NORTH CAROLINA BUDGET REPORT 2026-27

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2026-27 North Carolina Budget Report

Tax cuts for corporations and millionaires, and higher costs for counties and families

By Sally Hodges-Copple, Alex Campbell, Jennifer Nguyen, and Logan Rockefeller Harris

More than a decade after tax cuts for corporations and the rich began in North Carolina, and after nearly three years without a new comprehensive state budget, state lawmakers finally approved one in July 2026. But the new budget did little to reverse years of underinvestment or protect North Carolinians after Congress enacted deep federal cuts to health care and food assistance last year in order to finance continued tax cuts for the wealthy few. North Carolinians are struggling to cope with increased costs and hardship:

- The effective state and local tax rate for the richest 1 percent has plummeted,[1] while regular North Carolinians are asked to absorb increased in-state college tuition, higher monthly premiums for state health plans, and new tolls on ferries that residents use to commute to work and school.
- With no updated state budget, the average salary for public school teachers was projected to decrease in the 2025-2026 school year, with North Carolina the only state nationwide to see a decline in average salaries.[2]
- Meanwhile, at least 100,000 fewer North Carolinians have access to SNAP food assistance since the Republican-controlled Congress passed H.R.1 last summer,[3] and nearly 90,000 fewer North Carolinians are enrolled in Affordable Care Act marketplace health care plans since Congress allowed subsidies to expire.[4]

North Carolinians have been clear about their top concerns and priorities. A majority report difficulty affording their regular monthly expenses,[5] and 65 percent

View the FY 2027 Budget Documents

Here are links where you can access the budget bill and the committee report. You also can see how members of the NC Senate and NC House of Representatives voted on the approved budget.

Note: Unless otherwise noted, the analysis in this report reflects SB 257 (2026 Appropriations Act) and not the subsequently passed technical corrections bills.

1 Sally Hodges-Copple, Tax Cuts First, Well-Being Last: How Reckless State Tax Cuts Undermined Affordability and Quality of Life in North Carolina (NC Budget & Tax Center, 2026), https://ncbudget.org/tax-cuts-first-well-being-last-how-reckless-state-tax-cuts-undermined-affordability-and-quality-of-life-in-north-carolina/.

2 North Carolina Association of Educators, North Carolina Falls Again in Educator Pay Rankings, April 27, 2026, https://www.ncae.org/about-ncae/media-center/press-releases/north-carolina-falls-again-educator-pay-rankings.

3 Dottie Rosenbaum et al., SNAP Tracker: People Are Losing Food Assistance as the Harmful 2025 Republican Reconciliation Law Is Implemented (Center on Budget and Policy Priorities, 2026), https://www.cbpp.org/research/food-assistance/snap-tracker-people-are-losing-food-assistance-as-the-republican-megabill.

4 CBPP, Health Coverage Tracker: Millions of People Are Losing Coverage Following 2025 Republican Policy Changes (Center on Budget and Policy Priorities, 2026), https://www.cbpp.org/research/health/health-coverage-tracker-millions-of-people-are-losing-coverage-following-2025.

5 Catawba College, "Catawba College-YouGov Survey: Affordability Remains High for North Carolinians as Consumers Cut Back on Spending," Catawba College, July 6, 2026, https://www.catawba.edu/news/all-news/2026/yougov-29/.

Constitutional amendments would lock in tax cuts for the ultra-wealthy

As part of the approved budget deal, legislative leaders agreed to put two constitutional amendments on the ballot in November that, if passed, would lock North Carolina into the status quo — higher costs shifted onto families, greater levels of hardship, and a failure to secure the conditions of opportunity for every North Carolinian. The Income Tax Cap Amendment would lower the maximum allowable income tax rate to 3.5 percent for individuals and corporations, blocking future lawmakers from putting better, fairer tax policies in place, like the Kids Over Corporations Act or the Fair Share for Public Schools Act. And a vaguely worded Property Tax Levy Limit Amendment would require the NC General Assembly to put limits on the funds that local governments can raise from property taxes, restricting local communities' freedom to make their own funding decisions at the same time that the budget pushes big new costs onto counties, such as costs for SNAP food assistance.

say state government should invest more in education, infrastructure, and health care for its people, even if that means raising taxes on wealthy individuals and large corporations.[6] As North Carolinians struggle to cover the basics, lawmakers had the opportunity to make progress on affordability and well-being in the state budget this year. The 2026 short session saw multiple tax policy proposals introduced that would have equipped the state with resources to make key investments across the state. But these proposals never made it to the floor for a vote:

- The governor's recommended budget would have stopped scheduled income tax cuts, preserving about $900 million in revenue in Fiscal Year 2027 alone.
- The Kids Over Corporations Act would have raised the corporate income tax rate to 5 percent in alignment with neighboring states, raising an additional $2 billion a year.
- The Fair Share for Public Schools Act would have raised $1 billion a year for public schools by creating a 7 percent personal income tax rate on income above $1 million.

Instead, legislative leaders continued to put tax cuts for the rich first while hiking costs on counties and families. The budget approved in July:

1. Preserves the elimination of the corporate income tax, while changes to future personal income tax cuts still leave the state with a multi-billion-dollar current services budget shortfall in the coming years
2. Funds an overall spending level that is $12 billion less than the 50-year average spending level, as a share of the state's wealth
3. Reflects an insular process that ultimately ignored the voices of key stakeholders while moving billions of public dollars in reserve funds

Following a year of stalled negotiations, income tax cuts for the wealthy few will continue

More than a year ago, during the 2025 long session, budget negotiations stalled between NC House and NC Senate leadership over scheduled cuts to the personal income tax rate. The House, concerned about their ability to fund teacher raises, proposed changes that would have held the personal income tax rate steady, likely remaining at 3.99 percent through 2030. The Senate, meanwhile, remained committed to the current schedule, after backing away from an initial proposal for even deeper income tax cuts.

In the end, as Figure 1 shows, the budget approved this year tweaks the schedule of personal income tax cuts, slowing down the cuts slightly while leaving the overall

6 Mel Umbarger, "New Poll: North Carolinians Want Lawmakers to Fund Families' Priorities, Not More Tax Breaks for the Wealthy," NC Budget & Tax Center, June 4, 2026, https://ncbudget.org/new-poll-north-carolinians-want-lawmakers-to-fund-families-priorities-not-more-tax-breaks-for-the-wealthy/.

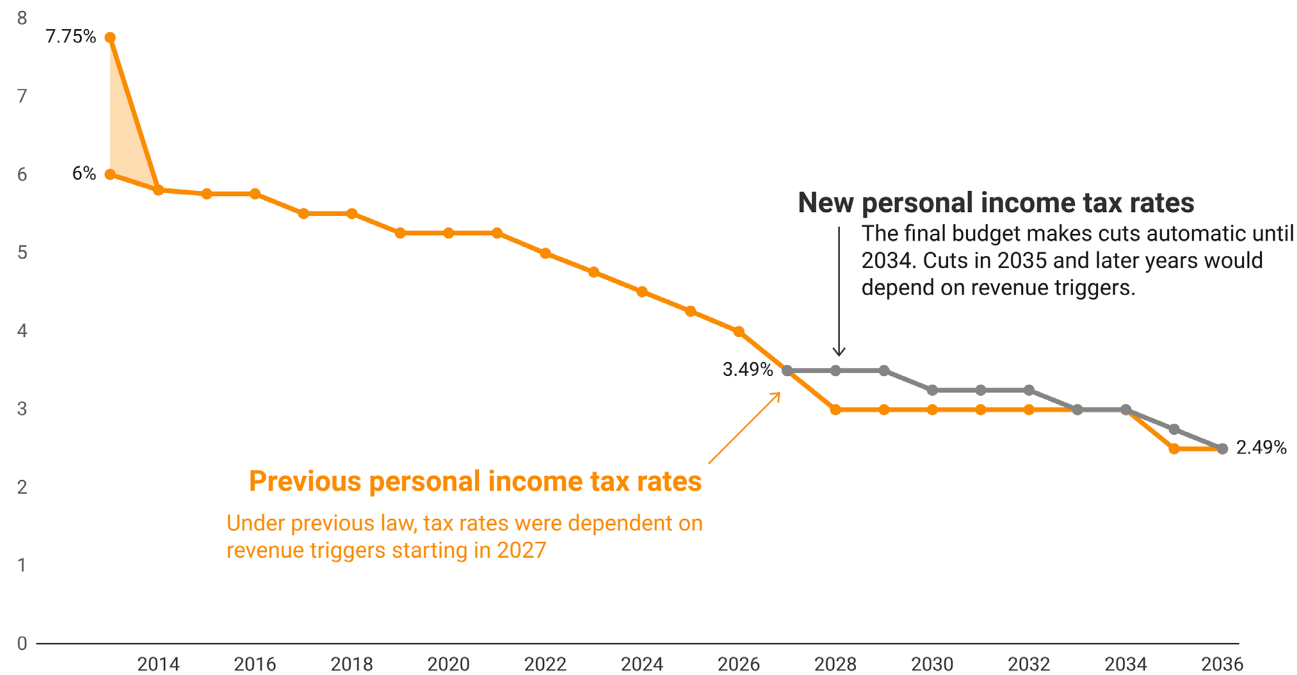
Tax Triggers have been bad policy in NC

In North Carolina, tax triggers have been used to give a false appearance of fiscal responsibility to an extreme agenda that seeks to enact deep income tax cuts for corporations and the rich. Tax triggers mean that income tax rates get cut if specific revenue collection levels are reached. As NC Budget & Tax Center analysis noted when the triggers were first passed into law, the revenue collections levels (called "thresholds") that lawmakers established were very low, bore no relationship to an ability to sustain services or meet needs, and were seemingly devised to usher in additional tax cuts regardless of low levels of revenue growth.[1] This assessment was borne out when, in 2025, the state's revenue forecast projected that revenues would reach the thresholds required to trigger income tax rate reductions in Tax Years 2027 and 2028. The large scale of anticipated revenue loss led to an impasse between the NC House and NC Senate in budget negotiations, leaving the state without a new budget for the entirety of FY 2026. The budget agreement reached for FY 2027 delays the use of triggers until 2035 but implements automatic rate reductions in the intervening years without regard to the state's ability to fund needs.

1 Suzy Khachaturyan et al., "2023-2025 NC Budget Report: Locking in More Tax Cuts for the Wealthy at the Expense of Everyday North Carolinians," NC Budget & Tax Center, May 1, 2024, https://ncbudget.org/2023-2024-nc-budget-report-locking-in-more-tax-cuts-for-the-wealthy-at-the-expense-of-everyday-north-carolinians/.

Figure 1: Final budget tweaks failed tax cut policies, keeps NC revenue on unsustainable path

Personal income tax rates in NC, 2013-2036, under previous law and under the final budget



Note: Under previous law, after 2026, the personal income tax rate would be lowered based on revenue triggers. This chart follows the consensus revenue forecast, anticipating that the rate would drop to 3.49% in 2027 and 2.99% in 2028. Because revenue forecast data is not available after 2028, it is uncertain for how long the rate would remain at 2.99% before dropping to 2.49%. Under the final 2026-2027 budget, after 2034, two triggers are added to drop the rate to 2.74% and then 2.49%. Based on the low levels of revenue growth required to reach those thresholds, this chart assumes the triggers are hit in 2035 and 2036.

structure and unsustainable trajectory intact. Under the agreement:

- The personal income tax rate will drop to 3.49 percent in 2027
- It will remain at 3.49 percent for 2028 and 2029, before dropping to 3.24 percent in 2030 and 2.99 percent in 2033

Beginning in 2035, additional cuts to the rate will depend on arbitrary "triggers" based on revenue thresholds that appear to have no relationship to population growth, inflation, or an ability to sustain current services. If thresholds are reached, which appears likely, the rate will drop again to 2.74 percent in 2035 and 2.49 percent in 2036. (See breakout box on page 4 for additional detail on the use of tax triggers in NC.)

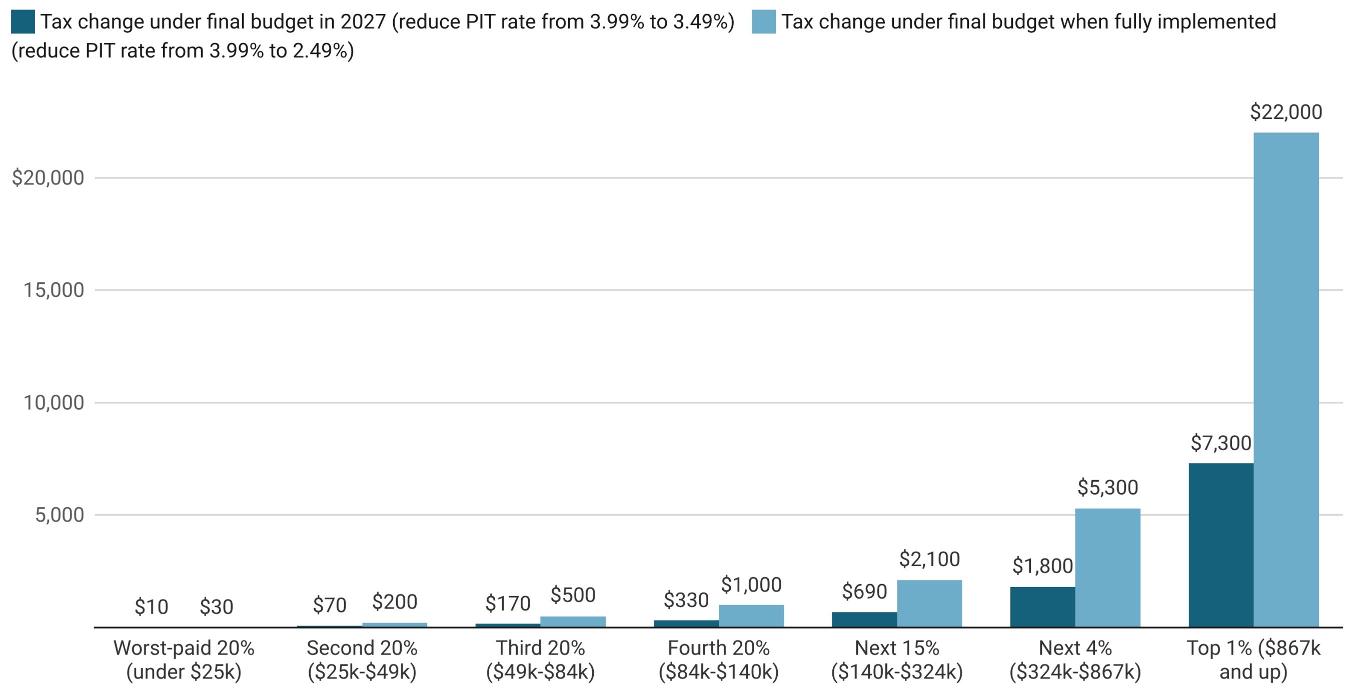
Across-the-board income tax rate reductions are a tax cut targeted to the wealthy few

The budget continues down the path of tax cuts that overwhelmingly benefit the rich at the expense of most North Carolinians. Figure 2 shows the benefit that North Carolinians can expect from the personal income tax (PIT) rate cut that will go into place next year, as well as the eventual reduction to 2.49 percent. Most households will receive less than $170 when the PIT rate is cut next year, while the richest 1 percent of households (with incomes above about $870,000) will get an average tax cut of over $7,000.

If the final rate decreases from 3.99 percent to 2.49 percent were in place today, the richest 1 percent would save nearly $22,000 on their annual tax bill. Meanwhile,

Figure 2: Final budget will overwhelmingly benefit the richest North Carolinians, provide little relief to majority of taxpayers

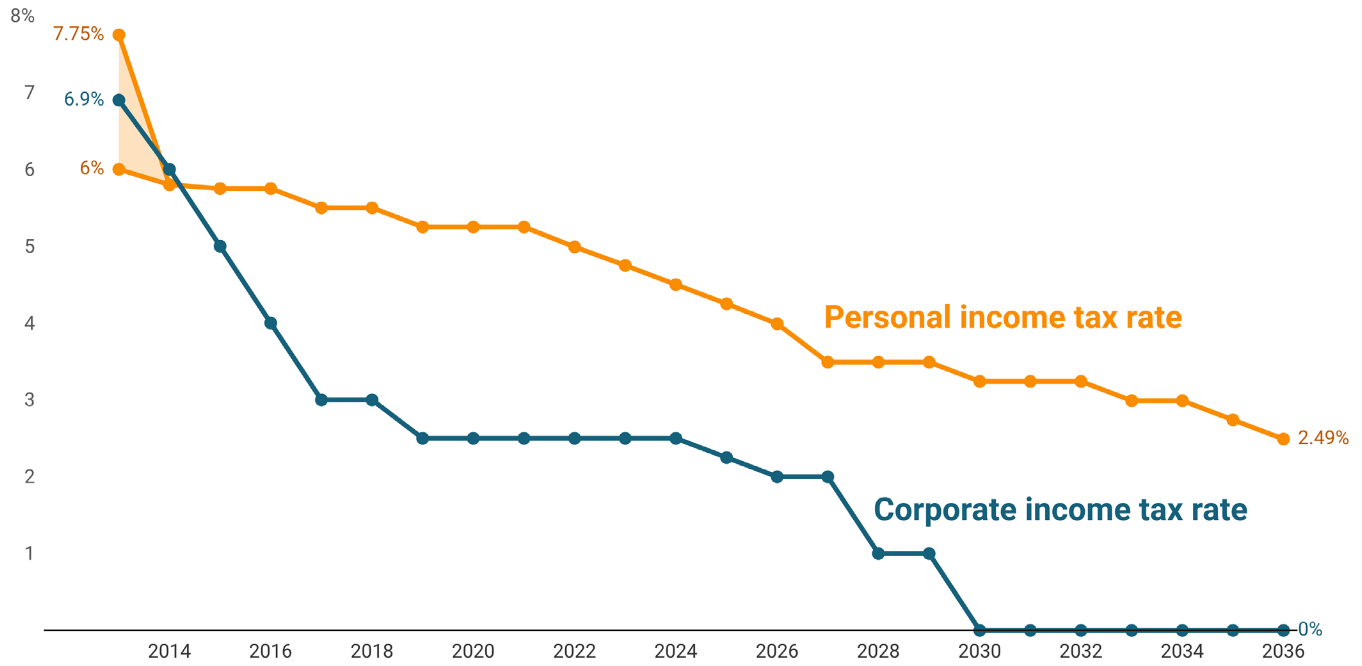
Estimated tax cut for North Carolinians of different income levels based on personal income tax rate cuts scheduled for 2027 and full implementation



Source: Special data request to the Institute on Taxation and Economic Policy

Figure 3: Final budget keeps corporate income tax on track for elimination in North Carolina

Actual (2013 to 2026) and scheduled (2027 to 2036) corporate and personal income tax rates in NC



Note: Prior to tax cuts the NC General Assembly passed starting in 2013, the state had a graduated personal income tax based on household income.

Source: NC Department of Revenue

North Carolina households with the lowest incomes (who already pay the largest share of their income in state and local taxes each year[7]), would save just $30, all while struggling under steep federal cuts to food assistance and health care. Overall, this budget will make our already upside-down tax code more unequal, with more than two-thirds of the personal income tax cuts going into the pockets of the richest 20 percent in our state.

A key cause of North Carolina's upside-down tax code — in which highest-income families pay the lowest share of their income in state and local taxes each year — is the flat personal income tax rate. Because other state and local taxes that families pay, like sales and property taxes, ask a greater percentage of income from lower-income households, a graduated income tax rate (with higher rates on high earners) is required for North Carolina to have a tax code that asks the wealthy to pay at least the same share of income in state and local taxes as lowest-income families do.[8] Instead, North Carolina's flat tax guarantees that our overall tax code remains upside-down. During times of rising income inequality, as North Carolina is experiencing,[9] flat taxes also raise less revenue by failing to align the tax code with where income growth is happening in the state: at the very top. By contrast, a graduated income tax raises more of the funding that states need for public services from high-income taxpayers, enabling lower income tax bills for low- and middle-income families.

7 ITEP Staff, "North Carolina: Who Pays? 7th Edition," ITEP, January 2024, https://itep.org/north-carolina-who-pays-7th-edition/.
8 Carl Davis and Eli Byerly-Duke, "The Pitfalls of Flat Income Taxes," ITEP, January 6, 2025, https://itep.org/the-pitfalls-of-flat-income-taxes-2025/.
9 Logan Rockefeller Harris and Sally Hodges-Copple, "Beyond the Census Data: How Policy Shapes Well-Being in NC," NC Budget & Tax Center, September 30, 2025, https://ncbudget.org/beyond-the-census-data-how-policy-shapes-well-being-in-nc/.

Cuts to corporate income taxes to proceed as scheduled, with elimination set for 2030

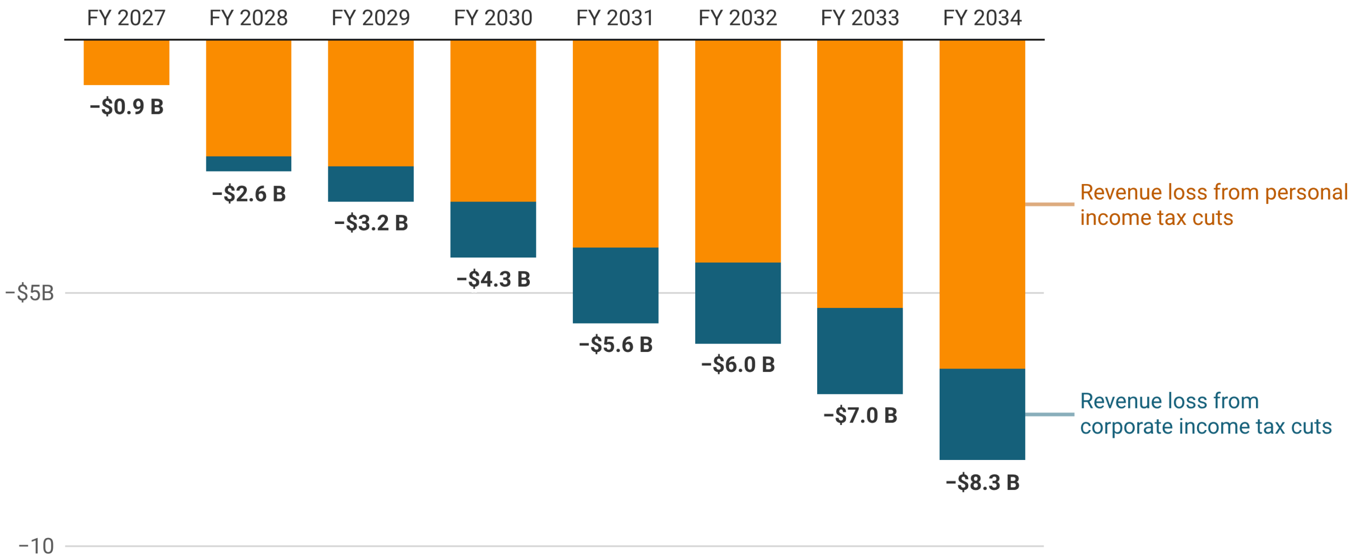
Disagreement between NC House and NC Senate leadership remained confined to the personal income tax cuts. Although an overwhelming share of North Carolinians (77 percent) oppose the elimination of the corporate income tax[10] and thousands marched in Raleigh this spring to demand higher taxes on corporations to fund public education, scheduled cuts to the corporate income tax were never up for debate among legislative leaders.

Under current law, and in the absence of legislative action, the corporate income tax will next decrease in 2028 to just 1 percent — the largest corporate tax rate reduction since 2017 — before being eliminated entirely in Tax Year 2030 (see Figure 3). When the rate is reduced to 1 percent, NC will lose roughly $600 million in one year relative to the current rate.[11] When it is eliminated, NC will lose about $1.34 billion in one year relative to the current rate.

The harm of additional revenue loss is clear, while the rationale for state income tax breaks for corporations is deeply flawed. Corporations pay state income taxes in North Carolina based on where they make sales — in other words, where their customers are located, not where they have headquarters or workers. That means North Carolina's corporate income tax cuts provide no direct incentive for companies to locate or hire workers in North Carolina. Instead, the cuts merely drain resources from our public services and enrich corporate shareholders who live all around the world.[12]

Figure 4: Compared to 2026 income tax rates, revenue loss from final budget income tax cuts climbs to over $8 billion by FY 2034

Revenue change in billions under final budget, compared to 2026 income tax rates



Note: In 2026, the personal income tax rate is 3.99% and the corporate income tax rate is 2%

Source: Office of State Budget & Management

10 Alexandra Forter Sirota, "NEW POLL: North Carolinians Reject Tax Cuts for Profitable Corporations and the Wealthy Few, Want Legislators to Fund People's Priorities," NC Budget & Tax Center, April 25, 2024, https://ncbudget.org/new-poll-north-carolinians-reject-tax-cuts-for-profitable-corporations-and-the-wealthy-few-want-legislators-to-fund-peoples-priorities/.

11 Special data request to the Institute on Taxation and Economic Policy

12 Carl Davis, "Repealing North Carolina's Corporate Tax Is an Even Worse Idea Than You Think," ITEP, June 3, 2026, https://itep.org/repealing-north-carolinas-corporate-tax-even-worse-idea/.

Scheduled income tax cuts projected to lead to revenue loss, structural budget shortfall

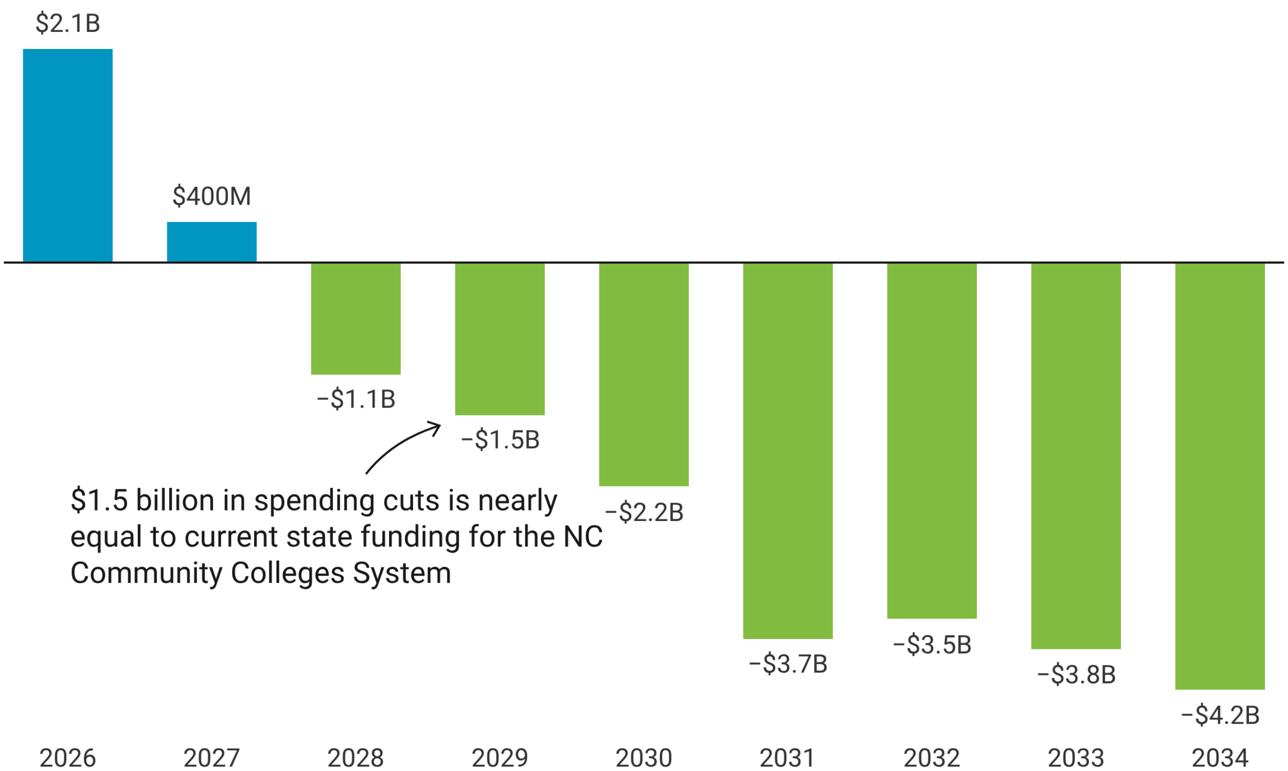
Compared to current personal and corporate income tax rates (3.99 percent and 2 percent in 2026, respectively), the income tax cuts in the final budget will lower state revenues by $900 million in FY 2027, a figure that grows to more than $8 billion in lost revenue by FY 2034 (Figure 4). Cumulatively, over the next eight years, these revenue losses total more than $37 billion; had the NC House and NC Senate leadership instead stuck with the previous schedule of tax triggers and personal income tax rate reductions, the cumulative losses would have totaled $48 billion over the same period.[13]

The lost opportunity to invest in the well-being of North Carolinians is likewise significant: With an additional $900 million this year, lawmakers could raise teacher pay an additional 11 percent on average, provide free school breakfast to all public school students, and fund about 6,700 additional children with child-care subsidies.[14]

The scheduled income tax cuts are also unsustainable, if lawmakers hope to maintain funding for current,

Figure 5: Final budget tax policy means revenue won't keep up with current levels of spending over time

Structural budget balance under projected current services baseline budget, Fiscal Year 2026 through Fiscal Year 2034



OSBM baseline structural budget balance estimates based on the enacted budget for FY 2026 plus $319M in Medicaid receipts from the Medicaid Contingency Reserve, with growth for projected inflation and population growth starting in FY 2027. Analysis of the NCGA tax agreement models a personal income tax rate of 3.99% in 2026; 3.49% in 2027, 2028, and 2029; 3.24% in 2030, 2031, and 2032; and 2.99% thereafter. Analysis models a corporate income tax rate of 2% in 2026 and 2027, 1% in 2028 and 2029, and 0% thereafter. Analysis also includes eliminating the sales tax exemption for datacenter electricity.

Source: Office of State Budget and Management

13 NC Office of State Budget and Management, Scheduled Income Tax Cuts to Mostly Benefit High-Income Households, 2026, https://www.osbm.nc.gov/scheduled-income-tax-cuts-mostly-benefit-high-income-households.

14 Amaya Gaines, "North Carolina's Tax Cuts Will Cost $900 Million. Here Is What Families Lose.," NC Budget & Tax Center, July 30, 2026, https://ncbudget.org/north-carolinas-tax-cuts-will-cost-900-million-here-is-what-families-lose/.

already low levels of state services. Analysis from the Office of State Budget and Management projects annual state revenue until Fiscal Year 2034, and compares that revenue to the projected annual cost of sustaining Fiscal Year 2026 levels of services, when accounting for inflation and state population growth. This type of long-term revenue and spending projection is considered a best practice for state budgeting. The result of such analysis for North Carolina is sobering, as Figure 5 shows: By Fiscal Year 2028, which begins in less than one year, North Carolina will bring in about $1 billion less in revenue than is needed to sustain Fiscal Year 2026 service levels — a fiscal year for which the state did not pass an updated budget and therefore reverted by law to unusually low levels of state spending. The gap between revenues and the spending required to sustain current levels grows to over $4 billion by Fiscal Year 2034.[15]

If lawmakers fail to address the role of income tax cuts in creating this imbalance, they will be left with reductions to current service levels. For example, the $1.5 billion gap in Fiscal Year 2029 would be nearly equivalent to eliminating state funding for the community college system. More likely than outright elimination of entire agencies, of course, is that lawmakers enact cuts to current service levels by failing to fund cost increases and population growth across state services, as has been the practice in recent years with state employee pay and staffing levels, teacher pay, and DMV service levels, for example.

Compared to income tax rate cuts, other tax changes have much smaller impact on revenue

The final budget enacts several other changes to tax policy, but to the extent that these changes raise revenue, the increase is far outweighed by cuts to income tax rates.

For example, the approved budget:

- Raises the tax rate on sports wagering and changes the sports wagering allocation formula, raising $50.7 million in FY 2027
- Adjusts the sales tax refund amount allowed to nonprofit hospitals, raising $22 million in FY 2027
- Ends a sales tax exemption for data center electricity, raising $21.4 million in FY 2027 (The budget failed, however, to end a second sales tax exemption for data center equipment that is projected to be much more costly; that exemption is costing at least another $25 million annually, a number that is projected to increase to as much as $300 million annually once those data centers that have been announced or under construction are operational.)
- Enacts a tax on prediction markets, raising $1 million in FY 2027
- Creates a new income tax deduction for gambling losses, costing the state $40.3 million in lost revenue in FY 2027

These changes net the state about $55 million in revenue in FY 2027, only about 6 percent of the $900 million lost to income tax cuts targeted to corporations and the wealthy few in the same fiscal year. Simultaneously, instead of taxing the rich, the final budget raises small amounts of additional revenue by creating new fees and increasing existing fees,[16] which will hit low-income North Carolinians the hardest. These include more than $12 million in increased General Court of Justice fees, more than $6 million in increased fees for Indigent Defense Services, and more than $1 million in increased fees for filing for divorce. The budget also increases ferry tolls and establishes tolls on ferries that used to be free; while no revenue estimate is provided, the cost of an annual commuter pass will be $150.

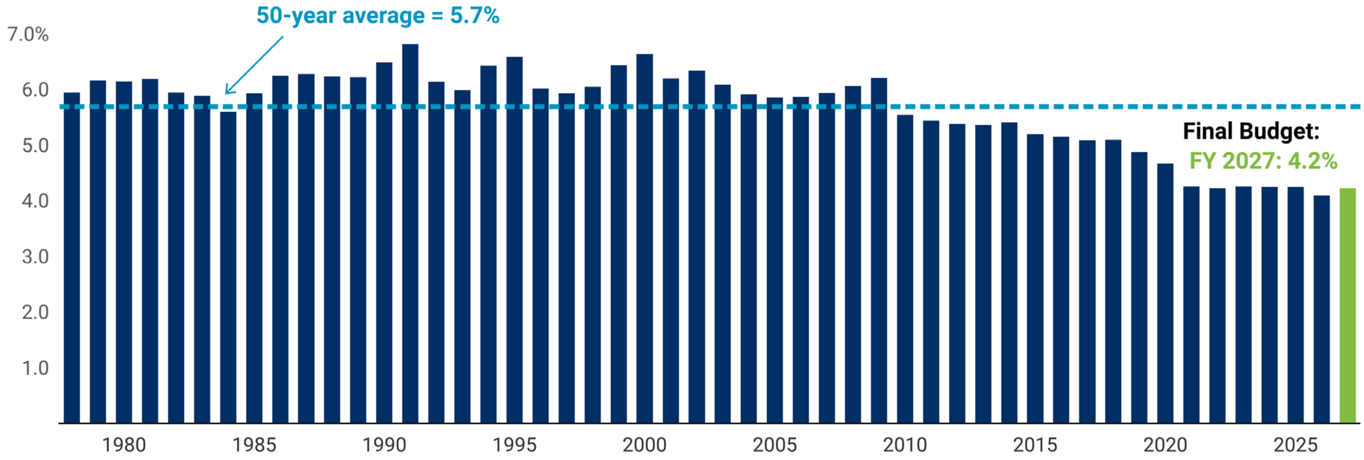
As a share of the economy, state spending stays at historic lows despite unmet needs

Lawmakers' failure to put regular North Carolinians' well-being ahead of continued tax cuts for the rich is reflected in an overall spending level that remains historically low as a share of the state's economy. North Carolina is a prosperous state that can afford to fund priorities in health, education, child well-being and more. But the state budget spends about $34.4 billion in

15 NC Office of State Budget and Management, Scheduled Income Tax Cuts to Mostly Benefit High-Income Households.
16 North Carolina General Assembly, Fiscal Research Division, Legislative Fiscal Note, 2026 Appropriations Act (2026), https://www.ncleg.gov/Sessions/2025/FiscalNotes/Senate/PDF/SFN257v7.pdf.

Figure 6: Spending relative to North Carolina's wealth is much lower than the 50-year average

General Fund spending as share of the state's economy by fiscal year, 1978-2027



"State's economy" and "state's wealth" are used interchangeably and is measured by State Personal Income.

Source: NC Budget & Tax Center analysis of enacted budgets, U.S. Bureau of Economic Analysis

FY 2027, an amount that represents just 4.2 percent of the state's economy (See Figure 6). If lawmakers instead passed a budget that spent at the 50-year average of 5.7 percent of the state's economy, an additional $12 billion would be spent this year to meet needs across North Carolina. That $12 billion is roughly equivalent to annual state funding for K-12 education.

While the Fiscal Year 2027 budget spends key dollars in important areas, investments continue to fall short of need and the state's financial capacity to provide adequate funding:

- **Child Care:** After technical corrections, the budget added $161 million in recurring federal funds to the child-care subsidy program, and raised subsidy reimbursement rates for child-care providers. These rates determine how much money child-care providers receive for caring for children who are enrolled in the child-care subsidy program, and in turn affect early educator pay, and whether providers choose to participate in the program. After years of urging from early childhood advocates, the budget also put in place a subsidy reimbursement rate floor for the child-care subsidy program, which is a huge step toward reducing big disparities between urban and rural counties and increasing funding for rural providers. However, the budget provides no new state investment for subsidized child care and relies completely on federal funds, including TANF funds that could be allocated to other crucial needs, like cash assistance. The legislature also kept low and outdated subsidy rates in place for years, and the increase in this budget is still based on outdated data. An estimated $380 million is needed to bring subsidy rates close to the true cost of care — more than twice what this budget provides.[17]
- **Disaster Recovery:** The budget appropriates just over $550 million in new Helene funding to cover several essential disaster recovery needs in Western NC. This includes state matching funds for key federal programs, grants and cashflow loans for local governments, temporary relocation assistance for disaster survivors who are having their homes rebuilt, funding for repairs to private roads and

17 A Roadmap to the True Cost of Child Care. NC Child, 2026. https://ncchild.org/wp-content/uploads/2026/06/June-2026-A-Roadmap-to-the-True-Cost-of-Care.pdf.

bridges, and for all long-term recovery groups in Helene affected counties. However, with over $40 billion of the $60 billion in recovery needs still unmet, many other essential needs went neglected. Notably, nearly $250 million worth of Helene recovery needs that were priorities identified by the Governor in his June budget went unfunded, including rental and utility assistance for tenants struggling to stay housed, forgivable loans for small businesses struggling to stay open and keep workers employed, and additional funding for debris removal. Nor was any funding dedicated to rebuilding the remaining homes of disaster survivors of hurricanes Matthew (2016) and Florence (2018), despite the upcoming closure of the NC Office of Resiliency and Recovery (NCORR) tasked with the rebuilding effort in Eastern NC.

- **Health Care:** The budget appropriates $9 million in state funds to resuscitate the Healthy Opportunities Pilot (HOP). HOP — a program that helps eligible Medicaid recipients pay for food, utilities, transportation to medical appointments and other services and successfully reduced Medicaid spending by $164 per participant per month — was previously suspended when lawmakers failed to pass a budget for FY 2026. Budget writers said that fully reinstating the program would have cost about $60 million in state funding.
- **Education:** The budget fully funded increased enrollment at UNC System campuses, but it designated a portion of the funding as one-time only. That means universities will face a $46 million funding cliff next fiscal year without further legislative action. The budget also updated the K-12 teacher salary schedule, providing an average raise of 8 percent, but did not provide funds to help local governments match those raises for locally funded teaching position. And after adjusting for inflation, beginning teachers still earn less than they did a decade ago, while veteran teachers with 15 to 24 years of experience remain stuck with a salary plateau. Bringing average teacher pay to the national average would cost $1.5 billion — a commitment North Carolina can afford by stopping income tax cuts.

Budget fails to fund new SNAP food assistance costs, shifting costs onto local governments

Federal funding cuts to SNAP are shifting new costs onto the state, but rather than using its reliable revenue sources to absorb those costs and protect food assistance, state leaders are leaving counties to cover them. Starting in October 2027, counties could collectively face about $220 million in new annual SNAP costs, including $150 million in benefit costs and $69 million in administrative costs.[18]

The budget leaves counties to cover new administrative costs on their own, even as federal policy requires counties to devote more capacity to implementing a more complex SNAP program. Making matters worse, the budget creates a flawed system that makes counties pay the state's benefit cost bill by taking a portion of their local sales tax revenue. Together, these costs will squeeze county budgets already struggling to fund existing services and drain the very resources they need to improve payment accuracy, avoid future costs, and reliably deliver benefits to eligible families in need.

Closed-door budget process prioritizes short-term maneuvers over long-term commitments

Continuing a pattern of recent years, the final budget was crafted behind closed doors by a handful of legislative leaders, without input from the public or most lawmakers about priorities in communities. After an entire year without a budget, the NC General Assembly had less than 48 hours to decide whether to support a bill spanning more than 600 pages and covering an array of important topics. No amendments were permitted, and lawmakers waived rules that would ordinarily allow the conference report to be reviewed in committees. These anti-democratic practices of negotiations without meaningful debate or input advanced an unpopular agenda benefitting corporations and the ultra-wealthy at the expense of everyday North Carolinians.

18 NC Association of County Commissioners, Increased Costs to Counties for SNAP, NCACC Monthly Data Sheet (NC Association of County Commissioners, 2026), https://www.ncacc.org/wp-content/uploads/2026/08/2026-NCACC-AP-Data-Fact-Sheet-FINAL.pdf.

Figure 7: How is the FY 2026-2027 budget paid for?

Summary of Net General Fund Availability

Prior Year-End Fund Balance	
Unappropriated balance from prior fiscal year	$ 2,533,648,181
Overcollections estimate FY 2025-26	$ 978,615,741
Estimated Reversions	$ 500,000,000
Add'l Est. FY 2025-26 Savings Reserve Statutory Reservations	$ –123,930,831
SL 2026-1, Medicaid & HHS Adjust./ Other Critical Needs	$ –86,665,000
Statutory Transfers to Reserves	
State Capital and Infrastructure Fund	$ –1,139,200,000
Savings Reserve	$ –12,975,000
Estimated Beginning Balance & Statutory Transfers	$ 2,649,493,091
Consensus Revenue Forecast	
Tax Revenue	$ 33,876,600,000
Non-Tax Revenue	$ 1,556,100,000
Adjustments to Revenue	
Tax Revenue	$ 101,000,000
Non-Tax Revenue	$ 208,478,908
Total Revenue and Adjustments to Revenue & Availability	$ 35,742,178,908
Additional Transfers and Adjustments to Reserves	
Stabilization and Inflation Reserve	$ –1,325,485,236
Savings Reserve	$ –450,000,000
State Emergency Response and Disaster Relief Fund	$ –350,000,000
Medicaid Contingency Reserve	$ –333,000,000
Regional Economic Development Reserve	$ –200,000,000
Economic Development Project Reserve	$ –170,900,000
Information Technology Reserve	$ –153,000,000
Housing Reserve	$ –35,000,000
Total Additional Transfers to Reserves	$ –3,017,385,236
Revised Total General Fund Availability	$ 35,374,286,763
General Fund Net Appropriation	$ 34,374,286,763
Unappropriated Balance Remaining	$ 1,000,000,000

Source: Current Appropriations Act of 2026

Instead of making recurring commitments of public dollars, lawmakers transfer $3 billion+ to reserves

Lawmakers are required to make contributions to two state reserve funds, based on a formula:

- The Savings Reserve
- The State Capital and Infrastructure Fund

Evidence-based contributions to reserves are an important use of state funds. Required contributions to the Savings Reserve, for example, are calculated to allow the state to "adequately cover two years of need for nine out of ten scenarios involving a year-over-year decline in net General Fund revenue."[19]

In the final budget, however, lawmakers chose to make discretionary transfers totaling more than $3 billion to a variety of reserve funds, in addition to the two transfers required by law (See Figure 7). These discretionary transfers:

1. **Are not made with transparent criteria:** For example, the final budget makes an additional transfer of $450 million to the Savings Reserve Fund, far exceeding the required level set in statute and calculated with clear criteria.
2. **Are subsequently appropriated for uses that do not always align with the implied purpose of the reserve fund:** For example, at least $1.3 million from the Regional Economic Development Reserve was directed to crisis pregnancy centers, which are anti-abortion clinics known to provide misleading and medically inaccurate information to women seeking health care services. (Total funding in the FY 27 budget for crisis pregnancy centers was at least $11 million.)
3. **Raise questions about lawmakers' priorities and capacity to make recurring financial commitments:** The single largest discretionary transfer in the approved budget was to the Stabilization and Inflation Reserve. The fund was initially created at the height of pandemic-era inflation to be used for costs associated with inflation and stabilizing the economy, though in the first year of its creation lawmakers spent none of the $1 billion they transferred to the fund.[20] The FY 2027 final budget added $1.3 billion to the reserve, then appropriated the funds this fiscal year for a variety of one-time spending across numerous agencies. Along with other discretionary transfers to reserves, those public dollars could have been used to make a down payment on more meaningful raises for teachers, state employees, and retirees whose income has not kept up with inflation, to fully fund the Healthy Opportunities Pilot, or any number of other priorities. By electing not to use available public dollars for items that would subsequently require recurring spending, lawmakers' large deposits into reserve funds signal a lack of confidence in the state's tax policies to sustain recurring commitments over the long term.

Budget leaves funds appropriated and crams policy into technical corrections bills

In an additional possible nod to their awareness of a looming structural shortfall, lawmakers left $1 billion in revenue entirely unappropriated. The approved budget bill was also followed up by three technical corrections bills, some of which went beyond correcting errors in the final budget to enact new policies unrelated to state spending.

One technical corrections bill, for example, removes the Secretary of State from a board that oversees local government finances and increases the Senate's control over the Governor's selection of cabinet members.[21] These changes are the latest in a series of actions in recent years by the legislature to reduce power in positions held by the Democratic Party, like the Governor and Secretary of State, and increase power in positions and bodies held by the Republican Party, such as the Auditor and the General Assembly.

19 Kristin Walker, Evaluation of the Savings Reserve Target Balance (NC Office of State Budget and Management, 2026), https://www.osbm.nc.gov/ncga-report-savings-reserve-target/download?attachment.

20 Office of the State Controller, State of North Carolina 2025 Annual Comprehensive Financial Report, Letter of Transmittal (2025), https://www.ncosc.gov/sites/default/files/2025-12/2025%20_Letter_of_Transmittal_Certificate_of_Achievement.pdf.

21 An Act to Make Additional Technical, Clarifying, and Other Changes to the Current Operations Appropriations Act of 2026 and to Other Acts, Pub. L. No. Session Law 2026-61, https://sites.ncleg.gov/frd/wp-content/uploads/sites/7/2026/08/H268v4.pdf.

The choices that can build a better North Carolina

No matter where we live in North Carolina, we all deserve the conditions for well-being: health care when we need it, public education and training that equip us for the future, child care and transportation systems that support our ability to work, and housing that is safe and affordable.

The Fiscal Year 2027 budget fails to secure these building blocks of well-being — not because we don't know what works or because our state can't afford to make key investments, but because lawmakers have chosen, year after year, to prioritize more income tax cuts for the privileged few.

North Carolinians deserve a Well-Being Budget that reflects our priorities and invests in what works. That requires a transparent and inclusive budget process, state spending that matches regular people's priorities and strengthens communities rather than manufacturing scarcity; and a tax code where corporations and the ultra-rich pay their fair share in taxes. Together, those choices can build a North Carolina where everyone has what they need to live well and get ahead.
