

**GOVERNOR STEIN'S RECOMMENDED BUDGET
2025-2027**

NORTH CAROLINA STRONG



N★C

OFFICE OF GOVERNOR

JOSH STEIN

Budget Recommendations 2025-27

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Topics

- State Outlook
- Revenues
- Budget Priorities
- Q&A



NC Population is Growing

NC's Population is Large

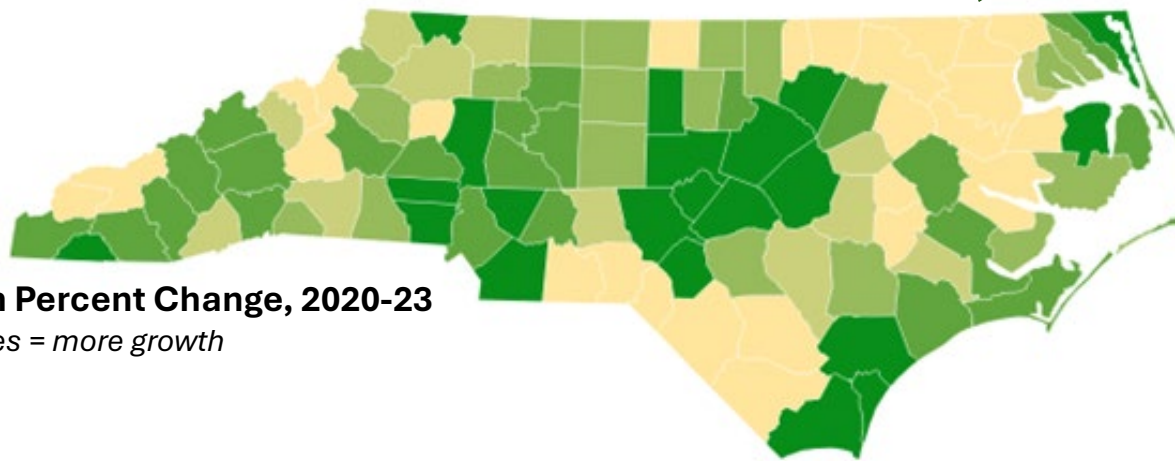
More than **11 million** people now live here

...and Getting Larger

350+ people move here per day!

...across the state

74 out of 100 counties growing



Population Percent Change, 2020-23
Darker shades = more growth

Most of the state's growth is driven by people moving here

For every 1 person reaching *retirement ages* (60 – 64),
The number of people entering *prime working ages* (20 – 24):



1950: 3.2

1970: 2.3

1990: 1.9

2010: 1.2

Today: 1.1



Source: US Census Bureau, Decennial Census
& NC OSBM, Vintage 2022 Population Estimates



Job growth steady

- 11th largest economy in nation
- Unemployment remains low at **3.7%** (January 2025)

NC is attracting investment

- 17,000 new jobs, \$15.2B invested in 2024
- Technology, pharmaceuticals, advanced manufacturing

Workforce

- Prime working age population growing slower as baby boomers retire
- Wage growth slowing, but expected to outpace national average



Economic Uncertainties Abound

Inflation

- Progress on reducing inflation has stalled
- Tariffs expected to increase prices

Interest Rates

- Federal Reserve rate cuts contingent on bringing down inflation
- Longer-term interest rates have risen

Consumer Behavior

- Consumer confidence, spending
- Consumer spending growth dependent on rising asset values

Federal Funds

- What funds and programs will be cut
- Impact on unemployment



Consensus Revenue Forecast FY 2025-26, 2026-27

FY 2025-26

\$34.89B

+ 0.5% year-over-year

FY 2026-27

\$34.07B

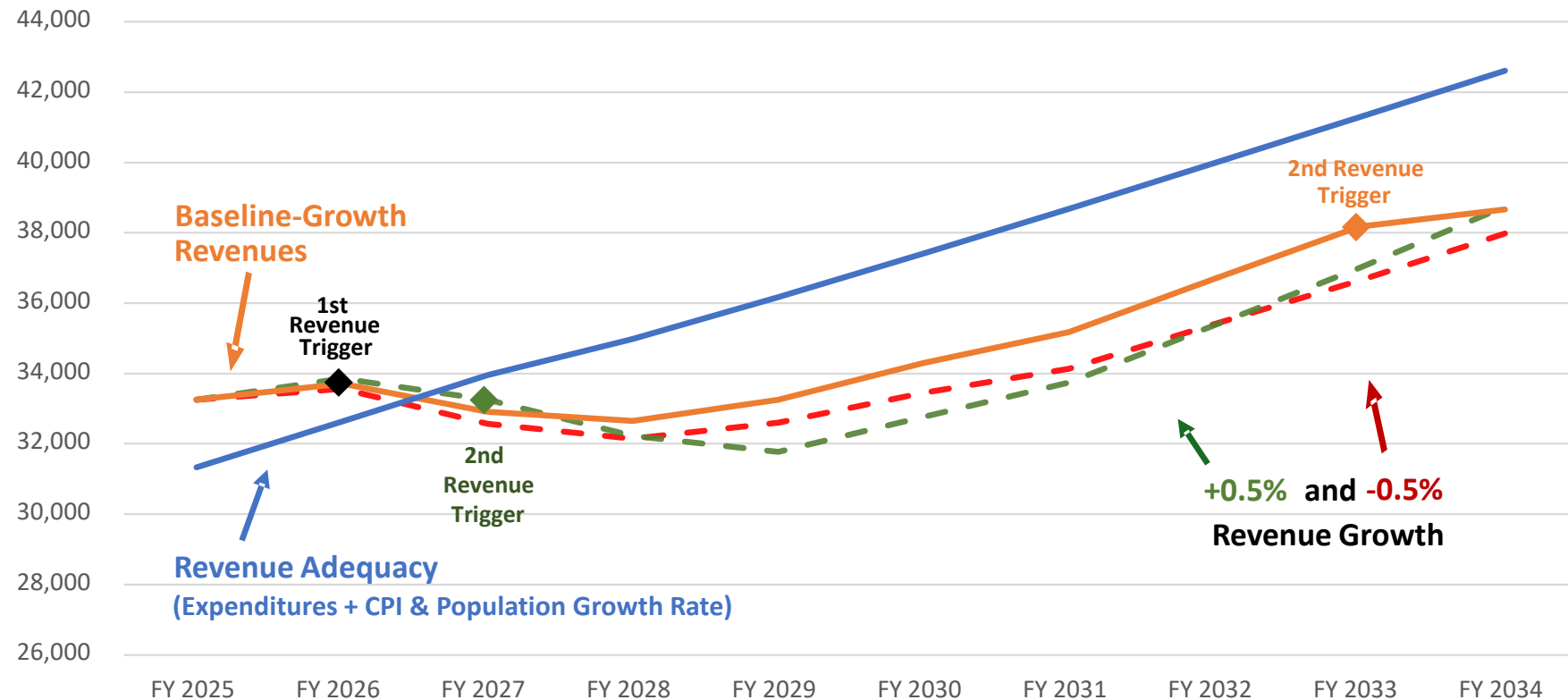
-2.4% year-over-year

**State will hit first trigger and individual income tax rate will drop to 3.49% - \$823 million in FY 2026-27; over \$2 billion FY 2027-28 and after*



Low and High Growth Scenario Revenues

Revenue and Expenditure Levels in Millions of Dollars



- “Revenue adequacy” is FY 2024-25 expenditures adjusted by population growth + inflation
- Lower-than-expected growth leads to bigger shortfalls beginning in FY 2026-27
- Higher-than-expected growth triggers *additional* individual income tax rate cuts, leading to even *bigger* shortfalls beginning in FY 2027-28



Reserve Balances

	Unappropriated
Savings Reserve	\$3,730,851,114
State Emergency Response & Disaster Relief	\$706,148,360
Medicaid Contingency Reserve	\$976,512,736
Wilmington Harbor Enhancements	\$283,800,000
Information Technology Reserve	\$343,792,868
Economic Development Project Reserve	\$619,232,000
Federal Infrastructure Match Reserve	\$95,676,125
Stabilization and Inflation Reserve	\$1,000,000,000
Other Reserves (Opioid Abatement, ARPA, Medicaid Transformation, Hurricane Florence, Housing)	\$69,171,779
Reserve Total	\$7,825,184,982

**Unappropriated
Reserve Balance:
\$7.8 billion**



State Budget Faces Headwinds

Less Revenue in Second Year

Hurricane Helene Recovery Needs

Federal Funds Uncertainty

Budget Recommendations for 2025-27

Ensuring Quality Education for Our Kids

Strengthening Working Families

Building a Strong Workforce

Keeping North Carolinians Safe

Operational Excellence & Other Highlights



Recruiting and Retaining Educators

Highest starting teacher pay in the Southeast

Top 10 Southeast States Teacher Starting Pay 2025

1. Virginia	\$49,477
2. Florida	\$49,184
3. Louisiana	\$47,783
4. Alabama	\$46,846
5. Mississippi	\$46,204
6. South Carolina	\$44,842
7. Georgia	\$44,053
8. Tennessee	\$43,780
9. West Virginia	\$42,895
10. North Carolina	\$42,804

Top 10 Starting Pay 2027 under Governor's Budget

1. North Carolina	\$53,000
2. Virginia	\$52,930
3. Florida	\$51,276
4. Mississippi	\$50,425
5. Alabama	\$50,243
6. Louisiana	\$50,079
7. South Carolina	\$47,847
8. Georgia	\$47,164
9. West Virginia	\$45,614
10. Tennessee	\$45,457



Raises for Educators

10.66% on average over biennium for teachers

6% for principals



Supporting North Carolina Educators

- ✓ \$300 tax-deductible stipend for teachers for supplies
- ✓ TA-to-Teacher tuition reimbursement program
- ✓ Capacity building & professional development investments



Modern Technology

- Devices, digital materials for students
- Cybersecurity



Proven Educational Programs

- Expands early grade literacy initiative to middle grade students
- Eliminates cap on Exceptional Children
- Advanced Teaching Roles, high dosage tutoring, innovative high schools

Educational Excellence & Innovation

\$245M year 1; \$211M year 2

*Stronger, better-performing
students with*

Free School Breakfasts

*The first school supply of the day
for successful learners*





Fostering Student Wellbeing and Safety

- More school health personnel
 - 330 additional nurses, counselors, social workers, psychologists
- Funds for 330 new School Resource Officers and training
- \$10 million in grants for school safety



\$4 billion

General Obligation Bond

Total school facility needs exceed
\$13 billion

Average funding per LEA almost
\$35 million

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Making Economy Work for Everyone

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

- Working Families Tax Credit – 20% of federal EITC
- Child Tax Credit – Up to \$300 for family of four
- Child & Dependent Care Tax Credit – up to \$600 for family of four
- Back to school sales tax holiday
- Maintain personal income tax rate at 4.25%
- Maintain corporate income tax rate at 2.25%



Quality Child Care Access



Pays Child Care Providers More Per Child

- Child Care Subsidy provider rates 13% average increase
- NC Pre-K rates 20% increase



Funds 1,000 More NC Pre-K Seats



Funds NC Pre-K Summer Learning



Affordable Housing Investments

Workforce Housing Loans

Construction/rehabilitation of affordable housing

\$15M each year

Housing Trust Fund

Leverages private and federal dollars for affordable housing for low-income families, seniors, veterans, people with disabilities

\$35 million each year

Local Government Grants

Incentivizes strategies to improve affordability



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Building a Strong Workforce with In-Demand Credentials

Propel NC **\$40.3M each year**

Training in high-demand skills and aligned with business needs

PROPEL
NC

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



Health care workforce

Multi-dimension approach: training, credentialing, scholarships





Building a Strong Workforce with High-Impact Training

Work-based learning grants, apprenticeships

Benefits businesses and workers



NC Career Launch

Apprenticeships and career exploration for rural youth



Reentry Success

Funds for pursuing degrees, supports reentry transition





Financial Stability for Workforce in Transition

- Increases max unemployment benefit to \$470
 - Current average weekly benefit ranks 42nd in nation
- Extends period of eligibility to 16 weeks
 - Current period of 12 weeks is shortest in the nation
- If unemployment rate spikes, number of weeks will increase
- One-time credit for employer unemployment insurance quarterly tax payments

UI Trust Fund

hit record high
balance of
\$4.8 billion
as of Dec 2024

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Operational Excellence & Other Highlights



Combating Crime & Drugs

- Combating drugs
 - Funds to treat opioid use disorder in correctional population
 - Fentanyl Control prosecutors at DOJ and Unit at SBI
 - Budgets settlement funds for overdose prevention, treatment access
- Increasing co-responder teams – 50 new teams
- Solving sexual assault cold cases
- Securing firearms
 - Supports *Secure all Firearms Effectively* (NC SAFE) campaign

Combating Crime, Drugs, Fentanyl

*\$23M General Fund each year;
\$74.3M opioid settlement funds*



Recruiting and Retaining Law Enforcement

- Correctional officers and youth counselors
 - 6.5% raise
 - Increased starting pay to over \$40,000
- Other Public Safety personnel on statutory pay plans
 - 3% pay increase
- Bonuses to attract new employees
 - Law enforcement training graduates and out-of-state certified transfers
 - NC National Guard referrals and extensions
- Body Cameras for all field-based state law enforcement
- Recurring stable funding for VIPER network

Budget Recommendations for 2025-27

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Operational Excellence & Other Highlights



IMPACT Center

Expands state's ability to improve service, identify waste, and streamline operations

Technology Investments to improve efficiency & services

- Constituent portal
- DMV ID verification, self service portal
- Statewide budget system
- Statewide HR system
- State banking system
- Permit transformation program

Advancing Operational Excellence

\$91M year 1, \$24M year 2



State Employees Salaries and Benefits

Shoring Up Salaries

- Raise for state employees – 2%
- \$1,000 bonus
- Funds for targeted raises (Labor Market Adjustment Reserve)
- COLA for state retirees – 2%

Enhancing Benefits

- More vacation leave
- Increases State Health Plan employer contribution
- Funds to renovate state buildings to allow for child care facilities



Transportation Highlights

Improves Ferry services

- \$11.7 million to modernize Mann's Harbor Shipyard - addressing safety concerns and improving efficiency
- Funds for ferry maintenance and equipment to improve services, reduce downtime

Improves DMV customer experience

- Funding for new DMV offices, expanded offices, 85 additional examiners
- Funds new IT systems to reduce time spent processing paperwork, improving service and increasing productivity

Highway construction and maintenance

- Additional STIP funding - \$43.8 million in FY 2025-26; \$101.9 million in FY 2026-27
- Increases Maintenance Reserve by \$41.7 million in FY 2025-26; \$59.4 million in FY 2026-27



Capital Investments

- **State Park Access** - \$2.6 million for upgrades and access, includes Chimney Rock State Park
- **Storm & flood mitigation projects Eastern NC**
- **Rural Health Centers** – part of the NC Care Initiative
- **Adult Corrections** - More than \$82 million for facility improvements and security upgrades, including fire systems and HVAC repairs
- **UNC Children’s Hospital** - \$103.5 million
- **Safer Schools Training Facility** – Repurposes existing school



Investments for a Healthy North Carolina

- Leverages the State's Medicaid Waiver to invest state and federal resources:
 - Healthy Opportunities
 - Supports and expands to more western NC counties
 - \$340M by year 2 of biennium, plus another \$122M non-recurring
 - Improves health outcomes
 - Rural and community health clinics
 - \$14.3 million for primary and dental care
 - \$20 million each year to increase access to OB/GYN care
- \$25 million by year two of the biennium for 200 Innovation Waiver slots and 75 Traumatic Brain Injury Waiver slots



Medicaid Positive Impact for North Carolinians

640,000 North Carolinians enrolled in Medicaid Expansion

- Impact greatest in **rural counties**, where more than a third of Expansion enrollees live
- Provides critical source of **financial stability** for rural hospitals

Additional 2.5 million North Carolinians enrolled in regular Medicaid

- Covers 50% of all births, 40% of children, and over 60% of residents in nursing homes
- Largest payer for long-term care and substance use disorder treatment

Most enrollees would be un- or under-insured without Medicaid



Reserve Balances – Stein Budget

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Wilmington Harbor Enhancements	\$283,800,000
Information Technology Reserve	\$225,897,278
Economic Development Project Reserve	\$619,232,000
Federal Infrastructure Match Reserve <i>*OSBM provided access to use as needed to stabilize federal funds uncertainty</i>	\$57,562,025
Stabilization and Inflation Reserve	\$1,000,000,000
Other Reserves (Opioid Abatement, ARPA, Medicaid Transformation, Hurricane Florence, Housing)	\$28,463,060
Reserve Total	\$8,014,466,573

Unappropriated Reserve Balance: \$8.0 billion

HB47 Appropriations from Reserves: \$616M

North Carolina Strong

Balances the budget and provides a sustainable path

- Does not raise taxes
- Cuts tax burden for working families
- Adds to already strong reserves

Invests in North Carolina

- Ensures quality public education
- Strengthens working families
- Builds a strong workforce
- Keeps North Carolinians safe
- Increases access to health care
- Invests in state employees and operational excellence

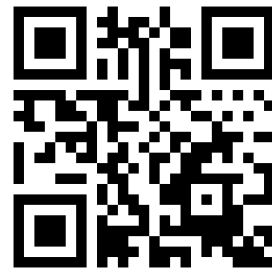
Budget Recommendations for 2025-27



High Impact
Investments

Sound Financial
Management

Governor's Budget Recommendations FY 2025-27



Find the complete recommendation at
www.osbm.nc.gov