

2026 GOVERNOR'S BUDGET

April 21, 2026

PART I. TITLE AND INTRODUCTION

TITLE OF ACT

SECTION 1.1. This act shall be known as the "Current Operations Appropriations Act of 2026."

INTRODUCTION

SECTION 1.2. The appropriations made in this act are for maximum amounts necessary to provide the services and accomplish the purposes described in the budget in accordance with the State Budget Act. Savings shall be effected where the total amounts appropriated are not required to perform these services and accomplish these purposes, and the savings shall revert to the appropriate fund at the end of each fiscal year, except as otherwise provided by law.

PART II. CURRENT OPERATIONS AND EXPANSION/GENERAL FUND

GENERAL FUND APPROPRIATIONS

SECTION 2.1.(a). Notwithstanding any bill with an appropriation enacted in the 2025-27 biennium, appropriations from the General Fund for the budgets of the State departments, institutions, and agencies, and for other purposes as enumerated, are made for each year of the 2025-2027 fiscal biennium, according to the following schedule:

Current Operations – General Fund	FY 2025-2026	FY 2026-2027
EDUCATION		
Community College System	1,730,176,632	1,880,055,057
Public Instruction	12,386,402,718	13,604,577,403
Governor Morehead School	10,656,568	11,500,741
NC School for the Deaf	12,169,049	13,085,861
Eastern NC School for the Deaf	10,740,596	11,534,374
Appalachian State University	209,862,595	209,862,595
East Carolina University		
Academic Affairs	274,127,761	274,127,761
Health Affairs	107,144,915	107,144,915
Elizabeth City State University	48,513,547	48,513,547
Fayetteville State	87,586,990	87,586,990
NC A&T State University	162,728,474	162,743,010
NC Central University	98,572,636	98,572,636
NC State University		
Academic Affairs	564,312,136	564,676,069
Agricultural Extension	46,543,237	46,543,237
Agricultural Research	63,465,016	63,465,016

1	UNC-Asheville	51,101,094	51,101,094
2	UNC-Chapel Hill		
3	Academic Affairs	385,597,924	385,597,924
4	Health Affairs	249,399,553	249,399,553
5	AHEC	56,855,450	56,855,450
6	UNC-Charlotte	331,584,743	331,584,743
7	UNC-Greensboro	204,987,083	204,987,083
8	UNC-Pembroke	95,473,853	95,473,853
9	UNC-School of the Arts	41,972,163	41,972,163
10	UNC-Wilmington	217,239,729	217,239,729
11	Western Carolina University	164,563,738	164,589,450
12	Winston-Salem State University	68,743,773	68,743,773
13	General Administration	50,098,094	50,098,094
14	University Institutional Programs	312,000,384	620,191,944
15	Related Educational Programs	863,278,591	(114,721,409)
16	NC School of Science and Math	45,240,766	45,240,766
17	Aid to Private Institutions	1,209,300	11,209,300
18	Total University of North Carolina	4,802,203,545	4,142,799,286
19			
20	HEALTH AND HUMAN SERVICES		
21	Department of Health and Human Services		
22	Aging and Adult Services	52,856,717	52,928,118
23	Central Management and Support	216,458,444	299,971,801
24	Child Development and Early Education	306,105,539	357,126,631
25	Child and Family Well Being	62,811,146	71,354,616
26	Health Benefits	6,844,445,224	7,627,688,832
27	Health Services Regulation	26,819,231	28,693,218
28	Mental Hlth/Dev. Disabl./Subs. Abuse Serv.	779,898,008	852,018,243
29	Public Health	133,644,399	121,290,363
30	Services for the Blind, Deaf and Hard of Hearing	9,599,492	10,504,110
31	Social Services	227,241,733	237,710,782
32	Vocational Rehabilitation	44,304,406	46,783,297
33	Total Health and Human Services	8,704,184,339	9,706,070,011
34			
35	AGRICULTURE, NATURAL, AND ECONOMIC RESOURCES		
36	Agriculture and Consumer Services	180,358,286	197,624,154
37			
38	Department of Commerce		
39	Commerce	15,714,916	29,698,492
40	General State Aid	19,655,810	22,155,810
41	Economic Development	158,348,245	166,348,245
42			
43	Environmental Quality	110,279,177	177,714,471
44			
45	Labor	27,314,942	29,571,924
46			
47	Department of Natural and Cultural Resources	285,859,993	336,482,888
48			
49	Wildlife Resources Commission	18,430,344	20,291,774
50			
51	JUSTICE AND PUBLIC SAFETY		

1	Judicial Department	824,319,035	877,409,507
2			
3	Judicial Department – Indigent Defense Services	174,735,348	182,710,624
4			
5	Department of Justice	69,612,137	95,498,653
6			
7	Department of Public Safety	665,993,291	697,589,873
8			
9	Department of Adult Correction	2,226,163,079	2,301,698,762
10			
11	State Bureau of Investigation	101,498,162	74,629,912
12			
13	State Highway Patrol	26,056,834	49,929,942
14			
15	GENERAL GOVERNMENT		
16	Department of Administration	73,131,081	76,087,478
17			
18	Office of Administrative Hearings	8,485,540	10,401,718
19			
20	State Board of Elections	12,755,150	13,108,296
21			
22	Office of State Auditor	25,984,513	26,878,912
23			
24	Office of State Controller	36,885,814	37,867,492
25			
26	General Assembly	105,392,840	109,503,336
27			
28	Office of the Governor	6,985,397	7,766,647
29			
30	Office of State Budget and Management		
31	Office of State Budget and Management	11,996,615	13,050,765
32	OSBM – Reserve for Special Appropriations	10,300,000	12,000,000
33			
34	Housing Finance Agency	10,660,000	70,660,000
35			
36	Office of State Human Resource	12,209,780	16,914,870
37			
38	Department of Insurance		
39	Insurance	61,692,190	82,365,350
40	Insurance – Industrial Commission	14,615,798	15,573,874
41			
42	Office of Lieutenant Governor	1,387,170	1,429,756
43			
44	Department of Military and Veterans Affairs	9,113,460	10,190,758
45			
46	Department of Revenue	124,029,089	141,251,495
47			
48	Department of Secretary of State	19,840,122	23,137,780
49			
50	Department of State Treasurer		
51	Treasurer	209,074	877,074

1	Treasurer – Retirement System	24,394,657	24,394,657
2			
3	Information Technology	75,729,621	129,861,153
4			
5	RESERVES, DEBT, AND OTHER BUDGETS		
6	Statewide Reserves	67,206,909	(16,304,782)
7			
8	Total Net Appropriation	33,273,877,866	35,435,994,393
9			

10 **SECTION 2.1.(b)** For purposes of this act, the requirements set forth in this
11 section represent the total amount of funds, including agency receipts, appropriated to an
12 agency, department, or institution.

13
14 **GENERAL FUND AVAILABILITY**

15 **SECTION 2.2.(a)** The General Fund availability derived from State tax revenue,
16 nontax revenue, and other adjustments used in developing the budget for each year of the
17 2025-2027 fiscal biennium is as follows:

	FY 2025-2026	FY 2026-2027	
18			
19			
20			
21	Unappropriated Balance from Prior Fiscal Year	48,073,341	1,137,648,682
22	Over Collections	394,728,847	369,815,741
23	Estimated Reversions	448,182,114	400,000,000
24	Total, Current Beginning Unreserved Balance	890,984,302	1,907,464,423
25			
26	Statutorily Required Reservations of Revenue		
27	State Capital and Infrastructure Fund	(1,120,000,000)	0
28	Savings Reserve	(68,642,013)	(60,465,000)
29	Subtotal	(1,188,642,013)	(60,465,000)
30			
31	Additional Investments to Reserves		
32	State Capital and Infrastructure Fund	0	(1,159,200,000)
33	State Emergency Response and Disaster Relief Fund	0	(500,000,000)
34	Contingency and Emergency Reserve	0	(10,000,000)
35	Subtotal, Investments to Reserves	0	(1,669,200,000)
36			
37	Tax Revenues		
38	Individual Income	16,892,700,000	16,614,600,000
39	Sales and Use	11,492,800,000	11,784,500,000
40	Corporate Income	1,379,400,000	1,320,500,000
41	Franchise	787,800,000	792,300,000
42	Insurance	1,417,370,000	1,605,700,000
43	Alcoholic Beverage	560,600,000	554,300,000
44	Tobacco Products	240,800,000	237,500,000
45	Other Tax Revenue	228,630,000	248,500,000
46	Subtotal, Tax Revenues	33,000,190,000	33,157,900,000
47			
48	Non-tax Revenues		
49	Judicial Fees	202,400,000	218,000,000
50	Investment Income	702,900,000	637,200,000
51	Disproportionate Share	171,400,000	174,600,000

1	Master Settlement Agreement	97,600,000	98,000,000
2	Insurance	123,394,259	127,100,000
3	Other Non-tax Revenue	289,300,000	302,700,000
4	Subtotal, Non-tax Revenue	1,586,994,259	1,557,600,000
5			
6	ARPA SFRF Interest	122,000,000	4,000,000
7			
8	Total, Net Revenues	34,709,184,259	34,719,500,000
9			
10	Adjustments to Revenues:		
11	Maintain Individual Income Tax at 3.99%		896,000,000
12	Increase Standard Deduction from \$25,500 to \$26,500		(53,000,000)
13	Working Families Tax Credit – 10% of federal		
14	Earned Income Tax Credit		(240,000,000)
15	Refundable Child and Dependent Care Tax Credit		(55,000,000)
16	Sales Tax Back-to-School Holiday		(29,900,000)
17	Subtotal, Adjustments to Tax Revenues		518,100,000
18			
19	Adjustments to Availability		
20	NCInnovation Clawback – to be Deposited in SERDRF		500,000,000
21	Insurance Non-Tax Transfer		22,426,526
22			
23	Revised Total Net General Fund Availability	34,411,526,548	35,937,825,949
24			
25	Less Base Budget	(31,918,784,866)	(32,066,568,438)
26			
27	Total Recommended Adjustments	(1,355,093,000)	(3,369,425,955)
28			
29	Total Recommended Appropriations	(33,273,877,866)	(35,440,494,393)
30			
31	Unappropriated Balance Remaining	1,137,648,682	501,831,556
32			

33 **SECTION 2.2.(b)** IT Reserve – The State Controller shall transfer the sum of one
34 hundred sixty-five million six hundred sixty-seven thousand six hundred fifty-three dollars
35 (\$165,667,653) from the unreserved fund balance in the Information Technology Project
36 Reserve to the Office of State Budget and Management. Funds appropriated from the
37 Information Technology Project Reserve shall be allocated by the Director of the State Budget
38 in consultation with the State Chief Information Officer and the head of the department with
39 primary ownership over the information technology project based on documented project
40 needs. Funds transferred under this section are appropriated in the year in which they are
41 transferred and shall be used for the following information technology projects:

- 42 (1) The Department of Information Technology's project to modernize data
43 storage by switching to hybrid cloud and local storage.
- 44 (2) The Department of Adult Correction's OPUS system and Rounds Tracking
45 Software.
- 46 (3) Eastern North Carolina's School for the Deaf's ADA Campus Wide
47 Emergency Visual Alert System.
- 48 (4) The Modernizing Payroll Reserve for the replacement of the state's payroll
49 system.
- 50 (5) The Governor Morehead School's Network Upgrade.

- 1 (6) The Department of Public Instruction's PSU school business system
2 modernization.
- 3 (7) The Office of State Human Resources' human capital management (HCM)
4 Phase I Enhancements.
- 5 (8) The Department of Revenue's DataPower and Network Files end of life
6 replacements, datacenter hardware replacement, and replacement of the
7 RCA desktop client.
- 8 (9) The State Board of Elections' election modernization Stage III project.
- 9 (10) The State Bureau of Investigation for its IT infrastructure project, Behavioral
10 Threat Assessment Management System, and Real-time Threat Alerting
11 Platform.
- 12 (11) The Office of Administrative Hearings' Database Development System.
- 13 (12) The Department of Commerce's Modernized NCCareer Information
14 System.
- 15 (13) The Department of the Secretary of State's Hardware Update program.
- 16 (14) The Office of Indigent Defense Services' Indigency Determination Pilot.
- 17 (15) The Department of Justice's Legal Case Management System.

18 **SECTION 2.2.(c)** Medicaid Contingency Reserve. – The balance of the Medicaid
19 Contingency Reserve is hereby appropriated.

20 **SECTION 2.2.(d)** Federal Infrastructure Match Reserve. – Notwithstanding
21 subsection 2.2.(m) of S.L. 2022-74, the State Controller shall transfer funds available in the
22 Federal Infrastructure Match Reserve to agencies and departments as needed to draw down
23 federal funds in accordance with the following schedule, and the funds transferred are
24 appropriated for the 2026-2027 fiscal year:

- 25 (1) Eleven million, seven hundred seventy thousand, seven hundred fifty dollars
26 (\$11,770,750) to the Department of Agriculture and Consumer Services for
27 the required match to leverage two agricultural conservation easement
28 agreements;
- 29 (2) Eight million, six hundred thirty-two thousand, one hundred sixty-six dollars
30 (\$8,632,166) to the Department of Environmental Quality to meet the state's
31 required cost share for federally led cleanup activities at Superfund National
32 Priorities List sites.
- 33 (3) Eight hundred fifty thousand dollars (\$850,000) to the Department of
34 Environmental Quality to leverage additional federal funds for the
35 Albemarle-Pamlico National Estuary Partnership.
- 36 (4) The Department of Environmental Quality may access any remaining funds
37 in the Federal Infrastructure Match Reserve, if interest earnings are
38 insufficient to meet the required State match for the federal Drinking Water
39 State Revolving Fund and Clean Water State Revolving Fund programs, for
40 the purpose of providing the required match.
- 41 (5) The Office of State Budget and Management may access any remaining
42 funds in the Federal Infrastructure Match Reserve to provide support to State
43 agencies in mitigating the fiscal impacts of federal spending freezes, federal
44 government shutdowns, or reductions in federal spending.

45 **SECTION 2.2.(e)** The State Controller shall reserve from funds available in the
46 General Fund the sum of ten million dollars (\$10,000,000) in nonrecurring funds for the 2026-
47 27 fiscal year to the Contingency and Emergency Fund in the General Fund. Funds under this
48 section are appropriated in the year in which they are reserved.

49 **SECTION 2.2.(f)** Except as otherwise specifically provided, nothing in this section
50 shall be construed as appropriating funds reserved pursuant to this section. Funds reserved

1 pursuant to this section do not constitute an "appropriation made by law," as that phrase is used
2 in Section 7(1) of Article V of the North Carolina Constitution.

3 **SECTION 2.2.(g)** The State Controller shall ensure that the transfers required
4 under this section are completed as soon as practicable but no later than the end of the 2026-
5 2027 fiscal year. In making the transfers required under this section, the State Controller shall
6 prioritize transfers to Reserves that support expenditures.

7
8 **PART III. HIGHWAY FUND AND HIGHWAY TRUST FUND**

9
10 **CURRENT OPERATIONS/HIGHWAY FUND**

11 **SECTION 3.1.** Appropriations from the State Highway Fund for the maintenance
12 and operation of the Department of Transportation and for other purposes as enumerated are
13 made for the fiscal year ending June 30, 2027 according to the following schedule:

14		
15	Highway Fund	FY 2026-2027
16	Administration	141,758,209
17	Division of Highways	
18	Administration	38,287,904
19	Construction	77,543,078
20	Maintenance	2,191,689,355
21	Governor's Highway Safety Program	351,695
22	OSHA	358,030
23		
24	Aid to Municipalities	
25	Powell Bill	185,875,000
26		
27	Intermodal Divisions	
28	Ferry	93,637,728
29	Public Transportation, Bicycle and Pedestrian	90,220,554
30	Aviation	164,074,415
31	Rail	78,367,607
32		
33	Division of Motor Vehicles	170,100,604
34		
35	Other State Agencies, Reserves, Transfers	139,011,958
36		
37	Capital Improvements	23,613,813
38		
39	Total Highway Fund Appropriations	\$3,399,889,949

40
41 **HIGHWAY FUND AVAILABILITY**

42 **SECTION 3.2.** The Highway Fund availability for the 2026-2027 fiscal year budget
43 is shown below:

44		FY 2026-2027
45	Consensus Revenue Forecast	
46	Motor Fuels Tax	1,904,200,000
47	Licenses and Fees	1,141,800,000
48	Short-Term Lease	124,500,000
49	Investment Income	24,400,000
50	Sales Tax Transfer	176,200,000
51	Jet Fuel Sales	12,600,000

1	Transportation Commerce Tax	13,800,000
2	N Dividend	4,800,000
3	Total Highway Fund Availability	\$3,402,300,000

4
5 **HIGHWAY TRUST FUND APPROPRIATIONS**

6 **SECTION 3.3.** Appropriations from the State Highway Trust Fund to the
7 Department of Transportation for construction and other purposes as enumerated are made for
8 the fiscal year ending June 30, 2027, according to the following schedule:
9

10	Current Operations – Highway Trust Fund	FY 2026-2027
11	Program Administration	45,117,311
12	Bonds	121,436,275
13	Turnpike Authority	49,000,000
14	State Ports Authority	45,000,000
15	Strategic Prioritization Funding Plan for	
16	Transportation Investments	2,306,935,414
17	Transfer to Visitor Center	640,000
18	Other State Agencies	371,000
19		
20	Total Highway Trust Fund Appropriations	\$2,568,500,000

21
22 **HIGHWAY TRUST FUND AVAILABILITY**

23 **SECTION 3.4.** The Highway Trust Fund availability for the 2026-2027 fiscal year
24 budget is shown below:

25		FY 2026-2027
26	Consensus Revenue Forecast	
27	Highway Use Tax	1,181,500,000
28	Motor Fuels Tax	636,400,000
29	Fees	177,700,000
30	Investment Income	44,300,000
31	Sales Tax Transfer	528,600,000
32		
33	Total Highway Trust Fund Availability	\$2,568,500,000

34
35 **PART IV. OTHER AVAILABILITY AND APPROPRIATIONS**

36
37 **CASH BALANCES AND OTHER APPROPRIATIONS**

38 **SECTION 4.1.(a)** Cash balances, federal funds, departmental receipts, grants, and
39 gifts from the General Fund, revenue funds, enterprise funds, and internal service funds are
40 appropriated for the 2026-2027 fiscal year as follows:

- 41 (1) For all budget codes listed in the Governor's Recommended Budget for the
42 2026-2027 fiscal year, dated April 2026, and in the Budget Support
43 Document, fund balances and receipts are appropriated up to the amounts
44 specified, as adjusted by the General Assembly, for the 2026-2027 fiscal
45 year. Funds may be expended only for the programs, purposes, objects, and
46 line items or as otherwise authorized by the General Assembly. Expansion
47 budget funds listed in those documents are appropriated only as otherwise
48 provided in this act.
- 49 (2) Notwithstanding the provisions of subdivision (1) of this subsection:
50 a. Any receipts that are required to be used to pay debt service
51 requirements for various outstanding bond issues and certificates of

1 participation are appropriated up to the actual amounts received for
2 the 2026-2027 fiscal year and shall be used only to pay debt service
3 requirements.

- 4 b. Other funds, cash balances, and receipts of funds that meet the
5 definition issued by the Governmental Accounting Standards Board
6 of a trust or agency fund are appropriated for and in the amounts
7 required to meet the legal requirements of the trust agreement for the
8 2026-2027 fiscal year.

9 **SECTION 4.1.(b)** Receipts collected in a fiscal year in excess of the amounts
10 appropriated by this section shall remain unexpended and unencumbered until appropriated by
11 the General Assembly, unless the expenditure of over-realized receipts in the fiscal year in
12 which the receipts were collected is authorized by the State Budget Act. Over-realized receipts
13 are appropriated in the amounts necessary to implement this subsection.

14 **SECTION 4.1.(c)** Notwithstanding subsections (a) and (b) of this section, there is
15 appropriated from the Reserve for Reimbursements to Local Governments and Shared Tax
16 Revenues for each fiscal year an amount equal to the amount of the distributions required by
17 law to be made from that reserve for that fiscal year.

18 **EDUCATION LOTTERY FUNDS/CHANGES TO REVENUE ALLOCATIONS**

19 **SECTION 4.2.** Section 2A.1.(a) of S.L. 2025-89 reads as rewritten:

20 "SECTION 2A.1.(a) The allocations made from the Education Lottery Fund for the
21 2025-2027 fiscal biennium are as follows:

	FY 2025-2026	FY 2026-2027
24 Noninstructional Support Personnel	\$385,914,455	\$385,914,455
25 Prekindergarten Program	78,252,110	78,252,110
26 <u>Universal School Breakfast</u>		<u>56,227,388</u>
27 Public School Building Capital Fund	100,000,000	100,000,000
28 Needs-Based Public School Capital Fund	258,252,612	258,252,612
29 Public School Repair & Renovation	50,000,000	50,000,000
30 Scholarship Reserve Fund for Public Colleges 31 and Universities	17,748,769	17,748,769
32 Children of Wartime Veterans Scholarship	11,070,964	11,070,964
33 School Transportation	182,193,702	186,033,702
34 TOTAL ALLOCATION	\$1,083,432,612	<u>\$1,143,500,001</u>,087,272,612"

35 **INDIAN GAMING EDUCATION REVENUE FUND APPROPRIATIONS**

36 **SECTION 4.3.** Section 2A.2.(a) of S.L. 2025-89 reads as rewritten:

37 "SECTION 2A.2.(a) The allocations made from the Indian Gaming Education Revenue Fund
38 for the 2025-27 fiscal biennium are as follows:

	FY 2026-2027	FY 2026-2027
41 Textbook and Digital Resources Allotment	\$10,000,000	\$10,000,000
42 Classroom Materials	15,500,000	<u>53,500,000</u>
43 Total Appropriation	\$25,500,000	<u>\$153,500,000"</u>

44 **CIVIL PENALTY AND FORFEITURE FUND**

45 **SECTION 4.4.** Section 2A.3.(a) of S.L. 2025-89 reads as rewritten:

46 "SECTION 2A.3.(a) The allocations made from the Civil Penalty and Forfeiture Fund for
47 the 2025-27 fiscal biennium are as follows:

	FY 2025-2026	FY 2026-2027
49 School Technology Fund	\$18,000,000	\$18,000,000
50 Drivers Education	31,493,768	31,493,768

1	State Public School Fund	186,041,640	166,041,640
2	<u>Devices for Students</u>		<u>15,000,000</u>
3	<u>Universal School Breakfast</u>		<u>15,000,000</u>
4	Total Appropriation	\$235,535,408	\$24515,535,408"

5
6 **PART V. GENERAL PROVISIONS**

7
8 **ESTABLISHING OR INCREASING FEES**

9 **SECTION 5.1.(a)** Notwithstanding G.S. 123.1, an agency is not required to consult
10 with the Joint Legislative Commission on Governmental Operations prior to establishing or
11 increasing a fee to the level authorized or anticipated in this act.

12 **SECTION 5.1.(b)** Notwithstanding G.S. 150B-21.1A(a), an agency may adopt an
13 emergency rule in accordance with G.S. 150B-21.1A to establish or increase a fee as authorized
14 by this act if the adoption of a rule would otherwise be required under Article 2A of Chapter
15 150B of the General Statutes.

16
17 **CAP STATE FUNDED PORTION OF NONPROFIT SALARIES**

18 **SECTION 5.2.** No more than one hundred forty thousand dollars (\$140,000) in
19 State funds, including any interest earnings accruing from those funds, may be used for the
20 annual salary of any individual employee of a nonprofit organization.

21
22 **2026 DISASTER RECOVERY**

23 **SECTION 5.3.(a)** State Emergency Response and Disaster Relief Fund. – Of the
24 nonrecurring funds appropriated in this act for the 2026-2027 fiscal year, fifty million dollars
25 (\$50,000,000) shall be allocated to the Department of Public Safety, Emergency Management
26 Division, to provide disaster response and recovery assistance to households and communities
27 in response to future storms.

28 **SECTION 5.3.(b)** Implementation. – The following actions and policies shall be
29 taken to implement subsection 5.3.(a):

- 30 (1) If a person's home is relocated or purchased with funds allocated in this
31 subsection, the State Emergency Response and Disaster Relief Fund is
32 subrogated to the person's rights under any insurance coverage for the
33 damage to the home and any monies received from the insurance coverage
34 shall be paid to the State Emergency Response and Disaster Relief Fund.
35 The Office of State Budget and Management shall ensure that those
36 potentially affected by this section are notified of, and adhere to, its
37 requirements.
- 38 (2) No State funds appropriated in this section may be expended for the
39 construction of any new residence within the 100-year floodplain unless the
40 construction is in an area regulated by a unit of local government pursuant to
41 a floodplain management ordinance and the construction complies with the
42 ordinance. As used in this section, "100-year floodplain" means any area
43 subject to inundation by a 100-year flood, as indicated on the most recent
44 Flood Insurance Rate Map prepared by the Federal Emergency Management
45 Agency under the National Flood Insurance Program.
- 46 (3) Homeowners in the 100-year floodplain who receive homeowner's housing
47 assistance pursuant to this section shall have in effect federal flood
48 insurance, if available, as a precondition to receipt of State homeowner's
49 housing assistance for losses resulting from future flooding.

50 **SECTION 5.3.(c)** Limitation. – Funds allocated in this section shall be expended in
51 a manner that does not adversely affect any person's or entity's eligibility for federal funds that

1 are made available, or that are anticipated to be made available, as a result of natural disasters.
2 To the extent practicable, funds allocated in this section shall not be used to cover costs that
3 will be, or likely will be, covered by federal funds.

4 **SECTION 5.3.(d) No Reversion of Funds.** – Funds allocated in this section shall
5 remain available to implement the provisions of this section until the General Assembly directs
6 the reversion of any unexpended and unencumbered funds and G.S. 143C-6-23(f1)(1) shall not
7 apply to those funds.

8 **SECTION 5.3.(e) Reporting Requirements.** – The Office of State Budget and
9 Management shall provide periodic reports on the use of the funds allocated and appropriated
10 in this section in a manner which is consistent with Section 5.10 of Session Law 2019-250.

11 **GOLDEN LEAF -- HURRICANE HELENE BRIDGE LOAN MODIFICATIONS**

12 **SECTION 5.4.(a)** Section 4C.3 of S.L. 2024-53, as modified by Section 1.1(a) of
13 S.L. 2025-97 reads as rewritten:

14 "...

15 **SECTION 4C.3.(d) Reversion; Reloan; Repayment.** – Funds allocated by this
16 section are not subject to the provisions of G.S. 143C-6-23. Funds allocated by this section that
17 have not been expended or encumbered by ~~October 31, 2028~~March 15, 2026, shall revert to the
18 Savings Reserve established in G.S. 143C-4-2. Net loan funds, including repayments of loans,
19 available to Golden LEAF prior to ~~October 31, 2028~~March 15, 2026, may be loaned in
20 accordance with this section. Beginning ~~December 15, 2025~~March 15, 2026, and every six
21 months thereafter, Golden LEAF shall remit the net loan funds it has received from lenders to
22 the Office of State Budget and Management to be placed into the Savings Reserve.

23 **SECTION 4C.3.(e) Reporting.** – Beginning ~~December 15, 2025~~March 15, 2026,
24 and continuing every six months thereafter, Golden LEAF shall submit a report on the program
25 to the Joint Legislative Economic Development and Global Engagement Oversight Committee
26 and the Fiscal Research Division. The duty to report pursuant to this section shall cease after
27 the submission of the report following when Golden LEAF has remitted the entirety of the net
28 loan funds to the Office of State Budget and Management. Each report shall contain, at a
29 minimum, all of the following:

30 "..."

31 **NCINNOVATION**

32 **SECTION 5.5.(a) Return of Funds.** – NCInnovation shall transfer back to the
33 State, after consultation with, and in conformity with direction received from, the State
34 Controller, the sum of five hundred million dollars (\$500,000,000).

35 **SECTION 5.5.(b) State Emergency Response and Disaster Relief Fund.** – The
36 State Controller shall facilitate the return of transferred funds from NCInnovation pursuant to
37 subsection (a) of this section and shall deposit the funds into the State Emergency Response
38 and Disaster Relief Fund established in G.S. 166A-19.42. The transfer and deposit of funds into
39 reserves pursuant to this section does not constitute an "appropriation made by law," as that
40 phrase is used in Section 7(1) of Article V of the North Carolina Constitution. The funds shall
41 remain unappropriated unless the General Assembly appropriates the funds in this or a
42 subsequent act. In accordance with G.S. 147-69.1(d), funds in the Reserves shall be invested by
43 the Department of the State Treasurer, with earnings and interest therefrom being transferred to
44 and deposited in the General Fund.

45 **SECTION 5.5.(c) Repeal.** – Upon the return of the transferred funds to the State
46 pursuant to subsection (a) of this section, Article 76A of Chapter 143 of the General Statutes is
47 repealed. The State Controller shall notify the Revisor of Statutes when the transfer has been
48 completed.

49 **SECTION 5.5.(d)** This section is effective when it becomes law.
50
51

1
2 **PART VI. COMMUNITY COLLEGE SYSTEM**

3
4 **PROPEL NC FUNDING MODEL ADJUSTMENT**

5 **SECTION 6.1.(a)** The funds appropriated in this act for Propel NC shall be used to
6 shift North Carolina Community College System's enrollment formula from the current tier-
7 based allocation model to a labor-market driven model. This new model shall link courses to
8 workforce sectors that are ranked and valued by statewide salary job demand data.

9 **SECTION 6.1.(b)** The State Board of Community Colleges in consultation with the
10 Department of Commerce shall identify the workforce sectors aligned with the State's high-
11 demand, high-salary jobs and allocate the funds appropriated in this act to those workforce
12 sectors. Appropriated funds may also be used for customized training and Small Business
13 Centers at the individual colleges.

14 **SECTION 6.1.(c)** Part 3 of Article 1 of Chapter 115D of the General Statutes is
15 amended by adding a new subsection to read:

16 **"§ 115D-10.5. Program funding.**

17 ...

18 (aa) The State Board of Community Colleges shall review and revise, as necessary, its
19 workforce sector designations for curriculum, workforce continuing education, and Basic Skills
20 courses at community colleges by July 15, 2029, and every three years thereafter.

21 ..."

22
23 **PROPEL NC ENROLLMENT INCREASE RESERVE**

24 **SECTION 6.2.** G.S. 115D-31 reads as rewritten:

25 **"§ 115D-31. State financial support of institutions.**

26 ...

27 (e) If receipts for community college tuition and fees exceed the amount certified in
28 General Fund Codes at the end of a fiscal year, the State Board of Community Colleges shall
29 ~~transfer retain~~ the amount of receipts and fees above those budgeted. ~~to the Enrollment Growth~~
30 ~~Reserve.~~ Funds ~~in the Enrollment Growth Reserve~~ shall not revert to the General Fund and
31 shall remain available to the State Board until expended. The State Board may allocate these
32 funds in this reserve to colleges experiencing an enrollment increase greater than five percent
33 (5%) of budgeted enrollment levels proportionally to colleges based on actual receipt
34 collections from the prior fiscal year.

35 (f) The Enrollment Increase Reserve shall be established as a recurring, nonreverting
36 reserve under the direction of the State Board of Community Colleges. Funds appropriated by
37 the North Carolina General Assembly shall be allocated based on actual fall semester FTE. The
38 method of allocation shall be as follows: at one-half the average FTE value per FTE for the
39 greater of FTE increases in excess of 5% for each category of instruction, or for increases in
40 total FTE greater than 325. If enrollment growth exceeds the funds appropriated in a given
41 year, the value per FTE would be reduced proportionately."

42
43 **AUTHORIZE USE OF MOTORCYCLE SAFETY EDUCATION PROGRAM FUNDS**
44 **FOR A CAPITAL PROJECT**

45 **SECTION 6.3.(a)** Notwithstanding G.S. 115D-10.50, of the funds received for the
46 North Carolina Motorcycle Safety Education Program (NCMSEP), the State Board of
47 Community Colleges may award up to five-hundred thousand dollars (\$500,000) to Lenoir
48 Community College for use in constructing or renovating a facility used for this program.

49 **SECTION 6.3.(b)** This authorization is for the fiscal year ending on June 30, 2027,
50 and funds transferred under subsection (a) above, shall not revert and shall remain available
51 until expended.

1
2 **CLARIFY CUSTOMIZED TRAINING PERSONNEL**

3 **SECTION 6.4.** G.S. 115D-10.17.(e) reads as rewritten:

4 **"§ 115D-10.17. Customized Training Program.**

5 ...

6 (e) Of the funds appropriated in a fiscal year for the Customized Training Program, the
7 State Board of Community Colleges may approve the use of up to fifteen percent (15%) for the
8 training and support of ~~regional community college personnel~~regionally based program
9 personnel to deliver Customized Training Program services to business and industry. For the
10 purpose of this subsection, "regionally based program personnel" is defined as the following:

11 (1) An individual(s) who may be hosted by a local community college to serve a
12 defined region of the state as assigned by the System Office.

13 ..."

14
15 **FREE COMMUNITY COLLEGE TUITION FOR HIGH DEMAND SKILLS**
16 **TRAINING**

17 **SECTION 6.7.** G.S. 115D-5.1A reads as rewritten:

18 **"§ 115D-10.19. Short-Term Workforce Development Grant Program.**

19 ...

20 (c) Award Amounts. – To the extent funds are made available for the Program, the State
21 Board of Community Colleges shall award grants in an amount of up to seven
22 hundred fifty dollars (\$750.00) to students pursuing short-term, noncredit State and
23 industry workforce credentials. The State Board of Community Colleges shall
24 establish criteria for initial and continuing eligibility for students. The criteria shall
25 include a requirement that eligible students be a resident of North Carolina pursuant to
26 G.S. 116-143.1(a)(1). At a minimum, students shall be required to qualify as a
27 resident for tuition purposes under the criteria set forth in G.S. 116-143.1 and in
28 accordance with the coordinated and centralized residency determination process
29 administered by the State Education Assistance Authority.

30 (d) Report. – The State Board shall submit a report by ~~April~~December 1 annually on the
31 Program to the Joint Legislative Education Oversight Committee and the Fiscal
32 Research Division. The report shall contain, for each academic year and by programs
33 of study, the amount of grant funds disbursed and the number of eligible students
34 receiving funds."

35
36 **PART VII. PUBLIC INSTRUCTION**

37
38 **REPEAL THE TEXTBOOK COMMISSION**

39 **SECTION 7.1.(a)** G.S. 115C-86 through G.S. 115C-95 and G.S. 115C-97 are
40 repealed.

41 **SECTION 7.1.(b)** Part 3 of Article 8 of Chapter 115C of the General Statutes reads
42 as rewritten:

43 **"Part 3. Textbooks/Instructional Materials.**

44 **"§ 115C-85. Textbook-Instructional material needs are determined by course of study.**

45 ~~When the State Board of Education has adopted, upon the recommendation of the~~
46 ~~Superintendent of Public Instruction, a standard course of study at each instructional level in~~
47 ~~the elementary school and the secondary school, setting forth what subjects shall be taught at~~
48 ~~each level, it shall proceed to select and adopt textbooks.~~

49 As used in this part, "textbook"-"instructional materials" means systematically organized
50 material comprehensive enough to cover the primary objectives outlined in the standard course
51 of study for a grade or course. Formats for ~~textbooks~~instructional materials may be print or

1 nonprint, including hardbound books, softbound books, activity-oriented programs, classroom
2 kits, and ~~technology-based programs~~ digital resources that require the use of electronic
3 equipment in order to be used in the learning process.

4 ~~Textbooks adopted in accordance with the provisions of this Part shall be used by the public~~
5 ~~schools of the State except as provided in G.S. 115C-98(b1)."~~

6 ..."

7 "**§ 115C-96. Powers and duties of the State Board of Education in regard to**
8 **textbooks, instructional materials.**

9 (a) The children of the public elementary and secondary schools of the State shall be
10 provided with free basic ~~textbooks~~ instructional materials within the appropriation of the
11 General Assembly for that purpose. To implement this directive, the State Board of Education
12 shall evaluate annually the amount of money necessary to provide ~~textbooks~~ instructional
13 materials based on the actual cost and availability of ~~textbooks~~ the instructional materials and
14 shall request sufficient appropriations from the General Assembly.

15 (b) The State Board of Education shall administer a fund and ~~establish~~ adopt rules and
16 ~~regulations necessary to:~~

- 17 (1) ~~Acquire by contract such basic textbooks as are or may be on the adopted list~~
18 ~~of the State of North Carolina which the Board finds necessary to meet the~~
19 ~~needs of the State public school system and to carry out the provisions of~~
20 ~~this Part.~~
- 21 (2) ~~Provide a system of distribution of these textbooks and distribute the books~~
22 ~~that are provided without using any depository or warehouse facilities other~~
23 ~~than those operated by the State Board of Education.~~
- 24 (3) ~~Provide~~ for the free use, with proper care and return, of elementary and
25 secondary basic ~~textbooks~~ instructional materials. The title of ~~said books~~ the
26 instructional materials shall be vested in the State."

27 "**§ 115C-98. Local ~~boards of education to provide for local operation of the textbook~~**
28 **program, the selection and procurement of other instructional materials, and**
29 **the use of nonadopted textbooks, selection of supplementary and instructional**
30 **materials.**

31 (a) Local boards of education shall adopt ~~rules~~ policies not inconsistent with the ~~policies~~
32 rules of the State Board of Education concerning the local ~~operation of the textbook~~
33 program, selection and procurement of instructional materials.

34 (b) Local boards of education shall adopt written policies concerning the procedures to be
35 followed in their local school administrative units for the selection and procurement of
36 ~~supplementary textbooks, library books, periodicals, audiovisual materials, and other~~
37 supplementary and instructional materials needed for instructional purposes in the public
38 schools of their units.

39 Local boards of education shall have sole authority to select and procure supplementary and
40 instructional materials, including library books and media, whether or not the materials contain
41 commercial advertising, to determine if the materials are related to and within the limits of the
42 prescribed curriculum, and to determine when the materials may be presented to students
43 during the school day. ~~Supplementary materials and contracts for supplementary materials are~~
44 ~~not subject to approval by the State Board of Education.~~

45 Supplementary ~~books and other instructional~~ materials shall neither displace nor be used to
46 the exclusion of basic ~~textbooks~~ instructional materials.

47 (b1) ~~A local board of education may establish a community media advisory committee to~~
48 ~~investigate and evaluate challenges from parents, teachers, and members of the public to~~
49 ~~textbooks and supplementary instructional materials on the grounds that they are educationally~~
50 ~~unsuitable, pervasively vulgar, or inappropriate to the age, maturity, or grade level of the~~
51 ~~students. The State Board of Education shall review its rules and policies concerning these~~

1 challenges and shall establish guidelines to be followed by community media advisory
2 committees.

3 ~~The local board, at all times, has sole authority and discretion to determine whether a~~
4 ~~challenge has merit and whether challenged material should be retained or removed.~~

5 (b2) Local boards of education may:

6 (1) ~~Select, procure, and use textbooks that have not been adopted by the State~~
7 ~~Board of Education for use throughout the local school administrative unit~~
8 ~~for selected grade levels and courses; and~~

9 (2) ~~Approve school improvement plans developed under G.S. 115C-105.27 that~~
10 ~~include provisions for using textbooks that have not been adopted by the~~
11 ~~State Board of Education for selected grade levels and courses.~~

12 All ~~textbook instructional material~~ contracts made under this subsection shall include a
13 clause granting to the local board of education the license to produce braille, large print, ~~and~~
14 audiocassette ~~tape-tape, and other accessible~~ copies of ~~the textbooks instructional materials~~ for
15 use in the local school administrative unit.

16 ..."

17 "**§ 115C-98.5. Challenges to supplementary and instructional materials.**

18 (a) Local boards of education shall establish a community media advisory committee to
19 investigate and evaluate challenges to supplementary and instructional materials.

20 (b) At a minimum, the committee shall include the following:

21 (1) A principal from a high school, middle school, and elementary school,
22 respectively.

23 (2) A teacher from a high school, middle school, and elementary school,
24 respectively.

25 (3) A parent of a student in high school or middle school and a parent of a
26 student in elementary school.

27 (4) A school library media coordinator from a high school, middle school, and
28 elementary school, respectively.

29 (c) Challenges to instructional and supplemental materials shall be made in writing and
30 submitted to the local board of education. The challenge shall specify that the material being
31 challenged is one or more of the following:

32 (1) Obscene.

33 (2) Inappropriate to the age, maturity, or grade level of the students.

34 (3) Not aligned with the standard course of study.

35 (d) The local board of education and the media advisory committee shall only investigate
36 and evaluate challenges submitted by a parent of a student enrolled in a school governed by the
37 board, a teacher employed by the board, or a resident of the area of assignment for the board.

38 (e) Within two weeks of the filing of the challenge, the media advisory committee shall
39 hold a hearing and provide the challengers an opportunity to present their concerns to the
40 committee. The committee may, in the committee's discretion, request additional information
41 on the subject matter at the hearing from experts employed by the local school administrative
42 unit. Within two weeks of the hearing, the committee shall make a recommendation to the local
43 board of education on whether the challenge has merit and whether the challenged material
44 should be retained or removed as unfit material. The committee's determination shall be limited
45 to considerations of whether the material is unfit on the specific grounds of the material being
46 (i) obscene, (ii) inappropriate to the age, maturity, or grade level of the students, or (iii) not
47 aligned with the standard course of study.

48 (f) At the next meeting of the local board of education after the media advisory committee's
49 recommendation is received, the local board shall determine whether the challenge has merit
50 and whether the challenged material should be retained or removed as unfit material.

1 (g) The local board, at all times, has sole authority and discretion to determine whether a
2 challenge has merit and whether challenged material should be retained or removed. The
3 decision of the board is not appealable."

4 **"§ 115C-99. Legal custodians of ~~textbooks-instructional materials~~ furnished by State.**

5 Local boards of education are the custodians of all ~~textbooks-instructional materials~~
6 purchased by the local boards with State funds. They shall provide adequate and safe storage
7 facilities for the proper care of ~~these textbooks-the instructional materials~~ and emphasize to all
8 students the necessity for proper care of ~~textbooks-instructional materials.~~"

9 **"§ 115C-100. Rental fees for ~~textbooks-instructional materials~~ prohibited; damage fees**
10 **authorized.**

11 No local board of education may charge any pupil a rental fee for the use of ~~textbooks-~~
12 ~~instructional materials~~. A pupil's parents or legal guardians may be charged damage fees for
13 abuse or loss of ~~textbooks-instructional materials~~ under rules adopted by the State Board of
14 Education. All money collected from the sale of ~~textbooks-instructional materials~~ purchased
15 with State funds under the provisions of this Part shall be paid annually as collected to the State
16 Board of Education."

17 **"§ 115C-101. Duties and authority of superintendents of local school administrative units.**

18 The superintendent of each local school administrative unit, as an official agent of the State
19 Board of Education, shall administer the provisions of this Part and the rules and regulations of
20 the Board insofar as they apply to ~~his-the local school administrative~~ unit. The superintendent
21 of each local school administrative unit shall have authority to require the cooperation of
22 principals and teachers so that the children may receive the best possible service, and so that all
23 the ~~books-instructional materials~~ and moneys may be accounted for properly. If any principal or
24 teacher fails to comply with the provisions of this section, ~~his-the~~ superintendent shall withhold
25 ~~his-the~~ salary vouchers of the principal until the duties imposed by this section have been
26 performed.

27 If any superintendent fails to comply with the provisions of this section, the State
28 Superintendent, as secretary to the State Board of Education, shall notify the State Board of
29 Education and the State Treasurer. The State Board and the State Superintendent shall withhold
30 the superintendent's salary vouchers, and the State Treasurer shall make no payment until the
31 State Superintendent ~~notifies him-confirms~~ that the provisions of this section have been
32 complied with."

33 **"§ 115C-102. Right to purchase; disposal of ~~textbooks-and-instructional~~ materials.**

34 (a) Any parent, guardian, or person in loco parentis may purchase any instructional material
35 needed for any child in the public schools of the State from the board of education of the local
36 school administrative unit in which the child is ~~enrolled or, in the case of basic textbooks, from~~
37 ~~the State Board of Education-enrolled.~~

38 (b) Notwithstanding Article 3A of Chapter 143 of the General Statutes, G.S. 143-49(4), or
39 any other provision of law, the State Board of Education may adopt rules authorizing local
40 boards of education to dispose of discontinued instructional ~~material, including State-adopted~~
41 ~~textbooks-material.~~"

42 **SECTION 7.1.(c)** G.S. 115C-11(d) reads as rewritten:

43 "...

44 (d) Voting. – No voting by proxy shall be permitted. ~~Except in voting on textbook~~
45 ~~adoptions, a~~ majority of those present and voting shall be necessary to carry a motion and a
46 roll call vote shall be had on each motion. A record of all such votes shall be kept in the minute
47 book

48 "..."

49 **SECTION 7.1.(d)** G.S. 115C-11(e) is repealed.

50 **SECTION 7.1.(e)** G.S. 115C-12(9)b. is repealed.

51 **SECTION 7.1.(f)** G.S. 115C-12(18)d. reads as rewritten:

1 "...

2 d. The State Board of Education shall modify the Uniform Education
3 Reporting System to provide clear, accurate, and standard
4 information on the use of funds at the unit and school level. The plan
5 shall provide information that will enable the General Assembly to
6 determine State, local, and federal expenditures for personnel at the
7 unit and school level. The plan also shall allow the tracking of
8 expenditures for ~~textbooks, instructional materials,~~ educational
9 supplies and equipment, capital outlay, at-risk students, and other
10 purposes."

11 **SECTION 7.1.(g)** G.S. 115C-47 reads as rewritten:

12 **"§ 115C-47. Powers and duties generally.**

13 In addition to the powers and duties designated in G.S. 115C-36, local boards of education
14 shall have the power or duty:

15 ...

16 (6) To Regulate Fees, Charges and Solicitations. – Local boards of education
17 shall adopt rules and regulations governing solicitations of, sales to, and
18 fund-raising activities conducted by, the students and faculty members in
19 schools under their jurisdiction, and no fees, charges, or costs shall be
20 collected from students and school personnel without approval of the board
21 of education as recorded in the minutes of ~~said the~~ board; provided, this
22 subdivision shall not apply to such ~~textbooks-instructional material~~ fees as
23 are determined and established by the State Board of Education. The local
24 board of education shall publish a schedule of fees, charges, and solicitations
25 approved by the local board on the local school administrative unit's Web
26 site by October 15 of each school year and, if the schedule is subsequently
27 revised, within 30 days following the revision.

28 ...

29 (33) ~~To Approve and Use Supplemental Materials.~~ – Local boards of education
30 shall have sole authority to select and procure supplementary instructional
31 materials, whether or not the materials contain commercial advertising,
32 pursuant to the provisions of G.S. 115C-98(b).

33 (33a) To Approve and Use ~~Textbooks Not Adopted by State Board of Education.~~
34 ~~Instructional Materials.~~ – Local boards of education shall have the authority
35 to select, procure, and use ~~textbooks not adopted by the State Board of~~
36 ~~Education instructional materials~~ as provided in
37 ~~G.S. 115C-98(b1).~~G.S. 115C-98.

38"

39 **SECTION 7.1.(h)** G.S. 115C-76.55 reads as rewritten:

40 **"§ 115C-76.55. Age-appropriate instruction for grades kindergarten through fourth
41 grade.**

42 Instruction on gender identity, sexual activity, or sexuality shall not be included in the
43 curriculum provided in grades kindergarten through fourth grade, regardless of whether the
44 information is provided by school personnel or third parties. For the purposes of this section,
45 curriculum includes the standard course of study and support materials, locally developed
46 curriculum, supplemental instruction, and ~~textbooks and~~ other supplementary materials, but
47 does not include responses to student-initiated questions."

48 **SECTION 7.1.(i)** G.S. 115C-81.5(b)(3) is repealed.

49 **SECTION 7.1.(j)** G.S. 115C-81.25(b)(3) is repealed.

50 **SECTION 7.1.(k)** G.S. 115C-81.25(d) reads as rewritten:

51 "...

1 (d) Parental Review. – The State Board of Education shall make available to all local school
2 administrative units for review by the parents and legal guardians of students enrolled at those
3 units any State-developed objectives for instruction, ~~any approved textbooks,~~ the list of
4 reviewed materials, and any other State-developed or approved materials that pertain to or are
5 intended to impart information or promote discussion or understanding in regard to the
6 prevention of sexually transmitted diseases, including HIV/AIDS, to the avoidance of
7 out-of-wedlock pregnancy, or to the reproductive health and safety education curriculum. The
8 review period shall extend for at least 60 days before use."

9 **SECTION 7.1.(l)** G.S. 115C-105.25(b)(12) reads as rewritten:

10 "...

11 (12) Funds allotted for ~~textbooks and digital resources~~ instructional materials
12 may only be used ~~for the purchase of textbooks and digital resources to~~
13 acquire instructional and supplemental materials as identified in Part 3 of
14 Article 8 of this Chapter and to acquire software necessary for the use of the
15 instructional or supplemental materials. These funds shall not be transferred
16 out of the allotment for any other purpose."

17 **SECTION 7.1.(m)** G.S. 115C-242(3) reads as rewritten:

18 "...

19 (3) The board of education of any local school administrative unit may operate
20 the school buses of such unit one day prior to the opening of the regular
21 school term for the transportation of pupils and employees to and from the
22 school to which such pupils are assigned or in which they are enrolled and
23 such employees are employed, for the purposes of the registration of
24 students, the organization of classes, the distribution of ~~textbooks,~~
25 instructional materials, and such other purposes as will, in the opinion of the
26 superintendent of the schools of such unit, promote the efficient organization
27 and operation of such public schools."

28 **SECTION 7.1.(n)** G.S. 115C-271(d)(2) reads as rewritten:

29 "...

30 (2) Local funds appropriated for teachers, ~~textbooks,~~ instructional materials, or
31 classroom materials, supplies, and equipment are not transferred or used for
32 this purpose."

33 **SECTION 7.1.(o)** G.S. 115C-384(c) reads as rewritten:

34 "...

35 (c) Rental Fees for ~~Textbooks-Instructional Materials~~ Prohibited; Damage Fees Authorized.
36 – No rental fees are permitted for the use of textbooks, but damage fees may be collected
37 pursuant to the provisions of G.S. 115C-100."

38 **SECTION 7.1.(p)** G.S. 115C-390.2(l)(1) reads as rewritten:

39 "

40 (1) The opportunity to take ~~textbooks~~ instructional materials and school-furnished
41 digital devices home for the duration of the absence."

42 **SECTION 7.1.(q)** G.S. 115C-390.5(c)(1) reads as rewritten:

43 ".(1) The opportunity to take ~~textbooks~~ instructional materials home for the
44 duration of the suspension."

45 **SECTION 7.1.(r)** G.S. 115C-398 reads as rewritten:

46 "§ 115C-398. **Damage to school buildings, furnishings, ~~textbooks~~ instructional materials.**

47 Students and their parents or legal guardians may be liable for damage to school buildings,
48 furnishings and ~~textbooks~~ instructional materials pursuant to the provisions of G.S. 115C-523,
49 115C-100 and 14-132."

50 **SECTION 7.1.(s)** G.S. 143A-48 is repealed.

1 **SECTION 7.1.(t)** No further funds shall be allocated into the State Textbook fund.
2 The Department of Public Instruction, in coordination with the Office of State Budget and
3 Management, shall ensure that the fund is dissolved once all funds are expended.

4 **SECTION 7.1.(u)** Effective July 1, 2026, there is established the Instructional
5 Materials funding allotment within the State Public School Fund. The State Board of Education
6 shall establish the purposes for which the funds within the Instructional Materials funding
7 allotment may be used for the purchase and maintenance of instructional and supplemental
8 materials as identified in Part 3 of Article 8 of Chapter 115C of the General Statutes. Funds
9 allocated to the Instructional Materials funding allotment in fiscal years 2026-2027 and
10 2027-2028 shall not revert to the General Fund at the end of the fiscal year but shall remain
11 available until expended.

12 **EXCEPTIONAL CHILDREN FUNDING**

13 **SECTION 7.2.(a)** G.S. 115C-111.05 reads as rewritten:

14 **"§ 115C-111.05. Funding for children with disabilities.**

15 ~~To the extent funds are made available for this purpose, the State Board shall allocate funds~~
16 ~~for children with disabilities to each local school administrative unit on a per child basis. Each~~
17 ~~local school administrative unit shall receive funds for the lesser of (i) all children who are~~
18 ~~identified as children with disabilities or (ii) thirteen percent (13%) of its allocated average~~
19 ~~daily membership in the local school administrative unit for the current school year. The State~~
20 ~~Board of Education shall adopt an allotment policy to implement the tiered student funding~~
21 ~~formula for exceptional children as proposed in the report published pursuant to Section 7.7 of~~
22 ~~S.L. 2023-134 by the Department of Public Instruction. To the extent funds are made available~~
23 ~~for this purpose, the Exceptional Children Allotment shall be funded at a seventy percent (70%)~~
24 ~~state share and shall replace the Children With Disabilities Allotment. The State Board shall~~
25 ~~adjust the amount of funding for children with disabilities each public school unit receives~~
26 ~~during the fiscal year based on the December 1 headcount of children with disabilities required~~
27 ~~by 20 U.S.C. 1412(a)(3)."~~
28

29 **SECTION 7.2.(b)** Create the Exceptional Children Funding Stabilization Reserve.

30 – The Exceptional Children Funding Stabilization Reserve is established within the General
31 Fund. The General Assembly shall appropriate in the Current Appropriations Act or other
32 appropriations act a specific amount to this reserve for allocation, on an as-needed basis only,
33 to provide stabilization funds to public school units that experience a decline in total state
34 funding for exceptional children in the FY 2026-27 fiscal year.

35 **SECTION 7.2A.(c)** Reserve Authorized Uses. – The funds in the Reserve are
36 available to the Department of Public Instruction to distribute to public school units that would
37 otherwise receive less funding under the Exceptional Children allotment in the FY 2026-27
38 fiscal year than they received through the Children With Disabilities allotment in FY 2025-26.

39 **SECTION 7.2A.(d)** Reserve Nonrevert. – The funds in the Reserve shall not revert
40 at the end of FY 2026-27 but shall remain available for use until June 30, 2029 to implement
41 this section.

42 **SECTION 7.2.(e)** Compliance. – Implementation of the exceptional children
43 weighted funding model and access to funds by public school units through this model shall be
44 contingent upon the provision of a free and appropriate education (FAPE) in the least restrictive
45 environment. The Department of Public Instruction shall routinely monitor public school units
46 commensurate with the authority established by 34 CFR Part 300 and G.S. 115C-451. In
47 exercising its monitoring responsibilities under 34 CFR 300.600(d), the Department of Public
48 Instruction must ensure that when it identifies noncompliance with the requirements of this part
49 by PSUs, the noncompliance is corrected as soon as possible, and in no case later than one year
50 after the State's identification of the noncompliance 34 CFR 300.600(e).

51 **SECTION 7.2.(f)** G.S. 115C-218.105(a) reads as rewritten:

1 "(a) The State Board of Education shall allocate to each charter school:

- 2 (1) An amount equal to the average per pupil allocation for average daily
3 membership from the local school administrative unit allotments in which the
4 charter school is located for each child attending the charter school except for
5 the allocation for children with disabilities and for the allocation for children
6 with limited English proficiency;
7 (2) An additional amount for each child attending the charter school who is a child
8 with disabilities; and
9 (3) An additional amount for children with limited English proficiency attending
10 the charter school, based on a formula adopted by the State Board.

11 In accordance with G.S. 115C-218.7 and G.S. 115C-218.8, the State Board
12 shall allow for annual adjustments to the amount allocated to a charter school
13 based on its enrollment growth in school years subsequent to the initial year
14 of operation.

15 ~~In the event a child with disabilities leaves the charter school and enrolls in a~~
16 ~~public school during the first 60 school days in the school year, the charter~~
17 ~~school shall return a pro rata amount of funds allocated for that child to the~~
18 ~~State Board, and the State Board shall reallocate those funds to the local~~
19 ~~school administrative unit in which the public school is located. In the event~~
20 ~~a child with disabilities enrolls in a charter school during the first 60 school~~
21 ~~days in the school year, the State Board shall allocate to the charter school the~~
22 ~~pro rata amount of additional funds for children with disabilities. The State~~
23 ~~Board shall adjust the amount of funding for children with disabilities each~~
24 ~~charter school receives during the fiscal year based on the December 1~~
25 ~~headcount of children with disabilities required by 20 U.S.C. 1412(a)(3)."~~

26 **SECTION 7.2.(g)** G.S. 116-239.11(a) reads as rewritten:

27 "(a) The State Board of Education shall allocate to a laboratory school the following:

- 28 (1) An amount equal to the average per pupil allocation for average daily
29 membership from the local school administrative unit allotments in which the
30 school is located for each child attending the laboratory school, except for the
31 allocation for children with disabilities and for the allocation for children with
32 limited English proficiency.

- 33 (2) An additional amount for each child attending the laboratory school who is a
34 child with disabilities. ~~In the event a child with disabilities leaves the~~
35 ~~laboratory school and enrolls in a public school during the first 60 school days~~
36 ~~in the school year, the laboratory school shall return a pro rata amount of funds~~
37 ~~allocated for that child to the State Board, and the State Board shall reallocate~~
38 ~~those funds to the local school administrative unit in which the public school~~
39 ~~is located. In the event a child with disabilities enrolls in the laboratory school~~
40 ~~during the first 60 school days in the school year, the State Board shall allocate~~
41 ~~to the laboratory school the pro rata amount of additional funds for children~~
42 ~~with disabilities. The State Board shall adjust the amount of funding for~~
43 ~~children with disabilities each laboratory school receives during the fiscal year~~
44 ~~based on the December 1 headcount of children with disabilities required by~~
45 ~~20 U.S.C. 1412(a)(3) ..."~~

46
47 **LIMITED ENGLISH PROFICIENCY FUNDING METHODOLOGY CHANGE**

48 **SECTION 7.3.(a)** The title of Article 32F of Chapter 115C of the General Statutes
49 reads as rewritten:

50 "Supplemental School ~~Funding-Funding~~ and Other Allotments."

1 **SECTION 7.3.(b)** Article 32F of Chapter 115C of the General Statutes is amended
2 by adding a new section to read:

3 **"§ 115C-472.30. Limited English proficient allotment.**

4 To the extent funds are made available for this purpose, the State Board of Education shall
5 allocate funds to local school administrative units, charter schools, regional schools, and
6 laboratory schools operated under Article 29A of Chapter 116 of the General Statutes to
7 provide services to students with limited English proficiency. The State Board shall allocate
8 these funds under a formula that takes into account the average number of students in the units,
9 charters, regional schools, or laboratory schools over the past three years who have limited
10 English proficiency. Local school administrative units shall use funds allocated to them to pay
11 for classroom teachers, teacher assistants, tutors, textbooks, classroom materials/instructional
12 supplies/equipment, transportation costs, and professional development of teachers for students
13 with limited English proficiency. A county in which a local school administrative unit receives
14 funds under this section shall use the funds to supplement local current expense funds and shall
15 not supplant local current expense funds."

16 **SECTION 7.3.(c)** When making adjustments to allocations to local school
17 administrative units from the limited English proficient allotment for the 2026-2027 fiscal year,
18 no local school administrative unit with an average daily membership of 20,000 or fewer
19 students for the 2026-2027 school year shall receive a negative adjustment in excess of fifty
20 thousand dollars (\$50,000) when compared to the allocation received during the 2025-2026
21 fiscal year from that allotment.

22
23 **SCHOOL RESOURCE OFFICER ALLOTMENT**

24 **SECTION 7.4.(a)** Purpose. – The State Board of Education shall create the School
25 Resource Officer Allotment to provide for the safety of students on school grounds. Middle
26 schools across the state may use allotted funds to hire and train School Resource Officers
27 (SROs).

28 **SECTION 7.4.(b)** Allotment. – Of the funds appropriated through this act to the
29 Department of Public Instruction, the State Board shall allocate funding to each local school
30 administrative unit for hiring school resource officers. Each local school administrative unit
31 shall receive allotted dollars for each non-virtual school serving students in middle school.

32 **SECTION 7.4.(c)** Consolidation. –Effective July 1, 2026, G.S. 143B-1209.60 is
33 repealed and all funds for middle school SROs shall be administered through the School
34 Resource Officer Allotment by the Department of Public Instruction. At the discretion of the
35 State Board of Education, the funds provided for high school SROs through the At-Risk
36 Student Allotment may also be consolidated into this allotment.

37 **SECTION 7.4.(d)** Training. – The Center for Safer Schools and the Department of
38 Public Instruction shall work with the NC Criminal Justice Education and Training Standards
39 Commission to establish initial training and continuing education standards for SROs. Those
40 standards shall include pre-service training and modules on the social and cognitive
41 development of elementary school and middle school children, behavioral health, and trauma-
42 informed practices in schools. All SROs must receive training through a community college, a
43 local law enforcement agency, or the North Carolina Justice Academy prior to placement in a
44 school.

45
46 **EXPAND LITERACY PROFESSIONAL DEVELOPMENT AND SUPPORT TO**
47 **GRADES 6-8**

48 **SECTION 7.5.(a)** G.S. 115C-83.6A reads as rewritten:

49 **"§ 115C-83.6A. Approval of literacy intervention plans.**

50 (a) Each local school administrative unit shall submit to the Department of Public
51 Instruction a plan for the literacy ~~interventions~~ interventions for kindergarten through eighth

1 grade it will offer, including reading camps, in the following school year no later than October
2 1. The plan shall include information about the local school administrative unit's efforts to staff
3 reading camps with the most qualified teachers possible, including the unit's efforts to attract
4 teachers associated with high growth in reading based on EVAAS data and teachers who have
5 earned a reading bonus. The plan shall incorporate any feedback received from the Department
6 on the previous year's plan. As part of their plans, local school administrative units are
7 encouraged to partner with other local school administrative units and with community
8 organizations to enhance literacy interventions

9 ..."

10 **SECTION 7.5.(b)** G.S. 115C-83.4B reads as rewritten:

11 **"§ 115C-83.4B. Early Literacy Program.**

12 (a) There is established the Early Literacy Program within the Department of Public
13 Instruction. The Department of Public Instruction, in consultation with the Department of
14 Health and Human Services, shall use the Early Literacy Program to build strong foundational
15 early literacy skills utilizing the Science of Reading for children in the North Carolina
16 Prekindergarten (NC Pre-K) program.

17 (b) As part of the Early Literacy Program, the Department of Public Instruction shall focus
18 on at least the following components:

- 19 (1) Provide a training program to ~~educators~~educators, principals, and
20 administrators working with children in the NC Pre-K program to ensure
21 developmentally appropriate instruction grounded in the Science of Reading
22 and outcomes promoting reading achievement in students. Any principal
23 who supervises educators who undergo this training shall also complete the
24 training themselves. The Department of Public Instruction shall utilize a
25 third-party independent teacher training program to deliver professional
26 development that demonstrates evidence-based success with ~~educators~~
27 educators, principals, and administrators in establishing deep knowledge of
28 literacy instruction.

29 ..."

30 **SECTION 7.5.(c)** Allotment. – To the extent funds are made available for this
31 purpose, the Department of Public Instruction shall use funds appropriated in this act to
32 contract with Lexia Learning to provide Lexia Aspire® Professional Learning to all English-
33 Language Arts, Math, Science and Social Studies teachers in sixth, seventh, and eighth grades.

34 **EXPAND USE OF DIAGNOSTIC READING ASSESSMENTS TO GRADES 4-5**

35 **SECTION 7.6.(a)** G.S. 115C-83.3 reads as rewritten:

36 **"§ 115C-83.3. Definitions.**

37 The following definitions apply in this Part:

- 38 (1) "Accelerated reading class" means a class where focused literacy
39 interventions are provided to increase a student's reading level at least two
40 grades in one school year.
41
42 (2) "Alternative assessment" means a valid and reliable standardized assessment
43 of reading comprehension, approved by the State Board of Education, that is
44 not the same test as the State-approved standardized test of reading
45 comprehension administered to third grade students. The State Board of
46 Education shall provide the valid and reliable alternative assessment to ~~local~~
47 school administrative units-public school units upon request and establish
48 achievement level ranges for the approved alternative assessment. The State
49 Board of Education shall annually review the alternative assessment to ensure
50 ongoing relevance, validity, and reliability."

51 **SECTION 7.6.(b)** G.S. 115C-83.6 reads as rewritten:

1 **"§ 115C-83.6. Facilitating early grade reading proficiency.**

2 (a) Kindergarten, ~~first, second, and third~~ through fifth grade students shall be assessed with
3 valid, reliable, formative, and diagnostic reading assessments made available to ~~local school~~
4 ~~administrative units-public school units~~ by the State Board of Education pursuant to G.S. 115C-
5 174.11(a). Difficulty with reading development identified through administration of formative
6 and diagnostic assessments shall be addressed with literacy interventions outlined in the
7 student's Individual Reading Plan. Parents or guardians of first and second grade students
8 offered a reading camp as a literacy intervention shall be encouraged to enroll their student in
9 the reading camp provided by the local school administrative unit. Parents or guardians of a
10 student identified as demonstrating reading comprehension below grade level shall make the
11 final decision regarding a student's reading camp attendance.

12 ...

13 (a2) The Department of Public Instruction shall provide for EVAAS analysis all formative
14 and diagnostic assessment data collected pursuant to this section for kindergarten through ~~third~~
15 fifth grade. The Department shall use a uniform template for all data collected, and the template
16 shall be used each time data is provided. The template shall include clear designations for each
17 data component reported

18 ..."

19 **SECTION 7.6.(c)** G.S. 115C-83.6B reads as rewritten:

20 **"§ 115C-83.6B. Individual Reading Plans.**

21 (a) An Individual Reading Plan (IRP) shall be developed for any student in kindergarten
22 through ~~third-fifth~~ grade demonstrating difficulty with reading development based on the
23 results of ~~either (i) the first diagnostic or formative assessment of the school year-or (ii) the first~~
24 ~~diagnostic or formative assessment of the second semester of the school year~~. The IRP shall be
25 continually adjusted based on multiple data sources as prescribed by the Department of Public
26 Instruction, indicating that the student is not progressing toward grade-level standards in one or
27 more major reading areas. Based on the most recently collected data, the IRP shall include the
28 following information, specific to the identified student:

- 29 (1) The specific reading skill deficiencies identified by assessment data.
- 30 (2) Goals and benchmarks for growth.
- 31 (3) The means by which progress will be monitored and evaluated.
- 32 (4) The specific additional literacy interventions the student will receive.
- 33 (5) The Science of Reading-based instructional programming the teacher will
34 implement.
- 35 (6) Any additional services the teacher deems appropriate to accelerate the
36 student's reading skill and development

37 ..."

38
39 **SCHOOL PERFORMANCE GRADE REDESIGN**

40 **SECTION 7.7.(a)** Program Established; Purpose. – There is established the School
41 Performance Grade Redesign Pilot Program (Program) for the 2026-2027 and 2027-2028 fiscal
42 years. The Program shall be composed of a small group of school units and expanded to all K-
43 12 schools receiving public funds in the 2028-29 school year. The purpose of the Program is to
44 improve the school performance grade process to provide more transparent and comprehensive
45 information about school performance to parents, students, and administrators. School
46 performance grades will continue to be issued pursuant to G.S. 115C-83.15 during the pilot
47 program.

48 **SECTION 7.7.(b)** School Performance Grade Criteria. – The Department of Public
49 Instruction shall develop and publish criteria to be used for school performance grades in the
50 Program.

1 **SECTION 7.7.(c)** Application for Program. – Public school units interested in
2 participating in the Program shall notify the Department, and the Department shall establish a
3 process for selecting schools to participate. The Department shall select one charter school, one
4 local school administrative unit, and one private school that receives state funds to participate
5 in the Program from each State Board of Education region, balancing characteristics of the
6 school units to represent the diversity of the State.

7 **SECTION 7.7.(d)** Interim Reporting. – Each school unit participating in the
8 Program shall report to the Department on the criteria developed pursuant to subsection (b) of
9 this section by the deadline established by the Department.

10 **SECTION 7.7.(e)** Department Reporting. – The Department shall report to the
11 Joint Legislative Oversight Committee and the Office of State Budget and Management by
12 November 1, 2027, on the status and progress of the Program. A copy of the report shall be
13 distributed to all local superintendents and principals in public school units participating in the
14 Program. The report shall include at least the following:

- 15 (1) Any difficulties in collecting data or information required by the Program.
- 16 (2) Any recommended changes to the Program.
- 17 (3) Any other information the Department deems relevant to the performance of
18 the Program.
- 19 (4) Any other information requested by the committee.

20 **SECTION 7.7.(f)** Statewide Expansion of the Program. – Beginning with the
21 2028-29 school year, the Program shall be expanded to all K-12 schools in the State that
22 receive public funds. All participating schools shall provide the information required by the
23 Program.

24 **SECTION 7.7.(g)** Final Reporting. – Each participating school unit, as part of the
25 Program, shall report to the Department on the criteria developed pursuant to subsection (a) of
26 Section 2 of this act by the deadline established by the Department.

27 **SECTION 7.7.(h)** Final Department Reporting. – The Department shall submit a
28 final report to the Joint Legislative Oversight Committee by June 30, 2029, on the outcomes of
29 the Program. A copy of the report shall be distributed to local superintendents and principals in
30 all participating schools. The report shall include at least the following:

- 31 (1) Any continued difficulties in collecting data or information required by the
32 Program.
- 33 (2) Any recommended changes to the criteria developed by the Program.
- 34 (3) Any other information the Department deems relevant to the performance of
35 the Program.
- 36 (4) The model and scale that the Department would use to assign school
37 performance grades from the criteria developed for the Program.
- 38 (5) Any recommended legislation for implementing the Program permanently to
39 replace the existing school performance grade system.
- 40 (6) Any other information requested by the committee.

41 **SECTION 7.7.(i)** Intention of General Assembly. – It is the intention of the General
42 Assembly that after any statutory changes made pursuant to subsection (h) of this section, school
43 performance measures be issued that are based on the results of the pilot, that more heavily
44 weight growth than the current score, and that comply with federal requirements, including those
45 in the Every Student Succeeds Act.

46 47 **FUND VIRTUAL CHARTER SCHOOLS AT STATEWIDE AVERAGE PER-PUPIL** 48 **FUNDING**

49 **SECTION 7.8.** G.S. 115C-218.105 reads as rewritten:

50 "(a) The State Board of Education shall allocate to each charter school:

- 51 (1) An amount equal ~~to~~to:

1 a. Except for charter schools approved to operate pursuant to G.S. 115C-
2 218-120(b)(1), the average per pupil allocation for average daily
3 membership from the local school administrative unit allotments in
4 which the charter school is located for each child attending the charter
5 school except for the allocation for children with disabilities and for
6 the allocation for children with limited English
7 proficiency-proficiency;

8 b. For charter schools approved to operate pursuant to G.S. 115C-218-
9 120(b)(1), the average State per pupil allocation for average daily
10 membership for each child attending the charter school except for the
11 allocation for children with disabilities and for the allocation for
12 children with limited English proficiency

13 ..."

15 ELIMINATE TRANSPORTATION FUNDING FOR VIRTUAL CHARTER SCHOOL

16 SECTION 7.9. G.S. 115C-218.105 reads as rewritten:

17 "...

18 (a1) The State Board shall not withhold or reduce distribution of funds to a charter school
19 for any reason except as provided in subsection (a2) of this section.

20 (a2) The State Board shall withhold or reduce distribution of funds to a charter school if any
21 of the following applies:

22 (1) The change in funding is due to an annual adjustment based on enrollment or
23 is a general adjustment to allocations that is not specific to the charter or
24 actions of that charter school.

25 (2) The Review Board notifies the State Board that the charter school has
26 materially violated a term of its charter, has violated a State statute or federal
27 law, or has had its charter terminated or nonrenewed.

28 (3) The Review Board notifies the State Board that the charter school has failed
29 to meet generally accepted standards of fiscal management or has violated a
30 State or federal requirement for receipt of funds.

31 (a3) The State Board shall not provide transportation funds to virtual charter
32 schools or remote charter academies for students who attend exclusively
33 online

34 ..."

36 INCREASE SUPPORT FOR PUBLIC SCHOOL CAPITAL IMPROVEMENTS

37 SECTION 7.10. G.S. 115C-546.2 reads as rewritten:

38 "...

39 (e) The State Board of Education may use up to ~~two million dollars (\$2,000,000)~~ two
40 million five hundred thousand dollars (\$2,500,000) each year of monies in the Fund to support
41 positions in the Department of Public Instruction's Support Services Division.

42 ..."

44 INCREASE PARTICIPATION IN COMMUNITY ELIGIBILITY PROVISION MEAL 45 PROGRAM

46 SECTION 7.11.(a) Part 2 of Article 17 of Chapter 115C of the General Statutes is
47 amended by adding a new section to read:

48 "§ 115C-264.6. CEP Meal Incentive Program.

49 (a) Definitions. – The following definitions apply to this section:

50 (1) CEP. – Community Eligibility Provision.

51 (2) Department. – Department of Public Instruction.

1 (3) Eligible unit. – A local school administrative unit, school within a local school
2 administrative unit, regional school, or charter school that meets all of the
3 following:

4 a. Qualifies for the federal CEP program.

5 b. Did not participate in the federal CEP program in the 2025-2026 fiscal
6 year.

7 (4) ISP. – Identified Student Percentage.

8 (5) Participating school. – A school participating in the Program.

9 (6) Participating unit. – An eligible unit selected to participate in the Program.

10 (7) Program. – The CEP Meal Incentive Program established pursuant to this
11 section.

12 (b) Program; Purpose. – The Department shall establish the Program to expand public school
13 participation in the federal CEP program to increase the number of students with access to
14 healthy, cost-free school breakfast and lunch. In each year where funds are made available for
15 this purpose, the Program shall be administered in accordance with the provisions of this section.

16 (c) Application. – By April 15 of each year of the Program, the Department shall develop the
17 application for the Program and make it available to eligible units. To be considered for selection
18 for the Program, eligible units shall submit their applications by June 1 of each year. At a
19 minimum, the application shall include the following information:

20 (1) The school or schools that will participate in the CEP program.

21 (2) The ISP for the school or schools for the current school year.

22 (3) The number of students enrolled in the school or schools for the current school
23 year.

24 (4) Participation rates in the National School Breakfast and Lunch programs for
25 the current school year for the schools requesting to receive the incentive.

26 (d) Selection. – By July 15 of each year of the Program, the Department shall determine
27 whether each applicant is eligible to participate. The Department shall then award grants to all
28 eligible units that apply. If there are insufficient funds to award grants to all eligible units that
29 apply, the Department shall first prioritize awarding grants to eligible units with an ISP of greater
30 than or equal to fifty-five percent (55%) and then prioritize awarding grants to those schools that
31 will draw the greatest federal match.

32 (e) Grants. – The Department shall issue State reimbursements to participating units to
33 supplement federal reimbursements of school meals. State reimbursements shall equal the
34 difference between the federal free rate and the federal paid rate for the number of meals served
35 at the participating schools equal to a 0.2 multiplier of the ISP for the participating schools. State
36 and federal reimbursements shall not exceed one hundred percent (100%) of the federal free rate
37 of meals served. Participating schools shall have an innovative breakfast option available where
38 students have access to breakfast and are allowed to consume breakfast in the classroom.

39 (f) Nonsupplant Requirement. – A participating unit shall use the funds to supplement and
40 not supplant local current expense funds.

41 (g) Report. – No later than January 1 of each year of the Program, the Department shall report
42 to the Joint Legislative Education Oversight Committee and the Fiscal Research Division at least
43 the following information:

44 (1) The number of participating schools.

45 (2) The number of students who received free meals who would not have
46 otherwise received free meals had the participating school not utilized the
47 incentive.

48 (3) The amount of federal and State money participating units received.

49 (4) Any increase in student success due to the participating school's utilization of
50 the incentive and participation in the Program.

1 (h) Administration. – The Department may use up to five hundred thousand dollars
2 (\$500,000) of the funds appropriated for the Program for administrative costs."

3 **SECTION 7.11.(b)** Section 7.59 of S.L. 2023-134 is repealed.

4 **SECTION 7.11.(c)** This section becomes effective July 1, 2026.

5
6 **PART VII-A. COMPENSATION OF PUBLIC SCHOOL EMPLOYEES**

7
8 **TEACHER SALARY SCHEDULE**

9 **SECTION 7A.1.(a)** The following monthly teacher salary schedule shall apply for
10 the 2025-26 fiscal year to licensed personnel of the public schools who are classified as
11 teachers. The salary schedule is based on years of teaching experience.

12 **2025-2026 Teacher Monthly Salary Schedule**

13	Years of Experience	"A" Teachers
14	0	4,630
15	1	4,690
16	2	4,750
17	3	4,810
18	4	4,870
19	5	4,930
20	6	4,990
21	7	5,050
22	8	5,110
23	9	5,170
24	10	5,230
25	11	5,290
26	12	5,350
27	13	5,410
28	14	5,470
29	15	5,520
30	16	5,520
31	17	5,520
32	18	5,580
33	19	5,580
34	20	5,580
35	21	5,640
36	22	5,640
37	23	5,640
38	24	5,730
39	25+	5,730

40 **SECTION 7A.1.(b)** The following monthly teacher salary schedule shall apply for
41 the 2026-2027 fiscal year to licensed personnel of the public schools who are classified as
42 teachers. The salary schedule is based on years of teaching experience.

43 **2026-2027 Teacher Monthly Salary Schedule**

44	Years of Experience	"A" Teachers
45	0	5,312
46	1	5,332
47	2	5,355
48	3	5,378
49	4	5,401
50	5	5,424
51	6	5,447

1	7	5,470
2	8	5,493
3	9	5,516
4	10	5,539
5	11	5,562
6	12	5,585
7	13	5,608
8	14	5,631
9	15	5,654
10	16	5,677
11	17	5,700
12	18	5,723
13	19	5,746
14	20	5,769
15	21	5,792
16	22	5,815
17	23	5,838
18	24	5,861
19	25+	5,875

SECTION 7A.1.(c) Salary Supplements for Teachers Paid on This Salary

Schedule.

- (1) Licensed teachers who have NBPTS certification shall receive a salary supplement each month of twelve percent (12%) of their monthly salary on the "A" salary schedule.
- (2) Licensed teachers who are classified as "M" teachers shall receive a salary supplement each month of ten percent (10%) of their monthly salary on the "A" salary schedule.
- (3) Licensed teachers with licensure based on academic preparation at the six-year degree level shall receive a salary supplement of one hundred twenty-six dollars (\$126.00) per month in addition to the supplement provided to them as "M" teachers.
- (4) Licensed teachers with licensure based on academic preparation at the doctoral degree level shall receive a salary supplement of two hundred fifty-three dollars (\$253.00) per month in addition to the supplement provided to them as "M" teachers.
- (5) Certified school nurses shall receive a salary supplement each month of ten percent (10%) of their monthly salary on the "A" salary schedule.
- (6) School counselors who are licensed as counselors at the master's degree level or higher shall receive a salary supplement each month of one hundred dollars (\$100.00).

SECTION 7A.1.(d) For school psychologists, school speech pathologists who are licensed as speech pathologists at the master's degree level or higher, and school audiologists who are licensed as audiologists at the master's degree level or higher, the following shall apply:

- (1) The first step of the salary schedule shall be equivalent to the sixth step of the "A" salary schedule.
- (2) These employees shall receive the following salary supplements each month:
 - a. Ten percent (10%) of their monthly salary, excluding the supplement provided pursuant to sub-subdivision b. of this subdivision.
 - b. Three hundred fifty dollars (\$350.00).

1 (3) These employees are eligible to receive salary supplements equivalent to
2 those of teachers for academic preparation at the six-year degree level or the
3 doctoral degree level.

4 (4) The twenty-sixth step of the salary schedule shall be seven and one-half
5 percent (7.5%) higher than the salary received by these same employees on
6 the twenty-fifth step of the salary schedule.

7 **SECTION 7A.1.(e)** Beginning with the 2014-2015 fiscal year, in lieu of providing
8 annual longevity payments to teachers paid on the teacher salary schedule, the amounts of those
9 longevity payments are included in the monthly amounts under the teacher salary schedule.

10 **SECTION 7A.1.(f)** A teacher compensated in accordance with this salary schedule
11 for the 2025-26 and 2026-27 school years shall receive an amount equal to the greater of the
12 following:

13 (1) The applicable amount on the salary schedule for the applicable school year.

14 (2) For teachers who were eligible for longevity for the 2013-2014 school year,
15 the sum of the following:

16 a. The salary the teacher received in the 2013-2014 school year
17 pursuant to Section 35.11 of S.L. 2013-360.

18 b. The longevity that the teacher would have received under the
19 longevity system in effect for the 2013-2014 school year provided in
20 Section 35.11 of S.L. 2013-360 based on the teacher's current years
21 of service.

22 c. The annual bonus provided in Section 9.1(e) of S.L. 2014-100.

23 (3) For teachers who were not eligible for longevity for the 2013-2014 school
24 year, the sum of the salary and annual bonus the teacher received in the
25 2014-2015 school year pursuant to Section 9.1 of S.L. 2014-100.

26 **SECTION 7A.1.(g)** As used in this section, the term "teacher" shall also include
27 instructional support personnel.

28 **RESTORE MASTER'S PAY**

29 **SECTION 7A.2.(a)** The following session laws are repealed:

30 (1) Section 8.22 of S.L. 2013-360.

31 (2) Section 8.3 of S.L. 2014-100.

32 **SECTION 7A.2.(b)** G.S. 115C-302.10 reads as rewritten:

33 **"§ 115C-302.10. Qualifications for certain education-based salary supplements.**

34 (a) Notwithstanding any other provision of law, only the following teachers and
35 instructional support personnel shall be paid on the "M" salary schedule or receive a salary
36 supplement for academic preparation at the six-year degree level or at the doctoral degree level:

37 (1) Certified school nurses and instructional support personnel in positions for
38 which a master's degree is required for licensure.

39 (2) Teachers and instructional support personnel who were paid on the "M"
40 salary schedule or received that salary supplement prior to the 2014-15
41 school year.

42 (3) Teachers and instructional support personnel who (i) complete a degree at
43 the master's, six-year, or doctoral degree level for which they completed at
44 least one course prior to August 1, 2013, and (ii) would have qualified for
45 the salary supplement pursuant to State Board of Education policy,
46 TCPA006, as it was in effect on June 30, 2013.

47 (4) Teachers who do not qualify under subdivisions (1), (2), and (3) of this
48 section but who spend at least seventy percent (70%) of their time as
49 follows:
50

- 1 a. For teachers, in classroom instruction related to their graduate
2 academic preparation in their field or subject area within their area of
3 licensure. Most of the teachers' remaining time shall be spent in one
4 or more of the following:
5 1. Mentoring teachers.
6 2. Performing demonstration lessons for teachers.
7 3. Writing curricula.
8 4. Developing and leading staff development programs for
9 teachers
10 b. For instructional support personnel, performing work within the
11 employee's area of graduate academic preparation.

12 (b) Beginning with the 2025-2026 fiscal year and in subsequent fiscal years, for teachers
13 who are paid on the "M" salary schedule under subdivision (4) of subsection (a) of this act,
14 determination of whether teachers shall be paid on the "M" salary schedule or receive a salary
15 supplement for academic preparation shall take place on an annual basis. Teachers may be
16 moved off the "M" salary schedule or discontinue receiving salary supplements if they are not
17 meeting the requirements of subdivision (4) of subsection (a) of this act in that year.

18 (c) Unless an individual otherwise qualifies under subdivision (2) or (3) of subsection (a) of
19 this section, teachers and instructional support personnel who earn an advanced degree in
20 school administration shall not be paid on the "M" salary schedule or receive a salary
21 supplement for academic preparation."

22 23 **CONSOLIDATED TEACHER BONUS PROGRAM**

24 **SECTION 7A.3.(a)** Establish Consolidated Bonus Program. – The State Board of
25 Education shall establish a consolidated teacher bonus program for the 2025-2027 fiscal
26 biennium to reward teacher performance and encourage student learning and improvement. To
27 attain this goal, the Department of Public Instruction shall administer bonus pay to qualifying
28 teachers whose salaries are supported from State funds in January of 2026 and 2027, based on
29 data from the 2024-2025 and 2025-2026 school years, respectively, in accordance with this
30 section.

31 **SECTION 7A.3.(b)** Definitions. – For purposes of this section, the following
32 definitions shall apply:

- 33 (1) Eligible advanced course teacher. – A teacher of Advanced Placement
34 courses, International Baccalaureate Diploma Programme courses, or the
35 Cambridge Advanced International Certificate of Education (AICE) program
36 who meets the following criteria:
37 a. Is employed by, or retired having last held a position at, one or more
38 of the following:
39 1. A qualifying public school unit.
40 2. The North Carolina Virtual Public School program.
41 b. Taught one or more students who received a score listed in
42 subsection (c) of this section.
43 (2) Eligible career and technical education (CTE) teacher. – A teacher who
44 meets the following criteria:
45 a. Is employed by, or retired having last held a position at, a qualifying
46 public school unit.
47 b. Taught one or more students who attained approved industry
48 certifications or credentials consistent with G.S. 115C-156.2.
49 (3) Eligible growth teacher. – A teacher who meets at least one of the following
50 criteria:

- 1 a. Is employed by, or retired having last held a position at, a qualifying
2 public school unit and meets one of the following criteria:
3 1. Is in the top twenty-five percent (25%) of teachers in the
4 State according to the EVAAS student growth index score for
5 third grade reading from the previous school year.
6 2. Is in the top twenty-five percent (25%) of teachers in the
7 State according to the EVAAS student growth index score for
8 fourth or fifth grade reading from the previous school year.
9 3. Is in the top twenty-five percent (25%) of teachers in the
10 State according to the EVAAS student growth index score for
11 fourth, fifth, sixth, seventh, or eighth grade mathematics from
12 the previous school year.
13 b. Is employed by, or retired having last held a position at, a local
14 school administrative unit and meets one of the following criteria:
15 1. Is in the top twenty-five percent (25%) of teachers in the
16 teacher's respective local school administrative unit according
17 to the EVAAS student growth index score for third grade
18 reading from the previous school year.
19 2. Is in the top twenty-five percent (25%) of teachers in the
20 teacher's respective local school administrative unit according
21 to the EVAAS student growth index score for fourth or fifth
22 grade reading from the previous school year.
23 3. Is in the top twenty-five percent (25%) of teachers in the
24 teacher's respective local school administrative unit according
25 to the EVAAS student growth index score for fourth, fifth,
26 sixth, seventh, or eighth grade mathematics from the previous
27 school year.
28 c. Was employed by a local school administrative unit that employed in
29 the previous school year three or fewer total teachers in that teacher's
30 grade level as long as the teacher has an EVAAS student growth
31 index score from the previous school year of exceeded expected
32 growth in one of the following subject areas:
33 1. Third grade reading.
34 2. Fourth or fifth grade reading.
35 3. Fourth, fifth, sixth, seventh, or eighth grade mathematics.

36 (4) EVAAS. – The Education Value-Added Assessment System.

37 (5) Qualifying public school unit. – Any of the following:

- 38 a. A local school administrative unit.
39 b. A charter school.
40 c. A regional school.
41 d. A school providing elementary or secondary instruction operated by
42 The University of North Carolina under Article 29A of Chapter 116
43 of the General Statutes.

44 (6) Qualifying teacher. – An eligible teacher who meets one of the following
45 criteria:

- 46 a. Remains employed teaching in the same qualifying public school
47 unit, or, if an eligible advanced course teacher is only employed by
48 the North Carolina Virtual Public School program, remains
49 employed teaching in that program, at least from the school year the
50 data is collected until January 1 of the corresponding school year that
51 the bonus is paid.

- 1 b. Retired, between the last day of the school year in which the data is
2 collected and January 1 of the corresponding school year in which
3 the bonus is paid, after attaining one of the following:
4 1. The age of at least 65 with five years of creditable service.
5 2. The age of at least 60 with 25 years of creditable service.
6 3. Thirty years of creditable service.

7 **SECTION 7A.3.(c)** Advanced Course Bonuses. – A bonus in the amount of fifty
8 dollars (\$50.00) shall be provided to qualifying advanced course teachers for each student
9 taught in each advanced course who receives the following score:

- 10 (1) For Advanced Placement courses, a score of three or higher on the College
11 Board Advanced Placement Examination.
12 (2) For International Baccalaureate Diploma Programme courses, a score of four
13 or higher on the International Baccalaureate course examination.
14 (3) For the Cambridge AICE program, a score of "E" or higher on the
15 Cambridge AICE program examinations.

16 **SECTION 7A.3.(d)** CTE Bonuses. – For qualifying career and technical education
17 teachers, bonuses shall be provided in the following amounts:

- 18 (1) A bonus in the amount of twenty-five dollars (\$25.00) for each student
19 taught by a teacher who provided instruction in a course that led to the
20 attainment of an industry certification or credential with a twenty-five dollar
21 (\$25.00) value ranking as determined under subsection (e) of this section.
22 (2) A bonus in the amount of fifty dollars (\$50.00) for each student taught by a
23 teacher who provided instruction in a course that led to the attainment of an
24 industry certification or credential with a fifty dollar (\$50.00) value ranking
25 as determined under subsection (e) of this section.

26 **SECTION 7A.3.(e)** CTE Course Value Ranking. – The Department of Commerce,
27 in consultation with the State Board, shall assign a value ranking for each industry certification
28 and credential based on academic rigor and employment value in accordance with this
29 subsection. Fifty percent (50%) of the ranking shall be based on academic rigor and the
30 remaining fifty percent (50%) on employment value. Academic rigor and employment value
31 shall be based on the following elements:

- 32 (1) Academic rigor shall be based on the number of instructional hours,
33 including work experience or internship hours, required to earn the industry
34 certification or credential, with extra weight given for coursework that also
35 provides community college credit.
36 (2) Employment value shall be based on the entry wage, growth rate in
37 employment for each occupational category, and average annual openings
38 for the primary occupation linked with the industry certification or
39 credential.

40 **SECTION 7A.3.(f)** Statewide Growth Bonuses. – Of the funds appropriated in this
41 act for the program, bonuses shall be provided to qualifying teachers who are eligible teachers
42 under sub-subdivision a. of subdivision (3) of subsection (b) of this section, as follows:

- 43 (1) The sum of five million dollars (\$5,000,000) shall be allocated for bonuses
44 to eligible teachers under sub-sub-subdivision a.1. of subdivision (3) of
45 subsection (b) of this section. These funds shall be distributed equally among
46 qualifying teachers.
47 (2) A bonus in the amount of two thousand dollars (\$2,000) shall be awarded to
48 each qualifying teacher who is an eligible teacher under sub-sub-subdivision
49 a.2. of subdivision (3) of subsection (b) of this section.

- 1 (3) A bonus in the amount of two thousand dollars (\$2,000) shall be awarded to
2 each qualifying teacher who is an eligible teacher under sub-sub-subdivision
3 a.3. of subdivision (3) of subsection (b) of this section.

4 **SECTION 7A.3.(g)** Local Growth Bonuses. – Of the funds appropriated in this act
5 for the program, bonuses shall be provided to eligible teachers under sub-subdivisions b. and c.
6 of subdivision (3) of subsection (b) of this section, as follows:

- 7 (1) The sum of five million dollars (\$5,000,000) shall be allocated for bonuses
8 to eligible EVAAS teachers under sub-sub-subdivisions b.1. and c.1. of
9 subdivision (3) of subsection (b) of this section. These funds shall be divided
10 proportionally based on average daily membership in third grade for each
11 local school administrative unit and then distributed equally among
12 qualifying third grade reading teachers in each local school administrative
13 unit.
- 14 (2) A bonus in the amount of two thousand dollars (\$2,000) shall be awarded to
15 each qualifying teacher who is an eligible teacher under sub-sub-subdivision
16 b.2. or c.2. of subdivision (3) of subsection (b) of this section.
- 17 (3) A bonus in the amount of two thousand dollars (\$2,000) shall be awarded to
18 each qualifying teacher who is an eligible teacher under sub-sub-subdivision
19 b.3. or c.3. of subdivision (3) of subsection (b) of this section.

20 **SECTION 7A.3.(h)** Limitations and Other Criteria. – The following additional
21 limitations and other criteria shall apply to the program:

- 22 (1) Bonus funds awarded to a teacher pursuant to subsection (c), subsection (d),
23 subdivision (1) of subsection (f), and subdivision (1) of subsection (g) of this
24 section shall not exceed three thousand five hundred dollars (\$3,500) per
25 subsection or subdivision in any given school year.
- 26 (2) A qualifying teacher who is an eligible teacher under sub-sub-subdivision
27 a.1., b.1., or c.1. of subdivision (3) of subsection (b) of this section may
28 receive a bonus under both subdivision (1) of subsection (f) and subdivision
29 (1) of subsection (g) of this section but shall not receive more than seven
30 thousand dollars (\$7,000) pursuant to subdivision (1) of subsection (f) and
31 subdivision (1) of subsection (g) of this section in any given school year.
- 32 (3) A qualifying teacher who is an eligible teacher under sub-sub-subdivision
33 a.2., b.2., or c.2. of subdivision (3) of subsection (b) of this section may
34 receive a bonus under both subdivision (2) of subsection (f) and subdivision
35 (2) of subsection (g) of this section but shall not receive more than two
36 bonuses pursuant to subdivision (2) of subsection (f) and subdivision (2) of
37 subsection (g) of this section in any given school year.
- 38 (4) A qualifying teacher who is an eligible teacher under sub-sub-subdivision
39 a.3., b.3., or c.3. of subdivision (3) of subsection (b) of this section may
40 receive a bonus under both subdivision (3) of subsection (f) and subdivision
41 (3) of subsection (g) of this section but shall not receive more than two
42 bonuses pursuant to subdivision (3) of subsection (f) and subdivision (3) of
43 subsection (g) of this section in any given school year.

44 **SECTION 7A.3.(i)** Bonuses Not Compensation. – Bonuses awarded to a teacher
45 pursuant to this section shall be in addition to any regular wage or other bonus the teacher
46 receives or is scheduled to receive. Notwithstanding G.S. 135-1(7a), the bonuses awarded
47 under this section are not compensation under Article 1 of Chapter 135 of the General Statutes,
48 Retirement System for Teachers and State Employees.

49 **SECTION 7A.3.(j)** Study and Report. – The State Board of Education shall study
50 the effect of the program on teacher performance and retention. The State Board shall report the
51 results of its findings and the amount of bonuses awarded to the President Pro Tempore of the

1 Senate, the Speaker of the House of Representatives, the Joint Legislative Education Oversight
2 Committee, the Office of State Budget and Management, and the Fiscal Research Division by
3 March 15 of each year of the 2025-2027 fiscal biennium. The report shall include, at a
4 minimum, the following information:

- 5 (1) Number of students enrolled and taking examinations in each of the
6 following categories of courses:
 - 7 a. Advanced Placement.
 - 8 b. International Baccalaureate Diploma Programme.
 - 9 c. Cambridge AICE program.
 - 10 d. Courses needed for the attainment of an industry certification or
11 credential.
- 12 (2) Number of students receiving outcomes on examinations resulting in the
13 award of a bonus for a teacher in each category of courses identified in sub-
14 subdivision a. of subdivision (1) of this subsection.
- 15 (3) Number of teachers receiving a bonus in each category of courses identified
16 in sub-subdivision a. of subdivision (1) of this subsection.
- 17 (4) The amounts awarded to teachers for each category of courses identified in
18 sub-subdivision a. of subdivision (1) of this subsection.
- 19 (5) The type of industry certifications and credentials earned by the students, the
20 value ranking for each certification and credential, the number of bonuses
21 earned for each certification or credential, and the total bonus amount
22 awarded for each certification or credential.
- 23 (6) Average bonus amount awarded to each qualifying teacher who is an eligible
24 teacher under sub-sub-subdivision a.1., b.1., or c.1. of subdivision (3) of
25 subsection (b) of this section.
- 26 (7) The percentage of teachers who received a bonus pursuant to this section and
27 were eligible to receive a bonus for teaching in the same grade level or
28 course in January 2026 or January 2027, or both, where applicable, pursuant
29 to one of the following programs:
 - 30 a. The Advanced Course and CTE Bonus Program provided in Section
31 7A.4 of S.L. 2021-180.
 - 32 b. The Growth-Based Teacher Bonus Program provided in Section
33 7A.2 of S.L. of 2022-74.
- 34 (8) The percentage of teachers who received a bonus pursuant to this section and
35 received a bonus for teaching in the same grade level or course in either
36 January 2026 or January 2027 pursuant to one of the programs listed in
37 subdivision (7) of this subsection.
- 38 (9) The percentage of teachers who received a bonus pursuant to this section and
39 received a bonus for teaching in the same grade level or course in January
40 2026 or January 2027, or both, where applicable, pursuant to one of the
41 programs listed subdivision (7) of this subsection.
- 42 (10) The statistical relationship between a teacher receiving a bonus in January
43 2026 or 2027 pursuant to this section and receiving a bonus pursuant to a
44 predecessor bonus program. For purposes of this subdivision, the following
45 are predecessor programs:
 - 46 a. Bonuses awarded pursuant to Section 7A.4(c) of S.L. 2021-180 are
47 predecessors to bonuses awarded pursuant to subsection (c) of this
48 section.
 - 49 b. Bonuses awarded pursuant to Section 7A.4(d) of S.L. 2021-180 are
50 predecessors to bonuses awarded pursuant to subsection (d) of this
51 section.

- 1 c. Bonuses awarded pursuant to subdivision (1) of subsection (c) and
2 subdivision (1) of subsection (d) of Section 7A.2 of S.L. 2022-74 are
3 predecessors to bonuses awarded pursuant to subdivision (1) of
4 subsection (f) and subdivision (1) of subsection (g) of this section.
5 d. Bonuses awarded pursuant to subdivision (2) of subsection (c) and
6 subdivision (2) of subsection (d) of Section 7A.2 of S.L. 2022-74 are
7 predecessors to bonuses awarded pursuant to subdivision (2) of
8 subsection (f) and subdivision (2) of subsection (g) of this section.
9 e. Bonuses awarded pursuant to subdivision (c)(3) and subdivision
10 (d)(3) of Section 7A.2 of S.L. 2022-74 are predecessors to bonuses
11 awarded pursuant to subdivision (3) of subsection (f) and subdivision
12 (3) of subsection (g) of this section.
13 (11) The distribution of statewide and local growth bonuses awarded pursuant to
14 this section as among qualifying public school units and, where applicable,
15 schools within those units.
16

17 **SUPPLEMENTAL FUNDS FOR TEACHER COMPENSATION**

18 **SECTION 7A.4.(a)** Use of Funds. – For each year of the 2025-2027 fiscal
19 biennium, except as provided in subsection (f1) of this section, the State Board of Education
20 shall allocate funds pursuant to this section to eligible local school administrative units to
21 provide salary supplements to teachers and qualifying school administrators in those units.
22 Allocation of salary supplements among teachers and qualifying school administrators within
23 each eligible local school administrative unit, including whether a teacher or qualifying school
24 administrator receives a salary supplement and the amount of the supplement provided to that
25 person, shall be determined in the discretion of the local board of education of the eligible unit,
26 except that no individual salary supplement shall exceed the per teacher funding amount
27 awarded to that unit pursuant to subdivision (4) of subsection (c) of this section.

28 **SECTION 7A.4.(b)** Definitions. – As used in this section, the following definitions
29 shall apply:

- 30 (1) Adjusted market value of taxable real property. – A county's assessed
31 taxable real property value, using the latest available data published by the
32 Department of Revenue, divided by the county's sales assessment ratio
33 determined under G.S. 105-289(h).
34 (2) Composite value. – For each eligible county, the sum of the following:
35 a. The taxable real property factor multiplied by sixty-five percent
36 (65%).
37 b. The median household income factor multiplied by twenty-five
38 percent (25%).
39 c. The effective tax rate factor multiplied by ten percent (10%).
40 (3) County allocation factor. – For each eligible county, the supplement factor
41 for that county divided by the sum of all supplement factors for the State.
42 (4) Effective tax rate. – The actual county tax rate multiplied by the most recent
43 annual sales assessment ratio for that county.
44 (5) Effective tax rate factor. – For each eligible county, the effective tax rate for
45 that county divided by the median effective tax rate in the State.
46 (6) Eligible county. – A county that has an adjusted market value of taxable real
47 property of less than fifty billion nine hundred million dollars
48 (\$50,900,000,000).
49 (7) Eligible local school administrative unit. – A local school administrative unit
50 located in whole or in part in an eligible county.

- 1 (8) Eligible school. – A public school that is located in an eligible county and
2 governed by a local school administrative unit.
- 3 (9) Maintenance of effort amount. – For each local school administrative unit in
4 each fiscal year, the supplant factor multiplied by the total State and non-
5 State funds expended for salaries for teachers from the fiscal year for which
6 the most recent salary data are available.
- 7 (10) Median household income. – A county's median household income for the
8 most recent 12 months for which data are available, as that term is used in
9 G.S. 143B-437.08.
- 10 (11) Median household income factor. – For each eligible county, the median
11 household income in the State divided by the median household income for
12 that county.
- 13 (12) Non-State funds. – Any funds held by a local school administrative unit,
14 other than nonrecurring federal funds received as a result of legislation
15 enacted by Congress in response to COVID19, that are not State funds.
- 16 (13) Qualifying school administrator. – Any of the following:
17 a. Assistant principals paid pursuant to G.S. 115C-285(a)(8).
18 b. Principals paid pursuant to G.S. 115C-285(a)(8a).
- 19 (14) Supplant factor. – For each local school administrative unit in each fiscal
20 year of the fiscal biennium, the total non-State funds expended for salary
21 supplements for teachers in the 2020-2021 fiscal year divided by the total
22 State and non-State funds expended for salaries for teachers in the 2020-
23 2021 fiscal year.
- 24 (15) Supplement factor. – For each eligible county, the composite value
25 multiplied by the number of State-funded teachers employed in a school in
26 the county that is governed by a local school administrative unit.
- 27 (16) Taxable real property factor. – For each eligible county, the median adjusted
28 market value of taxable real property in the State divided by the adjusted
29 market value of taxable real property for that county.
- 30 (17) Teacher. – Teachers and instructional support personnel.

31 **SECTION 7A.4.(c) Allocation of Funds.** – The State Board of Education shall
32 allocate funds for salary supplements to eligible local school administrative units according to
33 the following procedure:

- 34 (1) County allocation. – For each eligible county, the State Board shall
35 determine a county allocation by multiplying the county allocation factor for
36 that county by the funding amount appropriated pursuant to this section for
37 the applicable fiscal year.
- 38 (2) Per teacher funding amount. – For each eligible county, the State Board shall
39 determine a per teacher funding amount by dividing the county allocation
40 amounts determined pursuant to subdivision (1) of this subsection by the
41 total number of State-funded teachers employed in all eligible schools in that
42 county.
- 43 (3) Unit funding amount. – For each eligible local school administrative unit,
44 the State Board shall determine the funding amount for that unit based on the
45 per teacher funding amount or amounts for the eligible county or counties
46 where the unit is located. For each county with an eligible school governed
47 by the unit, the State Board shall multiply the applicable per teacher funding
48 amount for that county determined pursuant to subdivision (2) of this
49 subsection by the number of State-funded teachers employed in the eligible
50 school in that county. If the unit is located in multiple eligible counties, the
51 State Board shall aggregate those amounts.

- 1 (4) Allocation and funding cap. – The State Board shall allocate the amount
2 determined pursuant to subdivision (3) of this subsection to each eligible
3 local school administrative unit for each applicable fiscal year, up to a
4 maximum of five thousand dollars (\$5,000) per State-funded teacher.

5 **SECTION 7A.4.(d)** Charter Schools. – Funds appropriated to the Department of
6 Public Instruction pursuant to this section shall be subject to the allocation of funds for charter
7 schools described in G.S. 115C-218.105. The General Assembly encourages charter schools
8 receiving funds pursuant to this section to provide salary supplements to teachers and
9 qualifying school administrators in the charter school in accordance with the requirements of
10 this section.

11 **SECTION 7A.4.(e)** Formula for Distribution of Supplemental Funding Pursuant to
12 this Section Only. – The formula in this section is solely a basis for distribution of
13 supplemental funding to eligible local school administrative units and is not intended to reflect
14 any measure of the adequacy of the educational program or funding for public schools. The
15 formula is also not intended to reflect any commitment by the General Assembly to appropriate
16 any additional supplemental funds for eligible local school administrative units.

17 **SECTION 7A.4.(f)** Non-supplant Requirement. – A local school administrative
18 unit that receives funds under this section shall use those funds to supplement non-State funds
19 provided for salary supplements for teachers and qualifying school administrators and shall not
20 use any State funds, including funds received under this section or Section 7A.12 of S.L. 2021-
21 180, to supplant non-State funds provided for salary supplements for teachers and qualifying
22 school administrators. For purposes of this section, a local school administrative unit has
23 supplanted non-State funds if the State Board finds that the amount of non-State funds
24 expended by the unit for salary supplements was less than ninety-five percent (95%) of the
25 maintenance of effort amount for the local school administrative unit.

26 **SECTION 7A.4.(f1)** Non-supplant Enforcement. – If the State Board of Education
27 determines that a local school administrative unit has supplanted non-State funds in violation of
28 subsection (f) of this section, the State Board of Education shall not allocate any funds under
29 this section to the unit.

30 **SECTION 7A.4.(f2)** Additional Penalty for Consecutive Supplanting. – It is the
31 intent of the General Assembly that the State Board of Education will not allocate supplemental
32 funds for teacher compensation to a local school administrative unit in the 2026-2027 fiscal
33 year if the State Board of Education determines that the local school administrative unit
34 supplanted non-State funds provided for salary supplements for teachers and qualifying school
35 administrators with State funds in the 2024-2025 fiscal year and the 2025-2026 fiscal year.

36 **SECTION 7A.4.(g)** Reports. – No later than April 15 of each year of the 2025-
37 2027 fiscal biennium, the State Board of Education shall report the following information for
38 the applicable fiscal year to the Joint Legislative Education Oversight Committee and the Fiscal
39 Research Division:

- 40 (1) A list of all eligible counties and eligible local school administrative units.
41 (2) Funds allocated to each eligible local school administrative unit.
42 (3) The percentage and amount of teachers and qualifying school administrators
43 in each eligible local school administrative unit receiving salary
44 supplements.
45 (4) The average salary supplement amount in each eligible local school
46 administrative unit.
47 (5) The range of salary supplement amounts in each eligible local school
48 administrative unit.
49 (6) The effect of the salary supplements on the retention of teachers and
50 qualifying school administrators in eligible local school administrative units.

(7) The identity of any local school administrative unit that the State Board determines has supplanted funds.

PRINCIPAL SALARY SCHEDULE

SECTION 7A.5.(a) The following annual salary schedule for principals shall apply for the 2025-2026 fiscal year, beginning July 1, 2025.

2025-2026 Principal Annual Salary Schedule

Avg. Daily Membership	Base	Met Growth	Exceeded Growth
0-200	\$79,737	\$87,709	\$95,684
201-400	\$83,723	\$92,095	\$100,467
401-700	\$87,709	\$96,481	\$105,252
701-1,000	\$91,698	\$100,866	\$110,037
1,001-1,600	\$95,684	\$105,252	\$114,821
1,601+	\$99,670	\$109,637	\$119,604

SECTION 7A.5.(b) The following annual salary schedule for principals shall apply for the 2026-2027 fiscal year, beginning July 1, 2026.

2026-2027 Principal Annual Salary Schedule

Avg. Daily Membership	Base	Met Growth	Exceeded Growth
0-200	\$81,730	\$89,902	\$98,076
201-400	\$85,816	\$94,397	\$102,979
401-700	\$89,902	\$98,893	\$107,883
701-1,000	\$93,990	\$103,388	\$112,788
1,001-1,600	\$98,076	\$107,883	\$117,692
1,601+	\$102,162	\$112,378	\$122,594

SECTION 7A.5.(c) A principal's placement on the salary schedule shall be determined according to the average daily membership of the school supervised by the principal, as described in subsection (b) of this section, and the school growth scores, calculated pursuant to G.S. 115C-83.15(c), for each school the principal supervised in at least one of the prior two school years, as described in subsection (c) of this section, regardless of a break in service, and provided the principal supervised each school as a principal for at least a majority of the school year, as follows:

- (1) A principal shall be paid according to the Exceeded Growth column of the schedule if the school growth scores show the school or schools exceeded expected growth in at least one of the prior two school years.
- (2) A principal shall be paid according to the Met Growth column of the schedule if any of the following apply:
 - a. The higher school growth score in one of the two prior school years shows that the school met expected growth.
 - b. The principal supervised a school in the two prior school years that was not eligible to receive a school growth score.
- (3) A principal shall be paid according to the Base column if either of the following apply:
 - a. The school growth scores show the school or schools did not meet expected growth in either of the two prior years.
 - b. The principal has not supervised any school as a principal for a majority of the school year in at least the two prior school years.

SECTION 7A.5.(d) For purposes of determining the average daily membership of a principal's school, the following amounts shall be used during the following time periods:

- (1) For the 2025-2026 school year, placement on the schedule related to average daily membership shall be based on the average daily membership for the school from the 2024-2025 school year. If the school did not have an average

1 daily membership in the 2024-2025 school year, the projected average daily
2 membership for the school for the 2025-2026 school year shall be used
3 between July 1, 2025 and December 31, 2025, and the average daily
4 membership for the school shall be used between January 1, 2026 and June
5 30, 2026.

- 6 (2) For the 2026-2027 school year, placement on the schedule related to average
7 daily membership shall be based on the average daily membership for the
8 school from the 2025-2026 school year. If the school did not have an average
9 daily membership in the 2025-2026 school year, the projected average daily
10 membership for the school for the 2026-2027 school year shall be used
11 between July 1, 2026 and December 31, 2026, and the average daily
12 membership for the school shall be used between January 1, 2027 and June
13 30, 2027.

14 **SECTION 7A.5.(e)** For purposes of determining the school growth scores for each
15 school the principal supervised in one or more prior school years, the following school growth
16 scores shall be used during the following time periods:

- 17 (1) For purposes of determining the school growth scores for each principal in the
18 2025-2026 school year, school growth scores from the two most recent
19 available school years, up to the 2024-2025 school year, shall be used.
20 (2) For purposes of determining the school growth scores for each principal in the
21 2026-2027 school year, school growth scores from the two most recent
22 available school years, up to the 2025-2026 school year, shall be used.

23 **SECTION 7A.5.(f)** Beginning with the 2017-2018 fiscal year, in lieu of providing
24 annual longevity payments to principals paid on the principal salary schedule, the amounts of
25 those longevity payments are included in the annual amounts under the principal salary
26 schedule.

27 **SECTION 7A.5.(g)** A principal compensated in accordance with this section for
28 the 2025-2026 and 2026-27 fiscal year shall receive an amount equal to the greater of the
29 following:

- 30 (1) The applicable amount determined pursuant to subsections (a) through (d) of
31 this section.
32 (2) For principals who were eligible for longevity in the 2016-2017 fiscal year,
33 the sum of the following:
34 a. The salary the principal received in the 2016-2017 fiscal year
35 pursuant to Section 9.1 or Section 9.2 of S.L. 2016-94.
36 b. The longevity that the principal would have received as provided for
37 State employees under the North Carolina Human Resources Act for
38 the 2016-2017 fiscal year based on the principal's current years of
39 service.
40 (3) For principals who were not eligible for longevity in the 2016-17 fiscal year,
41 the salary the principal received in the 2016-2017 fiscal year pursuant to
42 Section 9.1 or Section 9.2 of S.L. 2016-94
43

44 **PRINCIPAL RECRUITMENT BONUS**

45 **SECTION 7A.6.(a)** G.S. 115C-285.1 reads as rewritten:

46 **"§ 115C-285.1. Principal recruitment supplement.**

47 (a) Definitions. – The following definitions shall apply in this section:

- 48 (1) Eligible employer. – The governing board of a local school administrative
49 unit with an eligible school.
50 (2) Eligible school. – A low-performing school, as defined in G.S. 115C-105.37,
51 that received an overall school performance score that placed it in the bottom

1 ~~five percent (5%)~~ ten percent (10%) of all schools in the State in the prior
2 school year.

3 (3) Qualifying principal. – A principal who is paid on the Exceeded Growth
4 column of the Principal Salary Schedule.

5 (4) Qualifying school. – An eligible school selected by the Department to
6 participate in the Program.

7 (b) Program; Purpose. – The Department of Public Instruction shall establish the Principal
8 Recruitment Supplement Program (Program). To the extent funds are made available, the
9 purpose of the Program shall be to provide significant, time-limited salary supplements to
10 qualifying principals who accept employment as principals of qualifying schools.

11 (c) Salary Supplement. – A qualifying principal who accepts a position as a principal in a
12 qualifying school shall receive an annual salary supplement of thirty thousand dollars
13 (\$30,000), paid on a monthly basis, as long as the principal is employed as the principal of that
14 school, up to a maximum period of 36 months, subject to the following:

15 (1) A qualifying principal who contracts with an eligible employer to receive the
16 salary supplement shall not be excluded in future years from contracting
17 with the same eligible employer or a different eligible employer for another
18 salary supplement, subject to the requirements of this section.

19 (2) A qualifying principal who accepts employment as a principal at a
20 qualifying school shall continue to receive the salary supplement during
21 performance of the contract, up to 36 months, even if one or more of the
22 following occur:

23 a. The principal is no longer a qualifying principal.

24 b. The school is no longer an eligible school.

25 (3) Notwithstanding G.S. 135-1(7a), salary supplements provided pursuant to
26 this section are not compensation under Article 1 of Chapter 135 of the
27 General Statutes, the Teachers' and State Employees' Retirement System.

28 (4) In the event that insufficient funds are available to provide awards to all
29 qualifying principals, the Department shall prioritize providing salary
30 supplements to those principals accepting positions in the lowest performing
31 schools.

32 ..."

33 **BONUSES FOR PRINCIPALS**

34 **SECTION 7A.7.(a)** The Department of Public Instruction shall administer a bonus
35 in the 2025-2027 fiscal biennium to any principal who supervised a school as a principal for a
36 majority of the previous school year if that school was in the top fifty percent (50%) of school
37 growth in the State during the previous school year, calculated by the State Board pursuant to
38 G.S. 115C-83.15(c), as follows:

39 **2025-2027 Principal Bonus Schedule**

40 Statewide Growth Percentage	41 Bonus
42 Top 5%	\$15,000
43 Top 10%	\$10,000
44 Top 15%	\$5,000
45 Top 20%	\$2,500
46 Top 50%	\$1,000

47 A principal shall receive no more than one bonus pursuant to this subsection. The bonus
48 shall be paid at the highest amount for which the principal qualifies.

49 **SECTION 7A.7.(b)** The bonus awarded pursuant to this section shall be in
50 addition to any regular wage or other bonus the principal receives or is scheduled to receive.

1 **SECTION 7A.7.(c)** Notwithstanding G.S. 135-1(7a), the bonuses awarded
2 pursuant to this section are not compensation under Article 1 of Chapter 135 of the General
3 Statutes, Retirement System for Teachers and State Employees.

4 **SECTION 7A.7.(d)** It is the intent of the General Assembly that funds provided
5 pursuant to this section will supplement principal compensation and not supplant local funds.

6 **SECTION 7A.7.(e)** The bonus provided pursuant to this section shall be paid no
7 later than October 31, 2025, to qualifying principals employed as of October 1, 2025.

8 9 **ASSISTANT PRINCIPAL SALARIES**

10 **SECTION 7A.8.(a)** For the 2025-2027 fiscal biennium, assistant principals shall
11 receive a monthly salary based on the relevant salary schedule for teachers shown in Section
12 7A.1(a) who are classified as "A" teachers plus nineteen percent (19%). An assistant principal
13 shall be placed on the step on the salary schedule that reflects the total number of years of
14 experience as a certified employee of the public schools. For purposes of this section, an
15 administrator with a one-year provisional assistant principal's certificate shall be considered
16 equivalent to an assistant principal.

17 **SECTION 7A.8.(b)** Assistant principals with certification based on academic
18 preparation at the six-year degree level shall be paid a salary supplement of one hundred
19 twenty-six dollars (\$126.00) per month and at the doctoral degree level shall be paid a salary
20 supplement of two hundred fifty-three dollars (\$253.00) per month.

21 **SECTION 7A.8.(c)** Participants in an approved full-time master's in school
22 administration program shall receive up to a 10-month stipend during the internship period of
23 the master's program. The stipend shall be at the beginning salary of an assistant principal or,
24 for a teacher who becomes an intern, at least as much as that person would earn as a teacher on
25 the teacher salary schedule. The North Carolina Principal Fellows Program or the school of
26 education where the intern participates in a fulltime master's in school administration program
27 shall supply the Department of Public Instruction with certification of eligible fulltime interns.

28 **SECTION 7A.8.(d)** Beginning with the 2017-2018 fiscal year, in lieu of providing
29 annual longevity payments to assistant principals on the assistant principal salary schedule, the
30 amounts of those longevity payments are included in the monthly amounts provided to assistant
31 principals pursuant to subsection (a) of this section.

32 **SECTION 7A.8.(e)** An assistant principal compensated in accordance with this
33 section for the 2025-2027 fiscal biennium shall receive an amount equal to the greater of the
34 following:

- 35 (1) The applicable amount determined pursuant to subsections (a) through (d) of
36 this section.
- 37 (2) For assistant principals who were eligible for longevity in the 2016-2017
38 fiscal year, the sum of the following:
 - 39 a. The salary the assistant principal received in the 2016-2017 fiscal
40 year pursuant to Section 9.1 or Section 9.2 of S.L. 2016-94.
 - 41 b. The longevity that the assistant principal would have received as
42 provided for State employees under the North Carolina Human
43 Resources Act for the 2016-2017 fiscal year based on the assistant
44 principal's current years of service.
- 45 (3) For assistant principals who were not eligible for longevity in the 2016-2017
46 fiscal year, the salary the assistant principal received in the 2016-2017 fiscal
47 year pursuant to Section 9.1 or Section 9.2 of S.L. 2016-94.

48 49 **CENTRAL OFFICE SALARIES**

50 **SECTION 7A.9.(a)** For the 2025-2026 fiscal year, beginning July 1, 2025, the
51 annual salary for superintendents, assistant superintendents, associate superintendents,

1 directors/coordinators, supervisors, and finance officers, whose salaries are supported from
2 State funds, shall be increased by two and one half percent (2.5%).

3 **SECTION 7A.9.(b)** The monthly salary maximums that follow apply to assistant
4 superintendents, associate superintendents, directors/coordinators, supervisors, and finance
5 officers for the 2025-2026 fiscal year, beginning July 1, 2025:

6 **2025-2026 Fiscal Year**

	Maximum
7	
8 School Administrator I	\$7,762
9 School Administrator II	\$8,225
10 School Administrator III	\$8,715
11 School Administrator IV	\$9,055
12 School Administrator V	\$9,417
13 School Administrator VI	\$9,974
14 School Administrator VII	\$10,373

15 The local board of education shall determine the appropriate category and placement for
16 each assistant superintendent, associate superintendent, director/coordinator, supervisor, or
17 finance officer within the maximums and within funds appropriated by the General Assembly
18 for central office administrators and superintendents. The category in which an employee is
19 placed shall be included in the contract of any employee.

20 **SECTION 7A.9.(c)** The monthly salary maximums that follow apply to public
21 school superintendents for the 2025-2026 fiscal year, beginning July 1, 2025:

22 **2025-2026 Fiscal Year**

	Maximum
23	
24 Superintendent I	\$10,995
25 Superintendent II	\$11,650
26 Superintendent III	\$12,350
27 Superintendent IV	\$13,092
28 Superintendent V	\$13,880

29 The local board of education shall determine the appropriate category and placement for the
30 superintendent based on the average daily membership of the local school administrative unit
31 and within funds appropriated by the General Assembly for central office administrators and
32 superintendents.

33 **SECTION 7A.9.(d)** For the 2026-2027 fiscal year, beginning July 1, 2026, the
34 annual salary for superintendents, assistant superintendents, associate superintendents,
35 directors/coordinators, supervisors, and finance officers, whose salaries are supported from
36 State funds, shall be increased by an additional two and one half percent (2.5%).

37 **SECTION 7A.9.(e)** The monthly salary maximums that follow apply to assistant
38 superintendents, associate superintendents, directors/coordinators, supervisors, and finance
39 officers for the 2026-2027 fiscal year, beginning July 1, 2026:

40 **2026-2027 Fiscal Year**

	Maximum
41	
42 School Administrator I	\$7,956
43 School Administrator II	\$8,431
44 School Administrator III	\$8,933
45 School Administrator IV	\$9,281
46 School Administrator V	\$9,652
47 School Administrator VI	\$10,223
48 School Administrator VII	\$10,632

49 The local board of education shall determine the appropriate category and placement for
50 each assistant superintendent, associate superintendent, director/coordinator, supervisor, or
51 finance officer within the maximums and within funds appropriated by the General Assembly

1 for central office administrators and superintendents. The category in which an employee is
2 placed shall be included in the contract of any employee.

3 **SECTION 7A.9.(f)** The monthly salary maximums that follow apply to public
4 school superintendents for the 2026-2027 fiscal year, beginning July 1, 2026:

5 **2026-2027 Fiscal Year**

	Maximum
6 Superintendent I	\$11,270
7 Superintendent II	\$11,941
8 Superintendent III	\$12,659
9 Superintendent IV	\$13,419
10 Superintendent V	\$14,227

11
12 The local board of education shall determine the appropriate category and placement for the
13 superintendent based on the average daily membership of the local school administrative unit
14 and within funds appropriated by the General Assembly for central office administrators and
15 superintendents.

16 **SECTION 7A.9.(g)** Longevity pay for superintendents, assistant superintendents,
17 associate superintendents, directors/coordinators, supervisors, and finance officers shall be as
18 provided for State employees under the North Carolina Human Resources Act.

19 **SECTION 7A.9.(h)** Superintendents, assistant superintendents, associate
20 superintendents, directors/coordinators, supervisors, and finance officers with certification
21 based on academic preparation at the six-year degree level shall receive a salary supplement of
22 one hundred twenty-six dollars (\$126.00) per month in addition to the compensation provided
23 pursuant to this section. Superintendents, assistant superintendents, associate superintendents,
24 directors/coordinators, supervisors, and finance officers with certification based on academic
25 preparation at the doctoral degree level shall receive a salary supplement of two hundred fifty-
26 three dollars (\$253.00) per month in addition to the compensation provided for under this
27 section.

28 **SECTION 7A.9.(i)** The State Board of Education shall not permit local school
29 administrative units to transfer State funds from other funding categories for salaries for public
30 school central office administrators.

31
32 **NON-CERTIFIED PERSONNEL SALARIES**

33 **SECTION 7A.10.(a)** For the 2025-2026 fiscal year, beginning July 1, 2025, the
34 annual salary for non-certified public school employees whose salaries are supported from
35 State funds shall be increased as follows:

- 36 (1) For permanent, full-time employees on a 12-month contract, by two and one
37 half percent (2.5%).
38 (2) For the following employees, by a prorated and equitable amount based on
39 the amount specified in subdivision (1) of this subsection:
40 a. Permanent, full-time employees on a contract for fewer than 12
41 months.
42 b. Permanent, part-time employees.
43 c. Temporary and permanent hourly employees.

44 **SECTION 7A.10.(b)** For the 2026-2027 fiscal year, beginning July 1, 2026, the
45 annual salary for non-certified public school employees whose salaries are supported from
46 State funds shall be increased as follows:

- 47 (1) For permanent, full-time employees on a 12-month contract, by an additional
48 two and one half percent (2.5%).
49 (2) For the following employees, by a prorated and equitable amount based on
50 the amount specified in subdivision (1) of this subsection:

- a. Permanent, full-time employees on a contract for fewer than 12 months.
- b. Permanent, part-time employees.
- c. Temporary and permanent hourly employees.

PART VII-B. GOVERNOR MOREHEAD SCHOOL FOR THE BLIND – RESERVED

PART VII-C. EASTERN NORTH CAROLINA SCHOOL FOR THE DEAF – RESERVED

PART VII-D. NORTH CAROLINA SCHOOL FOR THE DEAF - RESERVED

PART VIII. THE UNIVERSITY OF NORTH CAROLINA SYSTEM

COMPLETION ASSISTANCE PROGRAMS

SECTION 8.1.(a) For purposes of this section, the term "eligible constituent institutions" refers to the following constituent institutions of The University of North Carolina:

- (1) Elizabeth City State University
- (2) Fayetteville State University
- (3) NC Central University
- (4) University of North Carolina at Pembroke
- (5) Winston-Salem State University

SECTION 8.1.(b) The Board of Governors of The University of North Carolina shall establish a Completion Assistance Program (Program) at each eligible constituent institution. At a minimum, each Program shall meet the following criteria:

- (1) A student enrolled in a Program established by this section may receive up to one thousand dollars (\$1,000) per academic semester under the Program to pay for the costs of continuing attendance and earning necessary credit hours at the eligible constituent institution.
- (2) A student shall be eligible to receive funds under a Program if the student meets at least the following requirements:
 - a. Needs financial assistance to remain enrolled at the eligible constituent institution and earn credits necessary to graduate on time.
 - b. Is a resident for tuition purposes, as provided in G.S. 116-143.1.
 - c. Meets satisfactory academic progress, as determined by the Board.
 - d. Has completed or is on track to complete at least 60 academic credit hours by the end of the semester in which the funds are provided.
 - e. Has completed the Free Application for Federal Student Aid (FAFSA) for the academic year in which the funds are provided.
 - f. Has an unpaid balance with the eligible constituent institution. This may include an unpaid balance for tuition, fees, room, board, or other expenses of attendance.

SECTION 8.1.(c) The Board of Governors of The University of North Carolina shall report on each Completion Assistance Program established pursuant to this section to the Joint Legislative Education Oversight Committee no later than March 15, 2028. The report shall include, at a minimum, an analysis of the impact of each Program on the following:

- (1) On-time graduation rates.
- (2) Student debt at graduation.

1 **SECTION 8.1.(d)** Of the funds appropriated in this act to the Board of Governors
2 of The University of North Carolina for Completion Assistance Programs, the Board shall
3 allocate funds to each eligible constituent institution of The University of North Carolina
4 proportional to the number of undergraduate students enrolled at each eligible constituent
5 institution who are residents of North Carolina and recipients of a federal Pell Grant.
6

7 **EXPAND CHEATHAM -WHITE SCHOLARSHIP PROGRAM**

8 **SECTION 8.2.(a)** G.S. 116-290 reads as rewritten:

9 **"§ 116-290. Cheatham-White Scholarships; establishment and purpose; benefits.**

10 (a) Scholarships Established; Purpose. - The Cheatham-White Scholarships are established
11 as a merit scholarship program at North Carolina Agricultural and Technical State University;
12 ~~and at~~ North Carolina Central University, and Winston-Salem State University. The purpose of
13 the scholarships is to provide an outstanding educational experience for students who are
14 exceptional scholars, versatile and well- rounded individuals with a broad range of interests, and
15 who are accomplished and proficient in areas of both the arts and the sciences. They must also
16 demonstrate leadership potential and a strong commitment to service.

17 (b) Scholarship Benefits. - Each scholarship is a fully funded four-year scholarship that
18 covers the cost of all of the following: full tuition, student fees, housing, meals, textbooks, a
19 laptop, supplies, travel, and personal expenses. Each scholarship also provides four summers of
20 fully funded enrichment and networking opportunities that may include international travel and
21 study.

22 (c) Number of Scholarships Awarded. - Up to ~~50-150~~ scholarships, ~~40-120~~ for resident
23 students and ~~10-30~~ for nonresident students, may be awarded each academic year to students
24 admitted to North Carolina Agricultural and Technical State University. Up to ~~50-100~~
25 scholarships, ~~40-80~~ for resident students and ~~10-20~~ for nonresident students, may be awarded
26 each academic year to students admitted to North Carolina Central University. Up to 50
27 scholarships, 40 for resident students and 10 for nonresident students, may be awarded each
28 academic year to students admitted to Winston-Salem State University."

29 **SECTION 8.2.(b)** G.S. 116-292(a) reads as rewritten:

30 **"§ 116-292. Cheatham-White Scholarships; eligibility and selection criteria.**

31 (a) Eligibility. - To be eligible to be nominated as a potential candidate for a Cheatham-
32 White Scholarship, a person must satisfy all of the following criteria:

- 33 (1) Be a competitive applicant for admission as a freshman in the fall semester
34 into a baccalaureate program at either North Carolina Agricultural and
35 Technical State University, ~~or~~ North Carolina Central University, or
36 Winston-Salem State University.
- 37 (2) Be a United States citizen or permanent resident.
- 38 (3) Be on course to graduate from high school in the spring semester prior to
39 college admission."

40 **SECTION 8.2.(c)** G.S. 116-294 reads as rewritten:

41 **"§ 116-294. Cheatham-White Scholarships; administration of scholarships.**

42 The University of North Carolina System Office shall administer the Cheatham-White
43 Scholarships, in consultation and collaboration with North Carolina Agricultural and Technical
44 State University, ~~and~~ North Carolina Central University, and Winston-Salem State University,
45 pursuant to policies adopted by the Board of Trustees of both constituent institutions. As part of
46 its administrative responsibilities, The University of North Carolina System Office, in
47 consultation and collaboration with North Carolina Agricultural and Technical State University,
48 ~~and~~ North Carolina Central University, and Winston-Salem State University, shall do all of the
49 following:

1 (1) Design and implement an application and school nomination process to be
2 used to identify potential scholarship candidates and a process for awarding
3 the scholarships.

4 ...

5 (9) Any other function necessary for the successful implementation of the
6 Cheatham-White Scholarships program and administration of the Cheatham-
7 White Scholarships Fund.

9 NORTH CAROLINA SCHOOL OF SCIENCE AND MATH RECEIPT FLEXIBILITY

10 SECTION 8.3 G.S. 116-30.3A reads as rewritten:

11 "§ 116-30.3A. Availability of excess receipts.

12 Notwithstanding the provisions of Chapter 143C of the General Statutes, receipts within
13 The University of North Carolina realized in excess of budgeted levels shall be available, up to
14 a maximum of ten percent (10%) above budgeted levels, for each Budget Code, in addition to
15 appropriations to support the operations generating the receipts as approved by the Director of
16 the Budget. Notwithstanding G.S. 143C-6-4(g), the North Carolina School of Science and
17 Mathematics shall be subject to subsections b1 and b2 of G.S. 143C-6-4. "

19 NORTH CAROLINA SCHOOL OF SCIENCE AND MATH RESIDENCY

20 DETERMINATION

21 SECTION 8.4 G.S. 116-235. (b) reads as rewritten:

22 "§ 116-235. (b) Students.-

23 (1) Admission of Students. – The School shall admit students in accordance with
24 criteria, standards, and procedures established by the Board of Trustees. To be
25 eligible to be considered for admission, an applicant must be either a legal
26 resident of the State, as defined by ~~G.S. 116-143.1(a)(1)~~ G.S. 116-143.1(b)
27 or a student whose parent...

29 PART VIII-A. NORTH CAROLINA STATE EDUCATION ASSISTANCE AUTHORITY

31 OPPORTUNITY SCHOLARSHIPS ACCOUNTABILITY

32 SECTION 8A.1.(a) G.S. 115C-562.1 reads as rewritten:

33 "§ 115C-562.1. Definitions.

34 The following definitions apply in this Part:

35 ...

36 (3a) Eligible student. – A student residing in North Carolina who has not yet
37 received a high school diploma and who meets all of the following
38 requirements:

- 39 a. Is eligible to attend a North Carolina public school pursuant to Article
40 25 of this Chapter. A child who is the age of 4 on or before April 16 is
41 eligible to attend the following school year if the principal, or
42 equivalent, of the school in which the child seeks to enroll finds that
43 the student meets the requirements established by the Authority
44 pursuant to G.S. 115C562.2(d) and those findings are submitted to the
45 Authority.
- 46 b. Has not been enrolled in a postsecondary institution as a full-time
47 student taking at least 12 hours of academic credit.
- 48 c. Has not been placed in a nonpublic school or facility by a public
49 agency at public expense.

50 d. Received a scholarship grant during the previous school year. "

51 SECTION 8A.1.(b) G.S. 115C-562.2 reads as rewritten:

1 **"§ 115C-562.2. Scholarship grants.**

2 (a) The Authority shall make available no later than February 1 annually applications to
3 eligible students for the award of scholarship grants to attend any nonpublic school on a full or
4 part-time basis. Information about scholarship grants and the application process shall be made
5 available on the Authority's Web site. Beginning March 15, the Authority shall begin awarding
6 scholarship grants to students who have applied by March 1 ~~in the following order:~~ according
7 to the following criteria:

8 (1) Eligible students who received a scholarship grant for the school year prior
9 to the school year for which the students are applying.

10 ~~(2) Eligible students qualifying for a scholarship grant in the amount provided~~
11 ~~under subdivision (1) of subsection (b2) of this section.~~

12 ~~(3) Eligible students qualifying for a scholarship grant in the amount provided~~
13 ~~under subdivision (2) of subsection (b2) of this section.~~

14 ~~(4) Eligible students qualifying for a scholarship grant in the amount provided~~
15 ~~under subdivision (3) of subsection (b2) of this section.~~

16 ~~(5) All other students.~~

17 (b) Repealed by Session Laws 2023-134, s. 8A.6(c), effective July 1, 2023.

18 (b1) Repealed by Session Laws 2021-180, s. 8A.3(e), effective July 1, 2021.

19 (b2) Scholarship grants shall be awarded to eligible students as follows:

20 (1) For students residing in households with an income level not in excess of the
21 amount required for the student to qualify for the federal free or reduced-
22 price lunch program, per year per eligible student, an amount of up to one
23 hundred percent (100%) of the average State per pupil allocation for average
24 daily membership in the prior fiscal year.

25 (2) For students residing in households with an income level between the
26 amount required for the student to qualify for the federal free or reduced-
27 price lunch program and not in excess of ~~two hundred percent (200%)~~ one
28 hundred and fifty percent (150%) of that amount, per year per eligible
29 student, an amount of up to ninety percent (90%) of the average State per
30 pupil allocation for average daily membership in the prior fiscal year.

31 ~~(3) For students residing in households with an income level of between two~~
32 ~~hundred percent (200%) of the amount required for the student to qualify for~~
33 ~~the federal free or reduced-price lunch program and not in excess of four~~
34 ~~hundred fifty percent (450%) of that amount, per year per eligible student, an~~
35 ~~amount of up to sixty percent (60%) of the average State per pupil allocation~~
36 ~~for average daily membership in the prior fiscal year.~~

37 ~~(4) For all students, per year per eligible student, an amount of up to forty-five~~
38 ~~percent (45%) of the average State per pupil allocation for average daily~~
39 ~~membership in the prior fiscal year, unless the student qualifies for a higher~~
40 ~~amount under this subsection.~~

41 (b3) Tuition and fees for a nonpublic school may include tuition and fees for books,
42 transportation, equipment, or other items required by the nonpublic school.

43 (b4) No scholarship grant shall exceed, per year per eligible student, an amount equal to
44 one hundred percent (100%) of the average State per pupil allocation for average daily
45 membership in the prior fiscal year, and no scholarship grant shall exceed the required tuition
46 and fees for the nonpublic school the eligible student will attend.

47 (b5) In addition to the amount of the scholarship grant, for any student receiving a
48 scholarship grant in grades three, eight, or 11, the Authority shall provide to the nonpublic
49 school an amount equal to the cost of the nationally standardized test required to be
50 administered as provided in G.S. 115C562.5.

1 (c) The Authority shall permit an eligible student receiving a scholarship grant to enroll in a
2 different nonpublic school and remain eligible. An eligible student receiving a scholarship
3 grant who transfers to another nonpublic school during the year may be eligible to receive a pro
4 rata share of any unexpended portion of the scholarship grant for tuition and fees at the
5 nonpublic school to which the student transfers

6 (c1) An eligible student awarded a scholarship grant shall participate in administration of
7 examinations required by G.S. 115C-562.5 to maintain eligibility for receipt of the scholarship
8 grant."

9 SECTION 8A.1.(c) G.S. 115C-562.5 reads as rewritten:

10 "§ 115C-562.5. Obligations of nonpublic schools accepting eligible students receiving
11 scholarship grants.

12 (a) A nonpublic school that accepts eligible students receiving scholarship grants shall
13 comply with the following:

14 (1) Provide to the Authority annually documentation for required tuition and
15 fees charged to the student by the nonpublic school.

16 (1a) Shall not increase tuition each year by more than the Consumer Price Index
17 as calculated by the United States Bureau of Labor Statistics and reported on
18 January 1 of the year in which the school is increasing tuition.

19 (2) Provide to the Authority a criminal background check conducted for the staff
20 member with the highest decision-making authority, as defined by the
21 bylaws, articles of incorporation, or other governing document, to ensure
22 that person has not been convicted of any crime listed in G.S. 115C332.

23 (3) Provide to the parent or guardian of an eligible student, whose tuition and
24 fees are paid in whole or in part with a scholarship grant, an annual written
25 explanation of the student's progress, including the student's scores on
26 standardized achievement tests.

27 (4) Administer, at least once in each school year (or more as required by State or
28 Federal Requirements), tests as provided in this subdivision. Student-level
29 test performance data shall be submitted to the Authority by July 15 of each
30 year and retained by the nonpublic school for a five-year period and shall be
31 subject to audit by the Authority to ensure compliance with this
32 subdivision.~~year. Test Personally identifiable individual test~~ performance
33 data reported to the Authority or audited or collected for evaluation purposes
34 by the Authority under this subdivision is not a public record under Chapter
35 132 of the General Statutes. Nothing in this subdivision shall be deemed to
36 prohibit a nonpublic school from administering other standardized tests or
37 tests at other grade levels for its own purposes. Tests shall be administered to
38 all eligible students ~~enrolled in grades three and higher~~ whose tuition and
39 fees are paid in whole or in part with a scholarship grant as follows:

40 a. The nationally ~~standardized test~~ norm-referenced assessment
41 designated by the Authority in grades three and eight.

42 b. The ACT in grade 11.

43 c. A nationally ~~standardized test or other nationally standardized~~
44 ~~equivalent measurement~~ norm-referenced assessment selected by the
45 chief administrative officer of the nonpublic school from the list of
46 approved assessments determined by the Authority in all other grades
47 four and higher. For grades four through seven, the ~~nationally~~
48 ~~standardized test or other equivalent measurement selected must~~
49 ~~measure achievement~~ nationally norm-referenced assessments
50 approved by the Authority must assess student performance in the
51 areas of English grammar, reading, spelling, and mathematics. For

1 grades nine, 10, and 12, the ~~nationally standardized test or other~~
2 ~~equivalent measurement selected must nationally norm-referenced~~
3 ~~assessments approved by the Authority must~~ measure either (i)
4 ~~achievement student performance~~ in the areas of English grammar,
5 reading, spelling, and mathematics or (ii) competencies in the verbal
6 and quantitative areas. The Authority shall approve at least two but
7 not more than three nationally norm-referenced assessments for each
8 grade level for this purpose.

9 d. The assessments and tests required by the State Board of Education
10 for public schools to comply with federal law according to grade
11 level pursuant to G.S. 115C-174.11(c)(1)

12 (4b) Pursuant to G.S. 115C-107.6, educate each child with a disability awarded
13 scholarship funds in accordance with that child's Individualized Education
14 Program (IEP) and in compliance with the Individuals with Disabilities Act
15 (IDEA) and State Board of Education policies.

16 (5) Provide to the Authority four-year cohort graduation rates of the students
17 receiving scholarship grants in a manner consistent with requirements of
18 Title I, Part A of ESEA and 34 C.F.R. §200.19. nationally recognized
19 standards.

20 (5b) Provide to the Authority by August 1 of each year attendance records of
21 students receiving scholarship grants during the previous school year
22 including the name of any schools attended during that time.

23 (5c) Report annually to the State Board of Education the incidents of reportable
24 crime pursuant to G.S. 115C-228.

25 (6) Contract with a certified public accountant to perform a financial
26 ~~review~~audit, consistent with generally accepted methods of accounting or
27 any other comprehensive basis of accounting recognized by the American
28 Institute of Certified Public Accountants (AICPA) a minimum of once every
29 two years for each school year in which the school enrolls ~~70 or more~~
30 ~~students receiving scholarship grants or scholarship funds awarded by the~~
31 ~~Authority. students who collectively receive more than one hundred~~
32 thousand dollars (\$100,000) in scholarship grants awarded under this
33 Part. If a nonpublic school accepts students receiving less than one hundred
34 thousand dollars (\$100,000) in scholarship grants, the school shall contract
35 with a certified public accountant to perform a financial audit once every
36 three years. The nonpublic school shall submit the audit report to the
37 Authority by December 31 of each year an audit is conducted. The Authority
38 may require a school to be audited annually after the school has two
39 consecutive financial audits with findings. The Authority shall ensure that all
40 schools are audited in accordance with this section.

41 (7) Maintain a school facility within the State where in-person instruction is
42 provided. This subdivision does not prohibit a school from offering remote-
43 only courses of instruction in addition to in-person instruction.

44 (8) Provide the following information annually to the Division:

45 a. Name and address of the school, including physical location address.
46 A school with more than one physical location shall establish a
47 separate notice of intent for each physical location and shall provide
48 all information required by this subdivision for each physical
49 location.

50 b. The name of the owners and chief administrator, as well as their
51 contact information.

- c. Number of students in attendance at the school as of October 1.
- d. Total number of students enrolled in the school as of the last day of the previous school year.
- e. Documentation of a completed fire inspection within the previous 365 days.

(9) In coordination with local law enforcement agencies, adopt a School Risk Management Plan (SRMP) relating to incidents of school violence as detailed in G.S. 115C-47 (40). In constructing and maintaining these plans, the school shall utilize the School Risk and Response Management System (SRRMS) established pursuant to G.S. 115C-105.49A. These plans are not considered a public record as the term "public record" is defined under G.S. 132-1.

(10) Pursuant to G.S. 115C-105.53, provide schematic diagrams and keys to the main entrance of school facilities to local law enforcement agencies. These diagrams are not considered a public record as the term "public record" is defined under G.S. 132-1.

(11) Pursuant to G.S. 115C-105.49, at least once a year, hold a full school-wide lockdown exercise with local law enforcement and emergency management agencies that are part of the qualified nonpublic school's SRMP.

(12) Provide the following: (i) schematic diagrams, including digital schematic diagrams, and (ii) emergency response information requested by the Department of Public Safety, Division of Emergency Management for the SRMP. These diagrams and emergency response information are not considered a public record as the term "public record" is defined under G.S. 132-1.

(b) A nonpublic school that accepts students receiving scholarship grants shall not require any additional fees based on the status of the student as a scholarship grant recipient.

(c) A nonpublic school enrolling more than 25-10 students in any grade whose tuition and fees are paid in whole or in part with a scholarship grant shall provide and retain information on student test performance in each grade with more than 25-10 students, as follows:

- (1) Report to the Authority on the aggregate standardized test performance of the individual student test performance of eligible students in grades three, eight, and 11 under subsection (4) of this section. Aggregate test performance data reported to the Authority which does not contain personally identifiable student data shall be a public record under Chapter 132 of the General Statutes. The Authority shall make these reports of aggregate student test performance publicly available. Test performance data may be shared with public or private institutions of higher education located in North Carolina and shall be provided to an independent research organization selected by the Authority for research purposes as permitted by the Federal Education Rights and Privacy Act, 20 U.S.C. § 1232g.
- (2) Retain standardized test performance data for eligible students in all other grades and annually certify to the Authority compliance with the requirements of subdivision (4) of subsection (a) of this section.

(c1) A nonpublic school shall not discriminate with respect to: the categories listed in 42 U.S.C. § 2000d, as that statute read on January 1, 2014

- (1) race, color, and national origin as listed in 42 U.S.C. § 2000d, as that statute read on January 1, 2014,
- (2) disability as defined in the Americans With Disabilities Act of 1990, 42 U.S.C. § 12101 as that statute read on January 1, 2024, and
- (3) sexual orientation."

1 SECTION 8A.1.(d) G.S. 115C-562.7(b) is amended by adding a new subdivision
2 to read:

3 "§ 115C-562.7 Reporting requirements.

4 ...

5 (6) Information on the compliance with the academic assessment requirement
6 pursuant to G.S. 115C-562.5(3a-b)

7 (7) School-level assessment data for each participating nonpublic school serving
8 10 or more students receiving scholarship funds."

9 SECTION 8A.1.(e) G.S. 115C-562.8(b) reads as rewritten:

10 "§ 115C-562.8. The Opportunity Scholarship Grant Fund Reserve.

11 ...

12 ~~(b) The General Assembly finds that, due to the critical need in this State to provide~~
13 ~~opportunity for school choice for North Carolina students, it is imperative that the State provide~~
14 ~~an increase of funds for 15 years to the Opportunity Scholarship Grant Fund Reserve.~~
15 ~~Therefore, there-There~~ is appropriated from the General Fund to the Reserve the following
16 amounts for each fiscal year to be used for the purposes set forth in this section:

Fiscal Year	Appropriation
2017-2018	\$44,840,000
2018-2019	\$54,840,000
2019-2020	\$64,840,000
2020-2021	\$74,840,000
2021-2022	\$84,840,000
2022-2023	\$94,840,000
2023-2024	\$176,540,000
2024-2025	\$191,540,000
2025-2026	\$625,000,000
2026-2027	\$675,000,000
2027-2028	<u>\$700,000,000</u> <u>\$234,488,935</u>
2028-2029	<u>\$725,000,000</u> <u>\$217,270,804</u>
2029-2030	<u>\$750,000,000</u> <u>\$195,951,245</u>
2030-2031	<u>\$775,000,000</u> <u>\$193,426,448</u>
2031-2032	<u>\$800,000,000</u> <u>\$149,580,223</u>
<u>2032-2033</u>	<u>\$126,221,744</u>
<u>2033-2034</u>	<u>\$101,647,252</u>
<u>2034-2035</u>	<u>\$76,338,957</u>
<u>2035-2036</u>	<u>\$50,912,730</u>
<u>2036-2037</u>	<u>\$25,344,985</u>

38 For the ~~2032-2033-2037-2038~~ fiscal year and each fiscal year thereafter, there is
39 appropriated from the General Fund to the Reserve the sum of ~~eight hundred twenty five~~
40 ~~million dollars (\$825,000,000)-zero dollars (\$0)~~ to be used for the purposes set forth in this
41 section. When developing the base budget, as defined by G.S. 143C-11, for each fiscal year
42 specified in this subsection, the Director of the Budget shall include the appropriated amount
43 specified in this subsection for that fiscal year."

44 SECTION 8A.1.(f) The State Education Assistance Authority shall not award
45 scholarship funds to new recipients pursuant to Part 2A of Article 39 of Subchapter X of
46 Chapter 115C of the General Statutes after the 2025-2026 academic year.

47 SECTION 8A.1.(g) G.S. 115C-112.7 is amended by adding a new subsection to
48 read:

49 "...

50 (c) The State Education Assistance Authority, in coordination with the Department of
51 Public Instruction, shall make publicly available by September 30 of each year school

1 achievement, growth, and performance scores and associated performance grades pursuant to
2 G.S. 115C-83.15 for nonpublic schools that enroll more than 10 students whose tuition and fees
3 are paid in whole or in part with a scholarship grant. This section is effective with the 2026-27
4 school year. The first school achievement, growth, and performance scores and associated
5 performance grades shall be made publicly available by September 30, 2027.

6 ..."

7 **SECTION 8A.1.(h)** Section 8A.6(i) and Section 8A.6(j) of Session Law 2023-134
8 are repealed.

9 **SECTION 8A.1.(i)** The State Education Assistance Authority shall transfer one
10 hundred fourteen million, seven hundred twenty-one thousand, four hundred nine dollars
11 (\$114,721,409) in unused fund balance from the Opportunity Scholarship Grant Fund Reserve
12 to budget code 16012 in the General Fund.

13 **SECTION 8A.1.(j)** This provision is effective when it becomes law and applies
14 beginning with the 2026-27 school year.

15 **CHILDREN OF WARTIME VETERANS SCHOLARSHIP FUND AWARDS**

16 **FLEXIBILITY**

17 **SECTION 8A.2** G.S. 143B-1227 reads as rewritten:
18 "**143B-1227. Administration and funding.**

19 ...

20 ...
21 (c) Allowances for room and board in State educational institutions shall be at such a rate as
22 established by the Secretary of the Department of Military and Veterans Affairs.

23 (d) Within funds available for the Program, the following shall be determined:

24 Due to the sacrifice of veterans for the State of North Carolina and the unique needs and
25 challenges of the children of wartime veterans to ensure they have the greatest opportunities to
26 reach their higher education attainment goals, if there are additional eligible recipients, other
27 than those identified by the Department under this Program, who are attending public colleges
28 and universities of the State who may qualify to have their scholarships funded with monies
29 from the Escheat Fund, the Authority, after consultation with the Secretary, may fund those
30 scholarships with monies from the Escheat Fund.

31 (e) After consultation with the Authority, the Secretary shall determine whether to
32 prioritize the award of new applicants for the 2025-2026 academic year in Class I-A, I-B, and
33 IV scholarships, prior to awarding Class II and III scholarships. Class II and Class III awards
34 may be determined following awards for Class I-A, I-B, and IV depending on the availability
35 of funds for the Program.

36 (f) The Secretary, after consulting with the Authority, may determine based on the number
37 of eligible students, including new and renewal students, that have applied for the 2026-2027
38 academic year, whether to reduce the room and board allowance award for students attending a
39 public institution and the maximum allowance award for students attending private institutions,
40 prior to August 15, 2026.

41 (g) After the actions set forth in sub-subdivisions d., e., and f. of this subdivision have been
42 taken, for awards for the 2026-2027 academic year, if funds available for the Program are still
43 insufficient to provide scholarships to all eligible students, the Authority may adjust and
44 standardize award amounts as necessary, including providing pro rata scholarship awards for
45 room and board, to ensure the efficient administration of the scholarship funds.

46 (h) All scholarship notifications shall include language that the award of the scholarship is
47 contingent upon the availability of funds.

48 (i) The Authority shall disburse scholarship funds in accordance with G.S. 116-204(11a).

49 (j) From the total amount of funding appropriated to the Board of Governors of The
50 University of North Carolina and allocated to the Authority in a fiscal year to support the award
51 of scholarship funds under the Program, the Authority may use an amount of up to two and

1 one-half percent (2.5%) for administration costs related to the Program from the allocation
2 from the General Fund. The Authority shall place any unexpended and unencumbered
3 appropriated funds remaining at the end of the 2025-2026 and 2026-2027 fiscal years into an
4 institutional trust fund established in accordance with the provisions of G.S. 116-36.1. Those
5 funds may be used for the purpose of awarding scholarships under the Program and for
6 administration costs of the Authority related to the Program.

7 8 **PART IX. HEALTH AND HUMAN SERVICES**

9 10 **PART IX-A. AGING AND ADULT SERVICES [RESERVED]**

11 12 **PART IX-B. CENTRAL MANAGEMENT AND SUPPORT**

13 14 **COMMUNITY HEALTH GRANT PROGRAM**

15 **SECTION 9B.1.(a)** Funds appropriated in this act to the Department of Health and
16 Human Services, Division of Central Management, Office of Rural Health, for each year of the
17 2025-2027 fiscal biennium for the Community Health Grant Program shall be used to continue
18 to administer the Community Health Grant Program as modified by Section 11A.8 of S.L. 2017-
19 57.

20 **SECTION 9B.1.(b)** The Office of Rural Health shall make the final decision about
21 awarding grants under this Program, but no single grant award shall exceed one hundred fifty
22 thousand dollars (\$150,000) during the fiscal year. In awarding grants, the Office of Rural Health
23 shall consider the availability of other funds for the applicant; the incidence of poverty in the area
24 served by the applicant or the number of indigent clients served by the applicant; the availability
25 of, or arrangements for, after-hours care; and collaboration between the applicant and a
26 community hospital or other safety net organizations.

27 **SECTION 9B.1.(c)** Grant recipients shall not use these funds to do any of the
28 following:

- 29 (1) Enhance or increase compensation or other benefits of personnel,
30 administrators, directors, consultants, or any other persons receiving funds for
31 program administration; provided, however, funds may be used to hire or
32 retain health care providers. The use of grant funds for this purpose does not
33 obligate the Department of Health and Human Services to continue to fund
34 compensation beyond the grant period.
- 35 (2) Supplant existing funds, including federal funds traditionally received by
36 federally qualified community health centers. However, grant funds may be
37 used to supplement existing programs that serve the purposes described in
38 subsection (a) of this section.
- 39 (3) Finance or satisfy any existing debt.

40 **SECTION 9B.1.(d)** The Office of Rural Health may use up to two hundred thousand
41 dollars (\$200,000) in recurring funds for each fiscal year of the 2025-2027 fiscal biennium for
42 administrative purposes.

43 **SECTION 9B.1.(e)** By September 1 of each year, the Office of Rural Health shall
44 submit a report to the Joint Legislative Oversight Committee on Health and Human Services on
45 community health grants that includes at least all of the following information:

- 46 (1) The identity and a brief description of each grantee and each program or
47 service offered by the grantee.
- 48 (2) The amount of funding awarded to each grantee.
- 49 (3) The number of individuals served by each grantee and, for the individuals
50 served, the types of services provided to each.

- 1 (4) Any other information requested by the Office of Rural Health as necessary
2 for evaluating the success of the Community Health Grant Program.
3

4 **REPLACEMENT FOR CRITICAL IT SYSTEMS THAT SUPPORT SUBSTANCE USE**
5 **DISORDER PREVENTION AND TREATMENT**

6 **SECTION 9B.2.** The Department of Health and Human Services shall develop and
7 implement a replacement for outdated data systems supporting substance use prevention and
8 treatment goals, specifically concerning the Driving While Impaired Services, the Drug
9 Education School, and the Drug Control Unit programs designed to prevent progression of
10 misuse of substances through education and regulatory supports. The project shall not proceed
11 until the business case has been approved by the Office of State Budget and Management and
12 the State Chief Information Officer in the Enterprise Project Management Office's Touchdown
13 System. Upon approval, Mixed Use Beverage tax receipts available in Budget Code 14460,
14 Budget Fund 134603, may be budgeted for transfer to Budget Code 24410 for information
15 technology projects in an amount not to exceed one million two hundred thousand dollars
16 (\$1,200,000). Following project completion, the Division of Mental Health, Developmental
17 Disabilities, and Substance Use Services may use Mixed Use Beverage Tax receipts to cover
18 operations and maintenance costs for the new IT system.
19

20 **USE OF TALC SETTLEMENT FUNDS**

21 **SECTION 9B.3.(a)** The Ovarian Cancer Mitigation Fund (Fund) is created within
22 the Department of Health and Human Services, Division of Central Management and Support,
23 as a nonreverting special fund. The Fund shall consist of (i) monies received by the State as a
24 beneficiary of the final consent judgment resolving the case, State of North Carolina, ex rel.
25 Joshua H. Stein, Attorney General v. Johnson & Johnson (J&J Case), and (ii) all interest and
26 investment earnings received on monies in the Fund. Monies in the Fund shall be expended only
27 by an act of appropriation by the General Assembly and in accordance with the final consent
28 judgment resolving the J&J Case.

29 **SECTION 9B.3.(b)** There is appropriated from the Ovarian Cancer Mitigation Fund
30 created in subsection (a) of this section to the Department of Health and Human Services,
31 Division of Central Management and Support, the sum of four million dollars (\$4,000,000) in
32 nonrecurring funds for the 2026-2027 fiscal year to be allocated and used as follows:

- 33 (1) Up to two million dollars (\$2,000,000) in nonrecurring funds for 2026-2027
34 shall be used to support a public-private partnership consisting of community-
35 based organizations, medical providers, and others to develop, strengthen, and
36 promote improved access to ovarian cancer educational materials, screenings,
37 and care providers. Funds may be used to contract with a lead community-
38 based organization with statewide reach to implement related initiatives,
39 including technical assistance and subgrants to other community-based
40 organizations for these purposes.
- 41 (2) Up to seven hundred and fifty thousand dollars (\$750,000) in nonrecurring
42 funds for 2026-27 shall be used to invest in data collection and analysis
43 infrastructure to support timely and accurate cancer surveillance and improved
44 capacity to address emerging threats.
- 45 (3) Up to one million two hundred fifty thousand dollars (\$1,250,000) in
46 nonrecurring funds for 2026-2027 shall be used to design and implement
47 communication and education strategies designed to raise awareness of
48 ovarian cancer and promote preventive measures, screening, and treatment.

49 In addition to these uses, the Department of Health and Human Services may use up
50 to two hundred thousand dollars (\$200,000) of funds allocated by this subdivision for each year
51 of the fiscal biennium for administrative purposes.

1 **SECTION 9B.3.(c)** Funds allocated under subsection (b) of this section shall remain
2 available for expenditure in the amounts and for the purposes specified in subsection (a) of this
3 section until expended.

4 **SECTION 9B.3.(d)** Beginning November 1, 2027, the Department of Health and
5 Human Services shall report to the Joint Legislative Oversight Committee on Health and Human
6 Services and the Fiscal Research Division on the expenditures made from the Ovarian Cancer
7 Mitigation Fund during the preceding fiscal year.

8
9 **APPROPRIATION OF RURAL HEALTH TRANSFORMATION GRANT FUNDS**

10 **SECTION 9B.4.** The grant funds received from the federal Rural Health
11 Transformation Program authorized under H.R.1 are appropriated in the amounts provided in the
12 notification of award from the federal government or any entity acting on behalf of the federal
13 government to administer the federal funds. State agencies may, with approval of the Director of
14 the Budget, spend funds received from the Rural Health Transformation Program.

15
16 **PART IX-C. CHILD AND FAMILY WELL-BEING [RESERVED]**

17
18 **PART IX-D. CHILD DEVELOPMENT AND EARLY EDUCATION**

19
20 **NC PRE-K PROGRAMS/STANDARDS FOR FOUR AND FIVE-STAR RATED**
21 **FACILITIES**

22 **SECTION 9D.1.(a)** Eligibility. – The Department of Health and Human Services,
23 Division of Child Development and Early Education, shall continue implementing the
24 prekindergarten program (NC Pre-K). The NC Pre-K program shall serve children who are 4
25 years of age on or before August 31 of the program year. In determining eligibility, the Division
26 shall establish income eligibility requirements for the program not to exceed seventy-five percent
27 (75%) of the State median income. Up to twenty percent (20%) of children enrolled may have
28 family incomes in excess of seventy-five percent (75%) of median income if those children have
29 other designated risk factors. Furthermore, any age-eligible child who is a child of either of the
30 following shall be eligible for the program: (i) an active duty member of the Armed Forces of the
31 United States, including the North Carolina National Guard, State military forces, or a reserve
32 component of the Armed Forces who was ordered to active duty by the proper authority within
33 the last 18 months or is expected to be ordered within the next 18 months, or (ii) a member of the
34 Armed Forces of the United States, including the North Carolina National Guard, State military
35 forces, or a reserve component of the Armed Forces who was injured or killed while serving on
36 active duty. Eligibility determinations for NC Pre-K participants may continue through local
37 education agencies and local North Carolina Partnership for Children, Inc., partnerships.

38 Other than developmental disabilities or other chronic health issues, the Division shall
39 not consider the health of a child as a factor in determining eligibility for participation in the NC
40 Pre-K program.

41 **SECTION 9D.1.(a1)** Staff-To-Child Ratio and Class Size. – The classroom shall not
42 exceed a maximum staff-to-child ratio of one to 10 with a maximum class size of 20 children,
43 with at least one teacher and one teacher assistant per classroom. A classroom of 10 children or
44 less shall have at least one teacher. The Child Care Commission shall adopt any rules and the
45 Division of Child Development and Early Education shall revise any rules or policies necessary
46 to implement the provisions of this subsection.

47 **SECTION 9D.1.(b)** Multi-year Contracts. – The Division of Child Development and
48 Early Education shall require the NC Pre-K contractor to issue multi-year contracts for licensed
49 private child care centers providing NC Pre-K classrooms.

1 **SECTION 9D.1.(c)** Building Standards. – Notwithstanding G.S. 110-91(4), private
2 child care facilities and public schools operating NC Pre-K classrooms shall meet the building
3 standards for preschool students as provided in G.S. 115C-521.1.

4 **SECTION 9D.1.(d)** Programmatic Standards. – Except as provided in subsection (c)
5 of this section, entities operating NC Pre-K classrooms shall adhere to all of the policies
6 prescribed by the Division of Child Development and Early Education regarding programmatic
7 standards and classroom requirements.

8 **SECTION 9D.1.(e)** NC Pre-K Committees. – Local NC Pre-K committees shall use
9 the standard decision-making process developed by the Division of Child Development and Early
10 Education in awarding NC PreK classroom slots and student selection.

11 **SECTION 9D.1.(f)** Reporting. – The Division of Child Development and Early
12 Education shall submit an annual report no later than March 15 of each year to the Joint
13 Legislative Oversight Committee on Health and Human Services, the Office of State Budget and
14 Management, and the Fiscal Research Division. The report shall include the following:

- 15 (1) The number of children participating in the NC Pre-K program by county.
- 16 (2) The number of children participating in the NC Pre-K program who have
17 never been served in other early education programs such as child care, public
18 or private preschool, Head Start, Early Head Start, or early intervention
19 programs.
- 20 (3) The expected NC Pre-K expenditures for the programs and the source of the
21 local contributions.
- 22 (4) The results of an annual evaluation of the NC Pre-K program.

23 **SECTION 9D.1.(g)** Audits. – The administration of the NC Pre-K program by local
24 partnerships shall be subject to the financial and compliance audits authorized under G.S. 143B-
25 168.14(b).

26 **CHILD CARE SUBSIDY RATES**

27 **SECTION 9D.2.(a)** The maximum gross annual income for initial eligibility,
28 adjusted annually, for subsidized child care services shall be determined based on a percentage
29 of the federal poverty level as follows:

31 AGE	INCOME PERCENTAGE LEVEL
32 0 – 5	200%
33 6 – 12	133%

34 The eligibility for any child with special needs, including a child who is 13 years of
35 age or older, shall be two hundred percent (200%) of the federal poverty level.

36 **SECTION 9D.2.(b)** Fees for families who are required to share in the cost of care
37 are established based on ten percent (10%) of gross family income. When care is received at the
38 blended rate, the copayment shall be eighty-three percent (83%) of the full-time copayment.
39 Copayments for part-time care shall be seventy-five percent (75%) of the full-time copayment.

40 **SECTION 9D.2.(c)** Payments for the purchase of child care services for low-income
41 children shall be in accordance with the following requirements:

- 42 (1) Religious sponsored child care facilities operating pursuant to G.S. 110-106
43 and licensed child care centers and homes that meet the minimum licensing
44 standards that are participating in the subsidized child care program shall be
45 paid the one-star county market rate unless prohibited by subsection (f) of this
46 section.
- 47 (2) Licensed child care centers and homes with two or more stars shall receive the
48 county market rate for that rated license level for that age group or the
49 statewide rate floor, whichever is higher, unless prohibited by subsection (g)
50 of this section.

- 1 (3) Certified Developmental Day Centers shall receive the statewide average or
2 county market rate, whichever is higher, plus a multiplier of 0.75 for children
3 with special needs and multiplier of 0.5 for typically developing children.
- 4 (4) No payments shall be made for transportation services charged by child care
5 facilities.
- 6 (5) Payments for subsidized child care services for postsecondary education shall
7 be limited to a maximum of 20 months of enrollment. This shall not be
8 determined before a family's annual recertification period.
- 9 (6) The Department of Health and Human Services shall implement necessary
10 rule changes to restructure services, including, but not limited to, targeting
11 benefits to employment.

12 **SECTION 9D.2.(d)** Provisions of payment rates for child care providers in counties
13 that do not have at least 50 children in each age group for center-based and homebased care are
14 as follows:

- 15 (1) Except as applicable in subdivision (2) of this subsection, payment rates shall
16 be set at the statewide or regional market rate for licensed child care centers
17 and homes.
- 18 (2) If it can be demonstrated that the application of the statewide or regional
19 market rate to a county with fewer than 50 children in each age group is lower
20 than the county market rate and would inhibit the ability of the county to
21 purchase child care for low-income children, then the county market rate may
22 be applied.

23 **SECTION 9D.2.(e)** A market rate shall be calculated for child care centers and
24 homes at each rated license level for each county and for each age group or age category of
25 enrollees and shall be representative of fees charged to parents for each age group of enrollees
26 within the county. The Division of Child Development and Early Education shall also calculate
27 a statewide rate and regional market rate for each rated license level for each age category.

28 **SECTION 9D.2.(f)** Beginning July 1, 2026, the Department of Health and Human
29 Services, Division of Child Development and Early Education, shall increase the child care
30 subsidy market rates to the seventy-fifth percentile as recommended by the 2023 Child Care
31 Market Rate Study for children in three-, four-, and five-star-rated child care centers and homes.
32 The Department shall also implement a subsidy statewide floor rate based on the seventy-fifth
33 percentile of the 2021 Child Care Market Rate Study for children in three-, four-, and
34 five-star-rated child care centers and homes.

35 **SECTION 9D.2.(g)** The Division of Child Development and Early Education shall
36 continue implementing policies that improve the quality of child care for subsidized children,
37 including a policy in which child care subsidies are paid, to the extent possible, for child care in
38 the higher quality centers and homes only. The Division shall define higher quality, and subsidy
39 funds shall not be paid for one or two-star-rated facilities. For those counties with an inadequate
40 number of four and five-star-rated facilities, the Division shall continue a transition period that
41 allows the facilities to continue to receive subsidy funds while the facilities work on the increased
42 star ratings. The Division may allow exemptions in counties where there is an inadequate number
43 of four and five-star-rated facilities for non-star-rated programs, such as religious programs.

44 **SECTION 9D.2.(h)** Facilities licensed pursuant to Article 7 of Chapter 110 of the
45 General Statutes and facilities operated pursuant to G.S. 110-106 may participate in the program
46 that provides for the purchase of care in child care facilities for minor children of needy families.
47 Except as authorized by subsection (f) of this section, no separate licensing requirements shall
48 be used to select facilities to participate. In addition, child care facilities shall be required to meet
49 any additional applicable requirements of federal law or regulations. Child care arrangements
50 exempt from State regulation pursuant to Article 7 of Chapter 110 of the General Statutes shall
51 meet the requirements established by other State law and by the Social Services Commission.

1 County departments of social services or other local contracting agencies shall not
2 use a provider's failure to comply with requirements in addition to those specified in this
3 subsection as a condition for reducing the provider's subsidized child care rate.

4 **SECTION 9D.2.(i)** Payment for subsidized child care services provided with
5 Temporary Assistance for Needy Families Block Grant funds shall comply with all regulations
6 and policies issued by the Division of Child Development and Early Education for the subsidized
7 child care program.

8 **SECTION 9D.2.(j)** Non-citizen families who reside in this State legally shall be
9 eligible for child care subsidies if all other conditions of eligibility are met. If all other conditions
10 of eligibility are met, non-citizen families who reside in this State illegally shall be eligible for
11 child care subsidies only if at least one of the following conditions is met:

- 12 (1) The child for whom a child care subsidy is sought is receiving child protective
13 services or foster care services.
- 14 (2) The child for whom a child care subsidy is sought is developmentally delayed
15 or at risk of being developmentally delayed.
- 16 (3) The child for whom a child care subsidy is sought is a citizen of the United
17 States.

18 **SECTION 9D.2.(k)** The Department of Health and Human Services, Division of
19 Child Development and Early Education, shall require all county departments of social services
20 to include on any forms used to determine eligibility for child care subsidy whether the family
21 waiting for subsidy is receiving assistance through the NC PreK Program or Head Start.

22 **SECTION 9D.2.(l)** Department of Defense-certified child care facilities licensed
23 pursuant to G.S. 110-106.2 may participate in the State-subsidized child care program that
24 provides for the purchase of care in child care facilities for minor children in needy families,
25 provided that funds allocated from the State-subsidized child care program to Department of
26 Defense-certified child care facilities shall supplement and not supplant funds allocated in
27 accordance with G.S. 143B-168.15(g). Payment rates and fees for military families who choose
28 Department of Defense-certified child care facilities and who are eligible to receive subsidized
29 child care shall be as set forth in this section.

30 31 **CHILD CARE ALLOCATION FORMULA**

32 **SECTION 9D.3.(a)** The Department of Health and Human Services, Division of
33 Child Development and Early Education (Division), shall allocate child care subsidy voucher
34 funds to pay the costs of necessary child care for minor children of needy families. The
35 mandatory thirty percent (30%) North Carolina Partnership for Children, Inc., subsidy allocation
36 under G.S. 143B-168.15(g) shall constitute the base amount for each county's child care subsidy
37 allocation. The Department of Health and Human Services shall use the following method when
38 allocating federal and State child care funds, not including the aggregate mandatory thirty percent
39 (30%) North Carolina Partnership for Children, Inc., subsidy allocation:

- 40 (1) Funds shall be allocated to a county based upon the projected cost of serving
41 children under age 11 in families with all parents working who earn less than
42 the applicable federal poverty level percentage set forth in Section 9D.3(a) of
43 this act.
- 44 (2) The Division may withhold up to two percent (2%) of available funds from
45 the allocation formula for (i) preventing termination of services throughout
46 the fiscal year and (ii) repayment of any federal funds identified by counties
47 as overpayments, including overpayments due to fraud. The Division shall
48 allocate to counties any funds withheld before the end of the fiscal year when
49 the Division determines the funds are not needed for the purposes described
50 in this subdivision. The Division shall submit a report to the Joint Legislative

1 Oversight Committee on Health and Human Services and the Fiscal Research
2 Division, which report shall include each of the following:

- 3 a. The amount of funds used for preventing termination of services and
4 the repayment of any federal funds.
- 5 b. The date the remaining funds were distributed to counties.
- 6 c. As a result of funds withheld under this subdivision and after funds
7 have been distributed, any counties that did not receive at least the
8 amount the counties received the previous year and the amount by
9 which funds were decreased.

10 The Division shall submit a report in each year of the 2025-2027 fiscal biennium 30
11 days after the funds withheld pursuant to this subdivision are distributed but no later than April
12 1 of each respective year.

- 13 (3) The Division shall set aside four percent (4%) of child care subsidy allocations
14 for vulnerable populations, which include a child identified as having special
15 needs and a child whose application for assistance indicates that the child and
16 the child's family is experiencing homelessness or is in a temporary living
17 situation. A child identified by this subdivision shall be given priority for
18 receiving services until such time as set-aside allocations for vulnerable
19 populations are exhausted.

20 **SECTION 9D.3.(b)** The Division may reallocate unused child care subsidy voucher
21 funds in order to meet the child care needs of low-income families. Any reallocation of funds
22 shall be based upon the expenditures of all child care subsidy voucher funding, including North
23 Carolina Partnership for Children, Inc., funds within a county. Counties shall manage service
24 levels within the funds allocated to the counties. A county with a spending coefficient over one
25 hundred percent (100%) shall submit a plan to the Division for managing the county's allocation
26 before receiving any reallocated funds.

27 **SECTION 9D.3.(c)** When implementing the formula under subsection (a) of this
28 section, the Division shall include the market rate increase in the formula process rather than
29 calculate the increases outside of the formula process. Additionally, the Department shall do the
30 following:

- 31 (1) Deem a county's initial allocation as the county's expenditure in the previous
32 fiscal year or a prorated share of the county's previous fiscal year expenditures
33 if sufficient funds are not available.
- 34 (2) Effective immediately following the next new decennial census data release,
35 implement (i) one-third of the change in a county's allocation in the year
36 following the data release, (ii) an additional one-third of the change in a
37 county's allocation beginning two years after the initial change under this
38 subdivision, and (iii) the final one-third change in a county's allocation
39 beginning the following two years thereafter.

40 41 **SMART START INITIATIVES**

42 **SECTION 9D.4.(a)** Policies. – The North Carolina Partnership for Children, Inc.,
43 and its Board shall ensure policies focus on the North Carolina Partnership for Children, Inc.'s
44 mission of improving child care quality in North Carolina for children from birth to five years of
45 age. North Carolina Partnership for Children, Inc., funded activities shall include assisting child
46 care facilities with (i) improving quality, including helping one, two, and three-star-rated
47 facilities increase their star ratings, and (ii) implementing prekindergarten programs. State
48 funding for local partnerships shall also be used for evidence-based or evidence-informed
49 programs for children from birth to five years of age that do the following:

- 50 (1) Increase children's literacy.
- 51 (2) Increase the parents' ability to raise healthy, successful children.

1 (3) Improve children's health.

2 (4) Assist four and five-star-rated facilities in improving and maintaining quality.

3 **SECTION 9D.4.(b)** Administration. – Administrative costs shall be equivalent to,
4 on an average statewide basis for all local partnerships, not more than ten percent (10%) of the
5 total statewide allocation to all local partnerships. For purposes of this subsection, administrative
6 costs shall include costs associated with partnership oversight, business and financial
7 management, general accounting, human resources, budgeting, purchasing, contracting, and
8 information systems management. The North Carolina Partnership for Children, Inc., shall
9 continue using a single statewide contract management system that incorporates features of the
10 required standard fiscal accountability plan described in G.S. 143B-168.12(a)(4). All local
11 partnerships are required to participate in the contract management system and, directed by the
12 North Carolina Partnership for Children, Inc., to collaborate, to the fullest extent possible, with
13 other local partnerships to increase efficiency and effectiveness.

14 **SECTION 9D.4.(c)** Salaries. – The salary schedule developed and implemented by
15 the North Carolina Partnership for Children, Inc., shall set the maximum amount of State funds
16 that may be used for the salary of the Executive Director of the North Carolina Partnership for
17 Children, Inc., and the directors of the local partnerships. The North Carolina Partnership for
18 Children, Inc., shall base the schedule on the following criteria:

19 (1) The population of the area serviced by a local partnership.

20 (2) The amount of State funds administered.

21 (3) The amount of total funds administered.

22 (4) The professional experience of the individual to be compensated.

23 (5) Any other relevant factors pertaining to salary, as determined by the North
24 Carolina Partnership for Children, Inc.

25 The salary schedule shall be used only to determine the maximum amount of State
26 funds that may be used for compensation. Nothing in this subsection shall be construed to prohibit
27 a local partnership from using non-State funds to supplement an individual's salary in excess of
28 the amount set by the salary schedule established under this subsection.

29 **SECTION 9D.4.(d)** Match Requirements. – The North Carolina Partnership for
30 Children, Inc., and all local partnerships shall, in the aggregate, be required to match one hundred
31 percent (100%) of the total amount budgeted for the program in each fiscal year of the 2025-
32 2027 biennium. Of the funds that the North Carolina Partnership for Children, Inc., and the local
33 partnerships are required to match, contributions of cash shall be equal to at least thirteen percent
34 (13%) and in-kind donated resources shall be equal to no more than six percent (6%) for a total
35 match requirement of nineteen percent (19%) for each year of the 2025-2027 fiscal biennium.
36 The North Carolina Partnership for Children, Inc., may carry forward any amount in excess of
37 the required match for a fiscal year in order to meet the match requirement of the succeeding
38 fiscal year. Only in-kind contributions that are quantifiable shall be applied to the in-kind match
39 requirement. Volunteer services may be treated as an in-kind contribution for the purpose of the
40 match requirement of this subsection. Volunteer services that qualify as professional services
41 shall be valued at the fair market value of those services. All other volunteer service hours shall
42 be valued at the statewide average wage rate as calculated from data compiled by the Division of
43 Employment Security of the Department of Commerce in the Employment and Wages in North
44 Carolina Annual Report for the most recent period for which data are available. Expenses,
45 including both those paid by cash and in-kind contributions, incurred by other participating non-
46 State entities contracting with the North Carolina Partnership for Children, Inc., or the local
47 partnerships also may be considered resources available to meet the required private match. In
48 order to qualify to meet the required private match, the expenses shall:

49 (1) Be verifiable from the contractor's records.

50 (2) If in-kind, other than volunteer services, be quantifiable in accordance with
51 generally accepted accounting principles for nonprofit organizations.

- 1 (3) Not include expenses funded by State funds.
- 2 (4) Be supplemental to and not supplant preexisting resources for related program
- 3 activities.
- 4 (5) Be incurred as a direct result of the Early Childhood Initiatives Program and
- 5 be necessary and reasonable for the proper and efficient accomplishment of
- 6 the Program's objectives.
- 7 (6) Be otherwise allowable under federal or State law.
- 8 (7) Be required and described in the contractual agreements approved by the
- 9 North Carolina Partnership for Children, Inc., or the local partnership.
- 10 (8) Be reported to the North Carolina Partnership for Children, Inc., or the local
- 11 partnership by the contractor in the same manner as reimbursable expenses.

12 Failure to obtain a nineteen percent (19%) match by June 30 of each year of the 2025-
13 2027 fiscal biennium shall result in a dollar-for-dollar reduction in the appropriation for the
14 Program for a subsequent fiscal year. The North Carolina Partnership for Children, Inc., shall be
15 responsible for compiling information on the private cash and in-kind contributions into a report,
16 to be included in its annual report as required under G.S. 143B-168.12(d), in a format that allows
17 verification by the Department of Revenue. The same match requirements shall apply to any
18 expansion funds appropriated by the General Assembly.

19 **SECTION 9D.4.(e) Bidding.** – The North Carolina Partnership for Children, Inc.,
20 and all local partnerships shall use competitive bidding practices in contracting for goods and
21 services on contract amounts as follows:

- 22 (1) For amounts of five thousand dollars (\$5,000) or less, the procedures specified
- 23 by a written policy as developed by the Board of Directors of the North
- 24 Carolina Partnership for Children, Inc.
- 25 (2) For amounts greater than five thousand dollars (\$5,000) but less than fifteen
- 26 thousand dollars (\$15,000), three written quotes.
- 27 (3) For amounts of fifteen thousand dollars (\$15,000) or more but less than forty
- 28 thousand dollars (\$40,000), a request for proposal process.
- 29 (4) For amounts of forty thousand dollars (\$40,000) or more, a request for
- 30 proposal process and advertising in a major newspaper.

31 **SECTION 9D.4.(f) Allocations.** – The North Carolina Partnership for Children, Inc.,
32 shall not reduce the allocation for counties with less than 35,000 in population below the 2012-
33 2013 funding level.

34 **SECTION 9D.4.(g) Performance-Based Evaluation.** – The Department of Health
35 and Human Services shall continue to implement the performance-based evaluation system.

36 **SECTION 9D.4.(h) Expenditure Restrictions.** – Except as provided in subsection (i)
37 of this section, the Department of Health and Human Services and the North Carolina Partnership
38 for Children, Inc., shall ensure that the allocation of funds for Early Childhood Education and
39 Development Initiatives for the 2025-2027 fiscal biennium shall be administered and distributed
40 in the following manner:

- 41 (1) Capital expenditures are prohibited for the 2025-2027 fiscal biennium. For the
- 42 purposes of this section, "capital expenditures" means expenditures for capital
- 43 improvements as defined in G.S. 143C-1-1(d)(5).
- 44 (2) Expenditures of State funds for advertising and promotional activities are
- 45 prohibited for the 2025-2027 fiscal biennium.

46 For the 2025-2027 fiscal biennium, local partnerships shall not spend any State funds
47 on marketing campaigns, advertising, or any associated materials. Local partnerships may spend
48 any private funds the local partnerships receive on those activities.

49 **SECTION 9D.4.(i) Notwithstanding subsection (h) of this section,** the North
50 Carolina Partnership for Children, Inc., and local partnerships may use up to one percent (1%) of
51 State funds for fundraising activities. The North Carolina Partnership for Children, Inc., shall

1 include in its annual report required under G.S. 143B-168.12(d) a report on the use of State funds
2 for fundraising. The report shall include the following:

- 3 (1) The amount of funds expended on fundraising.
- 4 (2) Any return on fundraising investments.
- 5 (3) Any other information deemed relevant.

6 7 **PART IX-E. HEALTH BENEFITS**

8 9 **CONTINUE MEDICAID ANNUAL REPORT**

10 **SECTION 9E.1.** The Department of Health and Human Services, Division of Health
11 Benefits (DHB), shall continue the publication of the Medicaid Annual Report and
12 accompanying tables. DHB shall publish the report and tables on its website no later than
13 December 31 following each State fiscal year.

14 15 **VOLUME PURCHASE PLANS AND SINGLE SOURCE PROCUREMENT**

16 **SECTION 9E.2.** The Department of Health and Human Services, Division of Health
17 Benefits, may, subject to the approval of a change in the State Medicaid Plan, contract for
18 services, medical equipment, supplies, and appliances by implementation of volume purchase
19 plans, single source procurement, or other contracting processes in order to improve cost
20 containment.

21 22 **ADMINISTRATIVE HEARINGS FUNDING**

23 **SECTION 9E.3.** Of the funds appropriated in this act to the Department of Health
24 and Human Services, Division of Health Benefits, for administrative contracts and interagency
25 transfers, the Department of Health and Human Services (DHHS) shall transfer the sum of one
26 million dollars (\$1,000,000) for the 2025-2026 fiscal year and the sum of one million dollars
27 (\$1,000,000) for the 2026-2027 fiscal year to the Office of Administrative Hearings (OAH).
28 These funds shall be allocated by OAH for mediation services provided for Medicaid applicant
29 and recipient appeals and to contract for other services necessary to conduct the appeals process.
30 OAH shall continue the Memorandum of Agreement (MOA) with DHHS for mediation services
31 provided for Medicaid recipient appeals and contracted services necessary to conduct the appeals
32 process. Upon receipt of invoices from OAH for covered services rendered in accordance with
33 the MOA, DHHS shall transfer the federal share of Medicaid funds drawn down for this purpose.

34 35 **ACCOUNTING FOR MEDICAID RECEIVABLES AS NONTAX REVENUE**

36 **SECTION 9E.4.(a)** The Department of Health and Human Services, Division of
37 Health Benefits (DHB), receivables reserved at the end of the 2025-2026 and 2026-2027 fiscal
38 years shall, when received, be accounted for as nontax revenue for each of those fiscal years. The
39 treatment under this section of any revenue derived from federal programs shall be in accordance
40 with the requirements specified in the Code of Federal Regulations, Title 2, Part 225.

41 **SECTION 9E.4.(b)** For the 2025-2026 fiscal year, the Department of Health and
42 Human Services shall deposit from its revenues one hundred seven million seven hundred
43 thousand dollars (\$170,965,305) with the Department of State Treasurer to be accounted for as
44 nontax revenue. For the 2026-2027 fiscal year, the Department of Health and Human Services
45 shall deposit from its revenues one hundred nine million dollars (\$174,565,305) with the
46 Department of State Treasurer to be accounted for as nontax revenue. These deposits shall
47 represent the return of advanced General Fund appropriations, nonfederal revenue, fund
48 balances, or other resources from State-owned and State operated hospitals that are used to
49 provide indigent and nonindigent care services. The return from State-owned and State operated
50 hospitals to the Department of Health and Human Services shall be made from nonfederal
51 resources in the following manner:

- 1 (1) The University of North Carolina Hospitals at Chapel Hill shall make the
 2 following deposits:
 3 a. For the 2025-2026 fiscal year, the amount of thirty-one million three
 4 hundred sixty-five thousand three hundred five dollars (\$31,365,305).
 5 b. For the 2026-2027 fiscal year, the amount of thirty-one million three
 6 hundred sixty-five thousand three hundred five dollars (\$31,365,305).
 7 (2) All State-owned and State operated hospitals, other than the University of
 8 North Carolina Hospitals at Chapel Hill, that specialize in psychiatric care
 9 shall annually deposit an amount equal to the amount of the payments from
 10 DHB for uncompensated care.
 11

12 **LME/MCO INTERGOVERNMENTAL TRANSFERS**

13 **SECTION 9E.5.(a)** The local management entities/managed care organizations
 14 (LME/MCOs) shall make intergovernmental transfers to the Department of Health and Human
 15 Services, Division of Health Benefits (DHB), in an aggregate amount of eighteen million twenty-
 16 eight thousand two hundred seventeen dollars (\$18,028,217) in the 2025-2026 fiscal year and in
 17 an aggregate amount of eighteen million twenty-eight thousand two hundred seventeen dollars
 18 (\$18,028,217) for the 2026-2027 fiscal year. The due date and frequency of the
 19 intergovernmental transfer required by this section shall be determined by DHB. The amount of
 20 the intergovernmental transfer that each individual LME/MCO is required to make in each fiscal
 21 year shall be as follows:

	2025-2026	2026-2027
22 Alliance Behavioral Healthcare	\$4,508,857	\$4,508,857
23 Partners Health Management	\$3,544,348	\$3,544,348
24 Trillium Health Resources	\$6,448,693	\$6,448,693
25 Vaya Health	\$3,526,319	\$3,526,319

26
 27 **SECTION 9E.5.(b)** In the event that a county disengages from an LME/MCO and
 28 realigns with another LME/MCO during the 2025-2027 fiscal biennium, DHB shall have the
 29 authority to reallocate the amount of the intergovernmental transfer that each affected
 30 LME/MCO is required to make under subsection (a) of this section, taking into consideration the
 31 change in catchment area and covered population, provided that the aggregate amount of the
 32 transfers received from all LME/MCOs in each year of the fiscal biennium is achieved.
 33

34 **MEDICAID TRANSFORMATION FUND BALANCE**

35 **SECTION 9E.6** The unexpended balance in the Medicaid Transformation Fund of
 36 six million eight hundred forty-one thousand four hundred sixty-six dollars (\$6,841,466) shall be
 37 transferred to the Division of Health Benefits for Medicaid administration needs in FY 2026-27.
 38

39 **CREATE DESIGNATED STATE HEALTH PROGRAM SAVINGS BUDGET FUND**

40 **SECTION 9E.7.(a)** Fund created. - The Designated State Health Programs budget
 41 fund is created as a nonreverting budget fund within the Department of Health and Human
 42 Services (DHHS), Division of Health Benefits (DHB) 24445 budget code. The Division of
 43 Central Management Services, Division of Child and Family Well-Being, Division of Mental
 44 Health, Developmental Disabilities, and Substance Use Services, and Division of Public Health
 45 shall transfer and deposit all freed-up state funds that result from additional receipts realized
 46 through Designated State Health Programs authority in the North Carolina Medicaid Reform
 47 Section 1115 Demonstration approved by the Centers for Medicare and Medicaid Services in
 48 December, 2024 to this budget fund.
 49

50 **APPROPRIATION OF GOVERNMENT EFFICIENCY GRANT**

1 **SECTION 9E.8** The federal Government Efficiency Grant funds awarded to
2 implement the State Medicaid Community Engagement requirements and other necessary
3 eligibility system requirements resulting from Medicaid expansion eligibility changes in H.R.1
4 are appropriated in the amounts provided in the notification of award from the federal
5 government or any entity acting on behalf of the federal government to administer the federal
6 funds. DHB, with approval of the Director of the Budget, may spend the grant awards.
7

8 **LEGISLATIVE INTENT**

9 **SECTION 9E.9.1.** It is the intent of the General Assembly to provide funding for the
10 increased administrative costs of compliance with frequency of eligibility redeterminations
11 requirements and community engagement requirements in the Medicaid program under Sections
12 71107 and 71119 of P.L. 119-21 from a source that meets the limitations on funding sources in
13 G.S. 108A-54.3B for NC Health Works.
14

15 **SHIFT EXISTING PUBLIC HOSPITAL ASSESSMENTS TO** 16 **INTERGOVERNMENTAL TRANSFERS**

17 **SECTION 9E.9.2.(a)** G.S. 108A-146.1 reads as rewritten:

18 **"§ 108A-146.1. Public hospital modernized assessment.**

19 (a) —The public hospital modernized assessment imposed under this Part shall apply to all
20 public acute care hospitals.

21 (b) —The public hospital modernized assessment shall be assessed as a percentage of each
22 public acute care hospital's hospital costs. The assessment percentage shall be calculated
23 quarterly by the Department of Health and Human Services in accordance with this Part. ~~The~~

24 (c) Through June 30, 2026, the percentage for each quarter shall equal the aggregate acute
25 care hospital modernized assessment collection amount under G.S. 108A-146.5 multiplied
26 by the public hospital historical assessment share and divided by the total hospital costs for
27 all public acute care hospitals holding a license on the first day of the assessment quarter.

28 (d) Beginning July 1, 2026, the public hospital modernized assessment quarterly
29 percentage shall equal the modernized IGT actual receipts adjustment component under G.S.
30 108A-146.14 divided by the total hospital costs for all public acute care hospitals holding a
31 license on the first day of the assessment quarter."

32 **SECTION 9E.9.2.(b)** Part 2 of Article 7B of Chapter 108A of the General Statutes
33 is amended by adding a new section to read:

34 "§ 108A-146.1A. Public hospital modernized presumptive IGT offset amount.

35 The public hospital modernized presumptive IGT offset amount is the aggregate acute care
36 hospital modernized assessment collection amount under G.S. 108A-146.5 multiplied by
37 the public hospital historical assessment share."

38 **SECTION 9E.9.2.(c)** G.S. 108A-146.5 reads as rewritten:

39 **"§ 108A-146.5. Aggregate acute care hospital modernized assessment collection amount.**

40 (a) The aggregate modernized assessment collection amount is an amount of money that
41 is calculated by subtracting the modernized ~~intergovernmental transfer presumptive IGT~~
42 adjustment component under G.S. 108A-146.13 from the total modernized nonfederal receipts
43 under subsection (b) of this ~~section and then adding the positive or negative amount of the~~
44 ~~modernized IGT actual receipts adjustment component under G.S. 108A-146.14. section."~~

45 **SECTION 9E.9.2.(d)** GS.108A-146.14 reads as rewritten:

46 **"§ 108A-146.14 Modernized IGT actual receipts adjustment component.**

47 The modernized IGT actual receipts adjustment components is a ~~positive or negative~~ dollar
48 amount equal to the amount of the modernized presumptive IGT adjustment component under
49 ~~G.S. 108A-146.13~~ G.S. 108A-146.13(c) for the previous quarter plus the public hospital
50 modernized presumptive IGT offset amount under G.S. 108A-146.1A for the previous quarter
51 minus the amount of money received during the previous quarter by the Department through the

1 intergovernmental transfer and designated in the Department's accounting system as a receipt
2 related to the modernized assessments. If this calculation results in a negative number, the
3 modernized IGT actual receipts adjustment component is zero "

4 SECTION 9E.9.2.(e) GS.108A-146.14 reads as rewritten:

5 **"§ 108A-146.14. Modernized IGT actual receipts adjustment component.**

6 The modernized IGT actual receipts adjustment components is a dollar amount equal to the
7 amount of the modernized presumptive IGT adjustment component under G.S. 108A-146.13(c)
8 for the previous quarter plus the public hospital modernized presumptive IGT offset amount
9 under G.S. 108A-146.1A for the previous quarter minus the amount of money received during
10 the previous quarter by the Department through the intergovernmental transfer and designated in
11 the Department's accounting system as a receipt related to the modernized assessments. If this
12 calculation results in a negative number, the modernized IGT actual receipts adjustment
13 component is zero."

14 SECTION 9E.9.2.(f) Subsection (e) of this section is effective October 1, 2026 and
15 applies to assessments imposed on or after that date.

16 SECTION 9E.9.2.(g) G.S 108A-147.1 reads as rewritten:

17 **"§ 108A-147.1. Public hospital health advancement assessment.**

18 (a) The public hospital health advancement assessment imposed under this Part shall apply
19 to all public acute care hospitals.

20 (b) The public hospital health advancement assessment shall be assessed as a percentage of
21 each public acute care hospital's hospital costs. The assessment percentage shall be calculated
22 quarterly by the Department in accordance with this Part. ~~The~~

23 (c) Through June 30, 2026, the percentage for each quarter shall equal the aggregate acute
24 care hospital health advancement assessment collection amount calculated under G.S. 108A
25 147.3 multiplied by the public hospital historical assessment share and divided by the total
26 hospital costs for all public acute care hospitals holding a license on the first day of the assessment
27 quarter.

28 (d) Beginning July 1, 2026, the public hospital health advancement assessment quarterly
29 percentage shall equal the health advancement IGT actual receipts adjustment components under
30 G.S. 108A-147.10 divided by the total hospital costs for all public acute care hospitals holding a
31 license on the first day of the assessment quarter. "

32 SECTION 9E.9.2.(h) Part 3 of Article 7B of Chapter 108A of the General Statutes
33 is amended by adding a new section to read:

34 **"§ 108A-147.1A. Public hospital health advancement presumptive IGT offset amount.**

35 The public hospital health advancement presumptive IGT offset amount is the aggregate
36 acute care hospital health advancement assessment collection amount under G.A. 108A-147.3
37 multiplied by the public hospital historical assessment share. "

38 SECTION 9E.9.2.(i) G.S. 108A-147.3(a) reads as rewritten:

39 "(a) The aggregate health advancement assessment collection amount is an amount of money
40 that is calculated quarterly by adjusting the total nonfederal receipts for health advancement
41 calculates under subsection (b) of this section by ~~(i)~~ subtracting the health advancement
42 presumptive IGT adjustment component calculated under ~~G.S. 108A-147.9~~, ~~(ii)~~ adding the
43 positive or negative health advancement IGT actual receipts adjustment component calculated
44 under G.S. 108A-147.10, G.S.108A-147.9 and (iii) then subtracting the positive or negative total
45 IGT share of the reconciliation adjustment component calculated under ~~G.S. 108A-147.11(b)~~G.S.
46 108A-147.11(e). "

47 SECTION 9E.9.2.(j) G.S 108A-147.10 reads as rewritten:

48 **"§ 108A-147.10. Health advancement IGT actual receipts adjustment component.**

49 "The health advancement IGT actual receipts adjustment component is a positive or negative
50 dollar amount equal to the health advancement presumptive IGT adjustment component
51 calculated under G.S. 108A-147.9 for the previous quarter, plus the positive or negative total IGT

1 share of the reconciliation adjustment component calculated under ~~G.S. 108A-147.11(b)~~G.S.
2 108A-147.11(e) for the previous quarter, and minus the amount of money received during the
3 previous quarter by the Department through intergovernmental transfer and designated in the
4 Department's accounting system as a receipt for health advancement. If this calculation results in
5 a negative number, the health advancement IGT actual receipts adjustment component is zero."

6 **SECTION 9E.9.2.(k)** G.S 108A-147.10 as amended by subsection j of this section
7 reads as rewritten:

8 **"§ 108A-147.10. Health advancement IGT actual receipts adjustment component.**

9 "The health advancement IGT actual receipts adjustment component is a positive or negative
10 dollar amount equal to the total of (i) the amount of the health advancement presumptive IGT
11 adjustment component calculated under G.S. 108A-147.9 for the previous quarter, ~~plus~~ (ii)
12 positive or negative IGT share of the reconciliation adjustment component calculated under G.S.
13 108A-147.11(e) for the previous quarter, ~~and~~ (iii) the public hospital health advancement
14 presumptive IGT offset amount for the previous quarter, minus the amount of money received
15 during the previous quarter by the Department through intergovernmental transfer and designated
16 in the Department's accounting system as a receipt for health advancement. If this calculation
17 results in a negative number, the health advancement IGT actual receipts adjustment component
18 is zero."

19 **SECTION 9E.9.2.(l)** G.S. 108A-147.11 reads as rewritten:

20 **"§ 108A-147.11. Health advancement reconciliation adjustment component.**

21 (a) The health advancement reconciliation adjustment component is a positive or
22 negative dollar amount equal to the actual nonfederal expenditures for the quarter that is two
23 quarters prior to the current quarter minus the sum of the following specified amounts:

- 24 (1) The presumptive service cost component calculated under G.S. 108A-147.5
25 for the quarter that is two quarters prior to the current quarter.
- 26 (2) The amount transferred during the current quarter by the Department of
27 Revenue to the State Treasurer for the Health Advancement Receipts Special
28 Fund under G.S. 105-228.5C.
- 29 (3) The health advancement acute care hospital HASP component calculated
30 under G.S. 108A-147.6 for the quarter that is two quarters prior to the current
31 quarter.
- 32 (4) The health advancement freestanding psychiatric hospital HASP component
33 calculated under G.S. 108A-147.6A for the quarter that is two quarters prior
34 to the current quarter.

35 (b) The base IGT share of the reconciliation adjustment component is a positive or negative
36 dollar amount that is calculated by multiplying the health advancement reconciliation adjustment
37 component calculated under subsection (a) of this section by the share of public hospital costs
38 calculated under subsection (c) of this section.

39 (c) The share of public hospital costs is calculated by adding total hospital costs for the
40 UNC Health Care System, total hospital costs for the primary affiliated teaching hospital for the
41 East Carolina University Brody School of Medicine, and sixty percent (60%) of the total hospital
42 costs for all public acute care hospitals and dividing that sum by the total hospital costs for all
43 acute care hospitals except for critical access hospitals.

44 (d) The supplemental IGT share of the reconciliation adjustment component is a positive or
45 negative dollar amount that is calculated by subtracting the base IGT share of the reconciliation
46 adjustment component calculated under subsection (b) of this section from the health
47 advancement reconciliation component calculated under subsection (a) of this section and
48 multiplying that difference by the public hospital historical assessment share.

49 (e) The total IGT share of the reconciliation adjustment component is a positive or

1 negative dollar amount that is the sum of the base IGT share of the reconciliation adjustment
2 component calculated under subsection (b) of this section and the supplemental IGT share of the
3 reconciliation adjustment component calculated under subsection (d) of this section."

4 **SECTION 9E.9.2.(m)** Subsection (k) of this section is effective October 1, 2026,
5 and applies to assessments imposed on or after that date.

6 **SECTION 9E.9.2.(n)** Except as otherwise provided, this section is effective July 1,
7 2026, and applies to assessments imposed on or after that date.

8
9 **THE 2026 ONE-TIME ASSESSMENTS FOR NEW HEALTH ADVANCEMENT**
10 **ADMINISTRATIVE COSTS**

11 **SECTION 9E.9.3.(a)** For purposes of this section, the following definitions apply:

- 12 (1) Acute care hospital. – As defined in G.S. 108A-145.3.
- 13 (2) Aggregate collection amount. – Fourteen million three hundred thousand
14 dollars (\$14,300,000) minus intergovernmental transfer receipts.
- 15 (3) DHHS. – The Department of Health and Human Services.
- 16 (4) Hospital costs. – As defined in G.S. 108A-145.3.
- 17 (5) Intergovernmental transfer receipts. – The amount of money received during
18 the quarter in which this section becomes effective by DHHS through
19 intergovernmental transfers and that is designated in DHHS's accounting
20 system as a receipt for the 2026 one-time assessments.
- 21 (6) Private acute care hospital. – As defined in G.S. 108A-145.3.
- 22 (7) Private hospital historical assessment share. – As defined in G.S. 108A-145.3.
- 23 (8) Public acute care hospital. – As defined in G.S. 108A-145.3.
- 24 (9) Public hospital historical assessment share. – As defined in G.S. 108A-145.3.

25
26 **SECTION 9E.9.3.(b)** Effective when this act becomes law, each private acute care
27 hospital is subject to a 2026 one-time assessment that is a percentage of its hospital costs. The
28 percentage shall equal the aggregate collection amount multiplied by the private hospital
29 historical assessment share and divided by the total hospital costs for all private acute care
30 hospitals.

31 **SECTION 9E.9.3.(c)** Effective when this act becomes law, each public acute care
32 hospital is subject to a 2026 one-time assessment that is a percentage of its hospital costs. The
33 percentage shall equal the aggregate collection amount multiplied by the public hospital
34 historical assessment share and divided by the total hospital costs for all public acute care
35 hospitals.

36 **SECTION 9E.9.3.(d)** The proceeds of the assessments under this section
37 and intergovernmental transfer receipts shall be deposited in the Health Advancement
38 Receipts Special Fund under G.S. 143C-9-10 and shall be used for the increased administrative
39 costs described in Section 9E.9 as allowed under G.S. 108A-147.13(a)(2). From the proceeds of
40 this assessment and intergovernmental transfer receipts, DHHS shall use the sum of seven million
41 eight hundred thousand dollars (\$7,800,000) to provide funding to county departments of social
42 services to support the counties with the increased administrative costs described in Section 9E.9.9

43 **SECTION 9E.9.3.(e)** The hospital assessments under this section shall be imposed
44 by DHHS in accordance with the following procedures:

- 45 (1) The assessment shall be calculated, imposed, and due in the time and manner
46 prescribed by DHHS and shall be considered delinquent if not paid within seven
47 calendar days of this due date.
- 48 (2) With respect to any hospital owing a past due assessment amount, DHHS may
49 withhold the unpaid amount from Medicaid payments otherwise due or impose a
50 late payment penalty. DHHS may waive a penalty for good cause shown.

1 (3) A hospital may appeal a determination of the assessment amount owed through a
2 reconsideration review. The pendency of an appeal does not relieve a hospital
3 from its obligation to pay an assessment amount when due.

4 (4) The assessment may be included as allowable costs of a hospital for purposes of
5 any applicable Medicaid reimbursement formula, except the assessment shall be
6 excluded from cost settlement.

7 (5) The assessment may not be added as a surtax or assessment on a patient's bill.

8 **SECTION 9E.9.3.(f)** For purposes of determining the aggregate amount of all
9 assessments due from hospitals under Article 7B of Chapter 108A of the General Statutes
10 pursuant to G.S. 108A-148.1(c)(2), the assessments under this section shall be considered an
11 assessment due from hospitals under that Article.

12 **SECTION 9E.9.3.(g)** No later than February 1, 2027, DHHS shall submit to the
13 Joint Legislative Oversight Committee on Medicaid and the Fiscal Research Division a report
14 that details the amount of the proceeds from the assessments imposed under this section that
15 DHHS provided to each county department of social services and the date that those proceeds
16 were provided to each county department of social services.

17
18 **HOSPITAL HEALTH ADVANCEMENT ASSESSMENT FUNDING FOR NEW**
19 **ADMINISTRATIVE COSTS**

20 **SECTION 9E.9.4.(a)** G.S. 108A-147.7 reads as rewritten:

21 **"§ 108A-147.7. Administration Base administration component.**

22 (a) The base administration component is an amount of money that is calculated by
23 adding the base State administration subcomponent calculated under subsection (b) of this
24 section and the base county administration subcomponent calculated under subsection (c) of this
25 section.

26 (b) ~~For each quarter of the 2023-2024 State fiscal year, the State administration~~
27 ~~subcomponent is the product of one million three hundred fifty thousand dollars (\$1,350,000)~~
28 ~~multiplied by the number of months in that State fiscal quarter in which G.S. 108A-54.3A(24) is~~
29 ~~effective during any part of the month.~~ For each quarter of the 2024-2025 State fiscal year, the
30 base State administration subcomponent is four million one hundred eighty-seven thousand seven
31 hundred dollars (\$4,187,700). For each subsequent State fiscal year, the base State administration
32 subcomponent shall be increased over the prior year's quarterly amount by a percentage that is
33 the sum of each monthly percentage change in the Consumer Price Index: All Urban Consumers
34 for the most recent 12 months available on March 1 of the previous State fiscal year.

35 (c) ~~For each quarter of the 2022-2023 State fiscal year and the 2023-2024 State fiscal year,~~
36 ~~the county administration subcomponent is the product of one million six hundred sixty seven~~
37 ~~thousand dollars (\$1,667,000) multiplied by the number of months in that State fiscal quarter in~~
38 ~~which G.S. 108A-54.3A(24) is effective during any part of the month.~~ The base county
39 administration subcomponent is ~~seven million four hundred thousand dollars (\$7,400,000) for~~
40 ~~each quarter of the 2024-2025 State fiscal year and~~ seven million eight hundred thousand dollars
41 (\$7,800,000) for each quarter of the 2025-2026 State fiscal year. For each State fiscal year after
42 the 2025-2026 State fiscal year, the base county administration subcomponent shall be increased
43 over the prior year's quarterly amount by a percentage that is the sum of each monthly percentage
44 change in the Consumer Price Index: All Urban Consumers for the most recent 12 months
45 available on March 1 of the previous State fiscal year."

46 **SECTION 9E.9.4.(b)** Part 3 of Article 7B of Chapter 108A of the General Statutes
47 is amended by adding a new section to read:

48 **"§ 108A-147.7A. Supplemental administration component.**

49 (a) The supplemental administration component is an amount of money that is calculated by
50 adding the supplemental State administration subcomponent calculated under subsection (b) of

1 this section and the supplemental county administration subcomponent calculated under
2 subsection (c) of this section.

3 (b) For the quarter of the 2026-2027 fiscal year beginning on July 1, 2026, the supplemental
4 State administration subcomponent is zero. For the quarter of the 2026-2027 fiscal year beginning
5 on October 1, 2026, the supplemental State administration subcomponent is three million three
6 hundred thousand dollars (\$3,300,000). For the quarter of the 2026-2027 fiscal year beginning
7 on January 1, 2207, the supplement State administration subcomponent is two million three
8 hundred fifty thousand dollars (\$2,350,000). For the quarter of the 2026-27 fiscal year beginning
9 on April 1,2027, the supplemental State administration subcomponent is three million, three
10 hundred thousand dollars (\$3,300,000). For the 2027-2028 fiscal year, the quarterly supplemental
11 State administration subcomponent shall be three million three hundred thousand dollars
12 (\$3,300,000) increased by a percentage that is the sum of each monthly percentage change in the
13 Consumer Price Index: All Urban Consumers for the most recent 12 months available on March 1
14 of the previous State fiscal year. For each subsequent State fiscal year through the 2035-2036
15 State fiscal year, the supplemental State administration subcomponent shall be increased over the
16 prior year's quarterly amount by a percentage that is the sum of each monthly percentage change
17 in the Consumer Price Index: All Urban Consumers for the most recent 12 months available
18 March 1 of the previous State fiscal year. For each State Fiscal year beginning on or after July 1,
19 2036, the supplemental State administration subcomponent quarterly amount is zero.

20 (c) For each quarter of the 2026-2027 fiscal year, the supplemental county administration
21 component is seven million eight hundred thousand dollars (\$7,800,000). For each subsequent
22 State fiscal year through the 2035-2036 State fiscal year, the supplemental county administration
23 subcomponent shall be increased over the prior year's quarterly amount by a percentage that is
24 the sum of each monthly percentage change in the Consumer Price Index: All Urban Consumers
25 for the most recent 12 months available on March 1 of the previous State fiscal year. For each
26 State fiscal year beginning on or after July 1, 2036, the supplemental county administration
27 subcomponent quarterly amount is zero."

28
29 **SECTION 9E.9.4.(c)** G.S. 108A-147.3, as amended by Section 6.1(n) of S.L. 2025-
30 64 reads as rewritten:

31 **"§ 108A-147.3. Aggregate acute care hospital health advancement assessment collection**
32 **amount.**

33 ...

34 (b) The total nonfederal receipts for health advancement is an amount of money that is
35 calculated quarterly by adding all of the following:

- 36 (1) The presumptive service cost component calculated under G.S. 108A-147.5.
- 37 (2) The health advancement acute care hospital HASP component calculated
38 under G.S. 108A-147.6.
- 39 (2a) The health advancement freestanding psychiatric hospital HASP component
40 calculated under G.S. 108A-147.6A.
- 41 (3) The base administration component calculated under G.S. 108A-147.7.
- 42 (3a) The supplemental administration component calculated under G.S 108A-
43 147.7A.
- 44 (4) The State retention component under G.S. 108A-147.9. (5) The positive or
45 negative health advancement reconciliation adjustment component calculated
46 under G.S. 108A-147.11(a).

47 ..."

48 **SECTION 9E.9.4.(d)** G.S. 108A-147.9 reads as rewritten:

49 **"§ 108A-147.9. Health advancement presumptive IGT adjustment component.**

50 ...

1 (b) The public hospital health advancement IGT adjustment subcomponent is the total of the
2 following amounts:

- 3 (1) Sixty percent (60%) of the public hospital share of the sum of the presumptive
4 service cost component calculated under G.S. 108A-147.5 for the current
5 quarter, the base administration component calculated under G.S. 108A-147.7
6 for the current quarter, the supplemental administration component calculated
7 under G.S. 108A-147.7A, and the State retention component under G.S.
8 108A-147.8 for the current quarter. The public hospital share is the total
9 hospital costs for all public acute care hospitals divided by the total hospital
10 costs for all acute care hospitals except for critical access hospitals and rural
11 emergency hospitals for the current quarter.

12 ...

13
14 (c) The UNC Health Care System health advancement IGT adjustment subcomponent is the
15 total of the following amounts:

- 16 (1) The UNC Health Care System share of the sum of the presumptive service
17 cost component calculated under G.S. 108A-147.5 for the current ~~quarter~~
18 ~~and quarter~~, ~~the base~~ administration component calculated under G.S.
19 108A-147.7 for the current ~~quarter~~ quarter, and the supplemental
20 administration component calculated under G.S. 108A-147.7A for the current
21 quarter. The UNC Health Care System share is the total hospital costs for the
22 UNC Health Care System hospitals divided by the total hospital costs for all
23 acute care hospitals except for critical access hospitals and rural emergency
24 hospitals for the current quarter.

25 ...

26
27 (d) The East Carolina University health advancement IGT adjustment subcomponent is the
28 total of the following amounts:

- 29 (1) The East Carolina University share of the sum of the presumptive service cost
30 component calculated under G.S. 108A-147.5 for the current ~~quarter and~~
31 ~~quarter~~, the administration component calculated under G.S. 108A-147.7
32 for the current quarter, quarter, and the supplemental administration component
33 calculated under G.S. 108A-147.7A for the current quarter. The East Carolina
34 University share is the total hospital costs for the primary affiliated teaching
35 hospital for the East Carolina University Brody School of Medicine divided
36 by the total hospital costs for all acute care hospitals except for critical access
37 hospitals and rural emergency hospitals for the current quarter.

38 ..."

39 **SECTION 9E.9.4.(e)** G.S. 108A-147.13 reads as rewritten:

40 **"§ 108A-147.13. Use of funds.**

41 (b) The Department shall use an amount of the proceeds of the health advancement
42 assessments that is equal to the sum of the base county administration subcomponent of the
43 administration component in G.S. 108A-147.7 and the supplemental county administration
44 subcomponent of the supplemental administration component in G.S. 108A-147.7A to provide
45 funding to county departments of social services to support the counties in determining eligibility
46 for newly eligible individuals.

47 (c) The amount of the proceeds of the health advancement assessments that may be used for
48 administrative expenses attributable to providing Medicaid coverage to newly eligible
49 individuals and administrative expenditures associated with the HASP program shall not exceed,
50 for any State fiscal year, an amount equal to the sum of the base State administration
51 subcomponent of the base administration component in G.S. 108A-147.7 for each quarter of the

1 State fiscal year, the supplemental State administration subcomponent of the supplemental
2 administration component in G.S. 108A-147.7A for each quarter of the State fiscal year, and all
3 corresponding-matching federal ~~funds~~-funds corresponding to those subcomponents.
4 ..."

5 **SECTION 9E.9.4.(f)** This section is effective July 1, 2026, and applies to
6 assessments imposed on or after that date.

7 8 **ADMINISTRATIVE COST REPORTING AND RECONCILIATION**

9 **SECTION 9E.9.5** No later than October 1, 2029, the Department of Health and
10 Human Services, Division of Health Benefits (DHB), shall submit a report to the
11 House of Representatives Appropriations Committee on Health and Human Services,
12 the Senate Appropriations Committee on Health and Human Services, the Joint Legislative
13 Oversight Committee on Medicaid, and the Fiscal Research Division that includes all of the
14 following:

- 15 (1) The estimated share of the actual administrative costs expended through June
16 30, 2029, by DHB that is attributable to compliance with the requirements
17 described in Section 9E.9 of this act.
- 18 (2) A description of any reduction to the administrative costs described in Section
19 9E.9 of this act resulting from (i) actions taken by DHB to achieve efficiencies
20 or (ii) decreases in enrollment in NC Health Works.
- 21 (3) The total amount of assessment receipts and intergovernmental transfer
22 receipts from April 1, 2026, through June 30, 2029, that are attributable to
23 G.S. 108A-147.7A or 9E.9.3. of this act.
- 24 (4) A proposal for crediting against future assessments owed under Article 7B of
25 Chapter 108A of the General Statutes any amounts under subdivision (3) of
26 this section that exceed the amount under subdivision (1) of this section.
- 27 (5) Any proposed legislative changes to ensure that hospital assessment and
28 intergovernmental transfer amounts attributable to G.S. 108A-147.7A do not
29 exceed the administrative costs expended to comply with the requirements
30 described in Section 9E.9 of this act, including any of the following:
 - 31 a. Adjustments to the supplemental administration component in
32 G.S. 108A-147.7A.
 - 33 b. Addition of a statutory annual reconciliation of any hospital
34 assessment and intergovernmental transfer amounts attributable to
35 G.S. 108A-147.7A in excess of actual administrative costs expended
36 to comply with the requirements described in Section 9E.9 of this act.
37

38 **REPORTING ON CERTAIN CHANGES RESULTING IN REDUCTION IN** 39 **ADMINISTRATIVE COSTS**

40 **SECTION 9E.9.6.(a)** If the Department of Health and Human Services,
41 Division of Health Benefits (DHB), determines that the requirements described in Section 9E.9
42 of this act as applied to NC Health Works will be modified or eliminated due to a change in
43 federal or State law, rule, or regulation and the modification or elimination will reduce the
44 administrative costs described in Section 9E.9 of this act, then DHB shall submit a report on
45 its determination to the House of Representatives Appropriations Committee on Health and
46 Human Services, the Senate Appropriations Committee on Health and Human Services, the
47 Joint Legislative Oversight Committee on Medicaid, and the Fiscal Research Division. This
48 report shall be due 60 days after DHB identifies the anticipated modification or elimination and
49 shall include all of the following:

- 50 (1) An explanation of the anticipated modification or elimination.
- 51 (2) The date the modification or elimination is expected to be effective.

- 1 (3) A fiscal analysis of the anticipated reduction in administrative costs
2 attributable to the modification or elimination.
- 3 (4) A proposal for a decrease or elimination of the amounts included in the
4 assessments to hospitals under G.S. 108A-147.7A that corresponds to the
5 anticipated reduction in administrative costs.

6 **SECTION 9E.9.6(b)** This section expires June 30, 2036.

7

8 **END NEW HOSPITAL ASSESSMENT AMOUNTS UNDER CERTAIN CONDITIONS**

9 **SECTION 9E.9.7.(a)** In developing the average commercial rate demonstration
10 for the Healthcare Access and Stabilization Program (HASP), the Department of Health and
11 Human Services, Division of Health Benefits (DHB), shall use the payment methodology or
12 approach that produces the maximum allowable level of HASP reimbursements to hospitals and
13 receives federal approval.

14 **SECTION 9E.9.7.(b)** DHB shall submit a report to the House of Representatives
15 Appropriations Committee on Health and Human Services, the Senate Appropriations
16 Committee on Health and Human Services, the Joint Legislative Oversight Committee on
17 Medicaid, and the Fiscal Research Division if DHB determines that any of the following
18 conditions have been met:

- 19 (1) Centers for Medicare and Medicaid Services (CMS) approved a HASP
20 preprint that is less than ninety-five percent (95%) of the maximum allowable
21 amount for HASP under federal law or regulation, calculated based on all of
22 the following:
- 23 a. Limits on state directed payments and provider taxes established under
24 P.L. 119-21.
 - 25 b. Any federal laws or regulations related to state directed payments,
26 provider taxes, and intergovernmental transfers that are applicable to
27 the period for which the CMS approval is received.
- 28 (2) The gross HASP reimbursements to hospitals approved by CMS for a fiscal
29 year are less than one billion five hundred million dollars (\$1,500,000,000).
- 30 (3) The gross HASP reimbursements paid to hospitals, calculated on an accrual
31 basis, for a fiscal year are less than one billion five hundred million dollars
32 (\$1,500,000,000).
- 33 (4) A change in federal law or regulation resulted in adjusted hospital
34 intergovernmental transfers, in any quarter, that were at least twenty percent
35 (20%) lower than the amount of base hospital intergovernmental transfers for
36 that quarter. For purposes of this subdivision, the following definitions apply:
- 37 a. Actual hospital intergovernmental transfers. – The sum of all
38 intergovernmental transfers designated in DHHS's accounting system
39 as either a receipt for health advancement or a receipt related to the
40 modernized assessments.
 - 41 b. Adjusted hospital intergovernmental transfers. – The amount of the
42 base hospital intergovernmental transfers adjusted to account for any
43 new federal restrictions on intergovernmental transfers established
44 through federal law or regulation.
 - 45 c. Base hospital intergovernmental transfers. – The sum of actual
46 hospital intergovernmental transfers collected during the quarter of
47 fiscal year 2025-2026 beginning on October 1, 2025, plus the amount
48 of hospital assessments under Article 7B of Chapter 108A of the
49 General Statutes collected in that quarter from public acute care
50 hospitals, adjusted for any changes in hospital status that occurred after
51 October 1, 2025.

1 d. Changes in hospital status. – As defined in G.S. 108A-146.17.

2 e. Public acute care hospital. – As defined in G.S. 108A-145.3.

3 **SECTION 9E.9.7.(c)** The report required by subsection (b) of this section is due 120
4 days after DHB's determination that one of the conditions has been met. Prior to submitting the
5 report, DHB shall allow at least 30 days for the North Carolina Healthcare Association to
6 review the determination and to provide written confirmation or disagreement with the
7 determination. Once a report required under subsection (b) of this section has been submitted,
8 DHB shall not be required to submit any further reports under subsection (b) of this section.

9 **SECTION 9E.9.7.(d)** On the date DHB submits the report required by subsection
10 (b) of this section, DHB shall notify, in writing, the Revisor of Statutes that the report has
11 been submitted.

12 **SECTION 9E.9.7.(e)** G.S. 108A-147.7A, as enacted by Section 9E.9.4.(b) reads as
13 rewritten:

14 **"§ 108A-147.7A. Supplemental administration component.**

15 (a) The supplemental administration component is an amount of money that is calculated
16 by adding the supplemental State administration subcomponent calculated under subsection (b)
17 of this section and the supplemental county administration subcomponent calculated under
18 subsection (c) of this section.

19 (b) ~~For the quarter of the 2026-2027 fiscal year beginning on July 1, 2026, the supplemental~~
20 ~~State administration subcomponent is zero. For the quarter of the 2026-2027 fiscal year beginning~~
21 ~~on October 1, 2026, the supplemental State administration subcomponent is three million three~~
22 ~~hundred thousand dollars (\$3,300,000). For the quarter of the 2026-2027 fiscal year beginning~~
23 ~~on January 1, 2027, the supplemental State administration subcomponent is two million three~~
24 ~~hundred fifty thousand dollars (\$2,350,000). For the quarter of the 2026-2027 fiscal year~~
25 ~~beginning on April 1, 2027, the supplemental State administration subcomponent is three million~~
26 ~~three hundred thousand dollars (\$3,300,000). For each quarter of the 2027-2028 fiscal year, the~~
27 ~~supplemental State administration subcomponent shall be three million three hundred thousand~~
28 ~~dollars (\$3,300,000) increased by a percentage that is the sum of each monthly percentage change~~
29 ~~in the Consumer Price Index: All Urban Consumers for the most recent 12 months available on~~
30 ~~March 1 of the previous State fiscal year. For each subsequent State fiscal year through the~~
31 ~~2035-2036 State fiscal year, the supplemental State administration subcomponent shall be~~
32 ~~increased over the prior year's quarterly amount by a percentage that is the sum of each monthly~~
33 ~~percentage change in the Consumer Price Index: All Urban Consumers for the most recent 12~~
34 ~~months available on March 1 of the previous State fiscal year. For each State fiscal year~~
35 ~~beginning on or after July 1, 2036, the~~ The supplemental State administration subcomponent
36 quarterly amount is zero.

37 (c) ~~For each quarter of the 2026-2027 fiscal year, the supplemental county administration~~
38 ~~component is seven million eight hundred thousand dollars (\$7,800,000). For each subsequent~~
39 ~~State fiscal year through the 2035-2036 State fiscal year, the supplemental county administration~~
40 ~~subcomponent shall be increased over the prior year's quarterly amount by a percentage that is~~
41 ~~the sum of each monthly percentage change in the Consumer Price Index: All Urban Consumers~~
42 ~~for the most recent 12 months available on March 1 of the previous State fiscal year. For each~~
43 ~~State fiscal year beginning on or after July 1, 2036, the~~ The supplemental county administration
44 subcomponent quarterly amount is zero."

45 **SECTION 9E.9.7.(f)** Section 9E.6 of this act is repealed.

46 **SECTION 9E.9.7.(g)** Subsections (e) and (f) of this section are effective on the first
47 day of the next assessment quarter that is two years after the date the report required by
48 subsection (b) of this section is submitted. Subsection (e) of this section applies to assessments
49 imposed on or after the date subsection (e) of this section becomes effective.

50 **SECTION 9E.9.7.(h)** This section expires on July 1, 2034, if no report
51 required by subsection (b) of this section has been submitted by that date.

1
2 **REPORT ON OPTIONS FOR CONTINUED FUNDING AFTER JUNE 30, 2036**

3 **SECTION 9E.9.8** No later than October 1, 2031, the Department of Health and
4 Human Services, Division of Health Benefits (DHB), shall submit a report, in consultation with
5 relevant stakeholders, to the House of Representatives Appropriations Committee on Health and
6 Human Services, the Senate Appropriations Committee on Health and Human Services, the
7 Joint Legislative Oversight Committee on Medicaid, and the Fiscal Research Division
8 outlining options for the continued funding of the increased administrative costs described in
9 Section 9E.9 of this act after June 30, 2036.

10
11 **EFFECTIVE DATE**

12 **SECTION 9E.9.9** Except as otherwise provided in Sections 9E.9.1 through 9E.9.8
13 of this act, those sections of this act are effective when they become law.

14
15 **PART IX-F. HEALTH SERVICES REGULATION**

16
17 **CONSTRUCTION SECTION PLAN REVIEW FEES REMAIN IN DHSR**

18 **SECTION 9F.1.** G.S. 131E-267 reads as rewritten:

19 "**§ 131E-267. Fees for departmental review of licensed health care facility or Medical Care**
20 **Commission bond-financed construction projects.**

21 ...

22 The Department of Health and Human Services shall charge a fee for the review of each health
23 care facility construction project to ensure that project plans and construction are in compliance
24 with State law. The fee shall be charged on a one-time, per-project basis as provided in this
25 section. In no event shall a fee imposed under this section exceed two hundred thousand dollars
26 (\$200,000) for any single project. The first ~~seven hundred twelve thousand six hundred twenty-~~
27 ~~six dollars (\$712,626)-one million dollars (\$1,000,000)~~ in plan review fees collected under this
28 section shall remain in the Division of Health Service Regulation. Additional fees collected shall
29 be credited to the General Fund as nontax revenue and are intended to offset rather than replace
30 appropriations made for this purpose."

31
32 **PART IX-G. MENTAL HEALTH/DEVELOPMENTAL DISABILITIES/SUBSTANCE**
33 **USE SERVICES**

34
35 **SINGLE STREAM FUNDING FOR DMH/DD/SUS COMMUNITY SERVICES**

36 **SECTION 9G.1.(a)** For the purpose of mitigating cash flow problems that many
37 local management entities/managed care organizations (LME/MCOs) experience at the
38 beginning of each fiscal year relative to single stream funding, the Department of Health and
39 Human Services, Division of Mental Health, Developmental Disabilities, and Substance Use
40 Services (DMH/DD/SUS), shall distribute not less than one-twelfth of each LME/MCO's base
41 budget allocation at the beginning of the fiscal year and subtract the amount of that distribution
42 from the LME/MCO's total reimbursements for the fiscal year. For each month of the fiscal year
43 after July, DMH/DD/SUS shall distribute, on the third working day of the month, one eleventh
44 of the amount of each LME/MCO's single stream allocation that remains after subtracting the
45 amount of the distribution that was made to the LME/MCO in July of the fiscal year.

46 **SECTION 9G.1.(b)** If, on or after June 1, 2027, the Office of State Budget
47 Management (OSBM) certifies a Medicaid budget surplus and sufficient case in Budget Code
48 14445 to meet total obligations for the 2026-2027 fiscal year, then DHB shall transfer to
49 DMH/DD/SUS funds not to exceed the amount of the certified surplus or thirty million dollars
50 (\$30,000,000), whichever is less, to be used for single stream funding.

51

1 **LOCAL INPATIENT PSYCHIATRIC BEDS OR BED DAYS**

2 **SECTION 9G.2.(a)** Use of Funds. – Funds appropriated in this act to the Department
3 of Health and Human Services, Division of Mental Health, Developmental Disabilities, and
4 Substance Use Services, shall continue to be used for the purchase of local inpatient psychiatric
5 beds or bed days. The Department of Health and Human Services (DHHS) shall continue to
6 implement a two-tiered system of payment for purchasing these local inpatient psychiatric beds
7 or bed days based on acuity level with an enhanced rate of payment for inpatient psychiatric beds
8 or bed days for individuals with higher acuity levels, as defined by DHHS. The enhanced rate of
9 payment for inpatient psychiatric beds or bed days for individuals with higher acuity levels shall
10 not exceed the lowest average cost per patient bed day among the State psychiatric hospitals. In
11 addition, at the discretion of the Secretary of Health and Human Services, existing funds allocated
12 to LME/MCOs for community-based mental health, developmental disabilities, and substance
13 use disorder services may be used to purchase additional local inpatient psychiatric beds or bed
14 days. DHHS may allocate funding to the LME/MCOs for the purchase of facility-based crisis,
15 nonhospital detoxification services and peer respite services to support individuals that do not
16 meet the medical necessity for inpatient treatment and can be diverted from an inpatient hospital
17 stay.

18 **SECTION 9G.2.(b)** Distribution and Management of Beds or Bed Days. – DHHS
19 shall work to ensure that any local inpatient psychiatric beds or bed days purchased in accordance
20 with this section are utilized solely for individuals who are medically indigent, except that DHHS
21 may use up to forty percent (40%)_of the funds appropriated in this act to the Department of
22 Health and Human Services, Division of Mental Health, Developmental Disabilities, and
23 Substance Use Services, for the purchase of local inpatient psychiatric beds, bed days to pay for
24 facility-based crisis services, non-hospital detoxification services, and peer respite services_for
25 individuals in need of these services, regardless of whether the individuals are medically
26 indigent. For the purposes of this subsection, "medically indigent" shall mean uninsured persons
27 who (i) are financially unable to obtain private insurance coverage, as determined by DHHS and
28 (ii) are not eligible for government-funded health coverage such as Medicare or Medicaid.

29 In addition, DHHS shall work to ensure that any local inpatient psychiatric beds or
30 bed days purchased in accordance with this section are distributed across the State and according
31 to need, as determined by DHHS. DHHS shall ensure that beds or bed days for individuals with
32 higher acuity levels are distributed across the State and according to greatest need based on
33 hospital bed utilization data. DHHS shall enter into contracts with LME/MCOs and local
34 hospitals for the purchase and management of the local inpatient psychiatric beds or days and
35 allocate up to forty percent (40%) of the total funding to the LME/MCO's for the purpose of
36 facility-based crisis services, nonhospital detoxification services, and peer respite services.
37 DHHS shall work to ensure that these contracts are awarded equitably around all regions of the
38 State. LME/MCOs shall manage and control these local inpatient psychiatric beds or bed days,
39 including the determination of the specific local hospital or State psychiatric hospital to which
40 an individual should be admitted pursuant to an involuntary commitment order.

41 **SECTION 9G.2.(c)** Funds to be Held in Statewide Reserve. – Funds appropriated in
42 this act to DHHS for the purchase of local inpatient psychiatric beds or bed days shall not be
43 allocated to LME/MCOs but shall be held in a statewide reserve at the Division of Mental Health,
44 Developmental Disabilities, and Substance Use Services to pay for services authorized by the
45 LME/MCOs and billed by the hospitals through the LME/MCOs. LME/MCOs shall remit claims
46 for payment to DHHS within 15 working days after receipt of a clean claim from the hospital
47 and shall pay the hospital within 30 working days after receipt of payment from DHHS.

48 **SECTION 9G.2.(d)** Ineffective LME/MCO Management of Beds or Bed Days. – If
49 DHHS determines that (i) an LME/MCO is not effectively managing the beds or bed days for
50 which it has responsibility, as evidenced by beds or bed days in the local hospital not being
51 utilized while demand for services at the State psychiatric hospitals has not decreased, or (ii) the

1 LME/MCO has failed to comply with the prompt payment provisions of this section, DHHS may
2 contract with another LME/MCO to manage the beds or bed days or, notwithstanding any other
3 provision of law to the contrary, may pay the hospital directly.

4 **SECTION 9G.2.(e)** Reporting by LME/MCOs. – LME/MCOs shall be required to
5 report to DHHS regarding the utilization of these beds or bed days.

6 **SECTION 9G.2.(f)** Reporting by DHHS. – By no later than December 1, 2025, and
7 by no later than December 1, 2026, DHHS shall report to the Joint Legislative Oversight
8 Committee on Health and Human Services and the Fiscal Research Division on all of the
9 following:

- 10 (1) A uniform system for beds or bed days purchased during the preceding fiscal
11 year from (i) existing State appropriations and (ii) local funds.
- 12 (2) An explanation of the process used by DHHS to ensure that, except as
13 otherwise provided in subsection (a) of this section, local inpatient psychiatric
14 beds or bed days purchased in accordance with this section are utilized solely
15 for individuals who are medically indigent, along with the number of
16 medically indigent individuals served by the purchase of these beds or bed
17 days.
- 18 (3) The amount of funds used to pay for facility-based crisis services, along with
19 the number of individuals who received these services and the outcomes for
20 each individual.
- 21 (4) The amount of funds used to pay for nonhospital detoxification services, along
22 with the number of individuals who received these services and the outcomes
23 for each individual.
- 24 (5) Other DHHS initiatives funded by State appropriations to reduce State
25 psychiatric hospital use.

26 **PART IX-H. PUBLIC HEALTH**

27 **USE OF JUUL SETTLEMENT FUNDS**

28 **SECTION 9H.1.(a)** There is appropriated from the Youth Electronic Nicotine
29 Dependence Abatement Fund created in Section 9G.10(a) of S.L. 2021-180 to the Department of
30 Health and Human Services, Division of Public Health (DPH), the sum of six million dollars
31 (\$6,000,000) in nonrecurring funds for the 2026-2027 fiscal year to be allocated and used as
32 follows:
33 follows:
34

- 35 (1) One million two hundred and fifty thousand dollars (\$1,250,000) in
36 nonrecurring funds for the 2026-2027 fiscal year shall be used to support data
37 monitoring to track tobacco/nicotine use and exposure among youth and
38 young adults and populations at risk; for independent evaluation of the reach,
39 effectiveness, and outcomes of the State's evidence based programs designed
40 to help youth addicted to nicotine through electronic cigarettes and other new
41 and emerging tobacco and nicotine products quit; and to prepare the report
42 required by subsection (f) of this section.
- 43 (2) One million dollars (\$1,000,000) in nonrecurring funds for the 2026-2027
44 fiscal year shall be used for tobacco cessation media campaigns, resources,
45 and programs to help both youth and young adults who have become addicted
46 to nicotine using e-cigarettes and other tobacco/nicotine products quit.
- 47 (3) One million seven hundred and fifty thousand dollars (\$1,750,000) in
48 nonrecurring funds for the 2026-2027 fiscal year shall be used for evidence-
49 based media and education campaigns to prevent initiation of tobacco use,
50 especially with respect to e-cigarettes and other new and emerging
51 tobacco/nicotine products.

- 1 (4) Two million dollars (\$2,000,000) in nonrecurring funds for the 2026-2027
2 fiscal year shall be used for staff and projects and systems to educate partners
3 and stakeholders about evidence-based approaches that help youth quit
4 tobacco/nicotine products and prevent initiation of tobacco/nicotine products.

5 **SECTION 9H.1.(b)** Funds allocated under subsections (a) and (b) of this section
6 shall remain available for expenditure in the amounts and for the purposes specified in those
7 sections until expended.

8 **SECTION 9H.1.(c)** Annually on November 1 the Department of Health and Human
9 Services shall report to the Joint Legislative Oversight Committee on Health and Human Services
10 and the Fiscal Research Division on the expenditures made from the Youth Electronic Nicotine
11 Dependence Abatement Fund during the preceding fiscal year. The report shall include at least
12 all of the following:

- 13 (1) An itemized list of expenditures and for each expenditure, an indication of the
14 authority under this section for the expenditure.
15 (2) An evaluation of the reach, effectiveness, and outcomes of each activity funded
16 pursuant to subdivision (a)(2) of this section.
17 (3) An evaluation of the reach, effectiveness, and outcomes of each activity funded
18 by Section 9G.10 of S.L. 2021-180, as amended by Section 9G.3 of S.L.
19 2022-74.
20

21 **USE OF ELECTRIC TOBACCONIST SETTLEMENT FUNDS**

22 **SECTION 9H.2.(a)** The Electric Tobacconist Fund (Fund) is created within the
23 Department of Health and Human Services, Division of Public Health, as a non-reverting special
24 fund. The Fund shall consist of (i) monies received by the State as a beneficiary of the final
25 consent judgment resolving the case, State of North Carolina, ex rel. Joshua H. Stein, Attorney
26 General v. The Electric Tobacconist, LLC, in the General Court of Justice, Superior Court
27 Division, Durham County (Electric Tobacconist Case) and (ii) all interest and investment
28 earnings received on monies in the Fund. Monies in the Fund shall be expended only by an act
29 of appropriation by the General Assembly and in accordance with the final consent judgment
30 resolving the Electric Tobacconist Case.

31 **SECTION 9H.2.(b)** There is appropriated from the Electric Tobacconist Fund
32 created in Section 9H.2.(a) to the Department of Health and Human Services, Division of Public
33 Health (DPH), the sum of two hundred seventy-five thousand dollars (\$275,000) in nonrecurring
34 funds for the 2026-2027 fiscal year to be allocated and used as follows:

- 35 (1) Forty thousand seven hundred and fifty dollars (\$40,750) shall be transferred
36 to the Department of Justice to cover the costs of litigation incurred by the
37 Office of the Attorney General with respect to the Electric Tobacconist case.
38 (2) Two hundred thirty-four thousand, two hundred and fifty dollars (\$234,250)
39 shall be used for staff, projects and systems to educate partners and
40 stakeholders about evidence-based approaches that help youth quit
41 tobacco/nicotine products and prevent initiation of tobacco/nicotine products.

42 **SECTION 9H.2.(c)** Funds allocated under subsection (a) of this section shall remain
43 available for expenditure in the amounts and for the purposes specified in those sections until
44 expended.
45

46 **USE OF BEARD VAPE SETTLEMENT FUNDS**

47 **SECTION 9H.3.(a)** The Beard Vape Fund (Fund) is created within the Department
48 of Health and Human Services, Division of Public Health, as a non-reverting special fund. The
49 Fund shall consist of (i) monies received by the State as a beneficiary of the final consent
50 judgment resolving the case, State of North Carolina, ex rel. Joshua H. Stein, Attorney General
51 v. Beard Vape Co., LLC, in the General Court of Justice, Superior Court Division, Durham

1 County (Beard Vape Case) and (ii) all interest and investment earnings received on monies in the
2 Fund. Monies in the Fund shall be expended only by an act of appropriation by the General
3 Assembly and in accordance with the final consent judgment resolving the Beard Vape Case.

4 SECTION 9H.3.(b) There is appropriated from the Beard Vape Fund created in
5 Section XX.X(a) to the Department of Health and Human Services, Division of Public Health
6 (DPH), the sum of twenty-five thousand dollars (\$25,000) in nonrecurring funds for the 2026-
7 2027 fiscal year to be allocated and used as follows:

8 (1) Four thousand seventy-five dollars (\$4,075) shall be transferred to the
9 Department of Justice to cover the costs of litigation incurred by the Office of
10 the Attorney General with respect to the Beard Vape case.

11 (2) Forty-five thousand and nine hundred twenty-five dollars (\$20,925) shall be
12 used for staff, projects and systems to educate partners and stakeholders about
13 evidence-based approaches that help youth quit tobacco/nicotine products and
14 prevent initiation of tobacco/nicotine products.

15 SECTION 9H.3.(c) Funds allocated under subsection (a) of this section shall remain
16 available for expenditure in the amounts and for the purposes specified in those sections until
17 expended.

18 **PART IX-I. SERVICES FOR THE BLIND/DEAF/HARD OF HEARING [RESERVED]**

19 **PART IX-J. SOCIAL SERVICES**

20 **TANF BENEFIT IMPLEMENTATION**

21 **SECTION 9J.1.(a)** Beginning October 1, 2025, the General Assembly approves the
22 plan titled "North Carolina Temporary Assistance for Needy Families State Plan FFY 2026-
23 2028," prepared by the Department of Health and Human Services and presented to the General
24 Assembly. The North Carolina Temporary Assistance for Needy Families State Plan covers the
25 period of October 1, 2025, through September 30, 2028. The Department shall submit the State
26 Plan, as revised in accordance with subsection (b) of this section, to the United States Department
27 of Health and Human Services.

28 **SECTION 9J.1.(b)** The counties approved as Electing Counties in the North
29 Carolina Temporary Assistance for Needy Families State Plan FFY 2026-2028, as approved by
30 this section, are Beaufort, Caldwell, Catawba, Lenoir, Lincoln, Macon, and Wilson.

31 **SECTION 9J.1.(c)** Counties that submitted the letter of intent to remain as an
32 Electing County or to be redesignated as an Electing County and the accompanying county plan
33 for years 2026 through 2028, pursuant to G.S. 108A-27(e), shall operate under the Electing
34 County budget requirements effective July 1, 2025. For programmatic purposes, all counties
35 referred to in this subsection shall remain under their current county designation through
36 September 30, 2028.

37 **SECTION 9J.1.(d)** For each year of the 2025-2027 fiscal biennium, Electing
38 Counties shall be held harmless to their Work First Family Assistance allocations for the 2024-
39 2025 fiscal year, provided that remaining funds allocated for Work First Family Assistance and
40 Work First Diversion Assistance are sufficient for payments made by the Department on behalf
41 of Standard Counties pursuant to G.S. 108A27.11(b).

42 **SECTION 9J.1.(e)** In the event that departmental projections of Work First Family
43 Assistance and Work First Diversion Assistance for the 2025-2026 fiscal year or the 2026-2027
44 fiscal year indicate that remaining funds are insufficient for Work First Family Assistance and
45 Work First Diversion Assistance payments to be made on behalf of Standard Counties, the
46 Department is authorized to deallocate funds, of those allocated to Electing Counties for Work
47 First Family Assistance in excess of the sums set forth in G.S. 108A-27.11, up to the requisite
48 amount for payments in Standard Counties. Prior to deallocation, the Department shall obtain
49
50
51

1 approval by the Office of State Budget and Management. If the Department adjusts the allocation
2 set forth in subsection (d) of this section, then a report shall be made to the Joint Legislative
3 Oversight Committee on Health and Human Services and the Fiscal Research Division.
4

5 **INTENSIVE FAMILY PRESERVATION SERVICES FUNDING, PERFORMANCE** 6 **ENHANCEMENTS, AND REPORT**

7 **SECTION 9J.2.(a)** Notwithstanding the provisions of G.S. 143B-150.6, the
8 Intensive Family Preservation Services (IFPS) Program shall provide intensive services to
9 children and families in cases of abuse, neglect, and dependency where a child is at imminent
10 risk of removal from the home and to children and families in cases of abuse where a child is not
11 at imminent risk of removal. The Program shall be implemented statewide on a regional basis.
12 The IFPS shall ensure the application of standardized assessment criteria for determining
13 imminent risk and clear criteria for determining out-of-home placement.

14 **SECTION 9J.2.(b)** The Department of Health and Human Services shall require that
15 any program or entity that receives State, federal, or other funding for the purpose of IFPS shall
16 provide information and data that allows for the following:

- 17 (1) An established follow-up system with a minimum of six months of follow-up
18 services.
- 19 (2) Detailed information on the specific interventions applied, including
20 utilization indicators and performance measurement.
- 21 (3) Cost-benefit data.
- 22 (4) Data on long-term benefits associated with IFPS. This data shall be obtained
23 by tracking families through the intervention process.
- 24 (5) The number of families remaining intact and the associated interventions
25 while in IFPS and 12 months thereafter.
- 26 (6) The number and percentage, by race, of children who received IFPS compared
27 to the ratio of their distribution in the general population involved with Child
28 Protective Services.

29 **SECTION 9J.2.(c)** The Department shall continue implementing a
30 performance-based funding protocol and shall only provide funding to those programs and
31 entities providing the required information specified in subsection (b) of this section. The amount
32 of funding shall be based on the individual performance of each program.

33 **SECTION 9J.2.(d)** The Department shall submit an annual report to the Joint
34 Legislative Oversight Committee on Health and Human Services and the Fiscal Research
35 Division by December 1 of each year that provides the information and data collected pursuant
36 to subsection (b) of this section.
37

38 **CHILD CARING INSTITUTIONS**

39 **SECTION 9J.3.** Until the Social Services Commission adopts rules setting
40 standardized rates for child caring institutions as authorized under G.S. 143B-153(8), the
41 maximum reimbursement for child caring institutions shall not exceed the rate established for the
42 specific child caring institution by the Department of Health and Human Services, Office of the
43 Controller. In determining the maximum reimbursement, the State shall include county and IV-E
44 reimbursements.
45

46 **USE FOSTER CARE BUDGET FOR GUARDIANSHIP ASSISTANCE PROGRAM**

47 **SECTION 9J.4.** Of the funds available for the provision of foster care services, the
48 Department of Health and Human Services, Division of Social Services, may continue to provide
49 for the financial support of children who are deemed to be (i) in a permanent family placement
50 setting, (ii) eligible for legal guardianship, and (iii) otherwise unlikely to receive permanency. No
51 additional expenses shall be incurred beyond the funds budgeted for foster care for the

1 Guardianship Assistance Program (GAP). The Guardianship Assistance Program shall include
2 provisions for extending guardianship services for individuals and youth who exited foster care
3 through the Guardianship Assistance Program after 14 years of age or who have attained the age
4 of 18 years and opt to continue to receive guardianship services until reaching 21 years of age if
5 the individual is (i) completing secondary education or a program leading to an equivalent
6 credential, (ii) enrolled in an institution that provides postsecondary or vocational education, (iii)
7 participating in a program or activity designed to promote, or remove barriers to, employment,
8 (iv) employed for at least 80 hours per month, or (v) incapable of completing the educational or
9 employment requirements of this section due to a medical condition or disability. The
10 Guardianship Assistance Program rates shall reimburse the legal guardian for room and board
11 and be set at the same rate as the foster care room and board rates in accordance with rates
12 established under G.S. 108A-49.1.
13

14 **CHILD WELFARE POSTSECONDARY SUPPORT PROGRAM (NC REACH)**

15 **SECTION 9J.5.(a)** Funds appropriated in this act from the General Fund to the
16 Department of Health and Human Services for the child welfare postsecondary support program
17 shall be used to continue providing assistance with the "cost of attendance" as that term is defined
18 in 20 U.S.C. § 1087*ll* for the educational needs of foster youth aging out of the foster care system,
19 youth who exit foster care to a permanent home through the Guardianship Assistance Program
20 (GAP), or special needs children adopted from foster care after age 12. These funds shall be
21 allocated by the State Education Assistance Authority.

22 **SECTION 9J.5.(b)** Of the funds appropriated in this act from the General Fund to
23 the Department of Health and Human Services, the sum of fifty thousand dollars (\$50,000) for
24 each year of the 2025-2027 fiscal biennium shall be allocated to the North Carolina State
25 Education Assistance Authority (SEAA). The SEAA shall use these funds only to perform
26 administrative functions necessary to manage and distribute scholarship funds under the child
27 welfare postsecondary support program.

28 **SECTION 9J.5.(c)** Of the funds appropriated in this act from the General Fund to
29 the Department of Health and Human Services, the sum of three hundred thirty-nine thousand
30 four hundred ninety-three dollars (\$339,493) for each year of the 2025-2027 fiscal biennium shall
31 be used to contract with an entity to administer the child welfare postsecondary support program
32 described under subsection (a) of this section, which administration shall include the performance
33 of case management services.

34 **SECTION 9J.5.(d)** Funds appropriated in this act to the Department of Health and
35 Human Services for the child welfare postsecondary support program shall be used only for
36 students attending public institutions of higher education in this State.
37

38 **FEDERAL CHILD SUPPORT INCENTIVE PAYMENTS**

39 **SECTION 9J.6.(a)** Centralized Services. – The North Carolina Child Support
40 Services Section (NCCSS) of the Department of Health and Human Services, Division of Social
41 Services, shall retain up to fifteen percent (15%) of the annual federal incentive payments it
42 receives from the federal government to enhance centralized child support services. To
43 accomplish this requirement, NCCSS shall do the following:

- 44 (1) In consultation with representatives from county child support services
45 programs, identify how federal incentive funding could improve centralized
46 services.
- 47 (2) Use federal incentive funds to improve the effectiveness of the State's
48 centralized child support services by supplementing and not supplanting State
49 expenditures for those services.

- 1 (3) Continue to develop and implement rules that explain the State process for
2 calculating and distributing federal incentive funding to county child support
3 services programs.

4 **SECTION 9J.6.(b)** County Child Support Services Programs. – NCCSS shall
5 allocate no less than eighty-five percent (85%) of the annual federal incentive payments it
6 receives from the federal government to county child support services programs to improve
7 effectiveness and efficiency using the federal performance measures. To that end, NCCSS shall
8 do the following:

- 9 (1) In consultation with representatives from county child support services
10 programs, examine the current methodology for distributing federal incentive
11 funding to the county programs and determine whether an alternative formula
12 would be appropriate. NCCSS shall use its current formula for distributing
13 federal incentive funding until an alternative formula is adopted.
14 (2) Upon adopting an alternative formula, develop a process to phase in the
15 alternative formula for distributing federal incentive funding over a four-year
16 period.

17 **SECTION 9J.6.(c)** Reporting by County Child Support Services Programs. –
18 NCCSS shall continue implementing guidelines that identify appropriate uses for federal
19 incentive funding. To ensure those guidelines are properly followed, NCCSS shall require county
20 child support services programs to comply with each of the following:

- 21 (1) Submit an annual plan describing how federal incentive funding would
22 improve program effectiveness and efficiency as a condition of receiving
23 federal incentive funding.
24 (2) Report annually on the following: (i) how federal incentive funding has
25 improved program effectiveness and efficiency and been reinvested into their
26 programs, (ii) provide documentation that the funds were spent according to
27 their annual plans, and (iii) explain any deviations from their plans.

28 **SECTION 9J.6.(d)** Reporting by NCCSS. – NCCSS shall submit a report on federal
29 child support incentive funding to the Joint Legislative Oversight Committee on Health and
30 Human Services and the Fiscal Research Division by November 1 of each year. The report shall
31 describe how federal incentive funds enhanced centralized child support services to benefit
32 county child support services programs and improved the effectiveness and efficiency of county
33 child support services programs. The report shall further include any changes to the State process
34 that NCCSS used in calculating and distributing federal incentive funding to county child support
35 services programs and any recommendations for further changes.

36 37 **SUCCESSFUL TRANSITION/FOSTER CARE YOUTH**

38 **SECTION 9J.7.** The Foster Care Transitional Living Initiative Fund shall continue
39 to fund and support transitional living services that demonstrate positive outcomes for youth,
40 attract significant private sector funding, and lead to the development of evidence-based
41 programs to serve the at-risk population described in this section. The Fund shall continue to
42 support a demonstration project with services provided by Youth Villages to (i) improve
43 outcomes for youth ages 17-21 years who transition from foster care through implementation of
44 outcome-based Transitional Living Services, (ii) identify cost-savings in social services and
45 juvenile and adult correction services associated with the provision of Transitional Living
46 Services to youth aging out of foster care, and (iii) take necessary steps to establish an
47 evidence-based transitional living program available to all youth aging out of foster care. In
48 continuing to implement these goals, the Foster Care Transitional Living Initiative Fund shall
49 support the following strategies:

- 50 (1) Transitional Living Services, which is an outcome-based program that follows
51 the Youth Villages Transitional Living Model. Outcomes on more than 7,000

1 participants have been tracked since the program's inception. The program has
 2 been evaluated through an independent randomized controlled trial. Results
 3 indicate that the Youth Villages Transitional Living Model had positive
 4 impacts in a variety of areas, including housing stability, earnings, economic
 5 hardship, mental health, and intimate partner violence in comparison to the
 6 control population.

7 (2) Public-Private Partnership, which is a commitment by private-sector funding
 8 partners to match at least twenty-five percent (25%) of the funds appropriated
 9 to the Foster Care Transitional Living Initiative Fund for the 2025-2027 fiscal
 10 biennium for the purposes of providing Transitional Living Services through
 11 the Youth Villages Transitional Living Model to youth aging out of foster
 12 care.

13 (3) Impact Measurement and Evaluation, which are services funded through
 14 private partners to provide independent measurement and evaluation of the
 15 impact the Youth Villages Transitional Living Model has on the youth served,
 16 the foster care system, and on other programs and services provided by the
 17 State which are utilized by former foster care youth.

18 (4) Advancement of Evidence-Based Process, which is the implementation and
 19 ongoing evaluation of the Youth Villages Transitional Living Model for the
 20 purposes of establishing the first evidence-based transitional living program
 21 in the nation. To establish the evidence-based program, additional randomized
 22 controlled trials may be conducted to advance the model.

23
 24 **PART IX-K. DIVISION OF EMPLOYMENT AND INDEPEDENCE FOR PEOPLE**
 25 **WITH DISABILITIES [RESERVED]**

26
 27 **PART IX-L. DHHS BLOCK GRANTS**

28
 29 **DHHS BLOCK GRANTS**

30 **SECTION 9L.1.(a)** Except as otherwise provided, appropriations from federal Block
 31 Grant funds are made for each year of the fiscal biennium ending June 30, 2027, according to the
 32 following schedule:

	FY 2025-2026	FY 2026-2027
TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF) FUNDS		
Local Program Expenditures		
Division of Social Services		
01. Work First Family Assistance	\$23,259,794	\$23,259,794
02. Work First County Block Grants	80,093,566	80,093,566
03. Work First Electing Counties	2,378,213	2,378,213
04. Adoption Services – Special Children Adoption Fund	4,001,676	4,001,676
05. Child Protective Services – Child Welfare Workers for Local DSS	11,387,190	11,387,190

1			
2	06. Child Welfare Program Improvement Plan	775,176	775,176
3			
4	07. Child Welfare Collaborative	400,000	400,000
5			
6	08. Child Welfare Initiatives	1,400,000	2,900,000
7			
8	Division of Child Development and Early Education		
9			
10	09. Subsidized Child Care Program	67,913,694	67,913,694
11			
12	10. Swap-Child Care Subsidy	0	0
13			
14	11. NC Pre-K Services	68,300,000	68,300,000
15			
16	Division of Public Health		
17			
18	12. Teen Pregnancy Prevention Initiatives	3,538,541	3,538,541
19			
20	DHHS Administration		
21			
22	13. Division of Social Services	2,478,284	2,478,284
23			
24	14. Division of Child and Family Well Being	3,976	3,976
25			
26	15. Office of the Secretary	34,042	34,042
27			
28	16. Eligibility Systems – Operations and		
29	Maintenance	431,733	431,733
30			
31	17. NC FAST Implementation	428,239	428,239
32			
33	18. Division of Social Services – Workforce		
34	Innovation & Opportunity Act (WIOA)	93,216	93,216
35			
36	19. Division of Social Services TANF Modernization	2,000,000	2,000,000
37			
38	Transfers to Other Block Grants		
39			
40	Division of Child Development and Early Education		
41			
42	20. Transfer to the Child Care and		
43	Development Fund	21,773,001	21,773,001
44			
45	Division of Social Services		
46			
47	21. Transfer to Social Services Block		

1	Grant for Child Protective Services –		
2	Training	285,612	2,285,612
3			
4	22. Transfer to Social Services Block		
5	Grant for Child Protective Services	5,040,000	5,040,000
6			
7	23. Transfer to Social Services Block		
8	Grant for County Departments of		
9	Social Services for Children's Services	13,166,244	22,413,218
10			
11	24. Transfer to Social Services Block		
12	Grant – Foster Care Services	3,422,219	3,422,219
13			
14	25. Transfer to Social Services Block	1,582,000	1,582,000
15	Grant – Child Advocacy Centers		
16			
17	26. Transfer to Social Services Block	0	5,000,000
18	Grant – Adult Protective Services		
19			
20	TOTAL TEMPORARY ASSISTANCE FOR		
21	NEEDY FAMILIES (TANF) FUNDS	\$314,186,416	\$331,933,390
22			
23	TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF)		
24	EMERGENCY CONTINGENCY FUNDS		
25			
26	Local Program Expenditures		
27			
28	Division of Child Development and Early Education		
29			
30	01. Subsidized Child Care	34,337,395	34,337,395
31			
32	TOTAL TEMPORARY ASSISTANCE FOR		
33	NEEDY FAMILIES (TANF) EMERGENCY		
34	CONTINGENCY FUNDS	\$34,337,395	\$34,337,395
35			
36	SOCIAL SERVICES BLOCK GRANT		
37			
38	Local Program Expenditures		
39			
40	Divisions of Social Services and Aging and Adult Services		
41			
42	01. County Departments of Social Services	19,837,388	19,837,388
43			
44	02. County Departments of Social Services		
45	(Transfer From TANF)	13,166,244	22,413,218
46			
47	03. EBCI Tribal Public Health and Human Services	244,740	244,740
48			
49	04. Child Protective Services		
50	(Transfer From TANF)	5,040,000	5,040,000
51			

1	05. State In-Home Services Fund	1,943,950	1,943,950
2			
3	06. Adult Protective Services	3,864,547	3,820,378
4			
5	07. Adult Protective Services		
6	(Transfer from TANF)	0	5,000,000
7			
8	08. State Adult Day Care Fund	1,994,084	1,994,084
9			
10	09. Child Protective Services/CPS		
11	Investigative Services – Child Medical		
12	Evaluation Program	901,868	901,868
13			
14	10. Special Children Adoption Incentive Fund	462,600	462,600
15			
16	11. Child Protective Services – Child		
17	Welfare Training for Counties		
18	(Transfer From TANF)	285,612	2,285,612
19			
20	12. Home and Community Care Block		
21	Grant (HCCBG)	2,696,888	2,696,888
22			
23	13. Child Advocacy Centers		
24	(Transfer from TANF \$1,582,000)	1,582,000	1,582,000
25			
26	14. Guardianship – Division of Social Services	1,802,671	1,802,671
27			
28	15. Foster Care Services		
29	(Transfer From TANF)	3,422,219	3,422,219
30			
31	15A. Big Brothers Big Sisters of the Triangle, Inc.	350,000	350,000
32			
33	Division of Mental Health, Developmental Disabilities, and Substance Abuse Services		
34			
35	16. Mental Health Services – Adult and		
36	Child/Developmental Disabilities Program/		
37	Substance Abuse Services – Adult	4,149,595	4,149,595
38			
39	16A. Autism Society of North Carolina, Inc.	2,541,392	2,541,392
40			
41	16B. The Arc of North Carolina, Inc.	271,074	271,074
42			
43	16C. Easterseals UCP North Carolina & Virginia, Inc.	1,612,059	1,612,059
44			
45	DHHS Program Expenditures		
46			
47	Division of Services for the Blind		
48			
49	17. Independent Living Program & Program Oversight	4,237,849	4,237,849
50			
51	Division of Health Service Regulation		

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18. Adult Care Licensure Program	891,520	1,209,402
19. Mental Health Licensure and Certification Program	266,158	266,158
Division of Social Services		
20. Guardianship	3,825,443	3,825,443
DHHS Administration		
21. Division of Aging and Adult Services	188,787	188,787
22. Division of Social Services	1,724,551	1,724,551
23. Office of the Secretary/Controller's Office	673,990	673,990
24. Legislative Increases/Fringe Benefits	293,655	587,310
25. Division of Child Development and Early Education	13,878	13,878
26. Division of Mental Health, Developmental Disabilities, and Substance Abuse Services	29,966	29,966
27. Division of Health Service Regulation	592,882	275,000
TOTAL SOCIAL SERVICES BLOCK GRANT	\$78,907,610	\$95,404,070
LOW-INCOME ENERGY ASSISTANCE BLOCK GRANT		
Local Program Expenditures		
Division of Social Services		
01. Low-Income Energy Assistance Program (LIEAP)	56,369,281	62,655,888
02. Crisis Intervention Program (CIP)	44,804,354	48,995,425
Local Administration		
Division of Social Services		
03. County DSS Administration	8,037,889	8,037,889
DHHS Administration		
Division of Central Management and Support		

1	04. Administration	10,000	10,000
2			
3	05. Energy Portal (FIS Transaction Fees)	25,000	25,000
4			
5	06. Office of the Secretary/ Division of Information Resource		
6	Management (DIRM) (Accountable Results for		
7	Community Action (AR4CA) Replacement System)	166,750	166,750
8			
9	07. Office of the Secretary/DIRM	278,954	278,954
10			
11	08. Office of the Secretary/Controller's Office	18,378	18,378
12			
13	09. NC FAST Development	627,869	627,869
14			
15	10. NC FAST Operations and Maintenance	1,330,323	1,330,323
16			
17	Transfers to Other State Agencies		
18			
19	Department of Environmental Quality		
20			
21	11. Weatherization Program	10,356,943	10,356,943
22			
23	12. Heating Air Repair and Replacement		
24	Program (HARRP)	5,898,508	5,898,508
25			
26	13. Local Residential Energy Efficiency Service		
27	Providers – Weatherization	574,945	574,945
28			
29	14. Local Residential Energy Efficiency Service		
30	Providers – HARRP	319,414	319,414
31			
32	15. DEQ – Weatherization Administration	628,180	628,180
33			
34	16. DEQ – HARRP Administration	393,944	393,944
35			
36	Department of Administration		
37			
38	17. N.C. Commission on Indian Affairs	87,736	87,736
39			
40	TOTAL LOW-INCOME ENERGY		
41	ASSISTANCE BLOCK GRANT	\$129,928,468	\$140,406,146
42			
43	CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT		
44			
45	Local Program Expenditures		
46			
47	Division of Child Development and Early Education		
48			
49	01. Child Care Services	347,089,929	387,089,929
50			
51	02. Smart Start Subsidy	7,392,654	7,392,654

1			
2	03. Transfer from TANF Block Grant		
3	for Child Care Subsidies	21,773,001	21,773,001
4			
5	04. Quality and Availability Initiatives		
6	(TEACH Program \$3,800,000)	77,480,526	67,780,527
7			
8	DHHS Administration		
9			
10	Division of Child Development and Early Education		
11			
12	05. DCDEE Administrative Expenses	9,710,886	12,710,886
13			
14	06. Indirect Cost	7,346	7,346
15			
16	Division of Social Services		
17			
18	07. Direct Deposit for Child Care Payments	5,000	5,000
19			
20	08. Local Subsidized Child Care		
21	Services Support	18,780,355	18,780,355
22			
23	Division of Central Management and Support		
24			
25	09. NC FAST Operations and Maintenance	1,450,316	1,450,316
26			
27	10. DHHS Central Administration – DIRM		
28	Technical Services	1,029,762	1,029,762
29			
30	11. DHHS Central Administration	118,000	118,000
31			
32	Division of Child and Family Well-Being		
33			
34	12. Child Care Health Consultation Contracts	62,205	62,205
35			
36	TOTAL CHILD CARE AND DEVELOPMENT		
37	FUND BLOCK GRANT	\$484,899,980	\$518,199,981
38			
39	MENTAL HEALTH SERVICES BLOCK GRANT		
40			
41	Local Program Expenditures		
42			
43	01. Mental Health Services – Child	2,477,666	2,477,666
44			
45	02. Mental Health Services – Adult/Child	19,443,833	22,815,152
46			
47	03. Mental Health Services – First		
48	Psychotic Symptom Treatment	4,208,378	4,208,378
49			
50	04. Child Behavioral Health (Division of Child		
51	and Family Well-Being)	5,246,350	5,246,350

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DHHS Administration

Division of Child and Family Well Being

05. Administration 140,000 140,000

Division of Mental Health, Developmental Disabilities, and Substance Abuse Services

06. Crisis Services 2,377,047 7,377,047

07. Administration 332,351 332,351

08. Adult/Child Mental Health Services 350,150 375,150

Division of Public Health

09. NC Detect – Behavioral Health ER 35,000 35,000

TOTAL MENTAL HEALTH SERVICES

BLOCK GRANT \$34,610,775 \$43,007,094

**SUBSTANCE ABUSE PREVENTION, TREATMENT, AND RECOVERY SERVICES
BLOCK GRANT**

Local Program Expenditures

Division of Mental Health, Developmental Disabilities, and Substance Use Services

01. Substance Abuse – IV Drug 2,000,000 2,000,000

02. Substance Abuse Prevention 13,351,864 13,351,864

03. Substance Use Services – Treatment for
Children/Adults 40,038,949 50,696,855

04. Crisis Solutions Initiatives – Collegiate
Wellness/Addiction Recovery 1,545,205 6,545,205

05. Veterans Initiatives 250,000 10,000,000

DHHS Administration

Division of Mental Health, Developmental Disabilities, and Substance Use Services

06. Administration \$2,297,852 \$2,617,280

07. Controlled Substance Reporting System
Enhancement 675,000 675,000

TOTAL SUBSTANCE ABUSE PREVENTION

1	AND TREATMENT BLOCK GRANT	\$60,158,870	\$85,886,204
2			
3	MATERNAL AND CHILD HEALTH BLOCK GRANT		
4			
5	Local Program Expenditures		
6			
7	Division of Child and Family Well-Being		
8			
9	01. Children's Health Services	11,646,618	11,572,418
10			
11	Division of Public Health		
12			
13	02. Women's and Children's Health Services	5,453,930	5,453,930
14			
15	03. Oral Health	58,413	60,523
16			
17	04. Evidence-Based Programs in Counties With Highest Infant Mortality Rates	1,727,307	1,727,307
18			
19			
20	DHHS Program Expenditures		
21			
22	05. Children's Health Services	1,287,619	1,287,619
23			
24	06. Women's Health – Maternal Health	489,568	489,568
25			
26	07. Women's and Children's Health – Perinatal Strategic Plan Support Position	81,112	84,067
27			
28			
29	08. State Center for Health Statistics	158,583	158,583
30			
31	09. Health Promotion – Injury and Violence Prevention	87,271	87,271
32			
33			
34	DHHS Administration		
35			
36	11. Division of Public Health Administration	340,646	340,646
37			
38	12. Division of Child and Family Well Being Administration	211,925	211,925
39			
40			
41	TOTAL MATERNAL AND CHILD HEALTH BLOCK GRANT	\$21,542,992	\$21,963,519
42			
43			
44	PREVENTIVE HEALTH AND HEALTH SERVICES BLOCK GRANT		
45			
46	Local Program Expenditures		
47			
48	01. Physical Activity and Prevention	\$3,081,442	\$3,081,442
49			
50	DHHS Program Expenditures		
51			

1	Division of Public Health		
2			
3	02. HIV/STD Prevention and		
4	Community Planning	135,063	135,063
5			
6	03. Oral Health Preventive Services	150,000	150,000
7			
8	04. Injury and Violence Prevention		
9	(Services to Rape Victims – Set-Aside)	217,935	217,935
10			
11	05. Performance Improvement and		
12	Accountability	1,384,421	1,199,557
13			
14	06. State Center for Health Statistics	48,000	48,000
15			
16	DHHS Administration		
17			
18	Division of Public Health		
19			
20	07. Division of Public Health	65,000	65,000
21			
22	TOTAL PREVENTIVE HEALTH AND HEALTH		
23	SERVICES BLOCK GRANT	\$5,081,861	\$4,896,997
24			
25	COMMUNITY SERVICES BLOCK GRANT		
26			
27	01. Community Action Agencies	22,370,334	23,286,497
28			
29	02. Limited Purpose Agencies/Discretionary Funding	504,718	541,000
30			
31	03. Office of Economic Opportunity	1,070,001	1,015,712
32			
33	04. Office of the Secretary/DIRM (Accountable Results for		
34	Community Action (AR4CA) Replacement System)	394,964	414,713
35			
36	05. Office of Economic Opportunity – Workforce		
37	Investment Opportunities Act (WIOA)	60,000	60,000
38			
39	TOTAL COMMUNITY SERVICES		
40	BLOCK GRANT	\$24,400,017	\$25,317,922
41			

42 **GENERAL PROVISIONS**

43 **SECTION 9L.1.(b)** Information to be Included in Block Grant Plans. – The
44 Department of Health and Human Services shall submit a separate plan for each Block Grant
45 received and administered by the Department, and each plan shall include the following:

- 46 (1) A delineation of the proposed allocations by program or activity, including
47 State and federal match requirements.
- 48 (2) A delineation of the proposed State and local administrative expenditures.
- 49 (3) An identification of all new positions to be established through the Block
50 Grant, including permanent, temporary, and time-limited positions.

- 1 (4) A comparison of the proposed allocations by program or activity with two
- 2 prior years' program and activity budgets and two prior years' actual program
- 3 or activity expenditures.
- 4 (5) A projection of current year expenditures by program or activity.
- 5 (6) A projection of federal Block Grant funds available, including unspent federal
- 6 funds from the current and prior fiscal years.
- 7 (7) The required amount of maintenance of effort and the amount of funds
- 8 qualifying for maintenance of effort in the previous year delineated by
- 9 program or activity.

10 **SECTION 9L.1.(c)** Changes in Federal Fund Availability. – If the Congress of the
11 United States increases the federal fund availability for any of the Block Grants or contingency
12 funds and other grants related to existing Block Grants administered by the Department of Health
13 and Human Services from the amounts appropriated in this act, the Department shall allocate the
14 increase proportionally across the program and activity appropriations identified for that Block
15 Grant in this section. In allocating an increase in federal fund availability, the Office of State
16 Budget and Management shall not approve funding for new programs or activities not
17 appropriated in this act.

18 If the Congress of the United States decreases the federal fund availability for any of
19 the Block Grants or contingency funds and other grants related to existing Block Grants
20 administered by the Department of Health and Human Services from the amounts appropriated
21 in this act, the Department shall develop a plan to adjust the Block Grants based on reduced
22 federal funding.

23 Notwithstanding the provisions of this subsection, for fiscal years 2025-2026 and
24 2026-2027, increases in the federal fund availability for the Temporary Assistance to Needy
25 Families (TANF) Block Grant shall be used only for the North Carolina Child Care Subsidy
26 program to pay for child care and shall not be used to supplant State funds.

27 Prior to allocating the change in federal fund availability, the proposed allocation
28 must be approved by the Office of State Budget and Management. If the Department adjusts the
29 allocation of any Block Grant due to changes in federal fund availability, then a report shall be
30 made to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal
31 Research Division.

32 **SECTION 9L.1.(d)** Except as otherwise provided, appropriations from federal
33 Block Grant funds are made for each year of the fiscal biennium ending June 30, 2027, according
34 to the schedule enacted for State fiscal years 2025-2026 and 2026-2027, or until a new schedule
35 is enacted by the General Assembly.

36 **SECTION 9L.1.(e)** Except as otherwise provided in subsection (e1) of this section,
37 all changes to the budgeted allocations to the Block Grants or contingency funds and other grants
38 related to existing Block Grants administered by the Department of Health and Human Services
39 that are not specifically addressed in this section shall be approved by the Office of State Budget
40 and Management. The Office of State Budget and Management shall not approve funding for
41 new programs or activities not appropriated in this section. The Office of State Budget and
42 Management shall consult with the Joint Legislative Oversight Committee on Health and Human
43 Services for review prior to implementing any changes. In consulting, the report shall include an
44 itemized listing of affected programs, including associated changes in budgeted allocations. All
45 changes to the budgeted allocations to the Block Grants shall be reported immediately to the Joint
46 Legislative Oversight Committee on Health and Human Services and the Fiscal Research
47 Division. This subsection does not apply to Block Grant changes caused by legislative salary
48 increases and benefit adjustments.

49 **SECTION 9L.1.(e)** The Department of Health and Human Services shall have the
50 authority to realign appropriated funds under subsection (a) of this section for Item 01 or 02 in
51 the Maternal and Child Health Block Grant to maintain federal compliance and programmatic

1 alignment, so long as the realignment does not result in a reduction of funds designated for
2 subrecipients under subsection (a) of this section. The Department of Health and Human Services
3 is authorized to realign appropriated funds between the Maternal and Child Health Block Grant
4 categories as provided in this subsection without prior consultation with the Joint Legislative
5 Oversight Committee on Health and Human Services or without exceeding the total amount
6 appropriated for the items.

7 **SECTION 9L.1.(f)** Except as otherwise provided, the Department of Health and
8 Human Services shall have flexibility to transfer funding between the Temporary Assistance for
9 Needy Families (TANF) Block Grant and the TANF Emergency Contingency Funds Block Grant
10 so long as the total allocation for the line items within those Block Grants remains the same.
11

12 **TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF) FUNDS**

13 **SECTION 9L.1.(g)** The sum of eighty million ninety-three thousand five hundred
14 sixty-six dollars (\$80,093,566) for each year of the 2025-2027 fiscal biennium appropriated in
15 this act in TANF funds to the Department of Health and Human Services, Division of Social
16 Services, shall be used for Work First County Block Grants. The Division shall certify these
17 funds in the appropriate State-level services based on prior year actual expenditures. The Division
18 has the authority to realign the authorized budget for these funds among the State-level services
19 based on current year actual expenditures. The Division shall also have the authority to realign
20 appropriated funds from Work First Family Assistance for electing counties to the Work First
21 County Block Grant for electing counties based on current year expenditures so long as the
22 electing counties meet Maintenance of Effort requirements.

23 **SECTION 9L.1.(h)** The sum of eleven million three hundred eighty-seven thousand
24 one hundred ninety dollars (\$11,387,190) for each year of the 2025-2027 fiscal biennium
25 appropriated in this act to the Department of Health and Human Services, Division of Social
26 Services, in TANF funds for child welfare improvements shall be allocated to the county
27 departments of social services for hiring or contracting staff to investigate and provide services
28 in Child Protective Services cases; to provide foster care and support services; to recruit, train,
29 license, and support prospective foster and adoptive families; and to provide interstate and
30 post-adoption services for eligible families.

31 Counties shall maintain their level of expenditures in local funds for Child Protective
32 Services workers. Of the Block Grant funds appropriated for Child Protective Services workers,
33 the total expenditures from State and local funds for fiscal years 2025-2026 and 2026-2027 shall
34 not be less than the total expended from State and local funds for the 2012-2013 fiscal year.

35 **SECTION 9L.1.(i)** The sum of four million one thousand six hundred seventy-six
36 dollars (\$4,001,676) for each year of the 2025-2027 fiscal biennium appropriated in this act in
37 TANF funds to the Department of Health and Human Services, Special Children Adoption Fund,
38 shall be used in accordance with G.S. 108A-50.2. The Division of Social Services, in consultation
39 with the North Carolina Association of County Directors of Social Services and representatives
40 of licensed private adoption agencies, shall develop guidelines for the awarding of funds to
41 licensed public and private adoption agencies upon the adoption of children described in
42 G.S. 108A-50 and in foster care. Payments received from the Special Children Adoption Fund
43 by participating agencies shall be used exclusively to enhance the adoption services program. No
44 local match shall be required as a condition for receipt of these funds.

45 **SECTION 9L.1.(j)** The sum of one million four hundred thousand (\$1,400,000) in
46 for the 2025-26 fiscal year and two million nine hundred thousand dollars (\$2,900,000) for the
47 2026-27 fiscal year appropriated in this act in TANF funds to the Department of Health and
48 Human Services, Division of Social Services, shall be used for child welfare initiatives to (i)
49 enhance the skills of social workers to improve the outcomes for families and children involved
50 in child welfare and (ii) enhance the provision of services to families in their homes in the least
51 restrictive setting.

1
2 **SOCIAL SERVICES BLOCK GRANT**

3 **SECTION 9L.1.(k)** The sum of nineteen million eight hundred thirty-seven
4 thousand three hundred eighty-eight dollars (\$19,837,388) for the 2025-2026 fiscal year and the
5 sum of nineteen million eight hundred thirty-seven thousand three hundred eighty-eight dollars
6 (\$19,837,388) for the 2026-2027 fiscal year appropriated in this act in the Social Services Block
7 Grant to the Department of Health and Human Services, Division of Social Services, and the sum
8 of thirteen million one hundred sixty-six thousand two forty-four dollars (\$13,166,244) for the
9 2025-2026 fiscal year and the sum of twenty-two million four hundred thirteen thousand two
10 hundred eighteen dollars (\$22,413,218) for the 2026-2027 fiscal year transferred from funds
11 appropriated in the TANF Block Grant shall be used for county Block Grants. The Division shall
12 certify these funds in the appropriate State-level services based on prior year actual expenditures.
13 The Division has the authority to realign the authorized budget for these funds, as well as State
14 Social Services Block Grant funds, among the State-level services based on current year actual
15 expenditures.

16 **SECTION 9L.1.(l)** The sum of two hundred eighty-five thousand six hundred twelve
17 dollars (\$285,612) for the 2025-26 fiscal year and the sum of two million two hundred eighty-
18 five six hundred twelve dollars (\$2,285,612) for the 2026-27 fiscal year appropriated in this act
19 in the Social Services Block Grant to the Department of Health and Human Services, Division
20 of Social Services, shall be used to support the state's child welfare training system. Training is
21 delivered to county child welfare staff that addresses the knowledge and skills needed to complete
22 their daily tasks in the areas of child protective services, foster care, on-going child welfare
23 services, and adoption.

24 **SECTION 9L.1.(m)** The Department of Health and Human Services is authorized,
25 subject to the approval of the Office of State Budget and Management, to transfer Social Services
26 Block Grant funding allocated for departmental administration between divisions that have
27 received administrative allocations from the Social Services Block Grant.

28 **SECTION 9L.1.(n)** Social Services Block Grant funds appropriated for the Special
29 Children Adoption Incentive Fund shall require a fifty percent (50%) local match.

30 **SECTION 9L.1.(o)** The sum of five million forty thousand dollars (\$5,040,000)
31 appropriated in this act in the Social Services Block Grant for each fiscal year of the 2025-2027
32 fiscal biennium transferred from funds appropriated in the TANF Block Grant shall be allocated
33 to the Department of Health and Human Services, Division of Social Services. The Division shall
34 allocate these funds to local departments of social services to replace the loss of Child Protective
35 Services State funds that are currently used by county governments to pay for Child Protective
36 Services staff at the local level. These funds shall be used to maintain the number of Child
37 Protective Services workers throughout the State. These Social Services Block Grant funds shall
38 be used to pay for salaries and related expenses only and are exempt from 10A NCAC 71R
39 .0201(3) requiring a local match of twenty-five percent (25%).

40 **SECTION 9L.1.(p)** The sum of one million five hundred eighty-two thousand
41 dollars (\$1,582,000) appropriated in this act in the Social Services Block Grant for each fiscal
42 year of the 2025-2027 fiscal biennium to the Department of Health and Human Services, Division
43 of Social Services, shall be used to continue support for the Child Advocacy Centers. These funds
44 are exempt from the provisions of 10A NCAC 71R .0201(3).

45 **SECTION 9L.1.(q)** The sum of three million eight hundred twenty-five thousand
46 four hundred forty-three dollars (\$3,825,443) for each fiscal year of the 2025-2027 fiscal
47 biennium appropriated in this act in the Social Services Block Grant to the Department of Health
48 and Human Services, Division of Social Services, shall be used for guardianship services
49 pursuant to Chapter 35A of the General Statutes. The Department may expend funds allocated in
50 this section to support existing corporate guardianship contracts during the 2025-2026 and 2026-
51 2027 fiscal years.

1 **SECTION 9L.1.(r)** Of the three million eight hundred sixty-four thousand five
2 hundred forty-seven dollars (\$3,864,547) in the 2025-2026 fiscal year and three million eight
3 hundred twenty-two three hundred seventy-eight dollars (\$3,820,378) for the 2026-2027 fiscal
4 year appropriated in this act in the Social Services Block Grant to the Division of Aging and
5 Adult Services for Adult Protective Services, the sum of eight hundred ninety-three thousand
6 forty-one dollars (\$893,041) for each year of the 2025-2027 fiscal biennium shall be used to
7 increase the number of Adult Protective Services workers where these funds can be the most
8 effective. These funds shall be used to pay for salaries and related expenses and shall not be
9 used to supplant any other source of funding for staff. These funds are also exempt from 10A
10 NCAC 71R .0201(3) requiring a local match of twenty-five percent (25%).

11 **SECTION 9L.1.(s)** The following amounts appropriated in this act in the Social Services
12 Block Grant for each fiscal year of the 2025-2027 fiscal biennium to the Department of Health
13 and Human Services, Division of Social Services or Division of Mental Health, Developmental
14 Disabilities, and Substance Use Services, for the nonprofit organizations described in this
15 subsection shall be exempt from the provisions of 10A NCAC 71R .0201(3):

- 16 (1) The sum of three hundred fifty thousand dollars (\$350,000) for each fiscal
17 year of the 2025-2027 fiscal biennium for Big Brothers Big Sisters of the
18 Triangle, Inc.
- 19 (2) The sum of two million five hundred forty-one thousand three hundred ninety-
20 two dollars (\$2,541,392) for each fiscal year of the 2025-2027 fiscal biennium
21 for Autism Society of North Carolina, Inc.
- 22 (3) The sum of two hundred seventy-one thousand seventy-four dollars
23 (\$271,074) for each fiscal year of the 2025-2027 fiscal biennium for The Arc
24 of North Carolina, Inc.
- 25 (4) The sum of one million six hundred twelve thousand fifty-nine dollars
26 (\$1,612,059) for each fiscal year of the 2025-2027 fiscal biennium for
27 Easterseals UCP of North Carolina & Virginia, Inc.

28 29 **LOW-INCOME ENERGY ASSISTANCE BLOCK GRANT**

30 **SECTION 9L.1.(t)** The Division of Social Services shall have the authority to
31 realign appropriated funds between the State-level services Low-Income Energy Assistance
32 Payments and Crisis Assistance Payments without prior consultation with the Joint Legislative
33 Oversight Committee on Health and Human Services to ensure needs are effectively met without
34 exceeding the total amount appropriated for these State-level service items. Additional
35 emergency contingency funds received may be allocated for Energy Assistance Payments or
36 Crisis Intervention Payments without prior consultation with the Joint Legislative Oversight
37 Committee on Health and Human Services. Additional funds received shall be reported to the
38 Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research
39 Division upon notification of the award. The Department of Health and Human Services shall
40 not allocate funds for any activities, including increasing administration, other than assistance
41 payments, without prior consultation with the Joint Legislative Oversight Committee on Health
42 and Human Services.

43 **SECTION 9L.1.(u)** The sum of fifty-six million three hundred sixty-nine thousand
44 two hundred eighty-one dollars (\$56,369,281) in the 2025-26 fiscal year and sixty-two million
45 six hundred fifty-five thousand eight hundred eighty-eight dollars (\$62,655,888) in the 2026-27
46 fiscal year appropriated in this act in the Low-Income Energy Assistance Block Grant to the
47 Department of Health and Human Services, Division of Social Services, shall be used for Energy
48 Assistance Payments for the households of (i) elderly persons age 60 and above with income up
49 to one hundred fifty percent (150%) of the federal poverty level and (ii) disabled persons eligible
50 for services funded through the Division of Aging and Adult Services.

1 County departments of social services shall submit to the Division of Social Services
2 an outreach plan for targeting households with 60-year-old household members no later than
3 August 1 of each year. The outreach plan shall comply with the following:

- 4 (1) Ensure that eligible households are made aware of the available assistance,
5 with particular attention paid to the elderly population age 60 and above and
6 disabled persons receiving services through the Division of Aging and Adult
7 Services.
- 8 (2) Include efforts by the county department of social services to contact other
9 State and local governmental entities and community-based organizations to
10 (i) offer the opportunity to provide outreach and (ii) receive applications for
11 energy assistance.
- 12 (3) Be approved by the local board of social services or human services board
13 prior to submission.

14 **CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT**

15 **SECTION 9L.1.(v)** Payment for subsidized child care services provided with federal
16 TANF funds shall comply with all regulations and policies issued by the Division of Child
17 Development and Early Education for the subsidized child care program.

18 **SECTION 9L.1.(w)** If funds appropriated through the Child Care and Development
19 Fund Block Grant for any program cannot be obligated or spent in that program within the
20 obligation or liquidation periods allowed by the federal grants, the Department may move funds
21 to child care subsidies, unless otherwise prohibited by federal requirements of the grant, in order
22 to use the federal funds fully.
23

24 **COMMUNITY MENTAL HEALTH SERVICES BLOCK GRANT**

25 **SECTION 9L.1.(x)** The sum of five million four hundred sixteen thousand seven
26 hundred fifty-six dollars (\$4,208,378) for the 2025-2026 fiscal year and four million two hundred
27 and eight thousand, three hundred and seventy-eight dollars (\$4,208,378) for the 2026-2027
28 fiscal year appropriated in this act in the Community Mental Health Services Block Grant to the
29 Department of Health and Human Services, Division of Mental Health, Developmental
30 Disabilities, and Substance Use Services, is to be used for Mental Health Services – First
31 Psychotic Symptom Treatment.
32

33 **MATERNAL AND CHILD HEALTH BLOCK GRANT**

34 **SECTION 9L.1.(y)** The sum of one million seven hundred twenty-seven thousand
35 three hundred seven dollars (\$1,727,307) appropriated in this act in the Maternal and Child
36 Health Block Grant to the Department of Health and Human Services, Division of Public Health,
37 for each year of the 2025-2027 fiscal biennium shall be used for evidence-based programs in
38 counties with the highest infant mortality rates. The Division shall report on (i) the counties
39 selected to receive the allocation, (ii) the specific evidence-based services provided, (iii) the
40 number of women served, and (iv) any impact on the counties' infant mortality rate. The Division
41 shall report its findings to the House of Representatives Appropriations Committee on Health
42 and Human Services, the Senate Appropriations Committee on Health and Human Services, and
43 the Fiscal Research Division no later than December 31 of each year.
44

45 **SECTION 9L.1.(z)** The sum of eighty-one thousand one hundred twelve dollars
46 (\$81,112) for fiscal year 2025-26 and eighty-four thousand sixty seven dollars (\$84,067) for
47 fiscal year 2026-27, allocated in this section in the Maternal and Child Health Block Grant to the
48 Department of Health and Human Services, Division of Public Health, Women and Children's
49 Health Section, shall not be used to supplant existing State or federal funds. This allocation shall
50 be used for a Public Health Program Consultant position assigned full-time to manage the North
51 Carolina Perinatal Health Strategic Plan and provide staff support for the stakeholder work group.

1 **SECTION 9L.1.(aa1)** Notwithstanding any provision of law to the contrary, the
2 Department of Health and Human Services, Division of Public Health, shall have the authority
3 to realign appropriated funds between the Maternal and Child Health Block Grant categories to
4 maintain federal compliance and programmatic alignment without exceeding the total amount
5 appropriated for the Maternal and Child Health Block Grant.

6
7 **PART X. AGRICULTURE AND CONSUMER SERVICES [RESERVED]**

8
9 **PART XI. COMMERCE**

10
11 **COMMUNITY DEVELOPMENT BLOCK GRANTS**

12 **SECTION 11.1.(a)** Allocations. – Of the funds appropriated in this act for federal
13 block grant funds, the following allocations are made for the fiscal year ending June 30, 2027,
14 according to the following schedule:

15
16 **COMMUNITY DEVELOPMENT BLOCK GRANT**

17		
18	01. State Administration	\$1,484,872
19		
20	02. Neighborhood Revitalization	\$27,662,645
21		
22	03. Economic Development	\$14,065,752
23		
24	04. Rural Community Development	\$5,157,442
25		

26 **TOTAL COMMUNITY DEVELOPMENT BLOCK GRANT**

27	2024 Program Year	\$46,308,393
28	2025 Program Year	\$46,272,979
29	2026 Program Year	\$46,272,979
30	2027 Program Year	\$48,370,711

31
32 **SECTION 11.1.(b)** Availability Reduction. – If federal funds are reduced below the
33 amounts specified in this section after the effective date of this act, then every program in each
34 of these federal block grants shall be reduced by the same percentage as the reduction in federal
35 funds.

36 **SECTION 11.1.(c)** Availability Increase. – Any block grant funds appropriated by
37 the Congress of the United States in addition to the funds specified in this section shall be
38 expended as follows: each program category under the Community Development Block Grant
39 shall be increased by the same percentage as the increase in federal funds.

40 **SECTION 11.1.(d)** Reallocation. – The Department of Commerce shall consult with
41 the Joint Legislative Commission on Governmental Operations (Commission) prior to
42 reallocating Community Development Block Grant Funds. Notwithstanding the provisions of
43 this subsection, whenever the Director of the Budget finds either of the following conditions
44 exist:

- 45 (1) If a reallocation is required because of an emergency that poses an imminent
46 threat to public health or public safety, then the Director of the Budget may
47 authorize the reallocation without consulting the Commission. The
48 Department of Commerce shall report to the Commission on the reallocation
49 no later than 30 days after it was authorized and shall identify in the report the
50 emergency, the type of action taken, and how it was related to the emergency.

- 1 (2) If the State will lose federal block grant funds or receive less federal block
2 grant funds in the next fiscal year unless a reallocation is made, then the
3 Department of Commerce shall provide a written report to the Commission
4 on the proposed reallocation and shall identify the reason that failure to take
5 action will result in the loss of federal funds. If the Commission does not hear
6 the issue within 30 days of receipt of the report, the Department of Commerce
7 may take the action without consulting the Commission.

8 **SECTION 11.1.(e) Report.** – By October 1, 2026, and September 1, 2027, the
9 Department of Commerce shall report to the chairs of the House of Representatives
10 Appropriations Committee on Agriculture and Natural and Economic Resources; the chairs of
11 the Senate Appropriations Committee on Agriculture, Natural, and Economic Resources; the
12 chairs of the Joint Legislative Economic Development and Global Engagement Oversight
13 Committee; and the Fiscal Research Division on the use of Community Development Block
14 Grant Funds appropriated in the prior fiscal year. The report shall include the following:

- 15 (1) A discussion of each of the categories of funding, including information on
16 the statewide need in each category.
17 (2) Information on the number of applications that were received in each category
18 and the total dollar amount requested in each category.
19 (3) A list of grantees, including the grantee's name, county, category under which
20 the grant was funded, the amount awarded, and a narrative description of the
21 project.

22 **SECTION 11.1.(f) Neighborhood Revitalization.** – Funds allocated to the
23 Neighborhood Revitalization Category in subsection (a) of this section shall be made available
24 as grants for eligible activities listed in this subsection. The funds available for grants under this
25 category may be used for all of the following, subject to the national objectives and eligible
26 activities allowed under guidance issued by the United States Department of Housing and Urban
27 Development (HUD):

- 28 (1) Essential repairs to prevent abandonment and deterioration of housing in low-
29 and moderate- income neighborhoods.
30 (2) Demolition and rehabilitation of buildings and improvements.
31 (3) Public improvements, including parks, streets, sidewalks, and water and sewer
32 lines.

33 **SECTION 11.1.(g) Economic Development.** – Funds allocated to the Economic
34 Development Category in subsection (a) of this section shall be made available as grants for
35 eligible activities listed in this subsection. The funds available for grants under this category may
36 be used for all of the following, subject to the national objectives and eligible activities allowed
37 under guidance issued by HUD:

- 38 (1) Acquisition of real property.
39 (2) Demolition and rehabilitation of buildings and improvements.
40 (3) Removal of material and architectural barriers.
41 (4) Public improvements, including parks, streets, sidewalks, and water and
42 sewer lines.
43 (5) Loans and grants to public or private nonprofit entities for construction and
44 rehabilitation activities.
45 (6) Assistance to private, for-profit entities for economic development.
46 (7) Technical assistance to public or nonprofit entities for neighborhood
47 revitalization or economic development activities.
48 (8) Assistance to for-profit and nonprofit entities to facilitate economic
49 development activities.

50 **SECTION 11.1.(h) Rural Community Development.** – Funds allocated for the Rural
51 Community Development Category in subsection (a) of this section shall be made available as

1 grants for eligible activities listed in this subsection. These funds shall provide grants that support
2 community development and comprehensive growth projects to be awarded by the North
3 Carolina Department of Commerce. The Rural Community Development Category will provide
4 grants to units of local government in development Tier one and development Tier two areas, as
5 defined in G.S. 143B-437.08, and in rural census tracts, as defined in G.S. 143B-472.127(a)(2),
6 in any other area to support projects that promote broad-based community development
7 activities, increased local investment and economic growth, and stronger and more viable rural
8 neighborhoods. In awarding grants under this section, preference shall be given to projects in
9 development tier one areas, as defined in G.S. 143B-437.08. The funds available for grants under
10 this category may be used for all of the following, subject to the national objectives and eligible
11 activities allowed under guidance issued by HUD:

- 12 (1) Essential repairs to prevent abandonment and deterioration of housing in low
13 and moderate-income neighborhoods.
- 14 (2) Public improvements, including parks, streets, sidewalks, and water and sewer
15 lines.
- 16 (3) Public facilities, including neighborhood and community facilities and
17 facilities for individuals with special needs.
- 18 (4) Public services, including employment, crime prevention, and energy
19 conservation.
- 20 (5) Assistance to private, for-profit entities for economic development.
- 21 (6) Technical assistance to public or nonprofit entities for neighborhood
22 revitalization or economic development activities.
- 23 (7) Assistance to for-profit and nonprofit entities to facilitate economic
24 development activities.

25 **SECTION 11.1.(i) Deobligated Funds.** – Throughout each year, deobligated funds
26 arise in the various funding categories and program years of the Community Development Block
27 Grant (CDBG) program as a result of (i) projects coming in under budget, (ii) projects being
28 cancelled, or (iii) projects being required to repay funds. Surplus federal administrative funds in
29 the CDBG program may vary from year to year based upon the amount of State appropriated
30 funds allocated and the amount of eligible in-kind funds identified. To allow the Department of
31 Commerce to quickly deploy deobligated and surplus federal administrative funds as they are
32 identified throughout the program year, the following shall apply to the use of deobligated CDBG
33 funds and surplus federal administrative funds:

- 34 (1) All surplus federal administrative funds shall be divided proportionally
35 between the Department of Commerce programs and shall be used as provided
36 in subdivisions (2) and (3) of this subsection.
- 37 (2) All deobligated funds allocated to the Department of Commerce and any
38 surplus federal administrative funds, as provided for in subdivision (1) of this
39 subsection, may be used by the Department for all of the following:
 - 40 a. To issue grants in the CDBG Economic Development or
41 Neighborhood Revitalization Program Category.
 - 42 b. For providing training and guidance to local governments relative to
43 the CDBG program, its management, and administrative requirements.
 - 44 c. For any other purpose consistent with the Department's administration
45 of the CDBG program if an equal amount of State matching funds is
46 available.

47 **COMMERCE NONPROFITS/REPORTING REQUIREMENTS**

48 **SECTION 11.2.(a)** The entities listed in subsection (b) of this section shall do the
49 following for each year that State funds are expended:
50

- 1 (1) By September 1 of each year, and more frequently as requested, report to the
2 chairs of the Joint Legislative Oversight Committee on Agriculture and
3 Natural and Economic Resources; the chairs of the House of Representatives
4 Appropriations Committee on Agriculture and Natural and Economic
5 Resources; the chairs of the Senate Appropriations Committee on Agriculture,
6 Natural, and Economic Resources; and the Fiscal Research Division on prior
7 State fiscal year program activities, objectives, and accomplishments and prior
8 State fiscal year itemized expenditures and fund sources. If State funds are
9 used to provide matching funds for competitive grants from the federal
10 government or a nongovernmental entity, the report should include a list and
11 description of the grants that are awarded.
- 12 (2) Provide to the chairs of the Joint Legislative Oversight Committee on
13 Agriculture and Natural and Economic Resources; the chairs of the House of
14 Representatives Appropriations Committee on Agriculture and Natural and
15 Economic Resources; the chairs of the Senate Appropriations Committee on
16 Agriculture, Natural, and Economic Resources; and the Fiscal Research
17 Division a copy of the entity's annual audited financial statement within 30
18 days of issuance of the statement.

19 **SECTION 11.2.(b)** The following entities shall comply with the requirements of
20 subsection (a) of this section:

- 21 (1) North Carolina Biotechnology Center.
- 22 (2) High Point Market Authority.
- 23 (3) RTI International.
- 24 (4) Carolina Small Business Development Fund.

25 **ADMINISTRATIVE EXPENSES FOR ONE NC SMALL BUSINESS PROGRAM**

26 **SECTION 11.3.(a)** G.S. 143B-437.71 reads as rewritten:

27 **"§ 143B-437.71. One North Carolina Fund established as a special fund.**

28 ...

29
30 (c) [Special Account. –]There is created in the One North Carolina Fund a special account,
31 the One North Carolina Small Business Account, to be used for the North Carolina SBIR/STTR
32 Incentive Program and the North Carolina SBIR/STTR Matching Funds Program, as specified in
33 Part 2I of Article 10 of Chapter 143B of the General Statutes. Of the total moneys in the One
34 North Carolina Small Business Account, the Department may use up to two percent (2%)
35 annually for costs associated with administration of the North Carolina SBIR/STTR Incentive
36 Program and the North Carolina SBIR/STTR Matching Funds Program."

37 **NC BIOTECHNOLOGY CENTER**

38 **SECTION 11.4.(a)** Except for the funds appropriated in subsection (b) of this
39 section, funds appropriated in this act to the Department of Commerce for the North Carolina
40 Biotechnology Center (Center) in the fiscal year 2026-27 shall be allocated for the following
41 purposes in the following proportions:

- 42 (1) Twenty-one percent (21%) for job creation, including funding for the
43 AgBiotech Initiative, economic and industrial development, and related
44 activities.
- 45 (2) Sixty-five percent (65%) for science and commercialization, including
46 science and technology development, Centers of Innovation, business and
47 technology development, education and training, and related activities.
- 48 (3) Fourteen percent (14%) for Center operations, including administration,
49 professional and technical assistance and oversight, corporate
50

1 communications, human resource management, financial and grant
2 administration, legal, and accounting.

3 **SECTION 11.4.(b)** Of the funds appropriated in this act to the Department of
4 Commerce for the Center, five hundred thousand dollars (\$500,000) of recurring funds in each
5 fiscal year of the biennium shall be used to support funding for early stage loans to North Carolina
6 agricultural technology companies.

7 **SECTION 11.4.(c)** The Center shall not use any of the recurring funds allocated in
8 subsection (b) of this section for administrative costs and shall report on the expenditure of those
9 funds each year pursuant to Section 11.2 of this act.

10 **SECTION 11.4.(d)** The Center shall prioritize funding and distribution of loans over
11 funding and distribution of grants.

12 **SECTION 11.4.(e)** Up to ten percent (10%) of the sum of each of the allocations in
13 subsection (a) of this section may be reallocated to subdivision (a)(1) or subdivision (a)(2) of this
14 section if, in the judgment of Center management, the reallocation will advance the mission of
15 the Center.

16 17 **STRATEGIC WORKFORCE TRAINING FUND AND BUSINESS TAX CUT**

18 **SECTION 11.5.(a)** Article 1 of Chapter 96 of the General Statutes is amended by
19 adding a new section to read:

20 **"§ 96-6.3. Strategic WorkForce Training fund.**

21 (a) Establishment and Use. – There is established in the Department of Commerce a Strategic
22 WorkForce Training fund for the purposes of providing job training, employment-related
23 services, and economic development services to North Carolina job seekers and employers in
24 order to increase or improve labor supply, connect employers with employees, and enhance the
25 employer experience with the Division. The Trust consists of the revenues derived from the
26 Strategic WorkForce Training assessment imposed as outlined in 96-6.3.(b).

27 (b) Assessment Imposed. – An assessment is imposed on an employer who is required to
28 make a contribution to the Unemployment Insurance equal to a percentage of the required
29 contribution calculated in accordance with G.S. 96-9.2. prior to the application of the reduction
30 in G.S. 96-9.2(f). The Division shall calculate the assessment percentage, rounded up to the
31 nearest half percent (0.5%), as the ratio of the Strategic WorkForce Training fund Annual Target
32 Amount divided by the total required contributions estimated using the most recently available
33 Experience Rating Report (ETA 204) prepared for the Employment and Training Administration
34 within the U.S. Department of Labor. The Annual Target Amount shall be one hundred million
35 dollars (\$100,000,000) for taxable years beginning on or after January 1, 2027, and before
36 January 1, 2028, and shall increase by three and one-half percent (3.5%) in each subsequent
37 taxable year, rounded to the nearest one hundred thousand dollars (\$100,000). Except as provided
38 in this section, the assessment is collected and administered in the same manner as contributions
39 as described in Article 2A of this Chapter, except that the full assessment amount is due on the
40 same date as the first quarterly payment of contributions. Assessments collected under this
41 section must be credited to the Strategic WorkForce Training fund established under subsection
42 (a) of this section. Interest and penalties collected on unpaid assessments imposed by this section
43 must be credited to the Supplemental Employment Security Administration. Penalties collected
44 on unpaid assessments imposed by this section must be transferred to the Civil Penalty and
45 Forfeiture established in G.S. 115C-457.1.

46 (c) Suspension of Assessment. – The assessment does not apply in a taxable year if, as of
47 September 1 of the preceding calendar year, the amount in the State's account in the
48 Unemployment Trust is less than one billion dollars (\$1,000,000,000)."

49 **SECTION 11.5.(b)** G.S. 96-9.2 is amended by adding a new subsection to read:

50 **"§ 96-9.2. Required contributions to the Unemployment Insurance Fund.**

51 ...

1 (f) Strategic Workforce Contribution Tax Credit. – Except when the surtax imposed under
2 G.S. 96-9.7 is in effect, an employer is allowed a tax credit for a contribution to the
3 Unemployment Insurance Fund payable under this section each calendar year equal to one
4 hundred and fifty percent (150%) of the amount of the Strategic WorkForce Training assessment
5 calculated pursuant to G.S. 96-6.3. An employer may claim the full amount of the credit against
6 the contributions payable with the report due on or before April 30 of each calendar year. The
7 Division may suspend the Strategic Workforce Contribution Tax Credit for any employer with
8 contributions more than 90 days past due."

9
10 **ENHANCE UNEMPLOYMENT INSURANCE BENEFITS**

11 **SECTION 11.6.(a)** G.S. 96-14.2 reads as rewritten:

12 **"§ 96-14.2. Weekly benefit amount.**

13 (a) Weekly Benefit Amount. – The weekly benefit amount for an individual who is totally
14 unemployed is an amount equal to the wages paid to the individual in the last two completed
15 quarters of the individual's base period divided by 52 and rounded to the next lower whole dollar.
16 If this amount is less than fifteen dollars (\$15.00), the individual is not eligible for benefits. The
17 weekly benefit amount may not exceed ~~three hundred fifty dollars (\$350.00)~~ four hundred ninety-
18 five dollars (\$495.00), adjusted annually for inflation. Beginning July 1, 2027, and on each July
19 1 thereafter, the Division shall adjust the maximum weekly benefit for claims filed on or after
20 that date by the percentage change in the annual average Consumer Price Index for All Items for
21 All Urban Consumers published by the Bureau of Labor Statistics for the preceding calendar
22 year, rounded to the nearest dollar."

23 **SECTION 11.6.(b)** G.S. 96-14.3 reads as rewritten:

24 **"§ 96-14.3. Duration of benefits.**

25 (a) Duration. – The number of weeks an individual is allowed to receive unemployment
26 benefits depends on the seasonal adjusted statewide unemployment rate that applies to the
27 six-month base period in which the claim is filed. One six-month base period begins on January
28 1 and one six-month base period begins on July 1. For the base period that begins January 1, the
29 average of the seasonal adjusted unemployment rates for the State for the preceding months of
30 July, August, and September applies. For the base period that begins July 1, the average of the
31 seasonal adjusted unemployment rates for the State for the preceding months of January,
32 February, and March applies. The Division must use the most recent seasonal adjusted
33 unemployment rate determined by the U.S. Department of Labor, Bureau of Labor Statistics, and
34 not the rate as revised in the annual benchmark.

Seasonal Adjusted	Number
Unemployment Rate	of Weeks
Less than or equal to 5.5% <u>4.5%</u>	12 <u>20</u>
Greater than 5.5% <u>4.5%</u> up to 6% <u>5.5%</u>	13 <u>22</u>
Greater than 6% <u>5.5%</u> up to 6.5%	14 <u>24</u>
Greater than 6.5% up to 7%	15 <u>26</u>
Greater than 7% up to 7.5% ———	16
Greater than 7.5% up to 8% ———	17
Greater than 8% up to 8.5% ———	18
Greater than 8.5% up to 9% ———	19
Greater than 9% ———	20

46 ...

47 **SECTION 11.6.(c)** Subsections (a) and (b) apply to claims for benefits filed on or
48 after July 1, 2026."

49
50 **PART XII. ENVIRONMENTAL QUALITY**

1 ESTABLISH NON-TITLE V FEES IN STATUTE

2 SECTION 12.1. G.S. 143-215.3(1b) reads as rewritten:

3 "§ 143-215.3. General powers of Commission and Department; auxiliary powers.

4 ...

5 (1b) ~~The fee to be charged pursuant to G.S. 143-215.3(a)(1a) for processing an~~
6 ~~application for a permit under G.S. 143-215.108 and G.S. 143-215.109 of~~
7 ~~Article 21B of this Chapter may not exceed five hundred dollars (\$500.00).~~
8 The Department shall charge permit fees pursuant to G.S. 143-215.3(a)(1a) to
9 non-Title V facilities subject to permitting under G.S. 143-215.108 and G.S.
10 143-215.109 of Article 21B according to the following schedule:

- 11 a. For facilities seeking federally enforceable limits to avoid Title V
12 permitting, application fees of eight hundred dollars (\$800.00) and
13 annual fees of three thousand seventy dollars (\$3,070.00).
14 b. For facilities with a potential to emit below Title V thresholds, except
15 for general permits, application fees of one hundred dollars (\$100.00)
16 and annual fees of four hundred dollars (\$400.00).
17 c. The fee for an ownership change shall be fifty dollars (\$50).
18 d. The Department may provide a discount of up to twenty-five percent
19 on annual fees authorized by subparagraphs (a) and (b) of this
20 subsection.

21 The fee to be charged pursuant to G.S. 143-215.3(a)(1a) for processing a
22 registration under Part 2A of this Article or Article 38 of this Chapter may not
23 exceed fifty dollars (\$50.00) for any single registration. An additional fee of
24 twenty percent (20%) of the registration processing fee may be assessed for a
25 late registration under Article 38 of this Chapter. The fee for administering
26 and compliance monitoring under Article 21, other than Parts 1 and 1A, ~~and~~
27 ~~G.S. 143-215.108 and G.S. 143-215.109 of Article 21B~~ shall be charged on
28 an annual basis for each year of the permit term and may not exceed one
29 thousand five hundred dollars (\$1,500) per year. Fees for processing all
30 permits under Article 21A ~~and all other sections of Article 21B~~ shall not
31 exceed one hundred dollars (\$100.00) for any single permit. The total payment
32 for fees that are set by the Commission under this subsection for all permits
33 for any single facility shall not exceed seven thousand five hundred dollars
34 (\$7,500) per year, which amount shall include all application fees and fees for
35 administration and compliance monitoring. A single facility is defined to be
36 any contiguous area under one ownership and in which permitted activities
37 occur. For all permits issued under these Articles where a fee schedule is not
38 specified in the statutes, the Commission, or other commission specified by
39 statute shall adopt a fee schedule in a rule following the procedures established
40 by the Administrative Procedure Act. Fee schedules shall be established to
41 reflect the size of the emission or discharge, the potential impact on the
42 environment, the staff costs involved, relative costs of the issuance of new
43 permits and the reissuance of existing permits, and shall include adequate
44 safeguards to prevent unusual fee assessments which would result in serious
45 economic burden on an individual applicant. A system shall be considered to
46 allow consolidated annual payments for persons with multiple permits. In its
47 rulemaking to establish fee schedules, the Commission is also directed to
48 consider a method of rewarding facilities which achieve full compliance with
49 administrative and self-monitoring reporting requirements, and to consider, in
50 those cases where the cost of renewal or amendment of a permit is less than
51 for the original permit, a lower fee for the renewal or amendment."

1
2 **QUADRENNIAL FEE ADJUSTMENT REQUIREMENTS**

3 **SECTION 12.2.** G.S. 143B-279.19 reads as rewritten:

4 **"§ 143B-279.19. Quadrennial adjustment of certain fees and rates.**

5 (a) Adjustment for Legislatively Mandated Salaries and Benefits. - Beginning July 1, 2025,
6 and every four years thereafter, the Department shall adjust the fees and rates imposed pursuant
7 to the statutes listed in this subsection in accordance with the Consumer Price Index computed
8 by the Bureau of Labor Statistics during the prior two bienniums. The adjustment for per
9 transaction rates shall be rounded to the nearest dollar (\$1.00):

10 ...

11 (21) G.S. 143-215.3(1b)

12 ..."

13
14 **MAKING INUNDATION MAPS PUBLICLY AVAILABLE**

15 **SECTION 12.3.(a)** G.S. 143-215.31 reads as rewritten:

16 **"§ 143-215.31. Supervision over maintenance and operation of dams.**

17 ...

18 (a1) (6) Information included in an Emergency Action Plan that constitutes sensitive
19 public security information, as provided in G.S. 132-1.7, shall be maintained
20 as confidential information and shall not be subject to disclosure under the
21 Public Records Act. For purposes of this section, "sensitive public security
22 information" shall include Critical Energy Infrastructure Information
23 protected from disclosure under rules adopted by the Federal Energy
24 Regulatory Commission in 18 C.F.R. § 388.112, but shall not
25 include Emergency Action Plans or inundation maps for any impoundments
26 or dams not regulated by the Federal Energy Regulatory Commission.

27 ..."

28 **SECTION 12.3.(b)** G.S. 66-58 is amended to read:

29 **"§ 66-58. Sale of merchandise or services by governmental units.**

30 ...

31 (b) Subsection (a) of this section does not apply to any of the following:

32 ...

33 (29) The Department of Environmental Quality in the provision of inundation
34 maps for the preparation of Emergency Action Plans to owners or operators
35 of high hazard potential dams.

36 ..."

37
38 **SOLID WASTE BENEFICIAL REUSE CLARIFICATION**

39 **SECTION 12.4.(a)** G.S. 130A-309.05 reads as rewritten:

40 **"§ 130A-309.05. Regulated wastes; certain exclusions.**

41 (a) Certain Wastes Regulated as Nonhazardous. – Notwithstanding other provisions of
42 this Article, the following waste shall be regulated pursuant to this Part:

43 ...

44 (b) Management of Ash Generated From Burning of Solid Waste. – Ash generated by a
45 solid waste management facility from the burning of solid waste shall be disposed of in a properly
46 designed solid waste disposal area that complies with standards developed by the Department for
47 the disposal of the ash. The Department shall work with solid waste management facilities that
48 burn solid waste to identify and develop methods for recycling and reusing incinerator ash or
49 treated ash.

50 (c) Recovered Material. – Recovered material is not subject to ~~regulation as permitting~~
51 ~~requirements for~~ solid waste under this Article. ~~In order for a material that would otherwise be~~

1 ~~regulated as solid waste to qualify as a recovered material, the~~ The Department may require any
2 person who owns or has control over the material to demonstrate that the material meets the
3 requirements of this ~~subsection. In order to protect public health and the environment, the~~
4 ~~Commission~~ subsection or may require the person to obtain a beneficial use determination from
5 the Department in accordance with subsection (d) of this section. The Department may adopt
6 rules to implement this subsection. Materials that are accumulated speculatively, as that term is
7 defined under 40 Code of Federal Regulations § 261 (July 1, 2014 Edition), shall not qualify as
8 a recovered ~~material, and shall be subject to regulation as solid waste. In order to qualify as a~~
9 ~~recovered material, the~~ material. The material shall be managed as a valuable commodity in a
10 manner consistent with the desired use or end use, and all of the following conditions shall be
11 met:

12 ...

13 (d) Beneficial Use Determination. – For the purposes of preservation of landfill capacity,
14 economic development, energy savings, and reduction of greenhouse emissions, the Department
15 may determine whether nonhazardous solid waste may be used or reused for a particular site or
16 application as an alternative to disposal at a permitted solid waste management facility as set
17 forth in this subsection.

18 (1) A person seeking a beneficial use determination shall submit an application to
19 the Department. The Department, after a review of an application submitted
20 under this subsection, may take any of the following actions:

21 a. Authorize management of a specified type of nonhazardous solid
22 waste at a site other than a permitted solid waste management facility.

23 b. Issue a beneficial use determination with appropriate conditions for
24 use of specific types of solid waste in construction, land application,
25 or other projects and applications.

26 (2) An applicant for a determination under this subsection shall submit
27 information on forms prescribed by the Department and any additional
28 information required by the Department necessary for a determination under
29 this subsection. In its review of the application and additional information, the
30 Department shall also consider internal research or information submitted by
31 any person or entity concerning the potential hazard to public health or the
32 environment of any type of solid waste.

33 (3) The Department may require submittal of a demonstration that the solid waste
34 is being managed in a manner to protect public health or the environment and
35 may include any of the following as a part of an authorization under
36 subdivision (1) of this subsection:

37 a. Requirements for periodic testing of solid wastes; and

38 b. Conditions to ensure that the product or by-products of a material
39 recovered or diverted for beneficial use shall not be discharged,
40 deposited, injected, dumped, spilled, leaked, or placed into or upon
41 any land or water so that the products or by-products or any
42 constituents thereof may enter other lands or be emitted into the air, or
43 discharged into any waters, including groundwaters, or otherwise enter
44 the environment or pose a threat to public health and safety.

45 (4) Approvals granted under this subsection are valid for no longer than five
46 years. Requests for renewal shall be made at least 60 days in advance of the
47 expiration date of the approval.

48 (5) The applicant for a determination under this subdivision shall submit to the
49 Department on an annual basis a report detailing the usage of material under
50 the approval and certifying compliance with this Article and any applicable
51 rules adopted under this Article.

1 (6) The Department may suspend or revoke an authorization and may modify an
2 authorization if it is determined that the activity is not in compliance with the
3 requirements of applicable laws or rules or if new information is provided to
4 the Department that impacts the determination of protection of public health
5 or the environment.

6 (7) The Department shall provide notice on its website of approved beneficial use
7 determinations.

8 (8) Facilities that manage source-separated materials for the purpose of recycling
9 as defined in G.S. 130A-290 are not subject to the provisions of this
10 subsection.

11 (9) The Department may adopt rules to implement this subsection and establish
12 application fees for a reuse determination under this subsection. All fees
13 collected under this subdivision shall be credited to the Solid Waste
14 Management Account established under G.S. 130A-295.8(a). In determining
15 the amount of the total application fee in rule, the Department shall have the
16 authority to establish separate fee amounts for annual fees for each year based
17 on the length of time for which the approval will be valid as requested by the
18 applicant."

19 **SECTION 12.4.(b)** This section becomes effective January 1, 2027.

20
21 **EXPAND ELIGIBILITY FOR TARGETED INTEREST RATES**

22 **SECTION 12.5.** G.S. 159G-20(21) reads as rewritten:

23 **"§ 159G-20. Definitions.**

24 ...

- 25 (21) Targeted interest rate project. - ~~Either one~~ of the following types of projects:
26 a. A project that is awarded a loan from the Drinking Water Reserve or the
27 Wastewater Reserve based on affordability.
28 b. A project that is awarded a loan from the CWSRF or the DWSRF and is
29 in a category for which federal law or the Department encourages a special
30 focus.

31 ..."

32
33 **RAISE LIMITS FOR MRF AND AIA GRANT FUNDING**

34 **SECTION 12.6.** G.S. 159G-36(c) is amended to read:

35 **"§ 159G-36. Limits on loans and grants.**

36 ...

37 (c) Certain Reserve Recipient Limit. – The following limits apply to the loan or grant
38 types made from the Wastewater Reserve or the Drinking Water Reserve to the same local
39 government unit or nonprofit water corporation:

40 ...

41 (4) The amount of merger/regionalization feasibility grants awarded ~~for three~~
42 ~~consecutive fiscal years for a fiscal year~~ may not exceed ~~fifty thousand dollars~~
43 ~~(\$50,000)~~ seventy-five thousand dollars (\$75,000).

44 (5) The amount of asset inventory and assessment grants awarded for three
45 consecutive fiscal years may not exceed ~~one hundred fifty thousand dollars~~
46 ~~(\$150,000)~~ two hundred twenty-five thousand dollars (\$225,000).

47 ..."

48
49 **PART XIII. LABOR [RESERVED]**

50
51 **PART XIV. NATURAL AND CULTURAL RESOURCES**

1
2 **JOHNSTON COUNTY/BENTONVILLE BATTLEFIELD GRANT EXTENSION**

3 **SECTION 14.1.** Notwithstanding any provision of law to the contrary, the funds
4 appropriated in S.L. 2023-134, Sec. 2.2 to be allocated as a directed grant to Johnston County to
5 be used for the Bentonville Battlefield State Historic Site shall not revert until June 30, 2028.
6

7 **FRIENDS OF NC MARITIME MUSEUM AT SOUTHPORT GRANT EXTENSION**

8 **SECTION 14.2.** Notwithstanding any provision of law to the contrary, the funds
9 appropriated in S.L. 2023-134, Sec. 2.2 to be allocated as a directed grant to the Friends of the
10 North Carolina Maritime Museum at Southport to be used for fire suppression system and related
11 costs shall not revert until June 30, 2028.
12

13 **CODIFY EXEMPTION FROM STATE PARKS FEES FOR ELIGIBLE DISABLED**
14 **VETERANS**

15 **SECTION 14.3.** Article 2 of Chapter 143B of the General Statutes is amended by
16 adding a new section to read:

17 **"§ 143B-135.17. Exemption of State Parks fees for eligible disabled veterans.**

18 (a) Definitions. – As used in this section, the following words and phrases have the following
19 meanings:

20 (1) Annual Pass Program. – The North Carolina State Parks Annual Pass program
21 offered by the Division that includes the following passes: (i) seasonal access
22 passes, (ii) annual passes, and (iii) four-wheel-drive beach access annual
23 passes.

24 (2) Disabled Veteran. – A veteran of any branch of the Armed Forces of the
25 United States who character of service at separation was honorable or under
26 honorable conditions and who satisfies either of the following requirements:

27 a. As of the date of application required by this section is submitted, the
28 veteran has received benefits under 38 U.S.C. §2101; or

29 b. The veteran has received a certification by the United States
30 Department of Veterans Affairs or another federal agency indicating
31 that, as of the date the application required by this section is submitted,
32 the veteran has a service-connected disability.

33 (3) Division. – The North Carolina Division of Parks and Recreation of the North
34 Carolina Department of Natural and Cultural Resources.

35 (4) Eligible Disabled Veteran. – A Disabled Veteran who (i) has submitted an
36 application for a pass included within the Annual Pass Program and (ii) has
37 provided the Division a copy of the veteran's disability certification or
38 evidence of benefits received under 38 U.S.C. § 2101.

39 (b) Fee Exemption. – An Eligible Disabled Veteran seeking a pass under the Annual Pass
40 Program shall apply for the pass on a form and in a manner prescribed by the Division.

41 (c) Application Required. – A Disabled Veteran seeking a pass under the Annual Pass
42 Program shall apply for the pass on a form and in a manner prescribed by the Division.

43 (d) Rulemaking. – The Department of Natural and Cultural Resources shall adopt rules, or
44 amend any current rules, necessary to implement this section."
45

46 **GRASSROOTS ARTS PROGRAM ADMINISTRATIVE COST ALLOWANCE**

47 **SECTION 14.4.** G.S. 143B-122 reads as rewritten:

48 **"§143-122. Distribution of funds.**

49 (a) Administrative Expenses. – Of the funds appropriated to the Fund, the Trustees may use
50 no more than five percent (5%) for operating expenses associated with programs and activities
51 authorized by this Section.

1 (b) After administrative expenses are deducted from ~~Of~~ the funds available under Grassroots
2 Arts Program, 20% total shall be distributed among counties equally, and the remaining eighty
3 percent (80%) shall be distributed among the counties on a per capita basis."
4

5 **AUTHORIZE PARTF MATCH FOR SHALLOWDRAFT NAVIGATION CHANNEL**
6 **DREDGING AND AQUATIC WEED FUND**

7 **SECTION 14.5.** G.S. 143-215.73F reads as rewritten:

8 **"§143-215.73F. Shallow Draft Navigation Channel Dredging and Aquatic Weed Fund.**

9 ...
10 (c) Cost-Share. – Any project funded by revenue from the Fund must be cost-shared with
11 non- State dollars as follow:

12 ...
13 (3) The cost-share for an aquatic weed control or navigation channel dredging
14 project shall be at least one non-State dollar for every dollar from the Fund.
15 The cost-share for an aquatic weed control or navigation channel dredging
16 project located within a component of the State Parks System shall be
17 provided by the Division of Parks and Recreation of the Department of
18 Natural and Cultural Resources. The Division of Parks and Recreation may
19 use funds allocated to the State parks System for capital projects under G.S.
20 143B-135.56 for the cost share.

21 ..."

22
23 **AMEND CONTINUING RESOLUTIONS TO ALLOW ACTING PAY**

24 **SECTION 14.6.** G.S. 143-5-4 reads as rewritten:

25 **"§143-5-4. Enactment deadline; procedures to be followed when the Current Operations**
26 **Appropriations Act does not become law prior to the end of certain fiscal years.**

27 ...
28 (a) Procedure for Budget Continuation. – If a fiscal year begins for which no Current
29 Operations Appropriation Act providing for current operations of State government
30 during that fiscal year has become law, then the following procedures shall be followed
31 and the following limitations shall apply;

32 ...
33 (5) State employee salaries. – The salary schedules and specific salaries
34 established for the prior fiscal year and in effect on June 30 of the prior fiscal
35 year for offices and positions shall remain in effect until the Current
36 Operations Appropriations Act for the fiscal year becomes law. State
37 employees subject to G.S. 7A-102(c) , 7A-171.1, 143B-1715, or any other
38 statutory salary schedule, shall not move up on salary schedules or receive
39 automatic increases including automatic step increases, until authorized by the
40 General Assembly. State employees, including those exempt from the
41 classification and compensation rules established by the State Human
42 Resources Commission, shall not receive any automatic step increases,
43 annual, performance, merit, bonuses, or other increments until authorized by
44 the General Assembly. Notwithstanding these restrictions, acting pay may still
45 be offered when an employee has a temporary assignment in which he or she
46 remains in the same position, but assumes a higher-level duties or when an
47 employee has a temporary assignment with a change in the variety and scope
48 of duties.

49 ..."

50
51 **SALUDA GRADE TRAILS CONSERVATORY**

1 **SECTION 14.7.** The funds allocated by Section 2H.7(1) of S.L. 2024-57 of the
2 Department of Natural and Cultural Resources to provide a directed grant to the Saluda Grade
3 Trails Conservancy, a nonprofit corporation, may, notwithstanding that provision, also be used
4 for the purposes of designing, planning, and developing a recreational trail along the Saluda
5 Grade, including but not limited to the provision of matching funds for grants related to
6 recreational trail development along the Saluda Grade. For purposes of this subsection, "Saluda
7 Grade" means that portion of the Norfolk Southern W-Line railroad between milepost 26 in the
8 unincorporated community of Zirconia in Henderson County and the boundary between North
9 Carolina and South Carolina.

10
11 **PART XV. WILDLIFE RESOURCES COMMISSION [RESERVED]**

12
13 **PART XVI. ADMINISTRATIVE OFFICE OF THE COURTS**

14
15 **IOLTA FUNDS TRANSFER**

16 **SECTION 16.1.** Section 25 of Session Law 2025-70 is repealed.

17
18 **CRIMINAL JUSTICE INFORMATION NETWORK TRANSFER**

19 **SECTION 16.2.** G.S. § 143B-1203 reads as re-written:

20 **"§ 143B-1203. Transfer; definitions.**

21 (a) The statutory authority, powers, duties, functions, records, personnel, property, and
22 unexpended balances of appropriations, allocations, or other funds of the Criminal Justice
23 Information Network Governing Board are transferred to the ~~Department of Public Safety~~
24 Administrative Office of the Courts as a Type II transfer as defined in G.S. 143A-6.

25 (b) As used in this Part:

- 26 (1) "Board" means the Criminal Justice Information Network Governing Board
27 established by G.S. 143B-1204.
- 28 (2) "Department" means the ~~Department of Public Safety~~. Administrative
29 Office of the Courts.
- 30 (3) "Local government user" means a unit of local government of this State
31 having authorized access to the Network.
- 32 (4) "Network" means the Criminal Justice Information Network established by
33 the Board pursuant to this Part.
- 34 (5) "Network user" or "user" means any person having authorized access to the
35 Network.
- 36 (6) "State agency" means any State department, agency, institution, board,
37 commission, or other unit of State government "

38
39 **PART XVII. INDIGENT DEFENSE SERVICES [RESERVED]**

40
41 **PART XVIII. JUSTICE**

42
43 **STATE CRIME LABORATORY FEASIBILITY STUDY**

44 **SECTION 18.1.** Of the funds appropriated in Section 18.9 of S.L. 2021-180 to the
45 Department of Justice (Department) for the 2021-2022 fiscal year to conduct a study on the
46 siting of an Eastern Regional Laboratory to be located on the campus of Elizabeth City State
47 University, the remainder shall be used to conduct a study for a permanent laboratory facility
48 for the Triad Laboratory to replace the current location, which the Department is currently
49 leasing, and to do a feasibility and advanced planning study for a new Raleigh laboratory due to
50 the age of the building. The Department shall report on the study outlined in this section to the
51 Chairs of the House Justice and Public Safety Appropriations Committee, the Chairs of the

1 Senate Appropriations on Justice and Public Safety Committee, and the Fiscal Research
2 Division on or before June 30, 2027. The report shall include (i) the estimated cost of
3 completing the laboratory, (ii) the estimated cost of operating the laboratory during its first five
4 years of operation, (iii) an estimated time line for completion of the laboratory, and (iv) any
5 other relevant information.

6
7 **PART XIX. ADULT CORRECTION**

8
9 **PART XIX-A. DEPARTMENT OF ADULT CORRECTION ADMINISTRATION**

10
11 **STATEWIDE MISDEMEANANT CONFINEMENT PROGRAM FUNDING**
12 **TRANSFER**

13 **SECTION 19A.1.** Of the funds appropriated in this act for the Statewide
14 Misdemeanant Confinement Program:

- 15 (1) The sum of one million dollars (\$1,000,000) shall be transferred each fiscal
16 year to the North Carolina Sheriffs' Association, Inc., a nonprofit
17 corporation, to support the Program and for administrative and operating
18 expenses of the Association and its staff.
19 (2) The sum of two hundred twenty-five thousand dollars (\$225,000) shall be
20 allocated each fiscal year to the Department of Adult Correction for its
21 administrative and operating expenses for the Program.
22 (3) Up to the sum of five hundred thousand dollars (\$500,000) may be used in
23 each fiscal year of the 2025-2027 fiscal biennium to reimburse sheriffs
24 utilizing inmate labor pursuant to the provisions of Section 19C.10 of S.L.
25 2021-180.

26
27 **INMATE MEDICAL REPORTING**

28 **SECTION 19A.2.** G.S. 143B-1470 reads as rewritten:

29 **"§ 143B-1470. Medical costs for inmates.**

30 ...

31 (c) The Department of Adult Correction shall report ~~quarterly~~ annually by September 1 of
32 each year to the Joint Legislative Oversight Committee on Justice and Public Safety and the
33 chairs of the Justice and Public Safety Appropriations Committees on:

- 34 (1) The percentage of the total inmates requiring hospitalization or hospital
35 services who receive that treatment at each hospital.

36 ...

- 37 (10) The reimbursement rate for contracted providers. The Department shall
38 randomly audit high-volume contracted providers to ensure adherence to
39 billing at the contracted rate.

40 Reports ~~submitted on August 1~~ shall include totals for the previous fiscal year for all the
41 information requested."

42
43 **REIMBURSE COUNTIES FOR HOUSING AND EXTRAORDINARY MEDICAL**
44 **EXPENSES**

45 **SECTION 19A.3.** Notwithstanding G.S. 143C-6-9, the Department of Adult
46 Correction may use funds available to the Department for the 2025-27 fiscal biennium to
47 reimburse counties for the cost of housing convicted inmates, parolees, and post-release
48 supervisees awaiting transfer to the State prison system, as provided in G.S. 148-29. The
49 reimbursement may not exceed forty dollars (\$40.00) per day per prisoner awaiting transfer.
50 The Department shall report annually by February 1 of each year to the chairs of the Joint
51 Legislative Oversight Committee on Justice and Public Safety and the chairs of the House of

1 Representatives Appropriations Committee on Justice and Public Safety and the Senate
2 Appropriations Committee on Justice and Public Safety on the expenditure of funds to
3 reimburse counties for prisoners awaiting transfer.
4

5 **PART XIX-B. PRISONS**

6 7 **CENTER FOR COMMUNITY TRANSITIONS/CONTRACT AND REPORT**

8 **SECTION 19B.1.** The Department of Adult Correction may continue to contract
9 with The Center for Community Transitions, Inc., a nonprofit corporation, for the purchase of
10 prison beds for minimum security female inmates during the 2025-27 fiscal biennium. The
11 Center for Community Transitions, Inc., shall report by February 1 of each year to the chairs of
12 the House of Representatives Appropriations Committee on Justice and Public Safety and the
13 Senate Appropriations Committee on Justice and Public Safety on the annual cost per inmate
14 and the average daily inmate population compared to bed capacity using the same methodology
15 as that used by the Department of Adult Correction.
16

17 **NURSE STAFFING AT STATE PRISONS**

18 **SECTION 19B.2.** Notwithstanding any other provision of law, the Department of
19 Adult Correction may, in its discretion and subject to the approval of the Office of State Budget
20 and Management, convert funds appropriated for contractual nursing services to permanent
21 nursing positions when it is determined to promote security, generate cost savings, and improve
22 health care quality. The Department shall report on any such conversions to the Fiscal Research
23 Division.
24

25 **DOT CONTRACT OF INMATE LITTER CREW**

26 **SECTION 19B.3.(a)** After the issuance of a request for information (RFI) and
27 receipt of bids by the Department of Transportation for litter pickup on State highways and
28 roads, the Department of Transportation shall first offer the contract to the Department of Adult
29 Correction upon the same terms and conditions as the most favorable bid received by the
30 Department of Transportation from a suitable contractor. The Department of Adult Correction
31 shall have 30 days to accept or decline the offered contract.
32

33 **SECTION 19B.3.(b)** It is the policy of the General Assembly that the Department
34 of Transportation shall utilize inmate litter crews for litter pickup on State highways and roads
35 as often as is necessary and practicable.
36

37 **PART XIX-C. COMMUNITY SUPERVISION**

38 **INTERSTATE COMPACT FEES TO SUPPORT TRAINING PROGRAMS AND** 39 **EQUIPMENT PURCHASES SECTIONS**

40 **SECTION 19C.1.** Notwithstanding the provisions of G.S. 148-65.7, fees collected
41 for the Interstate Compact Fund during the 2025-27 fiscal biennium may be used by the
42 Department of Adult Correction during the 2025-27 fiscal biennium to provide training
43 programs and equipment purchases for the Division of Community Supervision, but only to the
44 extent sufficient funds remain available in the Fund to support the mission of the Interstate
45 Compact Program.
46

47 **PART XIX-D. REHABILITATION AND REENTRY [RESERVED]**

48 49 **PART XIX-E. PUBLIC SAFETY [RESERVED]** 50

1 **PART XIXF. DEPARTMENT OF PUBLIC SAFETY ADMINISTRATION**

2 **[RESERVED]**

3
4 **PART XIXG. LAW ENFORCEMENT [RESERVED]**

5
6 **PART XIXH. JUVENILE JUSTICE [RESERVED]**

7
8 **PART XIXI. EMERGENCY MANAGEMENT AND NATIONAL**
9 **GUARD [RESERVED]**

10
11 **PART XIX-J. STATE BUREAU OF INVESTIGATION**

12
13 **CODIFY USE OF SEIZED AND FORFEITED PROPERTY**

14 **SECTION 19J.1.** G.S. 14-2.3 reads as re-written:

15 **"§ 14-2.3. Forfeiture of gain acquired through criminal activity.**

16 ...

17 (d) Seized and forfeited assets transferred to the Department of Justice, Department of
18 Adult Correction, the State Bureau of Investigation, the State Highway Patrol, and the
19 Department of Public Safety, pursuant to applicable federal law shall be credited to the budget
20 of the recipient department and shall result in an increase of law enforcement resources for that
21 department. The Department of Justice, Department of Adult Correction, State Bureau of
22 Investigation, State Highway Patrol, and the Department of Public Safety shall each make the
23 following reports to the chairs of House of Representatives Appropriations Committee on
24 Justice and Public Safety and the Senate Appropriations Committee on Justice and Public
25 Safety:

26 (1) A report upon receipt of any assets.

27 (2) A report that shall be made prior to the use of the assets on their intended use
28 and the departmental priorities on which the assets may be expended.

29 (3) A report on receipts, expenditures, encumbrances, and availability of these
30 assets for the previous fiscal year, which shall be

31 (e) The General Assembly finds that the use of seized and forfeited assets transferred
32 pursuant to federal law for new personnel positions, new projects, acquisition of real property,
33 repair of buildings where the repair includes structural change, and construction of or additions
34 to buildings may result in additional expenses for the State in future fiscal periods. Therefore,
35 the Department of Justice, Department of Adult Correction, State Bureau of Investigation, State
36 Highway Patrol, and the Department of Public Safety are prohibited from using these assets for
37 such purposes without the prior approval of the General Assembly.

38 (f) Nothing in this section prohibits State law enforcement agencies from receiving funds
39 from the United States Department of Justice, the United States Department of the Treasury,
40 and the United States Department of Health and Human Services."

41
42 **CONTINUED EXEMPTION FROM IT CONSOLIDATION**

43 **SECTION 19J.2.** G.S. 143B-1320 reads as rewritten:

44 **"§ 143B-1320. Definitions; scope; exemptions.**

45 ...

46 (b) Exemptions. – Except as otherwise specifically provided by law, this Article does not
47 apply to the following entities: the General Assembly, the Judicial Department, the Community
48 Colleges System Office, The University of North Carolina and its constituent institutions, the
49 Office of the State Auditor, the State Board of Elections, the State Highway Patrol, and the
50 Department of State ~~Treasurer.~~ Treasurer, and the State Bureau of Investigation. These entities
51 may elect to participate in the information technology programs, services, or contracts offered

1 by the Department, including information technology procurement, in accordance with the
2 statutes, policies, and rules of the Department. The election shall be made in writing, as
3 follows:

- 4 (1) For the General Assembly, by the Legislative Services Commission.
5 ...
6 (9) For the Investment Authority under Part I of Article 6 of Chapter 147 of the
7 General Statutes, by the Board of Directors of the Authority.
8 (10) For the State Bureau of Investigation, by the Director.
9 ..."

10
11 **ADD OFFENSES FOR WHICH ORDERS FOR ELECTRONIC SURVEILLANCE**
12 **MAY BE GRANTED**

13 **SECTION 19J.3.** G.S. 15A-290 reads as rewritten:

14 **"§ 15A-290. Offenses for which orders for electronic surveillance may be granted.**

15 (a) Orders authorizing or approving the interception of wire, oral, or electronic
16 communications may be granted, subject to the provisions of this Article and Chapter 19 of Title
17 18 of the United States Code, when the interception does any of the following:

- 18 (1) May provide or has provided evidence of the commission of, or any
19 conspiracy to commit, any of the following:
20 a. Any of the drug-trafficking violations listed in G.S. 90-95(h).
21 b. A continuing criminal enterprise in violation of G.S. 90-95.1.
22 c. The offense of money laundering in violation of G.S. 14-118.8.

23 ...

24 (c) Orders authorizing or approving the interception of wire, oral, or electronic
25 communications may be granted, subject to the provisions of this Article and Chapter 119 of
26 Title 18 of the United States Code, when the interception may provide, or has provided,
27 evidence of any of the following offenses, or any conspiracy to commit these offenses, or when
28 the interception may expedite the apprehension of persons indicted for the commission of these
29 offenses:

- 30 (1) Any felony offense against a minor, including any violation of G.S. 14-27.31
31 (Sexual activity by a substitute parent or custodian), G.S. 14-27.32 (Sexual
32 activity with a student), G.S. 14-41 (Abduction of children), G.S. 14-43.11
33 (Human trafficking), G.S. 14-43.12 (Involuntary servitude), G.S. 14-43.13
34 "(Sexual servitude), G.S. 14-190.16 (First degree sexual exploitation of a
35 minor), G.S. 14-190.17 (Second degree sexual exploitation of a minor), G.S.
36 14-202.1 (Taking indecent liberties with children), G.S. 14-205.2(c) or (d)
37 (Patronizing a prostitute who is a minor or has a mental disability), or G.S.
38 14-205.3(b) (Promoting prostitution of a minor or a person who has a 1
39 mental disability).
40 ...
41 (5) Any offense involving the manufacture, assembly, possession, storage,
42 transportation, sale, purchase, delivery, or acquisition of weapons of mass
43 death or destruction in violation of G.S. 14-288.8 or the adulteration or
44 misbranding of food, drugs, cosmetics, etc., with the intent to cause serious
45 injury in violation of G.S. 14-34.4.
46 (6) Any felony offense involving human trafficking of an adult, including but
47 not limited to violation of G.S. 14-43.11 (Human trafficking), G.S. 14-43.12
48 (Involuntary servitude), or G.S. 14-43.13 (Sexual servitude).

49 ..."

50

1 **TECHNICAL CORRECTIONS RELATED TO MAKING THE STATE BUREAU OF**
2 **INVESTIGATION AN INDEPENDENT DEPARTMENT**

3 **SECTION 19J.4.** The Revisor of Statutes shall replace a reference to the
4 Department of Public Safety with a reference to the State Bureau of Investigation in the
5 following statutes:

- 6 (1) Article 27A of Chapter 14.
- 7 (2) G.S. 18B-902.
- 8 (3) G.S. 74C-8.1.
- 9 (4) G.S. 74D-2.1.
- 10 (5) G.S. 84-24.
- 11 (6) G.S. 90D-7.
- 12 (7) G.S. 90-11.
- 13 (8) G.S. 90-30.
- 14 (9) G.S. 90-102.1.
- 15 (10) G.S. 90-210.25.
- 16 (11) G.S. 90-224.
- 17 (12) G.S. 93A-4.
- 18 (13) G.S. 95-47.2.
- 19 (14) G.S. 110-90.2.
- 20 (15) G.S. 143B-901.
- 21 (16) G.S. 143B-902.
- 22 (17) G.S. 143B-903.
- 23 (18) G.S. 143B-904.
- 24 (19) G.S. 160A-304.

25
26 **CONTINUE POLICE AUTHORITY**

27 **SECTION 19J.5.** G.S. 20-49 reads as rewritten:

28 **"§ 20-49. Police authority of Division.**

29 All members of the Highway Patrol and law enforcement officers of the Department of
30 Public Safety and the State Bureau of Investigation shall have the power:

31 ..."

32
33 **CONTINUE EXPANDED SCOPE OF CONCEALED HANDGUN PERMITS**

34 **SECTION 19J.6.** G.S. 14-415.27 reads as rewritten:

35 **"§ 14-415.27. Expanded permit scope for certain persons.**

36 Notwithstanding G.S. 14-415.11(c), any of the following persons who has a concealed
37 handgun permit issued pursuant to this Article or that is considered valid under G.S. 14-415.24
38 is not subject to the area prohibitions set out in G.S. 14-415.11(c) and may carry a concealed
39 handgun in the areas listed in G.S. 14-415.11(c) unless otherwise prohibited by federal law:

40 ...

- 41 (8) A person employed by the Department of Public Safety who has been 8
42 designated in writing by the Secretary of the Department and who has in the
43 9 person's possession written proof of the designation.

44 (8a) A person employed by the State Bureau of Investigation who has been
45 designated in writing by the Director of the Bureau and who has in the
46 person's possession written proof of the designation.

47 ..."

48
49 **DIVISION OF CRIMINAL INFORMATION UPDATES**

50 **SECTION 19J.7.** G.S. 143B-905 is recodified as G.S. 143B-208.19. G.S. 143B-
51 208.19 reads as rewritten:

1 **"§ 143B-208.19. Division of Criminal Information.**

2 (a) The ~~Department of Public Safety~~State Bureau of Investigation (Bureau) is authorized
3 to establish, devise, maintain and operate a system for receiving and disseminating to
4 participating agencies information collected, maintained and correlated under authority of G.S.
5 143B-902. The system shall be known as the ~~Criminal Information Network.~~Division of
6 Criminal Information (DCI).

7 (b) The ~~Department of Public Safety~~Bureau is authorized to cooperate with the Division of
8 Motor Vehicles, Department of Administration, and other State, local and federal agencies and
9 organizations in carrying out the purpose and intent of this section, and to utilize, in cooperation
10 with other State agencies and to the extent as may be practical, computers and related equipment
11 as may be operated by other State agencies.

12 (c) The ~~Department of Public Safety~~Bureau, after consultation with participating agencies,
13 shall adopt rules and regulations governing the organization and administration of ~~the Criminal~~
14 ~~Information Network,~~DCI, including rules and regulations governing the types of information
15 relating to the administration of criminal justice to be entered into the system, and who shall have
16 access to such information. The rules and regulations governing access to ~~the Criminal~~
17 ~~Information Network~~DCI shall not prohibit an attorney who has entered a criminal proceeding in
18 accordance with G.S. 15A141 from obtaining information relevant to that criminal proceeding.
19 The rules and regulations governing access to ~~the Criminal Information Network~~DCI shall not
20 prohibit an attorney who represents a person in adjudicatory or dispositional proceedings for an
21 infraction from obtaining the person's driving record or criminal history.

22 (d) The ~~Department~~Bureau may impose monthly fees on participating agencies. The monthly
23 fees collected under this subsection shall be used to offset the cost of operating and maintaining
24 ~~the Criminal Information Network.~~DCI. The fee amount varies depending upon the type of
25 device. For a desktop device, the monthly fee is twenty-five dollars (\$25) per device. For a mobile
26 device, the monthly fee is twelve dollars (\$12) per device.

27 (1) ~~The Department may impose a monthly circuit fee on agencies that access the~~
28 ~~Criminal Information Network through a circuit maintained and operated by~~
29 ~~the Department of Public Safety. The amount of the monthly fee is three~~
30 ~~hundred dollars (\$300.00) plus an additional fee amount for each device~~
31 ~~linked to the Network. The additional fee amount varies depending upon the~~
32 ~~type of device. For a desktop device after the first seven desktop devices, the~~
33 ~~additional monthly fee is twentyfive dollars (\$25.00) per device. For a mobile~~
34 ~~device, the additional monthly fee is twelve dollars (\$12.00) per device.~~

35 (2) ~~The Department may impose a monthly device fee on agencies that access the~~
36 ~~Criminal Information Network through some other approved means. The~~
37 ~~amount of the monthly device fee varies depending upon the type of device.~~
38 ~~For a desktop device, the monthly fee is twentyfive dollars (\$25.00) per~~
39 ~~device. For a mobile device, the fee is twelve dollars (\$12.00) per device."~~

40
41 **SBI/WORKERS' COMPENSATION FOR RESERVE LAW ENFORCEMENT**
42 **OFFICERS**

43 **SECTION 19J.8.** G.S. 143B-1208.13 reads as rewritten:

44 "§ 143B-1208.13. Personnel of the State Bureau of Investigation.

45 The Director of the State Bureau of Investigation may appoint a sufficient number
46 of assistants who shall be competent and qualified to do the work of the Bureau. The Director
47 shall be responsible for making all hiring and personnel decisions of the Bureau. Persons
48 serving as reserve law enforcement officers of the Bureau are considered employees of the
49 Bureau for workers' compensation purposes while performing duties assigned or approved by
50 the Director of the Bureau or the Director's designee."

1 **PART XIX-K. STATE HIGHWAY PATROL [RESERVED]**

2
3 **PART XX. ADMINISTRATION**

4
5 **SALE OF STATE PROPERTY / NEGATIVE RESERVE**

6 **SECTION 20.1.(a)** There is established a negative reserve in the amount of twenty-
7 five million dollars (\$25,000,000) for the 2026–2027 fiscal year to be supported by the sale of
8 State-owned real property.

9 **SECTION 20.1.(b)** The Department of Administration (DOA) shall identify, market,
10 and execute the sale of State property sufficient to generate proceeds to fill the negative reserve
11 established by subsection (a) of this section. DOA shall take all actions necessary to ensure the
12 timely deposit of proceeds into the appropriate budget code to offset the reserve.

13 **SECTION 20.1.(c)** DOA shall report quarterly to the Office of State Budget and
14 Management (OSBM) and the Joint Legislative Commission on Governmental Operations on the
15 status of property sales and the amount of proceeds collected toward satisfying the negative
16 reserve.

17
18 **PROCUREMENT SAVINGS / NEGATIVE RESERVE**

19 **SECTION 20.2.(a)** The Department of Administration (DOA) and the Department
20 of Information Technology (DIT) shall jointly develop and implement procurement strategies,
21 including strategic sourcing, consolidated procurement, enterprise contracts, and improved
22 demand management, to achieve statewide savings of at least forty million dollars (\$40,000,000),
23 of which no less than ten million dollars (\$10,000,000) shall be recurring savings, with the
24 remainder being nonrecurring.

25 **SECTION 20.2.(b)** A negative reserve in the amount of thirty million dollars
26 (\$30,000,000), of which at least ten million dollars (\$10,000,000) shall be recurring, is
27 established for the 2026–2027 fiscal year to be supported by procurement savings achieved
28 pursuant to subsection (a) of this section.

29 **SECTION 20.2.(c)** State agencies that generate procurement savings pursuant to
30 subsection (a) of this section may retain twenty-five percent (25%) of the savings realized. The
31 remaining seventy-five percent (75%) of savings, including no less than ten million dollars
32 (\$10,000,000) in recurring savings, shall be transferred and credited toward filling the negative
33 reserve established by subsection (b) of this section.

34 **SECTION 20.2.(d)** The Office of State Budget and Management (OSBM) shall work
35 jointly with DOA and DIT to (i) verify procurement savings, (ii) administer the retention of
36 savings by agencies, (iii) ensure the transfer of savings necessary to fill the negative reserve, and
37 (iv) reconcile savings across the fiscal year.

38 **SECTION 20.2.(e)** DOA, DIT, and OSBM shall provide quarterly reports to the Joint
39 Legislative Commission on Governmental Operations on procurement savings achieved, agency
40 savings retained, and progress toward filling the negative reserve.

41
42 **PART XXI. ADMINISTRATIVE HEARINGS [RESERVED]**

43
44 **PART XXII. OFFICE OF THE STATE AUDITOR**

45
46 **DIRECTED GRANTS REVIEW BY THE OFFICE OF THE STATE AUDITOR**

47 **SECTION 22.1.** G.S. 143C-6-23 is amended by adding a new subsection to read:
48 "**§ 143C-6-23. State grant funds: administration; oversight and reporting requirements.**

49 ...

50 (g1) Enhanced Audit Review of Directed Grants. - The following applies to directed grants
51 to non-State entities:

- 1 (1) Definitions. - For purposes of this subsection, the following definitions apply:
2 a. Directed grant. - Nonrecurring funds allocated by a State agency to a
3 non-State entity as directed by an act of the General Assembly.
4 (2) Review required. - Beginning with the 2026-2027 fiscal year and each fiscal
5 year thereafter, the Office of the State Auditor shall conduct direct review of
6 directed grants to non-State entities. In carrying out this subsection, the Office
7 of the State Auditor shall conduct audits, investigations, verification audits, or
8 other examinations authorized by Article 5A of Chapter 147 of the General
9 Statutes sufficient to determine whether directed grant funds were used for
10 authorized purposes and in accordance with applicable law and grant terms.
11 (3) Scope of review. - Reviews conducted under this subsection shall extend
12 beyond confirmation that a recipient or administering State agency has
13 submitted required certifications, reports, or policies and shall include testing,
14 as the State Auditor deems appropriate, of all the following:
15 a. Whether directed grant funds were used only for the purposes for
16 which they were appropriated or otherwise authorized by law.
17 b. Whether expenditures were supported by adequate documentation and
18 were properly charged to the directed grant.
19 c. Whether transactions involving officers, directors, employees, family
20 members, affiliated entities, or related parties present actual or
21 apparent conflicts of interest, self-dealing, or other misuse of public
22 funds.
23 d. Whether funds were transferred, subgranted, retained, or commingled
24 in a manner inconsistent with law, grant terms, or the purposes of the
25 appropriation.
26 e. Whether there is evidence of fraud, misrepresentation, waste, abuse,
27 or other improper governmental activity involving directed grant
28 funds.
29 f. Whether the recipient maintained adequate internal controls to
30 safeguard directed grant funds and prevent or detect unauthorized
31 transactions.
32 (4) Selection of recipients. - Each fiscal year, the Office of the State Auditor shall
33 select directed grant recipients for review as follows:
34 a. The Office of the State Auditor shall review not less than five percent
35 (5%) of directed grant recipients with active directed grants during that
36 fiscal year. In selecting recipients for review, the Office of the State
37 Auditor shall include recipients from multiple administering State
38 agencies and multiple grant-size tiers.
39 b. The Office of the State Auditor shall review not less than five percent
40 (5%) of recently closed directed grants selected from grants that
41 remained active or were closed out during the preceding 24 months.
42 c. The Office of the State Auditor shall employ an appropriate sampling
43 or selection methodology that is reasonable and consistent with
44 accepted auditing practices and the requirements of (4a) and (4b) of
45 this subsection.
46 d. The Office of the State Auditor shall review each directed grant
47 recipient identified in writing by an administering State agency or the
48 Director of the Budget upon identification of potential risks or
49 indications of improper management of funds.

1 e. Nothing in this subsection shall limit the authority of the State Auditor
2 to conduct additional reviews of directed grant recipients as otherwise
3 authorized by law.

4 (5) Direct access to information. - For reviews conducted under this subsection,
5 the Office of the State Auditor may obtain information directly from the
6 recipient or any subrecipient, contractor, affiliate, or other person or entity
7 handling directed grant funds on behalf of the recipient to the full extent
8 authorized by Article 5A of Chapter 147 of the General Statutes. The
9 administering State agency shall provide to the Office of the State Auditor,
10 upon request, copies of grant agreements, amendments, reports, payment
11 records, and other documents already in its possession relating to a selected
12 directed grant.

13 (6) Agency monitoring not sufficient. - Compliance by the recipient with reporting
14 requirements, the filing of a conflict-of-interest policy, the submission of audit
15 reports, or monitoring by the administering State agency shall not satisfy or
16 limit the review required by this subsection and shall not restrict the scope of
17 examination undertaken by the Office of the State Auditor.

18 (7) Annual report. - No later than October 15 of each year, the State Auditor shall
19 submit a report on the reviews conducted under this subsection to the Joint
20 Legislative Commission on Governmental Operations the chairs of the Senate
21 Committee on Appropriations/Base Budget, the chairs of the House
22 Appropriations Committee, and the Fiscal Research Division. The report shall
23 include all of the following:

24 a. The number of active and closed directed grant recipients and directed
25 grants eligible for review during the prior fiscal year.

26 b. The sampling and selection methodology used to select recipients and
27 grants for review.

28 c. The number and type of audits, investigations, or other examinations
29 performed.

30 d. A summary of findings, including questioned costs, unsupported
31 expenditures, internal control weaknesses, related-party transactions,
32 actual or apparent conflicts of interest, and any evidence of fraud,
33 waste, abuse, or other improper governmental activity.

34 e. The number of recipients reviewed because they were on the
35 Suspension of Funding List or were identified by an administering
36 State agency, the Office of State Budget and Management, or the
37 Director of the Budget.

38 f. Any referrals made to the Attorney General, the State Bureau of
39 Investigation, the Department of Revenue, or any other agency.

40 g. Any recommendations for statutory or administrative changes to
41 improve oversight of directed grants.

42 (8) Public record. Notwithstanding G.S. 147-64(d), the report required by subdivision
43 (7) of this subsection is a public record pursuant to G.S. 132-1(a)."

44
45 **PART XXIII. BUDGET AND MANAGEMENT**

46
47 **STATE FISCAL RECOVERY FUND FLEXIBILITY 2026**

48 **SECTION 23.1.** S.L. 2025-97 reads as rewritten:

49 "...

50 **SECTION 6.9.(c)** To implement subsection (b) of this section, the Director of the
51 Budget shall make nonrecurring, budget-neutral adjustments as follows:

- 1 (1) Reduce, on a nonrecurring basis, the 2025-2026 or 2026-2027 fiscal year net
2 General Fund appropriation for each agency receiving SFRF pursuant to this
3 section by an amount equal to the SFRF reclassified to that agency.
- 4 (2) Increase, on a nonrecurring basis, the net General Fund appropriation for each
5 agency from which SFRF were reclassified under this section by an amount
6 equal to the SFRF removed from that agency.
- 7 (3) Notwithstanding G.S. 143C-1-2(b), the net General Fund appropriations made
8 under subdivision (2) of this subsection shall be used only for the projects for
9 which SFRF were reduced under this section and shall not revert but shall
10 remain available until the earlier of project completion or June 30, 2027.
- 11 (4) In no event shall a project from which SFRF are reclassified receive net
12 General Fund appropriations in excess of the project's unexpended SFRF
13 balance as of the date of reclassification.

14 **SECTION 6.9.(d)** To reconcile project-level allocations with available SFRF
15 balances, OSBM, through NCPRO, may adjust SFRF project allocations by up to ten dollars
16 (\$10.00) per project. Adjustments under this subsection are technical and shall not change project
17 scope or shift funds between projects. Nothing in this subsection limits or supersedes a
18 reclassification authorized by subsection (b) of this section.

19 **SECTION 6.9.(e)** No later than ~~April 15, 2026~~ December 15, 2026, OSBM and
20 NCPRO shall jointly report to the Joint Legislative Commission on Governmental Operations
21 and the Fiscal Research Division on all actions taken under this section, including:

- 22 (1) For each agency and project meeting the revenue-loss criteria in subsection
23 (a) of this section, the project name and the amount of remaining unexpended
24 SFRF as of ~~December 31, 2025~~ June 30, 2026. The report shall also identify
25 which projects are complete and have excess SFRF funds and which SFRF
26 projects need additional funds for completion.
- 27 (2) For each agency and project from which unexpended SFRF were reclassified,
28 the project name and the amount of the corresponding nonrecurring net
29 General Fund appropriation provided in lieu of SFRF. (3) For each agency
30 and project receiving SFRF pursuant to the reclassification, the project name
31 and the amount of SFRF provided. The report shall also certify that all SFRF
32 were obligated on or before December 31, 2024, and that expenditures are
33 being made consistent with 31 C.F.R. Part 35 and related United States
34 Department of the Treasury guidance.

35 **SECTION 6.9.(f)** The Director of the Budget shall ensure that implementation of this
36 section results in no change to the net General Fund appropriations in the 2025-2026 or 2026-
37 2027 fiscal year."

38 39 **ADDITIONAL STATE FISCAL RECOVERY FUND FLEXIBILITY**

40 **SECTION 23.2.(a)** Notwithstanding any provision of law to the contrary, and
41 subject to the conditions set out in part (b) of this section, below, the North Carolina Pandemic
42 Recovery Office (NCPRO), in consultation with the Director of the Budget, may reallocate State
43 Fiscal Recovery Funds (SFRF) appropriated by this act or any act of the General Assembly,
44 including but not limited to:

- 45 (a) S.L. 2021-180.
- 46 (b) S.L. 2021-189.
- 47 (c) S.L. 2022-6.
- 48 (d) S.L. 2022-74.
- 49 (e) S.L. 2023-134.
- 50 (f) S.L. 2024-1.
- 51 (g) S.L. 2024-40.

1 (h) S.L. 2024-53.

2 (i) S.L. 2024-55.

3 **SECTION 23.2.(b)** The funds set out in part (a) of this section may be reallocated
4 only when all of the following conditions are met:

5 (a) The appropriated funds have not been expended by September 30, 2026.

6 (b) There is a reasonable expectation that the funds will not be expended before the deadline
7 established by applicable federal law or guidance.

8 (c) The reallocation is made to support SFRF related activities authorized and receiving
9 appropriations under this act or one of the acts listed above in part (a) of this Section, and
10 adhering to Federal SFRF Expenditure Category 5 (Water, Sewer, or Broadband
11 Infrastructure) guidance. Reallocated funds shall not be used for any new activity,
12 purpose, or program.

13 **SECTION 23.2.(c)** Any funds remain after the reallocation process authorized in
14 subsection (b) shall be allocated to the State Treasurer up to an amount equal to the remaining
15 unreimbursed COVID-19 related expenses incurred by the North Carolina State Health Plan for
16 Teachers and State Employees between March 3, 2021 and December 31, 2024.

17 **SECTION 23.2.(d)** To the extent that funds reallocated pursuant to this section are
18 unappropriated, including interest accrual exceeding that which is anticipated in this act, those
19 funds are hereby appropriated and available for use pursuant to this section.

20 **SECTION 23.2.(e)** Reporting. – Beginning September 30, 2026, the Office of State
21 Budget and Management (OSBM) shall report to the Fiscal Research Division quarterly on the
22 reallocations made pursuant to this section in the same manner as required in S.L. 2025-97,
23 Section 6.9.(e).

24 **INTEREST TO SUPPORT NC PANDEMIC RECOVERY EFFORTS**

25 **SECTION 23.3.** Any interest earned on the following is appropriated to the Office
26 of State Budget and Management (OSBM) for operations pertaining to pandemic recovery and
27 may be utilized in accordance with the requirements set out in Section 6.9 of S.L. 2025-97:

28 (a) Local Fiscal Recovery Fund, Budget Code 63009, Budget Fund 610000;

29 (b) Homeowner Assistance Fund, Budget Code 23023, Budget Fund 214150, that is allowed
30 to be retained by the State; and

31 (c) Economic Development Assistance Strategy and Tourism grant funds, Budget Code
32 23025, Budget Funds 214250 and 214251, that is allowed to be retained by the State.

33 (d) Project Fund, Budget Code 23022, Budget Fund 214102, that is allowed to be retained by
34 the state.
35

36 **REMOVE DIRECTOR OF THE BUDGET FROM APPROVAL OF RIF SEVERANCE 37 WAGES AND RIF DISCONTINUED SERVICE RETIREMENT ALLOWANCES**

38 **SECTION 23.4.(a).** G.S. 126-8.5(a) reads as rewritten:

39 "§ 126-8.5. Discontinued service retirement allowance and severance wages for certain State
40 employees.
41

42 (a) When the ~~Director of the Budget determines that the~~ closing of a State institution or a
43 reduction in force will accomplish economies in the State Budget, the State employees who were
44 separated from employment as a result of the closure or reduction in force shall receive from the
45 last employing agency either a discontinued service retirement allowance or severance wages,
46 wages to any affected State employee, provided reemployment is not available. As used in this
47 section, "economies in the State Budget" means economies resulting from elimination of a job
48 and its responsibilities or from a lack of funds to support the job. The agency head shall
49 determine, in his or her discretion, In determining whether to pay a discontinued service
50 retirement allowance or severance wages, ~~the Director of the Budget shall consider the~~
51 ~~recommendation of the department head involved and any recommendation of after the~~

1 opportunity for consultation with the Director of the Office of State Budget and Management and
2 the Director of the Office of State Human Resources. Severance wages shall not be paid to an
3 employee who chooses a discontinued service retirement. Severance wages shall not be subject
4 to employer or employee retirement contributions. Severance wages shall be paid according to
5 the policies adopted by the State Human Resources Commission.

6 ..."

7 **SECTION 23.4.(b).** This section is effective when it becomes law and applies to all
8 discontinued service retirement allowances and severance wages paid on or after that date.

9
10 **ADDRESS RESPONSIBILITIES FOR QUALIFIED EXCESS BENEFIT**
11 **ARRANGEMENT WHEN THE FINAL EMPLOYER OF A MEMBER IS NOT THE**
12 **MEMBER'S EMPLOYER FOR AVERAGE FINAL COMPENSATION**
13 **CALCULATIONS**

14 **SECTION 23.5.(a).** G.S. 135-151(d1) reads as rewritten:

15 "...

16 (d1) The last employer of a payee who retires on or after August 1, 2016, and who receives
17 any supplemental benefit payment under this section shall be required to reimburse the QEBA in
18 the amount of any supplemental benefit payment made to that payee. If the employer associated
19 with the payee member's last month of membership service did not report to the Retirement
20 System any compensation paid to the payee member during the period used to compute the payee
21 member's average final compensation, then that last employer of the payee shall not reimburse
22 the QEBA as described in this subsection, but instead the employer or employers who reported
23 compensation during the payee member's average final compensation period shall each reimburse
24 the QEBA in an amount equal to the employer's share of the total reimbursement required under
25 this subsection, allocated proportionally to each employer based on the total amount of
26 compensation to the payee member that each employer reported during the period used to
27 compute the payee member's average final compensation. The reimbursement amount shall be
28 calculated on an annual basis every calendar year. For purposes of calculating the reimbursement
29 amount, the Board of Trustees may include a pro rata share of direct costs attributable to
30 administration of the QEBA. The total amount of reimbursement owed by The University of
31 North Carolina and UNC Health Care shall not exceed five hundred thousand dollars (\$500,000)
32 annually. The Fiscal Research Division of the General Assembly shall be required to review all
33 reimbursement amounts prior to notifying an employer of the reimbursement amount owed.

34 The employer shall have 60 calendar days from the date of notification of the reimbursement
35 amount owed to pay the amount in full or the employer shall be assessed a penalty, in lieu of
36 interest, of one percent (1%) per month, or fraction thereof, that the payment is made beyond the
37 due date."

38 **SECTION 23.5.(b).** G.S. 128-38.10(d1) reads as rewritten:

39 "...

40 (d1) The last employer of a payee who retires on or after August 1, 2016, and who receives
41 any supplemental benefit payment under this section shall be required to reimburse the QEBA in
42 the amount of any supplemental benefit payment made to that payee. The reimbursement amount
43 shall be calculated on an annual basis every calendar year. For purposes of calculating the
44 reimbursement amount, the Board of Trustees may include a pro rata share of direct costs
45 attributable to administration of the QEBA. If the employer associated with the payee member's
46 last month of membership service did not report to the Retirement System any compensation
47 paid to the payee member during the period used to compute the payee member's average final
48 compensation, then that last employer of the payee shall not reimburse the QEBA as described
49 in this subsection, but instead the employer or employers who reported compensation during the
50 payee member's average final compensation period shall each reimburse the QEBA in an amount
51 equal to the employer's share of the total reimbursement required under this subsection, allocated

1 proportionally to each employer based on the total amount of compensation to the payee member
2 that each employer reported during the period used to compute the payee member's average final
3 compensation. The Fiscal Research Division of the General Assembly shall be required to review
4 all reimbursement amounts prior to notifying an employer of the reimbursement amount owed.

5 The employer shall have 60 calendar days from the date of notification of the reimbursement
6 amount owed to pay the amount in full or the employer shall be assessed a penalty, in lieu of
7 interest, of one percent (1%) per month, or fraction thereof, that the payment is made beyond the
8 due date.

9 **SECTION 23.5.(c).** This section becomes effective January 1, 2026 and applies to
10 all reimbursements assessed on or after that date under G.S. 135-151.(d1) or 128-38.10.(d1) for
11 past, existing, and future retirements.
12

13 **MITIGATE FEDERAL FUNDING ACTIONS**

14 **SECTION 23.6.(a)** For the 2026-2027 fiscal year, the Office of State Budget and
15 Management (OSBM) may use funds available in the Federal Infrastructure Match Reserve to
16 assist state agencies in mitigating the fiscal impacts of federal spending freezes, federal
17 government shutdowns, or federal spending reductions. This assistance includes, but is not
18 limited to, providing legally required personnel-related or contractual expenses resulting from
19 the discontinuation or delay of federal funds that an agency cannot otherwise support within
20 existing resources.

21 **SECTION 23.6.(b)** Agencies shall submit documentation of the shortfall resulting
22 from the discontinuation or delay of federal funds to the Director of the Budget. The Office of
23 State Budget and Management (OSBM) may, at the discretion of the Director, allocate funds
24 available to the state agency to meet current liabilities. The funds are appropriated from the
25 Federal Infrastructure Match Reserve for the purposes set out in this section, at the time the
26 Director deems such a transfer necessary.

27 **SECTION 23.6.(c)** To the extent possible, state agencies shall reimburse these funds
28 to OSBM. OSBM shall revert all reimbursed funds to the Federal Infrastructure Match Reserve
29 by June 30, 2027.

30 **SECTION 23.6.(d)** Not later than September 1, 2027, OSBM shall submit a written
31 report to the Senate Appropriations Committee on General Government and Information
32 Technology, the House of Representatives Appropriations Committee on General Government,
33 the Joint Legislative Oversight Committee on General Government, the Joint Legislative
34 Commission on Governmental Operations, and the Fiscal Research Division which shall include
35 all of the following for each recipient of funds from OSBM:

- 36 (a) The name of any state agency receiving funds pursuant to in subsection (a) of this section.
 - 37 (b) The reason for the request for funds, including name of each federal program that was
38 impacted by a funding spending freeze, a federal government shutdown, or a federal
39 spending reduction, and a brief description of the impact.
 - 40 (c) The amount of funds provided from the Federal Infrastructure Match Reserve.
 - 41 (d) The amount of funds reimbursed to the Federal Infrastructure Match Reserve.
- 42

43 **PAYROLL MODERNIZATION RESERVE AND OVERSIGHT BOARD**

44 **SECTION 23.7(a)** There is established in the General Fund a Payroll Modernization
45 Reserve (Reserve) to provide funds for the replacement of the State's payroll and Core HR
46 systems. The State Budget Director shall reserve to the Payroll Modernization Reserve from
47 funds available in the IT Reserve the sum of twenty five million dollars (\$25,000,000) in
48 nonrecurring funds for the 2026-2027 fiscal year. Funds in the Reserve shall not revert and shall
49 remain available until expended for the purposes set forth in this section.

1 **SECTION 23.7(b)** There is established the Payroll Modernization Oversight Board
2 (Board) to oversee the planning, procurement, and implementation of the replacement payroll
3 system. The Board shall consist of the following five members:

- 4 (1) The State Chief Information Officer, who will serve as chair.
- 5 (2) The State Controller.
- 6 (3) The State Budget Director.
- 7 (4) The State Treasurer.
- 8 (5) The Director of the Office of State Human Resources.

9 **SECTION 23.7(c)** The Board shall:

- 10 (1) Determine the payroll functions and requirements necessary for the State's
11 payroll system.
- 12 (2) Develop and issue a request for proposals (RFP) for the replacement payroll
13 system.
- 14 (3) Evaluate proposals and select the vendor or solution that best meets the
15 State's needs no later than July 1, 2027.
- 16 (4) Make all decisions by majority vote.

17 **SECTION 23.7(d)** Beginning January 30, 2027, and semiannually thereafter on
18 January 30 and June 30 of each year, the Board shall report on its progress to the Joint Legislative
19 Oversight Committee on General Government. The report shall include, at a minimum, updates
20 on planning, procurement, implementation milestones, expenditures from the Reserve, and any
21 recommendations for legislative action.

22 23 **REMOVING OBSOLETE REPORTING REQUIREMENTS TO STREAMLINE** 24 **GOVERNMENT**

25 **SECTION 23.8(a).** The following statutes related to reporting requirements are
26 repealed:

- 27 (a) G.S. 150B-21.28.
- 28 (b) S.L. 2023-134-5.6.(j).
- 29 (c) G.S. 166A-19.42.(c).

30 **SECTION 23.8(b).** G.S. 143C-4-6.(c) reads as rewritten:

31 "..."

32 (c) Fiscal Reports. – In years when the most recent enacted budget exceeds six percent (6%)
33 of State personal income, the The Office of State Budget and Management and the Fiscal
34 Research Division of the General Assembly shall each submit an a tentative estimate of total
35 State personal income for the upcoming fiscal year to the General Assembly alongside each
36 issuance of a joint General Fund revenue forecast no later than February 1 of each year. The
37 Office and the Fiscal Research Division shall each submit a final projection of total State personal
38 income for the upcoming fiscal year to the General Assembly no later than May 1 of each year.
39 The General Assembly shall use the lower of the two ~~final~~ projections to calculate the limitation
40 on the size of the General Fund operating budget provided in this section."

41 **SECTION 23.8(c).** G.S. 20-7.(i1) reads as rewritten:

42 "..."

43 (i1) Restoration Fee. - Any person whose drivers license has been revoked pursuant to the
44 provisions of this Chapter, other than G.S. 20-17(a)(2) shall pay a restoration fee of eighty-three
45 dollars and 50 cents (\$83.50). A person whose drivers license has been revoked under G.S. 20-
46 17(a)(2) shall pay a restoration fee of one hundred sixty-seven dollars and twenty-five cents
47 (\$167.25). The fee shall be paid to the Division prior to the issuance to such person of a new
48 drivers license or the restoration of the drivers license. The restoration fee shall be paid to the
49 Division in addition to any and all fees which may be provided by law. This restoration fee shall
50 not be required from any licensee whose license was revoked or voluntarily surrendered for
51 medical or health reasons whether or not a medical evaluation was conducted pursuant to this

1 Chapter. The eighty-three dollars and 50 cents (\$83.50) fee, and the first one hundred five dollars
2 (\$105.00) of the one hundred sixty-seven dollars and twenty-five cents (\$167.25) fee, shall be
3 deposited in the Highway Fund. Twenty five dollars (\$25.00) of the one hundred sixty-seven
4 dollars and twenty-five cents (\$167.25) fee shall be used to fund a statewide chemical alcohol
5 testing program administered by the Forensic Tests for Alcohol Branch of the Chronic Disease
6 and Injury Section of the Department of Health and Human Services. Notwithstanding any other
7 provision of law, a restoration fee assessed pursuant to this subsection may be waived by the
8 Division when (i) the restoration fee remains unpaid for more than 10 years from the date of
9 assessment and (ii) the person responsible for payment of the restoration fee has been issued a
10 drivers license by the Division after the effective date of the revocation for which the restoration
11 fee is owed. ~~The Office of State Budget and Management shall annually report to the General
12 Assembly the amount of fees deposited in the General Fund and transferred to the Forensic Tests
13 for Alcohol Branch of the Chronic Disease and Injury Section of the Department of Health and
14 Human Services under this subsection."~~

15 16 **PART XXIV. BUDGET AND MANAGEMENT – SPECIAL APPROPRIATIONS** 17 **[RESERVED]**

18 19 **PART XXV. OFFICE OF STATE CONTROLLER**

20 21 **OVERPAYMENTS AUDITS**

22 **SECTION 25.** G.S. 147-86.22.(c) reads as rewritten:

23 "...

24 (c) Collection Techniques. - The State Controller, in conjunction with the Office of the
25 Attorney General, shall establish policies and procedures to govern techniques for collection of
26 accounts receivable. These techniques may include use of credit reporting bureaus, judicial
27 remedies authorized by law, and administrative setoff by a reduction of a tax refund pursuant to
28 the Setoff Debt Collection Act, Chapter 105A of the General Statutes, or a reduction of another
29 payment, other than payroll, due from the State to a person to reduce or eliminate an account
30 receivable that the person owes the State.

31 The State Controller shall negotiate a contract with a third party to perform an audit and
32 collection process of inadvertent overpayments by State agencies to vendors as a result of pricing
33 errors, neglected rebates and discounts, miscalculated freight charges, unclaimed refunds,
34 erroneously paid excise taxes, and related errors. The third party shall be compensated only from
35 funds recovered as a result of the audit. Of the recovered funds and subject to availability, the
36 State Controller may use up to three hundred thousand dollars (\$300,000) to develop and provide
37 governmental accounting education for state agency fiscal staff. Savings realized in excess of
38 costs and any funds used by the State Controller for the aforementioned purpose shall be
39 transferred from the agency to the Office of State Budget and Management and placed in a special
40 reserve account for future direction by the General Assembly. Any disputed savings shall be
41 settled by the State Controller. This paragraph does not apply to the purchase of medical services
42 by State agencies or payments used to reimburse or otherwise pay for health care services."

43 44 **ELECTRONIC PAYMENT PROCESSING**

45 **SECTION 25.2.** G.S. 147-86.22 reads as rewritten:

46 **"§ 147-86.22. Statewide accounts receivable program.**

47 ...

48 (b) Electronic Payment. – Notwithstanding the provisions of G.S. 147-86.20 and G.S. 147-
49 86.21, this subsection applies to debts owed a community college, a local school administrative
50 unit, an area mental health, developmental disabilities, and substance abuse authority, and the
51 Administrative Office of the Courts, and to debts payable to or through the office of a clerk of

1 superior court or a magistrate, as well as to debts owed to other State agencies as defined in G.S.
2 147-86.20.

3 The State Controller shall establish policies that allow accounts receivable to be payable
4 under certain conditions by electronic payment. These policies shall be established with the
5 concurrence of the State Treasurer. In addition, any policies that apply to debts payable to or
6 through the office of a clerk of superior court or a magistrate shall be established with the
7 concurrence of the Administrative Officer of the Courts. The Administrative Officer of the Courts
8 may also establish policies otherwise authorized by law that apply to these debts as long as those
9 policies are not inconsistent with the Controller's policies.

10 A condition of payment by electronic payment is receipt by the appropriate State agency of
11 the full amount of the account receivable owed to the State agency. ~~A-Notwithstanding the~~
12 ~~provisions of this section or any other provision of law, a State agency may enter into a contract~~
13 ~~with a payment processor that authorizes the processor to retain their fee for providing the~~
14 ~~processing service at the time each transaction is made. The terms of any contract executed under~~
15 ~~this subsection shall be approved by the State Controller with the concurrence of the State~~
16 ~~Treasurer and the Administrative Office of the Courts, as applicable. In the absence of a contract~~
17 ~~with a processor to retain service fees, the State agency may charge a debtor who pays by~~
18 ~~electronic payment may be required to pay any fee or charge associated with the use of electronic~~
19 ~~payment. Fees fees to cover the costs incurred in accepting the payment electronically, but in no~~
20 ~~event shall the debtor be required to pay a fee that is greater than four percent (4%) of the~~
21 ~~electronic payment. If the State agency does not require the debtor to pay a fee associated with~~
22 ~~processing electronic paymentspayments, the fee~~ may be paid out of the General Fund and
23 Highway Fund if the payment of the fee by the State is economically beneficial to the State and
24 the payment of the fee by the State has been approved by the State Controller and State Treasurer.

25 The State Controller and State Treasurer shall consult with the Joint Legislative Commission
26 on Governmental Operations before establishing policies that allow accounts receivable to be
27 payable by electronic payment and before authorizing fees associated with electronic payment to
28 be paid out of the General Fund and Highway Fund. A payment of an account receivable that is
29 made by electronic payment and is not honored by the issuer of the card or the financial institution
30 offering electronic funds transfer does not relieve the debtor of the obligation to pay the account
31 receivable.

32 ...

33 (d) Annual Report. – The State Controller shall report annually to the Joint Legislative
34 Commission on Governmental Operations and the Fiscal Research Division on the revenue
35 deposited into Special Reserve Account 24172 and the disbursement of that revenue."
36

37 **PART XXVI. ELECTIONS [RESERVED]**

38 **PART XXVII. GENERAL ASSEMBLY [RESERVED]**

39 **PART XXVIII. GOVERNOR [RESERVED]**

40 **PART XXIX. HOUSING FINANCE AGENCY [RESERVED]**

41 **PART XXIXA. OFFICE OF STATE HUMAN RESOURCES**

42 **HUMAN CAPITAL MANAGEMENT PROJECT PHASE I IMPLEMENTATION**

43 **SECTION 29A.1.(a)** Section 6.8(b) of S.L. 2025-97 is repealed.

44 **SECTION 29A.1.(b)** Section 6.8(c) of S.L. 2025-97 is repealed.

45 "...
46
47
48
49
50

1 **SECTION 6.8.(c)** OSHR may establish ~~one or time limited permanent~~ positions
2 ~~funded by this section~~ to support the implementation and operation of the HCM- ~~system.system;~~
3 ~~any such positions may begin in the 2025-2026 fiscal year and may continue into the 2026-2027~~
4 ~~fiscal year, but shall expire no later than June 30, 2027, and shall not be continued or converted~~
5 ~~to permanent positions without further legislative authorization."~~
6

7 **HCM PHASE I ENHANCEMENTS**

8 **SECTION 29A.2.(a)** In implementing enhancements to Phase I of the new Human
9 Capital Management project, in order to reduce duplication of effort and increase accuracy, OSC
10 shall work with OSHR to automate a bidirectional (two-way) integration, ensuring employee data
11 is synchronized between the Workday HCM and the current Integrated HR/Payroll system.
12

13 **PART XXX. DEPARTMENT OF INSURANCE**

14 **DEPARTMENT OF INSURANCE LEASE EXPENSES**

15 **SECTION 30.1.** Section 7.(a) of S.L. 2023-114 reads as rewritten:

16 "**SECTION 7.(a)** The General Assembly authorizes the Department of Insurance to
17 fund, with receipts or from other non-General Fund and non-State Capital and Infrastructure
18 Fund sources available to the Department, a sum not to exceed eighteen million dollars
19 (\$18,000,000) to enter into a lease agreement for the temporary relocation of the Department's
20 offices and a sum not to exceed one million dollars (\$1,000,000) for costs associated with the
21 temporary relocation. The lease agreement funded by the sum authorized in this subsection shall
22 be for a term not to exceed five years, with the option to renew for two additional five-year
23 consecutive periods. and shall not be renewed without prior approval from the General Assembly.
24 The Department shall complete the relocation process no later than October 15, 2023. "
25
26

27 **PART XXXI. DEPARTMENT OF INSURANCE – INDUSTRIAL COMMISSION** 28 **[RESERVED]**

29 **PART XXXII. LIEUTENANT GOVERNOR [RESERVED]**

30 **PART XXXIII. MILITARY AND VETERANS AFFAIRS**

31 **CLARIFICATION OF VETERANS DEFINITIONS**

32 **SECTION 33.1.** G.S. 143B-1213 reads as rewritten:

33 **"§ 143B-1213. Definitions.**

34 Except where provided otherwise, the following definitions apply in this Chapter:

- 35 (1) Department. – The Department of Military and Veterans Affairs.
- 36 (2) Secretary. – The Secretary of Military and Veterans Affairs.
- 37 (3) Veteran. – One of the following, as applicable.
 - 38 a. For qualifying as a voting member of the State Board of Veterans
39 served honorably during a period of war as defined in Title 38, United
40 States Code.
 - 41 b. For entitlement to the services of the Department of Military and
42 Veterans Affairs, a person who may be entitled to any benefits or rights
43 under the laws of the United States by reason of service in the Armed
44 Forces of the United States: under the U.S. Department of Defense
45 (Army, Marine Corps, Navy, Air Force, Space Force, National Guard)
46 and the U.S. Department of Homeland Security (Coast Guard), and the
47 reserve components thereof.
48
49
50

- 1 c. For this Chapter, unless otherwise stated "Armed Forces of the United
2 States" means the Armed Forces of the United States under the United
3 States Department of Defense (Army, Marine Corps, Navy, Air Force,
4 Space Force, National Guard) and the United States Department of
5 Homeland Security (Coast Guard), the reserve components thereof."
6

7 **UPDATE NORTH CAROLINA VETERANS HOME TRUST FUND TO REFLECT**
8 **GENERAL ASSEMBLY APPROPRIATION**

9 **SECTION 33.2.** G.S. 143B-1293 reads as rewritten:

10 **"§ 143B-1293. North Carolina Veterans Home Trust Fund.**

11 (a) Establishment. – A trust fund shall be established in the State treasury, for the Department
12 of Military and Veterans Affairs, to be known as the North Carolina Veterans Home Trust Fund.

13 (b) Composition. – The trust fund shall consist of all funds and monies received by the
14 Veterans' Affairs Commission or the Department of Military and Veterans Affairs from the
15 United States, any federal agency or institution, and any other source, whether as a grant,
16 appropriation, gift, contribution, devise, or individual reimbursement, for the care and support of
17 veterans who have been admitted to a State veterans home.

18 (c) Use of Fund. – The trust fund created in subsection (a) of this section shall be used by the
19 Department of Military and Veterans Affairs to do the following:

- 20 (1) To pay for the care of veterans in said State veterans homes;
21 (2) To pay the general operating expenses of the State veterans homes,
22 including the payment of salaries and wages of officials and employees of
23 said homes; the Department to the extent such personnel support the
24 operations, administration, and oversight of said homes;
25 (3) To remodel, repair, construct, modernize or add improvement to buildings
26 and facilities at the homes."
27

28 **AUTHORITY TO APPROVE CAPITAL PROJECTS FUNDED BY THE STATE**
29 **VETERANS HOME TRUST FUND**

30 **SECTION 33.3** G.S. 143C-8-12 reads as rewritten:

31 **"§ 143C-8-12. Capital improvement projects from sources other than the General Fund.**

32 ...

33 (c) National Guard Projects. – Notwithstanding any other provision of this Chapter, the
34 North Carolina National Guard may approve expenditures for a capital project of the
35 North Carolina National Guard if (i) the project will be funded entirely with federal
36 funds and (iii) any operating costs associated with the project will be paid entirely with
37 federal funds.

38 (c1) The Department of Military and Veterans Affairs – Notwithstanding any other
39 provisions of this chapter, the Department may approve State Veterans Homes capital projects
40 funded by non-general Fund monies.

41 (d) Reporting. – The Board of Governors, ~~and the~~ National Guard, and Department of
42 Military and Veterans Affairs shall report any expenditure made pursuant to this section to the
43 Office of State Budget and Management and to the Joint Legislative Commission on
44 Governmental Operations."
45

46 **NORTH CAROLINA VETERANS CEMETERY TRUST FUND**

47 **SECTION 33.4** Article 14 of Chapter 143B of the General Statute is amended by
48 adding a new Section to read:

49 **"§ 143B-1219. North Carolina Veterans Cemeteries Trust Fund.**

50 (a) There is established the North Carolina Veterans Cemetery Trust Fund (hereinafter
51 "Fund"), a special fund within the Department of Military and Veterans Affairs. The Fund

1 shall be maintained as a special fund and shall be administered by the Department to carry
2 out the provisions of this section for the operations and maintenance of State veterans'
3 cemeteries. Fund resources may also be used to cover the projected cashflow needs of
4 cemetery expansion projects funded by grants from the U.S. Department of Veterans
5 Affairs. Interest accruing from the monies in the Fund shall be credited to the Fund. The
6 Fund shall consist of the following sources of funding:

7 (1) All interest and investment earnings received on monies in the Fund.

8 (2) Funds or monies received by the Department, the receipt of which does not
9 exclude any other source of revenue, from the United States, any federal
10 agency or institution, or individual reimbursement, for the support
11 of veterans cemeteries.

12 (3) Any other funds, as directed by the General Assembly.

13 (b) The Department is authorized to use up to seven hundred seventy five thousand dollars
14 (\$775,000) of the interest earned on the Fund to create up to ten positions to maintain and
15 operate the existing state veterans cemeteries. The amount allowed to the Department for
16 costs under this section may be increased as needed to reflect legislatively mandated salary
17 or benefit increases.

18 (c) The Department is authorized to use an additional twenty three thousand dollars
19 (\$23,000) in the 2026-27 fiscal year to pay for nonrecurring costs associated with these
20 positions and maintenance costs.

21 (d) In the event annual earned interest in the Fund is insufficient to cover seven hundred
22 seventy five thousand dollars (\$775,000), the Department may withdraw additional funds from
23 the balance of the Fund so the total amount withdrawn from the balance and interest are equal to
24 seven hundred and seventy five thousand dollars (\$775,000)."

25 26 **PART XXXIV. DEPARTMENT OF REVENUE**

27 28 **SCRAP TIRE DISPOSAL TAX**

29 **SECTION 34.1.** G.S. 105-187.19(a) reads as rewritten:

30 **"§ 105-187.19. Use of tax proceeds.**

31 (a)The Secretary shall distribute the taxes collected under this Article, less the allowance to
32 the Department of Revenue for administrative expenses, in accordance with this section. The
33 Secretary may retain the cost of collection by the Department, not to exceed ~~four hundred twenty-~~
34 ~~five thousand dollars (\$425,000)~~six hundred seventy-five thousand dollars (\$675,000) a year as
35 reimbursed to the Department.

36 ..."

37 38 **WHITE GOODS DISPOSAL TAX**

39 **SECTION 34.2.** G.S. 105-187.24 reads as rewritten:

40 **"§ 105-187.24. Use of tax proceeds.**

41 The Secretary shall distribute the taxes collected under this Article, less the Department of
42 Revenue's allowance for administrative expenses, in accordance with this section. The Secretary
43 may retain the Department's cost of collection, not to exceed ~~four hundred twenty-five thousand~~
44 ~~dollars (\$425,000)~~six hundred seventy-five thousand dollars (\$675,000) a year, as reimbursement
45 to the Department.

46 ..."

47 48 **PART XXXV. SECRETARY OF STATE [RESERVED]**

49 50 **PART XXXVI. TREASURER [RESERVED]**

51

1 **PART XXXVII. GENERAL GOVERNMENT – MISCELLANEOUS [RESERVED]**

2
3 **PART XXXVIII. INFORMATION TECHNOLOGY [RESERVED]**

4
5 **PART XXXIX. SALARIES AND BENEFITS**

6
7 **ELIGIBLE STATE-FUNDED EMPLOYEES AWARDED COST-OF-LIVING**
8 **ADJUSTMENT/ LEGISLATIVE SALARY INCREASES**

9 **SECTION 39.1.(a)** Effective July 1, 2025, except as provided by subsection (c) of
10 this section, a person (i) whose salary is set by this Part, pursuant to the North Carolina Human
11 Resources Act or as otherwise authorized in this act and (ii) who was employed in a
12 State-funded position on June 30, 2024, is awarded a compensation adjustment as follows:

- 13 (1) Two percent and one-half (2.5%) effective July 1, 2025.
- 14 (2) As otherwise allowed or provided by law.

15 **SECTION 39.1.(a1)** Effective July 1, 2026, except as provided by subsection (c)
16 of this section, a person (i) whose salary is set by this Part, pursuant to the North Carolina
17 Human Resources Act or as otherwise authorized in this act and (ii) who is employed in a
18 State-funded position on June 30, 2025, is awarded a compensation adjustment as follows:

- 19 (1) Two percent and one-half (2.5%) effective July 1, 2026.
- 20 (2) As otherwise allowed or provided by law.

21 **SECTION 39.1.(b)** For the 2025-27 fiscal biennium, the following persons are not
22 eligible to receive the legislative salary increases provided by subsections (a) and (a1) of this
23 section:

- 24 (1) Employees of local boards of education.
- 25 (2) Local community college employees.
- 26 (3) Employees of The University of North Carolina
- 27 (4) Clerks of superior court compensated under G.S. 7A-101.
- 28 (5) Correctional employees to which Section 39.18 of this Part applies.
- 29 (6) Law enforcement officers to which Section 39.19.(a) of this Part applies.
- 30 (7) Probation and parole officers to which Section 39.20.(a) of this Part applies.
- 31 (8) Employees of schools operated by the Department of Health and Human
32 Services, the Department of Public Safety, and the State Board of Education
33 who are paid based on the Teacher Salary Schedule.

34 **SECTION 39.1.(c)** Permanent part-time employees shall receive the increase
35 authorized by this section on a prorated and equitable basis.

36 **SECTION 39.1.(d)** No eligible State-funded employee shall be prohibited from
37 receiving the full salary increase provided in this section solely because the employee's salary
38 after applying the legislative increase is above the maximum of the salary range prescribed by
39 the State Human Resources Commission.

40
41 **STATE EMPLOYEE BONUS**

42 **SECTION 39.2.(a)** Notwithstanding 143c-6-4, any person (i) whose salary is set
43 by Section 7A.(5), Section 7A.(8), Section 7A.(9) or by this Part, pursuant to the North
44 Carolina Human Resources Act, who is employed on September 30th, 2026, shall be awarded a
45 bonus for the 2026-27 fiscal year in the amount of one thousand dollars (\$1,000.00), payable
46 during the month of October 2026.

47 **SECTION 39.2.(b)** Employers of State employees and local education employees
48 shall provide an additional bonus of five hundred dollars (\$500.00), payable during the month
49 of October 2026, to all permanent full-time State employees and local education employees
50 who are employed on September 30th, 2026, and who earn an annual salary that does not exceed
51 seventy-five thousand dollars (\$75,000).

1 **SECTION 39.2.(c)** Notwithstanding Subsection (d) of Section 39.33, any funds
2 appropriated for bonuses in excess of the amounts required to implement the bonuses shall
3 revert and not be credited to the Pay Plan Reserve.

4 **SECTION 39.2.(d)** Notwithstanding G.S. 135-1(7a), the compensation bonuses
5 awarded by this section are not compensation under Article 1 of Chapter 135 of the General
6 Statutes, the Teachers' and State Employees' Retirement System.

7 **SECTION 39.2.(e)** The compensation bonuses awarded by this section are not part
8 of annual salary and shall be paid out separately. The compensation bonus shall be awarded to
9 eligible permanent employees without regard to an employee's placement within the salary
10 range, including employees at the top of the salary range. The compensation bonus shall be
11 adjusted pro rata for permanent part-time employees.

12 **GOVERNOR AND COUNCIL OF STATE**

13 **SECTION 39.3.(a)** The salary of the Governor, as provided by G.S. 147-11(a),
14 shall remain unchanged.

15 **SECTION 39.3.(b)** The annual salaries for members of the Council of State,
16 payable monthly, for the 2025-27 fiscal biennium are as follows:

17	<u>Council of State</u>	<u>FY 2025-26</u>	<u>FY 2026-27</u>
18	Lieutenant Governor	\$172,594	\$176,909
19	Attorney General	172,594	176,909
20	Secretary of State	172,594	176,909
21	State Treasurer	172,594	176,909
22	State Auditor	172,594	176,909
23	Superintendent of Public Instruction	172,594	176,909
24	Agriculture Commissioner	172,594	176,909
25	Insurance Commissioner	172,594	176,909
26	Labor Commissioner	172,594	176,909

27 **CERTAIN EXECUTIVE BRANCH OFFICIALS**

28 **SECTION 39.4.(a)** The annual salaries, payable monthly, for the following
29 executive branch officials for the 2025-27 fiscal biennium are as follows:

30	<u>Executive Branch Officials</u>	<u>FY 2025-26</u>	<u>FY 2026-27</u>
31	Chairman, Alcoholic Beverage		
32	Control Commission	\$144,365	\$147,974
33	State Controller	201,022	206,048
34	Commissioner of Banks	162,028	166,079
35	Chair, Board of Review, Division		
36	of Employment Security	158,931	162,904
37	Members, Board of Review,		
38	Division of Employment Security	156,989	160,914
39	Chairman, Parole Commission	158,931	162,904
40	Full-Time Members of the Parole Commission	146,948	150,622
41	Chairman, Utilities Commission	180,159	184,663
42	Members of the Utilities Commission	162,028	166,079
43	Executive Director, North Carolina		
44	Agricultural Finance Authority	140,590	144,105
45	State Fire Marshall	142,526	146,089

46 **JUDICIAL BRANCH**

1 **SECTION 39.5.(a)** The annual salaries, payable monthly, for the following judicial
2 branch officials for the 2025-27 fiscal biennium are as follows:

<u>Judicial Branch Officials</u>	<u>FY 2025-26</u>	<u>FY 2026-27</u>
Chief Justice, Supreme Court	\$208,150	\$213,354
Associate Justice, Supreme Court	202,747	207,816
Chief Judge, Court of Appeals	199,541	204,530
Judge, Court of Appeals	194,362	199,221
Judge, Senior Regular Resident Superior Court	178,606	183,071
Judge, Superior Court	173,353	177,687
Chief Judge, District Court	171,737	176,030
Judge, District Court	166,686	170,853
Chief Administrative Law Judge	148,354	152,063
District Attorney	171,520	175,808
Assistant Administrative Officer of the Courts	155,610	159,500
Public Defender	171,520	175,808
Director of Indigent Defense Services	172,779	177,098

18 **SECTION 39.5.(b)** The district attorney or public defender of a judicial district,
19 with the approval of the Administrative Officer of the Courts or the Commission on Indigent
20 Defense Services, respectively, shall set the salaries of assistant district attorneys or assistant
21 public defenders, respectively, in that district such that the average salaries of assistant district
22 attorneys or assistant public defenders in that district, for the 2025-27 biennium, do not exceed
23 one hundred and three thousand eight hundred thirty-one dollars (\$103,831) and the minimum
24 salary of any assistant district attorney or assistant public defender is at least fifty-five thousand
25 seven hundred forty-nine dollars (\$55,749), effective July 1, 2025.

26 **SECTION 39.5.(b1)** The district attorney or public defender of a judicial district,
27 with the approval of the Administrative Officer of the Courts or the Commission on Indigent
28 Defense Services, respectively, shall set the salaries of assistant district attorneys or assistant
29 public defenders, respectively, in that district such that the average salaries of assistant district
30 attorneys or assistant public defenders in that district, for the 2025-27 biennium, do not exceed
31 one hundred and six thousand four hundred twenty-seven dollars (\$106,427) and the minimum
32 salary of any assistant district attorney or assistant public defender is at least fifty-seven
33 thousand twenty-one dollars (\$57,143), effective July 1, 2026.

34 **CLERKS OF SUPERIOR COURT**

35 **SECTION 39.6.(a)** Effective July 1, 2025, G.S. 7A-101(a) reads as rewritten:

36 "(a) The clerk of superior court is a full-time employee of the State and shall receive an
37 annual salary, payable in equal monthly installments, based on the number of State-funded
38 assistant and deputy clerks of court as determined by the Administrative Office of Court's
39 workload formula, according to the following schedule:

<u>Assistants and Deputies</u>	<u>Annual Salary</u>
40 0-19	\$111,726 <u>\$114,519</u>
41 20-29	123,488 <u>126,575</u>
42 30-49	135,248 <u>138,629</u>
43 50-99	147,010 <u>150,685</u>
44 100+	149,949 <u>153,698.</u> "

45 **SECTION 39.6.(a1)** Effective July 1, 2026, G.S. 7A-101(a) reads as rewritten:

46 "(a) The clerk of superior court is a full-time employee of the State and shall receive an
47 annual salary, payable in equal monthly installments, based on the number of State-funded
48 assistant and deputy clerks of court as determined by the Administrative Office of Court's
49 workload formula, according to the following schedule:

<u>Assistants and Deputies</u>	<u>Annual Salary</u>
0-19	\$114,519 <u>\$117,382</u>
20-29	126,575 <u>129,739</u>
30-49	138,629 <u>142,095</u>
50-99	150,685 <u>154,452</u>
100+	153,698 <u>157,540.</u>

ASSISTANT AND DEPUTY CLERKS OF SUPERIOR COURT

SECTION 39.7.(a) Effective July 1, 2025, G.S. 7A-102(c1) reads as rewritten:

"(c1) A full-time assistant clerk or a full-time deputy clerk, and up to one full-time deputy clerk serving as head bookkeeper per county, shall be paid an annual salary subject to the following minimum and maximum rates:

Assistant Clerks and Head Bookkeeper	Annual Salary
Minimum	\$40,482 <u>\$41,494</u>
Maximum	74,792 <u>76,662</u>
Deputy Clerks	Annual Salary
Minimum	\$36,315 <u>\$37,223</u>
Maximum	58,740 <u>60,209.</u>

SECTION 39.7.(a1) Effective July 1, 2026, G.S. 7A-102(c1) reads as rewritten:

"(c1) A full-time assistant clerk or a full-time deputy clerk, and up to one full-time deputy clerk serving as head bookkeeper per county, shall be paid an annual salary subject to the following minimum and maximum rates:

Assistant Clerks and Head Bookkeeper	Annual Salary
Minimum	\$41,494 <u>\$42,531</u>
Maximum	76,662 <u>78,579</u>
Deputy Clerks	Annual Salary
Minimum	\$37,223 <u>38,154</u>
Maximum	60,209 <u>61,714.</u>

MAGISTRATES

SECTION 39.8.(a) Effective July 1, 2025, G.S. 7A-171.1 reads as rewritten:

"§ 7A-171.1. Duty hours, salary, and travel expenses within county.

(a) The Administrative Officer of the Courts, after consultation with the chief district judge and pursuant to the following provisions, shall set an annual salary for each magistrate:

- (1) A full-time magistrate shall be paid the annual salary indicated in the table set out in this subdivision. A full-time magistrate is a magistrate who is assigned to work an average of not less than 40 hours a week during the term of office. The Administrative Officer of the Courts shall designate whether a magistrate is full-time. Initial appointment shall be at the entry rate. A magistrate's salary shall increase to the next step every two years on the anniversary of the date the magistrate was originally appointed for increases to Steps 1 through 3, and every four years on the anniversary of the date the magistrate was originally appointed for increases to Steps 4 through 6.

Table of Salaries of Full-Time Magistrates

<u>Step Level</u>	<u>Annual Salary</u>
Entry Rate	\$47,228 <u>\$48,409</u>
Step 1	50,714 <u>51,982</u>

1	Step 2	<u>54,47555,837</u>
2	Step 3	<u>58,45759,918</u>
3	Step 4	<u>63,22864,809</u>
4	Step 5	<u>68,97370,697</u>
5	Step 6	<u>75,415.77,300."</u>

6 **SECTION 39.8.(a1)** Effective July 1, 2026, G.S. 7A-171.1 reads as rewritten:

7 **"§ 7A-171.1. Duty hours, salary, and travel expenses within county.**

8 (a) The Administrative Officer of the Courts, after consultation with the chief district judge
9 and pursuant to the following provisions, shall set an annual salary for each magistrate:

10 (1) A full-time magistrate shall be paid the annual salary indicated in the table
11 set out in this subdivision. A full-time magistrate is a magistrate who is
12 assigned to work an average of not less than 40 hours a week during the term
13 of office. The Administrative Officer of the Courts shall designate whether a
14 magistrate is full-time. Initial appointment shall be at the entry rate. A
15 magistrate's salary shall increase to the next step every two years on the
16 anniversary of the date the magistrate was originally appointed for increases
17 to Steps 1 through 3, and every four years on the anniversary of the date the
18 magistrate was originally appointed for increases to Steps 4 through 6.

19 Table of Salaries of Full-Time Magistrates

20	<u>Step Level</u>	<u>Annual Salary</u>
21	Entry Rate	<u>\$48,409\$49,619</u>
22	Step 1	<u>51,98253,282</u>
23	Step 2	<u>55,83757,233</u>
24	Step 3	<u>59,91861,416</u>
25	Step 4	<u>64,80966,429</u>
26	Step 5	<u>70,69772,464</u>
27	Step 6	<u>77,300.79,233."</u>

28
29 **LEGISLATIVE EMPLOYEES**

30 **SECTION 39.9.(a)** Effective July 1, 2025, the annual salaries of the Legislative
31 Services Officer and of nonelected employees of the General Assembly in effect on June 30,
32 2025, shall be legislatively increased by two and one-half percent (2.5%).

33 **SECTION 39.9.(a1)** Effective July 1, 2026, the annual salaries of the Legislative
34 Services Officer and of nonelected employees of the General Assembly in effect on June 30,
35 2025, shall be legislatively increased by two and one-half percent (2.5%).

36 **SECTION 39.9.(b)** Nothing in this act limits any of the provisions of G.S. 120-32.
37

38 **GENERAL ASSEMBLY PRINCIPAL CLERKS**

39 **SECTION 39.10.(a)** Effective July 1, 2025, G.S. 120-37(c) reads as rewritten:

40 "(c) The principal clerks shall be full-time officers. Each principal clerk shall be entitled to
41 other benefits available to permanent legislative employees and shall be paid an annual salary
42 of ~~one hundred thirty-three thousand nine hundred thirty-six dollars (\$133,936)~~, one hundred
43 thirty-seven two hundred eighty-four (\$137,284), payable monthly. Each principal clerk shall
44 also receive such additional compensation as approved by the Speaker of the House of
45 Representatives or the President Pro Tempore of the Senate, respectively, for additional
46 employment duties beyond those provided by the rules of their House. The Legislative Services
47 Commission shall review the salary of the principal clerks prior to submission of the proposed
48 operating budget of the General Assembly to the Governor and shall make appropriate
49 recommendations for changes in those salaries. Any changes enacted by the General Assembly
50 shall be by amendment to this paragraph."

51 **SECTION 39.10.(a1)** Effective July 1, 2026, G.S. 120-37(c) reads as rewritten:

1 "(c) The principal clerks shall be full-time officers. Each principal clerk shall be entitled to
2 other benefits available to permanent legislative employees and shall be paid an annual salary
3 of ~~one hundred thirty seven thousand two hundred eighty four dollars (\$137,284)~~, one hundred
4 forty thousand seven hundred sixteen dollars (\$140,716), payable monthly. Each principal clerk
5 shall also receive such additional compensation as approved by the Speaker of the House of
6 Representatives or the President Pro Tempore of the Senate, respectively, for additional
7 employment duties beyond those provided by the rules of their House. The Legislative Services
8 Commission shall review the salary of the principal clerks prior to submission of the proposed
9 operating budget of the General Assembly to the Governor and shall make appropriate
10 recommendations for changes in those salaries. Any changes enacted by the General Assembly
11 shall be by amendment to this paragraph."
12

13 SERGEANTS-AT-ARMS AND READING CLERKS

14 **SECTION 39.11.(a)** Effective July 1, 2025, G.S. 120-37(b) reads as rewritten:

15 "(b) The sergeant-at-arms and the reading clerk in each house shall be paid a salary of ~~five~~
16 ~~hundred twenty eight dollars (\$528)~~ five hundred forty-one dollars (\$541) per week plus
17 subsistence at the same daily rate provided for members of the General Assembly, plus mileage
18 at the rate provided for members of the General Assembly for one round trip only from their
19 homes to Raleigh and return. The sergeants-at-arms shall serve during sessions of the General
20 Assembly and at such time prior to the convening of, and subsequent to adjournment or recess
21 of, sessions as may be authorized by the Legislative Services Commission. The reading clerks
22 shall serve during sessions only."

23 **SECTION 39.11.(a)** Effective July 1, 2026, G.S. 120-37(b) reads as rewritten:

24 "(b) The sergeant-at-arms and the reading clerk in each house shall be paid a salary of ~~five~~
25 ~~hundred forty one dollars (\$541)~~ five hundred fifty-five dollars (\$555) per week plus
26 subsistence at the same daily rate provided for members of the General Assembly, plus mileage
27 at the rate provided for members of the General Assembly for one round trip only from their
28 homes to Raleigh and return. The sergeants-at-arms shall serve during sessions of the General
29 Assembly and at such time prior to the convening of, and subsequent to adjournment or recess
30 of, sessions as may be authorized by the Legislative Services Commission. The reading clerks
31 shall serve during sessions only."
32

33 COMMUNITY COLLEGES

34 **SECTION 39.12.(a)** Community college personnel shall receive the following
35 cost-of-living adjustments:

- 36 (1) Effective July 1, 2025, the State Board of Community Colleges shall provide
37 community college faculty and non-faculty personnel with an across-the-
38 board salary increase in the amount of two and one-half percent (2.5%).
- 39 (2) Effective July 1, 2026, the State Board of Community Colleges shall provide
40 community college faculty and non-faculty personnel with an across-the-
41 board salary increase in the amount of two and one-half percent (2.5%).

42 **SECTION 39.12.(b)** The minimum salaries for nine-month, full-time curriculum
43 community college faculty for the 2025-2027 fiscal biennium are as follows:

44 <u>Education Level</u>	<u>FY 2025-26</u>	<u>FY 2026-27</u>
45 Vocational Diploma/Certificate or Less	\$44,198	\$45,303
46 Associate Degree or Equivalent	44,813	45,933
47 Bachelor's Degree	47,479	48,666
48 Master's Degree or Education Specialist	49,845	51,091
49 Doctoral Degree	53,255	54,586

1 **SECTION 39.12.(c)** No full-time faculty member shall earn less than the minimum
2 salary for his or her education level. The pro rata hourly rate of the minimum salary for each
3 education level shall be used to determine the minimum salary for part-time faculty members.
4

5 **UNIVERSITY OF NORTH CAROLINA SYSTEM**

6 **SECTION 39.13.(a)** Effective for the 2025-27 fiscal biennium, the annual salaries
7 of University of North Carolina SHRA employees shall be increased as provided by Section
8 39.1 of this act.

9 **SECTION 39.13.(b)** For the 2025-27 fiscal biennium, the Board of Governors of
10 The University of North Carolina may provide EHRA employees a salary increase pursuant to
11 the policies adopted by the Board. Funds for EHRA compensation increases may be used for
12 any one or more of the following purposes: (i) merit pay, (ii) across the board increases, (iii)
13 recruitment bonuses, (iv) retention increases, and (v) any other compensation increase pursuant
14 to those policies.

15 **SECTION 39.13.(c)** The Board of Governors of The University of North Carolina
16 shall make a report on the use of compensation increase and bonus funds to the General
17 Assembly by no later than March 1 of each year of the biennium.
18

19 **CORRECTIONAL OFFICERS/YOUTH COUNSELOR TECHNICIANS/YOUTH**
20 **SERVICES BEHAVIORAL SPECIALISTS - SALARY SCHEDULE**

21 **SECTION 39.14.(a)** State employees serving as correctional officers in the
22 Department of Adult Correction shall be compensated at a specific pay rate on the basis of a
23 salary schedule determined according to the duration of the employee's correctional officer
24 work experience.

25 **SECTION 39.14.(a1)** State employees serving in the Department of Public Safety,
26 Division of Juvenile Justice and Delinquency Prevention, shall be compensated at a specific
27 pay rate set on the basis of a salary schedule determined according to the duration of the
28 employee's work experience, as follows:

- 29 (1) Youth Counselor Technicians shall be paid under the Correctional Officer I
30 salary schedule.
31 (2) Youth Behavioral Specialists shall be paid under the Correctional Officer
32 salary schedule.
33 (3) Youth Counselors shall be paid under the Correctional Officer III salary
34 schedule.

35 **SECTION 39.14.(b)** The following annual salary schedule applies under
36 subsections (a) and (a1) of this section for the 2025-2027 fiscal biennium, effective for on July
37 1, 2025:
38

39

	FY 2025-26			FY 2026-27		
Experience	COI	COII	COIII	COI	COII	COIII
40 0	\$41,383	\$42,745	\$45,714	\$43,452	\$44,882	\$48,000
41 1	\$44,278	\$45,736	\$48,915	\$46,492	\$48,023	\$51,361
42 2	\$46,937	\$48,529	\$51,851	\$49,284	\$50,955	\$54,444
43 3	\$49,283	\$50,905	\$54,443	\$51,747	\$53,450	\$57,165
44 4	\$51,253	\$52,941	\$56,620	\$53,816	\$55,588	\$59,451
45 5	\$52,792	\$54,528	\$58,319	\$55,432	\$57,254	\$61,235
46 6+	\$53,848	\$55,619	\$59,486	\$56,540	\$58,400	\$62,460

47
48

49 **STATE LAW ENFORCEMENT OFFICER SALARY SCHEDULE**

50 **SECTION 39.15.(a)** Law enforcement officers of the State Bureau of
51 Investigation, Alcohol Law Enforcement, and State Capitol Police shall be compensated

1 pursuant to an experience-based salary schedule and shall be compensated based on the
2 officer's respective work experience pursuant to the salary schedule in subsection (b) of this
3 section.

4 **SECTION 39.15.(b)** The following annual salary schedule applies under
5 subsection (a) of this section for the 2025-2027 fiscal biennium, effective July 1, 2025, and July
6 1, 2026, for each respective fiscal year:

7	8 Years of Experience	9 FY 2025-26	10 FY 2026-27
11	0	58,825	61,766
12	1	62,649	65,781
13	2	66,722	70,058
14	3	71,059	74,612
15	4	75,678	79,462
16	5	80,597	84,627
17	6+	85,836	90,128

18 **STATE HIGHWAY PATROL/SALARY SCHEDULE/INCREASE**

19 **SECTION 39.16.(a)** Law enforcement officers of the State Highway Patrol
20 compensated pursuant to an experience-based salary schedule shall be compensated based on
21 the officer's respective work experience pursuant to the salary schedule in subsection (b) of this
22 section.

23 **SECTION 39.16.(b)** The following annual salary schedule applies under
24 subsection (a) of this section for the 2025-2027 fiscal biennium, effective July 1, 2025, and July
25 1, 2026, for each respective fiscal year:

26	27 Years of Experience	28 FY 2025-26	29 FY 2026-27
30	0	60,500	63,525
31	1	64,433	67,655
32	2	68,620	72,051
33	3	73,081	76,735
34	4	77,831	81,723
35	5	82,889	87,033
36	6+	88,277	92,691

37 **PROBATION AND PAROLE OFFICERS/JUVENILE COURT COUNSELORS -**
38 **SALARY SCHEDULE**

39 **SECTION 39.17.(a)** Probation and parole officers shall be compensated pursuant
40 to the experience-based salary schedule based on the officer's respective work experience, as
41 established in subsection (b) of this section.

42 **SECTION 39.17.(a1)** State employees serving in the Department of Public Safety,
43 Division of Juvenile Justice and Delinquency Prevention, as Juvenile Court Counselors shall be
44 compensated under the probation and parole officer salary schedule.

45 **SECTION 39.17.(b)** The following annual salary schedule applies under
46 subsection (a) of this section for the 2025-2027 fiscal biennium, effective July 1, 2025, and July
47 1, 2026, for each respective fiscal year:

48	49 Years of Experience	50 FY 2025-26	51 FY 2026-27
	0	48,374	49,946
	1	51,518	53,192
	2	54,869	56,652
	3	58,434	60,333

1	4	62,233	64,256
2	5	66,278	68,432
3	6+	70,586	72,880

4
5 **STATE AGENCY TEACHERS**

6 **SECTION 39.18.(a)** Employees of schools operated by the Department of Health
7 and Human Services, the Department of Public Safety, and the State Board of Education who
8 are paid on the Teacher Salary Schedule shall be paid as authorized by Section 8.1 of this act.

9 **SECTION 39.18.(b)** Employees of the School of Science and Mathematics of The
10 University of North Carolina who are paid pursuant to a salary schedule adopted by the North
11 Carolina School of Science and Math Board of Trustees shall be paid in accordance with the
12 schedule adopted by the Board.

13
14 **ALL STATE-SUPPORTED PERSONNEL/FLEXIBLE ADMINISTRATION OF COST-**
15 **OF-LIVING ADJUSTMENTS**

16 **SECTION 39.19.(a)** The cost-of-living adjustments authorized by this act:

17 (1) For the 2025-2026 fiscal year, shall be paid effective on July 1, 2025, and do
18 not apply to persons separated from service due to resignation, dismissal,
19 reduction in force, death, or retirement or whose last workday is prior to June
20 30, 2025.

21 (2) For the 2026-2027 fiscal year, shall be paid effective on July 1, 2026, and do
22 not apply to persons separated from service due to resignation, dismissal,
23 reduction in force, death, or retirement or whose last workday is prior to June
24 30, 2026.

25 **SECTION 39.19.(b)** The Director of the Budget is granted flexibility to administer
26 the compensation increases enacted by this act.

27 **SECTION 39.19.(c)** The State employer contribution rates enacted by this act for
28 retirement and related benefits may be deemed by the Director of the Budget for administrative
29 purposes to become effective after July 1 of the applicable fiscal year to provide flexibility in
30 the collection and reconciliation of salary-related contributions as required by law, provided the
31 estimated amount contributed to any affected employee benefit trust equals the amount that
32 would have been contributed to the employee benefit trust if the enacted employer contribution
33 rates had been effective on July 1 of the applicable fiscal year.

34 **SECTION 39.19.(d)** This section applies to all employees paid from State funds,
35 whether or not subject to or exempt from the North Carolina Human Resources Act, including
36 employees of public schools, community colleges, and The University of North Carolina.

37 **SECTION 39.19.(e)** Notwithstanding any provision of this Part governing
38 cost-of-living adjustments, the salary increases and salary schedule adjustments authorized for
39 law enforcement officers, correctional officers, probation and parole officers, youth counselors,
40 juvenile court counselors, healthcare techs, and nurses may be applied to both filled and vacant
41 positions. These increases shall not be limited to employees employed on a specific date.

42
43 **MOST STATE EMPLOYEES**

44 **SECTION 39.20.(a)** Unless otherwise expressly provided by this part, the annual
45 salaries in effect for the following persons on June 30, 2025, and June 30, 2026, shall be
46 legislatively increased as provided by Section 39.1 of this act:

47 (1) Permanent, full-time State officials and persons whose salaries are set in
48 accordance with the State Human Resources Act.

49 (2) Permanent, full-time State officials and persons in positions exempt from the
50 State Human Resources Act.

51 (3) Permanent, part-time State employees.

1 (4) Temporary and permanent hourly State employees.

2
3 **USE OF FUNDS APPROPRIATED FOR COST-OF-LIVING ADJUSTMENT/BENEFIT**
4 **INCREASES**

5 **SECTION 39.21.(a)** The Office of State Budget and Management shall ensure that
6 the appropriations made in this act for cost-of-living adjustments and employee benefits are
7 used only for these purposes

8 **SECTION 39.21.(b)** If the Director of the Budget determines that funds
9 appropriated to a State agency for mandated salary increases and employee benefits exceed the
10 amount required by that agency for those purposes, the Director may reallocate those funds to
11 other State agencies that received insufficient funds for required cost-of-living and benefit
12 increases.

13 **SECTION 39.21.(c)** Funds appropriated for cost-of-living adjustments and
14 employee benefit increases may not be used to adjust the budgeted salaries of vacant positions,
15 or to provide salary increases in excess of those required by the General Assembly except to
16 increase the budgeted salary of any position to the minimum of the position's salary range.

17 **SECTION 39.21.(d)** Any funds appropriated for cost-of-living adjustment and
18 employee benefit increases or minimum of salary range adjustments in excess of the amounts
19 required to implement the increases shall be credited to the Pay Plan Reserve.

20 **SECTION 39.21.(e)** No later than March 1 of each year of the biennium, the
21 Office of State Budget and Management shall report to the Joint Legislative Commission on
22 Governmental Operations on the expenditure of funds for legislatively mandated salary
23 increases and employee benefits. This report shall include at least the following information for
24 each State agency:

- 25 (1) The total amount of funds that the agency received for legislatively
26 mandated salary increases and employee benefits.
27 (2) The total amount of funds transferred from the agency to other State
28 agencies pursuant to subsection (b) of this section. This section of the report
29 shall identify the amounts transferred to each recipient State agency.
30 (3) The total amount of funds used by the agency for legislatively mandated
31 salary increases and employee benefits.
32 (4) The amount of funds used pursuant so subsection (c) of this section.
33

34 **SALARY-RELATED CONTRIBUTIONS**

35 **SECTION 39.22.(a)** Section 3.6.(b) of Session Law 2025-89 reads a rewritten:

36 **"SECTION 3.6.(b)** Effective ~~July 1, 2025~~, May 1, 2026 the State's employer
37 contribution rates budgeted for retirement, health, and related benefits as a percentage of
38 covered salaries for the 2025-2026 fiscal year for teachers and State employees, State law
39 enforcement officers (LEOs), the University and Community Colleges Optional Retirement
40 Programs (ORPs), the Consolidated Judicial Retirement System (CJRS), and the Legislative
41 Retirement System (LRS) are as set forth below:

	Teachers and State Employees	State LEOs	ORPs	CJRS	LRS
45 Retirement	17.14% <u>21.52%</u>	17.14% <u>21.52%</u>	6.84%	37.73% <u>49.23%</u>	
46	18.26% <u>27.02%</u>				
47 Health	7.33%	7.33%	7.33%	7.33%	7.33%
48 Disability	0.07%	0.07%	0.07%	0.00%	0.00%
49 Death	0.13%	0.13%	0.00%	0.00%	0.00%
50 NC 401(k)	0.00%	5.00%	0.00%	0.00%	0.00%

1 **Total Contribution**

2 **Rate** 24.67%29.41%29.67%34.41%14.24% ~~45.06%~~56.92%
3 25.59%34.71%

4 The rate for health includes two and four-tenths percent (2.40%) for the Public
5 Employee Health Benefit Fund and four and ninety-three hundredths percent (4.93%) for the
6 Retiree Health Benefit Fund."

7 **SECTION 39.22.(b)** Notwithstanding G.S. 135-8(d)(3a), effective July 1, 2026,
8 the State's employer contribution rates budgeted for retirement and related benefits as a
9 percentage of covered salaries for the 2025-26 fiscal year for teachers and State employees,
10 State law enforcement officers (LEOs), the University and Community Colleges Optional
11 Retirement Programs (ORPs), the Consolidated Judicial Retirement System (CJRS), and the
12 Legislative Retirement System (LRS) are as set forth below:

	Teachers and State Employees	State LEOs	ORPs	CJRS	LRS
16 Retirement	17.87%	17.87%	6.84%	42.11%	19.40%
17 Disability	0.07%	0.07%	0.07%	0.00%	0.00%
18 Death	0.13%	0.13%	0.00%	0.00%	0.00%
19 Retiree Health	7.69%	7.69%	7.69%	7.69%	7.69%
20 NC 401(k)	0.00%	5.00%	0.00%	0.00%	0.00%

21
22 **Total Contribution**

23 **Rate** 25.76% 30.76% 14.60% 49.80% 27.09%

24 The rate for health includes two and two-tenths percent (2.20%) for the Public
25 Employee Health Benefit Fund and five and forty-nine hundredths percent (5.49%) for the
26 Retiree Health Benefit Fund.

27 **SECTION 39.22.(c)** Effective July 1, 2026, the annual employer contributions for
28 the 2026-2027 fiscal year, payable monthly, by the State to the North Carolina State Health
29 Plan for Teachers and State Employees for each covered employee is a maximum of eight
30 thousand nine hundred twenty-five dollars (\$8,925).

31
32 **PROVIDE SUPPLEMENT FOR RETIREES OF THE TEACHERS' AND STATE
33 EMPLOYEES' RETIREMENT SYSTEM, THE CONSOLIDATED JUDICIAL
34 RETIREMENT SYSTEM, AND THE LEGISLATIVE RETIREMENT SYSTEM**

35 **SECTION 39.23.(a)** G.S. 135-5 is amended by adding new subsections to read:

36 "...

37 (aaaa) After May 1, 2026, but on or before June 30, 2026, a onetime cost of living
38 supplement payment shall be made to or on account of beneficiaries who are living as of May
39 1, 2026, and whose retirement commenced on or before May 1, 2026. The payment shall be
40 two and one-half percent (2.5%) of the beneficiary's annual retirement allowance payable as of
41 May 1, 2026, and shall not be prorated for date of retirement commencement. If the beneficiary
42 dies before the payment is made, then the payment shall be payable to the member's legal
43 representative. No beneficiary shall be deemed to have acquired a vested right to any future
44 supplemental payments. "

45 "(bbbb) After September 1, 2026, but on or before October 31, 2026, a onetime cost of
46 living supplement payment shall be made to or on account of beneficiaries who are living as of
47 September 1, 2025, and whose retirement commenced on or before September 1, 2025. The
48 payment shall be two and one-half percent (2.5%) of the beneficiary's annual retirement
49 allowance payable as of September 1, 2025, and shall not be prorated for date of retirement
50 commencement. If the beneficiary dies before the payment is made, then the payment shall be

1 payable to the member's legal representative. No beneficiary shall be deemed to have acquired
2 a vested right to any future supplemental payments.

3 ..."

4 **SECTION 39.23.(b)** G.S. 135-65 is amended by adding a new subsection to read:

5 " ...

6 (ll) After May 1, 2026, but on or before June 30, 2026, a onetime cost of living supplement
7 payment shall be made to or on account of beneficiaries who are living as of May 1, 2026, and
8 whose retirement commenced on or before May 1, 2026. The payment shall be two and one-
9 half percent (2.5%) of the beneficiary's annual retirement allowance payable as of May 1, 2026,
10 and shall not be prorated for date of retirement commencement. If the beneficiary dies before
11 the payment is made, then the payment shall be payable to the member's legal representative.
12 No beneficiary shall be deemed to have acquired a vested right to any future supplemental
13 payments."

14 "(mm) After September 1, 2026, but on or before October 31, 2026, a onetime cost of
15 living supplement payment shall be made to or on account of beneficiaries who are living as of
16 September 1, 2025, and whose retirement commenced on or before September 1, 2025. The
17 payment shall be two and one-half percent (2.5%) of the beneficiary's annual retirement
18 allowance payable as of September 1, 2025, and shall not be prorated for date of retirement
19 commencement. If the beneficiary dies before the payment is made, then the payment shall be
20 payable to the member's legal representative. No beneficiary shall be deemed to have acquired
21 a vested right to any future supplemental payments."

22 **SECTION 39.23.(c)** G.S. 120-4.22A is amended by adding a new subsection to
23 read:

24 " ...

25 (ff) In accordance with subsection (a) of this section, after May 1, 2026, but on or before
26 June 30, 2026, a onetime cost of living supplement payment shall be made to or on account of
27 beneficiaries who are living as of May 1, 2026, and whose retirement commenced on or before
28 May 1, 2026. The payment shall be two and one-half percent (2.5%) of the beneficiary's annual
29 retirement allowance payable as of May 1, 2026, and shall not be prorated for date of
30 retirement commencement. If the beneficiary dies before the payment is made, then the
31 payment shall be payable to the member's legal representative. No beneficiary shall be deemed
32 to have acquired a vested right to any future supplemental payments."

33 "(gg) In accordance with subsection (a) of this section, after September 1, 2026, but on or
34 before October 31, 2026, a onetime cost of living supplement payment shall be made to or on
35 account of beneficiaries who are living as of September 1, 2025, and whose retirement
36 commenced on or before September 1, 2025. The payment shall be two and one-half percent
37 (2.5%) of the beneficiary's annual retirement allowance payable as of September 1, 2025, and
38 shall not be prorated for date of retirement commencement. If the beneficiary dies before the
39 payment is made, then the payment shall be payable to the member's legal representative. No
40 beneficiary shall be deemed to have acquired a vested right to any future supplemental
41 payments."

42 **PART XL. CAPITAL**

43 **GENERAL FUND CAPITAL APPROPRIATIONS/INTRODUCTION**

44
45 **SECTION 40.1.** The appropriations made by the 2026 General Assembly for capital
46 improvements are for constructing, repairing, or renovating State buildings, utilities, and other
47 capital facilities, for acquiring sites for them where necessary, and for acquiring buildings and
48 land for State government purposes.
49

50 **ADJUSTMENTS TO THE STATE CAPITAL AND INFRASTRUCTURE FUND**

51

1 **SECTION 40.2.(a)** G.S. 143C-3-5.(b) reads as rewritten:
2 **"§ 143C-3-5. Budget recommendations and budget message.**

3 ...

4 (b) Odd-Numbered Years. - In odd-numbered years the budget recommendations shall
5 include the following components:

6 (1) A Recommended State Budget setting forth goals for improving the State with
7 recommended expenditure requirements, funding sources, and performance
8 information for each State government program and for each proposed capital
9 improvement. The Recommended State Budget may be presented in a format
10 chosen by the Director, except that the Recommended State Budget shall
11 clearly distinguish program base budget requirements, program reductions,
12 program eliminations, changes in program fund sources, program expansions,
13 and new programs, and shall explain all proposed capital improvements in the
14 context of the Six-Year Capital Improvements Plan and as required by
15 G.S. 143C-8-6.

16 (1a) The Governor's Recommended State Budget shall include a base budget,
17 which shall be presented pursuant to subdivision (2) of this subsection.

18 (2) A Recommended Base Budget showing, for each budget code and purpose or
19 program in State government, accounting detail corresponding to the
20 Recommended State Budget.

21 a. The Recommended Base Budget shall employ the North Carolina
22 Accounting System Uniform Chart of Accounts adopted by the State
23 Controller to show both uses and sources of funds and shall display in
24 separate parallel columns all of the following: (i) actual expenditures
25 and receipts for the most recent fiscal year for which actual
26 information is available, (ii) the certified budget for the preceding
27 fiscal year, (iii) the currently authorized budget for the preceding fiscal
28 year, (iv) program base budget requirements for each fiscal year of the
29 biennium, (v) proposed expenditures and receipts for each fiscal year
30 of the biennium, and (vi) proposed increases and decreases.

31 b. The Recommended Base Budget shall include detailed information on
32 recommended expenditures for capital improvements as required by
33 G.S. 143C-8-6.

34 c. The Recommended Base Budget shall include accurate projections of
35 receipts, expenditures, and fund balances. Estimated receipts,
36 including tuition collected by university or community college
37 institutions, shall be adjusted to reflect actual collections from the
38 previous fiscal year, unless the Director recommends a change that
39 will result in collections in the budget year that differ from prior year
40 actuals, or the Director otherwise determines there is a more
41 reasonable basis upon which to accurately project receipts. If receipts
42 are projected to decrease, the corresponding expenditure shall be
43 decreased in a like amount. Revenue and expenditure detail provided
44 in the Budget Support Document shall be no less detailed than the two-
45 digit level in the North Carolina Accounting System Uniform Chart of
46 Accounts as prescribed by the State Controller.

47 a. The Recommended Base Budget shall clearly identify all proposed
48 expenditures supported by existing or proposed appropriations,
49 including statutory appropriations.

50 (3) A recommended Current Operations Appropriations Act that makes
51 appropriations for each fiscal year of the upcoming biennium for the operating

1 and capital expenses of all State agencies as contained in the Recommended
2 State Budget.

3 (4) The biennial State Information Technology Plan as outlined in Part 2 of
4 Article 15 of Chapter 143B of the General Statutes to be consistent
5 in facilitating the goals outlined in the Recommended State Budget.

6 (5) A list of budget adjustments made during the prior fiscal year pursuant
7 to G.S. 143C-6-4 that are included in the proposed base budget for the
8 upcoming fiscal year. The list of budget adjustments shall identify the revision
9 number, revision type, revision title, the purpose or programs affected, and the
10 amount of funds moving between the purpose or programs.

11 (6) The Governor's Recommended State Budget shall include a transfer to the
12 Savings Reserve of fifteen percent (15%) of the estimated growth in State tax
13 revenues that are deposited in the General Fund for each fiscal year of the
14 upcoming biennium. This subdivision applies only if, and to the extent that,
15 the balance of the Savings Reserve remains below the recommended Savings
16 Reserve balance developed pursuant to G.S. 143C-4-2(f).

17 ~~(7) The Governor's Recommended State Budget shall include a transfer to the~~
18 ~~State Capital and Infrastructure Fund of four percent (4%) of the estimated net~~
19 ~~State tax revenues that are deposited in the General Fund for each fiscal year~~
20 ~~of the upcoming biennium.~~

21 ..."

22 SECTION 40.2(b) G.S. 143C-4-3.1.(b) reads as rewritten:

23 "§ 143C-4-3.1. State Capital and Infrastructure Fund.

24 ...

25 (b) Creation and Source of Funds. - The State Capital and Infrastructure Fund (the Fund)
26 is established as a special fund in the General Fund to be administered by the Office of State
27 Budget and Management to carry out the provisions of this section. With the exception of debt
28 service obligations, appropriations from the Fund may be administered by other State agencies
29 as deemed necessary by the Office of State Budget and Management. Interest and investment
30 earnings received on monies in the Fund shall be credited to the Fund. The Fund shall consist of
31 the following additional sources:

32 (1) The following amounts transferred from the General Fund at the beginning of
33 the applicable fiscal year:

34 a. For the 2021-2022 fiscal year, the sum of one billion three hundred
35 million dollars (\$1,300,000,000).

36 b. For the 2022-2023 fiscal year, the sum of one billion three hundred
37 sixty-five million five hundred thousand dollars (\$1,365,500,000).

38 c. For the 2023-2024 fiscal year, the sum of one billion four hundred
39 twelve million five hundred ninety-two thousand five hundred dollars
40 (\$1,412,592,500).

41 d. For the 2024-2025 fiscal year, the sum of one billion four hundred
42 sixty-one million three hundred thirty-three thousand two hundred
43 thirty-eight dollars (\$1,461,333,238).

44 e. For the 2025-2026 fiscal year, the sum of one billion one hundred
45 twenty million dollars (\$1,120,000,000).

46 f. For each fiscal year after the 2025-2026 fiscal year, the transfer shall
47 be increased three and one half percent (3.5%) over the amount
48 required under this subdivision for the preceding fiscal year. For each
49 fiscal year after the 2025-2026 fiscal year, the transfer shall be equal
50 to the greater of the sum sufficient amount needed for annual debt

1 service, ongoing projects, and personnel costs funded by the Fund less
2 the cash balance in the Fund and anticipated interest earnings, or zero.

3 ..."
4

5 **CAPITAL APPROPRIATIONS/STATE CAPITAL AND INFRASTRUCTURE FUND**

6 **SECTION 40.3** This subsection authorizes the capital projects listed in the
7 Committee Report, and appropriates funding from the State Capital and Infrastructure Fund to
8 the Office of State Budget and Management for the 2026-27 fiscal year based upon projected
9 cash flow needs for the authorized projects. The amounts authorized in this subsection represent
10 the maximum amounts of funding from the State Capital and Infrastructure Fund that may be
11 expended on each project. An additional action by the General Assembly is required to increase
12 the maximum authorization for any of the projects listed.

13
14 **CAPITAL IMPROVEMENT & REPAIRS AND RENOVATIONS APPROPRIATIONS**

15 **SECTION 40.3.(a)** The following agency capital improvement projects have been
16 assigned a project code for reference to allocations in this Part, past allocations, and for intended
17 project support by the General Assembly for future fiscal years:

18
19 **Agency Capital Improvement Project** **Project Code**

20 Department of Agriculture and Consumer Services

21 Raleigh State Farmers Market—Improvements DACS23-3

22 D-6 HQ (Cumberland Co.)—Maintenance Shop Replacement DACS23-7

23 Research Stations—New Maintenance Shop Facilities DACS23-8

24 Piedmont Research Station—Bridge DACS23-9

25 Research Stations—Multipurpose Facilities DACS23-10

26 NCFS—New County Offices, Region 3 DACS23-11

27
28 Department of Natural and Cultural Resources

29 Fort Fisher Aquarium—Aquarium Expansion DNCR21-5

30 NC Museum of History—Expansion DNCR21-13

31 NC Museum of Art at Winston-Salem/SECCA DNCR23-2

32 Zoo—

33 New Aviary DNCR23-1

34 Modular Staff Offices DNCR26-1

35 Park Security and Safety DNCR26-2

36 State Parks—

37 Access Areas DNCR26-3

38 Stone Mountain New Visitor Center DNCR26-4

39 State Historic Sites—

40 Maintenance and Service Facilities DNCR26-5

41 African American Monument at the State Capitol DNCR26-6

42
43 Department of Health and Human Services

44 Walter B. Jones—New Medical Office Bldg. DHHS23-1

45 Broughton Hospital—New Maintenance & Warehouse Facility DHHS23-2

46 Cherry Hospital—New Maintenance Bldg. DHHS23-3

47 O’Berry Neuro-Medical Treatment Center DHHS26-1

48 NC State Laboratory DHHS26-2

49 Raleigh Medical Examiner’s Office Expansion DHHS26-3

50
51 Department of Environmental Quality

1	<u>Water Resource Development Grant—</u>	
2	<u>Tar-Pamlico Flood Mitigation</u>	DEQ26-1
3	<u>Carolina Beach Storm Mitigation</u>	DEQ26-2
4	<u>Kure Beach Storm Mitigation</u>	DEQ26-3
5	<u>Wrightsville Beach Storm Mitigation</u>	DEQ26-4
6	<u>Ocean Isle Storm Mitigation</u>	DEQ26-5
7	<u>Holden Beach Storm Mitigation</u>	DEQ26-6
8	<u>Oak Island Storm Mitigation</u>	DEQ26-7
9	<u>B. Everette Jordan Reservoir</u>	DEQ26-8
10	<u>State and Local Projects</u>	DEQ26-9
11	<u>Environmental Quality Program</u>	DEQ26-10
12		
13	Department of Administration	
14	State Government Executive Headquarters	DOA22-1
15	Department of Instruction Building Renovation	DOA22-3
16	Service Campus	DOA23-1
17	<u>State Agency Lease</u>	<u>DOA23-2</u>
18	Archdale Building Demolition	DOA23-3
19	Caswell Square Demolition	DOA23-4
20	Parking Deck–Wilmington Street	DOA23-5
21		
22	<u>Department of Adult Correction</u>	
23	<u>Institution Roof Systems</u>	<u>DAC26-1</u>
24	<u>Institution Interior Life Safety Fire Alarm Systems</u>	<u>DAC26-2</u>
25	<u>HVAC Enhancements</u>	<u>DAC26-3</u>
26		
27	Department of Public Instruction <u>North Carolina School for the Deaf</u>	
28	NC School for the Deaf	
29	Superintendent's House	DPI25-1
30	<u>McCord Student Union Building Renovation</u>	<u>NCSD26-1</u>
31		
32	<u>Eastern North Carolina School for the Deaf</u>	
33	<u>Eagles Hall Renovation</u>	<u>ENCSD26-1</u>
34	<u>Vestal Hall and McAdams Hall Life Safety Upgrades</u>	<u>ENCSD26-2</u>
35		
36	<u>Governor Morehead School</u>	
37	<u>Boiler Plant Replacement</u>	<u>GMS26-1</u>
38		
39	<u>Department of Public Instruction</u>	
40	<u>Center for the Advancement of Teaching—</u>	
41	<u>Ocracoke Building Expansion</u>	<u>DPI26-1</u>
42	<u>Cullowhee Residence Halls Renovation</u>	<u>DPI26-2</u>
43		
44	<u>Department of Insurance</u>	
45	<u>Office of State Fire Marshal</u>	
46	<u>Land Development & Training Center</u>	<u>DOI21-1</u>
47		
48	Department of Public Safety	
49	<u>Samarcand—</u>	
50	<u>Live Fire Training Building</u>	<u>DPS21-2</u>
51	<u>Safer Schools Training Academy</u>	<u>DPS21-5</u>

1	State Highway Patrol–	
2	<u>Viper Building</u>	DPS21-6
3	Auditorium	DPS23-3
4	Training Academy Facilities Enhancement–Phases 3-6	DPS23-4
5	Cadet Dormitory 1	DPS23-7
6	<u>Juvenile Justice—</u>	
7	<u>Richmond YDC</u>	DPS21-1
8	<u>New Youth Detention Center</u>	DPS23-1
9	<u>Cabarrus—New Modular Office</u>	DPS23-6
10	National Guard–	
11	NCNG Matching Fund	NG23-1
12	Ballentine Building	NG23-2
13	Constable Building	NG23-3
14	Rocky Mount Complex/MILCON	NG23-4
15	Special Forces Complex	NG23-5
16	<u>Louisburg Readiness Center</u>	NG23-9
17	<u>Statewide Standby Generators</u>	NG26-1
18	<u>Kinston Readiness Center</u>	NG26-2
19	<u>Morganton Readiness Center</u>	NG26-3
20		
21	<u>State Bureau of Investigation</u>	
22	<u>Logistics Building—Phase 2</u>	SBI26-1
23	<u>Data Center Security Improvements</u>	SBI26-2
24		
25	<u>Department of Military and Veterans Affairs</u>	
26	<u>Fayetteville State Veterans Home</u>	DMVA26-1
27		
28	General Assembly	
29	Education Campus Project	NCGA21-3
30	<u>Education Campus Parking Deck</u>	NCGA23-1
31		
32	Department of Transportation	
33	North Carolina Global TransPark Authority–	
34	Aircraft Maintenance Repair & Overhaul Facility	TRAN23-1
35		
36	The University of North Carolina	
37	Appalachian State University–	
38	Peacock Hall/Business	UNC/ASU21-1
39	Innovation Campus	UNC/ASU21-2
40	Hickory Campus	UNC/ASU22-1
41	Walker Hall–Interior Renovation	UNC/ASU23-1
42	University of North Carolina at Charlotte–	
43	Smith Hall–Comprehensive Renovation	UNC/CLT23-1
44	Colvard Hall–Comprehensive Renovation	UNC/CLT23-2
45	University of North Carolina at Chapel Hill–	
46	Gardner Hall–Comprehensive Renovation	UNC/CH23-1
47	Elizabeth City State University–	
48	Sky Bridge	UNC/ECS21-2
49	<u>Infrastructure Repairs—Phase 3</u>	UNC/ECS23-1
50	Jenkins Hall/Dixon Hall–Labs/Classroom/Bldg. Renovation	UNC/ECS23-2
51	Safety & Security	UNC/ECS25-1

1	East Carolina University–	
2	Brody School of Medicine	UNC/ECU21-1
3	Howell Science Building North–Comprehensive Renovation	UNC/ECU23-1
4	Leo Jenkins Building/Health Sciences–Comprehensive Renovation	UNC/ECU23-2
5	<u>Medical Examiner Office</u>	<u>UNC/ECU23-3</u>
6	Fayetteville State University–	
7	Butler Targeted Renovation	UNC/FSU23-1
8	<u>H.L. Cook Building Renovation</u>	<u>UNC/FSU23-2</u>
9	North Carolina Agricultural & Technical State University–	
10	Marteen Hall–Renovation, Phase 2	UNC/A&T23-1
11	Health and Human Sciences Bldg.	UNC/A&T23-2
12	North Carolina Central University–	
13	<u>Dent Building—Comprehensive Renovation</u>	<u>UNC/NCC23-1</u>
14	Edmonds Classroom Building–Comprehensive Renovation	UNC/NCC23-2
15	University Theater Renovation	UNC/NCC23-3
16	North Carolina State University–	
17	Mann Hall–Renovation, Phase 2	UNC/NCS23-1
18	Dabney Hall–Renovation, Phase 2	UNC/NCS23-2
19	Polk Hall–Renovation, Phase 2	UNC/NCS23-3
20	<u>Veterinary School—Large Animal Hospital</u>	<u>UNC/NCS23-4</u>
21	Engineering Classroom Building	UNC/NCS23-5
22	Advanced Research & Test Reactor	UNC/NCS23-6
23	Poe Hall	UNC/NCS25-1 <u>UNC/NCS24-1</u>
24	North Carolina School of Science and Math–	
25	Durham Campus	
26	Renovation of Residence Halls	UNC/SSM23-2
27	Academic Commons Addition	UNC/SSM23-4
28	Temporary Housing	UNC/SSM25-1
29	University of North Carolina at Asheville–	
30	Lipinsky Hall–Comp. Modernization/Addition	UNC/AVL23-1
31	Carol Belk Theatre	UNC/AVL25-1
32	<u>University of North Carolina at Charlotte</u>	
33	<u>Smith Hall—Comprehensive Renovation</u>	<u>UNC/CLT23-1</u>
34	University of North Carolina at Greensboro–	
35	Moore Building–Renovation	UNC/GBO23-1
36	University of North Carolina at Pembroke–	
37	Health Sciences Center	UNC/PEM21-1
38	Givens Performing Arts Center	UNC/PEM23-1
39	University of North Carolina School of the Arts–	
40	<u>Stevens Center Renovation—Phase 2</u>	<u>UNC/SA23-1</u>
41	New High School Residence Hall	UNC/SA23-2
42	University of North Carolina at Wilmington–	
43	Cameron Hall–Comprehensive Renovation/Expansion	UNC/WIL23-1
44	Kenan Auditorium–Comprehensive Renovation/Expansion	UNC/WIL23-2
45	DeLoach Hall–Modernization	UNC/WIL23-3
46	Health Education/I.S.A.T. Building	UNC/WIL23-4
47	Western Carolina University–	
48	Replacement Engineering Building	UNC/WCU23-1
49	Winston-Salem State University–	
50	<u>K.R. Williams Auditorium</u>	<u>UNC/WSS21-1</u>
51	Eller Hall–Renovation & Elevator Addition	UNC/WSS23-1

1	Pegram Hall—Renovation & Elevator Addition	UNC/WSS23-2
2	PBS North Carolina	UNC/PBS23-1
3	UNC Board of Governors—	
4	<u>UNC Lease Funds</u>	<u>UNC/BOG21-1</u>
5	<u>NC Care Health Clinics</u>	<u>UNC/BOG23-1</u>
6	NC Care Hospital Investment	UNC/BOG23-2
7	Children's Hospital	UNC/BOG23-3
8	Systems Office—Project Management Personnel	UNC/BOG25-1

10	Repairs and Renovations—The University of North Carolina	UNC/R&R21
11	Repairs and Renovations—State Agencies (non-UNC)	R&R21
12	SCIF-Related Personnel	PERS21
13	<u>Wildlife Resources Commission—Setzer Hatchery Revision</u>	<u>WRC23-1</u>

14 **SECTION 40.3.(b)** This subsection authorizes the following capital projects in the
15 2025-2027 fiscal biennium based upon projected cash flow needs for the authorized projects. The
16 authorizations provided in this subsection represent the maximum amount of funding from the
17 State Capital and Infrastructure Fund that may be expended on each project and do not reflect
18 authorizations from other non-State Capital and Infrastructure Fund sources. An additional action
19 by the General Assembly is required to increase the maximum authorization for any of the
20 projects listed:

21 **Capital Improvements—**

22	State Capital and	Previous	New/Updated
23	Infrastructure Fund	Project Authorization	Project Authorization
24	<u>DEQ26-1</u>	<u>N/A</u>	<u>\$8,000,000</u>
25	<u>DEQ26-2</u>	<u>N/A</u>	<u>3,320,250</u>
26	<u>DEQ26-3</u>	<u>N/A</u>	<u>6,257,230</u>
27	<u>DEQ26-4</u>	<u>N/A</u>	<u>1,889,462</u>
28	<u>DEQ26-5</u>	<u>N/A</u>	<u>1,976,154</u>
29	<u>DEQ26-6</u>	<u>N/A</u>	<u>125,000</u>
30	<u>DEQ26-7</u>	<u>N/A</u>	<u>400,000</u>
31	<u>DEQ26-8</u>	<u>N/A</u>	<u>437,994</u>
32	<u>DEQ26-9</u>	<u>N/A</u>	<u>6,000,000</u>
33	<u>DEQ26-10</u>	<u>N/A</u>	<u>4,000,000</u>
34	<u>DHHS23-1</u>	<u>1,352,000</u>	<u>2,652,000</u>
35	<u>DHHS23-2</u>	<u>5,983,000</u>	<u>17,519,339</u>
36	<u>DHHS23-3</u>	<u>5,405,000</u>	<u>18,803,000</u>
37	<u>DHHS26-1</u>	<u>N/A</u>	<u>24,848,348</u>
38	<u>DHHS26-2</u>	<u>N/A</u>	<u>6,000,000</u>
39	<u>DHHS26-3</u>	<u>N/A</u>	<u>41,128,337</u>
40	<u>DNCR21-5</u>	<u>45,000,000</u>	<u>52,000,00</u>
41	<u>DNCR23-2</u>	<u>15,000,000</u>	<u>19,400,000</u>
42	<u>DNCR26-1</u>	<u>N/A</u>	<u>5,800,000</u>
43	<u>DNCR26-2</u>	<u>N/A</u>	<u>5,300,000</u>
44	<u>DNCR26-3</u>	<u>N/A</u>	<u>8,082,500</u>
45	<u>DNCR26-4</u>	<u>N/A</u>	<u>10,662,000</u>
46	<u>DNCR26-5</u>	<u>N/A</u>	<u>11,500,000</u>
47	<u>DNCR26-6</u>	<u>N/A</u>	<u>5,000,000</u>
48	<u>DAC26-1</u>	<u>N/A</u>	<u>49,321,016</u>
49	<u>DAC26-2</u>	<u>N/A</u>	<u>60,464,040</u>
50	<u>DAC26-3</u>	<u>N/A</u>	<u>12,480,000</u>
51	<u>NCSD26-1</u>	<u>N/A</u>	<u>7,500,000</u>

1	<u>ENCSD26-1</u>	N/A	21,500,000
2	<u>ENCSD26-2</u>	N/A	9,700,000
3	<u>GMS26-1</u>	N/A	8,405,180
4	NCGA21-3	\$320,000,000	\$
5	<u>331,300,000</u> <u>341,400,00</u>		
6	DPI25-1	N/A	2,500,000
7	<u>DPI26-1</u>	N/A	13,905,882
8	<u>DPI26-2</u>	N/A	10,000,000
9	<u>DPS21-1</u>	10,702,952	14,168,707
10	<u>DPS21-2</u>	1,831,000	4,265,320
11	<u>DPS21-5</u>	4,170,000	40,390,000
12	<u>DPS21-6</u>	7,139,374	12,741,749
13	<u>DPS23-3</u>	35,000,000	63,785,000
14	<u>DPS23-6</u>	690,000	1,349,000
15	<u>DPS23-7</u>	43,336,785	84,103,000
16	DPS23-3	35,000,000	53,466,000
17	DPS23-7	43,336,785	72,572,000
18	NG23-1	24,000,000	28,000,000
19	NG23-2	12,500,000	13,300,000
20	NG23-3	16,428,582	18,678,582
21	<u>NG26-1</u>	N/A	5,000,000
22	<u>NG26-2</u>	N/A	8,800,000
23	<u>NG26-3</u>	N/A	6,600,000
24	<u>SBI26-1</u>	N/A	33,459,000
25	<u>SBI26-2</u>	N/A	3,318,000
26	<u>DMVA26-1</u>	N/A	10,000,000
27	DOA22-1	88,000,000	<u>01,400,000</u>
28	<u>DOA23-1</u>	33,744,000	33,171,600
29	<u>DOA23-5</u>	45,000,000	57,200,000
30	UNC/ASU21-1	40,000,000	45,000,000
31	UNC/ASU21-2	54,000,000	74,000,000
32	UNC/ECS21-2	2,500,000	7,500,000
33	UNC/ECS25-1	N/A	12,000,000
34	UNC/NCC23-2	12,999,424	19,499,424
35	UNC/NCS23-1	30,000,000	40,000,000
36	UNC/NCS23-6	3,000,000	16,000,000
37	UNC/NCS24-1	5,000,000	185,000,000
38	UNC/AVL23-1	26,150,000	<u>30,150,000</u> <u>N/A</u>
39	UNC/AVL25-1	N/A	3,000,000
40	UNC/SSM23-2	28,988,042	43,988,042
41	UNC/SSM25-1	N/A	2,180,000
42	UNC/PEM23-1	61,000,000	131,004,985
43	UNC/WIL <u>24-1</u> <u>23-4</u>	8,000,000	83,000,000
44	UNC/WCU23-1	95,300,000	157,900,000
45	UNC/BOG23-2	150,000,000	0
46	UNC/BOG23-3	319,746,392	216,246,392
47	UNC/BOG25-1	N/A	4,000,000

48
49 **SIX-YEAR INTENDED PROJECT ALLOCATION SCHEDULE**

50 **SECTION 40.4.** It is the intent of the General Assembly to fund capital improvement
51 projects on a cash flow basis and to plan for future project funding based upon projected

availability in the State Capital and Infrastructure Fund. Nothing in this section shall be construed (i) to appropriate funds or (ii) as an obligation by the General Assembly to appropriate funds for the projects listed in future years. The following schedule lists capital improvement projects that will begin or be completed in fiscal years outside of the 2025-2027 fiscal biennium and estimated amounts (in thousands) needed for completion of those projects:

	Project Code	FY25-26	FY26-27	FY27-28	FY28-29	FY29-30	FY30-31
9	PERS21	3,154.9	3,154.9	3,154.9	3,154.9	3,154.9	3,154.9
10	UNC/R&R21	200,000	<u>300,000</u>	200,000	200,000	200,000	200,000
11	R&R21	200,000	<u>300,000</u>	200,000	200,000	200,000	200,000
12	DACS23-3	<u>N/A</u>	<u>2,000</u>	<u>4,000</u>	<u>4,000</u>	N/A	N/A
13	DACS23-7	N/A	4,000	N/A	N/A	N/A	N/A
14	DACS23-8	<u>N/A</u>	<u>2,000</u>	1,000	1,000	<u>1,000</u>	N/A
15	DACS23-9	N/A	750	N/A	N/A	N/A	N/A
16	DACS23-10	<u>N/A</u>	2,000	<u>2,000</u>	<u>2,200</u>	N/A	N/A
17	DACS23-11	N/A	1,500	1,500	N/A	N/A	N/A
18	DEQ26-1	N/A	4,000	4,000	N/A	N/A	N/A
19	DEQ26-2	N/A	3,320.25	N/A	N/A	N/A	N/A
20	DEQ26-3	N/A	3,128.62	3,128.62	N/A	N/A	N/A
21	DEQ26-4	N/A	1,889.46	N/A	N/A	N/A	N/A
22	DEQ26-5	N/A	1,976.15	N/A	N/A	N/A	N/A
23	DEQ26-6	N/A	125	N/A	N/A	N/A	N/A
24	DEQ26-7	N/A	400	N/A	N/A	N/A	N/A
25	DEQ26-8	N/A	437.99	N/A	N/A	N/A	N/A
26	DEQ26-9	N/A	3,000	3,000	N/A	N/A	N/A
27	DEQ26-10	N/A	2,000	2,000	N/A	N/A	N/A
28	DNCR21-5	N/A	20,000	20,000	N/A	N/A	N/A
29	DNCR21-13	86,800	30,950	N/A	N/A	N/A	N/A
30	DNCR23-1	N/A	30,000	24,000	N/A	N/A	N/A
31	DNCR23-2	N/A	4,400	N/A	N/A	N/A	N/A
32	DNCR26-1	N/A	1,000	4,800	N/A	N/A	N/A
33	DNCR26-2	N/A	5,300	N/A	N/A	N/A	N/A
34	DNCR26-3	N/A	8,082.5	N/A	N/A	N/A	N/A
35	DNCR26-4	N/A	1,000	9,662	N/A	N/A	N/A
36	DNCR26-5	N/A	2,000	9,500	N/A	N/A	N/A
37	DNCR26-6	N/A	5,000	N/A	N/A	N/A	N/A
38	DHHS23-1	N/A	1,300	N/A	N/A	N/A	N/A
39	DHHS23-2	N/A	5,768.17	5,768.17	N/A	N/A	N/A
40	DHHS23-3	N/A	13,398	N/A	N/A	N/A	N/A
41	DHHS26-1	N/A	12,424.17	12,424.17	N/A	N/A	N/A
42	DHHS26-2	N/A	6,000	N/A	N/A	N/A	N/A
43	DHHS26-3	N/A	13,709.45	13,709.45	13,709.45	N/A	N/A
44	DOA22-1	N/A	1,400	N/A	N/A	N/A	N/A
45	DOA22-3	N/A	N/A	21,000	N/A	24,000	N/A
46	DOA23-1	N/A	<u>3,000</u>	<u>15,000</u>	<u>15,171.6</u>	<u>N/A</u>	N/A
47	DOA23-2	N/A	800	N/A	N/A	N/A	N/A
48	DOA23-3	N/A	N/A	N/A	11,000	N/A	N/A
49	DOA23-4	N/A	N/A	15,000	N/A	N/A	N/A
50	DOA23-5	N/A	<u>5,000</u>	<u>23,000</u>	<u>23,000</u>	<u>6,200</u>	N/A
51	DOI21-1	N/A	13,750	N/A	N/A	N/A	N/A

1	DAC26-1	N/A	10,000	10,000	29,321.02	N/A	N/A
2	DAC26-2	N/A	30,000	30,464.04	N/A	N/A	N/A
3	DAC26-3	N/A	12,480	N/A	N/A	N/A	N/A
4	DPS21-1	N/A	3,465.76	N/A	N/A	N/A	N/A
5	DPS21-2	N/A	2,434.32	N/A	N/A	N/A	N/A
6	DPS21-5	N/A	27,100	9,120	N/A	N/A	N/A
7	DPS21-6	N/A	5,602.38	N/A	N/A	N/A	N/A
8	DPS23-1	N/A	10,000	29,850	N/A	N/A	N/A
9	DPS23-3	N/A	28,785	28,785	1,815	N/A	N/A
10	DPS23-4	N/A	N/A	N/A	19,000	48,500	77,600
11	DPS23-6	N/A	659	N/A	N/A	N/A	N/A
12	DPS23-7	N/A	40,766.22	18,501.55	18,501.55	N/A	N/A
13	NG23-1	N/A	4,000	6,000	N/A	N/A	N/A
14	NG23-4	N/A	6,500	N/A	N/A	N/A	N/A
15	NG23-5	N/A	N/A	800	4,000	3,200	N/A
16	NG23-9	N/A	3,000	N/A	N/A	N/A	N/A
17	NG26-1	N/A	3,000	2,000	N/A	N/A	N/A
18	NG26-2	N/A	800	8,000	N/A	N/A	N/A
19	NG26-3	N/A	600	6,000	N/A	N/A	N/A
20	SBI26-1	N/A	6,234	13,612.5	13,612.5	N/A	N/A
21	SBI26-2	N/A	472	2,846	N/A	N/A	N/A
22	DMVA26-1	N/A	10,000	N/A	N/A	N/A	N/A
23	NCSD26-1	N/A	7,500	N/A	N/A	N/A	N/A
24	ENCSD26-1	N/A	2,150	9,675	9,675	N/A	N/A
25	ENCSD26-2	N/A	970	4,365	4,365	N/A	N/A
26	GMS26-1	N/A	8,405.18	N/A	N/A	N/A	N/A
27	DPI26-1	N/A	1,905.88	2,000	5,000	5,000	N/A
28	DPI26-2	N/A	250	500	1,250	8,000	N/A
29	TRAN23-1	125,000	50,000	N/A	N/A	N/A	N/A
30	NCGA21-3	65,250	5,050	5,050	N/A	N/A	N/A
31	NCGA23-1	26,000	16,250	N/A	N/A	N/A	N/A
32	UNC/ASU21-2	N/A	10,000	10,000	N/A	N/A	N/A
33	UNC/ASU22-1	N/A	11,350	13,050	N/A	N/A	N/A
34	UNC/ASU23-1	N/A	11,700	4,500	N/A	N/A	N/A
35	UNC/CLT23-1	N/A	12,600	9,900	9,900	N/A	N/A
36	UNC/CLT23-2	N/A	N/A	4,500	N/A	15,000	25,500
37	UNC/CH23-1	N/A	N/A	2,500	10,000	N/A	10,000
38	UNC/ECU21-1	60,000	85,742.7	12,003.64	12,003.64	N/A	N/A
39	UNC/ECU23-1	N/A	13,800	13,800	13,800	N/A	N/A
40	UNC/ECU23-2	N/A	N/A	1,890	N/A	10,000	7,010
41	UNC/ECU23-3	N/A	8,750	N/A	N/A	N/A	N/A
42	UNC/PEM21-1	30,500	24,400	4,250	N/A	N/A	N/A
43	UNC/PEM23-1	N/A	N/A	32,150	22,750	30,000	40,005
44	UNC/ECS21-2	N/A	5,000	N/A	N/A	N/A	N/A
45	UNC/ECS23-1	N/A	827	N/A	N/A	N/A	N/A
46	UNC/ECS23-2	N/A	N/A	1,250	N/A	11,250	N/A
47	UNC/FSU23-1	N/A	N/A	2,075	N/A	12,000	6,675
48	UNC/FSU23-2	N/A	5,500	N/A	N/A	N/A	N/A
49	UNC/A&T23-1	N/A	N/A	N/A	N/A	5,335	N/A
50	UNC/A&T23-2	N/A	5,335	30,041.25	30,041.25	30,041.25	30,041.25
51	UNC/NCC23-1	N/A	2,000.42	8,866	N/A	N/A	N/A

1	UNC/NCC23-2	N/A	<u>650</u>	<u>8,774.74</u>	<u>8,774.74</u>	N/A	N/A
2	UNC/NCC23-3	N/A	2,975	4,675	N/A	N/A	N/A
3	UNC/NCS23-1	<u>N/A</u>	<u>10,000</u>	N/A	N/A	<u>N/A</u>	<u>N/A</u>
4	UNC/NCS23-2	24,000	28,000	20,000	N/A	N/A	N/A
5	UNC/NCS23-3	<u>N/A</u>	<u>18,900</u>	<u>12,600</u>	<u>12,600</u>	<u>12,600</u>	N/A
6	<u>UNC/NCS23-4</u>	<u>N/A</u>	<u>35,000</u>	<u>21,250</u>	<u>21,250</u>	<u>21,250</u>	<u>21,250</u>
7	UNC/NCS23-5	5,000	N/A	35,000	67,000	80,000	13,000
8	UNC/NCS24-1	<u>N/A</u>	<u>25,048.75</u>	<u>38,737.81</u>	<u>38,737.81</u>	<u>38,737.81</u>	<u>38,737.81</u>
9	UNC/SSM23-2	3,000	4,800	<u>11,719.02</u>	<u>11,719.02</u>	<u>N/A</u>	N/A
10	UNC/SSM23-4	1,000	N/A	9,000	N/A	N/A	N/A
11	<u>UNC/AVL23-1</u>	<u>N/A</u>	<u>11,767.5</u>	<u>5,230</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
12	<u>UNC/CLT23-1</u>	<u>N/A</u>	<u>12,600</u>	<u>9,900</u>	<u>9,900</u>	<u>N/A</u>	<u>N/A</u>
13	UNC/GBO23-1	N/A	8,470	13,310	N/A	N/A	N/A
14	<u>UNC/SA23-1</u>	<u>22,950</u>	<u>10,200</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
15	UNC/SA23-2	N/A	N/A	2,450	8,575	N/A	13,475
16	UNC/WIL23-1	<u>N/A</u>	<u>7,725</u>	<u>14,160</u>	<u>14,160</u>	N/A	N/A
17	UNC/WIL23-2	<u>N/A</u>	<u>5,200</u>	<u>14,240</u>	<u>N/A</u>	<u>N/A</u>	N/A
18	UNC/WIL23-3	N/A	N/A	3,000	4,860	N/A	N/A
19	<u>UNC/WIL23-4</u>	<u>N/A</u>	<u>7,500</u>	<u>16,875</u>	<u>16,875</u>	<u>16,875</u>	<u>16,875</u>
20	UNC/WIL24-1	N/A	N/A	29,644	23,723	21,633	N/A
21	UNC/WCU23-1	N/A	<u>6,260</u>	<u>37,410</u>	<u>37,410</u>	<u>37,410</u>	<u>37,410</u>
22	<u>UNC/WSS21-1</u>	<u>N/A</u>	<u>14,650</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
23	UNC/WSS23-1	N/A	N/A	N/A	N/A	1,080	5,140
24	UNC/WSS23-2	N/A	N/A	N/A	N/A	1,600	8,000
25	UNC/PBS23-1	<u>N/A</u>	<u>17,325</u>	<u>9,075</u>	<u>9,075</u>	<u>9,075</u>	N/A
26	<u>UNC/BOG21-1</u>	<u>3,750</u>	<u>3,750</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
27	<u>UNC/BOG23-1</u>	<u>N/A</u>	<u>105,000</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
28	<u>UNC/BOG23-3</u>	<u>N/A</u>	<u>103,500</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
29	UNC/BOG25-1	1,000	1,000	1,000	1,000	N/A	N/A
30	<u>WRC23-1</u>	<u>N/A</u>	<u>6,000</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

NON-GENERAL FUND/NON-SCIF CAPITAL PROJECT AUTHORIZATIONS

SECTION 40.5. The General Assembly authorizes the following capital projects to be funded with receipts or from other non-General Fund and non-State Capital and Infrastructure Fund sources available to the appropriate department:

Name of Project	Amount of Non-General Fund/Non-SCIF Funding Authorized FY 2026-2027
Department of Natural and Cultural Resources	
Jennette's Pier Aquarium–	
Solar Covered Walkway	\$450,000
Roanoke Island Aquarium–	
Invertebrate Tank	\$500,000
Pine Knoll Shores Aquarium–	
Invertebrate Tank	\$2,000,000
NC Zoo–	
Elephant Shelters & Barn Bollard Repair	\$2,500,000
State Historic Sites–	
House in the Horseshoe–	
Alston House Rehabilitation	\$445,000
Department of Agriculture and Consumer Services	

1	Umstead Research Station Beef Program Buildout	\$2,500,000
2	Department of Military and Veterans Affairs	
3	Eastern Carolina State Veterans Cemetery Expansion	\$2,138,450
4	Western Carolina State Veterans Cemetery Expansion	\$1,954,150
5	Department of Public Safety	
6	Alcoholic Beverage Control–	
7	ABC Warehouse Repairs	\$1,150,000
8	Wildlife Resources Commission	
9	Game Land Improvements Morganton Depot Dam	\$1,086,881
10	D7 Storage Building	\$400,000
11	Caswell Shooting Range Renovation	\$3,850,000
12	Shooting Ranges Renovations	\$4,000,000
13	Ransom Road Depot	\$10,000,000
14	Land Acquisition	\$30,000,000
15	WRC Game Land Improvements	\$6,000,000
16	McKinney Lake Hatchery Building Replacement	\$1,300,000
17	Table Rock Hatchery Residence	\$640,000
18	New Tillery Office Depot	\$1,500,000
19	Inland Fish District 2 Storage Building	\$840,000
20	Butner Lab and Office Building	\$1,900,000
21	Caswell Depot Expansion	\$100,000

22

23 **TOTAL AMOUNT OF NON-GENERAL**

24 **FUND/NON-SCIF CAPITAL PROJECTS**

25 **AUTHORIZED** **\$75,254,481**

26

27 **INCREASE DOLLAR THRESHOLDS FOR DEFINITION OF CAPITAL**

28 **IMPROVEMENT**

29 **SECTION 40.6.** G.S. 143C-1-1(d) reads as rewritten:

30 **"§ 143C-1-1. Purpose and definitions.**

31 ...

32 (d) Definitions. – The following definitions apply in this Chapter:

33 ...

34 (5) Capital improvement. – A term that includes real property acquisition, new
 35 construction or rehabilitation of existing facilities, and repairs and renovations
 36 over one hundred fifty thousand dollars ~~(\$100,000)~~ ~~(\$150,000)~~ in value.

37 ..."

38

39 **INCREASE DOLLAR THRESHOLD FOR FORMAL BIDDING OF CAPITAL**

40 **PROJECTS**

41 **SECTION 40.7.(a)** G.S. 143-129 reads as rewritten:

42 **"§ 143-129. Procedure for letting of public contracts.**

43 (a) Bidding Required. No construction or repair work requiring the estimated
 44 expenditure of public money in an amount equal to or more than one million five hundred
 45 thousand dollars ~~(\$500,000)~~ ~~(\$1,500,000)~~–or purchase of apparatus, supplies, materials, or
 46 equipment requiring an estimated expenditure of public money in an amount equal to or more
 47 than ninety thousand dollars (\$90,000) may be performed, nor may any contract be awarded
 48 therefor, by any board or governing body of the State, or of any institution of the State
 49 government, or of any political subdivision of the State, unless the provisions of this section are
 50 complied with; provided that the University of North Carolina and its constituent institutions
 51 may award contracts for construction or repair work that requires an estimated expenditure of

1 less than one million five hundred thousand dollars ~~(\$500,000)-(\$1,500,000)~~ without complying
2 with the provisions of this section.

3 ..."

4 **SECTION 40.7.(b)** G.S. 143-64.34 reads as rewritten:

5 **"§ 143-64.34. Exemption of certain projects.**

6 State capital improvement projects under the jurisdiction of the State Building Commission,
7 capital improvement projects of the University of North Carolina, and community college capital
8 improvement projects, where the estimated expenditure of public money is less than one million
9 five hundred thousand dollars ~~(\$500,000) (\$1,500,000)~~ are exempt from the provisions of this
10 article."

11 **SECTION 40.7.(c)** G.S. 143-128(g) reads as rewritten:

12 **"§ 143-128. Requirements for certain building contracts.**

13 ...

14 (g) Exceptions.- This section shall not apply to:

15 (1) The purchase and erection of prefabricated or relocatable buildings or portions
16 thereof, except that portion of the work which must be performed at the
17 construction site.

18 ~~(2) The erection, construction, alteration, or repair of a building when the cost
19 thereof is three hundred thousand dollars (\$300,000) or less.~~

20 ~~(3) The erection, construction, alteration, or repair of a building by The University
21 of North Carolina or its constituent institutions when the cost thereof is five
22 hundred thousand dollars (\$500,000) or less.~~

23 ..."

24
25 **UNC CAPITAL PROJECT MANAGEMENT FLEXIBILITY**

26 **SECTION 40.8.** G.S. 143C-4-3.1(e) reads as rewritten:

27 **"§ 143C-4-3.1. State Capital and Infrastructure Fund.**

28 ...

29 (e) Use of Funds. – Monies in the Fund shall first be used to meet the debt service obligations
30 supported by the General Fund. In addition to meeting the debt service obligations supported by
31 the General Fund, monies in the Fund may be used for the following purposes:

32 ...

33 (5) Up to 5% of the funds allocated for projects at the University of North Carolina
34 authorized under subsection (1) and (2) of this section may be used by the
35 University of North Carolina and its constituent institutions to provide time-limited
36 support for construction management personnel.

37 ..."

38
39 **DEPARTMENT OF ADULT CORRECTION CAPITAL PROJECT ALLOWABLE USE**

40 **SECTION 40.9.** Notwithstanding the Committee Report referenced in Section

41 40.2 of this act or any other provision of law to the contrary, the allocation to the Department of
42 Adult Correction for project code DAC 23-1 Stun Fencing, may also be used for fire alarm and
43 fire suppression systems replacement at eight facilities.

44
45 **DEPARTMENT OF MILITARY AND VETERANS AFFAIRS CAPITAL PROJECTS**
46 **CONSULTATION REQUIREMENT**

47 **SECTION 40.10.** G.S. 143C-8-12 reads as rewritten:

48 **"§ 143C-8-12. Capital improvement projects from sources other than the General Fund.**

49 (a) University Projects. – Notwithstanding any other provision of this Chapter, the Board
50 of Governors of The University of North Carolina may approve any of the following:

- 1 (1) Expenditures to plan a capital improvement project of The University of North
2 Carolina, the planning for which is to be funded entirely with non-General
3 Fund and non-State Capital and Infrastructure Fund monies.
- 4 (2) Expenditures for a capital improvement project of The University of North
5 Carolina that is to be funded and operated entirely with non-General Fund and
6 non-State Capital and Infrastructure Fund monies.
- 7 (3) A change in the scope of any previously approved capital improvement project
8 of The University of North Carolina provided that both the project and change
9 in scope are funded entirely with non-General Fund and non-State Capital and
10 Infrastructure Fund monies.

11 Nothing in this subsection shall be construed to prohibit expenditures for planning for
12 a project that has been authorized by an act of the General Assembly and funded with an
13 allocation from the State Capital and Infrastructure Fund.

14 (b) Carryforward Funds. – For purposes of this section, the term "non-General Fund and
15 non-State Capital and Infrastructure Fund monies" includes funds carried forward from one fiscal
16 year to another pursuant to G.S. 116-30.3 and G.S. 116-30.3B. These funds shall only be used
17 for projects listed in G.S. 143C-8-13(a).

18 (c) National Guard Projects. – Notwithstanding any other provision of this Chapter, the
19 North Carolina National Guard may approve expenditures for a capital project of the North
20 Carolina National Guard if (i) the project will be funded entirely with federal funds and (ii) any
21 operating costs associated with the project will be paid entirely with federal funds.

22 (d) Department of Military and Veterans Affairs Projects - Notwithstanding any other
23 provision in this Chapter, the Department of Military and Veterans Affairs may approve
24 expenditures for a capital project of the Department if the project will be funded entirely with
25 non-General Funds.

26 ~~(d)(e)~~ Reporting. – The Board of Governors, the Department of Military and Veterans
27 Affairs, and the National Guard shall report any expenditure made pursuant to this section to the
28 Office of State Budget and Management and to the Joint Legislative Commission on
29 Governmental Operations."
30

31 PART XLI. TRANSPORTATION

32 CASH FLOW HIGHWAY FUND AND HIGHWAY TRUST FUND 33 APPROPRIATIONS

34 **SECTION 41.1.(a)** Subsections (b) and (c) of Section 41.1 of S.L. 2023-134 are
35 repealed.
36

37 **SECTION 41.1.(b)** The General Assembly authorizes and certifies anticipated
38 revenues for the Highway Fund as follows:

39 For Fiscal Year 2027-2028	\$ 3,495 million
40 For Fiscal Year 2028-2029	\$ 3,697 million
41 For Fiscal Year 2029-2030	\$ 3,750 million
42 For Fiscal Year 2030-2031	\$ 3,811 million
43 For Fiscal Year 2031-2032	\$ 3,878 million.

44 **SECTION 41.1.(c)** The General Assembly authorizes and certifies anticipated
45 revenues for the Highway Trust Fund as follows:

46 For Fiscal Year 2027-2028	\$ 2,648 million
47 For Fiscal Year 2028-2029	\$ 2,750 million
48 For Fiscal Year 2029-2030	\$ 2,815 million
49 For Fiscal Year 2030-2031	\$ 2,893 million
50 For Fiscal Year 2031-2032	\$ 2,973 million.

51 **SECTION 41.1.(d)** The Department of Transportation, in collaboration with the

1 Office of State Budget and Management, shall develop a 10-year revenue forecast. The 10-year
2 revenue forecast developed under this subsection shall be used (i) to develop the five-year cash
3 flow estimates included in the biennial budgets, (ii) to develop the Strategic Transportation
4 Improvement Program, and (iii) by the Department of the State Treasurer to compute
5 transportation debt capacity.

6
7 **CAPITAL, REPAIRS, AND RENOVATIONS**

8 **SECTION 41.2.(a)** For the 2026-27 fiscal year, the funds appropriated in this act
9 from the Highway Fund to the Department of Transportation for capital, repairs, and
10 renovations shall be used as follows:

11
12

Capital – Highway Fund	FY 2026-27
Jones and Wake County Maintenance Yards Relocation	\$14,100,000
DMV High Need Driver License Office Expansion / Replacement	\$9,513,813

13
14
15

16 **SECTION 41.2.(b)** The Governor and General Assembly anticipate appropriating
17 the following additional funds in the 2027-29 fiscal biennium to complete the projects set out in
18 subsection (a) of this section:

19
20

Capital – Highway Fund	FY 2027-28	FY 2028-29
Jones and Wake County Maintenance Yards Relocation	\$58,500,000	\$19,500,000
DMV High Need Driver License Office Expansion / Replacement	\$9,513,813	-

21
22
23
24

25 **TRANSPORTATION EMERGENCY RESERVE**

26 **SECTION 41.3.(a)** Section 1H.1 of S.L. 2024-57 reads as rewritten:

27 **"SECTION 1H.1.** Of the funds appropriated to the Department of Transportation,
28 the sum of one hundred twenty-five million dollars (\$125,000,000) from the Transportation
29 Emergency Reserve shall be used for repair and reconstruction of transportation infrastructure
30 in the affected area. Notwithstanding G.S. 136-44.2E(b) and G.S. 136-44.2E(f)(1), in the
31 discretion of the Secretary of Transportation, the required transfer of funds from the Highway
32 Fund to the Transportation Reserve may be delayed or suspended until July 30, 2027December
33 31, 2028. No other provision of G.S. 136-44.2E is affected by this section."

34 **SECTION 41.3.(b)** Section 1B.1.(b) of S.L. 2025-92 is repealed.

35
36 **AMEND SAFETY INSPECTION FEE**

37 **SECTION 41.4** G.S. 20-183.7 reads as rewritten:

38 **"§ 20-183.7. Fees for performing an inspection and issuing an electronic inspection**
39 **authorization to a vehicle; use of civil penalties.**

40 (a) Fee Amount. – When a fee applies to an inspection of a vehicle or the issuance of an
41 electronic inspection authorization, the fee must be collected. The following fees apply to an
42 inspection of a vehicle and the issuance of an electronic inspection authorization:

43
44

Type	Inspection	Authorization
Safety Only	\$12.75	\$.85 <u>\$2.00</u>
Emissions and Safety	23.75	6.25.

45
46
47

48 The fee for performing an inspection of a vehicle applies when an inspection is performed,
49 regardless of whether the vehicle passes the inspection. The fee for an electronic inspection
50 authorization applies when an electronic inspection authorization is issued to a vehicle. The fee
51 for inspecting after-factory tinted windows shall be ten dollars (\$10.00), and the fee applies

1 only to an inspection performed with a light meter after a safety inspection mechanic
2 determined that the window had after-factory tint. A safety inspection mechanic shall not
3 inspect an after-factory tinted window of a vehicle for which the Division has issued a medical
4 exception permit pursuant to G.S. 20-127(f).

5 A vehicle that is inspected at an inspection station and fails the inspection is entitled to be
6 reinspected at the same station at any time within 60 days of the failed inspection without
7 paying another inspection fee.

8 The inspection fee for an emissions and safety inspection set out in this subsection is the
9 maximum amount that an inspection station or an inspection mechanic may charge for an
10 emissions and safety inspection of a vehicle. An inspection station or an inspection mechanic
11 may charge the maximum amount or any lesser amount for an emissions and safety inspection
12 of a vehicle. The inspection fee for a safety only inspection set out in this subsection may not
13 be increased or decreased. The authorization fees set out in this subsection may not be
14 increased or decreased.

15 (b) Self-Inspector. – The fee for an inspection does not apply to an inspection performed by
16 a self-inspector. The fee for issuing an electronic inspection authorization to a vehicle applies
17 to an inspection performed by a self-inspector.

18 (c) Fee Distribution. – Fees collected for electronic inspection authorizations are payable to
19 the Division of Motor Vehicles. The amount of each fee listed in the table below shall be
20 credited to the Highway Fund, the Volunteer Rescue/EMS Fund established in G.S. 58-87-5,
21 the Rescue Squad Workers' Relief Fund established in G.S. 58-88-5, and the Division of Air
22 Quality of the Department of Environmental Quality:

23 Recipient	24 Safety Only Electronic Authorization	Emissions and Safety Electronic Authorization
25 Highway Fund	.51 .43	5.30
26 Volunteer Rescue/EMS Fund	.18	.18
27 Rescue Squad Workers' Relief Fund	.12	.12
28 Division of Air Quality	.00 .27	.65
29 ..."		

31 FERRY CAPITAL SPECIAL FUND

32 SECTION 41.5 G.S. 136.82.(d) reads as rewritten:

33 "...

34 (d) Use of Toll Proceeds. – The Department of Transportation shall deposit the proceeds
35 from tolls collected on North Carolina Ferry System routes and route-generated receipts
36 authorized under subsection (f) of this section to fund codes within the Ferry Capital Special
37 Fund for each of the Highway Divisions in which system terminals are located and fares are
38 earned. For the purposes of this subsection, fares are earned based on the terminals from which
39 a passenger trip originates and terminates. Commuter pass receipts shall be deposited
40 proportionately to each fund code based on the distribution of trips originating and terminating
41 in each Highway Division. ~~The proceeds deposited to each fund code shall be used exclusively~~
42 ~~for prioritized North Carolina Ferry System ferry passenger vessel replacement projects in the~~
43 ~~Division in which the proceeds are earned.~~ Proceeds deposited to each fund code may be used
44 to fund ferry passenger vessel replacement projects or supplement funds allocated for ferry
45 passenger vessel replacement projects approved in the Transportation Improvement Program,
46 to fund vessel maintenance related to U.S. Coast Guard required Credit Dry Docks, and to fund
47 vessel system retrofits and upgrades to extend the serviceable life of a vessel.

48 "..."

50 AUTHORIZE CARRYFORWARD OF FERRY FUNDS

51 SECTION 41.7 G.S. 136.82.(h) reads as rewritten:

1 "Transfer of Funds. – Notwithstanding G.S. 136-44.2(f), G.S. 136-44.2(f1), and any other
2 provision of law to the contrary, beginning with the 2021-2022 fiscal year, no later than 45
3 days after the first day of the fiscal year, the Department of Transportation shall transfer from
4 the Highway Fund to the Ferry Systemwide fund code within the Ferry Capital Special Fund all
5 unexpended and unencumbered funds appropriated to the Ferry Division's budget from the
6 prior fiscal year. ~~Any funds categorized as unencumbered shall be deposited in the Ferry~~
7 ~~Systemwide fund code. Any funds categorized as encumbered shall be deposited into a~~
8 ~~specified fund code for encumbrances."~~
9

10 ELIGIBLE USES OF FERRY FEDERAL FORMULA FUNDS

11 SECTION 41.8 G.S. 136.189.11.(c) reads as rewritten:

12 "(c) Funds With Alternate Criteria. – The following federal program activities shall be
13 included in the applicable category of the Transportation Investment Strategy Formula set forth
14 in subsection (d) of this section but shall not be subject to the prioritization criteria set forth in
15 that subsection:

16 ...

17 (6) Ferry boat replacements and preservation."
18

19 AUTHORIZE ELECTRONIC PAYMENT TRANSACTION FEES FOR FERRIES

20 SECTION 41.9 G.S. 136.82 is amended by adding a new subsection to read:

21 "(b3) Transaction Fee Authorized for Electronic Payment. – When the Department of
22 Transportation accepts electronic payment, as that term is defined in G.S. 147-86.20, for any
23 toll or fee authorized under this Article, thr Department may add a transaction fee to each
24 electronic payment transaction to offset the service charge the Department pays for electronic
25 payment service. The transaction fee authorized under this subsection shall not exceed two
26 percent (2%) of the electronic payment."
27

28 REALLOCATE SOUTH DOCK STACKING LANES APPROPRIATION

29 SECTION 41.10 Notwithstanding the Committee Report described in Section 43.2
30 of S.L. 2023-134 or any other provision of law, the sum of one million five hundred thousand
31 dollars (\$1,500,000) in nonrecurring funds for the 2023-2024 fiscal year allocated to build
32 stacking lanes and a concrete barrier on NC 12 at the South Dock Ferry Terminal on Ocracoke
33 shall instead be used for ramp rehabilitation on the South Dock Ferry Terminal to address
34 safety and reliability concerns.
35

36 PART XLII. FINANCE PROVISIONS

37 MAINTAIN PERSONAL INCOME TAX RATE

38 SECTION 42.1.(a) G.S. 105-153.7(a) reads as rewritten:

39 **"§ 105-153.7. Individual income tax imposed.**

40 (a) Tax. – A tax is imposed for each taxable year on the North Carolina taxable income
41 of every individual. The tax shall be levied, collected, and paid annually. ~~Except as otherwise~~
42 ~~provided in subsection (a1) of this section, †~~The tax is a percentage of the taxpayer's North
43 Carolina taxable income computed as follows:
44

45 Taxable Years Beginning	Tax
46 In 2022	4.99%
47 In 2023	4.75%
48 In 2024	4.5%
49 In 2025	4.25%
50 After 2025	3.99%."

51 SECTION 42.1.(b) G.S. 105-153.7.(a1) is repealed.

1 **SECTION 42.1.(c)** This section is effective for taxable years beginning on or after
2 January 1, 2026.

3
4 **MAINTAIN COMPETITIVE CORPORATE INCOME TAX RATE**

5 **SECTION 42.2.(a)** G.S. 105-130.3 reads as rewritten:

6 **"§ 105-130.3. Corporations**

7 A tax is imposed on the State net income of every C Corporation doing business in this State.
8 An S Corporation is not subject to the tax levied in this section. The tax is a percentage of the
9 taxpayer's State net income computed as follows:

Taxable Years Beginning	Tax
In 2025	2.25%
In 2026 <u>After 2025</u>	2% <u>2%.</u> "
In 2028 —	1%
After 2029 —	0% .

15 **SECTION 42.2.(b)** This section is effective for taxable years beginning on or after
16 January 1, 2026.

17
18 **ENACT BACK TO SCHOOL SALES AND USE TAX HOLIDAY**

19 **SECTION 42.3.(a)** Part 3 of Article 5 of Chapter 105 of the General Statutes is
20 amended by adding a new section to read:

21 **"§ 105-164.13G. Educational sales and use tax holiday.**

22 (a) The state and local taxes imposed by this Article do not apply to the following items of
23 tangible personal property if sold between 12:01 AM on the first Friday of August and the
24 11:59PM the following Sunday:

- 25 (1) Clothing with a sales price of one hundred dollars (\$100.00) or less per item.
26 (2) School supplies with a sales price of one hundred dollars (\$100.00) or less per
27 item.
28 (3) Computers with a sales price of seven hundred and fifty dollars (\$750) or less
29 per item.
30 (3a) Computer supplies with a sales price of two hundred fifty dollars (\$250.00) or
31 less per item.

32 (b) The exemption allowed by this section does not apply to the following:

- 33 (1) Sales of clothing accessories or equipment.
34 (2) Sales of protective equipment.
35 (3) Sales of furniture.
36 (4) Sales of an item for use in a trade or business.
37 (5) Rentals.

38 (c) Hold Harmless. – The purpose of this section is to hold county and municipal governments
39 harmless for the revenue losses resulting from the sales tax holiday established in this section (a)
40 of this section. The amount each county may receive is determined as follows:

- 41 (1) Distribution Amount. – The distribution amount is nine million three hundred
42 thousand (\$9,300,000) for the fiscal year beginning July 1, 2026. For fiscal
43 years beginning on or after July 1, 2027, the distribution amount is equal to
44 the amount for the preceding year multiplied by 3.5% and rounded to the
45 nearest one hundred thousand dollars (\$100,000).
46 (2) County Allocation. – The Secretary shall, in October of each fiscal year,
47 allocate to each taxing county the distribution amount on a per capita basis as
48 calculated in G.S. 105-486(a). For the purposes of this section, "taxing
49 county" means a county that levies the first one-half cent (1/2¢) local sales
50 and use tax under Article 40 of this Chapter."

1 SECTION 42.3(b) This section is effective for fiscal years beginning on or after July
2 1, 2026.

3
4 ENACT WORKING FAMILIES TAX CREDIT

5 SECTION 42.4(a) G.S. 105-151.31 is reenacted as it existed immediately before its
6 expiration and reads as rewritten:

7 "**§ 105-151.31. ~~Earned Income~~Working Families Tax Credit**

8 (a) Credit. An individual who claims for the taxable year an earned income tax credit under
9 section 32 of the Code is allowed a credit against the tax imposed by this Part equal to a
10 ~~percentage ten percent (10%)~~ of the amount of credit the individual qualified for under section
11 32 of the Code. A nonresident or part-year resident who claims the credit allowed by this section
12 must reduce the amount of the credit by multiplying it by the fraction calculated under ~~G.S. 105~~
13 ~~134.5(b) or (c)~~G.S. 105.153.4(b) or (c), as appropriate. ~~The percentage is as follows:~~

- 14 ~~———— (1) For taxable year 2013, four and one half percent (4.5%).~~
15 ~~———— (2) For all other taxable years, five percent (5%).~~

16 (b) Credit Refundable. If the credit allowed by this section exceeds the amount of tax imposed
17 by this Part for the taxable year reduced by the sum of all credits allowable, the Secretary must
18 refund the excess to the taxpayer. The refundable excess is governed by the provisions governing
19 a refund of an overpayment by the taxpayer of the tax imposed in this Part. Section 3507 of the
20 Code, Advance Payment of Earned Income Credit, does not apply to the credit allowed by this
21 section. In computing the amount of tax against which multiple credits are allowed,
22 nonrefundable credits are subtracted before refundable credits.

23 ~~(c) Sunset.—this section is repealed for taxable years beginning on or after January 1, 2014."~~

24 SECTION 42.4(b) This section is effective for taxable years beginning on or after
25 January 1, 2026.

26
27 REENACT MODIFIED CHILD AND DEPENDENT CARE TAX CREDIT

28 SECTION 42.5.(a) G.S. 105-151.11 is reenacted as it existed immediately before its
29 expiration, is recodified as G.S. 105-153.11, and reads as rewritten:

30 "**§ 105-151.11. Credit for child care and certain employment-related expenses.**

31 (a) Credit. — A person who is allowed a credit against federal income tax for a percentage of
32 employment-related expenses under section 21 of the Code shall be allowed as a credit against
33 the tax imposed by this Part an amount equal to ~~the applicable percentage thirty percent (30%)~~
34 of the amount of the credit provided for in Section 21 of the ~~Code Code, except as reduced by~~
35 ~~the percentage reduction in subsection (c)~~, which is claimed and allowed pursuant to the Internal
36 Revenue Code. To claim the credit allowed by this section, the taxpayer must provide with the
37 tax return the information required by the Secretary of Revenue.

38 ~~(a1) Applicable Percentage.— For employment-related expenses that are incurred only with~~
39 ~~respect to one or more dependents who are seven years old or older and are not physically or~~
40 ~~mentally incapable of caring for themselves, the applicable percentage is the appropriate~~
41 ~~percentage in the column labeled "Percentage A" in the table below, based on the taxpayer's~~
42 ~~adjusted gross income determined under the Code. For employment-related expenses with~~
43 ~~respect to any other qualifying individual, the applicable percentage is the appropriate percentage~~
44 ~~in the column labeled "Percentage B" in the table below, based on the taxpayer's adjusted gross~~
45 ~~income determined under the Code.~~

Filing Status	Adjusted Gross Income	Percentage A	Percentage B
Head of	Up to \$20,000	9%	13%
Household	Over \$20,000	8%	11.5%
————	up to \$32,000		
————			
————			

1	_____	Over \$32,000	7%	10%
2				
3	Surviving			
4	Spouse or			
5	Joint Return	Up to \$25,000	9%	13%
6	_____			
7	_____	Over \$25,000		
8	_____	up to \$40,000	8%	11.5%
9				
10	_____	Over \$40,000	7%	10%
11	_____			
12	Single	Up to \$15,000	9%	13%
13				
14	_____	Over \$15,000		
15	_____	up to \$24,000	8%	11.5%
16				
17	_____	Over \$24,000	7%	10%
18				
19	Married			
20	Filing			
21	Separately	Up to \$12,500	9%	13%
22				
23	_____	Over \$12,500		
24	_____	up to \$20,000	8%	11.5%
25				
26	_____	Over \$20,000	7%	10%

27 (b) Employment Related Expenses. – The amount of employment-related expenses for which
 28 a credit may be claimed may not exceed three thousand dollars (\$3,000) if the taxpayer's
 29 household includes one qualifying individual, as defined in section 21(b)(1) of the Code, and
 30 may not exceed six thousand dollars (\$6,000) if the taxpayer's household includes more than one
 31 qualifying individual. The amount of employment-related expenses for which a credit may be
 32 claimed is reduced by the amount of employer-provided dependent care assistance excluded from
 33 gross income.

34 (c) Phaseout. – The credit allowed by this section shall be reduced by a percentage listed
 35 below, rounded to the nearest percentage point, based on the taxpayer's adjusted gross income
 36 as calculated under the Code:

<u>Filing Status</u>	<u>For AGI Exceeding</u>	<u>Percentage Reduction</u>
<u>Married, filing jointly</u>	<u>\$150,000</u>	<u>The lesser of 100% or</u> <u>[(Taxpayer's AGI - \$150,000) /</u> <u>\$50,000]</u>
<u>Head of Household</u>	<u>\$112,500</u>	<u>The lesser of 100% or</u> <u>[(Taxpayer's AGI - \$112,500) /</u> <u>\$37,500]</u>
<u>Single or Married,</u> <u>Filing Separately</u>	<u>\$75,000</u>	<u>The lesser of 100% or</u> <u>[(Taxpayer's AGI - \$75,000) /</u> <u>\$25,000]</u>

48 (e)(d) Limitations. – A nonresident or part-year resident who claims the credit allowed by
 49 this section shall reduce the amount of the credit by multiplying it by the fraction calculated under
 50 G.S. 105-134.5(b) or (e), G.S. 105-153.4(b) or (c), as appropriate. No credit shall be allowed
 51 under this section for amounts deducted in calculating North Carolina taxable income. The credit

1 ~~allowed by this section may not exceed the amount of tax imposed by this Part for the taxable~~
2 ~~year reduced by the sum of all credits allowable, except for payments of tax made by or on behalf~~
3 ~~of the taxpayer.~~

4 (e) Credit Refundable. – If the credit allowed by this section exceeds the amount of tax
5 imposed by this Part for the taxable year reduced by the sum of all credits allowable, the Secretary
6 must refund the excess to the taxpayer. The refundable excess is governed by the provisions
7 governing a refund of an overpayment by the taxpayer of the tax imposed in this Part. In
8 computing the amount of tax against which multiple credits are allowed, nonrefundable credits
9 are subtracted before refundable credits."

10 **SECTION 42.5.(b)** This section is effective for taxable years beginning on or after
11 January 1, 2026.

12 **INCREASE THE STANDARD DEDUCTION**

13 **SECTION 42.6.(a)** G.S. 105-153.5(a)(1) reads as rewritten:

14 "(1) Standard deduction amount. – The standard deduction amount is zero for a
15 person who is not eligible for a standard deduction under section 63 of the
16 Code. For all other taxpayers, the standard deduction amount is equal to the
17 amount listed in the table below based on the taxpayer's filing status:

18 Filing Status	19 Standard Deduction
20 Married, filing jointly/surviving spouse	\$25,500 <u>\$26,500</u>
21 Head of Household	19,125 <u>19,875</u>
22 Single	12,750 <u>13,250</u>
23 Married, filing separately	12,750 <u>13,250.</u> "

24 **SECTION 42.6.(b)** This section is effective for taxable years beginning on or after
25 January 1, 2027.

26 **PART XLIII. MISCELLANEOUS**

27 **STATE BUDGET ACT APPLIES**

28 **SECTION 43.1.** The provisions of the State Budget Act, Chapter 143C of the
29 General Statutes, are reenacted and shall remain in full force and effect and are incorporated in
30 this act by reference.
31
32

33 **APPROPRIATIONS LIMITATIONS AND DIRECTIONS APPLY**

34 **SECTION 43.2.** Except where expressly repealed or amended by this act, the
35 provisions of any legislation enacted during the 2025 Regular Session of the General Assembly
36 affecting the State budget shall remain in effect.
37
38

39 **MOST TEXT APPLIES ONLY TO THE 2026-2027 FISCAL year**

40 **SECTION 43.3.** Except for statutory changes or other provisions that clearly
41 indicate an intention to have effects beyond the 2026-2027 fiscal year, the textual provisions of
42 this act apply only to funds appropriated for, and activities occurring during, the 2026-2027 fiscal
43 biennium.
44

45 **EFFECT OF HEADINGS**

46 **SECTION 43.4.** The headings to the Parts, Subparts, and sections of this act are a
47 convenience to the reader and are for reference only. The headings do not expand, limit, or define
48 the text of this act, except for effective dates referring to a Part or Subpart.
49

50 **SEVERABILITY CLAUSE**

1 **SECTION 43.5.** If any section or provision of this act is declared unconstitutional
2 or invalid by the courts, it does not affect the validity of this act as a whole or any part other than
3 the part so declared to be unconstitutional or invalid.
4

5 **EFFECTIVE DATE**

6 **SECTION 43.6.** Except as otherwise provided, this act is effective July 1, 2026.