

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2025

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HOUSE BILL 696
Committee Substitute Favorable 4/30/25
Senate Health Care Committee Substitute Adopted 6/17/25
Proposed Conference Committee Substitute H696-PCCS10584-LUxr-3

Short Title: Medicaid & HHS Adjust./Other Critical Needs.

(Public)

Sponsors:

Referred to:

April 3, 2025

1 A BILL TO BE ENTITLED
2 AN ACT MAKING VARIOUS CHANGES TO THE MEDICAID PROGRAM AND OTHER
3 CHANGES RELATED TO HEALTH AND HUMAN SERVICES, IMPLEMENTING
4 VARIOUS BUDGETARY ADJUSTMENTS, AND MAKING OTHER CHANGES IN THE
5 BUDGET OPERATIONS OF THE STATE.

6 The General Assembly of North Carolina enacts:

7
8 **PART I. GENERAL PROVISIONS**

9
10 **EXTENSION OF CERTAIN DIRECTED GRANT REVERSIONS**

11 **SECTION 1.1.(a)** Section 5.3 of S.L. 2023-134, as amended by Section 1.3(a) of
12 S.L. 2024-1, reads as rewritten:

13 "...

14 **"SECTION 5.3.(b)** Requirements. – Nonrecurring funds appropriated in this act as directed
15 grants are subject to all of the following requirements:

16 ...

17 (4) Notwithstanding any provision of G.S. 143C-1-2(b) to the contrary,
18 nonrecurring funds appropriated in this act for the 2023-2024 fiscal year and
19 the 2024-2025 fiscal year as directed grants shall not revert until June 30,
20 ~~2026-2027~~.

21 (5) Directed grants to nonprofit organizations are for nonsectarian, nonreligious
22 purposes only.

23 **"SECTION 5.3.(c)** This section expires on June 30, ~~2026-2027~~."

24 **SECTION 1.1.(b)** Section 1.1(b) of S.L. 2025-4 reads as rewritten:

25 **"SECTION 1.1.(b)** Any funds described in subsection (a) of this section that remain
26 unexpended as of December 31, 2024, shall revert to the appropriate fund at the end of the
27 ~~2025-2026-2026-2027~~ fiscal year."

28 **SECTION 1.1.(c)** This section is effective June 30, 2026.

29
30 **PART II. EDUCATION**

31
32 **NORTH CAROLINA BLUE RIBBON COMMISSION ON PUBLIC EDUCATION**

33 **SECTION 2.1.(a)** There is established the North Carolina Blue Ribbon Commission
34 on Public Education (Commission).



* H 6 9 6 - P C C S 1 0 5 8 4 - L U X R - 3 *

1 **SECTION 2.1.(b)** Membership. – The Commission consists of the following 29
2 members:

- 3 (1) Nineteen voting members appointed jointly by the President Pro Tempore of
4 the Senate, the Speaker of the House of Representatives, and the Governor.
- 5 (2) Five nonvoting members of the Senate appointed jointly by the President Pro
6 Tempore of the Senate, the Speaker of the House of Representatives, and the
7 Governor.
- 8 (3) Five nonvoting members of the House of Representatives jointly appointed by
9 the President Pro Tempore of the Senate, the Speaker of the House of
10 Representatives, and the Governor.

11 **SECTION 2.1.(c)** Terms; Chairs; Vacancies; Quorum. – Members serve at the
12 pleasure of the appointing officers. The President Pro Tempore of the Senate, the Speaker of the
13 House of Representatives, and the Governor shall jointly designate cochairs. The Commission
14 shall meet upon the call of the cochairs at any date prior to the Commission's termination. The
15 appointing authorities shall fill any vacancy on the Commission. A quorum for action by the
16 Commission is a majority of its voting members.

17 **SECTION 2.1.(d)** Duties. – The Commission shall study the structure and
18 implementation of public education in the State. The Commission may examine any of the
19 following:

- 20 (1) Teacher training and student advancement.
- 21 (2) Administrative operations.
- 22 (3) Educational leadership in the State.
- 23 (4) Accountability.

24 **SECTION 2.1.(e)** Administration. – The Friday Institute for Educational Innovation
25 at North Carolina State University (Friday Institute) shall provide professional, clerical, and
26 consultant services to the Commission. The Legislative Services Officer shall assign professional
27 and clerical staff to provide technical assistance to the Commission and the Friday Institute upon
28 request of the President Pro Tempore of the Senate and the Speaker of the House of
29 Representatives.

30 **SECTION 2.1.(f)** Compensation. – Members of the Commission shall receive per
31 diem, subsistence, and travel allowance as provided in G.S. 120-3.1, 138-5, and 138-6, as
32 appropriate.

33 **SECTION 2.1.(g)** Report; Termination. – The Commission may submit interim
34 reports and a final report on the results of its work, including any proposed recommendations, to
35 the General Assembly and the Governor. The Commission shall submit reports to the General
36 Assembly in accordance with G.S. 120-29.5. The Commission terminates March 1, 2027.

37 **SECTION 2.1.(h)** There is appropriated from the General Fund to the Board of
38 Governors of The University of North Carolina the sum of three hundred thousand dollars
39 (\$300,000) in nonrecurring funds for the 2025-2026 fiscal year to be allocated to the Friday
40 Institute for the administration of the Commission in accordance with this section. Funds
41 appropriated pursuant to this section shall not revert at the end of the 2025-2026 fiscal year but
42 shall remain available until June 30, 2027.

43 44 **CONFORM ELIGIBLE EXPENSES FOR NORTH CAROLINA 529 PLANS TO** 45 **FEDERAL LAW**

46 **SECTION 2.2.** G.S. 116-209.25(b) reads as rewritten:

47 "(b) Parental Savings Trust Fund. – There is established a parental savings trust fund to be
48 administered by the State Education Assistance Authority to enable qualified parents and other
49 interested parties to save funds to meet the costs of education expenses of eligible students in
50 accordance with section 529 of the Code. ~~For purposes of this section, the term "Code" has the~~
51 ~~same meaning as defined in G.S. 105-228.90.~~ Internal Revenue Code as enacted as of July 4,

1 2025, including any provisions enacted as of that date that become effective either before or after
2 that date."

3
4 **FUNDS FOR RECIPIENTS OF THE CHILDREN OF WARTIME VETERANS**
5 **SCHOLARSHIP IN THE 2025-2026 ACADEMIC YEAR**

6 **SECTION 2.3.** There is appropriated from the General Fund to the Board of
7 Governors of The University of North Carolina for the 2025-2026 fiscal year the sum of one
8 million dollars (\$1,000,000) in nonrecurring funds to be allocated to the State Education
9 Assistance Authority (Authority) to increase award amounts for recipients of scholarships for the
10 children of wartime veterans for the 2025-2026 academic year up to the full amounts permitted
11 under Part 2 of Article 14 of Chapter 143B of the General Statutes to the extent those award
12 amounts were reduced by the Secretary of the Department of Military and Veterans Affairs
13 pursuant to the award flexibility provided in Part VI of S.L. 2025-72. If any of these funds remain
14 after increasing award amounts for scholarship recipients in accordance with this section, the
15 Authority may use the remaining funds to award additional scholarships for qualifying children
16 of wartime veterans under Part 2 of Article 14 of Chapter 143B of the General Statutes, beginning
17 in the 2026-2027 academic year.

18
19 **FUNDS FOR ADDITIONAL AWARDS FOR THE CHILDREN OF WARTIME**
20 **VETERANS SCHOLARSHIP IN THE 2026-2027 ACADEMIC YEAR**

21 **SECTION 2.4.(a)** Notwithstanding G.S. 143B-1226, for new applications for
22 scholarships for children of wartime veterans under Part 2 of Article 14 of Chapter 143B of the
23 General Statutes, the Secretary of the Department of Military and Veterans Affairs may increase
24 the number of Class II and Class III scholarships awarded in the 2026-2027 academic year from
25 100 to 200 children in each class.

26 **SECTION 2.4.(b)** There is appropriated from the Escheat Fund to the Board of
27 Governors of The University of North Carolina the sum of ten million dollars (\$10,000,000) in
28 recurring funds beginning in the 2026-2027 fiscal year to be allocated to the State Education
29 Assistance Authority to support additional scholarships for qualifying children of wartime
30 veterans under Part 2 of Article 14 of Chapter 143B of the General Statutes in accordance with
31 subsection (a) of this section.

32 **SECTION 2.4.(c)** This section becomes effective July 1, 2026.

33
34 **EXPAND EXISTING FLEXIBILITY FOR THE CHILDREN OF WARTIME**
35 **VETERANS SCHOLARSHIP FUNDS PROGRAM TO INCLUDE THE 2026-2027**
36 **ACADEMIC YEAR**

37 **SECTION 2.5.** Section 6 of S.L. 2025-72 reads as rewritten:

38 **"SECTION 6.(a)** For purposes of subsection (b) of this section, the following definitions
39 shall apply:

- 40 (1) Authority. – The State Education Assistance Authority.
- 41 (2) Commission. – The Veterans' Affairs Commission of the Department.
- 42 (3) Department. – The Department of Military and Veterans Affairs.
- 43 (4) Program. – The program administered by the Department to award scholarship
44 funds that is referred to as Scholarships for Children of Wartime Veterans.
- 45 (5) Scholarship funds. – Scholarship funds awarded to the child of a North
46 Carolina veteran under Part 2 of Article 14 of Chapter 143B of the General
47 Statutes.
- 48 (6) Secretary. – The Secretary of the Department of Military and Veterans Affairs.

49 **"SECTION 6.(b)** Notwithstanding Part 2 of Article 14 of Chapter 143B of the General
50 Statutes and any rules adopted or determinations made by the Veterans Affairs Commission, for
51 the ~~2024-2025 academic year and the 2025-2026 academic year, 2024-2025, 2025-2026, and~~

1 2026-2027 academic years, the following shall apply relating to the administration of scholarship
 2 funds under the Program:

3 (1) Within funds available for the Program, the following shall be determined:

4 a. Due to the sacrifice of veterans for the State of North Carolina and the
 5 unique needs and challenges of the children of wartime veterans to
 6 ensure they have the greatest opportunities to reach their higher
 7 education attainment goals, if there are additional eligible recipients,
 8 other than those identified by the Department under this Program, who
 9 are attending public colleges and universities of the State who may
 10 qualify to have their scholarships funded with monies from the Escheat
 11 Fund, the Authority, after consultation with the Secretary, may fund
 12 those scholarships with monies from the Escheat Fund.

13 b. For the 2025-2026 and 2026-2027 academic years, the following shall
 14 occur:

15 1. After consultation with the Authority, the Secretary shall
 16 determine whether to prioritize the award of new applicants ~~for~~
 17 ~~the 2025-2026 academic year in as follows:~~

18 I. In Class I-A, I-B, and IV scholarships, prior to
 19 awarding Class II and III scholarships. Class II and
 20 Class III awards may be determined following awards
 21 for Class I-A, I-B, and IV depending on the availability
 22 of funds for the Program.

23 II. For the 2026-2027 academic year only, in scholarships
 24 for new applicants who meet the following
 25 requirements:

26 A. Apply to receive scholarships as undergraduate
 27 students.

28 B. Qualify as residents for tuition purposes under
 29 the criteria set forth in G.S. 116-143.1 and in
 30 accordance with the coordinated and
 31 centralized residency determination process
 32 administered by the Authority.

33 C. Are otherwise eligible to receive scholarships in
 34 accordance with the Program requirements.

35 ~~e.2.~~ The Secretary, after consulting with the Authority, may
 36 determine the following based on the number of eligible
 37 students, including new and renewal ~~students, that have~~
 38 ~~applied for the 2025-2026 academic year, students:~~

39 I. For the 2025-2026 academic year, whether to reduce
 40 the room and board allowance award for students
 41 attending a public institution and the maximum
 42 allowance award for students attending private
 43 institutions, prior to August 15, 2025.

44 II. For the 2026-2027 academic year, whether to establish
 45 a standardized payment schedule or formula within
 46 available funds for the academic year to ensure the
 47 efficient and effective administration of the
 48 scholarships.

49 ~~d.3.~~ ~~After the actions set forth in sub-subdivisions a., b., and c. of~~
 50 ~~this subdivision have been taken, for awards for the 2025-2026~~
 51 ~~academic year, After the preceding actions have been taken, if~~

funds available for the Program are still insufficient to provide scholarships to all eligible students, the Authority may adjust and standardize award amounts as necessary, including establishing a lottery and providing pro rata scholarship awards for room and board, or both, for the applicable academic year, to ensure the efficient administration of the scholarship funds.

- (2) All scholarship notifications shall include language that the award of the scholarship is contingent upon the availability of funds.
- (3) The Authority shall disburse scholarship funds in accordance with G.S. 116-204(11a).
- (4) From the total amount of funding appropriated to the Board of Governors of The University of North Carolina and allocated to the Authority in a fiscal year to support the award of scholarship funds under the Program, the Authority may use an amount of up to two and one-half percent (2.5%) for administration costs related to the Program from the allocation from the General Fund. The Authority shall place any unexpended and unencumbered appropriated funds remaining at the end of the ~~2024-2025 and 2025-2026 fiscal years~~ 2024-2025, 2025-2026, and 2026-2027 fiscal years into an institutional trust fund established in accordance with the provisions of G.S. 116-36.1. Those funds may be used for the purpose of awarding scholarships under the Program and for administration costs of the Authority related to the Program.

"SECTION 6.(c) This section becomes effective June 30, 2025, and applies to awards granted for the ~~2024-2025 and 2025-2026 academic years.~~ 2024-2025, 2025-2026, and 2026-2027 academic years."

PART III. HEALTH AND HUMAN SERVICES

PART III-A. DEFINITIONS

SECTION 3A.1. The following definitions apply in this Part:

- (1) CMS. – The federal Centers for Medicare and Medicaid Services.
- (2) NC RHTP. – The North Carolina Rural Health Transformation Plan approved and funded by CMS as part of the Rural Health Transformation Program.
- (3) Public Law 119-21. – The Reconciliation Act of 2025, Public Law 119-21, 139 Stat. 72 (2025), also known as the "One Big Beautiful Bill Act."
- (4) RHTP or Rural Health Transformation Program. – The Rural Health Transformation Program authorized by section 71401 of Public Law 119-21 and administered by CMS.
- (5) SNAP. – The federal Supplemental Nutrition Assistance Program, also known as the State Food and Nutrition Services (FNS) program.
- (6) Subrecipient. – A nonfederal entity that receives a subaward from the North Carolina Department of Health and Human Services to carry out activities related to the NC Rural Health Transformation Plan.

PART III-B. DIVISION OF CENTRAL MANAGEMENT AND SUPPORT

PERIODIC REPORTING ON THE NORTH CAROLINA RURAL HEALTH TRANSFORMATION PLAN

SECTION 3B.1.(a) The Department of Health and Human Services (DHHS) shall submit periodic progress reports to the Joint Legislative Commission on Governmental Operations on the implementation status of the NC RHTP according to the following schedule:

Reporting Period	Due Date
August 1, 2026-October 30, 2026	November 29, 2026
October 31, 2026-January 30, 2027	March 1, 2027
January 31, 2027-April 30, 2027	May 30, 2027
May 1, 2027-July 31, 2027	August 30, 2027
August 1, 2027-October 30, 2027	November 29, 2027
October 31, 2027-January 30, 2028	February 28, 2028
January 31, 2028-April 30, 2028	May 30, 2028
May 1, 2028-July 31, 2028	August 30, 2028
August 1, 2028-October 30, 2028	November 29, 2028
October 31, 2028-January 30, 2029	March 1, 2029
January 31, 2029-April 30, 2029	May 30, 2029
May 1, 2029-July 31, 2029	August 30, 2029
August 1, 2029-October 30, 2029	November 29, 2029
October 31, 2029-January 30, 2030	February 28, 2030
January 31, 2030-April 30, 2030	May 30, 2030
May 1, 2030-July 31, 2030	August 30, 2030
August 1, 2030-October 30, 2030	November 29, 2030

SECTION 3B.1.(b) Each report submitted to the Commission pursuant to subsection (a) of this section shall include at least all of the following information for the relevant reporting period:

- (1) A copy of the quarterly or annual report submitted by the DHHS to CMS, as required by the RHTP Cooperative Agreement in effect between the DHHS and CMS.
- (2) A summary or copies of all verbal and written updates provided by the DHHS to the CMS Rural Health Transformation Program Official.
- (3) The total amount of funds allocated to each initiative identified in the NC RHTP.
- (4) The total amount of funds awarded to subrecipients in each county, broken down as follows:
 - a. A list identifying each subrecipient.
 - b. For each subrecipient, all of the following information:
 - 1. The total amount of funds awarded to the subrecipient.
 - 2. A brief description of the subrecipient's funded activities.
 - 3. A list of counties where the subrecipient is located.
 - 4. A list of counties served by the subrecipient's funded activities.

PART III-C. DIVISION OF HEALTH BENEFITS

DURATION OF MEDICAID PROGRAM MODIFICATIONS

SECTION 3C.1. Except for statutory changes or where otherwise specified, the Department of Health and Human Services shall not be required to maintain, after June 30, 2027, any modifications to the Medicaid program required by this Part.

MEDICAID REBASE FUNDING

SECTION 3C.2.(a) Notwithstanding the limitations under G.S. 143C-4-11 on the use, allocation, and expenditure of funds reserved in the Medicaid Contingency Reserve, there is appropriated from the Medicaid Contingency Reserve to the Department of Health and Human Services, Division of Health Benefits, the sum of three hundred nineteen million dollars (\$319,000,000) in nonrecurring funds and associated receipts for the 2025-2026 fiscal year to be

1 used to adjust Medicaid funding to account for projected changes in enrollment, enrollment mix,
 2 service and capitation costs, and federal match rates, as well as the implementation of the
 3 Children and Families Specialty Plan in December 2025.

4 **SECTION 3C.2.(b)** This section is retroactively effective July 1, 2025.
 5

6 **LME/MCO INTERGOVERNMENTAL TRANSFERS**

7 **SECTION 3C.3.(a)** The local management entities/managed care organizations
 8 (LME/MCOs) shall make intergovernmental transfers to the Department of Health and Human
 9 Services, Division of Health Benefits (DHB), in an aggregate amount of eighteen million
 10 twenty-eight thousand two hundred seventeen dollars (\$18,028,217) in the 2025-2026 fiscal year
 11 and in an aggregate amount of eighteen million twenty-eight thousand two hundred seventeen
 12 dollars (\$18,028,217) for the 2026-2027 fiscal year. The due date and frequency of the
 13 intergovernmental transfer required by this section shall be determined by DHB. The amount of
 14 the intergovernmental transfer that each individual LME/MCO is required to make in each fiscal
 15 year shall be as follows:

	2025-2026	2026-2027
16 Alliance Behavioral Healthcare	\$4,508,857	\$4,508,857
17 Partners Health Management	\$3,544,348	\$3,544,348
18 Trillium Health Resources	\$6,448,693	\$6,448,693
19 Vaya Health	\$3,526,319	\$3,526,319

20
 21 **SECTION 3C.3.(b)** In the event that a county disengages from an LME/MCO and
 22 realigns with another LME/MCO during the 2025-2027 fiscal biennium, DHB shall have the
 23 authority to reallocate the amount of the intergovernmental transfer that each affected
 24 LME/MCO is required to make under subsection (a) of this section, taking into consideration the
 25 change in catchment area and covered population, provided that the aggregate amount of the
 26 transfers received from all LME/MCOs in each year of the fiscal biennium is achieved.

27 **SECTION 3C.3.(c)** This section is retroactively effective July 1, 2025.
 28

29 **TECHNICAL UPDATES TO COMPLY WITH H.R.1**

30 **SECTION 3C.4.(a)** G.S. 108A-54.3A(a)(24) reads as rewritten:

31 "(24) Individuals described in section 1902(a)(10)(A)(i)(VIII) of the Social Security
 32 Act who are in compliance ~~with~~ with, or are exempt from, any federally
 33 ~~approved work requirements established in the State Plan and in rule-~~
 34 applicable community engagement requirements. Coverage for individuals
 35 under this subdivision is available through an Alternative Benefit Plan that is
 36 established by the Department consistent with federal requirements, unless
 37 that individual is exempt from mandatory enrollment in an Alternative Benefit
 38 Plan under 42 C.F.R. § 440.315."

39 **SECTION 3C.4.(b)** G.S. 108A-54.3A, as amended by subsection (a) of this section,
 40 reads as rewritten:

41 **"§ 108A-54.3A. Eligibility categories and income thresholds.**

42 (a) The Department shall provide Medicaid coverage for individuals in accordance with
 43 federal statutes and regulations and specifically shall provide ~~coverage~~ coverage, subject to the
 44 limitation in subsection (c) of this section, for the following populations:

- 45 ...
- 46 (22) ~~Refugees, in accordance with 8 U.S.C. § 1522.~~
- 47 (23) ~~Qualified aliens subject to the five year bar for means tested public assistance~~
 48 ~~under 8 U.S.C. § 1613 and undocumented aliens, only for emergency services~~
 49 ~~under 8 U.S.C. § 1611.~~
- 50 ...

1 (c) Medicaid coverage for individuals who are not citizens of the United States shall be
2 limited to coverage that is federally required for the State's participation in the Medicaid
3 program."

4 **SECTION 3C.4.(c)** G.S. 108D-40 reads as rewritten:

5 **"§ 108D-40. Populations covered by PHPs.**

6 (a) Capitated PHP contracts shall cover all Medicaid program aid categories except for
7 the following categories:

8 ...

9 (2) ~~Qualified aliens subject to the five-year bar for means-tested public assistance~~
10 ~~under 8 U.S.C. § 1613 who qualify for emergency services under 8 U.S.C. §~~
11 ~~1611.~~

12 (3) ~~Undocumented aliens who qualify for~~ Aliens whose Medicaid coverage is
13 limited to emergency services under 8 U.S.C. § 1611.

14 "

15 **SECTION 3C.4.(d)** Subsections (b) and (c) of this section are effective October 1,
16 2026. The remainder of this section is effective when it becomes law.

17 18 **COMMUNITY ENGAGEMENT REQUIREMENTS**

19 **SECTION 3C.5.(a)** Part 6 of Article 2 of Chapter 108A of the General Statutes is
20 amended by adding a new section to read:

21 **"§ 108A-55.7. Community engagement requirements.**

22 (a) As long as work requirements as a condition of participation in the Medicaid program
23 may be authorized by the Centers for Medicare and Medicaid Services, the Department shall take
24 all actions necessary to implement and maintain implementation of those work requirements to
25 the fullest extent allowable.

26 (b) At the time of initial application for medical assistance benefits, the applicant shall
27 provide satisfactory proof that the applicant has complied with any applicable community
28 engagement requirements for the three consecutive months immediately preceding the month the
29 applicant submits the application for medical assistance benefits.

30 (c) At the time of redetermination of eligibility for medical assistance benefits, the
31 applicant shall provide satisfactory proof that the applicant has complied with any applicable
32 community engagement requirements for at least three of the last six months immediately
33 preceding the month of the redetermination."

34 **SECTION 3C.5.(b)** This section is effective January 1, 2027.

35 36 **MONTHLY DATA CHECKS**

37 **SECTION 3C.6.(a)** G.S. 108A-55.5 reads as rewritten:

38 **"§ 108A-55.5. Eligibility monitoring for medical assistance.**

39 (a) On at least a ~~quarterly~~-monthly basis, the Department shall review information
40 concerning changes in circumstances that may affect medical assistance beneficiaries' eligibility
41 to receive medical assistance benefits. The Department shall share the information directly with,
42 or make the information available to, the county department of social services that determined
43 the beneficiary's eligibility.

44 (b) The information reviewed by the Department shall include all of the following:

45 (1) Earned and unearned income.

46 (2) Employment status and changes in employment.

47 (3) Residency status.

48 (4) Enrollment status in other State-administered public assistance programs.

49 (5) Financial resources.

50 (6) Incarceration status.

51 (7) Death records.

- (8) Lottery and gambling winnings.
- (9) Enrollment status in public assistance programs outside of this State.

...."

SECTION 3C.6.(b) This section is effective October 1, 2026.

LIMIT USE OF SELF-ATTESTATION IN VERIFYING MEDICAID ELIGIBILITY

SECTION 3C.7.(a) Part 6 of Article 2 of Chapter 108A of the General Statutes is amended by adding a new section to read:

"§ 108A-55.6. Verification of Medicaid eligibility; limitations.

Except as required by federal law or regulation, or pursuant to a court order, the Department or a county department of social services shall not accept self-attestation as the only evidence in verification of eligibility requirements for the North Carolina Medicaid program."

SECTION 3C.7.(b) This section is effective October 1, 2026.

HOUSEHOLD MEMBER INCOME INFORMATION

SECTION 3C.8.(a) Part 6 of Article 2 of Chapter 108A of the General Statutes is amended by adding a new section to read:

"§ 108A-55.8. Household members.

Except as otherwise provided by federal law or regulation, the income of a household member who is ineligible for medical assistance benefits due to the household member's immigration status shall be counted when calculating and determining an individual's financial eligibility for medical assistance benefits."

SECTION 3C.8.(b) This section is effective October 1, 2026.

CONFIDENTIALITY OF RECORDS EXCEPTION

SECTION 3C.9.(a) G.S. 108A-80 reads as rewritten:

"§ 108A-80. Confidentiality of records.

(a) Except as provided in subsections ~~(b) and (b1)-(b)~~, (b1), and (b2) of this section, it shall be unlawful for any person to obtain, ~~disclose~~ disclose, or use, or to authorize, permit, or acquiesce in the use ~~of~~ of, any list of names or other information concerning persons applying for or receiving public assistance or social services that may be directly or indirectly derived from the records, ~~files~~ files, or communications of the Department or the county boards of social services, or county departments of social services or acquired in the course of performing official duties except for the purposes directly connected with the administration of the programs of public assistance and social services in accordance with federal law, ~~rules~~ rules, and regulations, and the rules of the Social Services Commission or the Department.

...

(b2) The Department shall promptly refer any applicant or recipient for which citizenship or satisfactory immigration status could not be verified to the United States Department of Homeland Security or any other appropriate federal authority for investigation and enforcement. This referral shall be made if either of the following occurs:

- (1) After a reasonable opportunity period to verify citizenship or satisfactory immigration status, the status could not be verified.
- (2) Upon receipt of verification, the verification indicates that the applicant or recipient (i) is not a United States citizen or lacks satisfactory immigration status and (ii) has entered the United States without inspection or admission, or has remained beyond the expiration of an authorized period of stay.

...."

SECTION 3C.9.(b) This section is effective October 1, 2026.

MEDICAID PROGRAM AND NCWORKS CAREER CENTERS AUDIT

1 **SECTION 3C.10.(a)** The Office of the State Auditor shall conduct a performance
2 audit of the administration of the North Carolina Medicaid program and the NCWorks Career
3 Centers. The audit shall consider any information deemed necessary by the State Auditor to
4 evaluate the administration of these programs.

5 **SECTION 3C.10.(b)** Effective July 1, 2026, there is appropriated from the General
6 Fund to the Office of the State Auditor the sum of five hundred thousand dollars (\$500,000) in
7 nonrecurring funds for the 2026-2027 fiscal year to be used to conduct the performance audit
8 required by subsection (a) of this section.

9 10 **ANNUAL FRAUD, WASTE, AND ABUSE REPORTING**

11 **SECTION 3C.11.** Article 2 of Chapter 108A of the General Statutes is amended by
12 adding a new section to read:

13 **"§ 108A-64.2. Annual fraud, waste, and abuse reporting.**

14 No later than October 1 of each year, the Department shall submit a report to the Joint
15 Legislative Oversight Committee on Medicaid and the Fiscal Research Division. The report shall
16 contain all of the following for the most recently concluded State fiscal year:

- 17 (1) An accounting of all improper Medicaid payments and expenditures,
18 including the individual claim dollar amounts and total dollar amounts that
19 were determined to be fraudulent, waste, or abuse.
20 (2) The total amount of federal and State recovered funds, including the dollar
21 amount per claim and the total dollar amount concerning Medicaid fraud,
22 waste, and abuse.
23 (3) Aggregate data concerning improper payments and ineligible Medicaid
24 recipients who received Medicaid services as a percentage of those
25 investigated or reviewed."

26 27 **PREPAID HEALTH PLAN PROVIDER NETWORKS**

28 **SECTION 3C.12.(a)** G.S. 108D-22 reads as rewritten:

29 **"§ 108D-22. PHP provider networks.**

30 (a) Provider Networks. – Except as provided in G.S. 108D-23 and G.S. 108D-24,
31 G.S. 108D-23(c) and G.S. 108D-24(b), each PHP shall develop and maintain a provider an open
32 network of providers that meets access to care requirements for its enrollees. A PHP may not
33 exclude providers from their networks except for failure to meet objective quality standards or
34 refusal to accept network rates. Notwithstanding the previous sentence, a PHP must include all
35 providers in its geographical coverage area that are designated essential providers by the
36 Department in accordance with subdivision (b) of this section, unless the Department approves
37 an alternative arrangement for securing the types of services offered by the essential providers.

38 (b) Essential Providers. – A PHP must include all providers in its geographical coverage
39 area that are designated essential providers by the Department, unless the Department approves
40 an alternative arrangement for securing the types of services offered by the essential providers.
41 The Department shall designate Medicaid providers as essential providers if, within a region
42 defined by a reasonable access standard, the provider either (i) offers services that are not
43 available from any other provider in the region or (ii) provides a substantial share of the total
44 units of a particular service utilized by Medicaid beneficiaries within the region during the last
45 three years and the combined capacity of other service providers in the region is insufficient to
46 meet the total needs of the Medicaid enrollees. The Department shall not classify physicians and
47 other practitioners as essential providers. At a minimum, providers in the following categories
48 shall be designated essential providers:

- 49 (1) Federally qualified health centers.
50 (2) Rural health centers.
51 (3) Free clinics.

1 (4) Local health departments.
 2 (5) State Veterans Homes.
 3 (c) Exceptions for Individual Providers. – Individual providers, except for designated
 4 essential providers, may be excluded from the PHP open network for any of the following
 5 reasons:

- 6 (1) A provider fails to meet objective quality standards.
 7 (2) A provider refuses to accept the network rates.
 8 (3) In accordance with G.S. 108C-7(e3).

9 (d) Closed Networks for Designated Service Categories. – If an open network for a
 10 designated service category would jeopardize quality of care, program integrity, or cost-effective
 11 use of Medicaid funds, then, notwithstanding subsection (a) of this section, a PHP may develop
 12 a closed network for that designated service category and exclude providers that are not
 13 designated essential providers from that closed network. Prior to creating a closed network for a
 14 designated service category, the PHP must receive approval from the Department of the PHP's
 15 written request to close its provider network for that service category. This written request must
 16 include a demonstration of ongoing network adequacy. If the Department does not respond to a
 17 written request from a PHP for approval to close its provider network for a designated service
 18 category within 180 days after the request was submitted, the request is deemed approved."

19 SECTION 3C.12.(b) G.S. 108D-23 reads as rewritten:

20 "**§ 108D-23. BH IDD tailored plan provider networks.**

21 (a) Each LME/MCO shall operate provider networks with respect to its BH IDD tailored
 22 plan contract in accordance with this ~~section~~ section and G.S. 108D-22.

23 (b) ~~With regard to services and supports that are covered benefits under both standard~~
 24 ~~benefit plans and BH IDD tailored plans, each LME/MCO shall be subject to the same provider~~
 25 ~~network requirements applicable to PHPs under G.S. 108D-22.~~

26 (c) With regard to services and supports that are excluded from PHP coverage except
 27 under BH IDD tailored plans, each LME/MCO shall ~~operate~~ develop a closed network, ~~which is~~
 28 ~~the network of providers that have contracted with the LME/MCO to provide those services to~~
 29 ~~enrollees,~~ network and may exclude providers from that closed network in accordance with all
 30 of the following:

- 31 (1) A closed network must include all essential providers designated in
 32 accordance with G.S. 108D-22(b) that (i) are located or provide services
 33 within the region for which the LME/MCO holds a BH IDD tailored plan
 34 contract and (ii) provide any covered behavioral health, intellectual and
 35 developmental disability, or traumatic brain injury service in that region.
 36 (2) With regard to services identified by the Department as necessary to improve
 37 access for behavioral health, intellectual and developmental disability, and
 38 traumatic brain injury services, an LME/MCO shall accept all providers of
 39 those services that (i) meet objective quality standards and (ii) accept network
 40 rates, notwithstanding the requirement to operate a closed ~~network~~ network,
 41 except that a provider may be excluded in accordance with G.S. 108C-7(e3)."

42 SECTION 3C.12.(c) G.S. 108D-24 reads as rewritten:

43 "**§ 108D-24. Children and families specialty plan networks.**

44 (a) The entity operating the children and families specialty plan shall ~~develop and~~
 45 ~~maintain a closed network of providers only as provided in this section.~~ operate provider networks
 46 in accordance with this section and G.S. 108D-22.

47 (b) ~~The requirement to operate a closed network is applicable only to~~ The entity operating
 48 the children and families specialty plan shall develop a closed network, and may exclude
 49 providers from that closed network, for the provision of the following services:

- 50 (1) Intensive in-home services.
 51 (2) Multisystemic therapy.

- 1 (3) Residential treatment services.
- 2 (4) Services provided in psychiatric residential treatment facilities.
- 3 (e) ~~A closed network is the network of providers that have contracted with the entity~~
4 ~~operating the CAF specialty plan to provide to enrollees the services described in subsection (b)~~
5 ~~of this section.~~
- 6 (d) The In addition to the requirement to cover essential providers under G.S. 108D-22,
7 the entity operating the CAF specialty plan shall not exclude federally recognized tribal providers
8 or Indian Health Service providers from its closed any provider network."

10 PREPAYMENT CLAIMS REVIEW

11 SECTION 3C.13.(a) G.S. 108C-2 is amended by adding a new subdivision to read:

12 "(9a) Prepaid health plan or PHP. – As defined in G.S. 108D-1."

13 SECTION 3C.13.(b) G.S. 108C-7 reads as rewritten:

14 "§ 108C-7. Prepayment claims review.

15 (a) In order to ensure that claims presented by a provider for payment by the Department
16 meet the requirements of federal and State laws and regulations and medical necessity criteria, a
17 provider may be required to undergo prepayment claims review by the Department. Grounds for
18 being placed on prepayment claims review shall include, but shall not be limited to, receipt by
19 the Department of credible allegations of fraud, identification of aberrant billing practices as a
20 result of investigations, data analysis performed by the Department, the failure of the provider to
21 timely respond to a request for documentation made by the Department or one of its authorized
22 representatives, or other grounds as defined by the Department in rule.

23 (b) Providers shall not be entitled to payment prior to claims review by the Department.
24 The Department shall notify the provider in writing of the decision and the process for submitting
25 claims for prepayment claims review. The written notice shall be deposited, first-class postage
26 prepaid, in the United States mail and addressed to the most recent address given by the provider
27 to the Department. The prepayment claims review shall not be instituted ~~no less than 20 calendar~~
28 ~~days from prior to~~ the date of the mailing of written notification. The notice shall contain all of
29 the following:

30 ...

31 (e) The provider shall remain subject to the prepayment claims review process until the
32 provider achieves three consecutive months with a minimum ~~seventy-eighty percent (70%)-(80%)~~
33 clean claims rate, provided that the number of claims submitted per month is no less than fifty
34 percent (50%) of the provider's average monthly submission of Medicaid claims for the
35 three-month period prior to the provider's placement on prepayment review. If a provider does
36 not submit any claims following placement on prepayment review in any given month, then the
37 claims accuracy rating shall be zero percent (0%) for each month in which no claims were
38 submitted. If the provider does not meet the ~~seventy-eighty percent (70%)-(80%)~~ clean claims
39 rate minimum requirement for three consecutive months within six months of being placed on
40 prepayment claims review, the Department may implement sanctions, including termination of
41 the applicable Medicaid Administrative Participation Agreement, or continuation of prepayment
42 review. The Department shall give adequate advance notice of any modification, suspension, or
43 termination of the Medicaid Administrative Participation Agreement.

44 ~~Prepayment claims review shall not continue longer than 24 consecutive months unless the~~
45 ~~Department has initiated the termination or other sanction of the provider and the provider has~~
46 ~~appealed that termination or sanction. If the Department has initiated the termination or other~~
47 ~~sanction of the provider and the provider has appealed that termination or sanction, then the~~
48 ~~provider shall remain on prepayment review until the final disposition of the Department's~~
49 ~~termination or other sanction of the provider.~~

50 (e1) Failure of a provider to meet the ~~seventy-eighty percent (70%)-(80%)~~ clean claims
51 rate minimum requirement may result in a termination action. A termination action taken shall

1 reflect the failure of the provider to meet the ~~seventy-eighty percent (70%)-(80%)~~ clean claims
2 rate minimum requirement and shall result in exclusion of the provider from future participation
3 in the Medicaid program. If a provider fails to meet the ~~seventy-eighty percent (70%)-(80%)~~ clean
4 claims rate minimum requirement and subsequently requests a voluntary termination, the
5 termination shall reflect the provider's failure to successfully complete prepayment claims review
6 and shall result in exclusion of the provider from future participation in the Medicaid program.

7 (e2) A provider shall not withhold claims to avoid the claims review process. Any claims
8 for services provided during the period of prepayment review may still be subject to review prior
9 to payment regardless of the date the claims are submitted and regardless of whether the provider
10 has been taken off of prepayment review for any reason, including attaining a minimum of
11 ~~seventy-eighty percent (70%)-(80%)~~ clean claims rate for three consecutive ~~months, the~~
12 ~~expiration of the 24-month time limit, months~~ or the termination of the provider.

13 (e3) In any contract with a PHP in which the Department authorizes a PHP to carry out
14 the Department's authority under this section to require a provider to undergo prepayment claims
15 review, all of the following shall apply:

- 16 (1) The Department shall not require the PHP to obtain approval from the
17 Department before the prepayment claims review is instituted for a particular
18 provider, unless the approval is required by federal law or regulation.
- 19 (2) When providing the notice required under subsection (b) of this section, a PHP
20 shall send a copy of the notice to the Department.
- 21 (3) A PHP may exclude a provider from the PHP's network of providers if (i) the
22 provider does not meet the eighty percent (80%) clean claims rate minimum
23 requirement for three consecutive months within six months of being placed
24 on prepayment claims review described in subsection (e) of this section and
25 (ii) the PHP has received approval from the Department of the PHP's written
26 request to remove that provider from the PHP's network of providers. If the
27 Department does not respond to a written request from a PHP for approval to
28 remove a provider from the PHP's network of providers within 90 days after
29 the request was submitted, the request is deemed approved.

30"

31 **SECTION 3C.13.(c)** This section is effective when this act becomes law. Subsection
32 (b) of this section applies to (i) prepayment claims reviews instituted on or after the effective date
33 of this section and (ii) contracts entered into or amended on or after the effective date of this
34 section.

35 **PLAN FOR PROGRAM INTEGRITY AND EFFICIENCY**

36 **SECTION 3C.14.(a)** The Department of Health and Human Services, Division of
37 Health Benefits (DHB), is directed to develop a plan for improved health outcomes, program
38 integrity, cost-savings, and efficiency measures in the Medicaid program. In developing this plan,
39 DHB shall consult with relevant stakeholders. The plan shall include at least all of the following:

- 40 (1) Reduction of DHB administrative expenses through streamlining or
41 standardization of DHB functions.
- 42 (2) Increased flexibilities for prepaid health plans (PHPs), as defined in
43 G.S. 108D-1, to manage service utilization and costs and align claims
44 operations with national standards and best practices.
- 45 (3) Alignment of rate schedule for inpatient hospital and hospital laboratory
46 services that can be provided in an outpatient setting where appropriate.
47 Where DHB determines the inpatient rate is higher than the outpatient rate,
48 the plan required under this subsection shall include adjustment of DHB's
49 schedule to the lower rate.
50

- (4) Flexibilities for PHPs to manage utilization of glucagon-like peptide-1 (GLP-1) medications for weight loss, including mandatory participation in nutrition, weight loss, and lifestyle management programs. The plan required under this subsection shall not include any changes to the coverage of GLP-1 medications for diabetes, heart disease, or any indications other than weight loss.
- (5) Improved alignment of Advanced Medical Home (AMH) and PHP contract incentives with PHP cost containment efforts through risk-sharing, value-based arrangements, and creation and appropriate oversight of quality standards for delegated care management entities. The plan required under this subsection shall include the removal of any prohibitions on PHPs from entering contracts with AMHs in which AMH and care management fees are at risk in value-based arrangements.
- (6) Improved reporting on AMH care management activities including staffing, populations receiving different levels of care management, any measurable outcomes at each level of care management, and recommended legislative changes.
- (7) Improved network management provider credentialing and certification tools for nonclinical providers to ensure qualified providers are delivering services and to expedite removal of non-qualified providers.
- (8) Implementation of the plan required under this subsection no earlier than July 1, 2027.

SECTION 3C.14.(b) No later than October 1, 2026, DHB shall submit a report on the plan as required in subsection (a) of this section to the Joint Legislative Oversight Committee on Medicaid and the Fiscal Research Division.

ALLOW CERTAIN PREPAID HEALTH PLAN PRACTICES

SECTION 3C.15.(a) G.S. 108D-65 reads as rewritten:

"§ 108D-65. Role of the Department.

(a) The role and responsibility of the Department during Medicaid transformation shall include the following activities and functions:

...

(b) Except as required by federal law or regulation, the Department shall not prohibit PHPs from requiring itemized bills for inpatient hospital outlier claims that are greater than two hundred fifty thousand dollars (\$250,000) or more than two standard deviations from the median claim amount of the applicable billing code.

SECTION 3C.15.(b) This section is effective when it becomes law and applies to contracts entered into or amended on or after that date.

COST-SHARING

SECTION 3C.16.(a) Part 6 of Article 2 of Chapter 108A of the General Statutes is amended by adding a new section to read:

"§ 108A-58.3. Cost-sharing.

The Department shall annually establish all Medicaid copayments at the maximum allowable under federal law."

SECTION 3C.16.(b) This section is effective July 1, 2027.

EXTEND DURABLE MEDICAL EQUIPMENT RATES IN MEDICAID MANAGED CARE

SECTION 3C.17.(a) Section 11 of S.L. 2020-88, as amended by Section 3.6 of S.L. 2021-62, reads as rewritten:

1 "SECTION 11. For the first ~~five years~~ seven years, ending June 30, 2027, of the ~~initial~~
2 standard benefit plan prepaid health plan capitated contracts required under Article 4 of Chapter
3 108D of the General Statutes, the reimbursement for durable medical equipment and supplies,
4 orthotics, and prosthetics under managed care shall be set at one hundred percent (100%) of the
5 lesser of the supplier's usual and customary rate or the maximum allowable Medicaid
6 fee-for-service rates for durable medical equipment and supplies, orthotics, and prosthetics."

7 **SECTION 3C.17.(b)** This section is retroactively effective July 1, 2025.
8

9 **MEDICAID COVERAGE FOR ABA THERAPY**

10 **SECTION 3C.18.(a)** The Department of Health and Human Services, Division of
11 Health Benefits (DHB), is directed to (i) amend and, if necessary, seek approval from the Centers
12 for Medicare and Medicaid Services (CMS) for the changes to the NC Medicaid Clinical
13 Coverage Policy 8F, Research-Based Behavioral Health Treatment (RB-BHT) For Autism
14 Spectrum Disorder (CCP-8F), and (ii) adopt or amend any relevant rules to incorporate all of the
15 following:

- 16 (1) Services under CCP-8F that are provided by a paraprofessional may not be
17 conducted via telehealth unless exceptions are developed in accordance with
18 subsection (b) of this section.
- 19 (2) Patient assessments by Licensed Qualified Autism Service Providers
20 (LQASPs) are required to be conducted in person. Patient assessments
21 conducted via telehealth shall not be reimbursed, unless exceptions are
22 developed in accordance with subsection (b) of this section.
- 23 (3) Services under CCP-8F that are provided by a LQASP and that involve that
24 LQASP's observation and direction of a paraprofessional may be conducted
25 via telehealth. These telehealth services may not comprise more than fifty
26 percent (50%) of the services provided by the LQASP under CCP-8F for any
27 individual Medicaid recipient, unless exceptions are developed in accordance
28 with subsection (b) of this section.
- 29 (4) At least ten percent (10%) of all services under CCP-8F that are provided by
30 a paraprofessional must involve the observation and direction of the
31 paraprofessional by a LQASP.
- 32 (5) LQASPs are required to develop, and ensure beneficiary compliance with, an
33 individualized service plan for each Medicaid beneficiary. All of the following
34 apply to the individualized service plan:
 - 35 a. The plan is required to include minimum requirements of parent,
36 guardian, or caretaker involvement and training services provided by
37 the LQASP, unless exceptions are developed in accordance with
38 subsection (b) of this section.
 - 39 b. For any plan involving more than 16 hours of services per week, the
40 plan must be approved by a PHP or the Department. These plans shall
41 be updated and reapproved monthly.
- 42 (6) Parent, guardian, and caregiver training services provided by LQASPs under
43 CCP-8F may be provided via telehealth with no in-person requirement.
- 44 (7) Paraprofessionals, including Registered Behavior Technicians and
45 non-registered Technicians, providing services under CCP-8F shall be exempt
46 from Medicaid credentialing requirements.
- 47 (8) Paraprofessionals who provide services under CCP-8F and are outside the
48 120-day grace period must have obtained a Registered Behavior Technician
49 certification from the Behavior Analyst Certification Board (BACB) or an
50 Applied Behavior Analysis Technician (ABAT) certification from the
51 Qualified Applied Behavior Analysis Credentialing Board (QABA) in order

1 for services provided to Medicaid recipients to be reimbursed. The 120-day
2 grace period applies to newly hired paraprofessionals who have not yet
3 obtained the necessary certification and is subject to all of the following:

4 a. The employee's 120-day grace period begins on the date of hire as a
5 paraprofessional with a provider of Medicaid RB-BHT services or the
6 date on which the employing provider of RB-BHT services first
7 enrolls as a Medicaid provider, whichever is later.

8 b. The paraprofessional may provide, and the employing provider may
9 bill, and be reimbursed for services provided by the paraprofessional
10 during the grace period so long as each service provided is supervised
11 by a LQASP.

12 (9) A provider providing services under CCP-8F shall ensure the percentage of
13 services provided by LQASPs to each individual Medicaid beneficiary
14 compared to services provided by paraprofessionals to that same beneficiary
15 is in compliance with the requirements of this subdivision. The requirements
16 only apply with respect to beneficiaries who received more than 200 hours of
17 RB-BHT services from paraprofessionals employed by the provider in a
18 six-month period. The provider shall provide DHB with documentation of
19 compliance with these requirements every six months, in a manner and format
20 to be determined by DHB. Services provided by LQASPs to each individual
21 beneficiary shall be at least ten percent (10%), but no more than twenty
22 percent (20%), of all services provided by paraprofessionals to that
23 beneficiary, except that services that exceed twenty percent (20%) may be
24 reimbursed with documented medical necessity. In order to calculate the
25 percentage of services provided by LQASPs to each Medicaid beneficiary
26 under this subdivision, the following numbers shall be used:

27 a. The numerator is the number of hours billed by the provider for
28 services provided by LQASPs for all service dates occurring in the
29 applicable six-month period for the Medicaid beneficiary.

30 b. The denominator is the number of hours billed by the provider for
31 services provided by paraprofessionals for all service dates occurring
32 in the applicable six-month period for that same Medicaid beneficiary.

33 **SECTION 3C.18.(b)** DHB may develop exceptions to the limitations in subdivisions
34 (1) through (3) of subsection (a) of this section based upon documented medical necessity or
35 access to care requirements, including poor provider availability in rural and underserved areas.
36 Any exception developed in accordance with this subdivision shall be adopted in CCP-8F or
37 other medical coverage policy in compliance with the requirements of G.S. 108A-54.2. When
38 the notice required under G.S. 108A-54.2(b)(2) is given, DHB shall also submit a report to the
39 chairs of the House Committee on Health, the Senate Committee on Health, the chairs of the
40 Joint Legislative Oversight Committee on Medicaid, and the Joint Legislative Commission on
41 Governmental Operations identifying the proposed exception and providing details supporting
42 the need for the exception.

43 **SECTION 3C.18.(c)** G.S. 108C-9 is amended by adding a new subsection to read:

44 "(e) Board Certified Behavior Analysts and Qualified Autism Services Practitioner
45 Supervisors shall not be permitted to enroll in the North Carolina Medicaid program as
46 out-of-state providers."

47 **SECTION 3C.18.(d)** For noncompliance with any of the requirements set forth in
48 this section, or rule adopted by DHB under this section, DHB may adopt rules to take any of the
49 following actions against a provider:

50 (1) For a first or second occurrence of noncompliance, recoup payments for all
51 relevant noncompliant services.

- (2) For a third occurrence of material and systematic noncompliance, suspend the provider's eligibility to bill for Medicaid services for a minimum of one year to a maximum of two years.

SECTION 3C.18.(e) Subsection (c) of this section is effective when it becomes law and applies to all applications for enrollment submitted on or after that date. The remainder of this section is effective when it becomes law.

PART III-D. HOSPITAL ASSESSMENT ADJUSTMENTS

LEGISLATIVE INTENT

SECTION 3D.1. It is the intent of the General Assembly to provide funding for the increased administrative costs of compliance with frequency of eligibility redeterminations requirements and community engagement requirements in the Medicaid program under sections 71107 and 71119 of Public Law 119-21 from a source that meets the limitations on funding sources in G.S. 108A-54.3B for NC Health Works.

SHIFT EXISTING PUBLIC HOSPITAL ASSESSMENTS TO INTERGOVERNMENTAL TRANSFERS

SECTION 3D.2.(a) G.S. 108A-146.1 reads as rewritten:

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

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

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

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

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

SECTION 3D.2.(b) Part 2 of Article 7B of Chapter 108A of the General Statutes is amended by adding a new section to read:

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

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

SECTION 3D.2.(c) G.S. 108A-146.5 reads as rewritten:

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

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

...."

SECTION 3D.2.(d) G.S. 108A-146.14 reads as rewritten:

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

The modernized IGT actual receipts adjustment component is a ~~positive or negative~~ dollar amount equal to the amount of the modernized presumptive IGT adjustment component under

1 ~~G.S. 108A-146.13~~ G.S. 108A-146.13(c) for the previous quarter minus the amount of money
2 received during the previous quarter by the Department through intergovernmental transfer and
3 designated in the Department's accounting system as a receipt related to the modernized
4 assessments. If this calculation results in a negative number, the modernized IGT actual receipts
5 adjustment component is zero."

6 **SECTION 3D.2.(e)** G.S. 108A-146.14, as amended by subsection (d) of this section,
7 reads as rewritten:

8 **"§ 108A-146.14. Modernized IGT actual receipts adjustment component.**

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

17 **SECTION 3D.2.(f)** Subsection (e) of this section is effective October 1, 2026, and
18 applies to assessments imposed on or after that date.

19 **SECTION 3D.2.(g)** G.S. 108A-147.1 reads as rewritten:

20 **"§ 108A-147.1. Public hospital health advancement assessment.**

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

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

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

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

35 **SECTION 3D.2.(h)** Part 3 of Article 7B of Chapter 108A of the General Statutes is
36 amended by adding a new section to read:

37 **"§ 108A-147.1A. Public hospital health advancement presumptive IGT offset amount.**

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

41 **SECTION 3D.2.(i)** G.S. 108A-147.3(a) reads as rewritten:

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

50 **SECTION 3D.2.(j)** G.S. 108A-147.10 reads as rewritten:

51 **"§ 108A-147.10. Health advancement IGT actual receipts adjustment component.**

1 The health advancement IGT actual receipts adjustment component is a ~~positive or negative~~
2 dollar amount equal to the health advancement presumptive IGT adjustment component
3 calculated under G.S. 108A-147.9 for the previous quarter, plus the positive or negative total IGT
4 share of the reconciliation adjustment component calculated under ~~G.S. 108A-147.11(b)~~
5 G.S. 108A-147.11(e) for the previous quarter, and minus the amount of money received during
6 the previous quarter by the Department through intergovernmental transfer and designated in the
7 Department's accounting system as a receipt for health advancement. If this calculation results in
8 a negative number, the health advancement IGT actual receipts adjustment component is zero."

9 **SECTION 3D.2.(k)** G.S. 108A-147.10, as amended by subsection (j) of this section,
10 reads as rewritten:

11 **"§ 108A-147.10. Health advancement IGT actual receipts adjustment component.**

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

21 **SECTION 3D.2.(l)** G.S. 108A-147.11 reads as rewritten:

22 **"§ 108A-147.11. Health advancement reconciliation adjustment component.**

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

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

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

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

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

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

5 **SECTION 3D.2.(m)** Subsection (k) of this section is effective October 1, 2026, and
6 applies to assessments imposed on or after that date.

7 **SECTION 3D.2.(n)** Except as otherwise provided, this section is effective July 1,
8 2026, and applies to assessments imposed on or after that date.

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

12 **SECTION 3D.3.(a)** For purposes of this section, the following definitions apply:

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

26 **SECTION 3D.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 3D.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 3D.3.(d)** The proceeds of the assessments under this section and
37 intergovernmental transfer receipts shall be deposited in the Health Advancement Receipts
38 Special Fund under G.S. 143C-9-10 and shall be used for the increased administrative costs
39 described in Section 3D.1 of this act as allowed under G.S. 108A-147.13(a)(2). From the
40 proceeds of this assessment and intergovernmental transfer receipts, DHHS shall use the sum of
41 seven million eight hundred thousand dollars (\$7,800,000) to provide funding to county
42 departments of social services to support the counties with the increased administrative costs
43 described in Section 3D.1 of this act.

44 **SECTION 3D.3.(e)** The hospital assessments under this section shall be imposed by
45 DHHS in accordance with the following procedures:

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

1 impose a late payment penalty. DHHS may waive a penalty for good cause
2 shown.

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

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

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

10 **SECTION 3D.3.(f)** For purposes of determining the aggregate amount of all
11 assessments due from hospitals under Article 7B of Chapter 108A of the General Statutes
12 pursuant to G.S. 108A-148.1(c)(2), the assessments under this section shall be considered an
13 assessment due from hospitals under that Article.

14 **SECTION 3D.3.(g)** No later than February 1, 2027, DHHS shall submit to the Joint
15 Legislative Oversight Committee on Medicaid and the Fiscal Research Division a report that
16 details the amount of the proceeds from the assessments imposed under this section that DHHS
17 provided to each county department of social services and the date that those proceeds were
18 provided to each county department of social services.

20 HOSPITAL HEALTH ADVANCEMENT ASSESSMENT FUNDING FOR NEW 21 ADMINISTRATIVE COSTS

22 **SECTION 3D.4.(a)** G.S. 108A-147.7 reads as rewritten:

23 "**§ 108A-147.7. Administration-Base administration component.**

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

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

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

48 **SECTION 3D.4.(b)** Part 3 of Article 7B of Chapter 108A of the General Statutes is
49 amended by adding a new section to read:

50 "**§ 108A-147.7A. Supplemental administration component.**

1 (a) The supplemental administration component is an amount of money that is calculated
 2 by adding the supplemental State administration subcomponent calculated under subsection (b)
 3 of this section and the supplemental county administration subcomponent calculated under
 4 subsection (c) of this section.

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

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

31 **SECTION 3D.4.(c)** G.S. 108A-147.3, as amended by Section 6.1(n) of S.L.
 32 2025-64, reads as rewritten:

33 **"§ 108A-147.3. Aggregate acute care hospital health advancement assessment collection**
 34 **amount.**

35 ...

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

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

49 "

50 **SECTION 3D.4.(d)** G.S. 108A-147.9 reads as rewritten:

51 **"§ 108A-147.9. Health advancement presumptive IGT adjustment component.**

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

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

13 ...
 14 (c) The UNC Health Care System health advancement IGT adjustment subcomponent is
 15 the 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 and~~
 18 quarter, the base administration component calculated under G.S. 108A-147.7
 19 for the current ~~quarter.~~ quarter, and the supplemental administration
 20 component calculated under G.S. 108A-147.7A for the current quarter. The
 21 UNC Health Care System share is the total hospital costs for the UNC Health
 22 Care System hospitals divided by the total hospital costs for all acute care
 23 hospitals except for critical access hospitals and rural emergency hospitals for
 24 the current quarter.

25 ...
 26 (d) The East Carolina University health advancement IGT adjustment subcomponent is
 27 the total of the following amounts:

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

38"

39 **SECTION 3D.4.(e)** G.S. 108A-147.13 reads as rewritten:
 40 **"§ 108A-147.13. Use of funds.**

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

48 (c) The amount of the proceeds of the health advancement assessments that may be used
 49 for administrative expenses attributable to providing Medicaid coverage to newly eligible
 50 individuals and administrative expenditures associated with the HASP program shall not exceed,
 51 for any State fiscal year, an amount equal to the sum of the base State administration

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

5"

6 **SECTION 3D.4.(f)** This section is effective July 1, 2026, and applies to assessments
7 imposed on or after that date.

8 9 **ADMINISTRATIVE COST REPORTING AND RECONCILIATION**

10 **SECTION 3D.5.** No later than October 1, 2029, the Department of Health and
11 Human Services, Division of Health Benefits (DHB), shall submit a report to the House of
12 Representatives Appropriations Committee on Health and Human Services, the Senate
13 Appropriations Committee on Health and Human Services, the Joint Legislative Oversight
14 Committee on Medicaid, and the Fiscal Research Division that includes all of the 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 3D.1 of this act.
- 18 (2) A description of any reduction to the administrative costs described in Section
19 3D.1 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 Section 3D.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 3D.1 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 3D.1 of this act.

37 38 **REPORTING ON CERTAIN CHANGES RESULTING IN REDUCTION IN** 39 **ADMINISTRATIVE COSTS**

40 **SECTION 3D.6.(a)** If the Department of Health and Human Services, Division of
41 Health Benefits (DHB), determines that the requirements described in Section 3D.1 of this act as
42 applied to NC Health Works will be modified or eliminated due to a change in federal or State
43 law, rule, or regulation and the modification or elimination will reduce the administrative costs
44 described in Section 3D.1 of this act, then DHB shall submit a report on its determination to the
45 House of Representatives Appropriations Committee on Health and Human Services, the Senate
46 Appropriations Committee on Health and Human Services, the Joint Legislative Oversight
47 Committee on Medicaid, and the Fiscal Research Division. This report shall be due 60 days after
48 DHB identifies the anticipated modification or elimination and shall include all of the following:

- 49 (1) An explanation of the anticipated modification or elimination.
- 50 (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 3D.6.(b)** This section expires June 30, 2036.

7

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

9 **SECTION 3D.7.(a)** In developing the average commercial rate demonstration for
10 the Healthcare Access and Stabilization Program (HASP), the Department of Health and Human
11 Services, Division of Health Benefits (DHB), shall use the payment methodology or approach
12 that produces the maximum allowable level of HASP reimbursements to hospitals and receives
13 federal approval.

14 **SECTION 3D.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 Public Law 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 3D.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 review
6 the determination and to provide written confirmation or disagreement with the determination.
7 Once a report required under subsection (b) of this section has been submitted, DHB shall not be
8 required to submit any further reports under subsection (b) of this section.

9 **SECTION 3D.7.(d)** On the date DHB submits the report required by subsection (b)
10 of this section, DHB shall notify, in writing, the Revisor of Statutes that the report has been
11 submitted.

12 **SECTION 3D.7.(e)** G.S. 108A-147.7A, as enacted by Section 3D.4(b) of this act,
13 reads as 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~~
20 ~~supplemental State administration subcomponent is zero. For the quarter of the 2026-2027 fiscal~~
21 ~~year beginning on October 1, 2026, the supplemental State administration subcomponent is three~~
22 ~~million three hundred thousand dollars (\$3,300,000). For the quarter of the 2026-2027 fiscal year~~
23 ~~beginning on January 1, 2027, the supplemental State administration subcomponent is two~~
24 ~~million three hundred fifty thousand dollars (\$2,350,000). For the quarter of the 2026-2027 fiscal~~
25 ~~year beginning on April 1, 2027, the supplemental State administration subcomponent is three~~
26 ~~million three hundred thousand dollars (\$3,300,000). For quarter of the 2027-2028 fiscal year,~~
27 ~~the supplemental State administration subcomponent shall be three million three hundred~~
28 ~~thousand dollars (\$3,300,000) increased by a percentage that is the sum of each monthly~~
29 ~~percentage change in the Consumer Price Index: All Urban Consumers for the most recent 12~~
30 ~~months available on March 1 of the previous State fiscal year. For each subsequent State fiscal~~
31 ~~year through the 2035-2036 State fiscal year, the supplemental 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. For each~~
35 ~~State fiscal year beginning on or after July 1, 2036, the The supplemental State administration~~
36 ~~subcomponent 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 3D.7.(f)** Section 3D.6 of this act is repealed.

46 **SECTION 3D.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 subsection
48 (b) of this section is submitted. Subsection (e) of this section applies to assessments imposed on
49 or after the date subsection (e) of this section becomes effective.

50 **SECTION 3D.7.(h)** This section expires on July 1, 2034, if no report required by
51 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 3D.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 Joint
7 Legislative Oversight Committee on Medicaid, and the Fiscal Research Division outlining
8 options for the continued funding of the increased administrative costs described in Section 3D.1
9 of this act after June 30, 2036.

10
11 **PART III-E. DIVISION OF HEALTH SERVICE REGULATION**

12
13 **INCREASED BED CAPACITY FOR FACILITIES LICENSED TO PROVIDE A**
14 **PROGRAM OF OVERNIGHT RESPITE SERVICES**

15 **SECTION 3E.1.(a)** G.S. 131D-6.1(c) reads as rewritten:

16 "(c) The Medical Care Commission shall adopt rules governing the licensure of adult day
17 care and adult day health facilities providing a program of overnight respite services in
18 accordance with this section. The Medical Care Commission shall seek input from stakeholders
19 before proposing rules for adoption as required by this subsection. The rules shall limit the
20 provision of overnight respite services for each adult to (i) not more than 14 consecutive calendar
21 days, and not more than 60 total calendar days, during a 365-day period or (ii) the amount of
22 respite allowed under the North Carolina Innovations waiver or Community Alternatives
23 Program for Disabled Adults (CAP/DA) waiver, as applicable. The rules shall include minimum
24 requirements to ensure the health and safety of overnight respite participants. These requirements
25 shall address all of the following:

26 ...

27 (2) ~~Staffing.~~ Minimum staffing requirements, which shall include at least all of the
28 following:

29 a. Each facility shall have staff on duty to meet the needs of each
30 participant.

31 b. In addition to the requirement established by sub-subdivision a. of this
32 subdivision, each facility with a census of one to six participants shall
33 have a minimum of one staff present and awake at the facility at all
34 times who is qualified to administer medications and is trained to
35 provide personal care and supervision to current participants.

36 c. In addition to the requirement established by sub-subdivision a. of this
37 subdivision, each facility with a census of seven to 12 participants
38 shall have a minimum of two staff present and awake at the facility at
39 all times, at least one of whom is qualified to administer medications,
40 and both of whom are trained to provide personal care and supervision
41 to current participants.

42 d. Staff required by sub-subdivisions a. to c. of this subdivision shall not
43 perform housekeeping or food service duties during any shift in which
44 the staff has been assigned the responsibility of providing personal
45 care and supervision to participants. The facility is required to have
46 additional staff available at the facility to provide daily housekeeping
47 and food service duties.

48 ...

49 (8) ~~Bed capacity limitations, which shall not exceed six-12 beds in each adult day~~
50 ~~care program.~~ facility licensed to provide a program of overnight respite
51 services.

...."

SECTION 3E.1.(b) The Medical Care Commission may adopt emergency and temporary rules as necessary to implement the requirements and limitations of G.S. 131D-6.1(c), as amended by subsection (a) of this section.

SECTION 3E.1.(c) Subsection (b) of this section is effective when this section becomes law. The remainder of this section becomes effective July 1, 2026.

PART III-F. DIVISION OF SOCIAL SERVICES

LIMITATIONS ON SELF-ATTESTATION/COUNTING INCOME OF CERTAIN INELIGIBLE INDIVIDUALS

SECTION 3F.1. Part 5 of Article 2 of Chapter 108A of the General Statutes is amended by adding the following new section to read:

"§ 108A-52.1. Limitations on self-attestation; counting income of certain ineligible individuals.

(a) In no case shall self-attestation be used as the sole evidence that an applicant meets eligibility requirements for the food and nutrition services program unless otherwise required by federal law.

(b) The Department shall count all income and financial resources of an individual determined to be ineligible to participate in the food and nutrition services program under 7 U.S.C. § 2015(f) when determining eligibility and benefit allotment of the household of which the individual is a member. The Department shall not prorate or exclude the income or financial resources of the ineligible individual."

STUDY TO CENTRALIZE ALL SERVICES ADMINISTERED BY THE DIVISION OF SOCIAL SERVICES

SECTION 3F.2.(a) The Office of State Budget and Management (OSBM), in consultation with the Department of Health and Human Services (DHHS), shall develop and issue a request for proposal (RFP) by October 31, 2026, to contract with a third-party organization to examine the short- and long-term opportunities to improve the efficiency, accuracy, and cost-effectiveness of having the State DHHS administer all federally and State mandated social services. The contractor selected to conduct the study shall work with DHHS and stakeholders, including county departments of social services and other partners. The study, at a minimum, shall do each of the following:

- (1) Examine the advantages and disadvantages regarding centralization of all federally and State mandated social services.
- (2) Analyze workforce capacity and performance for those services.
- (3) Examine the logistics of transitioning to a centralized model, including estimates of implementation and ongoing costs and financing mechanisms.
- (4) Provide a recommendation for a phased implementation timeline.
- (5) Identify best practices, including research on how other states have centralized or otherwise improved the delivery of social services.
- (6) Outline any known risks associated with centralizing these services.
- (7) Examine opportunities to improve data-sharing and coordination among systems and programs.

SECTION 3F.2.(b) By June 30, 2027, OSBM and DHHS shall submit a report to the Joint Legislative Oversight Committee on Health and Human Services, the Joint Legislative Oversight Committee on Medicaid, Joint Legislative Commission on Governmental Operations, and the Fiscal Research Division containing findings and recommendations regarding centralizing the administration of all federally and State mandated social services within the State DHHS based on (i) the information compiled from the study required by subsection (a) of this

1 section and (ii) any other information available to those agencies. The report shall also include
2 all of the following specific information:

- 3 (1) An overview of the State's current Medicaid and Food and Nutrition Services
4 (FNS) programs' eligibility determination and enrollment structures,
5 including a review of DHHS's current administrative and operational
6 practices, compliance reports submitted to federal agency partners, relevant
7 audit findings, and other oversight materials.
- 8 (2) An assessment of how Medicaid and FNS applications and renewals are
9 processed.
- 10 (3) Identification of best practices, including research on how other states have
11 improved their Medicaid and FNS eligibility determination systems.

12 **SECTION 3F.2.(c)** There is appropriated from the General Fund to the Office of
13 State Budget and Management the sum of one million dollars (\$1,000,000) in nonrecurring funds
14 for the 2026-2027 fiscal year to contract with a third-party to conduct the study required by
15 subsection (a) of this section.

16 **SECTION 3F.2.(d)** Subsection (c) of this section is effective July 1, 2026. The
17 remainder of this section is effective when it becomes law.

18 **PART IV. AGRICULTURE AND NATURAL AND ECONOMIC RESOURCES**

19 **MODIFY CERTAIN ECONOMIC DEVELOPMENT PROJECT FUNDS**

20 **SECTION 4.1.** Section 2C.2 of S.L. 2025-89 reads as rewritten:

21 **"SECTION 2C.2.(a)** Provided the Economic Investment Committee (EIC) awards a Job
22 Development Investment Grant for a qualifying transformative project for an airplane
23 manufacturer in Guilford County, there is appropriated from the Stabilization and Inflation
24 Reserve established in Section 2.2(q) of S.L. 2022-74 to the Department of Commerce
25 (Department) the sum of one hundred eighteen million one hundred thousand dollars
26 (\$118,100,000) in nonrecurring funds for the 2025-2026 fiscal year to be allocated for
27 acquisitions and improvements at the project site as provided in this section. For a term of years
28 the Department, in its discretion, deems appropriate, a recipient to whom funds are allocated
29 under this section that uses the funds, in whole or in part, to acquire or improve land (other than
30 water and sewer improvements) may not (i) sell or otherwise encumber the land or improvement
31 (other than utility and access easements and road rights-of-way) or (ii), absent the consent of the
32 EIC, lease the land or improvement; any such lease must require the land or improvement to be
33 used by the business for the purposes set out in the ~~agreement~~ agreement; provided, however,
34 that, with the approval of the EIC, the business benefitted by the funds allocated under this section
35 may encumber its interest, or grant security interests in its interest, in the land or improvements
36 acquired or improved with such funds as collateral for financing obtained by the business to
37 finance the project so long as such collateral does not include any interest of the business in the
38 land or improvements for which funds are allocated under subdivision (5) or subdivision (6) of
39 this subsection.

40 For purposes of this section, the definitions of G.S. 143B-437.51 apply and a "qualifying
41 transformative project" is a transformative project for which the Department enters into a binding
42 contract with the business that requires, over a period of time not to exceed the base period, that
43 the business invests at least four billion five hundred million dollars (\$4,500,000,000) in private
44 funds or funds provided by federal or foreign governments or their respective departments,
45 agencies, divisions, or units or both and creates at least 14,000 eligible positions with an average
46 annual wage of at least eighty-nine thousand three hundred forty dollars (\$89,340). The contract
47 constitutes a continuing obligation of the State and the business benefitted by the funds allocated
48 for improving the project site. The contract must (i) include all of the performance criteria,
49 remedies, and other safeguards required by the Department to secure the State's benefit derived
50
51

1 from improvements to the airport funded by this section and (ii) require the business to repay an
2 appropriate, proportionate amount of costs incurred by the State, or reimbursement paid to the
3 business, for improvement of the airport for any failure by the business to meet and maintain the
4 applicable performance criteria on which the cost incurred or reimbursement paid was based.
5 Provided the requirements of the contract continue to be met, it is the intent of the General
6 Assembly to appropriate the sum of one hundred thirty-three million nine hundred thousand
7 dollars (\$133,900,000) in nonrecurring funds for the 2026-2027 fiscal year and additional funds
8 in future acts in the aggregate amount of one hundred ninety-eight million dollars (\$198,000,000)
9 over the following four succeeding fiscal years to support the qualifying transformative project.
10 With respect to funds allocated to the Piedmont Triad Airport Authority (Authority), the
11 Authority may contract for the design and construction using any delivery method it deems
12 appropriate, and the Department shall pay the costs of the design and construction to the
13 Authority or shall reimburse the Authority for the costs of the design and construction from the
14 funds allocated under this subsection. If it deems it appropriate, the Authority may authorize, in
15 writing, the business who operates the improvements to contract for the design and construction
16 of the improvements, and the Department or the Authority, if delegated by the Department, shall
17 pay the costs of the design and construction to the business or shall reimburse the business for
18 the costs of the design and construction from the funds allocated under this subsection. For
19 purposes of this subsection, neither the Authority nor the business shall be subject to the
20 provisions of Article 3D of Chapter 143 of the General Statutes or Article 8 of Chapter 143 of
21 the General Statutes.

22 The funds appropriated for the 2025-2026 fiscal year in this section shall be allocated to, and
23 used, as follows:

- 24 (1) Fifteen million dollars (\$15,000,000) to the Piedmont Triad Airport Authority
25 (Authority) for the acquisition of up to 150 acres of land (i) needed at
26 Piedmont Triad International Airport (Airport) (ii) to be owned by the
27 Authority for the project. If funds allocated pursuant to this subdivision
28 exceed the anticipated amount necessary for the purpose of this subdivision,
29 the Department may reallocate the surplus for purposes authorized in
30 subdivision (2) of this subsection.
- 31 (2) Forty-five million dollars (\$45,000,000) to the Authority for site analysis,
32 engineering, grading, site preparation, site work, and access road and taxiway
33 construction not otherwise provided for in this section that is needed at the
34 Airport for the project. If funds allocated pursuant to this subdivision exceed
35 the anticipated amount necessary for the purposes of this subdivision, the
36 Department may reallocate the surplus for the purpose authorized in
37 subdivision (1) of this subsection.
- 38 (3) Seven million nine hundred thousand dollars (\$7,900,000) to the Department
39 of Transportation for roadwork needed at the airport for the project.
40 Notwithstanding any other provision of law, the Department of Transportation
41 is authorized to utilize Progressive Design Build, Construction Management
42 General Contractor, or any other procurement methodology to contract for the
43 delivery of improvements for which funds are provided in this subdivision.
- 44 (4) Five million dollars (\$5,000,000) to the City of Greensboro for water and
45 sewer infrastructure improvements needed to support the project.
- 46 (5) Ten million two hundred thousand dollars (\$10,200,000) to the ~~Authority~~
47 Department, to be allocated to and administered by the Authority on behalf of
48 the Department, for the following:
 - 49 a. Renovation costs of, and capital improvements to, an existing airport
50 hub to (i) render it suitable for the project and (ii) be owned by the
51 Authority. If funds allocated pursuant to this sub-subdivision exceed

1 the amount necessary for the purpose of this subdivision, the
2 Department may reallocate the surplus for purposes authorized in
3 subdivision (6) of this subsection.

- 4 b. Offsets for costs required by the Federal Aviation Administration.
5 (6) Thirty-five million dollars (\$35,000,000) to the ~~Authority-Department~~, to be
6 allocated to and administered by the Authority on behalf of the Department,
7 for the following costs related to construction of a facility for manufacturing,
8 research, and development to be owned by the Authority for the project: (i)
9 costs for general conditions, construction administration, demolition,
10 construction of the substructure and shell of the facility, infrastructure
11 enhancements and upgrades, building services, and mechanical systems, (ii)
12 contractor fees, ~~and~~-(iii) fees for permitting, inspections, insurance, and
13 related administrative ~~costs~~-costs, and (iv) sidewalks and a pedestrian bridge
14 connecting the facility to the airport hub. If funds allocated pursuant to this
15 subdivision exceed the anticipated amount necessary for the purpose of this
16 subdivision, the Department may reallocate the surplus for purposes
17 authorized in sub-subdivision (5)a. of this subsection.

18 "SECTION 2C.2.(b) On September 1 of each year funds appropriated for the airport remain
19 unexpended until all funds have been expended, the Department shall report on the use of such
20 funds to the House of Representatives and the Senate committee or subcommittee responsible
21 for base budget and appropriations, to the Joint Legislative Economic Development and Global
22 Engagement Oversight Committee, to the Joint Legislative Commission on Governmental
23 Operations, and to the Fiscal Research Division. The report shall include, at a minimum, an
24 executive summary of the performance of the business; the performance criteria, remedies, and
25 safeguards required by the Department for the funds; a description of the current status of the
26 project; the amount that was paid in the prior fiscal year; the purpose for which the amount was
27 paid; the total amount that has been paid; and any encumbrance allowed on the land or an
28 improvement on the land, including any lease."
29

30 CLARIFY HERTFORD WATER INFRASTRUCTURE FUNDING

31 SECTION 4.2. Funds allocated to the Town of Hertford by Section 12.2(e)(82) of
32 S.L. 2023-134 for water capacity increase may, notwithstanding that section, be used by the
33 Town for any water or wastewater infrastructure project.
34

35 PART V. JUSTICE AND PUBLIC SAFETY

36 DEPARTMENT OF ADULT CORRECTION CRITICAL OPERATING NEEDS

37 SECTION 5.1. There is appropriated from the General Fund to the Department of
38 Adult Correction the sum of eighty million dollars (\$80,000,000) in nonrecurring funds for the
39 2025-2026 fiscal year to be used to address a shortfall in operating funds for the Department.
40
41

42 STATE BUREAU OF INVESTIGATION OPERATING NEEDS

43 SECTION 5.2. There is appropriated from the General Fund to the State Bureau of
44 Investigation the sum of (i) two million five hundred thousand dollars (\$2,500,000) in recurring
45 funds beginning in the 2025-2026 fiscal year and (ii) one million two hundred thousand dollars
46 (\$1,200,000) in nonrecurring funds for the 2025-2026 fiscal year, to be used to address a shortfall
47 in operating funds for the Bureau.
48

49 FUNDS TO CONTINUE CASE MANAGEMENT SYSTEM USED BY THE BUSINESS 50 COURT

1 **SECTION 5.3.** There is appropriated from the General Fund to the Administrative
2 Office of the Courts, Budget Fund 100064, the sum of one hundred sixty-five thousand dollars
3 (\$165,000) in nonrecurring funds for the 2025-2026 fiscal year to be used to extend the case
4 management software used by the North Carolina Business Court that is in addition to the eCourts
5 system.

6 7 **PART VI. GENERAL GOVERNMENT**

8 9 **GENERAL ASSEMBLY OPERATING EXPENSES**

10 **SECTION 6.1.** There is appropriated from the General Fund to the General
11 Assembly the sum of one million five hundred thousand dollars (\$1,500,000) in nonrecurring
12 funds for the 2025-2026 fiscal year for operating expenses.

13 14 **OFFICE OF STATE BUDGET AND MANAGEMENT DIRECTED GRANTS** 15 **MODIFICATION**

16 **SECTION 6.2.** Notwithstanding any provision of S.L. 2023-134, as amended, or the
17 Committee Report referenced in Section 43.2 of that act to the contrary, the following directed
18 grants allocated by the Office of State Budget and Management – Special Appropriations for the
19 2023-2024 fiscal year are amended as follows:

- 20 (1) Any remaining funds from the directed grant to the Mayland Community
21 College Foundation, Inc., a nonprofit corporation, for two million dollars
22 (\$2,000,000) for the 2023-2024 fiscal year for the Avery-Mitchell animal
23 shelter shall instead be granted in equal amounts to Avery and Mitchell
24 Counties to be used for any public purpose that the counties are authorized by
25 law to engage in.
- 26 (2) The directed grant to the Town of Selma for eight hundred thousand dollars
27 (\$800,000) for the 2023-2024 fiscal year for economic development project
28 recruitment shall instead be allocated to Johnston County Economic
29 Development Corporation, a nonprofit corporation, for the same purpose.
- 30 (3) The directed grant to Iredell County for five million dollars (\$5,000,000) for
31 the 2023-2024 fiscal year for capital improvements or equipment at the
32 fairgrounds shall instead be allocated as follows:
 - 33 a. Three million dollars (\$3,000,000) to the Iredell County Sheriff's
34 Office for a new safety building on Lake Norman.
 - 35 b. Two million dollars (\$2,000,000) to the City of Statesville for water
36 and wastewater projects pertaining to economic development
37 consistent with Section 12.2(e)(179) of S.L. 2023-134.
- 38 (4) The directed grant of one million six hundred thousand dollars (\$1,600,000)
39 for the 2023-2024 fiscal year to Harnett County for land acquisition or capital
40 improvements related to Johnson Farm shall instead be used for renovations
41 of existing parks, improvements in park safety and accessibility, and
42 development of green spaces, trails, and greenways.
- 43 (5) Funds allocated to the Office of State Budget and Management by Section
44 12.2(f)(2) of S.L. 2023-134 to provide a grant to the Burke Partnership for
45 Economic Development, Inc., a nonprofit corporation, to install water and
46 wastewater at the Western NC Megasite and remaining unspent and
47 unencumbered as of the effective date of this section, shall, notwithstanding
48 that subdivision or any provision of law to the contrary, be reallocated to
49 Burke County to be used for water and wastewater projects in Burke County.

50 51 **PART VII. TRANSPORTATION**

DIVISION OF MOTOR VEHICLES CRITICAL OPERATING NEEDS

SECTION 7.1.(a) There is appropriated from the Highway Fund to the Department of Transportation, Division of Motor Vehicles (DMV) the sum of thirteen million one hundred thousand dollars (\$13,100,000) in recurring funds beginning with the 2025-2026 fiscal year and the sum of eight million five hundred thousand dollars (\$8,500,000) in nonrecurring funds in the 2025-2026 fiscal year to be used to address a shortfall in operating funds for the DMV caused by unrealized anticipated fee receipts related to credit card transactions.

SECTION 7.1.(b) The Office of State Budget and Management, in consultation with the DMV, shall align credit card receipt line items with actual collections. The DMV shall adjust credit card fee receipt collection projections in accordance with G.S. 143C-3-5(b)(2)c. and shall adjust Base Budget requirements to match those projected receipts.

PART VIII. MISCELLANEOUS**STATE BUDGET ACT APPLICABILITY**

SECTION 8.1. If any provision of this act and G.S. 143C-5-4 are in conflict, the provisions of this act shall prevail. The appropriations and the authorizations to allocate and spend funds which are set out in this act shall remain in effect until the Current Operations Appropriations Act for the applicable fiscal year becomes law, at which time that act shall become effective and shall govern appropriations and expenditures. When the Current Operations Appropriations Act for that fiscal year becomes law, the Director of the Budget shall adjust allotments to give effect to that act from July 1 of the fiscal year.

PART IX. EFFECTIVE DATE

SECTION 9.1. Except as otherwise provided, this act is effective when it becomes law.