

NC GENERAL ASSEMBLY

LEGISLATIVE UPDATE

2026 Short Session

March 27, 2026



Donny C. Lambeth

75th District

Committee Appointments

- Appropriations, Senior Chair
- Health, Chair
- Joint Oversight, HHS & Medicaid, Chair
- Education, K-12 & Higher Education
- Helene Recovery
- Insurance
- Pensions & Retirement
- UNC BOG – Nominations



NC GENERAL ASSEMBLY

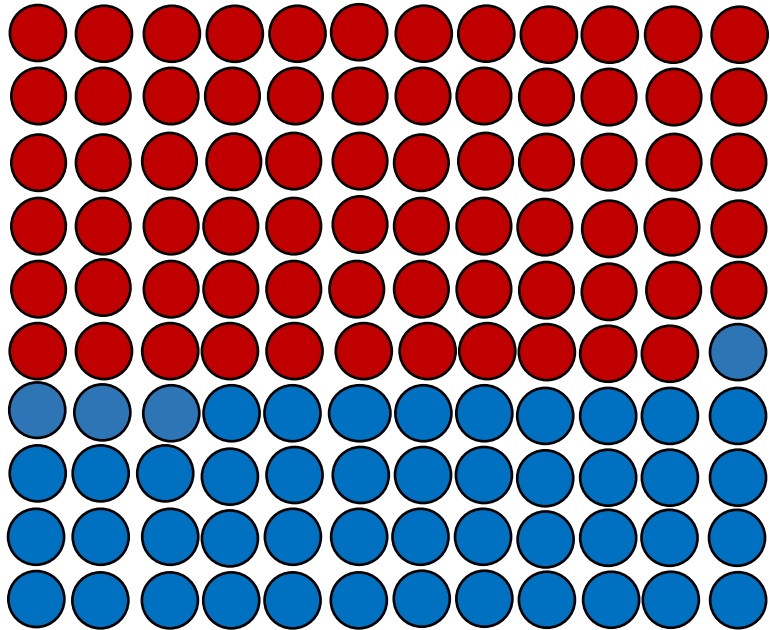
What Will 2026 Look Like on Jones Street?

- Oversight in the Interim
- Why a Budget Stalemate?
- Future Budget Challenges
- Rural Healthcare Transformation
- Metrics



CURRENT GENERAL ASSEMBLY PARTY BREAKDOWN

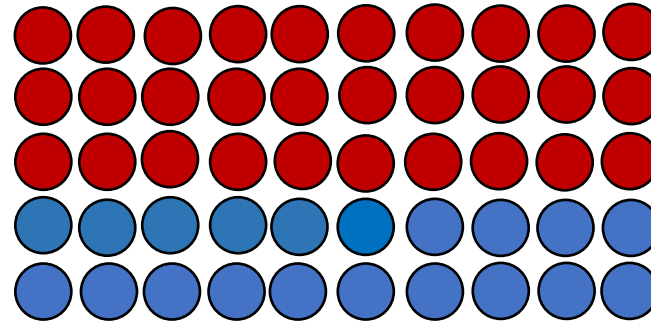
NC HOUSE



 Republican
 Democrat

71
49

NC SENATE



30
20



INTERIM HAS BEEN BUSY WITH OVERSIGHT!

Health and Human Services and Medicaid JLOCs

- Both Oversight Committees have had 3 meetings, with another upcoming in April.
- Topics covered include Medicaid cost drivers, upcoming One Big Beautiful Bill changes, mental health funding, and the Children and Families Specialty Plan, among other topics.
- Have been the most active of the joint interim committees.

House Select Committee on Involuntary Commitment and Public Safety

- Responding to Iryna's Law—focused on evaluating both mental health system capacity and the legal processes for committing, treating, or releasing individuals.
- Topics covered include jail/prison and hospital capacity, involuntary outpatient commitments, and guardianship, among other topics.

*Source: NC Office of the Treasurer; Office of the State Controller



NC DHHS PRESENTED ON ARPA FUNDS – THERE IS MORE WORK TO DO!

Behavioral Health Projects Funded with ARPA Temporary Savings Fund

	Provision	Appropriated by NCGA	Under Contract	Obligated	Planned	Expended
Crisis	Crisis System Response & Capacity (e.g., mobile crisis, FBCs)	\$80 M	\$49.4 M	\$3 M	\$8.8 M	\$18.8 M
	Non-Law Enforcement Transportation Pilot Program	\$20 M	\$1.6 M	\$17.99 M	--	\$433,000
	Crisis Technology / BH SCAN	\$20 M	\$8.4 M	\$6.4 M	--	\$5.2 M
Justice	Justice-Involved Programs <ul style="list-style-type: none"> Community-based pre-arrest diversion and reentry programs Community-based and detention center-based restoration programs 	\$99 M	\$53.8 M	--	\$42.1 M	\$3.1 M
Workforce /Access	Workforce Training Center	\$18 M	\$13.8 M	--	\$2.6 M	\$1.6 M
	State Facility Workforce Investment	\$40 M	--	--	--	\$40M
	Collaborative Care	\$5 M	\$3.1 M	--	--	\$ 1.9 M
CFWB	Child Welfare and Family Well-Being Programs <ul style="list-style-type: none"> Provide supports to families caring for children with BH or other special needs Strengthen available specialized behavioral health treatment options. 	\$80 M	\$36.6 M	\$16.1 M	\$11 M	\$14.4 M

*Source: NC DHHS to HHS
JLOC Oct. 14, 2025



WHY A BUDGET STALEMATE?

NCGA passed Stopgap Funding Bill (SL 2025-89) on July 31, 2025

Enacts Base Budget, as well as:

- **\$2.3 Billion** in FY2025-2027 in new funding, addressing urgent needs with bipartisan support, maintaining essential services, and replenishing state reserves.
- **\$1.2 Billion** (\$600 million recurring) in new Medicaid funding for enrollment changes, service costs, and federal match rates.
- Maintains copay coverage for reduced-price school meals to qualifying students.
- \$74.9 million recurring for Community College enrollment growth, \$9.5 million recurring to NC Promise Tuition Plan; and K-12 education adjustments, including teacher salary increases and supplemental funding for low-wealth counties.
- \$197.6 million for state employee benefits and allows movement within pay schedules.

NC IS THE ONLY STATE WITHOUT A COMPREHENSIVE BUDGET!

*Source: SL 2025-89



HOUSE BUDGET GREAT FOR NORTH CAROLINA

House Budget Passed on May 22, 2025

A Win for Teachers

- Increases teacher compensation 8.7% over biennium
- Raises starting teacher pay to \$50 thousand (near top among southeast states)
- Restores master's pay, rewarding teachers who pursue advanced training

A Win for All State Employees

- Provides 2.5% across-the-board raise for state agency employees, community college staff, and UNC System personnel
- Grants state retirees a 1% cost-of-living bonus in Year 1 and a 2% bonus in Year 2



HOUSE BUDGET GREAT FOR NORTH CAROLINA

(cont.)

Fiscally Responsible

- Holds general spending growth to 5%, restores “rainy day fund” to \$4.75 billion, and eliminates 3,000 vacant positions.
- Increases General Fund revenue thresholds to trigger rate reductions based on inflation + population since 2023.

Keeps Taxes Low & Offers Targeted Relief to North Carolinians

- Reinstates the back-to-school sales tax holiday starting in 2026.
- Exempts first \$5,000 in tips from state income tax, supporting service industry workers.
- Increases standard tax deduction by \$500 for individuals and \$1,000 for married couples.

BUDGET NEGOTIATIONS ARE ONGOING!!



BUDGET STALEMATE OVER IMPORTANT ISSUES

Budget Differences: Proposed Income Tax Changes

2025-26 House Budget

- Revises General Fun Revenue threshold to account for inflation and population growth since 2023.
- Reinstates the back-to-school sales tax holiday starting in 2026.
- Exempts first \$5,000 in tips from state income tax, supporting service industry workers.
- Increases standard tax deduction by \$500 for individuals and \$1,000 for married couples.

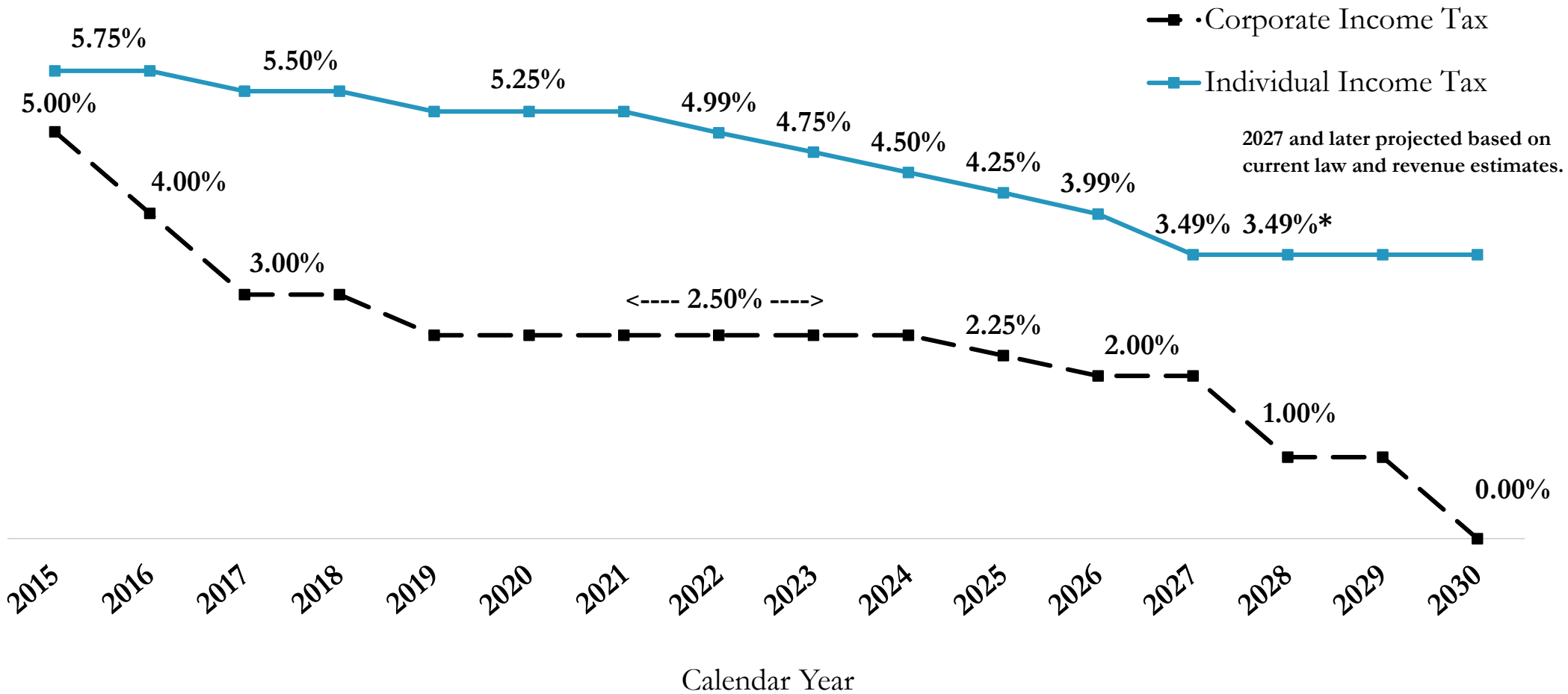
2025-26 Senate Budget

- Reduces the income tax rate from 3.99% to 3.49% in 2027 and to 2.99% in 2028.
- Adds two additional potential rate reductions in future years (current minimum is 2.49%):
 - 2.24%
 - 1.99%

*Source: Fiscal Research Division, NCGA; House and Senate Budget Proposals



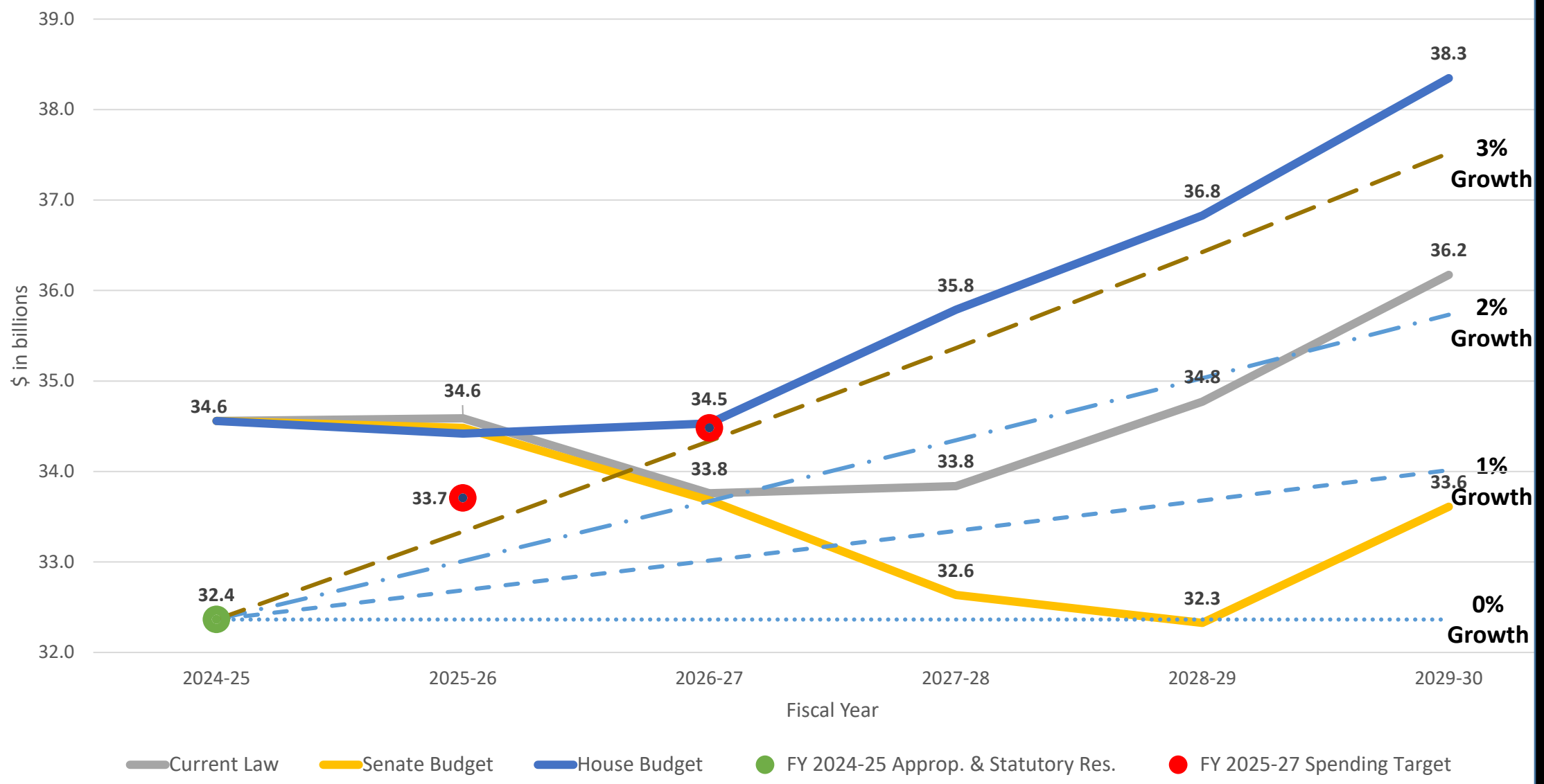
RECENT HISTORY OF TAX RATE REDUCTIONS



*Source: Fiscal Research Division NCGA



GENERAL FUND ANNUAL SPENDING GROWTH SCENARIOS



NC RANKS LOW FOR TEACHER PAY

The National Educators Association (NEA) Ranks NC Low on Average and Starting Teacher Pay Compared to Other States Regionally and Nationally.

- NC’s rank is consistently near the bottom in both average and starting pay
- South Carolina and Tennessee will rank higher next year due to recent changes.

NC’s NEA Rankings — Average & Starting Teacher Pay (2020-2024)

Year	2020-21	2021-22	2022-23	2023-24
Average Pay	40 th	39 th	38 th	43 rd
Starting Pay	45 th	46 th	42 nd	39 th

NEA Rankings — Average & Starting Teacher Pay (2023-2024)

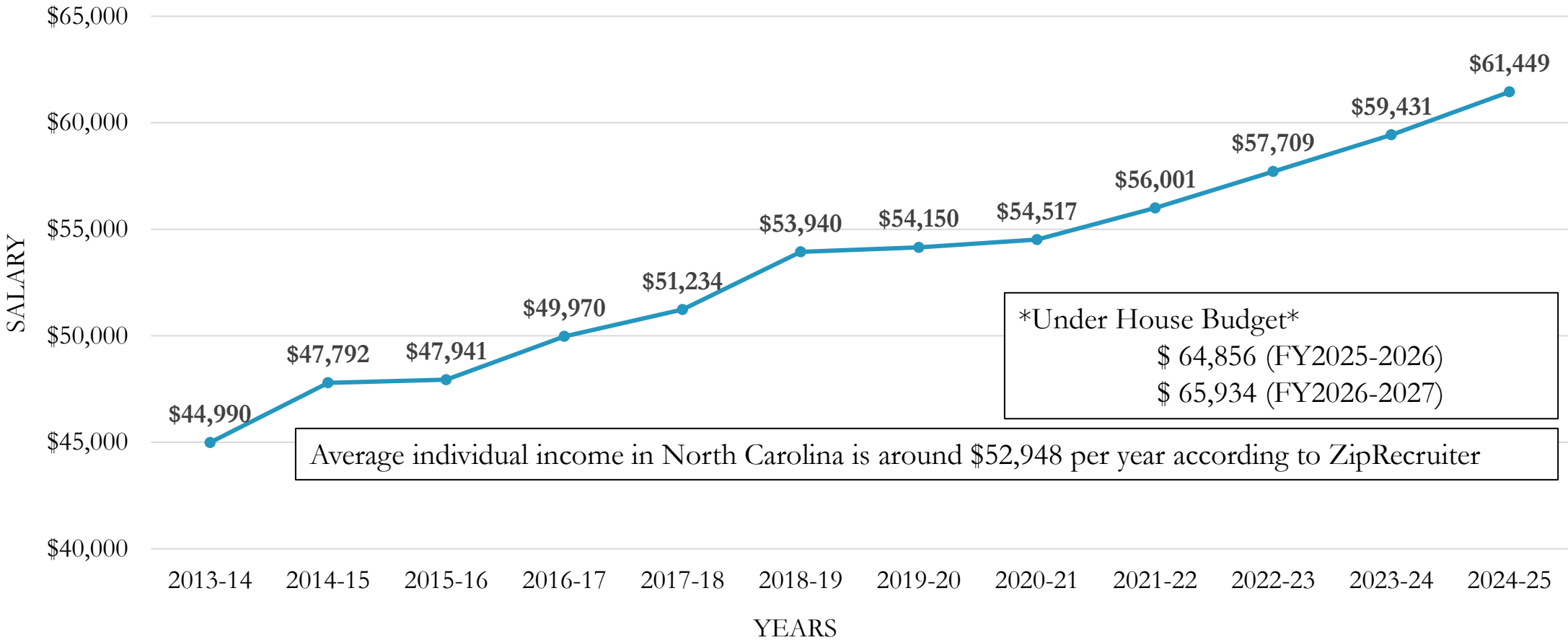
	NC	SC	TN	GA	MS	AL	TX
Average Pay	43 rd	36 th	38 th	23 rd	51 st	33 rd	31 st
Starting Pay	39 th	30 th	29 th	35 th	40 th	31 st	18 th

Sources: National Education Association, [Ranking the States](#) (April 2025) and Teacher Salary Benchmark Reports (2020-2024)



TEACHER PAY HAS INCREASED OVER TIME

North Carolina Average Teacher Pay



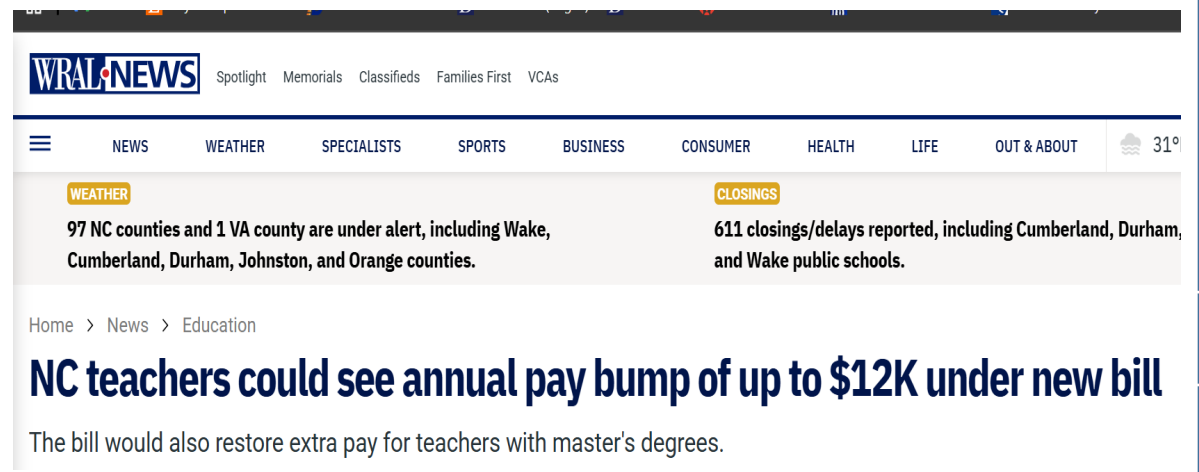
*Source: Fiscal Research Division NCGA



HOUSE BUDGET FOCUSES ON TEACHERS

Inspiration—Lambeth’s House Bill 192

- Creates a new salary schedule for teachers—average pay increase of 22%
- Starting teacher pay would go from \$41,000 (current) to \$50,000 annually.
- Teachers with 25+ years would go from \$55,950 (current) to \$68,230 annually
- Salary Supplements for teachers with National Board Certification
- Restores master’s pay, rewarding teachers who pursue advanced training



FUTURE BUDGET CHALLENGES

CURRENT TAX POLICY

- Current tax plan reduces the individual income tax rate 0.5% annually if the state collects enough revenue to hit the thresholds provided in law.
- Rate fell from 4.5% in 2024 to 4.25% in 2025 and will fall to 3.99% in 2026.
- Forecast for FY 2025-2026 is enough to trigger another reduction to 3.49% in 2027.
- Each 0.5% rate reduction = \$2 billion less revenue

FEDERAL CHANGES—HR1 (One Big Beautiful Bill)

- Shifts more Medicaid and SNAP (food stamps) costs to states, strengthens work requirements, and requires states to increase eligibility checks and reduce fraud.
- Freezes provider tax rates and reduces hospital assessment revenue, impacting HASP and Medicaid expansion, could add state costs associated with Medicaid expansion, tripping the state’s “trigger” law.

NC IS STILL CURRENTLY WAITING ON GUIDANCE FROM FEDERAL AGENCIES!

WESTERN NC RECOVERY

SOURCE: NORTH CAROLINA GENERAL ASSEMBLY FISCAL RESEARCH DIVISION & NC OFFICE OF STATE BUDGET AND MANAGEMENT
For Referenced Tax Plan, See GS 105-153.7



FUTURE BUDGET CHALLENGES – MEDICAID REBASE & RISING HEALTH COSTS

MEDICAID REBASE IS MONEY ADDED TO PREVIOUS YEAR!

- Rebase is the annual process of adjusting state funding to match the current, actual costs of healthcare, enrollment growth, service utilization, and general costs inflation. This is additional, new money on top of what was spent in the previous year.
- Governor requested over \$800 Million Medicaid Rebase last year
- In 2025, NCGA provided \$1.2 Billion in new Medicaid Rebase over 2-years.
- Rebase growth will be over \$1 Billion dollars next year!

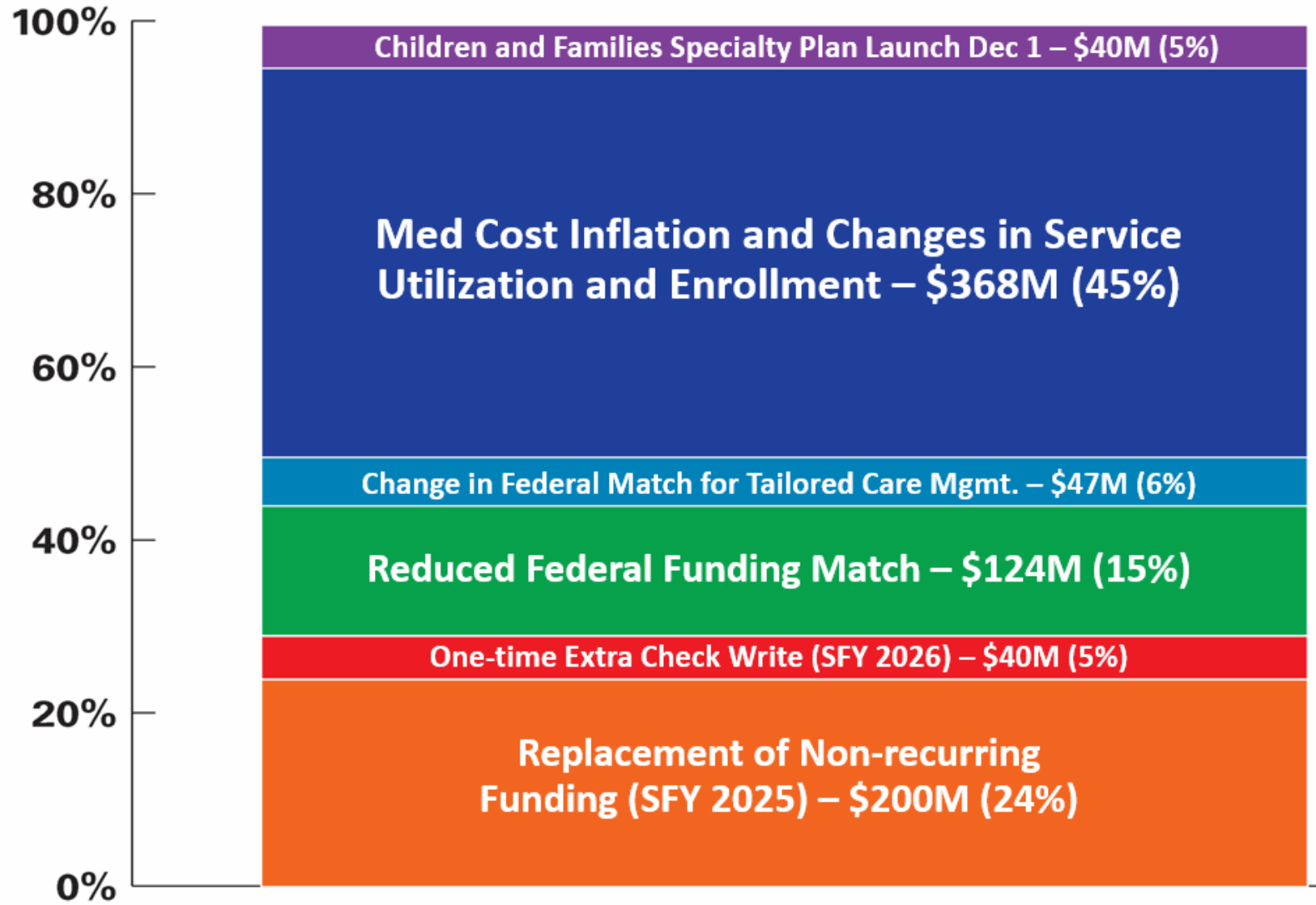
MEDICAID REBASE COST DRIVERS

- Significant autism service utilization growth (impacting mostly Tailored Plans and Behavioral Health and I/DD only)
- Expanded coverage of GLP-1s for weight loss and other clinical indications
- Pharmacy trends exceeding 7% annually

**RISING HEALTH COSTS ADD MORE STRAIN YEAR OVER YEAR
TO THE STATE BUDGET!**



CURRENT MEDICAID REBASE COST DRIVERS



Source: NC DHHS
Presentation to NCGA Joint
Oversight Committee on
Medicaid (Oct. 12, 2025)



FUTURE BUDGET CHALLENGES (cont.)

ADDITIONAL BUDGET CHALLENGES TO CONSIDER....

- Mental Health Reform Needed—IDD population underserved, increased costs for autism services, medications and treatments
- Infrastructure—water and sewer, airports, school buildings and maintenance
- Roads and Highways—NC Gas Tax inadequate to pay for roads
- Childcare
- Prison Reform Needed
- Workforce Shortages in Critical Positions
- Many North Carolinians on Public Support Programs not Thriving
- Role of Artificial Intelligence
- Water Contamination
- Medical Marijuana
- Casinos



RURAL HEALTH TRANSFORMATION PROGRAM (RHTP)

RHTP created in HR1 to improve healthcare for rural communities

- DHHS is planning for \$1 billion in funding over the next 5 years
- Future years funding will be determined by how well NC meets its goals:
 - Launching “ROOTS” Hubs—locally governed centers to connect services
 - Improve Prevention/Screening, Chronic Disease Management, Maternal Health and Nutrition
 - Expand Behavioral Health Services and Integrate Regional Networks
 - Modernize and sustain rural healthcare workforce
 - Accelerate technology innovation, access, and systems coordination.
 - Create capability for rural hospitals to participate in value-based payment models.

Dec. 29, 2025—Federal CMS awarded NC **over \$213 million for year 1!**

NCGA IS PROVIDING OVERSIGHT OF THIS FUNDING!




NC OUTCOMES MUST IMPROVE!

Key Metric	Ranking Description
Infant Mortality	NC Ranked 10 th highest
Preterm Births	NC Pre-Term Birth Grade: D+ (State Ranking, 32 nd) WS: 3 rd highest in NC
Suicide/Self-Harm	NC: 14.7 per 100k citizens, 5% higher than US
Medicaid Coverage	NC: 3.1 million on Medicaid (Roughly 33% of population, US is roughly 25%)
Poverty Rate	NC: 12.5% (NC Children is 15%, highest in US) WS: 17.9% (WS Children is 22.5%)
Obesity	NC: 34.5% of population, projected to increase to 50% in 4 years, (State Rankings, 23 rd and 27 th)
Over 65	NC: 18.4% (By 2031, more Over 65 than Under 18) WS: 18%
Healthcare	NC: 10 th worst for Healthcare Access (Ranked 41 st in Children's Health)
Health Costs	NC: #1 in the US (most expensive)

SOURCES: 2025 Child Fatality Task Force Report, 2025 March of Dimes Report Card for NC; America's Health Rankings, United Health Foundation; State of Obesity, Ron Wood Johnson Foundation, NC Department of Health and Human Services, NC Office of State Budget and Management, Office of the State Demographer ; Top 10 States Where Healthcare is Least Accessible, Forbes; NC Medical Society



THANK YOU!



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