



NORTH CAROLINA GENERAL ASSEMBLY

2025 Session

Legislative Fiscal Note

Short Title: 2026 Appropriations Act.
Bill Number: Senate Bill 257 (7th Edition)
Sponsor(s): Sen. Brent Jackson, Sen. Ralph Hise, and Sen. Michael V. Lee

SUMMARY TABLE

This summary table only reflects provisions in the 2026 Appropriations Act (also referred to as the Conference Budget) that impact State General Fund revenues. The fiscal impacts of other revenue changes are reflected in tables throughout the note.

FISCAL IMPACT OF THE CONFERENCE BUDGET (\$ in millions)

| | <u>FY 2026-27</u> | <u>FY 2027-28</u> | <u>FY 2028-29</u> | <u>FY 2029-30</u> | <u>FY 2030-31</u> |
|--------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| State Impact | | | | | |
| General Fund Revenue | \$ 317.0 | \$ 1,483.8 | \$ 2,937.0 | \$ 2,501.9 | \$ 1,872.6 |
| Less Expenditures | - | - | - | - | - |
| General Fund Impact | \$ 317.0 | \$ 1,483.8 | \$ 2,937.0 | \$ 2,501.9 | \$ 1,872.6 |
| NET GENERAL FUND IMPACT | \$ 317.0 | \$ 1,483.8 | \$ 2,937.0 | \$ 2,501.9 | \$ 1,872.6 |

FISCAL IMPACT SUMMARY

State Tax Changes

Personal Income Tax

- Section 44.1(a) repeals conditional tax rate reductions between 2027 and 2034 that are subject to General Fund revenue triggers being met.
- Section 44.1(a) also reduces the tax rate from 3.99% in 2026 to 3.49% in 2027, and from 3.49% to 3.24% in 2030 and from 3.24% to 2.99% in 2033. These rate reductions are not conditional on revenue triggers.
- Section 44.1(a1) authorizes up to two future rate reductions between 2035 and 2040 that become effective if General Fund revenue meets specified revenue trigger amounts.
- Section 44.2 creates an itemized deduction for gambling losses, mirroring federal tax law.

Sales and Use Tax

- Section 44.3 requires a nonprofit hospital or hospital authority and its affiliates or component units to be treated as one entity for purposes of claiming a refund of State or

local sales tax. This would not apply to any UNC affiliated or contracted hospitals; each of those hospitals would continue being subject to individual refund caps.

- Section 44.4 repeals the sales and use tax exemption for electricity used in datacenters with all net proceeds intended to be retained by the State.

Insurance Premiums Tax

- Section 44.5 eliminates the Insurance Regulatory Charge (“Charge”) paid by insurers and offsets this by increasing insurance premiums tax rates for premiums subject to the Charge. This provision also eliminates the reimbursement of operating costs from the Insurance Regulatory Fund to the General Fund.

Sports Wagering Tax

- Section 44.7(a) increases the sports wagering tax rate paid by sports wagering operators from 18% to 23%.
- Section 44.7(b) changes the distribution of proceeds from the tax on sports wagering operators, effective July 1, 2026, by capping the amount of revenue the North Carolina Major Events, Games, and Attractions Fund can receive at \$30 million annually, adding North Carolina State University and the University of North Carolina at Chapel Hill as recipients of revenue proceeds, and setting limits for the total revenue that may be distributed annually to each university program.

Prediction Markets Tax

- Section 44.8 establishes a tax on prediction markets equal to 6% of net trading fee revenue.

Other Tax Changes

- Section 44.6 makes various changes to laws regulating vapor products, including the creation of a Specialty Retailer of Vapor Products License with an initial license tax of \$1,000 per retail location.

Fees and Other Changes

- Section 5.5(a) and Section 44.5 redirect interest earned from various special funds to the General Fund.
- Section 44.11 establishes a new article of sales tax that allows Sampson County to levy up to an additional ½% of local sales tax with a successful voter referendum and county commissioner approval.
- Section 44.12 increases the maximum amount charged for various fire fees assessed by Brunswick County, which are used to support fire protection services instead of a dedicated tax.
- Section 16.21 increases various General Court of Justice fees by \$30.



- Section 16.23 increases the Telecommunications and Data Connectivity Fee that applies to all court cases by \$10.
- Section 20.11 increases the fee charged to users of the Division of Criminal Information Network by \$8 for each user type.
- Section 16.30 increases the Indigent Defense Service fee by \$20, which applies to criminal court cases and the receipts are directed to the Private Assigned Counsel Fund.
- Section 16.22 increases the Driving While Impaired Civil License Revocation Fee by \$100 and modifies the distribution of fee revenue.
- Section 22.1 increases the Divorce Filing fee, and all proceeds are directed to the Domestic Violence Center Fund.
- Section 37.1 expands a fee within the Secretary of State's office for securities salespersons registering with multiple dealers.
- Section 12.11 increases non-Title V Air Quality permit fees to offset reduced fee revenue from other sources. Section 12.16 adds underground storage tank permits to the express permitting program.
- Section 15.1 increases the Boating Registration fees to support abandoned and derelict vessel removal.
- Section 43.15 directs the N.C. Board of Transportation to set tolls on all ferry routes, both currently tolled and untolled, consistent with a vessel replacement schedule devised by the NC Ferry Division. Future toll receipts will be deposited in the Ferry Capital Fund.
- Section 43.21 directs the N.C. Board of Transportation to establish fees for certain traffic, right of way, subdivision, road additions, and inspections. Fees are prohibited from exceeding the costs associated with related work.
- Section 43.20 increases the annual vegetation maintenance permit fee from \$200 to \$400.
- Section 9J.14, effective October 1, 2027, directs a portion of county local sales tax revenues be withheld for purposes relating to the Supplemental Nutrition Assistance Program (SNAP) benefit cost-share requirements resulting from Public Law 119-21 (H.R. 1).
- Section 9L.1 increases several fees that the NC Medical Board can charge.

FISCAL ANALYSIS

TAX CHANGES

Personal Income Tax

Estimated General Fund Impact of Personal Income Tax Changes (\$ in millions)

| | <u>FY 2026-27</u> | <u>FY 2027-28</u> | <u>FY 2028-29</u> | <u>FY 2029-30</u> | <u>FY 2030-31</u> |
|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Changes to Personal Income Tax Rates, 2027-2034 | \$ - | \$ 1,067.2 | \$ 2,502.0 | \$ 2,045.7 | \$ 1,392.4 |
| Conditional Rate Reductions, 2035-2040 | \$ - | \$ - | \$ - | \$ - | \$ - |
| Itemized Deduction of Gambling Losses | \$ (40.3) | \$ (19.7) | \$ (21.5) | \$ (23.0) | \$ (22.5) |
| Total | \$ (40.3) | \$ 1,047.5 | \$ 2,480.5 | \$ 2,022.7 | \$ 1,369.9 |

Changes to Personal Income Tax Rates, 2027-2034 (Sec. 44.1(a))

The bill repeals conditional personal income tax rate reductions between 2027 and 2034 that are subject to General Fund revenue triggers and reduces the personal income tax rate from 3.99% to 3.49% in 2027 and from 3.49% to 3.24% in 2030 and from 3.24% to 2.99% in 2033. These rate reductions are not subject to General Fund revenue triggers.

Under current law, the tax rate is projected to be 3.49% in 2027 and 2.99% in 2028 because the FY 2025-26 and FY 2026-27 triggers are anticipated to be met, reducing the tax rate from 3.99% in 2026 to 3.49% in 2027 and to 2.99% in 2028. The bill removes the conditional General Fund revenue triggers and makes personal income tax reductions certain through 2033.

The personal income tax rates forecasted under current law and set in the Conference Budget are compared in Table 1 below.

Table 1: Personal Income Tax Rates, Under Current Law and the Conference Budget

| Tax Year | Tax Rate Forecasted under Current Law | Tax Rate under the Budget |
|-----------------|--|----------------------------------|
| 2026 | 3.99% | 3.99% |
| 2027 | 3.49% | 3.49% |
| 2028 | 2.99% | 3.49% |
| 2029 | 2.99% | 3.49% |
| 2030 | 2.99% | 3.24% |
| 2031 | 2.99% | 3.24% |
| 2032 | 2.99% | 3.24% |
| 2033 | 2.99% | 2.99% |
| 2034 | 2.99% | 2.99% |

To calculate the net impact of the changes to PIT rates described above, the Fiscal Research Division (FRD) calculated fiscal year blended tax rates, the fiscal year tax base, and the estimated collections under each set of tax rates. Table 2 shows the results of that calculation, with additional calculation detail following. Overall, the changes to PIT rates are expected to increase General Fund revenue by roughly \$7 billion over the next 5 fiscal years.

Table 2: Personal Income Tax Estimated Base, FY Blended Tax Rates, and Collections, Under Current Law and the Conference Budget, \$ in Millions

| Category | FY 2026-27 | FY 2027-28 | FY 2028-29 | FY 2029-30 | FY 2030-31 |
|--|--------------|------------------|------------------|------------------|------------------|
| PIT FY Tax Base* | \$449,594 | \$474,321 | \$500,409 | \$527,931 | \$556,968 |
| Current Law: FY Blended Tax Rate | 3.77% | 3.27% | 2.99% | 2.99% | 2.99% |
| Conference Budget: FY Blended Tax Rate | 3.77% | 3.49% | 3.49% | 3.38% | 3.24% |
| Current Law: Estimated PIT Collections | \$17,077.2** | \$15,486.6 | \$14,962.2 | \$15,785.1 | \$16,653.3 |
| Conference Budget: Estimated PIT Collections | \$17,077.2 | \$16,553.8 | \$17,464.3 | \$17,830.9 | \$18,045.8 |
| Difference: Estimated PIT Collections | - | \$1,067.2 | \$2,502.0 | \$2,045.7 | \$1,392.4 |

*Includes an ad hoc downward adjustment for FY 2026-27 to account for calendar-driven increases to PIT revenue.

**May 2026 Consensus Revenue Forecast Estimate. All other estimates are based on FRD analysis.

Dollar figures are rounded to the nearest hundred thousand, and percentages are rounded to the 2nd decimal point.

Table 2 Calculation Detail

1. Calculate the tax rate applicable to each fiscal year under both current law and the Conference Budget.
 - a. Calculation: (Rate in 1st Tax Year of FY * 55%) + (Rate in 2nd Tax Year of FY * 45%)
 - i. Rationale: FRD estimated share of withholding, estimated payments, and final payments attributable to each tax year, based on timing of collections in historical collections data.

2. Calculate tax base for FY 2026-27.
 - a. Calculation: (\$17,077.2 - \$150)/3.77%
 - i. Rationale: FY 2026-27 has 53 Wednesdays, so an additional withholding payment from accelerated withholders increases collections anomalously by roughly \$150 million. This timing difference does not reflect the overall size of the tax base, so its impact is removed before calculating the tax base.

3. Calculate tax base for FY 2027-28 through FY 2030-31.
 - a. Calculation: (FY Blended Tax Base in Prior FY) * 1.055
 - i. Rationale: 5.5% is the compound annual growth rate of total federally adjusted gross income (FAGI) on all North Carolina PIT returns from 2003-2023, the most recent year available.
4. Calculate PIT collections for each FY, comparing current law and Conference Budget.
 - a. Calculation: (FY Tax Base) * (FY Blended Tax Rate)
5. Calculate fiscal impact (Difference: Current Law and Conference Budget)
 - a. Calculation: (Conference Budget: Estimated PIT Collections) - (Current Law: Estimated PIT Collections)

The net impact is due to differences in tax rates between fiscal years. There is no fiscal impact in FY 2026-27 because the tax rates are expected to be equal under current law and the Conference Budget. In future fiscal years, the difference is largest in magnitude when the Conference Budget blended tax rates have the largest difference from expected blended tax rates under current law.

Conditional Rate Reductions, 2035-2040 (Sec. 44.1(b))

The bill authorizes up to 2 additional rate reductions between 2035 and 2040 that are conditional and subject to General Fund revenue triggers being exceeded. Whenever General Fund revenue in a given fiscal year exceeds the threshold amount specified for that fiscal year, the personal income tax rate drops by one-quarter percentage point (0.25%) beginning January 1st of the following tax year. Table 3 shows the fiscal year, trigger amounts, and tax year affected.

Table 3: Net General Fund Revenue Amounts Required to Trigger a Personal Income Tax Rate Reduction, Conference Budget (\$ in Millions)

| Fiscal Year | Trigger Amount Under Conference Budget | Tax Year Affected |
|-------------|--|-------------------|
| 2033-34 | \$40,258 | 2035 |
| 2034-35 | \$41,087 | 2036 |
| 2035-36 | \$41,965 | 2037 |
| 2036-37 | \$42,896 | 2038 |
| 2037-38 | \$43,892 | 2039 |
| 2038-39 | \$44,957 | 2040 |

For example, if actual General Fund revenue in FY 2033-34 exceeds the trigger threshold for the fiscal year (\$40.258 billion), this would trigger a rate reduction from 2.99% in 2034 to 2.74% in 2035. If actual General Fund revenue does not exceed a trigger amount, the tax rate will remain at the tax rate from the prior year.

The personal income tax rate could fall to a terminal rate of 2.49% by as early as 2036 or as late as 2040. This section has no fiscal impact over the next five fiscal years but may reduce the personal income tax rate in future years. However, depending on the time of impact, the full year impact of each future conditional rate reduction is estimated to be between \$1.8 to \$2.2 billion.

Itemized Deduction of Gambling Losses (Sec. 44.2)

This section allows personal income taxpayers that itemize deductions to deduct gambling losses up to the extent deductible for federal tax purposes. FRD estimates this item would reduce revenue by an estimated \$40.3 million in FY 2026-27 and between \$19.7 million and \$23 million over each of the following four fiscal years.

Taxpayers that itemize deductions with gambling losses could deduct gambling losses retroactively to tax year 2025, to the extent they are deductible under federal tax law. FRD anticipates this section would have a larger fiscal impact in the first year of enactment due to taxpayers filing amended returns in FY 2026-27.

To estimate the fiscal impact of this section, FRD used data from the North Carolina Lottery Commission on the amount of sports wagering winnings paid out each calendar year. FRD multiplied these reported figures by 8%, the historical rate at which taxpayers itemize, and FRD assumes losses deducted do not exceed winnings.

It is possible residents could have deductible gambling losses from other sources, but FRD does not have usable data on other sources.

FRD multiplied the applicable personal income tax rate for each year and accounted for federal loss limitation rules in calculating the fiscal impact for the itemized loss deduction. FRD assumes growth in the amount of losses deducted as the sports wagering market continues to mature in North Carolina.

Sales and Use Tax

Estimated General Fund Impact of Sales and Use Tax Changes (\$ in millions)

| | <u>FY 2026-27</u> | <u>FY 2027-28</u> | <u>FY 2028-29</u> | <u>FY 2029-30</u> | <u>FY 2030-31</u> |
|----------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Treatment of Nonprofit Hospitals | 20.7 | 41.4 | 43.9 | 46.6 | 49.3 |
| Datacenter Electricity Exemption | 21.4 | 23.1 | 24.8 | 26.6 | 28.6 |
| Total | 42.1 | 64.5 | 68.7 | 73.2 | 77.9 |

Treatment of Nonprofit Hospitals (Section 44.3)

This section requires nonprofit hospitals or hospital authorities and their affiliates to be treated as one entity for purposes of claiming a refund of State or local sales tax. To determine the fiscal impact, FRD examined historical sales tax refund data from hospitals and medical accommodations, specifically refund amounts stratified by size of refund, with several underlying assumptions.

Sales tax refunds are processed semiannually with purchases made January 1 through June 30 refunded in the fall and purchases made July 1 through December 31 refunded the following

spring. Because this section becomes effective when the bill becomes law, it would not be reflected in the fall refund. Assuming a half-year impact, FRD estimates that this will increase State revenue by about \$22 million and local revenues by about \$10 million in FY 2026-27. Roughly \$1.3 million is anticipated to be transferred to the Highway Fund and Highway Trust Fund, so the net General Fund impact is \$20.7 million in FY 2026-27. In subsequent full fiscal years—where two refunds would apply rather than one as in FY 2026-27—this change is estimated to increase General Fund revenues by about \$40 million annually and local government revenues by about \$20 million annually thereafter.

Repeal Sales Tax Exemption for Electricity used in Datacenters (Section 44.4)

This section repeals the exemption for electricity used in datacenters. When the bill becomes law, electricity used by datacenters will be subject to the combined general sales tax rate of 7%. The proceeds of revenue from electricity used in datacenters are not intended to be shared with cities.

To determine the fiscal impact, FRD used an estimate of electricity exemptions for datacenters from the NC Department of Commerce and applied an annual growth rate. In early 2026, the Department of Commerce estimated that datacenters receive an annual sales tax exemption of roughly \$20 million. FRD calculated an annual growth rate of 7.3 percent using data on electricity sales tax collections from the NC Department of Revenue. This growth rate captures changes in energy prices and consumer demand for electricity. Using this method, FRD estimates that repealing the exemption for electricity used in datacenters will increase State General Fund revenue by about \$21.4 million in FY 2026-27.

Insurance Premiums Tax

Section 44.5 eliminates the Insurance Regulatory Charge (“Charge” or “the Charge”), a fee paid by insurers. It offsets the elimination of the Charge by increasing insurance premiums tax rates for premiums subject to the Charge by a percentage equal to the Charge, and eliminates the reimbursement of operating costs from the Insurance Regulatory Fund (IRF) to the General Fund.

Overall, the effect of Section 44.5 is to shift special fund revenue to the General Fund. To offset the elimination of the Charge, tax rates of premiums subject to the Charge are increased as follows:

- Other Insurance Contracts: 2.0235% (previously 1.9%, a 6.5% increase)
- Workers’ Compensation: 2.6625% (previously 2.5%, a 6.5% increase)
- Prepaid Health Plans: 2.0235% (previously 1.9%, a 6.5% increase)

Under current law, insurers pay the Charge at a rate of 6.5% of their insurance premiums tax liability for most lines of insurance subject to tax. Charge proceeds are deposited in the IRF, a special fund used to reimburse the General Fund for the operating expenses of the Department of Insurance and other agencies.

Table 5 shows the calculations used to arrive at the fiscal impact of the change for both the General Fund and the State, with additional calculation detail following. The changes to the Insurance Premiums Tax, Charge, and IRF reimbursement are expected to increase General Fund revenue

by approximately \$225 million over the next 5 fiscal years. However, net State revenue is reduced by approximately \$21 million, due to a reduction in IRF revenue and retaliatory tax collections (see explanation on page 10).

Table 4: Fiscal Impact of Various Changes to Insurance Premiums Tax, Charge, and IRF General Fund Reimbursement, Conference Budget (\$ in Millions)

| Category | FY 2026-27 | FY 2027-28 | FY 2028-29 | FY 2029-30 | FY 2030-31 |
|--|--------------|----------------|----------------|----------------|----------------|
| Insurance Premiums Tax Revenue Estimate | \$1,696.7 | \$1,795.1 | \$1,899.2 | \$2,009.4 | \$2,125.9 |
| Estimated Revenue from Taxes Subject to Insurance Regulatory Charge (Charge) (Other Insurance Contracts, Workers' Compensation, and Prepaid Health Plans) | \$1,549.1 | \$1,638.9 | \$1,734.0 | \$1,834.6 | \$1,941.0 |
| Subtotal: Estimated Charge Collections under Current Law (6.5% of revenue from Taxes Subject to Charge) | \$100.7 | \$106.5 | \$112.7 | \$119.2 | \$126.2 |
| % of Premiums Tax Collections subject to Rate Increase in each FY (1/1/2027 effective date) | 54.7% | 100.0% | 100.0% | 100.0% | 100.0% |
| Decrease in Retaliatory Tax Collection | - | \$(5.2) | \$(5.2) | \$(5.2) | \$(5.2) |
| Net Increase in Tax Revenue | \$55.0 | \$101.3 | \$107.5 | \$114.0 | \$121.0 |
| Decrease in General Fund Reimbursement from IRF (7/1/2026 effective date) | \$(54.7) | \$(54.7) | \$(54.7) | \$(54.7) | \$(54.7) |
| Net General Fund Impact | \$0.3 | \$46.6 | \$52.8 | \$59.3 | \$66.3 |
| Decrease in Charge Collections (IRF Revenue) | \$(55.0) | \$(106.5) | \$(112.7) | \$(119.2) | \$(126.2) |
| Net State Revenue Impact | - | \$(5.2) | \$(5.2) | \$(5.2) | \$(5.2) |

Table 4 Calculation Detail

- Insurance Premiums Tax Revenue Estimate
 - Calculation: May 2026 Consensus Revenue Forecast estimate for FY 2026-27, grown by 20-year compound annual growth rate (5.8% per year)
- Estimated Revenue from Taxes Subject to Insurance Regulatory Charge (Charge)
 - Calculation: 91.3% * (Insurance Premiums Tax Revenue Estimate.)
 - This is the percentage of revenue attributable to other insurance contracts, workers compensation, and prepaid health plans in FY 2024-25 per Table 50 of the Statistical Abstract of North Carolina Taxes. (“Other insurance contracts” includes major categories such as fire and casualty insurance and life insurance.)
- Subtotal: Estimated Charge Collections under Current Law
 - Calculation: (Estimated Revenue from Taxes Subject to Charge) * 6.5%
 - This figure exactly equals the estimated increase in tax revenue for a full fiscal year from the tax rate increases, prior to consideration of retaliatory taxes.

- % of Premiums Tax Collections subject to Rate Increase in each FY
 - Due to the 1/1/2027 effective date, there is a partial year impact in FY 2026-27. FRD analysis of historical data indicates that about 54.7% of gross insurance premiums tax collections occur in April and June, when the new rates would impact estimated payments for insurers.
- Decrease in Retaliatory Tax Collection
 - North Carolina charges insurers from states with higher insurance premiums taxes a retaliatory tax. Currently, the Charge is not part of the calculation of the North Carolina tax rate when comparing the rate with another state for retaliatory tax purposes. By increasing the State's rate, retaliatory premiums revenue will be reduced due to a smaller differential between the State and other states with higher rates.
 - Based on a comparative analysis of other state rates, the share of the financial services sector in each state, and the amount of retaliatory premiums tax collected in the State in 2023 and 2024, FRD estimates this figure to be a \$5.2 million reduction per year.
 - This has no impact in FY 2026-27 as final payments calculating the "true-up" payment for retaliatory premiums tax will not be paid until March 2028.
- Net Increase in Tax Revenue
 - Calculation: ((Subtotal: Estimated Charge Collections under Current Law) * (% of Premiums Tax Collections subject to Rate Increase in each FY)) + (Decrease in Retaliatory Tax Collection)
- Decrease in General Fund Reimbursement from IRF
 - This figure is from OSBM's Condition of the Fund for FY 2026-27. It is flat because future reimbursement is conditional upon additional appropriations to IRF-supported agencies from the General Assembly.
- **Net General Fund Impact**
 - Calculation: (Net Increase in Tax Revenue) + (Decrease in General Fund Reimbursement from IRF)
- Decrease in IRC Collections (IRF Revenue)
 - Calculation: (-1) * (Subtotal: Estimated Charge Collections under Current Law)
- **Net State Revenue Impact**
 - Calculation: (Net Increase in Tax Revenue) + (Decrease in Charge Collections (IRF Revenue))
 - Note that the decrease in General Fund reimbursements is not counted in this calculation, as from the State's perspective, that would be counting the same revenue twice. IRF revenue includes future General Fund reimbursements.
 - The only funds foregone by the State due to these changes are retaliatory taxes.

Vapor Products License Tax

Section 44.6 creates a new Specialty Retailer of Vapor Products License. A license tax of \$1,000 is due with the initial application for a license.

To estimate the fiscal impact of the new license tax, FRD used estimates of the number of tobacco retailers in North Carolina in the 2022 Economic Census, which is the most recent data available. More specifically, FRD used the North American Industry Classification System (NAICS) code 459991, which includes tobacco, electronic cigarette, and other smoking supplies retailers. While vapor products are sold at other types of retail stores, this NAICS code is most likely to capture specialty vapor product retailers as defined in Section 44.6. In 2022, there were 938 tobacco, electronic cigarette, and other smoking supplies retailers in the State. Assuming that all of these retailers would require a new license, and that the number of retailers has remained constant, FRD estimates that the Specialty Retailer of Vapor Products License will generate about \$938,000 in the first year of implementation. Based on the effective date of July 1, 2027, this would represent the fiscal impact in FY 2027-28.

NAICS code 459991 was introduced in the 2022 Economic Census, so it is possible that some retailers that would require a license are included in other NAICS codes. Thus, this method may undercount the true number of tobacco retailers and actual license tax collections may be greater than the estimate provided here.

The fiscal impact in future years depends on how many new specialty vapor retailers are established. FRD cannot estimate the fiscal impact in future years for several reasons. First, the previous Economic Census datasets do not contain a NAICS code specific to tobacco retailers, so it is not possible to estimate growth in the industry over time. Second, the Business Dynamic Statistics dataset, which contains data on business turnover, does not report data for tobacco retailers. Lastly, FRD has not found a reliable industry source for vapor retail growth or business turnover.

Sports Wagering Tax

Section 44.7 increases the tax on sports wagering operators from 18% to 23% and changes the sports wagering distribution formula. Modifications to the formula include:

- Increasing the total amount of revenue distributed to UNC Athletic Institutions,
- Adding UNC-Chapel Hill and NC State University as revenue recipients,
- Capping the amount each UNC school may receive under the formula,
- Increasing revenue deposited in the General Fund, and
- Capping the amount of revenue distributed to the Major Events, Games, and Attractions Fund at \$30 million annually.

These modifications will impact various funds as described below.

- Major Events, Games, and Attractions Fund. Under current law, the Fund receives 30% of sports wagering tax revenues after all initial dollar-amount allocations are made (Lottery Commission expenses, DHHS for gambling addiction treatment and education, etc.). The May 2026 Consensus Revenue Forecast estimates the Fund would receive \$45.3 million in FY 2026-27 following the allocation currently in law. The bill caps the allocation at \$30 million annually. Consequently, the Fund's revenues for FY 2026-27 are estimated to decrease by \$15.3 million.

- UNC Constituent Institutions' Athletic Programs. Under current law, 13 constituent institutions¹ each receive the same allocation of sports wagering revenues through a two-step process:
 - First, each institution receives \$300,000 from the initial allocation of revenues, and
 - Second, each institution receives an equal share (or 1/13th) of 20% of the revenue remaining after all initial allocations are made.

Under the bill, the amount of revenue allocated to each UNC institution's athletic program is determined based on the Division and the types of sports in which its athletic programs compete as shown in Table 5 below.

Table 5: Method of Distributing Sports Wagering Tax Revenues to UNC Institutions under the Conference Budget

| Institutions Athletic Programs | UNC Institutions Included | Sports Wagering Revenues Under Conference Budget |
|--|---|---|
| Division I and Division II majority Institutions | All institutions with athletic programs | 19.5% of revenue after initial allocations split 15 ways (capped at \$2.9 million per institution) |
| Division I Institutions | NC A&T, NC Central, UNC-Asheville, UNC-Greensboro, UNC-Wilmington, Western Carolina, Appalachian State, East Carolina, NC State, UNC-Chapel Hill, UNC-Charlotte | An additional 2.2% after initial allocations split 11 ways (capped at \$400,000 per institution) |
| Division I institutions whose football teams <i>are</i> in the NCAA Division I Football Bowl Subdivision | Appalachian State, East Carolina, NC State, UNC-Chapel Hill, UNC-Charlotte | An additional 5.7% of revenue after initial allocations split 5 ways (capped at \$2.5 million per institution)* |

*This piece of the distribution formula is not effective until July 1, 2027.

- General Fund. Under current law, the General Fund receives 50% of the proceeds remaining after all initial allocations are made. Under the bill, the General Fund receives all remaining proceeds following the distributions to the NC Major Events, Games, and Attractions Fund, UNC institutions, and the Youth Outdoor Engagement Commission. Compared to the May 2026 Consensus Revenue Forecast, this will increase General Fund revenue by \$50.7 million in FY 2026-27.
- UNC Institutions. A comparison of revenue distributions for each affected university under current law and under the bill are included in Appendix A.

Prediction Markets Tax

Section 44.9 establishes a new tax on prediction markets. The tax is applied to prediction market operators' net trading fee revenue at a rate of 6 percent.

To estimate the fiscal impact of this tax, FRD used industry data to estimate the size of the North Carolina market and associated fee revenue. Based on a report from investment firm AllianceBernstein Holding L. P. ("Bernstein"), prediction markets are expected to reach roughly \$240 billion in trading volume nationwide in 2026. According to industry sources, about 0.7 percent of the total trading volume (\$2.16 billion) is attributed to North Carolina. Gross fee revenue for prediction market operators is equal to about 1.31 percent of total trading volume, which is about \$28.3 million in North Carolina. However, about 25 percent of gross fee revenue is paid out to customers due to incentives and promotions, resulting in a taxable base of \$21.2 million in calendar year 2026.

Because prediction markets are a rapidly growing industry, FRD used an estimate for national trading volume in 2030 of \$1 trillion from the Bernstein report to calculate the tax base in future years. Using this method, FRD estimates that with an effective date of January 1, 2027, a 6 percent tax on net trading fee revenue will generate about \$1 million in FY 2026-27. Estimates for future years are adjusted to account for industry growth and North Carolina's anticipated growing market share.

Table 6 below shows estimates of the revenue generated from a 6% tax on net trading fee revenue in each calendar year. To calculate the impact for years after FY 2026-27, the estimated revenue is averaged for the two calendar years included in a fiscal year.

Table 6: Prediction Market Estimates (\$ in millions)

| | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 |
|---------------------------|-----------|-----------|-----------|-----------|-------------|-------------|
| Implied Market Size - USA | \$240,000 | \$342,893 | \$489,898 | \$699,927 | \$1,000,000 | \$1,428,720 |
| Implied Market Size - NC | \$2,160 | \$3,429 | \$5,389 | \$8,399 | \$13,000 | \$20,002 |
| Gross Fee Revenue - NC | \$28.3 | \$44.9 | \$70.6 | \$110.0 | \$170.3 | \$262.0 |
| Net Fee Revenue - NC | \$21.2 | \$33.7 | \$52.9 | \$82.5 | \$127.7 | \$196.5 |
| Revenue at 6% Net Tax | \$1.3 | \$2.0 | \$3.2 | \$5.0 | \$7.7 | \$11.8 |

[This section intentionally left blank.]

FEES AND OTHER CHANGES

Table 7 summarizes the estimated fiscal impact of fee and other finance changes over FY 2026-27, its corresponding section of the budget, and the impacted area.

Table 7: Summary of Fees and Other Changes

| Fees and Other Finance Changes in Conference Budget | FY 2026-27 Estimated Fiscal Impact (\$ in millions) |
|--|---|
| <i>General Fund</i> | |
| • Redirect Investment Income from Certain Funds to Strengthen General Fund (General Fund) | \$250.0 |
| • General Court of Justice Fees Increase (JPS) | \$12.2 |
| • Securities Salesman Dual Registration Fee Establishment (GenGov) | \$0.9 |
| <i>Special Funds and Agency Receipts</i> | |
| • Redirect Investment Income from Certain Funds to Strengthen General Fund (7 Special Funds) | \$(250.0) |
| • Withhold a portion of Certain Local Sales Tax for SNAP Benefit Cost (Local/HHS) | FY 2026-27: \$0.0 FY 2027-28: \$150.0 |
| • Additional Sampson County Local Sales Tax (Local) | Unknown |
| • Brunswick Fire Fees (Local) | Unknown |
| • Underground Storage Tank Express Permit (AgNER) | \$0.2 |
| • Non-Title V Air Quality Permits (AgNER) | \$0.9 |
| • Underground Storage Tank Express Permit (AgNER) | \$0.2 |
| • Boating fee Increase (AgNER) | \$0.8 |
| • Telecommunications and Data Connectivity Fee Increase (JPS) | \$6.4 |
| • Division of Criminal Information Network Fees Increase (JPS) | \$2.4 |
| • Indigent Defense Service Fee Increase (JPS) | \$6.7 |
| • Divorce Filing Fee Increase (GenGov) | \$1.3 |
| • NC Medical Board Fees Increase (HHS) | Unknown |
| • DWI Revocation Fee (JPS) | \$1.3 |
| • NC DOT Fee-Setting Authority (Transp.) | Unknown |
| • Ferry Tolling (Transp.) | Unknown |
| • Selective Vegetation Removal Permit (Transp.) | \$0.1 |

Other Finance Changes

Redirect Investment Income from Certain Funds to Strengthen General Fund

Section 5.5(a) redirects investment income earned from various interest-bearing special funds to the General Fund. The following funds accrue interest to the General Fund beginning in FY 2026-27:

- State Capital and Infrastructure Fund (Budget Code 24001)
- Needs-Based Public School Capital Fund (Budget Code 29110)
- Water Infrastructure Fund (Budget Code 24327)

- Information Technology Fund (Budget Code 24667)
- School Technology Fund (Budget Code 23511)
- Hurricane Helene Fund (Budget Code 23027)
- Insurance Regulatory Fund (Budget Code 23900) (redirected in section 44.5)

Based on estimated cash balances and 1-year US Treasury rates in FY 2025-26, FRD estimates that these funds will generate \$250 million in investment income for the General Fund in FY 2026-27. In future fiscal years, based on Moodys Analytics baseline forecast of 1-year US Treasury rates, and assuming flat cash balances from FY 2026-27, FRD estimates the impacts shown in Table 9 below:

**Table 8: Estimated Investment Income to the General Fund from Special Funds
(\$ in millions)**

| Category | FY 2026-27 | FY 2027-28 | FY 2028-29 | FY 2029-30 | FY 2030-31 |
|---|----------------|----------------|----------------|----------------|----------------|
| Previous Year's 1-Year US Treasury Average Return (Moody's Analytics) | 3.70% | 3.75% | 3.70% | 3.71% | 3.72% |
| Interest Redirected to General Fund | \$250.0 | \$253.4 | \$250.2 | \$250.7 | \$251.3 |

Increases to General Fund revenue are equally offset by decreases in revenue to each of the 7 special funds mentioned above. Therefore, there is no net impact on State revenue.

SNAP State Benefit Cost-Sharing Due to Payment Error Rates

Section 9J.14 requires that a portion of local sales tax distributed to counties (and ultimately municipalities and special districts, such as fire districts) be withheld to fund SNAP benefits in years the State's payment error rate (PER) triggers a cost-sharing obligation from the federal government resulting from changes in Public Law 119-21 (H.R. 1). Such withholdings and payments would begin October 1, 2027. As background, local sales tax is collected at the state level and then distributed to local governments. The first 2% of sales tax generated about \$4.9 billion in FY 2024-25.

Using federal FY 2024-25 PER data, FRD estimates the State would be required to pay about \$150 million as its share per federal requirements. The table below shows the methodology the bill sets out for determining the amount of local sales tax to be withheld in applicable years, which is the total (or sum) of two parts:

- Part I applies to all 100 counties regardless of their PER (which totals about \$37 million that would have been withheld), and
- Part II only applies to counties with a county penalty factor (which totaled about \$113 million of the State's \$150 million cost share requirement estimate).

As Table 10 below shows, all 100 counties will have 0.75% of their local sales tax withheld and used to pay for SNAP benefits, and counties with certain error rates will have an additional portion of local sales tax withheld.

The amounts each county is estimated to be required to have withheld from their local sales tax distribution for the State’s benefit cost-share obligation under the bill’s requirements can be found in Appendix B. These estimates are based on FY 2024-25 distributions of the first 2 cents of local sales tax and are not intended to reflect actual cost-share amounts.

Table 9: The Sum of 2 Methods Determines the Amount Counties Contribute to SNAP Benefits

| Part | Applies to | Method of Determining Amount of Local Sales Tax to be Withheld for SNAP Benefit |
|-----------------------|---|---|
| I | All 100 Counties | 0.75% of a County’s First 2 cents of Local Sales Tax Revenues |
| II | Counties with a Payment Error Rate Dollar Amount | Step 1. County’s penalty factor (which is essentially the ratio of the statewide Payment Error Rate dollar amount attributable to that county) \times County’s First 2 cents of Local Sales Tax Revenues |
| | | Step 2. Result of Step 1 \times $\left[\begin{array}{l} \text{Total Amt the State is required to pay toward SNAP benefit costs} \\ \text{Total of all 100 Counties' 0.75\% of First 2 cents of Local Sales Tax Revenues} \end{array} \right]$ The sum of all 100 counties’ assessment factor, which is the product of a county’s penalty factor and its first 2 cents of Local Sales Tax Revenues |
| Total Withheld | All 100 Counties + Counties with Certain Error Rates | Sum of Above Steps |

Note: Such withholding would only occur in years where the State’s Payment Error Rate results in a benefit cost-sharing fiscal obligation.

Additional Sampson County Local Sales Tax

Section 44.11 authorizes Sampson County to levy up to an additional ½% of local sales tax. The tax must pass a successful referendum and receive approval from the county commissioners, and would be phased in at ¼ cent (¼%) increments until reaching the max ½% cap. The section also specifies that the proceeds from this additional tax would be used only for public school capital outlay and operating expenses and is not required to be shared with municipalities within the county.

Under current law, all 100 counties levy the first 2-cents (2%) of sales tax (Articles 39, 40, and 42), 48 counties (including Sampson County) levy the optional quarter-cent (¼%, Article 46), and four

levy the Public Transit tax ($\frac{1}{4}\%$ or $\frac{1}{2}\%$, Article 43). Sampson County currently levies a total sales tax of 7.25% (4.75% state + 2.25% local sales tax). To estimate the fiscal impact, FRD applied the $\frac{1}{4}\%$ rate to the County's FY 2024-25 revenues from the first cent of local sales tax excluding food and adjusted this figure for forecasted changes in retail sales. This results in FRD estimating each $\frac{1}{4}\%$ levied will generate an additional \$2.1 million each year and by around \$4.3 million annually if increased to the full $\frac{1}{2}\%$.

Brunswick County Fire Fees

Section 44.12 increases the maximum amount charged for various fire fees assessed by Brunswick County, which are used to support fire protection services instead of a dedicated tax. FRD is unable to estimate the impact because Brunswick County sets its own fire fees.

Agriculture and Natural and Economic Resources (AgNER)

- *Section 12.11-Non-Title V Air Quality Permits.* Effective when the bill becomes law, this section increases Non-Title V Air Quality permit fees used to fund air quality programs to offset reduced revenue from other sources. Using historical fee collections data, FRD estimates this section will increase special fund receipts by \$830,000 annually.
- *Section 12.16-UST Express Certification.* Effective when the bill becomes law, this section adds underground storage tank (UST) permits to the express permitting program. This gives permittees an option to pay for a faster turnaround time for installation reviews for UST. FRD estimates this section will increase permit revenue by \$157,000 annually.
- *Section 15.1-Boating Fee Increase.* This section increases boating registration fees effective October 1, 2026. These receipts are deposited in the Motor Boat fund to be used for abandoned and derelict vessel removal. This section is estimated to increase receipts to that fund by \$760,000 in FY 2026-27 and by \$1.0 million in subsequent full fiscal years.

General Government (GenGov)

- *Section 37.1-Securities Salesman Registration.* This section establishes a registration fee for securities salesmen with multiple dealers, which is expected to generate about \$937,500 recurring. The fiscal impact was calculated applying the new proposed rate (\$250) to historical volumes. Funds from this fee revert to the General Fund.
- *Section 22.1-Divorce Filing Fee.* This section increases the fee for filing for a divorce which is expected to generate about \$1.3 million recurring for the Domestic Violence Center Fund. The fiscal impact was calculated by applying the new proposed rate, \$125, to historical volumes of fees, and comparing it to collections at the current rate, \$75. All proceeds from this fee are collected by county Registers of Deeds and remitted to a special fund in the Secretary of State's office that is then used for grants to domestic violence centers.

Health and Human Services (HHS)

- *Section 9L.1-Medical Board Fees.* This section increases various fees the N.C. Medical Board assesses, such as for applications and license renewals. No estimate is available for this change, but any such increase in revenue would remain outside State funds and in the Medical Board's accounts.

Justice and Public Safety (JPS)

- *Section 16.21-General Court of Justice Fees.* The estimated fiscal impact of increases to the General Court of Justice Fees are based on the number of cases for which the fee was collected in FY 2022-23 multiplied by the \$30 increase. The net General Fund fiscal impact is estimated to be \$12.2 million in FY 2026-27 and \$21.0 million in FY 2027-28 and each fiscal year after.
- *Section 20.11-User Fee for Division of Criminal Information Network.* This section increases the State Bureau of Investigation's fee assessed for users of the Division of Criminal Information Network by \$8. The estimated fiscal impact was calculated by applying the new proposed rates (\$33 for desktop users and \$20 for mobile users) to historical fee collections and volumes at the prior rates (\$25 for desktop users and \$12 for mobile users) and comparing the difference. Revenue for FY 2026-27 was increased to reflect an anticipated 4.5% increase in users based on historical trends.
- *Section 16.23-Telecommunications and Data Connectivity Fee.* This section would increase the Telecommunications and Data Connectivity Fee from \$4 to \$14, effective December 1, 2026. This fee applies to all court cases, and supports the upgrade, maintenance, and operation of the judicial and county courthouse telecommunications and data connectivity. Fiscal Research utilized the Administrative Office of the Courts' 2023-24 Statistical and Operational Report of Budget Management and Financial Services to derive the estimated revenue. The current \$4 fee generated \$4,329,148. Dividing the revenue by \$4 (\$1,082,287) and then multiplying that figure by \$10 results in an estimated \$10.8 million in additional revenue. The estimate was rounded up to \$11 million and then prorated for FY 2026-27 due to the December 1, 2026 effective date.
- *Section 16.30-Indigent Defense Service Fee.* This section increases the Indigent Defense fee from \$5 to \$25, effective December 1, 2026. This fee applies to criminal court cases with receipts directed to the Private Assigned Counsel Fund and was last increased in February 2022. Fiscal Research utilized data from the Administrative Office of the Courts to estimate average caseload. The current \$5 fee generates an average of \$2.8 million, with an average of 567,594 criminal cases. Using the same average caseload, increasing the fee from \$20 to \$25 is anticipated to generate \$11.3 million in additional annual revenue.
- *Section 16.22-DWI Revocation Fee.* Fees are collected to restore a license revoked under an implied-consent (DWI) offense. Currently, 50% of receipts go to the General Fund, 25% goes to counties to support jails, and 25% goes to DHHS Division of Public Health for the chemical alcohol testing program. This section reduces the allocation to the General Fund to 25%, increases the amount going to counties to 50%, and keeps the DHHS allocation at 25%. The

estimated fiscal impact of increasing the Revocation Fee is based on actual fee collections from FY 2022-23. Under the revised allocation, \$1.68 million in additional revenue would be allocated to counties annually, \$561,000 in additional revenue would be allocated to DHHS annually, and there is no impact to the General Fund.

Transportation

- *Section 43.21-Authorize DOT Board to Set Fees.* This section directs the N.C. Board of Transportation to establish fees for driveway permits, traffic impact analysis, various right of way (ROW) encroachments, subdivision reviews, and road additions and other inspections. The section specifies that fees should be set following a public involvement process and are not to exceed the cost of performing the analysis or inspection for issuing the permit. These proceeds are deposited in the Highway Fund, and FRD is unable to estimate the fiscal impact because the rates the Board will adopt are unknown.
- *Section 43.15-Ferry Capital Fund.* This section, which becomes effective January 1, 2027, directs the N.C. Board of Transportation to implement tolls on all ferry routes, and increase current tolls, with the intention of paying for vessel replacement on a specified schedule. The section allows for:
 - Commuter passes would be codified for coastal resident and active-duty military ferry users. The fee will be set at \$150, then the Board can set the a new rate July 1, 2028.
 - Exemptions to tolls codified for school buses (public and private schools).
 - Eliminates language separating Ferry Capital Fund spending by division and budget fund. Revenue will continue to be budgeted by the route collected.
 - Ferry Division shall use currently available operational funds for equipment and capital to implement tolling on untolled routes.

These proceeds are deposited in the Ferry Capital Fund. FRD is unable to estimate the fiscal impact of this section because the rates the Board will adopt are unknown.

- *Section 43.20-Selective Vegetation Removal Permit.* This section, which becomes effective when the bill becomes law, increases the annual vegetation maintenance permit fee from \$200 to \$400. These proceeds are deposited in the Highway Fund. FRD estimates this fee increase will generate an additional \$71,979 in FY 2026-27 based on historical fee collection data.

[This section intentionally left blank.]

Appendix A: Sports Wagering Revenue Distribution Comparison, Under Current Law and the Conference Budget

Table A1: Sports Wagering Revenue Distribution Comparison, FY 2026-27 Estimates

| 1 Revenue Recipient | Current Law (18% Tax Rate) | Conference Budget (23% Tax Rate) | Difference |
|---|-------------------------------|--|---------------------|
| 2 <u>Non-University Allocations</u> | | | |
| 3 DOR Administration Costs | \$500,000 | \$500,000 | \$0 |
| 4 DOR North Carolina Amateur Sports | \$1,000,000 | \$1,000,000 | \$0 |
| 5 Lottery Estimated Administration Costs | \$2,000,000 | \$2,000,000 | \$0 |
| 6 DHHS Gambling Addiction Education and Treatment Programs | \$2,000,000 | \$2,000,000 | \$0 |
| 7 WRC Youth Outdoor Engagement Commission | \$1,000,000 | \$1,000,000 | \$0 |
| 8 <u>University of North Carolina System</u> | | | |
| 9 Appalachian State University | \$2,600,000 | \$3,000,000 | \$400,000 |
| 10 East Carolina University | \$2,600,000 | \$3,000,000 | \$400,000 |
| 11 Elizabeth City State University | \$2,600,000 | \$2,600,000 | \$0 |
| 12 Fayetteville State University | \$2,600,000 | \$2,600,000 | \$0 |
| 13 North Carolina Agricultural & Technical State University | \$2,600,000 | \$3,000,000 | \$400,000 |
| 14 North Carolina Central University | \$2,600,000 | \$3,000,000 | \$400,000 |
| 15 University of North Carolina at Asheville | \$2,600,000 | \$3,000,000 | \$400,000 |
| 16 University of North Carolina at Charlotte | \$2,600,000 | \$3,000,000 | \$400,000 |
| 17 University of North Carolina at Greensboro | \$2,600,000 | \$3,000,000 | \$400,000 |
| 18 University of North Carolina at Pembroke | \$2,600,000 | \$2,600,000 | \$0 |
| 19 University of North Carolina at Wilmington | \$2,600,000 | \$3,000,000 | \$400,000 |
| 20 Western Carolina University | \$2,600,000 | \$3,000,000 | \$400,000 |
| 21 Winston-Salem State University | \$2,600,000 | \$2,600,000 | \$0 |
| 22 North Carolina State University | \$0 | \$3,000,000 | \$3,000,000 |
| 23 University of North Carolina at Chapel Hill | \$0 | \$3,000,000 | \$3,000,000 |
| 24 <u>Department of Commerce</u> | | | |
| 25 Major Events, Games, and Attractions Fund | \$45,300,000 | \$30,000,000 | -\$15,300,000 |
| 26 <u>General Fund</u> | | | |
| | \$75,400,000 | \$126,100,000 | \$50,700,000 |
| 27 Total Sports Wagering Revenue | \$161,200,000 | \$206,000,000 | \$44,800,000 |

Notes: These estimates are based on historical revenue collections and FRD growth assumptions. Totals are rounded to the nearest \$100,000 and may not sum.

Table A2: Sports Wagering Revenue Distribution Comparison, FY 2027-28 Estimates

| 1 Revenue Recipient | Current Law (18% Tax Rate) | Conference Budget (23% Tax Rate) | Difference |
|---|-------------------------------|-------------------------------------|---------------------|
| 2 <u>Non-University Allocations</u> | | | |
| 3 DOR Administration Costs | \$500,000 | \$500,000 | \$0 |
| 4 DOR North Carolina Amateur Sports | \$1,000,000 | \$1,000,000 | \$0 |
| 5 Lottery Estimated Administration Costs | \$2,000,000 | \$2,000,000 | \$0 |
| 6 DHHS Gambling Addiction Education and Treatment Programs | \$2,000,000 | \$2,000,000 | \$0 |
| 7 WRC Youth Outdoor Engagement Commission | \$1,000,000 | \$1,000,000 | \$0 |
| 8 <u>University of North Carolina System</u> | | | |
| 9 Appalachian State University | \$2,900,000 | \$5,800,000 | \$2,900,000 |
| 10 East Carolina University | \$2,900,000 | \$5,800,000 | \$2,900,000 |
| 11 Elizabeth City State University | \$2,900,000 | \$2,900,000 | \$0 |
| 12 Fayetteville State University | \$2,900,000 | \$2,900,000 | \$0 |
| 13 North Carolina Agricultural & Technical State University | \$2,900,000 | \$3,300,000 | \$400,000 |
| 14 North Carolina Central University | \$2,900,000 | \$3,300,000 | \$400,000 |
| 15 University of North Carolina at Asheville | \$2,900,000 | \$3,300,000 | \$400,000 |
| 16 University of North Carolina at Charlotte | \$2,900,000 | \$5,800,000 | \$2,900,000 |
| 17 University of North Carolina at Greensboro | \$2,900,000 | \$3,300,000 | \$400,000 |
| 18 University of North Carolina at Pembroke | \$2,900,000 | \$2,900,000 | \$0 |
| 19 University of North Carolina at Wilmington | \$2,900,000 | \$3,300,000 | \$400,000 |
| 20 Western Carolina University | \$2,900,000 | \$3,300,000 | \$400,000 |
| 21 Winston-Salem State University | \$2,900,000 | \$2,900,000 | \$0 |
| 22 North Carolina State University | \$0 | \$5,800,000 | \$5,800,000 |
| 23 University of North Carolina at Chapel Hill | \$0 | \$5,800,000 | \$5,800,000 |
| 24 <u>Department of Commerce</u> | | | |
| 25 Major Events, Games, and Attractions Fund | \$50,100,000 | \$30,000,000 | -\$20,100,000 |
| 26 <u>General Fund</u> | \$83,500,000 | \$129,700,000 | \$46,200,000 |
| 27 Total Sports Wagering Revenue | \$177,300,000 | \$226,600,000 | \$49,300,000 |

Notes: These estimates are based on historical revenue collections and FRD growth assumptions. Totals are rounded to the nearest \$100,000 and may not sum.

Appendix B: Estimate of NC SNAP Benefit Cost-Share by County for State FY 2027-28

Note: This table is for illustrative purposes only and is not intended to reflect actual cost-share amounts.

| NC SNAP Benefit Cost-Share County Breakdown | | | | | | | | | |
|---|-------------|-----------------------------|-------------------------|--|-------------------------|--------------------------------------|-------------------------------|--|--|
| # | County | County Sales Tax FY 2024-25 | SNAP PER \$ FFY 2024-25 | Penalty Factor (Share of State's Total PER \$) | Proportional Penalty \$ | Flat Penalty \$ (0.75% of Sales Tax) | Total , Annualized Penalty \$ | Total, Annualized Penalty (% of Sales Tax) | Penalty for SFY 2027-28 (Oct. 1 - June 30) |
| 1 | ALAMANCE | \$85,962,255 | \$364 | 0.015 | \$680,022 | \$644,717 | \$1,324,739 | 1.54% | \$993,554 |
| | ALEXANDER | \$11,028,594 | \$209 | 0.009 | \$50,093 | \$82,714 | \$132,808 | 1.20% | \$99,606 |
| 3 | ALLEGHANY | \$4,230,330 | - | - | - | \$31,727 | \$31,727 | 0.75% | \$23,796 |
| 4 | ANSON | \$6,725,347 | \$134 | 0.005 | \$19,585 | \$50,440 | \$70,026 | 1.04% | \$52,519 |
| 5 | ASHE | \$10,884,514 | \$269 | 0.011 | \$63,632 | \$81,634 | \$145,266 | 1.33% | \$108,949 |
| 6 | AVERY | \$11,612,146 | - | - | - | \$87,091 | \$87,091 | 0.75% | \$65,318 |
| 7 | BEAUFORT | \$19,449,671 | \$536 | 0.022 | \$226,564 | \$145,873 | \$372,436 | 1.91% | \$279,327 |
| 8 | BERTIE | \$4,407,794 | \$411 | 0.017 | \$39,371 | \$33,058 | \$72,429 | 1.64% | \$54,322 |
| 9 | BLADEN | \$9,842,032 | - | - | - | \$73,815 | \$73,815 | 0.75% | \$55,361 |
| 10 | BRUNSWICK | \$85,509,950 | \$221 | 0.009 | \$410,698 | \$641,325 | \$1,052,023 | 1.23% | \$789,017 |
| 11 | BUNCOMBE | \$158,434,703 | \$151 | 0.006 | \$519,925 | \$1,188,260 | \$1,708,185 | 1.08% | \$1,281,139 |
| 12 | BURKE | \$32,896,222 | \$135 | 0.006 | \$96,515 | \$246,722 | \$343,236 | 1.04% | \$257,427 |
| 13 | CABARRUS | \$116,452,394 | \$1,075 | 0.044 | \$2,720,636 | \$873,393 | \$3,594,029 | 3.09% | \$2,695,522 |
| 14 | CALDWELL | \$29,115,770 | - | - | - | \$218,368 | \$218,368 | 0.75% | \$163,776 |
| 15 | CAMDEN | \$3,316,027 | - | - | - | \$24,870 | \$24,870 | 0.75% | \$18,653 |
| 16 | CARTERET | \$43,333,497 | - | - | - | \$325,001 | \$325,001 | 0.75% | \$243,751 |
| 17 | CASWELL | \$5,279,112 | \$517 | 0.021 | \$59,315 | \$39,593 | \$98,908 | 1.87% | \$74,181 |
| 18 | CATAWBA | \$79,495,973 | - | - | - | \$596,220 | \$596,220 | 0.75% | \$447,165 |
| 19 | CHATHAM | \$32,847,330 | - | - | - | \$246,355 | \$246,355 | 0.75% | \$184,766 |
| 20 | CHEROKEE | \$13,018,212 | - | - | - | \$97,637 | \$97,637 | 0.75% | \$73,227 |
| 21 | CHOWAN | \$5,814,006 | - | - | - | \$43,605 | \$43,605 | 0.75% | \$32,704 |
| 22 | CLAY | \$4,130,596 | - | - | - | \$30,979 | \$30,979 | 0.75% | \$23,235 |
| 23 | CLEVELAND | \$42,998,415 | \$310 | 0.013 | \$289,686 | \$322,488 | \$612,174 | 1.42% | \$459,131 |
| 24 | COLUMBUS | \$16,339,655 | \$146 | 0.006 | \$51,845 | \$122,547 | \$174,393 | 1.07% | \$130,795 |
| 25 | CRAVEN | \$43,939,721 | - | - | - | \$329,548 | \$329,548 | 0.75% | \$247,161 |
| 26 | CUMBERLAND | \$141,096,455 | \$399 | 0.016 | \$1,223,496 | \$1,058,223 | \$2,281,720 | 1.62% | \$1,711,290 |
| 27 | CURRITUCK | \$18,274,908 | - | - | - | \$137,062 | \$137,062 | 0.75% | \$102,796 |
| 28 | DARE | \$46,101,253 | - | - | - | \$345,759 | \$345,759 | 0.75% | \$259,320 |
| 29 | DAVIDSON | \$60,990,530 | \$1,141 | 0.047 | \$1,512,383 | \$457,429 | \$1,969,812 | 3.23% | \$1,477,359 |
| 30 | DAVIE | \$15,696,829 | - | - | - | \$117,726 | \$117,726 | 0.75% | \$88,295 |
| 31 | DUPLIN | \$17,666,351 | - | - | - | \$132,498 | \$132,498 | 0.75% | \$99,373 |
| 32 | DURHAM | \$187,515,686 | \$89 | 0.004 | \$362,695 | \$1,406,368 | \$1,769,062 | 0.94% | \$1,326,797 |
| 33 | EDGECOMBE | \$16,159,732 | \$175 | 0.007 | \$61,459 | \$121,198 | \$182,657 | 1.13% | \$136,993 |
| 34 | FORSYTH | \$174,741,668 | \$1,829 | 0.075 | \$6,945,824 | \$1,310,563 | \$8,256,387 | 4.72% | \$6,192,290 |
| 35 | FRANKLIN | \$25,101,362 | \$109 | 0.004 | \$59,462 | \$188,260 | \$247,722 | 0.99% | \$185,791 |
| 36 | GASTON | \$97,262,181 | \$866 | 0.035 | \$1,830,524 | \$729,466 | \$2,559,991 | 2.63% | \$1,919,993 |
| 37 | GATES | \$2,542,057 | \$177 | 0.007 | \$9,778 | \$19,065 | \$28,844 | 1.13% | \$21,633 |
| 38 | GRAHAM | \$3,078,652 | - | - | - | \$23,090 | \$23,090 | 0.75% | \$17,317 |
| 39 | GRAHVILLE | \$19,590,902 | \$269 | 0.011 | \$114,530 | \$146,932 | \$261,462 | 1.33% | \$196,097 |
| 40 | GREENE | \$4,829,191 | - | - | - | \$36,219 | \$36,219 | 0.75% | \$27,164 |
| 41 | GUILFORD | \$255,035,894 | \$1,926 | 0.079 | \$10,675,081 | \$1,912,769 | \$12,587,851 | 4.94% | \$9,440,888 |
| 42 | HALIFAX | \$18,177,166 | - | - | - | \$136,329 | \$136,329 | 0.75% | \$102,247 |
| 43 | HARNETT | \$45,948,801 | \$409 | 0.017 | \$408,424 | \$344,616 | \$753,040 | 1.64% | \$564,780 |
| 44 | HAYWOOD | \$29,599,351 | - | - | - | \$221,995 | \$221,995 | 0.75% | \$166,496 |
| 45 | HENDERSON | \$53,961,762 | \$133 | 0.005 | \$155,974 | \$404,713 | \$560,687 | 1.04% | \$420,515 |
| 46 | HERTFORD | \$7,538,033 | \$140 | 0.006 | \$22,935 | \$56,535 | \$79,470 | 1.05% | \$59,603 |
| 47 | HOKE | \$14,124,437 | - | - | - | \$105,933 | \$105,933 | 0.75% | \$79,450 |
| 48 | HYDE | \$2,223,055 | - | - | - | \$16,673 | \$16,673 | 0.75% | \$12,505 |
| 49 | IREDELL | \$98,469,603 | - | - | - | \$738,522 | \$738,522 | 0.75% | \$553,892 |
| 50 | JACKSON | \$21,677,124 | - | - | - | \$162,578 | \$162,578 | 0.75% | \$121,934 |
| 51 | JOHNSTON | \$89,335,509 | \$575 | 0.024 | \$1,116,363 | \$670,016 | \$1,786,380 | 2.00% | \$1,339,785 |
| 52 | JONES | \$2,400,560 | - | - | - | \$18,004 | \$18,004 | 0.75% | \$13,503 |
| 53 | LEE | \$29,670,415 | - | - | - | \$222,528 | \$222,528 | 0.75% | \$166,896 |
| 54 | LENOIR | \$20,439,491 | - | - | - | \$153,296 | \$153,296 | 0.75% | \$114,972 |
| 55 | LINCOLN | \$38,114,645 | - | - | - | \$285,860 | \$285,860 | 0.75% | \$214,395 |
| 56 | MACON | \$20,550,113 | - | - | - | \$154,126 | \$154,126 | 0.75% | \$115,594 |
| 57 | MADISON | \$6,851,191 | - | - | - | \$51,384 | \$51,384 | 0.75% | \$38,538 |
| 58 | MARTIN | \$7,776,398 | - | - | - | \$58,323 | \$58,323 | 0.75% | \$43,742 |
| 59 | MCDOWELL | \$18,010,060 | - | - | - | \$135,075 | \$135,075 | 0.75% | \$101,307 |
| 60 | MECKLENBURG | \$650,969,138 | \$4,030 | 0.165 | \$57,013,677 | \$4,882,269 | \$61,895,946 | 9.51% | \$46,421,960 |

| NC SNAP Benefit Cost-Share County Breakdown | | | | | | | | | |
|---|--------------|-----------------------------|-------------------------|--|-------------------------|--------------------------------------|------------------------------|--|--|
| # | County | County Sales Tax FY 2024-25 | SNAP PER \$ FFY 2024-25 | Penalty Factor (Share of State's Total PER \$) | Proportional Penalty \$ | Flat Penalty \$ (0.75% of Sales Tax) | Total, Annualized Penalty \$ | Total, Annualized Penalty (% of Sales Tax) | Penalty for SFY 2027-28 (Oct. 1 - June 30) |
| 61 | MITCHELL | \$6,239,562 | | - | - | \$46,797 | \$46,797 | 0.75% | \$35,098 |
| 62 | MONTGOMERY | \$8,722,942 | | - | - | \$65,422 | \$65,422 | 0.75% | \$49,067 |
| 63 | MOORE | \$54,955,410 | \$135 | 0.006 | \$161,234 | \$412,166 | \$573,400 | 1.04% | \$430,050 |
| 64 | NASH | \$41,551,702 | \$232 | 0.009 | \$209,503 | \$311,638 | \$521,141 | 1.25% | \$390,856 |
| 65 | NEW HANOVER | \$150,712,672 | \$672 | 0.027 | \$2,201,064 | \$1,130,345 | \$3,331,409 | 2.21% | \$2,498,557 |
| 66 | NORTHAMPTON | \$4,782,745 | | - | - | \$35,871 | \$35,871 | 0.75% | \$26,903 |
| 67 | ONSLow | \$84,989,716 | \$491 | 0.020 | \$906,904 | \$637,423 | \$1,544,327 | 1.82% | \$1,158,245 |
| 68 | ORANGE | \$61,599,034 | \$178 | 0.007 | \$238,291 | \$461,993 | \$700,284 | 1.14% | \$525,213 |
| 69 | PAMLICO | \$4,418,935 | | - | - | \$33,142 | \$33,142 | 0.75% | \$24,857 |
| 70 | PASQUOTANK | \$19,400,659 | | - | - | \$145,505 | \$145,505 | 0.75% | \$109,129 |
| 71 | PENDER | \$26,652,109 | \$91 | 0.004 | \$52,709 | \$199,891 | \$252,600 | 0.95% | \$189,450 |
| 72 | PERQUIMANS | \$4,147,789 | \$768 | 0.031 | \$69,230 | \$31,108 | \$100,338 | 2.42% | \$75,253 |
| 73 | PERSON | \$15,220,552 | | - | - | \$114,154 | \$114,154 | 0.75% | \$85,616 |
| 74 | PITT | \$75,146,405 | \$366 | 0.015 | \$597,727 | \$563,598 | \$1,161,325 | 1.55% | \$870,994 |
| 75 | POLK | \$7,439,350 | | - | - | \$55,795 | \$55,795 | 0.75% | \$41,846 |
| 76 | RANDOLPH | \$57,565,887 | \$702 | 0.029 | \$878,245 | \$431,744 | \$1,309,990 | 2.28% | \$982,492 |
| 77 | RICHMOND | \$16,435,874 | \$852 | 0.035 | \$304,331 | \$123,269 | \$427,600 | 2.60% | \$320,700 |
| 78 | ROBESON | \$42,274,847 | \$61 | 0.002 | \$56,044 | \$317,061 | \$373,105 | 0.88% | \$279,829 |
| 79 | ROCKINGHAM | \$32,558,812 | \$121 | 0.005 | \$85,618 | \$244,191 | \$329,810 | 1.01% | \$247,357 |
| 80 | ROWAN | \$55,987,654 | | - | - | \$419,907 | \$419,907 | 0.75% | \$314,931 |
| 81 | RUTHERFORD | \$24,926,515 | | - | - | \$186,949 | \$186,949 | 0.75% | \$140,212 |
| 82 | SAMPSON | \$20,428,349 | | - | - | \$153,213 | \$153,213 | 0.75% | \$114,909 |
| 83 | SCOTLAND | \$11,614,934 | | - | - | \$87,112 | \$87,112 | 0.75% | \$65,334 |
| 84 | STANLY | \$27,022,988 | | - | - | \$202,672 | \$202,672 | 0.75% | \$152,004 |
| 85 | STOKES | \$13,970,543 | | - | - | \$104,779 | \$104,779 | 0.75% | \$78,584 |
| 86 | SURRY | \$33,429,466 | | - | - | \$250,721 | \$250,721 | 0.75% | \$188,041 |
| 87 | SWAIN | \$6,134,096 | | - | - | \$46,006 | \$46,006 | 0.75% | \$34,504 |
| 88 | TRANSYLVANIA | \$15,640,580 | \$269 | 0.011 | \$91,436 | \$117,304 | \$208,741 | 1.33% | \$156,556 |
| 89 | TYRRELL | \$1,190,303 | | - | - | \$8,927 | \$8,927 | 0.75% | \$6,695 |
| 90 | UNION | \$98,026,534 | \$915 | 0.037 | \$1,949,299 | \$735,199 | \$2,684,498 | 2.74% | \$2,013,373 |
| 91 | VANCE | \$17,545,140 | \$78 | 0.003 | \$29,742 | \$131,589 | \$161,330 | 0.92% | \$120,998 |
| 92 | WAKE | \$592,175,172 | \$1,421 | 0.058 | \$18,287,649 | \$4,441,314 | \$22,728,963 | 3.84% | \$17,046,722 |
| 93 | WARREN | \$4,967,339 | | - | - | \$37,255 | \$37,255 | 0.75% | \$27,941 |
| 94 | WASHINGTON | \$3,693,679 | \$266 | 0.011 | \$21,353 | \$27,703 | \$49,055 | 1.33% | \$36,792 |
| 95 | WATAUGA | \$31,838,915 | | - | - | \$238,792 | \$238,792 | 0.75% | \$179,094 |
| 96 | WAYNE | \$47,147,790 | \$79 | 0.003 | \$80,947 | \$353,608 | \$434,556 | 0.92% | \$325,917 |
| 97 | WILKES | \$24,829,391 | | - | - | \$186,220 | \$186,220 | 0.75% | \$139,665 |
| 98 | WILSON | \$35,764,099 | | - | - | \$268,231 | \$268,231 | 0.75% | \$201,173 |
| 99 | YADKIN | \$11,795,504 | | - | - | \$88,466 | \$88,466 | 0.75% | \$66,350 |
| 100 | YANCEY | \$6,895,111 | | - | - | \$51,713 | \$51,713 | 0.75% | \$38,785 |
| TOTALS | | \$4,938,423,870 | \$24,442 | | \$112,961,821 | \$37,038,179 | \$150,000,000 | | \$112,500,000 |

[This section intentionally left blank]

TECHNICAL CONSIDERATIONS

N/A.

DATA SOURCES

NC DEPARTMENTS OF COMMERCE, ENVIRONMENTAL QUALITY, HEALTH AND HUMAN SERVICES, LABOR, REVENUE, TRANSPORTATION, AND SECRETARY OF STATE. WILDLIFE RESOURCES COMMISSION. ADMINISTRATIVE OFFICE OF THE COURTS. OSBM FEE REPORT. CONSENSUS REVENUE FORECAST. MOODY'S ANALYTICS. NC FINANCIAL SYSTEM (NCFS). NC LOTTERY COMMISSION. U.S. CENSUS BUREAU. BERNSTEIN. MOODY'S ANALYTICS.

LEGISLATIVE FISCAL NOTE – PURPOSE AND LIMITATIONS

This document is an official fiscal analysis prepared pursuant to Chapter 120 of the General Statutes and rules adopted by the Senate and House of Representatives. The estimates in this analysis are based on the data, assumptions, and methodology described in the Fiscal Analysis section of this document. This document only addresses sections of the bill that have projected direct fiscal impacts on State or local governments and does not address sections that have no projected fiscal impacts.

CONTACT INFORMATION

Questions on this analysis should be directed to the Fiscal Research Division at (919) 733-4910.

ESTIMATE PREPARED BY

Nick Clerkin, Brent Lucas, Nick Long, Alannah Knight, Jonathan Tart, Morgan Weiss, Aaron Cornell, Meredith Randolph, Margaret Young, Susie Camilleri, Francisco Celis Villagrana, Kristine Leggett, Bridget Edwards, Sean Hamel, Katherine Tamer, Snigdha Das

ESTIMATE APPROVED BY

Brian Matteson, Director of Fiscal Research
Fiscal Research Division
July 7, 2026



Signed copy located in the NCGA Principal Clerk's Offices

