



HOUSE BILL 125: Continuing Budget Operations.

2025-2026 General Assembly

Committee:	Senate Appropriations/Base Budget	Date:	June 23, 2025
Analysis of:	PCS to First Edition H125-CSNEa-7	Prepared by:	Lisa Wilks Bryan Hedrick Committee Staff*

OVERVIEW: *The Proposed Committee Substitute (PCS) for House Bill 125 amends the procedure for budget continuations pursuant to G.S. 143C-5-4 for the 2025-2027 fiscal biennium and makes other changes in the budget operations of the State.*

CURRENT LAW: G.S. 143C-5-4 is the statute that sets forth the budget enactment deadline; and the procedures to be followed when the Current Operations Appropriations Act does not become law prior to the end of certain fiscal years.

BILL ANALYSIS: The PCS does the following:

- **Section 1.1** transfers \$1.14B NR to the Savings Reserve for the 2025-2026 fiscal year.
- **Section 1.2** reduces funds in the future building reserves by \$42.2M R for each year of the 2025-2027 fiscal biennium.
- **Section 2.1** transfers \$40M NR from the State Emergency Response and Disaster Relief Fund (SERDRF) for the 2025-2026 fiscal year to the State Match Fund and appropriates those funds to DPS – Division of Emergency Management for the non-federal share for FEMA qualifying disaster recovery programs prior to Hurricane Helene.
- **Section 2.2** transfers \$20M NR from the SERDRF for the 2025-2026 fiscal year to the OSBM Disaster Relief Reserve and appropriates those funds for Robeson County for State matching requirements for federal funding for the Lumber River Basin Coalition waterway restoration project to mitigate damage from Potential Tropical Cyclone #8 and Tropical Storm Debby; and requires unspent funds to revert to the Savings Reserve on June 30, 2027.
- **Section 3.1** provides funds to the Community Colleges System Office to account for increased enrollment in the community colleges of the State.
- **Section 3.2** provides funds to the Department of Public Instruction for public school enrollment adjustments and other technical adjustments.
- **Section 3.3** provides funds to constituent institutions of The University of North Carolina to account for increased enrollment.
- **Section 3.4** provides funds to the Board of Governors of The University of North Carolina to account for increased enrollment at constituent institutions participating in the NC Promise Tuition Plan.

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- **Section 3.5** provides funds to the Department of Public Instruction to account for increases in enrollment in growing public school units in the State.
- **Section 3.6** provides funds to the Department of Public Instruction for the transition to a new student information system.
- **Section 3.7** provides funds to the Board of Governors of The University of North Carolina for the operation and maintenance of completed capital projects at certain constituent institutions.
- **Section 3.8** permits the State Education Assistance Authority to reallocate unencumbered funds from the private need-based scholarships for scholarships for the children of wartime veterans.
- **Section 3.9** provides funds to the Community Colleges System Office to be allocated to Wilson Community College for the operation of its biologics training center.
- **Section 3.10** provides funds to the Board of Governors of The University of North Carolina for tuition grants for increased eligible high school graduates of the North Carolina School of Science and Mathematics and the University of North Carolina School of the Arts.
- **Section 3.11** instructs the Department of Public Instruction to use lapsed salaries to cover the cost of legal counsel and other expenses for the charter schools review board.
- **Section 3.12** establishes the Rural Residency Medical Education and Training Fund as a nonreverting special fund to support training and residency programs at medical schools and health affairs programs operated by constituent institutions of The University of North Carolina.
- **Section 3.13** allocates funds from the Education Lottery Fund for various purposes, reduces appropriations from the Escheat Fund and the General Fund for the Longleaf Commitment Community College Grant Program, and makes funding source adjustments without changing the overall program requirements for the Children of Wartime Veterans Scholarship, the Need-Based Scholarship for Public Colleges and Universities, and public school transportation.
- **Section 3.14** permits eligible constituent institutions of The University of North Carolina to carryforward enrollment loss mitigation funds that were appropriated in the 2024-2025 fiscal year until the end of the 2025-2026 fiscal year.
- **Section 4.1** provides \$640M R for each year of the 2025-2027 fiscal biennium for the Medicaid rebase.
- **Section 4.2** requires the gross premiums tax revenue amounts that are used to pay for the State share of costs of NC Health Works Medicaid coverage to be transferred from the Department of Revenue to a Special Fund in the Department of Health and Human Services rather than to the General Fund.
- **Section 4.3** appropriates \$12.2M R for each year of the 2025-2027 fiscal biennium to DHHS/Division of Central Management & Support to provide increased funding for implementation of the Transitions to Community Living Initiative (TCLI) Plan designed to achieve compliance with the 2012 U.S. Department of Justice Settlement; and requires a portion of these funds to be used to support one full-time Olmstead Associate Director position.
- **Section 4.4** provides \$49.2M R and \$34.4M NR for each year of the 2025-2027 fiscal biennium for Medicaid managed care administration.
- **Section 4.5** appropriates \$1.8M R for each year of the 2025-2027 fiscal biennium for statewide operations and maintenance of the new Partnership and Technology Hub (PATH NC) child welfare information technology system.
- **Section 4.6** accounts for Medicaid receivables as nontax revenue.
- **Section 4.7** repeats a requirement for local management entity/managed care organization (LME/MCOs) to make recurring intergovernmental transfers to the Division of Health Benefits, with updates to reflect realignment of counties among the LME/MCOs.

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- **Section 4.8** provides \$30M NR in the 2025-2026 fiscal year to continue the Healthy Opportunities Pilots program in current pilot counties.
- **Section 4.9** extends, until June 30, 2031, (was 2026) the requirement for Medicaid prepaid health plans to reimburse pharmacy providers for the ingredient cost for covered outpatient drugs and the professional drug dispensing fee at 100% of the reimbursement that is paid under fee-for-service Medicaid.
- **Section 4.10** repeals the Prescription Digital Therapeutics Pilot program authorized in the 2022 Appropriations Act and directs the return of \$1.85M of opioid settlement funds appropriated for that pilot program back to the Opioid Abatement Reserve; reduces recurring appropriations for DHHS/Division of Mental Health, Developmental Disabilities, and Substance Use Services (DMH/DD/SUS) for Single Stream Funding by \$14M for each year of the 2025-2027 fiscal biennium; and offsets this reduction by transferring and appropriating \$14M R to the DMH/DD/SUS from the Opioid Abatement Reserve.
- **Section 4.11** appropriates \$1M NR to the DMH/DD/SUS for the 2025-2026 fiscal year to purchase 8-milligram intranasal opioid antagonist, to reverse the effects of opioid overdose.
- **Section 5.1** appropriates R and NR funds from the General Fund to the Department of Natural and Cultural Resources for operating reserves at the NC Zoo, Ft. Fisher Aquarium, Ft. Fisher State Historic Site, NC Transportation Museum, and various State trails, parks, and natural areas.
- **Section 5.2** revises the grant of authority to the Department of Environmental Quality to adjust certain fees and rates collected by the Department to allow biennial rather than quadrennial adjustments and to require that the Department consider legislative fee changes enacted during the previous biennium in determining the statutorily required fee and rate adjustments.
- **Section 5.3** appropriates funds to the Department of Agriculture and Consumer Services for meat inspections.
- **Section 5.4** appropriates funds to the Department of Agriculture and Consumer Services for avian flu response.
- **Section 5.5** authorizes the Environmental Management Commission to employ its own staff and appropriates funds to the Commission to do so.
- **Section 5.6** provides an exemption from certain rule adoption requirements in the Administrative Procedures act for certain wastewater permitting modernization rules mandated in S.L. 2024-44.
- **Section 5.7** provides funding for an update to the State's Beach and Inlet Management Plan and codifies the 2000 legislative enactment that required the creation of the Plan.
- **Section 5.8** provides \$252M in economic development funds for the 2025-2027 fiscal biennium and funding eligibility and reporting requirements for the JetZero project in Guilford County.
- **Section 5.9** reduces by \$5M R for each year of the 2025-2027 fiscal biennium for the Division of Community Revitalization in the Department of Commerce.
- **Section 5.10** provides \$250M NR from the Stabilization and Inflation Reserve for Department of Agriculture and Consumer Services crop loss programs for non-Helene agricultural disasters.
- **Section 5.11** provides nonrecurring funds for a Sunday opening pilot program at certain State Historic Sites managed by the Department of Natural and Cultural Resources.
- **Section 6.1** provides \$4.5M R, \$10M NR for the 2025-2026 fiscal year, and \$5M NR for the 2026-2027 fiscal year to the Private Assigned Counsel Fund to address a funding shortfall.
- **Section 6.2** provides \$6.28M NR for each year of the 2025-2027 fiscal biennium to AOC to hire time-limited tech and business process positions related to eCourts implementation.
- **Section 6.3** provides \$2.9M R to the State Highway Patrol to be used to maintain and operate the VIPER network, rectifying an operating shortfall.

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- **Section 6.4** sets out the parameters for how funds appropriated for school safety grants may be used in the 2025-2027 fiscal biennium.
- **Section 6.5** extends the reversion date for funds previously appropriated for an artificial intelligence pilot, redirects a directed grant for that pilot from New Hanover County schools to Alamance-Burlington schools, and extends the reversion date for funds previously appropriated for school safety grants.
- **Section 6.6** appropriates \$1.4M R to the SBI to use for the creation of 10 nonsworn administrative positions to support the Bureau.
- **Section 6.7** provides \$3M R to the State Highway Patrol to be used to hire 26 full-time nonsworn administrative positions.
- **Section 7.1** provides funds to support the operating costs of the OFSM's Emergency Training Center in Stanly County.
- **Section 7.2** provides funds for the purpose of covering increased expenditures related to the State's reinsurance policy.
- **Section 7.3** provides funds to the Department of Revenue for IT contract increases, software and hardware upgrades, to maintain the Department's current IT operations, and to comply with IRS service requirements.
- **Section 7.4** provides funds to the Department of Revenue to make critical software and hardware updates and to perform other necessary maintenance to keep the tax system operational.
- **Section 7.5** authorizes the Department of the State Treasurer to use Retirement Systems' assets to cover the costs of transitioning retirement system data from on-premises servers to cloud-based storage. (ORBIT).
- **Section 7.6** authorizes the Department of the State Treasurer to charge to the income or assets of the funds and programs using the banking operations of the Department the costs of upgrading software for and support ongoing maintenance of the State banking system.
- **Section 7.7** establishes the Division of Accountability, Value, and Efficiency in the Department of the State Auditor.
- **Section 7.8** receipts and appropriates 2024 federal fiscal year HAVA funds for use by SBE for both (i) continued funding for equipment and software for critical IT operations and ((ii) IT and regional support positions.
- **Section 7.9** subsection (a), provides funds for seven new exempt positions in SBE; and subsection (b) amends the relevant statute to provide that SBE is authorized to designate a total of 10 exempt positions, managerial and policymaking, including the 7 new positions authorized in subsection (a) of this section.
- **Section 7.10** provides funds to SBE to make 3 temporary positions permanent.
- **Section 7.11** provides funds to SBE for future litigation needs. The funds shall not revert but shall remain available until expended.
- **Section 7.12** authorizes SBE to retain private counsel.
- **Section 7.13** provides \$1M R to the Office of the State Fire Marshal for each year of the 2025–2027 biennium to cover higher costs from leasing new office space.
- **Section 7.14** authorizes the State Fire and Rescue Commission to conduct contested-case hearings internally under the Administrative Procedures Act.
- **Section 7.15** authorizes the Home Inspector Licensure Board to specify, by rule, licensing program educational course criteria. Subsection (b) permits the Board to impose a fee, not to exceed \$200, for an online examination.
- **Section 7.16** exempts the manufactured home manufacturers and dealers from the car-dealership laws that require a dedicated showroom in North Carolina and a separate license for every location.

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- **Section 7.17** clarifies that the electrical wiring of a structure must conform specifically to the North Carolina Electrical Code before power is supplied.
- **Section 7.18** authorizes the Office of the State Fire Marshal to charge registration fees for advanced courses at its Emergency Training Center, equivalent to community college tuition.; and allows the Office of the State Fire Marshal to waive these fees for a wide range of public safety personnel, departments, and high school students within the State.
- **Section 7.19** provides \$300,000 R for each year of the 2025-2027 fiscal biennium to the Office of the State Fire Marshal to hire three administrative positions for budgetary and human resources support.
- **Section 7.20** directs the Office of State Budget and Management to give the Office of the State Fire Marshal its own budget code.
- **Section 7.21** provides \$473,000 R for each year of the 2025-2027 fiscal biennium for three full-time positions, including salaries and benefits, to handle the work of the Residential Code Council.
- **Section 7.22** reduces by \$5M R for each year of the 2025-2027 fiscal biennium the funds appropriated to the Future Building Reserves which were transferred to GROW NC.
- **Section 7.23** increases the number of members appointed to the America's Semiquincentennial Committee by the PPT and Speaker from three to four and clarifies the duties and responsibilities of the Committee.
- **Section 7.24** provides \$750,000 NR for the 2025-2026 fiscal year to the Military Affairs Commission to support the Commission's operations.
- **Section 8.1** makes changes to the Broadband Pole Replacement Program to expand eligible recipients and activities eligible for reimbursement.
- **Section 8.2** makes changes to the State B.E.A.D. broadband deployment law to reflect recent changes to federal guidelines governing the administration of the program at the State level.
- **Section 9.1** appropriates funds from the General Fund to support the costs associated with employee benefits under Part IX of this act.
- **Section 9.2** transfers funds from the Insurance Regulatory Fund to the General Fund to support the employee benefits under Part IX of this act.
- **Section 9.3** allows, for the duration of the period of continuing budget authority, certain State employees and public-school personnel to move through salary schedules and to receive step increases and other applicable compensation, including bonuses for principals and bonuses and salary supplements for teachers; and also extends the setting of salaries of State employees accounted for under various sections of the 2023 Current Operations Act, S.L. 2023-134.
- **Section 9.4** allows, for the duration of the period of continuing budget authority, a State agency to implement salary adjustments so long as specified requirements are met.
- **Section 9.5** contains requirements that ensure the appropriations specified for employee benefits be used only for employee benefits.
- **Section 9.6** sets the employer salary-related contributions for the 2025-2026 fiscal year for State employees; specifically, subsection (d) codifies the ability of the Department of State Treasurer to use up to 0.01% of the employer contributions for benefits payable under the Qualified Excess Benefit Arrangement.
- **Section 10.1** appropriates funding to State agencies and UNC for ongoing capital improvement projects and for repairs and renovations projects.
- **Section 10.2** authorizes State agencies to use receipts for certain listed capital improvement projects that do not receive General Fund or SCIF monies.
- **Section 10.3** expands the use of previously appropriated SCIF funds for capital improvement projects at the Department of Adult Correction and the NC Forest Service.

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- **Section 11.1** provides the forecast of Highway Fund and Highway Trust Fund cashflow for purposes of Department of Transportation project planning and contracting.
- **Section 11.2** appropriates funds to the Department of Transportation (DOT) for the creation of 40 new Driver License Examiner positions in the 2025-2026 fiscal year and 21 new Driver License Examiner positions in the 2026-2027 fiscal year; and gives DOT flexibility to use existing funds or reclassify existing temporary/vacant positions in creating the new positions.
- **Section 11.3** appropriates funds for the relocation of Wake County and Jones County maintenance yards.
- **Section 11.4** appropriates funds for marine vessel maintenance and repairs to satisfy U.S. Coast Guard dry dock requirements.
- **Section 11.5** requires the Ferry Division to submit a report to the Joint Legislative Transportation Oversight Committee and the Fiscal Research Division on the use of dry docking funds.
- **Sections 12.1 & 12.2** reflect miscellaneous boilerplate provisions.

EFFECTIVE DATE: **Section 12.3**, except as otherwise provided, makes the PCS for HB 125 effective July 1, 2025.

**Staff Attorneys with the Legislative Drafting Division substantially contributed to this summary.*