

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2025

FILED SENATE
Apr 29, 2026
S.B. 915
PRINCIPAL CLERK

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SENATE BILL DRS15400-LUa-176

Short Title: 2026 Governor's Budget.

(Public)

Sponsors: Senators Jackson, Hise, and Lee (Primary Sponsors).

Referred to:

A BILL TO BE ENTITLED
AN ACT TO MAKE BASE BUDGET APPROPRIATIONS FOR CURRENT OPERATIONS
OF STATE DEPARTMENTS, INSTITUTIONS, AND AGENCIES, AND FOR OTHER
PURPOSES.

The General Assembly of North Carolina enacts:

PART I. TITLE AND INTRODUCTION

TITLE OF ACT

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

INTRODUCTION

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

PART II. CURRENT OPERATIONS AND EXPANSION/GENERAL FUND

GENERAL FUND APPROPRIATIONS

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

Current Operations – General Fund	FY 2025-2026	FY 2026-2027
EDUCATION		
Community College System	1,730,176,632	1,880,055,057
Public Instruction	12,386,402,718	13,604,577,403
Governor Morehead School	10,656,568	11,500,741



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1	NC School for the Deaf	12,169,049	13,085,861
2	Eastern NC School for the Deaf	10,740,596	11,534,374
3			
4	Appalachian State University	209,862,595	209,862,595
5	East Carolina University		
6	Academic Affairs	274,127,761	274,127,761
7	Health Affairs	107,144,915	107,144,915
8	Elizabeth City State University	48,513,547	48,513,547
9	Fayetteville State	87,586,990	87,586,990
10	NC A&T State University	162,728,474	162,743,010
11	NC Central University	98,572,636	98,572,636
12	NC State University		
13	Academic Affairs	564,312,136	564,676,069
14	Agricultural Extension	46,543,237	46,543,237
15	Agricultural Research	63,465,016	63,465,016
16	UNC-Asheville	51,101,094	51,101,094
17	UNC-Chapel Hill		
18	Academic Affairs	385,597,924	385,597,924
19	Health Affairs	249,399,553	249,399,553
20	AHEC	56,855,450	56,855,450
21	UNC-Charlotte	331,584,743	331,584,743
22	UNC-Greensboro	204,987,083	204,987,083
23	UNC-Pembroke	95,473,853	95,473,853
24	UNC-School of the Arts	41,972,163	41,972,163
25	UNC-Wilmington	217,239,729	217,239,729
26	Western Carolina University	164,563,738	164,589,450
27	Winston-Salem State University	68,743,773	68,743,773
28	General Administration	50,098,094	50,098,094
29	University Institutional Programs	312,000,384	620,191,944
30	Related Educational Programs	863,278,591	(114,721,409)
31	NC School of Science and Math	45,240,766	45,240,766
32	Aid to Private Institutions	1,209,300	11,209,300
33	Total University of North Carolina	4,802,203,545	4,142,799,286
34			
35	HEALTH AND HUMAN SERVICES		
36	Department of Health and Human Services		
37	Aging and Adult Services	52,856,717	52,928,118
38	Central Management and Support	216,458,444	299,971,801
39	Child Development and Early Education	306,105,539	357,126,631
40	Child and Family Well Being	62,811,146	71,354,616
41	Health Benefits	6,844,445,224	7,627,688,832
42	Health Services Regulation	26,819,231	28,693,218
43	Mental Hlth/Dev. Disabl./Subs. Abuse Serv.	779,898,008	852,018,243
44	Public Health	133,644,399	121,290,363
45	Services for the Blind, Deaf and Hard of Hearing	9,599,492	10,504,110
46	Social Services	227,241,733	237,710,782
47	Vocational Rehabilitation	44,304,406	46,783,297
48	Total Health and Human Services	8,704,184,339	9,706,070,011
49			
50	AGRICULTURE, NATURAL, AND ECONOMIC RESOURCES		
51	Agriculture and Consumer Services	180,358,286	197,624,154

1			
2	Department of Commerce		
3	Commerce	15,714,916	29,698,492
4	General State Aid	19,655,810	22,155,810
5	Economic Development	158,348,245	166,348,245
6			
7	Environmental Quality	110,279,177	177,714,471
8			
9	Labor	27,314,942	29,571,924
10			
11	Department of Natural and Cultural Resources	285,859,993	336,482,888
12			
13	Wildlife Resources Commission	18,430,344	20,291,774
14			
15	JUSTICE AND PUBLIC SAFETY		
16	Judicial Department	824,319,035	877,409,507
17			
18	Judicial Department – Indigent Defense Services	174,735,348	182,710,624
19			
20	Department of Justice	69,612,137	95,498,653
21			
22	Department of Public Safety	665,993,291	697,589,873
23			
24	Department of Adult Correction	2,226,163,079	2,301,698,762
25			
26	State Bureau of Investigation	101,498,162	74,629,912
27			
28	State Highway Patrol	26,056,834	49,929,942
29			
30	GENERAL GOVERNMENT		
31	Department of Administration	73,131,081	76,087,478
32			
33	Office of Administrative Hearings	8,485,540	10,401,718
34			
35	State Board of Elections	12,755,150	13,108,296
36			
37	Office of State Auditor	25,984,513	26,878,912
38			
39	Office of State Controller	36,885,814	37,867,492
40			
41	General Assembly	105,392,840	109,503,336
42			
43	Office of the Governor	6,985,397	7,766,647
44			
45	Office of State Budget and Management		
46	Office of State Budget and Management	11,996,615	13,050,765
47	OSBM – Reserve for Special Appropriations	10,300,000	12,000,000
48			
49	Housing Finance Agency	10,660,000	70,660,000
50			
51	Office of State Human Resource	12,209,780	16,914,870

1			
2	Department of Insurance		
3	Insurance	61,692,190	82,365,350
4	Insurance – Industrial Commission	14,615,798	15,573,874
5			
6	Office of Lieutenant Governor	1,387,170	1,429,756
7			
8	Department of Military and Veterans Affairs	9,113,460	10,190,758
9			
10	Department of Revenue	124,029,089	141,251,495
11			
12	Department of Secretary of State	19,840,122	23,137,780
13			
14	Department of State Treasurer		
15	Treasurer	209,074	877,074
16	Treasurer – Retirement System	24,394,657	24,394,657
17			
18	Information Technology	75,729,621	129,861,153
19			
20	RESERVES, DEBT, AND OTHER BUDGETS		
21	Statewide Reserves	67,206,909	(16,304,782)
22			
23	Total Net Appropriation	33,273,877,866	35,435,994,393

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

29 **GENERAL FUND AVAILABILITY**

30 **SECTION 2.2.(a)** The General Fund availability derived from State tax revenue,
 31 nontax revenue, and other adjustments used in developing the budget for each year of the
 32 2025-2027 fiscal biennium is as follows:

33			
34		FY 2025-2026	FY 2026-2027
35			
36	Unappropriated Balance from Prior Fiscal Year	48,073,341	1,137,648,682
37	Over Collections	394,728,847	369,815,741
38	Estimated Reversions	448,182,114	400,000,000
39	Total, Current Beginning Unreserved Balance	890,984,302	1,907,464,423
40			
41	Statutorily Required Reservations of Revenue		
42	State Capital and Infrastructure Fund	(1,120,000,000)	0
43	Savings Reserve	(68,642,013)	(60,465,000)
44	Subtotal	(1,188,642,013)	(60,465,000)
45			
46	Additional Investments to Reserves		
47	State Capital and Infrastructure Fund	0	(1,159,200,000)
48	State Emergency Response and Disaster Relief Fund	0	(500,000,000)
49	Contingency and Emergency Reserve	0	(10,000,000)
50	Subtotal, Investments to Reserves	0	(1,669,200,000)

Tax Revenues

Individual Income	16,892,700,000	16,614,600,000
Sales and Use	11,492,800,000	11,784,500,000
Corporate Income	1,379,400,000	1,320,500,000
Franchise	787,800,000	792,300,000
Insurance	1,417,370,000	1,605,700,000
Alcoholic Beverage	560,600,000	554,300,000
Tobacco Products	240,800,000	237,500,000
Other Tax Revenue	228,630,000	248,500,000
Subtotal, Tax Revenues	33,000,190,000	33,157,900,000

Non-tax Revenues

Judicial Fees	202,400,000	218,000,000
Investment Income	702,900,000	637,200,000
Disproportionate Share	171,400,000	174,600,000
Master Settlement Agreement	97,600,000	98,000,000
Insurance	123,394,259	127,100,000
Other Non-tax Revenue	289,300,000	302,700,000
Subtotal, Non-tax Revenue	1,586,994,259	1,557,600,000

ARPA SFRF Interest	122,000,000	4,000,000
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Total, Net Revenues	34,709,184,259	34,719,500,000
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Adjustments to Revenues:

Maintain Individual Income Tax at 3.99%		896,000,000
Increase Standard Deduction from \$25,500 to \$26,500		(53,000,000)
Working Families Tax Credit – 10% of federal		
Earned Income Tax Credit		(240,000,000)
Refundable Child and Dependent Care Tax Credit		(55,000,000)
Sales Tax Back-to-School Holiday		(29,900,000)
Subtotal, Adjustments to Tax Revenues		518,100,000

Adjustments to Availability

NCInnovation Clawback – to be Deposited in SERDRF		500,000,000
Insurance Non-Tax Transfer		22,426,526

Revised Total Net General Fund Availability	34,411,526,548	35,937,825,949
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Less Base Budget	(31,918,784,866)	(32,066,568,438)
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Total Recommended Adjustments	(1,355,093,000)	(3,369,425,955)
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Total Recommended Appropriations	(33,273,877,866)	(35,440,494,393)
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Unappropriated Balance Remaining	1,137,648,682	501,831,556
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SECTION 2.2.(b) IT Reserve – The State Controller shall transfer the sum of one hundred sixty-five million six hundred sixty-seven thousand six hundred fifty-three dollars (\$165,667,653) from the unreserved fund balance in the Information Technology Project Reserve to the Office of State Budget and Management. Funds appropriated from the Information

Technology Project Reserve shall be allocated by the Director of the State Budget in consultation with the State Chief Information Officer and the head of the department with primary ownership over the information technology project based on documented project needs. Funds transferred under this section are appropriated in the year in which they are transferred and shall be used for the following information technology projects:

- (1) The Department of Information Technology's project to modernize data storage by switching to hybrid cloud and local storage.
- (2) The Department of Adult Correction's OPUS system and Rounds Tracking Software.
- (3) Eastern North Carolina's School for the Deaf's ADA Campus Wide Emergency Visual Alert System.
- (4) The Modernizing Payroll Reserve for the replacement of the state's payroll system.
- (5) The Governor Morehead School's Network Upgrade.
- (6) The Department of Public Instruction's PSU school business system modernization.
- (7) The Office of State Human Resources' human capital management (HCM) Phase I Enhancements.
- (8) The Department of Revenue's DataPower and Network Files end of life replacements, datacenter hardware replacement, and replacement of the RCA desktop client.
- (9) The State Board of Elections' election modernization Stage III project.
- (10) The State Bureau of Investigation for its IT infrastructure project, Behavioral Threat Assessment Management System, and Real-time Threat Alerting Platform.
- (11) The Office of Administrative Hearings' Database Development System.
- (12) The Department of Commerce's Modernized NCCareer Information System.
- (13) The Department of the Secretary of State's Hardware Update program.
- (14) The Office of Indigent Defense Services' Indigency Determination Pilot.
- (15) The Department of Justice's Legal Case Management System.

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

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

- (1) Eleven million, seven hundred seventy thousand, seven hundred fifty dollars (\$11,770,750) to the Department of Agriculture and Consumer Services for the required match to leverage two agricultural conservation easement agreements;
- (2) Eight million, six hundred thirty-two thousand, one hundred sixty-six dollars (\$8,632,166) to the Department of Environmental Quality to meet the state's required cost share for federally led cleanup activities at Superfund National Priorities List sites.
- (3) Eight hundred fifty thousand dollars (\$850,000) to the Department of Environmental Quality to leverage additional federal funds for the Albemarle-Pamlico National Estuary Partnership.
- (4) The Department of Environmental Quality may access any remaining funds in the Federal Infrastructure Match Reserve, if interest earnings are insufficient to meet the required State match for the federal Drinking Water

State Revolving Fund and Clean Water State Revolving Fund programs, for the purpose of providing the required match.

- (5) The Office of State Budget and Management may access any remaining funds in the Federal Infrastructure Match Reserve to provide support to State agencies in mitigating the fiscal impacts of federal spending freezes, federal government shutdowns, or reductions in federal spending.

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

SECTION 2.2.(f) Except as otherwise specifically provided, nothing in this section shall be construed as appropriating funds reserved pursuant to this section. Funds reserved pursuant to this section do not constitute an "appropriation made by law," as that phrase is used in Section 7(1) of Article V of the North Carolina Constitution.

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

PART III. HIGHWAY FUND AND HIGHWAY TRUST FUND

CURRENT OPERATIONS/HIGHWAY FUND

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

Highway Fund	FY 2026-2027
Administration	141,758,209
Division of Highways	
Administration	38,287,904
Construction	77,543,078
Maintenance	2,191,689,355
Governor's Highway Safety Program	351,695
OSHA	358,030
Aid to Municipalities	
Powell Bill	185,875,000
Intermodal Divisions	
Ferry	93,637,728
Public Transportation, Bicycle and Pedestrian	90,220,554
Aviation	164,074,415
Rail	78,367,607
Division of Motor Vehicles	170,100,604
Other State Agencies, Reserves, Transfers	139,011,958
Capital Improvements	23,613,813
Total Highway Fund Appropriations	\$3,399,889,949

HIGHWAY FUND AVAILABILITY

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

FY 2026-2027**Consensus Revenue Forecast**

Motor Fuels Tax	1,904,200,000
Licenses and Fees	1,141,800,000
Short-Term Lease	124,500,000
Investment Income	24,400,000
Sales Tax Transfer	176,200,000
Jet Fuel Sales	12,600,000
Transportation Commerce Tax	13,800,000
N Dividend	4,800,000
Total Highway Fund Availability	\$3,402,300,000

HIGHWAY TRUST FUND APPROPRIATIONS

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

Current Operations – Highway Trust Fund**FY 2026-2027**

Program Administration	45,117,311
Bonds	121,436,275
Turnpike Authority	49,000,000
State Ports Authority	45,000,000
Strategic Prioritization Funding Plan for	
Transportation Investments	2,306,935,414
Transfer to Visitor Center	640,000
Other State Agencies	371,000

Total Highway Trust Fund Appropriations**\$2,568,500,000****HIGHWAY TRUST FUND AVAILABILITY**

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

FY 2026-2027**Consensus Revenue Forecast**

Highway Use Tax	1,181,500,000
Motor Fuels Tax	636,400,000
Fees	177,700,000
Investment Income	44,300,000
Sales Tax Transfer	528,600,000

Total Highway Trust Fund Availability**\$2,568,500,000****PART IV. OTHER AVAILABILITY AND APPROPRIATIONS****CASH BALANCES AND OTHER APPROPRIATIONS**

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

- (1) For all budget codes listed in the Governor's Recommended Budget for the 2026-2027 fiscal year, dated April 2026, and in the Budget Support Document, fund balances and receipts are appropriated up to the amounts specified, as adjusted by the General Assembly, for the 2026-2027 fiscal year. Funds may be expended only for the programs, purposes, objects, and line items or as otherwise authorized by the General Assembly. Expansion budget funds listed in those documents are appropriated only as otherwise provided in this act.
- (2) Notwithstanding the provisions of subdivision (1) of this subsection:
 - a. Any receipts that are required to be used to pay debt service requirements for various outstanding bond issues and certificates of participation are appropriated up to the actual amounts received for the 2026-2027 fiscal year and shall be used only to pay debt service requirements.
 - b. Other funds, cash balances, and receipts of funds that meet the definition issued by the Governmental Accounting Standards Board of a trust or agency fund are appropriated for and in the amounts required to meet the legal requirements of the trust agreement for the 2026-2027 fiscal year.

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

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

EDUCATION LOTTERY FUNDS/CHANGES TO REVENUE ALLOCATIONS

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

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

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

INDIAN GAMING EDUCATION REVENUE FUND APPROPRIATIONS

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

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

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

CIVIL PENALTY AND FORFEITURE FUND

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

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

	FY 2025-2026	FY 2026-2027
School Technology Fund	\$18,000,000	\$18,000,000
Drivers Education	31,493,768	31,493,768
State Public School Fund	186,041,640	166,041,640
<u>Devices for Students</u>		<u>15,000,000</u>
<u>Universal School Breakfast</u>		<u>15,000,000</u>
Total Appropriation	\$235,535,408	\$24515,535,408"

PART V. GENERAL PROVISIONS

ESTABLISHING OR INCREASING FEES

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

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

CAP STATE FUNDED PORTION OF NONPROFIT SALARIES

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

2026 DISASTER RECOVERY

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

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

- (1) If a person's home is relocated or purchased with funds allocated in this subsection, the State Emergency Response and Disaster Relief Fund is subrogated to the person's rights under any insurance coverage for the damage to the home and any monies received from the insurance coverage shall be paid to the State Emergency Response and Disaster Relief Fund. The Office of State Budget and Management shall ensure that those potentially affected by this section are notified of, and adhere to, its requirements.

(2) No State funds appropriated in this section may be expended for the construction of any new residence within the 100-year floodplain unless the construction is in an area regulated by a unit of local government pursuant to a floodplain management ordinance and the construction complies with the ordinance. As used in this section, "100-year floodplain" means any area subject to inundation by a 100-year flood, as indicated on the most recent Flood Insurance Rate Map prepared by the Federal Emergency Management Agency under the National Flood Insurance Program.

(3) Homeowners in the 100-year floodplain who receive homeowner's housing assistance pursuant to this section shall have in effect federal flood insurance, if available, as a precondition to receipt of State homeowner's housing assistance for losses resulting from future flooding.

SECTION 5.3.(c) Limitation. – Funds allocated in this section shall be expended in a manner that does not adversely affect any person's or entity's eligibility for federal funds that are made available, or that are anticipated to be made available, as a result of natural disasters. To the extent practicable, funds allocated in this section shall not be used to cover costs that will be, or likely will be, covered by federal funds.

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

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

GOLDEN LEAF – HURRICANE HELENE BRIDGE LOAN MODIFICATIONS

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

"...

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

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

...."

NCINNOVATION

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

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

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

SECTION 5.5.(d) This section is effective when it becomes law.

PART VI. COMMUNITY COLLEGE SYSTEM

PROPEL NC FUNDING MODEL ADJUSTMENT

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

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

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

"§ 115D-10.5. Program funding.

...

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

...."

PROPEL NC ENROLLMENT INCREASE RESERVE

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

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

...

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

(f) The Enrollment Increase Reserve shall be established as a recurring, nonreverting reserve under the direction of the State Board of Community Colleges. Funds appropriated by

the North Carolina General Assembly shall be allocated based on actual fall semester FTE. The method of allocation shall be as follows: at one-half the average FTE value per FTE for the greater of FTE increases in excess of 5% for each category of instruction, or for increases in total FTE greater than 325. If enrollment growth exceeds the funds appropriated in a given year, the value per FTE would be reduced proportionately."

AUTHORIZE USE OF MOTORCYCLE SAFETY EDUCATION PROGRAM FUNDS FOR A CAPITAL PROJECT

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

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

CLARIFY CUSTOMIZED TRAINING PERSONNEL

SECTION 6.4. G.S. 115D-10.17(e) reads as rewritten:
"§ 115D-10.17. Customized Training Program.

...

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

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

...."

FREE COMMUNITY COLLEGE TUITION FOR HIGH DEMAND SKILLS TRAINING

SECTION 6.7. G.S. 115D-5.1A reads as rewritten:
"§ 115D-10.19. Short-Term Workforce Development Grant Program.

...

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

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

PART VII. PUBLIC INSTRUCTION

REPEAL THE TEXTBOOK COMMISSION

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

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

"Part 3. ~~Textbooks.~~Instructional Materials.

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

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

As used in this part, "~~textbook~~" "instructional materials" means systematically organized material comprehensive enough to cover the primary objectives outlined in the standard course of study for a grade or course. Formats for ~~textbooks~~instructional materials may be print or nonprint, including hardbound books, softbound books, activity-oriented programs, classroom kits, and ~~technology-based programs~~digital resources that require the use of electronic equipment in order to be used in the learning process.

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

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

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

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

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

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

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

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

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

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

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

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

~~(b2) Local boards of education may:~~

- ~~(1) Select, procure, and use textbooks that have not been adopted by the State Board of Education for use throughout the local school administrative unit for selected grade levels and courses; and~~
- ~~(2) Approve school improvement plans developed under G.S. 115C-105.27 that include provisions for using textbooks that have not been adopted by the State Board of Education for selected grade levels and courses.~~

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

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

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

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

- (1) A principal from a high school, middle school, and elementary school, respectively.
- (2) A teacher from a high school, middle school, and elementary school, respectively.
- (3) A parent of a student in high school or middle school and a parent of a student in elementary school.
- (4) A school library media coordinator from a high school, middle school, and elementary school, respectively.

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

- (1) Obscene.
- (2) Inappropriate to the age, maturity, or grade level of the students.
- (3) Not aligned with the standard course of study.

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

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

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

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

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

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

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

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

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

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

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

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

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

(b) Notwithstanding Article 3A of Chapter 143 of the General Statutes, G.S. 143-49(4), or any other provision of law, the State Board of Education may adopt rules authorizing local

boards of education to dispose of discontinued instructional ~~material, including State-adopted textbooks.~~material."

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

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

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

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

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

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

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

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

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

...

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

...

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

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

...."

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

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

Instruction on gender identity, sexual activity, or sexuality shall not be included in the curriculum provided in grades kindergarten through fourth grade, regardless of whether the information is provided by school personnel or third parties. For the purposes of this section,

curriculum includes the standard course of study and support materials, locally developed curriculum, supplemental instruction, and ~~textbooks and~~ other supplementary materials, but does not include responses to student-initiated questions."

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

EXCEPTIONAL CHILDREN FUNDING

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

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

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

SECTION 7.2.(b) Create the Exceptional Children Funding Stabilization Reserve. – The Exceptional Children Funding Stabilization Reserve is established within the General Fund. The General Assembly shall appropriate in the Current Appropriations Act or other appropriations act a specific amount to this reserve for allocation, on an as-needed basis only, to provide stabilization funds to public school units that experience a decline in total state funding for exceptional children in the FY 2026-27 fiscal year.

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

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

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

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

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

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

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

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

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

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

- (1) An amount equal to the average per pupil allocation for average daily membership from the local school administrative unit allotments in which the school is located for each child attending the laboratory school, except for the allocation for children with disabilities and for the allocation for children with limited English proficiency.
- (2) An additional amount for each child attending the laboratory school who is a child with disabilities. ~~In the event a child with disabilities leaves the laboratory school and enrolls in a public school during the first 60 school days in the school year, the laboratory school shall return a pro rata amount of funds allocated for that child to the State Board, and the State Board shall reallocate those funds to the local school administrative unit in which the public school is located. In the event a child with disabilities enrolls in the laboratory school during the first 60 school days in the school year, the State Board shall allocate to the laboratory school the pro rata amount of additional funds for children with disabilities. The State Board shall adjust the amount of funding for children with disabilities each laboratory school receives during the fiscal year based on the December 1 headcount of children with disabilities required by 20 U.S.C. 1412(a)(3).~~

...."

LIMITED ENGLISH PROFICIENCY FUNDING METHODOLOGY CHANGE

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

"Supplemental School Funding-Funding and Other Allotments."

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

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

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

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

22
23 **SCHOOL RESOURCE OFFICER ALLOTMENT**

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

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

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

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

43
44 **EXPAND LITERACY PROFESSIONAL DEVELOPMENT AND SUPPORT TO**
45 **GRADES 6-8**

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

47 **"§ 115C-83.6A. Approval of literacy intervention plans.**

48 (a) Each local school administrative unit shall submit to the Department of Public
49 Instruction a plan for the literacy ~~interventions~~ interventions for kindergarten through eighth
50 grade it will offer, including reading camps, in the following school year no later than October
51 1. The plan shall include information about the local school administrative unit's efforts to staff

reading camps with the most qualified teachers possible, including the unit's efforts to attract teachers associated with high growth in reading based on EVAAS data and teachers who have earned a reading bonus. The plan shall incorporate any feedback received from the Department on the previous year's plan. As part of their plans, local school administrative units are encouraged to partner with other local school administrative units and with community organizations to enhance literacy interventions.

...."

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

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

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

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

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

...."

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

EXPAND USE OF DIAGNOSTIC READING ASSESSMENTS TO GRADES 4-5

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

"§ 115C-83.3. Definitions.

The following definitions apply in this Part:

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

...."

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

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

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

...

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

...."

SECTION 7.6.(c) G.S. 115C-83.6B reads as rewritten:
"§ 115C-83.6B. Individual Reading Plans.

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

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

...."

SCHOOL PERFORMANCE GRADE REDESIGN

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

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

SECTION 7.7.(c) Application for Program. – Public school units interested in participating in the Program shall notify the Department, and the Department shall establish a

process for selecting schools to participate. The Department shall select one charter school, one local school administrative unit, and one private school that receives state funds to participate in the Program from each State Board of Education region, balancing characteristics of the school units to represent the diversity of the State.

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

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

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

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

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

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

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

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

FUND VIRTUAL CHARTER SCHOOLS AT STATEWIDE AVERAGE PER-PUPIL FUNDING

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

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

- (1) An amount equal ~~to~~ to:
 - a. Except for charter schools approved to operate pursuant to G.S. 115C-218-120(b)(1), the average per pupil allocation for average daily
membership from the local school administrative unit allotments in

which the charter school is located for each child attending the charter school except for the allocation for children with disabilities and for the allocation for children with limited English proficiency.

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

...."

ELIMINATE TRANSPORTATION FUNDING FOR VIRTUAL CHARTER SCHOOL

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

"...

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

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

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

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

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

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

...."

INCREASE SUPPORT FOR PUBLIC SCHOOL CAPITAL IMPROVEMENTS

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

"...

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

...."

INCREASE PARTICIPATION IN COMMUNITY ELIGIBILITY PROVISION MEAL PROGRAM

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

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

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

(1) CEP. – Community Eligibility Provision.

(2) Department. – Department of Public Instruction.

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

a. Qualifies for the federal CEP program.

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

(4) ISP. – Identified Student Percentage.

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

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

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

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

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

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

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

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

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

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

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

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

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

(1) The number of participating schools.

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

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

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

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

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

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

PART VII-A. COMPENSATION OF PUBLIC SCHOOL EMPLOYEES**TEACHER SALARY SCHEDULE**

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

2025-2026 Teacher Monthly Salary Schedule

Years of Experience	"A" Teachers
0	4,630
1	4,690
2	4,750
3	4,810
4	4,870
5	4,930
6	4,990
7	5,050
8	5,110
9	5,170
10	5,230
11	5,290
12	5,350
13	5,410
14	5,470
15	5,520
16	5,520
17	5,520
18	5,580
19	5,580
20	5,580
21	5,640
22	5,640
23	5,640
24	5,730
25+	5,730

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

2026-2027 Teacher Monthly Salary Schedule

Years of Experience	"A" Teachers
0	5,312
1	5,332
2	5,355
3	5,378
4	5,401
5	5,424
6	5,447
7	5,470
8	5,493
9	5,516
10	5,539
11	5,562

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

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

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

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

- (1) The first step of the salary schedule shall be equivalent to the sixth step of the "A" salary schedule.
- (2) These employees shall receive the following salary supplements each month:
 - a. Ten percent (10%) of their monthly salary, excluding the supplement provided pursuant to sub-subdivision b. of this subdivision.
 - b. Three hundred fifty dollars (\$350.00).
- (3) These employees are eligible to receive salary supplements equivalent to those of teachers for academic preparation at the six-year degree level or the doctoral degree level.
- (4) The twenty-sixth step of the salary schedule shall be seven and one-half percent (7.5%) higher than the salary received by these same employees on the twenty-fifth step of the salary schedule.

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

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

- 7 (1) The applicable amount on the salary schedule for the applicable school year.
- 8 (2) For teachers who were eligible for longevity for the 2013-2014 school year,
9 the sum of the following:
 - 10 a. The salary the teacher received in the 2013-2014 school year pursuant
11 to Section 35.11 of S.L. 2013-360.
 - 12 b. The longevity that the teacher would have received under the longevity
13 system in effect for the 2013-2014 school year provided in Section
14 35.11 of S.L. 2013-360 based on the teacher's current years of service.
 - 15 c. The annual bonus provided in Section 9.1(e) of S.L. 2014-100.
- 16 (3) For teachers who were not eligible for longevity for the 2013-2014 school
17 year, the sum of the salary and annual bonus the teacher received in the
18 2014-2015 school year pursuant to Section 9.1 of S.L. 2014-100.

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

21 22 **RESTORE MASTER'S PAY**

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

- 24 (1) Section 8.22 of S.L. 2013-360.
- 25 (2) Section 8.3 of S.L. 2014-100.

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

27 **"§ 115C-302.10. Qualifications for certain education-based salary supplements.**

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

- 31 (1) Certified school nurses and instructional support personnel in positions for
32 which a master's degree is required for licensure.
- 33 (2) Teachers and instructional support personnel who were paid on the "M" salary
34 schedule or received that salary supplement prior to the 2014-15 school year.
- 35 (3) Teachers and instructional support personnel who (i) complete a degree at the
36 master's, six-year, or doctoral degree level for which they completed at least
37 one course prior to August 1, 2013, and (ii) would have qualified for the salary
38 supplement pursuant to State Board of Education policy, TCPA006, as it was
39 in effect on June 30, 2013.
- 40 (4) Teachers who do not qualify under subdivisions (1), (2), and (3) of this section
41 but who spend at least seventy percent (70%) of their time as follows:
 - 42 a. For teachers, in classroom instruction related to their graduate
43 academic preparation in their field or subject area within their area of
44 licensure. Most of the teachers' remaining time shall be spent in one or
45 more of the following:
 - 46 1. Mentoring teachers.
 - 47 2. Performing demonstration lessons for teachers.
 - 48 3. Writing curricula.
 - 49 4. Developing and leading staff development programs for
50 teachers.

b. For instructional support personnel, performing work within the employee's area of graduate academic preparation.

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

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

CONSOLIDATED TEACHER BONUS PROGRAM

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

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

(1) Eligible advanced course teacher. – A teacher of Advanced Placement courses, International Baccalaureate Diploma Programme courses, or the Cambridge Advanced International Certificate of Education (AICE) program who meets the following criteria:

a. Is employed by, or retired having last held a position at, one or more of the following:

1. A qualifying public school unit.

2. The North Carolina Virtual Public School program.

b. Taught one or more students who received a score listed in subsection (c) of this section.

(2) Eligible career and technical education (CTE) teacher. – A teacher who meets the following criteria:

a. Is employed by, or retired having last held a position at, a qualifying public school unit.

b. Taught one or more students who attained approved industry certifications or credentials consistent with G.S. 115C-156.2.

(3) Eligible growth teacher. – A teacher who meets at least one of the following criteria:

a. Is employed by, or retired having last held a position at, a qualifying public school unit and meets one of the following criteria:

1. Is in the top twenty-five percent (25%) of teachers in the State according to the EVAAS student growth index score for third grade reading from the previous school year.

2. Is in the top twenty-five percent (25%) of teachers in the State according to the EVAAS student growth index score for fourth or fifth grade reading from the previous school year.

3. Is in the top twenty-five percent (25%) of teachers in the State according to the EVAAS student growth index score for fourth,

- 1 fifth, sixth, seventh, or eighth grade mathematics from the
2 previous school year.
- 3 b. Is employed by, or retired having last held a position at, a local school
4 administrative unit and meets one of the following criteria:
- 5 1. Is in the top twenty-five percent (25%) of teachers in the
6 teacher's respective local school administrative unit according
7 to the EVAAS student growth index score for third grade
8 reading from the previous school year.
- 9 2. Is in the top twenty-five percent (25%) of teachers in the
10 teacher's respective local school administrative unit according
11 to the EVAAS student growth index score for fourth or fifth
12 grade reading from the previous school year.
- 13 3. Is in the top twenty-five percent (25%) of teachers in the
14 teacher's respective local school administrative unit according
15 to the EVAAS student growth index score for fourth, fifth,
16 sixth, seventh, or eighth grade mathematics from the previous
17 school year.
- 18 c. Was employed by a local school administrative unit that employed in
19 the previous school year three or fewer total teachers in that teacher's
20 grade level as long as the teacher has an EVAAS student growth index
21 score from the previous school year of exceeded expected growth in
22 one of the following subject areas:
- 23 1. Third grade reading.
- 24 2. Fourth or fifth grade reading.
- 25 3. Fourth, fifth, sixth, seventh, or eighth grade mathematics.
- 26 (4) EVAAS. – The Education Value-Added Assessment System.
- 27 (5) Qualifying public school unit. – Any of the following:
- 28 a. A local school administrative unit.
- 29 b. A charter school.
- 30 c. A regional school.
- 31 d. A school providing elementary or secondary instruction operated by
32 The University of North Carolina under Article 29A of Chapter 116 of
33 the General Statutes.
- 34 (6) Qualifying teacher. – An eligible teacher who meets one of the following
35 criteria:
- 36 a. Remains employed teaching in the same qualifying public school unit,
37 or, if an eligible advanced course teacher is only employed by the
38 North Carolina Virtual Public School program, remains employed
39 teaching in that program, at least from the school year the data is
40 collected until January 1 of the corresponding school year that the
41 bonus is paid.
- 42 b. Retired, between the last day of the school year in which the data is
43 collected and January 1 of the corresponding school year in which the
44 bonus is paid, after attaining one of the following:
- 45 1. The age of at least 65 with five years of creditable service.
- 46 2. The age of at least 60 with 25 years of creditable service.
- 47 3. Thirty years of creditable service.

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

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

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

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

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

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

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

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

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

- (1) The sum of five million dollars (\$5,000,000) shall be allocated for bonuses to eligible EVAAS teachers under sub-sub-subdivisions b.1. and c.1. of subdivision (3) of subsection (b) of this section. These funds shall be divided proportionally based on average daily membership in third grade for each local school administrative unit and then distributed equally among qualifying third grade reading teachers in each local school administrative unit.

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

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

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

(1) Bonus funds awarded to a teacher pursuant to subsection (c), subsection (d), subdivision (1) of subsection (f), and subdivision (1) of subsection (g) of this section shall not exceed three thousand five hundred dollars (\$3,500) per subsection or subdivision in any given school year.

(2) A qualifying teacher who is an eligible teacher under sub-sub-subdivision a.1., b.1., or c.1. of subdivision (3) of subsection (b) of this section may receive a bonus under both subdivision (1) of subsection (f) and subdivision (1) of subsection (g) of this section but shall not receive more than seven thousand dollars (\$7,000) pursuant to subdivision (1) of subsection (f) and subdivision (1) of subsection (g) of this section in any given school year.

(3) A qualifying teacher who is an eligible teacher under sub-sub-subdivision a.2., b.2., or c.2. of subdivision (3) of subsection (b) of this section may receive a bonus under both subdivision (2) of subsection (f) and subdivision (2) of subsection (g) of this section but shall not receive more than two bonuses pursuant to subdivision (2) of subsection (f) and subdivision (2) of subsection (g) of this section in any given school year.

(4) A qualifying teacher who is an eligible teacher under sub-sub-subdivision a.3., b.3., or c.3. of subdivision (3) of subsection (b) of this section may receive a bonus under both subdivision (3) of subsection (f) and subdivision (3) of subsection (g) of this section but shall not receive more than two bonuses pursuant to subdivision (3) of subsection (f) and subdivision (3) of subsection (g) of this section in any given school year.

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

SECTION 7A.3.(j) Study and Report. – The State Board of Education shall study the effect of the program on teacher performance and retention. The State Board shall report the results of its findings and the amount of bonuses awarded to the President Pro Tempore of the Senate, the Speaker of the House of Representatives, the Joint Legislative Education Oversight Committee, the Office of State Budget and Management, and the Fiscal Research Division by March 15 of each year of the 2025-2027 fiscal biennium. The report shall include, at a minimum, the following information:

(1) Number of students enrolled and taking examinations in each of the following categories of courses:

a. Advanced Placement.

b. International Baccalaureate Diploma Programme.

c. Cambridge AICE program.

d. Courses needed for the attainment of an industry certification or credential.

- (2) Number of students receiving outcomes on examinations resulting in the award of a bonus for a teacher in each category of courses identified in sub-subdivision a. of subdivision (1) of this subsection.
- (3) Number of teachers receiving a bonus in each category of courses identified in sub-subdivision a. of subdivision (1) of this subsection.
- (4) The amounts awarded to teachers for each category of courses identified in sub-subdivision a. of subdivision (1) of this subsection.
- (5) The type of industry certifications and credentials earned by the students, the value ranking for each certification and credential, the number of bonuses earned for each certification or credential, and the total bonus amount awarded for each certification or credential.
- (6) Average bonus amount awarded to each qualifying teacher who is an eligible teacher under sub-sub-subdivision a.1., b.1., or c.1. of subdivision (3) of subsection (b) of this section.
- (7) The percentage of teachers who received a bonus pursuant to this section and were eligible to receive a bonus for teaching in the same grade level or course in January 2026 or January 2027, or both, where applicable, pursuant to one of the following programs:
 - a. The Advanced Course and CTE Bonus Program provided in Section 7A.4 of S.L. 2021-180.
 - b. The Growth-Based Teacher Bonus Program provided in Section 7A.2 of S.L. of 2022-74.
- (8) The percentage of teachers who received a bonus pursuant to this section and received a bonus for teaching in the same grade level or course in either January 2026 or January 2027 pursuant to one of the programs listed in subdivision (7) of this subsection.
- (9) The percentage of teachers who received a bonus pursuant to this section and received a bonus for teaching in the same grade level or course in January 2026 or January 2027, or both, where applicable, pursuant to one of the programs listed subdivision (7) of this subsection.
- (10) The statistical relationship between a teacher receiving a bonus in January 2026 or 2027 pursuant to this section and receiving a bonus pursuant to a predecessor bonus program. For purposes of this subdivision, the following are predecessor programs:
 - a. Bonuses awarded pursuant to Section 7A.4(c) of S.L. 2021-180 are predecessors to bonuses awarded pursuant to subsection (c) of this section.
 - b. Bonuses awarded pursuant to Section 7A.4(d) of S.L. 2021-180 are predecessors to bonuses awarded pursuant to subsection (d) of this section.
 - c. Bonuses awarded pursuant to subdivision (1) of subsection (c) and subdivision (1) of subsection (d) of Section 7A.2 of S.L. 2022-74 are predecessors to bonuses awarded pursuant to subdivision (1) of subsection (f) and subdivision (1) of subsection (g) of this section.
 - d. Bonuses awarded pursuant to subdivision (2) of subsection (c) and subdivision (2) of subsection (d) of Section 7A.2 of S.L. 2022-74 are predecessors to bonuses awarded pursuant to subdivision (2) of subsection (f) and subdivision (2) of subsection (g) of this section.
 - e. Bonuses awarded pursuant to subdivision (c)(3) and subdivision (d)(3) of Section 7A.2 of S.L. 2022-74 are predecessors to bonuses awarded

- 1 pursuant to subdivision (3) of subsection (f) and subdivision (3) of
2 subsection (g) of this section.
- 3 (11) The distribution of statewide and local growth bonuses awarded pursuant to
4 this section as among qualifying public school units and, where applicable,
5 schools within those units.

7 **SUPPLEMENTAL FUNDS FOR TEACHER COMPENSATION**

8 **SECTION 7A.4.(a)** Use of Funds. – For each year of the 2025-2027 fiscal biennium,
9 except as provided in subsection (f1) of this section, the State Board of Education shall allocate
10 funds pursuant to this section to eligible local school administrative units to provide salary
11 supplements to teachers and qualifying school administrators in those units. Allocation of salary
12 supplements among teachers and qualifying school administrators within each eligible local
13 school administrative unit, including whether a teacher or qualifying school administrator
14 receives a salary supplement and the amount of the supplement provided to that person, shall be
15 determined in the discretion of the local board of education of the eligible unit, except that no
16 individual salary supplement shall exceed the per teacher funding amount awarded to that unit
17 pursuant to subdivision (4) of subsection (c) of this section.

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

- 20 (1) Adjusted market value of taxable real property. – A county's assessed taxable
21 real property value, using the latest available data published by the
22 Department of Revenue, divided by the county's sales assessment ratio
23 determined under G.S. 105-289(h).
- 24 (2) Composite value. – For each eligible county, the sum of the following:
25 a. The taxable real property factor multiplied by sixty-five percent
26 (65%).
27 b. The median household income factor multiplied by twenty-five
28 percent (25%).
29 c. The effective tax rate factor multiplied by ten percent (10%).
- 30 (3) County allocation factor. – For each eligible county, the supplement factor for
31 that county divided by the sum of all supplement factors for the State.
- 32 (4) Effective tax rate. – The actual county tax rate multiplied by the most recent
33 annual sales assessment ratio for that county.
- 34 (5) Effective tax rate factor. – For each eligible county, the effective tax rate for
35 that county divided by the median effective tax rate in the State.
- 36 (6) Eligible county. – A county that has an adjusted market value of taxable real
37 property of less than fifty billion nine hundred million dollars
38 (\$50,900,000,000).
- 39 (7) Eligible local school administrative unit. – A local school administrative unit
40 located in whole or in part in an eligible county.
- 41 (8) Eligible school. – A public school that is located in an eligible county and
42 governed by a local school administrative unit.
- 43 (9) Maintenance of effort amount. – For each local school administrative unit in
44 each fiscal year, the supplant factor multiplied by the total State and non-State
45 funds expended for salaries for teachers from the fiscal year for which the
46 most recent salary data are available.
- 47 (10) Median household income. – A county's median household income for the
48 most recent 12 months for which data are available, as that term is used in
49 G.S. 143B-437.08.

- (11) Median household income factor. – For each eligible county, the median household income in the State divided by the median household income for that county.
- (12) Non-State funds. – Any funds held by a local school administrative unit, other than nonrecurring federal funds received as a result of legislation enacted by Congress in response to COVID19, that are not State funds.
- (13) Qualifying school administrator. – Any of the following:
 - a. Assistant principals paid pursuant to G.S. 115C-285(a)(8).
 - b. Principals paid pursuant to G.S. 115C-285(a)(8a).
- (14) Supplant factor. – For each local school administrative unit in each fiscal year of the fiscal biennium, the total non-State funds expended for salary supplements for teachers in the 2020-2021 fiscal year divided by the total State and non-State funds expended for salaries for teachers in the 2020-2021 fiscal year.
- (15) Supplement factor. – For each eligible county, the composite value multiplied by the number of State-funded teachers employed in a school in the county that is governed by a local school administrative unit.
- (16) Taxable real property factor. – For each eligible county, the median adjusted market value of taxable real property in the State divided by the adjusted market value of taxable real property for that county.
- (17) Teacher. – Teachers and instructional support personnel.

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

- (1) County allocation. – For each eligible county, the State Board shall determine a county allocation by multiplying the county allocation factor for that county by the funding amount appropriated pursuant to this section for the applicable fiscal year.
- (2) Per teacher funding amount. – For each eligible county, the State Board shall determine a per teacher funding amount by dividing the county allocation amounts determined pursuant to subdivision (1) of this subsection by the total number of State-funded teachers employed in all eligible schools in that county.
- (3) Unit funding amount. – For each eligible local school administrative unit, the State Board shall determine the funding amount for that unit based on the per teacher funding amount or amounts for the eligible county or counties where the unit is located. For each county with an eligible school governed by the unit, the State Board shall multiply the applicable per teacher funding amount for that county determined pursuant to subdivision (2) of this subsection by the number of State-funded teachers employed in the eligible school in that county. If the unit is located in multiple eligible counties, the State Board shall aggregate those amounts.
- (4) Allocation and funding cap. – The State Board shall allocate the amount determined pursuant to subdivision (3) of this subsection to each eligible local school administrative unit for each applicable fiscal year, up to a maximum of five thousand dollars (\$5,000) per State-funded teacher.

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

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

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

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

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

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

- (1) A list of all eligible counties and eligible local school administrative units.
- (2) Funds allocated to each eligible local school administrative unit.
- (3) The percentage and amount of teachers and qualifying school administrators in each eligible local school administrative unit receiving salary supplements.
- (4) The average salary supplement amount in each eligible local school administrative unit.
- (5) The range of salary supplement amounts in each eligible local school administrative unit.
- (6) The effect of the salary supplements on the retention of teachers and qualifying school administrators in eligible local school administrative units.
- (7) The identity of any local school administrative unit that the State Board determines has supplanted funds.

PRINCIPAL SALARY SCHEDULE

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

2025-2026 Principal Annual Salary Schedule

Avg. Daily Membership	Base	Met Growth	Exceeded Growth
0-200	\$79,737	\$87,709	\$95,684
201-400	\$83,723	\$92,095	\$100,467
401-700	\$87,709	\$96,481	\$105,252
701-1,000	\$91,698	\$100,866	\$110,037

1	1,001-1,600	\$95,684	\$105,252	\$114,821
2	1,601+	\$99,670	\$109,637	\$119,604

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

2026-2027 Principal Annual Salary Schedule

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

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

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

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

- (1) For the 2025-2026 school year, placement on the schedule related to average daily membership shall be based on the average daily membership for the school from the 2024-2025 school year. If the school did not have an average daily membership in the 2024-2025 school year, the projected average daily membership for the school for the 2025-2026 school year shall be used between July 1, 2025 and December 31, 2025, and the average daily membership for the school shall be used between January 1, 2026 and June 30, 2026.
- (2) For the 2026-2027 school year, placement on the schedule related to average daily membership shall be based on the average daily membership for the school from the 2025-2026 school year. If the school did not have an average daily membership in the 2025-2026 school year, the projected average daily membership for the school for the 2026-2027 school year shall be used between July 1, 2026 and December 31, 2026, and the average daily

membership for the school shall be used between January 1, 2027 and June 30, 2027.

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

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

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

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

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

PRINCIPAL RECRUITMENT BONUS

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

"§ 115C-285.1. Principal recruitment supplement.

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

- (1) Eligible employer. – The governing board of a local school administrative unit with an eligible school.
- (2) Eligible school. – A low-performing school, as defined in G.S. 115C-105.37, that received an overall school performance score that placed it in the bottom ~~five percent (5%)~~ ten percent (10%) of all schools in the State in the prior school year.
- (3) Qualifying principal. – A principal who is paid on the Exceeded Growth column of the Principal Salary Schedule.
- (4) Qualifying school. – An eligible school selected by the Department to participate in the Program.

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

(c) Salary Supplement. – A qualifying principal who accepts a position as a principal in a qualifying school shall receive an annual salary supplement of thirty thousand dollars

(\$30,000), paid on a monthly basis, as long as the principal is employed as the principal of that school, up to a maximum period of 36 months, subject to the following:

- (1) A qualifying principal who contracts with an eligible employer to receive the salary supplement shall not be excluded in future years from contracting with the same eligible employer or a different eligible employer for another salary supplement, subject to the requirements of this section.
- (2) A qualifying principal who accepts employment as a principal at a qualifying school shall continue to receive the salary supplement during performance of the contract, up to 36 months, even if one or more of the following occur:
 - a. The principal is no longer a qualifying principal.
 - b. The school is no longer an eligible school.
- (3) Notwithstanding G.S. 135-1(7a), salary supplements provided pursuant to this section are not compensation under Article 1 of Chapter 135 of the General Statutes, the Teachers' and State Employees' Retirement System.
- (4) In the event that insufficient funds are available to provide awards to all qualifying principals, the Department shall prioritize providing salary supplements to those principals accepting positions in the lowest performing schools.

...."

BONUSES FOR PRINCIPALS

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

2025-2027 Principal Bonus Schedule

Statewide Growth Percentage	Bonus
Top 5%	\$15,000
Top 10%	\$10,000
Top 15%	\$5,000
Top 20%	\$2,500
Top 50%	\$1,000

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

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

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

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

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

ASSISTANT PRINCIPAL SALARIES

SECTION 7A.8.(a) For the 2025-2027 fiscal biennium, assistant principals shall receive a monthly salary based on the relevant salary schedule for teachers shown in Section 7A.1(a) who are classified as "A" teachers plus nineteen percent (19%). An assistant principal shall be placed on the step on the salary schedule that reflects the total number of years of experience as a certified employee of the public schools. For purposes of this section, an

1 administrator with a one-year provisional assistant principal's certificate shall be considered
2 equivalent to an assistant principal.

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

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

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

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

- 21 (1) The applicable amount determined pursuant to subsections (a) through (d) of
22 this section.
- 23 (2) For assistant principals who were eligible for longevity in the 2016-2017 fiscal
24 year, the sum of the following:
 - 25 a. The salary the assistant principal received in the 2016-2017 fiscal year
26 pursuant to Section 9.1 or Section 9.2 of S.L. 2016-94.
 - 27 b. The longevity that the assistant principal would have received as
28 provided for State employees under the North Carolina Human
29 Resources Act for the 2016-2017 fiscal year based on the assistant
30 principal's current years of service.
- 31 (3) For assistant principals who were not eligible for longevity in the 2016-2017
32 fiscal year, the salary the assistant principal received in the 2016-2017 fiscal
33 year pursuant to Section 9.1 or Section 9.2 of S.L. 2016-94.

34 **CENTRAL OFFICE SALARIES**

35 **SECTION 7A.9.(a)** For the 2025-2026 fiscal year, beginning July 1, 2025, the
36 annual salary for superintendents, assistant superintendents, associate superintendents,
37 directors/coordinators, supervisors, and finance officers, whose salaries are supported from State
38 funds, shall be increased by two and one half percent (2.5%).

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

42 **2025-2026 Fiscal Year**

43	Maximum
44	
45 School Administrator I	\$7,762
46 School Administrator II	\$8,225
47 School Administrator III	\$8,715
48 School Administrator IV	\$9,055
49 School Administrator V	\$9,417
50 School Administrator VI	\$9,974
51 School Administrator VII	\$10,373

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

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

2025-2026 Fiscal Year

	Maximum
Superintendent I	\$10,995
Superintendent II	\$11,650
Superintendent III	\$12,350
Superintendent IV	\$13,092
Superintendent V	\$13,880

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

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

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

2026-2027 Fiscal Year

	Maximum
School Administrator I	\$7,956
School Administrator II	\$8,431
School Administrator III	\$8,933
School Administrator IV	\$9,281
School Administrator V	\$9,652
School Administrator VI	\$10,223
School Administrator VII	\$10,632

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

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

2026-2027 Fiscal Year

	Maximum
Superintendent I	\$11,270
Superintendent II	\$11,941
Superintendent III	\$12,659
Superintendent IV	\$13,419
Superintendent V	\$14,227

The local board of education shall determine the appropriate category and placement for the superintendent based on the average daily membership of the local school administrative

unit and within funds appropriated by the General Assembly for central office administrators and superintendents.

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

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

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

NON-CERTIFIED PERSONNEL SALARIES

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

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

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

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

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

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

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

PART VIII. THE UNIVERSITY OF NORTH CAROLINA SYSTEM

COMPLETION ASSISTANCE PROGRAMS

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

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

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

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

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

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

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

EXPAND CHEATHAM-WHITE SCHOLARSHIP PROGRAM

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

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

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

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

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

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

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

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

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

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

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

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

- (1) Design and implement an application and school nomination process to be used to identify potential scholarship candidates and a process for awarding the scholarships.
- ...
- (9) Any other function necessary for the successful implementation of the Cheatham-White Scholarships program and administration of the Cheatham-White Scholarships Fund."

NORTH CAROLINA SCHOOL OF SCIENCE AND MATH RECEIPT FLEXIBILITY

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

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

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

**NORTH CAROLINA SCHOOL OF SCIENCE AND MATH RESIDENCY
DETERMINATION**

SECTION 8.4. G.S. 116-235 reads as rewritten:

"§ 116-235. Board of Trustees; additional powers and duties.

...

(b) Students. –

(1) Admission of Students. – The School shall admit students in accordance with criteria, standards, and procedures established by the Board of Trustees. To be eligible to be considered for admission, an applicant must be either a legal resident of the State, as defined by ~~G.S. 116-143.1(a)(1)~~ G.S. 116-143.1(b) or a student whose parent is an active duty member of the Armed Forces, as defined by G.S. 116-143.3(a)(2), who is abiding in this State incident to active military duty at the time the application is submitted, provided the student shares the abode of that parent; eligibility to remain enrolled in the School shall terminate at the end of any school year during which a student becomes a nonresident of the State. The Board of Trustees shall ensure, insofar as possible without jeopardizing admission standards, that an equal number of qualified applicants is admitted to the program and to the residential summer institutes in science and mathematics from each of North Carolina's congressional districts. In no event shall the differences in the number of qualified applicants offered admission to the program from each of North Carolina's congressional districts be more than two and one-half percentage points from the average number per district who are offered admission.

...."

PART VIII-A. NORTH CAROLINA STATE EDUCATION ASSISTANCE AUTHORITY

OPPORTUNITY SCHOLARSHIPS ACCOUNTABILITY

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

"§ 115C-562.1. Definitions.

The following definitions apply in this Part:

...

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

- a. Is eligible to attend a North Carolina public school pursuant to Article 25 of this Chapter. A child who is the age of 4 on or before April 16 is eligible to attend the following school year if the principal, or equivalent, of the school in which the child seeks to enroll finds that the student meets the requirements established by the Authority pursuant to G.S. 115C-562.2(d) and those findings are submitted to the Authority.
- b. Has not been enrolled in a postsecondary institution as a full-time student taking at least 12 hours of academic credit.
- c. Has not been placed in a nonpublic school or facility by a public agency at public expense.
- d. Received a scholarship grant during the previous school year."

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

"§ 115C-562.2. Scholarship grants.

(a) The Authority shall make available no later than February 1 annually applications to eligible students for the award of scholarship grants to attend any nonpublic school on a full or

part-time basis. Information about scholarship grants and the application process shall be made available on the Authority's Web site. Beginning March 15, the Authority shall begin awarding scholarship grants to students who have applied by March 1 ~~in the following order:~~ according to the following criteria:

- (1) Eligible students who received a scholarship grant for the school year prior to the school year for which the students are applying.
- ~~(2) Eligible students qualifying for a scholarship grant in the amount provided under subdivision (1) of subsection (b2) of this section.~~
- ~~(3) Eligible students qualifying for a scholarship grant in the amount provided under subdivision (2) of subsection (b2) of this section.~~
- ~~(4) Eligible students qualifying for a scholarship grant in the amount provided under subdivision (3) of subsection (b2) of this section.~~
- ~~(5) All other students.~~

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

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

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

- (1) For students residing in households with an income level not in excess of the amount required for the student to qualify for the federal free or reduced-price lunch program, per year per eligible student, an amount of up to one hundred percent (100%) of the average State per pupil allocation for average daily membership in the prior fiscal year.
- (2) For students residing in households with an income level between the amount required for the student to qualify for the federal free or reduced-price lunch program and not in excess of ~~two hundred percent (200%)~~ one hundred and fifty percent (150%) of that amount, per year per eligible student, an amount of up to ninety percent (90%) of the average State per pupil allocation for average daily membership in the prior fiscal year.
- ~~(3) For students residing in households with an income level of between two hundred percent (200%) of the amount required for the student to qualify for the federal free or reduced-price lunch program and not in excess of four hundred fifty percent (450%) of that amount, per year per eligible student, an amount of up to sixty percent (60%) of the average State per pupil allocation for average daily membership in the prior fiscal year.~~
- ~~(4) For all students, per year per eligible student, an amount of up to fortyfive percent (45%) of the average State per pupil allocation for average daily membership in the prior fiscal year, unless the student qualifies for a higher amount under this subsection.~~

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

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

(b5) In addition to the amount of the scholarship grant, for any student receiving a scholarship grant in grades three, eight, or 11, the Authority shall provide to the nonpublic school an amount equal to the cost of the nationally standardized test required to be administered as provided in G.S. 115C-562.5.

(c) The Authority shall permit an eligible student receiving a scholarship grant to enroll in a different nonpublic school and remain eligible. An eligible student receiving a scholarship grant who transfers to another nonpublic school during the year may be eligible to receive a pro

1 rata share of any unexpended portion of the scholarship grant for tuition and fees at the nonpublic
2 school to which the student transfers.

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

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

7 "**§ 115C-562.5. Obligations of nonpublic schools accepting eligible students receiving**
8 **scholarship grants.**

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

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

13 (1a) Shall not increase tuition each year by more than the Consumer Price Index
14 as calculated by the United States Bureau of Labor Statistics and reported on
15 January 1 of the year in which the school is increasing tuition.

16 (2) Provide to the Authority a criminal background check conducted for the staff
17 member with the highest decision-making authority, as defined by the bylaws,
18 articles of incorporation, or other governing document, to ensure that person
19 has not been convicted of any crime listed in G.S. 115C-332.

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

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

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

39 b. The ACT in grade 11.

40 c. ~~A nationally standardized test or other nationally standardized~~
41 ~~equivalent measurement—norm-referenced assessment~~ selected by the
42 chief administrative officer of the nonpublic school from the list of
43 approved assessments determined by the Authority in all other grades
44 four and higher. For grades four through seven, the nationally
45 ~~standardized test or other equivalent measurement selected must~~
46 ~~measure achievement—nationally norm-referenced assessments~~
47 approved by the Authority must assess student performance in the
48 areas of English grammar, reading, spelling, and mathematics. For
49 grades nine, 10, and 12, the nationally standardized test or other
50 ~~equivalent measurement selected must nationally norm-referenced~~
51 assessments approved by the Authority must measure either (i)

- 1 ~~achievement~~ student performance in the areas of English grammar,
2 reading, spelling, and mathematics or (ii) competencies in the verbal
3 and quantitative areas. The Authority shall approve at least two but not
4 more than three nationally norm-referenced assessments for each
5 grade level for this purpose.
- 6 d. The assessments and tests required by the State Board of Education
7 for public schools to comply with federal law according to grade level
8 pursuant to G.S. 115C-174.11(c)(1).
- 9 (4b) Pursuant to G.S. 115C-107.6, educate each child with a disability awarded
10 scholarship funds in accordance with that child's Individualized Education
11 Program (IEP) and in compliance with the Individuals with Disabilities Act
12 (IDEA) and State Board of Education policies.
- 13 (5) Provide to the Authority four-year cohort graduation rates of the students
14 receiving scholarship grants in a manner consistent with requirements of Title
15 I, Part A of ESEA and 34 C.F.R. § 200.19. ~~nationally recognized standards.~~
- 16 (5b) Provide to the Authority by August 1 of each year attendance records of
17 students receiving scholarship grants during the previous school year
18 including the name of any schools attended during that time.
- 19 (5c) Report annually to the State Board of Education the incidents of reportable
20 crime pursuant to G.S. 115C-228.
- 21 (6) Contract with a certified public accountant to perform a financial ~~review~~ audit,
22 consistent with generally accepted methods of accounting or any other
23 comprehensive basis of accounting recognized by the American Institute of
24 Certified Public Accountants (AICPA) a minimum of once every two years
25 for each school year in which the school enrolls ~~70 or more students receiving~~
26 ~~scholarship grants or scholarship funds awarded by the Authority.~~ students
27 who collectively receive more than one hundred thousand dollars (\$100,000)
28 in scholarship grants awarded under this Part. If a nonpublic school accepts
29 students receiving less than one hundred thousand dollars (\$100,000) in
30 scholarship grants, the school shall contract with a certified public accountant
31 to perform a financial audit once every three years. The nonpublic school shall
32 submit the audit report to the Authority by December 31 of each year an audit
33 is conducted. The Authority may require a school to be audited annually after
34 the school has two consecutive financial audits with findings. The Authority
35 shall ensure that all schools are audited in accordance with this section.
- 36 (7) Maintain a school facility within the State where in-person instruction is
37 provided. This subdivision does not prohibit a school from offering
38 remote-only courses of instruction in addition to in-person instruction.
- 39 (8) Provide the following information annually to the Division:
40 a. Name and address of the school, including physical location address.
41 A school with more than one physical location shall establish a
42 separate notice of intent for each physical location and shall provide
43 all information required by this subdivision for each physical location.
44 b. The name of the owners and chief administrator, as well as their
45 contact information.
46 c. Number of students in attendance at the school as of October 1.
47 d. Total number of students enrolled in the school as of the last day of
48 the previous school year.
49 e. Documentation of a completed fire inspection within the previous 365
50 days.

- (9) In coordination with local law enforcement agencies, adopt a School Risk Management Plan (SRMP) relating to incidents of school violence as detailed in G.S. 115C-47(40). In constructing and maintaining these plans, the school shall utilize the School Risk and Response Management System (SRRMS) established pursuant to G.S. 115C-105.49A. These plans are not considered a public record as the term "public record" is defined under G.S. 132-1.
- (10) Pursuant to G.S. 115C-105.53, provide schematic diagrams and keys to the main entrance of school facilities to local law enforcement agencies. These diagrams are not considered a public record as the term "public record" is defined under G.S. 132-1.
- (11) Pursuant to G.S. 115C-105.49, at least once a year, hold a full school-wide lockdown exercise with local law enforcement and emergency management agencies that are part of the qualified nonpublic school's SRMP.
- (12) Provide the following: (i) schematic diagrams, including digital schematic diagrams, and (ii) emergency response information requested by the Department of Public Safety, Division of Emergency Management for the SRMP. These diagrams and emergency response information are not considered a public record as the term "public record" is defined under G.S. 132-1.
- (b) A nonpublic school that accepts students receiving scholarship grants shall not require any additional fees based on the status of the student as a scholarship grant recipient.
- (c) A nonpublic school enrolling more than 25-10 students in any grade whose tuition and fees are paid in whole or in part with a scholarship grant shall provide and retain information on student test performance in each grade with more than 25-10 students, as follows:
- (1) Report to the Authority on the aggregate standardized test performance of the individual student test performance of eligible students in grades three, eight, and 11 under subsection (4) of this section. Aggregate test performance data reported to the Authority which does not contain personally identifiable student data shall be a public record under Chapter 132 of the General Statutes. The Authority shall make these reports of aggregate student test performance publicly available. Test performance data may be shared with public or private institutions of higher education located in North Carolina and shall be provided to an independent research organization selected by the Authority for research purposes as permitted by the Federal Education Rights and Privacy Act, 20 U.S.C. § 1232g.
- (2) Retain standardized test performance data for eligible students in all other grades and annually certify to the Authority compliance with the requirements of subdivision (4) of subsection (a) of this section.
- (c1) A nonpublic school shall not discriminate with respect to: ~~the categories listed in 42 U.S.C. § 2000d, as that statute read on January 1, 2014~~
- (1) race, color, and national origin as listed in 42 U.S.C. § 2000d, as that statute read on January 1, 2014,
- (2) disability as defined in the Americans With Disabilities Act of 1990, 42 U.S.C. § 12101 as that statute read on January 1, 2024, and
- (3) sexual orientation."
- SECTION 8A.1.(d)** G.S. 115C-562.7(b) is amended by adding a new subdivision to read:
- "§ 115C-562.7. Reporting requirements.**
- ...
- (6) Information on the compliance with the academic assessment requirement pursuant to G.S. 115C-562.5(3a-b).

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

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

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

...

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

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

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

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

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

"...

(c) The State Education Assistance Authority, in coordination with the Department of Public Instruction, shall make publicly available by September 30 of each year school achievement, growth, and performance scores and associated performance grades pursuant to G.S. 115C-83.15 for nonpublic schools that enroll more than 10 students whose tuition and fees are paid in whole or in part with a scholarship grant. This section is effective with the 2026-27 school year. The first school achievement, growth, and performance scores and associated performance grades shall be made publicly available by September 30, 2027.

...."

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

3 **SECTION 8A.1.(i)** The State Education Assistance Authority shall transfer one
4 hundred fourteen million, seven hundred twenty-one thousand, four hundred nine dollars
5 (\$114,721,409) in unused fund balance from the Opportunity Scholarship Grant Fund Reserve
6 to budget code 16012 in the General Fund.

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

9
10 **CHILDREN OF WARTIME VETERANS SCHOLARSHIP FUND AWARDS**
11 **FLEXIBILITY**

12 **SECTION 8A.2.** G.S. 143B-1227 reads as rewritten:

13 **"143B-1227. Administration and funding.**

14 ...

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

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

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

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

30 (f) The Secretary, after consulting with the Authority, may determine based on the
31 number of eligible students, including new and renewal students, that have applied for the 2026-
32 2027 academic year, whether to reduce the room and board allowance award for students
33 attending a public institution and the maximum allowance award for students attending private
34 institutions, prior to August 15, 2026.

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

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

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

43 (j) From the total amount of funding appropriated to the Board of Governors of The
44 University of North Carolina and allocated to the Authority in a fiscal year to support the award
45 of scholarship funds under the Program, the Authority may use an amount of up to two and one-
46 half percent (2.5%) for administration costs related to the Program from the allocation from the
47 General Fund. The Authority shall place any unexpended and unencumbered appropriated funds
48 remaining at the end of the 2025-2026 and 2026-2027 fiscal years into an institutional trust fund
49 established in accordance with the provisions of G.S. 116-36.1. Those funds may be used for the
50 purpose of awarding scholarships under the Program and for administration costs of the Authority
51 related to the Program."

PART IX. HEALTH AND HUMAN SERVICES**PART IX-A. AGING AND ADULT SERVICES [RESERVED]****PART IX-B. CENTRAL MANAGEMENT AND SUPPORT****COMMUNITY HEALTH GRANT PROGRAM**

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

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

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

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

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

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

- (1) The identity and a brief description of each grantee and each program or service offered by the grantee.
- (2) The amount of funding awarded to each grantee.
- (3) The number of individuals served by each grantee and, for the individuals served, the types of services provided to each.
- (4) Any other information requested by the Office of Rural Health as necessary for evaluating the success of the Community Health Grant Program.

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

SECTION 9B.2. The Department of Health and Human Services shall develop and implement a replacement for outdated data systems supporting substance use prevention and

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

13 **USE OF TALC SETTLEMENT FUNDS**

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

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

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

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

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

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

APPROPRIATION OF RURAL HEALTH TRANSFORMATION GRANT FUNDS

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

PART IX-C. CHILD AND FAMILY WELL-BEING [RESERVED]**PART IX-D. CHILD DEVELOPMENT AND EARLY EDUCATION****NC PRE-K PROGRAMS/STANDARDS FOR FOUR AND FIVE-STAR RATED FACILITIES**

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

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

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

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

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

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

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

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

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

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

CHILD CARE SUBSIDY RATES

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

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

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

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

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

- (1) Religious sponsored child care facilities operating pursuant to G.S. 110-106 and licensed child care centers and homes that meet the minimum licensing standards that are participating in the subsidized child care program shall be paid the one-star county market rate unless prohibited by subsection (f) of this section.
- (2) Licensed child care centers and homes with two or more stars shall receive the county market rate for that rated license level for that age group or the statewide rate floor, whichever is higher, unless prohibited by subsection (g) of this section.
- (3) Certified Developmental Day Centers shall receive the statewide average or county market rate, whichever is higher, plus a multiplier of 0.75 for children with special needs and multiplier of 0.5 for typically developing children.
- (4) No payments shall be made for transportation services charged by child care facilities.
- (5) Payments for subsidized child care services for postsecondary education shall be limited to a maximum of 20 months of enrollment. This shall not be determined before a family's annual recertification period.

- (6) The Department of Health and Human Services shall implement necessary rule changes to restructure services, including, but not limited to, targeting benefits to employment.

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

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

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

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

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

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

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

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

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

- 5 (1) The child for whom a child care subsidy is sought is receiving child protective
6 services or foster care services.
- 7 (2) The child for whom a child care subsidy is sought is developmentally delayed
8 or at risk of being developmentally delayed.
- 9 (3) The child for whom a child care subsidy is sought is a citizen of the United
10 States.

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

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

23 24 **CHILD CARE ALLOCATION FORMULA**

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

- 33 (1) Funds shall be allocated to a county based upon the projected cost of serving
34 children under age 11 in families with all parents working who earn less than
35 the applicable federal poverty level percentage set forth in Section 9D.3(a) of
36 this act.
- 37 (2) The Division may withhold up to two percent (2%) of available funds from
38 the allocation formula for (i) preventing termination of services throughout
39 the fiscal year and (ii) repayment of any federal funds identified by counties
40 as overpayments, including overpayments due to fraud. The Division shall
41 allocate to counties any funds withheld before the end of the fiscal year when
42 the Division determines the funds are not needed for the purposes described
43 in this subdivision. The Division shall submit a report to the Joint Legislative
44 Oversight Committee on Health and Human Services and the Fiscal Research
45 Division, which report shall include each of the following:
 - 46 a. The amount of funds used for preventing termination of services and
47 the repayment of any federal funds.
 - 48 b. The date the remaining funds were distributed to counties.
 - 49 c. As a result of funds withheld under this subdivision and after funds
50 have been distributed, any counties that did not receive at least the

amount the counties received the previous year and the amount by which funds were decreased.

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

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

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

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

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

SMART START INITIATIVES

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

- (1) Increase children's literacy.
- (2) Increase the parents' ability to raise healthy, successful children.
- (3) Improve children's health.
- (4) Assist four and five-star-rated facilities in improving and maintaining quality.

SECTION 9D.4.(b) Administration. – Administrative costs shall be equivalent to, on an average statewide basis for all local partnerships, not more than ten percent (10%) of the total statewide allocation to all local partnerships. For purposes of this subsection, administrative costs shall include costs associated with partnership oversight, business and financial management, general accounting, human resources, budgeting, purchasing, contracting, and

information systems management. The North Carolina Partnership for Children, Inc., shall continue using a single statewide contract management system that incorporates features of the required standard fiscal accountability plan described in G.S. 143B-168.12(a)(4). All local partnerships are required to participate in the contract management system and, directed by the North Carolina Partnership for Children, Inc., to collaborate, to the fullest extent possible, with other local partnerships to increase efficiency and effectiveness.

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

- (1) The population of the area serviced by a local partnership.
- (2) The amount of State funds administered.
- (3) The amount of total funds administered.
- (4) The professional experience of the individual to be compensated.
- (5) Any other relevant factors pertaining to salary, as determined by the North Carolina Partnership for Children, Inc.

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

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

- (1) Be verifiable from the contractor's records.
- (2) If in-kind, other than volunteer services, be quantifiable in accordance with generally accepted accounting principles for nonprofit organizations.
- (3) Not include expenses funded by State funds.
- (4) Be supplemental to and not supplant preexisting resources for related program activities.
- (5) Be incurred as a direct result of the Early Childhood Initiatives Program and be necessary and reasonable for the proper and efficient accomplishment of the Program's objectives.
- (6) Be otherwise allowable under federal or State law.

(7) Be required and described in the contractual agreements approved by the North Carolina Partnership for Children, Inc., or the local partnership.

(8) Be reported to the North Carolina Partnership for Children, Inc., or the local partnership by the contractor in the same manner as reimbursable expenses.

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

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

(1) For amounts of five thousand dollars (\$5,000) or less, the procedures specified by a written policy as developed by the Board of Directors of the North Carolina Partnership for Children, Inc.

(2) For amounts greater than five thousand dollars (\$5,000) but less than fifteen thousand dollars (\$15,000), three written quotes.

(3) For amounts of fifteen thousand dollars (\$15,000) or more but less than forty thousand dollars (\$40,000), a request for proposal process.

(4) For amounts of forty thousand dollars (\$40,000) or more, a request for proposal process and advertising in a major newspaper.

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

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

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

(1) Capital expenditures are prohibited for the 2025-2027 fiscal biennium. For the purposes of this section, "capital expenditures" means expenditures for capital improvements as defined in G.S. 143C-1-1(d)(5).

(2) Expenditures of State funds for advertising and promotional activities are prohibited for the 2025-2027 fiscal biennium.

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

SECTION 9D.4.(i) Notwithstanding subsection (h) of this section, the North Carolina Partnership for Children, Inc., and local partnerships may use up to one percent (1%) of State funds for fundraising activities. The North Carolina Partnership for Children, Inc., shall include in its annual report required under G.S. 143B-168.12(d) a report on the use of State funds for fundraising. The report shall include the following:

(1) The amount of funds expended on fundraising.

(2) Any return on fundraising investments.

(3) Any other information deemed relevant.

PART IX-E. HEALTH BENEFITS

CONTINUE MEDICAID ANNUAL REPORT

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

VOLUME PURCHASE PLANS AND SINGLE SOURCE PROCUREMENT

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

ADMINISTRATIVE HEARINGS FUNDING

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

ACCOUNTING FOR MEDICAID RECEIVABLES AS NONTAX REVENUE

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

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

- (1) The University of North Carolina Hospitals at Chapel Hill shall make the following deposits:
 - a. For the 2025-2026 fiscal year, the amount of thirty-one million three hundred sixty-five thousand three hundred five dollars (\$31,365,305).
 - b. For the 2026-2027 fiscal year, the amount of thirty-one million three hundred sixty-five thousand three hundred five dollars (\$31,365,305).

- (2) All State-owned and State operated hospitals, other than the University of North Carolina Hospitals at Chapel Hill, that specialize in psychiatric care shall annually deposit an amount equal to the amount of the payments from DHB for uncompensated care.

LME/MCO INTERGOVERNMENTAL TRANSFERS

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

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

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

MEDICAID TRANSFORMATION FUND BALANCE

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

CREATE DESIGNATED STATE HEALTH PROGRAM SAVINGS BUDGET FUND

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

APPROPRIATION OF GOVERNMENT EFFICIENCY GRANT

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

LEGISLATIVE INTENT

SECTION 9E.9.1. 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 P.L. 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 9E.9.2.(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 9E.9.2.(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 9E.9.2.(c) G.S. 108A-146.5(a) 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 9E.9.2.(d) G.S. 108A-146.14 reads as rewritten:

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

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

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

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

The modernized IGT actual receipts adjustment components is a dollar amount equal to the amount of the modernized presumptive IGT adjustment component under G.S. 108A-146.13(c)

for the previous quarter plus the public hospital modernized presumptive IGT offset amount under G.S. 108A-146.1A for the previous quarter minus the amount of money received during the previous quarter by the Department through the intergovernmental transfer and designated in the Department's accounting system as a receipt related to the modernized assessments. If this calculation results in a negative number, the modernized IGT actual receipts adjustment component is zero."

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

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

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

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

(b) The public hospital health advancement 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 in accordance with this Part. ~~The~~

(c) Through June 30, 2026, the percentage for each quarter shall equal the aggregate acute care hospital health advancement assessment collection amount calculated under G.S. 108A-147.3 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 health advancement assessment quarterly percentage shall equal the health advancement IGT actual receipts adjustment components under G.S. 108A-147.10 divided by the total hospital costs for all public acute care hospitals holding a license on the first day of the assessment quarter."

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

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

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

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

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

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

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

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

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

3 **"§ 108A-147.10. Health advancement IGT actual receipts adjustment component.**

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

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

15 **"§ 108A-147.11. Health advancement reconciliation adjustment component.**

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

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

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

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

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

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

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

50 **SECTION 9E.9.2.(n)** Except as otherwise provided, this section is effective July 1,
51 2026, and applies to assessments imposed on or after that date.

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

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

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

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

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

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

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

- (1) The assessment shall be calculated, imposed, and due in the time and manner prescribed by DHHS and shall be considered delinquent if not paid within seven calendar days of this due date.
- (2) With respect to any hospital owing a past due assessment amount, DHHS may withhold the unpaid amount from Medicaid payments otherwise due or impose a late payment penalty. DHHS may waive a penalty for good cause shown.
- (3) A hospital may appeal a determination of the assessment amount owed through a reconsideration review. The pendency of an appeal does not relieve a hospital from its obligation to pay an assessment amount when due.
- (4) The assessment may be included as allowable costs of a hospital for purposes of any applicable Medicaid reimbursement formula, except the assessment shall be excluded from cost settlement.
- (5) The assessment may not be added as a surtax or assessment on a patient's bill.

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

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

10
11 **HOSPITAL HEALTH ADVANCEMENT ASSESSMENT FUNDING FOR NEW**
12 **ADMINISTRATIVE COSTS**

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

14 "**§ 108A-147.7. Administration Base administration component.**

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

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

28 (c) ~~For each quarter of the 2022-2023 State fiscal year and the 2023-2024 State fiscal~~
29 ~~year, the county administration subcomponent is the product of one million six hundred~~
30 ~~sixty seven thousand dollars (\$1,667,000) multiplied by the number of months in that State fiscal~~
31 ~~quarter in which G.S. 108A-54.3A(24) is effective during any part of the month. The base county~~
32 ~~administration subcomponent is seven million four hundred thousand dollars (\$7,400,000) for~~
33 ~~each quarter of the 2024-2025 State fiscal year and seven million eight hundred thousand dollars~~
34 ~~(\$7,800,000) for each quarter of the 2025-2026 State fiscal year. For each State fiscal year after~~
35 ~~the 2025-2026 State fiscal year, the base county administration subcomponent shall be increased~~
36 ~~over the prior year's quarterly amount by a percentage that is the sum of each monthly percentage~~
37 ~~change in the Consumer Price Index: All Urban Consumers for the most recent 12 months~~
38 ~~available on March 1 of the previous State fiscal year."~~

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

41 "**§ 108A-147.7A. Supplemental administration component.**

42 (a) The supplemental administration component is an amount of money that is calculated
43 by adding the supplemental State administration subcomponent calculated under subsection (b)
44 of this section and the supplemental county administration subcomponent calculated under
45 subsection (c) of this section.

46 (b) For the quarter of the 2026-2027 fiscal year beginning on July 1, 2026, the
47 supplemental State administration subcomponent is zero. For the quarter of the 2026-2027 fiscal
48 year beginning on October 1, 2026, the supplemental State administration subcomponent is three
49 million three hundred thousand dollars (\$3,300,000). For the quarter of the 2026-2027 fiscal year
50 beginning on January 1, 2207, the supplement State administration subcomponent is two million
51 three hundred fifty thousand dollars (\$2,350,000). For the quarter of the 2026-27 fiscal year

beginning on April 1, 2027, the supplemental State administration subcomponent is three million, three hundred thousand dollars (\$3,300,000). For the 2027-2028 fiscal year, the quarterly supplemental State administration subcomponent shall be three million three hundred thousand dollars (\$3,300,000) increased by a percentage that is the sum of each monthly percentage change in the Consumer Price Index: All Urban Consumers for the most recent 12 months available on March 1 of the previous State fiscal year. For each subsequent State fiscal year through the 2035-2036 State fiscal year, the supplemental State administration subcomponent shall be increased over the prior year's quarterly amount by a percentage that is the sum of each monthly percentage change in the Consumer Price Index: All Urban Consumers for the most recent 12 months available March 1 of the previous State fiscal year. For each State Fiscal year beginning on or after July 1, 2036, the supplemental State administration subcomponent quarterly amount is zero.

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

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

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

...

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

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

...."

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

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

...

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

- (1) Sixty percent (60%) of the public hospital share of the sum of the presumptive service cost component calculated under G.S. 108A-147.5 for the current quarter, the base administration component calculated under G.S. 108A-147.7 for the current quarter, the supplemental administration component calculated under G.S. 108A-147.7A, and the State retention component under G.S. 108A-147.8 for the current quarter. The public hospital share is the total hospital costs for all public acute care hospitals divided by the total hospital

costs for all acute care hospitals except for critical access hospitals and rural emergency hospitals for the current quarter.

...

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

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

...

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

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

...."

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

"§ 108A-147.13. Use of funds.

...

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

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

...."

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

ADMINISTRATIVE COST REPORTING AND RECONCILIATION

SECTION 9E.9.5. No later than October 1, 2029, the Department of Health and Human Services, Division of Health Benefits (DHB), shall submit a report to the House of

Representatives Appropriations Committee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, the Joint Legislative Oversight Committee on Medicaid, and the Fiscal Research Division that includes all of the following:

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

REPORTING ON CERTAIN CHANGES RESULTING IN REDUCTION IN ADMINISTRATIVE COSTS

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

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

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

END NEW HOSPITAL ASSESSMENT AMOUNTS UNDER CERTAIN CONDITIONS

SECTION 9E.9.7.(a) In developing the average commercial rate demonstration for the Healthcare Access and Stabilization Program (HASP), the Department of Health and Human Services, Division of Health Benefits (DHB), shall use the payment methodology or

approach that produces the maximum allowable level of HASP reimbursements to hospitals and receives federal approval.

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

- (1) Centers for Medicare and Medicaid Services (CMS) approved a HASP preprint that is less than ninety-five percent (95%) of the maximum allowable amount for HASP under federal law or regulation, calculated based on all of the following:
 - a. Limits on state directed payments and provider taxes established under P.L. 119-21.
 - b. Any federal laws or regulations related to state directed payments, provider taxes, and intergovernmental transfers that are applicable to the period for which the CMS approval is received.
- (2) The gross HASP reimbursements to hospitals approved by CMS for a fiscal year are less than one billion five hundred million dollars (\$1,500,000,000).
- (3) The gross HASP reimbursements paid to hospitals, calculated on an accrual basis, for a fiscal year are less than one billion five hundred million dollars (\$1,500,000,000).
- (4) A change in federal law or regulation resulted in adjusted hospital intergovernmental transfers, in any quarter, that were at least twenty percent (20%) lower than the amount of base hospital intergovernmental transfers for that quarter. For purposes of this subdivision, the following definitions apply:
 - a. Actual hospital intergovernmental transfers. – The sum of all intergovernmental transfers designated in DHHS's accounting system as either a receipt for health advancement or a receipt related to the modernized assessments.
 - b. Adjusted hospital intergovernmental transfers. – The amount of the base hospital intergovernmental transfers adjusted to account for any new federal restrictions on intergovernmental transfers established through federal law or regulation.
 - c. Base hospital intergovernmental transfers. – The sum of actual hospital intergovernmental transfers collected during the quarter of fiscal year 2025-2026 beginning on October 1, 2025, plus the amount of hospital assessments under Article 7B of Chapter 108A of the General Statutes collected in that quarter from public acute care hospitals, adjusted for any changes in hospital status that occurred after October 1, 2025.
 - d. Changes in hospital status. – As defined in G.S. 108A-146.17.
 - e. Public acute care hospital. – As defined in G.S. 108A-145.3.

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

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

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

3 **"§ 108A-147.7A. Supplemental administration component.**

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

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

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

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

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

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

41
42 **REPORT ON OPTIONS FOR CONTINUED FUNDING AFTER JUNE 30, 2036**

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

50
51 **EFFECTIVE DATE**

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

3
4 **PART IX-F. HEALTH SERVICES REGULATION**

5
6 **CONSTRUCTION SECTION PLAN REVIEW FEES REMAIN IN DHSR**

7 **SECTION 9F.1.** G.S. 131E-267(a) reads as rewritten:

8 "**§ 131E-267. Fees for departmental review of licensed health care facility or Medical Care**
9 **Commission bond-financed construction projects.**

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

19
20 **PART IX-G. MENTAL HEALTH/DEVELOPMENTAL DISABILITIES/SUBSTANCE**
21 **USE SERVICES**

22
23 **SINGLE STREAM FUNDING FOR DMH/DD/SUS COMMUNITY SERVICES**

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

34 **SECTION 9G.1.(b)** If, on or after June 1, 2027, the Office of State Budget
35 Management (OSBM) certifies a Medicaid budget surplus and sufficient case in Budget Code
36 14445 to meet total obligations for the 2026-2027 fiscal year, then DHB shall transfer to
37 DMH/DD/SUS funds not to exceed the amount of the certified surplus or thirty million dollars
38 (\$30,000,000), whichever is less, to be used for single stream funding.

39
40 **LOCAL INPATIENT PSYCHIATRIC BEDS OR BED DAYS**

41 **SECTION 9G.2.(a)** Use of Funds. – Funds appropriated in this act to the Department
42 of Health and Human Services, Division of Mental Health, Developmental Disabilities, and
43 Substance Use Services, shall continue to be used for the purchase of local inpatient psychiatric
44 beds or bed days. The Department of Health and Human Services (DHHS) shall continue to
45 implement a two-tiered system of payment for purchasing these local inpatient psychiatric beds
46 or bed days based on acuity level with an enhanced rate of payment for inpatient psychiatric beds
47 or bed days for individuals with higher acuity levels, as defined by DHHS. The enhanced rate of
48 payment for inpatient psychiatric beds or bed days for individuals with higher acuity levels shall
49 not exceed the lowest average cost per patient bed day among the State psychiatric hospitals. In
50 addition, at the discretion of the Secretary of Health and Human Services, existing funds allocated
51 to LME/MCOs for community-based mental health, developmental disabilities, and substance

use disorder services may be used to purchase additional local inpatient psychiatric beds or bed days. DHHS may allocate funding to the LME/MCOs for the purchase of facility-based crisis, nonhospital detoxification services and peer respite services to support individuals that do not meet the medical necessity for inpatient treatment and can be diverted from an inpatient hospital stay.

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

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

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

SECTION 9G.2.(d) Ineffective LME/MCO Management of Beds or Bed Days. – If DHHS determines that (i) an LME/MCO is not effectively managing the beds or bed days for which it has responsibility, as evidenced by beds or bed days in the local hospital not being utilized while demand for services at the State psychiatric hospitals has not decreased, or (ii) the LME/MCO has failed to comply with the prompt payment provisions of this section, DHHS may contract with another LME/MCO to manage the beds or bed days or, notwithstanding any other provision of law to the contrary, may pay the hospital directly.

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

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

- (1) A uniform system for beds or bed days purchased during the preceding fiscal year from (i) existing State appropriations and (ii) local funds.

- (2) An explanation of the process used by DHHS to ensure that, except as otherwise provided in subsection (a) of this section, local inpatient psychiatric beds or bed days purchased in accordance with this section are utilized solely for individuals who are medically indigent, along with the number of medically indigent individuals served by the purchase of these beds or bed days.
- (3) The amount of funds used to pay for facility-based crisis services, along with the number of individuals who received these services and the outcomes for each individual.
- (4) The amount of funds used to pay for nonhospital detoxification services, along with the number of individuals who received these services and the outcomes for each individual.
- (5) Other DHHS initiatives funded by State appropriations to reduce State psychiatric hospital use.

PART IX-H. PUBLIC HEALTH

USE OF JUUL SETTLEMENT FUNDS

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

- (1) One million two hundred and fifty thousand dollars (\$1,250,000) in nonrecurring funds for the 2026-2027 fiscal year shall be used to support data monitoring to track tobacco/nicotine use and exposure among youth and young adults and populations at risk; for independent evaluation of the reach, effectiveness, and outcomes of the State's evidence based programs designed to help youth addicted to nicotine through electronic cigarettes and other new and emerging tobacco and nicotine products quit; and to prepare the report required by subsection (f) of this section.
- (2) One million dollars (\$1,000,000) in nonrecurring funds for the 2026-2027 fiscal year shall be used for tobacco cessation media campaigns, resources, and programs to help both youth and young adults who have become addicted to nicotine using e-cigarettes and other tobacco/nicotine products quit.
- (3) One million seven hundred and fifty thousand dollars (\$1,750,000) in nonrecurring funds for the 2026-2027 fiscal year shall be used for evidence-based media and education campaigns to prevent initiation of tobacco use, especially with respect to e-cigarettes and other new and emerging tobacco/nicotine products.
- (4) Two million dollars (\$2,000,000) in nonrecurring funds for the 2026-2027 fiscal year shall be used for staff and projects and systems to educate partners and stakeholders about evidence-based approaches that help youth quit tobacco/nicotine products and prevent initiation of tobacco/nicotine products.

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

SECTION 9H.1.(c) Annually on November 1 the Department of Health and Human Services shall report to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division on the expenditures made from the Youth Electronic Nicotine

Dependence Abatement Fund during the preceding fiscal year. The report shall include at least all of the following:

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

USE OF ELECTRIC TOBACCONIST SETTLEMENT FUNDS

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

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

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

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

USE OF BEARD VAPE SETTLEMENT FUNDS

SECTION 9H.3.(a) The Beard Vape Fund (Fund) is created within the Department of Health and Human Services, Division of Public Health, as a non-reverting special fund. The Fund shall consist of (i) monies received by the State as a beneficiary of the final consent judgment resolving the case, State of North Carolina, ex rel. Joshua H. Stein, Attorney General v. Beard Vape Co., LLC, in the General Court of Justice, Superior Court Division, Durham County (Beard Vape Case) and (ii) all interest and investment earnings received on monies in the Fund. Monies in the Fund shall be expended only by an act of appropriation by the General Assembly and in accordance with the final consent judgment resolving the Beard Vape Case.

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

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

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

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

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

PART IX-J. SOCIAL SERVICES

TANF BENEFIT IMPLEMENTATION

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

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

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

SECTION 9J.1.(d) For each year of the 2025-2027 fiscal biennium, Electing Counties shall be held harmless to their Work First Family Assistance allocations for the 2024-2025 fiscal year, provided that remaining funds allocated for Work First Family Assistance and Work First Diversion Assistance are sufficient for payments made by the Department on behalf of Standard Counties pursuant to G.S. 108A-27.11(b).

SECTION 9J.1.(e) In the event that departmental projections of Work First Family Assistance and Work First Diversion Assistance for the 2025-2026 fiscal year or the 2026-2027 fiscal year indicate that remaining funds are insufficient for Work First Family Assistance and Work First Diversion Assistance payments to be made on behalf of Standard Counties, the Department is authorized to deallocate funds, of those allocated to Electing Counties for Work First Family Assistance in excess of the sums set forth in G.S. 108A-27.11, up to the requisite amount for payments in Standard Counties. Prior to deallocation, the Department shall obtain approval by the Office of State Budget and Management. If the Department adjusts the allocation set forth in subsection (d) of this section, then a report shall be made to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division.

INTENSIVE FAMILY PRESERVATION SERVICES FUNDING, PERFORMANCE ENHANCEMENTS, AND REPORT

SECTION 9J.2.(a) Notwithstanding the provisions of G.S. 143B-150.6, the Intensive Family Preservation Services (IFPS) Program shall provide intensive services to children and families in cases of abuse, neglect, and dependency where a child is at imminent risk of removal from the home and to children and families in cases of abuse where a child is not

at imminent risk of removal. The Program shall be implemented statewide on a regional basis. The IFPS shall ensure the application of standardized assessment criteria for determining imminent risk and clear criteria for determining out-of-home placement.

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

- (1) An established follow-up system with a minimum of six months of follow-up services.
- (2) Detailed information on the specific interventions applied, including utilization indicators and performance measurement.
- (3) Cost-benefit data.
- (4) Data on long-term benefits associated with IFPS. This data shall be obtained by tracking families through the intervention process.
- (5) The number of families remaining intact and the associated interventions while in IFPS and 12 months thereafter.
- (6) The number and percentage, by race, of children who received IFPS compared to the ratio of their distribution in the general population involved with Child Protective Services.

SECTION 9J.2.(c) The Department shall continue implementing a performance-based funding protocol and shall only provide funding to those programs and entities providing the required information specified in subsection (b) of this section. The amount of funding shall be based on the individual performance of each program.

SECTION 9J.2.(d) The Department shall submit an annual report to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division by December 1 of each year that provides the information and data collected pursuant to subsection (b) of this section.

CHILD CARING INSTITUTIONS

SECTION 9J.3. Until the Social Services Commission adopts rules setting standardized rates for child caring institutions as authorized under G.S. 143B-153(8), the maximum reimbursement for child caring institutions shall not exceed the rate established for the specific child caring institution by the Department of Health and Human Services, Office of the Controller. In determining the maximum reimbursement, the State shall include county and IV-E reimbursements.

USE FOSTER CARE BUDGET FOR GUARDIANSHIP ASSISTANCE PROGRAM

SECTION 9J.4. Of the funds available for the provision of foster care services, the Department of Health and Human Services, Division of Social Services, may continue to provide for the financial support of children who are deemed to be (i) in a permanent family placement setting, (ii) eligible for legal guardianship, and (iii) otherwise unlikely to receive permanency. No additional expenses shall be incurred beyond the funds budgeted for foster care for the Guardianship Assistance Program (GAP). The Guardianship Assistance Program shall include provisions for extending guardianship services for individuals and youth who exited foster care through the Guardianship Assistance Program after 14 years of age or who have attained the age of 18 years and opt to continue to receive guardianship services until reaching 21 years of age if the individual is (i) completing secondary education or a program leading to an equivalent credential, (ii) enrolled in an institution that provides postsecondary or vocational education, (iii) participating in a program or activity designed to promote, or remove barriers to, employment, (iv) employed for at least 80 hours per month, or (v) incapable of completing the educational or employment requirements of this section due to a medical condition or disability. The Guardianship Assistance Program rates shall reimburse the legal guardian for room and board

and be set at the same rate as the foster care room and board rates in accordance with rates established under G.S. 108A-49.1.

CHILD WELFARE POSTSECONDARY SUPPORT PROGRAM (NC REACH)

SECTION 9J.5.(a) Funds appropriated in this act from the General Fund to the Department of Health and Human Services for the child welfare postsecondary support program shall be used to continue providing assistance with the "cost of attendance" as that term is defined in 20 U.S.C. § 10871 for the educational needs of foster youth aging out of the foster care system, youth who exit foster care to a permanent home through the Guardianship Assistance Program (GAP), or special needs children adopted from foster care after age 12. These funds shall be allocated by the State Education Assistance Authority.

SECTION 9J.5.(b) Of the funds appropriated in this act from the General Fund to the Department of Health and Human Services, the sum of fifty thousand dollars (\$50,000) for each year of the 2025-2027 fiscal biennium shall be allocated to the North Carolina State Education Assistance Authority (SEAA). The SEAA shall use these funds only to perform administrative functions necessary to manage and distribute scholarship funds under the child welfare postsecondary support program.

SECTION 9J.5.(c) Of the funds appropriated in this act from the General Fund to the Department of Health and Human Services, the sum of three hundred thirty-nine thousand four hundred ninety-three dollars (\$339,493) for each year of the 2025-2027 fiscal biennium shall be used to contract with an entity to administer the child welfare postsecondary support program described under subsection (a) of this section, which administration shall include the performance of case management services.

SECTION 9J.5.(d) Funds appropriated in this act to the Department of Health and Human Services for the child welfare postsecondary support program shall be used only for students attending public institutions of higher education in this State.

FEDERAL CHILD SUPPORT INCENTIVE PAYMENTS

SECTION 9J.6.(a) Centralized Services. – The North Carolina Child Support Services Section (NCCSS) of the Department of Health and Human Services, Division of Social Services, shall retain up to fifteen percent (15%) of the annual federal incentive payments it receives from the federal government to enhance centralized child support services. To accomplish this requirement, NCCSS shall do the following:

- (1) In consultation with representatives from county child support services programs, identify how federal incentive funding could improve centralized services.
- (2) Use federal incentive funds to improve the effectiveness of the State's centralized child support services by supplementing and not supplanting State expenditures for those services.
- (3) Continue to develop and implement rules that explain the State process for calculating and distributing federal incentive funding to county child support services programs.

SECTION 9J.6.(b) County Child Support Services Programs. – NCCSS shall allocate no less than eighty-five percent (85%) of the annual federal incentive payments it receives from the federal government to county child support services programs to improve effectiveness and efficiency using the federal performance measures. To that end, NCCSS shall do the following:

- (1) In consultation with representatives from county child support services programs, examine the current methodology for distributing federal incentive funding to the county programs and determine whether an alternative formula

would be appropriate. NCCSS shall use its current formula for distributing federal incentive funding until an alternative formula is adopted.

- (2) Upon adopting an alternative formula, develop a process to phase in the alternative formula for distributing federal incentive funding over a four-year period.

SECTION 9J.6.(c) Reporting by County Child Support Services Programs. – NCCSS shall continue implementing guidelines that identify appropriate uses for federal incentive funding. To ensure those guidelines are properly followed, NCCSS shall require county child support services programs to comply with each of the following:

- (1) Submit an annual plan describing how federal incentive funding would improve program effectiveness and efficiency as a condition of receiving federal incentive funding.
- (2) Report annually on the following: (i) how federal incentive funding has improved program effectiveness and efficiency and been reinvested into their programs, (ii) provide documentation that the funds were spent according to their annual plans, and (iii) explain any deviations from their plans.

SECTION 9J.6.(d) Reporting by NCCSS. – NCCSS shall submit a report on federal child support incentive funding to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division by November 1 of each year. The report shall describe how federal incentive funds enhanced centralized child support services to benefit county child support services programs and improved the effectiveness and efficiency of county child support services programs. The report shall further include any changes to the State process that NCCSS used in calculating and distributing federal incentive funding to county child support services programs and any recommendations for further changes.

SUCCESSFUL TRANSITION/FOSTER CARE YOUTH

SECTION 9J.7. The Foster Care Transitional Living Initiative Fund shall continue to fund and support transitional living services that demonstrate positive outcomes for youth, attract significant private sector funding, and lead to the development of evidence-based programs to serve the at-risk population described in this section. The Fund shall continue to support a demonstration project with services provided by Youth Villages to (i) improve outcomes for youth ages 17-21 years who transition from foster care through implementation of outcome-based Transitional Living Services, (ii) identify cost-savings in social services and juvenile and adult correction services associated with the provision of Transitional Living Services to youth aging out of foster care, and (iii) take necessary steps to establish an evidence-based transitional living program available to all youth aging out of foster care. In continuing to implement these goals, the Foster Care Transitional Living Initiative Fund shall support the following strategies:

- (1) Transitional Living Services, which is an outcome-based program that follows the Youth Villages Transitional Living Model. Outcomes on more than 7,000 participants have been tracked since the program's inception. The program has been evaluated through an independent randomized controlled trial. Results indicate that the Youth Villages Transitional Living Model had positive impacts in a variety of areas, including housing stability, earnings, economic hardship, mental health, and intimate partner violence in comparison to the control population.
- (2) Public-Private Partnership, which is a commitment by private-sector funding partners to match at least twenty-five percent (25%) of the funds appropriated to the Foster Care Transitional Living Initiative Fund for the 2025-2027 fiscal biennium for the purposes of providing Transitional Living Services through

the Youth Villages Transitional Living Model to youth aging out of foster care.

(3) Impact Measurement and Evaluation, which are services funded through private partners to provide independent measurement and evaluation of the impact the Youth Villages Transitional Living Model has on the youth served, the foster care system, and on other programs and services provided by the State which are utilized by former foster care youth.

(4) Advancement of Evidence-Based Process, which is the implementation and ongoing evaluation of the Youth Villages Transitional Living Model for the purposes of establishing the first evidence-based transitional living program in the nation. To establish the evidence-based program, additional randomized controlled trials may be conducted to advance the model.

PART IX-K. DIVISION OF EMPLOYMENT AND INDEPENDENCE FOR PEOPLE WITH DISABILITIES [RESERVED]

PART IX-L. DHHS BLOCK GRANTS

DHHS BLOCK GRANTS

SECTION 9L.1.(a) Except as otherwise provided, appropriations from federal Block Grant funds are made for each year of the fiscal biennium ending June 30, 2027, according to the following schedule:

TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF) FUNDS	FY 2025-2026	FY 2026-2027
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Local Program Expenditures

Division of Social Services

01. Work First Family Assistance	\$23,259,794	\$23,259,794
02. Work First County Block Grants	80,093,566	80,093,566
03. Work First Electing Counties	2,378,213	2,378,213
04. Adoption Services – Special Children Adoption Fund	4,001,676	4,001,676
05. Child Protective Services – Child Welfare Workers for Local DSS	11,387,190	11,387,190
06. Child Welfare Program Improvement Plan	775,176	775,176
07. Child Welfare Collaborative	400,000	400,000
08. Child Welfare Initiatives	1,400,000	2,900,000

Division of Child Development and Early Education

09. Subsidized Child Care Program	67,913,694	67,913,694
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1			
2	10. Swap-Child Care Subsidy	0	0
3			
4	11. NC Pre-K Services	68,300,000	68,300,000
5			
6	Division of Public Health		
7			
8	12. Teen Pregnancy Prevention Initiatives	3,538,541	3,538,541
9			
10	DHHS Administration		
11			
12	13. Division of Social Services	2,478,284	2,478,284
13			
14	14. Division of Child and Family Well Being	3,976	3,976
15			
16	15. Office of the Secretary	34,042	34,042
17			
18	16. Eligibility Systems – Operations and		
19	Maintenance	431,733	431,733
20			
21	17. NC FAST Implementation	428,239	428,239
22			
23	18. Division of Social Services – Workforce		
24	Innovation & Opportunity Act (WIOA)	93,216	93,216
25			
26	19. Division of Social Services TANF Modernization	2,000,000	2,000,000
27			
28	Transfers to Other Block Grants		
29			
30	Division of Child Development and Early Education		
31			
32	20. Transfer to the Child Care and		
33	Development Fund	21,773,001	21,773,001
34			
35	Division of Social Services		
36			
37	21. Transfer to Social Services Block		
38	Grant for Child Protective Services –		
39	Training	285,612	2,285,612
40			
41	22. Transfer to Social Services Block		
42	Grant for Child Protective Services	5,040,000	5,040,000
43			
44	23. Transfer to Social Services Block		
45	Grant for County Departments of		
46	Social Services for Children's Services	13,166,244	22,413,218
47			
48	24. Transfer to Social Services Block		
49	Grant – Foster Care Services	3,422,219	3,422,219
50			
51	25. Transfer to Social Services Block		

1	Grant – Child Advocacy Centers	1,582,000	1,582,000
2			
3	26. Transfer to Social Services Block		
4	Grant – Adult Protective Services	0	5,000,000
5			
6	TOTAL TEMPORARY ASSISTANCE FOR		
7	NEEDY FAMILIES (TANF) FUNDS	\$314,186,416	\$331,933,390
8			
9	TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF)		
10	EMERGENCY CONTINGENCY FUNDS		
11			
12	Local Program Expenditures		
13			
14	Division of Child Development and Early Education		
15			
16	01. Subsidized Child Care	34,337,395	34,337,395
17			
18	TOTAL TEMPORARY ASSISTANCE FOR		
19	NEEDY FAMILIES (TANF) EMERGENCY		
20	CONTINGENCY FUNDS	\$34,337,395	\$34,337,395
21			
22	SOCIAL SERVICES BLOCK GRANT		
23			
24	Local Program Expenditures		
25			
26	Divisions of Social Services and Aging and Adult Services		
27			
28	01. County Departments of Social Services	19,837,388	19,837,388
29			
30	02. County Departments of Social Services		
31	(Transfer From TANF)	13,166,244	22,413,218
32			
33	03. EBCI Tribal Public Health and Human Services	244,740	244,740
34			
35	04. Child Protective Services		
36	(Transfer From TANF)	5,040,000	5,040,000
37			
38	05. State In-Home Services Fund	1,943,950	1,943,950
39			
40	06. Adult Protective Services	3,864,547	3,820,378
41			
42	07. Adult Protective Services		
43	(Transfer from TANF)	0	5,000,000
44			
45	08. State Adult Day Care Fund	1,994,084	1,994,084
46			
47	09. Child Protective Services/CPS		
48	Investigative Services – Child Medical		
49	Evaluation Program	901,868	901,868
50			
51	10. Special Children Adoption Incentive Fund	462,600	462,600

1			
2	11. Child Protective Services – Child		
3	Welfare Training for Counties		
4	(Transfer From TANF)	285,612	2,285,612
5			
6	12. Home and Community Care Block		
7	Grant (HCCBG)	2,696,888	2,696,888
8			
9	13. Child Advocacy Centers		
10	(Transfer from TANF \$1,582,000)	1,582,000	1,582,000
11			
12	14. Guardianship – Division of Social Services	1,802,671	1,802,671
13			
14	15. Foster Care Services		
15	(Transfer From TANF)	3,422,219	3,422,219
16			
17	15A. Big Brothers Big Sisters of the Triangle, Inc.	350,000	350,000
18			
19	Division of Mental Health, Developmental Disabilities, and Substance Abuse Services		
20			
21	16. Mental Health Services – Adult and		
22	Child/Developmental Disabilities Program/		
23	Substance Abuse Services – Adult	4,149,595	4,149,595
24			
25	16A. Autism Society of North Carolina, Inc.	2,541,392	2,541,392
26			
27	16B. The Arc of North Carolina, Inc.	271,074	271,074
28			
29	16C. Easterseals UCP North Carolina & Virginia, Inc.	1,612,059	1,612,059
30			
31	DHHS Program Expenditures		
32			
33	Division of Services for the Blind		
34			
35	17. Independent Living Program & Program Oversight	4,237,849	4,237,849
36			
37	Division of Health Service Regulation		
38			
39	18. Adult Care Licensure Program	891,520	1,209,402
40			
41	19. Mental Health Licensure and		
42	Certification Program	266,158	266,158
43			
44	Division of Social Services		
45			
46	20. Guardianship	3,825,443	3,825,443
47			
48	DHHS Administration		
49			
50	21. Division of Aging and Adult Services	188,787	188,787
51			

1	22. Division of Social Services	1,724,551	1,724,551
2			
3	23. Office of the Secretary/Controller's Office	673,990	673,990
4			
5	24. Legislative Increases/Fringe Benefits	293,655	587,310
6			
7	25. Division of Child Development and		
8	Early Education	13,878	13,878
9			
10	26. Division of Mental Health, Developmental		
11	Disabilities, and Substance Abuse Services	29,966	29,966
12			
13	27. Division of Health Service Regulation	592,882	275,000
14			
15	TOTAL SOCIAL SERVICES BLOCK GRANT	\$78,907,610	\$95,404,070
16			
17	LOW-INCOME ENERGY ASSISTANCE BLOCK GRANT		
18			
19	Local Program Expenditures		
20			
21	Division of Social Services		
22			
23	01. Low-Income Energy Assistance		
24	Program (LIEAP)	56,369,281	62,655,888
25			
26	02. Crisis Intervention Program (CIP)	44,804,354	48,995,425
27			
28	Local Administration		
29			
30	Division of Social Services		
31			
32	03. County DSS Administration	8,037,889	8,037,889
33			
34	DHHS Administration		
35			
36	Division of Central Management and Support		
37			
38	04. Administration	10,000	10,000
39			
40	05. Energy Portal (FIS Transaction Fees)	25,000	25,000
41			
42	06. Office of the Secretary/ Division of Information Resource		
43	Management (DIRM) (Accountable Results for		
44	Community Action (AR4CA) Replacement System)	166,750	166,750
45			
46	07. Office of the Secretary/DIRM	278,954	278,954
47			
48	08. Office of the Secretary/Controller's Office	18,378	18,378
49			
50	09. NC FAST Development	627,869	627,869
51			

1	10. NC FAST Operations and Maintenance	1,330,323	1,330,323
2			
3	Transfers to Other State Agencies		
4			
5	Department of Environmental Quality		
6			
7	11. Weatherization Program	10,356,943	10,356,943
8			
9	12. Heating Air Repair and Replacement		
10	Program (HARRP)	5,898,508	5,898,508
11			
12	13. Local Residential Energy Efficiency Service		
13	Providers – Weatherization	574,945	574,945
14			
15	14. Local Residential Energy Efficiency Service		
16	Providers – HARRP	319,414	319,414
17			
18	15. DEQ – Weatherization Administration	628,180	628,180
19			
20	16. DEQ – HARRP Administration	393,944	393,944
21			
22	Department of Administration		
23			
24	17. N.C. Commission on Indian Affairs	87,736	87,736
25			
26	TOTAL LOW-INCOME ENERGY		
27	ASSISTANCE BLOCK GRANT	\$129,928,468	\$140,406,146
28			
29	CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT		
30			
31	Local Program Expenditures		
32			
33	Division of Child Development and Early Education		
34			
35	01. Child Care Services	347,089,929	387,089,929
36			
37	02. Smart Start Subsidy	7,392,654	7,392,654
38			
39	03. Transfer from TANF Block Grant		
40	for Child Care Subsidies	21,773,001	21,773,001
41			
42	04. Quality and Availability Initiatives		
43	(TEACH Program \$3,800,000)	77,480,526	67,780,527
44			
45	DHHS Administration		
46			
47	Division of Child Development and Early Education		
48			
49	05. DCDEE Administrative Expenses	9,710,886	12,710,886
50			
51	06. Indirect Cost	7,346	7,346

Division of Social Services

07. Direct Deposit for Child Care Payments	5,000	5,000
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08. Local Subsidized Child Care Services Support	18,780,355	18,780,355
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Division of Central Management and Support

09. NC FAST Operations and Maintenance	1,450,316	1,450,316
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10. DHHS Central Administration – DIRM Technical Services	1,029,762	1,029,762
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11. DHHS Central Administration	118,000	118,000
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Division of Child and Family Well-Being

12. Child Care Health Consultation Contracts	62,205	62,205
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**TOTAL CHILD CARE AND DEVELOPMENT
FUND BLOCK GRANT**

	\$484,899,980	\$518,199,981
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MENTAL HEALTH SERVICES BLOCK GRANT**Local Program Expenditures**

01. Mental Health Services – Child	2,477,666	2,477,666
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02. Mental Health Services – Adult/Child	19,443,833	22,815,152
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03. Mental Health Services – First Psychotic Symptom Treatment	4,208,378	4,208,378
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04. Child Behavioral Health (Division of Child and Family Well-Being)	5,246,350	5,246,350
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DHHS Administration**Division of Child and Family Well Being**

05. Administration	140,000	140,000
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Division of Mental Health, Developmental Disabilities, and Substance Abuse Services

06. Crisis Services	2,377,047	7,377,047
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07. Administration	332,351	332,351
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08. Adult/Child Mental Health Services	350,150	375,150
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Division of Public Health

09. NC Detect – Behavioral Health ER	35,000	35,000
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TOTAL MENTAL HEALTH SERVICES

BLOCK GRANT	\$34,610,775	\$43,007,094
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**SUBSTANCE ABUSE PREVENTION, TREATMENT, AND RECOVERY SERVICES
BLOCK GRANT****Local Program Expenditures****Division of Mental Health, Developmental Disabilities, and Substance Use Services**

01. Substance Abuse – IV Drug	2,000,000	2,000,000
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02. Substance Abuse Prevention	13,351,864	13,351,864
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03. Substance Use Services – Treatment for Children/Adults	40,038,949	50,696,855
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04. Crisis Solutions Initiatives – Collegiate Wellness/Addiction Recovery	1,545,205	6,545,205
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05. Veterans Initiatives	250,000	10,000,000
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DHHS Administration**Division of Mental Health, Developmental Disabilities, and Substance Use Services**

06. Administration	\$2,297,852	\$2,617,280
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07. Controlled Substance Reporting System Enhancement	675,000	675,000
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**TOTAL SUBSTANCE ABUSE PREVENTION
AND TREATMENT BLOCK GRANT**

\$60,158,870	\$85,886,204
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MATERNAL AND CHILD HEALTH BLOCK GRANT**Local Program Expenditures****Division of Child and Family Well-Being**

01. Children's Health Services	11,646,618	11,572,418
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Division of Public Health

02. Women's and Children's Health Services	5,453,930	5,453,930
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1	03. Oral Health	58,413	60,523
2			
3	04. Evidence-Based Programs in Counties		
4	With Highest Infant Mortality Rates	1,727,307	1,727,307
5			
6	DHHS Program Expenditures		
7			
8	05. Children's Health Services	1,287,619	1,287,619
9			
10	06. Women's Health – Maternal Health	489,568	489,568
11			
12	07. Women's and Children's Health – Perinatal		
13	Strategic Plan Support Position	81,112	84,067
14			
15	08. State Center for Health Statistics	158,583	158,583
16			
17	09. Health Promotion – Injury and		
18	Violence Prevention	87,271	87,271
19			
20	DHHS Administration		
21			
22	11. Division of Public Health Administration	340,646	340,646
23			
24	12. Division of Child and Family Well Being		
25	Administration	211,925	211,925
26			
27	TOTAL MATERNAL AND CHILD		
28	HEALTH BLOCK GRANT	\$21,542,992	\$21,963,519
29			
30	PREVENTIVE HEALTH AND HEALTH SERVICES BLOCK GRANT		
31			
32	Local Program Expenditures		
33			
34	01. Physical Activity and Prevention	\$3,081,442	\$3,081,442
35			
36	DHHS Program Expenditures		
37			
38	Division of Public Health		
39			
40	02. HIV/STD Prevention and		
41	Community Planning	135,063	135,063
42			
43	03. Oral Health Preventive Services	150,000	150,000
44			
45	04. Injury and Violence Prevention		
46	(Services to Rape Victims – Set-Aside)	217,935	217,935
47			
48	05. Performance Improvement and		
49	Accountability	1,384,421	1,199,557
50			
51	06. State Center for Health Statistics	48,000	48,000

DHHS Administration**Division of Public Health**

07. Division of Public Health	65,000	65,000
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TOTAL PREVENTIVE HEALTH AND HEALTH SERVICES BLOCK GRANT	\$5,081,861	\$4,896,997
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COMMUNITY SERVICES BLOCK GRANT

01. Community Action Agencies	22,370,334	23,286,497
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02. Limited Purpose Agencies/Discretionary Funding	504,718	541,000
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03. Office of Economic Opportunity	1,070,001	1,015,712
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04. Office of the Secretary/DIRM (Accountable Results for Community Action (AR4CA) Replacement System)	394,964	414,713
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05. Office of Economic Opportunity – Workforce Investment Opportunities Act (WIOA)	60,000	60,000
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TOTAL COMMUNITY SERVICES BLOCK GRANT	\$24,400,017	\$25,317,922
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GENERAL PROVISIONS

SECTION 9L.1.(b) Information to be Included in Block Grant Plans. – The Department of Health and Human Services shall submit a separate plan for each Block Grant received and administered by the Department, and each plan shall include the following:

- (1) A delineation of the proposed allocations by program or activity, including State and federal match requirements.
- (2) A delineation of the proposed State and local administrative expenditures.
- (3) An identification of all new positions to be established through the Block Grant, including permanent, temporary, and time-limited positions.
- (4) A comparison of the proposed allocations by program or activity with two prior years' program and activity budgets and two prior years' actual program or activity expenditures.
- (5) A projection of current year expenditures by program or activity.
- (6) A projection of federal Block Grant funds available, including unspent federal funds from the current and prior fiscal years.
- (7) The required amount of maintenance of effort and the amount of funds qualifying for maintenance of effort in the previous year delineated by program or activity.

SECTION 9L.1.(c) Changes in Federal Fund Availability. – If the Congress of the United States increases the federal fund availability for any of the Block Grants or contingency funds and other grants related to existing Block Grants administered by the Department of Health and Human Services from the amounts appropriated in this act, the Department shall allocate the increase proportionally across the program and activity appropriations identified for that Block Grant in this section. In allocating an increase in federal fund availability, the Office of State

Budget and Management shall not approve funding for new programs or activities not appropriated in this act.

If the Congress of the United States decreases the federal fund availability for any of the Block Grants or contingency funds and other grants related to existing Block Grants administered by the Department of Health and Human Services from the amounts appropriated in this act, the Department shall develop a plan to adjust the Block Grants based on reduced federal funding.

Notwithstanding the provisions of this subsection, for fiscal years 2025-2026 and 2026-2027, increases in the federal fund availability for the Temporary Assistance to Needy Families (TANF) Block Grant shall be used only for the North Carolina Child Care Subsidy program to pay for child care and shall not be used to supplant State funds.

Prior to allocating the change in federal fund availability, the proposed allocation must be approved by the Office of State Budget and Management. If the Department adjusts the allocation of any Block Grant due to changes in federal fund availability, then a report shall be made to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division.

SECTION 9L.1.(d) Except as otherwise provided, appropriations from federal Block Grant funds are made for each year of the fiscal biennium ending June 30, 2027, according to the schedule enacted for State fiscal years 2025-2026 and 2026-2027, or until a new schedule is enacted by the General Assembly.

SECTION 9L.1.(e) Except as otherwise provided in subsection (e1) of this section, all changes to the budgeted allocations to the Block Grants or contingency funds and other grants related to existing Block Grants administered by the Department of Health and Human Services that are not specifically addressed in this section shall be approved by the Office of State Budget and Management. The Office of State Budget and Management shall not approve funding for new programs or activities not appropriated in this section. The Office of State Budget and Management shall consult with the Joint Legislative Oversight Committee on Health and Human Services for review prior to implementing any changes. In consulting, the report shall include an itemized listing of affected programs, including associated changes in budgeted allocations. All changes to the budgeted allocations to the Block Grants shall be reported immediately to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division. This subsection does not apply to Block Grant changes caused by legislative salary increases and benefit adjustments.

SECTION 9L.1.(e) The Department of Health and Human Services shall have the authority to realign appropriated funds under subsection (a) of this section for Item 01 or 02 in the Maternal and Child Health Block Grant to maintain federal compliance and programmatic alignment, so long as the realignment does not result in a reduction of funds designated for subrecipients under subsection (a) of this section. The Department of Health and Human Services is authorized to realign appropriated funds between the Maternal and Child Health Block Grant categories as provided in this subsection without prior consultation with the Joint Legislative Oversight Committee on Health and Human Services or without exceeding the total amount appropriated for the items.

SECTION 9L.1.(f) Except as otherwise provided, the Department of Health and Human Services shall have flexibility to transfer funding between the Temporary Assistance for Needy Families (TANF) Block Grant and the TANF Emergency Contingency Funds Block Grant so long as the total allocation for the line items within those Block Grants remains the same.

TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF) FUNDS

SECTION 9L.1.(g) The sum of eighty million ninety-three thousand five hundred sixty-six dollars (\$80,093,566) for each year of the 2025-2027 fiscal biennium appropriated in this act in TANF funds to the Department of Health and Human Services, Division of Social

Services, shall be used for Work First County Block Grants. The Division shall certify these funds in the appropriate State-level services based on prior year actual expenditures. The Division has the authority to realign the authorized budget for these funds among the State-level services based on current year actual expenditures. The Division shall also have the authority to realign appropriated funds from Work First Family Assistance for electing counties to the Work First County Block Grant for electing counties based on current year expenditures so long as the electing counties meet Maintenance of Effort requirements.

SECTION 9L.1.(h) The sum of eleven million three hundred eighty-seven thousand one hundred ninety dollars (\$11,387,190) for each year of the 2025-2027 fiscal biennium appropriated in this act to the Department of Health and Human Services, Division of Social Services, in TANF funds for child welfare improvements shall be allocated to the county departments of social services for hiring or contracting staff to investigate and provide services in Child Protective Services cases; to provide foster care and support services; to recruit, train, license, and support prospective foster and adoptive families; and to provide interstate and post-adoption services for eligible families.

Counties shall maintain their level of expenditures in local funds for Child Protective Services workers. Of the Block Grant funds appropriated for Child Protective Services workers, the total expenditures from State and local funds for fiscal years 2025-2026 and 2026-2027 shall not be less than the total expended from State and local funds for the 2012-2013 fiscal year.

SECTION 9L.1.(i) The sum of four million one thousand six hundred seventy-six dollars (\$4,001,676) for each year of the 2025-2027 fiscal biennium appropriated in this act in TANF funds to the Department of Health and Human Services, Special Children Adoption Fund, shall be used in accordance with G.S. 108A-50.2. The Division of Social Services, in consultation with the North Carolina Association of County Directors of Social Services and representatives of licensed private adoption agencies, shall develop guidelines for the awarding of funds to licensed public and private adoption agencies upon the adoption of children described in G.S. 108A-50 and in foster care. Payments received from the Special Children Adoption Fund by participating agencies shall be used exclusively to enhance the adoption services program. No local match shall be required as a condition for receipt of these funds.

SECTION 9L.1.(j) The sum of one million four hundred thousand (\$1,400,000) in for the 2025-26 fiscal year and two million nine hundred thousand dollars (\$2,900,000) for the 2026-27 fiscal year appropriated in this act in TANF funds to the Department of Health and Human Services, Division of Social Services, shall be used for child welfare initiatives to (i) enhance the skills of social workers to improve the outcomes for families and children involved in child welfare and (ii) enhance the provision of services to families in their homes in the least restrictive setting.

SOCIAL SERVICES BLOCK GRANT

SECTION 9L.1.(k) The sum of nineteen million eight hundred thirty-seven thousand three hundred eighty-eight dollars (\$19,837,388) for the 2025-2026 fiscal year and the sum of nineteen million eight hundred thirty-seven thousand three hundred eighty-eight dollars (\$19,837,388) for the 2026-2027 fiscal year appropriated in this act in the Social Services Block Grant to the Department of Health and Human Services, Division of Social Services, and the sum of thirteen million one hundred sixty-six thousand two hundred forty-four dollars (\$13,166,244) for the 2025-2026 fiscal year and the sum of twenty-two million four hundred thirteen thousand two hundred eighteen dollars (\$22,413,218) for the 2026-2027 fiscal year transferred from funds appropriated in the TANF Block Grant shall be used for county Block Grants. The Division shall certify these funds in the appropriate State-level services based on prior year actual expenditures. The Division has the authority to realign the authorized budget for these funds, as well as State Social Services Block Grant funds, among the State-level services based on current year actual expenditures.

SECTION 9L.1.(l) The sum of two hundred eighty-five thousand six hundred twelve dollars (\$285,612) for the 2025-26 fiscal year and the sum of two million two hundred eighty-five six hundred twelve dollars (\$2,285,612) for the 2026-27 fiscal year appropriated in this act in the Social Services Block Grant to the Department of Health and Human Services, Division of Social Services, shall be used to support the state's child welfare training system. Training is delivered to county child welfare staff that addresses the knowledge and skills needed to complete their daily tasks in the areas of child protective services, foster care, on-going child welfare services, and adoption.

SECTION 9L.1.(m) The Department of Health and Human Services is authorized, subject to the approval of the Office of State Budget and Management, to transfer Social Services Block Grant funding allocated for departmental administration between divisions that have received administrative allocations from the Social Services Block Grant.

SECTION 9L.1.(n) Social Services Block Grant funds appropriated for the Special Children Adoption Incentive Fund shall require a fifty percent (50%) local match.

SECTION 9L.1.(o) The sum of five million forty thousand dollars (\$5,040,000) appropriated in this act in the Social Services Block Grant for each fiscal year of the 2025-2027 fiscal biennium transferred from funds appropriated in the TANF Block Grant shall be allocated to the Department of Health and Human Services, Division of Social Services. The Division shall allocate these funds to local departments of social services to replace the loss of Child Protective Services State funds that are currently used by county governments to pay for Child Protective Services staff at the local level. These funds shall be used to maintain the number of Child Protective Services workers throughout the State. These Social Services Block Grant funds shall be used to pay for salaries and related expenses only and are exempt from 10A NCAC 71R .0201(3) requiring a local match of twenty-five percent (25%).

SECTION 9L.1.(p) The sum of one million five hundred eighty-two thousand dollars (\$1,582,000) appropriated in this act in the Social Services Block Grant for each fiscal year of the 2025-2027 fiscal biennium to the Department of Health and Human Services, Division of Social Services, shall be used to continue support for the Child Advocacy Centers. These funds are exempt from the provisions of 10A NCAC 71R .0201(3).

SECTION 9L.1.(q) The sum of three million eight hundred twenty-five thousand four hundred forty-three dollars (\$3,825,443) for each fiscal year of the 2025-2027 fiscal biennium appropriated in this act in the Social Services Block Grant to the Department of Health and Human Services, Division of Social Services, shall be used for guardianship services pursuant to Chapter 35A of the General Statutes. The Department may expend funds allocated in this section to support existing corporate guardianship contracts during the 2025-2026 and 2026-2027 fiscal years.

SECTION 9L.1.(r) Of the three million eight hundred sixty-four thousand five hundred forty-seven dollars (\$3,864,547) in the 2025-2026 fiscal year and three million eight hundred twenty-two three hundred seventy-eight dollars (\$3,820,378) for the 2026-2027 fiscal year appropriated in this act in the Social Services Block Grant to the Division of Aging and Adult Services for Adult Protective Services, the sum of eight hundred ninety-three thousand forty-one dollars (\$893,041) for each year of the 2025-2027 fiscal biennium shall be used to increase the number of Adult Protective Services workers where these funds can be the most effective. These funds shall be used to pay for salaries and related expenses and shall not be used to supplant any other source of funding for staff. These funds are also exempt from 10A NCAC 71R .0201(3) requiring a local match of twenty-five percent (25%).

SECTION 9L.1.(s) The following amounts appropriated in this act in the Social Services Block Grant for each fiscal year of the 2025-2027 fiscal biennium to the Department of Health and Human Services, Division of Social Services or Division of Mental Health, Developmental Disabilities, and Substance Use Services, for the nonprofit organizations described in this subsection shall be exempt from the provisions of 10A NCAC 71R .0201(3):

- (1) The sum of three hundred fifty thousand dollars (\$350,000) for each fiscal year of the 2025-2027 fiscal biennium for Big Brothers Big Sisters of the Triangle, Inc.
- (2) The sum of two million five hundred forty-one thousand three hundred ninety-two dollars (\$2,541,392) for each fiscal year of the 2025-2027 fiscal biennium for Autism Society of North Carolina, Inc.
- (3) The sum of two hundred seventy-one thousand seventy-four dollars (\$271,074) for each fiscal year of the 2025-2027 fiscal biennium for The Arc of North Carolina, Inc.
- (4) The sum of one million six hundred twelve thousand fifty-nine dollars (\$1,612,059) for each fiscal year of the 2025-2027 fiscal biennium for Easterseals UCP of North Carolina & Virginia, Inc.

LOW-INCOME ENERGY ASSISTANCE BLOCK GRANT

SECTION 9L.1.(t) The Division of Social Services shall have the authority to realign appropriated funds between the State-level services Low-Income Energy Assistance Payments and Crisis Assistance Payments without prior consultation with the Joint Legislative Oversight Committee on Health and Human Services to ensure needs are effectively met without exceeding the total amount appropriated for these State-level service items. Additional emergency contingency funds received may be allocated for Energy Assistance Payments or Crisis Intervention Payments without prior consultation with the Joint Legislative Oversight Committee on Health and Human Services. Additional funds received shall be reported to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division upon notification of the award. The Department of Health and Human Services shall not allocate funds for any activities, including increasing administration, other than assistance payments, without prior consultation with the Joint Legislative Oversight Committee on Health and Human Services.

SECTION 9L.1.(u) The sum of fifty-six million three hundred sixty-nine thousand two hundred eighty-one dollars (\$56,369,281) in the 2025-26 fiscal year and sixty-two million six hundred fifty-five thousand eight hundred eighty-eight dollars (\$62,655,888) in the 2026-27 fiscal year appropriated in this act in the Low-Income Energy Assistance Block Grant to the Department of Health and Human Services, Division of Social Services, shall be used for Energy Assistance Payments for the households of (i) elderly persons age 60 and above with income up to one hundred fifty percent (150%) of the federal poverty level and (ii) disabled persons eligible for services funded through the Division of Aging and Adult Services.

County departments of social services shall submit to the Division of Social Services an outreach plan for targeting households with 60-year-old household members no later than August 1 of each year. The outreach plan shall comply with the following:

- (1) Ensure that eligible households are made aware of the available assistance, with particular attention paid to the elderly population age 60 and above and disabled persons receiving services through the Division of Aging and Adult Services.
- (2) Include efforts by the county department of social services to contact other State and local governmental entities and community-based organizations to (i) offer the opportunity to provide outreach and (ii) receive applications for energy assistance.
- (3) Be approved by the local board of social services or human services board prior to submission.

CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT

SECTION 9L.1.(v) Payment for subsidized child care services provided with federal TANF funds shall comply with all regulations and policies issued by the Division of Child Development and Early Education for the subsidized child care program.

SECTION 9L.1.(w) If funds appropriated through the Child Care and Development Fund Block Grant for any program cannot be obligated or spent in that program within the obligation or liquidation periods allowed by the federal grants, the Department may move funds to child care subsidies, unless otherwise prohibited by federal requirements of the grant, in order to use the federal funds fully.

COMMUNITY MENTAL HEALTH SERVICES BLOCK GRANT

SECTION 9L.1.(x) The sum of five million four hundred sixteen thousand seven hundred fifty-six dollars (\$4,208,378) for the 2025-2026 fiscal year and four million two hundred and eight thousand, three hundred and seventy-eight dollars (\$4,208,378) for the 2026-2027 fiscal year appropriated in this act in the Community Mental Health Services Block Grant to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Use Services, is to be used for Mental Health Services – First Psychotic Symptom Treatment.

MATERNAL AND CHILD HEALTH BLOCK GRANT

SECTION 9L.1.(y) The sum of one million seven hundred twenty-seven thousand three hundred seven dollars (\$1,727,307) appropriated in this act in the Maternal and Child Health Block Grant to the Department of Health and Human Services, Division of Public Health, for each year of the 2025-2027 fiscal biennium shall be used for evidence-based programs in counties with the highest infant mortality rates. The Division shall report on (i) the counties selected to receive the allocation, (ii) the specific evidence-based services provided, (iii) the number of women served, and (iv) any impact on the counties' infant mortality rate. The Division shall report its findings to the House of Representatives Appropriations Committee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division no later than December 31 of each year.

SECTION 9L.1.(z) The sum of eighty-one thousand one hundred twelve dollars (\$81,112) for fiscal year 2025-26 and eighty-four thousand sixty-seven dollars (\$84,067) for fiscal year 2026-27, allocated in this section in the Maternal and Child Health Block Grant to the Department of Health and Human Services, Division of Public Health, Women and Children's Health Section, shall not be used to supplant existing State or federal funds. This allocation shall be used for a Public Health Program Consultant position assigned full-time to manage the North Carolina Perinatal Health Strategic Plan and provide staff support for the stakeholder work group.

SECTION 9L.1.(aa1) Notwithstanding any provision of law to the contrary, the Department of Health and Human Services, Division of Public Health, shall have the authority to realign appropriated funds between the Maternal and Child Health Block Grant categories to maintain federal compliance and programmatic alignment without exceeding the total amount appropriated for the Maternal and Child Health Block Grant.

PART X. AGRICULTURE AND CONSUMER SERVICES [RESERVED]

PART XI. COMMERCE

COMMUNITY DEVELOPMENT BLOCK GRANTS

SECTION 11.1.(a) Allocations. – Of the funds appropriated in this act for federal block grant funds, the following allocations are made for the fiscal year ending June 30, 2027, according to the following schedule:

COMMUNITY DEVELOPMENT BLOCK GRANT

01. State Administration	\$1,484,872
02. Neighborhood Revitalization	\$27,662,645
03. Economic Development	\$14,065,752
04. Rural Community Development	\$5,157,442

TOTAL COMMUNITY DEVELOPMENT BLOCK GRANT

2024 Program Year	\$46,308,393
2025 Program Year	\$46,272,979
2026 Program Year	\$46,272,979
2027 Program Year	\$48,370,711

SECTION 11.1.(b) Availability Reduction. – If federal funds are reduced below the amounts specified in this section after the effective date of this act, then every program in each of these federal block grants shall be reduced by the same percentage as the reduction in federal funds.

SECTION 11.1.(c) Availability Increase. – Any block grant funds appropriated by the Congress of the United States in addition to the funds specified in this section shall be expended as follows: each program category under the Community Development Block Grant shall be increased by the same percentage as the increase in federal funds.

SECTION 11.1.(d) Reallocation. – The Department of Commerce shall consult with the Joint Legislative Commission on Governmental Operations (Commission) prior to reallocating Community Development Block Grant Funds. Notwithstanding the provisions of this subsection, whenever the Director of the Budget finds either of the following conditions exist:

- (1) If a reallocation is required because of an emergency that poses an imminent threat to public health or public safety, then the Director of the Budget may authorize the reallocation without consulting the Commission. The Department of Commerce shall report to the Commission on the reallocation no later than 30 days after it was authorized and shall identify in the report the emergency, the type of action taken, and how it was related to the emergency.
- (2) If the State will lose federal block grant funds or receive less federal block grant funds in the next fiscal year unless a reallocation is made, then the Department of Commerce shall provide a written report to the Commission on the proposed reallocation and shall identify the reason that failure to take action will result in the loss of federal funds. If the Commission does not hear the issue within 30 days of receipt of the report, the Department of Commerce may take the action without consulting the Commission.

SECTION 11.1.(e) Report. – By October 1, 2026, and September 1, 2027, the Department of Commerce shall report to the chairs of the House of Representatives Appropriations Committee on Agriculture and Natural and Economic Resources; the chairs of the Senate Appropriations Committee on Agriculture, Natural, and Economic Resources; the chairs of the Joint Legislative Economic Development and Global Engagement Oversight Committee; and the Fiscal Research Division on the use of Community Development Block Grant Funds appropriated in the prior fiscal year. The report shall include the following:

- (1) A discussion of each of the categories of funding, including information on the statewide need in each category.

- (2) Information on the number of applications that were received in each category and the total dollar amount requested in each category.
- (3) A list of grantees, including the grantee's name, county, category under which the grant was funded, the amount awarded, and a narrative description of the project.

SECTION 11.1.(f) Neighborhood Revitalization. – Funds allocated to the Neighborhood Revitalization Category in subsection (a) of this section shall be made available as grants for eligible activities listed in this subsection. The funds available for grants under this category may be used for all of the following, subject to the national objectives and eligible activities allowed under guidance issued by the United States Department of Housing and Urban Development (HUD):

- (1) Essential repairs to prevent abandonment and deterioration of housing in low- and moderate-income neighborhoods.
- (2) Demolition and rehabilitation of buildings and improvements.
- (3) Public improvements, including parks, streets, sidewalks, and water and sewer lines.

SECTION 11.1.(g) Economic Development. – Funds allocated to the Economic Development Category in subsection (a) of this section shall be made available as grants for eligible activities listed in this subsection. The funds available for grants under this category may be used for all of the following, subject to the national objectives and eligible activities allowed under guidance issued by HUD:

- (1) Acquisition of real property.
- (2) Demolition and rehabilitation of buildings and improvements.
- (3) Removal of material and architectural barriers.
- (4) Public improvements, including parks, streets, sidewalks, and water and sewer lines.
- (5) Loans and grants to public or private nonprofit entities for construction and rehabilitation activities.
- (6) Assistance to private, for-profit entities for economic development.
- (7) Technical assistance to public or nonprofit entities for neighborhood revitalization or economic development activities.
- (8) Assistance to for-profit and nonprofit entities to facilitate economic development activities.

SECTION 11.1.(h) Rural Community Development. – Funds allocated for the Rural Community Development Category in subsection (a) of this section shall be made available as grants for eligible activities listed in this subsection. These funds shall provide grants that support community development and comprehensive growth projects to be awarded by the North Carolina Department of Commerce. The Rural Community Development Category will provide grants to units of local government in development Tier one and development Tier two areas, as defined in G.S. 143B-437.08, and in rural census tracts, as defined in G.S. 143B-472.127(a)(2), in any other area to support projects that promote broad-based community development activities, increased local investment and economic growth, and stronger and more viable rural neighborhoods. In awarding grants under this section, preference shall be given to projects in development tier one areas, as defined in G.S. 143B-437.08. The funds available for grants under this category may be used for all of the following, subject to the national objectives and eligible activities allowed under guidance issued by HUD:

- (1) Essential repairs to prevent abandonment and deterioration of housing in low and moderate-income neighborhoods.
- (2) Public improvements, including parks, streets, sidewalks, and water and sewer lines.

- (3) Public facilities, including neighborhood and community facilities and facilities for individuals with special needs.
- (4) Public services, including employment, crime prevention, and energy conservation.
- (5) Assistance to private, for-profit entities for economic development.
- (6) Technical assistance to public or nonprofit entities for neighborhood revitalization or economic development activities.
- (7) Assistance to for-profit and nonprofit entities to facilitate economic development activities.

SECTION 11.1.(i) Deobligated Funds. – Throughout each year, deobligated funds arise in the various funding categories and program years of the Community Development Block Grant (CDBG) program as a result of (i) projects coming in under budget, (ii) projects being cancelled, or (iii) projects being required to repay funds. Surplus federal administrative funds in the CDBG program may vary from year to year based upon the amount of State appropriated funds allocated and the amount of eligible in-kind funds identified. To allow the Department of Commerce to quickly deploy deobligated and surplus federal administrative funds as they are identified throughout the program year, the following shall apply to the use of deobligated CDBG funds and surplus federal administrative funds:

- (1) All surplus federal administrative funds shall be divided proportionally between the Department of Commerce programs and shall be used as provided in subdivisions (2) and (3) of this subsection.
- (2) All deobligated funds allocated to the Department of Commerce and any surplus federal administrative funds, as provided for in subdivision (1) of this subsection, may be used by the Department for all of the following:
 - a. To issue grants in the CDBG Economic Development or Neighborhood Revitalization Program Category.
 - b. For providing training and guidance to local governments relative to the CDBG program, its management, and administrative requirements.
 - c. For any other purpose consistent with the Department's administration of the CDBG program if an equal amount of State matching funds is available.

COMMERCE NONPROFITS/REPORTING REQUIREMENTS

SECTION 11.2.(a) The entities listed in subsection (b) of this section shall do the following for each year that State funds are expended:

- (1) By September 1 of each year, and more frequently as requested, report to the chairs of the Joint Legislative Oversight Committee on Agriculture and Natural and Economic Resources; the chairs of the House of Representatives Appropriations Committee on Agriculture and Natural and Economic Resources; the chairs of the Senate Appropriations Committee on Agriculture, Natural, and Economic Resources; and the Fiscal Research Division on prior State fiscal year program activities, objectives, and accomplishments and prior State fiscal year itemized expenditures and fund sources. If State funds are used to provide matching funds for competitive grants from the federal government or a nongovernmental entity, the report should include a list and description of the grants that are awarded.
- (2) Provide to the chairs of the Joint Legislative Oversight Committee on Agriculture and Natural and Economic Resources; the chairs of the House of Representatives Appropriations Committee on Agriculture and Natural and Economic Resources; the chairs of the Senate Appropriations Committee on Agriculture, Natural, and Economic Resources; and the Fiscal Research

Division a copy of the entity's annual audited financial statement within 30 days of issuance of the statement.

SECTION 11.2.(b) The following entities shall comply with the requirements of subsection (a) of this section:

- (1) North Carolina Biotechnology Center.
- (2) High Point Market Authority.
- (3) RTI International.
- (4) Carolina Small Business Development Fund.

ADMINISTRATIVE EXPENSES FOR ONE NC SMALL BUSINESS PROGRAM

SECTION 11.3.(a) G.S. 143B-437.71 reads as rewritten:

"§ 143B-437.71. One North Carolina Fund established as a special fund.

...

(c) [Special Account. –]There is created in the One North Carolina Fund a special account, the One North Carolina Small Business Account, to be used for the North Carolina SBIR/STTR Incentive Program and the North Carolina SBIR/STTR Matching Funds Program, as specified in Part 2I of Article 10 of Chapter 143B of the General Statutes. Of the total moneys in the One North Carolina Small Business Account, the Department may use up to two percent (2%) annually for costs associated with administration of the North Carolina SBIR/STTR Incentive Program and the North Carolina SBIR/STTR Matching Funds Program."

NC BIOTECHNOLOGY CENTER

SECTION 11.4.(a) Except for the funds appropriated in subsection (b) of this section, funds appropriated in this act to the Department of Commerce for the North Carolina Biotechnology Center (Center) in the fiscal year 2026-27 shall be allocated for the following purposes in the following proportions:

- (1) Twenty-one percent (21%) for job creation, including funding for the AgBiotech Initiative, economic and industrial development, and related activities.
- (2) Sixty-five percent (65%) for science and commercialization, including science and technology development, Centers of Innovation, business and technology development, education and training, and related activities.
- (3) Fourteen percent (14%) for Center operations, including administration, professional and technical assistance and oversight, corporate communications, human resource management, financial and grant administration, legal, and accounting.

SECTION 11.4.(b) Of the funds appropriated in this act to the Department of Commerce for the Center, five hundred thousand dollars (\$500,000) of recurring funds in each fiscal year of the biennium shall be used to support funding for early stage loans to North Carolina agricultural technology companies.

SECTION 11.4.(c) The Center shall not use any of the recurring funds allocated in subsection (b) of this section for administrative costs and shall report on the expenditure of those funds each year pursuant to Section 11.2 of this act.

SECTION 11.4.(d) The Center shall prioritize funding and distribution of loans over funding and distribution of grants.

SECTION 11.4.(e) Up to ten percent (10%) of the sum of each of the allocations in subsection (a) of this section may be reallocated to subdivision (a)(1) or subdivision (a)(2) of this section if, in the judgment of Center management, the reallocation will advance the mission of the Center.

STRATEGIC WORKFORCE TRAINING FUND AND BUSINESS TAX CUT

1 **SECTION 11.5.(a)** Article 1 of Chapter 96 of the General Statutes is amended by
2 adding a new section to read:

3 **"§ 96-6.3. Strategic WorkForce Training fund.**

4 (a) Establishment and Use. – There is established in the Department of Commerce a
5 Strategic WorkForce Training fund for the purposes of providing job training,
6 employment-related services, and economic development services to North Carolina job seekers
7 and employers in order to increase or improve labor supply, connect employers with employees,
8 and enhance the employer experience with the Division. The Trust consists of the revenues
9 derived from the Strategic WorkForce Training assessment imposed as outlined in 96-6.3.(b).

10 (b) Assessment Imposed. – An assessment is imposed on an employer who is required to
11 make a contribution to the Unemployment Insurance equal to a percentage of the required
12 contribution calculated in accordance with G.S. 96-9.2 prior to the application of the reduction
13 in G.S. 96-9.2(f). The Division shall calculate the assessment percentage, rounded up to the
14 nearest half percent (0.5%), as the ratio of the Strategic WorkForce Training fund Annual Target
15 Amount divided by the total required contributions estimated using the most recently available
16 Experience Rating Report (ETA 204) prepared for the Employment and Training Administration
17 within the U.S. Department of Labor. The Annual Target Amount shall be one hundred million
18 dollars (\$100,000,000) for taxable years beginning on or after January 1, 2027, and before
19 January 1, 2028, and shall increase by three and one-half percent (3.5%) in each subsequent
20 taxable year, rounded to the nearest one hundred thousand dollars (\$100,000). Except as provided
21 in this section, the assessment is collected and administered in the same manner as contributions
22 as described in Article 2A of this Chapter, except that the full assessment amount is due on the
23 same date as the first quarterly payment of contributions. Assessments collected under this
24 section must be credited to the Strategic WorkForce Training fund established under subsection
25 (a) of this section. Interest and penalties collected on unpaid assessments imposed by this section
26 must be credited to the Supplemental Employment Security Administration. Penalties collected
27 on unpaid assessments imposed by this section must be transferred to the Civil Penalty and
28 Forfeiture established in G.S. 115C-457.1.

29 (c) Suspension of Assessment. – The assessment does not apply in a taxable year if, as
30 of September 1 of the preceding calendar year, the amount in the State's account in the
31 Unemployment Trust is less than one billion dollars (\$1,000,000,000)."

32 **SECTION 11.5.(b)** G.S. 96-9.2 is amended by adding a new subsection to read:

33 **"§ 96-9.2. Required contributions to the Unemployment Insurance Fund.**

34 ...

35 (f) Strategic Workforce Contribution Tax Credit. – Except when the surtax imposed
36 under G.S. 96-9.7 is in effect, an employer is allowed a tax credit for a contribution to the
37 Unemployment Insurance Fund payable under this section each calendar year equal to one
38 hundred and fifty percent (150%) of the amount of the Strategic WorkForce Training assessment
39 calculated pursuant to G.S. 96-6.3. An employer may claim the full amount of the credit against
40 the contributions payable with the report due on or before April 30 of each calendar year. The
41 Division may suspend the Strategic Workforce Contribution Tax Credit for any employer with
42 contributions more than 90 days past due."

43
44 **ENHANCE UNEMPLOYMENT INSURANCE BENEFITS**

45 **SECTION 11.6.(a)** G.S. 96-14.2 reads as rewritten:

46 **"§ 96-14.2. Weekly benefit amount.**

47 (a) Weekly Benefit Amount. – The weekly benefit amount for an individual who is totally
48 unemployed is an amount equal to the wages paid to the individual in the last two completed
49 quarters of the individual's base period divided by 52 and rounded to the next lower whole dollar.
50 If this amount is less than fifteen dollars (\$15.00), the individual is not eligible for benefits. The
51 weekly benefit amount may not exceed ~~three hundred fifty dollars (\$350.00).~~ four hundred ninety-

five dollars (\$495.00), adjusted annually for inflation. Beginning July 1, 2027, and on each July 1 thereafter, the Division shall adjust the maximum weekly benefit for claims filed on or after that date by the percentage change in the annual average Consumer Price Index for All Items for All Urban Consumers published by the Bureau of Labor Statistics for the preceding calendar year, rounded to the nearest dollar."

SECTION 11.6.(b) G.S. 96-14.3 reads as rewritten:

"§ 96-14.3. Duration of benefits.

(a) Duration. – The number of weeks an individual is allowed to receive unemployment benefits depends on the seasonal adjusted statewide unemployment rate that applies to the six-month base period in which the claim is filed. One six-month base period begins on January 1 and one six-month base period begins on July 1. For the base period that begins January 1, the average of the seasonal adjusted unemployment rates for the State for the preceding months of July, August, and September applies. For the base period that begins July 1, the average of the seasonal adjusted unemployment rates for the State for the preceding months of January, February, and March applies. The Division must use the most recent seasonal adjusted unemployment rate determined by the U.S. Department of Labor, Bureau of Labor Statistics, and not the rate as revised in the annual benchmark.

Seasonal Adjusted Unemployment Rate	Number of Weeks
Less than or equal to 5.5% <u>4.5%</u>	12 <u>20</u>
Greater than 5.5% <u>4.5%</u> up to 6% <u>5.5%</u>	13 <u>22</u>
Greater than 6% <u>5.5%</u> up to 6.5%	14 <u>24</u>
Greater than 6.5% up to 7%	15 <u>26</u>
Greater than 7% up to 7.5%	16
Greater than 7.5% up to 8%	17
Greater than 8% up to 8.5%	18
Greater than 8.5% up to 9%	19
Greater than 9%	20

...."

SECTION 11.6.(c) Subsections (a) and (b) apply to claims for benefits filed on or after July 1, 2026.

PART XII. ENVIRONMENTAL QUALITY

ESTABLISH NON-TITLE V FEES IN STATUTE

SECTION 12.1. G.S. 143-215.3(a)(1b) reads as rewritten:

"§ 143-215.3. General powers of Commission and Department; auxiliary powers.

(a) Additional Powers. – In addition to the specific powers prescribed elsewhere in this Article, and for the purpose of carrying out its duties, the Commission shall have the power:

...

- (1b) ~~The fee to be charged pursuant to G.S. 143-215.3(a)(1a) for processing an application for a permit under G.S. 143-215.108 and G.S. 143-215.109 of Article 21B of this Chapter may not exceed five hundred dollars (\$500.00). The Department shall charge permit fees pursuant to G.S. 143-215.3(a)(1a) to non-Title V facilities subject to permitting under G.S. 143-215.108 and G.S. 143-215.109 of Article 21B according to the following schedule:~~
- (a) For facilities seeking federally enforceable limits to avoid Title V permitting, application fees of eight hundred dollars (\$800.00) and annual fees of three thousand seventy dollars (\$3,070.00).

- (b) For facilities with a potential to emit below Title V thresholds, except for general permits, application fees of one hundred dollars (\$100.00) and annual fees of four hundred dollars (\$400.00).
- (c) The fee for an ownership change shall be fifty dollars (\$50).
- (d) The Department may provide a discount of up to twenty-five percent on annual fees authorized by subparagraphs (a) and (b) of this subsection.

The fee to be charged pursuant to G.S. 143-215.3(a)(1a) for processing a registration under Part 2A of this Article or Article 38 of this Chapter may not exceed fifty dollars (\$50.00) for any single registration. An additional fee of twenty percent (20%) of the registration processing fee may be assessed for a late registration under Article 38 of this Chapter. The fee for administering and compliance monitoring under Article 21, other than Parts 1 and 1A, ~~and G.S. 143-215.108 and G.S. 143-215.109 of Article 21B~~ shall be charged on an annual basis for each year of the permit term and may not exceed one thousand five hundred dollars (\$1,500) per year. Fees for processing all permits under Article 21A ~~and all other sections of Article 21B~~ shall not exceed one hundred dollars (\$100.00) for any single permit. The total payment for fees that are set by the Commission under this subsection for all permits for any single facility shall not exceed seven thousand five hundred dollars (\$7,500) per year, which amount shall include all application fees and fees for administration and compliance monitoring. A single facility is defined to be any contiguous area under one ownership and in which permitted activities occur. For all permits issued under these Articles where a fee schedule is not specified in the statutes, the Commission, or other commission specified by statute shall adopt a fee schedule in a rule following the procedures established by the Administrative Procedure Act. Fee schedules shall be established to reflect the size of the emission or discharge, the potential impact on the environment, the staff costs involved, relative costs of the issuance of new permits and the reissuance of existing permits, and shall include adequate safeguards to prevent unusual fee assessments which would result in serious economic burden on an individual applicant. A system shall be considered to allow consolidated annual payments for persons with multiple permits. In its rulemaking to establish fee schedules, the Commission is also directed to consider a method of rewarding facilities which achieve full compliance with administrative and self-monitoring reporting requirements, and to consider, in those cases where the cost of renewal or amendment of a permit is less than for the original permit, a lower fee for the renewal or amendment."

QUADRENNIAL FEE ADJUSTMENT REQUIREMENTS

SECTION 12.2. G.S. 143B-279.19 reads as rewritten:

"§ 143B-279.19. Quadrennial adjustment of certain fees and rates.

(a) Adjustment for Legislatively Mandated Salaries and Benefits. – Beginning July 1, 2025, and every four years thereafter, the Department shall adjust the fees and rates imposed pursuant to the statutes listed in this subsection in accordance with the Consumer Price Index computed by the Bureau of Labor Statistics during the prior two bienniums. The adjustment for per transaction rates shall be rounded to the nearest dollar (\$1.00):

...

(21) G.S. 143-215.3(1b).

...."

MAKING INUNDATION MAPS PUBLICLY AVAILABLE

SECTION 12.3.(a) G.S. 143-215.31 reads as rewritten:

"§ 143-215.31. Supervision over maintenance and operation of dams.

...

(a1) The owner of a dam classified by the Department as a high-hazard dam or an intermediate-hazard dam shall develop an Emergency Action Plan for the dam as provided in this subsection:

...

(6) Information included in an Emergency Action Plan that constitutes sensitive public security information, as provided in G.S. 132-1.7, shall be maintained as confidential information and shall not be subject to disclosure under the Public Records Act. For purposes of this section, "sensitive public security information" shall include Critical Energy Infrastructure Information protected from disclosure under rules adopted by the Federal Energy Regulatory Commission in 18 C.F.R. ~~§ 388.112.~~ § 388.112, but shall not include Emergency Action Plans or inundation maps for any impoundments or dams not regulated by the Federal Energy Regulatory Commission.

...."

SECTION 12.3.(b) G.S. 66-58 is amended to read:

"§ 66-58. Sale of merchandise or services by governmental units.

...

(b) Subsection (a) of this section does not apply to any of the following:

...

(29) The Department of Environmental Quality in the provision of inundation maps for the preparation of Emergency Action Plans to owners or operators of high hazard potential dams.

...."

SOLID WASTE BENEFICIAL REUSE CLARIFICATION

SECTION 12.4.(a) G.S. 130A-309.05 reads as rewritten:

"§ 130A-309.05. Regulated wastes; certain exclusions.

(a) Certain Wastes Regulated as Nonhazardous. – Notwithstanding other provisions of this Article, the following waste shall be regulated pursuant to this Part:

...

(b) Management of Ash Generated From Burning of Solid Waste. – Ash generated by a solid waste management facility from the burning of solid waste shall be disposed of in a properly designed solid waste disposal area that complies with standards developed by the Department for the disposal of the ash. The Department shall work with solid waste management facilities that burn solid waste to identify and develop methods for recycling and reusing incinerator ash or treated ash.

(c) Recovered Material. – Recovered material is not subject to ~~regulation as permitting requirements for~~ solid waste under this Article. ~~In order for a material that would otherwise be regulated as solid waste to qualify as a recovered material, the~~ The Department may require any person who owns or has control over the material to demonstrate that the material meets the requirements of this subsection. ~~In order to protect public health and the environment, the Commission subsection or may require the person to obtain a beneficial use determination from the Department in accordance with subsection (d) of this section. The Department may adopt rules to implement this subsection. Materials that are accumulated speculatively, as that term is defined under 40 Code of Federal Regulations § 261 (July 1, 2014 Edition), shall not qualify as a recovered material, and shall be subject to regulation as solid waste. In order to qualify as a recovered material, the~~ material. The material shall be managed as a valuable commodity in a

manner consistent with the desired use or end use, and all of the following conditions shall be met:

...

(d) Beneficial Use Determination. – For the purposes of preservation of landfill capacity, economic development, energy savings, and reduction of greenhouse emissions, the Department may determine whether nonhazardous solid waste may be used or reused for a particular site or application as an alternative to disposal at a permitted solid waste management facility as set forth in this subsection.

(1) A person seeking a beneficial use determination shall submit an application to the Department. The Department, after a review of an application submitted under this subsection, may take any of the following actions:

- a. Authorize management of a specified type of nonhazardous solid waste at a site other than a permitted solid waste management facility.
- b. Issue a beneficial use determination with appropriate conditions for use of specific types of solid waste in construction, land application, or other projects and applications.

(2) An applicant for a determination under this subsection shall submit information on forms prescribed by the Department and any additional information required by the Department necessary for a determination under this subsection. In its review of the application and additional information, the Department shall also consider internal research or information submitted by any person or entity concerning the potential hazard to public health or the environment of any type of solid waste.

(3) The Department may require submittal of a demonstration that the solid waste is being managed in a manner to protect public health or the environment and may include any of the following as a part of an authorization under subdivision (1) of this subsection:

- a. Requirements for periodic testing of solid wastes; and
- b. Conditions to ensure that the product or by-products of a material recovered or diverted for beneficial use shall not be discharged, deposited, injected, dumped, spilled, leaked, or placed into or upon any land or water so that the products or by-products or any constituents thereof may enter other lands or be emitted into the air, or discharged into any waters, including groundwaters, or otherwise enter the environment or pose a threat to public health and safety.

(4) Approvals granted under this subsection are valid for no longer than five years. Requests for renewal shall be made at least 60 days in advance of the expiration date of the approval.

(5) The applicant for a determination under this subdivision shall submit to the Department on an annual basis a report detailing the usage of material under the approval and certifying compliance with this Article and any applicable rules adopted under this Article.

(6) The Department may suspend or revoke an authorization and may modify an authorization if it is determined that the activity is not in compliance with the requirements of applicable laws or rules or if new information is provided to the Department that impacts the determination of protection of public health or the environment.

(7) The Department shall provide notice on its website of approved beneficial use determinations.

- (8) Facilities that manage source-separated materials for the purpose of recycling as defined in G.S. 130A-290 are not subject to the provisions of this subsection.
- (9) The Department may adopt rules to implement this subsection and establish application fees for a reuse determination under this subsection. All fees collected under this subdivision shall be credited to the Solid Waste Management Account established under G.S. 130A-295.8(a). In determining the amount of the total application fee in rule, the Department shall have the authority to establish separate fee amounts for annual fees for each year based on the length of time for which the approval will be valid as requested by the applicant."

SECTION 12.4.(b) This section becomes effective January 1, 2027.

EXPAND ELIGIBILITY FOR TARGETED INTEREST RATES

SECTION 12.5. G.S. 159G-20(21) reads as rewritten:

"§ 159G-20. Definitions.

...

- (21) Targeted interest rate project. – ~~Either one~~ of the following types of projects:
- A project that is awarded a loan from the Drinking Water Reserve or the Wastewater Reserve based on affordability.
 - A project that is awarded a loan from the CWSRF or the DWSRF and is in a category for which federal law or the Department encourages a special focus.

...."

RAISE LIMITS FOR MRF AND AIA GRANT FUNDING

SECTION 12.6. G.S. 159G-36(c) is amended to read:

"§ 159G-36. Limits on loans and grants.

...

(c) Certain Reserve Recipient Limit. – The following limits apply to the loan or grant types made from the Wastewater Reserve or the Drinking Water Reserve to the same local government unit or nonprofit water corporation:

...

- (4) The amount of merger/regionalization feasibility grants awarded ~~for three consecutive fiscal years for a fiscal year~~ may not exceed ~~fifty thousand dollars (\$50,000)~~ seventy-five thousand dollars (\$75,000).
- (5) The amount of asset inventory and assessment grants awarded for three consecutive fiscal years may not exceed ~~one hundred fifty thousand dollars (\$150,000)~~ two hundred twenty-five thousand dollars (\$225,000).

...."

PART XIII. LABOR [RESERVED]

PART XIV. NATURAL AND CULTURAL RESOURCES

JOHNSTON COUNTY/BENTONVILLE BATTLEFIELD GRANT EXTENSION

SECTION 14.1. Notwithstanding any provision of law to the contrary, the funds appropriated in S.L. 2023-134, Sec. 2.2 to be allocated as a directed grant to Johnston County to be used for the Bentonville Battlefield State Historic Site shall not revert until June 30, 2028.

FRIENDS OF NC MARITIME MUSEUM AT SOUTHPORT GRANT EXTENSION

1 **SECTION 14.2.** Notwithstanding any provision of law to the contrary, the funds
2 appropriated in S.L. 2023-134, Sec. 2.2 to be allocated as a directed grant to the Friends of the
3 North Carolina Maritime Museum at Southport to be used for fire suppression system and related
4 costs shall not revert until June 30, 2028.

5
6 **CODIFY EXEMPTION FROM STATE PARKS FEES FOR ELIGIBLE DISABLED**
7 **VETERANS**

8 **SECTION 14.3.** Article 2 of Chapter 143B of the General Statutes is amended by
9 adding a new section to read:

10 **"§ 143B-135.17. Exemption of State Parks fees for eligible disabled veterans.**

11 (a) Definitions. – As used in this section, the following words and phrases have the
12 following meanings:

13 (1) Annual Pass Program. – The North Carolina State Parks Annual Pass program
14 offered by the Division that includes the following passes: (i) seasonal access
15 passes, (ii) annual passes, and (iii) four-wheel-drive beach access annual
16 passes.

17 (2) Disabled Veteran. – A veteran of any branch of the Armed Forces of the
18 United States who character of service at separation was honorable or under
19 honorable conditions and who satisfies either of the following requirements:

20 a. As of the date of application required by this section is submitted, the
21 veteran has received benefits under 38 U.S.C. §2101; or

22 b. The veteran has received a certification by the United States
23 Department of Veterans Affairs or another federal agency indicating
24 that, as of the date the application required by this section is submitted,
25 the veteran has a service-connected disability.

26 (3) Division. – The North Carolina Division of Parks and Recreation of the North
27 Carolina Department of Natural and Cultural Resources.

28 (4) Eligible Disabled Veteran. – A Disabled Veteran who (i) has submitted an
29 application for a pass included within the Annual Pass Program and (ii) has
30 provided the Division a copy of the veteran's disability certification or
31 evidence of benefits received under 38 U.S.C. § 2101.

32 (b) Fee Exemption. – An Eligible Disabled Veteran seeking a pass under the Annual Pass
33 Program shall apply for the pass on a form and in a manner prescribed by the Division.

34 (c) Application Required. – A Disabled Veteran seeking a pass under the Annual Pass
35 Program shall apply for the pass on a form and in a manner prescribed by the Division.

36 (d) Rulemaking. – The Department of Natural and Cultural Resources shall adopt rules,
37 or amend any current rules, necessary to implement this section."

38
39 **GRASSROOTS ARTS PROGRAM ADMINISTRATIVE COST ALLOWANCE**

40 **SECTION 14.4.** G.S. 143B-122 reads as rewritten:

41 **"§143-122. Distribution of funds.**

42 (a) Administrative Expenses. – Of the funds appropriated to the Fund, the Trustees may
43 use no more than five percent (5%) for operating expenses associated with programs and
44 activities authorized by this Section.

45 (b) After administrative expenses are deducted from ~~Of~~ the funds available under
46 Grassroots Arts Program, 20% total shall be distributed among counties equally, and the
47 remaining eighty percent (80%) shall be distributed among the counties on a per capita basis."

48
49 **AUTHORIZE PARTF MATCH FOR SHALLOWDRAFT NAVIGATION CHANNEL**
50 **DREDGING AND AQUATIC WEED FUND**

51 **SECTION 14.5.** G.S. 143-215.73F reads as rewritten:

"§143-215.73F. Shallow Draft Navigation Channel Dredging and Aquatic Weed Fund.

(c) Cost-Share. – Any project funded by revenue from the Fund must be cost-shared with non-State dollars as follow:

- (3) The cost-share for an aquatic weed control or navigation channel dredging project shall be at least one non-State dollar for every dollar from the Fund. The cost-share for an aquatic weed control or navigation channel dredging project located within a component of the State Parks System shall be provided by the Division of Parks and Recreation of the Department of Natural and Cultural Resources. The Division of Parks and Recreation may use funds allocated to the State parks System for capital projects under G.S. 143B-135.56 for the cost share.

...."

AMEND CONTINUING RESOLUTIONS TO ALLOW ACTING PAY

SECTION 14.6. G.S. 143-5-4 reads as rewritten:

"§ 143-5-4. Enactment deadline; procedures to be followed when the Current Operations Appropriations Act does not become law prior to the end of certain fiscal years.

(a) Procedure for Budget Continuation. – If a fiscal year begins for which no Current Operations Appropriation Act providing for current operations of State government during that fiscal year has become law, then the following procedures shall be followed and the following limitations shall apply;

...

- (5) State employee salaries. – The salary schedules and specific salaries established for the prior fiscal year and in effect on June 30 of the prior fiscal year for offices and positions shall remain in effect until the Current Operations Appropriations Act for the fiscal year becomes law. State employees subject to G.S. 7A-102(c), 7A-171.1, 143B-1715, or any other statutory salary schedule, shall not move up on salary schedules or receive automatic increases including automatic step increases, until authorized by the General Assembly. State employees, including those exempt from the classification and compensation rules established by the State Human Resources Commission, shall not receive any automatic step increases, annual, performance, merit, bonuses, or other increments until authorized by the General Assembly. Notwithstanding these restrictions, acting pay may still be offered when an employee has a temporary assignment in which he or she remains in the same position, but assumes a higher-level duties or when an employee has a temporary assignment with a change in the variety and scope of duties.

...."

SALUDA GRADE TRAILS CONSERVATORY

SECTION 14.7. The funds allocated by Section 2H.7(1) of S.L. 2024-57 of the Department of Natural and Cultural Resources to provide a directed grant to the Saluda Grade Trails Conservancy, a nonprofit corporation, may, notwithstanding that provision, also be used for the purposes of designing, planning, and developing a recreational trail along the Saluda Grade, including but not limited to the provision of matching funds for grants related to recreational trail development along the Saluda Grade. For purposes of this subsection, "Saluda Grade" means that portion of the Norfolk Southern W-Line railroad between milepost 26 in the

unincorporated community of Zirconia in Henderson County and the boundary between North Carolina and South Carolina.

PART XV. WILDLIFE RESOURCES COMMISSION [RESERVED]

PART XVI. ADMINISTRATIVE OFFICE OF THE COURTS

IOLTA FUNDS TRANSFER

SECTION 16.1. Section 25 of Session Law 2025-70 is repealed.

CRIMINAL JUSTICE INFORMATION NETWORK TRANSFER

SECTION 16.2. G.S. 143B-1203 reads as re-written:

"§ 143B-1203. Transfer; definitions.

(a) The statutory authority, powers, duties, functions, records, personnel, property, and unexpended balances of appropriations, allocations, or other funds of the Criminal Justice Information Network Governing Board are transferred to the ~~Department of Public Safety~~ Administrative Office of the Courts as a Type II transfer as defined in G.S. 143A-6.

(b) As used in this Part:

- (1) "Board" means the Criminal Justice Information Network Governing Board established by G.S. 143B-1204.
- (2) "Department" means the ~~Department of Public Safety~~ Administrative Office of the Courts.
- (3) "Local government user" means a unit of local government of this State having authorized access to the Network.
- (4) "Network" means the Criminal Justice Information Network established by the Board pursuant to this Part.
- (5) "Network user" or "user" means any person having authorized access to the Network.
- (6) "State agency" means any State department, agency, institution, board, commission, or other unit of State government."

PART XVII. INDIGENT DEFENSE SERVICES [RESERVED]

PART XVIII. JUSTICE

STATE CRIME LABORATORY FEASIBILITY STUDY

SECTION 18.1. Of the funds appropriated in Section 18.9 of S.L. 2021-180 to the Department of Justice (Department) for the 2021-2022 fiscal year to conduct a study on the siting of an Eastern Regional Laboratory to be located on the campus of Elizabeth City State University, the remainder shall be used to conduct a study for a permanent laboratory facility for the Triad Laboratory to replace the current location, which the Department is currently leasing, and to do a feasibility and advanced planning study for a new Raleigh laboratory due to the age of the building. The Department shall report on the study outlined in this section to the Chairs of the House Justice and Public Safety Appropriations Committee, the Chairs of the Senate Appropriations on Justice and Public Safety Committee, and the Fiscal Research Division on or before June 30, 2027. The report shall include (i) the estimated cost of completing the laboratory, (ii) the estimated cost of operating the laboratory during its first five years of operation, (iii) an estimated time line for completion of the laboratory, and (iv) any other relevant information.

PART XIX. ADULT CORRECTION

PART XIX-A. DEPARTMENT OF ADULT CORRECTION ADMINISTRATION**STATEWIDE MISDEMEANANT CONFINEMENT PROGRAM FUNDING TRANSFER**

SECTION 19A.1. Of the funds appropriated in this act for the Statewide Misdemeanant Confinement Program:

- (1) The sum of one million dollars (\$1,000,000) shall be transferred each fiscal year to the North Carolina Sheriffs' Association, Inc., a nonprofit corporation, to support the Program and for administrative and operating expenses of the Association and its staff.
- (2) The sum of two hundred twenty-five thousand dollars (\$225,000) shall be allocated each fiscal year to the Department of Adult Correction for its administrative and operating expenses for the Program.
- (3) Up to the sum of five hundred thousand dollars (\$500,000) may be used in each fiscal year of the 2025-2027 fiscal biennium to reimburse sheriffs utilizing inmate labor pursuant to the provisions of Section 19C.10 of S.L. 2021-180.

INMATE MEDICAL REPORTING

SECTION 19A.2. G.S. 143B-1470 reads as rewritten:

"§ 143B-1470. Medical costs for inmates.

...

(c) The Department of Adult Correction shall report ~~quarterly~~ annually by September 1 of each year to the Joint Legislative Oversight Committee on Justice and Public Safety and the chairs of the Justice and Public Safety Appropriations Committees on:

- (1) The percentage of the total inmates requiring hospitalization or hospital services who receive that treatment at each hospital.

...

- (10) The reimbursement rate for contracted providers. The Department shall randomly audit high-volume contracted providers to ensure adherence to billing at the contracted rate.

Reports ~~submitted on August 1~~ shall include totals for the previous fiscal year for all the information requested."

REIMBURSE COUNTIES FOR HOUSING AND EXTRAORDINARY MEDICAL EXPENSES

SECTION 19A.3. Notwithstanding G.S. 143C-6-9, the Department of Adult Correction may use funds available to the Department for the 2025-27 fiscal biennium to reimburse counties for the cost of housing convicted inmates, parolees, and post-release supervisees awaiting transfer to the State prison system, as provided in G.S. 148-29. The reimbursement may not exceed forty dollars (\$40.00) per day per prisoner awaiting transfer. The Department shall report annually by February 1 of each year to the chairs of the Joint Legislative Oversight Committee on Justice and Public Safety and the chairs of the House of Representatives Appropriations Committee on Justice and Public Safety and the Senate Appropriations Committee on Justice and Public Safety on the expenditure of funds to reimburse counties for prisoners awaiting transfer.

PART XIX-B. PRISONS**CENTER FOR COMMUNITY TRANSITIONS/CONTRACT AND REPORT**

SECTION 19B.1. The Department of Adult Correction may continue to contract with The Center for Community Transitions, Inc., a nonprofit corporation, for the purchase of

prison beds for minimum security female inmates during the 2025-27 fiscal biennium. The Center for Community Transitions, Inc., shall report by February 1 of each year to the chairs of the House of Representatives Appropriations Committee on Justice and Public Safety and the Senate Appropriations Committee on Justice and Public Safety on the annual cost per inmate and the average daily inmate population compared to bed capacity using the same methodology as that used by the Department of Adult Correction.

NURSE STAFFING AT STATE PRISONS

SECTION 19B.2. Notwithstanding any other provision of law, the Department of Adult Correction may, in its discretion and subject to the approval of the Office of State Budget and Management, convert funds appropriated for contractual nursing services to permanent nursing positions when it is determined to promote security, generate cost savings, and improve health care quality. The Department shall report on any such conversions to the Fiscal Research Division.

DOT CONTRACT OF INMATE LITTER CREW

SECTION 19B.3.(a) After the issuance of a request for information (RFI) and receipt of bids by the Department of Transportation for litter pickup on State highways and roads, the Department of Transportation shall first offer the contract to the Department of Adult Correction upon the same terms and conditions as the most favorable bid received by the Department of Transportation from a suitable contractor. The Department of Adult Correction shall have 30 days to accept or decline the offered contract.

SECTION 19B.3.(b) It is the policy of the General Assembly that the Department of Transportation shall utilize inmate litter crews for litter pickup on State highways and roads as often as is necessary and practicable.

PART XIX-C. COMMUNITY SUPERVISION

INTERSTATE COMPACT FEES TO SUPPORT TRAINING PROGRAMS AND EQUIPMENT PURCHASES SECTIONS

SECTION 19C.1. Notwithstanding the provisions of G.S. 148-65.7, fees collected for the Interstate Compact Fund during the 2025-27 fiscal biennium may be used by the Department of Adult Correction during the 2025-27 fiscal biennium to provide training programs and equipment purchases for the Division of Community Supervision, but only to the extent sufficient funds remain available in the Fund to support the mission of the Interstate Compact Program.

PART XIX-D. REHABILITATION AND REENTRY [RESERVED]

PART XIX-E. PUBLIC SAFETY [RESERVED]

PART XIX-F. DEPARTMENT OF PUBLIC SAFETY ADMINISTRATION [RESERVED]

PART XIX-G. LAW ENFORCEMENT [RESERVED]

PART XIX-H. JUVENILE JUSTICE [RESERVED]

PART XIX-I. EMERGENCY MANAGEMENT AND NATIONAL GUARD [RESERVED]

PART XIX-J. STATE BUREAU OF INVESTIGATION

CODIFY USE OF SEIZED AND FORFEITED PROPERTY**SECTION 19J.1.** G.S. 14-2.3 reads as re-written:**"§ 14-2.3. Forfeiture of gain acquired through criminal activity.**

...

(d) Seized and forfeited assets transferred to the Department of Justice, Department of Adult Correction, the State Bureau of Investigation, the State Highway Patrol, and the Department of Public Safety, pursuant to applicable federal law shall be credited to the budget of the recipient department and shall result in an increase of law enforcement resources for that department. The Department of Justice, Department of Adult Correction, State Bureau of Investigation, State Highway Patrol, and the Department of Public Safety shall each make the following reports to the chairs of House of Representatives Appropriations Committee on Justice and Public Safety and the Senate Appropriations Committee on Justice and Public Safety:

(1) A report upon receipt of any assets.

(2) A report that shall be made prior to the use of the assets on their intended use and the departmental priorities on which the assets may be expended.

(3) A report on receipts, expenditures, encumbrances, and availability of these assets for the previous fiscal year, which shall be

(e) The General Assembly finds that the use of seized and forfeited assets transferred pursuant to federal law for new personnel positions, new projects, acquisition of real property, repair of buildings where the repair includes structural change, and construction of or additions to buildings may result in additional expenses for the State in future fiscal periods. Therefore, the Department of Justice, Department of Adult Correction, State Bureau of Investigation, State Highway Patrol, and the Department of Public Safety are prohibited from using these assets for such purposes without the prior approval of the General Assembly.

(f) Nothing in this section prohibits State law enforcement agencies from receiving funds from the United States Department of Justice, the United States Department of the Treasury, and the United States Department of Health and Human Services."

CONTINUED EXEMPTION FROM IT CONSOLIDATION**SECTION 19J.2.** G.S. 143B-1320 reads as rewritten:**"§ 143B-1320. Definitions; scope; exemptions.**

...

(b) Exemptions. – Except as otherwise specifically provided by law, this Article does not apply to the following entities: the General Assembly, the Judicial Department, the Community Colleges System Office, The University of North Carolina and its constituent institutions, the Office of the State Auditor, the State Board of Elections, the State Highway Patrol, and the Department of State ~~Treasurer~~. Treasurer, and the State Bureau of Investigation. These entities may elect to participate in the information technology programs, services, or contracts offered by the Department, including information technology procurement, in accordance with the statutes, policies, and rules of the Department. The election shall be made in writing, as follows:

(1) For the General Assembly, by the Legislative Services Commission.

...

(9) For the Investment Authority under Part I of Article 6 of Chapter 147 of the General Statutes, by the Board of Directors of the Authority.

(10) For the State Bureau of Investigation, by the Director.

...."

ADD OFFENSES FOR WHICH ORDERS FOR ELECTRONIC SURVEILLANCE MAY BE GRANTED**SECTION 19J.3.** G.S. 15A-290 reads as rewritten:

"§ 15A-290. Offenses for which orders for electronic surveillance may be granted.

(a) Orders authorizing or approving the interception of wire, oral, or electronic communications may be granted, subject to the provisions of this Article and Chapter 19 of Title 18 of the United States Code, when the interception does any of the following:

(1) May provide or has provided evidence of the commission of, or any conspiracy to commit, any of the following:

- a. Any of the drug-trafficking violations listed in G.S. 90-95(h).
- b. A continuing criminal enterprise in violation of G.S. 90-95.1.
- c. The offense of money laundering in violation of G.S. 14-118.8.

...

(c) Orders authorizing or approving the interception of wire, oral, or electronic communications may be granted, subject to the provisions of this Article and Chapter 119 of Title 18 of the United States Code, when the interception may provide, or has provided, evidence of any of the following offenses, or any conspiracy to commit these offenses, or when the interception may expedite the apprehension of persons indicted for the commission of these offenses:

(1) Any felony offense against a minor, including any violation of G.S. 14-27.31 (Sexual activity by a substitute parent or custodian), G.S. 14-27.32 (Sexual activity with a student), G.S. 14-41 (Abduction of children), G.S. 14-43.11 (Human trafficking), G.S. 14-43.12 (Involuntary servitude), G.S. 14-43.13 "(Sexual servitude), G.S. 14-190.16 (First degree sexual exploitation of a minor), G.S. 14-190.17 (Second degree sexual exploitation of a minor), G.S. 14-202.1 (Taking indecent liberties with children), G.S. 14-205.2(c) or (d) (Patronizing a prostitute who is a minor or has a mental disability), or G.S. 14-205.3(b) (Promoting prostitution of a minor or a person who has a 1 mental disability).

...

(5) Any offense involving the manufacture, assembly, possession, storage, transportation, sale, purchase, delivery, or acquisition of weapons of mass death or destruction in violation of G.S. 14-288.8 or the adulteration or misbranding of food, drugs, cosmetics, etc., with the intent to cause serious injury in violation of G.S. 14-34.4.

(6) Any felony offense involving human trafficking of an adult, including but not limited to violation of G.S. 14-43.11 (Human trafficking), G.S. 14-43.12 (Involuntary servitude), or G.S. 14-43.13 (Sexual servitude).

...."

TECHNICAL CORRECTIONS RELATED TO MAKING THE STATE BUREAU OF INVESTIGATION AN INDEPENDENT DEPARTMENT

SECTION 19J.4. The Revisor of Statutes shall replace a reference to the Department of Public Safety with a reference to the State Bureau of Investigation in the following statutes:

- (1) Article 27A of Chapter 14.
- (2) G.S. 18B-902.
- (3) G.S. 74C-8.1.
- (4) G.S. 74D-2.1.
- (5) G.S. 84-24.
- (6) G.S. 90D-7.
- (7) G.S. 90-11.
- (8) G.S. 90-30.
- (9) G.S. 90-102.1.
- (10) G.S. 90-210.25.

- (11) G.S. 90-224.
(12) G.S. 93A-4.
(13) G.S. 95-47.2.
(14) G.S. 110-90.2.
(15) G.S. 143B-901.
(16) G.S. 143B-902.
(17) G.S. 143B-903.
(18) G.S. 143B-904.
(19) G.S. 160A-304.

CONTINUE POLICE AUTHORITY

SECTION 19J.5. G.S. 20-49 reads as rewritten:

"§ 20-49. Police authority of Division.

All members of the Highway Patrol and law enforcement officers of the Department of Public Safety and the State Bureau of Investigation shall have the power:

...."

CONTINUE EXPANDED SCOPE OF CONCEALED HANDGUN PERMITS

SECTION 19J.6. G.S. 14-415.27 reads as rewritten:

"§ 14-415.27. Expanded permit scope for certain persons.

Notwithstanding G.S. 14-415.11(c), any of the following persons who has a concealed handgun permit issued pursuant to this Article or that is considered valid under G.S. 14-415.24 is not subject to the area prohibitions set out in G.S. 14-415.11(c) and may carry a concealed handgun in the areas listed in G.S. 14-415.11(c) unless otherwise prohibited by federal law:

...

- (8) A person employed by the Department of Public Safety who has been 8 designated in writing by the Secretary of the Department and who has in the 9 person's possession written proof of the designation.

- (8a) A person employed by the State Bureau of Investigation who has been designated in writing by the Director of the Bureau and who has in the person's possession written proof of the designation.

...."

DIVISION OF CRIMINAL INFORMATION UPDATES

SECTION 19J.7. G.S. 143B-905 is recodified as G.S. 143B-208.19. G.S. 143B-208.19 reads as rewritten:

"§ 143B-208.19. Division of Criminal Information.

(a) ~~The Department of Public Safety~~ State Bureau of Investigation (Bureau) is authorized to establish, devise, maintain and operate a system for receiving and disseminating to participating agencies information collected, maintained and correlated under authority of G.S. 143B-902. The system shall be known as the ~~Criminal Information Network~~. Division of Criminal Information (DCI).

(b) ~~The Department of Public Safety~~ Bureau is authorized to cooperate with the Division of Motor Vehicles, Department of Administration, and other State, local and federal agencies and organizations in carrying out the purpose and intent of this section, and to utilize, in cooperation with other State agencies and to the extent as may be practical, computers and related equipment as may be operated by other State agencies.

(c) ~~The Department of Public Safety~~ Bureau, after consultation with participating agencies, shall adopt rules and regulations governing the organization and administration of ~~the Criminal Information Network~~ DCI, including rules and regulations governing the types of information relating to the administration of criminal justice to be entered into the system, and

who shall have access to such information. The rules and regulations governing access to the ~~Criminal Information Network~~ DCI shall not prohibit an attorney who has entered a criminal proceeding in accordance with G.S. 15A-141 from obtaining information relevant to that criminal proceeding. The rules and regulations governing access to the ~~Criminal Information Network~~ DCI shall not prohibit an attorney who represents a person in adjudicatory or dispositional proceedings for an infraction from obtaining the person's driving record or criminal history.

(d) The ~~Department~~ Bureau may impose monthly fees on participating agencies. The monthly fees collected under this subsection shall be used to offset the cost of operating and maintaining the ~~Criminal Information Network~~ DCI. The fee amount varies depending upon the type of device. For a desktop device, the monthly fee is twenty-five dollars (\$25) per device. For a mobile device, the monthly fee is twelve dollars (\$12) per device.

(1) ~~The Department may impose a monthly circuit fee on agencies that access the Criminal Information Network through a circuit maintained and operated by the Department of Public Safety. The amount of the monthly fee is three hundred dollars (\$300.00) plus an additional fee amount for each device linked to the Network. The additional fee amount varies depending upon the type of device. For a desktop device after the first seven desktop devices, the additional monthly fee is twentyfive dollars (\$25.00) per device. For a mobile device, the additional monthly fee is twelve dollars (\$12.00) per device.~~

(2) ~~The Department may impose a monthly device fee on agencies that access the Criminal Information Network through some other approved means. The amount of the monthly device fee varies depending upon the type of device. For a desktop device, the monthly fee is twentyfive dollars (\$25.00) per device. For a mobile device, the fee is twelve dollars (\$12.00) per device."~~

SBI/WORKERS' COMPENSATION FOR RESERVE LAW ENFORCEMENT OFFICERS

SECTION 19J.8. G.S. 143B-1208.13 reads as rewritten:

"§ 143B-1208.13. Personnel of the State Bureau of Investigation.

The Director of the State Bureau of Investigation may appoint a sufficient number of assistants who shall be competent and qualified to do the work of the Bureau. The Director shall be responsible for making all hiring and personnel decisions of the Bureau. Persons serving as reserve law enforcement officers of the Bureau are considered employees of the Bureau for workers' compensation purposes while performing duties assigned or approved by the Director of the Bureau or the Director's designee."

PART XIX-K. STATE HIGHWAY PATROL [RESERVED]

PART XX. ADMINISTRATION

SALE OF STATE PROPERTY/NEGATIVE RESERVE

SECTION 20.1.(a) There is established a negative reserve in the amount of twenty-five million dollars (\$25,000,000) for the 2026-2027 fiscal year to be supported by the sale of State-owned real property.

SECTION 20.1.(b) The Department of Administration (DOA) shall identify, market, and execute the sale of State property sufficient to generate proceeds to fill the negative reserve established by subsection (a) of this section. DOA shall take all actions necessary to ensure the timely deposit of proceeds into the appropriate budget code to offset the reserve.

SECTION 20.1.(c) DOA shall report quarterly to the Office of State Budget and Management (OSBM) and the Joint Legislative Commission on Governmental Operations on the

status of property sales and the amount of proceeds collected toward satisfying the negative reserve.

PROCUREMENT SAVINGS/NEGATIVE RESERVE

SECTION 20.2.(a) The Department of Administration (DOA) and the Department of Information Technology (DIT) shall jointly develop and implement procurement strategies, including strategic sourcing, consolidated procurement, enterprise contracts, and improved demand management, to achieve statewide savings of at least forty million dollars (\$40,000,000), of which no less than ten million dollars (\$10,000,000) shall be recurring savings, with the remainder being nonrecurring.

SECTION 20.2.(b) A negative reserve in the amount of thirty million dollars (\$30,000,000), of which at least ten million dollars (\$10,000,000) shall be recurring, is established for the 2026-2027 fiscal year to be supported by procurement savings achieved pursuant to subsection (a) of this section.

SECTION 20.2.(c) State agencies that generate procurement savings pursuant to subsection (a) of this section may retain twenty-five percent (25%) of the savings realized. The remaining seventy-five percent (75%) of savings, including no less than ten million dollars (\$10,000,000) in recurring savings, shall be transferred and credited toward filling the negative reserve established by subsection (b) of this section.

SECTION 20.2.(d) The Office of State Budget and Management (OSBM) shall work jointly with DOA and DIT to (i) verify procurement savings, (ii) administer the retention of savings by agencies, (iii) ensure the transfer of savings necessary to fill the negative reserve, and (iv) reconcile savings across the fiscal year.

SECTION 20.2.(e) DOA, DIT, and OSBM shall provide quarterly reports to the Joint Legislative Commission on Governmental Operations on procurement savings achieved, agency savings retained, and progress toward filling the negative reserve.

PART XXI. ADMINISTRATIVE HEARINGS [RESERVED]

PART XXII. OFFICE OF THE STATE AUDITOR

DIRECTED GRANTS REVIEW BY THE OFFICE OF THE STATE AUDITOR

SECTION 22.1. G.S. 143C-6-23 is amended by adding a new subsection to read:
"§ 143C-6-23. State grant funds: administration; oversight and reporting requirements.

...
(g1) Enhanced Audit Review of Directed Grants. – The following applies to directed grants to non-State entities:

(1) Definitions. – For purposes of this subsection, the following definitions apply:
a. Directed grant. – Nonrecurring funds allocated by a State agency to a non-State entity as directed by an act of the General Assembly.

(2) Review required. – Beginning with the 2026-2027 fiscal year and each fiscal year thereafter, the Office of the State Auditor shall conduct direct review of directed grants to non-State entities. In carrying out this subsection, the Office of the State Auditor shall conduct audits, investigations, verification audits, or other examinations authorized by Article 5A of Chapter 147 of the General Statutes sufficient to determine whether directed grant funds were used for authorized purposes and in accordance with applicable law and grant terms.

(3) Scope of review. – Reviews conducted under this subsection shall extend beyond confirmation that a recipient or administering State agency has submitted required certifications, reports, or policies and shall include testing, as the State Auditor deems appropriate, of all the following:

- a. Whether directed grant funds were used only for the purposes for which they were appropriated or otherwise authorized by law.
 - b. Whether expenditures were supported by adequate documentation and were properly charged to the directed grant.
 - c. Whether transactions involving officers, directors, employees, family members, affiliated entities, or related parties present actual or apparent conflicts of interest, self-dealing, or other misuse of public funds.
 - d. Whether funds were transferred, subgranted, retained, or commingled in a manner inconsistent with law, grant terms, or the purposes of the appropriation.
 - e. Whether there is evidence of fraud, misrepresentation, waste, abuse, or other improper governmental activity involving directed grant funds.
 - f. Whether the recipient maintained adequate internal controls to safeguard directed grant funds and prevent or detect unauthorized transactions.
- (4) Selection of recipients. – Each fiscal year, the Office of the State Auditor shall select directed grant recipients for review as follows:
- a. The Office of the State Auditor shall review not less than five percent (5%) of directed grant recipients with active directed grants during that fiscal year. In selecting recipients for review, the Office of the State Auditor shall include recipients from multiple administering State agencies and multiple grant-size tiers.
 - b. The Office of the State Auditor shall review not less than five percent (5%) of recently closed directed grants selected from grants that remained active or were closed out during the preceding 24 months.
 - c. The Office of the State Auditor shall employ an appropriate sampling or selection methodology that is reasonable and consistent with accepted auditing practices and the requirements of (4a) and (4b) of this subsection.
 - d. The Office of the State Auditor shall review each directed grant recipient identified in writing by an administering State agency or the Director of the Budget upon identification of potential risks or indications of improper management of funds.
 - e. Nothing in this subsection shall limit the authority of the State Auditor to conduct additional reviews of directed grant recipients as otherwise authorized by law.
- (5) Direct access to information. – For reviews conducted under this subsection, the Office of the State Auditor may obtain information directly from the recipient or any subrecipient, contractor, affiliate, or other person or entity handling directed grant funds on behalf of the recipient to the full extent authorized by Article 5A of Chapter 147 of the General Statutes. The administering State agency shall provide to the Office of the State Auditor, upon request, copies of grant agreements, amendments, reports, payment records, and other documents already in its possession relating to a selected directed grant.
- (6) Agency monitoring not sufficient. – Compliance by the recipient with reporting requirements, the filing of a conflict-of-interest policy, the submission of audit reports, or monitoring by the administering State agency shall not satisfy or limit the review required by this subsection and shall not

- 1 restrict the scope of examination undertaken by the Office of the State
2 Auditor.
- 3 (7) Annual report. – No later than October 15 of each year, the State Auditor shall
4 submit a report on the reviews conducted under this subsection to the Joint
5 Legislative Commission on Governmental Operations the chairs of the Senate
6 Committee on Appropriations/Base Budget, the chairs of the House
7 Appropriations Committee, and the Fiscal Research Division. The report shall
8 include all of the following:
- 9 a. The number of active and closed directed grant recipients and directed
10 grants eligible for review during the prior fiscal year.
- 11 b. The sampling and selection methodology used to select recipients and
12 grants for review.
- 13 c. The number and type of audits, investigations, or other examinations
14 performed.
- 15 d. A summary of findings, including questioned costs, unsupported
16 expenditures, internal control weaknesses, related-party transactions,
17 actual or apparent conflicts of interest, and any evidence of fraud,
18 waste, abuse, or other improper governmental activity.
- 19 e. The number of recipients reviewed because they were on the
20 Suspension of Funding List or were identified by an administering
21 State agency, the Office of State Budget and Management, or the
22 Director of the Budget.
- 23 f. Any referrals made to the Attorney General, the State Bureau of
24 Investigation, the Department of Revenue, or any other agency.
- 25 g. Any recommendations for statutory or administrative changes to
26 improve oversight of directed grants.
- 27 (8) Public record. Notwithstanding G.S. 147-64(d), the report required by
28 subdivision (7) of this subsection is a public record pursuant to G.S. 132-1(a)."
29

30 **PART XXIII. BUDGET AND MANAGEMENT**

31 **STATE FISCAL RECOVERY FUND FLEXIBILITY 2026**

32 **SECTION 23.1. S.L. 2025-97 reads as rewritten:**

33 "...
34

35 "SECTION 6.9.(c) To implement subsection (b) of this section, the Director of the Budget
36 shall make nonrecurring, budget-neutral adjustments as follows:

- 37 (1) Reduce, on a nonrecurring basis, the 2025-2026 or 2026-2027 fiscal year net
38 General Fund appropriation for each agency receiving SFRF pursuant to this
39 section by an amount equal to the SFRF reclassified to that agency.
- 40 (2) Increase, on a nonrecurring basis, the net General Fund appropriation for each
41 agency from which SFRF were reclassified under this section by an amount
42 equal to the SFRF removed from that agency.
- 43 (3) Notwithstanding G.S. 143C-1-2(b), the net General Fund appropriations made
44 under subdivision (2) of this subsection shall be used only for the projects for
45 which SFRF were reduced under this section and shall not revert but shall
46 remain available until the earlier of project completion or June 30, 2027.
- 47 (4) In no event shall a project from which SFRF are reclassified receive net
48 General Fund appropriations in excess of the project's unexpended SFRF
49 balance as of the date of reclassification.

50 "SECTION 6.9.(d) To reconcile project-level allocations with available SFRF balances,
51 OSBM, through NCPRO, may adjust SFRF project allocations by up to ten dollars (\$10.00) per

project. Adjustments under this subsection are technical and shall not change project scope or shift funds between projects. Nothing in this subsection limits or supersedes a reclassification authorized by subsection (b) of this section.

"SECTION 6.9.(e) No later than ~~April 15, 2026~~ December 15, 2026, OSBM and NCPRO shall jointly report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division on all actions taken under this section, including:

(1) For each agency and project meeting the revenue-loss criteria in subsection (a) of this section, the project name and the amount of remaining unexpended SFRF as of ~~December 31, 2025~~ June 30, 2026. The report shall also identify which projects are complete and have excess SFRF funds and which SFRF projects need additional funds for completion.

(2) For each agency and project from which unexpended SFRF were reclassified, the project name and the amount of the corresponding nonrecurring net General Fund appropriation provided in lieu of SFRF. (3) For each agency and project receiving SFRF pursuant to the reclassification, the project name and the amount of SFRF provided. The report shall also certify that all SFRF were obligated on or before December 31, 2024, and that expenditures are being made consistent with 31 C.F.R. Part 35 and related United States Department of the Treasury guidance.

"SECTION 6.9.(f) The Director of the Budget shall ensure that implementation of this section results in no change to the net General Fund appropriations in the 2025-2026 or 2026-2027 fiscal year."

ADDITIONAL STATE FISCAL RECOVERY FUND FLEXIBILITY

SECTION 23.2.(a) Notwithstanding any provision of law to the contrary, and subject to the conditions set out in part (b) of this section, below, the North Carolina Pandemic Recovery Office (NCPRO), in consultation with the Director of the Budget, may reallocate State Fiscal Recovery Funds (SFRF) appropriated by this act or any act of the General Assembly, including but not limited to:

- (a) S.L. 2021-180.
- (b) S.L. 2021-189.
- (c) S.L. 2022-6.
- (d) S.L. 2022-74.
- (e) S.L. 2023-134.
- (f) S.L. 2024-1.
- (g) S.L. 2024-40.
- (h) S.L. 2024-53.
- (i) S.L. 2024-55.

SECTION 23.2.(b) The funds set out in part (a) of this section may be reallocated only when all of the following conditions are met:

- (a) The appropriated funds have not been expended by September 30, 2026.
- (b) There is a reasonable expectation that the funds will not be expended before the deadline established by applicable federal law or guidance.
- (c) The reallocation is made to support SFRF related activities authorized and receiving appropriations under this act or one of the acts listed above in part (a) of this Section, and adhering to Federal SFRF Expenditure Category 5 (Water, Sewer, or Broadband Infrastructure) guidance. Reallocated funds shall not be used for any new activity, purpose, or program.

SECTION 23.2.(c) Any funds remain after the reallocation process authorized in subsection (b) shall be allocated to the State Treasurer up to an amount equal to the remaining unreimbursed COVID-19 related expenses incurred by the North Carolina State Health Plan for Teachers and State Employees between March 3, 2021 and December 31, 2024.

SECTION 23.2.(d) To the extent that funds reallocated pursuant to this section are unappropriated, including interest accrual exceeding that which is anticipated in this act, those funds are hereby appropriated and available for use pursuant to this section.

SECTION 23.2.(e) Reporting. – Beginning September 30, 2026, the Office of State Budget and Management (OSBM) shall report to the Fiscal Research Division quarterly on the reallocations made pursuant to this section in the same manner as required in S.L. 2025-97, Section 6.9.(e).

INTEREST TO SUPPORT NC PANDEMIC RECOVERY EFFORTS

SECTION 23.3. Any interest earned on the following is appropriated to the Office of State Budget and Management (OSBM) for operations pertaining to pandemic recovery and may be utilized in accordance with the requirements set out in Section 6.9 of S.L. 2025-97:

- (a) Local Fiscal Recovery Fund, Budget Code 63009, Budget Fund 610000;
- (b) Homeowner Assistance Fund, Budget Code 23023, Budget Fund 214150, that is allowed to be retained by the State; and
- (c) Economic Development Assistance Strategy and Tourism grant funds, Budget Code 23025, Budget Funds 214250 and 214251, that is allowed to be retained by the State.
- (d) Project Fund, Budget Code 23022, Budget Fund 214102, that is allowed to be retained by the state.

REMOVE DIRECTOR OF THE BUDGET FROM APPROVAL OF RIF SEVERANCE WAGES AND RIF DISCONTINUED SERVICE RETIREMENT ALLOWANCES

SECTION 23.4.(a) G.S. 126-8.5(a) reads as rewritten:

"§ 126-8.5. Discontinued service retirement allowance and severance wages for certain State employees.

(a) When the ~~Director of the Budget determines that the~~ closing of a State institution or a reduction in force will accomplish economies in the State Budget, the State employees who were separated from employment as a result of the closure or reduction in force shall receive from the last employing agency either a discontinued service retirement allowance or severance wages, ~~wages to any affected State employee,~~ provided reemployment is not available. As used in this section, "economies in the State Budget" means economies resulting from elimination of a job and its responsibilities or from a lack of funds to support the job. The agency head shall determine, in his or her discretion, In determining whether to pay a discontinued service retirement allowance or severance wages, the Director of the Budget shall consider the recommendation of the department head involved and any recommendation of after the opportunity for consultation with the Director of the Office of State Budget and Management and the Director of the Office of State Human Resources. Severance wages shall not be paid to an employee who chooses a discontinued service retirement. Severance wages shall not be subject to employer or employee retirement contributions. Severance wages shall be paid according to the policies adopted by the State Human Resources Commission.

...."

SECTION 23.4.(b) This section is effective when it becomes law and applies to all discontinued service retirement allowances and severance wages paid on or after that date.

ADDRESS RESPONSIBILITIES FOR QUALIFIED EXCESS BENEFIT ARRANGEMENT WHEN THE FINAL EMPLOYER OF A MEMBER IS NOT THE MEMBER'S EMPLOYER FOR AVERAGE FINAL COMPENSATION CALCULATIONS

SECTION 23.5.(a) G.S. 135-151(d1) reads as rewritten:

"(d1) The last employer of a payee who retires on or after August 1, 2016, and who receives any supplemental benefit payment under this section shall be required to reimburse the QEBA in

the amount of any supplemental benefit payment made to that payee. If the employer associated with the payee member's last month of membership service did not report to the Retirement System any compensation paid to the payee member during the period used to compute the payee member's average final compensation, then that last employer of the payee shall not reimburse the QEBA as described in this subsection, but instead the employer or employers who reported compensation during the payee member's average final compensation period shall each reimburse the QEBA in an amount equal to the employer's share of the total reimbursement required under this subsection, allocated proportionally to each employer based on the total amount of compensation to the payee member that each employer reported during the period used to compute the payee member's average final compensation. The reimbursement amount shall be calculated on an annual basis every calendar year. For purposes of calculating the reimbursement amount, the Board of Trustees may include a pro rata share of direct costs attributable to administration of the QEBA. The total amount of reimbursement owed by The University of North Carolina and UNC Health Care shall not exceed five hundred thousand dollars (\$500,000) annually. The Fiscal Research Division of the General Assembly shall be required to review all reimbursement amounts prior to notifying an employer of the reimbursement amount owed.

The employer shall have 60 calendar days from the date of notification of the reimbursement amount owed to pay the amount in full or the employer shall be assessed a penalty, in lieu of interest, of one percent (1%) per month, or fraction thereof, that the payment is made beyond the due date."

SECTION 23.5.(b) G.S. 128-38.10(d1) reads as rewritten:

"(d1) The last employer of a payee who retires on or after August 1, 2016, and who receives any supplemental benefit payment under this section shall be required to reimburse the QEBA in the amount of any supplemental benefit payment made to that payee. The reimbursement amount shall be calculated on an annual basis every calendar year. For purposes of calculating the reimbursement amount, the Board of Trustees may include a pro rata share of direct costs attributable to administration of the QEBA. If the employer associated with the payee member's last month of membership service did not report to the Retirement System any compensation paid to the payee member during the period used to compute the payee member's average final compensation, then that last employer of the payee shall not reimburse the QEBA as described in this subsection, but instead the employer or employers who reported compensation during the payee member's average final compensation period shall each reimburse the QEBA in an amount equal to the employer's share of the total reimbursement required under this subsection, allocated proportionally to each employer based on the total amount of compensation to the payee member that each employer reported during the period used to compute the payee member's average final compensation. The Fiscal Research Division of the General Assembly shall be required to review all reimbursement amounts prior to notifying an employer of the reimbursement amount owed.

The employer shall have 60 calendar days from the date of notification of the reimbursement amount owed to pay the amount in full or the employer shall be assessed a penalty, in lieu of interest, of one percent (1%) per month, or fraction thereof, that the payment is made beyond the due date."

SECTION 23.5.(c) This section becomes effective January 1, 2026 and applies to all reimbursements assessed on or after that date under G.S. 135-151(d1) or 128-38.10(d1) for past, existing, and future retirements.

MITIGATE FEDERAL FUNDING ACTIONS

SECTION 23.6.(a) For the 2026-2027 fiscal year, the Office of State Budget and Management (OSBM) may use funds available in the Federal Infrastructure Match Reserve to assist state agencies in mitigating the fiscal impacts of federal spending freezes, federal government shutdowns, or federal spending reductions. This assistance includes, but is not limited to, providing legally required personnel-related or contractual expenses resulting from

the discontinuation or delay of federal funds that an agency cannot otherwise support within existing resources.

SECTION 23.6.(b) Agencies shall submit documentation of the shortfall resulting from the discontinuation or delay of federal funds to the Director of the Budget. The Office of State Budget and Management (OSBM) may, at the discretion of the Director, allocate funds available to the state agency to meet current liabilities. The funds are appropriated from the Federal Infrastructure Match Reserve for the purposes set out in this section, at the time the Director deems such a transfer necessary.

SECTION 23.6.(c) To the extent possible, state agencies shall reimburse these funds to OSBM. OSBM shall revert all reimbursed funds to the Federal Infrastructure Match Reserve by June 30, 2027.

SECTION 23.6.(d) Not later than September 1, 2027, OSBM shall submit a written report to the Senate Appropriations Committee on General Government and Information Technology, the House of Representatives Appropriations Committee on General Government, the Joint Legislative Oversight Committee on General Government, the Joint Legislative Commission on Governmental Operations, and the Fiscal Research Division which shall include all of the following for each recipient of funds from OSBM:

(a) The name of any state agency receiving funds pursuant to in subsection (a) of this section.

(b) The reason for the request for funds, including name of each federal program that was impacted by a funding spending freeze, a federal government shutdown, or a federal spending reduction, and a brief description of the impact.

(c) The amount of funds provided from the Federal Infrastructure Match Reserve.

(d) The amount of funds reimbursed to the Federal Infrastructure Match Reserve.

PAYROLL MODERNIZATION RESERVE AND OVERSIGHT BOARD

SECTION 23.7.(a) There is established in the General Fund a Payroll Modernization Reserve (Reserve) to provide funds for the replacement of the State's payroll and Core HR systems. The State Budget Director shall reserve to the Payroll Modernization Reserve from funds available in the IT Reserve the sum of twenty-five million dollars (\$25,000,000) in nonrecurring funds for the 2026-2027 fiscal year. Funds in the Reserve shall not revert and shall remain available until expended for the purposes set forth in this section.

SECTION 23.7.(b) There is established the Payroll Modernization Oversight Board (Board) to oversee the planning, procurement, and implementation of the replacement payroll system. The Board shall consist of the following five members:

(1) The State Chief Information Officer, who will serve as chair.

(2) The State Controller.

(3) The State Budget Director.

(4) The State Treasurer.

(5) The Director of the Office of State Human Resources.

SECTION 23.7.(c) The Board shall:

(1) Determine the payroll functions and requirements necessary for the State's payroll system.

(2) Develop and issue a request for proposals (RFP) for the replacement payroll system.

(3) Evaluate proposals and select the vendor or solution that best meets the State's needs no later than July 1, 2027.

(4) Make all decisions by majority vote.

SECTION 23.7.(d) Beginning January 30, 2027, and semiannually thereafter on January 30 and June 30 of each year, the Board shall report on its progress to the Joint Legislative Oversight Committee on General Government. The report shall include, at a minimum, updates

on planning, procurement, implementation milestones, expenditures from the Reserve, and any recommendations for legislative action.

REMOVING OBSOLETE REPORTING REQUIREMENTS TO STREAMLINE GOVERNMENT

SECTION 23.8.(a) The following statutes related to reporting requirements are repealed:

- (a) G.S. 150B-21.28.
- (b) S.L. 2023-134-5.6.(j).
- (c) G.S. 166A-19.42.(c).

SECTION 23.8.(b) G.S. 143C-4-6(c) reads as rewritten:

"(c) Fiscal Reports. – In years when the most recent enacted budget exceeds six percent (6%) of State personal income, the The Office of State Budget and Management and the Fiscal Research Division of the General Assembly shall each submit an a tentative estimate of total State personal income for the upcoming fiscal year to the General Assembly alongside each issuance of a joint General Fund revenue forecast ~~no later than February 1 of each year. The Office and the Fiscal Research Division shall each submit a final projection of total State personal income for the upcoming fiscal year to the General Assembly no later than May 1 of each year.~~ The General Assembly shall use the lower of the two ~~final~~ projections to calculate the limitation on the size of the General Fund operating budget provided in this section."

SECTION 23.8.(c) G.S. 20-7.(i1) reads as rewritten:

"(i1) Restoration Fee. – Any person whose drivers license has been revoked pursuant to the provisions of this Chapter, other than G.S. 20-17(a)(2) shall pay a restoration fee of eighty-three dollars and 50 cents (\$83.50). A person whose drivers license has been revoked under G.S. 20-17(a)(2) shall pay a restoration fee of one hundred sixty-seven dollars and twenty-five cents (\$167.25). The fee shall be paid to the Division prior to the issuance to such person of a new drivers license or the restoration of the drivers license. The restoration fee shall be paid to the Division in addition to any and all fees which may be provided by law. This restoration fee shall not be required from any licensee whose license was revoked or voluntarily surrendered for medical or health reasons whether or not a medical evaluation was conducted pursuant to this Chapter. The eighty-three dollars and 50 cents (\$83.50) fee, and the first one hundred five dollars (\$105.00) of the one hundred sixty-seven dollars and twenty-five cents (\$167.25) fee, shall be deposited in the Highway Fund. Twenty-five dollars (\$25.00) of the one hundred sixty-seven dollars and twenty-five cents (\$167.25) fee shall be used to fund a statewide chemical alcohol testing program administered by the Forensic Tests for Alcohol Branch of the Chronic Disease and Injury Section of the Department of Health and Human Services. Notwithstanding any other provision of law, a restoration fee assessed pursuant to this subsection may be waived by the Division when (i) the restoration fee remains unpaid for more than 10 years from the date of assessment and (ii) the person responsible for payment of the restoration fee has been issued a drivers license by the Division after the effective date of the revocation for which the restoration fee is owed. ~~The Office of State Budget and Management shall annually report to the General Assembly the amount of fees deposited in the General Fund and transferred to the Forensic Tests for Alcohol Branch of the Chronic Disease and Injury Section of the Department of Health and Human Services under this subsection.~~"

PART XXIV. BUDGET AND MANAGEMENT – SPECIAL APPROPRIATIONS [RESERVED]

PART XXV. OFFICE OF STATE CONTROLLER

OVERPAYMENTS AUDITS

1 **SECTION 25.** G.S. 147-86.22(c) reads as rewritten:

2 "(c) Collection Techniques. – The State Controller, in conjunction with the Office of the
3 Attorney General, shall establish policies and procedures to govern techniques for collection of
4 accounts receivable. These techniques may include use of credit reporting bureaus, judicial
5 remedies authorized by law, and administrative setoff by a reduction of a tax refund pursuant to
6 the Setoff Debt Collection Act, Chapter 105A of the General Statutes, or a reduction of another
7 payment, other than payroll, due from the State to a person to reduce or eliminate an account
8 receivable that the person owes the State.

9 The State Controller shall negotiate a contract with a third party to perform an audit and
10 collection process of inadvertent overpayments by State agencies to vendors as a result of pricing
11 errors, neglected rebates and discounts, miscalculated freight charges, unclaimed refunds,
12 erroneously paid excise taxes, and related errors. The third party shall be compensated only from
13 funds recovered as a result of the audit. Of the recovered funds and subject to availability, the
14 State Controller may use up to three hundred thousand dollars (\$300,000) to develop and provide
15 governmental accounting education for state agency fiscal staff. Savings realized in excess of
16 costs and any funds used by the State Controller for the aforementioned purpose shall be
17 transferred from the agency to the Office of State Budget and Management and placed in a special
18 reserve account for future direction by the General Assembly. Any disputed savings shall be
19 settled by the State Controller. This paragraph does not apply to the purchase of medical services
20 by State agencies or payments used to reimburse or otherwise pay for health care services."

21 **ELECTRONIC PAYMENT PROCESSING**

22 **SECTION 25.2.** G.S. 147-86.22 reads as rewritten:

23 "**§ 147-86.22. Statewide accounts receivable program.**

24 ...

25 (b) Electronic Payment. – Notwithstanding the provisions of G.S. 147-86.20 and
26 G.S. 147-86.21, this subsection applies to debts owed a community college, a local school
27 administrative unit, an area mental health, developmental disabilities, and substance abuse
28 authority, and the Administrative Office of the Courts, and to debts payable to or through the
29 office of a clerk of superior court or a magistrate, as well as to debts owed to other State agencies
30 as defined in G.S. 147-86.20.

31 The State Controller shall establish policies that allow accounts receivable to be payable
32 under certain conditions by electronic payment. These policies shall be established with the
33 concurrence of the State Treasurer. In addition, any policies that apply to debts payable to or
34 through the office of a clerk of superior court or a magistrate shall be established with the
35 concurrence of the Administrative Officer of the Courts. The Administrative Officer of the Courts
36 may also establish policies otherwise authorized by law that apply to these debts as long as those
37 policies are not inconsistent with the Controller's policies.

38 A condition of payment by electronic payment is receipt by the appropriate State agency of
39 the full amount of the account receivable owed to the State agency. ~~A-Notwithstanding the~~
40 ~~provisions of this section or any other provision of law, a State agency may enter into a contract~~
41 ~~with a payment processor that authorizes the processor to retain their fee for providing the~~
42 ~~processing service at the time each transaction is made. The terms of any contract executed under~~
43 ~~this subsection shall be approved by the State Controller with the concurrence of the State~~
44 ~~Treasurer and the Administrative Office of the Courts, as applicable. In the absence of a contract~~
45 ~~with a processor to retain service fees, the State agency may charge a debtor who pays by~~
46 ~~electronic payment may be required to pay any fee or charge associated with the use of electronic~~
47 ~~payment. Fees-fees to cover the costs incurred in accepting the payment electronically, but in no~~
48 ~~event shall the debtor be required to pay a fee that is greater than four percent (4%) of the~~
49 ~~electronic payment. If the State agency does not require the debtor to pay a fee associated with~~
50 ~~processing-electronic paymentspayments, the fee may be paid out of the General Fund and~~
51

Highway Fund if the payment of the fee by the State is economically beneficial to the State and the payment of the fee by the State has been approved by the State Controller and State Treasurer.

The State Controller and State Treasurer shall consult with the Joint Legislative Commission on Governmental Operations before establishing policies that allow accounts receivable to be payable by electronic payment and before authorizing fees associated with electronic payment to be paid out of the General Fund and Highway Fund. A payment of an account receivable that is made by electronic payment and is not honored by the issuer of the card or the financial institution offering electronic funds transfer does not relieve the debtor of the obligation to pay the account receivable.

...

(d) Annual Report. – The State Controller shall report annually to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division on the revenue deposited into Special Reserve Account 24172 and the disbursement of that revenue."

PART XXVI. ELECTIONS [RESERVED]

PART XXVII. GENERAL ASSEMBLY [RESERVED]

PART XXVIII. GOVERNOR [RESERVED]

PART XXIX. HOUSING FINANCE AGENCY [RESERVED]

PART XXIXA. OFFICE OF STATE HUMAN RESOURCES

HUMAN CAPITAL MANAGEMENT PROJECT PHASE I IMPLEMENTATION

SECTION 29A.1.(a) Section 6.8(b) of S.L. 2025-97 is repealed.

SECTION 29A.1.(b) Section 6.8(c) of S.L. 2025-97 is repealed.

"...

~~"SECTION 6.8.(c) OSHR may establish one or time limited permanent positions funded by this section to support the implementation and operation of the HCM system; any such positions may begin in the 2025-2026 fiscal year and may continue into the 2026-2027 fiscal year, but shall expire no later than June 30, 2027, and shall not be continued or converted to permanent positions without further legislative authorization."~~

HCM PHASE I ENHANCEMENTS

SECTION 29A.2.(a) In implementing enhancements to Phase I of the new Human Capital Management project, in order to reduce duplication of effort and increase accuracy, OSC shall work with OSHR to automate a bidirectional (two-way) integration, ensuring employee data is synchronized between the Workday HCM and the current Integrated HR/Payroll system.

PART XXX. DEPARTMENT OF INSURANCE

DEPARTMENT OF INSURANCE LEASE EXPENSES

SECTION 30.1. Section 7(a) of S.L. 2023-114 reads as rewritten:

"SECTION 7.(a) The General Assembly authorizes the Department of Insurance to fund, with receipts or from other non-General Fund and non-State Capital and Infrastructure Fund sources available to the Department, a sum not to exceed eighteen million dollars (\$18,000,000) to enter into a lease agreement for the temporary relocation of the Department's offices and a sum not to exceed one million dollars (\$1,000,000) for costs associated with the temporary relocation. The lease agreement funded by the sum authorized in this subsection shall be for a term not to exceed five years, with the option to renew for two additional five-year consecutive periods. ~~and~~

~~shall not be renewed without prior approval from the General Assembly.~~ The Department shall complete the relocation process no later than October 15, 2023."

**PART XXXI. DEPARTMENT OF INSURANCE – INDUSTRIAL COMMISSION
[RESERVED]**

PART XXXII. LIEUTENANT GOVERNOR [RESERVED]

PART XXXIII. MILITARY AND VETERANS AFFAIRS

CLARIFICATION OF VETERANS DEFINITIONS

SECTION 33.1. G.S. 143B-1213 reads as rewritten:

"§ 143B-1213. Definitions.

Except where provided otherwise, the following definitions apply in this Chapter:

- (1) Department. – The Department of Military and Veterans Affairs.
- (2) Secretary. – The Secretary of Military and Veterans Affairs.
- (3) Veteran. – One of the following, as applicable.
 - a. For qualifying as a voting member of the State Board of Veterans served honorably during a period of war as defined in Title 38, United States Code.
 - b. For entitlement to the services of the Department of Military and Veterans Affairs, a person who may be entitled to any benefits or rights under the laws of the United States by reason of service in the Armed Forces of the United States; under the U.S. Department of Defense (Army, Marine Corps, Navy, Air Force, Space Force, National Guard) and the U.S. Department of Homeland Security (Coast Guard), and the reserve components thereof.
 - c. For this Chapter, unless otherwise stated "Armed Forces of the United States" means the Armed Forces of the United States under the United States Department of Defense (Army, Marine Corps, Navy, Air Force, Space Force, National Guard) and the United States Department of Homeland Security (Coast Guard), the reserve components thereof."

**UPDATE NORTH CAROLINA VETERANS HOME TRUST FUND TO REFLECT
GENERAL ASSEMBLY APPROPRIATION**

SECTION 33.2. G.S. 143B-1293 reads as rewritten:

"§ 143B-1293. North Carolina Veterans Home Trust Fund.

(a) Establishment. – A trust fund shall be established in the State treasury, for the Department of Military and Veterans Affairs, to be known as the North Carolina Veterans Home Trust Fund.

(b) Composition. – The trust fund shall consist of all funds and monies received by the Veterans' Affairs Commission or the Department of Military and Veterans Affairs from the United States, any federal agency or institution, and any other source, whether as a grant, appropriation, gift, contribution, devise, or individual reimbursement, for the care and support of veterans who have been admitted to a State veterans home.

(c) Use of Fund. – The trust fund created in subsection (a) of this section shall be used by the Department of Military and Veterans Affairs to do the following:

- (1) To pay for the care of veterans in said State veterans homes;
- (2) To pay the general operating expenses of the State veterans homes, including the payment of salaries and wages of officials and employees of

- 1 ~~said homes;~~ the Department to the extent such personnel support the
2 ~~operations, administration, and oversight of said homes;~~
3 (3) To remodel, repair, construct, modernize or add improvement to buildings
4 and facilities at the homes."
5

6 **AUTHORITY TO APPROVE CAPITAL PROJECTS FUNDED BY THE STATE**
7 **VETERANS HOME TRUST FUND**

8 **SECTION 33.3.** G.S. 143C-8-12 reads as rewritten:

9 **"§ 143C-8-12. Capital improvement projects from sources other than the General Fund.**

10 ...

11 (c) National Guard Projects. – Notwithstanding any other provision of this Chapter, the
12 North Carolina National Guard may approve expenditures for a capital project of the North
13 Carolina National Guard if (i) the project will be funded entirely with federal funds and (iii) any
14 operating costs associated with the project will be paid entirely with federal funds.

15 (c1) The Department of Military and Veterans Affairs – Notwithstanding any other
16 provisions of this chapter, the Department may approve State Veterans Homes capital projects
17 funded by non-general Fund monies.

18 (d) Reporting. – The Board of Governors, ~~and the~~ National Guard, and Department of
19 Military and Veterans Affairs shall report any expenditure made pursuant to this section to the
20 Office of State Budget and Management and to the Joint Legislative Commission on
21 Governmental Operations."
22

23 **NORTH CAROLINA VETERANS CEMETERY TRUST FUND**

24 **SECTION 33.4.** Article 14 of Chapter 143B of the General Statute is amended by
25 adding a new Section to read:

26 **"§ 143B-1219. North Carolina Veterans Cemeteries Trust Fund.**

27 (a) There is established the North Carolina Veterans Cemetery Trust Fund (hereinafter
28 "Fund"), a special fund within the Department of Military and Veterans Affairs. The Fund shall
29 be maintained as a special fund and shall be administered by the Department to carry out the
30 provisions of this section for the operations and maintenance of State veterans' cemeteries. Fund
31 resources may also be used to cover the projected cashflow needs of cemetery expansion projects
32 funded by grants from the U.S. Department of Veterans Affairs. Interest accruing from the
33 monies in the Fund shall be credited to the Fund. The Fund shall consist of the following sources
34 of funding:

35 (1) All interest and investment earnings received on monies in the Fund.

36 (2) Funds or monies received by the Department, the receipt of which does not
37 exclude any other source of revenue, from the United States, any federal
38 agency or institution, or individual reimbursement, for the support of veterans
39 cemeteries.

40 (3) Any other funds, as directed by the General Assembly.

41 (b) The Department is authorized to use up to seven hundred seventy-five thousand
42 dollars (\$775,000) of the interest earned on the Fund to create up to ten positions to
43 maintain and operate the existing state veterans cemeteries. The amount allowed to
44 the Department for costs under this section may be increased as needed to reflect
45 legislatively mandated salary or benefit increases.

46 (c) The Department is authorized to use an additional twenty-three thousand dollars
47 (\$23,000) in the 2026-27 fiscal year to pay for nonrecurring costs associated with these positions
48 and maintenance costs.

49 (d) In the event annual earned interest in the Fund is insufficient to cover seven hundred
50 seventy-five thousand dollars (\$775,000), the Department may withdraw additional funds from

the balance of the Fund so the total amount withdrawn from the balance and interest are equal to seven hundred and seventy-five thousand dollars (\$775,000)."

PART XXXIV. DEPARTMENT OF REVENUE

SCRAP TIRE DISPOSAL TAX

SECTION 34.1. G.S. 105-187.19(a) reads as rewritten:

"§ 105-187.19. Use of tax proceeds.

(a) The Secretary shall distribute the taxes collected under this Article, less the allowance to the Department of Revenue for administrative expenses, in accordance with this section. The Secretary may retain the cost of collection by the Department, not to exceed ~~four hundred twenty-five thousand dollars (\$425,000)~~ six hundred seventy-five thousand dollars (\$675,000) a year as reimbursed to the Department."

WHITE GOODS DISPOSAL TAX

SECTION 34.2. G.S. 105-187.24 reads as rewritten:

"§ 105-187.24. Use of tax proceeds.

The Secretary shall distribute the taxes collected under this Article, less the Department of Revenue's allowance for administrative expenses, in accordance with this section. The Secretary may retain the Department's cost of collection, not to exceed ~~four hundred twenty-five thousand dollars (\$425,000)~~ six hundred seventy-five thousand dollars (\$675,000) a year, as reimbursement to the Department.

...."

PART XXXV. SECRETARY OF STATE [RESERVED]

PART XXXVI. TREASURER [RESERVED]

PART XXXVII. GENERAL GOVERNMENT – MISCELLANEOUS [RESERVED]

PART XXXVIII. INFORMATION TECHNOLOGY [RESERVED]

PART XXXIX. SALARIES AND BENEFITS

ELIGIBLE STATE-FUNDED EMPLOYEES AWARDED COST-OF-LIVING ADJUSTMENT/LEGISLATIVE SALARY INCREASES

SECTION 39.1.(a) Effective July 1, 2025, except as provided by subsection (c) of this section, a person (i) whose salary is set by this Part, pursuant to the North Carolina Human Resources Act or as otherwise authorized in this act and (ii) who was employed in a State-funded position on June 30, 2024, is awarded a compensation adjustment as follows:

(1) Two percent and one-half (2.5%) effective July 1, 2025.

(2) As otherwise allowed or provided by law.

SECTION 39.1.(a1) Effective July 1, 2026, except as provided by subsection (c) of this section, a person (i) whose salary is set by this Part, pursuant to the North Carolina Human Resources Act or as otherwise authorized in this act and (ii) who is employed in a State-funded position on June 30, 2025, is awarded a compensation adjustment as follows:

(1) Two percent and one-half (2.5%) effective July 1, 2026.

(2) As otherwise allowed or provided by law.

SECTION 39.1.(b) For the 2025-27 fiscal biennium, the following persons are not eligible to receive the legislative salary increases provided by subsections (a) and (a1) of this section:

- (1) Employees of local boards of education.
- (2) Local community college employees.
- (3) Employees of The University of North Carolina
- (4) Clerks of superior court compensated under G.S. 7A-101.
- (5) Correctional employees to which Section 39.18 of this Part applies.
- (6) Law enforcement officers to which Section 39.19.(a) of this Part applies.
- (7) Probation and parole officers to which Section 39.20.(a) of this Part applies.
- (8) Employees of schools operated by the Department of Health and Human Services, the Department of Public Safety, and the State Board of Education who are paid based on the Teacher Salary Schedule.

SECTION 39.1.(c) Permanent part-time employees shall receive the increase authorized by this section on a prorated and equitable basis.

SECTION 39.1.(d) No eligible State-funded employee shall be prohibited from receiving the full salary increase provided in this section solely because the employee's salary after applying the legislative increase is above the maximum of the salary range prescribed by the State Human Resources Commission.

STATE EMPLOYEE BONUS

SECTION 39.2.(a) Notwithstanding G.S. 143C-6-4, any person (i) whose salary is set by Section 7A.(5), Section 7A.(8), Section 7A.(9) or by this Part, pursuant to the North Carolina Human Resources Act, who is employed on September 30th, 2026, shall be awarded a bonus for the 2026-27 fiscal year in the amount of one thousand dollars (\$1,000.00), payable during the month of October 2026.

SECTION 39.2.(b) Employers of State employees and local education employees shall provide an additional bonus of five hundred dollars (\$500.00), payable during the month of October 2026, to all permanent full-time State employees and local education employees who are employed on September 30th, 2026, and who earn an annual salary that does not exceed seventy-five thousand dollars (\$75,000).

SECTION 39.2.(c) Notwithstanding Subsection (d) of Section 39.33, any funds appropriated for bonuses in excess of the amounts required to implement the bonuses shall revert and not be credited to the Pay Plan Reserve.

SECTION 39.2.(d) Notwithstanding G.S. 135-1(7a), the compensation bonuses awarded by this section are not compensation under Article 1 of Chapter 135 of the General Statutes, the Teachers' and State Employees' Retirement System.

SECTION 39.2.(e) The compensation bonuses awarded by this section are not part of annual salary and shall be paid out separately. The compensation bonus shall be awarded to eligible permanent employees without regard to an employee's placement within the salary range, including employees at the top of the salary range. The compensation bonus shall be adjusted pro rata for permanent part-time employees.

GOVERNOR AND COUNCIL OF STATE

SECTION 39.3.(a) The salary of the Governor, as provided by G.S. 147-11(a), shall remain unchanged.

SECTION 39.3.(b) The annual salaries for members of the Council of State, payable monthly, for the 2025-27 fiscal biennium are as follows:

<u>Council of State</u>	<u>FY 2025-26</u>	<u>FY 2026-27</u>
Lieutenant Governor	\$172,594	\$176,909
Attorney General	172,594	176,909
Secretary of State	172,594	176,909
State Treasurer	172,594	176,909

1	State Auditor	172,594	176,909
2	Superintendent of Public Instruction	172,594	176,909
3	Agriculture Commissioner	172,594	176,909
4	Insurance Commissioner	172,594	176,909
5	Labor Commissioner	172,594	176,909

CERTAIN EXECUTIVE BRANCH OFFICIALS

SECTION 39.4.(a) The annual salaries, payable monthly, for the following executive branch officials for the 2025-27 fiscal biennium are as follows:

<u>Executive Branch Officials</u>	<u>FY 2025-26</u>	<u>FY 2026-27</u>
Chairman, Alcoholic Beverage Control Commission	\$144,365	\$147,974
State Controller	201,022	206,048
Commissioner of Banks	162,028	166,079
Chair, Board of Review, Division of Employment Security	158,931	162,904
Members, Board of Review, Division of Employment Security	156,989	160,914
Chairman, Parole Commission	158,931	162,904
Full-Time Members of the Parole Commission	146,948	150,622
Chairman, Utilities Commission	180,159	184,663
Members of the Utilities Commission	162,028	166,079
Executive Director, North Carolina Agricultural Finance Authority	140,590	144,105
State Fire Marshall	142,526	146,089

JUDICIAL BRANCH

SECTION 39.5.(a) The annual salaries, payable monthly, for the following judicial branch officials for the 2025-27 fiscal biennium are as follows:

<u>Judicial Branch Officials</u>	<u>FY 2025-26</u>	<u>FY 2026-27</u>
Chief Justice, Supreme Court	\$208,150	\$213,354
Associate Justice, Supreme Court	202,747	207,816
Chief Judge, Court of Appeals	199,541	204,530
Judge, Court of Appeals	194,362	199,221
Judge, Senior Regular Resident Superior Court	178,606	183,071
Judge, Superior Court	173,353	177,687
Chief Judge, District Court	171,737	176,030
Judge, District Court	166,686	170,853
Chief Administrative Law Judge	148,354	152,063
District Attorney	171,520	175,808
Assistant Administrative Officer of the Courts	155,610	159,500
Public Defender	171,520	175,808
Director of Indigent Defense Services	172,779	177,098

SECTION 39.5.(b) The district attorney or public defender of a judicial district, with the approval of the Administrative Officer of the Courts or the Commission on Indigent Defense Services, respectively, shall set the salaries of assistant district attorneys or assistant public defenders, respectively, in that district such that the average salaries of assistant district attorneys or assistant public defenders in that district, for the 2025-27 biennium, do not exceed one hundred and three thousand eight hundred thirty-one dollars (\$103,831) and the minimum salary of any

assistant district attorney or assistant public defender is at least fifty-five thousand seven hundred forty-nine dollars (\$55,749), effective July 1, 2025.

SECTION 39.5.(b1) The district attorney or public defender of a judicial district, with the approval of the Administrative Officer of the Courts or the Commission on Indigent Defense Services, respectively, shall set the salaries of assistant district attorneys or assistant public defenders, respectively, in that district such that the average salaries of assistant district attorneys or assistant public defenders in that district, for the 2025-27 biennium, do not exceed one hundred and six thousand four hundred twenty-seven dollars (\$106,427) and the minimum salary of any assistant district attorney or assistant public defender is at least fifty-seven thousand twenty-one dollars (\$57,143), effective July 1, 2026.

CLERKS OF SUPERIOR COURT

SECTION 39.6.(a) Effective July 1, 2025, G.S. 7A-101(a) reads as rewritten:

"(a) The clerk of superior court is a full-time employee of the State and shall receive an annual salary, payable in equal monthly installments, based on the number of State-funded assistant and deputy clerks of court as determined by the Administrative Office of Court's workload formula, according to the following schedule:

<u>Assistants and Deputies</u>	<u>Annual Salary</u>
0-19	\$111,726 <u>\$114,519</u>
20-29	123,488 <u>126,575</u>
30-49	135,248 <u>138,629</u>
50-99	147,010 <u>150,685</u>
100+	149,949 <u>153,698.</u> "

SECTION 39.6.(a1) Effective July 1, 2026, G.S. 7A-101(a) reads as rewritten:

"(a) The clerk of superior court is a full-time employee of the State and shall receive an annual salary, payable in equal monthly installments, based on the number of State-funded assistant and deputy clerks of court as determined by the Administrative Office of Court's workload formula, according to the following schedule:

<u>Assistants and Deputies</u>	<u>Annual Salary</u>
0-19	\$114,519 <u>\$117,382</u>
20-29	126,575 <u>129,739</u>
30-49	138,629 <u>142,095</u>
50-99	150,685 <u>154,452</u>
100+	153,698. <u>157,540.</u> "

ASSISTANT AND DEPUTY CLERKS OF SUPERIOR COURT

SECTION 39.7.(a) Effective July 1, 2025, G.S. 7A-102(c1) reads as rewritten:

"(c1) A full-time assistant clerk or a full-time deputy clerk, and up to one full-time deputy clerk serving as head bookkeeper per county, shall be paid an annual salary subject to the following minimum and maximum rates:

Assistant Clerks and Head Bookkeeper	Annual Salary
Minimum	\$40,482 <u>\$41,494</u>
Maximum	74,792 <u>76,662</u>

Deputy Clerks	Annual Salary
Minimum	\$36,315 <u>\$37,223</u>
Maximum	58,740. <u>60,209.</u> "

SECTION 39.7.(a1) Effective July 1, 2026, G.S. 7A-102(c1) reads as rewritten:

"(c1) A full-time assistant clerk or a full-time deputy clerk, and up to one full-time deputy clerk serving as head bookkeeper per county, shall be paid an annual salary subject to the following minimum and maximum rates:

Assistant Clerks and Head Bookkeeper	Annual Salary
Minimum	\$41,494 <u>\$42,531</u>
Maximum	76,662 <u>78,579</u>

Deputy Clerks	Annual Salary
Minimum	\$37,223 <u>38,154</u>
Maximum	60,209 <u>61,714.</u> "

MAGISTRATES

SECTION 39.8.(a) Effective July 1, 2025, G.S. 7A-171.1 reads as rewritten:

"§ 7A-171.1. Duty hours, salary, and travel expenses within county.

(a) The Administrative Officer of the Courts, after consultation with the chief district judge and pursuant to the following provisions, shall set an annual salary for each magistrate:

- (1) A full-time magistrate shall be paid the annual salary indicated in the table set out in this subdivision. A full-time magistrate is a magistrate who is assigned to work an average of not less than 40 hours a week during the term of office. The Administrative Officer of the Courts shall designate whether a magistrate is full-time. Initial appointment shall be at the entry rate. A magistrate's salary shall increase to the next step every two years on the anniversary of the date the magistrate was originally appointed for increases to Steps 1 through 3, and every four years on the anniversary of the date the magistrate was originally appointed for increases to Steps 4 through 6.

Table of Salaries of Full-Time Magistrates

<u>Step Level</u>	<u>Annual Salary</u>
Entry Rate	\$47,228 <u>\$48,409</u>
Step 1	50,714 <u>51,982</u>
Step 2	54,475 <u>55,837</u>
Step 3	58,457 <u>59,918</u>
Step 4	63,228 <u>64,809</u>
Step 5	68,973 <u>70,697</u>
Step 6	75,415 <u>77,300.</u> "

SECTION 39.8.(a1) Effective July 1, 2026, G.S. 7A-171.1 reads as rewritten:

"§ 7A-171.1. Duty hours, salary, and travel expenses within county.

(a) The Administrative Officer of the Courts, after consultation with the chief district judge and pursuant to the following provisions, shall set an annual salary for each magistrate:

- (1) A full-time magistrate shall be paid the annual salary indicated in the table set out in this subdivision. A full-time magistrate is a magistrate who is assigned to work an average of not less than 40 hours a week during the term of office. The Administrative Officer of the Courts shall designate whether a magistrate is full-time. Initial appointment shall be at the entry rate. A magistrate's salary shall increase to the next step every two years on the anniversary of the date the magistrate was originally appointed for increases to Steps 1 through 3, and every four years on the anniversary of the date the magistrate was originally appointed for increases to Steps 4 through 6.

Table of Salaries of Full-Time Magistrates

<u>Step Level</u>	<u>Annual Salary</u>
Entry Rate	\$48,409 <u>\$49,619</u>

1	Step 1	<u>51,982,532.82</u>
2	Step 2	<u>55,837,572.33</u>
3	Step 3	<u>59,918,614.16</u>
4	Step 4	<u>64,809,664.29</u>
5	Step 5	<u>70,697,724.64</u>
6	Step 6	<u>77,300,79,233."</u>

LEGISLATIVE EMPLOYEES

SECTION 39.9.(a) Effective July 1, 2025, the annual salaries of the Legislative Services Officer and of nonelected employees of the General Assembly in effect on June 30, 2025, shall be legislatively increased by two and one-half percent (2.5%).

SECTION 39.9.(a1) Effective July 1, 2026, the annual salaries of the Legislative Services Officer and of nonelected employees of the General Assembly in effect on June 30, 2025, shall be legislatively increased by two and one-half percent (2.5%).

SECTION 39.9.(b) Nothing in this act limits any of the provisions of G.S. 120-32.

GENERAL ASSEMBLY PRINCIPAL CLERKS

SECTION 39.10.(a) Effective July 1, 2025, G.S. 120-37(c) reads as rewritten:

"(c) The principal clerks shall be full-time officers. Each principal clerk shall be entitled to other benefits available to permanent legislative employees and shall be paid an annual salary of ~~one hundred thirty-three thousand nine hundred thirty-six dollars (\$133,936)~~, one hundred thirty-seven two hundred eighty-four (\$137,284), payable monthly. Each principal clerk shall also receive such additional compensation as approved by the Speaker of the House of Representatives or the President Pro Tempore of the Senate, respectively, for additional employment duties beyond those provided by the rules of their House. The Legislative Services Commission shall review the salary of the principal clerks prior to submission of the proposed operating budget of the General Assembly to the Governor and shall make appropriate recommendations for changes in those salaries. Any changes enacted by the General Assembly shall be by amendment to this paragraph."

SECTION 39.10.(a1) Effective July 1, 2026, G.S. 120-37(c) reads as rewritten:

"(c) The principal clerks shall be full-time officers. Each principal clerk shall be entitled to other benefits available to permanent legislative employees and shall be paid an annual salary of ~~one hundred thirty-seven thousand two hundred eighty-four dollars (\$137,284)~~, one hundred forty thousand seven hundred sixteen dollars (\$140,716), payable monthly. Each principal clerk shall also receive such additional compensation as approved by the Speaker of the House of Representatives or the President Pro Tempore of the Senate, respectively, for additional employment duties beyond those provided by the rules of their House. The Legislative Services Commission shall review the salary of the principal clerks prior to submission of the proposed operating budget of the General Assembly to the Governor and shall make appropriate recommendations for changes in those salaries. Any changes enacted by the General Assembly shall be by amendment to this paragraph."

SERGEANTS-AT-ARMS AND READING CLERKS

SECTION 39.11.(a) Effective July 1, 2025, G.S. 120-37(b) reads as rewritten:

"(b) The sergeant-at-arms and the reading clerk in each house shall be paid a salary of ~~five hundred twenty-eight dollars (\$528)~~ five hundred forty-one dollars (\$541) per week plus subsistence at the same daily rate provided for members of the General Assembly, plus mileage at the rate provided for members of the General Assembly for one round trip only from their homes to Raleigh and return. The sergeants-at-arms shall serve during sessions of the General Assembly and at such time prior to the convening of, and subsequent to adjournment or recess

of, sessions as may be authorized by the Legislative Services Commission. The reading clerks shall serve during sessions only."

SECTION 39.11.(a) Effective July 1, 2026, G.S. 120-37(b) reads as rewritten:

"(b) The sergeant-at-arms and the reading clerk in each house shall be paid a salary of ~~five hundred forty-one dollars (\$541)~~ five hundred fifty-five dollars (\$555) per week plus subsistence at the same daily rate provided for members of the General Assembly, plus mileage at the rate provided for members of the General Assembly for one round trip only from their homes to Raleigh and return. The sergeants-at-arms shall serve during sessions of the General Assembly and at such time prior to the convening of, and subsequent to adjournment or recess of, sessions as may be authorized by the Legislative Services Commission. The reading clerks shall serve during sessions only."

COMMUNITY COLLEGES

SECTION 39.12.(a) Community college personnel shall receive the following cost-of-living adjustments:

- (1) Effective July 1, 2025, the State Board of Community Colleges shall provide community college faculty and non-faculty personnel with an across-the-board salary increase in the amount of two and one-half percent (2.5%).
- (2) Effective July 1, 2026, the State Board of Community Colleges shall provide community college faculty and non-faculty personnel with an across-the-board salary increase in the amount of two and one-half percent (2.5%).

SECTION 39.12.(b) The minimum salaries for nine-month, full-time curriculum community college faculty for the 2025-2027 fiscal biennium are as follows:

<u>Education Level</u>	<u>FY 2025-26</u>	<u>FY 2026-27</u>
Vocational Diploma/Certificate or Less	\$44,198	\$45,303
Associate Degree or Equivalent	44,813	45,933
Bachelor's Degree	47,479	48,666
Master's Degree or Education Specialist	49,845	51,091
Doctoral Degree	53,255	54,586

SECTION 39.12.(c) No full-time faculty member shall earn less than the minimum salary for his or her education level. The pro rata hourly rate of the minimum salary for each education level shall be used to determine the minimum salary for part-time faculty members.

UNIVERSITY OF NORTH CAROLINA SYSTEM

SECTION 39.13.(a) Effective for the 2025-27 fiscal biennium, the annual salaries of University of North Carolina SHRA employees shall be increased as provided by Section 39.1 of this act.

SECTION 39.13.(b) For the 2025-27 fiscal biennium, the Board of Governors of The University of North Carolina may provide EHRA employees a salary increase pursuant to the policies adopted by the Board. Funds for EHRA compensation increases may be used for any one or more of the following purposes: (i) merit pay, (ii) across the board increases, (iii) recruitment bonuses, (iv) retention increases, and (v) any other compensation increase pursuant to those policies.

SECTION 39.13.(c) The Board of Governors of The University of North Carolina shall make a report on the use of compensation increase and bonus funds to the General Assembly by no later than March 1 of each year of the biennium.

CORRECTIONAL OFFICERS/YOUTH COUNSELOR TECHNICIANS/YOUTH SERVICES BEHAVIORAL SPECIALISTS – SALARY SCHEDULE

SECTION 39.14.(a) State employees serving as correctional officers in the Department of Adult Correction shall be compensated at a specific pay rate on the basis of a salary schedule determined according to the duration of the employee's correctional officer work experience.

SECTION 39.14.(a1) State employees serving in the Department of Public Safety, Division of Juvenile Justice and Delinquency Prevention, shall be compensated at a specific pay rate set on the basis of a salary schedule determined according to the duration of the employee's work experience, as follows:

- (1) Youth Counselor Technicians shall be paid under the Correctional Officer I salary schedule.
- (2) Youth Behavioral Specialists shall be paid under the Correctional Officer salary schedule.
- (3) Youth Counselors shall be paid under the Correctional Officer III salary schedule.

SECTION 39.14.(b) The following annual salary schedule applies under subsections (a) and (a1) of this section for the 2025-2027 fiscal biennium, effective for on July 1, 2025:

Experience	FY 2025-26			FY 2026-27		
	COI	COII	COIII	COI	COII	COIII
0	\$41,383	\$42,745	\$45,714	\$43,452	\$44,882	\$48,000
1	\$44,278	\$45,736	\$48,915	\$46,492	\$48,023	\$51,361
2	\$46,937	\$48,529	\$51,851	\$49,284	\$50,955	\$54,444
3	\$49,283	\$50,905	\$54,443	\$51,747	\$53,450	\$57,165
4	\$51,253	\$52,941	\$56,620	\$53,816	\$55,588	\$59,451
5	\$52,792	\$54,528	\$58,319	\$55,432	\$57,254	\$61,235
6+	\$53,848	\$55,619	\$59,486	\$56,540	\$58,400	\$62,460

STATE LAW ENFORCEMENT OFFICER SALARY SCHEDULE

SECTION 39.15.(a) Law enforcement officers of the State Bureau of Investigation, Alcohol Law Enforcement, and State Capitol Police shall be compensated pursuant to an experience-based salary schedule and shall be compensated based on the officer's respective work experience pursuant to the salary schedule in subsection (b) of this section.

SECTION 39.15.(b) The following annual salary schedule applies under subsection (a) of this section for the 2025-2027 fiscal biennium, effective July 1, 2025, and July 1, 2026, for each respective fiscal year:

Years of Experience	FY 2025-26	FY 2026-27
0	58,825	61,766
1	62,649	65,781
2	66,722	70,058
3	71,059	74,612
4	75,678	79,462
5	80,597	84,627
6+	85,836	90,128

STATE HIGHWAY PATROL/SALARY SCHEDULE/INCREASE

SECTION 39.16.(a) Law enforcement officers of the State Highway Patrol compensated pursuant to an experience-based salary schedule shall be compensated based on the officer's respective work experience pursuant to the salary schedule in subsection (b) of this section.

SECTION 39.16.(b) The following annual salary schedule applies under subsection (a) of this section for the 2025-2027 fiscal biennium, effective July 1, 2025, and July 1, 2026, for each respective fiscal year:

Years of Experience	FY 2025-26	FY 2026-27
0	60,500	63,525
1	64,433	67,655
2	68,620	72,051
3	73,081	76,735
4	77,831	81,723
5	82,889	87,033
6+	88,277	92,691

**PROBATION AND PAROLE OFFICERS/JUVENILE COURT COUNSELORS –
SALARY SCHEDULE**

SECTION 39.17.(a) Probation and parole officers shall be compensated pursuant to the experience-based salary schedule based on the officer's respective work experience, as established in subsection (b) of this section.

SECTION 39.17.(a1) State employees serving in the Department of Public Safety, Division of Juvenile Justice and Delinquency Prevention, as Juvenile Court Counselors shall be compensated under the probation and parole officer salary schedule.

SECTION 39.17.(b) The following annual salary schedule applies under subsection (a) of this section for the 2025-2027 fiscal biennium, effective July 1, 2025, and July 1, 2026, for each respective fiscal year:

Years of Experience	FY 2025-26	FY 2026-27
0	48,374	49,946
1	51,518	53,192
2	54,869	56,652
3	58,434	60,333
4	62,233	64,256
5	66,278	68,432
6+	70,586	72,880

STATE AGENCY TEACHERS

SECTION 39.18.(a) Employees of schools operated by the Department of Health and Human Services, the Department of Public Safety, and the State Board of Education who are paid on the Teacher Salary Schedule shall be paid as authorized by Section 8.1 of this act.

SECTION 39.18.(b) Employees of the School of Science and Mathematics of The University of North Carolina who are paid pursuant to a salary schedule adopted by the North Carolina School of Science and Math Board of Trustees shall be paid in accordance with the schedule adopted by the Board.

**ALL STATE-SUPPORTED PERSONNEL/FLEXIBLE ADMINISTRATION OF
COST-OF-LIVING ADJUSTMENTS**

SECTION 39.19.(a) The cost-of-living adjustments authorized by this act:

- (1) For the 2025-2026 fiscal year, shall be paid effective on July 1, 2025, and do not apply to persons separated from service due to resignation, dismissal, reduction in force, death, or retirement or whose last workday is prior to June 30, 2025.

- (2) For the 2026-2027 fiscal year, shall be paid effective on July 1, 2026, and do not apply to persons separated from service due to resignation, dismissal, reduction in force, death, or retirement or whose last workday is prior to June 30, 2026.

SECTION 39.19.(b) The Director of the Budget is granted flexibility to administer the compensation increases enacted by this act.

SECTION 39.19.(c) The State employer contribution rates enacted by this act for retirement and related benefits may be deemed by the Director of the Budget for administrative purposes to become effective after July 1 of the applicable fiscal year to provide flexibility in the collection and reconciliation of salary-related contributions as required by law, provided the estimated amount contributed to any affected employee benefit trust equals the amount that would have been contributed to the employee benefit trust if the enacted employer contribution rates had been effective on July 1 of the applicable fiscal year.

SECTION 39.19.(d) This section applies to all employees paid from State funds, whether or not subject to or exempt from the North Carolina Human Resources Act, including employees of public schools, community colleges, and The University of North Carolina.

SECTION 39.19.(e) Notwithstanding any provision of this Part governing cost-of-living adjustments, the salary increases and salary schedule adjustments authorized for law enforcement officers, correctional officers, probation and parole officers, youth counselors, juvenile court counselors, healthcare techs, and nurses may be applied to both filled and vacant positions. These increases shall not be limited to employees employed on a specific date.

MOST STATE EMPLOYEES

SECTION 39.20.(a) Unless otherwise expressly provided by this part, the annual salaries in effect for the following persons on June 30, 2025, and June 30, 2026, shall be legislatively increased as provided by Section 39.1 of this act:

- (1) Permanent, full-time State officials and persons whose salaries are set in accordance with the State Human Resources Act.
- (2) Permanent, full-time State officials and persons in positions exempt from the State Human Resources Act.
- (3) Permanent, part-time State employees.
- (4) Temporary and permanent hourly State employees.

USE OF FUNDS APPROPRIATED FOR COST-OF-LIVING ADJUSTMENT/BENEFIT INCREASES

SECTION 39.21.(a) The Office of State Budget and Management shall ensure that the appropriations made in this act for cost-of-living adjustments and employee benefits are used only for these purposes.

SECTION 39.21.(b) If the Director of the Budget determines that funds appropriated to a State agency for mandated salary increases and employee benefits exceed the amount required by that agency for those purposes, the Director may reallocate those funds to other State agencies that received insufficient funds for required cost-of-living and benefit increases.

SECTION 39.21.(c) Funds appropriated for cost-of-living adjustments and employee benefit increases may not be used to adjust the budgeted salaries of vacant positions, or to provide salary increases in excess of those required by the General Assembly except to increase the budgeted salary of any position to the minimum of the position's salary range.

SECTION 39.21.(d) Any funds appropriated for cost-of-living adjustment and employee benefit increases or minimum of salary range adjustments in excess of the amounts required to implement the increases shall be credited to the Pay Plan Reserve.

SECTION 39.21.(e) No later than March 1 of each year of the biennium, the Office of State Budget and Management shall report to the Joint Legislative Commission on

Governmental Operations on the expenditure of funds for legislatively mandated salary increases and employee benefits. This report shall include at least the following information for each State agency:

- (1) The total amount of funds that the agency received for legislatively mandated salary increases and employee benefits.
- (2) The total amount of funds transferred from the agency to other State agencies pursuant to subsection (b) of this section. This section of the report shall identify the amounts transferred to each recipient State agency.
- (3) The total amount of funds used by the agency for legislatively mandated salary increases and employee benefits.
- (4) The amount of funds used pursuant so subsection (c) of this section.

SALARY-RELATED CONTRIBUTIONS

SECTION 39.22.(a) Section 3.6.(b) of Session Law 2025-89 reads a rewritten:

"**SECTION 3.6.(b)** Effective July 1, 2025, May 1, 2026 the State's employer contribution rates budgeted for retirement, health, and related benefits as a percentage of covered salaries for the 2025-2026 fiscal year for teachers and State employees, State law enforcement officers (LEOs), the University and Community Colleges Optional Retirement Programs (ORPs), the Consolidated Judicial Retirement System (CJRS), and the Legislative Retirement System (LRS) are as set forth below:

	Teachers and State Employees	State LEOs	ORPs	CJRS	LRS
Retirement	17.14% <u>21.52%</u>	17.14% <u>21.52%</u>	6.84%	37.73% <u>49.23%</u>	18.26% <u>27.02%</u>
Health	7.33%	7.33%	7.33%	7.33%	7.33%
Disability	0.07%	0.07%	0.07%	0.00%	0.00%
Death	0.13%	0.13%	0.00%	0.00%	0.00%
NC 401(k)	0.00%	5.00%	0.00%	0.00%	0.00%

Total Contribution

Rate ~~24.67%~~29.41%~~29.67%~~34.41% 14.24% ~~45.06%~~56.92% ~~25.59%~~34.71%

The rate for health includes two and four-tenths percent (2.40%) for the Public Employee Health Benefit Fund and four and ninety-three hundredths percent (4.93%) for the Retiree Health Benefit Fund."

SECTION 39.22.(b) Notwithstanding G.S. 135-8(d)(3a), effective July 1, 2026, the State's employer contribution rates budgeted for retirement and related benefits as a percentage of covered salaries for the 2025-26 fiscal year for teachers and State employees, State law enforcement officers (LEOs), the University and Community Colleges Optional Retirement Programs (ORPs), the Consolidated Judicial Retirement System (CJRS), and the Legislative Retirement System (LRS) are as set forth below:

	Teachers and State Employees	State LEOs	ORPs	CJRS	LRS
Retirement	17.87%	17.87%	6.84%	42.11%	19.40%
Disability	0.07%	0.07%	0.07%	0.00%	0.00%
Death	0.13%	0.13%	0.00%	0.00%	0.00%
Retiree Health	7.69%	7.69%	7.69%	7.69%	7.69%
NC 401(k)	0.00%	5.00%	0.00%	0.00%	0.00%

Total Contribution

Rate 25.76% 30.76% 14.60% 49.80% 27.09%

The rate for health includes two and two-tenths percent (2.20%) for the Public Employee Health Benefit Fund and five and forty-nine hundredths percent (5.49%) for the Retiree Health Benefit Fund.

SECTION 39.22.(c) Effective July 1, 2026, the annual employer contributions for the 2026-2027 fiscal year, payable monthly, by the State to the North Carolina State Health Plan for Teachers and State Employees for each covered employee is a maximum of eight thousand nine hundred twenty-five dollars (\$8,925).

PROVIDE SUPPLEMENT FOR RETIREES OF THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM, THE CONSOLIDATED JUDICIAL RETIREMENT SYSTEM, AND THE LEGISLATIVE RETIREMENT SYSTEM

SECTION 39.23.(a) G.S. 135-5 is amended by adding new subsections to read:

"...

(aaaa) After May 1, 2026, but on or before June 30, 2026, a onetime cost of living supplement payment shall be made to or on account of beneficiaries who are living as of May 1, 2026, and whose retirement commenced on or before May 1, 2026. The payment shall be two and one-half percent (2.5%) of the beneficiary's annual retirement allowance payable as of May 1, 2026, and shall not be prorated for date of retirement commencement. If the beneficiary dies before the payment is made, then the payment shall be payable to the member's legal representative. No beneficiary shall be deemed to have acquired a vested right to any future supplemental payments.

(bbbb) After September 1, 2026, but on or before October 31, 2026, a onetime cost of living supplement payment shall be made to or on account of beneficiaries who are living as of September 1, 2025, and whose retirement commenced on or before September 1, 2025. The payment shall be two and one-half percent (2.5%) of the beneficiary's annual retirement allowance payable as of September 1, 2025, and shall not be prorated for date of retirement commencement. If the beneficiary dies before the payment is made, then the payment shall be payable to the member's legal representative. No beneficiary shall be deemed to have acquired a vested right to any future supplemental payments.

...."

SECTION 39.23.(b) G.S. 135-65 is amended by adding a new subsection to read:

"...

(II) After May 1, 2026, but on or before June 30, 2026, a onetime cost of living supplement payment shall be made to or on account of beneficiaries who are living as of May 1, 2026, and whose retirement commenced on or before May 1, 2026. The payment shall be two and one-half percent (2.5%) of the beneficiary's annual retirement allowance payable as of May 1, 2026, and shall not be prorated for date of retirement commencement. If the beneficiary dies before the payment is made, then the payment shall be payable to the member's legal representative. No beneficiary shall be deemed to have acquired a vested right to any future supplemental payments.

(mm) After September 1, 2026, but on or before October 31, 2026, a onetime cost of living supplement payment shall be made to or on account of beneficiaries who are living as of September 1, 2025, and whose retirement commenced on or before September 1, 2025. The payment shall be two and one-half percent (2.5%) of the beneficiary's annual retirement allowance payable as of September 1, 2025, and shall not be prorated for date of retirement commencement. If the beneficiary dies before the payment is made, then the payment shall be payable to the member's legal representative. No beneficiary shall be deemed to have acquired a vested right to any future supplemental payments."

SECTION 39.23.(c) G.S. 120-4.22A is amended by adding a new subsection to read:

"...

(ff) In accordance with subsection (a) of this section, after May 1, 2026, but on or before June 30, 2026, a onetime cost of living supplement payment shall be made to or on account of beneficiaries who are living as of May 1, 2026, and whose retirement commenced on or before May 1, 2026. The payment shall be two and one-half percent (2.5%) of the beneficiary's annual retirement allowance payable as of May 1, 2026, and shall not be prorated for date of retirement commencement. If the beneficiary dies before the payment is made, then the payment shall be payable to the member's legal representative. No beneficiary shall be deemed to have acquired a vested right to any future supplemental payments.

(gg) In accordance with subsection (a) of this section, after September 1, 2026, but on or before October 31, 2026, a onetime cost of living supplement payment shall be made to or on account of beneficiaries who are living as of September 1, 2025, and whose retirement commenced on or before September 1, 2025. The payment shall be two and one-half percent (2.5%) of the beneficiary's annual retirement allowance payable as of September 1, 2025, and shall not be prorated for date of retirement commencement. If the beneficiary dies before the payment is made, then the payment shall be payable to the member's legal representative. No beneficiary shall be deemed to have acquired a vested right to any future supplemental payments."

PART XL. CAPITAL

GENERAL FUND CAPITAL APPROPRIATIONS/INTRODUCTION

SECTION 40.1. The appropriations made by the 2026 General Assembly for capital improvements are for constructing, repairing, or renovating State buildings, utilities, and other capital facilities, for acquiring sites for them where necessary, and for acquiring buildings and land for State government purposes.

ADJUSTMENTS TO THE STATE CAPITAL AND INFRASTRUCTURE FUND

SECTION 40.2.(a) G.S. 143C-3-5(b) reads as rewritten:

"§ 143C-3-5. Budget recommendations and budget message.

...

(b) **Odd-Numbered Years.** – In odd-numbered years the budget recommendations shall include the following components:

(1) A Recommended State Budget setting forth goals for improving the State with recommended expenditure requirements, funding sources, and performance information for each State government program and for each proposed capital improvement. The Recommended State Budget may be presented in a format chosen by the Director, except that the Recommended State Budget shall clearly distinguish program base budget requirements, program reductions, program eliminations, changes in program fund sources, program expansions, and new programs, and shall explain all proposed capital improvements in the context of the Six-Year Capital Improvements Plan and as required by G.S. 143C-8-6.

(1a) The Governor's Recommended State Budget shall include a base budget, which shall be presented pursuant to subdivision (2) of this subsection.

(2) A Recommended Base Budget showing, for each budget code and purpose or program in State government, accounting detail corresponding to the Recommended State Budget.

a. The Recommended Base Budget shall employ the North Carolina Accounting System Uniform Chart of Accounts adopted by the State Controller to show both uses and sources of funds and shall display in separate parallel columns all of the following: (i) actual expenditures

- and receipts for the most recent fiscal year for which actual information is available, (ii) the certified budget for the preceding fiscal year, (iii) the currently authorized budget for the preceding fiscal year, (iv) program base budget requirements for each fiscal year of the biennium, (v) proposed expenditures and receipts for each fiscal year of the biennium, and (vi) proposed increases and decreases.
- b. The Recommended Base Budget shall include detailed information on recommended expenditures for capital improvements as required by G.S. 143C-8-6.
- c. The Recommended Base Budget shall include accurate projections of receipts, expenditures, and fund balances. Estimated receipts, including tuition collected by university or community college institutions, shall be adjusted to reflect actual collections from the previous fiscal year, unless the Director recommends a change that will result in collections in the budget year that differ from prior year actuals, or the Director otherwise determines there is a more reasonable basis upon which to accurately project receipts. If receipts are projected to decrease, the corresponding expenditure shall be decreased in a like amount. Revenue and expenditure detail provided in the Budget Support Document shall be no less detailed than the two-digit level in the North Carolina Accounting System Uniform Chart of Accounts as prescribed by the State Controller.
- d. The Recommended Base Budget shall clearly identify all proposed expenditures supported by existing or proposed appropriations, including statutory appropriations.
- (3) A recommended Current Operations Appropriations Act that makes appropriations for each fiscal year of the upcoming biennium for the operating and capital expenses of all State agencies as contained in the Recommended State Budget.
- (4) The biennial State Information Technology Plan as outlined in Part 2 of Article 15 of Chapter 143B of the General Statutes to be consistent in facilitating the goals outlined in the Recommended State Budget.
- (5) A list of budget adjustments made during the prior fiscal year pursuant to G.S. 143C-6-4 that are included in the proposed base budget for the upcoming fiscal year. The list of budget adjustments shall identify the revision number, revision type, revision title, the purpose or programs affected, and the amount of funds moving between the purpose or programs.
- (6) The Governor's Recommended State Budget shall include a transfer to the Savings Reserve of fifteen percent (15%) of the estimated growth in State tax revenues that are deposited in the General Fund for each fiscal year of the upcoming biennium. This subdivision applies only if, and to the extent that, the balance of the Savings Reserve remains below the recommended Savings Reserve balance developed pursuant to G.S. 143C-4-2(f).
- ~~(7) The Governor's Recommended State Budget shall include a transfer to the State Capital and Infrastructure Fund of four percent (4%) of the estimated net State tax revenues that are deposited in the General Fund for each fiscal year of the upcoming biennium.~~

...."

SECTION 40.2.(b) G.S. 143C-4-3.1(b) reads as rewritten:

"§ 143C-4-3.1. State Capital and Infrastructure Fund.

...

(b) Creation and Source of Funds. – The State Capital and Infrastructure Fund (the Fund) is established as a special fund in the General Fund to be administered by the Office of State Budget and Management to carry out the provisions of this section. With the exception of debt service obligations, appropriations from the Fund may be administered by other State agencies as deemed necessary by the Office of State Budget and Management. Interest and investment earnings received on monies in the Fund shall be credited to the Fund. The Fund shall consist of the following additional sources:

(1) The following amounts transferred from the General Fund at the beginning of the applicable fiscal year:

- a. For the 2021-2022 fiscal year, the sum of one billion three hundred million dollars (\$1,300,000,000).
- b. For the 2022-2023 fiscal year, the sum of one billion three hundred sixty-five million five hundred thousand dollars (\$1,365,500,000).
- c. For the 2023-2024 fiscal year, the sum of one billion four hundred twelve million five hundred ninety-two thousand five hundred dollars (\$1,412,592,500).
- d. For the 2024-2025 fiscal year, the sum of one billion four hundred sixty-one million three hundred thirty-three thousand two hundred thirty-eight dollars (\$1,461,333,238).
- e. For the 2025-2026 fiscal year, the sum of one billion one hundred twenty million dollars (\$1,120,000,000).
- f. ~~For each fiscal year after the 2025-2026 fiscal year, the transfer shall be increased three and one half percent (3.5%) over the amount required under this subdivision for the preceding fiscal year.~~ For each fiscal year after the 2025-2026 fiscal year, the transfer shall be equal to the greater of the sum sufficient amount needed for annual debt service, ongoing projects, and personnel costs funded by the Fund less the cash balance in the Fund and anticipated interest earnings, or zero.

...."

CAPITAL APPROPRIATIONS/STATE CAPITAL AND INFRASTRUCTURE FUND

SECTION 40.3. This subsection authorizes the capital projects listed in the Committee Report, and appropriates funding from the State Capital and Infrastructure Fund to the Office of State Budget and Management for the 2026-27 fiscal year based upon projected cash flow needs for the authorized projects. The amounts authorized in this subsection represent the maximum amounts of funding from the State Capital and Infrastructure Fund that may be expended on each project. An additional action by the General Assembly is required to increase the maximum authorization for any of the projects listed.

CAPITAL IMPROVEMENT & REPAIRS AND RENOVATIONS APPROPRIATIONS

SECTION 40.3.(a) The following agency capital improvement projects have been assigned a project code for reference to allocations in this Part, past allocations, and for intended project support by the General Assembly for future fiscal years:

Agency Capital Improvement Project	Project Code
Department of Agriculture and Consumer Services	
Raleigh State Farmers Market–Improvements	DACS23-3
<u>D-6 HQ (Cumberland Co.)–Maintenance Shop Replacement</u>	<u>DACS23-7</u>
Research Stations–New Maintenance Shop Facilities	DACS23-8
<u>Piedmont Research Station–Bridge</u>	<u>DACS23-9</u>
Research Stations–Multipurpose Facilities	DACS23-10

1	NCFS–New County Offices, Region 3	DACS23-11
2		
3	<u>Department of Natural and Cultural Resources</u>	
4	<u>Fort Fisher Aquarium–Aquarium Expansion</u>	<u>DNCR21-5</u>
5	<u>NC Museum of History–Expansion</u>	<u>DNCR21-13</u>
6	<u>NC Museum of Art at Winston-Salem/SECCA</u>	<u>DNCR23-2</u>
7	<u>Zoo–</u>	
8	<u>New Aviary</u>	<u>DNCR23-1</u>
9	<u>Modular Staff Offices</u>	<u>DNCR26-1</u>
10	<u>Park Security and Safety</u>	<u>DNCR26-2</u>
11	<u>State Parks–</u>	
12	<u>Access Areas</u>	<u>DNCR26-3</u>
13	<u>Stone Mountain New Visitor Center</u>	<u>DNCR26-4</u>
14	<u>State Historic Sites–</u>	
15	<u>Maintenance and Service Facilities</u>	<u>DNCR26-5</u>
16	<u>African American Monument at the State Capitol</u>	<u>DNCR26-6</u>
17		
18	<u>Department of Health and Human Services</u>	
19	<u>Walter B. Jones–New Medical Office Bldg.</u>	<u>DHHS23-1</u>
20	<u>Broughton Hospital–New Maintenance & Warehouse Facility</u>	<u>DHHS23-2</u>
21	<u>Cherry Hospital–New Maintenance Bldg.</u>	<u>DHHS23-3</u>
22	<u>O'Berry Neuro-Medical Treatment Center</u>	<u>DHHS26-1</u>
23	<u>NC State Laboratory</u>	<u>DHHS26-2</u>
24	<u>Raleigh Medical Examiner's Office Expansion</u>	<u>DHHS26-3</u>
25		
26	<u>Department of Environmental Quality</u>	
27	<u>Water Resource Development Grant–</u>	
28	<u>Tar-Pamlico Flood Mitigation</u>	<u>DEQ26-1</u>
29	<u>Carolina Beach Storm Mitigation</u>	<u>DEQ26-2</u>
30	<u>Kure Beach Storm Mitigation</u>	<u>DEQ26-3</u>
31	<u>Wrightsville Beach Storm Mitigation</u>	<u>DEQ26-4</u>
32	<u>Ocean Isle Storm Mitigation</u>	<u>DEQ26-5</u>
33	<u>Holden Beach Storm Mitigation</u>	<u>DEQ26-6</u>
34	<u>Oak Island Storm Mitigation</u>	<u>DEQ26-7</u>
35	<u>B. Everette Jordan Reservoir</u>	<u>DEQ26-8</u>
36	<u>State and Local Projects</u>	<u>DEQ26-9</u>
37	<u>Environmental Quality Program</u>	<u>DEQ26-10</u>
38		
39	<u>Department of Administration</u>	
40	<u>State Government Executive Headquarters</u>	<u>DOA22-1</u>
41	<u>Department of Instruction Building Renovation</u>	<u>DOA22-3</u>
42	<u>Service Campus</u>	<u>DOA23-1</u>
43	<u>State Agency Lease</u>	<u>DOA23-2</u>
44	<u>Archdale Building Demolition</u>	<u>DOA23-3</u>
45	<u>Caswell Square Demolition</u>	<u>DOA23-4</u>
46	<u>Parking Deck–Wilmington Street</u>	<u>DOA23-5</u>
47		
48	<u>Department of Adult Correction</u>	
49	<u>Institution</u>	<u>Roof</u>
50		<u>Systems</u>
51	<u>1</u>	<u>DAC26-</u>

	<u>Institution</u>	<u>Interior</u>	<u>Life</u>	<u>Safety</u>	<u>Fire</u>	<u>Alarm</u>	<u>Systems</u>
1							
2							<u>DAC26-</u>
3	<u>2</u>						
4	<u>HVAC</u>						<u>Enhancements</u>
5							<u>DAC26-</u>
6	<u>3</u>						
7							
8	Department of Public Instruction	<u>North Carolina School for the Deaf</u>					
9	<u>NC School for the Deaf</u>						
10	<u>Superintendent's House</u>						<u>DPI25-1</u>
11	<u>McCord Student Union Building Renovation</u>						<u>NCSD26-1</u>
12							
13	<u>Eastern North Carolina School for the Deaf</u>						
14	<u>Eagles Hall Renovation</u>						<u>ENCSD26-1</u>
15	<u>Vestal Hall and McAdams Hall Life Safety Upgrades</u>						<u>ENCSD26-2</u>
16							
17	<u>Governor Morehead School</u>						
18	<u>Boiler Plant Replacement</u>						<u>GMS26-1</u>
19							
20	<u>Department of Public Instruction</u>						
21	<u>Center for the Advancement of Teaching-</u>						
22	<u>Ocracoke Building Expansion</u>						<u>DPI26-1</u>
23	<u>Cullowhee Residence Halls Renovation</u>						<u>DPI26-2</u>
24							
25	<u>Department of Insurance</u>						
26	<u>Office of State Fire Marshal</u>						
27	<u>Land Development & Training Center</u>						<u>DOI21-1</u>
28							
29	<u>Department of Public Safety</u>						
30	<u>Samarcant-</u>						
31	<u>Live Fire Training Building</u>						<u>DPS21-2</u>
32	<u>Safer Schools Training Academy</u>						<u>DPS21-5</u>
33	<u>State Highway Patrol-</u>						
34	<u>Viper Building</u>						<u>DPS21-6</u>
35	<u>Auditorium</u>						<u>DPS23-3</u>
36	<u>Training Academy Facilities Enhancement-Phases 3-6</u>						<u>DPS23-4</u>
37	<u>Cadet Dormitory 1</u>						<u>DPS23-7</u>
38	<u>Juvenile Justice-</u>						
39	<u>Richmond YDC</u>						<u>DPS21-1</u>
40	<u>New Youth Detention Center</u>						<u>DPS23-1</u>
41	<u>Cabarrus-New Modular Office</u>						<u>DPS23-6</u>
42	<u>National Guard-</u>						
43	<u>NCNG Matching Fund</u>						<u>NG23-1</u>
44	<u>Ballentine Building</u>						<u>NG23-2</u>
45	<u>Constable Building</u>						<u>NG23-3</u>
46	<u>Rocky Mount Complex/MILCON</u>						<u>NG23-4</u>
47	<u>Special Forces Complex</u>						<u>NG23-5</u>
48	<u>Louisburg Readiness Center</u>						<u>NG23-9</u>
49	<u>Statewide Standby Generators</u>						<u>NG26-1</u>
50	<u>Kinston Readiness Center</u>						<u>NG26-2</u>
51	<u>Morganton Readiness Center</u>						<u>NG26-3</u>

State Bureau of InvestigationLogistics Building–Phase 2SBI26-1Data Center Security ImprovementsSBI26-2Department of Military and Veterans AffairsFayetteville State Veterans HomeDMVA26-1

General Assembly

Education

Campus

Project

NCGA21-

3

EducationCampusParkingDeckNCGA23-1

Department of Transportation

North Carolina Global TransPark Authority–

Aircraft Maintenance Repair & Overhaul Facility

TRAN23-1

The University of North Carolina

Appalachian State University–

Peacock

Hall/Business

UNC/ASU21-

1

Innovation

Campus

UNC/ASU21-

2

Hickory

Campus

UNC/ASU22-

1

Walker

Hall–Interior

Renovation

UNC/ASU23-

1

University of North Carolina at Charlotte–

Smith Hall–Comprehensive Renovation

UNC/CLT23-1

Colvard Hall–Comprehensive Renovation

UNC/CLT23-2

University of North Carolina at Chapel Hill–

Gardner Hall–Comprehensive Renovation

UNC/CH23-1

Elizabeth City State University–

Sky Bridge

UNC/ECS21-2

Infrastructure Repairs–Phase 3UNC/ECS23-1

Jenkins Hall/Dixon Hall–Labs/Classroom/Bldg. Renovation

UNC/ECS23-2

Safety & Security

UNC/ECS25-1

East Carolina University–

Brody School of Medicine

UNC/ECU21-1

Howell Science Building North–Comprehensive Renovation

UNC/ECU23-1

Leo Jenkins Building/Health Sciences–Comprehensive Renovation

UNC/ECU23-2

Medical Examiner OfficeUNC/ECU23-3

Fayetteville State University–

Butler Targeted Renovation

UNC/FSU23-1

1	<u>H.L. Cook Building Renovation</u>	<u>UNC/FSU23-2</u>
2	North Carolina Agricultural & Technical State University–	
3	Marteena Hall–Renovation, Phase 2	UNC/A&T23-1
4	Health and Human Sciences Bldg.	UNC/A&T23-2
5	North Carolina Central University–	
6	<u>Dent Building–Comprehensive Renovation</u>	<u>UNC/NCC23-1</u>
7	Edmonds Classroom Building–Comprehensive Renovation	UNC/NCC23-2
8	University Theater Renovation	UNC/NCC23-3
9	North Carolina State University–	
10	Mann Hall–Renovation, Phase 2	UNC/NCS23-1
11	Dabney Hall–Renovation, Phase 2	UNC/NCS23-2
12	Polk Hall–Renovation, Phase 2	UNC/NCS23-3
13	<u>Veterinary School–Large Animal Hospital</u>	<u>UNC/NCS23-4</u>
14	Engineering Classroom Building	UNC/NCS23-5
15	Advanced Research & Test Reactor	UNC/NCS23-6
16	Poe Hall	UNC/NCS25-1 <u>UNC/NCS24-1</u>
17	North Carolina School of Science and Math–	
18	Durham Campus	
19	Renovation of Residence Halls	UNC/SSM23-2
20	Academic Commons Addition	UNC/SSM23-4
21	Temporary Housing	UNC/SSM25-1
22	University of North Carolina at Asheville–	
23	Lipinsky Hall–Comp. Modernization/Addition	UNC/AVL23-1
24	Carol Belk Theatre	UNC/AVL25-1
25	<u>University of North Carolina at Charlotte</u>	
26	<u>Smith Hall–Comprehensive Renovation</u>	<u>UNC/CLT23-1</u>
27	University of North Carolina at Greensboro–	
28	Moore Building–Renovation	UNC/GB023-1
29	University of North Carolina at Pembroke–	
30	Health Sciences Center	UNC/PEM21-1
31	Givens Performing Arts Center	UNC/PEM23-1
32	University of North Carolina School of the Arts–	
33	<u>Stevens Center Renovation–Phase 2</u>	<u>UNC/SA23-1</u>
34	New High School Residence Hall	UNC/SA23-2
35	University of North Carolina at Wilmington–	
36	Cameron Hall–Comprehensive Renovation/Expansion	UNC/WIL23-1
37	Kenan Auditorium–Comprehensive Renovation/Expansion	UNC/WIL23-2
38	DeLoach Hall–Modernization	UNC/WIL23-3
39	Health Education/I.S.A.T. Building	UNC/WIL23-4
40	Western Carolina University–	
41	Replacement	Engineering Building
42		UNC/WCU23-
43	1	
44	Winston-Salem State University–	
45	<u>K.R. Williams Auditorium</u>	<u>UNC/WSS21-1</u>
46	Eller Hall–Renovation & Elevator Addition	UNC/WSS23-1
47	Pegram Hall–Renovation & Elevator Addition	UNC/WSS23-2
48	PBS North Carolina	UNC/PBS23-1
49	UNC Board of Governors–	
50	<u>UNC Lease Funds</u>	<u>UNC/BOG21-1</u>
51	<u>NC Care Health Clinics</u>	<u>UNC/BOG23-1</u>

1	NC Care Hospital Investment	UNC/BOG23-2
2	Children's Hospital	UNC/BOG23-3
3	Systems Office–Project Management Personnel	UNC/BOG25-1
4		
5	Repairs and Renovations–The University of North Carolina	UNC/R&R21
6	Repairs and Renovations–State Agencies (non-UNC)	R&R21
7	SCIF-Related	Personnel
8		PERS2

9	1	
10	<u>Wildlife Resources Commission–Setzer Hatchery Revision</u>	<u>WRC23-1</u>

11 **SECTION 40.3.(b)** This subsection authorizes the following capital projects in the
 12 2025-2027 fiscal biennium based upon projected cash flow needs for the authorized projects. The
 13 authorizations provided in this subsection represent the maximum amount of funding from the
 14 State Capital and Infrastructure Fund that may be expended on each project and do not reflect
 15 authorizations from other non-State Capital and Infrastructure Fund sources. An additional action
 16 by the General Assembly is required to increase the maximum authorization for any of the
 17 projects listed:

18	Capital Improvements–	
19	State Capital and	
20	Infrastructure Fund	
21	Previous	New/Updated
22	Project Authorization	Project Authorization
23	<u>DEQ26-1</u>	<u>\$8,000,000</u>
24	<u>DEQ26-2</u>	<u>3,320,250</u>
25	<u>DEQ26-3</u>	<u>6,257,230</u>
26	<u>DEQ26-4</u>	<u>1,889,462</u>
27	<u>DEQ26-5</u>	<u>1,976,154</u>
28	<u>DEQ26-6</u>	<u>125,000</u>
29	<u>DEQ26-7</u>	<u>400,000</u>
30	<u>DEQ26-8</u>	<u>437,994</u>
31	<u>DEQ26-9</u>	<u>6,000,000</u>
32	<u>DEQ26-10</u>	<u>4,000,000</u>
33	<u>DHHS23-1</u>	<u>2,652,000</u>
34	<u>DHHS23-2</u>	<u>17,519,339</u>
35	<u>DHHS23-3</u>	<u>18,803,000</u>
36	<u>DHHS26-1</u>	<u>24,848,348</u>
37	<u>DHHS26-2</u>	<u>6,000,000</u>
38	<u>DHHS26-3</u>	<u>41,128,337</u>
39	<u>DNCR21-5</u>	<u>52,000,00</u>
40	<u>DNCR23-2</u>	<u>19,400,000</u>
41	<u>DNCR26-1</u>	<u>5,800,000</u>
42	<u>DNCR26-2</u>	<u>5,300,000</u>
43	<u>DNCR26-3</u>	<u>8,082,500</u>
44	<u>DNCR26-4</u>	<u>10,662,000</u>
45	<u>DNCR26-5</u>	<u>11,500,000</u>
46	<u>DNCR26-6</u>	<u>5,000,000</u>
47	<u>DAC26-1</u>	<u>49,321,016</u>
48	<u>DAC26-2</u>	<u>60,464,040</u>
49	<u>DAC26-3</u>	<u>12,480,000</u>
50	<u>NCSD26-1</u>	<u>7,500,000</u>
51	<u>ENCSD26-1</u>	<u>21,500,000</u>
	<u>ENCSD26-2</u>	<u>9,700,000</u>
	<u>GMS26-1</u>	<u>8,405,180</u>

1	NCGA21-3	\$320,000,000	\$331,300,000	341,400,00
2	DPI25-1	N/A		2,500,000
3	<u>DPI26-1</u>	<u>N/A</u>		<u>13,905,882</u>
4	<u>DPI26-2</u>	<u>N/A</u>		<u>10,000,000</u>
5	<u>DPS21-1</u>	<u>10,702,952</u>		<u>14,168,707</u>
6	<u>DPS21-2</u>	<u>1,831,000</u>		<u>4,265,320</u>
7	<u>DPS21-5</u>	<u>4,170,000</u>		<u>40,390,000</u>
8	<u>DPS21-6</u>	<u>7,139,374</u>		<u>12,741,749</u>
9	<u>DPS23-3</u>	<u>35,000,000</u>		<u>63,785,000</u>
10	<u>DPS23-6</u>	<u>690,000</u>		<u>1,349,000</u>
11	<u>DPS23-7</u>	<u>43,336,785</u>		<u>84,103,000</u>
12	DPS23-3	35,000,000		53,466,000
13	DPS23-7	43,336,785		72,572,000
14	NG23-1	24,000,000		28,000,000
15	NG23-2	12,500,000		13,300,000
16	NG23-3	16,428,582		18,678,582
17	<u>NG26-1</u>	<u>N/A</u>		<u>5,000,000</u>
18	<u>NG26-2</u>	<u>N/A</u>		<u>8,800,000</u>
19	<u>NG26-3</u>	<u>N/A</u>		<u>6,600,000</u>
20	<u>SBI26-1</u>	<u>N/A</u>		<u>33,459,000</u>
21	<u>SBI26-2</u>	<u>N/A</u>		<u>3,318,000</u>
22	<u>DMVA26-1</u>	<u>N/A</u>		<u>10,000,000</u>
23	DOA22-1	88,000,000		01,400,000
24	<u>DOA23-1</u>	<u>33,744,000</u>		<u>33,171,600</u>
25	<u>DOA23-5</u>	<u>45,000,000</u>		<u>57,200,000</u>
26	UNC/ASU21-1	40,000,000		45,000,000
27	UNC/ASU21-2	54,000,000		74,000,000
28	UNC/ECS21-2	2,500,000		7,500,000
29	UNC/ECS25-1	N/A		12,000,000
30	UNC/NCC23-2	12,999,424		19,499,424
31	UNC/NCS23-1	30,000,000		40,000,000
32	UNC/NCS23-6	3,000,000		16,000,000
33	UNC/NCS24-1	5,000,000		185,000,000
34	UNC/AVL23-1	26,150,000	30,150,000	N/A
35	UNC/AVL25-1	N/A		3,000,000
36	UNC/SSM23-2	28,988,042		43,988,042
37	UNC/SSM25-1	N/A		2,180,000
38	UNC/PEM23-1	61,000,000		131,004,985
39	UNC/WIL24-123-4	8,000,000		83,000,000
40	UNC/WCU23-1	95,300,000		157,900,000
41	UNC/BOG23-2	150,000,000		0
42	UNC/BOG23-3	319,746,392		216,246,392
43	UNC/BOG25-1	N/A		4,000,000

SIX-YEAR INTENDED PROJECT ALLOCATION SCHEDULE

SECTION 40.4. It is the intent of the General Assembly to fund capital improvement projects on a cash flow basis and to plan for future project funding based upon projected availability in the State Capital and Infrastructure Fund. Nothing in this section shall be construed (i) to appropriate funds or (ii) as an obligation by the General Assembly to appropriate funds for the projects listed in future years. The following schedule lists capital improvement projects that

will begin or be completed in fiscal years outside of the 2025-2027 fiscal biennium and estimated amounts (in thousands) needed for completion of those projects:

	Project Code	FY25-26	FY26-27	FY27-28	FY28-29	FY29-30	FY30-31
6	PERS21	3,154.9	3,154.9	3,154.9	3,154.9	3,154.9	3,154.9
7	UNC/R&R21	200,000	<u>300,000</u>	200,000	200,000	200,000	200,000
8	R&R21	200,000	<u>300,000</u>	200,000	200,000	200,000	200,000
9	DACS23-3	<u>N/A</u>	<u>2,000</u>	<u>4,000</u>	<u>4,000</u>	N/A	N/A
10	<u>DACS23-7</u>	<u>N/A</u>	<u>4,000</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
11	DACS23-8	<u>N/A</u>	<u>2,000</u>	1,000	1,000	<u>1,000</u>	N/A
12	<u>DACS23-9</u>	<u>N/A</u>	<u>750</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
13	DACS23-10	<u>N/A</u>	2,000	<u>2,000</u>	<u>2,200</u>	N/A	N/A
14	DACS23-11	N/A	1,500	1,500	N/A	N/A	N/A
15	<u>DEQ26-1</u>	<u>N/A</u>	<u>4,000</u>	<u>4,000</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
16	<u>DEQ26-2</u>	<u>N/A</u>	<u>3,320.25</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
17	<u>DEQ26-3</u>	<u>N/A</u>	<u>3,128.62</u>	<u>3,128.62</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
18	<u>DEQ26-4</u>	<u>N/A</u>	<u>1,889.46</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
19	<u>DEQ26-5</u>	<u>N/A</u>	<u>1,976.15</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
20	<u>DEQ26-6</u>	<u>N/A</u>	<u>125</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
21	<u>DEQ26-7</u>	<u>N/A</u>	<u>400</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
22	<u>DEQ26-8</u>	<u>N/A</u>	<u>437.99</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
23	<u>DEQ26-9</u>	<u>N/A</u>	<u>3,000</u>	<u>3,000</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
24	<u>DEQ26-10</u>	<u>N/A</u>	<u>2,000</u>	<u>2,000</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
25	<u>DNCR21-5</u>	<u>N/A</u>	<u>20,000</u>	<u>20,000</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
26	<u>DNCR21-13</u>	<u>86,800</u>	<u>30,950</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
27	<u>DNCR23-1</u>	<u>N/A</u>	<u>30,000</u>	<u>24,000</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
28	<u>DNCR23-2</u>	<u>N/A</u>	<u>4,400</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
29	<u>DNCR26-1</u>	<u>N/A</u>	<u>1,000</u>	<u>4,800</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
30	<u>DNCR26-2</u>	<u>N/A</u>	<u>5,300</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
31	<u>DNCR26-3</u>	<u>N/A</u>	<u>8,082.5</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
32	<u>DNCR26-4</u>	<u>N/A</u>	<u>1,000</u>	<u>9,662</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
33	<u>DNCR26-5</u>	<u>N/A</u>	<u>2,000</u>	<u>9,500</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
34	<u>DNCR26-6</u>	<u>N/A</u>	<u>5,000</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
35	<u>DHHS23-1</u>	<u>N/A</u>	<u>1,300</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
36	<u>DHHS23-2</u>	<u>N/A</u>	<u>5,768.17</u>	<u>5,768.17</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
37	<u>DHHS23-3</u>	<u>N/A</u>	<u>13,398</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
38	<u>DHHS26-1</u>	<u>N/A</u>	<u>12,424.17</u>	<u>12,424.17</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
39	<u>DHHS26-2</u>	<u>N/A</u>	<u>6,000</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
40	<u>DHHS26-3</u>	<u>N/A</u>	<u>13,709.45</u>	<u>13,709.45</u>	<u>13,709.45</u>	<u>N/A</u>	<u>N/A</u>
41	<u>DOA22-1</u>	<u>N/A</u>	<u>1,400</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
42	DOA22-3	N/A	N/A	21,000	N/A	24,000	N/A
43	DOA23-1	N/A	<u>3,000</u>	<u>15,000</u>	<u>15,171.6</u>	<u>N/A</u>	N/A
44	<u>DOA23-2</u>	<u>N/A</u>	<u>800</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
45	DOA23-3	N/A	N/A	N/A	11,000	N/A	N/A
46	DOA23-4	N/A	N/A	15,000	N/A	N/A	N/A
47	DOA23-5	N/A	<u>5,000</u>	<u>23,000</u>	<u>23,000</u>	<u>6,200</u>	N/A
48	<u>DOI21-1</u>	<u>N/A</u>	<u>13,750</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
49	<u>DAC26-1</u>	<u>N/A</u>	<u>10,000</u>	<u>10,000</u>	<u>29,321.02</u>	<u>N/A</u>	<u>N/A</u>
50	<u>DAC26-2</u>	<u>N/A</u>	<u>30,000</u>	<u>30,464.04</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
51	<u>DAC26-3</u>	<u>N/A</u>	<u>12,480</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

1	<u>DPS21-1</u>	<u>N/A</u>	<u>3,465.76</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
2	<u>DPS21-2</u>	<u>N/A</u>	<u>2,434.32</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
3	<u>DPS21-5</u>	<u>N/A</u>	<u>27,100</u>	<u>9,120</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
4	<u>DPS21-6</u>	<u>N/A</u>	<u>5,602.38</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
5	<u>DPS23-1</u>	<u>N/A</u>	<u>10,000</u>	<u>29,850</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
6	<u>DPS23-3</u>	<u>N/A</u>	<u>28,785</u>	<u>28,785</u>	<u>1,815</u>	<u>N/A</u>	<u>N/A</u>
7	<u>DPS23-4</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>19,000</u>	<u>48,500</u>	<u>77,600</u>
8	<u>DPS23-6</u>	<u>N/A</u>	<u>659</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
9	<u>DPS23-7</u>	<u>N/A</u>	<u>40,766.22</u>	<u>18,501.55</u>	<u>18,501.55</u>	<u>N/A</u>	<u>N/A</u>
10	<u>NG23-1</u>	<u>N/A</u>	<u>4,000</u>	<u>6,000</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
11	<u>NG23-4</u>	<u>N/A</u>	<u>6,500</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
12	<u>NG23-5</u>	<u>N/A</u>	<u>N/A</u>	<u>800</u>	<u>4,000</u>	<u>3,200</u>	<u>N/A</u>
13	<u>NG23-9</u>	<u>N/A</u>	<u>3,000</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
14	<u>NG26-1</u>	<u>N/A</u>	<u>3,000</u>	<u>2,000</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
15	<u>NG26-2</u>	<u>N/A</u>	<u>800</u>	<u>8,000</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
16	<u>NG26-3</u>	<u>N/A</u>	<u>600</u>	<u>6,000</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
17	<u>SBI26-1</u>	<u>N/A</u>	<u>6,234</u>	<u>13,612.5</u>	<u>13,612.5</u>	<u>N/A</u>	<u>N/A</u>
18	<u>SBI26-2</u>	<u>N/A</u>	<u>472</u>	<u>2,846</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
19	<u>DMVA26-1</u>	<u>N/A</u>	<u>10,000</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
20	<u>NCSD26-1</u>	<u>N/A</u>	<u>7,500</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
21	<u>ENCSD26-1</u>	<u>N/A</u>	<u>2,150</u>	<u>9,675</u>	<u>9,675</u>	<u>N/A</u>	<u>N/A</u>
22	<u>ENCSD26-2</u>	<u>N/A</u>	<u>970</u>	<u>4,365</u>	<u>4,365</u>	<u>N/A</u>	<u>N/A</u>
23	<u>GMS26-1</u>	<u>N/A</u>	<u>8,405.18</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
24	<u>DPI26-1</u>	<u>N/A</u>	<u>1,905.88</u>	<u>2,000</u>	<u>5,000</u>	<u>5,000</u>	<u>N/A</u>
25	<u>DPI26-2</u>	<u>N/A</u>	<u>250</u>	<u>500</u>	<u>1,250</u>	<u>8,000</u>	<u>N/A</u>
26	<u>TRAN23-1</u>	<u>125,000</u>	<u>50,000</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
27	<u>NCGA21-3</u>	<u>65,250</u>	<u>5,050</u>	<u>5,050</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
28	<u>NCGA23-1</u>	<u>26,000</u>	<u>16,250</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
29	<u>UNC/ASU21-2</u>	<u>N/A</u>	<u>10,000</u>	<u>10,000</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
30	<u>UNC/ASU22-1</u>	<u>N/A</u>	<u>11,350</u>	<u>13,050</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
31	<u>UNC/ASU23-1</u>	<u>N/A</u>	<u>11,700</u>	<u>4,500</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
32	<u>UNC/CLT23-1</u>	<u>N/A</u>	<u>12,600</u>	<u>9,900</u>	<u>9,900</u>	<u>N/A</u>	<u>N/A</u>
33	<u>UNC/CLT23-2</u>	<u>N/A</u>	<u>N/A</u>	<u>4,500</u>	<u>N/A</u>	<u>15,000</u>	<u>25,500</u>
34	<u>UNC/CH23-1</u>	<u>N/A</u>	<u>N/A</u>	<u>2,500</u>	<u>10,000</u>	<u>N/A</u>	<u>10,000</u>
35	<u>UNC/ECU21-1</u>	<u>60,000</u>	<u>85,742.7</u>	<u>12,003.64</u>	<u>12,003.64</u>	<u>N/A</u>	<u>N/A</u>
36	<u>UNC/ECU23-1</u>	<u>N/A</u>	<u>13,800</u>	<u>13,800</u>	<u>13,800</u>	<u>N/A</u>	<u>N/A</u>
37	<u>UNC/ECU23-2</u>	<u>N/A</u>	<u>N/A</u>	<u>1,890</u>	<u>N/A</u>	<u>10,000</u>	<u>7,010</u>
38	<u>UNC/ECU23-3</u>	<u>N/A</u>	<u>8,750</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
39	<u>UNC/PEM21-1</u>	<u>30,500</u>	<u>24,400</u>	<u>4,250</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
40	<u>UNC/PEM23-1</u>	<u>N/A</u>	<u>N/A</u>	<u>32,150</u>	<u>22,750</u>	<u>30,000</u>	<u>40,005</u>
41	<u>UNC/ECS21-2</u>	<u>N/A</u>	<u>5,000</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
42	<u>UNC/ECS23-1</u>	<u>N/A</u>	<u>827</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
43	<u>UNC/ECS23-2</u>	<u>N/A</u>	<u>N/A</u>	<u>1,250</u>	<u>N/A</u>	<u>11,250</u>	<u>N/A</u>
44	<u>UNC/FSU23-1</u>	<u>N/A</u>	<u>N/A</u>	<u>2,075</u>	<u>N/A</u>	<u>12,000</u>	<u>6,675</u>
45	<u>UNC/FSU23-2</u>	<u>N/A</u>	<u>5,500</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
46	<u>UNC/A&T23-1</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>5,335</u>	<u>N/A</u>
47	<u>UNC/A&T23-2</u>	<u>N/A</u>	<u>5,335</u>	<u>30,041.25</u>	<u>30,041.25</u>	<u>30,041.25</u>	<u>30,041.25</u>
48	<u>UNC/NCC23-1</u>	<u>N/A</u>	<u>2,000.42</u>	<u>8,866</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
49	<u>UNC/NCC23-2</u>	<u>N/A</u>	<u>650</u>	<u>8,774.74</u>	<u>8,774.74</u>	<u>N/A</u>	<u>N/A</u>
50	<u>UNC/NCC23-3</u>	<u>N/A</u>	<u>2,975</u>	<u>4,675</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
51	<u>UNC/NCS23-1</u>	<u>N/A</u>	<u>10,000</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

1	UNC/NCS23-2	24,000	28,000	20,000	N/A	N/A	N/A
2	UNC/NCS23-3	<u>N/A</u>	<u>18,900</u>	<u>12,600</u>	<u>12,600</u>	<u>12,600</u>	N/A
3	<u>UNC/NCS23-4</u>	<u>N/A</u>	<u>35,000</u>	<u>21,250</u>	<u>21,250</u>	<u>21,250</u>	<u>21,250</u>
4	UNC/NCS23-5	5,000	N/A	35,000	67,000	80,000	13,000
5	UNC/NCS24-1	<u>N/A</u>	<u>25,048.75</u>	<u>38,737.81</u>	<u>38,737.81</u>	<u>38,737.81</u>	<u>38,737.81</u>
6	UNC/SSM23-2	3,000	4,800	<u>11,719.02</u>	<u>11,719.02</u>	<u>N/A</u>	N/A
7	UNC/SSM23-4	1,000	N/A	9,000	N/A	N/A	N/A
8	<u>UNC/AVL23-1</u>	<u>N/A</u>	<u>11,767.5</u>	<u>5,230</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
9	<u>UNC/CLT23-1</u>	<u>N/A</u>	<u>12,600</u>	<u>9,900</u>	<u>9,900</u>	<u>N/A</u>	<u>N/A</u>
10	UNC/GBO23-1	N/A	8,470	13,310	N/A	N/A	N/A
11	<u>UNC/SA23-1</u>	<u>22,950</u>	<u>10,200</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
12	UNC/SA23-2	N/A	N/A	2,450	8,575	N/A	13,475
13	UNC/WIL23-1	<u>N/A</u>	<u>7,725</u>	<u>14,160</u>	<u>14,160</u>	N/A	N/A
14	UNC/WIL23-2	<u>N/A</u>	<u>5,200</u>	<u>14,240</u>	<u>N/A</u>	<u>N/A</u>	N/A
15	UNC/WIL23-3	N/A	N/A	3,000	4,860	N/A	N/A
16	<u>UNC/WIL23-4</u>	<u>N/A</u>	<u>7,500</u>	<u>16,875</u>	<u>16,875</u>	<u>16,875</u>	<u>16,875</u>
17	UNC/WIL24-1	N/A	N/A	29,644	23,723	21,633	N/A
18	UNC/WCU23-1	N/A	<u>6,260</u>	<u>37,410</u>	<u>37,410</u>	<u>37,410</u>	<u>37,410</u>
19	<u>UNC/WSS21-1</u>	<u>N/A</u>	<u>14,650</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
20	UNC/WSS23-1	N/A	N/A	N/A	N/A	1,080	5,140
21	UNC/WSS23-2	N/A	N/A	N/A	N/A	1,600	8,000
22	UNC/PBS23-1	<u>N/A</u>	<u>17,325</u>	<u>9,075</u>	<u>9,075</u>	<u>9,075</u>	N/A
23	<u>UNC/BOG21-1</u>	<u>3,750</u>	<u>3,750</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
24	<u>UNC/BOG23-1</u>	<u>N/A</u>	<u>105,000</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
25	<u>UNC/BOG23-3</u>	<u>N/A</u>	<u>103,500</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
26	UNC/BOG25-1	1,000	1,000	1,000	1,000	N/A	N/A
27	<u>WRC23-1</u>	<u>N/A</u>	<u>6,000</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

NON-GENERAL FUND/NON-SCIF CAPITAL PROJECT AUTHORIZATIONS

SECTION 40.5. The General Assembly authorizes the following capital projects to be funded with receipts or from other non-General Fund and non-State Capital and Infrastructure Fund sources available to the appropriate department:

Amount of Non-General Fund/Non-SCIF**Name of Project****Funding Authorized****FY 2026-2027**

Department of Natural and Cultural Resources

Jennette's Pier Aquarium–

Solar Covered Walkway

\$450,000

Roanoke Island Aquarium–

Invertebrate Tank

\$500,000

Pine Knoll Shores Aquarium–

Invertebrate Tank

\$2,000,000

NC Zoo–

Elephant Shelters & Barn Bollard Repair

\$2,500,000

State Historic Sites–

House in the Horseshoe–

Alston House Rehabilitation

\$445,000

Department of Agriculture and Consumer Services

Umstead Research Station Beef Program Buildout

\$2,500,000

Department of Military and Veterans Affairs

Eastern Carolina State Veterans Cemetery Expansion

\$2,138,450

1	Western Carolina State Veterans Cemetery Expansion	\$1,954,150
2	Department of Public Safety	
3	Alcoholic Beverage Control–	
4	ABC Warehouse Repairs	\$1,150,000
5	Wildlife Resources Commission	
6	Game Land Improvements Morganton Depot Dam	\$1,086,881
7	D7 Storage Building	\$400,000
8	Caswell Shooting Range Renovation	\$3,850,000
9	Shooting Ranges Renovations	\$4,000,000
10	Ransom Road Depot	\$10,000,000
11	Land Acquisition	\$30,000,000
12	WRC Game Land Improvements	\$6,000,000
13	McKinney Lake Hatchery Building Replacement	\$1,300,00
14	Table Rock Hatchery Residence	\$640,000
15	New Tillery Office Depot	\$1,500,000
16	Inland Fish District 2 Storage Building	\$840,000
17	Butner Lab and Office Building	\$1,900,000
18	Caswell Depot Expansion	\$100,000

**TOTAL AMOUNT OF NON-GENERAL
FUND/NON-SCIF CAPITAL PROJECTS
AUTHORIZED**

\$75,254,481

**INCREASE DOLLAR THRESHOLDS FOR DEFINITION OF CAPITAL
IMPROVEMENT**

SECTION 40.6. G.S. 143C-1-1(d) reads as rewritten:

"§ 143C-1-1. Purpose and definitions.

...

(d) Definitions. – The following definitions apply in this Chapter:

...

(5) Capital improvement. – A term that includes real property acquisition, new construction or rehabilitation of existing facilities, and repairs and renovations over one hundred fifty thousand dollars ~~(\$100,000)~~ (\$150,000) in value.

...."

**INCREASE DOLLAR THRESHOLD FOR FORMAL BIDDING OF CAPITAL
PROJECTS**

SECTION 40.7.(a) G.S. 143-129 reads as rewritten:

"§ 143-129. Procedure for letting of public contracts.

(a) Bidding Required. No construction or repair work requiring the estimated expenditure of public money in an amount equal to or more than one million five hundred thousand dollars ~~(\$500,000)~~ (\$1,500,000) or purchase of apparatus, supplies, materials, or equipment requiring an estimated expenditure of public money in an amount equal to or more than ninety thousand dollars (\$90,000) may be performed, nor may any contract be awarded therefor, by any board or governing body of the State, or of any institution of the State government, or of any political subdivision of the State, unless the provisions of this section are complied with; provided that the University of North Carolina and its constituent institutions may award contracts for construction or repair work that requires an estimated expenditure of less than one million five hundred thousand dollars ~~(\$500,000)~~ (\$1,500,000) without complying with the provisions of this section.

...."

SECTION 40.7.(b) G.S. 143-64.34 reads as rewritten:

"§ 143-64.34. Exemption of certain projects.

State capital improvement projects under the jurisdiction of the State Building Commission, capital improvement projects of the University of North Carolina, and community college capital improvement projects, where the estimated expenditure of public money is less than one million five hundred thousand dollars ~~(\$500,000)~~ (\$1,500,000) are exempt from the provisions of this article."

SECTION 40.7.(c) G.S. 143-128(g) reads as rewritten:

"§ 143-128. Requirements for certain building contracts.

...

(g) Exceptions. – This section shall not apply to:

- (1) The purchase and erection of prefabricated or relocatable buildings or portions thereof, except that portion of the work which must be performed at the construction site.
- (2) ~~The erection, construction, alteration, or repair of a building when the cost thereof is three hundred thousand dollars (\$300,000) or less.~~
- (3) ~~The erection, construction, alteration, or repair of a building by The University of North Carolina or its constituent institutions when the cost thereof is five hundred thousand dollars (\$500,000) or less.~~

...."

UNC CAPITAL PROJECT MANAGEMENT FLEXIBILITY

SECTION 40.8. G.S. 143C-4-3.1(e) reads as rewritten:

"§ 143C-4-3.1. State Capital and Infrastructure Fund.

...

(e) Use of Funds. – Monies in the Fund shall first be used to meet the debt service obligations supported by the General Fund. In addition to meeting the debt service obligations supported by the General Fund, monies in the Fund may be used for the following purposes:

...

- (5) Up to 5% of the funds allocated for projects at the University of North Carolina authorized under subsection (1) and (2) of this section may be used by the University of North Carolina and its constituent institutions to provide time-limited support for construction management personnel.

...."

DEPARTMENT OF ADULT CORRECTION CAPITAL PROJECT ALLOWABLE USE

SECTION 40.9. Notwithstanding the Committee Report referenced in Section 40.2 of this act or any other provision of law to the contrary, the allocation to the Department of Adult Correction for project code DAC 23-1 Stun Fencing, may also be used for fire alarm and fire suppression systems replacement at eight facilities.

**DEPARTMENT OF MILITARY AND VETERANS AFFAIRS CAPITAL PROJECTS
CONSULTATION REQUIREMENT**

SECTION 40.10. G.S. 143C-8-12 reads as rewritten:

"§ 143C-8-12. Capital improvement projects from sources other than the General Fund.

(a) University Projects. – Notwithstanding any other provision of this Chapter, the Board of Governors of The University of North Carolina may approve any of the following:

- (1) Expenditures to plan a capital improvement project of The University of North Carolina, the planning for which is to be funded entirely with non-General Fund and non-State Capital and Infrastructure Fund monies.

(2) Expenditures for a capital improvement project of The University of North Carolina that is to be funded and operated entirely with non-General Fund and non-State Capital and Infrastructure Fund monies.

(3) A change in the scope of any previously approved capital improvement project of The University of North Carolina provided that both the project and change in scope are funded entirely with non-General Fund and non-State Capital and Infrastructure Fund monies.

Nothing in this subsection shall be construed to prohibit expenditures for planning for a project that has been authorized by an act of the General Assembly and funded with an allocation from the State Capital and Infrastructure Fund.

(b) Carryforward Funds. – For purposes of this section, the term "non-General Fund and non-State Capital and Infrastructure Fund monies" includes funds carried forward from one fiscal year to another pursuant to G.S. 116-30.3 and G.S. 116-30.3B. These funds shall only be used for projects listed in G.S. 143C-8-13(a).

(c) National Guard Projects. – Notwithstanding any other provision of this Chapter, the North Carolina National Guard may approve expenditures for a capital project of the North Carolina National Guard if (i) the project will be funded entirely with federal funds and (ii) any operating costs associated with the project will be paid entirely with federal funds.

(d) Department of Military and Veterans Affairs Projects - Notwithstanding any other provision in this Chapter, the Department of Military and Veterans Affairs may approve expenditures for a capital project of the Department if the project will be funded entirely with non-General Funds.

~~(d)(e)~~ Reporting. – The Board of Governors, the Department of Military and Veterans Affairs, and the National Guard shall report any expenditure made pursuant to this section to the Office of State Budget and Management and to the Joint Legislative Commission on Governmental Operations."

PART XLI. TRANSPORTATION

CASH FLOW HIGHWAY FUND AND HIGHWAY TRUST FUND APPROPRIATIONS

SECTION 41.1.(a) Subsections (b) and (c) of Section 41.1 of S.L. 2023-134 are repealed.

SECTION 41.1.(b) The General Assembly authorizes and certifies anticipated revenues for the Highway Fund as follows:

For Fiscal Year 2027-2028	\$ 3,495 million
For Fiscal Year 2028-2029	\$ 3,697 million
For Fiscal Year 2029-2030	\$ 3,750 million
For Fiscal Year 2030-2031	\$ 3,811 million
For Fiscal Year 2031-2032	\$ 3,878 million.

SECTION 41.1.(c) The General Assembly authorizes and certifies anticipated revenues for the Highway Trust Fund as follows:

For Fiscal Year 2027-2028	\$ 2,648 million
For Fiscal Year 2028-2029	\$ 2,750 million
For Fiscal Year 2029-2030	\$ 2,815 million
For Fiscal Year 2030-2031	\$ 2,893 million
For Fiscal Year 2031-2032	\$ 2,973 million.

SECTION 41.1.(d) The Department of Transportation, in collaboration with the Office of State Budget and Management, shall develop a 10-year revenue forecast. The 10-year revenue forecast developed under this subsection shall be used (i) to develop the five-year cash flow estimates included in the biennial budgets, (ii) to develop the Strategic Transportation

Improvement Program, and (iii) by the Department of the State Treasurer to compute transportation debt capacity.

CAPITAL, REPAIRS, AND RENOVATIONS

SECTION 41.2.(a) For the 2026-27 fiscal year, the funds appropriated in this act from the Highway Fund to the Department of Transportation for capital, repairs, and renovations shall be used as follows:

Capital – Highway Fund	FY 2026-27
Jones and Wake County Maintenance Yards Relocation	\$14,100,000
DMV High Need Driver License Office Expansion / Replacement	\$9,513,813

SECTION 41.2.(b) The Governor and General Assembly anticipate appropriating the following additional funds in the 2027-29 fiscal biennium to complete the projects set out in subsection (a) of this section:

Capital – Highway Fund	FY 2027-28	FY 2028-29
Jones and Wake County Maintenance Yards Relocation	\$58,500,000	\$19,500,000
DMV High Need Driver License Office Expansion / Replacement	\$9,513,813	-

TRANSPORTATION EMERGENCY RESERVE

SECTION 41.3.(a) Section 1H.1 of S.L. 2024-57 reads as rewritten:

"SECTION 1H.1. Of the funds appropriated to the Department of Transportation, the sum of one hundred twenty-five million dollars (\$125,000,000) from the Transportation Emergency Reserve shall be used for repair and reconstruction of transportation infrastructure in the affected area. Notwithstanding G.S. 136-44.2E(b) and G.S. 136-44.2E(f)(1), in the discretion of the Secretary of Transportation, the required transfer of funds from the Highway Fund to the Transportation Reserve may be delayed or suspended until ~~July 30, 2027~~ December 31, 2028. No other provision of G.S. 136-44.2E is affected by this section."

SECTION 41.3.(b) Section 1B.1.(b) of S.L. 2025-92 is repealed.

AMEND SAFETY INSPECTION FEE

SECTION 41.4 G.S. 20-183.7 reads as rewritten:

"§ 20-183.7. Fees for performing an inspection and issuing an electronic inspection authorization to a vehicle; use of civil penalties.

(a) Fee Amount. – When a fee applies to an inspection of a vehicle or the issuance of an electronic inspection authorization, the fee must be collected. The following fees apply to an inspection of a vehicle and the issuance of an electronic inspection authorization:

Type	Inspection	Authorization
Safety Only	\$12.75	— \$85 <u>\$2.00</u>
Emissions and Safety	23.75	6.25.

The fee for performing an inspection of a vehicle applies when an inspection is performed, regardless of whether the vehicle passes the inspection. The fee for an electronic inspection authorization applies when an electronic inspection authorization is issued to a vehicle. The fee for inspecting after-factory tinted windows shall be ten dollars (\$10.00), and the fee applies only to an inspection performed with a light meter after a safety inspection mechanic determined that the window had after-factory tint. A safety inspection mechanic shall not

inspect an after-factory tinted window of a vehicle for which the Division has issued a medical exception permit pursuant to G.S. 20-127(f).

A vehicle that is inspected at an inspection station and fails the inspection is entitled to be reinspected at the same station at any time within 60 days of the failed inspection without paying another inspection fee.

The inspection fee for an emissions and safety inspection set out in this subsection is the maximum amount that an inspection station or an inspection mechanic may charge for an emissions and safety inspection of a vehicle. An inspection station or an inspection mechanic may charge the maximum amount or any lesser amount for an emissions and safety inspection of a vehicle. The inspection fee for a safety only inspection set out in this subsection may not be increased or decreased. The authorization fees set out in this subsection may not be increased or decreased.

(b) Self-Inspector. – The fee for an inspection does not apply to an inspection performed by a self-inspector. The fee for issuing an electronic inspection authorization to a vehicle applies to an inspection performed by a self-inspector.

(c) Fee Distribution. – Fees collected for electronic inspection authorizations are payable to the Division of Motor Vehicles. The amount of each fee listed in the table below shall be credited to the Highway Fund, the Volunteer Rescue/EMS Fund established in G.S. 58-87-5, the Rescue Squad Workers' Relief Fund established in G.S. 58-88-5, and the Division of Air Quality of the Department of Environmental Quality:

Recipient	Safety Only Electronic Authorization	Emissions and Safety Electronic Authorization
Highway Fund	<u>.551.43</u>	5.30
Volunteer Rescue/EMS Fund	.18	.18
Rescue Squad Workers' Relief Fund	.12	.12
Division of Air Quality	<u>.00.27</u>	.65
..."		

FERRY CAPITAL SPECIAL FUND

SECTION 41.5 G.S. 136.82.(d) reads as rewritten:

"(d) Use of Toll Proceeds. – The Department of Transportation shall deposit the proceeds from tolls collected on North Carolina Ferry System routes and route-generated receipts authorized under subsection (f) of this section to fund codes within the Ferry Capital Special Fund for each of the Highway Divisions in which system terminals are located and fares are earned. For the purposes of this subsection, fares are earned based on the terminals from which a passenger trip originates and terminates. Commuter pass receipts shall be deposited proportionately to each fund code based on the distribution of trips originating and terminating in each Highway Division. ~~The proceeds deposited to each fund code shall be used exclusively for prioritized North Carolina Ferry System ferry passenger vessel replacement projects in the Division in which the proceeds are earned.~~ Proceeds deposited to each fund code may be used to fund ferry passenger vessel replacement projects or supplement funds allocated for ferry passenger vessel replacement projects approved in the Transportation Improvement Program, to fund vessel maintenance related to U.S. Coast Guard required Credit Dry Docks, and to fund vessel system retrofits and upgrades to extend the serviceable life of a vessel."

AUTHORIZE CARRYFORWARD OF FERRY FUNDS

SECTION 41.7 G.S. 136.82.(h) reads as rewritten:

"Transfer of Funds. – Notwithstanding G.S. 136-44.2(f), G.S. 136-44.2(f1), and any other provision of law to the contrary, beginning with the 2021-2022 fiscal year, no later than 45 days after the first day of the fiscal year, the Department of Transportation shall transfer from the Highway Fund to the Ferry Systemwide fund code within the Ferry Capital Special Fund all

unexpended and unencumbered funds appropriated to the Ferry Division's budget from the prior fiscal year. ~~Any funds categorized as unencumbered shall be deposited in the Ferry Systemwide fund code. Any funds categorized as encumbered shall be deposited into a specified fund code for encumbrances."~~

ELIGIBLE USES OF FERRY FEDERAL FORMULA FUNDS

SECTION 41.8 G.S. 136.189.11.(c) reads as rewritten:

"(c) Funds With Alternate Criteria. – The following federal program activities shall be included in the applicable category of the Transportation Investment Strategy Formula set forth in subsection (d) of this section but shall not be subject to the prioritization criteria set forth in that subsection:

...

(6) Ferry boat replacements and preservation."

AUTHORIZE ELECTRONIC PAYMENT TRANSACTION FEES FOR FERRIES

SECTION 41.9 G.S. 136.82 is amended by adding a new subsection to read:

"(b3) Transaction Fee Authorized for Electronic Payment. – When the Department of Transportation accepts electronic payment, as that term is defined in G.S. 147-86.20, for any toll or fee authorized under this Article, thr Department may add a transaction fee to each electronic payment transaction to offset the service charge the Department pays for electronic payment service. The transaction fee authorized under this subsection shall not exceed two percent (2%) of the electronic payment."

REALLOCATE SOUTH DOCK STACKING LANES APPROPRIATION

SECTION 41.10 Notwithstanding the Committee Report described in Section 43.2 of S.L. 2023-134 or any other provision of law, the sum of one million five hundred thousand dollars (\$1,500,000) in nonrecurring funds for the 2023-2024 fiscal year allocated to build stacking lanes and a concrete barrier on NC 12 at the South Dock Ferry Terminal on Ocracoke shall instead be used for ramp rehabilitation on the South Dock Ferry Terminal to address safety and reliability concerns.

PART XLII. FINANCE PROVISIONS

MAINTAIN PERSONAL INCOME TAX RATE

SECTION 42.1.(a) G.S. 105-153.7(a) reads as rewritten:

"§ 105-153.7. Individual income tax imposed.

(a) Tax. – A tax is imposed for each taxable year on the North Carolina taxable income of every individual. The tax shall be levied, collected, and paid annually. ~~Except as otherwise provided in subsection (a1) of this section, t~~The tax is a percentage of the taxpayer's North Carolina taxable income computed as follows:

Taxable Years Beginning	Tax
In 2022	4.99%
In 2023	4.75%
In 2024	4.5%
In 2025	4.25%
After 2025	3.99%."

SECTION 42.1.(b) G.S. 105-153.7.(a1) is repealed.

SECTION 42.1.(c) This section is effective for taxable years beginning on or after January 1, 2026.

MAINTAIN COMPETITIVE CORPORATE INCOME TAX RATE

SECTION 42.2.(a) G.S. 105-130.3 reads as rewritten:

"§ 105-130.3. Corporations

A tax is imposed on the State net income of every C Corporation doing business in this State. An S Corporation is not subject to the tax levied in this section. The tax is a percentage of the taxpayer's State net income computed as follows:

Taxable Years Beginning	Tax
In 2025	2.25%
In 2026 After 2025	2% 2%."
In 2028	1%
After 2029	0%

SECTION 42.2.(b) This section is effective for taxable years beginning on or after January 1, 2026.

ENACT BACK TO SCHOOL SALES AND USE TAX HOLIDAY

SECTION 42.3.(a) Part 3 of Article 5 of Chapter 105 of the General Statutes is amended by adding a new section to read:

"§ 105-164.13G. Educational sales and use tax holiday.

(a) The state and local taxes imposed by this Article do not apply to the following items of tangible personal property if sold between 12:01 AM on the first Friday of August and the 11:59PM the following Sunday:

- (1) Clothing with a sales price of one hundred dollars (\$100.00) or less per item.
- (2) School supplies with a sales price of one hundred dollars (\$100.00) or less per item.
- (3) Computers with a sales price of seven hundred and fifty dollars (\$750) or less per item.
- (3a) Computer supplies with a sales price of two hundred fifty dollars (\$250.00) or less per item.

(b) The exemption allowed by this section does not apply to the following:

- (1) Sales of clothing accessories or equipment.
- (2) Sales of protective equipment.
- (3) Sales of furniture.
- (4) Sales of an item for use in a trade or business.
- (5) Rentals.

(c) Hold Harmless. – The purpose of this section is to hold county and municipal governments harmless for the revenue losses resulting from the sales tax holiday established in this section (a) of this section. The amount each county may receive is determined as follows:

- (1) Distribution Amount. – The distribution amount is nine million three hundred thousand (\$9,300,000) for the fiscal year beginning July 1, 2026. For fiscal years beginning on or after July 1, 2027, the distribution amount is equal to the amount for the preceding year multiplied by 3.5% and rounded to the nearest one hundred thousand dollars (\$100,000).
- (2) County Allocation. – The Secretary shall, in October of each fiscal year, allocate to each taxing county the distribution amount on a per capita basis as calculated in G.S. 105-486(a). For the purposes of this section, "taxing county" means a county that levies the first one-half cent (1/2¢) local sales and use tax under Article 40 of this Chapter."

SECTION 42.3(b) This section is effective for fiscal years beginning on or after July 1, 2026.

ENACT WORKING FAMILIES TAX CREDIT

SECTION 42.4(a) G.S. 105-151.31 is reenacted as it existed immediately before its expiration and reads as rewritten:

"§ 105-151.31. ~~Earned Income~~Working Families Tax Credit

(a) Credit. An individual who claims for the taxable year an earned income tax credit under section 32 of the Code is allowed a credit against the tax imposed by this Part equal to a ~~percentage~~ ten percent (10%) of the amount of credit the individual qualified for under section 32 of the Code. A nonresident or part-year resident who claims the credit allowed by this section must reduce the amount of the credit by multiplying it by the fraction calculated under ~~G.S. 105-134.5(b) or (c)~~ G.S. 105.153.4(b) or (c), as appropriate. ~~The percentage is as follows:~~

_____ (1) ~~For taxable year 2013, four and one-half percent (4.5%).~~

_____ (2) ~~For all other taxable years, five percent (5%).~~

(b) Credit Refundable. If the credit allowed by this section exceeds the amount of tax imposed by this Part for the taxable year reduced by the sum of all credits allowable, the Secretary must refund the excess to the taxpayer. The refundable excess is governed by the provisions governing a refund of an overpayment by the taxpayer of the tax imposed in this Part. Section 3507 of the Code, Advance Payment of Earned Income Credit, does not apply to the credit allowed by this section. In computing the amount of tax against which multiple credits are allowed, nonrefundable credits are subtracted before refundable credits.

~~(c) Sunset. — this section is repealed for taxable years beginning on or after January 1, 2014."~~

SECTION 42.4(b) This section is effective for taxable years beginning on or after January 1, 2026.

REENACT MODIFIED CHILD AND DEPENDENT CARE TAX CREDIT

SECTION 42.5(a) G.S. 105-151.11 is reenacted as it existed immediately before its expiration, is recodified as G.S. 105-153.11, and reads as rewritten:

"§ 105-151.11. Credit for child care and certain employment-related expenses.

(a) Credit. — A person who is allowed a credit against federal income tax for a percentage of employment-related expenses under section 21 of the Code shall be allowed as a credit against the tax imposed by this Part an amount equal to ~~the applicable percentage~~ thirty percent (30%) of the amount of the credit provided for in Section 21 of the ~~Code~~ Code, except as reduced by the percentage reduction in subsection (c), which is claimed and allowed pursuant to the Internal Revenue Code. To claim the credit allowed by this section, the taxpayer must provide with the tax return the information required by the Secretary of Revenue.

~~(a1) Applicable Percentage. — For employment-related expenses that are incurred only with respect to one or more dependents who are seven years old or older and are not physically or mentally incapable of caring for themselves, the applicable percentage is the appropriate percentage in the column labeled "Percentage A" in the table below, based on the taxpayer's adjusted gross income determined under the Code. For employment-related expenses with respect to any other qualifying individual, the applicable percentage is the appropriate percentage in the column labeled "Percentage B" in the table below, based on the taxpayer's adjusted gross income determined under the Code.~~

Filing Status	Adjusted Gross Income	Percentage A	Percentage B
Head of Household	Up to \$20,000	9%	13%
	Over \$20,000 up to \$32,000	8%	11.5%
	Over \$32,000	7%	10%
Surviving Spouse or			

Joint Return	Up to \$25,000	9%	13%
	Over \$25,000		
	up to \$40,000	8%	11.5%
	Over \$40,000	7%	10%
Single	Up to \$15,000	9%	13%
	Over \$15,000		
	up to \$24,000	8%	11.5%
	Over \$24,000	7%	10%
Married Filing Separately	Up to \$12,500	9%	13%
	Over \$12,500		
	up to \$20,000	8%	11.5%
	Over \$20,000	7%	10%

(b) Employment Related Expenses. – The amount of employment-related expenses for which a credit may be claimed may not exceed three thousand dollars (\$3,000) if the taxpayer's household includes one qualifying individual, as defined in section 21(b)(1) of the Code, and may not exceed six thousand dollars (\$6,000) if the taxpayer's household includes more than one qualifying individual. The amount of employment-related expenses for which a credit may be claimed is reduced by the amount of employer-provided dependent care assistance excluded from gross income.

(c) Phaseout. – The credit allowed by this section shall be reduced by a percentage listed below, rounded to the nearest percentage point, based on the taxpayer's adjusted gross income as calculated under the Code:

<u>Filing Status</u>	<u>For AGI Exceeding</u>	<u>Percentage Reduction</u>
Married, filing jointly	\$150,000	The lesser of 100% or
	$[(\text{Taxpayer's AGI} - \$150,000) / \$50,000]$	
Head of Household	\$112,500	The lesser of 100% or
	$[(\text{Taxpayer's AGI} - \$112,500) / \$37,500]$	
Single or Married, Filing Separately	\$75,000	The lesser of 100% or
	$[(\text{Taxpayer's AGI} - \$75,000) / \$25,000]$	

(e)(d) Limitations. – A nonresident or part-year resident who claims the credit allowed by this section shall reduce the amount of the credit by multiplying it by the fraction calculated under G.S. 105-134.5(b) or (e), G.S. 105-153.4(b) or (c), as appropriate. No credit shall be allowed under this section for amounts deducted in calculating North Carolina taxable income. The credit allowed by this section may not exceed the amount of tax imposed by this Part for the taxable year reduced by the sum of all credits allowable, except for payments of tax made by or on behalf of the taxpayer.

(e) Credit Refundable. – If the credit allowed by this section exceeds the amount of tax imposed by this Part for the taxable year reduced by the sum of all credits allowable, the Secretary must refund the excess to the taxpayer. The refundable excess is governed by the provisions governing a refund of an overpayment by the taxpayer of the tax imposed in this Part. In

1 computing the amount of tax against which multiple credits are allowed, nonrefundable credits
2 are subtracted before refundable credits."

3 **SECTION 42.5.(b)** This section is effective for taxable years beginning on or after
4 January 1, 2026.

5
6 **INCREASE THE STANDARD DEDUCTION**

7 **SECTION 42.6.(a)** G.S. 105-153.5(a)(1) reads as rewritten:

8 "(1) Standard deduction amount. – The standard deduction amount is zero for a
9 person who is not eligible for a standard deduction under section 63 of the
10 Code. For all other taxpayers, the standard deduction amount is equal to the
11 amount listed in the table below based on the taxpayer's filing status:

Filing Status	Standard Deduction
Married, filing jointly/surviving spouse	\$25,500 <u>\$26,500</u>
Head of Household	19,125 <u>19,875</u>
Single	12,750 <u>13,250</u>
Married, filing separately	12,750 <u>13,250</u> . "

12
13
14
15
16
17 **SECTION 42.6.(b)** This section is effective for taxable years beginning on or after
18 January 1, 2027.

19
20 **PART XLIII. MISCELLANEOUS**

21
22 **STATE BUDGET ACT APPLIES**

23 **SECTION 43.1.** The provisions of the State Budget Act, Chapter 143C of the
24 General Statutes, are reenacted and shall remain in full force and effect and are incorporated in
25 this act by reference.

26
27 **APPROPRIATIONS LIMITATIONS AND DIRECTIONS APPLY**

28 **SECTION 43.2.** Except where expressly repealed or amended by this act, the
29 provisions of any legislation enacted during the 2025 Regular Session of the General Assembly
30 affecting the State budget shall remain in effect.

31
32 **MOST TEXT APPLIES ONLY TO THE 2026-2027 FISCAL year**

33 **SECTION 43.3.** Except for statutory changes or other provisions that clearly
34 indicate an intention to have effects beyond the 2026-2027 fiscal year, the textual provisions of
35 this act apply only to funds appropriated for, and activities occurring during, the 2026-2027 fiscal
36 biennium.

37
38 **EFFECT OF HEADINGS**

39 **SECTION 43.4.** The headings to the Parts, Subparts, and sections of this act are a
40 convenience to the reader and are for reference only. The headings do not expand, limit, or define
41 the text of this act, except for effective dates referring to a Part or Subpart.

42
43 **SEVERABILITY CLAUSE**

44 **SECTION 43.5.** If any section or provision of this act is declared unconstitutional
45 or invalid by the courts, it does not affect the validity of this act as a whole or any part other than
46 the part so declared to be unconstitutional or invalid.

47
48 **EFFECTIVE DATE**

49 **SECTION 43.6.** Except as otherwise provided, this act is effective July 1, 2026.