



STATE OF NORTH CAROLINA
OFFICE OF STATE BUDGET AND MANAGEMENT



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TO: Chairs of the House of Representatives and Senate Appropriations and Finance Committees

FROM: Kristin Walker *Kristin Walker*
State Budget Director

SUBJECT: Evaluation of the Savings Reserve Target Balance

In accordance with NC General Statute 143C-4-2.(f), the Office of State Budget and Management (OSBM) and the Fiscal Research Division of the General Assembly (FRD) have jointly evaluated the adequacy of the Savings Reserve based on the historical volatility of North Carolina's General Fund tax structure. OSBM and FRD have developed evaluation methodologies in consultation with national experts and in accordance with best practices indicated from the relevant economic literature.

To adequately cover two years of need for nine out of ten scenarios involving a year-over-year decline in net General Fund revenue, **OSBM and FRD recommend raising the Savings Reserve target to a balance of 12.0% of prior-year General Fund operating budget appropriations.**

The recommended Savings Reserve target is 0.1 percentage points higher than the 11.9% level in place last year. The increase is partly due to the addition of the most recent year's revenue collections data and partly due to methodological changes that placed more weight on revenue collections over the most recent decade. The target may change in subsequent fiscal years due to incorporating additional years of revenue-volatility data and based on further review of and potential revisions to the current Savings Reserve target evaluation methodologies.

As of January 30, 2026, the General Fund current operations budget for FY 2025-26 is \$31,918,784,866. The consensus Savings Reserve target balance for FY 2026-27 is thus \$3,830,254,184. Any subsequent changes to the current operations budget for FY 2025-26 may affect the dollar level of the Savings Reserve target.

Please email any questions to Rashmi Patwardhan at rashmi.patwardhan@osbm.nc.gov.