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BERGER CONCEDES

In a stunning development marking the end of an era in North Carolina politics, Senate President Pro Tempore Phil Berger has conceded his re-election bid in Senate District 26. This is perhaps the most seismic political shift in North Carolina in over a decade, underscoring the magnitude of his departure after 25 years representing Rockingham County and 15 years as the Senate's leader.

His statement reads:

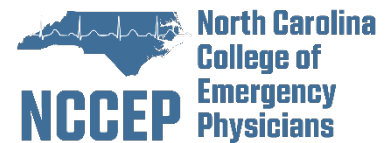
“While this was a close race, the voters have spoken, and I congratulate Sherriff Page on his victory. Over the past 15 years, Republicans in the General Assembly have fundamentally redefined our state’s outlook and reputation. It has been an honor to play a role in that transformation. Looking ahead, I remain committed to working with my colleagues in the short session to ensure North Carolina continues to be the best state in the nation in which to live, work, raise a family, and retire. In the months ahead, I will also do everything I can to support all Republican Senate candidates and protect our supermajority.”

Berger’s concession follows a weeks-long post-election process stemming from a razor-thin 23-vote margin in favor of Sheriff Sam Page. A full machine recount confirmed the initial results without changing the margin. Berger pursued additional remedies, including a request for a full hand recount of all ballots, a request denied by the North Carolina State Board of Elections in favor of standard statutory procedure. A standard partial hand recount was requested and conducted instead, reaffirming Page’s 23-vote lead with no discrepancies today. Under North Carolina law, Berger would have needed to net at least two votes in the partial hand recount to trigger a full hand recount, and the absence of any change effectively closed that pathway.

The campaign had also filed election protests in Guilford and Rockingham counties. Even if successful, these challenges could have affected no more than 13 ballots, which would not have been sufficient to overcome the margin. While some viewed the protests as a potential avenue to argue for an entirely new election, such an outcome would have been highly



NORTH CAROLINA COLLEGE OF EMERGENCY PHYSICIANS



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FOR MORE INFORMATION:

Colleen Kochanek
Ashley Matlock Perkinson
Rachel E. Beaulieu
P.O. Box 1038
Wake Forest, NC 27588
919.809.5600

colleen@kochaneklawgroup.com
ashley@perkinsonlawfirm.com
rachel@beaulieuedlaw.com
www.kochaneklawgroup.com

unlikely given the rarity of such actions by the State Board. Pursuing any further routes would have likely led to extended litigation, similar to the recent State Supreme Court dispute between Jefferson Griffin and Allison Riggs, which stretched for six months following the 2024 election.

So, what does all this mean? The impact is difficult to fully quantify, but it represents a major shift for North Carolina politics. It means that this short session, beginning in less than one month, will likely be Senate leader Berger's last. Questions now turn to what his final session could look like. Does he prioritize passing a budget, or continue to push for the tax cuts that have become a hallmark of his tenure? Does the House offer movement on his priorities as a sign of respect, or hold its position in anticipation of new Senate leadership?

This also signals the beginning of a leadership transition within the Senate Republican caucus, as potential successors begin positioning themselves. While we are already eyeing several frontrunners, it will likely become clearer in the coming weeks who is seriously in contention now that Berger has bowed out. A broader reshuffling of leadership roles, from Rules Chair to Majority Leader, is also probable as new alliances and possibilities open up. This moment could expand the influence of first-term House Speaker Destin Hall, and allow him to negotiate with a stronger hand. However, the Senate could also dig in even deeper on his priorities before leaving, perhaps leaving Hall little room for any negotiation on House priorities. While many have opinions about how things will go, one thing is for sure, change is coming to the General Assembly.

REVENUE FORECAST

Fiscal Research and the Office of State Budget and Management have released a new consensus revenue forecast, projecting that North Carolina will bring in approximately \$35.079 billion in FY 2025–26, followed by a slight decline to \$34.72 billion in FY 2026–27. While the state is currently on track for a modest surplus of roughly \$370 million (about 1%) this fiscal year, the state will also soon hit tax cut triggers that will result in decreasing annual revenue according to the report.

Under current law, the state is expected to begin hitting those triggers in 2027, reducing the personal income tax rate from 3.99% to 3.49%, with additional reductions scheduled in subsequent years. As a result, revenue is projected to decline even as the state continues to experience population growth and inflationary pressures. At the same time, the state is currently collecting significantly more than it is spending, more than \$2 billion above expenditures under the existing budget framework adopted in 2023, due in part to the ongoing budget impasse.

The updated forecast continues to highlight the major divide between chambers. Senate Republicans have largely supported allowing the tax cuts to proceed as scheduled, while House Republicans and Democrats have raised concerns about a potential “fiscal cliff” and the need to revisit the triggers to avoid future budget shortfalls. Current projections suggest the state could face a multi-billion-dollar structural gap in the coming years if no changes are made.

In response to the forecast, Speaker Hall emphasized both the current strength of state revenues and emerging cost pressures, stating: “Today's announcement of a surplus demonstrates the success of the fiscally responsible policies enacted by our Republican majority over the last fifteen years. Unfortunately, this surplus revenue will be entirely consumed by a projected billion-dollar Medicaid rebase. This program must be reformed in order to preserve our ability to fund public safety, education, and other priorities. We must protect North Carolina's hard-earned reputation for fiscal strength by passing a responsible budget sooner rather than later.”

Similarly, Gov. Stein warned of significant future budget challenges, stating: "Today's forecast means that we will soon fall into a budget gap of at least \$2.8 billion, causing the state to have to make painful cuts to critical services like public safety, education, and health care," he said. "There is still time to act to keep up North Carolina's positive momentum. As our population rapidly grows and the federal government becomes a less reliable partner, I urge this General Assembly to study these new realities, hit pause on outdated, irresponsible tax triggers, and invest in our most important resource: our people."

The forecast attributes the current surplus to strong economic conditions, including robust business profits, steady wage growth, and continued gains in equity markets. However, economists caution that growth is expected to slow beginning in 2027, particularly in consumer spending and wages, which could further constrain revenue collections.

The outlook also notes potential external risks, including global instability. The forecast assumes stabilization of the ongoing conflict involving Iran in the near term, but warns that a prolonged conflict could drive sustained energy price increases, disrupt supply chains, and heighten the risk of a broader economic slowdown.

Overall, the updated forecast underscores both the state's current fiscal strength and the growing pressure points that will shape budget negotiations, particularly as legislators continue to work toward resolving the ongoing budget stalemate.

SHORT SESSION

With all of these unknowns we are entering into the "short session" of the General Assembly which will begin April 21st. We expect the priorities to be the delayed budget or at least a partial state budget including addressing the shortfall in Medicaid funding for the remainder of the fiscal year (funding of the Rebase). There are also two working House Committees that we expect to see legislation from during the short session: the House Select Committee on Property Tax Reduction and Reform and the House Select Committee on Involuntary Commitment and Public Safety. The Senate does not have similar study committees, but we understand they have been following the issues and will have their own spin on these issues if the House sends legislation to them.

We do not expect other substantive legislation during the short session as we expect legislators will want to be in their home districts before the midterm elections campaigning, but we often expect the "short session" to be short and have been surprised. Lots of unknowns entering this session, so will keep you updated as we go!

We look forward to our continued work together and hope you will reach out if you have any questions or concerns.

- Colleen Kochanek
NCCEP Legislative Counsel
Kochanek Law Group
919.809.5601
colleen@kochaneklawgroup.com
www.kochaneklawgroup.comⁱ

Ashley Matlock Perkinson
Perkinson Law Firm
919.210.8209
ashley@perkinsonlawfirm.com

Rachel E. Beaulieu
Rachel E. Beaulieu Law Office, PLLC
919.896.6296
Rachel@BeaulieuEdLaw.com

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