Why a Regional Recovery Is So Critical to Local Recovery Efforts: How Commuting Shapes the Labor Market in Western NC", [February 2025](#)

⁷ Explore Asheville. "Buncombe County and WNC's Recovery and Revival Take Center Stage at Explore Asheville's Year Ahead Event." February 18, 2025. [Link](#)

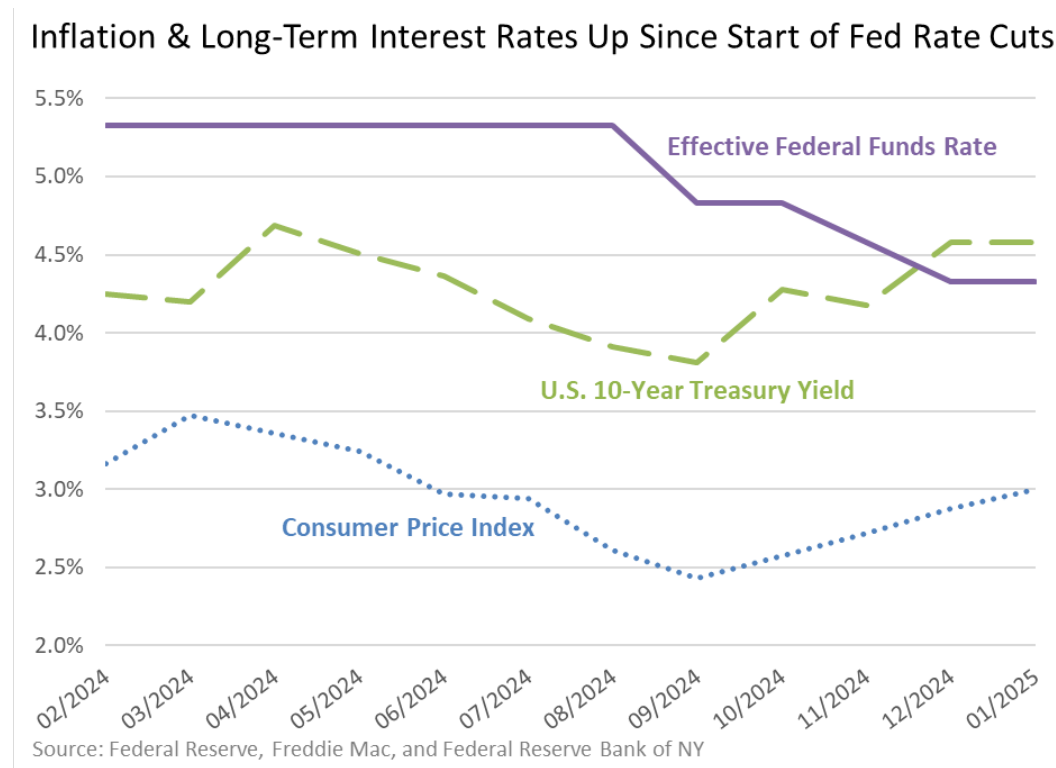
⁸ U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers. Feb 12, 2025 [Release](#)

⁹ Max Zahn. "A timeline of Trump's tariffs on Canada, Mexico and China." ABC News. March 6, 2025. [Link](#)

¹⁰ [Tariffs, Trade, China, and the States \(Tax Policy Center\)](#)

federal funds rate by a full percentage point, from a target range of 5.25%-5.50% to 4.25%-4.50% in January 2025.

Reducing the federal funds rate generally leads to falling short- and long-term interest rates and loosening financial conditions. However, as shown in the chart below, longer-term interest rates (US 10-year Treasury yield) have risen since September 2024 despite cuts to the federal funds rate, reflecting an elevated risk of accelerating inflation, higher-than-expected GDP growth, and broader economic and policy uncertainty.



Economic Diversification: From Textiles to Clean Technology

Over the past 75 years, North Carolina's economic story is one of significant transformation and resilience. For much of the 20th century, the state's key industries included tobacco farming, textile mills, and furniture production, with much of this activity clustered in and around the boomtown cities of Greensboro, High Point, Winston-Salem, and Hickory. However, technological advancements in production and competition from overseas markets to produce textiles and furniture caused dramatic declines in demand for many traditional North Carolina-produced products. Furthermore, changes in consumer habits and government regulation for tobacco further strained tobacco farms and producers throughout the state. Despite these challenges, this economic base laid the foundation for the state to transition toward a more diverse, technology-driven economy.

Although North Carolina ranks 13th among all states in manufacturing's share of the state, most North Carolina workers work in service industries economy. The state's Department of Commerce projects that the state's long-term shift toward employment in services is likely to continue into the next decade.

Nevertheless, North Carolina's economic leadership in areas such as clean energy, advanced textiles, heavy-duty vehicles, and biotechnology will play an important role in driving future economic growth.

Despite uncertainties regarding federal incentives for business and infrastructure investment, most manufacturers with projects in the state tied to those incentives have indicated that they intend to continue moving forward with billions in new investments in aerospace, battery manufacturing, information technology, pharmaceuticals, and other advanced manufacturing industries.¹¹ These planned investments suggest these industries will contribute to the state's economic growth throughout the next biennium and well into the future.

Most New Jobs Through 2032 in Services Industries

Projected NC Employment Growth, 2022-2032



Source: NC Department of Commerce, Labor and Economic Analysis Division

Uncertainty and Risks to the Economic Forecast

Several factors contribute to a high degree of uncertainty around the economic forecast for the U.S. and North Carolina. Federal policy decisions discussed earlier in this outlook, including changes to trade and immigration policy, have the potential to significantly impact inflation, financial conditions, the labor market, and economic growth. Reductions in the flow of federal funding tied to business investments that are important to North Carolina's economy may also affect state economic growth and labor and indirectly affect state tax revenue. Additionally, higher-than-expected economic growth increasingly depends on the top 10% of earners, fueled by rising stock market valuations and home values. These consumers currently account for nearly half of all spending nationwide, which is the highest share since 1989.¹² Because this spending is not broad-based, declines in equity prices, home values, or sentiment among top earners could significantly weaken consumer spending and economic growth.

Other risks to the economic outlook include the potential for:

- Geopolitical conflict, including the possibility of a trade war with major trading partners, which may affect supply-chain stability and create upward pressure on prices,
- Heightened risk of and vulnerability to extreme weather events, and
- Rising long-term interest rates related to increasing government borrowing and heightened concern around the growth in federal deficits, which have consistently increased since 2001.

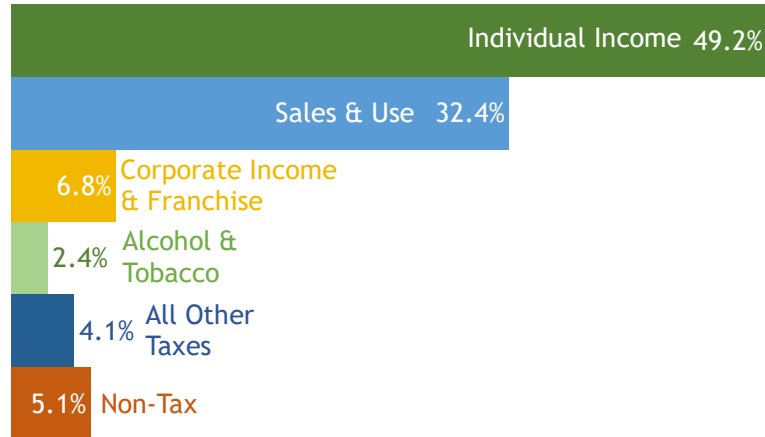
¹¹ North Carolina Department of Commerce, 2024. *North Carolina's Progress on Clean Energy: Governor Cooper Celebrates Over 20,000 New Clean Energy Jobs and More than \$24 Billion in Industry Investments*. December 13, 2024; North Carolina Department of Commerce, 2024. *A Stronger Economy for North Carolina: Governor Cooper Celebrates North Carolina's Strong Workforce and 640,000 New Jobs During His Administration*. December 12, 2024; Axios, 2025. *Apple's \$500B U.S. expansion plans include North Carolina*. February 24, 2025.

¹² [U.S. Economy Being Powered by the Richest 10% of Americans - WSJ](#)

General Fund Revenue Forecast

More than 80% of General Fund revenues are derived from the individual income tax and the sales and use tax. Other important sources of revenue include corporate income and franchise taxes, taxes on insurance premiums, excise taxes on alcohol and tobacco products, and revenue from nontax sources, such as judicial fees and earnings from investing state funds.

Individual Income & Sales Taxes Comprise Vast Majority of Own - Source General Fund Revenue



Actual FY 2023-24 General Fund Revenues

Consensus Revenue

OSBM and the General Assembly's Fiscal Research Division issued a revised consensus revenue forecast for FY 2024-25 and an initial consensus forecast for the 2025-2027 biennium on February 14, 2025.

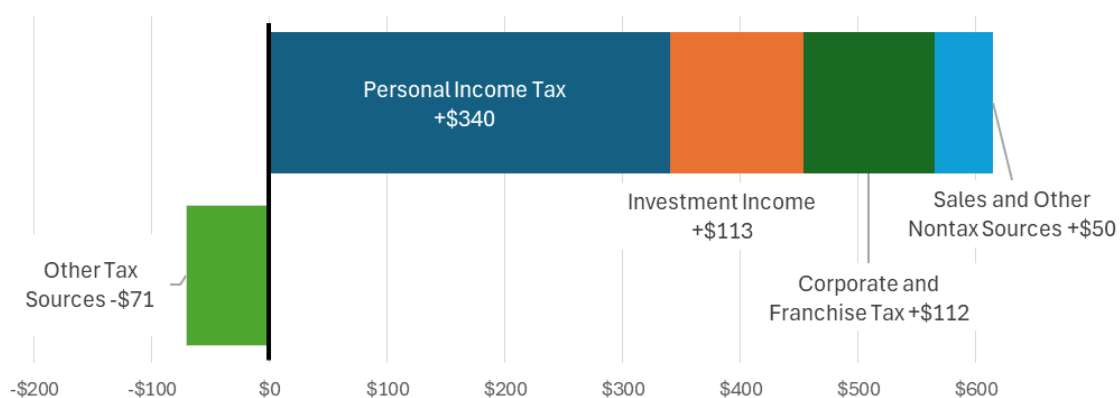
Current Year Revenue (FY 2024-25)

Total revised forecast projects net General Fund revenue of \$34.71 billion in FY 2024-25, an upward revision of \$544 million (1.6%) from certified revenues and a 3.0% increase over FY 2023-24 revenues.

As shown in the chart below, higher-than-expected revenue from personal income tax, corporate income and franchise taxes, and investment income account for most of FY 2024-25 overcollections, supported by strong wage and profit growth, high asset values, and persistently elevated interest rates. Smaller adjustments to sales and other tax and nontax sources, based on actual collections through the first half of the fiscal year and anticipated trends, comprise the remainder of the revision.

Individual Income Tax Accounts for Most of FY 2024-25 Overcollections

FY 2024-25 Revised Consensus Forecast Compared to Budgeted Revenues (Millions)



Outlook for the Next Biennium (2025-27)

For the 2025-27 biennium, the consensus forecast anticipates net General Fund revenue of \$34.89 billion in FY 2025-26 and \$34.07 billion in FY 2026-27, showing minimal growth of 0.5% and a decrease of 2.4%, respectively. Adjusted for the Governor's recommended revenue changes and technical adjustments,¹ anticipated revenue is \$34.78 billion in the first year of the biennium (a negligible year-over-year increase of \$72 million, only 0.2%), followed by \$35.45 billion in the second year (a \$666 million, or 1.9%, increase). The growth in the first year of the biennium is due to higher sales tax (+\$502 million) and insurance premium tax collections (+\$89 million) that are mostly offset by a decline in individual income tax collections (-\$262 million) and investment income (-\$168 million). In the second year of the biennium, growth in individual income (+\$549 million) and sales tax collections (+\$312 million) account for virtually all of the year-over-year growth in total revenue collections.

The economic forecast underlying the revenue forecast assumes that the strong economic growth in 2024 will persist through much of 2025, with gradual slowing toward the U.S. economy's long-term trend growth of roughly 2% through the end of the biennium. See the Economic Outlook section for additional details regarding the economic forecast and associated risks and uncertainty.

Recommended Revenue Changes

Maintain Individual Income Tax Rate at 4.25%

The Governor recommends maintaining the income tax rate at 4.25% and repealing the rate-reduction triggers. This change would raise General Fund revenues by \$386 million in FY 2025-26 and \$1.8 billion in FY 2026-27 compared to current law. Current law includes a reduction to 3.99% in 2026 and a further reduction to 3.49% in 2027 due to FY 2025-26 revenue collections exceeding the level necessary to trigger a 0.5% income tax rate reduction in 2027. At 4.25%, North Carolina's individual income tax rate would remain the lowest among all states in the South Atlantic region with an income tax. Freezing the tax rate as-is would allow North Carolina to remain competitive among our neighbors while also investing in what makes our state an appealing place to live.

Maintain Corporate Income Tax Rate at 2.25%

The Governor also recommends keeping the corporate tax rate at 2.25%. This would raise revenues, compared to current law, by \$68 million in FY 2025-26 and \$166 million in FY 2026-27. North Carolina already has the lowest corporate income tax rate in the country among the 44 states with a corporate income tax. Decreasing the rate further would mostly reduce the tax liability of large, multinational corporations and benefit out-of-state shareholders. Making these tax changes would allow the state to continue to invest in education, health care, public safety, and other needed programs in line with our population growth.

Working Families Tax Credit

The Governor recommends adopting a Working Families Tax Credit that is equal to 20% of the federal Earned Income Tax Credit (EITC). The tax credit is refundable and varies by earned income, number of children, and marital status. An estimated 686,000 working individuals and families (roughly one in six households) would benefit from this policy, with an average benefit of approximately \$419. The

¹ Technical adjustments include an adjustment to the treatment of the gross premiums tax offset for Medicaid expansion financing and an adjustment to the Department of Insurance transfer for nontax revenues (+\$51.1 million in FY 2025-26 and +\$25.6 million in FY 2026-27).

Working Families Tax Credit would reduce revenues by \$427 million in FY 2025-26 and \$426 million in FY 2026-27.

Child and Dependent Care Tax Credit

The Governor also recommends adopting a state child and dependent care credit (CDCTC) equal to 50% of the federal credit. The CDCTC is refundable and partially reimburses eligible child and dependent care expenses. The CDCTC would benefit approximately 214,000 families—nearly one in five families with children under 18—with an average of \$303 per family. The CDCTC would reduce revenues by \$59 million in FY 2025-26 and \$60 million in FY 2026-27.

Convert Child Deduction to Child Tax Credit

The Governor recommends converting the state child tax deduction to a refundable child tax credit (CTC), allowing more low-income families to benefit from the policy. The recommended CTC is equal to 5% of the current deduction and starts at \$150 per child for low-income families and phases down to \$25 per child for upper-middle-income families. Converting the child deduction to a refundable credit would extend benefits to an additional 193,000 lower-income families that do not benefit from the current child deduction. In total, approximately 884,000 families would receive this credit. The refundable CTC would reduce revenues by \$23 million in both FY 2025-26 and FY 2026-27.

Back-to-School Sales Tax Holiday

The Governor recommends re-establishing a “back-to-school” sales tax holiday. The policy provides a sales tax exemption on school supplies, clothing, computers, and computer supplies below per-item limits over three days during the first weekend in August. The sales tax holiday recommendation holds local governments harmless for lost revenue and would cost \$29 million in FY 2025-26 and \$30 million in FY 2026-27.

Technical Adjustment to Insurance Premiums Tax Offset for Medicaid Expansion

Under current law (SL 2023-7), 60% of insurance premiums tax attributable to prepaid health plans (PHPs) for Medicaid expansion enrollees is included in General Fund revenues and appropriated to the Division of Health Benefits (DHB). The Governor recommends a technical adjustment to transfer this revenue directly to a special fund for DHB rather than relying on an annual appropriation. This change appears as a \$78 million reduction in General Fund revenue in FY 2025-26 and a \$76 million reduction in FY 2026-27, but this change does not alter the Medicaid expansion financing arrangement specified in SL 2023-7.

Recommended Revenue Changes	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Maintain Individual Income Tax Rate at 4.25%	\$386.3	\$1,801.8	\$3,275.4	\$3,442.1	\$3,586.6
Maintain Corporate Income Tax Rate at 2.25%	\$68.4	\$166.2	\$268.4	\$998.3	\$1,145.4
Child and Dependent Care Tax Credit	-\$59.0	-\$60.3	-\$61.9	-\$63.1	-\$64.4
Convert Child Deduction to Refundable Tax Credit	-\$23.0	-\$23.0	-\$22.9	-\$23.1	-\$23.2
Working Families Tax Credit	-\$426.8	-\$425.8	-\$434.3	-\$444.6	-\$457.4
Back-to-School Sales Tax Holiday	-\$29.0	-\$30.0	-\$31.0	-\$32.1	-\$33.4
Technical Adjustment: PHP Gross Tax Revenue Offset	-\$78.0	-\$75.6	-\$62.2	-\$84.7	-\$87.9
Total	-\$161.1	\$1,353.3	\$2,931.5	\$3,792.8	\$4,065.8
<i>Individual Income Tax</i>	<i>-\$122.5</i>	<i>\$1,292.7</i>	<i>\$2,756.4</i>	<i>\$2,911.3</i>	<i>\$3,041.6</i>
<i>Corporate Income Tax</i>	<i>\$68.4</i>	<i>\$166.2</i>	<i>\$268.4</i>	<i>\$998.3</i>	<i>\$1,145.4</i>
<i>Other Tax</i>	<i>-\$107.0</i>	<i>-\$105.6</i>	<i>-\$93.2</i>	<i>-\$116.8</i>	<i>-\$121.3</i>

General Fund Revenue by Fiscal Year: Recent History and Forecast With Governor's Recommended Changes
(In Millions)

	2021-22	2022-23	2023-24	2024-25		2025-26	%	2026-27	%
	Actual	Actual	Actual	Budget	Revised	Budget	Change	Budget	Change
Tax Revenue									
Individual Income	17,567.6	16,762.5	16,562.9	16,779.1	17,119.0	16,857.5	-1.5%	17,406.7	3.3%
Sales and Use	10,200.7	10,801.2	10,905.8	11,036.4	11,052.0	11,553.5	4.5%	11,865.2	2.7%
Corporate Income	1,625.8	1,635.0	1,552.2	1,578.1	1,641.2	1,552.0	-5.4%	1,506.3	-2.9%
Franchise	888.3	848.0	741.4	744.3	793.4	785.8	-1.0%	809.7	3.0%
Insurance Premium	972.3	1,148.1	1,200.2	1,366.9	1,336.0	1,425.3	6.7%	1,340.0	-6.0%
Alcoholic Beverage	521.2	544.7	547.9	590.6	550.3	560.0	1.8%	572.7	2.3%
Sports Wagering	0.0	0.0	16.9	58.2	57.7	68.1	18.0%	78.3	15.0%
Privilege License	38.4	39.1	48.8	35.6	43.5	44.8	3.0%	47.0	4.9%
Tobacco Products	251.6	268.9	261.6	258.0	249.4	245.4	-1.6%	240.9	-1.8%
Real Estate Conveyance	152.8	119.2	104.5	109.2	111.4	117.7	5.7%	125.4	6.5%
White Goods Disposal	3.9	4.0	4.5	4.5	4.2	4.6	9.5%	4.8	4.3%
Scrap Tire Disposal	7.5	8.5	8.8	9.4	9.2	9.5	3.3%	9.8	3.2%
Mill Machinery	1.3	0.0	0.0	0.0	0.0	0.0	n.a.	0.0	n.a.
Solid Waste Disposal	3.0	3.2	3.1	3.4	3.3	3.2	-3.0%	3.3	3.1%
Other Tax	0.6	0.6	0.3	0.3	0.3	0.3	0.0%	0.3	0.0%
Total Tax Revenue	32,235.0	32,182.9	31,959.0	32,574.0	32,970.9	33,227.7	0.8%	34,010.4	2.4%
Nontax Revenue									
Investment Income	59.9	480.2	858.2	736.3	849.4	681.9	-19.7%	594.1	-12.9%
Judicial Fees	207.6	214.5	213.2	198.2	210.3	207.4	-1.4%	204.6	-1.4%
Insurance	110.8	86.7	114.6	116.7	119.7	124.0	3.6%	126.9	2.3%
Disproportionate Share	167.4	161.5	164.5	159.5	169.8	107.7	-36.6%	109.0	1.2%
Master Settlement Agreement	176.9	139.1	114.7	112.0	112.0	105.1	-6.2%	102.0	-2.9%
Other Nontax	251.1	270.4	269.5	267.6	276.1	326.0	18.1%	299.0	-8.3%
Total Nontax Revenue	973.7	1,352.5	1,734.8	1,590.3	1,737.3	1,552.1	-10.7%	1,435.6	-7.5%
Total General Fund Revenue	33,208.7	33,535.4	33,693.8	34,164.3	34,708.2	34,779.7	0.2%	35,446.0	1.9%

Totals may differ from the sum of their parts due to rounding.

Highway Fund and Highway Trust Fund Revenue Forecast

The largest revenue sources for the Highway Fund and Highway Trust Fund, which make up almost two-thirds of total transportation revenues, are the state motor fuels excise tax (43%) and the highway use tax (21%). The highway use tax functions like sales tax on new and used vehicles sold in or transferred to the state. Both funds also receive revenues from Division of Motor Vehicle (DMV) licenses and fees, interest earned on investments of the funds' cash balances, and a transfer of a portion of the state's sales and use tax collections. In July 2025, the state will also begin levying an additional excise tax on on-demand ride-hailing services; the tax rates are 1% for shared ride services and 1.5% for exclusive ride services.

Current Year Revenue

The revised consensus forecast for FY 2024-25 anticipates total Highway Fund and Highway Trust Fund revenue at \$5.71 billion (9.2% above FY 2023-24). The consensus has Highway Fund revenues finishing this fiscal year at \$3.28 billion, 8.0% above FY 2023-24 revenues and \$5 million (+0.2%) above budget. Highway Trust Fund revenues are expected to total \$2.43 billion, 10.8% above FY 2023-24. This is \$38 million (-1.5%) below budget primarily due to lower-than-expected highway use tax collections from vehicle sales.

Total Highway Fund revenue has grown considerably from FY 2023-24 to FY 2024-25 due primarily to higher DMV revenue from the quadrennial inflation adjustment for DMV fees required by SL 2015-241 and the increase in the transfer of sales tax collections from the General Fund from 4% in FY 2023-24 to 6% in the current fiscal year and future years. The Highway Trust Fund receives 75% of the total sales tax transfer, and the Highway Fund receives the remaining 25%. In FY 2024-25, the consensus forecasts a total of \$654 million in sales tax transfers, with an increase to \$686 million and \$708 million in the two subsequent fiscal years.

Revenue Outlook for 2025-27

The FY 2025-26 forecast projects small increases in motor fuel and highway short-term lease tax collections, an increase in the sales tax transfer, and a decline in investment income for the Highway Fund. The net result is an anticipated 0.8% increase in Highway Fund revenue. For FY 2026-27, further increases in motor fuel and short-term lease taxes, DMV fees, and the sales tax transfer result in an anticipated revenue increase of 1.2% over FY 2025-26.

Similar to the Highway Fund, total Highway Trust Fund revenue grew considerably in FY 2024-25 due primarily to higher DMV revenue from the quadrennial fee inflation adjustment and the increase in the sales tax transfer from 4% to 6%. The forecast projects a much more modest 2.5% growth for 2025-26, led by increases in expected collections from the highway use tax and the sales tax transfer. For FY 2026-27, a similar story emerges: increases in highway use, investment income, and General Fund transfers will lead to a projected 2.3% growth in collections over FY 2025-26.

Outlook and Risks for Vehicle Sales and Motor Fuel Consumption

In the near and medium term, the trajectory of new and used vehicle prices and sales volumes remains cautiously optimistic, and some leading industry groups are suggesting strong sales and prices cooling.¹ However, others highlight tariffs under consideration by the Trump administration, both direct and indirect (e.g., shifts in vehicle supply chains), could put upward pressure on new-vehicle prices. This, in

¹ Cox Automotive, 2025. *Cox Automotive's 2025 Outlook: Market Growth, Improving Affordability, and Higher Buyer Satisfaction Expected in Year Ahead*. January 6, 2025. [Link](#)

turn, could cause consumers to postpone new car purchases and push some new car buyers into the market for lower-cost used vehicles, raising prices for used vehicles.² According to S&P Global, if such a scenario of higher prices for both new and used vehicles were to occur, especially if combined with high borrowing costs, vehicle sales could fall significantly short of expectations.

In the long term, continued improvement in average fuel economy will weigh on revenue growth from motor fuel sales. The pace of that trend, however, remains uncertain. In 2024, the U.S. Environmental Protection Agency (EPA) announced new rules that limit the tailpipe greenhouse gas emissions across automakers' total vehicle fleets for all new vehicles sold starting in 2027.³ The Trump administration has signaled its intent to make those emissions standards and related U.S. Department of Transportation fuel efficiency standards less stringent,⁴ introducing uncertainty for automakers and potentially affecting the trajectory of average fuel economy and motor fuel consumption.

Despite federal policy changes, Cox Automotive, a prominent auto trade group, points to automakers moves reaffirming planned investments in more fuel-efficient and electric vehicles as a sign that average fuel economy will increase in the years ahead.⁵ Over the long term, fewer sales of fuel-inefficient gasoline and diesel vehicles, combined with growing adoption of hybrid and electric vehicles, will reduce revenue from motor fuel taxes. However, this shift will lead to increased revenue from annual fees on electric and plug-in hybrid vehicles.

Highway Fund and Highway Trust Fund Revenue by Fiscal Year: Recent History and Forecast*
(In Millions)

Source	2023-24 Actual	2024-25 Budget**	2024-25 Revised	2025-26 Forecast	Year-over-year Change	2026-27 Forecast	Year-over-year Change
Highway Fund							
Motor Fuels Taxes	1,862.0	1,836.2	1,838.8	1,853.0	0.8%	1,878.1	1.4%
Highway Short Term Lease	57.0	118.8	109.7	113.1	3.1%	114.9	1.6%
Licenses, Fees, & Other Taxes	847.7	1,077.7	1,072.3	1,104.5	3.0%	1,123.3	1.7%
Investment Income	102.0	52.4	82.3	50.2	-39.0%	37.6	-25.1%
Aviation Fuel Tax	60.5	12.0	13.1	13.1	0.0%	13.4	2.3%
Transfers from General Fund	108.9	177.7	163.6	171.5	4.8%	176.9	3.1%
Total Highway Fund Availability	3,038.1	3,274.8	3,279.8	3,305.4	0.8%	3,344.2	1.2%
Highway Trust Fund							
Highway Use Tax	1,082.9	1,131.4	1,115.5	1,150.5	3.1%	1,179.8	2.5%
Motor Fuels Tax	615.7	613.9	614.7	619.5	0.8%	627.9	1.4%
Title Fees & Lien	146.7	169.0	173.1	172.1	-0.6%	172.5	0.2%
Transfers from General Fund	317.0	533.0	490.7	514.4	4.8%	530.6	3.1%
Investment Income	30.4	20.2	35.8	33.0	-7.8%	37.2	12.7%
Total Trust Fund Availability	2,192.7	2,467.5	2,429.8	2,489.5	2.5%	2,548.0	2.3%
Total HF & HTF Availability	5,230.8	5,742.3	5,709.6	5,794.9	1.5%	5,892.2	1.7%

*Totals may differ from the sum of their parts due to rounding.

**February 2025 consensus revenue forecast with sales tax transfer estimates included per S.L. 2024-15.

² S&P Global, 2025. *North American Automotive Industry Faces Unprecedented Challenges as Tariffs Loom*, according to S&P Global Mobility. February 14, 2025. [Link](#)

³ US Environmental Protection Agency. "Final Rule: Multi-Pollutant Emissions Standards for Model Years 2027 and Later Light-Duty and Medium-Duty Vehicles." December 4, 2024. [Link](#)

⁴ NPR. "Trump's pulling a U-turn on EVs, but not much has changed — yet." January 30, 2025. [Link](#)

⁵ Cox Automotive, 2025. *Cox Automotive Industry Insights and Forecast 2025*. December 17, 2024. [Link](#)

Population Dynamics

North Carolina reaches 11-million-person milestone

North Carolina's strong population growth continues, with the state adding an estimated 165,000 people between July 1, 2023, and July 1, 2024.¹ This growth pushed the state's population beyond 11 million people.

If trends continue, our state will likely surpass the populations of Ohio and Georgia to become the 7th largest state in the nation by the mid-2030s.² Since the 2020 Census, only Texas and Florida have exceeded North Carolina's population growth. The State Demographer's latest projections predict our state will add an estimated 257,000 people over the biennium – equivalent to adding another Union County to the state.³

North Carolina is 3rd fastest growing state since 2020 Census

<i>State and Rank</i>	<i>Population added</i>
1. Texas	2.1 million
2. Florida	1.8 million
3. North Carolina	0.6 million

Recent population growth has come about almost exclusively through net migration. Our state has benefited from a strong and growing economy, natural beauty, and, historically, a relatively low cost of living. Existing migration streams into the state accelerated during and after the pandemic. Since 2020, domestic and international migration have added 573,000 people to the state's population. In FY 2023-24, there was a net gain of 82,000 people through state-to-state migration – a gain only Texas surpassed – and 70,00 people from net international migration.

North Carolina's aging population and declines in fertility have slowed natural increase (births minus deaths) so that, since the beginning of this decade, ***natural increase contributed to only 5% of the state's total population growth.***⁴ North Carolina is expected to experience natural population decrease within the next 10 to 15 years. Thus, short of extraordinary increases in life expectancy and fertility in the coming decades, our ***state's population will only grow through net migration.***⁵

¹ US Census Bureau, State Population Estimates, Vintage 2024. [Link](#)

² North Carolina Office of State Budget & Management, State Demographers Blog, "North Carolina Now Home to Over 11 Million People" [Link](#)

³ North Carolina Office of State Budget & Management, Population Projections, Vintage 2024.

⁴ North Carolina Office of State Budget & Management, State Demographers Blog, "North Carolina Now Home to Over 11 Million People" [Link](#)

⁵ North Carolina Office of State Budget & Management, State Demographers Blog, "North Carolina to Become 7th Most Population State in Early 2030s" [Link](#)

Growth continues in and around urban areas and retirement destinations

So far this decade, urban, suburban, and rural counties have shared in the state's population growth. This contrasts with the 2010s, when North Carolina's population growth was concentrated in our largest urban counties. Wake and Mecklenburg Counties accounted for almost half of the state's population growth and most counties experienced population loss.⁶ According to the State Demographer's latest population estimates, 74 of our 100 counties experienced some level of population growth between the 2020 Census and July 1, 2023, with growth in 21 counties exceeded 5%.⁷

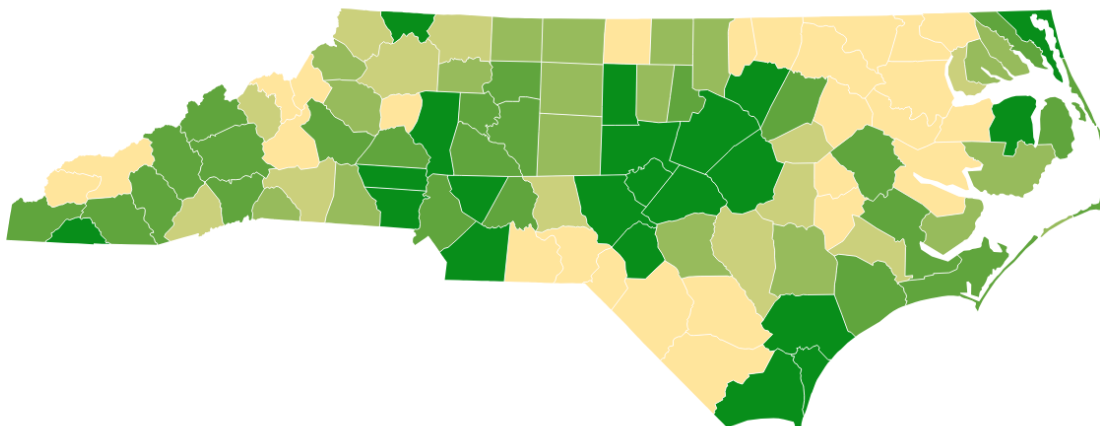
The state's fastest-growing populations are found in counties near our largest urban areas or in retirement destinations near mountains, lakes, and beaches. Counties that share both characteristics, like Brunswick, Franklin, and Pender, are the fastest growing.

Population Percent Change, 2020 - 2023

Change from April 1, 2020 - July 1, 2023

Percent Change

< 0 0-1 1-3 3-5 ≥ 5



Source: NC OSBM, Population Estimates, Vintage 2023 • Created with Datawrapper

The latest population estimates do not reflect the impacts from Hurricane Helene. Many of the counties affected by the storm were experiencing little to no population growth prior to the storm. Others were growing more rapidly from retiree in-migration. There is not yet enough information to provide a full accounting of population change in the region. Should the recovery follow similar patterns of other disasters, most people who may have left the region will return within the next year.⁸ The most likely effect on population change in western North Carolina will be a slowing of population growth as a result of erstwhile migrants who forego, temporarily or indefinitely, a move to the region.

⁶ North Carolina Office of State Budget & Management, State Demographers Blog, "Most Counties Share in NC's Continued Growth." [Link](#)

⁷ North Carolina Office of State Budget and Management, Population Estimates, Vintage 2023.

⁸ North Carolina Office of State Budget & Management, State Demographers Blog, "Population Change in Western North Carolina Post Hurricane Helene," [Link](#)

Population growth seen in all age groups, though population shifting older

North Carolina continues to age. The state's median age increased by almost five years since 2000. Today, half of all North Carolinians are 40 years old or older. This increase has been aided by the aging of the baby-boom generation and declines in fertility.

Fertility rates have been declining over the last several years after last peaking in 2007.⁹ This, along with slower growth in the population aged 25 to 44, resulted in minimal growth in the childhood population.¹⁰ At the beginning of the biennium there will be an estimated 1,742,000 school-age children (aged 5 to 17) and 607,000 pre-school-age children (from birth through age 4). The school age population will remain virtually the same through the end of the decade – adding just 5,000 children from 2025-30. The pre-school-age population is projected to increase more rapidly than the school-age population, increasing by 3.8% and adding 23,000 children.

Unlike the school age population, the college-age population (ages 18 to 24), experienced steady growth over the course of the past ten or so years – primarily due to a relatively larger cohort of children born in the 1990s aging into these ages and young adults moving to the state to attend college, serve the military, or to access jobs. This population group is expected to continue to increase in size – adding an estimated 62,000 people (5.7%) between 2025 and 2030.

Population by Age in 2025 & Population Change, 2025-30

	2025	Numeric Change 2025-30	Percent Change 2025-30
85+	186,398	47,172	25.3
65+	2,038,854	289,789	14.2
45-64	2,756,244	62,713	2.3
25-44	2,873,507	193,296	6.7
18-24	1,089,826	62,335	5.7
5-17	1,742,254	5,226	0.3
< 5	606,561	23,236	3.8

Source: NC OSBM, Population Projections, Vintage 2024 • Created with Datawrapper

Among the prime working ages, the young working-age population (age 25 to 44) is projected to grow more rapidly than the total population, adding 193,000 people to this age group between 2025 and 2030 (a 6.7 percent increase compared to 5.7 percent for the total population). The older working age population is projected to increase by only 63,000 people between 2025 and 2030 (a 2.3 percent increase) as many baby boomers become retirement age.

Since the first wave of baby boomers turned 65 in 2011, over 120,000 North Carolinians have reached this age milestone every year. These trends will continue. North Carolina's long-standing popularity as a

⁹ With a brief drop at the beginning of the COVID-19 pandemic.

¹⁰ North Carolina Office of State Budget & Management, State Demographers Blog, "NC to Become 7th Most Populated State in Early 2030s," [Link](#)

destination for retirees,¹¹ with concomitant aging of the existing population, will result in continued rapid growth of the older-adult population (age 65+). Thus, the older population is expected to increase by 290,000 over the next five years, a 14.2 percent increase. By the end of this decade, 1 in 5 North Carolinians will be at least 65 years old, and by 2031 there will be more older adults than children.¹²

¹¹ North Carolina Office of State Budget & Management, State Demographers Blog, "Who Migrates to North Carolina?" [Link](#)

¹² North Carolina Office of State Budget & Management, State Demographers Blog, "North Carolina's Older Adult Population to Almost Double in the Next 20 Years," [Link](#)