MECKLENBURG COUNTY
North Carolina

Update on the NC State Budget for FY27

August 5, 2026

Background

- Signed by the Governor on July 7, 2026
- Spending plan totals $34 billion

Key Provisions

- Funding Overview
- Salary Increases
- Support for Administrative Office of the Courts (AOC)
- Dominique Moody Safety Act
- Office for Historically Underutilized Businesses (HUB)
- HB171 Equality in State Agencies / Prohibition on DEI
- Cancellation of State Transportation Improvement Program (STIP) Projects
- Supplemental Nutrition Assistance Program (SNAP) Costs

On the Horizon

- Tax Legislation
- Proposed Office of Management and Budget (OMB) Rule

Senate Bill 257

2026 Appropriations Act

Effective July 1, 2026, unless otherwise indicated.

High Level Funding Overview

$1.6B for state agencies and University of North Carolina campuses.

$208.5M for children's hospital in Wake County.

Funds the Propel NC workforce-driven model for NC community colleges.

$3,108,311 ($2,858,311 recurring) to improve administration of the federal Supplemental Nutrition Assistance Program (SNAP).

Income tax cuts of **3.99%** to **3.49%** in 2027; to **3.24%** in 2030; eventually to **2.49%** (subject to triggers).

8% average teacher pay increase.

3% raise for state employees plus bonus.

$1B in funding for the Medicaid rebase.

$700M for Hurricane Helene relief.

POSITIVE IMPACTS TO COUNTIES

Salary Increases

Average **8%** raise for certified teachers and bonuses based on years of service

$48,000 salary for beginning teachers before local supplements

3% increase for state employees, principals and non-certified staff

Average **6.3%** increase for assistant principals on teacher schedule

Average **20.3%** increase for State Bureau of Investigation and Alcohol Law Enforcement officers

Average **17.7%** increase for State Highway Patrol officers

Correctional officers will receive an average **15.4%** salary increase

Average **10.1%** salary increase for Probation and Parole officers

13% increase for other law enforcement officers across state government

Administrative Office of the Courts

County	Magistrates	Assistant District Attorneys
Avery	4 (1)	
Burke	6 (<.4)	12 (1)*
Cabarrus	11 (1)	
Durham	17 (<1)	
Franklin	5 (1)	
Iredell	10 (1)	
New Hanover	15 (1)	
Vance	8 (<1)	
Wilson	8 (1)	
Edgecombe, Nash, Wilson		25 (3)
Cumberland		29 (4)
Robeson		20 (7)
Anson, Richmond, Scotland		12 (1)
Catawba		12 (2)

Addition of 6 magistrates statewide.

Addition of 18 Assistant District Attorneys statewide.

( ) Indicates addition or reduction

*Also serves Caldwell County

Dominique Moody Safety Act

- Creates Child Welfare Case Escalation Team within the Division of Social Services to conduct assessments of juveniles who have extensive histories with child protective services. ***Effective October 1, 2026.***
- Child Welfare Case Escalation Team Supports County DSS through assessment, collaboration, response and review.
- **$550,000** in recurring funds appropriated from the General Fund to the Department of Health and Human Services (DHHS), Division of Social Services, beginning in the 2026-2027 fiscal year for six full-time equivalent positions to staff and implement the Child Welfare Case Escalation Team.
- **$100,000** in nonrecurring funds appropriated from the General Fund to the DHHS, Division of Social Services for the 2026-2027 fiscal year for training for child protective services employees and social workers employed by county departments of social services to recognize abuse and neglect.

OTHER IMPACTS TO COUNTIES

Eliminate Office for Historically Underutilized Businesses (HUB)

- Abolishes the Office for Historically Underutilized Businesses.
- Administers the NC Small Business Enterprise Program through the Office of Purchase & Contract in the Department of Administration.
- Strikes all identifiers throughout aside from small business including minority, physically handicapped, and women.
- Impacts contracts and participation from minority, women, business enterprises or MWBEs.

Overview

- Prohibits state agencies from promoting, supporting, implementing, or maintaining DEI, including using DEI in State government hirings and employment, maintaining DEI staff offices, or offering or requiring DEI training.

- Prohibits a State agency or unit of local government from (i) using State funds or public monies to promote, fund, implement, or maintain DEI initiatives or programs and (ii) applying for, accepting, or utilizing federal funds, grants, or other assistance that require compliance with DEI policies, initiatives, or mandates.

- Does not apply to (1) Guest speakers or performers on short-term engagements. (2) Data collection. (3) The North Carolina State Commission of Indian Affairs. (4) Indian education services and positions. (5) The celebration of any holiday, observance, or remembrance.

HB171 Equality in State Agencies / Prohibition on DEI

Pending Veto Override

Technical Corrections

- Effective **July 1, 2027**, and applies to acts or omissions occurring on or after that date.

- Annually starting **February 1, 2028**, each State agency and unit of local government shall prepare, post on its website, and submit to the Office of the State Auditor, a report detailing the actions in compliance.

- Annually starting **April 1, 2028**, the State Auditor shall compile the information and submit a consolidated report to the Joint Legislative Commission on Governmental Operations and the General Assembly.

- The House voted to override the Governor's veto of the bill on June 24th. The Senate has yet to vote on the override.

HB171 Equality in State Agencies / Prohibition on DEI

Pending Veto Override Cont.

CANCELLATION OF STIP PROJECTS

- Provides that if a transportation organization takes unilateral action to remove a statewide transportation project any local government entity that voted in favor shall reimburse the Department of Transportation (DOT) for costs incurred.
- Costs include preliminary engineering, environmental studies, consultant fees, labor, and any other project-related expenditures.
- DOT determines what constitutes unilateral action.
- DOT shall withhold aid for other transportation projects until fully reimbursed.
- Reimbursement is not required if a local government that voted against the I-77 South project votes to reinstate the October 16, 2024, resolution within 90 days of the effective date of this law ***(July 1, 2026)***.
- Requires Mecklenburg County to reverse the previous vote to avoid the reimbursement requirement.

Provision Specifically Impacting Mecklenburg County

Effective retroactively to January 1, 2026

HR1 One Big Beautiful Bill Act

- HR1 provided for pass through benefit and administrative costs we expected related to SNAP.

NC State Budget Impact

- Places SNAP costs resulting from HR1 on counties. This could result in a significant increase in program administration fees this upcoming fiscal year.
- Requires all counties to pay the full state match for SNAP benefit costs, should the state not achieve the target determination error rate.

Supplemental Nutrition Assistance Program (SNAP)

ON THE HORIZON

House Bill 1089 – Const. Amend. Property Tax Levy Limit

Provides for a referendum on the ballot on November 3rd to allow voters to decide whether the State Constitution should be amended to require the General Assembly to enact a property tax levy limit.

Potential impact to County's primary source of funding for programs and services and limits to revenue flexibility which could create fiscal instability.

Senate Bill 992 - Truth in Taxation

Requires a resolution to adopt a tax rate above revenue neutral and requires that notice of intent be published in the newspaper and on the County's website.

Requires public hearing on the issue of exceeding the revenue-neutral tax rate and notice of intent by first class mail to property owners at least 14 days before the hearing or electronically if the taxpayer has consented to receive notice by electronic means.

Creates challenges for approving tax rates above revenue neutral after revaluation and creates risks to the county of paying out refunds if public notice requirements are not met.

Property Tax Legislation

Proposed Rule on Uniform Guidance Governing Federal Funding

Allows any federal agency or pass-through entity to terminate a discretionary federal award "in part or its entirety" at any time, for any reason, if the agency determines that termination "is in the interest of the Federal agency or pass-through entity.

Prohibits federal award funds from being used, "to the maximum extent permitted by law," to "fund, promote, encourage, subsidize, or facilitate" DEI or DEIA "policies, principles, or practices that violate any applicable Federal anti-discrimination laws," "gender ideology as defined in Executive Order 14168," or the transition of a child under 19 from one sex to another.

Requires all public entity recipients and subrecipients to refrain from discriminating "on the basis of the viewpoint, content, or subject matter of speech" in providing services for events, meetings, or other expressive activities.

Amends over 450 sections in the Uniform Guidance governing the administration of grants, cooperative agreements, and pass-through awards.

Applies to funding to state and local governments, nonprofits, universities, and other entities.

Effective October 1, 2026.

Proposed Rule on Uniform Guidance Governing Federal Funding Cont.

Requires pass-through entities to ensure that each subrecipient "does not take actions that could significantly damage the reputation of the pass-through entity, the Federal agency making the award, or the Federal Government.“

Requires federal programs to be designed with goals and objectives that "align with administration policies and priorities."

Prohibits using federal award funds to "engage in issue advocacy or public messaging that promotes or opposes a particular social, political, or public policy position unrelated to the statutory objectives or performance requirements of the Federal award, including messaging designed to influence public attitudes on matters not necessary to accomplish the purpose of the Federal award."

Amends over 450 sections in the Uniform Guidance governing the administration of grants, cooperative agreements, and pass-through awards.

Applies to funding to state and local governments, nonprofits, universities, and other entities.

Effective October 1, 2026.

SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM (SNAP)

Benefit Determination & Administration

- Decrease from 50% to 25% of costs beginning Oct. 2026
- Budget impact of **$7.5M** for FY2027 & **$10M** annualized
- The change was factored into the County's FY2027 budget, and an additional **$2.5M** will impact the County's FY2028 budget.

Cost-share Penalties Established with H.R.1

- Based on FY2025 data, a 5% benefit match for the State would be **~$150M**
- Current statewide error rates are trending to be over the 6% threshold, which would trigger a 5% benefit match for FY2028 unless they improve before Oct. 2026
- **The State budget includes a provision for the State to recoup the cost of the cost-sharing penalty by withholding the 2-cent local sales tax distribution (Article 39, 40, 42) from counties, cities, & towns[1]**

States must pay a percentage of SNAP benefits if they have the following Payment Error Rates (PER):

- 6% - 7.99% will pay **5%**
- 8% - 9.99% will pay **10%**
- 10%+ will pay **15%**

1 - Impact on municipalities noted by: NC Fiscal Research Division, North Carolina General Assembly. *Fiscal Memorandum for the 2026 Appropriations Act (Senate Bill 257)*. 1 July 2026, page 15.

Sales Tax Withholding Formula Established With SB257

- The formula allocates a portion of the penalty to all counties as a combined flat rate equal to 0.75% of their 2-cent local sales tax, and the remainder based on each county's sales tax and share of the sampled error rates
- The Fiscal Research Division (FRD) of the NC General Assembly prepared an illustrative calculation using 2025 figures, which resulted in an annualized countywide impact of **~$61.9M** for the federal fiscal year beginning Oct. 2027(**~$41.5M** impact to Mecklenburg County)
- Using federal fiscal year-to-date data available for FFY 2026 (Oct. – Feb.), the countywide impact would be **~$44.6M** (**~$29.9M** to Mecklenburg County)
- The estimates based on FFY2026 data, which will determine the FY2028 impact, will not be known until around Feb. 2027

Sales Tax Withholding Formula Established With SB257

1. <u>All counties</u>: 0.75% **X** 2-cent Local Sales Tax Revenue

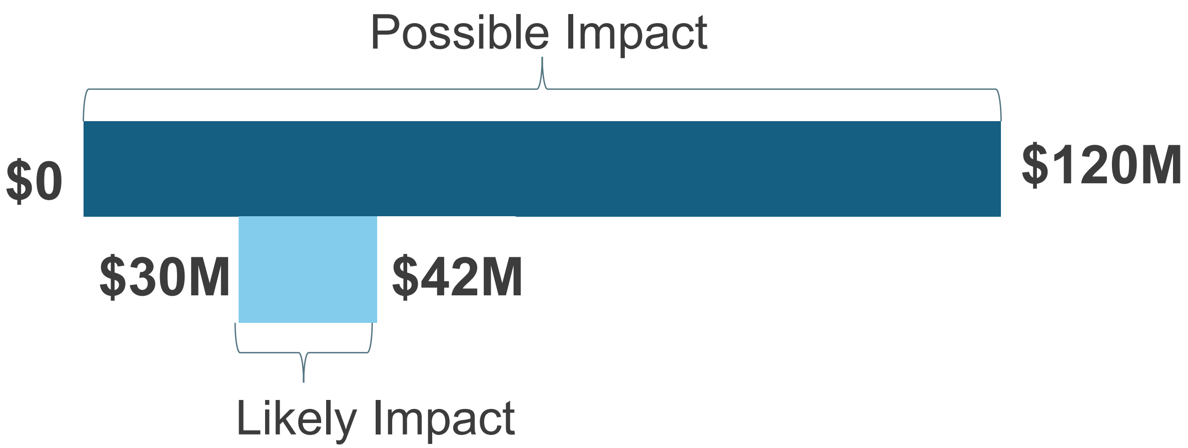
2. <u>Counties with errors</u>: Error amount as a percent of total state error amounts **X** each county's 2-cent local sales tax revenue **X** (Remaining amount the state must pay which is not recouped in step 1 ÷ the sum of all counties' error rates **X** their 2-cent local sales tax)

1 + 2 = Amount withheld each month

1. Higher Sales Tax = Higher Withholding
2. Higher Share of Statewide Errors = Higher Withholding
3. Based on a small sampling of data that may not provide an accurate representation
4. Subject to wide-ranging swings in impact both due to federal cost-share penalty tiers & the state formula

Potential Impact On Mecklenburg County Budget

preliminary estimates based on currently available data



- The impact on the County could range from **$0** to **$120M** based on the penalty level triggered by the statewide error rate & the County's share of the penalty
- FFY25 & FFY26 (YTD) trends indicate a potential penalty ranging between **$30M** and **$42M**
- A better estimate will be available around February 2027

Potential Impact On City & Towns

FRD Estimated Sales Taxes Withheld Using 2025 Data

	Annualized Impact	% of FY27 General Fund Budgets
Mecklenburg County	$41,466,238	2.2%
Charlotte	17,412,159	1.7%
Cornelius	592,273	1.4%
Davidson	332,665	1.5%
Huntersville	829,151	1.0%
Matthews	575,511	1.5%
Mint Hill	377,336	1.2%
Pineville	307,251	1.2%
Stallings (Mecklenburg portion only)	3,362	-
Total	**$61,895,946**	

Scenario based on NC General Assembly Fiscal Research Division Illustrative Estimates using federal fiscal year 2025 data

Scenarios With No FY28 Impact

- **The statewide error rate could be reduced to less than 6%**
  - The current rate from Oct. - Feb. is **6.49%**
  - The State has not achieved an error rate below 6% since 2019, following pandemic-related error waivers in effect for 2020 & 2021
  - New SNAP requirements became effective in Dec., which may impact the error rates
- **Congress could delay the cost-share penalty**
  - Only 14 states are currently below the 6% threshold
  - The North Carolina Association of County Commissioners is working with the National Association of Counties, National Governors Association, National League of Cities, & the Council of State Governments to request a 2-year delay

Efforts To Minimize Errors

- Mecklenburg County Economic Services Division restructured program operations to organize Eligibility Staff by program function
- Established a weekly leadership meeting to identify continuous process improvements
- Increased the amount of monthly quality sampling reviews, with a focused review of households of five or more, to identify error trends for case correction
- Extended the mentoring period for new hires from eight to twelve weeks and increased the accuracy expectation from 85% to 95%
- Implemented additional targeted training for staff to address and identify error trends
- NCDHHS contracted with Human Services Group (HSG), which supports eight counties with business process redesign to help lower the Payment Error Rate

Key Concerns

- The cost-sharing penalties for SNAP represent a major shift of federal cost to local residents
- The state's formula for pushing this cost to local governments relies on a small set of sampling data and disadvantages large counties that receive more sales tax
- The penalty and the state formula for individual jurisdictions is unpredictable and could result in wide swings in revenue loss each year
- The state has not provided additional revenue options to help offset the impact on the operating budgets of the 100 counties and 552 cities and towns that will be impacted

Responding To This Change

- Given the annual uncertainty and the wide range of the potential impact on our revenue each fiscal year, the County has limited options to offset the SNAP cost-sharing penalties by expense reductions on an ongoing basis.
- Additional property taxes may be necessary in upcoming years to cover the shifting cost for SNAP benefits from the federal government to the county through the state.
- The County will continue to work to reduce payment errors, but some elements of the Payment Error Rate are beyond the County's control.
- The County should advocate for the State to cover the cost of SNAP cost-sharing penalties, rather than withhold local sales tax revenue.
- The County should advocate for the Federal government to delay or forego cost-sharing penalties approved in H.R. 1.

QUESTIONS